

AGILENT TECHNOLOGIES, INC.
NON-GAAP INCOME (LOSS) FROM CONTINUING OPERATIONS AND DILUTED EPS RECONCILIATIONS
(In millions, except per share amounts)
(Unaudited)

	Q1 2015 (As Revised)		Q2 2015 (As Revised)		Q3 2015 (As Revised)		Q4 2015		Six Months Ended April 30, 2015 (As Revised)		Nine Months Ended July 31, 2015 (As Revised)		Year Ended October 31, 2015 (As Revised)	
	Income from continuing operations	Diluted EPS	Income from continuing operations	Diluted EPS	Income from continuing operations	Diluted EPS	Income from continuing operations	Diluted EPS	Income from continuing operations	Diluted EPS	Income from continuing operations	Diluted EPS	Income from continuing operations	Diluted EPS
GAAP Income from continuing operations	\$ 93	\$ 0.28	\$ 92	\$ 0.27	\$ 113	\$ 0.34	\$ 140	\$ 0.42	\$ 185	\$ 0.55	\$ 298	\$ 0.89	\$ 438	\$ 1.31
Non-GAAP adjustments:														
Asset impairments and write-downs	—	—	—	—	—	—	3	0.01	—	—	—	—	3	0.01
Acceleration of share-based compensation expense related to workforce reduction	1	—	1	—	—	—	—	—	2	0.01	2	0.01	2	0.01
Intangible amortization	43	0.13	38	0.11	38	0.11	37	0.11	81	0.24	119	0.35	156	0.47
Transformational initiatives	12	0.04	17	0.05	12	0.04	15	0.05	29	0.09	41	0.12	56	0.17
Acquisition and integration costs	1	—	1	—	4	0.01	7	0.02	2	0.01	6	0.02	13	0.04
Business exit and divestiture costs	3	0.01	10	0.03	—	—	1	—	13	0.04	13	0.04	14	0.04
Other	1	—	(2)	(0.01)	2	0.01	4	0.01	(1)	—	1	—	5	0.01
Adjustment for taxes ^(a)	(15)	(0.05)	(28)	(0.07)	(22)	(0.07)	(39)	(0.12)	(43)	(0.14)	(65)	(0.19)	(104)	(0.32)
Non-GAAP Income from continuing operations	\$ 139	\$ 0.41	\$ 129	\$ 0.38	\$ 147	\$ 0.44	\$ 168	\$ 0.50	\$ 268	\$ 0.80	\$ 415	\$ 1.24	\$ 583	\$ 1.74

^(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 FY 2015, management uses a non-GAAP effective tax rate of 20% 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, transformational initiatives, acquisition and integration costs, business exit and divestiture costs, net loss on debt extinguishment and pre-separation costs.

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

Transformational initiatives include expenses 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. Included in this category are also expenses associated with the post-separation resizing of the IT infrastructure and streamlining of IT systems as well as the expenses incurred to effect the Agile Agilent reengineering.

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, information technology systems and infrastructure and other employee-related costs.

Business exit and divestiture costs include costs associated with the exit of the NMR business and the divestiture of the XRD business.

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, net loss on debt extinguishment and 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 non-GAAP income from operations and diluted EPS reconciliation is based on our current information.

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(In millions, except per share amounts)
(Unaudited)

	Q1 2014		Q2 2014		Q3 2014		Q4 2014		Six Months Ended April 30, 2014		Nine Months Ended July 31, 2014		Year Ended October 31, 2014	
	Income from continuing operations	Diluted EPS	Income from continuing operations	Diluted EPS	Income from continuing operations	Diluted EPS	Income from continuing operations	Diluted EPS	Income from continuing operations	Diluted EPS	Income from continuing operations	Diluted EPS	Income from continuing operations	Diluted EPS
GAAP Income from continuing operations	\$ 123	\$ 0.36	\$ 53	\$ 0.16	\$ 54	\$ 0.16	\$ 2	\$ 0.01	\$ 176	\$ 0.52	\$ 230	\$ 0.68	\$ 232	\$ 0.69
Non-GAAP adjustments:														
Restructuring and other related costs	(2)	(0.01)	—	—	—	—	—	—	(2)	(0.01)	(2)	(0.01)	(2)	(0.01)
Asset impairments and write-downs	—	—	—	—	—	—	4	0.01	—	—	—	—	4	0.01
Acceleration of share-based compensation expense related to workforce reduction	—	—	—	—	—	—	1	—	—	—	—	—	1	—
Intangible amortization	49	0.14	49	0.14	46	0.14	45	0.13	98	0.29	144	0.43	189	0.56
Transformational initiatives	3	0.01	8	0.02	7	0.02	11	0.03	11	0.03	18	0.05	29	0.09
Acquisition and integration costs	6	0.02	2	0.01	2	0.01	1	—	8	0.02	10	0.03	11	0.03
Pre-separation costs	2	0.01	2	0.01	4	0.01	7	0.02	4	0.01	8	0.02	15	0.05
Net loss on extinguishment of debt	—	—	—	—	21	0.06	68	0.21	—	—	21	0.06	89	0.26
Business exit and divestiture costs	—	—	—	—	—	—	68	0.21	—	—	—	—	68	0.20
Unallocated corporate costs	10	0.03	10	0.03	12	0.04	12	0.04	20	0.06	32	0.09	44	0.13
Other	1	—	2	0.01	(13)	(0.04)	(3)	(0.01)	3	0.01	(10)	(0.03)	(13)	(0.04)
Adjustment for taxes ^(a)	(52)	(0.15)	(7)	(0.03)	4	0.01	(55)	(0.17)	(59)	(0.16)	(55)	(0.15)	(110)	(0.32)
Non-GAAP Income from continuing operations	\$ 140	\$ 0.41	\$ 119	\$ 0.35	\$ 137	\$ 0.41	\$ 161	\$ 0.48	\$ 259	\$ 0.77	\$ 396	\$ 1.17	\$ 557	\$ 1.65

^(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 FY 2014, management uses a non-GAAP effective tax rate of 16% that we believe to be indicative of on-going operations.

Historical amounts are reclassified to conform with current presentation.

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Restructuring costs include incremental expenses 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.

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

Transformational initiatives include expenses 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. Included in this category are also expenses associated with the post-separation resizing of the IT infrastructure and streamlining of IT systems as well as the expenses incurred to effect the Agile Agilent reengineering.

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, information technology systems and infrastructure and other employee-related costs.

Pre-separation costs include Agilent-specific incremental expenses incurred in order to effect the separation, through November 1, 2014 distribution date.

Net loss on extinguishment of debt relates to the early redemption of some of our senior notes.

Business exit and divestiture costs include costs associated with the exit of the NMR business and the divestiture of the XRD business.

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