



# HP 4Q FY03 earnings announcement

November 19, 2003



# Forward-looking statements



This press release contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they ever materialize or prove incorrect, could cause the results of HP and its consolidated subsidiaries to differ materially from those expressed or implied by such forward-looking statements and assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements, including but not limited to any projections of earnings, revenues, margins, synergies or other financial items; any statements of the plans, strategies, and objectives of management for future operations, including the execution of integration and restructuring plans; any statements concerning proposed new products, services, developments, anticipated performance of products or services, or industry rankings; any statements regarding future economic conditions or performance; any statements of belief; and any statements of assumptions underlying any of the foregoing. The risks, uncertainties and assumptions referred to above include macroeconomic and geopolitical trends and events; intense competition within our industry; performance of contracts by suppliers, customers and partners; the possibility that proposed contracts may not be entered into or ultimately performed on the terms currently contemplated or at all; that the market for the sale of certain products and services may not develop as expected; that development and performance of products and services may not proceed as planned; employee management issues; the challenge of managing asset levels, including inventory; the difficulty of aligning expense levels with revenue changes; and other risks that are described from time to time in HP's Quarterly Report on Form 10-Q for the period ended July 31, 2003 and HP's other Securities and Exchange Commission reports filed after HP's Annual Report on Form 10-K for the fiscal year ended October 31, 2002. HP assumes no obligation and does not intend to update these forward-looking statements.

# Use of non-GAAP terms



To supplement our consolidated condensed financial statements presented on a GAAP basis, HP uses non-GAAP additional measures of operating results, net earnings and earnings per share adjusted to exclude certain costs, expenses, gains and losses we believe appropriate to enhance an overall understanding of our past financial performance and also our prospects for the future. These adjustments to our GAAP results are made with the intent of providing both management and investors a more complete understanding of the underlying operational results and trends and our marketplace performance. For example, the non-GAAP results are an indication of our baseline performance before gains, losses or other charges that are considered by management to be outside of our core business segment operational results. In addition, these adjusted non-GAAP results are among the primary indicators management uses as a basis for our planning and forecasting of future periods. The presentation of this additional information is not meant to be considered in isolation or as a substitute for net earnings or diluted earnings per share prepared in accordance with generally accepted accounting principles in the United States.



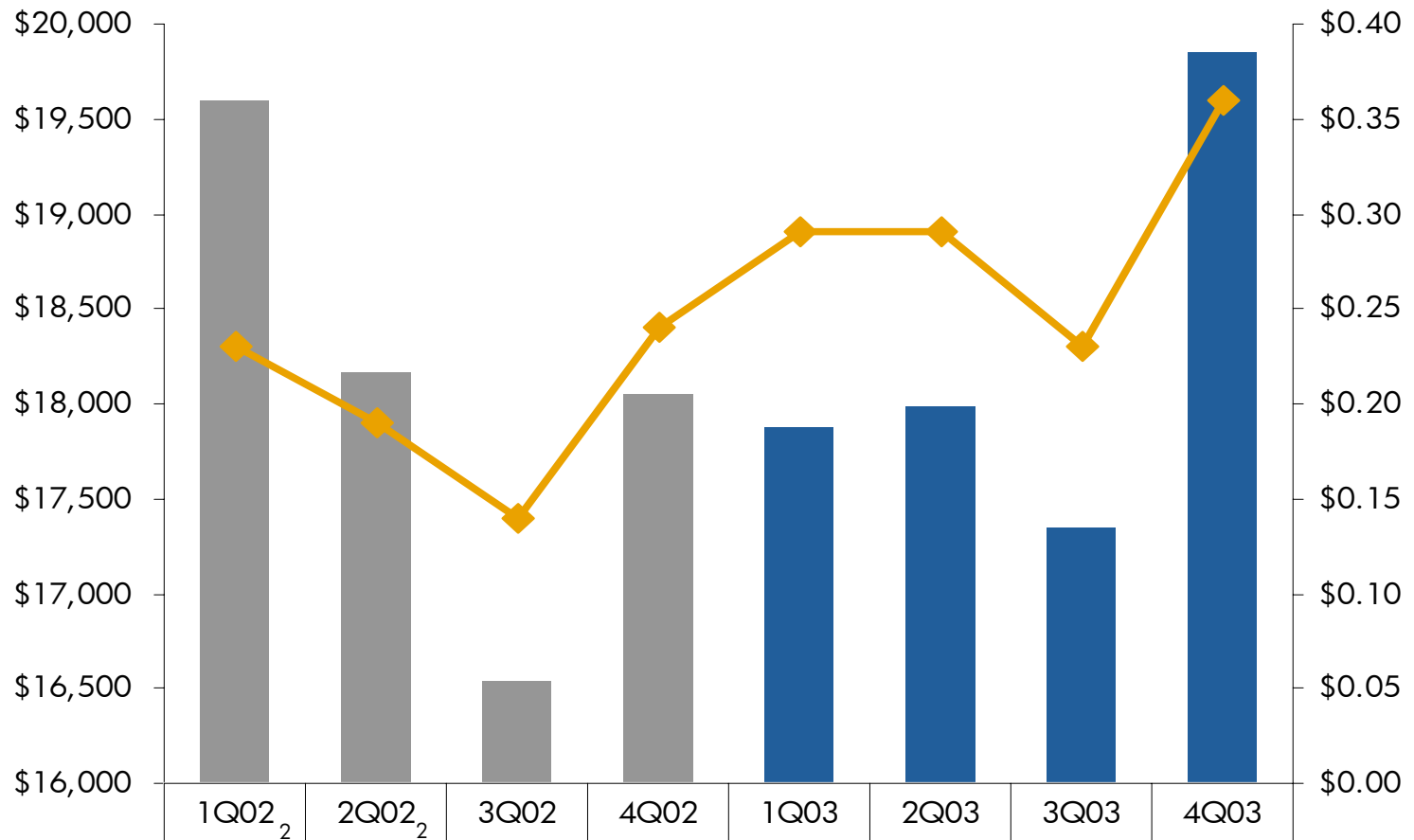
# HP 4Q FY03 earnings announcement

Carly Fiorina  
Chairman and Chief Executive Officer  
Hewlett-Packard Company



- Revenue of \$19.9 billion, up 10% Y/Y
- Non-GAAP operating profit of \$1.4 billion, up 63% Y/Y, Non-GAAP EPS \$0.36, up 50% Y/Y
- GAAP operating profit of \$1.1 billion, up 152% Y/Y; GAAP EPS \$0.28, up 115% Y/Y
- All businesses post strong revenue and record unit shipments
- Cash flow from operations totals \$2.4 billion
- All business profitable; Enterprise Systems returns to profitability with \$106 million operating profit

# Progress report: revenue and EPS



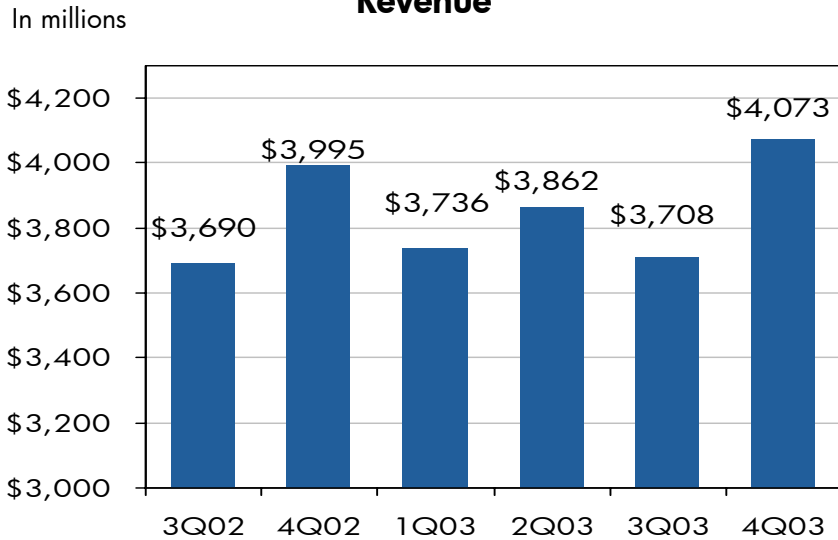
■ Revenue	\$19,596	\$18,166	\$16,536	\$18,048	\$17,877	\$17,983	\$17,348	\$19,853
◆ Non-GAAP EPS	\$0.23	\$0.19	\$0.14	\$0.24	\$0.29	\$0.29	\$0.23	\$0.36

<sup>1</sup>)See bridge slides for reconciliation of non-GAAP to GAAP financial information <sup>2</sup>)see slides 32-34 for a description of our use of FY02 company results

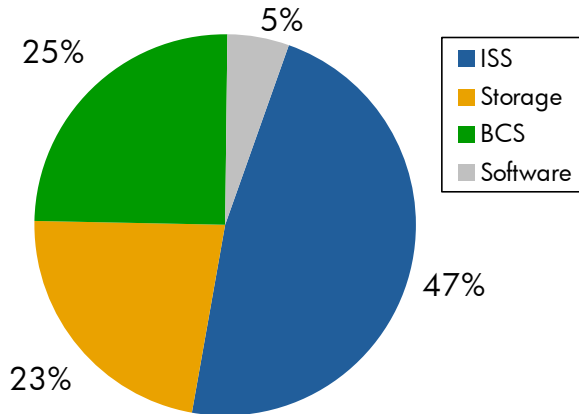
# Enterprise Systems Group



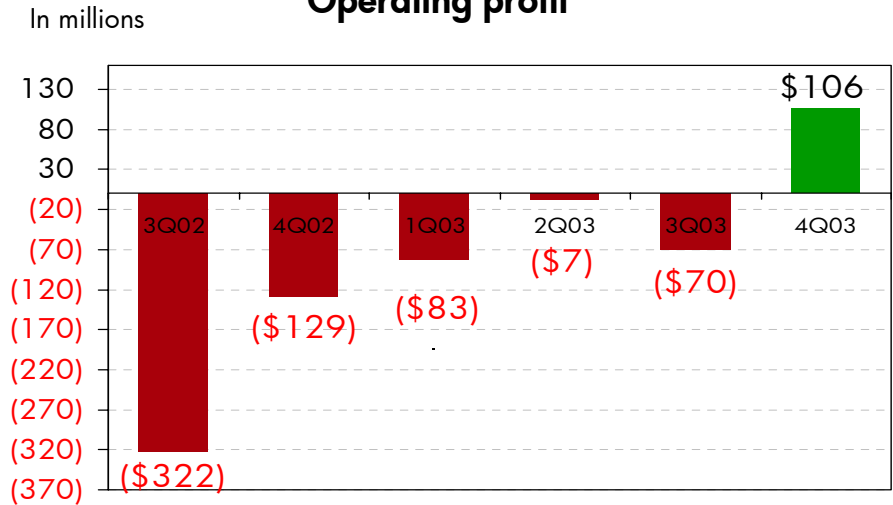
## Revenue



## 4Q03 revenue by GBU

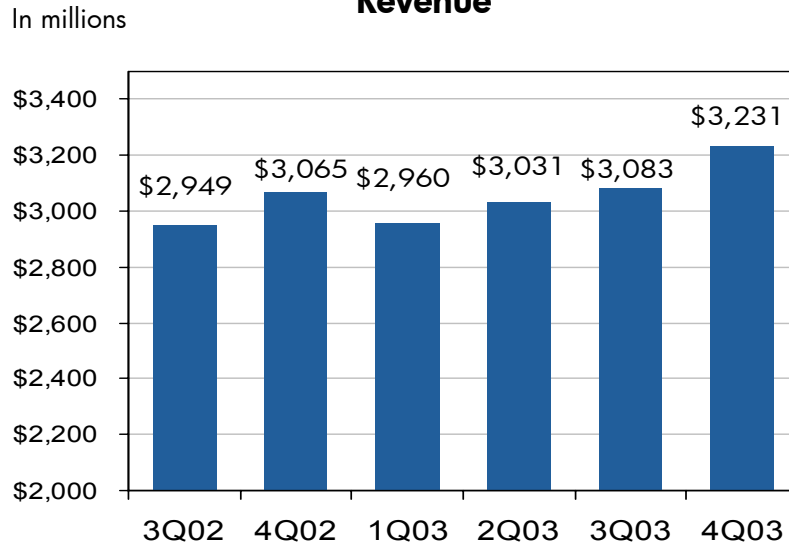


## Operating profit

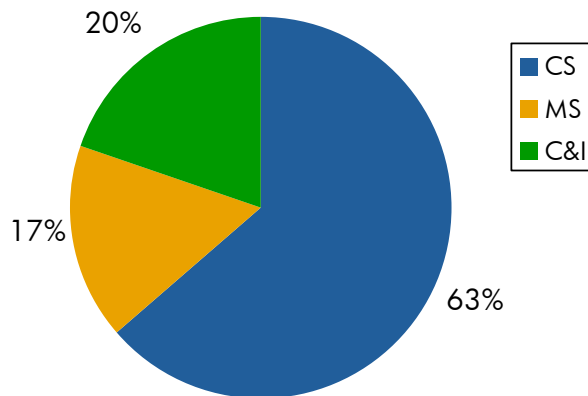


- 2% Y/Y revenue growth: ISS up 9%, Online Storage up 9%; Tape down 14%; BCS down 9%,
- ESG's Q4 operating profit represents a \$235 million Y/Y improvement and \$610 million on a full year combined company basis
- HP re-gained the #1 position in total server shipments in the U.S. and grew faster than the market
- Record unit shipments for Superdome which grew 17% Y/Y.
- Software revenue up 20% Y/Y on OpenView up 17% and OpenCall software up 36%.

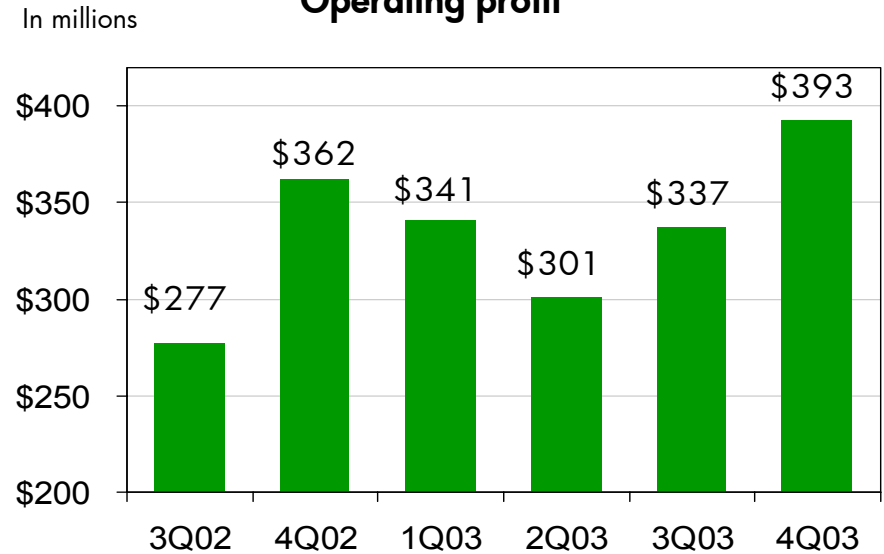
## Revenue



## 4Q03 revenue by GBU

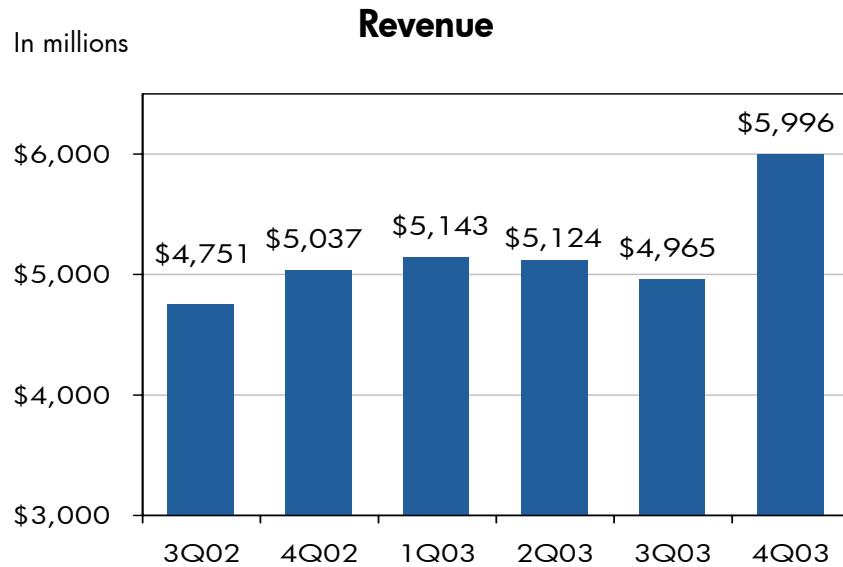


## Operating profit

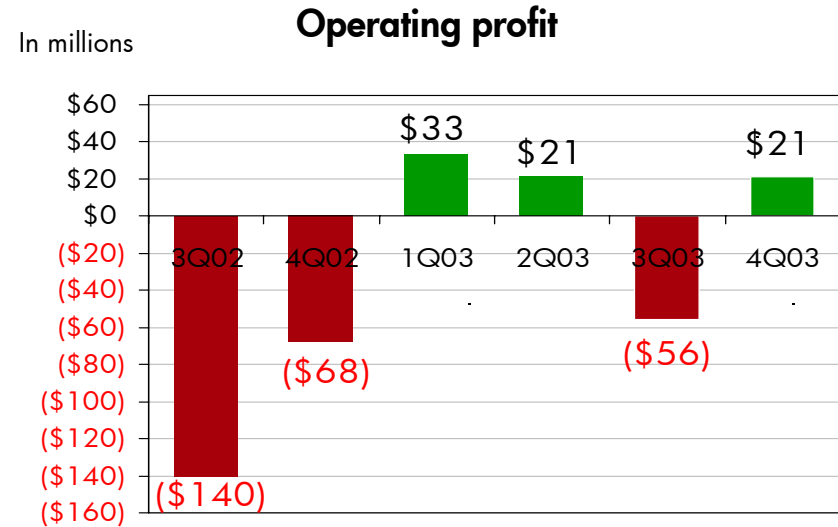
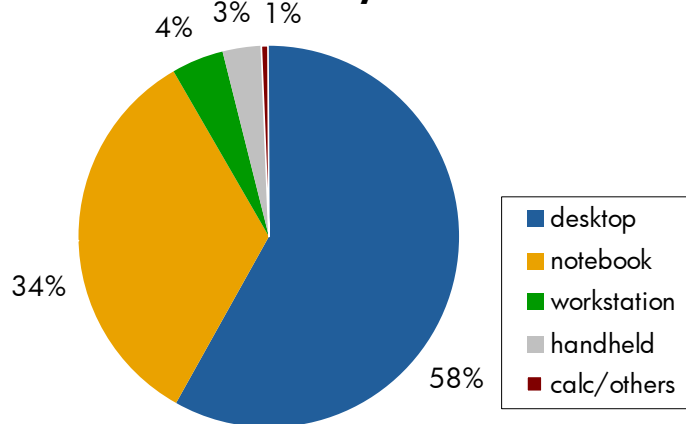


- 5% Y/Y revenue growth: Customer Support up 5%, C&I down 10%, Managed Services up 36%.
- Customer support revenue was up Y/Y on improvement in support renewals, attach rates, and integrated support service.
- Managed services revenue grew approx. 4 times the market Y/Y.
- C&I revenue decline in line with overall market, but sequential improvement in revenue and profit.

# Personal Systems Group

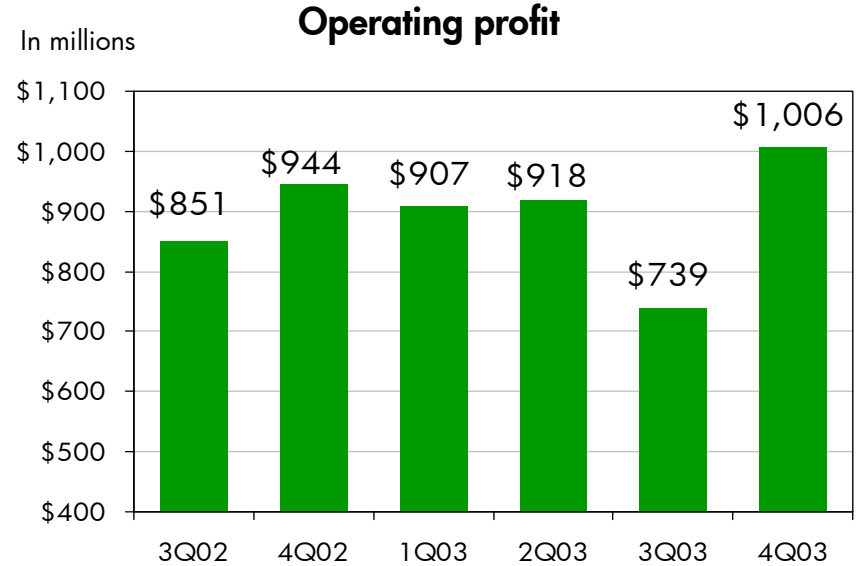
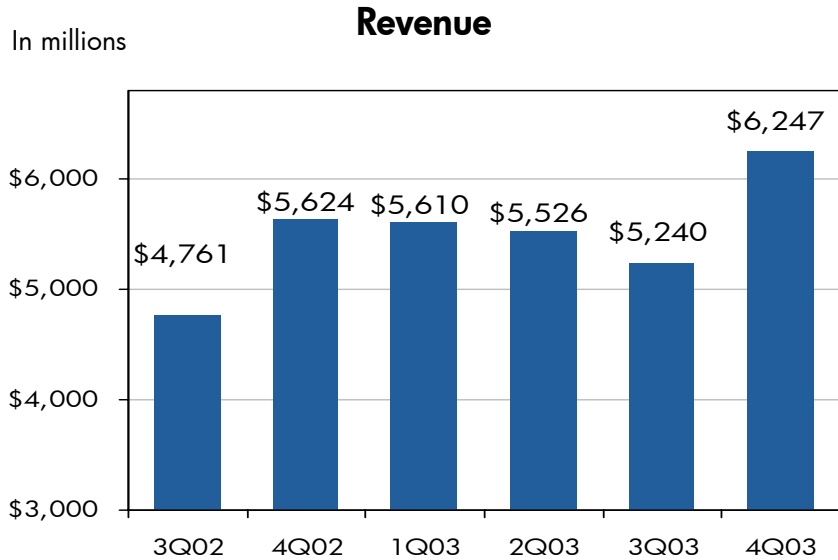


**4Q03 revenue by GBU**

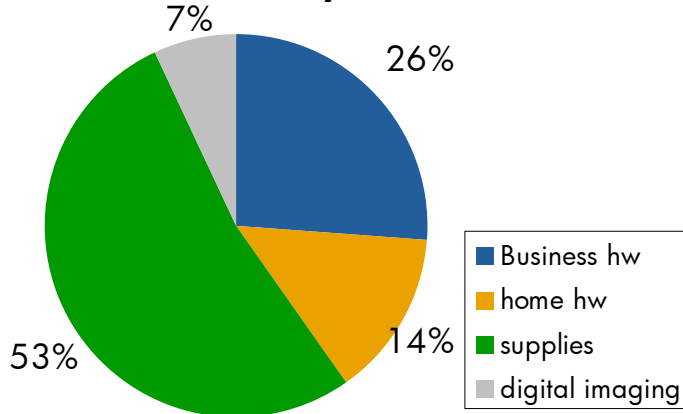


- 19% Y/Y revenue performance: desktops up 15%, notebooks up 27%, workstations up 9%, handhelds up 41%.
- Operating profit in Q4 improved \$77 million Q/Q, \$89 million Y/Y and nearly \$400 million on a full year combined company basis.
- Units increased 35% Y/Y fueled by notebook unit growth of 53% and desktop unit growth of 23%.

# Imaging and Printing Group

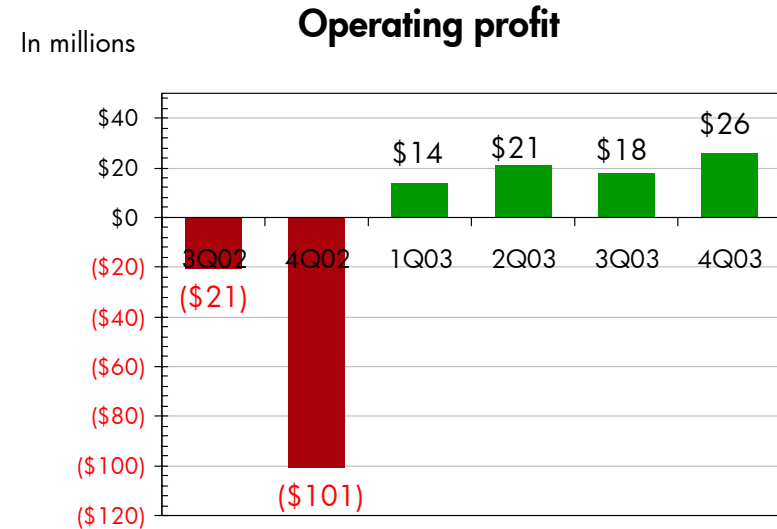
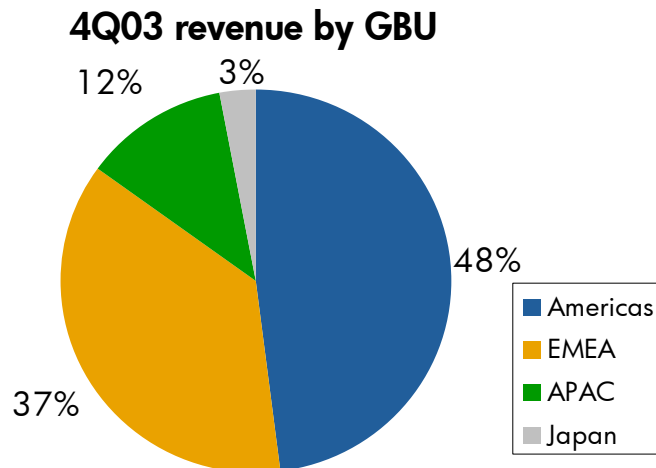
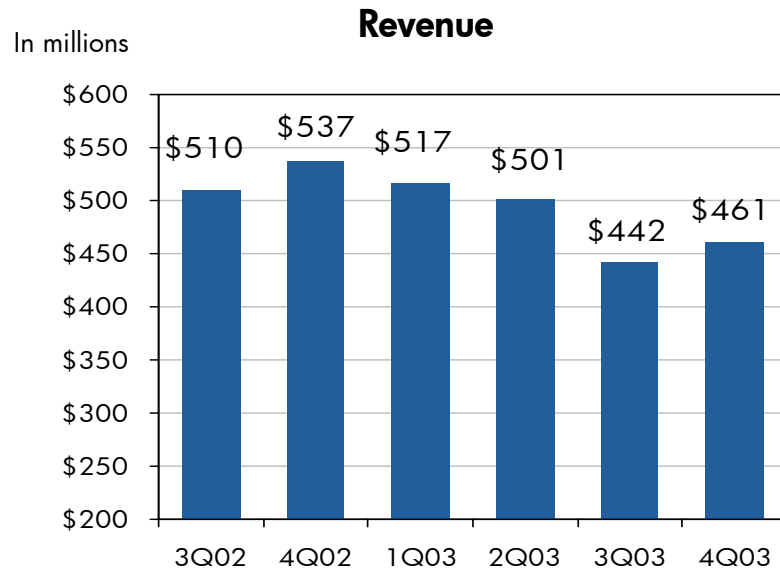


**4Q03 revenue by GBU**



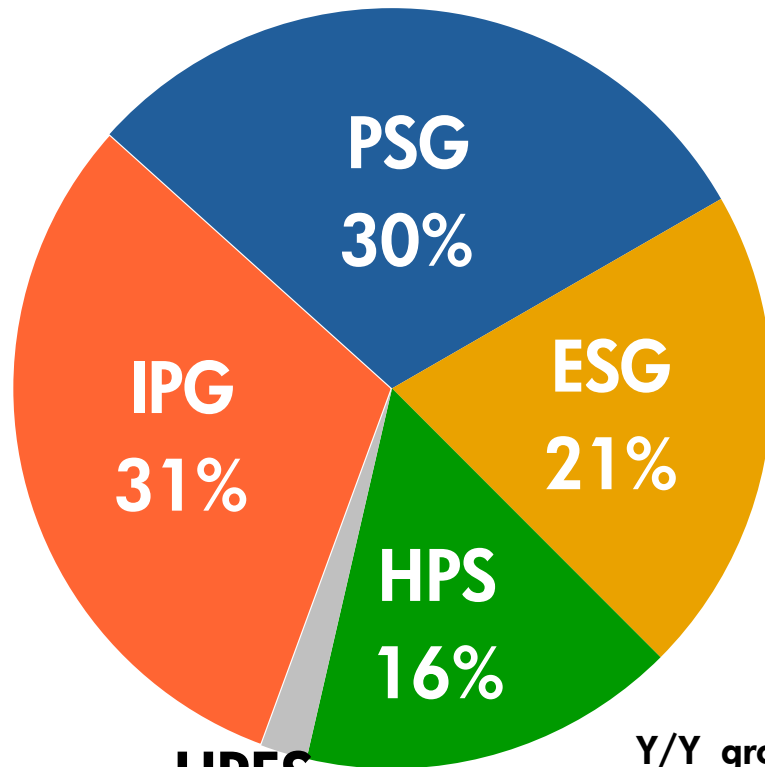
- 11% Y/Y revenue growth: business hardware up 6%, home hardware up 5%, supplies up 14%, digital imaging up 18%.
- Printer unit shipments were up 23% Y/Y fueled by strong 31% Y/Y LaserJet unit shipment growth and 50% Y/Y personal laser unit shipments.
- HP gained an additional 8 points of share in the U.S. Inkjet market sequentially in the 3rd calendar quarter, closing the quarter with 56% share. Recent data from NPD Intellect shows HP strengthened its lead in the U.S. All-in-One market with 66% share.

# HP Financial Services



- Financial Services revenues were down 14% Y/Y but up 4% sequentially.
- New financing volume was up for the 3rd consecutive quarter, and grew 12% Q/Q, which bodes well for future revenue improvements.

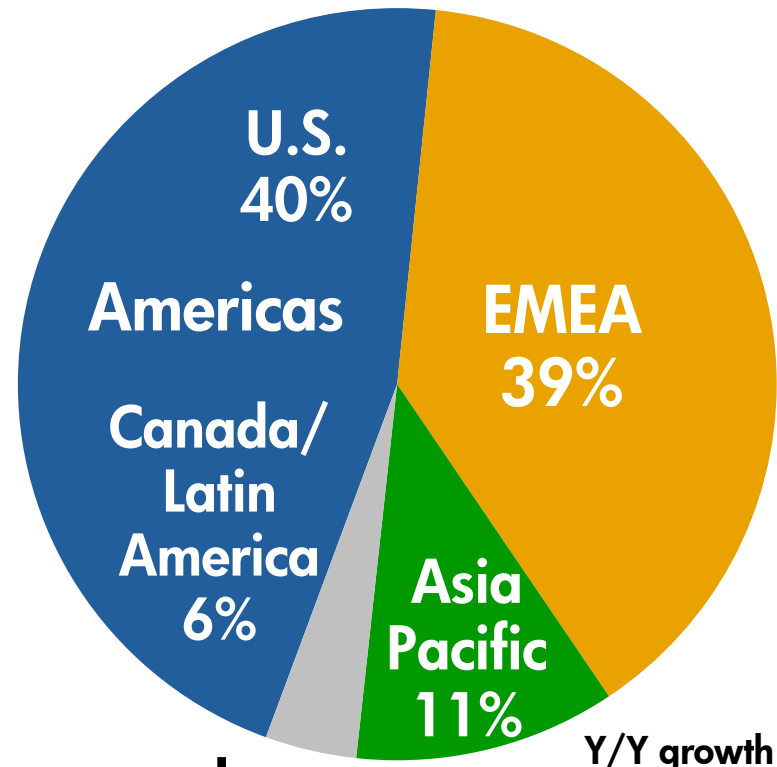
### Revenue by segment



**HPFS**  
**2%**

Y/Y growth	
IPG	11% up
PSG	19% up
HPS	5% up
ESG	2% up
HPFS	14% down

### Revenue by region



**Japan**  
**4%**

Y/Y growth	
Americas	6% up
EMEA	14% up
APAC	16% up
Japan	5% up



# HP 4Q FY03 earnings announcement

Bob Wayman  
Executive Vice President and Chief Financial Officer  
Hewlett-Packard Company



# 4Q03 GAAP to non-GAAP bridge



All data in \$Ms except  
per share amount  
4Q03

	<b>GAAP</b>	Amort. of Intangibles	Re- structuring charges	Retent. bonus	Acq. related charges	IPRD	G/L Invest.	<b>Non-GAAP</b>
Revenue	<b>19,853</b>							<b>19,853</b>
Gross profit	<b>5,049</b>							<b>5,049</b>
Total OpEx	<b>3,976</b>	(143)	(190)	(1)	(27)	(1)		<b>3,614</b>
Operating profit	<b>1,073</b>	143	190	1	27	1		<b>1,435</b>
Interest & other, net	<b>(8)</b>						(12)	<b>(20)</b>
Pre-tax earnings	<b>1,065</b>	143	190	1	27		(12)	<b>1,415</b>
Income tax	<b>203</b>	41	65		10		(7)	<b>312</b>
Tax rate	<b>19.1%</b>							<b>22.0%</b>
EPS	<b>\$0.28</b>							<b>\$0.36</b>

# P&L

## Non-GAAP



### 4Q03

### 3Q03

### 4Q02

All data in \$Ms except per share amount

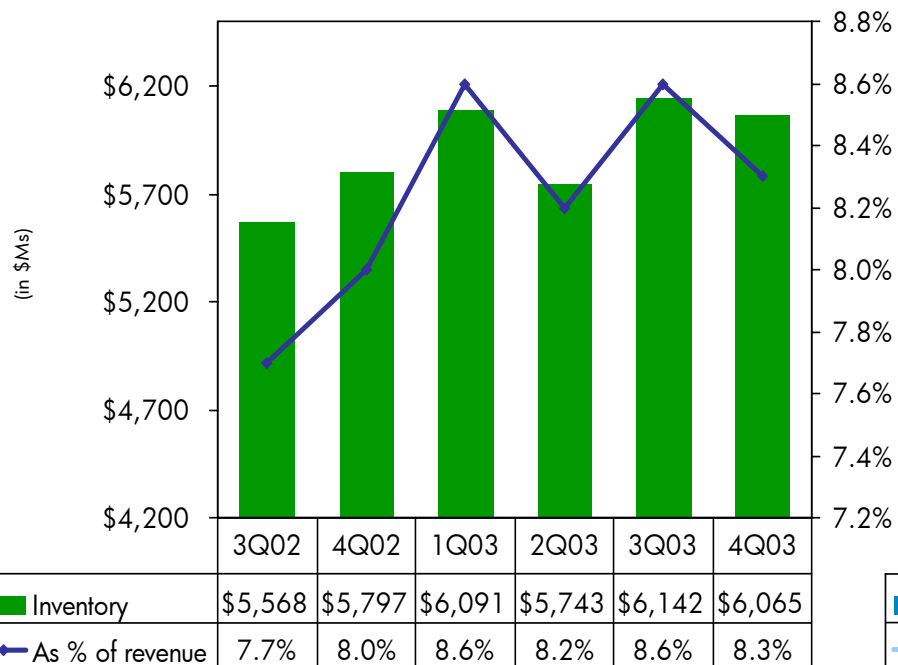
	M\$	%	M\$	%	M\$	%
Revenue	\$19,853	100%	\$17,348	100%	\$18,048	100%
Gross profit	\$5,049	25.4%	\$4,539	26.2%	\$4,678	25.9%
Total OpEx	\$3,614	18.2%	\$3,681	21.3%	\$3,797	21.0%
Operating profit	\$1,435	7.2%	\$858	4.9%	\$881	4.9%
Interest & other, net	\$(20)		\$10		\$68	
Pre-tax earnings	\$1,415	7.1%	\$868	5.0%	\$949	5.3%
Income tax	\$312		\$168		\$228	
EPS	\$0.36		\$0.23		\$0.24	

# Balance sheet

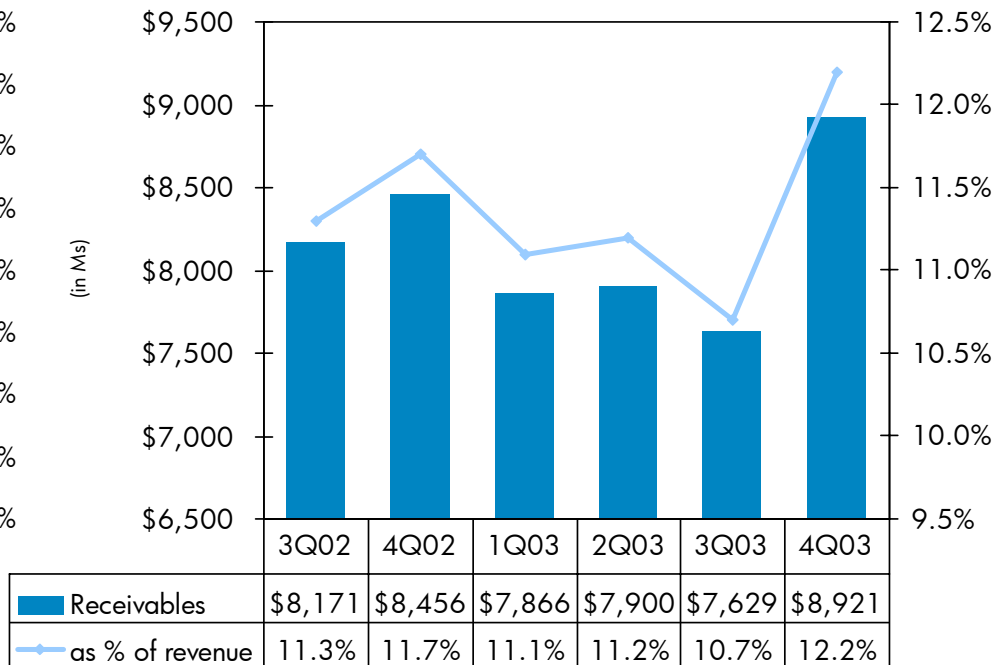
## Inventory and Trade receivables



### Inventory



### Trade receivables

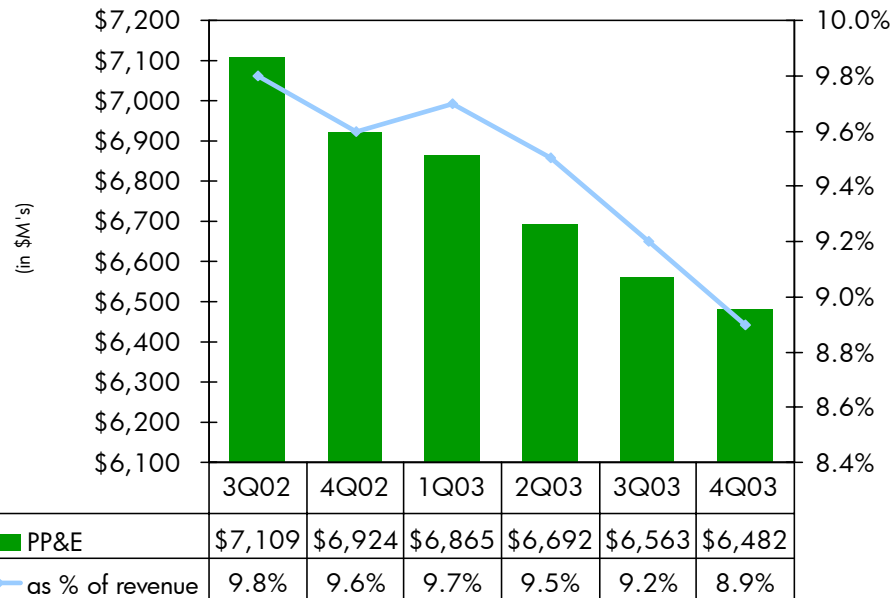


# Balance sheet

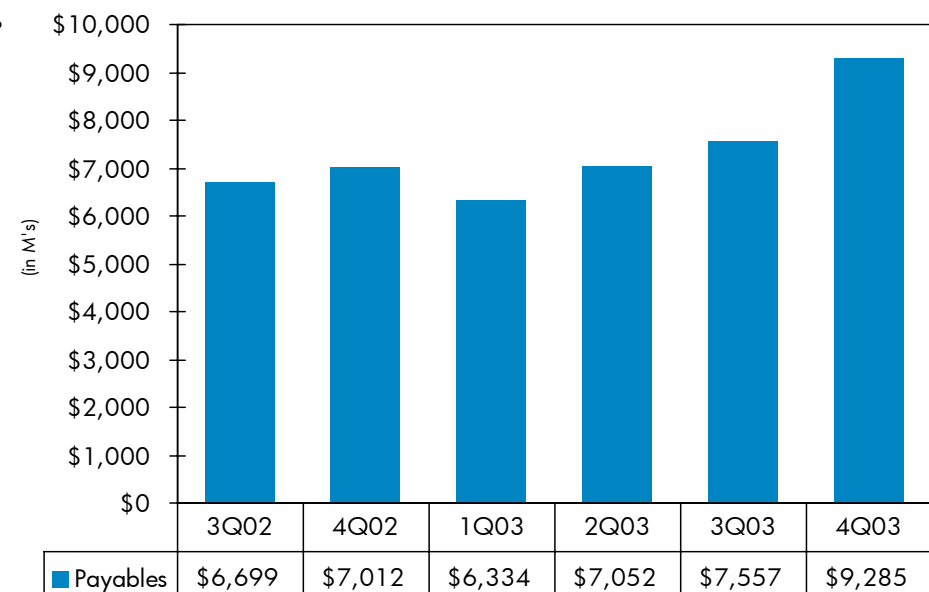
## PP&E and Trade payables



### Net PP&E



### Accounts payable

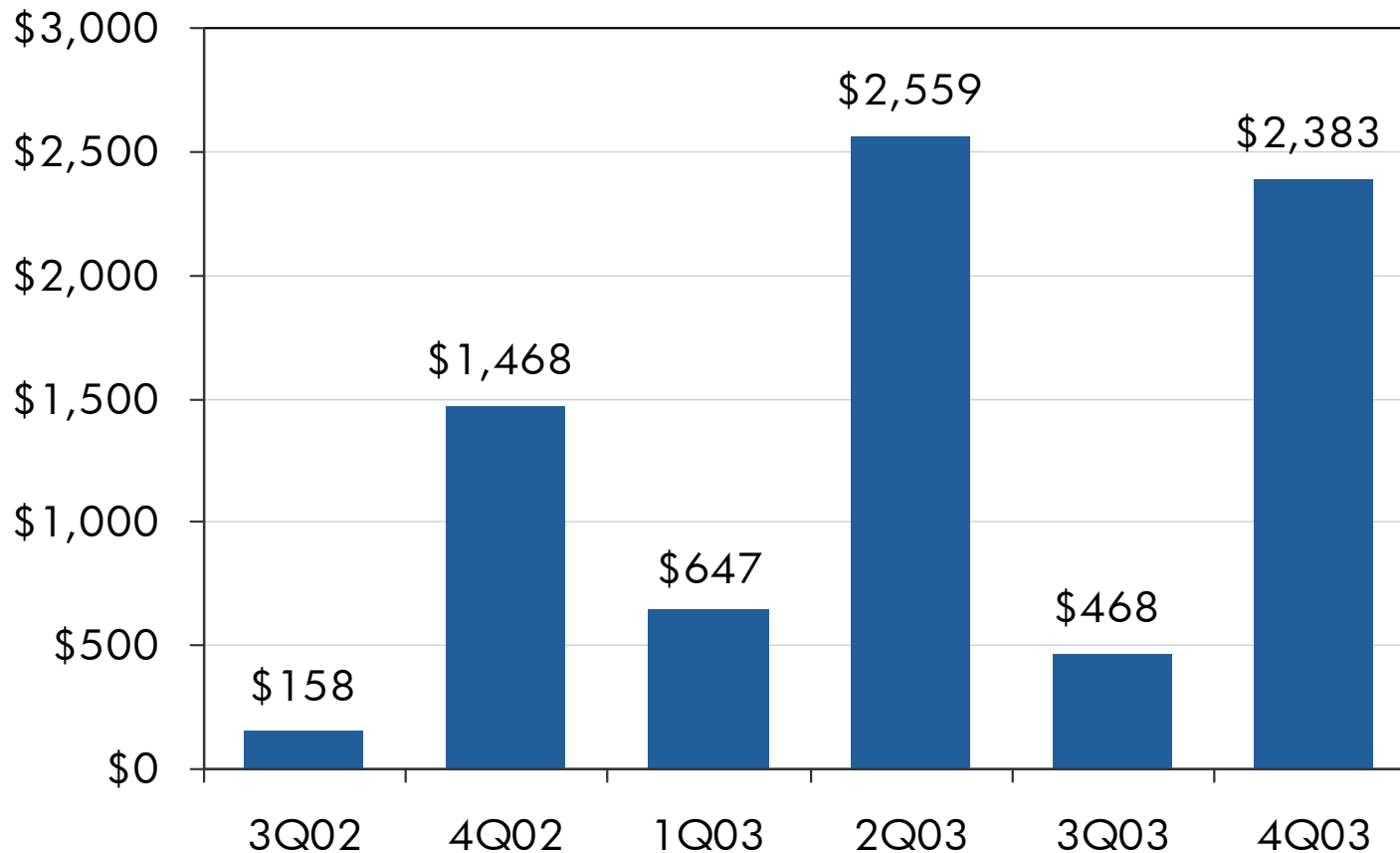


# Cash flow

## Cash flow from operations



(All data in \$Ms)



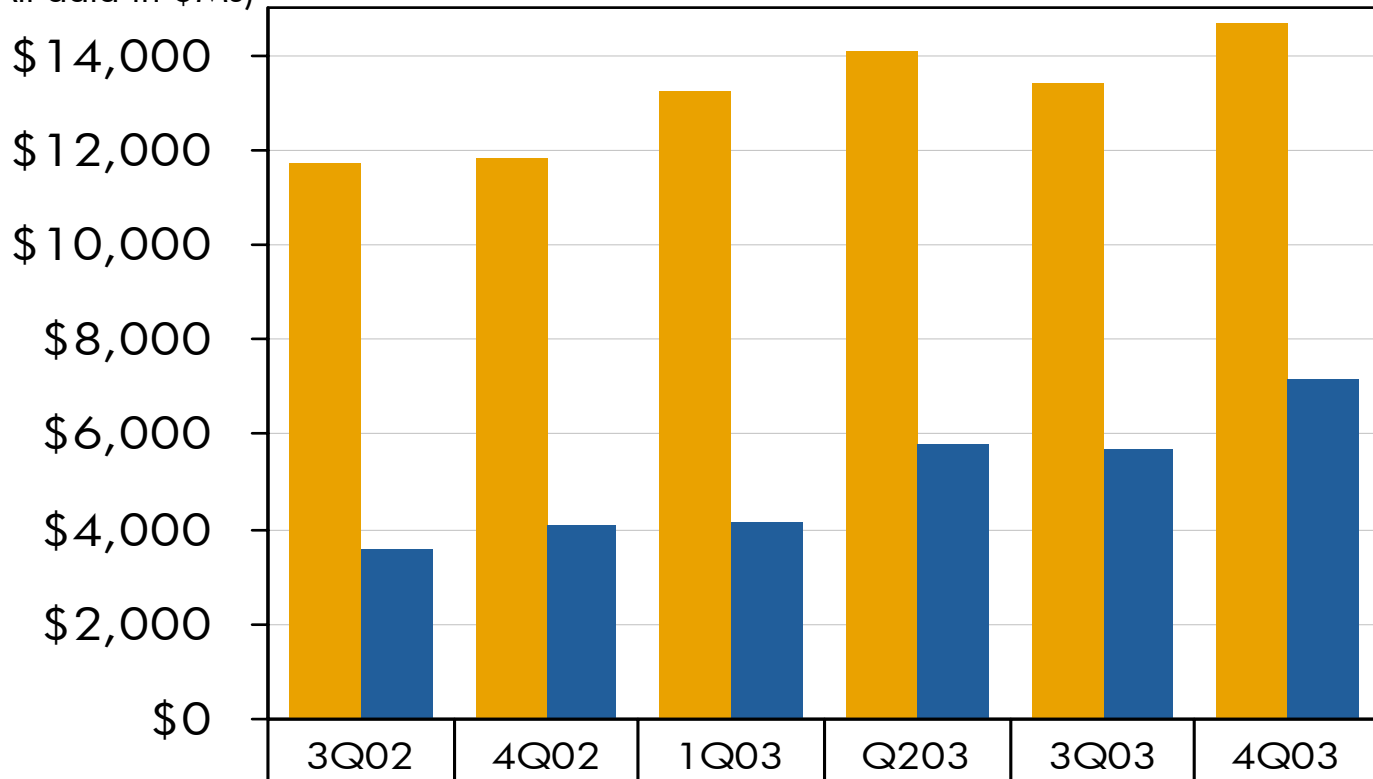
Cash flow from operations for the full fiscal year 03 was over \$6 billion

# Cash flow

## Gross cash and investments



(All data in \$Ms)



■ Gross cash and inv. <sup>1</sup>	\$11,710	\$11,795	\$13,230	\$14,098	\$13,383	\$14,676
■ Net cash <sup>2</sup>	\$3,565	\$4,110	\$4,162	\$5,804	\$5,655	\$7,167

(1) Includes cash and cash equivalents, short-term investments, and certain liquid long-term investments

(2) Net cash is defined as gross cash and investments less total debt

- 1Q04 revenue \$19.1 to \$19.5B
- Reflects projected sequential seasonal revenue decline of 2-4%
- 1Q04 non-GAAP EPS of 35 cents\*
- Affirm FY04 non-GAAP consensus estimate for EPS of \$1.42\*

\* Assumes quarterly after-tax exclusion for charges totaling approximately 4 cents per share from amortization of purchased intangible assets, acquisition-related charges.

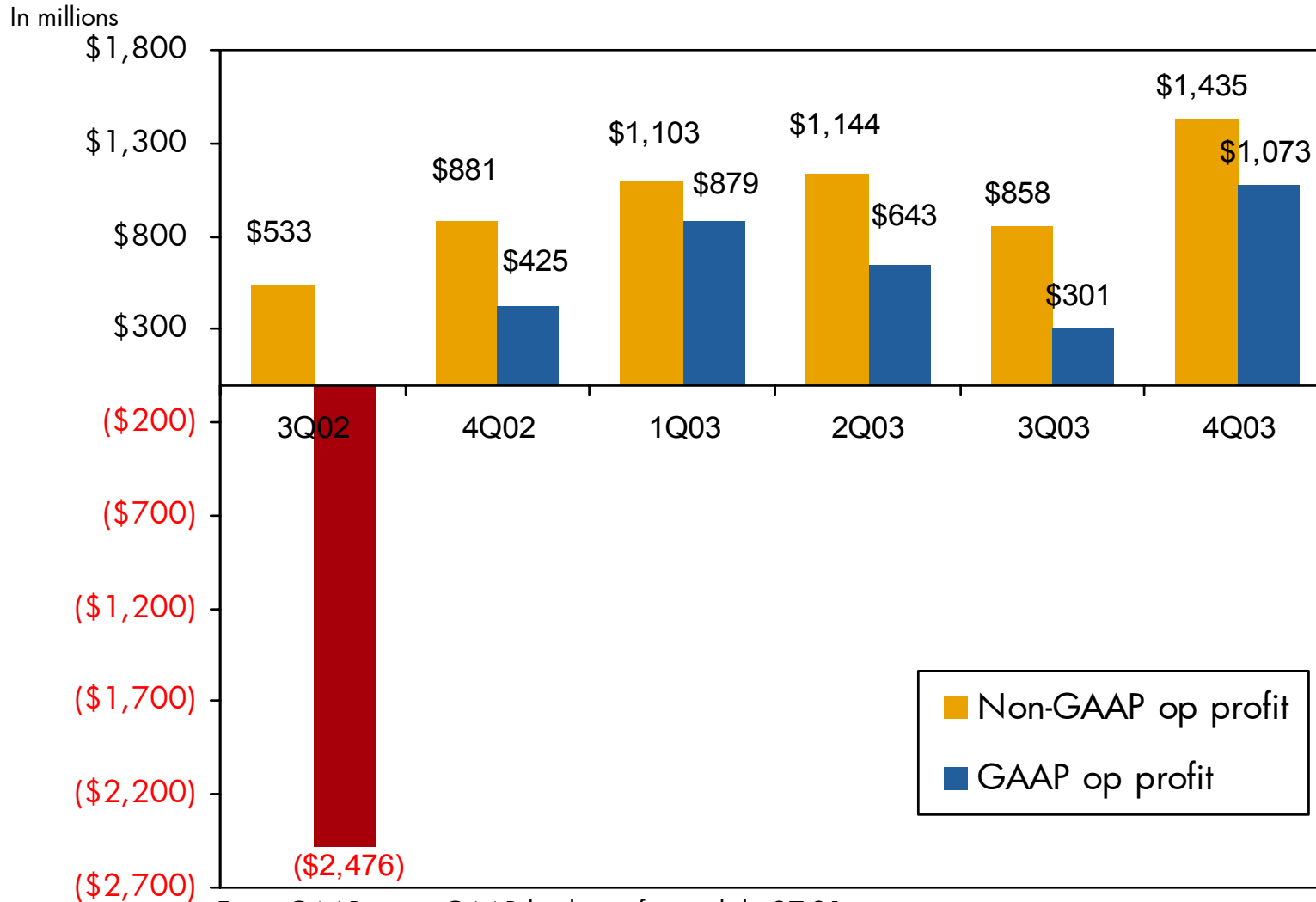


**i n v e n t**

# Supplemental slides



# Operating profit



For a GAAP – non-GAAP bridge refer to slide 27-31

# 4Q03 GAAP to non-GAAP bridge



All data in \$Ms except  
per share amount  
4Q03

	<b>GAAP</b>	Amort. of Intangibles	Re- structuring charges	Retent. bonus	Acq. related charges	IPRD	G/L Invest.	<b>Non-GAAP</b>
Revenue	<b>19,853</b>							<b>19,853</b>
Gross profit	<b>5,049</b>							<b>5,049</b>
Total OpEx	<b>3,976</b>	(143)	(190)	(1)	(27)	(1)		<b>3,614</b>
Operating profit	<b>1,073</b>	143	190	1	27	1		<b>1,435</b>
Interest & other, net	<b>(8)</b>						(12)	<b>(20)</b>
Pre-tax earnings	<b>1,065</b>	143	190	1	27		(12)	<b>1,415</b>
Income tax	<b>203</b>	41	65		10		(7)	<b>312</b>
Tax rate	<b>19.1%</b>							<b>22.0%</b>
EPS	<b>\$0.28</b>							<b>\$0.36</b>

# 3Q03 GAAP to non-GAAP bridge



All data in \$Ms except  
per share amount  
3Q03

	<b>GAAP</b>	Amort. of intangibles	Re- structuring charges	Retent. bonus	Acq. related charges	G/L Invest.	<b>Non- GAAP</b>
Revenue	<b>17,348</b>						<b>17,348</b>
Gross profit	<b>4,539</b>						<b>4,539</b>
Total OpEx	<b>4,238</b>	(141)	(376)	(11)	(29)		<b>3,681</b>
Operating profit	<b>301</b>	141	376	11	29		<b>858</b>
Interest & other, net	<b>(14)</b>					24	<b>10</b>
Pre-tax earnings	<b>287</b>	141	376	11	29	24	<b>868</b>
Income tax	<b>(10)</b>	31	126	4	10	7	<b>168</b>
Tax rate	<b>(3.5%)</b>						<b>19.4%</b>
EPS	<b>\$0.10</b>						<b>\$0.23</b>

# 2Q03 GAAP to non-GAAP bridge



All data in \$Ms except  
per share amount  
2Q03

	<b>GAAP</b>	Amort. of intangibles	Re- structuring charges	Retent. bonus	Acq. related charges	G/L Invest.	Accrued tax benefit	<b>Non- GAAP</b>
Revenue	<b>17,983</b>							<b>17,983</b>
Gross profit	<b>4,880</b>							<b>4,880</b>
Total OpEx	<b>4,237</b>	(141)	(234)	(79)	(47)			<b>3,736</b>
Operating profit	<b>643</b>	141	234	79	47			<b>1,144</b>
Interest & other, net	<b>(32)</b>					12		<b>(20)</b>
Pre-tax earnings	<b>611</b>	141	234	79	47	12		<b>1,124</b>
Income tax	<b>(48)</b>	43	71	27	17	6	131	<b>247</b>
Tax rate	<b>(8%)</b>							<b>22%</b>
EPS	<b>\$0.22</b>							<b>\$0.29</b>

# 1Q03 GAAP to non-GAAP bridge



All data in \$Ms except  
per share amount  
1Q03

	<b>GAAP</b>	Amort. of intangibles	Re- structuring charges	Retent. bonus	Acq. related charges	G/L Invest.	Accrued tax benefit	<b>Non- GAAP</b>
Revenue	<b>17,877</b>							<b>17,877</b>
Gross profit	<b>4,736</b>							<b>4,736</b>
Total OpEx	<b>3,857</b>	(138)		(76)	(10)			<b>3,633</b>
Operating profit	<b>879</b>	138		76	10			<b>1,103</b>
Interest & other, net	<b>46</b>					5		<b>51</b>
Pre-tax earnings	<b>925</b>	138		76	10	5		<b>1,154</b>
Income tax	<b>204</b>	44		26	3			<b>277</b>
Tax rate	<b>22%</b>							<b>24%</b>
EPS	<b>\$0.24</b>							<b>\$0.29</b>

# 4Q02 GAAP to non-GAAP bridge



All data in \$Ms except  
per share amount  
4Q02

	<b>GAAP</b>	Amort. of intangibles	Re- structuring charges	Retent. Bonus	Acq. related charges	G/L Invest.	Other	<b>Non- GAAP</b>
Revenue	<b>18,048</b>							<b>18,048</b>
Gross profit	<b>4,668</b>						10	<b>4,678</b>
Total OpEx	<b>4,243</b>	(151)	(150)	(90)	(55)			<b>3,797</b>
Operating profit	<b>425</b>	151	150	90	55		10	<b>881</b>
Interest & other, net	<b>30</b>					38		<b>68</b>
Pre-tax earnings	<b>455</b>	151	150	90	55	38	10	<b>949</b>
Income tax	<b>65</b>	48	61	31	17	2	4	<b>228</b>
Tax rate	<b>14%</b>							<b>24%</b>
EPS	<b>\$0.13</b>							<b>\$0.24</b>

# 3Q02 GAAP to non-GAAP bridge



All data in \$Ms except  
per share amount  
3Q02

	<b>GAAP</b>	Amort. of intangibles	Re- structuring charges	Retent. Bonus	Acq. related charges	G/L Invest.	Other	<b>Non- GAAP</b>
Revenue	<b>16,536</b>							<b>16,536</b>
Gross profit	<b>4,075</b>						137	<b>4,212</b>
Total OpEx	<b>6,551</b>	(147)	(2,347)	(322)	(56)			<b>3,679</b>
Operating profit	<b>(2,476)</b>	147	2,347	322	56		137	<b>533</b>
Interest & other, net	<b>(19)</b>					53	(14)	<b>20</b>
Pre-tax earnings	<b>(2,495)</b>	147	2,347	322	56	53	123	<b>553</b>
Income tax	<b>(466)</b>	39	409	111	2	(5)	43	<b>133</b>
Tax rate	<b>19%</b>							<b>24%</b>
EPS	<b>\$(0.67)</b>							<b>\$0.14</b>

# 2Q02 GAAP to non-GAAP bridge



All data in \$Ms except  
per share amount  
2Q02

	<b>Combined Company GAAP</b>	Amort. of intangibl es	Re- structuring charges	Gdw Amort	Acq. related charges	IPRD	Other	<b>Combined Company Non-GAAP</b>
Revenue	<b>18,166</b>							<b>18,166</b>
Gross profit	<b>4,563</b>							<b>4,563</b>
Total OpEx	<b>4,185</b>	(139)	(18)	(46)	(175)	(58)		<b>3,749</b>
Operating profit	<b>378</b>	139	18	46	175	58		<b>814</b>
Interest & other, net	<b>(56)</b>						(12)	<b>(68)</b>
Pre-tax earnings	<b>322</b>	139	18	46	175	58	(12)	<b>746</b>
Income tax	<b>109</b>	40	7		21		(4)	<b>173</b>
Tax rate	<b>34%</b>							<b>23%</b>
EPS	<b>\$0.07</b>							<b>\$0.19</b>

Please see combined company information on page 32

# 1Q02 GAAP to non-GAAP bridge



All data in \$Ms except  
per share amount  
2Q02

	<b>Combined Company GAAP</b>	Amort. of intangibles	Re- structuring charges	Gdw Amort	Acq. related charges	IPRD	Other	<b>Combined Company Non- GAAP</b>
Revenue	<b>19,596</b>							<b>19,596</b>
Gross profit	<b>4,729</b>							<b>4,729</b>
Total OpEx	<b>4,073</b>	(136)		(45)	(74)			<b>3,818</b>
Operating profit	<b>656</b>	136		45	74			<b>911</b>
Interest & other, net	<b>9</b>						(9)	
Pre-tax earnings	<b>665</b>	136		45	74		(9)	<b>911</b>
Income tax	<b>168</b>	39			12		(3)	<b>216</b>
Tax rate	<b>25%</b>							<b>24%</b>
EPS	<b>\$0.16</b>							<b>\$0.23</b>

# Combined company



In order to provide additional information relating to our operating results, we present certain consolidated and segment operating results as if HP and Compaq had been a combined company in fiscal 2002. We have included this additional information in order to provide further insight into our operating results, prior period trends and current position. 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.

# Segment bridge



## 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, which includes a reconciliation to our consolidated condensed statement of earnings:

	Twelve months ended October 31	
	2003	2002 <sup>(a)</sup> (Combined company)
Net revenue:		
Imaging and Printing Group	\$22,623	\$20,447
Personal Systems Group	21,228	21,895
Enterprise Systems Group	15,379	16,194
HP Services	12,305	12,326
Financing	1,921	2,088
Corporate Investments	345	284
Total Segments	73,801	73,234
Eliminations of intersegment net revenue and other	(740)	(888)
Total HP consolidated	\$73,061	\$72,346

# Segment bridge

## Continued



Earnings (loss) from operations:		
Imaging and Printing Group	\$3,570	\$3,345
Personal Systems Group	19	(372)
Enterprise Systems Group	(54)	(664)
HP Services	1,372	1,369
Financing	79	(128)
Corporate Investments	(161)	(232)
Total Segments	4,825	3,318
Acquisition-related inventory write-downs		(147)
Corporate and unallocated costs and eliminations	(285)	(180)
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	(1)	(793)
Interest and other, net	21	20
Net investment losses and other, net	(29)	(56)
Total HP consolidated earnings before taxes	\$2,888	\$(1,054)

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