

Quarterly overview

August 16, 2006

The information contained in the pages below speaks as of the date issued. Investors should not assume that statements made in these documents remain operative at a later time.

Click on a heading below to view the corresponding page:

Financial Information Included in the Earnings Release

- Consolidated Condensed Statements of Earnings
- Quarterly Non-GAAP Consolidated Condensed Financial Information
- Quarterly Non-GAAP Reconciliation of Operating Profit, Operating Margin, Net Earnings and Diluted Earnings Per Share
- Year-to-date Non-GAAP Consolidated Condensed Financial Information
- Year-to-date Non-GAAP Reconciliation of Operating Profit, Operating Margin, Net Earnings and Diluted Earnings Per Share
- Consolidated Condensed Balance Sheets
- Consolidated Condensed Statements of Cash Flows
- Segment Information
- Segment / Business Unit Information
- Comparison of Diluted Non-GAAP EPS Including the Effect of Stock-Based Compensation Expense

Other Financial Information

- Calculation of Net Earnings Per Share
- Calculation of Non-GAAP Net Earnings Per Share

This information is also available in the form of Adobe Acrobat PDF files, which you can view, print or save. To view the PDF file, you need to have Adobe Acrobat Reader installed on your computer. Acrobat Reader is a free plug-in. You can download the latest version or download a version with accessibility features.

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, 2006	April 30, 2006	July 31, 2005
Numerator:			
Net earnings	\$ 1,375	\$ 1,899	\$ 73
Adjustment for interest expense on zero coupon subordinated convertible notes, net of taxes	<u>1</u>	<u>2</u>	<u>-</u>
Net earnings, adjusted	<u>\$ 1,376</u>	<u>\$ 1,901</u>	<u>\$ 73</u>
Denominator:			
Weighted-average shares used to compute basic EPS	2,768	2,809	2,873
Effect of dilutive securities:			
Dilution from employee stock plans	63	70	34
Zero-coupon subordinated convertible notes	<u>8</u>	<u>8</u>	<u>-</u>
Dilutive potential common shares	<u>71</u>	<u>78</u>	<u>34</u>
Weighted-average shares used to compute diluted EPS	<u>2,839</u>	<u>2,887</u>	<u>2,907</u>
Net earnings per share:			
Basic	\$ 0.50	\$ 0.68	\$ 0.03
Diluted	\$ 0.48	\$ 0.66	\$ 0.03

(In millions except per share amounts)
(Unaudited)

	Nine months ended July 31,	
	2006	2005
Numerator:		
Net earnings	\$ 4,501	\$ 1,982
Adjustment for interest expense on zero coupon subordinated convertible notes, net of taxes	<u>5</u>	<u>5</u>
Net earnings, adjusted	<u>\$ 4,506</u>	<u>\$ 1,987</u>
Denominator:		
Weighted-average shares used to compute basic EPS	2,799	2,889
Effect of dilutive securities:		
Dilution from employee stock plans	63	22
Zero-coupon subordinated convertible notes	<u>8</u>	<u>8</u>
Dilutive potential common shares	<u>71</u>	<u>30</u>
Weighted-average shares used to compute diluted EPS	<u>2,870</u>	<u>2,919</u>
Net earnings per share:		
Basic	\$ 1.61	\$ 0.69
Diluted	\$ 1.57	\$ 0.68

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, 2006	April 30, 2006	July 31, 2005
Numerator:			
Non-GAAP net earnings	\$ 1,483	\$ 1,996	\$ 1,061
Adjustment for interest expense on zero coupon subordinated convertible notes, net of taxes	<u>1</u>	<u>2</u>	<u>2</u>
Non-GAAP net earnings, adjusted	<u>\$ 1,484</u>	<u>\$ 1,998</u>	<u>\$ 1,063</u>
Denominator:			
Weighted-average shares used to compute basic EPS	2,768	2,809	2,873
Effect of dilutive securities:			
Dilution from employee stock plans	63	70	34
Zero-coupon subordinated convertible notes	<u>8</u>	<u>8</u>	<u>8</u>
Dilutive potential common shares	<u>71</u>	<u>78</u>	<u>42</u>
Weighted-average shares used to compute diluted EPS	<u>2,839</u>	<u>2,887</u>	<u>2,915</u>
Non-GAAP net earnings per share:			
Basic	\$ 0.54	\$ 0.71	\$ 0.37
Diluted	\$ 0.52	\$ 0.69	\$ 0.36
An itemized reconciliation between net earnings on a GAAP basis and non-GAAP basis is as follows:			
GAAP net earnings	\$ 1,375	\$ 1,899	\$ 73
Restructuring	5	(14)	112
Amortization of purchased intangible assets	153	151	168
In-process research and development charges	<u>-</u>	<u>2</u>	<u>-</u>
Total non-GAAP adjustments to earnings from operations	158	139	280
(Gains) losses on investments	(7)	(6)	6
Income tax effect of reconciling items	(43)	(36)	(86)
Non-recurring American Jobs Creation Act income tax expense	<u>-</u>	<u>-</u>	<u>788</u>
Non-GAAP net earnings	<u>\$ 1,483</u>	<u>\$ 1,996</u>	<u>\$ 1,061</u>

(In millions except per share amounts)
(Unaudited)

	Nine months ended July 31,	
	2006	2005
Numerator:		
Non-GAAP net earnings	\$ 4,872	\$ 3,212
Adjustment for interest expense on zero coupon subordinated convertible notes, net of taxes	5	5
Non-GAAP net earnings, adjusted	<u>\$ 4,877</u>	<u>\$ 3,217</u>
Denominator:		
Weighted-average shares used to compute basic EPS	2,799	2,889
Effect of dilutive securities:		
Dilution from employee stock plans	63	22
Zero-coupon subordinated convertible notes	8	8
Dilutive potential common shares	<u>71</u>	<u>30</u>
Weighted-average shares used to compute diluted EPS	<u>2,870</u>	<u>2,919</u>
Non-GAAP net earnings per share:		
Basic	\$ 1.74	\$ 1.11
Diluted	\$ 1.70	\$ 1.10
An itemized reconciliation between net earnings on a GAAP basis and non-GAAP basis is as follows:		
GAAP net earnings	\$ 4,501	\$ 1,982
Restructuring	6	119
Amortization of purchased intangible assets	451	486
In-process research and development charges	<u>52</u>	<u>-</u>
Total non-GAAP adjustments to earnings from operations	509	605
(Gains) losses on investments	(11)	27
Income tax effect of reconciling items	(127)	(190)
Non-recurring American Jobs Creation Act income tax expense	<u>-</u>	<u>788</u>
Non-GAAP net earnings	<u>\$ 4,872</u>	<u>\$ 3,212</u>