UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended: July 31, 2011

Or

o **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)

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

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 (the "Exchange Act") 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 ý No o

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 ý No o

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.

Large accelerated filer ý	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

The number of shares of HP common stock outstanding as of August 31, 2011 was 1,986,967,186 shares.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES
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Forward-Looking Statements

This Quarterly Report on Form 10-Q, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 2 of Part I of this report, 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, the impact of the earthquake and tsunami that struck Japan in March 2011 or other financial items; any statements of the plans, strategies and objectives of management for future operations, including execution of growth strategies, transformation initiatives and restructuring plans; the exploration of strategic alternatives for HP's PC business and the selection and execution of any strategic plan; 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 growth strategies, transformation initiatives and restructuring plans; the possibility that the expected benefits of pending business combination transactions may not materialize as expected or that transactions may not be timely completed; the resolution of pending investigations, claims and disputes; and other risks that are described herein, including but not limited to the items discussed in "Factors that Could Affect Future Results" set forth in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 2 of Part I of this report, and that are otherwise described from time to time in HP's Securities and Exchange Commission ("SEC") reports, including HP's Annual Report on Form 10-K for the fiscal year ended October 31, 2010. HP assumes no obligation and does not intend to update these forward-looking statements.*

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Consolidated Condensed Statements of Earnings

(Unaudited)

	Three months ended July 31		Nine months ended July 31	
	2011	2010	2011	2010
	In millions, except per share amounts			
Net revenue:				
Products	$ 20,412	$ 20,547	$ 63,661	$ 62,120
Services	10,662	10,078	31,130	30,317
Financing income	115	104	332	318
Total net revenue	31,189	30,729	95,123	92,755
Costs and expenses:				
Cost of products	15,669	15,730	48,286	47,936
Cost of services	8,180	7,560	23,682	22,798
Financing interest	80	75	229	227
Research and development	812	742	2,425	2,145
Selling, general and administrative	3,402	3,191	9,889	9,254
Amortization of purchased intangible assets	358	383	1,196	1,060
Restructuring charges	150	598	466	909
Acquisition-related charges	18	127	68	242
Total operating expenses	28,669	28,406	86,241	84,571
Earnings from operations	2,520	2,323	8,882	8,184
Interest and other, net	(121)	(134)	(294)	(424)
Earnings before taxes	2,399	2,189	8,588	7,760
Provision for taxes	473	416	1,753	1,537
Net earnings	$ 1,926	$ 1,773	$ 6,835	$ 6,223
Net earnings per share:				
Basic	$ 0.94	$ 0.76	$ 3.21	$ 2.66
Diluted	$ 0.93	$ 0.75	$ 3.16	$ 2.60
Cash dividends declared per share	$ 0.24	$ 0.16	$ 0.40	$ 0.32
Weighted-average shares used to compute net earnings per share:				
Basic	2,054	2,322	2,129	2,342

Diluted	2,080	2,376	2,161	2,398

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

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Consolidated Condensed Balance Sheets

	July 31, 2011	October 31, 2010
	In millions, except par value	
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 12,953	$ 10,929
Accounts receivable	18,121	18,481
Financing receivables	3,167	2,986
Inventory	7,427	6,466
Other current assets	14,611	15,322
Total current assets	56,279	54,184
Property, plant and equipment	11,959	11,763
Long-term financing receivables and other assets	11,178	12,225
Goodwill	38,772	38,483
Purchased intangible assets	6,729	7,848
Total assets	$ 124,917	$ 124,503
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable and short-term borrowings	$ 6,666	$ 7,046
Accounts payable	14,489	14,365
Employee compensation and benefits	3,728	4,256
Taxes on earnings	788	802
Deferred revenue	7,390	6,727
Accrued restructuring	763	911
Other accrued liabilities	15,114	15,296
Total current liabilities	48,938	49,403
Long-term debt	19,030	15,258
Other liabilities	17,731	19,061
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; 2,002 and 2,204 shares issued and outstanding, respectively)	20	22
Additional paid-in capital	6,978	11,569
Retained earnings	35,099	32,695
Accumulated other comprehensive loss	(3,274)	(3,837)
Total HP stockholders' equity	38,823	40,449

Noncontrolling interests		395		332
Total stockholders' equity		39,218		40,781
Total liabilities and stockholders' equity	$	124,917	$	124,503

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

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Consolidated Condensed Statements of Cash Flows

(Unaudited)

	Nine months ended July 31	
	2011	**2010**
	In millions	
Cash flows from operating activities:		
Net earnings	$ 6,835	$ 6,223
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	3,722	3,556
Stock-based compensation expense	475	547
Provision for doubtful accounts accounts and financing receivables	41	122
Provision for inventory	167	127
Restructuring charges	466	909
Deferred taxes on earnings	804	(191)
Excess tax benefit from stock-based compensation	(160)	(283)
Other, net	(202)	193
Changes in operating assets and liabilities:		
Accounts and financing receivables	(220)	845
Inventory	(1,139)	(981)
Accounts payable	122	(128)
Taxes on earnings	251	641
Restructuring	(750)	(1,053)
Other assets and liabilities	(173)	(1,756)
Net cash provided by operating activities	10,239	8,771
Cash flows from investing activities:		
Investment in property, plant and equipment	(3,154)	(2,901)
Proceeds from sale of property, plant and equipment	782	353
Purchases of available-for-sale securities and other investments		(50)
Maturities and sales of available-for-sale securities and other investments	59	197
Payments made in connection with business acquisitions, net of cash acquired	(269)	(4,017)
Proceeds from business divestiture, net	89	125
Net cash used in investing activities	(2,493)	(6,293)
Cash flows from financing activities:		
(Payments) issuance of commercial paper and notes payable, net	(1,532)	4,993
Issuance of debt	7,298	121
Payment of debt	(2,271)	(1,274)
Issuance of common stock under employee stock plans	845	2,507
Repurchase of common stock	(9,617)	(7,079)
Excess tax benefit from stock-based compensation	160	283
Dividends	(605)	(590)

Net cash used in financing activities	(5,722)	(1,039)
Increase in cash and cash equivalents	2,024	1,439
Cash and cash equivalents at beginning of period	10,929	13,279
Cash and cash equivalents at end of period	$ 12,953	$ 14,718
Supplemental schedule of non-cash investing and financing activities:		
Issuance of common stock and stock awards assumed in business acquisitions	$ 2	$ 62
Purchase of assets under capital lease	$ 9	$ 105

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

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements

(Unaudited)

Note 1: Basis of Presentation

In the opinion of management, the accompanying Consolidated Condensed Financial Statements of Hewlett-Packard Company and its consolidated subsidiaries ("HP") contain all adjustments, including normal recurring adjustments, necessary to present fairly HP's financial position as of July 31, 2011, its results of operations for the three and nine months ended July 31, 2011 and 2010 and its cash flows for the nine months ended July 31, 2011 and 2010. The Consolidated Condensed Balance Sheet as of October 31, 2010 is derived from the October 31, 2010 audited consolidated financial statements.

The results of operations for the three and nine months ended July 31, 2011 are not necessarily indicative of the results to be expected for the full year. The information included in this Quarterly Report on Form 10-Q should be read in conjunction with "Risk Factors," "Legal Proceedings," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Quantitative and Qualitative Disclosures About Market Risk" and the Consolidated Financial Statements and notes thereto included in Items 1A, 3, 7, 7A and 8, respectively, of the Hewlett-Packard Company Annual Report on Form 10-K for the fiscal year ended October 31, 2010.

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 Condensed Financial Statements and accompanying notes. Actual results could differ materially from those estimates.

Reclassifications and Segment Reorganization

In connection with organizational realignments implemented in the first quarter of fiscal 2011, certain costs previously reported as Cost of services have been reclassified as Selling, general and administrative expenses to better align those costs with the functional areas that benefit from those expenditures. HP has made certain segment and business unit 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 16 for a further discussion of HP's segment reorganization.

Note 2: Stock-Based Compensation

HP's stock-based compensation plans include HP's principal equity plans as well as various equity plans assumed through acquisitions. HP's principal equity plans include performance-based restricted units ("PRU"), stock options and restricted stock awards.

Total stock-based compensation expense before income taxes for the three and nine months ended July 31, 2011 was $148 million and $475 million, respectively. The resulting income tax benefit for the three and nine months ended July 31, 2011 was $46 million and $150 million, respectively. Total stock-based compensation expense before income taxes for the three and nine months ended July 31, 2010 was $166 million and $547 million, respectively. The resulting income tax benefit for the three and nine months ended July 31, 2010 was $54 million and $176 million, respectively.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Note 2: Stock-Based Compensation (Continued)

Performance-based Restricted Units

HP's PRU program provides for the issuance of PRUs representing hypothetical shares of HP common stock. Each PRU award reflects a target number of shares ("Target Shares") that may be issued to the award recipient 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 and may range from 0% to 200% of the Target Shares granted. The performance goals are based on HP's annual cash flow from operations as a percentage of revenue and a market condition based on total shareholder return ("TSR") relative to the S&P 500 over the three-year performance period.

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 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.

HP estimates the fair value of a Target Share using a Monte Carlo simulation model, as the TSR modifier contains a market condition. The following weighted-average assumptions, in addition to projections of market conditions, were used to determine the weighted-average fair values of the PRU awards:

	Nine months ended July 31	
	2011	**2010**
Weighted-average fair value of grants per share	$ 27.59(1)	$ 57.13(2)
Expected volatility(3)	30%	38%
Risk-free interest rate	0.38%	0.73%
Dividend yield	0.75%	0.64%
Expected life in months	19	22

(1)

Reflects the weighted-average fair value for the third year of the three-year performance period applicable to PRUs granted in fiscal 2009, for the second year of the three-year performance period applicable to PRUs granted in fiscal 2010 and for the first year of the three-year performance period applicable to PRUs granted in the nine months ended July 31, 2011. The estimated fair value of a Target Share for the third year for PRUs granted in fiscal 2010 and for the second and third years for PRUs granted in the nine months ended July 31, 2011 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 third year of the three-year performance period applicable to PRUs granted in fiscal 2008, for the second year of the three-year performance

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Note 2: Stock-Based Compensation (Continued)

period applicable to PRUs granted in fiscal 2009 and for the first year of the three-year performance period applicable to PRUs granted in the nine months ended July 31, 2010.

(3) HP uses historic volatility for PRU awards as implied volatility cannot be used when simulating multivariate prices for companies in the S&P 500.

Non-vested PRUs as of July 31, 2011 and changes during the nine months ended July 31, 2011 were as follows:

	Shares (in thousands)
Outstanding Target Shares at October 31, 2010	18,508
Granted	5,950
Vested	
Change in units due to performance and market conditions achievement for PRUs vested in the period	
Forfeited	(1,637)
Outstanding Target Shares at July 31, 2011	22,821
Outstanding Target Shares assigned a fair value at July 31, 2011	17,098(1)

(1) Excludes Target Shares for the third year for PRUs granted in fiscal 2010 and for the second and third years for PRUs granted in the nine months ended July 31, 2011 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 July 31, 2011, there was $177 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.

Stock Options

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

	Three months ended July 31		Nine months ended July 31	
	2011	2010	2011	2010
Weighted-average fair value of grants per share(1)	$ 8.44	$ 13.66	$ 10.24	$ 14.04
Implied volatility	28%	32%	28%	29%
Risk-free interest rate	1.64%	1.96%	1.87%	2.29%
Dividend yield	1.34%	0.69%	0.94%	0.64%
Expected life in months	61	60	60	61

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

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Note 2: Stock-Based Compensation (Continued)

Option activity as of July 31, 2011 and changes during the nine months ended July 31, 2011 were as follows:

	Shares (in thousands)	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in millions)
Outstanding at October 31, 2010	142,916	$ 28		
Granted and assumed through acquisition	1,243	$ 24		
Exercised	(33,736)	$ 24		
Forfeited/cancelled/expired	(3,311)	$ 41		
Outstanding at July 31, 2011	107,112	$ 29	2.5	$ 961
Vested and expected to vest at July 31, 2011	106,145	$ 29	2.5	$ 951
Exercisable at July 31, 2011	100,333	$ 29	2.1	$ 890

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 July 31, 2011. The aggregate intrinsic value is the difference between HP's closing stock price on the last trading day of the third quarter of fiscal 2011 and the exercise price, multiplied by the number of in-the-money options. Total intrinsic value of options exercised for the three and nine months ended July 31, 2011 was $42 million and $648 million, respectively.

At July 31, 2011, there was $188 million of unrecognized pre-tax stock-based compensation expense related to stock options, which HP expects to recognize over the remaining weighted-average vesting period of 1.8 years.

Restricted Stock Awards

Restricted stock awards are non-vested stock awards that include grants of restricted stock and grants of restricted stock units.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Note 2: Stock-Based Compensation (Continued)

Non-vested restricted stock awards as of July 31, 2011 and changes during the nine months ended July 31, 2011 were as follows:

	Shares (in thousands)	Weighted-Average Grant Date Fair Value Per Share
Outstanding at October 31, 2010	5,848	$ 45
Granted	9,156	$ 41
Vested	(2,870)	$ 45
Forfeited	(651)	$ 44
Outstanding at July 31, 2011	11,483	$ 42

At July 31, 2011, there was $367 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 1.6 years.

Note 3: Net Earnings Per Share

HP calculates basic earnings per share ("EPS") 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 and restricted stock.

The reconciliation of the numerators and denominators of the basic and diluted EPS calculations was as follows:

	Three months ended July 31		Nine months ended July 31	
	2011	2010	2011	2010
	In millions, except per share amounts			
Numerator:				
Net earnings[1]	$ 1,926	$ 1,773	$ 6,835	$ 6,223
Denominator:				
Weighted-average shares used to compute basic EPS	2,054	2,322	2,129	2,342
Dilutive effect of employee stock plans	26	54	32	56
Weighted-average shares used to compute diluted EPS	2,080	2,376	2,161	2,398
Net earnings per share:				
Basic	$ 0.94	$ 0.76	$ 3.21	$ 2.66
Diluted	$ 0.93	$ 0.75	$ 3.16	$ 2.60

(1) Net earnings available to participating securities were not significant for the three and nine months ended July 31, 2011 and 2010. HP considers restricted stock that provides the holder with a non-forfeitable right to receive dividends to be a participating security.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Note 3: Net Earnings Per Share (Continued)

HP excludes options with exercise prices that are greater than the average market price for HP's common stock from the calculation of diluted EPS because their effect would be anti-dilutive. For the three and nine months ended July 31, 2011, HP excluded from the calculation of diluted EPS options to purchase 26 million shares and 23 million shares, respectively, compared to 8 million shares and 5 million shares for the three and nine months ended July 31, 2010, respectively.

In addition, HP also excludes options whose combined exercise price, unamortized fair value and excess tax benefits are greater than the average market price for HP's common stock because their effect would be anti-dilutive. For the three and nine months ended July 31, 2011, HP excluded from the calculation of diluted EPS options to purchase an additional 1 million shares, compared to an additional 2 million shares and 3 million shares for the three and nine months ended July 31, 2010, respectively.

Note 4: Balance Sheet Details

Balance sheet details were as follows:

Accounts and Financing Receivables

	July 31, 2011	October 31, 2010
	In millions	
Accounts receivable	$ 18,561	$ 19,006
Allowance for doubtful accounts	(440)	(525)
	$ 18,121	$ 18,481
Financing receivables	$ 3,227	$ 3,050
Allowance for doubtful accounts	(60)	(64)
	$ 3,167	$ 2,986

HP has revolving trade receivables-based facilities permitting it to sell certain trade receivables to third parties. In accordance with the accounting requirements under the Accounting Standards Codification relating to "Transfers and Servicing," trade receivables are derecognized from the consolidated balance sheet when sold to third parties. The total aggregate capacity of the facilities was $1.5 billion as of July 31, 2011, including a $1 billion partial recourse facility entered into in May 2011 and an aggregate capacity of $0.5 billion in non-recourse facilities. The recourse obligation is measured using market data from similar transactions and reported as a current liability in the consolidated balance sheet. The recourse obligation as of July 31, 2011 was not material. The total aggregate capacity of the facilities was $524 million as of October 31, 2010.

For the first nine months of fiscal 2011 and 2010, trade receivables sold under these facilities were $1.8 billion and $1.3 billion, respectively, which approximates the amount of cash received. The resulting losses on the sales of trade accounts receivable for the three months and nine months ended July 31, 2011, were not material. HP had $780 million as of July 31, 2011 and $175 million as of October 31, 2010 available under these programs.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Note 4: Balance Sheet Details (Continued)

Inventory

	July 31, 2011	October 31, 2010
	In millions	
Finished goods	$ 4,820	$ 4,431
Purchased parts and fabricated assemblies	2,607	2,035
	$ 7,427	$ 6,466

Property, Plant and Equipment

	July 31, 2011	October 31, 2010
	In millions	
Land	$ 651	$ 530
Buildings and leasehold improvements	8,497	8,523
Machinery and equipment	15,922	13,874
	25,070	22,927
Accumulated depreciation	(13,111)	(11,164)