



*Fiscal 2014 Second 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; the potential value of contract awards; and statements regarding outlook, including expected growth, 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 loss of our relationship with the U.S. Government or a change or reduction 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, 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 and national debt; 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.

- **Solid second quarter results – EPS up 2 percent to \$1.27**
- **Excellent program execution and cost saving actions drove operating margin higher on revenue down 5%**
- **Orders up 8%; book-to-bill of 1.20**
- **Funded backlog up 8% year-over-year and 7% sequentially**
- **International orders and revenue particularly strong, and international pipeline remains robust**
- **Encouraged by change in HMS procurement strategy to full and open competition – gives Harris access to multi-billion opportunity**

2Q fiscal 2014 financial results



(\$million, except per share amounts)	<u>2Q 2013</u>	<u>2Q 2014</u>
Orders	\$ 1,358	\$ 1,473
<i>% increase</i>		8%
Revenue	1,287	1,223
<i>% increase</i>		-5%
Income from continuing operations	142	137
<i>% increase</i>		-4%
Operating margin	17.7%	18.2%
Earnings per share from continuing operations	1.25	1.27
<i>% increase</i>		2%

(\$million)	<u>2Q 2013</u>	<u>2Q 2014</u>
Orders	\$ 402	\$ 512
Tactical Communications	287	387
Public Safety and Professional Communications	115	125
Revenue	486	455
Tactical Communications	337	320
Public Safety and Professional Communications	149	135
Operating income	151	142
<i>Operating margin</i>	31.1%	31.3%

- Revenue down 6%; orders up 27%; book-to-bill of 1.13
- Significantly higher international tactical orders and revenue, U.S. lower as expected
- Tactical book-to-bill of 1.21 with funded backlog up 30% over prior year and key international opportunities progressing towards award
- Public Safety orders up 8%; revenue down 9%

(\$million)	<u>2Q 2013⁽¹⁾</u>	<u>2Q 2014</u>
Revenue	\$ 403	\$ 366
<i>% increase</i>		-9%
<hr/>		
Operating income	33	33
<i>Operating margin</i>	8.2%	8.9%
 (1) Adjusted to report the cyber security network testing business area (previously reported in Government Communications Systems) in Integrated Network Solutions.		

- **Revenue down 9%, growth in CapRock commercial more than offset by weaker government revenue in CapRock and Healthcare; IT Services flat**
- **Higher orders in CapRock’s Energy and Maritime markets and in IT Services**
- **Awarded 5-year Carnival contract for broadband data and communications solution across fleet of 103 ships – potential for contract expansion with increasing bandwidth demands**
- **Navy/Marine Corps Intranet contract extended through fiscal year**

(\$million)	<u>2Q 2013⁽¹⁾</u>	<u>2Q 2014</u>
Revenue	\$ 428	\$ 433
<i>% increase</i>		1%
Operating income	65	66
<i>Operating margin</i>	15.1%	15.4%
<p>(1) Adjusted to report the cyber security network testing business area (previously reported in Government Communications Systems) in Integrated Network Solutions.</p>		

- Revenue up 1% and higher in all 3 customer areas – civil, national, and DoD
- Revenue increase driven by classified and space, ramp-up of FAA’s NextGen DataComm, full rate production on Army’s MET
- Strong operating margin as a result of excellent program performance

(\$million)	<u>2Q 2013</u>	<u>2Q 2014</u>
Cash and cash equivalents	\$ 328	\$ 334
Depreciation and amortization	55	50
Capital expenditures	39	52
Cash flow from operations	159	107
Free cash flow	120	55
Effective tax rate	30.8%	32.6%

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

Guidance	Revenue			EPS and op margin (non-GAAP)		
	FY 13 ⁽¹⁾	Previous FY 14	Revised FY 14	FY 13 ⁽¹⁾	Previous FY 14	Revised FY 14
Harris Corporation	\$ 5.11B	-1 to -3%	-1 to -3%	\$4.90	\$ 4.65 – 4.85	\$ 4.80 – 4.90
Other information						
RF Communications	1.85B	~ flat	~ flat	31.7%	~30%	~30%
Integrated Network Solutions	1.58B	~ flat	-5 to -6%	8.4%	8% – 10%	8% – 9%
Government Communications Systems	1.78B	-5 to -7%	-1 to -3%	14.7%	~14%	~15%
Free cash flow as % of net income				119%	~100%	≥100%
Tax rate				31.1%	~33%	~33%
<p>⁽¹⁾ Adjusted to report the cyber security network testing business area (previously reported in Government Communications Systems) in Integrated Network Solutions.</p> <p>Reference non-GAAP reconciliation on the Harris investor relations website.</p>						