This presentation consists of L3 Technologies, Inc. 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 2017 and 2018 financial guidance 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,” “financial guidance,” “expects,” “anticipates,” “intends,” “plans,” “believes,” “estimates,” and similar expressions are used to identify forward-looking statements. The company cautions investors that these statements are subject to risks and uncertainties many of which are difficult to predict and generally beyond the company’s 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 Department of Defense (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; the outcome of litigation matters (see Notes to our annual report on Form 10-K and quarterly reports on Form 10-Q); results of audits by U.S. Government agencies and of ongoing governmental investigations; 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; the risk that our commercial aviation products and services businesses are affected by a downturn in global demand for air travel or a reduction in commercial aircraft OEM (Original Equipment Manufacturer) production rates; 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 including currency risks and compliance with foreign laws; 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 impact on our business of improper conduct by our employees, agents or business partners; goodwill impairments and the fair values of our assets; and ultimate resolution of contingent matters, claims and investigations relating to acquired businesses, and the impact on the final purchase price allocations.

Our forward-looking statements speak only as of the date of these slides or as of the date they were made, and we undertake no obligation to update forward-looking statements. For a more detailed discussion of these factors, also see the information under the captions “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our most recent report on Form 10-K for the year ended December 31, 2016 and our quarterly report on Form 10-Q for the period ended September 29, 2017, and any material updates to these factors contained in any of our future filings.

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.
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<tr>
<th>Agenda</th>
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<td>Heidi R. Wood</td>
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<td>L3T 3.0 – Charging Ahead</td>
<td>Christopher E. Kubasik</td>
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<td>Electronic Systems</td>
<td>Todd W. Gautier</td>
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<td>Aerospace Systems</td>
<td>Mark R. Von Schwarz</td>
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<td>Break</td>
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<td>Sensor Systems</td>
<td>Jeff A. Miller</td>
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<td>Financial Overview</td>
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<td>Ralph G. D’Ambrosio</td>
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</table>
L3T 3.0 – Charging Ahead

Christopher Kubasik, President, Chief Operating Officer & CEO-Elect
L3 Technologies Overview

The Only High-Tech Federation of Innovative Aero/Defense Entrepreneurs. Unique business model bringing small business innovation with large company leverage.

Reshaping the Portfolio:
- Out - low margin services
- In - moving up the value chain

Multi Step Path to Sustainable Value Creation
- More integration, raising R&D, L365 Continuous Improvement, sharpening accountability & leadership culture
- While maintaining excellent FCF generation, high quality earnings and M&A know-how

Key Business Metrics – 2018 Guidance (midpoint)

- $9.95B Sales
- 5% Growth
- 11.3% Operating Margin

Note: Excludes Vertex
Attractive End Markets

- DoD Budget
- International
- Commercial Aviation
  - Commercial Pilot Training
  - Airport Security

Sources: Avascent, DoD
L3 Business Segments

**Electronic Systems**
- 2016: $2.75
- 2017e: $3.05
- 2018e: $3.25

**Aerospace Systems**
- 2016: $2.93
- 2017e: $2.70
- 2018e: $2.68

**Communication Systems**
- 2016: $2.05
- 2017e: $2.18
- 2018e: $2.28

**Sensor Systems**
- 2016: $1.47
- 2017e: $1.58
- 2018e: $1.75

**Notes:** Guidance excludes Vertex. All sales in billions. 2017 and 2018 estimates represent the mid-point of guidance.
L3T 3.0 Organizational Philosophy… Emphasizes Entrepreneurship
A Fundamentally Different Company

Small Company Strengths
- Rapid Decision Making
- Innovative ideas
- Entrepreneurship
- Local Autonomy
- Customer Intimacy
- Grass Roots Market Insight

Large Corporation Strengths
- Leveraging scale
- Access to Key Influencers in DoD & Internationally
- Continuous Improvement
- Broader Access to Talent
- Best Practices
- Branding

A Federation of Diverse High Tech Aero/Defense Capabilities
Three-Stage Path to Shareholder Value Over Next 5 Years

1. Integration  
   2018+  
   • Enhance productivity – Implement L365  
   • Shared services, consolidation, talent, pension freeze  
   • Margin expansion

2. Strengthen  
   2019 - 2021  
   • Higher sales from internal investments  
   • More M&A - Innovative, high-tech & bolt-ons  
   • Revenue growth

3. Non-Traditional “6th Prime”  
   2022+  
   • More sales from bigger programs  
   • Greater profit and cash flow  
   • Moving up to Prime/Bundled solutions
L3T 3.0 Integration Focus

• Data Driven
  – Greater focus on driving per-head productivity along with $ EBIT growth
  – Increasing spans of control, introducing automation, greater use of benchmarking

• Organizational Alignment
  – Reduce SG&A, consolidate & streamline the structure
  – Grouping divisions by capabilities, driving increased collaboration

• IT Integration
  – Multi-year plan to reduce >100 systems. Key to unlocking virtuous cycle of data fidelity, speed to market, efficiency, and faster decision-making

• Shared Services
  – Consolidate or outsource low value-add activities
  – Leverages the big company scale on transactional activities
Medium / Long-Term Drivers

1. Making the Machine Better: Integrate, Collaborate & Innovate
   - Integrate – Shared Services, improve cost structure, personnel, facilities
   - Collaborate
   - Innovate

   Reaping Benefits in Medium & Longer Term

2. Accelerate Organic Growth, Due to..
   - Increased & Optimized R&D
   - Benefits of new common processes/functions
   - Improved data analytics and decision making
   - Business development talent & processes enhanced

3. Continued M&A Focus
## Medium / Long-Term Outlook

<table>
<thead>
<tr>
<th>Segment</th>
<th>Sales View*</th>
<th>Key Drivers</th>
</tr>
</thead>
</table>
| Electronic Systems | +mid single digit | • Pilot training ramp  
• Security detection re-competing, new international customers  
• A2AD wins, new markets |
| Sensor Systems     | +mid/high single digit | • EO/IR international growth  
• Space, undersea markets  
• Canadian combat ship,  
• Ground vehicle fire control |
| Communication Systems | +mid/high single digit | • Wideband datalinks for manned/unmanned teaming  
• Navy C4ISR  
• A2AD |
| Aerospace Systems  | +low/mid single digit | • Leverage recent success with International Biz Jet ISR  
• Greater focus on annuity-like businesses |

* DoD budget dependent
Capital Allocation Framework

Disciplined Capital Deployment

- **Internal Investment**
  - 2018e R&D expected to be 3% of sales
  - Targeted investments in Sensor Systems

- **Dividends**
  - Continued modest annual increases

- **Debt**
  - Committed to maintaining investment grade credit rating

- **Share Buybacks**
  - Offsetting share creep

- **M&A**
  - Key considerations - strategic fit, technology, potential for value capture
Proven Record of Acquisitions

>130 Acquisitions Since the IPO

- Acquisitions
- Buybacks
- Dividends
- Stock Price

Stock Price

Capital Deployed ($Bs)


- $0.0
- $0.5
- $1.0
- $1.5

TBD
Summary

• Unique High Technology Aero/Defense Entrepreneurial Company

• 2018 Focus on Integration, Collaboration & Innovation

• Medium Term - Reaping Benefits of Current Initiatives

• 5 Year Vision - Non-Traditional “6th Prime”

• Relentless Focus On Free Cash Flow & High Quality Earnings

• Individually Strong, Jointly Superior
Electronic Systems

Todd Gautier, Senior Vice President and President
Electronic Systems

Precision Engagement Systems
*Precision Weapon Systems Prime and Component Provider*

Power and Propulsion Systems
*Maritime Power & Distribution Solutions*

Defense Training & Simulation
*Global Military Aviation Training Provider*

Security & Detection Systems
*Global Security & Solutions Company*

Commercial Aviation Solutions
*Commercial Aviation Training and Avionics*
Electronic Systems Overview

Key Business Metrics – 2018 Guidance (midpoint)

- Winning: Book-to-Bill: >1.0x (’16 – ’18e)
- Growing: +6% Organic Growth in ‘18e
- Margins: +70bps (’16 -’18e)
- Investing: Segment Controlled & Focused
- Optimizing: Consolidating Divisions (23 to 15)

$3.25B Sales
6% Organic Growth

13.8% Operating Margin

Revenue Mix and Capabilities

Sales by Customer

- International
- USG / DOD
- Commercial

Sales by Sector

- Security & Detection
- Power & Propulsion
- Precision Engagement
- Link
- Comm’l Aviation Solutions

Capabilities

- Weapons Components
- Precision Weapons
- Defense Training
- Maritime Power
- Security
- Avionics
- Commercial Airline Training
2018 Market Environment

• Weapon Systems - *Growing*
  – Low Stock / Ongoing Ops
  – A2AD

• Defense Training - *Slight Growth*
  – Simulation Headwinds
  – Pilot Shortages / Outsourced Training

• Power Mgmt and Distribution - *Growing*
  – Shipbuilding Rates Increasing
  – Next Gen Power / Weapons

• Commercial Airline Training - *Growing*
  – Pilot Shortage Recognized
  – Fleet Expansions / Outsourcing

• Avionics - *Growing*
  – Fleet Expansions, Upgrades

• Airport Security - *Growing*
  – Passenger / Airport Growth….Threat
Electronic Systems Strategic Focus

• Commercial Aviation Solutions
  – Unprecedented Comm. Aviation Expansion / Pilot Shortage
  – Significant Investments in Capacity
  – Avionics Consolidations / Efficiency

• Airport Security
  – New Products, Alignment, Future M&A
  – MacDonald Humfrey Key Enabler
  – Leading Market Evolution to Integrated Solutions

• A2AD and Operations
  – L3 Has Disruptive Technologies and Systems
  – Strategic New Wins
  – Focused Investments
  – Aligned and Consolidating / Synergy

In the Right Markets, with the Right Technologies and Solutions
Electronic Systems

Growth Drivers

- Precision Weapons
- A-PNT
- Commercial Aviation Training
- Airport Security Solutions

Expanded Offerings

- Next Generation Systems
- Training Centers, Academies, Simulations
- Avionics / Weapons Components / Security
- Go-to-Market (Services, Solutions, Bundling)
- Increased Capacity

Enablers

- Leadership & Strategy
- L365 Continuous Improvement
- Cost Competitiveness / Efficiencies
- Collaboration
- Increased Capacity

Future Focused

- Talent Management
- Alignment / Consolidation
- R&D: Focused, Early, Managed/Measured
- Customer Relationships
- Acquisitions / Partnerships / Investments

Sales ($Bs) and Op Margin

- 2016: $2.8, 13.1%
- 2017e: $3.1, 13.2%
- 2018e: $3.3, 13.8%
Electronic Systems Summary

• Financial Performance
  – 2017e: 6% Organic Growth, 12% Op Inc Growth, >1.0x Book:Bill, Record Investments
  – 2018e: 6% Organic Growth, 11% Op Inc Growth, All Sectors Growing, Funding Efficiency & Tech
  – Backlog, Pipeline, Transition to Production and M&A Positions for Strong Growth

• Strategic Investments
  – Focused R&D Delivering Innovative / Disruptive Wins

• Creating a Culture of Continuous Improvement
  – Enterprise-wide Investment in Excellence and Exceeding Expectations
Aerospace Systems

Mark Von Schwarz, Senior Vice President and President
Aerospace Systems

• **Prime systems integration organization**: Specializing in complex ISR capabilities and equipment:
  - Communications, and enterprise intelligence systems and products
  - Rapid technology insertion to meet changing customer needs and evolving environments
  - Big data analytics

• **Full spectrum fleet sustainment, depot and management**: Provides key MRO, aircraft integration and services to U.S. Armed Forces and Allies
  - Facilities in Greenville and Waco providing turn-key solutions for special airborne mission needs
  - FAA Organization Designation Authorization (ODA)

• **Aircraft modification and service life extension solutions**: Aircraft modification, maintenance, and full life-cycle systems support and sustainment
  - Command, control and communications network-enabling technologies and SIGINT systems
Aerospace Systems Overview

Key Business Metrics – 2018 Guidance (midpoint)*

- **Winning**: Major FMS Award
- **Growing**: Key Market Penetration
- **Margins**: Expanding
- **Investing**: International Capture
- **Execution**: Air Seeker & EMARSS

$2.70B Sales (1)% Organic Growth

8.1% Operating Margin

Revenue Mix and Capabilities¹

Sales by Customer
- International
- Commercial
- USG/DOD

Sales by Sector
- Mission Integration
- Advanced Systems
- Military Aviation Services

Capabilities
- Complex ISR Systems
- Aircraft Modification
- Secure Comms
- Life-Cycle Sustainment
- Networked ISR

* Excludes Vertex

¹ Includes Vertex
## Aerospace Systems

### Growth Drivers

<table>
<thead>
<tr>
<th>Campaigns</th>
<th>New Offerings</th>
<th>Enablers</th>
<th>Future Focused</th>
</tr>
</thead>
<tbody>
<tr>
<td>• International</td>
<td>• DCGS/Enterprise Services</td>
<td>• System Evolution</td>
<td>• Talent Management</td>
</tr>
<tr>
<td>• Modernization/Maintenance</td>
<td>• Multi-Mission Aircraft (MMA)</td>
<td>• Collaboration With Other L3 Entities With Relevant Technologies</td>
<td>• R&amp;D: Focused, Managed, Measured</td>
</tr>
<tr>
<td>• Recapitalization</td>
<td>• Light Attack/ISR</td>
<td></td>
<td>• Partnerships / Investments</td>
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### Sales ($Bs) and Op Margin*

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales ($Bs)</th>
<th>Op Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$2.9</td>
<td>8.6%</td>
</tr>
<tr>
<td>2017e</td>
<td>$2.7</td>
<td>7.8%</td>
</tr>
<tr>
<td>2018e</td>
<td>$2.7</td>
<td>8.1%</td>
</tr>
</tbody>
</table>

* Excludes Vertex
Greenville and Waco Consolidation

Majors Field – Greenville, TX

• Integrated Functions
• Fully Equipped Manufacturing Facilities
• State-of-the-art Paint Facilities
• Multi-Sensor Test Facilities
• Anechoic Chamber Complex

TSTC Airport – Waco, TX

• SEI CMMI:v1.3 Maturity Level V
• FAA Class 4 Unlimited Repair Station/FAA Organization Designation Authorization (ODA)
Multiple Solutions for Multiple Missions

Aircraft
- Longsword
- SPYDR
- MMA
- Business Jets
- Falcon 2000
- 747-8

L3 Capabilities
- ForceX Widow
- WESCAM MX-15
- Comms West
- Common Data Link
- Rio SIGINT System
- Airview 360

Missionization
- DMS
- RAPDS
- AIMS
Summary

• Global leader in airborne ISR/SIGINT and integrated, networked solutions
  – More than 65 years experience
• Multiple platform types to support specific customer requirements
• Innovative concepts with reconfigurable, multi-mission designs
• Significant benefits from leveraging other programs
Break
Sensor Systems

Jeff Miller, Senior Vice President and President
Sensor Systems – Solutions in All Domains

**Space: Military & Commercial**
- Sensors, Payloads, Launch and Control Electronics

**Air: Airborne Surveillance Systems & IRSTs**
- Surveillance & Designating Systems; Wide Area Motion Imagery Systems

**Ground: Fixed, Vehicular and Man Portable**
- Ground Combat Fire Control Systems, Surveillance, Counter UAS

**Soldier: Night Vision – Goggles, Designators, Aiming Devices**
- Thermal & Image Intensified Systems, Law Enforcement Systems

**Maritime: Naval Towed Arrays, Fire Control, Photonic Masts**
- Surface, Submarine, & Ocean Floor Systems. Autonomous Vehicles

**Electronic Warfare & Cyber: Situational Awareness & Effects**
- Surveillance, Intercept; Offensive and Defensive Solutions
Sensor Systems Overview

**Key Business Metrics – 2018 Guidance (Midpoint)**

- **Winning**: Book-to-Bill ~1.25x (‘16 – ’18e)
- **Growing**: +10% Organic Growth in ’18e
- **Margins**: +140 bps (‘16 – ’18e)
- **Investing**: R&D >5% of Sales
- **Optimizing**: L365, Consolidation

**$1.75B Sales**

- 10% Organic Growth

**11.5% Operating Margin**

**Sales by Customer**

- International
- Commercial
- USG / DOD

**Sales by Sector**

- Maritime Systems
- Warrior Systems
- Advanced Programs
- Intel & Mission Systems
- Wescam
- Space & Sensors Systems

**Capabilities**

- Launch Electronics & Space Payloads
- Airborne ISR Sensors
- Counter UAS
- Undersea Sensors
- Tactical EW & Cyber
- Integrated Soldier Systems

**Revenue Mix and Capabilities**

- **2018 Guidance (Midpoint)**
- **$1.75B Sales**
- 10% Organic Growth
Sensor Systems: Opportunity Rich in Multi-Year Pursuits

- **Warfighter Integration**
  - $1B - $2B

- **V-22 Osprey**
  - $300M

- **UAV Penetration**
  - $500M

- **F35 Programs**
  - $500M - $1B

- **OA-X**
  - $500M-$700M

- **Space (Classified)**
  - $400M

- **United Launch Alliance (ULA)**
  - $1B

- **Cabled Ocean Systems**
  - $500M - $1B

- **Undersea UUVs**
  - +$100-$200M

- **Next Gen Periscopes**
  - $500 - $700M

- **Ground Vehicle Penetration**
  - $250 - $500M

- **Canadian Surface Combatant (CSC)**
  - $1B-$1.5B

Opportunity Sizes are Estimates of Potential Orders over a 10-Year Period
Strategic Alliance Between ULA and L3 Space and Sensors

Value Proposition Developed with L3 As Exclusive Provider of Avionics Systems

Increases Content to >$1B over 10 Years

Virtual Vertical Integration
- Business Systems Integration
- Cost Integration
- Technical Integration
- Site Integration
Sensor Systems Strategic Focus

• Drive Savings
  - L365, Consolidations, Apply to Investment & Op Income

• Invest at 2x Industry Average, Use Agility as a Discriminator
  - “Innovation Sprints” Exemplify Commitment to Speed and “Fail Fast” Mentality

• Protect and Expand Core Offerings
  - Maintain Leading Performance & Cost Position with Commercial Models

• Penetrate Market Adjacencies
  - Space, IRST, Ground Vehicle Sensors, Maritime Surface & Undersea

• Focused International Expansion
  - Expand MENA, Asia, Leverage L3’s International Footprint

• Supplement Organic Growth With Strategic M&A
  - Continue Niche Acquisitions. Add Bigger, Broader, Borderless Targets
## Sensor Systems

### Growth Drivers

<table>
<thead>
<tr>
<th>Campaigns</th>
<th>Expanded Offerings</th>
<th>Enablers</th>
<th>Future Focused</th>
</tr>
</thead>
<tbody>
<tr>
<td>ULA</td>
<td>UUVs and Fixed Surveillance</td>
<td>Enhanced, Streamlined Leadership</td>
<td>$30M R&amp;D Increase</td>
</tr>
<tr>
<td>CSC</td>
<td>Space Mission Packages</td>
<td>Speed and Agility (Innovation Sprints)</td>
<td>Wescam USA/EO Center of Excellence</td>
</tr>
<tr>
<td>Virginia/Columbia</td>
<td>Integrated Soldier (Augmented Reality)</td>
<td>Commercial Business Models</td>
<td>Strategic M&amp;A and Innovative Partnerships</td>
</tr>
<tr>
<td>F-35</td>
<td>Ground Vehicle Fire Control</td>
<td>Experimentation, Mission Analysis</td>
<td></td>
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<td></td>
<td>Undersea</td>
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<td></td>
<td>Counter UAS</td>
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<td>Disaggregated Space</td>
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### Sales ($Bs) and Op Margin

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<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017e</th>
<th>2018e</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>$1.5</td>
<td>$1.6</td>
<td>$1.8</td>
</tr>
<tr>
<td>Op Margin</td>
<td>10.1%</td>
<td>13.1%</td>
<td>11.5%</td>
</tr>
</tbody>
</table>
Sensor Systems: Summary

• Financial Performance
  – 2017e: 6% Organic Growth; 40% Op Inc Growth; 1.25x Book-to-Bill; Record Backlog
  – 2018e: 10% Organic Growth; Increasing Growth Investments
  – Longer Term: Backlog Position, Robust Pipeline and M&A Positions for Continued Growth

• Strategy is Driving Organic Growth, Demonstrated by Recent Highlights:
  – Tier 1 Partner on Canada’s Combat Ship Team, $1B+ Opportunity on CSC
  – Won $400M ID/IQ Contract for Classified Space
  – Entered >$250M in Night Vision Sales in US and International Markets
  – Awarded >$300M of New Orders for Airborne Gimbals

• Targeted M&A
Communication Systems

Andrew Ivers, Senior Vice President and President-Elect
Communication Systems

Broadband Communications
Advanced Networking & Integrated Communications
- ISR / Common Data Link
- Secure Low Probability of Intercept and Anti-jam Waveforms

Advanced Communications
C4ISR Systems, Cyber Solutions & Communications Products
- Maritime C4ISR for the DOD, DHS and International Partners
- Cyber Security / Information Assurance

Space & Power
Power, Telemetry & RF Communications Across All Domains
- Commercial and Military Space Microwave Telemetry
- High Reliability Space and Military Power Products
Communication Systems Overview

Key Business Metrics – 2018 Guidance (midpoint)

- **Winning**: Book-to-Bill: >1.0x
- **Growing**: +6% Organic Growth in ‘17e
- **Margin**: +170bps (‘16 to ‘18e)
- **Investing**: R&D ~4% of Sales
- **Optimizing**: EDD Consolidation

$2.275B Sales
5% Organic Growth

11.2% Operating Margin

Revenue Mix and Capabilities

Sales by Customer

- International
- Commercial
- USG/DOD

Sales by Sector

- Broadband Comms
- Advanced Comms
- Space & Power

Capabilities

- Naval C4ISR
- Microwave Components
- Wideband ISR
- Protected Comms
- Space Qual Hardware
- Information Assurance
Communication Systems Market Environment

• Assured Communications - *Growing*
  – Multi-Domain, A2AD
  – Secure Waveforms

• ISR Communications - *Growing*
  – International Expansion
  – US/Coalition Interoperability

• Naval C4ISR- *Growing*
  – Shipbuilding Rates Increasing
  – Pacific/Middle East Threats

• Protected Military SATCOM- *Growing*
  – Contested Space Environment
  – Ground Segment Expanding

• Weapons Data Links - *Growing*
  – Smart, Connected Munitions

• Space Components – *Declining/Flat*
  – Fewer GEO Commercial Satellite Launches
Communication Systems Strategic Focus

• Manned / Unmanned Teaming
  – Captured Key Apache Development and Production Contracts
  – R&D Investments Enabling a Near “Off The Shelf” Offering
  – Growth Opportunities on Other Platforms

• Naval C4ISR Systems
  – Grow with Focus on Five Eyes Nations
  – Invest/Acquire IP for Communications and Network Management
  – Win Canadian Surface Combatant and Australian SEA 5000

• A2AD and Evolving Threats
  – Protected/Secure Communications Technology Demonstrated
  – Focused Investments
  – Collaborative Engagement with A-PNT
Communication Systems

Growth Drivers

Campaigns
- NC3 Recap
- A2AD Secure/Protected Communications
- Maritime C4ISR
- Spectrum Dominance

Expanded Offerings
- LPI/LPD Comms
- Symphony® Automated C2
- Low Observable Antennas
- Free Space Optics

Enablers
- L365 Continuous Improvement
- Collaboration
- Focused Investments

Future Focused
- Consolidation/Optimization
- R&D Aligned with Market Needs
- Acquisitions/Partnerships
- Talent Growth/Management

Sales ($Bs) and Op Margin

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<td>9.5%</td>
</tr>
<tr>
<td>2017e</td>
<td>$2.2</td>
<td>10.8%</td>
</tr>
<tr>
<td>2018e</td>
<td>$2.3</td>
<td>11.2%</td>
</tr>
</tbody>
</table>
Communication Systems Summary

• Financial Performance
  – 2017e: 6% Organic Growth; 19% Op Inc Growth; Investing in the Future
  – 2018e: 5% Organic Growth; 9% Op Inc Growth; Performance Recovery in Space & Power

• Strategic Investments
  – Broadening M&A Aperture
  – MUMT-X Transition to Production; PTSFD Demonstration Key for Future

• Working on Continuous Improvement, Collaboration & Innovation
  – Continuous Improvement Savings Contribution to the Bottom Line - 100 BPS

• Continue International Market Penetration / Strategic Alliances
Financial Review

Ralph D’Ambrosio, Senior Vice President and Chief Financial Officer
2018 Financial Trends

• Sales growing in all end markets… DoD budget supports growth

• Expanding margin… growing profit and cash flow

• Integrating businesses to enhance competitiveness and profitability

• Increasing growth investments to accelerate sales

• Capital allocation… favoring acquisitions after dividend, divesting Vertex*

* Vertex Aerospace business is reclassified to discontinued operations for all periods presented
## Initial 2018 Financial Midpoint Guidance *(Excludes Vertex)*

*(in Millions, except per share amounts)*

<table>
<thead>
<tr>
<th></th>
<th>2018 Estimate</th>
<th>2017 Estimate</th>
<th>2018 vs. 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>$9,950</td>
<td>$9,500</td>
<td>5%</td>
</tr>
<tr>
<td>Organic Growth</td>
<td>4%</td>
<td>2%</td>
<td>+200 bps</td>
</tr>
<tr>
<td>Operating Margin</td>
<td>11.3%</td>
<td>11.1%</td>
<td>+20 bps</td>
</tr>
<tr>
<td>Tax Rate</td>
<td>26.6%</td>
<td>24.0%</td>
<td>+260 bps</td>
</tr>
<tr>
<td>Diluted Shares</td>
<td>~80</td>
<td>~80</td>
<td>0%</td>
</tr>
<tr>
<td>Diluted EPS</td>
<td>$8.73</td>
<td>$8.35</td>
<td>5%</td>
</tr>
<tr>
<td>Free Cash Flow</td>
<td>$865</td>
<td>$805</td>
<td>7%</td>
</tr>
</tbody>
</table>

**Notes:**
1. 2018 and 2017 estimates: (i) are based on midpoint guidance and (ii) classify pension expense in accordance with ASU 2017-7, which is effective January 1, 2018.
2. The Company expects to divest the Vertex Aerospace business in 2018 and present Vertex financial results in Discontinued Operations for all periods.
3. See Reconciliation of GAAP to Non-GAAP Measurements.
## Segment Financial Trends

### Electronic Systems

<table>
<thead>
<tr>
<th>($ in Millions)</th>
<th>2016</th>
<th>2017 Initial Estimate</th>
<th>2018 Guidance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>$2,752</td>
<td>$3,050</td>
<td>$3,250</td>
</tr>
<tr>
<td>Sales Growth</td>
<td>-3%</td>
<td>11%</td>
<td>7%</td>
</tr>
<tr>
<td>Organic Growth</td>
<td>2%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>Operating Margin</td>
<td>13.1%</td>
<td>13.2%</td>
<td>13.8%</td>
</tr>
</tbody>
</table>

### Aerospace Systems *(Excludes Vertex)*

<table>
<thead>
<tr>
<th>($ in Millions)</th>
<th>2016</th>
<th>2017 Initial Estimate</th>
<th>2018 Guidance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>$2,930</td>
<td>$2,700</td>
<td>$2,675</td>
</tr>
<tr>
<td>Sales Growth</td>
<td>1%</td>
<td>-8%</td>
<td>-1%</td>
</tr>
<tr>
<td>Organic Growth</td>
<td>1%</td>
<td>-8%</td>
<td>-1%</td>
</tr>
<tr>
<td>Operating Margin</td>
<td>8.6%</td>
<td>7.8%</td>
<td>8.1%</td>
</tr>
</tbody>
</table>

### Communication Systems

<table>
<thead>
<tr>
<th>($ in Millions)</th>
<th>2016</th>
<th>2017 Initial Estimate</th>
<th>2018 Guidance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>$2,053</td>
<td>$2,175</td>
<td>$2,275</td>
</tr>
<tr>
<td>Sales Growth</td>
<td>1%</td>
<td>6%</td>
<td>5%</td>
</tr>
<tr>
<td>Organic Growth</td>
<td>0%</td>
<td>6%</td>
<td>5%</td>
</tr>
<tr>
<td>Operating Margin</td>
<td>9.5%</td>
<td>10.8%</td>
<td>11.2%</td>
</tr>
</tbody>
</table>

### Sensor Systems

<table>
<thead>
<tr>
<th>($ in Millions)</th>
<th>2016</th>
<th>2017 Initial Estimate</th>
<th>2018 Guidance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>$1,468</td>
<td>$1,575</td>
<td>$1,750</td>
</tr>
<tr>
<td>Sales Growth</td>
<td>2%</td>
<td>7%</td>
<td>11%</td>
</tr>
<tr>
<td>Organic Growth</td>
<td>2%</td>
<td>6%</td>
<td>10%</td>
</tr>
<tr>
<td>Operating Margin</td>
<td>10.1%</td>
<td>13.1%</td>
<td>11.5%</td>
</tr>
</tbody>
</table>

Note: For all periods presented segment operating income and margin: (i) includes re-absorption of previously allocated expenses to Vertex and (ii) classifies pension expense in accordance with ASU 2017-7, which is effective January 1, 2018. Sensor Systems 2018 margin guidance includes $30M of incremental growth investments.
Productivity & Margin Improvement Actions

- Integrating Businesses... Sectorizing Our Divisions
  - L365 Continuous Improvement
  - Presently consolidating divisions

- Standardizing on Three Common ERP System Platforms

- Expanding Scope of L3 Shared Services
  - Adding indirect material eProcurement, IT Service Desk and ERP CoE

- Evaluating Defined Benefit Pension Plans

- Selectively Increasing R&D Investments to Accelerate Growth
  - R&D/Sales: 3.2% for 2018 vs. 3.0% for 2017
# Improving Balance Sheet and Increasing Liquidity

<table>
<thead>
<tr>
<th></th>
<th>12/31/16</th>
<th>12/31/17</th>
<th>12/31/18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$363</td>
<td>$575</td>
<td>$1,095</td>
</tr>
<tr>
<td>Debt</td>
<td>$3,325</td>
<td>$3,330</td>
<td>$3,336</td>
</tr>
<tr>
<td>Equity</td>
<td>4,624</td>
<td>5,065</td>
<td>5,565</td>
</tr>
<tr>
<td>Book Capitalization</td>
<td>$7,949</td>
<td>$8,395</td>
<td>$8,901</td>
</tr>
<tr>
<td>Available Revolver</td>
<td>$1,000</td>
<td>$1,000</td>
<td>$1,000</td>
</tr>
<tr>
<td>Debt / EBITDA</td>
<td>2.9x</td>
<td>2.6x</td>
<td>2.5x</td>
</tr>
</tbody>
</table>

Notes:  
(1) Debt/EBITDA excludes discontinued operations.  
(2) See Reconciliation of GAAP to Non-GAAP Measurements.
Vertex Divestiture Process Update

• Commencing the sale process later this month

• Vertex represents an industry-leading military aircraft maintenance and logistics support provider

• Significant in-bound interest has been received from both strategic and financial sponsor potential buyers

• Expect to complete sale process for Vertex in mid-2018
Financial Summary

• Implementing Corporate Strategy
  – Integrating Businesses, Increasing Collaboration and Growth Investments to Enhance Innovation and Competitiveness

• Growing Sales, Profits and Cash Flow

• Robust Cash Flow With Targeted Capital Allocation

• Portfolio Aligns With Customer Priorities
Wrap Up and Q&A

Christopher Kubasik, President, Chief Operating Officer & CEO-Elect
Ralph D’Ambrosio, Senior Vice President and Chief Financial Officer
Supplemental Financial Data
## 2018 Financial Guidance *(Excludes Vertex)*

($ in Millions, except EPS)

<table>
<thead>
<tr>
<th></th>
<th>Initial Guidance</th>
<th>Midpoint vs. 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>$9,850 to $10,050</td>
<td>5%</td>
</tr>
<tr>
<td>Organic Growth</td>
<td>4%</td>
<td>+200 bps</td>
</tr>
<tr>
<td>Operating Margin</td>
<td>11.3%</td>
<td>+20 bps</td>
</tr>
<tr>
<td>Interest Expense and Other</td>
<td>$141</td>
<td>-10%</td>
</tr>
<tr>
<td>Effective Tax Rate</td>
<td>26.6%</td>
<td>+260 bps</td>
</tr>
<tr>
<td>Minority Interest Expense</td>
<td>$15</td>
<td></td>
</tr>
<tr>
<td>Diluted Shares</td>
<td>~80</td>
<td>0%</td>
</tr>
<tr>
<td>Diluted EPS</td>
<td>$8.60 to $8.85</td>
<td>5%</td>
</tr>
<tr>
<td>Free Cash Flow</td>
<td>$865</td>
<td>7%</td>
</tr>
</tbody>
</table>

**Notes:**

1. Effective January 1, 2018, the Company will adopt: (1) ASC 606 (Revenue Recognition) applying the modified retrospective method and (2) ASU 2017-7 (Pension service cost presentation) on a retrospective basis. The adoption of ASC 606 is estimated to impact 2018 sales by less than 1%.

2. Net pension expense (FAS, net of CAS) for 2018 vs. 2017 is expected to increase diluted EPS by $0.28 ($36 million pre-tax) and increase operating margin by 20 bps ($19 million). Pension expense assumes a discount rate of 4.05% vs 4.40% for 2017.

3. Interest Expense and Other is comprised of: (i) interest expense of $166 million, (ii) interest and other income of $25 million (including $9 million of non-service cost pension income).

4. Minority Interest Expense represents net income from continuing operations attributable to non-controlling interests.

5. See Reconciliation of GAAP to Non-GAAP Measurements.
### 2018 Segment Guidance (December 5, 2017)

($ in Millions)

<table>
<thead>
<tr>
<th>Segment</th>
<th>Net Sales</th>
<th>Midpoint Sales vs. 2017</th>
<th>Midpoint Organic Growth</th>
<th>Segment Operating Margin</th>
<th>Midpoint Margin vs. 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electronic Systems</td>
<td>$3,200 to $3,300</td>
<td>7%</td>
<td>6%</td>
<td>13.7% to 13.9%</td>
<td>+60</td>
</tr>
<tr>
<td>Aerospace Systems</td>
<td>$2,625 to $2,725</td>
<td>-1%</td>
<td>-1%</td>
<td>8.0% to 8.2%</td>
<td>+30</td>
</tr>
<tr>
<td>Comm Systems</td>
<td>$2,225 to $2,325</td>
<td>5%</td>
<td>5%</td>
<td>11.1% to 11.3%</td>
<td>+40</td>
</tr>
<tr>
<td>Sensor Systems</td>
<td>$1,700 to $1,800</td>
<td>11%</td>
<td>10%</td>
<td>11.4% to 11.6%</td>
<td>-160</td>
</tr>
<tr>
<td>Total Segments</td>
<td>$9,850 to $10,050</td>
<td>5%</td>
<td>4%</td>
<td>11.3%</td>
<td>+20</td>
</tr>
</tbody>
</table>

Note: Net pension service cost (FAS, net of CAS) accounted for in accordance with ASU 2017-7 and is expected to decrease $19 million for 2018 compared to 2017, increasing estimated 2018 operating margin by 20 basis points (bps) ($20 million or 70 bps for Aerospace Systems).
### Robust Free Cash Flow

<table>
<thead>
<tr>
<th>Description</th>
<th>2017 Estimate</th>
<th>2018 Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income from continuing operations</td>
<td>$ 685</td>
<td>$ 720</td>
</tr>
<tr>
<td>Gain on sale of property, plant and equipment</td>
<td>(42)</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation &amp; amortization</td>
<td>214</td>
<td>225</td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>40</td>
<td>45</td>
</tr>
<tr>
<td>401K common stock match</td>
<td>104</td>
<td>108</td>
</tr>
<tr>
<td>Stock-based employee compensation</td>
<td>57</td>
<td>60</td>
</tr>
<tr>
<td>Amortization of pension and OPEB net losses</td>
<td>58</td>
<td>63</td>
</tr>
<tr>
<td>Working capital/other items</td>
<td>(161)</td>
<td>(111)</td>
</tr>
<tr>
<td>Capital expenditures, net</td>
<td>(150)</td>
<td>(245)</td>
</tr>
<tr>
<td><strong>Free cash flow</strong></td>
<td>$ 805</td>
<td>$ 865</td>
</tr>
</tbody>
</table>

**Note:** Capital expenditures, net for 2017 includes proceeds of $64 million related to the sale of a property in San Carlos, CA.
## Targeted Capital Allocation

($ in Millions)

<table>
<thead>
<tr>
<th></th>
<th>2016 Actual</th>
<th>2017 Estimate</th>
<th>2018 Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning cash</td>
<td>$ 207</td>
<td>$ 363</td>
<td>$ 575</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>830</td>
<td>805</td>
<td>865</td>
</tr>
<tr>
<td>Divestitures</td>
<td>577</td>
<td>86</td>
<td>-</td>
</tr>
<tr>
<td>Debt repayments, net</td>
<td>(303)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Dividends</td>
<td>(220)</td>
<td>(237)</td>
<td>(255)</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>(388)</td>
<td>(304)</td>
<td>-</td>
</tr>
<tr>
<td>Share repurchases</td>
<td>(373)</td>
<td>(200)</td>
<td>(300)</td>
</tr>
<tr>
<td>Other, net</td>
<td>33</td>
<td>62</td>
<td>210</td>
</tr>
<tr>
<td>Ending cash</td>
<td>$ 363</td>
<td>$ 575</td>
<td>$ 1,095</td>
</tr>
</tbody>
</table>

### Notes:
1. Divestitures include cash flow from discontinued operations and net proceeds from divested businesses.
2. See Reconciliation GAAP to Non-GAAP Measurements.
## 2017 Consolidated Financial Guidance Reconciliation

### (in Millions, except per share amounts)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Sales</strong></td>
<td>$10,800 to $11,000</td>
<td>$(1,400)</td>
<td>$9,500</td>
<td>3%</td>
</tr>
<tr>
<td><strong>Organic Growth</strong></td>
<td>2%</td>
<td></td>
<td></td>
<td>+100 bps</td>
</tr>
<tr>
<td><strong>Operating Margin</strong></td>
<td>10.3%</td>
<td></td>
<td>11.0%</td>
<td>+60 bps</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>$1,123</td>
<td>$(76)</td>
<td>$1,047</td>
<td>9%</td>
</tr>
<tr>
<td><strong>Interest Expense and Other</strong></td>
<td>$154</td>
<td>$(5)</td>
<td>$149</td>
<td>($4)</td>
</tr>
<tr>
<td><strong>Effective Tax Rate</strong></td>
<td>24.9%</td>
<td></td>
<td>24.0%</td>
<td>+260 bps</td>
</tr>
<tr>
<td><strong>Minority Interest Expense</strong></td>
<td>$17</td>
<td></td>
<td>$17</td>
<td>$3</td>
</tr>
<tr>
<td><strong>Diluted Shares</strong></td>
<td>80</td>
<td></td>
<td>~80</td>
<td>2%</td>
</tr>
<tr>
<td><strong>Diluted EPS</strong></td>
<td>$7.13 to $7.23</td>
<td>$1.17</td>
<td>$8.30 to $8.40</td>
<td>7%</td>
</tr>
<tr>
<td><strong>Adjusted Diluted EPS</strong></td>
<td>$8.80 to $8.90</td>
<td>$(0.50)</td>
<td>$8.30 to $8.40</td>
<td>7%</td>
</tr>
<tr>
<td><strong>Free Cash Flow</strong></td>
<td>$875</td>
<td>$70</td>
<td>$805</td>
<td></td>
</tr>
</tbody>
</table>

**Notes:**
1. 2017 guidance and comparison to 2016 classifies pension expense in accordance with accounting standards in effect at December 31, 2017 (i.e., ASU 2017-7 NOT implemented).
2. Prior guidance exclude the goodwill impairment charge of $187M ($133M after income taxes), or $1.67 per diluted share, related to Vertex.
3. Vertex Discontinued Operations estimates for Operating Income, Diluted EPS and Free Cash Flow (i) exclude Corporate and Aerospace Systems Segment expenses previously allocated to the Vertex business, and (ii) includes tax benefits from Section 197 intangible assets amortization related to L3’s acquisition of Vertex in 2003 and non-cash expenses for assumed 401k employer matching contributions made in L3 common stock.
4. See Reconciliation of GAAP to Non-GAAP Measurements.
## 2017 Segment Guidance (December 5, 2017)

($ in Millions)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Electronic Systems</td>
<td>$3,000 to $3,100</td>
<td>11%</td>
<td>6%</td>
<td>13.1% to 13.3%</td>
<td>+10</td>
</tr>
<tr>
<td>Aerospace Systems</td>
<td>$2,650 to $2,750</td>
<td>-8%</td>
<td>-8%</td>
<td>7.7% to 7.9%</td>
<td>-80</td>
</tr>
<tr>
<td>Comm Systems</td>
<td>$2,125 to $2,225</td>
<td>6%</td>
<td>6%</td>
<td>10.4% to 10.6%</td>
<td>+100</td>
</tr>
<tr>
<td>Sensor Systems</td>
<td>$1,525 to $1,625</td>
<td>7%</td>
<td>6%</td>
<td>13.0% to 13.2%</td>
<td>+300</td>
</tr>
<tr>
<td>Total Segments</td>
<td>$9,400 to $9,600</td>
<td>3%</td>
<td>2%</td>
<td>11.0%</td>
<td>+60</td>
</tr>
</tbody>
</table>

**Note:** Segment operating income and margin includes re-absorption of previously allocated expenses to Vertex and account for pension expense in accordance with accounting standards in effect at December 31, 2017 (i.e., ASU 2017-7 NOT implemented). ASU 2017-7 is expected to increase 2017 operating margin for Comm Systems by 30 bps and Consolidated by 10 bps, with offsetting reductions to estimated 2017 interest income and other income.
## Year-to-Date September 29, 2017 - Select Financial Data Reconciliation

(in Millions, except per share amounts)

<table>
<thead>
<tr>
<th></th>
<th>As Previously Presented</th>
<th>Vertex Discontinued Operations</th>
<th>Excluding Vertex</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>$8,047</td>
<td>$(1,053)</td>
<td>$6,994</td>
</tr>
<tr>
<td>Segment Operating Margin</td>
<td>10.1%</td>
<td></td>
<td>10.8%</td>
</tr>
<tr>
<td>Segment Operating Income</td>
<td>$815</td>
<td>$(59)</td>
<td>$756</td>
</tr>
<tr>
<td>Interest Expense and Other</td>
<td>$113</td>
<td>$(4)</td>
<td>$109</td>
</tr>
<tr>
<td>Effective Tax Rate</td>
<td>22.1%</td>
<td></td>
<td>22.7%</td>
</tr>
<tr>
<td>Minority Interest Expense</td>
<td>$12</td>
<td></td>
<td>$12</td>
</tr>
<tr>
<td>Diluted Shares</td>
<td>79.6</td>
<td></td>
<td>79.6</td>
</tr>
<tr>
<td>Diluted EPS</td>
<td>$4.88</td>
<td>$1.25</td>
<td>$6.13</td>
</tr>
<tr>
<td>Adjusted Diluted EPS</td>
<td>$6.55</td>
<td>$(0.42)</td>
<td>$6.13</td>
</tr>
</tbody>
</table>

Notes:
1. Excludes the goodwill impairment charge of $187M ($133M after income taxes), or $1.67 per diluted share, related to Vertex.
2. Interest Expense and Other is comprised of: (i) interest expense of $124 million and (ii) interest and other income, net of $15 million.
3. The select financial data classifies pension expense in accordance with accounting standards in effect at September 29, 2017 (i.e., ASU 2017-7 NOT implemented).
4. See Reconciliation of GAAP to Non-GAAP Measurements.
# Year-to-Date September 29, 2017 Segment Results - Reconciliation

($ in Millions)

<table>
<thead>
<tr>
<th>Segment</th>
<th>As Previously Reported</th>
<th>Vertex Discontinued Operations</th>
<th>Excluding Vertex</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Net Sales</td>
<td>Operating Margin</td>
<td>Net Sales</td>
</tr>
<tr>
<td>Electronic Systems</td>
<td>$2,220</td>
<td>13.5%</td>
<td>$1</td>
</tr>
<tr>
<td>Aerospace Systems</td>
<td>3,096</td>
<td>6.3%</td>
<td>(1,055)</td>
</tr>
<tr>
<td>Comm Systems</td>
<td>1,626</td>
<td>10.5%</td>
<td>1</td>
</tr>
<tr>
<td>Sensor Systems</td>
<td>1,105</td>
<td>13.6%</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Segments</strong></td>
<td><strong>$8,047</strong></td>
<td><strong>10.1%</strong></td>
<td><strong>$1,053</strong></td>
</tr>
</tbody>
</table>

Note: Segment operating income and margin includes re-absorption of previously allocated expenses to Vertex and account for pension expense in accordance with accounting standards in effect at September 29, 2017 (i.e., ASU 2017-7 NOT implemented).
## Depreciation & Amortization and Capital Expenditures 2017 Estimates

($ in Millions)

<table>
<thead>
<tr>
<th>Segment</th>
<th>Depreciation &amp; Amortization</th>
<th>CapEx, Net&lt;sup&gt;(1)&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electronic Systems</td>
<td>$71</td>
<td>$72</td>
</tr>
<tr>
<td>Aerospace Systems</td>
<td>50</td>
<td>52</td>
</tr>
<tr>
<td>Communication Systems</td>
<td>48</td>
<td>(7)&lt;sup&gt;(2)&lt;/sup&gt;</td>
</tr>
<tr>
<td>Sensor Systems</td>
<td>45</td>
<td>33</td>
</tr>
<tr>
<td>Consolidated</td>
<td>$214</td>
<td>$150</td>
</tr>
</tbody>
</table>

Notes:  
(1) Capital Expenditures, Net = capital expenditures net of dispositions of property, plant and equipment.  
(2) Communication Systems CapEx, net includes proceeds of $64 million related to the sale of the Company’s property in San Carlos, CA.
Debt Maturity Profile

Weighted average coupon rate = 4.7%
Reconciliation of GAAP to Non-GAAP Measurements (1 of 2)

<table>
<thead>
<tr>
<th></th>
<th>2018 Guidance</th>
<th>2017 Guidance</th>
<th>2016 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash from operating activities from continuing</td>
<td>$ 1,110</td>
<td>$ 940</td>
<td>$ 1,018</td>
</tr>
<tr>
<td>operations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less: Capital expenditures</td>
<td>(250)</td>
<td>(220)</td>
<td>(210)</td>
</tr>
<tr>
<td>Add: Dispositions of property, plant and equipment</td>
<td>5</td>
<td>70</td>
<td>21</td>
</tr>
<tr>
<td>Income tax payments attributable to discontinued</td>
<td>-</td>
<td>15</td>
<td>1</td>
</tr>
<tr>
<td>operations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Free cash flow from continuing operations</td>
<td>$ 865</td>
<td>$ 805</td>
<td>$ 830</td>
</tr>
</tbody>
</table>

Net cash from operating activities from discontinued operations

<table>
<thead>
<tr>
<th></th>
<th>2018 Guidance</th>
<th>2017 Guidance</th>
<th>2016 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 89</td>
<td>$ 23</td>
<td></td>
</tr>
<tr>
<td>Less: Capital expenditures</td>
<td>(6)</td>
<td>(6)</td>
<td></td>
</tr>
<tr>
<td>Income tax payments attributable to discontinued</td>
<td>(15)</td>
<td>(1)</td>
<td></td>
</tr>
<tr>
<td>operations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Free cash flow from discontinued operations</td>
<td>$ 68</td>
<td>$ 16</td>
<td></td>
</tr>
</tbody>
</table>
Reconciliation of GAAP to Non-GAAP Measurements (2 of 2)

($ in Millions)

<table>
<thead>
<tr>
<th>Cash Flow to EBITDA Reconciliation</th>
<th>2018 Estimate</th>
<th>2017 Estimate</th>
<th>2016 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash from operating activities from continuing operations</td>
<td>$1,104</td>
<td>$940</td>
<td>$1,018</td>
</tr>
<tr>
<td>Income tax payments, net of refunds</td>
<td>215</td>
<td>166</td>
<td>111</td>
</tr>
<tr>
<td>Interest payments, net of interest income</td>
<td>146</td>
<td>143</td>
<td>139</td>
</tr>
<tr>
<td>Stock based employee compensation</td>
<td>(168)</td>
<td>(161)</td>
<td>(151)</td>
</tr>
<tr>
<td>Gain on sale of property, plant and Equipment</td>
<td>-</td>
<td>42</td>
<td>5</td>
</tr>
<tr>
<td>Other non-cash items</td>
<td>6</td>
<td>6</td>
<td>(12)</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities</td>
<td>44</td>
<td>133</td>
<td>45</td>
</tr>
<tr>
<td>EBITDA from continuing operations</td>
<td>$1,347</td>
<td>$1,269</td>
<td>$1,155</td>
</tr>
<tr>
<td>Debt</td>
<td>$3,336</td>
<td>$3,330</td>
<td>$3,325</td>
</tr>
<tr>
<td>Debt/EBITDA</td>
<td>2.5x</td>
<td>2.6x</td>
<td>2.9x</td>
</tr>
</tbody>
</table>

Notes:
1. EBITDA is defined as consolidated income from continuing operations (excluding impairment losses incurred on goodwill and identifiable intangible assets and losses related to business divestiture transactions), plus consolidated interest, taxes, depreciation and amortization. The Debt to EBITDA ratio is presented because we believe it to be a useful indicator of our debt capacity and our ability to service our debt. We believe that the most directly comparable GAAP financial measure to EBITDA is net cash from operating activities. The table above presents a reconciliation of net cash from operating activities to EBITDA.
2. Pension expense is classified in accordance with ASU 2017-7, which is effective January 1, 2018 for all periods presented.