

Table 1
L3HARRIS TECHNOLOGIES, INC.
CY '19 Fourth Quarter Summary
CONDENSED CONSOLIDATED STATEMENT OF INCOME
(Unaudited)

	Quarter Ended		Two Quarters Ended		Calendar Year Ended	
	January 3, 2020	December 28, 2018	January 3, 2020	December 28, 2018	January 3, 2020	December 28, 2018
(In millions, except per share amounts)						
Revenue from product sales and services	\$ 4,832	\$ 1,666	\$ 9,263	\$ 3,208	\$ 12,856	\$ 6,431
Cost of product sales and services	(3,484)	(1,095)	(6,726)	(2,105)	(9,088)	(4,230)
Engineering, selling and administrative expenses	(928)	(304)	(1,927)	(583)	(2,586)	(1,206)
Gain on sale of business	—	—	229	—	229	—
Non-operating income	113	47	192	94	286	160
Interest income	3	—	12	1	13	2
Interest expense	(68)	(43)	(135)	(87)	(217)	(174)
Income from continuing operations before income taxes	468	271	908	528	1,493	983
Income taxes	(68)	(46)	(73)	(87)	(146)	(136)
Income from continuing operations	400	225	835	441	1,347	847
Discontinued operations, net of income taxes	(1)	—	(1)	(3)	(2)	—
Net income	399	225	834	438	1,345	847
Noncontrolling interests, net of income taxes	(6)	—	(12)	—	(12)	—
Net income attributable to L3Harris Technologies, Inc.	\$ 393	\$ 225	\$ 822	\$ 438	\$ 1,333	\$ 847
Net income per common share attributable to L3Harris Technologies, Inc. common shareholders						
Basic						
Continuing operations	\$ 1.79	\$ 1.91	\$ 3.72	\$ 3.74	\$ 8.04	\$ 7.15
Discontinued operations	—	—	—	(0.03)	—	—
	\$ 1.79	\$ 1.91	\$ 3.72	\$ 3.71	\$ 8.04	\$ 7.15
Diluted						
Continuing operations	\$ 1.77	\$ 1.88	\$ 3.68	\$ 3.66	\$ 7.90	\$ 7.01
Discontinued operations	—	(0.01)	(0.01)	(0.02)	(0.01)	—
	\$ 1.77	\$ 1.87	\$ 3.67	\$ 3.64	\$ 7.89	\$ 7.01
Basic weighted average common shares outstanding	219.9	117.7	221.2	117.8	166.0	118.5
Diluted weighted average common shares outstanding	222.1	120.0	223.7	120.3	169.0	120.8

Table 2
L3HARRIS TECHNOLOGIES, INC.
CY '19 Fourth Quarter Summary
BUSINESS SEGMENT INFORMATION
(Unaudited)

	Quarter Ended		Two Quarters Ended		Calendar Year Ended	
	January 3, 2020	December 28, 2018	January 3, 2020	December 28, 2018	January 3, 2020	December 28, 2018
(In millions)						
Revenue						
Integrated Mission Systems	\$ 1,471	\$ 11	\$ 2,774	\$ 23	\$ 2,799	\$ 47
Space and Airborne Systems	1,198	901	2,360	1,741	4,335	3,469
Communication Systems	1,119	538	2,151	1,018	3,340	2,079
Aviation Systems	1,090	170	2,038	342	2,368	680
Other non-reportable business segments	—	47	23	86	102	166
Corporate eliminations	(46)	(1)	(83)	(2)	(88)	(10)
	<u>\$ 4,832</u>	<u>\$ 1,666</u>	<u>\$ 9,263</u>	<u>\$ 3,208</u>	<u>\$ 12,856</u>	<u>\$ 6,431</u>
Income From Continuing Operations Before Income Taxes						
<i>Segment Operating Income:</i>						
Integrated Mission Systems	\$ 197	\$ 1	\$ 377	\$ 3	\$ 383	\$ 7
Space and Airborne Systems	216	172	442	328	811	647
Communication Systems	259	157	493	294	836	598
Aviation Systems	162	16	289	40	325	70
Other non-reportable business segments	—	7	—	13	14	24
Unallocated corporate expenses and corporate eliminations (A)	(47)	(2)	(140)	(2)	(141)	(52)
Merger, acquisition and divestiture-related expenses and losses	(109)	(13)	(390)	(13)	(442)	(13)
Amortization of acquisition-related intangibles	(166)	(25)	(289)	(50)	(339)	(101)
Gain on sale of business	—	—	229	—	229	—
Pension adjustment	(92)	(46)	(172)	(93)	(265)	(185)
Non-operating income	113	47	192	94	286	160
Net interest expense	(65)	(43)	(123)	(86)	(204)	(172)
	<u>\$ 468</u>	<u>\$ 271</u>	<u>\$ 908</u>	<u>\$ 528</u>	<u>\$ 1,493</u>	<u>\$ 983</u>

(A) Includes reclassified amounts previously presented as "Other business activities and non-reportable segments" to conform with current period classification, including additional cost of sales related to the fair value step-up in inventory sold, a gain on the sale of an asset group and charges related to our decision to transition and exit a commercial air-to-ground LTE radio communications line of business and other items.

Table 3
L3HARRIS TECHNOLOGIES, INC.
CY '19 Fourth Quarter Summary
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

	Two Quarters Ended		Calendar Year Ended	
	January 3, 2020	December 28, 2018	January 3, 2020	December 28, 2018
(In millions)				
Operating Activities				
Net income	\$ 834	\$ 438	\$ 1,345	\$ 847
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	442	129	571	258
Qualified pension plan contributions	(328)	—	(329)	(301)
Pension income and share-based compensation	75	(5)	72	(19)
Impairment and other losses related to operating lease right-of-use and other assets	48	—	48	—
Gain on sale of business	(229)	—	(229)	—
Gain on sale of asset group	(12)	—	(12)	—
(Increase) decrease in:				
Accounts receivable	74	(28)	93	(115)
Contract assets	15	(47)	37	(39)
Inventories	158	(14)	171	(10)
Increase (decrease) in:				
Accounts payable	(148)	(101)	(131)	59
Contract liabilities	—	107	17	141
Other	10	(10)	2	26
Net cash provided by operating activities	939	469	1,655	847
Investing Activities				
Net cash acquired in L3Harris Merger	1,130	—	1,130	—
Net additions of property, plant and equipment	(173)	(67)	(267)	(160)
Proceeds from sales of businesses, net	343	—	343	—
Proceeds from sale of asset group	20	—	20	—
Other investing activities	—	—	2	(3)
Net cash (used in) provided by investing activities	1,320	(67)	1,228	(163)
Financing Activities				
Net proceeds from borrowings	396	26	397	1,165
Repayments of borrowings	(505)	(3)	(810)	(1,298)
Proceeds from exercises of employee stock options	109	18	141	34
Repurchases of common stock	(1,500)	(200)	(1,500)	(322)
Cash dividends	(347)	(163)	(509)	(298)
Repurchases of common stock to satisfy tax withholding obligations	(86)	(20)	(91)	(27)
Other financing activities	(38)	—	(38)	(7)
Net cash used in financing activities	(1,971)	(342)	(2,410)	(753)
Effect of exchange rate changes on cash and cash equivalents	6	(5)	8	(10)
Net increase (decrease) in cash and cash equivalents	294	55	481	(79)
Cash and cash equivalents, beginning of period	530	288	343	422
Cash and cash equivalents, end of period	\$ 824	\$ 343	\$ 824	\$ 343

Table 4
L3HARRIS TECHNOLOGIES, INC.
CY '19 Fourth Quarter Summary
SELECTED BALANCE SHEET INFORMATION
(Unaudited)

	<u>January 3, 2020</u>	<u>June 28, 2019</u>	<u>December 28, 2018</u>
	(In millions)		
Assets			
Cash and cash equivalents	\$ 824	\$ 530	\$ 343
Receivables	1,216	457	494
Contract assets	2,459	807	829
Inventories	1,219	360	425
Inventory prepayments	91	—	—
Property, plant and equipment	2,117	894	901
Operating lease right-of-use assets	837	—	—
Goodwill and other intangible assets	28,276	6,210	5,370
Liabilities			
Short-term debt	\$ 3	\$ 103	\$ 103
Accounts payable	1,261	525	521
Contract liabilities	1,214	496	479
Compensation and benefits	460	161	128
Current portion of long-term debt, net	257	656	305
Defined benefit plans	1,819	1,174	635
Operating lease liabilities	781	—	—
Long-term debt, net	6,694	2,763	3,411
Equity	22,740	3,363	3,412

L3HARRIS TECHNOLOGIES, INC.
CY '19 Fourth 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 '19 Fourth Quarter Summary
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
Adjusted EBIT and Adjusted EBIT Margin
(Unaudited)

	Quarter Ended		Two Quarters Ended		Calendar Year Ended	
	January 3, 2020	December 28, 2018	January 3, 2020	December 28, 2018	January 3, 2020	December 28, 2018
	(In millions)					
Revenue from product sales and services	\$ 4,832	\$ 1,666	\$ 9,263	\$ 3,208	\$ 12,856	\$ 6,431
Add pre-merger L3 revenue from product sales and services	—	2,771	—	5,290	5,331	10,244
Less revenue generated by divested businesses	—	(53)	(23)	(98)	(104)	(250)
Intracompany eliminations	—	(2)	—	(8)	(9)	(21)
Combined revenue from product sales and services (B)	<u>\$ 4,832</u>	<u>\$ 4,382</u>	<u>\$ 9,240</u>	<u>\$ 8,392</u>	<u>\$ 18,074</u>	<u>\$ 16,404</u>
Net income	\$ 399	\$ 225	\$ 834	\$ 438	\$ 1,345	\$ 847
Adjustments:						
Pre-merger L3 net income	—	231	—	439	437	1,026
Discontinued operations, net of income taxes	1	1	1	4	2	(205)
Net interest expense	65	80	123	158	270	321
Income taxes	68	59	73	118	233	239
Net operating income generated by divested businesses	—	(5)	—	(9)	(12)	(19)
(Gain) loss on sale of businesses	—	2	(229)	6	(229)	(42)
Gain on sale of asset group	—	—	(12)	—	(12)	—
L3Harris Merger transaction costs, including change in control charges, and pre-merger L3 transaction costs	18	36	153	41	220	41
L3Harris Merger integration costs	43	—	189	—	219	—
Charges related to consolidation of facilities	48	—	48	—	48	5
Gain on pension curtailment	(23)	—	(23)	—	(23)	—
Additional cost of sales related to the fair value step-up in inventory sold	50	—	142	—	142	—
Amortization of acquisition-related intangibles	166	25	289	50	339	101
Non-cash cumulative adjustment to lease expense	(2)	—	10	—	10	—
Losses and other costs related to debt refinancing	2	—	3	21	6	95
Charges related to decision to transition and exit a commercial line of business and other items	—	—	—	—	—	47
Total adjustments	<u>436</u>	<u>429</u>	<u>767</u>	<u>828</u>	<u>1,650</u>	<u>1,609</u>
Adjusted EBIT (A)	<u>\$ 835</u>	<u>\$ 654</u>	<u>\$ 1,601</u>	<u>\$ 1,266</u>	<u>\$ 2,995</u>	<u>\$ 2,456</u>
Adjusted EBIT margin percentage (A) / (B)	17.3%	14.9%	17.3%	15.1%	16.6%	15.0%

Table 6
L3HARRIS TECHNOLOGIES, INC.
CY '19 Fourth Quarter Summary
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
Reconciliation of GAAP Income from Continuing Operations per Diluted Common Share to
Non-GAAP Income from Continuing Operations per Diluted Common Share
(Unaudited)

	Quarter Ended		Two Quarters Ended		Calendar Year Ended	
	January 3, 2020	December 28, 2018	January 3, 2020	December 28, 2018	January 3, 2020	December 28, 2018
Income from continuing operations per diluted common share attributable to L3Harris Technologies, Inc. common shareholders	\$ 1.77	\$ 1.88	\$ 3.68	\$ 3.66	\$ 7.90	\$ 7.01
Pre-merger L3 income from continuing operations per diluted common share attributable to common shareholders	—	1.01	—	1.91	1.89	3.56
Impact of L3 diluted common shares	—	(0.87)	—	(1.68)	(1.95)	(3.22)
	1.77	2.02	3.68	3.89	7.84	7.35
Adjustments:						
Net operating income generated by divested businesses	—	(0.03)	—	(0.05)	(0.03)	(0.08)
(Gain) loss on sale of businesses	—	0.01	(1.02)	0.03	(1.02)	(0.18)
Gain on sale of asset group	—	—	(0.05)	—	(0.05)	—
L3Harris Merger transaction costs, including change in control charges, and pre-merger L3 transaction costs	0.08	0.16	0.68	0.18	0.98	0.18
L3Harris Merger integration costs	0.19	—	0.84	—	0.97	—
Charges related to consolidation of facilities	0.22	—	0.22	—	0.22	0.03
Gain on pension curtailment	(0.10)	—	(0.10)	—	(0.10)	—
Additional cost of sales related to the fair value step-up in inventory sold	0.23	—	0.64	—	0.64	—
Amortization of acquisition-related intangibles	0.75	0.11	1.30	0.22	1.52	0.45
Non-cash cumulative adjustment to lease expense	(0.01)	—	0.04	—	0.04	—
Losses and other costs related to debt refinancing	0.01	—	0.01	0.09	0.02	0.42
Charges related to decision to transition and exit a commercial line of business and other items	—	—	—	—	—	0.21
Total pre-tax adjustments	1.37	0.25	2.56	0.47	3.19	1.03
Income taxes on above adjustments	(0.29)	(0.05)	(0.81)	(0.10)	(0.95)	(0.23)
Impact of non-cash adjustments related to tax reform	—	—	—	—	—	(0.23)
Total adjustments after-tax	1.08	0.20	1.75	0.37	2.24	0.57
Adjusted income from continuing operations per diluted common share	\$ 2.85	\$ 2.22	\$ 5.43	\$ 4.26	\$ 10.08	\$ 7.92

Table 7
L3HARRIS TECHNOLOGIES, INC.
CY '20 Guidance
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
Income from Continuing Operations per Diluted Common Share Attributable to L3Harris Technologies, Inc.
(Unaudited)

	Guidance
	Calendar Year Ended January 1, 2021
Income from continuing operations per diluted common share attributable to L3Harris Technologies, Inc. common shareholders	\$8.35 to \$8.75
Adjustments:	
L3Harris Merger integration costs	~ 0.72
Amortization of acquisition-related intangibles	~ 3.17
Additional cost of sales related to the fair value step-up in inventory sold	~ 0.06
Total pre-tax adjustments	~ 3.95
Income taxes on above adjustments	~ (0.95)
Total adjustments after-tax	~ 3.00
Non-GAAP income from continuing operations per diluted common share	\$11.35 to \$11.75

Table 8
L3HARRIS TECHNOLOGIES, INC.
CY '19 Fourth Quarter Summary and L3Harris CY '20 Guidance
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
Free Cash Flow and Adjusted Free Cash Flow
(Unaudited)

	Quarter Ended		Two Quarters Ended		Calendar Year Ended	
	January 3, 2020	December 28, 2018	January 3, 2020	December 28, 2018	January 3, 2020	December 28, 2018
	(In millions)					
Net cash provided by operating activities	\$ 858	\$ 352	\$ 939	\$ 469	\$ 1,655	\$ 847
Pre-merger L3 net cash provided by operating activities	—	681	—	845	414	1,032
Net additions of property, plant and equipment	(89)	(36)	(173)	(67)	(267)	(160)
Pre-merger L3 net additions of property, plant and equipment	—	(64)	—	(122)	(98)	(229)
Free cash flow	769	933	766	1,125	1,704	1,490
Net cash (provided by) used in operating activities from L3 discontinued operations	—	19	—	19	(19)	10
Income tax payments attributable to discontinued operations	—	2	—	71	—	80
Cash used for L3Harris Merger transaction costs, including change-in-control payments, and pre-merger L3 transaction costs	3	33	254	49	323	49
Cash used for L3Harris Merger integration costs	59	—	127	—	150	—
Voluntary contribution to defined pension plans	—	—	302	—	302	300
Adjusted free cash flow	\$ 831	\$ 987	\$ 1,449	\$ 1,264	\$ 2,460	\$ 1,929

	Guidance
	Calendar Year Ended January 1, 2021
	(In millions)
Net cash provided by operating activities	\$2,800 to \$2,900
Less capital expenditures	~ (400)
Free cash flow	2,400 to 2,500
Cash used for L3Harris Merger integration costs	~ 200
Adjusted free cash flow	\$2,600 to \$2,700