

quarterly overview  
May 17, 2005

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Click on a heading below to view the corresponding page:

Financial Information Included in the Earnings Release

- Consolidated Condensed Statements of Earnings
- Non-GAAP Consolidated Condensed Statements of Earnings
- Consolidated Condensed Balance Sheets
- Consolidated Condensed Statements of Cash Flows
- Segment Information
- Segment / Business Unit Information

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Click on a heading below to view the corresponding page:

Other Financial Information

- Calculation of Net Earnings Per Share
- Calculation of Non-GAAP Net Earnings Per Share
- Selected Financial Information and Key Performance Metrics
- 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 and conversion of debt.

(In millions except per share amounts)

(Unaudited)

	Three months ended		
	April 30, 2005	January 31, 2005	April 30, 2004
Numerator:			
Net earnings	\$ 966	\$ 943	\$ 884
Adjustment for interest expense on zero coupon subordinated convertible notes, net of taxes	<u>2</u>	<u>2</u>	<u>2</u>
Net earnings, adjusted	<u>\$ 968</u>	<u>\$ 945</u>	<u>\$ 886</u>
Denominator:			
Weighted-average shares used to compute basic EPS	2,886	2,908	3,043
Effect of dilutive securities:			
Dilution from employee stock plans	23	20	30
Zero-coupon subordinated convertible notes	<u>8</u>	<u>8</u>	<u>8</u>
Dilutive potential common shares	<u>31</u>	<u>28</u>	<u>38</u>
Weighted-average shares used to compute diluted EPS	<u>2,917</u>	<u>2,936</u>	<u>3,081</u>
Net earnings per share:			
Basic	\$ 0.33	\$ 0.32	\$ 0.29
Diluted	\$ 0.33	\$ 0.32	\$ 0.29

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(In millions except per share amounts)

(Unaudited)

	Six months ended April 30,	
	<u>2005</u>	<u>2004</u>
Numerator:		
Net earnings	\$ 1,909	\$ 1,820
Adjustment for interest expense on zero coupon subordinated convertible notes, net of taxes	<u>4</u>	<u>4</u>
Net earnings, adjusted	<u>\$ 1,913</u>	<u>\$ 1,824</u>
Denominator:		
Weighted-average shares used to compute basic EPS	2,897	3,047
Effect of dilutive securities:		
Dilution from employee stock plans	21	31
Zero-coupon subordinated convertible notes	<u>8</u>	<u>8</u>
Dilutive potential common shares	<u>29</u>	<u>39</u>
Weighted-average shares used to compute diluted EPS	<u>2,926</u>	<u>3,086</u>
Net earnings per share:		
Basic	\$ 0.66	\$ 0.60
Diluted	\$ 0.65	\$ 0.59

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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 and conversion of debt.

(In millions except per share amounts)

(Unaudited)

	Three months ended		
	April 30, 2005	January 31, 2005	April 30, 2004
Numerator:			
Non-GAAP net earnings	\$ 1,073	\$ 1,078	\$ 1,032
Adjustment for interest expense on zero coupon convertible notes, net of taxes	<u>2</u>	<u>2</u>	<u>2</u>
Non-GAAP net earnings, adjusted	<u>\$ 1,075</u>	<u>\$ 1,080</u>	<u>\$ 1,034</u>
Denominator:			
Weighted-average shares used to compute basic EPS	2,886	2,908	3,043
Effect of dilutive securities:			
Dilution from employee stock plans	23	20	30
Zero-coupon subordinated convertible notes	<u>8</u>	<u>8</u>	<u>8</u>
Dilutive potential common shares	<u>31</u>	<u>28</u>	<u>38</u>
Weighted-average shares used to compute diluted EPS	<u>2,917</u>	<u>2,936</u>	<u>3,081</u>
Non-GAAP net earnings per share:			
Basic	\$ 0.37	\$ 0.37	\$ 0.34
Diluted	\$ 0.37	\$ 0.37	\$ 0.34
An itemized reconciliation between net earnings on a GAAP basis and non-GAAP basis is as follows:			
GAAP net earnings	\$ 966	\$ 943	\$ 884
Amortization of purchased intangible assets	151	167	148
Restructuring charges	4	3	38
Acquisition-related charges	-	-	9
In-process research and development charge	<u>-</u>	<u>-</u>	<u>9</u>
Total non-GAAP adjustments to earnings from operations	155	170	204
(Gains) losses on investments	(3)	24	5
Income tax effect of reconciling items	<u>(45)</u>	<u>(59)</u>	<u>(61)</u>
Non-GAAP net earnings	<u>\$ 1,073</u>	<u>\$ 1,078</u>	<u>\$ 1,032</u>

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(In millions except per share amounts)  
(Unaudited)

	Six months ended April 30,	
	2005	2004
Numerator:		
Non-GAAP net earnings	\$ 2,151	\$ 2,112
Adjustment for interest expense on zero coupon convertible notes, net of taxes	<u>4</u>	<u>4</u>
Non-GAAP net earnings, adjusted	<u>\$ 2,155</u>	<u>\$ 2,116</u>
Denominator:		
Weighted-average shares used to compute basic EPS	2,897	3,047
Effect of dilutive securities:		
Dilution from employee stock plans	21	31
Zero-coupon subordinated convertible notes	<u>8</u>	<u>8</u>
Dilutive potential common shares	<u>29</u>	<u>39</u>
Weighted-average shares used to compute diluted EPS	<u>2,926</u>	<u>3,086</u>
Non-GAAP net earnings per share:		
Basic	\$ 0.74	\$ 0.69
Diluted	\$ 0.74	\$ 0.69
An itemized reconciliation between net earnings on a GAAP basis and non-GAAP basis is as follows:		
GAAP net earnings	\$ 1,909	\$ 1,820
Amortization of purchased intangible assets	318	292
Restructuring charges	7	92
Acquisition-related charges	-	24
In-process research and development charge	<u>-</u>	<u>9</u>
Total non-GAAP adjustments to earnings from operations	325	417
Losses (gains) on investments and other, net	21	(4)
Income tax effect of reconciling items	<u>(104)</u>	<u>(121)</u>
Non-GAAP net earnings	<u>\$ 2,151</u>	<u>\$ 2,112</u>

**Selected financial information and key performance metrics**

(In millions except days)

(Unaudited)

	<u>April 30, 2005</u>	<u>April 30, 2004<sup>(a)</sup></u>
Investment in long-term debt securities	\$19	\$94
Key performance metrics		
Accounts receivable days sales outstanding	39 days	38 days
Inventory days of supply	35 days	37 days

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

**Geographic revenue growth comparison**

(Unaudited)

	<u>% Growth Q2'05 vs Q1'05</u>	<u>% Growth Q2'05 vs Q2'04</u>
U.S.	(0.5)%	3.0%
Europe	(1.7)%	9.5%
Asia Pacific	11.2%	9.1%
Rest of Americas	(3.6)%	10.9%
<b>HP Total</b>	<b>0.5%</b>	<b>7.2%</b>