2014 Investor Conference
Company Overview
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Michael T. Strianese
Chairman, President and
Chief Executive Officer

This presentation consists of L-3 Communications Corporation 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.
L-3 Vision

• Provide innovative solutions for our customers
• Expand our leading market positions
• Perform with excellence, integrity and accountability
• Increase value for all stakeholders
State of Affairs Improving

- DoD base budget bottoming FY13-15… then grows even with sequester

- DoD procurement drivers unchanged
  - Better buying power
  - Drawdowns
  - Sequestration constraints

- Today’s solutions are:
  - Less ambitious and less exquisite
  - Focused on rapid response
  - COTs based
  - Focused on lower price
Company Update
Strategy and Priorities

• Build strong businesses with durable discriminators and #1 or #2 market positions

• Grow market share
  – innovative and affordable solutions
  – contract performance and collaboration
  – excellent customer relationships
  – expand platform content

• Invest in IRAD and M&A

• Proactively size businesses

• Attract & retain key employees

• Maintain strong internal controls/ethics
2013 Accomplishments

• Solid program performance

• Adjusting to USG/DoD sequestration

• Exceeded financial plan

• Gained market share in every segment

• Grew international & commercial sales 11%

• Robust free cash flow ~ $1 billion
Increased dividend for 10th consecutive year
2014 Status
Sales Mix Shifting

**2011**

- **DoD**: 75%
- **Other U.S. Agencies**: 7%
- **International & Commercial**: 18%

**2012**

- **DoD**: 71%
- **Other U.S. Agencies**: 24%
- **International & Commercial**: 5%

**2013**

- **DoD**: 68%
- **Other U.S. Agencies**: 5%
- **International & Commercial**: 27%

**2014 Estimate**

- **DoD**: 65%
- **Other U.S. Agencies**: 5%
- **International & Commercial**: 30%
US Government Markets

• Geopolitical threats vs. fiscal constraints…deficit improving…debt ceiling extended to next March

• Defense down-cycle began 2011
  – BBP initiatives and drawdowns continue
  – Congress has reduced FY13-15 sequester cuts
  – OCO increased ~$40B/year FY14 and FY15…mostly O&M
  – FY15 $26B OGS…FY16-19 base budget $115B > sequester

• Non-DoD agencies - - smaller bill payers than DoD

• Market share opportunities
International & Commercial Markets

- **International** - growing…large addressable market
  - ISR systems, simulators, aircraft modifications, communication systems, NVE, sensors…gaining market share
  - Targeting UK, Canada, Saudi, Australia, UAE, South Korea, others

- **Commercial** - growing…favorable fundamentals
  - Aviation products and simulation & training growing
  - Shipboard electronics bottoming
  - SATCOM rebounding
Commercial Sales by End Market

- **Shipbuilding/Marine** 21%
- **Space/Wireless Comms** 16%
- **Aviation** 14%
- **Security Screening** 8%
- **VIP/HoS Aircraft Mods** 12%
- **Public Safety & Sporting** 9%
- **Simulation & Training** 9%
- **Other** 11%

**2014 Sales Estimate $1.8B**
Business Considerations - - 2014

• Focus on gaining market share and expanding margin

• Maintaining international and commercial growth

• Turning BBP initiatives into opportunities

• Resizing businesses for anticipated volumes
Segment Re-alignment
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Old Segments

- Electronic Systems
- C3ISR
- P&LS
- NSS

Re-Alignment

- Electronic Systems (Less Microwave Products)
- Microwave Products
- Communication Systems
- ISR Systems

New Segments

- Electronic Systems
- Communication Systems
- Aerospace Systems
- NSS
Segment Trends
Aerospace Systems Trends

- Investing in ISR aircraft, Multi-mission aircraft and C-130 upgrades
- Evolving missions and aging fleets creating opportunities
- Leading L-3’s international growth
- Pursuing adjacent logistics markets
- Higher productivity, lower pension expense improving margin
Electronic Systems Trends

• Diverse supplier, mostly FFP…48% international & commercial

• International & commercial growing

• M&A and IRAD to increase positions, expand markets

• Highest core margin…expansion opportunities
Communication Systems Trends

- Solid, long-term positions
- Sequester, drawdown, lower tactical ISR and Army budgets reducing sales
- International & Commercial growing… new product introductions
- Investing in covert / advanced comms and antennas
- Technologies and components for Aerospace Systems and NSS
- Margin improving, lower pension expense…synergy opportunities from realignment
National Security Solutions Trends

• Market pressures reducing sales...BBP, sequester, drawdowns

• Data Tactics acquisition adds Big Data Analytics capability

• Significant competition...gaining market share...won major IDIQs

• Developing solutions that integrate Communication Systems and Electronic Systems Technologies

• Margin improving
Synergy Opportunities

Synergy Opportunities

L-3 product pull-through estimated at ~$500M for SPYDR and ~$250M for SkyWolf
Summary

- Company is well-positioned
- Technology/solutions align with DoD priorities
- International & Commercial growing
- Strong cash flow
- Adjusting to sequester...gaining market share...DoD budget cycle nearing upturn

*L-3 healthy, agile and focused*