



HP Services

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December 13, 2005

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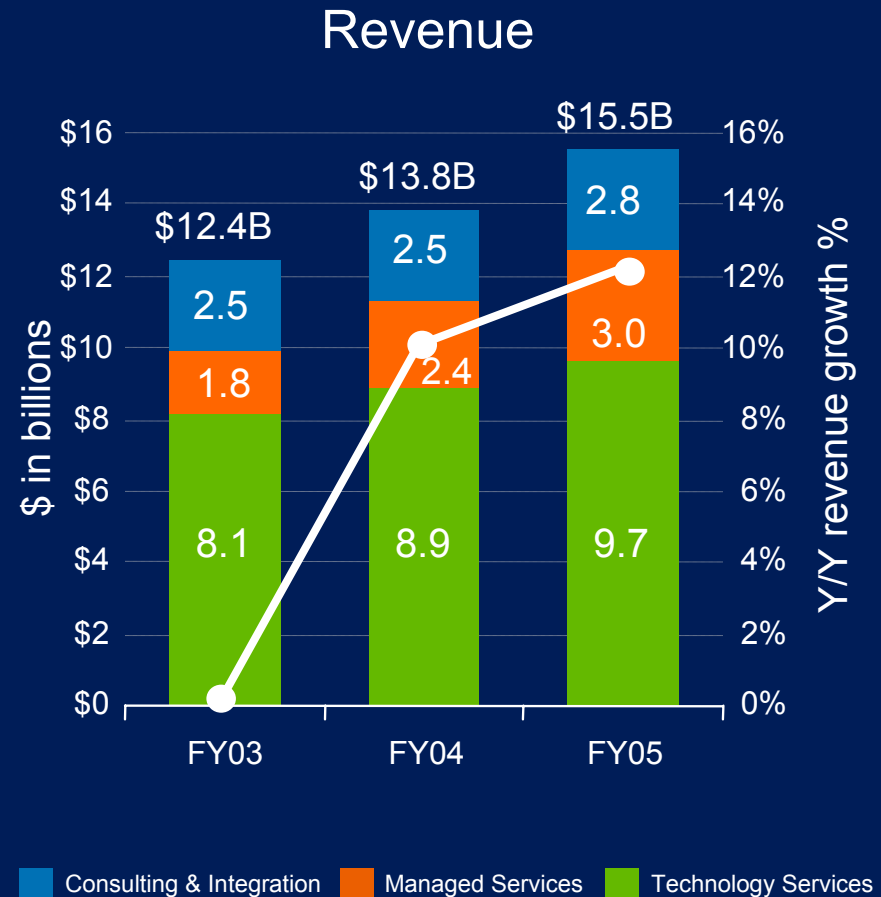


HP Services overview

- FY2005: \$15.5B revenue and \$1.2B operating profit
- Global multivendor services organization, with 69,000 professionals worldwide in 170 countries
- Positioned to take advantage of market trends
- Service offerings designed to meet customer needs – support, consulting & integration or outsourcing
- HP's \$3.5B R&D investment, IP, portfolio and scale provide a significant competitive advantage
- Reducing cost structure to drive growth and margin expansion

Financial overview

- Above market revenue growth in FY05, assisted by currency and acquisitions
- Moderated MS growth in FY05 to return the business to profitability
- Ongoing sequential operating margin improvements in MS and C&I in FY05
- FY05 margins impacted by WFR costs absorbed in 1H and significant bonus accrual in 2H
- Focus on reducing absolute unit cost of service delivery will drive a cost foundation for growth and will drive operating margin expansion



Market trends

Market evolution →

2005

2010+

HP assets
Solutions
Servers
Blades
Storage Systems
Mgmt Software
IT Services

Security

Virtualization

Mgmt & automation

Automated 24x365 lights-out data center

Personal Systems
PC Clients
Notebooks
Mobile Computing
Workstations

Always connected

Collaboration

Digital content Consumption

Always ready, always on mobile computing

Imaging & Printing Solutions
InkJet Systems
LaserJet Systems
Digital Photography
Digital Services

Color in the office

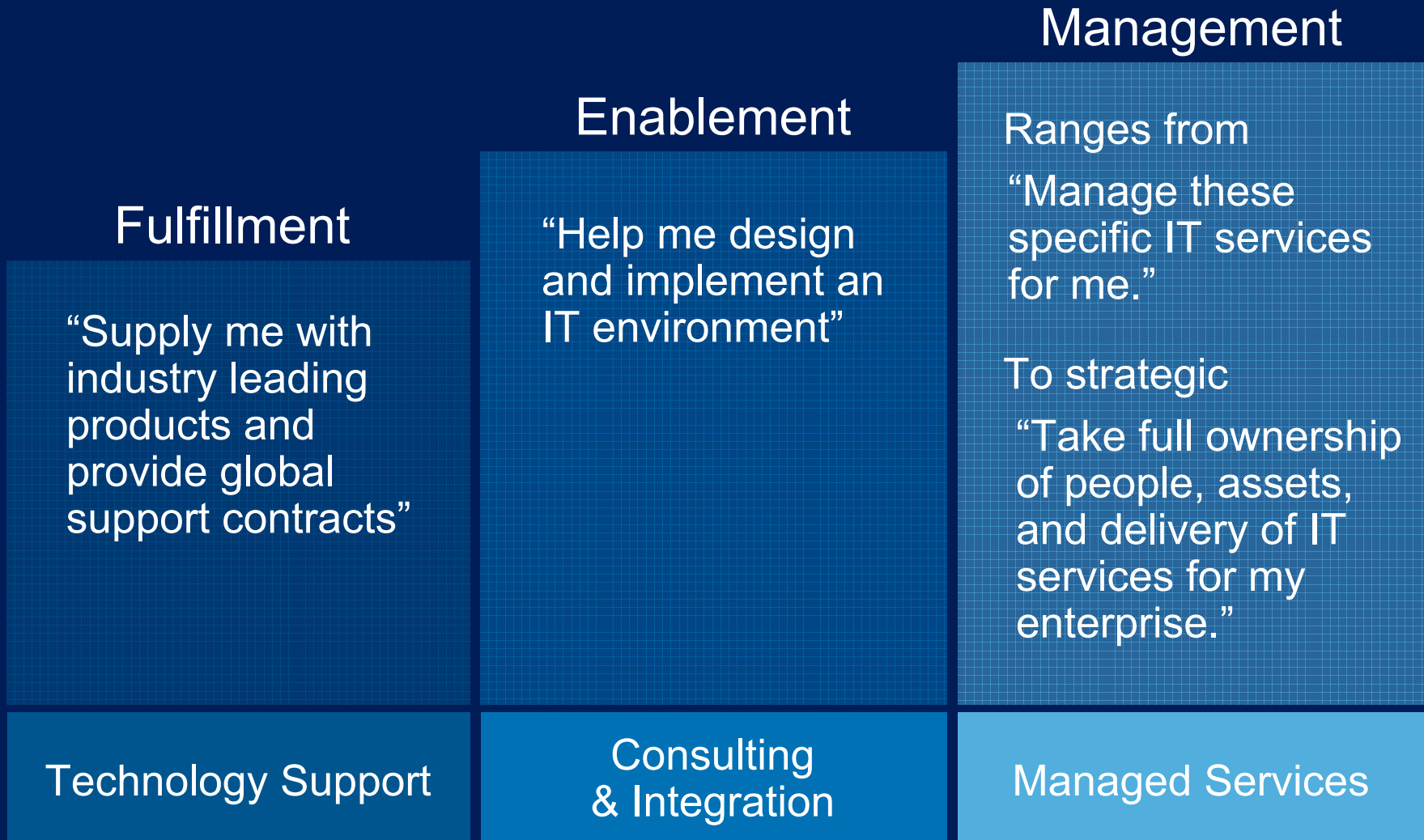
Digital commercial printing

Imaging systems

Ubiquitous digital printing & imaging

- Market trends are playing to HPS strengths
- Increasing needs for service offering standardization
- HP's portfolio is a competitive advantage
- HPS offers a broad range of services from support to C&I to MS

The next generation will be enabled by services





HP Services portfolio

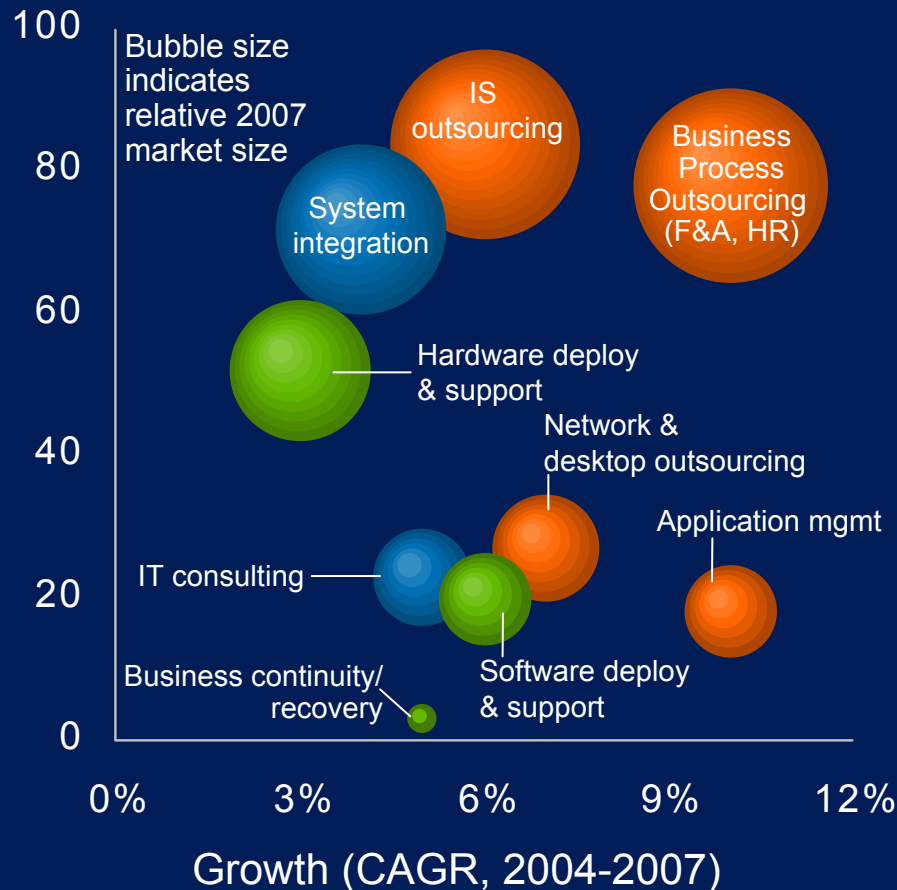
<p>Business Process</p>	<ul style="list-style-type: none"> • Supply Chain Consulting • Business Process Document Management • Telecom Service Provisioning 	<ul style="list-style-type: none"> • Finance & Administration • Supply Management • Software Supply Chain 	
<p>Applications</p>	<ul style="list-style-type: none"> • Application Architecture • Web/Services/Portals • Enterprise Integration • Rich Media Solutions 	<ul style="list-style-type: none"> • Application Management • Application Development and Maintenance 	
<p>IT infrastructure</p>	<ul style="list-style-type: none"> • Technology Management • Availability • Performance • Deployment • Technology Support 	<ul style="list-style-type: none"> • Security Services • Mobility • IT Service Management • IT Consolidation 	<ul style="list-style-type: none"> • Server, Storage and Network Management • Data Center operations & Management • Managed Desktop • Helpdesk Management • Managed Print Services • Managed Mobility

Technology Services Consulting & Integration Managed Services

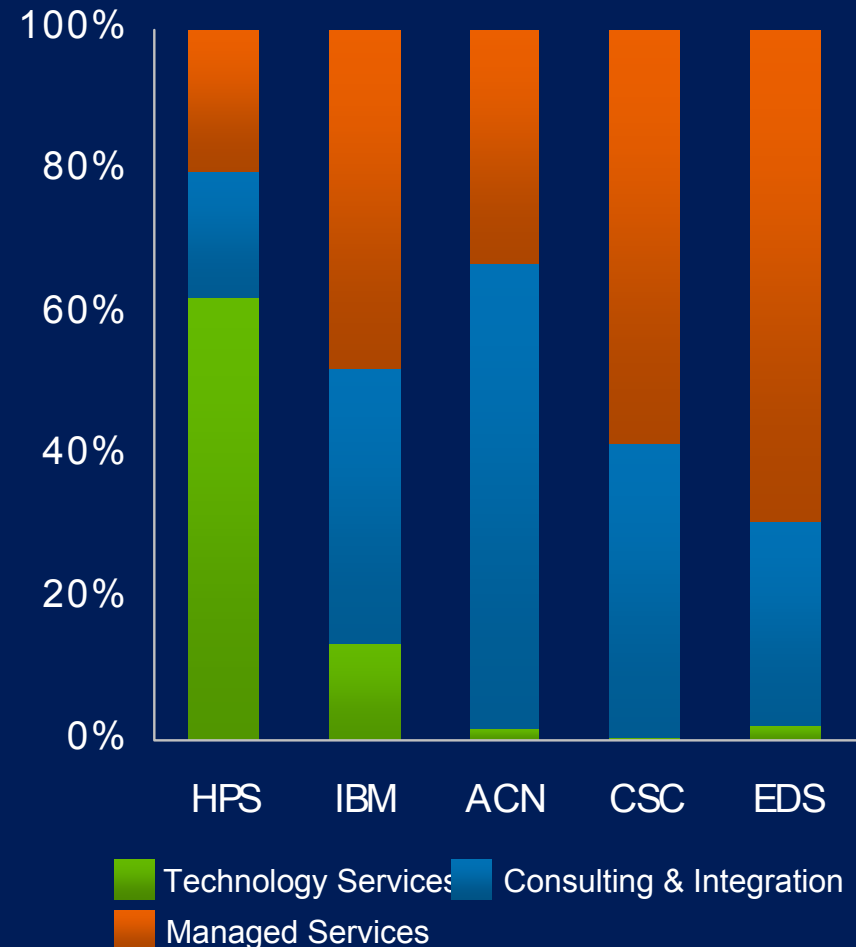
HPS FY05 revenue mix:	62%	18%	20%
Total addressable market (2004-2007 CAGR):	4%	5%	8%

Services landscape

2004 market size (revenue, \$B)

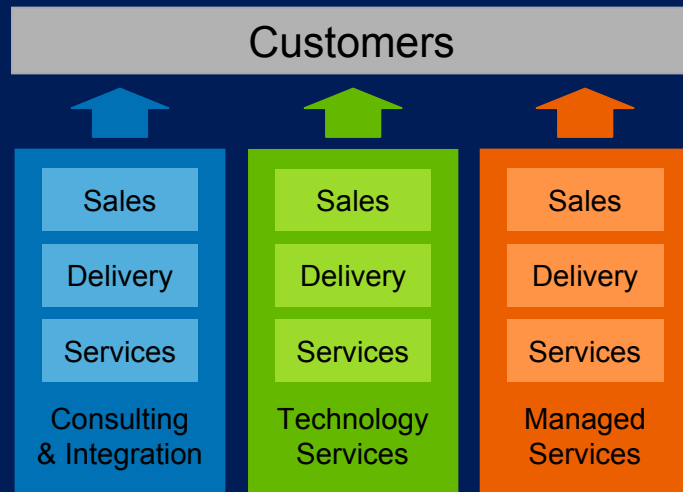


2004 Services revenue breakdown (%)

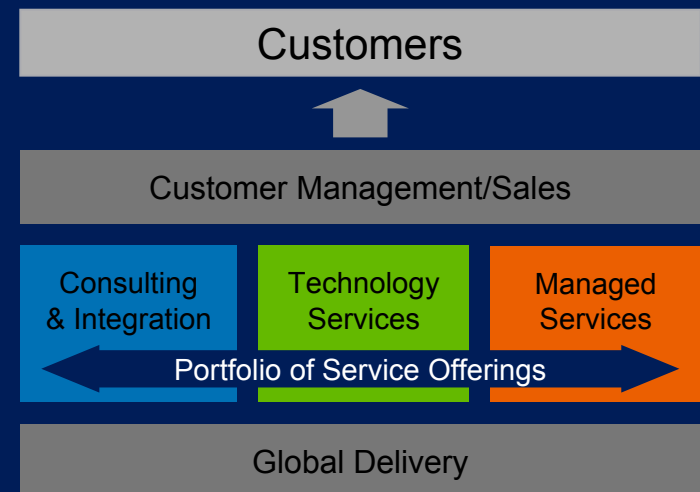


HP Services strategy

Old model:



New model:



Optimize cost structure and operating model

- Cost structure**
- Labor arbitrage
 - Process standardization
 - HP R&D and portfolio leverage
- Operating model**
- Single face to the customer
 - Portfolio of service offerings
 - Global Delivery capabilities
 - HP portfolio leverage

Leverage our core portfolio

- Increase attach
- Mine installed base
- Leverage core verticals

Grow in new adjacent markets

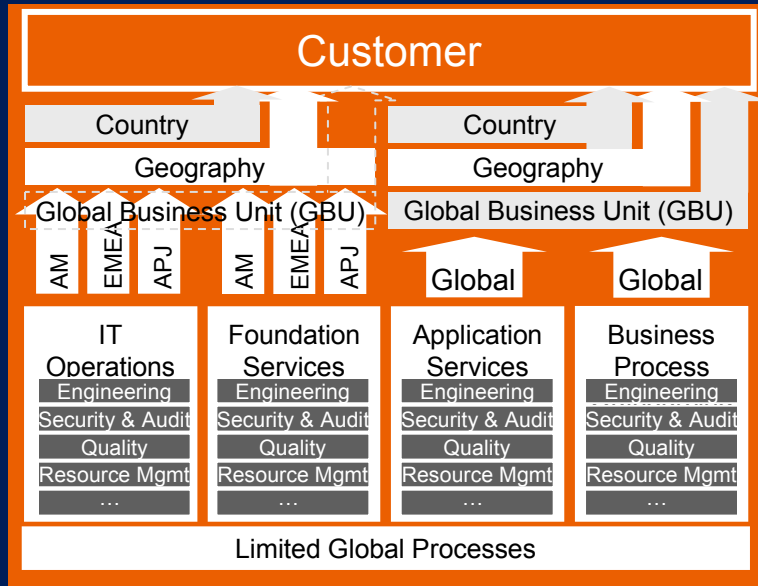
- BPO and applications portfolio
- Managed Print Services

← • Next generation data center architecture →

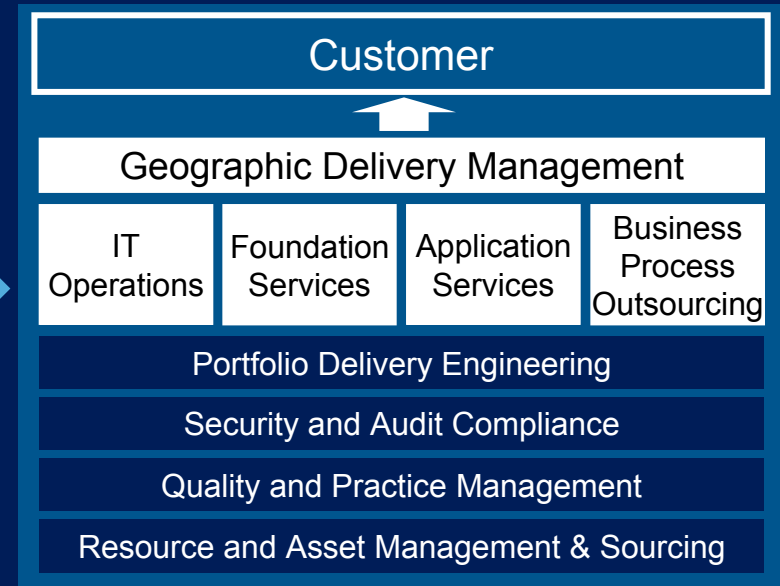
← • Targeted acquisitions →

Global Delivery

Old operating model



New operating model



- Simpler operating model
- Single end-to-end view into delivery for global customers
- Tools, processes and technology defined centrally, then executed globally
- Cost reduction from standardized service offerings and labor arbitrage

Levers for profitability

		Consulting & Integration	Technology Services	Managed Services
Cost/productivity	Decrease costs	<ul style="list-style-type: none"> • Delivery labor productivity • Rebalance workforce pyramid 	<ul style="list-style-type: none"> • Reduce unit service cost • Reduce warranty & inventory costs 	<ul style="list-style-type: none"> • Implement global delivery model
	Improve processes	<ul style="list-style-type: none"> • Bid and delivery IP reuse • Resource utilization and capacity planning 	<ul style="list-style-type: none"> • Monitoring and diagnostics • Service delivery innovation 	<ul style="list-style-type: none"> • Risk management for deal lifecycle • Leverage HP software investments
Growth	Increase sales velocity	<ul style="list-style-type: none"> • Systems and software pull-through • New solutions areas: <ul style="list-style-type: none"> - Service-Oriented Architecture (SOA) - Application modernization 	<ul style="list-style-type: none"> • Breakthrough attach • Installed base retention, upsell, conversion • High value services solutions 	<ul style="list-style-type: none"> • Proactive targeting to create demand • 100% referenceability • Upgrade client facing skills
Global delivery labor, sourcing, assets and standardization				
Portfolio of service offerings				
Growth framework				

Conclusion

- Market trends are playing to HP Services' strengths
- HP's portfolio, scale, R&D and IP provide a significant competitive advantage for HP Services
- HP Services' offerings are designed to meet customer needs from support to consulting and integration to outsourcing
- Global Delivery capability promotes speed, standardization, simplicity and execution
- Discipline in place to balance profitability and growth
- Cost reduction programs are building a foundation for future growth and profitability



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