HEWLETT® PACKARD

Hewlett-Packard

Making a Difference

1993
Annual
Report

Corporate Profile

Hewlett-Packard designs, manufactures and services electronic products and systems for measurement, computation and communications. Our basic business purpose is to create information products that accelerate the advancement of knowledge and improve the effectiveness of people and organizations. The company's products and services are used in industry, business, engineering, science, medicine and education in approximately 110 countries.

Financial Highlights

Unaudited

For the years ended October 31 In millions except per share amounts and employees	1993	1992	Increase
Total orders	$20,772	$16,761	24%
Net revenue	$20,317	$16,410	24%
Earnings from operations	$ 1,879	$ 1,404	34%
Earnings before effect of 1992 accounting change	$ 1,177	$ 881	34%
Net earnings	$ 1,177	$ 549	114%
Earnings per share before effect of 1992 accounting change	$ 4.65	$ 3.49	33%
Net earnings per share	$ 4.65	$ 2.18	113%
Return on average equity	14.7%	11.9%*	
At year-end:			
Shares outstanding (in millions)	253	251	
Employees	96,200	92,600	

*Return on average equity excludes the effect of the 1992 change in accounting for retiree medical benefits. See further discussion of this accounting change on page 39 of this report.

Contents

On the Cover

Magnified three times, this electronic flow-control valve, developed at HP Labs, is an example of the ever-smaller, micromachined devices central to future products. The photo also embodies the approach we took to this year's annual report. Instead of broad essays, we've focused on six stories that are representative of efforts throughout the company to make a difference to customers, employees and communities.

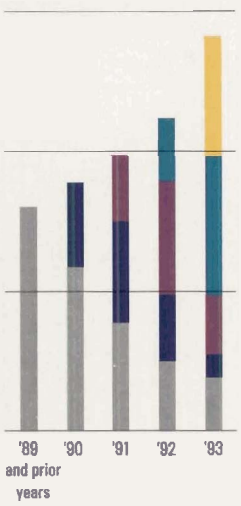
To Our Shareholders

This year's results were better than last year's in many ways, a gratifying improvement given the difficult economic and competitive environment we saw in 1993. We recorded excellent order and revenue increases, and we're pleased with the company's improved balance of profitability across our businesses. In addition, our performance throughout the year was more consistent.

Despite these gains, we didn't improve profit margins as we had hoped. We accomplished an excellent reduction in operating-expense ratios, but this was offset by an equal increase in cost-of-sales ratios. The result was that our operating- and net-profit margins were virtually unchanged from last year.

The company's orders and net revenue both grew 24 percent to $20.8 billion and $20.3 billion, respectively. Net earnings were $1.2 billion, and net earnings per share were $4.65, compared with $3.85 earned last year. The $3.85 was reduced to the $2.18 per share we reported in 1992 by two charges to earnings we took for a voluntary-severance program and a change in accounting for retiree medical benefits.

HP Product Orders
By year introduced



This graph illustrates the key role new products play in HP's growth. Each bar indicates the year's total product orders, with the top section of each bar showing orders for those products introduced in that year. More than half of 1993's orders were for products introduced in the past two years.

Business Review

Our Computer Products Organization had an excellent year, with very strong growth in HP LaserJet and HP DeskJet printers. During 1993 we rolled over the entire HP LaserJet line, expanded production capacity to meet strong demand for HP DeskJets and recently shipped the 10 millionth printer in each of these product families. HP was also one of the fastest-growing personal-computer (PC) companies in the world this year, and our PC business greatly improved the competitiveness of its cost structures.

The Computer Systems Organization (CSO) saw strong order increases in workstations and multiuser computers based on a UNIX® system. These products, as well as the consulting offered by our Professional Services Organization, helped a growing number of customers move to open, client-server computing and were key factors in CSO's improved profitability.

Order growth resumed and profitability increased in our Test and Measurement business this year. We were able to more than offset a continuing decline in the worldwide aerospace/defense market with encouraging results in communications test, a key growth market where we strengthened our presence through the acquisitions of EEsof, Metrix Network Systems, Inc. and Cerjac, Inc.

The Analytical Products Group faced weakness in key geographies and markets during the year, which affected demand for mass spectrometry as well as gas and liquid chromatography products. But we had good growth in product lines focused on improving productivity, such as sample preparation and instrument-computer systems.

Our Medical Products Group achieved very good order growth, especially in light of uncertainty over healthcare reform in the United States and other major markets. Defibrillators and patient-monitoring products, including clinical information systems, did well.

Indicators, displays and optocouplers were strong in the Components Group, where overall results were mixed. Communications is our major focus in this business, and our acquisition of BT&D Technologies in October helped round out our line of components for this market.

Management Changes

In September co-founder Dave Packard retired as Chairman of the Board, and he was succeeded by Lew Platt. We're very pleased that Dave will continue to provide advice as Chairman Emeritus.

Executive Vice Presidents Bill Terry and Dick Hackborn retired in November 1993. Both men have been instrumental in HP's success for more than three decades. We're pleased that Dick has agreed to remain on the Board.

During the year Condoleezza Rice resigned from the Board after being named Provost at Stanford University, while T. A. Wilson and Hicks B. Waldron announced they would retire from the Board effective February 22, 1994. We greatly appreciate the many contributions these people made to HP.

New Board members named this year were Jean-Paul G. Gimon, general representative in North America with Credit Lyonnais and the son-in-law of co-founder Bill Hewlett; Susan P. Orr, president of the Technology Resource Assistance Center and

daughter of co-founder Dave Packard; and Robert P. Wayman, the company's executive vice president, finance and administration.

The company also promoted three officers to senior vice president in November 1993: Edward W. Barnholt, Joel S. Birnbaum and Willem P. Roelandts. In addition, four vice presidents were elected: Raymond W. Cookingham, Manuel F. Diaz, Gary B. Eichhorn and Larry D. Potter.

Business Outlook

Our top priority for 1994 is to improve profitability, and we aren't counting on stronger global economies to help achieve this goal. We also believe that today's intense competitive environment will continue to put upward pressure on cost of sales. Therefore we're focused on tight management of operating expenses and better return on assets, with inventory management a high priority. We have strong product programs and good order momentum as we begin 1994, and we are determined to pursue and create opportunities in all our businesses.

December 15, 1993

David Packard
Chairman Emeritus

Lew Platt
Chairman of the Board, President and Chief Executive Officer

On the Frontiers of Digital Video

"We made five years' worth of change in 18 months, and we turned one of HP's oldest divisions into its newest," says Jim Olson, general manager of the Video Communications Division (VID) in Santa Clara, Calif. That effort culminated on April 20, 1993, when the division introduced 14 products for digital-video production, editing, broadcast and transmission at the National Association of Broadcasters (NAB) conference in Las Vegas.

The road to NAB started in Geneva at Telecom '91, the huge, once-every-four-years communications trade show. HP executives saw that video was becoming the medium of choice in an exploding communications industry. That looked like a real opportunity for HP's test and measurement (T&M) business, especially since video was starting to move rapidly from analog to digital.

Dick Anderson, general manager of T&M's Microwave and Communications Group, took up then-CEO John Young's suggestion to "clean off a division's plate and challenge it to strengthen our presence in video." Anderson and his team moved fast. They transferred the Stanford Park Division's product lines to other divisions. A VID "scout team" met with hundreds of prospective customers at video companies around the world. They honed a division charter; formed alliances with AT&T, Zenith, Sony and others; and began aggressive product development—going in two weeks from raw to finished prototype of a TV "ghost" simulator for the Advanced TV Test Center.

"HP's strengths in measurement, computation and communications are really well-suited to the video industry," says Olson. "We're encouraged by our results in '93. The video industry has embraced our efforts and is working closely with us to advance the technology."

The HP VidJet Pro video print manager lets users print video images on plain paper using most HP printers. Its technology is central to HP's work with Time Warner Entertainment to deliver video printing services to cable subscribers' homes.

At Post Perfect in New York, the HP QA 100 Quality Advisor is helping video producers create precise colors and images for corporate and network clients. "HP understands where video is going," says Pat Howley, president of Post Perfect. "As our clients demand higher-quality images, we'll need what HP is developing to keep clients coming back."

An extraordinary fund-raising campaign helped 11 Polish hospitals purchase HP medical equipment to treat children with heart disease. The hospitals chose HP critical-care monitors, ultrasound systems and defibrillators for their quality, reliability and support. "HP is helping us do things every day that we've wanted to do for years," says Prof. Dr. Pawel Januszewicz, director of Memorial Hospital.

A Helping Hand in Health Care

The letter contained 5,000 zloty (40 cents) and said, "This is to help the Memorial Hospital." Its director, Prof. Dr. Pawel Januszewicz, read the note and wondered if other Poles who had seen his TV interview might contribute to buy badly needed equipment for children with heart ailments.

That 40-cent donation prompted Januszewicz and his colleagues, including prestigious music promoters Jerzy Owsiak and Walter Chelstowski, to begin a fund drive that grew more successful than they had dared to dream. Poland's biggest radio and TV talk shows featured them. Magazine and newspaper writers churned out more than 60 articles on their effort. And in late 1992, plans were made for a nationwide TV and radio broadcast of musical events to encourage donations to the special fund.

The date of the broadcast was January 3, 1993. It was 4 degrees below zero in Warsaw, and Januszewicz was worried that people wouldn't venture out to the collection centers that had been set up. But when the music started, the bitter cold was no match for the Poles, who gave more than 17 billion zloty (more than a million dollars at then-prevailing exchange rates) within five hours.

A key product used by the Polish hospitals is the HP Component Monitoring System, a modular bedside solution that delivers patient information to physicians and nurses.

"We needed world-class equipment that was very reliable and was at the right price," says Januszewicz. "We had to make sure that this money, donated by Poland's people, was spent wisely. That's why we chose HP." Memorial Hospital and 10 other pediatric cardiosurgery hospitals bought HP critical-care monitors and defibrillators and upgraded their ultrasound systems. HP also provided help with installation, training and ongoing support.

The fund is still getting donations, but Januszewicz says that "the children have gotten the real return on that first investment of 40 cents."

Meeting the Challenge of Rapid Growth

In 1993, the HP DeskJet group built and sold twice as many printers as in the previous year, while offering new capabilities and driving down costs and prices. In Corvallis, Ore., Vancouver, Wash. and Singapore, manufacturing teams increased pen and cartridge production even faster to meet the needs of new customers and long-time users, who replace these parts regularly.

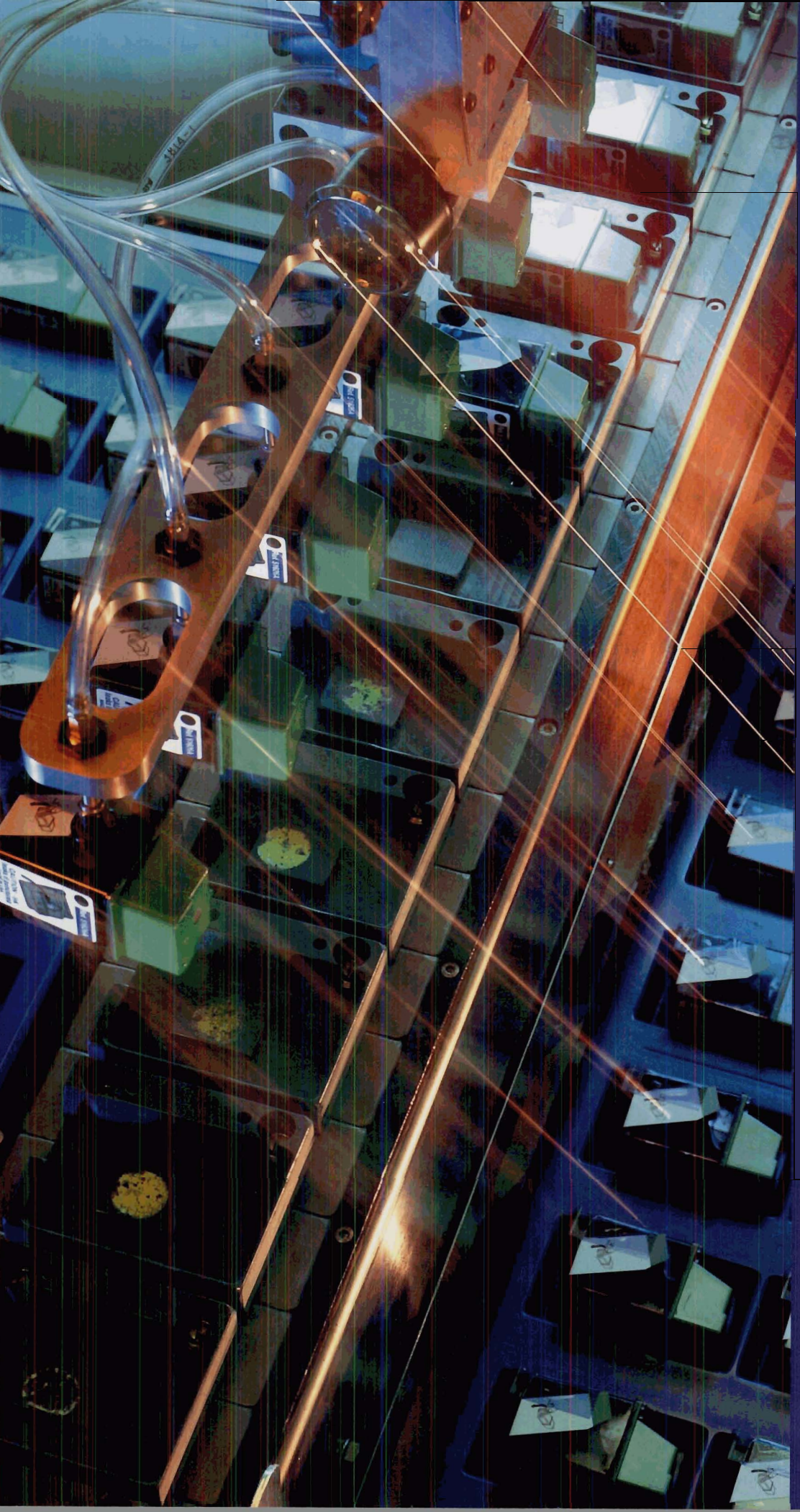
The sites added production lines, but explosive growth demanded more. "Our ability to collaborate across organizations, functions and time zones has been crucial," says Gary Egan, manufacturing manager at Corvallis. "We've developed new ways to manufacture and to work with suppliers."

Collaboration took many forms. Pen and printer R&D teams worked jointly on system design. The information-technology group created a database system that enabled people at all three sites to access real-time manufacturing data.

The groups also worked closely with outside vendors. The design team developed a pen body that holds twice as much ink as before, an enhancement that lowers users' costs. "Our suppliers co-developed the specialized tooling we needed," says Egan. "We've increased output fourfold."

The result? In 1993 the HP DeskJet printer line strengthened its premier position in the growing market for inkjet printing. A new production facility in Puerto Rico, which opened in late 1993, and a site in Barcelona, slated to begin production in 1994, are putting the insights gained in Corvallis, Vancouver and Singapore to work. "The cooperation among the teams is outstanding," notes Tommy Lau, general manager in Singapore, "and there's some friendly but spirited competition among the sites that keeps us all on our toes."

HP's new inkjet print cartridge holds more ink, has a larger print head and fires more rapidly than earlier models. A "fuel gauge" also tells users when they're low on ink.



As customer demand for HP's family of DeskJet printers has grown rapidly, manufacturing teams in the United States and Singapore have dramatically expanded output of pens and print cartridges. The business units have also introduced a steady stream of new products and capabilities while maintaining strong profitability.

"We've known HP as a reputable hardware company," says Atsuo Inagaki, director of Sony Display Device in Singapore. "But we found another side to HP in this project. They provided valuable consulting expertise. More importantly, we feel HP is a business partner that cares for our interests."

Focused Consulting at Sony

Chon-Phung Lim, of HP's Professional Services Organization (PSO) in Singapore, and account manager Patricia Tang knew their audience was knowledgeable and perhaps a bit skeptical, but they felt prepared. As they welcomed Sony managers and management information systems (MIS) staff to the technology workshop on open systems, they knew their team had put together a strong program.

Atsuo Inagaki listened intently. As director of Sony Display Device (S) Pte Ltd. (SDS), one of the world's most advanced automated picture-tube manufacturing plants, he was keenly interested in how open systems could help SDS.

For two days, Sony and HP people, as well as outside experts, exchanged ideas and information in a non-sales setting. The workshop led to an HP-proposed information-technology architecture for SDS as well as a strategy for moving to the new architecture. SDS accepted the proposal, and PSO began extensive training of its MIS staff in UNIX system operations, networking and security.

A two-day workshop on open systems helped Sony map its transition to a client-server environment.

This work supported SDS's move from a mainframe-based to a distributed computing environment built around HP-UX systems and servers. A key goal was to integrate SDS's UNIX system-based manufacturing-floor applications with the non UNIX system, mainframe-based software managed by MIS, both at the local and global levels.

The HP system went "live" in February 1993, with the HP 9000 Model 847 at the heart of SDS's operations. "The entire migration was done without any critical problems," says Mr. Inagaki. "We were very impressed with the speed of the migration and with the fact that there was no disruption at all to our daily work. The HP open system has improved response time and enabled us to generate production reports much faster."

Redefining the Boundaries

John Stoffel was baffled. Every time the paper came out of the printer he was helping to develop, it would curl at both ends.

Stoffel talked to other engineers at the Inkjet Components Division whose work on the printing system and inks might lead to a solution. He brought in paper vendors, who told him the curling couldn't be fixed. That answer wouldn't do, so Stoffel and a few colleagues decided to form a small, focused team whose sole mission would be to conquer paper curl.

That's how HP employees created "seam teams," so named because their work crossed the "seams" of different organizations. Stoffel and his co-workers got fast approval for their plan. "There was a real sense of urgency," recalls Catherine Hunt. "We knew customers wouldn't stand for curled paper, and the division had a lot riding on the printer."

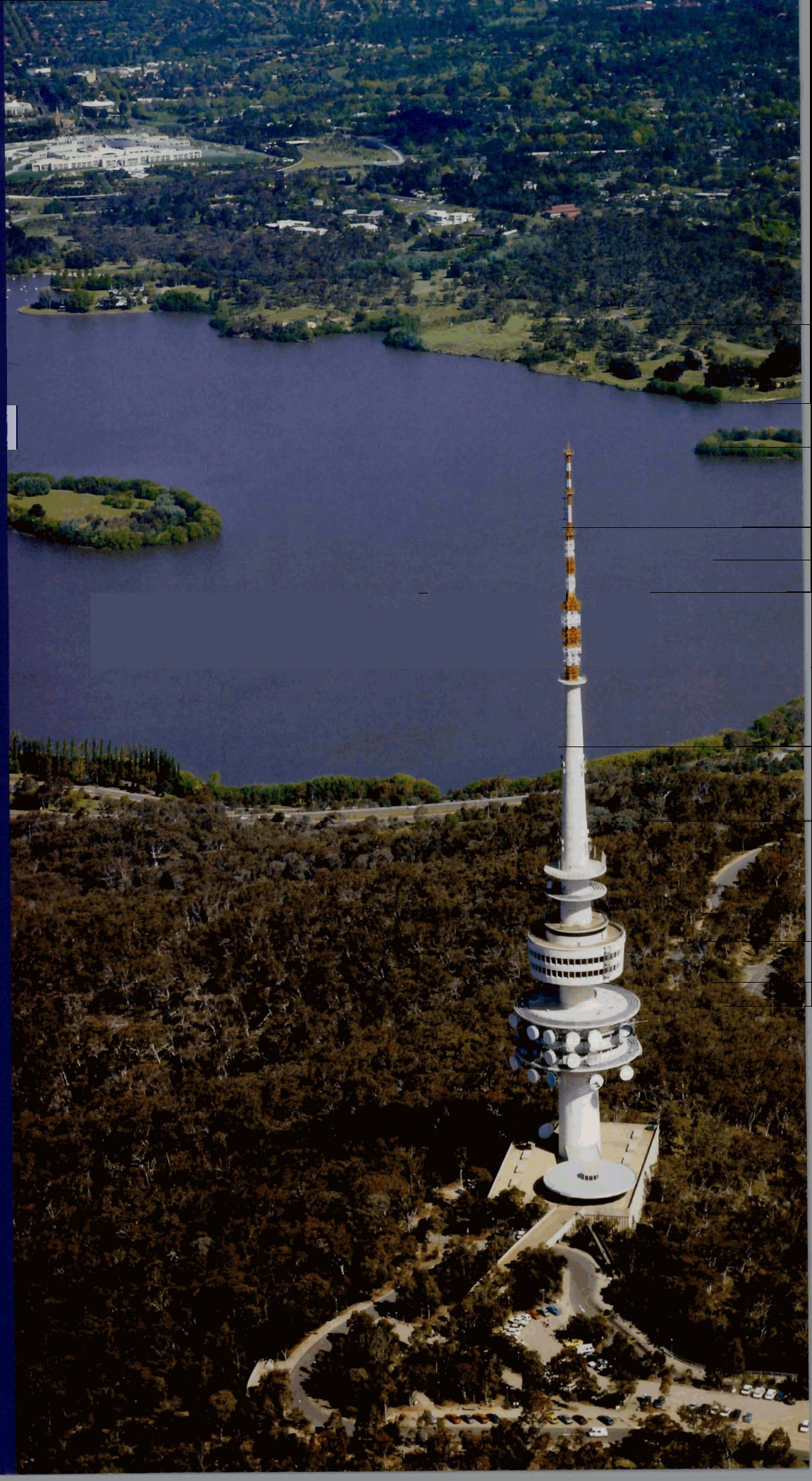
The seam team started each day with a five-minute meeting and then plunged into work on new inks, papers and system modifications. Over the next few months they developed and tested three times as many inks as usual, and they compressed design cycles from months to weeks. "We were really free to have fun and solve a problem," says Corrina Hall, a team member from the product division. "Management was there to help us get the people and resources we needed, but they let us work without distractions."

The team accomplished its mission ahead of schedule, and five more seam teams soon sprang up to address a broader set of customer needs, such as print quality. In addition, there were a great many seam-team inventions that are being protected by patents. And after the HP 1200C was introduced in May of 1993, it won strong customer acceptance and numerous technical awards—in part because paper curl was no problem.

Self-directed teams of highly focused engineers helped keep HP the world leader in inkjet printing this year.

"Seam teams" are one way in which HP people are empowered to address issues that really matter to customers. These highly focused, small groups of engineers are developing fast-track solutions to problems that are technically and organizationally complex.

HP is applying its expertise in computers and instrumentation to help telecommunications customers, such as Australia's Telstra Corporation Limited, meet the challenges of their increasingly dynamic industry. HP and Telstra have jointly developed leading-edge telecom technology, and HP is helping Telstra improve its quality of service while reducing costs.



A New Competitive Landscape

The people of Australia now have a choice. Starting in 1993, with the deregulation of their telecommunications industry, Aussies can choose from more than one provider for telephone and data-communication services.

For the incumbent supplier, Telstra Corporation Limited. increased competition means that now, more than ever, it must ensure quality and offer new services while reducing costs. HP is helping.

Telstra and HP cooperated in the development of an advanced system for monitoring digital phone lines that incorporates HP instruments and computers. The system has reduced the cost of maintaining Telstra's digital telephone network while significantly increasing reliability.

HP OpenView network-management software is helping Telstra develop new data-communication services. A new, fast packet-switch network, monitored by HP OpenView, allows its subscribers to share information throughout a metropolitan area faster and more easily. And Telstra is relying on HP OpenView to optimize the way data flows through its corporate network of more than 35,000 computers.

Telstra expects to save time and money by consolidating its calibration centers—where network test equipment goes for periodic maintenance—and by using an automated system, based on HP instruments and computers.

HP's printers, PC servers and local area networking products are part of a new, companywide Standard Operating Environment that aims to increase the efficiency of Telstra office workers. Recently, HP consultants helped Telstra's telesales marketing center—one of the largest in the world—boost its productivity by a factor of four.

With the help of suppliers like HP, Telstra is meeting the challenge of increased competition head-on.

At Telstra's network-management center, lights on a map indicate signal transmission problems. HP computers are part of a system that helps analyze and resolve difficulties.

Year in Review

November *New PA-RISC workstations re-establish HP*  *as price/performance leader...*  *HP MPower, flagship product for collaborative multimedia program, introduced... Benchtop gas chromatograph/mass spectrometer includes Microsoft® Windows-based mass-spectrometry*  *software.* **December** Personnel Journal *names HP winner of '93 Optimas Award® for people management...*

HP and Ericsson announce joint venture ERICSSON *to develop network-management systems for telecommunications... Thirteen new HP 9000 systems and servers provide flexible*  *options for a wide range of computing environments.*

January *ComputerLand, largest computer reseller in the United States, names HP 1992*

Service Vendor of the Year... HP 3D Capillary Electrophoresis system  *offers leading-edge separation capabilities for bioscientists... Kittyhawk Personal Storage Module, 1.3-inch disk drive, to be used*  *in AT&T EO Personal Communicator 440 and DTR-1, world's lightest 486 PC, from Dauphin Technology, Inc.* **February** *HP to make broadcast encoders for digital high-definition TV systems under development by Zenith and AT&T... Santa Rosa (Calif.) school district and HP open worksite school at HP's Santa Rosa site...*  *HP to work with IBM and Sun to promote Fibre Channel as high-speed-interconnect standard for workstations, peripherals... New HP TestJet board-test technology dramatically reduces the cost of testing for open solder joints on complex digital parts, such*

as application specific integrated circuits. **March** *INTEROP '93 trade show features first public demonstration of HP's 100Base-VG technology developed with AT&T for high-speed networking over existing phone wire... HP joins with other UNIX system industry leaders to create a common open software environment—called "cose"—across their platforms.* **April** *HP LaserJet 4Si*

and 4Si MX printers set new price/performance standard for network printers... SS7 network monitoring system gives telecom providers real-time data on network problems as well as investigation and diagnostic capabilities... Awards of $540,000 to six U.S. districts for hands-on science programs

in elementary schools. **May** *HP ends use of ozone-depleting chemicals in manufacturing worldwide... HP DeskJet 1200C and 1200C/PS*

printers offer full-color graphics  *at breakthrough prices... HP LaserJet 4L*

printer  *strengthens HP's position in low-cost laser-printer market... HP 5890*

Series II Plus gas chromatograph (GC) offers precise digital control of all GC gases. **June**

HP Vectra VL PC's, Intel486®-based machines  *with prices starting under $1,300*

(U.S.), debut... Lew Platt tells more than 1,400 HP women at company's Technical Women's

Conference that HP needs to make more progress on work and family issues... HP OmniBook 300,

weighing less than  *three pounds and with an 8-hour battery life, creates*

"superportable" PC market category... Medical Products Group wins 1993 Community Service

Award from its "hometown" of Andover, Mass. **July** *Hitachi Ltd. licenses HP SoftBench,*

industry's de facto standard framework for integrated software development; also announces 5-year, $100 million contract to purchase HP-UX-based computers... Healthcare applications for HP 100LX palmtop PC featured at White House  *technology display.* **August** *HP Malaysia wins National Workers Health & Safety Award given by that country's Ministry of Human Resources... Greenish-yellow lamp expands HP's high-brightness, light-emitting-diode product line... New HP Mexico headquarters*  *in Mexico City... Acquisition of EEsof, a leader in computer-aided engineering software, announced.* **September** *Canon (supplier of printer engines) and HP celebrate shipment of 10 millionth HP LaserJet printer... New HP ENVIZEX X terminals*  *are industry's first complete multi-*

media X-terminal family. **October** *Acquisition of BT&D Technologies strengthens offering in fiber-optic components for datacomm and telecom... Two portable HP DeskJet printers debut... HP worldwide grants to address education, health and human services, environment, arts and workforce-diversity issues total $70 million in '93... HP LaserJet 4P printers*  *complete '93 rollover of entire LaserJet family... Acquisition of Cerjac, Inc., a leading manufacturer of instrumentation, monitoring and specialized communications products for the telecom industry, finalized... HP introduces fiber-optic transceivers that dramatically reduce costs of high-speed, multimedia networks... HP enters digital integrated-circuit production-test market with the HP 83000 F330t system.*

Financial Statements
Hewlett-Packard Company and Subsidiaries

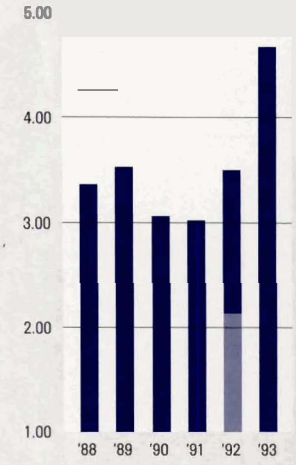
Selected Financial Data

Hewlett-Packard Company and Subsidiaries
Unaudited

For the years ended October 31 In millions except per share amounts and employees	1993	1992	1991	1990	1989	1988
U.S. orders	$ 9,462	$ 7,569	$ 6,484	$ 6,143	$ 5,677	$ 4,780
International orders	11,310	9,192	8,192	7,342	6,483	5,290
Total orders	$20,772	$16,761	$14,676	$13,485	$12,160	$10,070
Net revenue	$20,317	$16,410	$14,494	$13,233	$11,899	$ 9,831
Earnings from operations	$ 1,879	$ 1,404	$ 1,210	$ 1,162	$ 1,212	$ 1,084
Earnings before effect of 1992 accounting change	$ 1,177	$ 881	$ 755	$ 739	$ 829	$ 816
Net earnings	$ 1,177	$ 549	$ 755	$ 739	$ 829	$ 816
Per share:						
Earnings before effect of 1992 accounting change	$ 4.65	$ 3.49	$ 3.02	$ 3.06	$ 3.52	$ 3.36
Net earnings	$ 4.65	$ 2.18	$ 3.02	$ 3.06	$ 3.52	$ 3.36
Cash dividend paid	$ .90	$ .725	$ .48	$ .42	$ .36	$ .28
At year-end:						
Total assets	$16,736	$13,700	$11,973	$11,395	$10,075	$ 7,858
Employees	96,200	92,600	89,000	92,200	94,900	86,600

See discussion of the 1992 change in accounting for retiree medical benefits on page 39 of this report.

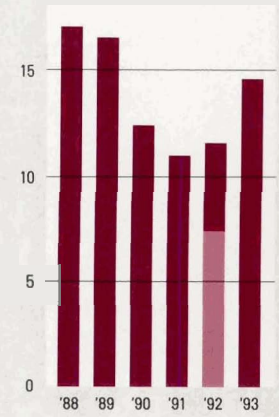
Net Earnings Per Share
In dollars



EPS

EPS including effect of accounting change

Return on Average Shareholders' Equity
Percent



ROE

ROE including effect of accounting change

Consolidated Statement of Earnings

Hewlett-Packard Company and Subsidiaries

For the years ended October 31 In millions except per share amounts	1993	1992	1991
Net revenue:			
Equipment	$15,533	$12,354	$11,019
Services	4,784	4,056	3,475
	20,317	16,410	14,494
Costs and expenses:			
Cost of equipment sold	8,929	6,625	5,634
Cost of services	3,194	2,533	2,224
Research and development	1,761	1,620	1,463
Selling, general and administrative	4,554	4,228	3,963
	18,438	15,006	13,284
Earnings from operations	1,879	1,404	1,210
Interest income and other income (expense)	25	17	47
Interest expense	121	96	130
Earnings before taxes and effect of 1992 accounting change	1,783	1,325	1,127
Provision for taxes	606	444	372
Earnings before effect of 1992 accounting change	1,177	881	755
Transition effect of 1992 accounting change, net of taxes	–	332	–
Net earnings	$ 1,177	$ 549	$ 755
Earnings per share before effect of 1992 accounting change	$ 4.65	$ 3.49	$ 3.02
Transition effect per share of 1992 accounting change, net of taxes	–	1.31	–
Net earnings per share	$ 4.65	$ 2.18	$ 3.02

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

See discussion of the 1992 change in accounting for retiree medical benefits on page 39 of this report.

Financial Review

Hewlett-Packard Company and Subsidiaries
Unaudited

Results of Operations

In 1993, HP saw excellent overall market acceptance of new products and achieved 24 percent growth in net revenue, despite continuing economic weakness around the world. Moreover, favorable impacts from ongoing efforts to improve operating expense structures offset rising costs of sales, resulting in increased earnings from operations of 24 percent, after adjusting 1992 for the effects of special charges.

HP's orders increased 24 percent over 1992, totaling $20.8 billion, compared to a 14 percent increase in 1992. Domestic and international orders grew 25 and 23 percent, respectively, reflecting HP's well-balanced position across a variety of geographic markets. Net revenue from U.S. operations grew 30 percent to $9.3 billion while net revenue from international operations grew 19 percent to $11.0 billion, following increases of 13 percent in 1992 for both U.S. and international operations. New acquisitions added approximately 3 percentage points to the order and revenue growth. The U.S. dollar strengthened slightly during 1993 relative to most major foreign currencies while it weakened relative to the Yen. The changing value of the U.S. dollar had only a minor impact on HP's international net revenue.

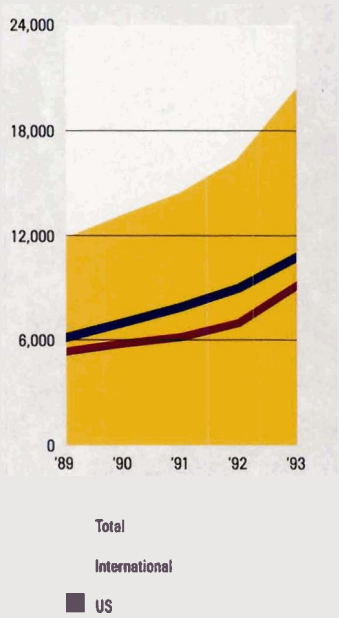
Net revenue from equipment sales increased 26 percent in 1993 compared to 12 percent in 1992. Demand for the company's peripheral products, such as the HP LaserJet and HP DeskJet families of printers, workstations and multiuser computer systems based on the UNIX operating system and 486-based Vectra PCs continued to be excellent in 1993. A major milestone was reached during the year with the shipment of the 10 millionth HP LaserJet printer. Service revenue grew 18 percent and 17 percent in 1993 and 1992, respectively. Sales of consumable supplies for the company's printer products were excellent and fueled the growth in service revenue in both 1993 and 1992. Detailed information on orders and net revenue by groupings of similar products and services is presented on page 44 of this report.

New products introduced during the year demonstrate HP's commitment to innovative technology and continuous product improvements. Among the many new products receiving strong acceptance in the marketplace during 1993 were the HP LaserJet 4Si and HP DeskJet 1200 printers, HP 9000 Series 700 workstations, HP Vectra PCs, and HP 9000 multiuser systems and servers. Other key products introduced in 1993 include the HP OmniBook 300 superportable PC, broadcast encoders for digital high-definition TV, the HP 5890 Series II Plus gas chromatograph offering precise digital control and a network-monitoring system for telecommunications providing real-time data for troubleshooting.

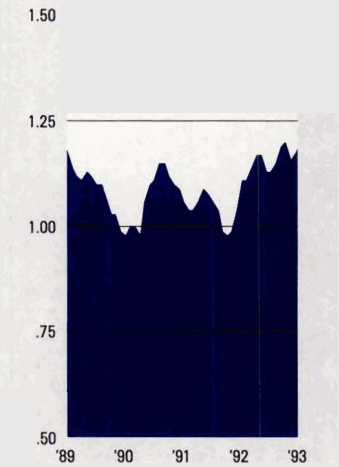
Costs and expenses as a percentage of net revenue were as follows:

For the years ended October 31:	1993	1992	1991
Cost of equipment sold and services	59.7%	55.8%	54.2%
Research and development	8.7%	9.9%	10.1%
Selling, general and administrative	22.4%	25.7%	27.4%

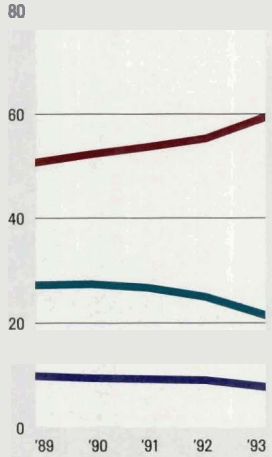
Net Revenue
In millions



U.S. Dollar Relative to Major Foreign Currencies
Fiscal 1980 equals 1.00



Costs and Expenses
As a percentage of net revenue

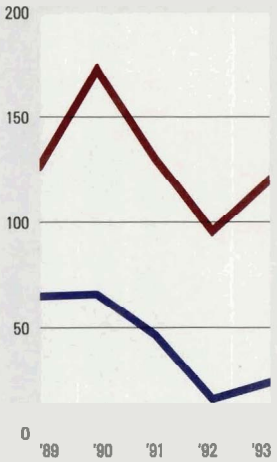


Cost of equipment sold and services

Selling, general and administrative

Research and development

Interest and Other Income (Expense)
In millions



Interest income and other income (expense)

Interest expense

During 1993, cost of equipment sold and services increased 3.9 percentage points following a 1.6 percentage point increase in 1992. Pricing and other competitive pressures increased in 1993 and had a significant impact on cost of sales. Changes in the mix of products sold also continued to put upward pressure on cost of sales as a percentage of net revenue. In 1993, a higher portion of the company's net revenue was generated by peripheral products, which are primarily sold through dealers and other indirect channels. Products sold through these channels generally carry higher discounts, thereby increasing cost of sales as a percentage of net revenue. These factors are likely to continue to put some upward pressure on cost of sales.

Research and development expenditures as a percentage of net revenue decreased 1.2 percentage points compared with a .2 percentage point decrease in 1992. Total expenditures increased 9 percent to $1.8 billion in 1993 versus $1.6 billion in 1992. The increased investment in research and development reflects the company's belief that continued success in a global marketplace requires a continuing flow of innovative, high-quality products.

Selling, general and administrative expense as a percentage of net revenue decreased 3.3 percentage points to 22.4 percent of net revenue, following a 1.7 percentage point decrease in 1992. This decrease reflects ongoing efforts to adjust expense structures, the effects of the change in the mix of products sold as mentioned above, and benefits of the company's 1992 and 1991 special charges for employment reductions and facilities consolidations.

The reduction of operating expense ratios and optimization of manufacturing processes in order to improve profitability remain major focuses of the company.

Interest income and other income (expense) was $25 million in 1993 compared to $17 million in 1992 and $47 million in 1991. During the year, write-downs of real estate assets in geographic areas with weak real estate markets were about offset by gains on sales of certain stock investments. The increase in 1993 is largely due to special charges and balance sheet translation losses in 1992 that did not recur. These factors also contributed to the decrease from 1991 to 1992.

Interest expense was $121 million in 1993 compared to $96 million in 1992 and $130 million in 1991. The changes in interest expense reflect changes in the levels of notes payable and short-term borrowings and long-term debt outstanding, as well as interest rate changes during the respective periods.

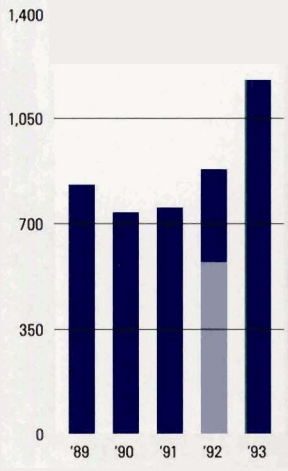
The company's effective tax rate increased slightly to 34 percent in 1993 compared with 33.5 percent in 1992 and 33 percent in 1991. A combination of factors led to the increase, including an increase in the U.S. corporate federal income tax rate, changes in the geographic mix of the company's earnings and resolution of certain issues related to tax returns filed in prior years.

In 1992, HP incurred special charges of approximately $137 million before taxes, or $0.36 per share, to cover the costs related to voluntary severance programs, employee redeployment and related facilities consolidations. Approximately 2,000 employees left the company during 1993 under voluntary severance programs. The company incurred a similar charge in 1991 of about $150 million before taxes, or approximately $0.40 per share.

Net earnings increased 21 percent to $1.2 billion in 1993, excluding the 1992 effects of special charges described above and a one-time charge of $332 million after income taxes for a change in accounting for retiree medical benefits. This compares to a 14 percent increase in 1992, excluding the accounting change and special charges in both 1992 and 1991. As a percentage of net revenue, net earnings without the special charges and accounting change were 5.8 percent in 1993 compared with 5.9 percent in 1992 and 5.9 percent in 1991. Including the special charges and accounting change, net earnings in 1992 and 1991 were 3.3 and 5.2 percent of net revenue.

Average shares outstanding used to compute earnings per share were 253.2 million in 1993, 252.6 million in 1992 and 250.1 million in 1991. The increases in shares outstanding resulted from issuances of common stock to employees under various stock plans, partially offset by stock acquired by the company under its ongoing share repurchase program.

Net Earnings
In millions



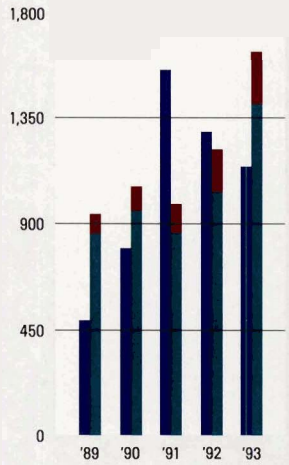
Net earnings

Net earnings including effect of accounting change

Financial Condition and Liquidity
HP's financial position remains strong, with cash and cash equivalents and short-term investments of $1.6 billion at October 31, 1993, compared to $1.0 billion at October 31, 1992, and $1.1 billion at October 31, 1991.

Operating activities generated $1.1 billion in cash in 1993, compared to $1.3 billion and $1.6 billion in 1992 and 1991, respectively. The decrease in cash generated from operations in 1993 compared to 1992 is primarily attributable to a substantial increase in inventory levels, partially offset by higher net earnings. The inventory buildup is due to several factors including new product ramp-ups, short time-to-market introduction cycles and increased usage of retail channels, which require higher inventory levels to meet the immediate needs of retailers' customers. One of the company's major objectives is to enhance processes, with a focus on improving inventory turnover, to accommodate business changes such as shorter product life cycles and rapid product ramp-ups.

Selected Cash Flows
In millions



Cash flows from operating activities

Capital expenditures

Dividends paid

The company invests excess cash in short-term and long-term investments depending on its projected needs for cash for operations, capital expenditures and other business purposes. The company from time to time supplements its internally generated cash flow with a combination of short-term and long-term borrowings as required by developments in its businesses. 1993 capital expenditures were $1.4 billion compared to $1.0 billion and $862 million in 1992 and 1991, respectively. The increase in capital expenditures in 1993 relates mainly to expansion of production capacity for computer products, including printers and printer supplies.

Cash flow from changes in long-term debt, notes payable and short-term borrowings was a net borrowing of $966 million in 1993 compared to net borrowings of $416 million in 1992 and net payments of $647 million in 1991. At October 31, 1993, the company had unused credit lines and authorized but unissued commercial paper totaling $1.3 billion.

Shares are repurchased periodically to meet employee stock plan requirements. Approximately 4.3 million shares were purchased in 1993 at an aggregate price of $314 million. In 1992, 7.7 million shares were purchased at an aggregate price of $530 million; and in 1991, 1.6 million shares were purchased for an aggregate price of $79 million. Additional stock purchase expenditures, based on certain price and volume criteria, are authorized by the Board of Directors. At October 31, 1993, the remaining authorization was $79 million. In November 1993, the Board authorized an additional $500 million.

Consolidated Balance Sheet

Hewlett-Packard Company and Subsidiaries

October 31 In millions except par value and number of shares	1993	1992
Assets		
Current assets:		
Cash and cash equivalents	$ 889	$ 641
Short-term investments	755	394
Accounts and notes receivable	4,208	3,497
Inventories:		
Finished goods	2,121	1,271
Purchased parts and fabricated assemblies	1,570	1,334
Other current assets	693	542
Total current assets	10,236	7,679
Property, plant and equipment:		
Land	514	402
Buildings and leasehold improvements	3,254	2,994
Machinery and equipment	3,759	3,196
	7,527	6,592
Accumulated depreciation	(3,347)	(2,943)
	4,180	3,649
Long-term receivables and other assets	2,320	2,372
	$16,736	$13,700
Liabilities and shareholders' equity		
Current liabilities:		
Notes payable and short-term borrowings	$ 2,190	$ 1,384
Accounts payable	1,223	925
Employee compensation and benefits	1,048	913
Taxes on earnings	922	490
Deferred revenues	507	449
Other accrued liabilities	978	933
Total current liabilities	6,868	5,094
Long-term debt	667	425
Other liabilities	659	633
Deferred taxes on earnings	31	49
Shareholders' equity:		
Preferred stock, $1 par value (authorized: 300,000,000 shares; issued: none)	–	–
Common stock and capital in excess of $1 par value (authorized: 600,000,000 shares; issued and outstanding: 252,713,000 in 1993 and 250,824,000 in 1992)	937	874
Retained earnings	7,574	6,625
Total shareholders' equity	8,511	7,499
	$16,736	$13,700

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

Factors That May Affect Future Results

The company's future operating results are dependent on the company's ability to rapidly develop, manufacture and market technologically innovative products that meet customers' needs. Inherent in this process are a number of risks that the company must successfully manage in order to achieve favorable operating results.

The process of developing new high technology products is complex and uncertain and requires innovative designs that anticipate customer needs and technological trends. After the products are developed, the company must quickly manufacture products in sufficient volumes at acceptable costs to meet demand.

In addition, a portion of the company's manufacturing operations is dependent on the ability of significant suppliers to deliver integral sub-assemblies and components in time to meet critical manufacturing schedules. The failure of suppliers to deliver these sub-assemblies and components in a timely manner may adversely affect the company's operating results until alternate sourcing could be developed. The company believes that alternate suppliers or design solutions could be arranged within a reasonable time so that material long-term adverse impacts would be unlikely.

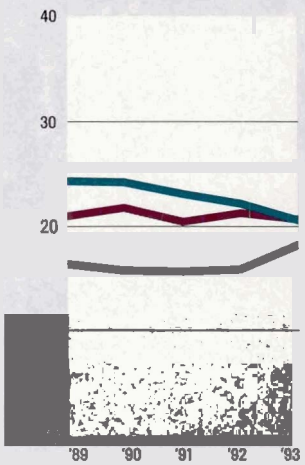
Changing industry practices and customer preferences require the company to expand into new distribution channels. As more of HP's products are distributed through dealer and other indirect channels, these channels become more critical to the company's success. Financial results could be adversely affected in the event that the financial condition of these sellers weakens.

The operations of the company involve the use of substances regulated under various federal, state and international laws governing the environment. It is the company's 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. Liability for environmental remediation is accrued when it is considered probable and costs can be estimated. Environmental expenditures are presently not material to HP's operations or financial position.

A portion of the company's research and development activities, its corporate headquarters and other critical business operations are located near major earthquake faults. The ultimate impact on the company, significant suppliers and the general infrastructure is unknown, but operating results could be materially affected in the event of a major earthquake. The company is predominantly self-insured for losses and interruptions caused by earthquakes.

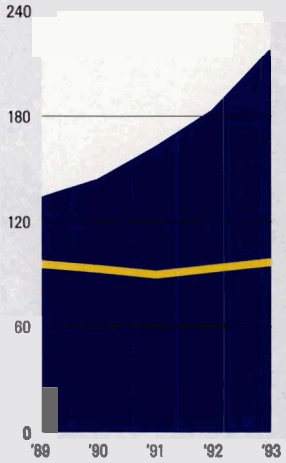
Although HP believes that it has the product offerings and resources needed for continued success, future revenue and margin trends cannot be reliably predicted. Factors external to the company can result in volatility of the company's common stock price. Because of the foregoing factors, recent trends should not be considered reliable indicators of future stock prices or financial results.

Asset Management
As a percentage of net revenue



Net property, plant and equipment
Accounts and notes receivable
Inventories

Employees and Net Revenue Per Employee
In thousands



Number of employees
Net revenue per employee

Consolidated Statement of Cash Flows
Hewlett-Packard Company and Subsidiaries

For the years ended October 31 In millions	1993	1992	1991
Cash flows from operating activities:			
Net earnings	$1,177	$ 549	$ 755
Adjustments to reconcile net earnings to cash provided by operating activities:			
Transition effect of 1992 accounting change	–	332	–
Depreciation and amortization	846	673	624
Deferred taxes on earnings	(137)	(35)	(46)
Changes in assets and liabilities:			
Accounts and notes receivable	(709)	(480)	(117)
Inventories	(1,056)	(267)	(181)
Accounts payable	283	226	26
Taxes on earnings	452	31	124
Other current assets and liabilities	200	328	314
Other, net	86	(69)	53
	1,142	1,288	1,552
Cash flows from investing activities:			
Investment in property, plant and equipment	(1,405)	(1,032)	(862)
Disposition of property, plant and equipment	215	183	163
Purchase of short-term investments	(1,634)	(782)	(512)
Maturities of short-term investments	1,283	883	46
Purchase of long-term investments	(22)	(53)	(394)
Maturities of long-term investments	22	4	145
Acquisitions, net of cash acquired	(86)	(411)	–
Other, net	23	(58)	–
	(1,604)	(1,266)	(1,414)
Cash flows from financing activities:			
Increase (decrease) in notes payable and short-term borrowings	807	186	(350)
Issuance of long-term debt	387	309	131
Payment of current maturities of long-term debt	(228)	(79)	(428)
Issuance of common stock under employee stock plans	308	293	251
Repurchase of common stock	(314)	(530)	(79)
Dividends	(228)	(183)	(120)
Other, net	(22)	(2)	5
	710	(6)	(590)
Increase (decrease) in cash and cash equivalents	248	16	(452)
Cash and cash equivalents at beginning of year	641	625	1,077
Cash and cash equivalents at end of year	$ 889	$ 641	$ 625

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

Consolidated Statement of Shareholders' Equity

Hewlett-Packard Company and Subsidiaries

In millions except number of shares in thousands	Common stock: Number of shares	Common stock: Par value and capital in excess of par	Retained earnings	Total
Balance October 31, 1990	244,085	$ 739	$5,624	$6,363
Employee stock plans:				
Shares issued	9,081	350	–	350
Shares purchased	(1,619)	(79)	–	(79)
Dividends			(120)	(120)
Net earnings	–	–	755	755
Balance October 31, 1991	251,547	1,010	6,259	7,269
Employee stock plans:				
Shares issued	6,960	394	–	394
Shares purchased	(7,683)	(530)	–	(530)
Dividends	–	–	(183)	(183)
Net earnings	–	–	549	549
Balance October 31, 1992	250,824	874	6,625	7,499
Employee stock plans:				
Shares issued	6,234	377	–	377
Shares purchased	(4,345)	(314)	–	(314)
Dividends	–	–	(228)	(228)
Net earnings	–	–	1,177	1,177
Balance October 31, 1993	252,713	$ 937	$7,574	$8,511

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

Summary of Significant Accounting Policies

Principles of consolidation
The consolidated financial statements include the accounts of Hewlett-Packard Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Revenue recognition
Revenue from equipment sales is generally recognized at the time the equipment is shipped. Services revenue is recognized over the contractual period or as services are performed.

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

Net earnings per share
Net earnings per share is computed based on a method that approximates the use of weighted-average shares outstanding during the year. Shares used in the computation were 253,230,000 in 1993, 252,600,000 in 1992 and 250,143,000 in 1991. Outstanding stock options considered to be common stock equivalents have not been included because the effect would be immaterial.

Short-term investments
Short-term investments principally comprise cash invested in certificates of deposit, temporary money-market instruments and repurchase agreements and are stated at cost, which approximates market.

Inventories
Inventories are valued at standard costs that approximate actual costs computed on a first-in, first-out basis, not in excess of market values.

Property, plant and equipment
Property, plant and equipment are stated at cost. Additions, improvements and major renewals are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. Depreciation is provided using accelerated methods, principally over the following useful lives: buildings and improvements, 15 to 40 years; machinery and equipment, 3 to 10 years. Depreciation of leasehold improvements is provided using the straight-line method over the life of the lease or the asset, whichever is shorter.

Foreign currency translation
The company uses the U.S. dollar as its functional currency. Foreign currency assets and liabilities are translated into U.S. dollars at end-of-period exchange rates except for inventories, prepaid expenses, and property, plant and equipment, which are translated at historical exchange rates. Revenues and expenses are translated at average exchange rates in effect during each period except for those expenses related to balance sheet amounts that are translated at historical exchange rates. Gains or losses from foreign currency translation are included in net earnings.

Statement of cash flows
The company has classified investments as cash equivalents if the original maturity of such investments is three months or less.

The company paid income taxes of $293 million in 1993, $459 million in 1992 and $335 million in 1991. For the same periods, the company paid interest of $109 million, $84 million and $137 million, respectively. The effect of foreign currency exchange rate fluctuations on cash balances denominated in foreign currencies was not material. Information about non-cash investing activities is included in the Acquisitions note below.

Acquisitions

The company acquired several companies during 1993 for a total purchase price of $91 million, obtaining assets of $113 million and assuming liabilities of $22 million. These acquisitions were not significant to the financial position or results of operations of the company.

In 1992, the company acquired Avantek, Inc., Colorado Memory Systems, Inc. and Texas Instruments' family of commercial UNIX-system based multiuser computers and related services for an aggregate purchase price of $423 million. In the aggregate, the company acquired assets and liabilities of $529 million and $106 million, respectively.

All of these 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' assets and liabilities based upon their fair market value at the date of the acquisition. The excess of the acquisition cost over the fair market value of net assets acquired represents goodwill and amounted to $71 million and $334 million for the 1993 and 1992 acquisitions, respectively. At the end of fiscal year 1993, the net book value of goodwill associated with current and prior year acquisitions was $623 million and is being amortized on a straight-line basis over 3 to 10 years.

Financial Instruments

Off-balance-sheet risk

The company enters into foreign exchange contracts to hedge against changes in foreign currency exchange rates. Such exposures are a result of the portion of the company's operations as well as assets and liabilities that are denominated in currencies other than the U.S. dollar. When the company's foreign exchange contracts hedge operational exposure, the effects of movements in currency exchange rates on these instruments are recognized when the related revenue and expenses are recognized. When foreign exchange contracts hedge balance sheet exposure, such effects are recognized when the exchange rate changes. Because the impact of movements in currency exchange rates on foreign exchange contracts offsets the related impact on the underlying items being hedged, these instruments do not subject the company to risk that would otherwise result from changes in currency exchange rates. The company had foreign exchange contracts of $3.0 billion and $2.5 billion outstanding at October 31, 1993 and 1992, respectively. The foreign exchange contracts require the company to exchange foreign currencies for U.S. dollars and generally mature within six months.

The company enters into interest rate swap agreements to manage its exposure to interest rate changes. The transactions generally involve the exchange of fixed and floating interest payment obligations without the exchange of the underlying principal amounts. At October 31, 1993 and 1992, off-balance-sheet exposures under interest rate swap agreements were not material.

Concentrations of credit risk

Financial instruments that potentially subject the company to significant concentrations of credit risk consist principally of cash investments and trade accounts receivable.

The company 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 geographies throughout the world, and company policy is designed to limit exposure with any one institution. As part of its cash management process, the company performs periodic evaluations of the relative credit standing of these financial institutions.

Credit risk with respect to trade accounts receivable is generally diversified due to the large number of entities comprising the company's customer base and their dispersion across many different industries and geographies. The company performs ongoing credit evaluations of its customers' financial condition, utilizes flooring arrangements with third-party financing companies and requires collateral, such as letters of credit and bank guarantees, in certain circumstances.

The company sells a significant portion of its products through third-party distributors and, as a result, maintains individually significant receivable balances with major distributors. If the financial condition and operations of these distributors deteriorate below critical levels, the company's operating results could be adversely affected. The ten largest distributor receivable balances collectively represented 9% and 8% of total accounts and notes receivable at October 31, 1993 and 1992, respectively.

Fair value of financial instruments

For certain of the company's financial instruments, including cash and cash equivalents, short-term investments, accounts and notes receivable, 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 and certificates of deposit are carried at amounts that approximate fair value. Consequently, such instruments are not included in the following table, which provides information regarding the estimated fair values of other financial instruments, both on and off the balance sheet, at October 31:

	1993	
In millions	Carrying Amount	Estimated Fair Value
Long-term stock investments	$ 88	$106
Long-term debt (including amounts due within one year)	$687	$712
Foreign exchange contracts, including options	$ 32	$ 66
Interest rate swap agreements	$ –	$ 26

For long-term stock investments the estimated fair value is based on quoted market prices. The estimated fair value for long-term debt is primarily based on quoted market prices, as well as borrowing rates currently available to the company for bank loans with similar terms and maturities. For foreign exchange contracts, including options and interest rate swaps, the estimated fair value is primarily based on quoted market prices for the same or similar instruments, adjusted where necessary for maturity differences.

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.

Taxes on Earnings

Effective as of the beginning of the company's 1992 fiscal year, the company adopted Statement of Financial Accounting Standards No. 109 (SFAS No. 109), "Accounting for Income Taxes." The effects of adopting SFAS No. 109 were not material.

The provision for income taxes comprises the following:

In millions	1993	1992	1991
U.S. federal taxes:			
Current	$330	$248	$169
Deferred	(46)	(93)	(41)
Non-U.S. taxes:			
Current	381	199	228
Deferred	(91)	58	(5)
State taxes	32	32	21
	$606	$444	$372

The significant components of deferred tax assets and liabilities included on the balance sheet at October 31:

	1993		1992	
In millions	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Inventory	$283	$ 28	$188	$ 30
Fixed assets	56	6	51	26
Retiree medical benefits	234	–	220	–
Other retirement benefits	–	116	–	108
Employee benefits, other than retirement	22	31	32	9
Leasing activities	–	83	–	85
Other	193	163	135	138
	$788	$427	$626	$396

No valuation allowance was necessary in 1993 and 1992.

In 1991, there were no individually significant temporary differences. Tax benefits of $35 million and $28 million associated with the exercise of employee stock options were allocated to equity in 1993 and 1992, respectively. The U.S. statutory tax rate was increased to 34.8% from 34% as a result of legislation enacted in August 1993, effective January 1, 1993. The effect on the company's deferred tax assets and liabilities was not material.

The differences between the U.S. federal statutory income tax rate and the company's effective rate are as follows:

	1993	1992	1991
U.S. federal statutory income tax rate	34.8%	34.0%	34.0%
State income taxes, net of federal tax benefit	1.1	1.6	1.3
FSC tax benefit	0.6	(0.7)	(2.4)
Lower rates in other jurisdictions, net	(3.1)	(4.1)	(2.4)
Other, net	0.6	2.7	2.5
	34.0%	33.5%	33.0%

After allocating eliminations and corporate items, earnings before taxes are as follows:

In millions	1993	1992	1991
U.S. operations including Puerto Rico	$ 818	$ 734	$ 653
Non-U.S.	965	591	474
	$1,783	$1,325	$1,127

The company has not provided for U.S. federal income and foreign withholding taxes on $1.7 billion of non-U.S. subsidiaries' undistributed earnings as of October 31, 1993, because such earnings are intended to be reinvested indefinitely. If these earnings were distributed, foreign tax credits should become available under current law to reduce or eliminate the resulting U.S. income tax liability. Where excess cash has accumulated in the company'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 and capital investment actions undertaken by the company, 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 2002. The income tax benefits attributable to the tax status of these subsidiaries are estimated to be $128 million, $123 million and $118 million for 1993, 1992 and 1991, respectively.

The Internal Revenue Service (IRS) has completed its examination of the company's federal income tax returns filed through 1983. The IRS has not commenced its examination of returns for years subsequent to 1989. The company believes that adequate accruals have been provided for all years.

Borrowings

Notes payable and short-term borrowings comprise the following:

	1993		1992	
In millions		Interest rate		Interest rate
Commercial paper	$1,174	3.1%	$ 937	3.2%
Notes payable to banks	820	4.2%	261	7.5%
Other short-term borrowings	196	3.2%	186	3.0%
	$2,190		$1,384	

The interest rates represent rates in effect at October 31, 1993 and 1992.

Long-term debt consists of corporate bonds placed with various financial institutions with interest rates ranging from 3.4% to 8.0%. The aggregate payments for the next five years of long-term debt outstanding at October 31, 1993 are $52 million in 1995, $200 million in 1996, and $415 million in 1999 and thereafter.

At October 31, 1993, the company had unused lines of credit of $1.1 billion and authorized but unissued commercial paper of about $150 million. The credit lines provide for borrowings on a worldwide basis and generally do not require commitment fees.

Shareholders' Equity

Employee Stock Purchase Plan

Eligible company employees may generally contribute up to 10 percent of their base compensation to the quarterly purchase of company stock under the Employee Stock Purchase Plan. Under this plan, employee contributions are partially matched with company contributions on a quarterly basis to purchase HP stock. At October 31, 1993, 82,000 employees were eligible to participate and 40,000 employees were participants in the plan.

Incentive compensation plans

The company has three principal stock option plans, adopted in 1979, 1985 and 1990. 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 the company's common stock on the date the option is granted. Under the 1990 Incentive Stock Plan, however, the Executive Compensation and Stock Option Committee, in certain cases, may choose to establish a discounted exercise price at no less than 75 percent of fair market value on the grant date. In 1993 and 1992, discounted options totaling 741,000 shares and 916,000 shares, respectively, were granted at 75 percent of fair market value on the grant date. 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 may not be exercised before the fifth anniversary of the option grant date, at which time such options become 100 percent vested. The plans provide for the granting of stock appreciation rights with respect to options granted to officers. The company has not included stock appreciation rights with options granted to officers since October 31, 1991.

The following table summarizes option activity during 1993.

Thousands except price per share amounts	Options	Price per share
Outstanding at October 31, 1992	14,814	$27-81
Granted	2,460	44-80
Exercised	(3,126)	27-81
Cancelled	(236)	27-81
Outstanding at October 31, 1993	13,912	$27-81

At October 31, 1993, options to purchase 7,479,000 shares were exercisable at prices ranging from $27 to $81 per share. Shares available for option grants at October 31, 1993 and 1992 were 7,406,000 and 9,694,000, respectively. Approximately 45,000 employees were considered eligible to receive stock options in fiscal 1993. There were approximately 20,000 employees holding options under one or more of the option plans as of October 31, 1993.

Under the 1985 Incentive Compensation Plan and the 1990 Incentive Stock Plan, 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 the company's Executive Compensation and Stock Option Committee. The majority of the shares of restricted stock outstanding at October 31, 1993, are subject to forfeiture if employment terminates prior to five years from the date of grant. During that period, ownership of the shares cannot be transferred. Restricted stock has the same dividend and voting rights as other common stock and is considered to be currently issued and outstanding. The cost of the awards, determined as the fair market value of the shares at the date of grant, is expensed ratably over the period the restrictions lapse. Such expense amounted to $8 million, $11 million and $12 million in 1993, 1992 and 1991, respectively. At October 31, 1993 and 1992, the company had 276,000 and 925,000 shares, respectively, of restricted stock outstanding. Beginning in 1992, discounted stock options are generally granted in place of restricted stock.

Shares reserved

The company has reserved shares for future issuance under the employee stock plans. At October 31, 1993 and 1992, 35,797,000 and 31,836,000 shares, respectively, were reserved.

Stock repurchase program

Under the company's stock repurchase program, shares of HP common stock are periodically purchased to meet future employee stock plan requirements. In 1993, 1992 and 1991, 4,345,000, 7,683,000 and 1,619,000 shares were repurchased for an aggregate purchase price of $314 million, $530 million and $79 million, respectively. At October 31, 1993, HP had authorization for an aggregate of $79 million in future repurchases under this program based on certain price and volume criteria. In November 1993, the Board authorized an additional $500 million in future repurchases.

Retirement Plans and Retiree Medical Benefits

Pension and profit-sharing plans

Substantially all of the company's employees are covered under various pension and deferred profit-sharing retirement plans. The worldwide pension and deferred profit-sharing costs were $159 million in 1993, $138 million in 1992 and $134 million in 1991.

U.S. employees are provided retirement benefits by the U.S. Deferred Profit-Sharing Plan (DPS) and the U.S. Supplemental Pension Plan (SPP). The DPS is a defined contribution plan that provides the vast majority of retirement benefits. The plan is funded solely by the company through an annual contribution based upon the company's adjusted U.S. net income, as defined in the plan agreement. Assets of the plan are held in trust for the sole benefit of employees. The company's expense for the DPS was $88 million in 1993, $69 million in 1992 and $45 million in 1991. The SPP is a defined benefit plan that provides for any excess of defined minimum benefits over the benefits available from the DPS. The amount of the benefit is computed based upon the employee's highest average pay rate and length of service, reduced by the annuity value to which the employee is entitled under the DPS. The DPS and SPP were substantially amended effective October 29, 1993, such that all accrued pension benefits under these plans were immediately 100% vested. This amendment resulted in prior service cost of $69 million. The accumulated benefit obligation and benefit obligation increased by $3.4 million and $69 million, respectively, as a result of this amendment.

Effective November 1, 1993, the DPS and SPP will be replaced by a new Retirement Plan. Benefits under this new defined benefit plan will be based on highest average pay rate and years of service. Employees will retain benefits earned through October 31, 1993 under the DPS and SPP with benefits under the SPP adjusted for future salary increases. Future benefits will be earned under the new Retirement Plan using the new formula.

The combined status of the U.S. Deferred Profit-Sharing and U.S. Supplemental Pension plans is as follows:

In millions	1993	1992
Fair value of plan assets	$2,096	$1,801
Retirement benefit obligation	$1,872	$1,572

Employees outside of 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.

Retiree medical plan

In addition to providing pension and deferred profit-sharing benefits, the company also has a medical plan that provides defined benefits to U.S. retired employees. Substantially all of the company's U.S. employees could become eligible for these benefits.

The company adopted, effective as of the beginning of the 1992 fiscal year, Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions" (SFAS No. 106). SFAS No. 106 requires that postretirement benefits other than pensions be accounted for using the accrual method. Previously, the company expensed retiree medical costs as claims were paid.

The adoption of SFAS No. 106 in 1992 resulted in a one-time charge to net earnings of $332 million in the first quarter, after a reduction for income taxes of $212 million. The one-time charge represents the transition effect of adopting SFAS No. 106 as of the beginning of 1992. Accrual basis retiree medical expenses were $33 million in 1993 and $32 million in 1992, excluding the one-time charge. The cost under the cash basis approach was $10 million in 1991.

401(k) Plan

U.S. employees of the company may participate in the Tax Saving Capital Accumulation Plan (TAXCAP), which was established as a supplemental retirement program. Under the TAXCAP program, the company partially matches contributions by employees up to a maximum of 4% of an employee's annual compensation. Currently, combined Employee Stock Purchase Plan and TAXCAP contributions by an employee cannot exceed 12 percent of an employee's annual base compensation. Effective November 1, 1993, the maximum combined contribution to these two plans will be 17% of an employee's annual base compensation subject to certain regulatory and plan limitations. At October 31, 1993, 43,000 employees were participating in TAXCAP out of the 54,000 who were eligible.

Funded status and net periodic cost
The funded status of the defined benefit and retiree medical plans is as follows:

In millions	U.S. supplemental defined benefit plan		Non-U.S. defined benefit plans		U.S. retiree medical plan	
	1993	1992	1993	1992	1993	1992
Fair value of plan assets	$ 307	$ 267	$ 798	$ 663	$ 251	$ 211
Benefit obligation	(83)	(38)	(851)	(747)	(444)	(412)
Excess of plan assets over benefit obligation	224	229	(53)	(84)	(193)	(201)
Unrecognized net experience (gain) loss	(77)	(32)	97	75	(57)	(17)
Unrecognized service cost related to plan changes	69	–	–	–	(181)	(190)
Unrecognized net transition asset*	(54)	(62)	(7)	(13)	–	–
Prepaid (accrued) costs	$ 162	$ 135	$ 37	$ (22)	$(431)	$(408)
Vested benefit obligation	$ (19)	$ (9)	$(529)	$(474)		
Accumulated benefit obligation	$ (19)	$ (13)	$(576)	$(506)		

*Amortized over 15 years for the U.S. plan and over periods ranging from 12 to 20 years for non-U.S. plans.

Plan assets consist primarily of listed stocks and bonds for the U.S. plans and listed stocks, bonds and cash surrender value of life insurance policies for the non-U.S. plans. It is the company's practice to fund these costs to the extent they are tax-deductible.

The company's net pension, deferred profit-sharing and retiree medical costs comprise the following:

In millions	Pension and deferred profit-sharing						U.S. retiree medical plan	
	U.S. plans			Non-U.S. plans				
	1993	1992	1991	1993	1992	1991	1993	1992
Service cost—benefits earned during the period	$ 4	$ 3	$ 4	$61	$52	$47	$28	$26
Interest cost on benefit obligation	3	3	4	49	45	37	35	33
Actual investment return on plan assets	(45)	(19)	(57)	(107)	5	(65)	(40)	(14)
Net amortization and deferral	11	(14)	27	59	(53)	24	10	(13)
Early retirement program costs	–	–	24	–	–	–	–	–
Net plan cost (credit)	(27)	(27)	2	62	49	43	33	32
Pension and deferred profit-sharing costs for other plans	88	69	45	36	47	44	–	–
	$61	$42	$47	$98	$96	$87	$33	$32

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

	1993	1992	1991
U.S. supplemental defined benefit plan:			
Discount rate	7.0%	8.0%	8.5%
Average increase in compensation levels	5.5%	6.5%	7.0%
Expected long-term return on assets	9.0%	9.0%	9.0%
Non-U.S. defined benefit plans:			
Discount rate	5.0% to 9.0%	5.0% to 9.0%	5.0% to 10.0%
Average increase in compensation levels	4.5% to 6.3%	4.5% to 6.3%	5.0% to 7.5%
Expected long-term return on assets	7.0% to 10.0%	7.0% to 11.0%	6.5% to 12.0%
Retiree medical plan:			
Discount rate	7.0%	8.0%	–
Expected long-term return on assets	9.0%	9.0%	–
Current medical cost trend rate	11.2%	13.0%	
Ultimate medical cost trend rate	6.0%	7.0%	
Medical cost trend rate decreases to ultimate rate in year	2007	2007	
Effect of a 1% increase in the medical cost trend rate (millions):			
Increase in benefit obligation	$97	$88	–
Increase in the annual retiree medical cost	$18	$17	–

Commitments

The company leases certain real and personal property. Minimum commitments under these operating leases are $179 million for 1994, $157 million for 1995, $132 million for 1996, $89 million for 1997, $74 million for 1998 and $155 million for 1999 through 2061. Certain leases require the company to pay property taxes, insurance and routine maintenance and include escalation clauses. Rent expense was $269 million in 1993, $257 million in 1992 and $237 million in 1991.

Geographic Area Information

The company operates in a single industry segment: the design, manufacture and service of measurement, computation and communications products and systems.

Net revenue, earnings from operations and identifiable assets, classified by the major geographic areas in which the company operates, are as follows:

In millions	1993	1992	1991
Net revenue			
United States:			
Unaffiliated customer sales	$ 9,346	$ 7,212	$ 6,390
Interarea transfers	4,738	3,720	3,223
	14,084	10,932	9,613
Europe:			
Unaffiliated customer sales	7,177	6,083	5,378
Interarea transfers	899	649	411
	8,076	6,732	5,789
Asia Pacific, Canada, Latin America:			
Unaffiliated customer sales	3,794	3,115	2,726
Interarea transfers	2,165	1,120	731
	5,959	4,235	3,457
Eliminations	(7,802)	(5,489)	(4,365)
	$20,317	$16,410	$14,494
Earnings from operations			
United States	$ 1,543	$ 1,220	$ 1,191
Europe	447	308	292
Asia Pacific, Canada, Latin America	630	372	224
Eliminations and corporate	(741)	(496)	(497)
	$ 1,879	$ 1,404	$ 1,210
Identifiable assets			
United States	$ 8,984	$ 7,309	$ 6,487
Europe	4,452	3,869	3,314
Asia Pacific, Canada, Latin America	3,056	2,026	1,711
Eliminations and corporate	244	496	461
	$16,736	$13,700	$11,973

Net revenue from sales to unaffiliated customers is based on the location of the customer. Interarea transfers are sales among HP affiliates principally made at market price, less an allowance primarily for subsequent manufacturing and/or marketing costs. Earnings from operations and identifiable assets are classified based on the location of the company's facilities.

Identifiable corporate assets, which are net of eliminations, comprise primarily cash, property, plant and equipment, and other assets, and aggregate $3,148 million in 1993, $2,889 million in 1992 and $2,252 million in 1991.

Statement of Management Responsibility
Hewlett-Packard Company and Subsidiaries

The company's management is responsible for the preparation, integrity and objectivity of the consolidated financial statements and other financial information presented in this report. The accompanying financial statements have been prepared in conformity with generally accepted accounting principles and reflect the effects of certain estimates and judgments made by management.

The company's management maintains an effective system of internal control that is designed to provide reasonable assurance that assets are safeguarded and transactions are properly recorded and executed in accordance with management's authorization. The system is continuously monitored by direct management review and by internal auditors who conduct an extensive program of audits throughout the company. The company selects and trains qualified people who are provided with and expected to adhere to the company's standards of business conduct. These standards, which set forth the highest principles of business ethics and conduct, are a key element of the company's control system.

The company's consolidated financial statements have been audited by Price Waterhouse, independent accountants. Their audits were conducted in accordance with generally accepted auditing standards, and included a review of financial controls and tests of accounting records and procedures as they considered necessary in the circumstances.

The Audit Committee of the Board of Directors, which consists of four outside directors, meets regularly with management, the internal auditors and the independent accountants to review accounting, reporting, auditing and internal control matters. The committee has direct and private access to both internal and external auditors.

Lew Platt
Chairman of the Board, President
and Chief Executive Officer

Bob Wayman
Executive Vice President
Finance and Administration
Chief Financial Officer

Report of Independent Accountants
Hewlett-Packard Company and Subsidiaries

To the Shareholders and Board of Directors of Hewlett-Packard Company

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of earnings, of cash flows and of shareholders' equity present fairly, in all material respects, the financial position of Hewlett-Packard Company and its subsidiaries at October 31, 1993 and 1992, and the results of their operations and their cash flows for each of the three years in the period ended October 31, 1993, 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.

As discussed in the Retirement Plans and Retiree Medical Benefits note to the financial statements, the company changed its method of accounting for retiree medical benefits in the year ended October 31, 1992. We concur with this change in accounting.

Price Waterhouse

San Francisco, California
November 22, 1993

Orders and Net Revenue by Groupings of Similar Products and Services

Hewlett-Packard Company and Subsidiaries
Unaudited

For the years ended October 31 In millions	1993	1992	1991
Orders			
Computer products, service and support	$15,903	$12,293	$10,463
Electronic test and measurement instrumentation, systems and service	2,335	2,257	2,301
Medical electronic equipment and service	1,196	1,004	906
Analytical instrumentation and service	721	678	672
Electronic components	617	529	334
	$20,772	$16,761	$14,676
Net revenue			
Computer products, service and support	$15,572	$12,028	$10,217
Electronic test and measurement instrumentation, systems and service	2,318	2,207	2,377
Medical electronic equipment and service	1,149	1,010	924
Analytical instrumentation and service	704	693	667
Electronic components	574	472	309
	$20,317	$16,410	$14,494

The table above provides supplemental information showing orders and net revenue by groupings of similar products and services. The groupings are as follows:

Computer products, service and support
Computer equipment and systems (hardware and software), networking products, printers, plotters, scanners, disk and tape drives, terminals and handheld calculators; support and maintenance services, parts and supplies. Products are used for business, scientific and industrial applications.

Electronic test and measurement instrumentation, systems and service
Instruments and measurement systems used for design, production and maintenance of electronic equipment; support and maintenance services.

Medical electronic equipment and service
Products that perform patient monitoring, diagnostic, therapeutic and data-management functions; application software; support and maintenance services; hospital supplies.

Analytical instrumentation and service
Gas and liquid chromatographs, mass spectrometers and spectrophotometers used to analyze chemical compounds; laboratory data and information management systems; support, supplies and maintenance services.

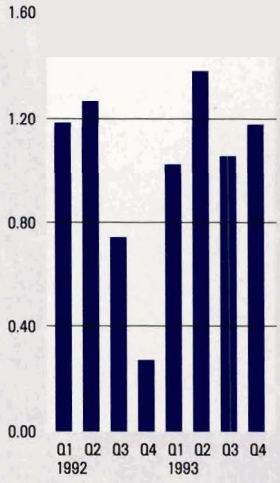
Electronic components
Microwave semiconductor and optoelectronic devices that are sold primarily to manufacturers for incorporation into electronic products.

Quarterly Summary

Hewlett-Packard Company and Subsidiaries
Unaudited

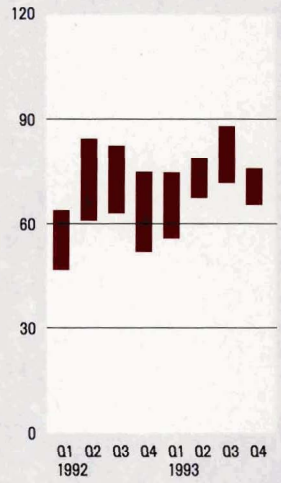
For the three months ended In millions except per share amounts	January 31	April 30	July 31	October 31†
1993				
U.S. orders	$2,093	$2,341	$2,237	$2,791
International orders	3,108	3,026	2,466	2,710
Total orders	$5,201	$5,367	$4,703	$5,501
Net revenue	$4,573	$5,096	$4,961	$5,687
Cost of equipment sold and services	$2,664	$2,997	$2,968	$3,494
Earnings from operations	$ 421	$ 554	$ 427	$ 477
Net earnings	$ 261	$ 347	$ 271	$ 298
Net earnings per share	$ 1.03	$ 1.38	$ 1.06	$ 1.18
Cash dividend paid per share	$ .200	$ .200	$ .250	$ .250
Range of stock prices per share	$55⅜-74⅛	$67⅜-78¼	$71-87½	$65-75⅝
1992*				
U.S. orders	$1,773	$1,823	$1,800	$2,173
International orders	2,420	2,360	2,166	2,246
Total orders	$4,193	$4,183	$3,966	$4,419
Net revenue	$3,863	$4,183	$4,040	$4,324
Cost of equipment sold and services	$2,056	$2,242	$2,306	$2,554
Earnings from operations	$ 469	$ 481	$ 299	$ 155
Earnings before effect of accounting change	$ 302	$ 323	$ 188	$ 68
Net earnings (loss)	$ (30)	$ 323	$ 188	$ 68
Earnings per share before effect of accounting change	$ 1.19	$ 1.27	$ .75	$ .28
Net earnings (loss) per share	$ (.12)	$ 1.27	$ .75	$ .28
Cash dividend paid per share	$ .125	$ .200	$ .200	$ .200
Range of stock prices per share	$63¼-46⅛	$83¾-60⅛	$81¾-63⅞	$74¼-51⅝

Net Earnings Per Share*
In dollars



*Q1 1992 based on EPS before effect of accounting change

Range of Common Stock Prices
In dollars per share



*See discussion of the 1992 change in accounting for retiree medical benefits on page 39 of this report.

†The fourth quarter of 1992 includes special charges of approximately $137 million before taxes ($0.36 per share) for voluntary severance programs, employee redeployment and facilities consolidations.

Directors

Thomas E. Everhart
President
California Institute of Technology

John B. Fery
Chairman of the Board and
Chief Executive Officer
Boise Cascade Corporation
A paper and forest products manufacturer and distributor

Jean-Paul G. Gimon
General Representative,
North America
Credit Lyonnais
A global banking institution

Richard A. Hackborn
Retired Executive Vice President
Hewlett-Packard Company

Harold J. Haynes
Retired Chairman of the Board
and Chief Executive Officer
Chevron Corporation
An international petroleum company

Walter B. Hewlett
Independent Researcher and
Director
Center for Computer Assisted
Research in the Humanities
A non-profit corporation

Shirley M. Hufstedler
Partner in the law firm of
Hufstedler, Kaus & Ettinger

George A. Keyworth II
Distinguished Fellow
Hudson Institute
A public policy research institute

Paul F. Miller, Jr.
Founding, now Limited Partner
Miller, Anderson and Sherrerd
An investment management firm

Susan P. Orr
President, Technology Resource
Assistance Center
A software-development company

David Woodley Packard
President
The Packard Humanities
Institute and The Stanford
Theater Foundation
Non-profit institutions

Donald E. Petersen
Retired Chairman of the Board
and Chief Executive Officer
Ford Motor Company
An automotive company

Lewis E. Platt
Chairman of the Board
President and Chief Executive Officer
Hewlett-Packard Company

Hicks B. Waldron*
Retired Chairman and
Chief Executive Officer
Avon Products, Inc.
A beauty products company

Robert P. Wayman**
Executive Vice President
Chief Financial Officer
Hewlett-Packard Company

T. A. Wilson*
Chairman Emeritus
The Boeing Company
An aerospace company

Emeritus Directors

William R. Hewlett
Co-founder

David Packard
Chairman Emeritus
Co-founder

Committees of the Board

Executive Committee
Platt (Chair), Wayman**

Audit Committee
Hufstedler (Chair), Haynes,
Hewlett, Waldron*

Compensation Committee
Fery (Chair), Everhart,
Haynes, Orr, Petersen

Finance and Investment
Committee
Miller (Chair), Gimon,
Packard, Wayman**

Organization Review
and Nominating Committee
Haynes (Chair), Hewlett,
Keyworth, Packard, Platt, Wilson*

**Retiring from the Board effective Feb. 22, 1994*

***Joined the Board Dec. 1, 1993*

Officers

Lewis E. Platt*
Chairman, President and
Chief Executive Officer

Robert P. Wayman*
Executive Vice President
Finance and Administration
Chief Financial Officer

James L. Arthur*
Senior Vice President and
General Manager
Worldwide Customer Support
Operations

Edward W. Barnholt*
Senior Vice President and
General Manager
Test and Measurement Organization

Alan D. Bickell*
Senior Vice President and
Managing Director
Geographic Operations

Joel S. Birnbaum*
Senior Vice President
Research and Development

Franco Mariotti
Senior Vice President and Director
Europe, Middle East and
African Operations

Willem P. Roelandts*
Senior Vice President and
General Manager
Computer Systems Organization

Richard W. Anderson
Vice President and General Manager
Microwave and Communications
Group

Richard E. Belluzzo*
Vice President and General Manager
Computer Products Organization

S. T. Jack Brigham III*
Vice President Corporate Affairs and
General Counsel

Douglas K. Carnahan*
Vice President and General Manager
Measurement Systems Organization

Raymond W. Cookingham*
Vice President and Controller

William F. Craven
Vice President and General Manager
Components Group

Manuel F. Diaz
Vice President and General Manager
Worldwide Sales and Marketing
Computer Systems Organization

Gary B. Eichhorn
Vice President and General Manager
Workstation Systems Group

Robert J. Frankenberg
Vice President and General Manager
Personal Information Products Group

Dieter Hoehn
Vice President and General Manager
Analytical Products Group

Benjamin L. Holmes
Vice President and General Manager
Medical Products Group

Michael C. Leavell
Vice President and General Manager
Solutions Integration Group

Richard S. Love
Vice President and General Manager
Computer Order Fulfillment
and Manufacturing

Franz Nawratil
Vice President and General Manager
Sales and Marketing—Europe
Computer Systems Organization

F. E. (Pete) Peterson*
Vice President
Personnel

Larry D. Potter
Vice President and General Manager
Worldwide Field Operations
Test and Measurement Organization

Charles W. Richion
Vice President and Manager
Global Partners
Computer Systems Organization

Raymond A. Smelek
Vice President and General Manager
Mass Storage Group

Richard C. Watts
Vice President and Manager
Sales, Distribution and Support
Computer Products Organization

Lawrence Tomlinson
Treasurer

D. Craig Nordlund
Associate General Counsel and
Secretary

Ann O. Baskins
Assistant Secretary and
Managing Counsel

**Executive officer under Section 16 of the Securities and Exchange Act of 1934*

Corporate Information

Headquarters
3000 Hanover Street
Palo Alto, California 94304
Telephone: (415) 857-1501

Geographic Operations
Americas
5301 Stevens Creek Boulevard
Santa Clara, California 95052
Telephone: (408) 246-4300

Europe, Africa, Middle East
Route du Nant-d'Avril 150
CH-1217 Meyrin 2
Geneva, Switzerland
Telephone: (41/22) 780-8111

Asia Pacific
17-21/F Shell Tower
Times Square, 1 Matheson Street
Causeway Bay, Hong Kong
Telephone: (852) 599-7777

Product Development and Manufacturing
Americas
Cupertino, Folsom, Mountain View, Newark, Palo Alto, Rohnert Park, Roseville, San Diego, San Jose, Santa Clara, Santa Rosa, Sunnyvale and Westlake Village, California

Colorado Springs, Fort Collins, Greeley and Loveland, Colorado

Wilmington, Delaware

Boise, Idaho

Andover, Chelmsford and Waltham, Massachusetts

Exeter, New Hampshire

Rockaway, New Jersey

Corvallis and McMinnville, Oregon

Aguadilla, Puerto Rico

Everett, Spokane and Vancouver, Washington

Edmonton, Calgary, Montreal and Waterloo, Canada

Guadalajara, Mexico

Europe
Grenoble and L'Isle d'Abeau, France

Böblingen and Waldbronn, Germany

Bergamo, Italy

Amersfoort, The Netherlands

Barcelona, Spain

Bristol, Ipswich and South Queensferry, United Kingdom

Asia Pacific
Melbourne, Australia
Beijing and Shenzhen, China
Bangalore, India
Hachioji and Kobe, Japan
Seoul, Korea
Penang, Malaysia
Singapore

Country Headquarters Offices
Americas
Buenos Aires, Argentina
Sao Paulo, Brazil
Miami, Florida*
Mexico City, Mexico
Toronto, Canada
Caracas, Venezuela

Europe
Vienna, Austria
Brussels, Belgium
Prague, Czech Republic
Birkerød, Denmark
Helsinki, Finland
Paris, France
Böblingen, Germany
Athens, Greece
Budapest, Hungary
Dublin, Ireland
Cernusco, Italy
Amsterdam, The Netherlands
Oslo, Norway
Warsaw, Poland
Lisbon, Portugal
Moscow, Russia
Madrid, Spain
Kista, Sweden
Urdorf, Switzerland
Istanbul, Turkey
Bracknell, United Kingdom

Asia Pacific
Melbourne, Australia
Beijing, China
Hong Kong
New Delhi, India
Tokyo, Japan
Seoul, Korea
Kuala Lumpur, Malaysia
Wellington, New Zealand
Singapore
Taipei, Taiwan
Bangkok, Thailand

Hewlett-Packard Laboratories
Palo Alto, California
Tokyo, Japan
Bristol, United Kingdom

HP Sales and Support Offices and Distributorships
Approximately 600 in 110 countries**

**Headquarters of Latin American region*

***A directory of sales and support locations can be obtained from the Corporate Communications Department at HP's offices in Palo Alto.*

Shareholder Information

Annual Meeting of Shareholders
The annual meeting will be held Tuesday, February 22, 1994, at 2 p.m. at Hewlett-Packard's Cupertino site located at 19447 Pruneridge Avenue, Cupertino, California.

Annual Report/10-K Report
Publications of interest to current and potential HP investors are available upon request. These include annual and quarterly reports and the Form 10-K filed with the Securities and Exchange Commission. As a service to those with impaired vision, the HP 1993 Annual Report is available on audio cassette. This material can be obtained at no cost by contacting the Corporate Communications Department, Hewlett-Packard Company corporate offices.

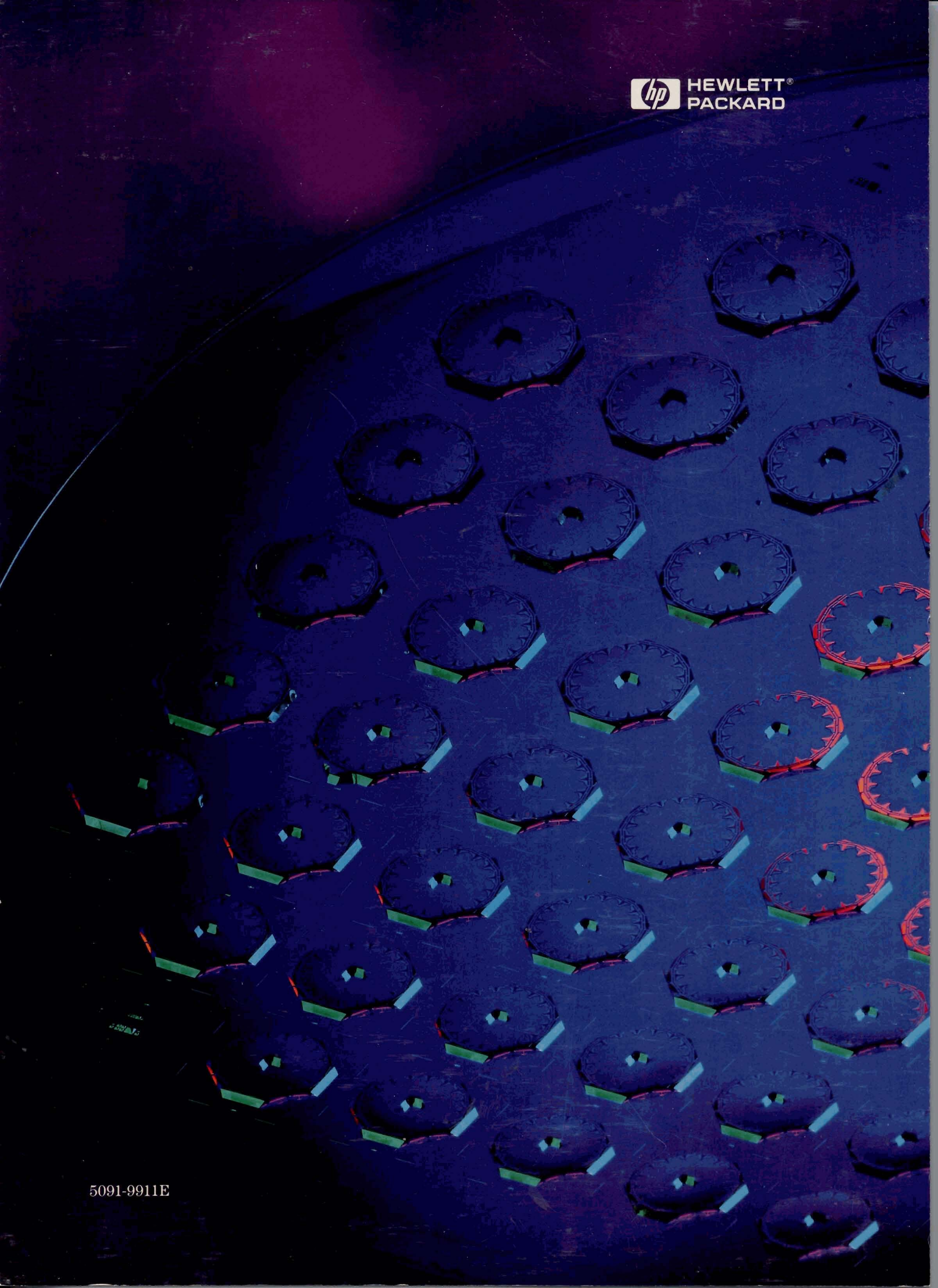
Transfer Agent and Registrar
Harris Trust and Savings Bank
Corporate Trust Operations
Division, P.O. Box 755
Chicago, Illinois 60690
Telephone: (312) 461-4061

Common Stock, Dividend Policy
The company's stock is traded on the New York Stock Exchange and the Pacific, Tokyo, London, Frankfurt, Zurich and Paris exchanges.
Cash dividends have been paid each year since 1965. The current rate is $.25 per share per quarter.
At November 30, 1993, there were 72,598 shareholders of record.

Photo credits:
cover, pp. 5, 9, 13 by Jim Karageorge
p. 6 by Lech Alesky Charewicz
p. 10 by Philip Jones-Griffiths/Magnum
p. 14 by Theo Hess/Skyfast Aerial Photography

Printed on recycled paper

HEWLETT®
PACKARD



5091-9911E