

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

	Three months ended		
	April 30, 2007	January 31, 2007	April 30, 2006
Net revenue	\$ 25,534	\$ 25,082	\$ 22,554
Costs and expenses ^(a) :			
Cost of sales	19,283	19,136	16,970
Research and development	903	877	930
Selling, general and administrative	3,044	2,908	2,858
Amortization of purchased intangible assets	212	201	151
In-process research and development charges	19	167	2
Restructuring	453	(41)	(14)
Pension curtailments and pension settlements, net	(508)	(9)	-
Total costs and expenses	23,406	23,239	20,897
Earnings from operations	2,128	1,843	1,657
Interest and other, net	87	111	157
Gains on investments	13	10	6
Earnings before taxes	2,228	1,964	1,820
Provision for (benefit from) taxes ^(b)	453	417	(79)
Net earnings	<u>\$ 1,775</u>	<u>\$ 1,547</u>	<u>\$ 1,899</u>
Net earnings per share:			
Basic	\$ 0.67	\$ 0.57	\$ 0.68
Diluted	\$ 0.65	\$ 0.55	\$ 0.66
Cash dividends declared per share	\$ -	\$ 0.16	\$ -
Weighted-average shares used to compute net earnings per share:			
Basic	2,638	2,705	2,809
Diluted	2,731	2,801	2,887
(a) Stock-based compensation expense included under SFAS 123(R) was as follows:			
Cost of sales	\$ 42	\$ 45	\$ 33
Research and development	18	19	15
Selling, general and administrative	94	99	76
Total costs and expenses	\$ 154	\$ 163	\$ 124
(b) Tax benefit from stock-based compensation	\$ (44)	\$ (48)	\$ (39)

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

	Six months ended	
	April 30, 2007	April 30, 2006
Net revenue	\$ 50,616	\$ 45,213
Costs and expenses ^(a) :		
Cost of sales	38,419	34,362
Research and development	1,780	1,801
Selling, general and administrative	5,952	5,550
Amortization of purchased intangible assets	413	298
In-process research and development charges	186	52
Restructuring	412	1
Pension curtailments and pension settlements, net	(517)	-
Total costs and expenses	<u>46,645</u>	<u>42,064</u>
Earnings from operations	3,971	3,149
Interest and other, net	198	195
Gains on investments	<u>23</u>	<u>4</u>
Earnings before taxes	4,192	3,348
Provision for taxes ^(b)	<u>870</u>	<u>222</u>
Net earnings	<u>\$ 3,322</u>	<u>\$ 3,126</u>
Net earnings per share:		
Basic	\$ 1.24	\$ 1.11
Diluted	\$ 1.20	\$ 1.08
Cash dividends declared per share	\$ 0.16	\$ 0.16
Weighted-average shares used to compute net earnings per share:		
Basic	2,672	2,815
Diluted	2,763	2,890
(a) Stock-based compensation expense included under SFAS 123(R) was as follows:		
Cost of sales	\$ 87	\$ 72
Research and development	37	33
Selling, general and administrative	<u>193</u>	<u>163</u>
Total costs and expenses	\$ 317	\$ 268
(b) Tax benefit from stock-based compensation	\$ (92)	\$ (82)

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 April 30, 2007	Diluted Earnings Per Share	Three months ended January 31, 2007	Diluted Earnings Per Share	Three months ended April 30, 2006	Diluted Earnings Per Share
GAAP net earnings	\$ 1,775	\$ 0.65	\$ 1,547	\$ 0.55	\$ 1,899	\$ 0.66
Non-GAAP adjustments:						
Amortization of purchased intangible assets	212	0.08	201	0.07	151	0.05
In-process research and development charges	19	0.01	167	0.06	2	-
Restructuring	453	0.16	(41)	(0.02)	(14)	(0.01)
Pension curtailments and pension settlements, net	(508)	(0.19)	(9)	-	-	-
Gains on investments ^(a)	-	-	-	-	(6)	-
Adjustments for taxes	<u>(31)</u>	<u>(0.01)</u>	<u>(39)</u>	<u>(0.01)</u>	<u>(36)</u>	<u>(0.01)</u>
Non-GAAP net earnings	<u>\$ 1,920</u>	<u>\$ 0.70</u>	<u>\$ 1,826</u>	<u>\$ 0.65</u>	<u>\$ 1,996</u>	<u>\$ 0.69</u>
GAAP earnings from operations	\$ 2,128		\$ 1,843		\$ 1,657	
Non-GAAP adjustments:						
Amortization of purchased intangible assets	212		201		151	
In-process research and development charges	19		167		2	
Restructuring	453		(41)		(14)	
Pension curtailments and pension settlements, net	<u>(508)</u>		<u>(9)</u>		<u>-</u>	
Non-GAAP earnings from operations	<u>\$ 2,304</u>		<u>\$ 2,161</u>		<u>\$ 1,796</u>	
GAAP operating margin	8%		7%		7%	
Non-GAAP adjustments	<u>1%</u>		<u>2%</u>		<u>1%</u>	
Non-GAAP operating margin	<u>9%</u>		<u>9%</u>		<u>8%</u>	

(a) Beginning in fiscal 2007, HP no longer excludes gains or losses on investments when calculating financial measures presented on a non-GAAP basis.

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)

	Six months ended April 30, 2007	Diluted Earnings Per Share	Six months ended April 30, 2006	Diluted Earnings Per Share
GAAP net earnings	\$ 3,322	\$ 1.20	\$ 3,126	\$ 1.08
Non-GAAP adjustments:				
Amortization of purchased intangible assets	413	0.15	298	0.10
In-process research and development charges	186	0.07	52	0.02
Restructuring	412	0.15	1	-
Pension curtailments and pension settlements, net	(517)	(0.19)	-	-
Gains on investments ^(a)	-	-	(4)	-
Adjustments for taxes	<u>(70)</u>	<u>(0.02)</u>	<u>(84)</u>	<u>(0.03)</u>
Non-GAAP net earnings	<u>\$ 3,746</u>	<u>\$ 1.36</u>	<u>\$ 3,389</u>	<u>\$ 1.17</u>
GAAP earnings from operations	\$ 3,971		\$ 3,149	
Non-GAAP adjustments:				
Amortization of purchased intangible assets	413		298	
In-process research and development charges	186		52	
Restructuring	412		1	
Pension curtailments and pension settlements, net	<u>(517)</u>		<u>-</u>	
Non-GAAP earnings from operations	<u>\$ 4,465</u>		<u>\$ 3,500</u>	
GAAP operating margin	8%		7%	
Non-GAAP adjustments	<u>1%</u>		<u>1%</u>	
Non-GAAP operating margin	<u>9%</u>		<u>8%</u>	

(a) Beginning in fiscal 2007, HP no longer excludes gains or losses on investments when calculating financial measures presented on a non-GAAP basis.

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

	April 30, 2007 <u>(unaudited)</u>	October 31, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 12,236	\$ 16,400
Short-term investments	74	22
Accounts receivable	11,577	10,873
Financing receivables	2,532	2,440
Inventory	7,278	7,750
Other current assets	<u>10,177</u>	<u>10,779</u>
Total current assets	<u>43,874</u>	<u>48,264</u>
Property, plant and equipment	7,339	6,863
Long-term financing receivables and other assets	7,751	6,649
Goodwill and purchased intangible assets	<u>24,449</u>	<u>20,205</u>
Total assets	<u><u>\$ 83,413</u></u>	<u><u>\$ 81,981</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable and short-term borrowings	\$ 4,360	\$ 2,705
Accounts payable	11,505	12,102
Employee compensation and benefits	2,559	3,148
Taxes on earnings	1,744	1,905
Deferred revenue	4,900	4,309
Accrued restructuring	236	547
Other accrued liabilities	<u>11,609</u>	<u>11,134</u>
Total current liabilities	<u>36,913</u>	<u>35,850</u>
Long-term debt	3,977	2,490
Other liabilities	6,037	5,497
Stockholders' equity	<u>36,486</u>	<u>38,144</u>
Total liabilities and stockholders' equity	<u><u>\$ 83,413</u></u>	<u><u>\$ 81,981</u></u>

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

	Three months ended April 30, 2007	Six months ended April 30, 2007
Cash flows from operating activities:		
Net earnings	\$ 1,775	\$ 3,322
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	678	1,321
Stock-based compensation expense	154	317
Provision for bad debt and inventory	110	187
Gains on investments	(13)	(23)
In-process research and development charges	19	186
Restructuring	453	412
Pension curtailments and pension settlements, net	(508)	(517)
Deferred taxes on earnings	149	240
Excess tax benefit from stock-based compensation	(75)	(175)
Other, net	(41)	(44)
Changes in assets and liabilities:		
Accounts and financing receivables	(1,203)	(655)
Inventory	995	297
Accounts payable	145	(614)
Taxes on earnings	20	151
Restructuring	(161)	(442)
Other assets and liabilities	1,664	176
Net cash provided by operating activities	<u>4,161</u>	<u>4,139</u>
Cash flows from investing activities:		
Investment in property, plant and equipment	(758)	(1,476)
Proceeds from sale of property, plant and equipment	161	300
Purchases of available-for-sale securities and other investments	(3)	(16)
Maturities and sales of available-for-sale securities and other investments	253	345
Payments made in connection with business acquisitions, net	(372)	(4,836)
Net cash used in investing activities	<u>(719)</u>	<u>(5,683)</u>
Cash flows from financing activities:		
Issuance of commercial paper and notes payable, net	783	2,046
Issuance of debt	2,002	2,071
Payment of debt	(305)	(1,361)
Issuance of common stock under employee stock plans	419	1,216
Repurchase of common stock	(4,024)	(6,336)
Excess tax benefit from stock-based compensation	75	175
Dividends	(213)	(431)
Net cash used in financing activities	<u>(1,263)</u>	<u>(2,620)</u>
Increase (decrease) in cash and cash equivalents	2,179	(4,164)
Cash and cash equivalents at beginning of period	10,057	16,400
Cash and cash equivalents at end of period	<u>\$ 12,236</u>	<u>\$ 12,236</u>

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

	Three months ended		
	April 30, 2007	January 31, 2007	April 30, 2006 ^(a)
Net revenue:			
Enterprise Storage and Servers	\$ 4,619	\$ 4,453	\$ 4,265
HP Services	4,145	3,948	3,892
HP Software	<u>523</u>	<u>550</u>	<u>330</u>
Technology Solutions Group	<u>9,287</u>	<u>8,951</u>	<u>8,487</u>
Personal Systems Group	8,663	8,719	6,977
Imaging and Printing Group	7,161	6,999	6,724
HP Financial Services	550	547	518
Corporate Investments	<u>175</u>	<u>157</u>	<u>122</u>
Total Segments	25,836	25,373	22,828
Eliminations of intersegment net revenue and other	<u>(302)</u>	<u>(291)</u>	<u>(274)</u>
Total HP Consolidated	<u>\$ 25,534</u>	<u>\$ 25,082</u>	<u>\$ 22,554</u>
Earnings from operations:			
Enterprise Storage and Servers	\$ 407	\$ 416	\$ 322
HP Services	459	414	345
HP Software	<u>42</u>	<u>47</u>	<u>3</u>
Technology Solutions Group	<u>908</u>	<u>877</u>	<u>670</u>
Personal Systems Group	417	414	248
Imaging and Printing Group	1,167	1,073	1,041
HP Financial Services	36	32	39
Corporate Investments	<u>(18)</u>	<u>(29)</u>	<u>(49)</u>
Total Segments	2,510	2,367	1,949
Corporate and unallocated costs and eliminations	(75)	(66)	(50)
Unallocated costs related to stock-based compensation expense	(131)	(140)	(103)
Amortization of purchased intangible assets	(212)	(201)	(151)
In-process research and development charges	(19)	(167)	(2)
Restructuring	(453)	41	14
Pension curtailments and pension settlements, net	508	9	-
Interest and other, net	87	111	157

Gains on investments	<u>13</u>	<u>10</u>	<u>6</u>
Total HP Consolidated Earnings Before Taxes	<u>\$ 2,228</u>	<u>\$ 1,964</u>	<u>\$ 1,820</u>

(a) Certain fiscal 2007 organizational realignments have been reflected retroactively to provide improved visibility and comparability. For each of the quarters in fiscal year 2006, the realignments primarily resulted in revenue movement within business units within the ESS and HPS segments. There was no impact to total segment revenue.

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

	Six months ended April 30,	
	2007	2006 ^(a)
Net revenue:		
Enterprise Storage and Servers	\$ 9,072	\$ 8,505
HP Services	8,093	7,649
HP Software	<u>1,073</u>	<u>634</u>
Technology Solutions Group	<u>18,238</u>	<u>16,788</u>
Personal Systems Group	17,382	14,426
Imaging and Printing Group	14,160	13,269
HP Financial Services	1,097	1,014
Corporate Investments	<u>332</u>	<u>251</u>
Total Segments	51,209	45,748
Eliminations of intersegment net revenue and other	<u>(593)</u>	<u>(535)</u>
Total HP Consolidated	<u><u>\$ 50,616</u></u>	<u><u>\$ 45,213</u></u>
Earnings from operations:		
Enterprise Storage and Servers	\$ 823	\$ 648
HP Services	873	638
HP Software	<u>89</u>	<u>12</u>
Technology Solutions Group	<u>1,785</u>	<u>1,298</u>
Personal Systems Group	831	541
Imaging and Printing Group	2,240	2,014
HP Financial Services	68	77
Corporate Investments	<u>(47)</u>	<u>(82)</u>
Total Segments	4,877	3,848
Corporate and unallocated costs and eliminations	(141)	(122)
Unallocated costs related to stock-based compensation expense	(271)	(226)
Amortization of purchased intangible assets	(413)	(298)
In-process research and development charges	(186)	(52)
Restructuring	(412)	(1)
Pension curtailments and pension settlements, net	517	-
Interest and other, net	198	195
Gains on investments	<u>23</u>	<u>4</u>
Total HP Consolidated Earnings Before Taxes	<u><u>\$ 4,192</u></u>	<u><u>\$ 3,348</u></u>

(a) Certain fiscal 2007 organizational realignments have been reflected retroactively to provide improved visibility and comparability. For fiscal year 2006, the realignments primarily resulted in revenue movement within business units within the ESS and HPS segments. There was no impact to total segment revenue.

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

	Three months ended		
	April 30, 2007	January 31, 2007	April 30, 2006 ^(a)
Net revenue:			
Industry Standard Servers	\$ 2,818	\$ 2,689	\$ 2,413
Business Critical Systems	862	848	920
Storage	<u>939</u>	<u>916</u>	<u>932</u>
Enterprise Storage and Servers	<u>4,619</u>	<u>4,453</u>	<u>4,265</u>
Technology Services	2,155	2,093	2,086
Outsourcing Services ^(b)	1,195	1,125	1,070
Consulting and Integration	<u>795</u>	<u>730</u>	<u>736</u>
HP Services	<u>4,145</u>	<u>3,948</u>	<u>3,892</u>
OpenView	434	457	228
OpenCall and Other	<u>89</u>	<u>93</u>	<u>102</u>
HP Software	<u>523</u>	<u>550</u>	<u>330</u>
Technology Solutions Group	<u>9,287</u>	<u>8,951</u>	<u>8,487</u>
Desktops	3,904	3,812	3,569
Notebooks	4,084	4,144	2,815
Workstations	402	405	338
Handhelds	105	183	129
Other	<u>168</u>	<u>175</u>	<u>126</u>
Personal Systems Group	<u>8,663</u>	<u>8,719</u>	<u>6,977</u>
Commercial Hardware	1,786	1,689	1,739
Consumer Hardware	996	1,227	1,015
Supplies	4,367	4,069	3,957
Other	<u>12</u>	<u>14</u>	<u>13</u>
Imaging and Printing Group	<u>7,161</u>	<u>6,999</u>	<u>6,724</u>
HP Financial Services	550	547	518
Corporate Investments	<u>175</u>	<u>157</u>	<u>122</u>
Total Segments	<u>25,836</u>	<u>25,373</u>	<u>22,828</u>
Eliminations of intersegment net revenue and other	<u>(302)</u>	<u>(291)</u>	<u>(274)</u>
Total HP Consolidated	<u>\$ 25,534</u>	<u>\$ 25,082</u>	<u>\$ 22,554</u>

(a) Certain fiscal 2007 organizational realignments have been reflected retroactively to provide improved visibility and comparability. For each of the quarters in fiscal year 2006, the realignments primarily resulted in revenue movement within business units within the ESS and HPS segments. There was no impact to total segment revenue.

(b) Reflects name change from Managed Services to Outsourcing Services effective in fiscal 2007.

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

	Six months ended April 30,	
	2007	2006 ^(a)
Net revenue:		
Industry Standard Servers	\$ 5,507	\$ 4,861
Business Critical Systems	1,710	1,826
Storage	<u>1,855</u>	<u>1,818</u>
Enterprise Storage and Servers	<u>9,072</u>	<u>8,505</u>
Technology Services	4,248	4,167
Outsourcing Services ^(b)	2,320	2,081
Consulting and Integration	<u>1,525</u>	<u>1,401</u>
HP Services	<u>8,093</u>	<u>7,649</u>
OpenView	891	433
OpenCall and Other	<u>182</u>	<u>201</u>
HP Software	<u>1,073</u>	<u>634</u>
Technology Solutions Group	<u>18,238</u>	<u>16,788</u>
Desktops	7,716	7,423
Notebooks	8,228	5,769
Workstations	807	667
Handhelds	288	345
Other	<u>343</u>	<u>222</u>
Personal Systems Group	<u>17,382</u>	<u>14,426</u>
Commercial Hardware	3,475	3,394
Consumer Hardware	2,223	2,238
Supplies	8,436	7,609
Other	<u>26</u>	<u>28</u>
Imaging and Printing Group	<u>14,160</u>	<u>13,269</u>
HP Financial Services	1,097	1,014
Corporate Investments	<u>332</u>	<u>251</u>
Total Segments	<u>51,209</u>	<u>45,748</u>
Eliminations of intersegment net revenue and other	<u>(593)</u>	<u>(535)</u>
Total HP Consolidated	<u>\$ 50,616</u>	<u>\$ 45,213</u>

(a) Certain fiscal 2007 organizational realignments have been reflected retroactively to provide improved visibility and comparability. For fiscal year 2006, the realignments primarily resulted in revenue movement within business units within the ESS and HPS segments. There was no impact to total segment revenue.

(b) Reflects name change from Managed Services to Outsourcing Services effective in fiscal 2007.

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

	Three months ended		
	April 30, 2007	January 31, 2007	April 30, 2006
Numerator:			
Net earnings	\$ 1,775	\$ 1,547	\$ 1,899
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>\$ 1,777</u>	<u>\$ 1,549</u>	<u>\$ 1,901</u>
Denominator:			
Weighted-average shares used to compute basic EPS	2,638	2,705	2,809
Effect of dilutive securities:			
Dilution from employee stock plans	85	88	71
Zero-coupon subordinated convertible notes	<u>8</u>	<u>8</u>	<u>7</u>
Dilutive potential common shares	<u>93</u>	<u>96</u>	<u>78</u>
Weighted-average shares used to compute diluted EPS	<u>2,731</u>	<u>2,801</u>	<u>2,887</u>
Net earnings per share:			
Basic ^(a)	\$ 0.67	\$ 0.57	\$ 0.68
Diluted ^(b)	\$ 0.65	\$ 0.55	\$ 0.66

(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 NET EARNINGS PER SHARE
(Unaudited)
(In millions except per share amounts)

	Six months ended April 30,	
	2007	2006
Numerator:		
Net earnings	\$ 3,322	\$ 3,126
Adjustment for interest expense on zero coupon subordinated convertible notes, net of taxes	<u>4</u>	<u>4</u>
Net earnings, adjusted	<u>\$ 3,326</u>	<u>\$ 3,130</u>
Denominator:		
Weighted-average shares used to compute basic EPS	2,672	2,815
Effect of dilutive securities:		
Dilution from employee stock plans	83	67
Zero-coupon subordinated convertible notes	<u>8</u>	<u>8</u>
Dilutive potential common shares	<u>91</u>	<u>75</u>
Weighted-average shares used to compute diluted EPS	<u>2,763</u>	<u>2,890</u>
Net earnings per share:		
Basic ^(a)	\$ 1.24	\$ 1.11
Diluted ^(b)	\$ 1.20	\$ 1.08

(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		
	April 30, 2007	January 31, 2007	April 30, 2006
Numerator:			
Non-GAAP net earnings	\$ 1,920	\$ 1,826	\$ 1,996
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>\$ 1,922</u>	<u>\$ 1,828</u>	<u>\$ 1,998</u>
Denominator:			
Weighted-average shares used to compute basic EPS	2,638	2,705	2,809
Effect of dilutive securities:			
Dilution from employee stock plans	85	88	71
Zero-coupon subordinated convertible notes	<u>8</u>	<u>8</u>	<u>7</u>
Dilutive potential common shares	<u>93</u>	<u>96</u>	<u>78</u>
Weighted-average shares used to compute diluted EPS	<u>2,731</u>	<u>2,801</u>	<u>2,887</u>
Non-GAAP net earnings per share:			
Basic ^(a)	\$ 0.73	\$ 0.68	\$ 0.71
Diluted ^(b)	\$ 0.70	\$ 0.65	\$ 0.69

(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.

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

	Six months ended April 30,	
	2007	2006
Numerator:		
Non-GAAP net earnings	\$ 3,746	\$ 3,389
Adjustment for interest expense on zero coupon subordinated convertible notes, net of taxes	<u>4</u>	<u>4</u>
Non-GAAP net earnings, adjusted	<u>\$ 3,750</u>	<u>\$ 3,393</u>
Denominator:		
Weighted-average shares used to compute basic EPS	2,672	2,815
Effect of dilutive securities:		
Dilution from employee stock plans	83	67
Zero-coupon subordinated convertible notes	<u>8</u>	<u>8</u>
Dilutive potential common shares	<u>91</u>	<u>75</u>
Weighted-average shares used to compute diluted EPS	<u>2,763</u>	<u>2,890</u>
Non-GAAP net earnings per share:		
Basic ^(a)	\$ 1.40	\$ 1.20
Diluted ^(b)	\$ 1.36	\$ 1.17

(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 EPS 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.