

HP Services

(Fiscal year end: Oct 31)

	2006e	% of	Change	2005	% of	Change	2004	% of
	(\$ Mill)	Rev	06/05	(\$ Mill)	Rev	05/04	(\$ Mill)	Rev
Revenue		18%			18%			17%
Business Segments (est)								
Outsourcing	\$3,360	21.0%	10.9%	\$3,030	19.5%	23.9%	\$2,446	17.7%
Integration	\$3,040	19.0%	7.0%	\$2,840	18.3%	12.9%	\$2,515	18.2%
Maintenance	\$9,610	60.0%	-0.6%	\$9,670	62.2%	8.8%	\$8,887	64.2%
Total Revenue (w. Maint.)	\$16,010	100.0%	3.0%	\$15,540	100.0%	12.2%	\$13,848	100.0%
(w/o Maint.)	\$6,400		9.0%	\$5,870		18.3%	\$4,961	ERR
4Q06 Actual	\$4,080		4.6%	\$3,900				
Costs								
Cost of Revenue	\$12,490	78.0%	3.3%	\$12,090	77.8%	13.2%	\$10,680	77.1%
One-time Charges				\$138				
Total Costs	\$12,490	78.0%	2.1%	\$12,228	78.7%	14.5%	\$10,680	77.1%
Gross Profit/Margin	\$3,520	22.0%	6.3%	\$3,312	21.3%	4.5%	\$3,168	22.9%
Expenses								
Sales, General & Marketing	\$1,920	12.0%	3.2%	\$1,860	12.0%	-1.2%	\$1,883	13.6%
Restr. Charges (apportioned)				\$302			\$20	
<u>Research & Development</u>								
Total Expenses	\$1,920	12.0%	-11.2%	\$2,162	13.9%	13.6%	\$1,903	13.7%
Operating Profit (Loss)	\$1,600	10.0%	39.1%	\$1,150	7.4%	-9.1%	\$1,265	9.1%
as reported w/o charges						-100.0%	\$1,263	9.1%
4Q06 Actual	\$345	8.5%	18.2%	\$292	7.5%			
Other Income (Loss)	(\$5)	-0.0%	0.0%	(\$5)	-0.0%	-6.9%	(\$5)	-0.0%
Income (Loss) Before Tax	\$1,595	10.0%	39.3%	\$1,145	7.4%	-9.1%	\$1,260	9.1%
Income Tax (Benefit)	\$324	20.3%	39.3%	\$233	20.3%	10.9%	\$210	16.7%
Net Income (Loss)	\$1,271	7.9%	39.3%	\$912	5.9%	-13.1%	\$1,050	7.6%
# shares (basic)	2.74	0.46		0.33			0.38	

Pro Forma Valuation

	P/E Ratio	Rev Ratio	Market Cap (est.)			Spin-off	Actual
			P/E	Rev	Combined	Benefit	(11/16/06)
Industry Segment Avg	17.00	0.87	\$21.60	\$13.93	\$17.77		
HP Corp Act Prorated	23.46	1.22	\$29.81	\$19.53	\$24.67		\$100.69
HP Services	20.00	0.90	\$25.42	\$14.41	\$19.91	(\$4.76)	

Source: Annex Research