Table 3

HP Enterprise Servers & Storage

Nov-06

(Fiscal year end: Oct 31)

		2006e ($ Mill)	% of Rev	*Change 06/05*	2005 ($ Mill)	% of Rev	*Change 05/04*	2004 ($ Mill)	% of Rev
Revenue		*19%*			*19%*			*19%*	
Business Segments (est)									
Industry Standard Servers		*$10,050*	*59.0%*	*2.7%*	*$9,790*	*58.6%*	*20.6%*	*$8,118*	*55.0%*
Bus Critical Serv		*$3,580*	*21.0%*	*-5.8%*	*$3,800*	*22.8%*	*1.1%*	*$3,759*	*21.0%*
Network Storage		*$3,400*	*20.0%*	*9.3%*	*$3,110*	*18.6%*	*-2.7%*	*$3,197*	*21.2%*
Total Revenue		**$17,030**	**100.0%**	***2.0%***	**$16,700**	**100.0%**	***10.8%***	**$15,074**	**97.2%**
4Q06 Actual		***$4,670***		***4.3%***	***$4,476***				
Costs									
Cost of Revenue		$10,560	62.0%	*5.1%*	$10,050	60.2%	*2.6%*	$9,800	65.0%
One-time Charges									
Total Costs		$10,560	62.0%	*5.1%*	$10,050	60.2%	*2.6%*	$9,800	65.0%
Gross Profit/Margin		$6,470	38.0%	*-2.7%*	$6,650	39.8%	*26.1%*	$5,274	35.0%
Expenses									
Sales, General & Marketing		$3,922	23.0%	*2.0%*	$3,846	23.0%	*7.6%*	$3,573	23.7%
Restr. Charges (apportioned)		$315			$324			$30	
Research & Development		$1,703	10.0%	*2.0%*	$1,670	10.0%	*10.6%*	$1,510	10.0%
Total Expenses		$5,940	34.9%	*1.7%*	$5,840	35.0%	*14.2%*	$5,113	33.9%
Operating Profit (Loss)		$530	3.1%	*-34.6%*	$810	4.8%	*402.9%*	$161	1.1%
as reported							*-100.0%*	$161	1.1%
4Q06 Actual		***$322***	***6.9%***	***78.9%***	***$180***	***4.0%***			
Other Income (Loss)		($5)	-0.0%	*0.0%*	($5)	-0.0%	*-14.5%*	($6)	-0.0%
Income (Loss) Before Tax		$525	3.1%	*-34.8%*	$805	4.8%	*418.6%*	$155	1.0%
Income Tax (Benefit)		$107	20.3%	*-34.8%*	$164	20.3%	*532.8%*	$26	16.7%
Net Income (Loss)		**$418**	**2.5%**	***-34.8%***	**$641**	**3.8%**	***395.8%***	**$129**	**0.9%**
Earnings per share (ba	2.74	0.15			0.23			0.05	

Pro Forma Valuation

	P/E Ratio	Rev Ratio	Market Cap (est.) P/E	Rev	Combined	Spin-off Benefit	Actual (11/16/06)
Industry Segment Avg	20.00	2.70	$8.36	$45.98	$27.17		
HP Corp Act Prorated	23.46	1.22	$9.81	$20.78	$18.84		**$100.69**
HP ESS	15.00	2.00	$6.27	$34.06	**$20.17**	**$1.32**	

Source: Annex Research