



FISCAL 2018 FOURTH QUARTER RECONCILIATION OF NON-GAAP FINANCIAL MEASURES AND REGULATION G DISCLOSURES

HARRIS.COM | [#HARRISCORP](https://twitter.com/HARRISCORP)

HARRIS[®] TECHNOLOGY TO CONNECT,
INFORM AND PROTECT[™]

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



EPS Growth Excluding Tax Reform

	FY18	FY17	% Inc/(Dec)
GAAP income from continuing operations per diluted common share	\$ 5.94	\$ 5.12	16%
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	0.05	0.46	*
Total pre-tax adjustments	0.76	0.46	*
Income taxes on above adjustments	(0.21)	(0.05)	*
Impact of non-cash adjustments related to tax reform	0.01	-	*
Total adjustments after-tax	0.56	0.41	*
Non-GAAP income from continuing operations per diluted share	\$ 6.50	\$ 5.53	18%
Tax reform benefit to estimated annual tax rate	(0.42)	-	*
Non-GAAP income from continuing operations per diluted share excluding tax reform	\$ 6.08	\$ 5.53	10%

* Not meaningful

Reconciliation of Non-GAAP Financial Measures – Earnings Release Information



Adjusted Free Cash Flow / Non-GAAP Net Income

(\$ in millions)

	FY18
Net cash provided by operating activities	\$ 751
Adjustment for voluntary contribution to qualified pension plans	300
Less capital expenditures	(136)
Adjusted free cash flow (A)	<u>\$ 915</u>
GAAP net income	\$ 718
Adjustments:	
Losses and other costs related to debt refinancing	27
Charges related to decision to transition and exit a commercial line of business and other items	47
One-time non-cash charge from an adjustment for deferred compensation	12
Non-cash charge for consolidation of certain Exelis facilities initiated in fiscal 2017	5
Income taxes on above adjustments	(25)
Impact of non-cash adjustments related to tax reform	2
Total adjustments after-tax	<u>68</u>
Non-GAAP net income (B)	<u>\$ 786</u>
Adjusted free cash flow / Non-GAAP net income (A) / (B)	116%

Reconciliation of Non-GAAP Financial Measures – Earnings Release Information



Harris EBIT Margin Percentage Guidance

(\$ in billions)	FY19 Guidance Range	
	Low end	High end
Revenue from product sales and services (B)	\$ 6.53	\$ 6.65
Net income	\$ 0.91	\$ 0.95
Interest expense	0.16	0.16
Income tax expense	0.19	0.20
EBIT (A)	<u>\$ 1.26</u>	<u>\$ 1.31</u>
EBIT margin percentage (A) / (B)	19.3%	19.7%

Reconciliation of Non-GAAP Financial Measures – Earnings Release Information



CHQ Expense⁽¹⁾

(\$ in millions)

	FY17	FY18-Q4	FY18
GAAP CHQ expense	\$ (114)	\$ (18)	\$ (124)
Adjustments:			
One-time non-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	58	5	5
Non-GAAP CHQ expense	<u>\$ (56)</u>	<u>\$ (13)</u>	<u>\$ (60)</u>

⁽¹⁾Excluding amortization of intangible assets from Exelis Inc. acquisition

Reconciliation of Non-GAAP Financial Measures – Earnings Release Information



Net Interest Expense

(\$ in millions)

	FY18-Q4	FY18
GAAP net interest expense	\$ (45)	\$ (168)
Incremental interest expense due to the timing of debt refinancing	1	1
Non-GAAP net interest expense	<u>\$ (44)</u>	<u>\$ (167)</u>