Agilent Technologies to Separate Into Two Industry-Leading Public Companies

Prepared Remarks

<u>ALICIA RODRIGUEZ</u>

Thank you Benny, and welcome, everyone, to today's conference call. With me are Agilent's President and CEO Bill Sullivan, Agilent Executive Vice President Ron Nersesian, and Senior Vice President and CFO Didier Hirsch.

You can find the press release and information to supplement today's discussion, including an investor presentation, on our website at www.investor.agilent.com. We will also post a copy of the prepared remarks following this call.

During today's comments, 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.

Today, Agilent announced the biggest and most profound change in our history. The Agilent Board of Directors has approved a plan to separate the company into two industry-leading, publicly traded companies.

Agilent will be focused on life sciences, diagnostics and applied markets (what we called LDA businesses). I will be the president and CEO of this company.

We will spin off Agilent's current portfolio of electronic measurement products to create a new, publicly traded business, which will be named prior to close. Ron Nersesian will be president and CEO.

I couldn't be more pleased with Ron's appointment. The board and I think he is a great choice for many reasons, including his excellent track record leading the Electronic Measurement Group. I also know he has the vision, enthusiasm and deep knowledge of the industry to position the new company for greater growth and success.

The rationale for the separation of the company is very straightforward. Agilent has evolved into two distinct investment and business opportunities, and as two separate companies we believe we will be able to deliver enhanced shareholder value.

Let me elaborate. We have capitalized on EMG since 2005 to build LDA into a sizeable and highly competitive business. Today, at $3.9B, it is more than half of Agilent's revenues. As a result of our strong emergence in LDA, our investor base has changed dramatically.

As you know very well, LDA and EM investors have different investment criteria, timelines and valuation metrics. We believe that these differences have been a limiting factor on Agilent's stock price appreciation and its valuation multiple. Further, we believe this divergence would continue to increase over time.

As separate companies, we are confident that each business has the operational and financial scale to be independent. We also believe this transaction will enhance each separate company's strategic flexibility, allowing management to realign its resources and focus on each company's distinct business opportunities for growth. In particular, the LDA company will be able to devote resources to the higher-growth LDA businesses while reducing exposure to the more cyclical EM industry. Similarly, the EM company will be able to devote resources for its own growth that had previously been used to capitalize LDA.

As we plan for the separation, we have two top priorities:

First, we must keep the dis-synergies to an absolute minimum. The teams have developed excellent plans that will keep the dis-synergies to about $100 million total for both companies over three years. For example, our plan for I.T. is to co-host the current data center in Colorado Springs, allowing us to replicate and size the I.T. infrastructure for both companies with minimum disruption and cost. Similarly, the new Agilent can provide other infrastructure services, such as payroll and finance until the EM company has ramped up enough to operate independently. Real estate is another good example. We have a detailed plan to seamlessly separate the more than 10 million square feet at more than 100 sites around the world with minimum cost.

Second, we must ensure that LDA retains solid engineering talent for Order Fulfillment. As a result of Gooi Soon Chai's efforts, Penang, Malaysia, is now the largest LDA manufacturing site in the world. There are already New Product Introduction (NPI) teams established there to support LDA—and these teams will remain with the new Agilent. We have also transferred an experienced senior leadership team from EMG to LDA.

We expect to have the separation completed by the end of calendar 2014, including obtaining all necessary regulatory approvals globally.

Based on our experience of having executed four major divestitures and spinoffs since 2005, we are very confident that we can complete this separation without disruption to the businesses or our customers.

Now let me turn it over to Didier...

DIDIER HIRSCH

Thank you, Bill, and hello everyone.

As Bill stated, over the last several years we have transformed both EMG and LDA into two businesses that can now be independently successful in their markets.

For EMG, we reconfigured our cost structure to ensure strong profitability throughout the economic cycle. For LDA, the transformation brought about significant scale and the transfer of manufacturing, logistics, engineering, and R&D resources and know-how from best-in-class EMG.

We are now ready to maximize the potential of the two businesses as they operate independently.

Let me now present some of the key aspects of the transaction.

We expect to distribute 100% of the EM company to Agilent shareholders, in a tax-free transaction, by the end of calendar year 2014.

Both publicly-traded companies will have a capital structure, liquidity, and cash flow profile that is intended to support investment grade ratings. To support the investment grade ratings, we intend to opportunistically retire some of our existing debt securities over time, with funding stemming from new debt to be issued by the EM company.

The new Agilent will pay an annual dividend of approximately $130 million per year, which we expect will imply a yield equal to or greater than our current yield. The EM company will initially not pay a dividend.

Finally, we expect that the two companies combined will incur dis-synergies of about $100M over a three-year period starting from separation. We will incur one-time separation costs, including advisory, debt refinancing and tax costs, over the course of the transaction. Those costs will be pro forma and will not impact our EPS guidance or results.

As Bill stated, we expect to complete the transaction in an effective and efficient manner, given our significant experience in both integration and separation.

We therefore anticipate that the transaction will have little impact on our day-to-day operations, customer relations and results.

In FY14, we will continue paying the present dividend and carry on a buyback program to maintain our present diluted share count of about 336 million shares.

Now let me turn it over to Ron.

RON NERSESIAN

Thank you, Didier, and hello everyone.

Our new pure-play Electronic Measurement Company will separate from Agilent with a strong management team and the scale, market position, and capital structure to thrive as a standalone company.

We will launch our company with a global footprint, a leading market position in the $13B Electronic Measurement industry and the top position in each of our three main end markets: Communications; Aerospace/Defense; and Industrial, Computers and Semiconductors.

While we are the clear global market leader, we have opportunities to grow across each of our end markets, expand and grow within our broad product portfolio, and significantly grow in emerging economies.

For FY13, Agilent's Electronic Measurement Group is on track to deliver $2.9B in revenue, 19 percent operating margin, and 31 percent ROIC. Once independent, the new EM company will be well-capitalized and will launch with a strong balance sheet.

We also have assembled an executive staff consisting of strong, seasoned, and passionate leaders.

Neil Dougherty is our CFO designate. Neil has held leadership positions in the EMG finance organization, Corporate Development and has most recently held the role of Agilent's Vice President and Treasurer.

Guy Séné, currently EMG President, will continue in his role leading R&D, Sales, and Marketing. Gooi Soon Chai, most recently Agilent's Order Fulfillment President, will be president of the EM Company's Order Fulfillment and Infrastructure.

Our leadership team has deep electronic measurement experience and a track record of delivering on tough financial commitments.

Right now, we are intensely focused on executing the separation of our new company from Agilent, and we are working closely with Bill, Didier, and the

Agilent team to achieve the spin-off with minimal dis-synergies between the two companies.

So what will be different for us as a standalone company?

It's all about focus. We will be 100% focused on the Electronic Measurement opportunities. We will be 100% focused on Electronic Measurement customers. And we will be 100% focused on shareholders who want to invest in our business and business model.

We are a pure play EM company planning to be first to market with leading-edge, customer-valued technology solutions. Our pure play focus, combined with our deep expertise and technology will enable us to expand our leadership and take share in our core platforms, and to optimize customer solutions with the broadest portfolio in the form factor they choose—industry leading high performance benchtop instruments, modular systems and portable packages.

We expect to continue to grow share in oscilloscopes as we have done for the past decade. And now as we have transformed our business model, we will turn that relentless pursuit and intensity towards the wireless communication market where we have opportunity to grow faster.

We intend to make our transition to a public company seamless for our customers across the world. We will continue to earn their satisfaction and loyalty through our customer-intimate engagement model, our global measurement expertise, low cost of ownership, and ongoing new product introductions.

As indicated earlier by Didier, we have put significant effort over the last several years to reconfigure our cost structure to ensure strong profitability throughout the economic cycle. Our business model is designed to allow us to manage market volatility and generate strong cash flow, ROIC, and substantial earnings growth throughout the cycle.

As you may imagine, over the next few months, we have a lot of work to do. We will build new board of directors. We will announce our company name and brand. And we will also work with Bill and the team to split our Agilent global sites and infrastructure services.

We are very excited and ready to move forward.

Now, I will turn it back over to Bill.

<u>BILL SULLIVAN</u>

Thanks, Ron. Now it is my pleasure to introduce the new LDA company structure and team.

The new Agilent will be comprised of two business organizations.

The first will be the existing Chemical Analysis Group, led by Mike McMullen as its president.

The second will be the combination of our Life Sciences Group (LSG) and Diagnostics and Genomics Group (DGG) that we will call LDG – Life Sciences and Diagnostics Group. This group will be led by Lars Holmkvist, who has been president of DGG.

Nick Roelofs will leave the company to pursue a long-held interest in international consulting in the life sciences field. I want to recognize Nick and thank him for his many contributions. I wish him the very best.

Henrik Ancher-Jensen, most recently DGG's global supply chain vice president, will become president of Agilent Order Fulfillment.

We are dividing the corporate labs to correspond to the two businesses, driving technologies into revenue more quickly.

I am very pleased to launch the new Agilent with a team of this caliber already in place, and I am fully confident that we have a great portfolio of products and services to become an even stronger competitor in the marketplace.

Let me briefly outline our strategy to win and create excellent shareholder value.

1. Increase our organic growth rate. We will leverage our large and growing installed base to expand recurring revenues and core instrument sales. We'll be able to take advantage of greenfield opportunities in developed markets, such as clinical instrumentation, integrated biology and sample prep. We will also continue to leverage the advantage we have with our presence in emerging markets. And of course, we will continue to capitalize on the Dako and Varian acquisitions.

2. Grow earnings faster than revenues. Our top priorities are to drive significant margin expansion and to increase ROIC.

3. Deliver complete workflow solutions for our customers. We will provide a core data system platform to easily enable application development in the lab and correlate data from research to the clinic, allowing for deeper insight by researchers. We will do some bolt-on acquisitions that complete and build on the workflow. These will be focused on sequencing and related technologies, molecular diagnostics and consumables.

A final word before we turn to your questions: We know how to do this. We've done this many times before.

Agilent's history is one of reinvention, starting with our own separation from HP. Now we're once again making a bold move to ensure a future of sustainable growth for both our LDA and EM companies. We know how to make it happen—without disruption, within cost, and on time.