



FISCAL 2017 FIRST 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:

Operating Income and Margin

(\$ in millions)

	FY17-Q1	FY16-Q1
GAAP net income	\$ 160	\$ 148
Income taxes	65	68
Net interest expense	43	47
Non-operating income	-	(1)
GAAP operating income	268	262
Integration and other Exelis Inc. acquisition-related costs	17	23
Non-GAAP operating income	\$ 285	\$ 285
Revenue from product sales and services	\$ 1,754	\$ 1,811
<i>Non-GAAP operating income as a % of Revenue</i>	16.2%	15.7%

FY16 Segment Operating Margin

(\$ in millions)

	Communication Systems	Electronic Systems	Critical Networks
Revenue	\$ 1,864	\$ 1,530	\$ 2,233
GAAP operating income (loss)	\$ 530	\$ 277	\$ (106)
Non-GAAP adjustments	20 (1)	9 (1)	380 (2)
Non-GAAP operating income	\$ 550	\$ 286	\$ 274
GAAP operating income (loss) as a % of Revenue	28.4%	18.1%	-4.7%
Non-GAAP adjustments	1.1%	0.6%	17.0%
Non-GAAP operating income as a % of Revenue	29.5%	18.7%	12.3%

(1) Adjustments relate to restructuring and other charges.

(2) Adjustments relate to \$13 million for restructuring and other charges and a \$367 million impairment of goodwill and other assets related to Harris CapRock Communications.