



# FISCAL 2017 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:

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



## Operating Income and Margin

(\$ in millions)

	FY16-Q3	FY17-Q3	YTD 16	YTD 17
GAAP income from continuing operations	\$ 159	\$ 164	\$ 469	\$ 472
Income taxes	62	69	198	199
Net interest expense	46	42	138	129
Non-operating (income) loss	1	-	-	(2)
GAAP operating income	268	275	805	798
Net liability reduction for certain post-employment benefit plans	-	-	(101)	-
Exelis acquisition-related and other charges	25	8	95	38
Segment restructuring and other charges	-	-	25	-
Non-GAAP operating income	\$ 293	\$ 283	\$ 824	\$ 836
Revenue from product sales and services	\$ 1,550	\$ 1,489	\$ 4,459	\$ 4,358
GAAP operating income as a % of Revenue	17.3%	18.5%	18.1%	18.3%
Non-GAAP operating income as a % of Revenue	18.9%	19.0%	18.5%	19.2%
Organic revenue*	\$ 1,529		\$ 4,401	
Non-GAAP operating income as a % of Organic Revenue*	19.2%		18.7%	

\*Revenue excludes Aerostructures, which was divested in FY16-Q4. Aerostructures revenue in fiscal 2016 was \$60M with quarterly revenue of \$19M, \$18M, \$21M and \$2M, respectively.

## Communication Systems Segment - Operating Margin

(\$ in millions)

	<u>FY16-Q3 YTD</u>	<u>FY16</u>
Revenue from product sales and services	\$ 1,428	\$ 1,863
Cost of product sales and services	(714)	(941)
Engineering, selling and administrative expenses	<u>(309)</u>	<u>(401)</u>
GAAP operating income	405	521
<i>GAAP operating income as a % of Revenue</i>	28.4%	28.0%
Charges for restructuring and other items	17	20
Non-GAAP operating income	<u>\$ 422</u>	<u>\$ 541</u>
<i>Non-GAAP operating income as a % of Revenue</i>	29.6%	29.0%

## Electronic Systems - Operating Margin

(\$ in millions)

	<u>FY16-Q3 YTD</u>	<u>FY16</u>
Revenue from product sales and services	\$ 1,662	\$ 2,233
Cost of product sales and services	(1,177)	(1,568)
Engineering, selling and administrative expenses	(174)	(236)
GAAP operating income	311	429
<i>GAAP operating income as a % of Revenue</i>	18.7%	19.2%
Charges for restructuring and other items	9	12
Non-GAAP operating income	<u>\$ 320</u>	<u>\$ 441</u>
<i>Non-GAAP operating income as a % of Revenue</i>	19.3%	19.7%
Organic revenue*	\$ 1,604	\$ 2,173
<i>Non-GAAP operating income as a % of Organic Revenue*</i>	20.0%	20.3%

\*Revenue excludes Aerostructures, which was divested in FY16-Q4. Aerostructures revenue in fiscal 2016 was \$60M with quarterly revenue of \$19M, \$18M, \$21M and \$2M, respectively.

## Communication Systems Operating Income

(\$ in millions)

	<u>FY16-Q2</u>	<u>FY16-Q4</u>
GAAP operating income	\$ 118	\$ 116
Charges for restructuring and other items	17	3
Non-GAAP operating income	<u>\$ 135</u>	<u>\$ 119</u>

## Electronic Systems Operating Income

(\$ in millions)

	<u>FY16-Q2</u>	<u>FY16-Q4</u>
GAAP operating income	\$ 99	\$ 118
Charges for restructuring and other items	9	3
Non-GAAP operating income	<u>\$ 108</u>	<u>\$ 121</u>

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



## Corporate Expense - FY16-Q1 through FY17-Q3

(\$ in millions)

	<u>FY16-Q1</u>	<u>FY16-Q2</u>	<u>FY16-Q3</u>	<u>FY16-Q4</u>	<u>FY16</u>	<u>FY17-Q1</u>	<u>FY17-Q2</u>	<u>FY17-Q3</u>
GAAP corporate (expense) income	\$ (42)	\$ 48	\$ (40)	\$ (37)	\$ (71)	\$ (34)	\$ (25)	\$ (28)
Net liability reduction for certain post-employment benefit plans	-	(101)	-	-	(101)	-	-	-
Exelis acquisition-related and other charges	23	46	25	27	121	17	13	8
Non-GAAP corporate expense	<u>\$ (19)</u>	<u>\$ (7)</u>	<u>\$ (15)</u>	<u>\$ (10)</u>	<u>\$ (51)</u>	<u>\$ (17)</u>	<u>\$ (12)</u>	<u>\$ (20)</u>



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



## Earnings Per Share - FY16-Q1 through FY17-Q3

	<u>FY16-Q1</u>	<u>FY16-Q2</u>	<u>FY16-Q3</u>	<u>FY16-Q4</u>	<u>FY16</u>	<u>FY17-Q1</u>	<u>FY17-Q2</u>	<u>FY17-Q3</u>
GAAP EPS	\$ 1.03	\$ 1.45	\$ 1.26	\$ 1.13	\$ 4.87	\$ 1.16	\$ 1.30	\$ 1.31
Non-GAAP adjustments	0.12 (1)	(0.11) (2)	0.09 (1)	0.17 (3)	0.27	0.12 (1)	0.08 (1)	0.07 (1)
Non-GAAP EPS	<u>\$ 1.15</u>	<u>\$ 1.34</u>	<u>\$ 1.35</u>	<u>\$ 1.30</u>	<u>\$ 5.14</u>	<u>\$ 1.28</u>	<u>\$ 1.38</u>	<u>\$ 1.38</u>

- (1) Adjustment for Exelis acquisition-related and other charges, net of income taxes
- (2) Adjustments for a net liability reduction for certain post-employment benefit plans (\$101 million pre-tax), Exelis acquisition-related and other charges (\$46 million pre-tax) and charges for segment restructuring and other items (\$26 million pre-tax)
- (3) Adjustments for Exelis acquisition-related and other charges (\$27 million pre-tax), charges for segment restructuring and other items (\$6 million pre-tax) and gain on sale of business, net (\$10 million pre-tax)