

quarterly overview
November 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

- Calculation of Net Earnings Per Share
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- Selected 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 twelve month periods ended October 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).

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>October 31,</u> <u>2003</u>	<u>July 31,</u> <u>2003</u>	<u>October 31,</u> <u>2002</u>
Numerator:			
Net earnings	\$ 862	\$ 297	\$ 390
Adjustment for interest expense on convertible notes, net of income tax effect	<u>2</u>	<u>-</u>	<u>-</u>
Net earnings, adjusted	<u>\$ 864</u>	<u>\$ 297</u>	<u>\$ 390</u>
Denominator:			
Weighted-average shares used to compute basic EPS	3,046	3,048	3,047
Effect of dilutive securities:			
Dilutive options and other stock-based awards	21	23	1
Zero-coupon subordinated convertible notes	<u>8</u>	<u>-</u>	<u>-</u>
Dilutive potential common shares	<u>29</u>	<u>23</u>	<u>1</u>
Weighted-average shares used to compute diluted EPS	<u>3,075</u>	<u>3,071</u>	<u>3,048</u>
Net earnings per share:			
Basic	\$ 0.28	\$ 0.10	\$ 0.13
Diluted	\$ 0.28	\$ 0.10	\$ 0.13

	<u>Twelve months ended October 31,</u>	
	<u>2003</u>	<u>2002^(a) (Combined Company)</u>
Numerator:		
Net earnings (loss)	\$ 2,539	\$ (928)
Adjustment for interest expense on convertible notes, net of income tax effect	<u>-</u>	<u>-</u>
Net earnings (loss), adjusted	<u>\$ 2,539</u>	<u>\$ (928)</u>
Denominator:		
Weighted-average shares used to compute basic EPS	3,047	3,031
Effect of dilutive securities:		
Dilutive options and other stock-based awards	16	-
Zero-coupon subordinated convertible notes	<u>-</u>	<u>-</u>
Dilutive potential common shares	<u>16</u>	<u>-</u>
Weighted-average shares used to compute diluted EPS	<u>3,063</u>	<u>3,031</u>
Net earnings (loss) per share:		
Basic	\$ 0.83	\$ (0.31)
Diluted	\$ 0.83	\$ (0.31)

(a) The combined company results for the twelve months ended October 31, 2002 include the results of Compaq as if the merger had taken place as of the beginning of the period presented. Due to different fiscal period ends for HP and Compaq, the results for the twelve months ended October 31, 2002 combine the results of HP for the twelve months ended October 31, 2002 and the historical quarterly results of Compaq for the six-month period ended March 31, 2002 and for the period May 3, 2002 (the acquisition date) to October 31, 2002.

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>October 31,</u> <u>2003</u>	<u>July 31,</u> <u>2003</u>	<u>October 31,</u> <u>2002</u>
Numerator:			
Non-GAAP net earnings	\$ 1,103	\$ 700	\$ 721
Adjustment for interest expense on convertible notes, net of income tax effect	<u>2</u>	<u>2</u>	<u>1</u>
Non-GAAP net earnings, adjusted	<u>\$ 1,105</u>	<u>\$ 702</u>	<u>\$ 722</u>
Denominator:			
Weighted-average shares used to compute basic EPS	3,046	3,048	3,047
Effect of dilutive securities:			
Dilutive options and other stock-based awards	21	23	1
Zero-coupon subordinated convertible notes	<u>8</u>	<u>8</u>	<u>8</u>
Dilutive potential common shares	<u>29</u>	<u>31</u>	<u>9</u>
Weighted-average shares used to compute diluted EPS	<u>3,075</u>	<u>3,079</u>	<u>3,056</u>
Non-GAAP net earnings per share:			
Basic	\$ 0.36	\$ 0.23	\$ 0.24
Diluted	\$ 0.36	\$ 0.23	\$ 0.24

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

GAAP net earnings	\$ 862	\$ 297	\$ 390
Cost of sales:			
Acquisition-related inventory write-downs	-	-	10
Other costs and expenses:			
Restructuring charges	190	376	150
Amortization of goodwill and purchased intangible assets	143	141	151
Acquisition-related charges	28	40	145
In-process research and development charges	<u>1</u>	<u>-</u>	<u>-</u>
Total non-GAAP adjustments to earnings from operations	362	557	456
Net investment (gains) losses and other, net	(12)	24	38
Income tax effect of reconciling items	<u>(109)</u>	<u>(178)</u>	<u>(163)</u>
Non-GAAP net earnings	<u>\$ 1,103</u>	<u>\$ 700</u>	<u>\$ 721</u>

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	<u>Twelve months ended</u> <u>October 31,</u>	
	<u>2003</u>	<u>2002^(a)</u> <u>(Combined</u> <u>Company)</u>
Numerator:		
Net earnings	\$ 3,557	\$ 2,409
Adjustment for interest expense on convertible notes, net of income tax effect	<u>6</u>	<u>6</u>
Net earnings, adjusted	<u>\$ 3,563</u>	<u>\$ 2,415</u>
Denominator:		
Weighted-average shares used to compute basic EPS	3,047	3,031
Effect of dilutive securities:		
Dilutive options and other stock-based awards	16	12
Zero-coupon subordinated convertible notes	<u>8</u>	<u>8</u>
Dilutive potential common shares	<u>24</u>	<u>20</u>
Weighted-average shares used to compute diluted EPS	<u>3,071</u>	<u>3,051</u>
Net earnings per share:		
Basic	\$ 1.17	\$ 0.79
Diluted	\$ 1.16	\$ 0.79
An itemized reconciliation between net earnings on a GAAP basis and non-GAAP basis is as follows:		
GAAP net earnings (loss)	\$ 2,539	\$ (928)
Cost of sales		
Acquisition-related inventory write-downs	-	147
Other costs and expenses:		
Restructuring charges	800	1,780
Amortization of goodwill and purchased intangible assets	563	664
Acquisition-related charges	280	772
In-process research and development charges	<u>1</u>	<u>793</u>
Total non-GAAP adjustments to earnings from operations	1,644	4,156
Net investment losses and other, net	29	56
Non-recurring income tax benefit	(131)	-
Income tax effect of reconciling items	<u>(524)</u>	<u>(875)</u>
Non-GAAP net earnings	<u>\$ 3,557</u>	<u>\$ 2,409</u>

(a) The combined company results for the twelve months ended October 31, 2002 include the results of Compaq as if the merger had taken place as of the beginning of the period presented. Due to different fiscal period ends for HP and Compaq, the results for the twelve months ended October 31, 2002 combine the results of HP for the twelve months ended October 31, 2002 and the historical quarterly results of Compaq for the six-month period ended March 31, 2002 and for the period May 3, 2002 (the acquisition date) to October 31, 2002.

Selected Financial Information

(In millions except for ratios)
(Unaudited)

	<u>October 31,</u> <u>2003</u>	<u>October 31,</u> <u>2002</u>
Investment in long-term debt securities	\$ 85	\$ 366
Accounts receivable days sales outstanding	40.4	42.2
Inventory days of supply	37.4	39.5

Geographic Revenue Growth Comparison

(Unaudited)

	<u>% Growth</u> <u>Q4'03 vs Q3'03</u>	<u>% Growth</u> <u>Q4'03 vs Q4'02</u>
U.S.	13.3%	4.7%
Europe	16.3%	14.2%
Asia Pacific	9.9%	16.5%
Japan	11.9%	4.7%
Rest of Americas	21.2%	14.7%
HP Total	14.4%	10.0%