

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

	Three months ended		
	October 31, 2006	July 31, 2006	October 31, 2005
Net revenue	\$ 24,555	\$ 21,890	\$ 22,913
Costs and expenses ^(a) :			
Cost of sales	18,593	16,472	17,532
Research and development	870	920	859
Selling, general and administrative	2,886	2,830	2,786
Amortization of purchased intangible assets	153	153	136
Restructuring charges	152	5	1,565
In-process research and development charges	-	-	2
Pension curtailment gain	-	-	(199)
Total costs and expenses	22,654	20,380	22,681
Earnings from operations	1,901	1,510	232
Interest and other, net	190	221	132
Gains on investments	14	7	14
Dispute settlement	-	-	3
Earnings before taxes	2,105	1,738	381
Provision for (benefit from) taxes ^(b)	408	363	(35)
Net earnings	<u>\$ 1,697</u>	<u>\$ 1,375</u>	<u>\$ 416</u>
Net earnings per share:			
Basic	\$ 0.62	\$ 0.50	\$ 0.15
Diluted	\$ 0.60	\$ 0.48	\$ 0.14
Cash dividends declared per share	\$ -	\$ 0.16	\$ -
Weighted-average shares used to compute net earnings per share:			
Basic	2,730	2,768	2,850
Diluted	2,816	2,839	2,908
(a) Stock-based compensation expense included under SFAS 123(R) was as follows:			
Cost of sales	\$ 37	\$ 35	\$ -
Research and development	20	17	-
Selling, general and administrative	84	75	-
Total costs and expenses	\$ 141	\$ 127	\$ -
(b) Tax benefit from stock-based compensation	\$ (40)	\$ (38)	\$ -

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

	Twelve months ended October 31,	
	2006	2005
	(Unaudited)	
Net revenue	\$ 91,658	\$ 86,696
Costs and expenses ^(a) :		
Cost of sales	69,427	66,440
Research and development	3,591	3,490
Selling, general and administrative	11,266	11,184
Amortization of purchased intangible assets	604	622
Restructuring charges	158	1,684
In-process research and development charges	52	2
Pension curtailment gain	-	(199)
Total costs and expenses	<u>85,098</u>	<u>83,223</u>
Earnings from operations	6,560	3,473
Interest and other, net	606	189
Gains (losses) on investments	25	(13)
Dispute settlement	<u>-</u>	<u>(106)</u>
Earnings before taxes	7,191	3,543
Provision for taxes ^(b)	<u>993</u>	<u>1,145</u>
Net earnings	<u>\$ 6,198</u>	<u>\$ 2,398</u>
Net earnings per share:		
Basic	\$ 2.23	\$ 0.83
Diluted	\$ 2.18	\$ 0.82
Cash dividends declared per share	\$ 0.32	\$ 0.32
Weighted-average shares used to compute net earnings per share:		
Basic	2,782	2,879
Diluted	2,852	2,909
(a) Stock-based compensation expense included under SFAS 123(R) was as follows:		
Cost of sales	\$ 144	\$ -
Research and development	70	-
Selling, general and administrative	<u>322</u>	<u>-</u>
Total costs and expenses	\$ 536	\$ -
(b) Tax benefit from stock-based compensation	\$ (160)	\$ -

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

	Three months ended October 31, 2006	Diluted Earnings Per Share	Three months ended July 31, 2006	Diluted Earnings Per Share	Three months ended October 31, 2005	Diluted Earnings Per Share
Net income per GAAP	\$ 1,697	\$ 0.60	\$ 1,375	\$ 0.48	\$ 416	\$ 0.14
Non-GAAP adjustments:						
Amortization of purchased intangible assets	153	0.05	153	0.05	136	0.05
Restructuring charges	152	0.05	5	-	1,565	0.53
In-process research and development charges	-	-	-	-	2	-
Pension curtailment gain	-	-	-	-	(199)	(0.07)
Gains on investments	(14)	-	(7)	-	(14)	-
Adjustments for taxes	<u>(83)</u>	<u>(0.02)</u>	<u>(43)</u>	<u>(0.01)</u>	<u>(410)</u>	<u>(0.14)</u>
Non-GAAP net income	<u>\$ 1,905</u>	<u>\$ 0.68</u>	<u>\$ 1,483</u>	<u>\$ 0.52</u>	<u>\$ 1,496</u>	<u>\$ 0.51</u>
Earnings from operations per GAAP	\$ 1,901		\$ 1,510		\$ 232	
Non-GAAP adjustments:						
Amortization of purchased intangible assets	153		153		136	
Restructuring charges	152		5		1,565	
In-process research and development charges	-		-		2	
Pension curtailment gain	<u>-</u>		<u>-</u>		<u>(199)</u>	
Non-GAAP earnings from operations	<u>\$ 2,206</u>		<u>\$ 1,668</u>		<u>\$ 1,736</u>	
Operating margin per GAAP	8%		7%		1%	
Non-GAAP adjustments	<u>1%</u>		<u>1%</u>		<u>7%</u>	
Non-GAAP operating margin	<u>9%</u>		<u>8%</u>		<u>8%</u>	

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

	Twelve months ended October 31, 2006	Diluted Earnings Per Share	Twelve months ended October 31, 2005	Diluted Earnings Per Share
Net income per GAAP	\$ 6,198	\$ 2.18	\$ 2,398	\$ 0.82
Non-GAAP adjustments:				
Amortization of purchased intangible assets	604	0.21	622	0.22
Restructuring charges	158	0.06	1,684	0.58
In-process research and development charges	52	0.02	2	-
Pension curtailment gain	-	-	(199)	(0.07)
(Gains)losses on investments	(25)	(0.01)	13	-
Adjustments for taxes	(210)	(0.08)	(600)	(0.20)
Non-recurring American Jobs Creation Act income tax expense	-	-	788	0.27
Non-GAAP net income	<u>\$ 6,777</u>	<u>\$ 2.38</u>	<u>\$ 4,708</u>	<u>\$ 1.62</u>
Earnings from operations per GAAP	\$ 6,560		\$ 3,473	
Non-GAAP adjustments:				
Amortization of purchased intangible assets	604		622	
Restructuring charges	158		1,684	
In-process research and development charges	52		2	
Pension curtailment gain	-		(199)	
Non-GAAP earnings from operations	<u>\$ 7,374</u>		<u>\$ 5,582</u>	
Operating margin per GAAP	7%		4%	
Non-GAAP adjustments	<u>1%</u>		<u>2%</u>	
Non-GAAP operating margin	<u>8%</u>		<u>6%</u>	

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

	October 31, 2006 <u>(unaudited)</u>	October 31, 2005 <u></u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 16,400	\$ 13,911
Short-term investments	22	18
Accounts receivable	10,873	9,903
Financing receivables	2,440	2,551
Inventory	7,750	6,877
Other current assets	<u>10,681</u>	<u>10,074</u>
Total current assets	<u>48,166</u>	<u>43,334</u>
Property, plant and equipment	6,863	6,451
Long-term financing receivables and other assets	7,276	7,502
Goodwill and purchased intangible assets	<u>20,205</u>	<u>20,030</u>
Total assets	<u><u>\$ 82,510</u></u>	<u><u>\$ 77,317</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable and short-term borrowings	\$ 2,705	\$ 1,831
Accounts payable	12,102	10,223
Employee compensation and benefits	3,148	2,343
Taxes on earnings	1,630	2,367
Deferred revenue	4,309	3,815
Accrued restructuring	547	1,119
Other accrued liabilities	<u>11,134</u>	<u>9,762</u>
Total current liabilities	<u>35,575</u>	<u>31,460</u>
Long-term debt	2,490	3,392
Other liabilities	6,301	5,289
Stockholders' equity	<u>38,144</u>	<u>37,176</u>
Total liabilities and stockholders' equity	<u><u>\$ 82,510</u></u>	<u><u>\$ 77,317</u></u>

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

	Three Months Ended October 31, 2006	Twelve Months Ended October 31, 2006
Cash flows from operating activities:		
Net earnings	\$ 1,697	\$ 6,198
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	596	2,353
Stock-based compensation expense	141	536
Provision for bad debt and inventory	99	271
Gains on investments	(14)	(25)
In-process research and development charges	-	52
Restructuring charges	152	158
Deferred taxes on earnings	339	720
Excess tax benefit from stock-based compensation	(92)	(251)
Other, net	(11)	18
Changes in assets and liabilities:		
Accounts and financing receivables	(1,246)	(882)
Inventory	(381)	(1,109)
Accounts payable	1,407	1,879
Taxes on earnings	(61)	(540)
Restructuring	(324)	(810)
Other assets and liabilities	942	2,785
Net cash provided by operating activities	<u>3,244</u>	<u>11,353</u>
Cash flows from investing activities:		
Investment in property, plant and equipment	(965)	(2,536)
Proceeds from sale of property, plant and equipment	97	556
Purchases of available-for-sale securities and other investments	(17)	(46)
Maturities and sales of available-for-sale securities and other investments	36	94
Payments made in connection with business acquisitions, net	(32)	(855)
Net cash used in investing activities	<u>(881)</u>	<u>(2,787)</u>
Cash flows from financing activities:		
Repayment of commercial paper and notes payable, net	(1,611)	(55)
Issuance of debt	27	1,121
Payment of debt	(39)	(1,259)
Issuance of common stock under employee stock plans	848	2,538
Repurchase of common stock	(1,042)	(6,057)
Prepayment of common stock repurchases	-	(1,722)
Excess tax benefit from stock-based compensation	92	251
Dividends	(219)	(894)
Net cash used in financing activities	<u>(1,944)</u>	<u>(6,077)</u>
Increase in cash and cash equivalents	419	2,489
Cash and cash equivalents at beginning of period	<u>15,981</u>	<u>13,911</u>
Cash and cash equivalents at end of period	<u>\$ 16,400</u>	<u>\$ 16,400</u>

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

SEGMENT INFORMATION

(Unaudited)

(In millions)

	Three months ended		
	October 31, 2006	July 31, 2006	October 31, 2005 ^(a)
Net revenue:			
Enterprise Storage and Servers	\$ 4,670	\$ 4,133	\$ 4,476
HP Services	4,080	3,888	3,900
Software	<u>349</u>	<u>318</u>	<u>306</u>
Technology Solutions Group	<u>9,099</u>	<u>8,339</u>	<u>8,682</u>
Personal Systems Group	<u>7,823</u>	<u>6,917</u>	<u>7,113</u>
Imaging and Printing Group	<u>7,283</u>	<u>6,234</u>	<u>6,785</u>
HP Financial Services	<u>545</u>	<u>519</u>	<u>514</u>
Corporate Investments	<u>160</u>	<u>155</u>	<u>142</u>
Total Segments	<u>24,910</u>	<u>22,164</u>	<u>23,236</u>
Eliminations of intersegment net revenue and other	<u>(355)</u>	<u>(274)</u>	<u>(323)</u>
Total HP Consolidated	<u>\$ 24,555</u>	<u>\$ 21,890</u>	<u>\$ 22,913</u>
Earnings from operations:			
Enterprise Storage and Servers	\$ 502	\$ 296	\$ 404
HP Services	505	364	322
Software	<u>60</u>	<u>13</u>	<u>28</u>
Technology Solutions Group	<u>1,067</u>	<u>673</u>	<u>754</u>
Personal Systems Group	<u>336</u>	<u>275</u>	<u>200</u>
Imaging and Printing Group	<u>1,080</u>	<u>884</u>	<u>896</u>
HP Financial Services	<u>35</u>	<u>35</u>	<u>52</u>
Corporate Investments	<u>(36)</u>	<u>(33)</u>	<u>(35)</u>
Total Segments	<u>2,482</u>	<u>1,834</u>	<u>1,867</u>
Corporate and unallocated costs and eliminations, excluding stock-based compensation expense	(156)	(53)	(131)
Unallocated costs related to stock-based compensation expense	(120)	(113)	-
Amortization of purchased intangible assets	(153)	(153)	(136)
Restructuring charges	(152)	(5)	(1,565)
In-process research and development charge	-	-	(2)
Pension curtailment gain	-	-	199
Interest and other, net	190	221	132
Gains on investments	14	7	14
Dispute settlement	<u>-</u>	<u>-</u>	<u>3</u>
Total HP Consolidated Earnings Before Taxes	<u>\$ 2,105</u>	<u>\$ 1,738</u>	<u>\$ 381</u>

(a) Reflects certain fiscal 2006 organizational realignments retroactively to provide improved visibility and comparability. For each of the quarters in fiscal year 2005, the realignments resulted primarily in revenue and operating profit movement of \$5 million or less between ESS and SW segments within TSG. There was no impact to the remaining segments.

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

	Twelve months ended October 31,	
	2006	2005 ^(a)
Net revenue:		
Enterprise Storage and Servers	\$ 17,308	\$ 16,717
HP Services	15,617	15,536
Software	<u>1,301</u>	<u>1,061</u>
Technology Solutions Group	<u>34,226</u>	<u>33,314</u>
Personal Systems Group	29,166	26,741
Imaging and Printing Group	26,786	25,155
HP Financial Services	2,078	2,102
Corporate Investments	<u>566</u>	<u>523</u>
Total Segments	92,822	87,835
Eliminations of intersegment net revenue and other	<u>(1,164)</u>	<u>(1,139)</u>
Total HP Consolidated	<u>\$ 91,658</u>	<u>\$ 86,696</u>
Earnings from operations:		
Enterprise Storage and Servers	\$ 1,446	\$ 800
HP Services	1,507	1,151
Software	<u>85</u>	<u>(49)</u>
Technology Solutions Group	<u>3,038</u>	<u>1,902</u>
Personal Systems Group	1,152	657
Imaging and Printing Group	3,978	3,413
HP Financial Services	147	213
Corporate Investments	<u>(151)</u>	<u>(174)</u>
Total Segments	8,164	6,011
Corporate and unallocated costs and eliminations, excluding stock-based compensation expense	(331)	(429)
Unallocated costs related to stock-based compensation expense	(459)	-
Amortization of purchased intangible assets	(604)	(622)
Restructuring charges	(158)	(1,684)
In-process research and development charge	(52)	(2)
Pension curtailment gain	-	199
Interest and other, net	606	189
Gains (losses) on investments	25	(13)
Dispute settlement	<u>-</u>	<u>(106)</u>
Total HP Consolidated Earnings Before Taxes	<u>\$ 7,191</u>	<u>\$ 3,543</u>

(a) Reflects certain fiscal 2006 organizational realignments retroactively to provide improved visibility and comparability. For fiscal year 2005, the realignments resulted primarily in revenue and operating profit movement of \$16 million or less between ESS and SW segments within TSG. There was no impact to the remaining segments.

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

	Three months ended		
	October 31, 2006	July 31, 2006	October 31, 2005 ^(a)
Net revenue:			
Industry Standard Servers	\$ 2,731	\$ 2,466	\$ 2,507
Business Critical Systems	997	833	1,037
Storage	942	834	932
Enterprise Storage and Servers	4,670	4,133	4,476
Technology Services	2,430	2,362	2,418
Managed Services	872	818	753
Consulting and Integration	778	708	729
HP Services	4,080	3,888	3,900
OpenView	251	215	196
OpenCall and Other	98	103	110
Software	349	318	306
Technology Solutions Group	9,099	8,339	8,682
Desktops	3,675	3,515	3,686
Notebooks	3,463	2,768	2,795
Workstations	362	339	329
Handhelds	139	136	186
Other	184	159	117
Personal Systems Group	7,823	6,917	7,113
Commercial Hardware	1,873	1,632	1,732
Consumer Hardware	1,296	893	1,267
Supplies	4,100	3,693	3,771
Other	14	16	15
Imaging and Printing Group	7,283	6,234	6,785
HP Financial Services	545	519	514
Corporate Investments	160	155	142
Total Segments	24,910	22,164	23,236
Eliminations of intersegment net revenue and other	(355)	(274)	(323)
Total HP Consolidated	<u>\$ 24,555</u>	<u>\$ 21,890</u>	<u>\$ 22,913</u>

(a) Reflects certain fiscal 2006 organizational realignments retroactively to provide improved visibility and comparability. For each of the quarters in fiscal year 2005, the realignments resulted primarily in revenue movement of \$5 million or less between ESS and SW segments within TSG. In addition, IPG and PSG revenue was impacted at the business unit level but the overall segment revenue remained as previously reported. There was no impact to the remaining segments.

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

	Twelve months ended October 31,	
	2006	2005 ^(a)
Net revenue:		
Industry Standard Servers	\$ 10,133	\$ 9,530
Business Critical Systems	3,656	3,812
Storage	<u>3,519</u>	<u>3,375</u>
Enterprise Storage and Servers	<u>17,308</u>	<u>16,717</u>
Technology Services	9,506	9,665
Managed Services	3,224	3,031
Consulting and Integration	<u>2,887</u>	<u>2,840</u>
HP Services	<u>15,617</u>	<u>15,536</u>
OpenView	899	691
OpenCall and Other	<u>402</u>	<u>370</u>
Software	<u>1,301</u>	<u>1,061</u>
Technology Solutions Group	<u>34,226</u>	<u>33,314</u>
Desktops	14,613	14,406
Notebooks	12,000	9,763
Workstations	1,368	1,195
Handhelds	620	836
Other	<u>565</u>	<u>541</u>
Personal Systems Group	<u>29,166</u>	<u>26,741</u>
Commercial Hardware	6,899	6,558
Consumer Hardware	4,427	4,497
Supplies	15,402	14,045
Other	<u>58</u>	<u>55</u>
Imaging and Printing Group	<u>26,786</u>	<u>25,155</u>
HP Financial Services	2,078	2,102
Corporate Investments	<u>566</u>	<u>523</u>
Total Segments	<u>92,822</u>	<u>87,835</u>
Eliminations of intersegment net revenue and other	<u>(1,164)</u>	<u>(1,139)</u>
Total HP Consolidated	<u>\$ 91,658</u>	<u>\$ 86,696</u>

(a) Reflects certain fiscal 2006 organizational realignments retroactively to provide improved visibility and comparability. For fiscal year 2005, the realignments resulted primarily in revenue movement of \$16 million or less between ESS and SW segments within TSG. In addition, IPG and PSG revenue was impacted at the business unit level but the overall segment revenue remained as previously reported. There was no impact to the remaining segments.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES
 COMPARISON OF DILUTED NON-GAAP EARNINGS PER SHARE
 (Including the Effect of Stock-Based Compensation Expense)
 (Unaudited)

	<u>Q106</u>	<u>Q206</u>	<u>Q306</u>	<u>Q406</u>	<u>FY06</u>
Non-GAAP EPS as reported ^(a)	\$0.48	\$0.69	\$0.52	\$0.68	\$2.38
Pro forma effect of SFAS 123 on EPS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total diluted non-GAAP EPS including the effect of stock-based compensation expense for all periods	<u>\$0.48</u>	<u>\$0.69</u>	<u>\$0.52</u>	<u>\$0.68</u>	<u>\$2.38</u>

	<u>Q105</u>	<u>Q205</u>	<u>Q305</u>	<u>Q405^(c)</u>	<u>FY05^(c)</u>
Non-GAAP EPS as reported ^(a)	\$0.37	\$0.37	\$0.36	\$0.51	\$1.62
Pro forma effect of SFAS 123 on EPS ^(b)	<u>(0.05)</u>	<u>(0.04)</u>	<u>(0.04)</u>	<u>(0.04)</u>	<u>(0.16)</u>
Total diluted non-GAAP EPS including the effect of stock-based compensation expense for all periods	<u>\$0.32</u>	<u>\$0.33</u>	<u>\$0.32</u>	<u>\$0.47</u>	<u>\$1.46</u>

(a) For each of the quarters in fiscal 2005, non-GAAP EPS includes the effect of compensation expense related to discounted options and restricted stock recognized under APB 25. Fiscal 2006 EPS includes the aforementioned expense plus the impact for stock-based compensation recognized under SFAS 123(R).

(b) For each of the quarters in fiscal 2005, non-GAAP EPS as reported excludes the effect of compensation expense related to employee stock options and employee stock purchase plan under SFAS 123.

(c) In Q405, HP recorded \$107 million of stock compensation before tax expense or \$0.03 per share on an after tax basis within restructuring charges. This amount is excluded from the non-GAAP results shown above.

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

	Three months ended		
	October 31, 2006	July 31, 2006	October 31, 2005
Numerator:			
Net earnings	\$ 1,697	\$ 1,375	\$ 416
Adjustment for interest expense on zero coupon subordinated convertible notes, net of taxes	<u>2</u>	<u>1</u>	<u>-</u>
Net earnings, adjusted	<u>\$ 1,699</u>	<u>\$ 1,376</u>	<u>\$ 416</u>
Denominator:			
Weighted-average shares used to compute			
Basic EPS	2,730	2,768	2,850
Effect of dilutive securities:			
Dilution from employee stock plans	78	63	58
Zero-coupon subordinated convertible notes	<u>8</u>	<u>8</u>	<u>-</u>
Dilutive potential common shares	<u>86</u>	<u>71</u>	<u>58</u>
Weighted-average shares used to compute diluted EPS	<u>2,816</u>	<u>2,839</u>	<u>2,908</u>
Net earnings per share:			
Basic ^(a)	\$ 0.62	\$ 0.50	\$ 0.15
Diluted ^(b)	\$ 0.60	\$ 0.48	\$ 0.14

(a) 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.

(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
(In millions except per share amounts)

	Twelve months ended October 31,	
	2006	2005
	(Unaudited)	
Numerator:		
Net earnings	\$ 6,198	\$ 2,398
Adjustment for interest expense on zero coupon subordinated convertible notes, net of taxes	<u>7</u>	<u>-</u>
Net earnings, adjusted	<u>\$ 6,205</u>	<u>\$ 2,398</u>
Denominator:		
Weighted-average shares used to compute basic EPS	2,782	2,879
Effect of dilutive securities:		
Dilution from employee stock plans	62	30
Zero-coupon subordinated convertible notes	<u>8</u>	<u>-</u>
Dilutive potential common shares	<u>70</u>	<u>30</u>
Weighted-average shares used to compute diluted EPS	<u>2,852</u>	<u>2,909</u>
Net earnings per share:		
Basic ^(a)	\$ 2.23	\$ 0.83
Diluted ^(b)	\$ 2.18	\$ 0.82

(a) HP's basic earnings per share were 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		
	October 31, 2006	July 31, 2006	October 31, 2005
Numerator:			
Non-GAAP net earnings	\$ 1,905	\$ 1,483	\$ 1,496
Adjustment for interest expense on zero coupon subordinated convertible notes, net of taxes	<u>2</u>	<u>1</u>	<u>2</u>
Non-GAAP net earnings, adjusted	<u>\$ 1,907</u>	<u>\$ 1,484</u>	<u>\$ 1,498</u>
Denominator:			
Weighted-average shares used to compute basic EPS	2,730	2,768	2,850
Effect of dilutive securities:			
Dilution from employee stock plans	78	63	58
Zero-coupon subordinated convertible notes	<u>8</u>	<u>8</u>	<u>7</u>
Dilutive potential common shares	<u>86</u>	<u>71</u>	<u>65</u>
Weighted-average shares used to compute diluted EPS	<u>2,816</u>	<u>2,839</u>	<u>2,915</u>
Non-GAAP net earnings per share:			
Basic ^(a)	\$ 0.70	\$ 0.54	\$ 0.52
Diluted ^(b)	\$ 0.68	\$ 0.52	\$ 0.51

(a) HP's basic non-GAAP earnings per share were 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.

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

	Twelve months ended October 31,	
	2006	2005
Numerator:		
Non-GAAP net earnings	\$ 6,777	\$ 4,708
Adjustment for interest expense on zero coupon subordinated convertible notes, net of taxes	<u>7</u>	<u>7</u>
Non-GAAP net earnings, adjusted	<u>\$ 6,784</u>	<u>\$ 4,715</u>
Denominator:		
Weighted-average shares used to compute basic EPS	2,782	2,879
Effect of dilutive securities:		
Dilution from employee stock plans	62	30
Zero-coupon subordinated convertible notes	<u>8</u>	<u>8</u>
Dilutive potential common shares	<u>70</u>	<u>38</u>
Weighted-average shares used to compute diluted EPS	<u>2,852</u>	<u>2,917</u>
Non-GAAP net earnings per share:		
Basic ^(a)	\$ 2.44	\$ 1.64
Diluted ^(b)	\$ 2.38	\$ 1.62

(a) HP's basic non-GAAP earnings per share were 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.