ALICIA RODRIGUEZ

Thank you and welcome everyone to Agilent's Third 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. Also joining is Lars Holmqvist, president and CEO of Dako.

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, historical financials for Agilent's operations, and an investor presentation. 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 Q3 orders were down 1 percent, and Q3 revenues were up 2 percent over last year. Non-GAAP EPS was 79 cents per share and operating margin was 20.3 percent.

Agilent’s performance in the fiscal third quarter did not meet our revenue and EPS guidance. This was due to a softening of shippable orders, as well as a much higher-than-normal push-out of deliveries from our customers at the end of the quarter.

While we are not seeing outright order cancellations, we are seeing all the classic signs of a slowdown. Deals are taking longer to close, and customers are delaying shipments.

We felt the full effect of this phenomenon in July, the last month of Agilent’s third fiscal quarter.

The biggest headwind was in the aerospace and defense sector, where revenue was down 11 percent year-over-year. While U.S. government spending was stable, it was offset by a decline in defense contractor business. We would normally see an uptick at the end of the year, but we expect Q4 to be lower than normal due to fears of automatic spending cuts.

The second headwind was in the industrial segment, which declined 10 percent amid deteriorating economic conditions. We saw more conservative demand from our customers and distribution channels across the industrial markets.

A third headwind was in the environmental markets, which declined 6 percent amid lower government spending. Finally, academic and government research was down 6 percent, where we saw continued softening due to budget concerns.

The declines in these sub-markets were offset by positive results in other areas.
Communications revenues were up 7 percent over a year ago, reflecting strong wireless manufacturing test demand. Wireless manufacturing growth was driven by smartphone capacity expansion, primarily for devices but also for component manufacturers.

Forensics market revenues were up 17 percent. Strength was driven by increased demand for screening and identification of abused prescription pharmaceuticals and designer drugs. Pharmaceutical and Food safety markets also experienced modest growth.

Finally, we saw strong growth in Diagnostics, where our acquisition of Dako closed near the end of June. As part of Agilent, Dako’s currency-adjusted revenue was up 14 percent over the same period a year ago, and the business reported the strongest July in its history. The integration of Dako is proceeding well.

The net result of this market give and take is that we ended up with 2 percent revenue growth for the third quarter.

Even with Q3’s disappointing revenue, our teams continued to leverage the power of Agilent’s operating model. Agilent has a number of variable cost mechanisms that we are able to exercise during economic cycles.

In addition, we are continuing our ongoing process to reduce manufacturing costs throughout the enterprise. Agilent’s Global Order Fulfillment Organization has several initiatives underway to consolidate manufacturing sites, streamline logistics and reduce manufacturing costs.

We have been able to react very quickly to the economic uncertainties, and we will continue to act conservatively moving forward.

Looking ahead, we believe that we are entering a slow-growth environment. As a result, we have lowered our Q4 guidance. We remain well positioned to react quickly to business opportunities anywhere in the world. We continue to introduce innovative technologies and solutions, supplemented by bolt-on acquisitions.
For example, earlier this month, we introduced an integrated one-box tester and multiport adapter. This reduces the number of tests for smartphones and tablets that contain multiformat and multiband technologies.

We also finalized our acquisition of the Test Systems Division of AT4 Wireless. This acquisition expands our offerings in wireless R&D, particularly in LTE.

We recently introduced the 1290 Infinity Quaternary LC system, the first ultra-high-performance quaternary system that delivers the accuracy and precision of binary systems. And our other recent product introductions – including the microwave plasma, ICP Triple Quad and GC Q-TOF, are exceeding expectations.

Our SureFISH probes also continue to do well. We have dramatically increased the number of customers evaluating this new technology. In addition, we have released our first translocation FISH probe that addresses the cancer market.

Thank you for being on the call. 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.

Since last quarter’s conference call, WW GDP growth has slowed significantly to 3.1% and the Purchasing Managers’ New Order Index has dropped to a 39-month low of 47.2, indicating a significant contraction in the WW manufacturing sector.

In this context, our orders and revenues were below our expectations, but we executed as per our operating model and delivered an operating margin of 20.3%, slightly higher than in the same quarter last year.

I will now cover Q3 orders

At $1.66B, orders declined 1% from one year ago. Adjusting for the impact of acquisitions and currency, orders were down 2%.
By segment, the 2% core order decline is the following: EMG -3%, CAG -4%, LSG +1%, and DGG +8%.

The breakdown of the core order growth by region is: Americas +8%, Europe -5%, Japan -10%, and the rest of Asia Pacific -6%.

Moving to Q3 revenues

At $1.72B, revenues increased 2% from one year ago. Dako contributed $40M to this quarter’s revenue.

The core revenue growth, after adjusting for acquisitions and currency, was also 2%.

By segment, the 2% core revenue growth is the following: EMG flat, CAG +3%, LSG +5%, and DGG -2%.

Core revenue growth by region was 9% in the Americas, flat in Europe, -7% in Japan, and -3% in the rest of Asia Pacific.

Moving to the income statement and cash flow

Cost control measures initiated last quarter, coupled with the automatic cuts from our significant variable cost structure and reduced variable pay related to the Dako acquisition, resulted in our achieving an OM of 20.3%. To put it in a different perspective, compared to the midpoint of our guidance (excluding Dako), revenues were lower by $97M while OP was down only $26M.

In a tough macroeconomic environment, we have delivered strong financial performance and continued to demonstrate the power of our operating model.

Non-GAAP net income of $278M, or $0.79 cents per share, compares to $276M and $0.77 cents per share one year ago.

Total cash generated from operations was $240M, down $12M compared to the same period last year, when we received $31M from the unwinding of an interest rate swap.
Now turning to the guidance for Q4 FY12

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

We are projecting a Q4FY12 revenue range of $1.76B to $1.78B.

At the midpoint of $1.77B, our guidance corresponds to a flat core growth for the quarter and for the full year to a core growth of close to 3%.

Our Q4FY12 EPS guidance is $0.80 to $0.82. At the midpoint of the guidance, full year EPS would reach $3.07, a 4% increase over last year.

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