



Imaging and Personal Systems

Vyomesh Joshi
EVP, Imaging and Personal Systems Group
April 4, 2005

© 2004 Hewlett-Packard Development Company, L.P.
The information contained herein is subject to change without notice



Forward-looking statements

These materials contain forward-looking statements that involve risks, uncertainties and assumptions. If the risks or uncertainties ever materialize or the assumptions prove incorrect, the results of Hewlett-Packard Company and its consolidated subsidiaries ("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 the execution of restructuring plans and remediation of execution issues; any statements regarding management and organizational structure; 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; disruptions in relationships with customers, suppliers and partners resulting from management transition; 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, and the risks described in HP's Annual Report on Form 10-K for the fiscal year ended October 31, 2004 and subsequently filed reports including HP's Quarterly Report on Form 10-Q for the period ended January 31, 2005. HP assumes no obligation and does not intend to update these forward-looking statements.

Use of non-GAAP terms

To supplement our 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 and losses we believe appropriate to enhance an overall understanding of our past financial performance and also our prospects for the future. These adjustments to our 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 our marketplace performance. For example, the non-GAAP results are an indication of our baseline performance before gains, losses or other charges that are considered by management to be outside of our core business segment operational results. In addition, these adjusted non-GAAP results are among the primary indicators management uses as a basis for our planning and forecasting of 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.

Imaging and Personal Systems

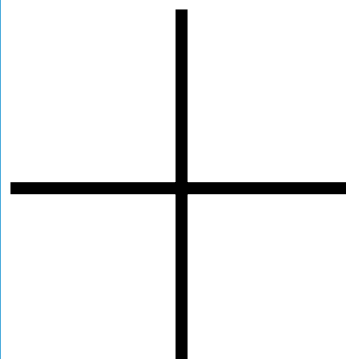
PSG strengths:

- \$25B business with record quarterly revenue, profit and unit shipments
- Q1 FY05 profitability of \$147M, or 2.1%
- Growing and profitable in all product categories and regions
- Significant cost structure and margin improvements



IPG strengths:

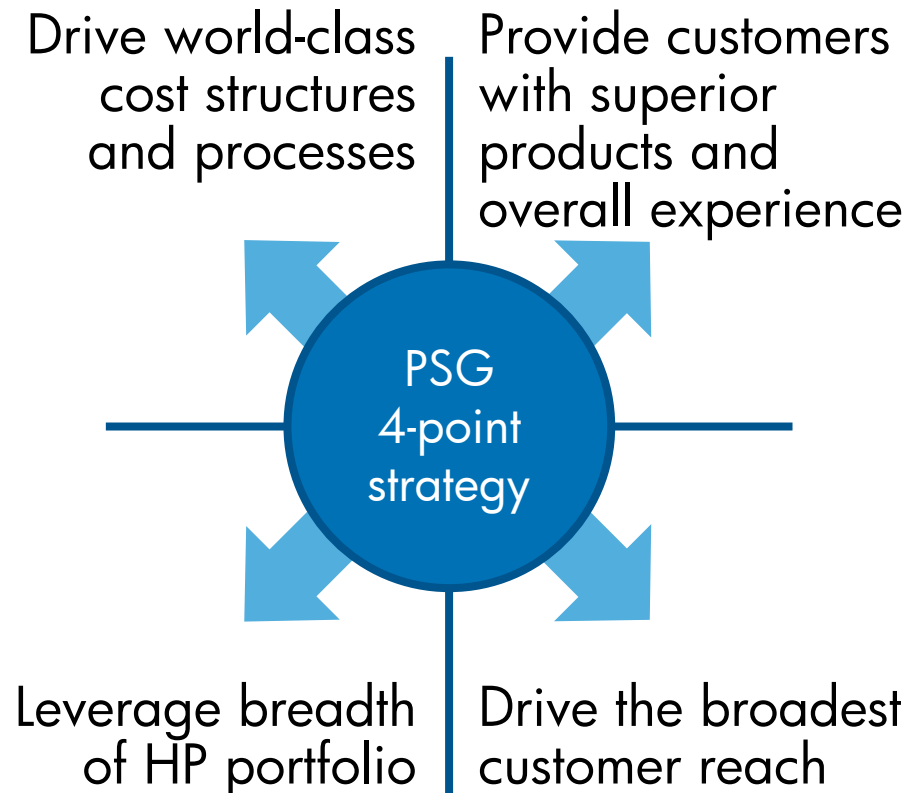
- \$24B business with 10 consecutive quarters of growth and industry leading profit
- #1 WW in inkjet and laser printing & supplies, print servers, scanners, large-format
- Leading innovation with 9,000+ patents globally
- 335 million printers shipped



IPSG strategies and priorities

- Drive an organizational culture based on clearly defined responsibility/accountability and a focus on simplicity, speed and agility.
- Build on our customer value proposition of quality, reliability and reliance.
- Drive go-to-market acceleration plan.
- Identify and pursue existing and future profit pools.
- Balance share vs. margins and leverage the portfolio and installed base to our advantage.
- Create a “perishable goods” supply chain to reduce cost and improve turns significantly.

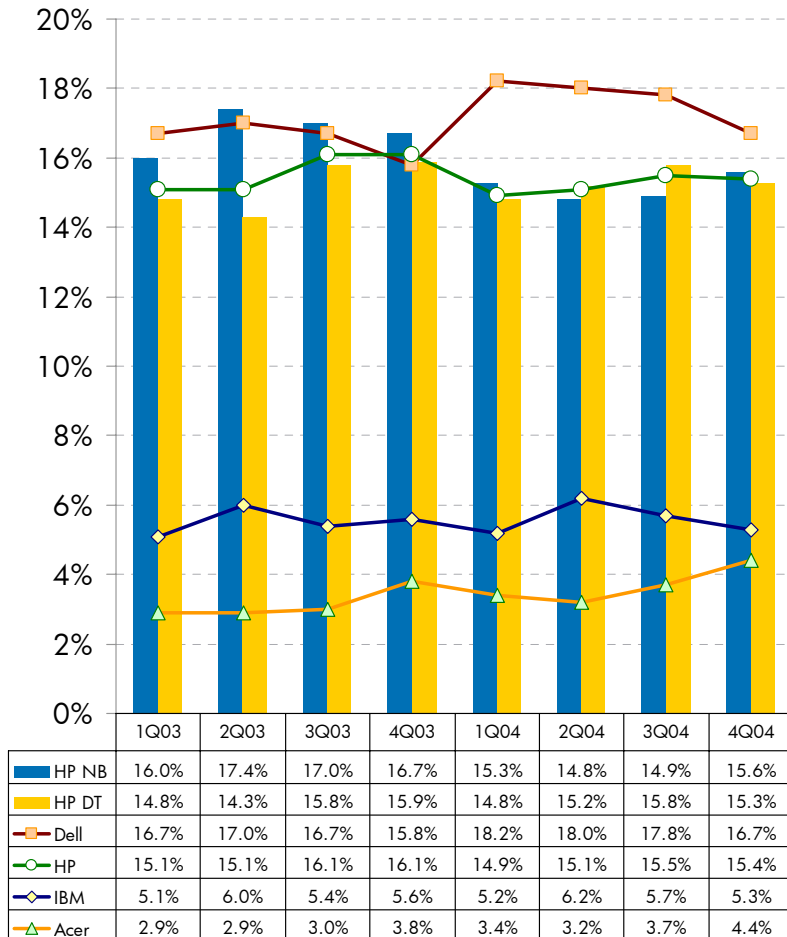
PSG operating strategy



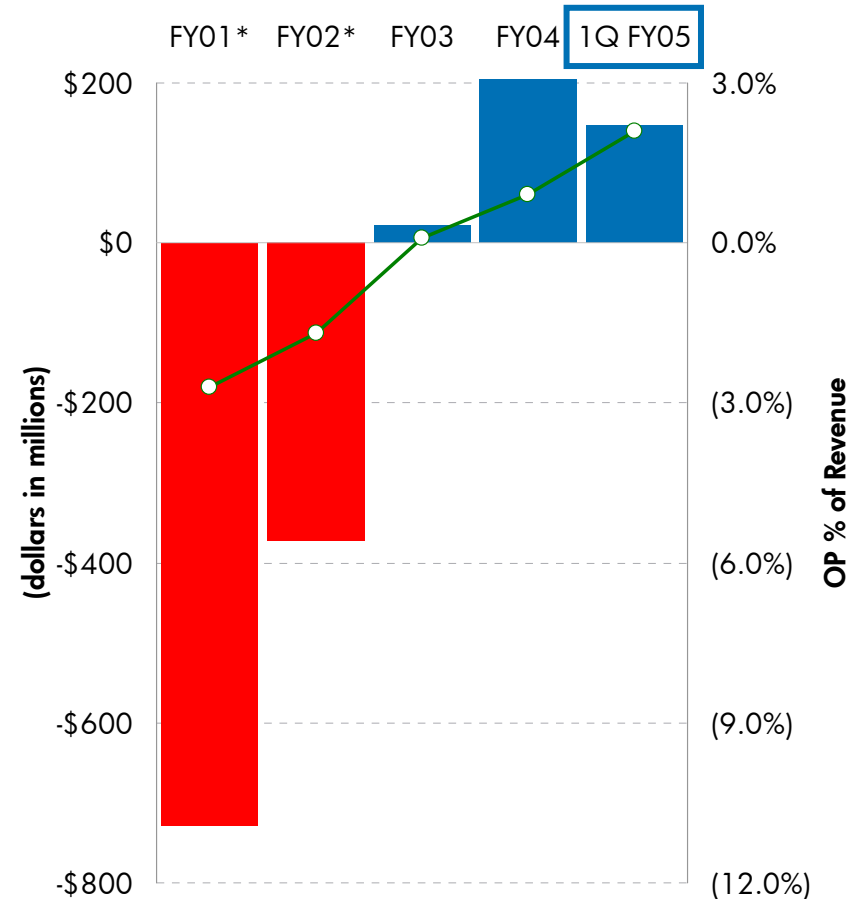
Balancing profitability and market share

PSG – profitability vs. share

WW total PC market share¹



Operating profit²



1. IDC Q4 2004 PC Market Share

2. Stated on a combined company basis, please refer to supplementary slides for additional information

PSG P&L vs. best-in-class¹

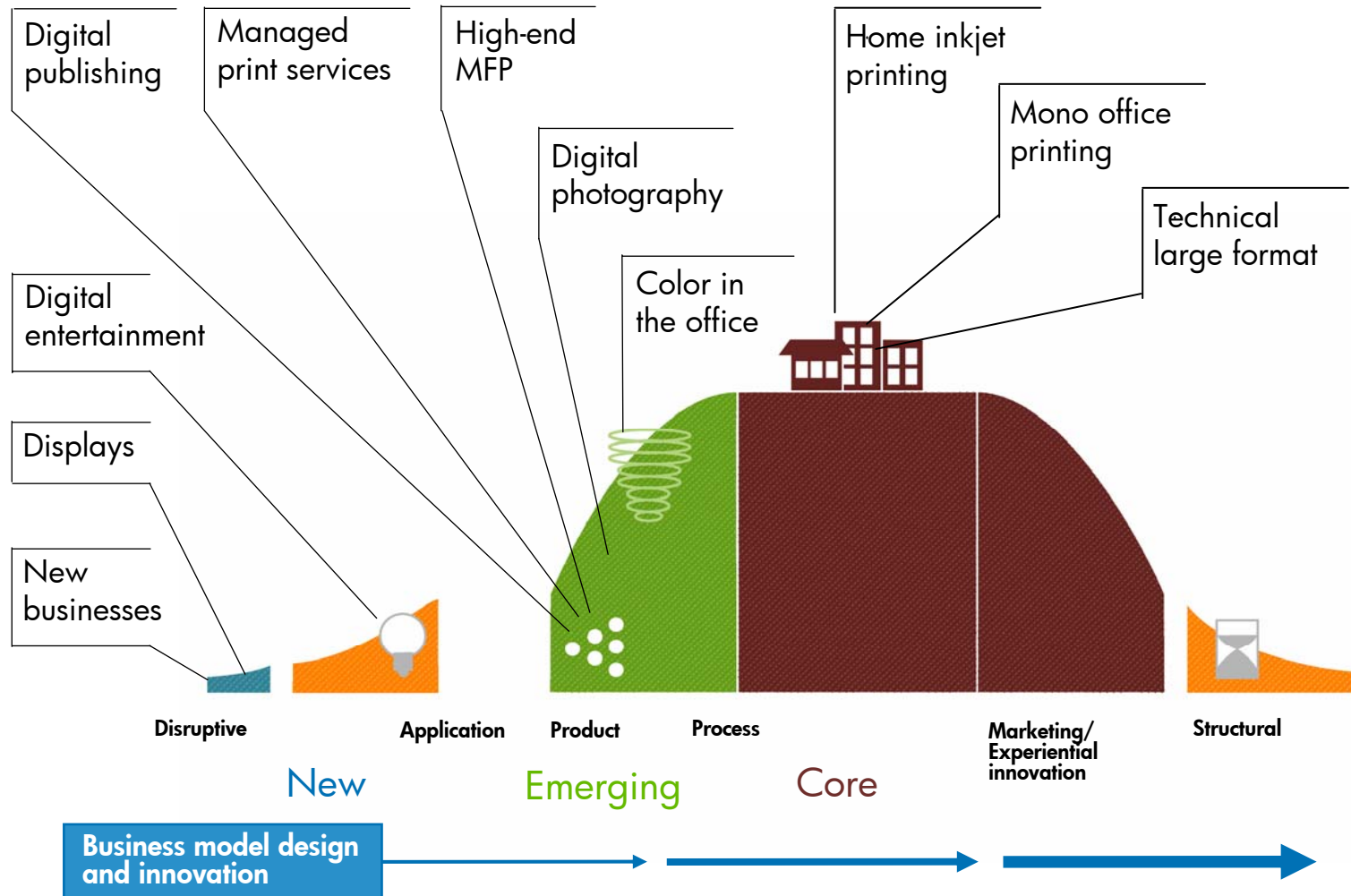
Gross margin %	~ 300 pts.	<ul style="list-style-type: none">• Direct sales• Up-sell/attach rates• Product mix• Supply chain/warranty
OPEX %	~ 100 pts.	<ul style="list-style-type: none">• Field selling costs/hunter-farmer• Disciplined R&D
Op. margin %	~ 400 pts.	

¹ Based on internal estimates

IPG strategic roadmap

Consumer	SMB	Public Sector	Enterprise
Consumers: Enable consumers to enjoy more of life by delivering simple and rewarding technology services.	Business customers: Enable customers to demand more/get more business effectiveness by optimizing their end-to-end imaging and printing environment.		
Drive digital photography for the home mass market	Make color mainstream in the office		
Deliver major contributions in digital entertainment	Capture high-value pages		
Extend value and grow the core business			
Deliver best total customer experience			
World-class cost structure and business models			
Best place to work			

Business design needs to change with the lifecycle



Management to business lifecycle

Extend the core business

- Compete aggressively on every necessary front (e.g., price, distribution, business models)
- Accelerate cost structure initiatives
- Innovation across all aspects of the value chain

Expand our focus on emerging businesses

- Shift our investments and people from core to emerging and new businesses
- Grow emerging businesses: Digital photography, color in the office, high-end MFPs, digital presses and projectors

Accelerate new business creation

- Focus our efforts to develop two to three multi-billion dollar businesses

Q&A
