

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

	Quarter Ended		Two Quarters Ended	
	July 3, 2020	June 28, 2019	July 3, 2020	June 28, 2019
	(In millions, except per share amounts)			
Revenue from product sales and services	\$ 4,445	\$ 1,865	\$ 9,071	\$ 3,593
Cost of product sales and services	(3,175)	(1,223)	(6,473)	(2,362)
Engineering, selling and administrative expenses	(904)	(349)	(1,719)	(659)
Impairment of goodwill and other assets	(70)	—	(394)	—
Non-operating income	105	48	200	94
Interest income	3	—	8	1
Interest expense	(68)	(39)	(136)	(82)
Income from continuing operations before income taxes	336	302	557	585
Income taxes	(58)	(33)	(84)	(73)
Income from continuing operations	278	269	473	512
Discontinued operations, net of income taxes	—	(1)	(1)	(1)
Net income	278	268	472	511
Noncontrolling interests, net of income taxes	5	—	28	—
Net income attributable to L3Harris Technologies, Inc.	\$ 283	\$ 268	\$ 500	\$ 511
Net income per common share attributable to L3Harris Technologies, Inc. common shareholders				
Basic				
Continuing operations	\$ 1.31	\$ 2.26	\$ 2.31	\$ 4.32
Discontinued operations	—	—	(0.01)	—
	\$ 1.31	\$ 2.26	\$ 2.30	\$ 4.32
Diluted				
Continuing operations	\$ 1.30	\$ 2.21	\$ 2.29	\$ 4.23
Discontinued operations	—	(0.01)	(0.01)	(0.01)
	\$ 1.30	\$ 2.20	\$ 2.28	\$ 4.22
Basic weighted average common shares outstanding	215.9	118.3	216.7	118.1
Diluted weighted average common shares outstanding	217.8	121.1	218.7	120.7

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

	Quarter Ended		Two Quarters Ended	
	July 3, 2020	June 28, 2019	July 3, 2020	June 28, 2019
(In millions)				
Revenue				
Integrated Mission Systems	\$ 1,331	\$ 11	\$ 2,701	\$ 25
Space and Airborne Systems	1,249	1,019	2,441	1,975
Communication Systems	1,112	609	2,206	1,189
Aviation Systems	800	186	1,811	330
Other non-reportable business segments	—	44	—	79
Corporate eliminations	(47)	(4)	(88)	(5)
	\$ 4,445	\$ 1,865	\$ 9,071	\$ 3,593
Income From Continuing Operations Before Income Taxes				
<i>Segment Operating Income (Loss):</i>				
Integrated Mission Systems	\$ 224	\$ 3	\$ 425	\$ 6
Space and Airborne Systems	235	195	456	369
Communication Systems	265	176	515	343
Aviation Systems	31	19	(146)	36
Other non-reportable business segments	—	8	—	14
Unallocated corporate expenses	(116)	(1)	(149)	(1)
L3Harris Merger-related transaction and integration expenses	(37)	(36)	(68)	(52)
Amortization of acquisition-related intangibles	(208)	(25)	(353)	(50)
Pension adjustment	(98)	(46)	(195)	(93)
Non-operating income	105	48	200	94
Net interest expense	(65)	(39)	(128)	(81)
	\$ 336	\$ 302	\$ 557	\$ 585

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

	Two Quarters Ended	
	July 3, 2020	June 28, 2019
(In millions)		
Operating Activities		
Net income	\$ 472	\$ 511
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	515	129
Postretirement benefit plan income and share-based compensation	2	(3)
Qualified pension plan contributions	(4)	(1)
Impairment of goodwill and other assets	394	—
Divestiture-related losses	52	—
(Increase) decrease in:		
Accounts receivable	(59)	19
Contract assets	43	22
Inventories	175	13
Increase (decrease) in:		
Accounts payable	(116)	17
Contract liabilities	(80)	17
Other	(59)	(8)
Net cash provided by operating activities	<u>1,335</u>	<u>716</u>
Investing Activities		
Net additions of property, plant and equipment	(108)	(94)
Proceeds from sales of businesses, net	963	—
Other investing activities	(10)	2
Net cash provided by (used in) investing activities	<u>845</u>	<u>(92)</u>
Financing Activities		
Net proceeds from borrowings	248	1
Repayments of borrowings	(254)	(305)
Proceeds from exercises of employee stock options	37	32
Repurchases of common stock	(700)	—
Cash dividends	(367)	(162)
Other financing activities	(6)	(5)
Net cash used in financing activities	<u>(1,042)</u>	<u>(439)</u>
Effect of exchange rate changes on cash and cash equivalents	(15)	2
Net increase in cash and cash equivalents	1,123	187
Cash and cash equivalents, beginning of year	824	343
Cash and cash equivalents, end of quarter	\$ <u>1,947</u>	\$ <u>530</u>

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

	<u>July 3, 2020</u>	<u>January 3, 2020</u>
	(In millions)	
Assets		
Cash and cash equivalents	\$ 1,947	\$ 824
Receivables	1,148	1,216
Contract assets	2,281	2,459
Inventories	859	1,219
Inventory prepayments	93	91
Assets of disposal groups held for sale	88	—
Property, plant and equipment	2,015	2,117
Operating lease right-of-use assets	890	837
Goodwill	19,015	20,001
Other intangible assets	8,336	8,458
Other assets	1,180	1,114
	<u>\$ 37,852</u>	<u>\$ 38,336</u>
Liabilities		
Short-term debt	\$ 2	\$ 3
Accounts payable	1,094	1,261
Contract liabilities	1,106	1,214
Compensation and benefits	423	460
Current portion of long-term debt, net	666	257
Liabilities of disposal groups held for sale	21	—
Defined benefit plans	1,664	1,819
Operating lease liabilities	773	781
Long-term debt, net	6,273	6,694
Other liabilities	3,604	3,103
Equity	22,226	22,744
	<u>\$ 37,852</u>	<u>\$ 38,336</u>

L3HARRIS TECHNOLOGIES, INC.

CY'20 Second 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 and net cash provided by operating activities, 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 Second Quarter Summary
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
Adjusted EBIT and Adjusted EBIT Margin
(Unaudited)

	Quarter Ended		Two Quarters Ended	
	July 3, 2020	June 28, 2019	July 3, 2020	June 28, 2019
	Reported	Pro Forma	Reported	Pro Forma
	(In millions)			
Revenue from product sales and services (B)	\$ 4,445	\$ 4,448	\$ 9,071	\$ 8,834
Net income	\$ 278	\$ 416	\$ 472	\$ 816
Adjustments:				
Discontinued operations, net of income taxes	—	1	1	1
Net interest expense	65	63	128	130
Income taxes	58	60	84	116
Pre-merger L3 integration costs	—	17	—	30
L3Harris Merger integration costs	37	18	68	30
Amortization of acquisition-related intangibles	208	167	353	312
Additional cost of sales related to the fair value	16	—	31	—
Divestiture expenses and losses	58	—	61	—
Restructuring charges and other items	20	—	26	—
Impairment of goodwill and other assets related to divestitures and the impacts of COVID-19	70	—	394	—
Losses and other costs related to debt refinancing	—	3	—	3
Total adjustments	532	329	1,146	622
Adjusted EBIT (A)	<u>\$ 810</u>	<u>\$ 745</u>	<u>\$ 1,618</u>	<u>\$ 1,438</u>
Adjusted EBIT margin percentage (A) / (B)	18.2 %	16.7 %	17.8 %	16.3 %

	2020 Guidance
	(In millions)
Revenue from product sales and services (B)	\$18,200 to \$18,600
Net income	\$1,287+ to \$1,345+
Adjustments:	
Discontinued operations, net of income taxes	~ 2
Net interest expense	~ 255
Income taxes	264 to 276
L3Harris Merger integration costs	~ 153
Amortization of acquisition-related intangibles	~ 712
Additional cost of sales related to the fair value step-up in inventory sold	~ 31
Divestiture expenses and losses	~ 61
Restructuring charges and other items	~ 26
Impairment of goodwill and other assets related to divestitures and the impacts of COVID-19	~ 394
Total adjustments	1,898 to 1,910
Adjusted EBIT (A)	<u>\$3,185+ to \$3,255+</u>
Adjusted EBIT margin percentage (A) / (B)	17.5%+

Table 6
L3HARRIS TECHNOLOGIES, INC.
CY'20 Second Quarter Summary
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
Income from Continuing Operations per Diluted Common Share Attributable to Common Shareholders
(Unaudited)

	Quarter Ended		Two Quarters Ended		2020 Guidance
	July 3, 2020	June 28, 2019	July 3, 2020	June 28, 2019	
	Reported	Pro Forma	Reported	Pro Forma	
Income from continuing operations attributable to L3Harris Technologies, Inc. common shareholders	\$ 1.30	\$ 1.82	\$ 2.29	\$ 3.57	\$6.03 to \$6.43
Adjustments:					
Pre-merger L3 integration costs	—	0.07	—	0.13	—
L3Harris Merger integration costs	0.17	0.08	0.31	0.13	~ 0.71
Amortization of acquisition-related intangibles	0.96	0.75	1.62	1.39	~ 3.29
Additional cost of sales related to the fair value step-up in inventory sold	0.07	—	0.14	—	~ 0.14
Divestiture expenses and losses	0.27	—	0.28	—	~ 0.28
Restructuring charges and other items	0.09	—	0.12	—	~ 0.12
Impairment of goodwill and other assets related to divestitures and the impacts of COVID-19	0.32	—	1.80	—	~ 1.82
Noncontrolling interests portion of adjustments	(0.03)	—	(0.15)	—	~ (0.16)
Losses and other costs related to debt refinancing	—	0.01	—	0.01	—
Total pre-tax adjustments	1.85	0.91	4.12	1.66	~ 6.20
Income taxes on above adjustments	(0.32)	(0.22)	(0.78)	(0.40)	~ (1.08)
Total adjustments after-tax	1.53	0.69	3.34	1.26	~ 5.12
Non-GAAP income from continuing operations per diluted common share	\$ 2.83	\$ 2.51	\$ 5.63	\$ 4.83	\$11.15 to \$11.55

Table 7
L3HARRIS TECHNOLOGIES, INC.
CY'20 Second Quarter Summary
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
Free Cash Flow and Adjusted Free Cash Flow
(Unaudited)

	Quarter Ended		Two Quarters Ended		2020 Guidance
	July 3, 2020	June 28, 2019	July 3, 2020	June 28, 2019	
	(In millions)				
Net cash provided by operating activities	\$ 802	\$ 311	\$ 1,335	\$ 716	\$2,784 to \$2884
Net additions of property, plant and equipment	(60)	(57)	(108)	(94)	~ (370)
Free cash flow	742	254	1,227	622	\$2,414 to \$2,514
Cash used for L3Harris Merger transaction costs	—	13	—	24	—
Cash used for L3Harris Merger integration costs	43	—	91	—	~ 186
Adjusted free cash flow	<u>\$ 785</u>	<u>\$ 267</u>	<u>\$ 1,318</u>	<u>\$ 646</u>	<u>\$2,600 to \$2,700</u>

Table 8
L3HARRIS TECHNOLOGIES, INC.
CY'20 Second Quarter Summary
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
Segment Operating Income (Loss)
(Unaudited)

	Quarter Ended July 3, 2020			Two Quarters Ended July 3, 2020		
	As Reported	Adjustment (A)	Non-GAAP	As Reported	Adjustment (A)	Non-GAAP
(In millions)						
Segment Operating Income						
Aviation Systems	\$ 31	\$ 69	\$ 100	\$ (146)	\$ 393	\$ 247
Communication Systems	265	1	266	515	1	516

(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 9
L3HARRIS TECHNOLOGIES, INC.
CY'20 Second Quarter Summary
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
Organic Revenue
(Unaudited)

	Quarter Ended June 28, 2019		
	Pro Forma	Adjustment (A)	Organic
(In millions)			
Revenue			
Consolidated	\$ 4,448	\$ 104	\$ 4,344
Space and Airborne Systems segment	1,200	3	1,197
Aviation Systems segment	965	101	864

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