

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

	Three Months Ended April 30,		Six Months Ended April 30,	
	2020	2019	2020	2019
Net revenue	\$ 1,238	\$ 1,238	\$ 2,595	\$ 2,522
Costs and expenses:				
Cost of products and services	581	569	1,215	1,146
Research and development	197	99	301	201
Selling, general and administrative	358	354	762	709
Total costs and expenses	<u>1,136</u>	<u>1,022</u>	<u>2,278</u>	<u>2,056</u>
Income from operations	102	216	317	466
Interest income	3	10	6	20
Interest expense	(20)	(17)	(40)	(35)
Other income (expense), net	<u>36</u>	<u>9</u>	<u>57</u>	<u>15</u>
Income before taxes	121	218	340	466
Provision for (benefit from) income taxes	20	36	42	(220)
Net income	<u>\$ 101</u>	<u>\$ 182</u>	<u>\$ 298</u>	<u>\$ 686</u>
Net income per share:				
Basic	\$ 0.33	\$ 0.57	\$ 0.96	\$ 2.16
Diluted	\$ 0.32	\$ 0.57	\$ 0.95	\$ 2.13
Weighted average shares used in computing net income per share:				
Basic	309	317	310	318
Diluted	312	321	313	322

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

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

	<u>April 30,</u> <u>2020</u>	<u>October 31,</u> <u>2019</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,324	\$ 1,382
Accounts receivable, net	886	930
Inventory	750	679
Other current assets	211	198
Total current assets	3,171	3,189
Property, plant and equipment, net	836	850
Goodwill and other intangible assets, net	4,503	4,700
Long-term investments	141	102
Other assets	804	611
Total assets	\$ 9,455	\$ 9,452
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 333	\$ 354
Employee compensation and benefits	280	334
Deferred revenue	399	336
Short-term debt	700	616
Other accrued liabilities	233	440
Total current liabilities	1,945	2,080
Long-term debt	1,788	1,791
Retirement and post-retirement benefits	340	360
Other long-term liabilities	614	473
Total liabilities	4,687	4,704
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; 308 million shares at April 30, 2020 and 309 million shares at October 31, 2019, issued	3	3
Additional paid-in-capital	5,288	5,277
Retained earnings (accumulated deficit)	15	(18)
Accumulated other comprehensive loss	(538)	(514)
Total stockholders' equity	4,768	4,748
Total liabilities and equity	\$ 9,455	\$ 9,452

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

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

	Six Months Ended	
	April 30,	April 30,
	2020	2019
Cash flows from operating activities:		
Net income	\$ 298	\$ 686
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	155	107
Share-based compensation	44	40
Excess and obsolete inventory related charges	9	7
Asset impairment charges	99	—
Unrealized gain on equity securities	(27)	(1)
Other non-cash expenses, net	3	3
Changes in assets and liabilities:		
Accounts receivable, net	25	(17)
Inventory	(85)	(21)
Accounts payable	(10)	(8)
Employee compensation and benefits	(50)	(13)
Other assets and liabilities	(207)	(318)
Net cash provided by operating activities ^(a)	254	465
Cash flows from investing activities:		
Investments in property, plant and equipment	(67)	(78)
Payment to acquire fair value investments	(18)	(18)
Payment in exchange for convertible note	(3)	(2)
Acquisition of businesses and intangible assets, net of cash acquired	—	(248)
Net cash used in investing activities	(88)	(346)
Cash flows from financing activities:		
Issuance of common stock under employee stock plans	32	33
Payment of taxes related to net share settlement of equity awards	(33)	(14)
Payment of dividends	(111)	(104)
Proceeds from revolving credit facility	798	—
Repayment of revolving credit facility	(713)	—
Repayment of finance lease	(4)	—
Purchase of non-controlling interest	—	(4)
Treasury stock repurchases	(186)	(125)
Net cash used in financing activities	(217)	(214)
Effect of exchange rate movements	(8)	2
Net increase (decrease) in cash, cash equivalents and restricted cash	(59)	(93)
Cash, cash equivalents and restricted cash at beginning of period	1,388	2,254
Cash, cash equivalents and restricted cash at end of period	\$ 1,329	\$ 2,161
Reconciliation of cash, cash equivalents and restricted cash to the condensed consolidated balance sheet:		
Cash and cash equivalents	\$ 1,324	\$ 2,155
Restricted cash, included in other assets	5	6
Total cash, cash equivalents and restricted cash	\$ 1,329	\$ 2,161

^(a) Cash payments included in operating activities:

Income tax payments (refunds), net	\$ 286	\$ 104
Interest payments	\$ 39	\$ 36

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 April 30,				Six Months Ended April 30,			
	2020	Diluted EPS	2019	Diluted EPS	2020	Diluted EPS	2019	Diluted EPS
GAAP net income	\$ 101	\$ 0.32	\$ 182	\$ 0.57	\$ 298	\$ 0.95	\$ 686	\$ 2.13
Non-GAAP adjustments:								
Asset impairments	99	0.32	—	—	99	0.32	—	—
Intangible amortization	46	0.15	26	0.08	94	0.30	54	0.17
Transformational initiatives	15	0.05	9	0.03	28	0.09	14	0.04
Acquisition and integration costs	11	0.03	10	0.03	24	0.08	20	0.06
NASD site costs	—	—	4	0.01	—	—	6	0.02
Special compliance costs	—	—	1	—	—	—	1	—
Other	(29)	(0.09)	5	0.02	(23)	(0.08)	6	0.02
Tax benefit on intra-entity asset transfer	—	—	—	—	—	—	(299)	(0.93)
Adjustment for taxes ^(a)	(20)	(0.07)	(9)	(0.03)	(45)	(0.14)	(16)	(0.04)
Non-GAAP net income	<u>\$ 223</u>	<u>\$ 0.71</u>	<u>\$ 228</u>	<u>\$ 0.71</u>	<u>\$ 475</u>	<u>\$ 1.52</u>	<u>\$ 472</u>	<u>\$ 1.47</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 six months ended April 30, 2020, management used a non-GAAP effective tax rate of 15.5%. For the three months ended April 30, 2019, management used a non-GAAP effective tax rate of 16.48%. For the six months ended April 30, 2019, management used a non-GAAP effective tax rate of 16.75%.

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 asset impairments, amortization of intangibles, transformational initiatives, acquisition and integration costs, NASD site costs, special compliance costs and tax benefit on intra-entity asset transfer.

Asset impairments 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 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.

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 data privacy regulations, revenue recognition, lease accounting and certain tax reporting requirements.

Other includes certain legal costs and settlements and unrealized gains related to our equity securities in addition to other miscellaneous adjustments.

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>Q2'20</u>		<u>Q2'19</u>
Revenue	\$ 526	\$	529
Gross Margin, %	58.1%		60.6%
Income from Operations	\$ 98	\$	107
Operating margin, %	18.7%		20.3%

Diagnostics and Genomics Group

	<u>Q2'20</u>		<u>Q2'19</u>
Revenue	\$ 263	\$	254
Gross Margin, %	55.1%		54.8%
Income from Operations	\$ 57	\$	49
Operating margin, %	21.6%		19.3%

Agilent CrossLab Group

	<u>Q2'20</u>		<u>Q2'19</u>
Revenue	\$ 449	\$	455
Gross Margin, %	52.5%		51.3%
Income from Operations	\$ 122	\$	115
Operating margin, %	27.2%		25.2%

Income from operations reflect the results of our reportable segments under Agilent's management reporting system which are not necessarily in conformity with GAAP financial measures. Income from operations of our reporting segments exclude, among other things, charges related to asset impairments, amortization of intangibles, transformational initiatives, acquisition and integration costs, 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					
GAAP Revenue by Segment	Q2'20	Q2'19	Year-over-Year % Change			
Life Sciences and Applied Markets Group	\$ 526	\$ 529	(1%)			
Diagnostics and Genomics Group	263	254	3%			
Agilent CrossLab Group	449	455	(1%)			
Agilent	<u>\$ 1,238</u>	<u>\$ 1,238</u>	—			

	Non-GAAP (excluding Acquisitions & Divestitures)			Year-over-Year at Constant Currency ^(a)		Current Quarter Currency Impact ^(b)
Non GAAP Revenue by Segment	Q2'20	Q2'19	Year-over-Year % Change	Year-over-Year % Change	Percentage Point Impact from Currency	Current Quarter Currency Impact ^(b)
Life Sciences and Applied Markets Group	\$ 485	\$ 529	(8%)	(7%)	-1 ppt	\$ (7)
Diagnostics and Genomics Group	263	254	3%	5%	-2 ppts	(4)
Agilent CrossLab Group	449	455	(1%)	1%	-2 ppts	(9)
Agilent (Core)	<u>\$ 1,197</u>	<u>\$ 1,238</u>	(3%)	(2%)	-1 ppt	<u>\$ (20)</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.