

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

All periods below were revised to include the impact of the adoption of ASU 2017-07.

(In millions, except margin data)	Q1'18		Q2'18		Q3'18		Q4'18		FY18	
GAAP net revenue	\$ 1,211		\$ 1,206		\$ 1,203		\$ 1,294		\$ 4,914	
GAAP income from operations	\$ 229	18.9%	\$ 210	17.4%	\$ 221	18.4%	\$ 244	18.9%	\$ 904	18.4%
Asset impairments	—		—		—		21		21	
Intangible amortization	25		25		26		29		105	
Business exit and divestiture costs	—		8		1		—		9	
Transformational initiatives	4		5		5		11		25	
Acquisition and integration costs	3		4		7		9		23	
NASD site costs	2		2		2		2		8	
Special compliance costs	1		1		1		1		4	
Other	1		2		—		2		5	
Non-GAAP income from operations	\$ 265	21.9%	\$ 257	21.3%	\$ 263	21.9%	\$ 319	24.6%	\$ 1,104	22.5%
Reimbursement from Keysight for services ^(a)	3		3		3		3		12	
Adjusted non-GAAP income from operations	<u>\$ 268</u>	22.1%	<u>\$ 260</u>	21.6%	<u>\$ 266</u>	22.1%	<u>\$ 322</u>	24.9%	<u>\$ 1,116</u>	22.7%

^(a) Post separation, Agilent is providing Keysight Technologies, Inc. certain site services. These 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 and non-GAAP operating margins 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 asset impairments, amortization of intangibles, business exit and divestiture costs, transformational initiatives, acquisition and integration costs, NASD site costs and special compliance costs.

Our management recognizes that items such as amortization of intangibles 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.

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(In millions, except margin data)	Q1'17		Q2'17		Q3'17		Q4'17		FY17						
GAAP net revenue	\$	1,067	\$	1,102	\$	1,114	\$	1,189	\$	4,472					
GAAP income from operations	\$	174	16.3%	\$	200	18.1%	\$	201	18.0%	\$	232	19.5%	\$	807	18.0%
Intangible amortization		31		31		27		28		117					
Transformational initiatives		2		—		3		7		12					
Acquisition and integration costs		14		7		4		5		30					
Other		2		2		1		2		7					
Non-GAAP income from operations	\$	223	20.9%	\$	240	21.8%	\$	236	21.2%	\$	274	23.0%	\$	973	21.7%
Reimbursement from Keysight for services ^(a)		3		3		3		3		12					
Adjusted non-GAAP income from operations	\$	226	21.2%	\$	243	22.1%	\$	239	21.5%	\$	277	23.3%	\$	985	22.0%

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