



# FISCAL 2018 SECOND 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



## EPS Growth Excluding Tax Reform

|   | <u>FY18-Q2</u>        | <u>FY17-Q2</u>        | <u>% Inc/(Dec)</u> |
|---|-----------------------|-----------------------|--------------------|
| GAAP income from continuing operations per diluted common share                   | \$ 1.15               | \$ 1.30               | -12%               |
| Non-cash charge from an adjustment for deferred compensation                      | 0.09                  | -                     | *                  |
| Non-cash charge from a one-time write-down of deferred tax assets                 | 0.43                  | -                     | *                  |
| Exelis Inc. acquisition-related and other charges                                 | -                     | 0.08                  | *                  |
| Non-GAAP income from continuing operations per diluted share                      | <u>\$ 1.67</u>        | <u>\$ 1.38</u>        | 21%                |
| Tax reform benefit to estimated annual tax rate                                   | (0.21)                | -                     | *                  |
| Non-GAAP income from continuing operations per diluted share excluding tax reform | <u><u>\$ 1.46</u></u> | <u><u>\$ 1.38</u></u> | 6%                 |

\* Not meaningful

# Reconciliation of Non-GAAP Financial Measures – Earnings Release Information



## Adjusted Free Cash Flow

(\$ in millions)

|  | <u>FY17 (A)</u> | <u>FY17-1H (B)</u> | <u>FY18-1H (C)</u> | <u>LTM <sup>(1)</sup></u> |
|--|-----------------|--------------------|--------------------|---------------------------|
| Net cash provided by operating activities                        | \$ 569          | \$ 295             | \$ 373             | \$ 647                    |
| Adjustment for voluntary contribution to qualified pension plans | 400             | -                  | -                  | 400                       |
| Adjusted net cash provided by operating activities               | 969             | 295                | 373                | 1,047                     |
| Less capital expenditures  | (119)           | (49)               | (43)               | (113)                     |
| Adjusted free cash flow  | <u>\$ 850</u>   | <u>\$ 246</u>      | <u>\$ 330</u>      | <u>\$ 934</u>             |

<sup>(1)</sup>Adjusted free cash flow for the twelve month period ending December 29, 2017 (= A - B + C)

# Reconciliation of Non-GAAP Financial Measures – Earnings Release Information



## CHQ Expense<sup>(1)</sup>

(\$ in millions)

|                            | FY17     | FY18-Q2 | FY18-1H | FY18<br>(Guidance) |
|----------------------------|----------|---------|---------|--------------------|
| GAAP CHQ expense           | \$ (114) | \$ (30) | \$ (46) | \$(67) to \$(72)   |
| Adjustments <sup>(2)</sup> | 58       | 12      | 12      | 12                 |
| Non-GAAP CHQ expense       | \$ (56)  | \$ (18) | \$ (34) | \$(55) to \$(60)   |

<sup>(1)</sup>Excluding amortization of intangible assets from Exelis Inc. acquisition

<sup>(2)</sup>Adjustments reflect Exelis Inc. acquisition-related charges for FY17 and a non-cash charge from an adjustment for deferred compensation for FY18