

HEWLETT-PACKARD COMPANY ANNUAL REPORT 1960

FINANCIAL HIGHLIGHTS

1960	1959	
Net sales	\$60,206,918	\$47,745,073
Other income	449,178	295,194
Total income	\$60,656,096	\$48,040,267
Cost of goods sold and operating expense	38,209,287	29,047,475
Selling, administrative and general expense	13,743,029	10,737,881
Provision for federal and foreign income taxes	4,245,465	4,248,374
Net income	4,226,645	3,998,941
Net income per share*	\$.429	\$.396

*Computed on the basis of 9,846,012 shares outstanding as of October 31, 1960



David Packard, president, and William R. Hewlett, executive vice president.

TO OUR SHAREHOLDERS

I am pleased to report generally satisfactory progress during the 1960 fiscal year. Consolidated sales for all divisions and subsidiaries increased from \$47,745,073 in 1959 to \$60,206,918 in 1960, a gain of 26%. New facilities and equipment costing \$5,114,309 were activated, bringing the total investment in plant and equipment to \$15,569,618 at cost, an increase of 50%. This included completion and activation of an additional 220,000 square feet of floor space on the Stanford University Industrial Park site, a 12,800 square foot building at Loveland, Colorado, a 30,000 square foot plant for the F. L. Moseley Co. in Pasadena, together with substantial additions of machinery and equipment.

All divisions and subsidiaries of the company contributed to this growth. Hewlett-Packard S.A. made a substantial contribution with an increase of 60% over 1959 in sales in Europe. Hewlett-Packard G. m. b. H., near Stuttgart in Germany, manufactured a number of the instruments sold in Europe. All other subsidiaries, Palo Alto Engineering Company, Boonton Radio Corporation, and F. L. Moseley Co., increased their sales during the year to add to the total for the company.

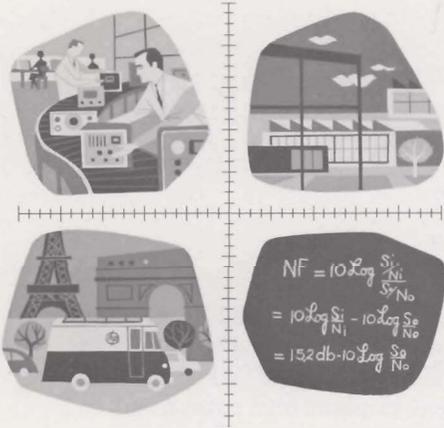
Although our volume increased in a satisfactory manner, profits increased only 8%. Earnings for 1960 were \$4,226,645 or just under 43¢ per share on 9,845,012 shares outstanding, as compared to \$3,899,941 or just under 40¢ in 1959. The general recessionary factors in the business climate during the last half affected our performance, while at the same time we faced extra cost as the result of activating the new facilities and expanding our management organization to meet the greatly increased scope of activity.

The entire amounts invested in new facilities and equipment, together with the additional working capital required for the larger volume, have been obtained from earnings and short term borrowings. Although no substantial additional investment in plant and facilities is anticipated for the coming year, we expect that all earnings will be reinvested to strengthen the financial position of the company during the year ahead, and no dividends should be expected.

During the past year we have increased our technical staff by 32% and this has enabled us to widen the scope of our research and development program. While the results of this added research and development effort will take some time to have an effect in terms of additional new products, we believe it will better enable us to make continuing contributions to electronic instrumentation in the years ahead. This expanded research and development activity and the work we are doing to strengthen our management organization will continue to put pressure on profit margins, particularly if the business recession deepens during the next few months. It is our intention, however, to continue our efforts to strengthen the company in ways we believe will best enable it to take advantage of opportunities for a long range future, even though this course will probably not maximize our earning capability in the year ahead.



PRESIDENT



OPERATIONS 1960

Several events marked 1960 as a good year for Hewlett-Packard. In addition to achieving record sales and earnings, the company strengthened its research and development effort, expanded its production capacity and successfully introduced several important new products to the market. Foreign operations continued to grow, spurred by the company's increasing marketing and manufacturing activities overseas. The growth of subsidiary organizations also contributed significantly to Hewlett-Packard's overall progress during the year.

PRODUCT DEVELOPMENT

To maintain Hewlett-Packard's leadership in developing new electronic measuring instruments, the company continued to accelerate its research and development activity.

Expenditures for R&D totaled \$3,886,000, a 25% increase over 1959. The addition of a number of graduate engineers and physicists brought the total number of technical personnel employed by the company to over 400. Staff additions were complemented by a 30% physical expansion of laboratory facilities.

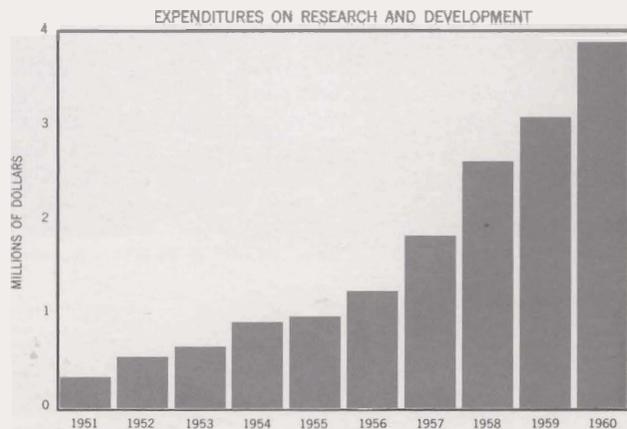
As a result of its aggressive research and development effort, Hewlett-Packard continued to introduce many new instruments to the electronic market. It is significant to note that of the company's total sales in 1960, nearly 25% came from products placed on the market within the past two years.

Several of the firm's new devices represent major scientific advances and are designed to perform critical measurements with the utmost precision and accuracy. A new sampling oscilloscope, for example, measures and displays electrical phenom-

ena lasting as briefly as one billionth of a second—the time it takes light to travel only one foot.

Another newly-developed device, a primary frequency and time standard, was designed to meet stringent requirements for accurately determining frequency and time, particularly in such fields as space navigation, satellite tracking and missile guidance. The standard, which includes several precision instruments, has a short-term accuracy of one part in ten billion. This is equivalent to an error of only one inch in the distance between the earth and the moon.

In order to provide broader support for the company's new product program, considerable effort was devoted to the development of precision components uniquely suited for instrumentation work. These include photo-conductive devices, semiconductor diodes, quartz crystal devices and cathode ray tubes. These components are not being marketed separately, but are being developed to provide Hewlett-Packard a proprietary technical advantage in its instruments.



Another important research program, advanced during the past year, is directed toward the application of electronic instrumentation in industry. Its goal is to increase the usefulness of Hewlett-Packard instruments in industrial applications, particularly in systems of measurement which provide for automation and control.

EXPANSION OF FACILITIES

To keep pace with the company's steady growth, Hewlett-Packard continued to expand its facilities during the past year. Early in 1960 the company completed two additional buildings at its headquarters

plant in Stanford Industrial Park. With the addition of these units, the Stanford complex now includes four principal buildings, each a modern two-story structure covering approximately an acre. The plant provides 387,500 square feet of floor space and is considered among the most efficient and attractive facilities in the electronics industry.

The plant's principal units include the

Situated on a 50-acre hilltop site in Stanford Industrial Park, Hewlett-Packard's new headquarters plant provides a sweeping view of Peninsula communities and lower San Francisco Bay. The plant is considered among the most modern and attractive facilities in the electronics industry.



company's administrative headquarters, its central research and development department, two major manufacturing units and a large warehouse. The research and development building includes several specialized facilities, such as fully-equipped chemistry, quartz crystal, semi-conductor and vacuum tube laboratories, a standards lab and a model shop.

Each manufacturing building has its own sheet metal, painting, assembly and test facilities. In addition, a centralized machine shop, plating facilities, and receiving and shipping departments are available to both manufacturing units.

The plant also includes a large cafeteria, a spacious and convenient parking area, and a central patio. The patio, easily accessible to all buildings, is attractively landscaped and includes horseshoe pits, badminton courts and other recreational facilities. The entire plant has been designed to provide the utmost in employee comfort and convenience.

Expansion of the Stanford plant has increased Hewlett-Packard's productive capacity by approximately 50%. The company now has three major production units, two in the Stanford complex and one in Palo Alto. The latter includes manufacturing facilities for the company's Dymec Division, as well as a newly-established plant for producing semiconductors and other precision components.

The past year also saw the start-up of a small manufacturing facility in Loveland, Colorado, some 55 miles from Denver. Although Loveland operations are currently housed in a 12,800 square foot building, the company has acquired an 80-acre site to provide for a major facility in the years ahead.

In addition to expanding its manufacturing space during 1960, Hewlett-Packard made a substantial investment in production equipment. A major part of this investment is represented by new machine tools in the Stanford plant to increase efficiency and reduce manufacturing costs.

A noteworthy addition to the company's machine shop is a new, highly-efficient, tape-controlled milling machine which automatically performs several machining operations on a complicated mechanical part. These operations include milling, drilling, reaming, tapping and boring—all of which are performed individually and with utmost precision. Operations are programmed and all automatically controlled from data furnished by a punched tape.

Another major acquisition during 1960 was a vacuum die-caster for speeding the production of precision die-cast parts.

These and other new machine tools provide Hewlett-Packard with the most modern equipment for producing an expanding line of precision electronic instruments. These new facilities will save valuable time between design and production, and will enable the company to achieve greater efficiency and economy in its entire manufacturing operations.

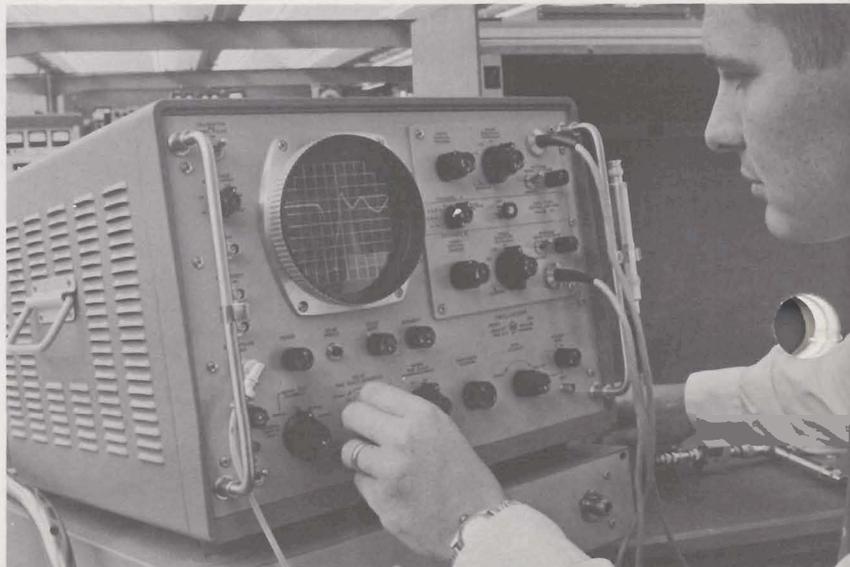
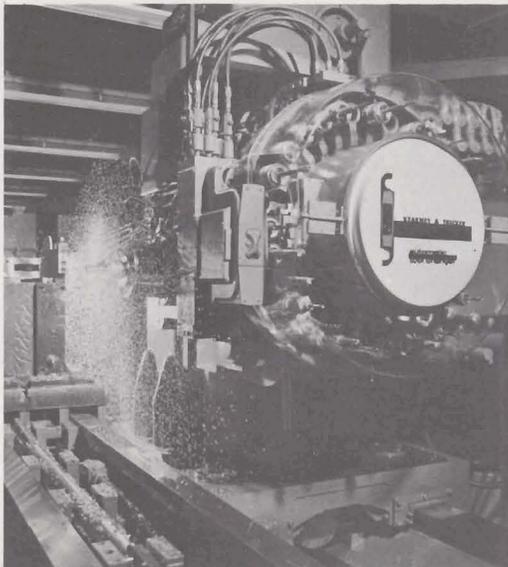
MARKETING ACTIVITIES

The past year was marked by keen competition in nearly all areas of the electronic instrumentation market. With the development of new and improved products and more effective selling techniques, there is every indication that this trend will continue and that the market will become increasingly competitive in the years ahead.

To meet this challenge, the company

This tape-controlled milling machine increases production speed and efficiency by automatically performing several different machining operations on a complicated mechanical part.

Among the significant new instruments introduced by Hewlett-Packard in 1960 is the Model 185A sampling oscilloscope.



devoted considerable effort during 1960 to strengthening its marketing organization and establishing a more efficient and aggressive sales program. The results of this increased marketing effort are reflected in a sales growth of 26% during the past year.

The company's line of over 400 measuring instruments and accessory devices is sold worldwide through a network of independent sales representatives. At the end of the fiscal year there were 14 independent firms selling Hewlett-Packard equipment in the U. S. alone. These firms have offices in 42 key marketing centers and a combined sales force of over 250 highly-trained field engineers and technicians.

Supporting the field engineering group is a large staff of marketing specialists headquartered at the company's administrative offices in Palo Alto. This staff coordinates the activities of the field sales force and provides essential supporting functions, such as sales training, advertising, sales promotion and the planning and preparation of Hewlett-Packard exhibits for technical shows and conferences.

Since superior customer service is a key to continued sales growth, the company made a concerted effort during 1960 to improve and expand its customer service program. An important part of this effort was the development of a more rapid and efficient method of supplying and delivering spare parts. The company also increased the flow of helpful technical information to customers and expanded its customer training activities. Several seminars

were conducted at the Hewlett-Packard plant to instruct customer personnel in the proper operation, application and maintenance of the company's instruments.

The company also accelerated the training of its own sales force to keep pace with the rapid development of new products. To provide field engineers with a thorough technical knowledge of these new devices, the company increased the number and scope of its factory sales seminars.

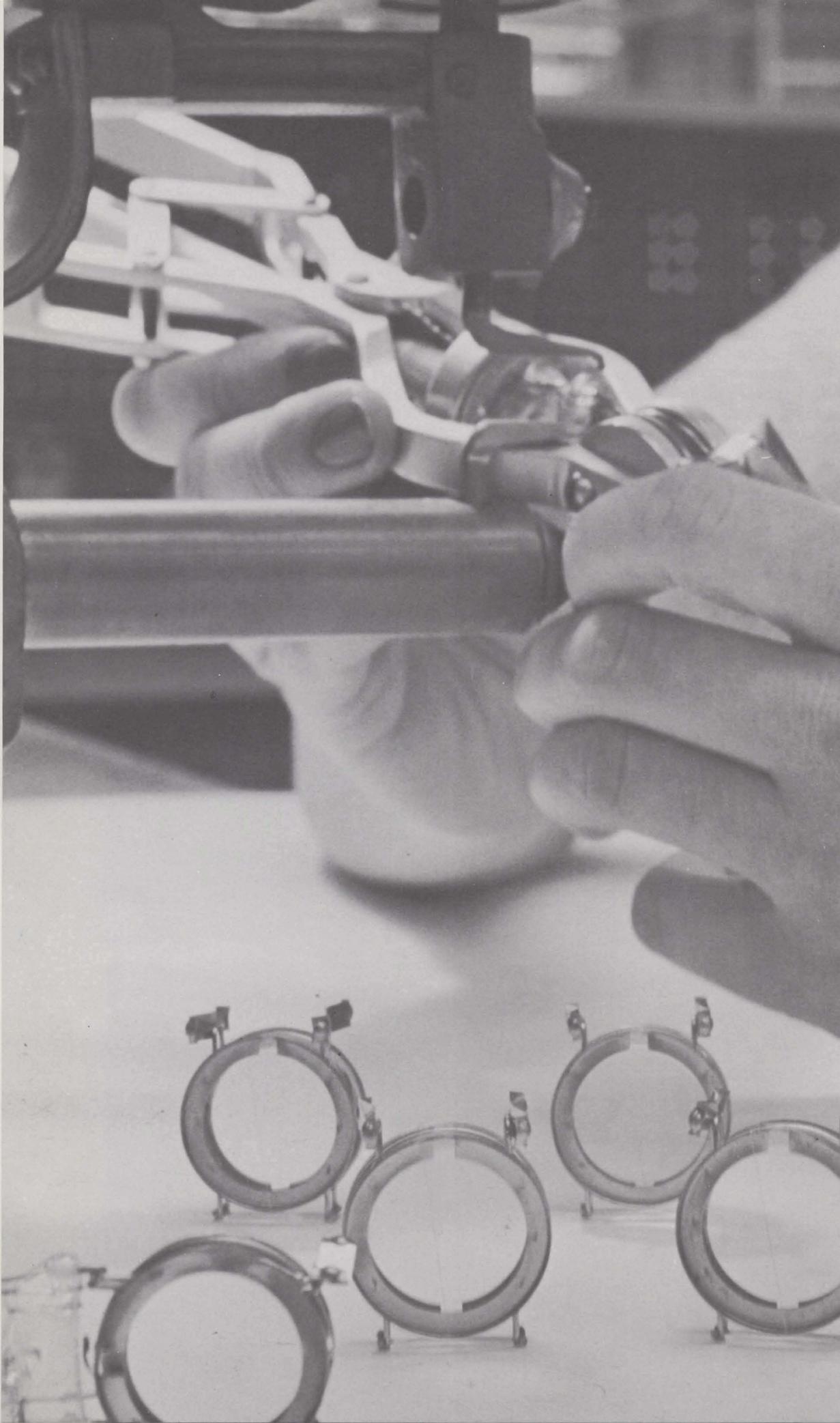
In addition to expanding its trade journal advertising and product publicity programs, the company made more extensive use of direct mail advertising to stimulate sales of Hewlett-Packard products. Direct mail campaigns were particularly effective in attracting visitors to the company's exhibits at various technical conferences. The two most important conferences of the year—the Institute of Radio Engineers meeting in New York and the WESCON convention in Los Angeles—each produced record-breaking attendance at the Hewlett-Packard exhibits.

Winter in Loveland, Colorado, finds a mantle of snow surrounding the company's new manufacturing plant.



Distinguished visitors to Hewlett-Packard's Stanford plant in 1960 included Charles de Gaulle. The French president and his party were escorted on a tour of the company's new facilities by William R. Hewlett (right).





Precision workmanship underlies the high quality of Hewlett-Packard measuring instruments. These delicate quartz crystals, produced in a special laboratory at the Stanford plant, are key components of the company's electronic counting instruments and its new frequency/time standard.

DIVISIONS and SUBSIDIARIES

During the 1959 fiscal year, Hewlett-Packard acquired four domestic firms whose activities and products are directly related to the company's field of interest.

In the past year these newly-acquired companies have made substantial progress. Each has increased its sales volume, has broadened its product line and expanded its staff and facilities.

DYMEC, a division of Hewlett-Packard, was founded in 1956. Located in Palo Alto, the division designs and manufactures small electronic instrumentation systems whose concept is based upon advanced technology. In general, these systems fall into two broad categories—digital data systems and radio frequency systems. While many comprise standard items, others are complex systems designed specifically to meet exacting customer requirements.

During 1960, Dymec achieved a 26% growth in shipments and increased its employment to 260. The employment increase resulted primarily from a doubling of the division's engineering staff, thereby enabling the staff to design and manufacture a wider variety of specialized systems.

Specific design and manufacturing accomplishments during 1960 included the delivery of initial units of a large scale, highly complex signal generator system for an important air defense project; the division's entry into the automatic electronic component testing field, and the expansion of the Dymec line of "building block" modules for inexpensive digital data systems.

BOONTON RADIO CORPORATION, founded in 1935, is a wholly-owned sub-

sidiary of Hewlett-Packard. This well-established company, headquartered in Boonton, New Jersey, is a pioneer manufacturer of precision instruments for measuring electrical circuit quality and testing aircraft guidance systems. The firm has achieved wide recognition for its top-quality impedance measuring equipment, particularly its Q meters. The Q meter, a fundamental tool in electronics, is a sensitive device whose basic function is to measure the Q or "figure of merit" of coils.

During 1960, Boonton Radio's sales increased 14% and its employment grew to 160. A significant event during the year was the groundbreaking for a new, 60,000 square foot plant in Rockaway Township, New Jersey. This modern facility, located some 30 miles from New York City, will include the company's new administrative offices, engineering laboratory and production facilities. A 70-acre site provides adequate space for a major plant expansion in the years ahead.

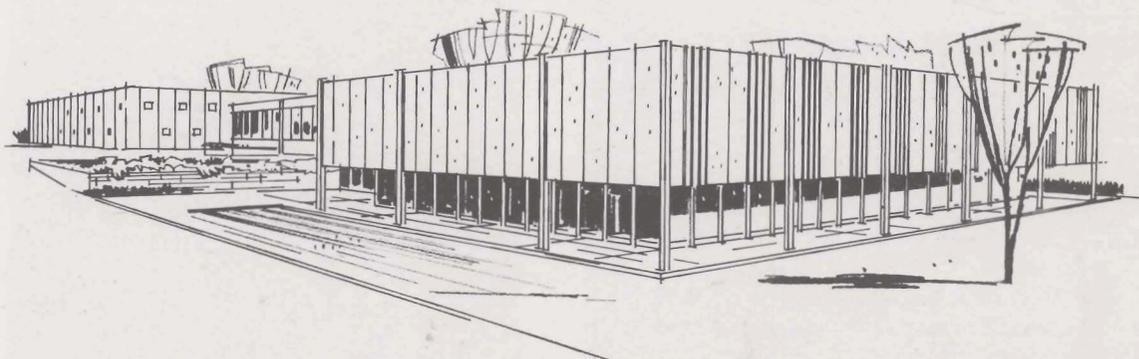
1960 also recorded significant advances by Boonton Radio in the development of new products. The company's latest Q meter, for example, is based on an entirely new design principle, one which extends the frequency range of Q measurements. The instrument is also highly useful in determining certain characteristics of semiconductors.

F. L. MOSELEY CO., founded in 1951, is a leading designer and manufacturer of precision X-Y chart recorders and related electronic instruments. The company, lo-

Boonton Radio Corporation's new 60,000 square-foot plant is currently under construction on a 70-acre site in Rockaway Township, New Jersey.



G. A. Downsborough
President
Boonton Radio Corporation



cated in Pasadena, California, became a subsidiary of Hewlett-Packard in 1958 when the parent firm acquired 80% of the Moseley Co. stock.

During the past year, Moseley achieved marked growth in virtually all aspects of its operations. Highlights included a 20% increase in sales, the construction of new facilities, enlargement of the company's product line and the establishment of a broader marketing program.

In mid-1960 the company occupied a new plant in Pasadena. This modern facility provides an additional 30,000 square feet of space and substantially increases Moseley's engineering and manufacturing capacity.

The firm's line of X-Y recorders was expanded with the addition of several new instruments and accessory devices. Among these products is a compact, flat-bed recorder which is completely new in engineering concept and styling. In the digital field, the company developed a magnetic tape plotting system providing a continuous graphic recording of data obtained from large computers.

PALO ALTO ENGINEERING COMPANY was founded in 1951 to supply special transformers for Hewlett-Packard instruments. A wholly-owned subsidiary, it now sells nearly 35% of its output of transformers and related components to firms outside the parent company.

PAECO achieved a 30% sales growth during 1960 and increased its employment to 180. Plant capacity now totals 33,000 square feet in a modern facility in Palo Alto.

The firm broadened its line of products and initiated a modest research program in addition to expanding its design and manufacturing activities.

INTERNATIONAL OPERATIONS

Hewlett-Packard continued to strengthen its position in the foreign market during 1960. Sales to customers outside the United States were up an impressive 60% over 1959. These sales represented approximately 14% of the company's total volume.

At the end of the fiscal year, Hewlett-Packard instruments were being sold in 68 countries. The well-established European market accounted for the bulk of foreign sales. Other major areas in which the

company's products received growing acceptance included Canada, Japan and Australia.

Shipments from the company's new manufacturing facility in Germany increased substantially over the past year. This facility, located in Böblingen, Württemberg, is now producing some 15 different types of instruments for the growing European market. The plant is operated by a manufacturing subsidiary, Hewlett-Packard G.m.b.H.

The company's European marketing subsidiary is Hewlett-Packard S.A., headquartered in Geneva, Switzerland. Its primary function is to supervise and coordinate the activities of independent organizations selling Hewlett-Packard equipment throughout Western Europe.

To improve the effectiveness of these sales groups, important additions were made to the facilities and staff of Hewlett-Packard S. A. during 1960. The firm stepped up its sales training activities at its headquarters office in Geneva. These activities, coordinated by a training supervisor, are extremely beneficial in increasing the technical knowledge and selling ability of the independent sales representatives.

The company expanded its technical sales office in Frankfurt, Germany, by occupying new and larger quarters and adding to its staff.

For the past several months Hewlett-Packard S. A. has been exhibiting the company's new equipment in a mobile demonstration laboratory which tours various industrial and scientific centers in Western Europe. This fully-equipped bus has been highly successful in stimulating sales. A second mobile lab was recently acquired to provide broader coverage of present and potential customers.

F. L. Moseley Co.'s new plant in Pasadena provides the firm with an additional 30,000 square feet of engineering and production space.



F. L. Moseley
President
F. L. Moseley Co.

Customer service was also enhanced by the development of more efficient methods of shipping and delivering Hewlett-Packard products. Those instruments which are exported to Europe from the company's U. S. manufacturing plants are now shipped directly to a central warehouse in Basel, Switzerland, via air freight. This innovation has speeded deliveries to European customers and reduced packaging costs.

During 1960 the company began advertising its products in European technical publications, and distributing sales literature printed in several different languages.

Arrangements were also completed during the year to coordinate the European sale and distribution of products manufactured by two of Hewlett-Packard's domestic subsidiaries, Boonton Radio Corporation and F. L. Moseley Co.

PERSONNEL GROWTH

Hewlett-Packard's expanding operations, both at home and abroad, create a continuing need for qualified personnel. In 1960 the company and its subsidiaries added over 500 full-time employees, bringing the total employment at year-end to approximately 3,500. Of this number, 2,600 are employed by the parent company.

Selection and hiring of qualified people is a prime responsibility of the company's Personnel Department. To assure that Hewlett-Packard's operations will be adequately staffed, the department accelerated its personnel recruitment activities during 1960. It also strengthened the com-

pany's salary and wage system, and expanded its plant safety program.

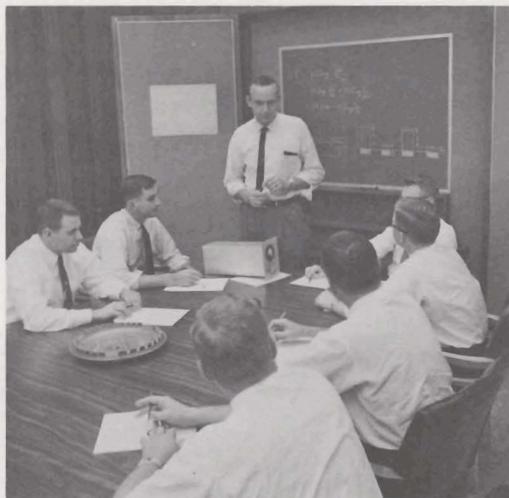
Since Hewlett-Packard follows a policy of promoting from within whenever possible, the company placed increasing emphasis upon employee training during the past year. New programs were initiated, and existing programs expanded. Of particular significance is a newly-established supervisory development program. This is a conference-type training course covering management methods, organization, personnel policies and human relations. Over 200 supervisors received this training during 1960.

Other programs are designed to improve productive skills and to streamline manufacturing methods and procedures. Still others are designed to acquaint non-technical personnel with basic information about Hewlett-Packard products and the firm's role in the electronics industry.

In addition to its in-plant training courses, the company has established a program of educational assistance for employees. This includes a 50% tuition refund for successful completion of job-related courses at nearby schools and colleges. The company also encourages and supports the participation of technical personnel in special conferences and seminars throughout the country.

These and similar programs are designed to help the employee increase his capabilities and stature within the company, and to enable Hewlett-Packard to develop much of its leadership directly from its own ranks.

Hewlett-Packard's extensive training program includes several courses for engineers and other technical personnel.



A landscaped patio in the new Stanford plant provides a number of different recreational facilities for employees.

CONSOLIDATED STATEMENT OF INCOME

for the Years Ended October 31, 1960 and 1959

	1960	1959
Sales, net	\$60,206,918	\$47,745,073
Cost of goods sold	38,209,287	29,047,475
Gross profit on sales	<u>\$21,997,631</u>	<u>\$18,697,598</u>
Selling, administrative and general expense	13,721,268	10,720,875
Net profit from operations	<u>\$ 8,276,363</u>	<u>\$ 7,976,723</u>
Other income	449,178	295,194
TOTAL	<u>\$ 8,725,541</u>	<u>\$ 8,271,917</u>
Other deductions	226,629	99,552
Net income before provision for federal and foreign taxes on income	<u>\$ 8,498,912</u>	<u>\$ 8,172,365</u>
Provision for federal and foreign taxes on income	4,245,465	4,248,374
Net income before provision for minority interest	<u>\$ 4,253,447</u>	<u>\$ 3,923,991</u>
Income to minority interest	26,802	24,050
Net income	<u>\$ 4,226,645</u>	<u>\$ 3,899,941</u>

The accompanying Notes to Financial Statements are an integral part hereof.

CONSOLIDATED STATEMENT OF SURPLUS

for the Years Ended October 31, 1960 and 1959

	1960	1959
PAID-IN SURPLUS		
Balance, beginning of year	\$ 1,552,376	\$ 1,206,734
Excess of market value or proceeds received over par value of capital stock issued under stock purchase and stock option plans less expenses in connection with the issuance of capital stock	794,191	345,642
Balance, end of year	<u>\$ 2,346,567</u>	<u>\$ 1,552,376</u>
EARNED SURPLUS		
Balance, beginning of year	\$12,710,416	\$ 8,842,953
Net income	4,226,645	3,899,941
TOTAL	<u>\$16,937,061</u>	<u>\$12,742,894</u>
Less:		
Transfer to capital stock regarding 200% stock distribution which effected a 3 for 1 stock split	6,555,926	-----
Cash dividend paid by subsidiary company prior to acquisition	-----	32,478
Balance, end of year	<u>\$10,381,135</u>	<u>\$12,710,416</u>

The accompanying Notes to Financial Statements are an integral part hereof.

NOTES TO FINANCIAL STATEMENTS

October 31, 1960

1. The consolidated financial statements include the accounts of all wholly-owned and majority-owned domestic and foreign subsidiaries. Applicable rates of exchange have been used to translate foreign currency amounts into United States dollars.

2. Accounts receivable in the amount of \$200,000 have been pledged as security for a short-term note payable of \$152,855.

3. The property, plant and equipment accounts include \$429,625 representing emergency facilities acquired under Certificates of Necessity. These facilities were amortized over a five year period from date of acquisition and have been fully amortized and continue to be used in the operations.

At October 31, 1960, land and buildings with a net book value of \$218,497 and \$767,702, respectively, were pledged by deeds of trust as security for the mortgages payable.

4. During August 1960, the stockholders approved an amendment to the Company's Articles of Incorporation increasing the authorized number of shares of capital stock from 5,000,000 to 15,000,000 shares and also approved a 200% stock distribution made as of September 1, 1960 which effected a 3 for 1 stock split. In connection with the 200% stock distribution the capital stock account was increased by a transfer from earned surplus of \$6,555,926.

5. Hewlett-Packard Company granted, on November 6, 1957, certain of its officers and employees restricted stock options to acquire its own capital stock at a price of \$16.00 a share, the market price at that date. On February 26, 1960, Hewlett-Packard Company also granted certain officers and employees of one of its subsidiaries, restricted stock options for 6,500 shares of Hewlett-Packard Company capital stock at a price of \$54%, which was 95% of the market price on that date. These options are exercisable after one year and within five years from dates of grant.

The number of shares reserved for these options changed during the year as follows:

	<u>Shares</u>
Reserved at beginning of year	89,962
Add:	
Options granted	6,500
Increase in number of shares under option occasioned by 200% stock distribution	81,334
	127,796
Deduct:	
Options exercised	5,322
Options terminated	1,115
Reserved at end of year	<u>121,359</u>

At October 31, 1960, the shares reserved for options were as follows: 104,859 shares at \$5 1/2 a share and 16,500 shares at \$18 - 5/24 per share (the option prices are after the effect of the 200% stock distribution).

6. During 1959, Hewlett-Packard Company adopted a plan for employees to purchase 25,000 shares of the Company's capital stock. The plan requires the Company and participating subsidiaries to contribute 25% of the purchase price (approximate market price) of such stock at dates of purchase. There were 26,251 shares of capital stock reserved for this plan at October 31, 1960, after giving effect to the 200% stock distribution.

7. Sales recorded during the years ended October 31, 1959 and 1960, subject to the U. S. Renegotiation Act of 1951, as amended, remain subject to review. The management believes that when such sales are examined there will be no refund payable.

8. The companies provide for their liabilities under profit-sharing and other pension and retirement plans by deposits with trustees of such plans.

ACCOUNTANTS' REPORT

TABLE A-1017, NEW YORK

<p>RESIDENT PARTNERS HAROLD A. MULLIGAN, P.A. ROBERT H. PERRY, C.P.A. LEONARD W. KELCEY, C.P.A. ALFRED W. MULLIGAN, C.P.A.</p>	<p>E. W. LAURENTZ & Co. CERTIFIED PUBLIC ACCOUNTANTS 222 MARKET STREET - SAN FRANCISCO 5</p>	<p>NEW YORK CHICAGO BOSTON CLEVELAND DENVER HOUSTON LOS ANGELES MEMPHIS MILWAUKEE MINNEAPOLIS NEW ORLEANS SAN FRANCISCO SEATTLE SIOUX FALLS TAMPA WASHINGTON WICHITA</p> <p>CORRESPONDENTS IN FOREIGN COUNTRIES</p>
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January 11, 1961

To the Board of Directors
 Hewlett-Packard Company:

We have examined the consolidated balance sheet of Hewlett-Packard Company and subsidiaries as of October 31, 1960, and the related statements of consolidated income and surplus for the year then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. With respect to the subsidiaries, F. L. Moseley Co., Hewlett-Packard S.A. and Hewlett-Packard G.m.b.H., we have relied on reports submitted by other independent public accountants, which indicate their examinations were similar in scope.

In our opinion, the accompanying consolidated balance sheet and the related statements of consolidated income and surplus present fairly the consolidated financial position of Hewlett-Packard Company and subsidiaries as of October 31, 1960, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

E. W. Laurentz + Co

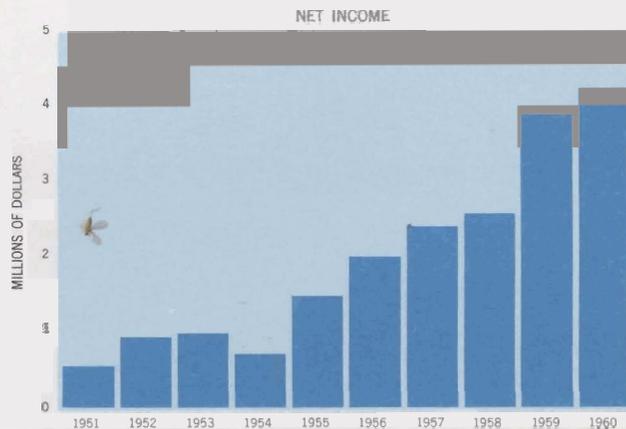
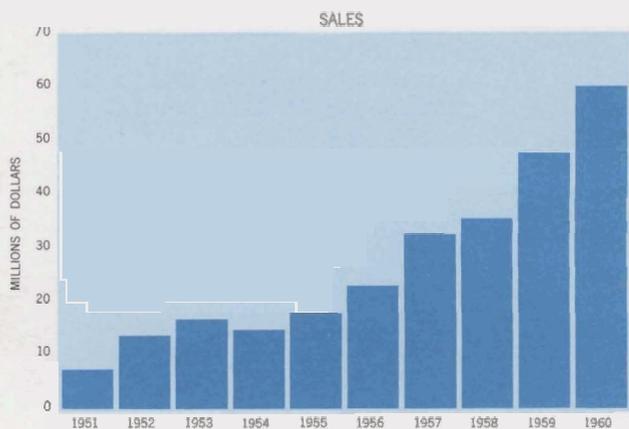
TEN-YEAR CONSOLIDATED SUMMARY OF EARNINGS

Years Ended October 31

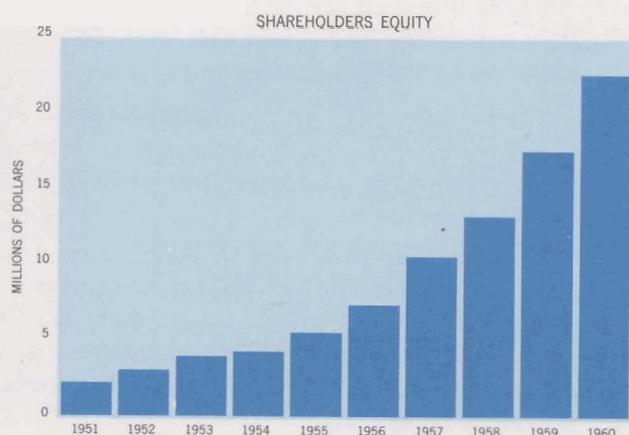
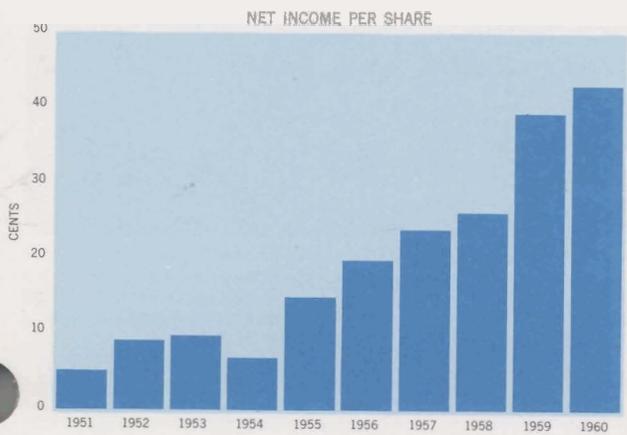
	1960	1959	1958	1957
Income				
Sales, less returns and allowances	\$60,206,918	\$47,745,073	\$35,653,353	\$32,608,235
Other Income	449,178	295,194	203,384	164,831
Total	\$60,656,096	\$48,040,267	\$35,856,737	\$32,773,066
Deductions				
Cost of goods sold and operating expense . . .	\$38,209,287	\$29,047,475	\$22,557,775	\$19,954,457
Selling, administrative and general expense . .	13,743,029	10,737,881	7,906,258	7,741,215
Interest	204,868	82,546	92,132	105,819
Net refunds due to renegotiation	-----	-----	-----	-----
Net refunds due to price redetermination . . .	-----	-----	-----	-----
Total	\$52,157,184	\$39,867,902	\$30,556,165	\$27,801,491
Income before federal and foreign taxes	\$ 8,498,912	\$ 8,172,365	\$ 5,300,572	\$ 4,971,575
Provision for federal and foreign income taxes				
Federal normal taxes on income	\$ 4,090,930	\$ 4,229,403	\$ 2,719,095	\$ 2,568,126
Federal excess profits taxes on income	-----	-----	-----	-----
Foreign taxes on income	154,535	18,971	-----	-----
Total	\$ 4,245,465	\$ 4,248,374	\$ 2,719,095	\$ 2,568,126
Income before provision for minority interest . .	\$ 4,253,447	\$ 3,923,991	\$ 2,581,477	\$ 2,403,449
Income to minority interest	26,802	24,050	9,525	11,667
Net income	\$ 4,226,645	\$ 3,899,941	\$ 2,571,952	\$ 2,391,782 †
Net income per share of capital stock*	\$.429	\$.396	\$.261	\$.243

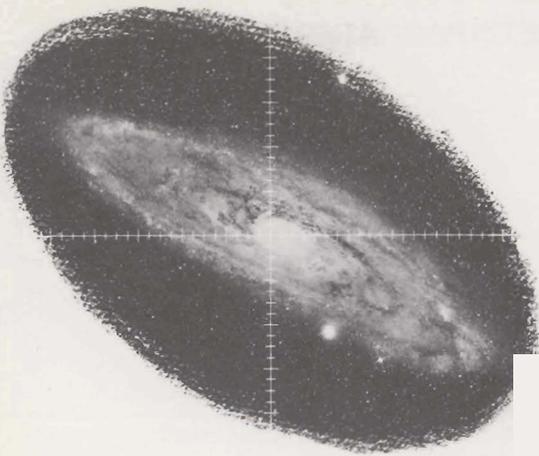
*Computed on the basis of 9,845,012 shares outstanding as of October 31, 1960.

†After special charge, net of \$425,265.



1956	1955	1954	1953	1952	1951
\$23,088,443	\$17,629,327	\$14,957,561	\$15,690,506	\$13,481,165	\$ 7,010,351
123,935	83,149	66,943	58,019	51,220	39,022
<u>\$23,212,378</u>	<u>\$17,712,476</u>	<u>\$15,024,504</u>	<u>\$15,748,525</u>	<u>\$13,532,385</u>	<u>\$ 7,049,373</u>
\$13,779,897	\$10,669,011	\$10,198,026	\$ 9,906,848	\$ 7,883,909	\$ 4,981,388
5,219,217	3,722,807	3,074,595	2,729,150	2,674,780	635,756
24,294	25,182	6,899	9,776	21,040	6,628
-----	42,187	73,375	20,908	-----	-----
-----	6,749	19,046	-----	60,441	-----
<u>\$19,023,408</u>	<u>\$14,465,936</u>	<u>\$13,371,941</u>	<u>\$12,666,682</u>	<u>\$10,640,170</u>	<u>\$ 5,623,772</u>
<u>\$ 4,188,970</u>	<u>\$ 3,246,540</u>	<u>\$ 1,652,563</u>	<u>\$ 3,081,843</u>	<u>\$ 2,892,215</u>	<u>\$ 1,425,601</u>
\$ 2,163,077	\$ 1,742,657	\$ 875,674	\$ 1,639,530	\$ 1,563,151	\$ 722,322
-----	-----	46,856	467,734	422,041	177,830
-----	-----	-----	-----	-----	-----
<u>\$ 2,163,077</u>	<u>\$ 1,742,657</u>	<u>\$ 922,530</u>	<u>\$ 2,107,264</u>	<u>\$ 1,985,192</u>	<u>\$ 900,152</u>
<u>\$ 2,163,893</u>	<u>\$ 1,503,883</u>	<u>\$ 730,033</u>	<u>\$ 974,579</u>	<u>\$ 907,023</u>	<u>\$ 525,449</u>
5,559	15,902	3,002	4,208	-----	(80)
<u>\$ 2,020,334</u>	<u>\$ 1,487,981</u>	<u>\$ 727,031</u>	<u>\$ 970,371</u>	<u>\$ 907,023</u>	<u>\$ 525,529</u>
\$.205	\$.151	\$.074	\$.099	\$.092	\$.053





MEASUREMENT IN THE SIXTIES...

A continuing challenge for Hewlett-Packard

Accurate measurement is the basis for scientific progress. This aphorism, as obvious to the ancient Pythagoreans as to contemporary physicists, takes on new meaning and dimension as our Western civilization moves deeper into the decade of the Sixties. Certainly the Free World's strength and progress over the next several years will depend largely upon its scientific achievements. And these, in turn, can be realized only with continuing and significant advances in the art of measurement.

Hewlett-Packard is among those firms in the electronic industry sharing a vital responsibility to enhance the measuring art. Since its founding slightly more than two decades ago, the company has directed all its efforts toward the field of electronic instrumentation. This specialization has stimulated the output of literally hundreds of devices which measure various electrical quantities with utmost precision and with operating speed and simplicity.

Several Hewlett-Packard instruments, such as the firm's recently-developed time/frequency standard and sampling oscilloscope, represent major breakthroughs in electronic measurement. Others, while not as immediately significant or dramatic, fulfill a basic company objective of constantly contributing to technological progress.

Although Hewlett-Packard's past accomplishments are a source of pride, it is to the future that the company looks for its greatest opportunities for achievement. The decade of the Sixties poses a whole new set of challenges to the electronic industry. To meet these challenges successfully, the industry must be equipped with instrumentation based on new concepts and born of the most advanced technical research.

The needs for new measuring devices are real and urgent. A basic and continuing necessity is for instruments providing higher degrees of accuracy. Measurement is not a finite art; today's accuracies must be sharpened to meet the more stringent requirements of tomorrow.

There is a need for devices combining a more sophisticated performance with high reliability and reasonable cost. In many cases, this calls for new types of components and bold departures from conventional manufacturing techniques.

The broad area of process instrumentation and control represents still another need for improved instruments and systems. Chemicals, petroleum, metals, glass, textiles — nearly all major industries offer exciting possibilities for electronic instrumentation.

A continuing challenge to Hewlett-Packard is to anticipate and fulfill these needs with instruments which will continue to represent the most imaginative design and finest craftsmanship. As it has in the past, the company intends to meet this challenge with every resource at its command. By so doing, it will continue to grow and to help America — and the Free World — open new technological frontiers.



HEWLETT-PACKARD COMPANY

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F. L. MOSELEY CO.

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HEWLETT-PACKARD G. m. b. H.

Koenigsbergerstrasse, 16, Böblingen, Württemberg, West Germany



Flanking the main entrance to Hewlett-Packard's new Stanford plant are two mosaic murals, each symbolic of the electronic industry. On the mural shown above are geometrical designs plotted from complex equations, a dramatic reminder of the important contribution of mathematics to electronic progress.

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K. E. COOK, Assistant Secretary

*Appointed December 16, 1960, to succeed Noel E. Porter, who became Vice President, Operations.