

# Deutsche Bank Industrials Conference

## June 23, 2010

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**Howard L. Lance**

*Chairman, President and Chief Executive Officer*

### Reconciliation of Non-GAAP Financial Measures and Regulation G Disclosures

To supplement our condensed consolidated financial statements presented in accordance with U.S. generally accepted accounting principles (GAAP), we provide additional measures of segments' operating income (loss); cost of product sales and services; engineering, selling and administrative expenses; income from continuing operations before income taxes; income taxes; income from continuing operations; and income from continuing operations per diluted common share adjusted to exclude certain costs, charges, expenses and losses. 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 a guide in its forecasting, budgeting, and long-term planning process 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:

# Non-GAAP Reconciliation



## Earnings Per Share Fiscal '05 Actual to Fiscal '11 Guidance

	<u>FY05</u>	<u>FY06</u>	<u>FY07</u>	<u>FY08</u>	<u>FY09</u>	<u>FY10 Guidance*</u>	<u>FY11 Guidance*</u>
Income from continuing operations per diluted share:							
GAAP EPS	\$ 1.45	\$ 1.94	\$ 2.49	\$ 3.32	\$ 2.34	\$4.23 - 4.33	\$4.55-4.65
Non-GAAP Adjustments	0.05 (1)	0.21 (2)	0.22 (3)	0.02 (4)	1.52 (5)	0.12 (6)	-
Non-GAAP EPS	<u>\$ 1.50</u>	<u>\$ 2.15</u>	<u>\$ 2.71</u>	<u>\$ 3.34</u>	<u>\$ 3.86</u>	<u>\$4.35 - 4.45</u>	<u>\$4.55-4.65</u>
Non-GAAP EPS Growth						<i>FY05 - FY11 CAGR:</i>	<i>21%</i>

(1) Adjustments relate to costs associated with our acquisition of Encoda.

(2) Adjustments relate to costs associated with our acquisition of Leitch and the impact of cost-reduction actions in our Broadcast Communications segment.

(3) Adjustments relate to the impact of cost-reduction actions in our Broadcast Communications segment, a charge resulting from a decision to discontinue a software development effort in our Broadcast Communications segment, and impairment to our investment in Terion.

(4) Adjustments relate to costs associated with our acquisitions of Multimax and Zandar.

(5) Adjustments relate to impairment of goodwill and other long-lived assets in our Broadcast Communications segment, and to costs associated with our acquisitions of Wireless Systems and Crucial Security.

(6) Adjustments relate to costs associated with our acquisitions of Wireless Systems, Crucial Security, SolaCom ATC and Patriot.

\* Based on guidance provided on April 28, 2010.

# Non-GAAP Reconciliation



## Cash Flow

(\$ in millions)

	<u>FY06</u>	<u>FY07</u>	<u>FY08</u>	<u>FY09</u>	<u>Guidance FY10*</u>	<u>Guidance FY11*</u>
Operating cash flow	\$ 334.2	\$ 438.6	\$ 556.0	\$ 666.8	\$ 713.0	\$ 700.0
Less capital expenditures	<u>(146.4)</u>	<u>(129.1)</u>	<u>(146.2)</u>	<u>(121.8)</u>	<u>(205.0)</u>	<u>(205.0)</u>
Free cash flow (A)	\$ 187.8	\$ 309.5	\$ 409.8	\$ 545.0	\$ 508.0	\$ 495.0
GAAP income from continuing operations	\$ 270.6	\$ 347.2	\$ 453.5	\$ 312.4	560.7	\$ 588.8
Non-GAAP adjustments	<u>30.2</u> (1)	<u>31.1</u> (2)	<u>3.0</u> (3)	<u>203.1</u> (4)	<u>16.3</u> (5)	<u>-</u>
Non-GAAP income from continuing operations (B)	\$ 300.8	\$ 378.3	\$ 456.5	\$ 515.5	\$ 577.0	\$ 588.8
Free cash flow / income from continuing operations (A) / (B)	62%	82%	90%	106%	88%	84%

- (1) Adjustments relate to costs associated with our acquisition of Leitch and the impact of cost-reduction actions in our Broadcast Communications segment.
- (2) Adjustments relate to the impact of cost-reduction actions in our Broadcast Communications segment, a charge resulting from a decision to discontinue a software development effort in our Broadcast Communications segment, and impairment to our investment in Terion.
- (3) Adjustments relate to costs associated with our acquisitions of Multimax and Zandar.
- (4) Adjustments relate to impairment of goodwill and other long-lived assets in our Broadcast Communications segment, and to costs associated with our acquisitions of Wireless Systems and Crucial Security.
- (5) Adjustments relate to costs associated with our acquisitions of Wireless Systems, Crucial Security, SolaCom ATC and Patriot.

\* Based on midpoint of guidance provided on April 28, 2010.

## Total Debt to Total Capital

(\$ in millions)

	<u>4/2/2010</u>
Short-term debt	\$ -
Current portion of long-term debt	0.8
Long-term debt	<u>1,176.7</u>
Total debt (A)	1,177.5
Shareholders' equity	<u>2,116.9</u>
Debt plus shareholders' equity (total capital) (B)	\$ 3,294.4
Total debt to total capital (A)/(B)	35.7%