

Agilent Technologies 2002 corporate report





Manufacturing and R&D sites

Test and Measurement
2002 Net Revenue – \$3.3 Billion

Our test and measurement business provides standard and customized solutions that are used in the design, development, manufacture, installation, deployment and operation of electronic equipment and systems and communications networks and services. These solutions include test and measurement instruments and systems; automated test equipment; communications network monitoring, management and optimization tools; and software design tools and associated services.

Products

We design, develop and manufacture test and design products that range from single-unit electronic measurement devices to large scale integrated-circuit test solutions. We provide communications equipment test solutions; installation, maintenance and operations support solutions for communications service providers; general purpose test solutions; semiconductor automated test equipment; and high-frequency electronic design tools.

Markets and Customers

The markets for our test and measurement products comprise three major customer groups: communications test, general purpose test and semiconductor test. We sell our test and measurement solutions to customers across a broad array of industries. Our customers include Agilent Financial Services, ASE Test, ASML, Intel Corporation, Lockheed Martin Corporation, Motorola, Nokia, Samsung, SBC Communications and the United States Department of Defense.

Semiconductor Products
2002 Net Revenue – \$1.6 Billion

Our semiconductor products business is a leading supplier of semiconductor components, modules and assemblies for high-performance communications systems. We design, develop and manufacture products for the networking and personal systems markets.

Products

Our major product areas include networking and personal systems. Within networking, we provide fiber optics products and high-speed digital integrated circuits. In personal systems, our products are targeted for use in applications such as mobile phones, printers, PC peripherals and consumer electronics. Products are radio frequency and microwave communications devices, including FBAR duplexers and E-pHEMT power amplifiers; infrared emitters, detectors and transceiver modules; printing application specific integrated circuits (ASICs); optical image sensors and processors, optical position sensors, light emitting diodes (LEDs) and optocouplers.

Markets and Customers

We sell to a broad array of customers in networking and personal systems. We sell to original equipment manufacturers directly, including Hewlett-Packard, Cisco Systems, Huawei, Logitech, Nortel Networks™* and Samsung. We also sell to contract manufacturers, including Celestica, Flextronics, Jabil Circuit, Sanmina-SCI Systems and Solectron.

*Nortel Networks is a trademark of the Nortel Networks Corporation.

Life Sciences and Chemical Analysis
2002 Net Revenue – \$1.1 Billion

Our life sciences and chemical analysis business provides application-focused solutions that include instruments, software, consumables and services that enable customers to identify, quantify and analyze the physical and biological properties of substances and products.

Products

Our seven key product categories include microarrays, microfluidics, gas chromatography, liquid chromatography, mass spectrometry, software and informatics, and related consumables and services.

Markets and Customers

We sell our products and services to a broad array of customers in the life sciences and pharmaceutical as well as chemical analysis markets. Life sciences customers include Merck, GlaxoSmithKline, Pfizer, Aventis and Pharmacia. Chemical analysis customers include Boehringer Ingelheim, Dow Chemical, BASF AG, E.I. du Pont de Nemours and Company and Akzo Nobel.

Agilent Laboratories

Agilent Laboratories is Agilent Technologies' central research organization. Agilent Labs engages in two types of research: 1) applied research that leads to technology that can be transferred to Agilent's existing businesses in communications, life sciences and electronics, and 2) research that creates new businesses that are outside of Agilent's current markets but within Agilent's fields of interest. Agilent Labs also provides technology integration across the company.

Agilent Sales and Support

Agilent sells and distributes its products and services through its direct sales force as well as a number of alternate channels, including distributors, resellers, telephone and electronic commerce. Our businesses provide a range of services and customer support, including systems integration, technical and product support, consulting and knowledge services.

Review of 2002

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Agilent won 14 industry and customer awards in 2002.



Agilent was again identified as a "best place to work" in many of our worldwide locations.



New products drove an increased Agilent share in several of our key markets.



To our shareholders

The persistent downturn in the telecommunications and electronics markets was the major factor in Agilent's 2002 results. We are obviously not pleased to report a decline in orders and revenue and a loss for the year. However, we did make substantial progress in returning the company to profitability as we moved through 2002, achieving breakeven on an earnings-before-goodwill (EBG) basis in the fourth quarter.*

This year we also strengthened Agilent for long-term success in two ways. We made investments in research and development (R&D) that are driving product and technology breakthroughs, and we became much more competitive by transforming many aspects of our operations. None of these achievements would have been possible without Agilent's people, who made superb contributions in 2002 under extremely trying conditions. In this letter I'll describe what we are doing to return to sustained profitability, the actions we're taking to build the company for the long term, and the outlook for fiscal 2003.

OUR TOP PRIORITY: RESTORING PROFITABILITY

At the start of the year we expected a slow but gradual improvement in the telecom and semiconductor markets, in which demand had fallen so sharply in 2001. During the first two quarters of 2002 we did see a slight improvement in the semiconductor market, and our overall orders and revenue increased. But conditions weakened again in the middle of 2002 and the outlook for 2003 declined. It was clear that we had to size the company for profitability at a much lower level of business.

In August 2002 we announced reductions in the number of Agilent employees that went beyond our previously announced plans to reduce the workforce by 8,000 people. The latest round of reductions

will lower our workforce by about another 2,500 people, with many of these people scheduled to leave the company by the end of the first quarter of 2003.

These workforce reductions have been and remain very difficult for all of us. But they are a painful necessity in light of the business climate. By the end of 2002, we had completed the 8,000-person workforce reduction and had lowered our total costs, on an annual basis, by about \$1.2 billion.

These workforce reductions, combined with other efforts to streamline our cost structure and reduce discretionary spending, enabled us to lower our total costs and expenses by 21 percent in 2002, on an EBG basis, compared with 2001. Our inventory reductions, along with capital spending that was about \$580 million lower this year than in fiscal 2001, were the key factors in our significant improvement in asset management.

NEW PRODUCTS DRIVE MARKET SHARE GAINS

Another key to restoring profitability is to deliver a steady stream of innovative new products. In 2002 we spent \$1.1 billion on R&D, on an EBG basis, compared with \$1.3 billion in 2001. We maintained our investments in high-priority R&D efforts to help our customers pursue new opportunities and get the most out of their current technology investments.

New products drove market share gains in 2002 in communications test, semiconductor test, semiconductor solutions for PCs and cellular phones, and life sciences and chemical analysis. In the fourth quarter of 2002, we believe we outgrew our markets by about \$125 million in revenue compared with the fourth quarter of 2001. We plan to spend approximately \$1 billion on R&D in fiscal 2003 in order to leverage our market share gains and to take full advantage of any recovery in our markets.



"The last two years have not diminished our belief in Agilent's potential or in the opportunities we are addressing. We have the people, the products and the customer relationships that success demands, and we are committed to building on these strengths during 2003."

Ned Barnholt

Chairman, President and Chief Executive Officer

New products were also critical to the widespread customer recognition we received this year. We won 14 industry and customer awards, including recognition from Cisco Systems, Celestica, Solectron, Brocade and Logitech.

In the fourth quarter of 2001, Agilent reported a loss, on an EBG basis, of \$275 million. In the second quarter of 2002, our EBG loss was \$112 million, and in the fourth quarter of this year we lost \$2 million. We're encouraged by this progress, and we are determined to return to profitability in 2003.

MAJOR PROGRESS IN TRANSFORMING HOW WE OPERATE

Since Agilent became an independent company in November 1999, we have worked hard to transform our operations. These efforts take many forms but have a common goal: to make Agilent even more competitive by improving our speed, flexibility and cost-effectiveness. In 2002 we made excellent strides in this effort.

In June 2002 we launched the first phase of our new enterprise resource planning (ERP) system. This is a highly complex, ambitious program that will reduce more than 2,000 legacy information systems and applications to just a handful of best-in-class integrated information systems. The benefits from this work will be substantial. We will generate real-time information that our people and customers need. We will be able to manage assets more efficiently and share information much more readily than we can now. In short, the ERP system will enable us to function much more effectively as a single company.

Startup issues after the ERP launch made it difficult for us to meet customer expectations and had a significant impact on our third-quarter financial results. Our people performed heroically to resolve these issues and to stabilize the system in our fourth quarter.

We will continue to roll out the ERP system through fiscal 2003, and we expect to realize substantial savings from the implementation beginning in the second half of fiscal 2003. We will also apply what we have learned to the implementation of our new customer relationship management (CRM) system. This rollout is planned for the first quarter of 2003.

Progress in operations during 2002 was not limited to new information systems. We reduced the worldwide space we use by 1.6 million square feet, which saved about \$90 million. We improved our on-time delivery rate and reduced the time between receipt of an order and delivery to the customer.

We will work to build on these accomplishments in our operations through 2003. Our progress in this area complements and supports our work to maintain product and technology leadership.

A RESILIENT AGILENT CULTURE

Workforce reductions, navigating the downturn and the launch of our ERP system posed daunting challenges to our people and culture in 2002. I'm extremely proud of how our employees responded. They worked tirelessly to create a large number of outstanding new products and to deliver the operational improvements we achieved, while also actively supporting our citizenship-related efforts. During 2002, we were proud to be ranked 31st on *Fortune* magazine's annual survey of "Best Places to Work," an improvement from our ranking of 46th the previous year. The company was also named to comparable lists in other countries, including Korea (#3), Australia (#5), India (#6) and Singapore (#1). In our latest employee survey, 85 percent of our employees said they would recommend Agilent as a great place to work — a powerful testament to the culture we are building together.

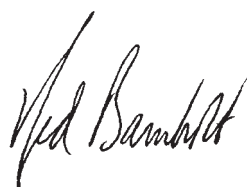
SENIOR MANAGEMENT CHANGES

In early 2002, Adrian Dillon became executive vice president and chief financial officer after Bob Walker decided to leave the company. Adrian is making a major contribution to the evolution of our financial metrics and reporting. During the year we also named Bill Sullivan our chief operating officer, after Alain Couder left Agilent to pursue other opportunities. Bill brings a superb track record and broad skills to the urgent task of our operational transformation. In November 2002 Jerry Grinstein, Agilent's chairman of the board, announced his plans to retire effective after the 2003 Annual Meeting. Until that time, Jerry will serve as our lead director and David Lawrence will succeed him following the meeting. Jerry was instrumental in helping us launch Agilent as an independent company, and I'm very appreciative of all he has contributed.

BUSINESS OUTLOOK

Our top priority is to return to profitability as quickly as possible, and we believe we can achieve modest profitability in 2003. The overall outlook for 2003 is highly dependent on the pace of recovery in our markets. We believe we can achieve a revenue increase of 5 to 10 percent, based primarily on our strong new-product introductions that will enable us to build on our market share gains and enter new markets. We will continue our vigilance on costs and expenses, and we will move ahead aggressively on the operational improvements that have begun to yield very promising results.

During 2003 we will continue to strive for the right balance between the short-term challenges of a difficult environment and the long-term goals we are pursuing. The last two years have not diminished our belief in Agilent's potential or in the opportunities we are addressing. We have the people, the products and the customer relationships that success demands, and we are committed to building on these strengths during 2003.



Ned Barnholt
Chairman, President and Chief Executive Officer

Financial overview in millions	2002	2001	% change
Net revenue	\$6,010	\$8,396	(28)
Loss from operations	(1,607)	(778)	(107)
Other income (expense), net	60	301	(80)
Benefit for taxes	(525)	(71)	639
Loss from continuing operations	(\$1,022)	(\$406)	152

*Agilent's EBG amounts exclude amortization of goodwill and other intangibles, acquisition and divestiture-related items, and other one-time and non-recurring items such as restructuring from earnings.

Supporting our customers

Agilent helps its customers in communications, electronics, life sciences and chemical analysis make vital progress in their markets. Agilent's technologies, solutions and services span research and development through installation and maintenance. We help customers get to market more quickly with their own quality, competitive products and services. Given the nature of today's economy, we have put special emphasis on providing innovative new technologies and services that will help our customers pursue new opportunities and get the most out of their current investments.





Celestica

"Agilent is critical to the success of our relationships with our customers," said Karlheinz Totz, Chief Procurement Officer, Celestica, shown here at Celestica's site in Singapore. "Agilent people make the difference and have consistently demonstrated their commitment to Celestica's success through their dedication, quality and leadership."

Celestica is a world leader in the delivery of innovative electronics manufacturing services. Celestica operates a highly sophisticated global manufacturing network with more than 40 sites in Asia, Europe and the Americas.

Celestica provides seamless, value-added services to customers such as Sun Microsystems, IBM and Lucent Technologies at every stage of the manufacturing process. The company's extensive depth and breadth of offerings support a wide variety of customer requirements from low-volume, high-complexity products to high-volume commodity products. Celestica's services span design to procurement, manufacturing, testing, final distribution, and after-sales service and support.

Agilent supplies a wide range of semiconductor solutions to Celestica. Agilent also contributes to Celestica's supply chain management to get the most innovative components to the right places around the world in the right quantities at the right time.

Celestica's systems and processes simultaneously link Celestica, its customers and suppliers. This integration enables Celestica to ramp operations rapidly to meet customer needs, flexibly shift capacity in response to product demand fluctuations and effectively distribute products directly to end-customers.

Agilent's leadership in semiconductor technology and its focus on responsiveness and execution have assisted Celestica in successfully managing its supply chain, helping Celestica to deliver seamless electronics manufacturing services to its customers worldwide.



GlaxoSmithKline

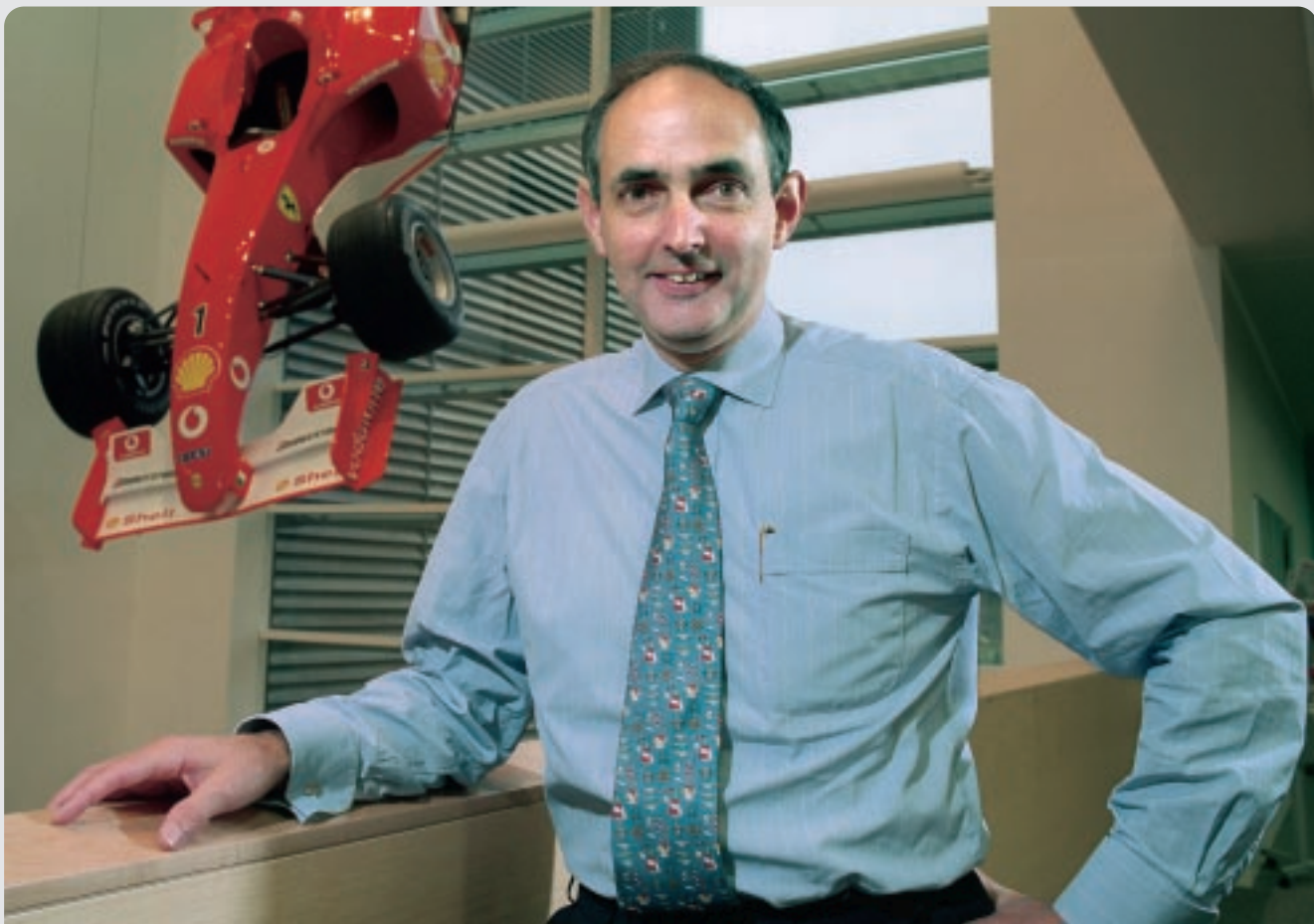
"Two of our biggest challenges are to reduce time to market and to do more with less," said Gerald J. Terfloth (left), Team Manager in the Chemical Development group at Upper Merion. "The Agilent solution is a key part of the progress we're making on these goals. We have worked with Agilent for a long time, and we value the quality of their products and services and the easy access to on-site support they provide." Also pictured are Leo Hsu, Ph.D. (center), Investigator, and John Filan (right), Investigator.

It takes an average of 14 years, and an investment of \$803 million, to bring a new drug from concept to market, according to economists at the Tufts University Center for the Study of Drug Development. This is a journey that only a very small fraction of potential drugs completes. In this high-risk business, GlaxoSmithKline (GSK) is a global leader, with revenue in 2001 of just under US \$30 billion, research and development work in seven countries, and more than 100 products currently in different stages of development.

At GSK's facility in Upper Merion, Pennsylvania, Agilent solutions are helping GSK significantly reduce the time and investment involved in creating new drugs. The Agilent 1100 Series Purification Platform, introduced in 2001, delivers a new way for GSK researchers to isolate and purify compounds – potential new drugs – that are used in research studies and clinical trials. Previously, scientists used ultraviolet light to detect and isolate compounds. The Agilent solution uses the unique chemical mass of the compound. The results are a more efficient isolation and collection process, higher laboratory productivity and improved manufacturing methods for new drugs.

"Agilent solutions are helping GlaxoSmithKline bring exciting new drugs to market faster and more cost-effectively. Agilent is an important partner in our work to improve people's health and quality of life," said Terfloth.

At Upper Merion and around the world, Agilent is helping GlaxoSmithKline achieve its mission: to improve the quality of life by enabling people to do more, feel better and live longer.



Vodafone

"Maintaining and improving customer satisfaction by delivering total service quality are key objectives for Vodafone," said Peter Brown (pictured above), Head of Service Quality Assurance at Vodafone Ltd. "With Agilent acceSS7 and Active Call Test products we can continuously monitor our network to ensure the reliability and quality of services delivered to our subscribers. This helps us to maximize the return from our existing infrastructure."

Vodafone UK has 13 million customers, including the largest share of the corporate mobile communications market in the UK, and it is part of the world's largest mobile community. The UK network covers 99 percent of the population and transmits more than 10 million text messages every day.

The Vodafone Group's global strategy embraces voice, data and Internet-based services, and focuses on satisfying customers' needs by offering an ever wider and richer range of services based on new developments in technology. Recently the company introduced a new service, Vodafone live! which heralds a new era of mobile communications using color, sound, pictures and ease of use.

Solutions from Agilent, such as the acceSS7 network monitoring solution, enable Vodafone to monitor its services to customers in real time.

"Automated end-to-end monitoring of services provides unique information on the end-user experience," said Brown. "This information enables us to continuously improve network quality and review network performance when planning new services."

When people enter Vodafone's network from other countries, Agilent's Roaming Management System enables Vodafone to examine traffic on its own network and the networks of its roaming partners. This visibility allows Vodafone and its partners to provide more customer-focused service.

In the UK Vodafone has a reputation for high quality, and solutions from Agilent assist Vodafone to maintain its efficient cellular network and delight its customers.



Philips

"The Agilent 93000 SOC (system-on-a-chip) Series is an ideal platform for high-volume production testing of our SOC solutions. The flexibility of the system enables us to meet our widely varying testing needs and to address multiple market segments," said Nico Csizmadia (right), Account Manager in the Customer Service Testing Department at Philips Semiconductors' test and assembly site in Kaohsiung, Taiwan; shown with C.S. Lee (left), Philips Semiconductors' Senior System Support Engineer in Wafer Test Engineering.

In fiscal 2002, Philips chose the Agilent 93000 SOC Series to test its next-generation cellular ICs and decided that the platform is suitable to test additional products at Philips.

"The 93000 is a stable platform for high-end technology," said Dion Boerrigter, Strategic Equipment Purchasing Manager for Philips Semiconductors. "We're expanding our use of the 93000 platform, first with cellular and now with other products, at several test and assembly sites."

The capabilities of the 93000 SOC Series – to test digital, analog, radio frequency, embedded memory and scanning – help Philips address both present and future application requirements. The tester's speed, flexibility and measurement repeatability provide Philips with a competitive advantage in delivering high-quality, leading-edge IC solutions to its customers in various market fields.

Agilent continues to expand capabilities for its single, scalable SOC platform to meet customers' advancing test needs and to strengthen long-term relationships with important customers like Philips.



OpsiTech

"Agilent solutions are helping OpsiTech stay at the forefront of optical networking. We're working together to achieve continuous improvement of our products and to bring advanced solutions to customers," said Patrick Mottier, OpsiTech SA President and Chief Operating Officer.

The rapid growth of the Internet is the leading factor in a steady increase in the need for networking bandwidth. In Grenoble, France, Agilent test and measurement equipment is helping OpsiTech SA develop and deploy integrated optical components and modules that address this need. In the design and testing stages, Agilent solutions enable OpsiTech to develop products that incorporate multiple functions on a single semiconductor and to test products for compliance with industry standards and customer requirements. When OpsiTech customers deploy the products in their networks, Agilent solutions make monitoring and maintenance of the network faster and more cost-effective. In today's challenging communications market, Agilent and OpsiTech are working together to drive down the cost-per-bit of network transmission and to improve the reliability and capacity that the Internet and other leading-edge applications require.

Agilent Laboratories

Collaborations between Agilent Laboratories and leading research centers – such as the Donald W. Reynolds Cardiovascular Clinical Research Center at Stanford University – keep the Labs at the forefront of research and provide an in-depth understanding of emerging trends. The Reynolds Center and Agilent Labs are exploring use of Agilent’s microarrays in new biomedical research applications that may lead to future diagnostic applications.

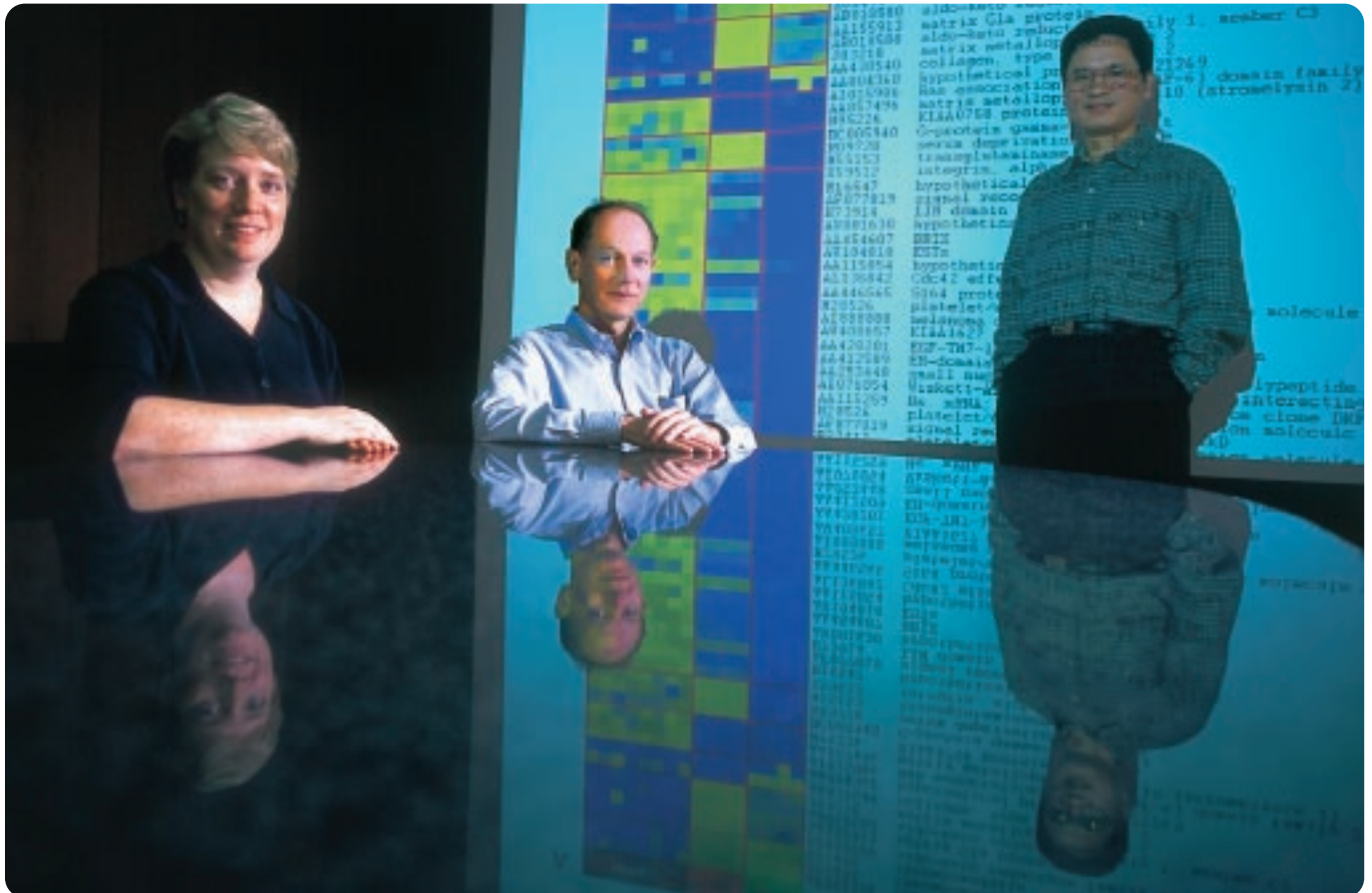
Along with Agilent’s DNA microarrays and microarray systems, Agilent Labs is supplying proprietary computational tools and expertise in cardiovascular disease and information science. Using the Labs’ tools, the Reynolds Center can rapidly interpret data produced by tens of thousands of genes simultaneously as they interact to produce heart disease. Agilent’s ability to provide arrays with customized genetic content is critical in a research environment where the goal is to discover new genes of significance rather than to screen for known ones.

“Agilent Labs’ expertise in molecular and computational biology is very important to our interdisciplinary research at the Reynolds Center. We share the goal of understanding the basic mechanisms of heart disease – a leading cause of death – in order to improve its prevention, diagnosis and treatment.”

Thomas Quertermous, M.D.

William G. Irwin Professor and Chief of Stanford’s Division of Cardiovascular Medicine

“By collaborating with Agilent Labs, we have access to molecular biologists who help us optimize Agilent’s microarrays for our work,” said Dr. Quertermous (center). “And the world-leading computational biologists at Labs are enabling us to guide the development of the tools needed to meet our research needs.” Also pictured are Laurakay Bruhn, Ph.D. (left), Project Manager, Molecular Diagnostics Department, Agilent Labs; and David Deng, Ph.D. (right), Research Scientist, Molecular Diagnostics Department, Agilent Labs.



Operations overview

The operational initiatives that we've been implementing since mid-2000 are fundamentally changing how Agilent does business. These initiatives take many forms but have a common goal: to make the company better able to manage and succeed in the business cycles that are an indelible feature of our markets. To do that, we need to become even more flexible, customer-driven and cost-effective in order to maximize the value we return to customers and to shareholders.

In 2002 we continued an ambitious information technology (IT) transformation: the launch of a new enterprise resource planning (ERP) system, a major upgrade to our web environment and, in early fiscal 2003, the rollout of a new customer relationship management (CRM) system. These efforts, taken together, involve reducing several thousand legacy systems and applications to only a few best-in-class integrated information systems. The benefits of the IT transformation are substantial. We will be much easier for customers to work with because they will have access to customized, real-time information. Our people will be able to share information much more easily than they do now. We will be able to manage our assets more cost-effectively. In 2002 we made outstanding progress on the IT transformation while we lowered IT spending for legacy applications and infrastructure operations by about \$85 million compared with fiscal 2001.

AN AMBITIOUS SYSTEMS TRANSFORMATION

The June 2002 launch of our Phase 1 ERP system implementation encompassed sites that account for about 50 percent of our revenue as well as virtually the entire finance function. We had significant order-management issues after the launch that affected our financial results in the third quarter, but extraordinary efforts by our people stabilized the system in the fourth quarter. We will continue to implement the ERP system throughout fiscal 2003, and we expect to achieve ongoing cost savings from this program beginning in the second half of 2003.

A COMMON INTERNET ARCHITECTURE

This year's migration to a common Internet architecture for the Agilent Web site enabled us to deliver easier navigation; improved access to product, support and contact information; and localized content in American English, Japanese, Korean, and both Traditional and Simplified Chinese. While we will continue to roll out additional capabilities, initial feedback from customers and partners was very positive.



"Our work on operations is fundamentally transforming how Agilent does business. We made great progress in 2002 and are committed to making further strides in 2003."

Bill Sullivan
Executive Vice President and Chief Operating Officer

The new CRM system will enable us to provide service, support and product parts more efficiently and cost-effectively than we have in the past. We are applying the lessons we learned from the ERP launch to the rollout of the CRM system, which took place in December 2002.

MAJOR PROGRESS IN ORDER FULFILLMENT

Order fulfillment spans a range of functions and processes, from the receipt of an order through manufacturing and delivery. We have been re-engineering order fulfillment across the company with the goal of improving our efficiency while reducing costs. In 2002 we continued to consolidate our worldwide manufacturing activities from more than 40 sites to about half that number. We moved manufacturing to lower-cost regions that are also centers of manufacturing expertise and closer to significant customers. We increased the work we do with a variety of partners and suppliers whose focused expertise makes working with them more cost-effective for Agilent. We also created a center in India where we are performing a wide range of transaction processing, software engineering and engineering support services in a highly cost-effective way.

These efforts produced significant results. In our Electronic Products and Solutions Group (EPSG), a large number of highly complex products require technically sophisticated manufacturing. This year EPSG exited manufacturing at three sites and focused on building its presence in Penang, Malaysia, where we increased shipments by about 60 percent in the last nine months of 2002. At the same time, EPSG improved, by a factor of three compared with 2001, its “out of the box” quality – achieving even higher accuracy of order and shipment conformity and other aspects of the customer’s initial receipt of the product.

The Semiconductor Products Group (SPG) reduced the average time between receipt of order and delivery to the customer from 41 days

to eight days for all 19 of its high-volume product lines. SPG also won recognition for its best-in-class delivery performance in several customer and industry surveys, and has achieved significant reductions in inventories and manufacturing costs.

The Life Science and Chemical Analysis Group continued to improve its on-time delivery, exiting 2002 at 90 percent compared with 86 percent at the end of 2001 and 78 percent at the end of 2000.

USING LESS SPACE AND HELPING THE ENVIRONMENT

Workforce reductions and increased outsourcing in 2002 meant that Agilent required less space. Our Workplace Services team did an outstanding job in reducing our space by about 1.6 million square feet during the year. We will continue to analyze our space requirements and have plans to reduce our global “footprint” by another 1 million square feet in fiscal 2003.

We also made great strides in our environmental initiatives. ISO 14001 (International Standards Organization) is a worldwide standard for environmental management systems. In January 2003, we completed – well ahead of schedule – the process of adding 24 manufacturing sites to the companywide ISO 14001 certificate.

We’re encouraged by this year’s progress on the operational improvements that are so critical to Agilent’s future. A good measure of this progress is the recognition we won this year as an outstanding supplier from customers such as Cisco, SBC, Solectron and Brocade. In 2003 our employees will continue to implement initiatives to increase our speed, flexibility and responsiveness. We will also work to strengthen our focus on the quality of our products, services and processes. Customers know that Agilent has a long history of outstanding quality. In our increasingly competitive markets, maintaining our “quality edge” remains an important priority as we strive to improve our operations.

New products

Agilent provides a steady stream of innovative new products, services and solutions to help customers make vital progress in their markets. With Agilent technologies and know-how, customers complete successful designs quickly, manufacture quality products, provide profitable new services and achieve return on investment sooner.



Test and Measurement

Our test and measurement business provides standard and customized solutions that are used in the design, development, manufacture, installation, deployment and operation of electronic equipment and systems and communications networks and services. These solutions include test and measurement instruments and systems; automated test equipment; communications network monitoring, management and optimization tools; and software design tools and associated services.

Automated Test

1 Agilent 93000 SOC Series

The Agilent 93000 SOC Series semiconductor test system has expanded capabilities across its scalable architecture to lower the cost of test and greatly improve efficiency of system-on-a-chip testing for computer, communications, wireless and digital-consumer markets.

2 Agilent SJ50 Automated Optical Inspection System

The award-winning, flexible Agilent SJ50 is used to monitor and improve the printed-circuit-board manufacturing process and performance for higher quality, end-user electronics products.



Communications Solutions

3 Agilent Modular Network Tester
 The Agilent Modular Network Tester provides extreme productivity improvements for optical installation and maintenance technicians.

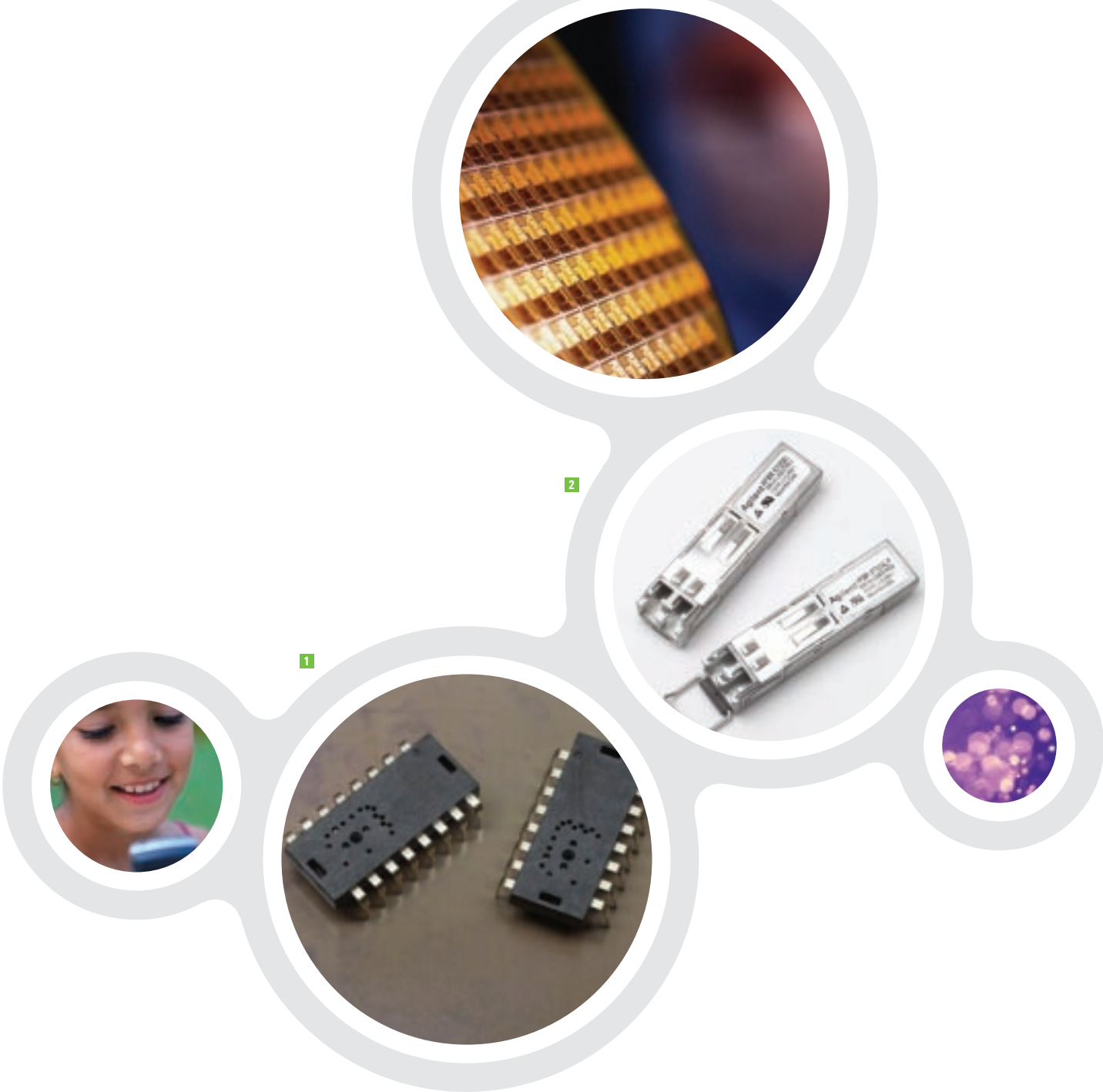
4 Agilent Network Analyzer
 The Agilent Network Analyzer helps companies quickly troubleshoot and repair increasingly complex networks and services while drastically reducing the costs associated with downtime.

Electronic Products and Solutions

5 Agilent 54854A and 54855A
 Agilent's new 4 to 6 GHz oscilloscopes provide R&D engineers with the industry's fastest probes, offering unmatched performance and accuracy for validating high-speed digital designs for the computer, communications and semiconductor industries.

6 Agilent Connected Solutions
 Agilent's Connected Solutions combine the Agilent electronic design automation software with Agilent's radio frequency (RF) and microwave test equipment. These solutions enable design engineers to decrease time spent on prototyping and speed designs to market for wireless, aerospace/defense and general purpose markets.

7 Agilent Functional Electronic Test Solution
 Agilent's system-based solution package integrates test equipment, support services and global delivery to meet customers' total business needs. Agilent test solutions are vital to customer success in the wireless, fiber optic, automotive and satellite markets.



Semiconductor Products

Our semiconductor products business is a leading supplier of semiconductor components, modules and assemblies for high-performance communications systems. We design, develop and manufacture products for the networking and personal systems markets.

1 Agilent Navigation Sensor for Cordless Optical Mice

Optimized for battery operation, the Agilent ADNS-2030 low-power precision navigation sensors offer cordless optical mouse users months of operation from AA batteries. In December, Agilent announced that it had eclipsed the "100 million sensors shipped" milestone. Agilent released its first navigation sensor in October 1999.

2 Agilent 2 Gigabit Fibre Channel Optical Transceiver

Agilent's 2 Gb/s SFP fiber optic transceivers offer network equipment manufacturers an unrivaled combination of advanced features to ease design and increase performance for host bus adapters and mass storage and switching systems used in enterprise Fibre Channel storage area networks.



Life Sciences and Chemical Analysis

Our life sciences and chemical analysis business provides application-focused solutions that include instruments, software, consumables and services that enable customers to identify, quantify and analyze the physical and biological properties of substances and products.

1 Agilent Atmospheric Pressure MALDI Source

Agilent's atmospheric pressure matrix-assisted laser desorption/ionization (AP-MALDI) source works with the LC/MSD Trap SL ion trap mass spectrometer to provide rapid identification of proteins, peptides and related compounds of interest to scientists doing proteomics research.

2 Agilent Microarray Scanner

Agilent's new microarray scanner makes it easier for scientists doing gene expression research to scan a wider variety of glass slide microarrays. Agilent also introduced six more microarray kits to accelerate plant, food, drug-discovery and disease research.

Global citizenship

Agilent's citizenship objective is to honor our obligations to society by being an economic, intellectual and social asset to each nation and community in which we operate. Integrating the development of our business with a sustainable way of life provides competitive advantage, helps ensure long-term success, and increases the opportunities available for the next generation.

In a year that demanded decisive and difficult actions, Agilent remained true to its global citizenship vision. We continued to show leadership in our social and environmental performance, marking new milestones in a number of key areas.

TRIPLE BOTTOM LINE REPORTING

Agilent recognizes the value of tracking its performance against economic, social and environmental parameters, known as "triple bottom line reporting." Since 2000, Agilent has provided an in-depth review of its global citizenship progress each year through an Environment and Social Responsibility Report. This document is a critical part of our annual reporting strategy. It reflects our philosophy of open communication with our stakeholders.

Our Environment and Social Responsibility Report 2002 (www.agilent.com/go/sustainability) covers a broad set of topics ranging from Agilent's environmental impact, to our people and values, customers and partners, and action in our communities. In this section of the Corporate Report, we offer a brief discussion of the values that drive our corporate behavior and a look at some of our most significant global citizenship milestones from 2002.

VALUES UNDERSCORE ACTIONS

Agilent's long-standing corporate values lie at the heart of our business decisions. These core values – such as trust and respect for

individuals – were a source of strength and consistency this year as the company continued to navigate the downturn in the telecommunications and electronics markets.

Industry conditions required Agilent to reduce the size of the company by more than 8,000 people in 2002 and to reduce employee pay from May 2001 until August 2002. In spite of these actions, Agilent continued to be named to a number of prestigious "best places to work" lists around the world. Many of the media stories accompanying these lists cited Agilent's corporate values and the way in which we treat our people as a key factor. The results from employee surveys, conducted by third parties, drove our selection as well.

Respect for the individual means valuing the ways in which people are different. Diversity and inclusion are crucial to Agilent's future – not just because they are the right way to live and work, but because different perspectives enrich and strengthen the new ideas that contribute to our business success. The best way to ensure an innovative future is to actively encourage diversity and inclusion. We call our effort to achieve this Diversity Made Real.

ACTING WITH UNCOMPROMISING INTEGRITY

In a year when U.S. media headlines focused on corporate scandals and the integrity of corporate chief executives came under fire, Agilent continued to be guided by its value of uncompromising integrity. In July 2002, Agilent Chairman, President and CEO Ned Barnholt shared his views on corporate governance in the *San Jose Mercury News*, the Silicon Valley metropolitan daily. Taking a leadership stance, he encouraged more CEOs to talk openly about these issues and said, "Someone has to step forward and say, 'That is not us.'"

Agilent is conservative in both its accounting and in its corporate governance policies. The company endeavors to make its financial information as transparent and open as possible, and has strict



"Agilent's values underscore everything we do. Our goal is to create an environment of teamwork, trust and respect for those with whom we work and do business."

Jean Halloran
Senior Vice President, Human Resources

controls in place to ensure that the information we release accurately reflects our business. We encourage regular communication with investors and other stakeholders on our financial performance.

MEETING ENVIRONMENTAL MILESTONES

Since its inception as an independent company, Agilent has made a commitment to act in an environmentally responsible manner. Each year, Agilent sets environmental objectives and targets. We conduct quarterly reviews with senior management to assess our progress. In addition, we help our customers by providing innovative products and services that contribute to a sustainable future. We inform our suppliers, partners and contractors of our environment and sustainability policy and encourage them to adopt sound environmental management practices as well.

In 2001 we achieved initial registration of our Environmental, Health and Safety Management System (EHSMS) to ISO 14001, an international standard for environmental management systems. Since then, Agilent has continually improved its management of environment, health and safety under this companywide, comprehensive process for monitoring the current and future environmental impact of our products, services and operations.

In 2002, Agilent made excellent progress toward its goal of adding our global manufacturing sites – through site registration audits – to our companywide ISO 14001 certificate. In January 2003, we completed the process of adding 24 manufacturing sites to the certificate. This is well ahead of our original December 2003 target completion date. ISO 14001 registration is internationally recognized and demonstrates that a company is effective in environmental management.

SUPPORTING OUR COMMUNITIES

Agilent Action, the collective name for our community programs, describes a range of initiatives designed to inspire minds and enrich

lives across the globe. We support programs that increase interest in science education – with a particular emphasis on girls, young women and other groups who are currently under-represented in high-technology industries. We also help communities address local health and human service needs.

We actively encourage all Agilent employees to take part in these programs. They can use up to four hours per month of paid time off to volunteer for Agilent-supported activities. In 2002, thousands of our employees participated in a wide range of activities to benefit the communities in which they live and work.

One such program, Agilent After School, doubled the number of students it reached in 2002 with hands-on science materials. From Beijing, China, to Sonoma County, California, Agilent employee volunteers worked with some 50,000 children worldwide through Agilent After School.

Agilent also sponsored and provided judges for the Intel International Science and Engineering Fair for the second year in a row. The fair drew more than 1,200 of the brightest young minds from 39 countries. It is the only international competition in math, science and engineering for high school students.

GLOBAL CITIZENSHIP REWARDED

Agilent joined a select group of exemplary corporate citizens in 2002 when it was named one of 600 companies comprising the Calvert Social Index. The index is a broadly based financial benchmark made up of large, U.S. companies that meet strict social responsibility criteria. Agilent is also included in the Dow Jones Sustainability World Index and the FTSE4Good (*Financial Times* Stock Exchange) Global and U.S. Indexes. Being named to these lists is an honor that recognizes Agilent's leading global citizenship practices and our ability to remain true to our vision even in difficult years.



“Sustainable businesses meet the needs of the current generation while planning for the needs of future generations. Agilent’s corporate values encourage us to implement such thinking in our work. These values, together with the resulting action, embody Agilent’s approach to sustainability.”

Gail Brownell
Manager, Quality and Sustainability

Officers and directors

Officers

Edward W. (Ned) Barnholt – Chairman of the Board of Directors, President and Chief Executive Officer
Bryon J. Anderson – Senior Vice President and General Manager, Electronic Products and Solutions Group
Dick M. Chang – Senior Vice President and General Manager, Semiconductor Products Group
Adrian T. Dillon – Executive Vice President and Chief Financial Officer
William R. Hahn – Senior Vice President, Corporate Relations
Jean M. Halloran – Senior Vice President, Human Resources
Dorothy D. Hayes – Vice President and Controller
Didier Hirsch – Vice President and Treasurer
Larry C. Holmberg – Senior Vice President, Sales, Marketing and Customer Support
Marie Oh Huber – Vice President, Assistant General Counsel and Assistant Secretary
D. Craig Nordlund – Senior Vice President, General Counsel and Secretary
Thomas A. Saponas – Senior Vice President and Chief Technology Officer
William P. Sullivan – Executive Vice President and Chief Operating Officer
Jack P. Trautman – Senior Vice President and General Manager, Automated Test Group
Chris van Ingen – Senior Vice President and General Manager, Life Sciences and Chemical Analysis Group
Thomas E. White – Senior Vice President and General Manager, Communications Solutions Group

Directors

Edward W. (Ned) Barnholt* – Chairman of the Board of Directors, President and Chief Executive Officer
James G. Cullen – Retired President and Chief Operating Officer, Bell Atlantic Corporation (now known as Verizon)
Gerald Grinstein* – Lead Director, Agilent Technologies, Inc. and Retired Chairman of the Board, Agilent Technologies, Inc., Delta Airlines and Burlington Northern Santa Fe Corporation
Robert J. Herbold – Executive Vice President (part time), Microsoft Corporation
Walter B. Hewlett – Independent Researcher and Director, Center for Computer Assisted Research in the Humanities and Public Policy Institute of California
Heidi Kunz – Executive Vice President and Chief Financial Officer, Gap, Inc.
David M. Lawrence, M.D. – Chairman Emeritus of Kaiser Foundation Health Plan, Inc. and Kaiser Foundation Hospitals
A. Barry Rand – Chairman Emeritus, Former Chairman and CEO, Avis Group Holdings, Inc.

Board Committees

Audit and Finance Committee

Heidi Kunz, Chairperson
Robert J. Herbold
Walter B. Hewlett

Compensation Committee

David M. Lawrence, M.D., Chairperson
James G. Cullen
Gerald Grinstein*
A. Barry Rand

Nominating/Corporate Governance Committee

Gerald Grinstein*, Chairperson
James G. Cullen
Robert J. Herbold
Walter B. Hewlett
Heidi Kunz
David M. Lawrence, M.D.
A. Barry Rand

Executive Committee

Gerald Grinstein*, Chairperson
Edward W. (Ned) Barnholt

All listed officers, except William R. Hahn, Didier Hirsch and Marie Oh Huber, are executive officers of Agilent under Section 16 of the Securities Exchange Act of 1934.

* Effective November 20, 2002, in anticipation of Gerald Grinstein's planned retirement at the 2003 Annual Meeting of Stockholders, Edward W. Barnholt succeeded Mr. Grinstein as Chairman of the Board of Directors and Mr. Grinstein was appointed Lead Director. After Mr. Grinstein retires he will be succeeded by Dr. David M. Lawrence.

Shareholder information

Agilent's annual meeting of shareholders will take place on Tuesday, March 4, 2003 at 10:00 a.m. at the South San Francisco Conference Center, 255 South Airport Boulevard, South San Francisco, California.

Investor Information

To receive paper copies of the Annual Report, Proxy Statement, Form 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 outside the United States and Canada should dial: (+1) 402 573 9919. You can also access financial information at Agilent's Investor Relations Web site. The address is www.investor.agilent.com.

Corporate Governance, Business Conduct and Ethics

Agilent's corporate governance guidelines, the charters of our Audit and Finance Committee, Compensation Committee and Nominating/Corporate Governance Committee as well as Agilent's Standards of Business Conduct are available on the Investor Relations Web site at www.investor.agilent.com. You can also request a hard copy of any of this information by contacting 877 942 4200 (in the United States or Canada) or (+1) 402 573 9919 (outside the United States and Canada).

Transfer Agent and Registrar

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

Computershare Investor Services
PO Box A3504
Chicago, IL 60690-3504
United States

If calling from anywhere within the United States and Canada:
877 309 9856.

If calling from outside the United States and Canada: (+1) 312 588 4672.

The e-mail address for general shareholder inquiries for Computershare is web.queries@computershare.com.

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United States

You can also contact the Investor Relations Department via e-mail at the Agilent Investor Relations Web site at www.investor.agilent.com. Click on "E-mail Notification" to send a message.

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Common Stock

Agilent is listed on the New York Stock Exchange and our ticker symbol is "A." There were approximately 71,353 registered shareholders as of December 2, 2002. Since we plan to retain future earnings to maximize the growth and development of our company, we do not anticipate paying cash dividends in the foreseeable future. We do not currently offer direct purchase of Agilent shares from the company or a dividend reinvestment plan (DRIP).

The following tables summarize the high and low stock prices by period for Agilent's common stock.

Fiscal 2001	High	Low
First quarter (ended January 31, 2001)	\$68.00	\$38.06
Second quarter (ended April 30, 2001)	\$55.00	\$25.00
Third quarter (ended July 31, 2001)	\$41.18	\$26.20
Fourth quarter (ended October 31, 2001)	\$32.70	\$18.00

Fiscal 2002	High	Low
First quarter (ended January 31, 2002)	\$33.30	\$22.06
Second quarter (ended April 30, 2002)	\$38.00	\$24.83
Third quarter (ended July 31, 2002)	\$31.25	\$16.00
Fourth quarter (ended October 31, 2002)	\$18.88	\$10.50

This corporate report contains forward-looking statements (including, without limitation, information regarding projected revenue, profitability, earnings, cash flow, R&D spending, savings from restructuring programs, breakeven cost structure, and overall financial results; the status, impact and benefits of the ERP and CRM systems implementations; diagnostic applications of Agilent's microarrays; reductions in our real estate holdings; and the outlook for the general economy and for the markets that Agilent serves) that involve risks and uncertainties that could cause results of Agilent to differ materially from management's current expectations. These risks include the ability to execute successfully through the current economic downturn and an upturn, the ability to meet and achieve the benefits of our cost and space reduction goals and otherwise successfully adapt our cost structures to changes in business conditions, competitive and pricing pressures, the successful implementation of Agilent's ERP and CRM systems and the ability to realize the benefits from these and other IT systems investments, the ability to improve asset performance to adapt to the current economic slowdown and other changes in demand, the ability to successfully introduce new products, and other risks detailed in Agilent's filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the year ended October 31, 2002 as well as any subsequent filings made after December 20, 2002.

The materials in this report are as of January 9, 2003, unless otherwise noted.

Agilent Technologies 2002 corporate report

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