

Note : The updated version of this file addresses an addition of reconciliation of Return on Invested Capital (ROIC) on page 20 and a minor update in Condensed Consolidated Statement of Comprehensive Income on Page 3. No other changes or updates were made to this file.

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		Percent Inc/(Dec)
	July 31,		
	2019	2018 ^(a)	
Orders	\$ 1,110	\$ 1,007	10%
Net revenue	\$ 1,087	\$ 1,004	8%
Costs and expenses:			
Cost of products and services	444	442	–
Research and development	168	154	9%
Selling, general and administrative	281	294	(4)%
Other operating expense (income), net	(3)	(3)	–
Total costs and expenses	<u>890</u>	<u>887</u>	–
Income from operations	197	117	69%
Interest income	7	3	115%
Interest expense	(20)	(20)	1%
Other income (expense), net	<u>15</u>	<u>13</u>	23%
Income before taxes	199	113	77%
Provision (benefit) for income taxes	<u>40</u>	<u>(8)</u>	–
Net Income	<u>\$ 159</u>	<u>\$ 121</u>	32%
Net income per share:			
Basic	\$ 0.85	\$ 0.64	
Diluted	\$ 0.83	\$ 0.63	
Weighted average shares used in computing net income per share:			
Basic	188	188	
Diluted	191	191	

^(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

	Nine months ended		Percent Inc/(Dec)
	July 31,		
	2019	2018 ^(a)	
Orders	\$ 3,247	\$ 2,958	10%
Net revenue	\$ 3,183	\$ 2,831	12%
Costs and expenses:			
Cost of products and services	1,314	1,305	1%
Research and development	512	464	10%
Selling, general and administrative	869	894	(3)%
Other operating expense (income), net	(15)	(18)	(13)%
Total costs and expenses	<u>2,680</u>	<u>2,645</u>	1%
Income from operations	503	186	170%
Interest income	17	8	100%
Interest expense	(60)	(63)	(4)%
Other income (expense), net	<u>52</u>	<u>42</u>	27%
Income before taxes	512	173	196%
Provision (benefit) for income taxes	<u>86</u>	<u>(106)</u>	-
Net Income	<u>\$ 426</u>	<u>\$ 279</u>	53%
Net income per share:			
Basic	\$ 2.27	\$ 1.49	
Diluted	\$ 2.23	\$ 1.46	
Weighted average shares used in computing net income per share:			
Basic	188	187	
Diluted	191	191	

^(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		Nine months ended	
	July 31,		July 31,	
	2019	2018	2019	2018
Net income	\$ 159	\$ 121	\$ 426	\$ 279
Other comprehensive income (loss), net of tax:				
Unrealized gain (loss) on investments	-	(7)	-	(9)
Unrealized gain (loss) on derivative instruments	(1)	-	(3)	2
Amounts reclassified into earnings related to derivative instruments	-	-	1	(3)
Foreign currency translation	(4)	(29)	10	(1)
Net defined benefit pension cost and post retirement plan costs:				
Change in actuarial net loss	9	9	30	30
Change in net prior service credit	(3)	(3)	(10)	(11)
Other comprehensive income (loss)	1	(30)	28	8
Total comprehensive income	<u>\$ 160</u>	<u>\$ 91</u>	<u>\$ 454</u>	<u>\$ 287</u>

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

	July 31, 2019 (unaudited)	October 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,394	\$ 913
Accounts receivable, net	618	624
Inventory	696	619
Other current assets	227	222
Total current assets	2,935	2,378
Property, plant and equipment, net	568	555
Goodwill	1,209	1,171
Other intangible assets, net	546	645
Long-term investments	46	46
Long-term deferred tax assets	703	750
Other assets	341	279
Total assets	\$ 6,348	\$ 5,824
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term debt	\$ 500	\$ 499
Accounts payable	247	242
Employee compensation and benefits	223	276
Deferred revenue	324	334
Income and other taxes payable	48	42
Other accrued liabilities	90	69
Total current liabilities	1,432	1,462
Long-term debt	1,292	1,291
Retirement and post-retirement benefits	212	224
Long-term deferred revenue	177	127
Other long-term liabilities	297	287
Total liabilities	3,410	3,391
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; 194 million shares at July 31, 2019, and 191 million shares at October 31, 2018, issued	2	2
Treasury stock at cost; 6.2 million shares at July 31, 2019 and 4.4 million shares at October 31, 2018	(312)	(182)
Additional paid-in-capital	1,994	1,889
Retained earnings	1,714	1,212
Accumulated other comprehensive loss	(460)	(488)
Total stockholders' equity	2,938	2,433
Total liabilities and equity	\$ 6,348	\$ 5,824

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

	Three months ended		Nine months ended	
	July 31,		July 31,	
	2019	2018	2019	2018
Cash flows from operating activities:				
Net income	\$ 159	\$ 121	\$ 426	\$ 279
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	24	25	72	78
Amortization	54	51	157	155
Share-based compensation	16	14	66	48
Deferred tax expense (benefit)	16	10	14	(227)
Excess and obsolete inventory-related charges	7	9	20	20
Gain on divestiture	-	-	(1)	(8)
Other non-cash expenses (income), net	(2)	4	(4)	9
Changes in assets and liabilities:				
Accounts receivable	53	(24)	25	(55)
Inventory	(25)	(25)	(78)	(43)
Accounts payable	9	(7)	10	13
Employee compensation and benefits	(60)	(25)	(55)	(2)
Deferred revenue	18	(6)	103	65
Income taxes payable	(3)	(29)	(11)	96
Retirement and post-retirement benefits	(10)	(94)	(33)	(116)
Other assets and liabilities	18	14	24	8
Net cash provided by operating activities ^(a)	<u>274</u>	<u>38</u>	<u>735</u>	<u>320</u>
Cash flows from investing activities:				
Investments in property, plant and equipment	(30)	(40)	(90)	(98)
Acquisition of businesses and intangible assets, net of cash acquired	(90)	(5)	(90)	(5)
Proceeds from divestiture	-	-	2	12
Proceeds from the sale of investments	-	-	7	-
Other investing activities	-	-	2	-
Net cash used in investing activities	<u>(120)</u>	<u>(45)</u>	<u>(169)</u>	<u>(91)</u>
Cash flows from financing activities:				
Proceeds from issuance of common stock under employee stock plans	26	29	65	62
Payment of taxes related to net share settlement of equity awards	(2)	(2)	(26)	(18)
Payment of acquisition-related contingent consideration	-	(3)	-	(6)
Proceeds from credit facility	-	-	-	40
Repayment of debt and credit facility	-	-	-	(300)
Treasury stock repurchases	(61)	(52)	(130)	(80)
Net cash used in financing activities	<u>(37)</u>	<u>(28)</u>	<u>(91)</u>	<u>(302)</u>
Effect of exchange rate movements	(1)	(7)	4	(3)
Net increase (decrease) in cash, cash equivalents and restricted cash	116	(42)	479	(76)
Cash, cash equivalents and restricted cash at beginning of period	1,280	786	917	820
Cash, cash equivalents and restricted cash at end of period	<u>\$ 1,396</u>	<u>\$ 744</u>	<u>\$ 1,396</u>	<u>\$ 744</u>
^(a) Cash payments included in operating activities:				
Income tax payments, net	\$ (30)	\$ (11)	\$ (78)	\$ (22)
Interest payment on debt	\$ -	\$ -	\$ (38)	\$ (41)

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	\$ 683		\$ 1,982
Gross margin, %	61.1%	63.4%	62.8%		62.5%
Income from operations	\$ 138	\$ 187	\$ 190		\$ 515
Operating margin, %	22.2%	27.7%	27.8%		26.0%

	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 organizational change completed in Q1'19 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. Segment revenue and income from operations are consistent with the respective non-GAAP measures as discussed on Page 21.

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

<u>(In millions, except margins data)</u>	FY 2019				
	Q1	Q2	Q3	Q4	Total
Net revenue	\$ 257	\$ 299	\$ 295		\$ 851
Gross margin, %	58.9%	61.3%	61.5%		60.7%
Income from operations	\$ 54	\$ 78	\$ 83		\$ 215
Operating margin, %	20.9%	26.1%	28.1%		25.2%

	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 organizational change completed in Q1'19 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 21.

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	\$ 110		\$ 357
Gross margin, %	71.3%	71.5%	72.3%		71.7%
Income from operations	\$ 12	\$ 3	\$ 2		\$ 17
Operating margin, %	9.2%	2.6%	1.5%		4.6%

	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 21.

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		Nine months ended	
	July 31,		July 31,	
	2019	2018	2019	2018
Gross Profit, as reported	\$ 643	\$ 562	\$ 1,869	\$ 1,526
Amortization of acquisition-related balances	45	45	130	175
Share-based compensation	2	2	11	9
Acquisition and integration costs	-	1	(1)	4
Northern California wildfire-related costs	-	-	-	5
Restructuring and related costs	-	-	1	-
Other	-	4	-	6
Non-GAAP Gross Profit	\$ 690	\$ 614	\$ 2,010	\$ 1,725
GAAP Gross Margin	59.1%	56.0%	58.7%	53.9%
Non-GAAP Gross Margin	63.4%	60.9%	63.0%	60.2%

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

	Three months ended		Nine months ended	
	July 31,		July 31,	
	2019	2018	2019	2018
Income from operations, as reported	\$ 197	\$ 117	\$ 503	\$ 186
Amortization of acquisition-related balances	56	56	164	210
Share-based compensation	16	14	66	48
Acquisition and integration costs	3	6	5	42
Northern California wildfire-related costs	-	-	-	7
Restructuring and related costs	1	3	7	16
Other	2	8	2	4
Non-GAAP income from operations	\$ 275	\$ 204	\$ 747	\$ 513
GAAP Operating Margin	18.2%	11.7%	15.8%	6.6%
Non-GAAP Operating Margin	25.2%	20.2%	23.4%	17.9%

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 21 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		Nine months ended	
	July 31,		July 31,	
	2019	2018	2019	2018
Research & development expenses, as reported	\$ 168	\$ 154	\$ 512	\$ 464
Share-based compensation	(4)	(2)	(13)	(8)
Acquisition and integration costs	-	-	-	(2)
Northern California wildfire-related costs	-	-	-	(1)
Restructuring and related costs	-	-	-	(1)
Other	-	(1)	-	(1)
Non-GAAP Research & development expenses	\$ 164	\$ 151	\$ 499	\$ 451

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

	Three months ended		Nine months ended	
	July 31,		July 31,	
	2019	2018	2019	2018
Selling, general & administrative expenses, as reported	\$ 281	\$ 294	\$ 869	\$ 894
Amortization of acquisition-related balances	(11)	(11)	(34)	(35)
Share-based compensation	(10)	(10)	(42)	(31)
Acquisition and integration costs	(3)	(5)	(8)	(36)
Northern California wildfire-related costs	-	-	-	(1)
Restructuring and related costs	(1)	(3)	(9)	(15)
Other	(1)	(3)	(2)	(5)
Non-GAAP selling, general & administrative expenses	\$ 255	\$ 262	\$ 774	\$ 771

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

	Three months ended		Nine months ended	
	July 31,		July 31,	
	2019	2018	2019	2018
Other operating expense (income), net, as reported	\$ (3)	\$ (3)	\$ (15)	\$ (18)
Acquisition and integration costs	-	-	2	-
Restructuring and related costs	-	-	3	-
Other	(1)	-	-	8
Non-GAAP other operating expense (income), net	\$ (4)	\$ (3)	\$ (10)	\$ (10)

Reconciliation of operating expenses to non-GAAP operating expenses

	Three months ended		Nine months ended	
	July 31,		July 31,	
	2019	2018	2019	2018
Operating expenses, as reported	\$ 446	\$ 445	\$ 1,366	\$ 1,340
Amortization of acquisition-related balances	(11)	(11)	(34)	(35)
Share-based compensation	(14)	(12)	(55)	(39)
Acquisition and integration costs	(3)	(5)	(6)	(38)
Northern California wildfire-related costs	-	-	-	(2)
Restructuring and related costs	(1)	(3)	(6)	(16)
Other	(2)	(4)	(2)	2
Non-GAAP operating expenses	\$ 415	\$ 410	\$ 1,263	\$ 1,212

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 21 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 July 31,				Nine months ended July 31,			
	2019		2018		2019		2018	
	Net Income	Diluted EPS	Net Income	Diluted EPS	Net Income	Diluted EPS	Net Income	Diluted EPS
GAAP Net income	\$ 159	\$ 0.83	\$ 121	\$ 0.63	\$ 426	\$ 2.23	\$ 279	\$ 1.46
Non-GAAP adjustments:								
Amortization of acquisition-related balances	56	0.30	56	0.30	164	0.86	210	1.10
Share-based compensation	16	0.08	14	0.07	66	0.35	48	0.25
Acquisition and integration costs	3	0.02	6	0.03	6	0.03	42	0.22
Northern California wildfire-related costs	-	-	-	-	-	-	7	0.04
Restructuring and related costs	1	0.01	3	0.02	7	0.03	16	0.09
Other	(3)	(0.03)	8	0.04	(18)	(0.09)	4	0.02
Adjustment for taxes ^(a)	7	0.04	(38)	(0.20)	(3)	(0.01)	(181)	(0.95)
Non-GAAP Net income	<u>\$ 239</u>	<u>\$ 1.25</u>	<u>\$ 170</u>	<u>\$ 0.89</u>	<u>\$ 648</u>	<u>\$ 3.40</u>	<u>\$ 425</u>	<u>\$ 2.23</u>
Weighted average shares outstanding - diluted	191		191		191		191	

^(a) For the three and nine months ended July 31, 2019 and July 31, 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 21 for discussion on our non-GAAP financial measures.

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

	Q4'19 Guidance		Year-over-year compare			Year-over-year compare		
	Low end	High end	Q3'19	Q3'18	Percent Inc/(Dec)	Q3'19 YTD	Q3'18 YTD	Percent Inc/(Dec)
GAAP Revenue	\$ 1,078	\$ 1,098	\$ 1,087	\$ 1,004	8%	\$ 3,183	\$ 2,831	12%
Amortization of acquisition-related balances	2	2	1	4		7	32	
Non-GAAP Revenue	<u>\$ 1,080</u>	<u>\$ 1,100</u>	\$ 1,088	\$ 1,008	8%	\$ 3,190	\$ 2,863	11%
Less: Revenue from acquisitions or divestitures included in segment results			(8)	(6)		(9)	(17)	
Currency impacts			8	-		34	-	
Non-GAAP Core Revenue			<u>\$ 1,088</u>	<u>\$ 1,002</u>	9%	<u>\$ 3,215</u>	<u>\$ 2,846</u>	13%

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

Please refer page 21 for discussion on our non-GAAP financial measures.

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

Keysight

	<u>Q3'18</u>	<u>Q4'18</u>	<u>Q1'19</u>	<u>Q2'19</u>	<u>Q3'19</u>
GAAP Revenue	\$ 1,004	\$ 1,047	\$ 1,006	\$ 1,090	\$ 1,087
Amortization of acquisition-related balances	4	4	3	3	1
Non-GAAP/Segment Revenue	<u>\$ 1,008</u>	<u>\$ 1,051</u>	<u>\$ 1,009</u>	<u>\$ 1,093</u>	<u>\$ 1,088</u>

Communications Solutions Group

	<u>Q3'18</u>	<u>Q4'18</u>	<u>Q1'19</u>	<u>Q2'19</u>	<u>Q3'19</u>
GAAP Revenue	\$ 604	\$ 661	\$ 623	\$ 676	\$ 683
Amortization of acquisition-related balances	-	-	-	-	-
Segment Revenue	<u>\$ 604</u>	<u>\$ 661</u>	<u>\$ 623</u>	<u>\$ 676</u>	<u>\$ 683</u>

Electronic Industrial Solutions Group

	<u>Q3'18</u>	<u>Q4'18</u>	<u>Q1'19</u>	<u>Q2'19</u>	<u>Q3'19</u>
GAAP Revenue	\$ 285	\$ 275	\$ 257	\$ 299	\$ 295
Amortization of acquisition-related balances	-	-	-	-	-
Segment Revenue	<u>\$ 285</u>	<u>\$ 275</u>	<u>\$ 257</u>	<u>\$ 299</u>	<u>\$ 295</u>

Ixia Solutions Group

	<u>Q3'18</u>	<u>Q4'18</u>	<u>Q1'19</u>	<u>Q2'19</u>	<u>Q3'19</u>
GAAP Revenue	\$ 115	\$ 111	\$ 126	\$ 115	\$ 109
Amortization of acquisition-related balances	4	4	3	3	1
Segment Revenue	<u>\$ 119</u>	<u>\$ 115</u>	<u>\$ 129</u>	<u>\$ 118</u>	<u>\$ 110</u>

Restated for the organizational change completed in Q1'19 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 21.

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

Keysight

	<u>Q3'18</u>	<u>Q4'18</u>	<u>Q1'19</u>	<u>Q2'19</u>	<u>Q3'19</u>
GAAP Revenue	\$ 1,004	\$ 1,047	\$ 1,006	\$ 1,090	\$ 1,087
Amortization of acquisition-related balances	4	4	3	3	1
Non-GAAP Revenue	<u>\$ 1,008</u>	<u>\$ 1,051</u>	<u>\$ 1,009</u>	<u>\$ 1,093</u>	<u>\$ 1,088</u>

Americas

	<u>Q3'18</u>	<u>Q4'18</u>	<u>Q1'19</u>	<u>Q2'19</u>	<u>Q3'19</u>
GAAP Revenue	\$ 403	\$ 423	\$ 403	\$ 425	\$ 443
Amortization of acquisition-related balances	2	2	2	1	1
Non-GAAP Revenue	<u>\$ 405</u>	<u>\$ 425</u>	<u>\$ 405</u>	<u>\$ 426</u>	<u>\$ 444</u>

Europe

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

Asia Pacific

	<u>Q3'18</u>	<u>Q4'18</u>	<u>Q1'19</u>	<u>Q2'19</u>	<u>Q3'19</u>
GAAP Revenue	\$ 416	\$ 437	\$ 425	\$ 486	\$ 462
Amortization of acquisition-related balances	-	-	-	1	-
Non-GAAP Revenue	<u>\$ 416</u>	<u>\$ 437</u>	<u>\$ 425</u>	<u>\$ 487</u>	<u>\$ 462</u>

Please refer Page 21 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			YoY % Chg.
	Q3'19	Q3'18	YoY % Chg.	Q3'19	Q3'18	Q3'19	Q3'18	YoY % Chg.	
Communications Solutions Group	\$ 683	\$ 604	13%	\$ -	\$ -	\$ 683	\$ 604	13%	
Electronic Industrial Solutions Group	295	285	3%	-	-	295	285	3%	
Ixia Solutions Group	109	115	(6)%	1	4	110	119	(7)%	
Keysight	<u>\$ 1,087</u>	<u>\$ 1,004</u>	8%	<u>\$ 1</u>	<u>\$ 4</u>	<u>\$ 1,088</u>	<u>\$ 1,008</u>	8%	

Revenue by Region	GAAP Revenue			Amortization of acquisition-related balances		Non-GAAP Revenue			YoY % Chg.
	Q3'19	Q3'18	YoY % Chg.	Q3'19	Q3'18	Q3'19	Q3'18	YoY % Chg.	
Americas	\$ 443	\$ 403	10%	\$ 1	\$ 2	\$ 444	\$ 405	10%	
Europe	182	185	(2)%	-	2	182	187	(3)%	
Asia Pacific	462	416	11%	-	-	462	416	11%	
Total Revenue	<u>\$ 1,087</u>	<u>\$ 1,004</u>	8%	<u>\$ 1</u>	<u>\$ 4</u>	<u>\$ 1,088</u>	<u>\$ 1,008</u>	8%	

Restated for the organizational change completed in Q1'19 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 21 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 or divestitures		Currency Adjustments ^(a)	Non-GAAP Core Revenue		
	Q3'19	Q3'18	YoY % Chg.	Q3'19	Q3'18	Q3'19	Q3'19	Q3'18	YoY % Chg.
	Communications Solutions Group	\$ 683	\$ 604	13%	\$ 8	\$ 6	\$ (5)	\$ 680	\$ 598
Electronic Industrial Solutions Group	295	285	3%	-	-	(3)	298	285	4%
Ixia Solutions Group	110	119	(7)%	-	-	-	110	119	(7)%
Keysight	\$ 1,088	\$ 1,008	8%	\$ 8	\$ 6	\$ (8)	\$ 1,088	\$ 1,002	9%

Revenue by Region	Non-GAAP Revenue			Revenue from acquisitions or divestitures		Currency Adjustments ^(a)	Non-GAAP Core Revenue		
	Q3'19	Q3'18	YoY % Chg.	Q3'19	Q3'18	Q3'19	Q3'19	Q3'18	YoY % Chg.
	Americas	\$ 444	\$ 405	10%	\$ -	\$ 5	\$ -	\$ 444	\$ 400
Europe	182	187	(3)%	8	1	(4)	178	186	(5)%
Asia Pacific	462	416	11%	-	-	(4)	466	416	12%
Total Revenue	\$ 1,088	\$ 1,008	8%	\$ 8	\$ 6	\$ (8)	\$ 1,088	\$ 1,002	9%

^(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 organizational change completed in Q1'19 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 21 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			Amortization of acquisition-related balances		Non-GAAP Revenue		
	Q3'19	Q3'18	Percent Inc/(Dec)	Q3'19	Q3'18	Q3'19	Q3'18	Percent Inc/(Dec)
Aerospace, Defense & Government	\$ 243	\$ 246	(1)%	\$ -	\$ -	\$ 243	\$ 246	(1)%
Commercial Communications	440	358	23%	-	-	440	358	23%
Electronic Industrial	295	285	3%	-	-	295	285	3%
Ixia	109	115	(6)%	1	4	110	119	(7)%
Total Revenue	\$ 1,087	\$ 1,004	8%	\$ 1	\$ 4	\$ 1,088	\$ 1,008	8%

Restated for the organizational change completed in Q1'19 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 21 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

	<u>Year-over-year compare</u>		
	<u>Q3'19</u>	<u>Q3'18</u>	<u>Percent Inc/(Dec)</u>
GAAP Revenue	\$ 243	\$ 246	(1)%
Less: Revenue from acquisitions or divestitures included in end market results	-	(6)	
Currency impacts	2	-	
Non-GAAP Core Revenue	<u>\$ 245</u>	<u>\$ 240</u>	2%

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

Please refer page 21 for discussion on our non-GAAP financial measures.

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

	<u>Q3'19</u>
Net cash provided by operating activities	\$ 274
Less: Investments in property, plant and equipment	<u>(30)</u>
Free cash flow	<u>\$ 244</u>
Free cash flow as a percentage of GAAP Revenue	22%
Free cash flow as a percentage of non-GAAP net income	102%

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.

KEYSIGHT TECHNOLOGIES, INC.
RECONCILIATION OF RETURN ON INVESTED CAPITAL (ROIC)
(In millions)
(Unaudited)
PRELIMINARY

	Q3'19 LTM^(a)
Numerator:	
Non-GAAP Net income	\$ 841
Add: net interest expense	52
Non-GAAP net income adjusted for net interest expense	\$ 893
Denominator:	
Assets ^(b)	\$ 5,096
Less: Net current liabilities ^(c)	(1,533)
Invested capital	\$ 3,563
 ROIC	 25%

ROIC calculation = (Non-GAAP net income adjusted for net interest expense)/(average of the total invested capital)

^(a) LTM- Q4'18-Q3'19

^(b) Primarily excludes cash and cash equivalents, goodwill impairment and other unallocated assets.

^(c) Primarily excludes income and other taxes payable and other unallocated liabilities.

We acknowledge that ROIC may not be calculated the same way by every company. When we complete major acquisitions, we may adjust invested capital for the relevant segment in the quarter when the acquisition occurred. We compensate for this limitation by monitoring and providing to the reader a full GAAP income statement and balance sheet.

Please refer Page 21 for discussion on our non-GAAP financial measures.

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 acquires’ 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 fourth 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.