

Second Quarter Earnings Call

July 28, 2011



Financial Data Charts

This presentation consists of L-3 general capabilities and administrative information that does not contain controlled technical data as defined within the International Traffic in Arms (ITAR) Part 120.10 or Export Administration Regulations (EAR) Part 734.7-11.

Forward Looking Statements

Certain of the matters discussed in these slides, including information regarding the company's 2011 financial outlook that are predictive in nature, that depend upon or refer to events or conditions or that include words such as "expects," "anticipates," "intends," "plans," "believes," "estimates," and similar expressions constitute forward-looking statements. Although we believe that these statements are based upon reasonable assumptions, including projections of total sales growth, sales growth from business acquisitions, organic sales growth, consolidated operating margins, total segment operating margins, interest expense, earnings, cash flow, research and development costs, working capital, capital expenditures and other projections, they are subject to several risks and uncertainties, and therefore, we can give no assurance that these statements will be achieved. Such statements will also be influenced by factors which include, among other things: timing and completion of the planned spin-off of a new, independent, publicly traded government services company, our dependence on the defense industry and the business risks peculiar to that industry, including changing priorities or reductions in the U.S. Government defense budget; backlog processing and program slips resulting from delayed funding of the Department of Defense (DoD) budget; our reliance on contracts with a limited number of agencies of, or contractors to, the U.S. Government and the possibility of termination of government contracts by unilateral government action or for failure to perform; the extensive legal and regulatory requirements surrounding our contracts with the U.S. or foreign governments and the results of any investigation of our contracts undertaken by the U.S. or foreign governments; our ability to retain our existing business and related contracts (revenue arrangements); our ability to successfully compete for and win new business and related contracts (revenue arrangements) and to win re-competitions of our existing contracts; our ability to identify and acquire additional businesses in the future with terms that are attractive to L-3 and to integrate acquired business operations; the impact of any strategic initiatives undertaken by us, including but not limited to the potential spin-off of a portion of our Government Services segment, and our ability to achieve anticipated benefits; our ability to maintain and improve our consolidated operating margin and total segment operating margin in future periods; our ability to obtain future government contracts (revenue arrangements) on a timely basis; the availability of government funding or cost-cutting initiatives and changes in customer requirements for our products and services; our significant amount of debt and the restrictions contained in our debt agreements; our ability to continue to retain and train our existing employees and to recruit and hire new qualified and skilled employees as well as our ability to retain and hire employees with U.S. Government security clearances; actual future interest rates, volatility and other assumptions used in the determination of pension benefits and equity based compensation, as well as the market performance of benefit plan assets; our collective bargaining agreements, our ability to successfully negotiate contracts with labor unions and our ability to favorably resolve labor disputes should they arise; the business, economic and political conditions in the markets in which we operate, including those for the commercial aviation, shipbuilding and communications markets; global economic uncertainty; the DoD's contractor support services in-sourcing and efficiency initiatives; events beyond our control such as acts of terrorism; our ability to perform contracts (revenue arrangements) on schedule; our international operations; our extensive use of fixed-price type contracts as compared to cost-plus type and time-and-material type contracts; the rapid change of technology and high level of competition in the defense industry and the commercial industries in which our businesses participate; our introduction of new products into commercial markets or our investments in civil and commercial products or companies; the outcome of litigation matters, including in connection with jury trials; results of audits by U.S. Government agencies; results of on-going governmental investigations, including potential suspensions or debarments; the impact on our business of improper conduct by our employees, agents or business partners; anticipated cost savings from business acquisitions not fully realized or realized within the expected time frame; the outcome of matters relating to the Foreign Corrupt Practices Act (FCPA) and similar non-U.S. regulations; ultimate resolution of contingent matters, claims and investigations relating to acquired businesses, and the impact on the final purchase price allocations; competitive pressure among companies in our industry; and the fair values of our assets, which can be impaired or reduced by other factors, some of which are discussed above.

For a discussion of other risks and uncertainties that could impair our results of operations or financial condition, see "Part I — Item 1A — Risk Factors" and Note 19 to our audited consolidated financial statements, included in our Annual Report on Form 10-K for the year ended December 31, 2010, as well as any material updates to these factors in our future filings.

Our forward-looking statements are not guarantees of future performance and the actual results or developments may differ materially from the expectations expressed in the forward-looking statements. As for the forward-looking statements that relate to future financial results and other projections, actual results will be different due to the inherent uncertainties of estimates, forecasts and projections and may be better or worse than projected and such differences could be material. Given these uncertainties, you should not place any reliance on these forward-looking statements. These forward-looking statements also represent our estimates and assumptions only as of the date that they were made. We expressly disclaim a duty to provide updates to these forward-looking statements, and the estimates and assumptions associated with them, after the date of these slides to reflect events or changes in circumstances or changes in expectations or the occurrence of anticipated events.



Second Quarter Results



Select Financial Data - Second Quarter

(\$ in Millions, except per share amounts)

	2Q11	2Q10	2Q11 vs. 2Q10
Sales	\$3,766	\$3,966	-5%
Operating Margin	10.7%	11.1%	-40 bpts
Operating Income	\$404	\$442	-9%
Net Interest Expense and Other Income	\$51	\$77	-34%
Tax Rate	30.3%	36.7%	-640 bpts
Diluted Shares	107.2	116.5	-8%
Diluted Earnings Per Share (EPS)	\$2.26	\$1.95	16%
Net Cash from Operating Activities	\$299	\$318	-6%
Free Cash Flow	\$256	\$281	-9%

Notes: (1) The 2Q11 lower tax rate is due to (i) a reversal of previously accrued amounts of \$12M, or \$0.11 per share, primarily related to the 2006 and 2007 U.S. Federal income tax returns, (ii) a higher mix of foreign earnings with lower tax rates as compared to the 2010 second quarter, and (iii) the reenactment of the U.S. Federal research and experimentation tax credit.

(2) 2Q10 includes a debt retirement charge of \$13M (\$8M after tax, or \$0.07 per share).

(3) See Reconciliation of GAAP to Non-GAAP Measurements.



Segment Results - Second Quarter

(\$ in Millions)

Segment	2Q11 Sales	Sales Growth vs. 2Q10	2Q11 Operating Margin	Margin Change vs. 2Q10 (bpts)
C ³ ISR	\$ 845	6%	11.3%	-130
Gov't Services	938	-6%	7.5%	-100
AM&M	610	-20%	9.2%	+160
Electronic Systems	1,373	-3%	13.3%	-80
Consolidated	\$ 3,766	-5%	10.7%	-40

Note: During 1Q11, the company made certain reclassifications between its C³ISR, Government Services and Electronic Systems segments due to the re-alignment of certain business units in the company's management and organizational structure. See the Supplemental Segment Data slide for the previous and revised 2Q10 segment data presentation.

First Half Results



Select Financial Data - First Half

(\$ in Millions, except per share amounts)

	1H11 Actual	1H10 Actual	1H11 vs. 1H10
Sales	\$7,367	\$7,590	-3%
Operating Margin	10.8%	11.2%	-40 bpts
Operating Income	\$794	\$852	-7%
Net Interest Expense and Other Income	\$130	\$137	-5%
Tax Rate	31.8%	36.6%	-480 bpts
Diluted Shares	108.4	116.7	-7%
Diluted Earnings Per Share (EPS)	\$4.11	\$3.82	8%
Net Cash from Operating Activities	\$519	\$589	-12%
Free Cash Flow	\$442	\$526	-16%

Notes: (1) The 1H11 lower tax rate is due to (i) a reversal of previously accrued amounts of \$12M, or \$0.11 per share, primarily related to the 2006 and 2007 U.S. federal income tax returns, (ii) a higher mix of foreign earnings with lower tax rates as compared to the 2010 first half (iii) the reenactment of the U.S. federal research and experimentation tax credit, and (iv) a 1H10 tax provision of \$5M, or \$0.04 per share, related to the unfavorable tax treatment of the U.S. Federal Patient Protection and Affordable Care Act.

(2) 1H11 includes a debt retirement charge of \$18M (\$11M after tax, or \$0.10 per share).

(3) 1H10 includes a debt retirement charge of \$13M (\$8M after tax, or \$0.07 per share).

(4) See Reconciliation of GAAP to Non-GAAP Measurements.



Segment Results - First Half

(\$ in Millions)

Segment	1H11 Sales	Sales Growth vs. 1H10	1H11 Operating Margin	Margin Change vs. 1H10 (bpts)
C ³ ISR	\$ 1,630	4%	11.3%	-180
Gov't Services	1,885	-1%	7.5%	-70
AM&M	1,203	-15%	10.1%	+180
Electronic Systems	2,649	-2%	13.0%	-80
Consolidated	\$ 7,367	-3%	10.8%	-40

Note: During 1Q11, the company made certain reclassifications between its C³ISR, Government Services and Electronic Systems segments due to the re-alignment of certain business units in the company's management and organizational structure. See the Supplemental Segment Data slide for the previous and revised 1H10 segment data presentation.

Cash Flow Data



Free Cash Flow

(\$ in Millions)

	2Q11 Actual	2Q10 Actual	1H11 Actual	1H10 Actual	2011 Guidance	2010 Actual
Net income	\$ 246	\$ 231	\$ 453	\$ 453	\$ 945	\$ 966
Depreciation & amortization	64	52	123	108	243	231
Deferred taxes	30	36	56	65	110	111
Stock-based compensation	57	67	112	116	206	225
CODES non-cash interest	-	6	2	11	2	22
Amortization of pension and OPEB net losses	13	9	26	19	53	41
Working capital / other	(111)	(83)	(253)	(183)	(49)	(135)
Cash flow from operating activities	\$ 299	\$ 318	\$ 519	\$ 589	\$ 1,510	\$ 1,461
Capital expenditures, net	(43)	(37)	(77)	(63)	(220)	(171)
Free cash flow	\$ 256	\$ 281	\$ 442	\$ 526	\$ 1,290	\$ 1,290
<u>Supplemental Data:</u>						
Cash interest payments	\$ 60	\$ 73	\$ 122	\$ 130	\$ 225	\$ 233
Income tax payments, net	140	148	175	172	365	336
Pension expense	39	37	79	74	157	154
Pension contributions	27	40	89	44	185	186

Depreciation, Amortization and Capital Expenditures

(\$ in Millions)

Segment	2011				2010			
	D&A*		CapEx**		D&A*		CapEx**	
	2Q11	1H11	2Q11	1H11	2Q10	1H10	2Q10	1H10
C ³ ISR	\$ 11	\$ 23	\$ 12	\$ 21	\$ 7	\$ 21	\$ 16	\$ 23
Gov't Services	9	17	4	6	9	18	2	3
AM&M	5	9	2	5	4	9	-	1
Electronic Systems	39	74	25	45	32	60	19	36
Consolidated	\$ 64	\$123	\$ 43	\$ 77	\$ 52	\$108	\$ 37	\$ 63

* D&A = Depreciation and Amortization

** CapEx reflects capital expenditures less cash proceeds from dispositions of property, plant and equipment.

2011 Financial Guidance



2011 Financial Guidance

(\$ in Billions, except per share amounts)

	Current Guidance (Jul. 28, 2011)	Prior Guidance (Apr. 21, 2011)
Sales	\$15.5 to \$15.6	\$15.5 to \$15.6
Operating Margin	10.7%	10.7%
Tax Rate	33.2%	34.5%
Diluted EPS	\$8.65 to \$8.75	\$8.50 to \$8.60
Net Cash from Operating Activities	\$1.51	\$1.51
Less: CapEx, net of Dispositions	(\$0.22)	(\$0.22)
Free Cash Flow	\$1.29	\$1.29

Note: The updated 2011 consolidated financial guidance compared to the prior guidance provided on April 21, 2011, is primarily due to a reduction in the estimated effective tax rate.

2011 Segment Guidance

(\$ in Billions)

Segment	Sales	Midpoint Sales Growth vs. 2010	Operating Margin	Midpoint Margin Change vs. 2010 (bpts)	D&A*
C ³ ISR	\$3.6 to \$3.7	10%	11.0% to 11.2%	-70	\$47
Gov't Services	\$3.6 to \$3.7	-7%	7.8% to 8.0%	-80	\$33
AM&M	\$2.4 to \$2.5	-12%	9.0% to 9.2%	+90	\$19
Electronic Systems	\$5.7 to \$5.8	2%	12.8% to 13.0%	-100	\$144
Consolidated	\$15.5 to \$15.6	-0.8%	10.7%	-50	\$243

Note: The segment guidance has not changed from prior guidance provided on April 21, 2011.

* D&A = Depreciation and Amortization.



Cash Sources and Uses

(\$ in Millions)

	2Q11 Actual	2Q10 Actual	1H11 Actual	1H10 Actual	2011 Guidance	2010 Actual
Beginning cash	\$ 548	\$1,135	\$ 607	\$1,016	\$ 607	\$1,016
Net cash from operating activities	299	318	519	589	1,510	1,461
CapEx, net	(43)	(37)	(77)	(63)	(220)	(171)
Acquisitions, net	(15)	(615)	(15)	(616)	(17)	(754)
Dividends	(48)	(46)	(97)	(93)	(192)	(184)
Share repurchases	(224)	(131)	(429)	(254)	(800)	(834)
Debt refinancing, net	-	390	(21)	390	(22)	(10)
Other, net	31	9	61	54	94	83
Ending cash	\$ 548	\$1,023	\$ 548	\$1,023	\$ 960	\$ 607

Capitalization, Leverage and Debt Balances

Capitalization and Leverage

(\$ in Millions)

	7/01/11 Actual	12/31/10 Actual
Cash	\$ 548	\$ 607
Debt	\$ 4,126	\$ 4,137
Equity	7,015	6,855
Book Capitalization	\$ 11,141	\$ 10,992

Debt / Book Capitalization	37.0%	37.6%
Bank Leverage Ratio	1.92x	1.84x
Available Revolver	\$ 989	\$ 983

Note: Equity includes non-controlling interest of \$91M as of July 1, 2011 and December 31, 2010.

Debt Balances and Maturities

(\$ in Millions)

	7/1/11 Actual	Type	Maturity Date	Redemption Premium
<u>Senior:</u>				
Revolver	\$ -	L+300 bpts	10/23/12	n.a.
5.2% Senior Notes	1,000	fixed	10/15/19	T+0.30% make-whole
4.75% Senior Notes	800	fixed	7/15/20	T+0.25% make-whole
4.95% Senior Notes	650	fixed	2/15/21	T+0.25% make-whole
<u>Subordinated:</u>				
6-3/8% Notes	\$ 1,000	fixed	10/15/15	3.188%
3% CODES	689	fixed	8/1/35	0%
Unamortized Discounts	(13)			
Total	\$ 4,126			

Notes: (1) The contingent convertible notes (CODES) contain "puts" that holders can exercise on Feb 1, 2016, and every 5-year anniversary thereafter at a price of 100%. The current conversion price is \$97.79.

(2) T = comparable U.S. treasury note rate.

Appendix



Supplemental Segment Data

(\$ in Millions)

	Previous Presentation			Reclassification			Revised Presentation		
	2010	1H10	2Q10	2010	1H10	2Q10	2010	1H10	2Q10
Sales:									
C ³ ISR	\$ 3,399	\$ 1,602	\$ 814	\$ (76)	\$ (36)	\$ (19)	\$ 3,323	\$ 1,566	\$ 796
Gov't Services	3,963	1,934	1,006	(37)	(26)	(8)	3,926	1,908	998
AM&M	2,781	1,412	760	-	-	-	2,781	1,412	760
Electronic Systems	5,537	2,642	1,386	113	62	27	5,650	2,704	1,412
Consolidated	\$ 15,680	\$ 7,590	\$ 3,966	\$ -	\$ -	\$ -	\$ 15,680	\$ 7,590	\$ 3,966
Operating Margin:									
C ³ ISR	11.6%	12.9%	12.5%	0.2%	0.2%	0.1%	11.8%	13.1%	12.6%
Gov't Services	8.7%	8.3%	8.4%	-	-0.1%	0.1%	8.7%	8.2%	8.5%
AM&M	8.2%	8.3%	7.6%	-	-	-	8.2%	8.3%	7.6%
Electronic Systems	14.1%	13.9%	14.3%	-0.2%	-0.1%	-0.2%	13.9%	13.8%	14.1%
Consolidated	11.2%	11.2%	11.1%	-	-	-	11.2%	11.2%	11.1%



Reconciliation of GAAP to Non-GAAP Measurements

(\$ in Millions)

	<u>2011 Guidance</u>	<u>1H11 Actual</u>	<u>2Q11 Actual</u>	<u>2010 Actual</u>	<u>1H10 Actual</u>	<u>2Q10 Actual</u>
Net cash from operating activities	\$ 1,510	\$ 519	\$ 299	\$ 1,461	\$ 589	\$ 318
Less: Capital expenditures	(225)	(78)	(43)	(181)	(64)	(38)
Add: Dispositions of property, plant and equipment	5	1	-	10	1	1
Free cash flow	<u>\$ 1,290</u>	<u>\$ 442</u>	<u>\$ 256</u>	<u>\$ 1,290</u>	<u>\$ 526</u>	<u>\$ 281</u>

