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FORM 10-K

HP INC - HPQ

Filed: January 27, 2000 (period: October 31, 1999)

Annual report with a comprehensive overview of the company

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(MARK ONE)

/X/ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED: OCTOBER 31, 1999
OR

/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER 1-4423

HEWLETT-PACKARD COMPANY

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

94-1081436
(I.R.S. Employer
Identification No.)

3000 HANOVER STREET, PALO ALTO, CALIFORNIA
(Address of principal executive offices)

94304
(Zip code)

Registrant's telephone number, including area code: (650) 857-1501

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock par value \$0.01 per share	New York Stock Exchange, Inc. The Pacific Exchange, Inc.

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes /X/ No / /

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. / /

The aggregate market value of the registrant's common stock held by nonaffiliates as of December 31, 1999 was \$92,443,435,858.

Indicate the number of shares outstanding of the issuer's common stock as of December 31, 1999: 1,001,492,581 shares.

DOCUMENTS INCORPORATED BY REFERENCE

DOCUMENT DESCRIPTION	10-K PART
Pages 8-10 and 22-44 of the registrant's Notice of Annual Meeting of Stockholders and Proxy Statement dated January 18, 2000	III

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements that involve risks and uncertainties that could cause the results of Hewlett-Packard Company and our consolidated subsidiaries ("HP") to differ materially from those expressed or implied by such forward-looking statements. These risks include the timely development, production and acceptance of new products and services and their feature sets; the challenge of managing asset levels, including inventory; the flow of products into third-party distribution channels; the difficulty of keeping expense growth at modest levels while increasing revenues; the impact of Year 2000 issues on customers and suppliers; risks associated with the proposed spin-off of Agilent Technologies, Inc. and the distribution of its shares; and other risks detailed from time to time in HP's Securities and Exchange Commission filings.

The words "anticipate," "believe," "estimate," "expect," "intend," "will," and similar expressions, as they relate to HP or our management, including such items discussed in "Factors That Could Affect Future Results" set forth in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 below, may identify forward-looking statements. Such statements reflect the current views of HP with respect to future events and are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated or expected. HP does not intend to update these forward-looking statements.

PRESENTATION OF DISCONTINUED OPERATIONS--AGILENT TECHNOLOGIES, INC.

The following information relates to the continuing operations of HP and our consolidated subsidiaries and does not discuss (other than briefly at the end of

Item 1 below) Agilent Technologies, Inc., which is reflected as a discontinued operation in Item 6 and HP's audited consolidated financial statements as of and for the fiscal year ended October 31, 1999 in Item 8 below (the "Consolidated Financial Statements").

PART I

ITEM 1. BUSINESS

PRODUCTS AND SERVICES

HP was incorporated in 1947 under the laws of the State of California as the successor to a partnership founded in 1939 by William R. Hewlett and David Packard. Effective in May 1998, we changed our state of incorporation from California to Delaware.

HP is a leading global provider of computing and imaging solutions and services for business and home. We are focused on capitalizing on the opportunities of the Internet and the proliferation of electronic services.

HP's major businesses include Imaging and Printing Systems, Computing Systems and Information Technology Services ("IT Services"):

- IMAGING AND PRINTING SYSTEMS provides laser and inkjet printers (both monochrome and color), mopiers, scanners, all-in-one devices, personal color copiers and faxes, digital senders, wide- and large-format printers, print servers, network-management software, networking solutions, digital photography products, imaging and printing supplies, imaging and software solutions, and related professional and consulting services.
- COMPUTING SYSTEMS provides a broad range of computing systems for the enterprise, commercial and consumer markets. The products and solutions range from mission-critical systems and software to personal computers for the business and home. Major product lines include UNIX-Registered Trademark-(1),

(1) UNIX-Registered Trademark- is a registered trademark of the Open Group.

2

and PC servers, desktop and mobile personal computers, workstations, software solutions and storage solutions.

- IT SERVICES provides consulting, education, design and installation services, ongoing support and maintenance, proactive services like mission-critical support, outsourcing and utility-computing capabilities. Financing capabilities include leasing, automatic technology-refreshment services, solution financing and venture financing.

A summary of HP's net revenue, earnings from operations and total assets as contributed by our principal business segments is found in the "Segment Information" note to the Consolidated Financial Statements, which is incorporated herein by reference. A discussion of factors potentially affecting our operations is set forth in "Management's Discussion and Analysis of Financial Condition and Results of Operations--Factors That Could Affect Future Results," "--Year 2000" and "--Adoption of the Euro" in Item 7, which is incorporated herein by reference.

Following is a further description of HP's principal business segments:

IMAGING AND PRINTING SYSTEMS

HP offers a broad portfolio of printing and imaging products, professional and consumer imaging services and imaging supplies, including the HP LaserJet and DeskJet printer families, scanners, copiers, mopiers, fax machines, printing and imaging services, large- and wide-format printers, PC photography products

and all-in-one products that perform multiple functions.

Key product introductions in fiscal 1999 included the LaserJet 4050 laser printer; the LaserJet 2100 family of 1200 x 1200 dpi printers, designed for individual users and small workgroups; the DeskJet 970C printer, based on HP's thermal inkjet technology, which produces images true to the original photos as well as creates everyday printing of text and graphics; and new families of ScanJet scanners, ranging from the ScanJet 3300C scanner, designed for price-sensitive families with simple scanning needs, to the ScanJet 6300 series scanners, designed as communications tools for networked offices.

Additionally, in February 1999 HP successfully launched Apollo Consumer Products, Inc., a separate subsidiary of HP ("Apollo"), to meet the demands of the ultra or sub-\$80 low-end consumer printer market. It also introduced the industry's first co-branded product, the Barbie printer by Apollo, with Mattel, Inc. Other new products include the PhotoSmart C500 digital camera, for wireless image printing without a PC when used with the PhotoSmart P1000/P1100 printer; the OfficeJet R 80 Series all-in-one products, combining printing, scanning, copying and faxing in a versatile flatbed design; and the Jetdirect Autoswitch, which allows more than one PC to share printers in a non-networked environment.

In 1999, HP introduced a new family of imaging supplies for non-HP copiers under the Eliptica brand. We are also expanding our imaging and printing service portfolio with Digital Workplace Services, providing customers with printing and imaging consulting, systems integration, education and strategic outsourcing. We are also providing imaging services to consumers through services such as HP Cartogra, a web site allowing sharing of images across the world.

In June 1999, HP acquired DAZEL Corporation, whose enterprise software we believe will allow our customers to use, share and deliver information taken from a variety of sources and destinations and route it to multiple output devices in the proper format and reliably in a timely manner, to be seen only by the intended recipients.

In consumer sales and marketing, HP announced, in May 1999, the creation of HPDirect, Inc., a new wholly-owned subsidiary, doing business as the HP Shopping Village, a direct-to-consumers e-commerce website. At the same time, we also announced our expansion of direct-to-consumer sales into Europe with a phased launch into the United Kingdom and Sweden.

3

COMPUTING SYSTEMS

Enterprise and Computer Products: HP's computer systems, computers, and personal information products are used in a variety of applications, including scientific and engineering computation and analysis; instrument control; and business information management. HP's core computing products and technologies include its PA-RISC architecture for systems and workstations; its Explicitly Parallel Instruction Computing (EPIC) technology, jointly developed with Intel Corporation, that will provide the foundation for next-generation, 64-bit high-end systems; and software infrastructure for open systems. HP's general-purpose computers and computer systems include scalable families of PCs, servers and systems for use in homes, home offices and small offices, small workgroups, larger departments and entire enterprises. Key product families include the HP 9000 series, which runs HP-UX(2), HP's implementation of the UNIX-Registered Trademark- operating system, and comprises multi-user computers for both technical and commercial applications and workstations with powerful computational and graphics capabilities; the HP Netserver series of PC servers; the HP Kayak, HP Vectra, and HP Brio-series of desktop PCs for use in the enterprise and small businesses, and for use in vertical applications such as engineering, manufacturing and chemical analysis; and the HP Pavilion multimedia consumer PCs. HP offers associated services in software programming, networking, distributed systems and data management. Customers of HP's computers, computers systems and software infrastructure products include original equipment manufacturers, dealers, value-added resellers and retailers, as well as end users for a variety of applications.

In fiscal 1999, as part of our e-services strategy to provide services, personal information appliances and infrastructure to support the next phase of the development of the Internet, HP unveiled e-speak technology, an interactive Internet software technology platform developed in Hewlett-Packard Laboratories that makes it possible to create, request and locate services on the Internet from any device.

In the field of enterprise computing during fiscal 1999, we introduced a wide variety of new products and systems, including two next generation HP 9000 UNIX-Registered Trademark- servers. The N-Class midrange UNIX-Registered Trademark- server is a one-way to eight-way CPU server running off the PA-RISC 8500 processor, targeted at enterprise and Internet service providers ("ISPs") accounts. The L-Class is HP's next generation low-end UNIX-Registered Trademark- one-way to four-way server also running off the PA-RISC 8500 processor. It is targeted at ISPs as well as application service providers (ASPs). HP also introduced the HP Netserver E60 low-end and LC2000 and LH3000 midrange systems, which use Intel's Pentium-Registered Trademark-(3) III microprocessor Xeon.

This year HP also introduced new HP Brio BA business PCs, which feature an industry-first, subcompact "microtower" design and an Intel 400 MHz Pentium-Registered Trademark-(3) III processor; a new class of products of HP Jornada handheld PC, which weigh less than 3 pounds and have twelve-hour battery life; and a new class of products of HP Kayak XU and XW PC workstations, which deliver advanced 2-D and 3-D graphics capabilities for software developers, design engineers, financial analysts and multimedia-authoring professionals. For the first time, we introduced the HP Pavilion notebook computer targeted towards small to medium-size business customers who purchase through retail stores. The Pavilion notebook extends the HP OmniBook notebook computer family, consisting of the 4150, 900 and XE series aimed at enterprise to small to medium-size business customers.

Software: HP's OpenView network and systems management software business is focused on managing service levels in the enterprise and sustaining strong growth through the following: demonstrated ability to deliver rapid customer deployments validating its "Works -- Right -- Now" approach to the distributed management problem; introduction of new products focused on the expansion of OpenView's value added ease-of-use approach to management, including Service Navigator, Service Reporter and Smart Plug-Ins for PeopleSoft, Inc.; expansion of the systems integrator relationships to include Ernst & Young International, KPMG International and Unisys Corporation; partnerships with PeopleSoft, Inc.,

- (2) HP-UX Release 10.20 and later and HP-UX Release 11.00 and later on all HP 9000 computers are Open Group UNIX-Registered Trademark- 95 branded products.
- (3) Pentium is a U.S. registered trademark of Intel Corporation.

Microsoft Corporation, Cisco Systems, Inc., Oracle Corporation, and SAP Corporation in its EarlyWatch-C- and GoingLive-C- services; establishment and increase of sales through the channels of other hardware manufacturers which have fueled OpenView's multi-platform growth; movement to an integrated support and services model with a dedicated software support infrastructure at all levels worldwide; and introduction of a number of new support and services products including services, such as Developer Assist and Implementation Support Services, directed at OpenView channel partners.

Storage: In the storage business, HP offers both enterprise computing and information storage products and solutions.

In May 1999, the enterprise storage business launched the HP SureStore E products and "Stress Free Storage...Guaranteed" brand promise with the introduction of the HP SureStore E Disk Array XP 256. This was our product designed to meet high-end, enterprise data center storage needs in an open

server environment. The XP256 can support up to 9 terabytes of Redundant Array of Independent Disks (RAID) protected storage which is simultaneously connected to a wide range of servers including UNIX-Registered Trademark-, Windows NT-Registered Trademark-(4) and mainframe servers. The introduction of the XP256 represented a dramatic strategy change for HP's enterprise storage: we now purchase Hitachi, Ltd. 256 high-end enterprise storage equipment instead of reselling EMC Corporation storage equipment. Simultaneously, we announced our open Storage Area Network ("SAN") strategy with HP Equation Architecture, providing a non-proprietary, open storage environment which will allow customers a choice in their storage vendor. Wide ranges of storage products have been announced in the past year, which are parts of the HP Equation Architecture. These include the Disk Array HP SureStore E FC60, HP SureStore E Switch F16, and a new family of tape libraries. Also in May 1999, HP announced the acquisition of Transoft Networks, Inc., which provides technology for the management of open SAN environments. As a result of this acquisition, we introduced the HP SANManager LM (LUN Management) product in September 1999, which provides for the configuration of storage connected in an open SAN environment.

In the information storage business, HP introduced a number of CD-Rewritable ("CD-RW") read/ write CD-based solutions, which enable people to write, erase, rewrite and update large files on CD-RW media. These include the spring 1999 introduction of the world's first portable CD-RW and the fall release of a new music CD-RW, with artists' royalties pre-paid in the device and media price, for legally copying music files onto CD.

Other significant introductions included, in July 1999, the HP SureStore DAT-40 drive, with one-button disaster recovery (OBDR). In August, HP introduced a new family of SureStore modular tape libraries, and in September we introduced our first hard disk network-attached storage (NAS) systems, the SureStore HD server 4000. In November, we announced the linear tape open (LTO) format tape drives-SureStore Ultrium, which will extend the life of tape products and offer increased performance over conventional formats.

IT SERVICES

Our information technology services businesses provide: (1) rapid implementation and globally available support of solutions based on HP products, and (2) professional and financial services directly to customers, independent of products. Capabilities in the first category include ongoing support and maintenance services, as well as associated parts and supplies, for office and information systems, computers and computer systems, and networking, imaging and printing products. The second category of services includes consulting, education, design and implementation services, mission-critical support, outsourcing and "utility" computing services, such as messaging, which are paid for on a subscription basis. The second category also comprises financing capabilities, including product leasing, automatic technology-refreshment services and solution financing. Key service introductions in 1999 included rapid-implementation services for applications from SAP, BroadVision, Inc. and i2 Technologies, Inc.; new

(4) Windows NT is a U.S. registered trademark of Microsoft Corporation.

support services for the Linux operating environment and expanded services for Windows NT-Registered Trademark-; the expansion of Web-based support services (HP Customer Care and the IT Resource Center); expanded outsourcing services for Enterprise Resource Planning ("ERP") applications from SAP and Baan Company N.V.; and a full life cycle of network-availability services, a new suite of business-recovery services and high-availability services for Windows NT-Registered Trademark--based systems, telecom customers, Cisco products, and popular e-commerce and ERP applications.

MARKETING

CUSTOMERS. HP has approximately 540 sales and support offices and

distributorships in more than 120 countries. Sales are made to industrial and commercial customers, educational and scientific institutions, healthcare providers and, in the case of our PCs, imaging and other personal-information products, to individuals for personal use.

SALES ORGANIZATION. More than half of our net revenue is derived through reseller channels, including retailers, dealers and original equipment manufacturers. The remaining revenue results from the efforts of our own sales organization, which is composed of direct field service engineers, sales representatives, service personnel and administrative support staff. We generated a higher proportion of our net revenue in fiscal 1999 than in fiscal 1998 from our PCs, printers and other personal-information products, which are sold primarily through resellers.

INTERNATIONAL. A summary of HP's net revenue, and net property, plant and equipment by geographic area is set forth in the "Segment Information" note to Consolidated Financial Statements, which information is incorporated herein by reference. A majority of our net revenue originating outside the United States was from customers other than foreign governments. Approximately two-thirds of our international revenue in each of the last three fiscal years was derived from Europe, with most of the balance coming from Japan, other countries in Asia Pacific, Latin America and Canada.

Most of HP's sales in international markets are made by foreign sales subsidiaries. In countries with low sales volumes, sales are made through various representatives and distributors. However, we make certain sales in international markets directly from the United States.

For a discussion of risks attendant to HP's foreign operations, see "Management's Discussion and Analysis of Financial Condition and Results of Operations--Factors That Could Affect Future Results--International," "--Market Risk" and "--Adoption of the Euro" in Item 7 below and the "Financial Instruments" note to the Consolidated Financial Statements in Item 8 below, which are incorporated herein by reference.

We believe that our international diversification provides stability to our worldwide operations and reduces the impact on us of adverse economic changes in any single country.

MATERIALS

HP's manufacturing operations employ a wide variety of semiconductors, electromechanical components and assemblies, and raw materials such as plastic resins and sheet metal. We believe that the materials and supplies necessary for our manufacturing operations are presently available in the quantities required. We purchase materials, supplies and product subassemblies from a substantial number of vendors. For many of our products, we have existing alternate sources of supply, or such sources are readily available.

PATENTS

HP's general policy has been to seek patent protection for those inventions and improvements likely to be incorporated into our products and services or to give us a competitive advantage. While we believe that our patents and applications have value, in general no single patent is in itself essential to us as a

6

whole or any of our principal business segments. In addition, any of our proprietary rights could be challenged, invalidated or circumvented, or may not provide significant competitive advantages.

BACKLOG

HP believes that backlog is not a meaningful indicator of future business prospects due to the large volume of products delivered from shelf inventories, the shortening of product life cycles and the relative portion of net revenue

related to our service and support business. Therefore, we believe that backlog information is not material to an understanding of our business.

COMPETITION

We encounter aggressive competition in all areas of our business activity. Our competitors are numerous, ranging from some of the world's largest corporations to many relatively small and highly specialized firms. HP competes primarily on the basis of technology, performance, price, quality, reliability, distribution and customer service and support. Our reputation, the ease of use of our products and the ready availability of multiple software applications and customer training are also important competitive factors.

The markets for our three principal segments are characterized by vigorous competition among major corporations with long-established positions and, in the case of the computing systems segment, a large number of new and rapidly growing firms. Product life cycles are short, and to remain competitive we must develop new products and services, periodically enhance our existing products and services and compete effectively on the basis of the factors listed above. In particular, we anticipate that we will have to continue to adjust prices on many of our products and services to stay competitive, and thus effectively manage financial returns with correspondingly reduced gross margins.

While the absence of reliable statistics makes it difficult to state HP's relative position with certainty, we believe that on an overall basis we are the second-largest U.S.-based manufacturer of general-purpose computers, personal-information, imaging and printing products for industrial, scientific and business applications and that our products in each of our principal business segments are either the leader or among the leaders.

RESEARCH AND DEVELOPMENT

The process of developing new high-technology products and solutions is inherently complex and uncertain. It requires, among other things, innovation and accurate anticipation of customers' changing needs and emerging technological trends. Without the introduction of new products, services and enhancements, HP's products and services are likely to become technologically obsolete over time, in which case revenues would be materially and adversely affected. New products and services, if and when introduced, may not achieve market acceptance. After the products and services are developed, HP must quickly manufacture and deliver such products and services in sufficient volumes at acceptable costs to meet demand.

Hewlett-Packard Laboratories, together with the various research and development groups within the three principal business segments, are responsible for our total research and development efforts. Hewlett-Packard Laboratories is the second largest computer lab in the world and the fifth largest U.S. research lab overall.

Expenditures for research and development, including by Hewlett-Packard Laboratories and the three principal business segments, were \$2.4 billion in fiscal 1999, \$2.4 billion in fiscal 1998 and \$2.2 billion in fiscal 1997. In fiscal 1999, total research and development expenditures were 5.8 percent of net revenue, compared to 6.0 percent in fiscal 1998 and 6.2 percent in fiscal 1997. We anticipate that we will continue to have significant research and development expenditures in the future to maintain our competitive position with a continuing flow of innovative, high-quality products and services.

ENVIRONMENT

Certain of HP's operations involve the use of substances regulated under various federal, state and international laws governing the environment. It is our policy to apply strict standards for environmental protection to sites inside and outside the U.S., even if not subject to regulations imposed by local governments. The liability for environmental remediation and related costs is accrued when it is considered probable and the costs can be reasonably

estimated. Environmental costs are presently not material to our operations or financial position.

EMPLOYEES

HP had approximately 84,400 employees worldwide at October 31, 1999.

Information regarding the executive officers of HP is set forth in Part III below.

DISCONTINUED OPERATIONS

On March 2, 1999, HP announced a plan to create a separate company, subsequently named Agilent Technologies, Inc. ("Agilent Technologies"), which would comprise HP's test and measurement, semiconductor products, healthcare solutions and chemical analysis businesses. On November 23, 1999, HP sold approximately 16 percent of Agilent Technologies' stock to the public in an initial public offering and retained the balance of the shares, which we plan to distribute to our stockholders by July 31, 2000. HP's Consolidated Financial Statements set forth in Item 8 below reflect the planned spin-off of Agilent Technologies' businesses as a discontinued operation. Following is a brief description of Agilent Technologies' businesses.

Agilent Technologies is a global, diversified technology company that provides enabling solutions to high growth markets within the communications, healthcare and life sciences industries. Agilent Technologies includes the following four primary businesses:

- TEST AND MEASUREMENT, the largest of the four businesses, which provides standard and customized test, measurement and monitoring instruments and systems, as well as software for the design, manufacture and support of high frequency electronics and communications devices;
- SEMICONDUCTOR PRODUCTS, which provides fiber optic communications devices and assemblies, integrated circuits for wireless applications, application-specific integrated circuits, optoelectronic devices and image sensors;
- HEALTHCARE SOLUTIONS, which provides patient monitoring, ultrasound imaging and cardiology products and systems; and
- CHEMICAL ANALYSIS, which provides analytical instruments, systems and services for chromatography, spectroscopy and bio-instrumentation.

Agilent Technologies sells such products primarily through its direct sales force, but it also utilizes distributors, resellers, telesales and electronic commerce. It employs approximately 42,000 people worldwide. It has major research and development and manufacturing sites in California, Colorado, Delaware, Massachusetts and Washington in the United States and in China, Germany, Japan, Korea, Malaysia, Singapore and the United Kingdom.

ITEM 2. PROPERTIES.

The principal executive offices of HP are located at 3000 Hanover Street, Palo Alto, California 94304. As of October 31, 1999, we owned or leased a total of approximately 45.3 million square feet of space

8

worldwide, including 2 million square feet currently occupied by Agilent Technologies. We believe that our existing properties are in good condition and suitable for the conduct of our business.

Our plants are equipped with machinery, most of which is owned and is in part developed by us to meet the special requirements for manufacturing computers, peripherals and systems. At the end of fiscal 1999, we were productively utilizing the vast majority of the space in our facilities, while actively disposing of space determined to be excess.

We anticipate that most of the capital necessary for expansion will continue to be obtained from internally generated funds. Investment in new property, plant and equipment from continuing operations amounted to \$1.1 billion in fiscal 1999, \$1.6 billion in fiscal 1998 and \$1.8 billion in fiscal 1997.

As of October 31, 1999, our sales and support operations occupied approximately 13.1 million square feet, of which approximately 3.6 million square feet were located within the United States. We own 45% of the space used for marketing activities and lease the remaining 55%.

HP's manufacturing plants, research and development facilities and warehouse and administrative facilities occupied approximately 30.2 million square feet, of which approximately 22 million square feet were located within the United States. We own 62% of our manufacturing, research and development, warehouse and administrative space and lease the remaining 38%. None of the property owned by us is held subject to any major encumbrances.

As indicated above, HP has three principal business segments: Imaging and Printing Systems, Computing Systems and IT Services. Because of the interrelation of these three segments, substantially all of the properties are used at least in part by each of these segments, and we retain the flexibility to use each of the properties in whole or in part for each of the segments.

The locations of HP's headquarters of geographic operations are listed below:

HEADQUARTERS OF GEOGRAPHIC OPERATIONS

AMERICAS	EUROPE, AFRICA, MIDDLE EAST	ASIA PACIFIC
Cupertino, California	Geneva, Switzerland	Hong Kong

The locations of HP's major product development and manufacturing facilities and Hewlett-Packard Laboratories are listed below:

PRODUCT DEVELOPMENT AND MANUFACTURING

AMERICAS	Richardson, Texas	Barcelona, Spain
Cupertino, Costa Mesa,	Salt Lake City, Utah	Bristol, United Kingdom
Mountain View, Palo Alto,	Chester, Richmond and	ASIA PACIFIC
Roseville, San Diego,	Sandston, Virginia	Melbourne, Australia
Santa Clara, Santa Monica,	Vancouver, Washington	Shanghai, China
Sunnyvale and	Sao Paulo, Brazil	Bangalore, India
Woodland, California	Guadalajara, Mexico	Hachioji, Kobe and
Fort Collins and	EUROPE	Komiya, Japan
Greeley, Colorado	Grenoble and	Singapore
Boise, Idaho	Isle D'Abeau, France	Taiwan
Corvallis, Oregon	Boeblingen, Germany	HEWLETT-PACKARD LABORATORIES
Aguadilla, Puerto Rico	Dublin, Ireland	Palo Alto, California
Memphis, Tennessee	Amsterdam and	Haifa, Israel
	Amersfoort, The Netherlands	Bristol, United Kingdom

ITEM 3. LEGAL PROCEEDINGS.

There are presently no pending legal proceedings, other than routine litigation incidental to HP's business, to which we are a party or to which any of our property is subject.

HP is a party to, or otherwise involved in, proceedings brought by federal or state environmental agencies under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), known as "Superfund," or state laws

similar to CERCLA. We are also conducting environmental investigations or remediations at several of its current or former operating sites pursuant to administrative orders or consent agreements with state environmental agencies. Any liability from such proceedings, in the aggregate, is not expected to be material to the operations or financial position of HP.

In November 1999, in settlement of an administrative complaint filed in 1998 that alleged violations of the Toxic Substances Control Act ("TSCA"), HP entered into a consent agreement with the United States Environmental Protection Agency under which we agreed to pay a civil penalty of \$112,500, to have a ten-month post-enforcement audit of specified operations conducted by a third party and to pay civil penalties in stipulated amounts for any violations that may be discovered in that audit.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Not applicable.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS.

Information regarding the market prices of HP's common stock and the markets for that stock may be found in the "Quarterly Summary" in Item 8 below and the cover page of this Form 10-K, which is incorporated herein by reference, respectively. We have paid cash dividends each year since 1965. The current rate is \$0.16 per share per quarter. As of November 30, 1999, there were approximately 127,900 shareholders of record. Additional information concerning dividends may be found in the following sections of this Form 10-K, which are incorporated herein by reference: "Selected Financial Data" in Item 6 below and "Consolidated Statement of Cash Flows," "Consolidated Statement of Stockholders' Equity" and "Quarterly Summary" in Item 8 below.

ITEM 6. SELECTED FINANCIAL DATA.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES
SELECTED FINANCIAL DATA

FOR THE YEARS ENDED OCTOBER 31 IN MILLIONS EXCEPT PER SHARE AMOUNTS	1999	1998	1997	1996	1995
Net revenue.....	\$42,370	\$39,419	\$35,465	\$31,613	\$25,381
Earnings from operations.....	\$ 3,688	\$ 3,399	\$ 3,405	\$ 2,926	\$ 2,818
Net earnings from continuing operations.....	\$ 3,104	\$ 2,678	\$ 2,515	\$ 2,085	\$ 1,973
Net earnings per share, continuing operations					
Basic.....	\$ 3.08	\$ 2.59	\$ 2.45	\$ 2.05	\$ 1.93
Diluted.....	\$ 2.97	\$ 2.52	\$ 2.38	\$ 1.98	\$ 1.87
Cash dividends per share.....	\$.64	\$.60	\$.52	\$.44	\$.35
At year-end:					
Assets--continuing operations.....	\$31,764	\$28,624	\$26,681	\$22,934	\$19,950
Assets--total.....	\$35,297	\$31,708	\$29,852	\$25,977	\$22,802
Long-term debt.....	\$ 1,764	\$ 2,063	\$ 3,158	\$ 2,579	\$ 663

Note:

HP's consolidated financial statements and notes for all periods present Agilent Technologies' businesses as a discontinued operation. See further discussion in notes to the consolidated financial statements.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS

OF OPERATIONS.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

UNAUDITED

THE FOLLOWING DISCUSSION SHOULD BE READ IN CONJUNCTION WITH THE CONSOLIDATED FINANCIAL STATEMENTS AND THE RELATED NOTES THAT APPEAR ELSEWHERE IN THIS DOCUMENT.

HP's Consolidated Financial Statements for all periods present Agilent Technologies as a discontinued business segment in accordance with Accounting Principles Board Opinion No. 30. Unless otherwise indicated, the following discussion relates to HP's continuing operations.

RESULTS OF OPERATIONS

In 1999, HP reported net revenue growth of 7% following 11% growth in 1998. HP continued to experience favorable market acceptance of its personal computer and imaging and printing products. However, continued aggressive pricing in personal computer and printer products and sluggish performance in UNIX-Registered Trademark- servers and enterprise storage impacted 1999 net revenue growth and related operating margins. Net revenue grew 4% during the first half of 1999 reflecting continued weakness in Asia; however, net revenue grew 11% during the second half, driven by strong product positions in most of our businesses and economic improvement in Asia. Cost and expense controls implemented by HP during the second half of 1998 had a favorable impact on operating results in 1999, offsetting the impact of the slowdown in full-year revenue growth. As a result, full-year operating and net profit margins were higher than in 1998 and net earnings from continuing operations increased 16% in 1999 compared with a 6% increase in 1998.

Net revenue growth of 7% in 1999 was driven primarily by growth in the Imaging and Printing Systems segment, while the 11% revenue growth in 1998 resulted primarily from strong performance in the Computing Systems and Imaging and Printing Systems segments.

Compared to 1998, international revenue increased 9% in 1999 to \$23.4 billion, while U.S. revenue grew 6% to \$19.0 billion. In 1998, international revenue increased 10% and U.S. revenue increased 13% compared to 1997. Fluctuations in currency rates had minimal impact on net revenue growth in 1999, while they adversely impacted net revenue growth in 1998 by approximately 4 percentage points.

Costs, expenses and earnings as a percentage of net revenue were as follows for the years ended October 31:

	1999	1998	1997
	-----	-----	-----
Cost of products sold and services.....	70.1%	70.5%	69.1%
Research and development.....	5.8%	6.0%	6.2%
Selling, general and administrative.....	15.4%	14.8%	15.1%
Earnings from operations.....	8.7%	8.6%	9.6%
Net earnings from continuing operations.....	7.3%	6.8%	7.1%

Cost of products sold and services as a percentage of net revenue was 70.1% in 1999, compared with 70.5% in 1998 and 69.1% in 1997. The decrease in the cost of sales percentage in 1999 versus 1998 was driven by the Computing Systems segment; however, this decrease was partially offset by an increase in cost of

sales in the IT Services segment. The increase in the 1998 cost of sales percentage versus 1997 was attributable primarily to the Computing Systems and Imaging and Printing Systems segments. HP expects

11

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

UNAUDITED

some continued upward pressure on cost of sales as a result of factors such as ongoing competitive pricing pressures.

Total operating expenses, composed of research and development and selling, general and administrative expenses, increased 9% in both 1999 and 1998. In both years, expense growth was moderated as a result of hiring controls implemented in 1998 and increased use of outsourcing where appropriate and cost effective. Research and development expense increased 3% in 1999 versus 1998 and 9% in 1998 when compared to 1997. The increase in spending reflects our continuing investment in design and development for new computing systems and new technologies in imaging and printing systems. Selling, general and administrative expenses increased 11% in 1999 versus 1998 and 9% in 1998 when compared to 1997. In both 1999 and 1998, the growth is due primarily to increased selling costs related to revenue growth as well as increased marketing costs from the continued introduction of new products and spending to support our e-services initiatives. In addition, in 1999, selling, general and administrative expenses increased as a result of costs incurred to realign HP into two separate companies. These costs consisted primarily of expenses to effect the spin-off of Agilent Technologies that were incurred prior to the July 31, 1999 measurement date for discontinued operations accounting and other expenses composed primarily of retention incentives given to continuing HP employees involved in effecting the spin-off. These costs had approximately a one percentage point impact on the overall selling, general and administrative expense growth rate in 1999 when compared to 1998.

Interest income and other, net, increased \$178 million in 1999 versus 1998 following a \$152 million increase in 1998 when compared to 1997. The increase in both years was attributable primarily to an increase in interest income associated with higher average cash and investment balances.

HP's tax rate was 26% in 1999, 27.5% in 1998 and 29.5% in 1997. The year-to-year decreases are the result of changes in the mix of our pre-tax earnings in various tax jurisdictions throughout the world.

As reported, net earnings from continuing operations increased 16% to \$3.1 billion in 1999, compared to a 6% increase to \$2.7 billion in 1998. As a percentage of net revenue, net earnings from continuing operations were 7.3% in 1999, compared to 6.8% in 1998 and 7.1% in 1997.

Earnings from discontinued operations include the results of the businesses that comprise Agilent Technologies. Earnings from discontinued operations through the July 31, 1999 measurement date for discontinued operations accounting were \$387 million for the nine months ended July 31, 1999, \$267 million in 1998 and \$604 million in 1997. For the period from August 1, 1999 through the spin-off, net earnings from Agilent Technologies are expected to exceed the estimated costs to effect the spin-off. The excess net earnings over these costs will be recognized once the net earnings realized exceed the total estimated costs of the spin-off.

12

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

UNAUDITED

SEGMENT INFORMATION

The following is a discussion of operating results for each of HP's business segments. A description of products and services as well as financial data for each segment can be found in the "Segment Information" note to consolidated financial statements.

IMAGING AND PRINTING SYSTEMS

	YEARS ENDED OCTOBER 31,		
	1999	1998	1997
	(IN MILLIONS)		
Net revenue.....	\$18,902	\$17,046	\$15,986
Earnings from operations.....	\$ 2,305	\$ 2,050	\$ 2,037

Imaging and Printing Systems' net revenue grew 11% in 1999 from 1998, following a 7% increase in 1998 when compared to 1997. Net revenue growth in both years benefited from strong sales of printer hardware and supplies. Despite very strong unit growth, dollar growth was constrained by declines in average selling prices and shifts to low-end products.

Net revenue growth in printer hardware in 1999 was driven by strong sales of newly introduced home printers, personal/workgroup office printers and scanning devices. Home printers benefited from positive acceptance of low-end desktop printers, while color lasers drove strong growth in personal/workgroup office printers and made solid inroads in the office department category. Higher unit shipments of new products fueled the increase in scanning devices, despite a sharp decline in average selling prices. Growth in printer hardware in 1998 versus 1997 benefited from strong sales of personal/workgroup office printers as a result of the successful introduction of new monochrome and wide format printers. Growth in printer supplies in both years was attributable to the continued growth in the installed base, the growth of the Internet and a shift to the next generation of printer supply technologies.

Earnings from operations as a percentage of net revenue were 12.2% in 1999, compared to 12.0% in 1998 and 12.7% in 1997. In 1998, Imaging and Printing Systems incurred approximately \$120 million of charges primarily for voluntary employee severance programs and fixed asset write-downs related to outsourcing certain production operations. The decision to outsource these operations was made to provide flexibility in manufacturing in the future. Adjusting for these charges, earnings from operations as a percentage of net revenue would have been 12.7% in 1998.

The adjusted 0.5 percentage point decrease in earnings from operations as a percentage of net revenue in 1999 was driven by higher component costs attributable to the strengthening Japanese yen and a shift toward lower-margin personal/workgroup office printers. This decrease was partially offset by strong sales of higher-margin printer supplies and high volume shipments of newly introduced home printers. The unchanged performance in the adjusted earnings from operations ratio in 1998 when compared to 1997 reflected lower average selling prices of home printers offset by strong sales of higher-margin supplies and lower component costs associated with the weakening Japanese yen when compared to 1997. In both years, earnings from operations as a percentage of net revenue were favorably impacted by expense controls implemented beginning in the second half of 1998. However, the impact of these controls were offset by investments made to develop next generation technologies and additional selling and marketing expenses to promote new Imaging and Printing products.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

UNAUDITED

COMPUTING SYSTEMS

	YEARS ENDED OCTOBER 31,		
	1999	1998	1997
	(IN MILLIONS)		
Net revenue.....	\$18,435	\$17,775	\$15,500
Earnings from operations.....	\$ 856	\$ 515	\$ 581

Computing Systems' net revenue increased 4 percent in 1999 versus 1998, following a 15 percent increase in 1998 when compared to 1997. Strong unit shipments in a number of PC and information storage products drove revenue growth in both years. However, actions designed to maintain market share against intense competition, particularly in 1998, contributed to declines in the average selling prices in these products, resulting in unit volume growth that outpaced revenue growth. UNIX-Registered Trademark- server and enterprise storage revenue growth in 1999 was unfavorably impacted by the change in high-end storage strategy and certain product transitions, while 1998 revenue growth benefited from strong market acceptance of new product introductions.

Computing Systems' revenue growth in 1999 reflected strong unit shipments of home PCs and increased sales of information storage products and mobile PCs. High-end UNIX-Registered Trademark- servers introduced in prior years also contributed to revenue growth in 1999. However, weakness in sales of low-end and mid-range servers, primarily in North America, and a transition to a new high-end enterprise storage strategy in mid-1999 had a moderating impact on overall revenue growth in 1999.

Revenue growth of 15% in 1998 was due to strong unit shipments of home and business desktop PCs. New high-end UNIX-Registered Trademark- server products introduced in 1997 and 1998 also contributed to revenue growth in 1998. Sales of these new products also favorably impacted sales of mid-range UNIX-Registered Trademark- servers and enterprise storage products in 1998.

Earnings from operations as a percentage of net revenue were 4.6% in 1999, compared to 2.9% in 1998 and 3.7% in 1997. The 1.7 percentage point increase in 1999 versus 1998 was attributable primarily to favorable component prices for business desktop PCs and some enterprise storage products, improved PC inventory management and a shift towards higher-margin enterprise storage products. This was partially offset by the continued decline in average selling prices and a shift towards low-end PC products. The 0.8 percentage point decline in 1998 earnings from operations as a percentage of net revenue reflected a higher sales mix of low-end home PCs, a shift toward lower-margin PC servers and intense competitive pricing on several PC products. This impact was partially offset by declines in component costs and increased sales of higher-margin UNIX-Registered Trademark- servers and enterprise storage products. Expense controls implemented during the second half of 1998 and improved operational efficiencies had a favorable impact on the earnings from operations ratio in both years.

IT SERVICES

	YEARS ENDED OCTOBER 31,		
	1999	1998	1997
	(IN MILLIONS)		
Net revenue.....	\$5,916	\$5,242	\$4,804
Earnings from operations.....	\$ 636	\$ 785	\$ 797

14

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

UNAUDITED

IT Services net revenue increased 13% in 1999 versus 1998, following a 9% increase in 1998 when compared to 1997. In both years, strong growth in support revenue was moderated by lower growth rates in professional services, which include consulting and outsourcing services, and financing which represents our leasing portfolio.

The 13% growth in 1999 revenue was driven primarily by support services. The growth in support revenue reflected the strong performance of mission critical, a customer service program that provides support for mission critical systems, and networking services. Outsourcing revenue growth was strong; however, consulting revenue grew nominally versus 1998. Financing revenue growth in 1999 was unfavorably impacted by lower rental starts and a more competitive UNIX-Registered Trademark- environment.

Revenue growth in 1998 was also attributable to strong growth in support revenue due primarily to success in mission critical and NT customer service programs. Revenue growth from professional services was moderate, reflecting economic weakness in Asia and management's efforts to focus on profitable revenue growth. An increase in sales-type leases also resulted in moderate financing revenue growth in 1998.

Earnings from operations as a percentage of net revenue were 10.8% in 1999, compared to 15.0% in 1998 and 16.6% in 1997. The decrease in 1999 reflected lease portfolio recoverability costs related primarily to the transition to a new high-end enterprise storage strategy, and reduced profitability attributable to slower growth of new services, competitive pricing, and an increase in the number of consultants to support future growth. Operating expenses also increased as a result of investment in service and support technologies and marketing expenses related to our e-services initiatives. The decrease in earnings from operations as a percentage of net revenue in 1998 was due primarily to higher costs of sales in consulting and outsourcing services and competitive pricing pressures within support services.

LIQUIDITY AND CAPITAL RESOURCES

HP's financial position remained strong throughout 1999, with cash and cash equivalents and short-term investments increasing to \$5.6 billion at October 31, 1999 compared to \$4.1 billion at October 31, 1998. Long-term investments, relatively low levels of debt compared to assets, and a large equity base contribute to HP's financial flexibility. During 1999, cash flows from operating activities and net proceeds from borrowings were used to fund repurchases of HP's common stock and purchases of property, plant and equipment. Additionally, HP increased dividends per share paid in both 1999 and 1998.

Operating activities generated \$3.1 billion of cash in 1999, compared to \$4.8 billion in 1998 and \$3.4 billion in 1997. The decrease in cash generated in 1999 resulted primarily from higher investments in receivables and inventories due to growth, and from timing of tax payments. The increase in cash generated in 1998 compared to 1997 was due primarily to the decrease in HP's inventory

levels during 1998.

Inventory as a percentage of net revenue decreased to 11.5% in 1999 from 11.9% in 1998 as progress in supply chain management continued. Accounts and financing receivables as a percentage of net revenue were 18.5% in 1999 and 16.7% in 1998. The higher ratio in 1999 reflected primarily an increase in sales-type lease financing receivables.

Capital expenditures were \$1.1 billion in 1999, compared to \$1.6 billion in 1998 and \$1.8 billion in 1997. Net property, plant and equipment as a percentage of net revenue was 10.2% in 1999 and 12.4% in

15

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

UNAUDITED

1998. The decreases in the fixed asset ratio and related capital expenditures in 1999 and 1998 reflect increased outsourcing of certain production processes, consolidation of operations to improve space utilization, and HP's emphasis on cost controls.

HP invests excess cash in short- and long-term investments, depending on our projected cash needs for operations, capital expenditures and other business purposes. We also supplement our internally generated cash flow with a combination of short- and long-term borrowings. Short-term borrowings increased in 1999 due to the use of short-term debt to meet short-term working capital requirements. Maturities of long-term debt totaling \$1.0 billion were repaid as scheduled in 1999. In 1998, net receipts from maturities of short-term investments were used to pay down both short- and long-term debt. At October 31, 1999, HP had an unused committed borrowing facility in place totaling \$1.0 billion.

HP repurchases shares of its common stock under a systematic program to manage the dilution created by shares issued under employee stock plans, and under a separate incremental plan authorizing purchases in the open market or in private transactions. In 1999, 31 million shares were repurchased under these plans for an aggregate price of \$2.6 billion. In 1998, 43 million shares were repurchased under these plans for \$2.4 billion. During 1999, HP's Board of Directors authorized an additional \$2.0 billion of future repurchases under these two programs in the aggregate. As of October 31, 1999, HP had authorization for remaining future repurchases under the two programs of approximately \$1.4 billion. In November 1999, the Board of Directors authorized an additional \$2.0 billion in future repurchases under the plans resulting in remaining authorized repurchases totaling \$3.4 billion.

On November 1, 1999, HP provided initial funding of approximately \$1.1 billion to Agilent Technologies. On November 23, 1999, Agilent Technologies closed an initial public offering of approximately 16% of its common stock and distributed the net proceeds of \$2.1 billion to HP.

FACTORS THAT COULD AFFECT FUTURE RESULTS

COMPETITION

We encounter aggressive competition in all areas of our business. We have numerous competitors, ranging from some of the world's largest corporations to many relatively small and highly specialized firms. We compete primarily on the basis of technology, performance, price, quality, reliability, distribution and customer service and support. Product life cycles are short. To remain competitive, HP must be able to develop new products and periodically enhance our existing products. In particular, we anticipate that we will have to continue to lower the prices of many of our products to stay competitive and

effectively manage financial returns with resulting reduced gross margins. In some of our markets, we may not be able to compete successfully against current and future competitors, and the competitive pressures we face could harm our business and prospects.

NEW PRODUCT INTRODUCTIONS

If we cannot continue to rapidly develop, manufacture and market innovative products and services that meet customer requirements for performance and reliability, we may lose market share and our future revenue and earnings may suffer. The process of developing new high technology products and services is complex and uncertain. We must accurately anticipate customers' changing needs and emerging technological trends. We consequently must make long-term investments and commit significant resources before knowing whether our predictions will eventually result in products that the market will accept. After

16

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

UNAUDITED

a product is developed, we must be able to manufacture sufficient volumes quickly at low enough costs. To do this we must accurately forecast volumes, mix of products and configurations. Additionally, the supply and timing of a new product or service must match customers' demand and timing for the particular product or service. Given the wide variety of systems, products and services that HP offers, the process of planning production and managing inventory levels becomes increasingly difficult.

RELIANCE ON THIRD PARTY DISTRIBUTION CHANNELS AND INVENTORY MANAGEMENT

We use third-party distributors to sell our products, especially printers and personal computers, in order to accommodate changing customer preferences. As a result, the financial soundness of our wholesale and retail distributors, and our continuing relationships with these distributors, are important to HP's success. Some of these distributors may have insufficient financial resources and may not be able to withstand changes in business conditions. Our revenue and earnings could suffer if our distributors' financial condition or operations weaken or if our relationship with them deteriorates.

Additionally, inventory management becomes increasingly complex as we continue to sell a significant mix of products through distributors. Third party distributors constantly adjust their product orders from us in response to:

- The supply of our and our competitors' products available to the distributor,
- The timing of new product introductions and relative features of the products, and
- Seasonal fluctuations in end-user demand, such as back-to-school and holiday buying.

Distributors may increase orders during times of product shortages, cancel orders if their inventory is too high, or delay orders in anticipation of new products. If we have excess inventory, we may have to reduce our prices and write down inventory, which in turn could result in lower gross margins.

SHORT PRODUCT LIFE CYCLE

The short life cycles of many of our products pose a challenge for us to manage effectively the transition from existing products to new products. If we

do not manage the transition effectively, our revenue and earnings could suffer. Among the factors that make a smooth transition from current products to new products difficult are: delays in product development or manufacturing, variations in product costs, and delays in customer purchases of existing products in anticipation of new product introductions. Our revenue and earnings could also suffer due to the timing of product or service introductions by our suppliers and competitors. This is especially true when a competitor introduces a new product just before our own product introduction. Further, our new products may replace or compete with certain of our own current products.

INTELLECTUAL PROPERTY

We generally rely upon patent, copyright, trademark and trade secret laws in the United States and in certain other countries, and agreements with our employees, customers and partners, to establish and maintain our proprietary rights in our technology and products. However, any of our intellectual proprietary rights could be challenged, invalidated or circumvented. Our intellectual property may not necessarily provide significant competitive advantages. Also, because of the rapid pace of technological change in the information technology industry, many of our products rely on key technologies developed

17

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

UNAUDITED

by other third parties, and we may not be able to continue to obtain licenses from these third parties. Third parties may claim that we are infringing their intellectual property. Even if we do not believe that our products are infringing third parties' intellectual property rights, the claims can be time-consuming and costly to defend and divert management's attention and resources away from our business. Claims of intellectual property infringement might also require us to enter into costly royalty or license agreements. If we cannot or do not license the infringed technology or substitute similar technology from another source, our business could suffer.

RELIANCE ON SUPPLIERS

Our manufacturing operations depend on our suppliers' ability to deliver quality components and products in time for us to meet critical manufacturing and distribution schedules. We sometimes experience a short supply of certain component parts as a result of strong demand in the industry for those parts. If shortages or delays persist, our operating results could suffer until other sources can be developed. In order to secure components for the production of new products, at times we make advance payments to suppliers, or we may enter into noncancelable purchase commitments with vendors. If the prices of these component parts then decrease after we have entered into binding price agreements, our earnings could suffer. Further, we may not be able to secure enough components at reasonable prices to build new products in a timely manner in the quantities and configurations needed. Conversely, a temporary oversupply of these parts could also affect our operating results.

INTERNATIONAL

Sales outside the United States make up more than half of our revenues. A portion of our product and component manufacturing, along with key suppliers, are also located outside of the United States. Our future earnings or financial position could be adversely affected by a variety of international factors, including:

- Changes in a country or region's political or economic conditions,

- Trade protection measures,
- Import or export licensing requirements,
- The overlap of different tax structures,
- Unexpected changes in regulatory requirements,
- Differing technology standards,
- Problems caused by the conversion of various European currencies to the Euro (see "Adoption of the Euro" section which follows), and
- Natural disasters.

MARKET RISK

We are exposed to foreign currency exchange rate risk inherent in our sales commitments, anticipated sales, and assets and liabilities denominated in currencies other than the U.S. dollar. We are also exposed to interest rate risk inherent in our debt and investment portfolios. Our risk management strategy uses

18

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

UNAUDITED

derivative financial instruments, including forwards, swaps and purchased options, to hedge certain foreign currency and interest rate exposures. Our intent is to offset gains and losses that occur on the underlying exposures, with gains and losses on the derivative contracts hedging these exposures. We do not enter into derivatives for trading purposes. See also the "Financial Instruments--Off-Balance-Sheet Foreign Exchange Risk" and "Borrowings" notes to the consolidated financial statements for more detailed information.

We have performed a sensitivity analysis assuming a hypothetical 10% adverse movement in foreign exchange rates applied to the hedging contracts and underlying exposures described above, and a hypothetical 10% adverse movement in interest rates applied to our debt and investment portfolios. As of October 31, 1999 and 1998, the analysis indicated that these hypothetical market movements would not have a material effect on HP's consolidated financial position, results of operations or cash flows. Actual gains and losses in the future may differ materially from that analysis; however, based on changes in the timing and amount of interest rate and foreign currency exchange rate movements and HP's actual exposures and hedges.

ACQUISITIONS, STRATEGIC ALLIANCES, JOINT VENTURES AND DIVESTITURES

In the normal course of business, HP frequently engages in discussions with third parties relating to possible acquisitions, strategic alliances, joint ventures and divestitures. Although completion of a transaction is unlikely to have a material effect on our financial position, results of operations or cash flows taken as a whole, it may contribute to our financial results differing from the investment community's expectations in a given quarter. Divestiture of a part of our business may result in the cancellation of orders and charges to earnings. Acquisitions and strategic alliances may require us to integrate with a different company culture, management team and business infrastructure. We may also have to develop, manufacture and market products with our products in a way that enhances the performance of the combined business or product line. Depending on the size and complexity of an acquisition, our successful integration of the entity into HP depends on a variety of factors, including:

- The hiring and retention of key employees,
- Management of facilities in separate geographic areas, and
- The integration or coordination of different research and development and product manufacturing facilities.

All of these efforts require varying levels of management resources, which may divert our attention from other business operations.

EARTHQUAKE

Our corporate headquarters, a portion of our research and development activities, other critical business operations and certain of our suppliers are located near major earthquake faults. The ultimate impact on HP, our significant suppliers and our general infrastructure is unknown, but operating results could be materially affected in the event of a major earthquake. We are predominantly uninsured for losses and interruptions caused by earthquakes.

19

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

UNAUDITED

ENVIRONMENTAL

Some of our operations use substances regulated under various federal, state, and international laws governing the environment. It is our policy to apply strict standards for environmental protection to sites inside and outside the U.S., even when not subject to local government regulations. We record a liability for environmental remediation and related costs when we consider the costs to be probable and the amount of the costs can be reasonably estimated. Environmental costs are presently not material to our results of operations or financial position.

PROFIT MARGIN

Our profit margins vary somewhat among our products, customer groups and geographic markets. Consequently, our overall profitability in any given period is partially dependent on the product, customer and geographic mix reflected in that period's net revenue.

STOCK PRICE

HP's stock price, like that of other technology companies, can be volatile. Some of the factors that can affect our stock price are:

- Our, or a competitor's, announcement of new products, services or technological innovations,
- Quarterly increases or decreases in our earnings,
- Changes in revenue or earnings estimates by the investment community, and
- Speculation in the press or investment community.

General market conditions and domestic or international macroeconomic factors unrelated to our performance may also affect HP's stock price. For these reasons, investors should not rely on recent trends to reliably predict future stock prices or financial results. In addition, following periods of volatility in a company's securities, securities class action litigation against a company is sometimes instituted. This type of litigation could result in substantial costs and the diversion of management time and resources.

EARNINGS FLUCTUATIONS

Although we believe that we have the products and resources needed for continuing success, we cannot reliably predict future revenue and margin trends. Actual trends may cause us to adjust our operations, which could cause period-to-period fluctuations in our earnings.

PLANNED SPIN-OFF OF AGILENT TECHNOLOGIES

HP has announced that it intends to distribute to its stockholders all of the common stock of Agilent Technologies that HP owns by July 31, 2000, although HP is not obligated to do so. This distribution may not occur by that date or at all. Further, HP may not obtain the benefits we expect as a result of this distribution, such as greater strategic focus on our core computing and imaging and printing businesses. In addition, HP's consolidated financial statements do not reflect what the financial position, results of operations and cash flows of HP would have been had Agilent Technologies been a separate stand-alone entity during the periods presented.

20

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

UNAUDITED

YEAR 2000

The information provided below constitutes a "Year 2000 Readiness Disclosure" for purposes of the Year 2000 Information and Readiness Disclosure Act.

JANUARY 2000 UPDATE

Through the first week of the year 2000, HP's operations around the world are fully functioning and have not experienced any significant issues associated with the Year 2000 problem (as described below). Our customer-support operations continue to communicate to us that HP customers have not reported any consequential Year 2000 incidents. The number of Year 2000-related telephone calls from customers into HP's response centers and customer-care centers has been much lower than anticipated. At HP sites worldwide, we have not experienced any significant Year 2000-related issue that would affect our ability to manufacture, ship, sell or service our products. While we are encouraged by the success of our Year 2000 efforts and that of our customers and partners, HP will continue to offer Year 2000 support to customers and monitor our own operations.

YEAR 2000 READINESS OVERVIEW

The Year 2000 problem arises from the use of a two-digit field to identify years in computer programs, e.g., 85=1985, and the assumption of a single century, the 1900s. Any program so created may read, or attempt to read, "00" as the year 1900. There are two other related issues that could also lead to incorrect calculations or failure: some systems' programming assigns special meaning to certain dates, and the year 2000 is a leap year. Accordingly, some computer hardware and software, including programs embedded within machinery and parts, need to be modified prior to the year 2000 to remain functional. Our Year 2000 initiatives are focusing primarily on four areas of potential impact: internal information technology ("IT") systems; internal non-IT systems and processes, including services and embedded chips (controllers); our products and services; and the readiness of significant third parties with whom we have material business relationships. In 1997, HP established a Year 2000 Program Office to coordinate these programs for all of its businesses across the enterprise and to provide a single point of contact for information about Year 2000 programs. The Year 2000 efforts in these areas are led by the Year 2000

general manager who reports directly to HP's senior management.

The costs associated with our IT internal readiness actions are a combination of incremental external spending and the use of existing internal resources. We estimate that over the life of our IT internal readiness effort, we will have spent a total of approximately \$160 million over a multi-year period. Based on current estimates, we do not believe that the costs associated with these actions will have a material effect on our results of operations, cash flows or financial condition. However, the costs of these actions may vary from quarter to quarter, and we cannot assure you that there will not be a delay in, or increased costs associated with, the implementation of these changes. In addition, failure to achieve Year 2000 readiness for our internal systems and processes could delay our ability to manufacture and ship products and deliver services, disrupt our customer service and technical support facilities and interrupt customer access to our online products and services. Our inability to perform these functions could have an adverse effect on our future results of operations, cash flows or financial condition.

21

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

UNAUDITED

INTERNAL IT SYSTEMS

HP established a dedicated Year 2000 IT Internal Readiness Program organization to oversee the worldwide Year 2000 internal IT application and infrastructure readiness activities for all its businesses. The Internal Readiness IT Program organization has provided monthly progress reports to HP's senior management. The Internal Readiness IT Program organization was charged with raising awareness throughout HP, developing tools and methodologies for addressing the Year 2000 issue, monitoring the development and implementation of business and infrastructure plans to bring non-compliant applications into compliance on a timely basis, and identifying and helping resolve high-risk issues.

We approached our Year 2000 IT internal readiness program in four phases: (1) assessment, (2) planning, (3) preparation and (4) implementation. The assessment phase involved taking an inventory of our internal IT applications to prioritize risk, identifying failure dates, defining a solution strategy, estimating repair costs and communicating across and within business units regarding the magnitude of the problem and the need to address Year 2000 issues. The planning phase consisted of identifying the tasks necessary to ensure readiness, scheduling remediation plans for applications and infrastructure and determining resource requirements and allocations. The third phase, preparation, involved readying the development and testing environments and piloting the remediation process. Implementation, the last phase, consisted of executing the plans to fix, test and implement critical applications and associated infrastructure, and putting into place contingency plans for processes that have a high impact on our businesses. As of October 31, 1999, the implementation phase was virtually complete.

INTERNAL NON-IT SYSTEMS AND PROCESSES

Non-IT systems include, but are not limited to, those systems that are not commonly thought of as IT systems, such as telephone/PBX systems; fax machines; facilities systems regulating alarms, building access and sprinklers; manufacturing, assembly and distribution equipment; and other miscellaneous systems and processes. Year 2000 readiness for these internal non-IT systems is the responsibility of our worldwide operating units and their respective functions and operations, e.g., facilities, research and development, manufacturing, distribution, logistics, sales and customer support.

The Year 2000 Program Office has developed a comprehensive process to ensure all operations and global business units use a structured and standardized methodology to organize, plan and implement their Year 2000 readiness.

HP has also established a Year 2000 Council to coordinate its overall internal readiness and its business continuity planning efforts. The Council is composed of representatives from the major business units within HP and the critical corporate and infrastructure functions that support them. The council is chaired by the Year 2000 general manager and has initiated a comprehensive program to ensure timely and consistent business continuity planning by all of HP's business units. As of October 31, 1999, HP had finished virtually all Year 2000 testing, internal mitigation and remediation activities, and business contingency plans.

PRODUCT AND CUSTOMER READINESS

Our newly introduced products are Year 2000 compliant. However, some hardware and software products currently installed at customer sites will require upgrade or other remediation. Some of these products are used in critical applications in which the impact of non-performance to these customers and

22

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

UNAUDITED

other parties could be significant. While we believe our customers are responsible for the Year 2000 readiness of their IT and business environments, we are taking significant steps to enable customers to achieve their readiness goals, thereby preserving our customers' satisfaction and our brand reputation. In 1997, HP established a dedicated Year 2000 Product Compliance Program Office to coordinate worldwide Year 2000 product compliance activities for all its businesses. The Product Compliance Program Office is charged with developing and overseeing implementation of plans to identify all standard products delivered since January 1, 1995; to test those products for compliance; to identify an appropriate path to compliance for non-compliant standard products; and to communicate the status and necessary customer action for non-compliant standard products.

HP has an Internet web site dedicated to communicating Year 2000 issues to a broad customer base. This web site includes a product compliance search page that allows customers to look up the status of HP products they have installed. Most of our key business groups have complementary Internet web sites dedicated to similar communication to their specific customers. We are taking additional steps to identify affected customers, raise customer awareness related to non-compliance of some products and help customers to assess their risks.

All of these efforts are coordinated by the HP Year 2000 Products and Customers Board of Directors, which is composed of representatives from all of HP's product and service business units. The board works in conjunction with the Product Compliance Program Office to develop and implement HP's Year 2000 policies for products and services. The Year 2000 general manager chairs the board.

The costs of the readiness program for products are primarily costs of existing internal resources largely absorbed within existing engineering spending levels. These costs were incurred primarily in 1998 and earlier years and were not broken out from other product engineering costs. Past Year 2000 customer satisfaction costs have not been material. Future product readiness costs, including those for customer satisfaction, are not anticipated to be material. We are aware of the potential for legal claims against us and other companies for damages arising from products that are not Year 2000 compliant. We

believe that we have taken sufficient communication and customer satisfaction steps so that any claims would not result in material liability for us.

It is unknown how significantly Year 2000 issues may have affected or could affect customer spending patterns. As customers focused their attention on preparing their own businesses for the Year 2000, they may have delayed purchases of new applications, services and systems from HP. As a result, this may affect our future revenues and revenue patterns. However, there is no information to date that any such impact would materially affect our revenue growth.

MATERIAL THIRD-PARTY RELATIONSHIPS

We have developed a Year 2000 process for dealing with our key suppliers, contract manufacturers, distributors, vendors and partners. The process generally involves the following steps: (1) initial supplier survey; (2) risk assessment and contingency planning; (3) follow-up supplier reviews and escalation, if necessary; and (4) where relevant, testing. We received formal responses from substantially all of our critical suppliers. Most of them responded that they expected to address all their significant Year 2000 issues on a timely basis. We regularly reviewed and monitored the suppliers' Year 2000 readiness plans and performance. Based on our risk assessment, selective on-site reviews were performed. Risk analysis was completed with our base of suppliers and contingency plans were developed and tested. All critical surveys

23

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

UNAUDITED

and testing efforts were completed by June 1, 1999. In some cases, to meet Year 2000 readiness, we have replaced suppliers or eliminated suppliers from consideration for new business. Where efforts to work with critical suppliers have not been successful, contingency planning generally emphasizes the identification of substitute and second-source suppliers, or in certain situations includes a planned increase in the level of inventory held (e.g., in the case of sole sources). We also contracted with multiple transportation companies to provide product delivery alternatives and we conducted Electronic Data Interchange ("EDI") migration and testing with our supply base.

We identified and analyzed the most reasonably likely worst-case scenarios for third-party relationships affected by Year 2000. These scenarios included possible infrastructure collapse, the failure of power and water supplies, major transportation disruptions, unforeseen product shortages due to hoarding of products and sub-assemblies, and failures of communications and financial systems. Any one of these scenarios could have had a major and material effect on our ability to build our products and deliver services to our customers. While we have contingency plans in place to address most issues under our control, an infrastructure problem outside of our control or some combination of several of these problems could have resulted in a delay in product shipments depending on the nature and severity of the problems. We expected that most utilities and service providers would be able to restore service within days, although more pervasive system problems involving multiple providers could have lasted two to four weeks or more depending on the complexity of the systems and the effectiveness of their contingency plans.

Although we have been dedicating substantial resources towards attaining Year 2000 readiness, we cannot assure you that we can successfully identify and address all Year 2000 issues. Even though we are confident we have acted in a timely manner to complete all of our assessments; to identify, develop and implement remediation plans believed to be adequate; and to develop contingency plans believed to be adequate; some problems may not be identified or corrected in time to prevent material adverse consequences to us.

The discussion above regarding estimated completion dates, costs, risks and other forward-looking statements regarding Year 2000 is based on our best estimates given information that is currently available and is subject to change. As we conclude our Year 2000 initiatives during the remainder of the calendar year 2000, we may discover that actual results will differ materially from these estimates.

ADOPTION OF THE EURO

HP has established a dedicated task force to address the issues raised by the introduction of a European single currency, the Euro. The Euro's initial implementation was effective as of January 1, 1999, and the transition period will continue through January 1, 2002. On January 1, 1999, we began converting our product prices from local currencies to Euros as required. At an appropriate point during the transition period, product prices in participating countries will be established and stored in Euros, and converted to local denominations. We implemented system changes to give multi-currency capability to the few internal applications that did not yet have this capability, and to ensure that external partners' systems processing Euro conversions are compliant with the European Council regulations.

We have developed plans to support display and printing of the Euro character by impacted HP products. Some products are currently able to perform these functions, while plans are still in process for other products.

24

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

UNAUDITED

The conversion to the Euro has not had a material effect on our foreign exchange and hedging activities or our use of derivative instruments, and we do not presently expect that it will. It has not materially increased our costs and we do not expect that it will. All costs associated with the conversion to the Euro are expensed to operations as incurred. While we will continue to evaluate the impact of the Euro conversion over time, based on currently available information, we do not believe that the conversion to the Euro currency will have a material adverse impact on our consolidated financial condition, cash flows or results of operations.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement establishes accounting and reporting standards for derivative instruments and requires recognition of all derivatives as assets or liabilities in the statement of financial position and measurement of those instruments at fair value. The statement, as amended, is effective for fiscal years beginning after June 15, 2000. HP will adopt the standard no later than the first quarter of fiscal year 2001 and is in the process of determining the impact that adoption will have on its consolidated financial statements.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements." The staff accounting bulletin is effective no later than the first quarter of HP's fiscal year 2001. HP is in the process of determining the impact that adoption will have on its consolidated financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

For quantitative and qualitative disclosures about market risk affecting HP,

see "Management's Discussion and Analysis of Financial Conditions and Results of Operations" in Item 7 above, which is incorporated herein by reference.

25

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

TABLE OF CONTENTS

Report of Independent Accountants.....	27
Consolidated Statement of Earnings.....	28
Consolidated Balance Sheet.....	29
Consolidated Statement of Cash Flows.....	30
Consolidated Statement of Stockholders' Equity.....	31
Notes to Consolidated Financial Statements.....	32
Quarterly Summary.....	54

26

REPORT OF INDEPENDENT ACCOUNTANTS

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF
HEWLETT-PACKARD COMPANY

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Hewlett-Packard Company and its subsidiaries at October 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended October 31, 1999, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

San Jose, California
November 23, 1999

27

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF EARNINGS

FOR THE YEARS ENDED OCTOBER 31
IN MILLIONS EXCEPT PER SHARE AMOUNTS

1999	1998	1997
------	------	------

Net revenue:			
Products.....	\$36,178	\$33,836	\$30,400
Services.....	6,192	5,583	5,065
	-----	-----	-----
Total net revenue.....	42,370	39,419	35,465
	-----	-----	-----
Costs and expenses:			
Cost of products sold.....	25,498	24,295	21,326
Cost of services.....	4,222	3,495	3,198
Research and development.....	2,440	2,380	2,191
Selling, general and administrative.....	6,522	5,850	5,345
	-----	-----	-----
Total costs and expenses.....	38,682	36,020	32,060
	-----	-----	-----
Earnings from operations.....	3,688	3,399	3,405
Interest income and other, net.....	708	530	378
Interest expense.....	202	235	215
	-----	-----	-----
Earnings from continuing operations before taxes.....	4,194	3,694	3,568
Provision for taxes.....	1,090	1,016	1,053
	-----	-----	-----
Net earnings from continuing operations.....	3,104	2,678	2,515
Net earnings from discontinued operations.....	387	267	604
	-----	-----	-----
Net earnings.....	\$ 3,491	\$ 2,945	\$ 3,119
	=====	=====	=====
Basic net earnings per share:			
Continuing operations.....	\$ 3.08	\$ 2.59	\$ 2.45
Discontinued operations.....	.38	.26	.59
	-----	-----	-----
	\$ 3.46	\$ 2.85	\$ 3.04
	=====	=====	=====
Average number of shares.....	1,009	1,034	1,026
	=====	=====	=====
Diluted net earnings per share:			
Continuing operations.....	\$ 2.97	\$ 2.52	\$ 2.38
Discontinued operations.....	.37	.25	.57
	-----	-----	-----
	\$ 3.34	\$ 2.77	\$ 2.95
	=====	=====	=====
Average number of shares and equivalents.....	1,052	1,072	1,057
	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

28

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

OCTOBER 31		
IN MILLIONS EXCEPT PAR VALUE AND NUMBER OF SHARES		
	1999	1998
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 5,411	\$ 4,046
Short-term investments.....	179	21
Accounts receivable.....	5,958	5,104
Financing receivables.....	1,889	1,494
Inventory.....	4,863	4,699
Other current assets.....	3,342	3,143
	-----	-----
Total current assets.....	21,642	18,507
	-----	-----
Property, plant and equipment, net.....	4,333	4,877
Long-term investments and other assets.....	5,789	5,240
Net assets of discontinued operations.....	3,533	3,084

Total assets.....	----- \$35,297 =====	----- \$31,708 =====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable and short-term borrowings.....	\$ 3,105	\$ 1,245
Accounts payable.....	3,517	2,768
Employee compensation and benefits.....	1,287	1,195
Taxes on earnings.....	2,152	2,796
Deferred revenues.....	1,437	1,248
Other accrued liabilities.....	2,823	2,622
	-----	-----
Total current liabilities.....	14,321	11,874
	-----	-----
Long-term debt.....	1,764	2,063
Other liabilities.....	917	852
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.01 par value (authorized: 300,000,000 shares; issued: none).....	--	--
Common stock, \$0.01 par value (authorized: 4,800,000,000 shares; issued and outstanding: 1,004,569,000 in 1999 and 1,015,403,000 in 1998).....	10	10
Additional paid-in capital.....	--	--
Retained earnings.....	18,285	16,909
	-----	-----
Total stockholders' equity.....	18,295	16,919
	-----	-----
Total liabilities and stockholders' equity.....	\$35,297	\$31,708
	=====	=====

The accompanying notes are an integral part of these financial statements.

29

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED OCTOBER 31 IN MILLIONS	1999	1998	1997
-----	-----	-----	-----
Cash flows from operating activities:			
Net earnings from continuing operations.....	\$3,104	\$2,678	\$2,515
Adjustments to reconcile net earnings from continuing operations to net cash provided by operating activities:			
Depreciation and amortization.....	1,316	1,377	1,144
Deferred taxes on earnings.....	(171)	(1,101)	(216)
Changes in assets and liabilities:			
Accounts and financing receivables.....	(1,637)	(1,100)	(972)
Inventory.....	(171)	630	(222)
Accounts payable.....	751	61	702
Taxes on earnings.....	(639)	1,200	3
Other current assets and liabilities.....	330	731	147
Other, net.....	213	284	285
	-----	-----	-----
Net cash provided by operating activities.....	3,096	4,760	3,386
	-----	-----	-----
Cash flows from investing activities:			
Investment in property, plant and equipment.....	(1,134)	(1,584)	(1,757)
Disposition of property, plant and equipment.....	542	260	243
Purchases of short-term investments.....	(1,007)	(3,307)	(5,213)

Maturities of short-term investments.....	1,048	4,773	4,158
Purchases of long-term investments.....	(8)	(752)	--
Other, net.....	(69)	2	(3)
	-----	-----	-----
Net cash used in investing activities.....	(628)	(608)	(2,572)
	-----	-----	-----
Cash flows from financing activities:			
Change in notes payable and short-term borrowings.....	2,399	(734)	(1,194)
Issuance of long-term debt.....	240	223	1,182
Payment of long-term debt.....	(1,047)	(573)	(273)
Issuance of common stock under employee stock plans.....	660	467	419
Repurchase of common stock.....	(2,643)	(2,424)	(724)
Dividends.....	(650)	(625)	(532)
	-----	-----	-----
Net cash used in financing activities.....	(1,041)	(3,666)	(1,122)
	-----	-----	-----
Net cash (used) provided by discontinued operations.....	(62)	488	495
	-----	-----	-----
Increase in cash and cash equivalents.....	1,365	974	187
	-----	-----	-----
Cash and cash equivalents at beginning of year.....	4,046	3,072	2,885
	-----	-----	-----
Cash and cash equivalents at end of year.....	\$5,411	\$4,046	\$3,072
	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

30

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

IN MILLIONS EXCEPT NUMBER OF SHARES IN THOUSANDS	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TOTAL
	NUMBER OF SHARES	PAR VALUE			
Balance October 31, 1996.....	1,014,123	\$1,014	\$ --	\$12,424	\$13,438
Acquisition via immaterial pooling.....	23,590	24	19	118	161
Shares issued.....	16,536	16	677	--	693
Shares repurchased.....	(13,207)	(13)	(550)	(161)	(724)
Dividends.....	--	--	--	(532)	(532)
Net earnings.....	--	--	--	3,119	3,119
	-----	-----	-----	-----	-----
Balance October 31, 1997.....	1,041,042	1,041	146	14,968	16,155
Reincorporation.....	--	(1,032)	1,032	--	--
Shares issued.....	17,384	13	855	--	868
Shares repurchased.....	(43,023)	(12)	(2,033)	(379)	(2,424)
Dividends.....	--	--	--	(625)	(625)
Net earnings.....	--	--	--	2,945	2,945
	-----	-----	-----	-----	-----
Balance October 31, 1998.....	1,015,403	10	--	16,909	16,919
Shares issued.....	20,208	--	1,178	--	1,178
Shares repurchased.....	(31,042)	--	(1,178)	(1,465)	(2,643)
Dividends.....	--	--	--	(650)	(650)
Net earnings.....	--	--	--	3,491	3,491
	-----	-----	-----	-----	-----
Balance October 31, 1999.....	1,004,569	\$ 10	\$ --	\$18,285	\$18,295
	=====	=====	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

31

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of HP and its

wholly-owned and controlled majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. Certain reclassifications were made to prior year amounts to conform to the 1999 presentation.

USE OF ESTIMATES

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in HP's financial statements and accompanying notes. Actual results could differ from those estimates.

REVENUE RECOGNITION

Revenue from product sales is generally recognized at the time the product is shipped, with provisions established for price protection programs and for estimated product returns. Upon shipment, HP also provides for the estimated cost that may be incurred for product warranties and post-sales support. Service revenue is recognized over the contractual period or as services are rendered and accepted by the customer.

ADVERTISING

Advertising costs are expensed as incurred and amounted to \$1,182 million in 1999, \$1,121 million in 1998 and \$1,033 million in 1997.

TAXES ON EARNINGS

Income tax expense is based on pretax financial accounting income. Deferred tax assets and liabilities are recognized principally for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts.

NET EARNINGS PER SHARE

HP's basic earnings per share ("EPS") is calculated based on net earnings available to common stockholders and the weighted-average number of shares outstanding during the reported period. Diluted

32

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

EPS includes additional dilution from potential common stock, such as stock issuable upon exercise of stock options or the conversion of debt.

FOR THE YEARS ENDED OCTOBER 31, IN MILLIONS EXCEPT PER SHARE DATA	1999	1998	1997

Numerator:			
Net earnings from continuing operations available to common stockholders.....	\$3,104	\$2,678	\$2,515
Adjustments for interest, net of income tax effect.....	22	26	--
	-----	-----	-----
Net earnings from continuing operations, adjusted.....	3,126	2,704	2,515
Net earnings from discontinued operations.....	387	267	604
	-----	-----	-----
Net earnings, adjusted.....	\$3,513	\$2,971	\$3,119
	=====	=====	=====
Denominator:			

Weighted-average shares outstanding.....	1,009	1,034	1,026
Effect of dilutive securities:			
Dilutive options.....	32	28	31
Zero-coupon subordinated convertible notes due 2017.....	11	10	--
	-----	-----	-----
Dilutive potential common shares.....	43	38	31
	-----	-----	-----
Weighted-average shares and dilutive potential common shares.....	1,052	1,072	1,057
	=====	=====	=====
Basic net earnings per share:			
Continuing operations.....	\$ 3.08	\$ 2.59	\$ 2.45
Discontinued operations.....	.38	.26	.59
	-----	-----	-----
	\$ 3.46	\$ 2.85	\$ 3.04
	=====	=====	=====
Diluted net earnings per share:			
Continuing operations.....	\$ 2.97	\$ 2.52	\$ 2.38
Discontinued operations.....	.37	.25	.57
	-----	-----	-----
	\$ 3.34	\$ 2.77	\$ 2.95
	=====	=====	=====

CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

HP classifies investments as cash equivalents if the maturity of an investment is three months or less from the purchase date. Short-term investments principally consist of time deposits and temporary money-market instruments. Cash equivalents and short-term investments are stated at cost, which approximates market value.

INVENTORY

Inventory is valued at standard cost that approximates actual cost computed on a first-in, first-out basis, not in excess of market value.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost. Additions, improvements and major renewals are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. Depreciation is provided

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

using accelerated methods, principally over 15 to 40 years for buildings and improvements and 3 to 10 years for machinery and equipment. Depreciation of leasehold improvements is provided using the straight-line method over the life of the lease or the asset, whichever is shorter.

LONG-TERM INVESTMENTS

HP's long-term investments primarily consist of debt securities which are held-to-maturity.

FOREIGN CURRENCY TRANSLATION

HP uses the U.S. dollar as its functional currency. Foreign currency assets and liabilities are remeasured into U.S. dollars at end-of-period exchange rates, except for inventory, property, plant and equipment, other assets and deferred revenues, which are remeasured at historical exchange rates. Revenue and expenses are remeasured at average exchange rates in effect during each period, except for those expenses related to balance sheet amounts that are

remeasured at historical exchange rates. Gains or losses from foreign currency remeasurement are included in net earnings. The effect of foreign currency exchange rate fluctuations on cash and cash equivalents denominated in foreign currencies was not material.

COMPREHENSIVE INCOME

HP has no material components of other comprehensive income, and, accordingly, net income approximates comprehensive income for all periods presented.

RECENT PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement establishes accounting and reporting standards for derivative instruments and requires recognition of all derivatives as assets or liabilities in the statement of financial position and measurement of those instruments at fair value. The statement, as amended, is effective for fiscal years beginning after June 15, 2000. HP will adopt the standard no later than the first quarter of fiscal year 2001, and is in the process of determining the impact that adoption will have on its consolidated financial statements.

DISCONTINUED OPERATIONS

On March 2, 1999, HP announced its intention to launch a new company, subsequently named Agilent Technologies, Inc. ("Agilent Technologies"), through a distribution of Agilent Technologies' common stock to HP's stockholders in the form of a tax-free spin-off. Agilent Technologies is composed of HP's Measurement Organization, which includes its test and measurement, semiconductor products, chemical analysis and healthcare solutions businesses.

Effective July 31, 1999, HP's management and Board of Directors completed the plan of disposition for Agilent Technologies. HP's consolidated financial statements for all periods present Agilent Technologies as a discontinued business segment in accordance with Accounting Principles Board Opinion No. 30. Net revenue and net earnings from Agilent Technologies' operations, through the July 31, 1999 measurement date for discontinued operations accounting, are summarized below. For the period from August 1, 1999 through the spin-off, net earnings from Agilent Technologies are expected to exceed the

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

estimated costs to effect the spin-off. The excess net earnings over these costs will be recognized once the net earnings realized exceed the total estimated costs of the spin-off.

	NINE MONTHS ENDED JULY 31, 1999	YEARS ENDED OCTOBER 31,	
		1998	1997
(IN MILLIONS)			
Net revenue, including revenue from HP.....	\$5,883	\$7,952	\$7,785
Earnings from discontinued operations	=====	=====	=====
before taxes.....	\$ 553	\$ 397	\$ 887
Provision for taxes.....	166	130	283
	-----	-----	-----
Earnings from discontinued operations,			
net of taxes.....	\$ 387	\$ 267	\$ 604
	=====	=====	=====

Net assets of discontinued operations are as follows at October 31:

	1999	1998
	-----	-----
	(IN MILLIONS)	
Current assets.....	\$ 3,538	\$ 3,075
Property, plant and equipment, net.....	1,387	1,481
Other assets.....	619	493
Current liabilities.....	(1,681)	(1,599)
Other liabilities.....	(330)	(366)
	-----	-----
Net assets of discontinued operations.....	\$ 3,533	\$ 3,084
	=====	=====

On November 1, 1999, HP provided initial funding of approximately \$1.1 billion to Agilent Technologies. On November 23, 1999, Agilent Technologies closed an initial public offering of approximately 16% of its common stock and distributed the net proceeds of \$2.1 billion to HP. The pro forma effects of these transactions were increases to cash of approximately \$1.0 billion, net assets of discontinued operations of approximately \$0.5 billion and additional paid-in capital of approximately \$1.5 billion. HP plans to distribute its remaining 84% interest in Agilent Technologies to HP's stockholders by July 31, 2000 (the distribution date).

FINANCIAL INSTRUMENTS

OFF-BALANCE-SHEET FOREIGN EXCHANGE RISK

HP enters into foreign exchange contracts, primarily forwards and purchased options, to hedge against exposure to changes in foreign currency exchange rates. Such contracts are designated at inception to the related foreign currency exposures being hedged, which include committed and anticipated sales by subsidiaries, and assets and liabilities that are denominated in currencies other than the U.S. dollar. To achieve hedge accounting, contracts must reduce the foreign currency exchange rate risk otherwise inherent in the amount and duration of the hedged exposures and comply with established company risk management policies. Hedging contracts generally mature within six months.

When hedging sales-related exposure, foreign exchange contract expirations are set so as to occur in the same month the hedged shipments occur, allowing realized gains and losses on the contracts to be recognized in net revenue in the same periods in which the related revenues are recognized. When hedging

35

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

balance sheet exposure, realized gains and losses on foreign exchange contracts are recognized in other income and expense in the same period as the realized gains and losses on remeasurement of the foreign currency denominated assets and liabilities occur. All gains and losses related to foreign exchange contracts are included in cash flows from operating activities in the consolidated statement of cash flows.

The notional amount of foreign exchange contracts outstanding was \$13.7 billion at October 31, 1999 and \$12.1 billion at October 31, 1998. The contracts related to exposures in approximately 33 foreign currencies. The notional amount represents the future cash flows under contracts to both purchase and sell foreign currencies. Unrealized gains on hedging contracts deferred under HP's hedge accounting policies amounted to \$113 million at

October 31, 1999, and unrealized losses totaled \$113 million. At October 31, 1998, unrealized gains were \$63 million and unrealized losses were \$292 million. Unamortized premiums and realized gains deferred under currency options were not material.

CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject HP to significant concentrations of credit risk consist principally of cash, investments, accounts receivable, financing receivables and certain other financial instruments.

HP maintains cash and cash equivalents, short- and long-term investments and certain other financial instruments with various financial institutions. These financial institutions are located in many different geographical regions, and company policy is designed to limit exposure with any one institution. As part of its cash and risk management processes, HP performs periodic evaluations of the relative credit standing of the financial institutions. HP has not sustained material credit losses from these instruments.

HP sells a significant portion of its products through third-party resellers and, as a result, maintains individually significant receivable balances with major distributors. If the financial condition or operations of these distributors deteriorate substantially, HP's operating results could be adversely affected. The ten largest distributor receivable balances collectively represented 27 percent of total accounts receivable at October 31, 1999 and 29 percent at October 31, 1998. Credit risk with respect to other accounts receivable and financing receivables is generally diversified due to the large number of entities comprising HP's customer base and their dispersion across many different industries and geographical regions. HP performs ongoing credit evaluations of its third-party resellers' and other customers' financial condition and requires collateral, such as letters of credit and bank guarantees, in certain circumstances.

FAIR VALUE OF FINANCIAL INSTRUMENTS

For certain of HP's financial instruments, including cash and cash equivalents, short-term investments, accounts receivable, financing receivables, notes payable and short-term borrowings, accounts payable and other accrued liabilities, the carrying amounts approximate fair value due to their short maturities. Long-term floating rate notes, long-term equity investments and time deposits are also carried at amounts that approximate fair value. The estimated fair value of fixed rate long-term debt is primarily based on quoted market prices, as well as borrowing rates currently available to HP for bank loans with similar terms and maturities. This fair value, when adjusted for unrealized gains and losses on related interest rate swap agreements, approximates the carrying amount of long-term debt.

The estimated fair value of foreign exchange contracts is based primarily on quoted market prices for the same or similar instruments, adjusted where necessary for maturity differences. The estimated fair value of foreign exchange contracts amounted to less than \$1 million at October 31, 1999 and \$(229) million at October 31, 1998.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The estimated fair values may not be representative of actual values of the financial instruments that could have been realized as of year end or that will be realized in the future.

FINANCING RECEIVABLES AND INVESTMENT IN OPERATING LEASES

Financing receivables represent sales-type and direct-financing leases and installment sales resulting from the marketing of HP's, and complementary third-party, products. These receivables typically have terms from two to five

years and are usually collateralized by a security interest in the underlying assets. The components of net financing receivables, which are included in financing receivables and long-term investments and other assets, are as follows at October 31:

	1999	1998
	-----	-----
	(IN MILLIONS)	
Gross financing receivables.....	\$ 4,336	\$ 3,396
Unearned income.....	(489)	(340)
	-----	-----
Financing receivables, net.....	3,847	3,056
Less current portion.....	(1,889)	(1,494)
	-----	-----
Amounts due after one year, net.....	\$ 1,958	\$ 1,562
	=====	=====

Contractual maturities of HP's gross financing receivables at October 31, 1999 were \$2,135 million in 2000, \$1,182 million in 2001, \$700 million in 2002, \$139 million in 2003, \$126 million in 2004 and \$54 million thereafter. Actual cash collections may differ primarily due to customer early buy-outs and refinancings.

HP also leases its products to customers under operating leases. Equipment on operating leases was \$1,282 million at October 31, 1999 and \$1,184 million at October 31, 1998 and is included in machinery and equipment. Accumulated depreciation on equipment on operating leases was \$607 million at October 31, 1999 and \$538 million at October 31, 1998. Minimum future rentals on noncancelable operating leases with original terms of one year or longer are \$489 million in 2000, \$244 million in 2001, \$85 million in 2002, \$28 million in 2003, \$10 million in 2004 and \$4 million thereafter.

INVENTORY

	OCTOBER 31,	
	-----	-----
	1999	1998
	-----	-----
	(IN MILLIONS)	
Finished goods.....	\$3,581	\$3,553
Purchased parts and fabricated assemblies.....	1,282	1,146
	-----	-----
	\$4,863	\$4,699
	=====	=====

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT

	OCTOBER 31,	
	-----	-----
	1999	1998

	-----	-----
	(IN MILLIONS)	
Land.....	\$ 351	\$ 357
Buildings and leasehold improvements.....	3,605	3,555
Machinery and equipment.....	4,964	5,126
	-----	-----
Accumulated depreciation.....	8,920	9,038
	(4,587)	(4,161)
	-----	-----
	\$ 4,333	\$ 4,877
	=====	=====

SUPPLEMENTAL CASH FLOW INFORMATION

	YEARS ENDED OCTOBER 31,		
	-----	-----	-----
	1999	1998	1997

	(IN MILLIONS)		
Cash paid for income taxes, net.....	\$1,866	\$1,039	\$1,488
Cash paid for interest.....	224	205	325
Non-cash transactions--issuance of common stock for:			
Employee benefit plans:			
Restricted stock.....	164	31	38
Employer matching contributions for TAXCAP and employee stock benefit plans.....	65	79	67
Business acquisitions.....	--	134	19

ACQUISITIONS

HP acquired several companies during the last three years that were not significant to its financial position or results of operations. During 1997, one acquisition was accounted for using the pooling-of-interests method; however, prior period consolidated financial statements were not restated because the retroactive effect was not material. All other acquisitions were accounted for using the purchase method. Under the purchase method, the results of operations of acquired companies are included prospectively from the date of acquisition, and the acquisition cost is allocated to the acquirees' tangible and identifiable intangible assets and liabilities based upon their fair market values at the date of the acquisition, with any residual being goodwill. In process research and development write-offs have not been significant. HP amortizes goodwill on a straight-line basis over its estimated economic life, generally two to five years. The net book value of goodwill associated with acquisitions was \$189 million at October 31, 1999 and \$76 million at October 31, 1998.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

TAXES ON EARNINGS

The provision for income taxes on earnings from continuing operations is composed of the following for the years ended October 31:

1999	1998	1997
------	------	------

	(IN MILLIONS)		
U.S. federal taxes:			
Current.....	\$ 91	\$ 934	\$ 437
Deferred.....	(62)	(974)	(222)
Non-U.S. taxes:			
Current.....	1,126	1,024	775
Deferred.....	(103)	(38)	35
State taxes.....	38	70	28
	-----	-----	-----
	\$1,090	\$1,016	\$1,053
	=====	=====	=====

The significant components of deferred tax assets, which required no valuation allowance, and deferred tax liabilities included on the balance sheet are as follows at October 31:

	1999		1998	
	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES
	(IN MILLIONS)			
Inventory.....	\$ 540	\$ 3	\$ 543	\$ 21
Fixed assets.....	148	--	125	--
Warranty.....	384	6	338	--
Employee and retiree benefits.....	458	62	322	31
Intracompany sales.....	620	--	740	--
Unremitted earnings of foreign subsidiaries.....	--	171	--	126
Other.....	451	129	272	104
	-----	-----	-----	-----
	\$2,601	\$371	\$2,340	\$282
	=====	=====	=====	=====

The current portion of the deferred tax asset is \$1,906 million at October 31, 1999 and \$1,831 at October 31, 1998. These amounts are included in other current assets.

Tax benefits of \$289 million in 1999, \$157 million in 1998 and \$150 million in 1997, associated with the exercise of employee stock options, were allocated to stockholders' equity.

The differences between the U.S. federal statutory income tax rate and HP's effective tax rate are as follows for the years ended October 31:

	1999	1998	1997
U.S. federal statutory income tax rate.....	35.0%	35.0%	35.0%
State income taxes, net of federal tax benefit....	0.7	1.2	0.5
Lower rates in other jurisdictions, net.....	(10.3)	(9.4)	(7.4)
Other, net.....	0.6	0.7	1.4
	-----	-----	-----
	26.0%	27.5%	29.5%
	=====	=====	=====

The domestic and foreign components of earnings from continuing operations before taxes are as follows for the years ended October 31:

	1999	1998	1997
	-----	-----	-----
	(IN MILLIONS)		
U.S.....	\$1,370	\$ 689	\$ 860
Non-U.S.....	2,824	3,005	2,708
	-----	-----	-----
	\$4,194	\$3,694	\$3,568
	=====	=====	=====

HP has not provided for U.S. federal income and foreign withholding taxes on \$9 billion of non-U.S. subsidiaries' undistributed earnings as of October 31, 1999, because such earnings are intended to be reinvested indefinitely. If these earnings were distributed, foreign tax credits may become available under current law to reduce or eliminate the resulting U.S. income tax liability. Where excess cash has accumulated in HP's non-U.S. subsidiaries and it is advantageous for tax or foreign exchange reasons, subsidiary earnings are remitted.

As a result of certain employment actions and capital investments undertaken by HP, income from manufacturing activities in certain countries is subject to reduced tax rates, and in some cases is wholly exempt from taxes, for years through 2013. The income tax benefits attributable to the tax status of these subsidiaries are estimated to be \$690 million in 1999, \$435 million in 1998 and \$226 million in 1997.

The Internal Revenue Service ("IRS") has examined HP's income tax returns for years 1993 through 1995, and completed its examination of all years through 1992. The IRS has commenced its examination of returns for years 1996 to 1998. HP believes that adequate accruals have been provided for all years.

BORROWINGS

Notes payable and short-term borrowings and the related average interest rates are as follows as of and for the years ended October 31:

	1999		1998	
	-----	-----	-----	-----
	AMOUNT	AVERAGE INTEREST RATE	AMOUNT	AVERAGE INTEREST RATE
	-----	-----	-----	-----
	(DOLLARS IN MILLIONS)			
Current portion of long-term debt.....	\$ 468	5.8%	\$1,007	5.7%
Notes payable to banks.....	1,368	5.9%	72	8.5%
Commercial paper.....	1,241	5.2%	17	5.3%
Other short-term borrowings.....	28	5.1%	149	4.8%
	-----		-----	
	\$3,105		\$1,245	
	=====		=====	

At October 31, 1999, HP had a committed borrowing facility in place with unused borrowing capacity totaling \$1.0 billion.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Long-term debt and related maturities and interest rates are as follows at October 31:

	1999	1998
	-----	-----
	(IN MILLIONS)	
U.S. dollar zero-coupon subordinated convertible notes, due 2017 at 3.13%.....	\$1,146	\$ 1,111
U.S. dollar notes, due 1999-2017 at 5.25%-7.90%.....	494	1,104
Deutschemark notes, due 2000-2002 at 4.75%-5.63%.....	335	372
Yen notes, due 1999-2002 at 1.8%-5.3%.....	28	265
British pound note, due 1999 at 7.13%.....	--	170
Malaysian rupia note, due 2004 at 7.9%.....	42	--
Other.....	187	48
Less current portion.....	(468)	(1,007)
	-----	-----
	\$1,764	\$ 2,063
	=====	=====

HP issues long-term debt in either U.S. dollars or foreign currencies based on market conditions at the time of financing. Interest rate and foreign currency swaps are then used to modify the market risk exposures in connection with the debt to achieve primarily U.S. dollar LIBOR-based floating interest expense and to neutralize exposure to changes in foreign currency exchange rates. The swap transactions generally involve the exchange of fixed for floating interest payment obligations and, when the underlying debt is denominated in a foreign currency, exchange of the foreign currency principal and interest obligations for U.S. dollar-denominated amounts. Notional amounts and maturities under the swaps generally match those of the underlying debt. Unrealized gains and losses on currency swaps hedging foreign currency debt are recognized as other assets and other liabilities and are not material.

In October 1997, HP issued \$1.8 billion face value of zero-coupon subordinated convertible notes for proceeds of \$968 million, and in November 1997 issued an additional \$200 million face value of the notes for proceeds of \$108 million. The notes are due in 2017. They are convertible by the holders at the rate of 5.43 shares of HP's common stock for each \$1,000 face value of the notes, payable in either cash or common stock at HP's option. The notes may be redeemed by HP on or after October 14, 2000 at book value, payable in either cash or common stock at HP's option. In addition, the notes are redeemable at the holders' option on October 14, 2000, in which case HP intends to redeem them for common stock. The notes are subordinated to all other existing and future senior indebtedness of HP.

Aggregate future maturities of the face value of the long-term debt outstanding at October 31, 1999 are \$468 million in 2000, \$197 million in 2001, \$92 million in 2002, \$7 million in 2003, \$193 million in 2004 and \$2,000 million thereafter. HP occasionally repurchases its debt prior to maturity based on its assessment of current market conditions and financing alternatives.

STOCKHOLDERS' EQUITY

REINCORPORATION

Effective May 20, 1998, HP changed its state of incorporation from California to Delaware. In connection with the change, the par value of HP's stock decreased from \$1.00 to \$0.01 per share, resulting in a transfer of \$1,032 million from common stock to additional paid-in capital. There was no impact to HP's financial condition or results of operations as a result of the reincorporation.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

EMPLOYEE STOCK PURCHASE PLAN

Eligible company employees may generally contribute up to 10 percent of their base compensation to the quarterly purchase of shares of HP's common stock under the Employee Stock Purchase Plan. Under this plan, employee contributions to purchase shares are partially matched with shares contributed by HP, which generally vest over two years. At October 31, 1999, approximately 112,000 employees, including persons who became employees of Agilent Technologies, were eligible to participate and approximately 69,000 employees were participants in the plan. HP contributed to employees of both companies 1,811,000 matching shares at a weighted-average price of \$78 in 1999, 2,173,000 shares at a weighted-average price of \$63 in 1998, and 2,327,000 shares at a weighted-average price of \$54 in 1997. On the distribution date, all unvested shares of HP stock held by Agilent Technologies' employees will be forfeited. Agilent Technologies intends to replace the forfeited HP shares with shares of Agilent Technologies' stock of equivalent value. Compensation expense recognized under the plan, including expense relating to persons who became Agilent Technologies' employees, was \$143 million in 1999, \$100 million in 1998 and \$96 million in 1997. The portion of these expenses related to continuing operations was \$99 million in 1999, \$67 million in 1998 and \$64 million in 1997.

INCENTIVE COMPENSATION PLANS

HP has four principal stock option plans, adopted in 1979, 1985, 1990 and 1995. All plans permit options granted to qualify as "Incentive Stock Options" under the Internal Revenue Code. The exercise price of a stock option is generally equal to the fair market value of HP's common stock on the date the option is granted and its term is generally ten years. Under the 1990 and 1995 Incentive Stock Plans, the Compensation Committee may choose, in certain cases, to establish a discounted exercise price at no less than 75 percent of fair market value on the grant date. HP granted 1,377,000 shares of discounted options in 1999, 1,050,000 shares in 1998 and 780,000 shares in 1997. Stock compensation expense related to the discounted options was not material in each of these years. Options generally vest at a rate of 25 percent per year over a period of four years from the date of grant, except for discounted options, which generally may not be exercised until the third or fifth anniversary of the option grant date, at which time such options become 100 percent vested.

The following table summarizes option activity during the years ended October 31, 1999, 1998 and 1997:

	1999		1998		1997	
	SHARES (000)	WEIGHTED-AVERAGE EXERCISE PRICE	SHARES (000)	WEIGHTED-AVERAGE EXERCISE PRICE	SHARES (000)	WEIGHTED-AVERAGE EXERCISE PRICE
Outstanding at beginning of year.....	52,073	\$33	51,250	\$26	49,344	\$20
Granted.....	18,836	76	10,648	60	8,000	51
Assumed via acquisitions.....	--	--	--	--	3,179	30
Exercised.....	(11,760)	22	(8,245)	16	(8,689)	14
Cancelled.....	(1,358)	57	(1,580)	44	(584)	33
Outstanding at end of year.....	57,791	49	52,073	33	51,250	26
Options exercisable at year-end.....	26,098	30	29,140	21	27,471	17
Weighted-average fair value of options granted during the year.....		\$30.91		\$21.67		\$20.16

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The following table summarizes information about options outstanding at October 31, 1999:

RANGE OF EXERCISE PRICES	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
	NUMBER OUTSTANDING (000)	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED-AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE (000)	WEIGHTED-AVERAGE EXERCISE PRICE
\$0-25.....	17,175	3.3 years	\$ 17	15,992	\$ 16
\$26-50.....	8,804	6.2	42	4,694	42
\$51-75.....	17,794	7.9	59	5,273	58
\$76-100.....	12,202	9.3	76	132	76
\$101 and over.....	1,816	9.8	108	7	106
	57,791		49	26,098	30

Shares available for option and restricted stock grants were 27,018,000 at October 31, 1999 and 47,070,000 at October 31, 1998. Approximately 66,000 employees were considered eligible to receive stock options in fiscal year 1999. There were approximately 48,000 employees holding options under one or more of the option plans as of October 31, 1999.

Under the 1985 Incentive Compensation Plan and the 1990 and 1995 Incentive Stock Plans, certain key employees may be granted cash or restricted stock awards. Cash and restricted stock awards are independent of option grants and are subject to restrictions considered appropriate by HP's Compensation Committee. The majority of the shares of restricted stock outstanding at October 31, 1999 are subject to forfeiture if employment terminates prior to three years from the date of grant. During that period, ownership of the shares cannot be transferred. Restricted stock has the same cash dividend and voting rights as other common stock and is considered to be currently issued and outstanding. The cost of the awards, determined to be the fair market value of the shares at the date of grant, is expensed ratably over the period the restrictions lapse. Such expense was not material in 1999, 1998 or 1997. HP had 5,027,000 shares of restricted stock outstanding at October 31, 1999 and 4,380,000 shares outstanding at October 31, 1998.

Information presented above regarding the incentive compensation plans includes activity related to Agilent Technologies' employees. Under the existing terms of the stock option plans, substantially all stock options held by Agilent Technologies' employees will be converted to Agilent Technologies' stock options or on the distribution date will become fully vested and, if not exercised, will expire three months from the distribution date. Shares of restricted HP stock held by Agilent Technologies' employees will be forfeited on or before the distribution date and will be replaced with shares of Agilent Technologies' stock of equivalent value. As of October 31, 1999, Agilent Technologies' employees held approximately 855,000 shares of restricted HP stock and options to acquire approximately 15,011,000 shares of HP stock.

PRO FORMA INFORMATION

HP applies the intrinsic-value-based method prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," in accounting for employee stock options. Accordingly, compensation expense is recognized only when options are granted with a discounted exercise price. Any resulting compensation expense is recognized ratably over the associated service period, which is generally the option vesting term.

HP has determined pro forma net earnings and earnings per share information, as required by SFAS No. 123, "Accounting for Stock-Based Compensation," as if HP had accounted for employee stock options

under SFAS 123's fair value method. The fair value of these options was estimated using a Black-Scholes option pricing model with the following weighted-average assumptions:

	1999	1998	1997
	-----	-----	-----
Risk-free interest rate.....	5.53%	5.38%	6.21%
Dividend yield.....	1.0%	1.0%	1.0%
Volatility.....	30%	30%	30%
Expected option life.....	7 years	7 years	6 years

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the 4-year average vesting period of the options. HP's pro forma net earnings from continuing operations is \$2,996 million for 1999, \$2,646 million for 1998 and \$2,484 million for 1997. Pro forma diluted net earning per share from continuing operations is \$2.85 for 1999, \$2.47 for 1998 and \$2.35 for 1997. These pro forma amounts include amortized fair values attributable to options granted after October 31, 1995 only.

SHARES RESERVED

HP had 97,624,000 shares of common stock reserved for future issuance under the employee stock plans at October 31, 1999 and 116,168,000 shares reserved at October 31, 1998.

STOCK REPURCHASE PROGRAMS

HP repurchases shares of its common stock under a systematic program to manage the dilution created by shares issued under employee stock plans, and under a separate incremental plan authorizing purchases in the open market or in private transactions. In 1999, 31,042,000 shares were repurchased under these plans for an aggregate price of \$2,643 million; in 1998, 43,023,000 shares were repurchased for \$2,424 million; and in 1997, 13,207,000 shares were purchased for \$724 million. During 1999, HP's Board of Directors authorized an additional \$2.0 billion of future repurchases under these two programs in the aggregate. As of October 31, 1999, HP had authorization for remaining future repurchases under the two programs of approximately \$1.4 billion. In November 1999, the Board of Directors authorized an additional \$2.0 billion in future repurchases under the plans resulting in remaining authorized repurchases totaling \$3.4 billion.

RETIREMENT PLANS AND RETIREE MEDICAL BENEFITS

GENERAL

On the distribution date, Agilent Technologies will establish separate defined benefit pension, deferred profit-sharing, retiree medical and 401(k) plans for its current and former employees. An allocable share of the defined benefit plan assets will be transferred from the HP pension trust in each country to a newly established Agilent Technologies pension trust. In addition, an allocable share of the U.S. retiree medical plan trust will be transferred to a newly established Agilent Technologies retiree medical plan trust. Subject to local law, it is anticipated that the share of assets allocated to Agilent Technologies will be in the same proportion as the projected benefit obligation of Agilent Technologies' employees to the total projected benefit obligation of HP. The deferred profit sharing plan assets attributable to Agilent Technologies will also be transferred to Agilent Technologies. Included in the consolidated balance sheet are estimates as of October 31, 1999 and 1998 of the assets and pension obligations to be retained by HP. Actual amounts to be transferred will be measured at the distribution

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

date, using the same methodology, and will likely be different from these estimates. All amounts presented in this note relate to HP's continuing operations only.

PENSION AND DEFERRED PROFIT-SHARING PLANS

Substantially all of HP's employees are covered under various pension and deferred profit-sharing retirement plans. Worldwide pension and deferred profit-sharing costs were \$301 million in 1999, \$226 million in 1998 and \$205 million in 1997.

U.S. employees who meet certain minimum eligibility criteria are provided retirement benefits under the Hewlett-Packard Company Retirement Plan ("Retirement Plan"). Defined benefits are based upon an employee's highest average pay rate and length of service. For eligible service through October 31, 1993, the benefit payable under the Retirement Plan is reduced by any amounts due to the employee under HP's frozen defined contribution Deferred Profit-Sharing Plan ("DPS"), which has since been closed to new participants.

The combined status of the Retirement Plan and DPS related to continuing operations is as follows at October 31:

	1999	1998
	-----	-----
	(IN MILLIONS)	
Fair value of plan assets.....	\$2,842	\$2,310
Retirement benefit obligation.....	\$2,786	\$2,422

Employees outside the U.S. generally receive retirement benefits under various defined benefit and defined contribution plans based upon factors such as years of service and employee compensation levels. Eligibility is generally determined in accordance with local statutory requirements.

RETIREE MEDICAL PLAN

In addition to providing pension benefits, HP sponsors a medical plan that provides defined benefits to U.S. retired employees. Substantially all of HP's current U.S. employees could become eligible for these benefits, and the existing benefit obligation relates primarily to those employees. Once participating in the plan, retirees may choose from managed-care and indemnity options, with their contributions dependent on options chosen and length of service.

401(k) PLAN

U.S. employees may participate in the Tax Saving Capital Accumulation Plan ("TAXCAP"), which was established as a supplemental retirement program. Beginning February 1, 1998, enrollment in the TAXCAP is automatic for employees who meet eligibility requirements unless they decline participation. Under the TAXCAP program, HP matches contributions by employees up to a maximum of 4% of an employee's annual compensation. A portion of this matching contribution may be made in the form of HP common stock to the extent an employee elects HP stock as an investment option under the plan. The maximum combined contribution to the Employee Stock Purchase Plan and TAXCAP is 25% of an employee's annual base compensation subject to certain regulatory and plan limitations. HP's expense related to TAXCAP was \$98 million in 1999, \$87 million in 1998 and \$74 million in 1997.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NET PERIODIC COST

HP's net pension and retiree medical costs are composed of the following for the years ended October 31:

	PENSION						U.S. RETIREE MEDICAL PLAN		
	U.S. PLANS			NON-U.S. PLANS			1999	1998	1997
	1999	1998	1997	1999	1998	1997			
	(IN MILLIONS)								
Service cost.....	\$151	\$124	\$103	\$ 90	\$ 74	\$ 68	\$ 21	\$ 18	\$ 16
Interest cost.....	52	37	27	62	55	52	23	22	21
Expected return on plan assets.....	(52)	(39)	(27)	(94)	(75)	(62)	(28)	(26)	(21)
Amortization and deferrals:									
Actuarial (gains) losses.....	7	--	--	(13)	(13)	(9)	(10)	(11)	(9)
Transition obligation (asset).....	(5)	(5)	(5)	--	(1)	(1)	--	--	--
Prior service cost.....	2	2	2	2	2	3	(6)	(6)	(6)
Net periodic benefit cost.....	\$155	\$119	\$100	\$ 47	\$ 42	\$ 51	\$ --	\$ (3)	\$ 1
	=====	=====	=====	=====	=====	=====	=====	=====	=====

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FUNDED STATUS

The funded status of the defined benefit and retiree medical plans are as follows at October 31:

	U.S. DEFINED BENEFIT PLANS		NON-U.S. DEFINED BENEFIT PLANS		U.S. RETIREE MEDICAL PLAN	
	1999	1998	1999	1998	1999	1998
	(IN MILLIONS)					
Change in fair value of plan assets:						
Fair value--beginning of year.....	\$ 593	\$ 464	\$1,214	\$ 952	\$ 314	\$ 279
Addition of plan.....	--	--	28	--	--	--
Actual return on plan assets.....	262	54	68	162	130	35
Employer contributions.....	118	92	91	42	1	4
Participants' contributions.....	--	--	17	14	4	3
Change in population estimate.....	60	--	100	--	(41)	--
Benefits paid.....	(35)	(17)	(27)	(19)	(8)	(7)
Currency impact.....	--	--	(43)	63	--	--
Fair value--end of year.....	998	593	1,448	1,214	400	314
Change in benefit obligation:						
Benefit obligation--beginning of year.....	785	526	1,233	898	339	297
Addition of plan.....	--	--	26	--	--	--
Service cost.....	151	124	90	74	21	18
Interest cost.....	52	37	62	55	23	22
Participants' contributions.....	--	--	--	--	4	3
Change in population estimate.....	40	--	99	--	(32)	--
Actuarial (gain) loss.....	(50)	115	73	197	(36)	6
Benefits paid.....	(35)	(17)	(27)	(19)	(8)	(7)
Currency impact.....	--	--	(18)	28	--	--
Benefit obligation- end of year.....	943	785	1,538	1,233	311	339
Plan assets in excess of (less than) benefit obligation.....	55	(192)	(90)	(19)	89	(25)
Unrecognized net experience (gain) loss.....	(187)	103	146	22	(259)	(159)
Unrecognized prior service cost (benefit) related to plan changes.....	24	25	21	21	(76)	(90)
Unrecognized net transition asset*.....	(5)	(11)	(1)	--	--	--
Net (accrued) prepaid costs.....	\$ (113)	\$ (75)	\$ 76	\$ 24	\$ (246)	\$ (274)
	=====	=====	=====	=====	=====	=====

* Amortized over 15 years for the U.S. plan and over periods ranging from 10 to 22 years for non-U.S. plans.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Defined benefit plans with benefit obligations exceeding the fair value of plan assets are as follows at October 31:

	U.S. DEFINED BENEFIT PLANS		NON-U.S. DEFINED BENEFIT PLANS	
	1999	1998	1999	1998
	(IN MILLIONS)			
Aggregate fair value of plan assets.....	\$--	\$593	\$1,017	\$422
Aggregate benefit obligation.....	\$82	\$785	\$1,139	\$547

Plan assets consist primarily of listed stocks and bonds. It is HP's practice to fund the plans to the extent that contributions are tax-deductible.

ASSUMPTIONS

The assumptions used to measure the benefit obligations and to compute the expected long-term return on assets for HP's defined benefit and retiree medical plans are as follows for the years ended October 31:

	1999	1998	1997
U.S. defined benefit plans:			
Discount rate.....	7.25%	6.5%	7.0%
Average increase in compensation levels.....	5.0%	5.0%	5.5%
Expected long-term return on assets.....	9.0%	9.0%	9.0%
Non-U.S. defined benefit plans:			
Discount rate.....	3.3 to 6.0%	3.0 to 6.5%	3.5 to 8.0%
Average increase in compensation levels.....	3.5 to 5.3%	3.75 to 5.0%	3.5 to 5.5%
Expected long-term return on assets.....	6.1 to 8.5%	6.5 to 8.5%	6.0 to 9.0%
U.S. retiree medical plan:			
Discount rate.....	7.25%	6.5%	7.0%
Expected long-term return on assets.....	9.0%	9.0%	9.0%
Current medical cost trend rate.....	8.2%	8.65%	9.6%
Ultimate medical cost trend rate.....	5.5%	5.5%	6.0%

For measurement purposes in 1999, the rate of increase in medical costs was assumed to decrease gradually through 2007, and remain at that level thereafter. Assumed health care trend rates could have a significant effect on the amounts reported for health care plans. A one percentage point increase in the assumed health care cost trend rates would have increased the total service and interest cost components reported in 1999 by \$11 million, and would have increased the postretirement benefit obligation reported in 1999 by \$73 million. A one percentage point decrease in the assumed health care cost trend rates would have decreased the total service and interest cost components reported in 1999 by \$8 million, and would have decreased the postretirement obligation reported in 1999 by \$55 million.

COMMITMENTS

HP leases certain real and personal property under noncancelable operating leases. Future minimum lease payments at October 31, 1999 are \$187 million for 2000, \$152 million for 2001, \$123 million for 2002, \$79 million for 2003, \$62 million for 2004 and \$236 million thereafter. Certain leases require HP to

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

property taxes, insurance and routine maintenance, and include escalation clauses. Rent expense was \$352 million in 1999, \$354 million in 1998 and \$296 million in 1997.

CONTINGENCIES AND FACTORS THAT COULD AFFECT FUTURE RESULTS

CONTINGENCIES

HP is involved in lawsuits, claims, investigations and proceedings, including patent, commercial, and environmental matters, which arise in the ordinary course of business. There are no such matters pending that HP expects to be material in relation to its business, financial condition or results of operations.

FACTORS THAT COULD AFFECT FUTURE RESULTS

A substantial portion of HP's revenues each year is generated from the development, manufacture and rapid release to market of high technology products newly introduced during the year. In the extremely competitive industry in which HP operates, product development, manufacturing and marketing are complex and uncertain processes requiring HP to accurately predict emerging technological trends and customers' changing needs. Additionally, HP's production strategy relies on our suppliers' ability to deliver quality components and products in time to meet critical manufacturing and distribution schedules, and its sales strategy relies on the ability of third-party distributors to sell HP products to accommodate changing consumer preferences. In light of these dependencies, failure to successfully manage a significant product introduction or the transition from existing products to new products, failure of suppliers to deliver as needed, or failure of resellers to remain customers and channel partners could have a severe near-term impact on HP's revenue growth or results of operations. HP sells a significant portion of its products through third-party resellers and, as a result, maintains individually significant receivable balances with major distributors. If the financial condition or operations of these distributors deteriorate substantially, HP's operating results could be adversely affected. Our future results could also be affected by problems we encounter with respect to our intellectual property; international sales and operations; the spin-off of Agilent Technologies; and acquisition, strategic alliance, joint venture and divestiture activities.

SEGMENT INFORMATION

DESCRIPTION OF SEGMENTS

HP is a leading global provider of computing and imaging solutions and services for business and home. HP is focused on capitalizing on the opportunities of the Internet and the proliferation of electronic services.

HP organizes its operations into four major businesses: Imaging and Printing Systems, Computing Systems, IT Services, and Measurement Systems, each of which comprises a reportable segment. The segments were determined primarily on how management views and evaluates HP's businesses. The factors that management uses to identify HP's separate businesses include customer base, homogeneity of products, technology and delivery channels. The Measurement Systems business, now named Agilent Technologies, is reported as a discontinued operation. For further discussion, see "Discontinued Operations" note to consolidated financial statements.

A description of the types of products and services provided by each continuing reportable segment is as follows:

- IMAGING AND PRINTING SYSTEMS provides laser and inkjet printers (both monochrome and color), copiers, scanners, all-in-one devices, personal color copiers and faxes, digital senders, wide- and

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

large-format printers, print servers, network-management software, networking solutions, digital photography products, imaging and printing supplies, imaging and software solutions, and related professional and consulting services.

- COMPUTING SYSTEMS provides a broad range of computing systems for the enterprise, commercial and consumer markets. The products and solutions range from mission-critical systems and software to personal computers for the business and home. Major product lines include UNIX-Registered Trademark- and PC servers, desktop and mobile personal computers, workstations, software solutions and storage solutions.
- IT SERVICES provides consulting, education, design and installation services, ongoing support and maintenance, proactive services like mission-critical support, outsourcing and utility-computing capabilities. Financing capabilities include leasing, automatic technology-refreshment services, solution financing and venture financing.

HP's immaterial operating segments were aggregated to form an "all other" category.

SEGMENT REVENUE AND PROFIT

The accounting policies used to derive reportable segment results are generally the same as those described in the "Summary of Significant Accounting Policies" note to consolidated financial statements. Intersegment net revenue and earnings from operations include transactions between segments that are intended to reflect an arm's length transfer at the best price available for comparable external customers.

A significant portion of the segments' expenses arise from shared services and infrastructure that HP has historically provided to the segments in order to realize economies of scale and to use resources efficiently. These expenses include costs of centralized research and development, legal, accounting, employee benefits, real estate, insurance services, information technology services, treasury and other corporate and infrastructure costs. These allocations have been determined on bases that HP considers to be a reasonable reflection of the utilization of services provided to or benefits received by the segments. If costs were specifically identified to each segment, amounts could vary from the allocated cost.

SEGMENT ASSETS AND OTHER ITEMS

The asset totals disclosed for each segment represent assets directly managed by each segment and an allocation of certain assets held at the corporate level. Assets directly managed by each segment primarily include accounts receivable, inventory, property, plant and equipment and certain other assets. Assets directly managed by the IT Services segment also are composed of short- and long-term financing receivables. Corporate-held assets allocated to the segments include inventory, property, plant and equipment and certain other assets. Corporate-held assets not allocated to the segments include cash and cash equivalents, short-term investments, long-term investments in debt securities, deferred tax assets and other current and long-term assets managed at the corporate level.

Property, plant and equipment included in each segment's total assets reflects allocations between segments and allocations of corporate-held assets; however, the depreciation and amortization expense disclosed for each segment

does not reflect similar allocations. In addition, the capital expenditures disclosed for each segment do not include allocations of corporate level capital expenditures.

SEGMENT DATA

The results of the reportable segments are derived directly from HP's management reporting system. As described above, these results are based on HP's method of internal reporting and are not necessarily in

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

conformity with generally accepted accounting principles. Management measures the performance of each segment based on several metrics, including earnings from operations. These results are used, in part, to evaluate the performance of, and allocate resources to, each of the segments.

The table below presents segment information as of and for the years ended October 31:

	IMAGING AND PRINTING SYSTEMS	COMPUTING SYSTEMS	IT SERVICES	ALL OTHER	TOTAL SEGMENTS
	(IN MILLIONS)				
1999:					
Net revenue from external customers.....	\$18,832	\$17,877	\$ 5,880	\$ 79	\$42,668
Intersegment net revenue.....	70	558	36	1	665
Total net revenue.....	\$18,902	\$18,435	\$ 5,916	\$ 80	\$43,333
Earnings (loss) from operations.....	\$ 2,305	\$ 856	\$ 636	\$ (11)	\$ 3,786
Depreciation and amortization expense.....	\$ 501	\$ 96	\$ 412	\$ --	\$ 1,009
Assets.....	\$ 7,304	\$ 6,049	\$ 6,976	\$ 17	\$20,346
Capital expenditures.....	\$ 143	\$ 96	\$ 542	\$ --	\$ 781
1998:					
Net revenue from external customers.....	\$17,006	\$17,313	\$ 5,164	\$157	\$39,640
Intersegment net revenue.....	40	462	78	5	585
Total net revenue.....	\$17,046	\$17,775	\$ 5,242	\$162	\$40,225
Earnings (loss) from operations.....	\$ 2,050	\$ 515	\$ 785	\$ (1)	\$ 3,349
Depreciation and amortization expense.....	\$ 432	\$ 189	\$ 402	\$ 7	\$ 1,030
Assets.....	\$ 6,935	\$ 5,559	\$ 5,758	\$ 60	\$18,312
Capital expenditures.....	\$ 454	\$ 89	\$ 491	\$ 9	\$ 1,043
1997:					
Net revenue from external customers.....	\$15,822	\$14,958	\$ 4,747	\$120	\$35,647
Intersegment net revenue.....	164	542	57	(36)	727
Total net revenue.....	\$15,986	\$15,500	\$ 4,804	\$ 84	\$36,374
Earnings (loss) from operations.....	\$ 2,037	\$ 581	\$ 797	\$ (11)	\$ 3,404
Depreciation and amortization expense.....	\$ 322	\$ 198	\$ 315	\$ 7	\$ 842
Assets.....	\$ 6,741	\$ 6,361	\$ 4,823	\$ 71	\$17,996
Capital expenditures.....	\$ 562	\$ 104	\$ 538	\$ 5	\$ 1,209

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The following is a reconciliation of segment information to HP consolidated totals as of and for the years ended October 31:

	1999	1998	1997
	-----	-----	-----
	(IN MILLIONS)		
NET REVENUE:			
Total segments.....	\$43,333	\$40,225	\$36,374
Financing interest income reclassification.....	(298)	(221)	(182)
Elimination of intersegment net revenue.....	(665)	(585)	(727)
	-----	-----	-----
Total HP consolidated.....	\$42,370	\$39,419	\$35,465
	=====	=====	=====
EARNINGS FROM CONTINUING OPERATIONS BEFORE TAXES:			
Total segment earnings from operations.....	\$ 3,786	\$ 3,349	\$ 3,404
Net financing interest reclassification.....	(139)	(84)	(73)
Interest income and other, net.....	708	530	378
Interest expense.....	(202)	(235)	(215)
Corporate and unallocated costs, and eliminations.....	41	134	74
	-----	-----	-----
Total HP consolidated.....	\$ 4,194	\$ 3,694	\$ 3,568
	=====	=====	=====
ASSETS:			
Total segments.....	\$20,346	\$18,312	\$17,996
Assets not allocated to segments:			
Cash and cash equivalents.....	5,411	4,046	3,072
Short-term investments and long-term investments in debt securities.....	1,192	1,241	2,766
Other corporate.....	4,815	5,025	2,847
	-----	-----	-----
Total assets from continuing operations.....	31,764	28,624	26,681
Net assets of discontinued operations.....	3,533	3,084	3,171
	-----	-----	-----
Total HP consolidated.....	\$35,297	\$31,708	\$29,852
	=====	=====	=====

Financing interest income from the leasing of HP and complementary third-party products is included in the IT services segment's net revenue but is reported in "Interest income and other, net" in HP's consolidated statement of earnings. In addition, the financing business calculates its share of corporate level debt and the related interest expense. This imputed interest expense is included in the IT services segment's cost of sales but is reported in "Interest expense" in HP's consolidated statement of earnings.

Corporate and unallocated costs relate primarily to corporate infrastructure and employee related benefit program costs not allocated to the segments. The benefit program costs are recorded by the segments at a pre-determined rate and adjusted at the corporate level to reflect the actual costs. The corporate level adjustment is not allocated to the segments.

Other corporate assets relate primarily to deferred tax assets, equity investments and certain other current and long-term assets managed at the corporate level.

MAJOR CUSTOMERS

No single customer represented 10% or more of HP's total net revenue in any period presented.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

GEOGRAPHIC INFORMATION

Net revenue and net property, plant and equipment, classified by major geographic areas in which HP operates are as follows:

	YEARS ENDED OCTOBER 31,		
	1999	1998	1997
	(IN MILLIONS)		
NET REVENUE:			
U.S.....	\$18,972	\$17,901	\$15,826
Non-U.S.....	23,398	21,518	19,639
Total.....	\$42,370	\$39,419	\$35,465

	OCTOBER 31,		
	1999	1998	1997
	(IN MILLIONS)		
NET PROPERTY, PLANT AND EQUIPMENT:			
U.S.....	\$ 2,102	\$ 2,659	\$ 2,653
Non-U.S.....	2,231	2,218	2,037
Total.....	\$ 4,333	\$ 4,877	\$ 4,690

No single country outside of the United States represented more than 10% of HP's total net revenue or net property, plant and equipment in any period presented. HP's long-lived assets are composed principally of property, plant and equipment, net.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES
QUARTERLY SUMMARY
UNAUDITED

FOR THE THREE MONTHS ENDED IN MILLIONS EXCEPT PER SHARE AMOUNTS	JANUARY 31	APRIL 30	JULY 31
1999			
Net revenue.....	\$ 10,235	\$ 10,455	\$ 10,318
Cost of products sold and services.....	\$ 7,068	\$ 7,299	\$ 7,251
Earnings from operations.....	\$ 1,097	\$ 895	\$ 787
Net earnings from continuing operations...	\$ 882	\$ 766	\$ 696
Net earnings from discontinued operations.....	\$ 78	\$ 152	\$ 157
Net earnings.....	\$ 960	\$ 918	\$ 853
Per share amounts:			
Net earnings--Basic:			
Continuing operations.....	\$.87	\$.76	\$.69
Discontinued operations.....	.08	.15	.15
	-----	-----	-----
	\$.95	\$.91	\$.84
Net earnings--Diluted:			
Continuing operations.....	\$.85	\$.73	\$.66
Discontinued operations.....	.07	.15	.15

	\$	.92	\$	.88	\$	.81
Cash dividends.....	\$	.16	\$	.16	\$	.16
Range of closing stock prices on NYSE...	\$	57 13/16-78 3/8	\$	65 7/8-81 15/16	\$	77 5/16-116 1/4
1998						
Net revenue.....	\$	9,888	\$	10,053	\$	9,182
Cost of products sold and services.....	\$	6,869	\$	7,130	\$	6,507
Earnings from operations.....	\$	1,040	\$	759	\$	673
Net earnings from continuing operations...	\$	762	\$	603	\$	554
Net earnings from discontinued operations.....	\$	167	\$	82	\$	67
Net earnings.....	\$	929	\$	685	\$	621
Per share amounts:						
Net earnings--Basic:						
Continuing operations.....	\$	.73	\$	.58	\$	.53
Discontinued operations.....		.16		.08		.07
	\$	.89	\$	.66	\$	.60
Net earnings--Diluted:						
Continuing operations.....	\$	.71	\$	.57	\$	.52
Discontinued operations.....		.15		.08		.06
	\$	.86	\$	.65	\$	.58
Cash dividends.....	\$	.14	\$	.14	\$	.16
Range of closing stock prices on NYSE...	\$	58 3/4-67 3/4	\$	60 1/4-75 3/8	\$	55 3/8-81 5/8

FOR THE THREE MONTHS ENDED
IN MILLIONS EXCEPT PER SHARE AMOUNTS

OCTOBER 31

1999	
Net revenue.....	\$ 11,362
Cost of products sold and services.....	\$ 8,102
Earnings from operations.....	\$ 909
Net earnings from continuing operations...	\$ 760
Net earnings from discontinued operations.....	\$ --
Net earnings.....	\$ 760
Per share amounts:	
Net earnings--Basic:	
Continuing operations.....	\$.76
Discontinued operations.....	\$ --
	\$.76
Net earnings--Diluted:	
Continuing operations.....	\$.73
Discontinued operations.....	\$ --
	\$.73
Cash dividends.....	\$.16
Range of closing stock prices on NYSE...	\$ 67-114
1998	
Net revenue.....	\$ 10,296
Cost of products sold and services.....	\$ 7,284
Earnings from operations.....	\$ 927
Net earnings from continuing operations...	\$ 759
Net earnings from discontinued operations.....	\$ (49)
Net earnings.....	\$ 710
Per share amounts:	
Net earnings--Basic:	
Continuing operations.....	\$.74
Discontinued operations.....	\$ (.05)
	\$.69
Net earnings--Diluted:	
Continuing operations.....	\$.72
Discontinued operations.....	\$ (.04)
	\$.68
Cash dividends.....	\$.16
Range of closing stock prices on NYSE...	\$ 48 9/16-60 1/4

Note: HP's consolidated financial statements and notes for all periods present Agilent Technologies' businesses as a discontinued operation. See further discussion in notes to the consolidated financial statements.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

Information regarding directors of HP who are standing for reelection is set forth under "Election of Directors" on pages 9-10 of HP's Notice of Annual Meeting of Stockholders and Proxy Statement, dated January 18, 2000 (the "Notice and Proxy Statement"), which pages are incorporated herein by reference.

The names of the executive officers of HP, and their ages, titles and biographies as of December 31, 1999, are set forth below. All officers are elected for one-year terms.

EXECUTIVE OFFICERS:

SUSAN D. BOWICK; AGE 51; VICE PRESIDENT, HUMAN RESOURCES.

Ms. Bowick was elected a Vice President in November 1999. She previously held positions as Business Personnel Manager for the Computer Organization in 1995 and Personnel Manager for the San Diego site in 1993. She was first appointed a Vice President in 1997.

RAYMOND W. COOKINGHAM; AGE 56; VICE PRESIDENT AND CONTROLLER.

Mr. Cookingham was elected a Vice President in 1993. He has served as Controller since 1986.

DEBRA L. DUNN; AGE 43; VICE PRESIDENT AND GENERAL MANAGER, STRATEGY AND CORPORATE OPERATIONS.

Ms. Dunn was elected a Vice President in November 1999. She was General Manager of HP's Executive Staff from 1998 to 1999. From 1996 to 1998 she was General Manager of the Video Communications Division and from 1994 to 1996 she was that division's Marketing Manager.

CARLETON S. FIORINA; AGE 45; PRESIDENT AND CHIEF EXECUTIVE OFFICER.

Ms. Fiorina became President and Chief Executive Officer of HP in July 1999, succeeding Lewis E. Platt. In July 1999 she also was elected to the HP Board of Directors. From October 1997 until she joined HP, Ms. Fiorina was Group President of the Global Service Provider Business of Lucent Technologies, Inc., a communications systems and technology company. From October 1996 to October 1997, she was President of Lucent Technologies' Consumer Products Business, and from January to October 1996 she was Executive Vice President, Corporate Operations. From January 1995 to January 1996, she was President, North America and, from July 1994 to January 1995, she was President, Atlantic and Canada Region in the Network Systems Group of AT&T. Ms. Fiorina is a member of the Board of Directors of the Kellogg Company and Merck & Co. and also serves on the U.S. China Board of Trade.

ANN M. LIVERMORE; AGE 41; PRESIDENT, ENTERPRISE AND COMMERCIAL BUSINESS.

Ms. Livermore was elected a Vice President in 1995 and became General Manager of Worldwide Customer Support Operations in 1996. She was named General Manager of the Enterprise Computing Solutions Organization in 1998 and was appointed President of Enterprise Computing in April 1999. In October 1999, she became President of the Enterprise and Commercial Business. Ms. Livermore is a member of the Board of Directors of United Parcel Service. She is also on the Board of Visitors of the Kenan-Flagler Business School at the University of North Carolina at Chapel Hill.

ANTONIO M. PEREZ; AGE 54; PRESIDENT, CONSUMER BUSINESS.

Mr. Perez was elected a Vice President and named General Manager of the InkJet Products Group in 1995. In April 1999, he was appointed President of Inkjet Imaging Solutions. In November 1999, he was appointed President of Consumer Business. Mr. Perez serves on the Board of Directors of Stac Software, Inc.

WILLIAM V. RUSSELL; AGE 47; VICE PRESIDENT, ENTERPRISE SYSTEMS AND SOFTWARE.

Mr. Russell was appointed Vice President of Enterprise Systems and Software in October 1999. He was General Manager of Europe, Africa and the Middle East for the Computer Systems Organization from 1994 to 1996, and became General Manager of the Enterprise Systems Group in 1997. He was first elected a Vice President in 1998.

CAROLYN M. TICKNOR; AGE 52; PRESIDENT, IMAGING AND PRINTING SYSTEMS.

Ms. Ticknor was named General Manager of the LaserJet Printer Group in 1994. She was elected a Vice President in 1995 when the group reorganized and was renamed the LaserJet Solutions Group. In 1999, she was elected President of HP's Imaging and Printing Systems. Ms. Ticknor is a director of Stamps.com and serves on the Stanford Graduate School of Business Activities Council.

ROBERT P. WAYMAN; AGE 54; EXECUTIVE VICE PRESIDENT, FINANCE AND ADMINISTRATION AND CHIEF FINANCIAL OFFICER.

Mr. Wayman has served as an Executive Vice President responsible for finance and administration since 1992 and Chief Financial Officer since 1984. He is a director of CNF Transportation, Inc. and Sybase Inc. He also serves as a member of the Kellogg Advisory Board to Northwestern University School of Business and is Chairman of the Private Sector Council.

DUANE E. ZITZNER; AGE 52; PRESIDENT, COMPUTING SYSTEMS.

Mr. Zitzner was elected a Vice President and named General Manager of the Personal Information Products Group in 1996. He continued as General Manager when Personal Systems Group became a group within the Computer Organization in 1997 and was named President of the Computer Products organization in April 1999. Computer Products was renamed Computing Systems in November 1999.

Information regarding compliance with Section 16(a) of the Securities Exchange Act of 1934 is set forth on page 26 of the Notice and Proxy Statement, which page is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION.

Information regarding HP's compensation of its named executive officers is set forth on pages 27-44 of the Notice and Proxy Statement, which pages are incorporated herein by reference. Information regarding HP's compensation of its directors is set forth on page 8 of the Notice and Proxy Statement, which page is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

Information regarding security ownership of certain beneficial owners and management is set forth on pages 22-26 of the Notice and Proxy Statement, which pages are incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Not applicable.

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(a) The following documents are filed as part of this report:

1. All Financial Statements:

See the Consolidated Financial Statements and notes thereto in Item 8 above.

2. Financial Statement Schedules:

None.

3. Exhibits:

EXHIBIT NUMBER -----	DESCRIPTION -----
1	Not applicable.
2	Master Separation and Distribution Agreement between Hewlett-Packard Company and Agilent Technologies, Inc. effective as of August 12, 1999.
3(a)	Registrant's Amended and Restated Certificate of Incorporation, which appears as Exhibit 3(a) to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 1998, which exhibit is incorporated herein by reference.
3(b)	Registrant's Amended By-Laws.
4	None.
5-8	Not applicable.
9	None.
10(a)	Registrant's 1985 Incentive Compensation Plan, as amended.*
10(b)	Registrant's 1985 Incentive Compensation Plan, as amended, stock option agreement.*
10(c)	Registrant's Excess Benefit Retirement Plan, amended and restated as of November 1, 1994, which appears as Exhibit 10(g) to Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 1996, which exhibit is incorporated herein by reference.*
10(d)	Registrant's 1990 Incentive Stock Option Plan, as amended.*
10(e)	Registrant's 1990 Incentive Stock Option Plan, as amended, stock option agreement.*
10(f)	Registrant's 1995 Incentive Stock Plan, as amended.*
10(g)	Registrant's 1995 Incentive Stock Plan, as amended, stock option and restricted stock agreements.*
10(h)	Registrant's 1997 Director Stock Plan which appears as exhibit 99 to Registrant's Form S-8 filed on March 7, 1997, which exhibit is incorporated herein by reference.*
10(i)	Registrant's Executive Deferred Compensation Plan, Amended and Restated effective November 1, 1999.*
10(j)	VeriFone, Inc. Amended and Restated 1992 Non-Employee Directors' Stock Option Plan which appears as exhibit 99.1 to Registrant's Form S-8 filed on July 1, 1997, which exhibit is incorporated herein by reference.*
10(k)	VeriFone, Inc. Amended and Restated Incentive Stock Option Plan and form of agreement which appears as exhibit 99.2 to Registrant's Form S-8 filed on July 1, 1997, which exhibit is incorporated herein by reference.*
10(l)	VeriFone, Inc. Amended and Restated 1987 Supplemental Stock Option Plan and form of agreement which appears as exhibit 99.3 to Registrant's Form S-8 filed on July 1, 1997, which exhibit is incorporated herein by reference.*
10(m)	Enterprise Integration Technologies Corporation 1991 Stock Plan and form of agreement which appears as exhibit 99.4 to Registrant's Form S-8 filed on July 1, 1997, which exhibit

is incorporated herein by reference.*

57

EXHIBIT NUMBER -----	DESCRIPTION -----
10(n)	VeriFone, Inc. Amended and Restated Employee Stock Purchase Plan which appears as exhibit 99.1 to Registrant's Form S-8 filed on July 1, 1997, which exhibit is incorporated herein by reference.*
10(o)	Registrant's 1998 Subsidiary Employee Stock Purchase Plan and the Subscription Agreement which appear as Appendices E and E-1 to Registrant's Proxy Statement dated January 12, 1998, respectively, which appendices are incorporated herein by reference.*
10(p)	Transition Agreement, dated May 20, 1999, between Registrant and Lewis E. Platt which appears as exhibit 10(ee) to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 1999, which exhibit is incorporated herein by reference.*
10(q)	Employment Agreement, dated May 20, 1999, between Registrant and Robert P. Wayman which appears as exhibit 10(ff) to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 1999, which exhibit is incorporated herein by reference.*
10(r)	Employment Agreement, dated July 17, 1999, between Registrant and Carleton S. Fiorina which appears as exhibit 10(gg) to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 1999, which exhibit is incorporated herein by reference.*
10(s)	Executive Transition Program which appears as exhibit 10(hh) to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 1999, which exhibit is incorporated herein by reference.*
10(t)	Incentive Stock Plan Stock Option Agreement (Non-Qualified), dated July 17, 1999, between Registrant and Carleton S. Fiorina which appears as exhibit 10(ii) to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 1999, which exhibit is incorporated herein by reference.*
10(u)	Restricted Stock Agreement, dated July 17, 1999, between Registrant and Carleton S. Fiorina which appears as exhibit 10(jj) to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 1999, which exhibit is incorporated herein by reference.*
10(v)	Restricted Stock Unit Agreement, dated July 17, 1999, between Registrant and Carleton S. Fiorina which appears as exhibit 10(kk) to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 1999, which exhibit is incorporated herein by reference.*
10(w)	Registrant's 2000 Stock Plan which appears as Appendix A to Registrant's Proxy Statement dated January 18, 2000, which appendix is incorporated herein by reference.*
10(x)	Registrant's 2000 Employee Stock Purchase Plan which appears as Appendix B to Registrant's Proxy Statement dated January 18, 2000, which appendix is incorporated herein by reference.*
10(y)	Registrant's Pay-for-Results Plan which appears as Appendix C to Registrant's Proxy Statement dated January 18, 2000, which appendix is incorporated herein by reference.*

11-17 Not applicable.
 18 None.
 19-20 Not applicable.
 21 Subsidiaries of Registrant as of January 18, 2000.
 22 None.
 23 Consent of Independent Accountants.
 24 Powers of Attorney. Contained in page 60 of this Annual Report on Form 10-K and incorporated herein by reference.
 25-26 Not applicable.
 27 Financial Data Schedule.
 28 None.
 99 1999 Employee Stock Purchase Plan Annual Report on Form 11-K.

* Indicates management contract or compensatory plan, contract or arrangement.

58

Exhibit numbers may not correspond in all cases to those numbers in Item 601 of Regulation S-K because of special requirements applicable to EDGAR filers.

(b) Reports on Form 8-K

On March 2, 1999, HP filed a report on Form 8-K, which reported under Item 5 that our Board of Directors approved plans to pursue a strategic realignment under which we would separate into two independent companies, Hewlett-Packard Company and Agilent Technologies, Inc.

59

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: January 27, 2000

HEWLETT-PACKARD COMPANY

By: /s/ ANN O. BASKINS

 Ann O. Baskins
 VICE PRESIDENT, GENERAL COUNSEL AND
 SECRETARY

POWER OF ATTORNEY

Know All Persons By These Presents, that each person whose signature appears below constitutes and appoints Ann O. Baskins and Charles N. Charnas, or either of them, his or her attorneys-in-fact, for such person in any and all capacities, to sign any amendments to this report and to file the same, with exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that either of said attorneys-in-fact, or substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE

TITLE(S)

DATE

----- /s/ CARLETON S. FIORINA ----- Carleton S. Fiorina	President and Chief Executive Officer (Principal Executive Officer) and Director	January 27, 2000
----- /s/ ROBERT P. WAYMAN ----- Robert P. Wayman	Executive Vice President Finance and Administration, Chief Financial Officer (Principal Financial Officer) and Director	January 27, 2000
----- /s/ RAYMOND W. COOKINGHAM ----- Raymond W. Cookingham	Vice President and Controller (Principal Accounting Officer)	January 27, 2000
----- /s/ PHILIP M. CONDIT ----- Philip M. Condit	Director	January 27, 2000
----- /s/ PATRICIA C. DUNN ----- Patricia C. Dunn	Director	January 27, 2000
----- /s/ JOHN B. FERY ----- John B. Fery	Director	January 27, 2000
----- Jean-Paul G. Gimon	Director	January , 2000
----- /s/ SAM GINN ----- Sam Ginn	Director	January 27, 2000
----- /s/ RICHARD A. HACKBORN ----- Richard A. Hackborn	Chairman of the Board	January 27, 2000

60

SIGNATURE -----	TITLE(S) -----	DATE -----
----- /s/ WALTER B. HEWLETT ----- Walter B. Hewlett	Director	January 27, 2000
----- /s/ GEORGE A. KEYWORTH II ----- George A. Keyworth II	Director	January 27, 2000
----- /s/ SUSAN P. ORR ----- Susan P. Orr	Director	January 27, 2000

61

EXHIBIT INDEX

EXHIBIT NUMBER -----	DESCRIPTION -----
1	Not applicable.
2	Master Separation and Distribution Agreement between Hewlett-Packard Company and Agilent Technologies, Inc.

- effective as of August 12, 1999.
- 3(a) Registrant's Amended and Restated Certificate of Incorporation, which appears as Exhibit 3(a) to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 1998, which exhibit is incorporated herein by reference.
- 3(b) Registrant's Amended By-Laws.
- 4 None.
- 5-8 Not applicable.
- 9 None.
- 10(a) Registrant's 1985 Incentive Compensation Plan, as amended.*
- 10(b) Registrant's 1985 Incentive Compensation Plan, as amended, stock option agreement.*
- 10(c) Registrant's Excess Benefit Retirement Plan, amended and restated as of November 1, 1994, which appears as Exhibit 10(g) to Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 1996, which exhibit is incorporated herein by reference.*
- 10(d) Registrant's 1990 Incentive Stock Option Plan, as amended.*
- 10(e) Registrant's 1990 Incentive Stock Option Plan, as amended, stock option agreement.*
- 10(f) Registrant's 1995 Incentive Stock Plan, as amended.*
- 10(g) Registrant's 1995 Incentive Stock Plan, as amended, stock option and restricted stock agreements.*
- 10(h) Registrant's 1997 Director Stock Plan which appears as exhibit 99 to Registrant's Form S-8 filed on March 7, 1997, which exhibit is incorporated herein by reference.*
- 10(i) Registrant's Executive Deferred Compensation Plan, Amended and Restated effective November 1, 1999.*
- 10(j) VeriFone, Inc. Amended and Restated 1992 Non-Employee Directors' Stock Option Plan which appears as exhibit 99.1 to Registrant's Form S-8 filed on July 1, 1997, which exhibit is incorporated herein by reference.*
- 10(k) VeriFone, Inc. Amended and Restated Incentive Stock Option Plan and form of agreement which appears as exhibit 99.2 to Registrant's Form S-8 filed on July 1, 1997, which exhibit is incorporated herein by reference.*
- 10(l) VeriFone, Inc. Amended and Restated 1987 Supplemental Stock Option Plan and form of agreement which appears as exhibit 99.3 to Registrant's Form S-8 filed on July 1, 1997, which exhibit is incorporated herein by reference.*
- 10(m) Enterprise Integration Technologies Corporation 1991 Stock Plan and form of agreement which appears as exhibit 99.4 to Registrant's Form S-8 filed on July 1, 1997, which exhibit is incorporated herein by reference.*
- 10(n) VeriFone, Inc. Amended and Restated Employee Stock Purchase Plan which appears as exhibit 99.1 to Registrant's Form S-8 filed on July 1, 1997, which exhibit is incorporated herein by reference.*
- 10(o) Registrant's 1998 Subsidiary Employee Stock Purchase Plan and the Subscription Agreement which appear as Appendices E and E-1 to Registrant's Proxy Statement dated January 12, 1998, respectively, which appendices are incorporated herein by reference.*
- 10(p) Transition Agreement, dated May 20, 1999, between Registrant and Lewis E. Platt which appears as exhibit 10(ee) to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 1999, which exhibit is incorporated herein by reference.*
- 10(q) Employment Agreement, dated May 20, 1999, between Registrant and Robert P. Wayman which appears as exhibit 10(ff) to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 1999, which exhibit is incorporated herein by reference.*
- 10(r) Employment Agreement, dated July 17, 1999, between Registrant and Carleton S. Fiorina which appears as exhibit 10(gg) to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 1999, which

10(s) exhibit is incorporated herein by reference.*
 Executive Transition Program which appears as
 exhibit 10(hh) to Registrant's Quarterly Report on
 Form 10-Q for the fiscal quarter ended July 31, 1999, which
 exhibit is incorporated herein by reference.*

EXHIBIT
 NUMBER

DESCRIPTION

10(t) Incentive Stock Plan Stock Option Agreement (Non-Qualified),
 dated July 17, 1999, between Registrant and Carleton S.
 Fiorina which appears as exhibit 10(ii) to Registrant's
 Quarterly Report on Form 10-Q for the fiscal quarter ended
 July 31, 1999, which exhibit is incorporated herein by
 reference.*

10(u) Restricted Stock Agreement, dated July 17, 1999, between
 Registrant and Carleton S. Fiorina which appears as
 exhibit 10(jj) to Registrant's Quarterly Report on
 Form 10-Q for the fiscal quarter ended July 31, 1999, which
 exhibit is incorporated herein by reference.*

10(v) Restricted Stock Unit Agreement, dated July 17, 1999,
 between Registrant and Carleton S. Fiorina which appears as
 exhibit 10(kk) to Registrant's Quarterly Report on
 Form 10-Q for the fiscal quarter ended July 31, 1999, which
 exhibit is incorporated herein by reference.*

10(w) Registrant's 2000 Stock Plan which appears as Appendix A to
 Registrant's Proxy Statement dated January 18, 2000, which
 appendix is incorporated herein by reference.*

10(x) Registrant's 2000 Employee Stock Purchase Plan which appears
 as Appendix B to Registrant's Proxy Statement dated
 January 18, 2000, which appendix is incorporated herein by
 reference.*

10(y) Registrant's Pay-for-Results Plan which appears as
 Appendix C to Registrant's Proxy Statement dated
 January 18, 2000, which appendix is incorporated herein by
 reference.*

11-17 Not applicable.

18 None.

19-20 Not applicable.

21 Subsidiaries of Registrant as of January 18, 2000.

22 None.

23 Consent of Independent Accountants.

24 Powers of Attorney. Contained in page 60 of this Annual
 Report on Form 10-K and incorporated herein by reference.

25-26 Not applicable.

27 Financial Data Schedule.

28 None.

99 1999 Employee Stock Purchase Plan Annual Report on Form
 11-K.

 * Indicates management contract or compensatory plan, contract or arrangement.

MASTER SEPARATION AND DISTRIBUTION AGREEMENT

BETWEEN

HEWLETT-PACKARD COMPANY

AND

AGILENT TECHNOLOGIES, INC.

EFFECTIVE AS OF

AUGUST 12, 1999

TABLE OF CONTENTS

	PAGE

ARTICLE I SEPARATION.....	2
Section 1.1 Separation Date.....	2
Section 1.2 Closing of Transactions.....	2
Section 1.3 Exchange of Secretary's Certificates.....	2
ARTICLE II DOCUMENTS AND ITEMS TO BE DELIVERED ON THE SEPARATION DATE.....	2
Section 2.1 Documents to Be Delivered By HP.....	2
Section 2.2 Cash to be Transferred by HP.....	4
Section 2.3 Documents to Be Delivered by Agilent.....	4
ARTICLE III THE IPO AND ACTIONS PENDING THE IPO.....	5
Section 3.1 Transactions Prior to the IPO.....	5
Section 3.2 Proceeds of the IPO.....	6
Section 3.3 Cooperation.....	6
Section 3.4 Conditions Precedent to Consummation of the IPO.....	6
ARTICLE IV THE DISTRIBUTION.....	7
Section 4.1 The Distribution.....	7
Section 4.2 Actions Prior To The Distribution.....	8
Section 4.3 Sole Discretion of HP.....	8
Section 4.4 Conditions To Distribution.....	9
Section 4.5 Fractional Shares.....	9
ARTICLE V COVENANTS AND OTHER MATTERS.....	10
Section 5.1 Other Agreements.....	10
Section 5.2 Further Instruments.....	10
Section 5.3 Additional Service Level Agreements.....	10
Section 5.4 Agreement For Exchange of Information.....	11
Section 5.5 Auditors and Audits; Annual	

and Quarterly Statements and Accounting.....	12
Section 5.6	Consistency with Past Practices.....14
Section 5.7	Payment of Expenses.....14
Section 5.8	Foreign Subsidiaries.....15
Section 5.9	Dispute Resolution.....15

TABLE OF CONTENTS
(CONTINUED)

	PAGE

Section 5.10	Governmental Approvals.....16
Section 5.11	No Representation or Warranty.....16
Section 5.12	Non-Solicitation of Employees.....17
Section 5.13	Employee Agreements.....17
Section 5.14	Cooperation in Obtaining New Agreements.....19
Section 5.15	Property Damage to Agilent Assets Prior to the Separation Date.....19
Section 5.16	Newly Discovered Environmental Conditions at Agilent Schedule 1 Facilities.....19
ARTICLE VI MISCELLANEOUS.....	19
Section 6.1	Limitation of Liability.....19
Section 6.2	Entire Agreement.....20
Section 6.3	Governing Law.....20
Section 6.4	Termination.....20
Section 6.5	Notices.....20
Section 6.6	Counterparts.....20
Section 6.7	Binding Effect; Assignment.....21
Section 6.8	Severability.....21
Section 6.9	Failure or Indulgence Not Waiver; Remedies Cumulative.....21
Section 6.10	Amendment.....21
Section 6.11	Authority.....21
Section 6.12	Interpretation.....22
Section 6.13	Conflicting Agreements.....22
ARTICLE VII DEFINITIONS.....	22
Section 7.1	Affiliated Company.....22
Section 7.2	Agilent Assets.....22
Section 7.3	Agilent Business.....22
Section 7.4	Agilent Group.....23
Section 7.5	Agilent Pro Forma Balance Sheet.....23
Section 7.6	Agilent's Auditors.....23
Section 7.7	Ancillary Agreements.....23
Section 7.8	Assignment Agreement.....23
Section 7.9	Business Day.....23
Section 7.10	Code.....23
Section 7.11	Commission.....23
Section 7.12	Disputes.....23
Section 7.13	Distribution.....24
Section 7.14	Distribution Agent.....24

TABLE OF CONTENTS
(CONTINUED)

	PAGE

Section 7.15	Distribution Date.....24
Section 7.16	Employee Agreement.....24
Section 7.17	Exchange Act.....24
Section 7.18	Governmental Approvals.....24
Section 7.19	Governmental Authority.....24
Section 7.20	HP Business.....24
Section 7.21	HP Group.....24
Section 7.22	HP's Auditors.....24
Section 7.23	Information.....25
Section 7.24	IPO.....25
Section 7.25	IPO Closing Date.....25
Section 7.26	IPO Net Proceeds.....25
Section 7.27	IPO Over-allotment Option.....25
Section 7.28	IPO Registration Statement.....25
Section 7.29	Nasdaq.....25
Section 7.30	Non-US Plan.....25
Section 7.31	NYSE.....25
Section 7.32	Person.....26
Section 7.33	Prime Rate.....26
Section 7.34	Record Date.....26
Section 7.35	Retained Payables.....26
Section 7.36	Retained Receivables.....26

Section 7.37	Separation.....	26
Section 7.38	Separation Date.....	26
Section 7.39	Subsidiary.....	27
Section 7.40	Underwriters.....	27
Section 7.41	Underwriting Agreement.....	27
Section 7.42	WSGR.....	27

iii

EXHIBITS

Exhibit A	Certificate of Secretary of HP
Exhibit B	Certificate of Secretary of Agilent
Exhibit C	General Assignment and Assumption Agreement
Exhibit D-1	Master Technology Ownership and License Agreement
Exhibit D-2	Master Patent Ownership and License Agreement
Exhibit D-3	Master Trademark Ownership and License Agreement
Exhibit D-4	ICBD Technology Ownership and License Agreement
Exhibit E	Employee Matters Agreement
Exhibit F	Tax Sharing Agreement
Exhibit G	Master IT Service Level Agreement
Exhibit H	Real Estate Agreement
Exhibit I	Environmental Matters Agreement
Exhibit J	Master Confidential Disclosure Agreement
Exhibit K	Indemnification and Insurance Matters Agreement
Exhibit L	Intentionally Omitted
Exhibit M	Reorganization of Operations Outside the US (the Non-US Plan)

iv

SCHEDULES

Schedule 2.1(b)	Subsidiaries of HP to be Transferred to Agilent
Schedule 2.2(b)	Cash Held in Subsidiaries
Schedule 7.1(a)	Affiliated Companies of HP to be Included in the HP Group
Schedule 7.1(b)	Affiliated Companies of Agilent to be Included in the Agilent Group

v

MASTER SEPARATION AND DISTRIBUTION AGREEMENT

This Master Separation and Distribution Agreement (this "AGREEMENT") is entered into as of August 12, 1999, between Hewlett-Packard Company ("HP"), a Delaware corporation, and Agilent Technologies, Inc. ("AGILENT"), a Delaware corporation. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in ARTICLE VII hereof.

RECITALS

WHEREAS, the Boards of Directors of HP and Agilent have each determined that it would be appropriate and desirable for HP to contribute and transfer to Agilent, and for Agilent to receive and assume, directly or indirectly, substantially all of the assets and liabilities currently associated with the Agilent Business and the stock, investments or similar interests currently held by HP in subsidiaries and other entities that conduct such business (the "SEPARATION");

WHEREAS, HP has caused Agilent to be incorporated in order to effect the Separation and HP currently owns all of the issued and outstanding common stock of Agilent;

WHEREAS, HP and Agilent currently contemplate that, following the contribution and assumption of assets and liabilities, Agilent will make an initial public offering ("IPO") of an amount of its common stock pursuant to a registration statement on Form S-1 pursuant to the Securities Act of 1933, as amended (the "IPO REGISTRATION STATEMENT"), that will reduce HP's ownership of Agilent to not less than 80.1%;

WHEREAS, Agilent intends to distribute all of the proceeds of the IPO (including the proceeds from the sale of shares pursuant to the exercise of the Underwriters' over-allotment option (the "IPO OVER-ALLOTMENT OPTION")), net of underwriting discounts and commissions (the "IPO NET PROCEEDS") to HP by means of a dividend declared prior to the IPO, which IPO Net Proceeds HP ultimately intends to use to satisfy obligations to creditors or to repurchase shares of HP common stock within twelve (12) months following the closing of the IPO (the "IPO CLOSING DATE");

WHEREAS, HP currently contemplates that, several months following such initial public offering, HP will distribute to the holders of its common stock, \$ 0.01 par value, by means of a pro rata distribution, all of the shares of Agilent common stock owned by HP (the "DISTRIBUTION");

WHEREAS, HP and Agilent intend that the contribution and assumption of assets and liabilities and the Distribution will qualify as a tax-free reorganization under Sections 368(a)(1)(D) and 355 of the Internal Revenue Code of 1986, as amended (the "CODE"), and that this Agreement is intended to be, and is hereby adopted as, a plan of reorganization under Section 368 of the Code; and

WHEREAS, the parties intend in this Agreement, including the Exhibits and Schedules hereto, to set forth the principal arrangements between them regarding the separation of the Agilent Business.

NOW, THEREFORE, in consideration of the foregoing and the covenants and agreements set forth below, the parties hereto agree as follows:

ARTICLE I

SEPARATION

SECTION 1.1 SEPARATION DATE

Unless otherwise provided in this Agreement, or in any agreement to be executed in connection with this Agreement, the effective time and date of

each transfer of property, assumption of liability, license, undertaking, or agreement in connection with the Separation shall be 12:01 a.m., Pacific Time, November 1, 1999 or such other date as may be fixed by the Board of Directors of HP (the "SEPARATION DATE").

SECTION 1.2 CLOSING OF TRANSACTIONS

Unless otherwise provided herein, the closing of the transactions contemplated in ARTICLE II shall occur by the lodging of each of the executed instruments of transfer, assumptions of liability, undertakings, agreements, instruments or other documents executed or to be executed with Wilson Sonsini Goodrich & Rosati ("WSGR"), 650 Page Mill Road, Palo Alto, California 94304, to be held in escrow for delivery as provided in SECTION 1.3 of this Agreement.

SECTION 1.3 EXCHANGE OF SECRETARY'S CERTIFICATES

Upon receipt of a certificate of the Secretary or an Assistant Secretary of HP in the form attached to this Agreement as EXHIBIT A, WSGR shall deliver to Agilent on behalf of HP all of the items required to be delivered by HP hereunder pursuant to SECTION 2.1 of this Agreement and each such item shall be deemed to be delivered to Agilent as of the Separation Date upon delivery of such certificate. Upon receipt of a certificate of the Secretary or an Assistant Secretary of Agilent in the form attached to this Agreement as EXHIBIT B, WSGR shall deliver to HP on behalf of Agilent all of the items required to be delivered by Agilent hereunder and each such item shall be deemed to be delivered to HP as of the Separation Date upon receipt of such certificate.

ARTICLE II

DOCUMENTS AND ITEMS TO BE DELIVERED ON THE SEPARATION DATE

SECTION 2.1 DOCUMENTS TO BE DELIVERED BY HP

On the Separation Date or such later date as agreed in connection with the Non-US Plan, HP will deliver, or will cause its appropriate Subsidiaries to deliver, to Agilent all of the following items and agreements (collectively, together with all agreements and documents contemplated by

2

such agreements, the "ANCILLARY AGREEMENTS"):

(a) A duly executed General Assignment and Assumption Agreement (the "ASSIGNMENT AGREEMENT") substantially in the form attached hereto as EXHIBIT C;

(b) Certificates representing the stock and/or investments in the Subsidiaries and other holdings of HP set forth on SCHEDULE 2.1(b) with duly executed stock powers in the form proper for transfer;

(c) A duly executed Master Technology Ownership and License Agreement substantially in the form attached hereto as EXHIBIT D-1, a duly executed Master Patent Ownership and License Agreement substantially in the form attached hereto as EXHIBIT D-2, a duly executed Master Trademark Ownership and License Agreement substantially in the form attached as EXHIBIT D-3 and a duly executed ICBT Technology Ownership and License Agreement substantially in the form attached hereto as EXHIBIT D-4, and;

(d) A duly executed Employee Matters Agreement substantially in the form attached hereto as EXHIBIT E;

(e) A duly executed Tax Sharing Agreement substantially in the form attached hereto as EXHIBIT F;

(f) A duly executed Master IT Service Level Agreement substantially in the form attached hereto as EXHIBIT G;

(g) A duly executed Real Estate Matters Agreement substantially in the form attached hereto as EXHIBIT H;

(h) A duly executed Environmental Matters Agreement substantially in the form attached hereto as EXHIBIT I;

(i) A duly executed Master Confidential Disclosure Agreement substantially in the form attached hereto as EXHIBIT J;

(j) A duly executed Indemnification and Insurance Matters Agreement substantially in the form attached hereto as EXHIBIT K;

(k) Resignations of each person who is an officer or director of any member of Agilent or its Subsidiaries, immediately prior to the Separation Date, and who will be employees of HP from and after the Separation Date; and

(l) Such other agreements, documents or instruments as the parties may agree are necessary or desirable in order to achieve the purposes hereof, including, without limitation, all service level agreements entered into in accordance with SECTION 5.3 and those documents referred to in SECTION 5.8.

3

SECTION 2.2 CASH TO BE TRANSFERRED BY HP

(a) CASH REQUIREMENTS. On or around the Separation Date, HP and its Subsidiaries will provide that Agilent and its Subsidiaries have sufficient cash to satisfy the following obligations or requirements (as adjusted with the parties' mutual agreement):

(i) (A) HP's obligations under the Agreement for the Redemption and Sale of Shares and Termination of Joint Venture Relationship dated July 6, 1999 by and between HP and Yokogawa Electric Corporation (the "YEW AGREEMENT"), which obligations Agilent will assume from HP pursuant to the Assignment Agreement and (B) Hewlett-Packard Japan Ltd.'s obligations under the YEW Agreement;

(ii) Working capital and acquisition requirements of \$250 million;

(iii) An amount equal to:

(1) the Retained Receivables minus the Retained Payables, plus or minus

(2) the liabilities retained by HP Japan related to the HP Business, net of the assets retained by HP Japan related to the HP Business;

(iv) The requirements of SECTION 5.9 of the Tax Sharing Agreement entitled Japan Restructuring Taxes; and

(v) As described in SECTION 3.1(a) of the Tax Sharing Agreement, an amount equal to Taxes of Agilent Historical Affiliates for periods before their acquisition by the HP Group.

all in accordance with the parties' best estimates on the Separation Date of such amounts as of October 31, 1999; and

(b) CASH HELD IN SUBSIDIARIES. Additional cash in amounts to be determined by the parties on the Separation Date will be held in certain Subsidiaries of Agilent, all of which are either listed on SCHEDULE 2.2(b)

hereto or will be geographical counterparts of Subsidiaries of HP listed on SCHEDULE 2.2(b) hereto.

(c) TRUE-UP. On December 15, 1999, the parties will recalculate the cash payments made pursuant to this SECTION 2.2, based on the amounts included in the HP balance sheet as of October 31, 1999 and the Agilent balance sheet as of October 31, 1999. To the extent the new calculations differ from the estimates upon which the cash payments made pursuant to this SECTION 2.2 were based, the parties shall reallocate cash in the amount of such difference.

SECTION 2.3 DOCUMENTS TO BE DELIVERED BY AGILENT

4

As of the Separation Date, Agilent will or will cause its appropriate Subsidiaries to deliver to HP all of the following:

(a) In each case where Agilent is a party to any agreement or instrument referred to in SECTION 2.1, a duly executed counterpart of such agreement or instrument; and

(b) Resignations of each person who is an officer or director of any member of HP or its Subsidiaries, immediately prior to the Separation Date, and who will be employees of Agilent from and after the Separation Date.

ARTICLE III

THE IPO AND ACTIONS PENDING THE IPO

SECTION 3.1 TRANSACTIONS PRIOR TO THE IPO

Subject to the conditions specified in SECTION 3.4, HP and Agilent shall use their reasonable commercial efforts to consummate the IPO. Such efforts shall include, but not necessarily be limited to, those specified in this SECTION 3.1:

(a) REGISTRATION STATEMENT. Agilent shall file the IPO Registration Statement, and such amendments or supplements thereto, as may be necessary in order to cause the same to become and remain effective as required by law or by the managing underwriters for the IPO (the "UNDERWRITERS"), including, but not limited to, filing such amendments to the IPO Registration Statement as may be required by the underwriting agreement to be entered into among Agilent and the Underwriters (the "UNDERWRITING AGREEMENT"), the Securities and Exchange Commission (the "COMMISSION") or federal, state or foreign securities laws. HP and Agilent shall also cooperate in preparing, filing with the Securities and Exchange Commission and causing to become effective a registration statement registering the common stock of Agilent under the Securities and Exchange Act of 1934, as amended (the "EXCHANGE ACT"), and any registration statements or amendments thereof which are required to reflect the establishment of, or amendments to, any employee benefit and other plans necessary or appropriate in connection with the IPO, the Separation, the Distribution or the other transactions contemplated by this Agreement.

(b) UNDERWRITING AGREEMENT. Agilent shall enter into the Underwriting Agreement, in form and substance reasonably satisfactory to Agilent, and shall comply with its obligations thereunder.

(c) OTHER MATTERS. HP and Agilent shall consult with each other and the Underwriters regarding the timing, pricing and other material matters with respect to the IPO.

(d) BLUE SKY. Agilent shall use its reasonable commercial efforts to take all such action as may be necessary or appropriate under state securities and blue sky laws of the United States (and

any comparable laws under any foreign jurisdictions) in connection with the IPO.

(e) NYSE OR NASDAQ LISTING. Agilent shall prepare, file and use reasonable commercial efforts to seek to make effective, an application for listing of the common stock of Agilent issued in the IPO on the New York Stock Exchange (the "NYSE") or the Nasdaq National Market ("NASDAQ"), subject to official notice of issuance.

SECTION 3.2 PROCEEDS OF THE IPO

The IPO will be a primary offering of common stock of Agilent. All of the IPO Net Proceeds will be distributed to HP by means of a dividend declared prior to the IPO, which IPO Net Proceeds HP ultimately intends to use to satisfy obligations to creditors or to repurchase shares of HP common stock within twelve (12) months following the IPO Closing Date.

SECTION 3.3 COOPERATION

Agilent shall consult with, and cooperate in all respects with, HP in connection with the pricing of the common stock of Agilent to be offered in the IPO and shall, at HP's direction, promptly take any and all actions necessary or desirable to consummate the IPO as contemplated by the IPO Registration Statement and the Underwriting Agreement.

SECTION 3.4 CONDITIONS PRECEDENT TO CONSUMMATION OF THE IPO

As soon as practicable after the Separation Date, the parties hereto shall use their reasonable commercial efforts to satisfy the conditions listed below to the consummation of the IPO. The IPO Closing Date is currently scheduled to occur prior to December 31, 1999. The obligations of the parties to use their reasonable commercial efforts to consummate the IPO shall be conditioned on the satisfaction, or waiver by HP, of the following conditions:

(a) REGISTRATION STATEMENT. The IPO Registration Statement shall have been filed and declared effective by the Commission, and there shall be no stop-order in effect with respect thereto.

(b) BLUE SKY. The actions and filings with regard to state securities and blue sky laws of the United States (and any comparable laws under any foreign jurisdictions) described in SECTION 3.1 shall have been taken and, where applicable, have become effective or been accepted.

(c) NYSE OR NASDAQ LISTING. The common stock of Agilent to be issued in the IPO shall have been accepted for listing on the NYSE or Nasdaq, on official notice of issuance.

(d) UNDERWRITING AGREEMENT. Agilent shall have entered into the Underwriting Agreement and all conditions to the obligations of Agilent and the Underwriters shall have been satisfied or waived.

(e) COMMON STOCK OWNERSHIP. HP shall be satisfied in its sole discretion that it will own at least 80.1% of the outstanding common stock of Agilent following the IPO. All other conditions to permit the Distribution to qualify as a tax-free distribution to HP, Agilent and HP's stockholders

shall, to the extent applicable as of the time of the IPO, be satisfied. There shall be no event or condition that is likely to cause any of such

conditions not to be satisfied as of the time of the Distribution or thereafter.

(f) NO LEGAL RESTRAINTS. No order, injunction or decree issued by any court or agency of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the Separation or the IPO or any of the other transactions contemplated by this Agreement shall be in effect.

(g) SEPARATION. The Separation shall have become effective.

(h) OTHER ACTIONS. Such other actions as the parties hereto may, based upon the advice of counsel, reasonably request to be taken prior to the IPO in order to assure the successful completion of the IPO shall have been taken.

(i) NO TERMINATION. This Agreement shall not have been terminated.

ARTICLE IV

THE DISTRIBUTION

SECTION 4.1 THE DISTRIBUTION

(a) DELIVERY OF SHARES FOR DISTRIBUTION. Subject to SECTION 4.4 hereof, on or prior to the date the Distribution is effective (the "DISTRIBUTION DATE"), HP will deliver to the distribution agent (the "DISTRIBUTION AGENT") to be appointed by HP to distribute to the stockholders of HP the shares of common stock of Agilent held by HP pursuant to the Distribution for the benefit of holders of record of common stock of HP on the Record Date, a single stock certificate, endorsed by HP in blank, representing all of the outstanding shares of common stock of Agilent then owned by HP, and shall cause the transfer agent for the shares of common stock of HP to instruct the Distribution Agent to distribute on the Distribution Date the appropriate number of such shares of common stock of Agilent to each such holder or designated transferee or transferees of such holder.

(b) SHARES RECEIVED. Subject to SECTIONS 4.4 and 4.5, each holder of common stock of HP on the Record Date (or such holder's designated transferee or transferees) will be entitled to receive in the Distribution a number of shares of common stock of Agilent equal to the number of shares of common stock of HP held by such holder on the Record Date multiplied by a fraction the numerator of which is the number of shares of common stock of Agilent beneficially owned by HP on the Record Date and the denominator of which is the number of shares of common stock of HP outstanding on the Record Date.

(c) OBLIGATION TO PROVIDE INFORMATION. Agilent and HP, as the case may be, will provide

7

to the Distribution Agent all share certificates and any information required in order to complete the Distribution on the basis specified above.

SECTION 4.2 ACTIONS PRIOR TO THE DISTRIBUTION

(a) INFORMATION STATEMENT. HP and Agilent shall prepare and mail, prior to the Distribution Date, to the holders of common stock of HP, such information concerning Agilent and the Distribution and such other matters as HP shall reasonably determine are necessary and as may be required by law. HP and Agilent will prepare, and Agilent will, to the extent required under applicable law, file with the Commission any such documentation which HP and Agilent determines is necessary or desirable to effectuate the Distribution, and HP and Agilent shall each use its reasonable commercial efforts to obtain all necessary approvals from the Commission with respect thereto as soon as practicable.

(b) BLUE SKY. HP and Agilent shall take all such actions as may be necessary or appropriate under the securities or blue sky laws of the United States (and any comparable laws under any foreign jurisdiction) in connection with the Distribution.

(c) NYSE OR NASDAQ LISTING. Agilent shall prepare and file, and shall use its reasonable commercial efforts to have approved, an application for the listing of the common stock of Agilent to be distributed in the Distribution on the NYSE or Nasdaq, subject to official notice of distribution.

(d) CONDITIONS. HP and Agilent shall take all reasonable steps necessary and appropriate to cause the conditions set forth in SECTION 4.4 to be satisfied and to effect the Distribution on the Distribution Date.

SECTION 4.3 SOLE DISCRETION OF HP

HP currently intends, following the consummation of the IPO, to complete the Distribution by June 1, 2000. HP shall, in its sole and absolute discretion, determine the date of the consummation of the Distribution and all terms of the Distribution, including, without limitation, the form, structure and terms of any transaction(s) and/or offering(s) to effect the Distribution and the timing of and conditions to the consummation of the Distribution. In addition, HP may at any time and from time to time until the completion of the Distribution modify or change the terms of the Distribution, including, without limitation, by accelerating or delaying the timing of the consummation of all or part of the Distribution. Agilent shall cooperate with HP in all respects to accomplish the Distribution and shall, at HP's direction, promptly take any and all actions necessary or desirable to effect the Distribution, including, without limitation, the registration under the Securities Act of the common stock of Agilent on an appropriate registration form or forms to be designated by HP. HP shall select any investment banker(s) and manager(s) in connection with the Distribution, as well as any financial printer, solicitation and/or exchange agent and outside counsel for HP; PROVIDED, HOWEVER, that nothing herein shall prohibit Agilent from engaging (at its own expense) its own financial, legal, accounting and other advisors in connection with the Distribution.

8

SECTION 4.4 CONDITIONS TO DISTRIBUTION

The following are conditions to the consummation of the Distribution. The conditions are for the sole benefit of HP and shall not give rise to or create any duty on the part of HP or the HP Board of Directors to waive or not waive any such condition.

(a) IRS RULING. HP shall have obtained a private letter ruling from the Internal Revenue Service in form and substance satisfactory to HP (in its sole discretion), and such ruling shall remain in effect as of the Distribution Date, to the effect that (i) the transfer by the HP Group to the Agilent Group of the property, subject to liabilities, of the Agilent Business in exchange for the issuance to HP of the stock of Agilent, the distribution of the IPO Net Proceeds and Agilent's assumption of liabilities, followed by the distribution by HP of all of its Agilent stock to the stockholders of HP, will qualify as a reorganization under Sections 368(a)(1)(D) and 355 of the Code; (ii) no gain or loss will be recognized by HP on its transfer of the property of the Agilent Business to Agilent in exchange for Agilent common stock and the distribution of the IPO Net Proceeds, followed by the transfer of the IPO Net Proceeds to HP's creditors and/or stockholders; (iii) no gain or loss will be recognized by Agilent on its receipt of the property of the Agilent Business from HP in exchange for the issuance of Agilent common stock; and (iv) no gain or loss will be recognized by (and no amount will otherwise be included in the income of) the stockholders of HP upon their receipt of Agilent common stock pursuant to the Distribution.

(b) GOVERNMENT APPROVALS. Any material governmental approvals and consents necessary to consummate the Distribution shall have been obtained and be in full force and effect;

(c) NO LEGAL RESTRAINTS. No order, injunction or decree issued by any court or agency of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the Distribution shall be in effect and no other event outside the control of HP shall have occurred or failed to occur that prevents the consummation of the Distribution; and

(d) NO MATERIAL ADVERSE EFFECT. No other events or developments shall have occurred subsequent to the IPO Closing Date that, in the judgment of the Board of Directors of HP, would result in the Distribution having a material adverse effect on HP or on the stockholders of HP.

SECTION 4.5 FRACTIONAL SHARES

As soon as practicable after the Distribution Date, HP shall direct the Distribution Agent to determine the number of whole shares and fractional shares of common stock of Agilent allocable to each holder of record or beneficial owner of common stock of HP as of the Record Date, to aggregate all such fractional shares and sell the whole shares obtained thereby at the direction of HP, in open market transactions, at then prevailing trading prices, and to cause to be distributed to each such holder or for the benefit of each such beneficial owner to which a fractional share shall be allocable such holder's or owner's ratable share of the proceeds of such sale, after making appropriate deductions of the amount required to be withheld for federal income tax purposes and after deducting an amount equal to all brokerage charges, commissions and transfer taxes attributed

9

to such sale. HP and the Distribution Agent shall use their reasonable commercial efforts to aggregate the shares of common stock of HP that may be held by any beneficial owner thereof through more than one account in determining the fractional share allocable to such beneficial owner.

ARTICLE V

COVENANTS AND OTHER MATTERS

SECTION 5.1 OTHER AGREEMENTS

In addition to the specific agreements, documents and instruments annexed to this Agreement, HP and Agilent agree to execute or cause to be executed by the appropriate parties and deliver, as appropriate, such other agreements, instruments and other documents as may be necessary or desirable in order to effect the purposes of this Agreement and the Ancillary Agreements.

SECTION 5.2 FURTHER INSTRUMENTS

At the request of Agilent and without further consideration, HP will execute and deliver, and will cause its applicable Subsidiaries to execute and deliver, to Agilent and its Subsidiaries such other instruments of transfer, conveyance, assignment, substitution and confirmation and take such action as Agilent may reasonably deem necessary or desirable in order more effectively to transfer, convey and assign to Agilent and its Subsidiaries and confirm Agilent's and its Subsidiaries' title to all of the assets, rights and other things of value contemplated to be transferred to Agilent and its Subsidiaries pursuant to this Agreement, the Ancillary Agreements, and any documents referred to therein, to put Agilent and its Subsidiaries in actual possession and operating control thereof and to permit Agilent and its Subsidiaries to exercise all rights with respect thereto (including, without limitation, rights under contracts and other arrangements as to which the consent of any third party to the transfer thereof shall not have previously

been obtained). At the request of HP and without further consideration, Agilent will execute and deliver, and will cause its applicable Subsidiaries to execute and deliver, to HP and its Subsidiaries all instruments, assumptions, novations, undertakings, substitutions or other documents and take such other action as HP may reasonably deem necessary or desirable in order to have Agilent fully and unconditionally assume and discharge the liabilities contemplated to be assumed by Agilent under this Agreement or any document in connection herewith and to relieve the HP Group of any liability or obligation with respect thereto and evidence the same to third parties. Neither HP nor Agilent shall be obligated, in connection with the foregoing, to expend money other than reasonable out-of-pocket expenses, attorneys' fees and recording or similar fees. Furthermore, each party, at the request of another party hereto, shall execute and deliver such other instruments and do and perform such other acts and things as may be necessary or desirable for effecting completely the consummation of the transactions contemplated hereby.

SECTION 5.3 ADDITIONAL SERVICE LEVEL AGREEMENTS

10

HP and its Subsidiaries and Agilent and its Subsidiaries will enter into interim service level agreements covering the provision of various interim services, including financial, accounting, building services, legal, and other services by HP (and its Subsidiaries) to Agilent (and its Subsidiaries) or, in certain circumstances, vice versa. Such services will generally be provided for a fee equal to the actual Direct Costs and Indirect Costs of providing such services plus five percent (5%). The interim service level agreements will generally provide for a term of two (2) years. However, some interim service level agreements, including those for building services and information technology services, may be extended beyond the initial two-year period. If these agreements are extended, Agilent will reimburse HP at the fair market rental value for the rental component of the building services and cost plus 10% for information technology and other services and the non-rental components of building services. "DIRECT COSTS" shall include compensation and travel expenses attributable to employees, temporary workers, and contractors directly engaged in performing the services as well as materials and supplies consumed in performing the services. "INDIRECT COSTS" shall include occupancy, IT supervision and other overhead burden of the department incurring the direct costs of providing the service.

SECTION 5.4 AGREEMENT FOR EXCHANGE OF INFORMATION

Each of HP and Agilent agrees to provide, or cause to be provided, to each other, at any time before or after the Distribution Date, as soon as reasonably practicable after written request therefor, any Information in the possession or under the control of such party that the requesting party reasonably needs (i) to comply with reporting, disclosure, filing or other requirements imposed on the requesting party (including under applicable securities laws) by a Governmental Authority having jurisdiction over the requesting party, (ii) for use in any other judicial, regulatory, administrative or other proceeding or in order to satisfy audit, accounting, claims, regulatory, litigation or other similar requirements, (iii) to comply with its obligations under this Agreement or any Ancillary Agreement or (iv) in connection with the ongoing businesses of HP or Agilent, as the case may be; PROVIDED, HOWEVER, that in the event that any party determines that any such provision of Information could be commercially detrimental, violate any law or agreement, or waive any attorney-client privilege, the parties shall take all reasonable measures to permit the compliance with such obligations in a manner that avoids any such harm or consequence.

(a) INTERNAL ACCOUNTING CONTROLS; FINANCIAL INFORMATION. After the Separation Date, (i) each party shall maintain in effect at its own cost and expense adequate systems and controls for its business to the extent necessary to enable the other party to satisfy its reporting, accounting, audit and other obligations, and (ii) each party shall provide, or cause to be provided, to the other party and its Subsidiaries in such form as such requesting party shall

request, at no charge to the requesting party, all financial and other data and information as the requesting party determines necessary or advisable in order to prepare its financial statements and reports or filings with any Governmental Authority.

(b) OWNERSHIP OF INFORMATION. Any Information owned by a party that is provided to a requesting party pursuant to this SECTION 5.4 shall be deemed to remain the property of the providing

11

party. Unless specifically set forth herein, nothing contained in this Agreement shall be construed as granting or conferring rights of license or otherwise in any such Information.

(c) RECORD RETENTION. To facilitate the possible exchange of Information pursuant to this SECTION 5.4 and other provisions of this Agreement after the Distribution Date, each party agrees to use its reasonable commercial efforts to retain all Information in their respective possession or control on the Distribution Date substantially in accordance with the policies of HP as in effect on the Separation Date. However, except as set forth in the Tax Sharing Agreement, at any time after the Distribution Date, each party may amend their respective record retention policies at such party's discretion; PROVIDED, HOWEVER, that if a party desires to effect the amendment within three (3) years after the Distribution Date, the amending party must give thirty (30) days prior written notice of such change in the policy to the other party to this Agreement.

(i) No party will destroy, or permit any of its Subsidiaries to destroy, any Information that exists on the Separation Date (other than Information that is permitted to be destroyed under the current record retention policy of such party) without first using its reasonable commercial efforts to notify the other party of the proposed destruction and giving the other party the opportunity to take possession of such Information prior to such destruction.

(d) LIMITATION OF LIABILITY. No party shall have any liability to any other party in the event that any Information exchanged or provided pursuant to this Section is found to be inaccurate, in the absence of willful misconduct by the party providing such Information. No party shall have any liability to any other party if any Information is destroyed or lost after reasonable commercial efforts by such party to comply with the provisions of SECTION 5.4(c).

(e) OTHER AGREEMENTS PROVIDING FOR EXCHANGE OF INFORMATION. The rights and obligations granted under this SECTION 5.4 are subject to any specific limitations, qualifications or additional provisions on the sharing, exchange or confidential treatment of Information set forth in this Agreement and any Ancillary Agreement.

(f) PRODUCTION OF WITNESSES; RECORDS; COOPERATION. After the Distribution Date, except in the case of a legal or other proceeding by one party against another party (which shall be governed by such discovery rules as may be applicable under SECTION 5.9 or otherwise), each party hereto shall use its reasonable commercial efforts to make available to each other party, upon written request, the former, current and future directors, officers, employees, other personnel and agents of such party as witnesses and any books, records or other documents within its control or which it otherwise has the ability to make available, to the extent that any such person (giving consideration to business demands of such directors, officers, employees, other personnel and agents) or books, records or other documents may reasonably be required in connection with any legal, administrative or other proceeding in which the requesting party may from time to time be involved, regardless of whether such legal, administrative or other proceeding is a matter with respect to which indemnification may be sought hereunder. The requesting party shall bear all costs and expenses in connection therewith.

Each party agrees that, for so long as HP is required in accordance with United States generally accepted accounting principles to consolidate Agilent's results of operations and financial position:

(a) SELECTION OF AUDITORS. Agilent shall not select a different accounting firm than PricewaterhouseCoopers LLP to serve as its (and its Subsidiaries') independent certified public accountants ("AGILENT'S AUDITORS") for purposes of providing an opinion on its consolidated financial statements without HP's prior written consent (which shall not be unreasonably withheld).

(b) DATE OF AUDITORS' OPINION AND QUARTERLY REVIEWS. Agilent shall use its reasonable commercial efforts to enable the Agilent Auditors to complete their audit such that they will date their opinion on Agilent's audited annual financial statements on the same date that HP's independent certified public accountants ("HP'S AUDITORS") date their opinion on HP's audited annual financial statements, and to enable HP to meet its timetable for the printing, filing and public dissemination of HP's annual financial statements. Agilent shall use its reasonable commercial efforts to enable the Agilent Auditors to complete their quarterly review procedures such that they will provide clearance on Agilent's quarterly financial statements on the same date that HP's Auditors provide clearance on HP's quarterly financial statements.

(c) ANNUAL AND QUARTERLY FINANCIAL STATEMENTS. Agilent shall provide to HP on a timely basis all Information that HP reasonably requires to meet its schedule for the preparation, printing, filing, and public dissemination of HP's annual and quarterly financial statements. Without limiting the generality of the foregoing, Agilent will provide all required financial Information with respect to Agilent and its Subsidiaries to Agilent's Auditors in a sufficient and reasonable time and in sufficient detail to permit Agilent's Auditors to take all steps and perform all reviews necessary to provide sufficient assistance to HP's Auditors with respect to Information to be included or contained in HP's annual and quarterly financial statements. Similarly, HP shall provide to Agilent on a timely basis all Information that Agilent reasonably requires to meet its schedule for the preparation, printing, filing, and public dissemination of Agilent's annual and quarterly financial statements. Without limiting the generality of the foregoing, HP will provide all required financial Information with respect to HP and its Subsidiaries to HP's Auditors in a sufficient and reasonable time and in sufficient detail to permit HP's Auditors to take all steps and perform all reviews necessary to provide sufficient assistance to Agilent's Auditors with respect to Information to be included or contained in Agilent's annual and quarterly financial statements.

(d) IDENTITY OF PERSONNEL PERFORMING THE ANNUAL AUDIT AND QUARTERLY REVIEWS. Agilent shall authorize Agilent's Auditors to make available to HP's Auditors both the personnel who performed or are performing the annual audits and quarterly reviews of Agilent and work papers related to the annual audits and quarterly reviews of Agilent, in all cases within a reasonable time prior to Agilent's Auditors' opinion date, so that HP's Auditors are able to perform the procedures they consider necessary to take responsibility for the work of Agilent's Auditors as it relates to HP's Auditors' report on HP's financial statements, all within sufficient time to enable HP to meet its timetable for the printing, filing and public dissemination of HP's annual and quarterly statements.

Similarly, HP shall authorize HP's Auditors to make available to Agilent's Auditors both the personnel who performed or are performing the annual audits and quarterly reviews of HP and work papers related to the annual audits and quarterly reviews of HP, in all cases within a reasonable time prior to HP's Auditors' opinion date, so that Agilent's Auditors are able to perform the procedures they consider necessary to take responsibility for the work of HP's Auditors as it relates to Agilent's Auditors' report on Agilent's statements, all within sufficient time to enable Agilent to meet its timetable for the printing, filing and public dissemination of Agilent's annual and quarterly financial statements.

(e) ACCESS TO BOOKS AND RECORDS. Agilent shall provide HP's internal auditors and their designees access to Agilent's and its Subsidiaries' books and records so that HP may conduct reasonable audits relating to the financial statements provided by Agilent pursuant hereto as well as to the internal accounting controls and operations of Agilent and its Subsidiaries. Similarly, HP shall provide Agilent's internal auditors and their designees access to HP's and its Subsidiaries' books and records so that Agilent may conduct reasonable audits relating to the financial statements provided by HP pursuant hereto as well as to the internal accounting controls and operations of HP and its Subsidiaries.

(f) NOTICE OF CHANGE IN ACCOUNTING PRINCIPLES. Agilent shall give HP as much prior notice as reasonably practical of any proposed determination of, or any significant changes in, its accounting estimates or accounting principles from those in effect on the Separation Date. Agilent will consult with HP and, if requested by HP, Agilent will consult with HP's independent public accountants with respect thereto. HP shall give Agilent as much prior notice as reasonably practical of any proposed determination of, or any significant changes in, its accounting estimates or accounting principles from those in effect on the Separation Date.

(g) CONFLICT WITH THIRD-PARTY AGREEMENTS. Nothing in SECTIONS 5.4 and 5.5 shall require Agilent to violate any agreement with any third parties regarding the confidentiality of confidential and proprietary information relating to that third party or its business; PROVIDED, HOWEVER, that in the event that Agilent is required under SECTIONS 5.4 AND 5.5 to disclose any such information, Agilent shall use all commercially reasonable efforts to seek to obtain such customer's consent to the disclosure of such information.

SECTION 5.6 CONSISTENCY WITH PAST PRACTICES

At all times HP will cause the Agilent Business before the Separation Date to continue to ship products, invoice customers, make payments, maintain properties and otherwise conduct business in the ordinary course, consistent with past practices and will not undertake or permit any arrangement with any third party which is intended to or has the effect of delaying the payment of any account receivable beyond the Separation Date or delaying or accelerating the payment of any account payable before the Separation Date.

SECTION 5.7 PAYMENT OF EXPENSES

Except as otherwise provided in this Agreement, the Ancillary Agreements or any other

agreement between the parties relating to the Separation, the IPO or the Distribution, all costs and expenses of the parties hereto in connection with the IPO (excluding underwriting discounts and commissions) and the Distribution and certain costs and expenses of the parties hereto in connection with the Separation shall be paid by HP. Notwithstanding the foregoing, Agilent shall pay any internal fees, costs and expenses incurred by Agilent in connection with the Separation, the IPO and the Distribution.

SECTION 5.8 FOREIGN SUBSIDIARIES

HP and Agilent shall cause each of their foreign subsidiaries to execute such local transfer agreements, assignments, assumptions, novations and other documents as shall be necessary to carry out the plan of reorganization described in EXHIBIT M (the "NON-US PLAN") hereto to effect the purposes of this Agreement with respect to their respective operations outside the United States.

SECTION 5.9 DISPUTE RESOLUTION

Except as otherwise set forth in the Ancillary Agreements, resolution of any and all disputes arising from or in connection with this Agreement, whether based on contract, tort, or otherwise (collectively, "DISPUTES"), shall be exclusively governed by and settled in accordance with the provisions of this SECTION 5.9.

(a) NEGOTIATION. The parties shall make a good faith attempt to resolve any Dispute arising out of or relating to this Agreement through negotiation. Within thirty (30) days after notice of a Dispute is given by either party to the other party, each party shall select a first tier negotiating team comprised of general manager level employees of such party and shall meet and make a good faith attempt to resolve such Dispute and shall continue to negotiate in good faith in an effort to resolve the Dispute or renegotiate the applicable section or provision without the necessity of any formal proceedings. If the first tier negotiating teams are unable to agree within thirty (30) days of their first meeting, then each party shall select a second tier negotiating team comprised of vice president level employees of such party and shall meet within thirty (30) days after the end of the first thirty (30) day negotiating period to attempt to resolve the matter. During the course of negotiations under this SECTION 5.9(a), all reasonable requests made by one party to the other for information, including requests for copies of relevant documents, will be honored. The specific format for such negotiations will be left to the discretion of the designated negotiating teams but may include the preparation of agreed upon statements of fact or written statements of position furnished to the other party.

(b) NON-BINDING MEDIATION. In the event that any Dispute arising out of or related to this Agreement is not settled by the parties within fifteen (15) days after the first meeting of the second tier negotiating teams under SECTION 5.9(a), the parties will attempt in good faith to resolve such Dispute by non-binding mediation in accordance with the American Arbitration Association Commercial Mediation Rules. The mediation shall be held within thirty (30) days of the end of such fifteen (15) day negotiation period of the second tier negotiating teams. Except as provided below in SECTION 5.9(c), no litigation for the resolution of such dispute may be commenced until the

15

parties try in good faith to settle the dispute by such mediation in accordance with such rules and either party has concluded in good faith that amicable resolution through continued mediation of the matter does not appear likely. The costs of mediation shall be shared equally by the parties to the mediation. Any settlement reached by mediation shall be recorded in writing, signed by the parties, and shall be binding on them.

(c) PROCEEDINGS. Nothing herein, however, shall prohibit either party from initiating litigation or other judicial or administrative proceedings if such party would be substantially harmed by a failure to act during the time that such good faith efforts are being made to resolve the Dispute through negotiation or mediation. In the event that litigation is commenced under this SECTION 5.9(c), the parties agree to continue to attempt to resolve any Dispute according to the terms of SECTIONS 5.9(a) and 5.9(b) during the course of such litigation proceedings under this SECTION 5.9(c).

(d) PAY AND DISPUTE. Except as provided herein or in any Ancillary Agreement, in the event of any dispute regarding payment of a third-party invoice (subject to standard verification of receipt of products or services), the party named in a third party's invoice must make timely payment to such third party, even if the party named in the invoice desires to pursue the dispute resolution procedures outlined in this SECTION 5.9. If the party that paid the invoice is found pursuant to this SECTION 5.9 to not be responsible for such payment, such paying party shall be entitled to reimbursement, with interest accrued at a compound annual rate of the Prime Rate plus 2%, from the party found responsible for such payment.

SECTION 5.10 GOVERNMENTAL APPROVALS

To the extent that the Separation requires any Governmental Approvals, the parties will use their reasonable commercial efforts to obtain any such Governmental Approvals.

SECTION 5.11 NO REPRESENTATION OR WARRANTY

HP does not, in this Agreement or any other agreement, instrument or document contemplated by this Agreement, make any representation as to, warranty of or covenant with respect to:

(a) the value of any asset or thing of value to be transferred to Agilent;

(b) the freedom from encumbrance of any asset or thing of value to be transferred to Agilent;

(c) the absence of defenses or freedom from counterclaims with respect to any claim to be transferred to Agilent; or

(d) the legal sufficiency of any assignment, document or instrument delivered hereunder to convey title to any asset or thing of value upon its execution, deliver and filing.

16

Except as may expressly be set forth herein or in any Ancillary Agreement, all assets to be transferred to Agilent shall be transferred "AS IS, WHERE IS" and Agilent shall bear the economic and legal risk that any conveyance shall prove to be insufficient to vest in Agilent good and marketable title, free and clear of any lien, claim, equity or other encumbrance.

SECTION 5.12 NON-SOLICITATION OF EMPLOYEES

Each party agrees not to directly solicit or recruit the other party's employees for a period of two years following the Distribution Date if such solicitation or recruitment would be disruptive or damaging or would interfere with the operation or business of the other party. This prohibition on solicitation does not apply to actions taken by a party (i) as a result of an employee's affirmative response to a general recruitment effort carried out through a public solicitation or a general solicitation or (ii) as a result of an employee's initiative.

SECTION 5.13 EMPLOYEE AGREEMENTS

DEFINITION. As used in this SECTION 5.13, "EMPLOYEE AGREEMENT" means the Agreement Regarding Confidential Information and Proprietary Developments and corresponding agreements in foreign countries.

(a) SURVIVAL OF HP EMPLOYEE AGREEMENT OBLIGATIONS AND HP'S COMMON LAW RIGHTS. The HP Employee Agreements of all former HP employees transferred to Agilent as of the Distribution Date shall remain in full force and effect according to their terms; PROVIDED, HOWEVER, that none of the following acts committed by former HP employees within the scope of their

Agilent employment shall constitute a breach of such HP Employee Agreements: (i) the use or disclosure of Confidential Information (as that term is defined in the former HP employee's HP Employee Agreement) for or on behalf of Agilent, if such disclosure is consistent with the license rights granted to Agilent and restrictions imposed on Agilent under this Agreement, any other Ancillary Agreement or any other agreement between the parties, (ii) the disclosure and assignment to Agilent of rights in Proprietary Developments authored or conceived by the former HP employee after the Separation Date and resulting from the use of, or based upon intellectual property (whether patented or not) which is retained by HP (as Proprietary Developments are defined in the former HP employee's HP Employee Agreement); PROVIDED, HOWEVER, that in no event shall such disclosure and assignment be regarded as assigning the underlying intellectual property to Agilent, (iii) the rendering of any services, directly or indirectly, to Agilent to the extent such services are consistent with the assignment or license of rights granted to Agilent and the restrictions imposed on Agilent under this Agreement, any other Ancillary Agreement or any other agreement between the parties and (iv) solicitation of the employees of one party by the other party prior to the Distribution Date. Further, HP retains any rights it has under statute or common law with respect to actions by its former employees to the extent such actions are inconsistent with the rights granted to Agilent and restrictions imposed on Agilent under this Agreement, any other Ancillary Agreement or any other agreement between the parties.

(b) ASSIGNMENT, COOPERATION FOR COMPLIANCE AND ENFORCEMENT.

17

(i) HP retains all rights under the HP Employee Agreements of all former HP employees necessary to permit HP to protect the rights and interests of HP, but hereby transfers and assigns to Agilent its rights under the HP Employee Agreements of all former HP employees to the extent required to permit Agilent to enjoin, restrain, recover damages from or obtain specific performance of the HP Employee Agreements or obtain other remedies against any employee who breaches his/her HP Employee Agreement, and to the extent necessary to permit Agilent to protect the rights and interests of the businesses being transferred to Agilent on the Separation Date.

(ii) HP and Agilent agree, at their own respective cost and expense, to use their reasonable efforts to cooperate as follows: (A) Agilent shall advise HP of: (1) any violation(s) of the HP Employee Agreement by former HP employees, and (2) any violation(s) of the Agilent Employee Agreement which affect HP's rights; and (B) HP shall advise Agilent of any violations of the HP Employee Agreement by current or former HP employees which affect Agilent's rights; PROVIDED, HOWEVER, that the foregoing obligations shall only apply to violations which become known to an attorney within the legal department of the party obligated to provide notice thereof.

(iii) HP and Agilent each may separately enforce the HP Employee Agreements of former HP employees to the extent necessary to reasonably protect their respective interests, PROVIDED, HOWEVER, that (i) Agilent shall not commence any litigation relating thereto without first consulting with HP's Director of Intellectual Property or his/her designee and (ii) HP shall not commence any litigation relating thereto against any former HP employee who is at the time an Agilent employee without first consulting with Agilent's Director of Intellectual Property or his/her designee. If either party, in seeking to enforce any HP Employee Agreement, notifies the other party that it requires, or desires, the other party to join in such action, then the other party shall do so. In addition, if either party commences or becomes a party to any action to enforce a HP Employee Agreement of a former HP employee, the other party shall, whether or not it becomes a party to the action, cooperate with the other party by making available its files and employees who have information or knowledge relevant to the dispute, subject to appropriate measures to protect the confidentiality of any proprietary or confidential information that may be disclosed in the course of such cooperation or action and subject to any relevant privacy laws and regulations. Any such action shall be conducted at the expense of the party bringing the action and the parties

shall agree on a case by case basis on compensation, if any, of the other party for the value of the time of such other party's employees as reasonably required in connection with the action.

(iv) HP and Agilent understand and acknowledge that matters relating to the making, performance, enforcement, assignment and termination of employee agreements are typically governed by the laws and regulations of the national, federal, state or local governmental unit where an employee resides, or where an employee's services are rendered, and that such laws and regulations may supersede or limit the applicability or enforceability of this SECTION 5.13. In such circumstances, HP and Agilent agree to take action with respect to the employee agreements that best accomplishes the parties' objectives as set forth in this SECTION 5.13 and that is consistent with applicable law.

18

SECTION 5.14 COOPERATION IN OBTAINING NEW AGREEMENTS

HP understands that, prior to the Separation Date, Agilent has derived benefits under certain agreements between HP and third parties, which agreements are not being assigned to Agilent in connection with the Separation. Upon the request of Agilent, HP agrees to make introductions to appropriate Agilent personnel to HP's contacts at such third parties, and agrees to provide reasonable assistance to Agilent, at HP's own expense, so that Agilent may obtain agreements from such third parties under substantially equivalent terms and conditions, including financial terms and conditions, that apply to HP. Such assistance may include, but is not limited to, (i) requesting and encouraging such third parties to enter into such agreements with Agilent, (ii) attending meetings and negotiating sessions with Agilent and such third parties, and (iii) participating in buying consortiums with Agilent. HP also understands that there are certain agreements between HP and third parties, which agreements are being assigned to Agilent in connection with the Separation but which may require the consent of the applicable third party. Upon the request of Agilent, HP agrees to assist Agilent in seeking and obtaining the consent of such third parties to such assignment. The parties expect that the activities contemplated by this Section will be substantially completed by the Distribution Date, but in no event will HP have any obligations hereunder after the first anniversary of the Distribution Date.

SECTION 5.15 PROPERTY DAMAGE TO AGILENT ASSETS PRIOR TO THE SEPARATION DATE

In the event of any property damage to any Agilent Assets prior to the Separation Date, HP shall repair or otherwise address such damage in the ordinary course of business consistent with past practices; PROVIDED, HOWEVER, that nothing in this clause shall restrict HP from disposing of any Assets in the ordinary course of business consistent with past practices.

SECTION 5.16 NEWLY DISCOVERED ENVIRONMENTAL CONDITIONS AT AGILENT SCHEDULE 1 FACILITIES

If between the date of this Agreement and the Separation Date, Environmental Conditions (as defined in Section 4.21 of the Indemnification and Insurance Matters Agreement) are discovered on an Agilent Schedule 1 Facility (as defined in Section 4.11 of the Indemnification and Insurance Matters Agreement) for which HP, consistent with its past practices, would accrue a reserve, then HP and Agilent shall determine the allocation of responsibility for any Environmental Actions (as defined in Section 4.20 of the Indemnification and Insurance Matters Agreement) arising, whether before or after the Separation Date, out of such Environmental Conditions, in a manner consistent with the provisions of SECTION 1.4 of the Indemnification and Insurance Matters Agreement.

ARTICLE VI

MISCELLANEOUS

SECTION 6.1 LIMITATION OF LIABILITY

19

IN NO EVENT SHALL ANY MEMBER OF THE HP GROUP OR AGILENT GROUP BE LIABLE TO ANY OTHER MEMBER OF THE HP GROUP OR AGILENT GROUP FOR ANY SPECIAL, CONSEQUENTIAL, INDIRECT, INCIDENTAL OR PUNITIVE DAMAGES OR LOST PROFITS, HOWEVER CAUSED AND ON ANY THEORY OF LIABILITY (INCLUDING NEGLIGENCE) ARISING IN ANY WAY OUT OF THIS AGREEMENT, WHETHER OR NOT SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES; PROVIDED, HOWEVER, THAT THE FOREGOING LIMITATIONS SHALL NOT LIMIT EACH PARTY'S INDEMNIFICATION OBLIGATIONS FOR LIABILITIES TO THIRD PARTIES AS SET FORTH IN THE INDEMNIFICATION AND INSURANCE MATTERS AGREEMENT.

SECTION 6.2 ENTIRE AGREEMENT

This Agreement, the other Ancillary Agreements and the Exhibits and Schedules referenced or attached hereto and thereto, constitutes the entire agreement between the parties with respect to the subject matter hereof and shall supersede all prior written and oral and all contemporaneous oral agreements and understandings with respect to the subject matter hereof.

SECTION 6.3 GOVERNING LAW

This Agreement shall be governed and construed and enforced in accordance with the laws of the State of Delaware as to all matters regardless of the laws that might otherwise govern under the principles of conflicts of laws applicable thereto.

SECTION 6.4 TERMINATION

This Agreement and all Ancillary Agreements may be terminated and the Distribution abandoned at any time prior to the IPO Closing Date by and in the sole discretion of HP without the approval of Agilent. This Agreement may be terminated at any time after the IPO Closing Date and before the Distribution Date by mutual consent of HP and Agilent. In the event of termination pursuant to this Section, no party shall have any liability of any kind to the other party.

SECTION 6.5 NOTICES

Any notice, demand, offer, request or other communication required or permitted to be given by either party pursuant to the terms of this Agreement shall be in writing and shall be deemed effectively given the earlier of (i) when received, (ii) when delivered personally, (iii) one (1) business day after being delivered by facsimile (with receipt of appropriate confirmation), (iv) one (1) business day after being deposited with an overnight courier service or (v) four (4) days after being deposited in the U.S. mail, First Class with postage prepaid, and addressed to the attention of the party's General Counsel at the address of its principal executive office or such other address as a party may request by notifying the other in writing.

SECTION 6.6 COUNTERPARTS

20

This Agreement, including the Schedules and Exhibits hereto and the other documents referred to herein, may be executed in counterparts, each of which shall be deemed to be an original but all of which shall constitute one and the same agreement.

SECTION 6.7 BINDING EFFECT; ASSIGNMENT

This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective legal representatives and successors, and nothing in this Agreement, express or implied, is intended to confer upon any other Person any rights or remedies of any nature whatsoever under or by reason of this Agreement. This Agreement may not be assigned by any party hereto. This Agreement may be enforced separately by each member of the HP Group and each member of the Agilent Group.

SECTION 6.8 SEVERABILITY

If any term or other provision of this Agreement or the Schedules or Exhibits attached hereto is determined by a nonappealable decision by a court, administrative agency or arbitrator to be invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to either party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the fullest extent possible.

SECTION 6.9 FAILURE OR INDULGENCE NOT WAIVER; REMEDIES CUMULATIVE

No failure or delay on the part of either party hereto in the exercise of any right hereunder shall impair such right or be construed to be a waiver of, or acquiescence in, any breach of any representation, warranty or agreement herein, nor shall any single or partial exercise of any such right preclude other or further exercise thereof or of any other right. All rights and remedies existing under this Agreement or the Schedules or Exhibits attached hereto are cumulative to, and not exclusive of, any rights or remedies otherwise available.

SECTION 6.10 AMENDMENT

No change or amendment will be made to this Agreement except by an instrument in writing signed on behalf of each of the parties to such agreement.

SECTION 6.11 AUTHORITY

Each of the parties hereto represents to the other that (a) it has the corporate or other requisite power and authority to execute, deliver and perform this Agreement, (b) the execution,

21

delivery and performance of this Agreement by it have been duly authorized by all necessary corporate or other actions, (c) it has duly and validly executed and delivered this Agreement, and (d) this Agreement is a legal, valid and binding obligation, enforceable against it in accordance with its terms subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and general equity principles.

SECTION 6.12 INTERPRETATION

The headings contained in this Agreement, in any Exhibit or Schedule hereto and in the table of contents to this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Any capitalized term used in any Schedule or Exhibit but

not otherwise defined therein, shall have the meaning assigned to such term in this Agreement. When a reference is made in this Agreement to an Article or a Section, Exhibit or Schedule, such reference shall be to an Article or Section of, or an Exhibit or Schedule to, this Agreement unless otherwise indicated.

SECTION 6.13 CONFLICTING AGREEMENTS

In the event of conflict between this Agreement and any Ancillary Agreement or other agreement executed in connection herewith, the provisions of such other agreement shall prevail.

ARTICLE VII

DEFINITIONS

SECTION 7.1 AFFILIATED COMPANY

"AFFILIATED COMPANY" means, with respect to HP, any entity in which HP holds a 50% or less ownership interest and that is listed on SCHEDULE 7.1(a) hereto and, with respect to Agilent, any entity in which Agilent holds a 50% or less ownership interest and that is listed on SCHEDULE 7.1(b) hereto. SCHEDULES 7.1(a) and 7.1(b) may be amended from time to time after the date hereof upon mutual written consent of the parties.

SECTION 7.2 AGILENT ASSETS

"AGILENT ASSETS" has the meaning set forth in SECTION 1.2 of the Assignment Agreement.

SECTION 7.3 AGILENT BUSINESS

"AGILENT BUSINESS" means (a) the business and operations of the business entities of HP currently known under the following names, as described in the IPO Registration Statement and as such business and operations will continue following the Separation Date: (i) the Test and Measurement Organization, (ii) the Semiconductor Products Group, (iii) the Chemical Analysis

22

Group, (iv) the Healthcare Solutions Group and (v) the portion of HP Labs and infrastructure organizations related to these businesses and (b) except as otherwise expressly provided herein, any terminated, divested or discontinued businesses or operations that at the time of termination, divestiture or discontinuation primarily related to the Agilent Business as then conducted.

SECTION 7.4 AGILENT GROUP

"AGILENT GROUP" means Agilent, each Subsidiary and Affiliated Company of Agilent immediately after the Separation Date or that is contemplated to be a Subsidiary or Affiliated Company of Agilent pursuant to the Non-US Plan and each Person that becomes a Subsidiary or Affiliate Company of Agilent after the Separation Date.

SECTION 7.5 AGILENT PRO FORMA BALANCE SHEET

"AGILENT PRO FORMA BALANCE SHEET" means the unaudited pro forma condensed consolidated balance sheet appearing in the IPO Registration Statement.

SECTION 7.6 AGILENT'S AUDITORS

"AGILENT'S AUDITORS" means Agilent's independent certified public accountants.

SECTION 7.7 ANCILLARY AGREEMENTS

"ANCILLARY AGREEMENTS" has the meaning set forth in SECTION 2.1 hereof.

SECTION 7.8 ASSIGNMENT AGREEMENT

"ASSIGNMENT AGREEMENT" has the meaning set forth in SECTION 2.1(a) hereof.

SECTION 7.9 BUSINESS DAY

"BUSINESS DAY" means a day other than a Saturday, a Sunday or a day on which banking institutions located in the State of California are authorized or obligated by law or executive order to close.

SECTION 7.10 CODE

"CODE" means the Internal Revenue Code of 1986, as amended from time to time.

SECTION 7.11 COMMISSION

"COMMISSION" means the Securities and Exchange Commission.

SECTION 7.12 DISPUTES

"DISPUTES" has the meaning set forth in SECTION 5.9 hereof.

23

SECTION 7.13 DISTRIBUTION

"DISTRIBUTION" has the meaning set forth in the Recitals hereof.

SECTION 7.14 DISTRIBUTION AGENT

"DISTRIBUTION AGENT" has the meaning set forth in SECTION 4.1 hereof.

SECTION 7.15 DISTRIBUTION DATE

"DISTRIBUTION DATE" has the meaning set forth in SECTION 4.1 hereof.

SECTION 7.16 EMPLOYEE AGREEMENT

"EMPLOYEE AGREEMENT" has the meaning set forth in SECTION 5.13(a) hereof.

SECTION 7.17 EXCHANGE ACT

"EXCHANGE ACT" means the Securities and Exchange Act of 1934, as amended.

SECTION 7.18 GOVERNMENTAL APPROVALS

"GOVERNMENTAL APPROVALS" means any notices, reports or other filings to be made, or any consents, registrations, approvals, permits or authorizations to be obtained from, any Governmental Authority.

SECTION 7.19 GOVERNMENTAL AUTHORITY

"GOVERNMENTAL AUTHORITY" shall mean any federal, state, local, foreign or international court, government, department, commission, board, bureau, agency, official or other regulatory, administrative or governmental authority.

SECTION 7.20 HP BUSINESS

"HP BUSINESS" means any business of HP other than the Agilent Business.

SECTION 7.21 HP GROUP

"HP GROUP" means HP, each Subsidiary and Affiliated Company of HP (other than any member of the Agilent Group) immediately after the Separation Date, after giving effect to the Non-US Plan and each Person that becomes a Subsidiary or Affiliate Company of HP after the Separation Date.

SECTION 7.22 HP'S AUDITORS

"HP'S AUDITORS" means HP's independent certified public accountants.

24

SECTION 7.23 INFORMATION

"INFORMATION" means information, whether or not patentable or copyrightable, in written, oral, electronic or other tangible or intangible forms, stored in any medium, including studies, reports, records, books, contracts, instruments, surveys, discoveries, ideas, concepts, know-how, techniques, designs, specifications, drawings, blueprints, diagrams, models, prototypes, samples, flow charts, data, computer data, disks, diskettes, tapes, computer programs or other software, marketing plans, customer names, communications by or to attorneys (including attorney-client privileged communications), memos and other materials prepared by attorneys or under their direction (including attorney work product), and other technical, financial, employee or business information or data.

SECTION 7.24 IPO

"IPO" has the meaning set forth in the Recitals hereof.

SECTION 7.25 IPO CLOSING DATE

"IPO CLOSING DATE" has the meaning set forth in the Recitals hereof.

SECTION 7.26 IPO NET PROCEEDS

"IPO NET PROCEEDS" has the meaning set forth in the Recitals hereof.

SECTION 7.27 IPO OVER-ALLOTMENT OPTION

"IPO OVER-ALLOTMENT OPTION" has the meaning set forth in the Recitals hereof.

SECTION 7.28 IPO REGISTRATION STATEMENT

"IPO REGISTRATION STATEMENT" means the registration statement on Form S-1 pursuant to the Securities Act of 1933, as amended, to be filed with the Commission registering the shares of common stock of Agilent to be issued in the IPO, together with all amendments thereto.

SECTION 7.29 NASDAQ

"NASDAQ" means the Nasdaq National Market.

SECTION 7.30 NON-US PLAN

"NON-US PLAN" has the meaning set forth in SECTION 5.8 hereof.

SECTION 7.31 NYSE

"NYSE" means the New York Stock Exchange.

25

SECTION 7.32 PERSON

"PERSON" means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization and a governmental entity or any department, agency or political subdivision thereof.

SECTION 7.33 PRIME RATE

"PRIME RATE" means the prime rate as published in the Wall Street Journal on the date of determination.

SECTION 7.34 RECORD DATE

"RECORD DATE" means the close of business on the date to be determined by the Board of Directors of HP as the record date for determining the stockholders of HP entitled to receive shares of common stock of Agilent in the Distribution.

SECTION 7.35 RETAINED PAYABLES

"RETAINED PAYABLES" means (i) all accounts payable and other obligations of payment for goods or services purchased, leased or otherwise received in the conduct of the Agilent Business that as of the Separation Date are payable to a third Person by HP or any of HP's Subsidiaries, whether past due, due or to become due, including any interest, sales or use taxes, finance charges, late or returned check charges and other obligations of HP or any of HP's Subsidiaries with respect thereto, and any obligations related to any of the foregoing and (ii) all employee compensation Liabilities and other miscellaneous Liabilities for which an adjustment is made in the Agilent Pro Forma Balance Sheet.

SECTION 7.36 RETAINED RECEIVABLES

"RETAINED RECEIVABLES" means (i) all accounts receivable and other rights to payment for goods or services sold, leased or otherwise provided in the conduct of the Agilent Business that as of the Separation Date are payable by a third Person to HP or any of HP's Subsidiaries, whether past due, due or to become due, including any interest, sales or use taxes, finance charges, late or returned check charges and other obligations of the account debtor with respect thereto, and any proceeds of any of the foregoing and (ii) all other miscellaneous Assets for which an adjustment is made in the Agilent Pro Forma Balance Sheet.

SECTION 7.37 SEPARATION

"SEPARATION" has the meaning set forth in the Recitals hereof.

SECTION 7.38 SEPARATION DATE

"SEPARATION DATE" has the meaning set forth in SECTION 1.1 hereof.

26

SECTION 7.39 SUBSIDIARY

"SUBSIDIARY" means with respect to any specified Person, any corporation, any limited liability company, any partnership or other legal entity of which such Person or its Subsidiaries owns, directly or indirectly,

more than 50% of the stock or other equity interest entitled to vote on the election of the members of the board of directors or similar governing body. Unless context otherwise requires, reference to HP and its Subsidiaries shall not include the subsidiaries of HP that will be transferred to Agilent after giving effect to the Separation, including the actions taken pursuant to the Non-US Plan.

SECTION 7.40 UNDERWRITERS

"UNDERWRITERS" means the underwriters of the IPO.

SECTION 7.41 UNDERWRITING AGREEMENT

"UNDERWRITING AGREEMENT" has the meaning set forth in SECTION 3.1(a) hereof.

SECTION 7.42 WSGR

"WSGR" means Wilson Sonsini Goodrich & Rosati, Professional Corporation.

WHEREFORE, the parties have signed this Master Separation and Distribution Agreement effective as of the date first set forth above.

HEWLETT-PACKARD COMPANY

AGILENT TECHNOLOGIES, INC.

By: /s/ Robert P. Wayman

By: /s/ Edward W. Barnholt

Name: Robert P. Wayman

Name: Edward W. Barnholt

Title: Executive Vice President
of Finance and Administration,
Chief Financial Officer

Title: President and
Chief Executive Officer

SCHEDULE 2.1(b)

SUBSIDIARIES AND OTHER HOLDINGS OF HP TO BE TRANSFERRED TO AGILENT

SUBSIDIARIES

- Agilent Technologies World Trade, Inc.
- Heartstream, Inc.
- Pete, Inc.
- Rockland Technologies Inc.
- Scope Communications, Inc.
- Telegra Corporation

OTHER HOLDINGS

- Candescent Technologies Corporation
- Cascade Microtech Inc.
- HP-Sci Tech Joint Software Development Center Co. Ltd.
- i-Stat Corporation
- Microelectronics & Computer Technology Group

SCHEDULE 2.2 (b)

CASH HELD IN SUBSIDIARIES

China Hewlett-Packard Company Limited
Heartstream, Inc.
Hewlett-Packard Belgium SA/NV
Hewlett-Packard Coordination Center, S.C.
Hewlett-Packard Espanola, S.A.
Hewlett-Packard Japan, Ltd.
Hewlett-Packard Malaysia Sdn Bhd
Hewlett-Packard Microwave Products (M) Sdn Bhd
Hewlett-Packard Oy
Hewlett-Packard S.A.S.
Hewlett-Packard Taiwan Ltd.
Yokogawa Analytical Systems, Inc.

SCHEDULE 7.1 (a)

AFFILIATED COMPANIES OF HP TO BE INCLUDED IN THE HP GROUP

Ericsson-HP Telecom (Sweden)
Ericsson-HP Telecom (France)
Hua-Pua
Hugin Expert
Idea LLC
ImagineCard
Intria-HP
Intria-HP Potomac
Liquidity Management Group
PT Berka Services
Putial Ome
Sopura Systems
Syc

SCHEDULE 7.1 (b)

AFFILIATED COMPANIES OF AGILENT TO BE INCLUDED IN THE AGILENT GROUP

Chartered Semiconductor Partners Singapore
LumiLEDs

BYLAWS

OF

HEWLETT-PACKARD COMPANY
(A DELAWARE CORPORATION)

ARTICLE I

CORPORATE OFFICES

1.1 REGISTERED OFFICE. The registered office of the corporation shall be fixed in the Certificate of Incorporation of the corporation.

1.2 OTHER OFFICES. The board of directors may at any time establish branch or subordinate offices at any place or places where the corporation is qualified to do business.

ARTICLE II

MEETINGS OF STOCKHOLDERS

2.1 PLACE OF MEETINGS. Meetings of stockholders shall be held at any place within or outside the State of Delaware designated by the board of directors. In the absence of any such designation, stockholders' meetings shall be held at the registered office of the corporation.

2.2 ANNUAL MEETING.

- (a) The annual meeting of stockholders shall be held each year on a date and at a time designated by the board of directors. At the meeting, directors shall be elected, and any other proper business may be transacted.
- (b) At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be: (A) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the board of directors, (B) otherwise properly brought before the meeting by or at the direction of the board of directors, or (C) otherwise properly brought before the meeting by a stockholder. For business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the secretary of the corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the corporation not less than one hundred twenty (120) calendar days in advance of the date specified in the corporation's proxy statement released to stockholders in connection with the previous year's annual meeting of stockholders; provided, however, that in the event that no annual meeting was held in the previous year or the date of the annual meeting has been changed by more than thirty (30) days from the date contemplated at the time of the previous year's proxy statement, notice by the stockholder to be timely must be so received not later than the close of business on the later of one hundred twenty (120) calendar days in advance of such annual meeting or ten (10) calendar days following the date on which public announcement of the date of the meeting is first made. A stockholder's notice to the secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting: (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual

meeting, (ii) the name and address, as

they appear on the corporation's books, of the stockholder proposing such business, (iii) the class and number of shares of the corporation which are beneficially owned by the stockholder, (iv) any material interest of the stockholder in such business, and (v) any other information that is required to be provided by the stockholder pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "1934 Act"), in his capacity as a proponent to a stockholder proposal. Notwithstanding the foregoing, in order to include information with respect to a stockholder proposal in the proxy statement and form of proxy for a stockholder's meeting, stockholders must provide notice as required by the regulations promulgated under the 1934 Act. Notwithstanding anything in these Bylaws to the contrary, no business shall be conducted at any annual meeting except in accordance with the procedures set forth in this paragraph (b). The chairman of the annual meeting shall, if the facts warrant, determine and declare at the meeting that business was not properly brought before the meeting and in accordance with the provisions of this paragraph (b), and, if he should so determine, he shall so declare at the meeting that any such business not properly brought before the meeting shall not be transacted.

- (c) Only persons who are nominated in accordance with the procedures set forth in this paragraph (c) shall be eligible for election as directors. Nominations of persons for election to the board of directors of the corporation may be made at a meeting of stockholders by or at the direction of the board of directors or by any stockholder of the corporation entitled to vote in the election of directors at the meeting who complies with the notice procedures set forth in this paragraph (c). Such nominations, other than those made by or at the direction of the board of directors, shall be made pursuant to timely notice in writing to the secretary of the corporation in accordance with the provisions of paragraph (b) of this Section 2.2. Such stockholder's notice shall set forth (i) as to each person, if any, whom the stockholder proposes to nominate for election or re-election as a director: (A) the name, age, business address and residence address of such person, (B) the principal occupation or employment of such person, (C) the class and number of shares of the corporation which are beneficially owned by such person, (D) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nominations are to be made by the stockholder, and (E) any other information relating to such person that is required to be disclosed in solicitations of proxies for elections of directors, or is otherwise required, in each case pursuant to Regulation 14A under the 1934 Act (including without limitation such person's written consent to being named in the proxy statement, if any, as a nominee and to serving as a director if elected); and (ii) as to such stockholder giving notice, the information required to be provided pursuant to paragraph (b) of this Section 2.2. At the request of the board of directors, any person nominated by a stockholder for election as a director shall furnish to the secretary of the corporation that information required to be set forth in the stockholder's notice of nomination which pertains to the nominee. No person shall be eligible for election as a director of the corporation unless nominated in accordance with the procedures set forth in this paragraph (c). The chairman of the meeting shall, if the facts warrants, determine and declare at the

meeting that a nomination was not made in accordance with the procedures prescribed by these Bylaws, and if he should so determine, he shall so declare at the meeting, and the defective nomination shall be disregarded.

2.3 SPECIAL MEETING. A special meeting of the stockholders may be called at any time by the board of directors, the chairman of the board, the vice chairman of the board, the chairman of the executive committee, or the president, but such special meetings may not be called by any other person or persons. Only such business shall be considered at a special meeting of stockholders as shall have been stated in the notice for such meeting.

2.4 ORGANIZATION. Meetings of stockholders shall be presided over by the chairman of the board, if any, or in his or her absence by the vice chairman of the board, if any, or in his or her absence by the chairman of the executive committee, if any, or in his or her absence by the president, if any, or in his or her absence by an executive vice president, if any, or in his or her absence by a senior vice president, if any, or in his or her absence by a vice president, or in the absence of the foregoing persons by a chairman designated by the board of directors, or in the absence of such designation by a chairman chosen at the meeting by the vote of a majority in interest of the stockholders present in person or represented by proxy and entitled to vote thereat. The secretary or in his or her absence an assistant secretary or in the absence of the secretary and all assistant secretaries a person whom the chairman of the meeting shall appoint shall act as secretary of the meeting and keep a record of the proceedings thereof.

The board of directors of the corporation shall be entitled to make such rules or regulations for the conduct of meetings of stockholders as it shall deem necessary, appropriate or convenient. Subject to such rules and regulations of the board of directors, if any, the chairman of the meeting shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are necessary, appropriate or convenient for the proper conduct of the meeting, including, without limitation, establishing an agenda or order of business for the meeting, rules and procedures for maintaining order at the meeting and the safety of those present, limitations on participation in such meeting to stockholders of record of the corporation and their duly authorized and constituted proxies, and such other persons as the chairman shall permit, restrictions on entry to the meeting after the time fixed for the commencement thereof, limitations on the time allotted to questions or comments by participants and regulation of the opening and closing of the polls for balloting and matters which are to be voted on by ballot. Unless and to the extent determined by the board of directors or the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with rules of parliamentary procedure.

2.5 NOTICE OF STOCKHOLDERS' MEETINGS. All notices of meetings of stockholders shall be sent or otherwise given in accordance with Section 2.6 of these Bylaws not less than ten (10) nor more than sixty (60) days before the date of the meeting. The notice shall specify the place, date, and hour of the meeting and (i) in the case of a special meeting, the general nature of the business to be transacted (no business other than that specified in the notice may be transacted) or (ii) in the case of the annual meeting, those matters which the board of directors, at the time of giving the notice, intends to present for action by the stockholders (but any proper matter may be presented at the meeting for such action). The notice of any meeting at which directors are to be elected shall include the name of any nominee or nominees who, at the time of the notice, the board intends to present for election.

2.6 MANNER OF GIVING NOTICE; AFFIDAVIT OF NOTICE. Notice of any meeting of stockholders shall be given either personally or by mail, telecopy, telegram or other electronic or wireless means. Notices not personally delivered shall be sent charges prepaid and shall be addressed to the stockholder at the address of that stockholder appearing on the books of the corporation or given by the

stockholder to the corporation for the purpose of notice. Notice shall be deemed to have been given at the time when delivered personally or deposited in the mail or sent by telecopy, telegram or other electronic or wireless means.

An affidavit of the mailing or other means of giving any notice of any stockholders' meeting, executed by the secretary, assistant secretary or any transfer agent of the corporation giving the notice, shall be prima facie evidence of the giving of such notice or report.

2.7 QUORUM. The holders of a majority in voting power of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the Certificate of

Incorporation. If, however, such quorum is not present or represented at any meeting of the stockholders, then either (i) the chairman of the meeting or (ii) the stockholders by the vote of the holders of a majority of the stock, present in person or represented by proxy shall have power to adjourn the meeting in accordance with Section 2.8 of these Bylaws.

When a quorum is present at any meeting, the vote of the holders of a majority of the stock having voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which, by express provision of the laws of the State of Delaware or of the Certificate of Incorporation or these Bylaws, a vote of a greater number or voting by classes is required, in which case such express provision shall govern and control the decision of the question.

If a quorum be initially present, the stockholders may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum, if any action taken is approved by a majority of the stockholders initially constituting the quorum.

2.8 ADJOURNED MEETING; NOTICE. Any stockholders' meeting, annual or special, whether or not a quorum is present, may be adjourned from time to time by the vote of the majority of the voting power of the shares represented at that meeting, either in person or by proxy. In the absence of a quorum, no other business may be transacted at that meeting except as provided in Section 2.7 of these Bylaws.

When any meeting of stockholders, either annual or special, is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place are announced at the meeting at which the adjournment is taken. However, if a new record date for the adjourned meeting is fixed or if the adjournment is for more than thirty (30) days from the date set for the original meeting, then notice of the adjourned meeting shall be given. Notice of any such adjourned meeting shall be given to each stockholder of record entitled to vote at the adjourned meeting in accordance with the provisions of Sections 2.5 and 2.6 of these Bylaws. At any adjourned meeting the corporation may transact any business which might have been transacted at the original meeting.

2.9 VOTING. The stockholders entitled to vote at any meeting of stockholders shall be determined in accordance with the provisions of Section 2.12 of these Bylaws, subject to the provisions of Sections 217 and 218 of the General Corporation Law of Delaware (relating to voting rights of fiduciaries, pledgers and joint owners, and to voting trusts and other voting agreements).

Except as may be otherwise provided in the Certificate of Incorporation, by these Bylaws or required by law, each stockholder shall be entitled to one vote for each share of capital stock held by such stockholder.

Any stockholder entitled to vote on any matter may vote part of the shares in favor of the proposal and refrain from voting the remaining shares or, except when the matter is the election of directors, may vote them against the

proposal; but if the stockholder fails to specify the number of shares which the stockholder is voting affirmatively, it will be conclusively presumed that the stockholder's approving vote is with respect to all shares which the stockholder is entitled to vote.

2.10 VALIDATION OF MEETINGS; WAIVER OF NOTICE; CONSENT. The transactions of any meeting of stockholders, either annual or special, however called and noticed, and wherever held, shall be as valid as though they had been taken at a meeting duly held after regular call and notice, if a quorum be present either in person or by proxy.

Attendance by a person at a meeting shall also constitute a waiver of notice of and presence at that meeting, except when the person objects at the beginning of the meeting to the transaction of any business because

the meeting is not lawfully called or convened. Attendance at a meeting is not a waiver of any right to object to the consideration of matters required by law to be included in the notice of the meeting but not so included, if that objection is expressly made at the meeting.

2.11 ACTION BY WRITTEN CONSENT. Subject to the rights of the holders of the shares of any series of Preferred Stock or any other class of stock or series thereof having a preference over the Common Stock as dividend or upon liquidation, any action required or permitted to be taken by the stockholders of the corporation must be effected at a duly called annual or special meeting of stockholders of the corporation and may not be effected by any consent in writing by such stockholders.

2.12 RECORD DATE FOR STOCKHOLDER NOTICE; VOTING; GIVING CONSENTS. For purposes of determining the stockholders entitled to notice of any meeting or to vote thereat, the board of directors may fix, in advance, a record date, which shall not be more than sixty (60) days nor less than ten (10) days before the date of any such meeting, and in such event only stockholders of record on the date so fixed are entitled to notice and to vote, notwithstanding any transfer of any shares on the books of the corporation after the record date, except as otherwise provided in the Certificate of Incorporation, by these Bylaws, by agreement or by applicable law.

If the board of directors does not so fix a record date, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the business day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the business day next preceding the day on which the meeting is held.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting unless the board of directors fixes a new record date for the adjourned meeting, but the board of directors shall fix a new record date if the meeting is adjourned for more than thirty (30) days from the date set for the original meeting.

The record date for any other purpose shall be as provided in Section 8.1 of these Bylaws.

2.13 PROXIES. Every person entitled to vote for directors, or on any other matter, shall have the right to do so either in person or by one or more agents authorized by a written proxy, which may be in the form of a telegram, cablegram, or other means of electronic transmission, signed by the person and filed with the secretary of the corporation, but no such proxy shall be voted or acted upon after three (3) years from its date, unless the proxy provides for a longer period. A proxy shall be deemed signed if the stockholder's name is placed on the proxy (whether by manual signature, typewriting, telegraphic transmission or otherwise) by the stockholder or the stockholder's attorney-in-fact. A duly executed proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest

sufficient in law to support an irrevocable power. A stockholder may revoke any proxy which is not irrevocable by attending the meeting and voting in person or by filing an instrument in writing revoking the proxy or by filing another duly executed proxy bearing a later date with the secretary of the corporation.

A proxy is not revoked by the death or incapacity of the maker unless, before the vote is counted, written notice of such death or incapacity is received by the corporation.

2.14 INSPECTORS OF ELECTION. Before any meeting of stockholders, the board of directors shall appoint an inspector or inspectors of election to act at the meeting or its adjournment. The number of inspectors shall be either one (1) or three (3). If any person appointed as inspector fails to appear or fails or refuses to act, then the chairman of the meeting may, and upon the request of any stockholder or a stockholder's proxy shall, appoint a person to fill that vacancy.

Such inspectors shall:

- (a) determine the number of shares outstanding and the voting power of each, the number of shares represented at the meeting, the existence of a quorum, and the authenticity, validity, and effect of proxies;
- (b) receive votes, ballots or consents;
- (c) hear and determine all challenges and questions in any way arising in connection with the right to vote;
- (d) count and tabulate all votes or consents;
- (e) determine when the polls shall close;
- (f) determine the result; and
- (g) do any other acts that may be proper to conduct the election or vote with fairness to all stockholders.

The inspectors of election shall perform their duties impartially, in good faith, to the best of their ability and as expeditiously as is practical. If there are three (3) inspectors of election, the decision, act or certificate of a majority is effective in all respects as the decision, act or certificate of all. Any report or certificate made by the inspectors of election is prima facie evidence of the facts stated therein.

ARTICLE III

DIRECTORS

3.1 POWERS. Subject to the provisions of the General Corporation Law of Delaware and to any limitations in the Certificate of Incorporation or these Bylaws relating to action required to be approved by the stockholders or by the outstanding shares, the business and affairs of the corporation shall be managed and all corporate powers shall be exercised by or under the direction of the board of directors.

3.2 NUMBER AND TERM OF OFFICE. The authorized number of directors shall be not less than eight (8) nor more than seventeen (17). Within such limits, the exact number of directors shall be as fixed from time to time by the board of directors. An indefinite number of directors may be fixed, or the definite number of directors may be changed by a duly adopted amendment to the Certificate of Incorporation or by an amendment to the bylaw duly adopted by the stockholders or board of directors.

No reduction of the authorized number of directors shall have the

effect of removing any director before that director's term of office expires. If for any cause, the directors shall not have been elected at an annual meeting, they may be elected as soon thereafter as convenient at a special meeting of the stockholders called for that purpose in the manner provided in these Bylaws.

3.3 ELECTION AND TERM OF OFFICE OF DIRECTORS. Except as provided in Section 3.4 of these Bylaws, directors shall be elected at each annual meeting of stockholders to hold office until the next annual meeting. Each director, including a director elected or appointed to fill a vacancy, shall hold office until the expiration of the term for which elected and until a successor has been elected and qualified.

Directors need not be stockholders unless so required by the Certificate of Incorporation or by these Bylaws; wherein other qualifications for directors may be prescribed.

3.4 RESIGNATION AND VACANCIES. Any director may resign effective on giving written notice to the chairman of the board, the president, the secretary or the board of directors, unless the notice specifies a later time for that resignation to become effective. If the resignation of a director is effective at a future time, the board of directors may elect a successor to take office when the resignation becomes effective.

Unless otherwise provided in the Certificate of Incorporation or by these Bylaws, vacancies in the board of directors may be filled by a majority of the remaining directors, even if less than a quorum, or by a sole remaining director; however, a vacancy created by the removal of a director by the vote of the stockholders or by court order may be filled only by the affirmative vote of a majority of the voting power of shares represented and voting at a duly held meeting at which a quorum is present (which shares voting affirmatively also constitute a majority of the required quorum). Each director so elected shall hold office until the next annual meeting of the stockholders and until a successor has been elected and qualified.

Unless otherwise provided in the Certificate of Incorporation or these Bylaws:

- (i) Vacancies and newly created directorships resulting from any increase in the authorized number of directors elected by all of the stockholders having the right to vote as a single class may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director.
- (ii) Whenever the holders of any class or classes of stock or series thereof are entitled to elect one or more directors by the provisions of the Certificate of Incorporation, vacancies and newly created directorships of such class or classes or series may be filled by a majority of the directors elected by such class or classes or series thereof then in office, or by a sole remaining director so elected.

If at any time, by reason of death or resignation or other cause, the corporation should have no directors in office, then any officer or any stockholder or an executor, administrator, trustee or guardian of a stockholder, or other fiduciary entrusted with like responsibility for the person or estate of a stockholder, may call a special meeting of stockholders in accordance with the provisions of the Certificate of Incorporation or these Bylaws, or may apply to the Court of Chancery for a decree summarily ordering an election as provided in Section 211 of the General Corporation Law of Delaware.

If, at the time of filling any vacancy or any newly created directorship, the directors then in office constitute less than a majority of the whole board (as constituted immediately prior to any such increase), then the Court of Chancery may, upon application of any stockholder or stockholders

holding at least ten percent (10%) of the total number of the then outstanding shares having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in office as aforesaid, which election shall be governed by the provisions of Section 211 of the General Corporation Law of Delaware as far as applicable.

3.5 REMOVAL. Unless otherwise restricted by statute, by the Certificate of Incorporation or by these Bylaws, any director or the entire board of directors may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of directors; provided, however, that, if and so long as stockholders of the corporation are entitled to cumulative voting, if less than the entire board is to be removed, no director may be removed without cause if the votes cast against his removal would be sufficient to elect him if then

cumulatively voted at an election of the entire board of directors.

3.6 PLACE OF MEETINGS; MEETINGS BY TELEPHONE. Regular meetings of the board of directors may be held at any place within or outside the State of Delaware that has been designated from time to time by resolution of the board of directors. In the absence of such a designation, regular meetings shall be held at the principal executive office of the corporation. Special meetings of the board of directors may be held at any place within or outside the State of Delaware that has been designated in the notice of the meeting or, if not stated in the notice or if there is no notice, at the principal executive office of the corporation.

Any meeting, regular or special, may be held by conference telephone or similar communication equipment, so long as all directors participating in the meeting can hear one another; and all such directors shall be deemed to be present in person at the meeting.

3.7 REGULAR MEETINGS. Regular meetings of the board of directors may be held without notice if the times of such meetings are fixed by the board of directors.

3.8 SPECIAL MEETINGS; NOTICE. Special meetings of the board of directors for any purpose or purposes may be called at any time by the chairman of the board, the vice chairman of the board, the president, the chairman of the executive committee, any vice president or the secretary or by any two (2) or more of the directors.

Notice of the time and place of special meetings shall be delivered personally or by telephone to each director or sent by mail, telecopy, telegram or other electronic or wireless means, charges prepaid, addressed to each director at that director's address as it is shown on the records of the corporation or if the address is not readily ascertainable, notice shall be addressed to the director at the city or place in which the meetings of directors are regularly held. If the notice is mailed, it shall be deposited in the United States mail at least four (4) days before the time of the holding of the meeting. If the notice is delivered personally or by telephone, telecopy, telegram or other electronic or wireless means, it shall be delivered personally or by telephone or other electronic or wireless means or to the telegraph company at least twenty-four (24) hours before the time of the holding of the meeting. Any oral notice given personally or by telephone may be communicated either to the director or to a person at the office of the director who the person giving the notice has reason to believe will promptly communicate it to the director. If the meeting is to be held at the principal executive office of the corporation, the notice need not specify the place of the meeting. Moreover, a notice of special meeting need not state the purpose of such meeting, and, unless indicated in the notice thereof, any and all business may be transacted at a special meeting.

3.9 QUORUM. A majority of the authorized number of directors shall

constitute a quorum for the transaction of business, except to fill vacancies in the board of directors as provided in Section 3.4 and to adjourn as provided in Section 3.11 of these Bylaws. Every act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the board of directors, subject to the provisions of the Certificate of Incorporation and applicable law.

A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

3.10 WAIVER OF NOTICE. Notice of a meeting need not be given to any director (i) who signs a waiver of notice or a consent to holding the meeting or an approval of the minutes thereof, whether before or after the meeting, or (ii) who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to such directors. The transactions of any meeting of the board, however called and noticed or wherever held, are as valid as though had at a meeting duly held after regular call and notice if a quorum is present and if,

either before or after the meeting, each of the directors not present signs a written waiver of notice. All such waivers shall be filed with the corporate records or made part of the minutes of the meeting. A waiver of notice need not specify the purpose of any regular or special meeting of the board of directors.

3.11 ADJOURNMENT. A majority of the directors present, whether or not constituting a quorum, may adjourn any meeting to another time and place.

3.12 NOTICE OF ADJOURNMENT. Notice of the time and place of holding an adjourned meeting need not be given if announced unless the meeting is adjourned for more than twenty-four (24) hours. If the meeting is adjourned for more than twenty-four (24) hours, then notice of the time and place of the adjourned meeting shall be given before the adjourned meeting takes place, in the manner specified in Section 3.8 of these Bylaws, to the directors who were not present at the time of the adjournment.

3.13 BOARD ACTION BY WRITTEN CONSENT WITHOUT A MEETING. Any action required or permitted to be taken by the board of directors may be taken without a meeting, provided that all members of the board of directors individually or collectively consent in writing to that action. Such action by written consent shall have the same force and effect as a unanimous vote of the board of directors. Such written consent and any counterparts thereof shall be filed with the minutes of the proceedings of the board.

3.14 ORGANIZATION. Meetings of the board of directors shall be presided over by the chairman of the board, if any, or in his or her absence by the vice chairman of the board, if any, or in his or her absence by the chairman of the executive committee, if any, or in his or her absence by the president, if any, or in his or her absence by the executive vice president. In the absence of all such directors, a president pro tem chosen by a majority of the directors present shall preside at the meeting. The secretary shall act as secretary of the meeting, but in his or her absence the chairman of the meeting may appoint any person to act as secretary of the meeting.

3.15 FEES AND COMPENSATION OF DIRECTORS. Directors and members of committees may receive such compensation, if any, for their services and such reimbursement of expenses as may be fixed or determined by resolution of the board of directors. This Section 3.15 shall not be construed to preclude any director from serving the corporation in any other capacity as an officer, agent, employee or otherwise and receiving compensation for those services.

ARTICLE IV

COMMITTEES

4.1 COMMITTEES OF DIRECTORS. The board of directors may designate one (1) or more committees, each consisting of two or more directors, to serve at the pleasure of the board of directors. The board of directors may designate one (1) or more directors as alternate members of any committee, who may replace any absent member at any meeting of the committee. Any committee, to the extent provided in the resolution of the board, shall have all the authority of the board, but no such committee shall have the power or authority to (i) approve or adopt or recommend to the stockholders any action or matter that requires the approval of the stockholders or (ii) adopt, amend or repeal any Bylaw of the corporation.

4.2 MEETINGS AND ACTION OF COMMITTEES. Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of Article III of these Bylaws, Section 3.6 (place of meetings), Section 3.7 (regular meetings), Section 3.8 (special meetings and notice), Section 3.9 (quorum), Section 3.10 (waiver of notice), Section 3.11 (adjournment), Section 3.12 (notice of adjournment), and Section 3.13 (action without meeting), with such changes in the context of those Bylaws as are necessary to substitute the committee

and its members for the board of directors and its members; provided, however, that the time of regular meetings of committees may be determined either by resolution of the board of directors or by resolution of the committee, that special meetings of committees may also be called by resolution of the board of directors, and that notice of special meetings of committees shall also be given to all alternate members, who shall have the right to attend all meetings of the committee. The board of directors may adopt rules for the government of any committee not inconsistent with the provisions of these Bylaws.

4.3 EXECUTIVE COMMITTEE. In the event that the board of directors appoints an executive committee, such executive committee, in all cases in which specific directions to the contrary shall not have been given by the board of directors, shall have and may exercise, during the intervals between the meetings of the board of directors, all the powers and authority of the board of directors in the management of the business and affairs of the corporation (except as provided in Section 4.1 hereof) in such manner as the executive committee may deem in the best interests of the corporation.

ARTICLE V

OFFICERS

5.1 OFFICERS. The officers of this corporation shall consist of a president, one or more vice presidents, a secretary and a chief financial officer who shall be chosen by the Board of Directors and such other officers, including but not limited to a chairman of the board, a vice chairman of the board, a chairman of the executive committee and a treasurer as the board of directors shall deem expedient, who shall be chosen in such manner and hold their offices for such terms as the board of directors may prescribe. Any two or more of such offices may be held by the same person. The board of directors may designate one or more vice presidents as executive vice presidents or senior vice presidents. Either the chairman of the board, the vice chairman of the board, the chairman of the executive committee, or the president, as the board of directors may designate from time to time, shall be the chief executive officer of the corporation. The board of directors may from time to time designate the president or any executive vice president as the chief operating officer of the corporation. Any vice president, treasurer or assistant treasurer, or assistant secretary respectively may exercise any of the powers of the president, the chief financial officer, or the secretary, respectively, as directed by the board of directors and shall perform such other duties as are imposed upon such officer by the Bylaws or the board of directors.

5.2 ELECTION OF OFFICERS. In addition to officers elected by the board of directors in accordance with Sections 5.1 and 5.3, the corporation may have one or more appointed vice presidents. Such vice presidents may be appointed by the chairman of the board or the president and shall have such duties as may be established by the chairman or president. Vice presidents appointed pursuant to this Section 5.2 may be removed in accordance with Section 5.4.

5.3 TERMS OF OFFICE AND COMPENSATION. The term of office and salary of each of said officers and the manner and time of the payment of such salaries shall be fixed and determined by the board of directors and may be altered by said board from time to time at its pleasure, subject to the rights, if any, of said officers under any contract of employment.

5.4 REMOVAL; RESIGNATION OF OFFICERS AND VACANCIES. Any officer of the corporation may be removed at the pleasure of the board of directors at any meeting or by vote of stockholders entitled to exercise the majority of voting power of the corporation at any meeting or at the pleasure of any officer who may be granted such power by a resolution of the board of directors. Any officer may resign at any time upon written notice to the corporation without prejudice to the rights, if any, of the corporation under any contract to which the officer is a party. If any vacancy occurs in any office of the corporation, the board of directors may elect a successor to fill such vacancy

for the remainder of the unexpired term and until a successor is duly chosen and qualified.

5.5 CHAIRMAN OF THE BOARD. The chairman of the board, if such an officer be elected, shall provide advisory services to the President when and as requested by the President; shall, if present, preside at meetings of the board of directors and stockholders; may call meeting of the stockholders and also of the board of directors to be held, subject to the limitations prescribed by law or by these Bylaws, at such times and at such places as the chairman may deem proper; and shall exercise and perform such other duties as may from time to time be agreed to by the chairman and the President. The chairman of the board shall report to the board of directors.

5.6 VICE CHAIRMAN OF THE BOARD. The vice chairman of the board of directors, if there shall be one, shall, in the case of the absence, disability or death of the chairman, exercise all the powers and perform all the duties of the chairman of the board. The vice chairman shall have such other powers and perform such other duties as may be granted or prescribed by the board of directors.

5.7 CHAIRMAN OF EXECUTIVE COMMITTEE. The chairman of the executive committee, if there be one, shall have the power to call meetings of the stockholders and also of the board of directors to be held subject to the limitations prescribed by law or by these Bylaws, at such times and at such places as the chairman of the executive committee shall deem proper. The chairman of the executive committee shall have such other powers and be subject to such other duties as the board of directors may from time to time prescribe.

- 5.8 PRESIDENT. The powers and duties of the president are:
- (a) To have and provide general supervision, direction and control of the corporation's business and its officers.
 - (b) To call meetings of the board of directors to be held, subject to the limitations prescribed by law or by these Bylaws, at such times and at such places as the president shall deem proper.
 - (c) To affix the signature of the corporation to all deeds, conveyances, mortgages, leases, obligations, bonds, certificates and other papers and instruments in writing which

have been authorized by the board of directors or which, in the judgment of the president, should be executed on behalf of the corporation, and to sign certificates for shares of stock of the corporation.

- (d) To have such other powers and be subjected to such other duties as the board of directors may from time to time prescribe.

5.9 VICE PRESIDENTS. In case of the absence, disability or death of the president, the elected vice president, or one of the elected vice presidents, shall exercise all the powers and perform all the duties of the president. If there is more than one elected vice president, the order in which the elected vice presidents shall succeed to the powers and duties of the president shall be as fixed by the board of directors. The elected vice president or elected vice presidents shall have such other powers and perform such other duties as may be granted or prescribed by the

board of directors.

Vice presidents appointed pursuant to Section 5.2 shall have such powers and duties as may be fixed by the chairman or president, except that such appointed vice presidents may not exercise the powers and duties of the president.

5.10 SECRETARY. The powers and duties of the secretary are:

- (a) To keep a book of minutes at the principal office of the corporation, or such other place as the board of directors may order, of all meetings of its directors and stockholders with the time and place of holding, whether regular or special, and, if special, how authorized, the notice thereof given, the names of those present at directors' meetings, the number of shares present or represented at stockholders' meetings and the proceedings thereof.
- (b) To keep the seal of the corporation and affix the same to all instruments which may require it.
- (c) To keep or cause to be kept at the principal office of the corporation, or at the office of the transfer agent or agents, a share register, or duplicate share registers, showing the names of the stockholders and their addresses, the number of and classes of shares, and the number and date of cancellation of every certificate surrendered for cancellation.
- (d) To keep a supply of certificates for shares of the corporation, to fill in all certificates issued, and to make a proper record of each such issuance; provided, that so long as the corporation shall have one or more duly appointed and acting transfer agents of the shares, or any class or series of shares, of the corporation, such duties with respect to such shares shall be performed by such transfer agent or transfer agents.
- (e) To transfer upon the share books of the corporation any and all shares of the corporation; provided, that so long as the corporation shall have one or more duly appointed and acting transfer agents of the shares, or any class or series of shares, of the corporation, such duties with respect to such shares shall be performed by such transfer agent or transfer agents, and the method of transfer of each certificate shall be subject to the reasonable regulations of the transfer agent to which the certificate is presented for transfer, and also, if the corporation then has one or more duly appointed and acting registrars, to the reasonable regulations of the

registrar to which the new certificate is presented for registration; and

provided, further that no certificate for shares of stock shall be issued or delivered or, if issued or delivered, shall have any validity whatsoever until and unless it has been signed or authenticated in the manner provided in Section 8.5 hereof.

- (f) To make service and publication of all notices that may be necessary or proper, and without command or direction from anyone. In case of the absence, disability, refusal, or neglect of the secretary to make service or publication of any notices, then such notices may be served and/or published by the president or a vice president, or by any person thereunto authorized by either of them or by the board of directors or by the holders of a majority of the outstanding shares of the corporation.
- (g) Generally to do and perform all such duties as pertain to the office of secretary and as may be required by the board of directors.

5.11 CHIEF FINANCIAL OFFICER. The powers and duties of the chief financial officer are:

- (a) To supervise the corporate-wide treasury functions and financial reporting to external bodies.
- (b) To have the custody of all funds, securities, evidence of indebtedness and other valuable documents of the corporation and, at the chief financial officer's discretion, to cause any or all thereof to be deposited for account of the corporation at such depository as may be designated from time to time by the board of directors.
- (c) To receive or cause to be received, and to give or cause to be given, receipts and acquittances for monies paid in for the account of the corporation.
- (d) To disburse, or cause to be disbursed, all funds of the corporation as may be directed by the board of directors, taking proper vouchers for such disbursements.
- (e) To render to the president and to the board of directors, whenever they may require, accounts of all transactions and of the financial condition of the corporation.
- (f) Generally to do and perform all such duties as pertain to the office of chief financial officer and as may be required by the board of directors.

ARTICLE VI

INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES AND OTHER AGENTS

6.1 INDEMNIFICATION OF DIRECTORS AND OFFICERS. The corporation shall, to the maximum extent and in the manner permitted by the General Corporation Law of Delaware, indemnify each of its directors and officers against expenses (including attorneys' fees), judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any proceeding, arising by reason of the fact that such person is or was an agent of the corporation; provided, however, that the corporation may modify the

extent of such indemnification by individual contracts with its directors and executive officers and, provided, further, that the corporation shall not be required to indemnify any director or officer in connection with any proceeding (or part thereof) initiated by such person unless (i) such indemnification is expressly required to be made by law, (ii) the proceeding was authorized in advance by the board of directors of the corporation, (iii) such indemnification is provided by the corporation, in its sole discretion, pursuant to the powers vested in the corporation under the General Corporation Law of Delaware or (iv) such indemnification is required to be made pursuant to an individual contract. For purposes of this Section 6.1, a "director" or "officer" of the corporation includes any person (i) who is or was a director or officer of the corporation, (ii) who is or was serving at the request of the corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, or (iii) who was a director or officer of a corporation which was a predecessor corporation of the corporation or of another enterprise at the request of such predecessor corporation.

6.2 INDEMNIFICATION OF OTHERS. The corporation shall have the power, to the maximum extent and in the manner permitted by the General Corporation Law of Delaware, to indemnify each of its employees and agents (other than directors and officers) against expenses (including attorneys' fees), judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any proceeding, arising by reason of the fact that such person is or was an agent of the corporation. For purposes of this Section 6.2, an "employee" or "agent" of the corporation (other than a director or officer) includes any person (i) who is or was an employee or agent of the corporation, (ii) who is or was serving at the request of the corporation as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise, or (iii) who was an employee or agent of a corporation which was a predecessor corporation of the corporation or of another enterprise at the request of such predecessor corporation.

6.3 INSURANCE. The corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another

corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the corporation would have the power to indemnify him or her against such liability under the provisions of the General Corporation Law of Delaware.

6.4 EXPENSES. The corporation shall advance to any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she is or was a director or officer of the corporation, or is or was serving at the request of the corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, prior to the final disposition of the proceeding, promptly following request therefor, all expenses incurred by any director or officer in connection with such proceeding, upon receipt of an undertaking by or on behalf of such person to repay said amounts if it should be determined ultimately that such person is not entitled to be indemnified under this Bylaw or otherwise; provided, however, that the corporation shall not be required to advance expenses to any director or officer in connection with any proceeding (or part thereof) initiated by such person unless the proceeding was authorized in advance by the board of directors of the corporation.

Notwithstanding the foregoing, unless otherwise determined pursuant to Section 6.5, no advance shall be made by the corporation to an officer of the corporation (except by reason of the fact that such officer is or was a director of the corporation in which event this paragraph shall not apply) in any action, suit or proceeding, whether civil, criminal, administrative or investigative, if a determination is reasonably and promptly made (i) by the

board of directors by a majority vote of a quorum consisting of directors who were not parties to the proceeding, or (ii) if such quorum is not obtainable, or, even if obtainable, a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, that the facts known to the decision-making party at the time such determination is made demonstrate clearly and convincingly that such person acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of the corporation.

6.5 NON-EXCLUSIVITY OF RIGHTS. The rights conferred on any person by this Bylaw shall not be exclusive of any other right which such person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, Bylaws, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding office. The corporation is specifically authorized to enter into individual contracts with any or all of its directors, officers, employees or agents respecting indemnification and advances, to the fullest extent not prohibited by the General Corporation

Law of Delaware.

6.6 SURVIVAL OF RIGHTS. The rights conferred on any person by this Bylaw shall continue as to a person who has ceased to be a director, officer, employee or other agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

6.7 AMENDMENTS. Any repeal or modification of this Bylaw shall only be prospective and shall not affect the rights under this Bylaw in effect at the time of the alleged occurrence of any action or omission to act that is the cause of any proceeding against any agent of the corporation.

ARTICLE VII

RECORDS AND REPORTS

7.1 MAINTENANCE AND INSPECTION OF RECORDS. The corporation shall, either at its principal executive office or at such place or places as designated by the board of directors, keep a record of its stockholders listing their names and addresses and the number and class of shares held by each stockholder, a copy of these Bylaws as amended to date, accounting books and other records.

Any stockholder of record, in person or by attorney or other agent, shall, upon written demand under oath stating the purpose thereof, have the right during the usual hours for business to inspect for any proper purpose the corporation's stock ledger, a list of its stockholders, and its other books and records and to make copies or extracts therefrom. A proper purpose shall mean a purpose reasonably related to such person's interest as a stockholder. In every instance where an attorney or other agent is the person who seeks the right to inspection, the demand under oath shall be accompanied by a power of attorney or such other writing that authorizes the attorney or other agent to so act on behalf of the stockholder. The demand under oath shall be directed to the corporation at its registered office in Delaware or at its principal place of business.

7.2 INSPECTION BY DIRECTORY. Any director shall have the right to examine the corporation's stock ledger, a list of its stockholders and its other books and records for a purpose reasonably related to his or her position as a director. The Court of Chancery is hereby vested with the exclusive jurisdiction to determine whether a director is entitled to the inspection sought. The Court may summarily order the corporation to permit the director to inspect any and all books and records, the stock ledger, and the stock list and to make copies or extracts therefrom. The Court may, in its discretion, prescribe any limitations or conditions with reference to the inspection, or award such other and further relief as the Court may deem just and proper.

7.3 REPRESENTATION OF SHARES OF OTHER CORPORATIONS. The president or any other officer of this corporation authorized by the board of directors is authorized to vote, represent, and exercise on behalf of this corporation all rights incident to any and all shares of any other corporation or corporations standing in the name of this corporation. The authority herein granted may be exercised either by such person directly or by any other person authorized to do so by proxy or power of attorney duly executed by such person having the authority.

ARTICLE VIII

GENERAL MATTERS

8.1 RECORD DATE FOR PURPOSES OTHER THAN NOTICE AND VOTING. For purposes of determining the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any other lawful action, the board of directors may fix, in advance, a record date, which shall not be more than sixty (60) days before any such action. In that case, only stockholders of record at the close of business on the date so fixed are entitled to receive the dividend, distribution or allotment of rights, or to exercise such rights, as the case may be, notwithstanding any transfer of any shares on the books of the corporation after the record date so fixed, except as otherwise provided in the Certificate of Incorporation, by these Bylaws, by agreement or by law.

If the board of directors does not so fix a record date, then the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the board adopts the applicable resolution or the sixtieth (60th) day before the date of that action, whichever is later.

8.2 CHECKS; DRAFTS; EVIDENCES OF INDEBTEDNESS. From time to time, the board of directors shall determine by resolution which person or persons may sign or endorse all checks, drafts, other orders for payment of money, notes or other evidences of indebtedness that are issued in the name of or payable to the corporation, and only the persons so authorized shall sign or endorse those instruments.

8.3 CORPORATE CONTRACTS AND INSTRUMENTS; HOW EXECUTED. The board of directors, except as otherwise provided in these Bylaws, may authorize any officer or officers, or agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the corporation; such authority may be general or confined to specific instances. Unless so authorized or ratified by the board of directors or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the corporation by any

contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

8.4 FISCAL YEAR. The fiscal year of this corporation shall begin on the first day of November of each year and end on the last day of October of the following year.

8.5 STOCK CERTIFICATES. There shall be issued to each holder of fully paid shares of the capital stock of the corporation a certificate or certificates for such shares. Every holder of shares of the corporation shall be entitled to have a certificate signed by, or in the name of the corporation by, the chairman or vice chairman of the board of directors, or the president or a vice president, and by the treasurer or an assistant treasurer, or the secretary or an assistant secretary of such corporation representing the number of shares registered in certificate form. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he or

she were such officer, transfer agent or registrar at the date of issue.

8.6 SPECIAL DESIGNATION ON CERTIFICATES. If the corporation is authorized to issue more than one class of stock or more than one series of any class, then the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate that the corporation shall issue to represent such class or series of stock; provided, however, that, except as otherwise provided in Section 202 of the General Corporation Law of Delaware, in lieu of the foregoing requirements there may be set forth on the face or back of the certificate that the corporation shall issue to represent such class or series of stock a statement that the corporation will furnish without charge to each stockholder who so requests the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

8.7 LOST CERTIFICATES. The corporation may issue a new share certificate or new certificate for any other security in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the corporation may require the owner of the lost, stolen or destroyed certificate or the owner's legal representative to give the corporation a bond (or other adequate security) sufficient to indemnify it against any claim that may be made against it (including any expense or liability) on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate. The board of directors may adopt such

other provisions and restrictions with reference to lost certificates, not inconsistent with applicable law, as it shall in its discretion deem appropriate.

8.8 CONSTRUCTION; DEFINITIONS. Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the General Corporation Law of Delaware shall govern the construction of these Bylaws. Without limiting the generality of this provision, the singular number includes the plural, the plural number includes the singular, and the term "person" includes both a corporation and a natural person.

8.9 PROVISIONS ADDITIONAL TO PROVISIONS OF LAW. All restrictions, limitations, requirements and other provisions of these Bylaws shall be construed, insofar as possible, as supplemental and additional to all provisions of law applicable to the subject matter thereof and shall be fully complied with in addition to the said provisions of law unless such compliance shall be illegal.

8.10 PROVISIONS CONTRARY TO PROVISIONS OF LAW. Any article, section, subsection, subdivision, sentence, clause or phrase of these Bylaws which upon being construed in the manner provided in Section 8.9 hereof, shall be contrary to or inconsistent with any applicable provisions of law, shall not apply so long as said provisions of law shall remain in effect, but such result shall not affect the validity or applicability of any other portions of these Bylaws, it being hereby declared that these Bylaws would have been adopted and each article, section, subsection, subdivision, sentence, clause or phrase thereof, irrespective of the fact that any one or more articles, sections, subsections, subdivisions, sentences, clauses or phrases is or are illegal.

8.11 NOTICES. Any reference in these Bylaws to the time a notice is given or sent means, unless otherwise expressly provided, the time a written notice by mail is deposited in the United States mails, postage prepaid; or the time any other written notice is personally delivered to the recipient or is delivered to a common carrier for transmission, or actually transmitted by the person giving the notice by electronic means, to the recipient; or the time any oral notice is communicated, in person or by telephone or wireless, to the

recipient or to a person at the office of the recipient who the person giving the notice has reason to believe will promptly communicate it to the recipient.

ARTICLE IX

AMENDMENTS

Subject to Section 6.7 hereof, the original or other bylaws of the corporation may be adopted, amended or repealed by the stockholders entitled to vote; provided, however, that the corporation may, in its certificate of incorporation, confer the power to adopt, amend or repeal bylaws upon the directors. The fact that such power has been so conferred upon the directors shall not divest the stockholders of the power, nor limit their power to adopt, amend or repeal bylaws.

Whenever an amendment or new bylaw is adopted, it shall be copied in the book of bylaws with the original bylaws, in the appropriate place. If any bylaw is repealed, the fact of repeal with the date of the meeting at which the repeal was enacted or the filing of the operative written consent(s) shall be stated in said book.

As amended effective November 19, 1999

HEWLETT-PACKARD COMPANY

1985 INCENTIVE COMPENSATION PLAN

PART 1. PLAN ADMINISTRATION AND ELIGIBILITY

I. PURPOSE

The purpose of this 1985 Incentive Compensation Plan (the "Plan") of Hewlett-Packard Company (the "Company") is to encourage ownership in the Company by key personnel whose long-term employment is considered essential to the Company's continued progress and thus to provide them with a further incentive to continue in the employ of the Company or its subsidiaries. (The Company and all such subsidiaries are collectively referred to hereinafter as the "Participating Companies.")

II. ADMINISTRATION

The Board of Directors (the "Board") of the Company or any committee (the "Committee") of the Board that will satisfy Rule 16b-3 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and any regulations promulgated thereunder, as from time to time in effect, including any successor rule ("Rule 16b-3"), shall supervise and administer the Plan. The Committee shall consist solely of two or more non-employee directors of the Company, who shall be appointed by the Board. A member of the Board shall be deemed to be a "non-employee director" only if he satisfies such requirements as the Securities and Exchange Commission may establish for non-employee directors under Rule 16b-3. Members of the Board receive no additional compensation for their services in connection with the administration of the Plan.

The Committee or the Board shall from time to time designate the key employees of the Participating Companies who shall be granted stock options, stock or cash awards under the Plan and the amount and nature of the award granted to each such employee.

The Board or the Committee may adopt such rules or guidelines as it deems appropriate to implement the Plan. All questions of interpretation of the Plan or of any shares issued under it shall be determined by the Board or the Committee and such determination shall be final and binding upon all persons having an interest in the Plan. Any or all powers and discretion vested in the Board or the Committee under this Plan may be exercised by any subcommittee so authorized by the Board or the Committee and satisfying the requirements of Rule 16b-3 for employees subject to Section 16 of the Exchange Act. In addition, the Board or the Committee may delegate to the Executive Committee of the Board of Directors the power to approve stock options and stock awards to employees not subject to Section 16 of the Exchange Act.

III. PARTICIPATION IN THE PLAN

Key employees of the Company, including officers (with the exception of Messrs. David Packard and William R. Hewlett), and directors of the Company who are also employed by a Participating Company shall be eligible to participate in the Plan.

IV. STOCK SUBJECT TO THE PLAN

The maximum number of shares which may be optioned or awarded under the Plan shall be Twelve Million (12,000,000) shares of the Company's \$1 par value Common Stock. If a class of Preferred Stock is created and authorized by the Company's Amended Articles of Incorporation, Preferred Stock may be used in lieu of Common Stock for awarded Plan grants. The limitation on the number of shares which may be optioned or awarded under the Plan shall be subject under

the Plan shall be subject to adjustment as provided in Section XX of the Plan.

The grant of a stock award not pursuant to an option under the Plan ("Stock Award") shall be subject to such restrictions as the Committee shall determine to be appropriate, including but not limited to restrictions on resale, repurchase provisions, special vesting requirements or forfeiture provisions.

If any outstanding option under the Plan for any reason expires or is terminated without having been exercised in full, or if any Stock Awards are forfeited, the forfeited shares or shares allocable to the unexercised portion of such option shall again become available for grant pursuant to the Plan.

Upon the grant of a Stock Award or the exercise of an option, the Company may issue new shares or reissue shares previously repurchased by or on behalf of the Company. If shares are to be repurchased and reissued, the Company shall determine, on or before the last day of each fiscal quarter, the amount, if any, of the Company's Common Stock to be purchased by a broker or other independent agent designated by the Company (the "Broker") in the following quarter for delivery under the Plan. Stock so purchased by the Broker shall be restored to the status of authorized but unissued shares. The amounts of stock to be purchased may be all or less than all of the projected requirements of the Plan. It is not the intent of the Company that purchases by the Broker exceed actual Plan requirements for the quarter. In such an event, however, excess shares would be carried over to help satisfy Plan requirements in the following quarter. To the extent that the amounts purchased by the Broker do not meet actual Plan requirements, the Company shall issue original shares. The Broker shall be free to purchase such stock at such times, at such prices and in such amounts as the Broker deems appropriate, whether through brokers or by purchase from securities dealers, both on and off the national exchanges, or by private sale or otherwise; provided that the Broker shall purchase the full number of shares required by the Company to be purchased for that quarter, and that such purchases shall be consistent with such conditions as may be prescribed from time to time by law or by the Securities and Exchange Commission ("SEC") in any rule or regulation or in any exemptive order or no-action letter issued by the SEC to the Company or the Broker with respect to the making of such purchases, or otherwise. As commitments for such purchases are made by the Broker, the Company shall, upon written consent of the Broker, deliver to the Broker the funds necessary to consummate such purchases and pay any brokerage and related incidental charges. All amounts transferred to the Broker by the Company shall be promptly invested in the Company's Common Stock, in no event later than 30 days after delivery of such funds by the Company.

PART 2. OPTIONS AND STOCK APPRECIATION RIGHTS

V. INCENTIVE STOCK OPTIONS

Any option granted under the Plan may be designated by the Committee as a non-statutory option or as an incentive stock option ("ISO") entitled to special tax treatment under Section 422A of the Internal Revenue Code of 1954, as amended to date and as may be amended from time to time (the "Code").

No option intended to qualify as an ISO may be granted under the Plan if such grant, together with any applicable prior grants, would exceed any maximum established under the Code for ISOs that may be granted to a single employee. Should it be determined that any ISO granted under the Plan exceeds such maximum, the ISO shall be null and void to the extent, but only to the extent, of such excess. Section 422A(b) (8) of the Code presently provides that the aggregate fair market value (determined as of the time the ISO is granted) of the stock for which any employee may be granted ISOs in any calendar year under all incentive stock option plans of the Company shall not exceed \$100,000 plus any unused limit carryover (as defined in the Code) to such year.

Nothing in this section shall be deemed to prevent the grant of options in excess of the maximum established by the Code where such excess

amount is treated as a non-statutory option not entitled to special tax treatment under Section 422A of the Code.

VI. TERMS, CONDITIONS AND FORM OF OPTIONS

Each option granted under this Plan shall be authorized by action of the Committee and shall be evidenced by a written agreement in such form as the Committee shall from time to time approve, which agreements shall comply with and be subject to the following terms and conditions:

A. **OPTIONS NON-TRANSFERABLE.** Each option granted under the Plan by its terms shall not be transferable by the optionee otherwise than by will, or by the laws of descent and distribution, and shall be exercised during the lifetime of the optionee only by him. No option or interest therein may be transferred, assigned pledged or hypothecated by the optionee during his lifetime, whether by operation of law or otherwise, or be made subject to execution, attachment or similar process.

B. **PERIOD OF OPTION.** No option may be exercised before the first anniversary of the date upon which it was granted, nor may it be exercised as to more than one-fourth of the number of shares covered thereby before the second anniversary of such date, nor as to more than one-half of the number of shares covered thereby before the third anniversary of such date; provided, however, that any option granted pursuant to the Plan shall become exercisable in full upon the retirement of the optionee because of age or total and permanent disability or upon the death of the optionee. No option shall be exercisable after the expiration of ten (10) years from the date upon which such option is granted. Each option shall be subject to termination before its date of expiration as hereinafter provided.

C. **EXERCISE OF OPTIONS.** Options may be exercised only by written notice to the Company at its head office accompanied by payment in cash of the full consideration for the shares as to which they are exercised. In addition, if and to the extent authorized by the Committee, optionees may make all or any portion of any payment due to the Company upon exercise of an option by delivery of any property (including securities of the Company) other than cash, so long as such property constitutes valid consideration for the stock under applicable law.

No option may be exercised while the optionee is on any leave of absence from the Company other than an approved Medical Leave. Options will continue to vest during any authorized leave of absence, and may be exercised to the extent permitted by Section VI(B) upon the optionee's return to an active employment status.

No ISO shall be exercisable while there is outstanding (within the meaning of Section 422A(c) (7) of the Code) any ISO (within the meaning of Section 422A(b) of the Code) which was granted, before the granting of such ISO, to the holder of such ISO permitting the purchase of stock of the Company, or of any corporation which (at the time of the granting of such ISO) is a parent or subsidiary corporation of the Company, or of a predecessor corporation of any such corporations.

D. **TERMINATION OF OPTIONS.** ALL rights of an employee in an option, to the extent that it has not been exercised, shall terminate upon the termination of his employment for any reason other than the death of the employee or retirement because of age or total and permanent disability and in case of such retirement three (3) months from the date thereof. In the event of the death of the employee, the option shall terminate upon failure of his designated representative to exercise the option in accordance with the time period provided in subsection "E" below.

E. **EXERCISE BY REPRESENTATIVE FOLLOWING DEATH OF EMPLOYEE.** The employee, by written notice to the Company, may designate one or more persons (and from time to time change such designation) including his legal

representative, who, by reason of his death, shall acquire the right to exercise all or a portion of the option. If the person or persons so designated wish to exercise any portion of the option, they must do so within one (1) year after the death of the employee or retired employee, as the case may be. All rights of the representative(s) in the option shall terminate upon failure to exercise the option within the time period set forth in this subsection E. Any exercise by a representative shall be subject to the provisions of this Plan.

VII. MODIFICATION, EXTENSION AND RENEWAL OF OPTIONS

The Company's Board of Directors and the Committee shall each have the power to modify, extend or renew outstanding options and authorize the grant of new options in substitution therefor, provided that any such action may not have the effect of altering or impairing any rights or obligations of any option previously granted without the consent of the optionee.

The Board of Directors and the Committee shall have the power to lower the exercise price of an outstanding option not intended to qualify as an ISO under the Code; provided, however, that the exercise price per share may not be reduced below the fair market value of a share of Common Stock of the Company on the date the action is taken to reduce the exercise price. Such fair market value shall be deemed to be the mean of the highest and lowest quoted selling prices for such shares on that date as reported on The New York Stock Exchange Composite Tape.

VIII. OPTION PRICE

The option price per share for the shares covered by each option shall be not less than one hundred percent (100%) of the fair market value of a share of Common Stock of the Company on the date the option is granted. Such fair market value shall be deemed to be the mean of the highest and lowest quoted selling prices for such share on that date as reported on The New York Stock Exchange Composite Tape.

IX. LOANS FOR EXERCISE OF OPTIONS

Any option agreement under this Plan entered into with an employee may, but need not, provide that the Company shall lend to the employee who holds the option the funds for any exercise of his option. Such loans shall be at a rate of interest adequate to avoid imputation of income under Sections 483 and 7872 of the Code and shall be for a term not to exceed fifteen (15) months from the date of exercise of the related option, and shall be subject to such other terms and conditions as shall be set forth in the option agreement, which terms and conditions shall be determined by the Committee at the time of the grant of the option. No such loan shall be secured directly or indirectly by any margin security (as that term is from time to time defined in the applicable Regulations of the Federal Reserve Board).

X. STOCK APPRECIATION RIGHTS

This section shall apply to employees who hold options heretofore or hereafter granted under the Plan ("Options") and who are or may hereafter be subject to Section 16 of the Securities Exchange Act of 1934. The Committee may, but shall not be required to, grant to such employees stock appreciation rights as herein provided with respect to not more than the number of shares from time to time subject to the Options held by such employees. The stock appreciation rights shall be integral parts of the respective Options and shall have no existence apart therefrom.

A stock appreciation right shall be the right of the holder thereof to elect to surrender part or all of any Option which is wholly exercisable, or of any exercisable portion of an Option which is partially exercisable, and receive in exchange therefor cash or shares (valued at current fair market value) or a combination thereof. Such cash or shares or combination shall have

an aggregate value ("Appreciation") equal to the excess of the current fair market value of one (1) share over the Option price of one (1) share specified in such Option multiplied by the number of shares subject to such Option or the portion thereof which is surrendered. The current fair market value of a share shall be the mean of the highest and lowest quoted selling prices for shares as reported on The New York Stock Exchange Composite Tape on the day on which a stock appreciation right is exercised, or if no sale was made on such date, then on the next preceding day on which such a sale was made. No fractional share shall be issued on the exercise of a stock appreciation right, and settlement therefor shall be made in cash.

Each stock appreciation right granted under this Plan shall be subject to the following terms and conditions: (1) each stock appreciation right shall be evidenced by a written agreement between the Company and the holder in such form as the Committee shall authorize; (2) each stock appreciation right granted under the Plan by its terms shall not be transferable by the holder otherwise than by will or by the law of descent and distribution, and shall be exercised during the lifetime of the holder only by him. No stock appreciation right or interest therein may be transferred, assigned, pledged or hypothecated by the holder during his lifetime, whether by operation of law or otherwise, or be made subject to execution, attachment or similar process; (3) all rights of an employee in a stock appreciation right, to the extent that it has not been exercised, shall terminate upon the death of the employee or the termination of his employment for any reason other than retirement because of age or total and permanent disability, and in case of such retirement three (3) months from the date thereof; provided, however, that the employee, by written notice to the Company, may designate one or more persons (and from time to time change such designation), including his legal representative, who, by reason of his death, shall acquire the right to exercise all or a portion of the rights accrued under the stock appreciation right as of the date of his death. If the person or persons so designated wish to exercise any portion of the stock appreciation right, they must do so within one (1) year after the death of the employee or retired employee, as the case may be, and such exercise shall be subject to the provisions of this Plan; (4) the life of stock appreciation rights shall be coterminous with the life of the Options.

The holder of a stock appreciation right may exercise the same by (1) filing with the Secretary of the Company a written election, which election shall be delivered by the Secretary to the Committee, specifying (a) the Option or portion thereof to be surrendered, (b) the percentage of the Appreciation which he desires to receive in cash, if any; and (2)

surrendering such Option for cancellation or partial cancellation, as the case may be; provided, however, that any election which specifies that the holder of a stock appreciation right desires to receive any portion of the Appreciation in cash shall be of no force or effect unless and until the Committee shall have consented to such election.

No stock appreciation right or related Option may be exercised during the first six months of its term, except in the event of death or total and permanent disability of the holder occurs prior to the expiration of this six-month period.

The Committee shall have the sole discretion to consent to approve or disapprove, in whole or in part, any election to receive any portion of the Appreciation in cash.

Upon exercise of a stock appreciation right, the number of shares reserved for issuance under the Plan shall be reduced by the number of shares covered by the Option, or the portion thereof, which is surrendered in connection with such exercise.

Nothing in the Plan shall be construed to give any eligible employee any right to be granted a stock appreciation right. Neither the Plan nor the granting of a stock appreciation right nor any other action taken pursuant to

the Plan shall constitute or be evidence of any agreement or understanding, express or implied, that the Company will employ the holder of a stock appreciation right for any period of time or in any position or at any particular rate of compensation. The holder of a stock appreciation right shall have no rights as a stockholder with respect to the shares covered by his stock appreciation right until the date of issuance to him of a stock certificate therefor, and, except as otherwise specifically provided in the stock option agreement for the Options, no adjustment will be made for dividends or other rights for which the record date is prior to the date such certificate is issued.

PART 3. STOCK AND CASH AWARDS

XI. STOCK AND CASH AWARD DETERMINATION

The Committee may grant an eligible employee Stock Awards or awards of cash ("Cash Awards") at such times and in such amounts as the Committee may designate which in its opinion fully reflect the performance level and potential of such employee. The Committee shall designate whether such awards are payable in Common Stock, cash, or a combination thereof. Such awards shall be made in accordance with such guidelines as the Committee may from time to time adopt. Stock and Cash Awards shall be independent of any grant of an option under this Plan, and shall be made subject to such restrictions as the Committee may determine to be appropriate.

XII. PAYMENT OF STOCK OR CASH AWARDS

A. No employee shall have the right to receive payment of any Stock or Cash Award until notified of the amount of such award, in writing, by the Committee or its authorized delegate.

B. Payment of cash awards shall be made in a lump sum or in annual installments over such period as the Committee may designate, which period shall not exceed five years, provided that the Committee may from time to time designate minimum installment amounts.

C. After an award of Common Stock subject to restrictions ("Restricted Stock"), certificates for such shares will be deposited in escrow with the Company's Secretary. The Employee shall retain all rights in the Restricted Stock while it is held in escrow including but not limited to voting rights and the right to receive dividends, except that the Employee shall not have the right to transfer or assign such shares until all restrictions pertaining to such shares are terminated at which time the applicable stock certificates shall be released from escrow and delivered to the employee by the Company's Secretary.

D. The Committee may permit, on such terms as it deems appropriate, use of Restricted Stock as partial or full payment upon exercise of a stock option under a Company Incentive Stock Option Plan or this Plan. In the event shares of Restricted Stock are so tendered as consideration for the exercise of an option, a number of the shares issued upon the exercise of said option, equal to the number of shares of Restricted Stock used as consideration therefor, shall be subject to the same Restrictions as the Restricted Stock so submitted. plus any additional Restrictions that may be imposed by the Committee.

XIII. TERMINATION OF RESTRICTIONS ON STOCK AWARDS

The Committee will establish the period or periods after which the Restrictions on Restricted Stock will lapse.

The Committee may in its discretion permit an employee to elect to receive in lieu of shares of Restricted Stock, at the expiration of the restrictions, a cash payment equal to the fair market value of the Restricted Stock on the date restrictions lapse. Fair market value shall be the mean of the high and low prices of such stock on The New York Stock Exchange Composite Tape on the date in question, or if no sales of such stock were made on that

date, the mean of the high and low prices of such stock on the next preceding day on which sales were made.

XIV. DEATH OR TOTAL AND PERMANENT DISABILITY OF A PARTICIPATING EMPLOYEE HOLDING RESTRICTED STOCK

By written notice to the Company, an employee who has received a grant of Restricted Stock may designate one or more persons (and from time to time change such designation) who, by reason of his death, shall acquire the right to receive any vested but unpaid awards held by the employee at the time of his death. Such awards shall be paid to the designated representative at such time and in such manner as if the employee were living.

In the event of total and permanent disability of an employee who has participated in the Plan, any unpaid but vested award shall be paid to the employee if legally competent or to a committee or other legally designated guardian or representative if the employee is legally incompetent.

After , the death or total and permanent disability of an employee, the Committee may in its sole discretion at any time terminate Restrictions upon stock awarded to the employee. A request to the Committee for the termination of Restrictions or the acceleration of payments not yet due may be made by the employee's beneficiary or representative, or by a totally and permanently disabled employee.

If at the time of the employee's death, there is no effective beneficiary designation as to all or some portion of the awards hereunder, such awards or such portion thereof shall be paid to or on the order of the legal representative of the employee's estate. In the event of uncertainty as to the interpretation or effect of any notice of designation, the Committee's decision with respect thereto shall be conclusive.

XV. RESTRICTIONS AND FORFEITURE OF STOCK AWARDS

The Company's obligation to deliver stock certificates held in escrow is subject to the condition that the employee remain an active employee of the Company or be under contract to provide services to the Company as provided in Section XVI hereof for the entire deferral and/or restriction period, including mandatory and optional deferrals. If the employee fails to meet this condition, the employee's right to any such unpaid amounts or undelivered stock certificates shall be forfeited. This provision may be waived by the Committee in exceptional circumstances.

XVI. RETIREMENT OF EMPLOYEE HOLDING STOCK AWARD

If the employee retires due to age, the Company's obligation to make any payment due thereafter under the Stock Award feature of the Plan is subject to the condition that for the entire period of deferral or restriction, including mandatory and optional deferrals:

A. The employee shall render as an independent contractor and not as an employee, such advisory or consultative services to the Company as shall be reasonably requested by the Board or the Executive Committee of the Board in writing from time to time, consistent with the state of the retired employee's health and any employment or other activities in which such employee may be engaged. For purposes of this Plan, the employee shall not be required to devote a major portion of time to such services and shall be entitled to reimbursement for any reasonable out-of-pocket expenses incurred in connection with the performance of such services;

B. The employee shall not render services for any organization or engage directly or indirectly in any business which, in the opinion of the Committee, competes with, or is in conflict with the interest of, the Company. The employee shall be free, however, to purchase as an investment or otherwise, stock or other securities of such organizations so long as they are listed upon a recognized securities exchange or traded over-the-counter, or so long as such investment

does not represent a substantial investment to the employee or a significant (greater than 1007o) interest in the particular organization. For the purposes of this subparagraph, a company (other than a subsidiary) which engages in the business of producing, leasing or selling products or providing services of the type now or at any time hereafter made or provided by the Company, shall be deemed to compete with the Company;

C. The employee shall not, without prior written authorization from the Company, disclose to anyone outside the Company, or use in other than the Company's business, any confidential information or material relating to the business of the Company, either during or after employment with the Company; and

D. The employee shall disclose promptly and assign to the Company all right, title and interest in any invention or idea, patentable or not, made or conceived by the employee during employment by the Company, relating in any manner to the actual or anticipated business, research or development work of the Company and shall do anything reasonably necessary to enable the Company to secure a patent where appropriate in the United States and in foreign countries.

PART 4. GENERAL PROVISIONS

XVII. ASSIGNMENTS

The rights and benefits under this Plan may not be assigned except for the designation of a beneficiary as provided in Sections VI and XIV.

XVIII. TIME FOR GRANTING OPTIONS OR STOCK AWARDS

All options for shares and Stock Awards subject to this Plan shall be granted, if at all, not later than ten (10) years after the adoption of this Plan by the Company's Board of Directors.

XIX. LIMITATION OF RIGHTS

A. NO RIGHT TO AN OPTION OR STOCK AWARD. Nothing in the Plan shall be construed to give any personnel of the Participating Companies any right to be granted an option or Stock or Cash Award.

B. NO EMPLOYMENT RIGHT. Neither the Plan, nor the granting of an option or Stock or Cash Award nor any other action taken pursuant to the Plan, shall constitute or be evidence of any agreement or understanding, express or implied, that any of the Participating Companies will employ a grantee for any period of time or in any position, or at any particular rate of compensation.

C. NO STOCKHOLDERS' RIGHTS FOR OPTIONS. An optionee shall have no rights as a stockholder with respect to the shares covered by his options until the date of the issuance to him of a stock certificate therefor, and no adjustment will be made for dividends or other rights for which the record date is prior to the date such certificate is issued.

XX. CHANGES IN PRESENT STOCK

In the event of any merger, consolidation, reorganization, recapitalization, stock dividend, stock split, or other change in the corporate structure or capitalization affecting the Company's present Common Stock, appropriate adjustment shall be made by the Board of Directors in the number (including the aggregate numbers specified in Section IV) and kind of shares which are or may become subject to options and stock awards granted or to be granted hereunder, and in the option price of shares which are subject to options granted hereunder.

XXI. EFFECTIVE DATE OF THE PLAN

The Plan shall take effect on the date of adoption by the Board of Directors of the Company, subject to approval by the shareholders of the Company at a meeting held within twelve (12) months after the date of such

adoption. Options and Stock or Cash Awards may be granted under the Plan at any time after the adoption of the Plan by the Board of Directors of the Company and prior to the termination of this Plan.

XXII. AMENDMENT OF THE PLAN

The Board or the Committee may suspend or discontinue the Plan or revise or amend it in any respect whatsoever; provided, however, that the Company may seek shareholder approval of an amendment if determined to be required by or advisable by any law or regulation, including without limitation, any regulations of the Securities and Exchange Commission or the Internal Revenue Service, the rules of any stock exchange on which the Company's stock is listed or other applicable law or regulation.

XXIII. NOTICE

Any written notice to the Company required by any of the provisions of this Plan shall be addressed to the Secretary of the Company and shall become effective when it is received.

XXIV. COMPANY BENEFIT PLANS

Nothing contained in this Plan shall prevent the employee prior to death, or the employee's dependents or beneficiaries after the employee's death, from receiving, in addition to any awards provided for under this Plan and any salary, any payments under a Company retirement plan or which may be otherwise payable or distributable to such employee, or to the employee's dependents or beneficiaries under any other plan or policy of the Company or otherwise.

XXV. UNFUNDED PLAN

Insofar as it provides for awards of Stock or cash, this Plan shall be unfunded. Although bookkeeping accounts may be established with respect to employees who are granted awards of Stock under this Plan, any such accounts will be used merely as a bookkeeping convenience. Except for the holding of Restricted Stock in escrow pursuant to Section XII C, the Company shall not be required to segregate any assets which may at any time be represented by awards of Stock or cash, nor shall this Plan be construed as providing for such segregation, nor shall the Company nor the Board nor the Committee be deemed to be a trustee of Stock or cash to be awarded under the Plan. Any liability of the Company to any employee with respect to an award of Stock or cash under this Plan shall be based solely upon any contractual obligations which may be created by the Plan; no such obligation of the Company shall be deemed to be secured by any pledge or other encumbrance on any property of the Company. Neither the Company nor the Board nor the Committee shall be required to give any security or bond for the performance of any obligation which may be created by this Plan.

XXVI. GOVERNING LAW

This Plan and all determinations made and actions taken pursuant hereto shall be governed by the law of the State of California and construed accordingly.

HEWLETT-PACKARD COMPANY
INCENTIVE COMPENSATION PLAN STOCK OPTION AGREEMENT (NON-QUALIFIED)

THIS AGREEMENT, dated , between HEWLETT-PACKARD COMPANY, a California corporation ----- (hereinafter called "Company") and (the "Employee"), an employee of , ----- is entered into as follows:

WITNESSETH:

WHEREAS, the Company has established the Hewlett-Packard Company 1985 Incentive Compensation Plan (the "Plan") a copy of which is attached hereto as Exhibit "A" and made a part hereof; and

WHEREAS, the Executive Compensation and Stock Option Committee of the Board of Directors (the "Committee") has determined that the Employee shall be granted an option under the Plan as hereinafter set forth below;

NOW THEREFORE, the parties hereby agree that in consideration of services rendered and to be rendered, the Company grants the Employee an option (the "Option") to purchase ----- shares of its \$1 par value voting Common Stock upon the terms and conditions set forth herein.

1. This Option is granted under and pursuant to the Plan and is subject to each and all of the provisions thereof.
2. The Option price shall be \$_____ per share.
3. This Option is not transferable by the Employee otherwise than by will or the laws of descent and distribution, and is exercisable only by the Employee during his lifetime. This Option may not be transferred, assigned, pledged, or hypothecated by the Employee during his lifetime, whether by operation of law or otherwise, and is not subject to execution, attachment or similar process.
4. This Option may not be exercised before the first anniversary of the date hereof, nor may it be exercised as to more than one-fourth the number of shares covered herein before the second anniversary hereof, nor may it be exercised as to more than one-half the number of shares covered herein before the third anniversary hereof. Notwithstanding the foregoing this Option shall become exercisable in full upon the retirement of the Employee because of age or permanent and total disability, or upon his death.
5. This Option will expire ten (10) years from the date hereof, unless sooner terminated or cancelled in accordance with the provisions of the Plan.
6. This Option shall be exercised by delivering to the Secretary of the Company at its head office a written notice stating the number of shares as to which the Option is exercised; provided, however, that no such exercise shall be with respect to fewer than twenty-five shares or the remaining shares covered by the Option if fewer than twenty-five. The written notice must be accompanied by payment of the full Option price for such shares. Payment may be in cash or shares of the Company's Common Stock, or a combination thereof; provided, however, that any payment in shares shall be in strict compliance with all procedural rules established by the Committee.
7. All rights of the Employee in this Option, to the extent that it has not been exercised, shall terminate upon the death of the Employee (except as

hereinafter provided) or termination of his employment for any reason other than retirement because of age or permanent and total disability, and in case of such retirement three (3) months from the date thereof; provided, however, the Employee may, by written notice to the Secretary of the Company, designate one or more persons, including his legal representative, who shall by reason of the Employee's death acquire the right to exercise all or a portion of the employee's rights under this Option. The person so designated must exercise the Option within one year after the death of the Employee. The person designated to exercise the Option after the Employee's death shall be bound by the provisions of the Plan.

8. The Employee hereby designates the following person(s) as the one(s) who may exercise this Option after his death as provided above:

Name: _____ Relationship: _____
Name: _____ Relationship: _____

9. The Employee may change the above designation at his pleasure by filing with the Secretary of the Company a written notice of change.

10. Employee shall remit to the Company payment for all applicable U.S. withholding taxes at the time Employee exercises any portion of this Option.

IN WITNESS WHEREOF, the parties have executed this Agreement in duplicate the day and year first above written.

HEWLETT-PACKARD COMPANY

----- By -----
Employee John Young, President

(See instructions on reverse side) By -----
D. Craig Nordlund, Secretary &
Corporate Counsel

COMPANY COPY

SPECIAL INSTRUCTIONS TO EMPLOYEE:

- 1. Please sign both copies of this option agreement, separate on the perforation, and return the manually signed Company copy to the Corporate Secretary, Mailstop 20BQ, 3000 Hanover St., Palo Alto, CA 94304.
- 2. Make certain you have filled in the name(s) of your legal represent-ative(s) who may exercise this option in the event of your death.

DATE OF EXERCISE NUMBER OF SHARES

HEWLETT-PACKARD COMPANY
1990 INCENTIVE STOCK OPTION PLAN

PART 1. PLAN ADMINISTRATION AND ELIGIBILITY

I. PURPOSE

The purpose of this 1990 Incentive Stock Plan (the "Plan") of Hewlett-Packard Company (the "Company") is to encourage ownership in the Company by key personnel whose long-term employment is considered essential to the Company's continued progress and thus to provide them with a further incentive to continue in the employ of the Company or its subsidiaries or affiliates. (The Company and all such subsidiaries are collectively referred to hereinafter as the "Participating Companies".)

II. ADMINISTRATION

A Stock Option Committee (the "Committee"), consisting of three or more directors of the Company, a majority of whom are "disinterested persons" as defined in Rule 16b-3 promulgated under the Securities Exchange Act of 1934 as amended (the "Exchange Act"), shall supervise and administer the Plan. The Committee shall from time to time designate the key employees of the Participating Companies who shall be granted stock options, stock or cash awards under the Plan and the amount and nature of the award to be granted to each such employee. All questions of interpretation of the Plan or of any options or awards issued under it shall be determined by the Committee and such determination shall be final and binding upon all persons having an interest in the Plan. In addition, the Committee may delegate to the Executive Committee of the Board of Directors the power to approve stock options and stock awards to employees not subject to Section 16 of the Exchange Act.

III. PARTICIPATION IN THE PLAN

Key employees of the Company, including officers (with the exception of David Packard), and directors of the Company who are also employed by a Participating Company shall be eligible to participate in the Plan.

IV. STOCK SUBJECT TO THE PLAN

The maximum number of shares which may be optioned or awarded under the Plan shall be 64,000,000 shares of the Company's \$1 par value Common Stock. In any fiscal year, no individual may be granted stock awards or stock options exceeding 500,000 shares or five percent of all shares optioned or awarded that year, whichever is less. If a class of Preferred Stock is created and authorized by the Company's Amended Articles of Incorporation, Preferred Stock may be used in lieu of Common Stock for Plan grants. The limitation on the number of shares which may be optioned or awarded under the Plan shall be subject to adjustment as provided in Section XX of the Plan.

The grant of a stock award not pursuant to an option under the Plan ("Stock Award") shall be subject to such restrictions as the Committee shall determine to be appropriate, including but not limited to restrictions on resale, repurchase provisions, special vesting requirements or forfeiture provisions. The grant and exercise of a stock option shall be subject to such restrictions as the Committee may determine to be appropriate in accordance with Section VI of the Plan.

If any outstanding option under the Plan for any reason expires or is terminated without having been exercised in full, or if any Stock Awards are forfeited, the forfeited shares or shares allocable to the unexercised portion of such option shall again become available for grant pursuant to the Plan.

PART 2. OPTIONS AND STOCK APPRECIATION RIGHTS

V. INCENTIVE STOCK OPTIONS

Any option granted under the Plan may be designated by the Committee as a nonstatutory option or as an incentive stock option ("ISO") entitled to special tax treatment under Section 422A of the Internal Revenue Code of 1986, as amended to date and as may be amended from time to time (the "Code").

No option intended to qualify as an ISO may be granted under the Plan if such grant, together with any applicable prior grants, would exceed any maximum established under the Code for ISOs that may be granted to a single employee. Should it be determined that any ISO granted under the Plan exceeds such maximum, the ISO shall be null and void to the extent, but only to the extent, of such excess. Section 422A(b)(7) of the Code presently provides that with respect to options

granted after December 31, 1986 the aggregate fair market value (determined as of the time the ISO is granted) of the stock with respect to which incentive stock options are exercisable for the first time by an employee in any calendar year under all incentive stock option plans of the Company shall not exceed \$100,000.

Nothing in this section shall be deemed to prevent the grant of options in excess of the maximum established by the Code where such excess amount is treated as a non-statutory option not entitled to special tax treatment under Section 422A of the Code.

VI. TERMS, CONDITIONS AND FORM OF OPTIONS

Each option granted under this Plan shall be authorized by action of the Committee and shall be evidenced by a written agreement in such form as the Committee shall from time to time approve, which agreements shall comply with and be subject to the following terms and conditions:

A. **OPTIONS NON-TRANSFERABLE.** Each option granted under the Plan by its terms shall not be transferable by the optionee otherwise than by will, or by the laws of descent and distribution, and shall be exercised during the lifetime of the optionee only by him. No option or interest therein may be transferred, assigned, pledged or hypothecated by the optionee during his lifetime, whether by operation of law or otherwise, or be made subject to execution, attachment or similar process.

B. **PERIOD OF OPTION.** No option may be exercised before the first anniversary of the date upon which it was granted, nor may it be exercised as to more than one-fourth of the number of shares covered thereby before the second anniversary of such date, nor as to more than one-half of the number of shares covered thereby before the third anniversary of such date nor as to more than three-fourths of the number of shares covered thereby before the fourth anniversary of such date; provided, however, that the Committee may specify a different vesting schedule for any option upon grant, and provided further that any option granted pursuant to the Plan shall become exercisable in full upon the retirement of the optionee because of age or total and permanent disability or upon the death of the optionee. No option shall be exercisable after the expiration of 10 years from the date upon which such option is granted. Each option shall be subject to termination before its date of expiration as hereinafter provided.

C. **EXERCISE OF OPTIONS.** Options may be exercised only by written notice to the Company at its head office accompanied by payment in cash of the full consideration for the shares as to which they are exercised, and, with respect to nonstatutory options, by payment of all applicable U.S. withholding taxes upon such exercise. In addition, if and to the extent authorized by the Committee, optionees may make all or any portion of any payment due to the Company upon exercise of an option by delivery of any property (including

securities of the Company) other than cash, as long as such property constitutes valid consideration for the stock under applicable law.

The Committee may permit the payment of applicable withholding taxes due upon exercise of an option, up to the highest marginal rates then in effect, by the withholding of shares otherwise issuable upon exercise of the option. Option shares withheld in payment of such taxes shall be valued at the fair market value of the stock on the date of exercise. Fair market value shall be deemed to be the mean of the highest and lowest quoted selling prices for such shares on the exercise date as reported on the New York Stock Exchange Composite Tape. The Committee may impose special restrictions on the use of option shares as payment for withholding taxes by individuals subject to Section 16(b) of the Securities Exchange Act.

No option may be exercised while the optionee is on any leave of absence from the Company other than an approved medical leave. Options will continue to vest during any authorized leave of absence, and may be exercised to the extent permitted by Section VI(B) upon the optionee's return to an active employment status.

D. TERMINATION OF OPTIONS. All rights of an employee in an option, to the extent that it has not been exercised, shall terminate upon the termination of his employment for any reason other than the death of the employee or retirement because of age or total and permanent disability and in case of such retirement three years from the date thereof with respect to nonstatutory options and three months from the retirement date with respect to ISOs or upon expiration of the option, whichever shall first occur. In the event of the death of the employee, the option shall terminate upon failure of his designated representative to exercise the option in accordance with the time period provided in subsection VI(E) below. The Committee may authorize the continuation of options held by terminating employees who are, at the Company's request or with the Company's consent, terminating to accept employment with not-for-profit corporations, governmental agencies, or industry associations. Such approval must be obtained from the Committee prior to termination of employment in order to prevent termination of options.

E. EXERCISE BY REPRESENTATIVE FOLLOWING DEATH OF EMPLOYEE. The employee, by written notice to the Company, may designate one or more persons (and from time to time change such designation) including his legal representative, who, by reason of his death, shall acquire the right to exercise all or a portion of the option. If the person or persons so designated wish to exercise any portion of the option, they must do so within one year after the death of the employee or retired employee, as the case may be. All rights of the representative(s) in the option shall terminate upon failure to exercise the option within the time period set forth in this subsection VI(E). Any exercise by a representative shall be subject to the provisions of this Plan.

VII. MODIFICATION, EXTENSION AND RENEWAL OF OPTIONS

The Committee shall have the power to modify, extend or renew outstanding options and authorize the grant of new options in substitution therefor, provided that any such action may not have the effect of altering or impairing any rights or obligations of any option previously granted without the consent of the optionee.

The Committee shall have the power to lower the exercise price of an outstanding option not intended to qualify as an ISO under the Code; provided, however, that the exercise price per share may not be reduced below 75% of the fair market value of a share of Common Stock of the Company on the date the action is taken to reduce the exercise price. Such fair market value shall be deemed to be the mean of the highest and lowest quoted selling prices for such shares on that date as reported on The New York Stock Exchange Composite Tape.

VIII. OPTION PRICE

The option price per share for the shares covered by each nonstatutory

option shall be not less than 75% of the fair market value of a share of Common Stock of the Company on the date the option is granted. The option price per share for ISOs shall be not less than the fair market value on the option grant date. Such fair market value shall be deemed to be the mean of the highest and lowest quoted selling prices for such share on that date as reported on The New York Stock Exchange Composite Tape.

IX. LOANS FOR EXERCISE OF OPTIONS

Any option agreement under this Plan entered into with an employee may, but need not, provide that the Company shall lend to the employee who holds the option the funds for any exercise of his option. Any such loans made to individuals subject to Section 16 of the Securities Exchange Act shall be at a rate of interest adequate to avoid imputation of income under Sections 483 and 7872 of the Code and shall be for a term not to exceed 15 months from the date of exercise of the related option. Any loan by the Company to fund the exercise of an option shall be subject to such other terms and conditions as shall be set forth in the option agreement, which terms and conditions shall be determined by the Committee at the time of the grant of the option. Loans may or may not be secured by stock issued pursuant to such option exercises, at the Committee's discretion.

X. STOCK APPRECIATION RIGHTS

This section shall apply to employees who hold options heretofore or hereafter granted under the Plan ("Options") and who are or may hereafter be subject to Section 16 of the Securities Exchange Act. The Committee may, but shall not be required to, grant to such employees stock appreciation rights as herein provided with respect to not more than the number of shares from time to time subject to the Options held by such employees. The stock appreciation rights shall be integral parts of the respective Options and shall have no existence apart therefrom.

A stock appreciation right shall be the right of the holder thereof to elect to surrender part or all of any Option which is wholly exercisable, or of any exercisable portion of an Option which is partially exercisable, and receive in exchange therefor cash or shares (valued at current fair market value) or a combination thereof. Such cash or shares or combination shall have an aggregate value ("Appreciation") equal to the excess of the current fair market value of one share over the Option price of one share specified in such Option multiplied by the number of shares subject to such Option or the portion thereof which is surrendered. The current fair market value of a share shall be the mean of the highest and lowest quoted selling prices for shares as reported on The New York Stock Exchange Composite Tape on the day on which a stock appreciation right is exercised, or if no sale was made on such date, then on the next preceding day on which such a sale was made. No fractional share shall be issued on the exercise of a stock appreciation right, and settlement therefor shall be made in cash.

Each stock appreciation right granted under this Plan shall be subject to the following terms and conditions; (1) each stock appreciation right shall be evidenced by a written agreement between the Company and the holder in such form as the Committee shall authorize; (2) each stock appreciation right granted under the Plan by its terms shall not be transferable by the holder otherwise than by will or by the law of descent and distribution, and shall be exercised during the lifetime of the holder

only by him and no stock appreciation right or interest therein may be transferred, assigned, pledged or hypothecated by the holder during his lifetime, whether by operation of law or otherwise, or be made subject to execution, attachment or similar process; (3) all rights of an employee in a stock appreciation right, to the extent that it has not been exercised, shall terminate upon the death of the employee or the termination of his employment for any reason other than retirement because of age or total and permanent disability, and in case of such retirement three years from the date thereof with respect to nonstatutory Options and three months from the date thereof with

respect to Options intended to qualify as ISOs or upon expiration of the option, whichever shall first occur; provided, however, that the employee, by written notice to the Company, may designate one or more persons (and from time to time change such designation), including his legal representative, who, by reason of his death, shall acquire the right to exercise all or a portion of the rights accrued under the stock appreciation right as of the date of his death.

If the person or persons so designated wish to exercise any portion of the stock appreciation right, they must do so within one year after the death of the employee or retired employee, as the case may be, and such exercise shall be subject to the provisions of this Plan; and (4) the life of stock appreciation rights shall be coterminous with the life of the Options.

The holder of a stock appreciation right may exercise the same by (1) filing with the Secretary of the Company a written election, which election shall be delivered by the Secretary to the Committee, specifying (a) the Option or portion thereof to be surrendered, (b) the percentage of the Appreciation which he desires to receive in cash, if any; and (2) surrendering such Option for cancellation or partial cancellation, as the case may be; provided, however, that any election which specifies that the holder of a stock appreciation right desires to receive any portion of the Appreciation in cash shall be of no force or effect unless and until the Committee shall have consented to such election.

No stock appreciation right or related Option may be exercised during the first six months of its term, except in the event death or total and permanent disability of the holder occurs prior to the expiration of this six-month period. No election to receive any portion of the Appreciation in cash shall be filed with the Secretary and no stock appreciation right shall be exercised to receive any cash unless such election and exercise shall occur during the period (hereinafter referred to as the "Cash Window Period") beginning on the third business day following the date of release for publication by the Company of a regular quarterly or annual statement of sales and earnings and ending on the twelfth business day following such date. The Committee may consent to the election of a holder to receive any portion of the Appreciation in cash at any time after such election has been made.

The Committee shall have the sole discretion to consent to approve or disapprove, in whole or in part, any election to receive any portion of the Appreciation in cash. If such election is consented to, the stock appreciation right shall be deemed to have been exercised during the Cash Window Period in which the holder completed all acts required by him under the preceding paragraphs to exercise the stock appreciation right. Any stock appreciation right exercised during said Cash Window Period shall be valued and deemed exercised as of the date when the mean of the highest and lowest quoted selling prices for the Company's shares as reported on The New York Stock Exchange Composite Tape for that date is the highest for the Cash Window Period. Between meetings of the Committee, the Committee may delegate its powers under this Paragraph of Section X to a committee consisting of not less than three members of the Committee.

Upon exercise of a stock appreciation right, the number of shares reserved for issuance under the Plan shall be reduced by the number of shares covered by the Option, or the portion thereof, which is surrendered in connection with such exercise.

Nothing in the Plan shall be construed to give any eligible employee any right to be granted a stock appreciation right. Neither the Plan nor the granting of a stock appreciation right nor any other action taken pursuant to the Plan shall constitute or be evidence of any agreement or understanding, express or implied, that the Company will employ the holder of a stock appreciation right for any period of time or in any position or at any particular rate of compensation. The holder of a stock appreciation right shall have no rights as a stockholder with respect to the shares covered by his stock appreciation right until the date of issuance to him of a stock certificate therefor, and, except as otherwise specifically provided in the stock option agreement for the Options, no adjustment will be made for dividends or other rights for which the record date is prior to the date such certificate is issued.

PART 3. STOCK AND CASH AWARDS

XI. STOCK AND CASH AWARD DETERMINATION

The Committee may grant an eligible employee Stock Awards or awards of cash ("Cash Awards") at such times and in such amounts as the Committee may designate which in its opinion fully reflect the performance level and potential of such

employee. The Committee shall designate whether such awards are payable in Common Stock, cash, or a combination thereof. Such awards shall be made in accordance with such guidelines as the Committee may from time to time adopt. Stock and Cash Awards shall be independent of any grant of an option under this Plan and shall be made subject to such restrictions as the Committee may determine to be appropriate.

XII. PAYMENT OF STOCK OR CASH AWARDS

A. No employee shall have the right to receive payment of any Stock or Cash Award until notified of the amount of such award, in writing, by the Committee or its authorized delegate.

B. Payment of cash awards shall be made in a lump sum or in annual installments over such period as the Committee may designate, which period shall not exceed five years, provided that the Committee may from time to time designate minimum installment amounts.

C. After an award of Common Stock subject to restrictions ("Restricted Stock"), certificates for such shares will be deposited in certificate or book entry form in escrow with the Company's Secretary. The Employee shall retain all rights in the Restricted Stock while it is held in escrow including but not limited to voting rights and the right to receive dividends, except that the Employee shall not have the right to transfer or assign such shares until all restrictions pertaining to such shares are terminated at which time the applicable stock certificates shall be released from escrow and delivered to the employee by the Company's Secretary.

D. The Committee may permit, on such terms as it deems appropriate, use of Restricted Stock as partial or full payment upon exercise of a stock option under the Company's incentive stock option plan or compensation or this Plan. In the event shares of Restricted Stock are so tendered as consideration for the exercise of an option, a number of the shares issued upon the exercise of said option, equal to the number of shares of Restricted Stock used as consideration therefor, shall be subject to the same Restrictions as the Restricted Stock so submitted plus any additional Restrictions that may be imposed by the Committee.

XIII. TERMINATION OF RESTRICTIONS ON STOCK AWARDS

The Committee will establish the period or periods after which the Restrictions on Restricted Stock will lapse.

The Committee may in its discretion permit an employee to elect to receive in lieu of shares of Restricted Stock, at the expiration of the restrictions, a cash payment equal to the fair market value of the Company's Common Stock on the date restrictions lapse. The Committee may also permit the employee to elect to pay applicable withholding taxes due upon lapse of restriction with part of the shares due employee at such time. The shares canceled in payment of withholding taxes shall be valued at the fair market value of the Company's Common Stock on the date the restrictions lapse. Fair market value shall be the mean of the high and low prices of such stock on The New York Stock Exchange Composite Tape on the date in question, or if no sales of such stock were made on that date, the mean of the high and low prices of such stock on the next preceding day on which sales were made.

XIV. DEATH OR TOTAL AND PERMANENT DISABILITY OF A PARTICIPATING EMPLOYEE HOLDING RESTRICTED STOCK

By written notice to the Company, an employee who has received a grant of Restricted Stock may designate one or more persons (and from time to time change such designation) who, by reason of his death, shall acquire the right to receive any vested but unpaid awards held by the employee at the time of his death. Such awards shall be paid to the designated representative at such time and in such manner as if the employee were living.

In the event of total and permanent disability of an employee who has participated in the Plan, any unpaid but vested award shall be paid to the employee if legally competent or to a committee or other legally designated guardian or representative if the employee is legally incompetent.

In the event of death or total and permanent disability of an employee holding unvested restricted shares, the employee's designated representative or the employee, as the case may be, shall be entitled to receive a prorated number of shares determined by dividing the number of years in the restricted period by the number of whole years lapsed since the grant date. Remaining unvested shares shall be forfeited unless additional payments are specifically authorized by the Committee.

If at the time of the employee's death, there is no effective beneficiary designation as to all or some portion of the awards hereunder, such awards or such portion thereof shall be paid to or on the order of the legal representative of the

employee's estate. In the event of uncertainty as to the interpretation or effect of any notice of designation, the Committee's decision with respect thereto shall be conclusive.

XV. RESTRICTIONS AND FORFEITURE OF STOCK AWARDS

The Company's obligation to deliver stock held in escrow is subject to the condition that the employee remain an employee of the Company on active or authorized leave status or be under contract to provide services to the Company as provided in Section XVI hereof for the entire deferral and/or restriction period, including mandatory and optional deferrals. If the employee fails to meet this condition, the employee's right to any such unpaid amounts or undelivered stocks shall be forfeited. This provision may be waived by the Committee in exceptional circumstances. In the event an employee holding restricted shares ceases to be on active pay status during the restricted period for a period of more than six months, the restricted period shall be extended by a period of time equal to the length of the period of inactive status.

XVI. RETIREMENT OF EMPLOYEE HOLDING STOCK AWARD

At the time of grant of any Stock Award, the Committee may specify special conditions or terms covering the status of such Stock Award upon the retirement of the employee. If no provision is made, the following provisions shall govern if the employee retires due to age, the Company's obligation to make any payment due thereafter under the Stock Award feature of the Plan is subject to the condition that for the entire period of deferral or restriction, including mandatory and optional deferrals:

A. The employee shall render as an independent contractor and not as an employee, such advisory or consultative services to the Company as shall be reasonably requested by the Board or the Executive Committee of the Board in writing from time to time, consistent with the state of the retired employee's health and any employment or other activities in which such employee may be engaged. For purposes of this Plan, the employee shall not be required to devote a major portion of time to such services and shall be entitled to reimbursement for any reasonable out-of-pocket expenses incurred in connection with the performance of such services;

B. The employee shall not render services for any organization or engage directly or indirectly in any business which, in the opinion of the Committee, competes with, or is in conflict with the interest of, the Company. The employee shall be free, however, to purchase as an investment or otherwise, stock or other securities of such organizations so long as they are listed upon a recognized securities exchange or traded over-the-counter, or so long as such investment does not represent a substantial investment to the employee or a significant (greater than 10%) interest in the particular organization. For the purposes of this subsection XIV(B) a company (other than a subsidiary) which engaged in the business of producing, leasing or selling products or providing services of the type now or at any time hereafter made or provided by the Company, shall be deemed to compete with the Company;

C. The employee shall not, without prior written authorization from the Company, disclose to anyone outside the Company, or use in other than the Company's business, any confidential information or material relating to the business of the Company, either during or after employment with the Company; and

D. The employee shall disclose promptly and assign to the Company all right, title and interest in any invention or idea, patentable or not, made or conceived by the employee during employment by the Company, relating in any manner to the actual or anticipated business, research or development work of the Company and shall do anything reasonably necessary to enable the Company to secure a patent where appropriate in the United States and in foreign countries.

PART 4. GENERAL PROVISIONS

XVII. ASSIGNMENTS

The rights and benefits under this Plan may not be assigned except for the designation of a beneficiary as provided in Section VI and XIV.

XVIII. TIME FOR GRANTING OPTIONS OR STOCK AWARDS

All options for shares and Stock Awards subject to this Plan shall be granted, if at all, not later than ten years after the adoption of this Plan by the Company's Board of Directors.

XIX. LIMITATION OF RIGHTS

A. NO RIGHT TO AN OPTION OR STOCK AWARD. Nothing in the Plan shall be construed to give any personnel of the Participating Companies any right to be granted an option or Stock or Cash Award.

B. NO EMPLOYMENT RIGHT. Neither the Plan, nor the granting of an option or Stock or Cash Award nor any other action taken pursuant to the Plan, shall constitute or be evidence of any agreement or understanding, express or implied, that any of the Participating Companies will employ a grantee for any period of time or in any position, or at any particular rate of compensation.

C. NO SHAREHOLDERS' RIGHTS FOR OPTIONS. An optionee shall have no rights as a shareholder with respect to the shares covered by his options until the date of the issuance to him of a stock certificate therefor, and no adjustment will be made for dividends or other rights for which the record date is prior to the date such certificate is issued.

XX. CHANGES IN PRESENT STOCK

In the event of any merger, consolidation, reorganization, recapitalization, stock dividend, stock split, or other change in the corporate structure or capitalization affecting the Company's present Common Stock, appropriate adjustment shall be made by the Board of Directors in the number (including the aggregate numbers specified in Section IV) and kind of shares which are or may become subject to options and stock awards granted or to be granted hereunder, and in the option price of shares which are subject to options granted hereunder.

XXI. CHANGE IN CONTROL

In the event that the Company is merged into or acquired by another entity in a transaction involving a change in control, the Committee shall have complete authority and discretion, but not the obligation, to accelerate the vesting of outstanding stock options and the termination of restrictions on Stock Awards.

XXII. EFFECTIVE DATE OF THE PLAN

The Plan shall take effect on the date of adoption by the Board of Directors of the Company, subject to approval by the shareholders of the Company at a meeting held within 12 months after the date of such adoption. Options and Stock or Cash Awards may be granted under the Plan at any time after the adoption of the Plan by the Board of Directors of the Company and prior to the termination of this Plan.

XXIII. AMENDMENT OF THE PLAN

The Committee may suspend or discontinue the Plan or revise or amend it in any respect whatsoever; provided, however, that the Committee may seek shareholder approval of an amendment if determined to be required by or advisable under regulations of the Securities and Exchange Commission or the Internal Revenue Service, the rules of any stock exchange on which the Company's stock is listed or other applicable law or regulations.

XXIV. NOTICE

Any written notice to the Company required by any of the provisions of this Plan shall be addressed to the Secretary of the Company and shall become effective when it is received.

XXV. COMPANY BENEFIT PLANS

Nothing contained in this Plan shall prevent the employee prior to death, or the employee's dependents or beneficiaries after the employee's death, from receiving, in addition to any awards provided for under this Plan and any salary, any payments under a Company retirement plan or which may be otherwise payable or distributable to such employee, or to the employee's dependents or beneficiaries under any other plan or policy of the Company or otherwise.

XXVI. UNFUNDED PLAN

Insofar as it provides for awards of Stock or cash, this Plan shall be unfunded. Although bookkeeping accounts may be established with respect to employees who are granted awards of stock under this Plan, any such accounts will be used merely as a bookkeeping convenience. Except for the holding of Restricted Stock in escrow pursuant to subsection XII(C), the Company shall not be required to segregate any assets which may at any time be represented by awards of stock or cash, nor

shall this Plan be construed as providing for such segregation, nor shall the Company nor the Board nor the Committee be deemed to be a trustee of stock or cash to be awarded under the Plan. Any liability of the Company to any employee with respect to an award of stock or cash under this Plan shall be based solely upon any contractual obligations which may be created by the Plan; no such obligation of the Company shall be deemed to be secured by any pledge or other encumbrance on any property of the Company. Neither the Company nor the Board nor the Committee shall be required to give any security or bond for the performance of any obligation which may be created by this Plan.

XXVII. GOVERNING LAW

This Plan and all determinations made and actions taken pursuant hereto shall be governed by the law of the State of California and construed

accordingly.

HEWLETT-PACKARD COMPANY
INCENTIVE STOCK PLAN STOCK OPTION AGREEMENT (NON-QUALIFIED)

THIS AGREEMENT, dated _____ ("Grant Date") between
HEWLETT-PACKARD COMPANY, a Delaware corporation ("Company"), and
_____ ("Employee"), is entered into as follows:

WITNESSETH:

WHEREAS, the Company has established the Hewlett-Packard Company 1990 Incentive Stock Plan ("Plan"), a copy of which can be found on the Stock Options Web Site at: http://hpweb.corp.hp.com/publish/hwp/stock/stok_opt.htm or by written or telephonic request to the Company Secretary, and which Plan made a part hereof; and

WHEREAS, the Compensation Committee of the Board of Directors of the Company ("Committee") has determined that the Employee shall be granted an option under the Plan as hereinafter set forth;

NOW THEREFORE, the parties hereby agree that in consideration of services rendered and to be rendered, the Company grants the Employee an option ("Option") to purchase _____ shares of its \$0.01 par value voting Common Stock upon the terms and conditions set forth herein.

1. This Option is granted under and pursuant to the Plan and is subject to each and all of the provisions thereof.
2. The Option price shall be \$_____ per share.
3. This Option is not transferable by the Employee otherwise than by will or the laws of descent and distribution, and is exercisable only by the Employee during his lifetime. This Option may not be transferred, assigned, pledged or hypothecated by the Employee during his lifetime, whether by operation of law or otherwise, and is not subject to execution, attachment or similar process.
4. This Option may not be exercised before the first anniversary of the date hereof, nor may it be exercised as to more than one-half the number of shares covered herein before the second anniversary hereof. Notwithstanding the foregoing, this Option shall be exercisable in full upon the retirement of the Employee because of age or permanent and total disability, or upon his death.
5. This Option will expire ten (10) years from the date hereof, unless sooner terminated or canceled in accordance with the provisions of the Plan. This means that the Option must be exercised, if at all, on or before _____.
6. This Option may be exercised by delivering to the Secretary of the Company at its head office a written notice stating the number of shares as to which the Option is exercised; provided, however, that no such exercise shall be with respect to fewer than twenty-five (25) shares or the remaining shares covered by the Option if less than twenty-five. The written notice must be accompanied by the payment of the full Option price of such shares. Payment may be in cash or shares of the Company's Common Stock or a combination thereof; provided, however, that any payment in shares shall be in strict compliance with all procedural rules established by the Committee.
7. All rights of the Employee in this Option, to the extent that it has not been exercised, shall terminate upon the death of the Employee (except as hereinafter provided) or termination of his employment for any reason other

than retirement because of age or permanent and total disability, and in case of such retirement three (3) years from the date thereof; provided, however, that in the event of the Employee's death his legal representative or designated beneficiary shall have the right to exercise all or a portion of the Employee's right under this Option. The representative or designee must exercise the Option within one (1) year after the death of the employee, and shall be bound by the provisions of the Plan. In all cases, however, the Option will expire no later than the expiration date set forth in Paragraph 5.

8. The Employee shall remit to the Company payment for all applicable withholding taxes, and required social security contributions at the time the Employee exercises any portion of this Option.
9. Neither the Plan nor this Agreement nor any provision under either shall be construed so as to grant Employee any right to remain in the employ of the Company, and it is expressly agreed and understood that employment is terminable at the will of either party.

HEWLETT-PACKARD COMPANY

By

Lewis E. Platt, Chairman, CEO and President

By

D. Craig Nordlund, Associate General Counsel
and Secretary

RETAIN THIS AGREEMENT FOR YOUR RECORDS

HEWLETT-PACKARD COMPANY
1995 INCENTIVE STOCK PLAN

PART 1. PLAN ADMINISTRATION AND ELIGIBILITY

I. PURPOSE

The purpose of this 1995 Incentive Stock Plan (the "Plan") of Hewlett-Packard Company ("HP" or the "Company") is to encourage ownership in the Company by key personnel whose long-term employment is considered essential to the Company's continued progress and thus to provide them with a further incentive to continue in the employ of the Company or its subsidiaries or affiliates. (The Company and all such subsidiaries and affiliates are collectively referred to hereinafter as the "Participating Companies.")

II. ADMINISTRATION

A Stock Option Committee (the "Committee"), consisting of two or more directors of the Company, each of whom is a "disinterested person" as defined in Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), shall supervise and administer the Plan. The Committee has all powers and discretion necessary and appropriate to administer the Plan and to control its operation, including, without limitation, the power to (i) determine which employees shall be granted options to purchase shares of the Company's \$1 par value Common Stock ("Common Stock"), stock appreciation rights, stock or cash awards or performance-based restricted shares, (ii) prescribe the terms and conditions of the awards, (iii) interpret the Plan and the awards, (iv) adopt such procedures and sub-plans as are necessary or appropriate to permit participation in the Plan by employees who are foreign nationals or employed outside of the United States, (v) adopt rules for the administration, interpretation and application of the Plan, and (vi) interpret, amend or revoke any such rules. All questions of interpretation of the Plan or of any options or awards issued under it shall be determined by the Committee and such determination shall be final and binding upon all persons having an interest in the Plan. In addition, the Committee may delegate to the Executive Committee of the Board of Directors (the "Executive Committee") the power to approve stock options and stock and cash awards to employees who are not subject to Section 16 of the Exchange Act and who are not at the time of any such approval covered employees under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code").

III. PARTICIPATION IN THE PLAN

Key employees of the Company, including officers, and directors of the Company who are also employed by a Participating Company, shall be eligible to participate in the Plan.

IV. STOCK SUBJECT TO THE PLAN

The maximum number of shares which may be awarded under the Plan shall be 64,000,000 shares of Common Stock. If a class of Preferred Stock is created and authorized by the Company's Amended Articles of Incorporation, Preferred Stock may be used in lieu of Common Stock for Plan grants. The limitation on the number of shares which may be awarded under the Plan shall be subject to adjustment as provided in Section XXII of the Plan.

The grant of a stock award not pursuant to an option under the Plan ("Stock Award") shall be subject to such restrictions as the Committee shall determine to be appropriate, including but not limited to restrictions on resale, repurchase provisions, special vesting requirements or forfeiture provisions. The grant and exercise of a stock option shall be subject to such

restrictions as the Committee may determine to be appropriate in accordance with Section VII of the Plan.

The Committee may authorize conversion under the Plan of any or all outstanding stock options held by optionees of a company that HP acquires. Any conversion will be effective on the closing date of such merger or acquisition. Such converted options are referred hereto as "Conversion Options". The Conversion Options may be nonstatutory options or incentive stock options entitled to special tax treatment under Section 422 of the Code ("ISOs"). Unless otherwise specified by the Committee at the time of grant, all Conversion Options shall have the same terms and conditions as options granted under the Plan.

If any outstanding option under the Plan for any reason expires or is terminated without having been exercised in full, or if any Stock Awards are forfeited, the forfeited shares or shares allocable to the unexercised portion of such option shall again become available for grant pursuant to the Plan.

PART 2. OPTIONS AND STOCK APPRECIATION RIGHTS

V. INCENTIVE STOCK OPTIONS

Any option granted under the Plan may be designated by the Committee as a nonstatutory option or as an ISO.

No option intended to qualify as an ISO may be granted under the Plan if such grant, together with any applicable prior grants, would exceed any maximum established under the Code for ISOs that may be granted to a single employee. Should it be determined that any ISO granted under the Plan exceeds such maximum, the ISO shall be null and void to the extent, but only to the extent, of such excess. Section 422(d)(1) of the Code presently provides that with respect to options granted after December 31, 1986 the aggregate fair market value (determined as of the time the ISO is granted) of the stock with respect to which ISOs are exercisable for the first time by an employee in any calendar year under all incentive stock option plans of the Company shall not exceed \$100,000.

Nothing in this section shall be deemed to prevent the grant of options in excess of the maximum established by the Code where such excess amount is treated as a nonstatutory option not entitled to special tax treatment under Section 422 of the Code.

VI. TERMS, CONDITIONS AND FORM OF OPTIONS

Each option granted under this Plan shall be authorized by action of the Committee and shall be evidenced by a written agreement in such form as the Committee shall from time to time approve, which agreements shall comply with and be subject to the following terms and conditions:

A. OPTIONS NON-TRANSFERABLE.

(1) General.

Except as provided in subsection A(2) below, each option granted under the Plan by its terms shall not be transferable by the optionee otherwise than by will, or by the laws of descent and distribution, and shall be exercised during the lifetime of the optionee only by him. No option or interest therein may be transferred, assigned, pledged or hypothecated by the optionee during his lifetime, whether by operation of law or otherwise, or be made subject to execution, attachment or similar process.

(2) Transferability to Certain Vehicles.

The Committee, in its sole discretion, may establish rules and conditions under which an optionee may transfer an option to those types of trusts or other vehicles which the Committee may determine to be eligible for

transfer.

B. PERIOD OF OPTION. The Committee may specify, at the time of grant, a vesting schedule of any option. If no vesting schedule is specified, no option may be exercised before the first anniversary of the date upon which it was granted, nor may it be exercised as to more than one-fourth of the number of shares covered thereby before the second anniversary of such date, nor as to more than one-half of the number of shares covered thereby before the third anniversary of such date, nor as to more than three-fourths of the number of shares covered thereby before the fourth anniversary of such date. Any option granted pursuant to the Plan shall become exercisable in full upon the retirement of the optionee because of age or total and permanent disability or upon the death of the optionee. No option shall be exercisable after the expiration of 10 years from the date upon which such option is granted. Each option shall be subject to termination before its date of expiration as hereinafter provided.

C. EXERCISE OF OPTIONS. Options may be exercised only by written notice to the Company at its head office accompanied by payment in U.S. dollars of the full consideration for the shares as to which they are exercised, and, with respect to nonstatutory options, by payment of all applicable U.S. withholding taxes upon such exercise. In addition, if and to the extent authorized by the Committee, optionees may make all or any portion of any payment due to the Company upon exercise of an option by delivery of any property (including securities of the Company) other than cash, as long as such property constitutes valid consideration for the stock under applicable law.

The Committee may, but need not, permit the payment of applicable withholding taxes due upon exercise of an option, up to the highest marginal rates then in effect, by the withholding of shares otherwise issuable upon exercise of the option. Option shares withheld in payment of such taxes shall be valued at the fair market value of the stock on the date of exercise. Fair market value shall be deemed to be the mean of the highest and lowest quoted selling prices for such shares on the exercise date as reported on the New York Stock Exchange Composite Tape. The Committee may impose special restrictions on the use of option shares as payment for withholding taxes by individuals subject to Section 16 of the Exchange Act.

No option may be exercised while the optionee is on any leave of absence from the Company, other than an approved personal or medical leave having an employment guaranty. Options will continue to vest during any authorized leave of absence, and may be exercised to the extent permitted by subsection VI(B) above upon the optionee's return to an active employment status.

D. TERMINATION OF OPTIONS.

(1) Termination of employment.

All rights of an employee in an option, to the extent that it has not been exercised, shall terminate upon the termination of his employment for any reason.

(2) Retirement and Death.

In the event of an employee's retirement due to age or total and permanent disability, all rights of an employee in an option, to the extent that it has not been exercised, shall terminate three years from the date thereof with respect to nonstatutory options and three months from the retirement date with respect to ISOs or upon expiration of the option, whichever shall first occur. In the event of the death of the employee, the option shall terminate upon failure of his designated representative to exercise the option in accordance with the time period provided in subsection VI(E) below.

(3) Leave of Absence.

The Committee may, but shall not be required to, authorize the continuation of options held by employees who, at the Company's request or with the Company's consent, are terminating or taking a leave of absence from the Company to accept employment with not-for-profit or for-profit corporations, governmental agencies, industry associations or other organizations in connection with the Company's investments or strategic alliances. Such approval must be obtained from the Committee prior to termination of employment in order to prevent the immediate termination of options. The Committee may, in its sole discretion, delegate its authority under this subsection to the Executive Committee.

(4) Divestiture.

If an employee terminates because of a divestiture by the Company, any option granted pursuant to the Plan shall become exercisable in full and the employee may exercise any such option which has not already been exercised until the earlier of: (i) three months from the closing date of the divestiture, or such longer date, if any, which the Committee may authorize, or (ii) the expiration of the option. The Committee may, in its sole discretion, delegate its authority under this subsection to the Executive Committee.

(5) Voluntary Severance Program.

If an employee terminates as a result of participation in a Company voluntary severance program approved by the Executive Committee, any option granted pursuant to the Plan shall become exercisable in full, and the employee may exercise any such option which has not already been exercised until the earlier of (i) three months from the employee's termination date, or (ii) the expiration of the option.

E. EXERCISE BY REPRESENTATIVE FOLLOWING DEATH OF EMPLOYEE. The employee, by written notice to the Company, may designate one or more persons (and from time to time change such designation) including his legal representative, who, by reason of his death, shall acquire the right to exercise all or a portion of the option. If the person or persons so designated wish to exercise any portion of the option, they must do so within one year after the death of the employee or retired employee, as the case may be. All rights of the representative(s) in the option shall terminate upon failure to exercise the option within the time period set forth in this subsection VI(E). Any exercise by a representative shall be subject to the provisions of this Plan.

VII. MODIFICATION, EXTENSION AND RENEWAL OF OPTIONS

The Committee shall have the power to modify, extend or renew outstanding options and authorize the grant of new options in substitution therefor, provided that any such action may not have the effect of altering or impairing any rights or obligations of any option previously granted without the consent of the optionee.

The Committee shall have the power to lower the exercise price of an outstanding option not intended to qualify as an ISO under the Code; provided, however, that the exercise price per share may not be reduced below 75% of the fair market value of a share of Common Stock on the date the action is taken to reduce the exercise price. Such fair market value shall be deemed to be the mean of the highest and lowest quoted selling prices for such shares on that date as reported on The New York Stock Exchange Composite Tape.

VIII. OPTION PRICE

The option price per share for the shares covered by each nonstatutory option shall be not less than 75% of the fair market value of a share of Common Stock on the date the option is granted. The option price per share for ISOs shall be not less than the fair market value on the option grant date. Such fair market value shall be deemed to be the mean of the highest and lowest quoted selling prices for such share on that date as reported on The New York Stock Exchange Composite Tape. The option price per share for Conversion Options shall be determined by the Committee at the time of the related merger or acquisition.

IX. LOANS FOR EXERCISE OF OPTIONS

Any option agreement under this Plan entered into with an employee may, but need not, provide that the Company shall lend to the employee who holds the option the funds for any exercise of his option. Any such loans made to individuals subject to Section 16 of the Exchange Act shall be at a rate of interest adequate to avoid imputation of income under Sections 483 and 7872 of the Code and shall be for a term not to exceed 15 months from the date of exercise of the related option. Any loan by the Company to fund the exercise of an option shall be subject to such other terms and conditions as shall be set forth in the option agreement, which terms and conditions shall be determined by the Committee at the time of the grant of the option. Loans may or may not be secured by stock issued pursuant to such option exercises, at the Committee's discretion.

X. STOCK APPRECIATION RIGHTS

A. GENERAL. This section shall apply to employees who hold options heretofore or hereafter granted under the Plan ("Options"). The Committee may, but shall not be required to, grant to such employees stock appreciation rights as herein provided with respect to not more than the number of shares from time to time subject to the Options held by such employees. The stock appreciation rights shall be integral parts of the respective Options and shall have no existence apart therefrom.

A stock appreciation right shall be the right of the holder thereof to elect to surrender part or all of any Option which is wholly exercisable, or of any exercisable portion of an Option which is partially exercisable, and receive in exchange therefor cash or shares of Common Stock (valued at current fair market value) or a combination thereof. Such cash or shares or combination shall have an aggregate value ("Appreciation") equal to the excess of the current fair market value of one share over the Option price of one share specified in such Option multiplied by the number of shares subject to such Option or the portion thereof which is surrendered. The current fair market value of a share shall be the mean of the highest and lowest quoted selling prices for shares as reported on The New York Stock Exchange Composite Tape on the day on which a stock appreciation right is exercised, or if no sale was made on such date, then on the next preceding day on which such a sale was made. No fractional share shall be issued on the exercise of a stock appreciation right, and settlement therefor shall be made in cash.

Each stock appreciation right granted under this Plan shall be subject to the following terms and conditions: (1) each stock appreciation right shall be evidenced by a written agreement between the Company and the holder in such form as the Committee shall authorize; (2) each stock appreciation right granted under the Plan by its terms shall not be transferable by the holder otherwise than by will or by the laws of descent and distribution, and shall be exercised during the lifetime of the holder only by him, and no stock appreciation right or interest therein may be transferred, assigned, pledged or hypothecated by the holder during his lifetime, whether by operation of law or otherwise, or be made subject to execution, attachment or similar process; (3) all rights of an employee in a stock appreciation right, to the extent that it has not been exercised, shall terminate upon the death of the employee or the termination of his employment for any reason other than retirement because of age or total and permanent disability, and in case of such retirement three years from the date thereof with respect to nonstatutory Options and three months from the date thereof with respect to Options intended to qualify as ISOs or upon expiration

of the option, whichever shall first occur; provided, however, that the employee, by written notice to the Company, may designate one or more persons (and from time to time change such designation), including his legal representative, who, by reason of his death, shall acquire the right to exercise all or a portion of the rights accrued under the stock appreciation right as of the date of his death. If the person or persons so designated wish to exercise any portion of the stock appreciation right, they must do so within one year after the death of the employee or retired employee, as the case may be, and such exercise shall be subject to the provisions of this Plan; and (4) the life of stock appreciation rights shall be coterminous with the life of the Options.

The holder of a stock appreciation right may exercise the same by (1) filing with the Secretary of the Company a written election, which election shall be delivered by the Secretary to the Committee, specifying (a) the Option or portion thereof to be surrendered, and (b) the percentage of the Appreciation which he desires to receive in cash, if any; and (2) surrendering such Option for cancellation or partial cancellation, as the case may be; provided, however, that any election which specifies that the holder of a stock appreciation right desires to receive any portion of the Appreciation in cash shall be of no force or effect unless and until the Committee shall have consented to such election.

Upon exercise of a stock appreciation right, the number of shares reserved for issuance under the Plan shall be reduced by the number of shares covered by the Option, or the portion thereof, which is surrendered in connection with such exercise.

Nothing in the Plan shall be construed to give any eligible employee any right to be granted a stock appreciation right. Neither the Plan nor the granting of a stock appreciation right nor any other action taken pursuant to the Plan shall constitute or be evidence of any agreement or understanding, express or implied, that the Company will employ the holder of a stock appreciation right for any period of time or in any position or at any particular rate of compensation. The holder of a stock appreciation right shall have no rights as a shareholder with respect to the shares covered by his stock appreciation right until the date of issuance to him of a stock certificate therefor, and, except as otherwise specifically provided in the stock option agreement for the Options, no adjustment will be made for dividends or other rights for which the record date is prior to the date such certificate is issued.

The Committee shall have the sole discretion to consent to approve or disapprove, in whole or in part, any election to receive any portion of the Appreciation in cash. If such election is consented to, the stock appreciation right shall be deemed to have been exercised during the Cash Window Period (as defined in subsection X.B below) in which the holder completed all acts required by him under the preceding paragraphs to exercise the stock appreciation right. However, the Cash Window Period restriction shall only apply to employees who are subject to Section 16 of the Exchange Act. Any stock appreciation right exercised during said Cash Window Period shall be valued and deemed exercised as of the date when the mean of the highest and lowest quoted selling prices for the Company's shares as reported on The New York Stock Exchange Composite Tape for that date is the highest for the Cash Window Period. Between meetings of the Committee, the Committee may delegate its powers under this paragraph of Section X to a committee consisting of not fewer than three members of the Committee.

B. ADDITIONAL RESTRICTIONS APPLICABLE TO SECTION 16 EMPLOYEES. No stock appreciation right or related Option may be exercised during the first six months of its term, except in the event of death or total and permanent disability of the holder occurring prior to the expiration of this six-month period. No election to receive any portion of the Appreciation in cash shall be filed with the Secretary and no stock appreciation right shall be exercised to receive any cash unless such election and exercise shall occur during the period (hereinafter referred to as the "Cash Window Period") beginning on the third business day following the date of release for publication by the Company of a regular quarterly or annual statement of sales and earnings and ending on the twelfth business day following such date. The Committee may consent to the election of a holder to receive any portion of the Appreciation in cash at any time after such election has been made.

Stock appreciation rights granted to individuals subject to Section 16 of the Exchange Act must comply with the applicable provisions of Rule 16b-3. These rights shall contain such additional conditions or restrictions as may be required under this rule (or any successor rule) to qualify for the maximum exemption from Section 16 of the Exchange Act with respect to Plan transactions.

XI. INDIVIDUAL GRANT LIMITATION

The Plan prohibits a single participant from receiving grants of options or stock appreciation rights during any single fiscal year of the Company for more than an aggregate of 600,000 shares of Common Stock (subject to adjustment as provided in Section XXII of the Plan). The amount of any payment of stock appreciation rights in cash shall be based upon the fair market value of Common Stock on the date of exercise. Fair market value shall be the mean of the high and low prices of such stock on The New York Stock Exchange Composite Tape on the date in question, or if no sales of such stock were made on that date, the mean of the high and low prices of such stock on the next preceding day on which sales were made.

PART 3. STOCK AND CASH AWARDS

XII. STOCK AND CASH AWARD DETERMINATION

The Committee may grant an eligible employee Stock Awards or awards of cash ("Cash Awards") at such times and in such amounts as the Committee may designate which in its opinion fully reflect the performance level and potential of such employee. The Committee shall designate whether such awards are payable in Common Stock, cash, or a combination thereof. Such awards shall be made in accordance with such guidelines as the Committee may from time to time adopt. Stock Awards and Cash Awards shall be independent of any grant of an option under this Plan and shall be made subject to such restrictions as the Committee may determine to be appropriate.

XIII. PAYMENT OF STOCK OR CASH AWARDS

A. No employee shall have the right to receive payment of any Stock Award or Cash Award until notified of the amount of such award, in writing, by the Committee or its authorized delegate.

B. Payment of Cash Awards shall be made in a lump sum or in annual installments over such period as the Committee may designate, which period shall not exceed five years, provided that the Committee may from time to time designate minimum installment amounts.

C. After an award of Common Stock subject to restrictions ("Restricted Stock"), such shares will be deposited in certificate or book entry form in escrow with the Company's Secretary. The employee shall retain all rights in the Restricted Stock while it is held in escrow including but not limited to voting rights and the right to receive dividends, except that the employee shall not have the right to transfer or assign such shares until all restrictions pertaining to such shares are terminated, at which time the applicable stock certificates shall be released from escrow and delivered to the employee by the Company's Secretary.

D. The Committee may permit, on such terms as it deems appropriate, use of Restricted Stock as partial or full payment upon exercise of a stock option under the Company's incentive stock option or compensation plans or this Plan. In the event shares of Restricted Stock are so tendered as consideration for the exercise of an option, a number of the shares issued upon the exercise of said option, equal to the number of shares of Restricted Stock used as consideration therefor, shall be subject to the same restrictions as the Restricted Stock so submitted plus any additional restrictions that may be imposed by the Committee.

XIV. TERMINATION OF RESTRICTIONS ON STOCK AWARDS

The Committee will establish the period or periods after which the restrictions on Restricted Stock will lapse.

The Committee may in its discretion permit an employee to elect to receive in lieu of shares of Restricted Stock, at the expiration of the restrictions, a cash payment equal to the fair market value of the Common Stock on the date the restrictions lapse. The Committee may also permit the employee to elect to pay applicable withholding taxes due upon the lapse of restrictions with part of the shares due the employee at such time. The shares canceled in payment of withholding taxes shall be valued at the fair market value of the Common Stock on the date the restrictions lapse. Fair market value shall be the mean of the high and low prices of such stock on The New York Stock Exchange Composite Tape on the date in question, or if no sales of such stock were made on that date, the mean of the high and low prices of such stock on the next preceding day on which sales were made.

XV. RESTRICTIONS AND FORFEITURE OF STOCK AWARDS

The Company's obligation to deliver stock held in escrow is subject to the condition that the employee remain an employee of the Company on active or authorized leave status or be under contract to provide services to the Company as provided in Section XVI hereof for the entire deferral and/or restriction period, including mandatory and optional deferrals. If the employee fails to meet this condition, the employee's right to any such unpaid amounts or undelivered stock shall be forfeited. This provision may be waived by the Committee in exceptional circumstances, including the employee serving at the Company's request or with the Company's consent as an employee of a not-for-profit or for-profit corporation, a governmental agency, industry association or other similar organization in connection with the Company's investments or strategic alliances. Unless the Committee provides otherwise, in the event an employee holding restricted shares ceases to be on active pay status during the restricted period for a period of more than six months, the restricted period shall be extended by a period of time equal to the length of the period of inactive status.

XVI. DEATH OF A PARTICIPATING EMPLOYEE HOLDING RESTRICTED STOCK

A. By written notice to the Company, an employee who has received a grant of Restricted Stock may designate one or more persons (and from time to time change such designation) who, by reason of his death, shall acquire the right to receive any vested but unpaid awards held by the employee at the time of his death. Such awards shall be paid to the designated representative at such time and in such manner as if the employee were living.

B. In the event of the death of an employee holding unvested restricted shares, the employee's designated representative shall be entitled to receive a prorated number of shares determined by dividing the number of whole years lapsed since the grant date by the number of years in the restricted period and multiplying this ratio by the number of shares subject to the restricted stock award. Remaining unvested shares shall be forfeited unless additional payments are specifically authorized by the Committee.

C. If at the time of the employee's death, there is no effective beneficiary designation as to all or some portion of the awards hereunder, such awards or such portion thereof shall be paid to or on the order of the legal representative of the employee's estate. In the event of uncertainty as to the interpretation or effect of any notice of designation, the Committee's decision with respect thereto shall be conclusive.

XVII. RETIREMENT OR DISABILITY OF EMPLOYEE HOLDING STOCK AWARD

In the event of total and permanent disability of an employee who has participated in the Plan, any unpaid but vested award shall be paid to the employee if legally competent or to a committee or other legally designated guardian or representative if the employee is legally incompetent.

At the time of grant of any Stock Award, the Committee may specify special conditions or terms covering the status of such Stock Award upon the retirement or total and permanent disability of the employee. If no provision is made, and if the employee retires due to age or is totally and permanently disabled but is still legally competent, the Company's obligation to make any payment due thereafter under the Stock Award feature of the Plan is subject to the condition that for the entire period of deferral or restriction, including mandatory and optional deferrals:

A. An employee retiring due to age shall render as an independent contractor and not as an employee such advisory or consultative services to the Company as shall be reasonably requested by the Board or the Executive Committee in writing from time to time, consistent with the state of the retired employee's health and any employment or other activities in which such employee may be engaged. For purposes of this Plan, the employee shall not be required to devote a major portion of time to such services and shall be entitled to reimbursement for any reasonable out-of-pocket expenses incurred in connection with the performance of such services;

B. The employee shall not render services for any organization or engage directly or indirectly in any business which, in the opinion of the Committee, competes with, or is in conflict with the interest of, the Company. The employee shall be free, however, to purchase as an investment or otherwise stock or other securities of such organizations as long as they are listed upon a recognized securities exchange or traded over-the-counter, or as long as such investment does not represent a substantial investment to the employee or a significant (greater than 10%) interest in the particular organization. For the purposes of this subsection XVI(B), a company (other than a subsidiary) which is engaged in the business of producing, leasing or selling products or providing services of the type now or at any time hereafter made or provided by the Company shall be deemed to compete with the Company;

C. The employee shall not, without prior written authorization from the Company, disclose to anyone outside the Company, or use in other than the Company's business, any confidential information or material relating to the business of the Company, either during or after employment with the Company; and

D. The employee shall disclose promptly and assign to the Company all right, title and interest in any invention or idea, patentable or not, made or conceived by the employee during employment by the Company, relating in any manner to the actual or anticipated business, research or development work of the Company and shall do anything reasonably necessary to enable the Company to secure a patent where appropriate in the United States and in foreign countries.

XVIII. PERFORMANCE-BASED STOCK AWARDS.

A. AWARD AGREEMENT. The Committee, in its discretion, may grant performance-based stock awards to an eligible employee or make vesting of performance shares contingent upon the attainment of performance goals relating to: (1) earnings growth, (2) return on shareholders' equity, (3) earnings per share, (4) return on assets, (5) revenue growth, (6) stock price, or (7) other business goals defined by the Committee, each as may be adjusted by extraordinary financial events, if applicable. Any such objectives and the period in which such objectives are to be met will be determined by the Committee at the time of grant and reflected in the written award agreement. The number or value of performance shares that will be paid out to a participant at the end of the performance period will depend on the extent to which the Company has met the objectives determined by the Committee.

B. PAYMENT OF PERFORMANCE SHARES. Payment of earned performance shares is made as soon as practicable after the Committee has determined that the

performance goals have been made. The Committee, in its discretion, may pay earned performance shares in the form of shares, cash or a combination thereof. Payment of performance shares in cash results in the return of the shares to the Plan, and the shares subject to an award paid in cash will again be available for grant under the Plan. Unless otherwise established by the Committee in the applicable award agreement, upon a participant's termination of employment, for any reason, all remaining unearned performance shares shall be forfeited and returned to the Plan and shall again be available for award under the Plan. The Committee shall also set forth in the grant the number of performance shares or the amount of payment to be made under a performance award if the performance goals are met or exceeded, including the fixing of a maximum payment (subject to subsection XVIII(D)).

C. NON-TRANSFERABILITY. A performance share award is nontransferable other than by will, the laws of descent and distribution or, if permitted by the Committee, beneficiary designation, and a participant's rights under an award are exercisable during the participant's lifetime only by the participant. The extent to which a participant's rights under an award of performance shares are exercisable, if at all, in the event of the total and permanent disability or death during a performance period of a participant shall be determined by the Committee at the time of grant.

D. MAXIMUM PAYMENT. In any fiscal year, no individual may receive payment for performance shares in excess of an aggregate of 600,000 shares of Common Stock, including stock options, stock appreciation rights and other Stock Awards granted under this Plan (subject to adjustment as provided in Section XXII of the Plan). The amount of any payment of performance shares in cash shall be based upon the fair market value of the Common Stock on the date the restrictions lapse. Fair market value shall be the mean of the high and low prices of such stock on The New York Stock Exchange Composite Tape on the date in question, or if no sales of such stock were made on that date, the mean of the high and low prices of such stock on the next preceding day on which sales were made.

PART 4. GENERAL PROVISIONS

XIX. ASSIGNMENTS

The rights and benefits under this Plan may not be assigned except for the designation of a beneficiary as provided in Sections VI and XV.

XX. TIME FOR GRANTING OPTIONS OR STOCK AWARDS

All options for shares, stock appreciation rights and Stock Awards subject to this Plan shall be granted, if at all, not later than 10 years after the adoption of this Plan by the Company's Board of Directors (the "Board").

XXI. LIMITATION OF RIGHTS

A. No Right to an Option or Stock Award. Nothing in the Plan shall be construed to give any personnel of the Participating Companies any right to be granted an option or Stock or Cash Award.

B. NO EMPLOYMENT RIGHT. Neither the Plan, nor the granting of an option or Stock or Cash Award nor any other action taken pursuant to the Plan shall constitute or be evidence of any agreement or understanding, express or implied, that any of the Participating Companies will employ a grantee for any period of time or in any position, or at any particular rate of compensation.

C. NO SHAREHOLDER RIGHTS FOR OPTIONS. An optionee shall have no rights as a shareholder with respect to the shares covered by his options until the date of the issuance to him of a stock certificate therefor, and no adjustment

will be made for dividends or other rights for which the record date is prior to the date such certificate is issued.

XXII. CHANGES IN PRESENT STOCK

In the event of any merger, consolidation, reorganization, recapitalization, stock dividend, stock split, or other change in the corporate structure or capitalization affecting the Company's present Common Stock, appropriate adjustment shall be made by the Board in the number (including the aggregate numbers specified in Section IV) and kind of shares which are or may become subject to options and Stock Awards granted or to be granted hereunder, and in the option price of shares which are subject to options granted hereunder.

XXIII. CHANGE IN CONTROL

In the event that the Company is merged into or acquired by another entity in a transaction involving a change in control, the Committee shall have complete authority and discretion, but not the obligation, to accelerate the vesting of outstanding stock options and the termination of restrictions on Stock Awards.

The Committee may also ask the Board to negotiate, as part of any agreement involving a sale or merger of the Company, a sale of substantially all the Company's assets or similar transaction, terms providing protection for employees holding stock options or Stock Awards.

XXIV. EFFECTIVE DATE OF THE PLAN

The Plan shall take effect on the date of adoption by the Board, subject to approval by the shareholders of the Company at a meeting held within 12 months after the date of such adoption. Options and Stock or Cash Awards may be granted under the Plan at any time after the adoption of the Plan by the Board and prior to the termination of this Plan.

XXV. AMENDMENT OF THE PLAN

The Committee may suspend or discontinue the Plan or revise or amend it in any respect whatsoever; provided, however, that the Committee may seek shareholder approval of an amendment if determined to be required by or advisable under regulations of the Securities and Exchange Commission or the Internal Revenue Service, the rules of any stock exchange on which the Company's stock is listed or other applicable law or regulation.

XXVI. NOTICE

Any written notice to the Company required by any of the provisions of this Plan shall be addressed to the Secretary of the Company and shall become effective when it is received.

XXVII. COMPANY BENEFIT PLANS

Nothing contained in this Plan shall prevent the employee prior to death, or the employee's dependents or beneficiaries after the employee's death, from receiving, in addition to any awards provided for under this Plan and any salary, any payments under a Company retirement plan or which may be otherwise payable or distributable to such employee, or to the employee's dependents or beneficiaries under any other plan or policy of the Company or otherwise.

XXVIII. UNFUNDED PLAN

Insofar as it provides for awards of stock or cash, this Plan shall be unfunded. Although bookkeeping accounts may be established with respect to employees who are granted awards of Stock under this Plan, any such accounts will be used merely as a bookkeeping convenience. Except for the holding of Restricted Stock in escrow pursuant to subsection XIII(C), the Company shall not be required to segregate any assets which may at any time be represented by awards of stock or cash, nor shall this Plan be construed as providing for such segregation, nor shall the Company nor the Board nor the Committee be deemed to be a trustee of stock or cash to be awarded under the Plan. Any liability of the Company to any employee with respect to an award of stock or cash under this Plan shall be based solely upon any contractual obligations which may be created by the Plan; no such obligation of the Company shall be deemed to be secured by any pledge or other encumbrance on any property of the Company. Neither the Company nor the Board nor the Committee shall be required to give any security or bond for the performance of any obligation which may be created by this Plan.

XXIX. GOVERNING LAW

This Plan and all determinations made and actions taken pursuant hereto shall be governed by the law of the State of California and construed accordingly.

HEWLETT-PACKARD COMPANY
INCENTIVE STOCK PLAN STOCK OPTION AGREEMENT (NON-QUALIFIED)

THIS AGREEMENT, dated _____ ("Grant Date") between HEWLETT-PACKARD COMPANY, a Delaware corporation ("Company"), and _____ ("Employee"), is entered into as follows:

WITNESSETH:

WHEREAS, the Company has established the Hewlett-Packard Company 1995 Incentive Stock Plan ("Plan"), a copy of which can be found on the Stock Options Web Site at: http://hpweb.corp.hp.com/publish/hwp/stock/stok_opt.htm or by written or telephonic request to the Company Secretary, and which Plan made a part hereof; and

WHEREAS, the Compensation Committee of the Board of Directors of the Company's ("Committee") has determined that the Employee shall be granted an option under the Plan as hereinafter set forth;

NOW THEREFORE, the parties hereby agree that in consideration of services rendered and to be rendered, the Company grants the Employee an option ("Option") to purchase _____ shares of its \$0.01 par value voting Common Stock upon the terms and conditions set forth herein.

1. This Option is granted under and pursuant to the Plan and is subject to each and all of the provisions thereof.
2. The Option price shall be \$_____ per share.
3. This Option is not transferable by the Employee otherwise than by will or the laws of descent and distribution, and is exercisable only by the Employee during his lifetime. This Option may not be transferred, assigned, pledged or hypothecated by the Employee during his lifetime, whether by operation of law or otherwise, and is not subject to execution, attachment or similar process.
4. This Option may not be exercised before the first anniversary of the date hereof, nor may it be exercised as to more than one-fourth the number of shares covered herein before the second anniversary hereof, nor may it be exercised as to more than one-half of the number of shares covered herein before the third anniversary hereof, nor may it be exercised as to more than three-fourths the number of shares covered herein before the fourth anniversary hereof. Notwithstanding the foregoing, this Option shall be exercisable in full upon the retirement of the Employee because of age or permanent and total disability, or upon his death.
5. This Option will expire ten (10) years from the date hereof, unless sooner terminated or canceled in accordance with the provisions of the Plan. This means that the Option must be exercised, if at all, on or before _____.
6. This Option may be exercised by delivering to the Secretary of the Company at its head office a written notice stating the number of shares as to which the Option is exercised; provided, however, that no such exercise shall be with respect to fewer than twenty-five (25) shares or the remaining shares covered by the Option if less than twenty-five. The written notice must be accompanied by the payment of the full Option price of such shares. Payment may be in cash or shares of the Company's Common Stock or a combination thereof; provided, however, that any payment in shares shall be in strict compliance with all procedural rules established by the Committee.

7. All rights of the Employee in this Option, to the extent that it has not been exercised, shall terminate upon the death of the Employee (except as hereinafter provided) or termination of his employment for any reason other than retirement because of age or permanent and total disability, and in case of such retirement three (3) years from the date thereof; provided, however, that in the event of the Employee's death his legal representative or designated beneficiary shall have the right to exercise all or a portion of the Employee's right under this Option. The representative or designee must exercise the Option within one (1) year after the death of the employee, and shall be bound by the provisions of the Plan. In all cases, however, the Option will expire no later than the expiration date set forth in Paragraph 5.
8. The Employee shall remit to the Company payment for all applicable withholding taxes, and required social security contributions at the time the Employee exercises any portion of this Option.
9. Neither the Plan nor this Agreement nor any provision under either shall be construed so as to grant Employee any right to remain in the employ of the Company, and it is expressly agreed and understood that employment is terminable at the will of either party.

HEWLETT-PACKARD COMPANY

By _____

Carleton S. Fiorina, President and CEO

By _____

Ann O. Baskins, Associate General Counsel

RETAIN THIS AGREEMENT FOR YOUR RECORDS

[HEWLETT-PACKARD LOGO]

HEWLETT-PACKARD COMPANY
RESTRICTED STOCK AGREEMENT

THIS AGREEMENT, is made as of _____ by and between Hewlett-Packard Company, a Delaware Corporation ("Company"), and _____ (Employee"), is entered into as follows:

WHEREAS, the continued participation of Employee is considered by the Company to be important for the Company's continued growth; and

WHEREAS, in order to give the Employee an incentive to continue in the employ of the Company and to participate in the affairs of the Company, the Company is willing to grant to the Employee shares of the Company's \$0.01 par value Common Stock ("Stock") subject to the restrictions stated below and in accordance with the terms and conditions of the Company's 1995 Incentive Compensation Plan ("Plan"), a copy of which can be found on the Stock Options Website at: http://hpweb.corp.hp.com/publish/hwp/stock/stok_opt.htm or by written or telephonic request to the Company Secretary.

THEREFORE, the parties agree as follows:

1. Grant of Stock.
Subject to the terms and conditions of this Agreement and of the Plan, the Company hereby grants to Employee _____ shares of stock.
2. Vesting Schedule.
The interest of Employee in the Stock shall vest in full 3 years from the date of this agreement. Provided the Employee remains in the employ of the Company on a continuous, full-time basis through the close of business on _____, the interest of the Employee in the Stock shall become fully

vested on that date.

3. Restrictions.

- (a) The Stock or rights granted hereunder may not be sold, pledged or otherwise transferred until the shares become vested in accordance with Section 2. The period of time between the date hereof and the date shares become vested is referred to herein as the "Restriction Period."
- (b) If Employee's employment with the company is terminated at any time for any reason other than retirement after attaining 55 years of age with 15 years of service to the Company or 65 years of age without regard to service prior to the lapse of the Restriction Period, all Stock granted hereunder shall be forfeited by the Employee, and ownership transferred back to the Company.

4. Legend.

All certificates representing any shares of Stock of the Company subject to the provisions of this Agreement shall have endorsed thereon the following legend:

"The shares represented by this certificate are subject to an agreement between the Corporation and the registered holder, a copy of which is on file at the principal office of this Corporation."

5. Escrow.

The certificate or certificates evidencing the Stock subject hereto shall be delivered to and deposited with the Secretary of the Company as Escrow Agent in this transaction. The Stock may also be held in a restricted book entry account in the name of the Employee. Such certificates or such book entry shares are to be held by the Escrow Agent until termination of the Restriction Period, when they shall be by said Escrow Agent or Employee.

6. Employee Shareholder Rights.

During the Restriction Period, the Employee shall have all the rights of a shareholder with respect to the Stock except for the right to transfer the Stock, as set forth in Section 3. Accordingly, the Employee shall have the right to vote the Stock and to receive any cash dividends paid to or made with respect to the Stock.

7. Retirement of Employee.

If Employee retires after attaining 55 years of age with 15 years of service to the Company or 65 years of age without regard to service, the Company's obligation to deliver Stock out of escrow is subject to the condition that for the entire Restriction Period:

- (a) Employee shall render, as an independent contractor and not as an employee, such advisory or consultative services to the Company as shall reasonably be requested by the Company, consistent with Employee's health and any other employment or other activities in which such Employee may be engaged;
- (b) Employee shall not render services for any organization or engage directly or indirectly in any business which, in the opinion of the Company, competes with or is in conflict with the interests of the Company;
- (c) Employee shall not, without prior written authorization from the Company, disclose to anyone outside the Company, or use in other than the Company's business, any confidential information or material relating to the business of the Company, either during or after employment with the Company; and
- (d) Employee shall disclose promptly and assign to the Company all right, title and interest in any invention or idea, patentable or not, made or conceived by the Employee during employment by the Company, relating in any manner to the actual or anticipated business, anything reasonably necessary to enable the Company to secure a patent where appropriate in the United States and in foreign countries.

8. Total and Permanent Disability of Employee.

In the event of total and permanent disability of Employee, any unpaid but

vested award shall be paid to Employee if legally competent or to a legally designated guardian or representative if Employee is legally incompetent.

9. Death of Employee.

In the event of the Employee's death prior to the end of the Restriction Period, the Employee's estate or designated beneficiary shall receive a pro rata number of shares determined by multiplying the total shares granted by a fraction equal to a.) the number of whole years elapsed between the date of this agreement and the Employee's death, divided by b.) 3. In the event of the Employee's death after the vesting date but prior to the payment of shares, said shares shall be paid to the Employee's estate or designated beneficiary.

10. Taxes.

Employee shall be liable for any and all taxes, including withholding taxes, arising out of this grant or the vesting of Stock hereunder.

11. Miscellaneous.

- (a) The Company shall not be required (i) to transfer on its books any shares of Stock of the Company which shall have been sold or transferred in violation of any of the provisions set forth in this agreement or (ii) to treat as owner of such shares or to accord the right to vote as such owner or to pay dividends to any transferee to whom such shares shall have been so transferred.
- (b) The parties agree to execute such further instruments and to take such action as may reasonably be necessary to carry out the intent of this Agreement.
- (c) Any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given upon delivery to Employee at his address then on file with the Company.
- (d) Neither the Plan nor this Agreement nor any provisions under either shall be construed so as to grant the Employee any right to remain in the employ of the Company.
- (e) This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof.

HEWLETT-PACKARD COMPANY

By

Carleton S. Fiorina, President and CEO

By

Ann O. Baskins, Associate General Counsel

RETAIN THIS AGREEMENT FOR YOUR RECORDS

HEWLETT-PACKARD COMPANY
EXECUTIVE DEFERRED COMPENSATION PLAN
(Amended and Restated effective November 1, 1999)

SECTION 1. ESTABLISHMENT AND PURPOSE OF PLAN

The Hewlett-Packard Company Executive Deferred Compensation Plan was adopted and established effective January 1, 1994, and has been amended from time to time. The Plan provides deferred compensation for a select group of management or highly compensated employees as established in Title I of ERISA. Effective November 1, 1999, the Plan is hereby amended and restated.

The Plan is intended to be an unfunded and unsecured deferred compensation arrangement between the Participant and the Company, in which the Participant agrees to give up a portion of the Participant's current compensation in exchange for the Company's unfunded and unsecured promise to make a deferred payment at a future date, as specified in Section 6. The Company retains the right, as provided in Section 14, to amend or terminate the Plan at any time. Certain capitalized words used in the text of the Plan are defined in Section 21 in alphabetical order.

SECTION 2. PARTICIPATION IN THE PLAN

2.1 PARTICIPATION IN GENERAL. Employees on the U.S. payroll of the Company are eligible to defer Base Pay or Bonuses under the Plan if they have Base Pay, at the time of election as specified in Section 3, equal to or in excess of the sum of (1) the amount defined in Code section 401(a)(17), as adjusted by the Secretary of the Treasury under Code section 415(d), in effect on January 1 of the calendar year for which amounts are to be deferred, plus (2) \$6,000.

2.2 TRANSITION PERIOD PARTICIPATION. Any Participant in HP's or Agilent's Plan who, during the Transition Period, changes employment to the other of such companies, shall commence participation in the company's Plan to which the employee transfers. All existing deferral elections, beneficiary designations, and any other documentation or information on file with the Plan in which the employee participated at the former employing company shall be treated as elections, designations, documentation or information relating to the Plan of the new employing company.

SECTION 3. TIMING AND AMOUNTS OF DEFERRED COMPENSATION

Eligible Employees shall make elections to participate in the Plan, as follows:

3.1 BASE PAY DEFERRALS.

3.1.1 TIMING OF BASE PAY DEFERRAL. With respect to a deferral of Base Pay, an election to participate must be made prior to December 16 - or such earlier date established by

1

the Committee - of the calendar year preceding the calendar year with respect to which an election to defer Base Pay is made, in accordance with any procedures established by the Committee.

3.1.2 AMOUNT OF BASE PAY DEFERRAL. Once an election is made by an Eligible Employee, an annual whole dollar amount will be deferred from Base Pay, taken equally over the twenty-four (24) pay periods falling within the

calendar year to which the election pertains. The minimum amount of Base Pay which may be deferred is \$6,000 per calendar year. The maximum amount of Base Pay which may be deferred each calendar year is equal to the amount of Base Pay exceeding the amount defined in Code section 401(a)(17), as adjusted by the Secretary of the Treasury under Code section 415(d), in effect on January 1 of the calendar year to which the deferral election pertains.

3.2 SHORT-TERM BONUS (STB) DEFERRALS.

3.2.1 TIMING OF STB DEFERRAL. Participants must make an election to defer an H1 Bonus and/or H2 Bonus before December 16 - or such earlier date established by the Committee - of the calendar year ending within the fiscal year to which the H1 and H2 Bonuses pertain, in accordance with any procedures established by the Committee. Notwithstanding the foregoing, an election to defer an H2 Bonus may be amended or revoked at any time prior to the commencement of the Performance Period to which the H2 Bonus relates, in accordance with any procedures established by the Committee.

3.2.2 AMOUNT OF STB DEFERRAL. An Eligible Employee may defer any portion, up to 100%, of any H1 or H2 Bonus to which he or she may become entitled, so long as the deferral amount is expressed in terms of a whole percentage point. Once an election is made by an Eligible Employee to defer a portion of a STB, the appropriate amount will be withheld from the STB when the amount of the STB has been certified by the Committee, but not before the STB would otherwise have been paid to the Participant in cash under the PFR Plan.

3.3 MID-TERM BONUS (MTB) DEFERRALS.

3.3.1 ELIGIBILITY FOR DEFERRAL. A Mid-Term Bonus is only eligible for deferral if it is payable in the form of cash compensation, as determined in the sole discretion of the Committee, in accordance with the terms of the PFR Plan.

3.3.2 TIMING OF MTB DEFERRAL. With respect to a MTB eligible for deferral, a Participant must make the election to defer a MTB in accordance with any procedures established by the Committee. Provided, however, that in no event may such an election be made after the end of the calendar year preceding the calendar year within which a MTB payment is to be made.

3.3.3 AMOUNT OF MTB DEFERRAL. An Eligible Employee may defer any portion, up to 100%, of a MTB to which he or she may become entitled, so long as the deferral amount is expressed in terms of a whole percentage point. Once an election is made by an Eligible Employee to defer a portion of a MTB, the appropriate amount will be withheld from the MTB

2

payment when the amount of the MTB payment has been certified by the Committee, but not before the MTB would otherwise have been paid to the Participant in cash under the PFR Plan.

3.4 EFFECT OF TAXES ON MAXIMUM DEFERRALS. Notwithstanding any provision herein to the contrary, and to the extent consistent with the terms of the PFR Plan, the Company may withhold Taxes from any cash payment made under the Plan or PFR Plan, owing as a result of any deferral or payment hereunder, as the Company deems appropriate in its sole discretion. If, with respect to the pay period within which a deferral, payment or Bonus is made under the Plan or PFR Plan, the Participant receives insufficient actual cash compensation to cover such Taxes, then the Company may withhold any remaining Taxes owing from the Participant's subsequent cash compensation received, until such Tax obligation is satisfied, or otherwise make appropriate arrangements with the Participant for satisfaction of such obligation.

SECTION 4. DEFERRAL ACCOUNTS.

4.1 CREDITING IN GENERAL. Amounts deferred pursuant to Section 3 shall

be credited to a Deferral Account in the name of the Participant. Deferred Amounts arising from deferrals of Base Pay shall be credited to a Deferral Account at least quarterly. Deferrals resulting from amounts credited to a Participant's Deferral Account from the deferral of Bonuses shall be credited to a Deferral Account as soon as practicable after the Committee has certified the amount of a Bonus in writing, pursuant to the provisions of the PFR Plan, but not before the Bonus would otherwise have been paid to the Participant in cash. The Participant's rights in the Deferral Account shall be no greater than the rights of any other unsecured general creditor of the Company. Deferred Amounts and Earnings thereon invested hereunder shall for all purposes be part of the general funds of the Company. Any payout to a Participant of amounts credited to a Participant's Deferral Account are not due, nor are such amounts ascertainable, until the Payout Commencement Date.

4.2 HEWLETT-PACKARD COMPANY OFFICERS EARLY RETIREMENT PLAN DEFERRALS. A Deferral Account may be created or credited pursuant to the termination of the Hewlett-Packard Company Officers Early Retirement (OER) Plan, as restated effective October 31, 1999. Except as otherwise provided in this Section 4.2, an OER Deferral shall be forfeited in full, if the Termination Date of a Rollover Participant for whom the OER Deferral was created or credited, occurs prior to April 1, 2001. Notwithstanding the foregoing, the OER Deferral of a Rollover Participant shall not be forfeited due to his or her Termination Date occurring prior to April 1, 2001, if the Rollover Participant has attained the age of 58 on or before March 31, 1999.

4.3 CERTAIN TRANSITION PERIOD DEFERRAL ACCOUNTS. With respect to an employee who becomes a Plan Participant during the Transition Period, as described in Section 2.2, a Deferral Account shall be created for such new Participant as soon as practicable after the employee becomes an HP employee, in an initial amount equal to the employee's total cumulative Plan Deferral Account as of the date on which he or she changes employment, with Earnings thereon determined on a pro rata basis. All deferrals - and any Earnings thereon - arising after the date on which the employee changes employment, shall be credited to such employee's Deferral Account in a fashion consistent with the provisions of this Plan.

SECTION 5. EARNINGS ON THE DEFERRAL ACCOUNT

Amounts in a Participant's Deferral Account will be credited at least quarterly with Earnings until such amounts are paid out to the Participant under this Plan as set forth in Section 6. All Earnings attributable to the Deferral Account shall be added to the liability of and retained therein by the Company. Any such addition to the liability shall be appropriately reflected on the books and records of the Company and identified as an addition to the total sum owing the Participant. The Deferral Account of a Rollover Participant shall be credited with Earnings at the same time and accounted for in the same manner as the Deferral Account of a Participant (regardless of the Rollover Participant's eligibility to participate in the Plan), pro-rated to reflect the date on which the deferral account from a Rollover Plan is transferred into the Plan.

SECTION 6. PAYOUT TO THE PARTICIPANTS.

6.1 TERMINATION AFTER RETIREMENT DATE. If a Participant's Termination Date is on or after his or her Retirement Date, an election as to the form and commencement of benefit may be made in accordance with this Section 6.1. An election under this section is only valid if made before the date which is at least twelve (12) months prior to the Participant's Termination Date, and on or before the last day of the calendar year preceding the Termination Year.

6.1.1 FORM OF PAYOUT. A Participant making a valid election under this Section 6.1 may elect to receive either (a) a single lump sum payout by January 15 of the year following the Termination Year, or (b) a payout in annual installments over a five (5) to fifteen (15) year period beginning with

the January 15 following the Termination Year.

6.1.2 COMMENCEMENT OF PAYOUT. A Participant making a valid election under this Section 6.1 may elect to further defer the Payout Commencement Date, under either the single lump sum or the annual installment election addressed in Section 6.1.1, by an additional one (1), two (2) or three (3) years beginning after the January 15 following the Termination Year.

6.1.3 EARNINGS ON DEFERRAL ACCOUNTS. Whatever the form of payout under Section 6, and whatever the timing of the Payout Commencement Date, the Deferral Account of a Participant shall continue to be credited with Earnings until all amounts in such an account are paid out to the Participant.

6.2 DEFAULT FORM AND COMMENCEMENT OF PAYOUT. If a Participant's Termination Date is on or after his or her Retirement Date and a valid election under Section 6.1 is not made, the Participant shall receive his or her payout in annual installments over the fifteen (15) year period beginning with the January 15 following the Termination Year.

6.3 DEATH OF PARTICIPANT. If a Participant dies and an election was made under Section 6.1, the Beneficiary will be paid according to the election even though the election was not made twelve (12) months or more prior to the Participant's death. If the Participant dies and no election was made, then the Beneficiary will receive the payout in annual installments over the

4

fifteen (15) year period beginning with the January 15 in the calendar year following the year of the Participant's death.

6.4 TERMINATION PRIOR TO RETIREMENT DATE. If the Participant's Termination Date precedes his or her Retirement Date, then the Participant will receive a single lump sum payout as soon as practicable after the Termination Date.

6.5 COMMITTEE DISCRETION. Notwithstanding anything in this Section 6 to the contrary, the Committee shall have the discretion to modify the availability and timing of a valid election under Section 6.1, and the timing, form and amount (e.g., payouts affected by a forfeiture under Section 4.2) of any payout, in any manner it deems appropriate; provided, however, that any alteration with respect to a Covered Officer must be consistent with the requirements for deductibility of compensation under section 162(m) of the Code.

6.6 TRANSITION PERIOD TRANSFERS. Notwithstanding anything within this Section 6 to the contrary, a transfer of a Participant's employment between Agilent and HP prior to the Distribution Date shall not be considered a termination of employment nor trigger a Termination Date for purposes of applying the provisions of this section. Rather, the employee shall continue his or her participation in the HP Plan or Agilent Plan as provided in Sections 2.2 and 4.3 of this Plan and the Agilent Plan.

SECTION 7. HARDSHIP PROVISION

7.1 UNFORESEEABLE EMERGENCIES. Neither the Participant nor his or her Beneficiary is eligible to withdraw amounts credited to a Deferral Account prior to the time specified in Section 6. However, such credited amounts may be subject to early withdrawal if an unforeseeable emergency occurs that is caused by an event beyond the Participant's or Beneficiary's control and would result in severe financial hardship to the individual if early withdrawal is not permitted. A severe financial hardship exists only when all other reasonably available financial resources have been exhausted. The Committee shall have sole discretion to determine whether to approve any hardship withdrawal, which amount will be limited to the amount necessary to meet the emergency. The Committee's decision will be final and binding on all interested parties.

7.2 WAITING PERIOD. If the Committee approves a hardship withdrawal,

the Participant (1) may not defer Base Pay, as specified in Section 3, for the remainder of the calendar year within which the withdrawal is received, or for the next succeeding calendar year, and (2) may not defer Short-Term Bonuses, as specified in Section 3, for the remainder of the fiscal year in which the hardship withdrawal is received, or for the next succeeding fiscal year.

SECTION 8. OTHER ACCESS TO CREDITED AMOUNTS

8.1 UNANTICIPATED NEEDS. Neither the Participant nor his or her Beneficiary is eligible to withdraw amounts credited to a Deferral Account prior to the time specified in Section 6. However, such credited amounts may be subject to early withdrawal if an unanticipated need for funds occurs, other than a need specified in Section 7; provided that the Participant permanently forfeits ten (10) percent of the amount to be withdrawn. Additionally, withdrawals based on an

5

unanticipated need for funds may be made no more than once each calendar year and the amount to be withdrawn must be at least \$12,000.

8.2 WAITING PERIOD. If the Participant withdraws amounts credited to a Deferral Account under this section, he or she (1) may not defer Base Pay, as specified in Section 3, for the remainder of the calendar year within which the withdrawal is received, or for the next succeeding calendar year, and (2) may not defer Short-Term Bonuses, as specified in Section 3, for the remainder of the fiscal year in which the hardship withdrawal is received, or for the next succeeding fiscal year.

SECTION 9. DESIGNATION OF BENEFICIARY

The Participant shall, by written notice to the Company, (1) at the time of the first election designate a Beneficiary hereunder, and (2) shall have the right thereafter to change any Beneficiary previously designated by the Participant. Notwithstanding the foregoing, with respect to an employee who becomes a Plan Participant during the Transition Period, as described in Section 2.2, all existing beneficiary designations on file with the Agilent Plan shall be deemed and treated as designations under this Plan. In the case of a Participant's death, payment due under this Plan shall be made to the designated Beneficiary or, in the absence of such designation, by will or the laws of descent and distribution in the state of residence of the Participant.

SECTION 10. CHANGE IN CONTROL

10.1 DISCRETION TO ACCELERATE. In the event of a proposed change in control of the Company, as defined below, the Committee shall have complete authority and discretion, but no obligation, to accelerate payments of both terminated and active Participants.

10.2 PROPOSED CHANGE IN CONTROL. A "proposed change in control" shall mean (1) a tender offer by any person or entity, other than the Company or a Company subsidiary, to acquire securities representing 40 percent or more of the voting power of the Company or (2) the submission to the Company's shareholders for approval of a transaction involving the sale of all or substantially all of the assets of the Company or a merger of the Company with or into another corporation.

10.3 REQUEST FOR NEGOTIATION. The Committee may also ask the Board of Directors to negotiate, as part of any agreement involving the sale or merger of the Company, or a sale of substantially all of the Company's assets or a similar transaction, terms providing for protection of Participants and their interests in the Plan.

SECTION 11. LIMITATION ON ASSIGNMENTS

Benefits under this Plan are not subject in any manner to anticipation,

alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishments by creditors of the Participant or the Participant's Beneficiary and any attempt to do so shall be void.

6

SECTION 12. ADMINISTRATION

12.1 ADMINISTRATION BY COMMITTEE. The Plan shall be administered by the Committee. No member of the Committee shall become a Participant of the Plan. The Committee shall have the sole authority to interpret the Plan, to establish and revise rules and regulations relating to the Plan and to make any other determinations that it believes necessary or advisable for the administration of the Plan. Decisions and determination by the Committee shall be final and binding upon all parties, including shareholders, Participants, Beneficiaries and other employees. The Committee may delegate its administrative responsibilities as it deems appropriate.

12.2 BOOKS AND RECORDS. Books and records maintained for the purpose of the Plan shall be maintained by the officers and employees of the Company at its expense and subject to supervision and control of the Committee.

SECTION 13. NO FUNDING OBLIGATION

The Company is under no obligation to transfer amounts credited to the Participant's Deferral Account to any trust or escrow account, and the Company is under no obligation to secure any amount credited to a Participant's Deferral Account by any specific assets of the Company or any other asset in which the Company has an interest. This Plan shall not be construed to require the Company to fund any of the benefits provided hereunder nor to establish a trust for such purpose. The Company may make such arrangements as it desires to provide for the payment of benefits, including, but not limited to, the establishment of a rabbi trust or such other equivalent arrangements as the Company may decide. No such arrangement shall cause the Plan to be a funded plan within the meaning of Title I of ERISA, nor shall any such arrangement change the nature of the obligation of the Company nor the rights of the Participants under the Plan as provided in this document. Neither the Participant nor his or her estate shall have any rights against the Company with respect to any portion of the Deferral Account except as a general unsecured creditor. No Participant has an interest in his or her Deferral Account until the Participant actually receives the deferred payment.

SECTION 14. AMENDMENT AND TERMINATION OF THE PLAN.

The Company, by action of the Committee, in its sole discretion may suspend or terminate the Plan or revise or amend it in any respect whatsoever; provided, however, that amounts already allocated to the Deferral Accounts will continue to be owed to the Participants or Beneficiaries and will continue to accrue Earnings and continue to be a liability of the Company. Any amendment or termination of the Plan will not affect the entitlement of any Participant or the Beneficiary of a Participant who terminates employment before the amendment or termination. All benefits to which any Participant or Beneficiary may be entitled shall be determined under the Plan as in effect at the time the Participant terminates employment and shall not be affected by any subsequent change in the provisions of the Plan; provided, that the Company reserves the right to change the basis of return on investment of the Deferral Account with respect to any Participant or Beneficiary. Participants or Beneficiaries will be given notice prior to the discontinuance of the Plan or reduction of any benefits provided by the Plan.

7

SECTION 15. TAX WITHHOLDING.

If the Company concludes that Tax is owing with respect to any deferral of income or payment hereunder, the Company shall withhold such amounts from any payments due the Participant, or otherwise make appropriate arrangements with the Participant or his or her Beneficiary for satisfaction of such obligation.

SECTION 16. CHOICE OF LAW.

This Plan, and all rights under this Plan, shall be interpreted and construed in accordance with ERISA and, to the extent not preempted, the law of the State of Delaware, unless otherwise stated in the Plan.

SECTION 17. NOTICE.

Any written notice to the Company required by any of the provisions of this Plan shall be addressed to the chief personnel officer of the Company or his or her delegate and shall become effective when it is received.

SECTION 18. NO EMPLOYMENT RIGHTS.

Nothing in the Plan, nor any action of the Company pursuant to the Plan, shall be deemed to give any person any right to remain in the employ of the Company or affect the right of the Company to terminate a person's employment at any time, with or without cause.

SECTION 19. ROLLOVERS FROM OTHER PLANS.

19.1 DISCRETION TO ACCEPT. The Committee shall have complete authority and discretion, but no obligation, to allow the Plan to create Deferral Accounts for Rollover Participants and credit such accounts with amounts to reflect the Rollover Participant's deferral account in a Rollover Plan. The amounts credited to such Deferral Accounts are fully subject to the provisions of this Plan. Reference in the Plan to such a crediting as a "rollover" or "transfer" of assets from a Rollover Plan is nominal in nature, and confers no additional rights upon a Rollover Participant other than those specifically set forth in the Plan.

19.2 STATUS OF ROLLOVER PARTICIPANTS. A Rollover Participant and his or her Beneficiary are fully subject to the provisions of this Plan, except as otherwise expressly set forth herein. A Rollover Participant who is not already a Participant in the Plan and is not otherwise eligible to participate in the Plan at the time of rollover, shall not be entitled to make any additional deferrals under the Plan unless and until he or she has become an Eligible Employee under the terms of the Plan.

19.3 PAYMENT TO ROLLOVER PARTICIPANTS. If at the time of rollover or transfer, payments from a Rollover Participant's account in a Rollover Plan have already commenced from a Rollover Plan, he or she shall continue to receive such payments in accordance with the form and

8

timing of payment provisions of such plan. If a Rollover Participant is not yet eligible to receive payments from the Rollover Plan at the time of the rollover or transfer, he or she is bound by the payout provisions of this Plan.

SECTION 20. CODE SECTION 162(m).

With respect to Covered Employees, this Plan is designed to satisfy the special requirements for performance-based compensation set forth in Section 162(m) (4) (C) of the Code, and the Plan shall be so construed. Furthermore, if a provision of the Plan as it relates to a Covered Officer causes a deferral or payment to fail to satisfy these special requirements, the Plan shall be deemed amended to satisfy the requirements to the extent permitted by law and subject to Committee approval.

SECTION 21. DEFINITIONS.

21.1 AGILENT refers to Agilent Technologies, Inc., a Delaware Corporation, and any business entity within the Agilent consolidated group.

21.2 BONUS shall have the same meaning as set forth in the PFR Plan.

21.3 BASE PAY means the annual base rate of cash compensation for employees on the U.S. payroll of the Company, excluding commissions, overtime pay, bonuses or Bonuses, Target Bonuses, shift differential, payments under the Hewlett-Packard Company Employee Benefits Organization Income Protection Plan and the Hewlett-Packard Company Supplemental Income Protection Plan, or any other additional compensation.

21.4 BENEFICIARY means the person or persons designated by a Participant under Section 9 to receive any amounts payable under the Plan in the event of the Participant's death.

21.5 CODE means the Internal Revenue Code of 1986, as amended from time to time.

21.6 COMMITTEE means the Compensation Committee of the Board of Directors of the Company, as constituted in accordance with the provisions of the PFR Plan, or its delegate.

21.7 COMPANY means Hewlett-Packard Company, a Delaware corporation, and any business entity within the Hewlett-Packard Company consolidated group.

21.8 COVERED OFFICER shall have the same meaning as set forth in the PFR Plan.

21.9 DEFERRAL ACCOUNT means the account balance of a Participant in the Plan created from Deferred Amounts or from a credit to a Participant's account from a Rollover Plan, and the Earnings thereon prior to payout to the Participant.

21.10 DEFERRED AMOUNT means the amount the Participant elects to have deferred from Base Pay and/or a Bonus, pursuant to Section 3.

9

21.11 EARNINGS means the deemed return on investment (or charge on investment loss) allocated to the Participant's Deferral Account, based on the return of the Fund, reduced by ten (10) percent when the return of the Fund is positive, and increased by ten (10) percent when the return of the Fund is negative. Whether the return of the Fund is positive or negative for purposes of the adjustment described in the preceding sentence, is determined in accordance with Section 5.

21.12 ELIGIBLE EMPLOYEE means an employee on the U.S. payroll of the Company who has Base Pay at the time of election as specified in Section 3 equal to or in excess of the sum of (1) the amount defined in Code section 401(a)(17), as adjusted by the Secretary of the Treasury under Code section 415(d), in effect on January 1 of the calendar year for which amounts are to be deferred, plus (2) \$6,000. Where this Plan references an Eligible Employee's deferral of a Bonus, this assumes the Eligible Employee is also a participant in the PFR Plan.

21.13 ERISA means the Employee Retirement Income Security Act of 1974, as amended from time to time.

21.14 FUND means-

21.14.1 Unless otherwise provided in this Subsection 21.14, an S&P 500 index Fund, as designated by the Committee from time to time;

21.14.2 With respect to Earnings credited to the Deferral

Account of a Covered Officer, the term Fund shall specifically refer to the Vanguard Institutional Index Fund; and

21.14.3 With respect to an OER Deferral, the term Fund shall specifically refer to a fund the investments of which are comprised of a mix of debt and equity, as chosen in the sole discretion of the Committee, and as subject to the forfeiture provisions of Section 4.2.

21.15 H1 BONUS means a Short-Term Bonus arising from the Performance Period defined by the first half of the Company's fiscal year (November 1 through April 30), or as otherwise set forth in accordance with the terms of the PFR Plan.

21.16 H2 BONUS means a Short-Term Bonus arising from the Performance Period defined by the second half of the Company's fiscal year (May 1 through October 31), or as otherwise set forth in accordance with the terms of the PFR Plan.

21.17 MID-TERM BONUS OR "MTB" shall have the same meaning as set forth in the PFR Plan.

21.18 OER DEFERRAL means that portion of a Participant's Deferral Account comprised of amounts deferred and credited to the account arising from the termination of the Hewlett Packard Company Officers Early Retirement Plan, as restated effective October 31, 1999, including any earnings thereon.

10

21.19 PARTICIPANT, unless preceded by "PFR" in which case the term indicates a participant in the PFR Plan, means any individual who has benefits in a Deferral Account under the Plan or who is receiving or entitled to receive benefits under the Plan. The term Participant also refers to a Rollover Participant, except where expressly provided otherwise.

21.20 PAY-FOR-RESULTS PLAN OR "PFR" PLAN means the Hewlett-Packard Company Pay-for-Results Plan effective November 1, 1999, as amended from time to time.

21.21 PAYOUT COMMENCEMENT DATE means the date on which the payout to a Participant of amounts credited to his or her Deferral Account first commence.

21.22 PERFORMANCE MEASURE shall have the same meaning as set forth in the PFR Plan.

21.23 PERFORMANCE PERIOD shall have the same meaning as set forth in the PFR Plan.

21.24 PLAN, unless preceded by (i) "PFR" in which case the term refers to the PFR Plan, (ii) "Agilent" in which case the term refers to the Agilent Technologies, Inc. Executive Deferred Compensation Plan, or (iii) "Rollover" in which case the term refers to a Rollover Plan, means the Hewlett-Packard Company Executive Deferred Compensation Plan, as amended and restated effective November 1, 1999.

21.25 RETIREMENT DATE means the date on which a Participant has completed at least 15 years of service, as defined in the Retirement Plan, and has attained age 55. For this purpose, the Committee may, in its discretion, permit the years of service of a Rollover Participant to include the years of service with the employer for which a Rollover Participant worked immediately preceding employment with the Company.

21.26 RETIREMENT PLAN means the Hewlett-Packard Company Retirement Plan, as amended and restated effective November 1, 1999, as amended from time to time.

21.27 ROLLOVER PARTICIPANT means an individual with a Deferral Account in the Plan transferred from a Rollover Plan in accordance with the provisions of Section 19. The term Rollover Participant may also refer to an individual who has previously been a Participant in the Plan, or an existing Participant at the time of transfer.

21.28 ROLLOVER PLAN means either-

21.28.1 The nonqualified deferred compensation plan of a business entity acquired by the Company through acquisition of a majority of the voting interest in, or substantially all of the assets of, such entity; or,

21.28.2 Any plan or program of the Company, or any employing business entity within the Hewlett-Packard Company consolidated group, including but not limited to the Hewlett-Packard Company Officers Early Retirement Plan, pursuant to the termination of which a Deferral Account is created or added to for

11

a Participant or Rollover Participant.

21.29 SHORT-TERM BONUS OR "STB" shall have the same meaning as set forth in the PFR Plan.

21.30 TARGET BONUS shall have the same meaning as set forth in the PFR Plan.

21.31 TAX OR (TAXES) means any federal, state, local, or any other governmental income tax, employment or payroll tax, excise tax, or any other tax or assessment owing with respect to amounts deferred, any Earnings thereon, and any payments made to Participants under the Plan.

21.32 TERMINATION DATE means the date on which the Participant ceases to be an employee of the Company.

21.33 TERMINATION YEAR means the calendar year within which a Participant's Termination Date falls.

21.34 TRANSITION PERIOD means the period commencing November 1, 1999, and ending on the Distribution Date (as defined in the Master Separation and Distribution Agreement between HP and Agilent, effective August 12, 1999).

SECTION 22. EXECUTION

IN WITNESS WHEREOF, the Company has caused this Plan to be duly amended and restated by the undersigned this 18th day of November, 1999, effective November 1, 1999.

Hewlett-Packard Company

By: /s/Susan P.Orr

Susan P. Orr
Chair, Compensation Committee

12

SUBSIDIARIES OF REGISTRANT

The registrant's principal affiliates as of January 18, 2000, are listed below.

	State or country of incorporation or organization -----	Percentage of voting Securities directly or indirectly owned by Registrant -----
Agilent Technologies, Inc.	Delaware	84
Hewlett-Packard Puerto Rico	California	100
Hewlett-Packard World Trade, Inc.	Delaware	100
VeriFone, Inc.	Delaware	100
Hewlett-Packard Asia Pacific Ltd.	Hong Kong	100
Hewlett-Packard Australia Ltd.	Australia	100
Hewlett-Packard Caribe Ltd.	Cayman Islands	100
Hewlett-Packard Computer Products (Shanghai) Co., Ltd.	China	100
Hewlett-Packard de Mexico S.A. de C.V.	Mexico	100
Hewlett-Packard Espanola, S.A.	Spain	100
Hewlett-Packard Europe B.V.	The Netherlands	100
Hewlett-Packard Far East Pte. Ltd.	Singapore	100
Hewlett-Packard France	France	100
Hewlett-Packard GmbH	Germany	100
Hewlett-Packard (India) Software Operation Pte. Ltd.	India	100
Hewlett-Packard Japan, Ltd.	Japan	100
Hewlett-Packard Korea Ltd.	Korea	100
Hewlett-Packard Ltd.	U.K.	100
Hewlett-Packard (Manufacturing) Ltd.	Ireland	100
Hewlett-Packard Participacoes S.A.	Brazil	100
Hewlett-Packard S.A.	Switzerland	100
Hewlett-Packard Singapore Pte. Ltd.	Singapore	
100		
Hewlett-Packard Start B.V.	The Netherlands	100
CoCreate Software GmbH	Germany	100
Shanghai Hewlett-Packard Company	China	100
Technologies et Participations S.A.	France	100

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the following Registration Statements on Form S-8 of Hewlett - Packard Company of our report dated November 23, 1999 relating to the consolidated financial statements, which appear in this Form 10-K.

Registration No. 2-90239 through Post-Effective Amendment No. 1
Registration No. 2-92331 through Post-Effective Amendment No. 4
Registration No. 2-96361 through Post-Effective Amendment No. 2
Registration No. 33-30769 through Post-Effective Amendment No. 1
Registration No. 33-31496 through Post-Effective Amendment No. 1
Registration No. 33-31500 through Post-Effective Amendment No. 1
Registration No. 33-38579 through Post-Effective Amendment No. 1
Registration No. 33-50699 through Post-Effective Amendment No. 1
Registration No. 33-52291 through Post-Effective Amendment No. 1
Registration No. 33-58447 through Post-Effective Amendment No. 1
Registration No. 33-65179 through Post-Effective Amendment No. 1
Registration No. 333-22947 through Post-Effective Amendment No. 1
Registration No. 333-30459 through Post-Effective Amendment No. 1
Registration No. 333-45231 through Post-Effective Amendment No. 1

/s/ PricewaterhouseCoopers LLP

San Jose, California
January 26, 2000

<ARTICLE> 5

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEET AND CONSOLIDATED STATEMENT OF EARNINGS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 11-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]

For the fiscal year ended October 31, 1999
OR

/ / TRANSITION REPORT PURSUANT TO SECTION 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from _____ to _____

Commission File Number: 1-4423

A. Full title of the plan and address of the plan, if different from
that of the issuer named below:

HEWLETT-PACKARD COMPANY
EMPLOYEE STOCK PURCHASE PLAN

b. Name of issuer of the securities held pursuant to the plan and the
address of its principal executive office:

HEWLETT-PACKARD COMPANY
3000 HANOVER STREET
PALO ALTO, CALIFORNIA 94304

REQUIRED INFORMATION

Not Applicable

SIGNATURE

PURSUANT TO REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THE
ADMINISTRATOR OF THE PLAN HAS DULY CAUSED THIS ANNUAL REPORT TO BE
SIGNED ON ITS BEHALF BY THE UNDERSIGNED HEREUNTO DULY AUTHORIZED.

HEWLETT-PACKARD COMPANY
EMPLOYEE STOCK PURCHASE PLAN

By: /s/ Charles N. Charnas

Charles N. Charnas
Assistant Secretary and
Managing Counsel

Date: January 27, 2000
