

# HP Personal Systems

(Fiscal year end: Oct 31)

	<b>2008e</b> (\$ Mill)	% of Rev	<b>Change</b> 08/07	<b>2006</b> (\$ Mill)	% of Rev	<b>Change</b> 07/06	<b>2006</b> (\$ Mill)	% of Rev
<b>Revenue</b>		45%			42%			34%
<b>Business Segments (est)</b>								
Desktop	\$16,520	40.5%	3.1%	\$16,020	44.0%	9.6%	\$14,613	50.1%
Notebook	\$20,800	51.0%	21.6%	\$17,110	47.0%	42.6%	\$12,000	41.1%
Other	\$3,458	8.5%	5.5%	\$3,279	9.0%	28.4%	\$2,553	8.8%
<b>Total Revenue</b>	<b>\$40,778</b>	<b>100.0%</b>	<b>12.0%</b>	<b>\$36,409</b>	<b>100.0%</b>	<b>24.8%</b>	<b>\$29,166</b>	<b>100.0%</b>
<b>1Q08 Actual</b>	<b>\$10,133</b>		<b>29.5%</b>	<b>\$7,823</b>			<b>\$7,823</b>	
<b>Costs</b>								
Cost of Revenue	\$34,250	84.0%	13.3%	\$30,220	83.0%	22.3%	\$24,700	84.7%
One-time Charges								
<b>Total Costs</b>	<b>\$34,250</b>	<b>84.0%</b>	<b>13.3%</b>	<b>\$30,220</b>	<b>83.0%</b>	<b>22.3%</b>	<b>\$24,700</b>	<b>84.7%</b>
<b>Gross Profit/Margin</b>	<b>\$6,528</b>	<b>16.0%</b>	<b>5.5%</b>	<b>\$6,189</b>	<b>17.0%</b>	<b>38.6%</b>	<b>\$4,466</b>	<b>15.3%</b>
<b>Expenses</b>								
Sales, General & Marketing	\$4,280	10.5%	10.0%	\$3,890	10.7%	28.8%	\$3,020	10.4%
Restr. Charges (apportioned)								
Research & Development	\$410	1.0%	13.9%	\$360	1.0%	24.1%	\$290	1.0%
<b>Total Expenses</b>	<b>\$4,690</b>	<b>11.5%</b>	<b>10.4%</b>	<b>\$4,250</b>	<b>11.7%</b>	<b>28.4%</b>	<b>\$3,310</b>	<b>11.3%</b>
<b>Operating Profit (Loss)</b> as reported	<b>\$1,838</b>	<b>4.5%</b>	<b>-5.2%</b>	<b>\$1,939</b>	<b>5.3%</b>	<b>68.3%</b>	<b>\$1,152</b>	<b>3.9%</b>
<b>1Q08 Actual</b>	<b>\$589</b>	<b>5.8%</b>	<b>75.3%</b>	<b>\$336</b>	<b>4.3%</b>		<b>\$336</b>	<b>4.3%</b>
Other Income (Loss)	-\$5	0.0%	0.0%	-\$5	0.0%	0.0%	-\$5	0.0%
<b>Income (Loss) Before Tax</b>	<b>\$1,833</b>	<b>4.5%</b>	<b>-5.2%</b>	<b>\$1,934</b>	<b>5.3%</b>	<b>68.6%</b>	<b>\$1,147</b>	<b>3.9%</b>
Income Tax (Benefit)	\$367	20.0%	37.4%	\$267	13.8%	68.6%	\$158	13.8%
<b>Net Income (Loss)</b>	<b>\$1,466</b>	<b>3.6%</b>	<b>-12.0%</b>	<b>\$1,667</b>	<b>4.6%</b>	<b>68.6%</b>	<b>\$989</b>	<b>3.4%</b>
Earnings per share (basic)	0.59			0.65				
<b>Pro Forma Valuation</b>								
	<b>P/E Ratio</b>	<b>Rev Ratio</b>	<b>Market Cap (est.)</b>		<b>Spin-off</b>	<b>Actual (2/21/08)</b>		
			P/E	Rev	Combined	<b>Benefit</b>		
Industry Segment Avg	16.54	1.08	\$24.26	\$44.04	\$34.15			
HP Corp Actual Prorat	16.42	0.86	\$24.08	\$35.07	\$29.57	<b>\$127.46</b>		
<b>HP PC</b>	<b>18.00</b>	<b>1.25</b>	<b>\$26.40</b>	<b>\$50.97</b>	<b>\$38.68</b>	<b>\$9.11</b>		

Source: Annex Research