

Table 2

HP Imaging & Printing

Nov-06

(Fiscal year end: Oct 31)

	2006e	% of	Change	2005	% of	Change	2004	% of
	(\$ Mill)	Rev	06/05	(\$ Mill)	Rev	05/04	(\$ Mill)	Rev
Revenue		29%			29%			30%
Business Segments (est)								
Supplies	\$14,790	56.0%	5.6%	\$14,010	55.7%	6.2%	\$13,197	52.5%
Business	\$6,870	26.0%	2.1%	\$6,730	26.8%	5.3%	\$6,390	28.0%
Consumer	\$4,750	18.0%	14.2%	\$4,160	16.6%	-4.0%	\$4,335	19.0%
Other			-100.0%	\$250	1.0%	-9.7%	\$277	1.1%
Total Revenue	\$26,410	100.0%	5.0%	\$25,150	100.0%	3.9%	\$24,199	100.6%
4Q06 Actual	\$7,283		7.3%	\$6,785				
Costs								
Cost of Revenue	\$17,300	65.5%	6.7%	\$16,220	64.5%	4.7%	\$15,490	64.0%
One-time Charges								
Total Costs	\$17,300	65.5%	6.7%	\$16,220	64.5%	4.7%	\$15,490	64.0%
Gross Profit/Margin	\$9,110	34.5%	2.0%	\$8,930	35.5%	2.5%	\$8,709	36.0%
Expenses								
Sales, General & Marketing	\$3,700	14.0%	5.1%	\$3,520	14.0%	4.1%	\$3,380	14.0%
Restr. Charges (apportioned)	\$489			\$489			\$35	
<u>Research & Development</u>	<u>\$1,580</u>	<u>6.0%</u>	<u>4.6%</u>	<u>\$1,510</u>	<u>6.0%</u>	<u>4.1%</u>	<u>\$1,450</u>	<u>6.0%</u>
Total Expenses	\$5,769	21.8%	4.5%	\$5,519	21.9%	13.4%	\$4,865	20.1%
Operating Profit (Loss)	\$3,341	12.7%	-2.1%	\$3,411	13.6%	-11.3%	\$3,844	15.9%
as reported						-100.0%	\$3,847	15.9%
4Q06 Actual	\$1,041	14.3%	27.9%	\$814	12.0%			
Other Income (Loss)	(\$5)	-0.0%	0.0%	(\$5)	-0.0%	-46.7%	(\$9)	-0.0%
Income (Loss) Before Tax	\$3,336	12.6%	-2.1%	\$3,406	13.5%	-11.2%	\$3,838	15.9%
Income Tax (Benefit)	\$678	20.3%	-2.1%	\$692	20.3%	8.3%	\$639	16.7%
Net Income (Loss)	\$2,658	10.1%	-2.1%	\$2,714	10.8%	-15.1%	\$3,198	13.2%
Earnings per share (basic)	2.74	0.97		0.99			1.17	

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	15.00	1.00	\$39.87	\$26.41	\$33.14		
HP Corp Act Prorated	23.46	1.22	\$62.36	\$32.22	\$47.29		\$100.69
HP I&P	15.00	1.00	\$39.87	\$26.41	\$33.14	(\$14.15)	

Source: Annex Research