

quarterly overview
august 27, 2002

The information contained in the pages below speaks as of the date issued. Investors should not assume that statements made in these documents remain operative at a later time.

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Calculation of Net Earnings Per Share

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

The diluted loss per share for the three-and nine-month periods ended July 31, 2002 and 2001 were calculated based only on the weighted average number of shares outstanding during the reporting period as the inclusion of common stock equivalents, such as stock issuable pursuant to the exercise of stock options and the conversion of debt would have been antidilutive.

The weighted average number of shares is presented for HP as follows:

- GAAP includes the shares issued in the Compaq merger in the weighted average share calculation from May 3, 2002, (the date of acquisition) for both the three-and nine-month periods ended July 31, 2002.
- Combined Company ("CC") includes the shares issued in the Compaq merger in the weighted average share calculation as if the merger occurred at the beginning of the period presented. The weighted average number of shares outstanding for the nine-month period ended July 31, 2002 and for the three-and nine-month periods ended July 31, 2001 combined the weighted average number of shares of HP common stock outstanding and the weighted average number of shares of Compaq common stock outstanding multiplied by the exchange ratio of 0.6325.
- Historic HP is presented for the three- and nine-month periods ended July 31, 2001 and does not include any shares issued in the Compaq merger.

For more information on each of these presentations please refer to their respective financial statements.

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(In millions except per share amounts)
(Unaudited)

	Three months ended		
	July 31,		
	2002	2001	2001
	(GAAP)	(Combined Company)	(Historical HP)
Numerator:			
Net earnings before extraordinary item	\$ (2,029)	\$ (124)	\$ 115
Adjustment for interest expense on convertible notes, net of income tax effect	-	-	3
Net earnings before extraordinary item, adjusted	(2,029)	(124)	118
Extraordinary item - gain on early extinguishment of debt, net of taxes	-	8	8
Net earnings, adjusted	<u>\$ (2,029)</u>	<u>\$ (116)</u>	<u>\$ 126</u>
Denominator:			
Weighted-average shares used to compute basic EPS	3,033	3,004	1,936
Effect of dilutive securities:			
Dilutive options and other stock-based awards	-	-	16
Zero-coupon subordinated convertible notes	-	-	15
Dilutive potential common shares	-	-	31
Weighted-average shares used to compute diluted EPS	<u>3,033</u>	<u>3,004</u>	<u>1,967</u>
Basic net earnings per share:			
Net earnings before extraordinary item	\$ (0.67)	\$ (0.04)	\$ 0.06
Extraordinary item - gain on early extinguishment of debt, net of taxes	-	-	-
Net earnings	<u>\$ (0.67)</u>	<u>\$ (0.04)</u>	<u>\$ 0.06</u>
Diluted net earnings per share:			
Net earnings before extraordinary item	\$ (0.67)	\$ (0.04)	\$ 0.06
Extraordinary item - gain on early extinguishment of debt, net of taxes	-	-	-
Net earnings	<u>\$ (0.67)</u>	<u>\$ (0.04)</u>	<u>\$ 0.06</u>

	Nine months ended	
	July 31,	
	2002	2001
	(GAAP)	(GAAP)
Numerator:		
Net earnings before extraordinary item and cumulative effect of change in accounting principle	\$ (1,313)	\$ 540
Adjustment for interest expense on convertible notes, net of income tax effect	-	13
Net earnings before extraordinary item and cumulative effect of change in accounting principle, adjusted	(1,313)	553
Extraordinary item - gain on early extinguishment of debt, net of taxes	20	43
Cumulative effect of change in accounting principle, net of taxes	-	(272)
Net earnings, adjusted	<u>\$ (1,293)</u>	<u>\$ 324</u>

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Denominator:

Weighted-average shares used to compute basic EPS	2,314	1,935
Effect of dilutive securities:		
Dilutive options and other stock-based awards	-	21
Zero-coupon subordinated convertible notes	-	20
Dilutive potential common shares	-	41

Weighted-average shares used to compute diluted EPS	<u>2,314</u>	<u>1,976</u>
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Basic net earnings per share:

Net earnings before extraordinary item and cumulative effect of change in accounting principle	\$ (0.57)	\$ 0.28
Extraordinary item - gain on early extinguishment of debt, net of taxes	0.01	0.02
Cumulative effect of change in accounting principle, net of taxes	-	(0.14)
Net earnings	<u>\$ (0.56)</u>	<u>\$ 0.16</u>

Diluted net earnings per share:

Net earnings before extraordinary item and cumulative effect of change in accounting principle	\$ (0.57)	\$ 0.28
Extraordinary item - gain on early extinguishment of debt, net of taxes	0.01	0.02
Cumulative effect of change in accounting principle, net of taxes	-	(0.14)
Net earnings	<u>\$ (0.56)</u>	<u>\$ 0.16</u>

(In millions except per share amounts)
(Unaudited)

Nine months ended	
July 31,	
2002	2001
(CC)	(CC)

Numerator:

Net earnings before extraordinary item and cumulative effect of change in accounting principle	\$ (1,176)	\$ (282)
Adjustment for interest expense on convertible notes, net of income tax effect	-	-
Net earnings before extraordinary item and cumulative effect of change in accounting principle, adjusted	(1,176)	(282)
Extraordinary item - gain on early extinguishment of debt, net of taxes	20	43
Cumulative effect of change in accounting principle, net of taxes	-	(492)
Net earnings, adjusted	<u>\$ (1,156)</u>	<u>\$ (731)</u>

Denominator:

Weighted-average shares used to compute basic EPS	3,026	3,004
Effect of dilutive securities:		
Dilutive options and other stock-based awards	-	-
Zero-coupon subordinated convertible notes	-	-
Dilutive potential common shares	-	-

Weighted-average shares used to compute diluted EPS	<u>3,026</u>	<u>3,004</u>
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Basic net earnings per share:

Net earnings before extraordinary item and cumulative effect of change in accounting principle	\$ (0.39)	\$ (0.09)
Extraordinary item - gain on early extinguishment of debt, net of taxes	0.01	0.01
Cumulative effect of change in accounting principle, net of taxes	<u>-</u>	<u>(0.16)</u>
Net earnings	<u>\$ (0.38)</u>	<u>\$ (0.24)</u>

Diluted net earnings per share:

Net earnings before extraordinary item and cumulative effect of change in accounting principle	\$ (0.39)	\$ (0.09)
Extraordinary item - gain on early extinguishment of debt, net of taxes	0.01	0.01
Cumulative effect of change in accounting principle, net of taxes	<u>-</u>	<u>(0.16)</u>
Net earnings	<u>\$ (0.38)</u>	<u>\$ (0.24)</u>

Calculation of Pro Forma Net Earnings Per Share

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

HP's diluted pro forma EPS included additional dilution from potential issuance of common stock, such as stock issuable pursuant to exercise of stock options outstanding and the conversion of debt.

The weighted average number of shares in the pro forma EPS calculation includes the shares issued in the Compaq as if the merger occurred at the beginning of the period presented. The weighted average number of shares outstanding for the nine-month period ended July 31, 2002 and for the three-and nine-month periods ended July 31, 2001 combined the weighted average number of shares of HP common stock outstanding and the weighted average number of shares of Compaq common stock outstanding multiplied by the exchange ratio of 0.6325.

For more information on this presentations please refer to the respective financial statements.

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(In millions except per share data)
(Unaudited)

	Three months ended	
	July 31,	
	<u>2002</u>	<u>2001</u>
Numerator:		
Net earnings before extraordinary item	\$ 420	\$ 320
Adjustment for interest expense on convertible notes, net of income tax effect	<u>2</u>	<u>3</u>
Net earnings before extraordinary item, adjusted	<u>\$ 422</u>	<u>\$ 323</u>
Denominator:		
Weighted-average shares used to compute basic EPS	3,033	3,004
Effect of dilutive securities:		
Dilutive options and other stock-based awards	7	26
Zero-coupon subordinated convertible notes	<u>7</u>	<u>15</u>
Dilutive potential common shares	<u>14</u>	<u>41</u>
Weighted-average shares used to compute diluted EPS	<u>3,047</u>	<u>3,045</u>
Net earnings per share before extraordinary item:		
Basic	\$ 0.14	\$ 0.11
Diluted	\$ 0.14	\$ 0.11

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

Cost of sales:		
Acquisition-related inventory write-down	137	-
Other costs and expenses:		
Amortization of goodwill and purchased intangible assets	147	25
Restructuring charges	1,612	493
In-process research and development charges	735	-
Acquisition-related charges:		
Employee retention charges	322	-
Other acquisition-related charges	<u>56</u>	<u>-</u>
Total acquisition-related charges	<u>378</u>	<u>-</u>
Total adjustments to other costs and expenses	2,872	518
Net investment losses (gains)	53	(4)
Litigation settlement	(14)	-
Loss on divestiture	-	131
Income tax effect	<u>(599)</u>	<u>(201)</u>
Total pro forma adjustments	<u>\$ 2,449</u>	<u>\$ 444</u>

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(In millions except per share data)
(Unaudited)

	Nine months ended	
	July 31,	
	2002	2001
Numerator:		
Net earnings before extraordinary item and cumulative effect of change in accounting principle	\$ 1,688	\$ 2,247
Adjustment for interest expense on convertible notes, net of income tax effect	<u>6</u>	<u>13</u>
Net earnings before extraordinary item and cumulative effect of change in accounting principle, adjusted	<u>\$ 1,694</u>	<u>\$ 2,260</u>
Denominator:		
Weighted-average shares used to compute basic EPS	3,026	3,004
Effect of dilutive securities:		
Dilutive options and other stock-based awards	13	35
Zero-coupon subordinated convertible notes	<u>10</u>	<u>20</u>
Dilutive potential common shares	<u>23</u>	<u>55</u>
Weighted-average shares used to compute diluted EPS	<u>3,049</u>	<u>3,059</u>
Net earnings per share before extraordinary item and cumulative effect of change in accounting principle:		
Basic	\$ 0.56	\$ 0.75
Diluted	\$ 0.56	\$ 0.74

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

Cost of sales:		
Acquisition-related inventory write-down	\$ 137	\$ -
Litigation settlement	<u>-</u>	<u>17</u>
Total adjustments to cost of sales	137	17
Other costs and expenses:		
Amortization of goodwill and purchased intangible assets	288	176
Restructuring charges	1,630	758
In-process research and development charges	793	19
Acquisition-related charges:		
Employee retention charges	322	-
Other acquisition-related charges	<u>305</u>	<u>25</u>
Total acquisition-related charges	627	25
Litigation settlement	<u>-</u>	<u>81</u>
Total adjustments to other costs and expenses	3,338	1,059
Net investment losses	62	1,998
Litigation settlement	(14)	400
Loss on divestiture	-	131
Income tax effect	<u>(659)</u>	<u>(1,076)</u>
Total pro forma adjustments	<u>\$ 2,864</u>	<u>\$ 2,529</u>

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES
SEGMENT INFORMATION
(Unaudited)
(In millions)

Net revenue (which includes intersegment revenue) and earnings from operations for each segment are provided in the tables below:

	Three months ended		
	2002 ^(a)	July 31, 2001 ^{(b), (d)} (Combined Company)	2001 ^{(c), (d)} (Historical HP)
Net revenue:			
Imaging and Printing Group	\$ 4,734	\$ 4,316	\$ 4,316
Personal Systems Group	4,765	5,852	2,079
Enterprise Systems Group	3,754	4,790	2,052
HP Services	2,975	3,199	1,513
Financing	510	536	361
Other ^(e)	-	67	67
Total segments	<u>16,738</u>	<u>18,760</u>	<u>10,388</u>
Eliminations / Other	(202)	(185)	(104)
Total HP Consolidated	<u>\$ 16,536</u>	<u>\$ 18,575</u>	<u>\$ 10,284</u>
Earnings from operations:			
Imaging and Printing Group	\$ 813	\$ 343	\$ 343
Personal Systems Group	(198)	(372)	(207)
Enterprise Systems Group	(422)	17	(34)
HP Services	275	384	149
Financing	(24)	(84)	(84)
Other ^(e)	-	(36)	(36)
Total segments	<u>444</u>	<u>252</u>	<u>131</u>
Eliminations / Other	(2,920)	(418)	73
Total HP Consolidated	<u>\$ (2,476)</u>	<u>\$ (166)</u>	<u>\$ 204</u>

(a) Combined company segment information for the three months ended July 31, 2002 included the results of Compaq from May 3, 2002 (the acquisition date).

(b) Combined company segment information for the three months ended July 31, 2002 included the results of Compaq as if the merger had taken place as of the beginning of the period. Due to different fiscal period ends for HP and Compaq, the combined company segment information for the three months ended July 31, 2001 included the historical results of HP for the three months ended July 31, 2001 and the historical results of Compaq for the three months ended June 30, 2001.

(c) The historical HP segment information for the three months ended July 31, 2001 included only the results of pre-merger HP.

(d) Certain reclassifications have been made to prior year balances to conform to the current year presentation.

(e) Other consisted of the results of VeriFone prior to its divestiture in the third quarter of fiscal 2001.

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES
 SEGMENT INFORMATION
 (Unaudited)
 (In millions)

Net revenue (which includes intersegment revenue) and earnings from operations for each segment are provided in the tables below:

	Nine months ended		Percent increase/ (decrease)
	July 31,		
	<u>2002^(a)</u>	<u>2001^{(b), (c)}</u>	
Net revenue:			
Imaging and Printing Group	\$ 14,728	\$ 14,439	2
Personal Systems Group	9,682	7,943	22
Enterprise Systems Group	7,335	6,458	14
HP Services	6,005	4,580	31
Financing	1,170	1,089	7
Other ^(d)	-	243	NM
Total Segments	<u>38,920</u>	<u>34,752</u>	
Eliminations / Other	(381)	(402)	
Total HP Consolidated	<u>\$ 38,539</u>	<u>\$ 34,350</u>	12
Earnings from operations:			
Imaging and Printing Group	\$ 2,323	\$ 1,379	68
Personal Systems Group	(314)	(301)	(4)
Enterprise Systems Group	(816)	(155)	(426)
HP Services	641	478	34
Financing	(39)	(128)	(70)
Other ^(d)	-	(77)	NM
Total Segments	<u>1,795</u>	<u>1,196</u>	
Eliminations / Other	(3,232)	121	
Total HP Consolidated	<u>\$ (1,437)</u>	<u>\$ 1,317</u>	(209)

NM - Not meaningful

(a) Segment information for the nine months ended July 31, 2002 included the results of Compaq from May 3, 2002 (the acquisition date).

(b) Segment information for the nine months ended July 31, 2001 included only the results of pre-merger HP.

(c) Certain reclassifications have been made to prior year balances to conform to the current year presentation.

(d) Other consisted of the results of VeriFone prior to its divestiture in the third quarter of fiscal 2001.

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES
 COMBINED COMPANY SEGMENT INFORMATION
 (Unaudited)
 (In millions)

Net revenue (which includes intersegment revenue) and earnings from operations for each segment are provided in the tables below:

	Nine months ended July 31,		Percent increase/ (decrease)
	<u>2002</u> ^(a)	<u>2001</u> ^{(b), (c)}	
Net revenue:			
Imaging and Printing Group	\$ 14,730	\$ 14,483	2
Personal Systems Group	16,911	21,422	(21)
Enterprise Systems Group	12,384	16,206	(24)
HP Services	9,321	9,661	(4)
Financing	1,551	1,586	(2)
Other ^(d)	-	243	NM
Total Segments	<u>54,897</u>	<u>63,601</u>	
Eliminations / Other	(599)	(664)	
Total HP Consolidated	<u>\$ 54,298</u>	<u>\$ 62,937</u>	(14)
Earnings from operations:			
Imaging and Printing Group	\$ 2,322	\$ 1,386	68
Personal Systems Group	(445)	(600)	26
Enterprise Systems Group	(760)	578	(231)
HP Services	1,062	1,165	(9)
Financing	(32)	(114)	72
Other ^(d)	-	(77)	NM
Total Segments	<u>2,147</u>	<u>2,338</u>	
Eliminations / Other	(3,365)	(711)	
Total HP Consolidated	<u>\$ (1,218)</u>	<u>\$ 1,627</u>	(175)

NM - Not meaningful

(a) The combined company segment information for the nine months ended July 31, 2002 included the results of Compaq as if the merger had taken place as of the beginning of the periods presented. Due to different fiscal period ends for HP and Compaq, the combined company segment information for the nine months ended July 31, 2002 included the results of HP (standalone) for the nine months ended July 31, 2002 and the historical quarterly results of Compaq for the six months ended March 31, 2002 and for the period May 3, 2002 (the acquisition date) to July 31, 2002.

(b) The combined company segment information for the nine months ended July 31, 2001 included the results of Compaq as if the merger had taken place as of the beginning of the periods presented. Due to different fiscal period ends for HP and Compaq, the combined company segment information for the nine months ended July 31, 2001 included the historical results of HP for the nine months ended July 31, 2001 and the historical results of Compaq for the nine months ended June 30, 2001.

(c) Certain reclassifications have been made to prior year balances to conform to the current year presentation.

(d) Other consisted of the results of VeriFone prior to its divestiture in the third quarter of fiscal 2001.

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Selected Financial Information

(In millions except for ratios)
(Unaudited)

	Three months ended	
	July 31,	
	<u>2002</u>	<u>2001</u>
Investment in property, plant and equipment, net of dispositions	\$ 468	\$ 365
Depreciation and amortization	\$ 714	\$ 374
Issuance of common stock (including non-cash issuances)	\$ 24,242	\$ 199
Repurchase of common stock	\$ 342	\$ 200
Dividends paid	\$ 245	\$ 156

	Nine months ended	
	July 31,	
	<u>2002</u>	<u>2001</u>
Investment in property, plant and equipment, net of dispositions	\$ 955	\$ 980
Depreciation and amortization	\$ 1,410	\$ 1,006
Issuance of common stock (including non-cash issuances)	\$ 25,060	\$ 864
Repurchase of common stock	\$ 546	\$ 1,038
Dividends paid	\$ 556	\$ 466

	<u>July 31,</u>	<u>April 30,</u>	<u>July 31,</u>
	<u>2002</u>	<u>2002</u>	<u>2001</u>
Long-term cash investments	\$ 481	\$ 558	\$ 514
Trade and current financing receivables as a percentage of net revenue	15.8%	14.3%	13.7%
Inventory as a percentage of net revenue	7.7%	9.3%	12.2%
Net property, plant and equipment as a percentage of net revenue	9.8%	10.0%	9.7%

Combined Company Selected Financial Information

(In millions except for ratios)
(Unaudited)

	Three months ended	
	July 31,	
	<u>2002</u>	<u>2001</u>
Investment in property, plant and equipment, net of dispositions	\$ 468	\$ 565
Depreciation and amortization	\$ 714	\$ 690
Issuance of common stock (including non-cash issuances)	\$ 24,242	\$ 313
Repurchase of common stock	\$ 342	\$ 200
Dividends paid	\$ 245	\$ 198

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	Nine months ended	
	July 31,	
	<u>2002</u>	<u>2001</u>
Investment in property, plant and equipment, net of dispositions	\$ 1,293	\$ 1,932
Depreciation and amortization	\$ 2,068	\$ 2,056
Issuance of common stock (including non-cash issuances)	\$ 25,222	\$ 1,006
Repurchase of common stock	\$ 555	\$ 1,438
Dividends paid	\$ 642	\$ 593

	<u>July 31,</u>	<u>April 30,</u>	<u>July 31,</u>
	<u>2002</u>	<u>2002</u>	<u>2001</u>
Long-term cash investments	\$ 481	\$ 558	\$ 514
Trade and current financing receivables as a percentage of net revenue	15.8%	15.5%	N/A
Inventory as a percentage of net revenue	7.7%	7.3%	N/A
Net property, plant and equipment as a percentage of net revenue	9.8%	10.0%	N/A

Geographic Revenue Growth Comparison

(Unaudited)

	<u>% Growth</u>	<u>% Growth</u>
	<u>Q3'02 vs Q3'01</u>	<u>Q3'02 vs Q2'02</u>
U.S.	62%	70%
Europe	60%	41%
Asia Pacific	61%	61%
Rest of Americas	55%	47%
HP Total	61%	56%

Combined Company Geographic Revenue Growth Comparison

(Unaudited)

	<u>% Growth</u>	<u>% Growth</u>
	<u>Q3'02 vs Q3'01</u>	<u>Q3'02 vs Q2'02</u>
U.S.	(6)%	1%
Europe	(11)%	(16)%
Asia Pacific	(15)%	(7)%
Rest of Americas	(26)%	(27)%
HP Total	(11)%	(9)%