ALICIA RODRIGUEZ:

Thank you and welcome everyone to Agilent's Second Quarter Conference Call for Fiscal Year 2012. With me are Agilent's President and CEO, Bill Sullivan, as well as Senior Vice President and CFO, Didier Hirsch.

Joining in the Q&A after Didier’s comments will be Agilent’s Chief Operating Officer, Ron Nersesian, and the Presidents of our Electronic Measurement, Life Sciences, and Chemical Analysis groups, Guy Séné, Nick Roelofs, and Mike McMullen.

You can find the press release and information to supplement today’s discussion on our website at www.investor.agilent.com.

While there, please click on the link for “financial results,” where you will find revenue break outs and historical financials for Agilent's operations. We will also post a copy of the prepared remarks following this call.

For any non-GAAP financial measures, you will find the most directly comparable GAAP financial metrics and reconciliations on our website.

We will make forward-looking statements about the financial performance of the company. These statements are subject to risks and uncertainties, and are only valid as of today. The company assumes no obligation to update them.

Please look at the company's recent SEC filings for a more complete picture of our risks and other factors.
And now, I’d like to turn the call over to Bill.

**BILL SULLIVAN:**

Thanks, Alicia, and hello everyone.

Agilent’s Q2 orders were up 8 percent, and Q2 revenues were up 3 percent over last year. Non-GAAP EPS was 78 cents per share and operating margin was 19.5 percent.

Our Q2 performance demonstrated our ability to deliver strong results in spite of a challenging economic climate.

Here are some of the business highlights.

Electronic measurement revenues were up 5 percent over last year. EMG’s top line strengthened with a book-to-bill of 1.09. Both orders and revenues were the highest since 2001. Operating margin was 23 percent.

Communications market revenues grew 7 percent year-over-year, with strong demand for wireless manufacturing test. General purpose – which includes industrial, computer and semiconductor markets – was up 5 percent, with solid macroeconomic trends in Asia, the Americas and higher contract manufacturer demand.

Aerospace and defense grew 1 percent, reflecting higher U.S. government demand partially offset by lower defense contractor business.

Last quarter, we introduced the Infiniium Q-Series oscilloscopes, with industry-leading real-time bandwidth of 63 GHz on two channels and 33 GHz on four channels. These new scopes deliver superior measurement accuracy with the lowest noise and jitter measurement floor in the industry.
We also announced four new X-Series signal generators, which provide industry-leading performance at the lowest cost of ownership. Applications include radar, military communications and consumer wireless.

In our bio-analytical measurement businesses, you’ll recall that a year ago we experienced some revenue delays from the Varian integration. This resulted in an easier compare last quarter, but tougher compares for our second quarter of fiscal 2012.

Adjusting for the effect of last year’s integration issue, our analytical business grew 5 percent versus the reported 2 percent. My comments will reference the reported revenue.

Chemical analysis revenues were up 2 percent year over year. Operating margin for the quarter was 19 percent.

Food and petrochemical remain solid, both up 2 percent, driven by global demand. Environmental and forensics were up 1 percent, with strong demand in emerging markets offset by soft government spending in the United States and Europe.

Our recently introduced GC/MS Q-TOF continues to gain traction with high incoming order rates, and we are starting to see a take-up in orders for the new ICP Triple-Quad. We also entered into a cooperative research and development agreement with the U.S. Food and Drug Administration, to develop new tools to detect and analyze pathogens in food.

Life Sciences revenues were up 1 percent over a year ago. Operating margin was 13 percent.

Our pharmaceutical business paced ahead of the market with 4 percent growth, as we continue to see good market penetration and acceptance. Academic and Government were down 6 percent over a year ago, reflecting the softness in government spending.

We introduced Agilent SureFISH probes, the next generation of fluorescent in situ hybridization assays. SureFISH delivers a comprehensive menu of over 400
probes with the industry’s highest resolution, for a wide range of molecular analysis applications including cancer research.

We also announced a number of extensions to the 1200 Infinity LC product line, setting new benchmarks in performance, versatility and cost-of-ownership.

Agilent also paid its first quarterly cash dividend at the end of April. The initiation of a quarterly dividend reflects Agilent’s financial strength and continued growth opportunities, and underscores our commitment to enhance shareholder value and return.

Agilent enters the second half of our fiscal year well positioned to navigate continued economic uncertainty. Our backlog has grown by over $100 million, we continue to deliver industry leading products to the marketplace, and our expenses continue to be well controlled.

The key to Agilent’s continued success is our ability to react quickly to business opportunities anywhere in the world.

Thank you for being on the call. And now, I’ll turn it over to Didier.
DIDIER HIRSCH:

Thank you, Bill, and hello, everyone.

As always, my comments will refer to non-GAAP figures.

Agilent’s second quarter results again reflected the soundness of our operating model. Revenues adjusted for the changes in exchange rates since last quarter were $14M above the high end of our guidance, while EPS of 78 cents per share exceeded the high end of the range by 5 cents, benefitting from the revenue strength, well managed operating expenses, and a non-GAAP tax rate reduction to 16% which contributed 1.5 cents.

Starting with Q2 orders and revenues

Orders of $1.84B were up 8% from one year ago and up 9% in constant currency. Segment orders adjusted for currency reflected a 13% increase in EMG, CAG grew 8%, and LSG was flat year on year.

Regional order growth rates in constant currency were 22% growth in the Americas, a 2% decline in Europe, 5% growth in Japan and a 3% growth in the rest of Asia Pacific.

Revenues of $1.73B increased 3% from one year ago, 4% at constant exchange rates.

CAG and LSG revenues grew 3% and 2%, respectively, at constant currency. Adjusted for last year’s Varian revenue delay impact to Q2 FY11, CAG grew 7% and LSG grew 3%. EMG revenues grew 5% on a currency-adjusted basis.

Regional revenue growth rates in constant currency were 16% growth in the Americas, 5% decline in Europe, 2% decline in Japan and 1% decline in the rest of Asia Pacific.

Moving to the income statement
As I have noted in the past, while currency does impact each P&L line, it has minimal impact on our operating margin performance, as a result of our geographic diversification and systematic hedging program.

Gross margin of 54.1% was down 130 basis points versus last year, due to EMG’s 250 basis points reduction resulting from a higher percentage of wireless manufacturing test business.

Operating expenses continue to be well-controlled, declining 1% YoY.

Consequently, our Q2 operating margin of 19.5% was up 20 basis points versus the same period last year.

Non-GAAP net income of $275M, or 78 cents per share, compares to $261M and 74 cents per share one year ago, an EPS increase of approximately 5% year over year.

Turning to the cash flow

The quarterly cash generated from operations was $353M, down $25M compared to the same period last year.

During the quarter, we paid our first dividend in the amount of $35M.

Our cash position at the end of April was $3.9 B, mostly offshore.

Now turning to the guidance for Fiscal Year 2012

As always, our guidance assumes exchange rates as of the last day of the reported quarter.

We are projecting a FY12 revenue range of $6.94B to $7.00B, same $6.97B mid-point as in last quarter’s guidance. At the midpoint, our guidance corresponds to a core growth of 6.7% in the 2nd half, and for the full year a core growth of 5.7%.

The 2nd half core revenue growth is projected to be close to 5% for EMG and close to 9% for CAG and LSG combined, as we move into “easier compare” territory.
Our FY12 EPS guidance is $3.18 to $3.24. We are increasing the midpoint of our prior FY12 guidance by 3 cents, entirely due to the reduction in our non-GAAP tax rate to 16%.

The midpoint of our EPS guidance at $3.21 reflects 9% growth over our FY11 EPS of $2.95, which is consistent with a year-over-year operating margin incremental of 33%.

Finally, moving to the guidance for our third quarter

We expect Q3 revenues of $1.77B to $1.79B and EPS of 82 to 84 cents.

The core revenue growth at the midpoint will be 6.8% while the midpoint of our EPS guidance will represent an 8% year over year increase.

With that, I will turn it over to Alicia for the Q&A session.