

Table 4

# HP Personal Systems

May-06

(Fiscal year end: Oct 31)

	<b>2006e</b>	<b>% of</b>	<b>Change</b>	<b>2005</b>	<b>% of</b>	<b>Change</b>	<b>2004</b>	<b>% of</b>
	<b>(\$ Mill)</b>	<b>Rev</b>	<b>06/05</b>	<b>(\$ Mill)</b>	<b>Rev</b>	<b>05/04</b>	<b>(\$ Mill)</b>	<b>Rev</b>
<b>Revenue</b>		32%				31%		31%
<b>Business Segments (est)</b>								
Desktop	\$14,810	51.0%	3.4%	\$14,320	53.6%	2.1%	\$14,031	56.0%
Notebook	\$11,620	40.0%	19.1%	\$9,760	36.5%	15.9%	\$8,423	33.5%
Other	\$2,610	9.0%	-1.9%	\$2,660	9.9%	22.7%	\$2,168	8.8%
<b>Total Revenue</b>	<b>\$29,040</b>	<b>100.0%</b>	<b>8.6%</b>	<b>\$26,740</b>	<b>100.0%</b>	<b>8.6%</b>	<b>\$24,622</b>	<b>98.3%</b>
<b>2Q06 Actual</b>	<b>\$6,977</b>		<b>9.5%</b>	<b>\$6,369</b>				
<b>Costs</b>								
Cost of Revenue	\$24,570	84.6%	8.6%	\$22,620	84.6%	4.4%	\$21,670	88.0%
One-time Charges								
<b>Total Costs</b>	<b>\$24,570</b>	<b>84.6%</b>	<b>8.6%</b>	<b>\$22,620</b>	<b>84.6%</b>	<b>4.4%</b>	<b>\$21,670</b>	<b>88.0%</b>
<b>Gross Profit/Margin</b>	<b>\$4,470</b>	<b>15.4%</b>	<b>8.5%</b>	<b>\$4,120</b>	<b>15.4%</b>	<b>39.6%</b>	<b>\$2,952</b>	<b>12.0%</b>
<b>Expenses</b>								
Sales, General & Marketing	\$2,900	10.0%	8.6%	\$2,670	10.0%	8.5%	\$2,460	10.0%
Restr. Charges (apportioned)	\$537			\$519			\$37	
<u>Research &amp; Development</u>	<u>\$290</u>	<u>1.0%</u>	<u>7.4%</u>	<u>\$270</u>	<u>1.0%</u>	<u>8.0%</u>	<u>\$250</u>	<u>1.0%</u>
<b>Total Expenses</b>	<b>\$3,727</b>	<b>12.8%</b>	<b>7.7%</b>	<b>\$3,459</b>	<b>12.9%</b>	<b>25.9%</b>	<b>\$2,747</b>	<b>11.2%</b>
<b>Operating Profit (Loss)</b>	<b>\$743</b>	<b>2.6%</b>	<b>12.4%</b>	<b>\$661</b>	<b>2.5%</b>	<b>222.2%</b>	<b>\$205</b>	<b>0.8%</b>
<b>as reported</b>						<b>-100.0%</b>	<b>\$205</b>	<b>0.8%</b>
<b>2Q06 Actual</b>	<b>\$248</b>	<b>3.6%</b>	<b>68.7%</b>	<b>\$147</b>	<b>2.3%</b>			
Other Income (Loss)	(\$5)	-0.0%	0.0%	(\$5)	-0.0%	-47.7%	(\$10)	-0.0%
<b>Income (Loss) Before Tax</b>	<b>\$738</b>	<b>2.5%</b>	<b>12.5%</b>	<b>\$656</b>	<b>2.5%</b>	<b>235.4%</b>	<b>\$195</b>	<b>0.8%</b>
Income Tax (Benefit)	\$150	20.3%	12.5%	\$133	20.3%	309.3%	\$33	16.7%
<b>Net Income (Loss)</b>	<b>\$588</b>	<b>2.0%</b>	<b>12.5%</b>	<b>\$522</b>	<b>2.0%</b>	<b>220.7%</b>	<b>\$163</b>	<b>0.7%</b>
Earnings per share (basic)	2.81	0.21		0.19			0.06	

## Pro Forma Valuation

	<b>P/E Ratio</b>	<b>Rev Ratio</b>	<b>Market Cap (est.)</b>			<b>Spin-off</b>	<b>Actual</b>
		(IBM/Lenovo)	P/E	Rev	Combined	<b>Benefit</b>	(5/15/06)
Industry Segment Avg	12.00	0.18	\$7.05	\$5.08	\$6.07		
HP Corp Act Prorated	27.72	0.95	\$16.29	\$27.59	\$28.55		<b>\$89.46</b>
<b>HP PCs</b>	10.00	0.20	\$5.88	\$5.81	<b>\$5.84</b>	<b>(\$22.71)</b>	

Source: Annex Research