

KEYSIGHT TECHNOLOGIES, INC.
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KEYSIGHT TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(In millions, except per share amounts)
(Unaudited)
PRELIMINARY

	Three months ended October 31,		Percent Inc/(Dec)
	2017	2016	
Orders	\$ 1,027	\$ 806	27 %
Net revenue	\$ 878	\$ 751	17 %
Costs and expenses:			
Cost of products and services	404	331	22 %
Research and development	139	105	32 %
Selling, general and administrative	294	211	40 %
Other operating expense (income), net	2	(3)	(155)%
Total costs and expenses	839	644	30 %
Income from operations	39	107	(64)%
Interest income	2	1	119 %
Interest expense	(22)	(12)	87 %
Other income (expense), net	11	2	801 %
Income before taxes	30	98	(69)%
Provision for income taxes	68	6	1,054 %
Net income (loss)	<u>\$ (38)</u>	<u>\$ 92</u>	(140)%
Net income (loss) per share:			
Basic	\$ (0.20)	\$ 0.54	
Diluted	\$ (0.20)	\$ 0.53	
Weighted average shares used in computing net income (loss) per share:			
Basic	186	170	
Diluted	186	172	

KEYSIGHT TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(In millions, except per share amounts)
(Unaudited)
PRELIMINARY

	Year ended October 31,		Percent Inc/(Dec)
	2017	2016	
Orders	\$ 3,406	\$ 2,953	15 %
Net revenue	\$ 3,189	\$ 2,918	9 %
Costs and expenses:			
Cost of products and services	1,487	1,294	15 %
Research and development	498	425	17 %
Selling, general and administrative	1,049	818	28 %
Other operating expense (income), net	(84)	(25)	237 %
Total costs and expenses	2,950	2,512	17 %
Income from operations	239	406	(41)%
Interest income	7	3	128 %
Interest expense	(80)	(47)	71 %
Other income (expense), net	13	4	335 %
Income before taxes	179	366	(51)%
Provision for income taxes	77	31	152 %
Net income	\$ 102	\$ 335	(69)%
Net income per share:			
Basic	\$ 0.57	\$ 1.97	
Diluted	\$ 0.56	\$ 1.95	
Weighted average shares used in computing net income per share:			
Basic	180	170	
Diluted	182	172	

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

	Three months ended October 31,		Year ended October 31,	
	2017	2016	2017	2016
Net income (loss)	\$ (38)	\$ 92	\$ 102	\$ 335
Other comprehensive income (loss), net of tax:				
Unrealized gain (loss) on investments	—	(6)	4	(11)
Unrealized gain (loss) on derivative instruments	2	(1)	4	(5)
Amounts reclassified into earnings related to derivative instruments	—	2	—	8
Foreign currency translation	(10)	(11)	(10)	19
Net defined benefit pension cost and post retirement plan costs:				
Change in actuarial net loss	126	(166)	178	(135)
Change in net prior service credit	(3)	(3)	(15)	(15)
Other comprehensive income (loss)	<u>115</u>	<u>(185)</u>	<u>161</u>	<u>(139)</u>
Total comprehensive income (loss)	<u>\$ 77</u>	<u>\$ (93)</u>	<u>\$ 263</u>	<u>\$ 196</u>

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

	October 31, 2017 (unaudited)	October 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 818	\$ 783
Accounts receivable, net	547	437
Inventory	588	474
Other current assets	224	160
Total current assets	<u>2,177</u>	<u>1,854</u>
Property, plant and equipment, net	530	512
Goodwill	1,882	736
Other intangible assets, net	855	208
Long-term investments	63	55
Long-term deferred tax assets	186	392
Other assets	240	39
Total assets	<u>\$ 5,933</u>	<u>\$ 3,796</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 10	\$ —
Accounts payable	211	189
Employee compensation and benefits	217	183
Deferred revenue	291	180
Income and other taxes payable	28	41
Other accrued liabilities	62	51
Total current liabilities	<u>819</u>	<u>644</u>
Long-term debt	2,038	1,093
Retirement and post-retirement benefits	309	405
Long-term deferred revenue	101	72
Other long-term liabilities	356	69
Total liabilities	<u>3,623</u>	<u>2,283</u>
Total Equity:		
Preferred stock; \$0.01 par value; 100 million shares authorized; none issued and outstanding	—	—
Common stock; \$0.01 par value, 1 billion shares authorized; 188 million shares at October 31, 2017 and 172 million shares at October 31, 2016, issued	2	2
Treasury stock at cost; 2.3 million shares at October 31, 2017 and October 31, 2016 respectively	(62)	(62)
Additional paid-in-capital	1,786	1,242
Retained earnings	1,041	949
Accumulated other comprehensive loss	(457)	(618)
Total stockholders' equity	<u>2,310</u>	<u>1,513</u>
Total liabilities and equity	<u>\$ 5,933</u>	<u>\$ 3,796</u>

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

	Three months ended October 31,		Year ended October 31,	
	2017	2016	2017	2016
Cash flows from operating activities:				
Net income (loss)	\$ (38)	\$ 92	\$ 102	\$ 335
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	72	33	225	134
Share-based compensation	12	10	56	49
Excess tax (benefit) deficiency from share-based plans	1	1	(3)	5
Debt issuance expense	—	—	9	—
Deferred tax expense (benefit)	(4)	12	(47)	17
Excess and obsolete inventory related charges	4	3	16	17
Gain on sale of land	—	—	(8)	(10)
Asset impairment	—	—	7	—
Pension curtailment and settlement gains	(1)	—	(69)	—
Other non-cash expenses (income), net	9	—	10	4
Changes in assets and liabilities:				
Accounts receivable	(25)	(26)	(11)	(42)
Inventory	(14)	1	(4)	(22)
Accounts payable	32	30	15	(8)
Employee compensation and benefits	32	15	(1)	16
Income taxes payable	(5)	(12)	3	(9)
Retirement and post-retirement benefits	(5)	6	(15)	(32)
Other assets and liabilities	(6)	(26)	28	(38)
Net cash provided by operating activities ^(a)	<u>64</u>	<u>139</u>	<u>313</u>	<u>416</u>
Cash flows from investing activities:				
Investments in property, plant and equipment	(18)	(15)	(72)	(91)
Proceeds from sale of property, plant and equipment	—	—	8	10
Acquisition of businesses and intangibles assets, net of cash acquired	(60)	—	(1,702)	(10)
Purchase of investments	—	—	(1)	—
Proceeds from sale of investments	3	—	45	1
Other investing activities	(1)	1	—	—
Net cash used in investing activities	<u>(76)</u>	<u>(14)</u>	<u>(1,722)</u>	<u>(90)</u>
Cash flows from financing activities:				
Issuance of common stock under employee stock plans	—	1	51	43
Issuance of common stock under public offering	—	—	444	—
Treasury stock repurchases	—	—	—	(62)
Proceeds from issuance of long term debt	—	—	1,069	—
Debt Issuance costs	—	—	(16)	—
Proceeds from short term borrowings	42	—	212	—
Repayment of debt and credit facility	(83)	—	(323)	(1)
Excess tax benefit (deficiency) from share-based plans	(1)	(1)	3	(5)
Net cash provided by/(used in) financing activities	<u>(42)</u>	<u>-</u>	<u>1,440</u>	<u>(25)</u>
Effect of exchange rate movements	<u>(1)</u>	<u>(6)</u>	<u>4</u>	<u>(1)</u>
Net increase (decrease) in cash and cash equivalents	(55)	119	35	300
Cash and cash equivalents at beginning of year	<u>873</u>	<u>664</u>	<u>783</u>	<u>483</u>
Cash and cash equivalents at end of year	<u>\$ 818</u>	<u>\$ 783</u>	<u>\$ 818</u>	<u>\$ 783</u>
^(a) Cash payments included in operating activities:				
Income tax payments, net	\$ (78)	\$ (6)	\$ (121)	\$ (23)
Interest payment on borrowings	\$ (39)	\$ (22)	\$ (63)	\$ (44)

KEYSIGHT TECHNOLOGIES, INC.
COMMUNICATIONS SOLUTIONS GROUP (CSG)
(Unaudited)
PRELIMINARY

(In millions, except margins data)	FY 2017				
	Q1	Q2	Q3	Q4	Total
Net revenue	\$ 434	\$ 424	\$ 418	\$ 462	\$ 1,738
Gross margin, %	60.5%	61.3%	61.2%	62.9%	61.5%
Income from operations	\$ 72	\$ 75	\$ 66	\$ 98	\$ 311
Operating margin, %	16.7%	17.6%	15.7%	21.3%	17.9%

	FY 2016				
	Q1	Q2	Q3	Q4	Total
Net revenue	\$ 440	\$ 446	\$ 424	\$ 442	\$ 1,752
Gross margin, %	60.1%	61.1%	61.7%	60.3%	60.8%
Income from operations	\$ 78	\$ 84	\$ 77	\$ 75	\$ 314
Operating margin, %	17.7%	18.9%	18.1%	17.1%	17.9%

Net revenue for Communications Solutions Group excludes the impact of fair value adjustments to acquisition related deferred revenue balances for the Anite acquisition. Segment revenue and income from operations are consistent with the respective non-GAAP measures as discussed on Page 20.

KEYSIGHT TECHNOLOGIES, INC.
ELECTRONIC INDUSTRIAL SOLUTIONS GROUP (EISG)
(Unaudited)
PRELIMINARY

(In millions, except margins data)	FY 2017				
	Q1	Q2	Q3	Q4	Total
Net revenue	\$ 192	\$ 220	\$ 218	\$ 206	\$ 836
Gross margin, %	59.9%	61.8%	61.1%	61.3%	61.1%
Income from operations	\$ 42	\$ 57	\$ 55	\$ 45	\$ 199
Operating margin, %	21.7%	26.1%	25.3%	21.8%	23.8%

	FY 2016				
	Q1	Q2	Q3	Q4	Total
Net revenue	\$ 191	\$ 193	\$ 191	\$ 201	\$ 776
Gross margin, %	57.2%	59.4%	60.7%	59.6%	59.2%
Income from operations	\$ 38	\$ 40	\$ 44	\$ 47	\$ 169
Operating margin, %	19.7%	20.9%	23.1%	23.3%	21.8%

Segment revenue and income from operations are consistent with the respective non-GAAP measures as discussed on Page 20.

KEYSIGHT TECHNOLOGIES, INC.
IXIA SOLUTIONS GROUP (ISG)
(Unaudited)
PRELIMINARY

(In millions, except margins data)	FY 2017				
	Q1	Q2 ^(a)	Q3	Q4	Total
Net revenue		\$ 12	\$ 120	\$ 124	\$ 256
Gross margin, %		77.1%	77.0%	76.2%	76.6%
Income (loss) from operations		\$ (2)	\$ 24	\$ 20	\$ 42
Operating margin, %		-12.9%	19.9%	16.4%	16.6%

^(a) The Ixia Solutions Group operating results include activity for 13 days during the period, from the date of acquisition, April 18, 2017, through April 30, 2017.

Net revenue for Ixia Solutions Group excludes the impact of fair value adjustments to acquisition related deferred revenue balances for the Ixia acquisition. Segment revenue and income from operations are consistent with the respective non-GAAP measures as discussed on Page 20.

KEYSIGHT TECHNOLOGIES, INC.
SERVICES SOLUTIONS GROUP (SSG)
(Unaudited)
PRELIMINARY

(In millions, except margins data)	FY 2017				
	Q1	Q2	Q3	Q4	Total
Net revenue	\$ 100	\$ 102	\$ 107	\$ 110	\$ 419
Gross margin, %	39.4%	40.9%	41.8%	42.6%	41.2%
Income from operations	\$ 14	\$ 17	\$ 19	\$ 18	\$ 68
Operating margin, %	14.4%	16.2%	18.1%	16.3%	16.3%

	FY 2016				
	Q1	Q2	Q3	Q4	Total
Net revenue	\$ 95	\$ 96	\$ 103	\$ 108	\$ 402
Gross margin, %	39.6%	39.3%	42.4%	42.2%	40.9%
Income from operations	\$ 13	\$ 11	\$ 19	\$ 20	\$ 63
Operating margin, %	13.9%	11.2%	18.7%	18.1%	15.6%

Segment revenue and income from operations are consistent with the respective non-GAAP measures as discussed on Page 20.

KEYSIGHT TECHNOLOGIES, INC.
NON-GAAP GROSS PROFIT AND OPERATING MARGIN RECONCILIATIONS
(In millions)
(Unaudited)
PRELIMINARY

Reconciliation of Gross Profit to non-GAAP Gross Profit

	Three months ended October 31,		Year ended October 31,	
	2017	2016	2017	2016
Gross Profit, as reported	\$ 474	\$ 420	\$ 1,702	\$ 1,624
Amortization of acquisition-related balances	76	9	217	50
Share-based compensation	2	2	11	11
Acquisition and integration costs	1	1	4	2
Acquisition-related compensation expense	—	—	1	—
Northern California wildfire-related costs	5	—	5	—
Restructuring and related costs	—	—	1	—
Other	—	—	7	2
Non-GAAP Gross Profit	\$ 558	\$ 432	\$ 1,948	\$ 1,689
GAAP Gross Margin	53.9%	56.0%	53.4%	55.7%
Non-GAAP Gross Margin	61.9%	57.5%	60.0%	57.7%

Reconciliation of Income from Operations to non-GAAP Income from Operations

	Three months ended October 31,		Year ended October 31,	
	2017	2016	2017	2016
Income from operations, as reported	\$ 39	\$ 107	\$ 239	\$ 406
Amortization of acquisition-related balances	86	10	256	56
Share-based compensation	12	10	56	49
Acquisition and integration costs	18	7	57	18
Acquisition-related compensation expense	—	—	28	—
Separation and related costs	2	8	20	24
Pension curtailment and settlement gains	(1)	—	(69)	—
Northern California wildfire-related costs	16	—	16	—
Restructuring and related costs	5	—	11	—
Other	4	—	6	(7)
Non-GAAP income from operations	\$ 181	\$ 142	\$ 620	\$ 546
GAAP Operating Margin	4.4%	14.3%	7.5%	13.9%
Non-GAAP Operating Margin	20.1%	18.9%	19.1%	18.6%

Please refer Page 20 for discussion on our non-GAAP financial measures.

KEYSIGHT TECHNOLOGIES, INC.
NON-GAAP OPERATING EXPENSES RECONCILIATIONS
(In millions)
(Unaudited)
PRELIMINARY

Reconciliation of research & development expenses to non-GAAP research & development expenses

	Three months ended October 31,		Year ended October 31,	
	2017	2016	2017	2016
Research & development expenses, as reported	\$ 139	\$ 105	\$ 498	\$ 425
Amortization of acquisition-related balances	1	—	(1)	—
Share-based compensation	(2)	(1)	(9)	(8)
Acquisition and integration costs	—	(1)	(1)	(1)
Acquisition-related compensation expense	—	—	(8)	—
Northern California wildfire-related costs	(1)	—	(1)	—
Restructuring and related costs	(1)	—	(3)	—
Non-GAAP Research & development expenses	<u>\$ 136</u>	<u>\$ 103</u>	<u>\$ 475</u>	<u>\$ 416</u>

Reconciliation of selling, general & administrative expenses to non-GAAP selling, general & administrative expenses

	Three months ended October 31,		Year ended October 31,	
	2017	2016	2017	2016
Selling, general & administrative expenses, as reported	\$ 294	\$ 211	\$ 1,049	\$ 818
Amortization of acquisition-related balances	(11)	(1)	(38)	(6)
Share-based compensation	(8)	(7)	(36)	(30)
Acquisition and integration costs	(17)	(5)	(52)	(15)
Acquisition-related compensation expense	—	—	(19)	—
Northern California wildfire-related costs	(8)	—	(8)	—
Separation and related costs	(2)	(8)	(20)	(24)
Restructuring and related costs	(4)	—	(7)	—
Other	(1)	—	(4)	(1)
Non-GAAP selling, general & administrative expenses	<u>\$ 243</u>	<u>\$ 190</u>	<u>\$ 865</u>	<u>\$ 742</u>

Reconciliation of other operating expense (income), net to non-GAAP other operating expense (income), net

	Three months ended October 31,		Year ended October 31,	
	2017	2016	2017	2016
Other operating expense (income), net, as reported	\$ 2	\$ (3)	\$ (84)	\$ (25)
Pension curtailment and settlement gains	1	—	69	—
Northern California wildfire-related costs	(2)	—	(2)	—
Other	(3)	—	5	10
Non-GAAP other operating expense (income), net	<u>\$ (2)</u>	<u>\$ (3)</u>	<u>\$ (12)</u>	<u>\$ (15)</u>

Reconciliation of operating expenses to non-GAAP operating expenses

	Three Months Ended October 31,		Year ended October 31,	
	2017	2016	2017	2016
Operating expenses, as reported	\$ 435	\$ 313	\$ 1,463	\$ 1,218
Amortization of acquisition-related balances	(10)	(1)	(39)	(6)
Share-based compensation	(10)	(8)	(45)	(38)
Acquisition and integration costs	(17)	(6)	(53)	(16)
Acquisition-related compensation expense	—	—	(27)	—
Separation and related costs	(2)	(8)	(20)	(24)
Pension curtailment and settlement gains	1	—	69	—
Northern California wildfire-related costs	(11)	—	(11)	—
Restructuring and related costs	(5)	—	(10)	—
Other	(4)	—	1	9
Non-GAAP operating expenses	<u>\$ 377</u>	<u>\$ 290</u>	<u>\$ 1,328</u>	<u>\$ 1,143</u>

Please refer Page 20 for discussion on our non-GAAP financial measures.

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

	Three Months ended October 31,				Year ended October 31,			
	2017		2016		2017		2016	
	Net Income	Diluted EPS ^(b)	Net Income	Diluted EPS	Net Income	Diluted EPS	Net Income	Diluted EPS
GAAP Net income (loss)	\$ (38)	\$ (0.20)	\$ 92	\$ 0.53	\$ 102	\$ 0.56	\$ 335	\$ 1.95
Non-GAAP adjustments:								
Amortization of acquisition-related balances	86	0.46	10	0.06	256	1.41	56	0.32
Share-based compensation expense	12	0.06	10	0.06	56	0.31	49	0.28
Acquisition and integration costs	18	0.10	7	0.04	67	0.37	17	0.10
Acquisition-related compensation expense	—	—	—	—	28	0.15	—	—
Separation and related costs	2	0.01	8	0.05	20	0.11	24	0.14
Pension curtailment and settlement gains	(1)	(0.01)	—	—	(69)	(0.38)	—	—
Northern California wildfire-related costs	16	0.08	—	—	16	0.09	—	—
Restructuring and related costs	5	0.03	—	—	11	0.06	—	—
Other	(6)	(0.03)	—	—	(4)	(0.02)	(7)	(0.04)
Adjustment for taxes ^(a)	41	0.21	(17)	(0.10)	(21)	(0.13)	(55)	(0.32)
Non-GAAP Net income	<u>\$ 135</u>	<u>\$ 0.71</u>	<u>\$ 110</u>	<u>\$ 0.64</u>	<u>\$ 462</u>	<u>\$ 2.53</u>	<u>\$ 419</u>	<u>\$ 2.43</u>
Weighted average shares outstanding - diluted	186		172		182		172	

^(a) For the three months ended October 31, 2017 and October 31, 2016, management uses a non-GAAP effective tax rate of 17%. For the year ended October 31, 2017 and October 31,

^(b) EPS impact on non-GAAP adjustments and non-GAAP net income is based on adjusted shares outstanding of 189 million.

Please refer Page 20 for discussion on our non-GAAP financial measures.

KEYSIGHT TECHNOLOGIES, INC.
RECONCILIATION OF REVENUE EXCLUDING IMPACTS OF CURRENCY AND ACQUISITIONS
(In millions)
(Unaudited)
PRELIMINARY

	Q1'18 Guidance		H1'18 Guidance	Year-over-year compare			Year-over-year compare		
	Low end	High end		Q4'17	Q4'16	Percent Inc/(Dec)	FY17	FY16	Percent Inc/(Dec)
GAAP Revenue	\$ 762	\$ 802	\$ 1,748	\$ 878	\$ 751	17%	\$ 3,189	\$ 2,918	9 %
Amortization of acquisition-related balances	18	18	27	24	-		60	12	
Non-GAAP Revenue	<u>\$ 780</u>	<u>\$ 820</u>	<u>\$ 1,775</u>	<u>\$ 902</u>	<u>\$ 751</u>	20%	<u>\$ 3,249</u>	<u>\$ 2,930</u>	11 %
Less: Revenue from acquisition included in segment results				\$ (127)	\$ -		(260)	-	
Currency impacts				1	-		9	-	
Non-GAAP Core Revenue				<u>\$ 776</u>	<u>\$ 751</u>	3%	<u>\$ 2,998</u>	<u>\$ 2,930</u>	2 %

Please refer Page 20 for discussion on our non-GAAP financial measures.

KEYSIGHT TECHNOLOGIES, INC.
SEGMENT REVENUE RECONCILIATION
(in millions)
(Unaudited)
PRELIMINARY

Keysight

	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17
GAAP Revenue	\$ 751	\$ 726	\$ 753	\$ 832	\$ 878
Amortization of acquisition-related balances	—	—	5	31	24
Non-GAAP/Segment Revenue	<u>\$ 751</u>	<u>\$ 726</u>	<u>\$ 758</u>	<u>\$ 863</u>	<u>\$ 902</u>

Communications Solutions Group

	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17
GAAP Revenue	\$ 442	\$ 434	\$ 423	\$ 418	\$ 462
Amortization of acquisition-related balances	—	—	1	—	—
Segment Revenue	<u>\$ 442</u>	<u>\$ 434</u>	<u>\$ 424</u>	<u>\$ 418</u>	<u>\$ 462</u>

Electronic Industrial Solutions Group

	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17
GAAP Revenue	\$ 201	\$ 192	\$ 220	\$ 218	\$ 206
Amortization of acquisition-related balances	—	—	—	—	—
Segment Revenue	<u>\$ 201</u>	<u>\$ 192</u>	<u>\$ 220</u>	<u>\$ 218</u>	<u>\$ 206</u>

Ixia Solutions Group

	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17
GAAP Revenue	—	—	\$ 8	\$ 89	\$ 100
Amortization of acquisition-related balances	—	—	4	31	24
Segment Revenue	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 12</u>	<u>\$ 120</u>	<u>\$ 124</u>

Services Solutions Group

	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17
GAAP Revenue	\$ 108	\$ 100	\$ 102	\$ 107	\$ 110
Amortization of acquisition-related balances	—	—	—	—	—
Segment Revenue	<u>\$ 108</u>	<u>\$ 100</u>	<u>\$ 102</u>	<u>\$ 107</u>	<u>\$ 110</u>

Segment revenue is consistent with the respective non-GAAP measures as discussed on Page 20.

KEYSIGHT TECHNOLOGIES, INC.
RECONCILIATION OF NON-GAAP REVENUE BY REGION
(In Millions)
(Unaudited)
PRELIMINARY

Keysight

	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17
GAAP Revenue	\$ 751	\$ 726	\$ 753	\$ 832	\$ 878
Amortization of acquisition-related balances	—	—	5	31	24
Non-GAAP Revenue	<u>\$ 751</u>	<u>\$ 726</u>	<u>\$ 758</u>	<u>\$ 863</u>	<u>\$ 902</u>

Americas

	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17
GAAP Revenue	\$ 293	\$ 261	\$ 260	\$ 328	\$ 354
Amortization of acquisition-related balances	—	—	3	19	15
Non-GAAP Revenue	<u>\$ 293</u>	<u>\$ 261</u>	<u>\$ 263</u>	<u>\$ 347</u>	<u>\$ 369</u>

Europe

	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17
GAAP Revenue	\$ 128	\$ 144	\$ 132	\$ 138	\$ 148
Amortization of acquisition-related balances	—	—	2	12	9
Non-GAAP Revenue	<u>\$ 128</u>	<u>\$ 144</u>	<u>\$ 134</u>	<u>\$ 150</u>	<u>\$ 157</u>

Asia Pacific

	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17
GAAP Revenue	\$ 330	\$ 321	\$ 361	\$ 366	\$ 376
Amortization of acquisition-related balances	—	—	—	—	—
Non-GAAP Revenue	<u>\$ 330</u>	<u>\$ 321</u>	<u>\$ 361</u>	<u>\$ 366</u>	<u>\$ 376</u>

Please refer Page 20 for discussion on our non-GAAP financial measures.

KEYSIGHT TECHNOLOGIES, INC.
RECONCILIATIONS OF NON-GAAP REVENUE BY SEGMENT AND REGION
(in millions)
(Unaudited)
PRELIMINARY

Year-over-Year

Revenue by Segment	GAAP Revenue			Amortization of acquisition-related balances		Non-GAAP Revenue		
	Q4'17	Q4'16	YoY % Chg.	Q4'17	Q4'16	Q4'17	Q4'16	YoY % Chg.
Communications Solutions Group	\$ 462	\$ 442	5%	\$ —	\$ —	\$ 462	\$ 442	4%
Electronic Industrial Solutions Group	206	201	3%	—	—	206	201	3%
Ixia Solutions Group	100	—	—	24	—	124	—	—
Services Solutions Group	110	108	2%	—	—	110	108	2%
Keysight	<u>\$ 878</u>	<u>\$ 751</u>	17%	<u>\$ 24</u>	<u>\$ -</u>	<u>\$ 902</u>	<u>\$ 751</u>	20%

Revenue by Region	GAAP Revenue			Amortization of acquisition-related balances		Non-GAAP Revenue		
	Q4'17	Q4'16	YoY % Chg.	Q4'17	Q4'16	Q4'17	Q4'16	YoY % Chg.
Americas	\$ 354	\$ 293	21%	\$ 15	\$ —	\$ 369	\$ 293	26%
Europe	148	128	16%	9	—	157	128	23%
Japan	92	81	14%	—	—	92	81	14%
Asia Pacific ex-Japan	284	249	14%	—	—	284	249	14%
Total Revenue	<u>\$ 878</u>	<u>\$ 751</u>	17%	<u>\$ 24</u>	<u>\$ —</u>	<u>\$ 902</u>	<u>\$ 751</u>	20%
Asia Pacific	<u>\$ 376</u>	<u>\$ 330</u>	14%	<u>—</u>	<u>—</u>	<u>\$ 376</u>	<u>\$ 330</u>	14%

Please refer Page 20 for discussion on our non-GAAP financial measures.

KEYSIGHT TECHNOLOGIES, INC.
RECONCILIATIONS OF NON-GAAP CORE REVENUE BY SEGMENT AND REGION
(in millions)
(Unaudited)
PRELIMINARY

Year-over-Year

Revenue by Segment	Non-GAAP Revenue			Revenue from acquisitions	Currency Adjustments ^(a)	Non-GAAP Core Revenue		
	Q4'17	Q4'16	YoY % Chg.	Q4'17	Q4'17	Q4'17	Q4'16	YoY % Chg.
Communications Solutions Group	\$ 462	\$ 442	4%	\$ —	\$ —	\$ 462	\$ 442	4%
Electronic Industrial Solutions Group	206	201	3%	(1)	1	206	201	3%
Ixia Solutions Group	124	—	—	(124)	—	—	—	—
Services Solutions Group	110	108	2%	(2)	—	108	108	0%
Keysight	<u>\$ 902</u>	<u>\$ 751</u>	20%	<u>\$ (127)</u>	<u>\$ 1</u>	<u>\$ 776</u>	<u>\$ 751</u>	3%

Revenue by Region	Non-GAAP Revenue			Revenue from acquisitions	Currency Adjustments ^(a)	Non-GAAP Core Revenue		
	Q4'17	Q4'16	YoY % Chg.	Q4'17	Q4'17	Q4'17	Q4'16	YoY % Chg.
Americas	\$ 369	\$ 293	26%	\$ (86)	\$ —	\$ 283	\$ 293	-3%
Europe	157	128	23%	(18)	(4)	135	128	6%
Japan	92	81	14%	(8)	5	89	81	11%
Asia Pacific ex-Japan	284	249	14%	(15)	—	269	249	7%
Total Revenue	<u>\$ 902</u>	<u>\$ 751</u>	20%	<u>\$ (127)</u>	<u>\$ 1</u>	<u>\$ 776</u>	<u>\$ 751</u>	3%
Asia Pacific	\$ 376	\$ 330	14%	\$ (23)	\$ 5	\$ 358	\$ 330	8%

^(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.

Please refer Page 20 for discussion on our non-GAAP financial measures.

KEYSIGHT TECHNOLOGIES, INC.
RECONCILIATION OF NON-GAAP REVENUE BY END MARKET
(In millions)
(Unaudited)
PRELIMINARY

	GAAP Revenue			Acquisition related fair value adjs		Non-GAAP Revenue		
	Q4'17	Q4'16	Percent Inc/(Dec)	Q4'17	Q4'16	Q4'17	Q4'16	Percent Inc/(Dec)
Aerospace, Defense & Government	\$ 182	\$ 188	-3%	\$ —	\$ —	\$ 182	\$ 188	-3%
Commercial Communications	280	254	10%	—	—	280	254	10%
Electronic Industrial	206	201	3%	—	—	206	201	3%
Ixia	100	—	—	24	—	124	—	—
Services	110	108	2%	—	—	110	108	2%
Total Revenue	\$ 878	\$ 751	17%	\$ 24	\$ -	\$ 902	\$ 751	20%

Please refer Page 20 for discussion on our non-GAAP financial measures.

KEYSIGHT TECHNOLOGIES, INC.
FREE CASH FLOW
(in millions)
(Unaudited)
PRELIMINARY

	<u>Q4'17</u>	<u>FY17</u>
Net cash provided by operating activities	\$ 64	\$ 313
Less: Investments in property, plant and equipment	(18)	(72)
Free cash flow	<u>\$ 46</u>	<u>\$ 241</u>

Operating free cash flow is a non-GAAP measure which management believes provides useful information to management and investors about the amount of cash generated by the business after the acquisition of property and equipment, which can then be used for strategic opportunities including investing in the Company's business and making strategic acquisitions. Our management uses this measure which is a common one in our industry to compare ourselves to our competitors and to measure our own performance. A limitation of operating free cash flow is that it does not represent the total increase or decrease in the cash balance for the period. Our management compensates for this limitation by monitoring and providing the reader with a complete GAAP statement of cash flows which includes net cash provided by operating activities.

Non-GAAP Financial Measures

Management uses both GAAP and non-GAAP financial measures to analyze and assess the overall performance of the business, to make operating decisions and to forecast and plan for future periods. We believe that our investors benefit from seeing our results “through the eyes of management” in addition to seeing our GAAP results. This information enhances investors’ understanding of the continuing performance of our business and facilitates comparison of performance to our historical and future periods.

Our non-GAAP financial measures may not be comparable to similarly titled measures used by other companies, including industry peer companies, limiting the usefulness of these measures for comparative purposes.

These non-GAAP measures should be considered supplemental to and not a substitute for financial information prepared in accordance with GAAP. The discussion below presents information about each of the non-GAAP financial measures and the company’s reasons for including or excluding certain categories of income or expenses from our non-GAAP results. In future periods, we may exclude such items and may incur income and expenses similar to these excluded items. Accordingly, adjustments for these items and other similar items in our non-GAAP presentation should not be interpreted as implying that these items are non-recurring, infrequent or unusual.

Non-GAAP Revenue includes recognition of acquired deferred revenue that was written down to fair value in purchase accounting. Management believes that excluding fair value purchase accounting adjustments more closely correlates with the ordinary and ongoing course of the acquired company’s operations and facilitates analysis of revenue growth and business trends.

Non-GAAP Core Revenue is non-GAAP revenue (see *Non-GAAP Revenue* above) excluding the impact of foreign currency changes and revenue associated with businesses acquired within the last twelve months. We exclude the impact of foreign currency changes as currency rates can fluctuate based on factors that are not within our control and can obscure revenue growth trends. As the nature, size and number of acquisitions can vary significantly from period to period and as compared to our peers, we exclude revenue associated with recently acquired businesses to facilitate comparisons of revenue growth and analysis of underlying business trends.

Non-GAAP Income from Operations, Non-GAAP Net Income and Non-GAAP Diluted EPS may include the following types of adjustments:

- *Share-based Compensation Expense:* We exclude share-based compensation expense from our non-GAAP financial measures because share-based compensation expense can vary significantly from period to period based on the company’s share price, as well as the timing, size and nature of equity awards granted. Management believes the exclusion of this expense facilitates the ability of investors to compare the company’s operating results with those of other companies, many of which also exclude share-based compensation expense in determining their non-GAAP financial measures.
- *Acquisition-related Items:* We exclude the impact of certain items recorded in connection with business combinations from our non-GAAP financial measures that are either non-cash or not normal, recurring operating expenses due to their nature, variability of amounts and lack of predictability as to occurrence or timing. These amounts may include non-cash items such as the amortization of acquired intangible assets and amortization of items associated with fair value purchase accounting adjustments, including recognition of acquired deferred revenue (see *Non-GAAP Revenue* above). We also exclude transaction and certain other cash costs associated with business acquisitions that are not normal recurring operating expenses, including amortization of amounts paid to redeem acquirers’ unvested stock-based compensation awards, and legal, accounting and due diligence costs. We exclude these charges to facilitate a more meaningful evaluation of our current operating performance and comparisons to our past operating performance.
- *Separation and Related Costs:* We exclude all incremental expenses incurred to effect the separation of Keysight from Agilent. We exclude expenses that would not have been incurred if we had no plan to spin-off including, among other things, branding, legal, accounting and advisory fees, costs to resize and optimize our infrastructure and other costs to separate and transition from Agilent. We believe that these costs do not reflect expected future operating expenses and do not contribute to a meaningful evaluation of the company’s current operating performance or comparisons to our operating performance in other periods.
- *Restructuring and Related Costs:* We exclude incremental expenses associated with restructuring initiatives, usually aimed at material changes in the business or cost structure. Such costs may include employee separation costs, asset impairments, facility-related costs, contract termination fees, and costs to move operations from one location to another. These activities can vary significantly from period to period based on the timing, size and nature of restructuring plans; therefore, we do not consider such costs to be normal, recurring operating expenses. We believe that these costs do not reflect expected future operating expenses and do not contribute to a meaningful evaluation of the company’s current operating performance or comparisons to our operating performance in other periods.
- *Northern California wildfire related costs and Other Items:* We exclude certain other significant income or expense items that may occur occasionally and are not normal, recurring, cash operating from our non-GAAP financial measures. Such items are evaluated on an individual basis based on both quantitative and qualitative factors and generally represent items that we would not anticipate occurring as part of our normal business on a regular basis. While not all-inclusive, examples of certain other significant items excluded from non-GAAP financial measures would be: costs related to unusual disaster like Northern California wildfires, significant realized gains or losses associated with our employee benefit plans, significant litigation-related loss contingency accruals and settlement fees or gains associated with other disputed matters.
- *Estimated Tax Rate:* We utilize a consistent methodology for long-term projected non-GAAP tax rate. When projecting this long-term rate, we exclude any tax benefits or expenses that are not directly related to ongoing operations and which are either isolated or cannot be expected to occur again with any regularity or predictability. Additionally, we evaluate our current long-term projections, current tax structure and other factors, such as existing tax positions in various jurisdictions and key tax holidays in major jurisdictions where Keysight operates. This tax rate could change in the future for a variety of reasons, including but not limited to significant changes in geographic earnings mix including acquisition activity, or fundamental tax law changes in major jurisdictions where Keysight operates. The above reasons also limit our ability to reasonably estimate the future GAAP tax rate and provide a reconciliation of the expected non-GAAP earnings per share for the fourth quarter of fiscal 2017 to the GAAP equivalent.

Management recognizes these items can have a material impact on our cash flows and/or our net income. Our GAAP financial statements, including our Condensed Consolidated 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 costs 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 Condensed Consolidated Statement of Operations prepared in accordance with GAAP. The non-GAAP measures focus instead upon the core business of the company, which is only a subset, albeit a critical one, of the company’s performance.