

HP Consolidated

(Fiscal year end: Oct 31)

	2008e	% of	Change	2008	% of	Change	2006	% of
	(\$ Mill)	Rev	07/06	(\$ Mill)	Rev	07/06	(\$ Mill)	Rev
Revenue		124%				120%		106%
Business Segments (est)								
Eliminations	\$1,426			\$1,426			\$1,164	
Total Revenue	\$112,935	0.0%	8.3%	\$104,286	0.0%	13.8%	\$91,658	0.0%
Before eliminations	\$114,361		8.2%	\$105,712		13.9%	\$92,822	
1Q08 Actual	\$28,304		15.3%	\$24,555			\$24,555	
Costs								
Cost of Revenue	\$81,980	71.7%	9.1%	\$75,130	71.1%	12.3%	\$66,910	72.1%
Unallocated Costs				\$3,757			\$2,517	
Total Costs	\$81,980	71.7%	3.9%	\$78,887	74.6%	13.6%	\$69,427	74.8%
Gross Profit/Margin	\$30,955	27.4%	21.9%	\$25,399	24.4%	14.3%	\$22,231	24.3%
Expenses								
Sales, General & Marketing	\$15,398	13.6%	25.9%	\$12,226	11.7%	8.5%	\$11,266	12.3%
Restr. & Other Charges				\$843			\$814	
<u>Research & Development</u>	<u>\$4,553</u>	<u>4.0%</u>	<u>26.1%</u>	<u>\$3,611</u>	<u>3.5%</u>	<u>0.6%</u>	<u>\$3,591</u>	<u>3.9%</u>
Total Expenses	\$19,951	17.7%	19.6%	\$16,680	16.0%	6.4%	\$15,671	17.1%
Operating Profit (Loss)	\$11,004	9.7%	26.2%	\$8,719	8.4%	32.9%	\$6,560	7.2%
as reported	\$10,508			\$8,719			\$6,560	
1Q08 Actual	\$2,533	8.9%	34.8%	\$1,879	7.7%		\$1,473	
Other Income (Loss)	-\$1,331	-1.2%	-390.6%	\$458	0.4%	-27.4%	\$631	0.7%
Income (Loss) Before Tax	\$10,913	9.7%	18.9%	\$9,177	8.8%	27.6%	\$7,191	7.8%
Income Tax (Benefit)	\$2,183	20.0%		\$1,913	20.8%		\$993	13.8%
Net Income (Loss)	\$8,731	7.7%	20.2%	\$7,264	7.0%	17.2%	\$6,198	6.8%
# shares (basic)	2.47			2.78			2.78	
Earnings per share (basic)	\$3.53		35.3%	\$2.61			\$2.23	

Pro Forma Valuation

	P/E Ratio	Rev Ratio	Market Cap (est.)		Spin-off	Actual (2/21/08)
			Rev	Combined	Benefit	
Industry Segment Avg	23.10		\$292.40	\$292.40		
HP Corporate Actual	16.42	0.86	\$143.36	\$97.12	\$120.24	\$127.46
HP Broken-up	16.35	1.26		\$142.79	\$22.54	

Source: Annex Research