AGILENT TECHNOLOGIES INC
Form 10-Q
June 03, 2013
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(MARK ONE)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.
FOR THE QUARTERLY PERIOD ENDED APRIL 30, 2013
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.
FOR THE TRANSITION PERIOD FROM TO
COMMISSION FILE NUMBER: 001-15405
AGILENT TECHNOLOGIES, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	77-0518772
(State or other jurisdiction of incorporation or organization)	(IRS employer Identification no.)
5301 STEVENS CREEK BLVD., SANTA CLARA, CALIFORNIA	95051
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (408) 345-8886
(Former name, former address and former fiscal year, if changed since last report)
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the exchange act.

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x
Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

CLASS	OUTSTANDING AT APRIL 30, 2013

COMMON STOCK, $0.01 PAR VALUE	344,476,029

Table of Contents

AGILENT TECHNOLOGIES, INC.
TABLE OF CONTENTS

			Page Number
Part I.	Financial Information		3
	Item 1.	Condensed Consolidated Financial Statements (Unaudited)	3
		Condensed Consolidated Statement of Operations	3
		Condensed Consolidated Statement of Comprehensive Income	4
		Condensed Consolidated Balance Sheet	5
		Condensed Consolidated Statement of Cash Flows	6
		Notes to Condensed Consolidated Financial Statements	7
	Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	27
	Item 3.	Quantitative and Qualitative Disclosures About Market Risk	43
	Item 4.	Controls and Procedures	44
Part II.	Other Information		44
	Item 1.	Legal Proceedings	44
	Item 1A.	Risk Factors	44
	Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	54
	Item 6.	Exhibits	54
Signature			55
Exhibit Index			56

Table of Contents

PART I — FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AGILENT TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(in millions, except per share amounts)
(Unaudited)

	Three Months Ended April 30,		Six Months Ended April 30,	
	2013	2012	2013	2012
Net revenue:				
Products	$1,424	$1,435	$2,804	$2,777
Services and other	308	298	608	591
Total net revenue	1,732	1,733	3,412	3,368
Costs and expenses:				
Cost of products	674	650	1,311	1,251
Cost of services and other	167	165	330	325
Total costs	841	815	1,641	1,576
Research and development	181	166	360	328
Selling, general and administrative	497	452	981	893
Total costs and expenses	1,519	1,433	2,982	2,797
Income from operations	213	300	430	571
Interest income	1	2	3	5
Interest expense	(25)	(25)	(50)	(51)
Other income (expense), net	9	16	10	24
Income before taxes	198	293	393	549
Provision for income taxes	32	38	48	64
Net income	$166	$255	$345	$485
Net income per share:				
Basic	$0.48	$0.73	$1.00	$1.39
Diluted	$0.48	$0.72	$0.98	$1.37
Weighted average shares used in computing net income per share:				
Basic	345	348	346	348
Diluted	349	354	351	353
Cash dividends declared per common share	$—	$—	$0.22	$0.10

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

AGILENT TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(in millions)
(Unaudited)

	Three Months Ended April 30,		Six Months Ended April 30,	
	2013	2012	2013	2012
Net income	$166	$255	$345	$485
Other comprehensive income (loss):				
Change in unrealized gain on investments, net of tax expense (benefit) of $(1), $0, $1 and $(8)	(2)	—	1	6
Change in unrealized gain on derivative instruments, net of tax expense of $3, $0, $5 and $2	5	—	11	4
Amounts reclassified into earnings related to derivative instruments, net of tax benefit of $(2), $(1), $(2) and $(1)	(4)	(3)	(5)	(4)
Foreign currency translation	(111)	(19)	(55)	(58)
Net defined benefit pension cost and post retirement plan costs:				
Change in actuarial net loss, net of tax expense of $6, $3, $10 and $6	16	16	30	28
Change in net prior service benefit, net of tax benefit of $(4), $0, $(8) and $0	(8)	(13)	(16)	(24)
Other comprehensive loss	(104)	(19)	(34)	(48)
Total comprehensive income	$62	$236	$311	$437

The accompanying notes are an integral part of these condensed consolidated financial statements.

4

Table of Contents

AGILENT TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEET
(in millions, except par value and share amounts)
(Unaudited)

	April 30, 2013	October 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$2,519	$2,351
Accounts receivable, net	916	923
Inventory	1,042	1,014
Other current assets	341	341
Total current assets	4,818	4,629
Property, plant and equipment, net	1,147	1,164
Goodwill	3,006	3,025
Other intangible assets, net	995	1,086
Long-term investments	120	109
Other assets	501	523
Total assets	$10,587	$10,536
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$448	$461
Employee compensation and benefits	384	387
Deferred revenue	459	420
Short-term debt	250	250
Other accrued liabilities	367	375
Total current liabilities	1,908	1,893
Long-term debt	2,106	2,112
Retirement and post-retirement benefits	478	554
Other long-term liabilities	787	792
Total liabilities	5,279	5,351
Commitments and contingencies (Note 13)		
Total equity:		
Stockholders' equity:		
Preferred stock; $0.01 par value; 125 million shares authorized; none issued and outstanding	—	—
Common stock; $0.01 par value; 2 billion shares authorized; 599 million shares at April 30, 2013 and 595 million shares at October 31, 2012, issued	6	6
Treasury stock at cost; 254 million shares at April 30, 2013 and 249 million shares at October 31, 2012	(8,926)	(8,707)
Additional paid-in-capital	8,596	8,489
Retained earnings	5,774	5,505
Accumulated other comprehensive loss	(145)	(111)
Total stockholders' equity	5,305	5,182
Non-controlling interest	3	3
Total equity	5,308	5,185
Total liabilities and equity	$10,587	$10,536

The accompanying notes are an integral part of these condensed consolidated financial statements.

5

AGILENT TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(in millions)
(Unaudited)

	Six Months Ended April 30,	
	2013	2012
Cash flows from operating activities:		
Net income	$345	$485
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	186	123
Share-based compensation	49	43
Excess tax benefit from share-based plans	(2)	—
Deferred taxes	(4)	(4)
Excess and obsolete inventory and inventory-related charges	22	13
Other non-cash expenses, net	5	2
Changes in assets and liabilities:		
Accounts receivable	(3)	(63)
Inventory	(53)	(64)
Accounts payable	(7)	(6)
Employee compensation and benefits	(1)	(23)
Other assets and liabilities	23	(3)
Net cash provided by operating activities	560	503
Cash flows from investing activities:		
Investments in property, plant and equipment	(110)	(83)
Proceeds from lease receivable	—	80
Proceeds from sale of property, plant and equipment	2	—
Payment to acquire equity method investment	(21)	—
Purchase of other investments	(15)	—
Proceeds from sale of investments	11	5
Acquisitions of businesses and intangible assets, net of cash acquired	(10)	(76)
Net cash used in investing activities	(143)	(74)
Cash flows from financing activities:		
Issuance of common stock under employee stock plans	68	61
Payment of dividends	(76)	(35)
Purchase of non-controlling interest	(3)	(6)
Excess tax benefit from share-based plans	2	—
Treasury stock repurchases	(219)	(78)
Net cash used in financing activities	(228)	(58)
Effect of exchange rate movements	(21)	(2)
Net increase in cash and cash equivalents	168	369
Cash and cash equivalents at beginning of period	2,351	3,527

Cash and cash equivalents at end of period	$2,519	$3,896

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

AGILENT TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. OVERVIEW, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Overview. Agilent Technologies, Inc. (“we”, “Agilent” or the “company”), incorporated in Delaware in May 1999, is a measurement company, providing core bio-analytical and electronic measurement solutions to the life sciences, chemical analysis, diagnostics and genomics, communications and electronics industries.

Our fiscal year-end is October 31, and our fiscal quarters end on January 31, April 30 and July 31. Unless otherwise stated, all dates refer to our fiscal year and fiscal quarters.

Acquisition of Dako A/S. On June 21, 2012, we completed the acquisition of Dako A/S through the acquisition of 100% of the share capital of Dako A/S, a limited liability company incorporated under the laws of Denmark (“Dako”), under the share purchase agreement dated May 16, 2012. As a result of the acquisition, Dako has become a wholly-owned subsidiary of Agilent. The consideration paid was approximately $2,143 million, of which $1,400 million was paid directly to the seller and $743 million was paid to satisfy the outstanding debt of Dako. Agilent funded the acquisition using existing cash. The results of Dako are included in Agilent's condensed consolidated financial statements from the date of acquisition. For additional details related to the acquisition of Dako, see Note 3, "Acquisition of Dako".

Basis of Presentation. We have prepared the accompanying financial data for the three and six months ended April 30, 2013 and 2012 pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles (“GAAP”) in the U.S. have been condensed or omitted pursuant to such rules and regulations. The accompanying financial data and information should be read in conjunction with our Annual Report on Form 10-K.

In the opinion of management, the accompanying condensed consolidated financial statements contain all normal and recurring adjustments necessary to present fairly our condensed consolidated balance sheet as of April 30, 2013 and October 31, 2012, condensed consolidated statement of comprehensive income for the three and six months ended April 30, 2013 and 2012, condensed consolidated statement of operations for the three and six months ended April 30, 2013 and 2012, and condensed consolidated statement of cash flows for the six months ended April 30, 2013 and 2012.

The preparation of condensed consolidated financial statements in accordance with GAAP in the U.S. requires management to make estimates and assumptions that affect the amounts reported in our condensed consolidated financial statements and accompanying notes. Management bases its estimates on historical experience and various other assumptions believed to be reasonable. Although these estimates are based on management’s best knowledge of current events and actions that may impact the company in the future, actual results may be different from the estimates. Our critical accounting policies are those that affect our financial statements materially and involve difficult, subjective or complex judgments by management. Those policies are revenue recognition, inventory valuation, restructuring, share-based compensation, retirement and post-retirement benefit plan assumptions, goodwill and purchased intangible assets and accounting for income taxes.

In the third quarter of 2012, we formed a new operating segment. The new diagnostics and genomics segment was formed from a portion of our pre-existing life sciences business plus the business of the recent acquisition of Dako. Following this reorganization, Agilent has four business segments comprised of the life sciences business, the

chemical analysis business, the diagnostics and genomics business and the electronic measurement business. The historical segment numbers for both life sciences and diagnostics and genomics segments have been recast to conform to this new reporting structure in our financial statements.

Revision. The statement of cash flows for the six months ended April 30, 2012 has been revised to correct the presentation of the purchase of non-controlling interest from investing to financing activities and is not considered material. There was no impact on previously reported net income or the change in net cash for the six months ended April 30, 2012.

Update to Significant Accounting Policies. During the second fiscal quarter of 2013 typical standard warranty arrangements within our electronic measurement business were extended from one year to three years from the date of delivery. Prior to the change in standard warranty terms, we sold extended warranties of more than one year and less than three years which were deferred. Those existing warranties greater than one year and less than three years and previously classified as extended warranties will be amortized over the original period of the warranty. We will continue to sell extended warranties for terms beyond three years within the electronic measurement business. The impact will not be material to the segment or consolidated revenue of Agilent and the anticipated increase to the warranty accrual as a result of the new arrangements will not be material to the condensed

consolidated balance sheet of Agilent. No changes were made to the standard and extended warranty terms within our other businesses. There have been no other material changes to our significant accounting policies, as compared to the significant accounting policies described in our Annual Report on Form 10-K for the fiscal year ended October 31, 2012.

In the first quarter of 2013, we adopted the updated authoritative guidance that increases the prominence of items reported in other comprehensive income. For additional details related to the updated authoritative guidance, see Note 2, "New Accounting Pronouncements".

Fair Value of Financial Instruments. The carrying values of certain of our financial instruments including cash and cash equivalents, accounts receivable, accounts payable, accrued compensation and other accrued liabilities approximate fair value because of their short maturities. The fair value of long-term equity investments is determined using quoted market prices for those securities when available and are Level 1 inputs under the accounting guidance fair value hierarchy. For those long-term equity investments accounted for under the cost method, their carrying value approximates their estimated fair value. The fair value of our short-term and long-term debt, calculated from quoted prices which are primarily Level 1 inputs under the accounting guidance fair value hierarchy, exceeds their carrying value by approximately $1 million and $187 million, respectively as of April 30, 2013. The fair value of foreign currency contracts used for hedging purposes is estimated internally by using inputs tied to active markets. These inputs, for example, interest rate yield curves, foreign exchange rates, and forward and spot prices for currencies are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities. See also Note 9, "Fair Value Measurements" for additional information on the fair value of financial instruments.

Goodwill and Purchased Intangible Assets. In September 2011, the Financial Accounting Standards Board ("FASB") approved changes to the goodwill impairment guidance which are intended to reduce the cost and complexity of the annual impairment test. The changes provide entities an option to perform a qualitative assessment to determine whether further impairment testing is necessary. The revised standard gives an entity the option to first assess qualitative factors to determine whether performing the two-step test is necessary. If an entity believes, as a result of its qualitative assessment, that it is more-likely-than-not (i.e. greater than 50% chance) that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test will be required. Otherwise, no further testing will be required.

The revised guidance includes examples of events and circumstances that might indicate that a reporting unit's fair value is less than its carrying amount. These include macro-economic conditions such as deterioration in the entity's operating environment or industry or market considerations; entity-specific events such as increasing costs, declining financial performance, or loss of key personnel; or other events such as an expectation that a reporting unit will be sold or a sustained decrease in the stock price on either an absolute basis or relative to peers.

If it is determined, as a result of the qualitative assessment, that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, the provisions of authoritative guidance require that we perform a two-step impairment test on goodwill. In the first step, we compare the fair value of each reporting unit to its carrying value. The second step (if necessary) measures the amount of impairment by applying fair-value-based tests to the individual assets and liabilities within each reporting unit. As defined in the authoritative guidance, a reporting unit is an operating segment, or one level below an operating segment. We aggregate components of an operating segment that have similar economic characteristics into our reporting units. During the third quarter of fiscal year 2012, we formed a fourth segment, diagnostics and genomics, from a portion of our life sciences segment. As a result, Agilent now has four segments, life sciences, chemical analysis, diagnostics and genomics and electronic measurement, which are the same as our reporting units. In fiscal year 2012, we assessed goodwill impairment for our reporting units; life sciences, chemical analysis, diagnostics and genomics, and electronic measurement. Based on the results of our

qualitative test for goodwill impairment by reporting unit, as of September 30, 2012, we believe that it is more-likely-than-not that the fair value of each of our reporting units, life sciences, chemical analysis, diagnostics and genomics and electronic measurement is greater than their respective carrying values. There was no impairment of goodwill during the three and six months ended April 30, 2013 and 2012.

Purchased intangible assets consist primarily of acquired developed technologies, proprietary know-how, trademarks, and customer relationships and are amortized over estimated useful lives ranging from 6 months to 15 years. In-process research and development ("IPR&D") is initially capitalized at fair value as an intangible asset with an indefinite life and assessed for impairment thereafter. When the IPR&D project is complete, it is reclassified as an amortizable purchased intangible asset and is amortized over its estimated useful life. If an IPR&D project is abandoned, Agilent will record a charge for the value of the related intangible asset to Agilent's consolidated statement of operations in the period it is abandoned.

In July 2012, the FASB simplified the guidance for testing for impairment of indefinite-lived intangible assets other than goodwill. The changes are intended to reduce compliance costs. Agilent's indefinite-lived intangible assets are IPR&D intangible assets. The revised guidance allows a qualitative approach for testing indefinite-lived intangible assets for impairment, similar to

Table of Contents

the recently issued impairment testing guidance for goodwill and allows the option to first assess qualitative factors (events and circumstances) that could have affected the significant inputs used in determining the fair value of the indefinite-lived intangible asset to determine whether it is more-likely-than-not (i.e. greater than 50% chance) that the indefinite-lived intangible asset is impaired. An organization may choose to bypass the qualitative assessment for any indefinite-lived intangible asset in any period and proceed directly to calculating its fair value. The amendments are effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption is permitted. Agilent adopted this guidance for the year ended October 31, 2012. We recorded an impairment of $1 million for the three and six months ended April 30, 2013 due to the cancellation of an IPR&D project within our electronic measurement business. There was no impairment related to an IPR&D project during the three and six months ended April 30, 2012.

2. NEW ACCOUNTING PRONOUNCEMENTS

In June 2011, the FASB issued guidance related to the presentation of comprehensive income. The guidance aims to improve the comparability, consistency, and transparency of financial reporting and to increase the prominence of items reported in other comprehensive income. The guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. In the first quarter of 2013, we adopted the updated authoritative guidance that increases the prominence of items reported in other comprehensive income. The updated authoritative guidance eliminates the option to present components of other comprehensive income as part of the statement of changes in equity and requires that changes in other comprehensive income be presented either as a single continuous statement of comprehensive income or in two but consecutive statements. The adoption of the updated authoritative guidance did impact the presentation of comprehensive income, as we have elected to present two separate but consecutive statements, but did not have an impact on our financial position or results of operations.

In December 2011, the FASB issued guidance related to the enhanced disclosures that will enable the users of financial statements to evaluate the effect or potential effect of netting arrangements of an entity's financial position. The amendments require improved information about financial instruments and derivative instruments that are either offset or subject to enforceable master netting arrangements or similar agreement. The guidance is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. We do not expect a material impact to our consolidated financial statements due to the adoption of this guidance.

In February 2013, the FASB issued the guidance for reporting of amounts reclassified out of accumulated other comprehensive income. The revised guidance requires reporting the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income if the amount being reclassified is required to be reclassified in its entirety to net income. For other amounts that are not required to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference other disclosures that provide additional detail about these amounts. The amendments do not change the current requirements for reporting net income or other comprehensive income in financial statements. The guidance is effective prospectively for annual reporting periods beginning after December 15, 2012 and interim periods within those years. Early adoption is permitted. We do not expect a material impact to our consolidated financial statements due to the adoption of this guidance.

In March 2013, the FASB issued an amendment to the accounting guidance on foreign currency matters in order to clarify the guidance for the release of cumulative translation adjustment. The guidance requires that a parent deconsolidate a subsidiary or derecognize a group of assets that is a nonprofit activity or a business (other than a sale of in substance real estate or conveyance of oil and gas mineral rights) if the parent ceases to have a controlling financial interest in that group of assets. The guidance is effective for interim and annual periods beginning on or after December 15, 2013. We have no plans to deconsolidate a subsidiary or derecognize a group of assets in the near future and we do not expect a material impact to our consolidated financial statements due to the adoption of this

guidance.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on our consolidated financial statements upon adoption.

3. ACQUISITION OF DAKO

On June 21, 2012, we completed the acquisition of Dako through the acquisition of 100% of the share capital of Dako, a limited liability company incorporated under the laws of Denmark, under the share purchase agreement dated May 16, 2012. As a result of the acquisition, Dako has become a wholly-owned subsidiary of Agilent. Accordingly, the results of Dako are included in Agilent's condensed consolidated financial statements from the date of the acquisition. The acquisition of Dako and its portfolio is another step to increase our growth in several rapidly expanding areas of diagnostics, including anatomic pathology and molecular diagnostics, as well as strengthen our existing offerings with a focus on product development to help in the fight against cancer.

Table of Contents

The consideration paid was approximately $2,143 million, of which $1,400 million was paid directly to the seller and $743 million was paid to satisfy outstanding debt. Agilent funded the acquisition using existing cash. In connection with the acquisition of Dako, Agilent entered into several foreign currency forward contracts to mitigate the currency exchange risk associated with the payment of the purchase price in Danish Krone and the repayment of debt in multiple currencies. The aggregate notional amount of the currencies hedged was $1.7 billion. These foreign exchange contracts did not qualify for hedge accounting treatment and were not designated as hedging instruments.

The acquired assets and assumed liabilities were recorded by Agilent at their estimated fair values. Agilent determined the estimated fair values with the assistance of appraisals or valuations performed by third party specialists, discounted cash flow analyses, and estimates made by management. We expect to realize revenue synergies, leverage and expand the existing sales channels and product development resources, and utilize the assembled workforce. The company also anticipates opportunities for growth through expanded geographic and customer segment diversity and the ability to leverage additional products and capabilities. These factors, among others, contributed to a purchase price in excess of the estimated fair value of Dako's net identifiable assets acquired (see summary of net assets below), and, as a result, we have recorded goodwill in connection with this transaction.

Goodwill was allocated to the diagnostics and genomics operating segment and reporting unit. We do not expect the goodwill recognized to be deductible for income tax purposes.

A material portion of the overall purchase price was allocated to acquired intangible assets. Amortization expense associated with acquired intangible assets is not deductible for tax purposes. Therefore, approximately $185 million was established as a deferred tax liability for the future amortization of these intangibles.

The following table summarizes the final allocation of the purchase price to the estimated fair values of the assets acquired and liabilities assumed on the closing date of June 21, 2012 (in millions):

Cash and cash equivalents	$11	
Accounts receivable	96	
Inventories	90	
Other current assets	5	
Property, plant and equipment	146	
Long term investments	11	
Intangible assets	738	
Other assets	13	
Goodwill	1,383	
Total assets acquired	2,493	
Accounts payable	(24	)
Employee compensation and benefits	(24	)
Other accrued liabilities	(47	)
Long-term debt	(43	)
Other long-term liabilities	(212	)
Net assets acquired	$2,143	

The fair value of cash and cash equivalents, accounts receivable, other current assets, accounts payable and other accrued liabilities were generally determined using historical carrying values given the short-term nature of these assets and liabilities.

The fair values for acquired inventory, property, plant and equipment, and intangible assets were determined with the input from third party valuation specialists.

The fair values of certain other assets, investments, long-term debt, and certain other long-term liabilities were determined internally using historical carrying values and estimates made by management.

Table of Contents

Valuations of intangible assets acquired

The components of intangible assets acquired in connection with the Dako acquisition were as follows (in millions):

	Fair Value	Estimated Useful Life
Developed product technology	$287	8 - 9 yrs
Customer relationships	140	4 yrs
Tradenames and trademarks	128	12 yrs
Total intangible assets subject to amortization	555	
In-process research and development	183	
Total intangible assets	$738	

As noted above, the intangible assets, including in-process research and development, were valued with input from valuation specialists. The in-process research and development was valued using the multi-period excess earnings method under the income approach by discounting forecasted cash flows directly related to the products expecting to result from the projects, net of returns on contributory assets. The primary in-process project acquired relates to a major new product platform which was released and amortization began in the second quarter of fiscal 2013. See also Note 8, "Goodwill and other intangible assets" for additional information. Total costs to complete for all Dako in-process research and development were estimated at approximately $49 million over time as of the close date.

Acquisition and integration costs directly related to the Dako acquisition totaled $2 million and $5 million for the three and six months ended April 30, 2013, respectively, and were recorded in selling, general and administrative expenses. Such costs are expensed in accordance with the authoritative accounting guidance.

The following represents pro forma operating results as if Dako had been included in the company's condensed consolidated statements of operations as of the beginning of fiscal 2011(in millions, except per share amounts):

	Three Months Ended April 30, 2012	Six Months Ended
Net revenue	$1,824	$3,555
Net income	$244	$455
Net income per share - basic	$0.70	$1.31
Net income per share - diluted	$0.69	$1.29

The pro forma financial information assumes that the companies were combined as of November 1, 2010 and include business combination accounting effects from the acquisition including amortization charges from acquired intangible assets, the impact on cost of sales due to the respective estimated fair value adjustments to inventory, changes to interest income for cash used in the acquisition, interest expense and currency losses associated with debt paid in connection with the acquisition and acquisition related transaction costs and tax related effects. The pro forma information as presented above is for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of fiscal 2011.

The unaudited pro forma financial information for the three months ended April 30, 2012 combines the historical results of Agilent for the three months ended April 30, 2012 and for Dako for the three months ended March 31, 2012 (due to differences in reporting periods). The unaudited pro forma financial information for the six months ended April 30, 2012 combines the historical results of Agilent for the six months ended April 30, 2012 and for Dako for the six months ended March 31, 2012 (due to differences in reporting periods).

Table of Contents

4. SHARE-BASED COMPENSATION

Agilent accounts for share-based awards in accordance with the provisions of the authoritative accounting guidance which requires the measurement and recognition of compensation expense for all share-based payment awards made to our employees and directors including employee stock option awards, restricted stock units, employee stock purchases made under our employee stock purchase plan ("ESPP") and performance share awards granted to selected members of our senior management under the long-term performance plan ("LTPP") based on estimated fair values.

The impact on our results for share-based compensation was as follows:

	Three Months Ended April 30,		Six Months Ended April 30,	
	2013	2012	2013	2012
	(in millions)			
Cost of products and services	$3	$4	$11	$10
Research and development	3	2	7	6
Selling, general and administrative	13	12	32	29
Total share-based compensation expense	$19	$18	$50	$45

At April 30, 2013 there was no share-based compensation capitalized within inventory. For the three and six months ended April 30, 2013, the windfall tax benefit realized from exercised stock options and similar awards was zero and $2 million, respectively. For the three and six months ended April 30, 2012, the windfall tax benefits from exercised stock options and similar awards was zero.

The following assumptions were used to estimate the fair value of the options and LTPP grants.

	Three Months Ended April 30,		Six Months Ended April 30,	
	2013	2012	2013	2012
Stock Option Plans:				
Weighted average risk-free interest rate	—	1.2%	0.9%	0.9%
Dividend yield	—	1%	1%	0%
Weighted average volatility	—	38%	39%	38%
Expected life	—	5.8yrs	5.8yrs	5.8yrs
LTPP:				
Volatility of Agilent shares	37%	41%	37%	41%
Volatility of selected peer-company shares	6%-64%	17%-75%	6%-64%	17%-75%
Price-wise correlation with selected peers	49%	62%	49%	62%

The fair value of share-based awards for employee stock option awards was estimated using the Black-Scholes option pricing model. Shares granted under the LTPP were valued using a Monte Carlo simulation model. Both the Black-Scholes and Monte Carlo simulation fair value models require the use of highly subjective and complex assumptions, including the option's expected life and the price volatility of the underlying stock. The estimated fair value of restricted stock unit awards is determined based on the market price of Agilent's common stock on the date of grant adjusted for expected dividend yield. On January 17, 2012, the company's Board of Directors approved the initiation of quarterly cash dividends to the company's shareholders. The fair value of all the awards granted prior to the declaration of quarterly cash dividend was measured based on an expected dividend yield of 0%. The ESPP allows eligible employees to purchase shares of our common stock at 85 percent of the purchase price and uses the purchase date to establish the fair market value.

We use historical volatility to estimate the expected stock price volatility assumption for employee stock option awards. In reaching the conclusion, we have considered many factors including the extent to which our options are currently traded and our ability to find traded options in the current market with similar terms and prices to the options we are valuing. In estimating the expected life of our options granted we considered the historical option exercise behavior of our executives, which we believe is representative of future behavior.

Table of Contents

5. INCOME TAXES

The effective tax rate was 16.2 percent and 12.3 percent for the three and six months ended April 30, 2013, respectively, compared to 13.0 percent and 11.7 percent for the same periods last year. The increase in the effective tax rate for the three months ended April 30, 2013 primarily relates to a $12 million out of period adjustment to tax expense, recognized during the quarter, associated with the write-off of deferred tax assets related to foreign tax credits incorrectly claimed in prior years.

The income tax provision for the three and six months ended April 30, 2013 included net discrete tax expense of $14 million and $3 million, respectively. The net discrete tax charges for the three months ended April 30, 2013 included the aforementioned $12 million out of period adjustment. The net discrete tax charges for the six months ended April 30, 2013 included a net discrete tax benefit of $11 million, recognized in the first quarter of 2013, primarily due to research and development tax credits relating to the company's prior fiscal year. The income tax provision for the three and six months ended April 30, 2012 included net discrete tax expense of $10 million and $14 million, respectively. The net discrete tax charges for the three months ended April 30, 2012 primarily related to U.S. penalties and withholding taxes.

In the U.S., tax years remain open back to the year 2006 for federal income tax purposes and the year 2000 for significant states. Agilent's U.S. federal income tax returns for 2006 through 2007 are currently under audit by the IRS. During the three months ended July 31, 2012, the company received a Revenue Agents Report (“RAR”) for these years and filed a protest to dispute certain adjustments, the most significant of which pertains to the amount of a gain from the disposition of a business that was allocated to the U.S. for income tax purposes. There can be no assurance that the outcome of this dispute will not have a material adverse effect on our operating results or financial condition. In other major jurisdictions where the company conducts business, the tax years generally remain open back to the year 2003. With these jurisdictions and the U.S., it is reasonably possible that there could be significant changes to our unrecognized tax benefits in the next twelve months due to either the expiration of a statute of limitation or a tax audit settlement. Given the number of years and numerous matters that remain subject to examination in various tax jurisdictions, management is unable to estimate the range of possible changes to the balance of our unrecognized tax benefits.

6. NET INCOME PER SHARE

The following is a reconciliation of the numerator and denominator of the basic and diluted net income per share computations for the periods presented below:

	Three Months Ended April 30,		Six Months Ended April 30,	
	2013	2012	2013	2012
	(in millions)			
Numerator:				
Net income	$166	$255	$345	$485
Denominator:				
Basic weighted-average shares	345	348	346	348
Potentially dilutive common stock equivalents — stock options and other employee stock plans	4	6	5	5
Diluted weighted-average shares	349	354	351	353

The dilutive effect of share-based awards is reflected in diluted net income per share by application of the treasury stock method, which includes consideration of unamortized share-based compensation expense, the tax benefits or

shortfalls recorded to additional paid-in capital and the dilutive effect of in-the-money options and non-vested restricted stock units. Under the treasury stock method, the amount the employee must pay for exercising stock options and unamortized share-based compensation expense and tax benefits or shortfalls collectively are assumed proceeds to be used to repurchase hypothetical shares. An increase in the fair market value of the company's common stock can result in a greater dilutive effect from potentially dilutive awards.

We exclude stock options with exercise prices greater than the average market price of our common stock from the calculation of diluted earnings per share because their effect would be anti-dilutive. For the three and six months ended April 30, 2013, options to purchase 5,600 shares were excluded from the calculation of diluted earnings per share as compared to 5,600 shares and 862,000 shares for the three and six months ended April 30, 2012, respectively. In addition, we also exclude from the calculation of diluted earnings per share, stock options, ESPP, LTPP and restricted stock awards whose combined exercise price, unamortized fair value and excess tax benefits or shortfalls collectively were greater than the average market price of our common stock because their effect would also be anti-dilutive. For the three and six months ended April 30, 2013 we excluded an additional 32,000 shares

13

Table of Contents

and 26,000 shares, respectively, as compared to 1.4 million shares and 1.7 million shares for the three and six months ended April 30, 2012, respectively.

7. INVENTORY

	April 30, 2013	October 31, 2012
	(in millions)	
Finished goods	$527	$509
Purchased parts and fabricated assemblies	515	505
Inventory	$1,042	$1,014

8. GOODWILL AND OTHER INTANGIBLE ASSETS

The following table presents goodwill balances and the movements for each of our reportable segments during the six months ended April 30, 2013:

	Life Sciences	Chemical Analysis	Diagnostics and Genomics	Electronic Measurement	Total
	(in millions)				
Goodwill as of October 31, 2012	$347	$756	$1,464	$458	$3,025
Foreign currency translation impact	—	—	19	(48)	(29)
Goodwill arising from acquisitions/adjustments	—	—	11	(1)	10
Goodwill as of April 30, 2013	$347	$756	$1,494	$409	$3,006

The components of other intangibles as of April 30, 2013 and October 31, 2012 are shown in the table below:

	Purchased Other Intangible Assets		
	Gross Carrying Amount	Accumulated Amortization and Impairments	Net Book Value
	(in millions)		
As of October 31, 2012:			
Purchased technology	$849	$333	$516
Backlog	14	14	—
Trademark/Tradename	168	27	141
Customer relationships	391	155	236
Total amortizable intangible assets	1,422	529	893
In-Process R&D	193	—	193
Total	$1,615	$529	$1,086
As of April 30, 2013:			
Purchased technology	1,005	398	607
Backlog	14	14	—
Trademark/Tradename	172	37	135
Customer relationships	391	182	209
Total amortizable intangible assets	1,582	631	951
In-Process R&D	44	—	44

Total	$1,626	$631	$995

During the six months ended April 30, 2013, we recorded additions to goodwill of $10 million primarily related to the acquisition of two businesses. During the three and six months ended April 30, 2012, we recorded additions to goodwill of $14 million and $53 million, respectively. During the six months ended April 30, 2013, we recorded additions to other intangible assets of $1 million. During the three and six months ended April 30, 2012, we recorded additions to other intangible assets of $8 million and $24 million, respectively. During the three and six months ended April 30, 2013, intangible assets decreased by $23 million and increased by $10 million, respectively, due to the impact of foreign exchange translation. During the three and six months ended April 30, 2013, we transferred $125 million and $147 million, respectively, from in-process R&D to purchased technology

14

Table of Contents

as projects were completed. We recorded an impairment of $1 million for the three and six months ended April 30, 2013 due to the cancellation of an IPR&D project.

Amortization of intangible assets was $50 million and $101 million for the three and six months ended April 30, 2013, respectively. Amortization of intangible assets was $26 million and $53 million for the three and six months ended April 30, 2012, respectively. Future amortization expense related to existing finite-lived purchased intangible assets is estimated to be $106 million for the remainder of 2013, $206 million for 2014, $187 million for 2015, $154 million for 2016, $103 million for 2017, $66 million for 2018, and $129 million thereafter.

9. FAIR VALUE MEASUREMENTS

The authoritative guidance defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, we consider the principal or most advantageous market and assumptions that market participants would use when pricing the asset or liability.

Fair Value Hierarchy

The guidance establishes a fair value hierarchy that prioritizes the use of inputs used in valuation techniques into three levels. A financial instrument’s categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. There are three levels of inputs that may be used to measure fair value:

Level 1- applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2- applies to assets or liabilities for which there are inputs other than quoted prices included within level 1 that are observable, either directly or indirectly, for the asset or liability such as: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in less active markets; or other inputs that can be derived principally from, or corroborated by, observable market data.

Level 3- applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis as of April 30, 2013 were as follows:

		Fair Value Measurement at April 30, 2013 Using		
	April 30, 2013	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(in millions)			
Assets:				
Short-term				

Cash equivalents (money market funds)	$1,878	$1,878	$—	$—
Derivative instruments (foreign exchange contracts)	23	—	23	—
Long-term				
Trading securities	48	48	—	—
Available-for-sale investments	18	18	—	—
Total assets measured at fair value	$1,967	$1,944	$23	$—
Liabilities:				
Short-term				
Derivative instruments (foreign exchange contracts)	$5	$—	$5	$—
Long-term				
Deferred compensation liability	47	—	47	—
Total liabilities measured at fair value	$52	$—	$52	$—

Table of Contents

Assets and liabilities measured at fair value on a recurring basis as of October 31, 2012 were as follows:

		Fair Value Measurement at October 31, 2012 Using		
	October 31, 2012	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(in millions)			
Assets:				
Short-term				
Cash equivalents (money market funds)	$1,834	$1,834	$—	$—
Derivative instruments (foreign exchange and interest rate swap contracts)	7	—	7	—
Long-term				
Trading securities	50	50	—	—
Total assets measured at fair value	$1,891	$1,884	$7	$—
Liabilities:				
Short-term				
Derivative instruments (foreign exchange contracts)	$6	$—	$6	$—
Long-term				
Deferred compensation liability	48	—	48	—
Total liabilities measured at fair value	$54	$—	$54	$—

Our money market funds, trading securities investments and available-for-sale investments are generally valued using quoted market prices and therefore are classified within level 1 of the fair value hierarchy. Our derivative financial instruments are classified within level 2, as there is not an active market for each hedge contract, but the inputs used to calculate the value of the instruments are tied to active markets. Our deferred compensation liability is classified as level 2 because, although the values are not directly based on quoted market prices, the inputs used in the calculations are observable.

Trading securities and deferred compensation liability are reported at fair value, with gains or losses resulting from changes in fair value recognized currently in net income. Investments designated as available-for-sale and certain derivative instruments are reported at fair value, with unrealized gains and losses, net of tax, included in other comprehensive income. Realized gains and losses from the sale of these instruments are recorded in net income.

Impairment of Investments. There were no impairments for investments for the three and six months ended April 30, 2013 and 2012.

Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

Long-Lived Assets

For assets measured at fair value on a non-recurring basis, the following table summarizes the impairments included in net income during the three and six months ended April 30, 2013 and 2012:

	Three Months Ended April 30,	Six Months Ended April 30,

	2013	2012	2013	2012
	(in millions)			
Long-lived assets held and used	$1	$—	$1	$—
Long-lived assets held for sale	$—	$—	$1	$—

For the three and six months ended April 30, 2013, long-lived assets held and used with a carrying value of $1 million were written down to their fair value of zero. For the three and six months ended April 30, 2012 there were no impairments of long-lived assets held and used. There were no impairments of long-lived assets held for sale for the three months ended April 30, 2013 and 2012. For the six months ended April 30, 2013, long-lived assets held for sale with a carrying value of $3 million were written down to their fair value of $2 million. There were no impairments of long-lived assets held for sale for the six months ended

16

Table of Contents

April 30, 2012. Fair value for the impaired long-lived assets was measured using level 2 inputs and impairments were included in net income for the period stated.

Investments in Leases

In December 2011, we terminated our leasehold interest in certain municipal properties, received $80 million in cash and recognized a loss of approximately $2 million.

10. DERIVATIVES

We are exposed to foreign currency exchange rate fluctuations and interest rate changes in the normal course of our business. As part of risk management strategy, we use derivative instruments, primarily forward contracts, purchased options, and interest rate swaps, to hedge economic and/or accounting exposures resulting from changes in foreign currency exchange rates and interest rates.

Fair Value Hedges

We are exposed to interest rate risk due to the mismatch between the interest expense we pay on our loans at fixed rates and the variable rates of interest we receive from cash, cash equivalents and other short-term investments. We have issued long-term debt in U.S. dollars at fixed interest rates based on the market conditions at the time of financing. The fair value of our fixed rate debt changes when the underlying market rates of interest change, and, in the past, we have used interest rate swaps to change our fixed interest rate payments to U.S. dollar LIBOR-based variable interest expense to match the floating interest income from our cash, cash equivalents and other short term investments. As of April 30, 2013, all interest rate swap contracts had either been terminated or had expired.

On November 25, 2008, we terminated two interest rate swap contracts associated with our 2017 senior notes that represented the notional amount of $400 million. The gain to be amortized at April 30, 2013 was $24 million. On June 6, 2011, we also terminated five interest rate swap contracts associated with our 2015 senior notes that represented the notional amount of $500 million. The gain to be amortized at April 30, 2013 was $16 million. On August 9, 2011, we terminated five interest rate swap contracts related to our 2020 senior notes that represented the notional amount of $500 million. The gain to be amortized at April 30, 2013 was $27 million.

Cash Flow Hedges

We enter into foreign exchange contracts to hedge our forecasted operational cash flow exposures resulting from changes in foreign currency exchange rates. These foreign exchange contracts, carried at fair value, have maturities between one and twelve months. These derivative instruments are designated and qualify as cash flow hedges under the criteria prescribed in the authoritative guidance. The changes in fair value of the effective portion of the derivative instrument are recognized in accumulated other comprehensive income. Amounts associated with cash flow hedges are reclassified to cost of sales in the consolidated statement of operations when the forecasted transaction occurs. If it becomes probable that the forecasted transaction will not occur, the hedge relationship will be de-designated and amounts accumulated in other comprehensive income will be reclassified to other income (expense) in the current period. Changes in the fair value of the ineffective portion of derivative instruments are recognized in other income (expense) in the consolidated statement of operations in the current period. We record the premium paid (time value) of an option on the date of purchase as an asset. For options designated as cash flow hedges, changes in the time value are excluded from the assessment of hedge effectiveness and are recognized in other income (expense) over the life of the option contract. Ineffectiveness in the three and six months ended April 30, 2013 and 2012 was not significant. For the three and six months ended April 30, 2013 and 2012 gains and losses recognized in other income (expense) due to de-designation of cash flow hedge contracts were not significant.

In July 2012, Agilent executed treasury lock agreements for $400 million in connection with future interest payments to be made on our 2022 senior notes issued on September 10, 2012. We designated the treasury lock as a cash flow hedge. The treasury lock contracts were terminated on September 10, 2012 and we recognized a deferred gain in accumulated other comprehensive income of $3 million to be amortized to interest expense over the life of the 2022 senior notes.

Other Hedges

Additionally, we enter into foreign exchange contracts to hedge monetary assets and liabilities that are denominated in currencies other than the functional currency of our subsidiaries. These foreign exchange contracts are carried at fair value and do not qualify for hedge accounting treatment and are not designated as hedging instruments. Changes in value of the derivative

Table of Contents

are recognized in other income (expense) in the consolidated statement of operations, in the current period, along with the offsetting foreign currency gain or loss on the underlying assets or liabilities.

Our use of derivative instruments exposes us to credit risk to the extent that the counterparties may be unable to meet the terms of the agreement. We do, however, seek to mitigate such risks by limiting our counterparties to major financial institutions which are selected based on their credit ratings and other factors. We have established policies and procedures for mitigating credit risk that include establishing counterparty credit limits, monitoring credit exposures, and continually assessing the creditworthiness of counterparties.

A number of our derivative agreements contain threshold limits to the net liability position with counterparties and are dependent on our corporate credit rating determined by the major credit rating agencies. The counterparties to the derivative instruments may request collateralization, in accordance with derivative agreements, on derivative instruments in net liability positions.

The aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a net liability position as of April 30, 2013, was zero. The credit-risk-related contingent features underlying these agreements had not been triggered as of April 30, 2013.

There were 120 foreign exchange forward contracts and 12 foreign exchange option contracts open as of April 30, 2013 and designated as cash flow hedges. There were 179 foreign exchange forward contracts open as of April 30, 2013 not designated as hedging instruments. The aggregated notional amounts by currency and designation as of April 30, 2013 were as follows:

	Derivatives in Cash Flow Hedging Relationships		Derivatives Not Designated as Hedging Instruments
Currency	Forward Contracts Buy/(Sell)	Option Contracts Buy/(Sell)	Forward Contracts Buy/(Sell)
	(in millions)		
Euro	$(56)	$—	$159
British Pound	—	—	—
Canadian Dollar	(45)	—	—
Australian Dollars	11	—	17
Malaysian Ringgit	111	—	27
Japanese Yen	(16)	(85)	34
Other	(11)	—	(8)
Totals	$(6)	$(85)	$229

Table of Contents

The notional amounts within derivatives not designated as hedging instruments include forward cross currency contracts of Danish Krone equivalent of $59 million to sell Euro and $1 million to sell Japanese Yen.

Derivative instruments are subject to master netting arrangements and are disclosed gross in the balance sheet. The gross fair values and balance sheet location of derivative instruments held in the consolidated balance sheet as of April 30, 2013 and October 31, 2012 were as follows:

Fair Values of Derivative Instruments

Asset Derivatives			Liability Derivatives		
	Fair Value			Fair Value	
Balance Sheet Location	April 30, 2013	October 31, 2012	Balance Sheet Location	April 30, 2013	October 31, 2012
(in millions)					
Derivatives designated as hedging instruments:					
Cash flow hedges					
Foreign exchange contracts					
Other current assets	$13	$4	Other accrued liabilities	$2	$2
Derivatives not designated as hedging instruments:					
Foreign exchange contracts					
Other current assets	$10	$3	Other accrued liabilities	$3	$4
Total derivatives	$23	$7		$5	$6

The effect of derivative instruments for interest rate swap contracts and foreign exchange contracts designated as hedging instruments and not designated as hedging instruments in our consolidated statement of operations were as follows:

	Three Months Ended April 30,		Six Months Ended April 30,	
	2013	2012	2013	2012
	(in millions)			
Derivatives designated as hedging instruments:				
Fair Value Hedges				
Gain (loss) on interest rate swap contracts, including interest accrual, recognized in interest expense	$—	$—	$—	$—
Gain (loss) on hedged item, recognized in interest expense	$—	$1	$—	$2
Cash Flow Hedges				
Foreign exchange contracts:				
Gain recognized in accumulated other comprehensive income	$8	$—	$16	$6
Gain reclassified from accumulated other comprehensive income into cost of sales	$6	$4	$7	$5
Derivatives not designated as hedging instruments:				
Gain (loss) recognized in other income (expense)	$(5)	$6	$(2)	$(10)

The estimated amount of existing net gain at April 30, 2013 that is expected to be reclassified from other comprehensive income to cost of sales within the next twelve months is $11 million.

11. RESTRUCTURING

In the second quarter of 2013, in response to slow revenue growth due to macroeconomic conditions, we accrued for a targeted restructuring program that is expected to reduce Agilent's total headcount by approximately 450 regular employees, representing approximately 2 percent of our global workforce. The timing and scope of workforce reductions will vary based on local legal requirements. When completed, the restructuring program is expected to result in a reduction in annual cost of sales and operating expenses.

As previously announced, we are streamlining our manufacturing operations. As part of this action, we announced a

Table of Contents

reduction of approximately 170 positions to reduce our annual cost of sales.

Total headcount reductions from targeted restructuring and manufacturing streamlining will be approximately 600 positions. We expect to complete a majority of these actions by the end of fiscal year 2013.

A summary of total restructuring activity is shown in the table below:

	Workforce Reduction (in millions)
Balance as of October 31, 2012	$—
Income statement expense	55
Cash payments	(1)
Balance as of April 30, 2013	$54

The restructuring accruals which totaled $54 million at April 30, 2013, are recorded in other accrued liabilities on the consolidated balance sheet. These balances reflect estimated future cash outlays.

A summary of the charges in the consolidated statement of operations resulting from all restructuring activities is shown below:

	Three Months Ended April 30,		Six Months Ended April 30,	
	2013	2012	2013	2012
	(in millions)			
Cost of products and services	$18	$—	$18	$—
Research and development	8	—	8	—
Selling, general and administrative	29	—	29	—
Total restructuring and other related costs	$55	$—	$55	$—

Table of Contents

12. RETIREMENT PLANS AND POST RETIREMENT PENSION PLANS

Components of net periodic costs. For the three and six months ended April 30, 2013 and 2012, our net pension and post retirement benefit costs were comprised of the following:

	Pensions					
	U.S. Plans		Non-U.S. Plans		U.S. Post Retirement Benefit Plans	
	Three Months Ended April 30,					
	2013	2012	2013	2012	2013	2012
	(in millions)					
Service cost—benefits earned during the period	$11	$10	$9	$8	$1	$1
Interest cost on benefit obligation	6	7	17	19	3	4
Expected return on plan assets	(13)	(11)	(24)	(23)	(5)	(5)
Amortization:						
Actuarial losses	4	1	14	10	4	4
Prior service cost	(3)	(3)	—	—	(8)	(9)
Total net plan costs	$5	$4	$16	$14	$(5)	$(5)

	Pensions					
	U.S. Plans		Non-U.S. Plans		U.S. Post Retirement Benefit Plans	
	Six Months Ended April 30,					
	2013	2012	2013	2012	2013	2012
	(in millions)					
Service cost—benefits earned during the period	$22	$20	$18	$16	$2	$2
Interest cost on benefit obligation	12	14	35	37	6	8
Expected return on plan assets	(26)	(23)	(49)	(46)	(10)	(10)
Amortization:						
Actuarial losses	7	3	28	21	9	8
Prior service cost	(6)	(6)	—	—	(17)	(18)
Total net plan costs	$9	$8	$32	$28	$(10)	$(10)

We contributed approximately $30 million to our U.S. defined benefit plans and $41 million to our non-U.S. defined benefit plans during the three months ended April 30, 2013, respectively, and $30 million and $53 million, respectively, for the six months ended April 30, 2013 . We contributed approximately $30 million to our U.S. defined benefit plans and $11 million to our non-U.S. defined benefit plans during the three months ended April 30, 2012, respectively, and $30 million and $23 million, respectively, for the six months ended April 30, 2012. We do not expect to contribute to our U.S. defined benefit plans during the remainder of 2013 and expect to contribute $33 million to our non-U.S. defined benefit plans during the remainder of 2013.

13. WARRANTIES AND CONTINGENCIES

Warranties

We accrue for standard warranty costs based on historical trends in warranty charges as a percentage of net product shipments. The accrual is reviewed regularly and periodically adjusted to reflect changes in warranty cost estimates. Estimated warranty charges are recorded within cost of products at the time products are sold. The standard warranty accrual balances are held in other accrued and other long-term liabilities on our condensed consolidated balance sheet.

Our standard warranty terms typically extend between one and three years from the date of delivery, depending on the product.

Table of Contents

A summary of the standard warranty accrual activity is shown in the table below:

	Six Months Ended April 30,	
	2013	2012
	(in millions)	
Beginning balance as of November 1	$60	$50
Accruals for warranties including change in estimate	45	43
Settlements made during the period	(43)	(37)
Ending balance as of April 30	$62	$56

Contingencies

We are involved in lawsuits, claims, investigations and proceedings, including patent, commercial and environmental matters. There are no matters pending that we currently believe are probable of having a material impact to our business, consolidated financial condition, results of operations or cash flows.

On March 4, 2013, we made a report to the Inspector General of the Department of Defense regarding pricing irregularities relating to certain sales of electronic measurement products to U.S. government agencies. We will cooperate with any government investigation of this matter. At this point, we cannot predict or estimate the duration, scope, cost, or result of this matter or whether the government will commence any legal action.

14. SHORT-TERM DEBT

Credit Facilities

On October 20, 2011, we entered into a five-year credit agreement, which provides for a $400 million unsecured credit facility that will expire on October 20, 2016. The company may use amounts borrowed under the facility for general corporate purposes. As of April 30, 2013 the company had no borrowings outstanding under the facility. We were in compliance with the covenants for the credit facility during the three and six months ended April 30, 2013.

As a result of the Dako acquisition, we have a credit facility in Danish Krone equivalent of $9 million with a Danish financial institution. No borrowings were outstanding under the facility as of April 30, 2013.

2013 Senior Notes

In July 2010, the company issued an aggregate principal amount of $250 million in senior notes maturing in 2013 ("2013 senior notes"). All notes issued are unsecured and rank equally in right of payment with all of Agilent's other senior unsecured indebtedness. There have been no changes to the principal, maturity, interest rates and interest payment terms of the senior notes in the six months ended April 30, 2013 as compared to the 2013 senior notes described in our Annual Report on Form 10-K for the fiscal year ended October 31, 2012. The 2013 senior notes will mature on July 15, 2013.

Table of Contents

15. LONG-TERM DEBT

Senior Notes

The following table summarizes the company’s long-term senior notes and the related interest rate swaps:

	April 30, 2013			October 31, 2012		
	Amortized Principal	Swap	Total	Amortized Principal	Swap	Total
	(in millions)					
2015 Senior Notes	$499	$16	$515	$499	$18	$517
2017 Senior Notes	599	24	623	599	26	625
2020 Senior Notes	498	27	525	498	29	527
2022 Senior Notes	399	—	399	399	—	399
Total	$1,995	$67	$2,062	$		