



FISCAL 2018 FIRST QUARTER RECONCILIATION OF NON-GAAP FINANCIAL MEASURES AND REGULATION G DISCLOSURES

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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. Harris 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. Harris management also believes that these non-GAAP financial measures enhance the ability of investors to analyze Harris' business trends and to understand Harris' performance. In addition, Harris 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



Adjusted Free Cash Flow

(\$ in millions)

	<u>FY17</u>	<u>FY17-Q1</u>	<u>FY18-Q1</u>	<u>LTM (1)</u>
Net cash provided by operating activities	\$ 569	\$ 43	\$ 95	\$ 621
Adjustment for voluntary contribution to qualified pension plans	<u>400</u>	<u>-</u>	<u>-</u>	<u>400</u>
Adjusted net cash provided by operating activities	969	43	95	1,021
Less net capital expenditures (2)	<u>(119)</u>	<u>(21)</u>	<u>(23)</u>	<u>(121)</u>
Adjusted free cash flow	<u>\$ 850</u>	<u>\$ 22</u>	<u>\$ 72</u>	<u>\$ 900</u>

(1) Adjusted free cash flow for the twelve month period ending September 29, 2017

(2) Reflects additions of property, plant and equipment net of proceeds from sale of property, plant and equipment

CHQ Expense (1)

(\$ in millions)

	<u>FY17</u>
GAAP CHQ expense	\$ (114)
Exelis Inc. acquisition-related and other charges	<u>58</u>
Non-GAAP CHQ expense	<u>\$ (56)</u>

(1) Excluding amortization of intangible assets from Exelis Inc. acquisition

Reconciliation of Non-GAAP Financial Measures – Earnings Release Information



Effective Tax Rate

(\$ in millions)

		FY17	
	GAAP	Non-GAAP adjustments (1)	Non-GAAP
Income from continuing operations before income taxes	\$ 905	\$ 58	\$ 963
Income taxes	(267)	(7)	(274)
<i>Effective tax rate</i>	29.5%	12.1%	28.5%

(1) Exelis, Inc. acquisition-related and other charges

Reconciliation of Non-GAAP Financial Measures – Earnings Release Information



Income from Continuing Operations and Income from Continuing Operations per Diluted Common Share

(\$ in millions, except per share amounts)

	FY17		
	GAAP	Non-GAAP Adjustments (1)	Non-GAAP
Income from continuing operations	\$ 638	\$ 51	\$ 689
Income from continuing operations per diluted common share	\$ 5.12	\$ 0.41	\$ 5.53

(1) Adjustment for Exelis Inc. acquisition-related and other items, net of income taxes