

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

	Three months ended		
	October 31, 2008	July 31, 2008	October 31, 2007
Net revenue	\$ 33,603	\$ 28,032	\$ 28,293
Costs and expenses <sup>(a)</sup> :			
Cost of sales	25,908	21,253	21,304
Research and development	842	895	914
Selling, general and administrative	3,451	3,137	3,272
Amortization of purchased intangible assets	337	213	187
In-process research and development charges	32	-	4
Restructuring	251	5	(20)
Acquisition-related charges	41	-	-
Total costs and expenses	<u>30,862</u>	<u>25,503</u>	<u>25,661</u>
Earnings from operations	2,741	2,529	2,632
Interest and other, net	<u>(98)</u>	<u>23</u>	<u>67</u>
Earnings before taxes	2,643	2,552	2,699
Provision for taxes <sup>(b)</sup>	<u>531</u>	<u>525</u>	<u>535</u>
Net earnings	<u>\$ 2,112</u>	<u>\$ 2,027</u>	<u>\$ 2,164</u>
Net earnings per share:			
Basic	\$ 0.87	\$ 0.82	\$ 0.84
Diluted	\$ 0.84	\$ 0.80	\$ 0.81
Cash dividends declared per share	\$ -	\$ 0.16	\$ -
Weighted-average shares used to compute net earnings per share:			
Basic	2,440	2,459	2,576
Diluted	2,516	2,533	2,678
(a) Stock-based compensation expense included under SFAS 123(R) was as follows:			
Cost of sales	\$ 46	\$ 34	\$ 40
Research and development	17	16	18
Selling, general and administrative	94	90	110
Total costs and expenses	<u>\$ 157</u>	<u>\$ 140</u>	<u>\$ 168</u>
(b) Tax benefit from stock-based compensation	\$ (37)	\$ (38)	\$ (54)

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

	Twelve months ended	
	October 31,	
	2008	2007
	(unaudited)	
Net revenue	\$ 118,364	\$ 104,286
Costs and expenses <sup>(a)</sup> :		
Cost of sales	89,921	78,887
Research and development	3,543	3,611
Selling, general and administrative	13,104	12,226
Amortization of purchased intangible assets	967	783
In-process research and development charges	45	190
Restructuring charges	270	387
Acquisition-related charges	41	-
Pension curtailments and pension settlements, net	-	(517)
Total costs and expenses	<u>107,891</u>	<u>95,567</u>
Earnings from operations	10,473	8,719
Interest and other, net	-	458
Earnings before taxes	10,473	9,177
Provision for taxes <sup>(b)</sup>	<u>2,144</u>	<u>1,913</u>
Net earnings	<u>\$ 8,329</u>	<u>\$ 7,264</u>
Net earnings per share:		
Basic	\$ 3.35	\$ 2.76
Diluted	\$ 3.25	\$ 2.68
Cash dividends declared per share	\$ 0.32	\$ 0.32
Weighted-average shares used to compute net earnings per share:		
Basic	2,483	2,630
Diluted	2,567	2,716
(a) Stock-based compensation expense included under SFAS 123(R) was as follows:		
Cost of sales	\$ 152	\$ 161
Research and development	72	74
Selling, general and administrative	382	394
Total costs and expenses	<u>\$ 606</u>	<u>\$ 629</u>
(b) Tax benefit from stock-based compensation	\$ (167)	\$ (182)

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 October 31, 2008	Diluted earnings per share	Three months ended July 31, 2008	Diluted earnings per share	Three months ended October 31, 2007	Diluted earnings per share
GAAP net earnings	\$ 2,112	\$ 0.84	\$ 2,027	\$ 0.80	\$ 2,164	\$ 0.81
Non-GAAP adjustments:						
Amortization of purchased intangible assets	337	0.13	213	0.08	187	0.07
In-process research and development charges	32	0.01	-	-	4	-
Restructuring	251	0.10	5	-	(20)	(0.01)
Acquisition-related charges	41	0.02	-	-	-	-
Adjustments for taxes	<u>(179)</u>	<u>(0.07)</u>	<u>(57)</u>	<u>(0.02)</u>	<u>(39)</u>	<u>(0.01)</u>
Non-GAAP net earnings	<u>\$ 2,594</u>	<u>\$ 1.03</u>	<u>\$ 2,188</u>	<u>\$ 0.86</u>	<u>\$ 2,296</u>	<u>\$ 0.86</u>
GAAP earnings from operations	\$ 2,741		\$ 2,529		\$ 2,632	
Non-GAAP adjustments:						
Amortization of purchased intangible assets	337		213		187	
In-process research and development charges	32		-		4	
Restructuring	251		5		(20)	
Acquisition-related charges	<u>41</u>		<u>-</u>		<u>-</u>	
Non-GAAP earnings from operations	<u>\$ 3,402</u>		<u>\$ 2,747</u>		<u>\$ 2,803</u>	
GAAP operating margin	8%		9%		9%	
Non-GAAP adjustments	<u>2%</u>		<u>1%</u>		<u>1%</u>	
Non-GAAP operating margin	<u>10%</u>		<u>10%</u>		<u>10%</u>	

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)

	Twelve months ended October 31, 2008	Diluted earnings per share	Twelve months ended October 31, 2007	Diluted earnings per share
GAAP net earnings	\$ 8,329	\$ 3.25	\$ 7,264	\$ 2.68
Non-GAAP adjustments:				
Amortization of purchased intangible assets	967	0.38	783	0.29
In-process research and development charges	45	0.02	190	0.07
Restructuring charges	270	0.10	387	0.14
Acquisition-related charges	41	0.01	-	-
Pension curtailments and pension settlements, net	-	-	(517)	(0.19)
Adjustments for taxes	<u>(350)</u>	<u>(0.14)</u>	<u>(153)</u>	<u>(0.06)</u>
Non-GAAP net earnings	<u>\$ 9,302</u>	<u>\$ 3.62</u>	<u>\$ 7,954</u>	<u>\$ 2.93</u>
GAAP earnings from operations	\$ 10,473		\$ 8,719	
Non-GAAP adjustments:				
Amortization of purchased intangible assets	967		783	
In-process research and development charges	45		190	
Restructuring charges	270		387	
Acquisition-related charges	41		-	
Pension curtailments and pension settlements, net	<u>-</u>		<u>(517)</u>	
Non-GAAP earnings from operations	<u>\$ 11,796</u>		<u>\$ 9,562</u>	
GAAP operating margin	9%		8%	
Non-GAAP adjustments	<u>1%</u>		<u>1%</u>	
Non-GAAP operating margin	<u>10%</u>		<u>9%</u>	

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

	October 31, 2008	October 31, 2007
	(unaudited)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 10,153	\$ 11,293
Short-term investments	93	152
Accounts receivable	16,928	13,420
Financing receivables	2,314	2,507
Inventory	7,879	8,033
Other current assets	14,361	11,997
Total current assets	51,728	47,402
Property, plant and equipment	10,838	7,798
Long-term financing receivables and other assets	10,468	7,647
Goodwill and purchased intangible assets	40,297	25,852
Total assets	\$ 113,331	\$ 88,699
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Notes payable and short-term borrowings	\$ 10,176	\$ 3,186
Accounts payable	14,138	11,787
Employee compensation and benefits	4,159	3,465
Taxes on earnings	869	1,891
Deferred revenue	6,287	5,025
Other accrued liabilities	17,310	13,906
Total current liabilities	52,939	39,260
Long-term debt	7,676	4,997
Other liabilities	13,774	5,916
Stockholders' equity	38,942	38,526
Total liabilities and stockholders' equity	\$ 113,331	\$ 88,699

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

	Three months ended October 31, 2008	Twelve months ended October 31, 2008
Cash flows from operating activities:		
Net earnings	\$ 2,112	\$ 8,329
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	1,088	3,356
Stock-based compensation expense	157	606
Provision for bad debt and inventory	193	489
In-process research and development charges	32	45
Acquisition-related charges	41	41
Restructuring charges	251	270
Deferred taxes on earnings	(128)	1,035
Excess tax benefit from stock-based compensation	(80)	(293)
Other, net	(47)	(72)
Changes in assets and liabilities:		
Accounts and financing receivables	176	(261)
Inventory	344	89
Accounts payable	(518)	1,630
Taxes on earnings	226	(43)
Restructuring	(96)	(165)
Other assets and liabilities	(475)	(465)
Net cash provided by operating activities	3,276	14,591
Cash flows from investing activities:		
Investment in property, plant and equipment	(1,024)	(2,990)
Proceeds from sale of property, plant and equipment	154	425
Purchases of available-for-sale securities and other investments	(92)	(178)
Maturities and sales of available-for-sale securities and other investments	68	280
Payments made in connection with business acquisitions, net	(9,770)	(11,248)
Net cash used in investing activities	(10,664)	(13,711)
Cash flows from financing activities:		
Issuance of commercial paper and notes payable, net	5,036	5,015
Issuance of debt	67	3,121
Payment of debt	(792)	(1,843)
Issuance of common stock under employee stock plans	463	1,810
Repurchase of common stock	(1,900)	(9,620)
Excess tax benefit from stock-based compensation	80	293
Dividends	(196)	(796)
Net cash provided by (used in) financing activities	2,758	(2,020)
Decrease in cash and cash equivalents	(4,630)	(1,140)
Cash and cash equivalents at beginning of period	14,783	11,293
Cash and cash equivalents at end of period	\$ 10,153	\$ 10,153

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

	Three months ended		
	October 31, 2008	July 31, 2008	October 31, 2007 <sup>(a)</sup>
Net revenue:			
Enterprise Storage and Servers	\$ 5,059	\$ 4,741	\$ 5,108
HP Services	8,639	4,753	4,348
HP Software	<u>855</u>	<u>781</u>	<u>759</u>
Technology Solutions Group	<u>14,553</u>	<u>10,275</u>	<u>10,215</u>
Personal Systems Group	11,179	10,254	10,133
Imaging and Printing Group	7,503	6,979	7,554
HP Financial Services	691	680	657
Corporate Investments	<u>246</u>	<u>271</u>	<u>210</u>
Total Segments	34,172	28,459	28,769
Eliminations of intersegment net revenue and other	<u>(569)</u>	<u>(427)</u>	<u>(476)</u>
Total HP Consolidated	<u>\$ 33,603</u>	<u>\$ 28,032</u>	<u>\$ 28,293</u>
Earnings (Loss) from operations:			
Enterprise Storage and Servers	\$ 705	\$ 544	\$ 736
HP Services	920	574	515
HP Software	<u>195</u>	<u>122</u>	<u>145</u>
Technology Solutions Group	<u>1,820</u>	<u>1,240</u>	<u>1,396</u>
Personal Systems Group	616	587	589
Imaging and Printing Group	1,162	1,048	1,094
HP Financial Services	51	51	48
Corporate Investments	<u>9</u>	<u>26</u>	<u>(5)</u>
Total Segments	3,658	2,952	3,122
Corporate and unallocated costs and eliminations	(152)	(85)	(197)
Unallocated costs related to stock-based compensation expense	(104)	(120)	(122)
Amortization of purchased intangible assets	(337)	(213)	(187)
In-process research and development charges	(32)	-	(4)
Restructuring	(251)	(5)	20
Acquisition-related charges	(41)	-	-
Interest and other, net	<u>(98)</u>	<u>23</u>	<u>67</u>
Total HP Consolidated Earnings Before Taxes	<u>\$ 2,643</u>	<u>\$ 2,552</u>	<u>\$ 2,699</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 INFORMATION  
(Unaudited)  
(In millions)

	Twelve months ended October 31,	
	2008	2007 <sup>(a)</sup>
Net revenue:		
Enterprise Storage and Servers	\$ 19,400	\$ 18,639
HP Services	22,397	16,570
HP Software	3,029	2,531
Technology Solutions Group	44,826	37,740
Personal Systems Group	42,295	36,409
Imaging and Printing Group	29,385	28,465
HP Financial Services	2,698	2,336
Corporate Investments	965	762
Total Segments	120,169	105,712
Eliminations of intersegment net revenue and other	(1,805)	(1,426)
Total HP Consolidated	\$ 118,364	\$ 104,286
Earnings (Loss) from operations:		
Enterprise Storage and Servers	\$ 2,577	\$ 2,148
HP Services	2,491	1,787
HP Software	461	221
Technology Solutions Group	5,529	4,156
Personal Systems Group	2,375	1,939
Imaging and Printing Group	4,590	4,315
HP Financial Services	192	155
Corporate Investments	49	(57)
Total Segments	12,735	10,508
Corporate and unallocated costs and eliminations	(460)	(439)
Unallocated costs related to stock-based compensation expense	(479)	(507)
Amortization of purchased intangible assets	(967)	(783)
In-process research and development charges	(45)	(190)
Restructuring charges	(270)	(387)
Acquisition-related charges	(41)	-
Pension curtailments and pension settlements, net	-	517
Interest and other, net	-	458
Total HP Consolidated Earnings Before Taxes	\$ 10,473	\$ 9,177

(a) Certain fiscal 2008 organizational reclassifications have been reflected retroactively to provide improved visibility and comparability. For 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		
	October 31, 2008	July 31, 2008	October 31, 2007 <sup>(a)</sup>
Net revenue:			
Industry standard servers	\$ 2,977	\$ 2,874	\$ 3,059
Business critical systems	935	829	1,034
Storage	<u>1,147</u>	<u>1,038</u>	<u>1,015</u>
Enterprise Storage and Servers	<u>5,059</u>	<u>4,741</u>	<u>5,108</u>
Technology services	2,447	2,394	2,229
Outsourcing services	1,468	1,456	1,271
Consulting and integration	868	903	848
EDS <sup>(b)</sup>	<u>3,856</u>	<u>-</u>	<u>-</u>
HP Services	<u>8,639</u>	<u>4,753</u>	<u>4,348</u>
Business technology optimization <sup>(c)</sup>	714	642	620
Other <sup>(c)</sup>	<u>141</u>	<u>139</u>	<u>139</u>
HP Software	<u>855</u>	<u>781</u>	<u>759</u>
Technology Solutions Group	<u>14,553</u>	<u>10,275</u>	<u>10,215</u>
Notebooks	6,270	5,350	5,164
Desktops	4,146	4,158	4,222
Workstations	473	468	473
Handhelds	79	90	108
Other	<u>211</u>	<u>188</u>	<u>166</u>
Personal Systems Group	<u>11,179</u>	<u>10,254</u>	<u>10,133</u>
Commercial Hardware	1,695	1,567	1,880
Consumer Hardware	983	861	1,251
Supplies	<u>4,825</u>	<u>4,551</u>	<u>4,423</u>
Imaging and Printing Group	<u>7,503</u>	<u>6,979</u>	<u>7,554</u>
HP Financial Services	691	680	657
Corporate Investments	<u>246</u>	<u>271</u>	<u>210</u>
Total Segments	<u>34,172</u>	<u>28,459</u>	<u>28,769</u>
Eliminations of intersegment net revenue and other	<u>(569)</u>	<u>(427)</u>	<u>(476)</u>
Total HP Consolidated	<u>\$ 33,603</u>	<u>\$ 28,032</u>	<u>\$ 28,293</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 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) On August 26, 2008, HP completed its acquisition of Electronic Data Systems Corporation ("EDS"). HP has included the results of EDS for the period following the completion of the acquisition within HP Services for financial reporting purposes.

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

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

SEGMENT / BUSINESS UNIT INFORMATION

(Unaudited)

(In millions)

	Twelve months ended October 31,	
	2008	2007 <sup>(a)</sup>
Net revenue:		
Industry standard servers	\$ 11,657	\$ 11,380
Business critical systems	3,538	3,553
Storage	4,205	3,706
Enterprise Storage and Servers	<u>19,400</u>	<u>18,639</u>
Technology services	9,413	8,539
Outsourcing services	5,597	4,839
Consulting and integration	3,531	3,192
EDS <sup>(b)</sup>	<u>3,856</u>	<u>-</u>
HP Services	<u>22,397</u>	<u>16,570</u>
Business technology optimization <sup>(c)</sup>	2,497	2,004
Other <sup>(c)</sup>	<u>532</u>	<u>527</u>
HP Software	<u>3,029</u>	<u>2,531</u>
Technology Solutions Group	<u>44,826</u>	<u>37,740</u>
Notebooks	22,657	17,650
Desktops	16,626	15,889
Workstations	1,902	1,721
Handhelds	360	531
Other	<u>750</u>	<u>618</u>
Personal Systems Group	<u>42,295</u>	<u>36,409</u>
Commercial Hardware	6,799	6,863
Consumer Hardware	3,998	4,496
Supplies	<u>18,588</u>	<u>17,106</u>
Imaging and Printing Group	<u>29,385</u>	<u>28,465</u>
HP Financial Services	<u>2,698</u>	<u>2,336</u>
Corporate Investments	<u>965</u>	<u>762</u>
Total Segments	<u>120,169</u>	<u>105,712</u>
Eliminations of intersegment net revenue and other	<u>(1,805)</u>	<u>(1,426)</u>
Total HP Consolidated	<u>\$ 118,364</u>	<u>\$ 104,286</u>

(a) Certain fiscal 2008 organizational reclassifications have been reflected retroactively to provide improved visibility and comparability. For 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) On August 26, 2008, HP completed its acquisition of Electronic Data Systems Corporation ("EDS"). HP has included the results of EDS for the period following the completion of the acquisition within HP Services for financial reporting purposes.

(c) The OpenView business unit was renamed as "Business Technology Optimization" and the OpenCall and Other business unit was renamed as "Other" effective 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		
	October 31, 2008	July 31, 2008	October 31, 2007
Numerator:			
Net earnings	\$ 2,112	\$ 2,027	\$ 2,164
Adjustment for interest expense on zero-coupon subordinated convertible notes, net of taxes	<u>-</u>	<u>-</u>	<u>2</u>
Net earnings, adjusted	<u>\$ 2,112</u>	<u>\$ 2,027</u>	<u>\$ 2,166</u>
Denominator:			
Weighted-average shares used to compute basic EPS	2,440	2,459	2,576
Effect of dilutive securities:			
Dilution from employee stock plans	76	74	94
Zero-coupon subordinated convertible notes	<u>-</u>	<u>-</u>	<u>8</u>
Dilutive potential common shares	<u>76</u>	<u>74</u>	<u>102</u>
Weighted-average shares used to compute diluted EPS	<u>2,516</u>	<u>2,533</u>	<u>2,678</u>
Net earnings per share:			
Basic <sup>(a)</sup>	\$ 0.87	\$ 0.82	\$ 0.84
Diluted <sup>(b)</sup>	\$ 0.84	\$ 0.80	\$ 0.81

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

	Twelve months ended October 31,	
	2008	2007
	(unaudited)	
Numerator:		
Net earnings	\$ 8,329	\$ 7,264
Adjustment for interest expense on zero-coupon subordinated convertible notes, net of taxes	3	7
Net earnings, adjusted	\$ 8,332	\$ 7,271
Denominator:		
Weighted-average shares used to compute basic EPS	2,483	2,630
Effect of dilutive securities:		
Dilution from employee stock plans	81	78
Zero-coupon subordinated convertible notes	3	8
Dilutive potential common shares	84	86
Weighted-average shares used to compute diluted EPS	2,567	2,716
Net earnings per share:		
Basic <sup>(a)</sup>	\$ 3.35	\$ 2.76
Diluted <sup>(b)</sup>	\$ 3.25	\$ 2.68

(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		
	October 31, 2008	July 31, 2008	October 31, 2007
Numerator:			
Non-GAAP net earnings	\$ 2,594	\$ 2,188	\$ 2,296
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>\$ 2,594</u>	<u>\$ 2,188</u>	<u>\$ 2,298</u>
Denominator:			
Weighted-average shares used to compute basic EPS	2,440	2,459	2,576
Effect of dilutive securities:			
Dilution from employee stock plans	76	74	94
Zero-coupon subordinated convertible notes	<u>-</u>	<u>-</u>	<u>8</u>
Dilutive potential common shares	<u>76</u>	<u>74</u>	<u>102</u>
Weighted-average shares used to compute diluted EPS	<u>2,516</u>	<u>2,533</u>	<u>2,678</u>
Non-GAAP net earnings per share:			
Basic <sup>(a)</sup>	\$ 1.06	\$ 0.89	\$ 0.89
Diluted <sup>(b)</sup>	\$ 1.03	\$ 0.86	\$ 0.86

(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, 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)

	Twelve months ended October 31,	
	2008	2007
Numerator:		
Non-GAAP net earnings	\$ 9,302	\$ 7,954
Adjustment for interest expense on zero-coupon subordinated convertible notes, net of taxes	3	7
Non-GAAP net earnings, adjusted	\$ 9,305	\$ 7,961
Denominator:		
Weighted-average shares used to compute basic EPS	2,483	2,630
Effect of dilutive securities:		
Dilution from employee stock plans	81	78
Zero-coupon subordinated convertible notes	3	8
Dilutive potential common shares	84	86
Weighted-average shares used to compute diluted EPS	2,567	2,716
Non-GAAP net earnings per share:		
Basic <sup>(a)</sup>	\$ 3.75	\$ 3.02
Diluted <sup>(b)</sup>	\$ 3.62	\$ 2.93

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