

First Quarter Earnings Call

April 21, 2011



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.

Forward Looking Statements

Certain of the matters discussed in these slides, including information regarding the company's 2011 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, 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, including changing priorities or reductions in the U.S. Government defense budget; backlog processing and program slips resulting from delayed resolution of the Department of Defense (DoD) fiscal year 2011 funding; 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 markets; global economic uncertainty; the DoD's contractor support services in-sourcing and efficiency initiatives; events beyond our control such as acts of terrorism; our ability to perform contracts (revenue arrangements) on schedule; our international operations; our extensive use of fixed-price type contracts as compared to cost-plus 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, including in connection with jury trials; results of audits by U.S. Government agencies; results of on-going governmental investigations, including potential suspensions or debarments; the impact on our business of improper conduct by our employees, agents or business partners; anticipated cost savings from business acquisitions not fully realized or realized within the expected time frame; the outcome of matters relating to the Foreign Corrupt Practices Act (FCPA) and similar non-U.S. regulations; 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 December 31, 2010, 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 reflect events or changes in circumstances or changes in expectations or the occurrence of anticipated events.



First Quarter 2011 Results



Select Financial Data - First Quarter

(\$ in Millions, except per share amounts)

	1Q11	1Q10	vs. 1Q10
Sales	\$3,601	\$3,624	-1%
Operating Margin	10.8%	11.3%	-50 bpts
Operating Income	\$390	\$410	-5%
Net Interest Expense and Other Income	\$79	\$60	32%
Tax Rate	33.4%	36.6%	-320 bpts
Diluted Shares	109.5	116.9	-6%
Diluted Earnings Per Share (EPS)	\$1.85	\$1.87	-1%
Net Cash from Operating Activities	\$220	\$271	-19%
Free Cash Flow	\$186	\$245	-24%

- Notes: (1) The 1Q11 lower tax rate is due to: (i) an increased benefit from foreign earnings, (ii) the reenactment of the U.S. Federal research and experimentation tax credit, and (iii) a 1Q10 tax provision of \$5M, or \$0.04 per share, related to the unfavorable tax treatment of the U.S. Federal Patient Protection and Affordable Care Act that did not recur.
- (2) 1Q11 includes a debt retirement charge of \$18M (\$11M after tax or \$0.10 per share) on the redemption of the \$650M 5-7/8% senior subordinated notes due 2015.
- (3) See Reconciliation of GAAP to Non-GAAP Measurements.



Segment Results - First Quarter

(\$ in Millions)

Segment	1Q11 Sales	Sales Growth vs. 1Q10	1Q11 Operating Margin	Margin Change vs. 1Q10 (bpts)
C ³ ISR	\$ 785	2%	11.4%	-220
Gov't Services	947	4%	7.5%	-40
AM&M	593	-9%	11.1%	+200
Electronic Systems	1,276	-1%	12.8%	-70
Consolidated	\$ 3,601	-1%	10.8%	-50

Note: During 1Q11, the company made certain reclassifications between its C³ISR, Government Services and Electronic Systems reportable segments due to the re-alignment of certain business units in the company's management and organizational structure. See Supplemental Segment Data slides for the previous 1Q10 segment data presentation, reclassifications to the respective segments and the revised segment data presentation.



Free Cash Flow

(\$ in Millions)

	1Q11 Actual	1Q10 Actual	2011 Guidance	2010 Actual
Net income	\$ 207	\$ 222	\$ 930	\$ 966
Depreciation & amortization	59	56	240	231
Deferred taxes	26	29	110	111
Stock-based compensation	55	49	206	225
CODES non-cash interest	2	5	2	22
Amortization of pension & OPEB net losses	13	10	53	41
Working capital/other	(142)	(100)	(31)	(135)
Cash flow from operating activities	\$ 220	\$ 271	\$ 1,510	\$1,461
Capital expenditures, net	(34)	(26)	(220)	(171)

Free cash flow	\$ 186	\$ 245	\$ 1,290	\$1,290
-----------------------	---------------	---------------	-----------------	----------------

Supplemental Data:

Cash interest payments	\$ 62	\$ 57	\$ 225	\$ 233
Income tax payments, net	35	24	385	336
Pension expense	40	37	157	154
Pension contributions	62	4	185	186



Capitalization and Leverage

(\$ in Millions)

	4/1/11 Actual	12/31/10 Actual
Cash	\$548	\$607
Debt	\$4,126	\$4,137
Equity	6,926	6,855
Invested Capital	\$11,052	\$10,992
Debt/Invested Capital	37.3%	37.6%
Bank Leverage Ratio	1.88x	1.84x
Available Revolver	\$989	\$983

Note: Equity includes non-controlling interests (minority interests) of \$90M as of April 1, 2011 and \$91M as of December 31, 2010.



Debt Balances and Maturities

(\$ in Millions)

	<u>4/1/11 Actual</u>	<u>Type</u>	<u>Maturity Date</u>	<u>Redemption Premium</u>
<u>Senior:</u>				
Revolver	\$ -	L+300 bpts	10/23/12	n.a.
5.2% Senior Notes	1,000	fixed	10/15/19	T+0.30% make-whole
4.75% Senior Notes	800	fixed	7/15/20	T+0.25% make-whole
4.95% Senior Notes	650	fixed	2/15/21	T+0.25% make-whole
<u>Subordinated:</u>				
6-3/8% Notes	\$ 1,000	fixed	10/15/15	3.188%
3% CODES	689	fixed	8/1/35	0%
Unamortized Discounts	(13)			
Total	\$ 4,126			

Note: T = comparable U.S. Treasury note rate



Cash Sources and Uses

(\$ in Millions)

	<u>2011 Guidance</u>	<u>1Q11 Actual</u>	<u>2010 Actual</u>
Beginning cash	\$ 607	\$ 607	\$1,016
Net cash from operating activities	1,510	220	1,461
CapEx, net	(220)	(34)	(171)
Acquisitions, net	(5)	-	(754)
Dividends	(192)	(49)	(184)
Share repurchases	(800)	(205)	(834)
Other, net	50	9	73
Ending cash	<u>\$ 950</u>	<u>\$ 548</u>	<u>\$ 607</u>



2011 Financial Guidance



2011 Financial Guidance

(\$ in Billions, except per share amounts)

	Current Guidance (Apr. 21, 2011)	Prior Guidance (Jan. 27, 2011)
Sales	\$15.5 to \$15.6	\$15.7 to \$15.9
Operating Margin	10.7%	10.6%
Tax Rate	34.5%	35.0%
Diluted EPS	\$8.50 to \$8.60	\$8.40 to \$8.55
Net Cash from Operating Activities	\$1.51	\$1.48
Less: CapEx, net of Dispositions	(\$0.22)	(\$0.22)
Free Cash Flow	\$1.29	\$1.26

Note: Revised guidance includes: (i) an additional \$300M of share repurchases, (ii) an increase in estimated operating margin due to additional cost management and more favorable sales mix primarily for C³ISR and Electronic Systems segments, (iii) a decrease in the estimated effective tax rate; (iv) reduced sales expectations primarily for the Government Services segment, and (v) a 1Q11 debt refinancing, including a debt retirement charge and reduced interest expense.



2011 Segment Guidance

(\$ in Billions)

Segment	Sales	Midpoint Sales Growth vs. 2010	Operating Margin	Midpoint Margin Change vs. 2010 (bpts)
C ³ ISR	\$3.6 to \$3.7	10%	11.0% to 11.2%	-70
Gov't Services	\$3.6 to \$3.7	-7%	7.8% to 8.0%	-80
AM&M	\$2.4 to \$2.5	-12%	9.0% to 9.2%	+90
Electronic Systems	\$5.7 to \$5.8	2%	12.8% to 13.0%	-100
Consolidated	\$15.5 to \$15.6	-0.8%	10.7%	-50



2011 Segment Guidance - Current vs. Prior

(\$ in Billions)

Segment	Current Guidance		Prior Guidance	
	Sales	Operating Margin	Sales	Operating Margin
C ³ ISR	\$3.6 to \$3.7	11.0% to 11.2%	\$3.6 to \$3.7	10.7% to 10.9%
Gov't Services	\$3.6 to \$3.7	7.8% to 8.0%	\$3.9 to \$4.0	8.0% to 8.2%
AM&M	\$2.4 to \$2.5	9.0% to 9.2%	\$2.4 to \$2.5	9.0% to 9.2%
Electronic Systems	\$5.7 to \$5.8	12.8% to 13.0%	\$5.7 to \$5.8	12.6% to 12.8%
Consolidated	\$15.5 to \$15.6	10.7%	\$15.7 to \$15.9	10.6%



Reconciliation of GAAP to Non-GAAP Measurements

(\$ in Millions)

	<u>2011 Guidance</u>	<u>1Q11 Actual</u>	<u>2010 Actual</u>	<u>1Q10 Actual</u>
Net cash from operating activities	\$ 1,510	\$220	\$ 1,461	\$271
Less: Capital expenditures	(225)	(35)	(181)	(26)
Add: Dispositions of property, plant and equipment	5	1	10	-
Free cash flow	<u>\$ 1,290</u>	<u>\$186</u>	<u>\$ 1,290</u>	<u>\$245</u>



Supplemental Segment Data

(\$ in Millions)

	<u>Previous Presentation</u>		<u>Reclassification</u>		<u>Revised Presentation</u>	
	<u>2010</u>	<u>1Q10</u>	<u>2010</u>	<u>1Q10</u>	<u>2010</u>	<u>1Q10</u>
Sales:						
C ³ ISR	\$ 3,399	\$ 788	\$ (76)	\$ (18)	\$ 3,323	\$ 770
Gov't Services	3,963	928	(37)	(18)	3,926	910
AM&M	2,781	652	-	-	2,781	652
Electronic Systems	5,537	1,256	113	36	5,650	1,292
Consolidated	\$ 15,680	\$ 3,624	\$ -	\$ -	\$ 15,680	\$ 3,624

Operating Margin:

C ³ ISR	11.6%	13.4%	0.2%	0.2%	11.8%	13.6%
Gov't Services	8.7%	8.2%	-	-0.3%	8.7%	7.9%
AM&M	8.2%	9.1%	-	-	8.2%	9.1%
Electronic Systems	14.1%	13.4%	-0.2%	0.1%	13.9%	13.5%
Consolidated	11.2%	11.3%	-	-	11.2%	11.3%



