



**VERIGY LTD.**  
**COMBINED AND CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In millions, except share and per share amounts)  
(Unaudited)

	Three Months Ended October 31		Twelve Months Ended October 31	
	2007	2006	2007	2006
Orders:	\$ 183	\$ 164	\$ 726	\$ 852
Net revenue:				
Products	\$ 172	\$ 164	\$ 615	\$ 646
Services	37	38	146	132
Total net revenue	<u>209</u>	<u>202</u>	<u>761</u>	<u>778</u>
Cost of sales:				
Cost of products (*)	85	88	318	331
Cost of services (*)	<u>27</u>	<u>25</u>	<u>103</u>	<u>97</u>
Total cost of sales	112	113	421	428
Operating expenses:				
Research and development (*)	23	24	91	99
Selling, general and administrative (*)	38	35	145	149
Restructuring charges	1	1	1	17
Separation costs	-	13	4	69
Total operating expenses	<u>62</u>	<u>73</u>	<u>241</u>	<u>334</u>
Income (loss) from operations	35	16	99	16
Other income (expense), net	<u>5</u>	<u>3</u>	<u>15</u>	<u>5</u>
Income before taxes	40	19	114	21
Provision for income taxes	<u>8</u>	<u>5</u>	<u>17</u>	<u>21</u>
Net income (loss)	<u>\$ 32</u>	<u>\$ 14</u>	<u>\$ 97</u>	<u>\$ -</u>
Net income (loss) per share- basic:	\$ 0.53	\$ 0.25	\$ 1.63	\$ -
Net income (loss) per share- diluted:	\$ 0.52	\$ 0.25	\$ 1.61	\$ -
Weighted average shares (presented in thousands) used in computing net income (loss) per share:				
Basic	59,696	58,652	59,190	53,356
Diluted	60,483	58,666	59,883	53,356
* Share-based compensation expense by function:				
Cost of products	\$ 0.5	\$ 0.2	\$ 1.7	\$ 1.7
Cost of services	\$ 0.2	\$ 0.1	\$ 0.8	\$ 0.2
Research and development	\$ 0.4	\$ 0.2	\$ 1.7	\$ 1.3
Selling, general and administrative	\$ 2.4	\$ 1.7	\$ 9.6	\$ 7.2



**VERIGY LTD.**  
**CONSOLIDATED BALANCE SHEETS**  
(In millions, except share data)  
(Unaudited)

	October 31, 2007	October 31, 2006
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 146	\$ 300
Short-term marketable securities	278	-
Trade accounts receivable, net	107	108
Receivables from Agilent	-	8
Inventory	68	87
Other current assets	54	48
Total current assets	653	551
Property, plant and equipment, net	42	44
Goodwill	18	18
Other long-term assets	59	61
Total assets	\$ 772	\$ 674
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 76	\$ 75
Payables to Agilent	1	37
Employee compensation and benefits	53	43
Deferred revenue, current	65	58
Income and other taxes payable	12	23
Other current liabilities	19	15
Total current liabilities	226	251
Long-term liabilities:	47	34
Total liabilities	273	285
Shareholders' equity		
Ordinary shares, no par value, 59,704,629 and 58,651,559 issued and outstanding at October 31, 2007 and October 31, 2006, respectively		
Additional paid in capital	381	358
Retained earnings	131	34
Accumulated other comprehensive loss	(13)	(3)
Total shareholders' equity	499	389
Total liabilities and shareholders' equity	\$ 772	\$ 674



**VERIGY LTD.**  
**RECONCILIATION OF GAAP NET INCOME (LOSS) TO NON-GAAP NET INCOME**  
(In millions, except per share amounts)  
(Unaudited)

	Three Months Ended						Twelve Months Ended			
	October 31, 2007	EPS	July 31, 2007	EPS	April 30, 2007	EPS	January 31, 2007	EPS	2007	EPS
GAAP net income	\$ 32	\$ 0.52	\$ 30	\$ 0.50	\$ 22	\$ 0.36	\$ 13	\$ 0.22	\$ 97	\$ 1.61
Non-GAAP adjustments:										
Restructuring charges in cost of sales	0.1	-	0.5	0.01	1.1	0.02	1.1	0.02	2.8	0.05
Restructuring charges in operating expenses	0.7	0.01	-	-	-	-	-	-	0.7	0.01
Separation related costs in cost of sales	0.6	0.01	0.4	-	0.4	0.01	0.2	-	1.6	0.03
Separation related costs in operating expenses	-	-	0.6	0.01	0.9	0.01	2.0	0.04	3.5	0.05
Impact of German statutory tax rate change	2.0	0.04	-	-	-	-	-	-	2.0	0.04
Non-GAAP net income	<u>\$ 35</u>	<u>\$ 0.58</u>	<u>\$ 32</u>	<u>\$ 0.52</u>	<u>\$ 24</u>	<u>\$ 0.40</u>	<u>\$ 16</u>	<u>\$ 0.28</u>	<u>\$ 107</u>	<u>\$ 1.79</u>

	Three Months Ended						Twelve Months Ended			
	October 31, 2006	EPS	July 31, 2006	EPS	April 30, 2006	EPS	January 31, 2006	EPS	2006	EPS
GAAP net income (loss)	\$ 14	\$ 0.25	\$ 13	\$ 0.23	\$ (11)	(0.22)	\$ (16)	(0.32)	\$ -	\$ -
Non-GAAP adjustments:										
Restructuring charges in cost of sales	2.2	0.03	2.2	0.04	2.4	0.05	0.9	0.02	7.7	0.14
Restructuring charges in operating expenses	0.9	0.01	1.6	0.03	8.0	0.16	6.0	0.12	16.5	0.31
Separation related costs in cost of sales	1.0	0.02	-	-	3.7	0.07	-	-	4.7	0.09
Separation related costs in operating expenses	12.6	0.21	20.9	0.38	20.0	0.40	15.0	0.30	68.5	1.28
Other	-	-	-	-	(0.7)	(0.01)	-	-	(0.7)	(0.01)
Non-GAAP net income	<u>\$ 31</u>	<u>\$ 0.52</u>	<u>\$ 38</u>	<u>\$ 0.68</u>	<u>\$ 22</u>	<u>\$ 0.45</u>	<u>\$ 6</u>	<u>\$ 0.12</u>	<u>\$ 97</u>	<u>\$ 1.81</u>