

Segment Information

HP is a leading global provider of computing and imaging solutions and services for business and home, and is focused on capitalizing on the opportunities of the Internet and the emergence of next-generation appliances, e-services and infrastructure.

As of October 31, 2000, hp organized its operations into three major businesses: Imaging and Printing Systems, Computing Systems and IT Services. The segments were determined primarily on how management views and evaluates hp's businesses. The factors that management uses to identify hp's separate businesses include customer base, homogeneity of products, technology and delivery channels. A description of the types of products and services provided by each reportable segment is as follows:

Imaging and Printing Systems provides laser and inkjet printers (both monochrome and color), mopiers, scanners, all-in-one devices, personal color copiers and faxes, digital senders, wide- and large-format printers, print servers, network-management software, networking solutions, digital photography products, imaging and printing supplies, imaging and software solutions, and related professional and consulting services.

Computing Systems provides a broad range of computing systems for the enterprise, commercial and consumer markets. The products and solutions range from mission-critical systems and software to personal computers for business and home. Major product lines include UNIX® and PC servers, desktop and mobile personal computers, workstations, software solutions and storage solutions.

IT Services provides consulting, education, design and installation services, ongoing support and maintenance, and proactive services like mission-critical support, outsourcing and utility-computing capabilities. Financing capabilities include leasing, automatic technology-refreshment services, solution financing and venture financing.

HP's immaterial operating segments were aggregated to form an "All Other" category.

In the second and third quarters of fiscal 2000, hp made certain strategic changes to its organizational structure. These changes included the movement of its appliances business from the Computing Systems segment to a separate operating segment, and the movement of the majority of its services business related to imaging and printing from the Imaging and Printing Systems segment to its IT Services segment. The appliances operating segment is now included in "All Other" as it does not meet the materiality threshold for a reportable segment. Segment financial data for the fiscal years ended October 31, 1999 and 1998 has been restated to reflect these organizational changes.

The results of the reportable segments are derived directly from hp's management reporting system. As described above, these results are based on hp's method of internal reporting and are not necessarily in conformity with accounting principles generally accepted in the United States. Management measures the performance of each segment based on several metrics, including earnings from operations. These results are used, in part, to evaluate the performance of, and allocate resources to, each of the segments.