

KEYSIGHT TECHNOLOGIES, INC.
Financial Information Index of Schedules

Financial Statements:	Page
<u>Condensed Consolidated Statement of Operations - Three months ended April 30, 2019 and 2018</u>	1
<u>Condensed Consolidated Statement of Operations - Six months ended April 30, 2019 and 2018</u>	2
<u>Condensed Consolidated Statement of Comprehensive Income - Three and six months ended April 30, 2019 and 2018</u>	3
<u>Condensed Consolidated Balance Sheet as of April 30, 2019 and October 31, 2018</u>	4
<u>Condensed Consolidated Statement of Cash Flows - Three and six months ended April 30, 2019 and 2018</u>	5
Supplemental Data:	
<u>Communications Solutions Group (CSG) Segment Results</u>	6
<u>Electronic Industrial Solutions Group (EISG) Segment Results</u>	7
<u>Ixia Solutions Group (ISG) Segment Results</u>	8
Reconciliations:	
<u>QTD and YTD Gross Profit and operating margin - GAAP to non-GAAP</u>	9
<u>QTD and YTD operating expenses - GAAP to non-GAAP</u>	10
<u>Non-GAAP Net Income and Diluted EPS Reconciliations</u>	11
<u>Reconciliation of revenue guidance and non-GAAP core revenue</u>	12
<u>Segment revenue reconciliation</u>	13
<u>Reconciliation of non-GAAP revenue by region</u>	14
<u>Reconciliation of non-GAAP revenue by segment and region</u>	15
<u>Reconciliation of non-GAAP core revenue by segment and region</u>	16
<u>Reconciliation of non-GAAP revenue by end market</u>	17
<u>Reconciliation of Aerospace, Defense & Government revenue to non-GAAP core revenue</u>	18
<u>Free Cash Flow</u>	19
<u>Non-GAAP Financial Measures</u>	20
Fiscal Periods	
Q2'18 - Three months ended April 30, 2018	
Q3'18 - Three months ended July 31, 2018	
Q4'18 - Three months ended October 31, 2018	
Q1'19 - Three months ended January 31, 2019	
Q2'19 - Three months ended April 30, 2019	
Q3'19 - Three months ended July 31, 2019	
H1'19 - Six months ended April 30, 2019	

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

	Three months ended April 30,		Percent Inc/(Dec)
	2019	2018 ^(a)	
Orders	\$ 1,121	\$ 987	14%
Net revenue	\$ 1,090	\$ 990	10%
Costs and expenses:			
Cost of products and services	442	451	(2)%
Research and development	171	160	7%
Selling, general and administrative	300	305	(1)%
Other operating expense (income), net	(8)	(12)	(27)%
Total costs and expenses	905	904	–
Income from operations	185	86	116%
Interest income	6	2	121%
Interest expense	(20)	(21)	(5)%
Other income (expense), net	22	16	42%
Income before taxes	193	83	133%
Provision for income taxes	40	19	115%
Net Income	<u>\$ 153</u>	<u>\$ 64</u>	138%
Net income per share:			
Basic	\$ 0.81	\$ 0.34	
Diluted	\$ 0.80	\$ 0.34	
Weighted average shares used in computing net income per share:			
Basic	188	188	
Diluted	191	190	

^(a) Restated to include the impact of adoption of ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, on November 1, 2018. There is no impact to net income or net income per share.

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

	Six months ended April 30,		Percent Inc/(Dec)
	2019	2018 ^(a)	
Orders	\$ 2,137	\$ 1,951	10%
Net revenue	\$ 2,096	\$ 1,827	15%
Costs and expenses:			
Cost of products and services	870	863	1%
Research and development	344	310	11%
Selling, general and administrative	588	600	(2)%
Other operating expense (income), net	(12)	(15)	(16)%
Total costs and expenses	<u>1,790</u>	<u>1,758</u>	2%
Income from operations	306	69	343%
Interest income	10	5	91%
Interest expense	(40)	(43)	(7)%
Other income (expense), net	<u>37</u>	<u>29</u>	28%
Income before taxes	313	60	420%
Provision (benefit) for income taxes	<u>46</u>	<u>(98)</u>	—
Net Income	<u>\$ 267</u>	<u>\$ 158</u>	69%
Net income per share:			
Basic	\$ 1.42	\$ 0.84	
Diluted	\$ 1.40	\$ 0.83	
Weighted average shares used in computing net income per share:			
Basic	188	187	
Diluted	191	190	

^(a) Restated to include the impact of adoption of ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, on November 1, 2018. There is no impact to net income or net income per share.

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

	Three months ended		Six months ended	
	April 30,		April 30,	
	2019	2018	2019	2018
Net income	\$ 153	\$ 64	\$ 267	\$ 158
Other comprehensive income (loss), net of tax:				
Unrealized gain (loss) on investments	-	-	-	(2)
Unrealized gain (loss) on derivative instruments	-	-	(2)	2
Amounts reclassified into earnings related to derivative instruments	-	(1)	1	(3)
Foreign currency translation	(16)	(13)	14	28
Net defined benefit pension cost and post retirement plan costs:				
Change in actuarial net loss	8	11	21	21
Change in net prior service credit	(4)	(4)	(7)	(8)
Other comprehensive income (loss)	(12)	(7)	27	38
Total comprehensive income	<u>\$ 141</u>	<u>\$ 57</u>	<u>\$ 294</u>	<u>\$ 196</u>

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

	April 30, 2019 (unaudited)	October 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,277	\$ 913
Accounts receivable, net	660	624
Inventory	660	619
Other current assets	227	222
Total current assets	<u>2,824</u>	<u>2,378</u>
Property, plant and equipment, net	563	555
Goodwill	1,174	1,171
Other intangible assets, net	543	645
Long-term investments	42	46
Long-term deferred tax assets	727	750
Other assets	317	279
Total assets	<u>\$ 6,190</u>	<u>\$ 5,824</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term debt	\$ 500	\$ 499
Accounts payable	236	242
Employee compensation and benefits	281	276
Deferred revenue	333	334
Income and other taxes payable	61	42
Other accrued liabilities	74	69
Total current liabilities	<u>1,485</u>	<u>1,462</u>
Long-term debt	1,292	1,291
Retirement and post-retirement benefits	214	224
Long-term deferred revenue	150	127
Other long-term liabilities	251	287
Total liabilities	<u>3,392</u>	<u>3,391</u>
Stockholders' 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; 193 million shares at April 30, 2019, and 191 million shares at October 31, 2018, issued	2	2
Treasury stock at cost; 5.4 million shares at April 30, 2019 and 4.4 million shares at October 31, 2018	(252)	(182)
Additional paid-in-capital	1,954	1,889
Retained earnings	1,555	1,212
Accumulated other comprehensive loss	(461)	(488)
Total stockholders' equity	<u>2,798</u>	<u>2,433</u>
Total liabilities and equity	<u>\$ 6,190</u>	<u>\$ 5,824</u>

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

	Three months ended April 30,		Six months ended April 30,	
	2019	2018	2019	2018
Cash flows from operating activities:				
Net income	\$ 153	\$ 64	\$ 267	\$ 158
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	24	27	48	53
Amortization	51	52	103	104
Share-based compensation	23	15	50	34
Deferred tax benefit	10	(2)	(2)	(237)
Excess and obsolete inventory-related charges	6	5	13	11
Gain on divestitures	-	(8)	(1)	(8)
Other non-cash expenses, net	1	3	(2)	5
Changes in assets and liabilities:				
Accounts receivable	(84)	(130)	(28)	(31)
Inventory	(27)	2	(53)	(18)
Accounts payable	11	6	1	20
Employee compensation and benefits	73	73	5	23
Deferred revenue	42	10	85	71
Income taxes payable	(18)	10	(8)	125
Retirement and post-retirement benefits	(11)	(10)	(23)	(22)
Other assets and liabilities	(33)	(6)	6	(6)
Net cash provided by operating activities ^(a)	221	111	461	282
Cash flows from investing activities:				
Investments in property, plant and equipment	(29)	(34)	(60)	(58)
Proceeds from the sale of investments	7	-	7	-
Proceeds from divestitures	-	12	2	12
Other investing activities	2	-	2	-
Net cash used in investing activities	(20)	(22)	(49)	(46)
Cash flows from financing activities:				
Proceeds from issuance of common stock under employee stock plans	9	9	39	33
Payment of taxes related to net share settlement of equity awards	(1)	(1)	(24)	(16)
Payment of acquisition-related contingent consideration	-	-	-	(3)
Proceeds from credit facility	-	-	-	40
Repayment of debt and credit facility	-	(260)	-	(300)
Treasury stock repurchases ^(b)	(29)	(28)	(69)	(28)
Net cash used in financing activities	(21)	(280)	(54)	(274)
Effect of exchange rate movements	(2)	(5)	5	4
Net increase (decrease) in cash, cash equivalents and restricted cash	178	(196)	363	(34)
Cash, cash equivalents and restricted cash at beginning of period	1,102	982	917	820
Cash, cash equivalents and restricted cash at end of period	<u>\$ 1,280</u>	<u>\$ 786</u>	<u>\$ 1,280</u>	<u>\$ 786</u>

^(a) Cash payments included in operating activities:

Income tax payments, net	\$ (47)	\$ (10)	\$ (48)	\$ (11)
Interest payment on debt	\$ (38)	\$ (39)	\$ (38)	\$ (41)

^(b) For the three and six months ended April 30, 2019, we repurchased 343,722 shares and 1,030,120 shares of common stock for \$30 million and \$70 million, respectively, held as treasury stock and accounted for at trade date using the cost method. There were \$1 million stock repurchases pending settlements as of April 30, 2019. For the three and six months ended April 30, 2018, we repurchased 773,352 shares of common stock for \$40 million, held as treasury stock and accounted for at trade date using the cost method. There were \$12 million stock repurchases pending settlements as of April 30, 2018.

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

(In millions, except margins data)

	FY 2019				
	Q1	Q2	Q3	Q4	Total
Net revenue	\$ 623	\$ 676			\$ 1,299
Gross margin, %	61.1%	63.4%			62.3%
Income from operations	\$ 138	\$ 187			\$ 325
Operating margin, %	22.2%	27.7%			25.1%

	FY 2018				
	Q1	Q2	Q3	Q4	Total
Net revenue	\$ 500	\$ 627	\$ 604	\$ 661	\$ 2,392
Gross margin, %	57.2%	58.2%	58.1%	60.1%	58.5%
Income from operations	\$ 63	\$ 132	\$ 120	\$ 159	\$ 474
Operating margin, %	12.6%	21.0%	19.8%	24.1%	19.8%

Restated for (1) the recently announced organizational change to align our services business with its customers and end markets. With this change, services, which was previously reported as Services Solutions Group (SSG), is now reported as part of the Communications Solutions Group (CSG) and Electronic Industrial Solutions Group (EISG); and (2) the retrospective application of ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which the company adopted on November 1, 2018.

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 2019				
	Q1	Q2	Q3	Q4	Total
Net revenue	\$ 257	\$ 299			\$ 556
Gross margin, %	58.9%	61.3%			60.2%
Income from operations	\$ 54	\$ 78			\$ 132
Operating margin, %	20.9%	26.1%			23.7%

	FY 2018				
	Q1	Q2	Q3	Q4	Total
Net revenue	\$ 229	\$ 282	\$ 285	\$ 275	\$ 1,071
Gross margin, %	56.6%	59.0%	60.9%	58.7%	58.9%
Income from operations	\$ 38	\$ 68	\$ 75	\$ 64	\$ 245
Operating margin, %	16.9%	23.9%	26.5%	23.3%	22.9%

Restated for (1) the recently announced organizational change to align our services business with its customers and end markets. With this change, services, which was previously reported as Services Solutions Group (SSG), is now reported as part of the Communications Solutions Group (CSG) and Electronic Industrial Solutions Group (EISG); and (2) the retrospective application of ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which the company adopted on November 1, 2018.

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 2019				
	Q1	Q2	Q3	Q4	Total
Net revenue	\$ 129	\$ 118			\$ 247
Gross margin, %	71.3%	71.5%			71.4%
Income from operations	\$ 12	\$ 3			\$ 15
Operating margin, %	9.2%	2.6%			6.0%

	FY 2018				
	Q1	Q2	Q3	Q4	Total
Net revenue	\$ 127	\$ 90	\$ 119	\$ 115	\$ 451
Gross margin, %	75.5%	75.6%	75.5%	70.3%	74.2%
Income (loss) from operations	\$ 18	\$ (10)	\$ 9	\$ (1)	\$ 16
Operating margin, %	14.1%	(10.6)%	7.1%	(0.5)%	3.6%

Restated for the retrospective application of ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which the company adopted on November 1, 2018.

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

Reconciliation of Gross Profit to non-GAAP Gross Profit

	Three months ended		Six months ended	
	April 30,		April 30,	
	2019	2018	2019	2018
Gross Profit, as reported	\$ 648	\$ 539	\$ 1,226	\$ 964
Amortization of acquisition-related balances	42	53	85	130
Share-based compensation expense	5	4	9	7
Acquisition and integration costs	-	1	(1)	3
Northern California wildfire-related costs	-	-	-	5
Restructuring and related costs	1	-	1	-
Other	-	2	-	2
Non-GAAP Gross Profit	\$ 696	\$ 599	\$ 1,320	\$ 1,111
GAAP Gross Margin	59.5%	54.5%	58.5%	52.8%
Non-GAAP Gross Margin	63.7%	60.0%	62.8%	59.9%

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

	Three months ended		Six months ended	
	April 30,		April 30,	
	2019	2018	2019	2018
Income from operations, as reported	\$ 185	\$ 86	\$ 306	\$ 69
Amortization of acquisition-related balances	54	65	108	154
Share-based compensation expense	23	15	50	34
Acquisition and integration costs	-	17	2	36
Northern California wildfire-related costs	-	-	-	7
Restructuring and related costs	6	11	6	13
Other	-	(4)	-	(4)
Non-GAAP income from operations	\$ 268	\$ 190	\$ 472	\$ 309
GAAP Operating Margin	17.0%	8.7%	14.6%	3.8%
Non-GAAP Operating Margin	24.6%	18.9%	22.5%	16.7%

Restated for the retrospective application of ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which the company adopted on November 1, 2018.

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 April 30,		Six months ended April 30,	
	2019	2018	2019	2018
Research & development expenses, as reported	\$ 171	\$ 160	\$ 344	\$ 310
Share-based compensation expense	(3)	(2)	(9)	(6)
Acquisition and integration costs	-	(1)	-	(2)
Northern California wildfire-related costs	-	-	-	(1)
Restructuring and related costs	-	(1)	-	(1)
Non-GAAP Research & development expenses	<u>\$ 168</u>	<u>\$ 156</u>	<u>\$ 335</u>	<u>\$ 300</u>

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

	Three months ended April 30,		Six months ended April 30,	
	2019	2018	2019	2018
Selling, general & administrative expenses, as reported	\$ 300	\$ 305	\$ 588	\$ 600
Amortization of acquisition-related balances	(12)	(12)	(23)	(24)
Share-based compensation expense	(15)	(9)	(32)	(21)
Acquisition and integration costs	(2)	(15)	(5)	(31)
Northern California wildfire-related costs	-	-	-	(1)
Restructuring and related costs	(8)	(10)	(8)	(12)
Other	-	(2)	(1)	(2)
Non-GAAP selling, general & administrative expenses	<u>\$ 263</u>	<u>\$ 257</u>	<u>\$ 519</u>	<u>\$ 509</u>

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

	Three months ended April 30,		Six months ended April 30,	
	2019	2018	2019	2018
Other operating expense (income), net, as reported	\$ (8)	\$ (12)	\$ (12)	\$ (15)
Acquisition and integration costs	2	-	2	-
Restructuring and related costs	3	-	3	-
Other	-	8	1	8
Non-GAAP other operating expense (income), net	<u>\$ (3)</u>	<u>\$ (4)</u>	<u>\$ (6)</u>	<u>\$ (7)</u>

Reconciliation of operating expenses to non-GAAP operating expenses

	Three months ended April 30,		Six months ended April 30,	
	2019	2018	2019	2018
Operating expenses, as reported	\$ 463	\$ 453	\$ 920	\$ 895
Amortization of acquisition-related balances	(12)	(12)	(23)	(24)
Share-based compensation expense	(18)	(11)	(41)	(27)
Acquisition and integration costs	-	(16)	(3)	(33)
Northern California wildfire-related costs	-	-	-	(2)
Restructuring and related costs	(5)	(11)	(5)	(13)
Other	-	6	-	6
Non-GAAP operating expenses	<u>\$ 428</u>	<u>\$ 409</u>	<u>\$ 848</u>	<u>\$ 802</u>

Restated for the retrospective application of ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which the company adopted on November 1, 2018.

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 April 30,				Six months ended April 30,			
	2019		2018		2019		2018	
	Net Income	Diluted EPS	Net Income	Diluted EPS	Net Income	Diluted EPS	Net Income	Diluted EPS
GAAP Net income	\$ 153	\$ 0.80	\$ 64	\$ 0.34	\$ 267	\$ 1.40	\$ 158	\$ 0.83
Non-GAAP adjustments:								
Amortization of acquisition-related balances	54	0.28	65	0.34	108	0.56	154	0.81
Share-based compensation	23	0.12	15	0.08	50	0.26	34	0.18
Acquisition and integration costs	1	0.01	17	0.09	3	0.02	36	0.19
Northern California wildfire-related costs	-	-	-	-	-	-	7	0.04
Restructuring and related costs	6	0.03	11	0.06	6	0.03	13	0.07
Other	(12)	(0.06)	(5)	(0.02)	(15)	(0.08)	(4)	(0.02)
Adjustment for taxes ^(a)	8	0.04	(9)	(0.06)	(10)	(0.05)	(143)	(0.76)
Non-GAAP Net income	<u>\$ 233</u>	<u>\$ 1.22</u>	<u>\$ 158</u>	<u>\$ 0.83</u>	<u>\$ 409</u>	<u>\$ 2.14</u>	<u>\$ 255</u>	<u>\$ 1.34</u>
Weighted average shares outstanding - diluted	191		190		191		190	

^(a) For the three and six months ended April 30, 2019 and April 30, 2018 management uses a non-GAAP effective tax rate of 12% and 15%, respectively.

Historical amounts are reclassified to conform with current presentation.

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

KEYSIGHT TECHNOLOGIES, INC.
RECONCILIATION OF REVENUE GUIDANCE AND NON-GAAP CORE REVENUE
(In millions)
(Unaudited)
PRELIMINARY

	Q3'19 Guidance		Year-over-year compare			Year-over-year compare		
	Low end	High end	Q2'19	Q2'18	Percent Inc/(Dec)	H1'19	H1'18	Percent Inc/(Dec)
GAAP Revenue	\$ 1,018	\$ 1,058	\$ 1,090	\$ 990	10%	\$ 2,096	\$ 1,827	15%
Amortization of acquisition-related balances	2	2	3	9		6	28	
Non-GAAP Revenue	<u>\$ 1,020</u>	<u>\$ 1,060</u>	\$ 1,093	\$ 999	9%	\$ 2,102	\$ 1,855	13%
Less: Revenue from acquisition or divestitures included in segment results			-	(5)		(1)	(11)	
Currency impacts			17	-		26	-	
Non-GAAP Core Revenue			<u>\$ 1,110</u>	<u>\$ 994</u>	12%	<u>\$ 2,127</u>	<u>\$ 1,844</u>	15%

Non-GAAP core revenue excludes impact of currency and revenue from acquisitions or divestitures closed within the last twelve months.

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

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

Keysight

	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19
GAAP Revenue	\$ 990	\$ 1,004	\$ 1,047	\$ 1,006	\$ 1,090
Amortization of acquisition-related balances	9	4	4	3	3
Non-GAAP/Segment Revenue	<u>\$ 999</u>	<u>\$ 1,008</u>	<u>\$ 1,051</u>	<u>\$ 1,009</u>	<u>\$ 1,093</u>

Communications Solutions Group

	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19
GAAP Revenue	\$ 626	\$ 604	\$ 661	\$ 623	\$ 676
Amortization of acquisition-related balances	1	-	-	-	-
Segment Revenue	<u>\$ 627</u>	<u>\$ 604</u>	<u>\$ 661</u>	<u>\$ 623</u>	<u>\$ 676</u>

Electronic Industrial Solutions Group

	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19
GAAP Revenue	\$ 282	\$ 285	\$ 275	\$ 257	\$ 299
Amortization of acquisition-related balances	-	-	-	-	-
Segment Revenue	<u>\$ 282</u>	<u>\$ 285</u>	<u>\$ 275</u>	<u>\$ 257</u>	<u>\$ 299</u>

Ixia Solutions Group

	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19
GAAP Revenue	\$ 82	\$ 115	\$ 111	\$ 126	\$ 115
Amortization of acquisition-related balances	8	4	4	3	3
Segment Revenue	<u>\$ 90</u>	<u>\$ 119</u>	<u>\$ 115</u>	<u>\$ 129</u>	<u>\$ 118</u>

Restated for the recently announced organizational change to align our services business with its customers and end markets. With this change, services, which was previously reported as Services Solutions Group (SSG), is now reported as part of the Communications Solutions Group (CSG) and Electronic Industrial Solutions Group (EISG).

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

	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19
GAAP Revenue	\$ 990	\$ 1,004	\$ 1,047	\$ 1,006	\$ 1,090
Amortization of acquisition-related balances	9	4	4	3	3
Non-GAAP Revenue	<u>\$ 999</u>	<u>\$ 1,008</u>	<u>\$ 1,051</u>	<u>\$ 1,009</u>	<u>\$ 1,093</u>

Americas

	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19
GAAP Revenue	\$ 379	\$ 403	\$ 423	\$ 403	\$ 425
Amortization of acquisition-related balances	5	2	2	2	1
Non-GAAP Revenue	<u>\$ 384</u>	<u>\$ 405</u>	<u>\$ 425</u>	<u>\$ 405</u>	<u>\$ 426</u>

Europe

	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19
GAAP Revenue	\$ 182	\$ 185	\$ 187	\$ 178	\$ 179
Amortization of acquisition-related balances	4	2	2	1	1
Non-GAAP Revenue	<u>\$ 186</u>	<u>\$ 187</u>	<u>\$ 189</u>	<u>\$ 179</u>	<u>\$ 180</u>

Asia Pacific

	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19
GAAP Revenue	\$ 429	\$ 416	\$ 437	\$ 425	\$ 486
Amortization of acquisition-related balances	-	-	-	-	1
Non-GAAP Revenue	<u>\$ 429</u>	<u>\$ 416</u>	<u>\$ 437</u>	<u>\$ 425</u>	<u>\$ 487</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		
	Q2'19	Q2'18	YoY % Chg.	Q2'19	Q2'18	Q2'19	Q2'18	YoY % Chg.
Communications Solutions Group	\$ 676	\$ 626	8%	\$ -	\$ 1	\$ 676	\$ 627	8%
Electronic Industrial Solutions Group	299	282	6%	-	-	299	282	6%
Ixia Solutions Group	115	82	43%	3	8	118	90	32%
Keysight	<u>\$ 1,090</u>	<u>\$ 990</u>	10%	<u>\$ 3</u>	<u>\$ 9</u>	<u>\$ 1,093</u>	<u>\$ 999</u>	9%

Revenue by Region	GAAP Revenue			Amortization of acquisition-related balances		Non-GAAP Revenue		
	Q2'19	Q2'18	YoY % Chg.	Q2'19	Q2'18	Q2'19	Q2'18	YoY % Chg.
Americas	\$ 425	\$ 379	12%	\$ 1	\$ 5	\$ 426	\$ 384	11%
Europe	179	182	(2)%	1	4	180	186	(4)%
Asia Pacific	486	429	13%	1	-	487	429	13%
Total Revenue	<u>\$ 1,090</u>	<u>\$ 990</u>	10%	<u>\$ 3</u>	<u>\$ 9</u>	<u>\$ 1,093</u>	<u>\$ 999</u>	9%

Restated for the recently announced organizational change to align our services business with its customers and end markets. With this change, services, which was previously reported as Services Solutions Group (SSG), is now reported as part of the Communications Solutions Group (CSG) and Electronic Industrial Solutions Group (EISG).

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 and divestiture		Currency Adjustments^(a)	Non-GAAP Core Revenue		
	Q2'19	Q2'18	YoY % Chg.	Q2'19	Q2'18	Q2'19	Q2'19	Q2'18	YoY % Chg.
Communications Solutions Group	\$ 676	\$ 627	8%	\$ -	\$ 5	\$ (10)	\$ 686	\$ 622	10%
Electronic Industrial Solutions Group	299	282	6%	-	-	(6)	305	282	8%
Ixia Solutions Group	118	90	32%	-	-	(1)	119	90	33%
Keysight	<u>\$ 1,093</u>	<u>\$ 999</u>	9%	<u>\$ -</u>	<u>\$ 5</u>	<u>\$ (17)</u>	<u>\$ 1,110</u>	<u>\$ 994</u>	12%

Revenue by Region	Non-GAAP Revenue			Revenue from acquisitions and divestiture		Currency Adjustments^(a)	Non-GAAP Core Revenue		
	Q2'19	Q2'18	YoY % Chg.	Q2'19	Q2'18	Q2'19	Q2'19	Q2'18	YoY % Chg.
Americas	\$ 426	\$ 384	11%	\$ -	\$ 4	\$ (1)	\$ 427	\$ 380	12%
Europe	180	186	(4)%	-	1	(7)	187	185	1%
Asia Pacific	487	429	13%	-	-	(9)	496	429	16%
Total Revenue	<u>\$ 1,093</u>	<u>\$ 999</u>	9%	<u>\$ -</u>	<u>\$ 5</u>	<u>\$ (17)</u>	<u>\$ 1,110</u>	<u>\$ 994</u>	12%

^(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.

Restated for the recently announced organizational change to align our services business with its customers and end markets. With this change, services, which was previously reported as Services Solutions Group (SSG), is now reported as part of the Communications Solutions Group (CSG) and Electronic Industrial Solutions Group (EISG).

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		
	Q2'19	Q2'18	Percent Inc/(Dec)	Q2'19	Q2'18	Q2'19	Q2'18	Percent Inc/(Dec)
Aerospace, Defense & Government	\$ 245	\$ 254	(4)%	\$ -	\$ -	\$ 245	\$ 254	(4)%
Commercial Communications	431	372	16%	-	1	431	373	16%
Electronic Industrial	299	282	6%	-	-	299	282	6%
Ixia	115	82	43%	3	8	118	90	32%
Total Revenue	\$ 1,090	\$ 990	10%	\$ 3	\$ 9	\$ 1,093	\$ 999	9%

Restated for the recently announced organizational change to align our services business with its customers and end markets. With this change, services, which was previously reported as Services Solutions Group (SSG), is now reported as part of the Communications Solutions Group (CSG) and Electronic Industrial Solutions Group (EISG).

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

KEYSIGHT TECHNOLOGIES, INC.
RECONCILIATION OF AEROSPACE, DEFENSE & GOVERNMENT
REVENUE TO NON-GAAP CORE REVENUE
(In millions)
(Unaudited)
PRELIMINARY

	Year-over-year compare		
	Q2'19	Q2'18	Percent Inc/(Dec)
GAAP Revenue	\$ 245	\$ 254	(4)%
Less: Revenue from acquisition or divestitures included in end market results	(1)	(5)	
Currency impacts	4	-	
Non-GAAP Core Revenue	<u>\$ 248</u>	<u>\$ 249</u>	(1)%

Non-GAAP core revenue excludes impact of currency and revenue from acquisitions or divestitures closed within the last twelve months.

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

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

	Q2'19	H1'19
Net cash provided by operating activities	\$ 221	\$ 461
Less: Investments in property, plant and equipment	(29)	(60)
Free cash flow	<u>\$ 192</u>	<u>\$ 401</u>
Free cash flow as a percentage of GAAP Revenue	18%	19%
Free cash flow as a percentage of non-GAAP net income	82%	98%

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 and divested 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:

- *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 other acquisition and integration costs associated with business acquisitions that are not normal recurring operating expenses, including amortization of amounts paid to redeem acquirees’ 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.
- *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.
- *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 include net unrealized gains on equity investments still held, and significant non recurring events like goodwill impairment charges, realized gains or losses associated with our employee benefit plans, costs related to unusual disaster like Northern California wildfires, gain on sale of assets and small divestitures, separation and related costs, etc.
- *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 third fiscal quarter of 2019 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.