



Agilent Technologies

Innovating the HP Way

1999 Annual Report

**We make the tools
for people who make
dreams real**



A Watershed Year

March **2**nd **two new companies**

Hewlett-Packard announces plans to realign itself into two independent companies.

July **28**th **company named**

We name our new company Agilent Technologies.

November **18**th **publicly traded**

Our stock begins trading on the New York Stock Exchange under the ticker symbol “A”.

**1999 was quite a year.
But we’re just getting started.**

**We're doing a lot more than
“separating” from Hewlett-
Packard – we're creating a new
company. We're building on an
incomparable heritage and we're
starting as a market leader.
We're addressing opportunities
in exciting markets, including
communications and life sciences
but not limited to them.**

Agilent is a diversified technology company
whose products and solutions revolutionize
how people live and work.

**Agilent has more than
20,000 products, about
42,000 employees and
customers in more than
120 countries. We innovate
like a startup and deliver
as a global company.**

**Agilent enables people to
communicate more effectively
and improves the quality of
their lives.**

Agilent | **yesterday** |

Agilent is a 60-year-old startup. We have an incomparable heritage as part of Hewlett-Packard, a track record of sustained technology innovation and strong customer relationships in each of our businesses.

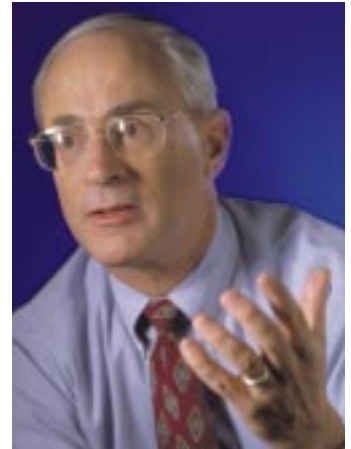
Agilent | **today** |

We're launching Agilent as a new company with a rich technology portfolio, leadership positions in the markets we serve, vital strategic partnerships and the financial strength to achieve our business goals.

Agilent | **tomorrow** |

We're focused on exciting opportunities in communications and life sciences, and we're building on the strengths of HP's entrepreneurial culture while renewing our emphasis on speed, focus and accountability.

I want Agilent to be one of the best decisions we ever made at Hewlett-Packard. All 42,000 Agilent people have the opportunity, and the responsibility, to take the superb hand we've been dealt as part of HP and turn it into something better. We're striving to live up to both our heritage and our potential.



Ned Barnholt
President and Chief Executive Officer

To Our Shareholders

AGILENT BEGAN OPERATING as a separate company on November 1, 1999, just eight months after Hewlett-Packard announced plans to create two independent companies from the existing HP.

On November 17th, we reported strong growth in Agilent's revenue and profitability in the fourth quarter of fiscal 1999 compared with the year-ago quarter.

On November 18th, our initial public offering of stock was the biggest in Silicon Valley history to date.

These accomplishments were made possible by the talent, energy and commitment of some 42,000 Agilent people around the world and many thousands of their HP colleagues. These people worked tirelessly to achieve ambitious goals on a very aggressive schedule. The creation of Agilent is a once-in-a-lifetime opportunity for our management team and our people, and I'm extremely proud of how we have seized this opportunity.

This year's accomplishments are a tribute to the people who have made Agilent's businesses successful in the past. The incredible progress we made in 1999 has energized our new company and created high expectations for Agilent's future, both inside and outside the company.

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Our first-ever annual report describes our businesses, our focus on communications and life sciences, the importance of Agilent Labs and the performance culture we're working to create. It also includes a report from Bob Walker, Senior Vice President and Chief Financial Officer, on our financial results.

In this letter I'll provide the context for these discussions by addressing four fundamental questions:

What are our vision and goals for Agilent?

How do we benefit from being on our own?

Why do these four businesses belong together?

What's our strategy for growth and success?

OUR VISION: AN INNOVATIVE GROWTH COMPANY

Agilent has an extensive technology capability, strong customer and partner relationships, and leadership in the markets we serve. We intend to build on this foundation to create an innovative growth company that is a market leader wherever we compete. Our vision of Agilent is a company that is a technology innovator, a supplier and partner of choice, a great place to work, and a force for economic and social progress.

Fundamentally, Agilent is a technology company. We have a superb track record of innovation and new-business creation in electronics, communications, medical and chemical measurements, photonics and other technology disciplines. Our company's purpose is to revolutionize how people live and work through technology. The tag line on the cover of our annual report captures this spirit: *We make the tools for people who make dreams real.*

Our dream is to enable people to communicate more effectively and to help save lives. To do that, we're focusing on opportunities in communications, electronics, healthcare and life sciences – large markets that are undergoing profound change. Communications, for example, is a \$1 trillion dollar market worldwide, yet half the world's people have never made a phone call. We're focused on these markets but not limited to them. We believe that communications and electronics offer strong potential for growth in the short term and beyond, while the healthcare and life sciences markets present longer-term opportunities.

Our vision of Agilent is a company that is a technology innovator, a supplier and partner of choice, a great place to work, and a force for economic and social progress.

SIGNIFICANT BENEFITS OF INDEPENDENCE

We believe that operating on our own offers clear advantages that help us build shareholder value. These advantages include:

GREATER STRATEGIC FOCUS: Our own board of directors and management team sharpens our focus on Agilent's businesses and opportunities. This also means that we're focusing our resources and investments on the best ways to maximize profitable growth.

INCREASED SPEED AND RESPONSIVENESS: We are making decisions and deploying resources more rapidly, and operating with more agility, than in the past.

STRONGER ACCOUNTABILITY: Agilent is fully accountable to shareholders. We're planning to motivate employees through an array of stock option, profit sharing and incentive compensation programs that are tied, directly and indirectly, to the market performance of our stock.

DIRECT ACCESS TO CAPITAL MARKETS: We have greater financial flexibility to issue debt or equity securities to fund possible acquisitions.

REAL SYNERGIES ACROSS OUR BUSINESSES Agilent's four businesses – test and measurement, semiconductor products, healthcare solutions and chemical analysis – serve thousands of customers in diverse markets and industries. So it's logical to ask how our businesses benefit from being part of one company.

We believe there are significant synergies across our businesses, each of which provides sensor, analysis, display and communications capabilities. First is the ability to leverage competencies in technology. Our four businesses share expertise in measurement science, electronic circuit and system design, application software and solutions integration. Our test and measurement and semiconductor businesses, as well as our healthcare and chemical analysis businesses, also share technologies. This shared expertise deepens our understanding of the challenges our customers face and strengthens our ability to meet their needs.

We're planning to motivate employees through an array of programs that are tied, directly and indirectly, to the market performance of our stock.

Agilent Labs, our central research facility, ties our businesses together from a technology perspective. As part of Agilent, each of our businesses leverages the work of Agilent Labs. Over the years in HP, the Agilent Labs portion of HP's central research lab created numerous new businesses for the company, including inkjet printing and many of the businesses that are now part of Agilent. Inkjet printing is also a good example of how integrating diverse technologies can create entirely new product categories and businesses.

There are also similar business and financial models across our businesses. Key to the success of our businesses is our research-and-development and product-generation capabilities that are based on understanding and anticipating customer needs. Our businesses have also mostly sold their products through a direct sales force and have had similar manufacturing capabilities.

These similarities will enable each business to reduce costs and improve efficiency because of the scale on which Agilent operates in manufacturing, procurement and distribution. We believe that these synergies improve our competitive position.

STRATEGY FOR PROFITABLE GROWTH Our strategy is designed to enable us to capitalize on emerging trends in the communications, electronics, healthcare and life sciences industries.

FOCUS ON HIGH-GROWTH MARKET OPPORTUNITIES: In communications and electronics, the convergence of the traditional telecom world with the Internet, cable and wireless worlds

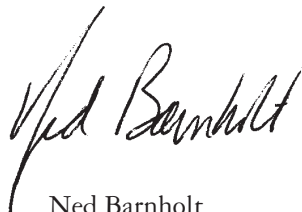
offers huge opportunities. In healthcare and life sciences, progress in understanding the genetic basis of disease is creating exciting opportunities in drug development and disease prevention. Agilent makes the tools that help customers win in these emerging markets.

CONTINUE TO INNOVATE TECHNOLOGICALLY: Agilent isn't a "me-too" company. We'll make substantial investments in research and development, and we will forge strategic partnerships, in order to deliver products and solutions that address customer needs and create new markets and businesses.

MAXIMIZE THE BENEFITS OF OUR SCALE AND GLOBAL PRESENCE: Our worldwide sales organizations work closely with customers and gather vital insights into industry trends. Our global presence enables us to bring new products to market quickly, provide worldwide support and offer our customers complete solutions that include systems integration, project management and training. We'll continue to pursue ways to build on these strengths to increase customer satisfaction and market leadership.

AGILENT: AN \$8 BILLION "STARTUP" | I hope our annual report conveys the excitement we feel at Agilent. We have a rich technology portfolio and are a leader in many of our markets. We work with industry-leading customers in the communications, electronics, healthcare, chemical, petrochemical, environmental and life sciences industries. We're focused on exciting opportunities in communications and life sciences but are not limited to these markets. We benefit from our scale and global presence in manufacturing, sales and customer support. We have a very strong financial foundation.

In short, all 42,000 Agilent people have the opportunity, and the responsibility, to take the superb hand we've been dealt as part of Hewlett-Packard and turn it into something even better. Anything less is not an option. I can assure you that we'll do everything possible to live up to both our heritage and our potential.



Ned Barnholt

President and Chief Executive Officer

December 17, 1999

<http://www.agilent.com>



Agilent | **communications and electronics**

The communications and electronics industries together comprise Agilent's largest strategic market. In 1999, about two-thirds of our revenue was from customers in these industries.

Our test, measurement and monitoring devices enable customers to design, produce, service and manage the world's communications networks.

Our semiconductor products enable customers to create, process, transport and display information in an increasingly connected world.

We work with a "who's who" of industry leaders in communications and electronics, frequently collaborating in standards committees and at the earliest stages of research and development as we create and anticipate the technologies of the future.

Our mission in communications and electronics is to accelerate the development of rapidly evolving generations of appliances and networks – the systems that are fundamentally changing how people learn, work and live.

Darwin Melnyk | *Chief Technology Officer, Chairman and Founder* | **Consonus, Inc.**


At this moment, one in four Internet users is shopping online. In the competitive world of e-commerce, the key to attracting and retaining customers is to deliver high-quality service consistently. Portland, Oregon-based Consonus, Inc., the partner of choice for an impressive group of e-commerce companies, is building and managing the applications and systems that create and run "virtual" businesses. Consonus uses Firehunter by Agilent to measure and guarantee service availability and reliability. Firehunter is powerful software that can tap into thousands of servers in dozens of data centers to track performance. Agilent's solution allows Consonus to verify and maintain top-quality service levels and to provide clients with important real-time performance metrics over the Internet.

The convergence of the traditional telephone world with the Internet, wireless and cable worlds is driving fundamental change in communications.

This transformation is taking several forms. The explosive growth of data and Internet traffic has created an urgent need for greater network bandwidth, or capacity. In addition, the emergence of mobile Internet access promises to alter work and lifestyles radically, as information becomes available anywhere, anytime. Many new network technologies are being deployed to meet this need and to deliver new services.

The communications infrastructure is growing in size and complexity, making network monitoring and management more difficult and essential. Agilent benefits tremendously from these trends.

Supporting these changes is the growing importance of semiconductor devices in electronic products that make up the network infrastructure or that are in the information appliances that plug into the network.

We're pursuing opportunities created by a fundamental change in communications – the convergence of the traditional telephone world with the Internet, wireless and cable worlds.

Agilent has several businesses that are addressing these needs and opportunities. We offer specialized test equipment and high-frequency design tools for our communications customers; general-purpose test equipment for the design and manufacture of electronics products and systems; and automated test equipment for high-volume manufacturing of semiconductor devices and printed circuit assemblies.

In addition, our semiconductor products – including integrated circuits as well as components for fiber-optic and wireless communications – are used by the world's leading manufacturers in a wide range of communications equipment.



“Agilent’s Firehunter provides Consonus with a competitive advantage by helping us measure and manage the performance of e-commerce Web sites and applications. We can now provide performance guarantees and consistently deliver verifiable, high-quality service.”

John McCool | *Engineering Manager, Gigabit Switch Group*

Cisco Systems



The Internet revolution promises to connect everyone to everything at the speed of light. Agilent is playing an instrumental role in fulfilling that promise. The company's customers are racing to provide ever-faster networks with sufficient bandwidth to carry a rapidly growing volume of voice, video and data traffic. Cisco Systems is a leader in building the routers, switches, servers and network-management tools that form the backbone of the Internet. Agilent supplies Cisco with optical and silicon components used in next-generation switches and fiber-optic systems. Small but powerful, Agilent's scalable transceivers integrate into networks to increase bandwidth and port density. This enables more information to move more reliably over the network at faster speeds and at lower costs.


During 1999, each of these Agilent businesses made excellent progress. Our acceSS7 solution monitors the SS7 protocol that forms the "central nervous system" of telecom networks. More than 65 of the world's largest telecom providers used acceSS7 this year to monitor the data on their networks. These customers used that data to address other business issues, from troubleshooting their networks to detecting fraud in real time.

Agilent systems currently test more than 70 percent of all cellular phones that run on Global System for Mobile communications, the standard in much of Europe and the rest of the world.

We also enable our customers to develop products that use Asynchronous Transfer Mode (ATM) and Internet Protocol (IP) technologies to transmit and carry more voice, data and graphic information over existing networks. For instance, we introduced accessATM/IP, which extends the capabilities of acceSS7 to help service providers manage "hybrid" networks that combine legacy systems with networks based on ATM and IP technologies. We also introduced RouterTester, the industry's first test system capable of testing both the physical and services functionality of routers that operate at gigabit and terabit speeds.

Our general-purpose and dedicated instruments and systems address the needs of customers in the communications, electronics, aerospace/defense and computer industries. Our radio frequency test products, systems and services enable manufacturers to test cellular phones on high-volume production lines. Agilent systems currently test more than 70 percent of all cellular phones that run on GSM (Global System for Mobile communications), the standard in much of Europe and the rest of the world. In addition, our optical test products help manufacturers design and produce advanced optical communications networks.

Agilent's automated test solutions focus on the needs of semiconductor and electronics manufacturers. Agilent's semiconductor test systems use system-on-a-chip technology to validate advanced integrated circuit technology. This year we enhanced the HP 95000 High-Speed Memory Series, which enables manufacturers to test memory devices that

A man with short dark hair, wearing a brown and white plaid button-down shirt and khaki pants, stands in a server room. He is smiling and looking towards the camera. The background is filled with server racks. Some racks have their doors open, revealing glowing orange and yellow components. To the right, there are bundles of orange and purple cables. The lighting is dim, with the primary light sources being the glowing server components and some ambient light from the racks.

"In five years, we may see 20 times as much Internet traffic as we do today. Demand for higher link speeds and bandwidth has exploded. Agilent's advanced technology plays a key role in building faster, more efficient optical network solutions."

Giampiero Baldi | *Test Engineer*

Ericsson Telecommunications



Ericsson Telecommunications not only makes cell phones, it makes sure that they work everywhere. Ericsson's advanced mobile telecom networks need to carry signals reliably, globally and inexpensively. For their global network products facility in Sulmona, Italy, Ericsson asked Agilent to help meet the challenges of building a testing system that would increase manufacturing speed, improve quality and adapt to new technologies and products. Agilent's turnkey solution immediately cut test times of key circuit boards in half. As new products are tested or new technology is introduced, the system's interchangeable hardware and compatible software can be adapted and reconfigured as needed. The result for Ericsson is not just faster and higher-quality production, it's an even better ability to respond to marketplace opportunities. The system is now being deployed at other Ericsson sites worldwide.

operate at very high data rates. We also strengthened our leadership position in the emerging market for X-ray inspection with the HP 5DX Series 2 system.

Our semiconductor products business is a leading supplier of fiber optic transceivers and integrated circuits for infrastructure products that are empowering the Internet. We supply the world's largest data communications companies with component solutions for a variety of networking standards – Ethernet, Gigabit Ethernet, ATM, Fibre Channel, SONET/SDH and others that are used in local area and metropolitan area networks. We are also a leading supplier of enabling technologies for the emerging storage area network (SAN) market, with integrated circuit and host adapter technologies based on our industry-leading Tachyon architecture.

We are a leading designer and manufacturer of radio frequency (RF) and microwave components for wireless communications. Our technologies are employed by major cellular handset and infrastructure companies for a variety of interface standards, and we are shipping RF chipset solutions for the rapidly growing CDMA market.

We are the leading supplier of application-specific integrated circuits to Hewlett-Packard for computing and imaging products, and we're expanding our capabilities in image processing with a line of CMOS-based image sensors for low-cost digital still cameras and full-motion video PC cameras. During the fourth quarter of fiscal 1999, we shipped our one-millionth CMOS image sensor device to this fast-growing market.

"The question was how to match our production with a fast-moving, competitive market in which technology changes almost daily. Agilent's solution was a testing system that makes us faster but also more flexible to produce even more advanced products."





Agilent | **healthcare and life sciences**

As part of HP, Agilent has been in the healthcare and life sciences markets since the early '60s. For more than 30 years, we've delivered technology innovations and established leadership positions in important sectors within each market. In 1999, about 30 percent of Agilent's revenue came from the healthcare solutions and chemical analysis businesses.

Like the communications and electronics markets, healthcare and life sciences are in the midst of profound change. In healthcare, there is intense pressure to reduce costs without sacrificing effectiveness. This pressure has led to an ongoing shift to care outside the hospital – in clinics, doctors' offices and people's homes. In life sciences, genetics plays an increasing role in drug discovery, medical diagnosis and treatment, as our knowledge of the genetic basis of disease grows.

Bridgette McDonald | *Senior Flight Attendant* | **Delta Air Lines**


Sometimes even a flight attendant needs special attention while flying. En route from Salt Lake City to New Orleans, 40-year-old Bridgette McDonald went into sudden cardiac arrest and lost consciousness. At 10,000 feet and half an hour from the nearest airport, Bridgette's story could have ended tragically. Instead, Delta Air Lines' crews went into action. They are trained to use Agilent's Heartstream ForeRunner, a portable automatic external defibrillator that is small enough to fit in a seat pocket, is simple to use and is standard equipment on all Delta Air Lines flights. The self-guiding device issued a series of precisely timed, low-voltage impulses to Bridgette's heart, restoring its rhythm and saving her life. Today, this mother of two is in full health.

Agilent's healthcare solutions and chemical analysis businesses address many markets and have a primary goal – to improve the quality of people's lives. When our instruments help chemists analyze water or soil, or when they enable doctors to understand and treat illness, Agilent solutions contribute to a safer, healthier world.


In healthcare solutions, we are a worldwide leader in electromedical clinical measurement and diagnostic solutions. Agilent offers more than 400 healthcare products and services as well as more than 800 medical supply products.

The main healthcare markets we serve are patient monitoring, where our products enable the continuous assessment of a patient's condition to support real-time diagnosis and decision-making; ultrasound imaging, where Agilent systems produce non-invasive views of human anatomy and function to diagnose disease and assess pregnancy; and cardiology, where we help physicians achieve detailed understanding of the heart's function and, with our external defibrillators, restart hearts that have gone into irregular rhythm or cardiac arrest.

When our instruments help chemists analyze water or soil, or when they enable doctors to understand and treat illness, Agilent contributes to a safer, healthier world.

In 1999, we strengthened our position in these markets while addressing opportunities created by changes in the healthcare marketplace. We announced breakthrough enhancements to our HP SONOS 5500 cardiology ultrasound imaging system. An advanced diagnostics package included enhanced information-management solutions as well as new technologies and applications that enable doctors to evaluate the heart's functioning.

During 1999 we achieved growing market acceptance of our ForeRunner automatic external defibrillator, the flagship product of Heartstream, Inc., a company we acquired in 1998. Heartstream's ForeRunner enables non-medical professionals to deliver on-site defibrillation following a cardiac event. The ForeRunner incorporates an advanced, proprietary technology that makes it lighter, less costly, safer and more reliable than other products on

A woman with blonde hair, wearing a dark blazer over a red top and a patterned scarf, is seated in an airplane cabin. She is smiling and looking towards the camera. Her hands are clasped in her lap. In front of her is a tray table with a white cloth, holding a white cup and some papers. The airplane's interior, including the window and overhead storage bins, is visible in the background.

“I’m trained in safety, but the last thing I expected was that something like cardiac arrest could happen to me. I am alive today because we have the Agilent equipment onboard and the trained crew needed to save my life.”

Mickey Williams | *Senior Scientist, Department of Cell Biology and Technology* | **Genentech, Inc.**


What would you do if you could fit a laboratory on a microchip? “A lot,” says Mickey Williams, a senior scientist at Genentech, Inc. As a leader in biotechnology, Genentech conducts hundreds of experiments daily, researching the genetic origins of disease to develop new drugs. Genentech is a pioneer in the use of lab-on-a-chip technology, a first-generation system developed by Agilent and Caliper Technologies. The Agilent 2100 bioanalyzer uses a microchip and biosensors to perform multiple nucleic acid and protein separations, in parallel, using only very small quantities of expensive reagents. Analysis that once required many sources and could take hours can now be done accurately in minutes in one place, at a fraction of the cost. “It makes the process of drug discovery more like using a computer than a slide rule,” says Williams.


the market. A growing number of airlines, entertainment providers and operators of large public facilities purchased ForeRunner defibrillators during 1999.

Looking ahead, our strategy for growth in healthcare solutions is “care everywhere.” We’re working to adapt our technologies and strong customer relationships to deliver high-quality care outside the hospital – in clinics, doctors’ offices and patients’ homes. During the year we introduced Interactive Healthcare Services, which is designed to establish and support a framework for daily patient measurement and clinician review of vital signs in the ongoing management of disease. This minimizes the number of patient visits by medical professionals and lowers costs dramatically by reducing the number of repeat hospitalizations.

We offer more than 400 healthcare products and services as well as more than 800 medical supply products.

Our chemical analysis business serves customers in the chemical, petrochemical and environmental industries; we help these customers improve the productivity of their analysis while maintaining regulatory compliance. We are the market leader in chromatography, where our instruments separate a mixed sample, in gas or liquid form, into its component compounds for analysis. We’re also the leader in spectroscopy, where our products identify and analyze molecules and elements within a sample by measuring the mass of atoms.

We are building on these strengths to address significant opportunities in the pharmaceutical and biopharmaceutical markets, where our instruments currently play an important role in drug discovery and development. Customers in these industries are constantly searching for ways to develop new drugs in less time and at lower cost. In 1999, we introduced the Agilent 2100 bioanalyzer, our first product to deliver lab-on-a-chip capability. This product enables scientists to prepare samples, handle fluids and perform biochemical analysis of the nucleic acids in DNA – all within the confines of a microchip, at much lower cost and in less time than by conventional methods. We are working with Caliper Technologies Corporation on the microfluidics technology that underlies the lab-on-a-chip.

A man with a beard and mustache, wearing a patterned shirt, stands in a laboratory. To his left is a large computer monitor displaying a grid of data. In the foreground, there is a rack of test tubes and other lab equipment. The background shows shelves with various bottles and containers.

“The implications for drug discovery are revolutionary: Running multiple experiments with DNA or RNA samples means more time actually converting genetic information into powerful new cures and treatments.”

Agilent Labs

Agilent Laboratories, our central research facility, fuels Agilent's ability to make breakthrough contributions to our customers' success. Labs' mission is to create value for Agilent through technology innovations that drive growth and profitability for our businesses. Such value can be in the form of innovative products and technologies that enhance current businesses as well as those that create new markets and businesses.

In 1999, Agilent spent nearly \$1 billion on research and development; about 8 percent of this total was for Agilent Labs, the rest for R&D at the business-unit level. As part of HP, these businesses have had a rich history of new business creation – a track record that shows the value of a central research lab that is closely tied to the businesses. There are also many examples of research finding powerful applications in Agilent's businesses.

We're focused on strengthening these fruitful ties with the businesses while conducting research that looks out three to five years, and further, to provide capabilities that customers can only begin to envision.

Most of the researchers joining Agilent came from HP Labs, where they generated a significant amount of new business. They also created a culture that promoted the timely transfer of technology to the businesses. These researchers have had a profound impact on the world through their inventions and major contributions in fiber-optic components and measuring instruments, cardiac ultrasound imaging, microwave integrated circuits, solid-state illumination and other technologies. We're working hard to extend this track record of creating new business at Agilent Labs.

When healthcare professionals can share information, they can make more reliable diagnoses, begin treatment sooner and reduce costs. Agilent Labs scientists are leading a healthcare industry effort to create standard computing interfaces that enable doctors and nurses to share data and images across diverse information systems and national borders. "We're working with more than 50 companies on standards to enable people to retrieve information on a patient quickly and reliably," says Leslie Leonard, second from left. "This will improve the quality of care and lower costs while bringing advanced healthcare to more people. That's great for the world and for Agilent."



An important aspect of our HP Labs heritage that we're bringing to Agilent is the ability to work productively with customers at the earliest stages of product development. The knowledge and insight gained from early involvement with customer needs have allowed Labs and the businesses to design advanced products. An example is our acceSS7 system, which more than 65 telecom providers worldwide are using to monitor a wide range of activities on their complex telephony networks. The acceSS7 system was developed in the wake of a major blackout that occurred in the eastern United States in 1997.




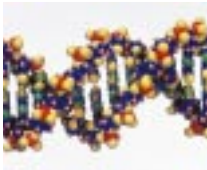
Agilent is at the forefront of a revolution in information that is occurring in parallel with transformations in molecular biology and nanotechnology. Technologies arising from the convergence of these disciplines will have a pervasive impact on our lives in areas such as communications and healthcare.

We're approaching an era in which people will need 1-gigabit/second communications in their offices, homes and on the road for telecommuting, telemedicine and other multimedia applications. Measurement and diagnostic tools are moving from laboratories, hospitals and factories to offices and our homes. An example is the new generation of minimally invasive healthcare devices that enable patients to monitor and treat themselves at home or at work. Distributed measurements and "smart" instruments enable on-site testing. The ability to model, fabricate and manipulate structures at a molecular level is leading to new approaches for chemical and biological sciences as well as for electronics and optics. These approaches hold significant promise for Agilent and open entirely new vistas for businesses in communications and life sciences.



"We're working to enable communications networks to meet the Internet era's exploding demand for more speed, reliability and capacity," says Johnny Ratcliff, far right. Johnny and his colleagues are part of an Agilent Labs team working on advanced optical interconnects that will relieve the "bottlenecks" that slow down network traffic. They're also developing high-speed links to improve the connections between the routers and servers that direct data and images across the network. "There will be more network bandwidth, or capacity, installed in the next two years than in the previous 100," says Plary Mendoza, second from left. "At Labs we're working with customers and partners on the key technologies that will make the Internet 'scream'."

Agilent at a Glance

Business Group	1999 Net Revenue	Description
Test and Measurement 	\$ 4.1 billion	Agilent's test and measurement (T&M) businesses provide test, measurement and monitoring systems used in the design, development, manufacturing, operation or support of electronic and communications devices, systems and supplies. T&M also supplies software for the design of high-frequency communications devices.
Semiconductor Products 	\$ 1.7 billion	The semiconductor products business is a leading supplier of semiconductor components, modules and assemblies for high-performance communications infrastructure, computing devices and mobile information appliances.
Healthcare Solutions 	\$ 1.5 billion	Agilent's clinical measurement and diagnostic solutions enable medical professionals to gather and analyze information in hospitals, clinics, doctors' offices and patients' homes.
Chemical Analysis 	\$ 1.0 billion	The chemical analysis business provides instruments, systems and services that enable customers to identify, quantify, analyze and test the atomic, molecular, physical and biological properties of substances and products.

Agilent Laboratories

Agilent Laboratories is one of the world's premier industrial research and development organizations. The development staff of our central research facility is tightly aligned with the R&D teams of our businesses. Based in Palo Alto, California, Agilent Labs draws on the talents of more than 450 researchers and support staff. Over the past several years, Agilent Labs has been a critical part of Agilent Technologies' new business generation effort.

Key Products	Customers	Strategy
Test solutions for wired and wireless communications equipment, including fiber-optic, broadband, radio frequency and microwave; network service testing and monitoring; general-purpose instruments; automated test equipment; high-frequency electronic design tools; technical support and consultation services.	Communications network equipment manufacturers and service providers; electronic components and equipment makers; semiconductor manufacturers. Examples include Lucent, Nortel, Ericsson, AT&T, GE, Hitachi and Siemens.	Meet the needs of the rapidly growing communications and electronics industries; deploy customer investments in new technologies across multiple applications; work closely with customers to anticipate emerging technologies; expand services and consulting businesses.
Fiber-optic communications devices; integrated circuits for high-speed local-area and storage-area networks; radio-frequency devices and integrated circuits for mobile wireless handsets and infrastructure; infrared components; application-specific integrated circuits; CMOS image sensors for digital cameras; CMOS motion sensors.	A broad array of original-equipment and contract manufacturers in the communications and computing industries, including IBM, Cisco, Motorola and Nokia.	Address the growing demand for higher-speed, higher-capacity connections and mobile communications in next-generation communications networks; continue to be Hewlett-Packard's leading supplier of application-specific integrated circuits; enter into strategic partnerships to exploit and gain access to intellectual property and advanced manufacturing process technology.
Patient-monitoring and imaging systems; cardiology products, including automatic external defibrillators; related professional services, supplies and support.	Professionals and institutions in more than 100 countries, including hospitals, outpatient clinics and doctors' offices as well as major corporations, public facilities, travel companies and entertainment providers. Examples include Johnson & Johnson, General Motors, Kaiser Foundation Hospitals, the Mayo Foundation, American Airlines and Tokyo General Hospital.	Bring new technologies and applications to targeted markets; pursue medical care beyond the hospital; increase presence in emerging countries; develop point-of-care technologies; focus on management and treatment of chronic illness.
Gas and liquid chromatographs, mass spectrometry systems, bio-instrumentation and related supplies and consumables such as chromatograph columns and analytical reagents. We also provide service and customer support for our products.	A broad range of customers in the hydrocarbon-processing, environmental, bioscience and pharmaceutical industries, including Monsanto, Exxon, Merck, Pfizer and Browning-Ferris.	Target high-growth opportunities in the pharmaceutical and biopharmaceutical markets; enhance leadership position in current markets; bring new products and technologies to market faster; leverage strategic relationships and alliances.

Agilent Culture

The creation of Agilent's culture is a critical part of launching our company. At Agilent, culture spans the values, beliefs and assumptions that guide our work with customers, partners and each other.

Our Hewlett-Packard heritage is an unequaled starting point, and we are determined to build on this heritage to create – by design – what we call a culture of performance.

This is a culture that values and rewards people who meet and exceed ambitious standards of business performance, technology innovation, and contribution to customers, shareholders and the community. We're striving to "raise the bar" at Agilent: what was acceptable in the past is below where we want to be in the future.

Our Hewlett-Packard heritage is an unequaled starting point, and we are determined to build on this heritage to create – by design – what we call a culture of performance.

We express a culture of performance in many ways. Our growth strategies are tangible guideposts. The processes and systems we're creating embody the methods we use to manage the company. The performance measures and reward systems we're putting in place are designed to encourage high achievement. The organizations that make up the company create boundaries within which people make important decisions.

These expressions of our culture are rooted in Agilent's fundamental values. These are part of our company's "cultural DNA," and we are bringing these values to Agilent, including:

INNOVATION AND CONTRIBUTION: Agilent is not a "me-too" company. We want to develop breakthrough technologies that make fundamental contributions to industries, markets and our customers. Such technologies will create exciting opportunities in our current businesses and in creating new businesses.

TRUST, RESPECT AND TEAMWORK: Like HP's founders, we believe that people want to excel and can do so if they have the right tools, clear objectives and effective coaching. We're working to match resources to priorities and to remove impediments to teamwork.

UNCOMPROMISING INTEGRITY: We insist on the highest standards of business conduct, and we deal openly and promptly with issues as they arise so that we earn and keep our customers' and partners' trust.

These values helped fuel HP's success and are an important part of the Agilent culture. We're also emphasizing several new values, including:

SPEED: Success demands that we "pick up the pace" in everything from decision-making to product development to responding to customers. Greater speed has to be coupled with agility – the ability to be nimble, well-coordinated and mentally resourceful. Our name is based on the word "agile" and reminds us of this value.

FOCUS: We're working to improve at prioritizing and to simplify how we operate. We are increasing our focus on key, customer-centered objectives and are saying "no" to less relevant activities. Focus also means concentrating on a few big opportunities: investments that can deliver strong growth and create new businesses.

ACCOUNTABILITY: We're determined to make commitments and meet them without fail and without excuses for customers, shareholders and our colleagues.

The creation of our culture draws on the full range of our people's skills and aspirations. It's an essential work-in-progress that provides the foundation for everything we do at Agilent.



"Agilent's people are working to create a customer-centered, results-based culture that leverages our skills and embodies our aspirations."

—Jan Walker, Events Manager

Financial Overview



Robert R. Walker
*Senior Vice President
Chief Financial
Officer*

Agilent Technologies begins life as a separate company with significant financial strength and flexibility. We plan to use these attributes to achieve our business goals and to maximize shareholder value. We see many possibilities for profitable growth, and we will address them with great energy.

1999 FINANCIAL HIGHLIGHTS

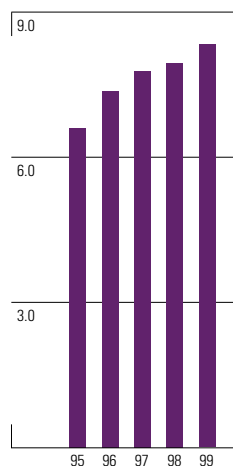
For the years ended Oct. 31 In millions	1999*	1998*	Percentage change
Net Revenue	\$8,331	\$7,952	5%
Earnings from Operations	741	442	68%
Net Earnings	512	257	99%
Return on assets	9.4%	5.2%	—

*In 1999, Agilent Technologies recognized a pre-tax charge of approximately \$51 million related to asset impairment. In 1998, Agilent Technologies incurred pre-tax charges of approximately \$163 million related to specific asset impairment and restructuring actions.

A SOLID RECOVERY IN 1999 In 1999, Agilent's businesses rebounded from a very difficult 1998. Those difficulties stemmed largely from a downturn in the semiconductor and electronics industries and the Asian financial crisis. Our stronger performance in 1999 resulted from actions we took in response to 1998 and from growth in our businesses.

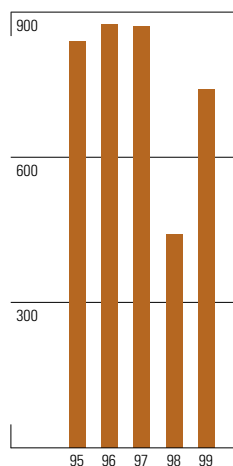
Net Revenue

In billions



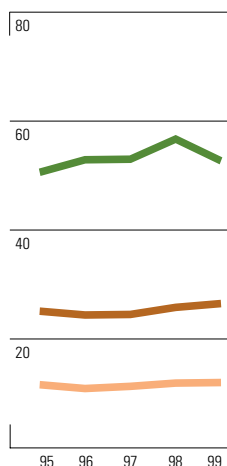
Earnings from Operations

In millions



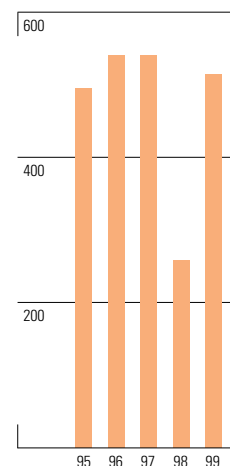
Costs and Expenses

As a percentage
of net revenue



Net Earnings

In millions



■ Cost of products sold and services
■ Selling, general and administrative
■ Research and development

This year's financial results also reflect the first spending to launch Agilent as an independent company. We're confident that we will benefit significantly from these efforts.

Net revenue for Agilent in 1999 was \$8.3 billion, an increase of 5 percent over 1998, when revenue rose 2 percent. Net revenue in our test and measurement business was essentially unchanged from 1998, while revenue from our semiconductor products group increased 9 percent. These businesses had been hit especially hard last year, and this year's improvement reflected our excellent position in the communications market as well as better business conditions in Asia and in the semiconductor industry. Our semiconductor products group also achieved substantial operating profit improvement, driven by improved revenue growth and great progress on its cost reduction programs.

Net revenue in our chemical analysis business was up 9 percent compared with 1998, while net revenue from our healthcare solutions group rose 12 percent. These businesses also posted strong increases in operating profits this year, and both are working to capitalize on exciting growth opportunities in their markets.

Net earnings for Agilent in 1999 were \$512 million, or 6.1 percent of net revenue, compared with net earnings of \$257 million, or 3.2 percent of net revenue, in 1998. Our improved profitability was a result of stronger revenue growth as well as a more efficient cost and expense structure.

We made progress on costs by taking difficult but necessary actions in late 1998. We consolidated our U.S. integrated circuit fabrication activities into a single location, which greatly reduced our costs. We relocated substantial manufacturing capacity in our semiconductor products business to lower-cost geographies. We established a joint venture, Chartered Silicon Partners, under which we share ownership of a state-of-the-art integrated circuit fabrication plant.

The benefits of these and other actions were somewhat offset by costs driven by our separation from Hewlett-Packard, which were of three main types. There were initial expenses for a highly successful effort to establish Agilent's name and brand identity. There were governance costs, such as fees for establishing legal entities in more than 20 countries. Finally, we invested in basic infrastructure, such as a payroll system, that we need to operate on our own.

Agilent began operating as a separate company on November 1, 1999. In November, we received an initial cash transfer from HP of about \$1.6 billion dollars, and at that point we had no significant debt. Of this \$1.6 billion dollars, about \$1.1 billion has been assigned to specific uses, and approximately \$500 million dollars is for operating cash. As we have in the past, we intend to balance a conservative financial approach with appropriate levels of investment to capitalize on growth opportunities and win customer loyalty.

AGILENT ON OUR OWN

A steady stream of innovative products and solutions is essential to Agilent's ability to achieve revenue growth above recent levels. Such innovation requires a broad range of research and development (R&D) efforts.

Agilent Labs, our central research facility, drives this R&D effort. We also engage in business-level R&D that has a shorter time horizon than that of Labs. We spend about 10 to 12 percent of annual revenues on all our R&D.

Agilent's highly technical products and systems benefit from our direct selling to a greater degree than products that are sold by third parties. We will continue to invest in the training and tools that our salespeople need to win business in highly competitive markets. Our direct selling model also gives us wonderful insight into emerging customer needs and market opportunities. We will also continue to deploy e-commerce solutions to increase customer satisfaction and salesforce productivity.

Our manufacturing functions are aimed at areas where we can make a unique contribution. While we outsource some manufacturing today and will look for additional opportunities to expand this activity, we expect to perform high-value-added direct manufacturing in many of our product lines.

FOCUS ON GROWTH

Strong, consistent revenue growth is essential to maximizing shareholder value, and the entire company is focused on improving growth. We have strong positions in communications and life sciences, two large markets that are undergoing fundamental change. We believe this change creates significant opportunities that we're well positioned to capitalize on.

We're also customizing the many business functions – customer support, distribution and others – that Agilent now performs as a separate company.

Finally, we will support research and development as the “engine” of the product leadership we're determined to achieve. As a diversified technology company with an incomparable heritage, Agilent has the financial strength and talented people it takes to extend our strong track record of product innovation and leadership. We intend to focus these strengths on the exciting opportunities we see in order to achieve sustained market leadership and outstanding shareholder value in the years ahead.



Robert R. Walker
*Senior Vice President
 Chief Financial Officer*

Selected Financial Data

Consolidated Statement of Earnings

<i>Years ended October 31</i>	<i>Dollars</i>			<i>As a percentage of total net revenue</i>		
<i>In millions</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>
Net revenue:						
Products	\$ 7,025	\$ 6,794	\$ 6,754	84.3%	85.4%	86.8%
Services	1,306	1,158	1,031	15.7	14.6	13.2
Total net revenue	8,331	7,952	7,785	100.0	100.0	100.0
Cost and expenses:						
Cost of Products	3,582	3,807	3,455	43.0	47.9	44.4
Cost of Services	806	705	671	9.7	8.8	8.6
Research and development	997	948	880	12.0	11.9	11.3
Selling, general and administrative	2,205	2,050	1,909	26.4	25.8	24.5
Total costs and expenses	7,590	7,510	6,915	91.1	94.4	88.8
Earnings from operations	741	442	870	8.9	5.6	11.2
Other income (expense), net	46	(46)	(47)	0.5	(0.6)	(0.6)
Earnings before taxes	787	396	823	9.4	5.0	10.6
Provision for taxes	275	139	280	3.3	1.8	3.6
Net earnings	512	257	543	6.1%	3.2%	7.0%

Consolidated Balance Sheet

<i>In millions</i>	<i>1999</i>	<i>October 31, 1998</i>	<i>1997</i>
Working capital	\$ 1,857	\$ 1,476	\$ 1,408
Total assets	\$ 5,444	\$ 4,987	\$ 5,006
Stockholders' equity	\$ 3,382	\$ 3,022	\$ 3,110

Officers

Edward W. Barnholt
President and Chief Executive Officer

Byron Anderson
Senior Vice President
Electronic Products and Solutions

William R. Hahn
Senior Vice President
Strategic Programs

Jean M. Halloran
Senior Vice President
Human Resources

Richard D. Kniss
Senior Vice President
Chemical Analysis

D. Craig Nordlund
Senior Vice President
General Counsel and Secretary

Stephen H. Rusckowski
Senior Vice President
Healthcare Solutions

Thomas A. Saponas
Senior Vice President
Chief Technology Officer

John E. Scruggs
Senior Vice President
Automated Test

William P. Sullivan
Senior Vice President
Semiconductor Products

Robert R. Walker
Senior Vice President
Chief Financial Officer

Thomas White
Senior Vice President
Communications Solutions

Dorothy D. Hayes
Vice President
Controller

Didier Hirsch
Vice President
Treasurer

Marie Oh Huber
Assistant Secretary

Directors

Gerald Grinstein
Chairman of the Board
Agilent Technologies
Former Chairman of the Board
Delta Air Lines
Retired Chairman
Burlington Northern Santa Fe Corporation

Edward W. Barnholt
President and Chief Executive Officer
Agilent Technologies

Thomas E. Everhart
President Emeritus
California Institute of Technology
A private university

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

David M. Lawrence, M.D.
Chairman of the Board and Chief Executive Officer
Kaiser Foundation Health Plan, Inc. and
Kaiser Foundation Hospitals
Health plan and health services provider organizations

Randall L. Tobias
Chairman Emeritus
Eli Lilly and Company
A global pharmaceutical company

Committees of the Board

Executive Committee
Barnholt, Grinstein

Audit Committee
Everhart, Hewlett, Lawrence

Compensation Committee
Everhart, Grinstein, Lawrence

Nominating Committee
Barnholt, Everhart, Grinstein, Hewlett, Lawrence

Agilent's annual meeting of shareholders will be held on February 29, 2000 at 10:00 a.m. The location is the Flint Center for the Performing Arts, 21250 Stevens Creek Boulevard in Cupertino, California.

INVESTOR INFORMATION

To receive paper copies of the annual report, proxy statement, 10-K, earnings announcements and other financial information, people in the United States and Canada should call our toll-free number: (877) 942-4200. People calling from elsewhere should call (402) 572-4973. You can also access financial information at Agilent's Web site. The address is: <http://www.agilent.com>

TRANSFER AGENT AND REGISTRAR

Please contact our transfer agent, at the phone number or address listed below, with any questions about stock certificates, transfer of ownership or other matters pertaining to your stock account.

Harris Trust and Savings Bank
Shareholder Services
P.O. Box A3504
Chicago, IL 60690

If calling from anywhere within the United States:
(800) 286-5977

If calling from outside the United States: (312) 588-4672

The email address for general shareholder inquiries for Harris Trust and Savings Bank is: webshare@harrisbank.com

COMMON STOCK

Agilent is listed on the New York Stock Exchange, and our ticker symbol is 'A'. Since we plan to retain future earnings to maximize the growth and development of our company, we do not anticipate paying any cash dividends in the foreseeable future. We do not currently offer direct purchase of Agilent shares from the company.

DISTRIBUTION OF SHARES IN AGILENT TO HEWLETT-PACKARD SHAREHOLDERS

Hewlett-Packard has announced its intention to distribute the Agilent shares that it owns to HP shareholders. As of publication of this annual report in January 2000, the target date for this distribution is mid-2000. We do not currently have the record date by which people would need to own HP shares (either in their own names or in "street" name) to be eligible to receive Agilent shares, and we do not yet have the formula by which the number of shares a person will receive would be determined.

We will post this information on our Web site (<http://www.agilent.com>) as soon as it is available.

INVESTOR CONTACT

Agilent Technologies, Inc.
Investor Relations Department
3000 Hanover Street
Mailstop 20 BH
Palo Alto, CA 94304

You can also contact the Investor Relations Department via e-mail at the Agilent Web site at <http://www.agilent.com>. Click on "Investor Relations" and then "Email notification" to send a message.

AGILENT HEADQUARTERS

Agilent Technologies, Inc.
3000 Hanover Street
Palo Alto, CA 94304
(650) 857-1501

Please note that we are currently planning to move into our new headquarters in mid-2000. The address is: 395 Page Mill Road
Palo Alto, CA 94304

This annual report, including the letter titled "To Our Shareholders," contains forward-looking statements. In this annual report, we use words such as "anticipates," "believes," "plans," "expects," "future," "intends," "may," "will," "should," "estimates," "predicts," "potential," "continue," and similar expressions to identify such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements. Forward-looking statements are based on the current views of management on future events and are subject to known and unknown risks, uncertainties and other factors that may cause our actual results, as well as those of the test and measurement, semiconductor, healthcare, chemical analysis and related markets we serve, levels of activity, performance, achievements and prospects to be materially different from those expressed or implied by such forward-looking statements. These risks, uncertainties and other factors include, among others, those identified in the section titled "Factors That May Affect Future Results" in the 1999 Financial Report included in this mailing.



Agilent Technologies

Innovating the HP Way