

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

	Three months ended		
	July 31, 2007	April 30, 2007	July 31, 2006
Net revenue	\$ 25,377	\$ 25,534	\$ 21,890
Costs and expenses ^(a) :			
Cost of sales	19,164	19,283	16,472
Research and development	917	903	920
Selling, general and administrative	3,002	3,044	2,830
Amortization of purchased intangible assets	183	212	153
In-process research and development charges	-	19	-
Restructuring	(5)	453	5
Pension curtailments and pension settlements, net	-	(508)	-
Total costs and expenses	<u>23,261</u>	<u>23,406</u>	<u>20,380</u>
Earnings from operations	2,116	2,128	1,510
Interest and other, net	165	87	221
Gains on investments	<u>5</u>	<u>13</u>	<u>7</u>
Earnings before taxes	2,286	2,228	1,738
Provision for taxes ^(b)	<u>508</u>	<u>453</u>	<u>363</u>
Net earnings	<u>\$ 1,778</u>	<u>\$ 1,775</u>	<u>\$ 1,375</u>
Net earnings per share:			
Basic	\$ 0.68	\$ 0.67	\$ 0.50
Diluted	\$ 0.66	\$ 0.65	\$ 0.48
Cash dividends declared per share	\$ 0.16	-	\$ 0.16
Weighted-average shares used to compute net earnings per share:			
Basic	2,600	2,638	2,768
Diluted	2,697	2,731	2,839
(a) Stock-based compensation expense included under SFAS 123(R) was as follows:			
Cost of sales	\$ 34	\$ 42	\$ 35
Research and development	19	18	17
Selling, general and administrative	<u>91</u>	<u>94</u>	<u>75</u>
Total costs and expenses	\$ 144	\$ 154	\$ 127
(b) Tax benefit from stock-based compensation	\$ (36)	\$ (44)	\$ (38)

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

	Nine months ended	
	July 31, 2007	July 31, 2006
Net revenue	\$ 75,993	\$ 67,103
Costs and expenses ^(a) :		
Cost of sales	57,583	50,834
Research and development	2,697	2,721
Selling, general and administrative	8,954	8,380
Amortization of purchased intangible assets	596	451
In-process research and development charges	186	52
Restructuring	407	6
Pension curtailments and pension settlements, net	(517)	-
Total costs and expenses	<u>69,906</u>	<u>62,444</u>
Earnings from operations	6,087	4,659
Interest and other, net	363	416
Gains on investments	<u>28</u>	<u>11</u>
Earnings before taxes	6,478	5,086
Provision for taxes ^(b)	<u>1,378</u>	<u>585</u>
Net earnings	<u>\$ 5,100</u>	<u>\$ 4,501</u>
Net earnings per share:		
Basic	\$ 1.93	\$ 1.61
Diluted	\$ 1.87	\$ 1.57
Cash dividends declared per share	\$ 0.32	\$ 0.32
Weighted-average shares used to compute net earnings per share:		
Basic	2,648	2,799
Diluted	2,734	2,870
(a) Stock-based compensation expense included under SFAS 123(R) was as follows:		
Cost of sales	\$ 121	\$ 107
Research and development	56	50
Selling, general and administrative	<u>284</u>	<u>238</u>
Total costs and expenses	\$ 461	\$ 395
(b) Tax benefit from stock-based compensation	\$ (128)	\$ (120)

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 July 31, 2007	Diluted Earnings Per Share	Three months ended April 30, 2007	Diluted Earnings Per Share	Three months ended July 31, 2006	Diluted Earnings Per Share
GAAP net earnings	\$ 1,778	\$ 0.66	\$ 1,775	\$ 0.65	\$ 1,375	\$ 0.48
Non-GAAP adjustments:						
Amortization of purchased intangible assets	183	0.07	212	0.08	153	0.05
In-process research and development charges	-	-	19	0.01	-	-
Restructuring	(5)	-	453	0.16	5	-
Pension curtailments and pension settlements, net	-	-	(508)	(0.19)	-	-
Gains on investments ^(a)	-	-	-	-	(7)	-
Adjustments for taxes	<u>(44)</u>	<u>(0.02)</u>	<u>(31)</u>	<u>(0.01)</u>	<u>(43)</u>	<u>(0.01)</u>
Non-GAAP net earnings	<u>\$ 1,912</u>	<u>\$ 0.71</u>	<u>\$ 1,920</u>	<u>\$ 0.70</u>	<u>\$ 1,483</u>	<u>\$ 0.52</u>
GAAP earnings from operations	\$ 2,116		\$ 2,128		\$ 1,510	
Non-GAAP adjustments:						
Amortization of purchased intangible assets	183		212		153	
In-process research and development charges	-		19		-	
Restructuring	(5)		453		5	
Pension curtailments and pension settlements, net	<u>-</u>		<u>(508)</u>		<u>-</u>	
Non-GAAP earnings from operations	<u>\$ 2,294</u>		<u>\$ 2,304</u>		<u>\$ 1,668</u>	
GAAP operating margin	8%		8%		7%	
Non-GAAP adjustments	<u>1%</u>		<u>1%</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)

	Nine months ended July 31, 2007	Diluted Earnings Per Share	Nine months ended July 31, 2006	Diluted Earnings Per Share
GAAP net earnings	\$ 5,100	\$ 1.87	\$ 4,501	\$ 1.57
Non-GAAP adjustments:				
Amortization of purchased intangible assets	596	0.22	451	0.16
In-process research and development charges	186	0.07	52	0.02
Restructuring	407	0.15	6	-
Pension curtailments and pension settlements, net	(517)	(0.19)	-	-
Gains on investments ^(a)	-	-	(11)	-
Adjustments for taxes	<u>(114)</u>	<u>(0.05)</u>	<u>(127)</u>	<u>(0.05)</u>
Non-GAAP net earnings	<u>\$ 5,658</u>	<u>\$ 2.07</u>	<u>\$ 4,872</u>	<u>\$ 1.70</u>
GAAP earnings from operations	\$ 6,087		\$ 4,659	
Non-GAAP adjustments:				
Amortization of purchased intangible assets	596		451	
In-process research and development charges	186		52	
Restructuring	407		6	
Pension curtailments and pension settlements, net	<u>(517)</u>		<u>-</u>	
Non-GAAP earnings from operations	<u>\$ 6,759</u>		<u>\$ 5,168</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)

	July 31, 2007 <u>(unaudited)</u>	October 31, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 12,450	\$ 16,400
Short-term investments	40	22
Accounts receivable	11,845	10,873
Financing receivables	2,476	2,440
Inventory	8,006	7,750
Other current assets	<u>10,544</u>	<u>10,779</u>
Total current assets	<u>45,361</u>	<u>48,264</u>
Property, plant and equipment	7,479	6,863
Long-term financing receivables and other assets	7,992	6,649
Goodwill and purchased intangible assets	<u>24,309</u>	<u>20,205</u>
Total assets	<u>\$ 85,141</u>	<u>\$ 81,981</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable and short-term borrowings	\$ 3,667	\$ 2,705
Accounts payable	11,673	12,102
Employee compensation and benefits	2,819	3,148
Taxes on earnings	1,816	1,905
Deferred revenue	4,983	4,309
Accrued restructuring	168	547
Other accrued liabilities	<u>12,179</u>	<u>11,134</u>
Total current liabilities	<u>37,305</u>	<u>35,850</u>
Long-term debt	4,945	2,490
Other liabilities	5,954	5,497
Stockholders' equity	<u>36,937</u>	<u>38,144</u>
Total liabilities and stockholders' equity	<u>\$ 85,141</u>	<u>\$ 81,981</u>

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

	Three months ended July 31, 2007	Nine months ended July 31, 2007
Cash flows from operating activities:		
Net earnings	\$ 1,778	\$ 5,100
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	685	2,006
Stock-based compensation expense	144	461
Provision for bad debt and inventory	85	272
Gains on investments	(5)	(28)
In-process research and development charges	-	186
Restructuring	(5)	407
Pension curtailments and pension settlements, net	-	(517)
Deferred taxes on earnings	59	299
Excess tax benefit from stock-based compensation	(165)	(340)
Other, net	(80)	(124)
Changes in assets and liabilities:		
Accounts and financing receivables	(310)	(965)
Inventory	(800)	(503)
Accounts payable	168	(446)
Taxes on earnings	30	181
Restructuring	(97)	(539)
Other assets and liabilities	380	556
Net cash provided by operating activities	<u>1,867</u>	<u>6,006</u>
Cash flows from investing activities:		
Investment in property, plant and equipment	(751)	(2,227)
Proceeds from sale of property, plant and equipment	203	503
Purchases of available-for-sale securities and other investments	(20)	(36)
Maturities and sales of available-for-sale securities and other investments	58	403
Payments made in connection with business acquisitions, net	(57)	(4,893)
Net cash used in investing activities	<u>(567)</u>	<u>(6,250)</u>
Cash flows from financing activities:		
Issuance of commercial paper and notes payable, net	278	2,324
Issuance of debt	2,035	4,106
Payment of debt	(2,021)	(3,382)
Issuance of common stock under employee stock plans	1,177	2,393
Repurchase of common stock	(2,511)	(8,847)
Excess tax benefit from stock-based compensation	165	340
Dividends	(209)	(640)
Net cash used in financing activities	<u>(1,086)</u>	<u>(3,706)</u>
Increase (decrease) in cash and cash equivalents	214	(3,950)
Cash and cash equivalents at beginning of period	12,236	16,400
Cash and cash equivalents at end of period	<u>\$ 12,450</u>	<u>\$ 12,450</u>

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

	Three months ended		
	July 31, 2007	April 30, 2007	July 31, 2006 ^(a)
Net revenue:			
Enterprise Storage and Servers	\$ 4,547	\$ 4,619	\$ 4,133
HP Services	4,186	4,145	3,888
HP Software	554	523	318
Technology Solutions Group	9,287	9,287	8,339
Personal Systems Group	8,894	8,663	6,917
Imaging and Printing Group	6,751	7,161	6,234
HP Financial Services	582	550	519
Corporate Investments	220	175	155
Total Segments	25,734	25,836	22,164
Eliminations of intersegment net revenue and other	(357)	(302)	(274)
Total HP Consolidated	<u>\$ 25,377</u>	<u>\$ 25,534</u>	<u>\$ 21,890</u>
Earnings from operations:			
Enterprise Storage and Servers	\$ 464	\$ 407	\$ 296
HP Services	430	459	364
HP Software	81	42	13
Technology Solutions Group	975	908	673
Personal Systems Group	519	417	275
Imaging and Printing Group	981	1,167	884
HP Financial Services	39	36	35
Corporate Investments	(5)	(18)	(33)
Total Segments	2,509	2,510	1,834
Corporate and unallocated costs and eliminations	(101)	(75)	(53)
Unallocated costs related to stock-based compensation expense	(114)	(131)	(113)
Amortization of purchased intangible assets	(183)	(212)	(153)
In-process research and development charges	-	(19)	-
Restructuring	5	(453)	(5)
Pension curtailments and pension settlements, net	-	508	-
Interest and other, net	165	87	221
Gains on investments	5	13	7
Total HP Consolidated Earnings Before Taxes	<u>\$ 2,286</u>	<u>\$ 2,228</u>	<u>\$ 1,738</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)

	Nine months ended July 31	
	2007	2006 ^(a)
Net revenue:		
Enterprise Storage and Servers	\$ 13,619	\$ 12,638
HP Services	12,279	11,537
HP Software	1,627	952
Technology Solutions Group	<u>27,525</u>	<u>25,127</u>
Personal Systems Group	26,276	21,343
Imaging and Printing Group	20,911	19,503
HP Financial Services	1,679	1,533
Corporate Investments	<u>552</u>	<u>406</u>
Total Segments	76,943	67,912
Eliminations of intersegment net revenue and other	<u>(950)</u>	<u>(809)</u>
Total HP Consolidated	<u>\$ 75,993</u>	<u>\$ 67,103</u>
Earnings from operations:		
Enterprise Storage and Servers	\$ 1,287	\$ 944
HP Services	1,303	1,002
HP Software	170	25
Technology Solutions Group	<u>2,760</u>	<u>1,971</u>
Personal Systems Group	1,350	816
Imaging and Printing Group	3,221	2,898
HP Financial Services	107	112
Corporate Investments	<u>(52)</u>	<u>(115)</u>
Total Segments	7,386	5,682
Corporate and unallocated costs and eliminations	(242)	(175)
Unallocated costs related to stock-based compensation expense	(385)	(339)
Amortization of purchased intangible assets	(596)	(451)
In-process research and development charges	(186)	(52)
Restructuring	(407)	(6)
Pension curtailments and pension settlements, net	517	-
Interest and other, net	363	416
Gains on investments	<u>28</u>	<u>11</u>
Total HP Consolidated Earnings Before Taxes	<u>\$ 6,478</u>	<u>\$ 5,086</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		
	July 31, 2007	April 30, 2007	July 31, 2006 ^(a)
Net revenue:			
Industry Standard Servers	\$ 2,814	\$ 2,818	\$ 2,427
Business Critical Systems	811	862	833
Storage	<u>922</u>	<u>939</u>	<u>873</u>
Enterprise Storage and Servers	<u>4,547</u>	<u>4,619</u>	<u>4,133</u>
Technology Services	2,164	2,155	2,064
Outsourcing Services ^(b)	1,234	1,195	1,116
Consulting and Integration	<u>788</u>	<u>795</u>	<u>708</u>
HP Services	<u>4,186</u>	<u>4,145</u>	<u>3,888</u>
OpenView	481	434	215
OpenCall and Other	<u>73</u>	<u>89</u>	<u>103</u>
HP Software	<u>554</u>	<u>523</u>	<u>318</u>
Technology Solutions Group	<u>9,287</u>	<u>9,287</u>	<u>8,339</u>
Desktops	3,924	3,904	3,515
Notebooks	4,253	4,084	2,768
Workstations	441	402	339
Handhelds	105	105	136
Other	<u>171</u>	<u>168</u>	<u>159</u>
Personal Systems Group	<u>8,894</u>	<u>8,663</u>	<u>6,917</u>
Commercial Hardware	1,738	1,786	1,632
Consumer Hardware	982	996	893
Supplies	4,017	4,367	3,693
Other	<u>14</u>	<u>12</u>	<u>16</u>
Imaging and Printing Group	<u>6,751</u>	<u>7,161</u>	<u>6,234</u>
HP Financial Services	582	550	519
Corporate Investments	<u>220</u>	<u>175</u>	<u>155</u>
Total Segments	<u>25,734</u>	<u>25,836</u>	<u>22,164</u>
Eliminations of intersegment net revenue and other	<u>(357)</u>	<u>(302)</u>	<u>(274)</u>
Total HP Consolidated	<u>\$ 25,377</u>	<u>\$ 25,534</u>	<u>\$ 21,890</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)

	Nine months ended July 31	
	2007	2006 ^(a)
Net revenue:		
Industry Standard Servers	\$ 8,321	\$ 7,288
Business Critical Systems	2,521	2,659
Storage	<u>2,777</u>	<u>2,691</u>
Enterprise Storage and Servers	<u>13,619</u>	<u>12,638</u>
Technology Services	6,412	6,231
Outsourcing Services ^(b)	3,554	3,197
Consulting and Integration	<u>2,313</u>	<u>2,109</u>
HP Services	<u>12,279</u>	<u>11,537</u>
OpenView	1,372	648
OpenCall and Other	<u>255</u>	<u>304</u>
HP Software	<u>1,627</u>	<u>952</u>
Technology Solutions Group	<u>27,525</u>	<u>25,127</u>
Desktops	11,640	10,938
Notebooks	12,481	8,537
Workstations	1,248	1,006
Handhelds	393	481
Other	<u>514</u>	<u>381</u>
Personal Systems Group	<u>26,276</u>	<u>21,343</u>
Commercial Hardware	5,213	5,026
Consumer Hardware	3,205	3,131
Supplies	12,453	11,302
Other	<u>40</u>	<u>44</u>
Imaging and Printing Group	<u>20,911</u>	<u>19,503</u>
HP Financial Services	1,679	1,533
Corporate Investments	<u>552</u>	<u>406</u>
Total Segments	<u>76,943</u>	<u>67,912</u>
Eliminations of intersegment net revenue and other	<u>(950)</u>	<u>(809)</u>
Total HP Consolidated	<u>\$ 75,993</u>	<u>\$ 67,103</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		
	July 31, 2007	April 30, 2007	July 31, 2006
Numerator:			
Net earnings	\$ 1,778	\$ 1,775	\$ 1,375
Adjustment for interest expense on zero-coupon subordinated convertible notes, net of taxes	<u>1</u>	<u>2</u>	<u>1</u>
Net earnings, adjusted	<u>\$ 1,779</u>	<u>\$ 1,777</u>	<u>\$ 1,376</u>
Denominator:			
Weighted-average shares used to compute basic EPS	2,600	2,638	2,768
Effect of dilutive securities:			
Dilution from employee stock plans	89	85	63
Zero-coupon subordinated convertible notes	<u>8</u>	<u>8</u>	<u>8</u>
Dilutive potential common shares	<u>97</u>	<u>93</u>	<u>71</u>
Weighted-average shares used to compute diluted EPS	<u>2,697</u>	<u>2,731</u>	<u>2,839</u>
Net earnings per share:			
Basic ^(a)	\$ 0.68	\$ 0.67	\$ 0.50
Diluted ^(b)	\$ 0.66	\$ 0.65	\$ 0.48

(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)

	Nine months ended July 31	
	2007	2006
Numerator:		
Net earnings	\$ 5,100	\$ 4,501
Adjustment for interest expense on zero coupon subordinated convertible notes, net of taxes	<u>5</u>	<u>5</u>
Net earnings, adjusted	<u>\$ 5,105</u>	<u>\$ 4,506</u>
Denominator:		
Weighted-average shares used to compute basic EPS	2,648	2,799
Effect of dilutive securities:		
Dilution from employee stock plans	78	63
Zero-coupon subordinated convertible notes	<u>8</u>	<u>8</u>
Dilutive potential common shares	<u>86</u>	<u>71</u>
Weighted-average shares used to compute diluted EPS	<u>2,734</u>	<u>2,870</u>
Net earnings per share:		
Basic ^(a)	\$ 1.93	\$ 1.61
Diluted ^(b)	\$ 1.87	\$ 1.57

(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		
	July 31, 2007	April 30, 2007	July 31, 2006
Numerator:			
Non-GAAP net earnings	\$ 1,912	\$ 1,920	\$ 1,483
Adjustment for interest expense on zero-coupon subordinated convertible notes, net of taxes	<u>1</u>	<u>2</u>	<u>1</u>
Non-GAAP net earnings, adjusted	<u>\$ 1,913</u>	<u>\$ 1,922</u>	<u>\$ 1,484</u>
Denominator:			
Weighted-average shares used to compute basic EPS	2,600	2,638	2,768
Effect of dilutive securities:			
Dilution from employee stock plans	89	85	63
Zero-coupon subordinated convertible notes	<u>8</u>	<u>8</u>	<u>8</u>
Dilutive potential common shares	<u>97</u>	<u>93</u>	<u>71</u>
Weighted-average shares used to compute diluted EPS	<u>2,697</u>	<u>2,731</u>	<u>2,839</u>
Non-GAAP net earnings per share:			
Basic ^(a)	\$ 0.74	\$ 0.73	\$ 0.54
Diluted ^(b)	\$ 0.71	\$ 0.70	\$ 0.52

(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)

	Nine months ended July 31	
	2007	2006
Numerator:		
Non-GAAP net earnings	\$ 5,658	\$ 4,872
Adjustment for interest expense on zero coupon subordinated convertible notes, net of taxes	<u>5</u>	<u>5</u>
Non-GAAP net earnings, adjusted	<u>\$ 5,663</u>	<u>\$ 4,877</u>
Denominator:		
Weighted-average shares used to compute basic EPS	2,648	2,799
Effect of dilutive securities:		
Dilution from employee stock plans	78	63
Zero-coupon subordinated convertible notes	<u>8</u>	<u>8</u>
Dilutive potential common shares	<u>86</u>	<u>71</u>
Weighted-average shares used to compute diluted EPS	<u>2,734</u>	<u>2,870</u>
Non-GAAP net earnings per share:		
Basic ^(a)	\$ 2.14	\$ 1.74
Diluted ^(b)	\$ 2.07	\$ 1.70

(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.