

KEYSIGHT TECHNOLOGIES, INC.
Financial Information Index of Schedules

Financial Statements:	Page
Condensed Consolidated Statement of Operations - Three months ended April 30, 2018 and 2017	1
Condensed Consolidated Statement of Operations - Six months ended April 30, 2018 and 2017	2
Condensed Consolidated Statement of Comprehensive Income - Three and six months ended April 30, 2018 and 2017	3
Condensed Consolidated Balance Sheet as of April 30, 2018 and October 31, 2017	4
Condensed Consolidated Statement of Cash Flows - Three and six months ended April 30, 2018 and 2017	5
Supplemental Data:	
Communications Solutions Group (CSG) Segment Results	6
Electronic Industrial Solutions Group (EISG) Segment Results	7
Ixia Solutions Group (ISG) Segment Results	8
Services Solutions Group (SSG) Segment Results	9
Reconciliations:	
QTD and YTD Gross Profit and operating margin - GAAP to non-GAAP	10
QTD and YTD operating expenses - GAAP to non-GAAP	11
Non-GAAP Net Income and Diluted EPS Reconciliations	12
Reconciliation of Revenue excluding the impacts of currency and acquisitions	13
Reconciliation of revenue guidance	14
Segment revenue reconciliations	15
Reconciliation of non-GAAP revenue by region	16
Reconciliation of segment revenue and non-GAAP revenue by region	17
Reconciliation of non-GAAP core revenue by segment and region	18
Reconciliation of non-GAAP revenue by end market	19
Free Cash Flow	20
Operating Margin Incremental	21
Non-GAAP Financial Measures	22
Fiscal Periods	
Q1'17 - Three months ended January 31, 2017	
Q2'17 - Three months ended April 30, 2017	
Q3'17 - Three months ended July 31, 2017	
Q4'17 - Three months ended October 31, 2017	
Q1'18 - Three months ended January 31, 2018	
Q2'18 - Three months ended April 30, 2018	
H1'18 - Six months ended April 30, 2018	
H1'17 - Six months ended April 30, 2017	

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

	Three months ended		Percent Inc/(Dec)
	April 30,		
	2018	2017	
Orders	\$ 987	\$ 805	23%
Net revenue	\$ 990	\$ 753	31%
Costs and expenses:			
Cost of products and services	447	340	31%
Research and development	156	119	30%
Selling, general and administrative	299	256	17%
Other operating expense (income), net	(12)	(4)	230%
Total costs and expenses	<u>890</u>	<u>711</u>	25%
Income from operations	100	42	140%
Interest income	2	2	27%
Interest expense	(21)	(24)	(13)%
Other income (expense), net	<u>2</u>	<u>2</u>	(41)%
Income before taxes	83	22	282%
Provision (benefit) for income taxes	<u>19</u>	<u>(27)</u>	(168)%
Net income	<u>\$ 64</u>	<u>\$ 49</u>	31%
Net income per share:			
Basic	\$ 0.34	\$ 0.28	
Diluted	\$ 0.34	\$ 0.27	
Weighted average shares used in computing net income per share:			
Basic	188	177	
Diluted	190	179	

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

	Six months ended		Percent Inc/(Dec)
	April 30,		
	2018	2017	
Orders	\$ 1,951	\$ 1,500	30%
Net revenue	\$ 1,827	\$ 1,479	24%
Costs and expenses:			
Cost of products and services	857	662	29%
Research and development	302	227	33%
Selling, general and administrative	588	469	26%
Other operating expense (income), net	(15)	(83)	(82)%
Total costs and expenses	<u>1,732</u>	<u>1,275</u>	36%
Income from operations	95	204	(53)%
Interest income	5	3	57%
Interest expense	(43)	(36)	20%
Other income (expense), net	<u>3</u>	<u>3</u>	28%
Income before taxes	60	174	(65)%
Provision (benefit) for income taxes	<u>(98)</u>	<u>16</u>	(724)%
Net income	<u>\$ 158</u>	<u>\$ 158</u>	0%
Net income per share:			
Basic	\$ 0.84	\$ 0.91	
Diluted	\$ 0.83	\$ 0.90	
Weighted average shares used in computing net income per share:			
Basic	187	174	
Diluted	190	176	

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

	<u>Three months ended</u>		<u>Six months ended</u>	
	<u>April 30,</u>		<u>April 30,</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Net income	\$ 64	\$ 49	\$ 158	\$ 158
Other comprehensive income (loss), net of tax:				
Unrealized gain (loss) on investments	-	-	(2)	4
Unrealized gain (loss) on derivative instruments	-	(1)	2	1
Amounts reclassified into earnings related to derivative instruments	(1)	-	(3)	1
Foreign currency translation	(13)	9	28	(15)
Net defined benefit pension cost and post retirement plan costs:				
Change in actuarial net loss	11	12	21	40
Change in net prior service credit	(4)	(4)	(8)	(8)
Other comprehensive income (loss)	<u>(7)</u>	<u>16</u>	<u>38</u>	<u>23</u>
Total comprehensive income	<u>\$ 57</u>	<u>\$ 65</u>	<u>\$ 196</u>	<u>\$ 181</u>

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

	April 30, 2018 (unaudited)	October 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 784	\$ 818
Accounts receivable, net	579	547
Inventory	597	588
Other current assets	229	224
Total current assets	2,189	2,177
Property, plant and equipment, net	546	530
Goodwill	1,891	1,882
Other intangible assets, net	754	855
Long-term investments	59	63
Long-term deferred tax assets	203	186
Other assets	281	240
Total assets	\$ 5,923	\$ 5,933
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ -	\$ 10
Accounts payable	240	211
Employee compensation and benefits	241	217
Deferred revenue	347	291
Income and other taxes payable	47	28
Other accrued liabilities	78	62
Total current liabilities	953	819
Long-term debt	1,789	2,038
Retirement and post-retirement benefits	309	309
Long-term deferred revenue	119	101
Other long-term liabilities	230	356
Total liabilities	3,400	3,623
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; 190 million shares at April 30, 2018 and 188 million shares at October 31, 2017, issued	2	2
Treasury stock at cost; 3.1 million shares at April 30, 2018 and 2.3 million shares at October 31, 2017, respectively	(102)	(62)
Additional paid-in-capital	1,837	1,786
Retained earnings	1,205	1,041
Accumulated other comprehensive loss	(419)	(457)
Total stockholders' equity	2,523	2,310
Total liabilities and equity	\$ 5,923	\$ 5,933

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

	Three months ended		Six months ended	
	April 30,		April 30,	
	2018	2017	2018	2017
Cash flows from operating activities:				
Net income	\$ 64	\$ 49	\$ 158	\$ 158
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	79	41	157	73
Share-based compensation	15	13	34	31
Debt issuance expense	-	9	-	9
Deferred tax benefit	(2)	(53)	(237)	(13)
Excess and obsolete inventory-related charges	5	3	11	6
Gain on sale of assets and divestiture	(8)	-	(8)	(8)
Pension curtailment and settlement gains	-	-	-	(68)
Asset impairment	-	7	-	7
Other non-cash expenses, net	3	1	5	1
Changes in assets and liabilities:				
Accounts receivable	(130)	(30)	(31)	10
Inventory	2	-	(18)	(10)
Accounts payable	6	(5)	20	(17)
Employee compensation and benefits	73	36	23	-
Income taxes payable	10	8	125	(7)
Retirement and post-retirement benefits	(10)	(3)	(22)	(6)
Deferred revenue	10	15	71	30
Other assets and liabilities	(6)	(42)	(6)	(32)
Net cash provided by operating activities ^(a)	<u>111</u>	<u>49</u>	<u>282</u>	<u>164</u>
Cash flows from investing activities:				
Investments in property, plant and equipment	(34)	(17)	(58)	(33)
Proceeds from sale of property, plant and equipment	-	-	-	8
Change in restricted cash and cash equivalents, net	-	1	-	1
Proceeds from sale of investments	-	4	-	4
Acquisition of businesses and intangible assets, net of cash acquired	-	(1,622)	(3)	(1,622)
Proceeds from divestiture	12	-	12	-
Net cash used in investing activities	<u>(22)</u>	<u>(1,634)</u>	<u>(49)</u>	<u>(1,642)</u>
Cash flows from financing activities:				
Proceeds from issuance of common stock under employee stock plans	9	2	33	21
Proceeds from issuance of common stock under public offering	-	444	-	444
Payment of taxes related to net share settlement of equity awards	(1)	-	(16)	(11)
Treasury stock repurchases ^(b)	(28)	-	(28)	-
Proceeds from short-term borrowings	-	170	40	170
Proceeds from issuance of long-term debt	-	1,069	-	1,069
Payment of debt issuance costs	-	(16)	-	(16)
Repayment of debt and credit facility	(260)	-	(300)	-
Net cash provided by / (used in) financing activities	<u>(280)</u>	<u>1,669</u>	<u>(271)</u>	<u>1,677</u>
Effect of exchange rate movements	<u>(5)</u>	<u>3</u>	<u>4</u>	<u>1</u>
Net increase (decrease) in cash and cash equivalents	(196)	87	(34)	200
Cash and cash equivalents at beginning of period	<u>980</u>	<u>896</u>	<u>818</u>	<u>783</u>
Cash and cash equivalents at end of period	<u>\$ 784</u>	<u>\$ 983</u>	<u>\$ 784</u>	<u>\$ 983</u>
^(a) Cash payments included in operating activities:				
Income tax payments, net	\$ (9)	\$ (17)	\$ (11)	\$ (34)
Interest payment on borrowings	\$ (39)	\$ (22)	\$ (41)	\$ (22)

^(b) For the six months ended April 30, 2018, we repurchased 773,352 shares of common stock for \$40 million, held as treasury stock and accounted for at trade date using the cost method. There were \$12 million stock repurchases pending settlement as of April, 30 2018.

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

(In millions, except margins data)	FY 2018				
	Q1	Q2	Q3	Q4	Total
Net revenue	\$ 420	\$ 536			\$ 956
Gross margin, %	60.9%	61.7%			61.3%
Income from operations	\$ 59	\$ 126			\$ 185
Operating margin, %	14.0%	23.5%			19.3%

	FY 2017				
	Q1	Q2	Q3	Q4	Total
Net revenue	\$ 434	\$ 424	\$ 418	\$ 462	\$ 1,738
Gross margin, %	60.5%	61.3%	61.2%	62.9%	61.5%
Income from operations	\$ 72	\$ 75	\$ 66	\$ 98	\$ 311
Operating margin, %	16.7%	17.6%	15.7%	21.3%	17.9%

Net revenue for Communications Solutions Group excludes the impact of fair value adjustments to acquisition related deferred revenue balances for the Anite acquisition. Segment revenue and income from operations are consistent with the respective non-GAAP measures as discussed on Page 22.

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

(In millions, except margins data)	FY 2018				
	Q1	Q2	Q3	Q4	Total
Net revenue	\$ 203	\$ 255			\$ 458
Gross margin, %	59.0%	61.3%			60.3%
Income from operations	\$ 37	\$ 67			\$ 104
Operating margin, %	18.5%	26.0%			22.7%

	FY 2017				
	Q1	Q2	Q3	Q4	Total
Net revenue	\$ 192	\$ 220	\$ 218	\$ 206	\$ 836
Gross margin, %	59.9%	61.8%	61.1%	61.3%	61.1%
Income from operations	\$ 42	\$ 57	\$ 55	\$ 45	\$ 199
Operating margin, %	21.7%	26.1%	25.3%	21.8%	23.8%

Segment revenue and income from operations are consistent with the respective non-GAAP measures as discussed on Page 22.

KEYSIGHT TECHNOLOGIES, INC.
IXIA SOLUTIONS GROUP (ISG)
(Unaudited)
PRELIMINARY

(In millions, except margins data)	FY 2018				
	Q1	Q2	Q3	Q4	Total
Net revenue	\$ 127	\$ 90			\$ 217
Gross margin, %	75.6%	75.8%			75.7%
Income from operations	\$ 18	\$ (7)			\$ 11
Operating margin, %	14.5%	(8.4)%			5.1%

	FY 2017				
	Q1	Q2^(a)	Q3	Q4	Total
Net revenue		\$ 12	\$ 120	\$ 124	\$ 256
Gross margin, %		77.1%	77.0%	76.2%	76.6%
Income (loss) from operations		\$ (2)	\$ 24	\$ 20	\$ 42
Operating margin, %		(12.9)%	19.9%	16.4%	16.6%

^(a) The Ixia Solutions Group operating results include activity for 13 days during the period, from the date of acquisition, April 18, 2017, through April 30, 2017.

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 22.

KEYSIGHT TECHNOLOGIES, INC.
SERVICES SOLUTIONS GROUP (SSG)
(Unaudited)
PRELIMINARY

(In millions, except margins data)	FY 2018				
	Q1	Q2	Q3	Q4	Total
Net revenue	\$ 106	\$ 118			\$ 224
Gross margin, %	40.3%	40.6%			40.5%
Income from operations	\$ 17	\$ 18			\$ 35
Operating margin, %	15.6%	15.4%			15.5%

	FY 2017				
	Q1	Q2	Q3	Q4	Total
Net revenue	\$ 100	\$ 102	\$ 107	\$ 110	\$ 419
Gross margin, %	39.4%	40.9%	41.8%	42.6%	41.2%
Income from operations	\$ 14	\$ 17	\$ 19	\$ 18	\$ 68
Operating margin, %	14.4%	16.2%	18.1%	16.3%	16.3%

Segment revenue and income from operations are consistent with the respective non-GAAP measures as discussed on Page 22.

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

Reconciliation of Gross Profit to non-GAAP Gross Profit

	Three months ended		Six months ended	
	April 30,		April 30,	
	2018	2017	2018	2017
Gross Profit, as reported	\$ 543	\$ 413	\$ 970	\$ 817
Amortization of acquisition-related balances	53	21	130	30
Share-based compensation	4	4	7	7
Acquisition and integration costs	1	1	3	1
Acquisition-related compensation expense	-	1	-	1
Northern California wildfire-related costs	-	-	5	-
Restructuring and related costs	-	-	-	1
Other	2	7	2	7
Non-GAAP Gross Profit	\$ 603	\$ 447	\$ 1,117	\$ 864
GAAP Gross Margin	54.9%	54.8%	53.1%	55.2%
Non-GAAP Gross Margin	60.3%	59.0%	60.2%	58.2%

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

	Three months ended		Six months ended	
	April 30,		April 30,	
	2018	2017	2018	2017
Income from operations, as reported	\$ 100	\$ 42	\$ 95	\$ 204
Amortization of acquisition-related balances	65	26	154	36
Share-based compensation	15	13	34	31
Acquisition and integration costs	17	21	36	27
Acquisition-related compensation expense	-	28	-	28
Separation and related costs	1	8	2	14
Pension curtailment and settlement gains	-	-	-	(68)
Northern California wildfire-related costs	-	-	7	-
Restructuring and related costs	11	1	13	3
Other	(5)	8	(6)	-
Non-GAAP income from operations	\$ 204	\$ 147	\$ 335	\$ 275
GAAP Operating Margin	10.1%	5.5%	5.2%	13.8%
Non-GAAP Operating Margin	20.4%	19.4%	18.1%	18.6%

Please refer Page 22 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		Six months ended	
	April 30,		April 30,	
	2018	2017	2018	2017
Research & development expenses, as reported	\$ 156	\$ 119	\$ 302	\$ 227
Share-based compensation	(2)	(1)	(6)	(5)
Acquisition and integration costs	(1)	(1)	(2)	(1)
Acquisition-related compensation expense	-	(8)	-	(8)
Northern California wildfire-related costs	-	-	(1)	-
Restructuring and related costs	(1)	(1)	(1)	(1)
Non-GAAP Research & development expenses	\$ 152	\$ 108	\$ 292	\$ 212

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

	Three months ended		Six months ended	
	April 30,		April 30,	
	2018	2017	2018	2017
Selling, general & administrative expenses, as reported	\$ 299	\$ 256	\$ 588	\$ 469
Amortization of acquisition-related balances	(12)	(5)	(24)	(6)
Share-based compensation	(9)	(8)	(21)	(19)
Acquisition and integration costs	(15)	(19)	(31)	(25)
Acquisition-related compensation expense	-	(19)	-	(19)
Northern California wildfire-related costs	-	-	(1)	-
Separation and related costs	(1)	(8)	(2)	(14)
Restructuring and related costs	(10)	-	(12)	(1)
Other	(1)	(1)	-	(1)
Non-GAAP selling, general & administrative expenses	\$ 251	\$ 196	\$ 497	\$ 384

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

	Three months ended		Six months ended	
	April 30,		April 30,	
	2018	2017	2018	2017
Other operating expense (income), net, as reported	\$ (12)	\$ (4)	\$ (15)	\$ (83)
Pension settlement and curtailment gains	-	-	-	68
Other	8	-	8	8
Non-GAAP other operating expense (income), net	\$ (4)	\$ (4)	\$ (7)	\$ (7)

Reconciliation of operating expenses to non-GAAP operating expenses

	Three months ended		Six months ended	
	April 30,		April 30,	
	2018	2017	2018	2017
Operating expenses, as reported	\$ 443	\$ 371	\$ 875	\$ 613
Amortization of acquisition-related balances	(12)	(5)	(24)	(6)
Share-based compensation	(11)	(9)	(27)	(24)
Acquisition and integration costs	(16)	(20)	(33)	(26)
Acquisition-related compensation expense	-	(27)	-	(27)
Separation and related costs	(1)	(8)	(2)	(14)
Pension curtailment and settlement gains	-	-	-	68
Northern California wildfire-related costs	-	-	(2)	-
Restructuring and related costs	(11)	(1)	(13)	(2)
Other	7	(1)	8	7
Non-GAAP operating expenses	\$ 399	\$ 300	\$ 782	\$ 589

Please refer Page 22 for discussion on our non-GAAP financial measures.

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

	Three months ended April 30,				Six months ended April 30,			
	2018		2017		2018		2017	
	Net Income	Diluted EPS	Net Income	Diluted EPS	Net Income	Diluted EPS	Net Income	Diluted EPS
GAAP Net income	\$ 64	\$ 0.34	\$ 49	\$ 0.27	\$ 158	\$ 0.83	\$ 158	\$ 0.90
Non-GAAP adjustments:								
Amortization of acquisition-related balances	65	0.34	26	0.15	154	0.81	36	0.21
Share-based compensation expense	15	0.08	13	0.07	34	0.18	31	0.18
Acquisition and integration costs	17	0.09	31	0.17	36	0.19	37	0.21
Acquisition-related compensation expense	-	-	28	0.16	-	-	28	0.16
Separation and related costs	1	0.01	8	0.05	2	0.01	14	0.08
Pension curtailment and settlement gains	-	-	-	-	-	-	(68)	(0.39)
Northern California wildfire-related costs	-	-	-	-	7	0.04	-	-
Restructuring and related costs	11	0.06	1	0.01	13	0.07	3	0.01
Other	(6)	(0.03)	8	0.04	(6)	(0.03)	-	-
Adjustment for taxes ^(a)	(9)	(0.06)	(50)	(0.28)	(143)	(0.76)	(27)	(0.16)
Non-GAAP Net income	<u>\$ 158</u>	<u>\$ 0.83</u>	<u>\$ 114</u>	<u>\$ 0.64</u>	<u>\$ 255</u>	<u>\$ 1.34</u>	<u>\$ 212</u>	<u>\$ 1.20</u>
Weighted average shares outstanding - diluted	190		179		190		176	

^(a) For the three and six months ended April 30, 2018 and April 30, 2017, management uses a non-GAAP effective tax rate of 15% and 17% respectively. Historical amounts are reclassified to conform with current presentation.

Please refer page 22 for discussion on our non-GAAP financial measures.

KEYSIGHT TECHNOLOGIES, INC.
RECONCILIATION OF REVENUE EXCLUDING IMPACTS OF CURRENCY AND ACQUISITIONS
(In millions)
(Unaudited)
PRELIMINARY

	Year-over-year compare			Year-over-year compare		
	Q2'18	Q2'17	Percent Inc/(Dec)	H1'18	H1'17	Percent Inc/(Dec)
GAAP Revenue	\$ 990	\$ 753	31%	\$ 1,827	\$ 1,479	24%
Amortization of acquisition-related balances	9	5		28	5	
Non-GAAP Revenue	\$ 999	\$ 758	32%	\$ 1,855	\$ 1,484	25%
Less: Revenue from acquisition included in segment results	(84)	-		(219)	-	
Currency impacts	(20)	-		(31)	-	
Non-GAAP Core Revenue	\$ 895	\$ 758	18%	\$ 1,605	\$ 1,484	8%

Please refer page 22 for discussion on our non-GAAP financial measures.

KEYSIGHT TECHNOLOGIES, INC.
RECONCILIATION OF REVENUE GUIDANCE
(In millions, except where noted)
(Unaudited)
PRELIMINARY

	Q3'18 Guidance		FY18 Guidance		FY17
	Low-end	High-end	Low-end	High-end	
GAAP Revenue	\$ 937	\$ 967	\$ 3,790	\$ 3,820	\$ 3,189
Amortization of acquisition-related balances	5	5	36	36	60
Non-GAAP Revenue	\$ 942	\$ 972	3,754	3,784	3,249
Less: Revenue from acquisition included in segment results			(237)	(237)	
Currency impacts			(45)	(46)	-
Non-GAAP Core Revenue			\$ 3,472	\$ 3,501	\$ 3,249
% change YOY			7%	8%	

Please refer page 22 for discussion on our non-GAAP financial measures.

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

Keysight

	<u>Q2'17</u>	<u>Q3'17</u>	<u>Q4'17</u>	<u>Q1'18</u>	<u>Q2'18</u>
GAAP Revenue	\$ 753	\$ 832	\$ 878	\$ 837	\$ 990
Amortization of acquisition-related balances	5	31	24	19	9
Non-GAAP/Segment Revenue	<u>\$ 758</u>	<u>\$ 863</u>	<u>\$ 902</u>	<u>\$ 856</u>	<u>\$ 999</u>

Communications Solutions Group

	<u>Q2'17</u>	<u>Q3'17</u>	<u>Q4'17</u>	<u>Q1'18</u>	<u>Q2'18</u>
GAAP Revenue	\$ 423	\$ 418	\$ 462	\$ 420	\$ 535
Amortization of acquisition-related balances	1	-	-	-	1
Segment Revenue	<u>\$ 424</u>	<u>\$ 418</u>	<u>\$ 462</u>	<u>\$ 420</u>	<u>\$ 536</u>

Electronic Industrial Solutions Group

	<u>Q2'17</u>	<u>Q3'17</u>	<u>Q4'17</u>	<u>Q1'18</u>	<u>Q2'18</u>
GAAP Revenue	\$ 220	\$ 218	\$ 206	\$ 203	\$ 255
Amortization of acquisition-related balances	-	-	-	-	-
Segment Revenue	<u>\$ 220</u>	<u>\$ 218</u>	<u>\$ 206</u>	<u>\$ 203</u>	<u>\$ 255</u>

Ixia Solutions Group

	<u>Q2'17</u>	<u>Q3'17</u>	<u>Q4'17</u>	<u>Q1'18</u>	<u>Q2'18</u>
GAAP Revenue	\$ 8	\$ 89	\$ 100	\$ 108	\$ 82
Amortization of acquisition-related balances	4	31	24	19	8
Segment Revenue	<u>\$ 12</u>	<u>\$ 120</u>	<u>\$ 124</u>	<u>\$ 127</u>	<u>\$ 90</u>

Services Solutions Group

	<u>Q2'17</u>	<u>Q3'17</u>	<u>Q4'17</u>	<u>Q1'18</u>	<u>Q2'18</u>
GAAP Revenue	\$ 102	\$ 107	\$ 110	\$ 106	\$ 118
Amortization of acquisition-related balances	-	-	-	-	-
Segment Revenue	<u>\$ 102</u>	<u>\$ 107</u>	<u>\$ 110</u>	<u>\$ 106</u>	<u>\$ 118</u>

Segment revenue is consistent with the respective non-GAAP measures as discussed on Page 22.

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

Keysight

	<u>Q2'17</u>	<u>Q3'17</u>	<u>Q4'17</u>	<u>Q1'18</u>	<u>Q2'18</u>
GAAP Revenue	\$ 753	\$ 832	\$ 878	\$ 837	\$ 990
Amortization of acquisition-related balances	5	31	24	19	9
Non-GAAP Revenue	<u>\$ 758</u>	<u>\$ 863</u>	<u>\$ 902</u>	<u>\$ 856</u>	<u>\$ 999</u>

Americas

	<u>Q2'17</u>	<u>Q3'17</u>	<u>Q4'17</u>	<u>Q1'18</u>	<u>Q2'18</u>
GAAP Revenue	\$ 260	\$ 328	\$ 354	\$ 343	\$ 379
Amortization of acquisition-related balances	3	19	15	11	5
Non-GAAP Revenue	<u>\$ 263</u>	<u>\$ 347</u>	<u>\$ 369</u>	<u>\$ 354</u>	<u>\$ 384</u>

Europe

	<u>Q2'17</u>	<u>Q3'17</u>	<u>Q4'17</u>	<u>Q1'18</u>	<u>Q2'18</u>
GAAP Revenue	\$ 132	\$ 138	\$ 148	\$ 169	\$ 182
Amortization of acquisition-related balances	2	12	9	8	4
Non-GAAP Revenue	<u>\$ 134</u>	<u>\$ 150</u>	<u>\$ 157</u>	<u>\$ 177</u>	<u>\$ 186</u>

Asia Pacific

	<u>Q2'17</u>	<u>Q3'17</u>	<u>Q4'17</u>	<u>Q1'18</u>	<u>Q2'18</u>
GAAP Revenue	\$ 361	\$ 366	\$ 376	\$ 325	\$ 429
Amortization of acquisition-related balances	-	-	-	-	-
Non-GAAP Revenue	<u>\$ 361</u>	<u>\$ 366</u>	<u>\$ 376</u>	<u>\$ 325</u>	<u>\$ 429</u>

Please refer Page 22 for discussion on our non-GAAP financial measures.

KEYSIGHT TECHNOLOGIES, INC.
RECONCILIATIONS OF NON-GAAP REVENUE BY SEGMENT AND REGION
(In millions)
(Unaudited)
PRELIMINARY

Year-over-Year									
Revenue by Segment	GAAP Revenue			Amortization of acquisition-related balances		Non-GAAP Revenue			
	Q2'18	Q2'17	YoY % Chg.	Q2'18	Q2'17	Q2'18	Q2'17	YoY % Chg.	
Communications Solutions Group	\$ 535	\$ 423	27%	\$ 1	\$ 1	\$ 536	\$ 424	27%	
Electronic Industrial Solutions Group	255	220	16%	-	-	255	220	16%	
Ixia Solutions Group	82	8	NA	8	4	90	12	NA	
Services Solutions Group	118	102	15%	-	-	118	102	15%	
Keysight	\$ 990	\$ 753	31%	\$ 9	\$ 5	\$ 999	\$ 758	32%	

Revenue by Region	GAAP Revenue			Amortization of acquisition-related balances		Non-GAAP Revenue			
	Q2'18	Q2'17	YoY % Chg.	Q2'18	Q2'17	Q2'18	Q2'17	YoY % Chg.	
Americas	\$ 379	\$ 260	46%	\$ 5	\$ 3	\$ 384	\$ 263	46%	
Europe	182	132	38%	4	2	186	134	39%	
Japan	109	83	31%	-	-	109	83	30%	
Asia Pacific ex-Japan	320	278	15%	-	-	320	278	15%	
Total Revenue	\$ 990	\$ 753	31%	\$ 9	\$ 5	\$ 999	\$ 758	32%	
Asia Pacific	\$ 429	\$ 361	19%	-	-	\$ 429	\$ 361	18%	

Please refer Page 22 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	Currency	Non-GAAP Core Revenue			
	Q2'18	Q2'17	YoY % Chg.	acquisitions	Adjustments ^(a)	Q2'18	Q2'17	YoY % Chg.	
Communications Solutions Group	\$ 536	\$ 424	27%	\$ -	\$ 9	\$ 527	\$ 424	24%	
Electronic Industrial Solutions Group	255	220	16%	8	7	240	220	9%	
Ixia Solutions Group ^(b)	90	12	NA	73	-	17	12	34%	
Services Solutions Group	118	102	15%	3	4	111	102	8%	
Keysight	\$ 999	\$ 758	32%	\$ 84	\$ 20	\$ 895	\$ 758	18%	

Revenue by Region	Non-GAAP Revenue			Revenue from	Currency	Non-GAAP Core Revenue			
	Q2'18	Q2'17	YoY % Chg.	acquisitions	Adjustments ^(a)	Q2'18	Q2'17	YoY % Chg.	
Americas	\$ 384	\$ 263	46%	\$ 44	\$ -	\$ 340	\$ 263	29%	
Europe	186	134	39%	28	11	147	134	10%	
Japan	109	83	30%	6	5	98	83	19%	
Asia Pacific ex-Japan	320	278	15%	6	4	310	278	11%	
Total Revenue	\$ 999	\$ 758	32%	\$ 84	\$ 20	\$ 895	\$ 758	18%	
Asia Pacific	\$ 429	\$ 361	18%	\$ 12	\$ 9	\$ 408	\$ 361	13%	

^(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.

^(b) The Ixia Solutions Group operating results for Q2'17 include activity for 13 days during the period, from the date of acquisition, April 18, 2017, through April 30, 2017.

Please refer Page 22 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		
	Q2'18	Q2'17	Percent Inc/(Dec)	Q2'18	Q2'17	Q2'18	Q2'17	Percent Inc/(Dec)
Aerospace, Defense & Government	\$ 213	\$ 168	27%	\$ -	\$ -	\$ 213	\$ 168	27%
Commercial Communications	322	255	26%	1	1	323	256	26%
Electronic Industrial	255	220	16%	-	-	255	220	16%
Ixia ^(a)	82	8	NA	8	4	90	12	NA
Services	118	102	15%	-	-	118	102	15%
Total Revenue	\$ 990	\$ 753	31%	\$ 9	\$ 5	\$ 999	\$ 758	32%

^(a) The Ixia Solutions Group operating results for Q2'17 include activity for 13 days during the period, from the date of acquisition, April 18, 2017, through April 30, 2017.

Please refer Page 22 for discussion on our non-GAAP financial measures.

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

	<u>Q2'18</u>	<u>H1'18</u>
Net cash provided by operating activities	\$ 111	\$ 282
Less: Investments in property, plant and equipment	(34)	(58)
Free cash flow	<u>\$ 77</u>	<u>\$ 224</u>
As % of GAAP Revenue	8%	12%
As % of adjusted Net income	49%	88%

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.
OPERATING MARGIN INCREMENTAL
(In millions)
(Unaudited)
PRELIMINARY

	Year-over-year		Year-over-year	
	Q2'18	Q2'17	H1'18	H1'17
GAAP Revenue	\$ 990	\$ 753	\$ 1,827	\$ 1,479
Non GAAP Core Revenue	\$ 895	\$ 758	\$ 1,605	\$ 1,484
	Year-over-year		Year-over-year	
	Q2'18	Q2'17	H1'18	H1'17
GAAP Operating profit	\$ 100	\$ 42	\$ 95	\$ 204
Non GAAP adjustments ^(a)	104	105	240	71
Non-GAAP Operating profit	\$ 204	\$ 147	\$ 335	\$ 275
Add: Operating loss/ (profit) from acquisition included in segment results	7	-	(11)	-
Currency impacts	2	-	4	-
Non-GAAP Core Operating profit	\$ 213	\$ 147	\$ 328	\$ 275
Non GAAP Operating margin incremental %	48%		43%	

^(a) Please refer page 10 for reconciliation of income from operations to non-GAAP income from operations

Please refer Page 22 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 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:

- *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.
- *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 transaction and certain other cash costs associated with business acquisitions that are not normal recurring operating expenses, including amortization of amounts paid to redeem acquirers' 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.
- *Separation and Related Costs:* We exclude all incremental expenses incurred to effect the separation of Keysight from Agilent. We exclude expenses that would not have been incurred if we had no plan to spin-off including, among other things, branding, legal, accounting and advisory fees, costs to resize and optimize our infrastructure and other costs to separate and transition from Agilent. 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.
- *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 be: costs related to unusual disaster like Northern California wildfires, significant realized gains or losses associated with our employee benefit plans, gain on sale of assets and small divestitures etc.
- *Estimated Tax Rate:* We utilize a consistent methodology for long-term projected non-GAAP tax rate. When projecting this long-term rate, we exclude any tax benefits or expenses that are not directly related to ongoing operations and which are either isolated or cannot be expected to occur again with any regularity or predictability. Additionally, we evaluate our current long-term projections, current tax structure and other factors, such as existing tax positions in various jurisdictions and key tax holidays in major jurisdictions where Keysight operates. This tax rate could change in the future for a variety of reasons, including but not limited to significant changes in geographic earnings mix including acquisition activity, or fundamental tax law changes in major jurisdictions where Keysight operates. The above reasons also limit our ability to reasonably estimate the future GAAP tax rate and provide a reconciliation of the expected non-GAAP earnings per share for the third fiscal quarter of 2018 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.