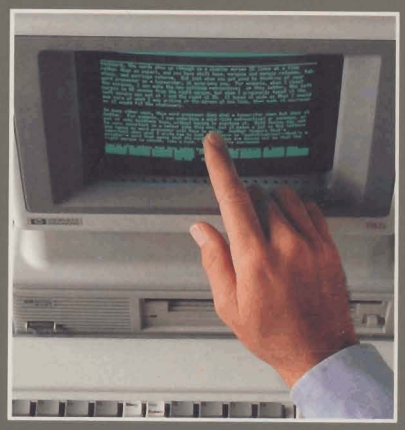
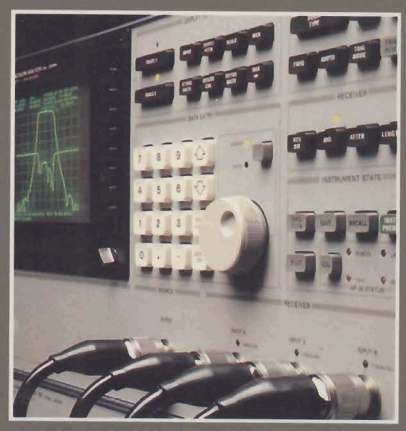
Hewlett Packard Company





1983 Annual Report

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On the cover

The HP 150 touchscreen personal computer and the HP 3577A network analyzer exemplify Hewlett-Packard's continuing tradition of technological excellence. Both were introduced in 1983.

Hewlett-Packard Company is a major designer and manufacturer of precision electronic equipment for measurement, analysis and computation. The interactive capabilities of HP instruments and systems enable its customers—decision makers in business and technical fields worldwide—to gain access to essential information, put it into meaningful form and use it effectively to improve productivity.

HP makes 6,400 products that have broad application in the fields of science, engineering, business, industry, medicine and education. Principal product groups include computers and computer systems, handheld calculators and computer/calculator peripheral products; test and measuring instrumentation and solid-state components; medical electronic equipment; and instrumentation for chemical analysis.

Financial Highlights

(Millions except per share amounts)		
For the fiscal years ended October 31	1983	1982
Domestic orders	$2,901	$2,283
International orders	$2,021	$1,897
Total orders	$4,922	$4,180
Net sales	$4,710	$4,189
Earnings before taxes	$ 728	$ 676
Provision for taxes	$ 296	$ 293
Net earnings	$ 432	$ 383
Net earnings per share	$ 1.69	$ 1.53*

*Restated to reflect the 2-for-1 stock split in August 1983.

To Our Shareholders

David Packard, John A. Young and William R. Hewlett

We are pleased to report that Hewlett-Packard continued its sales, earnings and orders growth during 1983 and that we were able to maintain an aggressive product-development program, sustain employment growth and further improve our financial position.

Net sales increased 12 percent to $4.71 billion. Net earnings rose 13 percent to $432 million. Earnings per share amounted to $1.69, compared with $1.53 a year ago (restated to reflect a 2-for-1 stock split during 1983). Orders for the year increased 18 percent to $4.92 billion. At year-end, order backlog was $1.01 billion, compared with $768 million at the end of 1982.

Third and fourth quarter orders showed the best year-to-year gains since 1980, reflecting the recovering U.S. economy as well as our own new-product and marketing programs.

International economies have been slow to show significant

improvement, lagging the U.S. recovery by several months. For the year, international orders grew only 7 percent, while domestic orders improved by 27 percent.

The strength of the U.S. dollar against other major currencies continued during the year. This led to HP's U.S.-manufactured products being less competitive in non-U.S. markets and in the company realizing fewer dollars of sales revenue per unit of local currency—a condition that HP has been experiencing since early 1981. This is discussed in more detail on page 21.

All four of the company's business segments reported increased business in 1983. Orders for computer products were up 18 percent over 1982, electronic test and measurement up 20 percent, medical electronic equipment up 12 percent and analytical instrumentation up 13 percent.

Beginning in the first half of the year we made large investments in our field marketing activities. This was done to take full advantage of the anticipated economic upturn by having trained personnel in place to support new products and to accommodate increasing customer requirements for more extensive computer software. These added expenses were not completely offset by increased sales in the third quarter, leading to an earnings shortfall for that period. We made good progress in bringing orders and shipments into balance during the fourth quarter and were able to post a 32 percent earnings increase over the same period in 1982. Despite these quarter-to-quarter fluctuations, we completed the year with a very balanced performance.

As we frequently have stated, new products are fundamental to the company's growth. For example, more than two-thirds of HP's 1983 orders were for products introduced during the past four years. Research and development expenditures for the year totaled $493 million, or 10.5 percent of sales revenues—slightly higher as a percentage than the previous two years, primarily due to lower-than-projected shipment levels.

We introduced many products during the year that we expect to contribute to our customers' productivity and to HP's future growth. Our new family of advanced printed-circuit board testing equipment, for example, can test a large, highly complex board in just 20 seconds. Similarly, the network analyzer pictured on the cover offers a highly accurate and cost effective way to measure the performance characteristics of circuits, transistors and other electronic devices.

In late September, HP introduced the HP 150 touchscreen personal computer. The HP 150 represents a new thrust by HP into the mainstream business-computer market and sets the standard for our future personal-computer products. We are committed to becoming a leader in this market and are backing this commitment with aggressive marketing and a comprehensive new dealer program.

These new products illustrate HP's strategy of offering interactive products that can be linked—instruments to computers and computers to other systems—to enable our customers to gather and use the information they need to maximize productivity. This is the thrust of HP's business and also is the subject of the following pages of this report.

During the year, HP entered into a joint venture with Genentech, Inc. to form HP Genenchem, to

develop instruments and related systems for worldwide use by biotechnology industries. HP is the majority owner and manager through our Analytical Products Group. We believe Genentech's pioneering work in bioscience and bioengineering provides HP with a unique opportunity to expand rapidly into new instrumentation technology for many industries, including pharmaceuticals, agriculture and industrial processing.

Also during the year, HP and Yokogawa-Hokushin Electric Corp. (YEW) agreed that HP would increase its equity position in Yokogawa-Hewlett-Packard (YHP), our Tokyo-based joint venture company established in 1963. HP's position increased from 49 to 75 percent in November 1983. The change was intended to provide a broader charter for YHP in applying its manufacturing and marketing expertise in support of HP products supplied to our Asian customers, while continuing our cooperative relationship with YEW.

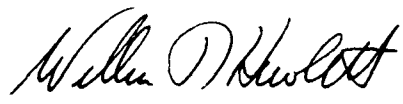
In September, Shozo Yokogawa, YEW president, was elected to HP's board of directors. Also in September, William P. Doolittle, an HP manager for 36 years, retired from the board. Mr. Doolittle, who had retired as senior vice president, international, earlier in the year, played a central role in establishing HP as an international company. We are grateful for his many years of creative and dedicated service.

During 1983, the total number of HP employees grew 7 percent to approximately 72,000. Of this number, about 51,000 are employed in the U.S.

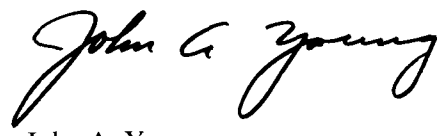
The past year saw a substantial strengthening of the U.S. economy and most signs point to continued growth through 1984. However, given the uncertain timing of an international economic upturn and our commitments to new-product advertising and other marketing activities, we are approaching the first half of fiscal 1984 with a degree of caution.

On the positive side, we have started the year with a record order backlog. We have many important new products emerging from our laboratories and the capability to manufacture and market them effectively. Further, our financial position is sound and we have a dedicated, resilient organization. Overall, we are optimistic about the company's prospects for 1984.

David Packard
Chairman of the Board



William R. Hewlett
Vice Chairman of the Board



John A. Young
President and Chief Executive Officer

December 9, 1983

Strategies for Leadership

Hewlett-Packard Company is in one of the most dynamic periods of its 44-year history. It is a time of change in the needs of customers, in the technologies available to meet those needs, and in the size and shape of HP itself.

When a company changes as rapidly as HP, there is the possibility of it growing apart, of its product lines and operations diverging. For HP, the opposite is true. Its organization and products have become better integrated to shape and support the company's purpose.

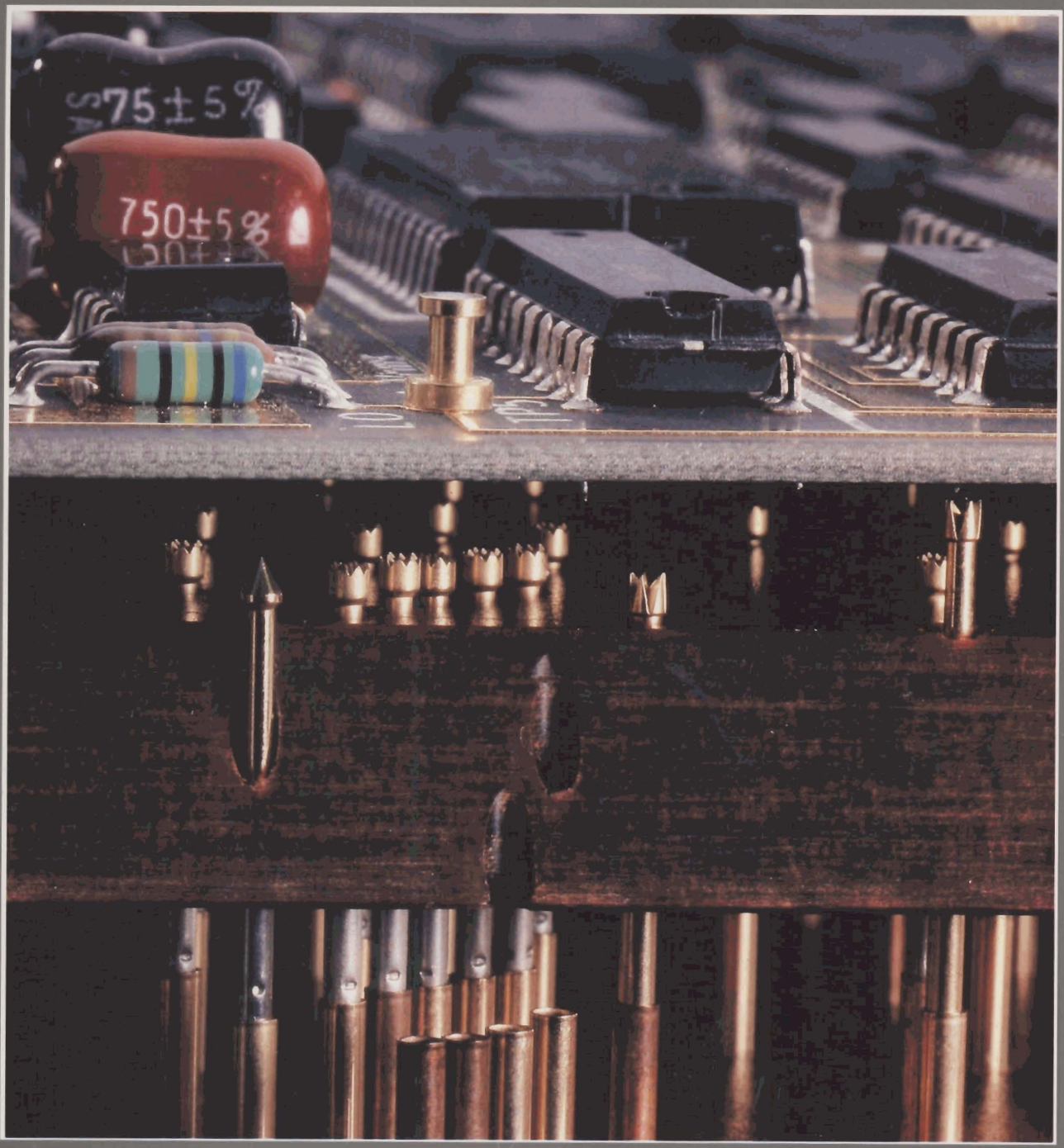
Although HP's 6,400 products serve many different markets, their common purpose is to provide customers with the information needed to solve technical and business problems. HP's strength lies not only in its wide spectrum of products, but also in its ability to merge technologies to provide comprehensive solutions to a variety of specific problems. HP products are information tools in a three-tiered business strategy.

Tier One. HP is continuing a strategy that has served it well over the years: offering products that represent state-of-the-art technology and that are useful on a stand-alone basis. Each product is a tool that provides information to help solve a problem, such as the measurement of an electronic function, the analysis of a chemical compound, the monitoring of a vital life sign, or the computation, analysis, display or transmission of data.

Tier Two. Joining individual products to create systems is the second way HP is making information an effective decision-making tool. Increasingly, HP is designing its products as modules that can interact with other HP equipment or with products of other vendors. HP's systems may consist of test and measurement instruments, data-processing equipment, instrumentation for chemical analysis or medical monitoring, or combinations of these product groups.

This ability to combine product groups is one of HP's main strengths and is manifest in many ways. Networks of computers and personal workstations help organizations create, move, store and use information effectively. Measurement systems linked to computers translate what is happening on the factory floor into information that managers can use in decision-making. In laboratories, analytical instruments and computers combine to computerize and automate the preparation and analysis of chemical compounds. In health care facilities, patient-monitoring and critical-care equipment, data management, financial and order-entry systems combine to improve care while helping control costs.

Productivity Networks



By providing an effective combination of measurement and computational capabilities, Hewlett-Packard offers customers solutions in a way no other company can. The HP 3065 printed-circuit board test system typifies HP's strategy of linking computers and instruments to form systems that improve productivity. Not only does the unit combine advanced testing techniques with computer-controlled technology, but it can link to computer-aided design systems and use information developed in the design process to cut test time. The gold pins shown above are computer-controlled, part of a system that can test complex boards quickly and safely.

Tier Three. The third tier of HP's strategy is to provide software packages that further integrate HP equipment in order to solve customer problems. Productivity networks is the term HP uses to describe its integrated software packages. Just as a system represents linked equipment, productivity networks represent software programs that are linked to provide total business solutions.

Some of these networks are designed to meet the needs of a wide variety of customers. For example, HP's Information Productivity Network allows any organization to effectively use word processing, data base management and electronic mail. Other productivity networks serve specific kinds of organizations, such as manufacturers, retail trade and distribution industries, laboratories, hospitals and educational and financial institutions.

HP's Manufacturer's Productivity Network (MPN) illustrates the combination of products, systems and software applications. MPN's goal is to build on a manufacturer's existing base of HP hardware and software and integrate the information used in activities such as computer-aided engineering, materials management and financial accounting. Individually, these application programs already offer powerful solutions to business problems. However, the MPN concept recognizes that the effectiveness of all software applications will be greatly enhanced when they 'talk' to each other.

For example, computer-aided design products linked to automated test equipment will allow a manufacturer's engineering section to directly transmit its performance criteria to the factory. The factory, in turn, will be able to communicate its requirements and process constraints to the design team. Input from the marketing department—customer preferences and order forecasts—will be transmitted to both the engineering and manufacturing areas.

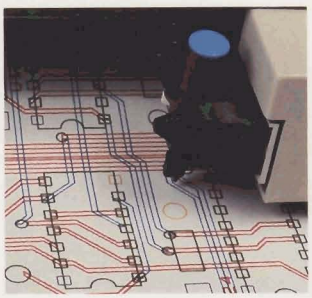
Whether in a manufacturing environment or a service organization, the possibilities for the constructive coupling of information are numerous. It is this linkage of software programs that is called for in HP's productivity network strategy.

State-of-the-art products, systems linking them together, and productivity networks to maximize their usefulness to customers—these are some of the ways HP is working to provide customers with the information they need to make their organizations more productive.

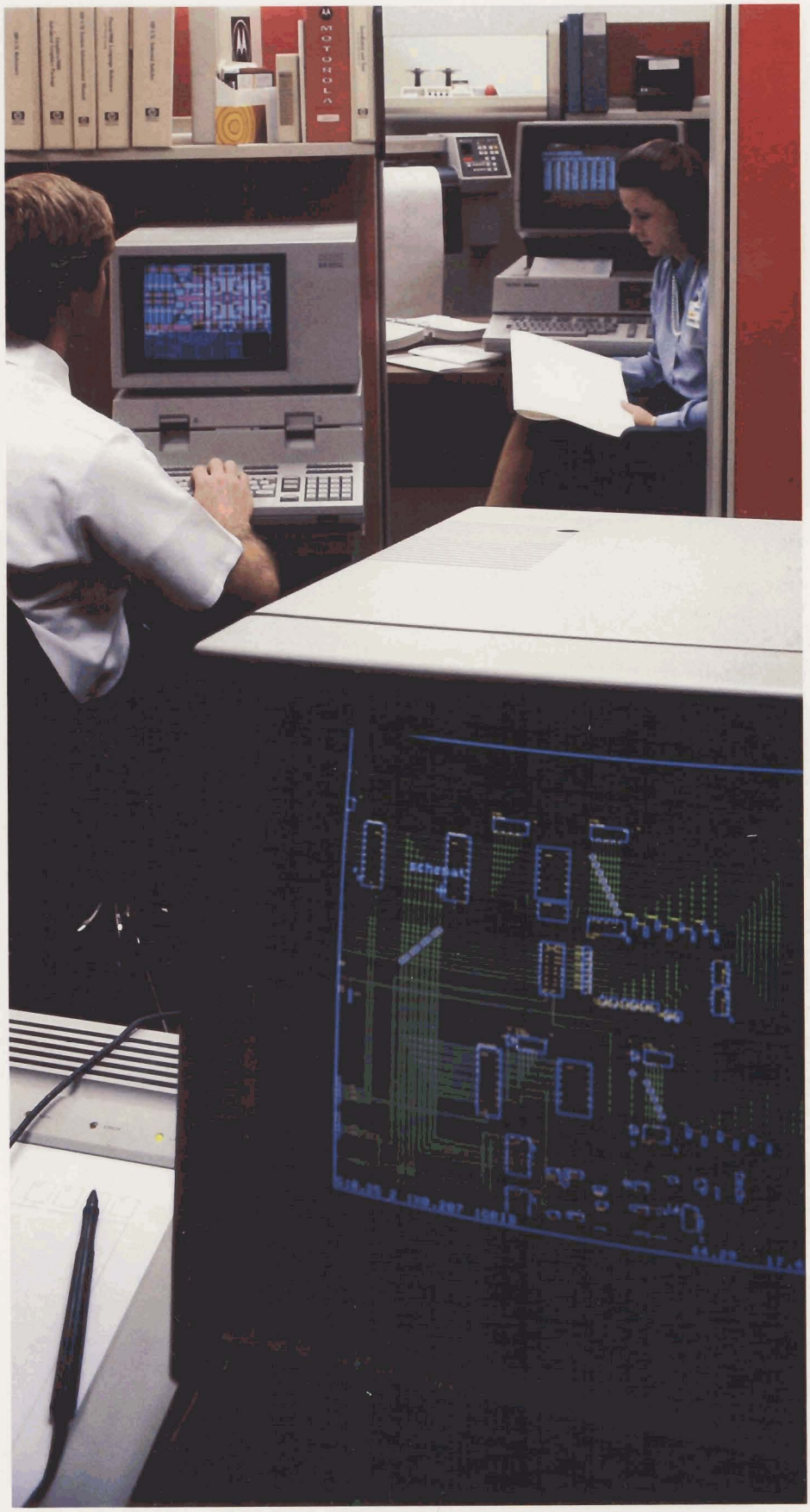
Hillcrest Baptist Medical Center represents a challenging new market for HP Medical Products representative Roseanne Sykes. Sykes, above, meets with Stan Marett, the center's data processing manager. Hillcrest, a 368-bed acute-care facility in Waco, Texas, is installing an HP computer system that provides comprehensive financial programs for general ledger, purchasing and inventory control, patient accounting and payroll. Hillcrest selected HP because of its success with HP's critical-care and patient-monitoring equipment. With the financial management system, Hillcrest is laying the groundwork for linking several

departments in an overall information network. The goal is reduced costs and improved health care. And because HP supports both the equipment and the programs it runs—an HP 3000 computer and HP-developed software—hospitals have the advantage of dealing with a single supplier for all their data-processing needs.

By 1991, engineers at Motorola's Bipolar Integrated Circuits Group in Phoenix, Arizona, will be designing electronic circuits so complex that a schematic could cover two football fields. This level of design technology demands powerful computing tools that make the engineer more productive. Motorola chose Hewlett-Packard Series 9000 and 9800 engineering workstations for its IC group. Managers there cite HP's maturity, reliability, product quality and willingness to work with them to solve individual problems as important factors.



HP manufacturer's productivity network



International Presence

HP continues to expand its international operations and markets. Many products are manufactured in the countries where they will be sold. Others, especially computer software programs, are adapted for local languages and business customs. HP supports its products with a service network of more than 300 HP offices and distributorships in the United States and in 71 other countries. During 1983, international sales accounted for 41 percent of Hewlett-Packard's total sales.

In 1959, HP established its first overseas operations: a European marketing office in Switzerland and a manufacturing plant in West Germany. Today, Hewlett-Packard has 19 manufacturing divisions and operations outside the United States. More than half of these include research laboratories where engineers develop products for worldwide distribution. The company also has more than 220 sales and support offices and distributorships in 71 countries.

From this broad base, HP is able to serve its customers around the world. The company's international presence also enables it to draw on the imagination and talent of HP people in many countries—one advantage enjoyed by a high-technology company whose most critical "raw material" is creativity.

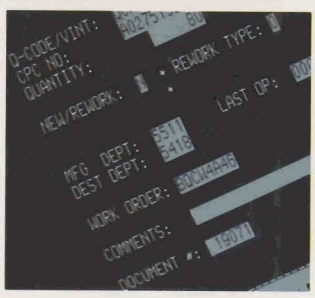
During the past year, HP's international operations continued to expand. The company established manufacturing operations in Bristol, England, and Toronto, Canada, and expanded its personal-computer manufacturing to Grenoble, France. In Guadalajara, Mexico, where HP has been producing HP 3000 business computers, it established a software center for Latin America. In November 1983, HP increased its equity position in Yokogawa-Hewlett-Packard, its Japanese joint venture, from 49 to 75 percent.

When it manufactures in a country, HP becomes attuned to local markets and is in a better position to compete in the country or region. Having operations in a country enables HP to better serve customers there. This is especially true in the development of computer software, which must reflect differences in language and customs. To meet this need and to provide customers with consulting, training and post-installation services, HP now has in place 20 software application centers worldwide.

While HP continues to expand its worldwide manufacturing operations, it remains among the top 20 exporting companies in the U.S. As with many companies, HP's operating results have been adversely affected by the strength of the U.S. dollar relative to other major currencies.

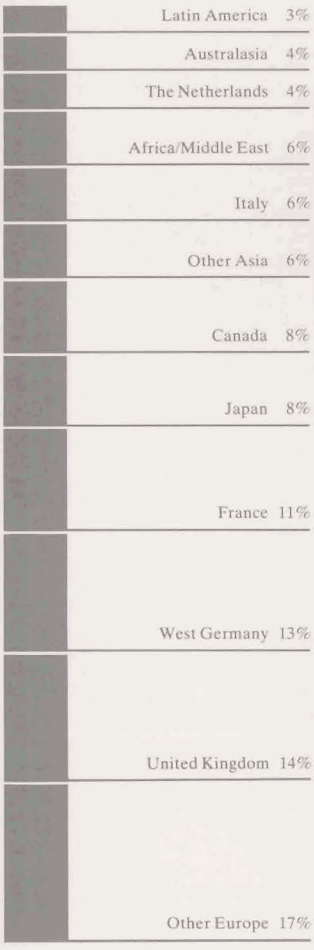
HP's continuing development of international manufacturing sites is one way the company is working to manage an uncertain economic situation. By making products in the country where they will be sold and by exporting from that country to others, HP can maximize its currency flexibility while effectively serving local markets.

Business systems personnel at Northern Telecom, the world's largest supplier of fully digital telecommunications systems, have developed computer programs that run on HP 3000 computers for use by divisions worldwide. Financial, personnel and production data are collected through on-line systems at each site and transmitted to corporate offices in Canada and the U.S. Northern Telecom operates 46 plants in six countries. At Santa Clara, California, where telephone switching systems (PBXs) are manufactured, HP terminals in the warehouse and on the shop floor enable Northern Telecom to track materials as they move through the production process. Items are entered in the computer when a purchase order is created and are tracked from receiving to quality assurance to production. This inventory and quality-control system is part of Northern Telecom's Production Management System, which operates on Hewlett-Packard computers.



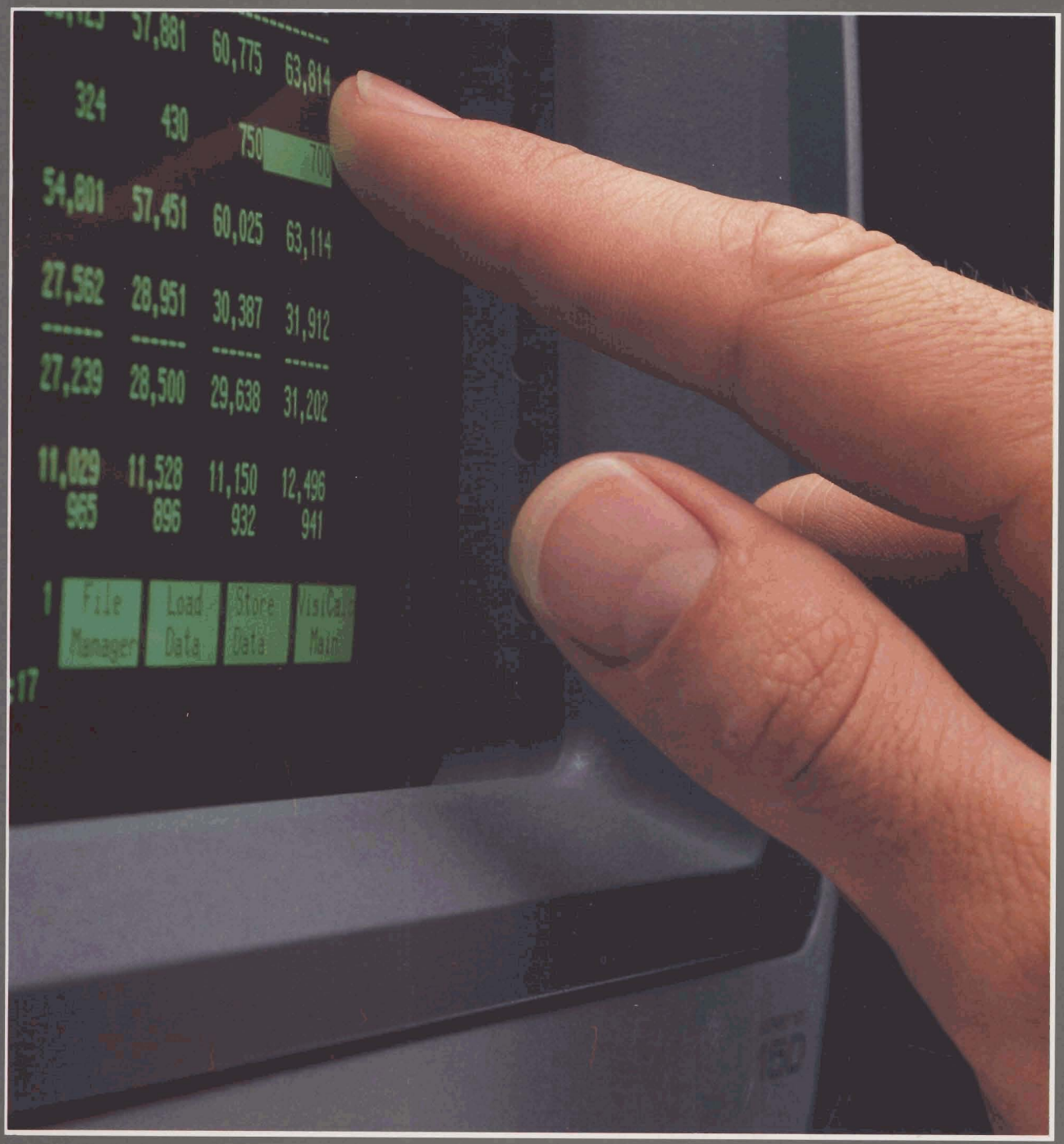
HP account manager Adriaan Theron (left) and David W. Gill of Unilever PLC, London, discuss how HP can further assist Unilever subsidiaries as they computerize their operations. Several already make extensive use of HP products. For example, United Agricultural Merchants, an agribusiness subsidiary, has a network of 13 HP 3000 systems to support its rapidly growing animal-feed merchanting operations throughout the United Kingdom. The distributed system handles order processing, financial accounting and management reporting.

Geographic distribution of Hewlett-Packard's international orders



Of HP's total 1983 orders, 41 percent, or $2.02 billion, came from international customers.

Technological Commitment



Hewlett-Packard takes pride in making contributions through its products—in trying to extend the state of the art with each new product developed. The HP 150 personal computer, with its touchscreen technology, continues this tradition. The HP 150 is designed to be the easiest computer to learn and operate by people who have no computer experience. At the same time, it is a powerful, sophisticated business tool assembled in a package so small that it fits easily on the top of a desk. Hewlett-Packard introduced the HP 150 in September 1983.

Technological advances are driving the cost of electronic functions down—those that cost a dollar today will cost only 50 cents in 1986 if the trend of the past five years persists. Hewlett-Packard believes it will well into the 1990s. To remain competitive in this dynamic environment, HP is maintaining a strong research and development effort.

In 1983, the company spent $493 million on R&D, representing 10.5 percent of sales revenues. Engineering remains central to HP's business strategy because new products fuel the company's growth. In 1983, for example, more than two-thirds of incoming orders were for products introduced during the last four years.

Improving R&D productivity throughout the company is a priority. This is because the pressure for bringing new ideas to the marketplace has never been greater. At the same time, the strong trend toward systems in all HP's product groups has brought a burst of growth in software activities. All this puts a premium on making sure that the R&D job is done smoothly and integrated effectively.

During the year, HP began offering an in-depth seminar on R&D project management for its nearly 4,000 engineers and scientists involved in R&D activities. The course helps spread HP's best practices uniformly across the company. The company also emphasized designing more and better tools for R&D engineers, such as computer-aided design and computer-aided engineering programs. It established an Engineering Productivity Division to produce a stream of software products that will be useful inside HP as well as in the marketplace. Already introduced commercial products for HP 9000 series computers include an integrated-circuit simulation program, a two-dimensional mechanical drafting program and an engineering graph system for technical drawings.

More high-quality HP products that can be manufactured at low cost also is an R&D goal. It is achieved by working closely with manufacturing throughout the development process and by designing products that are as complete, yet as uncomplicated, as possible. New HP thermal printers and digital plotters represent progress toward this objective.

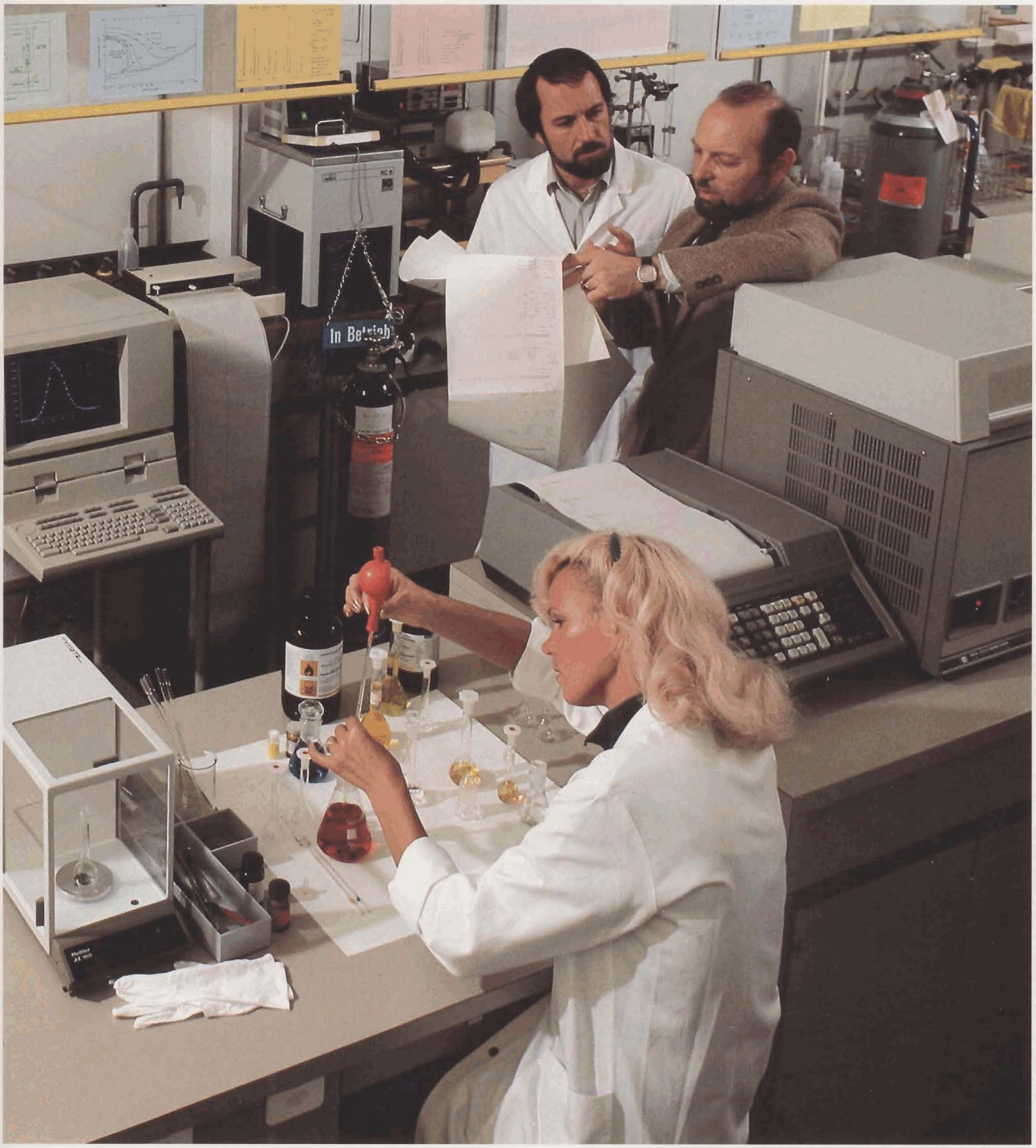
During 1983, HP also gave special attention, especially within the computer groups, to dramatically reducing the time required for designing new products. The result has been more than 15 major new product programs begun and completed within one year's time.

To reduce the time and cost of designing automobile electronics, Ford Motor Company turned to HP test instruments linked to HP computers. With HP sales people, engineers at Ford's electronics plant in Lansdale, Pennsylvania, assembled a standard set of instruments that, with only slight modification, can be used in a number of data-acquisition and test situations. The instruments are connected to an HP desktop computer that can easily be programmed for different electronic tests.

Hewlett-Packard product orders by year introduced

Hewlett-Packard's growth comes from orders for new products introduced each year that—layer upon layer—build up to total order volume. More than two-thirds of 1983's orders were for products introduced in the past four years.

- *Products introduced in 1979 and prior years*
- *Products introduced in 1980*
- *Products introduced in 1981*
- *Products introduced in 1982*
- *Products introduced in 1983*



Researchers at Hewlett-Packard and scientists at Ciba-Geigy Ltd., a $6.1 billion pharmaceutical company with headquarters in Basel, Switzerland, are cooperating to advance chemical analysis technology. By using an HP-developed prototype instrument in actual laboratory applications, Ciba-Geigy is gaining valuable experience with the new technique, called supercritical fluid chromatography. At the same time, HP is benefiting from a better understanding of market needs for the instrument. Here, Drs. H. Michael Widmer and Peter Daetwyler discuss the results of analytical probes obtained with the HP supercritical fluid chromatograph.

Flexible Organization

HP account representative for instruments, John Delaney (center), and for computers, Graham Collins (right), work as a team when they call on Dave Collins of The Plessey Company PLC, Havant, England. Plessey is a world leader in the development and supply of electronic defense systems, telecommunications, and solid-state and electronic components. A customer for 20 years, Plessey is one of HP's largest accounts in Europe. Dave Collins attributes much of HP's success with Plessey to the outstanding relationship that the two companies have established over the years and to a genuine desire by HP to understand Plessey's business.

During 1983, Hewlett-Packard made several changes aimed at better accommodating fast-changing markets and rapid growth. Among these was the restructuring of HP's computer organization. Begun in late 1982, the computer reorganization was undertaken to respond to a marketplace that was looking for more packaged software applications, networks to link systems and workstations, and coordinated support and service. HP's computer product divisions now are aligned to better address these needs.

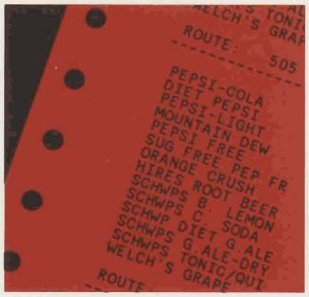
The company also consolidated its growing personal-computer activities into one product group designed for greater marketing, engineering and manufacturing efficiency. The move signals HP's commitment to the highly competitive personal computer field. As computing moves from the centralized computer room into the workplace where information is generated and used, smaller systems are in demand. HP precipitated this trend in the mid-70s when it introduced the HP 3000 minicomputer and the concept of distributed processing. Today, HP continues the trend with its HP 150, a personal business computer with easy-to-use touchscreen.

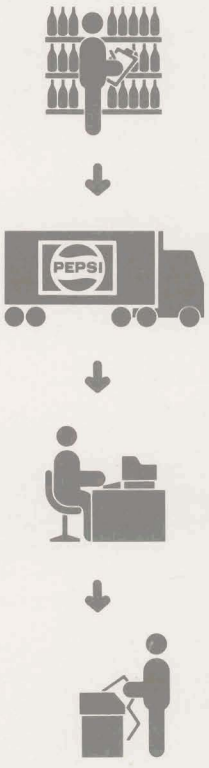
Regardless of whether a customer is primarily a computer user or an instrument user, HP's goal is to provide complete technical and business solutions. Several programs support this objective: joint sales efforts by HP computer and instrument representatives; more than 60 computer centers where current and potential customers can get hands-on experience with HP personal computers; a major account program tailored to the way a customer's organization is structured and makes business decisions.

With 44 years of its own business experience, HP knows the information managers need to make decisions about issues such as automation, computerization and improvements in quality and general business effectiveness. Managers need to know not only where their own business is going, but also how their primary suppliers view the future—directions products will take, anticipated support levels and so on. HP provides a view of the future as it sees it—where HP is heading, insights into its strategies and where customers can expect HP to be in the years ahead.

Where HP expects to be is at the forefront of the electronics industry offering quality measurement and computation systems that enable decision makers to gain ready access to essential information from throughout their operations, put it into meaningful form and use it effectively to improve productivity—both theirs and that of their organizations.

The Pepsi-Cola Bottling Group is equipping more than 100 sales locations across the U.S. with HP 3000 computers. The purchase is being coordinated through HP's White Plains, New York, office while local HP offices handle installation and follow-up support. When a customer like Pepsi is selecting a computer vendor, HP's major account program is an asset. HP sales people work with the customer's corporate office to develop a productivity strategy. As the computer plan is implemented companywide, HP's major account manager serves as the primary customer contact; this provides continuity and minimizes misunderstanding.

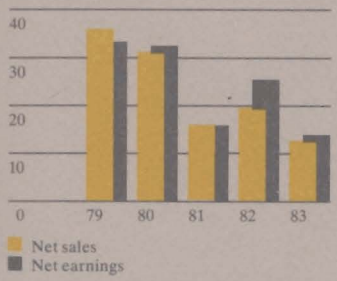




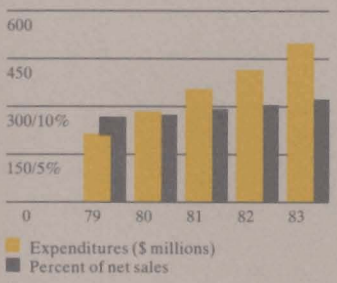
Financial Statements

The financial statements and management's analysis are presented side-by-side to improve readability. Additional technical disclosures and detailed information follow on pages 28-36.

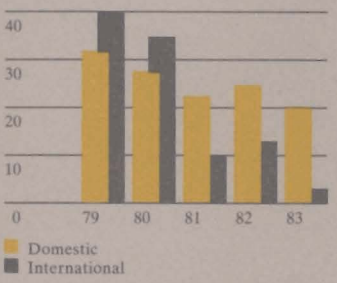
Percentage growth over prior year



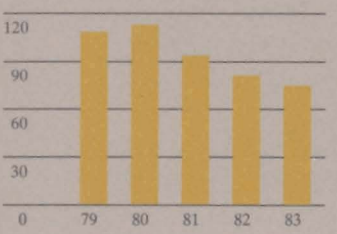
Research and development



Percentage growth in net sales



European currency values relative to the U.S. dollar (fiscal year 1978 = 100)



Financial Review (Unaudited)

This section reviews the company's operating results, focusing on the significant factors that impacted financial performance during the period. Net sales increased 12 percent and net earnings were up 13 percent when comparing 1983 with 1982. The accompanying graph presents the growth rates in net sales and net earnings for the past five years.

Hewlett-Packard's commitment to research and development and the design of innovative products is fundamental to the company's success and growth. During 1983, research and development expenditures amounted to $493 million, or 10.5 percent of net sales, placing the company among the major U.S. industrial companies in commitment to new product development.

Review of Operations

Orders strengthened during 1983, particularly in the second half of the year. The 1983 quarterly increases in orders were 7 percent, 14 percent, 25 percent and 26 percent when compared with the corresponding 1982 periods. This resulted primarily from new product introductions, the expansion of field marketing efforts and improvements in the U.S. economy. The annual increases in orders were 18 percent in 1983, 14 percent in 1982 and 18 percent in 1981.

Net sales increased 12 percent in 1983, compared with 19 percent in 1982 and 16 percent in 1981. Net sales growth for the past three years is discussed on a geographic and business segment basis in the following two sections.

Net earnings growth in 1982 significantly exceeded net sales growth due to increased tax benefits associated with the Economic Recovery Tax Act of 1981. Fiscal 1982 was the first full year under the act.

Domestic/International

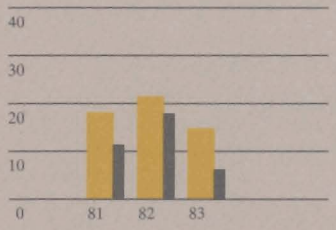
During 1983, domestic sales strengthened while international sales continued the trend of moderate growth that began in 1981. Domestic sales growth rates are favorable given the recessionary economic conditions in the United States during much of the last three years. Domestic sales for 1983 benefited from stronger order levels in the second half of the year as the U.S. economy began to recover.

International sales continue to be affected adversely by the strength of the U.S. dollar relative to other major currencies and general weakness in many foreign economies significant to HP's international business. The strengthening of the U.S. dollar began in 1981 and continued throughout the period. The accompanying graph reflects average weighted European currency values relative to the U.S. dollar and shows that European currencies declined in value approximately 35 percent during the past three years. The weakening of foreign currencies adversely affects the company's price competitiveness abroad for its U.S.-manufactured products. In addition, in periods of a strong U.S. dollar, local currency sales translate into fewer U.S. dollar sales. For example, sales in France during 1983 were up 15 percent in local currency and down 2 percent in dollars. Sales in Germany during 1983 were up 22 percent in local currency, but only increased 12 percent when translated to dollars.

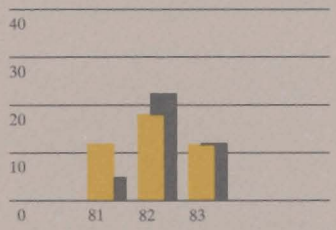
As the company begins 1984, there are positive signs that a domestic recovery is under way; however, foreign economies that typically lag the U.S. economy have shown little improvement. As a result, the company will continue to monitor expense and hiring levels until worldwide economic progress is demonstrated.

Business segments
Percentage change from prior year

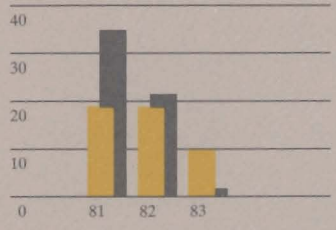
Computer products
(51% of consolidated net sales)



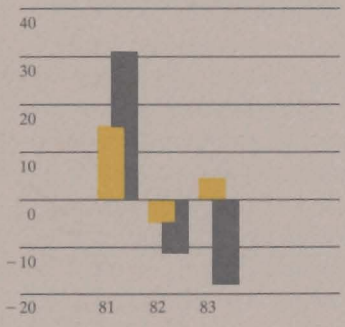
Electronic test and measurement
(37% of consolidated net sales)



Medical electronic equipment
(8% of consolidated net sales)



Analytical instrumentation
(4% of consolidated net sales)



Business Segments

New product introductions and expanded marketing efforts contributed to stronger order levels in the second half of 1983 for the Computer Products segment. The increased investments in marketing resulted in a moderate 1983 earnings increase compared with the growth in sales. However, improved order levels are a positive sign for the coming year.

The Electronic Test and Measurement segment again this year experienced growth in earnings greater than sales growth. Cost improvements were achieved through broad-based progress in productivity and quality. Increased product-development and marketing investments in certain products have yielded strong growth and contributed to the overall improvement in margins.

Continued worldwide economic uncertainty and cost containment in the health care industry contributed to modest order and sales growth for the Medical Electronic Equipment segment. Orders were up 12 percent and sales increased 10 percent in 1983. Although gross margins improved, the planned investments in field marketing and hospital information systems held 1983 earnings near prior year levels.

A continuation of the depressed conditions that have existed in the chemical, energy and environmental fields during the past three years led to only a slight increase in 1983 sales levels for the Analytical Instrumentation segment. The commitment to support ongoing research and development programs contributed to the 1983 and 1982 decline in earnings before taxes. However, the introduction of several significant new products during the latter part of 1983 has begun to have a favorable impact on the incoming order rate. This is expected to lead to improved performance in 1984.

Sales growth for the company's products resulted primarily from volume increases; price changes have not been significant throughout the period. Additional discussion of the impact of inflation on the company's operations is presented in the notes to the consolidated financial statements at page 33.

Costs and Expenses

Percent of net sales	1983	1982	1981
Cost of goods sold	46.6	47.0	47.0
Research and development	10.5	10.1	9.9
Marketing	16.4	15.1	15.0
Administrative and general	11.1	11.7	12.0

During the period, the company focused on maintaining a balance between sales growth and expense growth. Cost and hiring controls began in 1981 and continued throughout the period due to uncertain economic conditions.

Increases in research and development as a percent of sales reflect the company's ongoing commitment to the design of new products even in periods of moderate sales growth. Marketing expense increased during 1983 due primarily to the expansion of field selling efforts. The number of field marketing personnel increased approximately 16 percent during 1983, compared with increases of 12 percent in 1982 and 10 percent in 1981.

Taxes

The effective tax rate decreased to 40.7 percent compared with 43.4 percent in 1982 and 46.2 percent in 1981. Much of this improvement resulted from U.S. research and development tax credits amounting to $22 million in 1983, $15 million in 1982 and $7 million in 1981 and U.S. investment tax credits of $16 million, $15 million and $9 million in 1983, 1982 and 1981, respectively. In addition, during 1983 the company established a payroll- based stock ownership program (PAYSOP) for employees that provided $6 million in 1983 tax credits.

Consolidated Statement of Earnings

For the years ended October 31 (Millions except per share amounts)	1983	1982	1981
Net sales	$4,710	$4,189	$3,528
Costs and expenses:			
Cost of goods sold	2,195	1,967	1,659
Research and development	493	424	349
Marketing	771	631	529
Administrative and general	523	491	424
	3,982	3,513	2,961
Earnings before taxes	728	676	567
Provision for taxes	296	293	262
Net earnings	$ 432	$ 383	$ 305
Net earnings per share	$ 1.69	$ 1.53	$ 1.24

Net earnings per share have been restated to reflect the 2-for-1 stock split in August 1983.

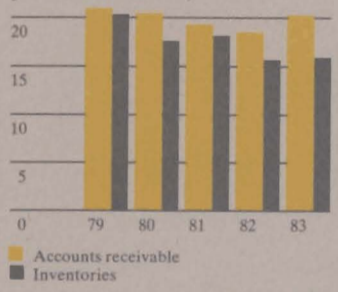
Consolidated Statement of Shareholders' Equity

(Millions except number of shares)	Number of shares of common stock (Thousands)			Common stock and capital in excess of $1 par value		
For the years ended October 31	1983	1982	1981	1983	1982	1981
Balance at beginning of year	125,346	122,639	60,221	$ 587	$ 481	$ 393
Shares issued through:						
Employee stock plans	2,050	2,401	1,414	130	100	81
Stock option plans	532	232	130	16	6	6
Stock split	126,986	—	60,742	—	—	—
Poolings of interests	—	74	132	—	—	1
Balance at end of year	254,914	125,346	122,639	$ 733	$ 587	$ 481

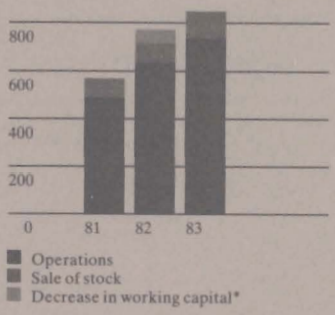
	Retained earnings		
For the years ended October 31	1983	1982	1981
Balance at beginning of year	$1,762	$1,409	$1,131
Net earnings	432	383	305
Dividends	(40)	(30)	(27)
Balance at end of year	$2,154	$1,762	$1,409

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

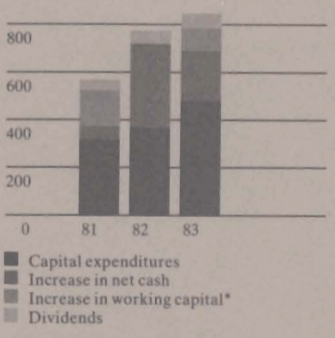
Asset management
(year-end balance as a
percent of net sales)



Sources of funds
($ millions)



Uses of funds
($ millions)



*Excluding net cash

Financial Condition

Self-financing has been a basic financial policy at HP throughout its history and is reflected in the accompanying balance sheet by the lack of significant amounts of borrowings. As a result, interest rate fluctuations and the availability of external sources of financing have not greatly impacted the company.

The company has a strong financial position. Net cash (cash and temporary cash investments, net of notes payable and commercial paper) amounted to $732 million at October 31, 1983, an increase of $204 million during 1983. Net property, plant and equipment grew to $1.4 billion at October 31, 1983, and long-term debt remained minimal. During the past three years, net property, plant and equipment increased at an average annual rate of 22 percent reflecting the company's investment in new facilities and equipment to support growth and improve productivity.

Deferred taxes increased substantially during the period. Deferred taxes result from timing differences in the recognition of revenues and expenses for tax and financial reporting purposes. The company's long-term deferred tax balance relates primarily to DISC earnings, undistributed earnings of certain foreign subsidiaries and excess tax over book depreciation.

Liquidity and Capital Resources

While HP's policy is to finance its growth through internally generated funds, this policy has not been a constraint on the company's ability to grow. The company increased its net cash balance during the past three years while supporting growth rates in net sales ranging from 12 to 19 percent.

	1983	1982	1981
Increase in net cash (millions)	$204	$382	$ 42
Increase in net sales	12%	19%	16%

Also affecting the company's growth in net cash over the period was the company's control over accounts receivable and inventory. These balances increased at a slower rate than net sales and favorably affected the company's cash position. The trend in accounts receivable and inventory as a percent of net sales is presented in the accompanying graph.

The company's primary sources of funds are from operations and the sale of common stock under employee stock programs. The company's primary uses of funds are investment in property, plant and equipment, working capital and dividends. The adjacent graphs present these sources and uses of funds for the past three years.

Funds provided by operations increased at an average annual rate of 23 percent over the past three years. Capital expenditures were $466 million in 1983, an increase of $104 million from the prior year. Capital expenditures are fundamental to supporting anticipated growth and in achieving manufacturing, engineering and administrative productivity improvements. Projected capital expenditures in 1984 are $800 million; however, actual expenditures will be adjusted on an ongoing basis to reflect current business conditions.

Consolidated Balance Sheet

October 31 (Millions)	1983	1982	1981
Assets			
Current assets:			
Cash and temporary cash investments	$ 880	$ 684	$ 290
Accounts and notes receivable	951	773	682
Inventories:			
Finished goods	279	231	186
Purchased parts and fabricated assemblies	469	428	456
Other current assets	53	99	115
Total current assets	2,632	2,215	1,729
Property, plant and equipment:			
Land	167	106	78
Buildings and leasehold improvements	1,102	940	789
Machinery and equipment	888	714	581
	2,157	1,760	1,448
Accumulated depreciation and amortization	726	589	469
	1,431	1,171	979
Other assets	98	84	74
	$4,161	$3,470	$2,782
Liabilities and shareholders' equity			
Current liabilities:			
Notes payable and commercial paper	$ 148	$ 156	$ 144
Accounts payable	203	139	143
Employee compensation and benefits	300	269	204
Other accrued liabilities	103	106	90
Accrued taxes on earnings	112	151	109
Other accrued taxes	54	42	35
Total current liabilities	920	863	725
Long-term debt	71	39	26
Deferred employee benefits	46	42	35
Deferred taxes on earnings	237	177	106
Shareholders' equity:			
Common stock and capital in excess of $1 par value	733	587	481
Retained earnings	2,154	1,762	1,409
Total shareholders' equity	2,887	2,349	1,890
	$4,161	$3,470	$2,782

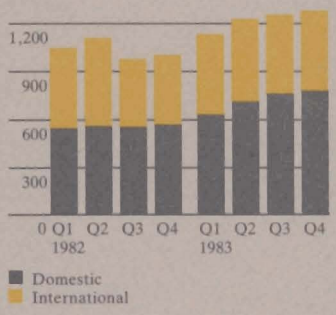
Certain amounts have been reclassified to conform to the 1983 format.
The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Changes in Financial Position

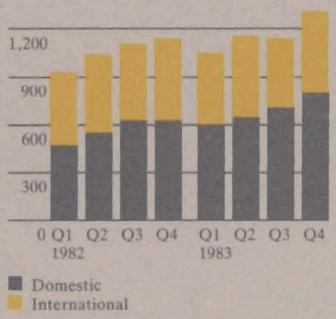
For the years ended October 31 (Millions)	1983	1982	1981
Funds provided by operations:			
Net earnings	$432	$383	$305
Depreciation and amortization	191	158	120
Deferred taxes on earnings	60	71	44
Other, net	45	28	18
	728	640	487
Funds used by operations:			
Investment in property, plant and equipment	466	362	318
Increase (decrease) in working capital, excluding net cash:			
Accounts and notes receivable	178	91	60
Inventories	89	17	97
Other current assets	(46)	(16)	25
Accounts payable and accrued liabilities	(104)	(84)	(59)
Accrued taxes on earnings	39	(42)	38
Other, net	(30)	(19)	6
	592	309	485
Other funds provided (used):			
Proceeds from sale of stock	108	81	67
Dividends to shareholders	(40)	(30)	(27)
	68	51	40
Increase in cash and temporary cash investments, net of notes payable and commercial paper	$204	$382	$ 42
Net cash at beginning of year	528	146	104
Net cash at end of year	$732	$528	$146

Certain amounts have been reclassified to conform to the 1983 format.
The accompanying notes are an integral part of these financial statements.

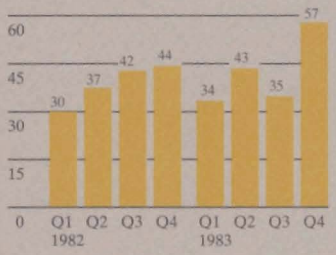
Orders
($ millions)



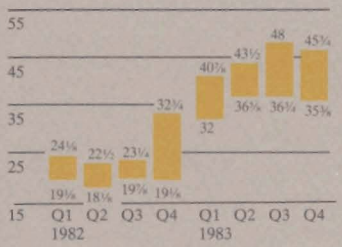
Net sales
($ millions)



Net earnings per share
(cents per share)



Range of common stock prices
(dollars per share)



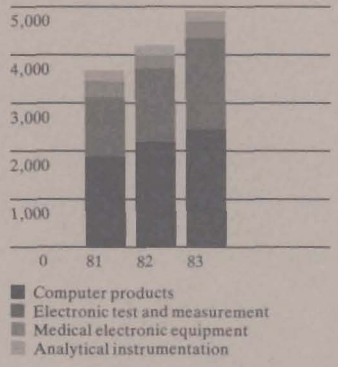
Quarterly Summary (Unaudited)

(Millions except per share amounts)

Three months ended	January 31	April 30	July 31	October 31
1983				
Domestic orders	$ 627	$ 715	$ 770	$ 789
International orders	500	524	501	496
Total orders	$1,127	$1,239	$1,271	$1,285
Net sales	$1,055	$1,172	$1,153	$1,330
Cost of goods sold	$ 497	$ 543	$ 539	$ 616
Earnings before taxes	$ 151	$ 187	$ 157	$ 233
Net earnings	$ 85	$ 109	$ 91	$ 147
Cash dividends per share	$.0375	$.0375	$.0375	$ .045
1982				
Domestic orders	$ 565	$ 572	$ 552	$ 594
International orders	489	513	466	429
Total orders	$1,054	$1,085	$1,018	$1,023
Net sales	$ 936	$1,039	$1,088	$1,126
Cost of goods sold	$ 445	$ 485	$ 505	$ 532
Earnings before taxes	$ 131	$ 169	$ 185	$ 191
Net earnings	$ 73	$ 94	$ 105	$ 111
Cash dividends per share	$ .03	$ .03	$ .03	$ .03

Per share amounts reflect the 2-for-1 stock split in August 1983.

Orders (unaudited)
($ millions)



Business Segments

The company operates in four business segments, all of which engage in the design and manufacture of precision electronic equipment for measurement, analysis and computation.

Computer products consists of the Computer Products, Personal Computer, Information Products, Business Development and Computer Marketing groups. Products include small-to-medium scale computer systems for business, scientific and industrial applications; desktop, personal and portable computers; personal scientific and business programmable calculators; and computer peripherals. This includes software and support services leading to solutions for a wide variety of applications.

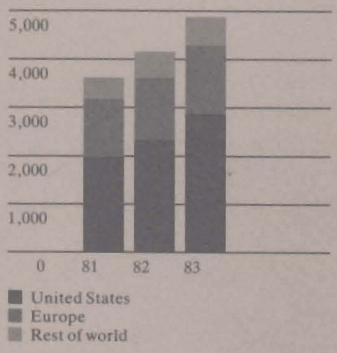
Electronic test and measurement consists of the Electronic Measurements, Microwave and Communications Instrument, Instrument Marketing and Components groups. Products include instruments, systems and semiconductor components for design, production and maintenance of electronic equipment. The products are primarily used in the communications, electronics manufacturing and aerospace industries.

Medical electronic equipment products perform a number of patient-monitoring, diagnostic and therapeutic functions. Medical, financial and administrative data-management equipment offer increased productivity to health care providers. Included are measurement and computation systems and a wide variety of software and support services and supplies.

Analytical instrumentation products are used primarily to analyze chemical compounds. Products include gas and liquid chromatographs, mass spectrometers, spectrophotometers, laboratory automation systems and integrators.

(Millions)	1983	1982	1981
Net sales			
Computer products	$2,420	$2,117	$1,733
Electronic test and measurement	1,753	1,574	1,341
Medical electronic equipment	353	322	271
Analytical instrumentation	184	176	183
	$4,710	$4,189	$3,528
Earnings before taxes			
Computer products	$ 392	$ 370	$ 314
Electronic test and measurement	381	339	279
Medical electronic equipment	61	60	49
Analytical instrumentation	23	28	31
Eliminations and corporate	(129)	(121)	(106)
	$ 728	$ 676	$ 567
Identifiable assets			
Computer products	$1,673	$1,358	$1,169
Electronic test and measurement	1,022	903	817
Medical electronic equipment	224	191	175
Analytical instrumentation	133	104	99
Eliminations and corporate	1,109	914	522
	$4,161	$3,470	$2,782

Orders (unaudited)
($ millions)



Geographic Areas

The worldwide aspect of the company's operations is shown in the accompanying tables. The locations of the company's manufacturing and marketing facilities are listed on page 37.

Sales between affiliates are made at market prices, less an allowance for subsequent manufacturing and/or marketing. Net sales are reported based on the location of the customer. Exports are primarily transfers to affiliates outside the area. Exports from the United States include direct shipments from the United States to trade customers in the "Rest of world" of $173 million in 1983, $189 million in 1982 and $183 million in 1981 (classified as net sales in the "Rest of world"). Earnings before taxes and geographic assets are primarily classified by the location of the company's facilities.

Identifiable assets include corporate assets of $1,141 million in 1983, $938 million in 1982 and $548 million in 1981. The increase in corporate assets in 1983 and 1982 is primarily due to higher cash and temporary cash investment balances.

(Millions)	1983	1982	1981
Net sales			
United States	$2,762	$2,304	$1,853
Europe	1,359	1,285	1,166
Rest of world	589	600	509
	$4,710	$4,189	$3,528
Exports from			
United States	$1,105	$1,081	$ 969
Europe	100	61	50
Rest of world	160	164	206
Earnings before taxes			
United States	$ 644	$ 554	$ 458
Europe	147	155	155
Rest of world	60	97	80
Eliminations and corporate	(123)	(130)	(126)
	$ 728	$ 676	$ 567
Identifiable assets			
United States	$2,495	$2,042	$1,817
Europe	783	673	597
Rest of world	324	285	265
Eliminations and corporate	559	470	103
	$4,161	$3,470	$2,782

Notes to the Consolidated Financial Statements

October 31, 1983, 1982 and 1981

Summary of Significant Accounting Policies

Principles of consolidation. The consolidated financial statements include the accounts of Hewlett-Packard Company and its domestic and foreign subsidiaries.

Revenue recognition. Revenue from equipment sales is recognized at the time the equipment is shipped.

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

Research and development costs. Research and development costs (including software development costs) are expensed as incurred.

Taxes on earnings. U.S. income taxes are provided on foreign earnings that may be repatriated to the United States and are not provided on foreign earnings that are intended to be indefinitely reinvested abroad. Investment tax credits reduce the provision for taxes in the year the related assets are placed in service.

Net earnings per share. Net earnings per share is based on the number of shares outstanding at the end of each period. The use of weighted-average shares outstanding during the period would have no significant effect on net earnings per share. Outstanding stock options considered to be common stock equivalents have not been included because the effect would be immaterial.

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

Translation of foreign currency. The accounts and transactions of subsidiaries located outside the United States are translated into U.S. dollars in accordance with Statement of Financial Accounting Standards No. 52, Foreign Currency Translation.

International trade discounts. Orders, net sales and cost of goods sold have been reduced by $65 million in 1982 and $50 million in 1981, representing the reclassification of certain international trade discounts, consistent with the 1983 presentation. This reclassification had no effect on net earnings.

Notes Payable, Commercial Paper and Long-Term Debt

Information about short-term borrowings at October 31, 1983, 1982 and 1981, follows.

(Millions)	1983	1982	1981
Notes payable	$148	$156	$134
Commercial paper	$ —	$ —	$ 10
Unused lines of credit:			
Domestic	$ —	$ —	$130
Foreign	$251	$232	$166

Substantially all long-term debt is foreign borrowings that mature through 2001. Interest rates on this debt range from 5 to 19 percent.

Taxes on Earnings

After allocating eliminations and corporate items, earnings before taxes of U.S. and foreign operations are as follows:

(Millions)	1983	1982	1981
U.S. operations	$514	$405	$312
Foreign operations	214	271	255
	$728	$676	$567

The provision for taxes is composed of the following elements:

(Millions)	1983	1982	1981
Federal taxes:			
Current	$ 61	$ 90	$113
Deferred	105	84	25
State taxes	35	30	28
Foreign taxes	95	89	96
	$296	$293	$262

The difference between taxes computed by applying the federal income tax rate to earnings before taxes and the actual provision for taxes is as follows:

(Millions)	1983	1982	1981
Taxes on earnings at the United States statutory rate	$335	$311	$261
State income taxes, net of federal tax benefit	19	16	15
Research and development tax credits	(22)	(15)	(7)
Investment tax credits	(16)	(15)	(9)
Other	(20)	(4)	2
	$296	$293	$262

The company has reached tentative agreement with the Internal Revenue Service regarding certain additional assessments on the company's foreign earnings for fiscal years 1978 and 1979. The Internal Revenue Service has not completed its examination of returns for years subsequent to 1979. The company believes that adequate accruals have been provided for all years.

The company has not provided for United States taxes on $311 million of undistributed earnings of foreign subsidiaries at October 31, 1983. If these earnings were distributed to the parent company in the United States, foreign tax credits should become available to reduce or eliminate the resulting United States income tax liability. These earnings have been reinvested in subsidiary operations. However, where excess cash has accumulated and it is advantageous for tax or foreign exchange reasons, subsidiary earnings are remitted.

Deferred federal taxes result from differences in the timing of revenue and expense recognition for tax and financial reporting purposes. The major sources of these timing differences are as follows:

(Millions)	1983	1982	1981
DISC earnings	$ 36	$ 33	$ 22
Deferred payment contracts	57	5	2
Undistributed earnings of certain foreign subsidiaries	5	15	16
Other timing differences	7	7	(15)
Adjustments from prior year estimates:			
DISC earnings	—	6	—
Other	—	18	—
	$105	$ 84	$ 25

Common Stock and Capital in Excess of Par Value

Stock split. On July 21, 1983, the company's Board of Directors voted a 2-for-1 split of the company's common stock in the form of a 100 percent distribution to shareholders of record as of August 1, 1983. As a result of this stock split, authorized, outstanding and reserved shares were doubled and capital in excess of par value was reduced by the par value of the additional shares issued. All per share amounts and amounts related to stock options, shares reserved and authorized shares reflect the stock split.

Subsequent event. On November 7, 1983, 842,000 shares of the company's common stock were issued to Yokogawa-Hokushin Electric Corporation (YEW). The shares were

issued in connection with an agreement whereby Hewlett-Packard Company increased from 49 percent to 75 percent its ownership interest in Yokogawa-Hewlett-Packard Limited (YHP), a joint venture company established by Hewlett-Packard Company and YEW in 1963. The transaction was accounted for as a purchase.

Stock option plans. The company has two principal stock option plans, adopted in 1974 and 1979, as well as a third plan created in connection with a 1981 acquisition. The 1974 and 1979 plans were amended in 1982 to permit options granted thereunder to qualify as "Incentive Stock Options" under the Internal Revenue Code. Under all three plans, the option price is equal to fair market value on the date of grant. Options may be exercised at a rate of 25 percent annually beginning one year from the date of grant and terminate 10 years from the date of grant. The 1974 and 1979 plans permit the granting of stock appreciation rights (SARs) to officers and certain key executives.

For the year ended October 31, 1983	Options and SARs	Price per share
Outstanding at October 31, 1982	6,663,000	$ 7-24
Granted	1,823,000	34-45
Exercised	(1,040,000)	7-23
Cancelled	(152,000)	10-36
Outstanding at October 31, 1983	7,294,000	$ 9-45

At October 31, 1983, options to purchase 3,240,000 shares were exercisable at prices ranging from $9 to $24. Shares available for option grants at October 31, 1983, and 1982, were 2,496,000 and 4,167,000, respectively.

Employee stock plans. Under the Employee Stock Purchase Plan, employees of the company and certain subsidiaries may contribute up to 10 percent of base pay toward the purchase of the company's stock. The employee contributes 75 percent of the stock price, which is computed using a formula based on average market prices. The company contributes the remainder.

Shares reserved. At October 31, 1983, and 1982, 14,537,000 and 18,864,000 shares, respectively, were reserved under the provisions of all plans.

Shares authorized. At October 31, 1983, the company was authorized to issue 320 million shares of $1 par value common stock.

Pension and Profit-Sharing Retirement Plans

Substantially all employees worldwide are covered under various pension and deferred profit-sharing retirement plans. U.S. employees are provided retirement benefits by the U.S. Deferred Profit-Sharing Retirement Plan and the U.S. Supplemental Pension Plan. Company contributions to the U.S. Deferred Profit-Sharing Retirement Plan are in accordance with a formula set forth in the plan. Contributions to the U.S. Supplemental Pension Plan provide for any excess of defined minimum benefits over the benefits available from the U.S. Deferred Profit-Sharing Retirement Plan. It is company policy to accrue and fund the current year's cost for all plans. Worldwide pension and deferred profit-sharing expense was $88 million in 1983, $85 million in 1982 and $74 million in 1981. Included in the 1983 expense is $6 million for a payroll-based stock ownership plan (PAYSOP) for employees. The PAYSOP plan is subject to final shareholder approval.

"Net assets" available for benefits in both U.S. plans were $652 million at October 31, 1983, and $500 million at October 31, 1982. These assets have been funded based on assumptions that project future wage increases and future return on investments. The actuarial present values of vested and nonvested "plan benefits" were $379 million and $137 million, respectively, at October 31, 1983, and $285 million and $116 million, respectively, at October 31, 1982. These "plan benefits," computed in accordance with Statement of Financial Accounting Standards No. 35, assume no future wage increases and a future rate of return of 9 percent for 1983 and 10.25 percent for 1982. The calculation of "plan benefits," unlike the accumulation of "net assets," does

not consider future wage increases, making any comparison of the two amounts misleading.

At October 31, 1983, the assets of the company's foreign plans exceeded the actuarially computed value of vested benefits.

Commitments

At October 31, 1983, the company was committed for plant site acquisition, facility construction and related machinery and equipment purchases aggregating $287 million.

The company leases certain real and personal property. Minimum commitments under these operating leases are $47 million for 1984, $35 million for 1985, $27 million for 1986, $21 million for 1987, $17 million for 1988 and $58 million for 1989 through 2033.

Certain leases require the company to pay property taxes, insurance and routine maintenance. Some leases include escalation clauses. Rent expense was $63 million in 1983, $56 million in 1982 and $49 million in 1981.

Business Segments and Geographic Areas

Business segment and geographic area data for the three years ended October 31, 1983, can be found on pages 28 and 29.

	Capital expenditures			Depreciation and amortization		
(Millions)	1983	1982	1981	1983	1982	1981
Computer products	$248	$215	$174	$105	$ 86	$ 62
Electronic test and measurement	108	104	89	54	46	38
Medical electronic equipment	37	18	18	9	8	7
Analytical instrumentation	18	7	9	6	5	5
Corporate	55	18	28	17	13	8
	$466	$362	$318	$191	$158	$120

Net sales on page 28 are after elimination of the following intersegment sales:

(Millions)	1983	1982	1981
Computer products	$ 56	$ 44	$ 45
Electronic test and measurement	26	21	15
Medical electronic equipment	2	1	2
	$ 84	$ 66	$ 62

Direct and indirect sales to the United States Government amounted to approximately $480 million in 1983, $420 million in 1982 and $320 million in 1981. No other customer accounted for more than 5 percent of net sales.

Effects of Inflation and Changing Prices (Unaudited)

The information that follows is computed in accordance with the experimental guidelines of Statement of Financial Accounting Standards No. 33 and represents an attempt to quantify the impact of inflation on the company.

Constant dollar data reflects historical results that are restated into dollars having the same purchasing power as measured by the Consumer Price Index (CPI). Current cost data reflects the impact of adjusting asset values using separate inflation indices for each major asset category. For both methods, depreciation has been computed using the straight-line method because the accelerated method used in the historical financial statements already recognizes some of the effects of inflation. No adjustment has been made to the provision for income taxes. Although neither of the two methods fully measures all of the complex effects of inflation, the current cost method provides a better indication of the impact of inflation on HP since the adjustments are specific to the company and not based on a general price level.

Results of operations. The company operates in an environment of rapid technological change accompanied by productivity improvements and moderate price changes. This

has reduced the impact of inflation on operations below general inflation levels as measured by the CPI. As a result, net earnings measured on a current cost basis were $25 million above constant dollar net earnings.

Statement of earnings adjusted for changing prices for the year ended October 31, 1983

		In average 1983 dollars	
(Millions)	Historical cost	Constant dollar	Current cost
Net sales	$4,710	$4,710	$4,710
Cost of goods sold, excluding depreciation	2,107	2,126	2,111
Depreciation and amortization	191	229	219
Other operating costs	1,684	1,684	1,684
Provision for taxes	296	296	296
	4,278	4,335	4,310
Net earnings	$ 432	$ 375	$ 400

Sales, earnings and per share information adjusted for changing prices

(Millions except per share and price index data; stated in average 1983 dollars)

	1983	1982	1981	1980	1979
Net sales					
As reported	$4,710	$4,189	$3,528	$3,046	$2,330
Constant dollar	$4,710	$4,328	$3,899	$3,732	$3,243
Net earnings					
Constant dollar	$ 375	$ 317	$ 231	$ 219	
Current cost	$ 400	$ 356	$ 290	$ 260	
Net earnings per share*					
Constant dollar	$ 1.47	$ 1.27	$ .94	$ .92	
Current cost	$ 1.57	$ 1.42	$ 1.18	$ 1.08	
Cash dividends per share*	$ .16	$ .12	$ .12	$ .12	$ .12
Market price per share at year-end*	$ 34⅝	$ 31¼	$ 24¼	$ 21½	$ 17⅜
Average CPI	296.6	287.1	268.4	242.1	213.1

*Per share amounts reflect the 2-for-1 stock split in August 1983.

Net assets. The principal adjustments to historical net assets relate to inventories and property, plant and equipment. The current cost of these assets at October 31, 1983, was $758 million and $1,998 million, respectively.

Asset information adjusted for changing prices (Stated in average 1983 dollars)

(Millions)	1983	1982	1981	1980
Net assets at year-end				
Constant dollar	$3,260	$2,797	$2,421	$2,147
Current cost	$3,397	$2,928	$2,541	$2,305
Decline in purchasing power of net monetary assets	$ 18	$ 20	$ 25	$ 25
Increase in inventories, property, plant and equipment held during the year:				
Measured in general prices	$ 75	$ 116	$ 207	$ 233
Measured in specific prices	56	87	111	182
Excess of increase in general prices over increase in specific prices	$ 19	$ 29	$ 96	$ 51

Statement of Management Responsibility

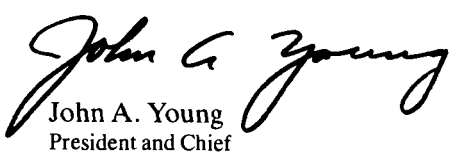
We believe the fostering of an environment conducive to good internal controls is a basic management responsibility.

The control process starts with the hiring and training of qualified people and then providing them with corporate objectives and policies that adhere to the highest principles of business ethics so that they understand how we expect them to conduct our business. Continuing education programs made available to all personnel serve to keep our basic goals and objectives in proper perspective.

Monitoring is an integral part of any control process. Our control systems are reviewed by Price Waterhouse to the extent they consider necessary when auditing our financial statements. We continuously monitor our control systems by direct management review with assistance from a well-established internal audit function that reports directly to the Chief Executive Officer.

The Audit Committee of the Board of Directors, which consists of five outside directors, serves in an oversight role by reviewing the internal control monitoring process. The committee has direct and private access to both internal and external auditors.

Management acknowledges its responsibility to provide financial information (both audited and unaudited) that is representative of the company's operations, reliable on a consistent basis and relevant for a meaningful appraisal of the company. We believe that our control process meets this responsibility.



John A. Young
President and Chief
Executive Officer

Edwin E. van Bronkhorst
Senior Vice President, Treasurer
and Chief Financial Officer

Report of Independent Accountants

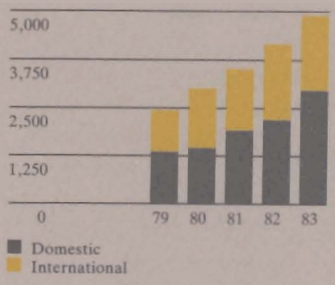
To the Shareholders and Board of
Directors of Hewlett-Packard Company

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of earnings, shareholder's equity and changes in financial position present fairly the financial position of Hewlett-Packard Company and its subsidiaries at October 31, 1983, 1982 and 1981, and the results of their operations and the changes in their financial position for each of the three years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

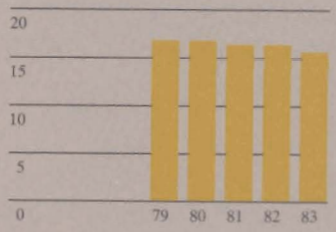
555 California Street
San Francisco, CA 94104
November 23, 1983

Selected Financial Data

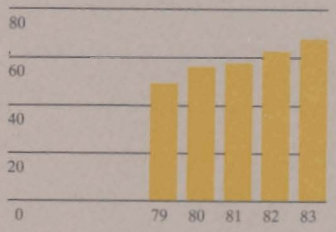
Orders
($ millions)



Earnings before taxes
(% of net sales)

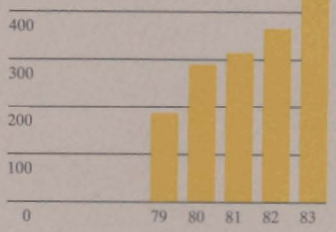


Net sales per employee*
($ thousands)



*Based on average number of employees

Investment in property,
plant and equipment
($ millions)



(Millions except per share amounts and employees)

For the years ended October 31	1983	1982	1981	1980	1979
Domestic orders	$2,901	$2,283	$1,918	$1,517	$1,280
International orders	2,021	1,897	1,739	1,570	1,216
Total orders	$4,922	$4,180	$3,657	$3,087	$2,496
Net sales	$4,710	$4,189	$3,528	$3,046	$2,330
Earnings before taxes	$ 728	$ 676	$ 567	$ 513	$ 391
Net earnings	$ 432	$ 383	$ 305	$ 263	$ 199
Per share:					
Net earnings	$ 1.69	$ 1.53	$ 1.24	$ 1.09	$ .84
Cash dividends	$.1575	$ .12	$ .11	$ .10	$.0875
At year-end:					
Total assets	$4,161	$3,470	$2,782	$2,350	$1,910
Long-term debt	$ 71	$ 39	$ 26	$ 29	$ 15
Employees (Thousands)	72	68	64	57	52

Per share amounts reflect the 2-for-1 stock split in August 1983.

Shareholder Information

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

Annual Meeting of Shareholders
The annual meeting will be held Tuesday, February 28, 1984, at 2 p.m. at Hewlett-Packard's Computer Systems Division facility, 19447 Pruneridge Avenue, Cupertino, California. A formal notice of the meeting, with a proxy statement and form of proxy, will be mailed to each shareholder on or about January 20, 1984.

Form 10-K Report
Information concerning the company's operations and financial position is provided in this report and in the Form 10-K report filed with the Securities and Exchange Commission. A copy of the 10-K report will be furnished on request. Contact the Corporate Secretary, 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) 461-6827

Common Stock
The company's stock is traded on the New York Stock Exchange and the Pacific Stock Exchange. Cash dividends have been paid each year since 1965. At November 30, 1983, there were 53,485 shareholders of record.

Domestic Operations

Manufacturing
California: Cupertino, Palo Alto, Roseville, San Diego, San Jose, Santa Clara, Santa Rosa, Sunnyvale
Colorado: Colorado Springs, Fort Collins, Greeley, Loveland
Idaho: Boise
Massachusetts: Andover, Waltham
New Jersey: Rockaway
Oregon: Corvallis, McMinnville
Pennsylvania: Avondale
Washington: Marysville, Spokane, Vancouver
Puerto Rico: Aguadilla

Marketing
Regional Headquarters: North Hollywood, California; Atlanta, Georgia; Rolling Meadows, Illinois; Rockville, Maryland
HP Sales and Support Offices: In more than 80 cities throughout the United States*

International Operations

Manufacturing
Campinas, Brazil
Toronto, Canada
Bristol and Pinewood, England
Grenoble, France
Böblingen and Waldbronn, Federal Republic of Germany
Tokyo, Japan
Penang, Malaysia
Guadalajara, Mexico
South Queensferry, Scotland
Singapore

Marketing
Regional Headquarters: Palo Alto, California; Geneva, Switzerland
HP Sales and Support Offices and Distributorships:
Approximately 220 in 71 countries*

*A directory of sales and support locations may be obtained from the Public Relations Department, Hewlett-Packard Company corporate offices.

Some Highlights of the Year

During 1983 HP conducted comprehensive environmental health and safety audits at 32 of its divisions. The results revealed a high level of management involvement in and employee awareness of the company's health and safety program, as well as the need for effective employee training. HP is devoting resources during 1984 to improve the quality of training programs.

Also during 1983, HP established a regional consultant program whereby divisional environmental health and safety personnel serve as consultants to divisions in their respective geographic areas. This decentralization of the corporate environmental health and safety function has led to more effective local programs.

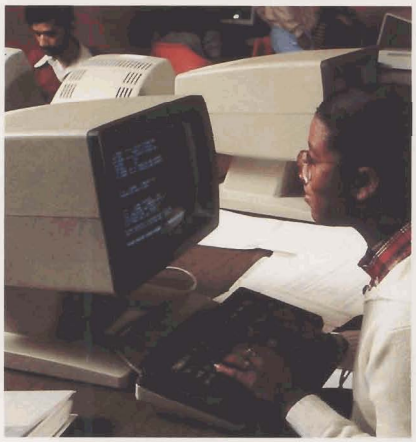
Finally, HP believes that responsible actions today will minimize future environmental problems. Therefore, it is concerning itself with long-term issues, such as hazardous waste disposal, recycling and hazardous materials transport. The company also is studying how computerized health information systems best can be used in its health and safety efforts.

In 1983 Hewlett-Packard made grants totalling approximately $30 million, double the company's 1982 philanthropy level. More than 80 percent of the amount was in the form of new-equipment grants to educational, medical care, social service and cultural organizations.

Equipment granting is, in many ways, more complex for the contributing company than is cash giving. HP is gratified by its employees' willingness to participate as volunteers in the extensive evaluation, decision and implementation processes associated with equipment granting.

Much of HP's giving is directed toward helping young people achieve science, engineering and computer literacy. During 1983 the company expanded its equipment granting programs, which include curriculum development assistance and teacher training, to include a number of high schools in the United States.

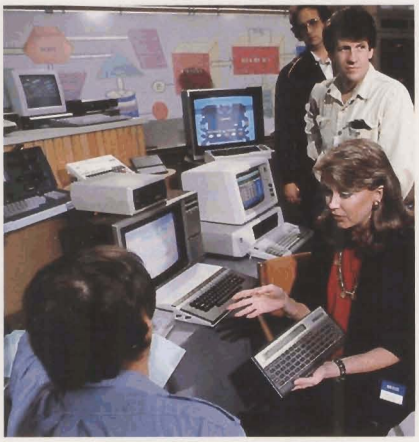
Below, students at Howard University, Washington, D.C., use HP computing equipment.



In March, HP was honored by a visit from Queen Elizabeth II and the Duke of Edinburgh. The British monarch's stop at the company's Cupertino, California, site was part of a week-long tour of the West Coast. Board Chairman David Packard greeted the queen and escorted the royal party around the 98-acre complex that is home for five HP computer divisions. After a 10-minute briefing on computer technology, the queen watched employees at work in a "clean room" where integrated circuits are fabricated and in a printed-circuit board assembly area. Above, HP General Manager Franz Nawratil explains the printed-circuit board manufacturing process to the queen while David Packard watches.

NBC's Today Show, with host Jane Pauley, was broadcast live from HP's corporate data center in Palo Alto, California, in February. The program highlighted the computer revolution. Below, Pauley rehearses a segment featuring the HP-75C portable computer.

The HP-75C, introduced in 1982, is becoming a popular choice of customers with field-based personnel who routinely handle data, such as the status of orders, product information or parts and labor details. With the 26-ounce portable computer, information can be entered at a remote location and, through a telephone hook-up, be transmitted to a central site without ever touching paper. The system is used extensively by HP field technicians and has proven to be a valuable productivity-improving tool, cutting in half the amount of time spent handling service call information.



The concept of equal employment opportunity is consistent with HP's philosophy of treating all its people with fairness, dignity and courtesy. Affirmative action in HP employment and training helps ensure that positive, ongoing activities occur to attract and retain minorities, women and disabled people.

Three areas are important to the success of affirmative action at HP: university recruiting and hiring of minorities and women; guiding company employees to their fullest employment potential; and, at the local level, providing promising minorities and females in high school with knowledge for mathematics-based careers.

When recruiting college students in engineering, computer science, finance and other disciplines, HP emphasizes schools with large minority enrollments. In addition, HP technical employees serve as loaned professors to campuses with high minority populations. To address the U.S. shortage of university professors in electrical engineering and computer science, HP has committed $6 million to 23 selected colleges to develop technical professorships. Minorities and women are part of this important program.

In the precollege area, community programs in Colorado, New Mexico, Washington and California expose students in the seventh through 12th grades to careers in science, finance, computer science and engineering and help them develop the capabilities needed to be successful in a technical university curriculum. This year more than 200 HP people worked with students in these programs.

Ongoing commitment to affirmative action is indicated by the work force figures in the adjacent table. A booklet explaining HP's affirmative action programs is available from the company's corporate offices in Palo Alto, California.

Affirmative Action Review	Total Number	Minority Total	Minority Percent	Female* Total	Female* Percent
Managers & Supervisors					
1978	3,849	302	7.9	640	16.6
1983	7,866	806	10.2	1,863	23.7
Professionals					
1978	7,278	748	10.3	1,132	15.6
1983	15,175	1,832	12.1	3,998	26.3
Technicians					
1978	3,338	448	13.4	367	11.0
1983	5,379	896	16.7	831	15.4
Skilled/Craft					
1978	2,283	366	16.0	292	12.8
1983	2,843	552	19.4	448	15.8
Percent of Total U.S. Work Force**			18.9		41.0

*Includes minority females

**1980 Equal Employment Opportunity Commission all-industry data

Directors

Luis W. Alvarez
Professor of Physics, Emeritus
University of California, Berkeley

Ernest C. Arbuckle
Dean Emeritus
Graduate School of Business
Stanford University

George F. Bennett
President and Chief Executive Officer
State Street Investment Corporation
(an investment company)

Robert L. Boniface
Executive Vice President
Hewlett-Packard Company

Robert Minge Brown
Director and Chairman of the
Executive Committees
California Water Service Company
and San Jose Water Works

Paul C. Ely, Jr.
Executive Vice President
Hewlett-Packard Company

John B. Fery
Chairman of the Board and
Chief Executive Officer
Boise Cascade Corporation
(a forest products manufacturer
and distributor)

Robert J. Glaser, M.D.
Director for Medical Science
Lucille P. Markey Charitable Trust

Harold J. Haynes
Senior Counselor, Bechtel Group, Inc.
Retired Chairman of the Board and
Chief Executive Officer
Standard Oil Company of California

William R. Hewlett
Vice Chairman of the Board
Hewlett-Packard Company

James D. Hodgson
International Business Consultant

Shirley M. Hufstedler
Partner in the law firm of
Hufstedler, Miller, Carlson & Beardsley

Antonie T. Knoppers, M.D.
Business Consultant and Director
of various companies

Dean O. Morton
Executive Vice President
Hewlett-Packard Company

David Packard
Chairman of the Board
Hewlett-Packard Company

William E. Terry
Executive Vice President
Hewlett-Packard Company

Edwin E. van Bronkhorst
Senior Vice President,
Treasurer and Chief Financial Officer
Hewlett-Packard Company

Shozo Yokogawa
President
Yokogawa-Hokushin Electric Corporation
(an electronic equipment manufacturer)

John A. Young
President and Chief Executive Officer
Hewlett-Packard Company

Committees of the Board

Executive Committee: Young, Boniface, Ely, Morton, Terry

Audit Committee: Hodgson, Alvarez, Arbuckle, Fery, Haynes

Employee Benefits Committee: Brown, Glaser, Hodgson, Hufstedler, Morton, Terry

Executive Compensation and Stock Option Committee: Arbuckle, Brown, Glaser, Haynes

Investment Committee: Bennett, Ely, Fery, Knoppers, van Bronkhorst, Young

Nominating Committee: Arbuckle, Bennett, Brown, Hewlett, Hodgson
Ex Officio: Packard, Young

Officers

David Packard
Chairman of the Board

William R. Hewlett
Vice Chairman of the Board

John A. Young
President and Chief Executive Officer

Robert L. Boniface
Executive Vice President

Paul C. Ely, Jr.
Executive Vice President

Dean O. Morton
Executive Vice President

William E. Terry
Executive Vice President

Richard C. Alberding
Senior Vice President, International

Alfred P. Oliverio
Senior Vice President, Marketing

Edwin E. van Bronkhorst
Senior Vice President,
Treasurer and Chief Financial Officer

James L. Arthur
Vice President and General Manager,
Computer Marketing Group

S.T. Jack Brigham III
Vice President, General Counsel
and Secretary

Douglas C. Chance
Vice President and General Manager,
Computer Products Group

Jean C. Chognard
Vice President, Patents and Licenses

John L. Doyle
Vice President, Research
and Development

Harold E. Edmondson
Vice President, Manufacturing

Richard A. Hackborn
Vice President and General Manager,
Information Products Group

Franco Mariotti
Vice President, Europe

Lewis E. Platt
Vice President and General Manager,
Analytical Products Group

W. Bruce Wholey
Vice President, Corporate Services

New Officers

During the year, four HP executives were elected to new officer positions. Richard C. Alberding was named senior vice president, international. Harold E. Edmondson was elected vice president, manufacturing. Richard A. Hackborn, general manager, Information Products Group, and Lewis E. Platt, general manager, Analytical Products Group, also were elected vice presidents.

3000 Hanover Street
Palo Alto, California 94304

5957-2144