Fixed Income Investor Update
November 28, 2016

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SVP and CFO

Steve Souza
VP and Treasurer

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 2016 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,” “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, including the Aerospace Systems segment; 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 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; our ability to predict the level of participation in and the related costs of our voluntary return program for certain EoTech holographic weapons sight products, and our ability to change and terminate the voluntary return program at our discretion; 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 reports on Form 10-Q for the quarter ended September 23, 2016 and Form 10-K for the year ended December 31, 2015 and any material updates to these factors contained in any of our subsequent filings with the SEC.

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.

The issuer has filed a registration statement (including a prospectus) with the SEC for any future offerings of securities. Before you invest in any future offering of securities, you should read the prospectus in that registration statement and other documents the issuer has filed and will file with the SEC for more complete information about the issuer and such offering. You may get these documents for free by visiting EDGAR on the SEC Web site at www.sec.gov. Alternatively, the issuer, any underwriter or any dealer participating in an offering will arrange to send you any future prospectus if you request it.
Investment Highlights

- Leading A&D Contractor with Non-Platform Prime & Supplier Positions
- Sharpened Portfolio and Increasing R&D and M&A Investments
- Low Capital Intensity Businesses, with Expanding Margins and High Cash Flow Conversion
- Efficient Capital Structure and Commitment to Investment Grade Rating
- Highly Experienced Management Team
Company Overview & Business Update
Company Overview: L-3 Communications

- Fortune 500 Aerospace & Defense company headquartered in New York, NY
- ~38,000 highly experienced employees across 263 locations worldwide
- September 2016 LTM Net Sales of $10,393M
- **Prime contractor**: Intelligence, Surveillance and Reconnaissance (ISR) systems, aircraft sustainment, simulation & training, night vision and image intensification equipment, and security screening
- Leading provider of a broad range of communication and electronic systems and products used on military and commercial platforms

**Global Locations**

Source: L-3 Communications Holdings, Inc. SEC Filings and website.
Company Overview: L-3 Communications (Cont’d)

- Three Business Segments:
  - Electronic Systems (LTM net sales $4,104M)
  - Aerospace Systems (LTM net sales $4,234M)
  - Communication Systems (LTM net sales $2,055M)

- Customers include: the U.S. Department of Defense (DoD) and its prime contractors, U.S. Government intelligence agencies, the U.S. Department of Homeland Security (DHS), foreign governments, and domestic and foreign commercial customers

Source: L-3 Communications Holdings, Inc. SEC Filings and website.
U.S. Government Markets

- Geopolitical conditions support increased military spending
- DoD budget upcycle projected beginning FY 2016
  - Congress reduced first 5 years of sequester
  - Anticipated upcycle of 2 to 3% growth, more sequester trimming and OCO relief
  - Classified budgets expanding and growing
- Higher defense spending expected under Trump Administration
- Select L-3 capabilities… protected/secure communications, ISR, sensors, naval power systems, readiness support, SOF

DoD Budget Trends & Estimates (1)

<table>
<thead>
<tr>
<th>$B</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
<th>FY14</th>
<th>FY15</th>
<th>FY16</th>
<th>FY17</th>
<th>FY18</th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base</td>
<td>$ 528</td>
<td>$ 530</td>
<td>$ 496</td>
<td>$ 496</td>
<td>$ 497</td>
<td>$ 522</td>
<td>$ 524</td>
<td>$ 557</td>
<td>$ 565</td>
<td>$ 570</td>
<td>$ 585</td>
</tr>
<tr>
<td>OCO</td>
<td>$ 159</td>
<td>$ 115</td>
<td>$ 82</td>
<td>$ 85</td>
<td>$ 63</td>
<td>$ 59</td>
<td>$ 65</td>
<td>$ 59</td>
<td>$ 59</td>
<td>$ 59</td>
<td>$ 59</td>
</tr>
<tr>
<td>Total</td>
<td>$ 687</td>
<td>$ 645</td>
<td>$ 578</td>
<td>$ 581</td>
<td>$ 560</td>
<td>$ 580</td>
<td>$ 589</td>
<td>$ 616</td>
<td>$ 624</td>
<td>$ 629</td>
<td>$ 644</td>
</tr>
</tbody>
</table>

Annual Total Budget Change

- FY 15 vs. FY 10 (19%)
- FY 21 vs. FY 15: +15% Expected

DoD Sales Mix

<table>
<thead>
<tr>
<th>Category</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air Force</td>
<td>30%</td>
</tr>
<tr>
<td>Army</td>
<td>17%</td>
</tr>
<tr>
<td>Navy</td>
<td>14%</td>
</tr>
<tr>
<td>Other U.S. Gov't</td>
<td>6%</td>
</tr>
<tr>
<td>Other</td>
<td>6%</td>
</tr>
<tr>
<td>Total</td>
<td>67%</td>
</tr>
</tbody>
</table>

Net Sales

- 2015
- U.S. DoD
- Commercial
- Int’l
- Other U.S. Gov’t

International

- Key Products: ISR systems, simulators, communication systems, night vision, sensors
- Foreign governments and FMS
- Near-term softness

International Markets affected by global economic and security conditions

Commercial

- Key Products: Avionics, security screening, training & simulation, RF microwave & power
- Favorable long-term fundamentals

Source: L-3 Communications Holdings, Inc. SEC Filings and website.
Business Highlights

• Solid presence in attractive aerospace & defense markets
• Growing DoD budget supports organic growth…. DoD sales growing in 2016
• Affordable solutions/technologies aligned with customer priorities
• Focused on satisfying customers… growing margin, operating income and EPS
• Generating robust cash flow
• Balanced and disciplined cash deployment
  – Repaid $300M of debt in 4Q 2015 and $300M in 2Q 2016
  – Shifting cash deployment from share repurchases to increasing investments in the business via ongoing M&A activity

Source: L-3 Communications Holdings, Inc. SEC Filings and website.
Select Growth Areas and Opportunities

**U.S. Government**
- AJ/LPI data communications
- ISR platform recapitalization
- Space-based sensors
- Small UAS
- Radar Systems
- Night vision equipment and I²
- Micro EO/IR turrets
- Small UAS and weapon datalinks
- Shipboard C4I Systems
- Key management infrastructure
- Anti-submarine warfare
- USG Classified

**International / Commercial**
- Civil aviation training & simulation
- ISR platform recapitalization
- Advanced avionics
- Night vision equipment
- Sensor systems
- Tactical SATCOM
- Airborne ISR systems
- Multi-mission aircraft
- Military simulation systems
- Security & detection systems
Recent Acquisitions & Divestitures

- Nov. 22, 2016: Completed the acquisition of MacDonald Humfrey (Automation) Ltd for a purchase price of approximately £224 million (approximately $280 million). The purchase price is subject to an upward adjustment of up to £30 million (approximately $37.5 million), based on MacDonald Humfrey’s post-acquisition performance for years ending December 31, 2017 to 2019, which would be payable in 2020.

- Oct. 10, 2016: Agreed to acquire the explosives trace detection (ETD) assets of Implant Sciences (IMSC) for a purchase price of $118 million.

- Sep. 30, 2016: Completed the acquisition of Aerosim, including Aerosim Technologies, Inc. (located in Burnsville, Minnesota) and Aerosim Flight Academy, Inc. (located in Sanford, Florida) and the acquisition of Micreo Limited (located in Brisbane, Australia), in separate transactions, for an aggregate purchase price of $82 million.


Source: L-3 Communications Holdings, Inc. SEC Filings and website.

(1) L-3 is acting as the lead bidder in a sale process being conducted under Section 363 of the U.S. Bankruptcy Code. The sale is subject to approval by the Bankruptcy Court.
### Firm Commitment to Investment Grade Ratings

<table>
<thead>
<tr>
<th>Moody’s: Baa3 (Stable)$^{(1)}$</th>
<th>S&amp;P: BBB- (Stable)$^{(1)}$</th>
<th>Fitch: BBB- (Stable)$^{(1)}$</th>
</tr>
</thead>
</table>
| **Strong Balance Sheet & Liquidity** | • Efficient financial policy and leverage  
|  | • Robust liquidity position, with $1.0B five-year revolving credit facility and access to investment grade bond markets  
| **Recent Debt Reduction** | • Repaid $300M of debt in 4Q 2015 and $300M in 2Q 2016  
| **Opportunistic Acquisitions** | • Focused on disciplined purchase multiples and deleveraging  
|  | • Maintaining investment grade credit metrics  
| **Disciplined Capital Deployment** | • Shifting cash deployment from share repurchases to acquisitions when opportunities arise  
| **Continued Cost Discipline** | • Committed to cost reductions and productivity improvements to increase operating income and free cash flow  

Source: L-3 Communications Holdings, Inc. SEC Filings and website.

(1) A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.
Segments Review

Electronic Systems  Aerospace Systems  Communication Systems
Electronic Systems

Description

- Provides a broad range of components, products, subsystems, systems and related services for military and commercial customers
- Strengthening positions with R&D, acquisitions and divestitures… DoD and Commercial sales growing
- Reducing costs… supply chain, combining back office, IT and facilities
- Highest segment margin and expanding

Performance Snapshot

<table>
<thead>
<tr>
<th>Description</th>
<th>CY 2015 Sales Mix</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td></td>
</tr>
<tr>
<td>Operating Income</td>
<td></td>
</tr>
<tr>
<td>Operating Margin</td>
<td></td>
</tr>
</tbody>
</table>

Source: L-3 Communications Holdings, Inc. SEC Filings and website.

(1) On 7/7/2016 the Company announced the formation of its new Commercial Training Solutions division, which is part of the Precision Engagement & Training sector.
Aerospace Systems

Description

- Delivers integrated solutions for the global ISR market and provides modernization, upgrade, sustainment, and maintenance/logistics support for a wide variety of aircraft & ground systems
- Sales headwinds… drawdown, legacy DoD programs, military procurement cycles
- Investing in next generation ISR, aircraft SLEP and depot-level maintenance
- Margin beginning to improve

Performance Snapshot

<table>
<thead>
<tr>
<th>Description</th>
<th>YTD September</th>
<th>CY</th>
<th>∆</th>
<th>CY</th>
<th>∆</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>$3,087</td>
<td>$3,165</td>
<td>2.5%</td>
<td>$4,321</td>
<td>(3.8%)</td>
</tr>
<tr>
<td>Operating Income</td>
<td>$144</td>
<td>$232</td>
<td>61.1%</td>
<td>$283</td>
<td>(27.6%)</td>
</tr>
<tr>
<td>Operating Margin</td>
<td>4.7%</td>
<td>7.3%</td>
<td>+260 bps</td>
<td>6.5%</td>
<td>4.9%</td>
</tr>
</tbody>
</table>

Source: L-3 Communications Holdings, Inc. SEC Filings and website.

Historical Trend

<table>
<thead>
<tr>
<th></th>
<th>$M</th>
</tr>
</thead>
<tbody>
<tr>
<td>CY 2013</td>
<td>$4,551</td>
</tr>
<tr>
<td>CY 2014</td>
<td>$4,321</td>
</tr>
<tr>
<td>CY 2015</td>
<td>$4,156</td>
</tr>
<tr>
<td>LTM Sept. ’16</td>
<td>$4,234</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales CY 2015</td>
<td>9.3%</td>
</tr>
<tr>
<td>Net Sales CY 2014</td>
<td>6.5%</td>
</tr>
<tr>
<td>Net Sales CY 2015</td>
<td>4.9%</td>
</tr>
<tr>
<td>Net Sales LTM Sept. ’16</td>
<td>6.9%</td>
</tr>
</tbody>
</table>

Sectors

- 52% ISR Systems
- 18% Aircraft Systems
- 30% Vertex Aerospace

Source: L-3 Communications Holdings, Inc. SEC Filings and website.

Fixed Income Investor Update | November 28, 2016
Communication Systems

Description

- Delivers products and services for the global communications market, specializing in strategic and tactical airborne, space, ground and sea-based communication systems
- Solid, long-lived positions… investing in protected, A2/AD communications
- DoD sales growing… International/commercial pressures in 2016
- Productivity gains and consolidation synergies increasing margin

Performance Snapshot

<table>
<thead>
<tr>
<th>$M</th>
<th>YTD September</th>
<th>CY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
<td>2016</td>
</tr>
<tr>
<td>Net Sales</td>
<td>$1,456</td>
<td>$1,470</td>
</tr>
<tr>
<td>Operating Income</td>
<td>$139</td>
<td>$143</td>
</tr>
<tr>
<td>Operating Margin</td>
<td>9.5%</td>
<td>9.7%</td>
</tr>
</tbody>
</table>

CY 2015 Sales Mix

- Tactical Satellite Communication Products: 10%
- Space & Power Systems: 19%
- Advanced Communications: 21%
- Broadband Communication Systems: 50%

Historical Trend

- Net Sales: $2,230
- Segment Operating Income Margin:
  - CY 2013: 7.5%
  - CY 2014: 9.7%
  - CY 2015: 9.6%
  - LTM Sept. '16: 9.7%

Source: L-3 Communications Holdings, Inc. SEC Filings and website.
Financial Review
### Financial Summary

#### Net Sales and Organic Sales Growth

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Sales ($M)</th>
<th>Organic Sales Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CY 2013</td>
<td>$11,420</td>
<td>(3.9%)</td>
</tr>
<tr>
<td>CY 2014</td>
<td>$10,986</td>
<td>(4.2%)</td>
</tr>
<tr>
<td>CY 2015</td>
<td>$10,466</td>
<td>(2.4%)</td>
</tr>
<tr>
<td>LTM Sept.'16</td>
<td>$10,393</td>
<td>1.0%</td>
</tr>
</tbody>
</table>

#### Segment Operating Income and Margin

<table>
<thead>
<tr>
<th>Year</th>
<th>Segment Operating Income ($M)</th>
<th>Segment Operating Income Margin (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CY 2013</td>
<td>$1,117</td>
<td>9.8%</td>
</tr>
<tr>
<td>CY 2014</td>
<td>$1,012</td>
<td>9.2%</td>
</tr>
<tr>
<td>CY 2015</td>
<td>$890</td>
<td>8.5%</td>
</tr>
<tr>
<td>LTM Sept.'16</td>
<td>$969</td>
<td>9.3%</td>
</tr>
</tbody>
</table>

#### Adj. Diluted EPS from Continuing Operations

<table>
<thead>
<tr>
<th>Year</th>
<th>EPS ($M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CY 2013</td>
<td>$7.76</td>
</tr>
<tr>
<td>CY 2014</td>
<td>$7.20</td>
</tr>
<tr>
<td>CY 2015</td>
<td>$6.91</td>
</tr>
<tr>
<td>LTM Sept.'16</td>
<td>$8.03</td>
</tr>
</tbody>
</table>

#### Free Cash Flow

<table>
<thead>
<tr>
<th>Year</th>
<th>Cash Flow ($M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CY 2013</td>
<td>$995</td>
</tr>
<tr>
<td>CY 2014</td>
<td>$932</td>
</tr>
<tr>
<td>CY 2015</td>
<td>$876</td>
</tr>
<tr>
<td>LTM Sept.'16</td>
<td>$880</td>
</tr>
</tbody>
</table>

Source: L-3 Communications Holdings, Inc. SEC Filings and website.

(1) See Appendix for non-GAAP Reconciliation.

(2) Segment Operating Income and Margin exclude: (i) a non-cash goodwill impairment charge of $384M for 2015 and $349M for LTM Sept. ’16 and (ii) a loss related to business divestitures of $31M for 2015 and $2M for LTM Sept. ’16.

(3) Adj. diluted EPS excludes: (i) a non-cash goodwill impairment charge of $3.22 per diluted share for 2015 and $2.93 per diluted share for LTM Sept. ’16 and (ii) a loss related to business divestitures of $0.25 per diluted share for 2015 and $0.02 per diluted share LTM Sept. ’16.
Capitalization & Debt Maturity Profile

Capitalization Table

<table>
<thead>
<tr>
<th>($ in M)</th>
<th>As of 23-Sep-16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$411</td>
</tr>
<tr>
<td>Sr. Unsecured Revolving Credit Facility due 2021 ($1.0B)</td>
<td>-</td>
</tr>
</tbody>
</table>

**Total Bank Debt**
- 3.950% Sr. Notes due 2016: $200
- 1.500% Sr. Notes due 2017: $350
- 5.200% Sr. Notes due 2019: $1,000
- 4.750% Sr. Notes due 2020: $800
- 4.950% Sr. Notes due 2021: $650
- 3.950% Sr. Notes due 2024: $350

**Total Unsecured Debt**: $3,350

**Total Debt**: $3,350

**Net Debt**: $2,939

**Shareholders’ Equity**: $4,640

**Total Capitalization**: $7,990

**Credit Statistics**
- LTM Adj. EBITDA: $1,344
- LTM Interest Expense: $170

**Total Debt / LTM Adj. EBITDA**: 2.5x

**Net Debt / LTM Adj. EBITDA**: 2.2x

**LTM Adj. EBITDA / LTM Interest Expense**: 7.9x

**Total Debt / Capitalization**: 42%

**Total Liquidity**
- Cash & Cash Equivalents: $411
- Availability Under the RCF: $1,000

**Total Liquidity**: $1,411

**Current Ratings**
- Moody’s CFR: Baa3 (Stable)
- S&P CFR: BBB- (Stable)
- Fitch CFR: BBB- (Stable)

Debt Maturity Profile

- 2016 Notes: $200
- 2017 Notes: $350
- 2019 Notes: $1,000
- 2020 Notes: $800
- 2021 Notes: $650
- 2024 Notes: $350
- RCF due 2021: $1,000

Source: L-3 Communications Holdings, Inc. SEC Filings and website. Note: LTM as of 3Q 2016.

(1) Excludes $13M of deferred debt issue costs and $6M of unamortized discounts.

(2) Shareholders’ Equity includes non-controlling interest of $72M.

(3) See Appendix for non-GAAP Reconciliation.

(4) A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.
Investment Highlights

- Leading A&D Contractor with Non-Platform Prime & Supplier Positions
- Sharpened Portfolio and Increasing R&D and M&A Investments
- Low Capital Intensity Businesses, with Expanding Margins and High Cash Flow Conversion
- Efficient Capital Structure and Commitment to Investment Grade Rating
- Highly Experienced Management Team
<table>
<thead>
<tr>
<th>Acronym</th>
<th>Definition</th>
<th>Acronym</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>A2/AD</td>
<td>Anti-Access/Area Denial</td>
<td>I^2</td>
<td>Image Intensification</td>
</tr>
<tr>
<td>AJ/LPI</td>
<td>Anti-Jam/Low Probability of Intercept</td>
<td>ISR</td>
<td>Intelligence, Surveillance and Reconnaissance</td>
</tr>
<tr>
<td>bps</td>
<td>basis points</td>
<td>OCO</td>
<td>Overseas Contingency Operations</td>
</tr>
<tr>
<td>DoD</td>
<td>Department of Defense</td>
<td>R&amp;D</td>
<td>Research &amp; Development</td>
</tr>
<tr>
<td>C4I</td>
<td>Command, Control, Communications, Computers &amp; Intelligence</td>
<td>RF</td>
<td>Radio Frequency</td>
</tr>
<tr>
<td>EBITDA</td>
<td>Earnings Before Interest Taxes, Depreciation and Amortization</td>
<td>SLEP</td>
<td>Service Life Extension Program</td>
</tr>
<tr>
<td>EO/IR</td>
<td>Electro-Optical/Infra-Red</td>
<td>SOF</td>
<td>Special Operations Forces</td>
</tr>
<tr>
<td>EPS</td>
<td>Earnings Per Share</td>
<td>UAS</td>
<td>Unmanned Aircraft Systems</td>
</tr>
<tr>
<td>FMS</td>
<td>Foreign Military Sales</td>
<td>USG</td>
<td>United States Government</td>
</tr>
</tbody>
</table>
Appendix
Non-GAAP Measure Disclosure

Adjusted EBITDA Reconciliation

<table>
<thead>
<tr>
<th>$M</th>
<th>2015(1)</th>
<th>LTM Sept. ’16(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Income Attributable to L-3</td>
<td>($240)</td>
<td>$399</td>
</tr>
<tr>
<td>Plus:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Expense</td>
<td>$189</td>
<td>$169</td>
</tr>
<tr>
<td>Income Taxes</td>
<td>$4</td>
<td>$51</td>
</tr>
<tr>
<td>Depreciation and Amortization</td>
<td>$222</td>
<td>$207</td>
</tr>
<tr>
<td>Non-cash Stock-based Compensation</td>
<td>$168</td>
<td>$160</td>
</tr>
<tr>
<td>Impairment Charges</td>
<td>$972</td>
<td>$349</td>
</tr>
<tr>
<td>Debt Retirement Charge</td>
<td>$1</td>
<td>$6</td>
</tr>
<tr>
<td>Other Adjustments</td>
<td>$24</td>
<td>$3</td>
</tr>
<tr>
<td>Adj. EBITDA (as defined in the L-3 Sr. Credit Facility)</td>
<td>$1,340</td>
<td>$1,344</td>
</tr>
</tbody>
</table>

Free Cash Flow Reconciliation

<table>
<thead>
<tr>
<th>$M</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>LTM Sept. ’16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Cash from Operating Activities as Reported</td>
<td>$1,156</td>
<td>$1,071</td>
<td>$1,042</td>
<td>$1,044</td>
</tr>
<tr>
<td>Excess Income Tax Benefits Related to Share-Based Payment Arrangements(2)</td>
<td>$4</td>
<td>$17</td>
<td>$26</td>
<td>$6</td>
</tr>
<tr>
<td>Net Cash from Operating Activities</td>
<td>$1,160</td>
<td>$1,088</td>
<td>$1,068</td>
<td>$1,050</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Expenditures</td>
<td>($204)</td>
<td>($174)</td>
<td>($197)</td>
<td>($186)</td>
</tr>
<tr>
<td>Add:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dispositions of Property, Plant and Equipment</td>
<td>$12</td>
<td>$4</td>
<td>$3</td>
<td>$16</td>
</tr>
<tr>
<td>Income Taxes Attributable to Discontinued Operations</td>
<td>$27</td>
<td>$14</td>
<td>$2</td>
<td>-</td>
</tr>
<tr>
<td>Free Cash Flow</td>
<td>$995</td>
<td>$932</td>
<td>$876</td>
<td>$880</td>
</tr>
</tbody>
</table>

Adjusted EBITDA is a supplemental financial measure that is not prepared in accordance with GAAP. We believe Adjusted EBITDA provides useful information regarding our performance to investors, financial analysts and others in their evaluation of us. Although many in the financial community consider Adjusted EBITDA to be an important measure of comparative operating performance, Adjusted EBITDA should not be considered as an alternative to net income, as a measure of operating performance, or an alternative to cash flows from operating activities as a measure of liquidity, or any other measure derived in accordance with GAAP. In addition, our measurement of Adjusted EBITDA may not be comparable to that of other companies and, therefore, comparability may be affected. A reconciliation of Adjusted EBITDA to net income, the most comparable GAAP financial measure, is presented above.

Free Cash Flow is a supplemental financial measure that is not prepared in accordance with GAAP. Free cash flow is defined as net cash from operating activities less net capital expenditures (capital expenditures less cash proceeds from dispositions of property, plant and equipment) plus income tax payments attributable to discontinued operations. Free cash flow represents cash generated after paying for interest on borrowings, income taxes, pension benefit contribution, capital expenditures and changes in working capital, but before repaying principal amount of outstanding debt, paying cash dividends on common stock, repurchasing shares of our common stock, investing cash to acquire businesses and making other strategic investments. Thus, a key assumption underlying free cash flow is that the company will be able to refinance its existing debt. Because of this assumption, free cash flow is not a measure that should be relied upon to represent the residual cash flow available for discretionary expenditures. A reconciliation of Free Cash Flow to net cash from operating activities the most comparable GAAP financial measure, is presented above.

(1) As reported for each period including discontinued operations.
(2) Effective January 1, 2016, the Company adopted Accounting Standards Update 2016-09, Improvements to Employee Share-Based Payment Arrangement, which changed the presentation of excess income tax benefits presentation on the Statement of Cash Flows from Net Cash from Financing Activity to Net Cash from Operating Activities.
Non-GAAP Measure Disclosure

### Adjusted Diluted EPS Reconciliation

<table>
<thead>
<tr>
<th>$M</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>LTM Sept. '16</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Diluted EPS from Continuing Operations Attributable to L-3 Holdings’ Common Stockholders</strong></td>
<td>$7.76</td>
<td>$7.20</td>
<td>$3.44</td>
<td>$5.08</td>
</tr>
<tr>
<td><strong>EPS impact of Loss on Business Divestitures</strong></td>
<td>-</td>
<td>-</td>
<td>$0.25</td>
<td>$0.02</td>
</tr>
<tr>
<td><strong>EPS Impact of Goodwill Impairment Charges</strong></td>
<td>-</td>
<td>-</td>
<td>$3.22</td>
<td>$2.93</td>
</tr>
<tr>
<td><strong>Adj. Diluted EPS from Continuing Operations</strong></td>
<td>$7.76</td>
<td>$7.20</td>
<td>$6.91</td>
<td>$8.03</td>
</tr>
<tr>
<td><strong>Loss on Business Divestitures</strong></td>
<td>-</td>
<td>-</td>
<td>$31.00</td>
<td>($2.00)</td>
</tr>
<tr>
<td><strong>Tax Benefit</strong></td>
<td>$11.00</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>After-Tax Impact</strong></td>
<td>($20.00)</td>
<td>$2.00</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Diluted Weighted Average Common Shares Outstanding</strong></td>
<td>$81.90</td>
<td>$78.60</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Per Share Impact (may not calculate due to rounding)</strong></td>
<td>($0.25)</td>
<td>($0.02)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Goodwill Impairment Charges</strong></td>
<td>($384.00)</td>
<td>($349.00)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Tax Benefit</strong></td>
<td>$120.00</td>
<td>$119.00</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>After-Tax Impact</strong></td>
<td>($264.00)</td>
<td>($230.00)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Diluted Weighted Average Common Shares Outstanding</strong></td>
<td>$81.90</td>
<td>$78.60</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Per Share Impact</strong></td>
<td>($3.22)</td>
<td>($2.93)</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

### Organic Sales Growth Reconciliation

<table>
<thead>
<tr>
<th>$M</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>LTM Sept. '16</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Sales</strong></td>
<td>$11,420</td>
<td>$10,986</td>
<td>$10,466</td>
<td>$10,393</td>
</tr>
<tr>
<td><strong>Sales from Business Divestitures</strong></td>
<td>-</td>
<td>-</td>
<td>$354</td>
<td>$373</td>
</tr>
<tr>
<td><strong>Sales from Business Acquisitions</strong></td>
<td>($81)</td>
<td>($41)</td>
<td>($103)</td>
<td>($100)</td>
</tr>
<tr>
<td><strong>Organic Sales</strong></td>
<td>$11,339</td>
<td>$10,945</td>
<td>$10,717</td>
<td>$10,666</td>
</tr>
<tr>
<td><strong>Organic Sales Growth</strong></td>
<td>(3.9%)</td>
<td>(4.2%)</td>
<td>(2.4%)</td>
<td>1.0%</td>
</tr>
</tbody>
</table>

Adjusted diluted EPS is diluted EPS from continuing operations, excluding the charges or credits relating to business divestitures and non-cash goodwill impairment charges. This amount is not calculated in accordance with U.S. GAAP. The company believes that the charges or credits relating to business divestitures and non-cash goodwill impairment charges affect the comparability of the results of operations in 2015 to the results of operations for 2013, 2014, and LTM 2016. The company also believes that disclosing diluted EPS excluding the charges or credits relating to business divestitures and non-cash goodwill impairment charges will allow investors to more easily compare the 2016 results to the 2015 results. However, these measures may not be defined or calculated by other companies in the same manner.

Organic sales represents net sales excluding the sales impact of acquisitions and divestitures. Sales declines related to business divestitures are sales from divestitures that are included in L-3’s actual results for the 12 months prior to the divestitures. Sales increases related to acquired businesses are sales from acquisitions that are included in L-3’s actual results for less than 12 months. The company believes organic sales is a useful measure for investors because it provides period-to-period comparisons of the company’s ongoing operational and financial performance.