

Table 1
HARRIS CORPORATION
FY '16 Second Quarter Summary
CONDENSED CONSOLIDATED STATEMENT OF INCOME
(Unaudited)

	Quarter Ended		Two Quarters Ended	
	January 1, 2016	January 2, 2015	January 1, 2016	January 2, 2015
	(In millions, except per share amounts)			
Revenue from product sales and services	\$ 1,843	\$ 1,206	\$ 3,654	\$ 2,361
Cost of product sales and services	(1,281)	(808)	(2,501)	(1,570)
Engineering, selling and administrative expenses	(239)	(188)	(568)	(383)
Impairment of goodwill and other assets	(367)	—	(367)	—
Non-operating income	—	—	1	—
Interest income	—	1	1	2
Interest expense	(45)	(22)	(93)	(45)
Income (loss) from continuing operations before income taxes	(89)	189	127	365
Income taxes	(46)	(50)	(114)	(101)
Income (loss) from continuing operations	(135)	139	13	264
Discontinued operations, net of income taxes	(17)	—	(17)	—
Net income (loss)	<u>\$ (152)</u>	<u>\$ 139</u>	<u>\$ (4)</u>	<u>\$ 264</u>
Net income (loss) per common share				
Basic				
Continuing operations	\$ (1.09)	\$ 1.34	\$ 0.10	\$ 2.52
Discontinued operations	(0.14)	—	(0.14)	—
	<u>\$ (1.23)</u>	<u>\$ 1.34</u>	<u>\$ (0.04)</u>	<u>\$ 2.52</u>
Diluted				
Continuing operations	\$ (1.09)	\$ 1.32	\$ 0.10	\$ 2.50
Discontinued operations	(0.14)	—	(0.13)	—
	<u>\$ (1.23)</u>	<u>\$ 1.32</u>	<u>\$ (0.03)</u>	<u>\$ 2.50</u>
Cash dividends paid per common share	\$ 0.50	\$ 0.47	\$ 1.00	\$ 0.94
Basic weighted average common shares outstanding	123.8	103.9	123.6	104.3
Diluted weighted average common shares outstanding	123.8	104.9	124.7	105.3

Table 2
HARRIS CORPORATION
FY '16 Second Quarter Summary
BUSINESS SEGMENT INFORMATION
(Unaudited)

	Quarter Ended		Two Quarters Ended	
	January 1, 2016	January 2, 2015	January 1, 2016	January 2, 2015
	(In millions)			
Revenue				
Communication Systems	\$ 489	\$ 435	\$ 943	\$ 824
Space and Intelligence Systems	446	221	881	474
Electronic Systems	382	128	756	237
Critical Networks	541	423	1,107	830
Corporate eliminations	(15)	(1)	(33)	(4)
	\$ 1,843	\$ 1,206	\$ 3,654	\$ 2,361
Income (Loss) From Continuing Operations Before Income Taxes				
<i>Segment Operating Income (Loss):</i>				
Communication Systems	\$ 121	\$ 126	\$ 259	\$ 242
Space and Intelligence Systems	67	34	135	71
Electronic Systems	63	24	132	46
Critical Networks (A)	(308)	50	(245)	92
Unallocated corporate income (expense) (B)	47	(21)	5	(38)
Amortization of intangible assets from Exelis Inc. acquisition	(33)	—	(66)	—
Corporate eliminations	(1)	(3)	(2)	(5)
Non-operating income	—	—	1	—
Net interest expense	(45)	(21)	(92)	(43)
	\$ (89)	\$ 189	\$ 127	\$ 365

(A) Reflects impairment of goodwill and other assets related to Harris CapRock Communications of \$367 million in the quarter and two quarters ended January 1, 2016.

(B) Reflects impact of net liability reduction of \$101 million for certain post-employment benefit plans in the quarter and two quarters ended January 1, 2016.

Table 3
HARRIS CORPORATION
FY '16 Second Quarter Summary
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

	Two Quarters Ended	
	January 1, 2016	January 2, 2015
	(In millions)	
Operating Activities		
Net income (loss)	\$ (4)	\$ 264
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	114	104
Amortization of intangible assets from Exelis Inc. acquisition	66	—
Share-based compensation	19	17
Pension contributions	(97)	—
Pension income	(12)	—
Net liability reduction for certain post-employment benefit plans	(101)	—
Impairment of goodwill and other assets	367	—
Loss on sale of discontinued operations	21	—
(Increase) decrease in:		
Accounts receivable	220	(16)
Inventories	(91)	(31)
Increase (decrease) in:		
Accounts payable and accrued expenses	(128)	(120)
Advance payments and unearned income	(59)	(12)
Income taxes	31	8
Other	41	8
Net cash provided by operating activities	<u>387</u>	<u>222</u>
Investing Activities		
Additions of property, plant and equipment	(51)	(79)
Proceeds from sale of property, plant and equipment	2	—
Proceeds from sale of Cyber Integration Center	—	7
Net cash used in investing activities	<u>(49)</u>	<u>(72)</u>
Financing Activities		
Proceeds from borrowings	209	33
Repayments of borrowings	(395)	(17)
Proceeds from exercises of employee stock options	33	28
Repurchases of common stock	—	(150)
Cash dividends	(127)	(99)
Other financing activities	(15)	(14)
Net cash used in financing activities	<u>(295)</u>	<u>(219)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(13)</u>	<u>(22)</u>
Net increase (decrease) in cash and cash equivalents	30	(91)
Cash and cash equivalents, beginning of year	<u>481</u>	<u>561</u>
Cash and cash equivalents, end of quarter	<u>\$ 511</u>	<u>\$ 470</u>

Table 4
HARRIS CORPORATION
FY '16 Second Quarter Summary
CONDENSED CONSOLIDATED BALANCE SHEET
(Unaudited)

	<u>January 1,</u> <u>2016</u>	<u>July 3,</u> <u>2015</u>
	(In millions)	
Assets		
Cash and cash equivalents	\$ 511	\$ 481
Receivables	935	1,168
Inventories	1,070	1,015
Income taxes receivable	156	87
Deferred compensation plan investments	41	267
Other current assets	122	165
Property, plant and equipment	1,102	1,165
Goodwill	5,989	6,348
Other intangible assets	1,643	1,775
Non-current deferred income taxes	376	502
Other non-current assets	152	154
	<u>\$ 12,097</u>	<u>\$ 13,127</u>
Liabilities and Equity		
Short-term debt	\$ 198	\$ 33
Accounts payable	558	581
Compensation and benefits	159	255
Other accrued items	422	518
Advance payments and unearned income	353	433
Income taxes payable	8	57
Deferred compensation plan liabilities	13	267
Current portion of long-term debt	385	130
Current liabilities of discontinued operations	43	—
Defined benefit plans	1,739	1,943
Long-term debt	4,443	5,053
Long-term contract liability	64	71
Non-current deferred income taxes	11	12
Other long-term liabilities	449	372
Equity	3,252	3,402
	<u>\$ 12,097</u>	<u>\$ 13,127</u>

HARRIS CORPORATION
FY '16 Second 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 (loss) from continuing operations, income (loss) from continuing operations per diluted common share, net cash provided by operating activities and segment operating income (loss), adjusted to exclude certain costs, charges, expenses and losses or other amounts. 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:

Table 5
HARRIS CORPORATION
FY '16 Second Quarter Summary
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

Income (Loss) from Continuing Operations and Net Income (Loss) from Continuing Operations per Diluted Common Share
(Unaudited)

	Quarter Ended January 1, 2016	
	Net Income (Loss)	Net Income (Loss) per Diluted Common Share
	(In millions, except per share amounts)	
GAAP loss from continuing operations and related diluted earnings per share	\$ (135)	\$ (1.09)
Non-GAAP adjustments:		
Impairment of goodwill and other assets (\$367 million pre-tax)	328	
Net liability reduction for certain post-employment benefit plans (\$101 million pre-tax)	(63)	
Integration and other Exelis Inc. acquisition-related costs (\$46 million pre-tax)	33	
Charges for restructuring and other items (\$35 million pre-tax)	24	
Total adjustments	322	2.58
Non-GAAP income from continuing operations and related diluted earnings per share	\$ 187	\$ 1.49

Table 6
HARRIS CORPORATION
FY '16 Second Quarter Summary
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
Free Cash Flow
(Unaudited)

	Quarter Ended	
	January 1, 2016	January 2, 2015
	(In millions)	
Net cash provided by operating activities	\$ 323	\$ 142
Less net capital expenditures	(25)	(38)
Free cash flow	\$ 298	\$ 104

Table 7
HARRIS CORPORATION
FY '16 Second Quarter Summary
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
Segment Operating Income (Loss)
(Unaudited)

	Quarter Ended January 1, 2016		
	As Reported	Adjustments	Non-GAAP
	(In millions)		
Segment Operating Income (Loss)			
Communication Systems (A)	\$ 121	\$ 17	\$ 138
Electronic Systems (A)	\$ 63	\$ 6	\$ 69
Critical Networks (B)	\$ (308)	\$ 379	\$ 71

(A) Adjustment for restructuring and other charges.

(B) Adjustments of \$367 million for impairment of goodwill and other assets and \$12 million for restructuring and other charges.

Table 8
HARRIS CORPORATION
FY '16 Second Quarter Summary
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
Reconciliation of Guidance for FY '16 Income from Continuing Operations per Diluted Common Share to
FY '16 Non-GAAP Income from Continuing Operations per Diluted Common Share
(Unaudited)

	2016 (Guidance)
GAAP income from continuing operations per diluted common share	\$2.80 to \$2.90*
Impairment of goodwill and other assets	\$2.63
Estimated net impact of acquisition-related items, restructuring and other charges	\$.27*
Non-GAAP income from continuing operations per diluted common share	\$5.70 to \$5.80

* Amounts could change as a result of any further integration actions related to the Exelis Inc. acquisition.