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ITEM 8. Financial Statements and Supplementary Data.
All Financial Statements

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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, 2011

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	Name of each exchange on which registered
Common stock, par value $0.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

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, 2011 and 2010, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the three years in the period ended October 31, 2011. 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, 2011 and 2010, and the consolidated results of their operations and their cash flows for each of the three years in the period ended October 31, 2011, 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*, effective November 1, 2009.

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, 2011, 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 14, 2011, expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

San Jose, California
December 14, 2011

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Note 1: Summary of Significant Accounting Policies (Continued)

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. 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. See Note 16 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 loss provision when it believes it is both probable that a liability has been incurred and the amount can be reasonably estimated. See Note 18 for a full description of HP's loss contingencies and related accounting policies.

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 Related Income Tax Benefits

Total stock-based compensation expense before income taxes for fiscal 2011, 2010 and 2009 was $685 million, $668 million and $635 million, respectively. The resulting income tax benefit for fiscal 2011, 2010 and 2009 was $219 million, $216 million and $199 million, respectively.

Cash received from option exercises and purchases under the ESPP was $0.9 billion in fiscal 2011, $2.6 billion in fiscal 2010 and $1.8 billion for fiscal 2009. The actual tax benefit realized for the tax deduction from option exercises of the share-based payment awards in fiscal 2011, 2010 and 2009 was $220 million, $414 million and $252 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.

Note 2: Stock-Based Compensation (Continued)

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 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 fiscal year. At the end of each fiscal 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 three to 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. In fiscal 2011, HP granted performance-contingent stock options that require the

Note 2: Stock-Based Compensation (Continued)

satisfaction of both service and market conditions prior to the expiration of the awards in order for them to vest.

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 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:

	2011	2010	2009
Weighted-average fair value of grants per share	$ 27.59[1]	$ 57.13[2]	$ 40.56[3]
Expected volatility[4]	30%	38%	35%
Risk-free interest rate	0.38%	0.73%	1.34%
Dividend yield	0.75%	0.64%	0.88%
Expected life in months	19	22	30

(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 fiscal 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 fiscal 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 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.

(3) 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.

Note 2: Stock-Based Compensation (Continued)

(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.

Non-vested PRUs as of October 31, 2011 and 2010 and changes during fiscal 2011 and 2010 were as follows:

	2011	2010
	Shares in thousands	
Outstanding Target Shares at beginning of year	18,508	21,093
Granted	5,950	7,388
Vested	—	(7,186)(1)
Change in units due to performance and market conditions achievement for PRUs vested in the year(2)	(10,862)	(108)
Forfeited	(2,214)	(2,679)
Outstanding Target Shares at end of year	11,382	18,508
Outstanding Target Shares of PRUs assigned a fair value at end of year	5,867(3)	10,201(4)

(1) Vested shares relate to awards vested under the 2008 PRU plan.

(2) The minimum level of TSR was not met for PRUs granted in fiscal 2009, which resulted in the cancellation of approximately 10.9 million Target Shares on October 31, 2011.

(3) Excludes Target Shares for the third year for PRUs granted in fiscal 2010 and for the second and third years for PRUs granted in fiscal 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.

(4) 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.

At October 31, 2011, there was $82 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 1.4 years. 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 expected to recognize over the remaining weighted-average vesting period of 1.2 years.

Stock Options

HP utilized the Black-Scholes option pricing model to value the service-based 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 for 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. HP estimates the fair value of the

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 2: Stock-Based Compensation (Continued)

performance-contingent stock options using a combination of the Monte Carlo simulation model and lattice model, as these awards contain market conditions.

The weighted-average fair value of stock options was estimated using the following weighted-average assumptions:

	2011	2010	2009
Weighted-average fair value of grants per share[(1)]	$ 7.85	$ 13.33	$ 13.04
Implied volatility	41%	30%	43%
Risk-free interest rate	1.20%	2.06%	2.07%
Dividend yield	1.97%	0.68%	0.92%
Expected life in months	63	61	61

(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:

	2011				2010			
	Shares	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value	Shares	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
	In thousands		In years	In millions	In thousands		In years	In millions
Outstanding at beginning of year	142,916	$ 28			233,214	$ 33		
Granted and assumed through acquisitions	18,804	$ 21			11,939	$ 22		
Exercised	(37,121)	$ 23			(75,002)	$ 34		
Forfeited/ cancelled/ expired	(4,356)	$ 39			(27,235)	$ 55		
Outstanding at end of year	120,243	$ 28	3.0	$ 460	142,916	$ 28	2.7	$ 2,140
Vested and expected to vest at end of year	117,066	$ 28	2.9	$ 442	141,082	$ 28	2.7	$ 2,114
Exercisable at end of year	97,967	$ 29	2.0	$ 332	125,232	$ 28	2.1	$ 1,895

In relation to fiscal 2011 acquisitions, HP assumed approximately 6 million shares of options with a weighted-average exercise price of $14 per share. In relation to fiscal 2010 acquisitions, HP assumed approximately 10 million shares of options with a weighted-average exercise price of $19 per share.

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, 2011 and 2010. The aggregate intrinsic value is the difference between HP's closing stock price on the last trading day of fiscal 2011 and fiscal 2010 and the exercise price, multiplied by the number of in-the-money options. Total intrinsic value of options exercised in fiscal 2011, 2010 and 2009 was $0.7 billion, $1.3 billion and $0.8 billion, respectively. Total grant date fair value of options vested and expensed in fiscal 2011, 2010 and 2009 was $95 million, $93 million and $172 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, 2011 was as follows:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Shares Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price Per Share	Shares Exercisable	Weighted-Average Exercise Price Per Share
	In thousands	In years		In thousands	
$0-$9.99	2,456	6.8	$ 6	2,028	$ 6
$10-$19.99	14,307	4.6	$ 15	7,652	$ 15
$20-$29.99	56,375	2.5	$ 22	43,818	$ 22
$30-$39.99	23,838	2.5	$ 32	22,965	$ 32
$40-$49.99	20,336	3.4	$ 43	19,078	$ 43
$50-$59.99	1,171	5.3	$ 52	666	$ 51
$60 and over	1,760	0.7	$ 75	1,760	$ 75
	120,243	3.0	$ 28	97,967	$ 29

At October 31, 2011, there was $264 million of unrecognized pre-tax stock-based compensation expense related to stock options, which HP expected to recognize over a weighted-average vesting period of 2.3 years. At October 31, 2010, there was $280 million of unrecognized pre-tax stock-based compensation expense related to stock options, which HP expected to recognize over a weighted-average vesting period of 1.6 years.

Restricted Stock Awards

Non-vested restricted stock awards as of October 31, 2011 and 2010 and changes during fiscal 2011 and 2010 were as follows:

	2011		2010	
	Shares	Weighted-Average Grant Date Fair Value Per Share	Shares	Weighted-Average Grant Date Fair Value Per Share
	In thousands		In thousands	
Outstanding at beginning of year	5,848	$ 45	6,864	$ 44
Granted and assumed through acquisitions	17,569	$ 38	4,821	$ 48
Vested	(5,660)	$ 41	(5,202)	$ 46
Forfeited	(944)	$ 43	(635)	$ 46
Outstanding at end of year	16,813	$ 39	5,848	$ 45

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Note 2: Stock-Based Compensation (Continued)

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

	2011		2010	
	Shares	Weighted-Average Grant Date Fair Value Per Share	Shares	Weighted-Average Grant Date Fair Value Per Share
	In thousands		In thousands	
Restricted stock	335	$ 42	1,543	$ 48
Restricted stock units	17,234	$ 38	3,278	$ 48
	17,569	$ 38	4,821	$ 48

In fiscal 2011, there were no restricted stock units assumed through acquisitions. 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:

	2011	2010
	Shares in thousands	
Non-vested at October 31:		
Restricted stock	984	1,936
Restricted stock units	15,829	3,912
	16,813	5,848

At October 31, 2011, there was $526 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 1.4 years. 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 expected to recognize over the remaining weighted-average vesting period of 1.5 years.

Employee Stock Purchase Plan

HP sponsors the Hewlett-Packard Company 2011 Employee Stock Purchase Plan (the "2011 ESPP"), 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. Purchases made prior to fiscal year 2011 were made under the Hewlett-Packard Company 2000 Employee Stock Purchase Plan (the "2000 ESPP"), which expired in November 2010.

For purchases made on October 31, 2011, employees purchased stock under the 2011 ESPP at a price equal to 95% of the fair market value on the purchase date. Because all the criteria of a non-compensatory plan were met, no stock-based compensation expense was recorded in connection with those purchases. From May 1, 2009 to October 31, 2010, no discount was offered for purchases made under the 2000 ESPP. For purchases made on or before April 30, 2009, employees purchased stock under the 2000 ESPP semi-annually at a price equal to 85% of the fair market value on the purchase date, and HP recognized the expense based on a 15% discount of the fair market value for those purchases.

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Note 2: Stock-Based Compensation (Continued)

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

	2011	2010	2009
	In millions, except weighted-average purchase price per share		
Compensation expense, net of taxes	$ —	$ —	$ 24
Shares purchased	1.75	1.62	6.16
Weighted-average purchase price per share	$ 25	$ 47	$ 33

	2011	2010	2009
	In thousands		
Employees eligible to participate	261	251	260
Employees who participated	18	18	49

Shares Reserved

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

	2011	2010	2009
	Shares in thousands		
Shares available for future grant at October 31:			
HP plans	172,259	124,553[(1)]	95,311[(1)]
Assumed Compaq and EDS plans	—	—	82,449[(2)]
	172,259	124,553	177,760
Shares reserved for future issuance under all stock-related benefit plans at October 31	319,602	296,973	410,977

(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.