



***Fiscal 2015 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 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: statements related to expected timing and completion of the pending acquisition of Exelis; earnings, revenue, operating margin, free cash flow, tax rate and other guidance for fiscal 2015; potential contract opportunities and awards; the potential value and timing of contract awards; and other statements regarding outlook or that are not historical facts. 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, future trends and forward-looking statements could be affected by many factors, risks and uncertainties, including but not limited to: the actual timing of completion (if any) of the pending acquisition of Exelis and the actual amount and timing of associated acquisition-related costs; the loss of the company's 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, sequestration, and cost-cutting initiatives); the potential impact of a security breach, through cyber attack or otherwise, or other significant disruptions of the company's IT networks and systems or those the company operates 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 and sequestration; the company's 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 the company's ability to manage and integrate acquired businesses; performance of the company's subcontractors and suppliers; potential claims that the company is 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 the company's effective tax rate; the potential impact of natural disasters or other disruptions on the company's operations; the potential impact of changes in the regulatory framework that applies to, or of satellite bandwidth constraints on, the company's managed satellite and terrestrial communications solutions; 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; the occurrence of any event, change or other circumstances that could give rise to the termination of the merger agreement with Exelis; the possibility that Exelis shareholders may not approve the merger agreement; the risk that the parties may not be able to obtain the necessary regulatory approvals or to satisfy any of the other conditions to the proposed transaction in a timely manner or at all; risks related to disruption of management time from ongoing business operations due to the proposed transaction; the risk that the company may fail to realize the benefits expected from the proposed transaction; the risk that any announcements relating to the proposed transaction could have adverse effects on the market price of the company's common stock; and the risk that the proposed transaction and its announcement could have an adverse effect on the ability of the company and Exelis to retain customers and retain and hire key personnel and maintain relationships with their suppliers and customers, including the U.S. Government, and on their operating results and businesses generally. Further information relating to factors that may impact the company's results, future trends 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.

- **EPS of \$1.32... solid operating results plus benefit of taxes**
- **Revenue down 6%; orders up 9%**
- **Operating margin 100 bp higher vs prior year.... even with R&D investment up 8%**
- **Strong free cash flow of \$150M compared to prior year of \$120M**
- **Debt financing for Exelis acquisition secured and at favorable terms**
- **Progressing towards an expected June closing**

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

3Q fiscal 2015 results



(\$million, except per share amounts)	<u>3Q 2014</u>	<u>3Q 2015</u>
Orders	\$ 1,112	\$ 1,208
<i>% increase</i>		9%
Revenue	1,268	1,187
<i>% increase</i>		-6%
Income from continuing operations	137	126
Non-GAAP income from continuing operations	137	139
<i>% increase</i>		1%
Operating margin	17.6%	17.9%
Non-GAAP operating margin	17.6%	18.6%
Earnings per share from continuing operations	1.27	1.20
Non-GAAP earnings per share from continuing operations	1.27	1.32
<i>% increase</i>		4%
Reference non-GAAP reconciliation on the Harris investor relations website.		

(\$million)	3Q 2014	3Q 2015
Orders	\$ 405	\$ 393
Tactical Communications	285	286
Public Safety and Professional Communications	120	107
Revenue	457	451
Tactical Communications	335	356
Public Safety and Professional Communications	122	95
Operating income	144	151
<i>Operating margin</i>	31.4%	33.5%

- **Segment revenue down 1% – Tactical revenue up 6% with further weakness in Public Safety due to market softness and competitive pressures**
- **In Tactical, continued international strength and some improvement in U.S. market**
- **Army’s JTRS modernization progressing**
 - Awarded Rifleman Radio – 10-year, \$3.9B ceiling multi-award IDIQ
 - Manpack draft RFP issued and industry day held – 10-year, \$12-12.7B preliminary value, multi-award IDIQ
- **Significant international orders – \$47M and \$22M from two Middle East countries, \$25M and \$16M from two NATO countries, and \$74M international customer following close of quarter**
- **Strong operating margin of 33.5% due to favorable international mix and lower costs**

(\$million)	3Q 2014	3Q 2015
Revenue	\$ 477	\$ 455
<i>% increase</i>		-5%
Operating income	77	75
<i>Operating margin</i>	16.2%	16.4%

- **Lower revenue as expected – largely due to tough prior year compare from space programs and NOAA GOES-R satellite program**
- **16.4% operating margin – strong program execution, favorable product mix**
- **Third major NextGen award from the FAA – 8-year, \$238M single-award IDIQ for Common Support Services Weather program**
- **Classified wins: \$300M single-award IDIQ to integrate various intelligence systems and contracts totaling \$133M from other classified customers, including 3-year, \$23M contract from a new customer for space situational awareness**

(\$million)	3Q 2014	3Q 2015
Revenue	\$ 348	\$ 299
<i>% increase</i>		-14%
Operating income	21	12
<i>Operating margin</i>	6.1%	3.9%

- Lower segment revenue primarily from wind-down of two major IT Services programs
- Lower operating income primarily due to wind-down of highly profitable NMCI contract in IT Services
- IT Services awarded 10-year, \$450M single-award IDIQ for Crisis Management System, extending 30-year customer relationship
- CapRock orders included contract extensions – \$35M from major offshore driller; \$21M from leading energy services provider

3Q fiscal 2015 financial highlights



(\$million)	<u>3Q 2014</u>	<u>3Q 2015</u>
Cash and cash equivalents	\$ 350	\$ 488
Depreciation and amortization	48	60
Capital expenditures	55	23
Cash flow from operations	175	173
Free cash flow	120	150
Effective tax rate	31.8%	29.9%

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

Fiscal 2015 guidance



Guidance	Revenue			EPS and op margin (non-GAAP)		
	FY 14	Previous FY15	Revised FY15	FY 14	Previous FY15	Revised FY15
Harris Corporation	\$ 5.01B	-1 to -3%	~ -4%	\$ 5.00	\$ 4.95 – 5.05	\$ 5.00 – 5.10
Other information						
RF Communications	1.83B	flat to -2%	-3 to -4%	30.7%	30% – 31%	30% – 31%
Government Communications	1.80B	+2 to +4%	+2 to +4%	15.4%	15% – 15.5%	15.5% – 16%
Integrated Network Solutions	1.46B	~ -10%	-14 to -15%	8.0%	~7%	~6%
Free cash flow as % of net income				125%	~100%	~100%
Tax rate				32.2%	30.5% – 31%	~30%
Reference non-GAAP reconciliation on the Harris investor relations website.						

New financing and pro forma debt structure



\$M	Current Harris			Expected end of fiscal year 2015			
	Face	Rate	Due		Face	Rate	Due
	\$400	5.950%	Dec-17	Redeeming			
	\$350	6.375%	Jun-19				
	\$400	4.400%	Dec-20	HRS	\$400	4.400%	Dec-20
	\$100	7.000%	Jan-26	HRS	\$100	7.000%	Jan-26
	\$26	6.350%	Feb-28	HRS	\$26	6.350%	Feb-28
	\$300	6.150%	Dec-40	HRS	\$300	6.150%	Dec-40
Current debt	\$1,576			XLS	\$250	4.250%	Oct-16
				XLS	\$400	5.550%	Oct-21
				Rolled debt	\$1,476		
					\$500	1.999%	Apr-18
					\$400	2.700%	Apr-20
					\$600	3.832%	Apr-25
					\$400	4.854%	Apr-35
					\$500	5.054%	Apr-45
				New debt	\$2,400	3.686%	
				Term loan*	\$1,300	1.680%	
Other		0.160%		Other		-0.083%	
Total	\$0			Total	\$5,176		
Weighted average cost of debt		5.924%		Weighted average cost of debt		3.546%	~240 bps

* Interest rate for variable-rate term loan as of May 4, 2015.