



***Fiscal 2013 Third Quarter
Earnings Call Presentation***

Forward-looking statements



Statements in this presentation that are not historical facts are forward-looking statements that reflect management's current expectations, assumptions and estimates of future performance and economic conditions. Such statements are made in reliance upon the safe harbor provisions of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements in this presentation include but are not limited to: earnings, revenue, operating margin and other guidance for fiscal 2013; the timing of, and expected cost-savings from, restructuring and other actions; potential contract opportunities and awards; the potential value of contract awards; and statements regarding outlook, including expected revenue, orders and cash flow. The company cautions investors that any forward-looking statements are subject to risks and uncertainties that may cause actual results and future trends to differ materially from those matters expressed in or implied by such forward-looking statements. The company's consolidated results and the forward-looking statements could be affected by many factors, including but not limited to: the actual timing of, and actual cost-savings from, restructuring and other actions; the loss of our relationship with the U.S. Government or a shift in U.S. Government funding; potential changes in U.S. Government or customer priorities and requirements (including potential deferrals of awards, terminations, reductions of expenditures, changes to respond to the priorities of Congress and the Administration, budgetary constraints, debt ceiling implications, sequestration and cost-cutting initiatives); risks inherent with large long-term fixed-price contracts, particularly the ability to contain cost overruns; the potential impact of a security breach, through cyber attack or otherwise, or other significant disruptions of our IT networks and systems or those we operate for customers; financial and government and regulatory risks relating to international sales and operations; the continued effects of the general downturn and weakness in the global economy and U.S. Government's budget deficits, national debt, continuing resolutions and sequestration; our ability to continue to develop new products that achieve market acceptance; the consequences of future geo-political events; strategic acquisitions and the risks and uncertainties related thereto, including our ability to manage and integrate acquired businesses; performance of our subcontractors and suppliers; potential claims that we are infringing the intellectual property rights of third parties; the successful resolution of patent infringement claims and the ultimate outcome of other contingencies, litigation and legal matters; risks inherent in developing new technologies; changes in our effective tax rate; the potential impact of natural disasters or other disruptions on our operations; the potential impact of changes in the regulatory framework that applies to, or of satellite bandwidth constraints on, our managed satellite and terrestrial communications solutions; the timing and impact of anticipated dispositions of the company's Cyber Integrated Solutions operation and the timing and amount of anticipated gains, losses, impairments and charges related to such disposition; and changes in future business or other market conditions that could cause business investments and/or recorded goodwill or other long-term assets to become impaired. Further information relating to factors that may impact the company's results and forward-looking statements are disclosed in the company's filings with the SEC. The forward-looking statements contained in this presentation are made as of the date of this presentation, and the company disclaims 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 otherwise.

- **Significantly weaker than expected third quarter results**
- **EPS \$1.12; revenue down 12%; funded backlog up 3% vs prior year**
- **Environment expected to remain challenging**
 - **Implementing company-wide cost-reduction actions generating net annualized savings of \$40-50M**
 - **Reducing workforce by 3% – including ~10% reduction in executive population**
- **Solid free cash flow of \$185M**

Reference non-GAAP reconciliation on the Harris investor relations website.

3Q fiscal 2013 financial results



(\$million, except per share amounts)	<u>3Q 2012</u>	<u>3Q 2013</u>
Orders	\$ 1,483	\$ 1,129
<i>% increase</i>		(24)%
Revenue	1,369	1,204
<i>% increase</i>		(12)%
Income from continuing operations	155	125
Non-GAAP income from continuing operations	163	125
<i>% increase</i>		(23)%
Operating margin	18.0%	16.4%
Non-GAAP operating margin	18.9%	16.4%
Earnings per share from continuing operations	1.38	1.12
Non-GAAP earnings per share from continuing operations	1.42	1.12
<i>% increase</i>		-21%

Reference non-GAAP reconciliation on the Harris investor relations website.

(\$million)	<u>3Q 2012</u>	<u>3Q 2013</u>
Orders	\$ 629	\$ 486
Tactical Communications	534	297
Public Safety and Professional Communications	95	189
Revenue	538	418
Tactical Communications	398	276
Public Safety and Professional Communications	140	142
Operating income	182	116
<i>Operating margin</i>	33.8%	27.8%

- Revenue down 22% – Tactical down 31% and Public Safety up 2%
- Book-to-bill greater than 1.0 in both Tactical and Public Safety
- Awarded \$500 million increase in ceiling value of CECOM IDIQ contract for Foreign Military Sales; strategic U.S. win – initial order for new ISR product
- Strong international pipeline of maturing opportunities
- Achieved operating margin of 27.8% despite lower revenue and investments for the future – R&D up 6% with Tactical up 9%

(\$million)	3Q 2012	3Q 2013
Revenue	\$ 388	\$ 365
<i>% increase</i>		-6%
Operating income	22	30
Non-GAAP operating income	33	30
<i>Non-GAAP operating margin</i>	8.6%	8.3%

Reference non-GAAP reconciliation on the Harris investor relations website.

- **Revenue down 6% – CapRock up 5% and Healthcare up 6%, offset by IT Services down 10%**
- **Strategic growth initiatives taking longer than expected to significantly contribute to earnings**
- **Awarded 4-year, \$38 million contract from VA to provide enterprise data warehouse services – gateway to business intelligence and predictive analytics**

(\$million)	3Q 2012	3Q 2013
Revenue	\$ 471	\$ 442
<i>% increase</i>		-6%
Operating income	64	67
<i>Operating margin</i>	13.6%	15.2%

- Revenue down 6% – increase in revenue from Civil customers and flat revenue in National more than offset by mid-teen decline in DoD
- Delivered strong operating margin of 15.2% driven by excellent program performance

3Q fiscal 2013 financial highlights



(\$million)	<u>3Q 2012 *</u>	<u>3Q 2013</u>
Cash and cash equivalents	\$ 299	\$ 459
Depreciation and amortization	65	54
Capital expenditures	53	49
Cash flow from operations	205	234
Free cash flow	152	185
Effective tax rate	32.1%	26.9%

* Non-GAAP (reference non-GAAP reconciliation on the Harris investor relations website)

Fiscal 2013 guidance



Segment guidance	Revenue			EPS and op margin (non-GAAP)		
	FY12	Previous FY13	Revised FY13	FY12	Previous FY13	Revised FY13
Harris Corporation	\$ 5.45B	2 – 4% lower	6 – 7% lower	\$ 5.20	\$ 5.00 – 5.20	\$ 4.60 – 4.70
RF Communications	2.14B	7 – 9% lower	12 – 14% lower	32.8%	~30%	~29%
Integrated Network Solutions	1.57B	0 – 1% lower	4 – 5% lower	8.2%	9% – 10%	~8%
Government Communications	1.83B	1 – 2% growth	0 – 1% lower	14.0%	~14.5%	~14.5%

Other guidance (\$ in millions)

	FY12	Previous FY13	Revised FY13
Cash flow from operations	\$ 853	\$ 800 – 850	\$ 695 – 735
Depreciation and amortization	260	255 – 265	215 – 225
Capital expenditures	234	200 – 210	185 – 195
Free Cash Flow	619	590 – 650	500 – 550
Tax rate	33%	~32%	~31%

Reference non-GAAP reconciliation on the Harris investor relations website for fiscal 2012 and 2013.