

Realizing the EDS opportunity

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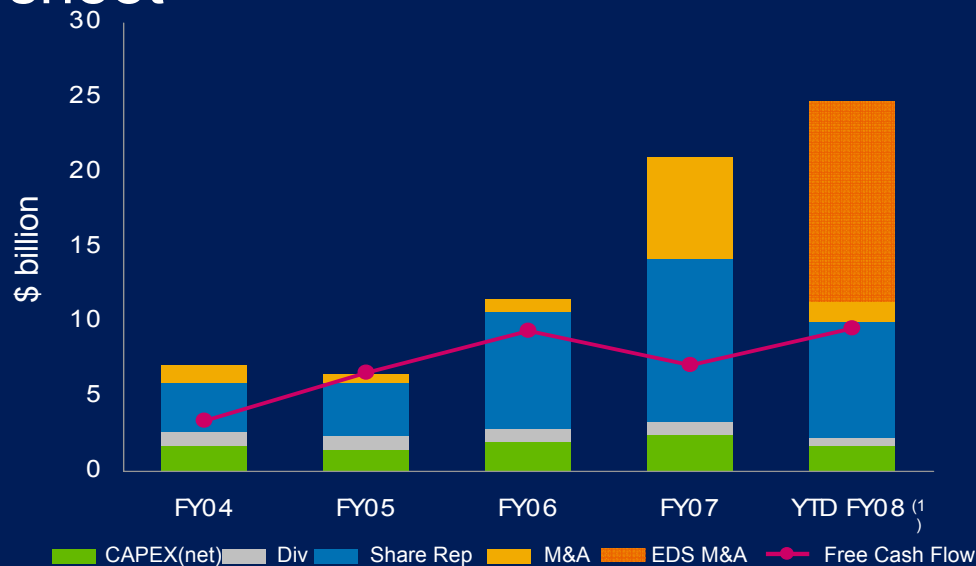
Agenda

- HP capital strategy
- Capturing value from EDS
- Outlook for Services segment



Capital strategy

Investing in the business; maintaining a strong balance sheet



Invest in the business

- Organic and inorganic

Return to shareholders

- Share repurchase
- Dividends

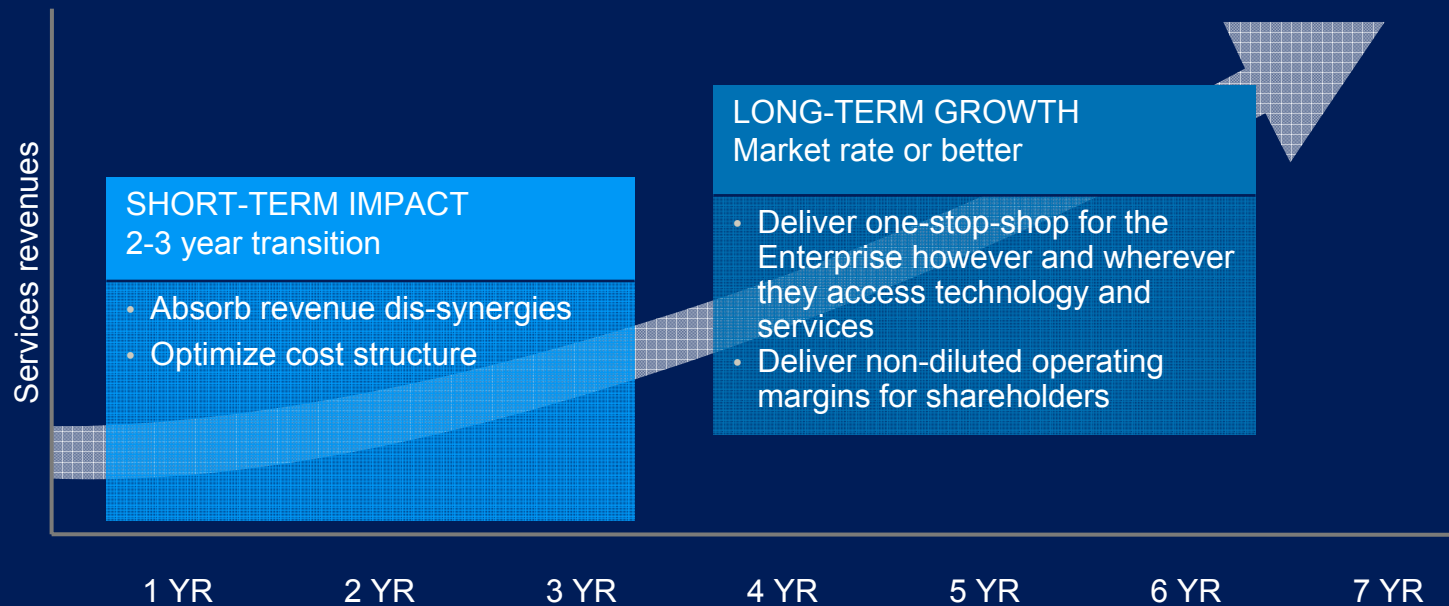
Maintain financial flexibility

- Expect to issue long-term debt at currently confirmed debt ratings
- Expect to return to positive net cash position within 12-18 months

1. FY08 is 9 month YTD with the addition of the cash paid for the EDS acquisition

Transformation for growth

Emerging a stronger competitor



Capturing value from EDS

Building a competitive cost structure; maintaining service level

REALIGNING THE WORK FORCE

- Capture shared services synergies
- Eliminate HP Services and EDS redundancies
- Accelerate resource location optimization
- Improve labor utilization
- Attract and invest in the best talent

ATTAINING ADDITIONAL SYNERGIES

- Internal IT—execute EDS data center transformation
- Real estate—optimize footprint
- Procurement—leverage scale



Capturing value from EDS

Driving towards \$2.5 billion in annual savings

- Expect to reduce headcount by approximately 24,600 employees
 - Plan to replace roughly half of these positions to optimize global footprint
- Reductions to be implemented over the next 3 years with approximately 50% completed by the end of FY09
- Anticipate \$1.8 billion of net annual savings to flow through to earnings
- Q408 pre-tax restructuring cost of approximately \$1.7 billion
 - \$1.4 billion booked to goodwill; \$0.3 billion recorded as a restructuring charge



EDS-related efficiency opportunities

	FY09 (\$B)	FY10 (\$B)	Run rate (\$B)
EDS-related savings	\$0.7	\$1.9	\$2.5
24,600 headcount reductions with ~50% replacement			1.6
IT, real estate, procurement, etc.			0.9
Reinvestment	0.2	0.6	0.7
Market competitiveness, sales force hiring, etc.			
Net savings	\$0.5	\$1.3	\$1.8



EDS-related model

	Q408	FY09	FY10
EDS revenue impact (\$B)	\$3.5	\$21.1 - \$21.3	\$21.7 - \$22.1
Operating profit impact ⁽¹⁾ (\$B)	~\$0.1	\$1.4 - \$1.6	\$2.2 - \$2.4
OI&E (expense) impact (\$M)	~(\$120)	(\$700) - (\$750)	(\$700) - (\$750)
Tax rate	35%	35%	35%
Non-GAAP EPS impact ⁽¹⁾	(\$0.01) - \$0.00	\$0.18 - \$0.22	\$0.38 - \$0.42
GAAP to non-GAAP adjustments ⁽¹⁾	(\$0.18) - (\$0.17)	(\$0.29) - (\$0.28)	(\$0.27) - (\$0.26)
GAAP EPS impact	(\$0.19) - (\$0.17)	(\$0.11) - (\$0.06)	\$0.11 - \$0.16

1. All non-GAAP numbers have been adjusted to exclude certain items including restructuring charges, acquisition related charges and amortization of purchased intangibles. A description of HP's use of non-GAAP information is provided in the supplemental slides at <http://www.hp.com/investor/focussam2008>.

Services segment model

FY09 and FY10 model

	FY09 Operating margin	FY10 Operating margin
HP Services (excluding EDS)	13% – 14%	
EDS business unit	6% – 7%	
Combined Services segment	9% – 10%	11% – 13%

Long-term model

	Y/Y revenue growth	Operating margin
Combined Services segment	4% – 6%	13% – 15%



Summary

- Services remains a ripe opportunity for growth and margin expansion
- Expect to attain significant value from EDS transaction
- Committed to a strong balance sheet and share buyback program

HP is focused on creating shareholder value



