



**L3HARRIS**

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# **L3HARRIS 2021 FOURTH QUARTER RECONCILIATION OF NON-GAAP FINANCIAL MEASURES AND REGULATION G DISCLOSURES**

January 31, 2022

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PROPRIETARY INFORMATION

# Regulation G Disclosures



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:

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



## Total Backlog

(In millions)

Backlog at December 31, 2021

\$ 21,147

Backlog at January 1, 2021

\$ 21,670

Adjustments (A)

(1,548)

Organic Backlog

\$ 20,122

Organic backlog growth

\$ 1,025

Organic backlog percentage growth

5.1 %

(A) Adjustments to exclude backlog attributable to each divested business as of January 1, 2021.

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



## CY20 Non-GAAP EPS

	<u>CY20</u>
Income from continuing operations attributable to L3Harris Technologies, Inc. common shareholders	\$ 5.19
Adjustments:	
L3Harris Merger integration costs	0.60
Amortization of acquisition-related intangibles	3.29
Additional cost of sales related to the fair value step-up in inventory sold	0.14
Business divestiture-related losses	0.24
Impairment of goodwill and other assets related to divestitures and COVID impacts	3.56
Gain on sale of property, plant and equipment	(0.10)
Non-cash cumulative adjustment to lease expense	(0.01)
Gain related to debt refinancing	(0.01)
Other items	0.19
Noncontrolling interests portion of adjustments	<u>(0.19)</u>
Total pre-tax adjustments	7.71
Income taxes on above adjustments	<u>(1.30)</u>
Total adjustments after-tax	<u>6.41</u>
Non-GAAP income from continuing operations per diluted common share	<u>\$ 11.60</u>

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



## Q4 CY20 Non-GAAP EPS

	<u>Q4 CY20</u>
Income from continuing operations attributable to L3Harris Technologies, Inc. common shareholders	\$ 0.92
Adjustments:	
L3Harris Merger integration costs	0.16
Amortization of acquisition-related intangibles	0.85
Business divestiture-related losses	(0.05)
Impairment of goodwill and other assets related to divestitures and COVID impacts	1.77
Gain on sale of property, plant and equipment	(0.10)
Non-cash cumulative adjustment to lease expense	(0.01)
Gain related to debt refinancing	(0.01)
Other items	0.01
Noncontrolling interests portion of adjustments	<u>(0.05)</u>
Total pre-tax adjustments	2.57
Income taxes on above adjustments	<u>(0.35)</u>
Total adjustments after-tax	<u>2.22</u>
Non-GAAP income from continuing operations per diluted common share	<u>\$ 3.14</u>

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



## Net FAS/CAS Pension Adjustment

(In millions)	<u>Q4 CY21</u>	<u>Q4 CY20</u>	<u>CY21</u>
FAS pension service cost	\$ (14)	\$ (17)	\$ (68)
Less: CAS pension	47	51	191
<b>FAS/CAS operating adjustment</b>	<b>33</b>	<b>34</b>	<b>123</b>
Non-service FAS pension income	115	97	444
GAAP net FAS/CAS pension adjustment	148	131	567
Less: net settlement (gains) losses	(3)	—	1
<b>Non-GAAP net FAS/CAS pension adjustment</b>	<b>\$ 145</b>	<b>\$ 131</b>	<b>\$ 568</b>