




Q3 FY07 Earnings Announcement

August 16, 2007



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Use of non-GAAP financial information

HP has included non-GAAP financial measures in this presentation to supplement HP's consolidated condensed financial statements presented on a GAAP basis. Definitions of these non-GAAP financial measures and reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measures are included elsewhere in this presentation.

HP's management uses non-GAAP operating expense, non-GAAP OI&E, non-GAAP operating profit, non-GAAP net earnings, non-GAAP diluted earnings per share, and HP's non-GAAP tax rate to evaluate and forecast HP's performance before gains, losses or other charges that are considered by HP's management to be outside of HP's core business segment operating results. Gross cash, net cash and free cash flow are liquidity measures that provide useful information to management about the amount of cash available for investment in HP's businesses, funding strategic acquisitions, repurchasing stock and other purposes.

These non-GAAP financial measures may have limitations as analytical tools, and these measures should not be considered in isolation or as a substitute for analysis of HP's results as reported under GAAP. For example, items such as restructuring charges that are excluded from non-GAAP operating expense, non-GAAP operating profit, non-GAAP net earnings, non-GAAP diluted earnings per share and HP's non-GAAP tax rate and items such as gains or losses on investments that are excluded from non-GAAP net earnings and non-GAAP diluted earnings per share can have a material impact on cash flows. HP may not be able to liquidate the long-term investments included in gross cash immediately, which may limit the usefulness of gross cash as a liquidity measure. In addition, free cash flow does not represent the total increase or decrease in the cash balance for the period. The non-GAAP financial information that we provide also may differ from the non-GAAP information provided by other companies.

We compensate for the limitations on our use of these non-GAAP financial measures by relying primarily on our GAAP financial statements and using non-GAAP financial measures only supplementally. We also provide robust and detailed reconciliations of each non-GAAP financial measure to the most directly comparable GAAP measure, and we encourage investors to review carefully those reconciliations.

We believe that providing these non-GAAP financial measures in addition to the related GAAP measures provides investors with greater transparency to the information used by HP's management in its financial and operational decision-making and allows investors to see HP's results "through the eyes" of management. We further believe that providing this information better enables investors to understand HP's operating performance and to evaluate the efficacy of the methodology and information used by management to evaluate and measure such performance.



Q3 FY07 results overview

Financial Summary

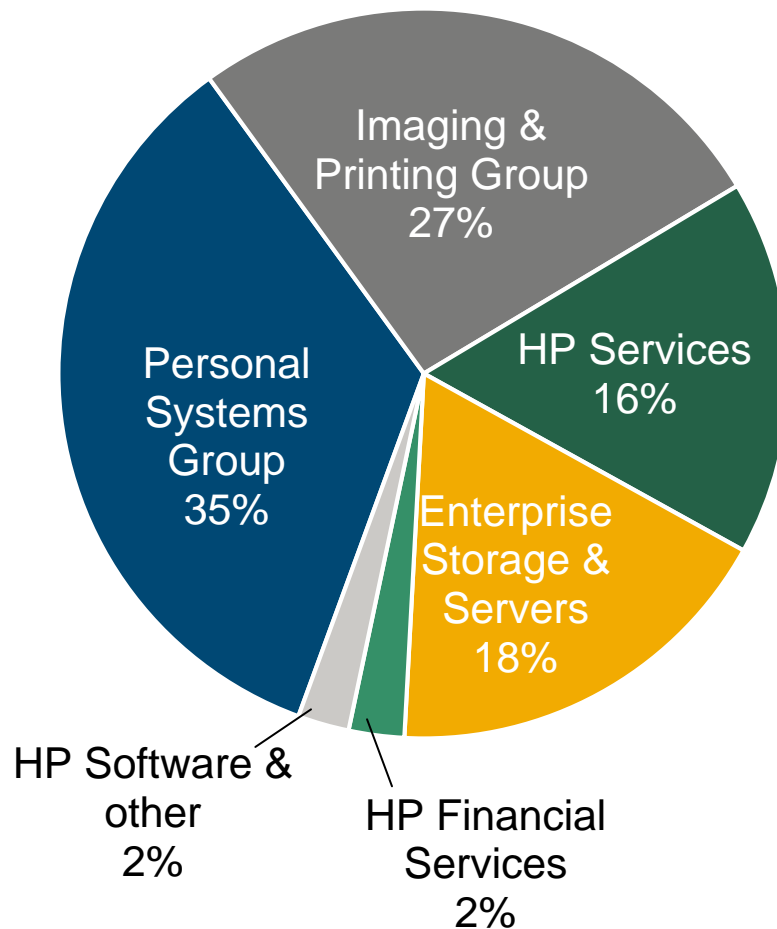
- Net revenue of \$25.4B, growth of \$3.5B, up 16% Y/Y; or 12% in constant currency
- Non-GAAP⁽¹⁾ diluted EPS of \$0.71; up 37% Y/Y
- GAAP diluted EPS of \$0.66; up 38% Y/Y
- \$2.5B in share repurchases, and \$209M in dividends

\$ in millions	Q3 Revenue	Growth Y/Y%	OP \$	OP % of rev	OP \$ Y/Y	OP % Y/Y
Imaging and Printing Group	\$6,751	8%	\$981	14.5%	\$97	0.3 pts
Personal Systems Group	\$8,894	29%	\$519	5.8%	\$244	1.8 pts
Enterprise Storage and Servers	\$4,547	10%	\$464	10.2%	\$168	3.0 pts
HP Software	\$554	74%	\$81	14.6%	\$68	10.5 pts
Services	\$4,186	8%	\$430	10.3%	\$66	0.9 pts
HP Financial Services	\$582	12%	\$39	6.7%	\$4	0.0 pts
Total HP	\$25,377	16%	\$2,294⁽¹⁾	9.0%⁽¹⁾	\$626⁽¹⁾	1.4 pts⁽¹⁾

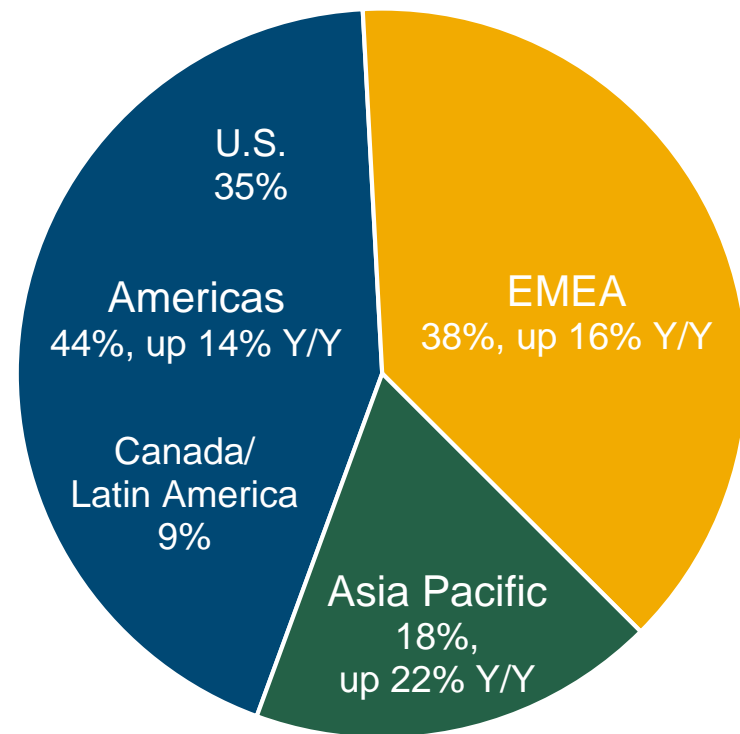
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Q3 FY07 revenue

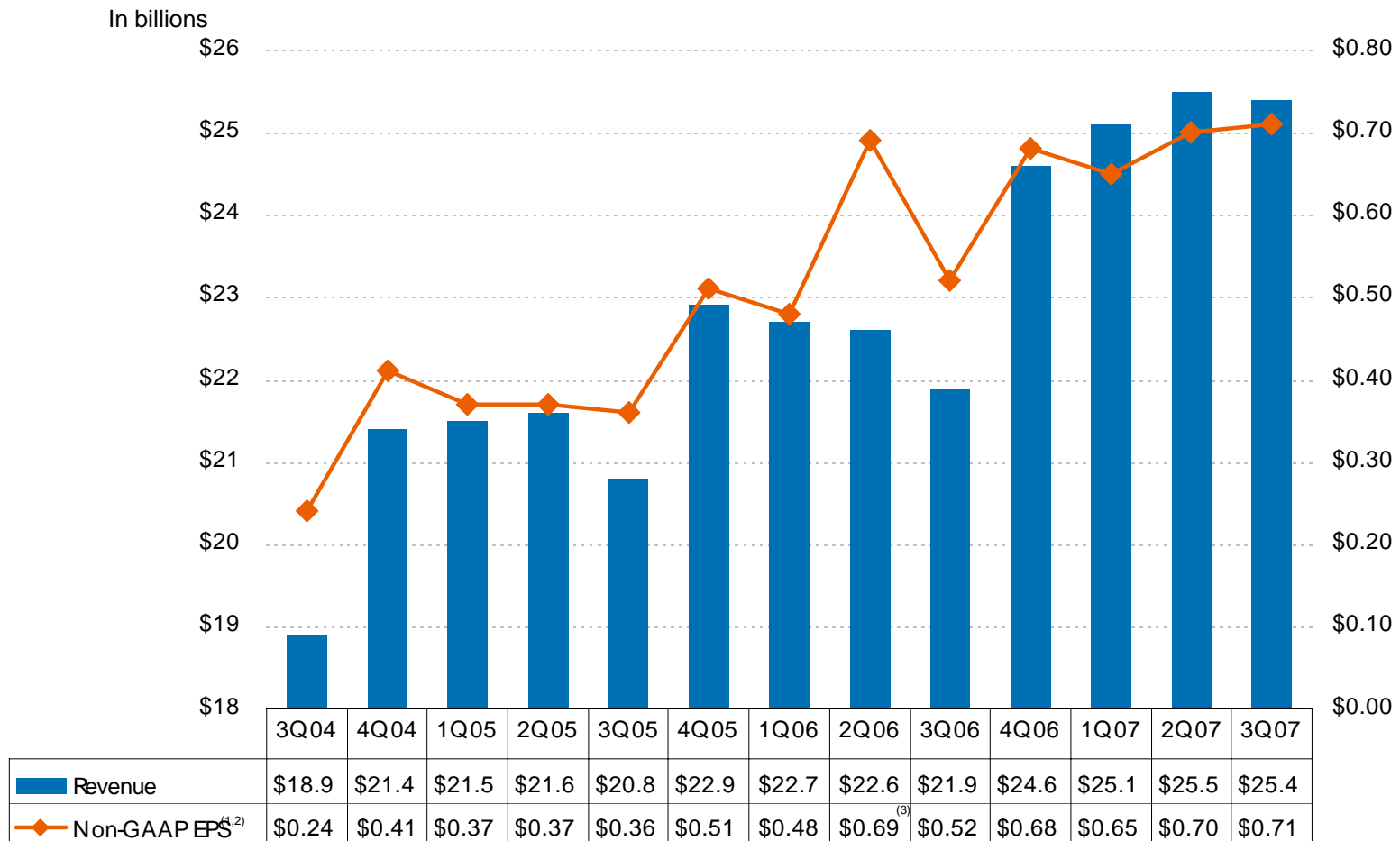
By segment



By region

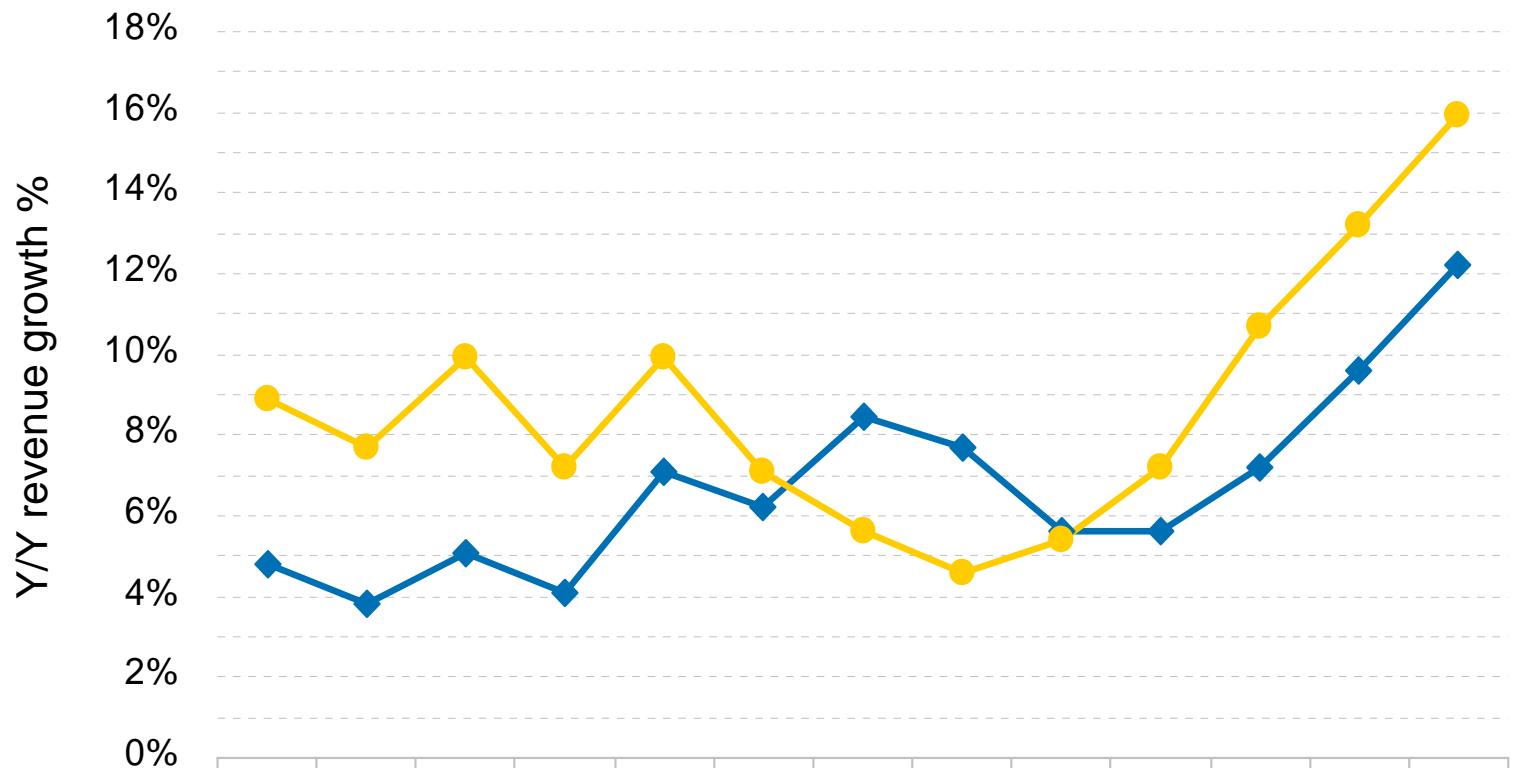


Revenue & EPS performance



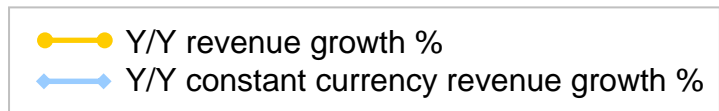
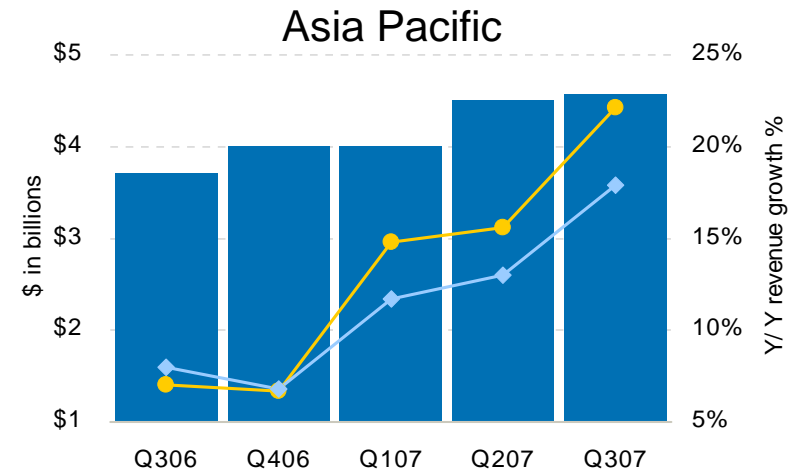
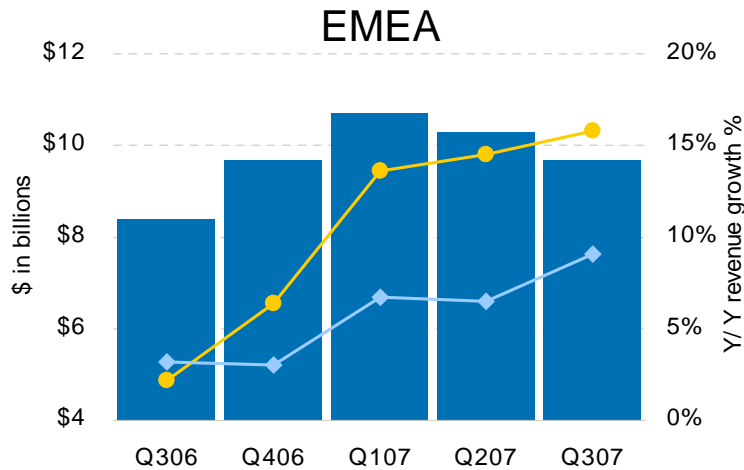
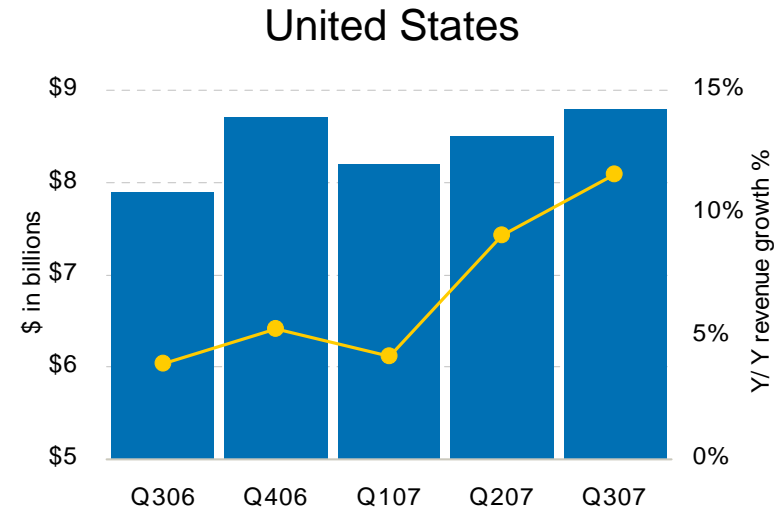
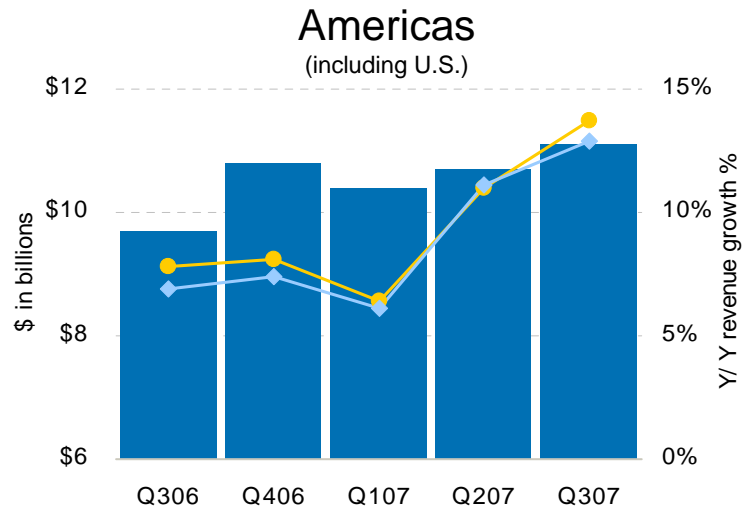
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2. FY04 and FY05 results do not include the effects of stock-based compensation, which are included in FY06 and beyond.
3. On June 6, 2006, HP upwardly revised Q2 FY06 earnings following the signing of a settlement agreement by the Internal Revenue Service resolving federal income tax matters for HP's 1996 through 1998 tax years. Non-GAAP EPS for Q2 FY06 was previously reported as \$0.54. Notification from the IRS on June 1 prior to the filing of HP's Q2 FY06 Form 10-Q required this revision to HP's reported Q2 FY06 results.

Revenue growth

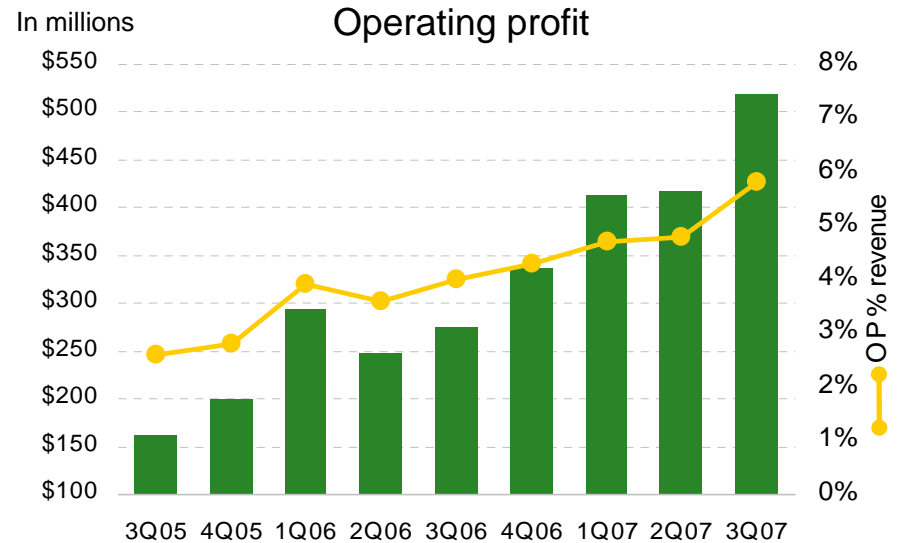
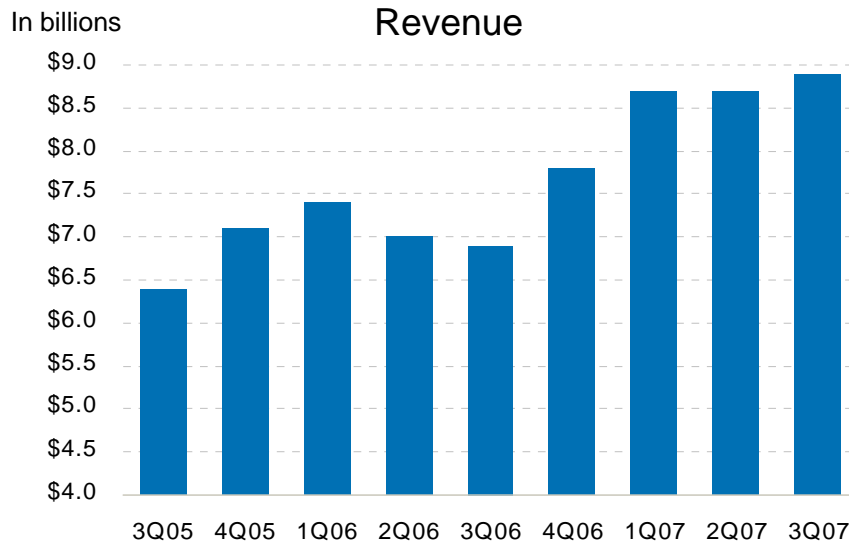


◆ Constant currency	4.8%	3.8%	5.1%	4.1%	7.1%	6.2%	8.5%	7.7%	5.6%	5.6%	7.2%	9.6%	12.2%
● As reported	8.9%	7.7%	9.9%	7.2%	9.9%	7.1%	5.6%	4.6%	5.4%	7.2%	10.7%	13.2%	15.9%

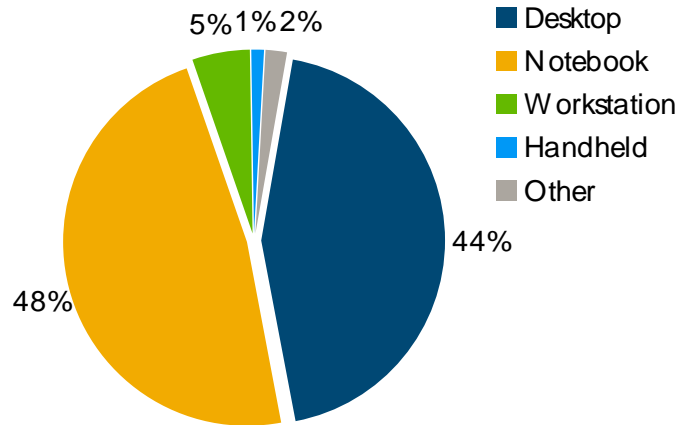
Regional revenue trends



Personal Systems Group (PSG)

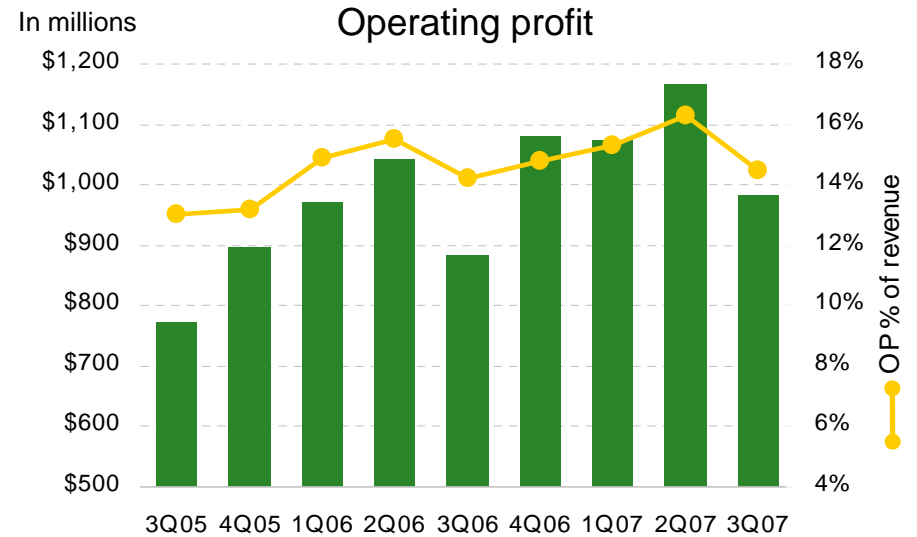
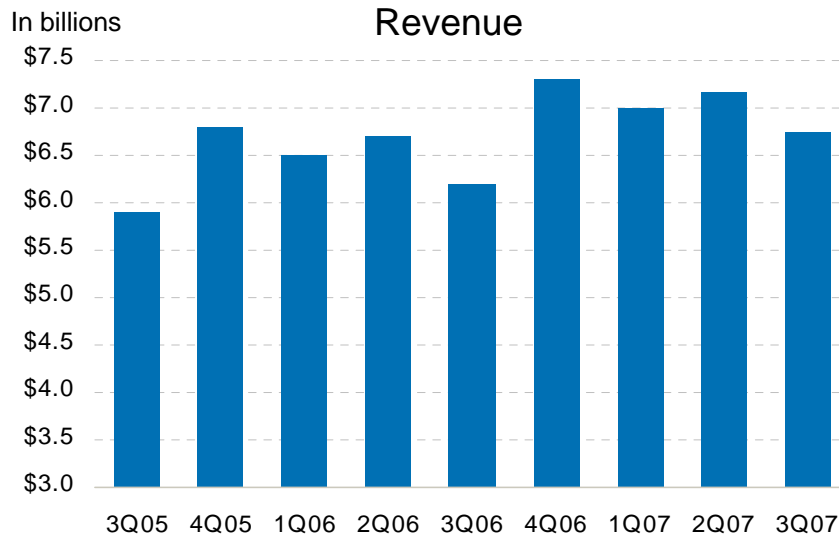


Q3 FY07 revenue by business

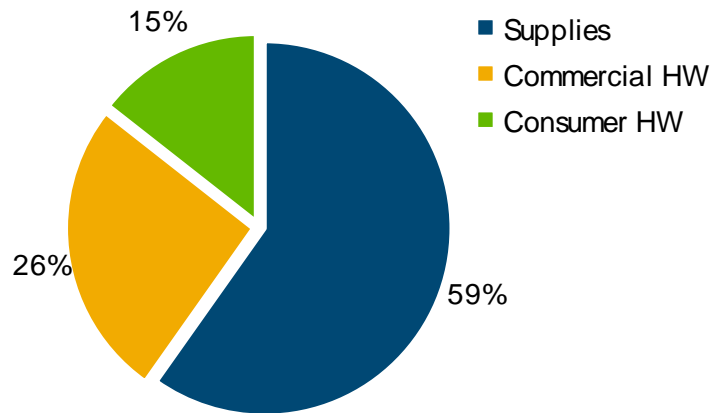


- PSG revenue of \$8.9B; up 29% Y/Y
- Operating profit of \$519M; 5.8% of revenue
- Total units up 33% Y/Y
- Notebook revenue up 54% Y/Y; units up 71%; Desktop revenue up 12% Y/Y; units up 15%
- Consumer client revenue up 46% Y/Y; Commercial client revenue up 19% Y/Y

Imaging and Printing Group (IPG)

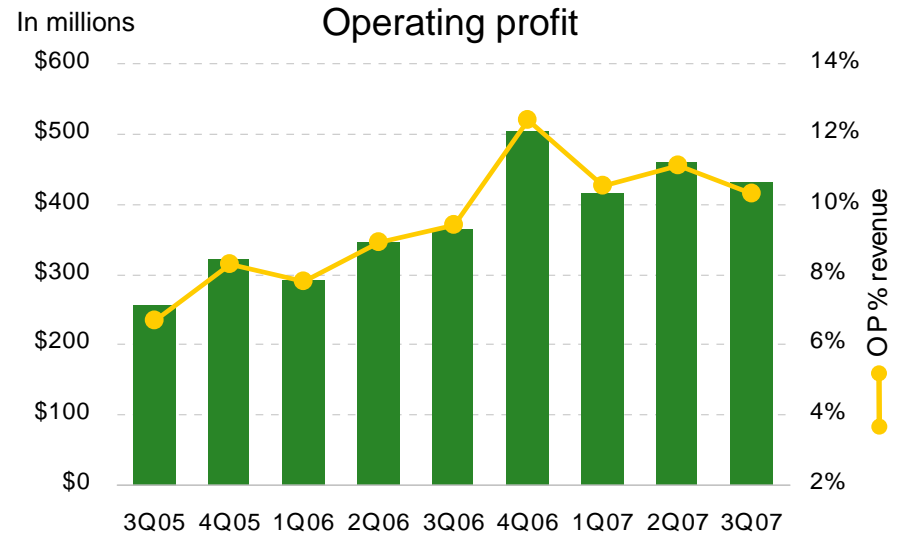
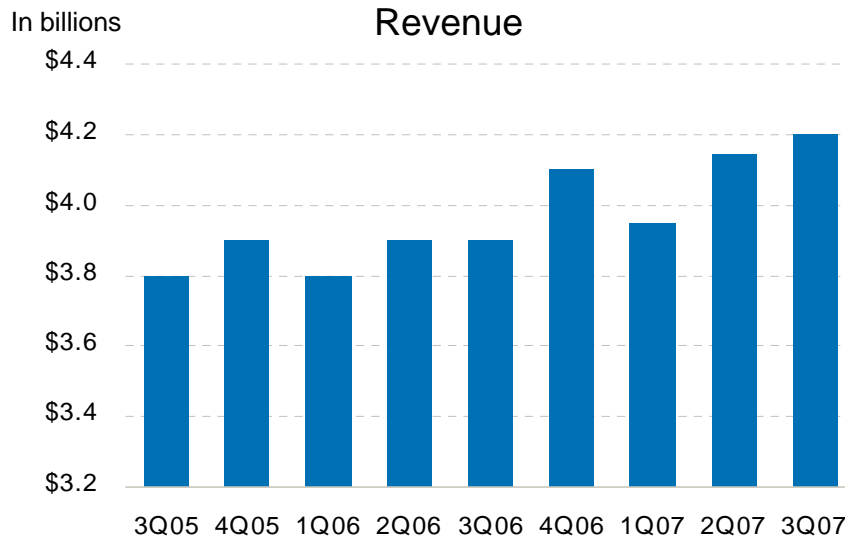


Q3 FY07 revenue by business

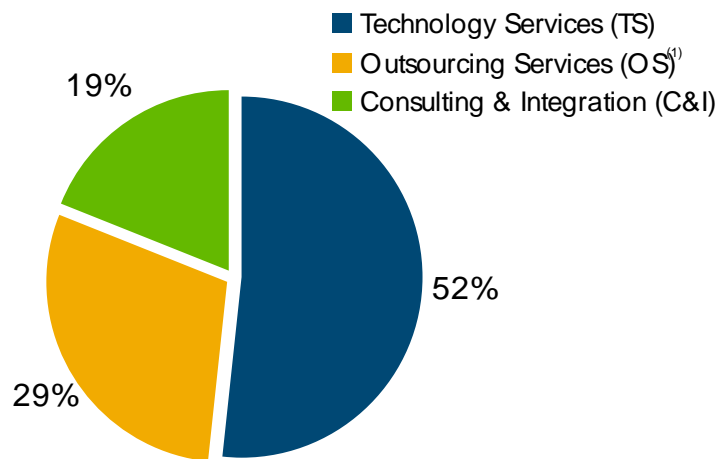


- IPG revenue of \$6.8B; up 8% Y/Y
- Operating profit of \$981M; 14.5% of revenue
- Total printer hardware units up 10% Y/Y; Consumer printer hardware units up 8%; Commercial printer hardware units up 17%
- Color LaserJet units up 6% Y/Y
- Printer-based MFPs units up 76% Y/Y
- Indigo digital press page volume up 48% Y/Y
- Supplies revenue up 9% Y/Y

HP Services (HPS)



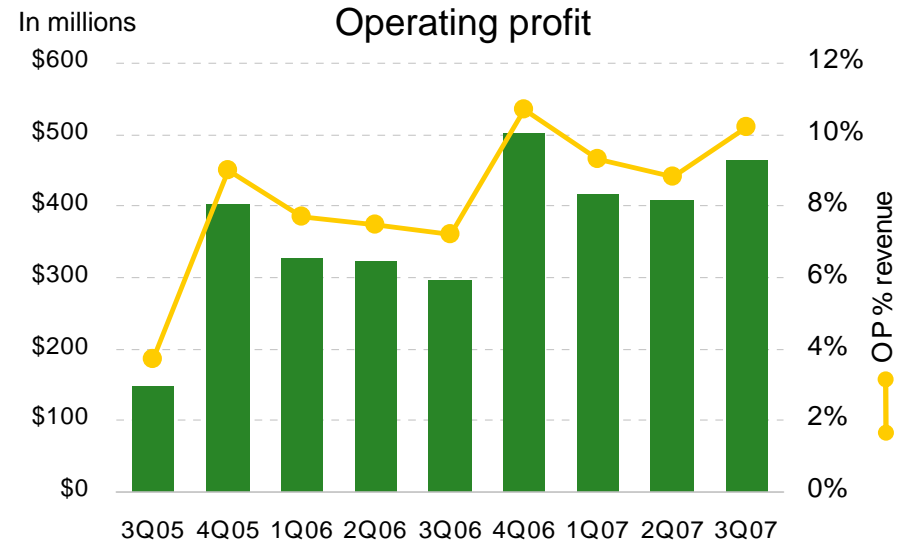
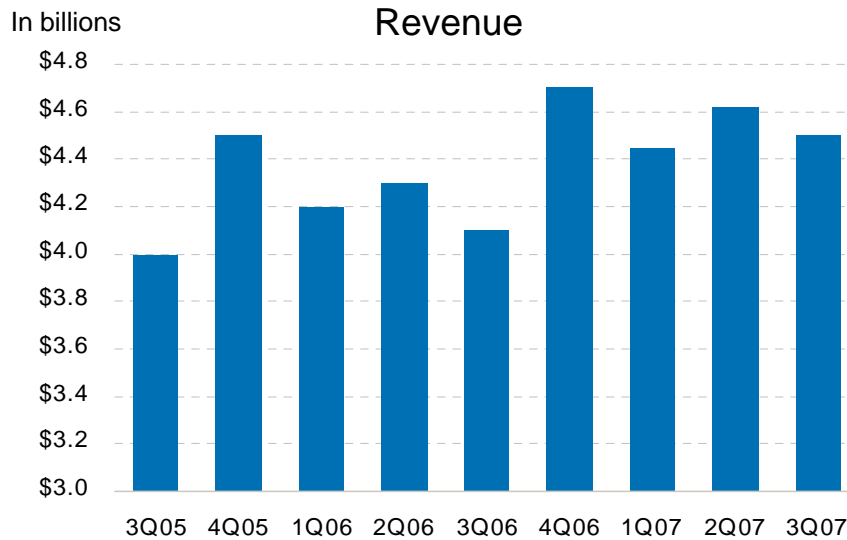
Q3 FY07 revenue by business



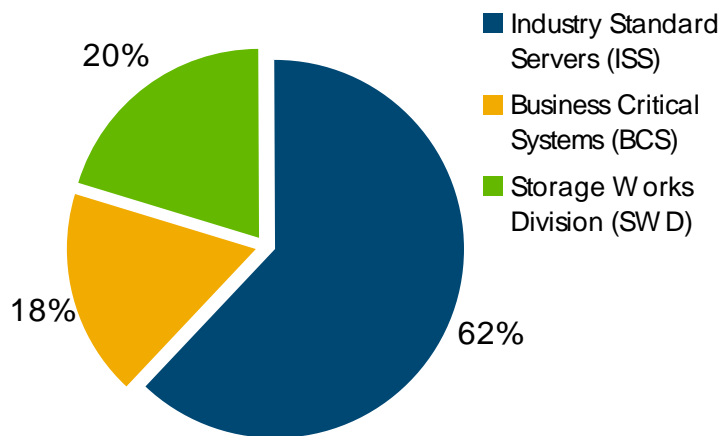
- HPS revenue of \$4.2B, up 8% Y/Y
- Operating profit of \$430M; 10.3% of revenue
- Outsourcing⁽¹⁾ revenue up 11% Y/Y
- Consulting & Integration revenue up 11% Y/Y
- Technology Services revenue up 5% Y/Y

1. Reflects name change from Managed Services to Outsourcing Services effective fiscal 2007

Enterprise Storage and Servers (ESS)

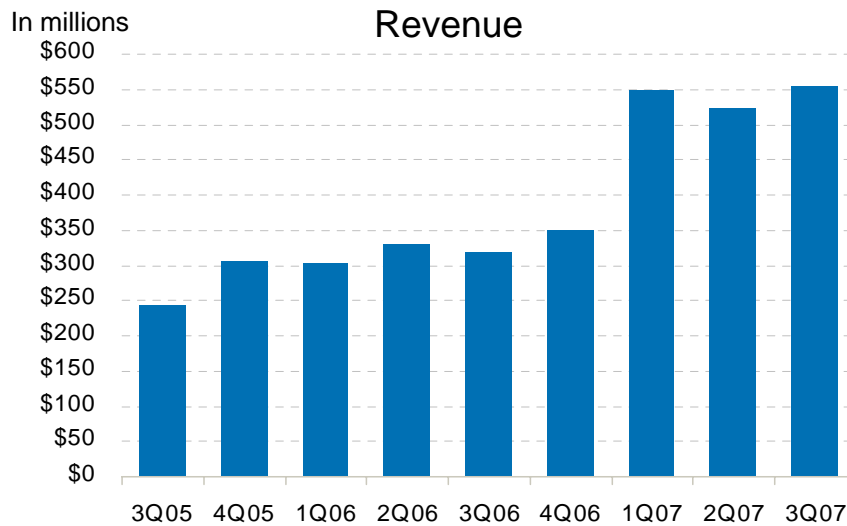


Q3 FY07 revenue by business

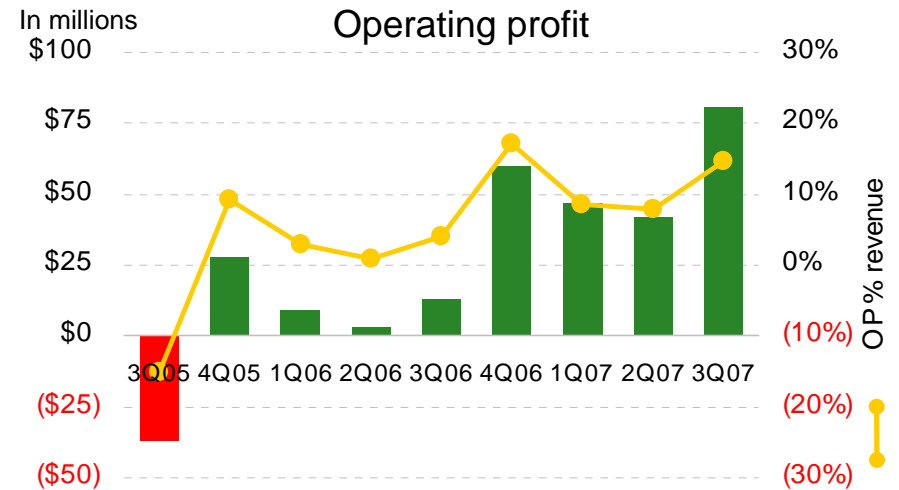
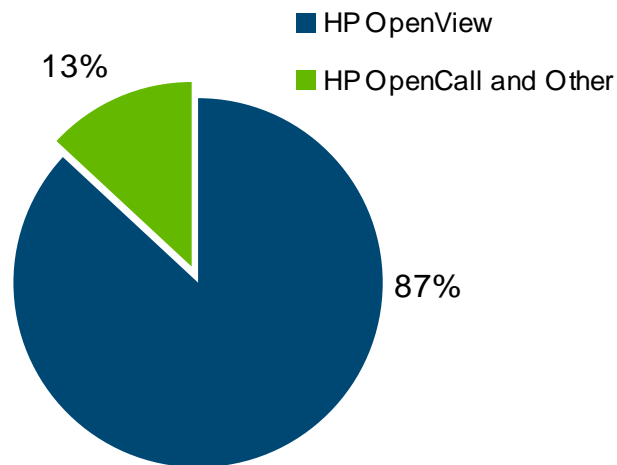


- ESS revenue of \$4.5B, up 10% Y/Y
- Operating profit of \$464M; 10.2% of revenue
- ISS revenue up 16% Y/Y; blade revenue up 81% Y/Y
- BCS revenue down 3% Y/Y; Integrity revenue up 71% Y/Y; 67% of BCS revenue
- Storage revenue up 6% Y/Y; mid-range storage arrays (EVA) up 14%; high-end storage (XP) up 2.5% and offset by declines in tape

HP Software

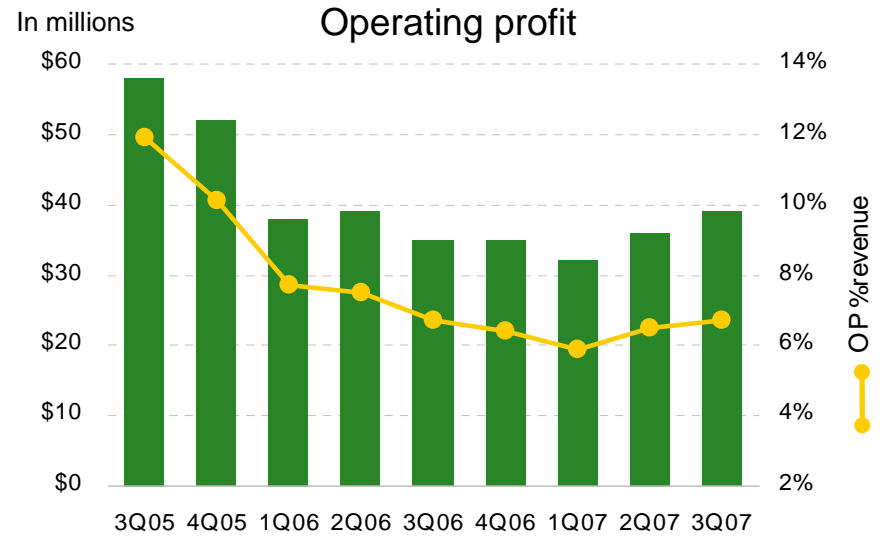
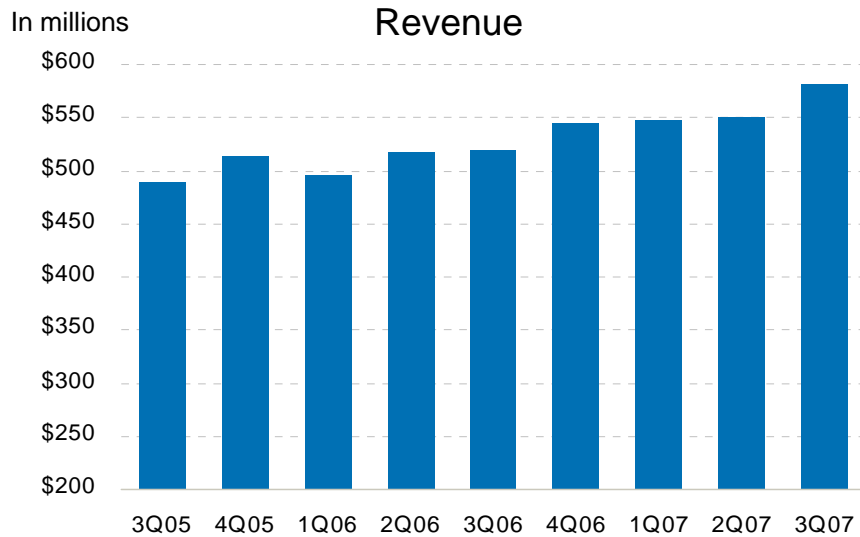


Q3 FY07 revenue by business

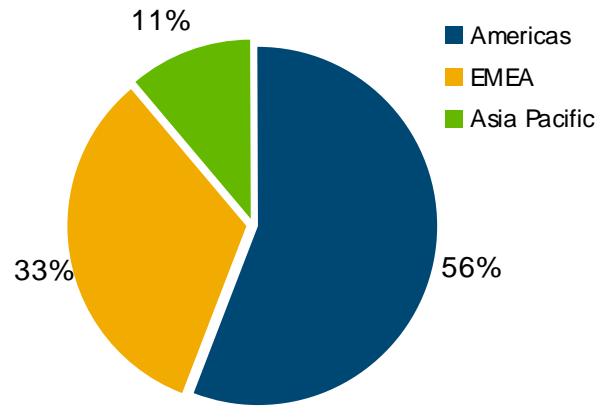


- Software revenue of \$554M, up 74% Y/Y
- Operating profit of \$81M; 14.6% of revenue
- HP OpenView revenue up 124%
 - 14% Y/Y excluding Mercury
- HP OpenCall revenue declined 29% Y/Y
- Q3 FY07 operating margin was impacted by the integration costs associated with Mercury

HP Financial Services (HPFS)



Q3 FY07 revenue by region



- HPFS revenue of \$582M, up 12% Y/Y
- Operating profit of \$39M; 6.7% of revenue
- Financing volume up 7% Y/Y
- Net portfolio assets \$7.7B, up 8% Y/Y

HPFS supplemental data

In millions	Q3 FY07	Q3 FY06	Q2 FY07
Depreciation ⁽¹⁾	\$238	\$219	\$233
Net capital expenditures ⁽¹⁾	\$338	\$255	\$292
Increase (decrease) in net financing receivables	\$30	(\$61)	\$55

1. Depreciation and net capital expenditures are shown net of inter-company eliminations

Non-GAAP⁽¹⁾ financial information

In millions except
per share amounts

	Q3 FY07		Q3 FY06		Q2 FY07	
Revenue	\$25,377	100%	\$21,890	100%	\$25,534	100%
Cost of sales	19,164	75.5%	16,472	75.2%	19,283	75.5%
Total OpEx	3,919	15.5%	3,750	17.2%	3,947	15.5%
Operating profit	2,294	9.0%	1,668	7.6%	2,304	9.0%
Interest & other, net	165		221		87	
Gains on investments ⁽²⁾	5		—		13	
Pre-tax earnings	2,464	9.7%	1,889	8.6%	2,404	9.4%
Income tax	552		406		484	
EPS	\$0.71		\$0.52		\$0.70	

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

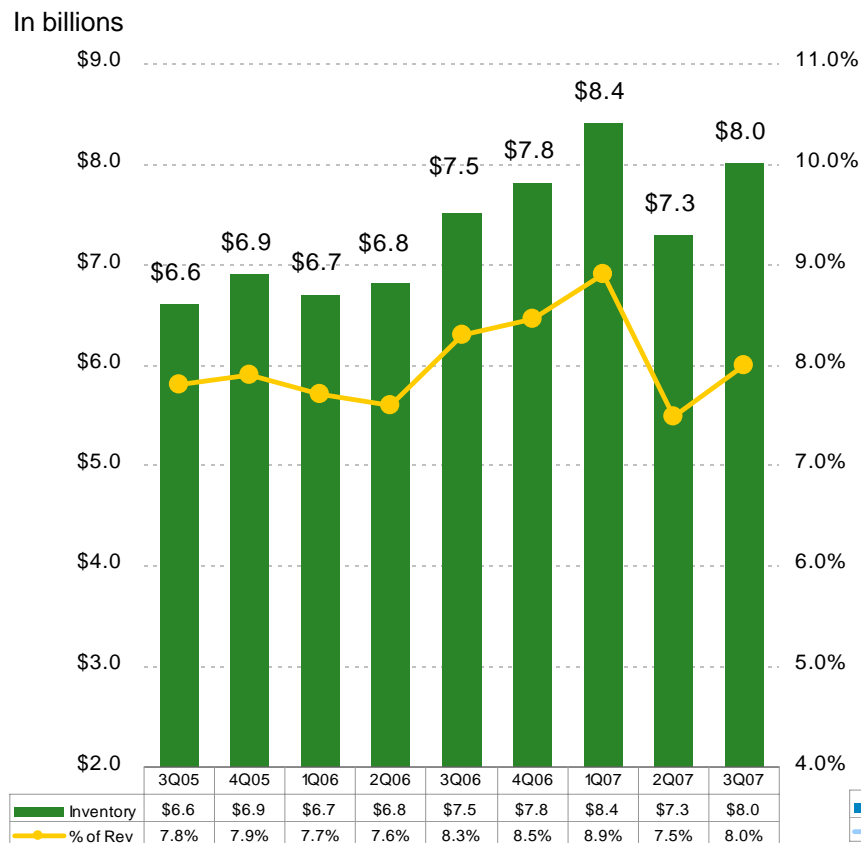
Q3 FY07 GAAP to non-GAAP bridge

In millions except per share amounts	GAAP	Amort. of Intangibles	Re- structuring	In-process R&D	Non-GAAP
Revenue	25,377				25,377
Cost of sales	19,164				19,164
Total OpEx	4,097	(183)	5		3,919
Operating profit	2,116	183	(5)		2,294
Interest & other, net	165				165
Gains on investments	⁽¹⁾ 5				5
Pre-tax earnings	2,286	183	(5)		2,464
Income tax	508	48	(4)		552
Tax rate	22.2%				22.4%
Net earnings	1,778				1,912
EPS	\$0.66				\$0.71

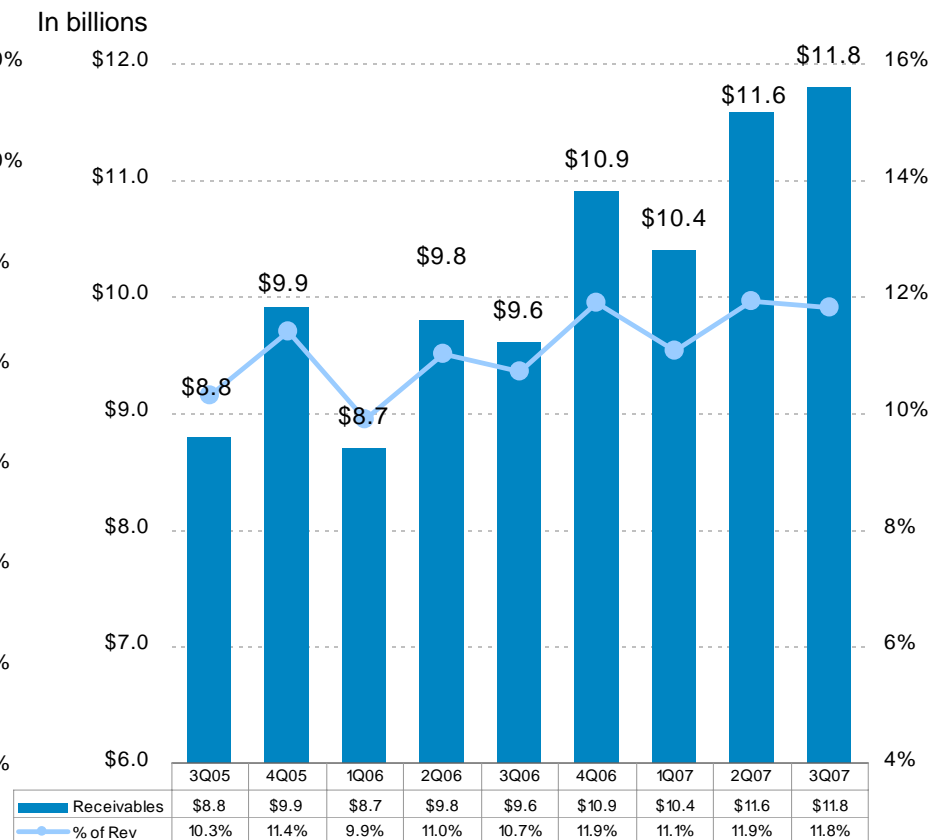
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Inventory and accounts receivable

Inventory

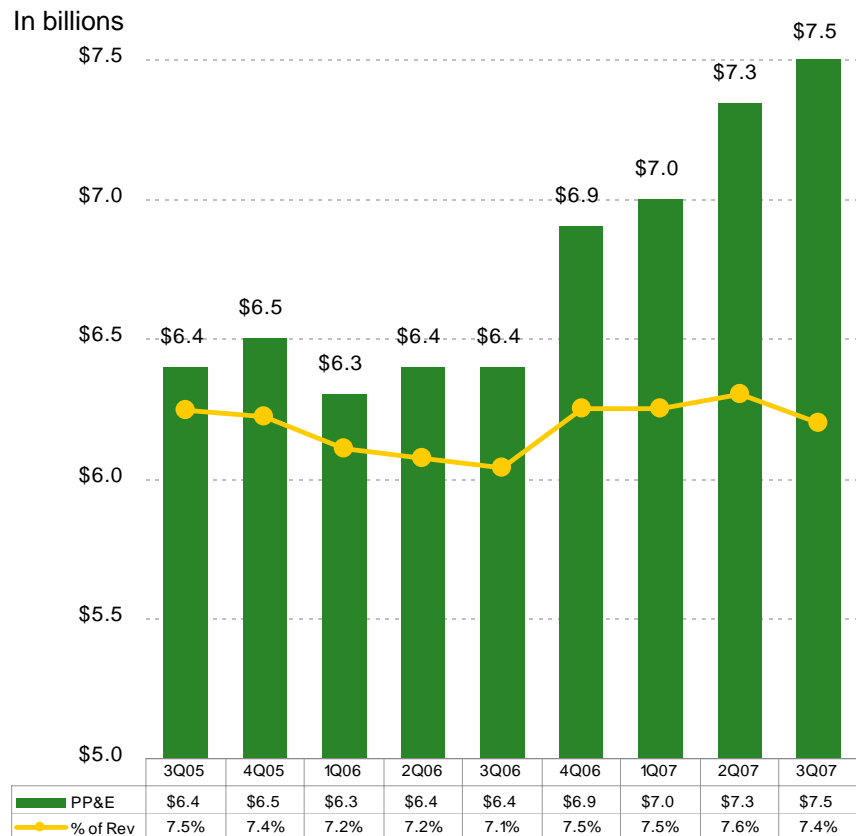


Accounts receivable

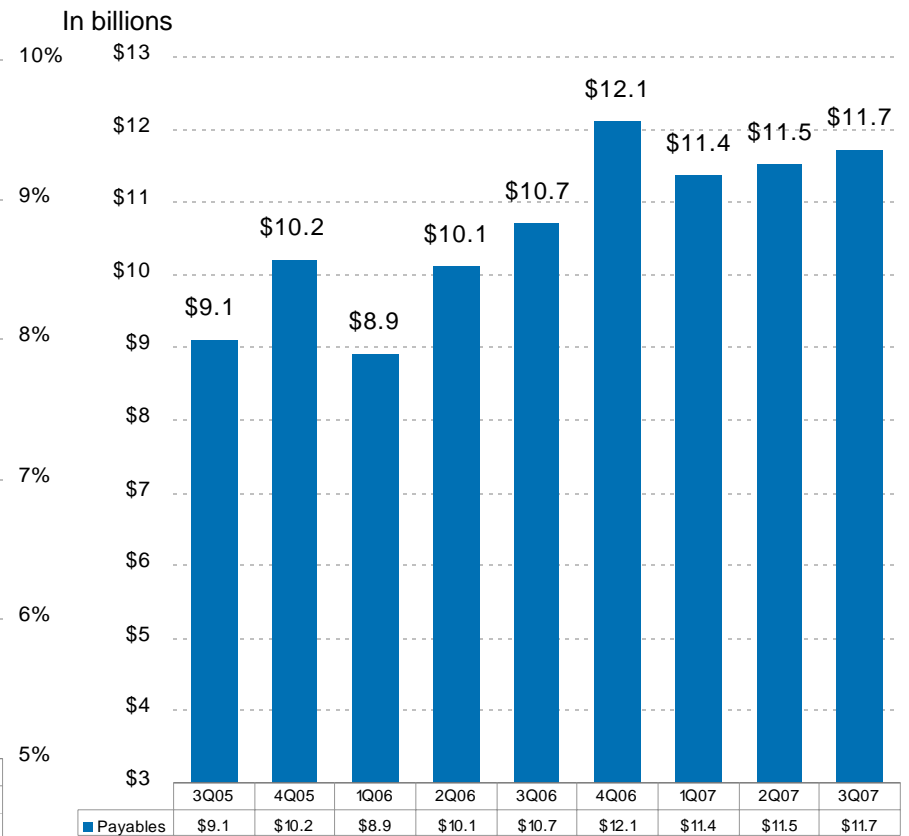


PP&E and accounts payable

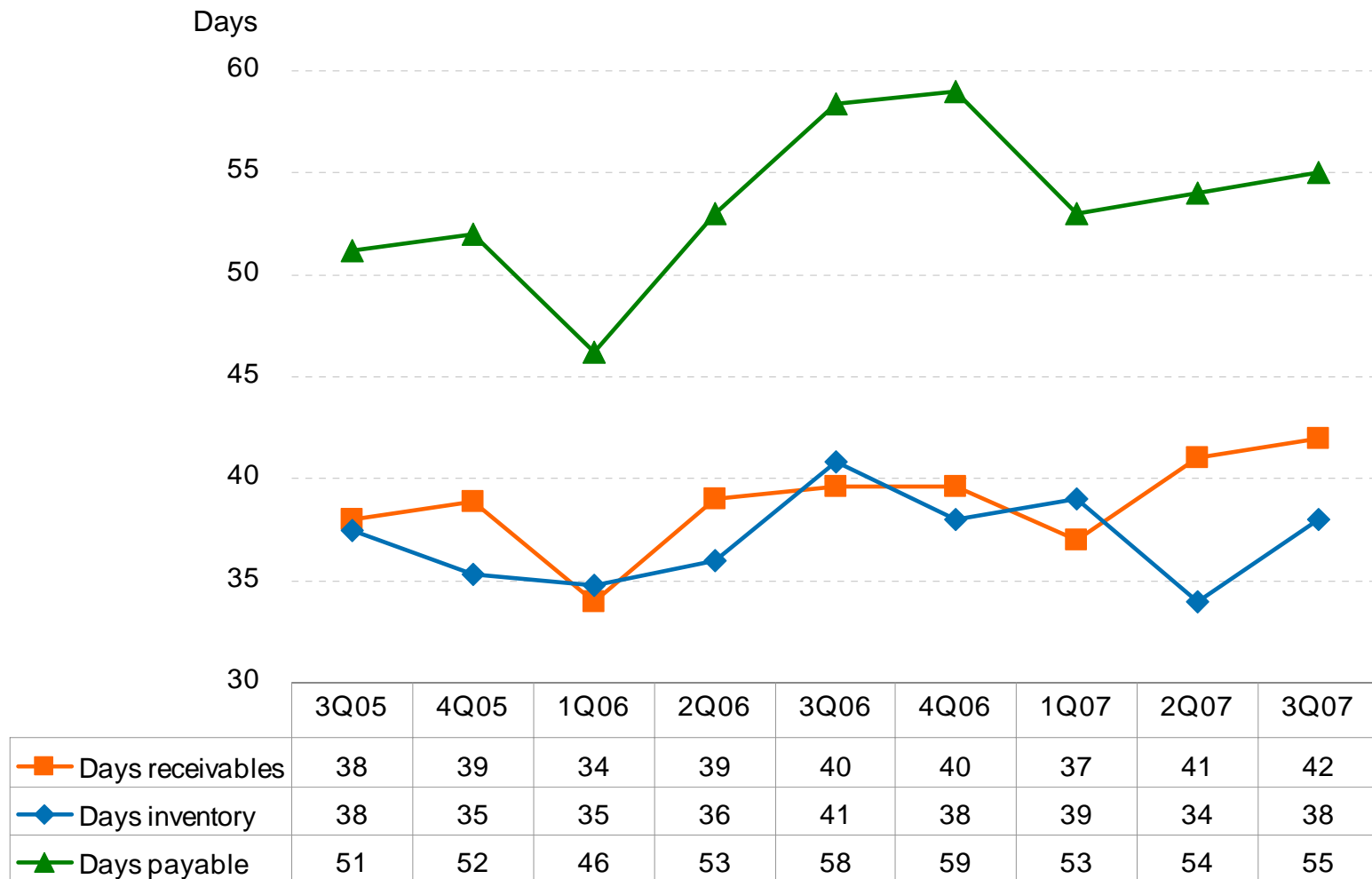
Net PP&E



Accounts payable

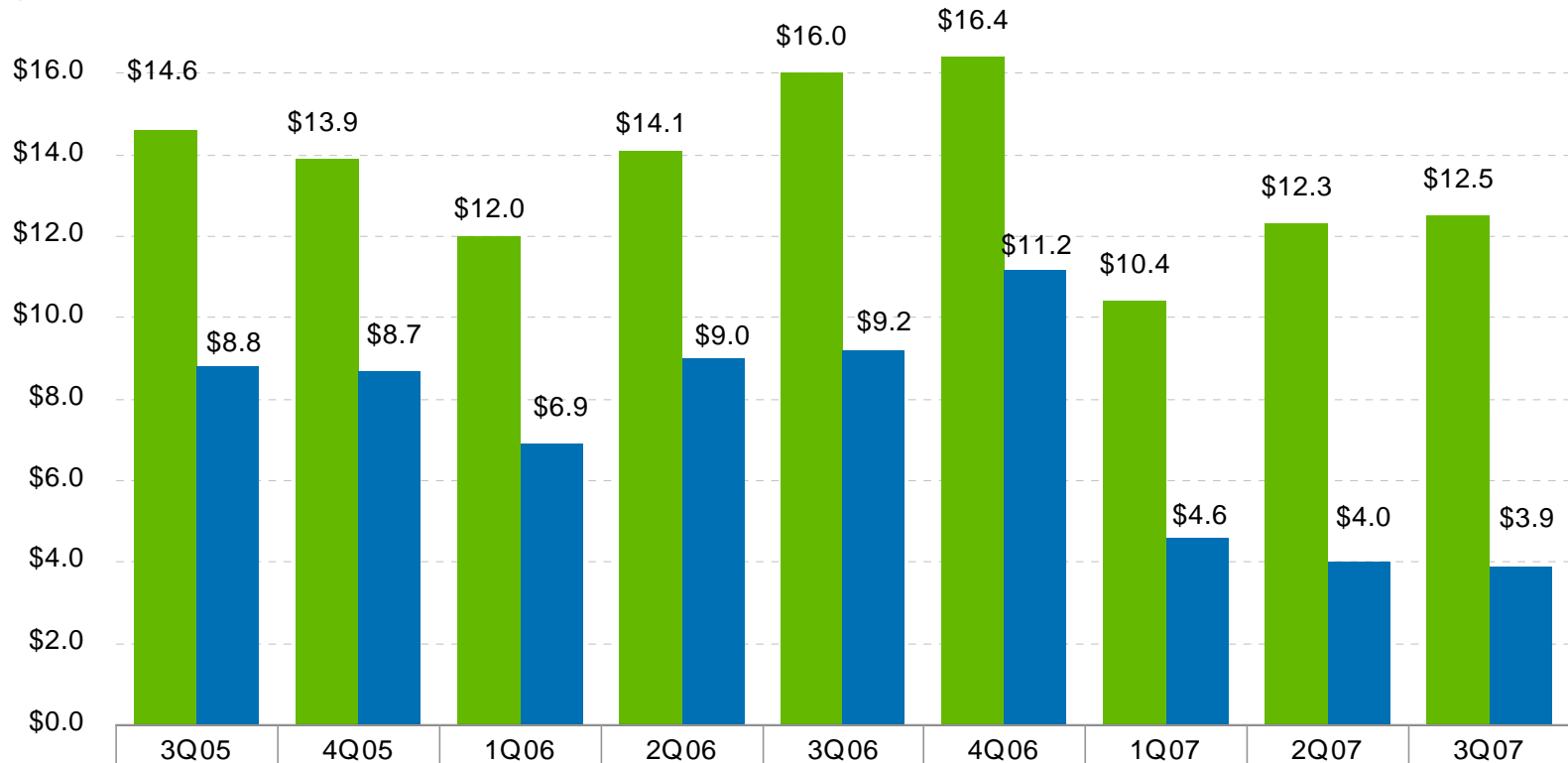


Working capital metrics



Gross cash and net cash

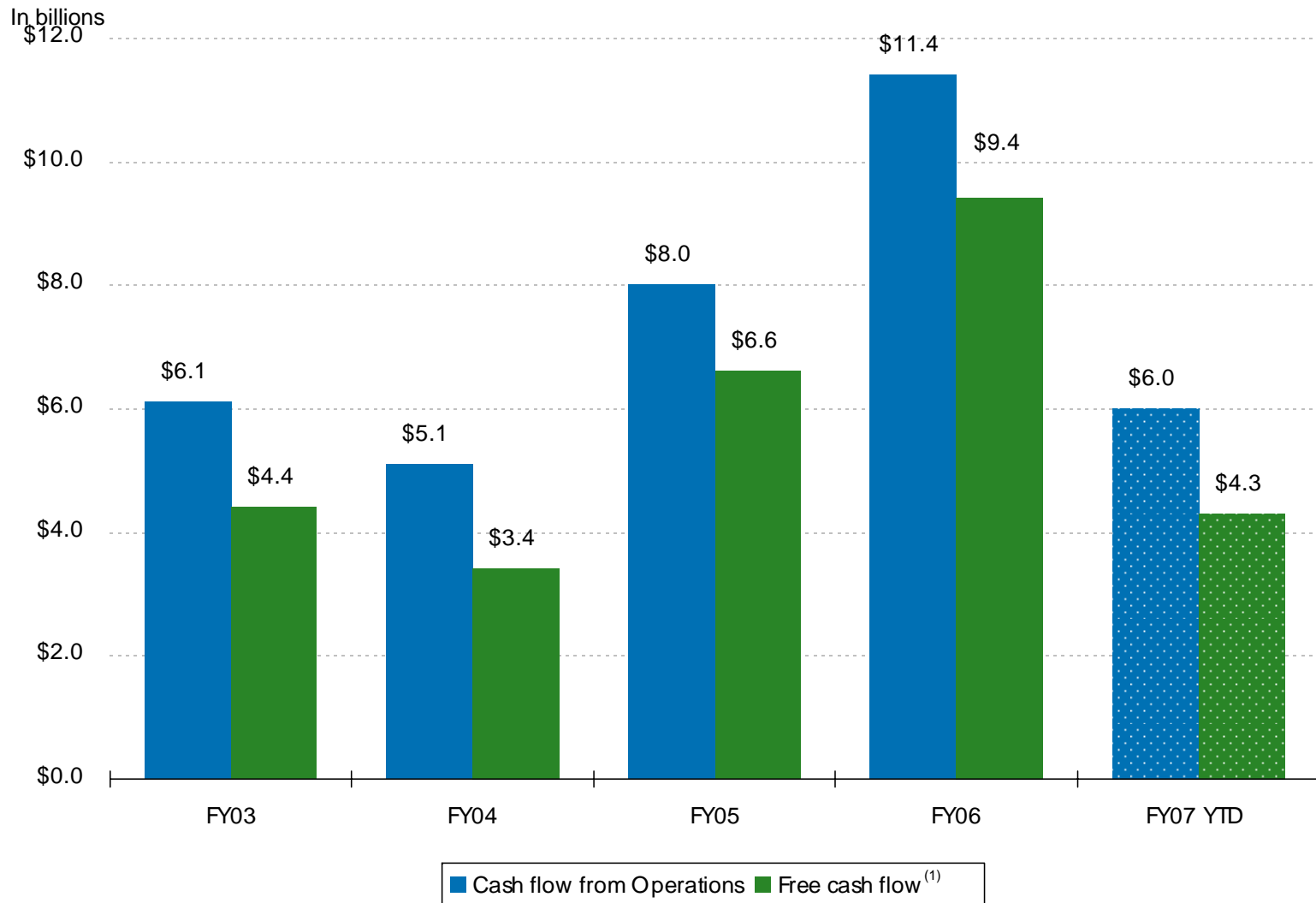
In billions
\$18.0



■ Gross cash ⁽¹⁾	\$14.6	\$13.9	\$12.0	\$14.1	\$16.0	\$16.4	\$10.4	\$12.3	\$12.5
■ Net cash ⁽²⁾	\$8.8	\$8.7	\$6.9	\$9.0	\$9.2	\$11.2	\$4.6	\$4.0	\$3.9

1. Includes cash and cash equivalents, short-term investments, and certain liquid long-term investments
2. Net cash is defined as gross cash less total debt

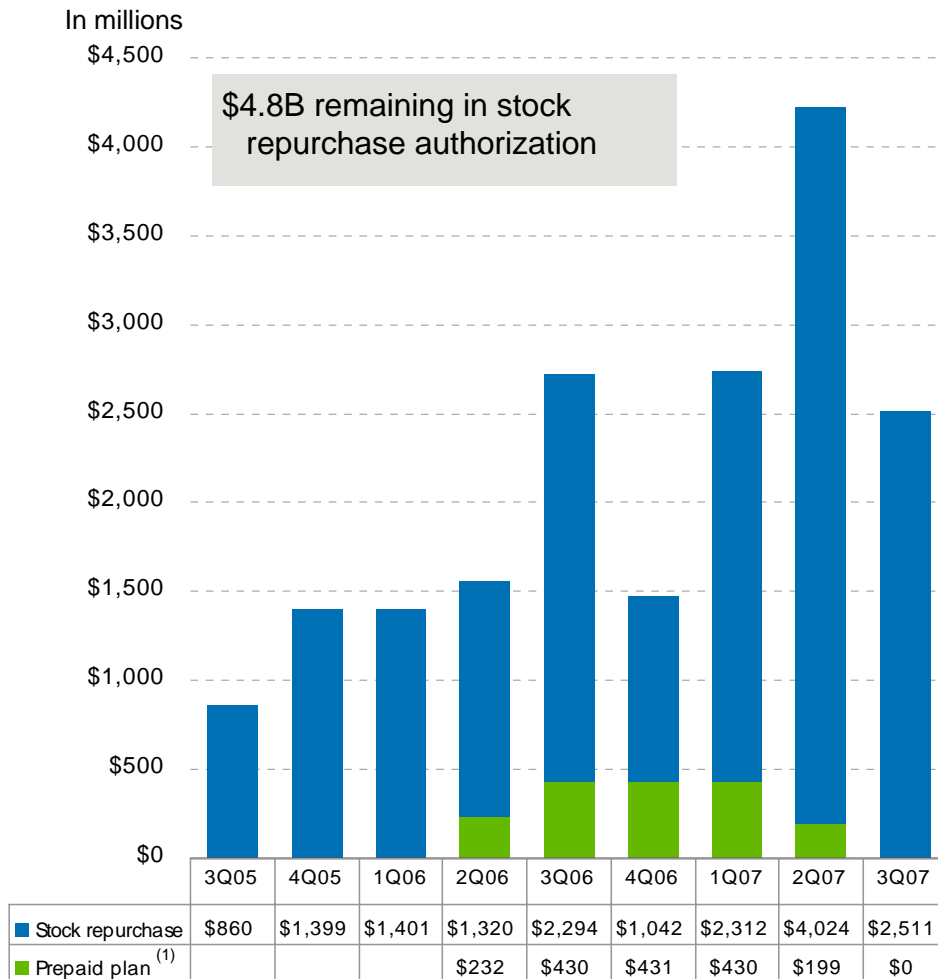
Cash flow



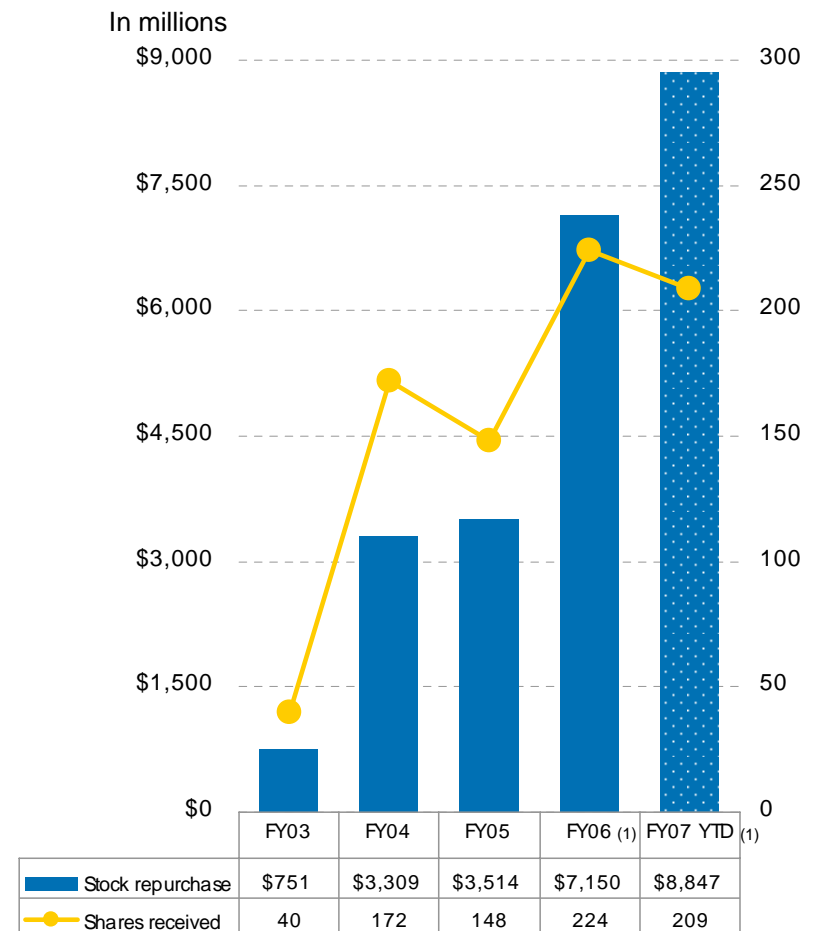
1. Free cash flow = cash flow from operations – net capital expenditures

Stock re-purchase

Quarterly trends



FY03 – FY07YTD



1. In Q1 FY06, HP entered into a prepaid variable share purchase program. \$1.7 billion in cash was used in Q1 FY06 to fully fund this plan. See our Form 10-Q for the period ended January 31, 2006 for more information. HP completed all repurchases under this plan in March 2007 and received a total of 53M shares

Outlook

Q4 FY07 guidance

Revenue	Approximately \$27.0 – \$27.2 billion
GAAP EPS ⁽¹⁾	\$0.75 – \$0.76
Non-GAAP EPS ⁽¹⁾	\$0.80 – \$0.81

Full year FY07 guidance

Revenue	Approximately \$103.0 – \$103.2 billion
GAAP EPS ⁽²⁾	\$2.61 – \$2.62
Non-GAAP EPS ⁽²⁾	\$2.86 – \$2.87

1. Q4 FY07 non-GAAP diluted earnings per share estimates exclude after-tax costs of approximately \$0.05 per share, related primarily to the amortization of purchased intangible assets.
2. Full year FY07 non-GAAP diluted earnings per share estimates exclude after-tax costs of approximately \$0.25 per share, related primarily to the amortization of purchased intangible assets, in process research and development charges, restructuring charges and pension curtailment gains.

Supplemental slides



Q2 FY07 GAAP to non-GAAP bridge

In millions except per share amounts	GAAP	Amort. of Intangibles	Re- structuring	In-process R&D	Pension curtail- ment	Non-GAAP
Revenue	25,534					25,534
Cost of sales	19,283					19,283
Total OpEx	4,123	(212)	(453)	(19)	508	3,947
Operating profit	2,128	212	453	19	(508)	2,304
Interest & other, net	87					87
Gains on investments	⁽¹⁾ 13					13
Pre-tax earnings	2,228	212	453	19	(508)	2,404
Income tax	453	53	155	—	(177)	484
Tax rate	20.3%					20.1%
Net earnings	1,775					1,920
EPS	\$0.65					\$0.70

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

Q1 FY07 GAAP to non-GAAP bridge

In millions except per share amounts	GAAP	Amort. of Intangibles	Re- structuring	In-process R&D	Pension curtail- ment	Non-GAAP
Revenue	25,082					25,082
Cost of sales	19,136					19,136
Total OpEx	4,103	(201)	41	(167)	9	3,785
Operating profit	1,843	201	(41)	167	(9)	2,161
Interest & other, net	111					111
Gains on investments	⁽¹⁾ 10					10
Pre-tax earnings	1,964	201	(41)	167	(9)	2,282
Income tax	417	50	(8)	—	(3)	456
Tax rate	21.2%					20%
Net earnings	1,547					1,826
EPS	\$0.55					\$0.65

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FY06 GAAP to non-GAAP bridge

In millions except per share amounts	GAAP	Amort. of Intangibles	Re- structuring charges	In-process R&D	(G)/L Invest.	Non-GAAP
Revenue	91,658					91,658
Cost of sales	69,427					69,427
Total OpEx	15,671	(604)	(158)	(52)		14,857
Operating profit	6,560	604	158	52		7,374
Interest & other, net	631				(25)	606
Pre-tax earnings	7,191	604	158	52	(25)	7,980
Income tax	993	175	45		(10)	1,203
Tax rate	13.8%					15.1%
Net earnings	6,198					6,777
EPS	\$2.18					\$2.38

Q4 FY06 GAAP to non-GAAP bridge

In millions except per share amounts	GAAP	Amort. of Intangibles	Re- structuring	(G)/L Invest.	Non-GAAP
Revenue	24,555				24,555
Cost of sales	18,593				18,593
Total OpEx	4,061	(153)	(152)		3,756
Operating profit	1,901	153	152		2,206
Interest & other, net	204			(14)	190
Pre-tax earnings	2,105	153	152	(14)	2,396
Income tax	408	45	43	(5)	491
Tax rate	19.4%				20.5%
Net earnings	1,697				1,905
EPS	\$0.60				\$0.68

Q3 FY06 GAAP to non-GAAP bridge

In millions except per share amounts	GAAP	Amort. of Intangibles	Re- structuring	(G)/L Invest.	Non-GAAP
Revenue	21,890				21,890
Cost of sales	16,472				16,472
Total OpEx	3,908	(153)	(5)		3,750
Operating profit	1,510	153	5		1,668
Interest & other, net	228			(7)	221
Pre-tax earnings	1,738	153	5	(7)	1,889
Income tax	363	43	2	(2)	406
Tax rate	20.9%				21.5%
Net earnings	1,375				1,483
EPS	\$0.48				\$0.52

Q2 FY06 GAAP to non-GAAP bridge

In millions except per share amounts	GAAP	Amort. of Intangibles	Re- structuring	In-process R&D	(G)/L Invest.	Non-GAAP
Revenue	22,554					22,554
Cost of sales	16,970					16,970
Total OpEx	3,927	(151)	14	(2)		3,788
Operating profit	1,657	151	(14)	2		1,796
Interest & other, net	163				(6)	157
Pre-tax earnings	1,820	151	(14)	2	(6)	1,953
Income tax ⁽¹⁾	(79)	44	(4)		(4)	(43)
Tax rate ⁽¹⁾	NM					NM
Net earnings ⁽¹⁾	1,899					1,996
EPS ⁽¹⁾	\$0.66					\$0.69

1. On June 6, HP upwardly revised Q2 FY06 earnings following the signing of a settlement agreement by the Internal Revenue Service resolving federal income tax matters for HP's 1996 through 1998 tax years. GAAP and Non-GAAP EPS for Q2 FY06 were previously reported as \$0.51 and \$0.54, respectively. Notification from the IRS on June 1 prior to the filing of HP's Q2 FY06 Form 10-Q required this revision to HP's reported Q2 FY06 results.

Q1 FY06 GAAP to non-GAAP bridge

In millions except per share amounts	GAAP	Amort. of Intangibles	Re- structuring charges	In-process R&D	(G)/L Invest.	Non-GAAP
Revenue	22,659					22,659
Cost of sales	17,392					17,392
Total OpEx	3,775	(147)	(15)	(50)		3,563
Operating profit	1,492	147	15	50		1,704
Interest & other, net	36				2	38
Pre-tax earnings	1,528	147	15	50	2	1,742
Income tax	301	43	4		1	349
Tax rate	20%					20%
Net earnings	1,227					1,393
EPS	\$0.42					\$0.48

FY05 GAAP to non-GAAP bridge

In millions except per share amounts	GAAP	Amort. of Intangibles	Re- structurin g charges	In-process R&D	(G)/L Invest.	Pensio n curtail- ment	AJCA Adj	Non-GAAP
Revenue	86,696							86,696
Cost of sales	66,440							66,440
Total OpEx	16,783	(622)	(1,684)	(2)		199		14,674
Operating profit	3,473	622	1,684	2		(199)		5,582
Settlement	(106)							(106)
Interest & other, net	176				13			189
Pre-tax earnings	3,543	622	1,684	2	13	(199)		5,665
Income tax	1,145	185	466		3	(54)	(788)	957
Tax rate	32%							17%
Net earnings	2,398							4,708
EPS	\$0.82							\$1.62

Q4 FY05 GAAP to non-GAAP bridge

In millions except per share amounts	GAAP	Amort. of Intangibles	Re- structuring charges	In-process R&D	(G)/L Invest.	Pensio n curtail- ment	Non-GAAP
Revenue	22,913						22,913
Cost of sales	17,532						17,532
Total OpEx	5,149	(136)	(1,565)	(2)		199	3,645
Operating profit	232	136	1,565	2		(199)	1,736
Settlement	3						3
Interest & other, net	146				(14)		132
Pre-tax earnings	381	136	1,565	2	(14)	(199)	1,871
Income tax	(35)	40	429		(5)	(54)	375
Tax rate	(9%)						20%
Net earnings	416						1,496
EPS	\$0.14						\$0.51

Q3 FY05 GAAP to non-GAAP bridge

In millions except per share amounts	GAAP	Amort. of Intangibles	Re- structuring charges	(G)/L Invest.	AJCA Tax Adj.	Non-GAAP
Revenue	20,759					20,759
Cost of sales	15,942					15,942
Total OpEx	3,904	(168)	(112)			3,624
Operating profit	913	168	112			1,193
Settlement	7					7
Interest & other, net	113			6		119
Pre-tax earnings	1,033	168	112	6		1,319
Income tax	960	50	34	2	(788)	258
Tax rate	93%					20%
Net earnings	73					1,061
EPS	\$0.03					\$0.36

Q2 FY05 GAAP to non-GAAP bridge

In millions except per share amounts	GAAP	Amort. of Intangibles	Re- structuring charges	(G)/L Invest.	Non-GAAP
Revenue	21,570				21,570
Cost of sales	16,429				16,429
Total OpEx	3,978	(151)	(4)		3,823
Operating profit	1,163	151	4		1,318
Interest & other, net	(84)			(3)	(87)
Pre-tax earnings	1,079	151	4	(3)	1,231
Income tax	113	46	1	(2)	158
Tax rate	10%				13%
Net earnings	966				1,073
EPS	\$0.33				\$0.37

Q1 FY05 GAAP to non-GAAP bridge

In millions except per share amounts	GAAP	Amort. of Intangibles	Re- structuring charges	(G)/L Invest.	Non-GAAP
Revenue	21,454				21,454
Cost of sales	16,537				16,537
Total OpEx	3,752	(167)	(3)		3,582
Operating profit	1,165	167	3		1,335
Settlement	(116)				(116)
Interest & other, net	1			24	25
Pre-tax earnings	1,050	167	3	24	1,244
Income tax	107	49	2	8	166
Tax rate	10%				13%
Net earnings	943				1,078
EPS	\$0.32				\$0.37

