

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

(MARK ONE)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the quarterly period ended April 30, 2021

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For transition period from _____ to _____
Commission File Number: 001-15405

AGILENT TECHNOLOGIES, INC.

(Exact Name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

77-0518772

(IRS Employer Identification No.)

**5301 Stevens Creek Blvd.,
Santa Clara, California 95051**
(Address of principal executive offices)

Registrant's telephone number, including area code: **(800) 227-9770**

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each Class</u>	<u>Trading Symbol</u>	<u>Name of each Exchange on which registered</u>
Common Stock, \$0.01 par value	A	New York Stock Exchange

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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>	Non-accelerated filer	<input type="checkbox"/>
Smaller reporting company	<input type="checkbox"/>			Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of May 21, 2021, the registrant had 303,443,225 shares of common stock, \$0.01 par value per share, outstanding.

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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		Six Months Ended	
	April 30,		April 30,	
	2021	2020	2021	2020
Net revenue:				
Products	\$ 1,150	\$ 923	\$ 2,322	\$ 1,946
Services and other	375	315	751	649
Total net revenue	1,525	1,238	3,073	2,595
Costs and expenses:				
Cost of products	504	417	1,013	871
Cost of services and other	204	164	405	344
Total costs	708	581	1,418	1,215
Research and development	109	197	212	301
Selling, general and administrative	420	358	827	762
Total costs and expenses	1,237	1,136	2,457	2,278
Income from operations	288	102	616	317
Interest income	1	3	1	6
Interest expense	(20)	(20)	(39)	(40)
Other income (expense), net	4	36	7	57
Income before taxes	273	121	585	340
Provision for income taxes	57	20	81	42
Net income	\$ 216	\$ 101	\$ 504	\$ 298
Net income per share:				
Basic	\$ 0.71	\$ 0.33	\$ 1.65	\$ 0.96
Diluted	\$ 0.70	\$ 0.32	\$ 1.64	\$ 0.95
Weighted average shares used in computing net income per share:				
Basic	304	309	305	310
Diluted	307	312	308	313

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

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

	Three Months Ended		Six Months Ended	
	April 30,		April 30,	
	2021	2020	2021	2020
Net income	\$ 216	\$ 101	\$ 504	\$ 298
Other comprehensive income (loss):				
Unrealized gain (loss) on derivative instruments, net of tax expense (benefit) of \$0, \$0, \$(2) and \$0	—	2	(4)	3
Amounts reclassified into earnings related to derivative instruments, net of tax expense of \$2, \$0, \$4 and \$0	4	(1)	10	(1)
Foreign currency translation, net of tax expense of \$0, \$0, \$0 and \$0	2	(29)	44	(40)
Net defined benefit pension cost and post retirement plan costs:				
Change in actuarial net loss, net of tax expense of \$4, \$2, \$8 and \$5	12	12	21	18
Change in net prior service benefit, net of tax expense (benefit) of \$0, \$(1), \$0 and \$0	(1)	(1)	(1)	(4)
Other comprehensive income (loss)	17	(17)	70	(24)
Total comprehensive income	<u>\$ 233</u>	<u>\$ 84</u>	<u>\$ 574</u>	<u>\$ 274</u>

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

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

	April 30, 2021	October 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,380	\$ 1,441
Accounts receivable, net	1,075	1,038
Inventory	791	720
Other current assets	268	216
Total current assets	3,514	3,415
Property, plant and equipment, net	884	845
Goodwill	4,054	3,602
Other intangible assets, net	1,005	831
Long-term investments	188	158
Other assets	753	776
Total assets	\$ 10,398	\$ 9,627
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 423	\$ 354
Employee compensation and benefits	386	367
Deferred revenue	429	386
Short-term debt	205	75
Other accrued liabilities	315	285
Total current liabilities	1,758	1,467
Long-term debt	2,727	2,284
Retirement and post-retirement benefits	377	389
Other long-term liabilities	726	614
Total liabilities	5,588	4,754
Commitments and contingencies (Note 8, 9 and 12)		
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; 303 million shares at April 30, 2021 and 306 million shares at October 31, 2020 issued and outstanding	3	3
Additional paid-in-capital	5,271	5,311
Retained earnings (accumulated deficit)	(12)	81
Accumulated other comprehensive loss	(452)	(522)
Total stockholders' equity	4,810	4,873
Total liabilities and stockholders' equity	\$ 10,398	\$ 9,627

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

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

	Six Months Ended April 30,	
	2021	2020
Net income	\$ 504	\$ 298
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	153	155
Share-based compensation	66	44
Deferred taxes	31	(3)
Excess and obsolete inventory related charges	14	9
Loss on extinguishment of debt	17	—
Unrealized gain on equity securities	(11)	(27)
Asset impairment charges	2	99
Other non-cash expense, net	2	3
Changes in assets and liabilities:		
Accounts receivable	(17)	25
Inventory	(80)	(85)
Accounts payable	51	(10)
Employee compensation and benefits	(3)	(50)
Other assets and liabilities	(19)	(204)
Net cash provided by operating activities	710	254
Cash flows from investing activities:		
Investments in property, plant and equipment	(72)	(67)
Payment to acquire fair value investments	(8)	(18)
Payment in exchange for convertible note	(2)	(3)
Acquisitions of businesses and intangible assets, net of cash acquired	(547)	—
Net cash used in investing activities	(629)	(88)
Cash flows from financing activities:		
Issuance of common stock under employee stock plans	26	32
Payment of taxes related to net share settlement of equity awards	(73)	(33)
Payment of dividends	(118)	(111)
Issuance of senior notes	848	—
Debt issuance costs	(7)	—
Proceeds from revolving credit facility	—	798
Repayment of revolving credit facility	—	(713)
Repayment of senior notes	(417)	—
Proceeds from commercial paper	1,232	—
Repayment of commercial paper	(1,102)	—
Repayment of finance lease	—	(4)
Treasury stock repurchases	(539)	(186)
Net cash used in financing activities	(150)	(217)
Effect of exchange rate movements	9	(8)
Net decrease in cash, cash equivalents and restricted cash	(60)	(59)
Cash, cash equivalents and restricted cash at beginning of period	1,447	1,388
Cash, cash equivalents and restricted cash at end of period	\$ 1,387	\$ 1,329
Supplemental cash flow information:		
Income tax paid, net	\$ 116	\$ 286
Interest payments	\$ 36	\$ 39

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

AGILENT TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENT OF EQUITY
(in millions, except number of shares in thousands)
(Unaudited)

	Common Stock			Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Number of Shares	Par Value	Additional Paid-in Capital			
Three Months Ended April 30, 2021						
Balance as of January 31, 2021	304,905	\$ 3	\$ 5,266	\$ 4	\$ (469)	\$ 4,804
Components of comprehensive income, net of tax:						
Net income	—	—	—	216	—	216
Other comprehensive income	—	—	—	—	17	17
Total comprehensive income						233
Cash dividends declared (\$0.194 per common share)	—	—	—	(59)	—	(59)
Share-based awards issued, net of tax of \$1	51	—	1	—	—	1
Repurchase of common stock	(1,553)	—	(22)	(173)	—	(195)
Share-based compensation	—	—	26	—	—	26
Balance as of April 30, 2021	<u>303,403</u>	<u>\$ 3</u>	<u>\$ 5,271</u>	<u>\$ (12)</u>	<u>\$ (452)</u>	<u>\$ 4,810</u>

	Common Stock			Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Number of Shares	Par Value	Additional Paid-in Capital			
Six Months Ended April 30, 2021						
Balance as of October 31, 2020	306,198	\$ 3	\$ 5,311	\$ 81	\$ (522)	\$ 4,873
Components of comprehensive income, net of tax:						
Net income	—	—	—	504	—	504
Other comprehensive income	—	—	—	—	70	70
Total comprehensive income						574
Cash dividends declared (\$0.388 per common share)	—	—	—	(118)	—	(118)
Share-based awards issued, net of tax of \$73	1,643	—	(46)	—	—	(46)
Repurchase of common stock	(4,438)	—	(60)	(479)	—	(539)
Share-based compensation	—	—	66	—	—	66
Balance as of April 30, 2021	<u>303,403</u>	<u>\$ 3</u>	<u>\$ 5,271</u>	<u>\$ (12)</u>	<u>\$ (452)</u>	<u>\$ 4,810</u>

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

AGILENT TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENT OF EQUITY
(in millions, except number of shares in thousands)
(Unaudited)

	Common Stock					
	Number of Shares	Par Value	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Three Months Ended April 30, 2020						
Balance as of January 31, 2020	310,048	\$ 3	\$ 5,293	\$ 73	\$ (521)	\$ 4,848
Components of comprehensive income, net of tax:						
Net income	—	—	—	101	—	101
Other comprehensive loss	—	—	—	—	(17)	(17)
Total comprehensive income						84
Cash dividends declared (\$0.18 per common share)	—	—	—	(55)	—	(55)
Share-based awards issued, net of tax of \$0	58	—	—	—	—	—
Repurchase of common stock	(1,663)	—	(22)	(104)	—	(126)
Share-based compensation	—	—	17	—	—	17
Balance as of April 30, 2020	308,443	\$ 3	\$ 5,288	\$ 15	\$ (538)	\$ 4,768

	Common Stock					
	Number of Shares	Par Value	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Six Months Ended April 30, 2020						
Balance as of October 31, 2019	309,071	\$ 3	\$ 5,277	\$ (18)	\$ (514)	\$ 4,748
Components of comprehensive income, net of tax:						
Net income	—	—	—	298	—	298
Other comprehensive loss	—	—	—	—	(24)	(24)
Total comprehensive income						274
Cash dividends declared (\$0.36 per common share)	—	—	—	(111)	—	(111)
Share-based awards issued, net of tax of \$33	1,761	—	(1)	—	—	(1)
Repurchase of common stock	(2,389)	—	(32)	(154)	—	(186)
Share-based compensation	—	—	44	—	—	44
Balance as of April 30, 2020	308,443	\$ 3	\$ 5,288	\$ 15	\$ (538)	\$ 4,768

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

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 global leader in life sciences, diagnostics and applied chemical markets, providing application focused solutions that include instruments, software, services and consumables for the entire laboratory workflow.

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

Basis of Presentation. We have prepared the accompanying financial data for the three and six months ended April 30, 2021 and 2020 pursuant to the rules and regulations of the U.S. 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 October 31, 2020 condensed balance sheet data was derived from audited financial statements but does not include all the disclosures required in audited financial statements by U.S. GAAP. The accompanying financial data and information should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended October 31, 2020.

In the opinion of management, the accompanying condensed consolidated financial statements contain all normal and recurring adjustments necessary for a fair statement of our condensed consolidated balance sheet as of April 30, 2021 and October 31, 2020, condensed consolidated statement of comprehensive income (loss) for the three and six months ended April 30, 2021 and 2020, condensed consolidated statement of operations for the three and six months ended April 30, 2021 and 2020, condensed consolidated statement of cash flows for the six months ended April 30, 2021 and 2020 and condensed consolidated statement of equity for the three and six months ended April 30, 2021 and 2020.

Use of Estimates. 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, retirement and post-retirement benefit plan assumptions, valuation of goodwill and purchased intangible assets and accounting for income taxes.

Restricted Cash and Restricted Cash Equivalents. Restricted cash and restricted cash equivalents are included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. A reconciliation of cash, cash equivalents and restricted cash to the condensed consolidated balance sheet follows:

	April 30, 2021	October 31 2020
	(in millions)	
Cash and cash equivalents	\$ 1,380	\$ 1,441
Restricted cash included in other assets	7	6
Total cash, cash equivalents and restricted cash	\$ 1,387	\$ 1,447

Leases. As of April 30, 2021 and October 31, 2020, operating lease right-of-use assets where we are the lessee were \$186 million and \$175 million, respectively, and were included within other assets in the accompanying condensed consolidated balance sheet. The associated operating lease liabilities were \$191 million and \$178 million as of April 30, 2021 and October 31, 2020, respectively, and were included in other accrued liabilities and other long-term liabilities in the accompanying condensed consolidated balance sheet.

Variable Interest Entities. We make a determination upon entering into an arrangement whether an entity in which we have made an investment is considered a Variable Interest Entity ("VIE"). We evaluate our investments in privately held companies on an ongoing basis. We have determined that as of April 30, 2021 and October 31, 2020, there were no VIEs required to be consolidated in our consolidated financial statements because we do not have a controlling financial interest in

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

any of the VIEs in which we have invested nor are we the primary beneficiary. We account for these investments under either the equity method or as equity investments without readily determinable fair value, depending on the circumstances. We periodically reassess whether we are the primary beneficiary of a VIE. The reassessment process considers whether we have acquired the power to direct the most significant activities of the VIE through changes in governing documents or other circumstances. We also reconsider whether entities previously determined not to be VIEs have become VIEs and vice-versa, based on changes in facts and circumstances including changes in contractual arrangements and capital structure.

As of April 30, 2021 and October 31, 2020, the total carrying value of investments and loans in privately held companies considered as VIEs was \$53 million and \$67 million respectively. The maximum exposure is equal to the carrying value because we do not have future funding commitments. The investments are included on the long-term investments line and the loans on the other current assets and other assets lines (depending upon tenure of loan) on the condensed consolidated balance sheet.

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 which are readily determinable, and which are not accounted under the equity method are reported at fair value using quoted market prices for those securities when available with gains and losses included in net income. The fair value of long-term equity investments which are not readily determinable, and which are not accounted under the equity method are reported at cost with adjustments for observable changes in prices or impairments included in net income. The fair value of our senior notes, calculated from quoted prices which are primarily Level 1 inputs under the accounting guidance fair value hierarchy exceeds the carrying value by approximately \$79 million and \$162 million as of April 30, 2021 and October 31, 2020, respectively. The fair value is greater than carrying value primarily due to decreased market interest rates. 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 and contingent consideration.

2. NEW ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncements

In June 2016, the FASB issued new guidance to require a financial asset measured at amortized cost basis, such as accounts receivable, to be presented at the net amount expected to be collected based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. During 2018 and 2019, the FASB issued additional guidance and clarification. On November 1, 2020, we adopted this guidance which did not have a material impact on our condensed consolidated financial statements.

In January 2017, the FASB issued new guidance that simplifies the measurement of goodwill impairment by eliminating the Step 2 requirement that an entity compute the implied fair value of goodwill based on the fair values of its assets and liabilities to measure impairment. Instead, goodwill impairment will be measured as the difference between the fair value of the reporting unit and the carrying value of the reporting unit. The standard also clarifies the treatment of the income tax effect of tax deductible goodwill when measuring goodwill impairment loss. On November 1, 2020, we adopted this guidance which did not have a material impact on our condensed consolidated financial statements.

In August 2018, the Financial Accounting Standards Board ("FASB") issued updates to improve the disclosure requirements for fair value measurements in Topic 820, Fair Value Measurement which eliminates certain disclosure requirements and modifies others. On November 1, 2020, we adopted these amendments which did not have a material impact on our consolidated financial statements and disclosures. See Note 9, "Fair Value Measurements" for additional information on the fair value of financial instruments disclosures.

In December 2019, the FASB issued new guidance to simplify the accounting for income taxes. This guidance eliminates certain exceptions to existing guidance related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The guidance also improves consistent application by clarifying and amending existing guidance related to aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step up in the tax basis of goodwill. On November 1, 2020, we early adopted this guidance which did not have a material impact on our condensed

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

consolidated financial statements and disclosures.

In March 2020, the FASB issued an update for facilitation of the effects of reference rate reform on financial reporting. This update provides optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. The amendments in the guidance provide optional expedients and exceptions for applying generally accepted accounting principles to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments apply to contracts, hedging relationships, and other transactions that reference London Inter-bank Offered Rate ("LIBOR") or another reference rate expected to be discontinued because of reference rate reform. When elected, the optional expedients for contract modifications are applied consistently for all eligible contracts or eligible transactions within the relevant Topic or Industry Subtopic in the FASB's Accounting Standards Codification. The guidance was effective upon issuance and may generally be applied through December 31, 2022 to any new or amended contracts, hedging relationships, and other transactions that reference LIBOR. In January 2021, the FASB issued an update that provides supplemental guidance and clarification of the reference rate reform. The update provides additional optional guidance on the transition from LIBOR to include derivative instruments that use an interest rate for margining, discounting or contract price alignment. The standard will ease, if warranted, the requirements for accounting for the future effects of the rate reform. An entity may elect to apply the amendments prospectively through December 31, 2022. We continue to monitor the impact that the discontinuance of LIBOR or another reference rate will have on our contracts, hedging relationships and other transactions.

Accounting Pronouncements Not Yet Adopted

There were no additions to the new accounting pronouncements not yet adopted as described in our Annual Report on Form 10-K for the fiscal year ended October 31, 2020.

Other amendments to GAAP in the U.S. that have been issued 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 condensed consolidated financial statements upon adoption.

3. REVENUE

The following table presents the company's total revenue and segment revenue disaggregated by geographical region:

Three Months Ended April 30,									
2021					2020				
Life Sciences and Applied Markets	Agilent CrossLab	Diagnostics and Genomics	Total		Life Sciences and Applied Markets	Agilent CrossLab	Diagnostics and Genomics	Total	
(in millions)									
Revenue by Region									
Americas	\$ 231	\$ 187	\$ 163	\$ 581	\$ 170	\$ 161	\$ 126	\$ 457	
Europe	155	154	106	415	111	131	92	334	
Asia Pacific	288	195	46	529	245	157	45	447	
Total	\$ 674	\$ 536	\$ 315	\$ 1,525	\$ 526	\$ 449	\$ 263	\$ 1,238	

Six Months Ended April 30,									
2021					2020				
Life Sciences and Applied Markets	Agilent CrossLab	Diagnostics and Genomics	Total		Life Sciences and Applied Markets	Agilent CrossLab	Diagnostics and Genomics	Total	
(in millions)									
Revenue by Region									
Americas	\$ 455	\$ 366	\$ 315	\$ 1,136	\$ 379	\$ 328	\$ 244	\$ 951	
Europe	345	301	206	852	278	264	184	726	
Asia Pacific	596	401	88	1,085	507	327	84	918	
Total	\$ 1,396	\$ 1,068	\$ 609	\$ 3,073	\$ 1,164	\$ 919	\$ 512	\$ 2,595	

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

The following table presents the company's total revenue disaggregated by end markets and by revenue type:

	Three Months Ended April 30,		Six Months Ended April 30,					
	2021	2020	2021	2020				
	(in millions)							
<u>Revenue by End Markets</u>								
Pharmaceutical and Biopharmaceutical	\$	531	\$	400	\$	1,052	\$	
Chemical and Energy		314		267		642		
Diagnostics and Clinical		233		200		449		
Food		144		114		306		
Academia and Government		143		115		285		
Environmental and Forensics		160		142		339		
Total	\$	1,525	\$	1,238	\$	3,073	\$	2,530
<u>Revenue by Type</u>								
Instrumentation	\$	632	\$	491	\$	1,313	\$	1,011
Non-instrumentation and other		893		747		1,760		1,519
Total	\$	1,525	\$	1,238	\$	3,073	\$	2,530

Revenue by region is based on the ship to location of the customer. Revenue by end market is determined by the market indicator of the customer and by customer type. Instrumentation revenue includes sales from instruments, remarketed instruments and third-party products. Non-instrumentation and other revenue include sales from contract and per incident services, our companion diagnostics and our nucleic acid solutions businesses as well as sales from spare parts, consumables, reagents, vacuum pumps, subscriptions, software licenses and associated services.

Contract Balances

Contract Assets

Contract assets (unbilled accounts receivable) primarily relate to the company's right to consideration for work completed but not billed at the reporting date. The unbilled receivables are reclassified to trade receivables when billed to customers. Contract assets are generally classified as current assets and are included in "Accounts receivable, net" in the condensed consolidated balance sheet. The balances of contract assets as of April 30, 2021 and October 31, 2020 were \$165 million and \$153 million, respectively. The increase in unbilled receivables during the six months ended April 30, 2021 is a result of recognition of revenue upon the transfer of the control to the customer.

Contract Liabilities

The following table provides information about contract liabilities (deferred revenue) and the significant changes in the balances during the six months ended April 30, 2021:

	Contract Liabilities (in millions)
Ending balance as of October 31, 2020	\$ 446
Net revenue deferred in the period	304
Revenue recognized that was included in the contract liability balance at the beginning of the period	(267)
Change in deferrals from customer cash advances, net of revenue recognized	7
Currency translation and other adjustments	7
Ending balance as of April 30, 2021	\$ 497

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)

During the six months ended April 30, 2020 revenue recognized that was included in the contract liability balance at October 31, 2019 was \$226 million.

Contract liabilities primarily relate to multiple element arrangements for which billing has occurred but transfer of control of all elements to the customer has either partially or not occurred at the balance sheet date. This includes cash received from customers for products and related installation and services in advance of the transfer of control. Contract liabilities are classified as either current in deferred revenue or long-term in other long-term liabilities in the condensed consolidated balance sheet based on the timing of when we expect to complete our performance obligation.

Contract Costs

Incremental costs of obtaining a contract with a customer are recognized as an asset if we expect the benefit of those costs to be longer than one year. We have determined that certain sales incentive programs meet the requirements to be capitalized. The change in total capitalized costs to obtain a contract was immaterial during the three and six months ended April 30, 2021 and was included in other current and long-term assets on the condensed consolidated balance sheet. We have applied the practical expedient to expense costs as incurred for costs to obtain a contract with a customer when the amortization period would have been one year or less. These costs include the company's internal sales force compensation program, as we have determined that annual compensation is commensurate with annual sales activities.

Transaction Price Allocated to the Remaining Performance Obligations

We have applied the practical expedient in ASC 606-10-50-14 and have not disclosed information about transaction price allocated to remaining performance obligations that have original expected durations of one year or less.

The estimated revenue expected to be recognized for remaining performance obligations that have an original term of more than one year, as of April 30, 2021, was \$228 million, the majority of which is expected to be recognized over the next 12 months. Remaining performance obligations primarily include extended warranty, customer manufacturing contracts, and software maintenance contracts and revenue associated with lease arrangements.

4. SHARE-BASED COMPENSATION

We account 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 options, restricted stock units, employee stock purchases made under our employee stock purchase plan and performance share awards granted to selected members of our senior management under the long-term performance plan ("LTTP") based on estimated fair values.

We have two LTTP performance stock award programs, which are administered under the 2018 Stock Plan, for our executive officers and other key employees. Participants in our LTTP Total Stockholders' Return ("TSR") and LTTP Earnings Per Share ("EPS") programs are entitled to receive shares of the company's stock after the end of a three-year period, if specified performance targets for the programs are met. The LTTP-TSR awards are generally designed to meet the criteria of a performance award with the performance metrics and peer group comparison based on the TSR set at the beginning of the performance period. The LTTP-EPS awards are based on the company's EPS performance over a three-year period. The performance targets for the LTTP-EPS for year 2 and year 3 of the performance period are set in the first quarter of year 2 and year 3, respectively. All LTTP awards are subject to a one-year post-vest holding period.

The final LTTP award may vary from 0 percent to 200 percent of the target award. We consider the dilutive impact of these programs in our diluted net income per share calculation only to the extent that the performance conditions are expected to be met. Restricted stock units generally vest, with some exceptions, at a rate of 25 percent per year over a period of four years from the date of grant.

In fiscal year 2021, we resumed granting stock options. Stock options granted under the 2018 Stock Plan may be either "incentive stock options", as defined in Section 422 of the Internal Revenue Code, or non-statutory. Options generally vest at a rate of 25 percent per year over a period of four years from the date of grant with a maximum contractual term of ten years. The exercise price for stock options is generally not less than 100 percent of the fair market value of our common stock on the date the stock award is granted. We issue new shares of common stock when employee stock options are exercised.

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

	Three Months Ended April 30,		Six Months Ended April 30,	
	2021	2020	2021	2020
	(in millions)			
Cost of products and services	\$ 6	\$ 5	\$ 15	\$ 11
Research and development	2	2	6	5
Selling, general and administrative	19	11	46	29
Total share-based compensation expense	<u>\$ 27</u>	<u>\$ 18</u>	<u>\$ 67</u>	<u>\$ 45</u>

At April 30, 2021 and October 31, 2020, there was no share-based compensation capitalized within inventory.

The following assumptions were used to estimate the fair value of awards granted.

	Three Months Ended April 30,		Six Months Ended April 30,	
	2021	2020	2021	2020
Stock Option Plans:				
Weighted average risk-free interest rate	0.9%	—	0.5 %	—
Dividend yield	0.6%	—	0.7 %	—
Weighted average volatility	26%	—	26 %	—
Expected life	5.5 years	—	5.5 years	—
LTPP:				
Volatility of Agilent shares	30%	23%	30%	23%
Volatility of selected peer-company shares	24%-57%	15%-44%	24%-57%	15%-44%
Pair-wise correlation with selected peers	45%	29%	45%	29%
Post-vest holding restriction discount for all executive awards	6.8%	5.3%	6.8%	5.3%

The fair value of share-based awards for our employee stock option awards was estimated using the Black-Scholes option pricing model. Shares granted under the LTPP (TSR) were valued using a Monte Carlo simulation model. The Monte Carlo simulation fair value model requires the use of highly subjective and complex assumptions, including the price volatility of the underlying stock. For the volatility of our LTPP (TSR) grants, we used our own historical stock price volatility.

The ESPP allows eligible employees to purchase shares of our common stock at 85 percent of the price at purchase 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.

The estimated fair value of restricted stock units and LTPP (EPS) awards is determined based on the market price of our common stock on the date of grant adjusted for expected dividend yield. The compensation cost for LTPP (EPS) reflects the cost of awards that are probable to vest at the end of the performance period.

All LTPP awards granted to our senior management employees have a one-year post-vest holding restriction. The estimated discount associated with post-vest holding restrictions is calculated using the Finnerty model. The model calculates the potential lost value if the employees were able to sell the shares during the lack of marketability period, instead of being required to hold the shares. The model used the same historical stock price volatility and dividend yield assumption used for the Monte Carlo simulation model and an expected dividend yield to compute the discount.

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5. INCOME TAXES

For the three and six months ended April 30, 2021, our income tax expense was \$57 million with an effective tax rate of 20.9 percent and \$81 million with an effective tax rate of 13.8 percent, respectively. For the three months ended April 30, 2021, there were no significant discrete tax items. For the six months ended April 30, 2021, our effective tax rate and the resulting provision for income taxes were impacted by the expiration of various foreign statutes of limitations which resulted in the recognition of previously unrecognized tax benefits of \$16 million. The income taxes for the six months ended April 30, 2021 also include the excess tax benefits from stock-based compensation of \$22 million.

Our calculation of income tax expense for the three and six months ended April 30, 2021 is dependent in part on forecasts of full year results. The impact of the COVID-19 outbreak on the economic environment is uncertain and may change these forecasts, which could impact tax expense.

For the three and six months ended April 30, 2020, our income tax expense was \$20 million with an effective tax rate of 16.5 percent and \$42 million with an effective tax rate of 12.4 percent, respectively. For the three months ended April 30, 2020, there were no significant discrete tax items. For the six months ended April 30, 2020, our effective tax rate and the resulting provision for income taxes were impacted by a discrete tax benefit of \$14 million related to the excess tax benefits from stock compensation.

In the U.S., tax years remain open back to the year 2017 for federal income tax purposes and for significant states. In other major jurisdictions where the company conducts business, the tax years generally remain open back to the year 2009.

With these jurisdictions and the U.S., it is reasonably possible 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 which will be partially offset by an anticipated tax liability related to unremitted foreign earnings, where applicable. 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,	
	2021	2020	2021	2020
	(in millions)			
Numerator:				
Net income	\$ 216	\$ 101	\$ 504	\$ 298
Denominator:				
Basic weighted-average shares	304	309	305	310
Potential common shares— stock options and other employee stock plans	3	3	3	3
Diluted weighted-average shares	307	312	308	313

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 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 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. In addition, we exclude from the calculation of diluted earnings per share stock options, ESPP, LTTP and restricted stock awards whose combined exercise price and unamortized fair value were greater than the average market price of our common stock because their effect would also be anti-dilutive.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)

For both the three and six months ended April 30, 2021 and 2020, potential common shares excluded from the calculation of diluted earnings per share were not material.

7. INVENTORY

Inventory as of April 30, 2021 and October 31, 2020 consisted of the following:

	April 30, 2021	October 31, 2020
	(in millions)	
Finished goods	\$ 443	\$ 417
Purchased parts and fabricated assemblies	348	303
Inventory	<u>\$ 791</u>	<u>\$ 720</u>

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, 2021:

	Life Sciences and Applied Markets	Diagnostics and Genomics	Agilent CrossLab	Total
	(in millions)			
Goodwill as of October 31, 2020	\$ 1,441	\$ 1,599	\$ 562	\$ 3,602
Foreign currency translation impact	9	3	5	17
Goodwill arising from acquisitions and adjustments	—	435	—	435
Goodwill as of April 30, 2021	<u>\$ 1,450</u>	<u>\$ 2,037</u>	<u>\$ 567</u>	<u>\$ 4,054</u>

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The component parts of other intangible assets as of April 30, 2021 and October 31, 2020 are shown in the table below:

	Other Intangible Assets		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value
	(in millions)		
As of October 31, 2020			
Purchased technology	\$ 1,429	\$ 863	\$ 566
Trademark/Tradename	196	117	79
Customer relationships	330	158	172
Third-party technology and licenses	11	7	4
Total amortizable intangible assets	1,966	1,145	821
In-Process R&D	10	—	10
Total	\$ 1,976	\$ 1,145	\$ 831
As of April 30, 2021			
Purchased technology	\$ 1,661	\$ 916	\$ 745
Backlog	8	—	8
Trademark/Tradename	196	125	71
Customer relationships	360	193	167
Third-party technology and licenses	11	8	3
Total amortizable intangible assets	2,236	1,242	994
In-Process R&D	11	—	11
Total	\$ 2,247	\$ 1,242	\$ 1,005

On April 15, 2021 we completed the acquisition of privately-owned Resolution Bioscience, Inc., a biotechnology company focused on the development and commercialization of next-generation sequencing-based ("NGS") precision oncology solutions, for \$550 million cash plus potential future contingent payments of up to \$145 million upon the achievement of certain milestones which are based on certain revenue and technical targets. Resolution Bioscience complements and expands our capabilities in NGS-based cancer diagnostics and provides us with innovative technology to further serve the needs of the fast-growing precision medicine market.

As a result of this acquisition, we recorded a short-term liability of \$47 million in other accrued liabilities and a long-term liability of \$49 million in other long-term liabilities on our condensed consolidated balance sheet which reflects the estimated fair value of the potential future contingent payments. We also recorded additions to goodwill of \$435 million and additions to other intangible assets of \$263 million during the six months ended April 30, 2021. Due to the timing of the close, the valuation of the tangible and intangible assets and related tax impacts and contingent consideration of this acquisition is preliminary and we anticipate will be completed by our fiscal year end.

During the six months ended April 30, 2021, other intangible assets in total increased \$1 million due to the impact of foreign currency translation.

In general, for United States federal tax purposes, goodwill from asset purchases is deductible; however, any goodwill created as part of a stock acquisition is not deductible.

Each quarter we review the events and circumstances to determine if impairment of indefinite-lived intangible assets and goodwill is indicated. During the three and six months ended April 30, 2021 and 2020 we did not identify any triggering events or circumstances, including impacts due to COVID-19, which would indicate an impairment of goodwill. During the three and six months ended April 30, 2021, there were no indicators of impairments of indefinite-lived intangible assets. During the three and six months ended April 30, 2020, we recorded an impairment of in-process research and development of \$90 million related to the shut-down of our sequencer development program in our diagnostics and genomics segment.

Amortization expense of intangible assets was \$45 million and \$90 million for the three and six months ended April 30, 2021, respectively. Amortization expense of intangible assets was \$47 million and \$95 million for the three and six months ended April 30, 2020, respectively.

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Future amortization expense related to existing finite-lived purchased intangible assets for the remainder of fiscal year 2021 and for each of the next five fiscal years and thereafter is estimated below:

Estimated future amortization expense:

(in millions)

Remainder of 2021	\$ 99
2022	\$ 181
2023	\$ 133
2024	\$ 112
2025	\$ 86
2026	\$ 56
Thereafter	\$ 327

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.

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Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis

Financial assets and liabilities measured at fair value on a recurring basis as of April 30, 2021 were as follows:

	April 30, 2021	Fair Value Measurement at April 30, 2021 Using		
		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)	\$ 526	\$ 526	\$ —	\$ —
Derivative instruments (foreign exchange contracts)	10	—	10	—
Long-term				
Trading securities	33	33	—	—
Other investments	43	13	30	—
Total assets measured at fair value	<u>\$ 612</u>	<u>\$ 572</u>	<u>\$ 40</u>	<u>\$ —</u>
Liabilities:				
Short-term				
Derivative instruments (foreign exchange contracts)	\$ 19	\$ —	\$ 19	\$ —
Contingent consideration	47	—	—	47
Long-term				
Deferred compensation liability	33	—	33	—
Contingent consideration	49	—	—	49
Total liabilities measured at fair value	<u>\$ 148</u>	<u>\$ —</u>	<u>\$ 52</u>	<u>\$ 96</u>

Financial assets and liabilities measured at fair value on a recurring basis as of October 31, 2020 were as follows:

	Fair Value Measurement at October 31, 2020 Using			
	October 31, 2020	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)	\$ 740	\$ 740	\$ —	\$ —
Derivative instruments (foreign exchange contracts)	2	—	2	—
Long-term				
Trading securities	30	30	—	—
Other investments	25	—	25	—
Total assets measured at fair value	<u>\$ 797</u>	<u>\$ 770</u>	<u>\$ 27</u>	<u>\$ —</u>
Liabilities:				
Short-term				
Derivative instruments (foreign exchange contracts)	\$ 17	\$ —	\$ 17	\$ —
Contingent consideration	—	—	—	—
Long-term				
Deferred compensation liability	30	—	30	—
Contingent consideration	—	—	—	—
Total liabilities measured at fair value	<u>\$ 47</u>	<u>\$ —</u>	<u>\$ 47</u>	<u>\$ —</u>

Our money market funds and trading securities 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

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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. Other investments includes shares we own in a special fund that targets underlying investments of approximately 40 percent in debt securities and 60 percent in equity securities. These shares have been classified as level 2 because, although the shares of the fund are not traded on any active stock exchange, each of the individual underlying securities are or can be derived from and hence we have a readily determinable value for the underlying securities, from which we are able to determine the fair market value for the special fund itself. Other investments also include shares in marketable equity securities and are classified as level 1 in the fair value hierarchy as they are measured based on quotes in active markets.

Trading securities, which is comprised of mutual funds, bonds and other similar instruments, other investments and deferred compensation liability are reported at fair value, with gains or losses resulting from changes in fair value recognized currently in net income. Certain derivative instruments are reported at fair value, with unrealized gains and losses, net of tax, included in accumulated other comprehensive income (loss) within stockholders' equity. Realized gains and losses from the sale of these instruments are recorded in net income.

For the three and six months ended April 30, 2021 and 2020, an unrealized gain of \$11 million and zero, respectively, was included in net income as an adjustment to the carrying value of marketable equity securities.

The preliminary fair value of the contingent consideration liability relates to milestone payments in connection with the April 2021 acquisition of Resolution Bioscience. The fair value of the potential future milestone payments, which are set to certain revenue and technical targets, was based on (i) the probability of achieving the relevant revenue targets and technical milestones and (ii) the timing of achieving such milestones, which are significant unobservable inputs, and has been classified as Level 3. We used the Monte Carlo simulation approach to estimate the fair value of the revenue component with an asset volatility of 54.9 percent and revenue volatilities ranging from 13.8 to 14 percent. The probability-weighted expected return method was used to estimate the fair value of the technical target component. A change in any of these unobservable inputs can significantly change the fair value of the contingent consideration.

As of the date of the close, the fair value of the contingent consideration liability was estimated to be a total of \$96 million of which \$47 million is short-term and was recorded in other accrued liabilities and \$49 million is long-term and was recorded in other long-term liabilities on the condensed consolidated balance sheet. There were no significant changes to this estimate at April 30, 2021.

Impairment of Investments. There were no impairments of investments for the three and six months ended April 30, 2021 and 2020.

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

For the three and six months ended April 30, 2021, long-lived assets held and used with a carrying amount of \$2 million were written down to fair value of zero, resulting in an impairment of \$2 million. For the three and six months ended April 30, 2020, long-lived assets held and used with a carrying amount of \$98 million were written down to fair value of zero, resulting in an impairment of \$98 million related to the shut-down of our sequencer development program in our diagnostics and genomics segment. For the three and six months ended April 30, 2021 and 2020, there were no impairments of long-lived assets held for sale.

For the three and six months ended April 30, 2021 and 2020, there was no impairment of non-marketable securities. For the three months ended April 30, 2021 and 2020, an unrealized gain of zero and \$11 million, respectively, was included in net income as an adjustment to the carrying value of non-marketable equity securities without readily determinable fair value based on an observable market transaction. For the six months ended April 30, 2021 and 2020, an unrealized gain of zero and \$27 million, respectively, was included in net income as an adjustment to the carrying value of non-marketable equity securities without readily determinable fair value based on an observable market transaction. As of April 30, 2021 and October 31, 2020, the carrying amount of non-marketable equity securities without readily determinable fair values was \$111 million and \$103 million, respectively.

Fair values for the non-marketable securities included in long-term investments on the condensed consolidated balance sheet were measured using Level 3 inputs because they are primarily equity stock issued by private companies without quoted market prices. To estimate the fair value of our non-marketable securities, we use the measurement alternative to record these investments at cost and adjust for impairments and observable price changes (orderly transactions for the identical or a similar security from the same issuer) as and when they occur.

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 our risk management strategy, we use derivative instruments, primarily forward contracts and purchased options to hedge economic and/or accounting exposures resulting from changes in foreign currency exchange rates.

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 and are assessed for effectiveness against the underlying exposure every reporting period. For open contracts as of April 30, 2021, changes in the time value of the foreign exchange contract are excluded from the assessment of hedge effectiveness and are recognized in cost of sales over the life of the foreign exchange contract. The changes in fair value of the effective portion of the derivative instrument are recognized in accumulated other comprehensive income (loss). Amounts associated with cash flow hedges are reclassified to cost of sales in the condensed 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 (loss) will be reclassified to other income (expense), net in the current period. Changes in the fair value of the ineffective portion of derivative instruments are recognized in other income (expense), net in the condensed 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 cost of sales over the life of the option contract. For the three and six months ended April 30, 2021 and 2020, ineffectiveness and gains and losses recognized in other income (expense), net 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 13, 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 (loss) which is being amortized to interest expense over the life of the 2022 senior notes. On January 21, 2021 we redeemed \$100 million of the \$400 million aggregate principal amount of our 2022 senior notes. On April 5, 2021, we redeemed the remaining outstanding \$300 million of our 2022 senior notes. We also recognized the remaining deferred gain on the terminated treasury lock related to the 2022 senior notes to other income (expense), net. For more information see Note 14, "Long-Term Debt".

In February 2016, Agilent executed three forward-starting pay fixed/receive variable interest rate swaps for the notional amount of \$300 million in connection with future interest payments to be made on our 2026 senior notes issued on September 15, 2016. These derivative instruments were designated and qualified as cash flow hedges under the criteria prescribed in the authoritative guidance. The swap arrangements were terminated on September 15, 2016 with a payment of \$10 million, and we recognized this as a deferred loss in accumulated other comprehensive income (loss) which is being amortized to interest expense over the life of the 2026 senior notes. The remaining loss to be amortized related to the interest rate swap agreements at April 30, 2021 was \$5 million.

In August 2019, Agilent executed treasury lock agreements for \$250 million in connection with future interest payments to be made on our 2029 senior notes issued on September 16, 2019. We designated the treasury lock as a cash flow hedge. The treasury lock contracts were terminated on September 6, 2019, and we recognized a deferred loss of \$6 million in accumulated other comprehensive income (loss) which is being amortized to interest expense over the life of the 2029 senior notes. The remaining loss to be amortized related to the treasury lock agreements at April 30, 2021 was \$5 million.

Net Investment Hedges

Starting in 2020, we entered into foreign exchange contracts to hedge net investments in foreign operations to mitigate the risk of adverse movements in exchange rates. These foreign exchange contracts are carried at fair value and are designated and qualify as net investment hedges under the criteria prescribed in the authoritative guidance. Changes in fair value of the effective portion of the derivative instrument are recognized in accumulated other comprehensive income (loss) and are assessed for effectiveness against the underlying exposure every reporting period. If the company's net investment changes during the year, the hedge relationship will be assessed and de-designated if the hedge notional amount is outside of prescribed tolerance with a gain/loss reclassified from other comprehensive income (loss) to other income (expense) in the current period.

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As of April 30, 2021, we have 3 open forward contracts to sell euros to buy USD maturing in the third quarter of fiscal year 2021, and these are designated as a net investment hedge of the U.S. parent's interest in foreign subsidiaries denominated in euro functional currency. In the three and six months ended April 30, 2021, the change in fair value of the net investment hedge resulted in a net gain of \$1 million and a net loss of \$3 million, respectively, recognized in accumulated other comprehensive income (loss) within foreign currency translation. For the three and six months ended April 30, 2021, ineffectiveness and the resultant effect of any gains or losses recognized in other income (expense) due to de-designation of the hedge contracts were not significant.

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 instruments are recognized in other income (expense), net in the condensed 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, 2021, was \$15 million. The credit-risk-related contingent features underlying these agreements had not been triggered as of April 30, 2021.

There were 270 foreign exchange forward contracts open as of April 30, 2021 and designated as cash flow hedges. There were 196 foreign exchange forward contracts open as of April 30, 2021 and not designated as hedging instruments. There were 3 foreign exchange forward contracts open as of April 30, 2021 and designated as a net investment hedge.

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The aggregated notional amounts by currency and designation as of April 30, 2021 were as follows:

Currency	Derivatives Designated as Cash Flow Hedges	Derivatives Designated as Net Investment Hedges	Derivatives Not Designated as Hedging Instruments
	Forward Contracts USD	Forward Contracts USD	Forward Contracts USD
	Buy/(Sell)	Buy/(Sell)	Buy/(Sell)
	(in millions)		
Euro	\$ (77)	\$ (94)	\$ 31
British Pound	(56)	—	(12)
Canadian Dollar	(40)	—	(20)
Japanese Yen	(98)	—	(33)
Danish Krone	—	—	34
Korean Won	(63)	—	(21)
Singapore Dollar	15	—	18
Swiss Franc	—	—	(5)
Chinese Yuan Renminbi	(97)	—	(38)
Swedish Krona	—	—	(11)
Taiwan Dollar	—	—	(9)
Indian Rupee	—	—	(13)
Brazilian Real	—	—	(6)
Thai Baht	—	—	(7)
Other	4	—	(2)
Totals	\$ (412)	\$ (94)	\$ (94)

Derivative instruments are subject to master netting arrangements and are disclosed gross in the balance sheet in accordance with the authoritative guidance. The gross fair values and balance sheet location of derivative instruments held in the condensed consolidated balance sheet as of April 30, 2021 and October 31, 2020 were as follows:

Fair Values of Derivative Instruments									
Asset Derivatives			Liability Derivatives						
Balance Sheet Location	Fair Value		Balance Sheet Location	Fair Value					
	April 30, 2021	October 31, 2020		April 30, 2021	October 31, 2020				
(in millions)									
Derivatives designated as hedging instruments:									
Cash flow hedges									
Foreign exchange contracts									
Other current assets	\$	4	\$	—	Other accrued liabilities	\$	10	\$	12
Net investment hedges									
Foreign exchange contracts									
Other current assets	\$	—	\$	—	Other accrued liabilities	\$	2	\$	—
Derivatives not designated as hedging instruments:									
Foreign exchange contracts									
Other current assets	\$	6	\$	2	Other accrued liabilities	\$	7	\$	5
Total derivatives	\$	10	\$	2		\$	19	\$	17

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

The effects of derivative instruments for foreign exchange contracts designated as hedging instruments and not designated as hedging instruments in our condensed consolidated statement of operations were as follows:

	Three Months Ended April 30,		Six Months Ended April 30,	
	2021	2020	2021	2020
	(in millions)			
Derivatives designated as hedging instruments:				
<i>Cash Flow Hedges</i>				
Foreign exchange contracts:				
Gain (loss) recognized in accumulated other comprehensive loss	\$ —	\$ 2	\$ (6)	\$ 3
Loss reclassified from accumulated other comprehensive loss into interest expense	\$ —	\$ (1)	\$ —	\$ (1)
Gain (loss) reclassified from accumulated other comprehensive loss into cost of sales	\$ (6)	\$ 2	\$ (14)	\$ 2
Gain on time value of forward contracts recorded in cost of sales	\$ —	\$ 2	\$ —	\$ 2
<i>Net Investment Hedges</i>				
Foreign exchange contracts:				
Gain (loss) recognized in accumulated other comprehensive loss	\$ 1	\$ 1	\$ (3)	\$ 1
Derivatives not designated as hedging instruments:				
Gain (loss) recognized in other income (expense)	\$ 3	\$ (1)	\$ (1)	\$ (3)

At April 30, 2021, the estimated amount of existing net loss that is expected to be reclassified from accumulated other comprehensive loss to cost of sales within the next twelve months is zero.

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

11. RETIREMENT PLANS AND POST RETIREMENT PENSION PLANS

Components of net periodic costs (benefits). For the three and six months ended April 30, 2021 and 2020, our net pension and post retirement benefit costs (benefits) were comprised of the following:

	Three Months Ended April 30,					
	U.S. Pension Plans		Non-U.S. Pension Plans		U.S. Post Retirement Benefit Plans	
	2021	2020	2021	2020	2021	2020
	(in millions)					
Service cost—benefits earned during the period	\$ —	\$ —	\$ 4	\$ 5	\$ —	\$ —
Interest cost on benefit obligation	4	4	2	2	1	1
Expected return on plan assets	(8)	(7)	(13)	(12)	(1)	(2)
Amortization:						
Actuarial losses	1	1	14	12	1	1
Prior service credits	—	—	—	—	(1)	(2)
Total net plan costs (benefits)	\$ (3)	\$ (2)	\$ 7	\$ 7	\$ —	\$ (2)

	Six Months Ended April 30,					
	U.S. Pension Plans		Non-U.S. Pension Plans		U.S. Post Retirement Benefit Plans	
	2021	2020	2021	2020	2021	2020
	(in millions)					
Service cost—benefits earned during the period	\$ —	\$ —	\$ 11	\$ 12	\$ —	\$ —
Interest cost on benefit obligation	7	8	4	4	2	2
Expected return on plan assets	(15)	(15)	(25)	(24)	(3)	(3)
Amortization:						
Actuarial losses	2	2	27	24	2	2
Prior service credits	—	—	—	—	(1)	(4)
Total net plan costs (benefits)	\$ (6)	\$ (5)	\$ 17	\$ 16	\$ —	\$ (3)

The service cost component is recorded in cost of sales and operating expenses in the condensed consolidated statement of operations. All other cost components are recorded in other income (expense), net in the condensed consolidated statement of operations.

Employer contributions and expected future employer contributions for the remainder of the year were as follows:

	Three Months Ended		Six Months Ended		Employer Contributions
	April 30,		April 30,		For Remainder of Year
	2021	2020	2021	2020	2021
	(in millions)				
U.S. defined benefit plans	\$ —	\$ —	\$ —	\$ —	\$ —
Non-U.S. defined benefit plans	\$ 4	\$ 14	\$ 9	\$ 19	\$ 13

12. WARRANTIES AND CONTINGENCIES

Warranties

We accrue for standard warranty costs based on historical trends in actual warranty charges over the past 12 months. The accrual is reviewed regularly and periodically adjusted to reflect changes in warranty cost over the period. 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 to one year from the date of delivery, depending on the product.

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

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

	Six Months Ended April 30,	
	2021	2020
	(in millions)	
Standard warranty accrual, beginning balance	\$ 32	\$ 32
Accruals for warranties including change in estimates	26	25
Settlements made during the period	(26)	(27)
Standard warranty accrual, ending balance	\$ 32	\$ 30
Accruals for warranties due within one year	\$ 31	\$ 30
Accruals for warranties due after one year	1	—
Standard warranty accrual, ending balance	\$ 32	\$ 30

Bank Guarantees

Guarantees consist primarily of outstanding standby letters of credit and bank guarantees and were approximately \$47 million as of April 30, 2021 and \$43 million as of October 31, 2020. A standby letter of credit is a guarantee of payment issued by a bank on behalf of us that is used as payment of last resort should we fail to fulfill a contractual commitment with a third party. A bank guarantee is a promise from a bank or other lending institution that if we default on a loan, the bank will cover the loss.

Contingencies

We are involved in lawsuits, claims, investigations and proceedings, including, but not limited to, intellectual property, commercial, real estate, environmental and employment matters, which arise in the ordinary course of business. There are no matters pending that we currently believe are reasonably possible of having a material impact to our business, condensed consolidated financial condition, results of operations or cash flows.

13. SHORT-TERM DEBT

Credit Facilities

On March 13, 2019, we entered into a credit agreement with a group of financial institutions which, as amended, provided for a \$1 billion five-year unsecured credit facility that will expire on March 13, 2024 and incremental term loan facilities in an aggregate amount of up to \$500 million. On April 21, 2021, we entered into an incremental assumption agreement, pursuant to which the aggregate amount available for borrowing under the revolving credit facility was increased to \$1.35 billion and the aggregate amount available for incremental facilities was refreshed to remain at \$500 million. As of April 30, 2021, we had no borrowings outstanding under the credit facility and no borrowings under the incremental facilities. We were in compliance with the covenants for the credit facility during the six months ended April 30, 2021.

Commercial Paper

In May 2020, we established a U.S. commercial paper program, under which the company may issue and sell unsecured, short-term promissory notes in the aggregate principal amount not to exceed \$1.0 billion with up to 397-day maturities. At any point in time, the company intends to maintain available commitments under its revolving credit facility in an amount at least equal to the amount of the commercial paper notes outstanding. Amounts available under the program may be borrowed, repaid and re-borrowed from time to time. The proceeds from issuances under the program may be used for general corporate purposes. As of April 30, 2021, borrowings of \$205 million were outstanding under our U.S. commercial paper program and had a weighted average annual interest rate of 0.17 percent and a weighted average remaining maturity of approximately four days.

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

14. LONG-TERM DEBT

Senior Notes

The following table summarizes the company's long-term senior notes:

	April 30, 2021	October 31, 2020
	Amortized Principal	Amortized Principal
	(in millions)	
2022 Senior Notes	\$ —	\$ 400
2023 Senior Notes	599	598
2026 Senior Notes	298	298
2029 Senior Notes	494	493
2030 Senior Notes	495	495
2031 Senior Notes	841	—
Total	\$ 2,727	\$ 2,284

2022 Senior Notes

On September 13, 2012, the company issued an aggregate principal amount of \$400 million in senior notes ("2022 senior notes"). The 2022 senior notes were issued at 99.80% of their principal amount. The notes will mature on October 1, 2022, and bear interest at a fixed rate of 3.20% per annum. The interest is payable semi-annually on April 1st and October 1st of each year and payments commenced on April 1, 2013.

On January 21, 2021, we redeemed \$100 million of the \$400 million outstanding aggregate principal amount of our 2022 senior notes due October 1, 2022. On April 5, 2021, we redeemed the remaining outstanding \$300 million of our 2022 senior notes. The total redemption price of approximately \$417 million was computed in accordance with the terms of the 2022 senior notes as the present value of the remaining scheduled payments of principal and unpaid interest on the notes being redeemed. During the three and six months ended April 30, 2021, we recorded a loss on extinguishment of debt of \$12 million and \$17 million, respectively, in other income (expense), net in the condensed consolidated statement of operations. In addition, \$1 million of accrued interest, up to but not including the applicable redemption date, was paid. The make-whole premium less partial amortization of previously deferred interest rate swap gain together with the amortization of debt issuance costs and discount was recorded in other income (expense), net in the condensed consolidated statement of operations.

2031 Senior Notes

On March 12, 2021, we issued an aggregate principal amount of \$850 million in senior notes ("2031 senior notes"). The 2031 senior notes were issued at 99.822% of their principal amount. The 2031 senior notes will mature on March 12, 2031, and bear interest at a fixed rate of 2.30% per annum. The interest is payable semi-annually on March 12th and September 12th of each year and payments commence on September 12, 2021.

All outstanding notes listed above are unsecured and rank equally in right of payment with all of Agilent's other senior unsecured indebtedness. There have been no other changes to the principal, maturity, interest rates and interest payment terms of the Agilent senior notes, detailed in the table above, in the six months ended April 30, 2021 as compared to the senior notes described in our Annual Report on Form 10-K for the fiscal year ended October 31, 2020.

15. STOCKHOLDERS' EQUITY

Stock Repurchase Program

On November 19, 2018 we announced that our board of directors had approved a share repurchase program (the "2019 repurchase program") designed, among other things, to reduce or eliminate dilution resulting from issuance of stock under the company's employee equity incentive programs. The 2019 repurchase program authorizes the purchase of up to \$1.75 billion of our common stock at the company's discretion and has no fixed termination date. The 2019 repurchase program does not require the company to acquire a specific number of shares and may be suspended, amended or discontinued at any time. During the three and six months ended April 30, 2021, we repurchased and retired 164,422 shares for \$21 million and 3.050

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

million shares for \$365 million, respectively, under this authorization. During the three and six months ended April 30, 2020, we repurchased and retired 1.663 million shares for \$126 million and 2.389 million shares for \$186 million, respectively, under this authorization. Effective February 18, 2021, the 2019 repurchase program was terminated and replaced by the new share repurchase program. The remaining authorization under the 2019 repurchase plan of \$193 million expired on February 18, 2021.

On February 16, 2021 we announced that our board of directors had approved a new share repurchase program (the "2021 repurchase program") designed, among other things, to reduce or eliminate dilution resulting from issuance of stock under the company's employee equity incentive programs. The 2021 repurchase program authorizes the purchase of up to \$2.0 billion of our common stock at the company's discretion and has no fixed termination date. The 2021 repurchase program which became effective on February 18, 2021, replaced and terminated the 2019 repurchase program on that date. The 2021 repurchase program does not require the company to acquire a specific number of shares and may be suspended, amended or discontinued at any time. During both the three and six months ended April 30, 2021, we repurchased and retired 1.388 million shares for \$174 million under this authorization. As of April 30, 2021, we had remaining authorization to repurchase up to approximately \$1.826 billion of our common stock under this program.

Cash Dividends on Shares of Common Stock

During the three and six months ended April 30, 2021, we paid cash dividends of \$0.194 per common share or \$59 million and \$0.388 per common share or \$118 million, respectively, on the company's common stock. During the three and six months ended April 30, 2020, we paid cash dividends of \$0.180 per common share or \$55 million and \$0.360 per common share or \$111 million on the company's common stock.

On May 19, 2021, our board of directors declared a quarterly dividend of \$0.194 per share of common stock or approximately \$59 million which will be paid on July 28, 2021 to all shareholders of record at the close of business on July 6, 2021. The timing and amounts of any future dividends are subject to determination and approval by our board of directors.

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

Accumulated Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss) by component and related tax effects were as follows (in millions):

Three Months Ended April 30, 2021	Foreign currency translation	Net defined benefit pension cost and post retirement plan costs		Unrealized gains (losses) on derivatives	Total
		Prior service credits	Actuarial Losses		
			(in millions)		
As of January 31, 2021	\$ (152)	\$ 125	\$ (433)	\$ (9)	\$ (469)
Other comprehensive income (loss) before reclassifications	2	—	—	—	2
Amounts reclassified out of accumulated other comprehensive income (loss)	—	(1)	16	6	21
Tax (expense) benefit	—	—	(4)	(2)	(6)
Other comprehensive income (loss)	2	(1)	12	4	17
As of April 30, 2021	<u>\$ (150)</u>	<u>\$ 124</u>	<u>\$ (421)</u>	<u>\$ (5)</u>	<u>\$ (452)</u>
Six Months Ended April 30, 2021					
As of October 31, 2020	\$ (194)	\$ 125	\$ (442)	\$ (11)	\$ (522)
Other comprehensive income (loss) before reclassifications	44	—	(3)	(6)	35
Amounts reclassified out of accumulated other comprehensive income (loss)	—	(1)	32	14	45
Tax (expense) benefit	—	—	(8)	(2)	(10)
Other comprehensive income (loss)	44	(1)	21	6	70
As of April 30, 2021	<u>\$ (150)</u>	<u>\$ 124</u>	<u>\$ (421)</u>	<u>\$ (5)</u>	<u>\$ (452)</u>

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

Reclassifications out of accumulated other comprehensive income (loss) for the three and six months ended April 30, 2021 and 2020 were as follows (in millions):

Details about accumulated other comprehensive income (loss) components	Amounts Reclassified from other comprehensive income (loss)				Affected line item in statement of operations
	Three Months Ended April 30,		Six Months Ended April 30,		
	2021	2020	2021	2020	
Unrealized gain (loss) on derivatives	\$ (6)	\$ 2	\$ (14)	\$ 2	Cost of products
	—	(1)	—	(1)	Interest expense
	(6)	1	(14)	1	Total before income tax
	2	—	4	—	Provision for income tax
	(4)	1	(10)	1	Total net of income tax
Net defined benefit pension cost and post retirement plan costs:					
Actuarial net loss	(16)	(14)	(32)	(28)	
Prior service benefit	1	2	1	4	
	(15)	(12)	(31)	(24)	Total before income tax
	4	2	8	8	Benefit for income tax
	(11)	(10)	(23)	(16)	Total net of income tax
Total reclassifications for the period	\$ (15)	\$ (9)	\$ (33)	\$ (15)	

Amounts in parentheses indicate reductions to income and increases to other comprehensive income (loss).

Reclassifications out of accumulated other comprehensive income (loss) of prior service benefit and actuarial net loss in respect of retirement plans and post retirement pension plans are included in the computation of net periodic cost (see Note 11, "Retirement Plans and Post Retirement Pension Plans").

16. SEGMENT INFORMATION

Description of segments. We are a global leader in life sciences, diagnostics and applied chemical markets, providing application focused solutions that include instruments, software, services and consumables for the entire laboratory workflow. Agilent has three business segments comprised of the life sciences and applied markets business, diagnostics and genomics business and the Agilent CrossLab business each of which comprises a reportable segment. The three operating segments were determined based primarily on how the chief operating decision maker views and evaluates our operations. Operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Other factors, including market separation and customer specific applications, go-to-market channels, products and services and manufacturing are considered in determining the formation of these operating segments.

A description of our three reportable segments is as follows:

Our life sciences and applied markets business provides application-focused solutions that include instruments and software that enable customers to identify, quantify and analyze the physical and biological properties of substances and products, as well as enable customers in the clinical and life sciences research areas to interrogate samples at the molecular and cellular level. Key product categories include: liquid chromatography ("LC") systems and components; liquid chromatography mass spectrometry ("LCMS") systems; gas chromatography ("GC") systems and components; gas chromatography mass spectrometry ("GCMS") systems; inductively coupled plasma mass spectrometry ("ICP-MS") instruments; atomic absorption ("AA") instruments; microwave plasma-atomic emission spectrometry ("MP-AES") instruments; inductively coupled plasma optical emission spectrometry ("ICP-OES") instruments; raman spectroscopy; cell analysis plate based assays; flow cytometer; real-time cell analyzer; cell imaging systems; microplate reader; laboratory software for sample tracking; information

management and analytics; laboratory automation and robotic systems; dissolution testing; vacuum pumps and measurement technologies.

Our diagnostics and genomics business is comprised of six areas of activity providing active pharmaceutical ingredients ("APIs") for oligo-based therapeutics as well as solutions that include reagents, instruments, software and consumables, which enable customers in the clinical and life sciences research areas to interrogate samples at the cellular and molecular level. First, our genomics business includes arrays for DNA mutation detection, genotyping, gene copy number determination, identification of gene rearrangements, DNA methylation profiling, gene expression profiling, as well as next generation sequencing ("NGS") target enrichment and genetic data management and interpretation support software. This business also includes solutions that enable clinical labs to identify DNA variants associated with genetic disease and help direct cancer therapy. Second, our nucleic acid solutions business provides equipment and expertise focused on production of synthesized oligonucleotides under pharmaceutical good manufacturing practices ("GMP") conditions for use as API in an emerging class of drugs that utilize nucleic acid molecules for disease therapy. Third, our pathology solutions business is focused on product offerings for cancer diagnostics and anatomic pathology workflows. The broad portfolio of offerings includes immunohistochemistry ("IHC"), in situ hybridization ("ISH"), hematoxylin and eosin ("H&E") staining and special staining. Fourth, we also collaborate with a number of major pharmaceutical companies to develop new potential tissue and liquid-based pharmacodiagnostics, also known as companion diagnostics, which may be used to identify patients most likely to benefit from a specific targeted therapy. Fifth, the reagent partnership business is a provider of reagents used for turbidimetry and flow cytometry. Finally, our biomolecular analysis business provides complete workflow solutions, including instruments, consumables and software, for quality control analysis of nucleic acid samples. Samples are analyzed using quantitative and qualitative techniques to ensure accuracy in further genomics analysis techniques utilized in clinical and life science research applications.

The Agilent CrossLab business spans the entire lab with its extensive consumables and services portfolio, which is designed to improve customer outcomes. Most of the portfolio is vendor neutral, meaning Agilent can serve and supply customers regardless of their instrument purchase choices. Solutions range from chemistries and supplies to services and software helping to connect the entire lab. Key product categories in consumables include GC and LC columns, sample preparation products, custom chemistries, and a large selection of laboratory instrument supplies. Services include startup, operational, training and compliance support, software as a service, as well as asset management and consultative services that help increase customer productivity. Custom service and consumable bundles are tailored to meet the specific application needs of various industries and to keep instruments fully operational and compliant with the respective industry requirements.

A significant portion of the segments' expenses arise from shared services and infrastructure that we have historically provided to the segments in order to realize economies of scale and to efficiently use resources. These expenses, collectively called corporate charges, include legal, accounting, tax, facilities, insurance services, information technology services, treasury, order administration, other corporate infrastructure expenses and costs of centralized research and development. Charges are allocated to the segments, and the allocations have been determined on a basis that we consider to be a reasonable reflection of the utilization of services provided to or benefits received by the segments. In addition, we do not allocate amortization of acquisition-related intangible assets, transformational initiatives expenses, acquisition and integration costs, business exit and divestiture costs, asset impairments and certain other charges to the operating margin for each segment because management does not include this information in its measurement of the performance of the operating segments. Transformational initiatives include expenses associated with targeted cost reduction activities such as manufacturing transfers, site consolidations, legal entity and other business reorganizations and in-sourcing or outsourcing of activities.

The following tables reflect the results of our reportable segments under our management reporting system. The performance of each segment is measured based on several metrics, including segment income from operations. These results are used, in part, by the chief operating decision maker in evaluating the performance of, and in allocating resources to, each of the segments.

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

The profitability of each of the segments is measured after excluding items such as transformational initiatives, acquisition and integration costs, amortization of intangible assets related to business combinations, interest income, interest expense and other items as noted in the reconciliations below:

	Three Months Ended April 30,		Six Months Ended April 30,	
	2021	2020	2021	2020
(in millions)				
Net Revenue:				
Life Sciences and Applied Markets	\$ 674	\$ 526	\$ 1,396	\$ 1,164
Diagnostics and Genomics	315	263	609	512
Agilent CrossLab	536	449	1,068	919
Total net revenue	<u>\$ 1,525</u>	<u>\$ 1,238</u>	<u>\$ 3,073</u>	<u>\$ 2,595</u>
Segment Income From Operations:				
Life Sciences and Applied Markets	\$ 154	\$ 98	\$ 353	\$ 256
Diagnostics and Genomics	69	57	124	91
Agilent CrossLab	141	122	283	241
Total segment income from operations	<u>\$ 364</u>	<u>\$ 277</u>	<u>\$ 760</u>	<u>\$ 588</u>

The following table reconciles segment income from operations to Agilent's total enterprise income before taxes:

	Three Months Ended April 30,		Six Months Ended April 30,	
	2021	2020	2021	2020
(in millions)				
Total segment income from operations	\$ 364	\$ 277	\$ 760	\$ 588
Transformational initiatives	(9)	(15)	(20)	(28)
Amortization of intangible assets related to business combinations	(46)	(46)	(90)	(94)
Acquisition and integration costs	(13)	(11)	(22)	(24)
Asset impairment	(2)	(99)	(2)	(99)
Business exit and divestiture costs	(3)	—	(4)	—
Other ⁽¹⁾	(3)	(4)	(6)	(26)
Interest income	1	3	1	6
Interest expense	(20)	(20)	(39)	(40)
Other income (expense), net ⁽²⁾	4	36	7	57
Income before taxes, as reported	<u>\$ 273</u>	<u>\$ 121</u>	<u>\$ 585</u>	<u>\$ 340</u>

(1) For the six months ended April 30, 2020, the other category primarily includes the legal costs related to a claim we pursued against Twist Bioscience Corporation in addition to other miscellaneous adjustments.

(2) For the three and six months ended April 30, 2020 other income (expense), net includes the settlement of the legal claim against Twist Bioscience Corporation.

The following table reflects segment assets under our management reporting system. Segment assets include allocations of corporate assets, goodwill, net other intangibles and other assets. Unallocated assets primarily consist of cash, cash equivalents, the valuation allowance relating to deferred tax assets and other assets.

	April 30, 2021	October 31, 2020
	(in millions)	
Segment Assets:		
Life Sciences and Applied Markets	\$ 3,119	\$ 3,143
Diagnostics and Genomics	3,262	2,515
Agilent CrossLab	1,425	1,375
Total segment assets	\$ 7,806	\$ 7,033

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the condensed consolidated financial statements and notes thereto included elsewhere in this Form 10-Q and our Annual Report on Form 10-K. This report contains forward-looking statements including, without limitation, statements regarding growth opportunities, including for revenue and our end markets, strength and drivers of the markets into which we sell, sales funnels, our strategic direction, new product and service introductions and the position of our current products and services, market demand for and adoption of our products, the ability of our products and solutions to address customer needs and meet industry requirements, our focus on differentiating our product solutions, improving our customers' experience and growing our earnings, future financial results, our operating margin, mix, our investments, including in manufacturing infrastructure, research and development and expanding and improving our applications and solutions portfolios, expanding our position in developing countries and emerging markets, our focus on balanced capital allocation, our contributions to our pension and other defined benefit plans, impairment of goodwill and other intangible assets, the impact of foreign currency movements, our hedging programs and other actions to offset the effects of tariffs and foreign currency movements, our future effective tax rate, tax valuation allowance and unrecognized tax benefits, the impact of local government regulations on our ability to pay vendors or conduct operations, our ability to satisfy our liquidity requirements, including through cash generated from operations, the potential impact of adopting new accounting pronouncements, indemnification, source and supply of materials used in our products, our sales, our purchase commitments, our capital expenditures, the integration and effects of our acquisitions and other transactions, our stock repurchase program and dividends and the potential or anticipated direct or indirect impact of COVID-19 on our business that involve risks and uncertainties. Our actual results could differ materially from the results contemplated by these forward-looking statements due to various factors, including those discussed in Part II Item 1A and elsewhere in this Form 10-Q.

Basis of Presentation

The financial information presented in this Form 10-Q is not audited and is not necessarily indicative of our future consolidated financial position, results of operations, comprehensive income (loss) or cash flows. Our fiscal year-end is October 31, and our fiscal quarters end on January 31, April 30 and July 31. Unless otherwise stated, these dates refer to our fiscal year and fiscal periods.

Executive Summary

Agilent Technologies, Inc. ("we", "Agilent" or the "company"), incorporated in Delaware in May 1999, is a global leader in life sciences, diagnostics and applied chemical markets, providing application focused solutions that include instruments, software, services and consumables for the entire laboratory workflow.

COVID-19 Pandemic

Both our domestic and international operations have been and continue to be affected by the ongoing global pandemic of a novel strain of coronavirus ("COVID-19") and the resulting volatility and uncertainty it has caused in the U.S. and international markets. During the three and six months ended April 30, 2021, many businesses and countries, including the United States, continued to implement preventative and precautionary measures to mitigate the spread of the virus such as quarantine, shelter-in-place, curfew, travel and activity restrictions and similar isolation measures, including government orders and other restrictions on the conduct of business operations at different times.

Our factories continue to operate around the world in accordance with the guidance issued by local, state and national government authorities. We continue to take proactive measures to ensure the health and safety of our global employee base. The majority of the markets we serve, such as the pharmaceutical, biopharmaceutical, food, environmental and diagnostics and clinical markets, have continued to operate at various levels throughout the pandemic, and we continue working closely with our customers to ensure their seamless operations. In the academia and government markets, the recovery continues to improve as more research laboratories are open and expanding capacity as vaccines are deployed.

The COVID-19 pandemic continues to be dynamic, and near-term challenges across the economy remain. Although vaccines are now being distributed and administered, new variants of the virus are emerging in various parts of the world that have shown to be more contagious, adding concerns whether the vaccine is also effective against these new variants. We will continue to actively monitor the pandemic and will continue to take appropriate steps to mitigate the impacts to our employees and on our business posed by the on-going pandemic.

Despite the economic challenges due to the COVID-19 pandemic, we ended our second fiscal quarter of 2021 with revenue growth of 23 percent year over year. This revenue growth was primarily non-COVID related revenue and came from all of our key end markets and geographies. Our life sciences and applied markets business saw an increase in demand for certain of our products that are being used in the development of new therapies and vaccines. Our Agilent CrossLab business continued to see an increase in revenue for our on-demand services and installation services due to more laboratories opening around the world. In our diagnostics and genomics business, we also saw revenue increase as elective medical procedures and non-COVID-19 routine testing continued to improve and are closer to pre-pandemic levels in the second quarter of fiscal year 2021. As a result of our strong business performance in the first half of fiscal year 2021, expense from our variable pay and LTTP-EPS programs, along with sales commission significantly increased year over year which was partially offset by the continued benefits from our cost savings actions which included reduction in travel and non-essential spending that we implemented last year.

Acquisition

On April 15, 2021 we completed the acquisition of privately-owned Resolution Bioscience, Inc., a biotechnology company focused on the development and commercialization of next-generation sequencing-based ("NGS") precision oncology solutions, for \$550 million cash plus potential future contingent payments of up to \$145 million upon the achievement of certain milestones which are based on certain revenue and technical targets. Resolution Bioscience complements and expands our capabilities in NGS-based cancer diagnostics and provides us with innovative technology to further serve the needs of the fast-growing precision medicine market. The fair value of the future potential contingent payments was estimated to be \$96 million at the date of the close.

2022 Senior Notes

On January 21, 2021, we redeemed \$100 million of the \$400 million outstanding aggregate principal amount of our 2022 senior notes due October 1, 2022. On April 5, 2021, we redeemed the remaining outstanding \$300 million of our 2022 senior notes. The redemption price of approximately \$417 million was computed in accordance with the terms of the 2022 senior notes as the present value of the remaining scheduled payments of principal and unpaid interest on the notes being redeemed. During the three and six months ended April 30, 2021, we recorded a loss on extinguishment of debt of \$12 million and \$17 million, respectively, in other income (expense), net in the condensed consolidated statement of operations. In addition, \$1 million of accrued interest, up to but not including the applicable redemption date, was paid. The make-whole premium less partial amortization of previously deferred interest rate swap gain together with the amortization of debt issuance costs and discount was recorded in other income (expense), net in the condensed consolidated statement of operations.

2031 Senior Notes

On March 12, 2021, we issued an aggregate principal amount of \$850 million in senior notes ("2031 senior notes"). The 2031 senior notes were issued at 99.822% of their principal amount. The 2031 senior notes will mature on March 12, 2031, and bear interest at a fixed rate of 2.30% per annum. The interest is payable semi-annually on March 12th and September 12th of each year and payments commence on September 12, 2021.

Actual Results

Net revenue of \$1,525 million and \$3,073 million for the three and six months ended April 30, 2021 increased 23 percent and 18 percent, respectively, when compared to the same periods last year. This revenue growth was primarily non-COVID related revenue and came from all of our key end markets and geographies. Foreign currency movements for the three and six months ended April 30, 2021 had an overall favorable impact on revenue of 4 percentage points and 3 percentage points, respectively, when compared to the same periods last year. Revenue generated by our life sciences and applied markets business increased 28 percent and 20 percent for the three and six months ended April 30, 2021, respectively, when compared to the same periods last year. Foreign currency movements for both the three and six months ended April 30, 2021 had an overall favorable impact on revenue of 3 percentage points when compared to the same periods last year. Revenue generated by our diagnostics and genomics business for the three and six months ended April 30, 2021 increased 20 percent and 19 percent, respectively, when compared to the same periods last year. Foreign currency movements for the three and six months ended April 30, 2021 had an overall favorable impact on revenue of 4 percentage points and 3 percentage points, respectively, when compared to the same periods last year. Revenue generated by our Agilent CrossLab business in the three and six months ended April 30, 2021 increased 19 percent and 16 percent, respectively, when compared to the same periods last year. Foreign

currency movements for both the three and six months ended April 30, 2021 had an overall favorable impact on revenue of 4 percentage points when compared to the same periods last year.

Net income for the three and six months ended April 30, 2021 was \$216 million and \$504 million, respectively, compared to net income of \$101 million and \$298 million, respectively, for the corresponding periods last year. In the six months ended April 30, 2021, cash provided by operations was \$710 million compared to cash provided by operations of \$254 million in the same period last year which included a one-time income tax outflow of \$226 million related to a transfer of intangibles.

For the six months ended April 30, 2021 and 2020, we paid cash dividends on the company's outstanding common stock of \$118 million and \$111 million, respectively.

On November 19, 2018 we announced that our board of directors had approved a share repurchase program (the "2019 repurchase program") designed, among other things, to reduce or eliminate dilution resulting from issuance of stock under the company's employee equity incentive programs. The 2019 repurchase program authorizes the purchase of up to \$1.75 billion of our common stock at the company's discretion and has no fixed termination date. The 2019 repurchase program does not require the company to acquire a specific number of shares and may be suspended, amended or discontinued at any time. During the three and six months ended April 30, 2021, we repurchased and retired 164,422 shares for \$21 million and 3,050 million shares for \$365 million, respectively, under this authorization. During the three and six months ended April 30, 2020, we repurchased and retired 1.663 million shares for \$126 million and 2.389 million shares for \$186 million, respectively, under this authorization. Effective February 18, 2021, the 2019 repurchase program was terminated and replaced by the new share repurchase program. The remaining authorization under the 2019 repurchase plan of \$193 million expired on February 18, 2021.

On February 16, 2021 we announced that our board of directors had approved a new share repurchase program (the "2021 repurchase program") designed, among other things, to reduce or eliminate dilution resulting from issuance of stock under the company's employee equity incentive programs. The 2021 repurchase program authorizes the purchase of up to \$2.0 billion of our common stock at the company's discretion and has no fixed termination date. The 2021 repurchase program which became effective on February 18, 2021, replaced and terminated the 2019 repurchase program on that date. The 2021 repurchase program does not require the company to acquire a specific number of shares and may be suspended, amended or discontinued at any time. During both the three and six months ended April 30, 2021, we repurchased and retired 1.388 million shares for \$174 million under this authorization. As of April 30, 2021, we had remaining authorization to repurchase up to approximately \$1.826 billion of our common stock under this program.

Looking forward, as we continue to navigate the impacts of the COVID-19 pandemic, our top priority continues to be the health and safety of our employees, customers and community, as well as supporting our customers' operations. We expect to face additional supply chain pressures in the near term that we will continue to mitigate through various sourcing strategies. We also remain focused on improving our customers' experience, differentiating product solutions and productivity especially during these extraordinary times. We continue supporting our customers' needs related to the development of new therapies and vaccines. With our strong first half results and the continued recovery in our end markets, we are optimistic about our long-term growth opportunities in all of our end markets.

Critical Accounting Policies and Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon our condensed consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles ("GAAP") in the U.S. The preparation of condensed consolidated financial statements in conformity with GAAP in the U.S. requires management to make estimates, judgments and assumptions that affect the amounts reported in our condensed consolidated financial statements and accompanying notes. 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, retirement and post-retirement benefit plan assumptions, valuation of goodwill and purchased intangible assets and accounting for income taxes. Other than the accounting for goodwill impairment as described below, there have been no significant changes to our critical accounting policies as described in our Annual Report on Form 10-K for the fiscal year ended October 31, 2020. 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.

An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made and if different estimates that reasonably could have been used or changes in the accounting estimate that are reasonably likely to occur could materially change the financial statements.

Goodwill Impairment Assessment. On November 1, 2020, we adopted new guidance that simplifies the measurement of goodwill impairment.

Under the new authoritative guidance, we still have the option to perform a qualitative assessment to determine whether further impairment testing is necessary. The accounting standard gives us the option to first assess qualitative factors to test a reporting unit's goodwill for impairment. If we believe, as a result of our 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. In the quantitative test, we are required to compare the fair value of each reporting unit to its carrying value. Any excess of the reporting unit's carrying value over its fair value will be recorded as an impairment loss.

Adoption of New Pronouncements

See Note 2, "New Accounting Pronouncements," to the condensed consolidated financial statements for a description of new accounting pronouncements.

Foreign Currency

Our revenues, costs and expenses, and monetary assets and liabilities and equity are exposed to changes in foreign currency exchange rates as a result of our global operating and financing activities. Foreign currency movements for the six months ended April 30, 2021 had an overall favorable impact on revenue of 3 percentage points when compared to the same period last year. When movements in foreign currency exchange rates have a positive impact on revenue, they will also have a negative impact by increasing our costs and expenses. We calculate the impact of movements in foreign currency exchange rates by applying the actual foreign currency exchange rates in effect during the last month of each quarter of the current year to both the applicable current and prior year periods. We hedge revenues, expenses and balance sheet exposures that are not denominated in the functional currencies of our subsidiaries on a short term and anticipated basis. We do experience some fluctuations within individual lines of the condensed consolidated statement of operations and balance sheet because our hedging program is not designed to offset the currency movements in each category of revenues, expenses, monetary assets and liabilities. Our hedging program is designed to hedge currency movements on a relatively short-term basis (up to a rolling thirteen-month period). We may also hedge equity balances denominated in foreign currency on a long-term basis. To the extent that we are required to pay for all, or portions, of an acquisition price in foreign currencies, we may enter into foreign exchange contracts to reduce the risk that currency movements will impact the U.S. dollar cost of the transaction.

Results from Operations

Net Revenue

	Three Months Ended		Six Months Ended		Year over Year Change	
	April 30,		April 30,		Three	Six
	2021	2020	2021	2020	Months	Months
	(in millions)					
Net revenue:						
Products	\$ 1,150	\$ 923	\$ 2,322	\$ 1,946	25%	19%
Services and other	375	315	751	649	19%	16%
Total net revenue	<u>\$ 1,525</u>	<u>\$ 1,238</u>	<u>\$ 3,073</u>	<u>\$ 2,595</u>	23%	18%

Net revenue of \$1,525 million and \$3,073 million for the three and six months ended April 30, 2021 increased 23 percent and 18 percent, respectively, when compared to the same periods last year. Foreign currency movements for the three and six months ended April 30, 2021 had an overall favorable impact on revenue of 4 percentage points and 3 percentage points, respectively, when compared to the same periods last year. The favorable impact of COVID-related revenue for the three and six months ended April 30, 2021 was not material. In the three and six months ended April 30, 2021, net revenue increased in all three of our business segments, geographic regions and all of our key end markets led by very strong growth from the pharmaceutical market and strong growth from the academia and government and food markets when compared to the same periods last year.

Revenue from products increased 25 percent and 19 percent for the three and six months ended April 30, 2021, respectively, when compared to the same periods last year. The growth in product revenue was driven by increased sales within our liquid chromatography and mass spectrometry businesses with continued strong growth in our nucleic acid solutions and cell analysis businesses.

Services and other revenue increased 19 percent and 16 percent for the three and six months ended April 30, 2021, respectively, when compared to the same periods last year. Services and other revenue consist of revenue generated from our three business segments: Agilent CrossLab, diagnostics and genomics and life science and applied markets businesses. Some of the prominent services in the Agilent CrossLab business include repair and maintenance on multi-vendor instruments, compliance services and installation services. Services in the diagnostics and genomics business include consulting services related to the companion diagnostics and nucleic acid businesses. Services in the life science and applied markets business include repair and maintenance and installation services.

For the three months ended April 30, 2021, the service revenue from the Agilent CrossLab business increased 19 percent when compared to the same period last year, with a 4 percentage point favorable currency impact. Service revenue increases for the three months ended April 30, 2021 reflected the contracted service business continuing to draw strong demand and non-contract service activity returning to pre-pandemic levels. A large portion of the growth is also a reflection of the early pandemic lock-downs during the three months ended April 30, 2020 in multiple regions, where a significant portion of customer sites were closed and inaccessible for service visits. For the six months ended April 30, 2021, the service revenue from the Agilent CrossLab business increased 16 percent when compared to the same period last year, with a 4 percentage point favorable currency impact. For the six months ended April 30, 2021 service revenue increased in all key customer offering categories.

Net Revenue By Segment

	Three Months Ended		Six Months Ended		Year over Year Change	
	April 30,		April 30,		Three	Six
	2021	2020	2021	2020	Months	Months
(in millions)						
Net revenue by segment:						
Life sciences and applied markets	\$ 674	\$ 526	\$ 1,396	\$ 1,164	28%	20%
Diagnostics and genomics	315	263	609	512	20%	19%
Agilent CrossLab	536	449	1,068	919	19%	16%
Total net revenue	<u>\$ 1,525</u>	<u>\$ 1,238</u>	<u>\$ 3,073</u>	<u>\$ 2,595</u>	23%	18%

Revenue in the life sciences and applied markets business for the three and six months ended April 30, 2021 increased 28 percent and 20 percent, respectively, when compared to the same periods last year. Foreign currency movements for both the three and six months ended April 30, 2021 had an overall favorable impact on revenue of 3 percentage points when compared to the same periods last year. For the three and six months ended April 30, 2021, we saw revenue growth across all key end markets when compared to the same period last year. Revenue growth was led by strong demand for our products within the pharmaceutical market supported by strong growth within the food and academic and government markets when compared to the same periods last year.

Revenue in the diagnostics and genomics business for the three and six months ended April 30, 2021, increased 20 percent and 19 percent, respectively, when compared to the same periods last year. Foreign currency movements for the three and six months ended April 30, 2021 had an overall favorable impact on revenue of 4 percentage points and 3 percentage points, respectively, when compared to the same periods last year. For the three and six months ended April 30, 2021, we saw revenue growth across all key end markets when compared to the same periods last year. Revenue growth was very strong within the pharmaceutical market led by performance from our nucleic acid solutions and biomolecular analysis businesses. Revenue growth was strong within the diagnostics and clinical markets led by performance from our pathology and genomics businesses.

Revenue generated by Agilent CrossLab in the three and six months ended April 30, 2021, increased 19 percent and 16 percent, respectively, when compared to the same periods last year. Foreign currency movements for both the three and six months ended April 30, 2021 had an overall favorable impact on revenue of 4 percentage points when compared to the same periods last year. For the three and six months ended April 30, 2021, we saw revenue growth across all key end markets led by very strong growth from the pharmaceutical and food markets when compared to the same periods last year.

Operating Results

	Three Months Ended		Six Months Ended		Year over Year Change	
	April 30,		April 30,		Three	Six
	2021	2020	2021	2020	Months	Months
(in millions, except margin data)						
Total gross margin	53.6 %	53.0 %	53.9 %	53.2 %	1 ppt	1 ppt
Research and development	\$ 109	\$ 197	\$ 212	\$ 301	(44)%	(30)%
Selling, general and administrative	\$ 420	\$ 358	\$ 827	\$ 762	17%	9%
Operating margin	18.9 %	8.2 %	20.0 %	12.2 %	11 ppts	8 ppts
Income from operations	\$ 288	\$ 102	\$ 616	\$ 317	182%	94%

Total gross margin for both the three and six months ended April 30, 2021 increased 1 percentage point when compared to the same periods last year. Gross margin for the three and six months ended April 30, 2021 increased due to higher sales volume which was partially offset by higher wages and variable pay, higher share-based compensation expense, higher inventory charges and logistics costs.

Research and development expenses for the three and six months ended April 30, 2021 decreased 44 percent and 30 percent, respectively, when compared to the same periods last year. Research and development expenses in the three and six

months ended April 30, 2020 included an impairment charge of \$97 million related to the shutdown of our sequencer development program. Excluding the impairment in 2020, research and development expenses for the three and six months ended April 30, 2021 increased slightly due to increased wages and variable pay and unfavorable currency movements partially offset by savings from the shutdown of our sequencer development program.

Selling, general and administrative expenses for the three and six months ended April 30, 2021 increased 17 percent and 9 percent, respectively, when compared to the same periods last year. The increase in selling, general and administrative expenses for the three months ended April 30, 2021 was due to higher wages and variable pay, higher commissions and higher share-based compensation expense partially offset by lower discretionary spending. The increase in selling, general and administrative expenses for the six months ended April 30, 2021 was due to higher wages and variable pay, higher commissions and higher share-based compensation expense partially offset by lower legal costs, lower discretionary spending and lower intangible amortization of intangible assets.

Total operating margin for the three and six months ended April 30, 2021 increased 11 percentage points and 8 percentage points, respectively, when compared to the same periods last year. Operating margin for the three and six months ended April 30, 2021 increased due to higher sales volume and increased gross margin partially offset by increases in operating expenses.

Income from operations for the three and six months ended April 30, 2021 increased \$186 million or 182 percent and \$299 million or 94 percent, respectively, on a corresponding revenue increase of \$287 million and \$478 million, respectively.

At April 30, 2021, our headcount was approximately 16,500 as compared to approximately 16,370 at April 30, 2020.

Other income (expense), net

In the three and six months ended April 30, 2021 other income and expense, net includes income of \$2 million and \$5 million, respectively, related to the provision of site service costs to, and lease income from Keysight Technologies, Inc. The costs associated with these services are reported within income from operations. In the three and six months ended April 30, 2021 other income and expense, net also includes a \$12 million and \$17 million loss on extinguishment of debt, respectively and gains on the fair value of equity investment of approximately \$11 million in both periods.

In the three and six months ended April 30, 2020 other income and expense, net includes income of \$3 million and \$6 million, respectively, related to the provision of site service costs to, and lease income from Keysight Technologies, Inc. The costs associated with these services are reported within income from operations. In the three and six months ended April 30, 2020, other income (expense), net also includes \$22 million of income related to the settlement of our legal claim against Twist BioScience and gains on the fair value of equity investment of approximately \$11 million and \$27 million, respectively.

Income Taxes

For the three and six months ended April 30, 2021, our income tax expense was \$57 million with an effective tax rate of 20.9 percent and \$81 million with an effective tax rate of 13.8 percent, respectively. For the three months ended April 30, 2021, there were no significant discrete tax items. For the six months ended April 30, 2021, our effective tax rate and the resulting provision for income taxes were impacted by the expiration of various foreign statutes of limitations which resulted in the recognition of previously unrecognized tax benefits of \$16 million. The income taxes for the six months ended April 30, 2021 also include the excess tax benefits from stock-based compensation of \$22 million.

Our calculation of income tax expense for the three and six months ended April 30, 2021 is dependent in part on forecasts of full year results. The impact of the COVID-19 outbreak on the economic environment is uncertain and may change these forecasts, which could impact tax expense.

For the three and six months ended April 30, 2020, our income tax expense was \$20 million with an effective tax rate of 16.5 percent and \$42 million with an effective tax rate of 12.4 percent, respectively. For the three months ended April 30, 2020, there were no significant discrete tax items. For the six months ended April 30, 2020, our effective tax rate and the resulting provision for income taxes were impacted by a discrete tax benefit of \$14 million related to the excess tax benefits from stock compensation.

In the U.S., tax years remain open back to the year 2017 for federal income tax purposes and for significant states. In other major jurisdictions where the company conducts business, the tax years generally remain open back to the year 2009.

With these jurisdictions and the U.S., it is reasonably possible 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 which will be partially offset by an anticipated tax liability related to unremitted foreign earnings, where applicable. 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.

Segment Overview

We continue to have three business segments comprised of the life sciences and applied markets business, diagnostics and genomics business and the Agilent CrossLab business.

Life Sciences and Applied Markets

Our life sciences and applied markets business provides application-focused solutions that include instruments and software that enable customers to identify, quantify and analyze the physical and biological properties of substances and products, as well as enable customers in the clinical and life sciences research areas to interrogate samples at the molecular and cellular level. Key product categories include: liquid chromatography ("LC") systems and components; liquid chromatography mass spectrometry ("LCMS") systems; gas chromatography ("GC") systems and components; gas chromatography mass spectrometry ("GCMS") systems; inductively coupled plasma mass spectrometry ("ICP-MS") instruments; atomic absorption ("AA") instruments; microwave plasma-atomic emission spectrometry ("MP-AES") instruments; inductively coupled plasma optical emission spectrometry ("ICP-OES") instruments; raman spectroscopy; cell analysis plate based assays; flow cytometer; real-time cell analyzer; cell imaging systems; microplate reader; laboratory software for sample tracking; information management and analytics; laboratory automation and robotic systems; dissolution testing; vacuum pumps and measurement technologies.

Net Revenue

	Three Months Ended		Six Months Ended		Year over Year Change	
	April 30,		April 30,		Three	Six
	2021	2020	2021	2020	Months	Months
	(in millions)					
Net revenue	\$ 674	\$ 526	\$ 1,396	\$ 1,164	28%	20%

Life sciences and applied markets business revenue for the three and six months ended April 30, 2021 increased 28 percent and 20 percent, respectively, when compared to the same periods last year. For both the three and six months ended April 30, 2021, foreign currency movements had an overall favorable impact on revenue of 3 percentage points when compared to the same periods last year.

Geographically, revenue increased 36 percent in the Americas with a 1 percentage point unfavorable currency impact, increased 39 percent in Europe with an 8 percentage point favorable currency impact and increased 17 percent in Asia Pacific with a 3 percentage point favorable currency impact for the three months ended April 30, 2021 compared to the same period last year. For the three months ended April 30, 2021, revenue growth was strong across all businesses.

Revenue increased 20 percent in the Americas with a 1 percentage point unfavorable currency impact, increased 24 percent in Europe with a 7 percentage point favorable currency impact and increased 17 percent in Asia Pacific with a 3 percentage point favorable currency impact for the six months ended April 30, 2021 compared to the same period last year. For the six months ended April 30, 2021, revenue growth was strong across all businesses.

For the three and six months ended April 30, 2021, all end markets delivered strong revenue growth. Revenue growth in the pharmaceutical end market was driven by our cell analysis, liquid chromatography mass spectrometry and liquid chromatography with strong growth across all regions. Revenue growth in the academia and government end market was led by cell analysis, liquid chromatography mass spectrometry business with strong growth in Americas. Revenue growth in the diagnostics and clinical markets was mainly driven by strength in liquid chromatography mass spectrometry and cell analysis business with broad based growth across regions.

For the three months ended April 30, 2021, revenue growth in the chemical and energy end market was led by spectroscopy, gas chromatography and gas chromatography mass spectrometry and liquid chromatography business with strong growth in Americas and Europe. Revenue growth in the food market was mainly driven by strength in gas chromatography, gas chromatography mass spectrometry and liquid chromatography with broad based strength across regions. Revenue growth in the forensics and environmental end markets was mainly driven by strength in spectroscopy, gas chromatography mass spectrometry and liquid chromatography mass spectrometry mainly led by growth in Americas.

For the six months ended in April 30, 2021, revenue growth, in the chemical and energy end market was driven by spectroscopy, liquid chromatography and gas chromatography mass spectrometry led by strength in Europe and Americas. Revenue growth in the food market was mainly driven by strength in gas chromatography, gas chromatography mass spectrometry, liquid chromatography mass spectrometry and liquid chromatography with broad based strength across regions. Revenue growth in the forensics and environmental end markets was mainly driven by strength in gas chromatography mass spectrometry, liquid chromatography mass spectrometry and gas chromatography mainly led by growth in Americas.

Looking forward, despite short term uncertainties and the adverse effects of the COVID-19 pandemic, we are optimistic about our long-term growth opportunities in the life sciences and applied markets as our broad portfolio of products and solutions are well suited to address customer needs. We anticipate growth from our new product introductions and acquisitions in the last couple of years as we continue to invest in expanding and improving our applications and solutions portfolio. While we anticipate volatility in our markets, we expect continued growth across most end markets in the long term.

Operating Results

	Three Months Ended		Six Months Ended		Year over Year Change	
	April 30,		April 30,		Three	Six
	2021	2020	2021	2020	Months	Months
(in millions, except margin data)						
Gross margin	59.4 %	58.1 %	60.0 %	59.2 %	1 ppt	1 ppt
Research and development	\$ 62	\$ 53	\$ 121	\$ 108	16%	12%
Selling, general and administrative	\$ 184	\$ 154	\$ 363	\$ 325	20%	12%
Operating margin	22.9 %	18.7 %	25.3 %	22.0 %	4 ppts	3 ppts
Income from operations	\$ 154	\$ 98	\$ 353	\$ 256	57%	38%

Gross margin for products and services for both the three and six months ended April 30, 2021, increased 1 percentage point when compared to the same periods last year. Gross margin for the three and six months ended April 30, 2021 was impacted by higher sales volume which was partially offset by higher wage and variable pay, unfavorable currency impact and hedge losses.

Research and development expenses for the three and six months ended April 30, 2021, increased 16 percent and 12 percent, respectively, when compared to the same periods last year. Research and development expenses for the three and six months ended April 30, 2021 increased due to higher wage and variable pay, unfavorable currency impact and higher share-based compensation expense partially offset by operational savings.

Selling, general and administrative expenses for the three and six months ended April 30, 2021, increased 20 percent and 12 percent, respectively, when compared to the same periods last year. Selling, general and administrative expenses for the three and six months ended April 30, 2021 increased due to higher wages and variable pay, higher commissions, higher share-based compensation expense and unfavorable currency movements partially offset by operational savings.

Operating margin for products and services for the three and six months ended April 30, 2021 increased 4 percentage points and 3 percentage points, respectively, when compared to the same periods last year. Operating margin for the three and six months ended April 30, 2021 increased due to higher sales volume and favorable impact of currency on revenue which was partially offset by higher wages and variable pay, unfavorable impact of currency on expenses and higher share-based compensation.

Income from operations for the three and six months ended April 30, 2021, increased \$56 million or 57 percent and \$97 million or 38 percent, respectively, on a corresponding revenue increase of \$148 million and \$232 million, respectively. Income from operations for the three and six months ended April 30, 2021 increased primarily due to higher sales volume.

Diagnostics and Genomics

Our diagnostics and genomics business includes the genomics, nucleic acid contract manufacturing and research and development, pathology, companion diagnostics, reagent partnership and biomolecular analysis businesses.

Our diagnostics and genomics business is comprised of six areas of activity providing active pharmaceutical ingredients ("APIs") for oligo-based therapeutics as well as solutions that include reagents, instruments, software and consumables, which enable customers in the clinical and life sciences research areas to interrogate samples at the cellular and molecular level. First, our genomics business includes arrays for DNA mutation detection, genotyping, gene copy number determination, identification of gene rearrangements, DNA methylation profiling, gene expression profiling, as well as next generation sequencing ("NGS") target enrichment and genetic data management and interpretation support software. This business also includes solutions that enable clinical labs to identify DNA variants associated with genetic disease and help direct cancer therapy. Second, our nucleic acid solutions business provides equipment and expertise focused on production of synthesized oligonucleotides under pharmaceutical good manufacturing practices ("GMP") conditions for use as API in an emerging class of drugs that utilize nucleic acid molecules for disease therapy. Third, our pathology solutions business is focused on product offerings for cancer diagnostics and anatomic pathology workflows. The broad portfolio of offerings includes immunohistochemistry ("IHC"), in situ hybridization ("ISH"), hematoxylin and eosin ("H&E") staining and special staining. Fourth, we also collaborate with a number of major pharmaceutical companies to develop new potential tissue and liquid-based pharmacodiagnostics, also known as companion diagnostics, which may be used to identify patients most likely to benefit from a specific targeted therapy. Fifth, the reagent partnership business is a provider of reagents used for turbidimetry and flow cytometry. Finally, our biomolecular analysis business provides complete workflow solutions, including instruments, consumables and software, for quality control analysis of nucleic acid samples. Samples are analyzed using quantitative and qualitative techniques to ensure accuracy in further genomics analysis techniques utilized in clinical and life science research applications.

Net Revenue

	Three Months Ended		Six Months Ended		Year over Year Change	
	April 30,		April 30,		Three	Six
	2021	2020	2021	2020	Months	Months
	(in millions)					
Net revenue	\$ 315	\$ 263	\$ 609	\$ 512	20%	19%

Diagnostics and genomics business revenue for the three and six months ended April 30, 2021 increased 20 percent and 19 percent, respectively, when compared to the same periods last year. For the three and six months ended April 30, 2021, foreign currency movements had an overall favorable impact on revenue of 4 percentage points and 3 percentage points, respectively, when compared to the same periods last year.

Geographically, revenue increased 30 percent in the Americas with no currency impact, increased 15 percent in Europe with a 7 percentage point favorable currency impact and increased 1 percent in Asia Pacific with a 3 percentage point favorable currency impact for the three months ended April 30, 2021 compared to the same period last year. For the three months ended April 30, 2021, the increase in the Americas was driven by strong performance in our nucleic acid solutions and genomics portfolios. In Europe we saw strong demand for our genomics solutions, as well as an increase in the companion diagnostics business. In Asia Pacific, the revenue increase from the pathology product portfolio was offset by a decline in the reagent partnership business.

For the six months ended April 30, 2021, revenue increased 29 percent in the Americas with no currency impact, increased 12 percent in Europe with a 7 percentage point favorable currency impact and increased 5 percent in Asia Pacific with a 3 percentage point favorable currency impact when compared to the same period last year. For the six months ended April 30, 2021, the increase in the Americas was driven by strong performance in our nucleic acid solutions and genomics portfolios. In Europe we saw strong demand for our genomics solutions, as well as an increase from our companion diagnostics business. In Asia Pacific revenue growth was driven by our pathology product portfolio.

For the three and six months ended April 30, 2021, revenue performance in the diagnostics and genomics business was led by strong revenue growth in our nucleic acid solutions business and the next generation sequencing product portfolio. For

the six months ended April 30, 2021, the aforementioned increase was partly offset by a reduction in reagent partnership revenues. All key end markets had revenue increases when compared to the same periods last year.

Looking forward we are optimistic about our long-term growth opportunities in our end markets and continue to invest in expanding and improving our applications and solutions portfolio. We remain positive about our growth in our end markets as our product portfolio around OMNIS, PD-L1 assays and SureFISH continues to gain strength with our customers in clinical oncology applications, and our next generation sequencing target enrichment solutions continue to be adopted. Market demand in the nucleic acid solutions business related to therapeutic oligo programs continues, and with our newly opened and planned extension of our nucleic acid solutions production facility in Frederick, Colorado, we are well positioned to serve more of the market demand. The acquisition of Resolution Bioscience will expand our capabilities in NGS-based cancer diagnostics and provides innovative technology to further serve the needs of the fast-growing precision medicine market. We will continue to invest in research and development and seek to expand our position in developing countries and emerging markets.

Operating Results

(in millions, except margin data)	Three Months Ended		Six Months Ended		Year over Year Change	
	April 30,		April 30,		Three	Six
	2021	2020	2021	2020	Months	Months
Gross margin	53.4 %	55.1 %	52.5 %	53.4 %	(2) ppts	(1) ppt
Research and development	\$ 30	\$ 30	\$ 59	\$ 62	—	(5)%
Selling, general and administrative	\$ 69	\$ 58	\$ 137	\$ 121	18%	13%
Operating margin	21.9 %	21.6 %	20.3 %	17.7 %	—	3 ppts
Income from operations	\$ 69	\$ 57	\$ 124	\$ 91	21%	36%

Gross margin for products and services for the three and six months ended April 30, 2021, decreased 2 percentage points and 1 percentage point, respectively, when compared to the same periods last year. Gross margin in the three and six months ended April 30, 2021 decreased due to a change in business mix, higher wages, variable pay, inventory charges and logistics expenses partially offset by higher sales volume.

Research and development expenses for the three and six months ended April 30, 2021, were flat and decreased 5 percent, respectively, when compared to the same periods last year. Research and development expenses for the three months ended April 30, 2021 included higher program investments, wages, and variable pay offset by the shutdown of the sequencer development program in 2020. Research and development expenses for the six months ended April 30, 2021 included higher program investments, wages and variable pay which were more than offset by the shutdown of the sequencer development program in 2020.

Selling, general and administrative expenses for the three and six months ended April 30, 2021, increased 18 percent and 13 percent, respectively, when compared to the same periods last year. Selling, general and administrative expenses for the three and six months ended April 30, 2021 increased due to higher commissions, share based compensation expenses, higher wages and variable pay which more than offset a reduction in discretionary expenditures.

Operating margin for products and services for the three and six months ended April 30, 2021 was flat and increased 3 percentage points, respectively, when compared to the same periods last year. Operating margin for the three months ended April 30, 2021 had higher volume completely offset by higher commission, wage and variable pay expenses which negatively impacted gross margin and drove up operating expenses. Operating margin for the six months ended April 30, 2021 improved as the revenue growth more than offset the increase in commissions, wages and variable pay.

Income from operations for the three and six months ended April 30, 2021 increased \$12 million or 21 percent and \$33 million or 36 percent, respectively, on a corresponding revenue increase of \$52 million and \$97 million, respectively. Income from operations for the three and six months ended April 30, 2021 increased due to strong revenue performance.

Agilent CrossLab

The Agilent CrossLab business spans the entire lab with its extensive consumables and services portfolio, which is designed to improve customer outcomes. Most of the portfolio is vendor neutral, meaning Agilent can serve and supply

customers regardless of their instrument purchase choices. Solutions range from chemistries and supplies to services and software helping to connect the entire lab. Key product categories in consumables include GC and LC columns, sample preparation products, custom chemistries, and a large selection of laboratory instrument supplies. Services include startup, operational, training and compliance support, software as a service, as well as asset management and consultative services that help increase customer productivity. Custom service and consumable bundles are tailored to meet the specific application needs of various industries and to keep instruments fully operational and compliant with the respective industry requirements.

Net Revenue

	Three Months Ended		Six Months Ended		Year over Year Change	
	April 30,		April 30,		Three	Six
	2021	2020	2021	2020	Months	Months
	(in millions)					
Net revenue	\$ 536	\$ 449	\$ 1,068	\$ 919	19%	16%

Agilent CrossLab business revenue for the three and six months ended April 30, 2021 increased 19 percent and 16 percent, respectively, when compared to the same periods last year. Foreign currency movements for both the three and six months ended April 30, 2021 had an overall favorable impact on revenue of 4 percentage points when compared to the same periods last year.

Geographically, revenue increased 15 percent in the Americas with a 1 percentage point unfavorable currency impact, increased 18 percent in Europe with an 8 percentage point favorable currency impact and increased 24 percent in Asia Pacific with a 6 percentage point favorable currency impact for the three months ended April 30, 2021 compared to the same period last year. During the three months ended April 30, 2021, the solid growth across the regions reflected a dramatic improvement against last year's weakened sales in the early months of the COVID-19 pandemic response that slowed or halted the operations of many customers.

Geographically, revenue increased 11 percent in the Americas with a 1 percentage point unfavorable currency impact, increased 14 percent in Europe with a 7 percentage point favorable currency impact and increased 23 percent in Asia Pacific with a 6 percentage point favorable currency impact for the six months ended April 30, 2021 compared to the same period last year. During the six months ended April 30, 2021, the solid growth across the regions reflected consistently high demand for products and services across the Agilent CrossLab product portfolio. It also reflects last year's weakened sales of varying magnitude and timing from each of the regions, as a result of the COVID-19 pandemic's response that slowed or halted the operations of many customers.

For the three and six months ended April 30, 2021, the Agilent CrossLab business continued to see exceptional growth from the pharmaceutical market, food market and the environmental market. The chemical, energy and materials market delivered moderate growth during that same period, but a large portion of that growth can be attributable to the severe contraction that this market faced during the overall business environment at the beginning of the COVID-19 pandemic last year.

Looking forward, the portfolio of Agilent CrossLab products and services are well positioned to continue their success in our key end markets. The business is taking advantage of digital and remote capabilities to offer services and consumables to customers. Despite difficulty of predicting the impact of the COVID-19 pandemic on the market, we remain confident about the long-term growth opportunities as customer feedback remains very positive on the value Agilent CrossLab brings to customer labs. Geographically, the business is well diversified across all regions to take advantage of local market opportunities and to hedge against weakness in any one region.

Operating Results

(in millions, except margin data)	Three Months Ended		Six Months Ended		Year over Year Change	
	April 30,		April 30,		Three	Six
	2021	2020	2021	2020	Months	Months
Gross margin	51.6 %	52.5 %	51.7 %	52.2 %	(1) ppt	(1) ppt
Research and development	\$ 15	\$ 14	\$ 30	\$ 29	10%	5%
Selling, general and administrative	\$ 121	\$ 100	\$ 239	\$ 209	21%	14%
Operating margin	26.3 %	27.2 %	26.5 %	26.3 %	(1) ppt	—
Income from operations	\$ 141	\$ 122	\$ 283	\$ 241	15%	17%

Gross margin for products and services for both the three and six months ended April 30, 2021 decreased 1 percentage point when compared to the same periods last year. As customer sites reopen, certain service delivery costs have been returning to pre-pandemic levels. In addition, higher variable pay, higher hedge losses, inventory charges and higher logistical costs all negatively impacted margins as well. The positive impact from higher sales partially offset most of these unfavorable factors.

Research and development expenses for the three and six months ended April 30, 2021 increased 10 percent and 5 percent, respectively, when compared to the same periods last year. Research and development investment within the Agilent CrossLab business is on the rise due to higher wages and a continued focus on digital service offerings.

Selling, general and administrative expenses for the three and six months ended April 30, 2021 increased 21 percent and 14 percent, respectively, when compared to the same periods last year. Selling, general and administrative expenses increased due to higher wages and variable pay, higher sales commissions and higher share-based compensation expense.

Operating margin for products and services for the three and six months ended April 30, 2021 decreased 1 percentage point and was flat, respectively, when compared to the same periods last year. Operating margin for the three months ended April 30, 2021 decreased 1 percentage point because of higher variable pay and service delivery costs returning to pre-pandemic levels, which were partially offset by the positive impact of higher sales. Operating margin for the six months ended April 30, 2021 was flat because of higher variable pay and higher service delivery costs, which were fully offset by the positive impact of higher sales.

Income from operations for the three and six months ended April 30, 2021 increased \$19 million or 15 percent and \$42 million or 17 percent, respectively, on a corresponding revenue increase of \$87 million and \$149 million, respectively. Income from operations for the three and six months ended April 30, 2021 increased primarily due to higher sales.

FINANCIAL CONDITION

Liquidity and Capital Resources

We believe our cash and cash equivalents, cash generated from operations, and ability to access capital markets and credit lines will satisfy, for at least the next twelve months, our liquidity requirements, both globally and domestically, including the following: working capital needs, capital expenditures, business acquisitions, stock repurchases, cash dividends, contractual obligations, commitments, principal and interest payments on debt, and other liquidity requirements associated with our operations.

Economic stimulus legislation was passed in many countries in response to COVID-19. In March 2020 in the U.S., the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was enacted to provide for tax relief and government loans, subsidies and other relief for entities in affected industries. In March 2021 in the U.S., the American Rescue Plan Act ("ARP Act") was enacted. The ARP Act strengthens and extends certain federal programs enacted through the CARES Act and other COVID-19 relief measures and establishes new federal programs. As of April 30, 2021, the CARES Act, the ARP Act and other government benefits outside the U.S. did not have a material impact on our condensed consolidated financial statements and related disclosures.

Our financial position as of April 30, 2021 consisted of cash and cash equivalents of \$1,380 million as compared to \$1,441 million as of October 31, 2020.

As of April 30, 2021, \$1,326 million of our cash and cash equivalents was held outside of the U.S. by our foreign subsidiaries and can be repatriated to the U.S. as local working capital and other regulatory conditions permit. We utilize a variety of funding strategies to ensure that our worldwide cash is available in the locations in which it is needed.

We may, from time to time, retire certain outstanding debt of ours through open market cash purchases, privately-negotiated transactions or otherwise. Such transactions, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors.

Net Cash Provided by Operating Activities

Net cash inflow from operating activities was \$710 million for the six months ended April 30, 2021 compared to cash inflow of \$254 million for the same period in 2020. In the six months ended April 30, 2021 and 2020, we paid approximately \$119 million and \$79 million, respectively, under our variable and incentive pay programs. Beginning in fiscal year 2020, all of our variable and incentive pay programs changed to be paid annually versus semi-annually in the prior years. The amount paid in the six months ended April 30, 2021 for our variable and incentive pay programs reflects an annual payment versus a semi-annual payment in 2020. Net cash paid for income taxes in the six months ended April 30, 2021 was approximately \$116 million compared to income taxes paid of \$286 million which included a one-time payment of \$226 million related to the transfer of intellectual property in the prior year. For the six months ended April 30, 2021, deferred tax cash inflows were \$31 million compared to cash outflows of \$3 million in the prior year. For the six months ended April 30, 2021 there was an unrealized gain on the fair value of an equity investment of \$11 million compared to \$27 million in 2020. For the six months ended April 30, 2021, there was an asset impairment charge of \$2 million compared to an asset impairment charge of \$99 million which was related to the closure of a business in our diagnostics and genomics group. For the six months ended April 30, 2021, other assets and liabilities had cash outflow of \$19 million compared to cash outflow of \$204 million for the same period in 2020. Cash outflow in the six months ended April 30, 2021 compared to six months ended April 30, 2020 was largely the result of lower income tax payments and pension contributions in 2021.

In the six months ended April 30, 2021, accounts receivable used cash of \$17 million compared to cash provided of \$25 million for the same period in 2020. Days' sales outstanding as of April 30, 2021 and 2020 was 63 days and 64 days, respectively. Cash used for inventory was \$80 million for the six months ended April 30, 2021 compared to cash used of \$85 million for the same period in 2020. Inventory days on-hand was 101 days as of April 30, 2021 compared to 116 days as of April 30, 2020 mainly due to higher sales. In the six months ended April 30, 2021, accounts payable provided cash of \$51 million compared to cash used of \$10 million for the same period in 2020.

We contributed approximately \$9 million and \$19 million to our defined benefit plans in both the six months ended April 30, 2021 and 2020, respectively. Our annual contributions are highly dependent on the relative performance of our assets versus our projected liabilities, among other factors. We expect to contribute approximately \$13 million to our defined benefit plans during the remainder of 2021.

Net Cash Used in Investing Activities

Net cash used in investing activities was \$629 million for the six months ended April 30, 2021 as compared to net cash used in investing activities of \$88 million in the same period of 2020. Investments in property, plant and equipment were \$72 million for the six months ended April 30, 2021 compared to \$67 million in the same period of 2020. We expect that total capital expenditures for the current year will be approximately \$200 million. Cash used to purchase fair value investments for the six months ended April 30, 2021 was \$8 million compared to \$18 million in the same period in 2020. In the six months ended April 30, 2021, we invested \$547 million in our acquisition of Resolution Bioscience.

Net Cash Used in Financing Activities

Net cash used in financing activities for the six months ended April 30, 2021 was \$150 million compared to net cash used in financing activities of \$217 million for the same period of 2020.

Treasury Stock Repurchases

On November 19, 2018 we announced that our board of directors had approved a share repurchase program (the "2019 repurchase program") designed, among other things, to reduce or eliminate dilution resulting from issuance of stock under the company's employee equity incentive programs. The 2019 repurchase program authorizes the purchase of up to \$1.75 billion of our common stock at the company's discretion and has no fixed termination date. The 2019 repurchase program does not require the company to acquire a specific number of shares and may be suspended, amended or discontinued at any time. During the three and six months ended April 30, 2021, we repurchased and retired 164,422 shares for \$21 million and 3.050 million shares for \$365 million, respectively, under this authorization. During the three and six months ended April 30, 2020, we repurchased and retired 1.663 million shares for \$126 million and 2.389 million shares for \$186 million, respectively, under this authorization. Effective February 18, 2021, the 2019 repurchase program was terminated and replaced by the new share repurchase program. The remaining authorization under the 2019 repurchase plan of \$193 million expired on February 18, 2021.

On February 16, 2021 we announced that our board of directors had approved a new share repurchase program (the "2021 repurchase program") designed, among other things, to reduce or eliminate dilution resulting from issuance of stock under the company's employee equity incentive programs. The 2021 repurchase program authorizes the purchase of up to \$2.0 billion of our common stock at the company's discretion and has no fixed termination date. The 2021 repurchase program which became effective on February 18, 2021, replaced and terminated the 2019 repurchase program on that date. The 2021 repurchase program does not require the company to acquire a specific number of shares and may be suspended, amended or discontinued at any time. During both the three and six months ended April 30, 2021, we repurchased and retired 1.388 million shares for \$174 million under this authorization. As of April 30, 2021, we had remaining authorization to repurchase up to approximately \$1.826 billion of our common stock under this program.

Dividends

During the six months ended April 30, 2021 and 2020, we paid cash dividends of \$0.388 per common share or \$118 million, and \$0.360 per common share or \$111 million, respectively, on the company's common stock.

On May 19, 2021, our board of directors declared a quarterly dividend of \$0.194 per share of common stock or approximately \$59 million which will be paid on July 28, 2021 to all shareholders of record at the close of business on July 6, 2021. The timing and amounts of any future dividends are subject to determination and approval by our board of directors.

Credit Facilities and Short-Term Debt

On March 13, 2019, we entered into a credit agreement with a group of financial institutions which, as amended, provided for a \$1 billion five-year unsecured credit facility that will expire on March 13, 2024 and incremental term loan facilities in an aggregate amount of up to \$500 million. On April 21, 2021, we entered into an incremental assumption agreement, pursuant to which the aggregate amount available for borrowing under the revolving credit facility was increased to \$1.35 billion and the aggregate amount available for incremental facilities was refreshed to remain at \$500 million. As of April 30, 2021, we had no borrowings outstanding under the credit facility and no borrowings under the incremental facilities. We were in compliance with the covenants for the credit facility during the six months ended April 30, 2021.

Commercial Paper

In May 2020, we established a U.S. commercial paper program, under which the company may issue and sell unsecured, short-term promissory notes in the aggregate principal amount not to exceed \$1.0 billion with up to 397-day maturities. At any point in time, the company intends to maintain available commitments under its revolving credit facility in an amount at least equal to the amount of the commercial paper notes outstanding. Amounts available under the program may be borrowed, repaid and re-borrowed from time to time. The proceeds from issuances under the program may be used for general corporate purposes. As of April 30, 2021, borrowings of \$205 million were outstanding under our U.S. commercial paper program and had a weighted average annual interest rate of 0.17 percent and a weighted average remaining maturity of approximately four days.

Long-Term Debt

2022 Senior Notes

On September 13, 2012, the company issued an aggregate principal amount of \$400 million in senior notes ("2022 senior notes"). The 2022 senior notes were issued at 99.80% of their principal amount. The notes will mature on October 1, 2022, and bear interest at a fixed rate of 3.20% per annum. The interest is payable semi-annually on April 1st and October 1st of each year and payments commenced on April 1, 2013.

On January 21, 2021, we redeemed \$100 million of the \$400 million outstanding aggregate principal amount of our 2022 senior notes due October 1, 2022. On April 5, 2021, we redeemed the remaining outstanding \$300 million of our 2022 senior notes. The redemption price of approximately \$417 million was computed in accordance with the terms of the 2022 senior notes as the present value of the remaining scheduled payments of principal and unpaid interest on the notes being redeemed. During the six months ended April 30, 2021, we recorded a loss on extinguishment of debt of \$17 million in other income (expense), net in the condensed consolidated statement of operations. In addition, \$1 million of accrued interest, up to but not including the applicable redemption date, was paid. The make-whole premium less partial amortization of previously deferred interest rate swap gain together with the amortization of debt issuance costs and discount was recorded in other income (expense), net in the condensed consolidated statement of operations.

2031 Senior Notes

On March 12, 2021, we issued an aggregate principal amount of \$850 million in senior notes ("2031 senior notes"). The 2031 senior notes were issued at 99.822% of their principal amount. The 2031 senior notes will mature on March 12, 2031, and bear interest at a fixed rate of 2.30% per annum. The interest is payable semi-annually on March 12th and September 12th of each year and payments commence on September 12, 2021.

Other than the full redemption of the 2022 senior notes and issuance of the 2031 senior notes, there have been no other changes to the principal, maturity, interest rates and interest payment terms of the Agilent outstanding senior notes in the six months ended April 30, 2021 as compared to the senior notes as described in our Annual Report on Form 10-K for the fiscal year ended October 31, 2020.

Other

Our commitments to contract manufacturers and suppliers increased by \$93 million from \$557 million as reported in our Annual Report on Form 10-K for the fiscal year ended October 31, 2020. These commitments are related to a variety of suppliers, and we use several contract manufacturers to provide manufacturing services for our products. During the normal course of business, we issue purchase orders with estimates of our requirements several months ahead of the delivery dates. These open purchase orders with our suppliers have not yet been received and our agreements usually provide us the option to cancel, reschedule and adjust our requirements based on our business needs prior to the firm orders being placed. There were no other substantial changes from our Annual Report on Form 10-K for the fiscal year ended October 31, 2020 to our contractual commitments in the first six months of fiscal 2021. We have no other material non-cancelable guarantees or commitments.

Other long-term liabilities as of April 30, 2021 and October 31, 2020 include \$312 million and \$323 million, respectively, related to long-term income tax liabilities. Of these amounts, \$188 million and \$199 million related to uncertain tax positions as of April 30, 2021 and October 31, 2020, respectively. We are unable to accurately predict when these amounts will be realized or released. However, 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 limitations or a tax audit settlement. The remaining \$124 million in other long-term liabilities relates to the one-time transition tax payable.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to foreign currency exchange rate risks inherent in our sales commitments, anticipated sales, and assets and liabilities and equity denominated in currencies other than the functional currency of our subsidiaries. We hedge future cash flows denominated in currencies other than the functional currency using sales forecasts up to twelve months in advance. Our exposure to exchange rate risks is mainly managed on an enterprise-wide basis. This strategy utilizes derivative financial instruments, including option and forward contracts, to hedge certain foreign currency exposures with the intent of offsetting gains and losses that occur on the underlying exposures with gains and losses on the derivative contracts hedging them. We may also hedge equity balances denominated in foreign currency on a long-term basis. We do not currently and do not intend to utilize derivative financial instruments for speculative trading purposes. To the extent that we are required to pay for all, or portions, of an acquisition price in foreign currencies, we may enter into foreign exchange contracts to reduce the risk that currency movements will impact the cost of the transaction.

Our operations generate non-functional currency cash flows such as revenues, third party vendor payments and inter-company payments. In anticipation of these foreign currency cash flows and in view of volatility of the currency market, we enter into such foreign exchange contracts as are described above to manage our currency risk. Approximately 52 percent and 51 percent of our revenue was generated in U.S. dollars during the six months ended April 30, 2021 and 2020, respectively. The overall favorable effect of changes in foreign currency exchange rates, principally as a result of the weakness of the U.S. dollar, has increased revenue by 3 percentage points in the six months ended April 30, 2021. We calculate the impact of movements in our foreign currency exchange rates by applying the actual foreign currency exchange rates in effect during the last month of each quarter of the current year to both the applicable current and prior year periods.

We performed a sensitivity analysis assuming a hypothetical 10 percent adverse movement in foreign exchange rates to the hedging contracts and the underlying exposures described above. As of April 30, 2021, the analysis indicated that these hypothetical market movements would not have a material effect on our condensed consolidated financial position, results of operations, statement of comprehensive income or cash flows.

We are also 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 or foreign currencies at fixed interest rates based on the market conditions at the time of financing. We believe that the fair value of our fixed rate debt changes when the underlying market rates of interest change, and we may use interest rate swaps to modify such market risk.

We performed a sensitivity analysis assuming a hypothetical 10 percent adverse movement in interest rates relating to the underlying fair value of our fixed rate debt. As of April 30, 2021, the sensitivity analyses indicated that a hypothetical 10 percent adverse movement in interest rates would result in an immaterial impact to the fair value of our fixed interest rate debt.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures as required by the Securities Exchange Act of 1934 (the "Exchange Act") Rule 13a-15(b) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective at ensuring that information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding such required disclosure to the SEC.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended April 30, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are involved in lawsuits, claims, investigations and proceedings, including, but not limited to, intellectual property, commercial, real estate, environmental and employment matters, which arise in the ordinary course of business. There are no matters pending that we currently believe are probable or reasonably possible of having a material impact to our business, consolidated financial condition, results of operations or cash flows.

ITEM 1A. RISK FACTORS

Risks, Uncertainties and Other Factors Specific to Our Company That May Affect Future Results

The COVID-19 pandemic has adversely impacted, and continues to pose risks to, certain elements of our business, results of operations and financial condition, the nature and extent of which are highly uncertain and unpredictable.

Our global operations expose us to risks associated with public health crises, including epidemics and pandemics such as COVID-19. The global spread of COVID-19 had, and may continue to have, an adverse impact on our operations, sales and delivery and supply chains. Many countries including the United States implemented measures such as quarantine, shelter-in-place, curfew, travel and activity restrictions and similar isolation measures, including government orders and other restrictions on the conduct of business operations. Due to these measures we experienced significant and unpredictable reductions or increases in demand for certain of our products. Moreover, these measures caused delays in installations and significantly impacted our ability to service our customers on site. The COVID-19 pandemic also impacted our supply chain as we experienced disruptions or delays in shipments of certain materials or components of our products. The extent and duration of the impact of the COVID-19 pandemic on our business and operations is dependent in part on customers returning to work and economic activity continuing to ramp up. The impact on our business also depends in part on the pace at which our customers resume non-COVID-19 related patient care and testing, as well as the timing of when research performed by laboratories and other institutions returns to normal levels. As COVID-19 conditions improve, there may be unpredictable increases in demand for certain of our products, which may pose challenges to our supply chain. If there are supply shortages or delays and we are not able to meet increasing product demand, our results would be adversely affected.

Additionally, the COVID-19 pandemic caused significant volatility and uncertainty in U.S. and international markets. A disruption of global financial markets or resulting economic downturn may reduce our ability to incur debt or access capital and increase the cost of doing so. There are no assurances that the credit markets or the capital markets will be available to us in the future or that the lenders participating in our credit facilities will be able to provide financing in accordance with their contractual obligations.

To the extent COVID-19 conditions improve, the duration and sustainability of any such improvements will be uncertain and continuing adverse impacts and/or the degree of improvement may vary dramatically by geography and by business. The actions we take in response to any improvements in conditions may also vary widely by geography and by business and will likely be made with incomplete information; pose the risk that such actions may prove to be premature, incorrect or insufficient; and could have a material, adverse impact on our business and results of operations.

Our operating results and financial condition could be harmed if the markets into which we sell our products decline or do not grow as anticipated.

Visibility into our markets is limited. Our quarterly sales and operating results are highly dependent on the volume and timing of orders received during the fiscal quarter, which are difficult to forecast and may be cancelled by our customers. In addition, our revenue and earnings forecasts for future fiscal quarters are often based on the expected seasonality of our markets. However, the markets we serve do not always experience the seasonality that we expect as customer spending policies and budget allocations, particularly for capital items, may change. Any decline in our customers' markets or in general economic conditions would likely result in a reduction in demand for our products and services. Also, if our customers' markets decline, we may not be able to collect on outstanding amounts due to us. Such declines could harm our consolidated financial position, results of operations, cash flows and stock price, and could limit our profitability. Also, in such an environment, pricing pressures could intensify. Since a significant portion of our operating expenses is relatively fixed in nature due to sales, research and development and manufacturing costs, if we were unable to respond quickly enough these pricing pressures could further reduce our operating margins.

If we do not introduce successful new products and services in a timely manner to address increased competition through frequent new product and service introductions, rapid technological changes and changing industry standards, our products and services may become obsolete, and our operating results may suffer.

We generally sell our products in industries that are characterized by increased competition through frequent new product and service introductions, rapid technological changes and changing industry standards. Without the timely introduction of new products, services and enhancements, our products and services may become technologically obsolete over time, in which case our revenue and operating results could suffer. The success of our new products and services will depend on several factors, including our ability to:

- properly identify customer needs and predict future needs;
- innovate and develop new technologies, services and applications;
- appropriately allocate our research and development spending to products and services with higher growth prospects;
- successfully commercialize new technologies in a timely manner;
- manufacture and deliver new products in sufficient volumes and on time;
- differentiate our offerings from our competitors' offerings;
- price our products competitively;
- anticipate our competitors' development of new products, services or technological innovations; and
- control product quality in our manufacturing process.

In addition, if we fail to accurately predict future customer needs and preferences or fail to produce viable technologies, we may invest in research and development of products and services that do not lead to significant revenue, which would adversely affect our profitability. Even if we successfully innovate and develop new and enhanced products and services, we may incur substantial costs in doing so, and our operating results may suffer. In addition, promising new products may fail to reach the market or realize only limited commercial success because of real or perceived concerns of our customers. Furthermore, as we collaborate with pharmaceutical customers to develop drugs such as companion diagnostics assays or provide drug components like active pharmaceutical ingredients, we face risks that those drug programs may be cancelled upon clinical trial failures.

General economic conditions may adversely affect our operating results and financial condition.

Our business is sensitive to negative changes in general economic conditions, both inside and outside the United States. Slower global economic growth and uncertainty in the markets in which we operate may adversely impact our business resulting in:

- reduced demand for our products, delays in the shipment of orders, or increases in order cancellations;
- increased risk of excess and obsolete inventories;
- increased price pressure for our products and services; and
- greater risk of impairment to the value, and a detriment to the liquidity, of our investment portfolio.

Failure to adjust our purchases due to changing market conditions or failure to accurately estimate our customers' demand could adversely affect our income.

Our income could be harmed if we are unable to adjust our purchases to reflect market fluctuations, including those caused by the seasonal nature of the markets in which we operate. The sale of our products and services are dependent, to a large degree, on customers whose industries are subject to seasonal trends in the demand for their products. During a market upturn, we may not be able to purchase sufficient supplies or components to meet increasing product demand, which could materially affect our results. In the past, we have experienced a shortage of parts for some of our products. In addition, some of the parts that require custom design are not readily available from alternate suppliers due to their unique design or the length of time necessary for design work. Should a supplier cease manufacturing such a component, we would be forced to reengineer our product. In addition to discontinuing parts, suppliers may also extend lead times, limit supplies or increase prices due to capacity constraints or other factors. In order to secure components for the production of products, we may continue to enter into non-cancelable purchase commitments with vendors, or at times make advance payments to suppliers, which could impact our ability to adjust our inventory to declining market demands. If demand for our products is less than we expect, we may experience additional excess and obsolete inventories and be forced to incur additional expenses.

Demand for some of our products and services depends on the capital spending policies of our customers, research and development budgets and on government funding policies.

Our customers include pharmaceutical companies, laboratories, universities, healthcare providers, government agencies and public and private research institutions. Many factors, including public policy spending priorities, available resources, mergers and consolidations, institutional and governmental budgetary policies and spending priorities, and product and economic cycles, have a significant effect on the capital spending policies of these entities. Fluctuations in the research and development budgets at these organizations could have a significant effect on the demand for our products and services. Research and development budgets fluctuate due to changes in available resources, consolidation, spending priorities, general economic conditions and institutional and governmental budgetary policies. The timing and amount of revenue from customers that rely on government funding or research may vary significantly due to factors that can be difficult to forecast, including changes in spending authorizations and budgetary priorities for our products and services. If demand for our products and services is adversely affected, our revenue and operating results would suffer.

Economic, political, foreign currency and other risks associated with international sales and operations could adversely affect our results of operations.

Because we sell our products worldwide, our business is subject to risks associated with doing business internationally. We anticipate that revenue from international operations will continue to represent a majority of our total revenue. International revenue and costs are subject to the risk that fluctuations in foreign currency exchange rates could adversely affect our financial results when translated into U.S. dollars for financial reporting purposes. Foreign currency movements for the six months ended April 30, 2021 had an overall favorable impact on revenue of approximately 3 percentage points when compared to the same period last year. When movements in foreign currency exchange rates have a positive impact on revenue, they will also have a negative impact by increasing our costs and expenses. In addition, many of our employees, contract manufacturers, suppliers, job functions, outsourcing activities and manufacturing facilities are located outside the United States. Accordingly, our future results could be harmed by a variety of factors, including:

- interruption to transportation flows for delivery of parts to us and finished goods to our customers;
- changes in a specific country's or region's political, economic or other conditions;
- changes in diplomatic and trade relationships, as well as, new tariffs, trade protection measures, import or export licensing requirements, new or different customs duties, trade embargoes and sanctions and other trade barriers;
- tariffs imposed by the U.S. on goods from other countries and tariffs imposed by other countries on U.S. goods, including the tariffs enacted by the U.S. government on various imports from China and by the Chinese government on certain U.S. goods;
- negative consequences from changes in or differing interpretations of laws and regulations, including those related to tax and import/export;
- difficulty in staffing and managing widespread operations;
- differing labor regulations;
- differing protection of intellectual property;
- unexpected changes in regulatory requirements;
- geopolitical uncertainty or turmoil, terrorism and war; and
- impact of public health crises, including pandemics and epidemics, such as COVID-19 on the global economy.

We sell our products into many countries and we also source many components and materials for our products from and manufacture our products in various countries. Future tariffs and tariffs already implemented could have negative impact on our business, results of operations and financial condition. It may be time-consuming and expensive for us to alter our business operations in order to adapt to any such change. Further, additional tariffs, the scope and duration of which, if implemented, remains uncertain, which have been proposed or threatened and the potential escalation of a trade war and retaliatory measures could have a material adverse effect on our business, results of operations and financial condition.

Most of our accounting and tax processes including general accounting, cost accounting, accounts payable, accounts receivable and tax functions are centralized at locations in India and Malaysia. If economical, political, health or other conditions change in those countries, it may adversely affect operations, including impairing our ability to pay our suppliers and collect our receivables. Our results of operations, as well as our liquidity, may be adversely affected and possible delays may occur in reporting financial results.

In addition, although the majority of our products are priced and paid for in U.S. dollars, a significant amount of certain types of expenses, such as payroll, utilities, tax, and marketing expenses, are paid in local currencies. Our hedging programs reduce, but do not always entirely eliminate, within any given twelve-month period, the impact of currency exchange rate movements, and therefore fluctuations in exchange rates, including those caused by currency controls, could impact our business, operating results and financial condition by resulting in lower revenue or increased expenses. For expenses beyond that twelve-month period, our hedging strategy does not mitigate our exposure. In addition, our currency hedging programs involve third-party financial institutions as counterparties. The weakening or failure of financial institution counterparties may adversely affect our hedging programs and our financial condition through, among other things, a reduction in available counterparties, increasingly unfavorable terms, and the failure of the counterparties to perform under hedging contracts.

Our strategic initiatives to adjust our cost structure could have long-term adverse effects on our business, and we may not realize the operational or financial benefits from such actions.

We have implemented multiple strategic initiatives across our businesses to adjust our cost structure, and we may engage in similar activities in the future. These strategic initiatives and our regular ongoing cost reduction activities may distract management, could slow improvements in our products and services and limit our ability to increase production quickly if demand for our products increases. In addition, delays in implementing our strategic initiatives, unexpected costs or failure to meet targeted improvements may diminish the operational and financial benefits we realize from such actions. Any of the above circumstances could have an adverse effect on our business and operating results and financial condition.

Our business will suffer if we are not able to retain and hire key personnel.

Our future success depends partly on the continued service of our key research, engineering, sales, marketing, manufacturing, executive and administrative personnel. If we fail to retain and hire a sufficient number of these personnel, we will not be able to maintain or expand our business. The markets in which we operate are very dynamic, and our businesses continue to respond with reorganizations, workforce reductions and site closures. We believe our pay levels are very competitive within the regions that we operate. However, there is intense competition for certain highly technical specialties in geographic areas where we continue to recruit, and it may become more difficult to hire and retain our key employees.

Our acquisitions, strategic investments and alliances, joint ventures, exiting of businesses and divestitures may result in financial results that are different than expected.

In the normal course of business, we frequently engage in discussions with third parties relating to possible acquisitions, strategic investments and alliances, joint ventures and divestitures, and generally expect to complete several transactions per year. In addition, we may decide to exit a particular business within our product portfolio. As a result of such transactions, our financial results may differ from our own or the investment community's expectations in a given fiscal quarter or over the long term. We may have difficulty developing, manufacturing and marketing the products of a newly acquired company in a way that enhances the performance of our combined businesses or product lines. Acquired businesses may also expose us to new risks and new markets, and we may have difficulty addressing these risks in a cost effective and timely manner. Transactions such as acquisitions have resulted, and may in the future result in, unexpected significant costs and expenses. In the future, we may be required to record charges to earnings during the period if we determine there is an impairment of goodwill or intangible assets, up to the full amount of the value of the assets, or, in the case of strategic investments and alliances, consolidate results, including losses, of third parties or write down investment values or loans and convertible notes related to the strategic investment.

Integrating the operations of acquired businesses within Agilent could be a difficult, costly and time-consuming process that involves a number of risks. Acquisitions and strategic investments and alliances may require us to integrate and collaborate with a different company culture, management team, business model, business infrastructure and sales and distribution methodology and assimilate and retain geographically dispersed, decentralized operations and personnel. Depending on the size and complexity of an acquisition, our successful integration of the entity depends on a variety of factors, including introducing new products and meeting revenue targets as expected, the retention of key employees and key customers, increased exposure to certain governmental regulations and compliance requirements and increased costs and use of resources. Further, the integration of acquired businesses is likely to result in our systems and internal controls becoming increasingly complex and more difficult to manage. Any difficulties in the assimilation of acquired businesses into our control system could harm our operating results or cause us to fail to meet our financial reporting obligations.

Even if we are able to successfully integrate acquired businesses within Agilent, we may not be able to realize the revenue and other synergies and growth that we anticipated from the acquisition in the time frame that we expected, and the

costs of achieving these benefits may be higher than what we expected. As a result, the acquisition and integration of acquired businesses may not contribute to our earnings as expected, we may not achieve our operating margin targets when expected, or at all, and we may not achieve the other anticipated strategic and financial benefits of such transactions.

A successful divestiture depends on various factors, including our ability to effectively transfer liabilities, contracts, facilities and employees to the purchaser, identify and separate the intellectual property to be divested from the intellectual property that we wish to keep and reduce fixed costs previously associated with the divested assets or business. In addition, if customers of the divested business do not receive the same level of service from the new owners, this may adversely affect our other businesses to the extent that these customers also purchase other Agilent products. In exiting a business, we may still retain liabilities associated with the support and warranty of those businesses and other indemnification obligations. All of these efforts require varying levels of management resources, which may divert our attention from other business operations. If we do not realize the expected benefits or synergies of such transactions, our consolidated financial position, results of operations, cash flows and stock price could be negatively impacted.

If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results, which could lead to a loss of investor confidence in our financial statements and have an adverse effect on our stock price.

Effective internal controls are necessary for us to provide reliable and accurate financial statements and to effectively prevent fraud. We devote significant resources and time to comply with the internal control over financial reporting requirements of the Sarbanes Oxley Act of 2002 and continue to enhance our controls. However, we cannot be certain that we will be able to prevent future significant deficiencies or material weaknesses. Inadequate internal controls could cause investors to lose confidence in our reported financial information, which could have a negative effect on investor confidence in our financial statements, the trading price of our stock and our access to capital.

Our customers and we are subject to various governmental regulations. Compliance with or changes in such regulations may cause us to incur significant expenses, and if we fail to maintain satisfactory compliance with certain regulations, we may be forced to recall products and cease their manufacture and distribution, and we could be subject to civil or criminal penalties.

Our customers and we are subject to various significant international, federal, state and local regulations, including but not limited to regulations in the areas of health and safety, packaging, product content, employment, labor and immigration, import/export controls, trade restrictions and anti-competition. In addition, as a global organization, we are subject to data privacy and security laws, regulations, and customer-imposed controls in numerous jurisdictions as a result of having access to and processing confidential, personal, sensitive and/or patient health data in the course of our business. The EU's General Data Protection Regulation ("GDPR"), which became effective in May 2018, applies to all of our activities related to products and services that we offer to EU customers and workers. The GDPR established new requirements regarding the handling of personal data and includes significant penalties for non-compliance (including possible fines of up to 4 percent of total company revenue). Other governmental authorities around the world have passed or are considering similar types of legislative and regulatory proposals concerning data protection. Each of these privacy, security and data protection laws and regulations could impose significant limitations and increase our cost of providing our products and services where we process end user personal data and could harm our results of operations and expose us to significant fines, penalties and other damages.

We must also comply with complex foreign and U.S. laws and regulations, such as the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act, and other local laws prohibiting corrupt payments to governmental officials, anti-competition regulations and sanctions imposed by the U.S. Office of Foreign Assets Control and other similar laws and regulations. Violations of these laws and regulations could result in fines and penalties, criminal sanctions, restrictions on our business conduct and on our ability to offer our products in one or more countries, and could also materially affect our brand, our ability to attract and retain employees, our international operations, our business and our operating results. Although we have implemented policies and procedures designed to ensure compliance with these laws and regulations, there can be no assurance that our employees, contractors, or agents will not violate our policies.

These regulations are complex, change frequently and have tended to become more stringent over time. We may be required to incur significant expenses to comply with these regulations or to remedy any violations of these regulations. Any failure by us to comply with applicable government regulations could also result in the cessation of our operations or portions of our operations, product recalls or impositions of fines and restrictions on our ability to carry on or expand our operations. In addition, because many of our products are regulated or sold into regulated industries, we must comply with additional regulations in marketing our products. We develop, configure and market our products to meet customer needs created by these

regulations. Any significant change in these regulations could reduce demand for our products, force us to modify our products to comply with new regulations or increase our costs of producing these products. If demand for our products is adversely affected or our costs increase, our operating results and business would suffer.

Our products and operations are also often subject to the rules of industrial standards bodies, like the International Standards Organization, as well as regulation by other agencies such as the FDA. We also must comply with work safety rules. If we fail to adequately address any of these regulations, our businesses could be harmed.

We are subject to extensive regulation by the FDA and certain similar foreign regulatory agencies, and failure to comply with such regulations could harm our reputation, business, financial condition and results of operations.

A number of our products and services are subject to regulation by the FDA and certain similar foreign regulatory agencies. In addition, a number of our products and services may in the future be subject to regulation by the FDA and certain similar foreign regulatory agencies. These regulations govern a wide variety of product and service-related activities, from quality management, design and development to labeling, manufacturing, promotion, sales and distribution. If we or any of our suppliers or distributors fail to comply with FDA and other applicable regulatory requirements or are perceived to potentially have failed to comply, we may face, among other things, warning letters; adverse publicity affecting both us and our customers; investigations or notices of non-compliance, fines, injunctions, and civil penalties; import or export restrictions; partial suspensions or total shutdown of production facilities or the imposition of operating restrictions; increased difficulty in obtaining required FDA clearances or approvals or foreign equivalents; seizures or recalls of our products or those of our customers; or the inability to sell our products. Any such FDA or other regulatory agency actions could disrupt our business and operations, lead to significant remedial costs and have a material adverse impact on our financial position and results of operations. In addition, the global regulatory environment has become increasingly stringent for our products and services. For example, the EU is going to enforce new requirements, known as the EU In Vitro Diagnostic Regulation (the “EU IVDR”), which imposes stricter requirements for the marketing and sale of in vitro diagnostics in the European Union. These new regulations are more stringent in a variety of areas, including clinical requirements, quality systems and post-market surveillance activities. We will have until May 2022 to meet the new EU IVDR requirements. Failure to meet these requirements could adversely impact our business in the EU and other regions that tie their product registrations to the EU requirements.

Some of our products are subject to particularly complex regulations such as regulations of toxic substances, and failure to comply with such regulations could harm our business.

Some of our products and related consumables are used in conjunction with chemicals whose manufacture, processing, distribution and notification requirements are regulated by the U.S. Environmental Protection Agency (“EPA”) under the Toxic Substances Control Act and by regulatory bodies in other countries under similar laws. The Toxic Substances Control Act regulations govern, among other things, the testing, manufacture, processing and distribution of chemicals, the testing of regulated chemicals for their effects on human health and safety and the import and export of chemicals. The Toxic Substances Control Act prohibits persons from manufacturing any chemical in the United States that has not been reviewed by the EPA for its effect on health and safety and placed on an EPA inventory of chemical substances. We must ensure conformance of the manufacturing, processing, distribution of and notification about these chemicals to these laws and adapt to regulatory requirements in all applicable countries as these requirements change. If we fail to comply with the notification, record-keeping and other requirements in the manufacture or distribution of our products, then we could be subject to civil penalties, criminal prosecution and, in some cases, prohibition from distributing or marketing our products until the products or component substances are brought into compliance.

Our business may suffer if we fail to comply with government contracting laws and regulations.

We derive a portion of our revenue from direct and indirect sales to U.S. federal, state, local, and foreign governments and their respective agencies. Such contracts are subject to various procurement laws and regulations and contract provisions relating to their formation, administration and performance. Failure to comply with these laws, regulations or provisions in our government contracts could result in the imposition of various civil and criminal penalties, termination of contracts, forfeiture of profits, suspension of payments, increased pricing pressure or suspension from future government contracting. If our government contracts are terminated, if we are suspended from government work, or if our ability to compete for new contracts is adversely affected, our business could suffer.

Our reputation, ability to do business and financial statements may be harmed by improper conduct by any of our employees, agents or business partners.

We cannot provide assurance that our internal controls and compliance systems will always protect us from acts committed by employees, agents or business partners of ours (or of businesses we acquire or partner with) that would violate U.S. and/or non-U.S. laws, including the laws governing payments to government officials, bribery, fraud, kickbacks and false claims, pricing, sales and marketing practices, conflicts of interest, competition, employment practices and workplace behavior, export and import compliance, money laundering and data privacy. In particular, the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to government officials for the purpose of obtaining or retaining business, and we operate in many parts of the world that have experienced governmental corruption to some degree. Any such improper actions or allegations of such acts could damage our reputation and subject us to civil or criminal investigations in the United States and in other jurisdictions, and related shareholder lawsuits could lead to substantial civil and criminal, monetary and non-monetary penalties and could cause us to incur significant legal and investigatory fees. In addition, the government may seek to hold us liable as a successor for violations committed by companies in which we invest or that we acquire. We also rely on our suppliers to adhere to our supplier standards of conduct, and material violations of such standards of conduct could occur that could have a material effect on our business, reputation and financial statements.

Our retirement and post retirement pension plans are subject to financial market risks that could adversely affect our future results of operations and cash flows.

We have significant retirement and post retirement pension plan assets and obligations. The performance of the financial markets and interest rates impact our plan expenses and funding obligations. Significant decreases in market interest rates, decreases in the fair value of plan assets and investment losses on plan assets will increase our funding obligations and adversely impact our results of operations and cash flows.

The impact of consolidation and acquisitions of competitors is difficult to predict and may harm our business.

The life sciences industry is intensely competitive and has been subject to increasing consolidation. Consolidation in our industries could result in existing competitors increasing their market share through business combinations and result in stronger competitors, which could have a material adverse effect on our business, financial condition and results of operations. We may not be able to compete successfully in increasingly consolidated industries and cannot predict with certainty how industry consolidation will affect our competitors or us.

If we are unable to successfully manage the consolidation and streamlining of our manufacturing operations, we may not achieve desired efficiencies, and our ability to deliver products to our customers could be disrupted.

Although we utilize manufacturing facilities throughout the world, we have consolidated, and may further consolidate, our manufacturing operations to certain of our plants to achieve efficiencies and gross margin improvements. Additionally, we typically consolidate the production of products from our acquisitions into our supply chain and manufacturing processes, which are technically complex and require expertise to operate. If we are unable to establish processes to efficiently and effectively produce high quality products in the consolidated locations, we may not achieve the anticipated synergies and production may be disrupted, which could adversely affect our business and operating results.

Our operating results may suffer if our manufacturing capacity does not match the demand for our products.

Because we cannot immediately adapt our production capacity and related cost structures to rapidly changing market conditions, when demand does not meet our expectations, our manufacturing capacity may exceed our production requirements. If during an economic downturn we had excess manufacturing capacity, then our fixed costs associated with excess manufacturing capacity would adversely affect our gross margins and operating results. If, during a general market upturn or an upturn in one of our segments, we cannot increase our manufacturing capacity to meet product demand, we may not be able to fulfill orders in a timely manner which could lead to order cancellations, contract breaches or indemnification obligations. This inability could materially and adversely limit our ability to improve our results.

Dependence on contract manufacturing and outsourcing other portions of our supply chain, including logistics and third-party package delivery services, may adversely affect our ability to bring products to market and damage our reputation. Dependence on outsourced information technology and other administrative functions may impair our ability to operate effectively.

As part of our efforts to streamline operations and to manage costs, we outsource aspects of our manufacturing processes and other functions and continue to evaluate additional outsourcing. If our contract manufacturers or other outsourcers fail to perform their obligations in a timely manner or at satisfactory quality levels, our ability to bring products to market and our reputation could suffer. For example, during a market upturn, our contract manufacturers may be unable to meet our demand requirements, which may preclude us from fulfilling our customers' orders on a timely basis. The ability of these manufacturers to perform is largely outside of our control. If one or more of the third-party package delivery providers experiences a significant disruption in services or institutes a significant price increase, we may have to seek alternative providers, our costs could increase, and the delivery of our products could be prevented or delayed. Additionally, changing or replacing our contract manufacturers, logistics providers or other outsourcers could cause disruptions or delays. In addition, we outsource significant portions of our information technology ("IT") and other administrative functions. Since IT is critical to our operations, any failure to perform on the part of our IT providers could impair our ability to operate effectively. In addition to the risks outlined above, problems with manufacturing or IT outsourcing could result in lower revenue and unexecuted efficiencies and impact our results of operations and our stock price.

Environmental contamination from past and ongoing operations could subject us to substantial liabilities.

Certain properties we have previously owned or leased are undergoing remediation for subsurface contamination. Although we are indemnified for liability relating to the required remediation at some of those properties, we may be subject to liability if these indemnification obligations are not fulfilled. In other cases, we have agreed to indemnify the current owners of certain properties for liabilities related to contamination, including companies with which we have previously been affiliated such as HP, Inc., Hewlett-Packard Enterprise (formerly Hewlett-Packard Company) and Varian Medical Systems, Inc. Further, other properties we have previously owned or leased at which we have operated in the past, or for which we have otherwise contractually assumed, or provided indemnities for, certain actual or contingent environmental liabilities may or do require remediation. While we are not aware of any material liabilities associated with any potential environmental contamination at any of those properties or facilities, we may be exposed to material liability if environmental contamination at material levels is found to exist. In addition, in connection with the acquisition of certain companies, we have assumed other costs and potential or contingent liabilities for environmental matters. Any significant costs or liabilities could have an adverse effect on results of operations.

Our current and historical manufacturing processes and operations involve, or have involved, the use of certain substances regulated under various foreign, federal, state and local environment protection and health and safety laws and regulations. As a result, we may become subject to liabilities for environmental contamination, and these liabilities may be substantial. Although our policy is to apply strict standards for environmental protection and health and safety at our sites inside and outside the United States, we may not be aware of all conditions that could subject us to liability. Further, in the event that any future climate change legislation would require that stricter standards be imposed by domestic or international environmental regulatory authorities, we may be required to make certain changes and adaptations to our manufacturing processes. Failure to comply with these environmental protection and health and safety laws and regulations could result in civil, criminal, regulatory, administrative or contractual sanction, including fines, penalties or suspensions. If we have any violations of, or incur liabilities pursuant to these laws or regulations, our financial condition and operating results could be adversely affected.

Third parties may claim that we are infringing their intellectual property, and we could suffer significant litigation or licensing expenses or be prevented from selling products or services.

From time to time, third parties may claim that one or more of our products or services infringe their intellectual property rights. We analyze and take action in response to such claims on a case by case basis. Any dispute or litigation regarding patents or other intellectual property could be costly and time-consuming due to the complexity of our technology and the uncertainty of intellectual property litigation and could divert our management and key personnel from our business operations. A claim of intellectual property infringement could force us to enter into a costly or restrictive license agreement, which might not be available under acceptable terms or at all, could require us to redesign our products, which would be costly and time-consuming, and/or could subject us to significant damages or to an injunction against the development and sale of certain of our products or services. Our intellectual property portfolio may not be useful in asserting a counterclaim, or negotiating a license, in response to a claim of intellectual property infringement. In certain of our businesses, we rely on third-party intellectual

property licenses, and we cannot ensure that these licenses will continue to be available to us in the future or can be expanded to cover new products on favorable terms or at all.

Third parties may infringe our intellectual property, and we may suffer competitive injury or expend significant resources enforcing our rights.

Our success depends in large part on our proprietary technology, including technology we obtained through acquisitions. We rely on various intellectual property rights, including patents, copyrights, trademarks and trade secrets, as well as confidentiality provisions and licensing arrangements, to establish our proprietary rights. If we do not enforce our intellectual property rights successfully, our competitive position may suffer, which could harm our operating results.

Our pending patent, copyright and trademark registration applications may not be allowed, or competitors may challenge the validity or scope of our patents, copyrights or trademarks. In addition, our patents, copyrights, trademarks and other intellectual property rights may not provide us with a significant competitive advantage.

We may need to spend significant resources monitoring and enforcing our intellectual property rights, and we may not be aware of or able to detect or prove infringement by third parties. Our competitive position may be harmed if we cannot detect infringement and enforce our intellectual property rights quickly or at all. In some circumstances, we may choose to not pursue enforcement because an infringer has a dominant intellectual property position or for other business reasons. In addition, competitors might avoid infringement by designing around our intellectual property rights or by developing non-infringing competing technologies. Intellectual property rights and our ability to enforce them may be unavailable or limited in some countries, which could make it easier for competitors to capture market share and could result in lost revenues. Furthermore, some of our intellectual property is licensed to others which may allow them to compete with us using that intellectual property.

Changes in tax laws, unfavorable resolution of tax examinations, or exposure to additional tax liabilities could have a material adverse effect on our results of operations, financial condition and liquidity.

We are subject to taxes in the U.S., Singapore and various foreign jurisdictions. Governments in the jurisdictions in which we operate implement changes to tax laws and regulations periodically. Any implementation of tax laws that fundamentally change the taxation of corporations in the U.S. or Singapore could materially impact our effective tax rate and could have a significant adverse impact on our financial results.

We are also subject to examinations of our tax returns by tax authorities in various jurisdictions around the world. We regularly assess the likelihood of adverse outcomes resulting from ongoing tax examinations to determine the adequacy of our provision for taxes. These assessments can require a high degree of judgment and estimation. Intercompany transactions associated with the sale of inventory, services, intellectual property and cost share arrangements are complex and affect our tax liabilities. The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations in multiple jurisdictions. There can be no assurance that the outcomes from ongoing tax examinations will not have an adverse effect on our operating results and financial condition. A difference in the ultimate resolution of tax uncertainties from what is currently estimated could have an adverse effect on our financial results and condition.

If tax incentives change or cease to be in effect, our income taxes could increase significantly.

We benefit from tax incentives extended to our foreign subsidiaries to encourage investment or employment. Several jurisdictions have granted us tax incentives which require renewal at various times in the future. The incentives are conditioned on achieving various thresholds of investments and employment or specific types of income. Our taxes could increase if the incentives are not renewed upon expiration. If we cannot or do not wish to satisfy all or parts of the tax incentive conditions, we may lose the related tax incentive and could be required to refund tax incentives previously realized. As a result, our effective tax rate could be higher than it would have been had we maintained the benefits of the tax incentives.

We have outstanding debt and may incur other debt in the future, which could adversely affect our financial condition, liquidity and results of operations.

We are party to a \$1.35 billion five-year unsecured credit facility that will expire on March 13, 2024. Furthermore, we are permitted pursuant to the credit agreement to establish incremental facilities of up to \$500 million. As of April 30, 2021, we had no borrowings outstanding under the credit facility and no borrowings under the incremental facilities. On May 1, 2020, we entered into a new \$1.0 billion commercial paper program, and we currently have \$205 million of commercial paper outstanding. We also currently have outstanding an aggregate principal amount of \$2.7 billion in senior unsecured notes. We

may borrow additional amounts in the future and use the proceeds from any future borrowing for general corporate purposes, future acquisitions, expansion of our business or repurchases of our outstanding shares of common stock.

Our incurrence of this debt, and increases in our aggregate levels of debt, may adversely affect our operating results and financial condition by, among other things:

- increasing our vulnerability to downturns in our business, to competitive pressures and to adverse economic and industry conditions;
- requiring the dedication of an increased portion of our expected cash flows from operations to service our indebtedness, thereby reducing the amount of expected cash flows available for other purposes, including capital expenditures, acquisitions, stock repurchases and dividends; and
- limiting our flexibility in planning for or reacting to changes in our business and our industry.

Our credit facility imposes restrictions on us, including restrictions on our ability to create liens on our assets and engage in certain types of sale and leaseback transactions and the ability of our subsidiaries to incur indebtedness, and requires us to maintain compliance with specified financial ratios. Our ability to comply with these ratios may be affected by events beyond our control. In addition, the indentures governing our senior notes contain covenants that may adversely affect our ability to incur certain liens or engage in certain types of sale and leaseback transactions. If we breach any of the covenants and do not obtain a waiver from the lenders or noteholders, then, subject to applicable cure periods, our outstanding indebtedness could be declared immediately due and payable.

If we suffer a loss to our factories, facilities or distribution system due to catastrophe, our operations could be seriously harmed.

Our factories, facilities and distribution system are subject to catastrophic loss due to fire, flood, terrorism, public health crises, increasing severity or frequency of extreme weather events, or other natural or man-made disasters. For example, in the first quarter of fiscal year 2020, the outbreak of COVID-19 in China led to an extension of the Lunar New Year holiday, which adversely impacted our business and results, reduced the number of selling days and otherwise impacted our supply chain. In addition, several of our facilities could be subject to a catastrophic loss caused by earthquake due to their locations. Our production facilities, headquarters and laboratories in California, and our production facilities in Japan, are all located in areas with above-average seismic activity. If any of our facilities were to experience a catastrophic loss, it could disrupt our operations, delay production, shipments and revenue and result in large expenses to repair or replace the facility. If such a disruption were to occur, we could breach agreements, our reputation could be harmed, and our business and operating results could be adversely affected. In addition, because we have consolidated our manufacturing facilities and we may not have redundant manufacturing capability readily available, we are more likely to experience an interruption to our operations in the event of a catastrophe in any one location. Although we carry insurance for property damage and business interruption, we do not carry insurance or financial reserves for interruptions or potential losses arising from earthquakes or terrorism. Also, our third-party insurance coverage will vary from time to time in both type and amount depending on availability, cost and our decisions with respect to risk retention. Economic conditions and uncertainties in global markets may adversely affect the cost and other terms upon which we are able to obtain third-party insurance. If our third-party insurance coverage is adversely affected or to the extent we have elected to self-insure, we may be at a greater risk that our financial condition will be harmed by a catastrophic loss.

If we experience a significant disruption in, or breach in security of, our information technology systems, or if we fail to implement new systems and software successfully, our business could be adversely affected.

We rely on several centralized information technology systems throughout our company to provide products and services, keep financial records, process orders, manage inventory, process shipments to customers and operate other critical functions. Our information technology systems may be susceptible to damage, disruptions or shutdowns due to power outages, hardware failures, computer viruses, attacks by computer hackers, telecommunication failures, user errors, catastrophes or other unforeseen events. Our information technology systems also may experience interruptions, delays or cessations of service or produce errors in connection with system integration, software upgrades or system migration work that takes place from time to time. If we were to experience a prolonged system disruption in the information technology systems that involve our interactions with customers or suppliers, it could result in the loss of sales and customers and significant incremental costs, which could adversely affect our business. In addition, security breaches of our information technology systems could result in the misappropriation or unauthorized disclosure of confidential information belonging to us or to our employees, partners, customers or suppliers, which could result in our suffering significant financial or reputational damage.

We cannot assure that we will continue to pay dividends on our common stock.

Since the first quarter of fiscal year 2012, we have paid a quarterly dividend on our common stock. The timing, declaration, amount and payment of any future dividends fall within the discretion of our Board of Directors and will depend on many factors, including our available cash, estimated cash needs, earnings, financial condition, operating results, capital requirements, as well as limitations in our contractual agreements, applicable law, regulatory constraints, industry practice and other business considerations that our Board of Directors considers relevant. A change in our dividend program could have an adverse effect on the market price of our common stock.

General Risk Factors

Adverse conditions in the global banking industry and credit markets may adversely impact the value of our cash investments or impair our liquidity.

As of April 30, 2021, we had cash and cash equivalents of approximately \$1.4 billion invested or held in a mix of money market funds, time deposit accounts and bank demand deposit accounts. Disruptions in the financial markets may, in some cases, result in an inability to access assets such as money market funds that traditionally have been viewed as highly liquid. Any failure of our counterparty financial institutions or funds in which we have invested may adversely impact our cash and cash equivalent positions and, in turn, our operating results and financial condition.

Regulations related to “conflict minerals” may cause us to incur additional expenses and could limit the supply and increase the cost of certain metals used in manufacturing our products.

We are subject to the rules of the SEC which require disclosures by public companies of specified minerals, known as conflict minerals, that are necessary to the functionality or production of products manufactured or contracted to be manufactured. The rule, which requires an annual disclosure report to be filed with the SEC by May 31st of each year, requires companies to perform due diligence, disclose and report whether or not such minerals originate from the Democratic Republic of Congo or an adjoining country. Our ongoing implementation of these rules could affect sourcing at competitive prices and availability in sufficient quantities of certain minerals used in the manufacture of our products, including tin, tantalum, gold and tungsten. The number of suppliers who provide conflict-free minerals may be limited. In addition, there may be material costs associated with complying with the disclosure requirements, such as costs related to the due diligence process of determining the source of certain minerals used in our products, as well as costs of possible changes to products, processes, or sources of supply as a consequence of such verification activities. As our supply chain is complex and we use contract manufacturers for some of our products, we may not be able to sufficiently verify the origins of the relevant minerals used in our products through the due diligence procedures that we implement, which may harm our reputation. We may also encounter challenges to satisfy those customers who require that all of the components of our products be certified as conflict-free, which could place us at a competitive disadvantage if we are unable to do so.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

ISSUER PURCHASES OF EQUITY SECURITIES

The table below summarizes information about the company's purchases, based on trade date, of its equity securities registered pursuant to Section 12 of the Exchange Act during the quarterly period ended April 30, 2021.

Period	Total Number of Shares of Common Stock Purchased (1)	Weighted Average Price Paid per Share of Common Stock (3)	Total Number of Shares of Common Stock Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Approximate Dollar Value of Shares of Common Stock that May Yet Be Purchased Under the Plans or Programs (in millions) (1) (2)
	(a)	(b)	(c)	(d)
2019 Repurchase Program				
February 1, 2021 through February 17, 2021	164,422	\$ 125.20	164,422	\$ 193
2021 Repurchase Program				
February 18, 2021 through February 28, 2021	97,797	\$ 124.60	97,797	\$ 1,988
March 1, 2021 through March 31, 2021	920,241	\$ 122.31	920,241	\$ 1,875
April 1, 2021 through April 30, 2021	370,077	\$ 131.70	370,077	\$ 1,826
Total	1,552,537	\$ 125.00	1,552,537	\$ 1,826

- (1) On November 19, 2018 we announced that our board of directors had approved a share repurchase program (the "2019 repurchase program") designed, among other things, to reduce or eliminate dilution resulting from issuance of stock under the company's employee equity incentive programs. The 2019 repurchase program authorized the purchase of up to \$1.75 billion of our common stock at the company's discretion and had no fixed termination date. The 2019 repurchase program did not require the company to acquire a specific number of shares and may be suspended, amended or discontinued at any time. Effective February 18, 2021, the 2019 repurchase program was terminated and replaced by the new share repurchase program. The remaining authorization under the 2019 repurchase plan of \$193 million expired on February 18, 2021. As of April 30, 2021, all repurchased shares to date have been retired.
- (2) On February 16, 2021 we announced that our board of directors had approved a new share repurchase program (the "2021 repurchase program") designed, among other things, to reduce or eliminate dilution resulting from issuance of stock under the company's employee equity incentive programs. The 2021 repurchase program authorizes the purchase of up to \$2.0 billion of our common stock at the company's discretion and has no fixed termination date. The 2021 repurchase program which became effective on February 18, 2021, replaced and terminated the 2019 repurchase program on that date. The 2021 repurchase program does not require the company to acquire a specific number of shares and may be suspended, amended or discontinued at any time. As of April 30, 2021, all repurchased shares to date have been retired.
- (3) The weighted average price paid per share of common stock does not include the cost of commissions.

ITEM 6. EXHIBITS

(a) Exhibits:

Exhibit Number	Description
4.1	Indenture, dated as of March 12, 2021, between the Company and Citibank, N.A.
4.2	First Supplemental Indenture, dated as of March 12, 2021, between the Company and Citibank, N.A. and Form of Global Note for the Company's 2.300% Senior Notes due 2031.
10.1	Incremental Assumption Agreement dated as of April 21, 2021, by and among the Company, the Lenders party thereto and BNP Paribas, as Administrative Agent.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS XBRL	Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH XBRL	Schema Document
101.CAL XBRL	Calculation Linkbase Document
101.LAB XBRL	Labels Linkbase Document
101.PRE XBRL	Presentation Linkbase Document
101.DEF XBRL	Definition Linkbase Document

AGILENT TECHNOLOGIES, INC.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: May 28, 2021

By: /s/ Robert W. McMahon
Robert W. McMahon
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

Dated: May 28, 2021

By: /s/ Rodney Gonsalves
Rodney Gonsalves
Vice President, Corporate Controllershship
(Principal Accounting Officer)