

quarterly overview  
may 20, 2003

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#### 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

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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 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 April 30, 2003 and January 31, 2003 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 April 30, 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.

(In millions except per share amounts)  
(Unaudited)

	<u>Three months ended</u>		
	<u>April 30,</u> <u>2003</u>	<u>January 31,</u> <u>2003</u>	<u>April 30,</u> <u>2002<sup>(a), (b)</sup></u>
Numerator:			
Net earnings	\$ 659	\$ 721	\$ 252
Adjustment for interest expense on convertible notes, net of income tax effect	<u>2</u>	<u>2</u>	<u>2</u>
Net earnings, adjusted	<u>\$ 661</u>	<u>\$ 723</u>	<u>\$ 254</u>
Denominator:			
Weighted-average shares used to compute basic EPS	3,047	3,048	1,955
Effect of dilutive securities:			
Dilutive options and other stock-based awards	4	9	8
Zero-coupon subordinated convertible notes	<u>8</u>	<u>8</u>	<u>10</u>
Dilutive potential common shares	<u>12</u>	<u>17</u>	<u>18</u>
Weighted-average shares used to compute diluted EPS	<u>3,059</u>	<u>3,065</u>	<u>1,973</u>
Net earnings per share:			
Basic	\$ 0.22	\$ 0.24	\$ 0.13
Diluted	\$ 0.22	\$ 0.24	\$ 0.13

(a) Certain reclassifications have been made to prior year amounts in order to conform to the current year presentation.

(b) The net earnings for the three months ended April 30, 2002 include the results of HP prior to the acquisition of Compaq.

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### 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 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.

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

(In millions except per share data)  
(Unaudited)

	<u>Three months ended</u>	
	<u>April 30,</u> <u>2003</u>	<u>January 31,</u> <u>2003</u>
Numerator:		
Non-GAAP net earnings	\$ 877	\$ 877
Adjustment for interest expense on convertible notes, net of income tax effect	<u>2</u>	<u>2</u>
Non-GAAP net earnings, adjusted	<u>\$ 879</u>	<u>\$ 879</u>
Denominator:		
Weighted-average shares used to compute basic EPS	3,047	3,048
Effect of dilutive securities:		
Dilutive options and other stock-based awards	4	9
Zero-coupon subordinated convertible notes	<u>8</u>	<u>8</u>
Dilutive potential common shares	<u>12</u>	<u>17</u>
Weighted-average shares used to compute diluted EPS	<u>3,059</u>	<u>3,065</u>
Non-GAAP net earnings per share:		
Basic	\$ 0.29	\$ 0.29
Diluted	\$ 0.29	\$ 0.29

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

GAAP net earnings	659	721
Restructuring charges	234	-
Amortization of purchased intangible assets	141	138
Acquisition-related charges	<u>126</u>	<u>86</u>
Total non-GAAP adjustments to earnings from operations	501	224
Net investment losses and other, net	12	5
Non-recurring income tax benefit	(131)	-
Income tax effect of reconciling items	<u>(164)</u>	<u>(73)</u>
Non-GAAP net earnings	<u>\$ 877</u>	<u>\$ 877</u>

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### Selected Financial Information

(In millions except for ratios)  
(Unaudited)

	<u>April 30,</u> <u>2003</u>	<u>October 31,</u> <u>2002</u>
Investment in long-term debt securities	\$ 368	\$ 366
Accounts receivable days sales outstanding	39.5	42.2
Inventory days of supply	40.0	39.5

### Geographic Revenue Growth Comparison

(Unaudited)

	<u>% Growth</u> <u>Q2'03 vs Q1'03</u>
U.S.	(0.1)%
Europe	0.6%
Asia Pacific	2.1%
Japan	6.9%
Rest of Americas	(1.7)%
<b>HP Total</b>	<b>0.6%</b>