

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

	Three Months Ended January 31,		Percent
	2018	2017	Inc/(Dec)
Net revenue	\$ 1,211	\$ 1,067	14%
Costs and expenses:			
Cost of products and services	538	493	9%
Research and development	93	79	18%
Selling, general and administrative	341	289	18%
Total costs and expenses	<u>972</u>	<u>861</u>	13%
Income from operations	239	206	16%
Interest income	9	4	125%
Interest expense	(20)	(20)	—
Other income (expense), net	<u>5</u>	<u>3</u>	67%
Income before taxes	233	193	21%
Provision for income taxes	553	25	—
Net income (loss)	<u>\$ (320)</u>	<u>\$ 168</u>	—
Net income (loss) per share:			
Basic	\$ (0.99)	\$ 0.52	
Diluted	\$ (0.99)	\$ 0.52	
Weighted average shares used in computing net income (loss) per share:			
Basic	323	322	
Diluted	323	326	
Cash dividends declared per common share	\$ 0.149	\$ 0.132	

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

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

	Three Months Ended January 31,	
	2018	2017
Net income (loss)	\$ (320)	\$ 168
Other comprehensive income (loss), net of tax:		
Unrealized gain (loss) on derivative instruments	(7)	1
Foreign currency translation	79	(3)
Net defined benefit pension cost and post retirement plan costs:		
Change in actuarial net loss	6	17
Change in net prior service benefit	(1)	(1)
Other comprehensive income	77	14
Total comprehensive income (loss)	\$ (243)	\$ 182

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)
PRELIMINARY

	<u>January 31,</u> <u>2018</u>	<u>October 31,</u> <u>2017</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,887	\$ 2,678
Accounts receivable, net	751	724
Inventory	608	575
Other current assets	151	192
Total current assets	<u>4,397</u>	<u>4,169</u>
Property, plant and equipment, net	792	757
Goodwill	2,633	2,607
Other intangible assets, net	341	361
Long-term investments	140	138
Other assets	395	394
Total assets	<u>\$ 8,698</u>	<u>\$ 8,426</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 292	\$ 305
Employee compensation and benefits	221	276
Deferred revenue	321	291
Short-term debt	345	210
Other accrued liabilities	182	181
Total current liabilities	<u>1,361</u>	<u>1,263</u>
Long-term debt	1,800	1,801
Retirement and post-retirement benefits	241	234
Other long-term liabilities	770	293
Total liabilities	<u>4,172</u>	<u>3,591</u>
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; 323 million shares at January 31, 2018 and 322 million shares at October 31, 2017, issued	3	3
Treasury stock at cost; 37 thousand shares at January 31, 2018 and zero shares at October 31, 2017	(3)	—
Additional paid-in-capital	5,320	5,300
Accumulated deficit	(529)	(126)
Accumulated other comprehensive loss	(269)	(346)
Total stockholders' equity	<u>4,522</u>	<u>4,831</u>
Non-controlling interest	4	4
Total equity	<u>4,526</u>	<u>4,835</u>
Total liabilities and equity	<u>\$ 8,698</u>	<u>\$ 8,426</u>

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

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

	Three Months Ended	
	January 31,	January 31,
	2018	2017
Cash flows from operating activities:		
Net income (loss)	\$ (320)	\$ 168
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	51	55
Share-based compensation	31	20
Excess and obsolete inventory related charges	5	7
Other non-cash expenses, net	1	2
Changes in assets and liabilities:		
Accounts receivable, net	(5)	(31)
Inventory	(34)	(26)
Accounts payable	(3)	9
Employee compensation and benefits	(62)	(43)
Change in assets and liabilities due to Tax Reform	533	—
Other assets and liabilities	18	(45)
Net cash provided by operating activities ^(a)	215	116
Cash flows from investing activities:		
Investments in property, plant and equipment	(60)	(32)
Payment to acquire cost method investments	(1)	—
Proceeds from divestitures	—	1
Acquisition of businesses and intangible assets, net of cash acquired	(6)	(70)
Net cash used in investing activities	(67)	(101)
Cash flows from financing activities:		
Issuance of common stock under employee stock plans	25	18
Payment of taxes related to net share settlement of equity awards	(28)	(12)
Payment of dividends	(48)	(42)
Proceeds from debt and revolving credit facility	274	131
Repayment of debt and revolving credit facility	(139)	(42)
Treasury stock repurchases	(47)	(111)
Net cash provided by (used in) financing activities	37	(58)
Effect of exchange rate movements	24	(5)
Net increase (decrease) in cash and cash equivalents	209	(48)
Cash and cash equivalents at beginning of period	2,678	2,289
Cash and cash equivalents at end of period	\$ 2,887	\$ 2,241
^(a) Cash payments included in operating activities:		
Income tax payments, net	\$ 32	\$ 27
Interest payments	\$ 29	\$ 29

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)

	2018				
	Q1	Q2	Q3	Q4	Total
Net revenue	\$ 618				
Gross margin %	61.8%				
Income from operations	\$ 159				
Operating margin %	25.8%				

	2017				
	Q1	Q2	Q3	Q4	Total
Net revenue	\$ 540	\$ 523	\$ 531	\$ 575	\$ 2,169
Gross margin %	59.6%	59.9%	59.7%	61.0%	60.1%
Income from operations	\$ 126	\$ 110	\$ 113	\$ 138	\$ 487
Operating margin %	23.4%	21.1%	21.3%	23.9%	22.5%

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 amortization of intangibles, business exit and divestiture costs, transformational initiatives, acquisition and integration costs, pension settlement gain, NASD site costs, and special compliance costs.

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)

	2018				
	Q1	Q2	Q3	Q4	Total
Net revenue	\$ 185				
Gross margin %	54.4%				
Income from operations	\$ 22				
Operating margin %	11.7%				

	2017				
	Q1	Q2	Q3	Q4	Total
Net revenue	\$ 164	\$ 201	\$ 197	\$ 210	\$ 772
Gross margin %	54.8%	57.6%	52.7%	55.2%	55.1%
Income from operations	\$ 23	\$ 49	\$ 33	\$ 44	\$ 149
Operating margin %	14.3%	24.2%	16.9%	20.8%	19.3%

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 amortization of intangibles, business exit and divestiture costs, transformational initiatives, acquisition and integration costs, pension settlement gain, NASD site costs, and special compliance costs.

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

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

(In millions, except margins data)

	2018				
	Q1	Q2	Q3	Q4	Total
Net revenue	\$ 408				
Gross margin %	50.6%				
Income from operations	\$ 88				
Operating margin %	21.6%				

	2017				
	Q1	Q2	Q3	Q4	Total
Net revenue	\$ 363	\$ 378	\$ 386	\$ 404	\$ 1,531
Gross margin %	48.5%	49.7%	49.9%	49.6%	49.5%
Income from operations	\$ 74	\$ 82	\$ 90	\$ 92	\$ 338
Operating margin %	20.3%	21.6%	23.4%	22.9%	22.1%

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 amortization of intangibles, business exit and divestiture costs, transformational initiatives, acquisition and integration costs, pension settlement gain, NASD site costs, and special compliance costs.

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

Agilent Technologies, Inc.
Non-GAAP Financial Results Q4'16 - Q1'18
(Unaudited)

	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17	Preliminary	
						Q1'18	Q1
M\$							Y/Y
Net Revenue	1,111	1,067	1,102	1,114	1,189	1,211	14%
Gross Profit %	55.4%	55.1%	56.0%	55.1%	56.1%	56.9%	1.8 ppt
R&D	84	82	83	86	88	92	12%
% Revenue	7.6%	7.6%	7.5%	7.7%	7.4%	7.6%	0.0 ppt
SG&A	284	283	293	292	305	328	16%
% Revenue	25.6%	26.5%	26.6%	26.2%	25.6%	27.1%	0.6 ppt
Operating Profit	247	223	241	236	274	269	21%
Operating Margin	22.2%	20.9%	21.8%	21.2%	23.0%	22.2%	1.3 ppt
Other Income/ (Expense)	(15)	(11)	(10)	(8)	(8)	(5)	55%
Pre-Tax Earnings	232	212	231	228	266	264	25%
Income Tax	39	40	44	37	48	48	20%
Net Income	193	172	187	191	218	216	26%
Net Margin	17.4%	16.1%	17.0%	17.1%	18.3%	17.8%	1.7 ppt
Regular Headcount	12,500	12,600	12,900	13,300	13,600	13,800	1,200
Non-GAAP EPS	\$ 0.59	\$ 0.53	\$ 0.58	\$ 0.59	\$ 0.67	\$ 0.66	\$ 0.13

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 amortization of intangibles, transformational initiatives, acquisition and integration costs, pension settlement gain, NASD site costs, special compliance costs, and adjustment for Tax Reform.

Transformational initiatives include expenses associated with targeted cost reduction activities such as manufacturing transfers, small site consolidations, legal entity and other business reorganizations, insourcing or outsourcing of activities. Such costs may include move and relocation costs, one-time termination benefits and other one-time reorganization costs. Included in this category are also expenses associated with the post-separation resizing of the IT infrastructure and streamlining of IT system as well as company programs to transform our product lifecycle management (PLM) system and financial systems.

Acquisition and integration costs include all incremental expenses incurred to effect a business combination. 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, the transfer of assets and intellectual property, information technology systems and infrastructure and other employee-related costs.

Pension settlement gain resulted from transfer of the substitutional portion of our Japanese pension plan to the government.

NASD site costs include all the costs related to the expansion of our manufacturing of nucleic acid active pharmaceutical ingredients incurred prior to the commencement of commercial manufacturing.

Special compliance costs include costs associated with transforming our processes to implement new regulations such as the EU's General Data Protection Regulation (GDPR), revenue recognition and certain tax reporting requirements.

Other includes legal and litigation-related costs and settlements in addition to other miscellaneous adjustments.

Adjustment for Tax Reform primarily consists of an estimated provision of \$480 million for U.S. transition tax and correlative items on deemed repatriated earnings of non-U.S. subsidiaries and an estimated provision of \$53 million associated with the decrease in the U.S. corporate tax rate from 35% to 21% and its impact on our U.S. deferred tax assets and liabilities. The taxes payable associated with the transition tax, net of tax attributes, on deemed repatriation of foreign earnings is approximately \$440 million, payable over 8 years. The final impact of Tax Reform may differ materially from these estimates, due to, among other things, changes in interpretations, analysis and assumptions made, additional guidance that may be issued, and actions that we may undertake.

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 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

	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q1'18 Year Over Year Percent Inc/(Dec)
GAAP						
Americas	\$ 361	\$ 375	\$ 378	\$ 418	\$ 393	9%
Europe	321	298	326	347	381	18%
Asia Pacific	385	429	410	424	437	14%
Revenue	<u>\$ 1,067</u>	<u>\$ 1,102</u>	<u>\$ 1,114</u>	<u>\$ 1,189</u>	<u>\$ 1,211</u>	14%

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 OF NON-GAAP AND GAAP FINANCIAL RESULTS
(In millions, except margin data)
(Unaudited)
PRELIMINARY

GROSS MARGIN	Q1'18	Gross Margin %	Q1'17	Gross Margin %
Revenue:	\$ 1,211		\$ 1,067	
Gross margin:				
Cost of products and services	\$ 538	55.6%	\$ 493	53.8%
Add:				
Intangible amortization	(16)		(23)	
Transformational initiatives	(1)		-	
Acquisition and integration costs	(1)		(1)	
Pension settlement gain	2		11	
Other	-		(1)	
Non-GAAP cost of products and services	\$ 522	56.9%	\$ 479	55.1%

RESEARCH & DEVELOPMENT EXPENSES	Q1'18	R&D as % of Revenue	Q1'17	R&D as % of Revenue
Revenue:	\$ 1,211		\$ 1,067	
Research and development expenses	\$ 93	7.7%	\$ 79	7.4%
Add:				
Acquisition and integration costs	(1)		-	
Pension settlement gain	-		3	
Non-GAAP research and development expenses	\$ 92	7.6%	\$ 82	7.6%

SELLING, GENERAL & ADMINISTRATIVE EXPENSES	Q1'18	SG&A as % of Revenue	Q1'17	SG&A as % of Revenue
Revenue:	\$ 1,211		\$ 1,067	
Selling, general and administrative expenses	\$ 341	28.2%	\$ 289	27.1%
Add:				
Intangible amortization	(9)		(8)	
Transformational initiatives	(3)		(2)	
Acquisition and integration costs	(1)		(13)	
Pension settlement gain	3		18	
NASD site costs	(2)		-	
Special compliance costs	(1)		-	
Other	-		(1)	
Non-GAAP selling, general & administrative expenses	\$ 328	27.1%	\$ 283	26.5%

We provide non-GAAP net income and non-GAAP net income 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 amortization of intangibles, transformational initiatives, acquisition and integration costs, pension settlement gain, 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.

The preliminary reconciliation of income from operations and operating margins is estimated based on our current information.

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

	Q1'18	Operating Margin %	Q1'17	Operating Margin %	Year Over Year Percent Pts Inc/(Dec)
Revenue:	\$ 1,211		\$ 1,067		
Income from operations:					
GAAP Income from operations	\$ 239	19.7%	\$ 206	19.3%	
Add:					
Intangible amortization	25		31		
Transformational initiatives	4		2		
Acquisition and integration costs	3		14		
Pension settlement gain	(5)		(32)		
NASD site costs	2		-		
Special compliance costs	1		-		
Other	-		2		
Non-GAAP income from operations	<u>\$ 269</u>	22.2%	<u>\$ 223</u>	20.9%	
Reimbursement from Keysight for services ^(a)	<u>3</u>		<u>3</u>		
Adjusted non-GAAP income from operations	<u><u>\$ 272</u></u>	22.5%	<u><u>\$ 226</u></u>	21.2%	1.3%

^(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 net income and non-GAAP net income 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 amortization of intangibles, transformational initiatives, acquisition and integration costs, pension settlement gain, 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.

The preliminary reconciliation of income from operations and operating margins is estimated based on our current information.

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

	Q1'17		Q2'17		Q3'17		Q4'17		Q1'18	
	Net income	Diluted EPS	Net income	Diluted EPS	Net income	Diluted EPS	Net income	Diluted EPS	Net income (loss)	Diluted EPS
GAAP net income (loss)	\$ 168	\$ 0.52	\$ 164	\$ 0.50	\$ 175	\$ 0.54	\$ 177	\$ 0.54	\$ (320)	\$ (0.99) ^(b)
Non-GAAP adjustments:										
Intangible amortization	31	0.10	31	0.10	27	0.08	28	0.09	25	0.08
Transformational initiatives	2	0.01	—	—	3	0.01	7	0.02	5	0.02
Acquisition and integration costs	16	0.05	7	0.02	4	0.01	5	0.02	3	0.01
Pension settlement gain	(32)	(0.11)	—	—	—	—	—	—	(5)	(0.02)
NASD site costs	—	—	—	—	—	—	—	—	2	0.01
Special compliance costs	—	—	—	—	—	—	—	—	1	—
Other	2	0.01	2	0.01	1	—	—	—	—	—
Adjustment for Tax Reform	—	—	—	—	—	—	—	—	533	1.63
Adjustment for taxes ^(a)	(15)	(0.05)	(17)	(0.05)	(19)	(0.05)	1	—	(28)	(0.08)
Non-GAAP net income	<u>\$ 172</u>	<u>\$ 0.53</u>	<u>\$ 187</u>	<u>\$ 0.58</u>	<u>\$ 191</u>	<u>\$ 0.59</u>	<u>\$ 218</u>	<u>\$ 0.67</u>	<u>\$ 216</u>	<u>\$ 0.66</u> ^(c)

^(a) The adjustment for taxes excludes tax benefits that management believes are not directly related to on-going 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, 2018, management used a non-GAAP effective tax rate of 18.0%. For the three months ended October 31, 2017, July 31, 2017, April 30, 2017 and January 31, 2017, management used a non-GAAP effective tax rate of 18.0%, 16.2%, 19.0% and 19.0%, respectively.

^(b) GAAP diluted net loss per share was computed using 323 million weighted average diluted shares which excludes from consideration the anti-dilutive effects of all potential common shares outstanding.

^(c) Non-GAAP diluted net income per share was computed using 327 million weighted average diluted shares which includes the dilutive effects of potential common shares outstanding.

Historical amounts are reclassified to conform with current presentation.

We provide non-GAAP net income and non-GAAP net income 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 amortization of intangibles, transformational initiatives, acquisition and integration costs, pension settlement gain, NASD site costs, special compliance costs, and adjustment for Tax Reform.

Transformational initiatives include expenses associated with targeted cost reduction activities such as manufacturing transfers, site consolidations, legal entity and other business reorganizations, insourcing or outsourcing of activities. Such costs may include move and relocation costs, one-time termination benefits and other one-time reorganization costs. Included in this category are also expenses associated with the post-separation resizing of the IT infrastructure and streamlining of IT system as well as company programs to transform our product lifecycle management (PLM) system and financial systems.

Acquisition and Integration costs include all incremental expenses incurred to effect a business combination. Such acquisition costs may include advisory, legal, tax, accounting, valuation, and other professional or consulting fees. Such integration costs may include expenses directly related to integration of business and facility operations, the transfer of assets and intellectual property, information technology systems and infrastructure and other employee-related costs.

Pension settlement gain resulted from transfer of the substitutional portion of our Japanese pension plan to the government.

NASD site costs include all the costs related to the expansion of our manufacturing of nucleic acid active pharmaceutical ingredients incurred prior to the commencement of commercial manufacturing.

Special compliance costs include costs associated with transforming our processes to implement new regulations such as the EU's General Data Protection Regulation (GDPR), revenue recognition and certain tax reporting requirements.

Other includes certain legal costs and settlements in addition to other miscellaneous adjustments.

Adjustment for Tax Reform primarily consists of an estimated provision of \$480 million for U.S. transition tax and correlative items on deemed repatriated earnings of non-U.S. subsidiaries and an estimated provision of \$53 million associated with the decrease in the U.S. corporate tax rate from 35% to 21% and its impact on our U.S. deferred tax assets and liabilities. The taxes payable associated with the transition tax, net of tax attributes, on deemed repatriation of foreign earnings is approximately \$440 million, payable over 8 years. The final impact of Tax Reform may differ materially from these estimates, due to, among other things, changes in interpretations, analysis and assumptions made, additional guidance that may be issued, and actions that we may undertake.

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 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.
RECONCILIATIONS OF REVENUE BY SEGMENT EXCLUDING
ACQUISITIONS, DIVESTITURES AND THE IMPACT OF CURRENCY ADJUSTMENTS (CORE)
(in millions)
(Unaudited)
PRELIMINARY

Year-over-Year

GAAP Revenue by Segment	GAAP		
	Q1'18	Q1'17	Year-over-Year % Change
Life Sciences and Applied Markets Group	\$ 618	\$ 540	14%
Diagnostics and Genomics Group	185	164	13%
Agilent CrossLab Group	408	363	12%
Agilent	<u>\$ 1,211</u>	<u>\$ 1,067</u>	14%

Non GAAP Revenue by Segment	Non-GAAP (excluding NMR and Acquisitions)			Currency Adjustments	Currency Adjustments	Currency-Adjusted ^(a)		
	Q1'18	Q1'17	Year-over-Year % Change	Q1'18	Q1'18	Q1'18	Q1'17	Year-over-Year % Change
Life Sciences and Applied Markets Group	\$ 616	\$ 539	14%	\$ (3)	\$ (17)	\$ 619	\$ 556	11%
Diagnostics and Genomics Group	182	163	12%	(1)	(7)	183	170	8%
Agilent CrossLab Group	408	363	12%	(3)	(15)	411	378	9%
Agilent (Core)	<u>\$ 1,206</u>	<u>\$ 1,065</u>	13%	<u>\$ (7)</u>	<u>\$ (39)</u>	<u>\$ 1,213</u>	<u>\$ 1,104</u>	10%

^(a) We compare the year-over-year change in revenue excluding the effect of recent acquisitions and divestitures and foreign currency rate fluctuations to assess the performance of our underlying business. To determine the impact of currency fluctuations, current and prior year 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 last month of the current period.

The preliminary reconciliation of GAAP revenue adjusted for recent acquisitions and divestitures and impact of currency is estimated based on our current information.

AGILENT TECHNOLOGIES, INC.
RECONCILIATION OF INCREMENTAL REVENUE DOLLAR TO INCOME FROM OPERATIONS
(IN MILLIONS)
PRELIMINARY

	<u>Q1'18</u>	<u>Q1'17</u>	<u>Year over Year</u>	
			<u>\$ Change</u>	<u>Incremental</u>
Agilent GAAP				
Revenue	\$ 1,211	\$ 1,067	\$ 144	
Income from Operations	\$ 239	\$ 206	\$ 33	23%
Agilent Non-GAAP				
Revenue	\$ 1,211	\$ 1,067	\$ 144	
Income from Operations	\$ 269	\$ 223	\$ 46	32%
	<u>FY17</u>	<u>FY16</u>	<u>Year over Year</u>	
			<u>\$ Change</u>	<u>Incremental</u>
Agilent GAAP				
Revenue	\$ 4,472	\$ 4,202	\$ 270	
Income from Operations	\$ 841	\$ 615	\$ 226	84%
Agilent Non-GAAP				
Revenue	\$ 4,472	\$ 4,202	\$ 270	
Income from Operations	\$ 974	\$ 859	\$ 115	43%
	<u>FY16</u>	<u>FY15</u>	<u>Year over Year</u>	
			<u>\$ Change</u>	<u>Incremental</u>
Agilent GAAP				
Revenue	\$ 4,202	\$ 4,038	\$ 164	
Income from Operations	\$ 615	\$ 522	\$ 93	57%
Agilent Non-GAAP				
Revenue	\$ 4,202	\$ 4,038	\$ 164	
Income from Operations	\$ 859	\$ 767	\$ 92	56%

The preliminary reconciliation of incremental change is estimated based on our current information.