

Jefferies 11th Annual Industrials Conference

August 12, 2015

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Chairman, President and
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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.

Forward-Looking Statements

Certain of the matters discussed in these slides, including information regarding the Company's 2015 financial outlook, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than historical facts may be forward-looking statements, such as "may," "will," "should," "likely," "projects," "expects," "anticipates," "intends," "plans," "believes," "estimates," and similar expressions are used to identify forward-looking statements. We caution investors that these statements are subject to risks and uncertainties many of which are difficult to predict and generally beyond our control that could cause actual results to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. Some of the factors that could cause actual results to differ include, but are not limited to, the following: our dependence on the defense industry; backlog processing and program slips resulting from delayed awards and/or funding from the DoD and other major customers; the U.S. Government fiscal situation; changes in DoD budget levels and spending priorities; U.S. Government failure to raise the debt ceiling; our reliance on contracts with a limited number of customers and the possibility of termination of government contracts by unilateral government action or for failure to perform; the extensive legal and regulatory requirements surrounding many of our contracts; our ability to retain our existing business and related contracts; our ability to successfully compete for and win new business; or, identify, acquire and integrate additional businesses; our ability to maintain and improve our operating margin; the availability of government funding and changes in customer requirements for our products and services; our significant amount of debt and the restrictions contained in our debt agreements and actions taken by rating agencies that could result in a downgrade of our debt; our ability to continue to recruit, retain and train our employees; 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; global economic uncertainty; the DoD's Better Buying Power and other efficiency initiatives; events beyond our control such as acts of terrorism; our ability to perform contracts on schedule; our international operations; cost growth on contract estimates; our extensive use of fixed-price type revenue arrangements; the rapid change of technology and high level of competition in which our businesses participate; risks relating to technology and data security; our introduction of new products into commercial markets or our investments in civil and commercial products or companies; the outcome of litigation matters; results of audits by U.S. Government agencies and of on-going governmental investigations, including the internal review of the Aerospace Systems segment; the impact on our business of improper conduct by our employees, agents or business partners; ultimate resolution of contingent matters, claims and investigations relating to acquired businesses, and the impact on the final purchase price allocations; and the fair values of our assets.

In addition, 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 "Part II — Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2014 and in this quarterly report on Form 10-Q, and any material updates to these factors contained in any of our future filings.

Readers of these slides are cautioned that 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.

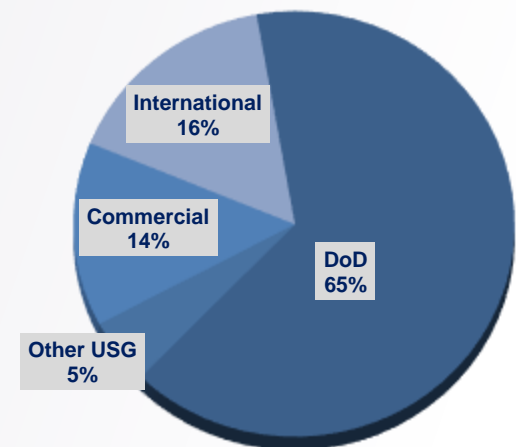
As for the forward-looking statements that relate to future financial results and other projections, actual results will be different due to the inherent uncertainties of estimates, forecasts and projections and may be better or worse than projected and such differences could be material. Given these 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 this filing, to reflect events or changes in circumstances or changes in expectations or the occurrence of anticipated events.



L-3 at a Glance

- **Leading positions in select Aerospace & Defense markets**
 - **Electronics** - - supplier of broad range of products for military and commercial markets
 - **Communication Systems** - - national asset capabilities and programs
 - **ISR Systems** - - value add supplier/integrator with unique skills and programs
- **Growth outlook reflecting improving DoD budgets**
- **International/Commercial mix will continue to matter for margins and growth**
- **Disciplined investment approach aligns with Company DNA and value creation metrics**
- **Attractive long-term positions that generate shareholder value**

2015 Estimated Sales Mix



U.S. Government Markets

- Geopolitical threats escalating
- Fiscal deficit improving
- DoD base budget grows in FY16, even with full sequester
 - FY16 Request > sequester caps
 - Congress placed plus-up in OCO... Washington deliberations continue
- Market share opportunities... especially in USG classified



International & Commercial

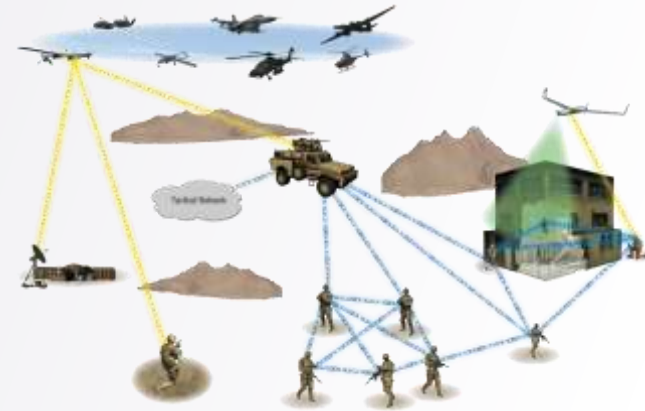
- **International - - large addressable market**
 - Increased marketing & selling efforts
 - Introducing new products for export
 - ISR systems, simulators, aircraft modifications, communication systems, NVE, sensors

- **Growing Commercial markets**
 - Aviation products, security screening, simulation & training and SATCOM



Transforming the Business

- **Focusing on Electronic Systems, ISR Systems, Communication Systems**
- **Reshaping the portfolio**
 - Repositioning capital (sold MSI, acquired CTC)
 - Evaluating strategic alternatives for NSS
- **Strengthening market positions**
 - Innovative and affordable solutions
 - IRAD and contract performance
 - Excellent customer relationships
 - Pursue adjacencies... expand platform content
- **Improving top-line growth and margin expansion profile**



2015 Trends

- **Continuing strengths**
 - Broad/diverse products, technologies and capabilities
 - International & commercial mix
 - Efficient capital structure
- **Sales declining 2%* vs. 2014 excluding MSI divestiture**
- **Aerospace Systems pressures**
 - Sales... drawdown, budget constraints
 - Margins... program execution at PID**, BBP
- **Electronic Systems and Communication Systems**
 - Sales... stabilizing
 - Core margins... expanding
- **Free cash flow \$850M... high earnings conversion**
- **Share repurchases \$800M, 4Q15 \$300M debt repayment**

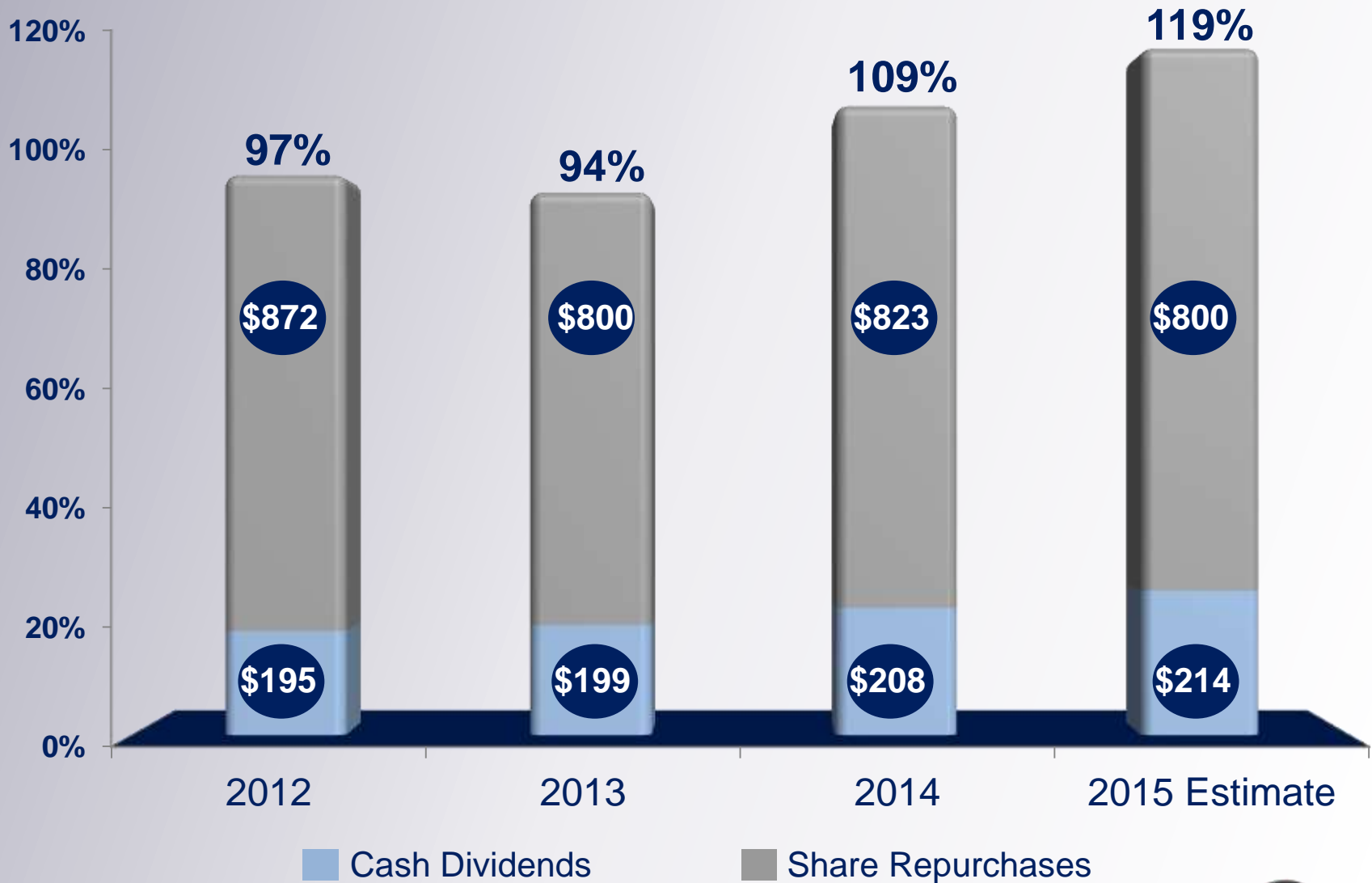


* Estimated organic sales growth vs. 2014 is -3%.

** Platform Integration Division (PID).

Free Cash Flow Returned to Shareholders

(\$ in Millions)



2015 Consolidated Financial Guidance

(\$ in Millions, except per share amounts)

	Guidance (July 30, 2015)	Midpoint vs. 2014
Net Sales	\$11,450 to \$11,650	-5%
Segment Operating Margin*	8.4%	-50 bps
Interest Expense / Other	\$180	+13%
Tax Rate	27.0%	+20 bps
Diluted Shares	81.9	-7%
Adjusted Diluted EPS*	\$6.70 to \$7.00	-9%
Free Cash Flow	\$850	-10%

The revisions to our Current Guidance compared to our Prior Guidance primarily include:

- (1) A decrease in Aerospace Systems sales of \$50 million and operating margin of 280 basis points due to contract cost growth charges recorded during the 2015 second quarter at Platform Integration division and related lower expected profitability in the second half of 2015. These items decreased consolidated segment operating margin by 100 basis points and net cash from operating activities by \$90 million.
- (2) An increase in Electronic Systems sales of \$50 million for the acquisition of CTC, and a decrease of operating margin of 10 basis points, primarily due to an \$8 million charge in the 2015 second quarter related to a product specification matter regarding our holographic weapon sights, partially offset by the CTC acquisition.
- (3) A pre-tax charge of \$6 million for an anticipated \$300 million debt retirement to occur during the fourth quarter of 2015.
- (4) A reduction in the effective tax rate to 27.0%.

Note: Adjusted Diluted EPS and Free Cash Flow are Non-GAAP Measurements. See pages 15 - 17 for a reconciliation of these GAAP to Non-GAAP Measurements.

* Excludes 1H15 pre-tax loss of \$20 million (\$12 million after tax), or \$0.15 per diluted share related to business divestitures.



Summary

- DoD budget inflecting in FY16



- Affordable solutions/technologies aligned with customer priorities



- Focusing on expanding margins

- Generating robust cash flow



- Transforming the business to enhance shareholder value

Q & A

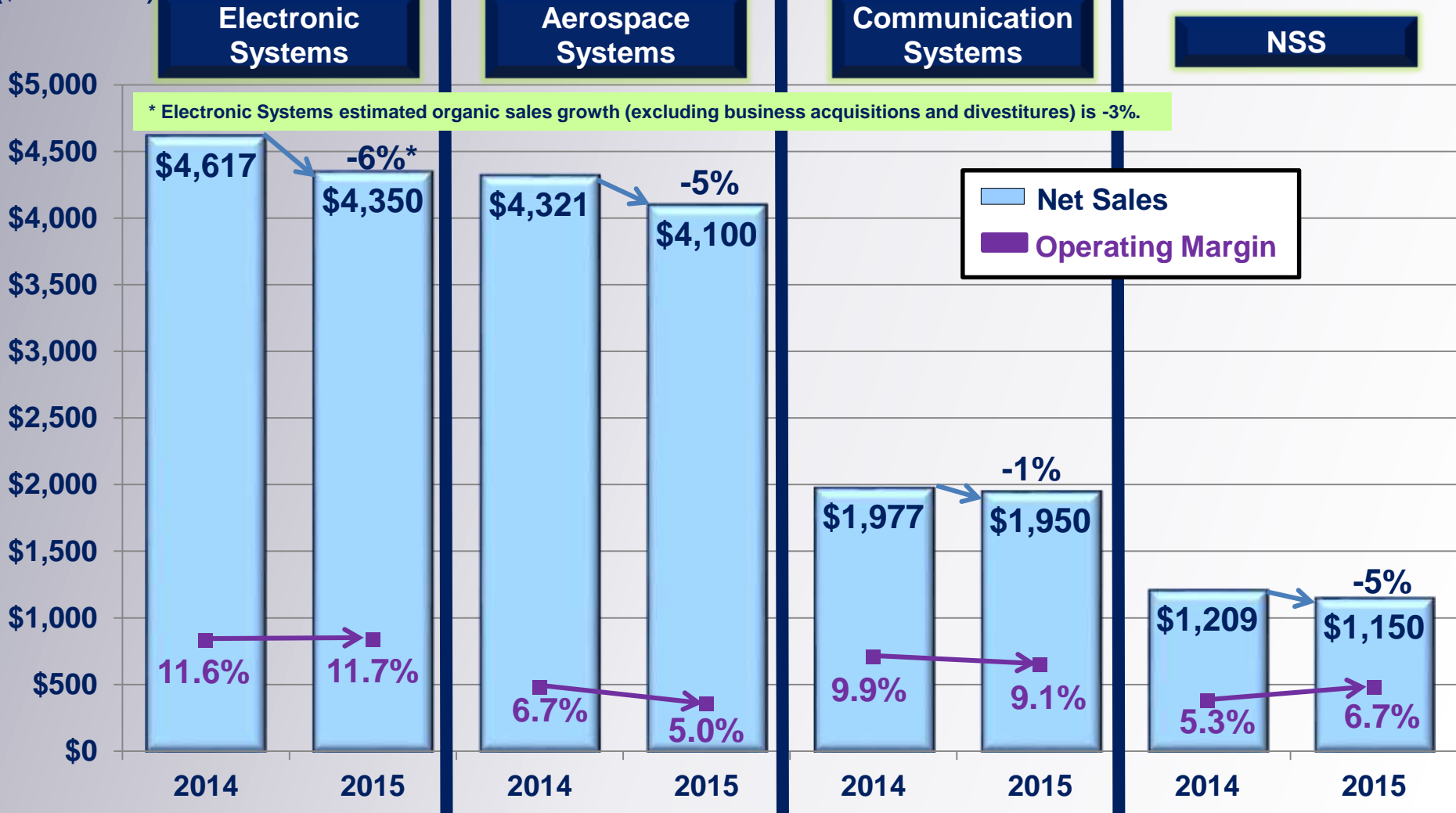


Supplemental Data



2015 Segment Guidance Midpoints

(\$ in Millions)



Notes: (1) 2015 operating margins vs. 2014 are declining due to higher estimated pension expense (FAS net of CAS) of \$59M (\$13M, or -30 bps for Electronic Systems, \$27M or -60 bps for Aerospace Systems, \$18M or -90 bps for Communication Systems, and \$1M or -10 bps for NSS).
 (2) Core margin expansion +40 bps for Electronic Systems, -110 bps for Aerospace Systems, +10 bps for Communication Systems and +150 bps for NSS.



Cash Sources and Uses

(\$ in Millions)

	<u>2015 Guidance</u>	<u>2014 Actual</u>
Beginning cash	\$ 442	\$ 500
Free cash flow	850	946
Acquisitions, net of divestitures	42	(51)
Dividends	(214)	(208)
Share repurchases	(800)	(823)
Senior notes net proceeds, (redemption)	(300)	988
CODES redemption	-	(935)
Change in cash balance included in assets held for sale	61	(61)
Other, net	79	86
Ending cash	<u>\$ 160</u>	<u>\$ 442</u>

Note: See Reconciliation of GAAP to Non-GAAP Measurements.



Reconciliation of GAAP to Non-GAAP Measurements (1 of 3)

(\$ in Millions)

	<u>2015 Guidance</u>	<u>2014 Actual</u>
Net cash from operating activities	\$ 1,045	\$ 1,125
Less: Capital expenditures	(200)	(183)
Add: Dispositions of property, plant and equipment	5	4
Free cash flow	<u>\$ 850</u>	<u>\$ 946</u>

Reconciliation of GAAP to Non-GAAP Measurements (2 of 3)

(\$ in Millions, except per share amounts)

	2015 Guidance	
	Low End of Range	High End of Range
Diluted EPS attributable to L-3 Holdings' common stockholders	\$ 6.55	\$ 6.85
EPS impact of net gain on business divestitures ^(A)	(0.02)	(0.02)
EPS impact of the non-cash impairment charge related to MSI assets held for sale ^(B)	0.15	0.15
EPS impact of the loss on a forward contract to sell Euro proceeds from the MSI divestiture ^(C)	0.02	0.02
Adjusted diluted EPS*	\$ 6.70	\$ 7.00

* Adjusted diluted EPS is diluted EPS attributable to L-3 Holdings' common stockholders, excluding the charges or credits relating to business divestitures. Adjusted net income attributable to L-3 is net income attributable to L-3, excluding the charges or credits relating to business divestitures. These amounts are not measures of financial performance under accounting principles generally accepted in the United States of America (U.S. GAAP). The company believes that the charges or credits relating to business divestitures affect the comparability of the results of operations and financial guidance for 2015 to the results of operations for 2014. The company also believes that disclosing net income and diluted EPS excluding the charges or credits relating to business divestitures will allow investors to more easily compare the 2015 results and financial guidance to the 2014 results. However, these measures may not be defined or calculated by other companies in the same manner.



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

(\$ in Millions, except per share amounts)

	2015 Guidance	
	Low End of Range	High End of Range
(A) Net gain on business divestiture	\$ 1	\$ 1
Tax benefit	1	1
After-tax impact	2	2
Diluted weighted average common shares outstanding	81.9	81.9
Per share impact	<u>\$ 0.02</u>	<u>\$ 0.02</u>
(B) Non-cash impairment charge related to MSI assets held for sale	\$ (17)	\$ (17)
Tax benefit	5	5
After-tax impact	(12)	(12)
Diluted weighted average common shares outstanding	81.9	81.9
Per share impact	<u>\$ (0.15)</u>	<u>\$ (0.15)</u>
(C) Loss on a forward contract to sell Euro proceeds from the MSI divestiture	\$ (4)	\$ (4)
Tax benefit	2	2
After-tax impact	(2)	(2)
Diluted weighted average common shares outstanding	81.9	81.9
Per share impact	<u>\$ (0.02)</u>	<u>\$ (0.02)</u>



