



# FISCAL 2018 THIRD 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-Q3</u>	<u>FY17-Q3</u>	<u>% Inc/(Dec)</u>
GAAP income from continuing operations per diluted common share	\$ 1.67	\$ 1.31	27%
Adjustments:			
Impact of estimated non-cash adjustments related to tax reform	(0.27)	-	*
Charges related to decision to transition and exit a commercial line of business and other items	0.27	-	*
Exelis Inc. acquisition-related and other charges	-	0.07	*
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	(0.12)	-	*
Non-GAAP income from continuing operations per diluted share excluding tax reform	<u>\$ 1.55</u>	<u>\$ 1.38</u>	12%

\* Not meaningful

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



## Adjusted Free Cash Flow

(\$ in millions)

	<u>FY17 (A)</u>	<u>FY17-Q3 YTD (B)</u>	<u>FY18-Q3 YTD (C)</u>	<u>LTM<sup>(1)</sup></u>
Net cash provided by operating activities	\$ 569	\$ 489	\$ 230	\$ 310
Adjustment for voluntary contribution to qualified pension plans	400	-	300	700
Adjusted net cash provided by operating activities	<u>\$ 969</u>	<u>\$ 489</u>	<u>\$ 530</u>	<u>\$ 1,010</u>
Less capital expenditures	<u>(119)</u>	<u>(79)</u>	<u>(79)</u>	<u>(119)</u>
Adjusted free cash flow	<u><u>\$ 850</u></u>	<u><u>\$ 410</u></u>	<u><u>\$ 451</u></u>	<u><u>\$ 891</u></u>

<sup>(1)</sup>Represents the twelve month period ending March 30, 2018 = (A - B + C)

## Operating Margin Guidance

(\$ in billions)

Revenue from product sales and services	<u>FY18</u> \$6.14
GAAP operating income	\$1.11 - \$1.14
One-time non-cash charge from adjustment to deferred compensation	0.01
Charges related to decision to transition and exit a commercial line of business and other items	<u>0.05</u>
Non-GAAP operating income	<u><u>\$1.17 - \$1.20</u></u>

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



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

(\$ in millions)

	FY17	FY18-Q3	FY18-Q3 YTD	FY18 (Guidance)
GAAP CHQ expense	\$ (114)	\$ (60)	\$ (106)	\$(114) to \$(119)
Adjustments:				
One-time non-cash charge from adjustment for deferred compensation	-	-	12	12
Charges related to decision to transition and exit a commercial line of business and other items	-	47	47	47
Exelis, Inc. acquisition-related and other charges	58	-	-	-
Non-GAAP CHQ expense	<u>\$ (56)</u>	<u>\$ (13)</u>	<u>\$ (47)</u>	<u>\$(55) to \$(60)</u>

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