

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF EARNINGS
(Unaudited)
(In millions except per share amounts)

	Three months ended		
	January 31, 2008	October 31, 2007	January 31, 2007
Net revenue	\$ 28,467	\$ 28,293	\$ 25,082
Costs and expenses ^(a) :			
Cost of sales	21,499	21,304	19,136
Research and development	898	914	877
Selling, general and administrative	3,241	3,272	2,908
Amortization of purchased intangible assets	206	187	201
In-process research and development charges	-	4	167
Restructuring	10	(20)	(41)
Pension curtailments and pension settlements, net	-	-	(9)
Total costs and expenses	<u>25,854</u>	<u>25,661</u>	<u>23,239</u>
Earnings from operations	2,613	2,632	1,843
Interest and other, net	<u>72</u>	<u>67</u>	<u>121</u>
Earnings before taxes	2,685	2,699	1,964
Provision for taxes ^(b)	<u>552</u>	<u>535</u>	<u>417</u>
Net earnings	<u>\$ 2,133</u>	<u>\$ 2,164</u>	<u>\$ 1,547</u>
Net earnings per share:			
Basic	\$ 0.83	\$ 0.84	\$ 0.57
Diluted	\$ 0.80	\$ 0.81	\$ 0.55
Cash dividends declared per share	\$ 0.16	\$ -	\$ 0.16
Weighted-average shares used to compute net earnings per share:			
Basic	2,560	2,576	2,705
Diluted	2,655	2,678	2,801
(a) Stock-based compensation expense included under SFAS 123(R) was as follows:			
Cost of sales	\$ 36	\$ 40	\$ 45
Research and development	20	18	19
Selling, general and administrative	<u>101</u>	<u>110</u>	<u>99</u>
Total costs and expenses	\$ 157	\$ 168	\$ 163
(b) Tax benefit from stock-based compensation	\$ (47)	\$ (54)	\$ (48)

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES
ADJUSTMENTS TO GAAP NET EARNINGS, EARNINGS FROM OPERATIONS,
OPERATING MARGIN AND EARNINGS PER SHARE
(Unaudited)
(In millions except per share amounts)

	Three months ended January 31, 2008	Diluted earnings per share	Three months ended October 31, 2007	Diluted earnings per share	Three months ended January 31, 2007	Diluted earnings per share
GAAP net earnings	\$ 2,133	\$ 0.80	\$ 2,164	\$ 0.81	\$ 1,547	\$ 0.55
Non-GAAP adjustments:						
Amortization of purchased intangible assets	206	0.08	187	0.07	201	0.07
In-process research and development charges	-	-	4	-	167	0.06
Restructuring	10	-	(20)	(0.01)	(41)	(0.02)
Pension curtailments and pension settlements, net	-	-	-	-	(9)	-
Adjustments for taxes	(58)	(0.02)	(39)	(0.01)	(39)	(0.01)
Non-GAAP net earnings	<u>\$ 2,291</u>	<u>\$ 0.86</u>	<u>\$ 2,296</u>	<u>\$ 0.86</u>	<u>\$ 1,826</u>	<u>\$ 0.65</u>
GAAP earnings from operations	\$ 2,613		\$ 2,632		\$ 1,843	
Non-GAAP adjustments:						
Amortization of purchased intangible assets	206		187		201	
In-process research and development charges	-		4		167	
Restructuring	10		(20)		(41)	
Pension curtailments and pension settlements, net	-		-		(9)	
Non-GAAP earnings from operations	<u>\$ 2,829</u>		<u>\$ 2,803</u>		<u>\$ 2,161</u>	
GAAP operating margin	9%		9%		7%	
Non-GAAP adjustments	<u>1%</u>		<u>1%</u>		<u>2%</u>	
Non-GAAP operating margin	<u>10%</u>		<u>10%</u>		<u>9%</u>	

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS
(In millions)

	January 31, 2008 <u>(unaudited)</u>	October 31, 2007 <u></u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 9,903	\$ 11,293
Short-term investments	73	152
Accounts receivable	12,384	13,420
Financing receivables	2,561	2,507
Inventory	7,938	8,033
Other current assets	<u>11,767</u>	<u>11,997</u>
Total current assets	<u>44,626</u>	<u>47,402</u>
Property, plant and equipment	7,804	7,798
Long-term financing receivables and other assets	10,325	7,647
Goodwill and purchased intangible assets	<u>25,817</u>	<u>25,852</u>
Total assets	<u><u>\$ 88,572</u></u>	<u><u>\$ 88,699</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable and short-term borrowings	\$ 2,212	\$ 3,186
Accounts payable	11,162	11,787
Employee compensation and benefits	2,657	3,465
Taxes on earnings	420	1,891
Deferred revenue	5,314	5,025
Accrued restructuring	95	123
Other accrued liabilities	<u>14,798</u>	<u>13,783</u>
Total current liabilities	<u>36,658</u>	<u>39,260</u>
Long-term debt	5,099	4,997
Other liabilities	8,871	5,916
Stockholders' equity	<u>37,944</u>	<u>38,526</u>
Total liabilities and stockholders' equity	<u><u>\$ 88,572</u></u>	<u><u>\$ 88,699</u></u>

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)
(In millions)

	Three months ended	
	January 31, 2008	January 31, 2007
Cash flows from operating activities:		
Net earnings	\$ 2,133	\$ 1,547
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	749	643
Stock-based compensation expense	157	163
Provision for bad debt and inventory	78	77
In-process research and development charges	-	167
Restructuring	10	(41)
Pension curtailments and pension settlements, net	-	(9)
Deferred taxes on earnings	361	91
Excess tax benefit from stock-based compensation	(88)	(100)
Other, net	6	(13)
Changes in assets and liabilities:		
Accounts and financing receivables	1,007	548
Inventory	54	(698)
Accounts payable	(659)	(759)
Taxes on earnings	(92)	131
Restructuring	(31)	(281)
Other assets and liabilities	(498)	(1,488)
Net cash provided by (used in) operating activities	<u>3,187</u>	<u>(22)</u>
Cash flows from investing activities:		
Investment in property, plant and equipment	(611)	(718)
Proceeds from sale of property, plant and equipment	88	139
Purchases of available-for-sale securities and other investments	(20)	(13)
Maturities and sales of available-for-sale securities and other investments	106	92
Payments made in connection with business acquisitions, net	(264)	(4,464)
Net cash used in investing activities	<u>(701)</u>	<u>(4,964)</u>
Cash flows from financing activities:		
Issuance of commercial paper and notes payable, net	(899)	1,263
Issuance of debt	16	69
Payment of debt	(105)	(1,056)
Issuance of common stock under employee stock plans	554	797
Repurchase of common stock	(3,324)	(2,312)
Excess tax benefit from stock-based compensation	88	100
Dividends	(206)	(218)
Net cash used in financing activities	<u>(3,876)</u>	<u>(1,357)</u>
Decrease in cash and cash equivalents	(1,390)	(6,343)
Cash and cash equivalents at beginning of period	<u>11,293</u>	<u>16,400</u>
Cash and cash equivalents at end of period	<u>\$ 9,903</u>	<u>\$ 10,057</u>

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES
SEGMENT INFORMATION
(Unaudited)
(In millions)

	Three months ended		
	January 31, 2008	October 31, 2007 ^(a)	January 31, 2007 ^(a)
Net revenue:			
Enterprise Storage and Servers	\$ 4,820	\$ 5,108	\$ 4,421
HP Services	4,378	4,348	3,932
HP Software	666	759	598
Technology Solutions Group	9,864	10,215	8,951
Personal Systems Group	10,791	10,133	8,719
Imaging and Printing Group	7,312	7,554	6,999
HP Financial Services	642	657	547
Corporate Investments	218	210	157
Total Segments	28,827	28,769	25,373
Eliminations of intersegment net revenue and other	(360)	(476)	(291)
Total HP Consolidated	<u>\$ 28,467</u>	<u>\$ 28,293</u>	<u>\$ 25,082</u>
Earnings (Loss) from operations:			
Enterprise Storage and Servers	\$ 673	\$ 736	\$ 453
HP Services	489	515	406
HP Software	51	145	18
Technology Solutions Group	1,213	1,396	877
Personal Systems Group	628	589	414
Imaging and Printing Group	1,150	1,094	1,073
HP Financial Services	43	48	32
Corporate Investments	8	(5)	(29)
Total Segments	3,042	3,122	2,367
Corporate and unallocated costs and eliminations	(89)	(197)	(66)
Unallocated costs related to stock-based compensation expense	(124)	(122)	(140)
Amortization of purchased intangible assets	(206)	(187)	(201)
In-process research and development charges	-	(4)	(167)
Restructuring	(10)	20	41
Pension curtailments and pension settlements, net	-	-	9
Interest and other, net	72	67	121
Total HP Consolidated Earnings Before Taxes	<u>\$ 2,685</u>	<u>\$ 2,699</u>	<u>\$ 1,964</u>

(a) Certain fiscal 2008 organizational reclassifications have been reflected retroactively to provide improved visibility and comparability. For each of the quarters in fiscal year 2007, the reclassifications resulted in the transfer of revenue and operating profit among the Enterprise Storage and Servers, HP Services and HP Software segments within the Technology Solutions Group. There was no impact on the previously reported financial results for the other segments.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES
SEGMENT / BUSINESS UNIT INFORMATION
(Unaudited)
(In millions)

	Three months ended		
	January 31, 2008	October 31, 2007 ^(a)	January 31, 2007 ^(a)
Net revenue:			
Industry standard servers	\$ 2,988	\$ 3,059	\$ 2,689
Business critical systems	855	1,034	846
Storage	977	1,015	886
Enterprise Storage and Servers	4,820	5,108	4,421
Technology services	2,241	2,229	2,062
Outsourcing services	1,303	1,271	1,129
Consulting and integration	834	848	741
HP Services	4,378	4,348	3,932
Business technology optimization ^(b)	548	620	460
Other ^(b)	118	139	138
HP Software	666	759	598
Technology Solutions Group	9,864	10,215	8,951
Notebooks	5,664	5,164	4,146
Desktops	4,401	4,222	3,821
Workstations	467	473	405
Handhelds	89	108	191
Other	170	166	156
Personal Systems Group	10,791	10,133	8,719
Commercial Hardware	1,726	1,880	1,616
Consumer Hardware	1,180	1,251	1,241
Supplies	4,399	4,423	4,142
Other	7	-	-
Imaging and Printing Group	7,312	7,554	6,999
HP Financial Services	642	657	547
Corporate Investments	218	210	157
Total Segments	28,827	28,769	25,373
Eliminations of intersegment net revenue and other	(360)	(476)	(291)
Total HP Consolidated	\$ 28,467	\$ 28,293	\$ 25,082

(a) Certain fiscal 2008 organizational reclassifications have been reflected retroactively to provide improved visibility and comparability. For each of the quarters in fiscal year 2007, the reclassifications resulted in the transfer of revenue among Enterprise Storage and Servers, HP Services and HP Software segments within the Technology Solutions Group. In addition, revenue was transferred among the business units within the Imaging and Printing Group and among the business units within the Personal Systems Group, but there was no change to the previously reported revenue for either segment as a whole. There was no impact on the previously reported financial results for the HP Financial Services and Corporate Investments segments.

(b) The OpenView business unit was renamed as "Business Technology Optimization" and the OpenCall and Other business unit was renamed as "Other" effective in fiscal 2008. The renamed "Other" business unit includes primarily the OpenCall and Business Information Optimization products.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES
CALCULATION OF NET EARNINGS PER SHARE
(Unaudited)
(In millions except per share amounts)

	Three months ended		
	January 31, 2008	October 31, 2007	January 31, 2007
Numerator:			
Net earnings	\$ 2,133	\$ 2,164	\$ 1,547
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>\$ 2,135</u>	<u>\$ 2,166</u>	<u>\$ 1,549</u>
Denominator:			
Weighted-average shares used to compute basic EPS	2,560	2,576	2,705
Effect of dilutive securities:			
Dilution from employee stock plans	87	94	88
Zero-coupon subordinated convertible notes	<u>8</u>	<u>8</u>	<u>8</u>
Dilutive potential common shares	<u>95</u>	<u>102</u>	<u>96</u>
Weighted-average shares used to compute diluted EPS	<u>2,655</u>	<u>2,678</u>	<u>2,801</u>
Net earnings per share:			
Basic ^(a)	\$ 0.83	\$ 0.84	\$ 0.57
Diluted ^(b)	\$ 0.80	\$ 0.81	\$ 0.55

(a) HP's basic earnings per share was calculated based on net earnings and the weighted-average number of shares outstanding during the reporting period.

(b) The diluted earnings per share included 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.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES
CALCULATION OF NON-GAAP NET EARNINGS PER SHARE
(Unaudited)
(In millions except per share amounts)

	Three months ended		
	January 31, 2008	October 31, 2007	January 31, 2007
Numerator:			
Non-GAAP net earnings	\$ 2,291	\$ 2,296	\$ 1,826
Adjustment for interest expense on zero-coupon subordinated convertible notes, net of taxes	<u>2</u>	<u>2</u>	<u>2</u>
Non-GAAP net earnings, adjusted	<u>\$ 2,293</u>	<u>\$ 2,298</u>	<u>\$ 1,828</u>
Denominator:			
Weighted-average shares used to compute basic EPS	2,560	2,576	2,705
Effect of dilutive securities:			
Dilution from employee stock plans	87	94	88
Zero-coupon subordinated convertible notes	<u>8</u>	<u>8</u>	<u>8</u>
Dilutive potential common shares	<u>95</u>	<u>102</u>	<u>96</u>
Weighted-average shares used to compute diluted EPS	<u>2,655</u>	<u>2,678</u>	<u>2,801</u>
Non-GAAP net earnings per share:			
Basic ^(a)	\$ 0.89	\$ 0.89	\$ 0.68
Diluted ^(b)	\$ 0.86	\$ 0.86	\$ 0.65

(a) HP's basic non-GAAP earnings per share was calculated based on non-GAAP net earnings and the weighted-average number of shares outstanding during the reporting period.

(b) HP's diluted non-GAAP earnings per share included 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.