

HEWLETT PACKARD CO (HPQ)

10-K

Annual report pursuant to section 13 and 15(d)

Filed on 12/15/2010

Filed Period 10/31/2010

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended October 31, 2010

Or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 1-4423

HEWLETT-PACKARD COMPANY

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

94-1081436

(I.R.S. employer
identification no.)

3000 Hanover Street, Palo Alto, California

(Address of principal executive offices)

94304

(Zip code)

Registrant's telephone number, including area code: **(650) 857-1501**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Common stock, par value \$0.01 per share

Name of each exchange on which registered

New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the registrant's common stock held by non-affiliates was \$121,784,010,000 based on the last sale price of common stock on April 30, 2010.

The number of shares of HP common stock outstanding as of November 30, 2010 was 2,190,425,610 shares.

DOCUMENTS INCORPORATED BY REFERENCE

<u>DOCUMENT DESCRIPTION</u>	<u>10-K PART</u>
Portions of the Registrant's proxy statement related to its 2011 Annual Meeting of Stockholders to be filed pursuant to Regulation 14A within 120 days after Registrant's fiscal year end of October 31, 2010 are incorporated by reference into Part III of this Report.	III

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Hewlett-Packard Company

Form 10-K

For the Fiscal Year Ended October 31, 2010

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Forward-Looking Statements

This Annual Report on Form 10-K, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7, contains forward-looking statements that involve risks, uncertainties and assumptions. If the risks or uncertainties ever materialize or the assumptions prove incorrect, the results of Hewlett-Packard Company and its consolidated subsidiaries ("HP") may differ materially from those expressed or implied by such forward-looking statements and assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements, including but not limited to any projections of revenue, margins, expenses, earnings, earnings per share, tax provisions, cash flows, benefit obligations, share repurchases, currency exchange rates, the impact of acquisitions or other financial items; any statements of the plans, strategies and objectives of management for future operations, including execution of cost reduction programs and restructuring plans; any statements concerning the expected development, performance or market share relating to products or services; any statements regarding current or future macroeconomic trends or events and the impact of those trends and events on HP and its financial performance; any statements regarding pending investigations, claims or disputes; any statements of expectation or belief; and any statements of assumptions underlying any of the foregoing. Risks, uncertainties and assumptions include the impact of macroeconomic and geopolitical trends and events; the competitive pressures faced by HP's businesses; the development and transition of new products and services (and the enhancement of existing products and services) to meet customer needs and respond to emerging technological trends; the execution and performance of contracts by HP and its suppliers, customers and partners; the protection of HP's intellectual property assets, including intellectual property licensed from third parties; integration and other risks associated with business combination and investment transactions; the hiring and retention of key employees; assumptions related to pension and other post-retirement costs; expectations and assumptions relating to the execution and timing of cost reduction programs and restructuring plans; the resolution of pending investigations, claims and disputes; and other risks that are described herein, including but not limited to the items discussed in "Risk Factors" in Item 1A of this report, and that are otherwise described or updated from time to time in HP's Securities and Exchange Commission reports. HP assumes no obligation and does not intend to update these forward-looking statements.

PART I

ITEM 1. Business.

HP is a leading global provider of products, technologies, software, solutions and services to individual consumers, small- and medium-sized businesses ("SMBs") and large enterprises, including customers in the government, health and education sectors. Our offerings span:

- multi-vendor customer services, including infrastructure technology and business process outsourcing, technology support and maintenance, application development and support services and consulting and integration services;
- enterprise information technology infrastructure, including enterprise storage and server technology, networking products and solutions, information management software and software that optimizes business technology investments;
- personal computing and other access devices; and
- imaging and printing-related products and services.

HP was incorporated in 1947 under the laws of the State of California as the successor to a partnership founded in 1939 by William R. Hewlett and David Packard. Effective in May 1998, we changed our state of incorporation from California to Delaware.

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HP Products and Services; Segment Information

Our operations are organized into seven business segments: Services, Enterprise Storage and Servers ("ESS"), HP Software, the Personal Systems Group ("PSG"), the Imaging and Printing Group ("IPG"), HP Financial Services ("HPFS"), and Corporate Investments. Services, ESS and HP Software are reported collectively as a broader HP Enterprise Business. While the HP Enterprise Business is not an operating segment, we sometimes provide financial data aggregating the segments within it in order to provide a supplementary view of our business. In each of the past three fiscal years, notebooks, desktops and printing supplies each accounted for more than 10% of our consolidated net revenue. In fiscal 2009 and 2010, infrastructure technology outsourcing also accounted for more than 10% of our consolidated net revenue.

A summary of our net revenue, earnings from operations and assets for our segments and business units is found in Note 19 to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference. A discussion of factors potentially affecting our operations is set forth in "Risk Factors" in Item 1A, which is incorporated herein by reference.

HP Enterprise Business

The HP Enterprise Business provides servers, storage, software and information technology ("IT") services that enable enterprise and midmarket business customers to better manage their current IT environments and transform IT into a business enabler. HP Enterprise Business products, software and services help accelerate growth, minimize risk and reduce costs to optimize the business value of customers' IT investments. Companies around the globe leverage HP's infrastructure solutions to deploy next generation data centers and address business challenges ranging from compliance to business continuity. The HP Enterprise Business's modular IT systems and services are primarily standards-based and feature differentiated technologies in areas including power and cooling, unified management, security, virtualization and automation. Each of the three financial reporting segments within the HP Enterprise Business are described in detail below.

Services

Services provides consulting, outsourcing and technology services across infrastructure, applications and business process domains. Services delivers to its clients by leveraging investments in consulting and support professionals, infrastructure technology, applications, standardized methodologies, and global supply and delivery. Our services businesses also create opportunities for us to sell additional hardware units by offering solutions that encompass both products and services. Services is divided into four main business units: infrastructure technology outsourcing, technology services, applications services and business process outsourcing.

Infrastructure Technology Outsourcing. Infrastructure technology outsourcing delivers comprehensive services that streamline and optimize our clients' infrastructure to efficiently enhance performance, reduce costs, mitigate risk and enable business change. These services encompass the data center and the workplace (desktop); network and communications; and security, compliance and business continuity. We also offer a set of managed services, providing a cross-section of our broader infrastructure services for smaller discrete engagements.

Technology Services. HP provides consulting and support services, as well as warranty support across HP's product lines. HP specializes in keeping technology running with mission critical services, converged infrastructure services, networking services, data center transformation services and infrastructure services for storage, server and unified communication environments. HP's technology services offerings are available in the form of service contracts, pre-packaged offerings (HP Care Pack services) or on an individual basis.

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Application Services. Applications services help clients revitalize and manage their applications assets through flexible, project-based, consulting services and longer-term outsourcing contracts. These full life cycle services encompass application development, testing, modernization, system integration, maintenance and management. Applications projects open doors to new infrastructure technology outsourcing and business process outsourcing opportunities and represent attractive cross-selling opportunities to current HP clients.

Business Process Outsourcing. Business process outsourcing is powered by a platform of underlying infrastructure technology, applications and standardized methodologies and is supplemented by IT experience and in-depth, industry-specific knowledge. These services encompass both industry-specific and cross-industry solutions. Our cross-industry solutions include a broad array of enterprise shared services, customer relationship management services, financial process management services and administrative services.

Enterprise Storage and Servers

The server market continues to shift towards standards-based architectures as proprietary hardware and operating systems are replaced by industry standard server platforms that typically offer compelling price and performance advantages by leveraging standards-based operating systems and microprocessor designs. At the same time, critical business functions continue to demand scalability and reliability. By providing a broad portfolio of storage and server solutions, ESS aims to optimize the combined product solutions required by different customers and provide solutions for a wide range of operating environments, spanning both the enterprise and the SMB markets. ESS provides storage and server products in a number of categories.

Industry Standard Servers. Industry standard servers include primarily entry-level and mid-range ProLiant servers, which run primarily Windows®, Linux and Novell operating systems and leverage Intel Corporation ("Intel") and Advanced Micro Devices ("AMD") processors. The business spans a range of product lines that include pedestal-tower servers, density-optimized rack servers and HP's BladeSystem family of server blades. In fiscal 2010, HP's industry standard server business continued to lead the industry in terms of units shipped and revenue. HP also has a leadership position in server blades, the fastest growing segment of the market.

Business Critical Systems. Business Critical Systems include HP Integrity servers based on the Intel® Itanium®-based processor that run HP-UX, Windows and OpenVMS operating systems, as well as fault-tolerant HP Integrity NonStop solutions. Business Critical Systems also include HP's scale-up x86 ProLiant servers with more than four processors. In addition, HP continues to support the HP9000 servers and HP AlphaServers with compelling offers available to upgrade these legacy systems to current HP Integrity systems. During 2010, we introduced new Integrity blade servers and the Superdome 2 server solution based on the BladeSystem architecture.

Storage. HP's StorageWorks offerings include entry-level, mid-range and high-end arrays, storage area networks, network attached storage, storage management software and virtualization technologies, as well as StoreOnce data deduplication solutions, tape drives, tape libraries and optical archival storage.

HP Software

HP Software is a leading provider of enterprise and service-provider software and services. Our portfolio consists of:

Enterprise IT management software. Enterprise IT management solutions, including support and professional services, allow customers to manage IT infrastructure, operations, applications, IT services, and business processes. These solutions also include tools to automate data center operations and IT

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processes. We market them as the HP business technology optimization suite, and we deliver them in the form of traditional software licenses and, in some cases, via a software-as-a-service distribution model.

Information management and business intelligence solutions. Our information management and business intelligence solutions include information data strategy, enterprise data warehousing, data integration, data protection, archiving, compliance, e-discovery and records management products. These solutions enable businesses to extract more value from their structured and unstructured information.

Communications and media solutions. Our communications and media industry solutions address the creation, delivery and management of consumer and enterprise communications services, with offerings in service delivery infrastructure and applications, real-time business support systems, next-generation operations support systems and digital media. These solutions enable operators, media companies, and network equipment providers to drive incremental revenue, enable new business models and reduce infrastructure costs.

Personal Systems Group

PSG is the leading provider of personal computers ("PCs") in the world based on unit volume shipped and annual revenue. PSG provides commercial PCs, consumer PCs, workstations, handheld computing devices, calculators and other related accessories, software and services for the commercial and consumer markets. We group commercial desktops, commercial notebooks and workstations into commercial clients and consumer desktop and consumer notebooks into consumer clients when describing our performance in these markets. Like the broader PC market, PSG continues to experience a shift toward mobile products such as notebooks. Both commercial and consumer PCs are based predominately on the Windows operating system and use Intel and AMD processors.

Commercial PCs. Commercial PCs are optimized for commercial uses, including enterprise and small-and medium- sized business ("SMB") customers, and for connectivity and manageability in networked environments. Commercial PCs include HP Compaq, HP Pro and HP Elite lines of business desktops and notebooks, as well as the All in One TouchSmart and Omni PCs, HP Mini-Note PCs, HP Blade PCs, Retail POS systems and HP TwinClients.

Consumer PCs. Consumer PCs include the HP and Compaq series of multi-media consumer desktops, notebooks and mini notebooks, including the TouchSmart line of touch-enabled all-in-one desktops and notebooks.

Workstations. Workstations are individual computing products designed for users demanding enhanced performance, such as computer animation, engineering design and other programs requiring high-resolution graphics. PSG provides workstations that run on both Windows® and Linux-based operating systems.

Handheld Computing. PSG provides a series of HP iPAQ Pocket PC handheld computing devices that run on Windows Mobile® software. These products range from basic PDAs to advanced "smartphone" devices with voice and data capability.

Imaging and Printing Group

IPG provides consumer and commercial printer hardware, printing supplies, printing media and scanning devices. IPG is also focused on imaging solutions in the commercial markets. These solutions range from managed print services solutions to addressing new growth opportunities in commercial printing and capturing high-value pages in areas such as industrial applications, outdoor signage, and the graphic arts business.

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Inkjet and Web Solutions. Inkjet and web solutions include HP's consumer and SMB inkjet solutions (hardware, supplies, and media) and HP's retail and web businesses. These solutions include single function and all-in-one inkjet printers targeted toward consumers and SMBs as well as retail publishing solutions, Snapfish, and Logoworks.

LaserJet and Enterprise Solutions. LaserJet and enterprise solutions include LaserJet printers and supplies, multi-function printers ("MFDs"), scanners, and enterprise software solutions such as Exstream Software and Web Jetadmin.

Managed Enterprise Solutions. Managed enterprise solutions include managed print services products and solutions delivered to enterprise customers partnering with third-party software providers to offer workflow solutions in the enterprise environment.

Graphics Solutions. Graphics solutions include large format printing (Designjet and Scitex), large format supplies, WebPress supplies, Indigo printing, specialty printing systems and inkjet high-speed production solutions.

Printer Supplies. Printer supplies include LaserJet toner and inkjet printer cartridges, graphic solutions ink products and other printing-related media.

HP Financial Services

HPFS supports and enhances HP's global product and service solutions, providing a broad range of value-added financial life cycle management services. HPFS enables our worldwide customers to acquire complete IT solutions, including hardware, software and services. The group offers leasing, financing, utility programs and asset recovery services, as well as financial asset management services for large global and enterprise customers. HPFS also provides an array of specialized financial services to SMBs and educational and governmental entities. HPFS offers innovative, customized and flexible alternatives to balance unique customer cash flow, technology obsolescence and capacity needs.

Corporate Investments

Corporate Investments includes Hewlett-Packard Laboratories, also known as HP Labs, network infrastructure products, mobile devices associated with the Palm acquisition, and certain business incubation projects. Revenue in this segment is attributable to the sale of certain network infrastructure products, including Ethernet switch products that enhance computing and enterprise solutions under the ProCurve, 3Com and TippingPoint brands. The segment also includes certain video collaboration products sold under the brand "Halo," and Palm smartphones, which are targeted at the consumer segment and include the Pixi and Pre models running on the WebOS operating system. Corporate Investments also derives revenue from licensing specific HP technology to third parties.

Sales, Marketing and Distribution

We manage our business and report our financial results based on the principal business segments described above. Our customers are organized by consumer and commercial customer groups, and distribution is organized by direct and channel. Within the channel, we have various types of partners that we utilize for various customer groups. The partners include:

- retailers that sell our products to the public through their own physical or Internet stores;
- resellers that sell our products and services, frequently with their own value-added products or services, to targeted customer groups;
- distribution partners that supply our solutions to smaller resellers with which we do not have direct relationships;

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- independent distributors that sell our products into geographies or customer segments in which we have little or no presence;
- original equipment manufacturers ("OEMs") that integrate our products with their own hardware or software and sell the integrated products;
- independent software vendors ("ISVs") that provide their clients with specialized software products, and often assist us in selling our products and services to clients purchasing their products;
- systems integrators that provide various levels and kinds of expertise in designing and implementing custom IT solutions and often partner with our services business to extend their expertise or influence the sale of our products and services; and
- advisory firms that provide various levels of management and IT consulting, including some systems integration work, and that typically partner with our services business on client solutions that require our unique products and services.

The mix of HP's business by channel or direct sales differs substantially by business and region. We believe that customer buying patterns and different regional market conditions necessitate sales, marketing and distribution to be tailored accordingly. HP is focused on driving the depth and breadth of its coverage in addition to efficiencies and productivity gains in both the direct and indirect business.

The HP Enterprise Business manages most of our enterprise and public sector customer relationships and also has primary responsibility for simplifying sales processes across our segments to improve speed and effectiveness of customer delivery. In this capacity, the HP Enterprise Business manages our direct sales for value products including UNIX®, enterprise storage and software and pre-sales technical consultants, as well as our direct distribution activities for commercial products and go-to-market activities with systems integrators and ISVs. The HP Enterprise Business also drives HP horizontal and vertical solutions through our own services arm and through the partners previously listed above. The HP Enterprise Business drives HP's vertical sales and marketing approach in the communication, media and entertainment, financial services, manufacturing and distribution and public sector industries.

PSG manages SMB customer relationships and commercial reseller channels, due largely to the significant volume of commercial PCs that HP sells through these channels. In addition to commercial channel relationships, the Volume Direct organization, which is charged with the management of direct sales for volume products, is hosted within PSG. In addition, PSG manages direct online sales through the Consumer Exchange and the Small Business Exchange.

IPG manages HP's overall consumer-related sales and marketing activities, including our annual consumer product launch for the back-to-school and holiday seasons. IPG also manages consumer channel relationships with third-party retail locations for imaging and printing products, as well as other consumer products, including consumer PCs, which provides for a bundled sale opportunity between PCs and IPG products.

Manufacturing and Materials

We utilize a significant number of outsourced manufacturers ("OMs") around the world to manufacture HP-designed products. The use of OMs is intended to generate cost efficiencies and reduce time to market for HP-designed products. We use multiple OMs to maintain flexibility in our supply chain and manufacturing processes. In some circumstances, third-party OEMs manufacture products that we purchase and resell under the HP brand. In addition to our use of OMs, we currently manufacture a limited number of finished products from components and sub-assemblies that we acquire from a wide range of vendors.

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We utilize two primary methods of fulfilling demand for products: building products to order and configuring products to order. We employ building products to order capabilities to maximize manufacturing and logistics efficiencies by producing high volumes of basic product configurations. Configuring products to order permits configuration of units to the particular hardware and software customization requirements of customers. Our inventory management and distribution practices in both building products to order and configuring products to order seek to minimize inventory holding periods by taking delivery of the inventory and manufacturing immediately prior to the sale or distribution of products to our customers.

We purchase materials, supplies and product subassemblies from a substantial number of vendors. For most of our products, we have existing alternate sources of supply, or such sources are readily available. However, we do rely on sole sources for laser printer engines, LaserJet supplies and parts for products with short life cycles (although some of these sources have operations in multiple locations in the event of a disruption). We are dependent upon Intel as a supplier of processors and Microsoft for various software products. However, we believe that disruptions with these suppliers would result in industry-wide dislocations and therefore would not disproportionately disadvantage us relative to our competitors. For processors, we also have a relationship with AMD, and we have continued to see solid acceptance of AMD processors in the market during fiscal 2010.

Like other participants in the high technology industry, we ordinarily acquire materials and components through a combination of blanket and scheduled purchase orders to support our requirements for periods averaging 90 to 120 days. From time to time, we experience significant price volatility and supply constraints for certain components that are not available from multiple sources. Frequently, we are able to obtain scarce components for somewhat higher prices on the open market, which may have an impact on gross margin but does not disrupt production. We also acquire component inventory in anticipation of supply constraints or enter into longer-term pricing commitments with vendors to improve the priority, price and availability of supply. See "Risk Factors—We depend on third-party suppliers, and our revenue and gross margin could suffer if we fail to manage suppliers properly," in Item 1A, which is incorporated herein by reference.

International

Our products and services are available worldwide. We believe this geographic diversity allows us to meet demand on a worldwide basis for both consumer and enterprise customers, draws on business and technical expertise from a worldwide workforce, provides stability to our operations, allows us to drive economies of scale, provides revenue streams to offset geographic economic trends and offers us an opportunity to access new markets for maturing products. In addition, we believe that future growth is dependent in part on our ability to develop products and sales models that target developing countries. In this regard, we believe that our broad geographic presence gives us a solid base upon which to build such future growth.

A summary of our domestic and international net revenue and net property, plant and equipment is set forth in Note 19 to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference. Approximately 65% of our overall net revenue in fiscal 2010 came from outside the United States. The substantial majority of our net revenue originating outside the United States was from customers other than foreign governments.

For a discussion of risks attendant to HP's foreign operations, see "Risk Factors—Due to the international nature of our business, political or economic changes or other factors could harm our future revenue, costs and expenses and financial condition," in Item 1A, "Quantitative and Qualitative Disclosure about Market Risk" in Item 7A and Note 10 to the Consolidated Financial Statements in Item 8, which are incorporated herein by reference.

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Research and Development

We remain committed to innovation as a key element of HP's culture. Our development efforts are focused on designing and developing products, services and solutions that anticipate customers' changing needs and desires and emerging technological trends. Our efforts also are focused on identifying the areas where we believe we can make a unique contribution and the areas where partnering with other leading technology companies will leverage our cost structure and maximize our customers' experiences.

HP Labs, together with the various research and development groups within the five principal business segments, are responsible for our research and development efforts. HP Labs is part of our Corporate Investments segment.

Expenditures for research and development were \$3.0 billion in fiscal 2010, \$2.8 billion in fiscal 2009 and \$3.5 billion in fiscal 2008. We anticipate that we will continue to have significant research and development expenditures in the future to provide a continuing flow of innovative, high-quality products and services to maintain and enhance our competitive position.

For a discussion of risks attendant to our research and development activities, see "Risk Factors—If we cannot continue to develop, manufacture and market products and services that meet customer requirements for innovation and quality, our revenue and gross margin may suffer," in Item 1A, which is incorporated herein by reference.

Patents

Our general policy has been to seek patent protection for those inventions and improvements likely to be incorporated into our products and services or where proprietary rights will improve our competitive position. At October 31, 2010, our worldwide patent portfolio included over 37,000 patents, which represents an increase over the number of patents in our patent portfolio at the end of both fiscal 2009 and fiscal 2008.

Patents generally have a term of twenty years from the time they are filed. As our patent portfolio has been built over time, the remaining terms on the individual patents vary. We believe that our patents and applications are important for maintaining the competitive differentiation of our products and services, enhancing our ability to access technology of third parties, and maximizing our return on research and development investments. No single patent is in itself essential to us as a whole or any of our principal business segments.

In addition to developing our patents, we license intellectual property from third parties as we deem appropriate. We have also granted and continue to grant to others licenses under patents owned by us when we consider these arrangements to be in our interest. These license arrangements include a number of cross-licenses with third parties.

For a discussion of risks attendant to intellectual property rights, see "Risk Factors—Our revenue, cost of sales, and expenses may suffer if we cannot continue to license or enforce the intellectual property rights on which our businesses depend or if third parties assert that we violate their intellectual property rights," in Item 1A, which is incorporated herein by reference.

Backlog

We believe that backlog is not a meaningful indicator of future business prospects due to the diversity of our products and services portfolio, including the large volume of products delivered from shelf or channel partner inventories and the shortening of product life cycles. Therefore, we believe that backlog information is not material to an understanding of our overall business.

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Seasonality

General economic conditions have an impact on our business and financial results. From time to time, the markets in which we sell our products experience weak economic conditions that may negatively affect sales. We experience some seasonal trends in the sale of our products and services. For example, European sales often are weaker in the summer months and consumer sales often are stronger in the fourth calendar quarter. Demand during the spring and early summer months also may be adversely impacted by market anticipation of seasonal trends. See "Risk Factors—Our sales cycle makes planning and inventory management difficult and future financial results less predictable," in Item 1A, which is incorporated herein by reference.

Competition

We encounter aggressive competition in all areas of our business activity. We compete primarily on the basis of technology, performance, price, quality, reliability, brand, reputation, distribution, range of products and services, ease of use of our products, account relationships, customer training, service and support, security and availability of application software and our Internet infrastructure offerings.

The markets for each of our business segments are characterized by vigorous competition among major corporations with long-established positions and a large number of new and rapidly growing firms. Product life cycles are short, and to remain competitive we must develop new products and services, periodically enhance our existing products and services and compete effectively on the basis of the factors listed above. In addition, we compete with many of our current and potential partners, including OEMs that design, manufacture and often market their products under their own brand names. Our successful management of these competitive partner relationships will continue to be critical to our future success. Moreover, we anticipate that we will have to continue to adjust prices on many of our products and services to stay competitive.

On a revenue basis we are the largest company offering our range of general purpose computers and personal information, imaging and printing products for industrial, scientific, business and consumer applications, and IT services. We are the leader or among the leaders in each of our principal business segments.

The competitive environments in which each segment operates are described below:

Enterprise Storage and Servers. The areas in which ESS operates are intensely competitive and are characterized by rapid and ongoing technological innovation and price reductions. Our competitors range from broad solution providers such as International Business Machines Corporation ("IBM") to more focused competitors such as EMC Corporation and NetApp, Inc. in storage and Dell, Inc. in industry standard servers. We believe that our important competitive advantages in this segment include the six technology components of our converged infrastructure initiatives: IT systems, power and cooling, security, management, virtualization and automation. We believe that our competitive advantages also include our global reach and our significant intellectual property portfolio and research and development capabilities, which will contribute to further enhancements of our product and service offerings and our ability to cross-sell our portfolio and leverage scale advantages in everything from brand to procurement leverage.

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Services. Our service businesses including HP Enterprise Services and Technology Services compete in IT support services, consulting and integration, infrastructure technology outsourcing, business process outsourcing and application services. The IT support services and consulting and integration markets have been under significant pressure as our customers have reduced their IT budgets. However, this trend has benefited the outsourcing services business as customers drive toward lower IT management costs to enable more strategic investments. Our competitors include IBM Global Services, Computer Sciences Corporation, systems integration firms such as Accenture Ltd. and offshore companies such as Fujitsu Limited and India-based competitors Wipro Limited. Infosys Technologies Limited and Tata Consultancy Services Ltd. We also compete with other traditional hardware providers, such as Dell, which are increasingly offering services to support their products. Many of our competitors are able to offer a wide range of global services, and some of our competitors enjoy significant brand recognition. Our service businesses team with many companies to offer services, and those arrangements allow us to extend our reach and augment our capabilities. Our competitive advantages are evident in our deep technology expertise, which includes multi-vendor environments, virtualization and automation, our strong track record of collaboration with clients and partners, and the combination of our expertise in infrastructure management with skilled global resources in SAP, AG, Oracle Corporation and Microsoft Corporation platforms.

HP Software. The areas in which HP Software operates are fueled by rapidly changing customer requirements and technologies. We market enterprise IT management software in competition with IBM, CA, Inc. ("CAI"), BMC Software, Inc. and others. Our information management and business intelligence solutions compete with products from companies like Symantec Corporation, IBM, EMC, CAI, and Teradata Corporation. We also deliver communications and media solutions that compete with products from IBM and various other competitors. As new delivery mechanisms such as software-as-a-service come on the scene, we are also confronting less traditional competitors. Our differentiation lies in the breadth and depth of our software and services portfolio and the scope of our market coverage.

Personal Systems Group. The areas in which PSG operates are intensely competitive and are characterized by rapid price reductions and inventory depreciation. Our primary competitors for the branded personal computers are Dell, Acer Inc., ASUSTeK Computer Inc., Apple Inc., Lenovo Group Limited and Toshiba Corporation. In particular regions, we also experience competition from local companies and from generically-branded or "white box" manufacturers. Our competitive advantages include our broad product portfolio, our innovation and research and development capabilities, our brand and procurement leverage, our ability to cross-sell our portfolio of offerings, our extensive service and support offerings and the availability of our broad-based distribution of products from retail and commercial channels to direct sales.

Imaging and Printing Group. The markets for printer hardware and associated supplies are highly competitive, especially with respect to pricing and the introduction of new products and features. IPG's key competitors include Canon U.S.A., Inc., Lexmark International, Inc., Xerox Corporation, Seiko Epson Corporation, Samsung Electronics Co., Ltd. and Brother Industries, Ltd. In addition, independent suppliers offer refill and remanufactured alternatives for our supplies which, although generally offering lower print quality and reliability, may be offered at lower prices and put pressure on our supplies sales and margins. Other companies also have developed and marketed new compatible cartridges for HP's laser and inkjet products, particularly in jurisdictions outside of the United States where adequate intellectual property protection may not exist. In recent years, we and our competitors have regularly lowered prices on printer hardware both to reach new customers and in response to the competitive environment. Important areas for future growth include printer-based multi-function devices in the office space, digital presses in our imaging and graphics space and driving color printing expansion in the office. We believe we will continue to provide important new contributions in the home, the office and publishing environments by providing comprehensive solutions.

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HP Financial Services. In our financing business, our competitors are captive financing companies, mainly IBM Global Financing, as well as banks and financial institutions. We believe our competitive advantage in this business over banks and financial institutions is our ability to finance products, services and total solutions.

For a discussion of risks attendant to these competitive factors, see "Risk Factors—The competitive pressures we face could harm our revenue, gross margin and prospects," in Item 1A, which is incorporated herein by reference.

Environment

Our operations are subject to regulation under various federal, state, local and foreign laws concerning the environment, including laws addressing the discharge of pollutants into the air and water, the management and disposal of hazardous substances and wastes, and the cleanup of contaminated sites. We could incur substantial costs, including cleanup costs, fines and civil or criminal sanctions, and third-party damage or personal injury claims, if we were to violate or become liable under environmental laws.

Many of our products are subject to various federal, state, local and foreign laws governing chemical substances in products and their safe use, including laws regulating the manufacture and distribution of chemical substances and laws restricting the presence of certain substances in electronics products. Some of our products also are, or may in the future be, subject to requirements applicable to their energy consumption. In addition, we face increasing complexity in our product design and procurement operations as we adjust to new and future requirements relating to the chemical and materials composition of our products, their safe use, and their energy efficiency, including requirements relating to climate change. We also are subject to legislation in an increasing number of jurisdictions that makes producers of electrical goods, including computers and printers, financially responsible for specified collection, recycling, treatment and disposal of past and future covered products (sometimes referred to as "product take-back legislation"). In the event our products become non-compliant with these laws, they could be restricted from entering certain jurisdictions, and we could face other sanctions, including fines.

Our operations and ultimately our products are expected to become increasingly subject to federal, state, local and foreign laws and regulations and international treaties relating to climate change. As these laws, regulations and treaties and similar initiatives and programs are adopted and implemented throughout the world, we will be required to comply or potentially face market access limitations or other sanctions, including fines. However, we believe that technology will be fundamental to finding solutions to achieve compliance with and manage those requirements, and we are collaborating with industry, business groups and governments to find and promote ways that HP technology can be used address climate change and to facilitate compliance with these related laws, regulations and treaties.

We are committed to maintaining compliance with all environmental laws applicable to our operations, products and services and to reducing our environmental impact across all aspects of our business. We meet this commitment with a comprehensive environmental, health and safety policy, strict environmental management of our operations and worldwide environmental programs and services.

The liability for environmental remediation and other environmental costs is accrued when HP considers it probable and can reasonably estimate the costs. Environmental costs and accruals are presently not material to our operations or financial position. Although there is no assurance that existing or future environmental laws applicable to our operations or products will not have a material adverse effect on HP's operations or financial condition, we do not currently anticipate material capital expenditures for environmental control facilities.

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Executive Officers:

Léo Apotheker; age 57; President and Chief Executive Officer

Mr. Apotheker has served as President and Chief Executive Officer and as a member of the Board of Directors since November 2010. Previously, Mr. Apotheker served as Chief Executive Officer of SAP AG, a software company, from June 2009 until February 2010 after having served as co-Chief Executive Officer of SAP from April 2008 to May 2009. Prior to that, Mr. Apotheker served as worldwide Chairman of Customer Solutions and Operations for SAP from 2002 until April 2008.

Peter J. Bocian; age 56; Executive Vice President and Chief Administrative Officer

Mr. Bocian has served as Executive Vice President and Chief Administrative Officer since December 2008. Previously, Mr. Bocian served as Executive Vice President, Chief Financial Officer and Chief Administrative Officer of Starbucks Corporation, a roaster and retailer of specialty coffee, from October 2007 until November 2008 after having served as Executive Vice President and Chief Financial Officer designate of Starbucks since May 2007. Prior to joining Starbucks, Mr. Bocian served in various positions at NCR Corporation since 1983, most recently as Senior Vice President and Chief Financial Officer from September 2004 until May 2007.

R. Todd Bradley; age 52; Executive Vice President, Personal Systems Group

Mr. Bradley has served as Executive Vice President of HP's Personal Systems Group since June 2005.

Michael J. Holston; age 48; Executive Vice President, General Counsel and Secretary

Mr. Holston has served as Executive Vice President and General Counsel since February 2007 and as Secretary since March 2007. Prior to that, he was a partner in the litigation practice at Morgan, Lewis & Bockius LLP, where, among other clients, he supported HP as external counsel on a variety of litigation and regulatory matters for more than ten years.

Vyomesh I. Joshi; age 56; Executive Vice President, Imaging and Printing Group

Mr. Joshi has served as Executive Vice President of HP's Imaging and Printing Group since 2002. Mr. Joshi also is a director of Yahoo! Inc.

Catherine A. Lesjak; age 51; Executive Vice President and Chief Financial Officer

Ms. Lesjak has served as Executive Vice President and Chief Financial Officer since January 2007. Ms. Lesjak served as HP's interim Chief Executive Officer from August 2010 until November 2010. Previously, she served as Senior Vice President from 2003 until December 2006 and as Treasurer from 2003 until March 2007.

Ann M. Livermore; age 52; Executive Vice President, HP Enterprise Business

Ms. Livermore has served as Executive Vice President of the HP Enterprise Business since May 2004. Ms. Livermore also is a director of United Parcel Service, Inc.

John N. McMullen; age 52; Senior Vice President and Treasurer

Mr. McMullen has served as Senior Vice President and Treasurer since March 2007. Previously, he served as Vice President of Finance for HP's Imaging and Printing Group from May 2002 until 2007.

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Randall D. Mott; age 54; Executive Vice President and Chief Information Officer

Mr. Mott has served as Executive Vice President and Chief Information Officer since July 2005.

James T. Murrin; age 50; Senior Vice President, Controller and Principal Accounting Officer

Mr. Murrin has served as Senior Vice President, Controller and Principal Accounting Officer since March 2007. Previously, he served as Vice President of Finance for the former Technology Solutions Group since 2004.

Marcela Perez de Alonso; age 56; Executive Vice President, Human Resources

Ms. Perez de Alonso has served as Executive Vice President, Human Resources since January 2004. In December 2010, we announced that Ms. Perez de Alonso will retire from HP following the hiring of her successor.

Shane V. Robison; age 57; Executive Vice President and Chief Strategy and Technology Officer

Mr. Robison has served as Executive Vice President and Chief Strategy and Technology Officer since May 2002.

Employees

We had approximately 324,600 employees worldwide as of October 31, 2010.

Available Information

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, are available on our website at <http://www.hp.com/investor/home>, as soon as reasonably practicable after HP electronically files such reports with, or furnishes those reports to, the Securities and Exchange Commission. HP's Corporate Governance Guidelines, Board of Directors committee charters (including the charters of the Audit Committee, HR and Compensation Committee, and Nominating and Governance Committee) and code of ethics entitled "Standards of Business Conduct" also are available at that same location on our website. Stockholders may request free copies of these documents from:

Hewlett-Packard Company
Attention: Investor Relations
3000 Hanover Street
Palo Alto, CA 94304
(866) GET-HPQ1 or (866) 438-4771
<http://www.hp.com/investor/informationrequest>

Additional Information

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ITEM 1A. Risk Factors.

Because of the following factors, as well as other variables affecting our operating results, past financial performance may not be a reliable indicator of future performance, and historical trends should not be used to anticipate results or trends in future periods.

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Competitive pressures could harm our revenue, gross margin and prospects.

We encounter aggressive competition from numerous and varied competitors in all areas of our business, and our competitors may target our key market segments. We compete primarily on the basis of technology, performance, price, quality, reliability, brand, reputation, distribution, range of products and services, ease of use of our products, account relationships, customer training, service and support, security, availability of application software, and Internet infrastructure offerings. If our products, services, support and cost structure do not enable us to compete successfully based on any of those criteria, our operations, results and prospects could be harmed.

Unlike many of our competitors, we have a portfolio of businesses and must allocate resources across these businesses while competing with companies that specialize in one or more of these product lines. As a result, we may invest less in certain areas of our businesses than our competitors do, and these competitors may have greater financial, technical and marketing resources available to them than our businesses that compete against them. Industry consolidation also may affect competition by creating larger, more homogeneous and potentially stronger competitors in the markets in which we compete, and our competitors also may affect our business by entering into exclusive arrangements with existing or potential customers or suppliers. In addition, companies with whom we have strategic alliances in some areas may be competitors in other areas. Those companies also may acquire or form alliances with our competitors, thereby reducing their business with us. Any inability to effectively manage these complicated relationships with strategic alliance partners could have an adverse effect on our results of operations.

We may have to continue to lower the prices of many of our products and services to stay competitive, while at the same time trying to maintain or improve revenue and gross margin. The markets in which we do business, particularly the personal computer and printing markets, are highly competitive, and we encounter aggressive price competition for all of our products and services from numerous companies globally. Over the past several years, price competition in the market for personal computers, printers and related products has been particularly intense as competitors have aggressively cut prices and lowered their product margins for these products. In addition, competitors in some of the markets in which we compete with a greater presence in lower-cost jurisdictions may be able to offer lower prices than we are able to offer. Our results of operations and financial condition may be adversely affected by these and other industry-wide pricing pressures.

Because our business model is based on providing innovative and high quality products, we may spend a proportionately greater amount on research and development than some of our competitors. If we cannot proportionately decrease our cost structure on a timely basis in response to competitive price pressures, our gross margin and, therefore, our profitability could be adversely affected. In addition, if our pricing and other factors are not sufficiently competitive, or if there is an adverse reaction to our product decisions, we may lose market share in certain areas, which could adversely affect our revenue and prospects.

Even if we are able to maintain or increase market share for a particular product, revenue could decline because the product is in a maturing industry. Revenue and margins also could decline due to increased competition from other types of products. For example, growing demand for an increasing array of mobile computing devices and the development of cloud-based solutions may reduce demand for some of our existing hardware products. In addition, refill and remanufactured alternatives for some of HP's LaserJet toner and inkjet cartridges compete with HP's supplies business. Other companies have also developed and marketed new compatible cartridges for HP's LaserJet and inkjet products, particularly in jurisdictions outside of the United States where adequate intellectual property protection may not exist.

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If we cannot continue to develop, manufacture and market products and services that meet customer requirements for innovation and quality, our revenue and gross margin may suffer.

The process of developing new high technology products and services and enhancing existing products and services is complex, costly and uncertain, and any failure by us to anticipate customers' changing needs and emerging technological trends accurately could significantly harm our market share and results of operations. For example, we must successfully address the increasing market demand for mobile computing devices in a variety of form factors that provide a compelling user experience. We must also attract and retain developers to ensure the continued availability and development of appealing and innovative software applications for our mobile computing devices. In addition, we are transitioning to an environment characterized by cloud-based computing and software being delivered as a service, and we must continue to successfully develop and deploy cloud-based solutions for our customers. We must make long-term investments, develop or obtain appropriate intellectual property and commit significant resources before knowing whether our predictions will accurately reflect customer demand for our products and services. After we develop a product, we must be able to manufacture appropriate volumes quickly and at low costs. To accomplish this, we must accurately forecast volumes, mixes of products and configurations that meet customer requirements, and we may not succeed at doing so at all or within a given product's life cycle. Any delay in the development, production or marketing of a new product could result in us not being among the first to market, which could further harm our competitive position.

In the course of conducting our business, we must adequately address quality issues associated with our products and services, including defects in our engineering, design and manufacturing processes, as well as defects in third-party components included in our products. In order to address quality issues, we work extensively with our customers and suppliers and engage in product testing to determine the cause of the problem and to determine appropriate solutions. However, we may have limited ability to control quality issues, particularly with respect to faulty components manufactured by third parties. If we are unable to determine the cause, find an appropriate solution or offer a temporary fix (or "patch"), we may delay shipment to customers, which would delay revenue recognition and could adversely affect our revenue and reported results. Finding solutions to quality issues can be expensive and may result in additional warranty, replacement and other costs, adversely affecting our profits. If new or existing customers have difficulty operating our products, our operating margins could be adversely affected, and we could face possible claims if we fail to meet our customers' expectations. In addition, quality issues can impair our relationships with new or existing customers and adversely affect our brand and reputation, which could adversely affect our operating results.

Economic weakness and uncertainty could adversely affect our revenue, gross margin and expenses.

Our revenue and gross margin depend significantly on worldwide economic conditions and the demand for computing and imaging products and services in the markets in which we compete. Economic weakness and uncertainty have resulted, and may result in the future, in decreased revenue, gross margin, earnings or growth rates and difficulty managing inventory levels. Sustained uncertainty about current global economic conditions may adversely affect demand for our products and services. Economic weakness and uncertainty also make it more difficult for us to make accurate forecasts of revenue, gross margin and expenses.

We also have experienced, and may experience in the future, gross margin declines in certain businesses, reflecting the effect of items such as competitive pricing pressures, inventory write downs and increases in component and manufacturing costs resulting from higher labor and material costs borne by our manufacturers and suppliers that, as a result of competitive pricing pressures or other factors, we are unable to pass on to our customers. In addition, our business may be disrupted if we are unable to obtain equipment, parts and components from our suppliers—and our suppliers from their suppliers—due to the insolvency of key suppliers or the inability of key suppliers to obtain credit.

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Economic weakness and uncertainty could cause our expenses to vary materially from our expectations. Any renewed financial turmoil affecting the banking system and financial markets or any significant financial services institution failures could negatively impact our treasury operations, as the financial condition of such parties may deteriorate rapidly and without notice in times of market volatility and disruption. Poor financial performance of asset markets could lead to increased pension and post-retirement benefit expenses. Other income and expense could vary materially from expectations depending on changes in interest rates, borrowing costs, currency exchange rates, hedging expenses and the fair value of derivative instruments. Economic downturns also may lead to restructuring actions and associated expenses.

We depend on third-party suppliers, and our revenue and gross margin could suffer if we fail to manage suppliers properly.

Our operations depend on our ability to anticipate our needs for components, products and services and our suppliers' ability to deliver sufficient quantities of quality components, products and services at reasonable prices in time for us to meet critical schedules. Given the wide variety of systems, products and services that we offer, the large number of our suppliers and contract manufacturers that are dispersed across the globe, and the long lead times that are required to manufacture, assemble and deliver certain components and products, problems could arise in planning production and managing inventory levels that could seriously harm us. In addition, our ongoing project to improve the efficiency of our supply chain could cause supply disruptions and be more expensive, time consuming and resource-intensive than expected. Other supplier problems that we could face include component shortages, excess supply, risks related to the terms of our contracts with suppliers, risks associated with contingent workers, and risks related to our relationships with single source suppliers, as described below.

- *Shortages.* Occasionally we may experience a shortage of, or a delay in receiving, certain components as a result of strong demand, capacity constraints, supplier financial weaknesses, inability of suppliers to borrow funds in the credit markets, disputes with suppliers (some of whom are also customers), disruptions in the operations of component suppliers, other problems experienced by suppliers or problems faced during the transition to new suppliers. In particular, our PC business relies heavily upon OMs to manufacture its products and is therefore dependent upon the continuing operations of those OMs to fulfill demand for our PC products. HP represents a substantial portion of the business of some of these OMs, and any changes to the nature or volume of business transacted by HP with a particular OM could adversely affect the operations and financial condition of the OM and lead to shortages or delays in receiving products from that OM. If shortages or delays persist, the price of these components may increase, we may be exposed to quality issues or the components may not be available at all. We may not be able to secure enough components at reasonable prices or of acceptable quality to build products or provide services in a timely manner in the quantities or according to the specifications needed. Accordingly, our revenue and gross margin could suffer as we could lose time-sensitive sales, incur additional freight costs or be unable to pass on price increases to our customers. If we cannot adequately address supply issues, we might have to reengineer some products or service offerings, resulting in further costs and delays.
- *Oversupply.* In order to secure components for the provision of products or services, at times we may make advance payments to suppliers or enter into non-cancelable commitments with vendors. In addition, we may purchase components strategically in advance of demand to take advantage of favorable pricing or to address concerns about the availability of future components. If we fail to anticipate customer demand properly, a temporary oversupply could result in excess or obsolete components, which could adversely affect our gross margin.

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- *Contractual terms.* As a result of binding price or purchase commitments with vendors, we may be obligated to purchase components or services at prices that are higher than those available in the current market and be limited in our ability to respond to changing market conditions. In the event that we become committed to purchase components or services for prices in excess of the current market price, we may be at a disadvantage to competitors who have access to components or services at lower prices, and our gross margin could suffer. In addition, many of our competitors obtain products or components from the same OMs and suppliers that we utilize. Our competitors may obtain better pricing and other terms and more favorable allocations of products and components during periods of limited supply, and our ability to engage in relationships with certain OMs and suppliers could be limited. The practice employed by our PC business of purchasing product components and transferring those components to its OMs may create large supplier receivables with the OMs that, depending on the financial condition of the OMs, may have risk of uncollectability. In addition, certain of our OMs and suppliers may decide in the future to discontinue conducting business with us. Any of these actions by our competitors, OMs or suppliers could adversely affect our future operating results and financial condition.
- *Contingent workers.* We also rely on third-party suppliers for the provision of contingent workers, and our failure to manage our use of such workers effectively could adversely affect our results of operations. We have been exposed to various legal claims relating to the status of contingent workers in the past and could face similar claims in the future. We may be subject to shortages, oversupply or fixed contractual terms relating to contingent workers, as described above. Our ability to manage the size of, and costs associated with, the contingent workforce may be subject to additional constraints imposed by local laws.
- *Single source suppliers.* Our use of single source suppliers for certain components could exacerbate our supplier issues. We obtain a significant number of components from single sources due to technology, availability, price, quality or other considerations. For example, we rely on Intel Corporation to provide us with a sufficient supply of processors for many of our PCs, workstations, handheld computing devices and servers, and some of those processors are customized for our products. New products that we introduce may utilize custom components obtained from only one source initially until we have evaluated whether there is a need for additional suppliers. Replacing a single source supplier could delay production of some products as replacement suppliers initially may be subject to capacity constraints or other output limitations. For some components, such as customized components and some of the processors that we obtain from Intel, alternative sources may not exist or those alternative sources may be unable to produce the quantities of those components necessary to satisfy our production requirements. In addition, we sometimes purchase components from single source suppliers under short-term agreements that contain favorable pricing and other terms but that may be unilaterally modified or terminated by the supplier with limited notice and with little or no penalty. The performance of such single source suppliers under those agreements (and the renewal or extension of those agreements upon similar terms) may affect the quality, quantity and price of components to HP. The loss of a single source supplier, the deterioration of our relationship with a single source supplier, or any unilateral modification to the contractual terms under which we are supplied components by a single source supplier could adversely affect our revenue and gross margins.

Business disruptions could seriously harm our future revenue and financial condition and increase our costs and expenses.

Our worldwide operations could be subject to earthquakes, power shortages, telecommunications failures, water shortages, tsunamis, floods, hurricanes, typhoons, fires, extreme weather conditions, medical epidemics or pandemics and other natural or manmade disasters or business interruptions, for

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which we are predominantly self-insured. The occurrence of any of these business disruptions could seriously harm our revenue and financial condition and increase our costs and expenses. Our corporate headquarters, and a portion of our research and development activities, are located in California, and other critical business operations and some of our suppliers are located in California and Asia, near major earthquake faults. In addition, all six of our principal worldwide IT data centers are located in the southern United States, making our operations more vulnerable to natural disasters or other business disruptions occurring in that geographical area. The manufacture of product components, the final assembly of our products and other critical operations are concentrated in certain geographic locations, including Shanghai, Singapore and India. We also rely on major logistics hubs primarily in Asia to manufacture and distribute our products and in the southwestern United States to import products into the Americas region. Our operations could be adversely affected if manufacturing, logistics or other operations in these locations are disrupted for any reason, including natural disasters, information technology system failures, military actions or economic, business, labor, environmental, public health, regulatory or political issues. The ultimate impact on us, our significant suppliers and our general infrastructure of being located near major earthquake faults and being consolidated in certain geographical areas is unknown, but our revenue, profitability and financial condition could suffer in the event of a major earthquake or other natural disaster.

System security risks, data protection breaches and systems integration issues could disrupt our internal operations or information technology services provided to customers, and any such disruption could reduce our expected revenue, increase our expenses, damage our reputation and adversely affect our stock price.

Experienced computer programmers and hackers may be able to penetrate our network security and misappropriate our confidential information or that of third parties, create system disruptions or cause shutdowns. Computer programmers and hackers also may be able to develop and deploy viruses, worms, and other malicious software programs that attack our products or otherwise exploit any security vulnerabilities of our products. In addition, sophisticated hardware and operating system software and applications that we produce or procure from third parties may contain defects in design or manufacture, including "bugs" and other problems that could unexpectedly interfere with the operation of the system. The costs to us to eliminate or alleviate security problems, bugs, viruses, worms, malicious software programs and security vulnerabilities could be significant, and the efforts to address these problems could result in interruptions, delays, cessation of service and loss of existing or potential customers that may impede our sales, manufacturing, distribution or other critical functions.

We manage and store various proprietary information and sensitive or confidential data relating to our business. In addition, our outsourcing services business routinely processes, stores and transmits large amounts of data for our clients, including sensitive and personally identifiable information. Breaches of our security measures or the accidental loss, inadvertent disclosure or unapproved dissemination of proprietary information or sensitive or confidential data about us or our clients, including the potential loss or disclosure of such information or data as a result of fraud, trickery or other forms of deception, could expose us, our customers or the individuals affected to a risk of loss or misuse of this information, result in litigation and potential liability for us, damage our brand and reputation or otherwise harm our business. We also could lose existing or potential customers for outsourcing services or other information technology solutions or incur significant expenses in connection with our customers' system failures or any actual or perceived security vulnerabilities in our products. In addition, the cost and operational consequences of implementing further data protection measures could be significant.

Portions of our IT infrastructure also may experience interruptions, delays or cessations of service or produce errors in connection with systems integration or migration work that takes place from time to time. We may not be successful in implementing new systems and transitioning data which could cause business disruptions and be more expensive, time consuming, disruptive and resource-intensive. Such disruptions could adversely impact our ability to fulfill orders and interrupt other processes. Delayed sales, lower margins or lost customers resulting from these disruptions have adversely affected in the past, and in the future could adversely affect, our financial results, stock price and reputation.

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The revenue and profitability of our operations have historically varied, which makes our future financial results less predictable.

Our revenue, gross margin and profit vary among our products and services, customer groups and geographic markets and therefore will likely be different in future periods than our current results. Our revenue depends on the overall demand for our products and services. Delays or reductions in IT spending could materially adversely affect demand for our products and services, which could result in a significant decline in revenues. Overall gross margins and profitability in any given period are dependent partially on the product, customer and geographic mix reflected in that period's net revenue. In particular, IPG and certain of its business units such as printer supplies contribute significantly to our gross margin and profitability. In addition, our services business has contributed significantly to our revenue and operating profit in recent periods. Competition, lawsuits, investigations and other risks affecting those businesses therefore may have a significant impact on our overall gross margin and profitability. Certain segments, and ESS in particular, have a higher fixed cost structure and more variation in gross margins across their business units and product portfolios than others and may therefore experience significant operating profit volatility on a quarterly basis. In addition, newer geographic markets may be relatively less profitable due to investments associated with entering those markets and local pricing pressures, and we may have difficulty establishing and maintaining the operating infrastructure necessary to support the high growth rate associated with some of those markets. Market trends, competitive pressures, commoditization of products, seasonal rebates, increased component or shipping costs, regulatory impacts and other factors may result in reductions in revenue or pressure on gross margins of certain segments in a given period, which may necessitate adjustments to our operations.

HP's stock price has historically fluctuated and may continue to fluctuate, which may make future prices of HP's stock difficult to predict.

HP's stock price, like that of other technology companies, can be volatile. Some of the factors that could affect our stock price are:

- speculation in the press or investment community about, or actual changes in, our business, strategic position, market share, organizational structure, operations, financial condition, financial reporting and results, effectiveness of cost cutting efforts, value or liquidity of our investments, exposure to market volatility, prospects, business combination or investment transactions, or executive team;
- the announcement of new products, services, technological innovations or acquisitions by HP or its competitors;
- quarterly increases or decreases in revenue, gross margin, earnings or cash flow from operations, changes in estimates by the investment community or guidance provided by HP, and variations between actual and estimated financial results;
- announcements of actual and anticipated financial results by HP's competitors and other companies in the IT industry; and
- the timing and amount of share repurchases by HP.

General or industry specific market conditions or stock market performance or domestic or international macroeconomic and geopolitical factors unrelated to HP's performance also may affect the price of HP common stock. For these reasons, investors should not rely on recent trends to predict future stock prices, financial condition, results of operations or cash flows. In addition, following periods of volatility in a company's securities, securities class action litigation against a company is sometimes instituted. If instituted against HP, this type of litigation could result in substantial costs and the diversion of management time and resources.

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Our revenue, cost of sales, and expenses may suffer if we cannot continue to license or enforce the intellectual property rights on which our businesses depend or if third parties assert that we violate their intellectual property rights.

We rely upon patent, copyright, trademark and trade secret laws in the United States, similar laws in other countries, and agreements with our employees, customers, suppliers and other parties, to establish and maintain intellectual property rights in the technology and products we sell, provide or otherwise use in our operations. However, any of our direct or indirect intellectual property rights could be challenged, invalidated or circumvented, or such intellectual property rights may not be sufficient to permit us to take advantage of current market trends or otherwise to provide competitive advantages, either of which could result in costly product redesign efforts, discontinuance of certain product offerings or other competitive harm. Further, the laws of certain countries do not protect proprietary rights to the same extent as the laws of the United States. Therefore, in certain jurisdictions we may be unable to protect our proprietary technology adequately against unauthorized third-party copying or use; this too could adversely affect our competitive position.

Because of the rapid pace of technological change in the information technology industry, much of our business and many of our products rely on key technologies developed or licensed by third parties. We may not be able to obtain or continue to obtain licenses and technologies from these third parties at all or on reasonable terms, or such third parties may demand cross-licenses to our intellectual property. In addition, it is possible that as a consequence of a merger or acquisition, third parties may obtain licenses to some of our intellectual property rights or our business may be subject to certain restrictions that were not in place prior to the transaction. Consequently, we may lose a competitive advantage with respect to these intellectual property rights or we may be required to enter into costly arrangements in order to terminate or limit these rights.

Third parties also may claim that we or customers indemnified by us are infringing upon their intellectual property rights. For example, individuals and groups frequently purchase intellectual property assets for the sole purpose of asserting claims of infringement and attempting to extract settlements from large companies such as HP. The number of these claims has increased significantly in recent periods and may continue to increase in the future. If we cannot or do not license the infringed technology at all or on reasonable terms, or substitute similar technology from another source, our operations could be adversely affected. Even if we believe that the claims are without merit, they can be time-consuming and costly to defend and may divert management's attention and resources away from our business. Claims of intellectual property infringement also might require us to redesign affected products, enter into costly settlement or license agreements, pay costly damage awards, or face a temporary or permanent injunction prohibiting us from importing, marketing or selling certain of our products. Even if we have an agreement to indemnify us against such costs, the indemnifying party may be unable to uphold its contractual obligations to us.

Finally, our results of operations and cash flows have been and could continue to be affected in certain periods and on an ongoing basis by the imposition, accrual and payment of copyright levies or similar fees. In certain countries (primarily in Europe), proceedings are ongoing or have been concluded involving HP in which groups representing copyright owners sought to impose upon and collect from HP levies upon equipment (such as PCs, MFDs and printers) alleged to be copying devices under applicable laws. Other such groups have also sought to modify existing levy schemes to increase the amount of the levies that can be collected from HP. Other countries that have not imposed levies on these types of devices are expected to extend existing levy schemes, and countries that do not currently have levy schemes may decide to impose copyright levies on these types of devices. The total amount of the copyright levies will depend on the types of products determined to be subject to the levy, the number of units of those products sold during the period covered by the levy, and the per unit fee for each type of product, all of which are affected by several factors, including the outcome of ongoing litigation involving HP and other industry participants and possible action by the legislative

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bodies in the applicable countries, and could be substantial. Consequently, the ultimate impact of these copyright levies or similar fees, and the ability of HP to recover such amounts through increased prices, remain uncertain.

Due to the international nature of our business, political or economic changes or other factors could harm our future revenue, costs and expenses and financial condition.

Sales outside the United States make up approximately 65% of our net revenue. In addition, an increasing portion of our business activity is being conducted in emerging markets, including Brazil, Russia, India and China. Our future revenue, gross margin, expenses and financial condition could suffer due to a variety of international factors, including:

- ongoing instability or changes in a country's or region's economic or political conditions, including inflation, recession, interest rate fluctuations and actual or anticipated military or political conflicts;
- longer accounts receivable cycles and financial instability among customers;
- trade regulations and procedures and actions affecting production, pricing and marketing of products;
- local labor conditions and regulations, including local labor issues faced by specific HP suppliers and OMs;
- managing a geographically dispersed workforce;
- changes in the regulatory or legal environment;
- differing technology standards or customer requirements;
- import, export or other business licensing requirements or requirements relating to making foreign direct investments, which could increase our cost of doing business in certain jurisdictions, prevent us from shipping products to particular countries or markets, affect our ability to obtain favorable terms for components, increase our operating costs or lead to penalties or restrictions;
- difficulties associated with repatriating cash generated or held abroad in a tax-efficient manner and changes in tax laws; and
- fluctuations in freight costs, limitations on shipping and receiving capacity, and other disruptions in the transportation and shipping infrastructure at important geographic points of exit and entry for our products and shipments.

The factors described above also could disrupt our product and component manufacturing and key suppliers located outside of the United States. For example, we rely on manufacturers in Taiwan for the production of notebook computers and other suppliers in Asia for product assembly and manufacture.

As approximately 65% of our sales are from countries outside of the United States, other currencies, particularly the euro, the British pound, Chinese yuan renminbi and the Japanese yen, can have an impact on HP's results (expressed in U.S. dollars). Currency variations also contribute to variations in sales of products and services in impacted jurisdictions. Accordingly, fluctuations in foreign currency rates, most notably the strengthening of the dollar against the euro, could adversely affect our revenue growth in future periods. In addition, currency variations can adversely affect margins on sales of our products in countries outside of the United States and margins on sales of products that include components obtained from suppliers located outside of the United States. We use a combination of forward contracts and options designated as cash flow hedges to protect against foreign currency exchange rate risks. The effectiveness of our hedges depends on our ability to accurately forecast future cash flows, which is particularly difficult during periods of uncertain demand for our products and

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services and highly volatile exchange rates. As a result, we could incur significant losses from our hedging activities if our forecasts are incorrect. In addition, our hedging activities may be ineffective or may not offset any or more than a portion of the adverse financial impact resulting from currency variations. Gains or losses associated with hedging activities also may impact our revenue and to a lesser extent our cost of sales and financial condition.

In many foreign countries, particularly in those with developing economies, it is common to engage in business practices that are prohibited by laws and regulations applicable to us, such as the Foreign Corrupt Practices Act. For example, as discussed in Note 18 to the Consolidated Financial Statements, the German Public Prosecutor's Office, the U.S. Department of Justice and the SEC have been investigating allegations that certain current and former employees of HP engaged in bribery, embezzlement and tax evasion or were involved in kickbacks or other improper payments. Although we implement policies and procedures designed to facilitate compliance with these laws, our employees, contractors and agents, as well as those companies to which we outsource certain of our business operations, may take actions in violation of our policies. Any such violation, even if prohibited by our policies, could have an adverse effect on our business and reputation.

If we fail to manage the distribution of our products and services properly, our revenue, gross margin and profitability could suffer.

We use a variety of distribution methods to sell our products and services, including third-party resellers and distributors and both direct and indirect sales to both enterprise accounts and consumers. Successfully managing the interaction of our direct and indirect channel efforts to reach various potential customer segments for our products and services is a complex process. Moreover, since each distribution method has distinct risks and gross margins, our failure to implement the most advantageous balance in the delivery model for our products and services could adversely affect our revenue and gross margins and therefore our profitability. Other distribution risks are described below.

- Our financial results could be materially adversely affected due to channel conflicts or if the financial conditions of our channel partners were to weaken.

Our future operating results may be adversely affected by any conflicts that might arise between our various sales channels, the loss or deterioration of any alliance or distribution arrangement or the loss of retail shelf space. Moreover, some of our wholesale and retail distributors may have insufficient financial resources and may not be able to withstand changes in business conditions, including economic weakness and industry consolidation. Many of our significant distributors operate on narrow product margins and have been negatively affected by business pressures. Considerable trade receivables that are not covered by collateral or credit insurance are outstanding with our distribution and retail channel partners. Revenue from indirect sales could suffer, and we could experience disruptions in distribution if our distributors' financial conditions, abilities to borrow funds in the credit markets or operations weaken.

- Our inventory management is complex as we continue to sell a significant mix of products through distributors.

We must manage inventory effectively, particularly with respect to sales to distributors, which involves forecasting demand and pricing issues. Distributors may increase orders during periods of product shortages, cancel orders if their inventory is too high or delay orders in anticipation of new products. Distributors also may adjust their orders in response to the supply of our products and the products of our competitors and seasonal fluctuations in end-user demand. Our reliance upon indirect distribution methods may reduce visibility to demand and pricing issues, and therefore make forecasting more difficult. If we have excess or obsolete inventory, we may have to reduce our prices and write down inventory. Moreover, our use of indirect distribution channels may limit our willingness or ability to adjust prices quickly and otherwise to respond to

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pricing changes by competitors. We also may have limited ability to estimate future product rebate redemptions in order to price our products effectively.

If we do not effectively manage our product and services transitions, our revenue may suffer.

Many of the industries in which we compete are characterized by rapid technological advances in hardware performance and software features and functionality; frequent introduction of new products; short product life cycles; and continual improvement in product price characteristics relative to product performance. Among the risks associated with the introduction of new products and services are delays in development or manufacturing, variations in costs, delays in customer purchases or reductions in price of existing products in anticipation of new introductions, difficulty in predicting customer demand for the new offerings and effectively managing inventory levels so that they are in line with anticipated demand, risks associated with customer qualification and evaluation of new products and the risk that new products may have quality or other defects or may not be supported adequately by application software. If we do not make an effective transition from existing products and services to future offerings, our revenue may decline.

Our revenue and gross margin also may suffer due to the timing of product or service introductions by our suppliers and competitors. This is especially challenging when a product has a short life cycle or a competitor introduces a new product just before our own product introduction. Furthermore, sales of our new products and services may replace sales, or result in discounting of some of our current offerings, offsetting the benefit of even a successful introduction. There also may be overlaps in the current products and services of HP and portfolios acquired through mergers and acquisitions that we must manage. In addition, it may be difficult to ensure performance of new customer contracts in accordance with our revenue, margin and cost estimates and to achieve operational efficiencies embedded in our estimates. Given the competitive nature of our industry, if any of these risks materializes, future demand for our products and services and our results of operations may suffer.

Our revenue and profitability could suffer if we do not manage the risks associated with our IT services business properly.

The size and significance of the IT services portion of our business has increased in recent periods. The risks that accompany that business differ from those of our other businesses and include the following:

- The pricing and other terms of some of our IT services agreements, particularly our long-term IT outsourcing services agreements, require us to make estimates and assumptions at the time we enter into these contracts that could differ from actual results. Any increased or unexpected costs or unanticipated delays in connection with the performance of these engagements, including delays caused by factors outside our control, could make these agreements less profitable or unprofitable, which would have an adverse affect on the profit margin of our IT services business.
- Some of our IT services agreements require significant investment in the early stages that is expected to be recovered through billings over the life of the agreement. These agreements often involve the construction of new IT systems and communications networks and the development and deployment of new technologies. Substantial performance risk exists in each agreement with these characteristics, and some or all elements of service delivery under these agreements are dependent upon successful completion of the development, construction and deployment phases. Any failure to perform satisfactorily under these agreements may expose us to legal liability, result in the loss of customers and harm our reputation, which could decrease the revenues and profitability of our IT services business.

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- Some of our outsourcing services agreements contain pricing provisions that permit a client to request a benchmark study by a mutually acceptable third party. The benchmarking process typically compares the contractual price of our services against the price of similar services offered by other specified providers in a peer comparison group, subject to agreed upon adjustment and normalization factors. Generally, if the benchmarking study shows that our pricing has a difference outside a specified range, and the difference is not due to the unique requirements of the client, then the parties will negotiate in good faith any appropriate adjustments to the pricing. This may result in the reduction of our rates for the benchmarked services performed after the implementation of those pricing adjustments, which could decrease the revenues and profitability of our IT services business.

If we fail to comply with our customer contracts or government contracting regulations, our revenue could suffer.

Our contracts with our customers may include unique and specialized performance requirements. In particular, our contracts with federal, state, provincial and local governmental customers are subject to various procurement regulations, contract provisions and other requirements relating to their formation, administration and performance. Any failure by us to comply with the specific provisions in our customer contracts or any violation of government contracting regulations could result in the imposition of various civil and criminal penalties, which may include termination of contracts, forfeiture of profits, suspension of payments and, in the case of our government contracts, fines and suspension from future government contracting. In addition, we have in the past been, and may in the future be, subject to *qui tam* litigation brought by private individuals on behalf of the government relating to our government contracts, which could include claims for up to treble damages. Further, any negative publicity related to our customer contracts or any proceedings surrounding them, regardless of its accuracy, may damage our business by affecting our ability to compete for new contracts. If our customer contracts are terminated, if we are suspended from government work, or if our ability to compete for new contracts is adversely affected, we could suffer a reduction in expected revenue.

We make estimates and assumptions in connection with the preparation of HP's Consolidated Financial Statements, and any changes to those estimates and assumptions could adversely affect our results of operations.

In connection with the preparation of HP's Consolidated Financial Statements, we use certain estimates and assumptions based on historical experience and other factors. Our most critical accounting estimates are described in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this report. In addition, as discussed in Note 18 to the Consolidated Financial Statements, we make certain estimates, including decisions related to provisions for legal proceedings and other contingencies. While we believe that these estimates and assumptions are reasonable under the circumstances, they are subject to significant uncertainties, some of which are beyond our control. Should any of these estimates and assumptions change or prove to have been incorrect, it could adversely affect our results of operations.

Unanticipated changes in HP's tax provisions, the adoption of new tax legislation or exposure to additional tax liabilities could affect our profitability.

We are subject to income and other taxes in the United States and numerous foreign jurisdictions. Our tax liabilities are affected by the amounts we charge for inventory, services, licenses, funding and other items in intercompany transactions. We are subject to ongoing tax audits in various jurisdictions. Tax authorities may disagree with our intercompany charges, cross-jurisdictional transfer pricing or other matters and assess additional taxes. We regularly assess the likely outcomes of these audits in order to determine the appropriateness of our tax provision. However, there can be no assurance that we will accurately predict the outcomes of these audits, and the amounts ultimately paid upon

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resolution of audits could be materially different from the amounts previously included in our income tax expense and therefore could have a material impact on our tax provision, net income and cash flows. In addition, our effective tax rate in the future could be adversely affected by changes to our operating structure, changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, changes in tax laws and the discovery of new information in the course of our tax return preparation process. In particular, the carrying value of deferred tax assets, which are predominantly in the United States, is dependent on our ability to generate future taxable income in the United States. In addition, President Obama's administration has announced proposals for other U.S. tax legislation that, if adopted, could adversely affect our tax rate. There are also other tax proposals that have been introduced, that are being considered, or that have been enacted by the United States Congress or the legislative bodies in foreign jurisdictions that could affect our tax rate, the carrying value of deferred tax assets, or our other tax liabilities. For example, the Commonwealth of Puerto Rico has enacted tax legislation effective on January 1, 2011 that, in certain situations, would impose a new, temporary excise tax relating to our non-Puerto Rican subsidiaries that sell products manufactured by our Puerto Rican subsidiaries. Any of these changes could affect our profitability.

Our sales cycle makes planning and inventory management difficult and future financial results less predictable.

In some of our segments, our quarterly sales often have reflected a pattern in which a disproportionate percentage of each quarter's total sales occur towards the end of such quarter. This uneven sales pattern makes prediction of revenue, earnings, cash flow from operations and working capital for each financial period difficult, increases the risk of unanticipated variations in quarterly results and financial condition and places pressure on our inventory management and logistics systems. If predicted demand is substantially greater than orders, there will be excess inventory. Alternatively, if orders substantially exceed predicted demand, we may not be able to fulfill all of the orders received in the last few weeks of each quarter. Other developments late in a quarter, such as a systems failure, component pricing movements, component shortages or global logistics disruptions, could adversely impact inventory levels and results of operations in a manner that is disproportionate to the number of days in the quarter affected.

We experience some seasonal trends in the sale of our products that also may produce variations in quarterly results and financial condition. For example, sales to governments (particularly sales to the United States government) are often stronger in the third calendar quarter, consumer sales are often stronger in the fourth calendar quarter, and many customers whose fiscal and calendar years are the same spend their remaining capital budget authorizations in the fourth calendar quarter prior to new budget constraints in the first calendar quarter of the following year. European sales are often weaker during the summer months. Demand during the spring and early summer also may be adversely impacted by market anticipation of seasonal trends. Moreover, to the extent that we introduce new products in anticipation of seasonal demand trends, our discounting of existing products may adversely affect our gross margin prior to or shortly after such product launches. Typically, our third fiscal quarter is our weakest and our fourth fiscal quarter is our strongest. Many of the factors that create and affect seasonal trends are beyond our control.

Any failure by us to execute on our strategy for operational efficiency successfully could result in total costs and expenses that are greater than expected.

We have adopted an operating framework that includes a disciplined focus on operational efficiency. As part of this framework, we have adopted several initiatives, including a multi-year program announced in 2006 to reduce real estate costs by consolidating several hundred HP real estate locations worldwide to fewer core sites, and a multi-year process of examining every function and every one of our businesses and functions in order to optimize efficiency and reduce cost. We have also

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implemented a workforce restructuring program in fiscal 2008 relating to our acquisition of Electronic Data Systems Corporation ("EDS"), a workforce restructuring program in fiscal 2009 relating to our product businesses and a multi-year restructuring plan in the third quarter of fiscal 2010 relating to our enterprise services business.

Our ability to achieve the anticipated cost savings and other benefits from these initiatives within the expected time frame is subject to many estimates and assumptions, including estimates and assumptions regarding the cost of consolidating real estate locations, the amount of accelerated depreciation or asset impairment to be incurred when we vacate facilities or cease using equipment before the end of their respective lease term or asset life, and the costs and timing of other activities in connection with these initiatives. These estimates and assumptions are subject to significant economic, competitive and other uncertainties, some of which are beyond our control. In addition, there are significant risks associated with our workforce restructuring programs, including potential delays in the implementation of those programs in highly regulated locations outside of the United States, particularly in Europe and Asia, decreases in employee morale, and the failure to meet operational targets due to the loss of employees. If these estimates and assumptions are incorrect, if we experience delays, or if other unforeseen events occur, our business and results of operations could be adversely affected.

In order to be successful, we must attract, retain and motivate key employees, and failure to do so could seriously harm us.

In order to be successful, we must attract, retain and motivate executives and other key employees, including those in managerial, technical, sales, marketing and IT support positions. Hiring and retaining qualified executives, engineers, skilled solutions providers in the IT support business and qualified sales representatives are critical to our future, and competition for experienced employees in the IT industry can be intense. In order to attract and retain executives and other key employees in a competitive marketplace, we must provide a competitive compensation package, including cash and share-based compensation. Our primary form of share-based incentive award is performance-based restricted stock units, which contain conditions relating to HP's long-term financial and stock price performance that makes the future value of those awards uncertain. If the anticipated value of such share-based incentive awards does not materialize, if our share-based compensation otherwise ceases to be viewed as a valuable benefit, or if our total compensation package is not viewed as being competitive, our ability to attract, retain, and motivate executives and key employees could be weakened. The failure to successfully hire executives and key employees or the loss of any executives and key employees could have a significant impact on our operations.

Terrorist acts, conflicts and wars may seriously harm our business and revenue, costs and expenses and financial condition and stock price.

Terrorist acts, conflicts or wars (wherever located around the world) may cause damage or disruption to HP, our employees, facilities, partners, suppliers, distributors, resellers or customers. The potential for future attacks, the national and international responses to attacks or perceived threats to national security, and other actual or potential conflicts or wars, including the ongoing military operations in Iraq and Afghanistan have created many economic and political uncertainties. In addition, as a major multinational company with headquarters and significant operations located in the United States, actions against or by the United States may impact our business or employees. Although it is impossible to predict the occurrences or consequences of any such events, they could result in a decrease in demand for our products, make it difficult or impossible to deliver products to our customers or to receive components from our suppliers, create delays and inefficiencies in our supply chain and result in the need to impose employee travel restrictions. We are predominantly uninsured for losses and interruptions caused by terrorist acts, conflicts and wars.

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Any failure by us to identify, manage, complete and integrate acquisitions, divestitures and other significant transactions successfully could harm our financial results, business and prospects, and the costs, expenses and other financial and operational effects associated with managing, completing and integrating acquisitions may result in financial results that are different than expected.

As part of our business strategy, we frequently acquire complementary companies or businesses, divest non-core businesses or assets, enter into strategic alliances and joint ventures and make investments to further our business (collectively, "business combination and investment transactions"). In order to pursue this strategy successfully, we must identify suitable candidates for and successfully complete business combination and investment transactions, some of which may be large and complex, and manage post-closing issues such as the integration of acquired companies or employees. We may not fully realize all of the anticipated benefits of any business combination and investment transaction, and the timeframe for achieving benefits of a business combination and investment transaction may depend partially upon the actions of employees, suppliers or other third parties. In addition, the pricing and other terms of our contracts for business combination and investment transactions require us to make estimates and assumptions at the time we enter into these contracts, and, during the course of our due diligence, we may not identify all of the factors necessary to estimate our costs accurately. Any increased or unexpected costs, unanticipated delays or failure to meet contractual obligations could make these transactions less profitable or unprofitable. Moreover, if we fail to identify and successfully complete business combination and investment transactions that further our strategic objectives, we may be required to expend resources to develop products and technology internally, we may be at a competitive disadvantage or we may be adversely affected by negative market perceptions, any of which could adversely affect our revenue, gross margin and profitability.

Integration issues are complex, time-consuming and expensive and, without proper planning and implementation, could significantly disrupt our business. The challenges involved in integration include:

- combining product offerings and entering into new markets in which we are not experienced;
- convincing customers and distributors that the transaction will not diminish client service standards or business focus, preventing customers and distributors from deferring purchasing decisions or switching to other suppliers (which could result in our incurring additional obligations in order to address customer uncertainty), minimizing sales force attrition and coordinating sales, marketing and distribution efforts;
- consolidating and rationalizing corporate IT infrastructure, which may include multiple legacy systems from various acquisitions and integrating software code;
- minimizing the diversion of management attention from ongoing business concerns;
- persuading employees that business cultures are compatible, maintaining employee morale and retaining key employees, engaging with employee works councils representing an acquired company's non-U.S. employees, integrating employees into HP, correctly estimating employee benefit costs and implementing restructuring programs;
- coordinating and combining administrative, manufacturing, research and development and other operations, subsidiaries, facilities and relationships with third parties in accordance with local laws and other obligations while maintaining adequate standards, controls and procedures;
- achieving savings from supply chain integration; and
- managing integration issues shortly after or pending the completion of other independent transactions.

Managing business combination and investment transactions requires varying levels of management resources, which may divert our attention from other business operations. These business combination

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and investment transactions also have resulted, and in the future may result, in significant costs and expenses and charges to earnings, including those related to severance pay, early retirement costs, employee benefit costs, asset impairment charges, charges from the elimination of duplicative facilities and contracts, in-process research and development charges, inventory adjustments, assumed litigation and other liabilities, legal, accounting and financial advisory fees, and required payments to executive officers and key employees under retention plans. Moreover, HP has incurred and will incur additional depreciation and amortization expense over the useful lives of certain assets acquired in connection with business combination and investment transactions, and, to the extent that the value of goodwill or intangible assets with indefinite lives acquired in connection with a business combination and investment transaction becomes impaired, we may be required to incur additional material charges relating to the impairment of those assets. In order to complete an acquisition, we may issue common stock, potentially creating dilution for existing stockholders. In addition, we may borrow to finance an acquisition, and the amount and terms of any potential future acquisition-related borrowings, as well as other factors, could affect our liquidity and financial condition and potentially our credit ratings. Any potential future downgrades in our credit rating associated with an acquisition could adversely affect our ability to borrow and cost of borrowing and result in more restrictive borrowing terms. In addition, HP's effective tax rate on an ongoing basis is uncertain, and business combination and investment transactions could impact our effective tax rate. We also may experience risks relating to the challenges and costs of closing a business combination and investment transaction and the risk that an announced business combination and investment transaction may not close. As a result, any completed, pending or future transactions may contribute to financial results that differ from the investment community's expectations in a given quarter.

Unforeseen environmental costs could impact our future net earnings.

We are subject to various federal, state, local and foreign laws and regulations concerning environmental protection, including laws addressing the discharge of pollutants into the air and water, the management and disposal of hazardous substances and wastes, the cleanup of contaminated sites, the content of our products and the recycling, treatment and disposal of our products including batteries. In particular, we face increasing complexity in our product design and procurement operations as we adjust to new and future requirements relating to the chemical and materials composition of our products, their safe use, the energy consumption associated with those products, climate change laws and regulations, and product take-back legislation. We could incur substantial costs, our products could be restricted from entering certain jurisdictions, and we could face other sanctions, if we were to violate or become liable under environmental laws or if our products become non-compliant with environmental laws. Our potential exposure includes fines and civil or criminal sanctions, third-party property damage, personal injury claims and clean up costs. Further, liability under some environmental laws relating to contaminated sites can be imposed retroactively, on a joint and several basis, and without any finding of noncompliance or fault. The amount and timing of costs under environmental laws are difficult to predict.

Some anti-takeover provisions contained in our certificate of incorporation and bylaws, as well as provisions of Delaware law, could impair a takeover attempt.

We have provisions in our certificate of incorporation and bylaws, each of which could have the effect of rendering more difficult or discouraging an acquisition of HP deemed undesirable by our Board of Directors. These include provisions:

- authorizing blank check preferred stock, which HP could issue with voting, liquidation, dividend and other rights superior to our common stock;
- limiting the liability of, and providing indemnification to, HP's directors and officers;

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- specifying that HP stockholders may take action only at a duly called annual or special meeting of stockholders and otherwise in accordance with our bylaws and limiting the ability of our stockholders to call special meetings;
- requiring advance notice of proposals by HP stockholders for business to be conducted at stockholder meetings and for nominations of candidates for election to our Board of Directors;
- requiring a vote by the holders of two-thirds of HP's outstanding shares to amend certain bylaws relating to HP stockholder meetings, the Board of Directors and indemnification; and
- controlling the procedures for conduct of HP Board and stockholder meetings and election, appointment and removal of HP directors.

These provisions, alone or together, could deter or delay hostile takeovers, proxy contests and changes in control or management of HP. As a Delaware corporation, HP also is subject to provisions of Delaware law, including Section 203 of the Delaware General Corporation Law, which prevents some stockholders from engaging in certain business combinations without approval of the holders of substantially all of HP's outstanding common stock.

Any provision of our certificate of incorporation or bylaws or Delaware law that has the effect of delaying or deterring a change in control of HP could limit the opportunity for our stockholders to receive a premium for their shares of HP common stock and also could affect the price that some investors are willing to pay for HP common stock.

ITEM 1B. Unresolved Staff Comments.

Not applicable.

ITEM 2. Properties.

As of October 31, 2010, we owned or leased a total of approximately 80 million square feet of space worldwide. We owned 45% of this space and leased the remaining 55%. Included in these amounts are 14 million square feet of vacated space, of which 2 million square feet is leased to non-HP interests. We believe that our existing properties are in good condition and are suitable for the conduct of our business.

As of October 31, 2010, HP core sales and support operations occupied approximately 10 million square feet. We own 34% of the space used for sales and support activities and lease the remaining 66%.

HP core manufacturing plants, research and development facilities and warehouse and administrative facilities occupied approximately 56 million square feet. We own 45% of our manufacturing, research and development, warehouse and administrative space and lease the remaining 55%. Our plants are equipped with machinery, most of which we own and which, in part, we developed to meet the special requirements of our manufacturing processes. We continue to execute on our plan to reduce our real estate costs and increase our productive utilization by consolidating into several hundred HP core real estate locations worldwide.

As mentioned above in Item 1. Business, we have seven business segments: Services, ESS, HP Software, PSG, IPG, HPFS, and Corporate Investments. Because of the interrelation of these segments, a majority of these segments use substantially all of the properties at least in part, and we retain the flexibility to use each of the properties in whole or in part for each of the segments.

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Principal Executive Offices

Our principal executive offices, including our global headquarters, are located at 3000 Hanover Street, Palo Alto, California, United States of America.

Headquarters of Geographic Operations

The locations of our headquarters of geographic operations at October 31, 2010 were as follows:

<i>Americas</i>	<i>Europe, Middle East, Africa</i>	<i>Asia Pacific</i>
Houston, United States	Geneva, Switzerland	Singapore
Miami, United States		Tokyo, Japan
Mississauga, Canada		

Product Development and Manufacturing

The locations of our major product development, manufacturing, and HP Labs at October 31, 2010 were as follows:

<i>Americas</i>	<i>Europe, Middle East, Africa</i>	<i>Hewlett-Packard Laboratories</i>
Aguadilla, Puerto Rico	Herrenberg, Germany	Bangalore, India
Cupertino, Roseville, San Diego, and Woodland, California	Leixlip, Ireland	Beijing, China
Fort Collins, Colorado	Kiryat-Gat, Nes Ziona, and Netanya, Israel	Bristol, United Kingdom
Boise, Idaho	Amersfoort, The Netherlands	Fusionopolis, Singapore
Indianapolis, Indiana	Sant Cugat del Valles, Spain	Haifa, Israel
Andover, Massachusetts	Erskine, United Kingdom	Palo Alto, United States
Corvallis, Oregon		St. Petersburg, Russia
LaVergne, Tennessee	<i>Asia Pacific</i>	
Houston, Texas	ChongQing and Shanghai, China	
Sandston, Virginia	Udham Singh Nagar, India	
Vancouver, Washington	Tokyo, Japan	
	Singapore	

ITEM 3. Legal Proceedings.

Information with respect to this item may be found in Note 18 to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference.

PART II**ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.**

Information regarding the market prices of HP common stock and the markets for that stock may be found in the "Quarterly Summary" in Item 8 and on the cover page of this Annual Report on Form 10-K, respectively, which are incorporated herein by reference. We have declared and paid cash dividends each fiscal year since 1965. The trend has been to declare \$0.16 per share in each first fiscal quarter and third fiscal quarter and to pay \$0.08 per share in each fiscal quarter. As of November 30, 2010, there were approximately 118,100 stockholders of record. Additional information concerning dividends may be found in "Selected Financial Data" in Item 6 and in Item 8, which are incorporated herein by reference.

Recent Sales of Unregistered Securities

There were no unregistered sales of equity securities in fiscal 2010 that have not been previously reported in a Quarterly Report on Form 10-Q.

Issuer Purchases of Equity Securities

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Approximate Dollar Value of Shares that May Yet Be Purchased under the Plans or Programs</u>
In thousands, except per share amounts				
Month #1 (August 2010)	27,964	\$ 41.97	27,964	\$ 13,701,215
Month #2 (September 2010)	34,312	\$ 39.52	34,312	\$ 12,345,379
Month #3 (October 2010)	34,204	\$ 41.90	34,204	\$ 10,912,310
Total	<u>96,480</u>	<u>\$ 41.07</u>	<u>96,480</u>	

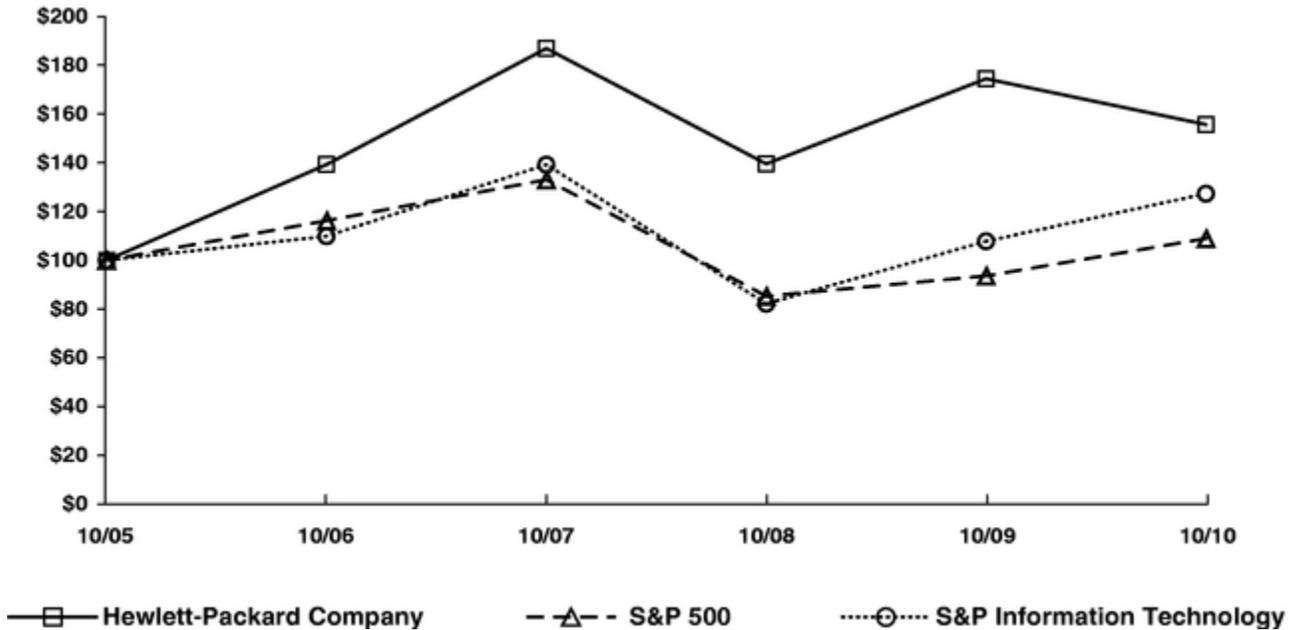
HP repurchased shares in the fourth quarter of fiscal 2010 under an ongoing program to manage the dilution created by shares issued under employee stock plans as well as to repurchase shares opportunistically. This program, which does not have a specific expiration date, authorizes repurchases in the open market or in private transactions. All shares repurchased in the fourth quarter of fiscal 2010 were purchased in open market transactions.

As of October 31, 2010, HP had remaining authorization of \$10.9 billion for future share repurchases under the \$8.0 billion and \$10.0 billion repurchase authorizations approved by HP's Board of Directors on November 19, 2009 and August 29, 2010, respectively.

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Stock Performance Graph and Cumulative Total Return

The graph below shows the cumulative total stockholder return assuming the investment of \$100 on the date specified (and the reinvestment of dividends thereafter) in each of HP common stock, the S&P 500 Index, and the S&P Information Technology Index.⁽¹⁾ The comparisons in the graph below are based upon historical data and are not indicative of, or intended to forecast, future performance of our common stock.



	10/05	10/06	10/07	10/08	10/09	10/10
Hewlett-Packard Company	100.00	139.54	187.52	139.83	174.99	156.07
S&P 500	100.00	116.34	133.28	85.17	93.52	108.97
S&P Information Technology	100.00	109.93	139.51	82.02	107.85	127.52

(1) The stock performance graph does not include HP's peer group because peer group information is represented and included in the S&P Information Technology Index.

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ITEM 6. Selected Financial Data.

The information set forth below is not necessarily indicative of results of future operations and should be read in conjunction with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the Consolidated Financial Statements and notes thereto included in Item 8, "Financial Statements and Supplementary Data," of this Form 10-K, which are incorporated herein by reference, in order to understand further the factors that may affect the comparability of the financial data presented below.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES
Selected Financial Data

	For the fiscal years ended October 31				
	2010	2009	2008	2007	2006
	In millions, except per share amounts				
Net revenue	\$ 126,033	\$ 114,552	\$ 118,364	\$ 104,286	\$ 91,658
Earnings from operations ⁽¹⁾	\$ 11,479	\$ 10,136	\$ 10,473	\$ 8,719	\$ 6,560
Net earnings	\$ 8,761	\$ 7,660	\$ 8,329	\$ 7,264	\$ 6,198
Net earnings per share					
Basic	\$ 3.78	\$ 3.21	\$ 3.35	\$ 2.76	\$ 2.23
Diluted	\$ 3.69	\$ 3.14	\$ 3.25	\$ 2.68	\$ 2.18
Cash dividends declared per share	\$ 0.32	\$ 0.32	\$ 0.32	\$ 0.32	\$ 0.32
At year-end:					
Total assets	\$ 124,503	\$ 114,799	\$ 113,331	\$ 88,699	\$ 81,981
Long-term debt	\$ 15,258	\$ 13,980	\$ 7,676	\$ 4,997	\$ 2,490

(1) Earnings from operations include the following items:

	2010	2009	2008	2007	2006
	In millions				
Amortization of purchased intangible assets	\$ 1,484	\$ 1,578	\$ 1,012	\$ 973	\$ 656
Restructuring charges	1,144	640	270	387	158
Pension curtailments and pension settlements, net	—	—	—	(517)	—
Acquisition-related charges	293	242	41	—	—
Total charges before taxes	<u>\$ 2,921</u>	<u>\$ 2,460</u>	<u>\$ 1,323</u>	<u>\$ 843</u>	<u>\$ 814</u>
Total charges, net of taxes	<u>\$ 2,105</u>	<u>\$ 1,733</u>	<u>\$ 973</u>	<u>\$ 690</u>	<u>\$ 604</u>

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ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the Consolidated Financial Statements and the related notes that appear elsewhere in this document.

OVERVIEW

We are a leading global provider of products, technologies, software, solutions and services to individual consumers, small- and medium-sized businesses, and large enterprises, including customers in the government, health and education sectors. Our offerings span:

- multi-vendor customer services, including infrastructure technology and business process outsourcing, technology support and maintenance, application development and support services, and consulting and integration services;
- enterprise information technology infrastructure, including enterprise storage and server technology, networking products and solutions, information management software and software that optimizes business technology investments;
- personal computing and other access devices; and
- imaging and printing-related products and services.

We have seven business segments for financial reporting purposes: Services, Enterprise Storage and Servers ("ESS"), HP Software, the Personal Systems Group ("PSG"), the Imaging and Printing Group ("IPG"), HP Financial Services ("HPFS"), and Corporate Investments. Services, ESS and HP Software are reported collectively as a broader HP Enterprise Business. While the HP Enterprise Business is not an operating segment, we sometimes provide financial data aggregating the segments within it in order to provide a supplementary view of our business.

Our strategy and operations are currently focused on the following initiatives:

Competitive Positioning

We are positioning our businesses to take advantage of important trends in the markets for our products and services. For example, we are aligning our printing business to capitalize on key market trends such as the shift from analog to digital printing and the growth in printable content by developing innovative products for consumers such as the first web-connected home printer, working to enable web and mobile printing, expanding our presence in high-usage annuity businesses including graphics and retail publishing printing, and growing our managed print services business. We are also positioning our enterprise business to capitalize on the trend towards converged infrastructure products that integrate storage, networking, servers and management software, while also delivering services for that converged infrastructure in a manner that best fits each client's needs, be it at a client site, as an outsourced service via the Internet or via a hybrid approach. In addition, we have developed IT management software offerings that seek to satisfy the increasing demand for virtualization management and increased automation.

Driving Operational Efficiency

We are working to optimize efficiency across the company. As part of those efforts, we are continuing to execute on our multi-year program to consolidate real estate locations worldwide to fewer

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

**Management's Discussion and Analysis of
Financial Condition and Results of Operations (Continued)**

core sites in order to reduce our IT spending and real estate costs. We are also continuing to implement the restructuring plan announced in the fourth quarter of fiscal 2008 to optimize the cost structure of our Services business and the restructuring plan announced in May 2009 to structurally change and improve the effectiveness of several of our product businesses. In June 2010, we announced and started implementing a new restructuring plan that will consolidate data centers, systems and tools to better position for growth our enterprise services business, which includes our infrastructure technology outsourcing, application services, and business process outsourcing business units. See Note 8 to the Consolidated Financial Statements in Item 8 for further discussion of these restructuring plans and the associated restructuring charges.

Investing for Growth

We are investing for growth by strengthening our position in our core markets and accelerating growth in adjacent markets in anticipation of market trends, such as data center consolidation and automation, cloud computing and virtualization, digitization, IT security, and mobility and connectivity. For example, we are increasing our sales coverage and investing in our sales channels to better address the markets we cover, including further expansion in emerging markets. We are creating innovative new products and developing new channels to connect with our customers. In addition, we have been making focused investments in innovation to strengthen our portfolio of products and services that we can offer to our customers, both through acquisitions and through organic growth. A critical component of this strategy was our acquisition of Electronic Data Systems Corporation ("EDS") in August 2008, which has increased the size and breadth of our services business and enabled us to provide comprehensive IT product and services solutions to our customers. In addition, with the completion of the acquisition of 3Com Corporation ("3Com") in April 2010, we are accelerating our investments in networking. In July 2010, we completed the acquisition of Palm, Inc. ("Palm"), which enhances our ability to participate more aggressively in the growing smartphone and connected mobile device markets. In September 2010, we completed the acquisition of 3PAR Inc. ("3PAR"), which expands our storage portfolio into enterprise-class public and private cloud computing environments. In October 2010, we completed the acquisition of ArcSight, Inc. ("ArcSight"), which enables us to offer customers an integrated security platform with a holistic approach to securing their networks, applications and sensitive data. These acquisitions have enabled us to expand in high-margin and high-growth industry segments and have further strengthened our portfolio of hardware, software and services.

Leveraging our Portfolio and Scale

We now offer one of the IT industry's broadest portfolios of products and services, and we leverage that portfolio to our strategic advantage. For example, in our enterprise business, we are able to provide servers, storage and networking products packaged with services that can be delivered to customers in the manner of their choosing, be it in-house, outsourced as a service via the Internet or via a hybrid environment. Our portfolio of management software completes the package by allowing our customers to manage their IT operations in an efficient and cost-effective manner. In addition, we are working to optimize our supply chain by eliminating complexity, reducing fixed costs, and leveraging our scale to ensure the availability of components at favorable prices even during shortages. We are also expanding our use of industry standard components in our enterprise products to further leverage our scale.

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

**Management's Discussion and Analysis of
Financial Condition and Results of Operations (Continued)**

The following provides an overview of our key fiscal 2010 financial metrics and demonstrates how our execution has translated into financial performance:

	HP ⁽¹⁾ Consolidated	HP Enterprise Business						
		Services	ESS	HP Software	Total	PSG	IPG	HPFS
In millions, except per share amounts								
Net revenue	\$ 126,033	\$34,935	\$18,651	\$ 3,586	\$57,172	\$40,741	\$25,764	\$3,047
Year-over-year net revenue % increase	10.0%	0.7%	21.4%	0.4%	6.6%	15.4%	7.3%	14.0%
Earnings from operations	\$ 11,479	\$ 5,609	\$ 2,402	\$ 759	\$ 8,770	\$ 2,032	\$ 4,412	\$ 281
Earnings from operations as a % of net revenue	9.1%	16.1%	12.9%	21.2%	15.3%	5.0%	17.1%	9.2%
Net earnings	\$ 8,761							
Net earnings per share								
Basic	\$ 3.78							
Diluted	\$ 3.69							

(1) Includes Corporate Investments and eliminations.

Cash and cash equivalents at October 31, 2010 totaled \$10.9 billion, a decrease of \$2.4 billion from the October 31, 2009 balance of \$13.3 billion. The decrease for fiscal 2010 was due primarily to \$11.0 billion of cash used to repurchase common stock, \$8.1 billion of net cash paid for business acquisitions, and \$3.5 billion net investment in property, plant and equipment, all of which were partially offset by \$11.9 billion of cash provided from operations, \$6.0 billion of increased net borrowings, and \$2.6 billion of proceeds related to issuance of common stock under employee stock plans.

We intend the discussion of our financial condition and results of operations that follows to provide information that will assist in understanding our Consolidated Financial Statements, the changes in certain key items in those financial statements from year to year, and the primary factors that accounted for those changes, as well as how certain accounting principles, policies and estimates affect our Consolidated Financial Statements.

The discussion of results of operations at the consolidated level is followed by a more detailed discussion of results of operations by segment.

For a further discussion of trends, uncertainties and other factors that could impact our operating results, see the section entitled "Risk Factors" in Item 1A, which is incorporated herein by reference.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

General

The Consolidated Financial Statements of HP are prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), which require management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, net revenue and expenses, and the disclosure of contingent assets and liabilities. Management bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Senior management has discussed the

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

**Management's Discussion and Analysis of
Financial Condition and Results of Operations (Continued)**

development, selection and disclosure of these estimates with the Audit Committee of HP's Board of Directors. Management believes that the accounting estimates employed and the resulting balances are reasonable; however, actual results may differ from these estimates under different assumptions or conditions.

The summary of significant accounting policies is included in Note 1 to the consolidated financial statements in Item 8. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, if different estimates reasonably could have been used, or if changes in the estimate that are reasonably possible could materially impact the financial statements. Management believes the following critical accounting policies reflect the significant estimates and assumptions used in the preparation of the Consolidated Financial Statements.

Revenue Recognition

We enter into contracts to sell our products and services, and, while the majority of our sales agreements contain standard terms and conditions, there are agreements that contain multiple elements or non-standard terms and conditions. As a result, significant contract interpretation is sometimes required to determine the appropriate accounting, including whether the deliverables specified in a multiple element arrangement should be treated as separate units of accounting for revenue recognition purposes, and, if so, how the price should be allocated among the elements and when to recognize revenue for each element. We recognize revenue for delivered elements only when the delivered elements have standalone value, uncertainties regarding customer acceptance are resolved and there are no customer-negotiated refund or return rights for the delivered elements. If the arrangement includes a customer-negotiated refund or return right relative to the delivered item and the delivery and performance of the undelivered item is considered probable and substantially in our control, the delivered element constitutes a separate unit of accounting. Changes in the allocation of the sales price between elements may impact the timing of revenue recognition but will not change the total revenue recognized on the contract.

We recognize revenue as work progresses on certain fixed price contracts, such as consulting arrangements. Using a proportional performance method, we estimate the total expected labor costs in order to determine the amount of revenue earned to date. We follow this basis because reasonably dependable estimates of the labor costs applicable to various stages of a contract can be made. Total contract profit is subject to revisions throughout the life of the contract. We record changes in revenue to income, as a result of revisions to cost estimates, in the period in which the facts that give rise to the revision become known.

We recognize revenue on certain design and build (design, development and/or constructions of software and/or systems) projects using the percentage-of-completion method. We use the cost-to-cost method of measurement towards completion as determined by the percentage of cost incurred to date to the total estimated costs of the project. In circumstances when reasonable and reliable cost estimates for a project cannot be made, we recognize revenue using the completed contract method.

We record estimated reductions to revenue for customer and distributor programs and incentive offerings, including price protection, promotions, other volume-based incentives and expected returns. Future market conditions and product transitions may require us to take actions to increase customer incentive offerings, possibly resulting in an incremental reduction of revenue at the time the incentive is offered. Additionally, certain incentive programs require us to estimate, based on historical experience

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**Management's Discussion and Analysis of
Financial Condition and Results of Operations (Continued)**

and the specific terms and conditions of the incentive, the number of customers who will actually redeem the incentive.

Under our current revenue recognition policies, which were applied in fiscal 2010 and 2009, we establish vendor-specific objective evidence ("VSOE") of selling price using the price charged for a deliverable when sold separately and, in rare instances, using the price established by management having the relevant authority. Third-party evidence of selling price is established by evaluating largely similar and interchangeable competitor products or services in standalone sales to similarly situated customers. The best estimate of selling price ("ESP") is established considering internal factors such as margin objectives, pricing practices and controls, customer segment pricing strategies and the product life cycle. Consideration is also given to market conditions such as competitor pricing strategies and industry technology life cycles. When determining our best estimate of selling price, we apply management judgment when establishing margin objectives and pricing strategies and evaluating market conditions and product life cycles. We may modify or develop new go-to-market practices in the future. As these go-to-market strategies evolve, we may modify our pricing practices in the future, which may result in changes in selling prices, impacting both VSOE and ESP. The aforementioned factors may result in a different allocation of revenue to the deliverables in multiple element arrangements from the current fiscal year, which may change the pattern and timing of revenue recognition for these elements but will not change the total revenue recognized for the arrangement.

For 2008, pursuant to the previous guidance for revenue arrangements with multiple deliverables, HP allocated revenue to each element based on relative fair value, or, for software, based on VSOE of fair value.

Warranty Provision

We provide for the estimated cost of product warranties at the time we recognize revenue. We evaluate our warranty obligations on a product group basis. Our standard product warranty terms generally include post-sales support and repairs or replacement of a product at no additional charge for a specified period of time. While we engage in extensive product quality programs and processes, including actively monitoring and evaluating the quality of our component suppliers, we base our estimated warranty obligation upon warranty terms, ongoing product failure rates, repair costs, product call rates, average cost per call, and current period product shipments. If actual product failure rates, repair rates or any other post sales support costs were to differ from our estimates, we would be required to make revisions to the estimated warranty liability. Warranty terms generally range from 90 days to three years for parts and labor, depending upon the product. Over the last three fiscal years, the annual warranty provision has averaged approximately 3.5% of annual net product revenue, while actual annual warranty costs have experienced favorable trends and averaged approximately 3.3% of annual net product revenue.

Business Combinations

We allocate the purchase price of acquired companies to the tangible assets acquired, liabilities assumed and intangible assets acquired, including in-process research and development ("IPR&D"), based on their estimated fair values. The excess of the purchase price over these fair values is recorded as goodwill. We engage independent third-party appraisal firms to assist us in determining the fair values of assets acquired and liabilities assumed. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets.

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**Management's Discussion and Analysis of
Financial Condition and Results of Operations (Continued)**

Critical estimates in valuing certain intangible assets include but are not limited to: future expected cash flows from customer contracts, customer lists, distribution agreements, and acquired developed technologies and patents; expected costs to develop IPR&D into commercially viable products and estimating cash flows from projects when completed; brand awareness and market position, as well as assumptions about the period of time the brand will continue to be used in our product portfolio; and discount rates. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates.

Other estimates associated with the accounting for acquisitions may change as additional information becomes available regarding the assets acquired and liabilities assumed, as more fully discussed in Note 6 to the Consolidated Financial Statements in Item 8.

Valuation of Goodwill and Purchased Intangible Assets

We review goodwill and purchased intangible assets with indefinite lives for impairment annually and whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. The provisions of the accounting standard for goodwill and other intangibles require that we perform a two-step impairment test on goodwill. In the first step, we compare the fair value of each reporting unit to its carrying value. In general, our reporting units are consistent with the reportable segments identified in Note 19 to the Consolidated Financial Statements in Item 8. However, for certain businesses within Corporate Investments, the reporting unit is one step below the segment level. We determine the fair value of our reporting units based on a weighting of income and market approaches. Under the income approach, we calculate the fair value of a reporting unit based on the present value of estimated future cash flows. Under the market approach, we estimate the fair value based on market multiples of revenue or earnings for comparable companies. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is not impaired and we are not required to perform further testing. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, then we must perform the second step of the impairment test in order to determine the implied fair value of the reporting unit's goodwill. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, then we record an impairment loss equal to the difference. We also compare the fair value of purchased intangible assets with indefinite lives to their carrying value. We estimate the fair value of these intangible assets using an income approach. We recognize an impairment loss when the estimated fair value of the intangible asset is less than the carrying value.

Determining the fair value of a reporting unit or an indefinite-lived purchased intangible asset is judgmental in nature and involves the use of significant estimates and assumptions. These estimates and assumptions include revenue growth rates and operating margins used to calculate projected future cash flows, risk-adjusted discount rates, assumed royalty rates, future economic and market conditions and determination of appropriate market comparables. We base our fair value estimates on assumptions we believe to be reasonable but that are unpredictable and inherently uncertain. Actual future results may differ from those estimates. In addition, we make certain judgments and assumptions in allocating shared assets and liabilities to determine the carrying values for each of our reporting units.

Our annual goodwill impairment analysis, which we performed during the fourth quarter of fiscal 2010, did not result in an impairment charge. The excess of fair value over carrying value for each of HP's reporting units as of August 1, 2010, the annual testing date, ranged from approximately

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**Management's Discussion and Analysis of
Financial Condition and Results of Operations (Continued)**

\$760 million to approximately \$33 billion. In order to evaluate the sensitivity of the fair value calculations on the goodwill impairment test, we applied a hypothetical 10% decrease to the fair values of each reporting unit. This hypothetical 10% decrease would result in excess fair value over carrying value ranging from approximately \$360 million to approximately \$29 billion for each of HP's reporting units.

Restructuring

We have engaged, and may continue to engage, in restructuring actions, which require management to utilize significant estimates related to the timing and the expenses for severance and other employee separation costs, realizable values of assets made redundant or obsolete, lease cancellation and other exit costs. If the actual amounts differ from our estimates, the amount of the restructuring charges could be materially impacted. For a full description of our restructuring actions, refer to our discussions of restructuring in the Results of Operations section and Note 8 to the Consolidated Financial Statements in Item 8, which are incorporated herein by reference.

Stock-Based Compensation Expense

We recognize stock-based compensation expense for all share-based payment awards, net of an estimated forfeiture rate. We recognize compensation cost for only those shares expected to vest on a straight-line basis over the requisite service period of the award.

Determining the appropriate fair value model and calculating the fair value of share-based payment awards requires subjective assumptions, including the expected life of the share-based payment awards and stock price volatility. We utilize the Black-Scholes option pricing model to value the stock options granted under our principal option plans. To implement this model, we examined our historical pattern of option exercises to determine if there were any discernable activity patterns based on certain employee populations. From this analysis, we identified three employee populations to which to apply the Black-Scholes model. We determined that implied volatility calculated based on actively traded options on HP common stock is a better indicator of expected volatility and future stock price trends than historical volatility.

We issue performance-based restricted units ("PRUs") representing hypothetical shares of HP common stock. Each PRU award reflects a target number of shares that may be issued to the award recipient. We determine the actual number of shares the recipient receives at the end of a three-year performance period based on results achieved versus goals based on our annual cash flow from operations as a percentage of revenue and total shareholder return ("TSR") relative to the S&P 500 over the performance period. We use historic volatility for PRU awards as implied volatility cannot be used when simulating multivariate prices for companies in the S&P 500. We estimate the fair value of PRUs using the Monte Carlo simulation model, as the TSR modifier contains a market condition. We update the estimated expense, net of forfeitures, for the cash flow performance against the goal for that year at the end of each reporting period.

The assumptions used in calculating the fair value of share-based payment awards represent management's best estimates, but these estimates involve inherent uncertainties and the application of management judgment. As a result, if factors change and we use different assumptions, our stock-based compensation expense could be materially different in the future. In addition, we are required to estimate the expected forfeiture rate and recognize expense only for those shares expected to vest. If our actual forfeiture rate is materially different from our estimate, the stock-based compensation

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**Management's Discussion and Analysis of
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expense could be significantly different from what we have recorded in the current period. See Note 2 to the Consolidated Financial Statements in Item 8 for a further discussion on stock-based compensation.

Taxes on Earnings

We calculate our current and deferred tax provisions based on estimates and assumptions that could differ from the final positions reflected in our income tax returns filed during the subsequent year. We record adjustments based on filed returns when we have identified and finalized them, which is generally in the third and fourth quarters of the subsequent year for U.S. federal and state provisions, respectively.

We recognize deferred tax assets and liabilities for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts using enacted tax rates in effect for the year in which we expect the differences to reverse. We record a valuation allowance to reduce the deferred tax assets to the amount that we are more likely than not to realize.

We have considered future market growth, forecasted earnings, future taxable income, the mix of earnings in the jurisdictions in which we operate and prudent and feasible tax planning strategies in determining the need for a valuation allowance. In the event we were to determine that we would not be able to realize all or part of our net deferred tax assets in the future, we would increase the valuation allowance and make a corresponding charge to earnings in the period in which we make such determination. Likewise, if we later determine that we are more likely than not to realize the net deferred tax assets, we would reverse the applicable portion of the previously provided valuation allowance. In order for us to realize our deferred tax assets, we must be able to generate sufficient taxable income in the tax jurisdictions in which the deferred tax assets are located.

Our effective tax rate includes the impact of certain undistributed foreign earnings for which we have not provided U.S. taxes because we plan to reinvest such earnings indefinitely outside the United States. We plan foreign earnings remittance amounts based on projected cash flow needs as well as the working capital and long-term investment requirements of our foreign subsidiaries and our domestic operations. Based on these assumptions, we estimate the amount we will distribute to the United States and provide the U.S. federal taxes due on these amounts. Further, as a result of certain employment actions and capital investments we have undertaken, income from manufacturing activities in certain countries is subject to reduced tax rates, and in some cases is wholly exempt from taxes, for fiscal years through 2024. Material changes in our estimates of cash, working capital and long-term investment requirements in the various jurisdictions in which we do business could impact our effective tax rate.

We are subject to income taxes in the United States and approximately eighty foreign countries, and we are subject to routine corporate income tax audits in many of these jurisdictions. We believe that our tax return positions are fully supported, but tax authorities are likely to challenge certain positions, which may not be fully sustained. However, our income tax expense includes amounts intended to satisfy income tax assessments that result from these challenges. Determining the income tax expense for these potential assessments and recording the related assets and liabilities requires management judgments and estimates. We evaluate our uncertain tax positions in accordance with the guidance for accounting for uncertainty in income taxes. We believe that our reserve for uncertain tax positions, including related interest, is adequate. The amounts ultimately paid upon resolution of audits could be materially different from the amounts previously included in our income tax expense and therefore could have a material impact on our tax provision, net income and cash flows. Our reserve

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**Management's Discussion and Analysis of
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for uncertain tax positions is attributable primarily to uncertainties concerning the tax treatment of our international operations, including the allocation of income among different jurisdictions, and related interest. We review our reserves quarterly, and we may adjust such reserves because of proposed assessments by tax authorities, changes in facts and circumstances, issuance of new regulations or new case law, previously unavailable information obtained during the course of an examination, negotiations between tax authorities of different countries concerning our transfer prices, execution of Advanced Pricing Agreements, resolution with respect to individual audit issues, the resolution of entire audits, or the expiration of statutes of limitations.

See Note 14 to the Consolidated Financial Statements in Item 8 for a further discussion on taxes on earnings.

Allowance for Doubtful Accounts

We determine our allowance for doubtful accounts using a combination of factors to ensure that we have not overstated our trade and financing receivables balances due to uncollectibility. We maintain an allowance for doubtful accounts for all customers based on a variety of factors, including the use of third-party credit risk models that generate quantitative measures of default probabilities based on market factors, the financial condition of customers, the length of time receivables are past due, trends in overall weighted-average risk rating of the total portfolio, macroeconomic conditions, significant one-time events and historical experience. Also, we record specific provisions for individual accounts when we become aware of specific customer circumstances, such as in the case of bankruptcy filings or deterioration in the customer's operating results or financial position. If circumstances related to customers change, we would further adjust our estimates of the recoverability of receivables either upward or downward. The annual provision for doubtful accounts has averaged approximately 0.03% of net revenue over the last three fiscal years. Using our third-party credit risk model at October 31, 2010, a 50-basis-point deterioration in the weighted-average default probabilities of our significant customers would have resulted in an approximately \$64 million increase to our trade allowance at the end of fiscal year 2010.

Inventory

We state our inventory at the lower of cost or market. We make adjustments to reduce the cost of inventory to its net realizable value, if required, at the product group level for estimated excess, obsolescence or impaired balances. Factors influencing these adjustments include changes in demand, rapid technological changes, product life cycle and development plans, component cost trends, product pricing, physical deterioration and quality issues. Revisions to these adjustments would be required if these factors differ from our estimates.

Fair Value of Financial Instruments

We measure certain financial assets and liabilities at fair value based on valuation techniques using the best information available, which may include quoted market prices, market comparables, and discounted cash flow projections. Financial instruments are primarily comprised of time deposits, money market funds, commercial paper, corporate and other debt securities, equity securities and other investments in common stock and common stock equivalents and derivative instruments.

Cash Equivalents and Investments: We hold time deposits, money market funds, commercial paper, other debt securities primarily consisting of corporate and foreign government notes and bonds, and

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**Management's Discussion and Analysis of
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common stock and equivalents. In general, and where applicable, we use quoted prices in active markets for identical assets to determine fair value. If quoted prices in active markets for identical assets are not available to determine fair value, then we use quoted prices for similar assets and liabilities or inputs that are observable either directly or indirectly. If quoted prices for identical or similar assets are not available, we use internally developed valuation models, whose inputs include bid prices, and third party valuations utilizing underlying asset assumptions.

Derivative Instruments: As discussed in Note 10 to the Consolidated Financial Statements in Item 8, we mainly hold non-speculative forwards, swaps and options to hedge certain foreign currency and interest rate exposures. When active market quotes are not available, we use industry standard valuation models. Where applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs including interest rate curves, credit risk, foreign exchange rates, and forward and spot prices for currencies. In certain cases, market-based observable inputs are not available and, in those cases, we use management judgment to develop assumptions which are used to determine fair value.

Retirement Benefits

Our pension and other post-retirement benefit costs and obligations are dependent on various assumptions. Our major assumptions relate primarily to discount rates, salary growth, long-term return on plan assets and medical cost trend rates. We base the discount rate assumption on current investment yields of high quality fixed income investments during the retirement benefits maturity period. The salary growth assumptions reflect our long-term actual experience and future and near-term outlook. Long-term return on plan assets is determined based on historical portfolio results and management's expectation of the future economic environment, as well as target asset allocations.

Our medical cost trend assumptions are developed based on historical cost data, the near-term outlook and an assessment of likely long-term trends. Actual results that differ from our assumptions are accumulated and are amortized generally over the estimated future working life of the plan participants.

Our major assumptions vary by plan and the weighted-average rates used are set forth in Note 16 to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference. Each assumption has different sensitivity characteristics, and, in general, changes, if any, have moved in the same direction over the last several years. For fiscal 2010, changes in the weighted-average rates for the HP benefit plans would have had the following impact on our net periodic benefit cost:

- A decrease of 25 basis points in the long-term rate of return would have increased our net benefit cost by approximately \$50 million;
- A decrease of 25 basis points in the discount rate would have increased our net benefit cost by approximately \$65 million; and
- An increase of 25 basis points in the future compensation rate would have increased our net benefit cost by approximately \$24 million.

Loss Contingencies

We are involved in various lawsuits, claims, investigations and proceedings that arise in the ordinary course of business. We record a provision for a liability when we believe that it is both probable that a liability has been incurred and the amount can be reasonably estimated. Significant

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

**Management's Discussion and Analysis of
Financial Condition and Results of Operations (Continued)**

judgment is required to determine both probability and the estimated amount. We review these provisions at least quarterly and adjust these provisions to reflect the impact of negotiations, settlements, rulings, advice of legal counsel, and updated information. Litigation is inherently unpredictable and is subject to significant uncertainties, some of which are beyond our control. Should any of these estimates and assumptions change or prove to have been incorrect, it could have a material impact on our results of operations, financial position and cash flows. See Note 18 to the Consolidated Financial Statements in Item 8 for a further discussion of litigation and contingencies.

ACCOUNTING PRONOUNCEMENTS

In June 2009, the FASB issued a new accounting standard related to the consolidation of variable interest entities. It eliminates the quantitative approach previously required for determining the primary beneficiary of a variable interest entity and requires ongoing qualitative reassessments of whether an enterprise is the primary beneficiary of a variable interest entity. This new standard also requires additional disclosures about an enterprise's involvement in variable interest entities. We will adopt this new accounting standard in the first quarter of fiscal 2011. We do not expect the adoption of this standard will have a material effect on our consolidated financial statements.

CONSTANT CURRENCY PRESENTATION

Revenue from our international operations has historically represented, and we expect will continue to represent, a majority of our overall net revenue. As a result, our revenue growth has been impacted, and we expect will continue to be impacted, by fluctuations in foreign currency exchange rates. In order to provide a framework for assessing how each of our business segments performed excluding the impact of foreign currency fluctuations, we present the year-over-year percentage change in revenue performance on a constant currency basis, which assumes no change in the exchange rate from the prior-year period. This constant currency disclosure is provided in addition to, and not as a substitute for, the year-over-year percentage change in revenue on an as-reported basis.

RESULTS OF OPERATIONS

The following discussion compares the historical results of operations on a GAAP basis for the fiscal years ended October 31, 2010, 2009, and 2008. Unless otherwise noted, all comparative performance data included below reflect year-over-year comparisons.

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**Management's Discussion and Analysis of
Financial Condition and Results of Operations (Continued)**

Results of operations in dollars and as a percentage of net revenue were as follows for the following fiscal years ended October 31:

	<u>2010</u>		<u>2009</u>		<u>2008</u>	
	In millions					
Net revenue	\$ 126,033	100.0%	\$ 114,552	100.0%	\$ 118,364	100.0%
Cost of sales ⁽¹⁾	96,089	76.2%	87,524	76.4%	89,699	75.8%
Gross profit	29,944	23.8%	27,028	23.6%	28,665	24.2%
Research and development	2,959	2.3%	2,819	2.5%	3,543	3.0%
Selling, general and administrative	12,585	10.1%	11,613	10.1%	13,326	11.3%
Amortization of purchased intangible assets	1,484	1.1%	1,578	1.4%	1,012	0.9%
Restructuring charges	1,144	1.0%	640	0.6%	270	0.2%
Acquisition-related charges	293	0.2%	242	0.2%	41	—
Earnings from operations	11,479	9.1%	10,136	8.8%	10,473	8.8%
Interest and other, net	(505)	(0.4)%	(721)	(0.6)%	—	—
Earnings before taxes	10,974	8.7%	9,415	8.2%	10,473	8.8%
Provision for taxes	2,213	1.7%	1,755	1.5%	2,144	1.8%
Net earnings	<u>\$ 8,761</u>	<u>7.0%</u>	<u>\$ 7,660</u>	<u>6.7%</u>	<u>\$ 8,329</u>	<u>7.0%</u>

(1) Cost of products, cost of services and financing interest.

Net Revenue

The components of the weighted net revenue change were as follows for the following fiscal years ended October 31:

	<u>2010</u>		<u>2009</u>	
	Percentage Points			
Personal Systems Group	4.8		(5.9)	
Enterprise Storage and Servers	2.9		(3.4)	
Imaging and Printing Group	1.5		(4.7)	
HP Financial Services	0.3		—	
Corporate Investments/Other	0.3		(0.2)	
Services	0.2		11.6	
HP Software	—		(0.6)	
Total HP	<u>10.0</u>		<u>(3.2)</u>	

Fiscal 2010

In fiscal 2010, total HP net revenue increased 10% (8.3% on a constant currency basis). U.S. net revenue increased 7.8% to \$44.5 billion, while net revenue from outside of the United States increased 11.3% to \$81.5 billion. As reflected in the table above, the PSG segment was the largest contributor to HP net revenue growth as a result of balanced growth across the regions. An analysis of the change in net revenue for each business segment is included under "Segment Information" below.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

**Management's Discussion and Analysis of
Financial Condition and Results of Operations (Continued)**

Fiscal 2009

In fiscal 2009, the global slowdown of IT and consumer spending impacted each of our segments. Net revenue decreased 3.2% in fiscal 2009 (increased 1.3% on a constant currency basis). The unfavorable currency impact for fiscal 2009 was due primarily to the movement of the dollar against the euro. For fiscal 2009, the Services segment contributed favorably to the total HP net revenue change primarily as a result of the EDS acquisition. U.S. net revenue increased 12% to \$41.3 billion for fiscal 2009 as compared to fiscal 2008, while net revenue from outside of the United States decreased 10% to \$73.2 billion. The increase in U.S. net revenue in fiscal 2009 was primarily a result of the acquisition of EDS. An analysis of the change in net revenue for each business segment is included under "Segment Information" below.

Gross Margin

Fiscal 2010

In fiscal 2010, total HP gross margin increased by 0.2 percentage points. The increase was a result of an increased mix in networking products and rate increase in Services, the effect of which was partially offset by strong revenue growth in personal computers and printer hardware that have lower gross margins.

Services gross margin increased in fiscal 2010 due primarily to the continued focus on operating improvements, including delivery efficiencies and cost controls in our technology services business, and EDS-related acquisition synergies.

ESS gross margin declined in fiscal 2010 due primarily to a product mix shift resulting from the strength in industry standard servers ("ISS"), the effect of which was partially offset by lower product costs and strong volume.

HP Software gross margin increased in fiscal 2010 primarily as a result of a higher license and support mix, the effect of which was partially offset by a reduced services gross margin rate.

PSG gross margin declined in fiscal 2010 primarily as a result of higher component costs, the effect of which was partially offset by lower warranty and logistics expenses.

IPG gross margin declined in fiscal 2010 due primarily to a higher mix of hardware and a correspondingly lower mix of supplies, the effect of which was partially offset by cost savings associated with our ongoing efforts to optimize our supply chain.

HPFS gross margin increased in fiscal 2010 primarily as a result of higher portfolio margins due to favorable financing conditions and higher remarketing margin, the effect of which was partially offset by higher bad debt.

Corporate Investments gross margin increased in fiscal 2010 primarily as a result of the impact from the 3Com acquisition along with lower product costs for our network infrastructure products.

Fiscal 2009

Total HP gross margin decreased by 0.6 percentage points in fiscal 2009. From a segment perspective and on a weighted basis, ESS had the largest impact to the total company gross margin decline due to product mix shift and rate declines.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

**Management's Discussion and Analysis of
Financial Condition and Results of Operations (Continued)**

Services gross margin increased in fiscal 2009 due primarily to the continued focus on cost structure improvements, including delivery efficiencies and cost controls in our technology services business, and EDS-related acquisition synergies. This was partially offset by the mix effect from the acquisition of the EDS business, which has lower gross margins.

ESS gross margin decreased in fiscal 2009 due primarily to competitive pricing across each of the segment business units and product mix shifts.

HP Software gross margin increased in fiscal 2009 primarily as a result of favorable support and services revenue mix and improved services margins, the effect of which was partially offset by an unfavorable license revenue mix.

PSG gross margin declined in fiscal 2009, resulting from average selling prices ("ASPs") declining at a faster pace than component costs combined with a mix shift towards lower-end products, the effects of which were partially offset by lower warranty and supply chain costs and improvements in the option attach rate.

IPG gross margin improved in fiscal 2009 primarily as a result of an increase in the supplies mix and supplies pricing, the effect of which was partially offset by hardware margin declines.

HPFS gross margin declined in fiscal 2009 primarily as a result of unfavorable currency impacts, lower margins relating to end-of-lease activities, higher bad debt expenses and lower margins for remarketing and buyout activities, the effect of which was partially offset by higher portfolio margins.

Corporate Investments gross margin declined in fiscal 2009 primarily as a result of a unit volume decline in the sale of network infrastructure products and competitive pricing pressures.

Operating Expenses

Research and Development

Total research and development ("R&D") expense increased in fiscal 2010 due primarily to additional expenses from acquired companies. In fiscal 2010, R&D expense as a percentage of net revenue increased for Corporate Investments, HP Software and Services, decreased for ESS, PSG, and IPG and was flat for HPFS.

Total R&D expense decreased in fiscal 2009 due primarily to favorable currency impacts related to the movement of the dollar against the euro, as well as effective cost controls, the effect of which was partially offset by additional expenses related primarily to Services. In fiscal 2009, R&D expense as a percentage of net revenue decreased for ESS, PSG, and IPG, and increased for HP Software, Services and Corporate Investments.

Selling, General and Administrative

Selling, general and administrative ("SG&A") expense increased in fiscal 2010 due primarily to higher field selling and marketing costs as a result of our investments in sales resources to grow revenue. In fiscal 2010, SG&A expense as a percentage of net revenue increased for Corporate Investments and IPG, and decreased for ESS, HP Software, PSG, HPFS and Services even as we invested in incremental sales resources across the segments.

Total SG&A expense decreased in fiscal 2009 due primarily to favorable currency impacts related to the movement of the dollar against the euro, lower compensation expense as well as effective cost

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

**Management's Discussion and Analysis of
Financial Condition and Results of Operations (Continued)**

management, the impact of which was partially offset by additional expenses related to the EDS acquisition. In fiscal 2009, SG&A expense as a percentage of net revenue decreased for each of our segments, except for Corporate Investments.

Amortization of Purchased Intangible Assets

The decrease in amortization expense in fiscal 2010 was due primarily to certain intangible assets associated with prior acquisitions reaching the end of their amortization periods, the effect of which was partially offset by increased amortization of purchased intangible assets from acquisitions completed during fiscal 2010.

The increase in amortization expense in fiscal 2009 was due primarily to amortization expenses related to the intangible assets purchased as part of the EDS acquisition.

For more information on our amortization of purchased intangibles assets, see Note 7 to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference.

Restructuring

Restructuring charges for fiscal 2010 were \$1.1 billion. These charges included \$650 million of severance and facility costs related to our fiscal 2010 enterprise services restructuring plan, \$429 million of severance and facility costs related to our fiscal 2008 restructuring plan, \$46 million and \$18 million associated with the Palm and 3Com restructuring plans, respectively, and an increase of \$1 million related to adjustments to other restructuring plans.

Restructuring charges for fiscal 2009 were \$640 million. These charges included \$346 million of severance and facility costs related to our fiscal 2008 restructuring plan, \$297 million of severance costs associated with our fiscal 2009 restructuring plan, and a reduction of \$3 million related to adjustments to other restructuring plans.

Restructuring charges for fiscal 2008 were \$270 million, which included \$246 million of charges due primarily to severance and facility costs related to the EDS acquisition and a net charge of \$24 million relating to adjustments for existing restructuring programs.

For more information on our restructuring charges, see Note 8 to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference.

As part of our ongoing business operations, we incurred workforce rebalancing charges for severance and related costs within certain business segments in fiscal 2010. Workforce rebalancing activities are considered part of normal operations as we continue to optimize our cost structure. Workforce rebalancing costs are included in our business segment results, and we expect to incur additional workforce rebalancing costs in the future.

Acquisition-Related Charges

In fiscal 2010, we recorded acquisition-related charges of \$293 million primarily for consulting and integration costs, acquisition costs and retention bonuses associated with the EDS, 3Com, Palm, 3PAR and ArcSight acquisitions.

In fiscal 2009, we recorded acquisition-related charges of \$242 million primarily for consulting and integration costs as well as retention bonuses associated with the EDS acquisition.

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**Management's Discussion and Analysis of
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Interest and Other, Net

Interest and other, net improved by \$216 million in fiscal 2010. The improvement was driven primarily by lower currency losses on balance sheet remeasurement items, lower interest expenses on debt balances due to lower interest rates, and a value-added tax refund, the effect of which was partially offset by an increase to our litigation accruals.

Interest and other, net decreased by \$721 million in fiscal 2009. The decrease was driven primarily by higher interest expenses due to higher average debt balances principally related to the EDS acquisition, lower interest income as a result of lower interest rates, and higher currency losses on balance sheet remeasurement items. Additionally, there were higher gains from the sale of real estate in fiscal 2008 as compared to fiscal 2009.

Provision for Taxes

Our effective tax rates were 20.2%, 18.6% and 20.5% in fiscal 2010, 2009 and 2008, respectively. HP's effective tax rate generally differs from the U.S. federal statutory rate of 35% due to favorable tax rates associated with certain earnings from HP's operations in lower-tax jurisdictions throughout the world. HP has not provided U.S. taxes for all of its international earnings because HP plans to reinvest some of those earnings indefinitely outside the United States.

The increase in the overall tax rate in fiscal 2010 was due primarily to a decrease in the income tax benefits related to foreign earnings.

The decrease in the overall tax rate in fiscal 2009 was due primarily to the net income tax benefits recorded for fiscal 2009 which were related to foreign net operating losses, adjustments to estimated fiscal 2008 tax accruals upon filing the 2008 income tax returns, valuation allowance reversals for state and foreign net operating losses, and other miscellaneous items.

For a full reconciliation of our effective tax rate to the U.S. federal statutory rate of 35% and further explanation of our provision for taxes, see Note 14 to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference.

Segment Information

A description of the products and services, as well as financial data, for each segment can be found in Note 19 to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference. We have realigned segment financial data for the fiscal years ended October 31, 2009 and 2008 to reflect changes in HP's organizational structure that occurred at the beginning of the first quarter of fiscal 2010. We describe these changes more fully in Note 19. We have presented the business segments in this Annual Report on Form 10-K based on the distinct nature of various businesses such as customer base, homogeneity of products and technology. The discussions below include the results of each of our segments.

HP Enterprise Business

Services, ESS and HP Software are reported collectively as a broader HP Enterprise Business. We describe the results of the business segments of the HP Enterprise Business in more detail below.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES**Management's Discussion and Analysis of
Financial Condition and Results of Operations (Continued)***Services*

	<u>For fiscal years ended October 31</u>		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
	In millions		
Net revenue	\$ 34,935	\$ 34,693	\$ 20,977
Earnings from operations	\$ 5,609	\$ 5,044	\$ 2,518
Earnings from operations as a % of net revenue	16.1%	14.5%	12.0%

The components of the weighted net revenue change by business unit were as follows for the following fiscal years ended October 31:

	<u>2010</u>	<u>2009</u>
	Percentage Points	
Infrastructure technology outsourcing	1.2	37.1
Other	0.1	0.9
Technology services	(0.1)	(1.4)
Application services	(0.2)	18.0
Business process outsourcing	(0.3)	10.8
Total Services	<u>0.7</u>	<u>65.4</u>

Services net revenue increased 0.7% (decreased 1.7% when adjusted for currency) in fiscal 2010. Net revenue in infrastructure technology outsourcing increased by 2.6% in fiscal 2010. The revenue increase was due to favorable currency impact and growth in data center services and networking services. Net revenue in technology services declined by 0.4% in fiscal 2010. The revenue decline was due primarily to lower contract revenue tied to reduced levels of enterprise hardware sales in the prior-year period and market conditions in the current-year period, the effect of which was partially offset by a favorable currency impact. Net revenue in application services decreased by 1.1% in fiscal 2010. The revenue decrease was driven primarily by market conditions and existing contract completion, the effect of which was partially offset by new business and a favorable currency impact. Net revenue in business process outsourcing decreased by 3.5% in fiscal 2010. The revenue decrease was due primarily to a divestiture completed at the end of the third quarter of fiscal 2010 and economic conditions in certain industries with key clients, the effect of which was partially offset by a favorable currency impact.

Services earnings from operations as a percentage of net revenue increased by 1.6 percentage points in fiscal 2010. Operating margin increased primarily due to continued focus on operating improvements and cost initiatives that favorably impacted the cost structure of our enterprise services business, delivery efficiencies and cost controls in our technology services business, as well as EDS-related acquisition synergies.

Services net revenue increased 65.4% (71.6% when adjusted for currency) in fiscal 2009. The increase in revenues is due primarily to the acquisition of EDS on August 26, 2008. Net revenue in infrastructure technology outsourcing, application services and business process outsourcing increased due to the EDS acquisition. The net revenue increase in infrastructure technology outsourcing, application services, and business process outsourcing was partially offset by unfavorable currency impacts and a decline in spending from existing customers not being offset with new growth due to slowing demand in the current economic environment. Application services and business process outsourcing were impacted to a greater degree than infrastructure technology outsourcing. Net revenue

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES**Management's Discussion and Analysis of
Financial Condition and Results of Operations (Continued)**

in technology services declined due primarily to unfavorable currency impacts and weak economic conditions, the effect of which was partially offset by growth in extended warranty.

Services earnings from operations as a percentage of net revenue increased by 2.5 percentage points in fiscal 2009. The operating margin increased due primarily to a decrease in operating expenses as a percentage of revenue. There was also an increase in gross margin for fiscal 2009. Operating expense declined as a result of a continued focus on cost structure improvements from overall cost controls. The gross margin in our Services segment increased for fiscal 2009 from fiscal 2008 due primarily to the continued focus on cost structure improvements, including delivery efficiencies and cost controls in our technology services business, and EDS-related acquisition synergies. This was partially offset by the mix effect from the acquisition of the EDS business, which has lower gross margins.

Enterprise Storage and Servers

	<u>For the fiscal years ended October 31</u>		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
	<u>In millions</u>		
Net revenue	\$ 18,651	\$ 15,359	\$ 19,400
Earnings from operations	\$ 2,402	\$ 1,518	\$ 2,577
Earnings from operations as a % of net revenue	12.9%	9.9%	13.3%

The components of the weighted net revenue change by business unit were as follows for the following fiscal years ended October 31:

	<u>2010</u>	<u>2009</u>
	<u>Percentage Points</u>	
Industry standard servers	21.3	(12.1)
Storage	2.0	(3.8)
Business critical systems	(1.9)	(4.9)
Total ESS	<u>21.4</u>	<u>(20.8)</u>

ESS net revenue increased 21.4% (18.9% when adjusted for currency) for fiscal 2010. ESS blades revenue increased by 37% in fiscal 2010. ISS net revenue increased by 35% in fiscal 2010, driven primarily by unit volume growth coupled with increased average unit prices due to improving market conditions and demand for the latest generation of ISS products. Storage net revenue increased by 9% in fiscal 2010, driven primarily by strong performance in products related to our acquisition of Lefthand Networks, and growth in high-end disk products and storage networking products. Business critical systems ("BCS") net revenue decreased 12%, due primarily to market conditions and competitive pressures, the effect of which was partially offset by new product introductions in the fourth quarter of fiscal 2010.

ESS earnings from operations as a percentage of net revenue increased by 3.0 percentage points in fiscal 2010, driven by decreases in operating expenses as a percentage of net revenue, the effect of which was partially offset by declines in gross margin. Operating expenses as a percentage of net revenue decreased as a result of operating leverage benefits from increased volume and cost controls. The gross margin decline in fiscal 2010 was due primarily to a product mix shift resulting from the strength in ISS, the effect of which was partially offset by lower product costs and strong volume.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES**Management's Discussion and Analysis of
Financial Condition and Results of Operations (Continued)**

ESS net revenue decreased 20.8% (16.0% when adjusted for currency) in fiscal 2009. The revenue decline was due primarily to the economic slowdown and overall weak demand environment. ISS net revenue declined 20% in fiscal 2009 due to declines in unit volume. ISS average unit prices declined in fiscal 2009 while improving in the second half of fiscal 2009 as a result of a new product ramp up. Total ESS blades revenue declined by 2% in fiscal 2009. BCS net revenue decreased 27% in fiscal 2009 driven by a decline in Integrity server revenue due to weaker market conditions and by the planned phase-out of the PA-RISC and Alpha Server product lines. Storage net revenue declined 17% in fiscal 2009 due to a decline in disk and tape products as a result of a weaker demand environment, the effects of which were partially offset by revenue resulting from the acquisition of Lefthand Networks, which was completed in the first quarter of fiscal 2009.

In fiscal 2009, ESS earnings from operations as a percentage of net revenue decreased by 3.4 percentage points, due primarily to a decline in gross margin. Gross margin in fiscal 2009 decreased due primarily to competitive pricing across each of the segment business units and product mix shifts. Operating expense as a percentage of net revenue in fiscal 2009 was generally consistent with the fiscal 2008.

HP Software

	<u>For the fiscal years ended October 31</u>		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
	In millions		
Net revenue	\$ 3,586	\$ 3,572	\$ 4,220
Earnings from operations	\$ 759	\$ 684	\$ 499
Earnings from operations as a % of net revenue	21.2%	19.1%	11.8%

The components of the weighted net revenue change by business unit were as follows for the following fiscal years ended October 31:

	<u>2010</u>	<u>2009</u>
	Percentage Points	
Business technology optimization	1.5	(9.7)
Other software	(1.1)	(5.7)
Total HP Software	0.4	(15.4)

HP Software net revenue increased 0.4% (decreased 1.8% when adjusted for currency) in fiscal 2010, due to growth in business technology optimization ("BTO"), information management and business intelligence, the effect of which was offset by weakness in sales of communication and media solutions. In fiscal 2010, support and license revenue increased while services revenue declined. Net revenue from business technology optimization increased 2% in fiscal 2010, due to growth in support and license renewals. Net revenue from our other software businesses decreased 3% in fiscal 2010, due to a decline in revenue from sales of communication and media solutions resulting from market conditions in the Asia Pacific region and EMEA (Europe, Middle East and Africa). The revenue increase in information management was due primarily to increases in license and support revenue. The revenue increase in business intelligence solutions was primarily a result of increases in support and services.

HP Software earnings from operations as a percentage of net revenue increased by 2.1 percentage points in fiscal 2010. The operating margin improvement in fiscal 2010 was due primarily to an increase

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

**Management's Discussion and Analysis of
Financial Condition and Results of Operations (Continued)**

in gross margin and a decrease in operating expenses as a percentage of net revenue. The increase in gross margin in fiscal 2010 was primarily a result of a higher license and support mix, the effect of which was partially offset by a reduced services gross margin rate. The decrease in operating expenses as a percentage of net revenue in fiscal 2010 was due primarily to lower field selling, administrative and acquisition integration costs.

HP Software net revenue decreased 15.4% (10.8% when adjusted for currency) in fiscal 2009, due to softening in enterprise spending and declines in large deals. For fiscal 2009, revenue from licenses and services declined, the effect of which was partially offset by increased support revenue as a result of renewal rate increases. Net revenue from BTO decreased 15% in fiscal 2009 as compared to fiscal 2008. Net revenue from other software decreased 17% in fiscal 2009 as compared to fiscal 2008, due to declines in revenues for communication and media solutions, business intelligence solutions and information management.

HP Software earnings from operations as a percentage of net revenue increased by 7.3 percentage points in fiscal 2009. The operating margin improvement in fiscal 2009 was due primarily to increased gross margin coupled with decreased operating expenses as a percentage of net revenue. The increase in gross margin in fiscal 2009 resulted primarily from a favorable support and services revenue mix and improved services margins, the effect of which was partially offset by an unfavorable license revenue mix. The decrease in operating expenses as a percentage of net revenue in fiscal 2009 was due primarily to continued cost controls.

Personal Systems Group

	<u>For the fiscal years ended October 31</u>		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
	In millions		
Net revenue	\$ 40,741	\$ 35,305	\$ 42,295
Earnings from operations	\$ 2,032	\$ 1,661	\$ 2,375
Earnings from operations as a % of net revenue	5.0%	4.7%	5.6%

The components of the weighted net revenue change by business unit were as follows for the following fiscal years ended October 31:

	<u>2010</u>	<u>2009</u>
	Percentage Points	
Desktop PCs	7.4	(8.9)
Notebook PCs	6.6	(5.8)
Workstations	1.5	(1.5)
Handhelds	(0.2)	(0.4)
Other	0.1	0.1
Total PSG	<u>15.4</u>	<u>(16.5)</u>

PSG revenue increased 15.4% (12.8% when adjusted for currency) in fiscal 2010. The revenue increase resulted from balanced growth across all regions. PSG unit volume and net revenue increased across all business units except the handhelds business unit in fiscal 2010. Unit volume was up 14% as the commercial refresh cycle and continued demand for consumer notebooks drove an increase in shipments. In fiscal 2010, net revenue from notebook PCs increased 12% while desktop PCs revenue increased 20%. Workstations revenue increased 42% while handhelds revenue declined 49%. In fiscal

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES**Management's Discussion and Analysis of
Financial Condition and Results of Operations (Continued)**

2010, net revenue for consumer clients increased 12% while commercial client revenue increased 20%. Net revenue in Other increased 6% due primarily to increased sales of calculators, home servers and warranty extensions. For fiscal 2010, the favorable impact on PSG net revenue from unit increases was accompanied by a 1% increase in ASPs.

PSG earnings from operations as a percentage of net revenue increased 0.3 percentage points in fiscal 2010. The increase was driven by improvements in operating expenses as a percentage of net revenue, the effect of which was offset partially by a slight decline in gross margins. The decrease in operating expenses as a percentage of net revenue was due to effective cost controls and operating leverage benefits from increased volume. The decrease in gross margins was a result of higher component costs, the effect of which was partially offset by lower warranty and logistics expenses.

PSG net revenue decreased 16.5% (11.6% when adjusted for currency) in fiscal 2009. The revenue decline was primarily the result of the overall slowdown in the global economy. Despite the overall regional declines, revenue in China increased for fiscal 2009. PSG net revenue decreased across all businesses in fiscal 2009. Unit volume increased slightly in fiscal 2009, as an increase in notebook PC volume was offset by a decline in desktop PCs, workstations, and handheld devices. The unit volume increase in notebook PCs was due in part to growth of the HP and Compaq mini notebooks. In fiscal 2009, net revenue for notebook PCs decreased 11%, while net revenue for desktop PCs decreased 23%. Workstations and handheld revenues declined 33% and 52%, respectively, in fiscal 2009. In fiscal 2009, net revenue for consumer clients decreased 14%, while net revenue for commercial clients decreased 19%. The net revenue increase in Other PSG was related primarily to increased sales of extended warranties, support services and third-party branded options. In fiscal 2009, PSG net revenue was also impacted by ASP declines. ASPs in consumer clients declined 21%, while ASPs in commercial clients declined 16%. ASPs declined due primarily to a competitive pricing environment, component cost reductions and the impact of currency combined with a mix shift toward lower-end models. The ASP decline in fiscal 2009 was offset slightly by an increase in the option and monitor attach rates.

PSG earnings from operations as a percentage of net revenue decreased by 0.9 percentage points in fiscal 2009. The decrease was due primarily to a gross margin decline resulting from ASPs declining at a faster pace than component costs combined with a mix shift toward lower-end products, the effects of which were partially offset by lower warranty and supply chain costs and improvements in the option attach rate. The decrease in operating expenses as a percentage of net revenue in fiscal 2009 was the result of effective cost controls.

Imaging and Printing Group

	For the fiscal years ended October 31		
	2010	2009	2008
	In millions		
Net revenue	\$ 25,764	\$ 24,011	\$ 29,614
Earnings from operations	\$ 4,412	\$ 4,310	\$ 4,559
Earnings from operations as a % of net revenue	17.1%	18.0%	15.4%

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES**Management's Discussion and Analysis of
Financial Condition and Results of Operations (Continued)**

The components of the weighted net revenue change by business unit were as follows for the following fiscal years ended October 31:

	<u>2010</u>	<u>2009</u>
	Percentage Points	
Commercial hardware	3.3	(8.9)
Supplies	3.0	(6.6)
Consumer hardware	1.0	(3.4)
Total IPG	<u>7.3</u>	<u>(18.9)</u>

IPG net revenue increased 7.3% (8.4% when adjusted for currency) in fiscal 2010, reflecting a continued improvement in market conditions. Net revenue for commercial hardware increased 17% in fiscal 2010, due primarily to unit volume growth of 19% driven by improved product availability. Supplies net revenue increased 4% in fiscal 2010, due primarily to increased printing, which resulted in stronger supply usage. Net revenue for consumer hardware increased 9% in fiscal 2010, driven primarily by unit volume growth of 11%.

IPG earnings from operations as a percentage of net revenue decreased by 0.9 percentage points in fiscal 2010, due primarily to a decline in gross margin and increases in operating expenses as a percentage of net revenue. The gross margin decline in fiscal 2010 was due primarily to a higher mix of hardware and a correspondingly lower mix of supplies, the effect of which was partially offset by cost savings associated with our ongoing efforts to optimize our supply chain. The increase in operating expenses as a percentage of net revenue in fiscal 2010 was due primarily to increased marketing activities, the effect of which was partially offset by reduced administrative expenses.

IPG net revenue decreased 18.9% (16.5% when adjusted for currency) in fiscal 2009, reflecting the impact of the global economic slowdown. Net revenue for commercial hardware declined 36% in fiscal 2009. The net revenue decline in commercial hardware was driven by a unit volume decline of 38% in fiscal 2009, due primarily to worldwide market weaknesses impacting both our laser and our graphics businesses. Supplies net revenue declined 11% in fiscal 2009. The supplies net revenue decline in fiscal 2009 was across all platforms and was the result of reductions in channel inventory and unfavorable currency impacts, the effect of which was partially moderated by supplies pricing. Net revenue for consumer hardware declined 27% in fiscal 2009. The net revenue decline in consumer hardware was driven by a unit volume decline of 24% in fiscal 2009, reflecting the weak demand environment and channel inventory reductions.

IPG earnings from operations as a percentage of net revenue increased 2.6 percentage points in fiscal 2009. Operating margin improvement in fiscal 2009 was a combination of an increase in gross margin and a decrease in operating expenses as a percentage of net revenue. The improvement in gross margin in fiscal 2009 resulted primarily from an increase in the supplies mix and supplies pricing, the effect of which was partially offset by hardware margin declines due to unfavorable currency impacts and declines in average revenue per unit. The decrease in operating expenses as a percentage of net revenue in fiscal 2009 was due primarily to effective cost controls.

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**Management's Discussion and Analysis of
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HP Financial Services

	For the fiscal years ended October 31		
	2010	2009	2008
	In millions		
Net revenue	\$ 3,047	\$ 2,673	\$ 2,698
Earnings from operations	\$ 281	\$ 206	\$ 192
Earnings from operations as a % of net revenue	9.2%	7.7%	7.1%

HPFS net revenue increased by 14% in fiscal 2010. The net revenue increase was due to portfolio growth as a result of higher customer demand, a higher operating lease mix due to higher service-led financing volume, and higher end-of-lease rental, buyout and remarketing activity, along with favorable currency movements.

HPFS earnings from operations as a percentage of net revenue increased by 1.5 percentage points in fiscal 2010 due primarily to an increase in gross margin and a decrease in operating expenses as a percentage of revenue. The increase in gross margin was the result of higher portfolio margins due to favorable financing conditions and higher remarketing margin, the effect of which was partially offset by higher bad debt and lower buyout margins. The decrease in operating expenses as a percentage of revenue was driven primarily by improved cost efficiencies.

HPFS net revenue decreased by 0.9% in fiscal 2009. The net revenue decrease was due to unfavorable currency movements. On a constant currency basis, fiscal 2009 net revenue increased due primarily to portfolio growth, increased operating lease mix and higher buyout activities, the effect of which was partially offset by lower levels of remarketing and end-of-lease activity.

HPFS earnings from operations as a percentage of net revenue increased by 0.6 percentage points in fiscal 2009 due primarily to a decrease in operating expenses, the effect of which was partially offset by a decline in gross margin. The operating expense decrease was due to continued cost controls. The decline in gross margin was driven by an unfavorable currency impact, lower margins relating to end of lease activity, higher bad debt expenses, and lower remarketing and buyout margins, the effect of which was partially offset by higher portfolio margins.

Financing Originations

	For the fiscal years ended October 31		
	2010	2009	2008
	In millions		
Total financing originations	\$ 5,987	\$ 5,210	\$ 4,872

New financing originations, which represent the amount of financing provided to customers for equipment and related software and services including intercompany activity, increased 14.9% in fiscal 2010 from fiscal 2009 and 6.9% in fiscal 2009 from fiscal 2008. The increases reflect higher financing associated with HP product sales and services offerings resulting from improved integration and engagement with HP's sales efforts and a favorable currency impact.

Portfolio Assets and Ratios

HPFS maintains a strategy to generate a competitive return on equity by effectively leveraging its portfolio against the risks associated with interest rates and credit. The HPFS business model is

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES**Management's Discussion and Analysis of
Financial Condition and Results of Operations (Continued)**

asset-intensive and uses certain internal metrics to measure its performance against other financial services companies, including a segment balance sheet that is derived from our internal management reporting system. The accounting policies used to derive these amounts are substantially the same as those used by the consolidated company. However, certain intercompany loans and accounts that are reflected in the segment balances are eliminated in our Consolidated Financial Statements.

The portfolio assets and ratios derived from the segment balance sheet for HPFS were as follows for the following fiscal years ended October 31:

	<u>2010</u>	<u>2009</u>
	In millions	
Portfolio assets ⁽¹⁾	\$ 11,418	\$ 10,017
Allowance for doubtful accounts ⁽²⁾	140	108
Operating lease equipment reserve	83	71
Total reserves	223	179
Net portfolio assets	<u>\$ 11,195</u>	<u>\$ 9,838</u>
Reserve coverage	2.0%	1.8%
Debt to equity ratio ⁽³⁾	7.0x	7.0x

(1) Portfolio assets include gross financing receivables of approximately \$6.7 billion and \$6.1 billion at October 31, 2010 and October 31, 2009, respectively, and net equipment under operating leases of \$2.5 billion and \$2.2 billion at October 31, 2010 and October 31, 2009, respectively, as disclosed in Note 11 to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference. Portfolio assets also include capitalized profit on intercompany equipment transactions of approximately \$800 million and \$700 million at October 31, 2010 and October 31, 2009, respectively, and intercompany leases of approximately \$1.3 billion and \$1.0 billion at October 31, 2010 and October 31, 2009, respectively, both of which are eliminated in consolidation.

(2) Allowance for doubtful accounts includes both the short-term and the long-term portions of the allowance on financing receivables.

(3) HPFS debt consists of intercompany equity that is treated as debt for segment reporting purposes, intercompany debt and debt issued directly by HPFS.

Net portfolio assets at October 31, 2010 increased 13.8% from October 31, 2009. The increase resulted from higher levels of financing originations in fiscal 2010 and a favorable currency impact. The overall reserve coverage ratio increased as a percentage of the portfolio assets. HPFS funds its operations mainly through a combination of intercompany debt and equity.

HPFS recorded net bad debt expenses of \$75 million and \$50 million in fiscal 2010 and fiscal 2009, respectively.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES**Management's Discussion and Analysis of
Financial Condition and Results of Operations (Continued)***Corporate Investments*

	For the fiscal years ended October 31		
	2010	2009	2008
	In millions		
Net revenue	\$ 1,863	\$ 768	\$ 965
Earnings (loss) from operations	\$ 132	\$ (56)	\$ 49
Earnings (loss) from operations as a % of net revenue	7.1%	(7.3)%	5.1%

Net revenue in Corporate Investments relates primarily to network infrastructure products sold under the "ProCurve Networking," "3Com" and "TippingPoint" brands. In fiscal 2010, revenue from ProCurve Networking increased 33.9%, driven by improved market demand and continued investment in sales coverage. The revenue increase in Corporate Investments was also due to revenues resulting from the acquisitions of 3Com and Palm, which HP completed in April 2010 and July 2010, respectively.

Corporate Investments reported positive earnings from operations in fiscal 2010 due primarily to higher earnings from operations generated by network infrastructure products. Gross margin rate in Corporate Investments for fiscal 2010 increased primarily as a result of the impact from the 3Com acquisition along with lower product costs in the sale of network infrastructure products. The earnings from operations in Corporate Investments were also impacted by expenses carried in the segment associated with corporate development, global alliances and HP Labs; such expenses declined from fiscal 2009.

In fiscal 2009, net revenue in Corporate Investments related primarily to network infrastructure products sold under the brand "ProCurve Networking." Revenue from network infrastructure products decreased 19.6%, resulting from the slowdown in the networking market and a resulting decrease in sales of enterprise ethernet switch products. Partially offsetting the revenue decline was revenue resulting from the acquisition of Colubris Networks, Inc. ("Colubris"), which HP acquired in October 2008.

Corporate Investments reported a loss from operations in fiscal 2009 as compared to the positive earnings from operations reported in fiscal 2008 due primarily to lower earnings from operations generated by network infrastructure products. Gross margin in Corporate Investments declined for fiscal 2009 as the result of a unit volume decline in the sale of network infrastructure products and competitive pricing pressure. The loss from operations in Corporate Investments was also impacted by expenses carried in the segment associated with corporate development, global alliances and HP Labs, which declined from fiscal 2008.

LIQUIDITY AND CAPITAL RESOURCES

Our cash balances are held in numerous locations throughout the world, including substantial amounts held outside of the United States. Most of the amounts held outside of the United States could be repatriated to the United States but, under current law, would be subject to United States federal income taxes, less applicable foreign tax credits. Repatriation of some foreign balances is restricted by local laws. We have provided for the United States federal tax liability on these amounts for financial statement purposes, except for foreign earnings that are considered indefinitely reinvested outside of the United States. Repatriation could result in additional United States federal income tax payments in future years. Where local restrictions prevent an efficient intercompany transfer of funds,

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES**Management's Discussion and Analysis of
Financial Condition and Results of Operations (Continued)**

our intent is that cash balances would remain outside of the United States and we would meet United States liquidity needs through ongoing cash flows, external borrowings, or both. We utilize a variety of tax planning and financing strategies in an effort to ensure that our worldwide cash is available in the locations in which it is needed.

LIQUIDITY

We use cash generated by operations as our primary source of liquidity; we believe that internally generated cash flows are generally sufficient to support business operations, capital expenditures and the payment of stockholder dividends, in addition to a level of discretionary investments and share repurchases. We are able to supplement this near-term liquidity, if necessary, with broad access to capital markets and credit line facilities made available by various foreign and domestic financial institutions. Our liquidity is subject to various risks including the market risks identified in the section entitled "Qualitative and Quantitative Disclosures about Market Risk" in Item 7A.

	For the fiscal years ended October 31		
	2010	2009	2008
	In billions		
Cash and cash equivalents	\$ 10.9	\$ 13.3	\$ 10.2
Total debt	\$ 22.3	\$ 15.8	\$ 17.9
Available borrowing resources ⁽¹⁾	\$ 13.8	\$ 18.1	\$ 11.7

- (1) In addition to these available borrowing resources, we are able to offer for sale, from time to time, in one or more offerings, an unspecified amount of debt securities, common stock, preferred stock, depositary shares and warrants under a shelf registration statement filed with the SEC in May 2009 (the "2009 Shelf Registration Statement").

Our cash position remains strong, and we believe our cash balances and anticipated cash flow generated from operations are sufficient to cover cash outlays expected in fiscal 2011.

On December 2, 2010, HP issued \$2.0 billion of U.S. Dollar Global Notes under the 2009 Shelf Registration Statement. The Global Notes were fixed rate notes at market rates with maturities of five and ten years from the date of issuance.

Cash Flows

The following table summarizes the key cash flow metrics from our consolidated statements of cash flow:

	For the fiscal years ended October 31		
	2010	2009	2008
	In millions		
Net cash provided by operating activities	\$ 11,922	\$ 13,379	\$ 14,591
Net cash used in investing activities	(11,359)	(3,580)	(13,711)
Net cash used in financing activities	(2,913)	(6,673)	(2,020)
Net increase (decrease) in cash and cash equivalents	\$ (2,350)	\$ 3,126	\$ (1,140)

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES**Management's Discussion and Analysis of
Financial Condition and Results of Operations (Continued)***Operating Activities*

Net cash provided by operating activities decreased by approximately \$1.5 billion for fiscal 2010, as compared to fiscal 2009. The decrease was due primarily to an increase in accounts and financing receivables resulting from higher revenues in the fourth quarter and higher payments for account payable activities, the impact of which was partially offset by the increase in net earnings. Net cash provided by operating activities decreased by approximately \$1.2 billion for fiscal 2009, as compared to fiscal 2008. The decrease was due primarily to increased utilization of cash resources for payment of operating liabilities such as accounts payable, other current liabilities and restructuring along with a decrease in net earnings, the impact of which was partially offset by the increased generation of cash resources through the utilization of operating assets such as inventory and other current assets along with increased amortization expense.

Our key working capital metrics are as follows:

	<u>October 31</u>		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
Days of sales outstanding in accounts receivable	50	48	45
Days of supply in inventory	23	23	27
Days of purchases outstanding in accounts payable	(52)	(57)	(52)
Cash conversion cycle	<u>21</u>	<u>14</u>	<u>20</u>

Days of sales outstanding in accounts receivable ("DSO") measures the average number of days our receivables are outstanding. DSO is calculated by dividing ending accounts receivable, net of allowance for doubtful accounts, by a 90-day average net revenue. Our accounts receivable balance was \$18.5 billion as of October 31, 2010.

Days of supply in inventory ("DOS") measures the average number of days from procurement to sale of our product. DOS is calculated by dividing ending inventory by a 90-day average cost of goods sold. Our inventory balance was \$6.5 billion as of October 31, 2010.

Days of purchases outstanding in accounts payable ("DPO") measures the average number of days our accounts payable balances are outstanding. DPO is calculated by dividing ending accounts payable by a 90-day average cost of goods sold. Our accounts payable balance was \$14.4 billion as of October 31, 2010.

Our working capital requirements depend upon our effective management of the cash conversion cycle, which represents effectively the number of days that elapse from the day we pay for the purchase of raw materials to the collection of cash from our customers. The cash conversion cycle is the sum of DSO and DOS less DPO.

The cash conversion cycle for fiscal 2010 increased by 7 days as compared to fiscal 2009. The increase in DSO was due primarily to linearity and fewer cash discounts in the fourth quarter. DOS remained flat year over year. The decrease in DPO was due primarily to a change in purchasing linearity in the fourth quarter.

The cash conversion cycle for fiscal 2009 decreased by 6 days as compared to fiscal 2008. The increase in DSO was due primarily to our improving penetration into the enterprise market which tends to have a higher DSO profile, optimizing terms to drive shareholder value as well as more sales in the month of October. The decrease in DOS was due to lower inventory levels driven primarily by

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Financial Condition and Results of Operations (Continued)**

improved inventory management. The increase in DPO was due primarily to a change in purchasing linearity as business recovered through the fourth quarter.

Investing Activities

Net cash used in investing activities increased by approximately \$7.8 billion for fiscal 2010 as compared to fiscal 2009 due primarily to higher cash payments made in connection with fiscal 2010 acquisitions and decreased by approximately \$10.1 billion for fiscal 2009 as compared to fiscal 2008 due primarily to higher cash payments made in connection with fiscal 2008 acquisitions.

Financing Activities

Net cash used in financing activities decreased by approximately \$3.8 billion for fiscal 2010, as compared to fiscal 2009. The decrease was due primarily to a higher net issuance of commercial paper, the impact of which was partially offset by increased repurchases of our common stock and lower global debt issuance. Net cash used in financing activities increased by approximately \$4.7 billion for fiscal 2009, as compared to fiscal 2008. The increase was due primarily to higher net repayments of commercial paper and debt, the impact of which was partially offset by decreased repurchases of our common stock.

For more information on our share repurchase programs, see Item 5 and Note 15 to the Consolidated Financial Statements in Item 8, which are incorporated herein by reference.

CAPITAL RESOURCES**Debt Levels**

	For the fiscal years ended October 31		
	2010	2009	2008
		In millions, except interest rates and ratios	
Short-term debt	\$ 7,046	\$ 1,850	\$ 10,176
Long-term debt	\$ 15,258	\$ 13,980	\$ 7,676
Debt-equity ratio	0.55x	0.39x	0.46x
Weighted-average interest rate	2.0%	2.7%	3.6%

We maintain debt levels that we establish through consideration of a number of factors, including cash flow expectations, cash requirements for operations, investment plans (including acquisitions), share repurchase activities, overall cost of capital, and targeted capital structure.

Short-term debt and long-term debt increased by \$5.2 billion and \$1.3 billion, respectively, for fiscal 2010 as compared to fiscal 2009. The net increase in total debt is due primarily to spending on acquisitions and share repurchases. In fiscal 2009, short-term debt decreased by \$8.3 billion and long-term debt increased by \$6.3 billion as compared to fiscal 2008. This was primarily due to the replacement of short-term debt with long-term debt as capital market conditions improved from the prior year, the impact of which was partially offset by a reclassification of \$1 billion from long-term to short-term.

Our debt-equity ratio is calculated as the carrying value of debt divided by the carrying value of equity. Our debt-equity ratio increased by 0.16x in fiscal 2010, due primarily to the issuance of \$3.0 billion of U.S Dollar Global Notes in September and a \$4 billion net increase in commercial paper

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

**Management's Discussion and Analysis of
Financial Condition and Results of Operations (Continued)**

at the end of fiscal 2010. Our debt-equity ratio decreased by 0.07x in fiscal 2009 due primarily to the net repayment of \$2.0 billion in debt.

Our weighted-average interest rate reflects the average effective rate on our borrowings prevailing during the year; it factors in the impact of swapping some of our global notes with fixed interest rates for global notes with floating interest rates. For more information on our interest rate swaps, see Note 10 to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference. The lower weighted-average interest rates over the past three years is a result of the combination of lower market interest rates and swapping some of our fixed interest obligations associated with some of our fixed global notes for variable rate obligations through interest rate swaps in a declining rates environment.

For more information on our borrowings, see Note 13 to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference.

Available Borrowing Resources

At October 31, 2010, we had the following resources available to obtain short-term or long-term financings if we need additional liquidity:

	<u>At October 31, 2010</u> In millions
2009 Shelf Registration Statement ⁽¹⁾	Unspecified
Commercial paper programs ⁽¹⁾	\$12,100
Uncommitted lines of credit ⁽¹⁾	\$ 1,500
Revolving trade receivables-based facilities ⁽²⁾	\$ 175

(1) For more information on our available borrowings resources, see Note 13 to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference.

(2) For more information on our revolving trade receivables-based facilities, see Note 4 to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference.

Credit Ratings

Our credit risk is evaluated by three independent rating agencies based upon publicly available information as well as information obtained in our ongoing discussions with them. The ratings for the fiscal year ended October 31, 2010 were:

	<u>For the fiscal year ended October 31, 2010</u>		
	<u>Standard & Poor's Ratings Services</u>	<u>Moody's Investors Service</u>	<u>Fitch Ratings Services</u>
Short-term debt ratings	A-1	Prime-1	F1
Long-term debt ratings	A	A2	A+

We do not have any rating downgrade triggers that would accelerate the maturity of a material amount of our debt. However, a downgrade in our credit rating would increase the cost of borrowings under our credit facilities. Also, a downgrade in our credit rating could limit our ability to issue commercial paper under our current programs. If this occurs, we would seek alternative sources of

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

**Management's Discussion and Analysis of
Financial Condition and Results of Operations (Continued)**

funding, including drawdowns under our credit facilities or the issuance of notes under our existing shelf registration statement.

CONTRACTUAL AND OTHER OBLIGATIONS

The impact that we expect our contractual and other obligations as of October 31, 2010 to have on our liquidity and cash flow in future periods is as follows:

	Total	Payments Due by Period			
		Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
		In millions			
Principal payments on long-term debt ⁽¹⁾	\$ 16,294	\$ 2,111	\$ 7,945	\$ 4,600	\$ 1,638
Interest payments on long-term debt ⁽²⁾	1,489	386	570	173	360
Operating lease obligations	3,565	879	1,426	630	630
Purchase obligations ⁽³⁾	2,644	1,973	609	62	—
Capital lease obligations	548	111	123	242	72
Total	\$ 24,540	\$ 5,460	\$ 10,673	\$ 5,707	\$ 2,700

- (1) Amounts represent the expected principal cash payments relating to our long-term debt and do not include any fair value adjustments or discounts and premiums.
- (2) Amounts represent the expected interest cash payments relating to our long-term debt. We have outstanding interest rate swap agreements accounted for as fair value hedges that have the economic effect of modifying the fixed interest obligations associated with some of our fixed global notes for variable rate obligations. The impact of these interest rate swaps was factored into the calculation of the future interest payments on long-term debt.
- (3) Purchase obligations include agreements to purchase goods or services that are enforceable and legally binding on us and that specify all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. These purchase obligations are related principally to inventory and other items. Purchase obligations exclude agreements that are cancellable without penalty. Purchase obligations also exclude open purchase orders that are routine arrangements entered into in the ordinary course of business as they are difficult to quantify in a meaningful way. Even though open purchase orders are considered enforceable and legally binding, the terms generally allow us the option to cancel, reschedule, and adjust our requirements based on our business need prior to the delivery of goods or performance of services.

In addition to the above, at October 31, 2010, we had approximately \$2.0 billion of recorded liabilities and related interest and penalties pertaining to uncertainty in income tax positions, which will be partially offset by \$90 million of deferred tax assets and interest receivable. These liabilities and related interest and penalties include \$55 million expected to be paid within one year. For the remaining amount, we are unable to make a reasonable estimate as to when cash settlement with the tax authorities might occur due to the uncertainties related to these tax matters. See Note 14 to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference, for additional information on taxes.

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

**Management's Discussion and Analysis of
Financial Condition and Results of Operations (Continued)**

Funding Commitments

In fiscal 2011, we expect to contribute approximately \$817 million to our pension and post-retirement plan funding. Our funding policy is to contribute cash to our pension plans so that we meet at least the minimum contribution requirements, as established by local government, funding and taxing authorities. Funding for the years following 2011 would be based on the then current market conditions, actuarial estimates and plan funding status. See Note 16 to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference, for additional information on pension activity.

As a result of our approved restructuring plans, we expect future cash expenditures of approximately \$2.1 billion. We expect to make cash payments of approximately \$1.4 billion in fiscal 2011 with remaining cash payments through 2016. See Note 8 to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference, for additional information on restructuring activities.

Guarantees and Indemnifications

See Note 12 to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference, for additional information on liabilities that may arise from guarantees and indemnifications.

Litigation and Contingencies

See Note 18 to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference, for additional information on liabilities that may arise from litigation and contingencies.

Off-Balance Sheet Arrangements

As part of our ongoing business, we have not participated in transactions that generate material relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities ("SPEs"), which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As of October 31, 2010, we are not involved in any material unconsolidated SPEs.

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ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk.

In the normal course of business, we are exposed to foreign currency exchange rate, interest rate and equity price risks that could impact our financial position and results of operations. Our risk management strategy with respect to these three market risks may include the use of derivative financial instruments. We use derivative contracts only to manage existing underlying exposures of HP. Accordingly, we do not use derivative contracts for speculative purposes. Our risks, risk management strategy and a sensitivity analysis estimating the effects of changes in fair values for each of these exposures are outlined below.

Actual gains and losses in the future may differ materially from the sensitivity analyses based on changes in the timing and amount of interest rate, foreign currency exchange rate and equity price movements and our actual exposures and hedges.

Foreign currency exchange rate risk

We are exposed to foreign currency exchange rate risk inherent in our sales commitments, anticipated sales, anticipated purchases and assets, liabilities and debt denominated in currencies other than the U.S. dollar. We transact business in approximately 40 currencies worldwide, of which the most significant foreign currency to our operations for fiscal 2010 were the euro, the Japanese yen, Chinese yuan renminbi and the British pound. For most currencies, we are a net receiver of the foreign currency and therefore benefit from a weaker U.S. dollar and are adversely affected by a stronger U.S. dollar relative to the foreign currency. Even where we are a net receiver, a weaker U.S. dollar may adversely affect certain expense figures taken alone. We use a combination of forward contracts and options designated as cash flow hedges to protect against the foreign currency exchange rate risks inherent in our forecasted net revenue and, to a lesser extent, cost of sales and inter-company lease loan denominated in currencies other than the U.S. dollar. In addition, when debt is denominated in a foreign currency, we may use swaps to exchange the foreign currency principal and interest obligations for U.S. dollar-denominated amounts to manage the exposure to changes in foreign currency exchange rates. We also use other derivatives not designated as hedging instruments consisting primarily of forward contracts to hedge foreign currency balance sheet exposures. For these types of derivatives and hedges we recognize the gains and losses on these foreign currency forward contracts in the same period as the remeasurement losses and gains of the related foreign currency-denominated exposures. Alternatively, we may choose not to hedge the foreign currency risk associated with our foreign currency exposures, primarily if such exposure acts as a natural foreign currency hedge for other offsetting amounts denominated in the same currency or the currency is difficult or too expensive to hedge.

We have performed sensitivity analyses as of October 31, 2010 and 2009, using a modeling technique that measures the change in the fair values arising from a hypothetical 10% adverse movement in the levels of foreign currency exchange rates relative to the U.S. dollar, with all other variables held constant. The analyses cover all of our foreign currency contracts offset by the underlying exposures. The foreign currency exchange rates we used were based on market rates in effect at October 31, 2010 and 2009. The sensitivity analyses indicated that a hypothetical 10% adverse movement in foreign currency exchange rates would result in a foreign exchange loss of \$122 million and \$106 million at October 31, 2010 and October 31, 2009, respectively.

Interest rate risk

We also are exposed to interest rate risk related to our debt and investment portfolios and financing receivables. We issue long-term debt in either U.S. dollars or foreign currencies based on market conditions at the time of financing. We then typically use interest rate and/or currency swaps to modify the market risk exposures in connection with the debt to achieve primarily U.S. dollar LIBOR-based floating interest

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expense. The swap transactions generally involve the exchange of fixed for floating interest payments. However, we may choose not to swap fixed for floating interest payments or may terminate a previously executed swap if we believe a larger proportion of fixed-rate debt would be beneficial. In order to hedge the fair value of certain fixed-rate investments, we may enter into interest rate swaps that convert fixed interest returns into variable interest returns. We may use cash flow hedges to hedge the variability of LIBOR-based interest income received on certain variable-rate investments. We may also enter into interest rate swaps that convert variable rate interest returns into fixed-rate interest returns.

We have performed sensitivity analyses as of October 31, 2010 and 2009, using a modeling technique that measures the change in the fair values arising from a hypothetical 10% adverse movement in the levels of interest rates across the entire yield curve, with all other variables held constant. The analyses cover our debt, investment instruments, financing receivables and interest rate swaps. The analyses use actual maturities for the debt, investments and interest rate swaps and approximate maturities for financing receivables. The discount rates we used were based on the market interest rates in effect at October 31, 2010 and 2009. The sensitivity analyses indicated that a hypothetical 10% adverse movement in interest rates would result in a loss in the fair values of our debt, investment instruments and financing receivables, net of interest rate swap positions, of \$28 million at October 31, 2010 and \$33 million at October 31, 2009.

Equity price risk

We are also exposed to equity price risk inherent in our portfolio of publicly traded equity securities, which had an estimated fair value of \$9 million at October 31, 2010 and \$5 million at October 31, 2009. We monitor our equity investments for impairment on a periodic basis. Generally, we do not attempt to reduce or eliminate our market exposure on these equity securities. However, we may use derivative transactions to hedge certain positions from time to time. We do not purchase our equity securities with the intent to use them for speculative purposes. A hypothetical 30% adverse change in the stock prices of our publicly traded equity securities would result in a loss in the fair values of our marketable equity securities of approximately \$3 million and \$1 million at October 31, 2010 and 2009, respectively. The aggregate cost of privately-held companies, and other investments was \$163 million at October 31, 2010 and \$142 million at October 31, 2009.

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ITEM 8. Financial Statements and Supplementary Data.

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Report of Independent Registered Public Accounting Firm

**To the Board of Directors and Stockholders of
Hewlett-Packard Company**

We have audited the accompanying consolidated balance sheets of Hewlett-Packard Company and subsidiaries as of October 31, 2010 and 2009, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the three years in the period ended October 31, 2010. Our audits also included the financial statement schedule listed in the Index at Item 15(a)(2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hewlett-Packard Company and subsidiaries at October 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for each of the three years in the period ended October 31, 2010, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, in fiscal year 2010, Hewlett-Packard Company and subsidiaries changed their method of accounting for business combinations with the adoption of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 805, *Business Combinations*, and their method of accounting for noncontrolling interests with the adoption of the amendments to FASB ASC 810, *Consolidation*, both effective November 1, 2009. In fiscal year 2009, Hewlett-Packard Company and subsidiaries changed their method of accounting for revenue recognition with the adoption of amendments to the FASB ASC resulting from Accounting Standards Update No. 2009-13, *Multiple-Deliverable Revenue Arrangements*, and Accounting Standards Update No. 2009-14, *Certain Revenue Arrangements That Include Software Elements*, both adopted effective November 1, 2008 and their method of accounting for the measurement date provisions for their defined benefit postretirement plans in accordance with the guidance provided in FASB Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—An Amendment of FASB No. 87, 88, 106 and 132(R)*(codified primarily in FASB ASC Topic 715, *Compensation—Retirement Benefits*).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Hewlett-Packard Company's internal control over financial reporting as of October 31, 2010, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated December 15, 2010, expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

San Jose, California
December 15, 2010

Report of Independent Registered Public Accounting Firm

**To the Board of Directors and Stockholders of
Hewlett-Packard Company**

We have audited Hewlett-Packard Company's internal control over financial reporting as of October 31, 2010, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Hewlett-Packard Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Hewlett-Packard Company maintained, in all material respects, effective internal control over financial reporting as of October 31, 2010, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the accompanying consolidated balance sheets of Hewlett-Packard Company and subsidiaries as of October 31, 2010 and 2009, and the related consolidated statements of earnings, stockholders' equity and cash flows for each of the three years in the period ended October 31, 2010, and our report dated December 15, 2010, expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

San Jose, California
December 15, 2010

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Management's Report on Internal Control Over Financial Reporting

HP's management is responsible for establishing and maintaining adequate internal control over financial reporting for HP. HP's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. HP's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of HP; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of HP are being made only in accordance with authorizations of management and directors of HP; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of HP's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

HP's management assessed the effectiveness of HP's internal control over financial reporting as of October 31, 2010, utilizing the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Based on the assessment by HP's management, we determined that HP's internal control over financial reporting was effective as of October 31, 2010. The effectiveness of HP's internal control over financial reporting as of October 31, 2010 has been audited by Ernst & Young LLP, HP's independent registered public accounting firm, as stated in their report which appears on page 71 of this Annual Report on Form 10-K.

/s/ LÉO APOTHEKER

/s/ CATHERINE A. LESJAK

Léo Apotheker
President and Chief Executive Officer
December 15, 2010

Catherine A. Lesjak
Executive Vice President and Chief Financial Officer
December 15, 2010

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Consolidated Statements of Earnings

	For the fiscal years ended October 31		
	2010	2009	2008
In millions, except per share amounts			
Net revenue:			
Products	\$ 84,799	\$ 74,051	\$ 91,697
Services	40,816	40,124	26,297
Financing income	418	377	370
Total net revenue	126,033	114,552	118,364
Costs and expenses:			
Cost of products	65,064	56,503	69,342
Cost of services	30,723	30,695	20,028
Financing interest	302	326	329
Research and development	2,959	2,819	3,543
Selling, general and administrative	12,585	11,613	13,326
Amortization of purchased intangible assets	1,484	1,578	1,012
Restructuring charges	1,144	640	270
Acquisition-related charges	293	242	41
Total operating expenses	114,554	104,416	107,891
Earnings from operations	11,479	10,136	10,473
Interest and other, net	(505)	(721)	—
Earnings before taxes	10,974	9,415	10,473
Provision for taxes	2,213	1,755	2,144
Net earnings	\$ 8,761	\$ 7,660	\$ 8,329
Net earnings per share:			
Basic	\$ 3.78	\$ 3.21	\$ 3.35
Diluted	\$ 3.69	\$ 3.14	\$ 3.25
Weighted-average shares used to compute net earnings per share:			
Basic	2,319	2,388	2,483
Diluted	2,372	2,437	2,567

The accompanying notes are an integral part of these Consolidated Financial Statements.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Consolidated Balance Sheets

	<u>October 31</u>	
	<u>2010</u>	<u>2009</u>
	In millions, except par value	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 10,929	\$ 13,279
Short-term investments	5	55
Accounts receivable	18,481	16,537
Financing receivables	2,986	2,675
Inventory	6,466	6,128
Other current assets	15,317	13,865
Total current assets	<u>54,184</u>	<u>52,539</u>
Property, plant and equipment	11,763	11,262
Long-term financing receivables and other assets	12,225	11,289
Goodwill	38,483	33,109
Purchased intangible assets	7,848	6,600
Total assets	<u>\$124,503</u>	<u>\$114,799</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable and short-term borrowings	\$ 7,046	\$ 1,850
Accounts payable	14,365	14,809
Employee compensation and benefits	4,256	4,071
Taxes on earnings	802	910
Deferred revenue	6,727	6,182
Accrued restructuring	911	1,109
Other accrued liabilities	15,296	14,072
Total current liabilities	<u>49,403</u>	<u>43,003</u>
Long-term debt	15,258	13,980
Other liabilities	19,061	17,052 ⁽¹⁾
Commitments and contingencies		
Stockholders' equity:		
HP stockholders' equity		
Preferred stock, \$0.01 par value (300 shares authorized; none issued)	—	—
Common stock, \$0.01 par value (9,600 shares authorized; 2,204 and 2,365 shares issued and outstanding, respectively)	22	24
Additional paid-in capital	11,569	13,804
Retained earnings	32,695	29,936
Accumulated other comprehensive loss	(3,837)	(3,247)
Total HP stockholders' equity	<u>40,449</u>	<u>40,517</u>
Non-controlling interests	332	247 ⁽¹⁾
Total stockholders' equity	<u>40,781</u>	<u>40,764</u>
Total liabilities and stockholders' equity	<u>\$124,503</u>	<u>\$114,799</u>

(1) Reflects the adoption of the accounting standard related to the presentation of non-controlling interests in consolidated financial statements.

The accompanying notes are an integral part of these Consolidated Financial Statements.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	For the fiscal years ended October 31		
	2010	2009	2008
	In millions		
Cash flows from operating activities:			
Net earnings	\$ 8,761	\$ 7,660	\$ 8,329
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	4,820	4,780	3,401
Stock-based compensation expense	668	635	606
Provision for doubtful accounts—accounts and financing receivables	156	345	275
Provision for inventory	189	221	214
Restructuring charges	1,144	640	270
Deferred taxes on earnings	197	379	773
Excess tax benefit from stock-based compensation	(294)	(162)	(293)
Other, net	169	22	(61)
Changes in assets and liabilities:			
Accounts and financing receivables	(2,398)	(549)	(264)
Inventory	(270)	1,532	89
Accounts payable	(698)	(153)	1,749
Taxes on earnings	723	733	235
Restructuring	(1,334)	(1,237)	(165)
Other assets and liabilities	89	(1,467)	(567)
Net cash provided by operating activities	11,922	13,379	14,591
Cash flows from investing activities:			
Investment in property, plant and equipment	(4,133)	(3,695)	(2,990)
Proceeds from sale of property, plant and equipment	602	495	425
Purchases of available-for-sale securities and other investments	(51)	(160)	(178)
Maturities and sales of available-for-sale securities and other investments	200	171	280
Payments made in connection with business acquisitions, net	(8,102)	(391)	(11,248)
Proceeds from business divestiture, net	125	—	—
Net cash used in investing activities	(11,359)	(3,580)	(13,711)
Cash flows from financing activities:			
Issuance (repayment) of commercial paper and notes payable, net	4,156	(6,856)	5,015
Issuance of debt	3,156	6,800	3,121
Payment of debt	(1,323)	(2,710)	(1,843)
Issuance of common stock under employee stock plans	2,617	1,837	1,810
Repurchase of common stock	(11,042)	(5,140)	(9,620)
Excess tax benefit from stock-based compensation	294	162	293
Dividends	(771)	(766)	(796)
Net cash used in financing activities	(2,913)	(6,673)	(2,020)
(Decrease) increase in cash and cash equivalents	(2,350)	3,126	(1,140)
Cash and cash equivalents at beginning of period	13,279	10,153	11,293
Cash and cash equivalents at end of period	\$ 10,929	\$ 13,279	\$ 10,153

The accompanying notes are an integral part of these Consolidated Financial Statements.

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive (Loss) Income</u>	<u>Total HP Stockholders' Equity</u>	<u>Non- controlling Interests</u>	<u>Total</u>
	<u>Number of Shares</u>	<u>Par Value</u>						
In millions, except number of shares in thousands								
Balance								
October 31, 2007	2,579,714	\$ 26	\$ 16,381	\$ 21,560	\$ 559	\$ 38,526	\$ 43	\$ 38,569
Net earnings				8,329		8,329	10	8,339
Net unrealized loss on available- for-sale securities					(16)	(16)		(16)
Net unrealized gain on cash flow hedges					866	866		866
Unrealized components of defined benefit pension plans					(538)	(538)		(538)
Cumulative translation adjustment					(936)	(936)		(936)
Comprehensive income						7,705	10	7,715
Issuance of common stock in connection with employee stock plans and other	65,235		2,034			2,034		2,034
Repurchases of common stock	(229,646)	(2)	(5,325)	(4,809)		(10,136)		(10,136)
Net excess tax benefits from employee stock plans			316			316		316
Dividends				(796)		(796)		(796)
Stock-based compensation expense			606			606		606
Cumulative effect of change in accounting principle				687		687		687
Changes in ownership of non- controlling interests							184	184
Balance								
October 31, 2008	2,415,303	\$ 24	\$ 14,012	\$ 24,971	\$ (65)	\$ 38,942	\$ 237	\$ 39,179
Net earnings				7,660		7,660	78	7,738
Net unrealized gain on available- for-sale securities					16	16		16
Net unrealized loss on cash flow hedges					(971)	(971)		(971)
Unrealized components of defined benefit pension plans					(2,531)	(2,531)		(2,531)
Cumulative translation adjustment					304	304		304

Comprehensive income						4,478	78	4,556
Issuance of common stock in connection with employee stock plans and other	69,157	1	1,783			1,784		1,784
Repurchases of common stock	(119,651)	(1)	(2,789)	(1,922)		(4,712)		(4,712)
Net excess tax benefits from employee stock plans			163			163		163
Dividends				(766)		(766)		(766)
Stock-based compensation expense			635			635		635
Cumulative effect of change in accounting principle				(7)		(7)		(7)
Changes in ownership of non-controlling interests							(68)	(68)
Balance October 31, 2009	2,364,809	\$ 24	\$ 13,804	\$ 29,936	\$ (3,247)	\$ 40,517	\$ 247	\$ 40,764
Net earnings				8,761		8,761	109	8,870
Net unrealized gain on available-for-sale securities					16	16		16
Net unrealized loss on cash flow hedges					(32)	(32)		(32)
Unrealized components of defined benefit pension plans					(602)	(602)		(602)
Cumulative translation adjustment					28	28	4	32
Comprehensive income						8,171	113	8,284
Issuance of common stock in connection with employee stock plans and other	80,335	1	2,606			2,607		2,607
Repurchases of common stock	(241,246)	(3)	(5,809)	(5,259)		(11,071)		(11,071)
Net excess tax benefits from employee stock plans			300			300		300
Dividends				(743)		(743)	(28)	(771)
Stock-based compensation expense			668			668		668
Balance October 31, 2010	2,203,898	\$ 22	\$ 11,569	\$ 32,695	\$ (3,837)	\$ 40,449	\$ 332	\$ 40,781

The accompanying notes are an integral part of these Consolidated Financial Statements.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies

Principles of Consolidation

The Consolidated Financial Statements include the accounts of Hewlett-Packard Company, its wholly-owned subsidiaries and its controlled majority-owned subsidiaries (collectively, "HP"). HP accounts for equity investments in companies over which HP has the ability to exercise significant influence, but does not hold a controlling interest, under the equity method, and HP records its proportionate share of income or losses in interest and other, net in the Consolidated Statements of Earnings. HP has eliminated all significant intercompany accounts and transactions.

Reclassifications and Segment Reorganization

HP has made certain organizational realignments in order to optimize its operating structure. Reclassifications of prior year financial information have been made to conform to the current year presentation. None of the changes impacts HP's previously reported consolidated net revenue, earnings from operations, net earnings or net earnings per share. See Note 19 for a further discussion of HP's segment reorganization.

Use of Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the amounts reported in HP's Consolidated Financial Statements and accompanying notes. Actual results could differ materially from those estimates.

Revenue Recognition

Net revenue is derived primarily from the sale of products and services. The following revenue recognition policies define the manner in which HP accounts for sales transactions.

HP recognizes revenue when persuasive evidence of a sales arrangement exists, delivery has occurred or services are rendered, the sales price or fee is fixed or determinable and collectibility is reasonably assured. Additionally, HP recognizes hardware revenue on sales to channel partners, including resellers, distributors or value-added solution providers at the time of sale when the channel partners have economic substance apart from HP and HP has completed its obligations related to the sale.

HP's current revenue recognition policies, which were applied in fiscal 2010 and fiscal 2009, provide that, when a sales arrangement contains multiple elements, such as hardware and software products, licenses and/or services, HP allocates revenue to each element based on a selling price hierarchy. The selling price for a deliverable is based on its vendor specific objective evidence ("VSOE") if available, third party evidence ("TPE") if VSOE is not available, or estimated selling price ("ESP") if neither VSOE nor TPE is available. In multiple element arrangements where more-than-incidental software deliverables are included, revenue is allocated to each separate unit of accounting for each of the non-software deliverables and to the software deliverables as a group using the relative selling prices of each of the deliverables in the arrangement based on the aforementioned selling price hierarchy. If the arrangement contains more than one software deliverable, the arrangement consideration allocated to the software deliverables as a group is then allocated to each software deliverable using the guidance for recognizing software revenue, as amended.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

HP limits the amount of revenue recognition for delivered elements to the amount that is not contingent on the future delivery of products or services, future performance obligations or subject to customer-specified return or refund privileges.

HP evaluates each deliverable in an arrangement to determine whether they represent separate units of accounting. A deliverable constitutes a separate unit of accounting when it has standalone value and there are no customer-negotiated refund or return rights for the delivered elements. If the arrangement includes a customer-negotiated refund or return right relative to the delivered item and the delivery and performance of the undelivered item is considered probable and substantially in HP's control, the delivered element constitutes a separate unit of accounting. In instances when the aforementioned criteria are not met, the deliverable is combined with the undelivered elements and the allocation of the arrangement consideration and revenue recognition is determined for the combined unit as a single unit. Allocation of the consideration is determined at arrangement inception on the basis of each unit's relative selling price.

HP establishes VSOE of selling price using the price charged for a deliverable when sold separately and, in rare instances, using the price established by management having the relevant authority. TPE of selling price is established by evaluating largely similar and interchangeable competitor products or services in standalone sales to similarly situated customers. The best estimate of selling price is established considering internal factors such as margin objectives, pricing practices and controls, customer segment pricing strategies and the product life cycle. Consideration is also given to market conditions such as competitor pricing strategies and industry technology life cycles.

For fiscal 2008, pursuant to the previous guidance for revenue arrangements with multiple deliverables prior to the adoption of Accounting Standards Update ("ASU") No. 2009-13, "Multiple Deliverable Revenue Arrangements," for a sales arrangement with multiple elements, HP allocated revenue to each element based on its relative fair value, or for software, based on VSOE of fair value. In the absence of fair value for a delivered element, HP first allocated revenue to the fair value of the undelivered elements and the residual revenue to the delivered elements. Where the fair value for an undelivered element could not be determined, HP deferred revenue for the delivered elements until the undelivered elements were delivered or the fair value was determinable for the remaining undelivered elements. If the revenue for a delivered item was not recognized because it was not separable from the undelivered item, then HP also deferred the cost of the delivered item. HP limited the amount of revenue recognition for delivered elements to the amount that was not contingent on the future delivery of products or services, future performance obligations or subject to customer-specified return or refund privileges. For the purposes of income statement classification of products and services revenue, when HP could not determine fair value for all of the elements in an arrangement and the transaction was accounted for as a single unit of accounting, HP allocated revenue to products and services based on a rational and consistent methodology. This methodology utilized external and internal pricing inputs to derive HP's best estimate of fair value for the elements in the arrangement.

In instances when revenue is derived from sales of third-party vendor services, revenue is recorded at gross when HP is a principal to the transaction and net of costs when HP is acting as an agent between the customer and the vendor. Several factors are considered to determine whether HP is an agent or principal, most notably whether HP is the primary obligor to the customer, has established its own pricing, and has inventory and credit risks.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

HP reports revenue net of any required taxes collected from customers and remitted to government authorities, with the collected taxes recorded as current liabilities until remitted to the relevant government authority.

Products

Hardware

Under HP's standard terms and conditions of sale, HP transfers title and risk of loss to the customer at the time product is delivered to the customer and revenue is recognized accordingly, unless customer acceptance is uncertain or significant obligations remain. HP reduces revenue for estimated customer returns, price protection, rebates and other programs offered under sales agreements established by HP with its distributors and resellers. HP records revenue from the sale of equipment under sales-type leases as product revenue at the inception of the lease. HP accrues the estimated cost of post-sale obligations, including basic product warranties, based on historical experience at the time HP recognizes revenue.

Software

In accordance with the specific guidance for recognizing software revenue, where applicable, HP recognizes revenue from perpetual software licenses at the inception of the license term assuming all revenue recognition criteria have been met. Term-based software license revenue is recognized on a subscription basis over the term of the license entitlement. HP uses the residual method to allocate revenue to software licenses at the inception of the license term when VSOE of fair value for all undelivered elements exists, such as post-contract support, and all other revenue recognition criteria have been satisfied. Revenue generated from maintenance and unspecified upgrades or updates on a when-and-if-available basis is recognized over the period such items are delivered.

Services

HP recognizes revenue from fixed-price support or maintenance contracts, including extended warranty contracts and software post-contract customer support agreements, ratably over the contract period and recognizes the costs associated with these contracts as incurred. For time and material contracts, HP recognizes revenue and costs as services are rendered. HP recognizes revenue from fixed-price consulting arrangements over the contract period on a proportional performance basis, as determined by the relationship of actual labor costs incurred to date to the estimated total contract labor costs, with estimates regularly revised during the life of the contract. HP recognizes revenue on certain design and build (design, development and/or construction of software and/or systems) projects using the percentage-of-completion method. HP uses the cost to cost method of measurement towards completion as determined by the percentage of cost incurred to date to the total estimated costs of the project. HP uses the completed contract method if reasonable and reliable cost estimates for a project cannot be made.

Outsourcing services revenue is generally recognized when the service is provided and the amount earned is not contingent upon any future event. If the service is provided evenly during the contract term but service billings are uneven, revenue is recognized on a straight-line basis over the contract term. HP recognizes revenue from operating leases on a straight-line basis as service revenue over the rental period.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

HP recognizes costs associated with outsourcing contracts as incurred, unless such costs relate to the transition phase of the outsourcing contract, in which case HP defers and subsequently amortizes these set-up costs over the contractual services period. Deferred contract costs are amortized on a straight-line basis over the remaining original term unless billing patterns indicate a more accelerated method is appropriate. Based on actual and projected contract financial performance indicators, the recoverability of deferred contract costs associated with a particular contract is analyzed on a periodic basis using the undiscounted estimated cash flows of the whole contract over its remaining contract term. If such undiscounted cash flows are insufficient to recover the long-lived assets and deferred contract costs, the deferred contract costs are written down based on a discounted cash flow model. If a cash flow deficiency remains after reducing the balance of the deferred contract costs to zero, any remaining long-lived assets related to that contract are evaluated for impairment.

HP recognizes losses on consulting and outsourcing arrangements in the period that the contractual loss becomes probable and estimable. HP records amounts invoiced to customers in excess of revenue recognized as deferred revenue until the revenue recognition criteria are met. HP records revenue that is earned and recognized in excess of amounts invoiced on fixed-price contracts as trade receivables.

Financing Income

Sales-type and direct-financing leases produce financing income, which HP recognizes at consistent rates of return over the lease term.

Deferred Revenue and Related Deferred Contract Costs

Deferred revenue represents amounts received in advance for product support contracts, software customer support contracts, outsourcing start-up services work, consulting and integration projects, product sales or leasing income. The product support contracts include stand-alone product support packages, routine maintenance service contracts, upgrades or extensions to standard product warranty, as well as high availability services for complex, global, networked, multi-vendor environments. HP defers these service amounts at the time HP bills the customer, and HP then generally recognizes the amounts ratably over the support contract life or as HP delivers the services. HP also defers and subsequently amortizes certain costs related to start-up activities that enable the performance of the customer's long-term services contract. Deferred contract costs, including start-up and other unbilled costs, are generally amortized on a straight-line basis over the contract term unless specific customer contract terms and conditions indicate a more accelerated method is more appropriate.

Shipping and Handling

HP includes costs related to shipping and handling in cost of sales for all periods presented.

Advertising

HP expenses advertising costs as incurred or when the advertising is first run. Such costs totaled approximately \$1.0 billion in fiscal 2010, \$0.7 billion in fiscal 2009 and \$1.0 billion in fiscal 2008.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

Stock-Based Compensation

Stock-based compensation expense for all share-based payment awards granted is determined based on the grant-date fair value. HP recognizes these compensation costs net of an estimated forfeiture rate, and recognizes compensation cost only for those shares expected to vest on a straight-line basis over the requisite service period of the award, which is generally the vesting term of the share-based payment awards. HP estimated the forfeiture rate based on its historical experience for fiscal grant years where the majority of the vesting terms have been satisfied.

Foreign Currency Transactions

HP uses the U.S. dollar predominately as its functional currency. Assets and liabilities denominated in non-U.S. dollars are remeasured into U.S. dollars at current exchange rates for monetary assets and liabilities and historical exchange rates for nonmonetary assets and liabilities. Net revenue, cost of sales and expenses are remeasured at average exchange rates in effect during each new reporting period, and net revenue, cost of sales and expenses related to the previously reported periods are remeasured at historical exchange rates. HP includes gains or losses from foreign currency remeasurement in net earnings. Certain foreign subsidiaries designate the local currency as their functional currency, and HP records the translation of their assets and liabilities into U.S. dollars at the balance sheet dates as translation adjustments and includes them as a component of accumulated other comprehensive income (loss).

Taxes on Earnings

HP recognizes deferred tax assets and liabilities for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts using enacted tax rates in effect for the year the differences are expected to reverse. HP records a valuation allowance to reduce the deferred tax assets to the amount that is more likely than not to be realized.

Cash and Cash Equivalents

HP classifies investments as cash equivalents if the original maturity of an investment is ninety days or less. Cash and cash equivalents consist primarily of highly liquid investments in time deposits held in major banks and commercial paper. As of October 31, 2010 and 2009, the carrying value of cash and cash equivalents approximates fair value due to the short period of time to maturity.

Investments

HP's investments consist principally of time deposits, money market funds, commercial paper, corporate debt, other debt securities, and equity securities of publicly-traded and privately-held companies.

HP classifies its investments in debt securities and its equity investments in public companies as available-for-sale securities and carries them at fair value. HP determines fair values for investments in public companies using quoted market prices and records a charge to Interest and other, net when the change in fair values is determined to be an other-than-temporary change. HP carries equity investments in privately-held companies at cost or at fair value when HP recognizes an other-than-temporary impairment charge.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

HP monitors its investment portfolio for impairment on a periodic basis. When the carrying value of an investment in debt securities exceeds its fair value and the decline in value is determined to be an other-than-temporary decline, and when HP does not intend to sell the debt securities and it is not more likely than not that HP will be required to sell the debt securities prior to recovery of its amortized cost basis, HP records an impairment charge to Interest and other, net in the amount of the credit loss and the balance, if any, to other comprehensive income (loss).

Concentrations of Credit Risk

Financial instruments that potentially subject HP to significant concentrations of credit risk consist principally of cash and cash equivalents, investments, accounts receivable from trade customers and from contract manufacturers, financing receivables and derivatives.

HP maintains cash and cash equivalents, short- and long-term investments, derivatives and certain other financial instruments with various financial institutions. These financial institutions are located in many different geographical regions, and HP's policy is designed to limit exposure with any one institution. As part of its cash and risk management processes, HP performs periodic evaluations of the relative credit standing of the financial institutions. HP has not sustained material credit losses from instruments held at financial institutions. HP utilizes forward contracts and other derivative contracts to protect against the effects of foreign currency fluctuations. Such contracts involve the risk of non-performance by the counterparty, which could result in a material loss.

HP sells a significant portion of its products through third-party distributors and resellers and, as a result, maintains individually significant receivable balances with these parties. If the financial condition or operations of all of these distributors' and resellers' aggregated accounts deteriorate substantially, HP's operating results could be adversely affected. The ten largest distributor and reseller receivable balances collectively, which were concentrated primarily in North America and Europe, represented approximately 18% of gross accounts receivable at October 31, 2010 and 22% at October 31, 2009. No single customer accounts for more than 10% of accounts receivable. Credit risk with respect to other accounts receivable and financing receivables is generally diversified due to the large number of entities comprising HP's customer base and their dispersion across many different industries and geographical regions. HP performs ongoing credit evaluations of the financial condition of its third-party distributors, resellers and other customers and requires collateral, such as letters of credit and bank guarantees, in certain circumstances. To ensure a receivable balance is not overstated due to uncollectibility, an allowance for doubtful accounts is maintained as required under U.S. GAAP. The past due or delinquency status of a receivable is based on the contractual payment terms of the receivable. The need to write off a receivable balance depends on the age, size and a determination of collectability of the receivable. HP generally has experienced longer accounts receivable collection cycles in its emerging markets, in particular Asia Pacific and Latin America, compared to its markets in the United States and Europe. In the event that accounts receivable collection cycles in emerging markets significantly deteriorate or one or more of HP's larger resellers or enterprise customers fails, HP's operating results could be adversely affected.

Other Concentration

HP obtains a significant number of components from single source suppliers due to technology, availability, price, quality or other considerations. The loss of a single source supplier, the deterioration

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

of its relationship with a single source supplier, or any unilateral modification to the contractual terms under which HP is supplied components by a single source supplier could adversely affect HP's revenue and gross margins.

Allowance for Doubtful Accounts

HP establishes an allowance for doubtful accounts to ensure trade and financing receivables are not overstated due to uncollectability. HP maintains bad debt reserves based on a variety of factors, including the length of time receivables are past due, trends in overall weighted-average risk rating of the total portfolio, macroeconomic conditions, significant one-time events, historical experience and the use of third-party credit risk models that generate quantitative measures of default probabilities based on market factors and the financial condition of customers. HP records a specific reserve for individual accounts when HP becomes aware of specific customer circumstances, such as in the case of bankruptcy filings or deterioration in the customer's operating results or financial position. If circumstances related to the specific customer change, HP would further adjust estimates of the recoverability of receivables.

Inventory

HP values inventory at the lower of cost or market, with cost computed on a first-in, first-out basis. Adjustments to reduce the cost of inventory to its net realizable value are made, if required, for estimated excess, obsolescence or impaired balances.

Property, Plant and Equipment

HP states property, plant and equipment at cost less accumulated depreciation. HP capitalizes additions and improvements and expenses maintenance and repairs as incurred. Depreciation is computed using straight-line or accelerated methods over the estimated useful lives of the assets. Estimated useful lives are 5 to 40 years for buildings and improvements and 3 to 15 years for machinery and equipment. HP depreciates leasehold improvements over the life of the lease or the asset, whichever is shorter. HP depreciates equipment held for lease over the initial term of the lease to the equipment's estimated residual value. The estimated useful lives of assets used solely to support a customer services contract generally do not exceed the term of the customer contract.

HP capitalizes certain internal and external costs incurred to acquire or create internal use software, principally related to software coding, designing system interfaces and installation and testing of the software. HP amortizes capitalized internal use software costs using the straight-line method over the estimated useful lives of the software, generally from three to five years.

Software Development Costs

Costs incurred to acquire or develop software for resale may be capitalized subsequent to the software product establishing technological feasibility. Capitalized software development costs are amortized using the greater of the straight-line amortization method or the ratio that current gross revenues for a product bear to the total current and anticipated future gross revenues for that product. The estimated useful lives for capitalized software for resale are generally three years or less. Software development costs incurred subsequent to a product establishing technological feasibility are usually not significant. In those instances, such costs are expensed as incurred.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

Business Combinations

HP has adopted the new accounting standard related to business combinations. HP has included the results of operations of the businesses that it acquired in fiscal 2010 in HP's consolidated results as of the respective dates of acquisition. HP allocates the purchase price of its acquisitions to the tangible assets, liabilities and intangible assets acquired, including in-process research and development ("IPR&D"), based on their estimated fair values. The excess of the purchase price over those fair values is recorded as goodwill. IPR&D is initially capitalized at fair value as an intangible asset with an indefinite life and assessed for impairment thereafter. When the IPR&D project is complete, it is reclassified as an amortizable purchased intangible asset and is amortized over its estimated useful life. If an IPR&D project is abandoned, HP will record a charge for the value of the related intangible asset to HP's Consolidated Statement of Earnings in the period it is abandoned. Acquisition-related expenses and restructuring costs are recognized separately from the business combination and are expensed as incurred.

Goodwill and Purchased Intangible Assets

Goodwill and purchased intangible assets with indefinite useful lives are not amortized but are tested for impairment at least annually. HP reviews goodwill and purchased intangible assets with indefinite lives for impairment annually at the beginning of its fourth fiscal quarter and whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. For goodwill, HP performs a two-step impairment test. In the first step, HP compares the fair value of each reporting unit to its carrying value. In general, HP's reporting units are consistent with the reportable segments identified in Note 19. However, for certain businesses within the Corporate Investments segment, the reporting unit is one step below the segment level. HP determines the fair value of its reporting units based on a weighting of income and market approaches. Under the income approach, HP calculates the fair value of a reporting unit based on the present value of estimated future cash flows. Under the market approach, HP estimates the fair value based on market multiples of revenue or earnings for comparable companies. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is not impaired and no further testing is performed. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, then HP must perform the second step of the impairment test in order to determine the implied fair value of the reporting unit's goodwill. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, HP records an impairment loss equal to the difference.

HP estimates the fair value of indefinite-lived purchased intangible assets using an income approach. HP recognizes an impairment loss when the estimated fair value of the indefinite-lived purchased intangible assets is less than the carrying value.

HP amortizes purchased intangible assets with finite lives using the straight-line method over the estimated economic lives of the assets, ranging from one to ten years.

Long-Lived Asset Impairment

HP evaluates property, plant and equipment and purchased intangible assets with finite lives for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. HP assesses the recoverability of the assets based on the undiscounted future cash flow and recognizes an impairment loss when the estimated undiscounted future cash flow expected to

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

result from the use of the asset plus the net proceeds expected from disposition of the asset, if any, are less than the carrying value of the asset. When HP identifies an impairment, HP reduces the carrying amount of the asset to its estimated fair value based on a discounted cash flow approach or, when available and appropriate, to comparable market values.

Fair Value of Financial Instruments

HP measures certain financial assets and liabilities at fair value based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. Financial instruments are primarily comprised of time deposits, money market funds, commercial paper, corporate and other debt securities, equity securities and other investments in common stock and common stock equivalents and derivatives. See Note 9 for a further discussion on fair value of financial instruments.

Derivative Financial Instruments

HP uses derivative financial instruments, primarily forwards, swaps, and options, to hedge certain foreign currency and interest rate exposures. HP also may use other derivative instruments not designated as hedges such as forwards used to hedge foreign currency balance sheet exposures. HP does not use derivative, financial instruments for speculative purposes. See Note 10 for a full description of HP's derivative financial instrument activities and related accounting policies.

Retirement and Post-Retirement Plans

HP has various defined benefit, other contributory and noncontributory retirement and post-retirement plans. In addition, HP has assumed additional retirement and post-retirement plans in connection with its acquisition of Electronic Data Systems Corporation ("EDS") in August 2008. HP generally amortizes unrecognized actuarial gains and losses on a straight-line basis over the remaining estimated service life of participants. The measurement date for all HP plans is October 31 for fiscal 2010 and fiscal 2009. See Note 10 for a full description of these plans and the accounting and funding policies.

Loss Contingencies

HP is involved in various lawsuits, claims, investigations and proceedings that arise in the ordinary course of business. HP records a provision for a liability when it believes it is both probable that a liability has been incurred and the amount can be reasonably estimated. Significant judgment is required to determine both probability and the estimated amount. HP reviews these provisions at least quarterly and adjusts these provisions to reflect the impact of negotiations, settlements, rulings, advice of legal counsel, and updated information. Litigation is inherently unpredictable and is subject to significant uncertainties, some of which are beyond HP's control.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

Accounting Pronouncements

In December 2007, the FASB issued a new accounting standard related to non-controlling interests. The standard establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the non-controlling interests, changes in a parent's ownership interest, and the valuation of retained non-controlling equity investments when a subsidiary is deconsolidated. The standard also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. In January 2010, the FASB issued Accounting Standards Update No. 2010-02, "Consolidation: Accounting and Reporting for Decreases in Ownership of a Subsidiary—a Scope Clarification." This update clarifies the scope of the decrease in ownership provisions and also requires expanded disclosures. HP adopted these standards in the first quarter of fiscal 2010 with retrospective application of the presentation and disclosure requirements. Non-controlling interests of \$247 million at October 31, 2009 were reclassified from Other liabilities to Stockholders' equity in the Consolidated Condensed Balance Sheet as of October 31, 2009. Elimination of the income attributable to non-controlling interests, recorded in Interest and other, net, was not material for fiscal years 2010, 2009 and 2008 and is disclosed in the Consolidated Statements of Stockholders' Equity.

Note 2: Stock-Based Compensation

HP's stock-based compensation plans include incentive compensation plans and an employee stock purchase plan ("ESPP").

Stock-based Compensation Expense and the Related Income Tax Benefits

Total stock-based compensation expense before income taxes for fiscal 2010, 2009 and 2008 was \$668 million, \$635 million and \$606 million, respectively. The resulting income tax benefit for fiscal 2010, 2009 and 2008 was \$216 million, \$199 million and \$178 million, respectively.

Cash received from option exercises and purchases under the ESPP was \$2.6 billion in fiscal 2010 and \$1.8 billion for both fiscal 2009 and 2008. The actual tax benefit realized for the tax deduction from option exercises of the share-based payment awards in fiscal 2010, 2009 and 2008 was \$414 million, \$252 million and \$412 million, respectively.

Incentive Compensation Plans

HP's incentive compensation plans include principal equity plans adopted in 2004 (as amended in 2010), 2000, 1995 and 1990 ("principal equity plans"), as well as various equity plans assumed through acquisitions under which stock-based awards are outstanding. Stock-based awards granted from the principal equity plans include performance-based restricted units ("PRUs"), stock options and restricted stock awards. Employees meeting certain employment qualifications are eligible to receive stock-based awards.

In fiscal 2008, HP implemented a program that provides for the issuance of PRUs representing hypothetical shares of HP common stock. PRU awards may be granted to eligible employees, including HP's principal executive officer, principal financial officer and other executive officers. Each PRU award reflects a target number of shares ("Target Shares") that may be issued to the award recipient

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 2: Stock-Based Compensation (Continued)

before adjusting for performance and market conditions. The actual number of shares the recipient receives is determined at the end of a three-year performance period based on results achieved versus company performance goals. Those goals are based on HP's annual cash flow from operations as a percentage of revenue and total shareholder return ("TSR") relative to the S&P 500 over the three-year performance period. Depending on the results achieved during the three-year performance period, the actual number of shares that a grant recipient receives at the end of the period may range from 0% to 200% of the Target Shares granted, based on the calculations described below.

Cash flow performance goals are established at the beginning of each year. At the end of each year, a portion of the Target Shares may be credited in the award recipient's name depending on the achievement of the cash flow performance goal for that year. The number of shares credited varies between 0% if performance is below the minimum level and 150% if performance is at or above the maximum level. For performance between the minimum level and the maximum level, a proportionate percentage between 30% and 150% is applied based on relative performance between the minimum and the maximum levels.

Following the expiration of the three-year performance period, the number of shares credited to the award recipient during the performance period is adjusted by a TSR modifier. The TSR modifier varies between 0%, if the minimum level is not met, resulting in no payout under the PRU award, and 133%, if performance is at or above the maximum level. For performance between the minimum level and the maximum level, a proportionate TSR modifier between 66% and 133% is applied based on relative performance between the minimum and the maximum levels. The number of shares, if any, received by the PRU award recipient equals the number of shares credited to the award recipient during the performance period multiplied by the TSR modifier.

Recipients of PRU awards generally must remain employed by HP on a continuous basis through the end of the applicable three-year performance period in order to receive any portion of the shares subject to that award. Target Shares subject to PRU awards do not have dividend equivalent rights and do not have the voting rights of common stock until earned and issued following the end of the applicable performance period. The expense for these awards, net of estimated forfeitures, is recorded over the requisite service period based on the number of target shares that are expected to be earned and the achievement of the cash flow goals during the performance period.

Stock options granted under the principal equity plans are generally non-qualified stock options, but the principal equity plans permit some options granted to qualify as "incentive stock options" under the U.S. Internal Revenue Code. Stock options generally vest over four years from the date of grant. The exercise price of a stock option is equal to the fair market value of HP's common stock on the option grant date (as determined by the reported sale prices of HP's common stock when the market closes on that date). The contractual term of options granted since fiscal 2003 was generally eight years, while the contractual term of options granted prior to fiscal 2003 was generally ten years. Prior to March 2010, HP could choose, in certain cases, to establish a discounted exercise price at no less than 75% of fair market value on the grant date. HP has not granted any discounted options since fiscal 2003.

Under the principal equity plans, HP granted certain employees cash-settled awards, restricted stock awards, or both. Restricted stock awards are non-vested stock awards that may include grants of restricted stock or grants of restricted stock units. Cash-settled awards and restricted stock awards are independent of option grants and are generally subject to forfeiture if employment terminates prior to

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES**Notes to Consolidated Financial Statements (Continued)****Note 2: Stock-Based Compensation (Continued)**

the release of the restrictions. Such awards generally vest one to three years from the date of grant. During that period, ownership of the shares cannot be transferred. Restricted stock has the same cash dividend and voting rights as other common stock and is considered to be currently issued and outstanding. Restricted stock units have dividend equivalent rights equal to the cash dividend paid on restricted stock. Restricted stock units do not have the voting rights of common stock, and the shares underlying the restricted stock units are not considered issued and outstanding. However, shares underlying restricted stock units are included in the calculation of diluted earnings per share ("EPS"). HP expenses the fair market value of restricted stock awards, as determined on the date of grant, ratably over the period during which the restrictions lapse.

Performance-based Restricted Units

HP estimates the fair value of a target PRU share using the Monte Carlo simulation model, as the TSR modifier contains a market condition. The following weighted-average assumptions were used to determine the weighted-average fair values of the PRU awards for fiscal years ended October 31:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Weighted-average fair value of grants per share	\$ 57.13 ⁽¹⁾	\$ 40.56 ⁽²⁾	\$ 40.21 ⁽³⁾
Expected volatility ⁽⁴⁾	38%	35%	26%
Risk-free interest rate	0.73%	1.34%	3.13%
Dividend yield	0.64%	0.88%	0.70%
Expected life in months	22	30	33

- (1) Reflects the weighted-average fair value for the third year of the three-year performance period applicable to PRUs granted in fiscal 2008, for the second year of the three-year performance period applicable to PRUs granted in fiscal 2009 and for the first year of the three-year performance period applicable to PRUs granted in fiscal 2010. The estimated fair value of a target share for the third year for PRUs granted in fiscal 2009 and for the second and third years for PRUs granted in fiscal 2010 will be determined on the measurement date applicable to those PRUs, which will be the date that the annual cash flow goals are approved for those PRUs, and the expense will be amortized over the remainder of the applicable three-year performance period.
- (2) Reflects the weighted-average fair value for the second year of the three-year performance period applicable to PRUs granted in fiscal 2008 and for the first year of the three-year performance period applicable to PRUs granted in fiscal 2009.
- (3) Reflects the weighted-average fair value for the first year of the three-year performance period applicable to PRUs granted in fiscal 2008.
- (4) HP uses historic volatility for PRU awards as implied volatility cannot be used when simulating multivariate prices for companies in the S&P 500.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES**Notes to Consolidated Financial Statements (Continued)****Note 2: Stock-Based Compensation (Continued)**

Non-vested PRUs as of October 31, 2010 and 2009 and changes during fiscal 2010 and 2009 were as follows:

	<u>2010</u>	<u>2009</u>
	<u>Shares in thousands</u>	<u>Shares in thousands</u>
Outstanding Target Shares at beginning of year	21,093	8,473
Granted	7,388	13,966
Vested	(7,186) ⁽¹⁾	—
Change in units due to performance and market conditions achievement for PRUs vested in the year	(108)	—
Forfeited	(2,679)	(1,346)
Outstanding Target Shares at end of year	<u>18,508</u>	<u>21,093</u>
Outstanding Target Shares of PRUs assigned a fair value at end of year	<u>10,201⁽²⁾</u>	<u>9,796⁽³⁾</u>

- (1) Vested shares were issued to award recipients in November 2010.
- (2) Excludes target shares for the third year for PRUs granted in fiscal 2009 and for the second and third years for PRUs granted in fiscal 2010 as the measurement date has not yet been established. The measurement date and related fair value for the excluded PRUs will be established when the annual cash flow goals are approved.
- (3) Excludes target shares for the third year for PRUs granted in fiscal 2008 and for the second and third years for PRUs granted in fiscal 2009 as the measurement date has not yet been established. The measurement date and related fair value for the excluded PRUs will be established when the annual cash flow goals are approved.

At October 31, 2010, there was \$222 million of unrecognized pre-tax stock-based compensation expense related to PRUs with an assigned fair value, which HP expects to recognize over the remaining weighted-average vesting period of 1.2 years. At October 31, 2009, there was \$193 million of unrecognized pre-tax stock-based compensation expense related to PRUs with an assigned fair value, which HP expected to recognize over the remaining weighted-average vesting period of 1.5 years.

Stock Options

HP utilized the Black-Scholes option pricing model to value the stock options granted under its principal equity plans. HP examined its historical pattern of option exercises in an effort to determine if there were any discernable activity patterns based on certain employee populations. From this analysis, HP identified three employee populations on which to apply the Black-Scholes model. The table below presents the weighted-average expected life in months of the combined three identified employee populations. The expected life computation is based on historical exercise patterns and post-vesting termination behavior within each of the three populations identified. The risk-free interest rate for periods within the contractual life of the award is based on the U.S. Treasury yield curve in effect at the time of grant.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 2: Stock-Based Compensation (Continued)

The weighted-average fair value of stock options was estimated using the Black-Scholes option pricing model with the following weighted-average assumptions:

	2010	2009	2008
Weighted-average fair value of grants per share ⁽¹⁾	\$ 13.33	\$ 13.04	\$ 15.26
Implied volatility	30%	43%	34%
Risk-free interest rate	2.06%	2.07%	3.09%
Dividend yield	0.68%	0.92%	0.69%
Expected life in months	61	61	60

(1) The fair value calculation was based on stock options granted during the period.

Option activity as of October 31 during each fiscal year was as follows:

	2010				2009			
	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
	In thousands	Per Share	In years	In millions	In thousands	Per Share	In years	In millions
Outstanding at beginning of year	233,214	\$ 33			307,728	\$ 34		
Granted and assumed through acquisitions	11,939	\$ 22			2,190	\$ 29		
Exercised	(75,002)	\$ 34			(55,784)	\$ 28		
Forfeited/cancelled/expired	(27,235)	\$ 55			(20,920)	\$ 57		
Outstanding at end of year	<u>142,916</u>	<u>\$ 28</u>	2.7	\$ 2,140	<u>233,214</u>	<u>\$ 33</u>	2.6	\$ 3,643
Vested and expected to vest at end of year	<u>141,082</u>	<u>\$ 28</u>	2.7	\$ 2,114	<u>231,134</u>	<u>\$ 33</u>	2.6	\$ 3,623
Exercisable at end of year	<u>125,232</u>	<u>\$ 28</u>	2.1	\$ 1,895	<u>207,757</u>	<u>\$ 32</u>	2.2	\$ 3,399

In fiscal 2010, stock options to purchase approximately 10 million shares with a weighted-average exercise price of \$19 per share were assumed through acquisitions.

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value that option holders would have received had all option holders exercised their options on October 31, 2010 and 2009. The aggregate intrinsic value is the difference between HP's closing stock price on the last trading day of fiscal 2010 and fiscal 2009 and the exercise price, multiplied by the number of in-the-money options. Total intrinsic value of options exercised in fiscal 2010, 2009 and 2008 was \$1.3 billion, \$0.8 billion and \$1.1 billion, respectively. Total grant date fair value of options vested and expensed in fiscal 2010, 2009 and 2008 was \$93 million, \$172 million and \$264 million, respectively, net of taxes.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 2: Stock-Based Compensation (Continued)

Information about options outstanding at October 31, 2010 was as follows:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Shares Outstanding In thousands	Weighted-Average Remaining Contractual Life In years	Weighted-Average Exercise Price Per Share	Shares Exercisable In thousands	Weighted-Average Exercise Price Per Share
\$0-\$9.99	2,075	7.8	\$ 7	177	\$ 6
\$10-\$19.99	22,174	2.5	\$ 15	17,757	\$ 16
\$20-\$29.99	58,806	2.0	\$ 23	56,725	\$ 23
\$30-\$39.99	33,614	2.8	\$ 32	32,182	\$ 32
\$40-\$49.99	22,749	4.2	\$ 43	15,825	\$ 43
\$50-\$59.99	1,509	5.7	\$ 52	578	\$ 52
\$60 and over	1,989	1.6	\$ 77	1,988	\$ 77
	<u>142,916</u>	2.7	\$ 28	<u>125,232</u>	\$ 28

At October 31, 2010, there was \$280 million of unrecognized pre-tax stock-based compensation expense related to stock options, which HP expects to recognize over a weighted-average vesting period of 1.6 years. At October 31, 2009, there was \$188 million of unrecognized pre-tax stock-based compensation expense related to stock options, which HP expected to recognize over the remaining weighted-average vesting period of 1.1 years.

Restricted Stock Awards

Non-vested restricted stock awards as of October 31, 2010 and 2009 and changes during fiscal 2010 and 2009 were as follows:

	2010		2009	
	Shares In thousands	Weighted-Average Grant Date Fair Value Per Share	Shares In thousands	Weighted-Average Grant Date Fair Value Per Share
Outstanding at beginning of year	6,864	\$ 44	12,930	\$ 44
Granted and assumed through acquisitions	4,821	\$ 48	836	\$ 36
Vested	(5,202)	\$ 46	(6,532)	\$ 44
Forfeited	(635)	\$ 46	(370)	\$ 45
Outstanding at end of year	<u>5,848</u>	\$ 45	<u>6,864</u>	\$ 44

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 2: Stock-Based Compensation (Continued)

The details of restricted stock awards granted and assumed through acquisitions were as follows:

	2010		2009	
	Shares In thousands	Weighted- Average Grant Date Fair Value Per Share	Shares In thousands	Weighted- Average Grant Date Fair Value Per Share
Restricted stock	1,543	\$ 48	493	\$ 36
Restricted stock units	3,278	\$ 48	343	\$ 35
	<u>4,821</u>	<u>\$ 48</u>	<u>836</u>	<u>\$ 36</u>

In fiscal 2010, approximately 3 million restricted stock units with a weighted-average grant date fair value of \$48 per share were assumed through acquisitions.

The details of non-vested restricted stock awards at fiscal year end were as follows:

	2010	2009
	Shares in thousands	
Non-vested at October 31:		
Restricted stock	1,936	1,771
Restricted stock units	3,912	5,093
	<u>5,848</u>	<u>6,864</u>

At October 31, 2010, there was \$152 million of unrecognized pre-tax stock-based compensation expense related to non-vested restricted stock awards, which HP expects to recognize over the remaining weighted-average vesting period of 1.5 years. At October 31, 2009, there was \$117 million of unrecognized pre-tax stock-based compensation expense related to non-vested restricted stock awards, which HP expected to recognize over the remaining weighted-average vesting period of 1.6 years.

Employee Stock Purchase Plan

HP sponsors the Hewlett-Packard Company 2000 Employee Stock Purchase Plan (the "ESPP"), also known as the Share Ownership Plan, pursuant to which eligible employees may contribute up to 10% of base compensation, subject to certain income limits, to purchase shares of HP's common stock. The ESPP expired in November 2010.

For purchases made on or before April 30, 2009, employees purchased stock pursuant to the ESPP semi-annually at a price equal to 85% of the fair market value on the purchase date, and HP recognized expense based on a 15% discount of the fair market value for those purchases. Effective May 1, 2009, HP modified the ESPP to eliminate the 15% discount applicable to purchases made under the ESPP.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 2: Stock-Based Compensation (Continued)

The ESPP activity as of October 31 during each fiscal year was as follows:

	2010	2009	2008
	In millions, except weighted-average purchase price per share		
Compensation expense, net of taxes	\$ —	\$ 24	\$ 58
Shares purchased	1.62	6.16	9.68
Weighted-average purchase price per share	\$ 47	\$ 33	\$ 36

	2010	2009	2008
	In thousands		
Employees eligible to participate	251	260	164
Employees who participated	18	49	50

Shares Reserved

Shares available for future grant and shares reserved for future issuance under the ESPP and incentive compensation plans were as follows:

	2010	2009	2008
	Shares in thousands		
Shares available for future grant at October 31:			
HP plans	124,553 ⁽¹⁾	95,311 ⁽¹⁾	117,655
Assumed Compaq and EDS plans	—	82,449 ⁽²⁾	73,147
	<u>124,553</u>	<u>177,760</u>	<u>190,802</u>
Shares reserved for future issuance under all stock-related benefit plans at October 31	<u>296,973</u>	<u>410,977</u>	<u>498,574</u>

(1) Includes 30 million and 24 million shares that expired in November 2010 and November 2009, respectively.

(2) In November 2009, HP retired the assumed Compaq and EDS plans for purposes of granting new awards. The shares that had been reserved for future awards under those plans were returned to HP's pool of authorized shares and will not be available for issuance under any other HP plans.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES**Notes to Consolidated Financial Statements (Continued)****Note 3: Net Earnings Per Share**

HP calculates basic earnings per share using net earnings and the weighted-average number of shares outstanding during the reporting period. Diluted EPS includes any dilutive effect of outstanding stock options, PRUs, restricted stock units, restricted stock and convertible debt.

The reconciliation of the numerators and denominators of the basic and diluted EPS calculations was as follows for the following fiscal years ended October 31:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
	<u>In millions, except per share amounts</u>		
Numerator:			
Net earnings ⁽¹⁾	\$ 8,761	\$ 7,660	\$ 8,329
Adjustment for interest expense on zero-coupon subordinated convertible notes, net of taxes	—	—	3
Net earnings, adjusted	<u>\$ 8,761</u>	<u>\$ 7,660</u>	<u>\$ 8,332</u>
Denominator:			
Weighted-average shares used to compute basic EPS	2,319	2,388	2,483
Effect of dilutive securities:			
Dilutive effect of employee stock plans	53	49	81
Zero-coupon subordinated convertible notes	—	—	3
Dilutive potential common shares	<u>53</u>	<u>49</u>	<u>84</u>
Weighted-average shares used to compute diluted EPS	<u>2,372</u>	<u>2,437</u>	<u>2,567</u>
Net earnings per share:			
Basic	<u>\$ 3.78</u>	<u>\$ 3.21</u>	<u>\$ 3.35</u>
Diluted	<u>\$ 3.69</u>	<u>\$ 3.14</u>	<u>\$ 3.25</u>

(1) Net earnings available to participating securities were not significant for fiscal years 2010, 2009 and 2008. HP considers restricted stock that provides the holder with a non-forfeitable right to receive dividends to be a participating security.

HP excludes options with exercise prices that are greater than the average market price from the calculation of diluted EPS because their effect would be anti-dilutive. In fiscal years 2010, 2009 and 2008, HP excluded from the calculation of diluted EPS options to purchase 5 million shares, 85 million shares and 54 million shares, respectively. HP also excluded from the calculation of diluted EPS options to purchase an additional 2 million shares, 2 million shares and 28 million shares in fiscal years 2010, 2009 and 2008, respectively, whose combined exercise price, unamortized fair value and excess tax benefits were greater in each of those periods than the average market price for HP's common stock because their effect would be anti-dilutive.

In October and November 1997, HP issued U.S. dollar zero-coupon subordinated convertible notes due 2017 (the "LYONs"), the outstanding principal amount of which was redeemed in March 2008. The LYONs were convertible at the option of the holders at any time prior to maturity, unless previously redeemed or otherwise purchased. For purposes of calculating diluted earnings per share above, the interest expense (net of tax) associated with the LYONs was added back to net earnings, and the shares issuable upon conversion of the LYONs were included in the weighted-average shares used to compute diluted earnings per share for periods that the LYONs were outstanding.

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 4: Balance Sheet Details

Balance sheet details were as follows for the following fiscal years ended October 31:

Accounts and Financing Receivables

	<u>2010</u>	<u>2009</u>
	In millions	
Accounts receivable	\$ 19,006	\$ 17,166
Allowance for doubtful accounts	(525)	(629)
	<u>\$ 18,481</u>	<u>\$ 16,537</u>
Financing receivables	\$ 3,050	\$ 2,723
Allowance for doubtful accounts	(64)	(48)
	<u>\$ 2,986</u>	<u>\$ 2,675</u>

HP has revolving trade receivables based facilities permitting it to sell certain trade receivables to third parties on a non-recourse basis. The aggregate maximum capacity under these programs was \$524 million as of October 31, 2010. HP sold \$1,753 million of trade receivables during fiscal 2010. As of October 31, 2010, HP had \$175 million available under these programs.

Inventory

	<u>2010</u>	<u>2009</u>
	In millions	
Finished goods	\$ 4,431	\$ 4,092
Purchased parts and fabricated assemblies	2,035	2,036
	<u>\$ 6,466</u>	<u>\$ 6,128</u>

Other Current Assets

	<u>2010</u>	<u>2009</u>
	In millions	
Deferred tax assets—short-term	\$ 5,833	\$ 4,979
Value added taxes receivable from various governments	3,366	2,650
Supplier and other receivables	2,737	3,439
Prepaid and other current assets	3,381	2,797
	<u>\$ 15,317</u>	<u>\$ 13,865</u>

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES**Notes to Consolidated Financial Statements (Continued)****Note 4: Balance Sheet Details (Continued)***Property, Plant and Equipment*

	<u>2010</u>	<u>2009</u>
	<u>In millions</u>	
Land	\$ 530	\$ 513
Buildings and leasehold improvements	8,523	7,472
Machinery and equipment	13,874	12,959
	<u>22,927</u>	<u>20,944</u>
Accumulated depreciation	(11,164)	(9,682)
	<u>\$ 11,763</u>	<u>\$ 11,262</u>

Depreciation expense was approximately \$3.3 billion in fiscal 2010, \$3.2 billion in fiscal 2009 and \$2.4 billion in fiscal 2008.

Subsequent event

On November 16, 2010 HP sold land and buildings for approximately \$415 million realizing a gain of approximately \$280 million. The sale is part of the company's multi-year program to consolidate real estate locations worldwide to reduce real estate costs.

Long-Term Financing Receivables and Other Assets

	<u>2010</u>	<u>2009</u>
	<u>In millions</u>	
Financing receivables, net	\$ 3,584	\$ 3,303
Deferred tax assets—long term	2,070	1,750
Other	6,571	6,236
	<u>\$ 12,225</u>	<u>\$ 11,289</u>

Other Accrued Liabilities

	<u>2010</u>	<u>2009</u>
	<u>In millions</u>	
Other accrued taxes	\$ 3,216	\$ 2,784
Warranty	1,774	1,777
Sales and marketing programs	3,374	2,724
Other	6,932	6,787
	<u>\$ 15,296</u>	<u>\$ 14,072</u>

[Table of Contents](#)**HEWLETT-PACKARD COMPANY AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)****Note 4: Balance Sheet Details (Continued)***Other Liabilities*

	<u>2010</u>	<u>2009</u>
	<u>In millions</u>	
Pension, post-retirement, and post-employment liabilities	\$ 6,754	\$ 6,427
Deferred tax liability—long-term	5,239	4,230
Long term deferred revenue	3,303	3,249
Other long-term liabilities	3,765	3,146
	<u>\$ 19,061</u>	<u>\$ 17,052</u>

Note 5: Supplemental Cash Flow Information

Supplemental cash flow information to the Consolidated Statements of Cash Flows was as follows for the following fiscal years ended October 31:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
	<u>In millions</u>		
Cash paid for income taxes, net	\$ 1,293	\$ 643	\$ 1,136
Cash paid for interest	\$ 384	\$ 572	\$ 426
Non-cash investing and financing activities:			
Issuance of common stock and stock awards assumed in business acquisitions	\$ 93	\$ —	\$ 316
Purchase of assets under financing arrangements	\$ —	\$ 283	\$ —
Purchase of assets under capital leases	\$ 122	\$ 131	\$ 30

Note 6: Acquisitions*Acquisitions in fiscal 2010*

In fiscal 2010, HP completed eleven acquisitions. The purchase price allocation for these acquisitions as set forth in the table below reflects various preliminary fair value estimates and analyses, including preliminary work performed by third-party valuation specialists, which are subject to change within the measurement period as valuations are finalized. The primary areas of the preliminary purchase price allocations that are not yet finalized relate to the fair values of certain tangible assets and liabilities acquired, the valuation of intangible assets acquired, certain legal matters, income and non-income based taxes, and residual goodwill. We expect to continue to obtain information to assist us in determining the fair value of the net assets acquired at the acquisition date during the measurement period. Measurement period adjustments that HP determines to be material will be applied retrospectively to the period of acquisition in HP's consolidated financial statements and, depending on the nature of the adjustments, other periods subsequent to the period of acquisition could also be affected.

Pro forma results of operations for these acquisitions have not been presented because they are not material to HP's consolidated results of operations, either individually or in the aggregate. Goodwill, which represents the excess of the purchase price over the net tangible and intangible assets acquired, is not deductible for tax purposes.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES**Notes to Consolidated Financial Statements (Continued)****Note 6: Acquisitions (Continued)**

The following table presents the aggregate purchase price allocation, including those items that are still preliminary allocations, for all of HP's acquisitions in fiscal 2010:

	<u>In millions</u>	
Net tangible assets	\$	1,400
Amortizable intangible assets		2,402
In-process research and development		331
Goodwill		5,230
Total purchase price	<u>\$</u>	<u>9,363</u>

The largest acquisitions completed in fiscal 2010 are as follows:

Acquisition of 3Com Corporation ("3Com")

On April 12, 2010, HP completed its acquisition of 3Com, a global enterprise provider of networking switching, routing and security solutions, at a price of \$7.90 per share in cash. HP reports the financial results of the 3Com business in the Corporate Investments segment. The aggregate purchase price of \$3.3 billion consisted of cash paid for outstanding common stock, vested in-the-money stock awards and the estimated fair value of earned unvested stock awards assumed by HP. In connection with this acquisition, HP recorded approximately \$1.3 billion of goodwill, amortizable purchased intangible assets of \$987 million and IPR&D assets of \$106 million. HP is amortizing the purchased intangible assets on a straight-line basis over an estimated weighted-average life of 5.1 years.

Acquisition of Palm, Inc. ("Palm")

On July 1, 2010, HP completed the acquisition of Palm, a provider of smartphones powered by the Palm webOS mobile operating system. HP reports the financial results of the Palm business in the Corporate Investments segment. The aggregate purchase price was \$1.8 billion, which included cash paid for common stock, vested-in-the-money stock awards, the estimated fair value of earned unvested stock awards assumed as well as certain debt that was repaid at the acquisition date. In connection with this acquisition, HP recorded approximately \$879 million of goodwill, amortizable purchased intangible assets of \$344 million and IPR&D assets of \$80 million. HP is amortizing the purchased intangible assets on a straight-line basis over an estimated weighted-average life of 6.2 years.

Acquisition of 3PAR Inc. ("3PAR")

On September 27, 2010, HP completed the acquisition of 3PAR, a provider of utility storage. HP reports the financial results of the 3PAR business in its Enterprise Storage and Servers ("ESS") segment. The aggregate purchase price was \$2.3 billion, which included cash paid for common stock, vested-in-the-money stock awards and the estimated fair value of earned unvested stock awards assumed at the acquisition date. In connection with this acquisition, HP recorded approximately \$1.6 billion of goodwill, amortizable purchased intangible assets of \$569 million and IPR&D assets of \$101 million. HP is amortizing the purchased intangible assets on a straight-line basis over an estimated weighted-average life of 6.0 years.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 6: Acquisitions (Continued)

Acquisition of ArcSight Inc. ("ArcSight")

On October 22, 2010, HP completed the acquisition of ArcSight, a security and compliance management company. HP reports the financial results of the ArcSight business in the HP Software segment. The aggregate purchase price was \$1.7 billion, which included cash paid for common stock, vested-in-the-money stock awards and the estimated fair value of earned unvested stock awards assumed at the acquisition date. In connection with this acquisition, HP recorded approximately \$1.2 billion of goodwill, amortizable purchased intangible assets of \$393 million and IPR&D assets of \$41 million. HP is amortizing the purchased intangible assets on a straight-line basis over an estimated weighted-average life of 6.8 years.

Acquisitions in prior years

In fiscal 2009, HP completed two acquisitions. Total consideration for the acquisitions was \$390 million, which includes direct transaction costs and the assumption of certain liabilities in connection with the transactions. The largest of the two acquisitions was the acquisition of Lefthand Networks, Inc., a leading provider of storage virtualization and solutions, which has been integrated into ESS, at a purchase price of \$347 million. In fiscal 2009, HP recorded \$315 million of goodwill, \$105 million of purchased intangibles and \$7 million of IPR&D related to these transactions.

In fiscal 2008, HP completed nine acquisitions and a minority interest purchase for a total consideration of \$14.6 billion. The largest acquisition was the acquisition of EDS for a purchase price of \$13.0 billion. The purchase price comprised of \$12.7 billion cash paid for outstanding common stock, \$328 million for the fair value of stock options and restricted stock units assumed, and \$36 million for direct transaction costs. Of the total purchase price, \$10.4 billion has been allocated to goodwill, \$4.6 billion has been allocated to amortizable intangible assets acquired and \$2.0 billion has been allocated to net tangible liabilities assumed in connection with the acquisition. HP also expensed \$30 million for IPR&D charges. HP included the results of EDS in its consolidated results of operations starting on August 26, 2008, the closing date of the acquisition.

Pro forma results for EDS acquisition

The following table presents the unaudited pro forma results for the year ended October 31, 2008. The unaudited pro forma financial information for the year ended October 31, 2008 combines the results of operations of HP and EDS as though the companies had been combined as of the beginning of fiscal 2008. The pro forma financial information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition and related borrowings had taken place at the beginning of fiscal 2008. The unaudited pro forma results presented include amortization charges for acquired intangible assets, eliminations of intercompany transactions, restructuring charges, IPR&D charges, adjustments for incremental stock-based compensation expense related to the unearned portion of EDS stock options and restricted stock units assumed, adjustments

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 6: Acquisitions (Continued)

for depreciation expense for property, plant and equipment, adjustments to interest expense and related tax effects.

<u>In millions, except per share data</u>	<u>2008</u>	
Net revenue	\$	136,022
Net earnings	\$	7,828
Basic net earnings per share	\$	3.15
Diluted net earnings per share	\$	3.05

Note 7: Goodwill and Purchased Intangible Assets

Goodwill

Goodwill allocated to HP's business segments as of October 31, 2010 and 2009 and changes in the carrying amount of goodwill during the fiscal year ended October 31, 2010 and 2009 are as follows:

	<u>Enterprise Storage and Services</u>	<u>HP Servers</u>	<u>HP Software</u>	<u>Personal Systems Group</u>	<u>Imaging and Printing Group</u>	<u>HP Financial Services</u>	<u>Corporate Investments</u>	<u>Total</u>
	<u>In millions</u>							
Balance at October 31, 2008	\$16,284	\$ 4,745	\$ 6,162	\$ 2,493	\$ 2,463	\$ 144	\$ 44	\$32,335
Goodwill acquired during the period	—	315	—	—	—	—	—	315
Goodwill adjustments	545	(55)	(22)	(6)	(3)	—	—	459
Balance at October 31, 2009	\$16,829	\$ 5,005	\$ 6,140	\$ 2,487	\$ 2,460	\$ 144	\$ 44	\$33,109
Goodwill acquired during the period	17	1,635	1,407	18	—	—	2,153	5,230
Goodwill adjustments	121	(30)	(2)	(5)	(4)	—	64	144
Balance at October 31, 2010	\$16,967	\$ 6,610	\$ 7,545	\$ 2,500	\$ 2,456	\$ 144	\$ 2,261	\$38,483

During fiscal 2010, HP recorded approximately \$5.2 billion of goodwill related to acquisitions based on its preliminary purchase price allocations. In addition, HP recorded goodwill adjustments primarily related to an increase to the deferred tax liability on outside basis differences of EDS foreign subsidiaries at acquisition. HP also recorded an increase to goodwill as a result of currency translation related to 3Com's subsidiary whose functional currency is not the U.S. dollar. These increases to goodwill were partially offset by tax adjustments primarily related to tax deductible stock-based awards for certain acquisitions for which the acquisition date preceded the effective date of the new accounting standard for business combinations.

During fiscal 2009, HP recorded adjustments of approximately \$306 million to the estimated fair values of EDS's intangible assets and net liabilities acquired resulting in an increase to EDS's goodwill, which is allocated to the Services segment. These changes in the estimated fair values relate primarily to restructuring liabilities, fixed assets, net deferred tax liabilities and intangible assets. In addition,

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES**Notes to Consolidated Financial Statements (Continued)****Note 7: Goodwill and Purchased Intangible Assets (Continued)**

goodwill increased approximately \$255 million as a result of currency translation related to certain of EDS's foreign subsidiaries whose functional currency is not the U.S. dollar. These increases in goodwill were partially offset by tax adjustments for various previous acquisitions.

Based on the results of its annual impairment tests, HP determined that no impairment of goodwill existed as of August 1, 2010 or August 1, 2009. However, future goodwill impairment tests could result in a charge to earnings. HP will continue to evaluate goodwill on an annual basis as of the beginning of its fourth fiscal quarter and whenever events and changes in circumstances indicate that there may be a potential impairment.

Purchased Intangible Assets

HP's purchased intangible assets associated with completed acquisitions for each of the following fiscal years ended October 31 are composed of:

	2010			2009		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
	In millions					
Customer contracts, customer lists and distribution agreements	\$ 7,503	\$ (3,864)	\$3,639	\$ 6,763	\$ (3,034)	\$3,729
Developed and core technology and patents	5,763	(3,384)	2,379	4,171	(2,747)	1,424
Product trademarks	346	(239)	107	247	(222)	25
Total amortizable purchased intangible assets	13,612	(7,487)	6,125	11,181	(6,003)	5,178
IPR&D	301	—	301	—	—	—
Compaq trade name	1,422	—	1,422	1,422	—	1,422
Total purchased intangible assets	<u>\$15,335</u>	<u>\$ (7,487)</u>	<u>\$7,848</u>	<u>\$12,603</u>	<u>\$ (6,003)</u>	<u>\$6,600</u>

For fiscal 2010, HP recorded approximately \$2.7 billion of purchased intangible assets and IPR&D related to acquisitions based on its preliminary purchase price allocations.

For fiscal 2009, HP recorded an increase of \$83 million to purchased intangibles as a result of currency translation related to certain of EDS's foreign subsidiaries whose functional currency is not the U.S. dollar. HP also recorded an increase of \$21 million to the estimated fair value of EDS's intangible assets acquired.

Based on the results of its annual impairment tests, HP determined that no impairment of the indefinite-lived Compaq trade name existed as of August 1, 2010 or August 1, 2009. However, future impairment tests could result in a charge to earnings. HP will continue to evaluate the Compaq trade name on an annual basis as of the beginning of its fourth fiscal quarter and whenever events and changes in circumstances indicate that there may be an indicator of potential impairment.

The finite-lived purchased intangible assets consist of customer contracts, customer lists and distribution agreements, which have weighted-average useful lives of 8 years, and developed and core technology, patents and product trademarks, which have weighted-average useful lives of 5 years.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES**Notes to Consolidated Financial Statements (Continued)****Note 7: Goodwill and Purchased Intangible Assets (Continued)**

Estimated future amortization expense related to finite-lived purchased intangible assets at October 31, 2010 is as follows:

<u>Fiscal year:</u>		<u>In millions</u>
2011	\$	1,513
2012		1,296
2013		1,142
2014		803
2015		681
Thereafter		690
Total	\$	6,125

Note 8: Restructuring Charges

HP records restructuring charges associated with management approved restructuring plans to either reorganize one or more of HP's business segments, or to remove duplicative headcount and infrastructure associated with one or more business acquisitions. Restructuring charges can include severance costs to eliminate a specified number of employees, infrastructure charges to vacate facilities and consolidate operations, and contract cancellation cost. Restructuring charges are recorded based upon planned employee termination dates and site closure and consolidation plans. The timing of associated cash payments is dependent upon the type of restructuring charge and can extend over a multi-year period. HP records the short-term portion of the restructuring liability in Accrued restructuring and the long-term portion in Other liabilities in the Consolidated Balance Sheets.

Fiscal 2010 Acquisitions

On July 1, 2010, HP completed the acquisition of Palm. In connection with the acquisition, HP's management approved and initiated a plan to restructure the operations of Palm, including severance for Palm employees, contract cancellation costs and other items. The total expected cost of the plan is \$46 million. In fiscal 2010, HP recorded restructuring charges of approximately \$46 million. No further restructuring charges are anticipated, subject to changes in the Palm integration plan. The majority of these costs are expected to be paid out by the second quarter of fiscal 2011.

On April 12, 2010, HP completed the acquisition of 3Com. In connection with the acquisition, HP's management approved and initiated a plan to restructure the operation of 3Com, including severance costs and costs to vacate duplicative facilities. The total expected cost of the plan is \$42 million. In fiscal 2010, HP recorded restructuring charges of approximately \$18 million. HP expects to record the majority of the cost of this restructuring plan by the second quarter of fiscal 2011 based upon the timing of planned terminations and facility closure dates. These costs are expected to be paid out through fiscal 2016.

Fiscal 2010 ES Restructuring Plan

On June 1, 2010, HP's management announced a plan to restructure its enterprise services business, which includes its infrastructure technology outsourcing, business process outsourcing and application services business units. The multi-year restructuring program includes plans to consolidate commercial data centers, tools and applications. The total expected cost of the plan that will be

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 8: Restructuring Charges (Continued)

recorded as restructuring charges is approximately \$1.0 billion, including severance costs to eliminate approximately 9,000 positions and infrastructure charges. For fiscal 2010, a restructuring charge of \$650 million was recorded primarily related to severance costs. HP expects to record the majority of the remaining severance costs by the second quarter of fiscal 2011 and the majority of the infrastructure charges through fiscal 2012. The timing of the charges is based upon planned termination dates and site closure and consolidation plans. The majority of the associated cash payments are expected to be paid out through the fourth quarter of fiscal 2012. As of October 31, 2010, approximately 2,100 positions have been eliminated.

Fiscal 2009 Restructuring Plan

In May 2009, HP's management approved and initiated a restructuring plan to structurally change and improve the effectiveness of the Imaging and Printing Group ("IPG"), the Personal Systems Group ("PSG"), and Enterprise Storage and Servers ("ESS") businesses. The total expected cost of the plan is \$292 million in severance-related costs associated with the planned elimination of approximately 5,000 positions. As of October 31, 2010, approximately 4,200 positions had been eliminated. HP expects the remaining positions to be eliminated and a majority of the restructuring costs to be paid out through the first quarter of fiscal 2011.

Fiscal 2008 HP/EDS Restructuring Plan

In connection with the acquisition of EDS on August 26, 2008, HP's management approved and initiated a restructuring plan to combine and align HP's services businesses, eliminate duplicative overhead functions and consolidate and vacate duplicative facilities. The restructuring plan is expected to be implemented over four years from the acquisition date at a total expected cost of \$3.4 billion.

The restructuring plan includes severance cost to eliminate approximately 25,000 positions. As of October 31, 2010, the vast majority of the positions had been eliminated, and the associated severance costs had been paid out. The infrastructure charges in the restructuring plan include facility closure and consolidation costs and the costs associated with early termination of certain contractual obligations. HP expects to record the majority of these costs through fiscal 2011 based upon the execution of site closure and consolidation plans. The associated cash payments are expected to be paid out through fiscal 2016.

Approximately \$1.5 billion of the expected costs were associated with pre-acquisition EDS and were reflected in the purchase price of EDS. These costs are subject to change based on the actual costs incurred. The remaining costs are primarily associated with HP and will be recorded as a restructuring charge.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 8: Restructuring Charges (Continued)

Summary of Restructuring Plans

The adjustments to the accrued restructuring expenses related to all of HP's restructuring plans described above for the twelve months ended October 31, 2010 were as follows:

	Balance, October 31, 2009	Fiscal year 2010 charges (reversals)	Cash payments	Non-cash settlements and other adjustments	Balance, October 31, 2010	As of October 31, 2010	
						Total costs and adjustments to date	Total expected costs and adjustments
In millions							
<i>Fiscal 2010 acquisitions</i>	\$ —	\$ 64	\$ (20)	\$ —	\$ 44	\$ 64	\$ 88
<i>Fiscal 2010 ES Plan:</i>							
Severance	\$ —	\$ 630	\$ (55)	\$ 45	\$ 620	\$ 630	\$ 761
Infrastructure	—	20	(6)	(10)	4	20	231
Total ES Plan	\$ —	\$ 650	\$ (61)	\$ 35	\$ 624	\$ 650	\$ 992
<i>Fiscal 2009 Plan</i>	\$ 248	\$ (5)	\$ (177)	\$ (9)	\$ 57	\$ 292	\$ 292
<i>Fiscal 2008 HP/EDS Plan:</i>							
Severance	\$ 747	\$ 236	\$ (873)	\$ (35)	\$ 75	\$ 2,146	\$ 2,146
Infrastructure	419	193	(185)	(19)	408	693	1,239
Total HP/ EDS Plan	\$ 1,166	\$ 429	\$ (1,058)	\$ (54)	\$ 483	\$ 2,839	\$ 3,385
Total restructuring plans	\$ 1,414	\$ 1,138	\$ (1,316)	\$ (28)	\$ 1,208	\$ 3,845	\$ 4,757

During fiscal 2010, HP had completed payouts of restructuring liabilities associated with previous restructuring actions and recorded a restructuring charge in fiscal 2010 of \$6 million associated with these actions. At October 31, 2009, HP had \$51 million of restructuring liabilities associated with these actions.

At October 31, 2010 and October 31, 2009, HP included the long-term portion of the restructuring liability of \$297 million and \$356 million, respectively, in Other liabilities, and the short-term portion in Accrued restructuring in the accompanying Consolidated Balance Sheets.

Note 9: Fair Value

HP adopted the provisions related to the fair value of nonfinancial assets and nonfinancial liabilities in the first quarter of fiscal 2010 for the following major categories of nonfinancial items from the Consolidated Balance Sheet: Property, plant and equipment; Goodwill; Purchased intangible assets; Accrued restructuring; and the asset retirement obligations within Other accrued liabilities and Other liabilities. The provisions of the accounting standard related to measuring fair value and related disclosures are applied to nonfinancial assets and nonfinancial liabilities whenever they are required to be measured at fair value, such as when accounting for a business combination, when evaluating and/or determining impairment, or in accordance with certain other accounting pronouncements. Except for assets and liabilities acquired in business combinations as discussed in Note 6, HP did not measure any material nonfinancial assets and nonfinancial liabilities at fair value on a non-recurring basis in fiscal 2010.

Except for the provisions noted above, the accounting standard relating to fair value measurements and disclosures became effective for HP beginning in fiscal 2009. This standard establishes a new framework for measuring fair value and expands related disclosures. The framework requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 9: Fair Value (Continued)

Valuation techniques used by HP are based upon observable and unobservable inputs. Observable or market inputs reflect market data obtained from independent sources, while unobservable inputs reflect HP's assumptions about market participant assumptions based on best information available. Observable inputs are the preferred source of values. These two types of inputs create the following fair value hierarchy:

Level 1—Quoted prices (unadjusted) for identical instruments in active markets.

Level 2—Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3—Prices or valuations that require management inputs that are both significant to the fair value measurement and unobservable.

The following section describes the valuation methodologies HP uses to measure its financial assets and liabilities at fair value.

Cash Equivalents and Investments: HP holds time deposits, money market funds, commercial paper, other debt securities primarily consisting of corporate and foreign government notes and bonds, and common stock and equivalents. Where applicable, HP uses quoted prices in active markets for identical assets to determine fair value. If quoted prices in active markets for identical assets are not available to determine fair value, HP uses quoted prices for similar assets and liabilities or inputs that are observable either directly or indirectly. If quoted prices for identical or similar assets are not available, HP uses internally developed valuation models, whose inputs include bid prices, and third-party valuations utilizing underlying assets assumptions.

Derivative Instruments: As discussed in Note 10, HP mainly holds non-speculative forwards, swaps and options to hedge certain foreign currency and interest rate exposures. When active market quotes are not available, HP uses industry standard valuation models. Where applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs including interest rate curves, credit risk, foreign exchange rates, and forward and spot prices for currencies. In certain cases, market-based observable inputs are not available and, in those cases, HP uses management judgment to develop assumptions which are used to determine fair value.

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 9: Fair Value (Continued)

The following table presents HP's assets and liabilities that are measured at fair value on a recurring basis:

	<u>As of October 31, 2010</u>				<u>As of October 31, 2009</u>			
	<u>Fair Value Measured Using</u>			<u>Total</u>	<u>Fair Value Measured Using</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
	<u>Balance</u>							
<u>In millions</u>								
Assets								
Time deposits	\$ —	\$ 6,598	\$ —	\$ 6,598	\$ —	\$ 8,925	\$ —	\$ 8,925
Commercial paper	—	—	—	—	—	1,388	—	1,388
Money market funds	971	—	—	971	262	—	—	262
Marketable equity securities	11	3	—	14	7	3	—	10
Foreign bonds	8	365	—	373	10	367	—	377
Corporate bonds and other debt securities	3	6	50	59	5	5	36	46
Derivatives:								
Interest rate contracts	—	735	—	735	—	375	—	375
Foreign exchange contracts	—	150	32	182	—	379	1	380
Other derivatives	—	5	6	11	—	1	—	1
Total Assets	<u>\$ 993</u>	<u>\$ 7,862</u>	<u>\$ 88</u>	<u>\$ 8,943</u>	<u>\$ 284</u>	<u>\$ 11,443</u>	<u>\$ 37</u>	<u>\$ 11,764</u>
Liabilities								
Derivatives:								
Interest rate contracts	\$ —	\$ 89	\$ —	\$ 89	\$ —	\$ 51	\$ —	\$ 51
Foreign exchange contracts	—	880	10	890	—	720	1	721
Other derivatives	—	—	—	—	—	2	—	2
Total Liabilities	<u>\$ —</u>	<u>\$ 969</u>	<u>\$ 10</u>	<u>\$ 979</u>	<u>\$ —</u>	<u>\$ 773</u>	<u>\$ 1</u>	<u>\$ 774</u>

The following table presents the changes in Level 3 instruments in fiscal years 2010 and 2009 that were measured at fair value on a recurring basis. The majority of the Level 3 balances consist of

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 9: Fair Value (Continued)

investment securities classified as available-for-sale with changes in fair value recorded in other comprehensive income ("OCI").

	Fair Value Measured Using Significant Unobservable Inputs (Level 3)		
	Other Debt Securities	Derivative Instruments	Total
	In millions		
Beginning balance at November 1, 2009	\$ 36	\$ —	\$ 36
Total (losses) gains (realized/unrealized):			
Included in earnings ⁽¹⁾	(8)	2	(6)
Included in OCI	14	67	81
Purchases, issuances, and settlements	8	(41)	(33)
Ending balance at October 31, 2010	\$ 50	\$ 28	\$ 78
The amount of total losses for the period included in earnings attributable to the change in unrealized losses relating to assets still held as of October 31, 2010	\$ (8)	\$ 2	\$ (6)

(1) Included in Interest and other, net in the accompanying Consolidated Statements of Earnings.

	Fair Value Measured Using Significant Unobservable Inputs (Level 3)		
	Other Debt Securities	Derivative Instruments	Total
	In millions		
Beginning balance at November 1, 2008	\$ 64	\$ (1)	\$ 63
Total (losses) gains (realized/unrealized):			
Included in earnings ⁽¹⁾	(2)	2	—
Included in OCI	(25)	(2)	(27)
Purchases, issuances, and settlements	(1)	1	—
Ending balance at October 31, 2009	\$ 36	\$ —	\$ 36
The amount of total losses for the period included in earnings attributable to the change in unrealized losses relating to assets still held as of October 31, 2009	\$ (2)	\$ —	\$ (2)

(1) Included in Interest and other, net in the accompanying Consolidated Statements of Earnings.

HP measures certain assets including cost and equity method investments at fair value on a non-recurring basis. These assets are recognized at fair value when they are deemed to be other-than-temporarily impaired. In fiscal years 2010 and 2009, HP recorded an impairment charge of \$5 million and \$22 million, respectively.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 10: Financial Instruments

Cash Equivalents and Available-for-Sale Investments

Cash equivalents and available-for-sale investments at fair value as of October 31, 2010 and October 31, 2009 were as follows:

	October 31, 2010			October 31, 2009				
	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value
In millions								
Cash Equivalents								
Time deposits	\$6,590	\$ —	\$ —	\$ 6,590	\$ 8,870	\$ —	\$ —	\$ 8,870
Commercial paper	—	—	—	—	1,388	—	—	1,388
Money market funds	971	—	—	971	262	—	—	262
Total cash equivalents	7,561	—	—	7,561	10,520	—	—	10,520
Available-for-Sale Investments								
Debt securities:								
Time deposits	8	—	—	8	55	—	—	55
Foreign bonds	315	58	—	373	328	49	—	377
Corporate bonds and other debt securities	89	—	(30)	59	91	—	(45)	46
Total debt securities	412	58	(30)	440	474	49	(45)	478
Equity securities in public companies	5	4	—	9	3	2	—	5
Total cash equivalents and available-for-sale investments	\$7,978	\$ 62	\$ (30)	\$ 8,010	\$10,997	\$ 51	\$ (45)	\$11,003

Cash equivalents consist of investments in time deposits, commercial paper and money market funds with original maturities of ninety days or less. Interest income related to cash and cash equivalents was approximately \$111 million in fiscal 2010, \$119 million in fiscal 2009 and \$401 million in fiscal 2008. Time deposits were primarily issued by institutions outside the U.S. as of October 31, 2010 and October 31, 2009. Available-for-sale securities consist of short-term investments which mature within twelve months or less and long-term investments with maturities longer than twelve months. Investments include primarily time deposits, fixed-interest securities, and institutional bonds. HP estimates the fair values of its investments based on quoted market prices or pricing models using current market rates. These estimated fair values may not be representative of actual values that will be realized in the future.

The gross unrealized loss as of October 31, 2010 was due primarily to declines in the fair value of certain debt securities and included \$28 million that has been in a continuous loss position for more than twelve months. The gross unrealized loss as of October 31, 2009 was due primarily to declines in the fair value of certain debt securities and included \$20 million that had been in a continuous loss

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES**Notes to Consolidated Financial Statements (Continued)****Note 10: Financial Instruments (Continued)**

position for more than twelve months. HP does not intend to sell these debt securities, and it is not likely that HP will be required to sell these debt securities prior to the recovery of the amortized cost.

HP determined the declines in value of certain investments to be other-than-temporary declines. Accordingly, HP recorded impairments relating to credit losses of approximately \$12 million in fiscal 2010, \$24 million in fiscal 2009 and \$27 million in fiscal 2008. HP includes these impairments in Interest and other, net in the Consolidated Statements of Earnings. Depending on market and other conditions, HP may record additional impairments with respect to its investment portfolio in the future.

Contractual maturities of short-term and long-term investments in available-for-sale debt securities at October 31, 2010 were as follows:

	October 31, 2010	
	Cost	Estimated Fair Value
	In millions	
Due in less than one year	\$ 5	\$ 5
Due in 1-5 years	15	15
Due in more than five years	392	420
	<u>\$ 412</u>	<u>\$ 440</u>

Proceeds from sales and maturities of available-for-sale and other securities were \$200 million and \$171 million in fiscal years 2010 and 2009, respectively. There were \$8 million of gross realized gains on total investments in fiscal 2010. There were no realized gains or losses on total investments in fiscal 2009. The specific identification method is used to account for gains and losses on available-for-sale securities.

A summary of the carrying values and balance sheet classification of all short-term and long-term investments in debt and equity securities as of October 31, 2010 and October 31, 2009 was as follows:

	October 31, 2010	October 31, 2009
	In millions	
Time deposits	\$ —	\$ 55
Available-for-sale debt securities	5	—
Short-term investments	5	55
Time deposits	8	—
Available-for-sale debt securities	427	423
Available-for-sale equity securities	9	5
Equity securities in privately-held companies	154	129
Other investments	9	13
Included in long-term financing receivables and other assets	607	570
Total investments	<u>\$ 612</u>	<u>\$ 625</u>

Equity securities in privately held companies include cost basis and equity method investments. Other investments include marketable trading securities held to generate returns that HP expects to

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 10: Financial Instruments (Continued)

offset changes in certain liabilities related to deferred compensation arrangements. HP includes gains or losses from changes in fair value of these securities, offset by losses or gains on the related liabilities, in Interest and other, net, in HP's Consolidated Statements of Earnings. The net losses associated with these securities were \$7 million and \$14 million in fiscal years 2010 and 2009, respectively.

Derivative Financial Instruments

HP is a global company that is exposed to foreign currency exchange rate fluctuations and interest rate changes in the normal course of its business. As part of its risk management strategy, HP uses derivative instruments, primarily forward contracts, option contracts, interest rate swaps, and total return swaps, to hedge certain foreign currency, interest rate and, to a lesser extent, equity exposures. HP's objective is to offset gains and losses resulting from these exposures with losses and gains on the derivative contracts used to hedge them, thereby reducing volatility of earnings or protecting fair values of assets and liabilities. HP does not have any leveraged derivatives and does not use derivative contracts for speculative purposes. HP designates its derivatives as fair value hedges, cash flow hedges or hedges of the foreign currency exposure of a net investment in a foreign operation ("net investment hedges"). Additionally, for derivatives not designated as hedging instruments, HP categorizes those economic hedges as other derivatives. HP recognizes all derivatives, on a gross basis, in the Consolidated Balance Sheets at fair value and reports them in Other current assets, Long-term financing receivables and other assets, Other accrued liabilities, or Other liabilities. HP classifies cash flows from the derivative programs as operating activities in the Consolidated Statements of Cash Flows.

As a result of the use of derivative instruments, HP is exposed to the risk that counterparties to derivative contracts will fail to meet their contractual obligations. To mitigate the counterparty credit risk, HP has a policy of only entering into contracts with carefully selected major financial institutions based upon their credit ratings and other factors, and HP maintains dollar and term limits that correspond to each institution's credit rating. HP's established policies and procedures for mitigating credit risk on principal transactions and short-term cash include reviewing and establishing limits for credit exposure and continually assessing the creditworthiness of counterparties. Master agreements with counterparties include master netting arrangements as further mitigation of credit exposure to counterparties. These arrangements permit HP to net amounts due from HP to a counterparty with amounts due to HP from a counterparty, which reduces the maximum loss from credit risk in the event of counterparty default.

Certain of HP's derivative instruments contain credit-risk-related contingent features, such as a provision whereby HP and the counterparties to the derivative instruments could request collateralization on derivative instruments in net liability positions if HP's or the counterparties' credit rating falls below certain thresholds. As of October 31, 2010 and October 31, 2009, HP was not required to post any collateral, and HP did not have any derivative instruments with credit-risk-related contingent features that were in a significant net liability position.

Fair Value Hedges

HP enters into fair value hedges to reduce the exposure of its debt portfolio to interest rate risk. HP issues long-term debt in U.S. dollars based on market conditions at the time of financing. HP uses

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 10: Financial Instruments (Continued)

interest rate swaps to mitigate the market risk exposures in connection with the debt to achieve primarily U.S. dollar LIBOR-based floating interest expense. The swap transactions generally involve principal and interest obligations for U.S. dollar-denominated amounts. Alternatively, HP may choose not to swap fixed for floating interest payments or may terminate a previously executed swap if it believes a larger proportion of fixed-rate debt would be beneficial. When investing in fixed-rate instruments, HP may enter into interest rate swaps that convert the fixed interest returns into variable interest returns and would classify these swaps as fair value hedges. For derivative instruments that are designated and qualify as fair value hedges, HP recognizes the gain or loss on the derivative instrument, as well as the offsetting loss or gain on the hedged item, in Interest and other, net in the Consolidated Statements of Earnings in the current period.

Cash Flow Hedges

HP uses a combination of forward contracts and options designated as cash flow hedges to protect against the foreign currency exchange rate risks inherent in its forecasted net revenue and, to a lesser extent, cost of sales, operating expense, and intercompany lease loan denominated in currencies other than the U.S. dollar. HP's foreign currency cash flow hedges mature generally within six to twelve months. However, certain leasing revenue-related forward contracts and intercompany lease loan forward contracts extend for the duration of the lease term, which can be up to five years. For derivative instruments that are designated and qualify as cash flow hedges, HP initially records the effective portion of the gain or loss on the derivative instrument in accumulated other comprehensive income or loss as a separate component of stockholders' equity and subsequently reclassifies these amounts into earnings in the period during which the hedged transaction is recognized in earnings. HP reports the effective portion of cash flow hedges in the same financial statement line item as the changes in value of the hedged item. During fiscal years 2010, 2009 and 2008, HP did not discontinue any cash flow hedge for which it was probable that a forecasted transaction would not occur.

Net Investment Hedges

HP uses forward contracts designated as net investment hedges to hedge net investments in certain foreign subsidiaries whose functional currency is the local currency. These derivative instruments are designated as net investment hedges and, as such, HP records the effective portion of the gain or loss on the derivative instrument together with changes in the hedged items in cumulative translation adjustment as a separate component of stockholders' equity.

Other Derivatives

Other derivatives not designated as hedging instruments consist primarily of forward contracts HP uses to hedge foreign currency balance sheet exposures. HP also uses total return swaps and, to a lesser extent, interest rate swaps, based on the equity and fixed income indices, to hedge its executive deferred compensation plan liability. For derivative instruments not designated as hedging instruments, HP recognizes changes in the fair values in earnings in the period of change. HP recognizes the gain or loss on foreign currency forward contracts used to hedge balance sheet exposures in Interest and other, net in the same period as the remeasurement gain and loss of the related foreign currency denominated assets and liabilities. HP recognizes the gain or loss on the total return swaps and interest rate swaps in Interest and other, net in the same period as the gain or loss from the change in market value of the executive deferred compensation plan liability.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 10: Financial Instruments (Continued)

Hedge Effectiveness

For interest rate swaps designated as fair value hedges, HP measures effectiveness by offsetting the change in fair value of the hedged debt with the change in fair value of the derivative. For foreign currency options and forward contracts designated as cash flow or net investment hedges, HP measures effectiveness by comparing the cumulative change in the hedge contract with the cumulative change in the hedged item, both of which are based on forward rates. HP recognizes any ineffective portion of the hedge, as well as amounts not included in the assessment of effectiveness, in the Consolidated Statements of Earnings. As of October 31, 2010 and October 31, 2009, the portion of hedging instruments' gain or loss excluded from the assessment of effectiveness was not material for fair value, cash flow or net investment hedges. Hedge ineffectiveness for fair value, cash flow and net investment hedges was not material in fiscal years 2010, 2009 and 2008.

Fair Value of Derivative Instruments in the Consolidated Balance Sheets

As discussed in Note 9, HP estimates the fair values of derivatives primarily based on pricing models using current market rates and records all derivatives on the balance sheet at fair value. The gross notional and fair value of derivative financial instruments in the Consolidated Balance Sheets were recorded as follows:

	As of October 31, 2010					As of October 31, 2009				
	Gross Notional ⁽¹⁾	Other Current Assets	Long-term Financing and Other Assets	Other Accrued Liabilities	Other Liabilities	Gross Notional ⁽¹⁾	Other Current Assets	Long-term Financing and Other Assets	Other Accrued Liabilities	Other Liabilities
In millions										
Derivatives designated as hedging instruments										
Fair value hedges:										
Interest rate contracts	\$ 8,575	\$ —	\$ 656	\$ —	\$ —	\$ 7,575	\$ —	\$ 346	\$ —	\$ 5
Cash flow hedges:										
Foreign exchange contracts	16,862	98	20	503	83	15,056	116	12	389	33
Net investment hedges:										
Foreign exchange contracts	1,466	8	2	58	62	1,350	13	12	47	39
Total derivatives designated as hedging instruments	26,903	106	678	561	145	23,981	129	370	436	77
Derivatives not designated as hedging instruments										
Foreign exchange contracts	13,701	51	3	129	55	16,104	206	20	163	51
Interest rate contracts ⁽²⁾	2,200	—	79	—	89	2,211	—	29	—	45
Other derivatives	397	5	6	—	—	268	2	—	2	—
Total derivatives not designated as hedging instruments	16,298	56	88	129	144	18,583	208	49	165	96
Total derivatives	\$ 43,201	\$ 162	\$ 766	\$ 690	\$ 289	\$ 42,564	\$ 337	\$ 419	\$ 601	\$ 173

(1) Represents the face amounts of contracts that were outstanding as of October 31, 2010 and October 31, 2009, respectively.

(2) Represents offsetting swaps acquired through previous business combination that were not designated as hedging instruments.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 10: Financial Instruments (Continued)

Effect of Derivative Instruments on the Consolidated Statements of Earnings

The before-tax effect of a derivative instrument and related hedged item in a fair value hedging relationship for fiscal years ended October 31, 2010 and October 31, 2009 was as follows:

<u>Derivative Instrument</u>	<u>Gain (Loss) Recognized in Income on Derivative and Related Hedged Item</u>				
	<u>Location</u>	<u>2010</u>	<u>Hedged Item</u>	<u>Location</u>	<u>2010</u>
		<u>In millions</u>			<u>In millions</u>
Interest rate contracts	Interest and other,	\$ 316	Fixed-rate debt	Interest and other,	\$ (299)
	net			net	

<u>Derivative Instrument</u>	<u>Gain (Loss) Recognized in Income on Derivative and Related Hedged Item</u>				
	<u>Location</u>	<u>2009</u>	<u>Hedged Item</u>	<u>Location</u>	<u>2009</u>
		<u>In millions</u>			<u>In millions</u>
Interest rate contracts	Interest and other,	\$ 232	Fixed-rate debt	Interest and other,	\$ (236)
	net			net	

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 10: Financial Instruments (Continued)

The before-tax effect of derivative instruments in cash flow and net investment hedging relationships for fiscal years 2010 and 2009 was as follows:

	Gain (Loss) Recognized in OCI on Derivative (Effective Portion)	Gain (Loss) Reclassified from Accumulated OCI Into Income (Effective Portion)	Gain Recognized in Income on Derivative ⁽¹⁾ (Ineffective portion and Amount Excluded from Effectiveness Testing)	
	2010 In millions	Location	2010 In millions	Location
Cash flow hedges:				
Foreign exchange contracts	\$ 273	Net revenue	\$ 325	Net revenue
Foreign exchange contracts	50	Cost of products	80	Cost of products
Foreign exchange contracts	1	Other operating expenses	—	Other operating expenses
Foreign exchange contracts	20	Interest and other, net	—	Interest and other, net
Foreign exchange contracts	25	Net revenue	26	Interest and other, net
Total cash flow hedges	\$ 369		\$ 431	9
Net investment hedges:				
Foreign exchange contracts	\$ (82)	Interest and other, net	\$ —	Interest and other, net

(1) Amount of gain recognized in income on derivative represents a \$9 million gain related to the amount excluded from the assessment of hedge effectiveness in fiscal 2010.

	Gain (Loss) Recognized in OCI on Derivative (Effective Portion)	Gain (Loss) Reclassified from Accumulated OCI Into Income (Effective Portion)	Gain Recognized in Income on Derivative ⁽¹⁾ (Ineffective portion and Amount Excluded from Effectiveness Testing)	
	2009 In millions	Location	2009 In millions	Location
Cash flow hedges:				
Foreign exchange contracts	\$ (1,044)	Net revenue	\$ 475	Net revenue
Foreign exchange contracts	115	Cost of products	142	Cost of products
Foreign exchange contracts	(3)	Other operating expenses	(4)	Other operating expenses
Foreign exchange contracts	1	Interest and other, net	(4)	Interest and other, net
Foreign exchange contracts	29	Net revenue	9	Interest and other, net
Total cash flow hedges	\$ (902)		\$ 618	7
Net investment hedges:				
Foreign exchange contracts	\$ (169)	Interest and other, net	\$ —	Interest and other, net

(1) Amount of gain recognized in income on derivative represents a \$7 million gain related to the amount excluded from the assessment of hedge effectiveness in fiscal 2009.

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 10: Financial Instruments (Continued)

HP expects to reclassify an estimated net accumulated other comprehensive loss of \$200 million, net of taxes, to earnings in the next twelve months along with the earnings effects of the related forecasted transactions in association with cash flow hedges.

The before-tax effect of derivative instruments not designated as hedging instruments on the Consolidated Statements of Earnings for fiscal years 2010 and 2009 was as follows:

<u>Gain (Loss) Recognized in Income on Derivative</u>		
<u>Location</u>		<u>2010</u>
		<u>In millions</u>
Foreign exchange contracts	Interest and other, net	\$(764)
Other derivatives	Interest and other, net	8
Interest rate contracts	Interest and other, net	6
Total		<u>\$(750)</u>

<u>Gain (Loss) Recognized in Income on Derivative</u>		
<u>Location</u>		<u>2009</u>
		<u>In millions</u>
Foreign exchange contracts	Interest and other, net	\$(989)
Other derivatives	Interest and other, net	(1)
Interest rate contracts	Interest and other, net	1
Total		<u>\$(989)</u>

Other Financial Instruments

For the balance of HP's financial instruments, accounts receivable, financing receivables, notes payable and short-term borrowings, accounts payable and other accrued liabilities, the carrying amounts approximate fair value due to their short maturities. The estimated fair value of HP's short- and long-term debt was approximately \$22.5 billion at October 31, 2010, compared to a carrying value of \$22.3 billion at that date. The estimated fair value of HP's short- and long-term debt was approximately \$16.0 billion at October 31, 2009, compared to a carrying value of \$15.8 billion at that date. The estimated fair value of the debt is based primarily on quoted market prices, as well as borrowing rates currently available to HP for bank loans with similar terms and maturities.

Note 11: Financing Receivables and Operating Leases

Financing receivables represent sales-type and direct-financing leases resulting from the placement of HP's and third-party products. These receivables typically have terms from two to five years and are usually collateralized by a security interest in the underlying assets. Financing receivables also include billed receivables from operating leases. The components of net financing receivables, which are

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES**Notes to Consolidated Financial Statements (Continued)****Note 11: Financing Receivables and Operating Leases (Continued)**

included in financing receivables and long-term financing receivables and other assets, were as follows for the following fiscal years ended October 31:

	<u>2010</u>	<u>2009</u>
	<u>In millions</u>	
Minimum lease payments receivable	\$ 7,094	\$ 6,413
Allowance for doubtful accounts	(140)	(108)
Unguaranteed residual value	212	244
Unearned income	(596)	(571)
Financing receivables, net	<u>6,570</u>	<u>5,978</u>
Less current portion	<u>(2,986)</u>	<u>(2,675)</u>
Amounts due after one year, net	<u>\$ 3,584</u>	<u>\$ 3,303</u>

As of October 31, 2010, scheduled maturities of HP's minimum lease payments receivable were as follows for the following fiscal years ended October 31:

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Thereafter</u>	<u>Total</u>
Scheduled maturities of minimum lease payments receivable	\$ 3,320	\$ 1,951	\$ 1,113	\$ 520	\$ 190	\$ 7,094

Equipment leased to customers under operating leases was \$3.5 billion at October 31, 2010 and \$3.0 billion at October 31, 2009 and is included in machinery and equipment. Accumulated depreciation on equipment under lease was \$1.0 billion at October 31, 2010 and \$0.9 billion at October 31, 2009. As of October 31, 2010, minimum future rentals on non-cancelable operating leases related to leased equipment were as follows for the following fiscal years ended October 31:

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Thereafter</u>	<u>Total</u>
Minimum future rentals on non-cancelable operating leases	\$ 1,169	\$ 785	\$ 398	\$ 127	\$ 46	\$ 2,525

Note 12: Guarantees*Guarantees and Indemnifications*

In the ordinary course of business, HP may provide certain clients with subsidiary performance guarantees and/or financial performance guarantees, which may be backed by standby letters of credit or surety bonds. In general, HP would be liable for the amounts of these guarantees in the event that the nonperformance of HP or HP's subsidiaries permits termination of the related contract by the client, the likelihood of which HP believes is remote. HP believes that the company is in compliance with the performance obligations under all material service contracts for which there is a performance guarantee.

HP has certain service contracts supported by client financing or securitization arrangements. Under specific circumstances involving nonperformance resulting in service contract termination or failure to comply with terms under the financing arrangement, HP would be required to acquire certain assets. HP considers the possibility of its failure to comply to be remote and the asset amounts involved to be immaterial.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 12: Guarantees (Continued)

In the ordinary course of business, HP enters into contractual arrangements under which HP may agree to indemnify the third party to such arrangement from any losses incurred relating to the services they perform on behalf of HP or for losses arising from certain events as defined within the particular contract, which may include, for example, litigation or claims relating to past performance. Such indemnification obligations may not be subject to maximum loss clauses. Historically, payments made related to these indemnifications have been immaterial.

Warranty

HP provides for the estimated cost of product warranties at the time it recognizes revenue. HP engages in extensive product quality programs and processes, including actively monitoring and evaluating the quality of its component suppliers; however, product warranty terms offered to customers, ongoing product failure rates, material usage and service delivery costs incurred in correcting a product failure, as well as specific product class failures outside of HP's baseline experience, affect the estimated warranty obligation. If actual product failure rates, repair rates or any other post sales support costs differ from these estimates, revisions to the estimated warranty liability would be required.

The changes in HP's aggregate product warranty liabilities were as follows for the following fiscal years ended October 31:

	<u>2010</u>	<u>2009</u>
	<u>In millions</u>	
Product warranty liability at beginning of year	\$ 2,409	\$ 2,614
Accruals for warranties issued	2,689	2,701
Adjustments related to pre-existing warranties (including changes in estimates)	(53)	(223)
Settlements made (in cash or in kind)	(2,598)	(2,683)
Product warranty liability at end of year	<u>\$ 2,447</u>	<u>\$ 2,409</u>

Note 13: Borrowings

Notes Payable and Short-Term Borrowings

Notes payable and short-term borrowings, including the current portion of long-term debt, were as follows for the following fiscal years ended October 31:

	<u>2010</u>		<u>2009</u>	
	<u>Amount</u>	<u>Weighted-</u>	<u>Amount</u>	<u>Weighted-</u>
	<u>Outstanding</u>	<u>Average</u>	<u>Outstanding</u>	<u>Average</u>
	<u>In millions</u>			
		<u>Interest Rate</u>		<u>Interest Rate</u>
Commercial paper	\$ 4,432	0.3%	\$ 294	1.2%
Current portion of long-term debt	2,216	2.2%	1,143	1.0%
Notes payable to banks, lines of credit and other	398	1.5%	413	2.0%
	<u>\$ 7,046</u>		<u>\$ 1,850</u>	

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES**Notes to Consolidated Financial Statements (Continued)****Note 13: Borrowings (Continued)**

Notes payable to banks, lines of credit and other includes deposits associated with HP's banking-related activities of approximately \$348 million and \$326 million at October 31, 2010 and 2009, respectively.

Long-Term Debt

Long-term debt was as follows for the following fiscal years ended October 31:

	<u>2010</u>	<u>2009</u>
	<u>In millions</u>	
U.S. Dollar Global Notes		
2002 Shelf Registration Statement:		
\$500 issued at discount to par at a price of 99.505% in June 2002 at 6.5%, due July 2012	\$ 500	\$ 499
2006 Shelf Registration Statement:		
\$600 issued at par in February 2007 at three-month USD LIBOR plus 0.11%, due March 2012	600	600
\$900 issued at discount to par at a price of 99.938% in February 2007 at 5.25%, due March 2012	900	900
\$500 issued at discount to par at a price of 99.694% in February 2007 at 5.4%, due March 2017	499	499
\$1,000 issued at par in June 2007 at three-month USD LIBOR plus 0.06%, paid June 2010	—	1,000
\$1,500 issued at discount to par at a price of 99.921% in March 2008 at 4.5%, due March 2013	1,499	1,499
\$750 issued at discount to par at a price of 99.932% in March 2008 at 5.5%, due March 2018	750	750
\$2,000 issued at discount to par at a price of 99.561% in December 2008 at 6.125%, due March 2014	1,994	1,992
\$275 issued at par in February 2009 at three-month USD LIBOR plus 1.75%, due February 2011	275	275
\$1,000 issued at discount to par at a price of 99.956% in February 2009 at 4.25%, due February 2012	1,000	1,000
\$1,500 issued at discount to par at a price of 99.993% in February 2009 at 4.75%, due June 2014	1,500	1,500
2009 Shelf Registration Statement:		
\$750 issued at par in May 2009 at three-month USD LIBOR plus 1.05%, due May 2011	750	750
\$1,000 issued at discount to par at a price of 99.967% in May 2009 at 2.25%, due May 2011	1,000	1,000
250 issued at discount to par at a price of 99.984% in May 2009 at 2.95%, due August 2012	250	250
\$800 issued at par in September 2010 at three-month USD LIBOR plus 0.125%, due September 2012	800	—

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES**Notes to Consolidated Financial Statements (Continued)****Note 13: Borrowings (Continued)**

	<u>2010</u>	<u>2009</u>
	<u>In millions</u>	
\$1,100 issued at discount to par of 99.921% in September 2010 at 1.25% due September 2013	1,099	—
\$1,100 issued at discount to par of 99.887% in September 2010 at 2.125% due September 2015	1,099	—
	<u>14,515</u>	<u>12,514</u>
EDS Senior Notes		
\$1,100 issued June 2003 at 6.0%, due August 2013	1,130	1,140
\$300 issued October 1999 at 7.45%, due October 2029	315	315
	<u>1,445</u>	<u>1,455</u>
Other, including capital lease obligations, at 0.59%-8.63%, due in calendar year 2010-2024	845	785
Fair value adjustment related to hedged debt	669	369
Less: current portion	(2,216)	(1,143)
Total long-term debt	<u>\$ 15,258</u>	<u>\$ 13,980</u>

As disclosed in Note 9 to the Consolidated Financial Statements, HP uses interest rate swaps to mitigate the market risk exposures in connection with certain fixed interest global notes to achieve primarily U.S. dollar LIBOR-based floating interest expense. The table above does not reflect the interest rate swap impact on the interest rate.

HP may redeem some or all of the Global Notes set forth in the above table at any time at the redemption prices described in the prospectus supplements relating thereto. The Global Notes are senior unsecured debt.

In May 2009, HP filed a shelf registration statement (the "2009 Shelf Registration Statement") with the SEC to enable the company to offer for sale, from time to time, in one or more offerings, an unspecified amount of debt securities, common stock, preferred stock, depositary shares and warrants. The 2009 Shelf Registration Statement replaced other registration statements filed in March 2002 and May 2006.

In May 2008, HP's Board of Directors approved an increase in the capacity of HP's U.S. commercial paper program by \$10.0 billion to \$16.0 billion. HP's subsidiaries are authorized to issue up to an additional \$1.0 billion of commercial paper, of which \$500 million of capacity is currently available to be used by Hewlett-Packard International Bank PLC, a wholly-owned subsidiary of HP, for its Euro Commercial Paper/Certificate of Deposit Programme.

HP has a \$3.0 billion five-year credit facility expiring in May 2012. In February 2009, HP entered into a \$3.5 billion 364-day credit facility. The February credit facility expired in February 2010, at which time HP entered into a new \$3.5 billion 364-day credit facility maintaining the total amount available under its credit facilities at \$6.5 billion. Commitment fees, interest rates and other terms of borrowing under the credit facilities vary based on HP's external credit ratings. The credit facilities are senior unsecured committed borrowing arrangements primarily to support the issuance of U.S. commercial paper. HP's ability to have a U.S. commercial paper outstanding balance that exceeds the \$6.5 billion

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 13: Borrowings (Continued)

supported by these credit facilities is subject to a number of factors, including liquidity conditions and business performance.

Included in Other, including capital lease obligations, are borrowings that are collateralized by certain financing receivable assets. As of October 31, 2010, the carrying value of the assets approximated the carrying value of the borrowings of \$130 million.

As of October 31, 2010, HP had the capacity to issue an unspecified amount of additional debt securities, common stock, preferred stock, depository shares and warrants under the 2009 Shelf Registration Statement. As of that date, HP also had up to approximately \$13.8 billion of available borrowing resources, including \$12.1 billion under its commercial paper programs and approximately \$1.5 billion relating to uncommitted lines of credit.

Aggregate future maturities of long-term debt at face value (excluding a fair value adjustment related to hedged debt of \$669 million, a premium on debt issuance of \$45 million, and a discount on debt issuance of \$17 million) were as follows at October 31, 2010:

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Thereafter</u>	<u>Total</u>
	<u>In millions</u>						
Aggregate future maturities of debt outstanding including capital lease obligations	\$2,208	\$4,272	\$3,775	\$3,720	\$1,111	\$ 1,691	\$16,777

Interest expense on borrowings was approximately \$417 million in fiscal 2010, \$597 million in fiscal 2009, and \$467 million in fiscal 2008.

Subsequent event

On December 2, 2010, HP issued \$2 billion of U.S. Dollar Global Notes under the 2009 Shelf Registration Statement. The Global Notes consisted of fixed rate notes at market rates with maturities of five and ten years from the date of issuance.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES**Notes to Consolidated Financial Statements (Continued)****Note 14: Taxes on Earnings**

The domestic and foreign components of earnings were as follows for the following fiscal years ended October 31:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
	In millions		
U.S.	\$ 4,027	\$ 2,569	\$ 2,232
Non-U.S.	6,947	6,846	8,241
	<u>\$ 10,974</u>	<u>\$ 9,415</u>	<u>\$ 10,473</u>

The provision for (benefit from) taxes on earnings was as follows for the following fiscal years ended October 31:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
	In millions		
U.S. federal taxes:			
Current	\$ 484	\$ 47	\$ 405
Deferred	231	956	686
Non-U.S. taxes:			
Current	1,345	1,156	922
Deferred	21	(356)	(85)
State taxes:			
Current	187	173	44
Deferred	(55)	(221)	172
	<u>\$ 2,213</u>	<u>\$ 1,755</u>	<u>\$ 2,144</u>

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 14: Taxes on Earnings (Continued)

The significant components of deferred tax assets and deferred tax liabilities were as follows for the following fiscal years ended October 31:

	2010		2009	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
	In millions			
Loss carryforwards	\$ 9,832	\$ —	\$ 9,191	\$ —
Credit carryforwards	733	—	1,444	—
Unremitted earnings of foreign subsidiaries	—	7,529	—	7,555
Inventory valuation	153	10	111	6
Intercompany transactions—profit in inventory	514	1	534	16
Intercompany transactions—excluding inventory	2,339	—	1,328	—
Fixed assets	163	15	119	9
Warranty	723	48	794	38
Employee and retiree benefits	2,800	29	2,692	80
Accounts receivable allowance	290	9	300	4
Capitalized research and development	597	—	879	—
Purchased intangible assets	11	1,885	28	1,594
Restructuring	404	13	459	17
Equity investments	59	—	81	—
Deferred revenue	975	24	949	12
Other	1,587	251	1,599	82
Gross deferred tax assets and liabilities	21,180	9,814	20,508	9,413
Valuation allowance	(8,755)	—	(8,678)	—
Total deferred tax assets and liabilities	\$ 12,425	\$ 9,814	\$ 11,830	\$ 9,413

The breakdown between current and long-term deferred tax assets and deferred tax liabilities was as follows for the following fiscal years ended October 31:

	2010		2009	
	In millions			
Current deferred tax assets	\$ 5,833	\$ 4,979		
Current deferred tax liabilities	(53)	(83)		
Long-term deferred tax assets	2,070	1,751		
Long-term deferred tax liabilities	(5,239)	(4,230)		
Total deferred tax assets net of deferred tax liabilities	\$ 2,611	\$ 2,417		

As of October 31, 2010, HP had \$2.8 billion, \$4.1 billion and \$29.8 billion of federal, state and foreign net operating loss carryforwards, respectively. Amounts included in each of these respective totals will begin to expire in fiscal 2011. HP also has a capital loss carryforward of approximately \$275 million which will expire in fiscal 2015. HP has provided a valuation allowance of \$145 million for deferred tax assets related to federal and state net operating losses, \$106 million for deferred tax assets related to capital loss carryforwards, and \$8.0 billion for deferred tax assets related to foreign net operating loss carryforwards that HP does not expect to realize.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES**Notes to Consolidated Financial Statements (Continued)****Note 14: Taxes on Earnings (Continued)**

As of October 31, 2010, HP had recorded deferred tax assets for various tax credit carryforwards of \$733 million. This amount includes \$74 million of U.S. foreign tax credit carryforwards which begin to expire in fiscal 2011 and against which HP has recorded a valuation allowance of \$47 million. HP had alternative minimum tax credit carryforwards of \$11 million, which do not expire, and U.S. research and development credit carryforwards of \$293 million, which will begin to expire in fiscal 2024. HP also had tax credit carryforwards of \$356 million in various states and foreign countries for which HP has provided a valuation allowance of \$176 million to reduce the related deferred tax asset. These credits will begin to expire in fiscal 2011.

Gross deferred tax assets at October 31, 2010 and 2009 were reduced by valuation allowances of \$8.8 billion and \$8.7 billion, respectively. The valuation allowance increased by \$77 million in fiscal 2010, consisting of \$106 million associated with federal capital loss carryovers, and a net \$29 million decrease associated with various net operating losses and tax credits.

Gross deferred tax assets at October 31, 2009 and 2008 were reduced by valuation allowances of \$8.7 billion and \$1.8 billion, respectively. The valuation allowance increased by \$6.9 billion in fiscal 2009. The valuation allowance increase consisted of \$7.0 billion associated with foreign net operating loss carryovers arising in fiscal 2009 pursuant to internal restructuring transactions, reduced by \$100 million of valuation allowance decreases associated with state and foreign net operating losses.

Net excess tax benefits resulting from the exercise of employee stock options and other employee stock programs are recorded as an increase in stockholders' equity and were approximately \$300 million in fiscal 2010, \$163 million in fiscal 2009, and \$316 million in fiscal 2008.

The differences between the U.S. federal statutory income tax rate and HP's effective tax rate were as follows for the following fiscal years ended October 31:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
U.S. federal statutory income tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal tax benefit	1.3	0.9	1.3
Lower rates in other jurisdictions, net	(18.3)	(12.2)	(16.9)
Research and development credit	(0.1)	(0.5)	(0.4)
Foreign net operating loss	—	(4.1)	—
Valuation allowance	0.8	(0.6)	—
Accrued taxes due to post-acquisition integration	—	0.6	2.0
Other, net	1.5	(0.5)	(0.5)
	<u>20.2%</u>	<u>18.6%</u>	<u>20.5%</u>

In fiscal 2010, HP recorded \$26 million of net income tax benefits related to items unique to the year. These amounts included adjustments to prior year foreign income tax accruals and credits, settlement of tax audit matters, valuation allowance adjustments, and other miscellaneous discrete items.

In fiscal 2009, HP recorded \$547 million of net income tax benefits related to items unique to the year. The recorded amounts included \$383 million of income tax benefits attributable to net deferred tax assets for foreign net operating loss carryovers arising pursuant to internal restructuring transactions. Also included were a net tax benefit of \$154 million for the adjustment to estimated fiscal 2008 tax accruals upon filing the 2008 income tax returns, a \$60 million income tax benefit for

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 14: Taxes on Earnings (Continued)

valuation allowance reversals for state and foreign net operating losses, and other miscellaneous items that resulted in a net tax charge of \$50 million.

In fiscal 2008, HP recorded \$251 million of net income tax expense related to items unique to the year. The recorded amounts consisted of a tax charge of \$205 million associated with the post-acquisition EDS integration, \$44 million for the adjustment to estimated fiscal 2007 tax accruals upon filing the 2007 U.S. federal income tax return, and net tax charges of \$2 million attributable to other items.

In October 2008, the Emergency Economic Stabilization Act of 2008 was signed into law, which included a retroactive two year extension of the research and development tax credit from January 1, 2008 through December 31, 2009. The retroactive income tax benefit of \$45 million was recorded in HP's financial statements in the fourth quarter of fiscal 2008.

As a result of certain employment actions and capital investments HP has undertaken, income from manufacturing and services in certain countries is subject to reduced tax rates, and in some cases is wholly exempt from taxes, through 2024. The gross income tax benefits attributable to the tax status of these subsidiaries were estimated to be \$966 million (\$0.41 per share) in fiscal year 2010, \$853 million (\$0.35 per share) in fiscal year 2009, and \$900 million (\$0.35 per share) in fiscal year 2008. The gross income tax benefits were offset partially by accruals of U.S. income taxes on undistributed earnings, among other factors.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES**Notes to Consolidated Financial Statements (Continued)****Note 14: Taxes on Earnings (Continued)**

The total amount of gross unrecognized tax benefits was \$2.1 billion as of October 31, 2010. A reconciliation of unrecognized tax benefits is as follows:

Balance at November 1, 2007	\$	2,271
Increases:		
For current year's tax positions		101
For prior years' tax positions		739
Decreases:		
For prior years' tax positions		(751)
Statute of limitations expiration		(16)
Settlements with taxing authorities		(11)
Balance at October 31, 2008	\$	<u>2,333</u>
Increases:		
For current year's tax positions		115
For prior years' tax positions		626
Decreases:		
For prior years' tax positions		(762)
Statute of limitations expiration		(293)
Settlements with taxing authorities		(131)
Balance at October 31, 2009	\$	<u>1,888</u>
Increases:		
For current year's tax positions		27
For prior years' tax positions		347
Decreases:		
For prior years' tax positions		(120)
Statute of limitations expiration		(1)
Settlements with taxing authorities		(56)
Balance at October 31, 2010	\$	<u>2,085</u>

Up to \$680 million, \$950 million and \$1.0 billion of HP's unrecognized tax benefits at October 31, 2008, 2009 and 2010, respectively, would affect HP's effective tax rate if realized.

HP recognizes interest income from favorable settlements and income tax receivables and interest expense and penalties accrued on unrecognized tax benefits within income tax expense. As of October 31, 2010, HP had accrued a net \$181 million payable for interest and penalties. During fiscal 2010, HP recognized net interest expense net of tax on net deficiencies of \$66 million.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 14: Taxes on Earnings (Continued)

HP engages in continuous discussion and negotiation with taxing authorities regarding tax matters in various jurisdictions. HP does not expect complete resolution of any IRS audit cycle within the next 12 months. However, it is reasonably possible that certain federal, foreign and state tax issues may be concluded in the next 12 months, including issues involving transfer pricing and other matters. Accordingly, HP believes it is reasonably possible that its existing unrecognized tax benefits may be reduced by an amount up to \$442 million within the next 12 months.

HP is subject to income tax in the United States and approximately 80 foreign countries and is subject to routine corporate income tax audits in many of these jurisdictions. In addition, HP is subject to numerous ongoing audits by state and foreign tax authorities. HP has received from the IRS Notices of Deficiency for its fiscal 1999, 2000, 2003, 2004 and 2005 tax years, and Revenue Agent's Reports ("RAR") for its fiscal 2001, 2002 and 2006 tax years. The IRS began an audit of HP's 2007 income tax returns in 2009, and began its audit of HP's 2008 income tax returns during 2010. With respect to major foreign and state tax jurisdictions, HP is no longer subject to tax authority examinations for years prior to 1999. HP believes that adequate accruals have been provided for all open tax years.

On July 30, 2009, HP received a Notice of Deficiency from the IRS for its fiscal 2004 and 2005 tax years. The Notice of Deficiency asserted that HP owes additional tax of \$92 million and penalties of \$5 million. In addition to the proposed deficiency for fiscal 2004 and 2005, the IRS's adjustments for both years, if sustained, would reduce the tax benefits of net operating loss and tax credit carryforwards to subsequent years by approximately \$563 million. HP plans to contest certain of the adjustments proposed in the Notice of Deficiency. HP believes that it has provided adequate reserves for any tax deficiencies or reductions in tax benefits that could result from the IRS actions.

Tax years of EDS through 2002 have been audited by the IRS, and all proposed adjustments have been resolved. The IRS is currently auditing EDS's tax years 2005, 2006, 2007 and the short period ended August 26, 2008. On December 5, 2008, EDS received a RAR for exam years 2003 and 2004, proposing a tax deficiency of \$82 million. This deficiency includes a \$12 million effect on carrybacks to 2000 and 2001. HP is appealing certain issues and believes adequate reserves have been provided for all years.

On January 30, 2008, HP received a Notice of Deficiency from the IRS for its fiscal 2003 tax year. The Notice of Deficiency asserted that HP owes additional tax of \$21 million. At the same time, HP received an RAR from the IRS for its fiscal 2002 tax year that proposed no change in HP's tax liability for that year. In addition to the proposed deficiency for fiscal 2003, the IRS's adjustments for both years, if sustained, would reduce tax refund claims HP has filed for net operating loss carrybacks to earlier fiscal years and reduce the tax benefits of tax credit carryforwards to subsequent years, by approximately \$249 million. This amount reflects certain transfer pricing adjustments that were settled during fiscal 2008. HP plans to contest certain remaining adjustments proposed in the Notice of Deficiency and the RAR. Towards this end, HP filed a petition with the United States Tax Court on April 29, 2008. HP believes that it has provided adequate reserves for any tax deficiencies or reductions in refund claims that could result from the IRS actions.

On June 28, 2007, HP received a Notice of Deficiency from the IRS for its fiscal 1999 and 2000 tax years. The Notice of Deficiency asserted that HP owes additional tax of \$13 million for these two years. At the same time, HP received a RAR from IRS for its fiscal 2001 tax year that proposed no change in HP's tax liability for that year. In addition to the proposed deficiencies for fiscal 1999 and 2000, the IRS's adjustments, if sustained, would reduce tax refund claims HP has filed for foreign tax

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 14: Taxes on Earnings (Continued)

credit and net operating loss carrybacks to earlier fiscal years and reduce the tax benefits of carryforwards to subsequent years, by approximately \$80 million. HP plans to contest certain of the adjustments proposed in the Notice of Deficiency and the RAR. Towards this end, HP filed a Petition with the United States Tax Court on September 25, 2007. HP believes that it has provided adequate reserves for any tax deficiencies or reductions in refund claims that could result from the IRS actions.

HP has not provided for U.S. federal income and foreign withholding taxes on \$21.9 billion of undistributed earnings from non-U.S. operations as of October 31, 2010 because HP intends to reinvest such earnings indefinitely outside of the United States. If HP were to distribute these earnings, foreign tax credits may become available under current law to reduce the resulting U.S. income tax liability. Determination of the amount of unrecognized deferred tax liability related to these earnings is not practicable. HP will remit non-indefinitely reinvested earnings of its non-US subsidiaries for which deferred U.S. federal and withholding taxes have been provided where excess cash has accumulated and it determines that it is advantageous for business operations, tax or cash management reasons.

Note 15: Stockholders' Equity

Dividends

The stockholders of HP common stock are entitled to receive dividends when and as declared by HP's Board of Directors. Dividends are paid quarterly. Dividends declared were \$0.32 per common share in each of fiscal 2010, 2009 and 2008.

Stock Repurchase Program

HP's share repurchase program authorizes both open market and private repurchase transactions. In fiscal 2010, HP executed share repurchases of 241 million shares. Repurchases of 240 million shares were settled for \$11.0 billion, which included 3 million shares repurchased in transactions that were executed in fiscal 2009 but settled in fiscal 2010. HP had approximately 4 million shares repurchased in the fourth quarter of fiscal 2010 that will be settled in the next fiscal year. In fiscal 2009, HP completed share repurchases of approximately 120 million shares. Repurchases of approximately 132 million shares were settled for \$5.1 billion, which included approximately 14 million shares repurchased in transactions that were executed in fiscal 2008 but settled in fiscal 2009. In fiscal 2008, HP completed share repurchases of approximately 230 million shares. Repurchases of approximately 216 million shares were settled for \$9.6 billion, which included approximately 1 million shares repurchased in transactions that were executed in fiscal 2007 but settled in fiscal 2008. The foregoing shares repurchased and settled in fiscal 2010, fiscal 2009 and fiscal 2008 were all open market repurchase transactions.

In fiscal 2010, HP's Board of Directors authorized an additional \$18.0 billion for future share repurchases. In fiscal 2009, there was no additional authorization for future share repurchases by HP's Board of Directors. In fiscal 2008, HP's Board of Directors authorized an additional \$16.0 billion for future share repurchases. As of October 31, 2010, HP had remaining authorization of approximately \$10.9 billion for future share repurchases.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 15: Stockholders' Equity (Continued)

Comprehensive Income

The changes in the components of other comprehensive income, net of taxes, were as follows for the following fiscal years ended October 31:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
	In millions		
Net earnings	\$8,761	\$ 7,660	\$8,329
Net change in unrealized gains (losses) on available-for-sale securities:			
Change in net unrealized gains (losses), net of tax of \$9 million in fiscal 2010, net of tax of \$11 million in fiscal 2009 and net of tax benefit of \$7 million in fiscal 2008	16	17	(17)
Net unrealized (gains) losses reclassified into earnings, with no tax effect in fiscal 2010, fiscal 2009 and fiscal 2008	—	(1)	1
	<u>16</u>	<u>16</u>	<u>(16)</u>
Net change in unrealized gains (losses) on cash flow hedges:			
Unrealized gains (losses) recognized in OCI, net of tax of \$119 million in fiscal 2010, net of tax benefit of \$362 million in fiscal 2009 and net of tax of \$468 million in fiscal 2008	250	(540)	808
(Gains) losses reclassified into income, net of tax of \$149 million in fiscal 2010, net of tax of \$187 million in fiscal 2009 and net of tax benefit of \$34 million in fiscal 2008	(282)	(431)	58
	<u>(32)</u>	<u>(971)</u>	<u>866</u>
Net change in cumulative translation adjustment, net of tax of \$31 million in fiscal 2010, net of tax of \$227 million in fiscal 2009 and net of tax benefit of \$476 million in fiscal 2008	28	304	(936)
Net change in unrealized components of defined benefit plans, net of tax benefit of \$83 million in fiscal 2010, \$905 million in fiscal 2009 and \$42 million in fiscal 2008	(602)	(2,531)	(538)
Comprehensive income	<u>\$8,171</u>	<u>\$ 4,478</u>	<u>\$7,705</u>

The components of accumulated other comprehensive loss, net of taxes, were as follows for the following fiscal years ended October 31:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
	In millions		
Net unrealized gain (loss) on available-for-sale securities	\$ 20	\$ 4	\$ (12)
Net unrealized (loss) gain on cash flow hedges	(201)	(169)	802
Cumulative translation adjustment	(431)	(459)	(763)
Unrealized components of defined benefit plans	(3,225)	(2,623)	(92)
Accumulated other comprehensive loss	<u>\$ (3,837)</u>	<u>\$ (3,247)</u>	<u>\$ (65)</u>

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 16: Retirement and Post-Retirement Benefit Plans

Acquisition of EDS

On August 26, 2008, EDS became a wholly-owned subsidiary of HP. EDS sponsors qualified and non-qualified defined benefit pension plans covering substantially all of its employees. The majority of the EDS defined benefit pension plans are noncontributory. In most plans, employees become fully vested upon attaining two to five years of service, and benefits are based on many factors, which differ by country, but the most significant is years of service and earnings. The projected unit credit cost method is used for actuarial purposes. Plan assets and plan obligations associated with the EDS defined benefit pension plans were included as of the acquisition date and through October 31, 2008. On a global basis, EDS plan assets totaled \$7.8 billion and plan obligations totaled \$10.1 billion as of August 26, 2008. The U.S. portion of global assets and obligations totaled \$4.1 billion and \$5.0 billion, respectively.

Defined Benefit Plans

HP sponsors a number of defined benefit pension plans worldwide, of which the most significant are in the United States. Both the HP Retirement Plan (the "Retirement Plan"), a traditional defined benefit pension plan based on pay and years of service, and the HP Company Cash Account Pension Plan (the "Cash Account Pension Plan"), under which benefits are accrued pursuant to a cash accumulation account formula based upon a percentage of pay plus interest, were frozen effective January 1, 2008. The Cash Account Pension Plan and the Retirement Plan were merged in 2005 for certain funding and investment purposes. The merged plan is referred to as the HP Pension Plan.

Following the acquisition of EDS, HP announced that it was modifying the EDS U.S. qualified and non-qualified plans for employees accruing benefits under the programs. Effective January 1, 2009, EDS employees in the U.S. ceased accruing pension benefits, and the final pension benefit for EDS employees who retire on and after that date will be calculated based on pay and service through December 31, 2008.

Effective October 30, 2009, the EDS U.S. qualified pension plan was also merged into the HP Pension Plan. The EDS U.S. qualified pension plan, like the Cash Account Pension Plan and the Retirement Plan, remains a separate sub-plan within the HP Pension Plan for purposes of determining benefit amounts. As a result, the merger had no impact on the separate benefit structures of the plans.

HP reduces the benefit payable to a U.S. employee under the Retirement Plan for service before 1993, if any, by any amounts due to the employee under HP's frozen defined contribution Deferred Profit-Sharing Plan (the "DPSP"). HP closed the DPSP to new participants in 1993. The DPSP plan obligations are equal to the plan assets and are recognized as an offset to the Pension Plan when HP calculates its defined benefit pension cost and obligations. The fair value of plan assets and projected

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES**Notes to Consolidated Financial Statements (Continued)****Note 16: Retirement and Post-Retirement Benefit Plans (Continued)**

benefit obligations for the U.S. defined benefit plans combined with the DPSP is as follows for the following fiscal years ended October 31:

	2010		2009	
	Plan Assets	Projected Benefit Obligation	Plan Assets	Projected Benefit Obligation
	In millions			
U.S. defined benefit plans	\$ 9,427	\$ 10,902	\$ 8,371	\$ 10,034
DPSP	927	927	872	872
Total	\$ 10,354	\$ 11,829	\$ 9,243	\$ 10,906

Post-Retirement Benefit Plans

Through fiscal 2005, substantially all of HP's U.S. employees at December 31, 2002 could become eligible for partially subsidized retiree medical benefits and retiree life insurance benefits under the Pre-2003 HP Retiree Medical Program (the "Pre-2003 Program") and certain other retiree medical programs. Plan participants in the Pre-2003 Program make contributions based on their choice of medical option and length of service. U.S. employees hired or rehired on or after January 1, 2003 may become eligible to participate in a post-retirement medical plan, the HP Retiree Medical Program, but must bear the full cost of their participation. Effective January 1, 2006, employees whose combination of age and years of service was less than 62 no longer were eligible for the subsidized Pre-2003 Program, but instead were eligible for the HP Retiree Medical Program. Employees no longer eligible for the Pre-2003 Program, as well as employees hired on or after January 1, 2003, are eligible for certain credits under the HP Retirement Medical Savings Account Plan ("RMSA Plan") upon attaining age 45. Upon retirement, former employees may use credits under the RMSA Plan for the reimbursement of certain eligible medical expenses, including premiums required for coverage under the HP Retiree Medical Program. In February 2007, HP further limited future eligibility for the Pre-2003 HP Retiree Medical Program to those employees who were within five years of satisfying the program's retirement criteria on June 30, 2007. Employees not meeting the modified program criteria may become eligible for participation in the HP Retiree Medical Program. In November 2008, HP announced that it was changing the limits on future cost-sharing for the Pre-2003 Program whereby all future cost increases will be paid by participating retirees starting in 2011. In June 2008, HP modified the RMSA Plan to provide that generally only those employees who were employed with HP as of July 31, 2008 would be eligible to receive employer credits. In September 2008, HP further modified the RMSA Plan to provide that such employees would receive employer credits only in the form of matching contributions.

HP currently collects a retiree drug subsidy from the U.S. federal government relating to the retiree prescription drug benefits that it provides. Collecting the retiree drug subsidy is one of several alternatives under Medicare Part D that employers have in financing these benefits. In March 2010, HP decided to contract with a prescription drug plan, leveraging the employer group waiver plan process, to provide group benefits under Medicare Part D as an alternative to collecting the retiree drug subsidy. This change in retiree prescription drug financing strategy will take effect in 2013, and, due to the health care reform legislation enacted in March 2010, is expected to give HP access to greater U.S. federal subsidies over time to help pay for retiree benefits. Aside from this impact, the health care

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 16: Retirement and Post-Retirement Benefit Plans (Continued)

reform legislation is not expected to affect the cost of HP's retiree welfare programs because the subsidy offered by HP is fixed.

During fiscal year 2010, HP also announced the elimination of company-paid retiree life insurance effective January 1, 2011.

Defined Contribution Plans

HP offers various defined contribution plans for U.S. and non-U.S. employees. Total defined contribution expense was \$535 million in fiscal 2010, \$568 million in fiscal 2009 and \$548 million in fiscal 2008. U.S. employees are automatically enrolled in the Hewlett-Packard Company 401(k) Plan (the "HP 401(k) Plan") when they meet eligibility requirements, unless they decline participation. Similar to HP, EDS offered participation in defined contribution plans for U.S. and non-U.S. employees, including an EDS 401(k) Plan.

During fiscal 2008, HP matched employee contributions to the HP 401(k) Plan with cash contributions up to a maximum of 6% of eligible compensation for U.S. employees hired prior to August 1, 2008. For U.S. employees hired on or after August 1, 2008 HP matched employee contributions up to a maximum of 4% of eligible compensation.

The employer match for the EDS 401(k) Plan was 25% of the employee contribution based on a maximum contribution of 6% of the employee's salary. Effective January 1, 2009, U.S. employees participating in the EDS 401(k) Plan became eligible for a 4% matching contribution on eligible compensation. Similar to the HP 401(k) Plan, contributions are invested at the direction of the employee in various funds, although the EDS 401(k) Plan does not offer an HP stock fund.

Effective April 1, 2009, HP matching contributions under both the HP 401(k) Plan and the EDS 401(k) Plan were changed to a quarterly, discretionary, performance-based match of up to a maximum of 4% of eligible compensation for all U.S. employees to be determined each fiscal quarter based on business results. HP matching contributions may vary from 0% to 100% of the maximum 4% match, based on such factors as quarterly earnings, market share growth, and performance relative to market and economic conditions. HP's matching contributions for each of the quarters in fiscal 2010 were 100% of the maximum 4% match. Effective November 2010, the quarterly employer matching contributions in the HP 401(k) Plan and the EDS 401(k) Plan will no longer be discretionary, but will be equal to 100% of an employee's contributions, up to a maximum of 4% of eligible compensation.

Effective January 31, 2004, HP designated the HP Stock Fund, an investment option under the HP 401(k) Plan, as an Employee Stock Ownership Plan and, as a result, participants in the HP Stock Fund may receive dividends in cash or may reinvest such dividends into the HP Stock Fund. HP paid approximately \$7 million, \$8 million, and \$9 million in dividends for the HP common shares held by the HP Stock Fund in fiscal 2010, 2009, and 2008, respectively. HP records the dividends as a reduction of retained earnings in the Consolidated Statements of Stockholders' Equity. The HP Stock Fund held approximately 22 million shares of HP common stock at October 31, 2010.

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 16: Retirement and Post-Retirement Benefit Plans (Continued)

Pension and Post-Retirement Benefit Expense

HP's net pension and post-retirement benefit cost (gain) recognized in the Consolidated Statements of Earnings was as follows for the following fiscal years ended October 31:

	U.S. Defined Benefit Plans			Non-U.S. Defined Benefit Plans			Post-Retirement Benefit Plans		
	2010	2009	2008	2010	2009	2008	2010	2009	2008
	In millions								
Service cost	\$ 1	\$ 27	\$ 63	\$ 319	\$ 312	\$ 281	\$ 12	\$ 14	\$ 29
Interest cost	578	592	296	657	619	475	47	70	78
Expected return on plan assets	(662)	(533)	(318)	(756)	(669)	(713)	(32)	(32)	(40)
Amortization and deferrals:									
Actuarial loss (gain)	27	(72)	(36)	214	71	1	14	6	19
Prior service benefit	—	—	—	(11)	(9)	(8)	(87)	(78)	(55)
Net periodic benefit cost	(56)	14	5	423	324	36	(46)	(20)	31
Curtailment (gain) loss	—	—	—	(6)	5	—	(13)	(2)	—
Settlement loss (gain)	7	(1)	(1)	7	12	(2)	—	—	—
Special termination benefits	—	—	—	29	55	4	—	—	—
Net benefit (gain) cost	\$ (49)	\$ 13	\$ 4	\$ 453	\$ 396	\$ 38	\$ (59)	\$ (22)	\$ 31

In fiscal 2010, HP recognized aggregate pension curtailment gains and settlement losses totaling \$6 million and \$7 million, respectively, resulting from workforce rebalancing initiatives in several non-U.S. countries. In the United Kingdom, workforce rebalancing initiatives triggered pension termination benefits totaling \$29 million. In the United States, a settlement loss of \$7 million was recognized for payout activity related to non-qualified plans and a curtailment gain of \$13 million was recognized for the elimination of life insurance benefits.

The weighted-average assumptions used to calculate net benefit cost were as follows for the following fiscal years ended October 31:

	U.S. Defined Benefit Plans			Non-U.S. Defined Benefit Plans			Post-Retirement Benefit Plans		
	2010	2009	2008	2010	2009	2008	2010	2009	2008
Discount rate	5.9%	8.0%	6.4%	5.0%	6.0%	5.2%	5.4%	8.2%	6.2%
Average increase in compensation levels	2.0%	2.0%	3.7%	2.5%	2.6%	3.3%	—	—	—
Expected long-term return on assets	8.0%	7.5%	6.7%	7.0%	6.9%	6.8%	9.5%	9.3%	8.7%

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 16: Retirement and Post-Retirement Benefit Plans (Continued)

The medical cost and related assumptions used to calculate the net post-retirement benefit cost for the following fiscal years ended October 31 were as follows:

	<u>2010⁽¹⁾</u>	<u>2009</u>	<u>2008</u>
Current medical cost trend rate	—	9.5%	7.5%
Ultimate medical cost trend rate	—	5.5%	5.5%
Year the medical cost rate reaches ultimate trend rate	—	2013	2010

- (1) In connection with the plan changes announced in November 2008, the employer subsidy for the U.S. retiree medical plans was "frozen" in fiscal 2010. Therefore, trend rates for 2010 and beyond are no longer relevant to the liability calculation since any excess cost will be paid by retirees.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 16: Retirement and Post-Retirement Benefit Plans (Continued)

Funded Status

The funded status of the defined benefit and post-retirement benefit plans was as follows for the following fiscal years ended October 31:

	U.S. Defined Benefit Plans		Non-U.S. Defined Benefit Plans		Post-Retirement Benefit Plans	
	2010	2009	2010	2009	2010	2009
	In millions					
Change in fair value of plan assets:						
Fair value—beginning of year	\$ 8,371	\$ 7,313	\$ 11,325	\$ 9,507	\$ 352	\$ 401
Acquisition/addition/(deletion) of plans	—	—	—	(4)	—	—
Actual return on plan assets	1,224	1,509	1,430	856	56	(15)
Employer contributions	290	55	482	531	25	31
Participants' contributions	—	—	72	84	49	9
Benefits paid	(440)	(488)	(366)	(449)	(108)	(74)
Settlements	(18)	(18)	(73)	(125)	—	—
Currency impact	—	—	(110)	925	—	—
Fair value—end of year	9,427	8,371	12,760	11,325	374	352
Change in benefit obligation:						
Projected benefit obligation—beginning of year	\$ 10,034	\$ 7,654	\$ 14,144	\$ 10,468	\$ 992	\$ 1,096
Acquisition/addition/(deletion) of plans	—	—	5	(40)	—	(9)
Impact of change in measurement date	—	21	—	49	—	1
Service cost	1	27	319	312	12	14
Interest cost	578	592	658	619	47	70
Participants' contributions	—	—	72	84	49	9
Actuarial loss (gain)	747	2,245	1,514	2,106	(120)	60
Benefits paid	(440)	(488)	(366)	(449)	(109)	(74)
Plan amendments	—	1	(26)	(11)	(28)	(179)
Curtailement	—	—	(12)	(22)	—	—
Settlement	(18)	(18)	(73)	(125)	—	—
Special termination benefits	—	—	29	55	—	—
Currency impact	—	—	(175)	1,098	2	4
Projected benefit obligation—end of year	10,902	10,034	16,089	14,144	845	992
Plan assets less than benefit obligation	(1,475)	(1,663)	(3,329)	(2,819)	(471)	(640)
Net amount recognized	\$ (1,475)	\$ (1,663)	\$ (3,329)	\$ (2,819)	\$ (471)	\$ (640)
Accumulated benefit obligation	\$ 10,900	\$ 10,031	\$ 15,204	\$ 13,217		

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 16: Retirement and Post-Retirement Benefit Plans (Continued)

The net amounts recognized for HP's defined benefit and post-retirement benefit plans in HP's Consolidated Balance Sheets as of October 31, 2010 and October 31, 2009 were as follows:

	U.S. Defined Benefit Plans		Non-U.S. Defined Benefit Plans		Post-Retirement Benefit Plans	
	2010	2009	2010	2009	2010	2009
	In millions					
Non-current assets	\$ —	\$ 965	\$ 95	\$ 101	\$ —	\$ —
Current liability	(30)	(29)	(37)	(38)	(39)	(43)
Non-current liability	(1,445)	(2,599)	(3,387)	(2,882)	(432)	(597)
Net amount recognized	<u>\$ (1,475)</u>	<u>\$ (1,663)</u>	<u>\$ (3,329)</u>	<u>\$ (2,819)</u>	<u>\$ (471)</u>	<u>\$ (640)</u>

The following table summarizes the pretax net experience loss (gain) and prior service benefit recognized in accumulated other comprehensive (income) loss for the company's defined benefit and post-retirement benefit plans as of October 31, 2010.

	U.S. Defined Benefit Plans	Non-U.S. Defined Benefit Plans	Post-Retirement Benefit Plans
	In millions		
Net experience loss (gain)	\$ 820	\$ 3,868	\$ (11)
Prior service benefit	—	(114)	(432)
Total recognized in accumulated other comprehensive loss (income)	<u>\$ 820</u>	<u>\$ 3,754</u>	<u>\$ (443)</u>

The following table summarizes the experience loss and prior service benefit that will be amortized from accumulated other comprehensive income and recognized as components of net periodic benefit cost (credit) during the next fiscal year.

	U.S. Defined Benefit Plans	Non-U.S. Defined Benefit Plans	Post-Retirement Benefit Plans
	In millions		
Net experience loss	\$ 34	\$ 261	\$ 2
Prior service benefit	—	(14)	(83)
Total to be recognized in accumulated other comprehensive loss (income)	<u>\$ 34</u>	<u>\$ 247</u>	<u>\$ (81)</u>

The weighted-average assumptions used to calculate the benefit obligation disclosed as of the 2010 and 2009 fiscal close were as follows:

	U.S. Defined Benefit Plans		Non-U.S. Defined Benefit Plans		Post-Retirement Benefit Plans	
	2010	2009	2010	2009	2010	2009
Discount rate	5.6%	5.9%	4.4%	5.0%	4.4%	5.4%
Average increase in compensation levels	2.0%	2.0%	2.5%	2.5%	—	—

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 16: Retirement and Post-Retirement Benefit Plans (Continued)

Defined benefit plans with projected benefit obligations exceeding the fair value of plan assets were as follows:

	U.S. Defined Benefit Plans		Non-U.S. Defined Benefit Plans	
	2010	2009	2010	2009
	In millions			
Aggregate fair value of plan assets	\$ 9,427	\$ 3,516	\$ 11,907	\$ 9,247
Aggregate projected benefit obligation	\$ 10,902	\$ 6,144	\$ 15,331	\$ 12,167

Defined benefit plans with accumulated benefit obligations exceeding the fair value of plan assets were as follows:

	U.S. Defined Benefit Plans		Non-U.S. Defined Benefit Plans	
	2010	2009	2010	2009
	In millions			
Aggregate fair value of plan assets	\$ 9,427	\$ 3,515	\$ 10,529	\$ 7,040
Aggregate accumulated benefit obligation	\$ 10,900	\$ 6,141	\$ 13,140	\$ 9,263

Fair Value Considerations

The table below sets forth the fair value of our plan assets as of October 31, 2010 by asset category, using the same three-level hierarchy of fair-value inputs described in Note 9.

Asset Category:	U.S. Defined Benefit Plans				Non-U.S. Defined Benefit Plans				Post-Retirement Benefit Plans																																																																																																																																																																																																																																													
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total																																																																																																																																																																																																																																										
	In millions																																																																																																																																																																																																																																																					
Equity securities													U.S.	\$ 1,460	\$ 4	\$ —	\$ 1,464	\$ 1,028	\$ 195	\$ 64	\$ 1,287	\$ 68	\$ —	\$ —	\$ 68	Non-U.S.	1,193	—	—	1,193	5,265	652	—	5,917	40	—	—	40	Debt securities													Corporate	—	2,931	—	2,931	2,031	887	6	2,924	—	57	—	57	Government ⁽¹⁾	1,314	992	—	2,306	626	376	—	1,002	14	30	—	44	Alternative Investments													Private													Equities ⁽²⁾	2	—	1,034	1,036	—	—	14	14	—	—	154	154	Hybrids	—	—	6	6	3	18	—	21	—	—	1	1	Hedge Funds	—	—	—	—	102	7	231	340	—	—	—	—	Real Estate													Funds	—	—	—	—	363	171	225	759	—	—	—	—	Insurance Group													Annuity Contracts	—	—	—	—	17	54	74	145	—	—	—	—	Cash and Cash													Equivalents ⁽³⁾	7	484	—	491	305	27	—	332	5	5	—	10	Other ⁽⁴⁾	—	—	—	—	7	10	2	19	—	—	—	—	Total	\$ 3,976	\$ 4,411	\$ 1,040	\$ 9,427	\$ 9,747	\$ 2,397	\$ 616	\$ 12,760	\$ 127	\$ 92	\$ 155	\$ 374
U.S.	\$ 1,460	\$ 4	\$ —	\$ 1,464	\$ 1,028	\$ 195	\$ 64	\$ 1,287	\$ 68	\$ —	\$ —	\$ 68																																																																																																																																																																																																																																										
Non-U.S.	1,193	—	—	1,193	5,265	652	—	5,917	40	—	—	40																																																																																																																																																																																																																																										
Debt securities													Corporate	—	2,931	—	2,931	2,031	887	6	2,924	—	57	—	57	Government ⁽¹⁾	1,314	992	—	2,306	626	376	—	1,002	14	30	—	44	Alternative Investments													Private													Equities ⁽²⁾	2	—	1,034	1,036	—	—	14	14	—	—	154	154	Hybrids	—	—	6	6	3	18	—	21	—	—	1	1	Hedge Funds	—	—	—	—	102	7	231	340	—	—	—	—	Real Estate													Funds	—	—	—	—	363	171	225	759	—	—	—	—	Insurance Group													Annuity Contracts	—	—	—	—	17	54	74	145	—	—	—	—	Cash and Cash													Equivalents ⁽³⁾	7	484	—	491	305	27	—	332	5	5	—	10	Other ⁽⁴⁾	—	—	—	—	7	10	2	19	—	—	—	—	Total	\$ 3,976	\$ 4,411	\$ 1,040	\$ 9,427	\$ 9,747	\$ 2,397	\$ 616	\$ 12,760	\$ 127	\$ 92	\$ 155	\$ 374																																							
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Alternative Investments													Private													Equities ⁽²⁾	2	—	1,034	1,036	—	—	14	14	—	—	154	154	Hybrids	—	—	6	6	3	18	—	21	—	—	1	1	Hedge Funds	—	—	—	—	102	7	231	340	—	—	—	—	Real Estate													Funds	—	—	—	—	363	171	225	759	—	—	—	—	Insurance Group													Annuity Contracts	—	—	—	—	17	54	74	145	—	—	—	—	Cash and Cash													Equivalents ⁽³⁾	7	484	—	491	305	27	—	332	5	5	—	10	Other ⁽⁴⁾	—	—	—	—	7	10	2	19	—	—	—	—	Total	\$ 3,976	\$ 4,411	\$ 1,040	\$ 9,427	\$ 9,747	\$ 2,397	\$ 616	\$ 12,760	\$ 127	\$ 92	\$ 155	\$ 374																																																																														
Private													Equities ⁽²⁾	2	—	1,034	1,036	—	—	14	14	—	—	154	154	Hybrids	—	—	6	6	3	18	—	21	—	—	1	1	Hedge Funds	—	—	—	—	102	7	231	340	—	—	—	—	Real Estate													Funds	—	—	—	—	363	171	225	759	—	—	—	—	Insurance Group													Annuity Contracts	—	—	—	—	17	54	74	145	—	—	—	—	Cash and Cash													Equivalents ⁽³⁾	7	484	—	491	305	27	—	332	5	5	—	10	Other ⁽⁴⁾	—	—	—	—	7	10	2	19	—	—	—	—	Total	\$ 3,976	\$ 4,411	\$ 1,040	\$ 9,427	\$ 9,747	\$ 2,397	\$ 616	\$ 12,760	\$ 127	\$ 92	\$ 155	\$ 374																																																																																											
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Hybrids	—	—	6	6	3	18	—	21	—	—	1	1																																																																																																																																																																																																																																										
Hedge Funds	—	—	—	—	102	7	231	340	—	—	—	—																																																																																																																																																																																																																																										
Real Estate													Funds	—	—	—	—	363	171	225	759	—	—	—	—	Insurance Group													Annuity Contracts	—	—	—	—	17	54	74	145	—	—	—	—	Cash and Cash													Equivalents ⁽³⁾	7	484	—	491	305	27	—	332	5	5	—	10	Other ⁽⁴⁾	—	—	—	—	7	10	2	19	—	—	—	—	Total	\$ 3,976	\$ 4,411	\$ 1,040	\$ 9,427	\$ 9,747	\$ 2,397	\$ 616	\$ 12,760	\$ 127	\$ 92	\$ 155	\$ 374																																																																																																																																															
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Insurance Group													Annuity Contracts	—	—	—	—	17	54	74	145	—	—	—	—	Cash and Cash													Equivalents ⁽³⁾	7	484	—	491	305	27	—	332	5	5	—	10	Other ⁽⁴⁾	—	—	—	—	7	10	2	19	—	—	—	—	Total	\$ 3,976	\$ 4,411	\$ 1,040	\$ 9,427	\$ 9,747	\$ 2,397	\$ 616	\$ 12,760	\$ 127	\$ 92	\$ 155	\$ 374																																																																																																																																																																									
Annuity Contracts	—	—	—	—	17	54	74	145	—	—	—	—																																																																																																																																																																																																																																										
Cash and Cash													Equivalents ⁽³⁾	7	484	—	491	305	27	—	332	5	5	—	10	Other ⁽⁴⁾	—	—	—	—	7	10	2	19	—	—	—	—	Total	\$ 3,976	\$ 4,411	\$ 1,040	\$ 9,427	\$ 9,747	\$ 2,397	\$ 616	\$ 12,760	\$ 127	\$ 92	\$ 155	\$ 374																																																																																																																																																																																																			
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(1) Includes debt issued by national, state and local governments and agencies.

(2) Includes limited partnerships and venture capital partnerships.

(3) Includes cash and cash equivalents such as short-term marketable securities.

(4) Includes international insured contracts and unsettled transactions.

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 16: Retirement and Post-Retirement Benefit Plans (Continued)

Changes in fair value measurements of Level 3 investments during the year ended October 31, 2010, were as follows:

	U.S. Defined Benefit Plans			Non-U.S. Defined Benefit Plans							Post-Retirement Benefit Plans			
	Alternative Investments			Equity	Debt Securities	Alternative Investments			Insurance Group		Alternative Investments			
	Private Equities	Hybrids	Total	US Equities	Corporate Debt	Private Equities	Hedge Funds	Real Estate	Annuities	Other	Total	Private Equities	Hybrids	Total
Beginning balance at October 31, 2009	\$ 911	\$ 20	\$ 931	\$ —	\$ —	\$ 10	\$ 49	\$ 219	\$ 74	\$ 2	\$ 354	\$ 135	\$ 3	\$ 138
Actual return on plan assets:														
Relating to assets still held at the reporting date	—	—	—	(4)	—	1	26	19	3	—	45	19	(2)	17
Relating to assets sold during the period	—	—	—	—	—	—	8	3	(1)	—	10	—	—	—
Purchases, sales, settlements (net)	123	(14)	109	68	5	3	148	(16)	(2)	—	206	—	—	—
Transfers in and/or out of Level 3	—	—	—	—	1	—	—	—	—	—	1	—	—	—
Ending balance at October 31, 2010	\$ 1,034	\$ 6	\$ 1,040	\$ 64	\$ 6	\$ 14	\$ 231	\$ 225	\$ 74	\$ 2	\$ 616	\$ 154	\$ 1	\$ 155

Plan Asset Valuations

The following is a description of the valuation methodologies used for pension plan assets measured at fair value. There have been no changes in the methodologies used during the reporting period.

Investments in securities are valued at the closing price reported on the stock exchange in which the individual securities are traded. For corporate, government, and asset-backed debt securities, fair value is based upon observable inputs of comparable market transactions. For corporate and government debt securities traded on active exchanges, fair value is based upon observable quoted prices. Underlying assets for alternative investments such as limited partnerships, joint ventures and private equities are determined by the general partner or the general partner's designee on a quarter or periodic basis. The valuation for these assets requires judgment due to the absence of quoted market prices, and these assets are therefore classified as Level 3. Cash and cash equivalents includes money market accounts, which are valued based on the net asset value of the shares. Other assets were valued based upon the level of input (e.g., quoted prices, observable inputs (other than Level 1) or unobservable inputs that were significant to the fair value measurement of the assets).

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 16: Retirement and Post-Retirement Benefit Plans (Continued)

Plan Asset Allocations

The weighted-average target and actual asset allocations across the HP and EDS plans at the respective measurement dates were as follows:

Asset Category	U. S. Defined Benefit Plans			Non-U.S. Defined Benefit Plans			Post-Retirement Benefit Plans		
	2010 Target Allocation	Plan Assets		2010 Target Allocation	Plan Assets		2010 Target Allocation	Plan Assets	
		2010	2009		2010	2009		2010	2009
Public equity securities		28.2%	29.3%		57.6%	61.6%		28.9%	36.5%
Private equity securities		11.1%	10.9%		2.9%	—		41.4%	33.5%
Real estate and other		—	0.3%		6.1%	4.2%		—	1.3%
Equity related investments	40.0%	39.3%	40.5%	71.1%	66.6%	65.8%	70.3%	70.3%	71.3%
Public debt securities	60.0%	55.5%	58.7%	28.8%	30.8%	32.9%	27.0%	27.0%	25.9%
Cash	—	5.2%	0.8%	0.1%	2.6%	1.3%	2.7%	2.7%	2.8%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Investment Policy

HP's investment strategy for worldwide plan assets is to seek a competitive rate of return relative to an appropriate level of risk depending on the funded status of each plan. The majority of the plans' investment managers employ active investment management strategies with the goal of outperforming the broad markets in which they invest. Risk management practices include diversification across asset classes and investment styles and periodic rebalancing toward asset allocation targets. A number of the plans' investment managers are authorized to utilize derivatives for investment or liability exposures, and HP utilizes derivatives to effect asset allocation changes or to hedge certain investment or liability exposures.

The target asset allocation selected for each U.S. plan reflects a risk/return profile HP feels is appropriate relative to each plan's liability structure and return goals. HP conducts periodic asset-liability studies for U.S. plan assets in order to model various potential asset allocations in comparison to each plan's forecasted liabilities and liquidity needs. HP invests a portion of the U.S. defined benefit plan assets and post-retirement benefit plan assets in private market securities such as venture capital funds to provide diversification and higher expected returns.

Outside the United States, asset allocation decisions are typically made by an independent board of trustees. As in the U.S., investment objectives are designed to generate returns that will enable the plan to meet its future obligations. In some countries local regulations require adjustments in asset allocation, typically leading to a higher percentage in fixed income than would otherwise be deployed. HP's investment subsidiary acts in a consulting and governance role in reviewing investment strategy and providing a recommended list of investment managers for each country plan, with final decisions on asset allocation and investment managers made by local trustees.

Basis for Expected Long-Term Rate of Return on Plan Assets

The expected long-term rate of return on assets for each U.S. plan reflects the expected returns for each major asset class in which the plan invests and the weight of each asset class in the target mix.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES**Notes to Consolidated Financial Statements (Continued)****Note 16: Retirement and Post-Retirement Benefit Plans (Continued)**

Expected asset class returns reflect the current yield on U.S. government bonds and risk premiums for each asset class. Because HP's investment policy is to employ primarily active investment managers who seek to outperform the broader market, the asset class expected returns are adjusted to reflect the expected additional returns net of fees.

HP closed the acquisition of EDS on August 26, 2008. Effective immediately before the close of fiscal 2009, HP merged the assets of the HP and EDS U.S. pension plans. The expected return on the plan assets, used in calculating the net benefit costs, is 8.0% for fiscal 2011, which reflects the result of the most recent asset allocation study and is commensurate with the investment strategy for the merged U.S. pension plan.

The approach used to arrive at the expected rate of return on assets for the non-U.S. plans reflects the asset allocation policy of each plan and the expected country real returns for equity and fixed income investments. On an annual basis, HP gathers empirical data from the local country subsidiaries to determine expected long-term rates of return for equity and fixed income securities. HP then weights these expected real rates of return based on country specific allocation mixes adjusted for inflation.

Future Contributions and Funding Policy

In fiscal 2011, HP expects to contribute approximately \$747 million to its pension plans and approximately \$30 million to cover benefit payments to U.S. non-qualified plan participants. HP expects to pay approximately \$40 million to cover benefit claims for HP's post-retirement benefit plans. HP's funding policy is to contribute cash to its pension plans so that it meets at least the minimum contribution requirements, as established by local government, funding and taxing authorities.

Estimated Future Benefits Payable

HP estimates that the future benefits payable for the retirement and post-retirement plans in place were as follows at October 31, 2010:

	<u>U.S. Defined Benefit Plans</u>	<u>Non-U.S. Defined Benefit Plans</u>	<u>Post-Retirement Benefit Plans⁽¹⁾</u>
	In millions		
Fiscal year ending October 31			
2011	\$ 532	\$ 403	\$ 84
2012	\$ 559	\$ 417	\$ 83
2013	\$ 580	\$ 444	\$ 78
2014	\$ 607	\$ 482	\$ 76
2015	\$ 509	\$ 517	\$ 75
Next five fiscal years to October 31, 2020	\$ 2,993	\$ 3,285	\$ 341

(1) The estimated future benefits payable for the post-retirement plans are reflected net of the expected Medicare Part D subsidy.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 17: Commitments

HP leases certain real and personal property under non-cancelable operating leases. Certain leases require HP to pay property taxes, insurance and routine maintenance and include renewal options and escalation clauses. Rent expense was approximately \$1,062 million in fiscal 2010, \$1,112 million in fiscal 2009 and \$935 million in fiscal 2008. Sublease rental income was approximately \$46 million in fiscal 2010, \$53 million in fiscal 2009 and \$37 million in fiscal 2008.

At October 31, 2010 and October 31, 2009, property under capital lease, which was comprised primarily of equipment and furniture, was approximately \$688 million and \$723 million, respectively and was included in property, plant and equipment in the accompanying Consolidated Balance Sheets. Accumulated depreciation on the property under capital lease was approximately \$482 million and \$406 million, respectively, at October 31, 2010 and October 31, 2009. The related depreciation is included in depreciation expense.

Future annual minimum lease payments, sublease rental income commitments and capital lease commitments at October 31, 2010 were as follows:

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Thereafter</u>	<u>Total</u>
	In millions						
Minimum lease payments	\$ 917	\$ 855	\$ 622	\$ 373	\$ 279	\$ 643	\$ 3,689
Less: Sublease rental income	(38)	(27)	(24)	(15)	(7)	(13)	(124)
	<u>\$ 879</u>	<u>\$ 828</u>	<u>\$ 598</u>	<u>\$ 358</u>	<u>\$ 272</u>	<u>\$ 630</u>	<u>\$ 3,565</u>
Capital lease commitments	\$ 111	\$ 72	\$ 51	\$ 227	\$ 15	\$ 72	\$ 548
Less: Interest payments	(14)	(12)	(9)	(7)	(4)	(19)	(65)
	<u>\$ 97</u>	<u>\$ 60</u>	<u>\$ 42</u>	<u>\$ 220</u>	<u>\$ 11</u>	<u>\$ 53</u>	<u>\$ 483</u>

At October 31, 2010, HP had unconditional purchase obligations of approximately \$2.6 billion. These unconditional purchase obligations include agreements to purchase goods or services that are enforceable and legally binding on HP and that specify all significant terms, including fixed or minimum quantities to be purchased, fixed, minimum or variable price provisions and the approximate timing of the transaction. Unconditional purchase obligations exclude agreements that are cancelable without penalty. These unconditional purchase obligations are related principally to inventory and other items. Future unconditional purchase obligations at October 31, 2010 were as follows:

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Thereafter</u>	<u>Total</u>
	In millions						
Unconditional purchase obligations	\$ 1,973	\$ 483	\$ 126	\$ 36	\$ 26	\$ —	\$ 2,644

Note 18: Litigation and Contingencies

HP is involved in lawsuits, claims, investigations and proceedings, including those identified below, consisting of intellectual property, commercial, securities, employment, employee benefits and environmental matters that arise in the ordinary course of business. HP records a provision for a liability when management believes that it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. HP believes it has adequate provisions for any such matters. HP reviews these provisions at least quarterly and adjusts these provisions to reflect the impact of negotiations, settlements, rulings, advice of legal counsel, and other information and events pertaining to a particular case. Based on its experience, HP believes that any damage amounts claimed

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 18: Litigation and Contingencies (Continued)

in the specific matters discussed below are not a meaningful indicator of HP's potential liability. Litigation is inherently unpredictable. However, HP believes that it has valid defenses with respect to legal matters pending against it. Nevertheless, it is possible that cash flows or results of operations could be materially affected in any particular period by the unfavorable resolution of one or more of these contingencies or because of the diversion of management's attention and the creation of significant expenses.

Litigation, Proceedings and Investigations

Copyright levies. As described below, proceedings are ongoing or have been concluded involving HP in certain European Union ("EU") member countries, including litigation in Germany and Belgium, seeking to impose or modify levies upon equipment (such as multifunction devices ("MFDs"), personal computers ("PCs") and printers) and alleging that these devices enable producing private copies of copyrighted materials. The levies are generally based upon the number of products sold and the per-product amounts of the levies, which vary. Some EU member countries that do not yet have levies on digital devices are expected to implement similar legislation to enable them to extend existing levy schemes, while some other EU member countries are expected to limit the scope of levy schemes and applicability in the digital hardware environment. HP, other companies and various industry associations have opposed the extension of levies to the digital environment and have advocated alternative models of compensation to rights holders.

VerwertungsGesellschaft Wort ("VG Wort"), a collection agency representing certain copyright holders, instituted legal proceedings against HP in the Stuttgart Civil Court seeking levies on printers. On December 22, 2004, the court held that HP is liable for payments regarding all printers using ASCII code sold in Germany but did not determine the amount payable per unit. HP appealed this decision in January 2005 to the Stuttgart Court of Appeals. On May 11, 2005, the Stuttgart Court of Appeals issued a decision confirming that levies are due. On June 6, 2005, HP filed an appeal to the German Federal Supreme Court in Karlsruhe. On December 6, 2007, the German Federal Supreme Court issued a judgment that printers are not subject to levies under the existing law. The court issued a written decision on January 25, 2008, and VG Wort subsequently filed an application with the German Federal Supreme Court under Section 321a of the German Code of Civil Procedure contending that the court did not consider their arguments. On May 9, 2008, the German Federal Supreme Court denied VG Wort's application. VG Wort appealed the decision by filing a claim with the German Federal Constitutional Court challenging the ruling that printers are not subject to levies. On September 21, 2010, the Constitutional Court published a decision holding that the German Federal Supreme Court erred by not referring questions on interpretation of German copyright law to the Court of Justice of the European Union and therefore revoked the German Federal Supreme Court decision and remitted the matter to it. The German Federal Supreme Court has set a hearing date of March 24, 2011.

In September 2003, VG Wort filed a lawsuit against Fujitsu Siemens Computer GmbH ("FSC") in the Munich Civil Court in Munich, Germany seeking levies on PCs. This is an industry test case in Germany, and HP has agreed not to object to the delay if VG Wort sues HP for such levies on PCs following a final decision against FSC. On December 23, 2004, the Munich Civil Court held that PCs are subject to a levy and that FSC must pay €12 plus compound interest for each PC sold in Germany since March 2001. FSC appealed this decision in January 2005 to the Munich Court of Appeals. On December 15, 2005, the Munich Court of Appeals affirmed the Munich Civil Court decision. FSC filed an appeal with the German Federal Supreme Court in February 2006. On October 2, 2008, the German

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 18: Litigation and Contingencies (Continued)

Federal Supreme Court issued a judgment that PCs were not photocopiers within the meaning of the German copyright law that was in effect until December 31, 2007 and, therefore, not subject to the levies on photocopiers established by that law. VG Wort has filed a claim with the German Federal Constitutional Court challenging that ruling. FSC and BITKOM have responded to VG Wort's claim, and the parties are awaiting a decision by the court as to whether it will accept or decide on the claim for judicial review.

Reprobel, a cooperative society with the authority to collect and distribute the remuneration for reprography to Belgian copyright holders, requested HP by extra-judicial means to amend certain copyright levy declarations submitted for inkjet MFDs sold in Belgium from January 2005 to December 2009 to enable it to collect copyright levies calculated based on the generally higher copying speed when the MFDs are operated in draft print mode rather than when operated in normal print mode. In March 2010, HP filed a lawsuit against Reprobel in the French-speaking chambers of the Court of First Instance of Brussels seeking a declaratory judgment that no copyright levies are payable on sales of MFDs in Belgium or, alternatively, that copyright levies payable on such MFDs must be assessed based on the copying speed when operated in the normal print mode set by default in the device. The schedule for the court proceedings has been determined, and no decision from the court is expected before September 2012.

Based on industry opposition to the extension of levies to digital products, HP's assessments of the merits of various proceedings and HP's estimates of the units impacted and levies, HP has accrued amounts that it believes are adequate to address the matters described above. However, the ultimate resolution of these matters and the associated financial impact on HP, including the number of units impacted, the amount of levies imposed and the ability of HP to recover such amounts through increased prices, remains uncertain.

Skold, et al. v. Intel Corporation and Hewlett-Packard Company is a lawsuit in which HP was joined on June 14, 2004 that is pending in state court in Santa Clara County, California. The lawsuit alleges that HP (along with Intel) misled the public by suppressing and concealing the alleged material fact that systems that use the Intel Pentium 4 processor are less powerful and slower than systems using the Intel Pentium III processor and processors made by a competitor of Intel. The plaintiffs seek unspecified damages, restitution, attorneys' fees and costs, and certification of a nationwide class. On February 27, 2009, the court denied with prejudice plaintiffs' motion for nationwide class certification for a third time. The plaintiffs have appealed the court's decision.

Inkjet Printer Litigation. As described below, HP is involved in several lawsuits claiming breach of express and implied warranty, unjust enrichment, deceptive advertising and unfair business practices where the plaintiffs have alleged, among other things, that HP employed a "smart chip" in certain inkjet printing products in order to register ink depletion prematurely and to render the cartridge unusable through a built-in expiration date that is hidden, not documented in marketing materials to consumers, or both. The plaintiffs have also contended that consumers received false ink depletion warnings and that the smart chip limits the ability of consumers to use the cartridge to its full capacity or to choose competitive products.

- A consolidated lawsuit captioned *In re HP Inkjet Printer Litigation* is pending in the United States District Court for the Northern District of California where the plaintiffs are seeking class certification, restitution, damages (including enhanced damages), injunctive relief, interest, costs, and attorneys' fees. On January 4, 2008, the court heard plaintiffs' motions for class certification and to add a class representative and HP's motion for summary judgment. On July 25, 2008, the

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 18: Litigation and Contingencies (Continued)

court denied all three motions. On March 30, 2009, the plaintiffs filed a renewed motion for class certification. A hearing on the plaintiffs' motion for class certification scheduled for April 9, 2010 was postponed.

- A lawsuit captioned *Blennis v. HP* was filed on January 17, 2007 in the United States District Court for the Northern District of California where the plaintiffs are seeking class certification, restitution, damages (including enhanced damages), injunctive relief, interest, costs, and attorneys' fees. A class certification hearing was scheduled for May 21, 2010 but was taken off the calendar.
- A lawsuit captioned *Rich v. HP* was filed against HP on May 22, 2006 in the United States District Court for the Northern District of California. The suit alleges that HP designed its color inkjet printers to unnecessarily use color ink in addition to black ink when printing black and white images and text. The plaintiffs are seeking to certify a nationwide injunctive class and a California-only damages class. A class certification hearing was scheduled for May 7, 2010 but was taken off the calendar.
- Four class actions against HP and its subsidiary, Hewlett-Packard (Canada) Co., are pending in Canada, one commenced in British Columbia in February 2006, two commenced in Quebec in April 2006 and May 2006, respectively, and one commenced in Ontario in June 2006, where the plaintiffs are seeking class certification, restitution, declaratory relief, injunctive relief and unspecified statutory, compensatory and punitive damages. In March 2010, one of the Quebec cases was voluntarily dismissed by the plaintiff.

On August 25, 2010, HP and the plaintiffs in *In re HP Inkjet Printer Litigation*, *Blennis v. HP* and *Rich v. HP* entered into an agreement to settle those lawsuits on behalf of the proposed classes, which agreement is subject to approval of the court before it becomes final. Under the terms of the proposed settlement, the lawsuits will be consolidated, and eligible class members will each have the right to obtain e-credits not to exceed \$5 million in the aggregate for use in purchasing printers or printer supplies through HP's website. As part of the proposed settlement, HP also agreed to provide class members with additional information regarding HP inkjet printer functionality and to change the content of certain software and user guide messaging provided to users regarding the life of inkjet printer cartridges. In addition, class counsel and the class representatives will be paid attorneys' fees and expenses and stipends in an amount that is yet to be approved by the court. On October 1, 2010, the court granted preliminary approval of the proposed settlement. The court has scheduled a fairness hearing on January 28, 2011 to determine whether to grant final approval of the proposed settlement.

Baggett v. HP is a consumer class action filed against HP on June 6, 2007 in the United States District Court for the Central District of California alleging that HP employs a technology in its LaserJet color printers whereby the printing process shuts down prematurely, thus preventing customers from using the toner that is allegedly left in the cartridge. The plaintiffs also allege that HP fails to disclose to consumers that they will be unable to utilize the toner remaining in the cartridge after the printer shuts down. The complaint seeks certification of a nationwide class of purchasers of all HP LaserJet color printers and seeks unspecified damages, restitution, disgorgement, injunctive relief, attorneys' fees and costs. On September 29, 2009, the court granted HP's motion for summary judgment against the named plaintiff and denied plaintiff's motion for class certification as moot. On November 3, 2009, the court entered judgment against the named plaintiff. On November 17, 2009, plaintiff filed an appeal of the court's summary judgment ruling with the United States Court of Appeals for the Ninth Circuit. On August 25, 2010, HP and the plaintiff entered into an agreement to

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 18: Litigation and Contingencies (Continued)

settle the lawsuit on behalf of the proposed class, which agreement is subject to approval of the court before it becomes final. Under the terms of the proposed settlement, eligible class members will each have the right to obtain e-credits not to exceed \$5 million in the aggregate for use in purchasing printers or printer supplies through HP's website. In addition, class counsel and the class representative will be paid attorneys' fees and expenses and stipends in an amount that is yet to be approved by the court. On October 13, 2010, the court granted preliminary approval of the proposed settlement. The court has scheduled a fairness hearing for January 31, 2011 to determine whether to grant final approval of the proposed settlement.

Fair Labor Standards Act Litigation. HP is involved in several lawsuits in which the plaintiffs are seeking unpaid overtime compensation and other damages based on allegations that various employees of EDS or HP have been misclassified as exempt employees under the Fair Labor Standards Act and/or in violation of the California Labor Code or other state laws. Those matters include the following:

- Cunningham and Cunningham, et al. v. Electronic Data Systems Corporation is a purported collective action filed on May 10, 2006 in the U.S. District Court for the Southern District of New York claiming that current and former EDS employees involved in installing and/or maintaining computer software and hardware were misclassified as exempt employees. Another purported collective action, Steavens, et al. v. Electronic Data Systems Corporation, which was filed on October 23, 2007, is also now pending in the same court alleging similar facts. The Steavens case has been consolidated for pretrial purposes with the Cunningham case. On December 14, 2010, the court granted conditional certification of the class in the consolidated Cunningham and Steavens matter.
- Heffelfinger, et al. v. Electronic Data Systems Corporation is a class action filed in November 2006 in California Superior Court claiming that certain EDS information technology workers in California were misclassified as exempt employees. The case was subsequently transferred to the U.S. District Court for the Central District of California, which, on January 7, 2008, certified a class of information technology workers in California. On June 6, 2008, the court granted the defendant's motion for summary judgment. The plaintiffs subsequently filed an appeal with the U.S. Court of Appeals for the Ninth Circuit, which is pending. Two other purported class actions originally filed in California Superior Court, Karlbom, et al. v. Electronic Data Systems Corporation, which was filed on March 16, 2009, and George, et al. v. Electronic Data Systems Corporation, which was filed on April 2, 2009, allege similar facts. The Karlbom case is pending in San Diego County Superior Court but has been temporarily stayed based on the pending motions in the Steavens consolidated matter. The George case is pending in the U.S. District Court for the Southern District of New York and has been consolidated for pretrial purposes with the Cunningham and Steavens cases.

India Directorate of Revenue Intelligence Proceedings. As described below, Hewlett-Packard India Sales Private Ltd ("HPI"), a subsidiary of HP, and certain current and former HP employees have received show cause notices from the India Directorate of Revenue Intelligence (the "DRI") alleging underpayment of certain customs duties:

- On April 30 and May 10, 2010, the DRI issued show cause notices to HPI, seven current HP employees and one former HP employee alleging that HP has underpaid customs duties while importing products and spare parts into India and seeking to recover an aggregate of approximately \$370 million, plus penalties. On June 2, 2010, the DRI issued an additional show

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 18: Litigation and Contingencies (Continued)

cause notice to HPI and three current HPI employees alleging that HP failed to pay customs duties on the appropriate value of recovery CDs containing Microsoft operating systems and seeking to recover approximately \$5.3 million, plus penalties. HP has deposited a total of approximately \$16.7 million with the DRI and agreed to post a provisional bond in exchange for the DRI's agreement not to seize HP products and spare parts and not to interrupt the transaction of business by HP in India.

- On June 17, 2010, the DRI issued show cause notices to HPI and two current HPI employees regarding non-inclusion of the value of software contained in the products imported from third party original design manufacturers. The total amount of the alleged unpaid customs duties relating to such software, including the interest proposed to be demanded under these notices, is approximately \$130,000, which amount HPI has deposited with the DRI. The DRI is also seeking to impose penalties.
- On October 1, 2010, in connection with an existing DRI investigation commenced against SAP AG, the DRI issued a show cause notice to HPI alleging underpayment of customs duties related to the importation of certain SAP software. The amount of the alleged duty differential is approximately \$38,000, which amount has been deposited with the DRI. The DRI is also seeking to impose interest and penalties.

HP intends to contest each of the show cause notices through the judicial process. HP has responded or is in the process of responding to the show cause notices.

Russia GPO and Related Investigations. The German Public Prosecutor's Office ("German PPO") has been conducting an investigation into allegations that current and former employees of HP engaged in bribery, embezzlement and tax evasion relating to a transaction between Hewlett-Packard ISE GmbH in Germany, a former subsidiary of HP, and the Chief Public Prosecutor's Office of the Russian Federation. The €35 million transaction, which was referred to as the Russia GPO deal, spanned the years 2001 to 2006 and was for the delivery and installation of an IT network.

The U.S. Department of Justice and the SEC have also been conducting an investigation into the Russia GPO deal and potential violations of the Foreign Corrupt Practices Act ("FCPA"). Under the FCPA, a person or an entity could be subject to fines, civil penalties of up to \$500,000 per violation and equitable remedies, including disgorgement and other injunctive relief. In addition, criminal penalties could range from the greater of \$2 million per violation or twice the gross pecuniary gain or loss from the violation.

In addition to information about the Russia GPO deal, the U.S. enforcement authorities have requested (i) information related to certain other transactions, including transactions in Russia, Serbia and in the Commonwealth of Independent States (CIS) subregion dating back to 2000, and (ii) information related to two former HP executives seconded to Russia and to whether HP personnel in Russia, Germany, Austria, Serbia, the Netherlands or CIS were involved in kickbacks or other improper payments to channel partners, or state owned or private entities.

HP is cooperating with these investigating agencies.

In addition, as described below, HP is involved in stockholder derivative litigation arising from the Russia GPO deal, the related investigations and other matters commenced against current and former

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 18: Litigation and Contingencies (Continued)

members of the HP Board of Directors in which the plaintiffs are seeking to recover certain compensation paid by HP to the defendants and other damages:

- *Henrietta Klein v. Mark V. Hurd, et al.*, is a lawsuit filed on September 24, 2010 in California Superior Court alleging the individual defendants wasted corporate assets and breached their fiduciary duties by failing to implement and oversee HP's compliance with the FCPA.
- *Saginaw Police & Fire Pension Fund v. Marc L. Andreessen, et al.*, is a lawsuit filed on October 19, 2010 in United States District Court for the Northern District of California alleging, among other things, that the defendants breached their fiduciary duties and were unjustly enriched by consciously disregarding HP's alleged violations of the FCPA.

Leak Investigation Proceedings. As described below, HP is or has been the subject of various governmental inquiries concerning the processes employed in an investigation into leaks of HP confidential information to members of the media that concluded in May 2006:

- In August 2006, HP was informally contacted by the Attorney General of the State of California requesting information concerning the processes employed in the leak investigation. On December 7, 2006, HP announced that it entered into an agreement with the California Attorney General to resolve civil claims arising from the leak investigation, including a claim made by the California Attorney General in a Santa Clara County Superior Court action filed on December 7, 2006, that HP committed unfair business practices under California law in connection with the leak investigation. As a result of this agreement, which includes an injunction, the California Attorney General will not pursue civil claims against HP or its current and former directors, officers and employees. Under the terms of the agreement, HP paid a total of \$14.5 million and agreed to implement and maintain for five years a series of measures designed to ensure that HP's corporate investigations are conducted in accordance with California law and the company's high ethical standards. Of the \$14.5 million, \$13.5 million has been used to create a Privacy and Piracy Fund to assist California prosecutors in investigating and prosecuting consumer privacy and information piracy violations, \$650,000 was used to pay statutory damages and \$350,000 reimbursed the California Attorney General's office for its investigation costs. There was no finding of liability against HP as part of the settlement.
- Beginning in September 2006, HP received requests from the Committee on Energy and Commerce of the U.S. House of Representatives (the "Committee") for records and information concerning the leak investigation, securities transactions by HP officers and directors, including an August 25, 2006, securities transaction by Mark Hurd, HP's former Chairman and Chief Executive Officer, and related matters. HP has responded to those requests. In addition, Mr. Hurd voluntarily gave testimony to the Committee regarding the leak investigation on September 28, 2006.
- In September 2006, HP was informally contacted by the U.S. Attorney for the Northern District of California requesting similar information concerning the processes employed in the leak investigation. HP has responded to that request.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 18: Litigation and Contingencies (Continued)

- Beginning in September 2006, HP has received requests from the Division of Enforcement of the Securities and Exchange Commission for records and information and interviews with current and former HP directors and officers relating to the leak investigation, the resignation of Thomas J. Perkins from HP's Board of Directors, HP's May 22, 2006 and September 6, 2006 filings with the SEC on Form 8-K, stock repurchases by HP and securities transactions by its officers and directors that occurred between May 1 and October 1, 2006, and HP's policies, practices and approval of securities transactions. In May 2007, HP consented to the entry of an order by the SEC ordering HP to cease and desist from committing or causing violations of the public reporting requirements of the Securities Exchange Act of 1934, as amended. HP has been advised by the staff of the Division of Enforcement that the staff has completed its investigation and does not intend to recommend that any other SEC enforcement action be brought in connection with these matters.
- In September 2006, HP received a request from the U.S. Federal Communications Commission for records and information relating to the processes employed in the leak investigation. HP has responded to that request.

In addition, four stockholder derivative lawsuits have been filed in California purportedly on behalf of HP stockholders seeking to recover damages for alleged breach of fiduciary duty and to require HP to improve its corporate governance and internal control procedures as a result of the activities of the leak investigation: *Staehr v. Dunn, et al.* was filed in Santa Clara County Superior Court on September 18, 2006; *Worsham v. Dunn, et al.* was filed in Santa Clara County Superior Court on September 14, 2006; *Tansey v. Dunn, et al.* was filed in Santa Clara County Superior Court on September 20, 2006; and *Hall v. Dunn, et al.* was filed in Santa Clara County Superior Court on September 25, 2006. On October 19, 2006, the Santa Clara County Superior Court consolidated the four California cases under the caption *In re Hewlett-Packard Company Derivative Litigation*. The consolidated complaint filed on November 19, 2006, also seeks to recover damages in connection with sales of HP stock alleged to have been made by certain current and former HP officers and directors while in possession of material non-public information. Two additional stockholder derivative lawsuits, *Pifko v. Babbio, et al.*, filed on September 19, 2006, and *Gross v. Babbio, et al.*, filed on November 21, 2006, were filed in Chancery Court, County of New Castle, Delaware; both seek to recover damages for alleged breaches of fiduciary duty and to obtain an order instructing the defendants to refrain from further breaches of fiduciary duty and to implement corrective measures that will prevent future occurrences of the alleged breaches of fiduciary duty. On January 24, 2007, the Delaware court consolidated the two cases under the caption *In re Hewlett-Packard Company Derivative Litigation* and subsequently stayed the proceedings, as the parties had reached a tentative settlement. The HP Board of Directors appointed a Special Litigation Committee consisting of independent Board members authorized to investigate, review and evaluate the facts and circumstances asserted in these derivative matters and to determine how HP should proceed in these matters. On December 14, 2007, HP and the plaintiffs in the California and Delaware derivative actions entered into an agreement to settle those lawsuits. Under the terms of the settlement, HP agreed to continue certain corporate governance changes until December 31, 2012 and to pay the plaintiffs' attorneys' fees. The California court granted final approval to the settlement on March 11, 2008 and subsequently granted plaintiffs' counsel's fee application and dismissed the action. On June 12, 2008, the Delaware court granted final approval to the settlement and the plaintiffs' application for attorneys' fees and also dismissed the action. Because neither the dismissal of the California nor the Delaware derivative action was thereafter appealed, both cases are now concluded.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 18: Litigation and Contingencies (Continued)

Environmental

HP is subject to various federal, state, local and foreign laws and regulations concerning environmental protection, including laws addressing the discharge of pollutants into the air and water, the management and disposal of hazardous substances and wastes, the cleanup of contaminated sites, the materials used in its products, and the recycling, treatment and disposal of its products including batteries. In particular, HP faces increasing complexity in its product design and procurement operations as it adjusts to new and future requirements relating to the chemical and materials composition of its products, their safe use, and the energy consumption associated with those products, including requirements relating to climate change. HP products are also subject to product take-back legislation in an increasing number of jurisdictions. HP could incur substantial costs, its products could be restricted from entering certain jurisdictions, and it could face other sanctions, if it were to violate or become liable under environmental laws or if its products become non-compliant with environmental laws. HP's potential exposure includes fines and civil or criminal sanctions, third-party property damage or personal injury claims and clean up costs. The amount and timing of costs under environmental laws are difficult to predict.

HP is party to, or otherwise involved in, proceedings brought by U.S. or state environmental agencies under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), known as "Superfund," or state laws similar to CERCLA. HP is also conducting environmental investigations or remediations at several current or former operating sites pursuant to administrative orders or consent agreements with state environmental agencies.

Note 19: Segment Information

Description of Segments

HP is a leading global provider of products, technologies, software, solutions and services to individual consumers, small- and medium-sized businesses, and large enterprises, including customers in the government, health and education sectors. HP's offerings span multi-vendor customer services, including infrastructure technology and business process outsourcing, technology support and maintenance, application development and support services, and consulting and integration services; enterprise information technology infrastructure, including enterprise storage and server technology, networking products and solutions, information management software and software that optimizes business technology investments; personal computing and other access devices; and imaging and printing-related products and services.

HP and its operations are organized into seven business segments for financial reporting purposes: Services, Enterprise Storage and Servers ("ESS"), HP Software, the Personal Systems Group ("PSG"), the Imaging and Printing Group ("IPG"), HP Financial Services ("HPFS"), and Corporate Investments. HP's organizational structure is based on a number of factors that management uses to evaluate, view and run its business operations, which include, but are not limited to, customer base, homogeneity of products and technology. The business segments are based on this organizational structure and information reviewed by HP's management to evaluate the business segment results. Services, ESS and HP Software are reported collectively as a broader HP Enterprise Business. In order to provide a supplementary view of HP's business, aggregated financial data for the HP Enterprise Business is presented herein.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 19: Segment Information (Continued)

HP has reclassified segment operating results for fiscal 2009 and fiscal 2008 to conform to certain fiscal 2010 organizational realignments. None of the changes impacts HP's previously reported consolidated net revenue, earnings from operations, net earnings or net earnings per share. Future changes to this organizational structure may result in changes to the business segments disclosed.

A description of the types of products and services provided by each business segment follows.

HP Enterprise Business.

Each of the business segments within the HP Enterprise Business is described in detail below.

- *Services* provides consulting, outsourcing and technology services across infrastructure, applications and business process domains. Services is divided into four main business units: infrastructure technology outsourcing, technology services, applications services and business process outsourcing. Infrastructure technology outsourcing delivers comprehensive services that encompass the data center and the workplace (desktop); network and communications; and security, compliance and business continuity. HP also offers a set of managed services, providing a cross-section of its broader infrastructure services for smaller discrete engagements. Technology services include consulting and support services, such as mission critical services, converged infrastructure services, networking services, data center transformation services and infrastructure services, as well as warranty support across HP's product lines. Applications services help clients revitalize and manage their applications assets through flexible, project-based, consulting services and longer-term outsourcing contracts. These full life cycle services encompass application development, testing, modernization, system integration, maintenance and management. Business process outsourcing solutions include a broad array of enterprise shared services, customer relationship management services, financial process management services and administrative services.
- *Enterprise Storage and Servers* provides storage and server products. The various server offerings range from entry-level servers to high-end scalable servers, including Superdome servers. Industry standard servers include primarily entry-level and mid-range ProLiant servers, which run primarily Windows, Linux and Novell operating systems and leverage Intel Corporation ("Intel") and Advanced Micro Devices ("AMD") processors. The business spans a range of product lines, including pedestal-tower servers, density-optimized rack servers and HP's BladeSystem family of server blades. Business Critical Systems include HP Integrity servers based on the Intel Itanium-based processor that run HP-UX, Microsoft Windows and OpenVMS operating systems, as well as fault-tolerant HP Integrity NonStop solutions. Business Critical Systems' portfolio of server solutions includes Scale-up x86 ProLiant Servers, the BladeSystem architecture-based Integrity blade servers and the Superdome 2 server solution. HP's StorageWorks offerings include entry-level, mid-range and high-end arrays, storage area networks ("SANs"), network attached storage ("NAS"), storage management software, and virtualization technologies, as well as StoreOnce data deduplication solutions, tape drives, tape libraries and optical archival storage.
- *HP Software* provides enterprise software and services. Enterprise IT management products and services, which are marketed as HP's business technology optimization (BTO) portfolio, help customers to manage IT infrastructure and services, operations, applications, and business processes and to automate data center operations and IT processes. Solutions are delivered in the form of traditional software licenses and, in some cases, via a software-as-a-service (SaaS) distribution model. Other software includes information management, business intelligence, and

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 19: Segment Information (Continued)

communications and media solutions. Our information management products and services automate the retention, management, search and segregation of information across the enterprise. Business intelligence solutions enable businesses to standardize on consistent data management schemes, connect and share data across the enterprise and apply analytics. Communications and media solutions enable service providers, media companies, and network equipment providers to create, deliver, and manage consumer and enterprise communications services.

HP's business segments not included in HP Enterprise Business are described below.

- *Personal Systems Group* provides commercial PCs, consumer PCs, workstations, handheld computing devices, calculators and other related accessories, software and services for the commercial and consumer markets. Commercial PCs are optimized for commercial uses, including enterprise and small- and medium-sized business ("SMB") customers, and for connectivity and manageability in networked environments. Commercial PCs include the HP Compaq, HP Pro, and HP Elite lines of business desktops and notebooks, as well as the All in One Touchsmart and Omni PCs, HP Mini-Note PC, HP Blade PCs, Retail POS systems, and HP Thin Clients. Consumer PCs are targeted at the home user and include the HP Pavilion and Compaq Presario series of multi media consumer desktops and notebooks, as well as the HP Pavilion Elite desktops, HP Envy Premium notebooks, Touchsmart PCs, All in One PC, HP and Compaq Mini notebooks, and the Media Smart Home Server. HP's Z series desktop workstations and HP Elitebook Mobile Workstations provide advanced graphics, computing, and large modeling capabilities, certified with applications in a wide range of industries and running both Windows and Linux operating systems. PSG provides a series of HP iPAQ Pocket PC handheld computing devices that run on Windows Mobile software. These products range from basic PDAs to advanced devices with voice and data capability.
- *Imaging and Printing Group* provides consumer and commercial printer hardware, printing supplies, printing media and scanning devices. IPG is also focused on imaging solutions in the commercial markets. These solutions range from managed print services solutions to addressing new growth opportunities in commercial printing and capturing high-value pages in areas such as industrial applications, outdoor signage, and the graphic arts business. Inkjet and Web Solutions delivers HP's consumer and SMB inkjet solutions (hardware, supplies, media) and develops HP's retail and web businesses. It includes single function and all-in-one inkjet printers targeted toward consumers and SMBs as well as retail publishing solutions, Snapfish, and Logoworks. LaserJet and Enterprise Solutions delivers products and services to the enterprise segment. It includes LaserJet printers and supplies, multi-function printers, scanners, and enterprise software solutions such as Exstream Software and Web Jetadmin. Managed enterprise solutions include managed print services products and solutions delivered to enterprise customers partnering with third-party software providers to offer workflow solutions in the enterprise environment. Graphics solutions include large format printing (Designjet and Scitex), large format supplies, WebPress supplies, Indigo printing, specialty printing systems and inkjet high-speed production solutions. Printer supplies include LaserJet toner and inkjet printer cartridges and other printing-related media.
- *HP Financial Services* supports and enhances HP's global product and services solutions, providing a broad range of value-added financial life cycle management services. HPFS enables HP's worldwide customers to acquire complete IT solutions, including hardware, software and

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES**Notes to Consolidated Financial Statements (Continued)****Note 19: Segment Information (Continued)**

services. HPFS offers leasing, financing, utility programs, and asset recovery services, as well as financial asset management services, for large global and enterprise customers. HPFS also provides an array of specialized financial services to SMBs and educational and governmental entities. HPFS offers innovative, customized and flexible alternatives to balance unique customer cash flow, technology obsolescence and capacity needs.

- *Corporate Investments* includes HP Labs, network infrastructure products, mobile devices associated with the Palm acquisition, and certain business incubation projects. Revenue in this segment is attributable to the sale of certain network infrastructure products, which span from the data center to the edge of the network and are sold under the ProCurve, 3Com and TippingPoint brands. The segment also includes certain video collaboration products sold under the brand "Halo," and Palm smartphones, which are targeted at the consumer segment and include the Pixi and Pre models running on the WebOS operating system. This segment also derives revenue from licensing specific HP technology to third parties.

Segment Data

HP derives the results of the business segments directly from its internal management reporting system. The accounting policies HP uses to derive business segment results are substantially the same as those the consolidated company uses. Management measures the performance of each business segment based on several metrics, including earnings from operations. Management uses these results, in part, to evaluate the performance of, and to assign resources to, each of the business segments. HP does not allocate to its business segments certain operating expenses, which it manages separately at the corporate level. These unallocated costs include primarily restructuring charges and any associated adjustments related to restructuring actions, amortization of purchased intangible assets, stock-based compensation expense related to HP-granted employee stock options, PRUs, restricted stock awards and the employee stock purchase plan, certain acquisition-related charges and charges for purchased IPR&D, as well as certain corporate governance costs.

Selected operating results information for each business segment was as follows for the following fiscal years ended October 31:

	<u>Total Net Revenue</u>			<u>Earnings (Loss) from Operations</u>		
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
	In millions					
Services ⁽¹⁾	\$ 34,935	\$ 34,693	\$ 20,977	\$ 5,609	\$ 5,044	\$ 2,518
Enterprise Storage and Servers	18,651	15,359	19,400	2,402	1,518	2,577
HP Software	3,586	3,572	4,220	759	684	499
HP Enterprise Business	57,172	53,624	44,597	8,770	7,246	5,594
Personal Systems Group	40,741	35,305	42,295	2,032	1,661	2,375
Imaging and Printing Group	25,764	24,011	29,614	4,412	4,310	4,559
HP Financial Services	3,047	2,673	2,698	281	206	192
Corporate Investments ⁽²⁾	1,863	768	965	132	(56)	49
Segment total	<u>\$ 128,587</u>	<u>\$ 116,381</u>	<u>\$ 120,169</u>	<u>\$ 15,627</u>	<u>\$ 13,367</u>	<u>\$ 12,769</u>

(1) Includes the results of EDS, which was acquired on August 26, 2008, from the date of acquisition.

(2) Includes the results of 3Com and Palm acquisitions completed in April 2010 and July 2010, respectively.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 19: Segment Information (Continued)

The reconciliation of segment operating results information to HP consolidated totals was as follows for the following fiscal years ended October 31:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
	In millions		
Net revenue:			
Segment total	\$ 128,587	\$ 116,381	\$ 120,169
Elimination of intersegment net revenue and other	(2,554)	(1,829)	(1,805)
Total HP consolidated net revenue	<u>\$ 126,033</u>	<u>\$ 114,552</u>	<u>\$ 118,364</u>
Earnings before taxes:			
Total segment earnings from operations	\$ 15,627	\$ 13,367	\$ 12,769
Corporate and unallocated costs and eliminations	(614)	(219)	(461)
Unallocated costs related to certain stock-based compensation expense	(613)	(552)	(512)
Amortization of purchased intangible assets	(1,484)	(1,578)	(1,012)
Acquisition-related charges	(293)	(242)	(41)
Restructuring charges	(1,144)	(640)	(270)
Interest and other, net	(505)	(721)	—
Total HP consolidated earnings before taxes	<u>\$ 10,974</u>	<u>\$ 9,415</u>	<u>\$ 10,473</u>

HP allocates its assets to its business segments based on the primary segments benefiting from the assets. The total assets allocated to Corporate Investments increased 870% in fiscal 2010 mostly due to the 3Com and Palm acquisitions. As described above, fiscal 2010 segment asset information is stated based on the fiscal 2010 organizational structure. Total assets by segment as well as for HP Enterprise Business and the reconciliation of segment assets to HP consolidated total assets were as follows at October 31:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
	In millions		
Services	\$ 44,218	\$ 43,555	\$ 42,507
Enterprise Storage and Servers	14,760	11,662	11,644
HP Software	10,653	8,936	8,919
HP Enterprise Business	<u>\$ 69,631</u>	<u>\$ 64,153</u>	<u>\$ 63,070</u>
Personal Systems Group	15,832	14,825	16,436
Imaging and Printing Group	12,090	11,698	14,156
HP Financial Services	12,054	10,806	9,174
Corporate Investments	4,460	460	365
Corporate and unallocated assets	10,436	12,857	10,130
Total HP consolidated assets	<u>\$ 124,503</u>	<u>\$ 114,799</u>	<u>\$ 113,331</u>

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES**Notes to Consolidated Financial Statements (Continued)****Note 19: Segment Information (Continued)***Major Customers*

No single customer represented 10% or more of HP's total net revenue in any fiscal year presented.

Geographic Information

Net revenue, classified by the major geographic areas in which HP operates, was as follows for the following fiscal years ended October 31:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
	In millions		
Net revenue:			
U.S.	\$ 44,542	\$ 41,314	\$ 36,932
Non-U.S.	81,491	73,238	81,432
Total HP consolidated net revenue	<u>\$ 126,033</u>	<u>\$ 114,552</u>	<u>\$ 118,364</u>

Net revenue by geographic area is based upon the sales location that predominately represents the customer location. For each of the years ended October 31, 2010, 2009 and 2008, other than the United States, no country represented more than 10% of HP's total consolidated net revenue. HP reports revenue net of sales taxes, use taxes and value-added taxes directly imposed by governmental authorities on HP's revenue producing transactions with its customers.

At October 31, 2010, the United States held 10% or more of HP's total consolidated net assets. At October 31, 2009 and 2008, Belgium and the United States comprised 10% or more of HP's total consolidated net assets.

No single country other than the United States had more than 10% of HP's total consolidated net property, plant and equipment in any period presented. HP's long-lived assets other than goodwill and purchased intangible assets are composed principally of net property, plant and equipment.

Net property, plant and equipment, classified by major geographic areas in which HP operates, was as follows for the following fiscal years ended October 31:

	<u>2010</u>	<u>2009</u>
	In millions	
Net property, plant and equipment:		
U.S.	\$ 6,479	\$ 6,316
Non-U.S.	5,284	4,946
Total HP consolidated net property, plant and equipment	<u>\$ 11,763</u>	<u>\$ 11,262</u>

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 19: Segment Information (Continued)

Net revenue by segment and business unit

The following table provides net revenue by segment and business unit for the following fiscal years ended October 31:

	<u>2010</u>	<u>2009⁽³⁾</u>	<u>2008⁽³⁾</u>
	<u>In millions</u>		
Net revenue:			
Infrastructure technology outsourcing	\$ 15,963	\$ 15,554	\$ 7,778
Technology services	9,681	9,719	10,007
Application services	6,123	6,194	2,411
Business process outsourcing	2,872	2,977	723
Other	296	249	58
Services ⁽¹⁾	<u>34,935</u>	<u>34,693</u>	<u>20,977</u>
Industry standard servers	12,574	9,296	11,657
Storage	3,785	3,473	4,205
Business critical systems	2,292	2,590	3,538
Enterprise Storage and Servers	<u>18,651</u>	<u>15,359</u>	<u>19,400</u>
Business technology optimization	2,440	2,385	2,792
Other software	1,146	1,187	1,428
HP Software	<u>3,586</u>	<u>3,572</u>	<u>4,220</u>
HP Enterprise Business	<u>57,172</u>	<u>53,624</u>	<u>44,597</u>
Notebooks	22,545	20,210	22,657
Desktops	15,478	12,864	16,643
Workstations	1,786	1,261	1,885
Handhelds	87	172	360
Other	845	798	750
Personal Systems Group	<u>40,741</u>	<u>35,305</u>	<u>42,295</u>
Supplies	17,249	16,532	18,472
Commercial hardware	5,569	4,778	7,422
Consumer hardware	2,946	2,701	3,720
Imaging and Printing Group	<u>25,764</u>	<u>24,011</u>	<u>29,614</u>
HP Financial Services	3,047	2,673	2,698
Corporate Investments ⁽²⁾	1,863	768	965
Total segments	<u>128,587</u>	<u>116,381</u>	<u>120,169</u>
Eliminations of inter-segment net revenue and other	<u>(2,554)</u>	<u>(1,829)</u>	<u>(1,805)</u>
Total HP consolidated net revenue	<u>\$ 126,033</u>	<u>\$ 114,552</u>	<u>\$ 118,364</u>

(1) Includes the results of EDS, which was acquired on August 26, 2008, from the date of acquisition.

(2) Includes the results of 3Com and Palm acquisitions completed in April 2010 and July 2010, respectively.

(3) Certain fiscal 2010 organizational reclassifications have been reflected retroactively to provide improved visibility and comparability. In fiscal 2009 and fiscal 2008, the reclassifications resulted in the transfer of revenue among the business units within the Services segment only. There was no impact on the previously reported segment financial results.

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES
Quarterly Summary
(Unaudited)
(In millions, except per share amounts)

	<u>Three-month periods ended in fiscal 2010</u>			
	<u>January 31</u>	<u>April 30</u>	<u>July 31</u>	<u>October 31</u>
Net revenue	\$ 31,177	\$ 30,849	\$ 30,729	\$ 33,278
Cost of sales ⁽¹⁾	24,062	23,601	23,402	25,024
Research and development	681	722	742	814
Selling, general and administrative	2,932	3,064	3,154	3,435
Amortization of purchased intangible assets	330	347	383	424
Restructuring charges	131	180	598	235
Acquisition-related charges	38	77	127	51
Total costs and expenses	28,174	27,991	28,406	29,983
Earnings from operations	3,003	2,858	2,323	3,295
Interest and other, net	(199)	(91)	(134)	(81)
Earnings before taxes	2,804	2,767	2,189	3,214
Provision for taxes	554	567	416	676
Net earnings	\$ 2,250	\$ 2,200	\$ 1,773	\$ 2,538
Net earnings per share: ⁽²⁾				
Basic	\$ 0.95	\$ 0.94	\$ 0.76	\$ 1.13
Diluted	\$ 0.93	\$ 0.91	\$ 0.75	\$ 1.10
Cash dividends paid per share	\$ 0.08	\$ 0.08	\$ 0.08	\$ 0.08
Range of per share stock prices on the New York Stock Exchange				
Low	\$ 46.80	\$ 46.46	\$ 41.94	\$ 37.32
High	\$ 52.95	\$ 54.75	\$ 52.95	\$ 47.80

	<u>Three-month periods ended in fiscal 2009</u>			
	<u>January 31</u>	<u>April 30</u>	<u>July 31</u>	<u>October 31</u>
Net revenue	\$ 28,807	\$ 27,383	\$ 27,585	\$ 30,777
Cost of sales ⁽¹⁾	22,073	20,945	21,031	23,475
Research and development	732	716	667	704
Selling, general and administrative	2,893	2,880	2,874	2,966
Amortization of purchased intangible assets	418	380	379	401
Restructuring charges	146	94	362	38
Acquisition-related charges	48	75	59	60
Total costs and expenses	26,310	25,090	25,372	27,644
Earnings from operations	2,497	2,293	2,213	3,133
Interest and other, net	(232)	(180)	(177)	(132)
Earnings before taxes	2,265	2,113	2,036	3,001
Provision for taxes	409	392	365	589
Net earnings	\$ 1,856	\$ 1,721	\$ 1,671	\$ 2,412
Net earnings per share: ⁽²⁾				
Basic	\$ 0.77	\$ 0.72	\$ 0.70	\$ 1.02
Diluted	\$ 0.75	\$ 0.71	\$ 0.69	\$ 0.99
Cash dividends paid per share	\$ 0.08	\$ 0.08	\$ 0.08	\$ 0.08
Range of per share stock prices on the New York Stock Exchange				
Low	\$ 28.23	\$ 25.39	\$ 33.40	\$ 42.14
High	\$ 39.53	\$ 37.40	\$ 43.55	\$ 49.20

(1) Cost of products, cost of services and financing interest.

(2) EPS for each quarter is computed using the weighted-average number of shares outstanding during that quarter, while EPS for the fiscal year is computed using the weighted-average number of shares outstanding during the year. Thus, the sum of the EPS for each of the four quarters may not equal the EPS for the fiscal year.

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ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

ITEM 9A. Controls and Procedures.

Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, as of the end of the period covered by this report (the "Evaluation Date"). Based on this evaluation, our principal executive officer and principal financial officer concluded as of the Evaluation Date that our disclosure controls and procedures were effective such that the information relating to HP, including our consolidated subsidiaries, required to be disclosed in our Securities and Exchange Commission ("SEC") reports (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to HP's management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during our most recently completed fiscal quarter. Based on that evaluation, our principal executive officer and principal financial officer concluded that there has not been any change in our internal control over financial reporting during that quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

See Management's Report on Internal Control over Financial Reporting in Item 8, which is incorporated herein by reference.

ITEM 9B. Other Information.

The disclosure below is included in this report in lieu of filing a Current Report on Form 8-K to report events that have occurred within four business days prior to the filing of this report.

On December 15, 2010, HP entered into a Letter Agreement (the "Agreement") with Catherine A. Lesjak, HP's Executive Vice President and Chief Financial Officer. The following is a summary of the principal terms of the Agreement:

- The term of the Agreement is three years, during which time Ms. Lesjak will continue to serve as HP's Executive Vice President and Chief Financial Officer.
- During the term of the Agreement, Ms. Lesjak's annual base salary and target annual incentive will be maintained at their current levels, and the long-term incentive awards that she has been granted to date will not be reduced, provided that the Board of Directors may grant future increases, and provided further that each may be reduced if, respectively, the base salaries, target annual incentives, and/or long-term incentive awards are reduced for substantially all other Executive Vice Presidents in a substantially similar manner.
- In the event of a "qualifying termination" (as defined in the Agreement) of her employment with HP during the term of the Agreement, Ms. Lesjak will receive (i) a cash severance benefit under the Hewlett-Packard Company Severance Plan for Executive Officers calculated by multiplying by two the sum of (A) her annual base salary as in effect immediately before termination of employment and (B) average annualized cash bonus under the Hewlett-Packard

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Company 2005 Pay for Results Plan (the "PfR Plan") for the two full fiscal years' prior to termination of employment, (ii) a pro-rata annual cash bonus under the PfR Plan for the fiscal year in which her termination occurs, (iii) payout on any performance-based restricted stock unit awards based on actual performance as if she had remained employed during the entire performance period, and (iv) the release of all restrictions and accelerated vesting of other equity awards.

- In the event of a "qualifying termination" (as defined in the Agreement) of her employment with HP during the term of the Agreement and within 12 months after a "change in control" of HP (as defined in the Hewlett-Packard Company Amended and Restated 2004 Stock Incentive Plan), Ms Lesjak will receive the same benefits described in the preceding paragraph except that (i) the pro-rata annual cash bonus under the PfR Plan for the fiscal year in which her termination occurs will be determined assuming continued accruals with respect to such bonus at the rate in effect immediately prior to the change in control, and (ii) the payout on her performance-based restricted stock unit awards will be determined assuming target performance on all metrics for all uncompleted periods.

The foregoing summary of the Agreement does not purport to be complete and is qualified in its entirety by reference to the Agreement, which is filed hereto as Exhibit 10(1)(1) and is incorporated herein by reference.

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PART III

ITEM 10. Directors, Executive Officers and Corporate Governance.

The names of the executive officers of HP and their ages, titles and biographies as of the date hereof are incorporated by reference from Part I, Item 1, above.

The following information is included in HP's Proxy Statement related to its 2011 Annual Meeting of Stockholders to be filed within 120 days after HP's fiscal year end of October 31, 2010 (the "Proxy Statement") and is incorporated herein by reference:

- Information regarding directors of HP who are standing for reelection and any persons nominated to become directors of HP is set forth under "Election of Directors."
- Information regarding HP's Audit Committee and designated "audit committee financial experts" is set forth under "Board Structure and Committee Composition—Audit Committee."
- Information on HP's code of business conduct and ethics for directors, officers and employees, also known as the "Standards of Business Conduct," and on HP's Corporate Governance Guidelines is set forth under "Corporate Governance Principles and Board Matters."
- Information regarding Section 16(a) beneficial ownership reporting compliance is set forth under "Section 16(a) Beneficial Ownership Reporting Compliance."

ITEM 11. Executive Compensation.

The following information is included in the Proxy Statement and is incorporated herein by reference:

- Information regarding HP's compensation of its named executive officers is set forth under "Executive Compensation."
- Information regarding HP's compensation of its directors is set forth under "Director Compensation and Stock Ownership Guidelines."
- The report of HP's HR and Compensation Committee is set forth under "HR and Compensation Committee Report on Executive Compensation."

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following information is included in the Proxy Statement and is incorporated herein by reference:

- Information regarding security ownership of certain beneficial owners, directors and executive officers is set forth under "Common Stock Ownership of Certain Beneficial Owners and Management."
- Information regarding HP's equity compensation plans, including both stockholder approved plans and non-stockholder approved plans, is set forth in the section entitled "Equity Compensation Plan Information."

ITEM 13. Certain Relationships and Related Transactions, and Director Independence.

The following information is included in the Proxy Statement and is incorporated herein by reference:

- Information regarding transactions with related persons is set forth under "Transactions with Related Persons."

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- Information regarding director independence is set forth under "Corporate Governance Principles and Board Matters—Director Independence."

ITEM 14. Principal Accountant Fees and Services.

Information regarding principal auditor fees and services is set forth under "Principal Accountant Fees and Services" in the Proxy Statement, which information is incorporated herein by reference.

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PART IV

ITEM 15. Exhibits and Financial Statement Schedules.

(a) The following documents are filed as part of this report:

1. All Financial Statements:

The following financial statements are filed as part of this report under Item 8—"Financial Statements and Supplementary Data."

Reports of Independent Registered Public Accounting Firm	70
Management's Report on Internal Control Over Financial Reporting	72
Consolidated Statements of Earnings	73
Consolidated Balance Sheets	74
Consolidated Statements of Cash Flows	75
Consolidated Statements of Stockholders' Equity	76
Notes to Consolidated Financial Statements	77
Quarterly Summary	155

2. Financial Statement Schedules:

Schedule II—Valuation and Qualifying Accounts for the three fiscal years ended October 31, 2010.

All other schedules are omitted as the required information is inapplicable or the information is presented in the Consolidated Financial Statements and notes thereto in Item 8 above.

3. Exhibits:

A list of exhibits filed or furnished with this report on Form 10-K (or incorporated by reference to exhibits previously filed or furnished by HP) is provided in the accompanying Exhibit Index. HP will furnish copies of exhibits for a reasonable fee (covering the expense of furnishing copies) upon request. Stockholders may request exhibits copies by contacting:

Hewlett-Packard Company
Attn: Investor Relations
3000 Hanover Street
Palo Alto, CA 94304
(866) GET-HPQ1 or (866) 438-4771

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES
Valuation and Qualifying Accounts

	For the fiscal years ended October 31		
	2010	2009	2008
	In millions		
Allowance for doubtful accounts—accounts receivable:			
Balance, beginning of period	\$ 629	\$ 553	\$ 226
Increase in allowance from acquisitions	7	—	245
Addition of bad debt provision	80	282	226
Deductions, net of recoveries	(191)	(206)	(144)
Balance, end of period	<u>\$ 525</u>	<u>\$ 629</u>	<u>\$ 553</u>
Allowance for doubtful accounts—financing receivables:			
Balance, beginning of period	\$ 108	\$ 90	\$ 84
Additions to allowance	76	63	49
Deductions, net of recoveries	(44)	(45)	(43)
Balance, end of period	<u>\$ 140</u>	<u>\$ 108</u>	<u>\$ 90</u>

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<u>Signature</u>	<u>Title(s)</u>	<u>Date</u>
/s/ RAJIV L. GUPTA	Director	December 15, 2010
Rajiv L. Gupta		
/s/ JOHN H. HAMMERGREN	Director	December 15, 2010
John H. Hammergren		
/s/ JOEL Z. HYATT	Director	December 15, 2010
Joel Z. Hyatt		
/s/ JOHN R. JOYCE	Director	December 15, 2010
John R. Joyce		
/s/ RAYMOND J. LANE	Director	December 15, 2010
Raymond J. Lane		
/s/ ROBERT L. RYAN	Director	December 15, 2010
Robert L. Ryan		
/s/ LUCILLE S. SALHANY	Director	December 15, 2010
Lucille S. Salhany		
/s/ G. KENNEDY THOMPSON	Director	December 15, 2010
G. Kennedy Thompson		

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES
EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit(s)	Filing Date
3(a)	Registrant's Certificate of Incorporation.	10-Q	001-04423	3(a)	June 12, 1998
3(b)	Registrant's Amendment to the Certificate of Incorporation.	10-Q	001-04423	3(b)	March 16, 2001
3(c)	Registrant's Amended and Restated By-Laws effective November 1, 2010.				
4(a)	Form of Senior Indenture.	S-3	333-30786	4.1	March 17, 2000
4(b)	Form of Registrant's Fixed Rate Note and Floating Rate Note and related Officers' Certificate.	8-K	001-04423	4.1, 4.2 and 4.4	May 24, 2001
4(c)	Form of Registrant's 6.50% Global Note due July 1, 2012, and form of related Officers' Certificate.	8-K	001-04423	4.2 and 4.3	June 27, 2002
4(d)	Form of Registrant's Fixed Rate Note and form of Floating Rate Note.	8-K	001-04423	4.1 and 4.2	December 11, 2002
4(e)	Indenture, dated as of June 1, 2000, between the Registrant and J.P. Morgan Trust Company, National Association (formerly Chase Manhattan Bank), as Trustee.	S-3	333-134327	4.9	June 7, 2006
4(f)	Form of Registrant's Floating Rate Global Note due March 1, 2012, form of 5.25% Global Note due March 1, 2012 and form of 5.40% Global Note due March 1, 2017.	8-K	001-04423	4.1, 4.2 and 4.3	February 28, 2007
4(g)	Form of Registrant's Floating Rate Global Note due September 3, 2009, 4.50% Global Note due March 1, 2013 and 5.50% Global Note due March 1, 2018.	8-K	001-04423	4.1, 4.2 and 4.3	February 29, 2008
4(h)	Form of Registrant's 6.125% Global Note due March 1, 2014 and form of related Officers' Certificate.	8-K	001-04423	4.1 and 4.2	December 8, 2008
4(i)	Form of Registrant's Floating Rate Global Note due February 24, 2011, 4.250% Global Note due February 24, 2012 and 4.750% Global Note due June 2, 2014 and form of related Officers' Certificate.	8-K	001-04423	4.1, 4.2, 4.3 and 4.4	February 27, 2009

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Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit(s)	Filing Date
4(j)	Form of Registrant's Floating Rate Global Note due May 27, 2011, 2.25% Global Note due May 27, 2011 and 2.95% Global Note due August 15, 2012 and form of related Officers' Certificate.	8-K	001-04423	4.1, 4.2, 4.3 and 4.4	May 28, 2009
4(k)	Form of Registrant's Floating Rate Global Note due September 13, 2012, Form of 1.250% Global Note due September 13, 2013, and Form of 2.125% Global Note due September 13, 2015 and related Officers' Certificate.	8-K	001-04423	4.1, 4.2, 4.3 and 4.4	September 13, 2010
4(l)	Speciman certificate for the Registrant's common stock.	8-A/A	001-04423	4.1	June 23, 2006
9	None.				
10(a)	Registrant's 2004 Stock Incentive Plan.*	S-8	333-114253	4.1	April 7, 2004
10(b)	Registrant's 2000 Stock Plan, amended and restated effective September 17, 2008.*	10-K	001-04423	10(b)	December 18, 2008
10(c)	Registrant's 1997 Director Stock Plan, amended and restated effective November 1, 2005.*	8-K	001-04423	99.4	November 23, 2005
10(d)	Registrant's 1995 Incentive Stock Plan, amended and restated effective May 1, 2007.*	10-Q	001-04423	10(d)	June 8, 2007
10(e)	Registrant's 1990 Incentive Stock Plan, amended and restated effective May 1, 2007.*	10-Q	001-04423	10(e)	June 8, 2007
10(f)	Compaq Computer Corporation 2001 Stock Option Plan, amended and restated effective November 21, 2002.*	10-K	001-04423	10(f)	January 21, 2003
10(g)	Compaq Computer Corporation 1998 Stock Option Plan, amended and restated effective November 21, 2002.*	10-K	001-04423	10(g)	January 21, 2003
10(h)	Compaq Computer Corporation 1995 Equity Incentive Plan, amended and restated effective November 21, 2002.*	10-K	001-04423	10(h)	January 21, 2003

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Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit(s)	Filing Date
10(i)	Compaq Computer Corporation 1989 Equity Incentive Plan, amended and restated effective November 21, 2002.*	10-K	001-04423	10(i)	January 21, 2003
10(j)	Compaq Computer Corporation 1985 Nonqualified Stock Option Plan for Non-Employee Directors.*	S-3	333-86378	10.5	April 18, 2002
10(k)	Amendment of Compaq Computer Corporation Non-Qualified Stock Option Plan for Non-Employee Directors, effective September 3, 2001.*	S-3	333-86378	10.11	April 18, 2002
10(l)	Compaq Computer Corporation 1998 Former Nonemployee Replacement Option Plan.*	S-3	333-86378	10.9	April 18, 2002
10(m)	Registrant's Excess Benefit Retirement Plan, amended and restated as of January 1, 2006.*	8-K	001-04423	10.2	September 21, 2006
10(n)	Hewlett-Packard Company Cash Account Restoration Plan, amended and restated as of January 1, 2005.*	8-K	001-04423	99.3	November 23, 2005
10(o)	Registrant's 2005 Pay-for-Results Plan.*	8-K	001-04423	99.5	November 23, 2005
10(p)	Registrant's 2005 Executive Deferred Compensation Plan, as amended and restated effective October 1, 2006.*	8-K	001-04423	10.1	September 21, 2006
10(q)	First Amendment to the Registrant's 2005 Executive Deferred Compensation Plan, as amended and restated effective October 1, 2006.*	10-Q	001-04423	10(q)	June 8, 2007
10(r)	Employment Agreement, dated June 9, 2005, between Registrant and R. Todd Bradley.*	10-Q	001-04423	10(x)	September 8, 2005
10(s)	Employment Agreement, dated July 11, 2005, between Registrant and Randall D. Mott.*	10-Q	001-04423	10(y)	September 8, 2005
10(t)	Registrant's Amended and Restated Severance Plan for Executive Officers.*	8-K	001-04423	99.1	July 27, 2005
10(u)	Form letter to participants in the Registrant's Pay-for-Results Plan for fiscal year 2006.*	10-Q	001-04423	10(w)	March 10, 2006

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Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit(s)	Filing Date
10(v)	Registrant's Executive Severance Agreement.*	10-Q	001-04423	10(u)(u)	June 13, 2002
10(w)	Registrant's Executive Officers Severance Agreement.*	10-Q	001-04423	10(v)(v)	June 13, 2002
10(x)	Form letter regarding severance offset for restricted stock and restricted units.*	8-K	001-04423	10.2	March 22, 2005
10(y)	Form of Indemnity Agreement between Compaq Computer Corporation and its executive officers.*	10-Q	001-04423	10(x)(x)	June 13, 2002
10(z)	Form of Stock Option Agreement for Registrant's 2004 Stock Incentive Plan, Registrant's 2000 Stock Plan, as amended, Registrant's 1995 Incentive Stock Plan, as amended, the Compaq Computer Corporation 2001 Stock Option Plan, as amended, the Compaq Computer Corporation 1998 Stock Option Plan, as amended, the Compaq Computer Corporation 1995 Equity Incentive Plan, as amended and the Compaq Computer Corporation 1989 Equity Incentive Plan, as amended.*	10-Q	001-04423	10(a)(a)	June 8, 2007
10(a)(a)	Form of Restricted Stock Agreement for Registrant's 2004 Stock Incentive Plan, Registrant's 2000 Stock Plan, as amended, and Registrant's 1995 Incentive Stock Plan, as amended.*	10-Q	001-04423	10(b)(b)	June 8, 2007
10(b)(b)	Form of Restricted Stock Unit Agreement for Registrant's 2004 Stock Incentive Plan.*	10-Q	001-04423	10(c)(c)	June 8, 2007
10(c)(c)	Form of Stock Option Agreement for Registrant's 1990 Incentive Stock Plan, as amended.*	10-K	001-04423	10(e)	January 27, 2000
10(d)(d)	Form of Common Stock Payment Agreement and Option Agreement for Registrant's 1997 Director Stock Plan, as amended.*	10-Q	001-04423	10(j)(j)	March 11, 2005

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Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit(s)	Filing Date
10(e)(e)	Form of Restricted Stock Grant Notice for the Compaq Computer Corporation 1989 Equity Incentive Plan.*	10-Q	001-04423	10(w)(w)	June 13, 2002
10(f)(f)	Forms of Stock Option Notice for the Compaq Computer Corporation Non-Qualified Stock Option Plan for Non-Employee Directors, as amended.*	10-K	001-04423	10(r)(r)	January 14, 2005
10(g)(g)	Form of Long-Term Performance Cash Award Agreement for Registrant's 2004 Stock Incentive Plan and Registrant's 2000 Stock Plan, as amended.*	10-K	001-04423	10(t)(t)	January 14, 2005
10(h)(h)	Amendment One to the Long-Term Performance Cash Award Agreement for the 2004 Program.*	10-Q	001-04423	10(q)(q)	September 8, 2005
10(i)(i)	Form of Long-Term Performance Cash Award Agreement for the 2005 Program.*	10-Q	001-04423	10(r)(r)	September 8, 2005
10(j)(j)	Form of Long-Term Performance Cash Award Agreement.*	10-Q	001-04423	10(o)(o)	March 10, 2006
10(k)(k)	Second Amendment to the Registrant's 2005 Executive Deferred Compensation Plan, as amended and restated effective October 1, 2006.*	10-K	001-04423	10(l)(l)	December 18, 2007
10(l)(l)	Form of Stock Notification and Award Agreement for awards of performance-based restricted units.*	8-K	001-04423	10.1	January 24, 2008
10(m)(m)	Form of Agreement Regarding Confidential Information and Proprietary Developments (California).*	8-K	001-04423	10.2	January 24, 2008
10(n)(n)	Form of Agreement Regarding Confidential Information and Proprietary Developments (Texas).*	10-Q	001-04423	10(o)(o)	March 10, 2008
10(o)(o)	Form of Restricted Stock Agreement for Registrant's 2004 Stock Incentive Plan.*	10-Q	001-04423	10(p)(p)	March 10, 2008
10(p)(p)	Form of Restricted Stock Unit Agreement for Registrant's 2004 Stock Incentive Plan.*	10-Q	001-04423	10(q)(q)	March 10, 2008

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Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit(s)	Filing Date
10(q)(q)	Form of Stock Option Agreement for Registrant's 2004 Stock Incentive Plan.*	10-Q	001-04423	10(r)(r)	March 10, 2008
10(r)(r)	Form of Special Performance-Based Cash Incentive Notification Letter.*	8-K	001-04423	10.1	May 20, 2008
10(s)(s)	Form of Option Agreement for Registrant's 2000 Stock Plan.*	10-Q	001-04423	10(t)(t)	June 6, 2008
10(t)(t)	Form of Common Stock Payment Agreement for Registrant's 2000 Stock Plan.*	10-Q	001-04423	10(u)(u)	June 6, 2008
10(u)(u)	Third Amendment to the Registrant's 2005 Executive Deferred Compensation Plan, as amended and restated effective October 1, 2006.*	10-K	001-04423	10(v)(v)	December 18, 2008
10(v)(v)	Form of Stock Notification and Award Agreement for awards of restricted stock units.*	10-K	001-04423	10(w)(w)	December 18, 2008
10(w)(w)	Form of Stock Notification and Award Agreement for awards of performance-based restricted units.*	10-K	001-04423	10(x)(x)	December 18, 2008
10(x)(x)	Form of Stock Notification and Award Agreement for awards of non-qualified stock options.*	10-K	001-04423	10(y)(y)	December 18, 2008
10(y)(y)	Form of Stock Notification and Award Agreement for awards of restricted stock.*	10-K	001-04423	10(z)(z)	December 18, 2008
10(z)(z)	Form of Restricted Stock Unit Agreement for Registrant's 2004 Stock Incentive Plan.*	10-Q	001-04423	10(a)(a)(a)	March 10, 2009
10(a)(a)(a)	First Amendment to the Hewlett-Packard Company Excess Benefit Retirement Plan.*	10-Q	001-04423	10(b)(b)(b)	March 10, 2009
10(b)(b)(b)	Fourth Amendment to the Registrant's 2005 Executive Deferred Compensation Plan, as amended and restated effective October 1, 2006.*	10-Q	001-04423	10(c)(c)(c)	June 5, 2009
10(c)(c)(c)	Fifth Amendment to the Registrant's 2005 Executive Deferred Compensation Plan, as amended and restated effective October 1, 2006.*	10-Q	001-04423	10(d)(d)(d)	September 4, 2009

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Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit(s)	Filing Date
10(d)(d)(d)	Amended and Restated Hewlett-Packard Company 2004 Stock Incentive Plan.*	8-K	001-04423	10.2	March 23, 2010
10(e)(e)(e)	Employment Agreement, dated September 29, 2010, between the Registrant and Léo Apotheker.*	8-K	001-04423	10.1	October 1, 2010
10(f)(f)(f)	Form of Stock Notification and Award Agreement for awards of restricted stock units.*				
10(g)(g)(g)	Form of Stock Notification and Award Agreement for awards of performance-based restricted units.*				
10(h)(h)(h)	Form of Stock Notification and Award Agreement for awards of restricted stock.*				
10(i)(i)(i)	Form of Stock Notification and Award Agreement for awards of non-qualified stock options.*				
10(j)(j)(j)	Form of Agreement Regarding Confidential Information and Proprietary Developments (California—new hires).*				
10(k)(k)(k)	Form of Agreement Regarding Confidential Information and Proprietary Developments (California—current employees).*				
10(l)(l)(l)	Letter Agreement, dated December 15, 2010, between the Registrant and Catherine A. Lesjak.*				
11	None.				
12	Statement of Computation of Ratio of Earnings to Fixed Charges.				
13-14	None.				
16	None.				
18	None.				
21	Subsidiaries of the Registrant as of October 31, 2010.				
22	None.				

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<u>Exhibit Number</u>	<u>Exhibit Description</u>	<u>Incorporated by Reference</u>			
		<u>Form</u>	<u>File No.</u>	<u>Exhibit(s)</u>	<u>Filing Date</u>
23	Consent of Independent Registered Public Accounting Firm.				
24	Power of Attorney (included on the signature page)				
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.				
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.				
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.†				
33-35	None.				
101.INS	XBRL Instance Document.§				
101.SCH	XBRL Taxonomy Extension Schema Document.§				
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.§				
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.§				
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.§				
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.§				

* Indicates management contract or compensatory plan, contract or arrangement.

Filed herewith.

† Furnished herewith.

§ Furnished herewith. In accordance with Rule 406T of Regulation S-T, the information in these exhibits shall not be deemed to be "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to liability under that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, except as expressly set forth by specific reference in such filing.

The registrant agrees to furnish to the Commission supplementally upon request a copy of (1) any instrument with respect to long-term debt not filed herewith as to which the total amount of securities authorized thereunder does not exceed 10 percent of the total assets of the registrant and its subsidiaries on a consolidated basis and (2) any omitted schedules to any material plan of acquisition, disposition or reorganization set forth above.

AMENDED AND RESTATED
BYLAWS
OF
HEWLETT-PACKARD COMPANY
(A Delaware Corporation)
ARTICLE I
CORPORATE OFFICES

1.1 Registered Office. The registered office of Hewlett-Packard Company ("HP") will be fixed in the Certificate of Incorporation of HP.

1.2 Other Offices. The Board of Directors may at any time establish branch or subordinate offices at any place or places where HP is qualified to do business.

ARTICLE II
MEETINGS OF STOCKHOLDERS

2.1 Place of Meetings. Meetings of stockholders will be held at any place within or outside the State of Delaware designated by the Board of Directors. In lieu of holding a stockholders' meeting at a designated place, the Board of Directors, in its sole discretion, may determine that any stockholders' meeting may be held solely by means of remote communication. In the absence of any such designation, stockholders' meetings will be held at the registered office of HP.

2.2 Annual Meeting.

(a) The annual meeting of stockholders will be held each year on a date and at a time designated by the Board of Directors or its delegate. At the meeting, directors will be elected, and any other proper business may be transacted.

(b) At an annual meeting of the stockholders, only such nominations for director will be made and only such other business will be conducted as will have been properly brought before the meeting. To be properly brought before an annual meeting, nominations and other business must be: (i) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (ii) otherwise properly brought before the meeting by or at the direction of the Board of Directors, or (iii) otherwise properly brought before the meeting by a stockholder of record at the time of giving notice provided for in these Bylaws, who is entitled to vote at the meeting and who complies with the notice procedures set forth in this Section 2.2.

(c) For nominations or other business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the secretary of HP and such other business must be a proper subject for stockholder action. To be

timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of HP not later than the close of business on the ninetieth (90th) day nor earlier than the close of business on the one hundred twentieth (120th) day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that no annual meeting was held in the previous year or the date of the annual meeting is more than thirty (30) days before or more than sixty (60) days after the anniversary date of the previous year's annual meeting, notice by the stockholder to be timely must be so received not earlier than the close of business on the one hundred twentieth (120th) day prior to the annual meeting and not later than the close of business on the later of (x) the ninetieth (90th) day prior to the annual meeting and (y) the tenth (10th) day following the date on which public announcement of the date of such meeting is first made. For purposes of this Section 2.2, a "public announcement" will mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or a comparable national news service or in a document publicly filed by HP with the Securities and Exchange Commission, or in a notice pursuant to the applicable rules of an exchange on which the securities of HP are listed. In no event will the public announcement of an adjournment or postponement of a stockholders meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above.

(d) A stockholder's notice to the secretary will set forth as to each matter the stockholder proposes to bring before the annual meeting (other than director nominations, which are governed by paragraph (f) of this Section 2.2): (i) a brief description of the business desired to be brought before the annual meeting, the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend the Bylaws of HP, the language of the proposed amendment), the reasons for conducting such business at the annual meeting and any material interest in such business of the stockholder and the beneficial owner (within the meaning of Section 13(d) of the Securities Exchange Act of 1934 (the "1934 Act")), if any, on whose behalf the business is being proposed, (ii) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the business is being proposed: (A) the name and address, as they appear on HP's books, of the stockholder proposing such business, and the name and address of the beneficial owner, (B) the class and number of shares of HP which are owned of record by the stockholder and the beneficial owner as of the date of the notice, and the stockholder's agreement to notify HP in writing within five (5) business days after the record date for the annual meeting of the class and number of shares of HP owned of record by the stockholder and the beneficial owner as of the record date for the meeting, and (C) a representation that the stockholder intends to appear in person or by proxy at the meeting to propose such business, and (iii) as to the stockholder giving the notice or, if the notice is given on behalf of a beneficial owner on whose behalf the business is being proposed, as to the beneficial owner: (A) the class and number of shares of HP which are beneficially owned by the stockholder or beneficial owner as of the date of the notice, and the stockholder's agreement to notify HP in writing within five (5) business days after the record date for the meeting of the class and number of shares of HP beneficially owned by the stockholder or beneficial owner as of the record date for the meeting, (B) a description of any agreement, arrangement or understanding with respect to the business between or among the stockholder or beneficial owner and any other person, including without limitation any agreements that would be required to be disclosed pursuant to Item 5 or Item 6 of 1934 Act Schedule 13D (regardless of whether the requirement to file a Schedule 13D is applicable to the stockholder or beneficial owner) and the stockholder's agreement to notify HP in writing within

five (5) business days after the record date for the annual meeting of any such agreement, arrangement or understanding in effect as of the record date for the meeting, and (C) a description of any agreement, arrangement or understanding (including any derivative or short positions, profit interests, options, hedging transactions, and borrowed or loaned shares) that has been entered into as of the date of the stockholder's notice by, or on behalf of, the stockholder or beneficial owner, the effect or intent of which is to mitigate loss, manage risk or benefit from changes in the share price of any class of shares of HP, or increase or decrease the voting power of the stockholder or beneficial owner with respect to shares of HP, and the stockholder's agreement to notify HP in writing within five (5) business days after the record date for such meeting of any such agreement, arrangement or understanding in effect as of the record date for the meeting.

Notwithstanding anything in these Bylaws to the contrary, no business will be conducted at any annual meeting except in accordance with the procedures set forth in this Section 2.2. The chairman of the annual meeting may determine and declare, if the facts warrant, at the meeting that business was not properly brought before the meeting and in accordance with the provisions of this Section 2.2, and, if he or she should so determine, he or she will so declare at the meeting that any such business not properly brought before the meeting will not be transacted. Notwithstanding the foregoing provisions of this Section 2.2, unless otherwise required by law, if the stockholder does not provide the information required under clauses (ii)(B) and (iii)(A) through (iii)(C) of this Section 2.2(d) to HP within five (5) business days following the record date for an annual meeting of stockholders or if the stockholder (or a qualified representative of the stockholder) does not appear at the annual meeting to present the business described in the stockholder's notice delivered pursuant to this Section 2.2(d), such business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by HP. For purposes of this Section 2.2, to be considered a qualified representative of the stockholder, a person must be a duly authorized officer, manager or partner of such stockholder or authorized by a writing executed by such stockholder (or a reliable reproduction or electronic transmission of the writing) delivered to HP prior to the proposing of the business at the meeting by the stockholder stating that the person is authorized to act for the stockholder as proxy at the meeting of stockholders.

Notwithstanding the foregoing, in order to include information with respect to a stockholder proposal in the proxy statement and form of proxy for an annual meeting, stockholders must provide notice as required by the regulations promulgated under the 1934 Act, and the foregoing notice requirements of this Section 2.2 will not apply to stockholders who have notified HP of their intention to present a stockholder proposal only pursuant to and in compliance with such regulations.

(e) Only persons who are nominated in accordance with the procedures set forth in this paragraph (e) and the following paragraph (f) will be eligible for election as directors. Nominations of persons for election to the Board of Directors of HP may be made at an annual meeting of stockholders, or at a special meeting of stockholders at which directors are to be elected pursuant to the notice for such meeting, by or at the direction of the Board of Directors or by any stockholder of record of HP at the time of giving notice provided for in these Bylaws, who is entitled to vote in the election of directors at the meeting and who complies with the notice procedures set forth in this Section 2.2.

(f) Nominations, other than those made by or at the direction of the Board of Directors, will be made pursuant to timely notice in writing to the secretary of HP in accordance with the time periods described in paragraph (c) of this Section 2.2 in the case of an annual meeting and paragraph (c) of Section 2.3 in the case of a special meeting. Such stockholder's notice will set forth (i) as to each person, if any, whom the stockholder proposes to nominate for election or re-election as a director: (A) the name, age, business address and residence address of such person, (B) the principal occupation or employment of such person, (C) the class and number of shares of HP which are owned by such person, including shares beneficially owned and shares held of record, (D) any other information relating to such person that is required to be disclosed in solicitations of proxies for elections of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the 1934 Act (including without limitation such person's written consent to being named in the proxy statement, if any, as a nominee and to serving as a director if elected), and (E) a written statement executed by such nominee acknowledging that, as a director of such corporation, such person will owe a fiduciary duty, under the General Corporation Law of the State of Delaware, exclusively to HP and its stockholders; (ii) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination is being made: (A) the name and address, as they appear on HP's books, of the stockholder giving the notice, and the name and address of the beneficial owner, (B) the class and number of shares of HP which are owned of record by the stockholder and the beneficial owner as of the date of the notice, and the stockholder's agreement to notify HP in writing within five (5) business days after the record date for the annual meeting of the class and number of shares of HP owned of record by the stockholder and the beneficial owner as of the record date for the meeting, and (C) a representation that the stockholder intends to appear in person or by proxy at the meeting to present the nomination, and (iii) as to the stockholder giving the notice or, if the notice is given on behalf of a beneficial owner on whose behalf the nomination is being made, as to the beneficial owner: (A) the class and number of shares of HP which are beneficially owned by the stockholder or beneficial owner as of the date of the notice, and the stockholder's agreement to notify HP in writing within five (5) business days after the record date for the meeting of the class and number of shares of HP beneficially owned by the stockholder or beneficial owner as of the record date for the meeting, (B) a description of any agreement, arrangement or understanding with respect to the nomination between or among the stockholder or beneficial owner and any other person, including without limitation any agreements that would be required to be disclosed pursuant to Item 5 or Item 6 of 1934 Act Schedule 13D (regardless of whether the requirement to file a Schedule 13D is applicable to the stockholder or beneficial owner) and the stockholder's agreement to notify HP in writing within five (5) business days after the record date for the annual meeting of any such agreement, arrangement or understanding in effect as of the record date for the meeting, and (C) a description of any agreement, arrangement or understanding (including any derivative or short positions, profit interests, options, hedging transactions, and borrowed or loaned shares) that has been entered into as of the date of the stockholder's notice by, or on behalf of, the stockholder or beneficial owner, the effect or intent of which is to mitigate loss, manage risk or benefit from changes in the share price of any class of shares of HP, or increase or decrease the voting power of the stockholder or beneficial owner with respect to shares of HP, and the stockholder's agreement to notify HP in writing within five (5) business days after the record date for such meeting of any such agreement, arrangement or understanding in effect as of the record date for the meeting. At the request of the Board of Directors or the chairman of the Board of Directors,

if any, any person nominated by a stockholder for election as a director will furnish to the secretary of HP that information required to be set forth in the stockholder's notice of nomination which pertains to the nominee and such other information as HP may reasonably require to determine the eligibility of the proposed nominee to serve as a director of HP. No person will be eligible for election as a director of HP unless nominated in accordance with the procedures set forth in this paragraph (f).

Notwithstanding the foregoing provisions of this Section 2.2, unless otherwise required by law, if the stockholder does not provide the information required under clauses (ii)(B) and (iii)(A) through (iii)(C) of this Section 2.2(f) to HP within five (5) business days following the record date for an annual or special meeting of stockholders or if the stockholder (or a qualified representative of the stockholder) does not appear at the annual or special meeting to present the nomination, such nomination shall be disregarded, notwithstanding that proxies in respect of such vote may have been received by HP.

(g) The chairman of the meeting may determine and declare, if the facts warrant, at the meeting that a nomination was not made in accordance with the procedures prescribed by these Bylaws, and in such event the defective nomination will be disregarded.

2.3 Special Meeting.

(a) A special meeting of the stockholders may be called at any time by the Board of Directors, or by any of the following persons with the concurrence of a majority of the Board of Directors: the chairman of the Board of Directors, if any, or the chief executive officer or the secretary, but such special meetings may not be called by any other person or persons except as provided in paragraph (b) of this Section 2.3.

(b) A special meeting of stockholders shall be called by the Board of Directors upon written request to the secretary of one or more record holders of shares of stock of HP representing in the aggregate not less than twenty-five percent (25%) of the total number of shares of stock entitled to vote on the matter or matters to be brought before the proposed special meeting. A request to the secretary shall be signed by each stockholder, or a duly authorized agent of such stockholder, requesting the special meeting and shall set forth a brief description of each matter of business desired to be brought before the special meeting and the reasons for conducting such business at the special meeting and the information required in paragraph (d) or (f) of Section 2.2 of these Bylaws, as applicable. A special meeting requested by stockholders shall be held at such date, time and place within or without the state of Delaware as may be fixed by the Board of Directors; provided, however, that the date of any such special meeting shall be not more than ninety (90) days after the request to call the special meeting is received by the secretary. Notwithstanding the foregoing, a special meeting requested by stockholders shall not be held if the Board of Directors has called or calls for an annual meeting of stockholders to be held within ninety (90) days after the secretary receives the request for the special meeting and the Board of Directors determines in good faith that the business of such annual meeting includes (among any other matters properly brought before the annual meeting) the business specified in the request. A stockholder may revoke a request for a special meeting at any time by written revocation delivered to the secretary, and if, following such revocation, there are un-revoked requests from stockholders holding in the aggregate less than the requisite number of shares

entitling the stockholders to request the calling of a special meeting, the Board of Directors, in its discretion, may cancel the special meeting. Business transacted at a special meeting requested by stockholders shall be limited to the matters described in the special meeting request; provided, however that nothing herein shall prohibit the Board of Directors from submitting matters to the stockholders at any special meeting requested by stockholders.

(c) In the event a special meeting is called for the purpose of electing one or more directors to the Board of Directors, any stockholder entitled to vote in the election of directors may nominate a person or persons (as the case may be) for election to such position(s) as specified in the notice for such meeting, if the stockholder's notice required by paragraph (f) of Section 2.2 shall be delivered to the secretary of HP at the principal executive offices of HP not earlier than the close of business on the ninetieth (90th) day prior to the special meeting nor later than the close of business on the later of: (i) the sixtieth (60th) day prior to the special meeting or (ii) the tenth (10th) day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the public announcement (as defined in paragraph (c) of Section 2.2 above) of an adjournment or postponement of a special meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above.

(d) Only such business will be considered at a special meeting of stockholders as will have been stated in the notice for such meeting.

2.4 Organization. Meetings of stockholders shall be presided over by the chairman of the Board of Directors, if any, or in his or her absence by a person designated by the Board of Directors, or, in the absence of a person so designated by the Board of Directors, by the chief executive officer, or in his or her absence by the chief financial officer, or in his or her absence by the secretary, if any, or in his or her absence by a chairman chosen at the meeting by the vote of a majority in interest of the stockholders present in person or represented by proxy and entitled to vote thereat. The secretary, or in his or her absence, an assistant secretary, or, in the absence of the secretary and all assistant secretaries, a person whom the chairman of the meeting will appoint will act as secretary of the meeting and keep a record of the proceedings thereof.

The Board of Directors of HP will be entitled to make such rules or regulations for the conduct of meetings of stockholders as it will deem necessary, appropriate or convenient. Subject to such rules and regulations of the Board of Directors, if any, the chairman of the meeting will have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are necessary, appropriate or convenient for the proper conduct of the meeting, including, without limitation, establishing an agenda or order of business for the meeting, rules and procedures for maintaining order at the meeting and the safety of those present, limitations on participation in such meeting to stockholders of record of HP and their duly authorized and constituted proxies, and such other persons as the chairman will permit, restrictions on entry to the meeting after the time fixed for the commencement thereof, limitations on the time allotted to questions or comments by participants and regulation of the opening and closing of the polls for balloting and matters which are to be voted on by ballot. Unless and to the extent determined by the Board of Directors or the chairman of the

meeting, meetings of stockholders will not be required to be held in accordance with rules of parliamentary procedure.

2.5 Notice of Stockholders' Meetings. All notices of meetings of stockholders will be sent or otherwise given in accordance with Section 2.6 of these Bylaws not less than ten (10) nor more than sixty (60) days before the date of the meeting. The notice will specify the place (if any), date, and hour of the meeting and the means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at the meeting and (i) in the case of a special meeting, the general nature of the business to be transacted (no business other than that specified in the notice may be transacted) or (ii) in the case of the annual meeting, those matters which the Board of Directors, at the time of giving the notice, intends to present for action by the stockholders (but any matter properly may be presented at the meeting for such action). The notice of any meeting at which directors are to be elected will include the name of any nominee or nominees who, at the time of the notice, the Board of Directors intends to present for election. Any previously scheduled meeting of the stockholders may be postponed, and, except for meetings of stockholders called by the Board of Directors pursuant to paragraph (b) of Section 2.3 of these Bylaws (which meetings may be cancelled only on the terms provided in paragraph (b) of Section 2.3 of these Bylaws) or if the Certificate of Incorporation otherwise provides, any meeting of the stockholders may be cancelled, by resolution of the Board of Directors upon public notice given prior to the date previously scheduled for such meeting of stockholders.

2.6 Manner of Giving Notice; Affidavit of Notice. Notice of any meeting of stockholders will be given either personally, by mail, express mail, courier service or, with the actual or constructive consent of the stockholder entitled to receive such notice, by facsimile, electronic mail or other means of electronic transmission. If sent by mail, express mail or courier service, such notice will be sent postage or charges prepaid and will be addressed to the stockholder at the address of that stockholder appearing on the books of HP or given by the stockholder to HP for the purpose of notice, and such notice will be deemed to have been given. Notice given by electronic transmission pursuant to this subsection will be deemed given: (a) if by facsimile telecommunication, when directed to a facsimile telecommunication number at which the stockholder has actually or constructively consented to receive notice; (b) if by electronic mail, when directed to an electronic mail address at which the stockholder has actually or constructively consented to receive notice; (c) if by posting on an electronic network together with separate notice to the stockholder of such specific posting, upon the later of (i) such posting and (ii) the giving of such separate notice; and (d) if by any other form of electronic transmission, when directed to the stockholder.

An affidavit of the mailing or other means of giving any notice of any stockholders' meeting, executed by the secretary, assistant secretary or any transfer agent or mailing agent of HP giving the notice, will be prima facie evidence of the giving of such notice or report.

2.7 Quorum. The holders of a majority in voting power of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, will constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or the Certificate of Incorporation. If, however, such quorum is not present or represented at any meeting of the stockholders, then either (i) the chairman of the meeting or

(ii) the stockholders by the vote of the holders of a majority of the stock present in person or represented by proxy at the meeting, will have power to adjourn the meeting from time to time in accordance with Section 2.8, each without notice other than announcement at the meeting, until a quorum is present or represented. At such adjourned meeting at which a quorum is present or represented, any business may be transacted that might have been transacted at the meeting as originally noticed.

When a quorum is present at any meeting, the vote of the holders of a majority of the stock having voting power present in person or represented by proxy will decide any matter properly brought before such meeting, unless (i) the matter is one upon which, by express provision of the laws of the State of Delaware or of the Certificate of Incorporation or these Bylaws, a vote of a different number or voting by classes is required, in which case such express provision will govern and control the decision of the matter, or (ii) the matter is brought pursuant to the rules of an exchange upon which the securities of HP are listed, in which case such rules will determine the vote required.

If a quorum be initially present, the stockholders may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

2.8 Adjourned Meeting; Notice. Any meeting of stockholders, annual or special, whether or not a quorum is present, may be adjourned for any reason from time to time by either (i) the chairman of the meeting or (ii) the stockholders by the vote of the holders of a majority of the stock represented at the meeting, either in person or by proxy. In the absence of a quorum, no other business may be transacted at that meeting except as provided in Section 2.7 of these Bylaws.

When any meeting of stockholders, either annual or special, is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place, if any, thereof and the means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such adjourned meeting are announced at the meeting at which the adjournment is taken. However, if a new record date for the adjourned meeting is fixed or if the adjournment is for more than thirty (30) days from the date set for the original meeting, then notice of the adjourned meeting will be given. Notice of any such adjourned meeting will be given to each stockholder of record entitled to vote at the adjourned meeting in accordance with the provisions of Sections 2.5 and 2.6 of these Bylaws. At any adjourned meeting HP may transact any business which might have been transacted at the original meeting.

2.9 Voting. The stockholders entitled to vote at any meeting of stockholders will be determined in accordance with the provisions of Section 2.12 of these Bylaws.

Except as may be otherwise provided in the Certificate of Incorporation, by these Bylaws or as required by law, each stockholder will be entitled to one vote for each share of capital stock registered in such stockholder's name on the books of HP on the record date fixed for determination of stockholders entitled to vote at such meeting.

Any stockholder entitled to vote on any matter may vote part of such stockholder's shares in favor of the proposal and refrain from voting part or all of such stockholder's remaining shares or, except when the matter is the election of directors and plurality voting applies, may vote part or all of them against the proposal; but if the stockholder fails to specify the number of shares which the stockholder is voting affirmatively, it will be conclusively presumed that the stockholder's vote is with respect to all shares which the stockholder is entitled to vote.

2.10 Validation of Meetings; Waiver of Notice; Consent. The transactions of any meeting of stockholders, either annual or special, however called and noticed, and wherever held, will be as valid as though they had been taken at a meeting duly held after regular call and notice, if a quorum be present either in person or by proxy.

Attendance by a person at a meeting also will constitute a waiver of notice of and presence at that meeting, except when the person objects at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened. Attendance at a meeting is not a waiver of any right to object to the consideration of matters required by law to be included in the notice of the meeting but not so included, if that objection is expressly made at the meeting.

2.11 Action by Written Consent. Subject to the rights of the holders of the shares of any series of Preferred Stock or any other class of stock or series thereof having a preference over the Common Stock as to dividends or upon liquidation, any action required or permitted to be taken by the stockholders of HP must be effected at a duly called annual or special meeting of stockholders of HP and may not be effected by any consent in writing by such stockholders.

2.12 Record Date for Stockholder Notice; Voting; Giving Consents. For purposes of determining the stockholders entitled to notice of any meeting or to vote thereat, the Board of Directors may fix, a record date, which will not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors and will not be more than sixty (60) days nor less than ten (10) days before the date of any such meeting, and in such event only stockholders of record on the date so fixed are entitled to notice and to vote, notwithstanding any transfer of any shares on the books of HP after the record date, except as otherwise provided in the Certificate of Incorporation, by these Bylaws, by agreement or by applicable law.

If the Board of Directors does not so fix a record date, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders will be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders will apply to any adjournment of the meeting unless the Board of Directors fixes a new record date for the adjourned meeting, but the Board of Directors will fix a new record date if the meeting is adjourned for more than thirty (30) days from the date set for the original meeting.

The record date for any other purpose will be as provided in Section 8.1 of these Bylaws.

2.13 Proxies. Every person entitled to vote for directors, or on any other matter, shall have the right to do so either in person or by one or more agents authorized by a written proxy, which may be in the form of a facsimile or other means of electronic transmission, signed by the person and submitted to the secretary of HP or HP's proxy solicitor, but no such proxy will be voted or acted upon after three (3) years from its date, unless the proxy provides for a longer period. A proxy will be deemed signed if the stockholder's name is placed on the proxy (whether by manual signature, typewriting, facsimile signature or otherwise) by the stockholder or the stockholder's attorney-in-fact or, in the case of an electronically transmitted proxy, the submission has been properly authorized. A duly executed proxy will be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A stockholder may revoke any proxy which is not irrevocable by attending the meeting and voting in person or by filing an instrument in writing revoking the proxy or by submitting another duly executed proxy bearing a later date with the secretary.

A proxy is not revoked by the death or incapacity of the maker unless, before the vote is counted, written notice of such death or incapacity is received by HP.

2.14 Inspectors of Election. Before any meeting of stockholders, the Board of Directors will appoint an inspector or inspectors of election to act at the meeting or its adjournment. The number of inspectors will be either one (1) or three (3). If any person appointed as inspector fails to appear or fails or refuses to act, then the chairman of the meeting may, and upon the request of any stockholder or a stockholder's proxy will, appoint a person to fill that vacancy.

Such inspectors will:

- (a) determine the number of shares outstanding and the voting power of each, the number of shares represented at the meeting, the existence of a quorum, and the validity of proxies;
- (b) receive votes and ballots;
- (c) hear and determine all challenges and questions in any way arising in connection with the votes and ballots submitted that may be resolved by an inspector of elections during a review and challenge process; and
- (d) count and tabulate all votes and ballots.

The inspectors of election will perform their duties impartially, in good faith, to the best of their ability and as expeditiously as is practical. If there are three (3) inspectors of election, the decision, act or certificate of a majority is effective in all respects as the decision, act or certificate of all. Any report or certificate made by the inspectors of election is prima facie evidence of the facts stated therein.

ARTICLE III DIRECTORS

3.1 Powers. Subject to the provisions of the General Corporation Law of Delaware and to any limitations in the Certificate of Incorporation or these Bylaws relating to action required to be approved by the stockholders or by the outstanding shares, the business and affairs of HP will be managed and will be exercised by or under the direction of the Board of Directors. In addition to the powers and authorities these Bylaws expressly confer upon them, the Board of Directors may exercise all such powers of HP and do all such lawful acts and things as are not by the General Corporation Law of Delaware or by the Certificate of Incorporation or by these Bylaws required to be exercised or done by the stockholders.

3.2 Number. The authorized number of directors will be not less than eight (8) nor more than seventeen (17). Within such limits, the exact number of directors will be twelve (12).

3.3 Election and Term of Office of Directors. Except as provided in Section 3.4 of these Bylaws, at each annual meeting of stockholders, directors elected to succeed those directors whose terms then expire will be elected for a term of office to expire at the succeeding annual meeting of stockholders after their election, with each director to hold office until such director's successor will have been duly elected and qualified or until his or her earlier resignation or removal.

Directors need not be stockholders unless so required by the Certificate of Incorporation or by these Bylaws, wherein other qualifications for directors may be prescribed. Each director, including a director elected to fill a vacancy, will hold office until his or her successor is elected and qualified or until his or her earlier resignation or removal.

Election of directors at all meetings of the stockholders at which directors are to be elected will be by ballot.

Each director shall be elected by the vote of the majority of the votes cast with respect to the nominee at any meeting for the election of directors at which a quorum is present, provided, however, that the directors shall be elected by a plurality of the shares represented in person or by proxy at any such meeting and entitled to vote on the election of directors and cast in the election of directors at any meeting of stockholders for which (i) the secretary of HP receives a notice that a stockholder has nominated a person for election to the Board of Directors in compliance with the advance notice requirements for stockholder nominees for director set forth in Section 2.2 of these Bylaws and (ii) such nomination has not been withdrawn by such stockholder on or prior to the tenth (10th) day preceding the date HP first mails its notice of meeting for such meeting to the stockholders. For purposes of this Section, a majority of the votes cast means that the number of shares voted "for" a nominee must exceed the votes cast "against" such nominee's election.

3.4 Resignation and Vacancies. Any director may resign effective upon giving notice in writing or by electronic transmission to the chairman of the Board of Directors, if any, the chief executive officer, the secretary or the entire Board of Directors, unless the notice specifies a later time for that resignation to become effective; provided, however, that if such notice is given

by electronic transmission, such electronic transmission must either set forth or be submitted with information from which it can be determined that the electronic transmission was authorized by the director. If the resignation of a director is effective at a future time, the Board of Directors, including such resigning director, may elect a successor to take office when the resignation becomes effective. Acceptance of such resignation shall not be necessary to make it effective.

Unless otherwise provided in the Certificate of Incorporation or by these Bylaws, vacancies on the Board of Directors may be filled by a majority of the remaining directors, even if less than a quorum, or by a sole remaining director; however, a vacancy created by the removal of a director by the vote of the stockholders or by court order may be filled only by the affirmative vote of a majority of the voting power of shares represented and voting at a duly held meeting at which a quorum is present (which shares voting affirmatively also constitute a majority of the required quorum). Each director so elected will hold office until the next annual meeting of the stockholders and until a successor has been elected and qualified or until his or her earlier resignation or removal.

Unless otherwise provided in the Certificate of Incorporation or these Bylaws:

(i) Vacancies and newly created directorships resulting from any increase in the authorized number of directors elected by all of the stockholders having the right to vote as a single class may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director.

(ii) Whenever the holders of any class or classes of stock or series thereof are entitled to elect one or more directors by the provisions of the Certificate of Incorporation, vacancies and newly created directorships of such class or classes or series may be filled by a majority of the directors elected by such class or classes or series thereof then in office, or by a sole remaining director so elected.

Any directors chosen pursuant to this Section 3.4 will hold office for a term expiring at the next annual meeting of stockholders and until such director's successor will have been duly elected and qualified or until such director's earlier resignation or removal.

If at any time, by reason of death or resignation or other cause, HP should have no directors in office, then any officer or any stockholder or an executor, administrator, trustee or guardian of a stockholder, or other fiduciary entrusted with like responsibility for the person or estate of a stockholder, may call a special meeting of stockholders in accordance with the provisions of the Certificate of Incorporation or these Bylaws, or may apply to the Court of Chancery for a decree summarily ordering an election as provided in Section 211 of the General Corporation Law of Delaware.

If, at the time of filling any vacancy or any newly created directorship, the directors then in office constitute less than a majority of the whole Board of Directors (as constituted immediately prior to any such increase), then the Court of Chancery may, upon application of any stockholder or stockholders holding at least ten percent (10%) of the total number of the then outstanding shares having the right to vote for such directors, summarily order an election to be

held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in office as aforesaid, which election will be governed by the provisions of Section 211 of the General Corporation Law of Delaware as far as applicable.

3.5 Removal. Unless otherwise restricted by statute or by the Certificate of Incorporation, any director or the entire Board of Directors may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of directors; provided, however, that, if and so long as stockholders of HP are entitled to cumulative voting, if less than the entire Board of Directors is to be removed, no director may be removed without cause if the votes cast against his or her removal would be sufficient to elect him or her if then cumulatively voted at an election of the entire Board of Directors.

3.6 Place of Meetings; Meetings by Telephone. Regular meetings of the Board of Directors may be held at any place within or outside the State of Delaware that has been designated from time to time by resolution of the Board of Directors. In the absence of such a designation, regular meetings will be held at any place within or outside the State of Delaware that has been designated in the notice of the meeting or, if not stated in the notice or if there is no notice, at the principal executive office of HP. Special meetings of the Board of Directors may be held at any place within or outside the State of Delaware that has been designated in the notice of the meeting or, if not stated in the notice or if there is no notice, at the principal executive office of HP.

Any meeting, regular or special, may be held by conference telephone or similar communication equipment, so long as all directors participating in the meeting can hear one another; and all such directors shall be deemed to be present in person at the meeting.

3.7 Regular Meetings. Regular meetings of the Board of Directors may be held without notice if the times of such meetings are fixed by the Board of Directors.

3.8 Special Meetings; Notice. Special meetings of the Board of Directors for any purpose or purposes may be called at any time by the chairman of the Board of Directors, if any, or in the absence of a chairman by the lead independent director, or by the chief executive officer, the secretary or a majority of the members of the Board of Directors then in office.

The person or persons authorized to call special meetings of the Board of Directors may fix the place and time of the meetings. The chairman of the Board of Directors, if any, the chief executive officer, secretary or any assistant secretary or their delegates will give notice of any special meeting to each director personally or by telephone to each director or sent by mail, express mail, courier service, confirmed facsimile, electronic mail or other means of electronic transmission, postage or charges prepaid, addressed to each director at that director's address as it is shown on the records of HP or if the address is not readily ascertainable, notice will be addressed to the director at the city or place in which the meetings of directors are regularly held. If the notice is by mail, such notice will be deposited in the United States mail at least four (4) days prior to the time set for such meeting. If the notice is by express mail or courier service, such notice will be deemed adequately delivered when the notice is delivered to the overnight mail or courier service company at least twenty-four (24) hours prior to the time set for such meeting. If the notice is by facsimile transmission, electronic mail or other means of electronic

transmission, such notice will be deemed adequately delivered when the notice is transmitted a reasonable time prior to the time set for such meeting. If the notice is by telephone or by hand delivery, such notice will be deemed adequately delivered when the notice is given a reasonable time (which need not be more than twenty-four hours and may be less depending upon the circumstances) prior to the time set for such meeting. Any oral notice given personally or by telephone may be communicated either to the director or to a person at the office of the director whom the person giving the notice has reason to believe will promptly communicate it to the director. If the meeting is to be held at the principal executive office of HP, the notice need not specify the place of the meeting. Moreover, a notice of meeting need not state the purpose of such meeting, and, unless indicated in the notice thereof, any and all business may be transacted at a meeting.

3.9 Quorum. A majority of the authorized number of directors will constitute a quorum for the transaction of business, except to fill vacancies in the Board of Directors as provided in Section 3.4 and to adjourn as provided in Section 3.11 of these Bylaws. Every act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present will be regarded as the act of the Board of Directors, subject to the provisions of the Certificate of Incorporation and applicable law.

A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of enough directors to leave less than a quorum.

3.10 Waiver of Notice. Notice of a meeting need not be given to any director (i) who provides a written or electronic waiver of notice or a consent to holding the meeting or who approves the minutes thereof, whether before or after the meeting, or (ii) who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to such directors. If waiver of notice is given by electronic transmission, such electronic transmission must either set forth or be submitted with information from which it can be determined that the electronic transmission was authorized by the director. The transactions of any meeting of the Board of Directors, however called and noticed or wherever held, are as valid as though taken at a meeting duly held after regular call and notice if a quorum is present and if, either before or after the meeting, each of the directors not present who did not receive notice of such meeting provides a written or electronic waiver of notice pursuant to this Section 3.10. A waiver of notice need not specify the purpose of any regular or special meeting of the Board of Directors.

3.11 Adjournment. A majority of the directors present, whether or not constituting a quorum, may adjourn any meeting to another time and place.

3.12 Notice of Adjournment. Notice of the time and place of holding an adjourned meeting need not be given if announced unless the meeting is adjourned for more than twenty-four (24) hours. If the meeting is adjourned for more than twenty-four (24) hours, then notice of the time and place of the adjourned meeting will be given before the adjourned meeting takes place, in the manner specified in Section 3.8 of these Bylaws, to the directors who were not present at the time of the adjournment.

3.13 Board Action by Written Consent Without a Meeting. Any action required or permitted to be taken by the Board of Directors may be taken without a meeting, provided that

all members of the Board of Directors individually or collectively provide written or electronic consent to that action; provided however, that, if such consent is effected by electronic transmission, such electronic transmission was authorized by the director. Such action by written consent will have the same force and effect as a unanimous vote of the Board of Directors. Such written consent and any counterparts thereof will be filed with the minutes of the proceedings of the Board of Directors.

3.14 Organization. Meetings of the Board of Directors will be presided over by the chairman of the Board of Directors, if any. In his or her absence, the lead independent director will preside over meetings of the Board of Directors. In the absence of the chairman of the Board of Directors and the lead independent director, a majority of the directors present at the meeting, assuming a quorum, will designate a president pro tem of the meeting who, if any such person be present, will be a chairman of a committee of the Board of Directors and who will preside at the meeting. The secretary, or in his or her absence the assistant secretary, will act as secretary of the meeting, but in the absence of such persons the chairman of the meeting may appoint any person to act as secretary of the meeting.

3.15 Fees and Compensation of Directors. Directors and members of committees may receive such compensation, if any, for their services and such reimbursement of expenses as may be fixed or determined by resolution of the Board of Directors. This Section 3.15 will not be construed to preclude any director from serving HP in any other capacity as an officer, agent, employee or otherwise and receiving compensation for those services.

3.16 Executive Session. It is the intent of the Board of Directors that the members of the Board of Directors who are not employees of HP will confer in executive session at least three (3) times per year. Such directors may confer in additional executive sessions from time to time throughout the year, as determined by a majority of such directors. The executive sessions shall be presided over by a lead independent director, selected by a majority of such independent directors, as determined by HP's independence standards.

ARTICLE IV COMMITTEES

4.1 Committees of Directors. The Board of Directors may designate one (1) or more committees, each consisting of one (1) or more directors, to serve at the pleasure of the Board of Directors. The Board of Directors may designate one (1) or more directors as alternate members of any committee, who may replace any absent member at any meeting of the committee. Any committee, unless limited by resolution of the Board of Directors or any applicable laws or listing standards, will have all the authority of the Board of Directors, but no such committee will have the power or authority to (i) approve or adopt or recommend to the stockholders any action or matter (other than the election or removal of directors) that requires the approval of the stockholders under applicable law or (ii) adopt, amend or repeal any Bylaw of HP.

4.2 Meetings and Action of Committees. Meetings and actions of committees will be governed by, and held and taken in accordance with, the provisions of Article III of these Bylaws, Section 3.6 (place of meetings; meetings by telephone), Section 3.7 (regular meetings), Section 3.8 (special meetings; notice), Section 3.9 (quorum), Section 3.10 (waiver of notice),

Section 3.11 (adjournment), Section 3.12 (notice of adjournment), and Section 3.13 (action by written consent), with such changes in the context of those Bylaws as are necessary to substitute the committee and its members for the Board of Directors and its members; provided, however, that the time of regular meetings of committees may be determined either by resolution of the Board of Directors or by resolution of the committee, that special meetings of committees may also be called by resolution of the Board of Directors, and that notice of special meetings of committees will also be given to all alternate members, who will have the right to attend all meetings of the committee. The Board of Directors may adopt rules for the government of any committee not inconsistent with the provisions of these Bylaws.

4.3 Executive Committee. In the event that the Board of Directors appoints an executive committee, such executive committee, in all cases in which specific directions to the contrary have not been given by the Board of Directors, will have and may exercise, during the intervals between the meetings of the Board of Directors, all the powers and authority of the Board of Directors in the management of the business and affairs of HP (except as provided in Section 4.1 hereof) in such manner as the executive committee may deem in the best interests of HP.

ARTICLE V OFFICERS AND CHAIRMAN OF THE BOARD

5.1 Officers. The officers of HP shall consist of a chief executive officer, a chief financial officer, one or more vice presidents, a secretary, one or more assistant secretaries, who will be elected by the Board of Directors and such other officers, including but not limited to a president and a treasurer, as the Board of Directors deems expedient, who will be elected in such manner and hold their offices for such terms as the Board of Directors may prescribe. Any two of such offices may be held by the same person. The Board of Directors may designate one or more elected vice presidents as executive vice presidents or senior vice presidents, and the chief executive officer may designate one or more elected vice presidents as senior vice presidents. The Board of Directors may from time to time designate the chief executive officer, president or any executive vice president as the chief operating officer of HP.

5.2 Appointment of Officers. In addition to officers elected by the Board of Directors in accordance with Sections 5.1 and 5.3, HP may have one or more appointed vice presidents. Such appointed vice presidents may be appointed by the Board of Directors, the chairman of the Board of Directors, if any, or the chief executive officer and will have such duties as may be established by the Board of Directors, the chairman of the Board of Directors, if any, or the chief executive officer. The Board of Directors may designate one or more appointed vice presidents as executive vice presidents or senior vice presidents, and the chief executive officer may designate one or more appointed vice presidents as senior vice presidents. Vice presidents appointed pursuant to this Section 5.2 may be removed in accordance with Section 5.5.

5.3 Election of Section 16 Officers by Board of Directors. The Board of Directors will designate officers for purposes of Section 16 of the 1934 Act ("Section 16 Officers").

5.4 Terms of Office and Compensation. The term of office of each of such executive officers will be fixed and determined by the Board of Directors and may be altered by the Board

of Directors from time to time at its pleasure, subject to the rights, if any, of such executive officers under any contract of employment. The compensation of such executive officers shall be determined by the HR and Compensation Committee of the Board of Directors in consultation with the full Board of Directors, as appropriate.

5.5 Removal; Resignation of Officers and Vacancies. Any officer of HP may be removed at the pleasure of the Board of Directors at any meeting or at the pleasure of any officer who may be granted such power by a resolution of the Board of Directors. Any officer may resign at any time upon written or electronic notice to HP without prejudice to the rights, if any, of HP under any contract to which the officer is a party; provided that, if such notice is given by electronic transmission, such transmission must either set forth or be submitted with information from which it can be determined that the electronic transmission was authorized by the officer. Such resignation shall take effect at the date of receipt of such notice or at any later time specified therein and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. If any vacancy occurs in any office of HP the Board of Directors may elect a successor to fill such vacancy for the remainder of the unexpired term and until a successor is duly chosen and qualified.

5.6 Chairman of the Board. The chairman of the Board of Directors, if any, may be an officer of HP and will, if present, preside at meetings of the Board of Directors and stockholders; and may call meetings of the stockholders and also of the Board of Directors to be held, subject to the limitations prescribed by law or by these Bylaws, at such times and at such places as the chairman of the Board of Directors may deem proper. The chairman of the Board of Directors will exercise and perform such other duties as may from time to time be agreed to by the Board of Directors. The chairman of the Board of Directors will report to the Board of Directors.

5.7 Chairman of Executive Committee. The chairman of the executive committee, if there be one, will have other powers and be subject to such duties as the Board of Directors may from time to time prescribe.

5.8 Chief Executive Officer. The powers and duties of the chief executive officer are:

(a) To have and provide general supervision, direction and control of HP's business and its officers;

(b) To call meetings of the Board of Directors to be held, subject to the limitations prescribed by law or by these Bylaws, at such times and at such places as the chief executive officer deems proper;

(c) To affix the signature of HP to all deeds, conveyances, mortgages, leases, obligations, bonds, certificates and other papers and instruments in writing ("Contracts") which have been authorized by the Board of Directors or which, in the judgment of the chief executive officer, should be executed on behalf of HP;

(d) To delegate the power to affix the signature of HP to Contracts to other officers of HP;
and

(e) To have such other powers and be subject to such other duties as the Board of Directors may from time to time prescribe.

In case of the disability or death of the chief executive officer, the Board of Directors will meet promptly to confer the powers of the chief executive officer on another elected officer. Until the Board of Directors takes such action, the chief financial officer will exercise all the powers and perform all the duties of the chief executive officer.

5.9 President. Subject to the discretion of the Board of Directors to elect or not elect a president and to the supervisory powers of the chief executive officer in the event of such election, the president, if any, will act in a general executive capacity and will assist the chief executive officer in the administration and operation of HP's business and general supervision of its policies and affairs. The president will have the power to sign certificates for shares of stock of HP. The president will have the power to affix the signature of HP to all Contracts unless otherwise limited by HP policy or by the Board of Directors or the chief executive officer. The president will have such other powers and be subject to such other duties as the Board of Directors or the chairman of the Board of Directors, if any, or the chief executive officer may from time to time prescribe.

5.10 Vice Presidents. Vice presidents may be elected by the Board of Directors or appointed pursuant to Section 5.2. Elected vice presidents will have the power to affix the signature of HP to all Contracts, unless otherwise limited by HP policy or by the Board of Directors or the officer to whom such elected vice president directly or indirectly reports. Elected vice presidents will have such other powers and perform such other duties as may be granted or prescribed by the Board of Directors.

Vice presidents appointed pursuant to Section 5.2 will have such powers and duties as may be fixed in accordance with Section 5.2, except that such appointed vice presidents may not exercise the powers and duties of the chief executive officer or president.

5.11 Secretary. The powers and duties of the secretary are:

(a) To keep a book of minutes at the principal office of HP, or such other place as the Board of Directors may order, of all meetings of its directors and stockholders with the time and place of such meetings, whether regular or special, and, if special, how authorized, the notice thereof given, the names of those present at directors' meetings, the number of shares present or represented at stockholders' meetings and the proceedings thereof.

(b) To keep the seal of HP and affix the same to all instruments which may require it.

(c) To keep or cause to be kept at the principal executive office of HP, or at the office of the transfer agent or agents, a share register, or duplicate share registers, showing the names of the stockholders and their addresses, the number of and classes of shares, and the number and date of cancellation of every certificate surrendered for cancellation.

(d) To keep a supply of certificates for shares of HP, to fill in all certificates issued, and to make a proper record of each such issuance; provided, that so long as HP will have

one or more duly appointed and acting transfer agents or exchange agents with respect to the shares, or any class or series of shares, of HP, such duties with respect to such shares will be performed by such agent or agents.

(e) To transfer upon the share books of HP any and all shares of HP; provided, that so long as HP will have one or more duly appointed and acting transfer agents or exchange agents with respect to the shares, or any class or series of shares, of HP, such duties with respect to such shares will be performed by such agent or agents, and the method of transfer of each certificate will be subject to the reasonable regulations of the agent to which the certificate is presented for transfer, and also, if HP then has one or more duly appointed and acting agents, to the reasonable regulations of the agent to which the new certificate is presented for registration; and provided, further that no certificate for shares of stock will be issued or delivered or, if issued or delivered, will have any validity whatsoever until and unless it has been signed or authenticated in the manner provided in Section 8.5 hereof.

(f) To make service and publication of all notices that may be necessary or proper. In case of the absence, disability, refusal, or neglect of the secretary to make service or publication of any notices, then such notices may be served and/or published by the chief executive officer, the president or a vice president, or by any person thereunto authorized by any of them or by the Board of Directors or by the holders of a majority of the outstanding shares of HP.

(g) Generally to do and perform all such duties as pertain to the office of secretary and as may be required by the Board of Directors.

5.12 Chief Financial Officer. The powers and duties of the chief financial officer are:

(a) To supervise the corporate-wide treasury functions and financial reporting to external bodies.

(b) To have the custody of all funds, securities, evidence of indebtedness and other valuable documents of HP and, at the chief financial officer's discretion, to cause any or all thereof to be deposited for account of HP at such depository or depositories as may be designated from time to time by the Board of Directors or the chairman of the Board of Directors, if any, or the chief executive officer, or as the chief financial officer deems appropriate.

(c) To receive or cause to be received, and to give or cause to be given, receipts and acceptances for monies paid in for the account of HP.

(d) To disburse, or cause to be disbursed, all funds of HP subject to such limits as may be directed by the Board of Directors, the chairman of the Board, if any, or the chief executive officer, taking proper vouchers for such disbursements.

(e) To render to the chief executive officer and to the Board of Directors, whenever they may require, accounts of all transactions and of the financial condition of HP.

(f) Generally to do and perform all such duties as pertain to the office of chief financial officer and as may be required by the Board of Directors.

ARTICLE VI
INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES
AND OTHER AGENTS

6.1 Indemnification of Directors and Officers. HP will indemnify and hold harmless each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit, or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she or a person of whom he or she is the legal representative is or was a director or officer of HP (or any predecessor) or is or was serving at the request of HP (or any predecessor) as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise (or any predecessor of any of such entities), including service with respect to employee benefit plans maintained or sponsored by HP (or any predecessor), whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent, to the fullest extent authorized by the General Corporation Law of the State of Delaware, as the same exists or may hereafter be amended, against all expenses, liabilities and losses (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith and such indemnification will continue as to a person who has ceased to be a director, officer, employee or agent and will inure to the benefit of his or her heirs, executors and administrators; provided, however, that except as provided in the third paragraph of this Section 6.1, HP will indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board of Directors. The right to indemnification conferred in this Section 6.1 will be a contract right and, in accordance with and subject to the provisions of Section 6.4, will include the right to be paid by HP the expenses incurred in defending any such proceeding in advance of its final disposition.

To obtain indemnification under this Section 6.1, a claimant will submit to the secretary of HP a written request, including therein or therewith such documentation and information as is reasonably available to the claimant and is reasonably necessary to determine whether and to what extent the claimant is entitled to indemnification. Upon written request by a claimant for indemnification pursuant to the preceding sentence, a determination, if required by applicable law, with respect to the claimant's entitlement thereto will be made as follows: (i) if requested by the claimant, by Independent Counsel (as hereinafter defined), or (ii) if no request is made by the claimant for a determination by Independent Counsel, (A) by the Board of Directors by a majority vote of Disinterested Directors (as hereinafter defined), even though less than a quorum or (B) if there are no Disinterested Directors or if the Disinterested Directors so direct, by Independent Counsel in a written opinion to the Board of Directors, a copy of which will be delivered to the claimant, or (C) by a majority vote of a committee of Disinterested Directors designated by a majority vote of the Disinterested Directors, or (D) if a majority of the Disinterested Directors so direct, by the stockholders of HP. In the event the determination of entitlement to indemnification is to be made by Independent Counsel at the request of the claimant, the Board of Directors will select Independent Counsel unless there has occurred within two (2) years prior to the date of the commencement of the action, suit or proceeding for which indemnification is claimed a "Change of Control" (as hereinafter defined), in which case the claimant will select Independent Counsel unless the claimant requests that the Board of

Directors makes such selection. If it is so determined that the claimant is entitled to indemnification, HP will pay within ten (10) days after such determination.

If HP does not pay in full a claim for indemnification under this Section 6.1 within thirty (30) days after a written claim pursuant to the preceding paragraph of this Section 6.1 has been received by HP, the claimant may at any time thereafter bring suit against HP to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant will be entitled to be paid also the expense of prosecuting such claim. It will be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to HP) that the claimant has not met the standard of conduct which makes it permissible under the General Corporation Law of the State of Delaware for HP to indemnify the claimant for the amount claimed, but the burden of proving such defense will be on HP. Neither the failure of HP (including its Board of

Directors, Independent Counsel or stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the General Corporation Law of the State of Delaware, nor an actual determination by HP (including its Board of Directors, Independent Counsel or stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

If a determination is made pursuant to this Section 6.1 that the claimant is entitled to indemnification, HP will be bound by such determination in any judicial proceeding commenced pursuant to the preceding paragraph of this Section 6.1. HP will be precluded from asserting in any judicial proceeding commenced pursuant to the third paragraph of this Section 6.1 that the procedures and presumptions of this Article VI are not valid, binding and enforceable and will stipulate in such proceeding that HP is bound by all the provisions of this Article VI. The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Section 6.1 will not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, Bylaws, agreement, vote of stockholders or Disinterested Directors or otherwise. No repeal or modification of this Article VI will in any way diminish or adversely affect the rights of any director, officer, employee or agent of HP hereunder in respect of any occurrence or matter arising prior to any such repeal or modification.

6.2 Indemnification of Others. HP will have the power, to the maximum extent and in the manner permitted by the General Corporation Law of Delaware, to indemnify each of its employees and agents (other than present and former directors and officers) against expenses (including attorneys' fees), judgments, fines, settlements and other amounts actually and reasonably incurred or suffered in connection with any proceeding, arising by reason of the fact that such person is or was an employee or agent of HP. For purposes of this Section 6.2, an "employee" or "agent" of HP (other than a director or officer) includes any person (i) who is or was an employee or agent of HP, (ii) who is or was serving at the request of HP as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise, or (iii) who was an employee or agent of a corporation which was a predecessor corporation of HP or of another enterprise at the request of such predecessor corporation. To obtain indemnification under this Section 6.2, a claimant will submit to the secretary of HP a written request, including

therein or therewith such documentation and information as is reasonably available to the claimant and is reasonably necessary to determine whether and to what extent the claimant will be granted indemnification.

6.3 Insurance. HP may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of HP, or is or was serving at the request of HP as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not HP would have the power to indemnify him or her against such liability under the provisions of the General Corporation Law of Delaware.

6.4 Expenses. HP will advance to any person eligible for indemnification pursuant to Section 6.1 hereof, and may advance to any person eligible for indemnification pursuant to Section 6.2 hereof, prior to the final disposition of the proceeding, all expenses reasonably incurred by any such person in connection with defending such proceeding, upon receipt of a request therefor and an undertaking by or on behalf of such person to repay such amounts if it should be determined ultimately that such person is not entitled to be indemnified under this Article VI or otherwise, such advances to be paid by HP within twenty (20) days after the receipt by HP of a statement or statements from the claimant requesting such advance or advances from time to time. Notwithstanding the foregoing, HP will not be required to advance expenses in connection with any proceeding (or part thereof) initiated by any person unless the proceeding was authorized in advance by the Board of Directors of HP.

Notwithstanding the foregoing, unless otherwise determined pursuant to Section 6.5, HP will not advance or continue to advance expenses to any person (except by reason of the fact that such person is or was a director of HP in which event this paragraph will not apply) in any proceeding if a determination is reasonably and promptly made (i) by the Board of Directors by a majority vote of Disinterested Directors, even though less than a quorum (ii) if there are no Disinterested Directors or the Disinterested Directors so direct, by Independent Counsel in a written opinion or (iii) by a majority vote of a committee of Disinterested Directors designated by a majority vote of Disinterested Directors, that the facts known to the decision-making party at the time such determination is made demonstrate clearly and convincingly that such person acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of HP.

6.5 Non-Exclusivity of Rights. The rights conferred on any person by this Article VI will not be exclusive of any other right which such person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, Bylaws, agreement, vote of stockholders or Disinterested Directors or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding office. HP is specifically authorized to enter into individual contracts with any or all of its directors, officers, employees or agents respecting indemnification and advances, to the fullest extent not prohibited by the General Corporation Law of Delaware.

6.6 Survival of Rights. The rights conferred on any person by this Article VI will continue as to a person who has ceased to be a director, officer, employee or other agent and will inure to the benefit of the heirs, executors and administrators of such a person.

6.7 Amendments. Any repeal or modification of this Article VI will only be prospective and will not affect the rights under this Article VI in effect at the time of the alleged occurrence of any action or omission to act that is the cause of any proceeding against any agent of HP.

6.8 Severability. If any provision or provisions of this Article VI will be held to be invalid, illegal or unenforceable for any reason whatsoever: (i) the validity, legality and enforceability of the remaining provisions of this Article VI (including, without limitation, each portion of any paragraph of this Article VI containing any such provision held to be invalid, illegal or unenforceable, that is not itself held to be invalid, illegal or unenforceable) will not in any way be affected or impaired thereby; and (ii) to the fullest extent possible, the provisions of this Article VI (including, without limitation, each such portion of any paragraph of this Article VI containing any such provision held to be invalid, illegal or unenforceable) will be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

6.9 Notice. Any notice, request or other communication required or permitted to be given to HP under this Article VI will be in writing and either delivered in person or sent by confirmed telecopy, electronic mail, overnight mail or courier service, or certified or registered mail, postage or charges prepaid, return copy requested, to the secretary of HP and will be effective only upon receipt by the secretary.

6.10 Definitions. For the purpose of this Article VI, a "Change of Control" will mean:

(a) the acquisition by any individual, entity or group (within the meaning of Section 13(d) (3) or 14(d)(2) of the 1934 Act (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the 1934 Act) of twenty percent (20%) or more of either (i) the then outstanding shares of common stock of HP (the "Outstanding Corporation Common Stock") or (ii) the combined voting power of the then outstanding voting securities of HP entitled to vote generally in the election of directors (the "Outstanding Corporation Voting Securities"). Notwithstanding the foregoing, for purposes of this part (a), the following acquisitions will not constitute a Change of Control: (i) any acquisition directly from HP or any acquisition from other stockholders where (A) such acquisition was approved in advance by the Board of Directors of HP, and (B) such acquisition would not constitute a Change of Control under the first sentence of part (a) of this definition, (ii) any acquisition by HP, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by HP or any corporation controlled by HP, or (iv) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of the second sentence of part (a) of this definition; or

(b) individuals who, as of the date hereof, constitute the Board of Directors (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board of Directors; provided, however, that any individual becoming a director subsequent to the date

hereof whose election, or nomination for election by the stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board will be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board of Directors; or

(c) consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of HP (a "Business Combination"), in each case, unless, following such Business Combination, (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Corporation Common Stock and Outstanding HP Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than fifty percent (50%) of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of HP resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns HP or all or substantially all of HP's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding HP Common Stock and Outstanding HP Voting Securities, as the case may be, (ii) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of HP or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, twenty percent (20%) or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination, and (iii) at least a majority of the members of the Board of Directors of HP resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board of Directors, providing for such Business Combination; or

(d) approval by the stockholders of a complete liquidation or dissolution of HP.

For purposes of this Bylaw:

"Disinterested Director" will mean a director of HP who is not and was not a party to the matter in respect of which indemnification is sought by the claimant.

"Independent Counsel" will mean a law firm, a member of a law firm, or an independent practitioner, that is experienced in matters of corporation law and will include any person who, under the applicable standards of professional conduct then prevailing, would not have a conflict of interest in representing either HP or the claimant in an action to determine the claimant's rights under this Article VI.

ARTICLE VII RECORDS AND REPORTS

7.1 Maintenance and Inspection of Records. HP will, either at its principal executive office or at such place or places as designated by the Board of Directors or the secretary, keep a record of its stockholders listing their names and addresses and the number and class of shares held by each stockholder, a copy of these Bylaws as amended to date, accounting books and other records.

Any stockholder of record or beneficial owner of shares held either in a voting trust or by a nominee on behalf of such person, in person or by attorney or other agent, will, upon written demand under oath stating the purpose thereof, have the right during the usual hours for business to inspect for any proper purpose HP's stock ledger, a list of its stockholders, and its other books and records and to make copies or extracts therefrom. In every instance where the stockholder is other than a record holder of stock in HP, the demand under oath will state the person's status as a stockholder, be accompanied by documentary evidence of beneficial ownership of the stock and state that such documentary evidence is a true and correct copy of what it purports to be. A proper purpose will mean a purpose reasonably related to such person's interest as a stockholder. In every instance where an attorney or other agent is the person who seeks the right to inspection, the demand under oath will be accompanied by a power of attorney or such other writing that authorizes the attorney or other agent to so act on behalf of the stockholder. The demand under oath will be directed to HP at its registered office in Delaware or to the secretary of HP at HP's principal place of business. For purposes of this Section 7.1, "under oath" will include statements the declarant affirms to be true under penalty of perjury under the laws of the United States or any state thereof.

7.2 Inspection by Directors. Any director will have the right to examine HP's stock ledger, a list of its stockholders and its other books and records for a purpose reasonably related to his or her position as a director. The burden of proof will be upon HP to establish that the inspection such director seeks is for an improper purpose. The Court of Chancery is hereby vested with the exclusive jurisdiction to determine whether a director is entitled to the inspection sought. The Court may summarily order HP to permit the director to inspect any and all books and records, the stock ledger, and the stock list and to make copies or extracts therefrom. The Court may, in its discretion, prescribe any limitations or conditions with reference to the inspection, or award such other and further relief as the Court may deem just and proper.

7.3 Representation of Shares of Other Corporations. The chief executive officer or any other officer of HP who serves on the Board of Directors of another entity at the request of or with the approval of HP or who is otherwise duly authorized may vote, represent, and exercise on behalf of HP all rights incident to any and all shares or other equity interest of any other entity or corporations standing in the name of HP; provided, however, that the granting of any proxy in connection with an annual meeting of stockholders of any such entity will be subject to prior review by the secretary or assistant secretary of HP, and, provided further, that the granting of any proxy in connection with an annual meeting of stockholders of any entity in which an HP employee benefit plan is a stockholder will be determined by the Investment Review Committee of HP or its delegate. The authority herein granted may be exercised either by such person directly or by any other person authorized to do so by such person having the authority.

ARTICLE VIII GENERAL MATTERS

8.1 Record Date for Purposes Other Than Notice and Voting. For purposes of determining the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any other lawful action, the Board of Directors may fix a record date, which will not be more than sixty (60) days before any such action, and which record date will not precede the date upon which the resolution fixing the record date is adopted. In that case, only stockholders of record at the close of business on the date so fixed are entitled to receive the dividend, distribution or allotment of rights, or to exercise such rights, as the case may be, notwithstanding any transfer of any shares on the books of HP after the record date so fixed, except as otherwise provided in the Certificate of Incorporation, by these Bylaws, by agreement or by law.

If the Board of Directors does not so fix a record date, then the record date for determining stockholders for any such purpose will be at the close of business on the day on which the Board of Directors adopts the applicable resolution.

8.2 Checks; Drafts; Evidences of Indebtedness. From time to time, the Board of Directors or its delegate will determine by resolution which person or persons may sign or endorse all checks, drafts, other orders for payment of money, notes or other evidences of indebtedness that are issued in the name of or payable to HP, and only the persons so authorized will sign or endorse those instruments.

8.3 Corporate Contracts and Instruments; How Executed. The Board of Directors may authorize any officer or officers, or agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of HP; such authority may be general or confined to specific instances. Unless so authorized or ratified by the Board of Directors, provided in these Bylaws or within the agency power of an officer, no officer, agent or employee will have any power or authority to bind HP by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

8.4 Fiscal Year. The fiscal year of HP will begin on the first day of November of each year and end on the last day of October of the following year.

8.5 Stock Certificates. There will be issued to each holder of fully paid shares of the capital stock of HP a certificate or certificates for such shares, if so requested by the holder (in the absence of such request, shares may be issued in book-entry form). To the extent required by the General Corporation Law of the State of Delaware, every holder of shares of HP will be entitled to have a certificate signed by, or in the name of HP by, the president and by the treasurer or an assistant treasurer, or the secretary or an assistant secretary of HP representing the number of shares registered in certificate form. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by HP with the same effect as if he or she were such officer, transfer agent or registrar at the date of issue.

8.6 Special Designation on Certificates. If HP is authorized to issue more than one class of stock or more than one series of any class, then the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights will be set forth in full or summarized on the face or back of the certificate that HP will issue to represent such class or series of stock; provided, however, that, except as otherwise provided in Section 202 of the General Corporation Law of Delaware, in lieu of the foregoing requirements there may be set forth on the face or back of the certificate that HP will issue to represent such class or series of stock a statement that HP will furnish without charge to each stockholder who so requests the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

8.7 Lost Certificates. HP, directly or through its transfer or exchange agent, may issue a new share certificate or new certificate for any other security in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and HP, directly or through its transfer or exchange agent, may require the owner of the lost, stolen or destroyed certificate or the owner's legal representative to give HP a bond (or other adequate security) sufficient to indemnify it against any claim that may be made against it (including any expense or liability) on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate. The Board of Directors may adopt such other provisions and restrictions with reference to lost certificates, not inconsistent with applicable law, as appropriate.

8.8 Construction; Definitions. Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the General Corporation Law of Delaware will govern the construction of these Bylaws. Without limiting the generality of this provision, the singular number includes the plural, the plural number includes the singular, and the term "person" includes both a corporation and a natural person.

8.9 Provisions Contrary to Provisions of Law. Any article, section, subsection, subdivision, sentence, clause or phrase of these Bylaws which upon being construed in the manner provided in Section 8.9 hereof, is contrary to or inconsistent with any applicable provisions of law, will not apply so long as such provisions of law remain in effect, but such result will not affect the validity or applicability of any other portions of these Bylaws, it being hereby declared that these Bylaws would have been adopted and each article, section, subsection, subdivision, sentence, clause or phrase thereof, irrespective of the fact that any one or more articles, sections, subsections, subdivisions, sentences, clauses or phrases is or are illegal.

8.10 Notices. Any reference in these Bylaws to the time a notice is given or sent means, unless otherwise expressly provided, the time a written notice by mail is deposited in the United States mails, postage prepaid; or the time any other written notice is personally delivered to the recipient or is delivered to a carrier for transmission, or actually transmitted by the person giving the notice by facsimile, electronic mail or other electronic means, to the recipient; or the time any oral notice is communicated, in person or by telephone, to the recipient or to a person at the office of the recipient who the person giving the notice has reason to believe will promptly communicate it to the recipient.

8.11 Remote Communication. For the purposes of these Bylaws, if authorized by the Board of Directors in its sole discretion, and subject to such guidelines and procedures as the Board of Directors may adopt, stockholders and proxyholders may, by means of remote communication:

(a) participate in a meeting of stockholders; and

(b) be deemed present in person and vote at a meeting of stockholders whether such meeting is to be held at a designated place or solely by means of remote communication, provided that (i) HP will implement reasonable measures to verify that each person deemed present and permitted to vote at the meeting by means of remote communication is a stockholder or proxyholder, (ii) HP will implement reasonable measures to provide such stockholders and proxyholders a reasonable opportunity to participate in the meeting and to vote on matters submitted to the stockholder, including an opportunity to read or hear the proceedings of the meeting substantially concurrently with such proceedings, and (iii) if any stockholder or proxyholder votes or takes other action at the meeting by means of remote communication, HP or its agent will maintain a record of such vote or other action.

8.12 Electronic Transmission. For purposes of these Bylaws, "electronic transmission" means any form of communication, not directly involving the physical transmission of paper, that creates a record that may be retained, retrieved, and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such a recipient through an automated process.

8.13 Stockholder Rights Plan. HP will seek stockholder approval prior to its adoption of a Rights Plan, unless the Board of Directors, in the exercise of its fiduciary duties, determines that, under the circumstances existing at the time, it is in the best interests of the stockholders of HP to adopt or extend a Rights Plan without delay. If a Rights Plan is adopted or extended by the Board of Directors without prior stockholder approval, such plan must provide that it will expire unless ratified by the stockholders of HP within one year of adoption. For purposes of this bylaw, the term "Rights Plan" refers generally to any plan providing for the distribution of preferred stock, rights, warrants, options or debt instruments to the stockholders of HP, designed to assist the Board of Directors in responding to unsolicited takeover proposals and significant stock accumulations in a manner that facilitates the exercise of the Board of Directors' fiduciary responsibilities to stockholders of HP by conferring certain rights on them upon the occurrence of a "triggering event" such as a tender offer or third party acquisition of a specified percentage of stock.

ARTICLE IX AMENDMENTS

The Bylaws of HP may be adopted, amended or repealed by the stockholders entitled to vote; provided, however, that HP may, in its Certificate of Incorporation, confer the power to adopt, amend or repeal bylaws upon the directors; and, provided further, that any proposal by a stockholder to amend these Bylaws will be subject to the provisions of Article II and Article VI hereof. The fact that such power has been so conferred upon the directors will not divest the stockholders of the power, nor limit their power to adopt, amend or repeal bylaws. Notwithstanding the foregoing, amendment or deletion of all or any portion of Article II hereof,

Section 3.2 hereof, Section 3.3 hereof, Section 3.4 hereof, Section 6.1 and 6.4 hereof or this Article IX by the stockholders of HP will require the affirmative vote of sixty-six and two-thirds percent (66 2/3%) of the outstanding shares entitled to vote thereon.

Amended and restated effective November 1, 2010.



STOCK NOTIFICATION AND AWARD AGREEMENT

Name: _____ **Employee ID:** _____
Manager Name: _____
Department: _____

Congratulations on receiving a stock award. This award reflects your management team's recognition of your significant contributions to Hewlett-Packard Company's success.

HP has long been known for talented employees like you who have an unwavering commitment to HP's customers, driving growth and profitability and creating value. Stock awards are one important way we demonstrate our commitment to rewarding your strong performance and individual achievements. Thank you for your hard work and commitment to building a successful company.

Once again, congratulations on a job well done.

<p>Grant Date:</p> <p>Grant Number:</p> <p>Grant Price:</p> <p>Award Amount:</p> <p>AwardType/Sub Type:</p> <p>Expiration Date:</p> <p>Plan:</p> <p>Program Type:</p> <p>Vesting Schedule:</p>

Restricted Stock Units

THIS STOCK NOTIFICATION AND AWARD AGREEMENT, as of the Grant Date noted above between Hewlett-Packard Company, a Delaware Corporation ("Company"), and the employee named above ("Employee"), is entered into as follows:

WHEREAS, the continued participation of the Employee is considered by the Company to be important for the Company's continued growth; and

WHEREAS, in order to give the Employee an incentive to continue in the employ of the Company and to participate in the affairs of the Company, the HR and Compensation Committee of the Board of Directors of the Company or its delegates ("Committee") has determined that the Employee shall be granted restricted stock units

representing hypothetical shares of the Company's common stock ("RSUs"), with each RSU equal in value to one share of the Company's \$0.01 par value common stock ("Shares"), subject to the restrictions stated below and in accordance with the terms and conditions of the Plan named above, a copy of which can be found on the Stock Incentive Program website at: [URL] or by written or telephonic request to the Company Secretary.

THEREFORE, the parties agree as follows:

1. **Grant of Restricted Stock Units.**
Subject to the terms and conditions of this Stock Notification and Award Agreement and of the Plan, the Company hereby grants to the Employee the number of RSUs set forth above.
2. **Vesting Schedule.**
The interest of the Employee in the RSUs shall vest according to the vesting schedule set forth above, or if earlier, in accordance with Section 7, below. Unless, the provisions of Section 7 apply, the Employee must remain in the employ of the Company on a continuous, full-time basis through the close of business on the last Vesting Date, as set forth above, for the interest of the Employee in the RSUs shall become fully vested on that date.
3. **Benefit Upon Vesting.**
Within 90 days of each date set forth on the above vesting schedule, the Company shall issue or pay, as applicable, to the Employee Shares or a combination of cash and Shares, as the Company determines in its sole discretion, equal to:
 - (a) the number of RSUs that have vested multiplied by the fair market value (as defined in the Plan) of a Share on the date on which such RSUs vest; and
 - (b) a dividend equivalent payment determined by:
 - (1) multiplying the number of vested RSUs by the dividend per Share on each dividend payment date between the date hereof and the vesting date to determine the dividend equivalent amount for each dividend payment date;
 - (2) dividing the amount determined in (1) above by the fair market value of a Share on the date of such dividend payment to determine the number of additional RSUs to be credited to the Employee; and
 - (3) multiplying the number of additional RSUs determined in (2) above by the fair market value of a Share on the vesting date to determine the aggregate amount of dividend equivalent payments for such vested RSUs;

provided, however, that if any aggregated dividend equivalent payments in paragraph (b)(3) above results in a payment of a fractional share, such fractional share shall be rounded up to the nearest whole share. Notwithstanding the foregoing to the contrary, in the event that the provisions of Section 7 apply, the issuance or payment to the Employee, as applicable, shall be made in accordance with the vesting schedule set forth above.
4. **Restrictions.**
 - (a) Except as otherwise provided for in this Stock Notification and Award Agreement, the RSUs or rights granted hereunder may not be sold, pledged or otherwise transferred until the RSUs become vested in accordance with the vesting schedule set forth above. The period of time between the date hereof and the date the RSUs become fully vested is referred to herein as the "Restriction Period."
 - (b) Except as otherwise provided for in this Stock Notification and Award Agreement, if the Employee's employment with the Company is terminated at any time for any reason prior to the lapse of the Restriction Period, all RSUs granted hereunder shall be forfeited by the Employee.
5. **Custody of Restricted Stock Units.**
The RSUs subject hereto shall be held in escrow in a restricted book entry account with the Company's transfer agent in the name of the Employee. Upon termination of the Restriction Period, if the Company determines, in its sole discretion, to issue Shares pursuant to Section 3 above, such Shares shall be released into an unrestricted book entry account with the Company's transfer agent; provided, however, that a portion of such Shares shall be surrendered in payment of required withholding taxes in accordance with Section 10 below, unless the Company, in its sole discretion, establishes alternative procedures for the payment of required withholding taxes.

6. No Stockholder Rights.
RSUs represent hypothetical Shares. During the Restriction Period, the Employee shall not be entitled to any of the rights or benefits generally accorded to stockholders.
7. Disability or Retirement of the Employee.
If the Employee's termination of employment is due to the Employee's total and permanent disability or retirement, in accordance with the applicable retirement policy, all outstanding and unvested RSUs shall continue to vest in accordance with Section 2, provided that the following conditions are met for the entire Restriction Period:
- (a) The Employee shall render, as an independent contractor and not as an Employee, such advisory or consultative services to the Company as shall reasonably be requested by the Company, consistent with the Employee's health and any other employment or other activities in which such Employee may be engaged;
 - (b) The Employee shall not render services for any organization or engage directly or indirectly in any business which, in the opinion of the Company, competes with or is in conflict with the interests of the Company;
 - (c) The Employee shall not, without prior written authorization from the Company, disclose to anyone outside the Company, or use in other than the Company's business, any confidential information or material relating to the business of the Company, either during or after employment with the Company; and
 - (d) The Employee shall disclose promptly and assign to the Company all right, title and interest in any invention or idea, patentable or not, made or conceived by the Employee during employment by the Company, relating in any manner to the actual or anticipated business of the Company, anything reasonably necessary to enable the Company to secure a patent where appropriate in the United States and in foreign countries.
8. Death of the Employee.
In the event of the Employee's death prior to the end of the Restriction Period, then within 90 days of the Employee's death the Employee's estate or designated beneficiary shall have the right to receive a pro rata payment of cash, Shares or combination of cash and Shares, as the Company determines in its sole discretion. In the event of the Employee's death after the vesting date but prior to the payment associated with such the RSUs, then within 90 days of the Employee's death payment for such RSUs shall be made to the Employee's estate or designated beneficiary.
9. Accelerations or Delayed Delivery.
Notwithstanding anything in this Stock Notification and Award Agreement to the contrary, the Company, in its sole discretion may accelerate or delay the delivery of any RSUs subject to Section 409A of the Internal Revenue Code of 1986, as amended and the regulations and guidance issued thereunder ("Section 409A") under the circumstances, and to the extent, permitted by Section 409A. Further, in the event the Company elects to accelerate delivery of any RSUs subject to Section 409A or pay cash in exchange for the cancellation of any RSUs subject to Section 409A as the result of a Change in Control pursuant to the Plan such acceleration or exchange shall only be effective to the extent the event constitutes a change in control event for purposes of Section 409A. In all other circumstances delivery will be made in accordance with the normal vesting schedule.
10. Taxes.
(a) The Employee shall be liable for any and all taxes, including income tax, social insurance, payroll tax, payment on account or other tax-related items related to the Employee's participation in the Plan and legally applicable or otherwise recoverable from the Employee (such as fringe benefit tax) by the Company and/or the Employee's employer (the "Employer") ("Tax-Related Items"). In the event that the Company or the Employer is required, allowed or permitted to withhold taxes as a result of the grant or vesting of RSUs, or subsequent sale of Shares acquired pursuant to such RSUs, or due upon receipt of dividend equivalent payments, the Employee shall surrender a sufficient number of whole Shares, make a cash payment or make adequate arrangements satisfactory to the Company and/or the Employer to withhold such taxes from Employee's wages or other cash compensation paid to the Employer by the Company and/or the Employer at the election of the Company, in its sole discretion, or, if permissible under local law, the Company may sell or arrange for the sale of Shares that Employee acquires as necessary to cover all applicable required withholding taxes that are legally recoverable from the Employee (such as fringe benefit tax) and required social security contributions at the time the restrictions on the RSUs lapse (however, with respect to any Shares subject to Section 409A, the Employer shall limit the surrender of Shares at vesting to the minimum number of Shares permitted to avoid a prohibited acceleration under Section 409A), unless the Company, in its sole discretion, has established alternative procedures for such payment. The Employee will receive a cash refund for any fraction of a surrendered Share or Shares in excess of any and all Tax-Related Items. To the extent that any surrender of Shares or payment of cash or alternative procedure for such payment is insufficient, the Employee authorizes the Company, its Affiliates and Subsidiaries, which are qualified to deduct tax at source, to deduct from the Employee's compensation all Tax-related Items. The Employee

agrees to pay any amounts that cannot be satisfied from wages or other cash compensation, to the extent permitted by law.

To avoid negative accounting treatment, the Company and/or the Employer may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, the Employee is deemed to have been issued the full number of Shares subject to the vested RSUs, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of the Employee's participation in the Plan.

- (b) Regardless of any action the Company or the Employer takes with respect to any or all Tax-Related Items, the Employee acknowledges and agrees that the ultimate liability for all Tax-Related Items is and remains the Employee's responsibility and may exceed the amount actually withheld by the Company or the Employer. The Employee further acknowledges that the Company and/or the Employer: (i) make no representations nor undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of this grant of RSUs, including, but not limited to, the grant, vesting or settlement of RSUs, the subsequent issuance of Shares and/or cash upon settlement of such RSUs or the subsequent sale of any Shares acquired pursuant to such RSUs and receipt of any dividends or dividend equivalent payments; and (ii) do not commit to and are under no obligation to structure the terms or any aspect of this grant of RSUs to reduce or eliminate the Employee's liability for Tax-Related Items or to achieve any particular tax result. Further, if the Employee has become subject to tax in more than one jurisdiction between the date of grant and the date of any relevant taxable or tax withholding event, as applicable, the Employee acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction. The Employee shall pay the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of the Employee's participation in the Plan or the Employee's receipt of RSUs that cannot be satisfied by the means previously described. The Company may refuse to deliver the benefit described in Section 3 if the Employee fails to comply with the Employee's obligations in connection with the Tax-Related Items.
- (c) In accepting the RSUs, the Employee consents and agrees that in the event the RSUs become subject to an employer tax that is legally permitted to be recovered from the Employee, as may be determined by the Company and/or the Employer at their sole discretion, and whether or not the Employee's employment with the Company and/or the Employer is continuing at the time such tax becomes recoverable, the Employee will assume any liability for any such taxes that may be payable by the Company and/or the Employer in connection with the RSUs. Further, by accepting the RSUs, the Employee agrees that the Company and/or the Employer may collect any such taxes from the Employee by any of the means set forth in this Section 10. The Employee further agrees to execute any other consents or elections required to accomplish the above, promptly upon request of the Company.

11. Data Privacy Consent.

The Employee understands that the Company, its Affiliates, its Subsidiaries and the Employer hold certain personal information about the Employee, including, but not limited to, name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all RSUs, options or any other entitlement to shares of stock awarded, canceled, purchased, exercised, vested, unvested or outstanding in the Employee's favor for the exclusive purpose of implementing, managing and administering the Plan ("Data"). The Employee understands that the Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in the Employee's country or elsewhere and that the recipient country may have different data privacy laws and protections than the Employee's country. HP is committed to protecting the privacy of the Employee's personal data in such cases. By contract with both the HP affiliate and with HP vendors, the people and companies that have access to the Employee's personal data are bound to handle such data in a manner consistent with the HP Privacy Policy and law. HP also performs due diligence and audits on its vendors in accordance with good commercial practices to ensure their capabilities and compliance with those commitments.

The Employee may request a list with the names and addresses of any potential recipients of the data by contacting the local human resources representative. The Employee understands that data will be held only as long as is necessary to implement, administer and manage participation in the Plan.

12. Plan Information.

The Employee agrees to receive copies of the Plan, the Plan prospectus and other Plan information, including information prepared to comply with laws outside the United States, from the Stock Incentive Program website referenced above and stockholder information, including copies of any annual report, proxy and Form 10-K, from the investor relations section of the HP website at www.hp.com. The Employee acknowledges that copies of the Plan, Plan prospectus, Plan information and stockholder information are available upon written or telephonic request to the Company Secretary.

13. Acknowledgment and Waiver.

By accepting this grant of RSUs, the Employee acknowledges and agrees that: (i) the Plan is established voluntarily by the Company, it is discretionary in nature and may be modified, amended, suspended or terminated by the Company at any time; (ii) the grant of RSUs is voluntary and occasional and does not create any contractual or other right to receive future grants of Shares or RSUs, or benefits in lieu of Shares or RSUs, even if Shares or RSUs have been granted repeatedly in the past; (iii) all decisions with respect to future grants, if any, will be at the sole discretion of the Company; (iv) the Employee's participation in the Plan shall not create a right to further employment with the Employer and shall not interfere with the ability of the Employer to terminate the Employee's employment relationship at any time and it is expressly agreed and understood that employment is terminable at the will of either party, insofar as permitted by law; (v) the Employee is participating voluntarily in the Plan; (vi) RSUs and their resulting benefits are extraordinary items that do not constitute compensation of any kind for services of any kind rendered to the Company or the Employer, and which are outside the scope of the Employee's employment contract, if any; (vii) RSUs and their resulting benefits are not intended to replace any pension rights or compensation; (viii) RSUs and their resulting benefits are not part of normal or expected compensation or salary for any purposes, including, but not limited to calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments insofar as permitted by law and in no event should be considered as compensation for, or relating in any way to, past services for the Company, the Employer or any Subsidiary or Affiliate; (ix) this grant of RSUs will not be interpreted to form an employment contract or relationship with the Company, and furthermore, this grant of RSUs will not be interpreted to form an employment contract with the Employer or any Subsidiary or Affiliate; (x) the future value of the underlying Shares is unknown and cannot be predicted with certainty; (xi) no claim or entitlement to compensation or damages shall arise from forfeiture of the RSUs resulting from termination of Employee's employment by the Company or the Employer (for any reason whatsoever and whether or not in breach of local labor laws), and in consideration of the grant of the RSUs to which the Employee is otherwise not entitled, the Employee irrevocably agrees never to institute any claim against the Company or the Employer, waives his or her ability, if any, to bring any such claim, and releases the Company and the Employer from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, the Employee shall be deemed irrevocably to have agreed not to pursue such claim and to have agreed to execute any and all documents necessary to request dismissal or withdrawal of such claims; (xii) notwithstanding any terms or conditions of the Plan to the contrary, in the event of termination of the Employee's employment (whether or not in breach of local labor laws), the Employee's right to receive benefits under this Stock Notification and Award Agreement after termination of employment, if any, will be measured by the date of termination of Employee's active employment and will not be extended by any notice period mandated under local law (e.g., active employment would not include a period of "garden leave" or similar period pursuant to local law); (xiii) the Committee shall have the exclusive discretion to determine when the Employee is no longer actively employed for purposes of the RSUs.

14. No Advice Regarding Grant.

The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Employee's participation in the Plan, or the Employee's acquisition or sale of the underlying Shares. The Employee is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

15. Miscellaneous.

- (a) The Company shall not be required to treat as owner of RSUs, and any associated benefits hereunder, any transferee to whom such RSUs or benefits shall have been transferred in violation of any of the provisions of this Stock Notification and Award Agreement.
- (b) The parties agree to execute such further instruments and to take such action as may reasonably be necessary to carry out the intent of this Stock Notification and Award Agreement.
- (c) Any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given upon delivery to the Employee at his address then on file with the Company.

- (d) The Plan is incorporated herein by reference. The Plan and this Stock Notification and Award Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and the Employee with respect to the subject matter hereof, and may not be modified adversely to the Employee's interest except by means of a writing signed by the Company and the Employee. Notwithstanding the foregoing, nothing in the Plan or this Stock Notification and Award Agreement shall affect the validity or interpretation of any duly authorized written agreement between the Company and the Employee under which an Award properly granted under and pursuant to the Plan serves as any part of the consideration furnished to the Employee. This Stock Notification and Award Agreement is governed by the laws of the state of Delaware.
- (e) If the Employee has received this or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.
- (f) The provisions of this Stock Notification and Award Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.
- (g) Payments made pursuant to the Plan and this Stock Notification and Award Agreement are intended to comply with Section 409A. The Company reserves the right, to the extent the Company deems necessary or advisable in its sole discretion, to unilaterally amend or modify the Plan and/or this Stock Notification and Award Agreement to ensure that all RSU Awards made to United States taxpayers are made in a manner that complies with Section 409A (including, without limitation, the avoidance of penalties thereunder), provided however, that the Company makes no representations that the RSUs will be exempt from any penalties that may apply under Section 409A and makes no undertaking to preclude Section 409A from applying to this RSU award.
- (h) **Electronic Delivery.**
The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Employee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.
- (i) Any capitalized terms not defined herein shall have the same meaning they have in the Plan.
- (j) **Appendix.**
Notwithstanding any provisions in this Stock Notification and Award Agreement, the grant of the RSUs shall be subject to any special terms and conditions set forth in the Appendix to this Stock Notification and Award Agreement for the Employee's country. Moreover, if the Employee relocates to one of the countries included in the Appendix, the special terms and conditions for such country will apply to the Employee, to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with local law or facilitate the administration of the Plan. The Appendix constitutes part of this Stock Notification and Award Agreement.
- (k) **Imposition of Other Requirements.**
The Company reserves the right to impose other requirements on the Employee's participation in the Plan, on the RSUs and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require the Employee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

HEWLETT-PACKARD COMPANY

Léo Apotheker
CEO and President

Michael J. Holston
Executive Vice President, General Counsel and Secretary

RETAIN THIS STOCK NOTIFICATION AND AWARD AGREEMENT FOR YOUR RECORDS

Important Note: Your award is subject to the terms and conditions of this Stock Notification and Award Agreement and to HP obtaining all necessary government approvals. If you have questions regarding your award, please discuss them with your manager.



STOCK NOTIFICATION AND AWARD AGREEMENT

Name: _____ **Employee ID:** _____
Manager Name: _____
Department: _____

Congratulations on receiving a stock award. This award reflects your management team's recognition of your significant contributions to Hewlett-Packard Company's success.

HP has long been known for talented employees like you who have an unwavering commitment to HP's customers, driving growth and profitability and creating value. Stock awards are one important way we demonstrate our commitment to rewarding your strong performance and individual achievements. Thank you for your hard work and commitment to building a successful company.

Once again, congratulations on a job well done.

<p>Grant Date:</p> <p>Grant Number:</p> <p>Grant Price:</p> <p>Award Amount:</p> <p>Award Type/Sub Type:</p> <p>Expiration Date:</p> <p>Plan:</p> <p>Program Type:</p> <p>Vesting Schedule:</p>
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Performance-Based Restricted Units

THIS STOCK NOTIFICATION AND AWARD AGREEMENT, as of the Grant Date noted above, between Hewlett-Packard Company, a Delaware Corporation ("Company"), and the employee named above ("Employee"), is entered into as follows:

WHEREAS, the continued participation of the Employee is considered by the Company to be important for the Company's continued growth; and

WHEREAS, in order to give the Employee an incentive to continue in the employ of the Company (or its Affiliates or Subsidiaries), to accept ancillary agreements designed to protect the legitimate business interests of the Company that are made a condition of this award and to participate in the affairs of the Company, the HR and

Compensation Committee of the Board of Directors of the Company or its delegates ("Committee") has determined that the Employee shall be granted performance-based restricted units representing hypothetical shares of the Company's common stock ("PRUs"). The award amount stated above reflects the target number of PRUs that may be awarded to you (the "Target Amount"). The number of PRUs awarded to you will be determined at the end of a three-year performance period. Each PRU will be equal in value to one share of the Company's \$0.01 par value common stock ("Shares"), subject to the restrictions stated below and in accordance with the terms and conditions of the Plan named above, a copy of which can be found on the Stock Incentive Program website at the following address: [URL]. A copy may also be obtained by written or telephonic request to the Company Secretary.

THEREFORE, the parties agree as follows:

1. **Grant of Performance-based Restricted Units.**
Subject to the terms and conditions of this Stock Notification and Award Agreement and of the Plan, the Company hereby grants to the Employee a PRU Award as set forth below.

2. **Performance Criteria.**
The Employee can earn the PRUs based on (a) the Company's achieving annual goals related to cash flow, (b) the Company's achieving a total shareholder return ("TSR") over a three-year period (with such three-year period described as the Vesting Schedule above and hereafter referred to as the "Performance Period"), and (c) Employee's compliance with the requirements and conditions provided for in the Plan and this Stock Notification and Award Agreement. The goals associated with this PRU Award are established by the Committee, and will be communicated by the Company annually via the following website: [URL]. The amount of the PRU Award will range from 0% to 200% of the Target Amount as determined after the end of each Performance Period based upon the Company's performance against the annual cash flow goals and three-year TSR as reviewed and approved by the Committee. No PRUs are awarded if performance is below minimum levels.

3. **Milestones, Credits, Application of Modifier.**
(a) **Milestones and Credits.** The annual cash flow performance criteria associated with the PRU Award will be established by the Committee. A percentage of the Target Amount is determined annually based upon performance against goals that are reviewed and approved annually by the Committee and will be made available on the following website: [URL]. No percentage of the Target Amount is credited if performance is below minimum levels.

As milestones are achieved, a one-third portion (rounded to the nearest whole percent) of the Target Amount shall be credited in the Employee's name. The amounts credited for the relevant year in connection with the annual cash flow goal as a percentage of that year's portion of the Target Amount will be as follows: 0% if performance is below minimum level, 30% if performance is at minimum level and 150% if performance is at or above maximum level. For performance between the minimum level and the maximum level, a proportionate percentage between 30% and 150% will be applied based on relative performance between minimum and maximum.

The amount credited to the Employee is the "Conditional PRU Award."

(b) **Modifier.** Following the completion of the Performance Period, the Conditional PRU Award will be adjusted by the TSR modifier to be determined by the Committee based on the performance criteria set forth below. The modifier will be calculated as indicated below with respect to the Performance Period and will be made available on the following website: [URL]. The modifier will be equal to zero if the minimum level is not met, resulting in no payout under this Stock Notification and Award Agreement, and the modifier cannot exceed 133%. An Employee's PRU Award (if any) shall equal the Conditional PRU Award multiplied by the TSR modifier, as approved by the Committee.

The TSR modifier will be as follows based on the Company's three-year performance as compared to the three-year performance of the S&P 500 over the same period: 0% if performance is below the minimum level, 66% if performance is at the minimum level and 133% if performance is at or above the maximum level. For performance between the minimum level and the maximum level, a proportionate TSR modifier between 66% and 133% will be applied based on relative performance between minimum and maximum.

4. **Payout of Performance-based Restricted Units.**
If the Committee determines that the goals described in Section 3 have been met and certifies the extent to which those goals have been met, and the terms and conditions set forth in this Stock Notification and Award Agreement are fulfilled, then the Employee's PRU Award, as determined under Section 3(b), shall no longer be restricted and Shares will be transferred to the Employee within 90 days following the end of the Performance

Period or, if the Employee made a valid deferral election Shares will be transferred to the Employee in accordance with Section 14 below. The Shares transferred to the Employee will be in an amount equal to the number of PRUs earned pursuant to Section 3(b) above, net of applicable withholdings.

5. Restrictions.

Except as otherwise provided for in this Stock Notification and Award Agreement, the PRUs or rights granted hereunder may not be sold, pledged or otherwise transferred until paid (if at all) in accordance with this Stock Notification and Award Agreement.

6. Custody of Performance-based Restricted Units.

The PRUs subject hereto shall be held in a restricted book entry account in the name of the Employee. Upon completion of the Performance Period, Shares issued pursuant to Section 4 above shall be released into an unrestricted book entry account; provided, however, that a portion of such Shares shall be surrendered in payment of taxes in accordance with Section 17 below, unless the Company, in its sole discretion, establishes alternative procedures for the payment of such taxes.

7. No Stockholder Rights.

PRUs represent hypothetical Shares. Until Shares are issued to the Employee, the Employee shall not be entitled to any of the rights or benefits generally accorded to stockholders, including, without limitation, the receipt of dividends.

8. Termination of Employment.

Except as set forth below, the Employee must remain in the active employ of the Company (or any of its Subsidiaries or Affiliates) on a continuous basis through the last business day of the relevant Performance Period in order to receive any amount of the PRU Award, subject to the terms and conditions of this Stock Notification and Award Agreement.

9. Retirement of the Employee.

If the Employee termination is due to retirement in accordance with the applicable retirement policy, the Employee shall receive a pro rata amount of the PRU Award, payable at the end of the Performance Period. For each year or part of a year that the Employee works during the Performance Period, the amount credited towards the Conditional PRU Award will be determined by multiplying the amount credited at the end of the applicable year by a fraction equal to the number of whole months worked by the Employee during such year, divided by 12. The resulting amount will be credited towards the Conditional PRU Award and adjusted by the TSR modifier. The Company's obligation to deliver the pro rata amount due under the PRU Award is subject to the condition that the Employee shall have executed a current Agreement Regarding Confidential Information and Proprietary Developments ("ARCIPD") that is satisfactory to the Company, and during the portion of the Performance Period following termination of the Employee's active employment shall be in compliance with any-post employment restrictions in the ARCIPD and shall not engage in any conduct that creates a conflict of interest in the opinion of the Company.

10. Total and Permanent Disability of the Employee.

In the event termination of employment is due to the total and permanent disability of the Employee, the Employee (or a legally designated guardian or representative if the Employee is legally incompetent) shall receive a pro rata amount of the PRU Award, payable at the end of the relevant Performance Period. For each year or part of a year that the Employee works during the Performance Period, the amount credited towards the Conditional PRU Award will be determined by multiplying the amount credited at the end of the applicable year by a fraction equal to the number of whole months worked by the Employee during such year, divided by 12. The resulting amount will be credited towards the Conditional PRU Award and adjusted by the TSR modifier. The Company's obligation to deliver the pro rata amount due under the PRU Award is subject to the condition that the Employee shall have executed a current ARCIPD that is satisfactory to the Company, and during the portion of the Performance Period following termination of the Employee's active employment shall be in compliance with any-post employment restrictions in the ARCIPD and shall not engage in any conduct that creates a conflict of interest in the opinion of the Company.

11. Death of the Employee.

In the event termination of employment is due to the Employee's death, the Employee's estate or designated beneficiary shall receive a pro rata amount of the PRU Award, payable at the end of the relevant Performance Period. For each year or part of a year that the Employee works during the Performance Period, the amount credited towards the Conditional PRU Award will be determined by multiplying the amount credited at the end of the applicable year by a fraction equal to the number of whole months worked by the Employee during such year, divided by 12. The resulting amount will be credited towards the Conditional PRU Award and adjusted by the TSR modifier.

12. Workforce Reduction.

Unless otherwise provided by the Committee, in the event the Employee is terminated under a workforce reduction program approved by the Board of Directors or its delegate(s), the Employee shall receive a pro rata amount of the PRU Award, payable at the end of the relevant Performance Period. For each year or part of a year that the Employee works during the Performance Period, the amount credited towards the Conditional PRU Award will be determined by multiplying the amount credited at the end of the applicable year by a fraction equal to the number of whole months worked by the Employee during such year, divided by 12. The resulting amount will be credited towards the Conditional PRU Award and adjusted by the TSR modifier.

13. Divestiture.

Unless otherwise provided by the Committee, in the event the Employee is terminated due to a divestiture, the Employee shall receive a pro rata amount of the PRU Award, payable at the end of the relevant Performance Period. For each year or part of a year that the Employee works during the Performance Period the amount credited towards the Conditional PRU Award will be determined by multiplying the amount credited at the end of the applicable year by a fraction equal to the number of whole months worked by the Employee during such year, divided by 12. The resulting amount will be credited towards the Conditional PRU Award and adjusted by the TSR modifier.

14. Deferral Election.

Certain Employees who are regular employees on a U.S. payroll of the Company or its Affiliates or Subsidiaries and who are eligible to participate in the Company's Executive Deferred Compensation Plan may be permitted to elect to defer distribution of the Shares that are otherwise due at the end of the Performance Period by completing a prescribed deferral election form and returning it to the Company according to the instructions on the deferral election form. The deferral election form will be distributed separately to the employees who are permitted to make a deferral election. If made, the deferral election is irrevocable by the Employee. However, the deferred delivery of Shares may be accelerated under certain circumstances as set forth in the deferral election form. The Employee shall generally receive his or her Shares in accordance with the distribution election made on the deferral election form; however, notwithstanding anything in this Stock Notification and Award Agreement or deferral election form to the contrary, if the Employee is a "specified employee" as determined pursuant to Section 409A, at the time that the Employee receives a payment in connection with the Employee's "separation from service" as determined pursuant to Section 409A (other than for death), the payment shall instead be made on the earlier of the first business day after the date that is (i) six months following the Employee's separation from service as determined pursuant to Section 409A or (ii) death, to the extent such delayed payment is otherwise required to avoid a prohibited distribution under Section 409A. Please note that deferring the distribution of Shares will have tax consequences for the Employee, and the Employee is strongly advised to consult with his or her personal tax advisor.

15. Deferral of Compensation.

Payments made pursuant to this Plan and this Stock Notification and Award Agreement are intended to comply with or qualify for an exemption from Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A"). The Company reserves the right, to the extent the Company deems necessary or advisable in its sole discretion, to unilaterally amend or modify the Plan and/or this Stock Notification and Award Agreement to ensure that all PRU Awards are made in a manner that complies with Section 409A (including, without limitation, the avoidance of penalties thereunder), provided however, that the Company makes no representations that the PRU Awards will be exempt from any penalties that may apply under Section 409A and makes no undertaking to preclude Section 409A from applying to this PRU Award.

16. Accelerations or Delayed Delivery.

Notwithstanding anything in this Stock Notification and Award Agreement to the contrary, the Committee, in its sole discretion may accelerate or delay the delivery of any Shares subject to Section 409A under the circumstances, and to the extent, permitted by Section 409A. Further, in the event the Company elects to accelerate delivery of any Shares subject to Section 409A or pay cash in exchange for the cancellation of any PRUs subject to Section 409A pursuant to a Change in Control pursuant to the Plan, such acceleration or exchange shall only be effective to the extent the event constitutes a "change in control" event for purposes of Section 409A. In all other circumstances delivery will be made in accordance with Section 4 above.

17. Taxes.

(a) The Employee shall be liable for any and all taxes, including income tax, social insurance, payroll tax, payment on account or other tax-related items related to the Employee's participation in the Plan and legally applicable or otherwise recoverable from the Employee (such as fringe benefit tax) by the Company and/or the Employee's employer (the "Employer") ("Tax-Related Items"). In the event that the Company or the Employer is liable for taxes that are legally permitted to be recovered from the Employee or is required to

withhold taxes as a result of the grant of PRUs or the issuance or subsequent sale of Shares acquired pursuant to such PRUs, the Employee shall surrender a sufficient number of whole Shares, make a cash payment or make adequate arrangements satisfactory to the Company and/or the Employer to withhold such taxes from the Employee's wages or other cash compensation paid to the Employee by the Company and/or the Employer at the election of the Company, in its sole discretion, or, if permissible under local law, the Company may sell or arrange for the sale of Shares that Employee acquires as necessary to cover all applicable required withholding taxes that are legally recoverable from the Employee (such as fringe benefit tax) and required social security contributions at the time the restrictions on the PRUs lapse. However, with respect to any PRUs subject to Section 409A whose Shares vest prior to delivery, the Company shall limit the sale of Shares at vesting to the minimum number of Shares permitted to avoid a prohibited acceleration under Section 409A. The Employee will receive a cash refund for any fraction of a surrendered Share or Shares in excess of any and all Tax-Related Items. To the extent that any surrender of Shares or payment of cash or alternative procedure for such payment is insufficient, the Employee authorizes the Company, the Employer, its Affiliates and Subsidiaries, which are qualified to deduct tax at source, to deduct from the Employee's compensation all Tax-Related Items. The Employee agrees to pay any amounts that cannot be satisfied from wages or other cash compensation, to the extent permitted by law.

To avoid negative accounting treatment, the Company and/or the Employer may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, then the Employee will be deemed to have been issued the full number of Shares subject to the vested PRUs, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of the Employee's participation in the Plan.

- (b) Regardless of any action the Company or the Employer takes with respect to any or all Tax-Related Items, the Employee acknowledges and agrees that the ultimate liability for all Tax-Related Items is and remains the Employee's responsibility and may exceed the amount actually withheld by the Company or the Employer. The Employee further acknowledges that the Company and/or the Employer: (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of this grant of PRUs, including, but not limited to, the grant, vesting or settlement of PRUs, the subsequent issuance of Shares upon settlement of such PRUs, the subsequent sale of any Shares acquired pursuant to such issuance and the receipt of any dividends and/or any dividend equivalents; and (ii) do not commit to and are under no obligation to structure the terms or any aspect of this grant of PRUs to reduce or eliminate the Employee's liability for Tax-Related Items or achieve any particular tax result. Further, if the Employee has become subject to tax in more than one jurisdiction between the date of grant and the date of any relevant taxable or tax withholding event, as applicable, the Employee acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction. The Employee shall pay the Company or the Employer any amount for Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of the Employee's participation in the Plan or the Employee's receipt of PRUs that cannot be satisfied by the means previously described. The Company may refuse to deliver the benefit described in Section 4 if the Employee fails to comply with the Employee's obligations in connection with the Tax-Related Items.
- (c) In accepting the PRU Award, the Employee consents and agrees that in the event the PRU Award becomes subject to an employer tax that is legally permitted to be recovered from the Employee, as may be determined by the Company and/or the Employer at their sole discretion, and whether or not the Employee's employment with the Company and/or the Employer is continuing at the time such tax becomes recoverable, the Employee will assume any liability for any such taxes that may be payable by the Company and/or the Employer in connection with the PRU Award. Further, by accepting the PRU Award, the Employee agrees that the Company and/or the Employer may collect any such taxes from the Employee by any of the means set forth in this Section 17. The Employee further agrees to execute any other consents or elections required to accomplish the above, promptly upon request of the Company.

18. Data Privacy Consent.

The Employee understands that the Company, its Affiliates, its Subsidiaries and the Employer hold certain personal information about the Employee, including, but not limited to, name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all PRUs, options or any other entitlement to shares of stock awarded, canceled, purchased, exercised, vested, unvested or outstanding in the Employee's favor for the exclusive purpose of implementing, managing and administering the Plan ("Data"). The Employee understands that the Data may be transferred to any third parties assisting in the implementation, administration

and management of the Plan, that these recipients may be located in the Employee's country or elsewhere and that the recipient country may have different data privacy laws and protections than the Employee's country. HP is committed to protecting the privacy of the Employee's personal data in such cases. By contract with both the HP affiliate and with HP vendors, the people and companies that have access to the Employee's personal data are bound to handle such data in a manner consistent with the HP Privacy Policy and law. HP also performs due diligence and audits on its vendors in accordance with good commercial practices to ensure their capabilities and compliance with those commitments.

The Employee may request a list with the names and addresses of any potential recipients of the data by contacting the local human resources representative. The Employee understands that data will be held only as long as is necessary to implement, administer and manage participation in the Plan.

19. Plan Information.

The Employee agrees to receive copies of the Plan, the Plan prospectus and other Plan information, including information prepared to comply with laws outside the United States, from the Stock Incentive Program website referenced above and stockholder information, including copies of any annual report, proxy and Form 10-K, from the investor relations section of the HP website at www.hp.com. The Employee acknowledges that copies of the Plan, Plan prospectus, Plan information and stockholder information are available upon written or telephonic request to the Company Secretary.

In addition, the Employee agrees to receive information regarding cash flow goals and TSR, including the actual performance of cash flow and TSR from the following website: [URL]

20. Acknowledgment and Waiver.

By accepting this grant of PRUs, the Employee acknowledges and agrees that: (i) the Plan is established voluntarily by the Company, it is discretionary in nature and may be modified, amended, suspended or terminated by the Company at any time; (ii) the grant of PRUs is voluntary and occasional and does not create any contractual or other right to receive future grants of Shares or PRUs, or benefits in lieu of Shares or PRUs, even if Shares or PRUs have been granted repeatedly in the past; (iii) all decisions with respect to future grants, if any, will be at the sole discretion of the Company; (iv) the Employee's participation in the Plan shall not create a right to further employment with the Employer and shall not interfere with the ability of the Employer to terminate the Employee's employment relationship at any time, and it is expressly agreed and understood that employment is terminable at the will of either party, insofar as permitted by law; (v) the Employee is participating voluntarily in the Plan; (vi) PRUs and their resulting benefits are extraordinary items that do not constitute compensation of any kind for services of any kind rendered to the Company or the Employer, and which are outside the scope of the Employee's employment contract, if any; (vii) PRUs and their resulting benefits are not intended to replace any pension rights or compensation; (viii) PRUs and their resulting benefits are not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments insofar as permitted by law and in no event should be considered as compensation for, or relating in any way to, past services for the Company, the Employer or any Subsidiary or Affiliate; (ix) this grant of PRUs will not be interpreted to form an employment contract or relationship with the Company, and furthermore, this grant of PRUs will not be interpreted to form an employment contract with the Employer or any Subsidiary or Affiliate; (x) the future value of the underlying Shares is unknown and cannot be predicted with certainty; (xi) no claim or entitlement to compensation or damages shall arise from forfeiture of the PRUs resulting from termination of the Employee's employment by the Company or the Employer (for any reason whatsoever and whether or not in breach of local labor laws), and in consideration of the grant of the PRUs to which the Employee is otherwise not entitled, the Employee irrevocably agrees never to institute any claim against the Company or the Employer, waives his or her ability, if any, to bring any such claim, and releases the Company and the Employer from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, the Employee shall be deemed irrevocably to have agreed not to pursue such claim and to have agreed to execute any and all documents necessary to request dismissal or withdrawal of such claims; (xii) notwithstanding any terms or conditions of the Plan to the contrary, in the event of termination of the Employee's employment (whether or not in breach of local labor laws), the Employee's right to receive benefits under this Stock Notification and Award Agreement after termination of employment, if any, will be measured by the date of termination of the Employee's active employment and will not be extended by any notice period mandated under local law (*e.g.*, active employment would not include a period of "garden leave" or similar period pursuant to local law); the Committee shall have the exclusive discretion to determine when the Employee is no longer actively employed for purposes of the PRUs; and (xiii) if the Company's performance is below minimum levels as set forth in this Stock Notification and Award Agreement, no PRUs will be awarded and no Shares will be issued to the Employee.

21. No Advice Regarding Grant.

The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Employee's participation in the Plan, or the Employee's acquisition or sale of the underlying Shares. The Employee is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

22. Additional Eligibility Requirements Permitted.

In addition to any other eligibility criteria provided for in the Plan, the Company may require that some or all Employees execute a separate document agreeing to the terms of a current ARCIPD in a form acceptable to the Company and/or that the Employee be in compliance with the ARCIPD throughout the entire Performance Period and through the date the PRU is to be awarded or paid. If such separate document is required by the Company and the Employee does not accept it within 75 days of the Grant Date set forth above, this PRU Award shall be cancelled and the Employee shall have no further rights under this Stock Notification and Award Agreement.

23. Miscellaneous.

- (a) The Company shall not be required to treat as owner of PRUs, and any associated benefits hereunder, any transferee to whom such PRUs or benefits shall have been so transferred in violation of any of the provisions of this Stock Notification and Award Agreement.
- (b) The parties agree to execute such further instruments and to take such action as may reasonably be necessary to carry out the intent of this Stock Notification and Award Agreement.
- (c) Any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given upon delivery to the Employee at his address then on file with the Company.
- (d) The Plan is incorporated herein by reference. The Plan and this Stock Notification and Award Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and the Employee with respect to the subject matter hereof, and may not be modified adversely to the Employee's interest except by means of a writing signed by the Company and the Employee. Notwithstanding the foregoing, nothing in the Plan or this Stock Notification and Award Agreement shall affect the validity or interpretation of any duly authorized written agreement between the Company and the Employee under which an Award properly granted under and pursuant to the Plan serves as any part of the consideration furnished to the Employee, including without limitation, any agreement that imposes restrictions during or after employment regarding confidential information and proprietary developments. This Stock Notification and Award Agreement is governed by the laws of the state of Delaware.
- (e) The Company's obligations under this Stock Notification and Award Agreement and the Employee's agreement to the terms of an ARCIPD, if any, are mutually dependent. In the event that the Employee's ARCIPD is breached or found not to be binding upon the Employee for any reason by a court of law, then the Company will have no further obligation or duty to perform under the Plan or this Stock Notification and Award Agreement.
- (f) Language.
If the Employee has received this or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.
- (g) Electronic Delivery.
The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Employee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.
- (h) Severability.
The provisions of this Stock Notification and Award Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.
- (i) Any capitalized terms not defined herein shall have the same meaning they have in the Plan.

(j) Appendix.

Notwithstanding any provisions in this Stock Notification and Award Agreement, the grant of the PRUs shall be subject to any special terms and conditions set forth in the Appendix to this Stock Notification and Award Agreement for the Employee's country. Moreover, if the Employee relocates to one of the countries included in the Appendix, the special terms and conditions for such country will apply to the Employee, to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with local law or facilitate the administration of the Plan. The Appendix constitutes part of this Stock Notification and Award Agreement.

(k) Imposition of Other Requirements.

The Company reserves the right to impose other requirements on the Employee's participation in the Plan, on the PRUs and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require the Employee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

HEWLETT-PACKARD COMPANY

Léo Apotheker
CEO and President

Michael J. Holston
Executive Vice President, General Counsel and Secretary

RETAIN THIS STOCK NOTIFICATION AND AWARD AGREEMENT FOR YOUR RECORDS

Please refer to the following website at [URL], as your primary source for information on your PRU award performance, including:

- Annual Cash Flow Goals
- TSR goals
- Actual Cash Flow and TSR performance

Important Note: Your award is subject to the terms and conditions of this Stock Notification and Award Agreement and to HP obtaining all necessary government approvals. If you have questions regarding your award, please discuss them with your manager.



STOCK NOTIFICATION AND AWARD AGREEMENT

Name: _____ **Employee ID:** _____
Manager Name: _____
Department: _____

Congratulations on receiving a stock award. This award reflects your management team's recognition of your significant contributions to Hewlett-Packard Company's success.

HP has long been known for talented employees like you who have an unwavering commitment to HP's customers, driving growth and profitability and creating value. Stock awards are one important way we demonstrate our commitment to rewarding your strong performance and individual achievements. Thank you for your hard work and commitment to building a successful company.

Once again, congratulations on a job well done.

<p>Grant Date:</p> <p>Grant Number:</p> <p>Grant Price:</p> <p>Award Amount:</p> <p>AwardType/Sub Type:</p> <p>Expiration Date:</p> <p>Plan:</p> <p>Program Type:</p> <p>Vesting Schedule:</p>

Restricted Stock Award

THIS STOCK NOTIFICATION AND AWARD AGREEMENT, as of the Grant Date noted above, between Hewlett-Packard Company, a Delaware Corporation ("Company"), and the employee named above ("Employee"), is entered into as follows:

WITNESSETH:

WHEREAS, the continued participation of the Employee is considered by the Company to be important for the Company's continued growth; and

WHEREAS, in order to give the Employee an incentive to continue in the employ of the Company and to participate in the affairs of the Company, the HR and Compensation Committee of the Board of Directors of the Company or its delegates ("Committee") has determined that the Employee shall be granted shares of the Company's

\$0.01 par value Common Stock ("Share(s)") subject to the restrictions stated below and in accordance with the terms and conditions of the Plan named above, a copy of which can be found on the Stock Incentive Program website at: [URL] or by written or telephonic request to the Company Secretary.

THEREFORE, the parties agree as follows:

1. **Grant of Restricted Stock Award.**
Subject to the terms and conditions of this Stock Notification and Award Agreement and of the Plan, the Company hereby grants to the Employee the number of Shares stated above ("Restricted Stock Award" or "RSA").
2. **Vesting Schedule.**
The interest of the Employee in the RSA shall vest according to the vesting schedule set forth above. Provided the Employee remains in the employ of the Company on a continuous, full-time basis through the close of business on the last vesting date set forth above, the interest of the Employee in the RSA shall become fully vested on that date.
3. **Restrictions.**
 - (a) The Shares or rights granted hereunder may not be sold, pledged or otherwise transferred until the RSA becomes vested in accordance with Section 2. The period of time between the date hereof and the date the RSA becomes fully vested is referred to herein as the "Restriction Period."
 - (b) Except as otherwise provided for in this Stock Notification and Award Agreement, if the Employee's employment with the Company is terminated at any time for any reason prior to the lapse of the Restriction Period, all Shares granted hereunder shall be forfeited by the Employee, and ownership transferred back to the Company.
4. **Legend.**
All certificates representing any Shares subject to the provisions of this Stock Notification and Award Agreement shall have endorsed thereon the following legend:
"The shares represented by this certificate are subject to an agreement between the Corporation and the registered holder, a copy of which is on file at the principal office of this Corporation."
5. **Escrow.**
The Shares subject hereto shall be held in escrow in a restricted book entry account with the Company's transfer agent in the name of the Employee. Upon termination of the Restriction Period, the Shares shall be released into an unrestricted book entry account with the Company's transfer agent; provided, however, that a portion of such Shares shall be surrendered in payment of required withholding taxes in accordance with Section 9 below, unless the Company, in its sole discretion, establishes alternative procedures for the payment of required withholding taxes.
6. **The Employee's Stockholder Rights.**
During the Restriction Period, the Employee shall have all the rights of a stockholder with respect to the RSA except for the right to transfer the Shares, as set forth in Section 3. Accordingly, the Employee shall have the right to vote the Shares and to receive any cash dividends paid to or made with respect to the Shares.
7. **Disability or Retirement of the Employee.**
If the Employee's termination of employment is due to the Employee's total and permanent disability or retirement, in accordance with the applicable retirement policy, all outstanding and unvested RSAs shall continue to vest in accordance with Section 2, provided that the following conditions are met for the entire Restriction Period:
 - (a) The Employee shall render, as an independent contractor and not as an employee, such advisory or consultative services to the Company as shall reasonably be requested by the Company, consistent with the Employee's health and any other employment or other activities in which such Employee may be engaged;
 - (b) The Employee shall not render services for any organization or engage directly or indirectly in any business which, in the opinion of the Company, competes with or is in conflict with the interests of the Company;
 - (c) The Employee shall not, without prior written authorization from the Company, disclose to anyone outside the Company, or use in other than the Company's business, any confidential information or material relating to the business of the Company, either during or after employment with the Company; and

(d) The Employee shall disclose promptly and assign to the Company all rights, title and interest in any invention or idea, patentable or not, made or conceived by the Employee during employment by the Company, relating in any manner to the actual or anticipated business of the Company, anything reasonably necessary to enable the Company to secure a patent where appropriate in the United States and in foreign countries.

8. Death of the Employee.

In the event of the Employee's death prior to the end of the Restriction Period, the Employee's estate or designated beneficiary shall have the right to receive a pro rata number of Shares determined by the Company in its discretion. In the event of the Employee's death after the vesting date but prior to the payment of Shares, said Shares shall be paid to the Employee's estate or designated beneficiary.

9. Taxes.

(a) The Employee shall be liable for any and all taxes, including income tax, social insurance, payroll tax, payment on account or other tax-related items related to the Employee's participation in the Plan and legally applicable or otherwise recoverable from the Employee (such as fringe benefit tax) by the Company and/or the Employee's employer (the "Employer") ("Tax-Related Items"). In the event that the Company or the Employer is required, allowed or permitted to withhold taxes as a result of the grant or vesting of RSAs, or subsequent sale of Shares acquired pursuant to such RSAs, the Employee shall surrender a sufficient number of whole Shares, make a cash payment or make adequate arrangements satisfactory to the Company and/or the Employer to withhold such taxes from Employee's wages or other cash compensation paid to the Employer by the Company and/or the Employer at the election of the Company, in its sole discretion, or, if permissible under local law, the Company may sell or arrange for the sale of Shares that Employee acquires as necessary to cover all applicable required withholding taxes that are legally recoverable from the Employee (such as fringe benefit tax) and required social security contributions at the time the restrictions on the RSAs lapse (however, with respect to any Shares subject to Section 409A, the Employer shall limit the surrender of Shares at vesting to the minimum number of Shares permitted to avoid a prohibited acceleration under Section 409A), unless the Company, in its sole discretion, has established alternative procedures for such payment. The Employee will receive a cash refund for any fraction of a surrendered Share or Shares in excess of any and all Tax-Related Items. To the extent that any surrender of Shares or payment of cash or alternative procedure for such payment is insufficient, the Employee authorizes the Company, its Affiliates and Subsidiaries, which are qualified to deduct tax at source, to deduct from the Employee's compensation all Tax-related Items. The Employee agrees to pay any amounts that cannot be satisfied from wages or other cash compensation, to the extent permitted by law.

To avoid negative accounting treatment, the Company and/or the Employer may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, the Employee is deemed to have been issued the full number of Shares subject to the vested RSAs, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of the Employee's participation in the Plan.

(b) Regardless of any action the Company or the Employer takes with respect to any or all Tax-Related Items, the Employee acknowledges and agrees that the ultimate liability for all Tax-Related Items is and remains the Employee's responsibility and may exceed the amount actually withheld by the Company or the Employer. The Employee further acknowledges that the Company and/or the Employer: (i) make no representations nor undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of this grant of RSAs, including, but not limited to, the grant, vesting or settlement of RSAs, the subsequent issuance of Shares and/or cash upon settlement of such RSAs or the subsequent sale of any Shares acquired pursuant to such RSAs and receipt of any dividends or dividend equivalent payments; and (ii) do not commit to and are under no obligation to structure the terms or any aspect of this grant of RSAs to reduce or eliminate the Employee's liability for Tax-Related Items or to achieve any particular tax result. Further, if the Employee has become subject to tax in more than one jurisdiction between the date of grant and the date of any relevant taxable or tax withholding event, as applicable, the Employee acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction. The Employee shall pay the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of the Employee's participation in the Plan or the Employee's receipt of RSAs that cannot be satisfied by the means previously described. The Company may refuse to deliver the benefit described herein if the Employee fails to comply with the Employee's obligations in connection with the Tax-Related Items.

(c) In accepting the RSAs, the Employee consents and agrees that in the event the RSAs become subject to an employer tax that is legally permitted to be recovered from the Employee, as may be determined by the Company and/or the Employer at their sole discretion, and whether or not the Employee's employment with the Company and/or the Employer is continuing at the time such tax becomes recoverable, the Employee will assume any liability for any such taxes that may be payable by the Company and/or the Employer in connection with the RSAs. Further, by accepting the RSAs, the Employee agrees that the Company and/or the Employer may collect any such taxes from the Employee by any of the means set forth in this Section 9. The Employee further agrees to execute any other consents or elections required to accomplish the above, promptly upon request of the Company.

10. Data Privacy Consent.

The Employee understands that the Company, its Affiliates, its Subsidiaries and the Employer hold certain personal information about the Employee, including, but not limited to, name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all RSAs, options or any other entitlement to shares of stock awarded, canceled, purchased, exercised, vested, unvested or outstanding in the Employee's favor for the exclusive purpose of implementing, managing and administering the Plan ("Data"). The Employee understands that the Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in the Employee's country or elsewhere and that the recipient country may have different data privacy laws and protections than the Employee's country. HP is committed to protecting the privacy of the Employee's personal data in such cases. By contract with both the HP affiliate and with HP vendors, the people and companies that have access to the Employee's personal data are bound to handle such data in a manner consistent with the HP Privacy Policy and law. HP also performs due diligence and audits on its vendors in accordance with good commercial practices to ensure their capabilities and compliance with those commitments.

The Employee may request a list with the names and addresses of any potential recipients of the data by contacting the local human resources representative. The Employee understands that data will be held only as long as is necessary to implement, administer and manage participation in the Plan.

11. Plan Information.

The Employee agrees to receive copies of the Plan, the Plan prospectus and other Plan information, including information prepared to comply with laws outside the United States, from the Stock Incentive Program website referenced above and stockholder information, including copies of any annual report, proxy and Form 10-K, from the investor relations section of the HP website at www.hp.com. The Employee acknowledges that copies of the Plan, Plan prospectus, Plan information and stockholder information are available upon written or telephonic request to the Company Secretary.

12. Acknowledgment and Waiver.

By accepting this grant of RSAs, the Employee acknowledges and agrees that: (i) the Plan is established voluntarily by the Company, it is discretionary in nature and may be modified, amended, suspended or terminated by the Company at any time; (ii) the grant of RSAs is voluntary and occasional and does not create any contractual or other right to receive future grants of Shares or RSAs, or benefits in lieu of Shares or RSAs, even if Shares or RSAs have been granted repeatedly in the past; (iii) all decisions with respect to future grants, if any, will be at the sole discretion of the Company; (iv) the Employee's participation in the Plan shall not create a right to further employment with the Employer and shall not interfere with the ability of the Employer to terminate the Employee's employment relationship at any time and it is expressly agreed and understood that employment is terminable at the will of either party, insofar as permitted by law; (v) the Employee is participating voluntarily in the Plan; (vi) RSAs and their resulting benefits are not intended to replace any pension rights or compensation; (vii) RSAs and their resulting benefits are not part of normal or expected compensation or salary for any purposes, including, but not limited to calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments insofar as permitted by law and in no event should be considered as compensation for, or relating in any way to, past services for the Company, the Employer or any Subsidiary or Affiliate; (viii) this grant of RSAs will not be interpreted to form an employment contract or relationship with the Company, and furthermore, this grant of RSAs will not be interpreted to form an employment contract with the Employer or any Subsidiary or Affiliate; (ix) the future value of the underlying Shares is unknown and cannot be predicted with certainty; (x) no claim or entitlement to compensation or damages shall arise from forfeiture of the RSAs resulting from termination of Employee's employment by the Company or the Employer (for any reason whatsoever and whether or not in breach of local labor laws), and in consideration of the grant of the RSAs to which the Employee is otherwise not entitled, the Employee irrevocably agrees never to institute any claim against the Company or the Employer, waives his or her ability, if any, to bring any such claim, and releases the Company

and the Employer from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, the Employee shall be deemed irrevocably to have agreed not to pursue such claim and to have agreed to execute any and all documents necessary to request dismissal or withdrawal of such claims; (xi) notwithstanding any terms or conditions of the Plan to the contrary, in the event of termination of the Employee's employment (whether or not in breach of local labor laws), the Employee's right to receive benefits under this Stock Notification and Award Agreement after termination of employment, if any, will be measured by the date of termination of Employee's active employment and will not be extended by any notice period mandated under local law (e.g., active employment would not include a period of "garden leave" or similar period pursuant to local law); (xiii) the Committee shall have the exclusive discretion to determine when the Employee is no longer actively employed for purposes of the RSAs.

13. No Advice Regarding Grant.

The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Employee's participation in the Plan, or the Employee's acquisition or sale of the underlying Shares. The Employee is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

14. Miscellaneous.

(a) The Company shall not be required (i) to transfer on its books any Shares which shall have been sold or transferred in violation of any of the provisions set forth in this Stock Notification and Award Agreement, or (ii) to treat as owner of such Shares or to accord the right to vote as such owner or to pay dividends to any transferee to whom such Shares shall have been so transferred.

(b) The parties agree to execute such further instruments and to take such action as may reasonably be necessary to carry out the intent of this Stock Notification and Award Agreement.

(c) Any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given upon delivery to the Employee at his address then on file with the Company.

(d) The Plan is incorporated herein by reference. The Plan and this Stock Notification and Award Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and the Employee with respect to the subject matter hereof, and may not be modified adversely to the Employee's interest except by means of a writing signed by the Company and the Employee. Notwithstanding the foregoing, nothing in the Plan or this Stock Notification and Award Agreement shall affect the validity or interpretation of any duly authorized written agreement between the Company and the Employee under which an Award properly granted under and pursuant to the Plan serves as any part of the consideration furnished to the Employee. This Stock Notification and Award Agreement is governed by the laws of the state of Delaware.

(e) If the Employee has received this or any other document related to the Plan translated into a language other than English and if the translated version is different than the English version, the English version will control.

(f) The provisions of this Stock Notification and Award Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

(g) Electronic Delivery.

The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Employee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

(h) Any capitalized terms not defined herein shall have the same meaning they have in the Plan.

(i) Appendix.

Notwithstanding any provisions in this Stock Notification and Award Agreement, the grant of the RSUs shall be subject to any special terms and conditions set forth in the Appendix to this Stock Notification and Award Agreement for the Employee's country. Moreover, if the Employee relocates to one of the countries included in the Appendix, the special terms and conditions for such country will apply to the Employee, to the extent the Company determines that the application of such terms and conditions is necessary or

advisable in order to comply with local law or facilitate the administration of the Plan. The Appendix constitutes part of this Stock Notification and Award Agreement.

(j) Imposition of Other Requirements.

The Company reserves the right to impose other requirements on the Employee's participation in the Plan, on the RSAs and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require the Employee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

HEWLETT-PACKARD COMPANY

Léo Apotheker
CEO and President

Michael J. Holston
Executive Vice President, General Counsel and Secretary

RETAIN THIS STOCK NOTIFICATION AND AWARD AGREEMENT FOR YOUR RECORDS

Important Note: Your award is subject to the terms and conditions of this Stock Notification and Award Agreement and to HP obtaining all necessary government approvals. If you have questions regarding your award, please discuss them with your manager.



STOCK NOTIFICATION AND AWARD AGREEMENT

Name:

Employee ID:

Manager Name:

Department:

Congratulations on receiving a stock award. This award reflects your management team's recognition of your significant contributions to Hewlett-Packard Company's success.

HP has long been known for talented employees like you who have an unwavering commitment to HP's customers, driving growth and profitability and creating value. Stock awards are one important way we demonstrate our commitment to rewarding your strong performance and individual achievements. Thank you for your hard work and commitment to building a successful company.

Once again, congratulations on a job well done.

Grant Date:

Grant Number:

Grant Price:

Award Amount:

AwardType/Sub Type:

Expiration Date:

Plan:

Program Type:

Vesting Schedule:

Non-Qualified Stock Option

THIS STOCK NOTIFICATION AND AWARD AGREEMENT, as of the Grant Date noted above between HEWLETT-PACKARD COMPANY, a Delaware corporation ("Company"), and the employee named above ("Employee"), is entered into as follows:

WITNESSETH:

WHEREAS, the Company has established the Plan named above, a copy of which can be found on the Stock Incentive Program website at: [URL] or by written or telephonic request to the Company Secretary, and which Plan is made a part hereof; and

WHEREAS, the HR and Compensation Committee of the Board of Directors of the Company or its delegates ("Committee") has determined that the Employee shall be granted a stock option under the Plan as hereinafter set forth;

NOW THEREFORE, the parties hereby agree that the Company grants the Employee a stock option ("Stock Option") to purchase the number of shares stated above of its \$0.01 par value voting Common Stock ("Share(s)") upon the terms and conditions set forth herein.

1. This Stock Option is granted under and pursuant to the Plan and is subject to each and all of the provisions thereof.
2. The Grant Price is the price per Share set forth above.
3. This Stock Option is not transferable by the Employee otherwise than by will or the laws of descent and distribution, and is exercisable only by the Employee during his lifetime. This Stock Option may not be transferred, assigned, pledged or hypothecated by the Employee during his lifetime, whether by operation of law or otherwise, and is not subject to execution, attachment or similar process.
4. This Stock Option will vest and become exercisable according to the vesting schedule set forth above. Notwithstanding the foregoing, this Stock Option shall be exercisable in full upon the retirement of the Employee, in accordance with the applicable retirement policy, or permanent and total disability, or upon his death.
5. This Stock Option will expire on the expiration date set forth above, unless sooner terminated or canceled in accordance with the provisions of the Plan and this Stock Notification and Award Agreement. You must exercise your award, if at all, on a day the New York Stock Exchange is open for trading and on or before the expiration date noted above. The Employee shall be solely responsible for exercising this Stock Option, if at all, prior to its expiration date. The Company shall have no obligation to notify the Employee of this Stock Option's expiration.
6. This Stock Option may be exercised by delivering to the Secretary of the Company at its head office a written notice stating the number of Shares as to which the Stock Option is exercised or by any other method the Committee has approved; provided, however, that no such exercise shall be with respect to fewer than twenty-five (25) Shares or the remaining Shares covered by the Stock Option if less than twenty-five. The written notice must be accompanied by the payment of the full Grant Price of such Shares. Payment may be in cash or Shares or a combination thereof to the extent permissible under applicable law; provided, however, that any payment in Shares shall be in strict compliance with all procedural rules established by the Committee.
7. All rights of the Employee in this Stock Option, to the extent that it has not been exercised, shall terminate upon the death of the Employee (except as hereinafter provided) or termination of his employment for any reason other than retirement, in accordance with the applicable retirement policy, or permanent and total disability, and in case of such retirement or permanent and total disability three (3) years from the date thereof; provided, however, that in the event of the Employee's death, his legal representative or designated beneficiary shall have the right to exercise all or a portion of the Employee's rights under this Stock Notification and Award Agreement within the time prescribed for exercise after the death of the Employee as provided herein. The representative or designee must exercise the Stock Option within one (1) year after the death of the Employee, and shall be bound by the provisions of the Plan. In all cases, however, this Stock Option will expire no later than the expiration date set forth above.
8. Taxes.
 - (a) The Employee shall be liable for any and all taxes, including income tax, social insurance, payroll tax, payment on account or other tax-related items related to the Employee's participation in the Plan and legally applicable or otherwise recoverable from the Employee (such as fringe benefit tax) by the Company and/or the Employee's employer (the "Employer") ("Tax-Related Items"). In the event that the Company or the Employer is required, allowed or permitted to withhold taxes as a result of the grant or vesting of Stock Options, or subsequent sale of Shares acquired pursuant to such Stock Options, the Employee shall make a cash payment or make adequate arrangements satisfactory to the Company and/or the Employer to withhold such taxes from Employee's wages or other cash compensation paid to the Employer by the Company and/or the Employer at the election of the Company, in its sole discretion, or, if permissible under local law, the Company may sell or arrange for the sale of Shares that Employee acquires as necessary to cover all applicable required withholding taxes that are legally recoverable from the Employee (such as fringe benefit tax) and required social security contributions at the time the Stock Options are exercised, unless the Company, in its sole discretion, has established alternative procedures for such payment. To the extent that any payment of cash or alternative procedure for such payment is insufficient, the Employee

authorizes the Company, its Affiliates and Subsidiaries, which are qualified to deduct tax at source, to deduct from the Employee's compensation all Tax-related Items. The Employee agrees to pay any amounts that cannot be satisfied from wages or other cash compensation, to the extent permitted by law.

To avoid negative accounting treatment, the Company and/or the Employer may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates.

- (b) Regardless of any action the Company or the Employer takes with respect to any or all Tax-Related Items, the Employee acknowledges and agrees that the ultimate liability for all Tax-Related Items is and remains the Employee's responsibility and may exceed the amount actually withheld by the Company or the Employer. The Employee further acknowledges that the Company and/or the Employer (i) make no representations nor undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of this grant of Stock Options, including, but not limited to, the grant, vesting or settlement of Stock Options, the subsequent issuance of Shares and/or cash upon settlement of such Stock Options or the subsequent sale of any Shares acquired pursuant to such Stock Options and receipt of any dividends; and (ii) do not commit to and are under no obligation to structure the terms or any aspect of this grant of Stock Options to reduce or eliminate the Employee's liability for Tax-Related Items or to achieve any particular tax result. Further, if the Employee has become subject to tax in more than one jurisdiction between the date of grant and the date of any relevant taxable or tax withholding event, as applicable, the Employee acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction. The Employee shall pay the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of the Employee's participation in the Plan or the Employee's receipt of Stock Options that cannot be satisfied by the means previously described. The Company may refuse to deliver the benefit described herein if the Employee fails to comply with the Employee's obligations in connection with the Tax-Related Items.
 - (c) In accepting the Stock Option, the Employee consents and agrees that in the event the Stock Option becomes subject to an employer tax that is legally permitted to be recovered from the Employee, as may be determined by the Company and/or the Employer at their sole discretion, and whether or not the Employee's employment with the Company and/or the Employer is continuing at the time such tax becomes recoverable, the Employee will assume any liability for any such taxes that may be payable by the Company and/or the Employer in connection with the Stock Option. Further, by accepting the Stock Option, the Employee agrees that the Company and/or the Employer may collect any such taxes from the Employee by any of the means set forth in this Section 7. The Employee further agrees to execute any other consents or elections required to accomplish the above promptly upon request of the Company.
9. By accepting this Stock Option grant, the Employee acknowledges and agrees that: (i) the Plan is established voluntarily by the Company, it is discretionary in nature and may be modified, amended, suspended or terminated by the Company at any time; (ii) the grant of Stock Options is voluntary and occasional and does not create any contractual or other right to receive future grants of Stock Options, or benefits in lieu of Stock Options, even if Stock Options have been granted repeatedly in the past; (iii) all decisions with respect to future grants, if any, will be at the sole discretion of the Company; (iv) the Employee's participation in the Plan shall not create a right to further employment with the Employer and shall not interfere with the ability of the Employer to terminate the Employee's employment relationship at any time and it is expressly agreed and understood that employment is terminable at the will of either party, insofar as permitted by law; (v) the Employee is participating voluntarily in the Plan; (vi) Stock Options and their resulting benefits are not intended to replace any pension rights or compensation; (vii) Stock Options and their resulting benefits are not part of normal or expected compensation or salary for any purposes, including, but not limited to calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments insofar as permitted by law and in no event should be considered as compensation for, or relating in any way to, past services for the Company, the Employer or any Subsidiary or Affiliate; (viii) this grant of Stock Options will not be interpreted to form an employment contract or relationship with the Company, and furthermore, this Stock Option grant will not be interpreted to form an employment contract with the Employer or any Subsidiary or Affiliate; (ix) the future value of the underlying Shares is unknown and cannot be predicted with certainty; (x) no claim or entitlement to compensation or damages shall arise from forfeiture of the Stock Options resulting from termination of Employee's employment by the Company or the Employer (for any reason whatsoever and whether or not in breach of local labor laws), and in consideration of the grant of the Stock Options to which the Employee is otherwise not entitled, the Employee irrevocably agrees never to institute any claim against the Company or the Employer, waives his or her ability, if any, to bring any such claim, and releases the Company and the Employer from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of

competent jurisdiction, then, by participating in the Plan, the Employee shall be deemed irrevocably to have agreed not to pursue such claim and to have agreed to execute any and all documents necessary to request dismissal or withdrawal of such claims; (xi) notwithstanding any terms or conditions of the Plan to the contrary, in the event of termination of the Employee's employment (whether or not in breach of local labor laws), the Employee's right to receive benefits under this Stock Notification and Award Agreement after termination of employment, if any, will be measured by the date of termination of Employee's active employment and will not be extended by any notice period mandated under local law (e.g., active employment would not include a period of "garden leave" or similar period pursuant to local law); the Committee shall have the exclusive discretion to determine when the Employee is no longer actively employed for purposes of the Stock Options.

10. The Employee understands that the Company, its Affiliates, its Subsidiaries and the Employer hold certain personal information about the Employee, including, but not limited to, name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all stock options or any other entitlement to shares of stock awarded, canceled, purchased, exercised, vested, unvested or outstanding in the Employee's favor for the exclusive purpose of implementing, managing and administering the Plan ("Data"). The Employee understands that the Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in the Employee's country or elsewhere and that the recipient country may have different data privacy laws and protections than the Employee's country. HP is committed to protecting the privacy of the Employee's personal data in such cases. By contract with both the HP affiliate and with HP vendors, the people and companies that have access to the Employee's personal data are bound to handle such data in a manner consistent with the HP Privacy Policy and law. HP also performs due diligence and audits on its vendors in accordance with good commercial practices to ensure their capabilities and compliance with those commitments.

The Employee may request a list with the names and addresses of any potential recipients of the data by contacting the local human resources representative. The Employee understands that data will be held only as long as is necessary to implement, administer and manage participation in the Plan.

11. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Employee's participation in the Plan, or the Employee's acquisition or sale of the underlying Shares. The Employee is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.
12. The Employee agrees to receive copies of the Plan, the Plan prospectus and other Plan information, including information prepared to comply with laws outside the United States, from the Stock Incentive Program website referenced above and stockholder information, including copies of any annual report, proxy and Form 10K, from the investor relations section of the HP website at www.hp.com. The Employee acknowledges that copies of the Plan, Plan prospectus, Plan information and stockholder information are available upon written or telephonic request to the Company Secretary.
13. The Plan is incorporated herein by reference. The Plan and this Stock Notification and Award Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and the Employee with respect to the subject matter hereof, and may not be modified adversely to the Employee's interest except by means of a writing signed by the Company and the Employee. Notwithstanding the foregoing, nothing in the Plan or this Stock Notification and Award Agreement shall affect the validity or interpretation of any duly authorized written agreement between the Company and the Employee under which a Stock Option properly granted under and pursuant to the Plan serves as any part of the consideration furnished to the Employee. This Stock Notification and Award Agreement is governed by the laws of the state of Delaware.
14. If the Employee has received this or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.
15. The provisions of this Stock Notification and Award Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.
16. Any capitalized terms not defined herein shall have the same meaning they have in the Plan.
17. Notwithstanding any provisions in this Stock Notification and Award Agreement, the grant of the Stock Options shall be subject to any special terms and conditions set forth in the Appendix to this Stock Notification and Award Agreement for the Employee's country. Moreover, if the Employee relocates to one of the countries included in the Appendix, the special terms and conditions for such country will apply to the Employee, to the

extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with local law or facilitate the administration of the Plan. The Appendix constitutes part of this Stock Notification and Award Agreement.

18. The Company reserves the right to impose other requirements on the Employee's participation in the Plan, on the Stock Options and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require the Employee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

HEWLETT-PACKARD COMPANY

Léo Apotheker
CEO and President

Michael J. Holston
Executive Vice President, General Counsel and Secretary

RETAIN THIS STOCK NOTIFICATION AND AWARD AGREEMENT FOR YOUR RECORDS

Important Note: Your award is subject to the terms and conditions of this Stock Notification and Award Agreement and to HP obtaining all necessary government approvals. If you have questions regarding your award, please discuss them with your manager.

**HP Agreement Regarding Confidential Information and Proprietary Developments
(With Protective Covenants Relating to Post-Employment Activity)**

Name (Type or Print): _____

1. **Relationship to Employment.** I desire to be employed by Hewlett-Packard Company or by one of its affiliates or subsidiaries (collectively, "HP" or the "Company"). This Agreement states important terms that will apply during and after my employment by HP. I understand, however, that nothing relating to this Agreement will be interpreted as a contract or commitment whereby HP is deemed to promise continuing employment for a specified duration.

2. **Confidential Information.** This Agreement concerns trade secrets, confidential business and technical information, and know-how not generally known to the public (hereinafter "Confidential Information") which is acquired or produced by me in connection with my employment by HP. Confidential Information may include, without limitation, information regarding HP organizations, staffing, finance, structure, employee performance, compensation of others, research and development, manufacturing and marketing, files, keys, certificates, passwords and other computer information, as well as information that HP receives from others under an obligation of confidentiality. I agree to abide by HP's Confidential Information Policy and specifically agree that with regard to HP Confidential Information:

a. to use such information only in the performance of HP duties;

b. to hold such information in confidence and trust; and

c. to use all reasonable precautions to assure that such information is not disclosed to unauthorized persons or used in an unauthorized manner, both during and after my employment with HP.

I further agree that any organizational information or staffing information learned by me in connection with my employment by HP is the Confidential Information of HP, and I agree that I will not share such information with any recruiters or any other employers, either during or subsequent to my employment with HP; further, I agree that I will not use or permit use of such as a means to recruit or solicit other HP employees away from HP (either for myself or for others).

3. **Proprietary Developments.** This Agreement also concerns inventions and discoveries (whether or not patentable), designs, works of authorship, mask works, improvements, data, processes, computer programs and software (hereinafter called "Proprietary Developments") that are conceived or made by me alone or with others while I am employed by HP and that relate to the research and development or the business of HP, or that result from work performed by me for HP, or that are developed, in whole or in part, using HP's equipment, supplies, facilities or trade secrets information. Such Proprietary Developments are the sole property of HP, and I hereby assign and transfer all rights in such Proprietary Developments to HP. I also agree that any works of authorship created by me shall be deemed to be "works made for hire." For all Proprietary Developments, I further agree:

a. to disclose them promptly to HP;

b. to sign any assignment document to formally perfect and confirm my assignment of title to HP;

c. to assign any right of recovery for past damages to HP; and

d. to execute any other documents deemed necessary by HP to obtain, record and perfect patent, copyright, mask works and/or trade secret protection in all countries, in HP's name and at HP's expense.

I understand that HP may assign and/or delegate these rights. I agree that, if requested, my disclosure, assignment, execution and cooperation duties will be provided to the entity designated by HP.

In compliance with prevailing provisions of relevant state statutes,* this Agreement does not apply to an invention for which no equipment, supplies, facility or trade secret information of the employer was used and which was developed entirely on the employee's own time, unless (a) the invention relates (i) to the business of the employer or (ii) to the employer's actual or demonstrably anticipated research or development, or (b) the invention results from any work performed by the employee for the employer.

4. **Respect for Rights of Former Employers.** I agree to honor any valid disclosure or use restrictions on information or intellectual property known to me and received from any former employers or any other parties prior to my employment by HP. I agree that without prior written consent of such former employers or other parties, I will not knowingly use any such information in connection with my HP work or work product, and I will not bring onto the premises of HP any such information in whatever tangible or readable form.

5. **Work Product.** The product of all work performed by me during and within the scope of my HP employment including, without limitation, any files, presentations, reports, documents, drawings, computer programs, devices and models, will be the sole property of HP. I understand that HP has the sole right to use, sell, license, publish or otherwise disseminate or transfer rights in such work product.

6. **HP Property.** I will not remove any HP property from HP premises without HP's permission. Upon termination of my employment with HP, I will return all HP property to HP unless HP's written permission to keep it is obtained.

7. **Protective Covenants.** I acknowledge that a simple agreement not to disclose or use HP's Confidential Information or Proprietary Developments after my employment by HP ends would be inadequate, standing alone, to protect HP's legitimate business interests because some activities by a former employee who had held a position like mine would, by their nature, compromise such Confidential Information and Proprietary Developments as well as the goodwill and customer relationships that HP will pay me to develop for the Company during my employment by HP. I recognize that activities that violate HP's rights in this regard, whether or not intentional, are often undetectable by HP until it is too late to obtain any effective remedy, and that such activities will cause irreparable injury to HP. To prevent this kind of irreparable harm, I agree that for a period of twelve months following the termination of my employment with HP, I will abide by the following Protective Covenants:

(a) **No Conflicting Business Activities.** I will not provide services to a Competitor in any role or position (as an employee, consultant, or otherwise) that would involve Conflicting Business Activities (but if I am a resident of California and subject to the laws of California, the restriction in this clause (paragraph 7, subpart (a)) will apply only to Conflicting Business Activities that result in unauthorized use or disclosure of HP's trade secrets); however, in the event my employment with HP terminates as a result of a Workforce Restructuring program or similar reduction in force, the restriction in this clause (paragraph 7, subpart (a)) will not apply;

(b) **No Solicitation of Customers.** I will not (in person or through assistance to others) knowingly participate in soliciting or communicating with any customer of HP in pursuit of a Competing Line of Business if I either had business-related contact with that customer or received Confidential Information about that customer in the last two years of my employment at HP (but if I am a resident of California and subject to the laws of California, the restriction in this clause (paragraph 7, subpart (b)) will apply only to solicitations or communications made with the unauthorized assistance of HP's trade secrets);

(c) **No Solicitation of HP Employees.** I will not (in person or through assistance to others) knowingly participate in soliciting or communicating with an HP Employee for the purpose of persuading or helping the HP Employee to end or reduce his or her employment relationship with

HP if I either worked with that HP Employee or received Confidential Information about that HP Employee in the last two years of my employment with HP; and

(d) **No Solicitation of HP Suppliers.** I will not (in person or through assistance to others) knowingly participate in soliciting or communicating with an HP Supplier for the purpose of persuading or helping the HP Supplier to end or modify to HP's detriment an existing business relationship with HP if I either worked with that HP Supplier or received Confidential Information about that HP Supplier in the last two years of my employment with HP.

As used here, "**Competitor**" means an individual, corporation, other business entity or separately operated business unit of an entity that engages in a Competing Line of Business. "**Competing Line of Business**" means a business that involves a product or service offered by anyone other than HP that would replace or compete with any product or service offered or to be offered by HP with which I had material involvement while employed by HP (unless HP and its subsidiaries are no longer engaged in or planning to engage in that line of business). "**Conflicting Business Activities**" means job duties or other business-related activities in the United States or in any other country where the HP business units in which I work do business, or management or supervision of such job duties or business-related activities, if such job duties or business-related activities are the same as or similar to the job duties or business-related activities in which I participate or as to which I receive Confidential Information in the last two years of my employment with HP.

"**HP Employee**" means an individual employed by or retained as a consultant to HP or its subsidiaries. "**HP Supplier**" means an individual, corporation, other business entity or separately operated business unit of an entity that regularly provides goods or services to HP or its subsidiaries, including without limitation any OEM, ODM or subcontractor.

8. **Enforcement.** I make these agreements to avoid any future dispute between myself and HP regarding specific restrictions on my post-employment conduct that will be reasonable, necessary and enforceable to protect HP's Confidential Information and Proprietary Developments and other legitimate business interests. The Protective Covenants are ancillary to the other terms of this Agreement and my employment relationship with HP. This Agreement benefits both me and HP because, among other things, it provides finality and predictability for both me and the Company regarding enforceable boundaries on my future conduct. Accordingly, I agree that this Agreement and the restrictions in it should be enforced under common law rules favoring the enforcement of such agreements. For these reasons, I agree that I will not pursue any legal action to set aside or avoid application of the Protective Covenants.

9. **Notice of Post-Employment Activities.** If I accept a position with a Competitor at any time within twelve months following termination of my employment with HP, I will promptly give written notice to the senior Human Resources manager for the HP business sector in which I worked, with a copy to HP's General Counsel, and will provide HP with the information it needs about my new position to determine whether such position would likely lead to a violation of this Agreement (except that I need not provide any information that would include the Competitor's trade secrets).

10. **Relief; Extension.** I understand that if I violate this Agreement (particularly the Protective Covenants), HP will be entitled to injunctive relief by temporary restraining order, temporary injunction, and/or permanent injunction and any other legal and equitable relief allowed by law. Injunctive relief will not exclude other remedies that might apply. If I am found to have violated any restrictions in the Protective Covenants, then the time period for such restrictions will be extended by one day for each day that I am found to have violated them, up to a maximum extension equal to the time period originally prescribed for the restrictions.

11. **Severability; Authority for Revision; Inure to Successors.** The provisions of this Agreement will be separately construed. If any provision contained in this Agreement is determined to be void, illegal or unenforceable, in whole or in part, then the other provisions contained herein will remain in full force and effect as if the provision so determined had not been contained herein. If the restrictions provided in this Agreement are deemed unenforceable as written, the parties expressly authorize the court to revise, delete, or add to such restrictions to the extent necessary to enforce the intent of the parties and to provide HP's goodwill, Confidential Information, Proprietary Developments and other business interests with effective

protection. The title and paragraph headings in this Agreement are provided for convenience of reference only, and shall not be considered in determining its meaning, intent or applicability. This Agreement will inure to the benefit of the parties' heirs, successors, and assigns.

12. **Governing Law.** This Agreement will be governed by the laws of the state in which I reside at the time of its enforcement.

Signature: _____

Date: _____

*Including: California Labor Code Section 2870; Delaware Code Title 19 Section 805; Illinois 765ILCS1060/1-3, "Employees Patent Act"; Kansas Statutes Section 44-130; Minnesota Statutes 13A Section 181.78; North Carolina General Statutes Article 10A, Chapter 66, Commerce and Business, Section 66-57.1; Utah Code Sections 34-39-1 through 34-39-3, "Employment Inventions Act"; Washington Rev. Code, Title 49 RCW: Labor Regulations, Chapter 49.44.140.

HP Agreement Regarding Confidential Information and Proprietary Developments

Name of Employee: _____

1. **Consideration and Relationship to Employment.** As a condition of my continued employment with Hewlett-Packard Company or one of its subsidiaries or affiliates (collectively, "HP" or the "Company"), in return for HP's agreement that I will be provided certain confidential and proprietary information, training, and/or customer contacts to assist me in my duties in such employment, and in consideration of my eligibility for a grant of Performance-based Restricted Units under the Hewlett-Packard Company 2004 Stock Incentive Plan, I knowingly agree to restrictions provided for below that will apply during and after my employment by HP. I understand, however, that nothing relating to this Agreement will be interpreted as a contract or commitment whereby HP is deemed to promise continuing employment for a specified duration. My acceptance of this Agreement may be indicated either by a manual signature or by my completion of a computer-based process that duly confirms my agreement to such terms.

2. **Confidential Information.** This Agreement concerns trade secrets, confidential business and technical information, and know-how not generally known to the public (hereinafter "Confidential Information") which is acquired or produced by me in connection with my employment by HP. Confidential Information may include, without limitation, information on HP organizations, staffing, finance, structure, information of employee performance, compensation of others, research and development, manufacturing and marketing, files, keys, certificates, passwords and other computer information, as well as information that HP receives from others under an obligation of confidentiality. I agree to abide by the HP Confidential Information Policy and specifically agree that with regard to HP Confidential Information:

- (a) to use such information only in the performance of HP duties;
- (b) to hold such information in confidence and trust; and
- (c) to use all reasonable precautions to assure that such information is not disclosed to unauthorized persons or used in an unauthorized manner, both during and after my employment with HP.

I further agree that any organizational information or staffing information learned by me in connection with my employment by HP is the Confidential Information of HP, and I agree that I will not share such information with any recruiters or any other employers, either during or subsequent to my employment with HP; further, I agree that I will not use or permit use of such as a means to recruit or solicit other HP employees away from HP (either for myself or for others).

3. **Proprietary Developments.** This Agreement also concerns inventions and discoveries (whether or not patentable), designs, works of authorship, mask works, improvements, data, processes, computer programs and software (hereinafter called "Proprietary Developments") that are conceived or made by me alone or with others while I am employed by HP and that relate to the research and development or the business of HP, or that result from work performed by me for HP, or that are developed, in whole or in part, using HP's equipment, supplies, facilities or trade secrets information. Such Proprietary Developments are the sole property of HP, and I hereby assign and transfer all rights in such Proprietary Developments to HP. I also agree that

any works of authorship created by me shall be deemed to be "works made for hire." I further agree for all Proprietary Developments:

- (a) to disclose them promptly to HP;
- (b) to sign any assignment document to formally perfect and confirm my assignment of title to HP;
- (c) to assign any right of recovery for past damages to HP; and
- (d) to execute any other documents deemed necessary by HP to obtain, record and perfect patent, copyright, mask works and/or trade secret protection in all countries, in HP's name and at HP's expense.

I understand that HP may assign and/or delegate these rights. I agree that, if requested, my disclosure, assignment, execution and cooperation duties will be provided to the entity designated by HP.

In compliance with prevailing provisions of relevant state statutes,* this Agreement does not apply to an invention for which no equipment, supplies, facility or trade secret information of the employer was used and which was developed entirely on the employee's own time, unless (a) the invention relates (i) to the business of the employer or (ii) to the employer's actual or demonstrably anticipated research or development, or (b) the invention results from any work performed by the employee for the employer.

4. **Respect for Rights of Former Employers.** I agree to honor any valid disclosure or use restrictions on information or intellectual property known to me and received from any former employers or any other parties prior to my employment by HP. I agree that without prior written consent of such former employers or other parties, I will not knowingly use any such information in connection with my HP work or work product, and I will not bring onto the premises of HP any such information in whatever tangible or readable form.

5. **Work Product.** The product of all work performed by me during and within the scope of my HP employment including, without limitation, any files, presentations, reports, documents, drawings, computer programs, devices and models, will be the sole property of HP. I understand that HP has the sole right to use, sell, license, publish or otherwise disseminate or transfer rights in such work product.

6. **HP Property.** I will not remove any HP property from HP premises without HP's permission. Upon termination of my employment with HP, I will return all HP property to HP unless HP's written permission to keep it is obtained.

7. **Protective Covenants.** I acknowledge that a simple agreement not to disclose or use HP's Confidential Information or Proprietary Developments after my employment by HP ends would be inadequate, standing alone, to protect HP's legitimate business interests because some activities by a former employee who had held a position like mine would, by their nature, compromise such Confidential Information and Proprietary Developments as well as the goodwill and customer relationships that HP will pay me to develop for the company during my employment by HP. I recognize that activities that violate HP's rights in this regard, whether or not intentional, are often undetectable by HP until it is too late to obtain any effective remedy, and that such activities will cause irreparable injury to HP. To prevent this kind of irreparable

harm, I agree that for a period of twelve months following the termination of my employment with HP, I will abide by the following Protective Covenants:

- (a) **No Conflicting Business Activities.** I will not provide services to a Competitor in any role or position (as an employee, consultant, or otherwise) that would involve Conflicting Business Activities (but if I am a resident of California and subject to the laws of California, the restriction in this clause (paragraph 7, subpart (a)) will apply only to Conflicting Business Activities that result in unauthorized use or disclosure of HP's trade secrets); however, in the event my employment with HP terminates as a result of a Workforce Restructuring program or similar reduction in force, the restriction in this clause (paragraph 7, subpart (a)) will not apply;
- (b) **No Solicitation of Customers.** I will not (in person or through assistance to others) knowingly participate in soliciting or communicating with any customer of HP in pursuit of a Competing Line of Business if I either had business-related contact with that customer or received Confidential Information about that customer in the last two years of my employment at HP (but if I am a resident of California and subject to the laws of California, the restriction in this clause (paragraph 7, subpart (b)) will apply only to solicitations or communications made with the unauthorized assistance of HP's trade secrets);
- (c) **No Solicitation of HP Employees.** I will not (in person or through assistance to others) knowingly participate in soliciting or communicating with an HP Employee for the purpose of persuading or helping the HP Employee to end or reduce his or her employment relationship with HP if I either worked with that HP Employee or received Confidential Information about that HP Employee in the last two years of my employment with HP; and
- (d) **No Solicitation of HP Suppliers.** I will not (in person or through assistance to others) knowingly participate in soliciting or communicating with an HP Supplier for the purpose of persuading or helping the HP Supplier to end or modify to HP's detriment an existing business relationship with HP if I either worked with that HP Supplier or received Confidential Information about that HP Supplier in the last two years of my employment with HP.

As used here, "**Competitor**" means an individual, corporation, other business entity or separately operated business unit of an entity that engages in a Competing Line of Business. "**Competing Line of Business**" means a business that involves a product or service offered by anyone other than HP that would replace or compete with any product or service offered or to be offered by HP with which I had material involvement while employed by HP (unless HP and its subsidiaries are no longer engaged in or planning to engage in that line of business). "**Conflicting Business Activities**" means job duties or other business-related activities in the United States or in any other country where the HP business units in which I work do business, or management or supervision of such job duties or business-related activities, if such job duties or business-related activities are the same as or similar to the job duties or business-related activities in which I participate or as to which I receive Confidential Information in the last two years of my employment with HP. I acknowledge that given the nature of my role as an executive level employee, my duties involve my having access to Confidential Information relevant to a national or larger geographic area such that Conflicting Business Activities is appropriately a nationwide or larger restriction. "**HP Employee**" means an individual

employed by or retained as a consultant to HP or its subsidiaries. "HP Supplier" means an individual, corporation, other business entity or separately operated business unit of an entity that regularly provides goods or services to HP or its subsidiaries, including without limitation any OEM, ODM or subcontractor.

8. **Enforcement.** I make these agreements to avoid any future dispute between myself and HP regarding specific restrictions on my post-employment conduct that will be reasonable, necessary and enforceable to protect HP's Confidential Information and Proprietary Developments and other legitimate business interests. The Protective Covenants are ancillary to the other terms of this Agreement and my employment relationship with HP. This Agreement benefits both me and HP because, among other things, it provides finality and predictability for both me and the Company regarding enforceable boundaries on my future conduct. Accordingly, I agree that this Agreement and the restrictions in it should be enforced under common law rules favoring the enforcement of such agreements. For these reasons, I agree that I will not pursue any legal action to set aside or avoid application of the Protective Covenants.

9. **Notice of Post-Employment Activities.** If I accept a position with a Competitor at any time within twelve months following termination of my employment with HP, I will promptly give written notice to the senior Human Resources manager for the HP business sector in which I worked, with a copy to HP's General Counsel, and will provide HP with the information it needs about my new position to determine whether such position would likely lead to a violation of this Agreement (except that I need not provide any information that would include the Competitor's trade secrets).

10. **Relief; Extension.** I understand that if I violate this Agreement (particularly the Protective Covenants), HP will be entitled to injunctive relief by temporary restraining order, temporary injunction, and/or permanent injunction and any other legal and equitable relief allowed by law. Injunctive relief will not exclude other remedies that might apply. If I am found to have violated any restrictions in the Protective Covenants, then the time period for such restrictions will be extended by one day for each day that I am found to have violated them, up to a maximum extension equal to the time period originally prescribed for the restrictions.

11. **Severability; Authority for Revision; Governing Law.** The provisions of this Agreement will be separately construed. If any provision contained in this Agreement is determined to be void, illegal or unenforceable, in whole or in part, then the other provisions contained herein will remain in full force and effect as if the provision so determined had not been contained herein. If the restrictions provided in this Agreement are deemed unenforceable as written, the parties expressly authorize the court to revise, delete, or add to such restrictions to the extent necessary to enforce the intent of the parties and to provide HP's goodwill, Confidential Information, Proprietary Developments and other business interests with effective protection. In the event the restrictions provided in this Agreement are deemed unenforceable and cannot be reformed to make them enforceable, then any prior agreements that I have made with HP relating to confidential information or proprietary developments shall not be deemed to have been superseded or otherwise affected by this Agreement, but instead shall remain in effect. The title and paragraph headings in this Agreement are provided for convenience of reference only, and shall not be considered in determining its meaning, intent or applicability. This Agreement will inure to the benefit of the parties' heirs, successors and assigns. This Agreement will be governed by the laws of the state in which I reside at the time of its enforcement.

12. **Acceptance by HP.** A counterpart of this Agreement has been manually executed on behalf of HP by a duly authorized officer of Hewlett-Packard Company to indicate HP's

acceptance of the terms hereof and HP's covenant to perform its obligations hereunder (including, without limitation, HP's agreement that I will be provided certain confidential and proprietary information, training, and/or customer contacts to assist me in my duties). Such acceptance on behalf of HP is conditioned upon my reciprocal agreement to such terms. I acknowledge the sufficiency of HP's acceptance of the terms hereof to establish the mutual rights and responsibilities defined herein.

FOR HP

Signature:

Date:

FOR EMPLOYEE

Signature: _____

Date: _____

*Including: California Labor Code Section 2870; Delaware Code Title 19 Section 805; Illinois 765ILCS1060/1-3, "Employees Patent Act"; Kansas Statutes Section 44-130; Minnesota Statutes 13A Section 181.78; North Carolina General Statutes Article 10A, Chapter 66, Commerce and Business, Section 66-57.1; Utah Code Sections 34-39-1 through 34-39-3, "Employment Inventions Act" Washington Rev. Code, Title 49 RCW: Labor Regulations, Chapter 49.44.140.

December 15, 2010

Ms. Catherine A. Lesjak
Executive Vice President and Chief Financial Officer
Hewlett-Packard Company
3000 Hanover Street
Palo Alto, CA 94304

Dear Cathie:

Over the last several months you have provided extremely valuable service both to Hewlett-Packard Company ("HP") and to HP's Board of Directors, and on behalf of the Board I would like you to know that we are especially grateful for all that you have done for HP. The Board has also asked that I inform you that it would very much like to ensure that you remain with HP in the coming years to help HP continue to prosper. To that end, on behalf of HP we are very pleased to enter into this agreement ("Agreement") with you.

1. The Term: The term of this Agreement shall be three years, after which it may be renewed only by written agreement of the parties.
 2. Position and Duties: For the term of this Agreement you shall continue to be Executive Vice President and Chief Financial Officer responsible for continuing to perform the duties and responsibilities of that position as you have before.
 3. Compensation:
 - a. Base Salary: Throughout the term of this Agreement your base salary shall be maintained at its current level subject to any future increases that the Board may grant; provided, however, that your base salary may be reduced if the base salaries for substantially all other Executive Vice Presidents are reduced in a substantially similar manner.
 - b. Annual Incentive: Throughout the term of this Agreement your target annual incentive will be maintained at its current level subject to any future increases that the Board may grant; provided, however, that your target annual incentive may be reduced if the target annual incentives for substantially all other Executive Vice Presidents are reduced in a substantially similar manner.
 - c. Long-term Incentive Awards: The long-term incentive awards that to date have been provided to you shall not be reduced during the term of this Agreement, and additional awards may be granted to you in the discretion of the Board; provided, however, that your long-term incentive awards may be reduced if the long-term incentive awards for substantially all other Executive Vice Presidents are reduced in a substantially similar manner.
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4. Severance Benefits:

- a. Severance benefits for Section 16 officers are determined under the HP Severance Plan for Executive Officers ("SPEO"). In your case, while this Agreement remains in effect you will be covered by the SPEO in accordance with its terms, but the amount of your cash severance benefit shall be calculated by multiplying by two the sum of (i) your annual base salary in effect immediately before the termination of your employment and (ii) the annual average of all cash bonuses that you earned for the two fiscal years most recently ended prior to the termination of your employment (regardless of whether such bonuses were paid during or after the end of a fiscal year); provided, however, that your cash severance benefit shall not exceed 2.99 times the sum of your base salary and target bonus in effect immediately prior to your termination.
 - b. If you are terminated in a manner entitling you to benefits under the SPEO, as modified by this Agreement, in addition to the cash severance benefit payable under the SPEO you will receive a pro-rata bonus under the annual Pay-for-Results Plan (or any successor plan) with respect to the fiscal year in which your termination occurs based on your actual period of service through your date of termination and actual performance for the fiscal year as measured by applicable metrics. This bonus will be payable within 75 days following the end of the fiscal year during which your termination occurs. In addition, the following treatment will apply to your outstanding equity awards in the event of a termination of your employment entitling you to benefits under the SPEO, as modified by this Agreement (such treatment to apply at such time as the release you are required to sign under the SPEO becomes effective):
 - i. Stock Options: Vesting shall be fully accelerated on all of your unvested stock options and you shall have one year from your termination date (or the original expiration date, if earlier) to exercise all HP options;
 - ii. Restricted Stock, RSU and PRU Awards: All restrictions shall be released and you shall be immediately and fully vested in all stock or stock unit awards. With respect to any PRUs or other performance-based awards (collectively "PBRUs"), payout shall be determined as if you had remained actively employed during the entire performance period, with payout to be calculated based on actual performance results and made in shares following the close of the applicable performance period.
 - c. The other general terms and conditions of the SPEO will continue to apply with respect to the calculation, and conditions for receipt, of these benefits, except that a "qualifying termination" (in addition to the circumstances defined in the SPEO) shall include your resignation within 12 months after the occurrence, without your prior written consent, of one or more of the following events:
 - i. the relocation of your principal place of business more than 50 miles from Palo Alto, California;
 - ii. a material reduction in your salary, annual incentive, or long-term incentive opportunities; and
 - iii. a material adverse change in your authority, duties or responsibilities. A material adverse change in your authority, duties or responsibilities includes,
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without limitation, your ceasing to be Chief Financial Officer, or your no longer reporting directly to the Chief Executive Officer of the top-tier parent company of the controlled group of corporations of which HP is a part.

You must provide the Board with written notice within 90 days after the occurrence of one or more of the above events, and the Board will have 30 days during which it may remedy the condition so identified.

5. Benefits Following a Change in Control of HP: In the event of your termination within 12 months following a Change in Control of HP (as defined in the Amended and Restated HP 2004 Stock Incentive Plan) due to the same "qualifying termination" events that would qualify you for cash benefits under the SPEO or this Agreement, you will, subject to your execution of the required release, receive:
- a. a cash severance benefit as calculated pursuant paragraph 4a above;
 - b. an annual incentive award under the HP Pay-for-Results Plan (or any successor program) for the fiscal year in which your termination occurs based on your actual service through your date of termination, and assuming continued accruals with respect to such bonus at the rate in effect immediately prior to the entry into an agreement by HP that results in its Change in Control; and
 - c. equity treatment as described in paragraph 4b above, except that payout for all PBRUs shall be in cash and shall be determined assuming "target" performance on all metrics for all uncompleted periods, with each unit valued based on the per-share price paid for HP stock in connection with the change in control, plus interest at the applicable federal rate from the date of change in control to the date of payment, with the time of such payments to occur (i) at the end of the applicable performance period with respect to PBRUs already granted, and (ii) at the time the cash severance benefit is payable hereunder, with respect to PBRUs granted on or after the date of this Agreement, or otherwise as required so as to avoid imposition of tax under Section 409A of the Code.

If your receipt of the cash and other benefits payable under this paragraph (the "CIC Benefits") would constitute an "excess parachute payment" for purposes of Section 280G of the Code, then either (i) the CIC Benefits shall be reduced by the minimum amount necessary to avoid any excise taxes under Code Section 4999 or (ii) you shall receive the full amount of the CIC Benefits without any reduction, whichever results in your receipt, on an after-tax basis (including after the imposition of any excise taxes under Code Section 4999), of the greatest amount of the CIC Benefits. If the CIC Benefits are so reduced, such reductions shall first apply to cash payments, with the last payment reduced first; next, to any equity or equity derivatives that are included under Code Section 280G at full value rather than accelerated value, with the highest value reduced first (applied first to performance-based awards and then to time-based awards); next to any non-cash, non-equity-based benefits, with the latest scheduled benefit reduced first; and finally to any equity or equity derivatives based on acceleration value, with the highest value reduced first (applied first to performance-based awards and then to time-based awards) (with all equity and equity derivative values to be determined under Treasury Regulation Section 1.280G-1, Q&A 24). If you receive the full amount of the CIC Benefits without any reduction and such amounts constitute an "excess parachute payment," you shall be liable for all taxes related to such payments.

December 15, 2010

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6. Miscellaneous: In the event of your termination for any reason, the usual executive officer indemnification provisions will continue to apply to the full extent permitted under Delaware law. Your receipt of severance or Change in Control benefits will be subject to your execution of a standard release of claims within 45 days after your termination of employment and, unless a later date is specified above, all cash payments described herein will be made net of required withholdings within 10 days after the expiration of that 45-day period. Notwithstanding the foregoing, all payments shall be made at the earliest date on which payment can be made without imposition of the IRC Section 409A additional tax. Without limitation, in the event that any of the benefits described in this Agreement would be subject to tax under Code Section 409A if paid within six months after your termination of employment (as the result of your status as a "specified employee" within the meaning of Code Section 409A), such amount shall be withheld and paid to you on the first business day of the seventh month following your termination, or to your estate upon your death, if earlier. In addition, your equity-based awards will be structured in compliance with this Agreement and Code Section 409A. You will be reimbursed for attorneys' fees you have incurred in connection with negotiation of this Agreement, as well as any such fees you reasonably incur for review of this Agreement in connection with a Change in Control. All disputes regarding this Agreement will be submitted to arbitration in accordance with the standard rules of the American Arbitration Association, and you will be reimbursed for any attorneys' fees you incur in connection with such a proceeding only if you substantially prevail on all of the claims that you assert. All reimbursements shall be made in accordance with Code Section 409A. For purposes of HP's policy regarding severance agreements for senior executives, any benefits realized with respect to your equity-based awards in connection with a termination of employment shall be treated as "permitted benefits" (as defined in the resolutions adopting such policy, dated July 18, 2003).

We are extremely pleased to confirm the terms of your continued service to HP and we look forward to your continued support to the Board and HP's new CEO. To indicate your agreement to these terms, please sign and return a copy of this letter to me. The effective date of this Agreement shall be the date that it is signed and dated by you below.

Sincerely,

/s/ Lawrence T. Babbio, Jr.

Lawrence T. Babbio, Jr.
Chair, Human Resources & Compensation Committee
Hewlett-Packard Company Board of Directors

ACKNOWLEDGED AND AGREED:

/s/ Catherine A. Lesjak

Catherine A. Lesjak

December 15, 2010

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES
Statements of Computation of Ratio of Earnings to Fixed Charges⁽¹⁾

	<u>Fiscal years ended October 31</u>				
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
In millions, except ratios					
Earnings:					
Earnings before taxes	\$10,974	\$ 9,415	\$10,473	\$ 9,177	\$7,191
Adjustments:					
Non-controlling interests in the income of subsidiaries with fixed charges	108	74	17	19	8
Undistributed loss (earnings) of equity method investees	12	2	—	9	(8)
Fixed charges	868	1,098	1,147	995	746
	<u>\$11,962</u>	<u>\$10,589</u>	<u>\$11,637</u>	<u>\$10,200</u>	<u>\$7,937</u>
Fixed charges:					
Total interest expense, including interest expense on borrowings, amortization of debt discount and premium on all indebtedness and other	\$ 417	\$ 585	\$ 467	\$ 531	\$ 336
Interest included in rent	451	513	680	464	410
Total fixed charges	<u>\$ 868</u>	<u>\$ 1,098</u>	<u>\$ 1,147</u>	<u>\$ 995</u>	<u>\$ 746</u>
Ratio of earnings to fixed charges	<u>13.8x</u>	<u>9.6x</u>	<u>10.1x</u>	<u>10.3x</u>	<u>10.6x</u>

- (1) HP computed the ratio of earnings to fixed charges by dividing earnings (earnings before cumulative effect of change in accounting principle and taxes, adjusted for fixed charges, non-controlling interests in the income of subsidiaries with fixed charges and undistributed earnings or loss of equity method investees) by fixed charges for the periods indicated. Fixed charges include (i) interest expense on borrowings and amortization of debt discount or premium on all indebtedness and other, and (ii) a reasonable approximation of the interest factor deemed to be included in rental expense.

QuickLinks

[Exhibit 12](#)

Principal Subsidiaries of Hewlett-Packard Company

The registrant's principal subsidiaries and affiliates as of October 31, 2010 are included in the list below.

ARGENTINA

—Hewlett-Packard Argentina S.R.L.

AUSTRALIA

—Hewlett-Packard Australia Pty. Limited

—HP Financial Services (Australia) Pty Limited

AUSTRIA

—Hewlett-Packard Gesellschaft m.b.H.

BELGIUM

—Hewlett-Packard Belgium SPRL/BVBA

—Hewlett-Packard Coordination Center CVBA/SCRL

BERMUDA

—High Tech Services Insurance, Ltd.

BRAZIL

—Hewlett-Packard Brasil Ltda.

—HP Financial Services Arrendamento Mercantil S.A.

BULGARIA

—Hewlett-Packard Bulgaria EOOD

CANADA

—Hewlett-Packard (Canada) Co.

—Hewlett-Packard Financial Services Canada Company

CAYMAN ISLANDS

—Compaq Cayman Holdings Company

CHILE

—Hewlett-Packard Chile Comercial Limitada

—HP Financial Services (Chile) Limitada

CHINA

—Hewlett-Packard Technology (Shanghai) Co., Ltd.

—Hewlett-Packard Trading (Shanghai) Co. Ltd.

—China Hewlett-Packard Co., Ltd.

—Shanghai Hewlett-Packard Co. Ltd.

—Hewlett-Packard (Chongqing) Co., Ltd

—Hangzhou H3C Technologies Co., Ltd

COLOMBIA

—Hewlett-Packard Colombia Ltda

COSTA RICA

—Hewlett-Packard Costa Rica Ltda.

CROATIA

—Hewlett-Packard d.o.o.

CYPRUS

—Hewlett-Packard Cyprus Ltd

CZECH REPUBLIC

—Hewlett-Packard s.r.o.

DENMARK

—Hewlett-Packard ApS

ECUADOR

—Hewlett-Packard Ecuador CIA Ltda.

EGYPT

—Hewlett-Packard Egypt Ltd.

FINLAND

—Hewlett-Packard OY

FRANCE

—Hewlett-Packard France SAS

GERMANY

—Hewlett-Packard GmbH

GREECE

—Hewlett-Packard Hellas EPE

GUATEMALA

—Hewlett-Packard Guatemala, Limitada

HONG KONG

—Hewlett-Packard HK SAR Ltd.

HUNGARY

—Hewlett-Packard Magyarország Kft.

INDIA

—Hewlett-Packard Globalsoft Limited

—Hewlett-Packard India Sales Private Limited

—MphasiS Limited

INDONESIA

—PT. Hewlett-Packard Indonesia

IRELAND

—Hewlett-Packard International Bank Public Limited Company

—Hewlett-Packard Ireland Limited

—Hewlett-Packard (Manufacturing) Ltd.

ISRAEL

—Hewlett-Packard Indigo Ltd.

ITALY

—Hewlett-Packard Italiana S.r.l.

JAPAN

—Hewlett-Packard Japan Ltd.

—HP Financial Services (Japan) K.K.

KOREA

—Hewlett-Packard Korea Ltd.

—HP Financial Services Company (Korea)

LATVIA

—Hewlett-Packard SIA

LITHUANIA

—UAB Hewlett-Packard

LUXEMBOURG

—Hewlett-Packard Luxembourg S.C.A.

MACAU

—Hewlett-Packard Macau Limited

MALAYSIA

—Hewlett-Packard (M) Sdn. Bhd.

MEXICO

—Hewlett-Packard Mexico S. de R.L. de C.V.

—Hewlett-Packard Operations Mexico, S. de R.L. de C.V.

MOROCCO

—Hewlett-Packard SARL

NETHERLANDS

—Hewlett-Packard Europe B.V.

—Hewlett-Packard Netherland B.V.

—Hewlett-Packard Caribe B.V.

—Hewlett-Packard Indigo B.V.

NEW ZEALAND

—Hewlett-Packard New Zealand

NIGERIA

—Hewlett-Packard (Nigeria) Limited

NORWAY

—Hewlett-Packard Norge A/S

PERU

—Hewlett-Packard Peru S.R.L.

PHILIPPINES

—Hewlett-Packard Philippines Corporation

POLAND

—Hewlett-Packard Polska Sp. Z.o.o.

PORTUGAL

—Hewlett-Packard Portugal Lda.

ROMANIA

—Hewlett-Packard (Romania) SRL

RUSSIA

—ZAO Hewlett-Packard AO

SERBIA

—Hewlett-Packard d.o.o.

SINGAPORE

—Hewlett-Packard Asia Pacific Pte. Ltd.

—Hewlett-Packard International Pte. Ltd.

—Hewlett-Packard Singapore (Private) Limited

—Hewlett-Packard Singapore (Sales) Pte. Ltd.

SLOVAKIA

—Hewlett-Packard Slovakia s.r.o.

SLOVENIA

—Hewlett-Packard d.o.o., druzba za tehnoloske restive

SOUTH AFRICA

—Hewlett-Packard South Africa (Proprietary) Limited

SPAIN

—Hewlett-Packard Espanola S.L.

SWEDEN

SWITZERLAND

- Hewlett-Packard International Sàrl
- Hewlett-Packard (Schweiz) GmbH

TAIWAN

- Hewlett-Packard Taiwan Ltd.

THAILAND

- Hewlett-Packard (Thailand) Limited

TURKEY

- Hewlett-Packard Teknoloji Cozumleri Limited Sirketi

UNITED ARAB EMIRATES

- Hewlett-Packard Middle East FZ-LLC

UNITED KINGDOM

- Hewlett-Packard Limited
- Hewlett-Packard Manufacturing Ltd.
- EDS (Electronic Data Systems) Limited

UNITED STATES

- ArcSight, Inc.
- 3Com International Inc.
- 3Par Inc.
- Fortify International, Inc.
- Fortify Software, Inc.
- Hewlett-Packard Administrative Services LLC
- Hewlett-Packard Asia Pacific Services Corporation
- Hewlett-Packard Bermuda Enterprises, LLC
- Hewlett-Packard Brazil Holdings, LLC
- Hewlett-Packard Development Company, L.P.
- Hewlett-Packard Financial Services Company
- Hewlett-Packard Luxembourg Enterprises LLC
- Hewlett-Packard Products CV 1, LLC
- Hewlett-Packard Products CV 2, LLC
- Hewlett-Packard Software, LLC
- Hewlett-Packard State & Local Enterprise Services, Inc.
- Hewlett-Packard World Services Corporation
- Hewlett-Packard World Trade, LLC

—HP Financial Services International Holdings Company

—HPFS Global Holdings I, LLC

—Indigo America, Inc.
—Compaq Computer (Delaware) LLC
—Compaq Latin America Corporation
—Computer Insurance Company
—EDS World Corporation (Far East) LLC
—EDS World Corporation (Netherlands) LLC
—EYP Mission Critical Facilities, Inc.
—Mphasis Corporation
—NHIC, Corp.
—Palm, Inc.
—SafeGuard Services LLC
—Shoreline Investment Management Company
—Tall Tree Insurance Company
—Wendover Financial Services Corporation
—WTAF, LLC

VENEZUELA

—Hewlett-Packard Venezuela, S.R.L.

VIETNAM

—Hewlett-Packard Vietnam Ltd.

QuickLinks

[Exhibit 21](#)

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-3 No. 333-86378) of Hewlett-Packard Company pertaining to assumption of outstanding options under various Compaq stock plans,
 - (2) Registration Statement (Form S-3ASR No. 333-159366) of Hewlett-Packard Company pertaining to an unspecified amount of debt securities, common stock, preferred stock, depositary shares and warrants,
 - (3) Registration Statement (Form S-8 No. 333-124281) pertaining to the Executive Deferred Compensation Plan,
 - (4) Registration Statement (Form S-8 No. 333-114253) pertaining to the 2004 Stock Incentive Plan,
 - (5) Registration Statement (Form S-8 No. 333-124280) pertaining to the 2000 Employee Stock Purchase Plan,
 - (6) Registration Statement (Form S-8 No. 333-35836) pertaining to the 2000 Stock Plan and 2000 Employee Stock Purchase Plan,
 - (7) Registration Statement (Form S-8 No. 333-22947) pertaining to the 1997 Director Stock Plan,
 - (8) Registration Statement (Form S-8 No. 033-58447) pertaining to the 1995 Incentive Stock Plan,
 - (9) Registration Statement (Form S-8 No. 033-38579) pertaining to the 1990 Incentive Stock Plan,
 - (10) Registration Statement (Form S-8 No. 333-124282) pertaining to the 2005 Executive Deferred Compensation Plan,
 - (11) Registration Statement (Form S-8 No. 002-92331) pertaining to the Hewlett-Packard Company 401(k) Plan,
 - (12) Registration Statement (Form S-8 No. 033-31496) pertaining to the Employee Stock Purchase Plan and Service Anniversary Stock Plan,
 - (13) Registration Statement (Form S-8 No. 333-138783) pertaining to the Mercury Interactive Corporation Amended and Restated 2000 Supplemental Stock Option Plan, Mercury Interactive Corporation Amended and Restated 1999 Stock Option Plan, Appilog, Inc. 2003 Stock Option Plan, Freshwater Software, Inc. 1997 Stock Plan, Kintana, Inc. 1997 Equity Incentive Plan, Performant, Inc. 2000 Stock Option/Restricted Stock Plan, and Systinet Corporation 2001 Stock Option and Incentive Plan,
 - (14) Registration Statement (Form S-8 No. 333-131406) pertaining to the 2003 Equity Incentive Plan of Peregrine Systems, Inc.,
 - (15) Registration Statement (Form S-8 No. 333-129863) pertaining to the AppIQ, Inc. 2001 Stock Option and Incentive Plan,
 - (16) Registration Statement (Form S-8 No. 333-114254) pertaining to the TruLogica, Inc. 2003 Stock Plan,
 - (17) Registration Statement (Form S-8 No. 333-113148) pertaining to the Consera Software Corporation 2002 Stock Plan,
 - (18) Registration Statement (Form S-8 No. 333-45231) pertaining to the VeriFone, Inc. 1997 Non-Qualified Employee Stock Purchase Plan,
-

- (19) Registration Statement (Form S-8 No. 333-30459) pertaining to the VeriFone, Inc. Amended and Restated 1992 Non-Employee Directors' Stock Option Plan, VeriFone, Inc. Amended and Restated Incentive Stock Option Plan, VeriFone, Inc. Amended and Restated 1987 Supplemental Stock Option Plan and VeriFone, Inc. Amended and Restated Employee Stock Purchase Plan,
 - (20) Registration Statement (Form S-8 No. 033-65179) pertaining to the 1995 Convex Stock Option Conversion Plan,
 - (21) Registration Statement (Form S-8 No. 333-114346) pertaining to the Novadigm, Inc. 1992 Stock Option Plan, Novadigm, Inc. 1999 Nonstatutory Stock Option Plan (as amended on April 30, 2003) and Novadigm, Inc. 2000 Stock Option Plan,
 - (22) Registration Statement (Form S-8 No. 333-114255) pertaining to the Digital Equipment (India) Limited 1999 Stock Option Plan and Digital GlobalSoft Limited 2001 Stock Option Plan,
 - (23) Registration Statement (Form S-8 No. 333-87788) pertaining to the Compaq Computer Corporation 1985 Nonqualified Stock Option Plan, Compaq Computer Corporation 1985 Executive and Key Employee Stock Option Plan, Compaq Computer Corporation 1985 Stock Option Plan, Compaq Computer Corporation 1989 Equity Incentive Plan, Compaq Computer Corporation 1995 Equity Incentive Plan, Compaq Computer Corporation Nonqualified Stock Option Plan for Non-Employee Directors, Compaq Computer Corporation 1998 Stock Option Plan and Compaq Computer Corporation 2001 Stock Option Plan,
 - (24) Registration Statement (Form S-8 No. 333-85136) pertaining to the Indigo N.V. Flexible Stock Incentive Plan and Indigo N.V. 1996 International Flexible Stock Incentive Plan,
 - (25) Registration Statement (Form S-8 No. 333-70232) pertaining to the StorageApps Inc. 2000 Stock Incentive Plan,
 - (26) Registration Statement (Form S-8 No. 333-146630) pertaining to the Opware Inc. Amended and Restated 2000 Incentive Stock Plan, the iConclude Co. 2005 Stock Plan and the Rendition Networks, Inc. Amended and Restated 1998 Stock Option Plan,
 - (27) Registration Statement (Form S-8 No. 333-145920) pertaining to the S.P.I. Dynamics Incorporated 2000 Stock Incentive Plan,
 - (28) Registration Statement (Form S-8 No. 333-143632) pertaining to the Arteis Inc. 2001 Stock Plan and the Arteis Inc. Amended and Restated 2005 Stock Plan,
 - (29) Registration Statement (Form S-8 No. 333-142175) pertaining to the Apatar, Inc. 2005 Stock Incentive Plan and the PolyServe, Inc. 2000 Stock Plan,
 - (30) Registration Statement (Form S-8 No. 333-140857) pertaining to the Bitfone Corporation 2001 Stock Incentive Plan,
 - (31) Registration Statement (Form S-8 No. 333-153302) pertaining to the Amended and Restated 2003 Incentive Plan of Electronic Data Systems Corporation; the Transition Incentive Plan of Electronic Data Systems Corporation, the 2002 Transition Inducement Plan of Electronic Data Systems Corporation, the 1997 Nonqualified Stock Option Plan of Electronic Data Systems Corporation, and the 2000 Nonqualified Stock Option Plan of Electronic Data Systems Corporation,
 - (32) Registration Statement (Form S-8 No. 333-149437) pertaining to the EYP Mission Critical Facilities, Inc. 2001 Stock Option and Grant Plan,
 - (33) Registration Statement (Form S-8 No. 333-156257) pertaining to the LeftHand Networks, Inc. Second Amended and Restated 2000 Equity Incentive Plan,
-

- (34) Registration Statement (Form S-8 No. 333-166269) pertaining to the Amended and Restated 3Com Corporation 2003 Stock Plan, the Amended and Restated 3Com Corporation 1994 Stock Option Plan, the Amended and Restated 3Com Corporation 1983 Stock Option Plan, the 3Com Corporation Director Stock Option Plan, the 3Com Corporation Stand Alone Stock Option Agreement with Saar Gillai, the 3Com Corporation Stand Alone Restricted Stock Agreement with Saar Gillai, the 3Com Corporation Stand Alone Stock Option Agreement with Ronald A. Sege, the 3Com Corporation Stand Alone Restricted Stock Agreement with Ronald A. Sege, the 3Com Corporation Stand Alone Stock Option Agreement with Jay Zager, and the 3Com Corporation Stand Alone Restricted Stock Agreement with Jay Zager,
- (35) Registration Statement (Form S-8 No. 333-166270) pertaining to the Amended and Restated Hewlett-Packard Company 2004 Stock Incentive Plan,
- (36) Registration Statement (Form S-8 No. 333-168101) pertaining to the Palm, Inc. 2009 Stock Plan, as amended, and the Amended and Restated Palm, Inc. 1999 Stock Plan,
- (37) Registration Statement (Form S-8 No. 333-169853) pertaining to the Fortify Software, Inc. 2004 Stock Option/Stock Issuance Plan, as amended,
- (38) Registration Statement (Form S-8 No. 333-169854) pertaining to the Amended and Restated 3PAR Inc. 2007 Equity Incentive Plan, the 3PARDATA, Inc. 2000 Management Stock Option Plan, as amended, and the 3PARDATA, Inc. 1999 Stock Plan, as amended, and
- (39) Registration Statement (Form S-8 No. 333-170373) pertaining to the ArcSight, Inc. 2007 Equity Incentive Plan and the Amended and Restated ArcSight, Inc. 2002 Stock Plan;

of Hewlett-Packard Company of our reports dated December 15, 2010, with respect to the consolidated financial statements and schedule of Hewlett-Packard Company and the effectiveness of Hewlett-Packard Company's internal control over financial reporting included in this Annual Report (Form 10-K) for the year ended October 31, 2010.

/s/ ERNST & YOUNG LLP

San Jose, California
December 15, 2010

QuickLinks

[Exhibit 23](#)

[Consent of Independent Registered Public Accounting Firm](#)

CERTIFICATION

I, Léo Apotheker, certify that:

1. I have reviewed this Annual Report on Form 10-K of Hewlett-Packard Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 15, 2010

/s/ LÉO APOTHEKER

Léo Apotheker
President and Chief Executive Officer
(Principal Executive Officer)

QuickLinks

[Exhibit 31.1](#)

[CERTIFICATION](#)

CERTIFICATION

I, Catherine A. Lesjak, certify that:

1. I have reviewed this Annual Report on Form 10-K of Hewlett-Packard Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures, and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

December 15, 2010

/s/ CATHERINE A. LESJAK

Catherine A. Lesjak,
*Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)*

QuickLinks

[Exhibit 31.2](#)

[CERTIFICATION](#)

**CERTIFICATION
OF
CHIEF EXECUTIVE OFFICER
AND
CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Léo Apotheker, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report on Form 10-K of Hewlett-Packard Company for the fiscal year ended October 31, 2010 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Annual Report on Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Hewlett-Packard Company.

December 15, 2010

By: /s/ LÉO APOTHEKER

Léo Apotheker
President and Chief Executive Officer

I, Catherine A. Lesjak, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report on Form 10-K of Hewlett-Packard Company for the fiscal year ended October 31, 2010 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Annual Report on Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Hewlett-Packard Company.

December 15, 2010

By: /s/ CATHERINE A. LESJAK

Catherine A. Lesjak
*Executive Vice President and
Chief Financial Officer*

A signed original of this written statement required by Section 906 has been provided to Hewlett-Packard Company and will be retained by Hewlett-Packard Company and furnished to the Securities and Exchange Commission or its staff upon request.

QuickLinks

[Exhibit 32](#)

[CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002](#)



Hewlett-Packard Company
3000 Hanover Street
Mail Stop 1050
Palo Alto, CA 94304
www.hp.com

December 15, 2010

VIA EDGAR

U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

David Ritenour
Vice President and Associate
General Counsel
Tel +1 650 857 3059
Fax +1 650 857 4837
david.ritenour@hp.com

Ladies and Gentlemen:

Attached for electronic filing with the U.S. Securities and Exchange Commission is the Annual Report on Form 10-K of Hewlett-Packard Company for the fiscal year ended October 31, 2010.

Please contact me if you have any questions or comments about this filing.

Very truly yours,

/s/ David Ritenour

David Ritenour
