HARRIS CORP /DE/
Form 10-K
August 29, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K
(Mark One)
þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended July 1, 2016
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File Number 1-3863
HARRIS CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	34-0276860
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1025 West NASA Boulevard Melbourne, Florida	32919
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (321) 727-9100
Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $1.00 per share	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No ¨
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No þ
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer þ	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No þ

The aggregate market value of the voting common equity held by non-affiliates of the registrant was $10,799,250,443 (based on the quoted closing sale price per share of the stock on the New York Stock Exchange) on the last business day of the registrant's most recently completed second fiscal quarter (December 31, 2015). For purposes of this calculation, the registrant has assumed that its directors and executive officers as of December 31, 2015 are affiliates. The number of shares outstanding of the registrant's common stock as of August 26, 2016 was 124,220,236.

Documents Incorporated by Reference:

Portions of the registrant's definitive Proxy Statement for the 2016 Annual Meeting of Shareholders scheduled to be held on October 28, 2016, which will be filed with the Securities and Exchange Commission within 120 days after the end of the registrant's fiscal year ended July 1, 2016, are incorporated by reference into Part III of this Annual Report on Form 10-K to the extent described therein.

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HARRIS CORPORATION
ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED JULY 1, 2016
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Cautionary Statement Regarding Forward-Looking Statements

This Annual Report on Form 10-K (this "Report"), including "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," contains forward-looking statements that involve risks and uncertainties, as well as assumptions that may not materialize or prove correct, which could cause our results to differ materially from those expressed in or implied by such forward-looking statements. All statements other than statements of historical fact are statements that could be deemed forward-looking statements, including, but not limited to, statements concerning: our plans, strategies and objectives for future operations; new products, systems, technologies, services or developments; future political and economic conditions, performance or outlook; the outcome of contingencies; the potential level of share repurchases or dividends; potential acquisitions or divestitures; the value of contract awards and programs; expected cash flows or capital expenditures; our beliefs or expectations; activities, events or developments that we intend, expect, project, believe or anticipate will or may occur in the future; and assumptions underlying any of the foregoing. Forward-looking statements may be identified by their use of forward-looking terminology, such as "believes," "expects," "may," "should," "would," "will," "intends," "plans," "estimates," "anticipates," "projects" and similar words or expressions. You should not place undue reliance on these forward-looking statements, which reflect our management's opinions only as of the date of filing of this Report and are not guarantees of future performance or actual results. Factors that might cause our results to differ materially from those expressed in or implied by these forward-looking statements, from our current expectations or projections or from our historical results include, but are not limited to, those discussed in "Item 1A. Risk Factors" of this Report. All forward-looking statements are qualified by, and should be read in conjunction with, those risk factors. Forward-looking statements are made in reliance on the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and are made as of the date of filing of this Report, and we disclaim any intention or obligation, other than imposed by law, to update or revise any forward-looking statements, whether as a result of new information, future events or developments or otherwise, after the date of filing of this Report or, in the case of any document incorporated by reference, the date of that document.

Amounts contained in this Report may not always add to totals due to rounding.

PART I

ITEM 1. BUSINESS.

HARRIS

Harris Corporation, together with its subsidiaries, is a leading technology innovator, solving government and commercial customers' toughest mission-critical challenges by providing solutions that connect, inform and protect. We support customers in more than 100 countries and, as of the end of fiscal 2016, had approximately 21,000 employees, including approximately 9,000 engineers and scientists. We serve both domestic and international customers with products, systems and services that have defense and civil government applications, as well as commercial applications, with our largest customers being U.S. Government customers and their prime contractors. Harris Corporation was incorporated in Delaware in 1926 as the successor to three companies founded in the 1890s. Our principal executive offices are located at 1025 West NASA Boulevard, Melbourne, Florida 32919, and our telephone number is (321) 727-9100. Our common stock is listed on the New York Stock Exchange under the symbol "HRS." Unless the context otherwise requires, the terms "we," "our," "us," "Company" and "Harris" as used in this Report refe Harris Corporation and its subsidiaries.

General

We structure our operations primarily around the products and services we sell and the markets we serve. We implemented a new organizational structure effective at the beginning of fiscal 2016, which resulted in changes to our operating segments, which are also our reportable segments and are referred to as our business segments. As a result, for fiscal 2016 we reported the financial results of our continuing operations in the following four business segments:

- Communication Systems, serving markets in tactical communications and defense and public safety networks;

- Space and Intelligence Systems, providing complete Earth observation, environmental, geospatial, space protection, and intelligence solutions from advanced sensors and payloads, as well as ground processing and information analytics;
- Electronic Systems, offering an extensive portfolio of solutions in electronic warfare, avionics, wireless technology, command, control, communications, computers and intelligence ("C4I") and undersea systems; and
- Critical Networks, providing managed services supporting air traffic management, energy and maritime communications, and ground network operation and sustainment, as well as high-value information technology ("IT") and engineering services.

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The historical results, discussion and presentation of our business segments as set forth in this Report reflect the impact of these changes for all periods presented in order to present all segment information on a comparable basis. There is no impact on our previously reported consolidated statements of income, balance sheets or statements of cash flows resulting from these changes.

Financial Information About Our Business Segments

Financial information with respect to our business segments, including revenue, operating income or loss and total assets, and with respect to our operations outside the United States, is contained in Note 24: Business Segments in the Notes to Consolidated Financial Statements in this Report (the "Notes") and is incorporated herein by reference.

Recent Acquisitions and Divestitures

The following paragraphs summarize recent acquisitions and divestitures. For additional information related to acquisitions, see Note 4: Business Combinations in the Notes. For additional information related to divestitures, some of which were reported as discontinued operations, see Note 3: Discontinued Operations and Divestitures in the Notes.

Acquisition of Exelis Inc. On May 29, 2015, we acquired publicly held Exelis Inc. (collectively with its subsidiaries, "Exelis"), a diversified, top-tier global aerospace, defense, information and services company leveraging its deep customer knowledge and technical expertise to deliver affordable, mission-critical solutions to military, government and commercial customers in the United States and globally. Exelis was a leader in positioning and navigation, sensors, air traffic management solutions, image processing and distribution, communications and information systems; and focused on strategic growth in the areas of critical networks, intelligence, surveillance and reconnaissance ("ISR") and analytics, electronic warfare and composite aerostructures. Each outstanding share of Exelis common stock converted into the right to receive $16.625 in cash and 0.1025 of a share of Harris common stock. Upon closing, legacy Harris shareholders owned 84 percent of the combined company and legacy Exelis shareholders owned 16 percent. Based on the closing price of $79.22 per share of Harris common stock on the New York Stock Exchange on May 29, 2015, the date of the closing of the acquisition, the aggregate implied value of the consideration paid to former holders of Exelis common stock in connection with the acquisition was approximately $4.7 billion, including approximately $1.5 billion in Harris common stock and approximately $3.2 billion in cash (including cash paid in respect of share-based awards and net of cash acquired). The source of funds for such cash payment was cash on hand and third-party debt financing, including a combination of borrowings under our senior unsecured term loan facility in an aggregate principal amount of $1.3 billion and a portion of the proceeds from our issuance of debt securities in an aggregate principal amount of $2.4 billion. Our acquisition of Exelis created significantly greater scale, bringing together two engineering-driven companies that value technology leadership. Together, the two companies' complementary technologies and capabilities strengthened core franchises and provide new opportunities for innovation to solve customers' most complex challenges. Exelis had annual sales of $3.277 billion in calendar 2014. Our Consolidated Financial Statements in this Report include operating results from Exelis operations following May 29, 2015.

Divestiture of Composite Aerostructures Business. On April 8, 2016, we completed the divestiture of our composite aerostructures business ("Aerostructures"), which designed and manufactured technically advanced, lightweight composite aerospace assembly structures, sub-assemblies and components for defense and commercial industries. Aerostructures was not strategic to our business and was part of our Company as a result of our acquisition of Exelis in May 2015. The operating results of Aerostructures through the date of divestiture are reported as part of our Electronic Systems segment.

Divestiture of Commercial Healthcare Solutions Operation. On July 1, 2015, we completed the divestiture of our commercial healthcare solutions operation ("HCS"). The operating results of HCS through the date of divestiture were part of our former Integrated Network Solutions segment, but are included as part of corporate in this Report.

Divestiture of Broadcast Communications Operation. In the fourth quarter of fiscal 2012, our Board of Directors approved a plan to divest our broadcast communications operation ("Broadcast Communications"), which provided digital media management solutions in support of broadcast customers, pursuant to which Broadcast Communications was reported as discontinued operations. In the third quarter of fiscal 2013, we completed the sale of Broadcast Communications to an affiliate of The Gores Group, LLC (the "Buyer"). In the third quarter of fiscal 2016, a nationally

recognized accounting firm previously appointed by us and the Buyer rendered its final determination as to a dispute between us and the Buyer over the amount of the post-closing working capital adjustment to the purchase price, and consequently, we recorded the related activity in discontinued operations for fiscal 2016.

Divestiture of Cyber Integrated Solutions Operation. In the third quarter of fiscal 2012, our Board of Directors approved a plan to exit our cyber integrated solutions operation ("CIS"), which provided remote cloud hosting, and to dispose of the related assets, pursuant to which CIS was reported as discontinued operations. We completed the sale of the remaining assets of CIS in the first quarter of fiscal 2014 and received payment in full on a promissory note that formed part of the purchase price in the first quarter of fiscal 2015. We recorded the related activity in discontinued operations for the respective periods.

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Description of Business by Segment

Communication Systems

Communication Systems serves markets in tactical communications and defense and public safety networks.

Tactical Communications: We are a leading global supplier of secure radio communications, tactical communication networks and embedded high-grade encryption solutions for a diverse portfolio of U.S. military and allied international forces and commercial customers. We design, develop and manufacture a comprehensive line of current and next-generation secure radio communications products and systems, with capabilities to operate across numerous radio frequency bands and using an extensive range of waveforms. Our radio systems are highly flexible, interoperable and capable of supporting diverse mission requirements. Most of our tactical radios are built on software-defined radio platforms that are reprogrammable to add features or software upgrades and also have the highest grade embedded encryption. Our product capabilities include secure transmission of voice, high-speed data and full-motion video, including streaming video to the tactical edge of the battlefield. Supporting virtually all military domains, our products include handheld, manpack and vehicular, fixed-site and airborne form factors. Together, our products create a highly mobile, secure, reliable networked battlefield environment that connects land, air and sea echelons and does not rely on a fixed infrastructure. This networking capability allows warfighters, for example, to remain connected with each other and their command structures and support organizations and to communicate information and maintain situational awareness of both friendly and opposing forces, which are critical to mission safety and success. Our radio systems have been widely deployed throughout all branches of the U.S. Department of Defense ("DoD") and, in the international market, have been sold to more than 100 countries through our international distribution channels consisting of regional sales offices and a broad dealer network and have become the standard in many of those countries.

Our next-generation radios include multiband, multi-mission, legacy-system compatible tactical radios, which address the full range of current mission and interoperability requirements and are fully upgradeable to address changing technical standards and mission requirements of the future. Advances in these radios include the support of wideband networking waveforms, extended frequency range and significant reductions in size and weight compared with previous generations. Wideband networking capability enables enhanced situational awareness through high-bandwidth applications such as streaming video, simultaneous voice and data feeds, collaborative chat and connectivity to secure networks. Our comprehensive line of current and next-generation radios includes the following:

- Our widely deployed Single Channel Ground and Airborne Radio System ("SINCGARS") family of backpack, vehicular-mounted, handheld and airborne radios currently used by U.S. and allied military forces — these Combat Net Radios, over 600,000 of which have been purchased and deployed worldwide, operate in the very high frequency band, have single-frequency and frequency-hopping modes, handle voice and data communications and are designed to be reliable, secure and easily maintained.
- Our multiband manpack radio, the AN/PRC-117G, which is National Security Agency ("NSA") Type-1-certified for narrowband communications, as well as for wideband communications using our Harris-developed Adaptive Networking Wideband Waveform for high bandwidth data operation and the U.S. military Joint Tactical Radio System ("JTRS") Soldier Radio Waveform;
- Our 2-channel vehicular radio system, the AN/VRC-118, which uses the DoD-developed Wideband Networking Waveform and was selected as the U.S. Army's solution for its JTRS Mid-Tier Networking Vehicular Radio program;
- Our multiband handheld radios, the AN/PRC-152, which is a widely fielded JTRS-approved software-defined handheld radio, and the AN/PRC-152A, which adds wideband, networked communications capability and supports both a full range of narrowband legacy waveforms and wideband networking waveforms in a handheld platform;
- Our multi-channel manpack radio, the AN/PRC-158, which is a commercially developed, NSA Type-1-certified radio offering two channels integrated into the same chassis;
- Our wideband rifleman team radio, the RF-330E, which is the commercially developed U.S. variant of our widely fielded international soldier personal radio;
- Our wideband ground radio family for international customers, the RF-7850x, which covers all echelons of the battlefield with soldier handheld, vehicular and fixed-site radio products;

- Our wideband high frequency manpack radio, the RF-7800H, which is a wideband-capable tactical high frequency radio available to customers worldwide;
- Our single-channel airborne radios, which include the NSA Type-1-certified RF-300M-DL Small Secure Data Link multiband radio for integration in size, weight and power-constrained environments, as well as the ARC-201D and ARC-201E radios for DoD and international very high frequency network interoperability; and
- Our multi-channel airborne radios, which include the RF-7850A for interoperability with our RF-7800 family of international ground radios, as well as a 2-channel airborne radio platform we provide to ViaSat, Inc. to be built into the KOR-24A multi-channel, Link-16 Small Tactical Terminal.

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Unlike many of our competitors operating on a government-funded programs-driven business model, we operate in this market principally on a "commercial" customer-driven business model. This means that we anticipate market needs, invest our internal research and development resources, build to our internal forecast and provide ready-to-ship, commercial off-the-shelf ("COTS") products to customers, enabling us to bring products to market faster and adapt to changing customer requirements. The U.S. market is undergoing a modernization cycle driven by wideband technology, and we believe that demand in the international market is being driven not only by the transition to wideband capability, but also by the need for network system solutions. We believe our commercial business model that drives speed and innovation, coupled with the scale provided by our international presence, will continue to make us competitive in the global market.

We have been investing to position ourselves for tactical radio modernization opportunities, including in our next-generation manpack and rifleman radio solutions for the JTRS Handheld, Manpack and Small Form Fit ("HMS") program. Our investments also include incorporating the powerful Mobile User Objective System ("MUOS") waveform for the DoD's next-generation military satellite communication ("SATCOM") system. We are embedding MUOS capability in our multi-channel manpack radio, as well as offering it as a separate, simple and fast software upgrade for our widely fielded single-channel multiband manpack radio, which we believe creates an opportunity for the DoD to transition its existing inventory of those radios to MUOS capability and quickly maximize the use of the satellite infrastructure. We also believe the demand to extend ground tactical networks to the air, combined with our ARC-201 SINCGARS airborne radios, creates opportunities for us in manned and unmanned airborne applications.

Examples of significant recent awards for us include the following:

- A 10-year (5-year base, 5 option years), multi-award Indefinite Delivery Indefinite Quantity ("IDIQ") contract from the U.S. Army awarded in fiscal 2015 for rifleman radios and associated services under the JTRS HMS program;
- A 10-year (5-year base, one 5-year option), multi-award IDIQ contract from the U.S. Army awarded in fiscal 2016 for multi-channel manpack radios under the JTRS HMS program;
- A 6-year, single-award IDIQ contract from the U.S. Special Operations Command awarded in fiscal 2016 for a new integrated 2-channel handheld tactical radio;
- An increase in fiscal 2016 in the ceiling value of a previously awarded single-source IDIQ contract with the U.S. Defense Logistics Agency to provide tactical radio spare parts to the U.S. Army and federal civilian agencies;
- A 5-year, single-award follow-on foreign military sales IDIQ contract from U.S. Army Communications-Electronics Command ("CECOM") awarded in fiscal 2016 to supply tactical communications solutions; and
- A 5-year, single-award foreign military sales IDIQ contract to supply SINCGARS tactical solutions.

We design and manufacture other communications-related products, including SpearNet Enhanced Video On-board tactical wearable radios, which, when combined with night vision and intelligence dissemination products, forms the Individual Soldier System integrated solution. In addition, we produce high-performance, advanced, vision-enhancing products for U.S. and allied military and security forces and for first responders using our image intensification and sensor fusion technology. We develop, produce and supply Generation 3 image intensification technology for U.S. and allied military and security forces. We provide AN/PVS-14 and AN/PVS-7 ground night vision goggles and spare image intensifier tubes to the U.S. and allied militaries, via foreign military sales, and we are the primary supplier to the U.S. military for the AN/AVS-6 and AN/AVS-9 aviation night vision goggles, which provide rotary- and fixed-wing aircraft pilots the ability to operate in extreme low-light situations. We also developed the Enhanced Night Vision Goggle ("ENVG") system, which optically overlays traditional night vision imagery with long wave thermal infrared imagery. The ENVG system enables users to effectively operate in extreme low-light and obscured battlefield conditions.

Public Safety and Professional Communications: We are a global supplier of secure communication systems and equipment for public safety, Federal, utility, commercial and transportation organizations.

We design, build, distribute, maintain and supply wireless communications systems. Our Voice, Interoperability, Data and Access ("VIDA") network platform is a unified Internet Protocol ("IP")-based voice and data communication system that provides network-level interoperable communications among public safety agencies by supporting a full line of communication systems, including NetworkFirst, P25^{IP} and Enhanced Digital Access Communication System. Our

VIDA® network solutions currently serve as the backbone in some of the largest and most advanced statewide and regional communication networks in North America. We also are investing in next-generation, secure public safety-grade Long Term Evolution ("LTE") solutions for voice, video and data applications.

We offer a full range of single-band land mobile radio ("LMR") terminals, as well as multiband radios that include a handheld radio and a full-spectrum mobile radio for vehicles. Our multiband radios cover all public safety frequency bands in a single radio; operate on Association of Public Safety Communications Officials - International ("APCO") P25 conventional and trunked systems; are backwards compatible with analog FM systems; and include advanced capabilities, such as an internal Global Positioning System receiver for situational awareness, internal secure Bluetooth® wireless technology and background

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noise suppression features. They also include true software-defined radio architecture that allows flexibility for future growth, including a software-only upgrade to APCO P25 Phase 2, the next-generation standard for mission-critical communications. Our radios' multiband, multi-mode capabilities enable a single radio to communicate with multiple organizations, jurisdictions and agencies operating on different frequencies and systems. In fiscal 2016, we introduced the XL-200P multiband radio, which has WiFi, WiFi Hotspot and LTE capabilities and push-to-talk voice over IP in both WiFi and LTE, providing first responders the ability to communicate freely outside of their LMR coverage jurisdiction. We also offer dispatch console systems.

Other examples of our Public Safety and Professional Communications solutions and services include the following:

- Deploying digital trunked, statewide, multi-agency systems for the State of Florida, the Commonwealth of Pennsylvania and the State of Nevada;
- Deploying large, wide-area and multi-state LMR systems for some of the largest utility companies in the U.S.;
- Deploying for the DoD-National Capitol Region network in the Washington, D.C. area a wide-area, IP-based P25 network that links nearly 20 military bases, providing the U.S. Army, Navy, Air Force and Marine Corps with wireless communications on base and throughout the National Capitol Region, and that allows interoperability with local public safety agencies to provide one integrated regional network;
- Designing and building the Alberta First Responders Radio Communications System that will provide public safety communications within the 256,000 square-mile Province of Alberta, Canada;
- Designing and deploying a VIDA network system for the Trinidad and Tobago Ministry of National Security that will improve voice and data communications and provide interoperability among first responders and the Ministry's agencies; and
- Designing, deploying and maintaining an APCO P25 system for the New York Metropolitan Transportation Authority Police to connect their police operations throughout 14 counties in New York and Connecticut and help them support more than 14 million daily commuters.

Revenue and Operating Income: Revenue for our Communication Systems segment in fiscal 2016, 2015 and 2014 was $1.864 billion, $1.836 billion and $1.855 billion, respectively. Segment operating income in fiscal 2016, 2015 and 2014 was $530 million, $563 million and $574 million, respectively. The percentage of our revenue contributed by this segment in fiscal 2016, 2015 and 2014 was 25 percent, 36 percent and 37 percent, respectively. The percentage of this segment's revenue in fiscal 2016 that was derived outside of the U.S. was approximately 51 percent. The percentage of this segment's revenue in fiscal 2016 that was derived from sales to U.S. Government customers, including foreign military sales funded through the U.S. Government, whether directly or through prime contractors, was approximately 52 percent. For a general description of our U.S. Government contracts and subcontracts, including a discussion of revenue generated thereunder and of cost-reimbursable versus fixed-price contracts, see "Item 1. Business - Principal Customers; Government Contracts" of this Report.

In general, this segment's domestic products are sold and serviced directly to customers through its sales organization and through established distribution channels. Internationally, this segment markets and sells its products and services through regional sales offices and established distribution channels. For a general description of our international business, see "Item 1. Business - International Business" of this Report.

For a discussion of certain risks affecting this segment, including risks relating to our U.S. Government contracts and subcontracts, see "Item 1. Business - Principal Customers; Government Contracts," "Item 1A. Risk Factors" and "Item 3. Legal Proceedings" of this Report.

Space and Intelligence Systems

Space and Intelligence Systems provides complete Earth observation, environmental, geospatial, space protection, and intelligence solutions from advanced sensors and payloads, as well as ground processing and information analytics, for national security, defense, civil and commercial customers.

Our complete Earth observation solutions encompass comprehensive space and airborne remote sensing capabilities, from end-to-end remote sensing systems for global and regional situational awareness that enable mission success to integrated processing solutions on the ground and on airborne platforms that extract critical information and reduce time to high-confidence decisions. We specialize in airborne and space-based remote sensing payloads that offer

active and motion imaging as well as data processing, exploitation and dissemination. We also develop small, affordable, high-resolution, commercial imaging systems, and our imaging systems are integral components of U.S. high-resolution commercial remote sensing satellite systems.

We provide space antenna systems and precision space structures. We are an experienced space reflector manufacturer and specialize in large, high-accuracy reflectors. From unfurlable and fixed-mesh reflector antennas to solid spot beam antennas, our solutions deliver significantly higher data rates and access greater amounts of bandwidth than standard satellite antenna technologies.

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We design, develop, manufacture and integrate agile and high-performance modular, reconfigurable space payloads that maximize mission performance. We help our customers achieve their space missions more quickly and cost effectively by brokering, designing and integrating multimission satellite hosted payloads. For example, we supplied Aireon, LLC with automatic dependent surveillance-broadcast ("ADS-B") receiver payloads that will be part of a satellite-based aircraft tracking system to enhance global air traffic control. The payloads will be hosted on the Iridium NEXT satellite constellation, but will provide a capability separate from the main mission of the constellation. We are placing additional commercial missions on the Iridium NEXT constellation by partnering with exactEarth Ltd. to track maritime vessels.

We provide quality optic solutions for industries such as aerospace, astronomy and microlithography. We manufacture a full range of precision optics and optical systems, including mirrors, mounts and metering structures, for space-based platforms as well as systems based on the ground, at sea and in the air, specializing in large precision optics. For example, we manufacture small to large optical flats for ground-based laser fusion programs, medium and large off-axis aspheric mirrors for orbiting telescopes, and a varying size range of spherical and aspherical mirrors for ground-based telescopes.

Our environmental solutions monitor and evaluate our global environment with ground-based and space-based remote sensing, change detection and data processing. We design, develop and build instruments to help measure, understand and monitor real-time weather and long-term climate cycles to support decision making for governmental agencies, scientists, businesses and policy makers. Our technologies capture, analyze and visualize data from various altitudes to improve understanding of weather and climate and enhance Earth observation. In space, advanced environmental satellite systems utilize our imagers and sounders to deliver weather and climate data back to Earth at high resolutions and speeds. On the ground, our satellite ground data processing systems, consisting of complex suites of hardware and software, receive sensor data from satellites and turn it into actionable information. Our weather ground systems, for example, are capable of handling multiple missions simultaneously across a common architecture and enable users to realize the full benefits of our new environmental imaging technology. Our climate monitoring instruments help provide a complete picture of carbon dioxide cycles and other greenhouse gases from space, air and ground.

An example of our capabilities is the solutions we provide under the National Oceanic and Atmospheric Administration ("NOAA") Geostationary Operational Environmental Satellite - Series R ("GOES-R") Ground and Antenna Segment weather programs. We are providing a complete, end-to-end solution to design, develop, deploy and operate the ground segment system that will receive and process satellite data and generate and distribute weather data to more than 10,000 direct users, as well as providing the command and control of operational satellites. We also are supplying antennas and control systems that will provide communication links for command, telemetry and sensor data, as well as the communication link to direct data users. As an additional example, we are providing weather payloads for satellites for NASA's Joint Polar Satellite System program.

We provide integrated real-time, autonomous geospatial solutions, extending from image and data collection through processing, exploitation and dissemination of actionable intelligence. Our specialized capabilities include highly reliable remote sensing systems for ground, air and space; data encryption; information processing; real-time forensic and predictive analytics; and system performance modeling and simulation. We also provide ground processing and analytics solutions that map and monitor Earth for a variety of commercial and government users.

Our geospatial solutions suite of products and services are designed to make it easier and more cost effective for customers to analyze the physical environment and obtain actionable information for more informed decisions, through advanced data collection sources, innovative software tools, and high-volume, high-accuracy processing services. Examples of these advanced products and solutions include:

- Our ENVI® image analysis software that analyzes virtually any geospatial data type;
- Our Geiger-mode light detection and ranging ("LiDAR") sensor, which measures distance by illuminating a target with a laser light, that makes large-scale and high-density data collections possible at affordable prices;
- Our Jagwire™ web-based geospatial data management software that helps quickly discover data, transform it into information and deliver it to decision makers, even in low bandwidth environments;
-

Our imagery products for two of three regions for the Foundation GEOINT Content Management ("FGCM") program under two 5-year, single-award IDIQ contracts awarded in fiscal 2014 by the National Geospatial-Intelligence Agency ("NGA");

- Our geospatial marketplace that offers online access to geospatial imagery and data, off-the-shelf data products such as digital elevation models and orthomosaics, and customized geospatial products for visual simulation databases or to meet customer-specific project requirements; and
- Tracking maritime vessels and delivering robust global shipping information through access to Satellite Automated Identification System data.

In order to help our U.S. Government customers gain, maintain and exploit space superiority, we provide the full spectrum of enterprise architecture services that support the long-term planning, development, integration and sustainment of highly advanced, mission-critical space-based surveillance, communication, navigation and meteorology systems. We provide

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space situational awareness and design, integrate and sustain offensive and defensive space control systems. For example, we sustain, maintain and modernize large radar installations globally and provide engineering support and sustainment for ground-based systems that support U.S. missile warning, missile defense and space surveillance missions for the U.S. Air Force under the System Engineering and Sustainment Integrator ("SENSOR") program. We also provide COTS, highly flexible, satellite mission command and control ("C2") systems for government and commercial applications. Our satellite mission C2 systems support single-satellite missions as well as some of the largest and most complex satellite fleets deployed.

We develop, supply and integrate communication and information processing products, systems and networks for a diverse base of classified programs. Serving primarily U.S. Intelligence Community customers, including the NSA, the NGA, the National Reconnaissance Office and the Defense Intelligence Agency, we provide integrated ISR solutions that improve situational awareness, data collection accuracy and product analysis by correlating near real-time mission data and intelligence reference data for display and analysis by strategic and tactical planners and decision makers. In addition, we have advanced capabilities in the architecture, design and development of highly specialized satellite antennas, structures, phased arrays and on-board processors, which are used to enable next-generation satellite systems to provide the U.S. military and intelligence communities with strategic and tactical advantages. Although classified programs generally are not discussed in this Report, the operating results relating to classified programs are included in our Consolidated Financial Statements. We believe that the business risks associated with our classified programs do not differ materially from the business risks associated with our other U.S. Government programs.

We are a global provider of positioning, navigation and timing ("PNT") products, systems and solutions. For example, our U.S. Global Positioning System ("GPS") navigation systems comprise high-performance, reliable, cost-effective GPS payload, control and interference location solutions. Our navigation payload technology is an integral component of GPS satellites and supports GPS availability, accuracy and integrity. We currently are deploying advanced technologies under the GPS III program to improve the accuracy and reliability of the next generation of GPS satellites.

Revenue and Operating Income: Revenue for our Space and Intelligence Systems segment in fiscal 2016, 2015 and 2014 was $1.899 billion, $1.007 billion and $0.966 billion, respectively. Segment operating income in fiscal 2016, 2015 and 2014 was $294 million, $142 million and $128 million, respectively. The percentage of our revenue contributed by this segment in fiscal 2016, 2015 and 2014 was 25 percent, 20 percent and 19 percent, respectively. The percentages of this segment's revenue under contracts directly with end customers and under contracts with prime contractors in fiscal 2016 were approximately 72 percent and 28 percent, respectively. In fiscal 2016, this segment had a diverse portfolio of over 200 programs. Some of this segment's more significant programs in fiscal 2016 included GPS, GOES-R, SENSOR, FGCM and various other classified programs. The percentages of this segment's revenue in fiscal 2016 represented by this segment's largest program by revenue and ten largest programs by revenue were approximately 12 percent and 56 percent, respectively. The percentage of this segment's revenue in fiscal 2016 that was derived from sales to U.S. Government customers, including foreign military sales funded through the U.S. Government, whether directly or through prime contractors, was approximately 95 percent. For a general description of our U.S. Government contracts and subcontracts, including a discussion of revenue generated thereunder and of cost-reimbursable versus fixed-price contracts, see "Item 1. Business - Principal Customers; Government Contracts" of this Report.

For a discussion of certain risks affecting this segment, including risks relating to our U.S. Government contracts and subcontracts, see "Item 1. Business - Principal Customers; Government Contracts," "Item 1A. Risk Factors" and "Item 3. Legal Proceedings" of this Report.

Electronic Systems

Electronic Systems offers an extensive portfolio of solutions in electronic warfare, avionics, wireless technology, C4I and undersea systems, for aviation, defense and maritime applications.

We design, develop, produce and sell electronic warfare solutions for airborne, maritime and ground applications to most U.S. military service branches and to classified customers and allied nations. Our electronic warfare capabilities

include threat identification, electronic countermeasures, decoys and expendables, strategic and situational support, electronic attack, passive coastal defense, radar, counter-improvised explosive device (“IED”) and border surveillance. We have provided electronic warfare solutions for strategic and tactical fixed-wing and rotary aircraft such as the F/A-18, F-16, B1-B, B-52, C-130H, MH-60, MH-47 and CV-22 aircraft, and we also provide maritime electronic support measures (“ESM”) for surface and subsurface vessels.

Examples of our airborne electronic warfare technology include sophisticated sensor fusion for multispectral situational awareness, as well as internal and podded self-protection and jamming capabilities. Examples of our maritime electronic warfare technology include ESM systems for situational awareness and threat detection, including emitter identification to support tactical decisions and indications of possible hostile intentions; integrated self-protection systems and decoys that operate at every layer of shipboard defense; and electronic attack capabilities to disrupt and deny enemy operations. An

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example of our ground electronic warfare technology is counter-radio controlled IED technology that protects ground forces in asymmetrical combat environments by continually scanning for threatening radio frequency signals and denying enemy use of these portions of the electromagnetic spectrum, without disrupting friendly signals and keeping lines of communication open. We also develop and supply state-of-the-art wireless voice and data products and solutions.

We design and manufacture high-performance radar systems and signal intelligence systems for both domestic and international military customers. Our core radar capabilities include air defense radars, air traffic control ("ATC") radars and airborne multifunction radars. Our advanced radar technologies support military and domestic operation missions in homeland security, law enforcement, search and rescue, disaster relief and environmental science. We provide electronic warfare and signals intelligence systems for reconnaissance and surveillance for electronic intelligence, ESM, electronic counter measures and signals intelligence applications.

We develop advanced, custom solutions which provide our government and commercial customers with self-protection, data protection, enhanced communications and situational awareness. We specialize in satellite-based communication systems, ground electronic warfare systems, commercial wireless technologies, tagging, tracking and locating, and information assurance. To combat the anti-access/area denial ("A2/AD") threat, we leverage an adaptive multi-platform approach to ensure that users can connect and share data globally without being constrained by terrain or distance. We integrate data devices into A2/AD-resilient architectures which provide a secure global backbone for C4ISR capabilities against sophisticated adve