

quarterly overview  
August 16, 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

**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, except when such issuances would be antidilutive.

(In millions except per share amounts)

(Unaudited)

	Three months ended		
	July 31, 2005	April 30, 2005	July 31, 2004
Numerator:			
Net earnings	\$ 73	\$ 966	\$ 586
Adjustment for interest expense on zero coupon subordinated convertible notes, net of taxes	<u>-</u>	<u>2</u>	<u>-</u>
Net earnings, adjusted	<u>\$ 73</u>	<u>\$ 968</u>	<u>\$ 586</u>
Denominator:			
Weighted-average shares used to compute basic EPS	2,873	2,886	3,037
Effect of dilutive securities:			
Dilution from employee stock plans	34	23	20
Zero-coupon subordinated convertible notes	<u>-</u>	<u>8</u>	<u>-</u>
Dilutive potential common shares	<u>34</u>	<u>31</u>	<u>20</u>
Weighted-average shares used to compute diluted EPS	<u>2,907</u>	<u>2,917</u>	<u>3,057</u>
Net earnings per share:			
Basic	\$ 0.03	\$ 0.33	\$ 0.19
Diluted	\$ 0.03	\$ 0.33	\$ 0.19

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(In millions except per share amounts)

(Unaudited)

	Nine months ended July 31,	
	2005	2004
Numerator:		
Net earnings	\$ 1,982	\$ 2,406
Adjustment for interest expense on zero coupon subordinated convertible notes, net of taxes	<u>5</u>	<u>6</u>
Net earnings, adjusted	<u>\$ 1,987</u>	<u>\$ 2,412</u>
Denominator:		
Weighted-average shares used to compute basic EPS	2,889	3,043
Effect of dilutive securities:		
Dilution from employee stock plans	22	26
Zero-coupon subordinated convertible notes	<u>8</u>	<u>8</u>
Dilutive potential common shares	<u>30</u>	<u>34</u>
Weighted-average shares used to compute diluted EPS	<u>2,919</u>	<u>3,077</u>
Net earnings per share:		
Basic	\$ 0.69	\$ 0.79
Diluted	\$ 0.68	\$ 0.78

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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, except when such issuances would be antidilutive.

(In millions except per share amounts)

(Unaudited)

	Three months ended		
	July 31, 2005	April 30, 2005	July 31, 2004
Numerator:			
Non-GAAP net earnings	\$ 1,061	\$ 1,073	\$ 728
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>\$ 1,063</u>	<u>\$ 1,075</u>	<u>\$ 730</u>
Denominator:			
Weighted-average shares used to compute basic EPS	2,873	2,886	3,037
Effect of dilutive securities:			
Dilution from employee stock plans	34	23	20
Zero-coupon subordinated convertible notes	<u>8</u>	<u>8</u>	<u>8</u>
Dilutive potential common shares	<u>42</u>	<u>31</u>	<u>28</u>
Weighted-average shares used to compute diluted EPS	<u>2,915</u>	<u>2,917</u>	<u>3,065</u>
Non-GAAP net earnings per share:			
Basic	\$ 0.37	\$ 0.37	\$ 0.24
Diluted	\$ 0.36	\$ 0.37	\$ 0.24
An itemized reconciliation between net earnings on a GAAP basis and non-GAAP basis is as follows:			
GAAP net earnings	\$ 73	\$ 966	\$ 586
Amortization of purchased intangible assets	168	151	146
Restructuring charges	112	4	9
Acquisition-related charges	-	-	6
In-process research and development charge	<u>-</u>	<u>-</u>	<u>28</u>
Total non-GAAP adjustments to earnings from operations	280	155	189
Losses (gains) on investments	6	(3)	(1)
Income tax effect of reconciling items	(86)	(45)	(46)
Non-recurring American Jobs Creation Act income tax expense	<u>788</u>	<u>-</u>	<u>-</u>
Non-GAAP net earnings	<u>\$ 1,061</u>	<u>\$ 1,073</u>	<u>\$ 728</u>

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(In millions except per share amounts)

(Unaudited)

	Nine months ended July 31,	
	<u>2005</u>	<u>2004</u>
Numerator:		
Non-GAAP net earnings	\$ 3,212	\$ 2,840
Adjustment for interest expense on zero coupon convertible notes, net of taxes	<u>5</u>	<u>6</u>
Non-GAAP net earnings, adjusted	<u>\$ 3,217</u>	<u>\$ 2,846</u>
Denominator:		
Weighted-average shares used to compute basic EPS	2,889	3,043
Effect of dilutive securities:		
Dilution from employee stock plans	22	26
Zero-coupon subordinated convertible notes	<u>8</u>	<u>8</u>
Dilutive potential common shares	<u>30</u>	<u>34</u>
Weighted-average shares used to compute diluted EPS	<u>2,919</u>	<u>3,077</u>
Non-GAAP net earnings per share:		
Basic	\$ 1.11	\$ 0.93
Diluted	\$ 1.10	\$ 0.92
An itemized reconciliation between net earnings on a GAAP basis and non-GAAP basis is as follows:		
GAAP net earnings	\$ 1,982	\$ 2,406
Amortization of purchased intangible assets	486	438
Restructuring charges	119	101
Acquisition-related charges	-	30
In-process research and development charge	<u>-</u>	<u>37</u>
Total non-GAAP adjustments to earnings from operations	605	606
Losses (gains) on investments	27	(5)
Income tax effect of reconciling items	(190)	(167)
Non-recurring American Jobs Creation Act income tax expense	<u>788</u>	<u>-</u>
Non-GAAP net earnings	<u>\$ 3,212</u>	<u>\$ 2,840</u>

**Selected financial information and key performance metrics**

(In millions except days)

(Unaudited)

	July 31, 2005	July 31, 2004 <sup>(a)</sup>
Investment in long-term debt securities	\$18	\$93
Key performance metrics		
Accounts receivable days sales outstanding	38 days	40 days
Inventory days of supply	38 days	42 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)

	% Growth Q3'05 vs Q2'05	% Growth Q3'05 vs Q3'04
U.S.	3.0%	5.5%
Europe	(9.9)%	10.3%
Asia Pacific	(4.1)%	15.3%
Rest of Americas	1.4%	20.1%
<b>HP Total</b>	<b>(3.8)%</b>	<b>9.9%</b>