

# News release



## HP Reports Second Quarter 2005 Results

- Record quarterly revenue of \$21.6 billion, up 7% year-over-year
- Non-GAAP operating profit of \$1.3 billion, \$0.37 earnings per share
- GAAP operating profit of \$1.2 billion, \$0.33 earnings per share
- Cash flow from operations of \$2.4 billion

PALO ALTO, Calif., May. 17, 2005 – HP today reported financial results for its second fiscal quarter ended April 30, 2005. Second quarter revenue increased 7% year-over-year to \$21.6 billion.

Non-GAAP<sup>(1)</sup> operating profit was \$1.3 billion, with non-GAAP diluted earnings per share (EPS) of \$0.37, up from \$0.34 in the prior-year period. Non-GAAP diluted EPS and non-GAAP net earnings for the second quarter reflect a \$107 million adjustment on an after-tax basis, or \$0.04 per diluted share. GAAP operating profit for the second quarter was \$1.2 billion. GAAP diluted EPS was \$0.33 per share, up from \$0.29 in the prior-year period.

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	Q2 FY05	Q2 FY04	Y/Y
Revenue (billions)	\$21.6	\$20.1	7%
Non-GAAP operating margin (1)	6.1%	6.7%	
GAAP operating margin	5.4%	5.7%	
Non-GAAP diluted EPS (1)	\$0.37	\$0.34	9%
GAAP diluted EPS	\$0.33	\$0.29	14%

“HP had a solid quarter,” said Mark Hurd, HP chief executive officer and president.

“We grew revenue 7%, non-GAAP earnings per share rose 9% and we generated \$2.4 billion in cash flow from operations.

“Nevertheless, our overall performance leaves room for improvement in many of our businesses. We expect to provide details as soon as our plans are finalized that will move us toward that objective.”

During the quarter, on a year-over-year basis, revenue in Europe, the Middle East and Africa grew 10% to \$9.1 billion, in Americas grew 4% to \$8.8 billion and in Asia Pacific grew 9% to \$3.6 billion. On a consolidated basis, when adjusted for the effects of currency, second quarter revenue grew 4% year-over-year.



### **Personal Systems Group**

Personal Systems Group (PSG) revenue grew 6% year-over-year to \$6.4 billion, with unit shipments up 12%. On a year-over-year basis, desktop revenue increased 1% and notebook revenue grew 10%. Revenue for commercial clients, which includes workstations, grew 3% over the prior-year period, while consumer clients revenue grew 10%. PSG reported an operating profit of \$147 million, or 2.3% of revenue, up from a profit of \$44 million in the prior-year period.

### **Imaging and Printing Group**

Imaging and Printing Group (IPG) posted quarterly revenue of \$6.4 billion, up 5% year-over-year. On a year-over-year basis, consumer hardware revenue increased 3%, with unit shipments up 13%. Commercial hardware revenue grew 8%, with unit shipments up 12%. Color laser unit shipments increased 96% year-over-year and MFP shipments increased 61%, reflecting continued momentum in key growth initiatives. Supplies revenue grew 4%. Operating profit was \$814 million, or 12.7% of revenue, down from a profit of \$952 million in the prior-year period. This reflects \$71 million in workforce reduction costs, hardware pricing actions, hardware growth and mix shifts within supplies.

### **Enterprise Storage and Servers**

Enterprise Storage and Servers (ESS) reported revenue of \$4.2 billion, up 6% over the prior-year period. On a year-over-year basis, industry-standard server revenue increased 12%, business-critical systems (BCS) revenue grew 2% and networked storage revenue was down 6%. Within BCS, revenue in HP Integrity servers grew 37% year-over-year and HP-UX revenue grew 9%. ESS reported operating profit of \$184 million, or 4.4% of revenue, up from a profit of \$119 million in the prior-year period. Included in the quarterly results is \$24 million in workforce reduction costs.

### **HP Services**

HP Services (HPS) revenue grew 14% year-over-year to \$4.0 billion. On a year-over-year basis, Managed Services revenue grew 27%, Technology Services grew 11% and Consulting and Integration grew 10%. Operating profit was \$292 million, or 7.3% of revenue, down from a profit of \$332 million in the prior-year period. Included in the quarterly results is \$74 million in workforce reduction costs.

### **Software**

Software reported quarterly revenue of \$277 million, an increase of 23% year-over-year, with revenue in HP OpenView and HP OpenCall increasing 36% and 4%, respectively. Software reported an operating loss of \$6 million, compared with a loss of \$52 million in the prior-year period.

### **Financial Services**

HP Financial Services (HPFS) reported revenue of \$544 million, up 16% year-over-year. Finance volume, a leading indicator of future revenue, grew 4% over the prior-year period, and net portfolio assets grew 2% year-over-year to \$7.1 billion. Operating profit was \$58 million, or 10.7% of revenue, up from a profit of \$35 million in the prior-year period.

### **Asset management**



Inventory ended the quarter at \$6.5 billion, down \$656 million sequentially and up \$191 million year-over-year. Accounts receivable increased \$601 million sequentially and \$736 million over the prior-year period to \$9.3 billion. HP's dividend payment of \$0.08 per share in the second quarter resulted in cash usage of \$233 million. In addition, HP utilized \$618 million of cash during the second quarter in connection with stock repurchases. HP exited the quarter with \$14.5 billion in gross cash, which includes cash and cash equivalents of \$14.4 billion and short- and certain long-term investments of \$0.1 billion.

### **Outlook**

HP estimates Q3 FY05 revenue will be in the range of \$20.3 billion to \$20.7 billion, with non-GAAP earnings per share in the range of \$0.29 to \$0.31. This excludes after-tax costs of approximately \$0.03 per share from amortization of purchased intangible assets and approximately \$100 million, or \$0.03 per share, in workforce reductions.

More information on HP's quarterly earnings, including additional financial analysis and an earnings overview presentation, is available on HP's Investor Relations website at [www.hp.com/hpinfo/investor/](http://www.hp.com/hpinfo/investor/).

HP's Q2 FY05 earnings conference call is accessible via an audio webcast at [www.hp.com/hpinfo/investor/financials/quarters/2005/q2webcast.html](http://www.hp.com/hpinfo/investor/financials/quarters/2005/q2webcast.html).

### **About HP**

HP is a technology solutions provider to consumers, businesses and institutions globally. The company's offerings span IT infrastructure, global services, business and home computing, and imaging and printing. For the four fiscal quarters ended April 30, 2005, HP revenue totaled \$83.3 billion. More information about HP (NYSE, Nasdaq: HPQ) is available at [www.hp.com](http://www.hp.com).

<sup>(1)</sup> All non-GAAP numbers have been adjusted to exclude certain items. A reconciliation of specific adjustments to GAAP results for this quarter and the prior periods is included in the table below titled: "Non-GAAP Consolidated Condensed Statements of Earnings." A description of HP's use of non-GAAP information is provided under "Use of Non-GAAP Financial Information."

#### Use of Non-GAAP Financial Information

To supplement HP's consolidated condensed financial statements presented on a GAAP basis, HP uses non-GAAP additional measures of operating results, net earnings and earnings per share adjusted to exclude certain costs, expenses, gains or losses it believes appropriate to enhance an overall understanding of HP's past financial performance and also its prospects for the future. These adjustments to HP's GAAP results are made with the intent of providing both management and investors a more complete understanding of the underlying operational results and trends and the company's marketplace performance. For example, the non-GAAP results are an indication of HP's baseline performance before gains, losses or other charges that are considered by management to be outside of the company's core business segment operational results. In addition, these non-GAAP results are among the primary indicators management uses as a basis for planning and forecasting future periods. The presentation of this additional information is not meant to be considered in isolation or as a substitute for net earnings or diluted earnings per share prepared in accordance with generally accepted accounting principles in the United States.

#### Forward-Looking Statements

This press release contains forward-looking statements that involve risks, uncertainties and assumptions. If the risks or uncertainties ever materialize or the assumptions prove incorrect, the results of HP may differ materially from those expressed or implied by such forward-looking statements and assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements, including but not limited to any projections of earnings, revenue, expenses, cash repatriation, margins or other financial items; any statements of the plans, strategies, and objectives of management for future operations, including execution of any restructuring plans and remediation of execution issues; any statements concerning the expected development, performance or market share relating to products or services; any statements regarding future economic conditions or performance; any statements of expectation or belief; and any statements of assumptions underlying any of the foregoing. Risks, uncertainties and assumptions include macroeconomic and geopolitical trends and events; the outcome of pending legislation; execution and performance of contracts by suppliers, customers and partners; employee management issues; the challenge of managing asset levels, including inventory; the difficulty of aligning expense levels with revenue changes; assumptions related to pension and other post-retirement costs; and other risks



that are described from time to time in HP's Securities and Exchange Commission reports, including but not limited to the risks described in HP's Quarterly Report on Form 10-Q for the fiscal quarter ended January 31, 2005 and other reports filed after HP's Annual Report on Form 10-K for the fiscal year ended October 31, 2004 . HP assumes no obligation and does not intend to update these forward-looking statements.



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

	Three months ended		
	April 30, 2005	January 31, 2005	April 30, 2004 <sup>(a)</sup>
Net revenue	\$ 21,570	\$ 21,454	\$ 20,113
Costs and expenses:			
Cost of sales	16,429	16,537	15,182
Research and development	890	878	924
Selling, general and administrative	2,933	2,704	2,665
Amortization of purchased intangible assets	151	167	148
Restructuring charges	4	3	38
Acquisition-related charges	-	-	9
In-process research and development charge	-	-	9
Total costs and expenses	<u>20,407</u>	<u>20,289</u>	<u>18,975</u>
Earnings from operations	1,163	1,165	1,138
Interest and other, net	(87)	25	2
Gains (losses) on investments	3	(24)	(5)
Dispute settlement	-	(116)	(70)
Earnings before taxes	1,079	1,050	1,065
Provision for taxes	<u>113</u>	<u>107</u>	<u>181</u>
Net earnings	<u>\$ 966</u>	<u>\$ 943</u>	<u>\$ 884</u>
Net earnings per share:			
Basic	\$ 0.33	\$ 0.32	\$ 0.29
Diluted	\$ 0.33	\$ 0.32	\$ 0.29
Cash dividends declared per share	\$ -	\$ 0.16	\$ -
Weighted-average shares used to compute net earnings per share:			
Basic	2,886	2,908	3,043
Diluted	2,917	2,936	3,081

(a) Certain reclassifications have been made to prior year amounts in order to conform to the current year presentation.



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

	Six months ended April 30,	
	<u>2005</u>	<u>2004<sup>(a)</sup></u>
Net revenue	\$43,024	\$39,627
Costs and expenses:		
Cost of sales	32,966	29,873
Research and development	1,768	1,813
Selling, general and administrative	5,637	5,243
Amortization of purchased intangible assets	318	292
Restructuring charges	7	92
Acquisition-related charges	-	24
In-process research and development charge	<u>-</u>	<u>9</u>
Total costs and expenses	<u>40,696</u>	<u>37,346</u>
Earnings from operations	2,328	2,281
Interest and other, net	(62)	13
(Losses) gains on investments	(21)	4
Dispute settlement	<u>(116)</u>	<u>(70)</u>
Earnings before taxes	2,129	2,228
Provision for taxes	<u>220</u>	<u>408</u>
Net earnings	<u>\$ 1,909</u>	<u>\$ 1,820</u>
Net earnings per share:		
Basic	\$ 0.66	\$ 0.60
Diluted	\$ 0.65	\$ 0.59
Cash dividends declared per share	\$ 0.16	\$ 0.16
Weighted-average shares used to compute net earnings per share:		
Basic	2,897	3,047
Diluted	2,926	3,086

(a) Certain reclassifications have been made to prior year amounts in order to conform to the current year presentation.



HEWLETT-PACKARD COMPANY AND SUBSIDIARIES  
NON-GAAP CONSOLIDATED CONDENSED STATEMENTS OF EARNINGS  
Excluding adjustments itemized below  
(Unaudited)  
(In millions except per share amounts)

	Three months ended		
	April 30, 2005	January 31, 2005	April 30, 2004 <sup>(a)</sup>
Net revenue	\$ 21,570	\$ 21,454	\$ 20,113
Costs and expenses:			
Cost of sales	16,429	16,537	15,182
Research and development	890	878	924
Selling, general and administrative	2,933	2,704	2,665
Total costs and expenses	20,252	20,119	18,771
Non-GAAP earnings from operations	1,318	1,335	1,342
Interest and other, net	(87)	25	2
Dispute settlement	-	(116)	(70)
Non-GAAP earnings before taxes	1,231	1,244	1,274
Provision for taxes	158	166	242
Non-GAAP net earnings	\$ 1,073	\$ 1,078	\$ 1,032
Non-GAAP net earnings per share:			
Basic	\$ 0.37	\$ 0.37	\$ 0.34
Diluted	\$ 0.37	\$ 0.37	\$ 0.34
Weighted-average shares used to compute non-GAAP net earnings per share:			
Basic	2,886	2,908	3,043
Diluted	2,917	2,936	3,081
An itemized reconciliation between net earnings on a GAAP basis and non-GAAP basis is as follows:			
GAAP net earnings	\$ 966	\$ 943	\$ 884
Amortization of purchased intangible assets	151	167	148
Restructuring charges	4	3	38
Acquisition-related charges	-	-	9
In-process research and development charge	-	-	9
Total non-GAAP adjustments to earnings from operations	155	170	204
(Gains) losses on investments	(3)	24	5
Income tax effect of reconciling items	(45)	(59)	(61)
Non-GAAP net earnings	\$ 1,073	\$ 1,078	\$ 1,032

(a) Certain reclassifications have been made to prior year amounts in order to conform to the current year presentation.



HEWLETT-PACKARD COMPANY AND SUBSIDIARIES  
NON-GAAP CONSOLIDATED CONDENSED STATEMENTS OF EARNINGS  
Excluding adjustments itemized below  
(Unaudited)  
(In millions except per share amounts)

	Six months ended April 30,	
	2005	2004 <sup>(a)</sup>
Net revenue	\$ 43,024	\$ 39,627
Costs and expenses:		
Cost of sales	32,966	29,873
Research and development	1,768	1,813
Selling, general and administrative	5,637	5,243
Total costs and expenses	40,371	36,929
Non-GAAP earnings from operations	2,653	2,698
Interest and other, net	(62)	13
Dispute settlement	(116)	(70)
Non-GAAP earnings before taxes	2,475	2,641
Provision for taxes	324	529
Non-GAAP net earnings	\$ 2,151	\$ 2,112
Non-GAAP net earnings per share:		
Basic	\$ 0.74	\$ 0.69
Diluted	\$ 0.74	\$ 0.69
Weighted-average shares used to compute non-GAAP net earnings per share:		
Basic	2,897	3,047
Diluted	2,926	3,086
An itemized reconciliation between net earnings on a GAAP basis and non-GAAP basis is as follows:		
GAAP net earnings	1,909	1,820
Amortization of purchased intangible assets	318	292
Restructuring charges	7	92
Acquisition-related charges	-	24
In-process research and development charge	-	9
Total non-GAAP adjustments to earnings from operations	325	417
Losses (gains) on investments and other, net	21	(4)
Income tax effect of reconciling items	(104)	(121)
Non-GAAP net earnings	\$ 2,151	\$ 2,112

(a) Certain reclassifications have been made to prior year amounts in order to conform to the current year presentation.





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

	April 30, 2005	October 31, 2004
	(unaudited)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 14,362	\$ 12,663
Short-term investments	121	311
Accounts receivable, net	9,266	10,226
Financing receivables, net	2,720	2,945
Inventory	6,464	7,071
Other current assets	9,543	9,685
Total current assets	42,476	42,901
Property, plant and equipment, net	6,669	6,649
Long-term financing receivables and other assets	7,306	6,657
Goodwill and purchased intangibles, net	19,897	19,931
Total assets	\$ 76,348	\$ 76,138
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 8,583	\$ 9,377
Notes payable and short-term borrowings	2,754	2,511
Employee compensation and benefits	1,860	2,208
Taxes on earnings	1,361	1,709
Deferred revenue	3,524	2,958
Accrued restructuring	122	193
Other accrued liabilities	10,211	9,632
Total current liabilities	28,415	28,588
Long-term debt	4,397	4,623
Other liabilities	5,363	5,363
Stockholders' equity	38,173	37,564
Total liabilities and stockholders' equity	\$ 76,348	\$ 76,138

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

	Three Months Ended April 30, 2005	Six Months Ended April 30, 2005
Cash flows from operating activities:		
Net earnings	\$ 966	\$ 1,909
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	599	1,211
Provision for bad debt and inventory	90	223
(Gains) losses on investments	(3)	21
Restructuring charges	4	7
Deferred taxes on earnings	(53)	177
Other, net	(37)	(60)
Changes in assets and liabilities:		
Accounts and financing receivables	(438)	1,160
Inventory	564	366
Accounts payable	349	(794)
Taxes on earnings	(78)	(359)
Other assets and liabilities	436	155
Restructuring	(25)	(84)
Net cash provided by operating activities	2,374	3,932
Cash flows from investing activities:		
Investment in property, plant and equipment, net	(566)	(1,141)
Proceeds from sale of property, plant and equipment	186	342
Purchases of available-for-sale securities & other investments	(25)	(1,703)
Maturities and sales of available-for-sale securities & other investments	211	1,904
Net cash paid for business acquisitions, net of acquisition costs	(325)	(332)
Net cash used in investing activities	(519)	(930)
Cash flows from financing activities:		
(Decrease) increase in notes payable and short-term borrowings, net	(34)	77
Issuance of long-term debt	3	3
Payment of long-term debt	(3)	(14)
Issuance of common stock under employee plans	90	352
Repurchase of common stock	(618)	(1,255)
Dividends	(233)	(466)
Net cash used in financing activities	(795)	(1,303)
Increase in cash and cash equivalents	1,060	1,699
Cash and cash equivalents at beginning of period	13,302	12,663
Cash and cash equivalents at end of period	\$ 14,362	\$ 14,362



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

	Three months ended		
	April 30, 2005	January 31, 2005	April 30, 2004 <sup>(a)</sup>
Net revenue: <sup>(a)</sup>			
Imaging and Printing Group	\$ 6,390	\$ 6,067	\$ 6,098
Personal Systems Group	<u>6,369</u>	<u>6,873</u>	<u>5,991</u>
Imaging and Personal Systems Group	<u>12,759</u>	<u>12,940</u>	<u>12,089</u>
Enterprise Storage and Servers	4,184	4,047	3,961
Software	277	240	225
HP Services	<u>3,984</u>	<u>3,815</u>	<u>3,508</u>
Technology Solutions Group	<u>8,445</u>	<u>8,102</u>	<u>7,694</u>
Financing	544	555	469
Corporate Investments	<u>123</u>	<u>115</u>	<u>114</u>
Total segments	21,871	21,712	20,366
Eliminations of intersegment net revenue and other	<u>(301)</u>	<u>(258)</u>	<u>(253)</u>
Total HP Consolidated	<u>\$ 21,570</u>	<u>\$ 21,454</u>	<u>\$ 20,113</u>
Earnings from operations:			
Imaging and Printing Group	\$ 814	\$ 932	\$ 952
Personal Systems Group	147	147	44
Imaging and Personal Systems Group	<u>961</u>	<u>1,079</u>	<u>996</u>
Enterprise Storage and Servers	184	71	119
Software	(6)	(40)	(52)
HP Services	<u>292</u>	<u>281</u>	<u>332</u>
Technology Solutions Group	<u>470</u>	<u>312</u>	<u>399</u>
Financing	58	45	35
Corporate Investments	<u>(51)</u>	<u>(51)</u>	<u>(48)</u>
Total segments	1,438	1,385	1,382
Corporate and unallocated costs and eliminations	(120)	(50)	(40)
Restructuring charges	(4)	(3)	(38)
Amortization of purchased intangible assets	(151)	(167)	(148)
Acquisition-related charges	-	-	(9)
In-process research and development charges	-	-	(9)
Interest and other, net	(87)	25	2
Gains (losses) on investments	3	(24)	(5)
Dispute settlement	<u>-</u>	<u>(116)</u>	<u>(70)</u>
Total HP Consolidated Earnings Before Taxes	<u>\$ 1,079</u>	<u>\$ 1,050</u>	<u>\$ 1,065</u>

(a) HP has added an aggregation of HP's Personal Systems Group and Imaging and Printing Group to provide a supplementary view of HP's business. In addition, HP has reflected certain fiscal 2005 organizational realignments on a backward-looking basis to provide improved visibility and comparability. In any given quarter, no segment's operating profit changed more than \$8 million as a result of these realignments, with typical movements ranging from \$3 million to \$5 million.



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

	Six months ended April 30,	
	2005	2004 <sup>(a)</sup>
Net revenue: <sup>(a)</sup>		
Imaging and Printing Group	\$ 12,457	\$ 12,008
Personal Systems Group	<u>13,242</u>	<u>12,178</u>
Imaging and Personal Systems Group	<u>25,699</u>	<u>24,186</u>
Enterprise Storage and Servers	8,231	7,661
Software	517	428
HP Services	<u>7,799</u>	<u>6,684</u>
Technology Solutions Group	<u>16,547</u>	<u>14,773</u>
Financing	1,099	910
Corporate Investments	<u>238</u>	<u>217</u>
Total segments	43,583	40,086
Eliminations of intersegment net revenue and other		
	<u>(559)</u>	<u>(459)</u>
Total HP Consolidated	<u>\$ 43,024</u>	<u>\$ 39,627</u>
Earnings from operations:		
Imaging and Printing Group	\$ 1,746	\$ 1,919
Personal Systems Group	294	105
Imaging and Personal Systems Group	<u>2,040</u>	<u>2,024</u>
Enterprise Storage and Servers	255	272
Software	(46)	(101)
HP Services	<u>573</u>	<u>593</u>
Technology Solutions Group	<u>782</u>	<u>764</u>
Financing	103	64
Corporate Investments	<u>(102)</u>	<u>(84)</u>
Total segments	2,823	2,768
Corporate and unallocated costs and eliminations		
	(170)	(70)
Restructuring charges	(7)	(92)
Amortization of purchased intangible assets	(318)	(292)
Acquisition-related charges	-	(24)
In-process research and development charges	-	(9)
Interest and other, net	(62)	13
(Losses) gains on investments	(21)	4
Dispute settlement	<u>(116)</u>	<u>(70)</u>
Total HP Consolidated Earnings Before Taxes	<u>\$ 2,129</u>	<u>\$ 2,228</u>

(a) HP has added an aggregation of HP's Personal Systems Group and Imaging and Printing Group to provide a supplementary view of HP's business. In addition, HP has reflected certain fiscal year-end organizational realignments on a backward-looking basis to provide improved visibility and comparability. In any given quarter, no segment's operating profit changed more than \$8 million as a result of these realignments, with typical movements ranging from \$3 million to \$5 million.



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

	Three months ended		
	April 30, 2005	January 31, 2005	April 30, 2004 <sup>(a)</sup>
Net revenue: <sup>(a)</sup>			
Commercial Hardware	\$ 1,723	\$ 1,611	\$ 1,591
Consumer Hardware	1,019	1,114	986
Supplies	3,590	3,272	3,451
Other	<u>58</u>	<u>70</u>	<u>70</u>
Imaging and Printing Group	<u>6,390</u>	<u>6,067</u>	<u>6,098</u>
Desktops	3,520	3,802	3,468
Notebooks	2,212	2,338	2,011
Workstations	327	285	262
Handhelds	189	290	191
Other	<u>121</u>	<u>158</u>	<u>59</u>
Personal Systems Group	<u>6,369</u>	<u>6,873</u>	<u>5,991</u>
Imaging and Personal Systems Group	<u>12,759</u>	<u>12,940</u>	<u>12,089</u>
Business Critical Systems	991	899	972
Industry Standard Servers	2,368	2,328	2,107
Storage	<u>825</u>	<u>820</u>	<u>882</u>
Enterprise Storage and Servers	<u>4,184</u>	<u>4,047</u>	<u>3,961</u>
OpenView	183	154	135
OpenCall & Other	<u>94</u>	<u>86</u>	<u>90</u>
Software	<u>277</u>	<u>240</u>	<u>225</u>
Technology Services	2,464	2,389	2,219
Managed Services	771	754	609
Consulting & Integration	749	672	681
Other	<u>-</u>	<u>-</u>	<u>(1)</u>
HP Services	<u>3,984</u>	<u>3,815</u>	<u>3,508</u>
Technology Solutions Group	<u>8,445</u>	<u>8,102</u>	<u>7,694</u>
Financing	544	555	469
Corporate Investments	<u>123</u>	<u>115</u>	<u>114</u>
Total segments	<u>21,871</u>	<u>21,712</u>	<u>20,366</u>
Eliminations of intersegment net revenue and other	<u>(301)</u>	<u>(258)</u>	<u>(253)</u>
Total HP Consolidated	<u>\$21,570</u>	<u>\$21,454</u>	<u>\$20,113</u>

(a) HP has added an aggregation of HP's Personal Systems Group and Imaging and Printing Group to provide a supplementary view of HP's business. In addition, HP has reflected certain fiscal 2005 organizational realignments on a backward-looking basis to provide improved visibility and comparability. In any given quarter, no segment's operating profit changed more than \$8 million as a result of these realignments, with typical movements ranging from \$3 million to \$5 million.



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

	Six months ended April 30,	
	2005	2004 <sup>(a)</sup>
Net revenue: <sup>(a)</sup>		
Commercial Hardware	\$ 3,334	\$ 3,138
Consumer Hardware	2,133	2,262
Supplies	6,862	6,477
Other	128	131
Imaging and Printing Group	<u>12,457</u>	<u>12,008</u>
Desktops	7,322	6,984
Notebooks	4,550	4,153
Workstations	612	497
Handhelds	479	444
Other	279	100
Personal Systems Group	<u>13,242</u>	<u>12,178</u>
Imaging and Personal Systems Group	25,699	24,186
Business Critical Systems	1,890	1,887
Industry Standard Servers	4,696	4,066
Storage	1,645	1,709
Other	<u>-</u>	<u>(1)</u>
Enterprise Storage and Servers	8,231	7,661
OpenView	337	268
OpenCall & Other	<u>180</u>	<u>160</u>
Software	517	428
Technology Services	4,853	4,309
Managed Services	1,525	1,133
Consulting & Integration	1,421	1,241
Other	<u>-</u>	<u>1</u>
HP Services	7,799	6,684
Technology Solutions Group	<u>16,547</u>	<u>14,773</u>
Financing	1,099	910
Corporate Investments	238	217
Total segments	<u>43,583</u>	<u>40,086</u>
Eliminations of intersegment net revenue and other	(559)	(459)
Total HP Consolidated	<u>\$43,024</u>	<u>\$39,627</u>

(a) HP has added an aggregation of HP's Personal Systems Group and Imaging and Printing Group to provide a supplementary view of HP's business. In addition, HP has reflected certain fiscal organizational realignments on a backward-looking basis to provide improved visibility and comparability. In any given quarter, no segment's operating profit changed more than \$8 million as a result of these realignments, with typical movements ranging from \$3 million to \$5 million.

