

quarterly overview
february 13, 2002

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Calculation of Net Earnings Per Share

HP's basic earnings per share (EPS) is calculated based on net earnings and the weighted-average number of shares outstanding during the reporting period.

Diluted EPS includes additional dilution from potential issuance of common stock, such as stock issuable pursuant to exercise of stock options outstanding and the conversion of debt.

(In millions except per share amounts)
(Unaudited)

	Three months ended	
	January 31,	
	<u>2002</u>	<u>2001</u>
Numerator:		
Net earnings before extraordinary item and cumulative effect of change in accounting principle	\$ 478	\$ 390
Adjustment for interest expense on convertible notes, net of income tax effect	<u>3</u>	<u>6</u>
Net earnings before extraordinary item and cumulative effect of change in accounting principle, adjusted	481	396
Extraordinary item - gain on early extinguishment of debt, net of taxes	6	23
Cumulative effect of change in accounting principle, net of taxes	<u>-</u>	<u>(272)</u>
Net earnings, adjusted	<u>\$ 487</u>	<u>\$ 147</u>
Denominator:		
Weighted-average shares used to compute basic EPS	1,941	1,930

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Effect of dilutive securities:		
Dilutive options and other stock-based awards	11	40
Zero-coupon subordinated convertible notes	<u>11</u>	<u>26</u>
Dilutive potential common shares	<u>22</u>	<u>66</u>
Weighted-average shares used to compute diluted EPS		
	<u>1,963</u>	<u>1,996</u>
Basic net earnings per share:		
Net earnings before extraordinary item and cumulative effect of change in accounting principle	\$ 0.25	\$ 0.20
Extraordinary item - gain on early extinguishment of debt, net of taxes	-	0.01
Cumulative effect of change in accounting principle, net of taxes	<u>-</u>	<u>(0.14)</u>
Net earnings	<u>\$ 0.25</u>	<u>\$ 0.07</u>
Diluted net earnings per share:		
Net earnings before extraordinary item and cumulative effect of change in accounting principle	\$ 0.25	\$ 0.20
Extraordinary item - gain on early extinguishment of debt, net of taxes	-	0.01
Cumulative effect of change in accounting principle, net of taxes	<u>-</u>	<u>(0.14)</u>
Net earnings	<u>\$ 0.25</u>	<u>\$ 0.07</u>

Calculation of Pro Forma Net Earnings Per Share

HP's basic pro forma earnings per share (EPS) is calculated based on pro forma net earnings and the weighted-average number of shares outstanding during the reporting period.

Diluted pro forma EPS includes additional dilution from potential issuance of common stock, such as stock issuable pursuant to exercise of stock options outstanding and the conversion of debt.

(In millions except per share data)
(Unaudited)

	Three months ended	
	January 31,	
	<u>2002</u>	<u>2001</u>
Numerator:		
Net earnings before extraordinary item and cumulative effect of change in accounting principle	\$ 564	\$ 812
Adjustment for interest expense on convertible notes, net of income tax effect	<u>3</u>	<u>6</u>
Net earnings before extraordinary item and cumulative effect of change in accounting principle, adjusted	<u>\$ 567</u>	<u>\$ 818</u>
Denominator:		
Weighted-average shares used to compute basic EPS	1,941	1,930
Effect of dilutive securities:		
Dilutive options and other stock-based awards	11	40
Zero-coupon subordinated convertible notes	<u>11</u>	<u>26</u>
Dilutive potential common shares	<u>22</u>	<u>66</u>
Weighted-average shares used to compute diluted EPS	<u>1,963</u>	<u>1,996</u>

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Net earnings per share before extraordinary item
and cumulative effect of change in accounting
principle:

Basic	\$ 0.29	\$ 0.42
Diluted	\$ 0.29	\$ 0.41

The pro forma amounts above have been adjusted to exclude the following items:

Cost of sales:

Amortization of purchased intangible assets	\$ 5	\$ -
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Operating expenses:

Amortization of goodwill and purchased intangible assets	45	26
Acquisition-related charges	38	44
Restructuring charges	-	102
Total adjustments to operating expenses	<u>83</u>	<u>172</u>

Net investment losses - | 365 |

Income tax effect (2) | (115) |

Total pro forma adjustments \$ 86 | \$ 422 |

Selected Financial Information

(In millions except for ratios)
(Unaudited)

	Three months ended	
	January 31,	
	<u>2002</u>	<u>2001</u>
Investment in property, plant and equipment	\$ 330	\$ 484
Disposition of property, plant and equipment	\$ 74	\$ 163
Depreciation and amortization	\$ 315	\$ 286
Issuance of common stock (including non-cash issuances)	\$ 167	\$ 625
Repurchase of common stock	\$ 204	\$ 636
Dividends paid	\$ 156	\$ 155

	<u>Jan. 31,</u>	<u>Oct. 31,</u>	<u>Jan. 31,</u>
	<u>2002</u>	<u>2001</u>	<u>2001</u>
Long-term cash investments	\$ 523	\$ 549	\$ 550
Trade and current financing receivables as a percentage of net revenue	14.4%	14.8%	15.4%
Inventory as a percentage of net revenue	10.1%	11.5%	13.0%
Net property, plant and equipment as a percentage of net revenue	9.9%	9.7%	9.2%

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Geographic Revenue Growth Comparison

(Unaudited)

	<u>% Growth</u> <u>Q1'02 vs Q1'01</u>	<u>% Growth</u> <u>Q1'02 vs Q4'01</u>
U.S.	(9)%	1%
Europe	(5)%	12%
Asia Pacific	(9)%	1%
Latin America	(18)%	(6)%
Canada	(17)%	8%
HP Total	(8)%	5%