

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

	Three months ended		
	January 31, 2009	October 31, 2008 ^(c)	January 31, 2008 ^(c)
Net revenue	\$ 28,800	\$ 33,603	\$ 28,467
Costs and expenses ^(a) :			
Cost of sales	22,069	25,853	21,444
Research and development	732	842	898
Selling, general and administrative	2,893	3,506	3,296
Amortization of purchased intangible assets	412	337	206
In-process research and development charges	6	32	-
Restructuring charges	146	251	10
Acquisition-related charges	<u>48</u>	<u>41</u>	<u>-</u>
Total costs and expenses	<u>26,306</u>	<u>30,862</u>	<u>25,854</u>
Earnings from operations	2,494	2,741	2,613
Interest and other, net	<u>(232)</u>	<u>(98)</u>	<u>72</u>
Earnings before taxes	2,262	2,643	2,685
Provision for taxes ^(b)	<u>408</u>	<u>531</u>	<u>552</u>
Net earnings	<u>\$ 1,854</u>	<u>\$ 2,112</u>	<u>\$ 2,133</u>
Net earnings per share:			
Basic	\$ 0.77	\$ 0.87	\$ 0.83
Diluted	\$ 0.75	\$ 0.84	\$ 0.80
Cash dividends declared per share	\$ 0.16	\$ -	\$ 0.16
Weighted-average shares used to compute net earnings per share:			
Basic	2,410	2,440	2,560
Diluted	2,464	2,516	2,655
(a) Stock-based compensation expense included under SFAS 123(R) was as follows:			
Cost of sales	\$ 52	\$ 46	\$ 36
Research and development	17	17	20
Selling, general and administrative	85	94	101
Acquisition-related charges	<u>6</u>	<u>-</u>	<u>-</u>
Total costs and expenses	\$ 160	\$ 157	\$ 157
(b) Tax benefit from stock-based compensation	\$ (48)	\$ (37)	\$ (47)

(c) Certain pursuit-related costs previously reported as Cost of sales have been realigned retroactively to Selling, general and administrative expenses due to the organizational realignments occurring within HP's service offerings portfolio.



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, 2009	Diluted earnings per share	Three months ended October 31, 2008	Diluted earnings per share	Three months ended January 31, 2008	Diluted earnings per share
GAAP net earnings	\$ 1,854	\$ 0.75	\$ 2,112	\$ 0.84	\$ 2,133	\$ 0.80
Non-GAAP adjustments:						
Amortization of purchased intangible assets	412	0.17	337	0.13	206	0.08
In-process research and development charges	6	-	32	0.01	-	-
Restructuring charges	146	0.06	251	0.10	10	-
Acquisition-related charges	48	0.02	41	0.02	-	-
Adjustments for taxes	<u>(181)</u>	<u>(0.07)</u>	<u>(179)</u>	<u>(0.07)</u>	<u>(58)</u>	<u>(0.02)</u>
Non-GAAP net earnings	<u>\$ 2,285</u>	<u>\$ 0.93</u>	<u>\$ 2,594</u>	<u>\$ 1.03</u>	<u>\$ 2,291</u>	<u>\$ 0.86</u>
GAAP earnings from operations	\$ 2,494		\$ 2,741		\$ 2,613	
Non-GAAP adjustments:						
Amortization of purchased intangible assets	412		337		206	
In-process research and development charges	6		32		-	
Restructuring charges	146		251		10	
Acquisition-related charges	<u>48</u>		<u>41</u>		<u>-</u>	
Non-GAAP earnings from operations	<u>\$ 3,106</u>		<u>\$ 3,402</u>		<u>\$ 2,829</u>	
GAAP operating margin	9%		8%		9%	
Non-GAAP adjustments	<u>2%</u>		<u>2%</u>		<u>1%</u>	
Non-GAAP operating margin	<u>11%</u>		<u>10%</u>		<u>10%</u>	

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

	January 31, 2009 <u>(unaudited)</u>	October 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 11,189	\$ 10,153
Short-term investments	66	93
Accounts receivable	14,769	16,928
Financing receivables	2,316	2,314
Inventory	7,629	7,879
Other current assets	<u>12,912</u>	<u>14,361</u>
Total current assets	<u>48,881</u>	<u>51,728</u>
Property, plant and equipment	10,774	10,838
Long-term financing receivables and other assets	10,111	10,468
Goodwill and purchased intangible assets	<u>39,868</u>	<u>40,297</u>
Total assets	<u>\$ 109,634</u>	<u>\$ 113,331</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable and short-term borrowings	\$ 10,199	\$ 10,176
Accounts payable	11,231	14,138
Employee compensation and benefits	2,951	4,159
Taxes on earnings	699	869
Deferred revenue	6,591	6,287
Other accrued liabilities	<u>15,316</u>	<u>17,310</u>
Total current liabilities	<u>46,987</u>	<u>52,939</u>
Long-term debt	10,259	7,676
Other liabilities	12,801	13,774
Stockholders' equity	<u>39,587</u>	<u>38,942</u>
Total liabilities and stockholders' equity	<u>\$ 109,634</u>	<u>\$ 113,331</u>

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

	Three months ended	
	January 31, 2009	January 31, 2008
Cash flows from operating activities:		
Net earnings	\$ 1,854	\$ 2,133
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	1,214	749
Stock-based compensation expense	154	157
Provision for bad debt and inventory	168	78
In-process research and development charges	6	-
Restructuring charges	146	10
Acquisition-related charges	48	-
Deferred taxes on earnings	(63)	361
Excess tax benefit from stock-based compensation	(13)	(88)
Other, net	(17)	6
Changes in assets and liabilities:		
Accounts and financing receivables	1,780	1,007
Inventory	156	54
Accounts payable	(2,889)	(659)
Taxes on earnings	300	(92)
Restructuring	(209)	(31)
Other assets and liabilities	(1,509)	(498)
Net cash provided by operating activities	<u>1,126</u>	<u>3,187</u>
Cash flows from investing activities:		
Investment in property, plant and equipment	(828)	(611)
Proceeds from sale of property, plant and equipment	152	88
Purchases of available-for-sale securities and other investments	-	(20)
Maturities and sales of available-for-sale securities and other investments	46	106
Payments made in connection with business acquisitions, net	(345)	(264)
Net cash used in investing activities	<u>(975)</u>	<u>(701)</u>
Cash flows from financing activities:		
Issuance (repayment) of commercial paper and notes payable, net	57	(899)
Issuance of debt	2,016	16
Payment of debt	(69)	(105)
Issuance of common stock under employee stock plans	299	554
Repurchase of common stock	(1,238)	(3,324)
Excess tax benefit from stock-based compensation	13	88
Dividends	(193)	(206)
Net cash provided by (used in) financing activities	<u>885</u>	<u>(3,876)</u>
Increase (decrease) in cash and cash equivalents	1,036	(1,390)
Cash and cash equivalents at beginning of period	<u>10,153</u>	<u>11,293</u>
Cash and cash equivalents at end of period	<u>\$ 11,189</u>	<u>\$ 9,903</u>

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

	Three months ended		
	January 31, 2009	October 31, 2008 ^(a)	January 31, 2008 ^(a)
Net revenue:			
Enterprise Storage and Servers	\$ 3,948	\$ 5,059	\$ 4,820
Services	8,746	8,277	4,052
HP Software	878	1,148	947
Technology Solutions Group	13,572	14,484	9,819
Personal Systems Group	8,787	11,179	10,791
Imaging and Printing Group	5,981	7,572	7,357
HP Financial Services	636	691	642
Corporate Investments	196	246	218
Total Segments	29,172	34,172	28,827
Eliminations of intersegment net revenue and other	(372)	(569)	(360)
Total HP Consolidated	<u>\$ 28,800</u>	<u>\$ 33,603</u>	<u>\$ 28,467</u>
Earnings from operations:			
Enterprise Storage and Servers	\$ 405	\$ 705	\$ 673
Services	1,123	945	499
HP Software	140	211	49
Technology Solutions Group	1,668	1,861	1,221
Personal Systems Group	435	616	628
Imaging and Printing Group	1,105	1,155	1,142
HP Financial Services	41	51	43
Corporate Investments	(19)	9	8
Total Segments	3,230	3,692	3,042
Corporate and unallocated costs and eliminations	24	(153)	(89)
Unallocated costs related to stock-based compensation expense	(148)	(137)	(124)
Amortization of purchased intangible assets	(412)	(337)	(206)
In-process research and development charges	(6)	(32)	-
Restructuring charges	(146)	(251)	(10)
Acquisition-related charges	(48)	(41)	-
Interest and other, net	(232)	(98)	72
Total HP Consolidated Earnings Before Taxes	<u>\$ 2,262</u>	<u>\$ 2,643</u>	<u>\$ 2,685</u>

(a) Certain fiscal 2009 organizational reclassifications have been reflected retroactively to provide improved visibility and comparability. For each of the quarters in fiscal year 2008, the reclassifications resulted in the transfer of revenue and operating profit among the Services, HP Software and Imaging and Printing Group financial reporting segments. In addition, certain previously allocated costs were reclassified to unallocated costs related to stock-based compensation expense. There was no impact on the previously reported financial results for the Enterprise Storage and Servers, Personal Systems Group, HP Financial Services and Corporate Investments segments.

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

	Three months ended		
	January 31, 2009	October 31, 2008 ^(a)	January 31, 2008 ^(a)
Net revenue:			
Industry standard servers	\$ 2,322	\$ 2,977	\$ 2,988
Business critical systems	713	935	855
Storage	913	1,147	977
Enterprise Storage and Servers	3,948	5,059	4,820
Technology services	2,451	2,657	2,458
Infrastructure Technology Outsourcing	3,903	3,531	1,252
Application Services	1,592	1,427	306
Business Process Outsourcing	743	604	36
Other	57	58	-
Services ^(b)	8,746	8,277	4,052
Business technology optimization	594	786	618
Other	284	362	329
HP Software	878	1,148	947
Technology Solutions Group	13,572	14,484	9,819
Notebooks	4,907	6,270	5,664
Desktops	3,303	4,149	4,406
Workstations	333	470	462
Handhelds	57	79	89
Other	187	211	170
Personal Systems Group	8,787	11,179	10,791
Commercial Hardware	1,239	1,846	1,883
Consumer Hardware	692	918	1,105
Supplies	4,047	4,808	4,362
Other	3	-	7
Imaging and Printing Group	5,981	7,572	7,357
HP Financial Services	636	691	642
Corporate Investments	196	246	218
Total Segments	29,172	34,172	28,827
Eliminations of intersegment net revenue and other	(372)	(569)	(360)
Total HP Consolidated	\$ 28,800	\$ 33,603	\$ 28,467

(a) Certain fiscal 2009 organizational reclassifications have been reflected retroactively to provide improved visibility and comparability. For each of the quarters in fiscal year 2008, the reclassifications resulted in the transfer of revenue among the Services, HP Software and Imaging and Printing Group financial reporting segments. In addition, revenue was transferred among the business units within the Services, HP Software, Imaging and Printing Group, and Personal Systems Group segments. There was no impact on the previously reported financial results for the Enterprise Storage and Servers, HP Financial Services and Corporate Investments segments.

(b) Infrastructure Technology Outsourcing, Application Services, Business Process Outsourcing and Other business units were added to the Services business segment. In addition, Outsourcing Services, Consulting and Integration and EDS business units within Services were disintegrated in fiscal 2009.



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

	Three months ended		
	January 31, 2009	October 31, 2008	January 31, 2008
Numerator:			
Net earnings	\$ 1,854	\$ 2,112	\$ 2,133
Adjustment for interest expense on zero-coupon subordinated convertible notes, net of taxes	<u>-</u>	<u>-</u>	<u>2</u>
Net earnings, adjusted	<u>\$ 1,854</u>	<u>\$ 2,112</u>	<u>\$ 2,135</u>
Denominator:			
Weighted-average shares used to compute basic EPS	2,410	2,440	2,560
Effect of dilutive securities:			
Dilution from employee stock plans	54	76	87
Zero-coupon subordinated convertible notes	<u>-</u>	<u>-</u>	<u>8</u>
Dilutive potential common shares	<u>54</u>	<u>76</u>	<u>95</u>
Weighted-average shares used to compute diluted EPS	<u>2,464</u>	<u>2,516</u>	<u>2,655</u>
Net earnings per share:			
Basic ^(a)	\$ 0.77	\$ 0.87	\$ 0.83
Diluted ^(b)	\$ 0.75	\$ 0.84	\$ 0.80

(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, vesting of restricted stock units and conversion of debt, except when such issuances would be anti-dilutive.

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, 2009	October 31, 2008	January 31, 2008
Numerator:			
Non-GAAP net earnings	\$ 2,285	\$ 2,594	\$ 2,291
Adjustment for interest expense on zero-coupon subordinated convertible notes, net of taxes	<u>-</u>	<u>-</u>	<u>2</u>
Non-GAAP net earnings, adjusted	<u>\$ 2,285</u>	<u>\$ 2,594</u>	<u>\$ 2,293</u>
Denominator:			
Weighted-average shares used to compute basic EPS	2,410	2,440	2,560
Effect of dilutive securities:			
Dilution from employee stock plans	54	76	87
Zero-coupon subordinated convertible notes	<u>-</u>	<u>-</u>	<u>8</u>
Dilutive potential common shares	<u>54</u>	<u>76</u>	<u>95</u>
Weighted-average shares used to compute diluted EPS	<u>2,464</u>	<u>2,516</u>	<u>2,655</u>
Non-GAAP net earnings per share:			
Basic ^(a)	\$ 0.95	\$ 1.06	\$ 0.89
Diluted ^(b)	\$ 0.93	\$ 1.03	\$ 0.86

(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, vesting of restricted stock units and conversion of debt, except when such issuances would be anti-dilutive.