

Table 1
L3HARRIS TECHNOLOGIES, INC.
CY'20 Third Quarter Summary
CONDENSED CONSOLIDATED STATEMENT OF INCOME
(Unaudited)

(In millions, except per share amounts)	Quarter Ended		Three Quarters Ended	
	October 2, 2020	September 27, 2019	October 2, 2020	September 27, 2019
Revenue from product sales and services	\$ 4,463	\$ 4,431	\$ 13,534	\$ 8,024
Cost of product sales and services	(3,152)	(3,242)	(9,625)	(5,604)
Engineering, selling and administrative expenses	(817)	(999)	(2,484)	(1,658)
Business divestiture-related (losses) gains	(10)	229	(62)	229
Impairment of goodwill and other assets	—	—	(394)	—
Non-operating income	96	79	296	173
Interest income	4	9	12	10
Interest expense	(66)	(67)	(202)	(149)
Income from continuing operations before income taxes	518	440	1,075	1,025
Income taxes	(87)	(5)	(171)	(78)
Income from continuing operations	431	435	904	947
Discontinued operations, net of income taxes	(1)	—	(2)	(1)
Net income	430	435	902	946
Noncontrolling interests, net of income taxes	(4)	(6)	24	(6)
Net income attributable to L3Harris Technologies, Inc.	\$ 426	\$ 429	\$ 926	\$ 940
Net income per common share attributable to L3Harris Technologies, Inc. common shareholders				
Basic				
Continuing operations	\$ 2.00	\$ 1.93	\$ 4.31	\$ 6.25
Discontinued operations	—	—	(0.01)	—
	\$ 2.00	\$ 1.93	\$ 4.30	\$ 6.25
Diluted				
Continuing operations	\$ 1.99	\$ 1.90	\$ 4.27	\$ 6.13
Discontinued operations	(0.01)	—	(0.01)	—
	\$ 1.98	\$ 1.90	\$ 4.26	\$ 6.13
Basic weighted average common shares outstanding	213.4	222.6	215.5	150.6
Diluted weighted average common shares outstanding	215.1	225.4	217.3	153.5

Table 2
L3HARRIS TECHNOLOGIES, INC.
CY'20 Third Quarter Summary
BUSINESS SEGMENT INFORMATION
(Unaudited)

(In millions)	Quarter Ended		Three Quarters Ended	
	October 2, 2020	September 27, 2019	October 2, 2020	September 27, 2019
Revenue				
Integrated Mission Systems	\$ 1,372	\$ 1,292	\$ 4,073	\$ 1,317
Space and Airborne Systems	1,249	1,173	3,690	3,148
Communication Systems	1,094	1,032	3,300	2,221
Aviation Systems	792	948	2,603	1,278
Other non-reportable business segments	—	23	—	102
Corporate eliminations	(44)	(37)	(132)	(42)
	\$ 4,463	\$ 4,431	\$ 13,534	\$ 8,024
Income From Continuing Operations Before Income Taxes				
<i>Segment Operating Income (Loss):</i>				
Integrated Mission Systems	\$ 213	\$ 176	\$ 638	\$ 182
Space and Airborne Systems	231	230	687	599
Communication Systems	273	234	788	577
Aviation Systems	100	127	(46)	163
Other non-reportable business segments	—	—	—	14
Unallocated corporate expenses	(23)	(93)	(113)	(94)
L3Harris Merger-related transaction and integration expenses	(27)	(170)	(95)	(222)
L3Harris Merger-related restructuring charges	—	(111)	(7)	(111)
Amortization of acquisition-related intangibles	(176)	(123)	(529)	(173)
Business divestiture-related (losses) gains	(10)	229	(62)	229
Pension adjustment	(97)	(80)	(292)	(173)
Non-operating income	96	79	296	173
Net interest expense	(62)	(58)	(190)	(139)
	\$ 518	\$ 440	\$ 1,075	\$ 1,025

Table 3
L3HARRIS TECHNOLOGIES, INC.
CY'20 Third Quarter Summary
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

(In millions)	Three Quarters Ended	
	October 2, 2020	September 27, 2019
Operating Activities		
Net income	\$ 902	\$ 946
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	768	330
Postretirement benefit plan income and share-based compensation	(2)	82
Qualified pension plan contributions	(7)	(328)
Impairment of goodwill and other assets	394	—
Business divestiture-related losses (gains)	62	(229)
Gain on sale of asset group	—	(12)
(Increase) decrease in:		
Accounts receivable	(35)	50
Contract assets	(98)	(88)
Inventories	139	88
Increase (decrease) in:		
Accounts payable	(2)	17
Contract liabilities	(94)	10
Other	65	(69)
Net cash provided by operating activities	2,092	797
Investing Activities		
Net additions of property, plant and equipment	(194)	(178)
Proceeds from sales of businesses, net	1,002	346
Net cash acquired in L3Harris Merger	—	1,132
Proceeds from sale of asset group	—	20
Other investing activities	(10)	2
Net cash provided by investing activities	798	1,322
Financing Activities		
Net proceeds from borrowings	249	4
Repayments of borrowings	(257)	(405)
Proceeds from exercises of employee stock options	39	127
Repurchases of common stock	(1,850)	(750)
Cash dividends	(546)	(334)
Tax withholding payments associated with vested share-based awards	(2)	(88)
Other financing activities	(6)	(7)
Net cash used in financing activities	(2,373)	(1,453)
Effect of exchange rate changes on cash and cash equivalents	—	(8)
Net increase in cash and cash equivalents	517	658
Cash and cash equivalents, beginning of year	824	343
Cash and cash equivalents, end of quarter	\$ 1,341	\$ 1,001

Table 4
L3HARRIS TECHNOLOGIES, INC.
CY'20 Third Quarter Summary
CONDENSED CONSOLIDATED BALANCE SHEET
(Unaudited)

(In millions)	October 2, 2020	January 3, 2020
Assets		
Cash and cash equivalents	\$ 1,341	\$ 824
Receivables	1,128	1,216
Contract assets	2,416	2,459
Inventories	894	1,219
Inventory prepayments	68	91
Assets of disposal group held for sale	34	—
Property, plant and equipment	2,047	2,117
Operating lease right-of-use assets	878	837
Goodwill	18,992	20,001
Other intangible assets	8,172	8,458
Other assets	1,175	1,114
	<u>\$ 37,145</u>	<u>\$ 38,336</u>
Liabilities		
Short-term debt	\$ 2	\$ 3
Accounts payable	1,207	1,261
Contract liabilities	1,089	1,214
Compensation and benefits	411	460
Current portion of long-term debt, net	666	257
Liabilities of disposal group held for sale	15	—
Defined benefit plans	1,583	1,819
Operating lease liabilities	737	781
Long-term debt, net	6,261	6,694
Other liabilities	3,735	3,103
Equity	21,439	22,744
	<u>\$ 37,145</u>	<u>\$ 38,336</u>

L3HARRIS TECHNOLOGIES, INC.
CY'20 Third Quarter Summary
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES AND REGULATION G DISCLOSURE

To supplement our condensed consolidated financial statements presented in accordance with U.S. generally accepted accounting principles (GAAP), we provide additional measures of income from continuing operations per diluted common share, net income, net income margin, net cash provided by operating activities, revenue and segment operating income (loss), adjusted to exclude certain costs, charges, expenses and losses or other amounts. L3Harris 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. L3Harris management also believes that these non-GAAP financial measures enhance the ability of investors to analyze L3Harris' business trends and to understand L3Harris' performance. In addition, L3Harris 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:

Table 5
L3HARRIS TECHNOLOGIES, INC.
CY'20 Third Quarter Summary
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
Adjusted EBIT and Adjusted EBIT Margin
(Unaudited)

(In millions)	Quarter Ended		Three Quarters Ended	
	October 2, 2020	September 27, 2019	October 2, 2020	September 27, 2019
	As Reported	As Reported	As Reported	Pro Forma
Revenue from product sales and services (B)	\$ 4,463	\$ 4,431	\$ 13,534	\$ 13,265
Net income	\$ 430	\$ 435	\$ 902	\$ 1,251
Adjustments:				
Discontinued operations, net of income taxes	1	—	2	1
Net interest expense	62	58	190	188
Income taxes	87	5	171	121
Pre-merger integration costs, including change in control charges	—	61	—	91
L3Harris Merger-related transaction costs	—	74	—	74
L3Harris Merger integration costs	27	35	95	65
Restructuring charges and other items	3	111	29	111
Amortization of acquisition-related intangibles	176	123	529	435
Additional cost of sales related to the fair value step-up in inventory sold	—	92	31	92
Business divestiture-related losses (gains)	10	(229)	62	(229)
Other divestiture-related expenses	2	—	11	—
Impairment of goodwill and other assets related to divestitures and the impacts of COVID-19	—	—	394	—
Gain on sale of asset group	—	(12)	—	(12)
Non-cash cumulative adjustment to lease expense	—	12	—	12
Losses and other costs related to debt refinancing	—	1	—	4
Total adjustments	368	331	1,514	953
Adjusted EBIT (A)	\$ 798	\$ 766	\$ 2,416	\$ 2,204
Adjusted EBIT margin percentage (A) / (B)	17.9 %	17.3 %	17.9 %	16.6 %

Table 6
L3HARRIS TECHNOLOGIES, INC.
CY'20 Third Quarter Summary
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
Adjusted EBIT and Adjusted EBIT Margin
(Unaudited)

(In millions)	2020 Guidance
Revenue from product sales and services (B)	~ \$18,400
Net income	~ \$1,360
Adjustments:	
Discontinued operations, net of income taxes	~ 2
Net interest expense	~ 255
Income taxes	~ 279
L3Harris Merger integration costs	~ 140
Restructuring charges and other items	~ 29
Amortization of acquisition-related intangibles	~ 703
Additional cost of sales related to the fair value step-up in inventory sold	~ 31
Business divestiture-related losses	~ 62
Other divestiture-related expenses	~ 11
Impairment of goodwill and other assets related to divestitures and the impacts of COVID-19	~ 394
Total adjustments	~ 1,906
Adjusted EBIT (A)	~ \$3,266
Adjusted EBIT margin percentage (A) / (B)	~ 17.75%

Table 7
L3HARRIS TECHNOLOGIES, INC.
CY'20 Third Quarter Summary
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
Income from Continuing Operations per Diluted Common Share Attributable to Common Shareholders
(Unaudited)

	Quarter Ended		Three Quarters Ended		2020 Guidance
	October 2, 2020	September 27, 2019	October 2, 2020	September 27, 2019	
	As Reported	As Reported	As Reported	Pro Forma	
Income from continuing operations attributable to L3Harris Technologies, Inc. common shareholders	\$ 1.99	\$ 1.90	\$ 4.27	\$ 5.48	~ \$6.44
Adjustments:					
Pre-merger integration costs, including change in control charges	—	0.27	—	0.40	—
L3Harris Merger-related transaction costs	—	0.33	—	0.33	—
L3Harris Merger integration costs	0.13	0.16	0.44	0.29	~ 0.65
Restructuring charges and other items	0.01	0.49	0.13	0.49	~ 0.14
Amortization of acquisition-related intangibles	0.82	0.55	2.43	1.93	~ 3.25
Additional cost of sales related to the fair value step-up in inventory sold	—	0.41	0.14	0.41	~ 0.14
Business divestiture-related losses (gains)	0.04	(1.02)	0.29	(1.02)	~ 0.29
Other divestiture-related expenses	0.01	—	0.05	—	~ 0.05
Impairment of goodwill and other assets related to divestitures and the impacts of COVID-19	—	—	1.81	—	~ 1.82
Noncontrolling interests portion of adjustments	0.02	—	(0.14)	—	~ (0.15)
Gain on sale of asset group	—	(0.05)	—	(0.05)	—
Non-cash cumulative adjustment to lease expense	—	0.05	—	0.05	—
Losses and other costs related to debt refinancing	—	—	—	0.01	—
Total pre-tax adjustments	1.03	1.19	5.15	2.84	~ 6.19
Income taxes on above adjustments	(0.18)	(0.51)	(0.95)	(0.91)	~ (1.08)
Total adjustments after-tax	0.85	0.68	4.20	1.93	~ 5.11
Non-GAAP income from continuing operations per diluted common share	<u>\$ 2.84</u>	<u>\$ 2.58</u>	<u>\$ 8.47</u>	<u>\$ 7.41</u>	<u>~ \$11.55</u>

Table 8
L3HARRIS TECHNOLOGIES, INC.
CY'20 Third Quarter Summary
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
Free Cash Flow and Adjusted Free Cash Flow
(Unaudited)

(In millions)	Quarter Ended		Three Quarters Ended		2020 Guidance
	October 2, 2020	September 27, 2019	October 2, 2020	September 27, 2019	
Net cash provided by operating activities	\$ 757	\$ 81	\$ 2,092	\$ 797	\$2,819 to \$2,869
Net additions of property, plant and equipment	(86)	(84)	(194)	(178)	~ (350)
Free cash flow	671	(3)	1,898	619	\$2,469 to \$2,519
Cash used for L3Harris Merger transaction costs, including change in control payments	—	251	—	275	—
Cash used for L3Harris integration costs	55	68	146	68	~ 181
Voluntary contribution to defined pension plans	—	302	—	302	—
Adjusted free cash flow	\$ 726	\$ 618	\$ 2,044	\$ 1,264	\$2,650 to \$2,700

Table 9
L3HARRIS TECHNOLOGIES, INC.
CY'20 Third Quarter Summary
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
Segment Operating Income (Loss)
(Unaudited)

(In millions)	Quarter Ended October 2, 2020			Three Quarters Ended October 2, 2020		
	As Reported	Adjustment (A)	Non-GAAP	As Reported	Adjustment (A)	Non-GAAP
Segment Operating Income (Loss)						
Aviation Systems	\$ 100	\$ 3	\$ 103	\$ (46)	\$ 396	\$ 350
Communication Systems	273	—	273	788	1	789

(A) Adjustments for COVID-19-related charges for restructuring and impairment of goodwill and other assets in the case of Aviation Systems and COVID-19-related restructuring charges in the case of Communication Systems.

Table 10
L3HARRIS TECHNOLOGIES, INC.
CY'20 Third Quarter Summary
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
Organic Revenue
(Unaudited)

(In millions)	Quarter Ended September 27, 2019			Calendar Year Ended January 3, 2020		
	GAAP	Adjustment (A)	Organic	Pro Forma	Adjustment (A)	Organic
Revenue from product sales and services						
Integrated Mission Systems segment	\$ 1,292	\$ —	\$ 1,292	\$ 5,360	\$ —	\$ 5,360
Space and Airborne Systems segment	1,173	(4)	1,169	4,689	(12)	4,677
Communication Systems segment	1,032	(7)	1,025	4,278	(21)	4,257
Aviation Systems segment	948	(122)	826	3,917	(364)	3,553
Other non-reportable business segments	23	(23)	—	23	(23)	—
Corporate eliminations	(37)	—	(37)	(170)	—	(170)
Consolidated	<u>\$ 4,431</u>	<u>\$ (156)</u>	<u>\$ 4,275</u>	<u>\$ 18,097</u>	<u>\$ (420)</u>	<u>\$ 17,677</u>

(In millions)	Quarter Ended	
	October 2, 2020	September 27, 2019
Revenue from product sales and services	<u>\$ 4,463</u>	<u>\$ 4,431</u>
Adjustment for divestitures (A)	—	(156)
Commercial Aviation Solutions sector (B)	(82)	(174)
Public Safety and Professional Communications sector	(97)	(111)
	<u>\$ 4,284</u>	<u>\$ 3,990</u>

(A) Adjustment to exclude revenue attributable to each divested business for the remaining portion of the prior-year period equivalent to the balance of the current-year period following the date the business was divested.

(B) Excludes revenue from the airport security and automation business divested on May 4, 2020.