

First Quarter Earnings Call *May 1, 2014*

Financial Data Charts



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 2014 financial outlook, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than historical facts, may be forward-looking statements, such as "may," "will," "should," "likely," "projects," "expects," "anticipates," "intends," "plans," "believes," "estimates," and similar expressions are used to identify forward-looking statements. 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; our significant amount of debt and the restrictions contained in our debt agreements; 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; our extensive use of fixed-price type revenue arrangements; the rapid change of technology and high level of competition 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 and of on-going governmental investigations; the impact on our business of improper conduct by our employees, agents or business partners; ultimate resolution of contingent matters, claims and investigations relating to acquired businesses, and the impact on the final purchase price allocations; and the fair values of our assets.

In addition, for a discussion of other risks and uncertainties that could impair our results of operations or financial condition, see "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our most recent annual report on Form 10-K for the year ended December 31, 2013, and any material updates to these factors contained in any of our future filings.

Readers of these slides are cautioned that our forward-looking statements are not guarantees of future performance and the actual results or developments may differ materially from the expectations expressed in the forward-looking statements.

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



First Quarter Results



Select Financial Data - First Quarter

(\$ in Millions, except per share amounts)

	<u>1Q14</u>	<u>1Q13</u>	<u>vs. 1Q13</u>
Sales	\$2,971	\$3,185	-7%
Operating Margin	10.3%	9.8%	+50 bps
Operating Income	\$307	\$313	-2%
Interest Expense	\$43	\$43	n.c.
Interest and Other Income, Net	\$3	\$3	n.c.
Tax Rate	31.8%	28.9%	+290 bps
Diluted Shares	89.4	91.5	-2%
Diluted Earnings Per Share (EPS)	\$2.01	\$2.11	-5%
Net Cash (used in) from Operating Activities	-\$62	\$146	n.m.
Free Cash Flow	-\$91	\$98	n.m.

Notes: (1) 1Q13 included a \$12M (\$0.13 per diluted share) tax benefit for the retroactive reinstatement of the U.S. Federal research and experimentation (R&E) tax credit for 2012 and 2013, compared to no R&E tax credit in 1Q14.

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

n.c. = no change

n.m. = not meaningful



Segment Results - First Quarter

(\$ in Millions)

Segment	1Q14 Sales	Sales Growth vs. 1Q13	1Q14 Operating Margin	Margin Change 1Q13 (bps)
Aerospace Systems	\$ 1,082	-9%	10.5%	-130
Electronic Systems	1,082	-3%	11.6%	+110
Communication Systems	503	-10%	9.9%	+360
NSS	304	-8%	5.9%	-50
Consolidated	\$ 2,971	-7%	10.3%	+50



2014 Financial Guidance



2014 Consolidated Financial Guidance

(\$ in Millions, except per share amounts)

	Guidance (May 1, 2014)	Midpoint vs. 2013
Sales	\$11,950 to \$12,150	-5%
Operating margin	10.5%	+50 bps
Interest expense	\$177	\$0
Interest and other income	\$14	-\$1
Effective tax rate	32.5%	+430 bps
Diluted shares	88.6	-3%
Diluted EPS	\$8.20 to \$8.40	-3%
Free cash flow	\$1,000	-6%

2014 Consolidated Financial Guidance Assumptions:

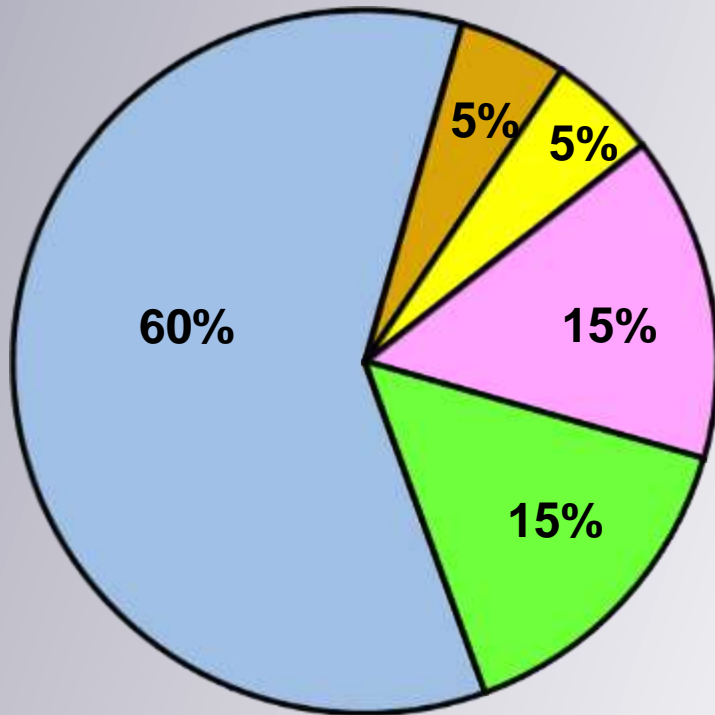
- (1) Lower pension expense vs. 2013 increases operating income by \$97 million and operating margin by 80 bps.
- (2) The U.S. Federal research and experimentation (R&E) tax credit, which expired on December 31, 2013, increases effective tax rate by 130 bps and reduces diluted EPS by \$0.16.
- (3) Share repurchases of \$575 million.
- (4) The acquisition of Data Tactics Corporation, completed on March 4, 2014, which adds ~\$50 million of sales.
- (5) Guidance excludes any potential non-cash goodwill impairment charges for which the information is presently unknown.

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

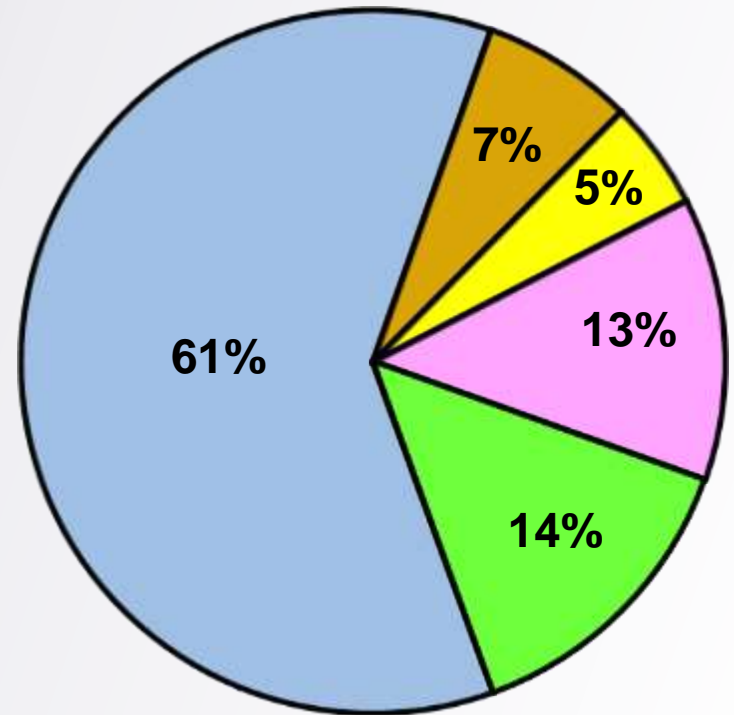


End Customer Sales Mix Trends

2014 Estimate



2013 Actual



Direct to End Customer = 68%
Indirect to End Customer = 32%

■ U.S. Department of Defense (DoD) - All Other ■ DoD Iraq/Afghanistan
■ Other U.S. Government ■ Commercial ■ International Governments



2014 Segment Guidance

(\$ in Millions)

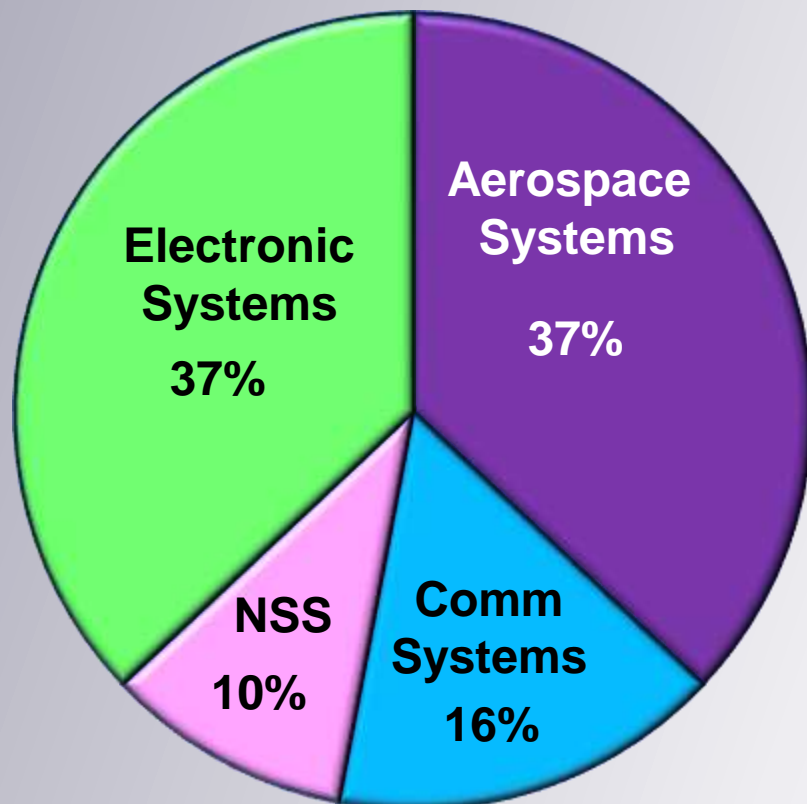
Segment	Sales	Midpoint Sales vs. 2013	Operating Margin	Midpoint Margin vs. 2013 (bps)	Pension Margin Impact* (bps)
Aerospace Systems	\$4,450 to \$4,550	-1%	10.6% to 10.8%	+10	+70
Electronic Systems	\$4,450 to \$4,550	-2%	11.2% to 11.4%	-30	+70
Comm Systems	\$1,800 to \$1,900	-15%	9.9% to 10.1%	+270	+170
NSS	\$1,150 to \$1,250	-7%	7.2% to 7.4%	+70	+10
L-3 Consolidated	\$11,950 to \$12,150	-5%	10.5%	+50	+80

* Lower pension expense 2014 vs. 2013 increases operating income \$97M (Aerospace Systems \$33M, Electronic Systems \$32M, Communication Systems \$31M, and NSS \$1M).

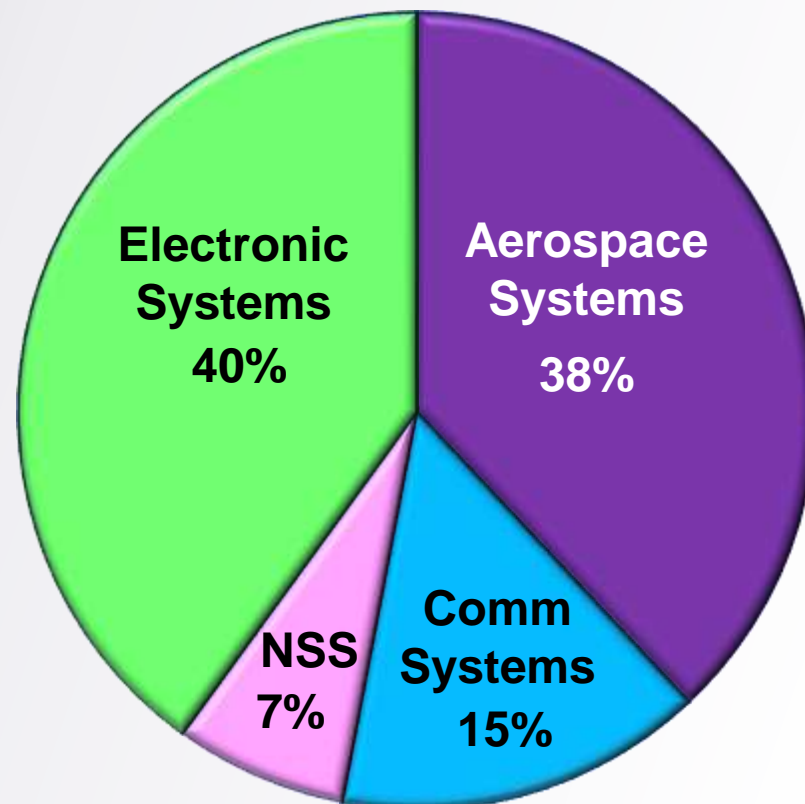


Segment Mix: 2014 Guidance Midpoints

Sales



Operating Income



Cash Flow Data



Free Cash Flow

(\$ in Millions)

	1Q14	1Q13	2014	2013
	<u>Actual</u>	<u>Actual</u>	<u>Guidance</u>	<u>Actual</u>
Net income	\$ 182	\$ 194	\$ 740	\$ 787
Depreciation & amortization	54	54	222	214
Deferred income taxes	22	19	90	48
401K common stock match	44	32	115	114
Stock-based employee compensation	15	14	59	59
Amortization of pension and OPEB net losses	4	22	18	83
Working Capital/other items	(383)	(189)	(49)	(42)
Capital expenditures, net	(29)	(48)	(195)	(197)
Free cash flow	<u>\$ (91)</u>	<u>\$ 98</u>	<u>\$ 1,000</u>	<u>\$ 1,066</u>

Robust Cash Flow



Supplemental Cash Flow Data

(\$ in Millions)

	<u>1Q14 Actual</u>	<u>1Q13 Actual</u>	<u>2014 Guidance</u>	<u>2013 Actual</u>
Cash interest payments	\$ 48	\$ 48	\$ 170	\$ 171
Income tax payments, net	39	11	295	226
FAS pension expense	21	45	81 ^{(1) (2)}	181
CAS pension cost ⁽³⁾	29	29	114	117
Pension contributions	14	18	97	105

(1) FAS pension expense represents pension expense determined using U.S. GAAP and assumes a 2014 weighted average discount rate of 5.03% (vs. 4.15% for 2013) and a 2014 weighted average pension asset return of 8.13%.

(2) Estimated 2014 Pension Expense Sensitivity: A 25 bps increase/decrease in 12/31/13 discount rate would decrease/increase 2014 pension expense by ~\$10M and decrease/increase the 12/31/13 unfunded obligation by ~\$97M.

(3) CAS pension cost represents estimated allowable and reimbursable pension cost under U.S. Government procurement regulations (determined using Cost Accounting Standards or CAS) on L-3's U.S. Government contracts.



Depreciation, Amortization and Capital Expenditures

(\$ in Millions)

Segment	2014				2013			
	D&A		CapEx, Net		D&A		CapEx, Net	
	1Q14	2014	1Q14	2014	1Q13	2013	1Q13	2013
Aeospace Systems	\$ 10	\$ 40	\$ 9	\$ 52	\$ 9	\$ 38	\$ 12	\$ 58
Electronic Systems	29	118	15	106	30	117	16	75
Comm Systems	12	53	4	32	12	48	19	57
NSS	3	11	1	5	3	11	1	7
Consolidated	\$ 54	\$222	\$ 29	\$195	\$ 54	\$214	\$ 48	\$197

D&A = Depreciation and Amortization

CapEx, Net = Capital expenditures net of dispositions of property, plant and equipment



Cash Sources and Uses, and Capitalization and Leverage



Cash Sources and Uses

(\$ in Millions)

	<u>2014 Guidance</u>	<u>1Q14 Actual</u>	<u>2013 Actual</u>
Beginning cash	\$ 500	\$ 500	\$ 349
Free cash flow	1,000	(91)	1,066
Acquisitions, net	(57)	(57)	(58)
Dividends	(207)	(55)	(199)
Share repurchases	(575)	(133)	(800)
Other, net	89	63	142
Ending cash	<u>\$ 750</u>	<u>\$ 227</u>	<u>\$ 500</u>

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



Capitalization and Leverage

(\$ in Millions)

	3/28/14 Actual	12/31/13 Actual
Cash	\$227	\$500
Debt	\$3,631	\$3,630
Equity	6,188	6,098
Invested Capital	\$9,819	\$9,728
Debt/Invested Capital	37.0%	37.3%
Bank Leverage Ratio	2.21x	2.09x
Available Revolver	\$1,000	\$1,000

Note: Equity includes non-controlling interests (minority interests) of \$75M as of both March 28, 2014 and December 31, 2013.



Appendix



Debt Balances and Maturities

(\$ in Millions)

	3/28/14 Actual	Type	Maturity Date	Redemption Premium
<u>Senior:</u>				
Revolver	\$ -	L+150 bpts	2/3/17	n.a.
3.95% Senior Notes	500	fixed	11/15/16	T+0.50% make-whole
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>				
3% CODES	689	fixed	8/1/35*	Converts to 7,739K L-3 Shares
Unamortized Discounts	(8)			
Total	\$ 3,631			

* On March 31, 2014, L-3 notified the holders of the 3% Contingent Convertible Debt Securities (CODES) that they are currently entitled to convert all or a portion of their CODES because the closing prices of L-3 stock met the trading price condition of the CODES. The holders' right to convert began on March 31, 2014 and ends on June 27, 2014. The conversion price of the CODES is \$89.08.

T = comparable U.S. treasury note rate.
L = LIBOR rate



Reconciliation of GAAP to Non-GAAP Measurements

(\$ in Millions)

	<u>2014 Guidance</u>	<u>1Q14 Actual</u>	<u>2013 Actual</u>	<u>1Q13 Actual</u>
Net cash from operating activities	\$1,195	\$ (62)	\$1,263	\$ 146
Less: Capital expenditures	(200)	(30)	(209)	(49)
Add: Dispositions of property, plant and equipment	5	1	12	1
Free cash flow	<u>\$1,000</u>	<u>\$ (91)</u>	<u>\$1,066</u>	<u>\$ 98</u>



