



*Fiscal 2014 First 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 on 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, free cash flow, tax rate and other guidance for fiscal 2014; potential contract opportunities and awards; and statements regarding outlook, including expected growth, revenue, orders, 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 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); 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; risks inherent with large long-term fixed-price contracts, particularly the ability to contain cost overruns; financial and government and regulatory risks relating to international sales and operations; the continued effects of the general 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; 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.

- **Previous restructuring and progress on operational excellence produced solid operating performance**
- **EPS up 4 percent to \$1.18; free cash flow 109% of net income**
- **Revenue down 6%, orders down 11% with book-to-bill > 1.0**
- **Returning cash to shareholders – 13.5% dividend increase, \$100M in share repurchases, new \$1B repurchase authorization**
- **Encouraged by Army modernization win and mounting support for multi-vendor procurement strategy**

1Q fiscal 2014 financial results



(\$million, except per share amounts)	<u>1Q 2013</u>	<u>1Q 2014</u>
Orders	\$ 1,356	\$ 1,204
<i>% increase</i>		-11%
Revenue	1,262	1,192
<i>% increase</i>		-6%
Income from continuing operations	129	128
<i>% increase</i>		-1%
Operating margin	17.0%	17.6%
Earnings per share from continuing operations	1.14	1.18
<i>% increase</i>		4%

(\$million)	<u>1Q 2013</u>	<u>1Q 2014</u>
Orders	\$ 363	\$ 348
Tactical Communications	254	225
Public Safety and Professional Communications	109	123
Revenue	445	423
Tactical Communications	307	305
Public Safety and Professional Communications	138	118
Operating income	134	135
<i>Operating margin</i>	30.2%	32.0%

- Revenue down 5%; orders down 4%; B:B of .82
- Tactical revenue and orders about as expected with orders up in U.S. and down in international due to timing; B:B of .74
- Awarded highly contested \$141M contract from Army for Mid-Tier Networking Vehicular Radio modernization potentially worth \$600M
- New product launches – 2-channel manpack radio for U.S market, and ground-to-air radio for international market
- In October, awarded \$847M ceiling increase for sole-source contract supporting Foreign Military Sales
- Lower costs and favorable mix resulted in strong operating margin on lower revenue

(\$million)	<u>1Q 2013⁽¹⁾</u>	<u>1Q 2014</u>
Revenue	\$ 386	\$ 376
<i>% increase</i>		-3%
Operating income	33	30
<i>Operating margin</i>	8.6%	7.9%

(1) Adjusted to report the cyber security network testing business area (previously reported in Government Communications Systems) in Integrated Network Solutions.

- Revenue down 3% on lower revenue from U.S. Government customers; B:B > 1
- Record orders in IT Services – \$89M from VA, \$35M from State Department, \$22M from Air Force, and \$54M following the close of the quarter from Navy. Contract awards from Air Force for \$65M follow-on Network and Space Operations and Maintenance contract and a position on NETCENTS-2 Services IDIQ contract
- In October, awarded 5-year contract from Carnival to provide satellite communications solution across fleet of 103 ships
- Lower cost more than offset by impact of lower revenue and margin pressure from a competitive government market environment

(\$million)	<u>1Q 2013⁽¹⁾</u>	<u>1Q 2014</u>
Revenue	\$ 455	\$ 412
<i>% increase</i>		-9%
Operating income	66	64
<i>Operating margin</i>	14.6%	15.5%

(1) Adjusted to report the cyber security network testing business area (previously reported in Government Communications Systems) in Integrated Network Solutions.

- **Revenue down 9% – timing of GOES-R weather program transitioning to new phase**
- **Flat revenue excluding GOES-R – higher revenue from classified customers and civil agency customers, like FAA, offset by lower DoD**
- **FAA NextGen win – 7-year, \$150 million contract to provide Data Communication Network Services (DCNS) component of previously won DataComm program, bringing total contract value to \$481M**
- **5 major airlines commit to outfitting airplanes with digital avionics in a show of strong industry support for FAA’s NextGen DataComm program**
- **15.5% operating margin as a result of very good program performance**

(\$million)	<u>1Q 2013</u>	<u>1Q 2014</u>
Cash and cash equivalents	\$ 327	\$ 338
Depreciation and amortization	55	50
Capital expenditures	44	33
Cash flow from operations	121	173
Free cash flow	77	139
Effective tax rate	31.6%	32.2%

Fiscal 2014 guidance reiterated

Guidance	Revenue		EPS and op margin (non-GAAP)	
	FY 13 ⁽¹⁾	FY 14	FY 13 ⁽¹⁾	FY 14
Harris Corporation	\$ 5.11B	-1 to -3%	\$4.90	\$ 4.65 – 4.85
Other information				
RF Communications	1.85B	~ flat	31.7%	~30%
Integrated Network Solutions	1.58B	~ flat	8.4%	8% – 10%
Government Communications Systems	1.78B	-5 to -7%	14.7%	~14.0%
Free cash flow as % of net income			119%	~100%
Tax rate			31.1%	~33%
(1) Adjusted to report the cyber security network testing business area (previously reported in Government Communications Systems) in Integrated Network Solutions.				
Reference non-GAAP reconciliation on the Harris investor relations website.				