



# FISCAL 2016 THIRD QUARTER RECONCILIATION OF NON-GAAP FINANCIAL MEASURES AND REGULATION G DISCLOSURES

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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:

## Free Cash Flow Calculations

(\$ in millions)

	<u>FY16-Q3 YTD</u>
Operating cash flow	\$ 507
Less net capital expenditures (1)	<u>(82)</u>
Free cash flow	\$ 425

(1) Reflects additions of property, plant and equipment, net of proceeds from the sale of property, plant and equipment.

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



## Earnings Before Interest and Taxes ("EBIT") Margin

(\$ in millions)

	<u>FY16-Q3</u>
Revenue from product sales and services	\$ 1,909
Cost of product sales and services	(1,312)
Engineering, selling and administrative expenses	<u>(309)</u>
GAAP operating income	288
Non-operating loss	<u>(1)</u>
GAAP EBIT	287
<i>GAAP EBIT as a % of Revenue</i>	<i>15.0%</i>
Integration costs associated with our acquisition of Exelis Inc.	23
Charges for amortization of step up in inventory	<u>3</u>
Non-GAAP adjustments	26
Non-GAAP EBIT	<u>\$ 313</u>
<i>Non-GAAP EBIT as a % of Revenue</i>	<i>16.4%</i>

## CHQ Expense (1)

(\$ in millions)

	<u>FY16</u>
GAAP CHQ expense	\$74 - \$79
Acquisition-related costs:	
Integration costs	(105)
Amortization of step up in inventory	(10)
Net liability reduction for certain post-employment benefit plans	101
Non-GAAP CHQ expense	<u>\$60 - \$65</u>

(1) Excluding amortization of intangible assets from Exelis acquisition