

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

	Three Months Ended January 31,	
	2019	2018 ^(a)
Net revenue	\$ 1,284	\$ 1,211
Costs and expenses:		
Cost of products and services	577	541
Research and development	102	94
Selling, general and administrative	355	347
Total costs and expenses	1,034	982
Income from operations	250	229
Interest income	10	9
Interest expense	(18)	(20)
Other income (expense), net	6	15
Income before taxes	248	233
Provision for (benefit from) income taxes	(256)	553
Net income (loss)	\$ 504	\$ (320)
Net income (loss) per share:		
Basic	\$ 1.58	\$ (0.99)
Diluted	\$ 1.57	\$ (0.99)
Weighted average shares used in computing net income (loss) per share:		
Basic	318	323
Diluted	322	323
Cash dividends declared per common share	\$ 0.164	\$ 0.149

^(a) Adjusted to include the impact of the adoption of ASU 2017-07 (pension expense reclassification) as of 11/1/2018. There is no impact to net loss or net loss per share.

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

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

	<u>January 31,</u> <u>2019</u>	<u>October 31,</u> <u>2018</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,057	\$ 2,247
Accounts receivable, net	833	776
Inventory	653	638
Other current assets	169	187
Total current assets	3,712	3,848
Property, plant and equipment, net	829	822
Goodwill and other intangible assets, net	3,699	3,464
Long-term investments	77	68
Other assets	635	339
Total assets	\$ 8,952	\$ 8,541
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 315	\$ 340
Employee compensation and benefits	237	304
Deferred revenue	346	324
Other accrued liabilities	197	203
Total current liabilities	1,095	1,171
Long-term debt	1,798	1,799
Retirement and post-retirement benefits	238	239
Other long-term liabilities	785	761
Total liabilities	3,916	3,970
Total Equity:		
Stockholders' equity:		
Preferred stock; \$0.01 par value; 125 million shares authorized; none issued and outstanding	—	—
Common stock; \$0.01 par value, 2 billion shares authorized; 318 million shares at January 31, 2019 and 318 million shares at October 31, 2018, issued	3	3
Additional paid-in-capital	5,324	5,308
Retained earnings (accumulated deficit)	90	(336)
Accumulated other comprehensive loss	(381)	(408)
Total stockholders' equity	5,036	4,567
Non-controlling interest	—	4
Total equity	5,036	4,571
Total liabilities and equity	\$ 8,952	\$ 8,541

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

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

	Three Months Ended	
	January 31,	January 31,
	2019	2018
Cash flows from operating activities:		
Net income (loss)	\$ 504	\$ (320)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	54	51
Share-based compensation	24	31
Excess and obsolete inventory related charges	4	5
Other non-cash expenses, net	3	1
Changes in assets and liabilities:		
Accounts receivable, net	(22)	(5)
Inventory	(12)	(34)
Accounts payable	(16)	(3)
Employee compensation and benefits	(71)	(62)
Change in assets and liabilities due to Tax Act	—	533
Other assets and liabilities	(255)	18
Net cash provided by operating activities ^(a)	213	215
Cash flows from investing activities:		
Investments in property, plant and equipment	(39)	(60)
Payment to acquire fair value investments	(2)	(1)
Payment in exchange for convertible note	(1)	—
Acquisition of businesses and intangible assets, net of cash acquired	(248)	(6)
Net cash used in investing activities	(290)	(67)
Cash flows from financing activities:		
Issuance of common stock under employee stock plans	22	25
Payment of taxes related to net share settlement of equity awards	(13)	(28)
Payment of dividends	(52)	(48)
Proceeds from revolving credit facility	—	274
Repayment of debt and revolving credit facility	—	(139)
Purchase of non-controlling interest	(4)	—
Treasury stock repurchases	(75)	(47)
Net cash provided by (used in) financing activities	(122)	37
Effect of exchange rate movements	9	25
Net increase (decrease) in cash, cash equivalents and restricted cash	(190)	210
Cash, cash equivalents and restricted cash at beginning of period	2,254	2,686
Cash, cash equivalents and restricted cash at end of period	\$ 2,064	\$ 2,896
Reconciliation of cash, cash equivalents and restricted cash to the condensed consolidated balance sheet:		
Cash and cash equivalents	\$ 2,057	\$ 2,887
Restricted cash, included in other assets	7	9
Total cash, cash equivalents and restricted cash	\$ 2,064	\$ 2,896

^(a) Cash payments included in operating activities:

Income tax payments (refunds), net	\$ 21	\$ 32
Interest payments	\$ 25	\$ 29

The preliminary cash flow is estimated based on our current information.

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

	Three Months Ended January 31,			
	2019	Diluted EPS	2018	Diluted EPS
GAAP net income (loss)	\$ 504	\$ 1.57	\$ (320)	\$ (0.99) ^(b)
Non-GAAP adjustments:				
Intangible amortization	28	0.09	25	0.08
Transformational initiatives	5	0.02	4	0.01
Acquisition and integration costs	10	0.03	3	0.01
Pension settlement gain	—	—	(5)	(0.01)
NASD site costs	2	0.01	2	0.01
Special compliance costs	—	—	1	—
Other	1	—	1	—
Adjustment for Tax Reform	—	—	533	1.63
Tax benefit on intra-entity asset transfer	(299)	(0.93)	—	—
Adjustment for taxes ^(a)	(7)	(0.03)	(28)	(0.08)
Non-GAAP net income	<u>\$ 244</u>	<u>\$ 0.76</u>	<u>\$ 216</u>	<u>\$ 0.66</u> ^(c)

^(a) The adjustment for taxes excludes tax benefits that management believes are not directly related to on-going operations and which are either isolated or cannot be expected to occur again with any regularity or predictability. For the three months ended January 31, 2019 and 2018, management used a non-GAAP effective tax rate of 17% and 18%, respectively.

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

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

We provide non-GAAP net income and non-GAAP net income per share amounts in order to provide meaningful supplemental information regarding our operational performance and our prospects for the future. These supplemental measures exclude, among other things, charges related to amortization of intangibles, transformational initiatives, acquisition and integration costs, pension settlement gain, NASD site costs, special compliance costs, adjustment for Tax Reform, and tax benefit on intra-entity asset transfer.

Transformational initiatives include expenses associated with targeted cost reduction activities such as manufacturing transfers including costs to move manufacturing due to new tariffs and tariff remediation actions, small site consolidations, legal entity and other business reorganizations, insourcing or outsourcing of activities. Such costs may include move and relocation costs, one-time termination benefits and other one-time reorganization costs. Included in this category are also expenses associated with company programs to transform our product lifecycle management (PLM) system, human resources and financial systems.

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

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

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

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

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

Adjustment for Tax Reform primarily consists of an estimated provision of \$480 million for U.S. transition tax and correlative items on deemed repatriated earnings of non-U.S. subsidiaries and an estimated provision of \$53 million associated with the decrease in the U.S. corporate tax rate from 35% to 21% and its impact on our U.S. deferred tax assets and liabilities. The taxes payable associated with the transition tax, net of tax attributes, on deemed repatriation of foreign earnings is approximately \$440 million, payable over 8 years.

Tax benefit on intra-entity asset transfer relates to our operations in Singapore along with our application of the new accounting rules for income tax consequences of intra-entity transfer of assets as adopted on November 1, 2018.

Our management uses non-GAAP measures to evaluate the performance of our core businesses, to estimate future core performance and to compensate employees. Since management finds this measure to be useful, we believe that our investors benefit from seeing our results "through the eyes" of management in addition to seeing our GAAP results. This information facilitates our management's internal comparisons to our historical operating results as well as to the operating results of our competitors.

Our management recognizes that items such as amortization of intangibles can have a material impact on our cash flows and/or our net income. Our GAAP financial statements including our statement of cash flows portray those effects. Although we believe it is useful for investors to see core performance free of special items, investors should understand that the excluded items are actual expenses that may impact the cash available to us for other uses. To gain a complete picture of all effects on the company's profit and loss from any and all events, management does (and investors should) rely upon the GAAP income statement. The non-GAAP numbers focus instead upon the core business of the company, which is only a subset, albeit a critical one, of the company's performance.

Readers are reminded that non-GAAP numbers are merely a supplement to, and not a replacement for, GAAP financial measures. They should be read in conjunction with the GAAP financial measures. It should be noted as well that our non-GAAP information may be different from the non-GAAP information provided by other companies.

The preliminary non-GAAP net income and diluted EPS reconciliation is estimated based on our current information.

AGILENT TECHNOLOGIES, INC.
SEGMENT INFORMATION
(In millions, except where noted)
(Unaudited)
PRELIMINARY

Life Sciences and Applied Markets Group

	<u>Q1'19</u>	<u>Q1'18</u>
Revenue	\$ 607	\$ 596
Gross Margin, %	62.1%	62.1%
Income from Operations	\$ 159	\$ 154
Operating margin, %	26.1%	25.9%

Diagnostics and Genomics Group

	<u>Q1'19</u>	<u>Q1'18</u>
Revenue	\$ 235	\$ 207
Gross Margin, %	54.0%	54.2%
Income from Operations	\$ 33	\$ 24
Operating margin, %	14.0%	11.7%

Agilent CrossLab Group

	<u>Q1'19</u>	<u>Q1'18</u>
Revenue	\$ 442	\$ 408
Gross Margin, %	51.3%	50.4%
Income from Operations	\$ 105	\$ 87
Operating margin, %	23.9%	21.2%

Income from operations reflect the results of our reportable segments under Agilent's management reporting system which are not necessarily in conformity with GAAP financial measures. Income from operations of our reporting segments exclude, among other things, charges related to amortization of intangibles, transformational initiatives, acquisition and integration costs, pension settlement gain, NASD site costs, and special compliance costs.

Readers are reminded that non-GAAP numbers are merely a supplement to, and not a replacement for, GAAP financial measures. They should be read in conjunction with the GAAP financial measures. It should be noted as well that our non-GAAP information may be different from the non-GAAP information provided by other companies.

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

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

	Year-over-Year						
GAAP Revenue by Segment	GAAP		Year-over-Year				
	Q1'19	Q1'18	% Change	Year-over-Year	Percentage Point	Current Quarter	
Life Sciences and Applied Markets Group	\$ 607	\$ 596	2%			\$	(11)
Diagnostics and Genomics Group	235	207	13%				(4)
Agilent CrossLab Group	442	408	8%				(12)
Agilent	<u>\$ 1,284</u>	<u>\$ 1,211</u>	6%			<u>\$</u>	<u>(27)</u>

Non GAAP Revenue by Segment	Non-GAAP (excluding Acquisitions & Divestitures)			Year-over-Year at Constant Currency ^(a)		Current Quarter Currency Impact ^(b)
	Q1'19	Q1'18	Year-over-Year % Change	Year-over-Year % Change	Percentage Point Impact from Currency	
Life Sciences and Applied Markets Group	\$ 593	\$ 596	—	1%	-1 ppt	\$ (11)
Diagnostics and Genomics Group	229	207	10%	12%	-2 ppts	(4)
Agilent CrossLab Group	436	408	7%	10%	-3 ppts	(12)
Agilent (Core)	<u>\$ 1,258</u>	<u>\$ 1,211</u>	4%	6%	-2 ppts	<u>\$ (27)</u>

We compare the year-over-year change in revenue excluding the effect of recent acquisitions and divestitures and foreign currency rate fluctuations to assess the performance of our underlying business.

^(a) The constant currency year-over-year growth percentage is calculated by recalculating all periods in the comparison period at the foreign currency exchange rates used for accounting during the last month of the current quarter, and then using those revised values to calculate the year-over-year percentage change.

^(b) The dollar impact from the current quarter currency impact is equal to the total year-over-year dollar change less the constant currency year-over-year change.

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