

HP Imaging & Printing

(Fiscal year end: Oct 31)

	2008e	% of	Change	2007	% of	Change	2006	% of
	(\$ Mill)	Rev	08/07	(\$ Mill)	Rev	07/06	(\$ Mill)	Rev
Revenue		32%			33%			31%
Business Segments (est)								
Supplies	\$16,990	58.0%	2.9%	\$16,510	58.0%	10.7%	\$14,920	55.7%
Business	\$7,920	27.0%	7.0%	\$7,400	26.0%	3.2%	\$7,170	26.8%
Consumer	\$4,400	15.0%	-3.3%	\$4,550	16.0%	2.7%	\$4,430	16.6%
Other	\$9			\$5	0.0%	-98.1%	\$266	1.0%
Total Revenue	\$29,319	100.0%	3.0%	\$28,465	100.0%	6.3%	\$26,786	100.0%
1Q08 Actual								
	\$7,554		3.7%	\$7,283			\$7,283	
Costs								
Cost of Revenue	\$19,000	64.8%	3.3%	\$18,390	64.6%	5.9%	\$17,370	64.9%
One-time Charges								
Total Costs	\$19,000	64.8%	3.3%	\$18,390	64.6%	5.9%	\$17,370	64.8%
Gross Profit/Margin	\$10,319	35.2%	2.4%	\$10,075	35.4%	7.0%	\$9,416	35.2%
Expenses								
Sales, General & Marketing	\$4,220	14.4%	4.5%	\$4,040	14.2%	5.5%	\$3,830	14.3%
Restr. Charges (apportioned)								
<u>Research & Development</u>	<u>\$1,760</u>	<u>6.0%</u>	<u>2.9%</u>	<u>\$1,710</u>	<u>6.0%</u>	<u>6.2%</u>	<u>\$1,610</u>	<u>6.0%</u>
Total Expenses	\$5,980	20.4%	4.0%	\$5,750	20.2%	5.7%	\$5,440	20.3%
Operating Profit (Loss)	\$4,339	14.8%	0.6%	\$4,315	15.2%	8.5%	\$3,978	14.9%
as reported								
1Q08 Actual								
	\$1,094	14.5%	11.5%	\$981	13.5%		\$981	
Other Income (Loss)	-\$5	0.0%	0.0%	-\$5	0.0%	0.0%	-\$5	0.0%
Income (Loss) Before Tax	\$4,334	14.8%	0.6%	\$4,310	15.1%	8.5%	\$3,973	14.8%
Income Tax (Benefit)	\$867	20.0%	-3.5%	\$898	20.8%	11.2%	\$808	20.3%
Net Income (Loss)	\$3,467	11.8%	1.6%	\$3,412	12.0%	7.8%	\$3,165	11.8%
Earnings per share (basic)	1.40			1.33			1.24	
Pro Forma Valuation								
	P/E Ratio	Rev Ratio	Market Cap (est.)			Spin-off	Actual (2/21/08)	
			P/E	Rev	Combined	Benefit		
Industry Segment Avg	19.08	1.20	\$66.15	\$35.18	\$50.67			
HP Corp Actual Prorati	16.42	0.86	\$56.93	\$25.21	\$41.07		\$127.46	
HP I&P	18.00	1.10	\$61.41	\$31.31	\$46.36	\$5.29		

Source: Annex Research