



Use of U.S. DoD visual information does not imply or constitute DoD endorsement

L3HARRIS CY2020 FIRST QUARTER RECONCILIATION OF NON-GAAP FINANCIAL MEASURES AND REGULATION G DISCLOSURES

L3HARRIS.COM | [#L3HARRIS](https://twitter.com/L3HARRIS)



L3HARRIS

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



L3Harris Adjusted Pro Forma¹ EPS

	<u>CY19</u>
Pro forma ¹ income from continuing operations attributable to L3Harris Technologies, Inc. common shareholders	\$ 7.25
Adjustments:	
Gain on sale of business	(1.02)
Gain on sale of asset group	(0.05)
L3 pre-merger integration costs, including change in control charges	0.82
L3Harris Merger integration costs	0.97
Charges related to consolidation of facilities	0.22
Gain on pension curtailment	(0.10)
Amortization of acquisition-related intangibles	2.68
Additional cost of sales related to the fair value step-up in inventory sold	0.64
Non-cash cumulative adjustment to lease expense	0.04
Losses and other costs related to debt refinancing	0.02
Total pre-tax adjustments	<u>4.22</u>
Income taxes on above adjustments	<u>(1.21)</u>
Total adjustments after-tax	<u>3.01</u>
Adjusted pro forma income from continuing operations per diluted common share	<u>\$ 10.26</u>

¹"Pro forma" refers to the applicable prior-year result in the pro forma condensed combined income statement information (prepared in a manner consistent with Article 11 of Regulation S-X) included in L3Harris' Current Report on Form 8-K filed May 4, 2020.

Reconciliation of Non-GAAP Financial Measures – Earnings Release Information



Aviation Systems Segment Operating Margin Percentage

(\$ in millions)	<u>2020 Guidance</u>
Revenue from product sales and services (B)	\$3,427 to \$3,571
Segment operating income	\$130 to \$149
Impairment of goodwill and other assets and other COVID-19-related charges	<u>~ 324</u>
Non-GAAP segment operating income (A)	<u>\$454 to \$473</u>
Non-GAAP segment operating margin percentage (A) / (B)	~13.25%

Reconciliation of Non-GAAP Financial Measures – Earnings Release Information



Noncontrolling interests, net of income taxes

(\$ in millions)

	Quarter Ended	
	April 3, 2020	2020 Guidance
Noncontrolling interests, net of income taxes	\$ 23	~ \$4
Noncontrolling portion of goodwill impairment charge	(28)	~ (28)
Non-GAAP noncontrolling interests, net of income taxes	<u>\$ (5)</u>	<u>~ \$(24)</u>

Reconciliation of Non-GAAP Financial Measures – Earnings Release Information



L3 Pre-Merger Adjusted Free Cash Flow

	Quarter Ended March 29, 2019
(\$ in millions)	
Net cash provided by operating activities	\$ 193
Less capital expenditures, net of dispositions	(46)
Free cash flow	147
Net cash provided by operating activities of discontinued operations	(19)
Tax and transaction payments related to divestitures	1
Cash used for deal and integration costs	17
Adjusted free cash flow	<u>\$ 146</u>