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ANNUAL

REPORT

HEWLETT-PACKARD COMPANY

Product of the State of State

DIRECTORS OF THE COMPANY

David Packard

William R. Hewlett

W. F. Cavier

Luis Alvarez

Harold H. Buttner

Frederick E. Terman

Director, President and Member of the Executive Committee, Hewlett-Packard Company. Director, Crocker-Anglo National Bank, Varian Associates, Huggins Laboratories, Inc. Director, American Management Association. Fellow, Institute of Radio Engineers. Member, American Institute of Electrical Engineers. Trustee, Stanford University.

Director, Executive Vice President and Member of the Executive Committee, Hewlett-Packard Company, Director, Watkins-Johnson Co., Hexcel Products, Inc. Past President, Institute of Radio Engineers. Past Chairman, San Francisco Section, I.R.E., Fellow, Institute of Radio Engineers. Member, American Institute of Electrical Engineers.

Director, Vice President, Finance, and Member of the Executive Committee, Hewlett-Packard Company.

Director, Hewlett-Packard Company. Professor of Physics, Associate Director of the Radiation Laboratory, University of California.

Director, Hewlett-Packard Company. Retired Vice President, Research and Development, International Telephone & Telegraph Company. Director, International Standard Electric Corporation.

Director, Hewlett-Packard Company. Provost and Dean of the School of Engineering, Stanford University. Past President and Fellow, Institute of Radio Engineers.

OFFICERS OF THE COMPANY

David Packard, President

Ident William R. Hewlett, Executive Vice President W. F. Cavier, Vice President, Finance

Appointed Assistant Secretary in 1947.

Vice President, Marketing. Sales Manager, Hewlett-Packard Company, 1944 until 1957 when appointed Vice President. Senior Member, Institute of Radio Engineers, Past Chairman, San Francisco Section, I.R.E., Past Presi-W. Noel Eldred dent, West Coast Electronic Manufacturers' Association. Vice President, Manufacturing. Production Manager, Hewlett-Packard Company, 1946 until 1957 when appointed Vice President. Senior Member, Institute of Radio Engi-neers. Mayor of City of Palo Alto, now serving third term. Noel E. Porter Vice President, Research and Development. Bernard M. Oliver Ph.D., California Institute of Technology; Institute of In-ternational Education honor exchange student. Formerly with Bell Telephone Laboratories, joined Hewlett-Packard in 1952. Holder of 27 patents, others pending. Fellow, Insta tute of Radio Engineers, Past Chairman, San Francisco Section, I.R.E. Secretary-Treasurer. CPA and former partner, F. W. Lafrentz & Company. Joined Hewlett-Packard in 1953 as Chief Auditor, named Secretary-Treasurer in 1957. Mem-ber, California Society of Certified Public Accountants and American Institute of Certified Public Accountants. Edwin E. van Bronkhorst Assistant Secretary. Joined Hewlett-Packard in 1951 as **David Bates** Chief Cost Accountant. Named Assistant Secretary in 1957. K. E. Cook Assistant Secretary. Joined Hewlett-Packard in 1943.





William R. Hewlett

TO OUR STOCKHOLDERS

Your company made a great deal of progress in 1957 and I am pleased to report some of the highlights to you.

Our business was slowed down a bit in the fourth quarter by the downturn in the National economy and by the severe slowdown in spending for the defense effort. Nevertheless, we finished out the year with sales of just under \$28,000,000, a 39% increase over 1956, and a satisfactory operating profit of \$2,402,557. This is a little over 78ϕ a share which is a 34%increase over 1956. At the time of the public stock issue this Fall, we gave our employees a substantial stock bonus. This allowed us a non-recurring tax credit of \$460,703 which brought the net income applicable to stockholders' equity to \$2,863,260 or 93ϕ a share. We increased our research and development expenditures to \$1,563,929, more than 50% above the 1956 expenditure. The results of this increased effort in research and development will begin to show up in additional new products before the end of 1958.

During 1957 we also completed the first two buildings of our new facility in Stanford Industrial Park. We moved about half of our production into the first of these new buildings during the year and had it operating up to full efficiency within a few months. The second building will house our research and development organization. The move will be completed by the first of February.

Substantially all of the capital equipment for these new facilities was purchased during the year, bringing our total expenditures for buildings and equipment to \$2,682,000 for 1957. This entire amount was taken out of working capital and profits during the year. This has left our current position a little heavier than we would like to see. We are converting part of this to a longer term bank loan, but otherwise we see no need for additional financing in the near future.

We now have facilities and other resources sufficient to handle a volume of between \$40,000,000 and \$50,000,000 in the next two or three years. We plan to continue to use substantially all of our profit to finance additional growth and so we see no likelihood of cash dividends for the next year or two.

With the generally unsettled business situation, it has been very difficult to make a realistic prediction for 1958. The effect of Soviet satellites on the national defense programs is not yet clear. We think our sales will be at least 10% ahead of 1957 and we hope to be able to maintain our profit margins. If there is a long step up in the national defense program, it will begin to affect us in the second quarter and may bring a very substantial increase in our business by the end of the year. Under these conditions our estimate for 1958 may turn out to be very conservative indeed.

We plan to place great emphasis in 1958 on building for the longer term opportunity. We are increasing our research and development work. We are expanding our marketing activities and we hope to further strengthen our manufacturing program. This work has already begun. As a result, our first quarter profit may be down a bit, but we will be in an excellent position to take advantage of the opportunity which may come from the accelerated defense program.

In the pages that follow you will find, in addition to the financial reports, a little story about our people, our products and our philosophy. As new stockholders, we thought you would be interested.

PRESIDENT



David Packard



missiles — precision -hp- instruments are essential for development, testing and firing of missiles.



early-warning radar—-hp- test instruments are used to develop and manufacture defense radar; keep it in peak operating condition.

electronic measuring







satellite tracking, monitoring—important data on in-orbit performance of satellites is obtained with -hp- counters, recorders and oscilloscopes.



motion pictures, recording—from Fantasia to today's binaural high-fidelity recordings, -hpinstruments have supported the advance of sound recording.



computers—high-speed mathematical devices are engineered, built and maintained with -hp- electronic equipment.



automation—-hp- instruments are basic design tools and building blocks of automatic manufacturing systems.



instruments

some of the many things they do and the many ways they serve transportation—railroads, automotive manufacturers, pipelines and fank farms owe many ''automated'' advances to precision -hp- electronic instrumentation.





television, radio — receiver and transmitter manufacturers, plus broadcasters, use -hp- instruments to design, manufacture and maintain equipment.



telephone and communications—via microwave, land line, or undersea cable, your voice carries clearly on equipment engineered and maintained with -hp- instruments.



igh fidelity—tuners, amplifiers and recorders—all are designed, built and tested with -hp- instruments.



aircraft and marine radar—from basic engineering to daily maintenance, -hp- instruments are vital to commercial radar.



"Hewlett-Packard began back in 1939, when Bill Hewlett and I went into partnership to manufacture electronic measuring instruments.

"Electronic measuring instruments are the basic design and manufacturing tools of electronics. There was very little such equipment available in 1939, and we felt we could contribute significant improvements in the speed and accuracy of electronic measurements.

"Sales were good from the beginning. We plowed back every nickel we could and by World War II had come along far enough to be able to make some fairly significant contributions to military electronics. At the end of the War we had a basic line of 25 measuring instruments, 100 good people on the payroll, and four Army-Navy 'E's' for efficiency.

"From 1947 on we concentrated on commercial products—instruments that would speed and simplify measurements in the electronics field and in industry generally. By 1950 our sales were running better than \$2 million per year.

"At this point we became even more optimistic about the opportunities in the electronic field. The research and development effort was greatly accelerated to rapidly expand our instrument line. This engineering acceleration plus the Korean conflict greatly expanded our volume through the years that followed.





hundreds of thousands of dollars

Net income per share of capital stock

Annual net sales in millions of dollars

Today, sales are approaching the \$30 million level and we have about 1,500 people in two substantial plants. Our product line includes over 300 standard electronic instruments, and we believe this to be the largest and most diversified commercial line of quality electronic measuring instruments offered.

"Success in electronics, or any field, of course depends on constant progress. You might be interested to note that of our 1957 sales, over 75% was in instruments introduced since 1950. Our new instrument development program is not only continuing, but has been accelerated materially since the last quarter of 1957.

"One word about backlog. At the end of our 1957 fiscal year backlog was approximately two months for both standard instruments and military contracts. Our standard products are sold as off-the-shelf items. Our customers order from a catalog expecting delivery within a few weeks. If we cannot ship within this time, we may lose the order to a competitor. A backlog of about one month's business on standard instruments is regarded as ideal.

"We do, from time to time, have a large backlog on military contracts. However, since we try to keep this in proper balance with our standard instrument business, such a military backlog will be nowhere as large as for a firm engaged essentially in government work.

"Our philosophy? It's quite simple. We strive for leadership in our field, by making a contribution. Our engineers have contributed new methods and techniques to the field of measurement; we expect them to continue to do so. Our production department has built inexpensive quality into our products. Our sales department has made sure that the right people get the right instruments. And, we don't forget our customers once the sale is made."



Where electronic instruments begin ENGINEERING

Basically, Hewlett-Packard's development activity rests on a broad base of pure scientific engineering and research. Continuing "pure" work in solid state fields (transistors and semiconductors), in vacuum tubes, circuit design methods and basic measuring techniques provides stimulus for over 90 graduate engineers working in four principal practical application groups.

Each of these four groups concentrates on a given field of instrumentation, and each has a senior engineering head reporting directly to Dr. Oliver, Research and Development Vice President.

In charge of Division One, frequency counters and related products, is Alan Bagley, graduate of California Institute of Technology and Stanford University, recognized as one of the nation's foremost counter engineers.

Heading Division Two is Norman Schrock, in charge of the -hp- oscilloscope and oscilloscope accessory program. Schrock is also a graduate engineer from Stanford.

Division Three is devoted to development of new microwave signal generators, noise meters and noise sources, and waveguide components. Its leader is another -hp- veteran, Bruce Wholey, graduate engineer from the University of Alberta, Stanford and Harvard University.

And Division Four—audio and video voltmeter projects—is the domain of John Cage, former head of the Electronics Department at Purdue University, former Professor of Electrical Engineering at the University of Colorado, former General Manager, Industrial Electronics Division, Raytheon Corporation.



CONSULTANTS—To help insure the margin of superior performance and value expected of Hewlett-Packard instruments, skilled specialists in various scientific and instrumentation fields are available to the regular engineering staff.

Three such consultants are Dr. Horace Overacker, Brunton Bauer and Dr. Peter Lacy, veteran -hp- engineers whose previous work and experience speeds and simplifies the solution of difficult problems.

Outside consultants, internationally-known specialists including many Stanford professors, are also available to contribute from their fund of scientific knowledge toward better instrumentation from Hewlett-Packard.

Overall productivity of the Hewlett-Packard engineering group may be judged thusly. Many of our competitors have only 10 to 15 instruments in their entire line, whereas -hp- engineers will develop and produce this many new instruments in just one year!

Some of the more significant new instruments announced in 1958 are shown on this page. Top to bottom, 721A Transistorized Power Supply, 606A Signal Generator, 434A Calorimetric Wattmeter, 400L Logarithmic Voltmeter, 425A Micro Voltmeter, 153A Oscilloscope Amplifier, 152B Oscilloscope Amplifier, 218A Digital Delay Generator and the new, low priced, high volume 120A Oscilloscope. It is expected this new instrument group will add substantially to the 1958 Hewlett-Packard sales volume.

Development work is conducted in the finest and most completely equipped electronic engineering facilities available. A new 85,000 square foot laboratory, in its own building completed on Stanford University property in 1957, is devoted entirely to new, better and more useful Hewlett-Packard instruments.





Efficiency, flexibility and quality typify -hp-MANUFACTURING

Hewlett-Packard instruments are the standards by which industry makes a wide variety of basic measurements. In its manufacturing, -hp- stresses quality, precision and low cost.

It is Hewlett-Packard's policy to select the best possible people and give them real authority. This delegation, plus a manufacturing organization built up of small groups each producing a single kind or class of instruments, has made possible quality, low cost and maximum output.

Since quality is such a vital ingredient in its products, Hewlett-Packard buys parts only from selected vendors. For the same reason, the Company makes many of its own parts. Only this way has it been possible to obtain the degree of perfection, specification control and design flexibility necessary to keeping Hewlett-Packard instruments ahead of their field.

Some of the "extra" manufacturing steps Hewlett-Packard performs to insure product superiority include the winding of precision resistors on special, -hp- developed equipment; precision electroplating of rare and corrosion-resistant metals; vacuum

Quality is all-important in Hewlett-Packard instruments, and quality control in *-hp*-plants is exceptionally rigid. Complete departments equipped with precision instrumentation thoroughly test *-hp*- products before shipment.





evaporating metallic films to provide highly stable resistive units for attenuators, growth of crystals for semi-conductors, and many more conventional manufacturing procedures such as die casting, plastic molding and gear cutting.

Today, Hewlett-Packard operates two plants, under overall direction of Vice President for Manufacturing Noel E. Porter. Key Hewlett-Packard veterans supporting Porter are Chief Manufacturing Engineer Ralph Lee, Plant Engineering Manager Philip Towle, Purchasing Head O. B. Sundberg, Plant One Manager Gordon Eding and Plant Two Manager C. S. Selby. Plants One and Two operate independently, and are measured separately in terms of productivity.

During 1957, Hewlett-Packard added 170,000 square feet of plant area—two large, ultra-modern buildings on a 40-acre site adjoining the Stanford University campus. This expansion brings to 330,000 square feet the total Hewlett-Packard facility. This is sufficient to permit sales volume to expand to \$40,000,000 annually. Additional ground area available for expansion can permit tripling of present plant capacity.

Hewlett-Packard has pioneered many cost-cutting production techniques now standard in the industry. A simple-appearing but highly economical step was the adaptation of roller conveyors, originally intended for materials handling, to assembly line use.



150 engineer-salesmen, world-wide

MARKETING

Hewlett-Patherd's Vice President, Marketing, and overall sales head is W. Noel Eldred, Stanford graduate engineer and veteran of over 20 years in electronic sales. One of the most widely known sales figures in electronics, Eldred supervises the worldwide activities of over 150 factory-trained engineer salesmen working for independent sales companies representing Hewlett-Packard.

Other than sales executive and customer service men based in -hp- plants, the Company has no field sales personnel. Hewlett-Packard does business through selected independent sales representatives because in this manner it is possible to obtain a higher caliber of salesman-engineer and to provide him with greater incentive to maximum sales. Further, since the same men represent other manufacturers, there is multiple access to prospective and present customers. Hewlett-Packard representatives function in the same manner as direct salesmen, subject to the, same direction from the overall sales authority

Sales veterans Cortland Van Rensselaer and William Doolittle head domestic and foreign sales, respectively, under Marketing Vice President Eldred. Van Rensselaer supervises sales through





In as fast-paced an industry as electronics, it is essential to get information to customers swiftly. One of the best ways to do this is at trade or technical shows such as the giant annual I.R.E. Show in New York and the WESCON convention in Los Angeles and San Francisco. Hewlett-Packard is a prominent exhibitor at all major electronic trade shows, and -hp- engineers regularly deliver papers pointing out improved measuring methods available with -hp- instruments. Actual demonstration is the best way to sell electronic test instruments. Many -hpcustomers, particularly those at military installations, are far from metropolitan centers. So, -hp- representatives take the sales-making demonstration to the customer in specially equipped buses and vans. These travelling "road-show" displays are manned by skilled engineers and contain the latest -hp- equipment in actual operating set-up.

the 14 U. S. representative organizations to every segment of electronics, the major manufacturing and process industries, the government, and military groups. While manufacturing and sales effort of the Company is largely commercial instrumentation, -hp- has accepted many government development and production contracts. At present, about 20% of sales are attributed to government agencies, including the military.

Overseas, sales are through qualified and factory-trained representatives — all engineer-salesmen — in 21 foreign lands. The Company accepts factory-direct orders from 10 other countries overseas.

To make absolutely sure that Hewlett-Packard salesmen have the best possible product knowledge, -hp- schedules re-training seminars annually. These seminars involve theory as well as application and operation of -hp- instruments, include an extensive review of competitive products, and conclude with a written examination. Similar training is given over a much longer period to new engineer-salesmen to prepare them for field selling positions.





Measuring progress and managing profit FINANCE

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Hewlett-Packard's financial group is headed by W. Frank Cavier, Vice President for Finance, Secretary-Treasurer Edwin van Bronkhorst, and Assistant Secretary David Bates.

These people administer a financial policy that is dedicated to two objectives.

The first is to continually measure the performance of the Company in terms of profit. Hewlett-Packard is highly profit conscious; completely aware of the basic financial law that profit is a means to everything the Company does, and to every contribution the Company is able to make to science, industry and national security.

The second objective of the financial group is to manage profit so it can continually be plowed back into the Company to foster continued growth, improve the manufacturing and sales position, anticipate competitive challenges and continue to lead the field. This plan will mean no cash dividends for the next year or so, but will provide a sound foundation for future dividends.

One of the most important background functions of the financial group is collecting and arranging of data from all departments of the Company so that there can be, at any time, a detailed picture of progress toward objectives. To make such data assembly quick and efficient, the financial group has installed a complete computer-type data processing system which assists in collecting, collating and presenting the information needed.



A share of success, an informal atmosphere

PERSONNEL PHILOSOPHY

The philosophy of the -hp- personnel program is to provide an informal, friendly atmosphere and the opportunity to share financially in the Company's success.

Because -hp- realizes that good people are the key to real success, plants, laboratories and offices are staffed with carefully selected men and women meeting the highest standards. Recognition of their effort, progress and contributions is tangible and prompt. In addition to job security, there is a unique incentive bonus plan tied to productivity, an annual Christmas bonus, and, in November, 1957, a stock bonus. Each incentive is closely related to employee performance.

Participation in this manner in the Company's success has brought about a cohesive attitude between management and employees wherein both are extremely conscious of, and continually work together toward, high quality performance. This has been achieved through the years without -hp- employees feeling the desire or need for representation by a collective bargaining agreement.

Another important facet of the -hp- personnel philosophy is that -hp- people are encouraged to contribute their time and efforts to community endeavors and groups. Many -hp- people are active on school boards, planning commissions, recreational projects, etc.

Heading the Hewlett-Packard personnel department is Ray L. Wilbur, Jr., graduate of Stanford and Syracuse Universities, and a man with over 20 years of practical experience in industrial relations and personnel management. He is supported by a group of long-term -hp- employees who devote full time to implementation of the -hp- personnel philosophy.

HEWLETT-PACKARD COMPANY (A California Corporation)

BALANCE SHEET October 31, 1957

Assets

| Current Assets: | | |
|--|-----|-----------------|
| Cash | . 9 | \$ 268,899.16 |
| Notes and Accounts Receivable Less Provision for Losses in | | |
| Collection of \$9,897.70 | | 3,475,258.44 |
| Inventories: | | |
| Finished Goods and Work in Process, at Approximate Cost | | 4,001,993.87 |
| Raw Materials, at Lower of Cost or Market | | 1,769,394.14 |
| Deposits and Prepaid Expenses | i | 76,659.83 |
| Total Current Assets | . 4 | \$ 9,592,205.44 |

Property, Plant and Equipment, at Cost,

| Less Accumul | ated I | eprec | iatio | n a | nd | Ar | nor | tiza | itio | 1 0 | f | | |
|----------------|--------|-------|-------|-----|----|----|-----|------|------|-----|---|----|-------------|
| \$1,480,128.94 | (Note | 1) | , . | | | | | | | | • | \$ | 4,983,916.5 |

Other Assets:

| Securities, at Cost, (\$37,800.00 ple | edge | ed t | to s | ecu | re | lon | g-t | erm | nc | ote) | • | \$ 47,800.00 |
|---------------------------------------|------|------|------|-----|----|-----|-----|-----|----|------|---|-----------------|
| Deferred Patent Expense | | | • | | ĸ. | | ٠ | | | * | | 33,622.02 |
| Organization Expense | * | | | | ۰, | | ٠ | * | | | • | 3,960.05 |
| Total Other Assets | * | ař. | ÷ | 18) | | | * | ж. | ġ. | × | • | \$ 85,382.07 |

| Total | | | | | | | | | | | | | | | \$14,661,504.02 |
|-------|--|--|--|--|--|--|--|--|--|--|--|--|--|--|-----------------|
|-------|--|--|--|--|--|--|--|--|--|--|--|--|--|--|-----------------|

The accompanying Notes to Financial Statema

Liabilities

| Current Liabilities: | |
|---|-----------------|
| Short Term Notes Payable | 5 1,100,000.00 |
| Long-term Debt Maturing within One Year | 154,948.92 |
| Accounts Payable and Accruals | 1,885,211.90 |
| Provision for Federal Taxes on Income (Note 2) | 1,768,042.78 |
| Total Current Liabilities | \$ 4,908,203.60 |
| Long-Term Debt: | |
| Mortgage Payable, 4½% due 1963 | \$ 419,591.11 |
| Leasehold, 4½% due 1961 | 300,000.00 |
| Other (\$24,154.20 Secured) | 56,654.20 |
| Total Long-term Debt | 5 776,245.31 |
| 7 | 15 10 |
| Reserve: | |
| Capital Stock Bonus Payable (Note 3) | \$ 885,968.00 |
| Capital Stock and Surplus: | |
| Common Stock, Par Value \$1.00 a Share (Note 4) | |
| Authorized 5,000,000 Shares; Reserved for Stock Options 45,527 Shares; Issued and Outstanding 3,000,000 Shares | 5 3,000,000.00 |
| Earned Surplus | 5.091.087.11 |
| Total Capital Stock and Surplus | \$ 8,091,087.11 |
| Total | \$14,661,504.02 |
| | |

(inside back cover) are an integral part hereof.



HEWLETT-PACKARD COMPANY (A California Corporation)

STATEMENT OF INCOME AND EARNED SURPLUS

For the Year Ended October 31, 1957

| Sales, Net | | \$27,948,789.65 |
|---|--------------|-----------------|
| Cost of Goods Sold | | 17,245,450.01 |
| Gross Profit on Sales | | 10,703,339.64 |
| Selling, Administrative and General Expenses | | 5,738,327.93 |
| Net Profit From Operations | | 4,965,011.71 |
| Other Income | | 143,511.04 |
| Total | | 5,108,522.75 |
| Other Deductions | | 110,074.57 |
| Net Income Before Provision for Federal Taxes on Income | | 4,998,448.18 |
| Provision for Federal Taxes on Income | | 2,595,890.91 |
| Net Income Before Special Credit and Charge | | 2,402,557.27 |
| Special Credit: | | |
| Reduction in Federal Taxes on Income Attributable to Capital Stock Bonus to Employees | | 460,703.36 |
| Net Income to Stockholders Equity . | | 2,863,260.63 |
| Special Charge: | | |
| Capital Stock Bonus to Employees | | 885,968.00 |
| Net Income to Earned Surplus | | 1,977,292.63 |
| Earned Surplus, November 1, 1956 | | 5,120,153.48 |
| Total | | 7,097,446.11 |
| Less: | | |
| Dividends | 6,359.00 | |
| Transfer to Capital Stock | 2,000,000.00 | 2,006,359.00 |
| Earned Surplus, October 31, 1957 | | 5,091,087,11 |

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

NOTES TO FINANCIAL STATEMENTS October 31, 1957

1. The property, plant and equipment accounts include \$403,936.92 representing emergency facilities acquired under Certificates of Necessity. These facilities are being amortized over a five-year period from date of acquisition and such assets totaling \$221,469.32, which have been fully amortized under these certificates in prior years, continue to be used in the operation of the business.

At October 31, 1957, land and building with a net book value of \$218,497.29 and \$559,977.79, respectively, were pledged by deed of trust as security for the mortgage payable.

- 2. Federal income tax returns have been examined and cleared through the year ended October 31, 1955. The income tax liability for subsequent years is subject to final determination upon audit by the Internal Revenue Service.
- 3. On September 7, 1957, the Board of Directors authorized a bonus to be paid, in shares of the Company's capital stock, to certain officers and employees of the Company in recognition of past services. The capital stock for this bonus was issued on November 6, 1957, to certain officers and employees who had at least six months service at October 31, 1957.

At November 6, 1957, after the issuance of this stock, the stockholders equity was at follows:

| Reserve: Capital Stock Bonus Payable | October 31, 1957 \$ 885,968.00 | Adjustments Add (Deduct) (\$885,968.00) | November 6, 1957 —0— |
|--|-----------------------------------|---|-------------------------|
| Capital Stock and Surplus: | | | |
| Authorized 5,000,000 Shares; Reserved for Stock Options 45,527 Shares; Issued and Outstanding, 3,000,000 Shares at October 31, 1957, 3,055,373 | | | |
| Shares at November 6, 1957 | \$3,000,000.00 | \$ 55,373.00 | \$3,055,373.00 |
| Paid-in Surplus | -0- | 830,595.00 | 830,595.00 |
| Earned Surplus | 5,091,087.11 | -0- | 5,091,087.11 |
| Total | \$8,091,087.11 | \$885,968.00 | \$8,977,055.11 |
| | | | |

- 4. The Board of Directors on September 30, 1957, approved the plan of giving certain officers and employees of the Company restricted stock options to acquire capital stock of the Company. These options can be exercised during the period commencing one year and terminating five years from the date that such options were granted (November 6, 1957). The aggregate of these options is 45,527 shares and the option price is \$16.00 a share, the fair market value of the capital stock at November 6, 1957.
- 5. Sales recorded during the year ended October 31, 1957 subject to the U. S. Renegotiation Act of 1951, as amended, remain subject to review. The Company believes that when such sales are examined there will be no refund payable.

ACCOUNTANTS' REPORT

San Francisco, California January 6, 1958

To the Board of Directors Hewlett-Packard Company:

We have examined the balance sheet of Hewlett-Packard Company as of October 31, 1957, and the related statement of income and earned surplus for the year then ended. Our examination was 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.

In our opinion, the accompanying balance sheet and related statement of income and earned surplus present fairly the financial position of Hewlett-Packard Company at October 31, 1957, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

F. W. LAFRENTZ & CO.







HEWLETT-PACKARD COMPANY 275 PAGE MILL ROAD • PÁLO ALTO, CALIFORNIA