



FISCAL 2019 FIRST QUARTER RECONCILIATION OF NON-GAAP FINANCIAL MEASURES AND 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. 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>FY18 (A)</u>	<u>FY18-Q1 (B)</u>	<u>FY19-Q1 (C)</u>	<u>LTM⁽¹⁾</u>
Net cash provided by operating activities	\$ 751	\$ 95	\$ 117	\$ 773
Adjustment for voluntary contribution to qualified pension plans	300	—	—	300
Adjusted net cash provided by operating activities	\$ 1,051	\$ 95	\$ 117	\$ 1,073
Less capital expenditures	(136)	(23)	(31)	(144)
Adjusted free cash flow	<u>\$ 915</u>	<u>\$ 72</u>	<u>\$ 86</u>	<u>\$ 929</u>

⁽¹⁾Represents the twelve month period ending September 28, 2018 = (A - B + C)

Harris EBIT Margin Percentage Guidance

(\$ in billions)	FY19 Guidance Range	
	Low end	High end
Revenue from product sales and services (B)	\$ 6.53	\$ 6.65
Net income	\$ 0.92	\$ 0.96
Interest expense	0.16	0.16
Income tax expense	0.18	0.19
EBIT (A)	<u>\$ 1.26</u>	<u>\$ 1.31</u>
EBIT margin percentage (A) / (B)	19.3%	19.7%

Reconciliation of Non-GAAP Financial Measures – Earnings Release Information



CHQ Expense⁽¹⁾

(\$ in millions)

	<u>FY18</u>
GAAP CHQ expense	\$ (124)
Adjustments:	
One-time non-cash charge from adjustment for deferred compensation	12
Charges related to decision to transition and exit a commercial line of business and other items	47
Exelis, Inc. acquisition-related and other charges	<u>5</u>
Non-GAAP CHQ expense	<u><u>\$ (60)</u></u>

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