



HP Q2 FY09 Earnings Announcement

May 19, 2009

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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. Items such as amortization of purchased intangible assets, though not directly affecting HP's cash position, represent the loss in value of intangible assets over time. The expense associated with this loss in value is not included in non-GAAP operating profit, non-GAAP net earnings, non-GAAP diluted earnings per share and HP's non-GAAP tax rate and therefore does not reflect the full economic effect of the loss in value of those intangible assets. In addition, 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 can have a material impact on cash flows and earnings per share. 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

Q2 FY09 results overview

Financial Summary

- Net revenue of \$27.4B, decline of \$911M, down 3% Y/Y; up 3% in constant currency
- Non-GAAP⁽¹⁾ diluted EPS of \$0.86; down 1% Y/Y
- GAAP diluted EPS of \$0.70; down 13% Y/Y
- Cash flow from operations of \$5.0B
- \$801M in share repurchases and \$192M in dividends

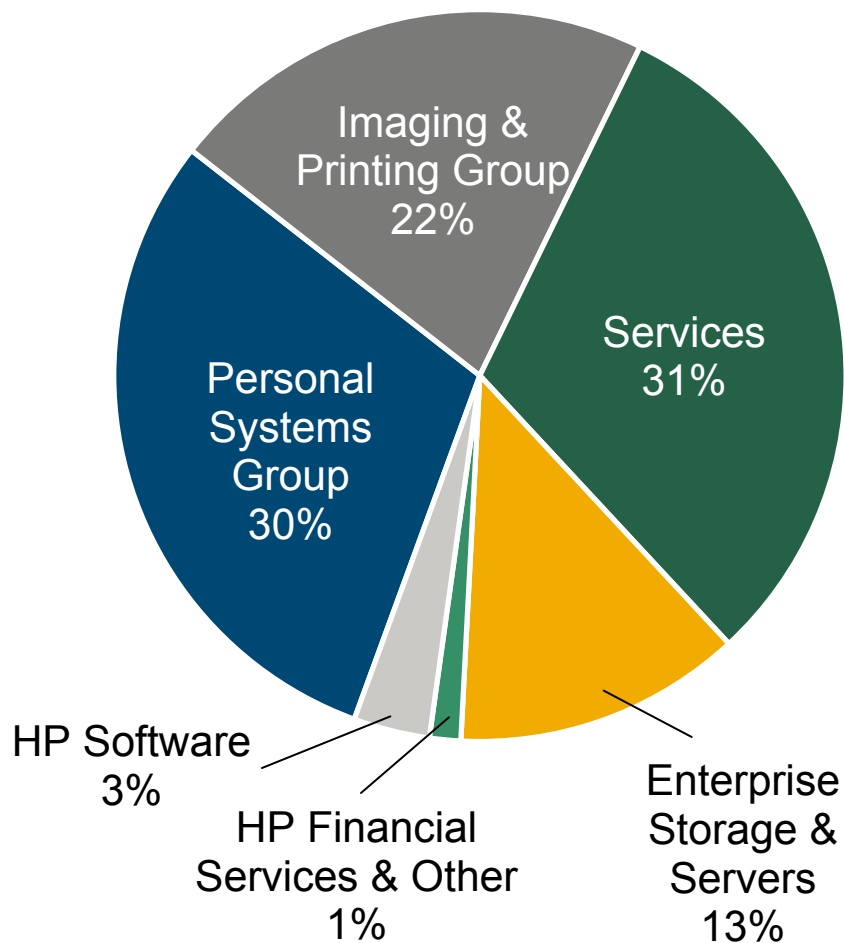
\$ in millions	Q2 Revenue	Growth Y/Y%	OP \$	OP % of rev	OP \$ Y/Y	OP % Y/Y
Services	\$8,488	99%	\$1,172	13.8%	\$665	1.9 pts
Enterprise Storage and Servers	\$3,456	(28%)	\$250	7.2%	(\$405)	(6.5 pts)
HP Software	\$880	(15%)	\$157	17.8%	\$53	7.8 pts
Technology Solutions Group	\$12,824	27%	\$1,579	12.3%	\$313	(0.3 pts)
Personal Systems Group	\$8,191	(19%)	\$374	4.6%	(\$170)	(0.8 pts)
Imaging and Printing Group	\$5,916	(23%)	\$1,074	18.2%	(\$146)	2.2 pts
HP Financial Services	\$641	(6%)	\$46	7.2%	(\$1)	0.3 pts
Total HP ⁽²⁾	\$27,351	(3%)	\$2,836 ⁽¹⁾	10.4% ⁽¹⁾	\$18 ⁽¹⁾	0.4 pts ⁽¹⁾

1. All non-GAAP numbers have been adjusted to exclude certain items. A reconciliation of specific adjustments to GAAP results for this quarter and prior periods is included on slide 17 and in the GAAP to non-GAAP slides that appear as part of the supplemental slides of this presentation. A description of HP's use of non-GAAP information is provided on slide 3 under "Use of non-GAAP Financial Information."

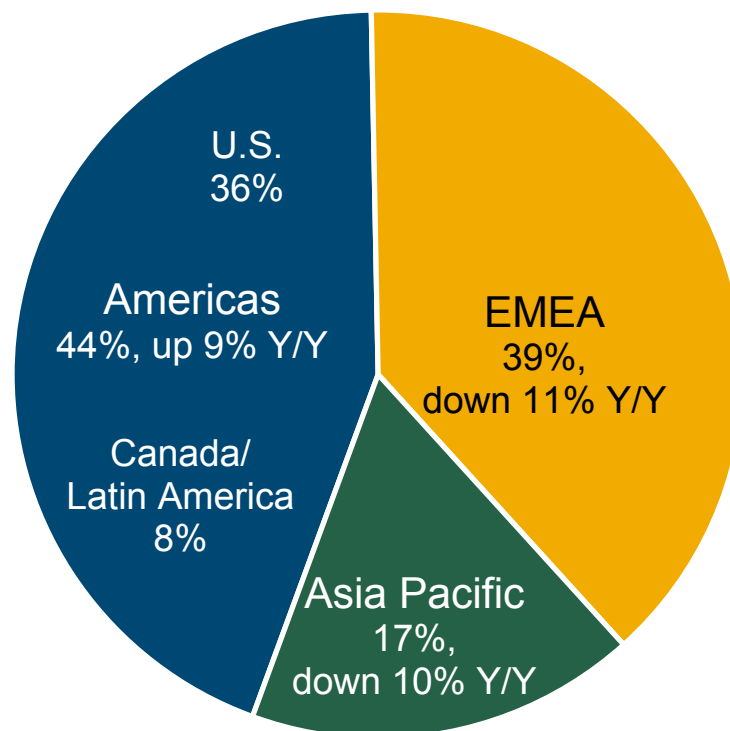
2. Includes Corporate Investments & Eliminations

Q2 FY09 revenue

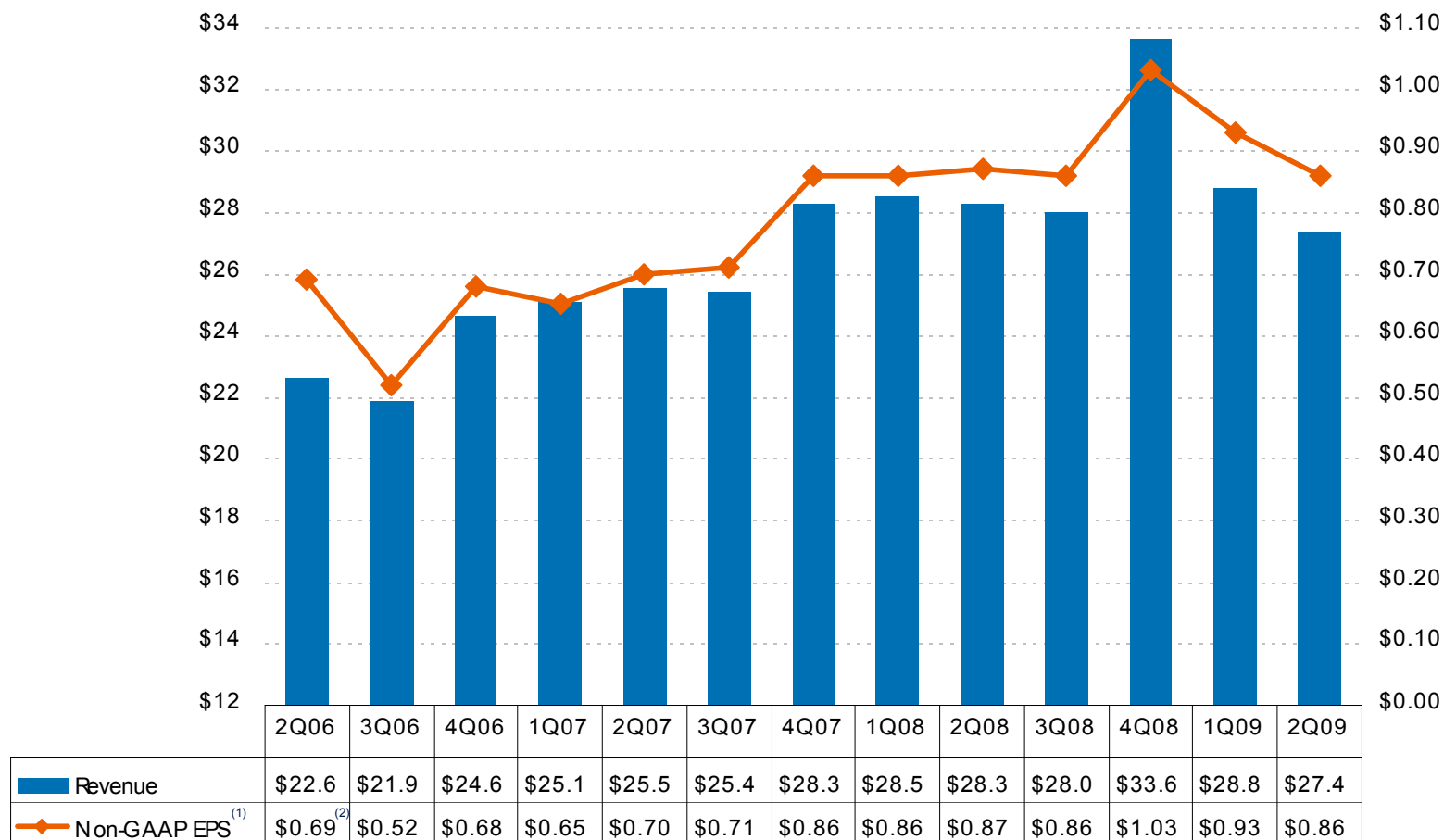
By Segment



By Region

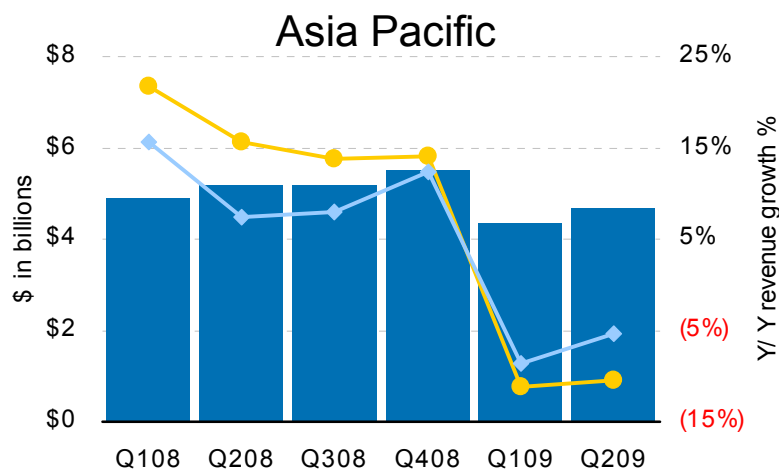
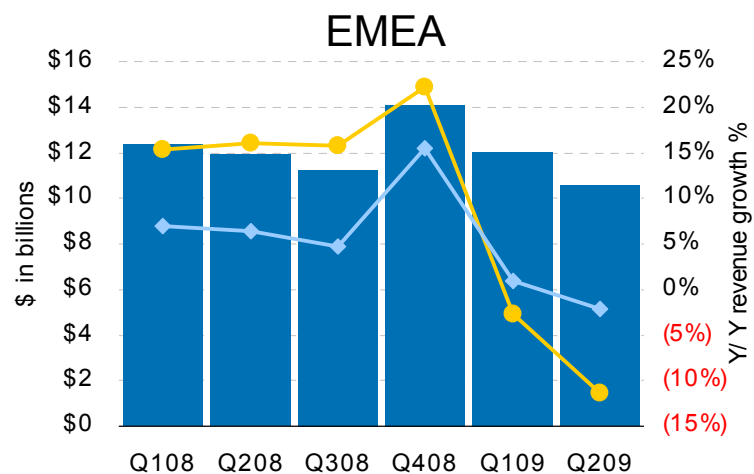
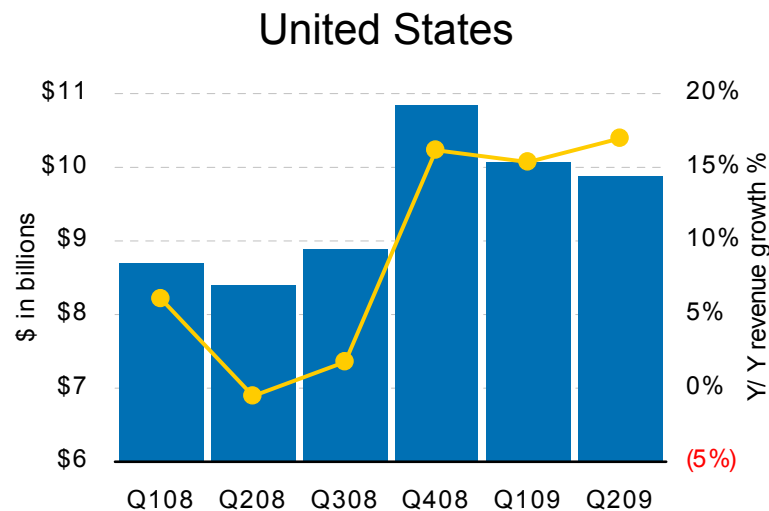
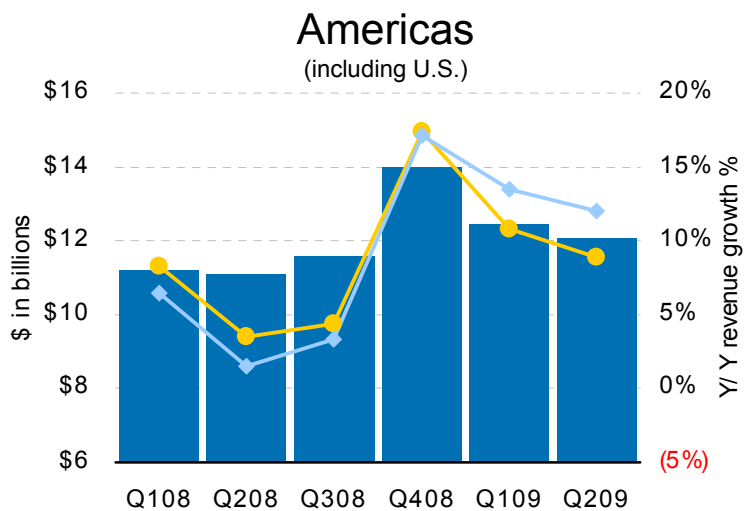


Revenue & EPS performance



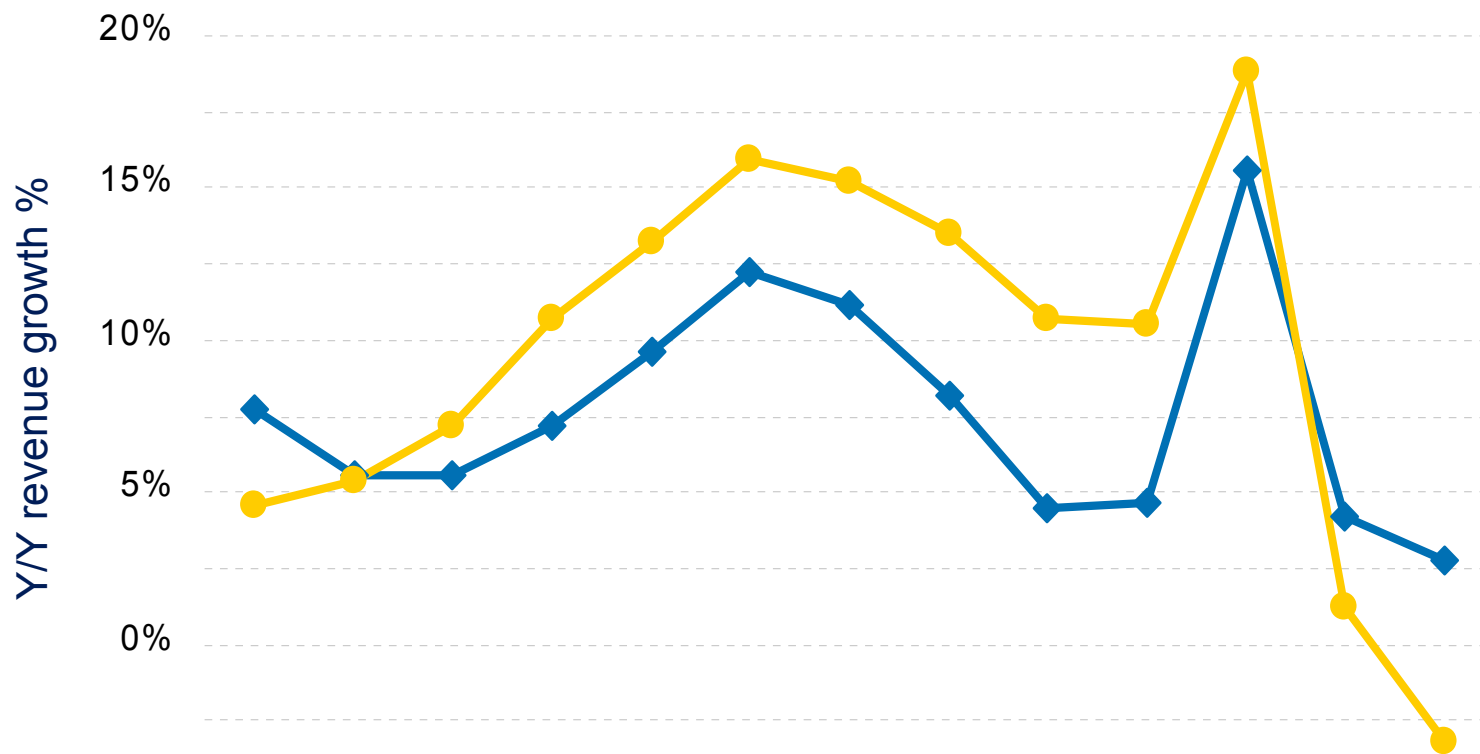
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2. On June 6, 2006, HP upwardly revised Q2 FY06 earnings following the signing of a settlement agreement by the Internal Revenue Service resolving federal income tax matters for HP's 1996 through 1998 tax years. Non-GAAP EPS for Q2 FY06 was previously 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.

Regional revenue trends



● Y/Y revenue growth %
◆ Y/Y constant currency revenue growth %

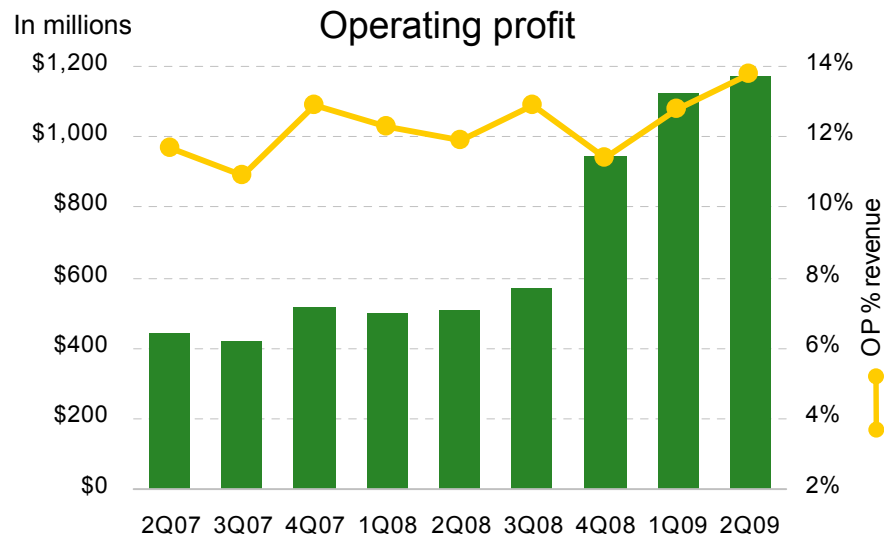
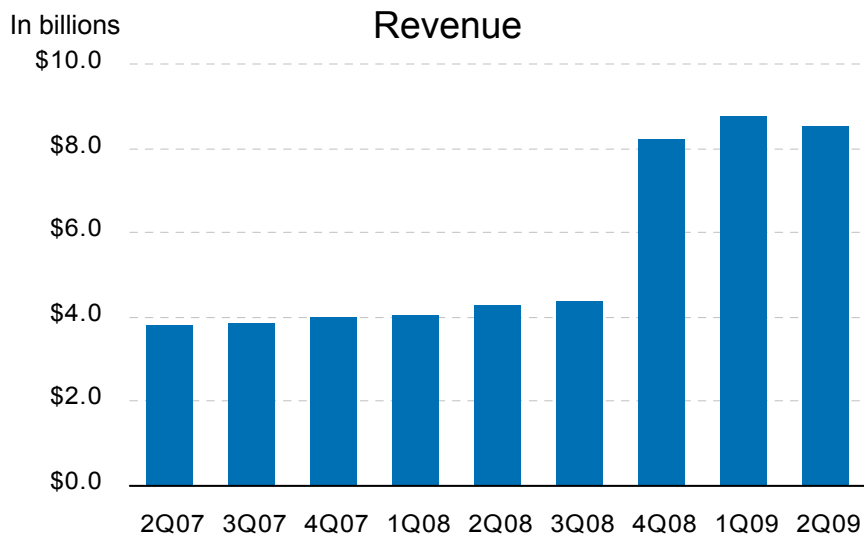
Revenue growth



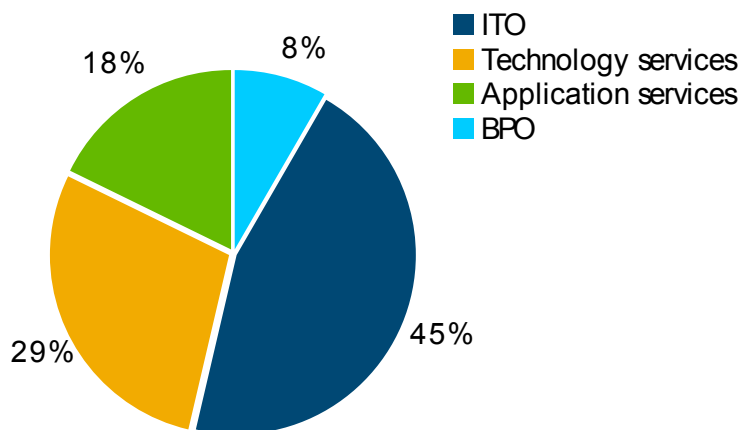
(5%)

	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09
◆ Constant currency	7.7%	5.6%	5.6%	7.2%	9.6%	12.2%	11.2%	8.2%	4.5%	4.7%	15.6%	4.2%	2.8%
● As reported	4.6%	5.4%	7.2%	10.7%	13.2%	15.9%	15.2%	13.5%	10.7%	10.5%	18.8%	1.2%	-3.2%

Services

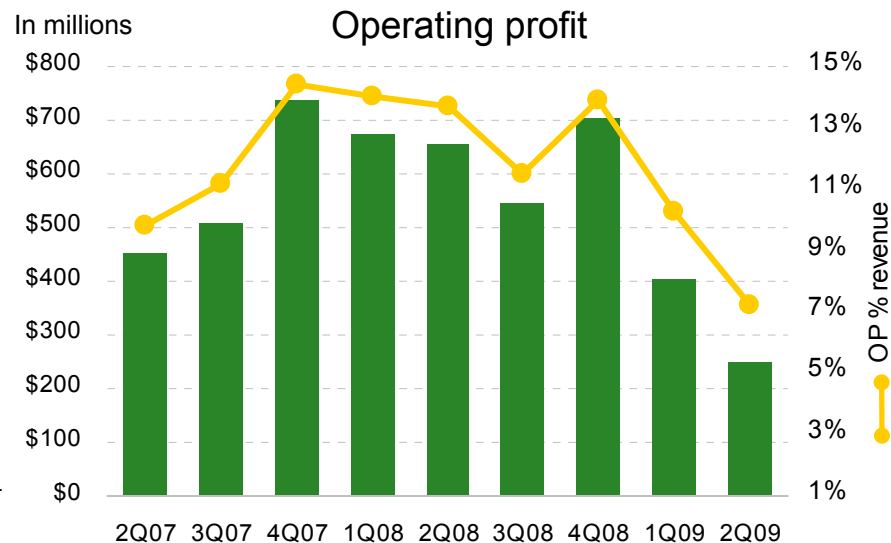
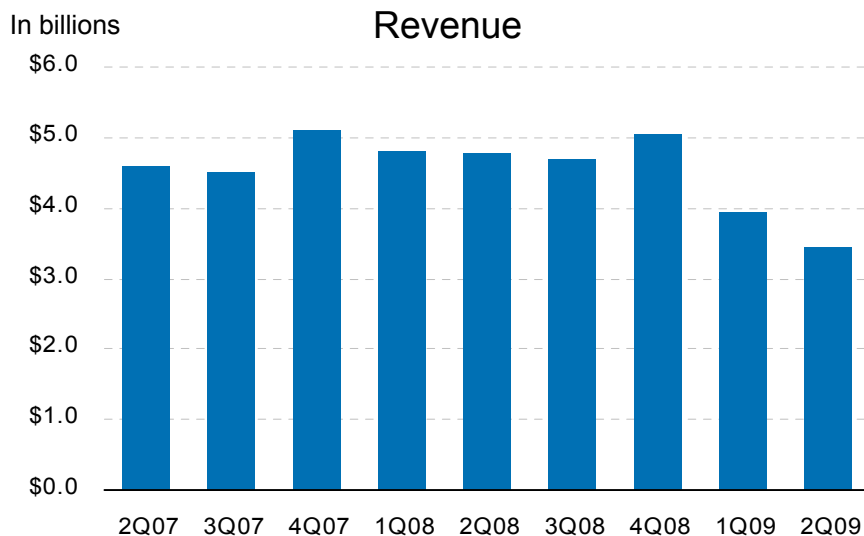


Q2 FY09 revenue by business

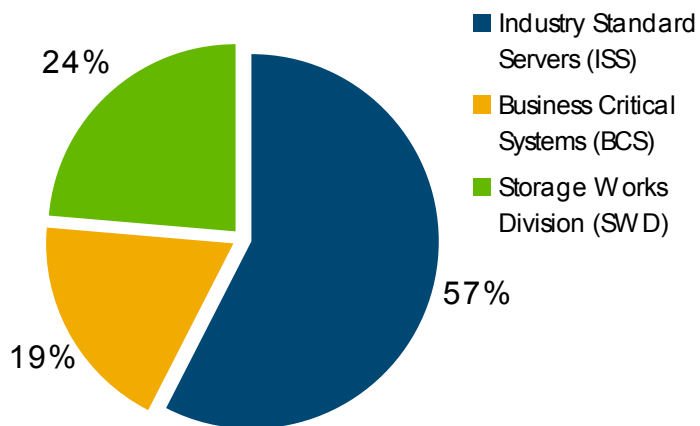


- Services revenue of \$8.5B, up 99% Y/Y
- Operating profit of \$1,172M; 13.8% of revenue
- ITO revenue of \$3.8B
- Technology services revenue of \$2.4B
- Application services revenue of \$1.5B
- BPO revenue of \$709M
- EDS integration ahead of plan

Enterprise Storage and Servers (ESS)

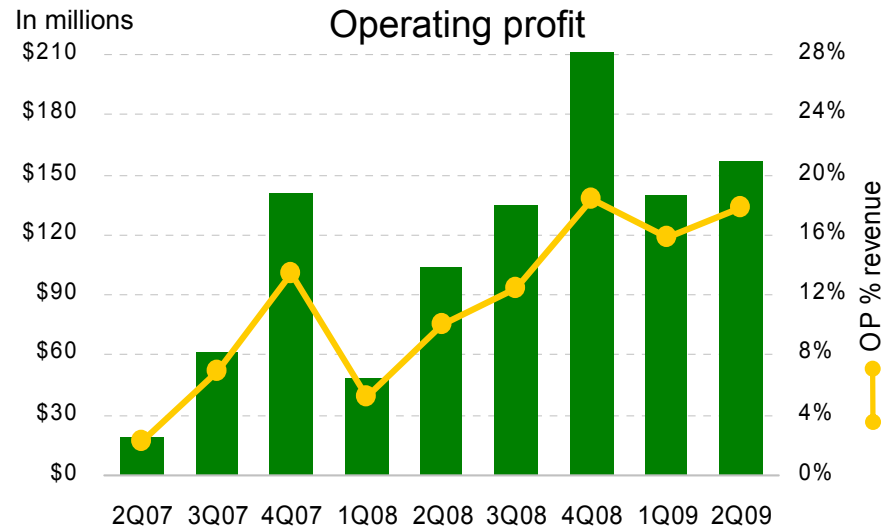
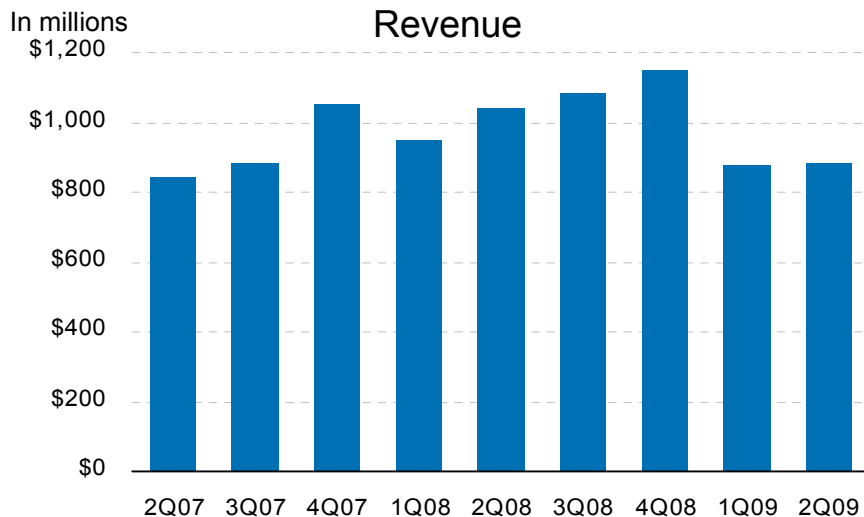


Q2 FY09 revenue by business

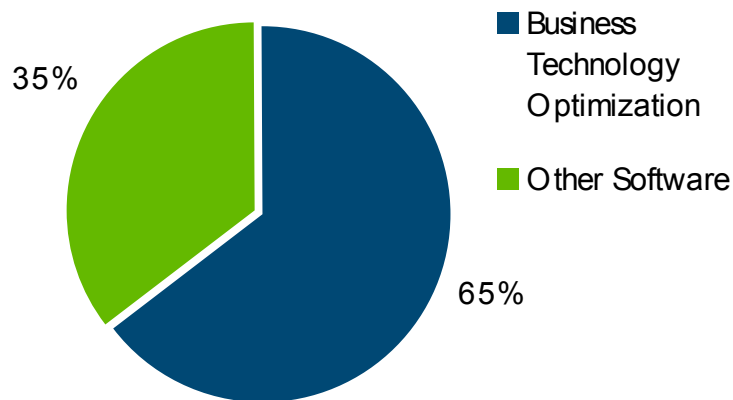


- ESS revenue of \$3.5B, down 28% Y/Y
- Operating profit of \$250M; 7.2% of revenue
- ISS revenue down 29% Y/Y
- BCS revenue down 29% Y/Y; Integrity revenue down 18% Y/Y
- Storage revenue down 22% Y/Y; mid-range storage arrays (EVA) down 21%
- ESS Blades revenue down 12% Y/Y

HP Software

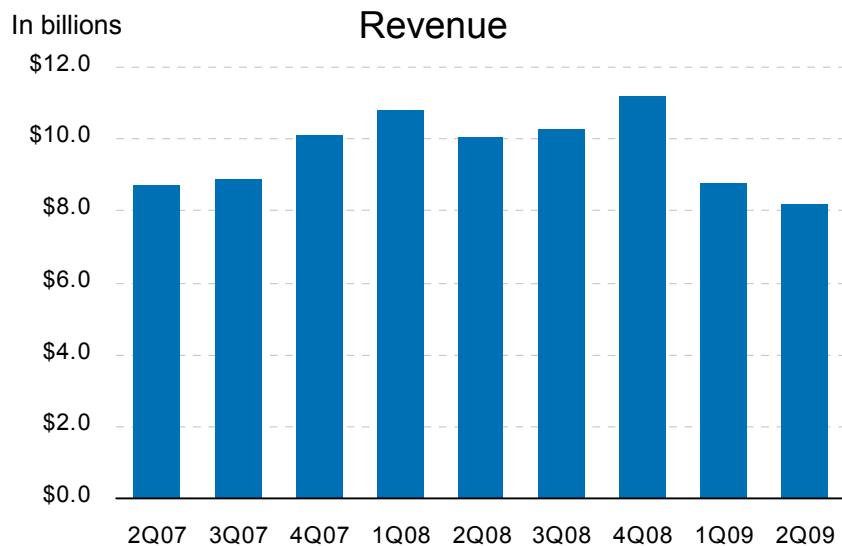


Q2 FY09 revenue by business

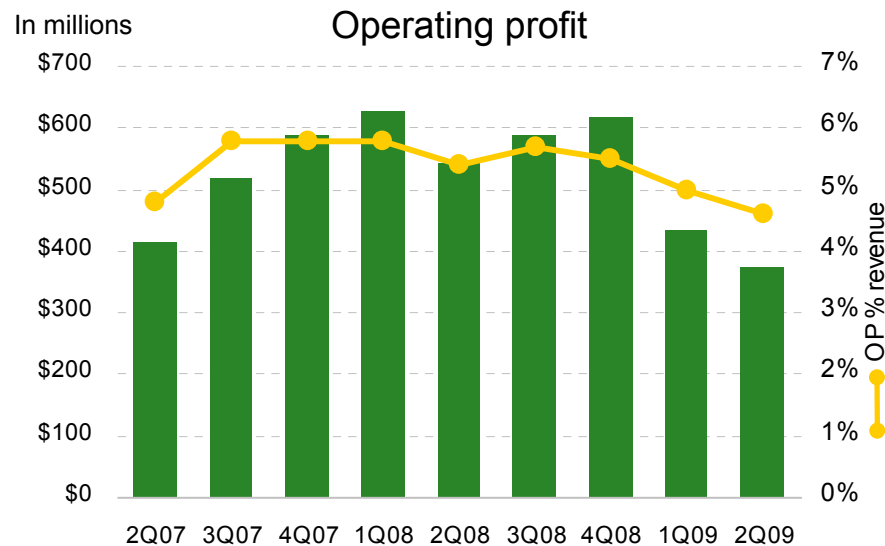
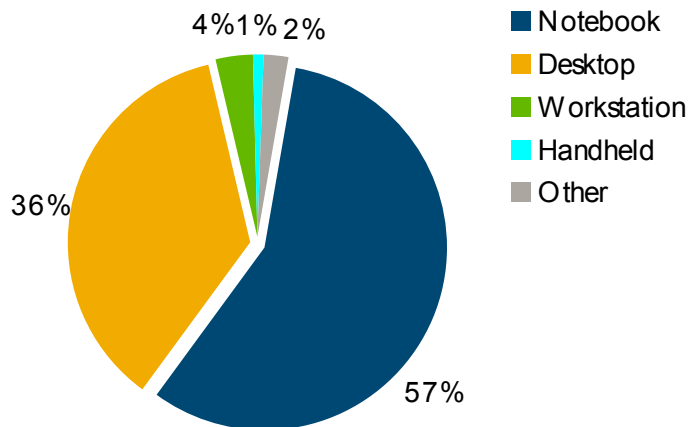


- Software revenue of \$880M, down 15% Y/Y
- Operating profit of \$157M; 17.8% of revenue
- Business Technology Optimization revenue down 15% Y/Y
- Other Software revenue down 15% Y/Y

Personal Systems Group (PSG)

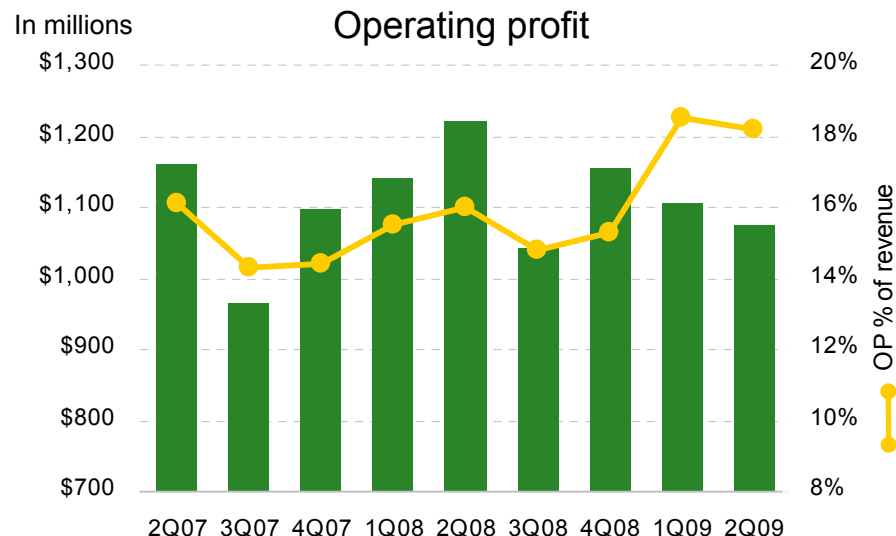
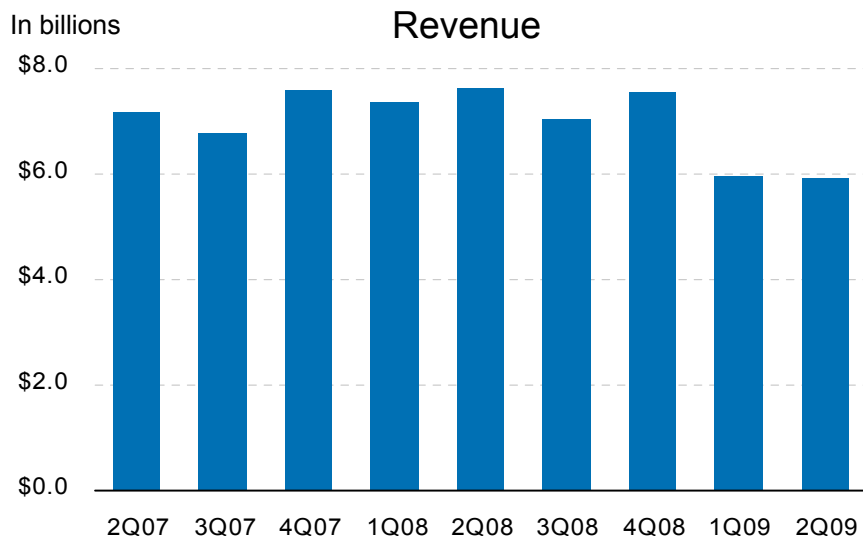


Q2 FY09 revenue by business

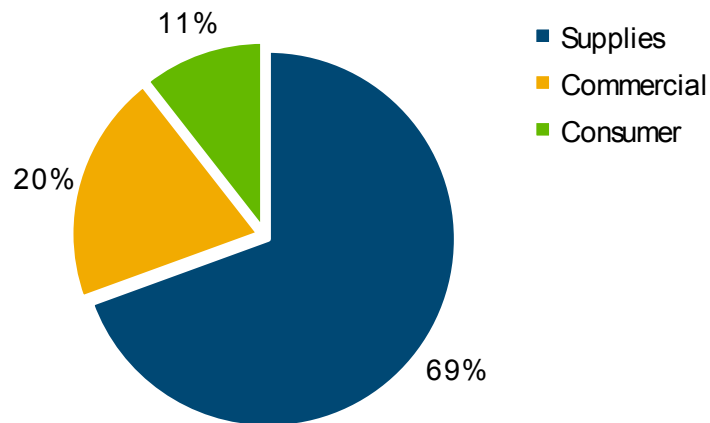


- PSG revenue of \$8.2B; down 19% Y/Y
- Operating profit of \$374M; 4.6% of revenue
- Total units flat Y/Y
- Notebook revenue down 13%; units up 14% Y/Y
- Desktop revenue down 24%; units down 13% Y/Y
- Consumer client revenue down 16% Y/Y; Commercial client revenue down 22% Y/Y
- Achieved #1 market position in US and APJ

Imaging and Printing Group (IPG)

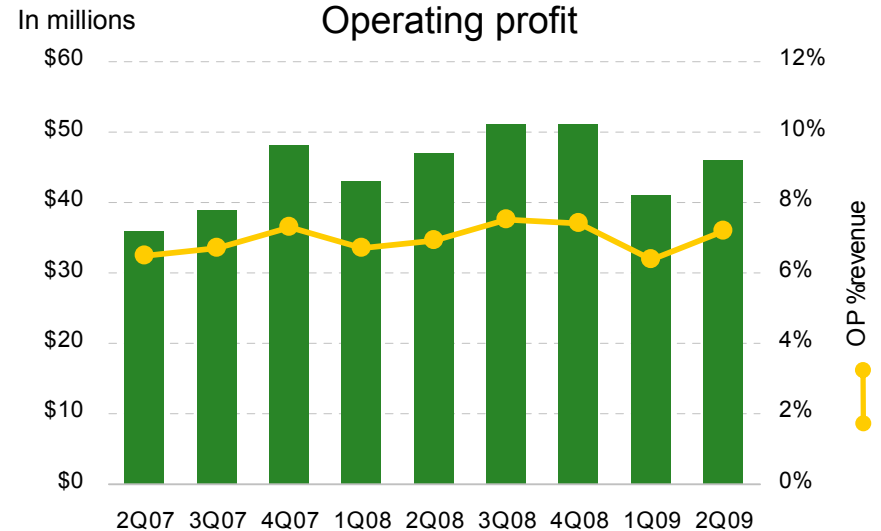
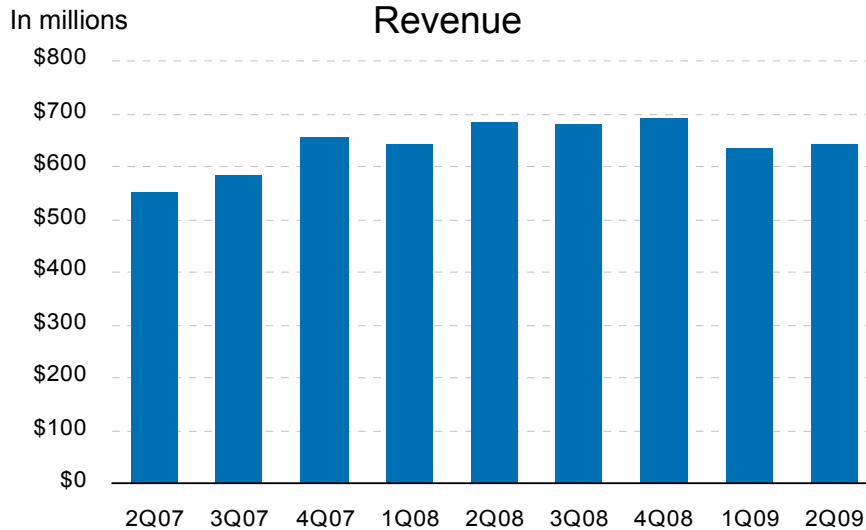


Q2 FY09 revenue by business

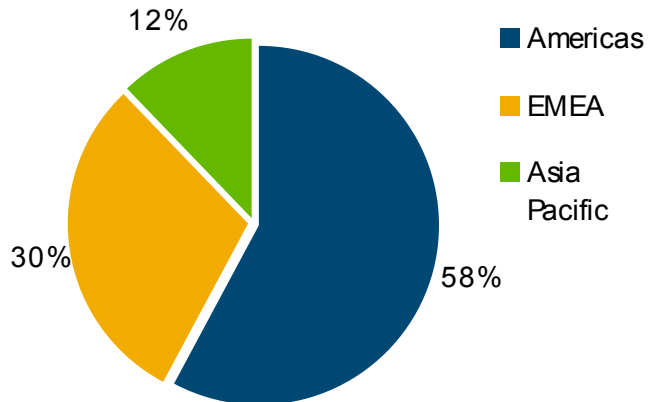


- IPG revenue of \$5.9B; down 23% Y/Y
- Operating profit of \$1,074M; 18.2% of revenue
- Supplies revenue down 14% Y/Y
- Total printer hardware units down 27% Y/Y; Consumer printer hardware units down 23% Y/Y; Commercial printer hardware units down 36% Y/Y
- Color LaserJet units down 42% Y/Y
- Printer-based MFP units down 23% Y/Y
- Indigo digital press page volume up 15% Y/Y

HP Financial Services (HPFS)



Q2 FY09 revenue by region



- HPFS revenue of \$641M, down 6% Y/Y
- Operating profit of \$46M; 7.2% of revenue
- Financing volume up 7% Y/Y
- Net portfolio assets \$8.5B, down 1% Y/Y

HPFS supplemental data

In millions	Q2 FY09	Q2 FY08	Q1 FY09
Depreciation ⁽¹⁾	\$272	\$306	\$271
Net capital expenditures ⁽¹⁾	\$352	\$349	\$264
Sequential increase (decrease) in net financing receivables	\$119	\$45	\$64

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

Non-GAAP⁽¹⁾ financial information

In millions except
per share amounts

	Q2 FY09		Q1 FY09		Q2 FY08 ⁽²⁾	
Revenue	\$27,351	100%	\$28,800	100%	\$28,262	100%
Cost of sales	20,919	76.5%	22,069	76.6%	21,205	75.0%
Total OpEx	3,596	13.1%	3,625	12.6%	4,239	15.0%
Operating profit	2,836	10.4%	3,106	10.8%	2,818	10.0%
Interest & other, net	(180)		(232)		3	
Pre-tax earnings	2,656	9.7%	2,874	10.0%	2,821	10.0%
Income tax	558		589		592	
Net Earnings	2,098	7.7%	2,285	7.9%	2,229	7.9%
EPS	\$0.86		\$0.93		\$0.87	

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2. FY 08 has been restated to conform to fiscal year 2009 presentation.

Q2 FY09 GAAP to non-GAAP bridge

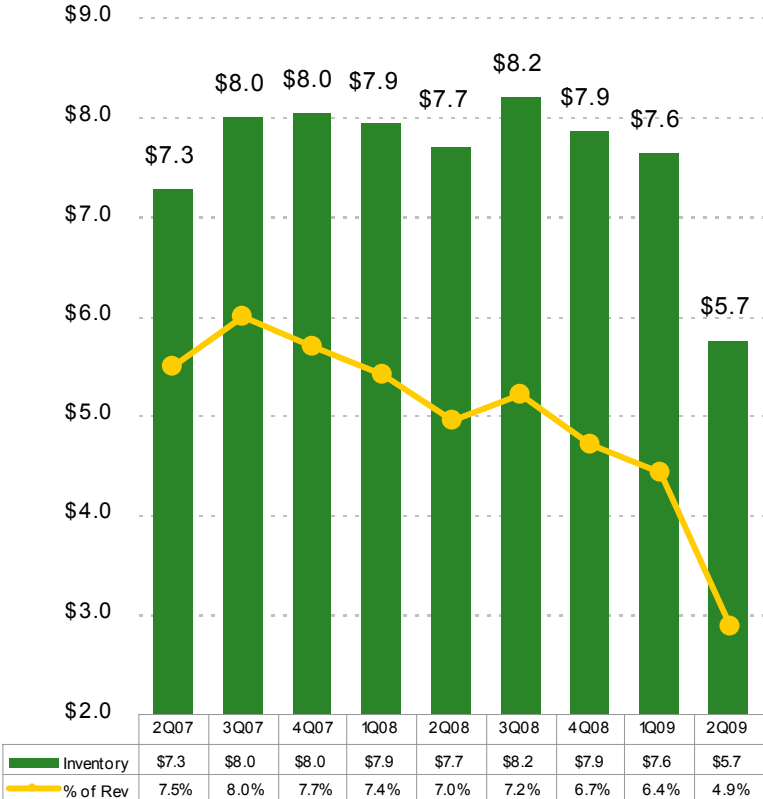
In millions except per share amounts	GAAP	Amort. of Intangibles	Re- Structuring	Acquisition related charges	Non-GAAP
Revenue	27,351				27,351
Cost of sales	20,919				20,919
Total OpEx	4,145	(380)	(94)	(75)	3,596
Operating profit	2,287	380	94	75	2,836
Interest & other, net	(180)				(180)
Pre-tax earnings	2,107	380	94	75	2,656
Income tax	391	112	31	24	558
Tax rate	18.6%				21.0%
Net earnings	1,716				2,098
EPS	\$0.70				\$0.86

Inventory and accounts receivable

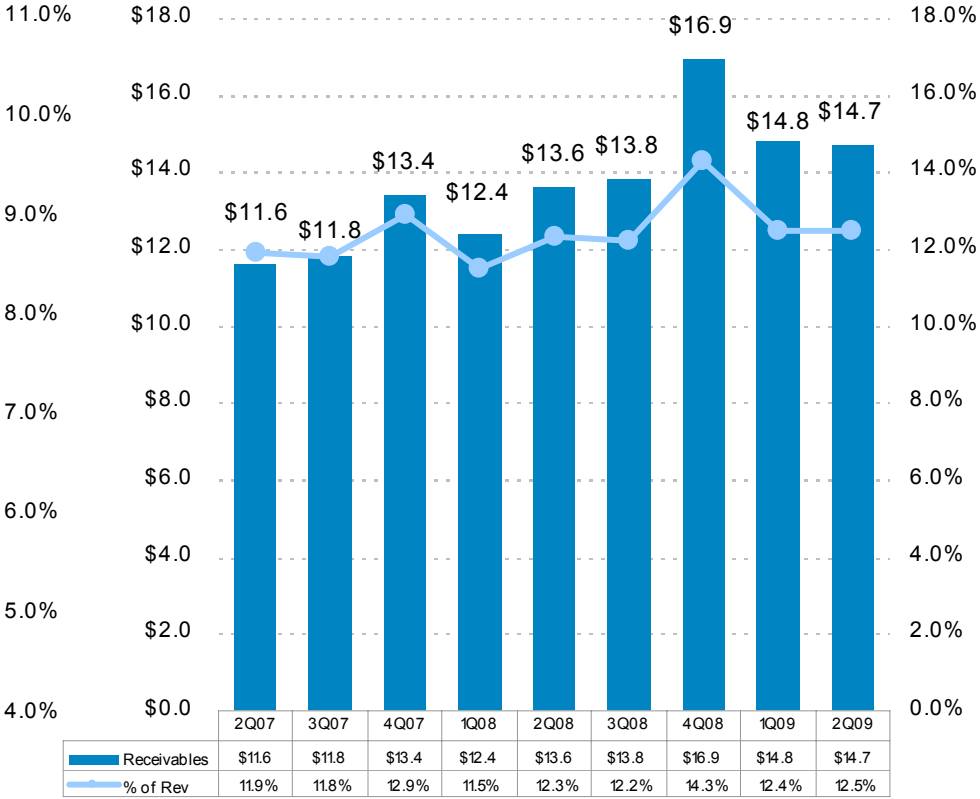
Inventory

Accounts receivable

In billions

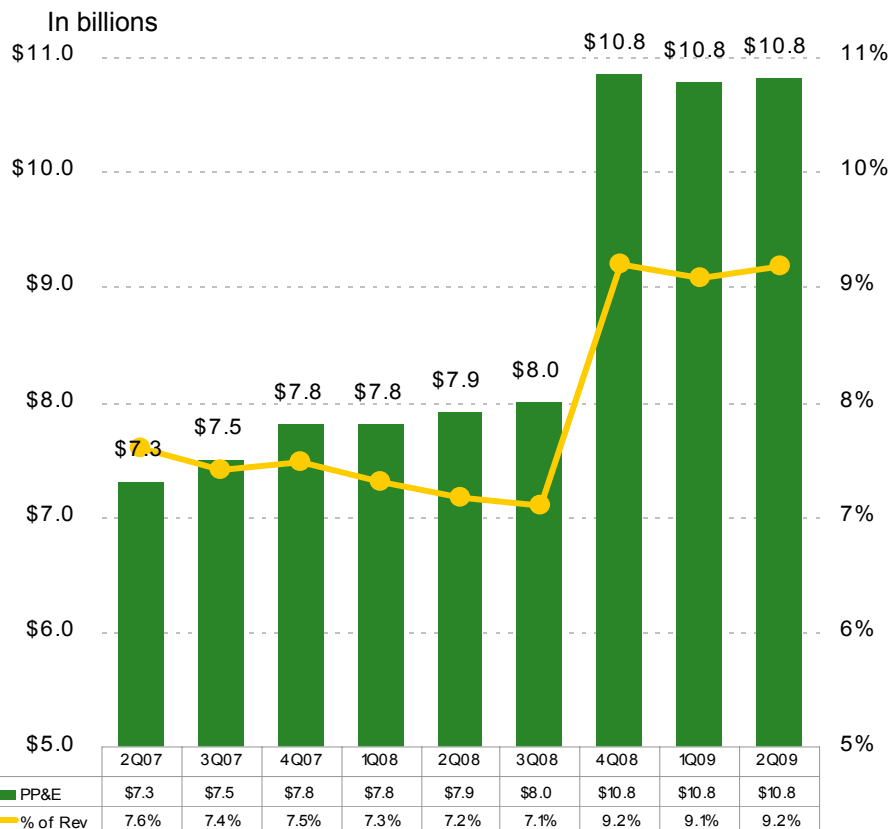


In billions

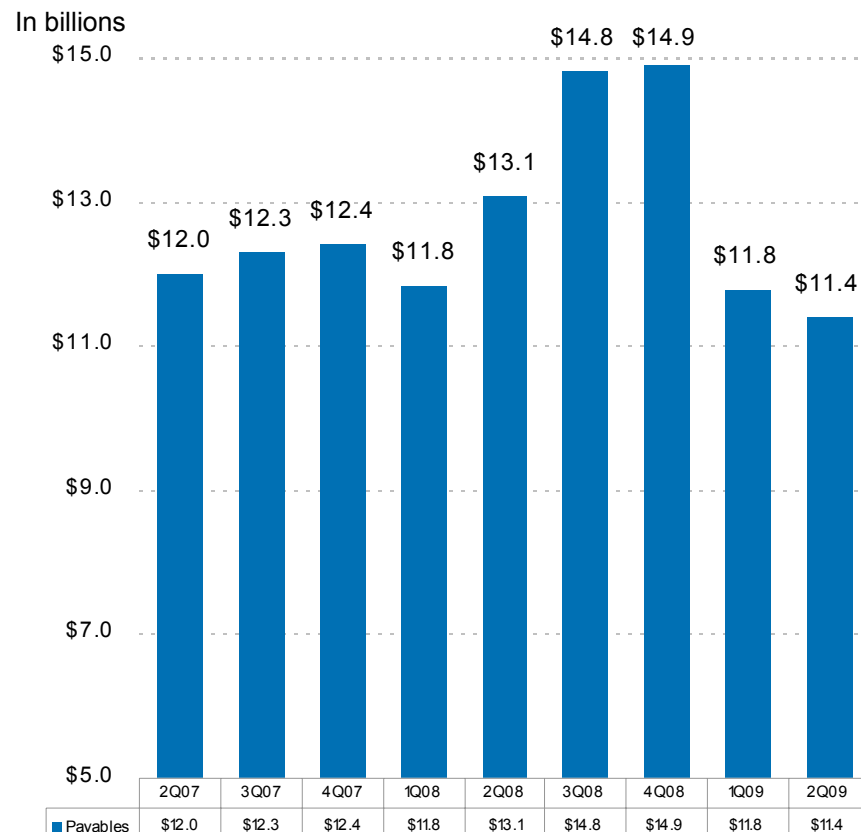


PP&E and accounts payable

Net PP&E

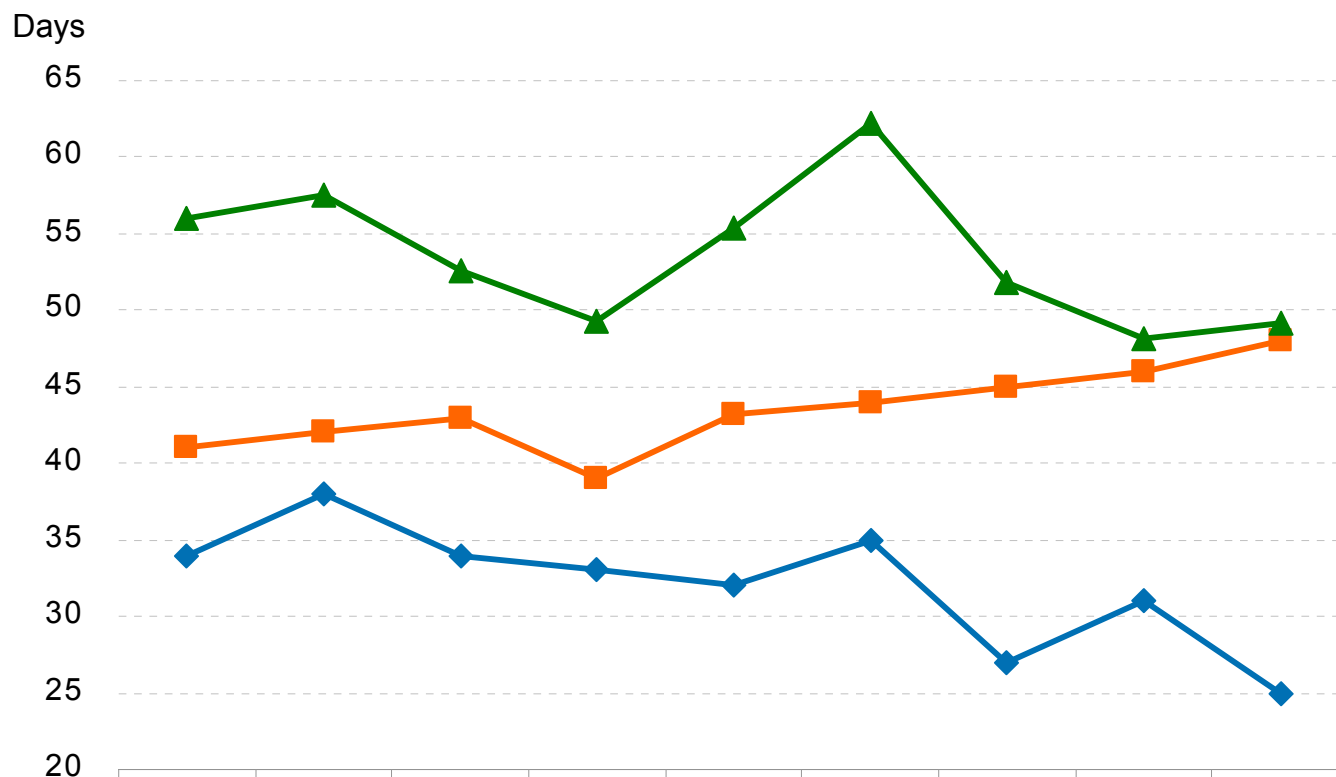


Accounts payable⁽¹⁾



1. In Q209 we reclassified certain activity within Other accrued liabilities to Accounts payable as this better represents the nature of the activity. All prior periods have been revised to conform to current presentation.

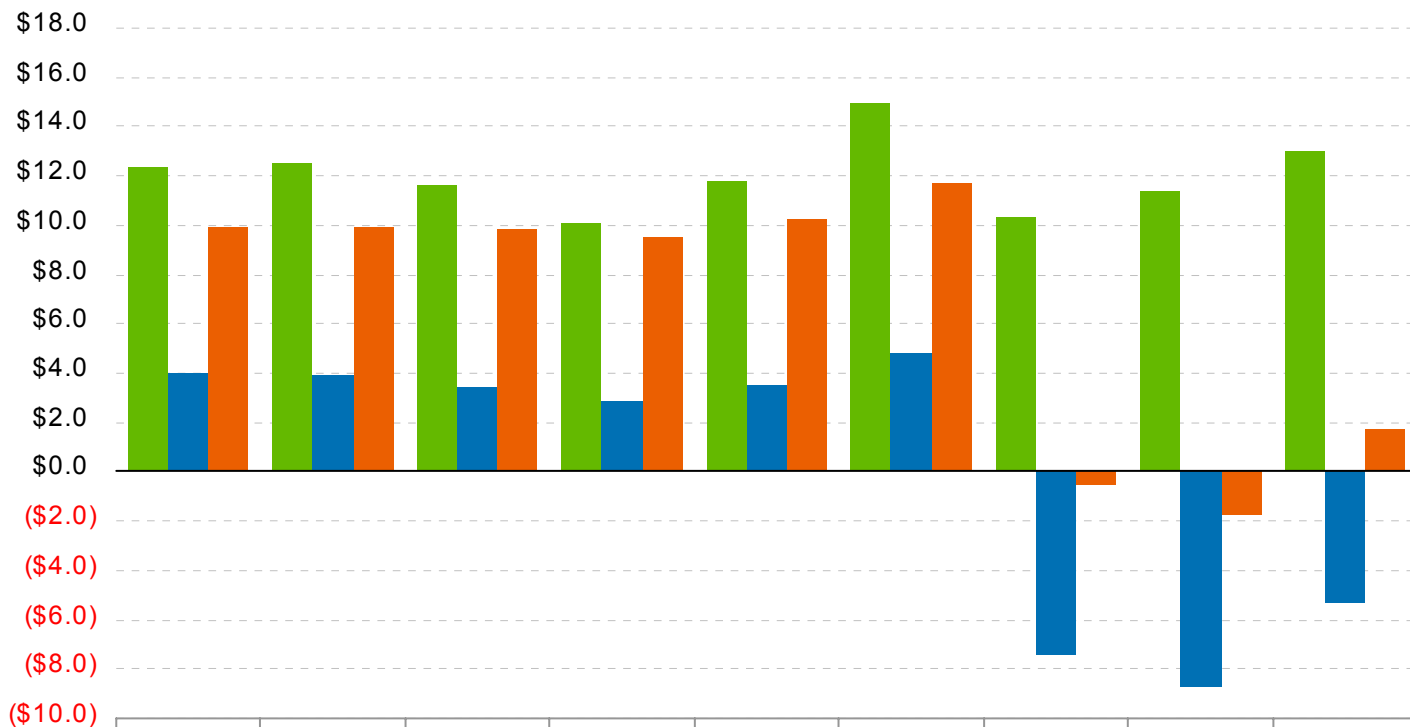
Working capital metrics



1. In Q209 we reclassified certain activity within Other accrued liabilities to Accounts payable. As a result of that reclassification, days payable for prior periods have been revised to conform to the current presentation.

Gross cash and net cash

In billions

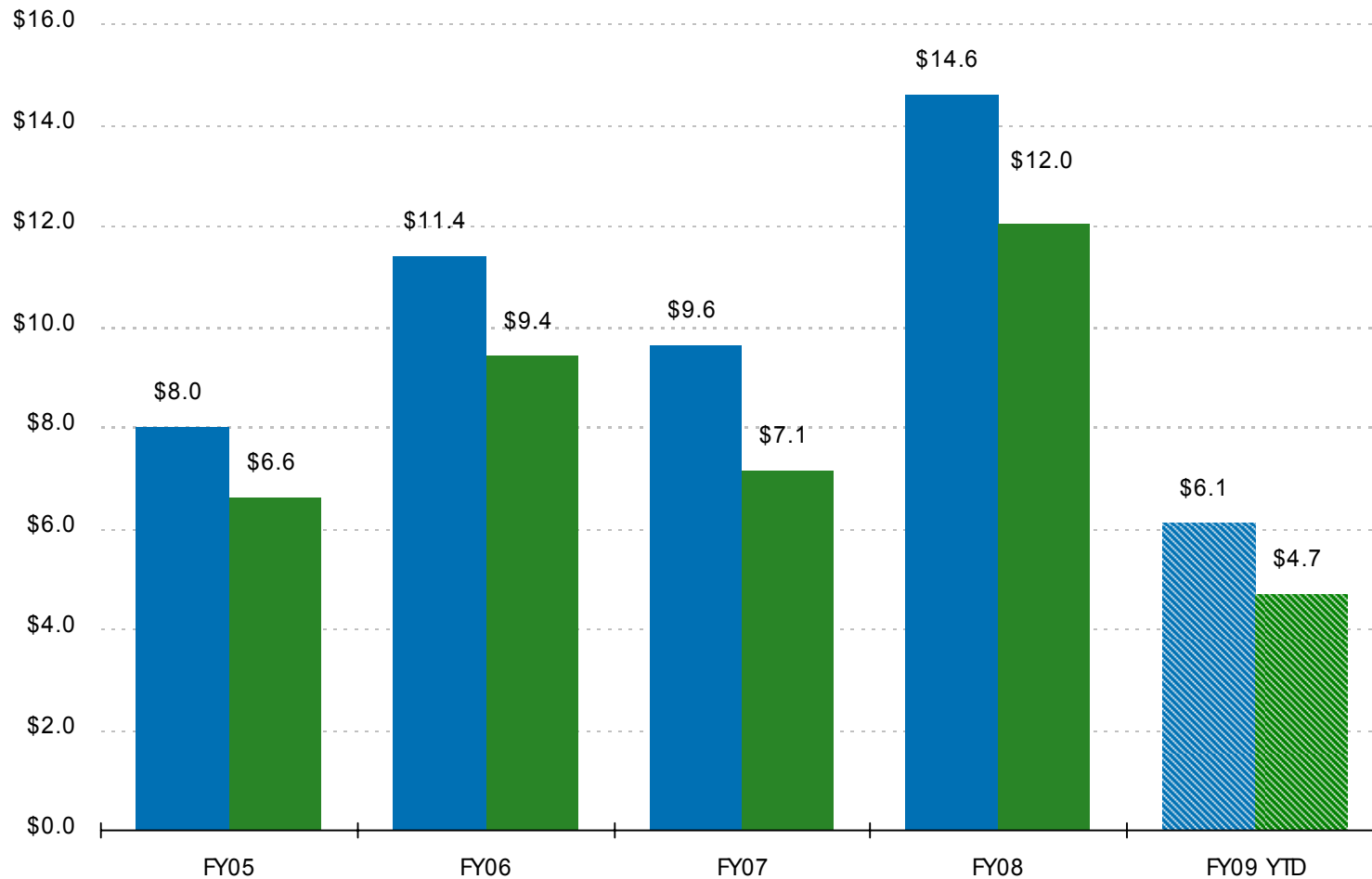


	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09
■ Gross cash ⁽¹⁾	\$12.3	\$12.5	\$11.6	\$10.1	\$11.8	\$14.9	\$10.3	\$11.3	\$13.0
■ Net cash ⁽²⁾	\$4.0	\$3.9	\$3.4	\$2.9	\$3.5	\$4.8	(\$7.4)	(\$8.7)	(\$5.3)
■ Net cash excl. HPFS Debt ⁽³⁾	\$9.9 ⁽⁴⁾	\$9.9 ⁽⁴⁾	\$9.8 ⁽⁴⁾	\$9.5 ⁽⁴⁾	\$10.2 ⁽⁴⁾	\$11.7 ⁽⁴⁾	(\$0.5) ⁽⁴⁾	(\$1.8)	\$1.8

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 company debt including the effect of hedging
3. Net cash excl HPFS debt = HP net cash plus HPFS net debt
4. Prior periods have been restated to conform to current presentation

Cash flow

In billions

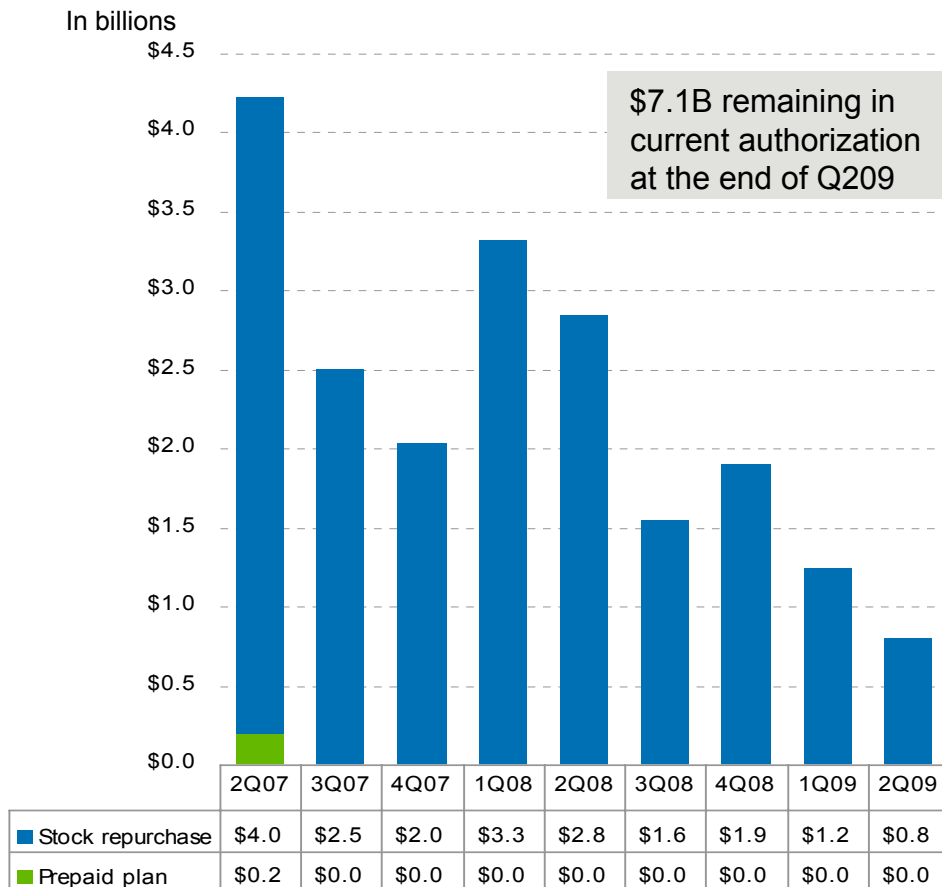


■ Cash flow from operations ■ Free cash flow

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

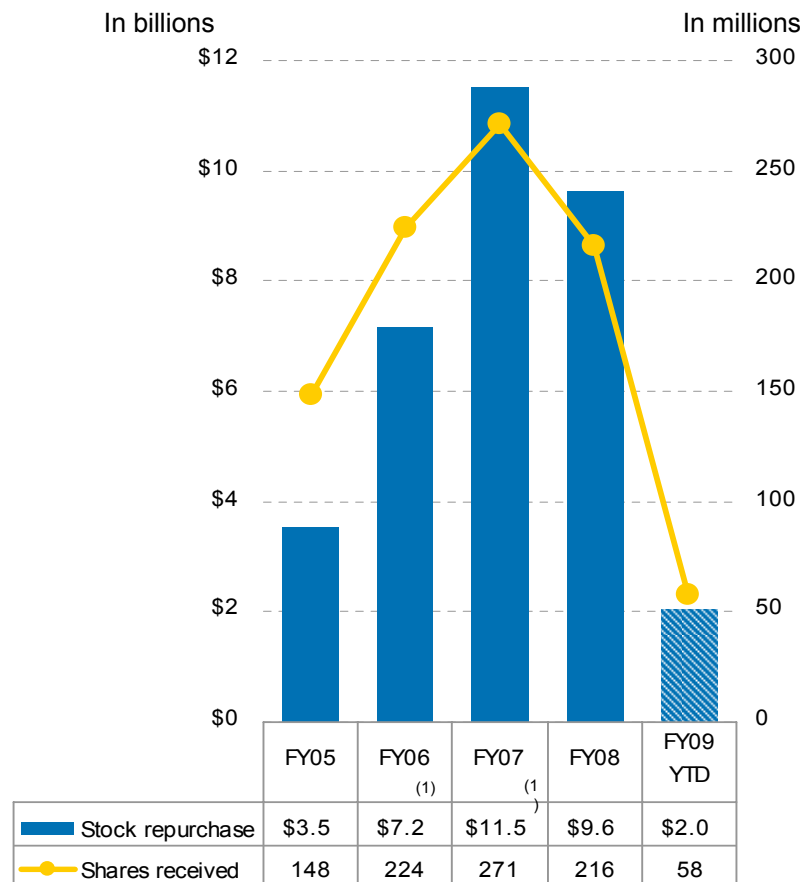
Stock repurchase

Quarterly trends



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

FY05 – FY09



Outlook

Q3 FY09 guidance

Revenue	Approximately flat to a decline of 2% Q/Q
GAAP EPS	\$0.64 - \$0.68
Non-GAAP EPS ⁽¹⁾	\$0.88 - \$0.90

Full year FY09 guidance

Revenue	Declines approximately 4% to 5% Y/Y
GAAP EPS	\$3.02 – \$3.16
Non-GAAP EPS ⁽²⁾	\$3.76 – \$3.88

1. Q3 FY09 non-GAAP diluted earnings per share estimates exclude after-tax costs of approximately \$0.22 to \$0.24 per share, related primarily to the amortization of purchased intangible assets and restructuring charges.
2. Full year FY09 non-GAAP diluted earnings per share estimates exclude after-tax costs of approximately \$0.72 to \$0.74 per share, related primarily to the amortization of purchased intangible assets and restructuring charges.

Supplemental slides



EDS Acquisition

HP completed its acquisition of Electronic Data Services Corporation on August 26, 2008. Results of, and comparisons to, the three and six months ended April 30, 2008 do not include the results of operations of EDS for those prior periods.

Q1 FY09 GAAP to non-GAAP bridge

In millions except per share amounts	GAAP	Amort. of Intangibles	Re- Structuring	In-Process R&D	Acquisition related charges	Non-GAAP
Revenue	28,800					28,800
Cost of sales	22,069					22,069
Total OpEx	4,237	(412)	(146)	(6)	(48)	3,625
Operating profit	2,494	412	146	6	48	3,106
Interest & other, net	(232)					(232)
Pre-tax earnings	2,262	412	146	6	48	2,874
Income tax	408	117	47	-	17	589
Tax rate	18.0%					20.5%
Net earnings	1,854					2,285
EPS	\$0.75					\$0.93

FY08 GAAP to non-GAAP bridge

In millions except per share amounts	GAAP	Amort. of Intangibles	Re- Structuring	In-Process R&D	Acquisition related charges	Non-GAAP
Revenue	118,364					118,364
Cost of sales	89,699					89,699
Total OpEx	18,192	(967)	(270)	(45)	(41)	16,869
Operating profit	10,473	967	270	45	41	11,796
Interest & other, net	0					0
Pre-tax earnings	10,473	967	270	45	41	11,796
Income tax	2,144	262	74	-	14	2,494
Tax rate	20.5%					21.1%
Net earnings	8,329					9,302
EPS	\$3.25					\$3.62

This table has been restated to conform to fiscal year 2009 presentation

Q4 FY08 GAAP to non-GAAP bridge

In millions except per share amounts	GAAP	Amort. of Intangibles	Re- Structuring	In-Process R&D	Acquisition related charges	Non-GAAP
Revenue	33,603					33,603
Cost of sales	25,853					25,853
Total OpEx	5,009	(337)	(251)	(32)	(41)	4,348
Operating profit	2,741	337	251	32	41	3,402
Interest & other, net	(98)					(98)
Pre-tax earnings	2,643	337	251	32	41	3,304
Income tax	531	96	69	-	14	710
Tax rate	20.1%					21.5%
Net earnings	2,112					2,594
EPS	\$0.84					\$1.03

This table has been restated to conform to fiscal year 2009 presentation

Q3 FY08 GAAP to non-GAAP bridge

In millions except per share amounts	GAAP	Amort. of Intangibles	Re- Structuring	In-Process R&D	Non-GAAP
Revenue	28,032				28,032
Cost of sales	21,197				21,197
Total OpEx	4,306	(213)	(5)	-	4,088
Operating profit	2,529	213	5	-	2,747
Interest & other, net	23				23
Pre-tax earnings	2,552	213	5	-	2,770
Income tax	525	56	1		582
Tax rate	20.6%				21.0%
Net earnings	2,027				2,188
EPS	\$0.80				\$0.86

This table has been restated to conform to fiscal year 2009 presentation

Q2 FY08 GAAP to non-GAAP bridge

In millions except per share amounts	GAAP	Amort. of Intangibles	Re- Structuring	In-Process R&D	Non-GAAP
Revenue	28,262				28,262
Cost of sales	21,205				21,205
Total OpEx	4,467	(211)	(4)	(13)	4,239
Operating profit	2,590	211	4	13	2,818
Interest & other, net	3				3
Pre-tax earnings	2,593	211	4	13	2,821
Income tax	536	55	1		592
Tax rate	20.7%				21.0%
Net earnings	2,057				2,229
EPS	\$0.80				\$0.87

This table has been restated to conform to fiscal year 2009 presentation

Q1 FY08 GAAP to non-GAAP bridge

In millions except per share amounts	GAAP	Amort. of Intangibles	Re- structuring	Non-GAAP
Revenue	28,467			28,467
Cost of sales	21,444			21,444
Total OpEx	4,410	(206)	(10)	4,194
Operating profit	2,613	206	10	2,829
Interest & other, net	72			72
Pre-tax earnings	2,685	206	10	2,901
Income tax	552	55	3	610
Tax rate	20.6%			21.0%
Net earnings	2,133			2,291
EPS	\$0.80			\$0.86

This table has been restated to conform to fiscal year 2009 presentation

FY07 GAAP to non-GAAP bridge

In millions except per share amounts	GAAP	Amort. of Intangibles	Re- structuring charges	In-process R&D	Pension Curtail.	Non-GAAP
Revenue	104,286					104,286
Cost of sales	78,683					78,683
Total OpEx	16,884	(783)	(387)	(190)	517	16,041
Operating profit	8,719	783	387	190	(517)	9,562
Interest & other, net	458					458
Pre-tax earnings	9,177	783	387	190	(517)	10,020
Income tax	1,913	197	136		(180)	2,066
Tax rate	20.8%					20.6%
Net earnings	7,264					7,954
EPS	\$2.68					\$2.93

This table has been restated to conform to fiscal year 2009 presentation

Q4 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	28,293				28,293
Cost of sales	21,250				21,250
Total OpEx	4,411	(187)	20	(4)	4,240
Operating profit	2,632	187	(20)	4	2,803
Interest & other, net	67				67
Pre-tax earnings	2,699	187	(20)	4	2,870
Income tax	535	46	(7)		574
Tax rate	19.8%				20.0%
Net earnings	2,164				2,296
EPS	\$0.81				\$0.86

This table has been restated to conform to fiscal year 2009 presentation

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	19,112				19,112
Total OpEx	4,149	(183)	5		3,971
Operating profit	2,116	183	(5)		2,294
Interest & other, net	170				170
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

This table has been restated to conform to fiscal year 2009 presentation

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	19,233					19,233
Total OpEx	4,173	(212)	(453)	(19)	508	3,997
Operating profit	2,128	212	453	19	(508)	2,304
Interest & other, net	100					100
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

This table has been restated to conform to fiscal year 2009 presentation

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	19,088					19,088
Total OpEx	4,151	(201)	41	(167)	9	3,833
Operating profit	1,843	201	(41)	167	(9)	2,161
Interest & other, net	121					121
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

This table has been restated to conform to fiscal year 2009 presentation

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

This table has not been restated to conform to fiscal year 2009 presentation

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

This table has not been restated to conform to fiscal year 2009 presentation

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

This table has not been restated to conform to fiscal year 2009 presentation

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

This table has not been restated to conform to fiscal year 2009 presentation

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.

