



Hewlett Packard Company Overview

HP Direct - Omaha

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Information Technology Council



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Topics



- HP organization
- Today's IT world
- Hewlett Packard Company Overview
- PSG Overview
- HP Direct
 - Site overview
 - Manufacturing services
 - Revenues and sales segments
 - Mega-site
- With HP, Everything is Possible

Business Units



HP
Direct

Personal Systems Group

- Desktops
- Workstations
- Notebooks
- Handhelds
- Thin clients

Imaging & Printing Group

- Consumer/commercial printing
- Digital imaging
- Digital publishing

Enterprise Systems Group

- Servers
- Storage
- Management software
- Solutions

HP Services

- Customer support
- Managed services
- Consulting and integration
- Domain expertise

The new world (dis)order of business



- Global instability
- Shorter cycles with limited visibility
- Continual restructuring for competitive advantage
- Industry consolidation
- Business models constantly being challenged



Focus on what matters most



- Optimize the return on company's IT investments
- Respond with increased agility and flexibility to rapidly changing business conditions
- Access information on the go
- Strengthen the security of your infrastructure:
 - Enterprise IT
 - Mobile and wireless
- Provide more value and enhance customers' experience

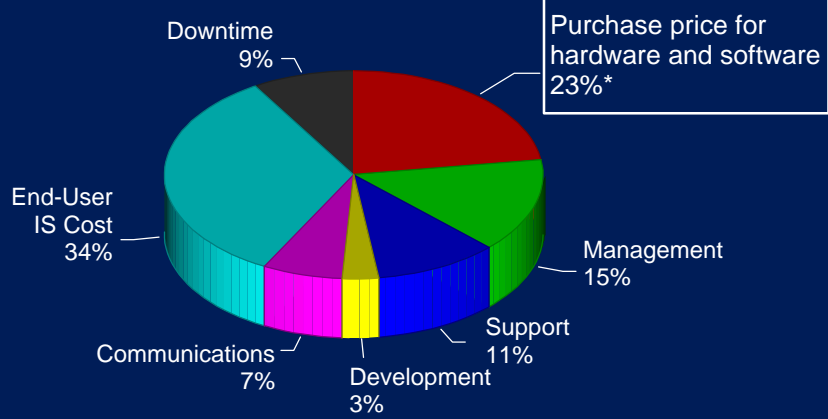


“Companies will take steps to shore up their security to give customers and business partners peace of mind.”

56% of CIOs in a recent survey plan to increase their spending on security software.

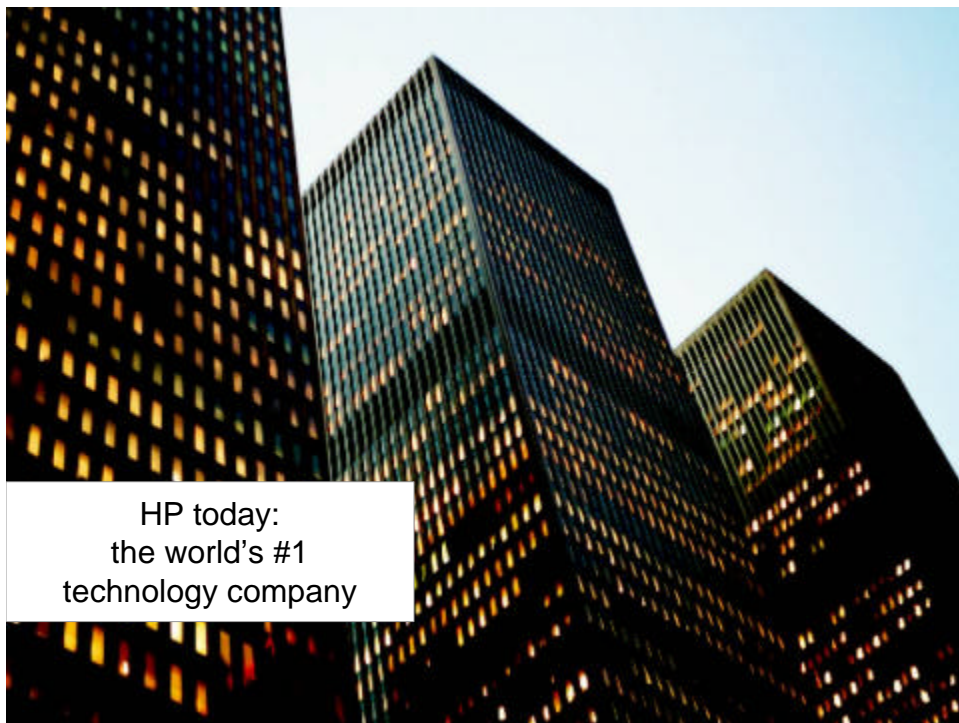
CIO Magazine
December 2002

77% of IT ownership costs hit after the initial purchase



Source: GartnerGroup

*Includes client, server, and enterprise acquisition cost



The world's #1 technology company



Did you know HP...

- Powers more than 100 stock and commodity exchanges, including 14 of the world's largest exchanges
- Supports 95% of the world's securities transactions
- Helps process 2 out of every 3 credit-card transactions worldwide and 3 out of every 4 electronic funds transfers
- Handles 80% of the mobile-billing and customer-care traffic in Europe and Asia
- Helps control 65% of the world's energy infrastructure
- Has 140,000 employees with operations in 160 countries
- Achieved \$72B in revenue (fiscal 2002)

The world's #1 technology company



Imaging and printing leadership

- From \$49 printers to \$multi-million commercial systems
- #1 in 18 out of 20 product categories
- 6,000 patents to date, add 1,000 more patents every year
- 238 million total printers shipped
- 176 million inkjets, 62 million LaserJets
- Sell 30 million more inkjet printers each year, and 7-8 million more LaserJets each year



The world's #1 technology company



More feet on the street to service customer needs

- 15,000 sales reps
 - 65,000 service and support professionals
- e-Commerce leadership
- \$12 billion per quarter in e-commerce transactions (includes Internet, EDI, web-enabled revenue)
 - B2B capabilities in 185 countries, 43 currencies, 15 languages
- R&D leadership
- 16,000 patents spanning print technology to molecular computing
 - 3 new patents every working day
 - \$4 billion annual R&D investment
- Financial strength
- \$12 billion in cash



HP message to analysts



- Integration of HP and Compaq virtually completed
- Achieved annualized \$3.5B worth of synergies
- Focused on meeting profits
 - “We have turned PSG around ahead of schedule and ESG remains on track to achieve profitability in the second half of FY03”
- HP Services is a “Tier-One Player” in the marketplace
 - P&G deal worth \$3B and over 200 deals in the last year
- PSG is in a “two-horse race” with Dell
 - Notebooks and mobility are most profitable
 - HP notebook revenue↑ 6%; Dell↓ 3%



HP
Personal Systems Group
overview

HP PSG: A leader in personal systems



- \$20B+ in annual revenues
- Leadership with a broad suite of innovative, standards-based products
- #2 worldwide PC market share
 - 85 million unit installed base
- Solutions that add real business value
- Global delivery and support capabilities
- Competitive pricing, with world-class cost structures
- Flexible buying options

Source for market share: IDC WW PC Tracker Q402, 2/17/03, Gartner WW PDA Market Report 1/24/03

Personal Systems Group vision



Personal computing everywhere for everyone

- Innovation for businesses
- Mobility solutions
- Connected and manageable devices



Award-winning innovations help ensure high productivity



January 2003

- HP iPAQ Pocket PC 3900 - PC Magazine – Best of 2002
- HP iPAQ Pocket PC 1910 - CNET – Editor's Choice
- Compaq Tablet PC TC1000 – Computer Reseller News - "A" score
- TFT7020 - CNET - #2 CNET Top Monitors
- L1825 Monitor - PC Upgrade - 5 Stars
- Compaq Evo D310 Desktop - PC World – #2 Under \$900

February 2003

- Evo N610c - #4 PC World Top 15 Notebooks - Power Category
- Evo N410c - #6 PC World Top 15 Notebooks - Power Category
- Compaq Evo D510 e-pc - PC Magazine – Editor's Choice
- Compaq Presario 6000 - PC World – #3 on Top Eight Value PCs



HP Direct

HP Direct manufacturing site overview



	Sq. Ft.	# Employees *	Build Capacity
Omaha	120,000	800	3,500
Ontario	180,000	923	5,100
Indy	415,000	1,773	10,000

** Includes contingents and Contract Manufacturer employees*

- Manufacturer Desktops and Workstations
- Configuration services capabilities on all units including servers and handhelds

HP Direct manufacturing services



Customization Services

- ✍ hardware upgrades
 - ✍ networking cards
 - ✍ cd-roms, storage
 - ✍ memory
 - ✍ 3rd party options
- ✍ customer instructions
- ✍ turnkey networks
- ✍ customer- - owned

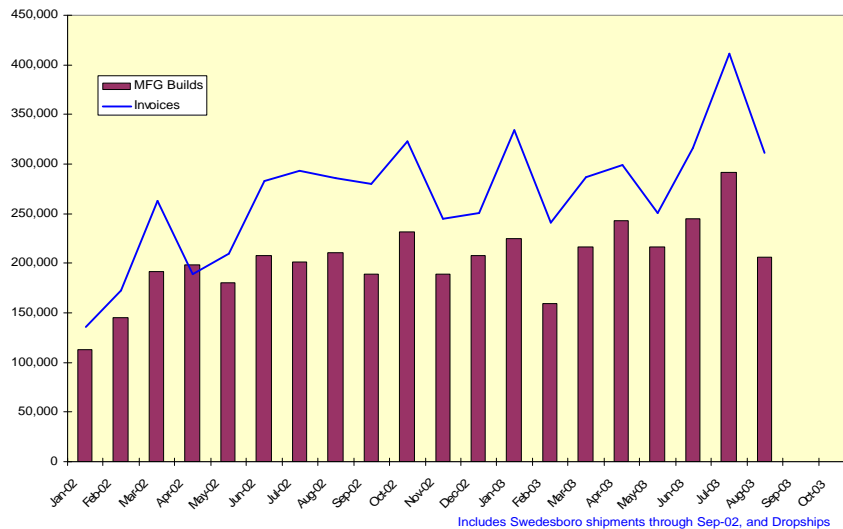
Image Management

- ✍ design
- ✍ qualification
- ✍ modification
- ✍ replication
- ✍ proactive monitoring
- ✍ technology assessment
- ✍ onsite engineering

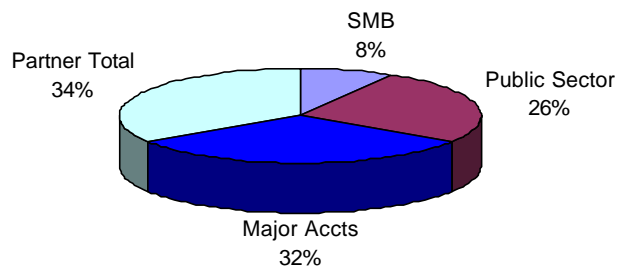
Specialty Services

- ✍ asset tags
- ✍ custom packaging
- ✍ master packing
- ✍ over packing
- ✍ custom logos
- ✍ custom packing lists
- ✍ blind labeling
- ✍ quality surveys
- ✍ consolidated single invoice
- ✍ consolidated shipment
- ✍ req. ship date—dynamic scheduling
- ✍ freight collect (customer carrier)
- ✍ date/time specific deliveries
- ✍ dedicated truck
- ✍ on-line tracking and tracing
- ✍ special equipment requirements

HP Direct Shipments and Units Manufactured



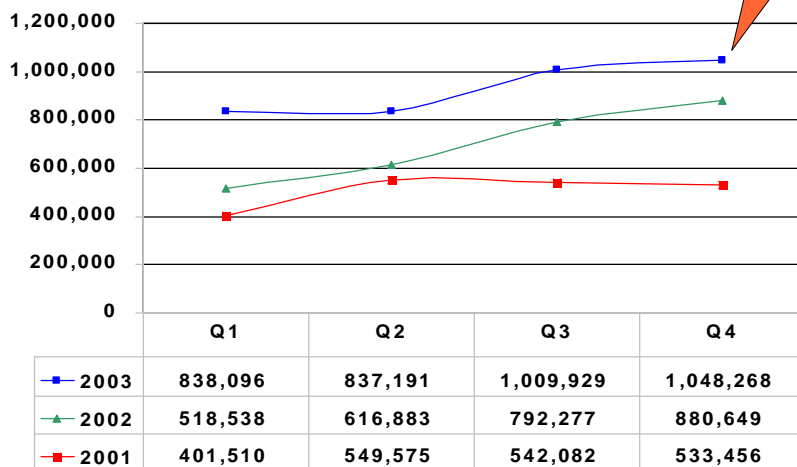
Direct snapshot (2003 YTD activity)



Segment	Revenue	Customers	Systems (CPUs)
SMB	\$ 340M	116,285	180k
Public Sector	\$1,027M	22,171	638k
Major Accounts	\$1,277M	3,878	676k
Pure direct	\$2,644M	142,334	1,494k
Partner	\$1,373M	5,659	944k

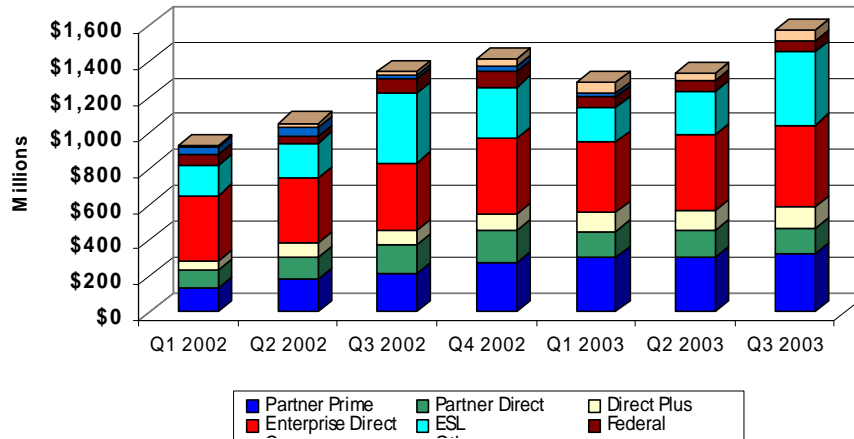
2003 YTD Activity (Nov 2002 – July 2003)

Logistics CPU shipments 2001 to 2003 (without IPG)



2001(calendar quarters); 2002-2003 (fiscal quarters); logistic shipments without IPG; Q4 2003 is based on forecast

Net revenue by pipeline trend

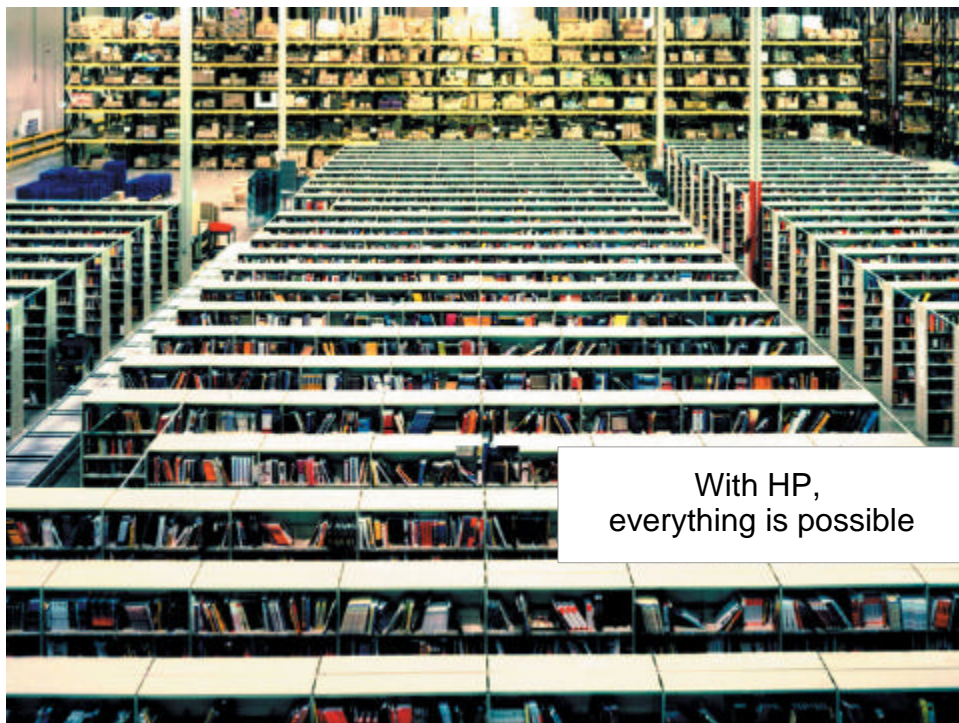
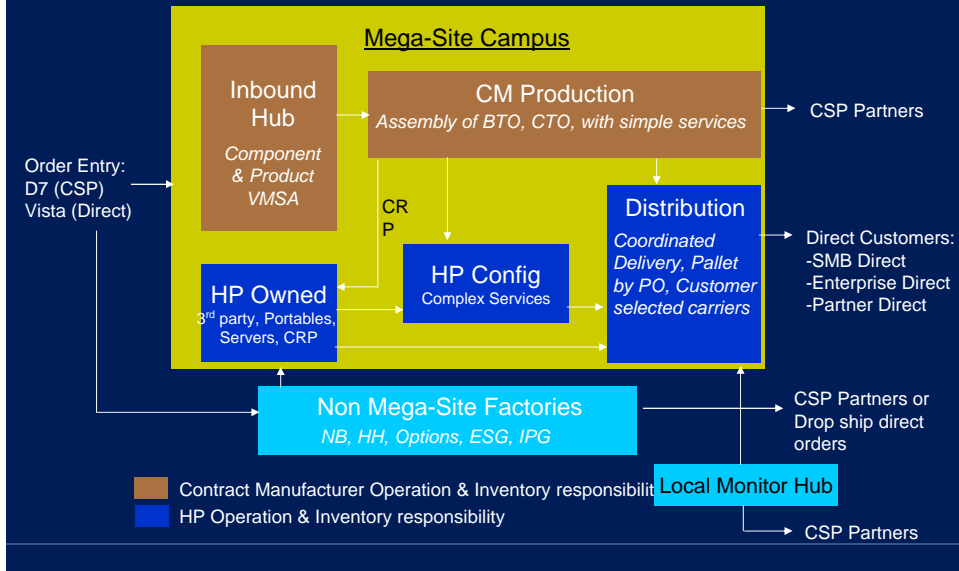


Mega Site Program Overview



- Consolidate the manufacturing of Business PC's (Desktop), to support all Commercial Direct and Indirect customer orders
 - Utilizing contract manufacturing
 - Two mega-sites in the US
 - One mega-site in Guadalajara
 - One mega-site in Canada
 - Omaha still being investigated
- Mega-Site would include vendor-managed materials hub, contract manufacturer's lines for box build, HP lines for complex integration and co-locates supplier warehouses
- Improve supply chain costs and move to a more variable structure
- Allow for improved customer experience by having a consistent experience across all pipelines
- Allows organizations to focus on core competencies (CM on volume, HP on value-added services)

Mega Site Plan Overview



Customers + HP Personal Systems Group: Everything is possible



- 19,000 desktops to service customers in their tax office
- \$14 million agreement for 14,000 desktops, 4,600 notebooks and 400 technical workstations, supported with an HP service warranty
- Starbucks, T-Mobile and HP are rolling out the United States' largest high-speed wireless network in over 2,100 Starbucks stores

Customers + HP Personal Systems Group: Everything is possible



- HP desktop PCs, laptops, ProLiant servers and LaserJet printers in a multi-year agreement
- 40,000 PCs for 1,456 local stores for two programs that together will improve operations, customer service and employee education
- HP iPAQ PCs for their next generation mobile solution; members are using them as a wireless order management tool on the trading floor

