

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

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2019	2018 ^(a)	2019	2018 ^(a)
Net revenue	\$ 1,274	\$ 1,203	\$ 3,796	\$ 3,620
Costs and expenses:				
Cost of products and services	582	544	1,728	1,648
Research and development	101	97	302	283
Selling, general and administrative	366	341	1,075	1,029
Total costs and expenses	<u>1,049</u>	<u>982</u>	<u>3,105</u>	<u>2,960</u>
Income from operations	225	221	691	660
Interest income	10	9	30	28
Interest expense	(18)	(18)	(53)	(57)
Other income (expense), net	<u>5</u>	<u>30</u>	<u>20</u>	<u>71</u>
Income before taxes	222	242	688	702
Provision (benefit) for income taxes	31	6	(189)	581
Net income	<u>\$ 191</u>	<u>\$ 236</u>	<u>\$ 877</u>	<u>\$ 121</u>
Net income per share:				
Basic	\$ 0.61	\$ 0.74	\$ 2.78	\$ 0.38
Diluted	\$ 0.60	\$ 0.73	\$ 2.74	\$ 0.37
Weighted average shares used in computing net income per share:				
Basic	312	320	316	322
Diluted	316	324	320	326

^(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 income or net income 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

	July 31, 2019	October 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,765	\$ 2,247
Accounts receivable, net	856	776
Inventory	660	638
Other current assets	176	187
Total current assets	<u>3,457</u>	<u>3,848</u>
Property, plant and equipment, net	839	822
Goodwill and other intangible assets, net	3,618	3,464
Long-term investments	99	68
Other assets	612	339
Total assets	<u><u>\$ 8,625</u></u>	<u><u>\$ 8,541</u></u>
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 316	\$ 340
Employee compensation and benefits	270	304
Deferred revenue	344	324
Short-term debt	504	—
Other accrued liabilities	188	203
Total current liabilities	<u>1,622</u>	<u>1,171</u>
Long-term debt	1,294	1,799
Retirement and post-retirement benefits	225	239
Other long-term liabilities	737	761
Total liabilities	<u>3,878</u>	<u>3,970</u>
Total Equity:		
Stockholders' equity:		
Preferred stock; \$0.01 par value; 125 million shares authorized; none issued and outstanding	—	—
Common stock; \$0.01 par value, 2 billion shares authorized; 310 million shares at July 31, 2019 and 318 million shares at October 31, 2018, issued	3	3
Additional paid-in-capital	5,270	5,308
Accumulated deficit	(122)	(336)
Accumulated other comprehensive loss	(404)	(408)
Total stockholders' equity	<u>4,747</u>	<u>4,567</u>
Non-controlling interest	—	4
Total equity	<u>4,747</u>	<u>4,571</u>
Total liabilities and equity	<u><u>\$ 8,625</u></u>	<u><u>\$ 8,541</u></u>

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

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

	Nine Months Ended	
	July 31, 2019	July 31, 2018
Cash flows from operating activities:		
Net income	\$ 877	\$ 121
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	162	154
Share-based compensation	57	56
Excess and obsolete inventory related charges	12	22
Other non-cash (income) expenses, net	4	(13)
Changes in assets and liabilities:		
Accounts receivable, net	(58)	(9)
Inventory	(31)	(66)
Accounts payable	—	(9)
Employee compensation and benefits	(35)	(24)
Change in assets and liabilities due to Tax Act	—	533
Other assets and liabilities	(281)	(50)
Net cash provided by operating activities ^(a)	707	715
Cash flows from investing activities:		
Investments in property, plant and equipment	(125)	(141)
Payment to acquire fair value investments	(21)	(11)
Payment in exchange for convertible note	(2)	(2)
Payment to acquire intangible assets	(1)	—
Acquisition of businesses and intangible assets, net of cash acquired	(248)	(437)
Net cash used in investing activities	(397)	(591)
Cash flows from financing activities:		
Issuance of common stock under employee stock plans	52	53
Payment of taxes related to net share settlement of equity awards	(15)	(29)
Payment of dividends	(155)	(144)
Proceeds from revolving credit facility	—	483
Repayment of revolving credit facility	—	(593)
Repayment of debt	—	(100)
Purchase of non-controlling interest	(4)	—
Treasury stock repurchases	(674)	(336)
Net cash used in financing activities	(796)	(666)
Effect of exchange rate movements	3	(5)
Net decrease in cash, cash equivalents and restricted cash	(483)	(547)
Cash, cash equivalents and restricted cash at beginning of period	2,254	2,686
Cash, cash equivalents and restricted cash at end of period	\$ 1,771	\$ 2,139

Reconciliation of cash, cash equivalents and restricted cash to the condensed consolidated balance sheet:

Cash and cash equivalents	\$ 1,765	\$ 2,131
Restricted cash, included in other assets	6	8
Total cash, cash equivalents and restricted cash	\$ 1,771	\$ 2,139

^(a) Cash payments included in operating activities:

Income tax payments (refunds), net	\$ 108	\$ 86
Interest payments	\$ 61	\$ 68

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 July 31,				Nine Months Ended July 31,			
	2019	Diluted EPS	2018	Diluted EPS	2019	Diluted EPS	2018	Diluted EPS
GAAP net income	\$ 191	\$ 0.60	\$ 236	\$ 0.73	\$ 877	\$ 2.74	\$ 121	\$ 0.37
Non-GAAP adjustments:								
Intangible amortization	25	0.08	26	0.08	79	0.25	76	0.23
Business exit and divestiture costs	—	—	1	—	—	—	9	0.03
Transformational initiatives	11	0.03	5	0.02	25	0.08	14	0.04
Acquisition and integration costs	12	0.04	7	0.02	32	0.10	14	0.04
Pension settlement gain	—	—	—	—	—	—	(5)	(0.02)
Gain on step acquisition of Lasergen	—	—	(20)	(0.06)	—	—	(20)	(0.06)
NASD site costs	6	0.02	2	0.01	12	0.04	6	0.02
Special compliance costs	1	—	1	—	2	0.01	3	0.01
Other	11	0.03	1	—	17	0.05	(12)	(0.03)
Adjustment for Tax Reform	—	—	—	—	—	—	533	1.63
Tax benefit on intra-entity asset transfer	—	—	—	—	(299)	(0.93)	—	—
Adjustment for taxes ^(a)	(17)	(0.04)	(42)	(0.13)	(33)	(0.11)	(94)	(0.28)
Non-GAAP net income	<u>\$ 240</u>	<u>\$ 0.76</u>	<u>\$ 217</u>	<u>\$ 0.67</u>	<u>\$ 712</u>	<u>\$ 2.23</u>	<u>\$ 645</u>	<u>\$ 1.98</u>

^(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 and nine months ended July 31, 2019, management used a non-GAAP effective tax rate of 16.67% and 16.75%, respectively. In the same periods last year, management used a non-GAAP effective tax rate of 18%.

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, business exit and divestiture costs, transformational initiatives, acquisition and integration costs, pension settlement gain, gain on step acquisition of Lasergen, NASD site costs, special compliance costs, adjustment for Tax Reform, and tax benefit on intra-entity asset transfer.

Business exit and divestiture costs include costs associated with business divestitures.

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.

Gain on step acquisition of Lasergen resulted from the measurement at fair value of our equity interest held at the date of business combination.

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>Q3'19</u>	<u>Q3'18</u>
Revenue	\$ 544	\$ 540
Gross Margin, %	60.5%	61.3%
Income from Operations	\$ 118	\$ 122
Operating margin, %	21.7%	22.7%

Diagnostics and Genomics Group

	<u>Q3'19</u>	<u>Q3'18</u>
Revenue	\$ 263	\$ 237
Gross Margin, %	55.7%	56.8%
Income from Operations	\$ 50	\$ 43
Operating margin, %	19.1%	18.0%

Agilent CrossLab Group

	<u>Q3'19</u>	<u>Q3'18</u>
Revenue	\$ 467	\$ 426
Gross Margin, %	52.1%	50.1%
Income from Operations	\$ 122	\$ 98
Operating margin, %	26.2%	23.1%

Income from operations reflect the results of our reportable segments under Agilent's management reporting system which are not necessarily in conformity with GAAP financial measures. Income from operations of our reporting segments exclude, among other things, charges related to amortization of intangibles, business exit and divestiture costs, transformational initiatives, acquisition and integration costs, gain on step acquisition of Lasergen, 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								
<u>GAAP Revenue by Segment</u>	Q3'19	Q3'18	Year-over-Year % Change						
Life Sciences and Applied Markets Group	\$ 544	\$ 540	1%						
Diagnostics and Genomics Group	263	237	11%						
Agilent CrossLab Group	467	426	10%						
Agilent	<u>\$ 1,274</u>	<u>\$ 1,203</u>	6%						
	Non-GAAP (excluding Acquisitions & Divestitures)			Year-over-Year at Constant Currency ^(a)					
<u>Non GAAP Revenue by Segment</u>	Q3'19	Q3'18	Year-over-Year % Change	Year-over-Year % Change	Percentage Point Impact from Currency		Current Quarter Currency Impact ^(b)		
Life Sciences and Applied Markets Group	\$ 532	\$ 540	(2%)	—	-2 pts		\$ (7)		
Diagnostics and Genomics Group	263	237	11%	13%	-2 pts		(4)		
Agilent CrossLab Group	460	426	8%	11%	-3 pts		(11)		
Agilent (Core)	<u>\$ 1,255</u>	<u>\$ 1,203</u>	4%	6%	-2 pts		<u>\$ (22)</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.