

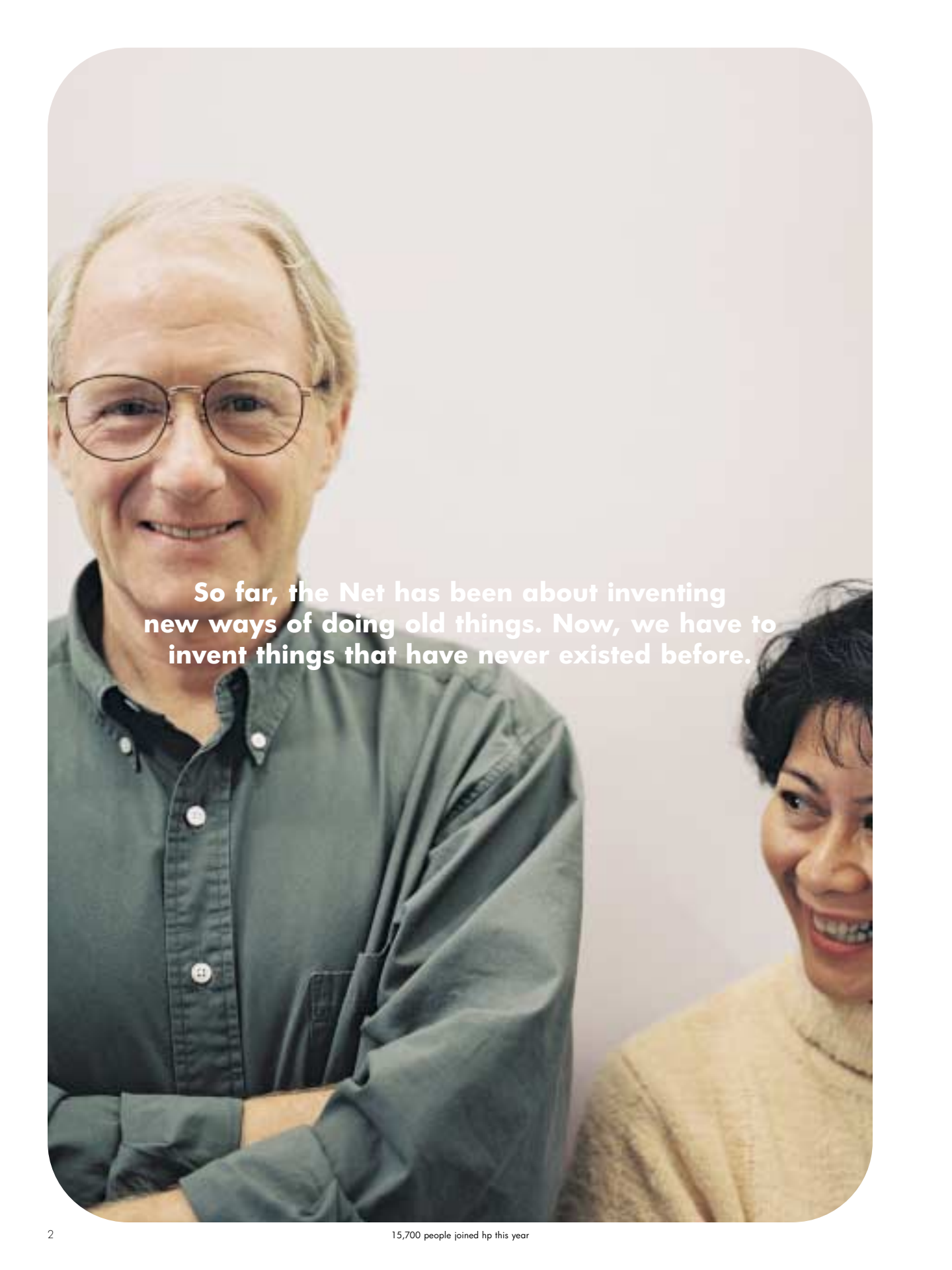
A photograph of a man with short brown hair and glasses, wearing a black turtleneck sweater and dark trousers. He is smiling and looking towards the camera. To his right, the shoulder and arm of a woman wearing a tan blazer are visible. The background is a plain, light-colored wall. The image has rounded corners.

What does the future require of us today?



A photograph of three people in an office setting. In the center is a woman with dark hair pulled back, wearing a dark grey turtleneck sweater, smiling broadly. To her left is a man in a white polo shirt with a dark collar, partially visible. To her right is a man in a blue and white checkered button-down shirt and blue jeans, also smiling. The background is a plain, light-colored wall. The image has rounded corners.

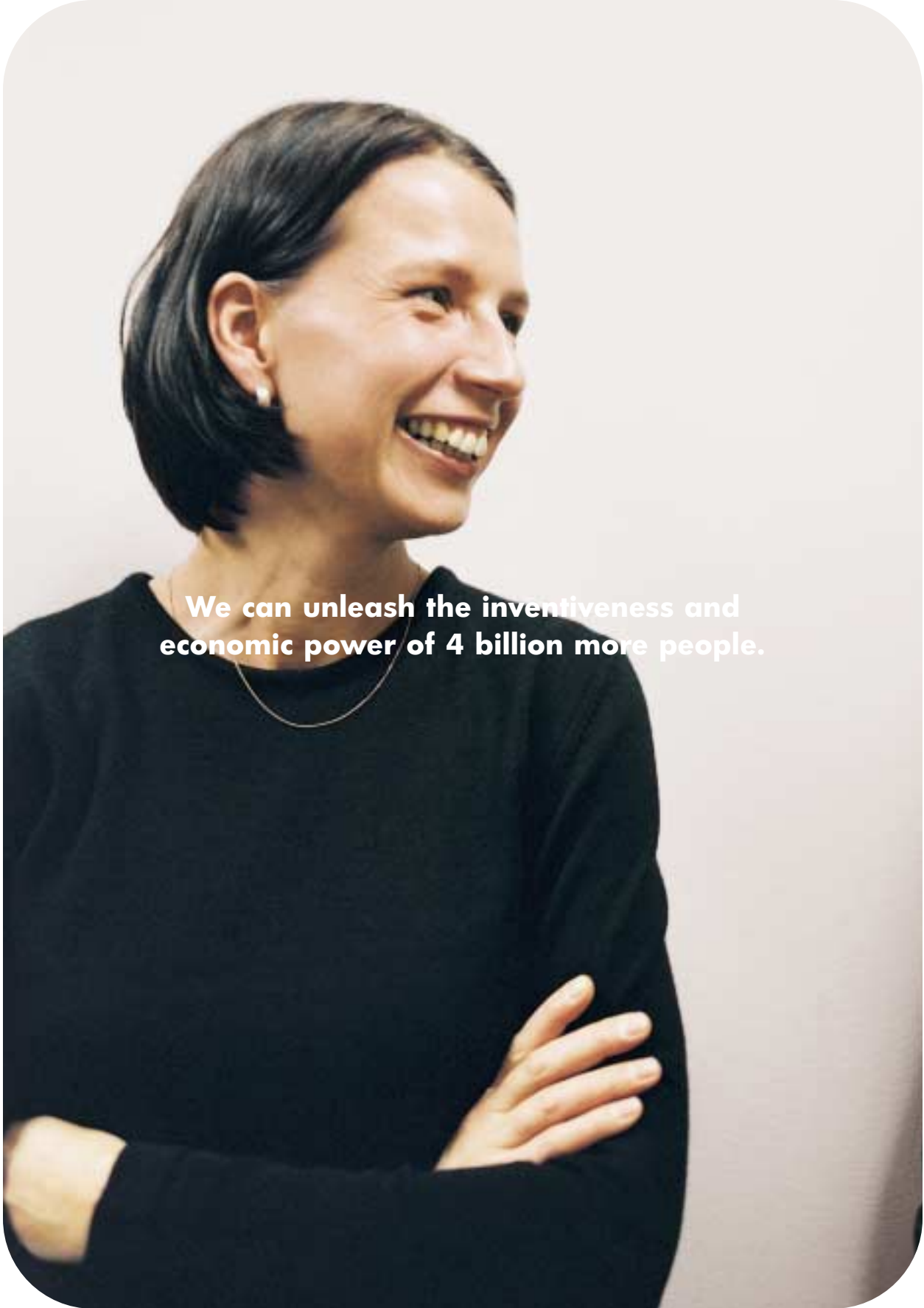
**We can't forget that technology
is ultimately about people.**




So far, the Net has been about inventing new ways of doing old things. Now, we have to invent things that have never existed before.



**Standards-based approaches will help
this world evolve to its fullest.**



We can unleash the inventiveness and economic power of 4 billion more people.

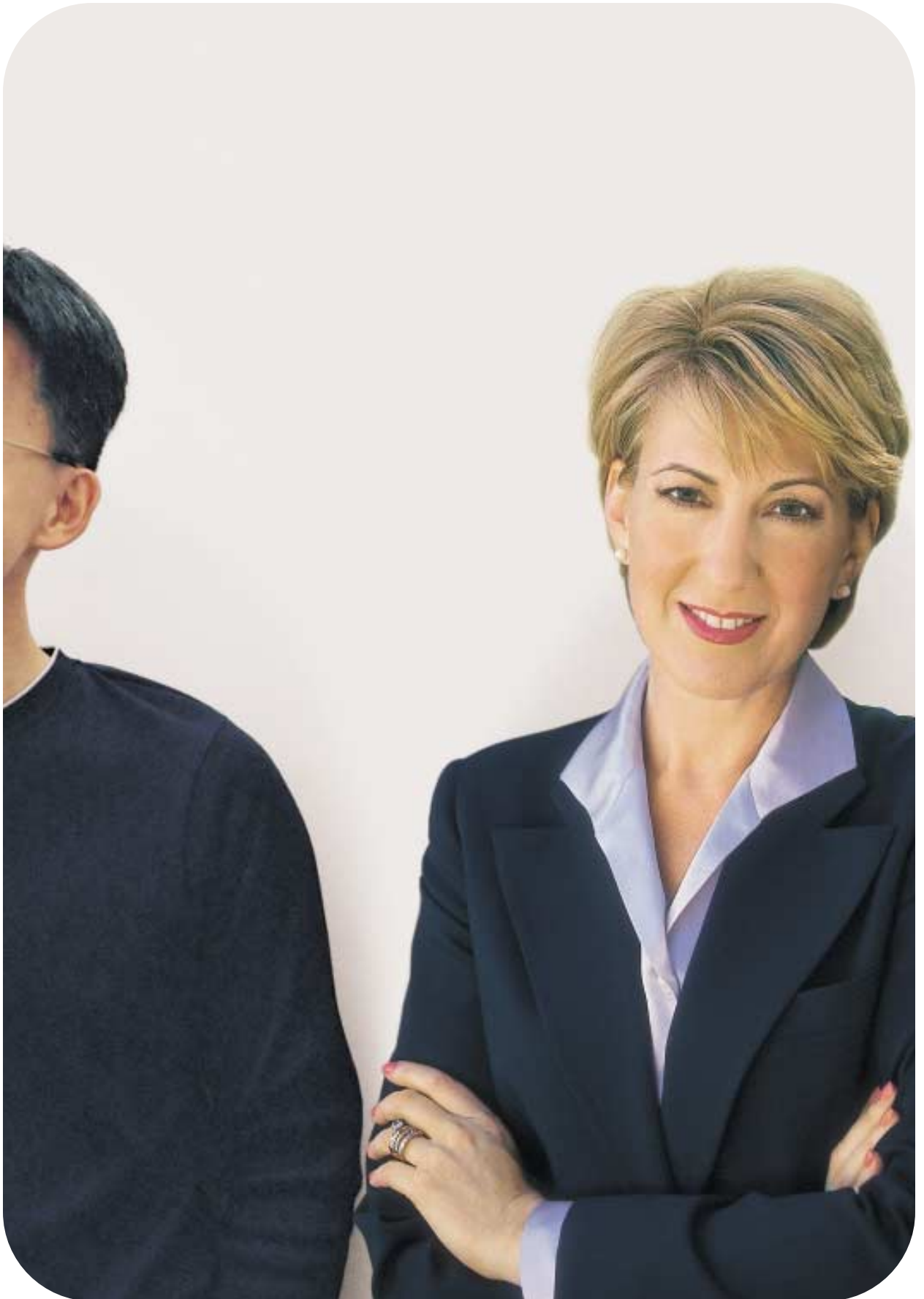


**There's power in aligning
toward the same goal.**



It starts with me.

While advancements are often made possible by technology, they are made profound by people and their decidedly human aspirations. That's because virtually all meaningful advancements in business, society and life are not achieved through the bold acts of a few, but the everyday acts of many.



Dear fellow shareowners,

Systemic, sustainable advances in business and society are seldom defined by a single bold act. Instead, they are realized through the everyday acts of many.

This past year shows what is possible when the 89,000 people of Hewlett-Packard put their minds to something and contribute in their own creative ways to a unified effort. FY00 will go down as a pivotal year in our history, a year in which hp's reinvention gained sufficient velocity and direction to begin driving meaningful, sustainable progress.

As we enter the 21st century, we stand at the edge of a new era, an era in which technology will become even more deeply woven into the fabric of business, society and our daily lives. As we enter this era, a new technology landscape is emerging. A landscape that's defined by truly simple personal devices that run useful Web services—e-services—across an Internet infrastructure that's always on, always available. We're heading toward a world where everything will be connected by way of a new generation of technology linked to the Net.

We believe that hp has a unique opportunity to transform markets at the intersection of information appliances, useful e-services and an always-on Internet infrastructure. Capitalizing on these opportunities requires us to reinvent this great company, restructuring and revitalizing ourselves to once again capture the spirit of invention and apply it to solving customer problems and meeting customer needs.

Our collective goal in this reinvention is to preserve the best of hp and reinvent the rest. By this I mean that we are maintaining the best attributes we have developed over our 61 years in business—our inventive capability, our focus on the customer, our respect for our employees—while thoroughly reinventing every major component of the organization around these core strengths.

A year of improving performance

From the day I arrived at hp, I have said that the world has yet to see the performance that hp is truly capable of achieving. With a more consistent strategy that pulls together the many attributes of this company—and with a renewed inventive spirit—I believe the people of hp can deliver greater and greater value to our customers, our shareowners and our communities.

One of the very first commitments I made to hp's shareowners was to improve hp's ability to deliver consistent, predictable top- and bottom-line results. Because of the actions we took this year, hp revitalized top-line growth and achieved balanced revenue and earnings growth of 15 percent for the first time in four years.

You are starting to see what hp can accomplish when we focus our energy and our resources on a set of shared objectives:

- Our total revenues grew to \$48.8 billion this year—reflecting the new relevance we are gaining with our customers.
- Our return on assets and our return on equity, 10.5 percent and 25.1 percent respectively, are strong.
- The business continues to generate significant cash, and our balance sheet is exceptional.

Overall, the numbers reflect the progress we are making, along with the areas where we need to work harder. While we posted four quarters of improving top-line performance for FY00, we failed to meet our profitability targets in the fourth quarter. And while there were a number of factors at play, many unique to the quarter, the leadership team and I are resolved to meet our commitment to deliver consistent, predictable financial results.

Heading into fiscal year 2001, our goal is to accelerate the reinvention of hp. We are confident that our strategy is on track and our executional abilities are improving. And as we enter increasingly difficult and uncertain economic times, our portfolio breadth and depth, our reputation for quality and reliability, our financial strength and our deeply rooted global presence will serve as important assets.

If you read no further, you should take away this: The reinvention of hp is on track, we are once again capable of delivering balanced revenue and profit growth, and we are back as a competitive force in the industry. But I hope you *will* read further, because the lessons we're learning within hp are applicable not only to our business, but to many businesses in an Internet Age.

Fueling reinvention: putting the components in harmony

Our belief is that sustainable reinvention requires a holistic approach. By this I mean we're working to ensure that the four essential components of a healthy business system are synchronized and in full support of our reinvention goals:

Strategy. HP has traditionally excelled at developing product strategies and marshaling resources to pursue them. Our highly decentralized structure has enabled us to move quickly. In an Internet Age, it's clear that we must maintain this speed. At the same time, our value to customers lies not only in individual products—but in delivering total solutions. To achieve this, we are focusing on strategic opportunities that fall between our traditional businesses, or cross the lines of one or more of our businesses.

Structure and e-processes. To deliver on our strategy, we need to continually raise our performance to higher levels in terms of how we serve customers and how quickly we turn inventive ideas into world-class technology solutions. This year, we began the work of radically restructuring hp into four organizations—two customer-facing (our Business Customer Organization and our Consumer Business Organization) and two focused on product generation (Computing Systems, and Imaging and Printing Systems). The IT Services segment is a component of the Business Customer Organization.

This organizational structure aligns us to create superior customer experiences, while committing focused resources to developing superior technology solutions. For speed, our customer-facing and product-generation organizations have clear roles and responsibilities for execution. For leverage, they collaborate closely on key areas of product planning, solutions creation and share important operational and financial goals. In addition, in FY00, we began consolidating 83 independent product lines into 17 product categories—allowing us to reduce redundant overhead and channel the savings into R&D and sales.

At the same time, we began introducing e-services initiatives within the company to streamline processes, make employees more productive and take cost out of our infrastructure. The goal is to allow us to invest in important growth opportunities for the company as well as in more customer-facing resources.

Performance metrics and rewards. What gets measured is what gets done. To help incent the right actions and behaviors within hp—and to reinforce new ways of collaborating—we've reengineered our performance management, compensation and rewards programs. Many elements of these programs went into effect this year, with expansion planned for FY01. For example, our top 200 leaders are now rewarded through a pay-for-results program that requires achieving specific goals in both revenue and profit growth to receive their bonuses. This "double-barrel" approach means that if the company does not meet its threshold performance goals for both revenue and profit growth in a given half, leaders receive no company-wide bonus—which is exactly what happened for the second half of FY00. On the other hand, there is considerable upside potential if targeted aspirational goals are met.

In fiscal year 2001, we will be expanding this pay-for-results program significantly. Indeed, all hp employees will have a portion of their compensation tied to the company's results. As part of our reinvention of rewards, we have created a Company Performance Bonus to replace hp's Profit-Sharing Plan. With the new program, employees will receive a bonus—targeted at between 6 and 9 percent of their pay—only if we meet or exceed threshold revenue and profit goals. As with the pay-for-results program, there will be considerable upside potential when hp meets its aspirational goals.

Culture. HP has long been admired for our culture—a performance meritocracy with an informal environment and a firm belief that every community in which we live and work should benefit by our presence. For decades, the hp Way served as a guiding set of principles in this regard, shaping our actions and differentiating hp as a place to build a meaningful career. In recent years, the intent of the hp Way became clouded and it was used to justify behavior such as conflict avoidance, weak performance management and an excessive focus on consensus.

Clearly, this was not what our founders Bill Hewlett and Dave Packard had in mind. We've spent a significant amount of energy this year defining what will be required of each of us going forward—what traits, what actions, what new ways of working together. We've captured these requirements in something we call The Rules of the Garage, which preserves and builds on the beliefs and core values inherent in the hp Way. These values include: respect for the individual, contribution to customers and the community, uncompromising integrity, teamwork and innovation. We like to think of The Rules of the Garage as the hp Way, recast for the 21st century. We believe quite strongly that our culture, our principles and our way of treating each other create unique advantages for hp—both in serving our customers and in allowing us to recruit and retain the best and brightest employees. These advantages set us apart from the pack—and we intend to cultivate and nurture them.

How reinvention is fueling business performance

Reinvention is a process—a journey, if you will. And along the way there are signposts that represent tangible evidence of progress. Here are some of the most significant signposts from fiscal year 2000:

Heavy lifting in the computer systems business results in improved performance. Our computer systems business is focused on delivering the next-generation infrastructure—an always-on Internet infrastructure that will help businesses provide services to their customers and employees. During FY00, we did the heavy lifting required to refresh our server product line from low-end to high-end and everywhere in between. While in the midst of one of the more impressive product rollovers in our history, we still managed to deliver 18 percent growth in this critical arena. We nearly doubled our performance in our low-end server business, which is an important indicator of our progress against our competition in this market. Our mid-range server revenue was up 17 percent, and we also launched Superdome—our much-anticipated high-end UNIX system that offers not only superior performance, but also a truly exceptional customer experience. We also redoubled our efforts in serving our enterprise customers by restructuring and reenergizing our sales force. The combination of our best server line-up ever and a more focused approach to key account coverage paid off with 28 percent revenue growth in our corporate accounts business during the second half of the year.

- Storage offers another tremendous growth opportunity for hp. Although we took a short-term hit in storage revenue when we ended our relationship with EMC, our storage business is now healthy again and growing. As just one example, our storage area network business grew 70 percent year-over-year.
- We revamped our software strategy and made significant investments in components of the software stack that will position hp for leadership in services-based computing. In particular, by entering into an agreement to buy Bluestone Software and add its highly acclaimed XML-based Web application server and tools to our portfolio, we are working to enable customers to develop and deploy applications and services that capitalize on the XML standard.
- Thanks to this heavy lifting in FY00, we entered FY01 with the strongest and broadest line of servers, storage and software solutions in our history.
- While we are pleased with the momentum across many segments of our Computing Systems business, we are not yet satisfied with our progress in the Netserver and commercial PC segments, and we have more work to do to improve profitability overall.

Achieved significant, organic growth in our services business. Another promising aspect of hp's diversified approach is our IT Services business. Here we achieved 14 percent revenue growth—fueled by consulting revenues that were up 28 percent, and orders that topped \$1 billion. We believe this growth reflects a fundamental shift in the way customers want to be served. More and more, our enterprise customers are telling us they want to talk to one company about linking their business transformation needs with their IT implementations. We invested substantially in people during the year to meet this increasing need, hiring more than 1,700 consultants—an impressive achievement, considering the especially tight talent pool in the industry. We intend to continue growing our consulting business organically through hiring, and will analyze other possibilities for capitalizing on this important arena.

- Another highlight from our IT Services business included growing revenue 12 percent this year. Despite our progress in delivering solid revenue growth in core components of our IT Services business, we are not satisfied with our profitability and will make profitable growth a key focus during FY01.

Capitalized on our market clout in imaging and printing to fuel solid growth. This year, our unparalleled imaging and printing businesses achieved several notable milestones. This shows that hp is not content to rest on its laurels, but is committed to increasing our lead in the markets that we create. Total revenues surpassed \$20 billion—up 10 percent compared with the year-ago period. We gained market share in laser printing, upping our share to 61 percent of the total market. To give you an appreciation of hp's position in this core business, we shipped more laser printers in our fourth quarter than our nearest competitor shipped in its entire year.

- Our share of the inkjet market is 41 percent, and our market share is twice that of our nearest competitor. We enter FY01 with a reengineered product line—bottom to top—across all categories, placing us in an excellent competitive position.
- FY00 was an outstanding year for other important imaging product categories, too. For example, revenue in our image capture business grew 40 percent, including growth in digital cameras and photo printers, up 302 percent for the year.

Became the world's largest consumer technology supplier. Our consumer business, which includes home PCs, notebooks, PDAs, personal storage devices, inkjet printers and supplies, scanners, digital cameras and photo printers, grew 30 percent during the year. In addition to capitalizing on favorable market dynamics, our momentum in this business can be attributed to a revitalized hp brand, world-class manufacturing and distribution operations, a leading retail and online presence, a rich set of product configurations and innovative partnership models. In 2001, we plan to extend our reach into key markets in Europe, Asia and Latin America and continue to differentiate hp through innovative offerings that enrich people's lives.

Began to use hp's strengths to deliver exceptional customer experiences. In reinventing hp, our primary focus has been on customers. We are carefully examining how to improve every aspect of the customer experience lifecycle: how to better deliver on customer needs; how to develop deeper, more strategic relationships; how to engender unmatched loyalty. This year, we launched our first total customer experience (TCE) initiatives—including everything from better customer support programs to new and innovative go-to-market strategies. In the spirit of "what gets measured gets done," we developed a comprehensive set of analytics to measure our progress along key customer relationship metrics and, going forward, the compensation of our senior leaders will be tied to delivering on our TCE goals.

Changing the world: It's aspiration that drives us

While we learned a number of important lessons in FY00, the one that stands out the most is the sheer power of aspiration. As a company, we aspire to become a winning e-company with a shining soul: a company that leads in our core businesses; a company that uses the Internet and new technology to run our company and interface with customers; a company that displays uncompromising integrity, a passion for good citizenship and serves as a model of inclusion in the workplace and the marketplace; a company that uses its inventive capabilities to

transform markets, even industries. Central to our aspirations is a vision of computing developed more than a decade ago in hp Labs. At that time, a team of researchers began envisioning an interconnected world. It was a world where computing was not limited by proprietary technology, closed computing architectures or even the need for electrical power. Our researchers envisioned a world based on open standards, a world in which virtually every person, place and thing on the planet could be connected.

This vision has become our company's shared vision, a vision in which e-services of all types are made available on personal, friendly information appliances that are powered by an always-on Internet infrastructure.

It's at the intersection of these three major forces of technology—information appliances, useful e-services and an always-on Internet infrastructure—that the most inventive solutions will be created: vehicles that serve as platforms for myriad e-services, connected to the Net via wireless networks. Mobile phones that offer an array of nimble e-services that will become essential for people on the go. Entire buildings—and virtually every entity in them—acting as platforms for e-services that serve tomorrow's workforce. This is a wholly different view of how the Net works—it's a world where the Web works for you, rather than the other way around.

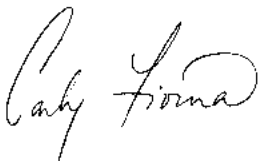
All the hard work we are currently investing in the reinvention of hp will put us in position to deliver the benefits of this vision—a Net that serves everyone. It will allow us to extend the power of technology far beyond the halls of business and deep into society, including the four billion people in the developing world who currently don't have access to technology and the benefits it provides.

The journey

We have made solid progress over the past year and a half. And we know we have more work to do in FY01 to meet our commitments to shareowners. The 89,000 people of hp are reenergized and working with a common sense of purpose. We have a new bounce in our step because we realize as a team that we are on the verge of living up to our promise—to our customers, our shareowners and ourselves.

We have reinvented and revitalized ourselves before in our 61 years of superior business performance. This time, our renewal will place us at the forefront of the Internet Age, where we will use our unique inventive capability to fundamentally transform how people live, learn, work and play.

This is something worth doing—something that is worthy of Hewlett-Packard.



Carly Fiorina
Chairman, President and Chief Executive Officer

Financial Highlights

Hewlett-Packard Company and Subsidiaries

Unaudited

For the years ended October 31

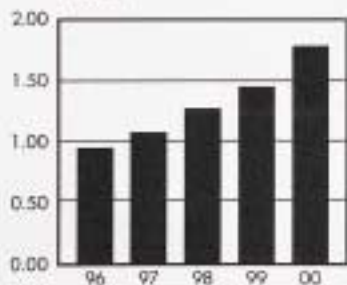
In millions, except per share amounts

	2000	1999	Increase
Net revenue	\$ 48,782	\$ 42,370	15%
Earnings from operations	3,889	3,688	5%
Net earnings from continuing operations	2,561	3,104	15%
Net earnings per share from continuing operations—diluted	\$ 1.73	\$ 1.49	16%
Return on assets	10.5%	9.8%	
Shares outstanding at year-end	1,947	2,009	

Note: Hewlett-Packard Company's condensed consolidated financial statements and notes for all periods present Agilent Technologies, Inc.'s business as a discontinued operation through the spinoff date of June 2, 2000. All share and per-share amounts reflect the retroactive effects of all stock splits, including the two-for-one stock split in the form of a stock dividend effective October 27, 2000. See further discussion in notes to the condensed consolidated financial statements.

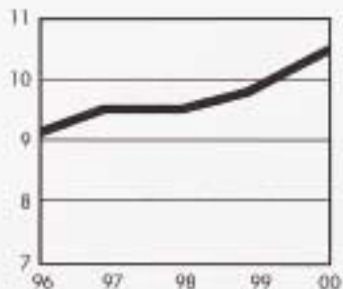
Net EPS from Continuing Operations—Diluted

(in dollars)



Return on Assets

(percent)

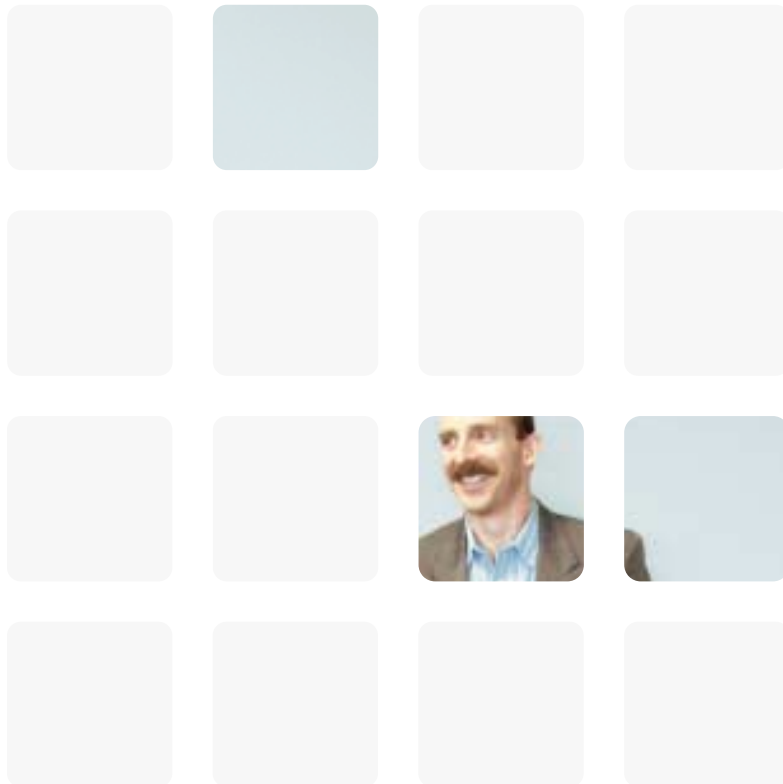


“How do we build technology for life lived in motion?”

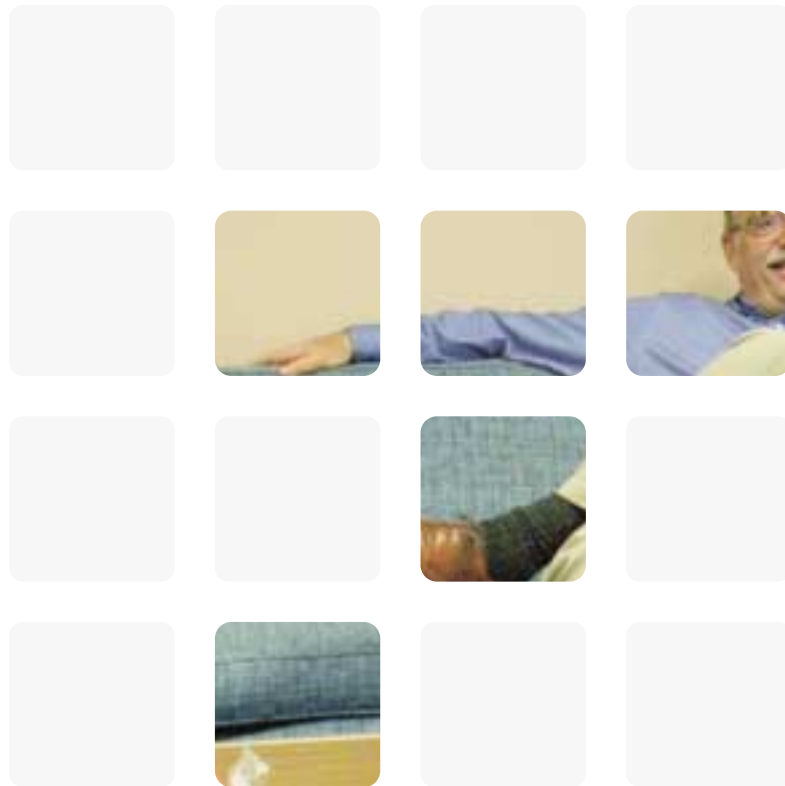
mobile e-services bazaars

Human beings are inherently nomadic—which is why a worldwide hp team is masterminding ways to harness mobile technologies for life lived in motion. Peter Vesterbacka, Nectari Charitakis, Kelvin Tan and Louis Judice are stationed on the frontlines of the mobile revolution, overseeing hp’s mobile e-services bazaars in Helsinki, Singapore and the Silicon Valley. Here, hp and bazaar members meet to discuss the latest breakthroughs, build relationships, and collaborate in creating new mobile technologies, e-services, and even whole new business models—through virtual and face-to-face interactions. A cross between a buzzing business hub and a living lab, the bazaars are becoming ground zero for the inventors and entrepreneurs fueling the mobile Net. Ideas born here are enabling people to redefine and, in essence, reinvent the concept of community in our mobile cultures—widening social connections, making interactions and transactions more convenient, providing a greater sense of freedom and control, and offering new avenues for self-expression.

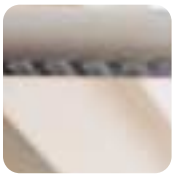




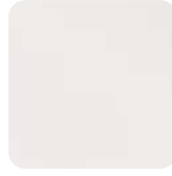
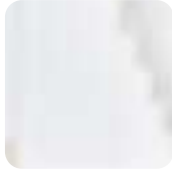
Channels On Tap When Lynn Sauder, Kyle Neal and their group heard Carly Fiorina say that hp should “make the Internet work for our customers” they decided to brainstorm about an obstacle facing the emerging e-services industry: The ASP marketplace has the potential to reach \$22.7 billion by 2003. But the expense and complexity of building a full-service sales and marketing channel keep many businesses from pursuing this market. Lynn’s team dreamed up a “B2B2B ecosystem,” a new way for service providers and other channel partners to reach customers in a more cost-effective way by dynamically connecting them with agents and customers online. Their creation, Channels On Tap (a combination of hp e-services portals AgentDepot and AsktheDepot), now offers a trusted marketplace for all—and a new, annuity-based revenue stream (plus a patent in the works) for hp.



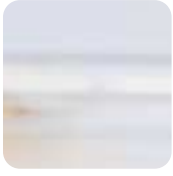
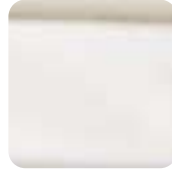
embedded computing In the buildings that once housed hp headquarters, Bob Rau, Stan Williams, Chuck Morehouse and others spend a lot of energy in their labs working on making computers, custom chips and storage technologies as small as atoms, and affordable to produce. Why the obsession with nanotechnology? Because these breakthroughs will form the foundation of a much more interactive environment—a world in which any information appliance (a PDA, a cell phone), network infrastructure, or object with an embedded microchip (an alarm clock, a dashboard) can perform tasks by operating on its own, or by teaming up and linking to e-services over the Net, in order to get things done.



Develops revolutionary hp digital camera technology to foster the inventiveness of people around the world.
(www.hp.com/100cameras)



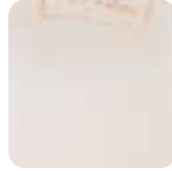
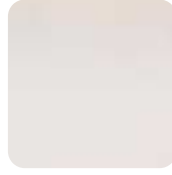
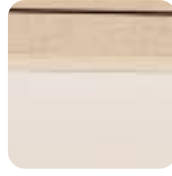
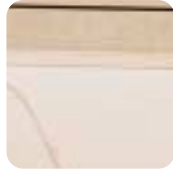
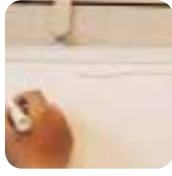
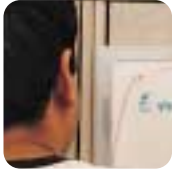
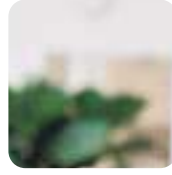
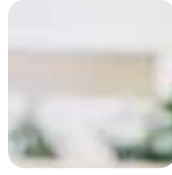
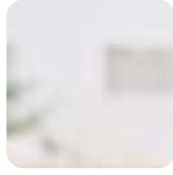
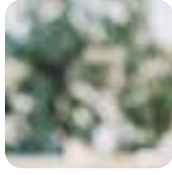
mary peery



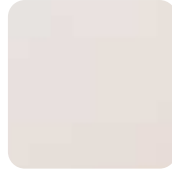
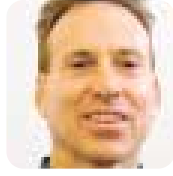
Reinvented the process of recycling hp parts and entire products in a way that salvages precious metals and protects the environment.



joe kraynik

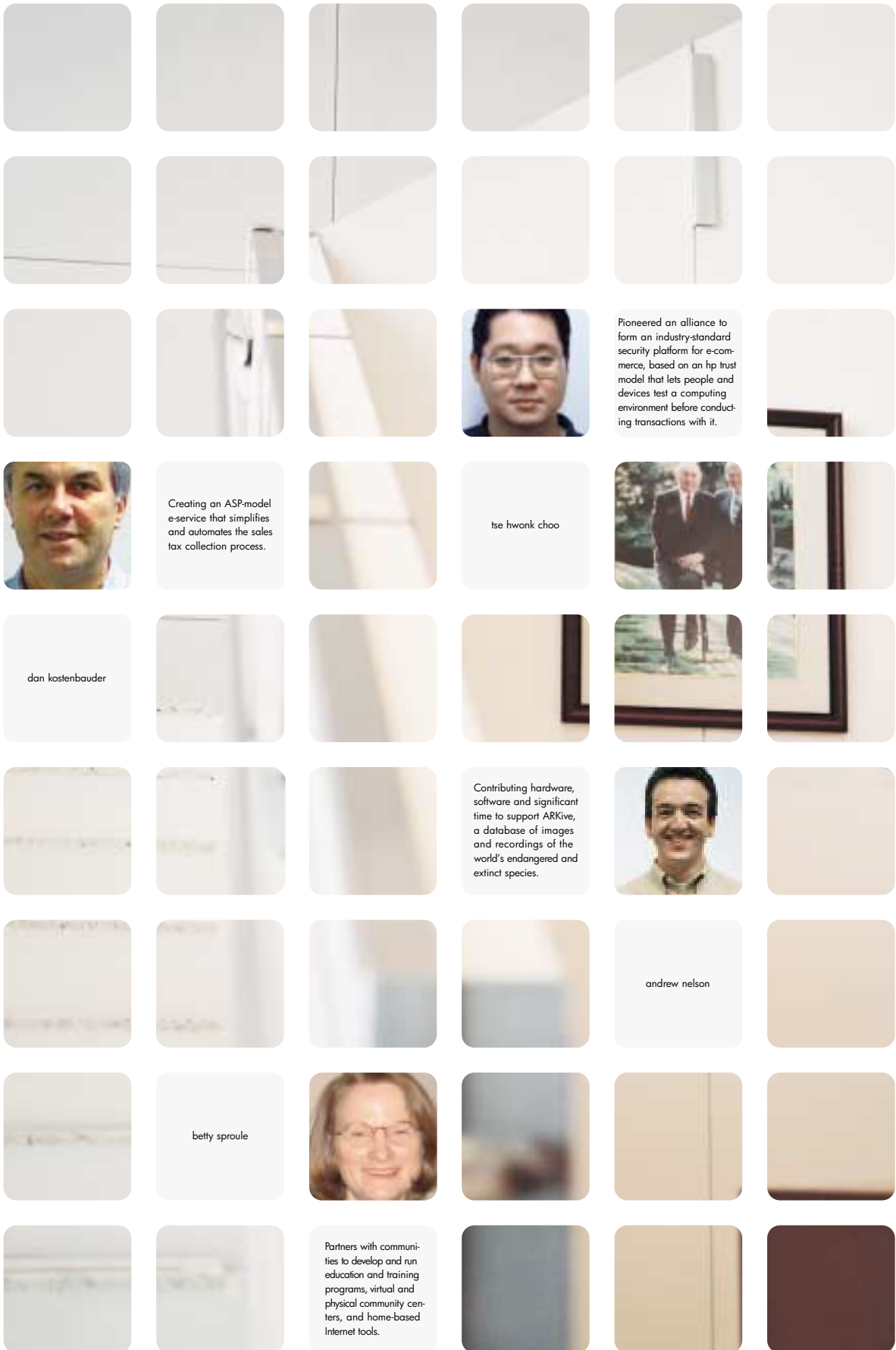


fred kitson



Developing streaming media technology to provide mobile users with media-rich content and communication capabilities through information appliances.





Pioneered an alliance to form an industry-standard security platform for e-commerce, based on an hp trust model that lets people and devices test a computing environment before conducting transactions with it.



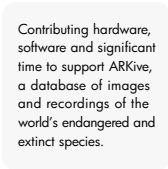
Creating an ASP-model e-service that simplifies and automates the sales tax collection process.



tse hwong choo



dan kostenbauder



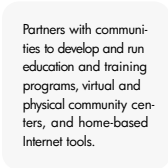
Contributing hardware, software and significant time to support ARKive, a database of images and recordings of the world's endangered and extinct species.



andrew nelson

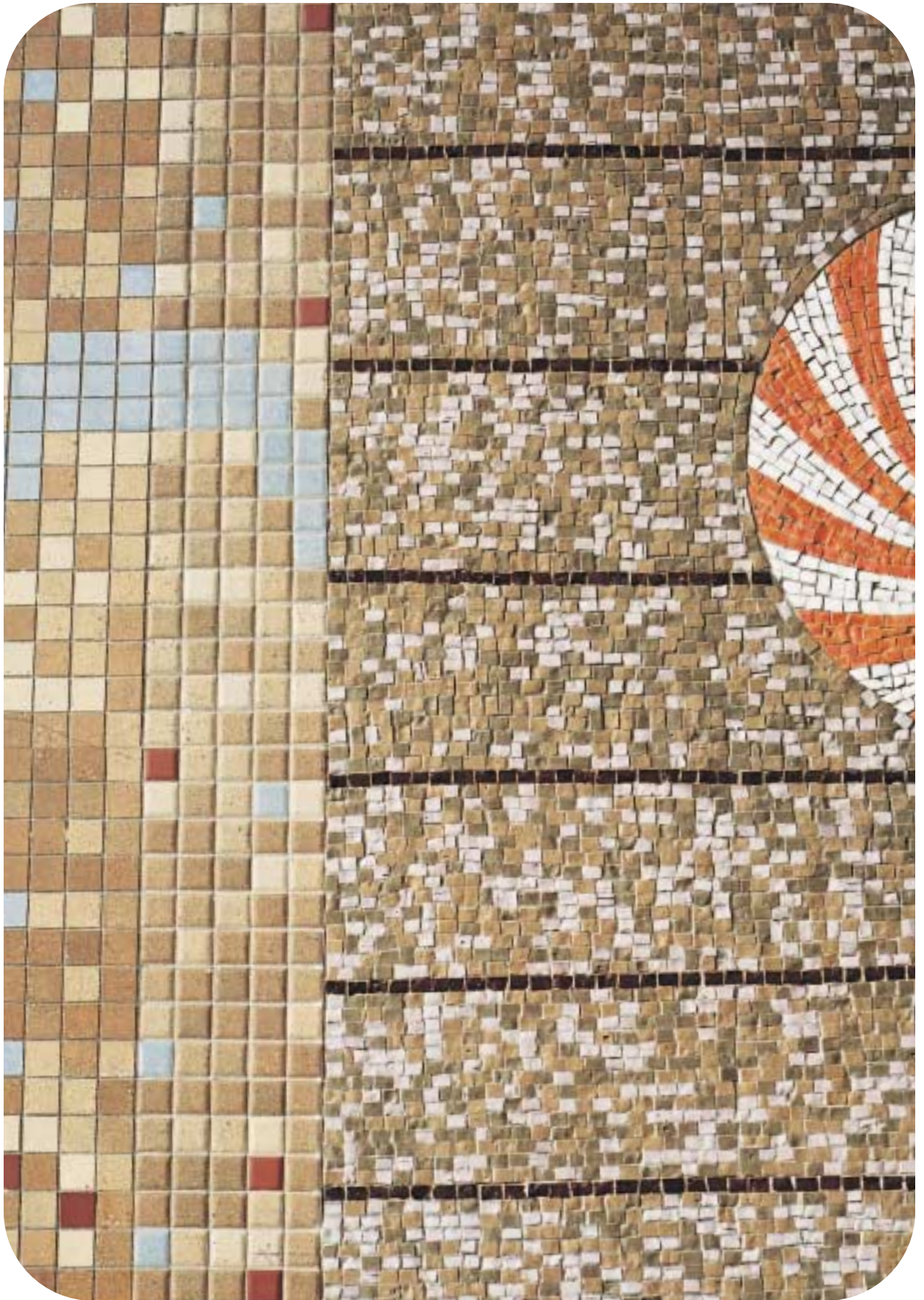


betty sproule



Partners with communities to develop and run education and training programs, virtual and physical community centers, and home-based Internet tools.





“Technology is not about bits and bytes—it’s about the celebration of people’s hearts and minds.”





oksana vishnevskaya is a software engineer in hp's human resources IT department

“What happens when product design goes way beyond the box?”

Superdome

The hp Superdome product team knew they had built something special in their new top-of-the-line UNIX server. But in addition to record-beating performance capabilities, the other breakthroughs they delivered went far beyond the box. By harnessing the collective know-how of far-flung, interdisciplinary hp teams, they learned they could make the whole experience of planning, purchasing, integrating and maintaining high-end server systems painless—and therefore priceless—for customers.

The team held monthly Superdome council meetings, inviting representatives from R&D and marketing, manufacturing and sales, and financing and support to cover everything from bug fixes to how to maneuver the refrigerator-size server onto loading docks. In those meetings, the team realized through their conversations, and by listening to customers, that they had the opportunity to deliver something truly groundbreaking: an unprecedented customer experience. Together, they conceived of a dedicated solutions manager and support team for each and every customer. They introduced a utility pricing model and system pre-integration for faster time-to-revenue (for example, hp OpenView management software, hp SureStore XP512 disk arrays, and other leading hp and partner capabilities can all be pre-integrated into Superdome). In the end, the success of hp Superdome is a tribute to the inventiveness of the team as a whole—but also to every individual who contributed in his or her own way to bring it to market.



ryan houdek



brad klein



mary cooley



doyle shipman



rob harris



bruce roberts



mark show



tammy heiserman



jill quan



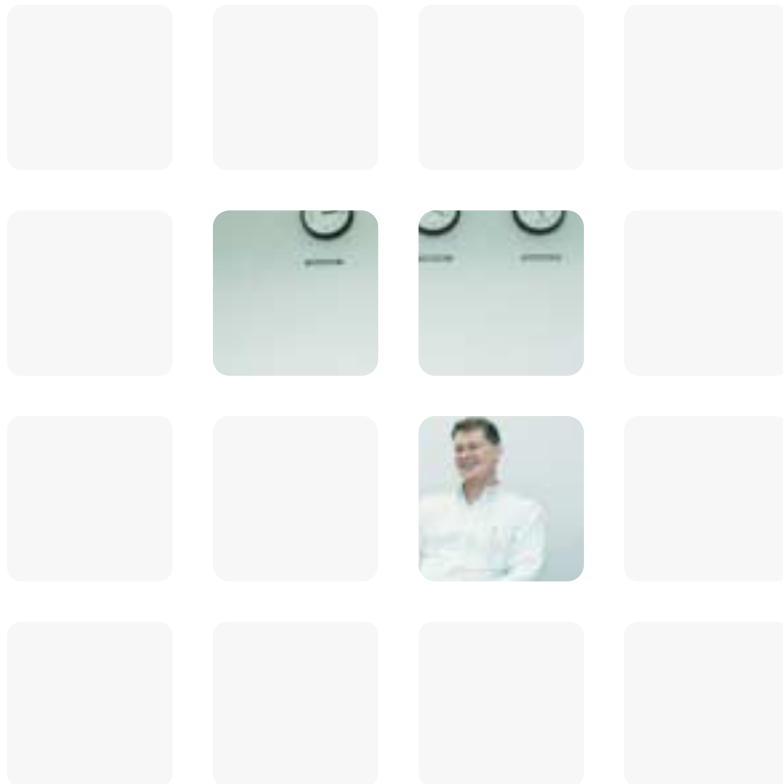
harish babu



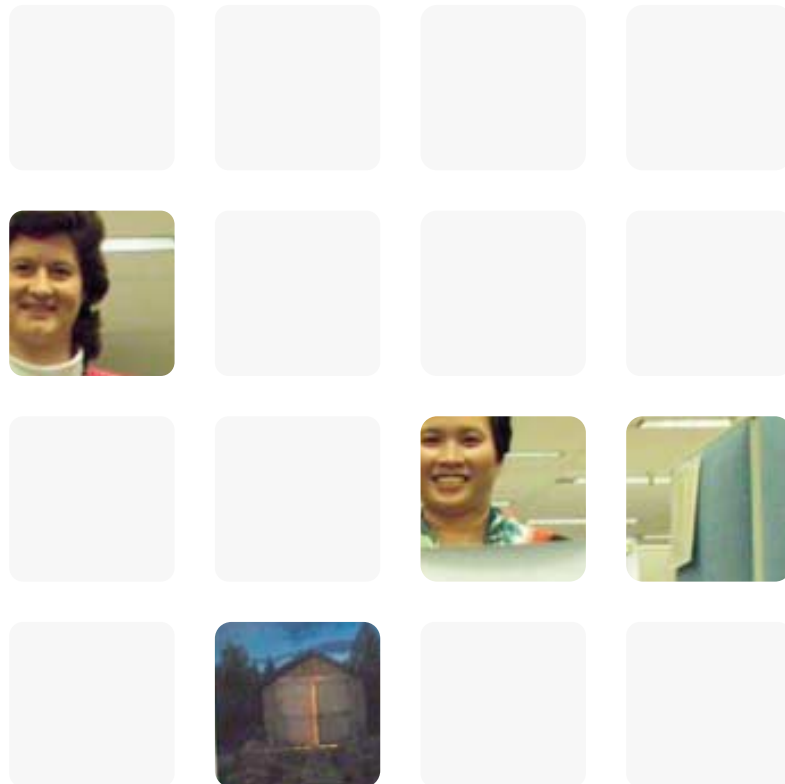
paul perez



d'ann chorak



supply chain management How does someone apply their rather obscure interests in real options theory and perfect market dynamics, to solving a basic business challenge at hp? Corey Billington did it. He wanted to help hp figure out a better way to manage the supply chain risks inherent with volatile technology markets, so he assembled a team and built TradingHubs.com, a prototype online exchange that enables hp and its partners to buy and sell excess parts and inventory in an auction environment. (Today, TradingHubs.com is at the heart of hp's contribution to eHITEX (now Converge.com), the Internet marketplace founded in June 1999 to serve the supply chain needs of the high-tech community.) Corey's team is on a roll. Through their pioneering work, they've created a way for hp to save up to 30 percent in inventory costs. They also reinvented the hp product distribution packaging process, saving the company \$35 million this year.



hp garage program Lang-Anh Pham and Adrian Ott wanted to infuse hp with some of its original inventive spirit and bolster the company's relevance in today's Internet economy. So they garnered support to start a virtual team to build and sell solutions to start-ups. Every day, they spoke to at least one Internet company, VC or incubator, immersing themselves in the complexities of those businesses. Their team spanned 13 divisions and ran like a start-up—without an official budget, holding meetings at any hour. In just over 60 days they launched the hp Garage Program, which now provides the tools to help qualified start-ups build their new ventures. In seven months the program added more than 275 companies to hp's base, infusing hp with new revenue streams and technology and business models.



**"It all started in a garage 61 years ago,
and every day hp people work hard to return there."**

**“Shouldn’t companies pay just
for what they use?”**

e-Utilica

Utility computing—a model in which information and computing power are made available like electricity or water—has been a mantra and a vision at hp for decades. The thinking behind it is simple: In the future, individuals and businesses won’t always buy hardware or software, they’ll rent it—paying only for what they use.

With utility computing as their design strategy, Matt Oberdorfer and his team in Fort Collins, Colorado, invented e-Utilica, the world’s first plug-and-play Internet data center solution that makes it possible for service providers, carriers and enterprises to deliver applications and computing services “on tap.” In the intense, hothouse environment of a start-up, they built concepts and prototypes; invented new manufacturing, customer support, service, and training processes; won patents—and created a whole new product category.

Thanks to the doggedness and creativity of an inspired team, utility computing is more than just a timely concept. It’s now a whole new revenue stream based on hp’s unique intellectual property—and uniquely inventive spirit.



team members: harry baeverstad darlene leley richard searles



team members: brad saunders kerri diamant

**“What’s possible when every person,
place and thing can be connected?”**

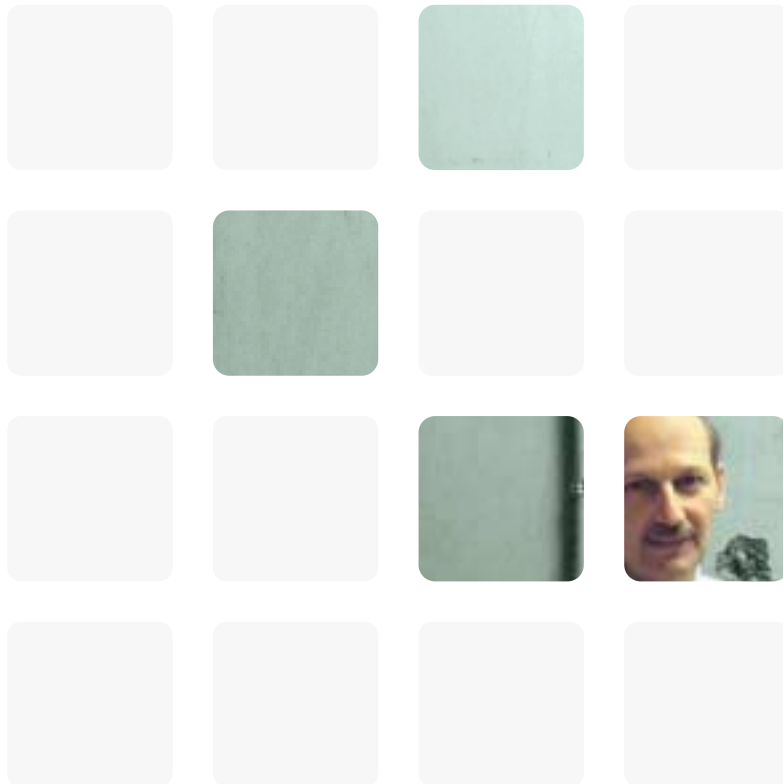
CoolTown

Back in 1994, before the Internet went mainstream, a team in hp labs began experimenting with the concept—and very real probability—that the Net could significantly change the way we interact. What if, they wondered, every person, place and thing had a presence on the Web? What’s possible in a world where literally everything can be connected to the Internet? Where e-services are accessible no matter where you are, and can be delivered on the spot to appropriately fit the context you’re in?

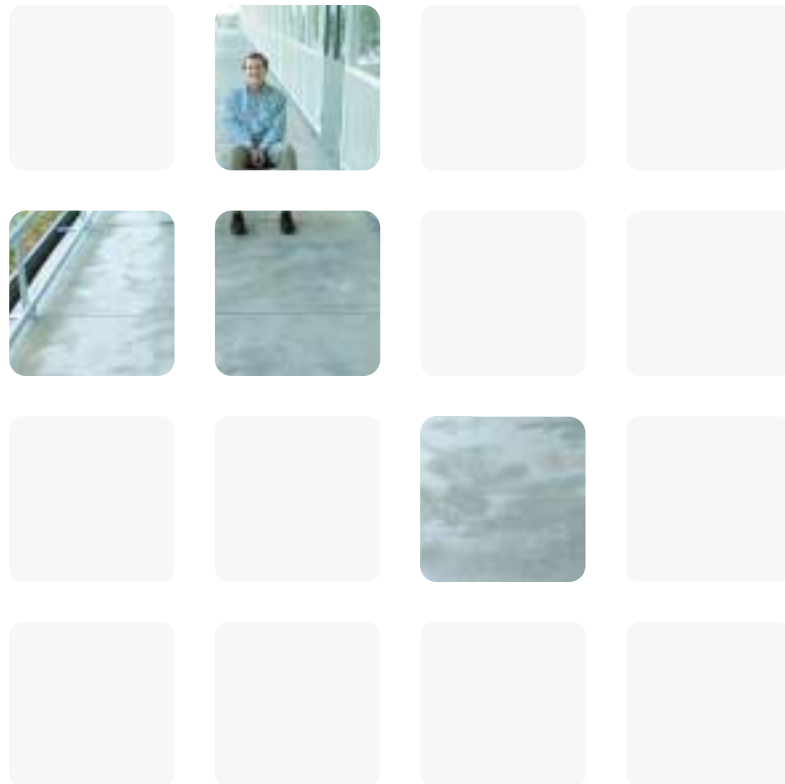
This year, thousands of people got a glimpse of this world in CoolTown—hp’s vision of a world where the physical and digital worlds are intertwined in ways that simplify how we live, learn, work and play. Gene Becker, Gary Herman, Jeff Morgan and Gita Gopal are part of a larger team behind CoolTown and the technologies that make it possible for people, environments and things to effortlessly exchange information and services using the open standards of the Web.

This year, the team began working with customers to explore ways to extend CoolTown technologies to the real world in cars, watches, cell phones, PDAs, hospitals and theme parks. Now, that’s cool.

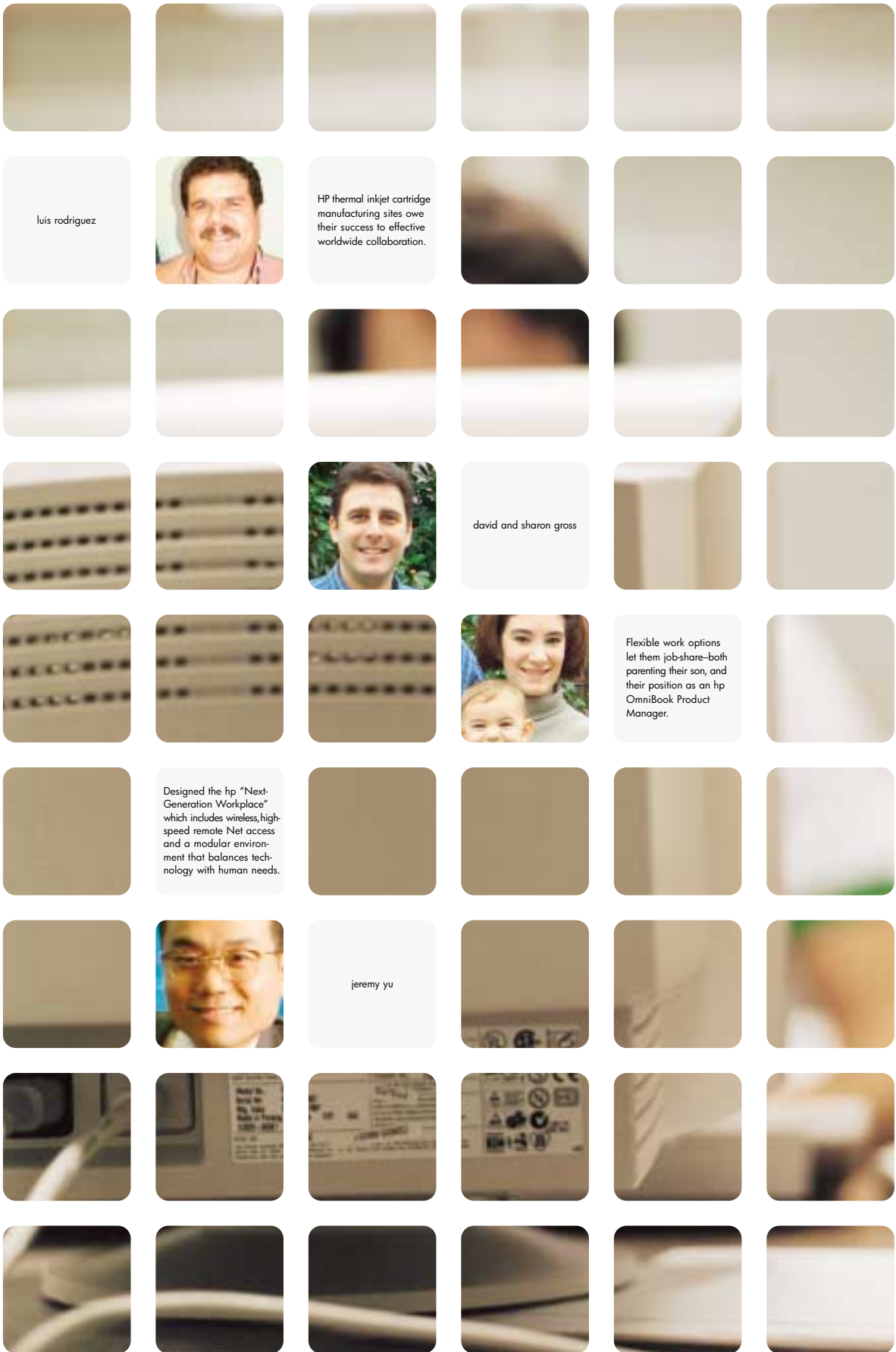




hp patents Steve Fox thought long and hard about what it would take to raise hp into a top-10 ranking among U.S. patenting companies—and came up with a plan. He and his staff developed a systematic approach to align IP protection with hp business strategy, with a set of procedures that requires ongoing communication among both engineers and hp strategists. Through a series of worldwide “innovation workshops,” he is also able to plumb hp inventors for promising IP they’re developing, helping them identify market-leading technology and ideas that might require protection. His efforts are paying off: This year, more than 3,000 hp patent applications were filed worldwide, which is more than 12 inventions protected each working day of the year—an increase of 30 percent over last year.



world e-inclusion Three years ago, Grameen Bank founder Dr. Muhammad Yunus spoke to the World Economic Forum about microlending to the poor of Bangladesh. Yunus’ successful business model for “putting poverty in the museum of history” inspired a small, passionate core of people at hp. They resolved to leverage hp inventiveness to reach out to the four billion poor people living in developing countries, and to broaden access to social and economic opportunities through technology. Recognizing that markets, talent and customers will come from this underserved population in coming years—and that barriers to technology access (cost, electricity, literacy) continue to be lowered—this team developed a unique World e-Inclusion business strategy that relies on working with partners to invent sustainable solutions that benefit the poor, and create new markets in developing countries.



luis rodriguez

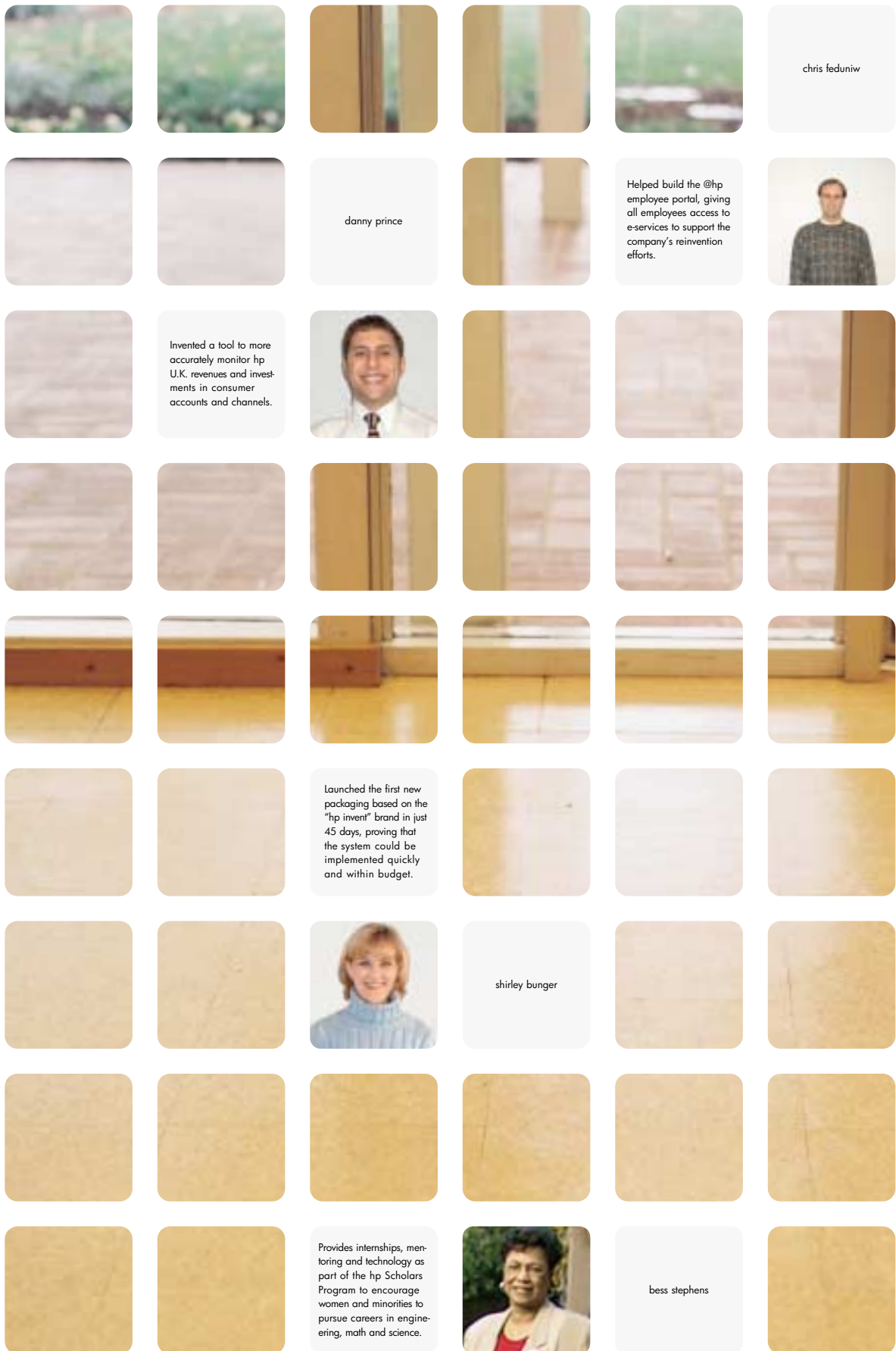
HP thermal inkjet cartridge manufacturing sites owe their success to effective worldwide collaboration.

david and sharon gross

Flexible work options let them job-share—both parenting their son, and their position as an hp OmniBook Product Manager.

Designed the hp "Next-Generation Workplace" which includes wireless, high-speed remote Net access and a modular environment that balances technology with human needs.

jeremy yu



chris feduniw

danny prince

Helped build the @hp employee portal, giving all employees access to e-services to support the company's reinvention efforts.

Invented a tool to more accurately monitor hp U.K. revenues and investments in consumer accounts and channels.



Launched the first new packaging based on the "hp invent" brand in just 45 days, proving that the system could be implemented quickly and within budget.

shirley bungler



Provides internships, mentoring and technology as part of the hp Scholars Program to encourage women and minorities to pursue careers in engineering, math and science.



bess stephens





alan driscoll is a member of the Superdome team

**summary
financial information**

Condensed Consolidated Statement of Earnings

Hewlett-Packard Company and Subsidiaries

For the years ended October 31 In millions, except per share amounts	2000	1999	1998
Net revenue:			
Products	\$ 41,446	\$ 36,015	\$ 33,585
Services	7,336	6,355	5,834
Total net revenue	48,782	42,370	39,419
Costs and expenses:			
Cost of products sold	29,727	25,305	24,044
Cost of services	5,137	4,415	3,746
Research and development	2,646	2,440	2,380
Selling, general and administrative	7,383	6,522	5,850
Total costs and expenses	44,893	38,682	36,020
Earnings from operations	3,889	3,688	3,399
Interest income and other, net	993	708	530
Interest expense	257	202	235
Earnings from continuing operations before taxes	4,625	4,194	3,694
Provision for taxes	1,064	1,090	1,016
Net earnings from continuing operations	3,561	3,104	2,678
Net earnings from discontinued operations	136	387	267
Net earnings	\$ 3,697	\$ 3,491	\$ 2,945
Net earnings per share—Continuing operations:			
Basic	\$ 1.80	\$ 1.54	\$ 1.29
Diluted	\$ 1.73	\$ 1.49	\$ 1.26
Net earnings per share—Discontinued operations:			
Basic	\$ 0.07	\$ 0.19	\$ 0.13
Diluted	\$ 0.07	\$ 0.18	\$ 0.13
Net earnings per share—Total:			
Basic	\$ 1.87	\$ 1.73	\$ 1.42
Diluted	\$ 1.80	\$ 1.67	\$ 1.39
Average number of shares and share equivalents:			
Basic	1,979	2,018	2,068
Diluted	2,077	2,105	2,144

All share and per-share amounts reflect the retroactive effects of all stock splits including the two-for-one stock split in the form of a stock dividend effective October 27, 2000.

See accompanying Notes to Condensed Consolidated Financial Statements.

Condensed Consolidated Balance Sheet

Hewlett-Packard Company and Subsidiaries

October 31

In millions, except par value and number of shares

2000

1999

Assets

Current assets:

Cash and cash equivalents	\$ 3,415	\$ 5,411
Short-term investments	592	179
Accounts receivable	6,394	5,958
Financing receivables	2,174	1,889
Inventory	5,699	4,863
Other current assets	4,970	3,342
Total current assets	23,244	21,642
Property, plant and equipment, net	4,500	4,333
Long-term investments and other assets	6,265	5,789
Net assets of discontinued operations	–	3,533
Total assets	\$ 34,009	\$ 35,297

Liabilities and Stockholders' Equity

Current liabilities:

Notes payable and short-term borrowings	\$ 1,555	\$ 3,105
Accounts payable	5,049	3,517
Employee compensation and benefits	1,584	1,287
Taxes on earnings	2,046	2,152
Deferred revenues	1,759	1,437
Other accrued liabilities	3,204	2,823
Total current liabilities	15,197	14,321
Long-term debt	3,402	1,764
Other liabilities	1,201	917

Commitments and contingencies

Stockholders' equity:

Preferred stock, \$0.01 par value (300,000,000 shares authorized; none issued)	–	–
Common stock, \$0.01 par value (4,800,000,000 shares authorized; 1,947,312,000 shares issued and outstanding at October 31, 2000, and 2,009,138,000 shares issued and outstanding at October 31, 1999)	19	20
Additional paid-in capital	–	–
Retained earnings	14,097	18,275
Accumulated other comprehensive income	93	–
Total stockholders' equity	14,209	18,295
Total liabilities and stockholders' equity	\$ 34,009	\$ 35,297

All share and per-share amounts reflect the retroactive effects of all stock splits including the two-for-one stock split in the form of a stock dividend effective October 27, 2000.

See accompanying Notes to Condensed Consolidated Financial Statements.

Condensed Consolidated Statement of Cash Flows

Hewlett-Packard Company and Subsidiaries

For the years ended October 31
In millions

	2000	1999	1998
Cash flows from operating activities:			
Net earnings from continuing operations	\$ 3,561	\$ 3,104	\$ 2,678
Adjustments to reconcile net earnings from continuing operations to net cash provided by operating activities:			
Depreciation and amortization	1,368	1,316	1,377
Gains from divestitures	(212)	-	(27)
Deferred taxes on earnings	(689)	(171)	(1,101)
Tax benefit on employee stock options	495	289	157
Changes in assets and liabilities:			
Accounts and financing receivables	(1,312)	(1,637)	(1,100)
Inventory	(845)	(171)	630
Accounts payable	1,544	751	61
Taxes on earnings	175	(639)	1,200
Other current assets and liabilities	(282)	330	731
Other, net	(343)	(76)	154
Net cash provided by operating activities	3,460	3,096	4,760
Cash flows from investing activities:			
Investment in property, plant and equipment	(1,737)	(1,134)	(1,584)
Disposition of property, plant and equipment	420	542	260
Purchases of investments	(1,131)	(1,015)	(4,059)
Maturities and sales of investments	1,004	1,063	4,834
Net proceeds from divestitures	448	35	89
Other, net	(130)	(119)	(148)
Net cash used in investing activities	(1,126)	(628)	(608)
Cash flows from financing activities:			
(Decrease) increase in notes payable and short-term borrowings	(1,297)	2,399	(734)
Issuance of long-term debt	1,936	240	223
Payment of long-term debt	(474)	(1,047)	(573)
Issuance of common stock under employee stock plans	748	660	467
Repurchase of common stock	(5,570)	(2,643)	(2,424)
Dividends	(638)	(650)	(625)
Net cash used in financing activities	(5,295)	(1,041)	(3,666)
Net cash provided by (used in) discontinued operations	965	(62)	488
(Decrease) increase in cash and cash equivalents	(1,996)	1,365	974
Cash and cash equivalents at beginning of period	5,411	4,046	3,072
Cash and cash equivalents at end of period	\$ 3,415	\$ 5,411	\$ 4,046

See accompanying Notes to Condensed Consolidated Financial Statements.

Notes to Condensed Consolidated Financial Statements

Hewlett-Packard Company and Subsidiaries

Basis of Presentation

Hewlett-Packard Company (HP or hp) is a leading global provider of computing and imaging solutions and services for business and home, and is focused on capitalizing on the opportunities of the Internet and the emergence of next-generation appliances, e-services and infrastructure.

These condensed consolidated financial statements do not constitute a full set of financial statements prepared in accordance with accounting principles generally accepted in the United States. The condensed consolidated financial statements should be read in conjunction with the complete 2000 Consolidated Financial Statements and Notes, and Management's Discussion and Analysis of Financial Condition and Results of Operations included in hp's Annual Report on Form 10-K for fiscal year 2000 accompanying the Notice of Annual Meeting and Proxy Statement for hp's 2001 Annual Meeting of Shareowners.

Summary of Significant Accounting Policies

Principles of Consolidation. The consolidated financial statements include the accounts of hp and its wholly-owned and controlled majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

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

Revenue Recognition. Revenue from product sales is generally recognized at the time the product is shipped, with provisions established for price protection programs and for estimated product returns. Upon shipment, hp also provides for the estimated cost that may be incurred for product warranties and post-sales support. Coupons, rebates and other cash sales incentives offered by hp to its customers are recorded as a reduction of revenue at the time of sale. Service revenue is recognized over the contractual period or as services are rendered and accepted by the customer.

Advertising. Advertising costs are expensed as incurred.

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

Net Earnings Per Share. HP's basic earnings per share (EPS) is calculated based on net earnings and the weighted-average number of shares outstanding during the reporting period. Diluted EPS includes additional dilution from potential issuance of common stock, such as stock issuable pursuant to the exercise of stock options outstanding and the conversion of debt. All share and per-share amounts reflect the retroactive effects of all stock splits, including the two-for-one stock split in the form of a stock dividend effective October 27, 2000.

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

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

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

Capitalized Software. In fiscal 2000, hp adopted Statement of Position (SOP) No. 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." Historically, internal use software costs were not material. With the adoption of SOP 98-1, hp began capitalizing certain internal and external costs incurred to acquire or create internal use software, principally related to software coding, designing system interfaces, installation and testing of the software. Capitalized costs are amortized over three years.

Long-Term Investments. HP's long-term investments, which are included in long-term investments and other assets in the accompanying Condensed Consolidated Balance Sheet, consist of U.S. government, corporate and other debt securities as well as public and nonpublic corporate equity securities. HP's equity securities totaled \$1.9 billion at October 31, 2000 and \$1.4 billion at October 31, 1999. Investments in equity securities are classified as available-for-sale and are carried at estimated fair value, with unrealized gains and losses, net of tax, included in accumulated other comprehensive income as a separate component of stockholders' equity. Minority equity investments in nonpublic companies are generally carried at cost. Investments accounted for using the equity method are not material. HP monitors these investments for impairment and records appropriate reductions in carrying values when necessary. Investments in debt securities are classified as held-to-maturity and carried at amortized cost.

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

Comprehensive Income. Comprehensive income includes net earnings as well as other comprehensive income. HP's other comprehensive income consists of unrealized gains and losses on available-for-sale securities.

Reclassifications. Certain reclassifications have been made to prior year balances in order to conform to the current year presentation.

Recent Pronouncements. In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement establishes accounting and reporting standards for derivative instruments and requires recognition of all derivatives as assets or liabilities in the statement of financial position and measurement of those instruments at fair value. HP adopted the standard on November 1, 2000, and the adoption did not materially impact its consolidated financial statements.

In December 1999, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition in Financial Statements." This bulletin summarizes certain of the SEC's views in applying accounting principles generally accepted in the United States to revenue recognition in financial statements. Based on the SEC's latest timeline for implementing SAB 101, hp would be required to comply with the guidelines in the fourth quarter of fiscal year 2001. Accordingly, hp is continuing to evaluate the potential impact that adoption will have on its consolidated financial statements.

Net Earnings Per Share

The following table includes a reconciliation of the numerators and denominators of the basic and diluted EPS calculations. All share and per-share amounts reflect the retroactive effects of all stock splits including the two-for-one stock split in the form of a stock dividend effective October 27, 2000.

For the years ended October 31 In millions, except per share data	2000	1999	1998
Numerator:			
Net earnings from continuing operations	\$ 3,561	\$ 3,104	\$ 2,678
Adjustment for interest expense, net of income tax effect	31	22	26
Net earnings from continuing operations, adjusted	3,592	3,126	2,704
Net earnings from discontinued operations	136	387	267
Net earnings, adjusted	\$ 3,728	\$ 3,513	\$ 2,971
Denominator:			
Weighted-average shares outstanding	1,979	2,018	2,068
Effect of dilutive securities:			
Dilutive options and other stock-based awards	72	65	56
Zero-coupon subordinated convertible notes due 2017	26	22	20
Dilutive potential common shares	98	87	76
Weighted-average shares and dilutive potential common shares	2,077	2,105	2,144
Net earnings per share—Continuing operations:			
Basic	\$ 1.80	\$ 1.54	\$ 1.29
Diluted	\$ 1.73	\$ 1.49	\$ 1.26
Net earnings per share—Discontinued operations:			
Basic	\$ 0.07	\$ 0.19	\$ 0.13
Diluted	\$ 0.07	\$ 0.18	\$ 0.13
Net earnings per share—Total:			
Basic	\$ 1.87	\$ 1.73	\$ 1.42
Diluted	\$ 1.80	\$ 1.67	\$ 1.39
Average number of shares and share equivalents:			
Basic	1,979	2,018	2,068
Diluted	2,077	2,105	2,144

Discontinued Operations

On March 2, 1999, hp announced its intention to launch a new company, subsequently named Agilent Technologies, Inc. (Agilent Technologies), through a distribution of Agilent Technologies common stock to hp's stockholders in the form of a tax-free spin-off. Agilent Technologies is composed of hp's former Measurement Organization, which included the test-and-measurement, semiconductor products, chemical analysis and healthcare solutions businesses. Effective July 31, 1999, hp's management and Board of Directors completed the plan of disposition for Agilent Technologies. HP's condensed consolidated financial statements for all periods present Agilent Technologies as a discontinued business segment in accordance with Accounting Principles Board Opinion No. 30.

In November 1999, Agilent Technologies completed an initial public offering of approximately 16% of its common stock and distributed the net proceeds of approximately \$2.1 billion to hp. HP provided initial funding in November 1999 to Agilent Technologies and retained certain assets and liabilities of Agilent Technologies as of November 1, 1999, which were subsequently liquidated. The aggregate impact of these transactions resulted in cash flows from discontinued operations of approximately \$1.0 billion and an increase in additional paid-in capital of approximately \$1.3 billion.

HP distributed substantially all of its remaining interest in Agilent Technologies through a stock dividend to hp stockholders on June 2, 2000, resulting in the elimination of the net assets of discontinued operations and a \$4.2 billion reduction of retained earnings. The decrease in the intrinsic value of hp's employee stock plans attributable to the distribution of Agilent Technologies was restored in accordance with the methodology set forth in the FASB Emerging Issues Task Force Issue 90-9, "Changes to Fixed Employee Stock Option Plans as a Result of Equity Restructuring."

In the second quarter of fiscal 2000, the cumulative net earnings of Agilent Technologies since the July 31, 1999 measurement date began to exceed the total estimated net costs to effect the spin-off. Net earnings from discontinued operations for fiscal 2000 were \$136 million. Of this \$136 million, net earnings of Agilent Technologies for the period from July 31, 1999 through the June 2, 2000 spin-off date totaled \$287 million (net of related tax expense of \$174 million), and the net costs to effect the spin-off were \$151 million (net of related tax benefit of \$23 million). Net earnings from discontinued operations for fiscal years 1999 and 1998 consisted only of the net earnings of Agilent Technologies.

Contingencies and Factors That Could Affect Future Results

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

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

This summary of factors that could affect future results should be read in conjunction with the section entitled "Factors That Could Affect Future Results" contained in hp's Annual Report on Form 10-K for fiscal year 2000 accompanying the Notice of Annual Meeting and Proxy Statement for hp's 2001 Annual Meeting of Shareowners.

Segment Information

HP is a leading global provider of computing and imaging solutions and services for business and home, and is focused on capitalizing on the opportunities of the Internet and the emergence of next-generation appliances, e-services and infrastructure.

As of October 31, 2000, hp organized its operations into three major businesses: Imaging and Printing Systems, Computing Systems and IT Services. The segments were determined primarily on how management views and evaluates hp's businesses. The factors that management uses to identify hp's separate businesses include customer base, homogeneity of products, technology and delivery channels. A description of the types of products and services provided by each reportable segment is as follows:

Imaging and Printing Systems provides laser and inkjet printers (both monochrome and color), mopiers, scanners, all-in-one devices, personal color copiers and faxes, digital senders, wide- and large-format printers, print servers, network-management software, networking solutions, digital photography products, imaging and printing supplies, imaging and software solutions, and related professional and consulting services.

Computing Systems provides a broad range of computing systems for the enterprise, commercial and consumer markets. The products and solutions range from mission-critical systems and software to personal computers for business and home. Major product lines include UNIX® and PC servers, desktop and mobile personal computers, workstations, software solutions and storage solutions.

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

HP's immaterial operating segments were aggregated to form an "All Other" category.

In the second and third quarters of fiscal 2000, hp made certain strategic changes to its organizational structure. These changes included the movement of its appliances business from the Computing Systems segment to a separate operating segment, and the movement of the majority of its services business related to imaging and printing from the Imaging and Printing Systems segment to its IT Services segment. The appliances operating segment is now included in "All Other" as it does not meet the materiality threshold for a reportable segment. Segment financial data for the fiscal years ended October 31, 1999 and 1998 has been restated to reflect these organizational changes.

The results of the reportable segments are derived directly from hp's management reporting system. As described above, these results are based on hp's method of internal reporting and are not necessarily in conformity with accounting principles generally accepted in the United States. Management measures the performance of each segment based on several metrics, including earnings from operations. These results are used, in part, to evaluate the performance of, and allocate resources to, each of the segments.

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

In millions	Imaging and Printing Systems	Computing Systems	IT Services	All Other	Total Segments
2000					
Net revenue from external customers	\$ 20,471	\$ 20,694	\$ 7,086	\$ 1,230	\$ 49,481
Intersegment net revenue	5	401	43	69	518
Total net revenue	\$ 20,476	\$ 21,095	\$ 7,129	\$ 1,299	\$ 49,999
Earnings (loss) from operations	\$ 2,746	\$ 960	\$ 634	\$ (103)	\$ 4,237
Depreciation and amortization expense	\$ 344	\$ 93	\$ 450	\$ 11	\$ 898
Assets	\$ 7,571	\$ 6,686	\$ 8,455	\$ 446	\$ 23,158
Capital expenditures	\$ 309	\$ 99	\$ 779	\$ 3	\$ 1,190
1999					
Net revenue from external customers	\$ 18,512	\$ 17,256	\$ 6,191	\$ 880	\$ 42,839
Intersegment net revenue	38	558	64	6	666
Total net revenue	\$ 18,550	\$ 17,814	\$ 6,255	\$ 886	\$ 43,505
Earnings (loss) from operations	\$ 2,335	\$ 850	\$ 575	\$ (71)	\$ 3,689
Depreciation and amortization expense	\$ 494	\$ 96	\$ 415	\$ 4	\$ 1,009
Assets	\$ 7,150	\$ 5,846	\$ 7,100	\$ 250	\$ 20,346
Capital expenditures	\$ 140	\$ 96	\$ 544	\$ 1	\$ 781
1998					
Net revenue from external customers	\$ 16,661	\$ 16,851	\$ 5,613	\$ 766	\$ 39,891
Intersegment net revenue	48	464	72	7	591
Total net revenue	\$ 16,709	\$ 17,315	\$ 5,685	\$ 773	\$ 40,482
Earnings (loss) from operations	\$ 2,043	\$ 480	\$ 748	\$ (5)	\$ 3,266
Depreciation and amortization expense	\$ 425	\$ 189	\$ 404	\$ 12	\$ 1,030
Assets	\$ 6,831	\$ 5,372	\$ 5,834	\$ 275	\$ 18,312
Capital expenditures	\$ 452	\$ 88	\$ 493	\$ 10	\$ 1,043

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

In millions	2000	1999	1998
Net revenue:			
Total segments	\$ 49,999	\$ 43,505	\$ 40,482
Financing interest income reclassification	(368)	(298)	(221)
Elimination of intersegment net revenue and other	(849)	(837)	(842)
Total hp consolidated	\$ 48,782	\$ 42,370	\$ 39,419
Earnings from continuing operations before taxes:			
Total segment earnings from operations	\$ 4,237	\$ 3,689	\$ 3,266
Net financing interest reclassification	(162)	(139)	(84)
Interest income and other, net	993	708	530
Interest expense	(257)	(202)	(235)
Corporate and unallocated costs, and eliminations	(186)	138	217
Total hp consolidated	\$ 4,625	\$ 4,194	\$ 3,694
Assets:			
Total segments	\$ 23,158	\$ 20,346	\$ 18,312
Assets not allocated to segments:			
Cash and cash equivalents	3,415	5,411	4,046
Short-term investments and long-term investments in debt securities	1,106	1,192	1,241
Other corporate	6,330	4,815	5,025
Total assets from continuing operations	34,009	31,764	28,624
Net assets of discontinued operations	-	3,533	3,084
Total hp consolidated	\$ 34,009	\$ 35,297	\$ 31,708

Statement of Management Responsibility

Hewlett-Packard Company and Subsidiaries

HP's management is responsible for the preparation, integrity and objectivity of the consolidated financial statements and other financial information accompanying the company's Notice of Annual Meeting and Proxy Statement for the 2001 Annual Meeting of Shareowners. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States, and reflect the effects of certain estimates and judgments made by management. The condensed consolidated financial statements and related financial information presented herein are consistent with those presented in the consolidated financial statements.

HP'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 hp. HP selects and trains qualified people who are provided with and expected to adhere to hp's Standards of Business Conduct. These standards, which set forth the highest principles of business ethics and conduct, are a key element of hp's control system.

HP's consolidated financial statements as of and for the year ended October 31, 2000 have been audited by Ernst & Young LLP, independent auditors. HP's consolidated financial statements as of and for each of the two years in the period ended October 31, 1999 have been audited by PricewaterhouseCoopers LLP, independent accountants. Their respective audits were conducted in accordance with auditing standards generally accepted in the United States, and included a review of financial controls and tests of accounting records and procedures as they respectively considered necessary in the circumstances.

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



Carleton S. Fiorina
Chairman, President and Chief Executive Officer



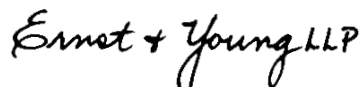
Robert P. Wayman
Executive Vice President, Finance and Administration
and Chief Financial Officer

Report of Independent Auditors

Hewlett-Packard Company and Subsidiaries

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

We have audited, in accordance with auditing standards generally accepted in the United States, the consolidated balance sheet of Hewlett-Packard Company and subsidiaries as of October 31, 2000, and the related consolidated statements of earnings, stockholders' equity and cash flows for the year then ended (not presented separately herein); and in our report dated November 15, 2000, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated financial statements is fairly stated in all material respects in relation to the consolidated financial statements from which it has been derived.



San Jose, California
November 15, 2000

Report of Independent Accountants

Hewlett-Packard Company and Subsidiaries

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated financial statements of Hewlett-Packard Company as of October 31, 1999 and for each of the two years in the period ended October 31, 1999 accompanying the Notice of Annual Meeting and Proxy Statement for the 2001 Annual Meeting of Shareowners of Hewlett-Packard Company (which statements are not presented herein); and in our report dated November 23, 1999 we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of October 31, 1999 and the related condensed consolidated statements of earnings and cash flows for each of the two years in the period ended October 31, 1999 is fairly stated in all material respects in relation to the consolidated financial statements from which it has been derived. We have not audited the consolidated financial statements of Hewlett-Packard Company for any period subsequent to October 31, 1999.



San Jose, California
November 23, 1999, except for the stock split disclosed
in Note 12 of the consolidated financial statements, as to
which the date is October 27, 2000.

Selected Financial Data⁽¹⁾

Hewlett-Packard Company and Subsidiaries

For the years ended October 31 In millions, except per share amounts	2000	1999	1998	1997	1996
Net revenue	\$ 48,782	\$ 42,370	\$ 39,419	\$ 35,465	\$ 31,613
Earnings from operations ⁽²⁾	3,889	3,688	3,399	3,405	2,926
Net earnings from continuing operations	3,561	3,104	2,678	2,515	2,085
Net earnings per share, continuing operations ⁽³⁾					
Basic	\$ 1.80	\$ 1.54	\$ 1.29	\$ 1.23	\$ 1.02
Diluted	1.73	1.49	1.26	1.19	.99
Cash dividends declared per share ⁽³⁾	.32	.32	.30	.26	.22
At year-end:					
Assets—Continuing operations	\$ 34,009	\$ 31,764	\$ 28,624	\$ 26,681	\$ 22,934
Assets—Total ⁽⁴⁾	34,009	35,297	31,708	29,852	25,977
Long-term debt	3,402	1,764	2,063	3,158	2,579

⁽¹⁾ HP's condensed consolidated financial statements and notes for all periods present Agilent Technologies' businesses as a discontinued operation through the spin-off date of June 2, 2000. See further discussion in Notes to Condensed Consolidated Financial Statements.

⁽²⁾ Earnings from operations represent earnings before net interest income and other, interest expense, provision for taxes and net earnings from discontinued operations.

⁽³⁾ All per-share amounts reflect the retroactive effects of all stock splits including the two-for-one stock split in the form of a stock dividend effective October 27, 2000.

⁽⁴⁾ Total Assets includes assets from continuing operations and the net assets of discontinued operations through the Agilent Technologies' spin-off date of June 2, 2000.

DIRECTORS

Philip M. Condit

Chairman of the Board and
Chief Executive Officer
The Boeing Company
An aerospace manufacturer

Patricia C. Dunn

Co-Chairman and
Global Chief Executive
Barclays Global Investors
A global investment firm

Carleton S. Fiorina

Chairman, President and
Chief Executive Officer
Hewlett-Packard Company

Sam Ginn

Retired Chairman
Vodafone AirTouch Plc

Richard A. Hackborn

Former Chairman and Retired Executive
Vice President, Computer Products
Organization
Hewlett-Packard Company

Walter B. Hewlett

Independent software developer and
Chairman of Vermont Telephone
Company

George A. Keyworth II

Chairman and Senior Fellow
The Progress & Freedom Foundation
A public policy research institute

Robert E. Knowling, Jr.

Former President and
Chief Executive Officer
Covad Communications Company
A DSL provider

Susan Packard Orr

President
Technology Resource Assistance Center
A software development company
(retiring February 2001)

Robert P. Wayman

Executive Vice President
and Chief Financial Officer
Hewlett-Packard Company

EMERITUS DIRECTOR

William R. Hewlett

Co-founder
Hewlett-Packard Company

COMMITTEES OF THE BOARD

Executive Committee

Fiorina (Chair), Wayman

Audit Committee

Keyworth (Chair), Dunn,
Hackborn, Knowling

Compensation Committee

Condit (Chair), Ginn, Hewlett

Finance and Investment Committee

Dunn (Chair), Hackborn, Keyworth,
Knowling, Wayman

Nominating and Governance Committee

Ginn (Chair), Condit, Hewlett,
Orr, Fiorina

EXECUTIVE OFFICERS

Carleton S. Fiorina*

Chairman, President and
Chief Executive Officer

Robert P. Wayman*

Executive Vice President,
Finance and Administration and
Chief Financial Officer

Ann O. Baskins

Vice President, General Counsel and
Secretary

Susan D. Bowick*

Vice President and Director
Corporate Human Resources

Charles N. Charnas

Assistant Secretary
and Senior Managing Counsel

Raymond W. Cookingham*

Vice President and Controller
(retiring January 31, 2001)

Dr. Richard A. DeMillo*

Vice President and Chief Technology Officer

Debra L. Dunn*

Vice President and General Manager
Strategy and Corporate Operations

Bernard Guidon

Vice President and General Manager
hp Consulting

Pradeep Jotwani*

President and General Manager
Consumer Business Organization

Richard H. Lampman

Vice President, Research
Director, hp Laboratories

Ann M. Livermore*

President
Business Customer Organization

Michael J. Rose

Vice President and Chief Information Officer
Controller (effective January 31, 2001)

William V. Russell

Vice President and General Manager
Software and Solutions Organization

Alex Sozonoff

Vice President
Customer Advocacy

Dr. Stephen L. Squires

Vice President and Chief Science Officer

Lawrence J. Tomlinson

Vice President and Treasurer

Carolyn M. Ticknor*

President
Imaging and Printing Systems

Duane E. Zitzner*

President
Computing Systems

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

STOCKHOLDER INFORMATION

The annual meeting will be held on Tuesday, February 27, 2001 at the Flint Center for the Performing Arts. The address is 21250 Stevens Creek Boulevard, Cupertino, California, 95015-1897.

Investor Information

Current and prospective hp investors can receive the Annual Report, Proxy Statement, 10-K, earnings announcements, 10-Q and other publications at no cost by calling 800-TALK-HWP (825-5497). As a service to people with impaired vision, the 2000 Annual Report is available on audio cassette.

HP's home page on the World Wide Web is at <http://www.hp.com>

The Annual Report and related financial information are also available on the Web, and they can be accessed either from our home page or directly at <http://www.hp.com/hpinfo/investor/main.htm>

Transfer Agent and Registrar

Please contact hp's transfer agent, at the phone number or address listed below, with questions concerning stock certificates, dividend checks, transfer of ownership or other matters pertaining to your stock account.

Computershare Investor Services

Shareholder Services

P.O. Box A3504

Chicago, Illinois 60690

(800) 286-5977 (from the United States)

(312) 360-5138 (outside the United States)

Common Stock and Dividends

Hewlett-Packard is listed on the New York and Pacific stock exchanges, with the ticker symbol HWP. We've paid cash dividends each year since 1965. The current rate is \$0.08 per share per quarter. As of November 30, 2000, there were 122,409 shareholders of record.

Dividend Reinvestment/Stock Purchase

Dividend reinvestment and stock purchase are available through Computershare, hp's transfer agent. For information on this program, please contact Computershare at the following address and phone number:

Computershare Trust Company

Dividend Reinvestment Services

P.O. Box A3309

Chicago, IL 60690

(800) 286-5977 (from the U.S.) or

(312) 360-5138 (outside the U.S.)

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Europe, Africa, Middle East

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Forward-Looking Statements

This annual report contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause the results of hp and its consolidated subsidiaries to differ materially from those expressed or implied by such forward-looking statements. All statements other than statements of historical fact are forward-looking statements, including any projections of earnings, revenues, or other financial items; any statements of the plans, strategies and objectives of management for future operations; any statements concerning proposed new products, services, or developments; any statements regarding future economic conditions or performance; statements of belief and any statement of assumptions underlying any of the foregoing. The risks, uncertainties and assumptions referred to above include the ability of hp to retain and motivate key employees; the timely development, production and acceptance of products and services and their feature sets; the challenge of managing asset levels, including inventory; the flow of products into third-party distribution channels; the difficulty of keeping expense growth at modest levels while increasing revenues; and other risks that are described from time to time in hp's Securities and Exchange Commission reports, including but not limited to the Annual Report on Form 10-K for the years ended October 31, 2000 and 1999, and subsequently filed reports. HP assumes no obligation to update these forward-looking statements.

A photograph of a man and a woman smiling, with the text "Go invent." overlaid in the center. The man is on the left, wearing a reddish-brown sweater. The woman is on the right, wearing a green long-sleeved top. The background is a plain, light-colored wall.

Go invent.



