

quarterly overview  
february 25, 2003

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Click on a heading below to view the corresponding page:

#### Financial Information Included in the Earnings Release

- Consolidated Condensed Statement of Earnings
- Non-GAAP Consolidated Condensed Statement of Earnings
- Consolidated Condensed Balance Sheet
- Consolidated Condensed Statement of Cash Flows
- Segment Information

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#### Other Financial Information

- Calculation of Net Earnings Per Share
- Calculation of Non-GAAP Net Earnings Per Share
- Selected Financial Information
- Geographic Revenue Growth Comparison

### **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 earnings per share include 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 is presented for HP as follows:

- The three-month periods ended January 31, 2003 and October 31, 2002 include the shares issued in the Compaq merger in the weighted average share calculation from May 3, 2002, (the date of acquisition).
- Historical HP is presented for the three-month period ended January 31, 2002 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)

	<u>Three months ended</u>		
	<u>January 31,</u> <u>2003</u> <sup>(a)</sup>	<u>October 31,</u> <u>2002</u> <sup>(a)</sup>	<u>January 31,</u> <u>2002</u> <sup>(b)</sup>
Numerator:			
Net earnings	\$ 721	\$ 390	\$ 484
Adjustment for interest expense on convertible notes, net of income tax effect	<u>2</u>	<u>-</u>	<u>3</u>
Net earnings, adjusted	<u>\$ 723</u>	<u>\$ 390</u>	<u>\$ 487</u>
Denominator:			
Weighted-average shares used to compute basic EPS	3,048	3,047	1,941
Effect of dilutive securities:			
Dilutive options and other stock-based awards	9	1	11
Zero-coupon subordinated convertible notes	<u>8</u>	<u>-</u>	<u>11</u>
Dilutive potential common shares	<u>17</u>	<u>1</u>	<u>22</u>
Weighted-average shares used to compute diluted EPS	<u>3,065</u>	<u>3,048</u>	<u>1,963</u>
Net earnings per share:			
Basic	\$ 0.24	\$ 0.13	\$ 0.25
Diluted	\$ 0.24	\$ 0.13	\$ 0.25

(a) The net earnings for the three months ended January 31, 2003 and October 31, 2002 include the results of Compaq for the entire period.

(b) The net earnings for the three months ended January 31, 2002 include the results of HP prior to the acquisition of Compaq.

### **Calculation of Non-GAAP Net Earnings Per Share**

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

HP's diluted non-GAAP 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 non-GAAP EPS calculations includes the shares issued in the Compaq merger from May 3, 2002, (the date of acquisition).

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

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(In millions except per share data)  
(Unaudited)

	<u>Three months ended</u>	
	<u>January 31,</u> <u>2003<sup>(a)</sup></u>	<u>October 31,</u> <u>2002<sup>(a)</sup></u>
Numerator:		
Non-GAAP net earnings	\$ 877	\$ 721
Adjustment for interest expense on convertible notes, net of income tax effect	<u>2</u>	<u>1</u>
Non-GAAP net earnings, adjusted	<u>\$ 879</u>	<u>\$ 722</u>
Denominator:		
Weighted-average shares used to compute basic EPS	3,048	3,047
Effect of dilutive securities:		
Dilutive options and other stock-based awards	9	1
Zero-coupon subordinated convertible notes	<u>8</u>	<u>8</u>
Dilutive potential common shares	<u>17</u>	<u>9</u>
Weighted-average shares used to compute diluted EPS	<u>3,065</u>	<u>3,056</u>
Net earnings per share:		
Basic	\$ 0.29	\$ 0.24
Diluted	\$ 0.29	\$ 0.24

An itemized reconciliation between net earnings on a GAAP basis and non-GAAP basis is as follows:

GAAP net earnings	721	390
Acquisition-related inventory write-down included in cost of sales	-	10
Amortization of goodwill and purchased intangible assets	138	150
Restructuring charges	-	150
Acquisition-related charges	86	145
Net investment losses	5	38
Income tax effect of reconciling items	<u>(73)</u>	<u>(162)</u>
Non-GAAP net earnings	<u>\$ 877</u>	<u>\$ 721</u>

(a) The non-GAAP net earnings for the three months ended January 31, 2003 and October 31, 2002 include the results of Compaq for the entire period.

## Selected Financial Information

(In millions except for ratios)  
(Unaudited)

	<u>Three months ended</u>	
	<u>January 31,</u>	<u>October 31,</u>
	<u>2003</u>	<u>2002</u>
Investment in property, plant and equipment, net of dispositions	\$ 427	\$ 366
Depreciation and amortization	\$ 690	\$ 709
Issuance of common stock issuance under employee stock purchase plans	\$ 203	\$ 24
Repurchase of common stock	\$ 155	\$ 125
Dividends paid	\$ 245	\$ 244

	<u>January 31,</u>	<u>October 31,</u>
	<u>2003</u>	<u>2002</u>
Long-term debt securities	\$ 366	\$ 365
Accounts receivable days sales outstanding	39.6	42.2
Inventory days of supply	42.3	39.6

## Geographic Revenue Growth Comparison

(Unaudited)

	<u>% Growth</u>
	<u>Q1'03 vs Q4'02</u>
U.S.	(6.0)%
Europe	6.4%
Asia Pacific	2.9%
Japan	(5.8)%
Rest of Americas	(12.4)%
<b>HP Total</b>	<b>(0.9)%</b>