

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

	Three Months Ended January 31,		Percent Inc/(Dec)
	2015	2014	
Orders	\$ 691	\$ 699	(1%)
Net revenue	\$ 701	\$ 671	4%
Costs and expenses:			
Cost of products and services	318	299	6%
Research and development	96	90	7%
Selling, general and administrative	206	191	8%
Total costs and expenses	<u>620</u>	<u>580</u>	7%
Income from operations	81	91	(11%)
Interest expense	(12)	-	—
Other income (expense), net	<u>9</u>	<u>1</u>	800%
Income before taxes	78	92	(15%)
Provision for income taxes	<u>8</u>	<u>18</u>	(56%)
Net income	<u>\$ 70</u>	<u>\$ 74</u>	(5%)
Net income per share:			
Basic	\$ 0.42	\$ 0.44	
Diluted	\$ 0.41	\$ 0.44	
Weighted average shares used in computing net income per share: ^(a)			
Basic	168	167	
Diluted	170	167	

(a) On November 1, 2014, Agilent Technologies, Inc. distributed 167 million shares of Keysight common stock to existing holders of Agilent common stock. Basic and diluted net income per share for all periods through January 31, 2014 is calculated using the shares distributed on November 1, 2014.

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

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

	Three Months Ended	
	January 31,	
	2015	2014
Net income	\$ 70	\$ 74
Other comprehensive income (loss), net of tax:		
Unrealized gain (loss) on investments	-	(2)
Unrealized gain (loss) on derivative instruments	(3)	-
Amounts reclassified into earnings related to derivative instruments	(1)	-
Foreign currency translation	(30)	(12)
Net defined benefit pension cost and post retirement plan costs:		
Amortization of actuarial net loss	8	-
Amortization of net prior service benefit	(4)	-
Other comprehensive loss	<u>(30)</u>	<u>(14)</u>
Total comprehensive income	<u>\$ 40</u>	<u>\$ 60</u>

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

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

	January 31, 2015	October 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 887	\$ 810
Accounts receivable, net	309	357
Receivable from Agilent	1	23
Inventory	491	498
Deferred tax assets	82	83
Other current assets	108	79
Total current assets	<u>1,878</u>	<u>1,850</u>
Property, plant and equipment, net	455	470
Goodwill	381	392
Other intangible assets, net	16	18
Long-term investments	59	63
Long-term deferred tax assets	135	163
Other assets	91	94
Total assets	<u><u>\$ 3,015</u></u>	<u><u>\$ 3,050</u></u>
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 158	\$ 173
Payable to Agilent	64	125
Employee compensation and benefits	146	167
Deferred revenue	176	175
Income and other taxes payable	60	72
Other accrued liabilities	82	57
Total current liabilities	<u>686</u>	<u>769</u>
Long-term debt	1,099	1,099
Retirement and post-retirement benefits	187	213
Long-term deferred revenue	66	69
Other long-term liabilities	59	131
Total liabilities	<u>2,097</u>	<u>2,281</u>
Total Equity:		
Preferred stock; \$0.01 par value; 100 million shares authorized; none issued and outstanding	-	-
Common stock; \$0.01 par value, 1 billion shares authorized; 168 million shares at January 31, 2015 and 167 million shares at October 31, 2014, issued and outstanding	2	2
Additional paid-in-capital	1,111	1,002
Retained earnings	171	101
Accumulated other comprehensive loss	(366)	(336)
Total stockholders' equity	<u>918</u>	<u>769</u>
Total liabilities and equity	<u><u>\$ 3,015</u></u>	<u><u>\$ 3,050</u></u>

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

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

	Three Months Ended January 31, 2015
Cash flows from operating activities:	
Net income	\$ 70
Adjustments to reconcile net income to net cash provided by (used in) operating activities:	
Depreciation and amortization	23
Share-based compensation	29
Excess tax benefit from share-based plans	(3)
Deferred taxes	(1)
Excess and obsolete inventory and inventory related charges	10
Other non-cash expenses, net	(1)
Changes in assets and liabilities:	
Accounts receivable	36
Inventory	(5)
Accounts payable	(13)
Payment to Agilent, net	(14)
Employee compensation and benefits	(22)
Other assets and liabilities	(17)
Net cash provided by operating activities ^(a)	92
Cash flows from investing activities:	
Investments in property, plant and equipment	(15)
Proceeds from sale of investment securities	1
Net cash used in investing activities	(14)
Cash flows from financing activities:	
Issuance of common stock under employee stock plans	4
Excess tax benefit from share-based plans	3
Net cash provided by financing activities	7
Effect of exchange rate movements	(8)
Net increase in cash and cash equivalents	77
Cash and cash equivalents at beginning of period	810
Cash and cash equivalents at end of period	<u>\$ 887</u>
^(a) Cash payments included in operating activities:	
Restructuring payments	1
Income tax payments, net	14

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

KEYSIGHT TECHNOLOGIES, INC.
MEASUREMENT SOLUTIONS
(Unaudited)
PRELIMINARY

(In millions, except margins)

	FY 2015				
	Q1	Q2	Q3	Q4	Total
Orders	\$ 607				\$ 607
Net revenue	\$ 606				\$ 606
Gross margin %	57.6%				57.6%
Income from operations	\$ 107				\$ 107
Operating margin %	17.7%				17.7%

	FY 2014				
	Q1	Q2	Q3	Q4	Total
Orders	\$ 607	\$ 699	\$ 643	\$ 678	\$ 2,627
Net revenue	\$ 574	\$ 641	\$ 655	\$ 663	\$ 2,533
Gross margin %	57.8%	58.0%	56.9%	57.6%	57.6%
Income from operations	\$ 99	\$ 132	\$ 133	\$ 144	\$ 508
Operating margin %	17.2%	20.6%	20.3%	21.7%	20.0%

Income from operations reflect the results of our reportable segments under Keysight'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 the amortization of intangibles, the impact of restructuring charges, transformational initiatives, acquisition and integration costs, share based compensation and separation costs.

In general, recorded orders represent firm purchase commitments from our customers with established terms and conditions for products and services that will be delivered within six months.

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.

KEYSIGHT TECHNOLOGIES, INC.
CUSTOMER SUPPORT AND SERVICES
(Unaudited)
PRELIMINARY

(In millions, except margins)

	FY 2015				
	Q1	Q2	Q3	Q4	Total
Orders	\$ 84				\$ 84
Net revenue	\$ 95				\$ 95
Gross margin %	42.0%				42.0%
Income from operations	\$ 13				\$ 13
Operating margin %	13.7%				13.7%

	FY 2014				
	Q1	Q2	Q3	Q4	Total
Orders	\$ 92	\$ 83	\$ 79	\$ 82	\$ 336
Net revenue	\$ 97	\$ 103	\$ 102	\$ 99	\$ 401
Gross margin %	46.3%	47.6%	46.0%	45.7%	46.4%
Income from operations	\$ 19	\$ 26	\$ 25	\$ 24	\$ 94
Operating margin %	19.6%	25.2%	24.5%	24.2%	23.4%

Income from operations reflect the results of our reportable segments under Keysight'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 the amortization of intangibles, the impact of restructuring charges, transformational initiatives, acquisition and integration costs, share based compensation and separation costs.

In general, recorded orders represent firm purchase commitments from our customers with established terms and conditions for products and services that will be delivered within six months.

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

KEYSIGHT TECHNOLOGIES, INC.
NON-GAAP OPERATING RESULTS Q1FY14 - Q1FY15 (UNAUDITED)

					Preliminary	
	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q1
M\$						Y/Y
Net Revenues	671	743	757	762	701	4%
Gross Profit %	56.1%	56.6%	55.5%	56.0%	55.6%	-0.5 ppt
R&D	87	88	89	88	91	5%
% Revenues	13.0%	11.8%	11.7%	11.5%	13.0%	0.0 ppt
SG&A	172	175	173	171	179	4%
% Revenues	25.5%	23.6%	22.9%	22.5%	25.5%	0.0 ppt
Operating Profit	118	157	158	168	120	2%
Operating Margin	17.6%	21.2%	20.9%	22.0%	17.1%	-0.5 ppt
Other Income/ (Expense)	-	1	-	2	(5)	0%
Pre-Tax Earnings	118	158	158	170	115	-3%
Tax Rate	16%	16%	16%	16%	17%	1 ppt
Income Tax	19	25	25	27	19	0%
Net Earnings	99	133	133	143	96	-3%
Net Margin	14.8%	17.9%	17.6%	18.8%	13.7%	-1.1 ppt
Non-GAAP EPS	\$ 0.59	\$ 0.80	\$ 0.80	\$ 0.86	\$ 0.56	\$(0.03)

We provide the non-GAAP income statements 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 the amortization of intangibles, the impact of restructuring charges, acquisition and integration costs, transformational initiatives, share based compensation and separation costs. Some of the exclusions, such as impairments, may be beyond the control of management. Further, some may be less predictable than revenue derived from our core businesses (the day to day business of selling our products and services). These reasons provide the basis for management's belief that the measures are useful.

Restructuring costs include incremental expenses incurred in the period associated with publicly announced major restructuring programs, usually aimed at material changes in business and/or cost structure. Such costs may include one-time termination benefits, asset impairments, facility-related costs and contract termination fees.

Intangible amortization include non-cash intangible amortization recognized in connection with acquisitions.

Asset impairments and write-downs include assets that have been written-down to their fair value.

Transformational initiatives include expenses incurred in the period associated with targeted cost reduction activities such as manufacturing transfers, small site consolidations, reorganizations, insourcing or outsourcing of activities. Such costs may include move and relocation costs, one-time termination benefits and other one-time reorganization costs.

Acquisition and Integration costs include all incremental expenses incurred to effect a business combination which have been expensed during the period. 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, information technology systems and infrastructure and other employee-related costs.

Separation costs include all incremental expenses incurred in order to effect the separation of Keysight from Agilent, including the cost of new hires specifically required to operate two separate companies. The intent is to only include in non-GAAP expenses what would not have been incurred if we had no plan to spin-off.

Share-based compensation includes expense for all share-based payment awards made to our employees and directors including employee stock option awards, restricted stock units, employee stock purchases made under our employee stock purchase plan ("ESPP") and performance share awards granted to selected members of our senior management under the long-term performance plan ("LTPP") based on estimated fair values.

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, restructuring charges 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.

For reconciliations of the non-GAAP financial information to the most directly comparable GAAP information, please see the non-GAAP reconciliations for all prior periods provided at the Investor's page of our website.

KEYSIGHT TECHNOLOGIES, INC.
REVENUE BY REGION
(in millions)
(Unaudited)
PRELIMINARY

	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q1'15 Year Over Year Percent Inc/(Dec)
GAAP						
Americas	\$ 228	\$ 237	\$ 282	\$ 304	\$ 264	16%
Europe	142	131	139	144	135	-5%
Asia Pacific	301	375	336	314	302	0%
Revenue	\$ 671	\$ 743	\$ 757	\$ 762	\$ 701	4%

Management believes that this measure provides useful information to investors by reflecting an additional way of viewing aspects of Keysight's operations that, when reconciled to the corresponding GAAP measures, help our investors to better identify underlying growth trends in our business and facilitate easier comparisons of our revenue performance with prior and future periods and to our peers.

The preliminary reconciliation of revenue by region is based on our current information.

KEYSIGHT TECHNOLOGIES, INC.
RECONCILIATION FROM GAAP TO NON-GAAP

THREE MONTHS ENDED JANUARY 31, 2015
(Unaudited)
PRELIMINARY

NON-GAAP ADJUSTMENTS

(in millions, except per share amounts)

			GAAP	Intangible Amortization	Project Sapp Separation Costs	Share Based Compensation	Other	Adjustment for Taxes	Non-GAAP	
Net Revenue	Change Year Over Year	4%	\$ 701	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 701	4% Change Year Over Year
Costs and expenses:										
Cost of products and services	Gross Margin	54.6%	318	(2)	(1)	(4)	-	-	311	55.6% Gross Margin
Research and development	As a % of Revenue	13.7%	96	-	-	(4)	(1)	-	91	13.0% As a % of Revenue
Selling, general and administrative	As a % of Revenue	29.4%	206	-	(7)	(21)	1	-	179	25.5% As a % of Revenue
Total costs and expenses			620	(2)	(8)	(29)	-	-	581	
Income from operations	Operating Margin	11.6%	81	2	8	29	-	-	120	17.1% Operating Margin
Other income(expense), net			(3)	-	(1)	-	(1)	-	(5)	
Income before taxes			78	2	7	29	(1)	-	115	
Provision for taxes	Tax Rate	10%	8	-	-	-	-	11	19	17% Tax Rate
Net income	Net Margin	10.0%	\$ 70	\$ 2	\$ 7	\$ 29	\$ (1)	\$ (11)	\$ 96	13.7% Net Margin

Net income (loss) per share - Basic and Diluted:

Basic	\$ 0.42	\$ 0.01	\$ 0.04	\$ 0.17	\$ (0.01)	\$ (0.07)	\$ 0.57
Diluted	\$ 0.41	\$ 0.01	\$ 0.04	\$ 0.17	\$ (0.01)	\$ (0.06)	\$ 0.56

Weighted average shares used in computing net income (loss) per share:

Basic	168	168	168	168	168	168	168
Diluted	170	170	170	170	170	170	170

The preliminary reconciliation from GAAP to Non-GAAP net income is estimated based on our current information.

KEYSIGHT TECHNOLOGIES, INC.
RECONCILIATION OF ORGANIC REVENUE
(In Millions)
(Unaudited)
PRELIMINARY

	<u>Q1'15</u>	<u>Q1'14</u>	<u>Percent Inc/(Dec)</u>
Non-GAAP Revenue	\$ 701	\$ 671	4%
Less revenue from acquisition and divestitures included in segment results	(1)	-	—
Organic Non-GAAP Revenue	<u>\$ 700</u>	<u>\$ 671</u>	4%

	<u>Q1'15</u>	<u>Q1'14</u>	<u>Percent Inc/(Dec)</u>
Organic Non-GAAP Revenue by Region			
Americas	\$ 263	\$ 228	15%
Europe	135	142	-5%
Asia Pacific	302	301	0%
Organic Non-GAAP Revenue	<u>\$ 700</u>	<u>\$ 671</u>	4%

Organic Non-GAAP revenue is defined as Non- GAAP revenue excluding the impact of material acquisitions and divestitures that have closed within the past year.

Management believes that these measures provide useful information to investors by reflecting an additional way of viewing aspects of Keysight's operations that, when reconciled to the corresponding GAAP measures, help our investors to better identify underlying growth trends in our business and facilitate easier comparisons of our revenue performance with prior and future periods and to our peers. We excluded the effect of recent acquisitions and divestitures because the nature, size and number of these can vary dramatically from period to period and between us and our peers, which we believe may obscure underlying business trends and make comparisons of long-term performance difficult.

The preliminary reconciliation of Non-GAAP to Organic Non-GAAP revenue is based on our current information.

KEYSIGHT TECHNOLOGIES, INC.
RECONCILIATIONS OF ORGANIC REVENUE BY SEGMENT AND
ORGANIC REVENUE BY REGION EXCLUDING THE IMPACT OF CURRENCY ADJUSTMENTS
(in millions)
(Unaudited)
PRELIMINARY

	Year-over-Year								
	NON GAAP ORGANIC			Currency Adjustments ^(a)	Currency-Adjusted (Core)				
<u>Revenue by Segment</u>	Q1'15	Q1'14	Year-over-Year % Change	Q1'15	Q1'15	Q1'14	Year-over-Year % Change		
Measurement Solutions	\$ 606	\$ 574	6%	\$ (13)	\$ 619	\$ 574	8%		
Customer Services and Support	94	97	-4%	(3)	\$ 97	97	0%		
Keysight	<u>\$ 700</u>	<u>\$ 671</u>	4%	<u>\$ (16)</u>	<u>\$ 716</u>	<u>\$ 671</u>	7%		
	NON GAAP ORGANIC			Currency Adjustments ^(a)	Currency-Adjusted (Core)				
<u>Revenue by Region</u>	Q1'15	Q1'14	Year-over-Year % Change	Q1'15	Q1'15	Q1'14	Year-over-Year % Change		
Revenue	\$ 700	\$ 671	4%	\$ (16)	\$ 716	\$ 671	7%		
Americas	263	228	15%	(1)	264	228	16%		
Europe	135	142	-5%	(6)	141	142	-1%		
Japan	69	82	-15%	(8)	77	82	-5%		
Other Asia Pacific	233	219	6%	(1)	234	219	7%		
Total Revenue	<u>\$ 700</u>	<u>\$ 671</u>	4%	<u>\$ (16)</u>	<u>\$ 716</u>	<u>\$ 671</u>	7%		
Asia Pacific	\$ 302	\$ 301	0%	\$ (9)	\$ 311	\$ 301	3%		

^(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.

Non-GAAP Organic revenue is defined as Non-GAAP revenue excluding the impact of material acquisitions and divestitures that have closed within the past year.

The preliminary reconciliation of GAAP Organic revenue adjusted for the impact of currency is estimated based on our current information.

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

	Three Months Ended January 31,			
	2015		2014	
	Net Income	Diluted EPS	Net Income	Diluted EPS
GAAP Net income	\$ 70	\$ 0.41	\$ 74	\$ 0.44
Non-GAAP adjustments:				
Restructuring and other related costs	-	-	(3)	(0.02)
Intangible amortization	2	0.01	2	0.01
Transformational initiatives	-	-	1	0.01
Acquisition and integration costs	-	-	1	0.01
Separation costs	7	0.04	8	0.05
Share Based Compensation	29	0.17	17	0.10
Other	(1)	(0.01)	-	-
Adjustment for taxes ^(a)	(11)	(0.06)	(1)	(0.01)
Non-GAAP Net income	<u>\$ 96</u>	<u>\$ 0.56</u>	<u>\$ 99</u>	<u>\$ 0.59</u>

^(a) The adjustment for taxes excludes tax benefits that management believes are not directly related to ongoing 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, 2015 and 2014, management uses a non-GAAP effective tax rate of 17% and 16% respectively that we believe to be indicative of on-going operations.

Historical amounts are reclassified to conform with current presentation.

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 the amortization of intangibles, the impact of restructuring charges, acquisition and integration costs, transformational initiatives, share based compensation and separation costs. Some of the exclusions, such as impairments, may be beyond the control of management. Further, some may be less predictable than revenue derived from our core businesses (the day to day business of selling our products and services). These reasons provide the basis for management's belief that the measures are useful.

Restructuring costs include incremental expenses incurred in the period associated with publicly announced major restructuring programs, usually aimed at material changes in business and/or cost structure. Such costs may include one-time termination benefits, asset impairments, facility-related costs and contract termination fees.

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Asset impairments and write-downs include assets that have been written-down to their fair value.

Transformational initiatives include expenses incurred in the period associated with targeted cost reduction activities such as manufacturing transfers, small site consolidations, reorganizations, insourcing or outsourcing of activities. Such costs may include move and relocation costs, one-time termination benefits and other one-time reorganization costs.

Acquisition and integration costs include all incremental expenses incurred to effect a business combination which have been expensed during the period. 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, information technology systems and infrastructure and other employee-related costs.

Separation costs include all incremental expenses incurred in order to effect the separation of Keysight from Agilent, including the cost of new hires specifically required to operate two separate companies. The intent is to only include in non-GAAP expenses what would not have been incurred if we had no plan to spin-off.

Share-based compensation includes expense for all share-based payment awards made to our employees and directors including employee stock option awards, restricted stock units, employee stock purchases made under our employee stock purchase plan ("ESPP") and performance share awards granted to selected members of our senior management under the long-term performance plan ("LTPP") based on estimated fair values.

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, restructuring charges 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.

KEYSIGHT TECHNOLOGIES, INC.
RECONCILIATION OF ROIC
(In millions)
(Unaudited)
PRELIMINARY

	KEYSIGHT Q1'15	KEYSIGHT Q1'14	KEYSIGHT Q4'14
Numerator:			
Non-GAAP income from operations	\$ 120	\$ 118	\$ 168
Less:			
Taxes and Other (income)/expense	15	19	23
Quarterly return ^(a)	105	99	145 ^(a)
Quarter return annualized	<u>\$ 420</u>	<u>\$ 396</u>	<u>\$ 580</u>
Denominator:			
Segment assets ^(b)	\$ 1,805	\$ 1,929	\$ 1,976
Less:			
Net current liabilities ^(c)	462	508	498
Invested capital	<u>\$ 1,343</u>	<u>\$ 1,421</u>	<u>\$ 1,478</u>
Average invested capital	\$ 1,411	\$ 1,441	\$ 1,469
ROIC	30%	28%	39%

ROIC calculation: (annualized current quarterly return)/(average of the two most recent quarter-end balances of Segment Invested Capital)

(a) Quarterly return is equal to non-GAAP net income of \$96 million plus net interest expense after tax of \$9 million for Q1'15, net income of \$99 million plus net interest expense after tax of zero for Q1'14 and \$143 million plus net interest expense after tax of \$2 million for Q4'14. Please see "Non-GAAP Net Income and Diluted EPS Reconciliations" for a reconciliation of non-GAAP net income to GAAP net income.

(b) Segment assets consist of inventory, accounts receivable, property plant and equipment, gross goodwill and other intangibles, deferred taxes and allocated corporate assets.

(c) Includes accounts payable, employee compensation and benefits, deferred revenue, certain other accrued liabilities and allocated corporate liabilities.

Return on Invested Capital (ROIC) is a non-GAAP measure that management believes provides useful supplemental information for management and the investor. ROIC is a tool by which we track how much value we are creating for our shareholders. Management uses ROIC as a performance measure for our businesses, and our senior managers' compensation is linked to ROIC improvements as well as other performance criteria. We believe that ROIC provides our management with a means to analyze and improve their business, measuring segment profitability in relation to net asset investments. We acknowledge that ROIC may not be calculated the same way by every company. When we complete a major acquisition, 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.

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 reconciliation of ROIC is based on our current information.

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

	Q1'15
Net cash provided by operating activities	\$ 92
Less: Investments in property, plant and equipment	15
Operating free cash flow	<u>\$ 77</u>

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

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 reconciliation of operating free cash flow is estimated based on our current information.

KEYSIGHT TECHNOLOGIES, INC.
NET CASH (DEBT)
(In millions)
(Unaudited)
PRELIMINARY

	<u>Q1'15</u>	<u>Q1'14</u>	<u>Q4'14</u>
Cash and cash equivalents	\$ 887	-	\$ 810
Restricted Cash	1	-	1
Senior notes, par value	(1,099)	-	(1,099)
Total Net Debt	<u>\$ (211)</u>	<u>-</u>	<u>\$ (288)</u>

Management believes this metric provides useful information to investors about the Company's overall liquidity and financial position. Net Cash (Debt) is a measure at a point in time and does not reflect the Company's future financial prospects or liquidity.

The preliminary reconciliation of net cash(debt) is estimated based on our current information.