AGILENT TECHNOLOGIES INC
Form 11-K
June 25, 2009
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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 11-K

(MARK ONE)

x	**ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**
	FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008.
	OR
o	**TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**
	FOR THE TRANSITION PERIOD FROM TO
	COMMISSION FILE NUMBER: 001-15405
A.	**FULL TITLE OF THE PLAN AND THE ADDRESS OF THE PLAN, IF DIFFERENT FROM THAT OF THE ISSUER NAMED BELOW:**

AGILENT TECHNOLOGIES, INC.
401(K) PLAN

B.	**NAME OF ISSUER OF THE SECURITIES HELD PURSUANT TO THE PLAN AND THE ADDRESS OF ITS PRINCIPAL EXECUTIVE OFFICE:**

AGILENT TECHNOLOGIES, INC.

5301 STEVENS CREEK BOULEVARD

SANTA CLARA, CALIFORNIA 95051

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AGILENT TECHNOLOGIES, INC.

401(k) PLAN

Financial Statements and Supplemental Schedules

December 31, 2008 and 2007

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Participants and

Plan Administrator of the

Agilent Technologies, Inc.

401(k) Plan

We have audited the financial statements of the Agilent Technologies, Inc. 401(k) Plan (the Plan) as of December 31, 2008 and 2007, and for the years then ended, as listed in the accompanying table of contents. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan s internal control over financial reporting. Our audits included consideration over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Plan s management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2008 and 2007, and the changes in net assets available for benefits for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules, as listed in the accompanying table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan s management. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ *Mohler, Nixon & Williams*
MOHLER, NIXON & WILLIAMS
Accountancy Corporation

Campbell, California

June 24, 2009

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AGILENT TECHNOLOGIES, INC.

401(k) PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

(in thousands)

	December 31, 2008		December 31, 2007	
Assets:				
Investments, at fair value	$	1,245,596	$	1,877,338
Participant loans		11,549		10,676
Assets held for investment purposes		1,257,145		1,888,014
Accrued income receivable		76		98
Receivable from broker for securities sold		113		184
Total assets		1,257,334		1,888,296
Liabilities:				
Accrued fees payable		171		242
Payable to broker for securities purchased		305		597
Total liabilities		476		839
Net assets available for benefits at fair value		1,256,858		1,887,457
Adjustment from fair value to contract value for fully benefit-responsive investment contracts		16,613		3,857
Net assets available for benefits	$	1,273,471	$	1,891,314

See notes to financial statements.

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AGILENT TECHNOLOGIES, INC.

401(k) PLAN

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

(in thousands)

	Years ended December 31, 2008	2007
Additions to net assets attributed to:		
Investment income:		
Dividends and interest	$ 64,793	$ 110,176
Net realized and unrealized appreciation (depreciation) in fair value of investments	(662,960)	68,792
	(598,167)	178,968
Contributions:		
Participants	70,469	77,213
Employer s	25,047	26,568
	95,516	103,781
Total additions (subtractions)	(502,651)	282,749
Deductions from net assets attributed to withdrawals and distributions	115,192	168,098
Net increase (decrease) in net assets	(617,843)	114,651
Net assets available for benefits:		
Beginning of year	1,891,314	1,776,663
End of year	$ 1,273,471	$ 1,891,314

See notes to financial statements.

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AGILENT TECHNOLOGIES, INC.

401(k) PLAN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

NOTE 1 - THE PLAN AND ITS SIGNIFICANT ACCOUNTING POLICIES

General - The following description of the Agilent Technologies, Inc. 401(k) Plan (the Plan) provides only general information. Participants should refer to the Plan document for a more complete description of the Plan s provisions.

The Plan is a defined contribution plan that was established in 2000 by Agilent Technologies, Inc. (the Company) to provide benefits to eligible employees, as defined in the Plan document. The Plan administrator believes that the Plan is currently designed and operated in compliance with the applicable requirements of the Internal Revenue Code of 1986, as amended (the Code), and the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended. The Company intends that the Plan be qualified pursuant to Sections 401(a) and 401(k) of the Code.

In June, 2007, the Company acquired Strategene. The Board of Directors of Strategene voted to terminate the Strategene plan effective June 6, 2007 and plan assets were distributed to participants as soon as administratively practical, subject to the provisions of ERISA. Employees retained by the Company became eligible to participate in the Plan effective June 7, 2007.

Administration - The Board of Directors of the Company has appointed a Benefits Committee (the Committee) with certain authority to manage the policy, design and administration of the Plan. The Company has contracted with Fidelity Management Trust Company (Fidelity) to act as the trustee and an affiliate of Fidelity to process and maintain the records of participant data. Substantially all expenses incurred for administering the Plan are paid by the Company.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan s management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Basis of accounting - The financial statements of the Plan are prepared on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

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***Investments valuation and income recognition* - Investments of the Plan are held by Fidelity, as trustee, and invested based solely upon instructions received from participants.**

The Plan s investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 2 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) includes the Plan s gains and losses on investments bought or sold as well as held during the year.

As described in Financial Accounting Standards Board (FASB) Staff Position, FSP AAG INV-1, *Reporting of Fully Benefit Responsive Investment Contracts Held by Certain Investments Companies Subject to the AICPA Investment Company Guide and Defined-Contribution, Health and Welfare, and Pension Plans* (the FSP), investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined-contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount the participants would receive if they were to initiate permitted transactions under the terms of the plan. As required by the FSP, the statements of net assets available for benefits present the fair value of the investment contracts as well as the adjustment to fully benefit-responsive investment contracts from fair value to contract value. The statements of changes in net assets available for benefits are prepared on a contract value basis.

Stable Value Fund - The Plan s Stable Value Fund is comprised primarily of investments in bank collective funds and synthetic investment contracts (synthetic GICs). Since the Stable Value Fund is fully benefit responsive, contract value is the relevant measurement attribute for that portion of the net assets available for benefits attributable to the investments included in the Stable Value Fund. Contract value represents contributions made plus interest accrued at the contract rate, less withdrawals. Synthetic GICs consist of various contracts with banks or other institutions which provide for fully benefit-responsive withdrawals and transfers by Plan participants in the Stable Value Fund at contract value.

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As of December 31, 2008 and 2007, the Plan s synthetic GICs consist of the following:

As of December 31, 2008:

Carrier Name	Major credit ratings	Year-end contract value	Investments at fair value(3)	Investment contracts at fair value	Adjustments to contract value(4)
Synthetic GICs					
Bank of America, N.A.	AA-/Aaa	$ 32,943,775	$ 29,868,510	$ 133,492	$ 2,941,773
Natixis Financial Products Inc.	AAA/Aaa	4,764,045	4,417,426	76,071	270,548
Natixis Financial Products Inc.	A+/Aa3	59,788,137	54,468,858	181,087	5,138,192
JPMorgan Chase Bank	AA-/Aaa	32,943,516	29,868,437	133,491	2,941,588
Monumental Life Insurance Co.	AA/Aa3	59,782,988	54,462,272		5,320,716
Total		**$ 190,222,461**	**$ 173,085,503**	**$ 524,141**	**$ 16,612,817**

(1) Note: Total year-end contract value and investments at fair value do not include assets held in cash, which are $30,179,269 as of December 31, 2008.

(2) Adjustments from fair value to contract value for fully benefit-responsive investment contracts.

As of December 31, 2007:

Carrier Name	Major credit ratings	Year-end contract value	Investments at fair value(1)	Investment contracts at fair value	Adjustments to contract value(2)
Synthetic GICs					
Bank of America, N.A.	AA+/Aaa	$ 32,187,045	$ 31,742,597	$	$ 444,448
Natixis Financial Products Inc.	AAA/Aaa	4,767,522	4,588,916	31,512	147,094
Natixis Financial Products Inc.	AAA/Aaa	55,516,423	54,106,751		1,409,672
JPMorgan Chase Bank	AA/Aaa	32,187,022	31,742,515		444,507
Monumental Life Insurance Co.	AA/Aa3	55,510,314	54,099,393		1,410,921
Total		**$ 180,168,326**	**$ 176,280,172**	**$ 31,512**	**$ 3,856,641**

(3) Note: Total year-end contract value and investments at fair value do not include assets held in cash, which are $3,238,722 as of December 31, 2007.

(4) Adjustments from fair value to contract value for fully benefit-responsive investment contracts.

There are no reserves against contract value for credit risk of the contract issuer or otherwise. The crediting interest rate is based on a formula agreed upon with the contract issuer, but it may not be less than zero. Such interest rates are reviewed on a periodic basis for resetting. The relationship of future crediting rates and the adjustment to contract value reported on the statements of net assets available for benefits is provided through the mechanism of the crediting rate formula. The difference between the contract value and the fair market value of the investments of each contract is periodically amortized into each contract s crediting rate. The amortization factor is calculated by dividing the difference between the fair market value of the investment and the contract value of the duration of the bond portfolio covered by the investment contract.

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The average yields on the fund are as follows for the years ended December 31:

	2008	2007
Average yields:		
Based on actual earnings	2.91%	4.85%
Based on interest rate credited to participants	3.14%	4.95%

The key factors that could influence future interest crediting rates include, but are not limited to: (1) the Plan cash flows, (2) changes in interest rates, (3) total return performance of the fair market value bond strategies underlying each synthetic GIC contract, (4) default or credit failures of any of the securities, investment contracts or other investments held in the fund or (5) the initiation of an extended termination of one or more of the synthetic GIC contracts by the contract issuer.

Certain employer initiated events or other external events not initiated by plan participants will limit the ability of the Plan to transact at contract value with the issuer. Such events include but are not limited to, the following: (1) Plan s failure to qualify under the Internal Revenue Code of 1986 as amended, (2) amendments to the Plan documents (including complete or partial Plan termination or merger with another plan), (3) changes to the Plan s prohibition on competing investment options or establishment of a competing plan by the Plan sponsor, (4) bankruptcy of the Plan sponsor or other Plan sponsor events (for example, divestitures or spin-offs of a subsidiary) that cause a significant withdrawal from the Plan or (5) events resulting in a material and adverse financial impact on the contract issuer, including changes in the tax code, laws or regulations. The Plan administrator does not believe that the occurrence of any such value event, which would limit the Plan s ability to transact at contract value with participants, is probable.

The synthetic GICs do not permit the contract issuer to terminate the agreement prior to the scheduled maturity date unless there is a breach in contract which is not corrected within the specified cure period.

Income taxes - The Plan has received a favorable determination letter dated June 11, 2009. The Company believes that the Plan is operated in accordance with, and qualifies under, the applicable requirements of the Code and related state statutes, and that the trust, which forms a part of the Plan, is exempt from federal income and state franchise taxes.

Risks and uncertainties - The Plan provides for various investment options in any combination of investment securities offered by the Plan, including the Company s common stock. Investment securities are exposed to various risks, such as interest rate, market fluctuations and credit risks. Due to the risk associated with certain investment securities, it is at least reasonably possible that changes in market values, interest rates or other factors in the near term would materially affect participants account balances and the amounts reported in the statements of net assets available for benefits and the statements of changes in net assets available for benefits.

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NOTE 2 - FAIR VALUE MEASUREMENTS

As of the beginning of calendar year ended December 31, 2008, the Plan adopted Financial Accounting Standards Board Statement No. 157, Fair Value Measurements. FAS 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FAS 157 are described below:

Basis of Fair Value Measurement

Level 1 - Unadjusted quoted prices for identical assets in active markets that the Plan has the ability to access.

Level 2 - Quoted prices for similar assets in active markets; quoted prices for identical or similar assets in inactive markets; inputs other than quoted prices that are observable for the asset; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset s or liability s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2008 and 2007.

Bank Collective Funds: Investments are stated at value determined as of the close of regular trading. Debt securities are valued by independent pricing services approved by the trustee of the fund. If the pricing services are unable to provide valuations, the securities are valued at the most recent bid quotation or evaluated price, as applicable, obtained from a broker-dealer.

Fixed Income Investments: Valued at replacement cost methodology with a crediting rate reset procedure linked to an industry index.

Wrapper Contracts: Valued at replacement cost methodology.

Collective Trust Fund: Valued at fair value based on the underlying investments as traded in an exchange or active market.

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Mutual Funds and Money Market Funds: Valued at the net asset value (NAV) of shares held by the Plan at year end.

Common Stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Employer Stock: Valued at the closing price reported on the active market on which the individual securities are traded.

Participant loans: Valued at amortized cost, which approximates fair value.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level within the fair value hierarchy, the Plan s assets at fair value, as of December 31, 2008. As required by FAS 157, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Investment Assets at Fair Value as of December 31, 2008

(in thousands)

Description	**Level 1**	**Level 2**	**Level 3**	**Total**
Money Market Funds	$ 31,462			$ 31,462
Bank Collective Funds		$ 274,011		274,011
Fixed Income Investments			$ 4,417	4,417
Wrapper Contracts			524	524
Collective Trust Fund	19,298			19,298
Mutual Funds	842,935			842,935
Common Stocks	27,628			