

Agilent Technologies, Inc.
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AGILENT TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(In millions, except per share amounts)
(Unaudited)

	Three Months Ended January 31,		Percent Inc/(Dec)
	2015	2014	
Orders	\$ 995	\$ 979	2%
Net revenue	\$ 1,026	\$ 1,008	2%
Costs and expenses:			
Cost of products and services	513	498	3%
Research and development	88	88	—
Selling, general and administrative	310	298	4%
Total costs and expenses	<u>911</u>	<u>884</u>	3%
Income from operations	115	124	(7%)
Interest income	2	2	—
Interest expense	(16)	(29)	(45%)
Other income (expense), net	<u>12</u>	<u>-</u>	—
Income from continuing operations before taxes	113	97	16%
Provision (benefit) for income taxes	<u>11</u>	<u>(24)</u>	—
Income from continuing operations	102	121	(16%)
Income (loss) from discontinued operations, net of tax	<u>(30)</u>	<u>74</u>	—
Net income	<u>\$ 72</u>	<u>\$ 195</u>	(63%)
Net income per share - Basic:			
Income from continuing operations	\$ 0.30	\$ 0.37	
Income (loss) from discontinued operations	\$ (0.09)	\$ 0.22	
Net income per share - Basic	<u>\$ 0.21</u>	<u>\$ 0.59</u>	
Net income per share - Diluted:			
Income from continuing operations	\$ 0.30	\$ 0.36	
Income (loss) from discontinued operations	\$ (0.09)	\$ 0.22	
Net income per share - Diluted	<u>\$ 0.21</u>	<u>\$ 0.58</u>	
Weighted average shares used in computing net income per share:			
Basic	336	333	
Diluted	338	338	
Cash dividends declared per common share	\$ 0.100	\$ 0.132	

The preliminary income statement is estimated based on our current information.

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

	Three Months Ended January 31,	
	2015	2014
Net income	\$ 72	\$ 195
Other comprehensive income (loss), net of tax:		
Unrealized loss on investments	—	(3)
Unrealized gain (loss) on derivative instruments	7	(2)
Amounts reclassified into earnings related to derivative instruments	(3)	—
Foreign currency translation	(265)	(55)
Net defined benefit pension cost and post retirement plan costs:		
Amortization of actuarial net loss	4	13
Amortization of net prior service benefit	(2)	(8)
Other comprehensive loss	(259)	(55)
Total comprehensive income (loss)	\$ (187)	\$ 140

The preliminary statement of comprehensive income is estimated based on our current information.

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

	<u>January 31,</u> <u>2015</u>	<u>October 31,</u> <u>2014</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,118	\$ 2,218
Accounts receivable, net	615	626
Inventory	560	574
Other current assets	389	261
Current assets of discontinued operations	—	1,821
Total current assets	3,682	5,500
Property, plant and equipment, net	610	631
Goodwill	2,352	2,507
Other intangible assets, net	559	649
Long-term investments	90	96
Other assets	226	306
Non-current assets of discontinued operations	—	1,142
Total assets	\$ 7,519	\$ 10,831
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 257	\$ 302
Employee compensation and benefits	183	228
Deferred revenue	278	260
Other accrued liabilities	210	289
Current liabilities of discontinued operations	—	623
Total current liabilities	928	1,702
Long-term debt	1,658	1,663
Retirement and post-retirement benefits	194	209
Other long-term liabilities	499	545
Long-term liabilities of discontinued operations	—	1,411
Total liabilities	3,279	5,530
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; 609 million shares at January 31, 2015		
and 608 million shares at October 31, 2014, issued	6	6
Treasury stock at cost; 273 million shares at January 31, 2015 and		
273 million shares at October 31, 2014	(9,813)	(9,807)
Additional paid-in-capital	8,957	8,967
Retained earnings	5,348	6,466
Accumulated other comprehensive loss	(261)	(334)
Total stockholders' equity	4,237	5,298
Non-controlling interest	3	3
Total equity	4,240	5,301
Total liabilities and equity	\$ 7,519	\$ 10,831

The preliminary balance sheet is estimated based on our current information.

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

	Three Months Ended January 31, 2015
	\$
Cash flows from operating activities:	
Net income	72
Adjustments to reconcile net income to net cash provided by (used in) operating activities:	
Depreciation and amortization	68
Share-based compensation	22
Excess and obsolete inventory related charges	4
Other non-cash expenses, net	3
Changes in assets and liabilities:	
Accounts receivable	(15)
Inventory	(5)
Accounts payable	(39)
Employee compensation and benefits	(34)
Other assets and liabilities	(96)
Net cash used in operating activities ^(a)	(20)
Cash flows from investing activities:	
Investments in property, plant and equipment	(32)
Change in restricted cash and cash equivalents, net	1
Net cash used in investing activities	(31)
Cash flows from financing activities:	
Issuance of common stock under employee stock plans	8
Treasury stock repurchases	(6)
Payment of dividends	(34)
Net transfer to Keysight	(796)
Net cash used in financing activities	(828)
Effect of exchange rate movements	(31)
Net decrease in cash and cash equivalents	(910)
Cash and cash equivalents at beginning of period	3,028
Cash and cash equivalents at end of period	\$ 2,118
^(a) Cash payments included in operating activities:	
Severance payments	7
Income tax payments, net	73

The preliminary cash flow is estimated based on our current information.

AGILENT TECHNOLOGIES, INC.
LIFE SCIENCES AND APPLIED MARKETS SEGMENT
(Unaudited)
PRELIMINARY

(In millions, except margins data)

	2015				Total
	Q1	Q2	Q3	Q4	
Orders	\$ 488				\$ 488
Net revenue	\$ 547				\$ 547
Gross margin %	56.1%				56.1%
Income from operations	\$ 107				\$ 107
Operating margin %	19.6%				19.6%

	2014				Total
	Q1	Q2	Q3	Q4	
Orders	\$ 489	\$ 502	\$ 527	\$ 620	\$ 2,138
Net revenue	\$ 537	\$ 495	\$ 507	\$ 539	\$ 2,078
Gross margin %	56.2%	54.4%	55.2%	57.1%	55.8%
Income from operations	\$ 105	\$ 71	\$ 84	\$ 109	\$ 369
Operating margin %	19.6%	14.2%	16.5%	20.2%	17.7%

Income from operations reflect the results of our reportable segments under Agilent's management reporting system which are not necessarily in conformity with GAAP financial measures. Income from operations of our reporting segments exclude, among other things, charges related to the amortization of intangibles, the impact of restructuring charges, acquisition and integration costs, NMR business exit costs and pre-separation costs.

In general, recorded orders represent firm purchase commitments from our customers with established terms and conditions for products and services that will be delivered within six months.

Readers are reminded that non-GAAP numbers are merely a supplement to, and not a replacement for, GAAP financial measures. They should be read in conjunction with the GAAP financial measures. It should be noted as well that our non-GAAP information may be different from the non-GAAP information provided by other companies.

The preliminary segment information is estimated based on our current information.

AGILENT TECHNOLOGIES, INC.
DIAGNOSTICS AND GENOMICS SEGMENT
(Unaudited)
PRELIMINARY

(In millions, except margins data)

	2015				Total
	Q1	Q2	Q3	Q4	
Orders	\$ 158				\$ 158
Net revenue	\$ 148				\$ 148
Gross margin %	48.9%				48.9%
Income from operations	\$ 1				\$ 1
Operating margin %	0.5%				0.5%

	2014				Total
	Q1	Q2	Q3	Q4	
Orders	\$ 156	\$ 175	\$ 169	\$ 171	\$ 671
Net revenue	\$ 157	\$ 168	\$ 166	\$ 172	\$ 663
Gross margin %	58.3%	57.8%	55.7%	54.0%	56.4%
Income from operations	\$ 19	\$ 26	\$ 22	\$ 26	\$ 93
Operating margin %	12.3%	15.2%	13.5%	14.9%	14.0%

Income from operations reflect the results of our reportable segments under Agilent's management reporting system which are not necessarily in conformity with GAAP financial measures. Income from operations of our reporting segments exclude, among other things, charges related to the amortization of intangibles, the impact of restructuring charges, acquisition and integration costs and pre-separation costs.

In general, recorded orders represent firm purchase commitments from our customers with established terms and conditions for products and services that will be delivered within six months.

Readers are reminded that non-GAAP numbers are merely a supplement to, and not a replacement for, GAAP financial measures. They should be read in conjunction with the GAAP financial measures. It should be noted as well that our non-GAAP information may be different from the non-GAAP information provided by other companies.

The preliminary segment information is estimated based on our current information.

AGILENT TECHNOLOGIES, INC.
AGILENT CROSSLAB SEGMENT
(Unaudited)
PRELIMINARY

(In millions, except margins data)

	2015				Total
	Q1	Q2	Q3	Q4	
Orders	\$ 349				\$ 349
Net revenue	\$ 331				\$ 331
Gross margin %	50.1%				50.1%
Income from operations	\$ 68				\$ 68
Operating margin %	20.7%				20.7%

	2014				Total
	Q1	Q2	Q3	Q4	
Orders	\$ 334	\$ 354	\$ 321	\$ 353	\$ 1,362
Net revenue	\$ 314	\$ 325	\$ 336	\$ 332	\$ 1,307
Gross margin %	48.5%	47.9%	49.1%	48.5%	48.5%
Income from operations	\$ 69	\$ 70	\$ 84	\$ 78	\$ 301
Operating margin %	22.0%	21.5%	24.9%	23.6%	23.0%

Income from operations reflect the results of our reportable segments under Agilent's management reporting system which are not necessarily in conformity with GAAP financial measures. Income from operations of our reporting segments exclude, among other things, charges related to the amortization of intangibles, the impact of restructuring charges, acquisition and integration costs and pre-separation costs.

In general, recorded orders represent firm purchase commitments from our customers with established terms and conditions for products and services that will be delivered within six months.

Readers are reminded that non-GAAP numbers are merely a supplement to, and not a replacement for, GAAP financial measures. They should be read in conjunction with the GAAP financial measures. It should be noted as well that our non-GAAP information may be different from the non-GAAP information provided by other companies.

The preliminary segment information is estimated based on our current information.

Agilent Technologies, Inc.
Non-GAAP Operating Results Q1FY14 and Q1FY15
(Unaudited)

M\$	Preliminary		
	Q1'14 ^(a)	Q1'15	Q1 Y/Y
Orders	979	995	2%
Net Revenues	1,008	1,026	2%
Gross Profit %	54.1%	53.1%	-1.0 ppt
R&D	86	82	-5%
% Revenues	8.5%	8.0%	-0.5 ppt
SG&A	266	286	8%
% Revenues	26.4%	27.9%	1.5 ppt
Operating Profit	193	176	-8.8%
Operating Margin	19.2%	17.2%	-2.0 ppt
Other Income/ (Expense)	(27)	(2)	-93%
Pre-Tax Earnings	166	174	5%
Tax Rate	16%	20%	4 ppt
Income Tax	26	35	35%
Income from continuing operations	140	139	-1%
Net Margin	13.9%	13.5%	-0.4 ppt
Regular Headcount	11,300	11,700	400
Non-GAAP EPS	\$ 0.41	\$ 0.41	\$ -

(a) Non-GAAP operating results are presented on a continuing operations basis. Q1 2014 has been restated to exclude Keysight Technologies, Inc. (Agilent's former Electronics Measurement Group) which was separated from Agilent effective on November 1, 2014, the distribution date.

We provide the non-GAAP income statements in order to provide meaningful supplemental information regarding our operational performance and our prospects for the future. These supplemental measures exclude, among other things, charges related to the amortization of intangibles, the impact of restructuring charges, acquisition and integration costs, NMR business exit costs, net loss on debt extinguishment and pre-separation costs. Some of the exclusions, such as impairments, may be beyond the control of management. Further, some may be less predictable than revenue derived from our core businesses (the day to day business of selling our products and services). These reasons provide the basis for management's belief that the measures are useful.

Restructuring costs include incremental expenses incurred in the period associated with publicly announced major restructuring programs, usually aimed at material changes in business and/or cost structure. Such costs may include one-time termination benefits, asset impairments, facility-related costs and contract termination fees.

Transformational initiatives include expenses incurred in the period associated with targeted cost reduction activities such as manufacturing transfers, small site consolidations, reorganizations, insourcing or outsourcing of activities. Such costs may include move and relocation costs, one-time termination benefits and other one-time reorganization costs.

Acquisition and Integration costs include all incremental expenses incurred to effect a business combination which have been expensed during the period. Such acquisition costs may include advisory, legal, accounting, valuation, and other professional or consulting fees. Such integration costs may include expenses directly related to integration of business and facility operations, information technology systems and infrastructure and other employee-related costs.

Pre-separation costs include Agilent-specific incremental expenses incurred in order to effect the separation, through November 1, 2014 distribution date.

Our management uses non-GAAP measures to evaluate the performance of our core businesses, to estimate future core performance and to compensate employees. Since management finds this measure to be useful, we believe that our investors benefit from seeing our results "through the eyes" of management in addition to seeing our GAAP results. This information facilitates our management's internal comparisons to our historical operating results as well as to the operating results of our competitors.

Our management recognizes that items such as amortization of intangibles, net loss on debt extinguishment and restructuring charges can have a material impact on our cash flows and/or our net income. Our GAAP financial statements including our statement of cash flows portray those effects. Although we believe it is useful for investors to see core performance free of special items, investors should understand that the excluded items are actual expenses that may impact the cash available to us for other uses. To gain a complete picture of all effects on the company's profit and loss from any and all events, management does (and investors should) rely upon the GAAP income statement. The non-GAAP numbers focus instead upon the core business of the company, which is only a subset, albeit a critical one, of the company's performance.

Readers are reminded that non-GAAP numbers are merely a supplement to, and not a replacement for, GAAP financial measures. They should be read in conjunction with the GAAP financial measures. It should be noted as well that our non-GAAP information may be different from the non-GAAP information provided by other companies.

For reconciliations of the non-GAAP financial information to the most directly comparable GAAP information, please see the non-GAAP reconciliations for all prior periods provided at the Investor's page of our website.

AGILENT TECHNOLOGIES, INC.
REVENUE BY REGION
(in millions)
(Unaudited)
PRELIMINARY

	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q1'15 Year Over Year Percent Inc/(Dec)
GAAP						
Americas	\$ 334	\$ 319	\$ 344	\$ 376	\$ 342	3%
Europe	353	334	327	330	361	2%
Asia Pacific	321	335	338	337	323	1%
Revenue	\$ 1,008	\$ 988	\$ 1,009	\$ 1,043	\$ 1,026	2%

Management believes that this measure provides useful information to investors by reflecting an additional way of viewing aspects of Agilent's operations that, when reconciled to the corresponding GAAP measures, help our investors to better identify underlying growth trends in our business and facilitate easier comparisons of our revenue performance with prior and future periods and to our peers.

The preliminary reconciliation of revenue by region is based on our current information.

AGILENT TECHNOLOGIES, INC.
RECONCILIATION FROM GAAP TO NON-GAAP

THREE MONTHS ENDED JANUARY 31, 2015
(Unaudited)
PRELIMINARY

		NON-GAAP ADJUSTMENTS											
		GAAP	Acceleration of Share-based Compensation Related to Workforce Reduction	Intangible Amortization	Transformational Initiatives	Acquisition & Integration Costs	Nuclear Magnetic Resonance Business Exit	Other	Adjustment for Taxes	Non-GAAP			
(in millions, except per share amounts)													
Orders	Change Year Over Year	2%	\$ 995	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 995	2% Change Year Over Year
Net Revenue	Change Year Over Year	2%	\$ 1,026	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,026	2% Change Year Over Year
Costs and expenses:													
Cost of products and services	Gross Margin	50.0%	513	-	(28)	(3)	(1)	2	(1)	-	-	482	53.1% Gross Margin
Research and development	As a % of Revenue	8.6%	88	-	-	(2)	-	(4)	-	-	-	82	8.0% As a % of Revenue
Selling, general and administrative	As a % of Revenue	30.2%	310	(1)	(15)	(7)	-	(1)	-	-	-	286	27.9% As a % of Revenue
Total costs and expenses			911	(1)	(43)	(12)	(1)	(3)	(1)	-	-	850	
Income from operations	Operating Margin	11.2%	115	1	43	12	1	3	1	-	-	176	17.2% Operating Margin
Other income(expense), net			(2)	-	-	-	-	-	-	-	-	(2)	
Income from continuing operations before taxes			113	1	43	12	1	3	1	-	-	174	
Provision for income taxes	Tax Rate	10%	11	-	-	-	-	-	-	24	-	35	20% Tax Rate
Income (loss) from continuing operations	Net Margin	9.9%	\$ 102	\$ 1	\$ 43	\$ 12	\$ 1	\$ 3	\$ 1	\$ (24)	\$	\$ 139	13.5% Net Margin
Income (loss) from continuing operations per share - Basic and Diluted:													
	Basic		\$ 0.30	\$ -	\$ 0.13	\$ 0.04	\$ -	\$ 0.01	\$ -	\$ (0.07)	\$	\$ 0.41	
	Diluted		\$ 0.30	\$ -	\$ 0.13	\$ 0.04	\$ -	\$ 0.01	\$ -	\$ (0.07)	\$	\$ 0.41	
Weighted average shares used in computing net income (loss) per share:													
	Basic		336	336	336	336	336	336	336	336	336	336	
	Diluted		338	338	338	338	338	338	338	338	338	338	

The preliminary reconciliation from GAAP to Non-GAAP net income is estimated based on our current information.

AGILENT TECHNOLOGIES, INC.
RECONCILIATION FROM GAAP TO NON-GAAP

THREE MONTHS ENDED JANUARY 31, 2014
(Unaudited)
PRELIMINARY

NON-GAAP ADJUSTMENTS

(in millions, except per share amounts)

			GAAP	Restructuring and Other Related Costs	Intangible Amortization	Transformational Initiatives	Acquisition & Integration Costs	Pre-Separation Costs	Unallocated Corporate Costs	Other	Adjustment for Taxes	Non-GAAP	
Orders	Change Year Over Year	2%	\$ 979	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 979	2% Change Year Over Year
Net Revenue	Change Year Over Year	5%	\$ 1,008	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,008	5% Change Year Over Year
Costs and expenses:													
Cost of products and services	Gross Margin	50.6%	498	1	(31)	(3)	(1)	-	-	(1)	-	463	54.1% Gross Margin
Research and development	As a % of Revenue	8.7%	88	-	-	-	(1)	(1)	-	-	-	86	8.5% As a % of Revenue
Selling, general and administrative	As a % of Revenue	29.6%	298	1	(18)	-	(4)	(1)	(10)	-	-	266	26.4% As a % of Revenue
Total costs and expenses			884	2	(49)	(3)	(6)	(2)	(10)	(1)	-	815	
Income from operations	Operating Margin	12.3%	124	(2)	49	3	6	2	10	1	-	193	19.2% Operating Margin
Other income(expense), net			(27)	-	-	-	-	-	-	-	-	(27)	
Income (loss) from continuing operations before taxes			97	(2)	49	3	6	2	10	1	-	166	
Provision (benefit) for income taxes	Tax Rate	-25%	(24)	-	-	-	-	-	-	-	50	26	16% Tax Rate
Income (loss) from continuing operations	Net Margin	12.0%	\$ 121	\$ (2)	\$ 49	\$ 3	\$ 6	\$ 2	\$ 10	\$ 1	\$ (50)	\$ 140	13.9% Net Margin

Income (loss) from continuing operations per share - Basic and Diluted:

Basic	\$ 0.37	\$ (0.01)	\$ 0.14	\$ 0.01	\$ 0.02	\$ 0.01	\$ 0.03	\$ -	\$ (0.15)	\$ 0.42
Diluted	\$ 0.36	\$ (0.01)	\$ 0.14	\$ 0.01	\$ 0.02	\$ 0.01	\$ 0.03	\$ -	\$ (0.15)	\$ 0.41

Weighted average shares used in computing net income (loss) per share:

Basic	333	333	333	333	333	333	333	333	333	333
Diluted	338	338	338	338	338	338	338	338	338	338

The preliminary reconciliation from GAAP to Non-GAAP net income is estimated based on our current information.

AGILENT TECHNOLOGIES, INC.
RECONCILIATIONS OF REVENUE BY SEGMENT AND
REVENUE BY REGION EXCLUDING THE IMPACT OF CURRENCY ADJUSTMENTS (CORE)
(in millions)
(Unaudited)
PRELIMINARY

	Year-over-Year							
	GAAP			Currency Adjustments ^(a)		Currency-Adjusted		
	Q1'15	Q1'14	Year-over-Year % Change	Q1'15	Q1'15	Q1'14	Year-over-Year % Change	
Revenue by Segment								
Life Sciences and Applied Markets Group	\$ 547	\$ 537	2%	\$ (18)	\$ 565	\$ 537	5%	
Diagnostics and Genomics Group	148	157	-6%	(8)	156	157	-1%	
Agilent Crosslab Group	331	314	5%	(14)	345	314	10%	
Agilent	<u>\$ 1,026</u>	<u>\$ 1,008</u>	2%	<u>\$ (40)</u>	<u>\$ 1,066</u>	<u>\$ 1,008</u>	6%	
Revenue by Region								
Revenue	\$ 1,026	\$ 1,008	2%	\$ (40)	\$ 1,066	\$ 1,008	6%	
Americas	342	334	3%	(3)	345	334	4%	
Europe	361	353	2%	(26)	387	353	10%	
Japan	54	67	-19%	(9)	63	67	-6%	
Other Asia Pacific	269	254	6%	(2)	271	254	6%	
Total Revenue	<u>\$ 1,026</u>	<u>\$ 1,008</u>	2%	<u>\$ (40)</u>	<u>\$ 1,066</u>	<u>\$ 1,008</u>	6%	
Asia Pacific	\$ 323	\$ 321	1%	\$ (11)	\$ 334	\$ 321	4%	

^(a) We compare the year-over-year change in revenue excluding the effect of foreign currency rate fluctuations to assess the performance of our underlying business. To determine the impact of currency fluctuations, current period results for entities reporting in currencies other than United States dollars are converted into United States dollars at the actual exchange rate in effect during the respective prior periods.

The preliminary reconciliation of GAAP revenue adjusted for the impact of currency is estimated based on our current information.

AGILENT TECHNOLOGIES, INC.
NON-GAAP INCOME FROM CONTINUING OPERATIONS AND DILUTED EPS RECONCILIATIONS
(In millions, except per share amounts)
(Unaudited)
PRELIMINARY

	Three Months Ended January 31,			
	2015	Diluted EPS	2014	Diluted EPS
GAAP Income from continuing operations	\$ 102	\$ 0.30	\$ 121	\$ 0.36
Non-GAAP adjustments:				
Restructuring and other related costs	—	—	(2)	(0.01)
Acceleration of share-based compensation related to workforce reduction	1	—	—	—
Intangible amortization	43	0.13	49	0.14
Transformational initiatives	12	0.04	3	0.01
Acquisition and integration costs	1	—	6	0.02
Pre-separation costs	—	—	2	0.01
Nuclear Magnetic Resonance (NMR) business exit	3	0.01	—	—
Unallocated corporate costs	—	—	10	0.03
Other	1	—	1	—
Adjustment for taxes ^(a)	(24)	(0.07)	(50)	(0.15)
Non-GAAP Income from continuing operations	<u>\$ 139</u>	<u>\$ 0.41</u>	<u>\$ 140</u>	<u>\$ 0.41</u>

^(a) The adjustment for taxes excludes tax benefits that management believes are not directly related to ongoing operations and which are either isolated or cannot be expected to occur again with any regularity or predictability. For the three months ended January 31, 2015 and 2014, management uses a non-GAAP effective tax rate of 20% and 16%, respectively, that we believe to be indicative of on-going operations.

Historical amounts are reclassified to conform with current presentation.

We provide non-GAAP income from continuing operations and non-GAAP income from continuing operations per share amounts in order to provide meaningful supplemental information regarding our operational performance and our prospects for the future. These supplemental measures exclude, among other things, charges related to the amortization of intangibles, the impact of restructuring charges, acquisition and integration costs, NMR business exit and pre-separation costs. Some of the exclusions, such as impairments, may be beyond the control of management. Further, some may be less predictable than revenue derived from our core businesses (the day to day business of selling our products and services). These reasons provide the basis for management's belief that the measures are useful.

Restructuring costs include incremental expenses incurred in the period associated with publicly announced major restructuring programs, usually aimed at material changes in business and/or cost structure. Such costs may include one-time termination benefits, asset impairments, facility-related costs and contract termination fees.

Transformational initiatives include expenses incurred in the period associated with targeted cost reduction activities such as manufacturing transfers, small site consolidations, reorganizations, insourcing or outsourcing of activities. Such costs may include move and relocation costs, one-time termination benefits and other one-time reorganization costs.

Acquisition and Integration costs include all incremental expenses incurred to effect a business combination which have been expensed during the period. Such acquisition costs may include advisory, legal, accounting, valuation, and other professional or consulting fees. Such integration costs may include expenses directly related to integration of business and facility operations, information technology systems and infrastructure and other employee-related costs.

Pre-separation costs include Agilent-specific incremental expenses incurred in order to effect the separation, through November 1, 2014 distribution date.

Our management uses non-GAAP measures to evaluate the performance of our core businesses, to estimate future core performance and to compensate employees. Since management finds this measure to be useful, we believe that our investors benefit from seeing our results "through the eyes" of management in addition to seeing our GAAP results. This information facilitates our management's internal comparisons to our historical operating results as well as to the operating results of our competitors.

Our management recognizes that items such as amortization of intangibles, net loss on debt extinguishment and restructuring charges can have a material impact on our cash flows and/or our net income. Our GAAP financial statements including our statement of cash flows portray those effects. Although we believe it is useful for investors to see core performance free of special items, investors should understand that the excluded items are actual expenses that may impact the cash available to us for other uses. To gain a complete picture of all effects on the company's profit and loss from any and all events, management does (and investors should) rely upon the GAAP income statement. The non-GAAP numbers focus instead upon the core business of the company, which is only a subset, albeit a critical one, of the company's performance.

Readers are reminded that non-GAAP numbers are merely a supplement to, and not a replacement for, GAAP financial measures. They should be read in conjunction with the GAAP financial measures. It should be noted as well that our non-GAAP information may be different from the non-GAAP information provided by other companies.

The preliminary non-GAAP net income and diluted EPS reconciliation is estimated based on our current information.

AGILENT TECHNOLOGIES, INC.
NET CASH
(in millions)
(Unaudited)
PRELIMINARY

	<u>Q1'15</u>	<u>Q1'14</u>	<u>Q4'14</u>
Cash and cash equivalents	\$ 2,118	\$ 2,742	\$ 2,218
Short-term debt, par value	—	—	—
Senior notes, par value	(1,600)	(2,600)	(1,600)
Other debt	(38)	(45)	(42)
Total Net Cash	<u>\$ 480</u>	<u>\$ 97</u>	<u>\$ 576</u>

The preliminary reconciliation of net cash is estimated based on our current information.

Management believes this metric provides useful information to investors about the Company's overall liquidity and financial position. Net Cash is a measure at a point in time and does not reflect the Company's future financial prospects or liquidity.

AGILENT TECHNOLOGIES, INC.
RECONCILIATION OF INCOME FROM OPERATIONS AND OPERATING MARGINS
(In millions, except margin data)
(Unaudited)
PRELIMINARY

	Q1 2015	Operating Margin %
Revenue:	\$ 1,026	
Income from operations:		
GAAP Income from operations	\$ 115	
Amortization of intangible assets	43	
Transformational programs	12	
Acquisition and integration costs	1	
Nuclear Magnetic Resonance (NMR) business exit	3	
Accelerated shares-based compensation expense	1	
Other	1	
Non - GAAP income from operations	\$ 176	17.2%
Reimbursement from Keysight for services ^(a)	11	
Non-GAAP income from operations excluding reimbursement from Keysight	\$ 187	18.2%

(a) Post separation, Agilent is providing Keysight certain IT and site services. These IT and site services are included in our operating expenses. The amounts billed to Keysight for these services are recorded in other income.

We provide non-GAAP income from operations in order to provide meaningful supplemental information regarding our operational performance and our prospects for the future. These supplemental measures exclude, among other things, charges related to the amortization of intangibles, the impact of restructuring charges, acquisition and integration costs and NMR business exit costs. Some of the exclusions, such as impairments, may be beyond the control of management. Further, some may be less predictable than revenue derived from our core businesses (the day to day business of selling our products and services). These reasons provide the basis for management's belief that the measures are useful.

Our management recognizes that items such as amortization of intangibles and restructuring charges can have a material impact on our cash flows and/or our net income. Our GAAP financial statements including our statement of cash flows portray those effects. Although we believe it is useful for investors to see core performance free of special items, investors should understand that the excluded items are actual expenses that may impact the cash available to us for other uses. To gain a complete picture of all effects on the company's profit and loss from any and all events, management does (and investors should) rely upon the GAAP income statement. The non-GAAP numbers focus instead upon the core business of the company, which is only a subset, albeit a critical one, of the company's performance.

Readers are reminded that non-GAAP numbers are merely a supplement to, and not a replacement for, GAAP financial measures. They should be read in conjunction with the GAAP financial measures. It should be noted as well that our non-GAAP information may be different from the non-GAAP information provided by other companies.

AGILENT TECHNOLOGIES, INC.
RECONCILIATIONS OF REVENUE EXCLUDING NMR AND THE IMPACT OF CURRENCY ADJUSTMENTS (CORE)
(in millions)
(Unaudited)
PRELIMINARY

<u>Revenue</u>	<u>Q1 2015</u>	<u>Q1 2014</u>	<u>Growth</u>
Life Sciences and Applied Markets Group	\$ 547	\$ 537	
Agilent Crosslab Group	331	314	
Analytical Laboratory	\$ 878	\$ 851	
Less: NMR Revenue and related currency	(24)	(22)	
Analytical Laboratory excluding NMR	\$ 854	\$ 829	
Less: Currency adjustment ^(a)	(31)	-	
Analytical Laboratory excluding NMR and currency	\$ 885	\$ 829	7%

^(a) We compare the year-over-year change in revenue excluding the effect of foreign currency rate fluctuations to assess the performance of our underlying business. To determine the impact of currency fluctuations, current period results for entities reporting in currencies other than United States dollars are converted into United States dollars at the actual exchange rate in effect during the respective prior periods.

The preliminary reconciliation of GAAP revenue adjusted for the impact of currency is estimated based on our current information.