Keysight Technologies

Institutional Investor Meetings

October 14-16, 2014

KEYSIGHT TECHNOLOGIES

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Introduction to Keysight Technologies

KEYSIGHT TECHNOLOGIES

Keysight at a Glance

NET REVENUE IN FY13	$2.9 billion (60%+ generated outside the U.S.)
EMPLOYEES	~9,700 (post separation)
PRESIDENT and CEO	Ron Nersesian
GLOBAL HEADQUARTERS	Santa Rosa, California
CUSTOMER LOCATIONS	100+ countries
MANUFACTURING AND R&D LOCATIONS	U.S., Europe, Asia Pacific
EXCHANGE LISTING	NYSE: KEYS
DIVIDEND RATIO	1 : 2 (1 share for every 2 Agilent shares)
Estimated Shares Outstanding (post distribution)	~167 million

KEYSIGHT TECHNOLOGIES

Timeline of Innovation

Unlocking measurement insights for 75 years

1939–1998: The Hewlett-Packard years

A company founded on electronic measurement innovation

1999–2013: The Agilent Technologies years

Spun off from HP, Agilent became the World's Premier Measurement Company

In September 2013, announced the spin-off of its electronic measurement business

2014: Keysight begins operations

Focused 100% on the electronic measurement industry

We believe in "Firsts"

- Bill Hewlett and Dave Packard's original vision, which launched Silicon Valley, shaped our passion for "firsts" 75 years ago
- Today we are committed to provide a new generation of "firsts" that create value for Keysight investors and valued insights for our customers

Agilent Spin-off of Keysight

Strategic rationale for separation

Capitalizing on its Electronic Measurement Group (Keysight), Agilent grew its Life Sciences, Diagnostics and Analytics operations to stand-alone size and competitiveness

Spin-off creates two companies with greater strategic and management focus, each well-positioned for growth

Keysight provides a pure-play electronic measurement investment profile

Pure-play Benefits

- Stand-alone leader in key markets
- Greater strategic focus
- Ability to invest for growth in electronic measurement
- Aligned with shareholder base, research analyst coverage universe and peer comparisons

Key 2014 Dates

August 1	Keysight's operational separation
October 20	When-issued trading begins
October 22	Record date
November 1	Distribution date
November 3	Regular-way trading

Separation Designed to Increase Strategic Flexibility and Enhance Shareholder Value

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Keysight Overview

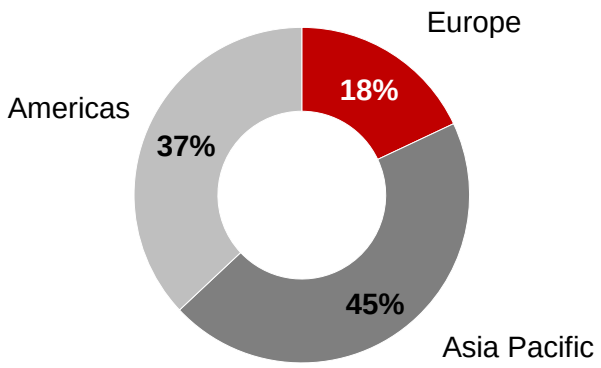
Unlocking measurement insights for 75 years

- Global electronic measurement technology and market leader
- Strong financial profile
- Deep and loyal customer base
- Sales in 100+ countries
- ~75% of revenue via direct channel
- 12 R&D centers across the world
- Headquarters in Santa Rosa, California

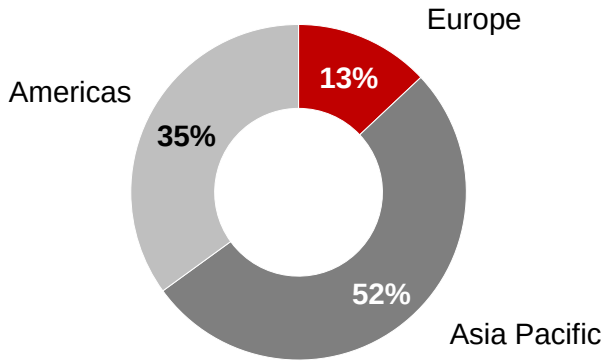
Financial Metrics

- **Revenues**(1) $2.9B
- **Operating Margin**(1,2) 18.5%
- **FY13 ROIC**(2) 31%
- **Headcount** (at spin-off) ~9,700

FY13 Revenue by Geography



Headcount



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(1) LTM refers to last twelve months ending 31-Jul-14
(2) Non-GAAP measure. See reconciliation to GAAP financial measures in Appendix

Keysight Technologies Transformation

Keysight Today

- World-class technology with many market-leading platforms
- Strong business model delivering 18.8% operating margin (1) and leading ROIC
- Keysight cash generation funded HP and Agilent's Life Sciences growth initiatives and now must drive Keysight's return to market growth rates

Keysight Transformation

- Transform our portfolio to meet the changing needs of the market
- Committed to principles of current business model; 40% incremental on growth above 4% and operating margin in the mid-teens in the trough
- Sustainable cash flows enabling return of capital to shareholders

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(1) FY13 Non-GAAP operating margin

Investment Highlights

Investment Highlights

1. Focused Team with Deep Electronic Measurement Roots
2. Attractive End Markets
3. Market Leadership
4. Deep Customer Relationships
5. A History of “Firsts”
6. Portfolio Transformation for Growth
7. Strong Operating Model

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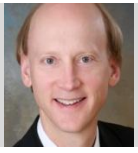
1 Focused Team with Deep Electronic Measurement Roots

Executive staff with 29 years average industry experience

			Test & Measurement Experience
	Ron Nersesian **President & CEO** *Previously Agilent President and COO*	Transformed Agilent's Electronic Measurement Group to deliver double digit-profit throughout the business cycle and delivered the highest EM operating margin in Agilent history.	**30 years**
	Neil Dougherty **CFO** *Previously Agilent VP and Treasurer*	Led global treasury organization, including corporate finance, cash management, foreign currency exchange and risk management.	**18 years**
	Guy Séné **Measurement Solutions & Worldwide Sales SVP** *Previously Agilent President of EM*	Led Agilent's largest business group and has 26 years experience in sales and marketing in Europe and Asia.	**37 years**
	Mike Gasparian **Customer Support, Services, & Marketing SVP** *Previously Agilent VP of Marketing for EMG*	Ran divisions and business units in Agilent, as well as worldwide sales and service organizations.	**34 years**
	Gooi Soon Chai **Order Fulfillment & Infrastructure** *Previously Agilent President OF and Supply Chain*	Consolidated and streamlined electronic measurement infrastructure; managed diverse portfolio of EM business lines.	**29 years**
	**Jay Alexander** **Chief Technology Officer** *Previously VP of Agilent's Oscilloscope and Protocol Division within EMG*	Responsible for key growth and profit increases in Agilent with deep R&D background and business experience.	**28 years**

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2 Attractive End Markets

Evolving market segments present opportunities

Market Size[1]: $12B **Long Term Market Growth[1]: 3-4%**

	Communications [3]	Aerospace Defense	Industrial, Computers, Semiconductors
Revenue Mix [2]	34%	23%	43%
Market Size [1]	$4B	$3B	$5B
3-Year Market Growth[1]	4-6%	Flat	3-5%
Growth Drivers	**Explosive Mobile Data Growth** • Mobile devices drive data growth and new standards (LTE-A, 5G) • Wireless everywhere • Increasing complexity of chipsets • Cloud applications • "Internet of Things"	**Defense Modernization** • Growth outside U.S. and western Europe • Growth in radar and satellite • Strength in intelligence, surveillance, and reconnaissance (ISR)	**Electronic Content Proliferation** • Increasing electronic content • Demand for business and consumer Cloud computing • Research and education demand • Alternative energy and power management • High-density memory
Transformation Opportunities	**Wireless R&D and Manufacturing Solutions**		
	Modular Solutions		
	Software		

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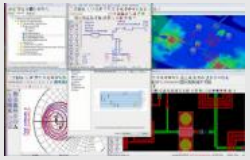
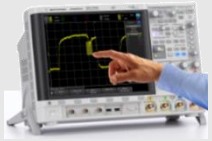
(1) Per Company estimates
(2) Percentage of FY13 Keysight revenue (Agilent's EM segment)
(3) Excludes network assurance

3 Market Leadership

Technology core fuels portfolio transformation

Core Platforms		Leadership Position
	Electronic Design Automation Software	**Highest performance** design software used by 2/3 of the world's RF/Microwave designers
	Network Analyzers	**Highest performance**, broadest offering, including industry-leading PNA-X microwave network analyzers
	Signal Analyzers	**Highest performance** signal analyzer family, including the flagship PXA X-Series
	Signal Sources	**Highest performance** signal generators led by the industry-standard PSG performance signal generator
	Oscilloscopes	**Product leadership** in high-performance oscilloscopes with proprietary technology and application expertise
	One Box Testers	Two new R&D (UXM) and manufacturing (EXM) platforms for 4G and beyond

4 Deep Customer Relationships

Most Fortune 1000 electronics companies are Keysight customers

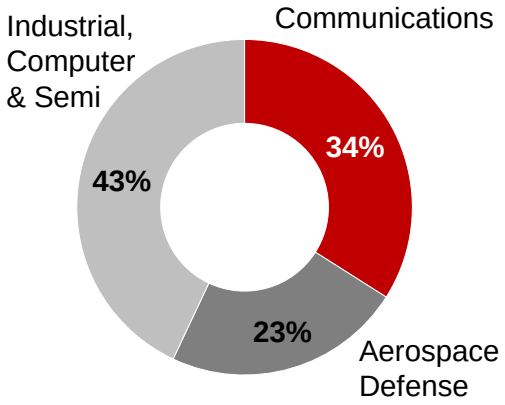
Key Customer Facts

- Diverse customer base with no single customer accounting for more than 10% of revenues(1)
- 75% of customer revenue via direct sales channel coverage, including all of Keysight's top customers
- Indirect sales channel with over 600 indirect partners worldwide

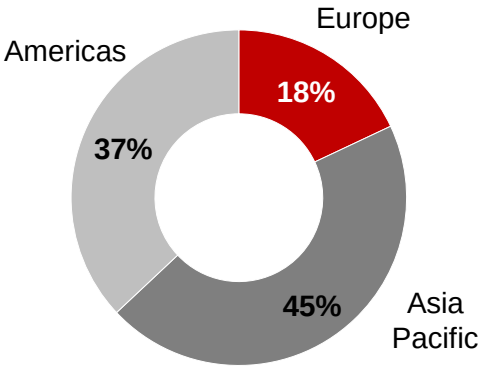
Typical Keysight Customers

- **Communications**
  - Base station and handset manufacturers, electronic component suppliers, chipset suppliers
- **Aerospace and defense**
  - Governments, prime contractors, component suppliers
- **Industrial, Computers, and Semiconductors**
  - General electrical engineering, semiconductor foundries, computer and tablet suppliers

FY13 Revenue by End Market



FY13 Revenue by Geography



(1) FY11-13 revenues

4 Keysight Customer Support and Service

Founded on deep customer relationships and trust

- **Global Reach & Capability**
  - Service centers in 30 countries repair and calibrate customer test equipment
  - Consistent support for multi-national customers at 50+ sites worldwide
- **Broad Service Offering**
  - Designed and delivered by a global team of experts
  - Mobile on-site calibration services
  - Trade-in and certified used product sales
- **Deep Domain Expertise**
  - Experts in the science of electrical and physical dimensional measurements
  - Affiliated with 35 calibration standards bodies in 17 countries

FY13 Financial Metrics

- **Revenues** $395M
- **Operating Margin** 23.5%

Competitors

- Independent test labs
- Original equipment manufacturers

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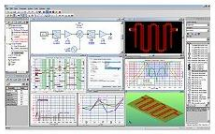
5 A History of "Firsts"

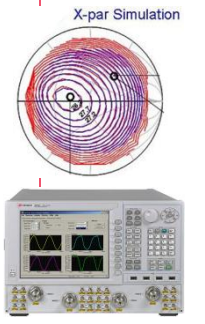
Industry leading R&D is key to our customers' success in a changing world

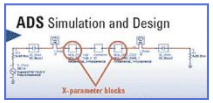
First indium phosphide IC technology for oscilloscopes. Enables design of the fastest digital interfaces for computing and other applications.

First 4G LTE software simulation tools for design of chipsets, base stations and phones. Enabled testing while the 4G standard was in draft form.



X-Parameters: Breakthrough invention enables first-ever software simulation capability for the combination of complex circuit elements. Used in phone and base station design enabling faster time to market.





UXG signal generators enable industry-leading simulation of multiple complex signals for radar systems.

First single-slot PXI two-channel modular Vector Network Analyzer

- Engineers use Keysight products to perform complex electronic design to develop and innovate breakthrough products
- Keysight innovations enable shorter development times and lower manufacturing costs
- A 75-year history of pioneering innovations, creating new product categories and defining industry standards

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6 Portfolio Transformation for Growth

Focus on opportunities with above-market growth rates

Wireless Communications

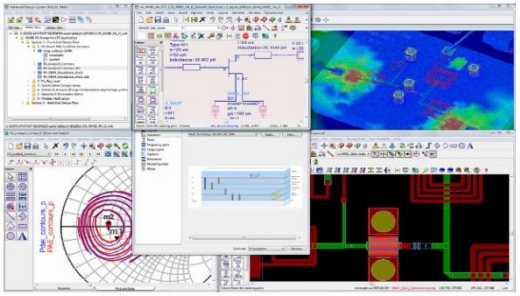
- Explosive mobile data growth and evolving wireless standards are driving investment in emerging networking technologies
- Keysight recently introduced two new wireless R&D and manufacturing platforms to support 4G and beyond

Modular Solutions

- Ability to leverage industry-leading feature-rich instrument capabilities into modular solutions
- Only company to provide top technology in customers' form factor of choice

Software Solutions

- Value migration to software solutions that link the simulated world to the real instrumentation world
- Consistency of measurement science across instruments, modules, and software



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7 Strong Operating Model

Superior and stable financial performance throughout cycle

- Disciplined expense and capital management ensures rapid response to macro environment
- Specific levers and management process enable strong financial performance throughout the cycle
  - Minimal fixed cost growth
  - Variable and incentive pay programs scale with business results
  - Gross margin improvement through value engineering
  - Indirect channel and flexible sales structure
  - Flexible operating expenses and technology leverage
- Limited spinoff dis-synergies with no expected material long-term impact on business model

Profitability and Capital Efficiency Metrics(1,2)

LTM Operating Margin	**18.5%**
LTM Adj. EBITDA Margin	**22.5%**
LTM Free Cash Flow: *(includes $53M in separation expenses)*	**$435M**
FY13 ROIC	**31%**

- Strong margin and ROIC performance generates sustainable cash flows across the cycle
  - Delivered 19% operating margin and $497M in free cash flow in FY13 as flexible cost structure dampened impact of 13% YoY revenue decline

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(1) See reconciliation to GAAP financial measures in Appendix
(2) LTM refers to last twelve months ending 31-Jul-14

Keysight Technologies Liquidity and Capital Structure

Anticipated capital structure at time of spin

- Cash and equivalents of $700M
- Majority of cash is generated offshore with sufficient free cash flow accessible in the U.S.
- $1.1B debt offering, of which $900M will be distributed to Agilent
- LTM Adjusted EBITDA(1) $646M
- Total Debt / LTM Adjusted EBITDA(1) 1.7x

Sources of liquidity

- Opened a new unsecured revolving credit facility of $300M. Currently undrawn with full capacity available

Priority uses of cash

- Expect to return to a net cash position within one year
- Invest for growth – no planned material acquisitions until post-spin operations have stabilized
- Anti-dilutive share buybacks as and when appropriate

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(1) See reconciliation to GAAP financial measures in Appendix

FY15 Financial Considerations

- Overall market growth expectations reflect continued slow recovery with **end-market growth** in the range of 2.5 – 3.5% in 2015
- Operating model remains intact, while FY15 is a transition year as Keysight spins off from Agilent with the following financial structure changes:
  - Dis-synergies (~$11M)
  - Equity-based compensation expense to be treated as pro forma cost per industry practice (~$40M)
  - Interest expense of new bond issuance (~$46M)
  - R&D investment more in line with industry average of 13% of revenue as business results permit
  - Real estate lease income from Agilent reflected in Other Income, while costs are in SG&A (~$15M shift from Operating Margin to Pre-tax Earnings; no net earnings impact)
  - Expected stand-alone tax rate of 17% vs. Agilent's rate of 16% (~$1M)

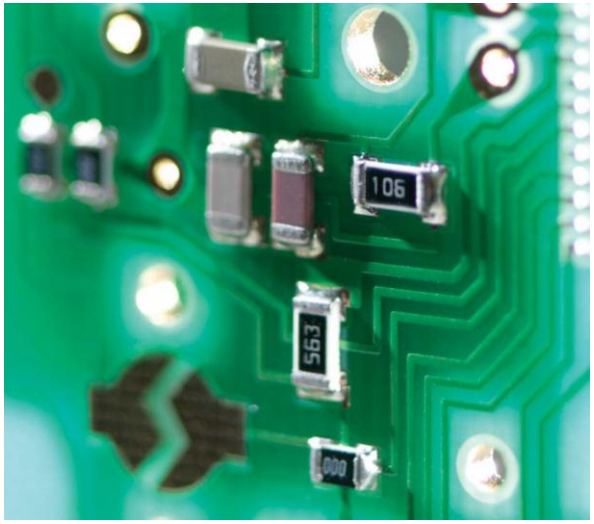
Appendix

An Overview of Keysight's End Markets

A market leader in electronic test and measurement solutions

Communications

Aerospace and Defense



Industrial, Computer, and Semiconductor

Keysight Technologies in Communications

Market size(1): $4B Long-term market growth(1): 4-6%

End Market Growth Drivers

- Mobile data traffic growing at double-digit rates each year
- Components and chipsets increasing complexity
- 4G and 5G technology and standards evolution

How We Win

Market reach and customer trust

- Global footprint with R&D in US, Europe and Asia
- Leader in electronic test and measurement
- Leadership in standards bodies

Broadest range of solutions across ecosystem

- Components and chipsets – Simulation tools, Network Analyzers
- Handsets – One-Box Testers for R&D and manufacturing
- Base Stations – Signal Analyzers, Sources
- Wireline / Optical – Optical Modulation Analyzers

Key new products

- Combination of bench-top and modular to deliver best solutions
- Highly differentiated wireless R&D and manufacturing platforms launched in 2014

Select Competitors

- Anritsu
- National Instruments
- Rohde & Schwarz
- Teradyne (Litepoint)

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(1) Market size and growth data per Company estimates

Keysight Technologies in Aerospace and Defense

Market size(1): $3B Long-term market growth(1): Flat

End Market Growth Drivers

- Growth of intelligence, surveillance, and reconnaissance
- Growth outside US (Russia, China, India, Middle East) driven by new satellites and radar technologies

How We Win

Market reach and customer trust

- Largest installed base
- World-class, long-term service and support
- Network of system integrators and in-house capabilities

Leading technology and application solutions

- Direct wideband radar – 90000 X-Series Oscilloscopes
- Wideband radar simulation – Arbitrary Waveform Generator
- Lowest phase noise for radar – Performance Signal generators
- Best amplifier characterization for satellite communications – PNA-X
- Mission-critical network surveillance – unique contribution

Key new products

- Leading High-Performance Oscilloscopes with proprietary technology
- RF and microwave modular products with lab-quality measurements
- Industry's highest performing handhelds

Select Competitors

- Cobham (Aeroflex)
- Danaher (Tektronix)
- Rohde & Schwarz

(1) Market size and growth data per Company estimates

Keysight Technologies in Industrial, Computers, Semiconductor

Market size(1): $5B *Long-term market growth(1): 3-5%*

End Market Growth Drivers

- Electronic content in industrial segment continues to proliferate
- Mobile computing driven by smartphones, tablets, and notebook PCs
- Cloud computing requires high-performance infrastructure
- Semiconductor R&D-driven innovation
- Strategic investments in education and research in emerging countries

How We Win

Market reach and customer trust

- Award-winning products plus expanded indirect channel
- Leadership in high-speed digital standards: PCI Express, USB, HDMI

Leading technology, application solutions

- Industry-leading PCI-Express Gen3 – Oscilloscopes, Bit Error Rate Testers (BERTs), Protocol Analyzers
- Premier battery drain characterization – Source Measure Units (SMUs)
- First THz materials research solution – Performance Network Analyzers

Key new products

- Differentiated oscilloscope offering with ease-of-use innovation and value integration

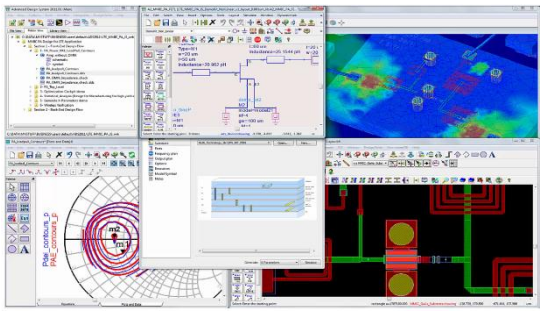
Select Competitors

- Danaher (Tektronix)
- Teledyne (LeCroy

(1) Market size and growth data per Company estimates

Opportunities to Accelerate Growth

Three key areas of focus



Wireless	Modular Solutions	Software

Transforming Product Portfolio for Growth: Wireless

New wireless communications R&D and manufacturing platforms

Growth Opportunity

- Explosive mobile data growth and evolving wireless standards drive investment in emerging networking technologies

How Keysight will Win

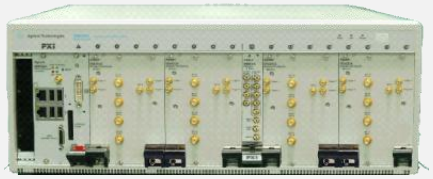
- Organic and inorganic (AT4 acquired 2012) investments driving new world-class platforms

Initial Results

- In Q1, Keysight introduced two new solutions for wireless R&D and manufacturing. The multi-format architecture supports 4G standards and can be upgraded as standards evolve

R&D Platform

Designed for R&D and conformance; supports multiple generations and formats with the highest performance and flexibility



Manufacturing Platform

Reduces capital cost, shrinks foot-print and power consumption, and increases uptime

Transforming Product Portfolio for Growth: Modular Solutions

Significant focus area to drive growth

Growth Opportunity

- Increasing demand for flexibility and form factor options. Modular solutions are growing faster than overall EM market

How Keysight will Win

- Leveraging industry-leading feature-rich instrument capabilities into modular solutions
- Only company to provide top technology in customers' form factor choice

Initial Results

- Significant growth since launching strategy
- 100+ PXI and AXIe products launched since 2010

Keysight's Fast-Growing Modular Portfolio

Transforming Product Portfolio for Growth: Software

Value migration to software solutions

Growth Opportunity

- As measurement science evolves to software, software is expected to grow faster than the electronic measurement market
- Customers can extend instrument life and investment with new software measurement capability and functionality

How Keysight will Win

- Solutions that link the simulated world to the real instrumentation world
- Consistency of measurement science across instruments, modules, software
- Expertise and standards insight enables faster delivery of solutions
- Keysight is positioned to capture software's above-market growth rates

Initial Results

- World leader in high-frequency Electronic Design Automation (EDA) with 10,000+ seats
- Leading provider of Test and Measurement applications software with 1,000+ different applications

Customer New Product Introduction Workflow

Keysight provides innovative and leading measurement solutions at every step

- Simulation (R&D)
  - Electronic design automation (EDA) software is used to virtually model the circuits of a new product prior to the development of any physical electronic hardware
- Prototype (R&D)
  - Includes the development of the physical hardware and software for the new product
  - Objective is to uncover design errors and reduce the total time to market
  - Design validation is the last step of R&D prior to releasing a product for manufacturing when all product capabilities are rigorously tested under all conditions
- Manufacturing
  - Objective is to produce the product as fast as possible at the lowest cost with few failures and performance consistent with original design
- Installation & Maintenance
  - Some customer devices are deployed in outdoor field locations
  - Technicians bring test instruments to the device in the field, requiring the same measurement capability in a compact (hand-held), rugged, weather-proof and battery-operated form factor

Reconciliations

GAAP to Non-GAAP Operating Income Reconciliation

Year Ended October 31, (except LTM) ***$ in Millions***	**2011**	**2012**	**2013**	**LTM**
GAAP Income from operations	$737	$733	$496	$467
Restructuring and other related costs	-	-	15	(5)
Asset impairments	4	-	1	-
Amortization of intangible assets	10	7	9	8
Transformational programs	6	1	4	1
Acquisition and integration costs	-	3	8	2
Pre-separation costs	-	-	2	53
Other	3	7	9	7
Non-GAAP Income from operations	**$760**	**$751**	**$544**	**$533**
% of Revenue	22.9%	22.7%	18.8%	18.5%

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Non-GAAP Adjusted EBITDA Reconciliation

Year Ended October 31, (except LTM) ***$ in Millions***	**2011**	**2012**	**2013**	**LTM**
Non-GAAP Income from operations	$760	$751	$544	$533
Plus:				
Depreciation and amortization	56	65	77	79
Less: Amortization of intangible assets	(10)	(7)	(9)	(8)
Share-based compensation expense	36	38	41	43
Less: Acceleration of SBC	-	-	(1)	(1)
Adjusted EBITDA	**$842**	**$847**	**$652**	**$646**
% of Revenue	25.4%	25.6%	22.6%	22.5%

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Free Cash Flow Reconciliation

Year Ended October 31, (except LTM) ***$ in Millions***	**2011**	**2012**	**2013**	**LTM**
Net Cash provided by operating activities	751	724	566	497
Less: Purchases of property and equipment	(95)	(103)	(69)	(62)
Free Cash Flow	**$656**	**$621**	**$497**	**$435**
% of Revenue	19.8%	18.7%	17.2%	15.1%

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ROIC Reconciliation

Year Ended October 31 ***$ in Millions***	**2013**	**LTM**
Non-GAAP Income from Operations	$544	$533
Less: Taxes	(84)	(85)
Non-GAAP Income from Operations After Taxes	$460	$448
Assets (1)	$1,997	$1,963
Less: Current Liabilities	(536)	(503)
Invested Capital	$1,461	$1,460
ROIC	**31%**	**31%**

(1) Consists of inventory, accounts receivable, PPE, goodwill , intangibles, deferred taxes and allocated corporate assets

KEYSIGHT TECHNOLOGIES