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L3HARRIS CY2019 SECOND QUARTER RECONCILIATION OF NON-GAAP FINANCIAL MEASURES AND REGULATION G DISCLOSURES

Regulation G Disclosures



To supplement our condensed consolidated financial statements presented in accordance with U.S. generally accepted accounting principles (GAAP), we provide additional financial measures that exclude or include amounts, or are subject to adjustments, so as to be different from the most directly comparable financial measures calculated and presented in accordance with GAAP. L3Harris management believes that these non-GAAP financial measures, when considered together with the GAAP financial measures, provide information that is useful to investors in understanding period-over-period operating results separate and apart from items that may, or could, have a disproportionately positive or negative impact on results in any particular period. L3Harris management also believes that these non-GAAP financial measures enhance the ability of investors to analyze L3Harris' business trends and to understand L3Harris' performance. In addition, L3Harris may utilize non-GAAP financial measures as guides in its forecasting, budgeting, and long-term planning processes and to measure operating performance for some management compensation purposes. Any analysis of non-GAAP financial measures should be used only in conjunction with results presented in accordance with GAAP. A reconciliation of these non-GAAP financial measures with the most directly comparable financial measures calculated in accordance with GAAP follows:

Reconciliation of Non-GAAP Financial Measures – Earnings Release Information



L3 Standalone Non-GAAP Operating Income Margin Percentage

(\$ in millions)	Q2 CY19	Q2 CY18	1H CY19	1H CY18
Revenue from product sales and services (B)	\$ 2,631	\$ 2,583	\$ 5,331	\$ 4,954
GAAP operating income	\$ 294	\$ 321	\$ 587	\$ 572
Merger, acquisition and divestiture related expenses and losses	27	—	45	—
Gain on sale of the Crestview Aerospace and TCS businesses	—	(48)	—	(48)
Non-GAAP operating income (A)	\$ 321	\$ 273	\$ 632	\$ 524
Non-GAAP operating income margin percentage (A) / (B)	12.2%	10.6%	11.9%	10.6%

Reconciliation of Non-GAAP Financial Measures – Earnings Release Information



L3 Standalone Non-GAAP EPS

	Q2 CY19	Q2 CY18	1H CY19	1H CY18
GAAP income from continuing operations per diluted common share (1)	\$ 2.60	\$ 2.33	\$ 5.31	\$ 4.67
Adjustments:				
Merger, acquisition and divestiture related expenses and losses	0.34	—	0.57	—
Debt retirement charge	0.04	0.60	0.04	0.60
Gain on sale of the Crestview Aerospace and TCS businesses	—	(0.60)	—	(0.60)
Total pre-tax adjustments	0.38	—	0.61	—
Income taxes on above adjustments	(0.07)	0.14	(0.12)	0.14
Total adjustments after-tax	0.31	0.14	0.49	0.14
Non-GAAP income from continuing operations per diluted share (1)	\$ 2.91	\$ 2.47	\$ 5.80	\$ 4.81

(1) Income from continuing operations refers to income from continuing operations attributable to common shareholders.

Reconciliation of Non-GAAP Financial Measures – Earnings Release Information



L3 Standalone Adjusted Free Cash Flow

(\$ in millions)	Q2 CY19	Q2 CY18	1H CY19	1H CY18
Net cash provided by operating activities of continuing operations	\$ 221	\$ 213	\$ 395	\$ 178
Net cash provided by operating activities of discontinued operations	—	38	19	9
Less capital expenditures, net of dispositions	(52)	(54)	(98)	(109)
Free cash flow	169	197	316	78
Cash used for deal and integration costs	51	—	68	—
Adjusted free cash flow	220	197	384	78
Less net cash provided by operating activities of discontinued operations	—	(38)	(19)	(9)
Capital expenditures of discontinued operations	—	1	—	2
Adjusted free cash flow excluding free cash flow of discontinued operations	\$ 220	\$ 160	\$ 365	\$ 71

Reconciliation of Non-GAAP Financial Measures – Earnings Release Information



Combined L3Harris Adjusted Free Cash Flow

(\$ in millions)	Q2 CY19	Q2 CY18	1H CY19	1H CY18
Net cash provided by operating activities — Harris	\$ 311	\$ 521	\$ 716	\$ 378
Net cash provided by operating activities of continuing operations — L3	221	213	395	178
Net cash provided by (used by) operating activities of discontinued operations — L3	—	38	19	9
Less capital expenditures — Harris	(57)	(57)	(94)	(93)
Less capital expenditures, net of dispositions — L3	(52)	(54)	(98)	(109)
Free cash flow	423	661	938	363
Adjustment for voluntary contribution to qualified pension plans	—	—	—	300
Cash used for deal and integration costs — Harris	13	—	24	—
Cash used for deal and integration costs — L3	51	—	68	—
Adjusted free cash flow	487	661	1,030	663
Less net cash provided by (used by) operating activities of discontinued operations — L3	—	(38)	(19)	(9)
Capital expenditures of discontinued operations — L3	—	1	—	—
Adjusted free cash flow excluding free cash flow of L3 discontinued operations	\$ 487	\$ 624	\$ 1,011	\$ 656

Reconciliation of Non-GAAP Financial Measures – Earnings Release Information



Combined L3Harris Adjusted EBIT Margin Percentage Guidance

(\$ in billions)	2H CY19 guidance		CY19 guidance	
	Low end	High end	Low end	High end
Revenue from product sales and services (B)	\$ 9.19	\$ 9.27	\$ 17.97	\$ 18.13
Net income	\$ 0.54	\$ 0.55	\$ 1.47	\$ 1.49
Net interest expense	0.16	0.16	0.30	0.30
Income tax expense	—	—	0.15	0.16
Amortization of intangibles	0.31	0.31	0.36	0.36
Amortization of inventory step-up	0.17	0.17	0.17	0.17
Merger, integration and divestiture expenses	0.34	0.34	0.43	0.43
Debt related losses	0.02	0.02	0.03	0.03
Adjusted EBIT (A)	\$ 1.54	\$ 1.55	\$ 2.91	\$ 2.94
Adjusted EBIT margin percentage (A) / (B)	16.7%	16.7%	16.2%	16.2%

Reconciliation of Non-GAAP Financial Measures – Earnings Release Information



Combined L3Harris Non-GAAP EPS

	2H CY18	CY18
Income from continuing operations — Harris	\$ 441	\$ 847
Income from continuing operations — L3	440	821
Noncontrolling interest	(12)	(21)
Income from continuing operations — Combined (A)	\$ 869	\$ 1,647
Diluted weighted average common shares outstanding — L3	79.6	79.6
x Exchange Ratio	1.3	1.3
	103.5	103.5
Diluted weighted average common shares outstanding — Harris	120.3	120.9
Diluted weighted average common shares outstanding — Combined (B)	223.8	224.4
GAAP income from continuing operations per diluted common share	\$ 3.88	\$ 7.34
Adjustments:		
Night Vision	(0.06)	(0.11)
Net operating loss generated by divested businesses — L3	0.02	0.03
Amortization of intangibles from Exelis Inc. acquisition	0.23	0.45
Merger, acquisition and divestiture related expenses and losses	0.18	0.18
Losses related to debt refinancing	0.09	0.43
Loss (gain) on sale of the Crestview Aerospace and TCS businesses	0.03	(0.19)
Charge related to consolidation of certain Exelis facilities	—	0.02
Charges related to decision to transition and exit a commercial line of business and other items	—	0.21
Other	0.08	0.08
Income taxes on above adjustments	(0.10)	(0.22)
Impact of non-cash adjustments related to tax reform	—	(0.22)
Total adjustments, net of income taxes	0.47	0.66
Non-GAAP income from continuing operations per diluted share	\$ 4.35	\$ 8.00