

quarterly overview
August 19, 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

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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 July 31, 2003, April 30, 2003, and July 31, 2002 include the shares issued in the Compaq merger in the weighted average share calculation from May 3, 2002, (the date of acquisition).

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>July 31,</u> <u>2003</u>	<u>April 30,</u> <u>2003</u>	<u>July 31,</u> <u>2002</u>
Numerator:			
Net earnings (loss)	\$ 297	\$ 659	\$ (2,029)
Adjustment for interest expense on convertible notes, net of income tax effect	<u>-</u>	<u>2</u>	<u>-</u>
Net earnings (loss), adjusted	<u>\$ 297</u>	<u>\$ 661</u>	<u>\$ (2,029)</u>
Denominator:			
Weighted-average shares used to compute basic EPS	3,048	3,047	3,033
Effect of dilutive securities:			
Dilutive options and other stock-based awards	23	4	-
Zero-coupon subordinated convertible notes	<u>-</u>	<u>8</u>	<u>-</u>
Dilutive potential common shares	<u>23</u>	<u>12</u>	<u>-</u>
Weighted-average shares used to compute diluted EPS	<u>3,071</u>	<u>3,059</u>	<u>3,033</u>
Net earnings (loss) per share:			
Basic	\$ 0.10	\$ 0.22	\$ (0.67)
Diluted	\$ 0.10	\$ 0.22	\$ (0.67)

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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>July 31,</u> <u>2003</u>	<u>April 30,</u> <u>2003</u>	<u>July 31,</u> <u>2002</u>
Numerator:			
Non-GAAP net earnings	\$ 700	\$ 877	\$ 420
Adjustment for interest expense on convertible notes, net of income tax effect	<u>2</u>	<u>2</u>	<u>2</u>
Non-GAAP net earnings, adjusted	<u>\$ 702</u>	<u>\$ 879</u>	<u>\$ 422</u>
Denominator:			
Weighted-average shares used to compute basic EPS	3,048	3,047	3,033
Effect of dilutive securities:			
Dilutive options and other stock-based awards	23	4	7
Zero-coupon subordinated convertible notes	<u>8</u>	<u>8</u>	<u>7</u>
Dilutive potential common shares	<u>31</u>	<u>12</u>	<u>14</u>
Weighted-average shares used to compute diluted EPS	<u>3,079</u>	<u>3,059</u>	<u>3,047</u>
Non-GAAP net earnings per share:			
Basic	\$ 0.23	\$ 0.29	\$ 0.14
Diluted	\$ 0.23	\$ 0.29	\$ 0.14

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

GAAP net earnings (loss)	297	659	(2,029)
Cost of sales:			
Acquisition-related inventory write-downs	-	-	137
Other costs and expenses:			
Restructuring charges	376	234	1,612
Amortization of goodwill and purchased intangible assets	141	141	147
Acquisition-related charges	40	126	378
In-process research and development charges	<u>-</u>	<u>-</u>	<u>735</u>
Total non-GAAP adjustments to earnings from operations	557	501	3,009
Net investment losses and other, net	24	12	39
Non-recurring income tax benefit	-	(131)	-
Income tax effect of reconciling items	<u>(178)</u>	<u>(164)</u>	<u>(599)</u>
Non-GAAP net earnings	<u>\$ 700</u>	<u>\$ 877</u>	<u>\$ 420</u>

Selected Financial Information

(In millions except for ratios)
(Unaudited)

	<u>July 31,</u> <u>2003</u>	<u>October 31,</u> <u>2002</u>
Investment in long-term debt securities	\$ 220	\$ 366
Accounts receivable days sales outstanding	39.6	42.2
Inventory days of supply	43.8	39.5

Geographic Revenue Growth Comparison

(Unaudited)

	<u>% Growth</u> <u>Q3'03 vs Q2'03</u>	<u>% Growth</u> <u>Q3'03 vs Q3'02</u>
U.S.	0.0%	0.8%
Europe	(8.2)%	8.7%
Asia Pacific	1.3%	7.8%
Japan	(6.4)%	6.1%
Rest of Americas	(2.9)%	4.7%
HP Total	(3.5)%	4.9%