



Agilent Technologies 2004 corporate report



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2004 was a successful turnaround year for Agilent. We achieved consistently strong profitability, completed a sweeping operational transformation, introduced many significant new products, and improved our competitive position. Our innovative products and services help make the world safer, healthier, more productive, more connected and more fun.

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“We began 2005 a much stronger company than we were a year ago, and are excited by our opportunities to build on our success.”

Ned Barnholt

Agilent Chairman, President and Chief Executive Officer

After three tough years in which Agilent survived the high-tech downturn and fundamentally transformed how we operate, 2004 was a successful and gratifying turnaround year for the company. We achieved consistently strong profitability through the year and generated more than \$700 million in cash, completed the sweeping operational transformation launched in 2000, maintained the R&D investments that fueled an outstanding year for new products, and improved our competitive position by entering new markets and exiting others. Agilent's 28,000 people continued to work with great skill, energy and commitment in a difficult environment to deliver these results. We began 2005 a much stronger company than we were a year ago, and are excited by our opportunities to build on our accomplishments.

OUTSTANDING FINANCIAL PERFORMANCE IN 2004

In 2004 Agilent's orders rose 15 percent over 2003 to \$7 billion, while revenue increased 19 percent to \$7.2 billion. During the first half of the year, strong demand in the semiconductor and related industries, especially wireless communications, was a key driver of this growth.

In 2004 we also did an excellent job of managing operating expenses which were \$294 million lower than in 2003. This improvement reflects the work we have done during the past three years to bring Agilent's costs in line with the competitive realities of our markets; to date we have taken about \$800 million out of our quarterly cost structure. ⁽¹⁾

In 2004 we earned \$349 million, or 71 cents per share on a GAAP basis, compared with a loss of \$2.058 billion, or \$4.35 per share, in 2003. ⁽²⁾

On a non-GAAP basis, earnings were \$529 million, or \$1.05 per share, compared with a loss of \$121 million, or 26 cents per share, in 2003.



Inventories were only \$31 million higher at the end of 2004 than a year ago, a great result given our revenue increase for the year of more than \$1.1 billion. In 2004, investments in property, plant and equipment declined by \$87 million from 2003. These improvements, along with our strong profitability, enabled outstanding cash generation, and we began 2005 with about \$2.3 billion in cash and cash equivalents.

In 2004, two of our businesses did very well all year and two others were stronger in the first half. While we saw a decline in orders in wireless handset manufacturing test markets in the fourth quarter of 2004, our Test and Measurement (T&M) business achieved an 18 percent increase in overall orders and 15 percent growth in revenue in 2004. Driving T&M's comeback were improved conditions in many of its markets, strong new products, outstanding expense control and the benefits of its restructuring during the past three years. Our Life Sciences and Chemical Analysis (LSCA) business had a consistently strong year, with healthy growth in orders and revenue, a 30 percent improvement in operating profit, and record orders and revenue in the fourth quarter. LSCA enhanced its leadership in its core chemical analysis business, which serves the petrochemical and environmental markets, while strengthening its position in the life sciences business, where Agilent products and solutions are helping researchers understand the genetic basis of disease and develop new drugs.

After a strong first half, demand from the semiconductor and related industries slowed significantly as the industry worked through excess

inventory and capacity. This affected second-half results in our Semiconductor Products Group (SPG) and Automated Test Group (ATG). For the full year, orders in SPG were up 20 percent while revenue rose by 27 percent. In the fourth quarter we announced plans to sell SPG's camera module business to Flextronics after we determined that this business would not achieve acceptable profit levels as part of Agilent. In ATG, orders fell 2 percent for the full year while revenue increased by 22 percent over fiscal 2003. In 2004 we acquired IBM's flat-panel test business, which we believe complements our existing automated test businesses and offers excellent opportunities for profitable growth.

A MAJOR OPERATIONAL TRANSFORMATION

In 2000 we launched a major effort to make the company more efficient and cost effective and in 2004 largely completed this transformation, which is starting to deliver strong returns. Information-technology (IT) systems have been a key focus of our transformation. In 2004 we completed implementation of our ERP (enterprise resource planning) and customer support systems, which are key building blocks of our IT infrastructure, and finished the outsourcing of some IT functions to partners that can deliver these services more cost effectively. In 2004 we reduced legacy applications by nearly 60 percent, reduced our overall IT costs by 27 percent compared with 2003, and made it easier for customers to use the Agilent Web site to find product and support information.

Financial Overview (in millions)

	2004	2003	% change
Orders	6,997	6,084	15
Net revenue	7,181	6,056	19
Income (loss) from operations (GAAP)	386	(725)	153
Non-GAAP adjustments:			
Restructuring expenses	161	372	
Intangibles amortization and other	95	64	
Non-GAAP adjustments	256	436	(41)
Income (loss) from operations (Non-GAAP)	642	(289)	322
Net income (loss) (GAAP)	349	(2,058)	117
Net income (loss) (Non-GAAP)	529	(121)	537

(1) Operational cost reduction: restructuring, \$600 million; IT costs, \$100 million; other, \$100 million. Agilent's operating breakeven cost structure can be reconciled to GAAP breakeven cost structure as follows: Total GAAP costs and expenses: less restructuring, less cost of sales decrement, less unusual IT projects such as ERP and CRM.

(2) \$1.4 billion of the net loss in 2003 was the result of a non-cash charge to establish a tax valuation allowance.

MAINTAINING INVESTMENTS IN RESEARCH AND DEVELOPMENT

During the past three years we balanced the need to lower costs with investments in research and development (R&D) that enable us to develop the new products crucial to our long-term success. In 2004 we spent \$914 million on R&D. About 7 percent of this total was spent at Agilent Laboratories, our central R&D facility, which extended its long track record of vital contributions to new products.

Based on the partnership between Labs and SPG, we introduced an industry-first laser sensor for Logitech's latest computer mouse that achieved strong market acceptance. LSCA introduced a revolutionary new liquid chromatography product that takes advantage of Agilent's core competencies in microfluidics, optics and semiconductor materials and that has many potential applications for sample separation and preparation in life sciences research. In our Electronic Products and Solutions Group (EPSG), we introduced a series of oscilloscopes that set new performance standards for engineers who design RF and wireless products and that was named a "2004 Product of the Year" by Electronic Products magazine. We also launched a series of modular, reconfigurable test platforms, or synthetic instruments, that are playing a key role in the evolution of the aerospace and defense industries.

CUSTOMER AND QUALITY FOCUS

New products, as well as our operational improvements, contributed to substantial customer recognition in 2004. Nortel Networks™ named Agilent its 2003 Technology Supplier of the Year, and we won the Outstanding Supplier Award from RF Micro Devices in China as well

as the Global Supplier Award from Eli Lilly and Company. We are gratified by these awards and determined to achieve further progress in addressing and anticipating customer needs.

To help further improve our performance with customers, the Agilent Customer Satisfaction program provides customer feedback that we track and compare with aggressive improvement goals. We also rolled out a new quality education program to employees globally, and initiated a company-wide Six Sigma quality program.

A LEADER IN CORPORATE CITIZENSHIP

Outstanding corporate citizenship has two main components, and both were important priorities for Agilent in 2004. The first is corporate governance – the practices that bring to life the highest standards of integrity and transparency. The other is the role we play as an employer and community member. In 2004 we were proud to be ranked No. 9 on the 100 Best Corporate Citizens list published by Business Ethics magazine, which cited Agilent's "diversity practices and superior treatment of the community." In 2004 more than 6,000 Agilent people volunteered in company-supported education, health and human service, and environmental programs or events; 16 countries where we do business have active community programs; approximately 273,000 students were reached through Agilent-sponsored education programs; and we improved our environmental performance in a number of areas. This year we were formally recognized for our contributions and results in 22 communities worldwide. Our corporate citizenship efforts strengthen Agilent's long-term competitiveness and help improve the viability of our many communities, and we will continue to make these efforts a priority.

"Agilent's people continued to work with great skill, energy and commitment."

BUSINESS OUTLOOK

Agilent competes in large markets that are undergoing significant change and are becoming mature. While overall growth rates in these markets are likely to be modest, there are numerous opportunities for more robust growth within these markets. Our products, customer relationships and deep technology expertise position us well to pursue these opportunities, and we will continue to do so in 2005.

As we begin 2005, a reason for caution is the slowdown in the semiconductor industry that affected our results in the second half of 2004. We believe the industry will work through its capacity and inventory issues during the first half of 2005, when we expect demand in our wireless test business to be soft. But we do not believe that we are entering a deep downturn like the one that started in 2001.

Our priorities in 2005 start with our focus on maintaining the financial and operational discipline that was crucial to our results in 2004. We will build on the dramatic progress we have made in our cost structure and IT, manufacturing and other functions. This year we will also emphasize the need to improve all aspects of our customers' experience with Agilent. We survey our customers in depth on a regular basis, and we are taking action to increase their satisfaction and loyalty. In addition, we are increasing our investments in employee development in 2005, in order to expand the skills, leadership capability and commitment of Agilent's people.

The start of 2005 is the beginning of Agilent's sixth year as an independent company. It has been an incredible first five years. We launched the company, grew rapidly, survived the downturn and transformed virtually every element of how we do business. Our people and culture have been tested. We have learned a lot, and we have emerged as a much stronger company. Now we are embarking on a transformation in growth and innovation that is equal in scope to the

operational transformation we have made. Our overarching goal in 2005 is to achieve consistently profitable growth. The key to doing that is to unleash the innovative capacity of Agilent's people. Our ability to innovate, combined with our outstanding products, long-term customer relationships and greater operational efficiency, position us well to achieve our goals in 2005 and to continue making Agilent the company we want it to be.

On January 19, 2005, I announced my intention to retire as Agilent's chairman, president and CEO effective March 1, 2005. The board of directors chose Bill Sullivan, who has been chief operating officer and head of EPSG, to be Agilent's next president and CEO. I will become chairman emeritus and will work with Bill to ensure a smooth transition. Jim Cullen, who has been a board member since 2000, will become the non-executive chairman. Bill is superbly qualified for his new role. His great track record of results over many years, leadership skills and values make him the clear choice to become president and CEO. With Agilent now in excellent financial condition and strong operationally, Bill will lead the company into its next phase, where Agilent will focus more on growth.

After 38 years with Hewlett-Packard and Agilent, including the last six as president and CEO, it's time for me to start the next phase of my life. I want to thank our shareholders, employees, customers and partners for their support of our company over the past six years and for helping to make my time as CEO fulfilling in so many ways.

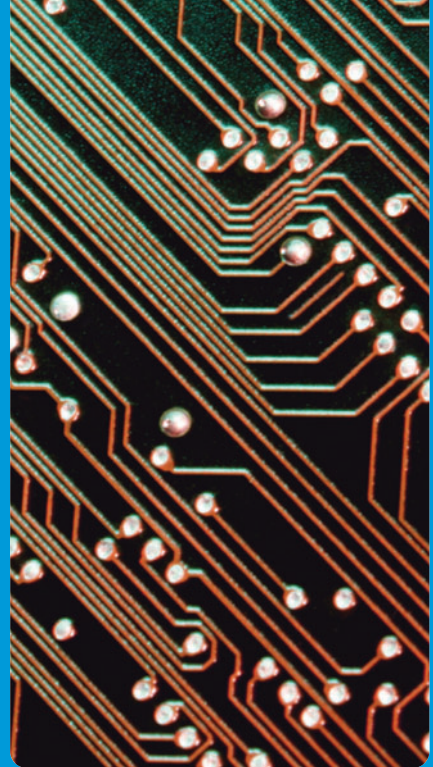


Ned Barnholt

Chairman, President and Chief Executive Officer

“Our people and culture have been tested. We have learned a lot, and we have emerged as a much stronger company.”

AGILENT AT A GLANCE



Agilent delivers critical tools and technologies that sense, measure and interpret the physical and biological world. Our innovative solutions enable a wide range of customers in communications, electronics, life sciences and chemical analysis to make technological advancements that drive productivity and improve the way people live and work.

About two thirds of Agilent's revenue was generated from outside of the United States in fiscal 2004. With approximately 28,000 employees, our global presence offers a competitive advantage. Agilent's manufacturing, R&D, sales and support capabilities around the world give customers the flexibility they need in today's competitive environment.

TEST AND MEASUREMENT

2004 net revenue – \$2.9 billion

Our test and measurement business provides standard and customized solutions that are used in the design, development, manufacture, installation, deployment and operation of electronics equipment and communications networks and services. Test and measurement employed about 11,200 people worldwide as of Oct. 31, 2004.

MARKETS

Our test and measurement markets include the communications test and general purpose test markets.

PRODUCT AREAS

Communications test products include testing solutions for fiber optic networks; transport networks; broadband and data networks; wireless communications; microwave networks; installation and maintenance solutions; and operations support systems, including monitoring and network management systems. General purpose test solutions include general purpose instruments; modular instruments and test software; digital design products; and high-frequency electronic design tools.

AUTOMATED TEST

2004 net revenue – \$0.9 billion

Our automated test business provides test solutions that are used in the manufacture of semiconductor devices, electronics (primarily printed circuit-board assemblies) and flat panel displays. Automated test employed approximately 2,200 people worldwide as of Oct. 31, 2004.

MARKETS

Our automated test business sells to the semiconductor-manufacturing, electronics-manufacturing and flat-panel-display markets.

PRODUCT AREAS

Our automated test business designs, develops and manufactures semiconductor test equipment, electronics manufacturing test equipment (including automated optical inspection products, automated x-ray inspection products, automated in-circuit testing products and manufacturing test systems software) and thin-film transistor array test equipment for flat panel displays.



SEMICONDUCTOR PRODUCTS

2004 net revenue – \$2.0 billion

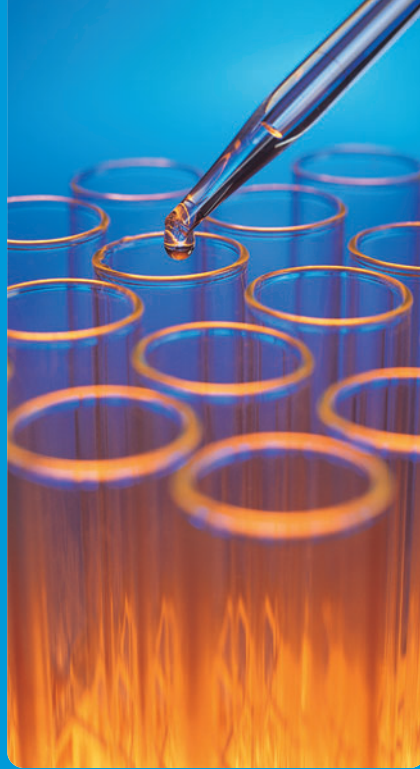
Our semiconductor products business is a leading supplier of semiconductor components, modules and subsystems for consumer and commercial electronics applications. As of Oct. 31, 2004, semiconductor products employed about 6,800 people worldwide.

MARKETS

Our semiconductor products business serves the personal systems and networking markets.

PRODUCT AREAS

Our personal systems products (for use in mobile phones, printers, PC peripherals and consumer electronics) include radio frequency and microwave communications devices such as FBAR duplexers and E-pHEMT power amplifiers; infrared emitters, detectors and transceiver module products; printing application-specific integrated circuits (ASICs); optical image sensors and processors, and optical position sensors; and light emitting diodes (LEDs) and optocoupler products. We are also engaged in a global joint venture – Lumileds – with Philips Electronics, which develops, manufactures and sells LEDs, modules, products and systems for a broad spectrum of lighting applications. Our networking products include Fibre Channel controller products, fiber optic products and high-speed digital integrated circuit products.



LIFE SCIENCES AND CHEMICAL ANALYSIS

2004 net revenue – \$1.3 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. We employed about 3,900 people worldwide as of Oct. 31, 2004 in this business.

MARKETS

Life science markets, which account for about 40 percent of revenue from this business, include the pharmaceutical analysis, gene expression and proteomics markets. Chemical analysis markets, which make up the other 60 percent of revenue, include the petrochemical, environmental, homeland security and forensics, and bioagriculture and food safety markets.

PRODUCT AREAS

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



AGILENT LABORATORIES

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

AGILENT SALES AND SUPPORT

Agilent sells and distributes products primarily through direct sales, but we also utilize distributors, resellers, telesales and electronic commerce. Our businesses provide a range of services and customer support, including systems integration, technical and product support, consulting and knowledge services.



QUALITY OF LIFE

Mobile handset manufacturers, network service providers, pharmaceutical companies, consumer electronics firms, and other businesses around the world rely on Agilent's innovation and collaboration to help drive their success.



To the average consumer, Agilent's test and measurement, semiconductor, automated test, and life sciences and chemical analysis products are not easily recognized. But Agilent's tools help our customers build mobile phones with greater battery life and the latest features, monitor telecom networks to ensure connectivity with loved ones, help scientists uncover the causes of deadly diseases, and check food and water to ensure safety – to name just a few applications. In short, Agilent contributes to a life that's safer, healthier, more productive, more connected – and even more fun.

Agilent's global contribution includes not only actual products and services but also a passion for solving problems. With a 60-year history steeped in developing breakthrough measurement technologies and products as part of Hewlett-Packard Company, a culture of innovation lies at the heart of the company. Agilent combines expertise from a broad array of sciences and engineering with market and customer

understanding to enable that innovation. Today, five-year-old Agilent blends its impressive heritage with the energy and creativity of a start-up.

Agilent is home to one of the world's most innovative centrally funded research labs – Agilent Laboratories. Agilent Labs is a significant growth engine for the company, where scientists from diverse disciplines collaborate and develop synergistic solutions to customer problems. A close connection to Agilent's businesses gives Labs the unique perspective and ability to innovate across the breadth of the company's diverse technologies – from semiconductor products to life science tools.

Agilent Labs has a keen understanding of where technology is heading, while the Agilent businesses have clear perspectives on customer needs and markets. Working together, Labs and the businesses are able to incorporate innovations into products at the right time to meet customer needs – and achieve business success for Agilent.

CORPORATE CITIZENSHIP

Agilent's ongoing commitment to corporate citizenship practices that are global, effective and innovative took many forms in 2004. We supported education, social service and environmental organizations in our many communities around the world; worked with several suppliers to address environmental, health and safety issues; and increased employee satisfaction with Agilent as an employer. These and other citizenship-related efforts help us not only to strengthen our communities but also develop a better understanding of the larger social and cultural conditions within which we operate. This understanding contributes to our success and will enable us to continue to achieve significant citizenship results in the future.

In 2004, Agilent:

- Made cash and equipment investments totaling U.S. \$5.2 million in universities, pre-university science and math education programs, environmental programs, and health and human services worldwide;
- Enabled 20 percent of our employees worldwide to donate 50,000 hours for volunteer community service;
- Implemented our second Agilent Action Week program, in which 1,700 employees at more than 50 locations worldwide volunteered on projects to improve the environment in their communities;
- Reached 273,000 pre-university students and 14,000 teachers through our support or implementation of education programs, including the Agilent After School hands-on science program;

- Ranked Number 9 in Business Ethics magazine's "100 Best Corporate Citizens" list;
- Adopted a Supplier Environmental and Social Responsibility Code of Conduct, and worked with some suppliers to address environmental, health and safety issues in their operations;
- Reduced company-wide energy usage by 6.3 percent;
- Made significant progress in tracking and eliminating lead and other hazardous materials from our component products;
- Was identified by SustainAbility, the United Nations Environment Programme and Standard and Poor's as a global Top 100 non-financial reporter based on our 2003 Environmental and Social Responsibility Report.

For the fourth consecutive year, Agilent in 2004 was selected for the Dow Jones Sustainability World Index and the FTSE4Good (Financial Times Stock Exchange) Global and U.S. Indices of socially responsible companies. Agilent also is included in several other socially responsible indices including Storebrand Investments, Calvert Social Index and the Ethibel Sustainability Index.

Our commitment to corporate citizenship is a defining Agilent value, and it will remain an important part of who we are and what we do. More details about our global citizenship programs are available in the company's **Environment and Social Responsibility Report 2004** at www.agilent.com/go/sustainability.



CORPORATE CITIZENSHIP DATA

Employee data

Number of employees



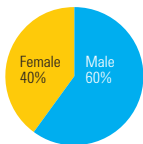
Injury/illness rates*



* Based on recordable occupational injury/illness cases multiplied by 200,000 then divided by the hours worked for the same time period in which the injuries occurred.

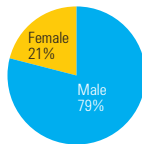
Gender

All employees 2004



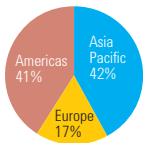
Gender

Executives and senior management (USA only) 2004



Employee locations

2004



“While business success and market leadership are clearly a business’s first priorities, I believe that leading companies set the standard in corporate citizenship as well.”

Ned Barnholt

Agilent Chairman, President and Chief Executive Officer

Environmental data

Total energy use (1,000 gigajoules)

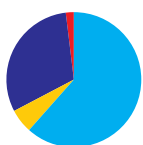


Total water use for operations (1,000 cubic meters)



Community investment data

2004 (million US\$)





safety

In large and small ways, technologies and innovations from Agilent help protect people all over the planet every day.

CONSUMER PRODUCTS

Solutions from Agilent help to identify potentially toxic flame retardant chemicals called polybrominated diphenyl ethers (PBDEs). These can be found in many household products and electronics devices, including clothing, carpets, furniture, computers and televisions.

Although their effects on human health are still under investigation, the European Union and the state of California in the United States have passed laws restricting the use of some types of PBDEs.

Agilent helps manufacturers test for PBDE levels in products so they can comply with regulations. Agilent's innovative Gas Chromatography/Mass Spectrometry analysis method can detect PBDEs at levels as low as one part per billion.

VEHICLE SAFETY

Small, bright light emitting diodes (LEDs) developed by Agilent are found in many vehicles' exterior and interior lighting. The energy-efficient LEDs are easier to see in poor weather, and turn on more quickly, providing following drivers an extra two-tenths of a second to apply their brakes. That means five extra meters (a full car length) of stopping distance at highway speeds.

Agilent LEDs are also used extensively in traffic signals and signs, and in display lighting where a combination of high brightness and weather-resistant packaging are important. In August 2004, Agilent introduced a series of extra-bright white LEDs targeted for this market. In addition to its status as the world's largest supplier of high-brightness red and yellow LEDs, Agilent is the only one of the few manufacturers that can supply red, amber and green LEDs to traffic-light makers.

HANDS-FREE PHONES

Agilent products make it safer to make wireless phone calls, which can be potentially dangerous when driving. To help users continue mobile conversations more safely, Agilent has introduced a miniature, low-cost sensor – The Agilent HSDL-9100-021 optical proximity sensor – that enables mobile phones to automatically switch between earpiece and loudspeaker modes.

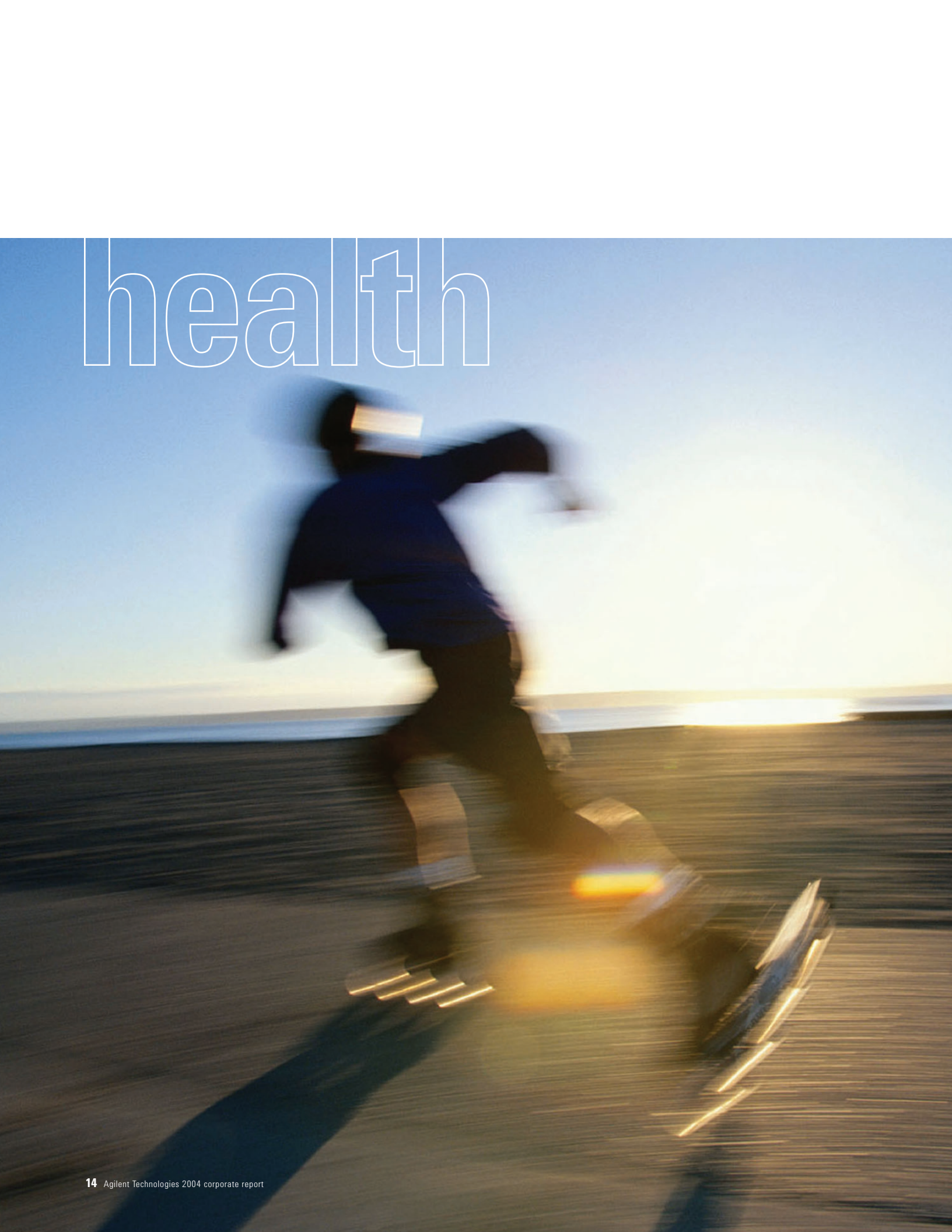
HOMELAND SECURITY

Agilent's analytical instruments are used to identify the chemicals involved in bio-chemical accidents and criminal acts. The ability to quickly determine the scope and nature of an incident helps emergency workers contain and control contamination from dangerous substances. Detecting, identifying and confirming organic and inorganic compounds have been a core competency of Agilent for more than 35 years.

Today, the New York City Police Department uses a mobile lab equipped with Agilent instruments to detect dangerous chemical and biological agents in air, water, soil or food supplies during emergencies.

One technology for detecting biological agents relies on DNA-based measurements using the Agilent 2100 bioanalyzer and lab-on-a-chip technology. The Agilent 2100 bioanalyzer provides rapid qualitative and quantitative information on DNA in biological samples. Agilent is also working with partners to provide screening and confirmatory detection systems for infectious or contagious diseases such as anthrax, smallpox and plague.

health





Agilent enables insights that are the first steps on a journey of discovery that promises to revolutionize the understanding of disease and health.

ADVANCING CANCER DIAGNOSIS AND THERAPY

Progress is being made in the fight against cancer – the 10th leading cause of death worldwide in 2003, according to the World Health Organization. Many cancer researchers use the Agilent DNA microarray platform for gene expression profiling to better understand how cancer begins, develops and progresses. Agilent now is developing specialized DNA microarrays for comparative genomic hybridization (CGH), a technique that allows researchers to study chromosomal changes in cancer and informs them about progression of patients in a way never before possible.

Agilent Labs is working with scientists in other research organizations, such as the Translational Genomics Research Institute, to develop commercial CGH solutions. The solutions use Agilent's ink-jet DNA microarray manufacturing process, in which short strands of DNA called oligonucleotides are synthesized base by base directly on a glass slide.

FINDING DISEASE BIOMARKERS

Scientists are trying to identify "biomarker" proteins in human blood cells that may indicate disease or disease progression. But biomarkers in human blood can be hard to find. Agilent recently licensed technology from Large Scale Biology (LSB) in order to develop a solution that improves the process.

ACCELERATING RESEARCH

Mass spectrometry has become a core technology for proteomics research, but it used to take scientists a month to analyze data from a one-day experiment. Agilent's Spectrum Mill MS proteomics workbench, a carefully integrated suite of software tools designed to facilitate high-throughput mass spectrometry, shortened the process to two days.

Agilent in 2004 acquired Silicon Genetics, a leading provider of software solutions for life-science discovery. With the addition of these genomics data-analysis and management tools to its portfolio, Agilent now is a market leader in life science informatics, offering customers an unparalleled range of solutions in gene expression, genotyping and protein identification. This acquisition also is enabling Agilent to develop software for emerging biological applications that today lack commercial software.

With the Agilent Synapsia informatics workbench, scientists can manage the evolution of a scientific project, from the initial planning and hypothesis-setting steps, through the collection and analysis of data from different software packages, to the formulation of insights, conclusions and decisions. This allows scientists to more fully understand, analyze and use the vast amounts of proteomics, genomics, pharmacogenomics, toxicogenomics and drug-efficacy data.



Agilent enables the mobile devices people rely upon at work and home.

WIRELESS PDAs

Agilent plays a critical background role in testing the tools that help mobile professionals stay connected. Smart phones, which combine cellular technology with personal digital assistant (PDA) devices, are becoming ubiquitous. A one-box, multi-format, wireless handset tester – the Agilent E5515C wireless communications test set – tests virtually all major cellular standards. Agilent also makes the tools used in designing these wireless devices including electronic design automation (EDA) tools, signal sources and spectrum and signal analyzers. So whatever brand a wireless handset or PDA carries, it was most likely “touched” by Agilent somewhere during the design and manufacturing process.

SMALLER PHONES AND LONGER BATTERY LIFE

Samsung’s newest mobile phone includes a large, full-color LCD screen, and allows users to record 15-second videos and shoot digital pictures. To fit more features into the ultra-compact phone, Samsung turned to Agilent’s FBAR duplexer and filter components, and CDMA (code division multiple access) power amplifier modules – all designed using Agilent’s EDA tools – to reduce handset size and extend talk time by 30 minutes.

CAMERA PHONES AND OPTICAL MICE

Camera-phone popularity continues to grow and Agilent is a major supplier of the CMOS (complementary metal oxide semiconductor) image sensors and processors enabling this major consumer trend. Agilent is the world’s number one manufacturer of image sensors used in camera phones and optical mice, having shipped more than 350 million of these components.

SWIFT DOWNLOADS

Optimizing networks to increase computer file-download speeds is another way Agilent increases productivity. Telecommunications companies use the Agilent N2X, the most comprehensive multi-service test solution for converging network infrastructures, to handle and measure the performance of millions of file transfer protocols (FTPs), which move large amounts of data quickly between computers.

HIGH-SPEED NETWORKS

In 2004, Agilent broke the double-digit bandwidth barrier with the introduction of its Infiniium DSO80000 Series oscilloscopes and Agilent InfiniiMax II Series probing measurement systems, which include 10,



12 and 13-GHz versions. These new products are vital to engineers designing high-speed serial buses, radio frequency (RF) and wireless products, and other ultra-high-speed electronics. The 13-GHz version offers more than a 50-percent performance improvement over previous products. The DSO80000 series, which was selected as a "2004 Product of the Year" by Electronic Products magazine, also features a wide variety of software packages to match specific measuring needs.

FIBER OPTIC CABLE

Much of the ongoing installation of fiber optic cable occurs along existing infrastructure such as railways, power lines and roads. Agilent provides products that make installation in these situations much faster. All fiber must be tested to ensure it wasn't damaged, broken or critically bent during installation, and the primary testing tool is an Optical Time Domain Reflectometer (OTDR). Agilent is a world leader in fiber testing with its E6000C Mini-OTDR and the new N3900A Modular Network Tester. Agilent's products qualify installed cable five times faster than others in common use. With today's cables routinely holding 864 fibers, fiber testing that previously took more than one week to complete can now be done in one day with better installation quality.

FIBER OPTIC TRANSCEIVERS

The Internet continues to drive an insatiable demand for network bandwidth and data storage. Agilent is one of few companies with the expertise to integrate optoelectronic and digital integrated circuit (IC) technologies into cost-effective solutions for the world's leading networking equipment, server and storage networking manufacturers. With its fast Ethernet and gigabit Ethernet fiber optic transceivers, Agilent drives more fiber optic connections on the Internet than any other company. Agilent is also driving the adoption of 4 Gb/s Fibre Channel and 10 Gb/s Ethernet fiber optic transceivers, ensuring that critical data and video information is stored and delivered instantly and accurately anywhere on the globe.

BEYOND THE WORKPLACE

Increasing numbers of people are using the mobile Global Positioning System (GPS) in their car to find the fastest route to hard-to-find locations. Agilent helps to enable GPS technology through its Labs-enabled atomic clocks for time synchronization at GPS ground stations and its E5515C wireless communications test set, which calibrates the GPS receivers in CDMA phones.

CONNECTING WIRELESSLY

Analysts estimate that by 2007 90 percent of new computers will be equipped with Wi-Fi (Wireless Fidelity) capability, which enables them to connect to the Internet wirelessly. Growing numbers of cell phones and other appliances have similar capabilities. Agilent provides the widest portfolio of radio frequency (RF) test equipment used to design and test Wi-Fi chipsets, components, modules and devices. These Agilent products include advanced design system software, signal analyzers and sources, network and spectrum analyzers, power meters, and the N4010A wireless connectivity set. Agilent also provides Wi-Fi certification testing, and the Agilent Interoperability Certification Lab guarantees interoperability between Wi-Fi devices from different vendors.

STAYING IN TOUCH NEAR OR FAR

With 1.5 billion mobile phones in use around the world today, people are connected through voice calling, web access, text messaging and photos like never before. Service providers need to ensure that service quality remains high, no matter where their customers might be. Agilent's E7495B base station test set combines the most highly used base station test tools into one instrument that simplifies everyday maintenance.

Monitoring the quality of service (QoS) of roaming voice calls was previously a manual process that was unmanageable, costly and time-consuming for service providers, who can have more than 200 roaming partners. The key to ensuring high-quality service is automating the process. Agilent provides Operations Support Systems (OSS) solutions, including Wireless QoS Manager, GPRS QoS Analyzer, GPRS Session Analyzer and the Global Roaming Test Service, that manage a wide range of roaming services such as e-mail, Web, and Multimedia Messaging Service (MMS). With Agilent OSS solutions, service providers can perform tests to identify potential problems with infrastructure, content providers and IP connectivity partners.

TESTING MOBILE PHONES

More cell phones worldwide are tested in production with Agilent's E5515C Wireless Communications Test Set than with equipment from all other vendors combined. Modern cell phones contain about 100 individual components, and Agilent test equipment — such as impedance analyzers, LCR meters, network analyzers, signal sources and signal analyzers — is used for testing these components when they are manufactured.

Agilent also makes test and inspection systems for high-volume IC and printed circuit board (PCB) manufacturers. At the wafer and IC level, the Versatest Series V5400 Flash Memory Tester tests flash devices, the 93000 System on a Chip test system tests the baseband processors in cell phones, and the 93000 radio frequency (RF) measurement suite tests many of the RF components. Coupled with its CMOS Image Sensor Test Solution, the 93000 systems test CMOS imaging chips used for camera phones. At the PCB level, the SJ50 automated optical inspection systems visually inspect the placement of parts on cell phone boards with improved accuracy based on image-processing innovations from Agilent Labs. The 5DX X-ray inspection systems detect solder defects in boards used in the wireless and wired network infrastructure.





connections

Agilent plays a key role in enhancing communications for people in today's highly connected world.

MP3 PLAYERS

The great sounds and low cost of MP3 players are enabled by Agilent's 93000 System-on-a-Chip (SOC) test series, which provides the most cost-effective, high-fidelity, audio/video testing in the industry.

The heart of the integrated player is flash memory, a technology that is used to store music, digital and phone camera images, video and much more. Flash memory is ideal for entertainment electronics because of its low-power requirements, high capacity, compact size and low cost. Agilent's V5400 memory test systems test flash memory to ensure reliability at increasing storage capacity and decreasing physical size.

Behind it all, Agilent's test systems enable the cutting-edge wafer manufacturing processes that address the relentless demands for higher speed, smaller size, lower noise and power consumption, and lower costs. Agilent tests the manufacturing process for more of the world's wafers than any other systems combined.

VIDEO GAMES

High-speed links and state-of-the-art graphics are the key to faster and sophisticated video game images. Agilent's 93000 SOC series quickly and accurately tests these leading-edge IC components to identify any manufacturing defects.

Agilent's Electronic Manufacturing Test Consulting Services are also used by a leading video game provider to write and deploy the test programs used at all their manufacturing facilities worldwide with Agilent's 3070 Board Test Systems.

Agilent's quality assurance systems, module test systems, quality control systems and radio frequency (RF) final test systems also play a key part in getting popular home video game systems to market. With Agilent's strong presence in wireless, we are helping to enable the trend toward online and multiplayer gaming.

BIGGER SCREENS

The new plasma display panel (PDP) televisions provide greater resolution and color brilliance in a much slimmer unit than traditional display technologies. Agilent is the leading provider of optocouplers found in these PDPs. Optocouplers convert electronic signals to light and help prevent damage to sensitive circuitry. The number and size of the components determine PDP size, and Agilent's miniature optocouplers save valuable space, enabling screens to be as narrow as four inches.

Using these tiny components from Agilent, Samsung SDI has developed the world's largest PDP. A large number of optocouplers are integrated into this breakthrough 80-inch model, which provides 1,920 x 1,080 high-density pixel resolution, offers more than 133 million colors and is compatible with high-definition television (HDTV).

PLAY BALL

Agilent also provides the test instruments and components needed to make sure professional baseball teams "play ball." Knots or other imperfections can render baseball bats unpredictable at best and useless at worst. To ensure the perfect bat, researchers and manufacturers test for bad wood before production starts, using an Agilent 5462X oscilloscope to measure the vibrations at locations up and down the bat as part of the process. The result is fewer broken bats, cleaner hits and fewer bone-jarring vibrations sent back into the batter's hands.

GETTING THE RIGHT FLAVOR

Technology from Agilent is used to ensure food and beverages taste as good as they should. Gas chromatography (GC) is the industry standard for managing flavor and fragrance analysis, although GC/mass spectrometry (GC/MS) can also be used. Agilent is the leading provider of both technologies.





Having fun is an essential part of everyone's life. Agilent is behind the scenes making the world a more enjoyable place.

Reconciliation from GAAP to non-GAAP Net Income

Twelve months ended October 31, 2004 (Unaudited)

(In millions, except per share amounts)	Non-GAAP Adjustments									Non-GAAP
	GAAP	Other Intangibles	Restructuring and Asset Impairment	Contract Termination fees	Gain on Sale of Assets	Camera Module Charge	Investment Impairments	Other	Adjustment for Income Taxes	
Orders	\$ 6,997	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 6,997
Net revenue	\$ 7,181	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 7,181
Costs and expenses:										
Cost of products and services	4,058	(19)	(54)	(4)	—	(18)	—	(8)	—	3,955
Research and development	933	—	(16)	(3)	—	—	—	—	—	914
Selling, general and administrative	1,804	(3)	(91)	(7)	1	—	—	(34)	—	1,670
Total costs and expenses	6,795	(22)	(161)	(14)	1	(18)	—	(42)	—	6,539
Income from operations	386	22	161	14	(1)	18	—	42	—	642
Other income (expense), net	54	—	8	—	—	—	7	4	—	73
Income from operations before taxes	440	22	169	14	—	(1) 18	7	46	—	715
Provision for taxes	91	—	—	—	—	—	—	—	95	186
Net income	\$ 349	\$ 22	\$ 169	\$ 14	\$ (1)	\$ 18	\$ 7	\$ 46	\$ (95)	\$ 529
Net income per share –										
Basic and Diluted:										
Basic	\$ 0.72	\$ 0.05	\$ 0.35	\$ 0.03	\$ (0.00)	\$ 0.04	\$ 0.01	\$ 0.10	\$ (0.20)	\$ 1.10
Diluted	\$ 0.71	\$ 0.04	\$ 0.34	\$ 0.03	\$ (0.00)	\$ 0.04	\$ 0.01	\$ 0.09	\$ (0.19)	\$ 1.05 ⁽¹⁾
Weighted average shares used in computing net loss per share:										
Basic	483	483	483	483	483	483	483	483	483	483
Diluted	490	490	490	490	490	490	490	490	490	526 ⁽¹⁾

(1) In order to calculate non-GAAP diluted net income per share, we added 36 million shares and approximately \$26 million of after-tax interest expense to non-GAAP net income to treat our senior convertible debentures as if they were converted. The impact of this was (\$.03) to our diluted earnings per share.

Reconciliation from GAAP to non-GAAP Net Loss

Twelve months ended October 31, 2003 (Unaudited)

(In millions, except per share amounts)	Non-GAAP Adjustments								Non-GAAP
	GAAP	Other Intangibles	Restructuring and Asset Impairment	Gain on Sale of Assets	SFAS No. 142	Retirement Plans Curtailment Loss	Other	Adjustment for Income Taxes	
Orders	\$ 6,084	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 6,084
Net revenue	\$ 6,056	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 6,056
Costs and expenses:									
Cost of products and services	3,750	(46)	(111)	—	—	(1)	(5)	—	3,587
Research and development	1,051	—	(66)	—	—	(1)	—	—	984
Selling, general and administrative	1,980	(9)	(195)	2	—	(3)	(1)	—	1,774
Total costs and expenses	6,781	(55)	(372)	2	—	(5)	(6)	—	6,345
Loss from operations	(725)	55	372	(2)	—	5	6	—	(289)
Other income (expense), net	35	—	15	(3)	—	—	—	—	47
Loss from operations before taxes	(690)	55	387	(5)	—	5	6	—	(242)
Provision for taxes	1,100	—	—	—	—	—	—	(1,221)	(121)
Loss before cumulative effect of accounting change	(1,790)	55	387	(5)	—	5	6	1,221	(121)
Cumulative effect of adopting SFAS No. 142	(268)	—	—	—	268	—	—	—	—
Net loss	\$ (2,058)	\$ 55	\$ 387	\$ (5)	\$ 268	\$ 5	\$ 6	\$ 1,221	\$ (121)
Net loss per share – Basic and Diluted:									
Loss before cumulative effect of accounting change	\$ (3.78)	\$ 0.11	\$ 0.82	\$ (0.01)	\$ —	\$ 0.01	\$ 0.01	\$ 2.58	\$ (0.26)
Cumulative effect of adopting SFAS No. 142	(0.57)	—	—	—	0.57	—	—	—	—
Net loss	\$ (4.35)	\$ 0.11	\$ 0.82	\$ (0.01)	\$ 0.57	\$ 0.01	\$ 0.01	\$ 2.58	\$ (0.26)
Weighted average shares used in computing net loss per share:									
Basic and diluted	473	473	473	473	473	473	473	473	473

OFFICERS AND DIRECTORS

Officers

Edward W. (Ned) Barnholt.
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Directors, President and Chief
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Chief Financial Officer

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Counsel and Assistant Secretary

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William P. Sullivan
Executive Vice President and
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Jack P. Trautman
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Automated Test Group

Chris van Ingen
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Agilent and President of
Life Sciences and Chemical
Analysis Group

Thomas E. White
Senior Vice President of
Agilent and President of
Communications Solutions
Group

Directors

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Directors, President and Chief
Executive Officer

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Operating Officer of Bell
Atlantic Corporation (now
known as Verizon)

Robert J. Herbold
Retired Executive Vice
President of Microsoft
Corporation

Walter B. Hewlett
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Director, Center for Computer
Assisted Research in the
Humanities and Public Policy
Institute of California

Robert L. Joss
Dean of the Graduate School of
Business of Stanford University

Koh Boon Hwee
Chairman of Singapore
Airlines Ltd.

Heidi Kunz
Executive Vice President and
Chief Financial Officer of Blue
Shield of California

David M. Lawrence, M.D.
Chairman Emeritus of Kaiser
Foundation Health Plan, Inc.
and Kaiser Foundation Hospitals

A. Barry Rand
Chairman and Chief Executive
Officer of Equitant

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Robert J. Herbold
Walter B. Hewlett
Robert L. Joss

Compensation Committee
James G. Cullen,
Chairperson
Koh Boon Hwee
David M. Lawrence, M.D.
A. Barry Rand

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Robert J. Herbold
Walter B. Hewlett
Robert L. Joss
Koh Boon Hwee
Heidi Kunz
A. Barry Rand

Executive Committee
David M. Lawrence, M.D.,
Chairperson
Edward W. (Ned) Barnholt

All listed officers, except John R. Eaton, William R. Hahn, Larry C. Holmberg, Marie Oh Huber and Darlene J.S. Solomon, are executive officers of Agilent under Section 16 of the Securities Exchange Act of 1934.



Standing left to right: D. Craig Nordlund, Thomas E. White, Jack P. Trautman, Young K. Sohn, Darlene J.S. Solomon, Chris van Ingen, Jean M. Halloran, Dick M. Chang, William R. Hahn, Larry C. Holmberg. Seated left to right: Adrian T. Dillon, Edward W. (Ned) Barnholt, William P. Sullivan.

SHAREHOLDER INFORMATION

INVESTOR INFORMATION

To receive paper copies of the Corporate 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: (402) 573-9919. You can also access financial information at Agilent's Investor Relations Web site. The address is <http://www.investor.agilent.com>.

CORPORATE GOVERNANCE, BUSINESS CONDUCT AND ETHICS

Agilent's Corporate Governance Standards, the charters of our Audit and Finance Committee, our Compensation Committee, our Executive Committee and our Nominating/Corporate Governance Committee as well as Agilent's Standards of Business Conduct (including code of ethics provisions that apply to our principle executive officer, controller and senior financial officers) are available on our website at <http://www.investor.agilent.com> under "Corporate Governance Policies." You can also request a hard copy of any of this information by contacting (877) 942-4200 (in the United States or Canada) or (402) 573-9919 (outside the United States and Canada).

Agilent submitted its Annual Certification of the Chief Executive Officer to the New York Stock Exchange regarding the New York Stock Exchange corporate governance listing standards on March 22, 2004. Agilent filed its Certifications of the Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 as Exhibits 31.1 and 31.2, respectively, to its Annual Report on Form 10-K for the fiscal year ended October 31, 2004 filed with the Securities and Exchange Commission on December 21, 2004.

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.

Computershare Investor Services
P.O. 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: (312) 588-4672.

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

INVESTOR CONTACT

Agilent Technologies, Inc.
Investor Relations Department
395 Page Mill Road
Palo Alto, CA 94306

You can also contact the Investor Relations Department via e-mail at the Agilent Investor Relations Web site at <http://www.investor.agilent.com>. Click "Phone or Email" in the "Contact IR" box to send a message.

AGILENT HEADQUARTERS

Agilent Technologies, Inc.,
395 Page Mill Road
Palo Alto, CA 94306
Phone: (650) 752-5000

COMMON STOCK

Agilent is listed on the New York Stock Exchange and our ticker symbol is "A." There were approximately 62,264 registered shareholders as of December 16, 2004. 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 re-investment plan (DRIP).

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


Fiscal 2004	High	Low
First Quarter (ended January 31, 2004)	\$38.80	\$24.97
Second Quarter (ended April 30, 2004)	\$37.62	\$26.91
Third Quarter (ended July 31, 2004)	\$29.68	\$22.63
Fourth Quarter (ended October 31, 2004)	\$25.31	\$19.51

Fiscal 2003	High	Low
First Quarter (ended January 31, 2003)	\$20.30	\$13.19
Second Quarter (ended April 30, 2003)	\$16.82	\$11.30
Third Quarter (ended July 31, 2003)	\$22.64	\$15.48
Fourth Quarter (ended October 31, 2003)	\$26.48	\$20.31

This Corporate Report, including the letter titled "To Our Shareholders," contains forward-looking statements (including, without limitation, information regarding customer needs, corporate citizenship, profitability, ability to grow profitably, future opportunities, our position to pursue those opportunities and achieve goals, the outlook for the general economy and for the markets that Agilent serves and maintenance of financial and operational discipline) 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 business cycles while it continues to implement workforce and other cost reductions; the ability to meet and achieve the benefits of its cost reduction goals and otherwise successfully adapt its cost structures to continuing changes in business conditions; ongoing competitive, pricing and gross margin pressures; the risk that our cost-cutting initiatives will impair our ability to develop products and remain competitive and to operate effectively; the impact of geopolitical uncertainties on our markets and our ability to conduct business; the ability to improve asset performance to adapt to changes in demand; the ability to successfully introduce new products at the right time, price and mix 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 Oct. 31, 2004 as well as any subsequent filings made after December 21, 2004.

The materials contained in this Corporate Report are as of January 7, 2005, unless otherwise noted. The content of this Corporate Report contains time-sensitive information that is accurate only as of this date. If any portion of this Corporate Report is redistributed at a later date, Agilent will not be reviewing or updating the material in this report.

Agilent Technologies 2004 corporate report

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