

Table 4

HP Personal Systems

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		32%			31%			31%
Business Segments (est)								
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%
Total Revenue	\$29,040	100.0%	8.6%	\$26,740	100.0%	8.6%	\$24,622	98.3%
4Q06 Actual	\$7,823		10.0%	\$7,113				
Costs								
Cost of Revenue	\$24,830	85.5%	9.8%	\$22,620	84.6%	4.4%	\$21,670	88.0%
One-time Charges								
Total Costs	\$24,830	85.5%	9.8%	\$22,620	84.6%	4.4%	\$21,670	88.0%
Gross Profit/Margin	\$4,210	14.5%	2.2%	\$4,120	15.4%	39.6%	\$2,952	12.0%
Expenses								
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 & 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>
Total Expenses	\$3,727	12.8%	7.7%	\$3,459	12.9%	25.9%	\$2,747	11.2%
Operating Profit (Loss)	\$483	1.7%	-26.9%	\$661	2.5%	222.2%	\$205	0.8%
as reported						-100.0%	\$205	0.8%
4Q06 Actual	\$248	3.2%	68.7%	\$147	2.1%			
Other Income (Loss)	(\$5)	-0.0%	0.0%	(\$5)	-0.0%	-47.7%	(\$10)	-0.0%
Income (Loss) Before Tax	\$478	1.6%	-27.2%	\$656	2.5%	235.4%	\$195	0.8%
Income Tax (Benefit)	\$97	20.3%	-27.2%	\$133	20.3%	309.3%	\$33	16.7%
Net Income (Loss)	\$381	1.3%	-27.2%	\$522	2.0%	220.7%	\$163	0.7%
Earnings per share (basic)	2.74	0.14		0.19			0.06	

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	20.00	0.99	\$7.61	\$28.75	\$18.18		
HP Corp Act Prorated	23.46	1.22	\$8.93	\$35.43	\$32.13		\$100.69
HP PC	22.00	1.02	\$8.37	\$29.62	\$19.00	(\$13.14)	

Source: Annex Research