

Second Quarter Earnings Call *July 30, 2015*

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 2015 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; 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; 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 outcome of litigation matters; results of audits by U.S. Government agencies and of ongoing governmental investigations, including the internal review of the Aerospace Systems segment; 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.

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, 2014, 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.



Second Quarter Results



Select Financial Data - Second Quarter

(\$ in Millions, except per share amounts)

| | 2Q15 | 2Q14 | vs. 2Q14 |
|---|----------------|----------------|-----------------|
| Sales | \$2,793 | \$3,019 | -7% |
| Segment Operating Margin^{(1) (2)} | 5.9% | 7.9% | -200 bps |
| Segment Operating Income^{(1) (2)} | \$164 | \$239 | -31% |
| Interest Expense | \$48 | \$39 | 23% |
| Interest and Other Income, Net | \$5 | \$4 | 25% |
| Tax Rate (Benefit) Provision⁽³⁾ | -0.8% | 30.9% | n.m. |
| Diluted Shares | 83.2 | 89.3 | -7% |
| Diluted Earnings Per Share (EPS)⁽¹⁾ | \$1.44 | \$1.53 | -6% |
| Adjusted Diluted EPS^{(1) (2) (4)} | \$1.41 | \$1.53 | -8% |
| Net Cash from Operating Activities | \$227 | \$277 | -18% |
| Free Cash Flow⁽⁴⁾ | \$183 | \$241 | -24% |

- Notes: (1) The 2Q15 results in the Aerospace Systems segment were impacted by charges of \$103 million, or \$0.77 per diluted share, for contract cost growth at the Platform Integration division, primarily due to additional losses of \$84 million related to our international head-of-state aircraft modification contracts and \$19 million of cost growth on three other aircraft modification contracts.
- (2) Excludes 2Q15 net pre-tax gain of \$2 million (\$3 million after income taxes), or \$0.03 per diluted share related to the divestiture of Marine Systems International (MSI), which was completed on May 29, 2015, and the divestiture of Broadcast Sports, Inc. (BSI), which was completed on April 24, 2015.
- (3) The 2Q15 tax benefit includes: (i) \$17 million of foreign tax benefits related to a legal restructuring of our foreign entities, (ii) a \$10 million benefit related to the resolution of various outstanding income tax matters with U.S. and foreign tax authorities and (iii) \$9 million related to deferred tax benefits.
- (4) Non-GAAP Measurement. See pages 23 - 25 for a reconciliation of these GAAP to Non-GAAP Measurements.

n.m. = not meaningful



Segment Results - Second Quarter

(\$ in Millions)

| Segment | 2Q15 Sales | Sales Growth vs. 2Q14 | 2Q15 Operating Margin | Margin Change vs. 2Q14 (bps) |
|-----------------------|-----------------|-----------------------|-----------------------|------------------------------|
| Electronic Systems | \$ 1,036 | -6% | 11.5% | -60 |
| Aerospace Systems | 995 | -6% | -1.7% | -540 |
| Communication Systems | 501 | -4% | 10.4% | +120 |
| NSS | 261 | -22% | 3.8% | -190 |
| Total Segment | \$ 2,793 | -7% | 5.9% | -200 |



First Half Results



Select Financial Data - First Half

| (\$ in Millions, except per share amounts) | 1H15 | 1H14 | vs. 1H14 |
|---|---------|---------|----------|
| Sales | \$5,506 | \$5,976 | -8% |
| Segment Operating Margin ^{(1) (2)} | 7.0% | 8.8% | -180 bps |
| Segment Operating Income ^{(1) (2)} | \$386 | \$525 | -26% |
| Interest Expense | \$92 | \$82 | 12% |
| Interest and Other Income, Net | \$8 | \$9 | -11% |
| Tax Rate ⁽³⁾ | 17.4% | 30.8% | n.m. |
| Diluted Shares | 83.5 | 89.4 | -7% |
| Diluted EPS ⁽¹⁾ | \$2.69 | \$3.43 | -22% |
| Adjusted Diluted EPS ^{(1) (2) (4)} | \$2.84 | \$3.43 | -17% |
| Net Cash from Operating Activities | \$314 | \$215 | 46% |
| Free Cash Flow ⁽⁴⁾ | \$230 | \$150 | 53% |

Notes: (1) 1H15 results impacted by 2Q15 Aerospace Systems segment charges of \$103 million, or \$0.77 per diluted share, for contract cost growth at Platform Integration division, primarily due to additional losses of \$84 million on the head-of-state aircraft modification contracts and \$19 million of cost growth on three other aircraft modification contracts.

(2) Excludes 1H15 pre-tax loss of \$20 million (\$12 million after income taxes), or \$0.15 per diluted share related to business divestitures. The loss related to business divestitures for the 2015 first half includes a pre-tax loss of \$17 million related to the MSI divestiture and a pre-tax loss of \$3 million related to the BSI divestiture.

(3) The 1H15 tax rate is lower than the 1H14 tax rate primarily due to \$36 million of tax benefits in 2Q15, which are discussed on page 4.

(4) Non-GAAP Measurement. See pages 23 - 25 for a reconciliation of these GAAP to Non-GAAP Measurements.

n.m. = not meaningful



Segment Results - First Half

(\$ in Millions)

| Segment | 1H15 Sales | Sales Growth vs. 1H14 | 1H15 Operating Margin | Margin Change vs. 1H14 (bps) |
|-----------------------|-----------------|-----------------------|-----------------------|------------------------------|
| Electronic Systems | \$ 2,045 | -6% | 11.4% | -40 |
| Aerospace Systems | 2,021 | -5% | 2.2% | -400 |
| Communication Systems | 936 | -9% | 9.3% | -30 |
| NSS | 504 | -21% | 4.2% | -160 |
| Total Segment | \$ 5,506 | -8% | 7.0% | -180 |



2015 Financial Guidance



2015 Consolidated Financial Guidance

(\$ in Millions, except per share amounts)

| | Guidance (July 30, 2015) | Midpoint vs. 2014 |
|--|-----------------------------|----------------------|
| Sales | \$11,450 to \$11,650 | -5% |
| Segment Operating Margin* | 8.4% | -50 bps |
| Interest Expense and Other Income | \$174 | +9% |
| Debt Retirement Charge | \$6 | \$6 |
| Tax Rate | 27.0% | +20 bps |
| Diluted Shares | 81.9 | -7% |
| Adjusted Diluted EPS* | \$6.70 to \$7.00 | -9% |
| Free Cash Flow | \$850 | -10% |

The revisions to our Current Guidance compared to our Prior Guidance primarily include:

- (1) A decrease in Aerospace Systems sales of \$50 million and operating margin of 280 basis points due to contract cost growth charges recorded during the 2015 second quarter at Platform Integration division and related lower expected profitability in the second half of 2015. These items decreased consolidated segment operating margin by 100 basis points and net cash from operating activities by \$90 million.
- (2) An increase in Electronic Systems sales of \$50 million for the acquisition of CTC, and a decrease of operating margin of 10 basis points, primarily due to an \$8 million charge in the 2015 second quarter related to a product specification matter regarding our holographic weapon sight product, partially offset by the CTC acquisition.
- (3) A pre-tax charge of \$6 million for an anticipated \$300 million debt retirement to occur during the fourth quarter of 2015.
- (4) A reduction in the effective tax rate to 27.0%.

Note: Adjusted Diluted EPS and Free Cash Flow are Non-GAAP Measurements. See pages 23 - 25 for a reconciliation of these GAAP to Non-GAAP Measurements.

* Excludes 1H15 pre-tax loss of \$20 million (\$12 million after tax), or \$0.15 per diluted share related to business divestitures.



2015 Segment Guidance

(\$ in Millions)

| Segment | Sales | Midpoint Sales vs. 2014 | Segment Operating Margin | Midpoint Margin vs. 2014 (bps) | Pension Margin Impact* (bps) |
|----------------------|-----------------------------|-------------------------|--------------------------|--------------------------------|------------------------------|
| Electronic Systems | \$4,300 to \$4,400 | -6% | 11.6% to 11.8% | +10 | -30 |
| Aerospace Systems | \$4,050 to \$4,150 | -5% | 4.9% to 5.1% | -170 | -60 |
| Comm Systems | \$1,900 to \$2,000 | -1% | 9.0% to 9.2% | -80 | -90 |
| NSS | \$1,100 to \$1,200 | -5% | 6.6% to 6.8% | +140 | -10 |
| Total Segment | \$11,450 to \$11,650 | -5% | 8.4% | -50 | -50 |

* Represents the decrease to 2015 operating margin due to higher estimated pension expense (FAS, net of CAS) of \$59 million (\$13 million for Electronic Systems, \$27 million for Aerospace Systems, \$18 million for Communication Systems, and \$1 million for NSS).



Cash Flow Data



Cash Flow

(\$ in Millions)

| | 2Q15 Actual | 2Q14 Actual | 1H15 Actual | 1H14 Actual | 2015 Guidance | 2014 Actual |
|---|----------------|----------------|----------------|----------------|------------------|----------------|
| Net income | \$ 124* | \$ 141 | \$ 233** | \$ 313 | \$ 565** | \$ 677 |
| Depreciation & amortization | 55 | 55 | 110 | 109 | 224 | 225 |
| Deferred income taxes | (24) | 20 | (13) | 43 | 35 | 121 |
| 401K common stock match | 33 | 30 | 62 | 74 | 120 | 130 |
| Stock-based employee compensation | 11 | 14 | 24 | 29 | 52 | 52 |
| Excess income tax benefits related to stock-based comp. | (1) | (2) | (24) | (16) | (30) | (17) |
| Amortization of pension and OPEB net losses | 16 | 4 | 33 | 8 | 68 | 15 |
| Working capital/other items | 13 | 15 | (111) | (345) | 11 | (78) |
| Capital expenditures, net | (44) | (36) | (84) | (65) | (195) | (179) |
| Free cash flow | <u>\$ 183</u> | <u>\$ 241</u> | <u>\$ 230</u> | <u>\$ 150</u> | <u>\$ 850</u> | <u>\$ 946</u> |

* Includes net after tax gain related to the business divestiture of MSI and BSI of \$3 million.

** Includes after tax charges related to the business divestiture of MSI and BSI of \$12 million.



Supplemental Cash Flow Data

(\$ in Millions)

| | <u>2Q15</u> <u>Actual</u> | <u>2Q14</u> <u>Actual</u> | <u>1H15</u> <u>Actual</u> | <u>1H14</u> <u>Actual</u> | <u>2015</u> <u>Guidance</u> | <u>2014</u> <u>Actual</u> |
|---|------------------------------|------------------------------|------------------------------|------------------------------|--------------------------------|------------------------------|
| Cash interest payments | \$ 53 | \$ 38 | \$ 90 | \$ 86 | \$ 180 | \$ 176 |
| Income tax payments, net ⁽¹⁾ | 54 | 75 | 86 | 114 | 210 | 137 |
| FAS pension expense | 34 | 20 | 69 | 41 | 138 ^{(2) (3)} | 80 |
| CAS pension cost ⁽⁴⁾ | 27 | 27 | 56 | 56 | 109 | 110 |
| Pension contributions | 16 | 34 | 30 | 48 | 100 | 97 |

(1) Excludes excess income tax benefits related to share-based payment arrangements.

(2) FAS pension expense represents pension expense determined using U.S. GAAP and assumes a 2015 weighted average discount rate of 4.14% (vs. 5.03% for 2014) and a 2015 weighted average pension asset return of 8.13%.

(3) Estimated 2015 Pension Expense Sensitivity: A 25 bps increase/decrease in 12/31/14 discount rate would decrease/increase 2015 pension expense by ~\$15 million and decrease/increase the 12/31/14 unfunded obligation by ~\$132 million.

(4) 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 | 2015 | | | | 2014 | | | |
|---------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | D&A | | CapEx, Net | | D&A | | CapEx, Net | |
| | 2Q15 | 1H15 | 2Q15 | 1H15 | 2Q14 | 1H14 | 2Q14 | 1H14 |
| Electronic Systems | \$ 27 | \$ 55 | \$ 20 | \$ 42 | \$ 30 | \$ 59 | \$ 21 | \$ 36 |
| Aerospace Systems | 12 | 24 | 15 | 25 | 9 | 19 | 7 | 16 |
| Comm Systems | 13 | 25 | 8 | 15 | 13 | 25 | 6 | 10 |
| NSS | 3 | 6 | 1 | 2 | 3 | 6 | 2 | 3 |
| Consolidated | \$ 55 | \$110 | \$ 44 | \$ 84 | \$ 55 | \$109 | \$ 36 | \$ 65 |

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) | 2Q15 Actual | 2Q14 Actual | 1H15 Actual | 1H14 Actual | 2015 Guidance | 2014 Actual |
|--|----------------|----------------|----------------|----------------|------------------|----------------|
| Beginning cash | \$ 317 | \$ 227 | \$ 442 | \$ 500 | \$ 442 | \$ 500 |
| Free cash flow | 183 | 241 | 230 | 150 | 850 | 946 |
| Acquisitions, net of divestitures | 85 | 5 | 44 | (52) | 42 | (51) |
| Dividends | (53) | (52) | (111) | (107) | (214) | (208) |
| Share repurchases | (246) | (200) | (346) | (333) | (800) | (823) |
| Senior notes net proceeds, (redemption) | - | 988 | - | 988 | (300) | 988 |
| CODES redemption | - | (935) | - | (935) | - | (935) |
| Change in cash balance included in assets held for sale | 60 | - | 61 | - | 61 | (61) |
| Other, net | 7 | 25 | 33 | 88 | 79 | 86 |
| Ending cash | <u>\$ 353</u> | <u>\$ 299</u> | <u>\$ 353</u> | <u>\$ 299</u> | <u>\$ 160</u> | <u>\$ 442</u> |

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



Capitalization and Leverage

(\$ in Millions)

| | 6/26/2015 Actual | 12/31/14 Actual |
|-----------------------|---------------------|--------------------|
| Cash | \$353 | \$442 |
| Debt | \$3,940 | \$3,939 |
| Equity | 5,272 | 5,360 |
| Invested Capital | \$9,212 | \$9,299 |
| Debt/Invested Capital | 42.8% | 42.4% |
| Bank Leverage Ratio | 2.88x | 2.48x |
| Available Revolver | \$1,000 | \$1,000 |

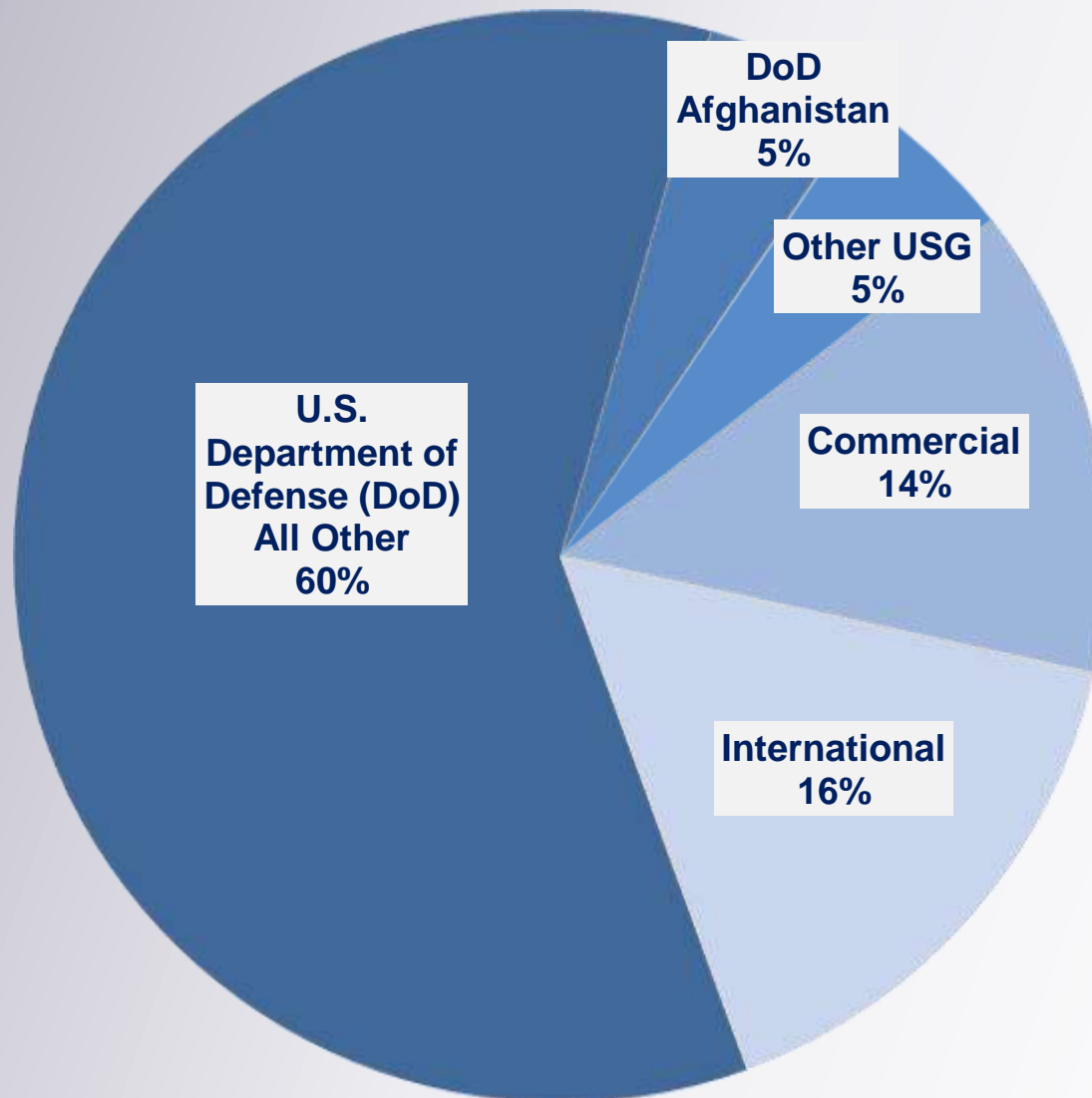
Note: Equity includes non-controlling interests (minority interests) of \$75 million as of June 26, 2015 and December 31, 2014.



Appendix

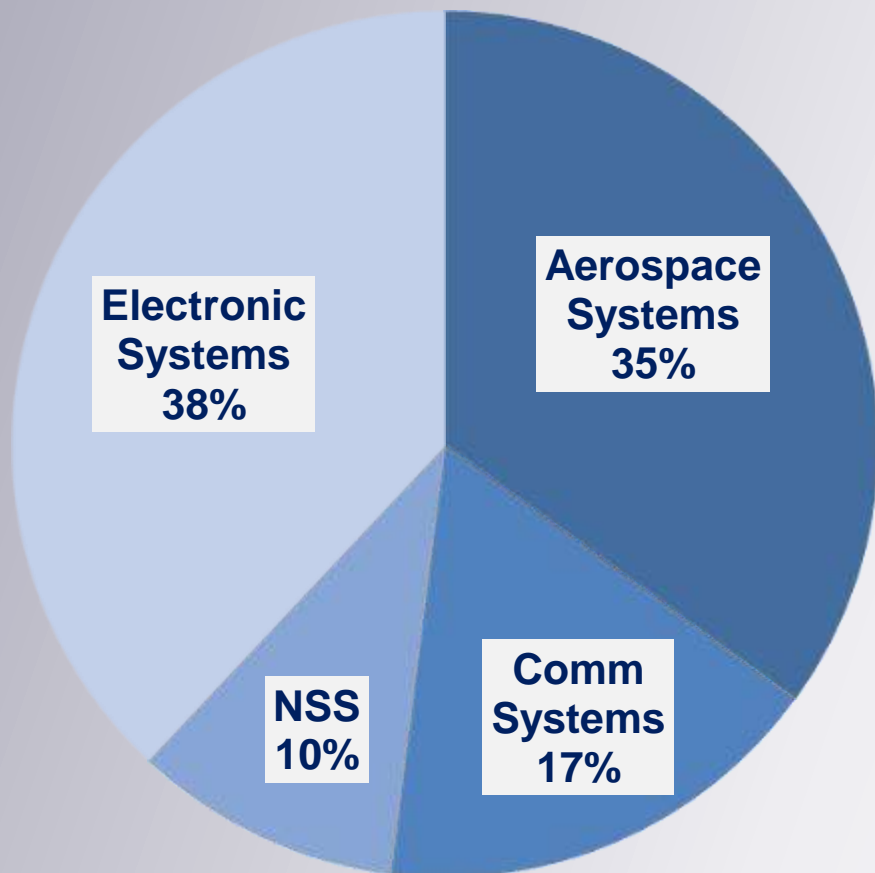


2015 Estimated End Customer Sales Mix Trends

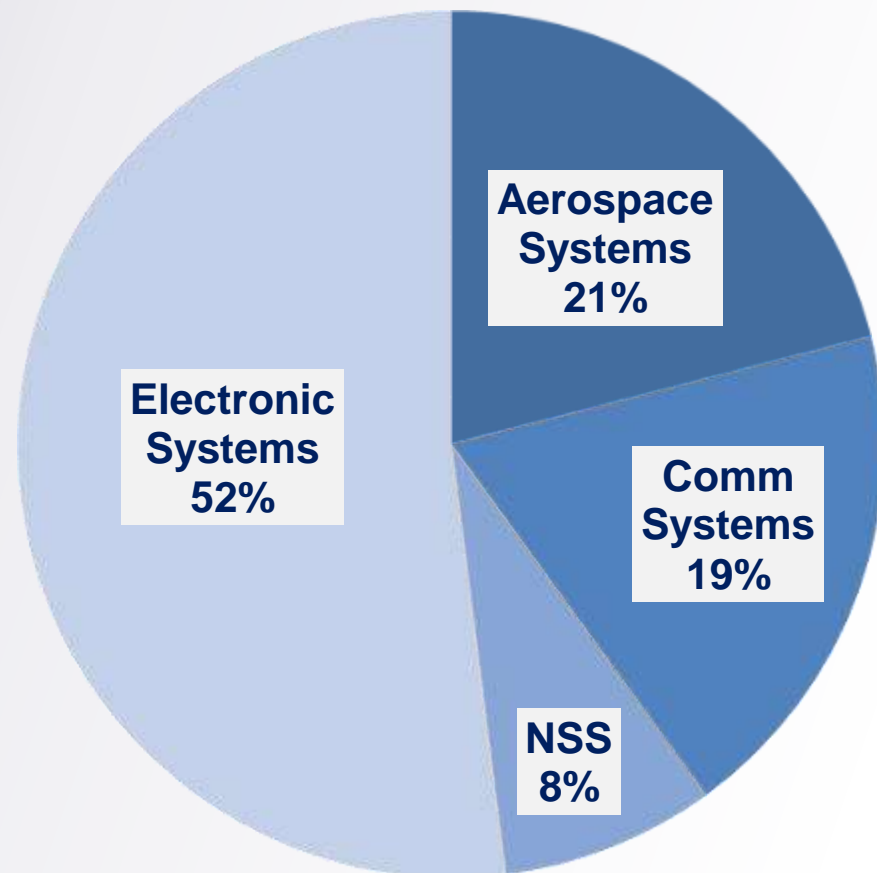


Segment Mix: 2015 Guidance Midpoints

Sales



Operating Income



2015 Segment Guidance - Current vs. Prior

(\$ in Millions)

| Segment | Current Guidance (July 30, 2015) | | Prior Guidance (April 30, 2015) | |
|-----------------------|-------------------------------------|------------------|------------------------------------|------------------|
| | Sales | Operating Margin | Sales | Operating Margin |
| Electronic Systems | \$4,300 to \$4,400 | 11.6% to 11.8% | \$4,250 to \$4,350 | 11.7% to 11.9% |
| Aerospace Systems | \$4,050 to \$4,150 | 4.9% to 5.1% | \$4,100 to \$4,200 | 7.7% to 7.9% |
| Communication Systems | \$1,900 to \$2,000 | 9.0% to 9.2% | \$1,900 to \$2,000 | 9.0% to 9.2% |
| NSS | \$1,100 to \$1,200 | 6.6% to 6.8% | \$1,100 to \$1,200 | 6.6% to 6.8% |
| Consolidated | \$11,450 to \$11,650 | 8.4% | \$11,450 to \$11,650 | 9.4% |



Reconciliation of GAAP to Non-GAAP Measurements (1 of 3)

(\$ in Millions)

| | <u>2Q15 Actual</u> | <u>2Q14 Actual</u> | <u>1H15 Actual</u> | <u>1H14 Actual</u> | <u>2015 Guidance</u> | <u>2014 Actual</u> |
|--|------------------------|------------------------|------------------------|------------------------|--------------------------|------------------------|
| Net cash from operating activities | \$ 227 | \$ 277 | \$ 314 | \$ 215 | \$ 1,045 | \$1,125 |
| Less: Capital expenditures | (44) | (37) | (85) | (67) | (200) | (183) |
| Add: Dispositions of property, plant and equipment | - | 1 | 1 | 2 | 5 | 4 |
| Free cash flow | <u>\$ 183</u> | <u>\$ 241</u> | <u>\$ 230</u> | <u>\$ 150</u> | <u>\$ 850</u> | <u>\$ 946</u> |



Reconciliation of GAAP to Non-GAAP Measurements (2 of 3)

(\$ in Millions, except per share amounts)

| | 2Q15 Actual | 2Q14 Actual | 1H15 Actual | 1H14 Actual | 2015 Guidance | |
|--|----------------|----------------|----------------|----------------|---------------------|----------------------|
| | | | | | Low End of Range | High End of Range |
| Diluted EPS attributable to L-3 Holdings' common stockholders | \$ 1.44 | \$ 1.53 | \$ 2.69 | \$ 3.43 | \$ 6.55 | \$ 6.85 |
| EPS impact of net gain on business divestitures ^(A) | (0.03) | - | (0.04) | - | (0.04) | (0.04) |
| EPS impact of the non-cash impairment charge related to MSI assets held for sale ^(B) | - | - | 0.15 | - | 0.15 | 0.15 |
| EPS impact of the loss on a forward contract to sell Euro proceeds from the MSI divestiture ^(C) | - | - | 0.04 | - | 0.04 | 0.04 |
| Adjusted diluted EPS* | \$ 1.41 | \$ 1.53 | \$ 2.84 | \$ 3.43 | \$ 6.70 | \$ 7.00 |

* Adjusted diluted EPS is diluted EPS attributable to L-3 Holdings' common stockholders, excluding the charges or credits relating to business divestitures. Adjusted net income attributable to L-3 is net income attributable to L-3, excluding the charges or credits relating to business divestitures. These amounts are not measures of financial performance under accounting principles generally accepted in the United States of America (U.S. GAAP). The company believes that the charges or credits relating to business divestitures affect the comparability of the results of operations and financial guidance for 2015 to the results of operations for 2014. The company also believes that disclosing net income and diluted EPS excluding the charges or credits relating to business divestitures will allow investors to more easily compare the 2015 results and financial guidance to the 2014 results. However, these measures may not be defined or calculated by other companies in the same manner.



Reconciliation of GAAP to Non-GAAP Measurements (3 of 3)

(\$ in Millions, except per share amounts)

| | 2Q15 Actual | 2Q14 Actual | 1H15 Actual | 1H14 Actual | 2015 Guidance | |
|---|----------------|----------------|------------------|----------------|---------------------|----------------------|
| | | | | | Low End of Range | High End of Range |
| (A) Net gain on business divestiture | \$ 2 | | \$ 2 | | \$ 2 | \$ 2 |
| Tax benefit | 1 | | 1 | | 1 | 1 |
| After-tax impact | 3 | | 3 | | 3 | 3 |
| Diluted weighted average common shares outstanding | 83.2 | | 83.5 | | 81.9 | 81.9 |
| Per share impact* | <u>\$ 0.03</u> | | <u>\$ 0.04</u> | | <u>\$ 0.04</u> | <u>\$ 0.04</u> |
| (B) Non-cash impairment charge related to MSI assets held for sale | | | \$ (17) | | \$ (17) | \$ (17) |
| Tax benefit | | | 5 | | 5 | 5 |
| After-tax impact | | | (12) | | (12) | (12) |
| Diluted weighted average common shares outstanding | | | 83.5 | | 81.9 | 81.9 |
| Per share impact* | | | <u>\$ (0.15)</u> | | <u>\$ (0.15)</u> | <u>\$ (0.15)</u> |
| (C) Loss on a forward contract to sell Euro proceeds from the MSI divestiture | | | \$ (5) | | \$ (5) | \$ (5) |
| Tax benefit | | | 2 | | 2 | 2 |
| After-tax impact | | | (3) | | (3) | (3) |
| Diluted weighted average common shares outstanding | | | 83.5 | | 81.9 | 81.9 |
| Per share impact | | | <u>\$ (0.04)</u> | | <u>\$ (0.04)</u> | <u>\$ (0.04)</u> |

* Amounts may not calculate directly due to rounding.



