



# FISCAL 2019 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



## Adjusted Free Cash Flow

(\$ in millions)	<u>FY18 (A)</u>	<u>FY18-Q3 YTD (B)</u>	<u>FY19-Q3 YTD (C)</u>	<u>LTM<sup>(1)</sup></u>
Net cash provided by operating activities	\$ 751	\$ 230	\$ 874	\$ 1,395
Less capital expenditures	(136)	(79)	(104)	(161)
Free cash flow	\$ 615	\$ 151	\$ 770	\$ 1,234
Adjustment for voluntary contribution to qualified pension plans	300	300	—	—
Cash used for L3 deal and integration costs	—	—	18	18
Adjusted free cash flow	<u>\$ 915</u>	<u>\$ 451</u>	<u>\$ 788</u>	<u>\$ 1,252</u>

<sup>(1)</sup>Represents the twelve month period ending March 29, 2019 = (A - B + C)

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



## FY18 EPS

	<u>FY18</u>
GAAP income from continuing operations per diluted common share	\$ 5.78
Adjustments:	
Losses and other costs related to debt refinancing	0.22
Charges related to decision to transition and exit a commercial line of business and other items	0.39
One-time non-cash charge from an adjustment for deferred compensation	0.10
Exelis Inc. acquisition-related and other charges	<u>0.05</u>
Total pre-tax adjustments	0.76
Income taxes on above adjustments	(0.21)
Impact of non-cash adjustments related to tax reform	<u>0.06</u>
Total adjustments after-tax	<u>0.61</u>
Non-GAAP income from continuing operations per diluted share	<u>\$ 6.39</u>

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



## Adjusted EBIT Margin Percentage Guidance

(\$ in millions)

	<u>FY19 guidance</u>
Revenue from product sales and services (B)	\$ 6,723
Net income	\$ 935
Discontinued operations	3
Net interest expense	167
Income tax expense	166
L3 deal and integration costs	57
Adjusted EBIT (A)	<u>\$ 1,328</u>
Adjusted EBIT margin percentage (A) / (B)	19.75%*

\*Represents the midpoint of the 19.5 - 20.0% guidance range.

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



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

(\$ in millions)

	FY18	FY19-Q3	FY19-YTD	FY19 Guidance
GAAP CHQ expense	\$ (124)	\$ (31)	\$ (79)	~\$(115)
Adjustments:				
One-time 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	5	—	—	—
L3 deal and integration costs	—	16	29	~57
Non-GAAP CHQ expense	\$ (60)	\$ (15)	\$ (50)	~\$(58)

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