ALICIA RODRIGUEZ:

Thank you and welcome everyone to Agilent's Second Quarter Conference Call for Fiscal Year 2011. With me are Agilent's President and CEO, Bill Sullivan, as well as Senior Vice President and CFO, Didier Hirsch.

Bill will give his perspective on the quarter, and Didier will follow with a view of financial results. After Didier’s comments, we will open the line for questions.

Joining in our Q&A will be the Presidents of Agilent's Electronic Measurement, Life Sciences, and Chemical Analysis groups, Ron Nersesian, Nick Roelofs, and Mike McMullen.

In case you’ve not had a chance to review our press release, you can find it on our website at www.investor.agilent.com. We are also providing further information to supplement today's discussion.

At our website, please click on the link for “supporting materials”. There you will find information such as revenue break outs and historical financials for Agilent's operations. We will also post a copy of the prepared remarks following this call.

If during this conference call we use any non-GAAP financial measures, you will find on our website the most directly comparable GAAP financial metrics.
We will make forward-looking statements about the future financial performance of the company. These statements are only valid as of today, and the company assumes no obligation to update them throughout the current quarter.

Please look at the company's most recent SEC filings for a more complete picture of the risks and other factors at work.

And now, let me turn the call over to Bill.
BILL SULLIVAN:

Thanks Alicia, and hello everyone.

Agilent’s Q2 revenues of $1.68 billion were up 32 percent year over year. Without the impact of recent acquisitions and divestitures, revenues were up 21 percent organically.

Q2 orders of $1.7 billion outpaced revenues, as demand for Agilent’s products remains strong. Orders were up 27 percent year-over-year, up 18 percent organically.

Overall financial results were excellent. Non-GAAP EPS was 74 cents, while operating margin was 19.3 percent.

Agilent continues to demonstrate the strength of its product portfolio as all key platforms grew by double digits for the fourth consecutive quarter. All regions posted double-digit organic revenue growth.

A few words about Japan. While there have been some issues from the recent earthquake and tsunami, we do not expect any business impact. Q2 Japan revenue was up almost 20 percent organically over a year ago, and accounted for 12 percent of Agilent’s total revenue for the quarter.

In terms of supply chain, we do not anticipate any issues at this point in time. We continue to work with our suppliers to minimize any potential risks.

Moving on to the businesses

Our Electronic Measurement business continued to generate industry-leading margins and organic growth. Quarterly operating margin of 23 percent was the highest for the business since the first quarter of fiscal 2001.
Q2 revenues of $834 million reflect 19 percent year-over-year growth. Excluding the network solutions divestiture, revenues and orders were up 26 percent and 15 percent respectively.

We saw continued strength and momentum across markets and regions. General purpose market revenues grew 26 percent. Industrial and computer markets were strong, while semiconductors appear to be moderating. Aerospace and defense saw solid growth, with near-term outlook improved by the resolution of the U.S. government budget in March.

Communications organic growth was also strong, with revenue up 26 percent organically over the previous year. Test demand remains strong for wireless manufacturing, driven by smart phones and 3G. LTE network roll-outs continue to ramp up as well.

We saw broad success in our core electronic measurement platforms including oscilloscopes, network analyzers, signal analyzers and signal sources.

In our bio-analytical measurement businesses, the integration-related issues we experienced in Q1 – around order fulfillment and logistics – have been resolved.

Life Sciences business revenues were up 39 percent to $464 million, with 16 percent organic growth. Orders grew 21 percent organically. Operating margin, including the Varian products, was 13 percent.

We saw double-digit revenue growth across all regions and continued growth in our markets. Pharma and biotech grew 16 percent organically, driven by replacements and upgrades for lab instrumentation in Big Pharma. Academia and government grew 9 percent.

Platform performance remains strong, with solid growth in LC, LC/MS, genomics, microarrays, automation and informatics.
The Chemical Analysis business saw revenue growth of 60 percent to $381 million, up 13 percent organically. Orders grew 22 percent organically. Operating margin, again including the Varian products, was 19 percent.

Again, we saw double-digit organic growth across all regions and growth across all core markets. Chemical and energy organic growth of 19 percent was driven by China, higher oil prices and alternate energy investments.

Food safety growth of 10 percent was driven by demand in emerging markets, especially China. Environmental growth was also driven by emerging markets and increasing regulation.

We also saw strong growth across platforms. GC and GC/MS continue to expand. Spectroscopy sales are benefitting from the combined sales force. And we saw especially strong growth in consumables and services.

As a reminder, this is the last quarter we will call out comparisons with the Varian acquisition. We saw strong revenue of $188 million from the ex-Varian product lines in Q2, including the catch-up from Q1.

We expect to end the year at a revenue run rate of approximately $200 million. This number is built into our guidance.

We remain highly confident in achieving the $100 million of net cost savings from the acquisition. And as we introduce new products, we believe we can reach an above-market growth rate with this product portfolio.

Agilent announced two acquisitions in Q2: Lab901 and Biocius. We also completed the acquisition and integration of A2 Technologies. These acquisitions will help expand Agilent’s capability in electrophoresis, mass spectrometry and spectroscopy platforms.

Overall, we are pleased with our results and momentum. We look forward to a strong second half of fiscal 2011. For the third quarter, we expect revenues in the
range of $1.64 to $1.66 billion. Non-GAAP earnings are expected to be in the range of 71 to 73 cents per share.

We’re also raising our overall guidance for 2011. For the full fiscal year, we expect revenues in the range of $6.55 to $6.6 billion, with earnings per share in the range of $2.84 to $2.88.

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

Thank you, Bill, and hello, everyone.

I will start by providing some additional color on our second quarter results and then comment on our outlook for the fiscal year and for Q3.

As in prior calls, all of my comments will refer to non-GAAP figures. References to organic results are results without the impact of acquisitions and divestitures within the past year.

Starting with Q2 results

As Bill mentioned, we are very pleased with Agilent’s second quarter results.

Orders of $1.70B were up 27% from one year ago, or 24% on a currency-adjusted basis. On an organic basis, orders increased 18% year over year, including 3% favorable currency impact. All three business segments generated double-digit organic order growth.

Organically, orders were up 26% in Asia Pacific (22% local currency), 7% in the Americas, and 21% in Europe (19% local currency).
Revenues of $1.68B were up 32% from one year ago, or 29% in local currency. Organically, revenues were up 21%, including 3% favorable currency impact.

Organically, revenues in Asia Pacific were up 27% (23% local currency), while the Americas grew 12% and Europe 22% (19% local currency).

Moving to the income statement

Second quarter non-GAAP operating profit of $324M improved $123M from one year ago on a $408M increase in revenues, a 30% operating margin incremental. The YoY organic operating margin incremental exceeded our 30-40% commitment.
Q2 operating margin of 19.3% was slightly above our last quarterly high of 19.1% reached in Q4 FY10 and increased 3.5 ppts year over year.

Interest expense declined $3M sequentially, as we recognized the full quarter benefit of the $1.5B World Trade debt retirement that occurred in Q1.

Moving to taxes, we have reduced our non-GAAP tax rate down to 17%.

Non-GAAP net income of $261M, or $0.74 per share, compares to $152M and $0.43 per share one year ago, an increase of 72% year over year. The tax rate reduction contributed 2 cents.

Turning to the cash flow and our net cash position

Total cash from operations was $378 million, an increase of $154 million from one year ago, even as inventories increased $54 million this quarter, in line with our revenue growth expectations.

Our net cash position at the end of April was $885 million, up $331M from a quarter ago.

Finally, I am pleased to report that Moody’s and Fitch raised our credit ratings, while S&P revised our outlook from stable to positive.

Now turning to the Fiscal Year 2011 outlook

Given our solid Q2 performance and reflecting Agilent’s strong competitive position, we are raising our revenue guidance for the year. This revenue guidance assumes that exchange rates throughout our second half reflect the rates at the end of our Q2.

We now expect revenues for FY11 of $6.55B to $6.60B which, at the mid-point of the range, represents 20% YOY revenue growth, or 16% growth on an organic basis (EMG 19%, LSG 13%, and CAG 11%).
Consistent with our 30-40% YOY incremental OM commitment, we are also raising our EPS guidance to $2.84 to $2.88, based on 356M diluted shares. The tax rate reduction to 17% is contributing 4 cents to the higher guidance. At the midpoint of the guidance, FY11 EPS will grow by 43% YOY.

We are also raising our FY11 operating cash flow projections from $950M to $1,050M. Capital expenditures for the year are now projected to be approximately $200M, a $50M increase largely due to planned capacity expansion and manufacturing rationalization. Net, net, we are therefore raising our free cash flow guidance from $800M to $850M.

Finally, moving to the third quarter guidance

We expect Q3 revenues of $1.64B to $1.66B and EPS of 71 to 73 cents. At the mid-point of the range, YOY revenue growth will be 18%, or 16% on an organic basis. The mid-point of our EPS guidance corresponds to YOY EPS growth of 33%.

One additional note with regard to Q3. With the exception of the two weeks at the beginning of May, Varian results will be incorporated into our organic business base. Comparisons going forward take into account the fact that as of May 15, we will have been operating one year as a combined company.

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