

First Quarter Earnings Call

April 22, 2010



Financial Data Charts

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

First Quarter Results



Select Financial Data - First Quarter

(\$ in Millions, except per share amounts)

	1Q10	1Q09	1Q10 vs 1Q09
Sales	\$3,624	\$3,636	-0.3%
Operating Margin	11.3%	10.3%	+100 bpts
Operating Income	\$410	\$376	9%
Net Interest Expense and Other Income	\$60	\$63	-5%
Tax Rate	36.6%	35.8%	+80 bpts
Diluted Shares	116.9	118.8	-2%
Diluted Earnings Per Share (EPS)	\$1.87	\$1.66	13%
Net Cash from Operating Activities	\$271	\$152	78%
Free Cash Flow	\$245	\$112	119%

Notes: (1) The 1Q10 tax rate includes a tax provision of \$5M, or \$0.04 per share, related to the Patient Protection and Affordable Care Act.

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



Segment Results - First Quarter

(\$ in Millions)

<u>Segment</u>	<u>1Q10 Sales</u>	<u>Sales Growth vs 1Q09</u>	<u>1Q10 Operating Margin</u>	<u>Margin Change vs 1Q09 (bpts)</u>
C ³ ISR	\$ 788	11%	13.4%	+240
Gov't Services	941	-6	8.2%	-80
AM&M	652	-2%	9.1%	-80
Electronic Systems	1,243	-1%	13.4%	+220
Consolidated	\$ 3,624	-0.3%	11.3%	+100

2010 Financial Guidance



2010 Financial Guidance

(\$ in Billions, except EPS amounts)

	Current Guidance (Apr. 22, 2010)	Prior Guidance (Jan. 28, 2010)
Sales	\$16.2 to \$16.3	\$15.8 to \$16.0
Operating Margin	10.8%	10.7%
Tax Rate	36.1%	35.8%
Diluted EPS	\$8.13 to \$8.33	\$8.00 to \$8.20
Net Cash from Operating Activities	\$1.51	\$1.50
Less: CapEx, net of Dispositions	(\$0.25)	(\$0.25)
Free Cash Flow	\$1.26	\$1.25

Note: Revised guidance includes: (i) extension of SOFSA contract through January 2011, (ii) the Insight Technology acquisition completed on April 14, 2010 and (iii) the impact of the Patient Protection and Affordable Care Act.



2010 Segment Guidance

(\$ in Billions)

Segment	Sales	Midpoint Sales Growth vs. 2009	Operating Margin	Midpoint Margin Change vs. 2009 (bpts)
C ³ ISR	\$3.4 to \$3.5	11%	11.6% to 11.8%	+60
Gov't Services	\$4.0 to \$4.1	-3%	9.2% to 9.4%	-20
AM&M	\$2.9 to \$3.0	4%	8.6% to 8.8%	+10
Electronic Systems	\$5.8 to \$5.9	6%	12.0% to 12.2%	n.c.
Consolidated	\$16.2 to \$16.3	4%	10.8%	+20

Notes: (1) AM&M segment includes the extension of the SOFSA contract through January 2011.

(2) Electronic Systems segment includes the acquisition of Insight Technology completed on April 14, 2010.



2010 Segment Guidance - Current vs Prior

(\$ in Billions)

Segment	Current Guidance		Prior Guidance	
	Sales	Operating Margin	Sales	Operating Margin
C ³ ISR	\$3.4 to \$3.5	11.6% to 11.8%	\$3.4 to \$3.5	11.2% to 11.4%
Gov't Services	\$4.0 to \$4.1	9.2% to 9.4%	\$4.0 to \$4.1	9.6% to 9.8%
AM&M	\$2.9 to \$3.0	8.6% to 8.8%	\$2.7 to \$2.8	8.8% to 9.0%
Electronic Systems	\$5.8 to \$5.9	12.0% to 12.2%	\$5.6 to \$5.7	11.7% to 11.9%
Consolidated	\$16.2 to \$16.3	10.8%	\$15.8 to \$16.0	10.7%



Free Cash Flow

(\$ in Millions)

	1Q10 Actual	1Q09 Actual	2010 Guidance	2009 Actual
Net income	\$ 222	\$ 201	\$ 960	\$ 911
Depreciation & amortization	56	53	230	218
Deferred taxes	29	14	95	74
Stock-based compensation	49	49	228	213
Amortization of pension net loss	10	13	39	52
CODES non-cash interest	5	5	22	20
Working capital/other	(100)	(183)	(64)	(81)
Net cash flow from operating activities	\$ 271	\$ 152	\$ 1,510	\$ 1,407
Capital expenditures, net	(26)	(40)	(250)	(182)
Free cash flow	\$ 245	\$ 112	\$ 1,260	\$ 1,225

Supplemental Data:

Cash interest payments	\$ 57	\$ 59	\$ 236	\$ 237
Income tax payments, net	24	44	465	378
Pension expense	37	42	148	173
Pension contributions	4	3	140	67

Debt

(\$ in Millions)

	3/26/10 Actual	Type	Maturity Date	Next Redemption	
				Date	Premium
Senior:					
Revolver	\$ -	L+300 bpts	10/12	n.a.	
5.2% Senior Notes	1,000	fixed	10/19	n.a.	
Subordinated:					
3% CODES	\$ 700	fixed	8/35	2/11	—
6-1/8% Notes	400	fixed	7/13	7/09	2.042%
6-1/8% Notes	400	fixed	1/14	1/10	2.042%
5-7/8% Notes	650	fixed	1/15	1/10	2.938%
6-3/8% Notes	1,000	fixed	10/15	10/10	3.188%
Unamortized Discounts	(32)				
Total	\$ 4,118				

Notes: (1) The contingent convertible notes (CODES) contain "puts" that holders can exercise on Feb 1, 2011, and every 5-year anniversary thereafter at a price of 100%.

(2) Debt shelf registration statement filed with SEC on March 29, 2010 for potential senior notes offering.

(3) Registration statement for the 5.2% senior notes offering filed on March 26, 2010 and declared effective on April 6, 2010 by the SEC.



Capitalization and Leverage

(\$ in Millions)

	3/26/10	12/31/09
	Actual	Actual
Cash	\$1,135	\$1,016
Debt	\$4,118	\$4,112
Equity	6,796	6,660
Invested Capital	\$10,914	\$10,772

Debt/Invested Capital	37.7%	38.2%
Bank Leverage Ratio	1.9x	1.9x
Available Revolver	\$968	\$968

Note: Equity includes non-controlling interests of \$92M as of March 26, 2010, and \$93M as of December 31, 2009.

Forward Looking Statements

Certain of the matters discussed in these slides, including information regarding the company's 2010 financial outlook that are predictive in nature, that depend upon or refer to events or conditions or that include words such as "expects," "anticipates," "intends," "plans," "believes," "estimates," and similar expressions constitute forward-looking statements. Although we believe that these statements are based upon reasonable assumptions, including projections of total sales growth, sales growth from business acquisitions, organic sales growth, consolidated operating margins, total segment operating margins, interest expense, earnings, cash flow, research and development costs, working capital, capital expenditures and other projections, they are subject to several risks and uncertainties that are difficult to predict, and therefore, we can give no assurance that these statements will be achieved. Such statements will also be influenced by factors which include, among other things: our dependence on the defense industry and the business risks peculiar to that industry; our reliance on contracts with a limited number of agencies of, or contractors to, the U.S. Government and the possibility of termination of government contracts by unilateral government action or for failure to perform; the extensive legal and regulatory requirements surrounding our contracts with the U.S. or foreign governments and the results of any investigation of our contracts undertaken by the U.S. or foreign governments; our ability to retain our existing business and related contracts (revenue arrangements); our ability to successfully compete for and win new business and related contracts (revenue arrangements) and to win re-competitions of our existing contracts; our ability to identify and acquire additional businesses in the future with terms that are attractive to L-3 and to integrate acquired business operations; our ability to maintain and improve our consolidated operating margin and total segment operating margin in future periods; our ability to obtain future government contracts (revenue arrangements) on a timely basis; the availability of government funding or cost-cutting initiatives and changes in customer requirements for our products and services; our significant amount of debt and the restrictions contained in our debt agreements; our ability to continue to retain and train our existing employees and to recruit and hire new qualified and skilled employees as well as our ability to retain and hire employees with U.S. Government Security clearances; actual future interest rates, volatility and other assumptions used in the determination of pension benefits and equity based compensation, as well as the market performance of benefit plan assets; our collective bargaining agreements, our ability to successfully negotiate contracts with labor unions and our ability to favorably resolve labor disputes should they arise; the business, economic and political conditions in the markets in which we operate, including those for the commercial aviation, shipbuilding and communications market; global economic uncertainty; the DoD's contractor support services in-sourcing initiative; our ability to perform contracts on schedule; events beyond our control such as acts of terrorism; our international operations; our extensive use of fixed-price type contracts as compared to cost-reimbursable type and time-and-material type contracts; the rapid change of technology and high level of competition in the defense industry and the commercial industries in which our businesses participate; our introduction of new products into commercial markets or our investments in civil and commercial products or companies; the outcome of litigation matters; results of audits by U.S. Government agencies; anticipated cost savings from business acquisitions not fully realized or realized within the expected time frame; outcome of matters relating to the Foreign Corrupt Practices Act; ultimate resolution of contingent matters, claims and investigations relating to acquired businesses, and the impact on the final purchase price allocations; competitive pressure among companies in our industry; and the fair values of our assets, which can be impaired or reduced by other factors, some of which are discussed above.

For a discussion of other risks and uncertainties that could impair our results of operations or financial condition, see "Part I — Item 1A — Risk Factors" and Note 19 to our audited consolidated financial statements, included in our Annual Report on Form 10-K for the year ended Dec. 31, 2009 as well as any material updates to these factors in our future filings.

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



Reconciliation of GAAP to Non-GAAP Measurements

(\$ in Millions)

	<u>2010 Guidance</u>	<u>1Q10 Actual</u>	<u>2009 Actual</u>	<u>1Q09 Actual</u>
Net cash from operating activities	\$ 1,510	\$ 271	\$1,407	\$ 152
Less: Capital expenditures	(250)	(26)	(186)	(41)
Add: Dispositions of property, plant and equipment	-	-	4	1
Free cash flow	<u>\$ 1,260</u>	<u>\$ 245</u>	<u>\$1,225</u>	<u>\$ 112</u>



