

Second Quarter Earnings Call ***July 28, 2016***

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 2016 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 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; 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 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 report on Form 10-K for the year ended December 31, 2015 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)

	2Q16	2Q15	vs. 2Q15
Net Sales	\$2,664	\$2,543	5%
Organic Growth (Decline)	7%	(5)%	n.m.
Segment Operating Margin	9.3%	5.9% ⁽¹⁾	+340 bps
Segment Operating Income	\$247	\$151 ⁽¹⁾	64%
Interest Expense and Other	\$43 ⁽²⁾	\$37	16%
Effective Income Tax Rate Provision (Benefit)	26.0%	(3.4)%	n.m.
Minority Interest Expense⁽³⁾	\$4	\$4	-
Diluted Shares	78.4	83.2	-6%
Diluted Earnings Per Share (EPS) from Continuing Operations	\$1.88	\$1.39	35%
Adjusted Diluted EPS from Continuing Operations⁽⁴⁾	\$1.88	\$1.36 ⁽¹⁾	38%
Net Cash from Operating Activities from Continuing Operations	\$257	\$197	30%
Free Cash Flow⁽⁴⁾	\$221	\$155	43%

Notes: (1) 2Q15 excludes a net pre-tax gain of \$2 million (\$3 million after income taxes), or \$0.03 per diluted share related to the MSI and BSI business divestitures.

(2) Interest Expense and Other is comprised of: (i) interest expense of \$43 million, (ii) interest and other income, net, and (iii) a debt retirement charge of \$5 million.

(3) Minority Interest Expense represents net income from continuing operations attributable to non-controlling interests.

(4) Non-GAAP Measurement. See pages 23 - 26 for a reconciliation of these GAAP to Non-GAAP Measurements and Definitions.

n.m. = not meaningful

Segment Results - - Second Quarter

(\$ in Millions)

<u>Segment</u>	<u>2Q16 Net Sales</u>	<u>Sales Growth vs. 2Q15</u>	<u>2Q16 Operating Margin</u>	<u>Margin Change vs. 2Q15 (bps)</u>
Electronic Systems	\$ 1,021	-2%	12.2%	+90
Aerospace Systems	1,148	15%	6.1%	+790
Communication Systems	495	-2%	10.5%	+40
Total Segments	\$ 2,664	5%	9.3%	+340

First Half Results

Select Financial Data - - First Half

(\$ in Millions, except per share amounts)

	1H16	1H15	vs 1H15
Net Sales	\$5,017	\$5,031	-
Organic Growth (Decline)	3%	(6)%	n.m.
Segment Operating Margin	9.9%	7.2% ⁽¹⁾	+270 bps
Segment Operating Income	\$499	\$360 ⁽¹⁾	39%
Interest Expense and Other	\$80 ⁽²⁾	\$73	10%
Effective Income Tax Rate Provision	24.1%	15.7%	n.m.
Minority Interest Expense⁽³⁾	\$7	\$8	-13%
Diluted Shares	78.7	83.5	-6%
Diluted Earnings Per Share (EPS) from Continuing Operations	\$3.95	\$2.60	52%
Adjusted Diluted EPS from Continuing Operations⁽⁴⁾	\$3.95	\$2.74 ⁽¹⁾	44%
Net Cash from Operating Activities from Continuing Operations	\$369	\$309	19%
Free Cash Flow⁽⁴⁾	\$305	\$228	34%

Notes: (1) 1H15 excludes a net pre-tax loss of \$20 million (\$12 million after income taxes), or \$0.14 per diluted share related to the MSI and BSI business divestitures.

(2) Interest Expense and Other is comprised of: (i) interest expense of \$84 million, (ii) interest and other income, net, and (iii) a debt retirement charge of \$5 million.

(3) Minority Interest Expense represents net income from continuing operations attributable to non-controlling interests.

(4) Non-GAAP Measurement. See pages 23 - 26 for a reconciliation of these GAAP to Non-GAAP Measurements and Definitions.

n.m. = not meaningful

Segment Results - - First Half

(\$ in Millions)

<u>Segment</u>	<u>1H16 Net Sales</u>	<u>Sales Growth vs. 1H15</u>	<u>1H16 Operating Margin</u>	<u>Margin Change vs. 1H15 (bps)</u>
Electronic Systems	\$ 1,898	-8%	11.6%	+40
Aerospace Systems	2,153	7%	8.2%	+610
Communication Systems	966	2%	10.7%	+150
Total Segments	\$ 5,017	0%	9.9%	+270

2016 Financial Guidance

2016 Consolidated Financial Guidance

(\$ in Millions, except per share amounts)

	<table border="1"> <tr><td>USG/DoD</td><td>+1%</td></tr> <tr><td>International</td><td>-13%</td></tr> <tr><td>Commercial</td><td>+3%</td></tr> </table>	USG/DoD	+1%	International	-13%	Commercial	+3%	<table border="1"> <tr><td>USG/DoD</td><td>-2%</td></tr> <tr><td>International</td><td>-14%</td></tr> <tr><td>Commercial</td><td>+8%</td></tr> </table>	USG/DoD	-2%	International	-14%	Commercial	+8%	Guidance (July 28, 2016)	vs. 2015	Prior Guidance (April 27, 2016)
USG/DoD	+1%																
International	-13%																
Commercial	+3%																
USG/DoD	-2%																
International	-14%																
Commercial	+8%																
Net Sales			\$10,150 to \$10,250	-3%	\$9,950 to \$10,150												
Organic Growth			-1.2%	+120 bps	-2.5%												
Segment Operating Margin			9.8%	+130 bps	9.8%												
Segment Operating Income			\$1,000	12%	\$985												
Interest Expense and Other			\$157	3%	\$162												
Effective Tax Rate			26.4%	+520 bps	26.7%												
Minority Interest Expense			\$13	(\$2)	\$11												
Diluted Shares			78.2	-5%	77.5												
Diluted EPS			\$7.65 to \$7.85	12%	\$7.55 to \$7.75												
Free Cash Flow			\$825	-6%	\$825												

Notes: (1) The revisions to our Current Guidance compared to our Prior Guidance primarily include:

- An increase in estimated sales for Aerospace Systems and Communication Systems primarily related to higher sales volume on various DoD contracts.
 - A decrease in estimated sales for Electronic Systems due to lower unit sales of EoTech HWS products and lower than expected demand for a recently introduced general aviation product.
- (2) Diluted EPS growth is calculated based on a comparison to 2015 adjusted diluted EPS.
- (3) Interest Expense and Other is comprised of: (i) interest expense of \$168 million, (ii) interest and other income, net, and (iii) a debt retirement charge of \$5 million.
- (4) Minority Interest Expense represents net income from continuing operations attributable to non-controlling interests.
- (5) See Reconciliation of GAAP to Non-GAAP Measurements and Definitions.

2016 Segment Guidance

(\$ in Millions)

Segment	Net Sales	Midpoint Sales vs. 2015	Segment Operating Margin	Midpoint Margin vs. 2015 (bps)
Electronic Systems	\$4,100 to \$4,200	-3%	12.0% to 12.2%	+60
Aerospace Systems	\$4,050 to \$4,150	-1%	7.0% to 7.2%	+220
Comm Systems	\$1,900 to \$2,000	-4%	10.3% to 10.5%	+80
Total Segments	\$10,150 to \$10,250	-3%	9.8%	+130

Note: Estimated net pension expense (FAS, net of CAS) for 2016 vs. 2015 is expected to decrease \$40 million, increasing estimated 2016 operating margin by 40 basis points (bps) (\$10 million or 20 bps for Electronic Systems, \$18 million or 40 bps for Aerospace Systems and \$12 million or 60 bps for Communication Systems).

Cash Flow Data

Cash Flow

(\$ in Millions)

	2Q16 Actual	2Q15 Actual	1H16 Actual	1H15 Actual	2016 Guidance	2015 Actual
Net income from continuing operations*	\$ 151	\$ 120**	\$ 318	\$ 225**	\$ 620	\$ 297**
Impairment/divestiture (gain) charges	-	(2)	-	20	-	415
Depreciation & amortization	52	52	102	104	213	210
Deferred income taxes	17	(24)	29	(14)	65	(66)
401K common stock match	28	31	58	57	108	110
Stock-based employee compensation	13	10	19	23	45	46
Amortization of pension and OPEB net losses	13	16	25	33	50	67
Working capital/other items	(17)	(5)	(182)	(138)	(71)	(9)
Capital expenditures, net	(36)	(43)	(64)	(82)	(205)	(194)
Free cash flow	\$ 221	\$ 155	\$ 305	\$ 228	\$ 825	\$ 876

* Before deduction for net income attributable to non-controlling interests.

** Includes an after tax gain of \$3 million for 2Q15 and after tax charges of \$12 million for 1H15 and \$20 million for 2015 related to business divestitures, and after tax charges related to goodwill impairments of \$264 million for 2015.

Supplemental Cash Flow Data

(\$ in Millions)

	2Q16 Actual	2Q15 Actual	1H16 Actual	1H15 Actual	2016 Guidance	2015 Actual
Cash interest payments	\$ 47	\$ 53	\$ 83	\$ 90	\$ 162	\$ 182
Income tax payments, net ⁽¹⁾	36	52	47	61	125	122
FAS pension expense	24	34	48	69	96 ⁽²⁾⁽³⁾	139
CAS pension cost ⁽⁴⁾	27	27	54	54	104	108
Pension contributions	8	16	20	30	100	97

(1) Excludes income tax payments attributable to discontinued operations.

(2) FAS pension expense represents pension expense determined using U.S. GAAP and assumes a 2015 year-end weighted average discount rate of 4.66% (vs. 4.14% for 2014 year-end) and a 2016 weighted average pension asset return of 7.92%.

(3) **Estimated 2016 Pension Expense Sensitivity:** A 25 bps increase/decrease in 12/31/15 discount rate would decrease/increase 2016 pension expense by ~\$13 million and decrease/increase the 12/31/15 unfunded obligation by ~\$120 million. A 100 bps increase/decrease in the 2015 actual asset return would decrease/increase 2016 pension expense by ~\$5 million and increase/decrease the 12/31/15 unfunded obligation by ~\$26 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	2016				2015			
	D&A		CapEx, Net		D&A		CapEx, Net	
	2Q16	1H16	2Q16	1H16	2Q15	1H15	2Q15	1H15
Electronic Systems	\$ 27	\$ 52	\$ 19	\$ 39	\$ 27	\$ 55	\$ 21	\$ 42
Aerospace Systems	14	27	11	18	12	24	14	25
Comm Systems	11	23	6	7	13	25	8	15
Consolidated	\$ 52	\$102	\$ 36	\$ 64	\$ 52	\$104	\$ 43	\$ 82

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)

	2Q16 Actual	2Q15 Actual	1H16 Actual	1H15 Actual	2016 Guidance	2015 Actual
Beginning cash	\$ 534	\$ 317	\$ 207	\$ 442	\$ 207	\$ 442
Free cash flow from continuing operations	221	155	305	228	825	876
Free cash flow from discontinued operations	-	29	(56)	26	(56)	49
Divestitures	(1)	304	575	304	556	318
Acquisitions	-	(219)	(27)	(260)	(27)	(320)
Dividends	(54)	(53)	(112)	(111)	(218)	(214)
Share repurchases	(78)	(246)	(276)	(346)	(750)	(740)
Senior notes redemption	(298)	-	(298)	-	(298)	(296)
Other, net	28	66	34	70	71	92
Ending cash	<u>\$ 352</u>	<u>\$ 353</u>	<u>\$ 352</u>	<u>\$ 353</u>	<u>\$ 310</u>	<u>\$ 207</u>

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

Capitalization and Leverage

(\$ in Millions)

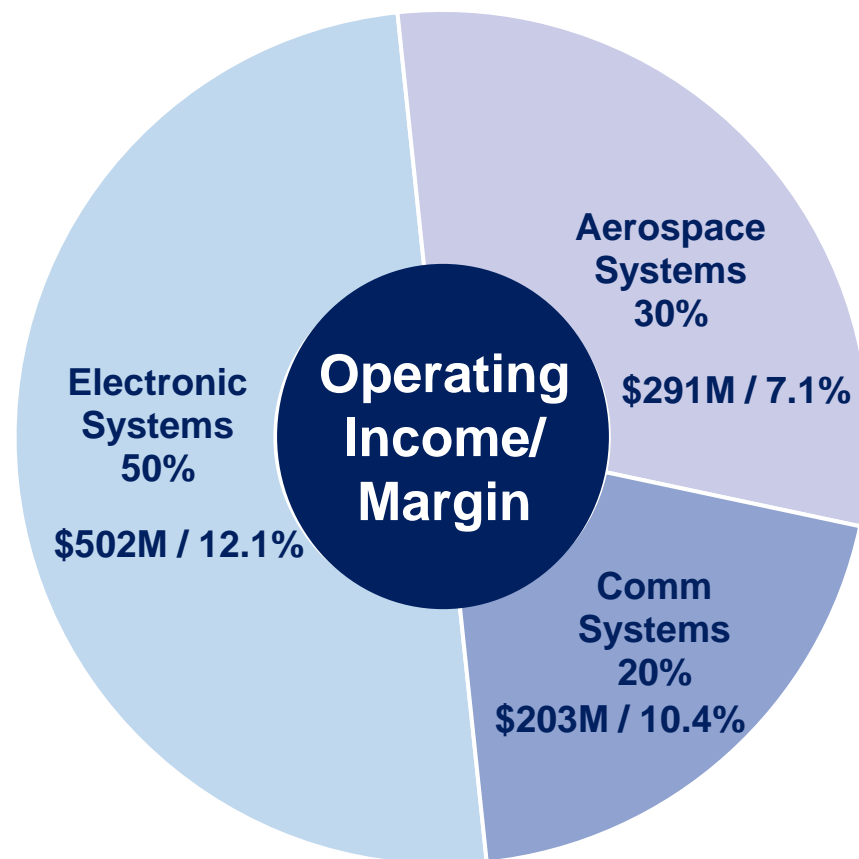
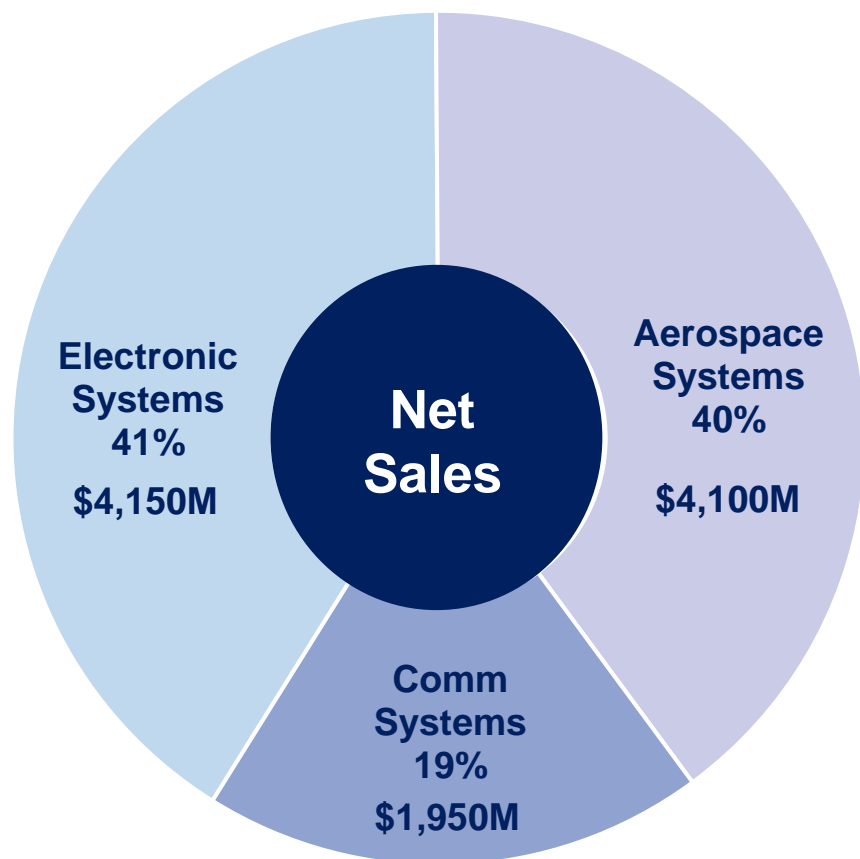
	6/24/16 Actual	12/31/15 Actual	12/31/14 Actual
Cash	\$352	\$207	\$442
Debt	\$3,329	\$3,624	\$3,912
Shareholders Equity	4,559	4,429	5,360
Invested Capital	\$7,888	\$8,053	\$9,272
Debt/Invested Capital	42.2%	45.0%	42.2%
Debt/LTM EBITDA	2.69x	3.29x	3.19x
Available Revolver	\$1,000	\$1,000	\$1,000

Notes: (1) Debt/LTM EBITDA excludes discontinued operations.

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

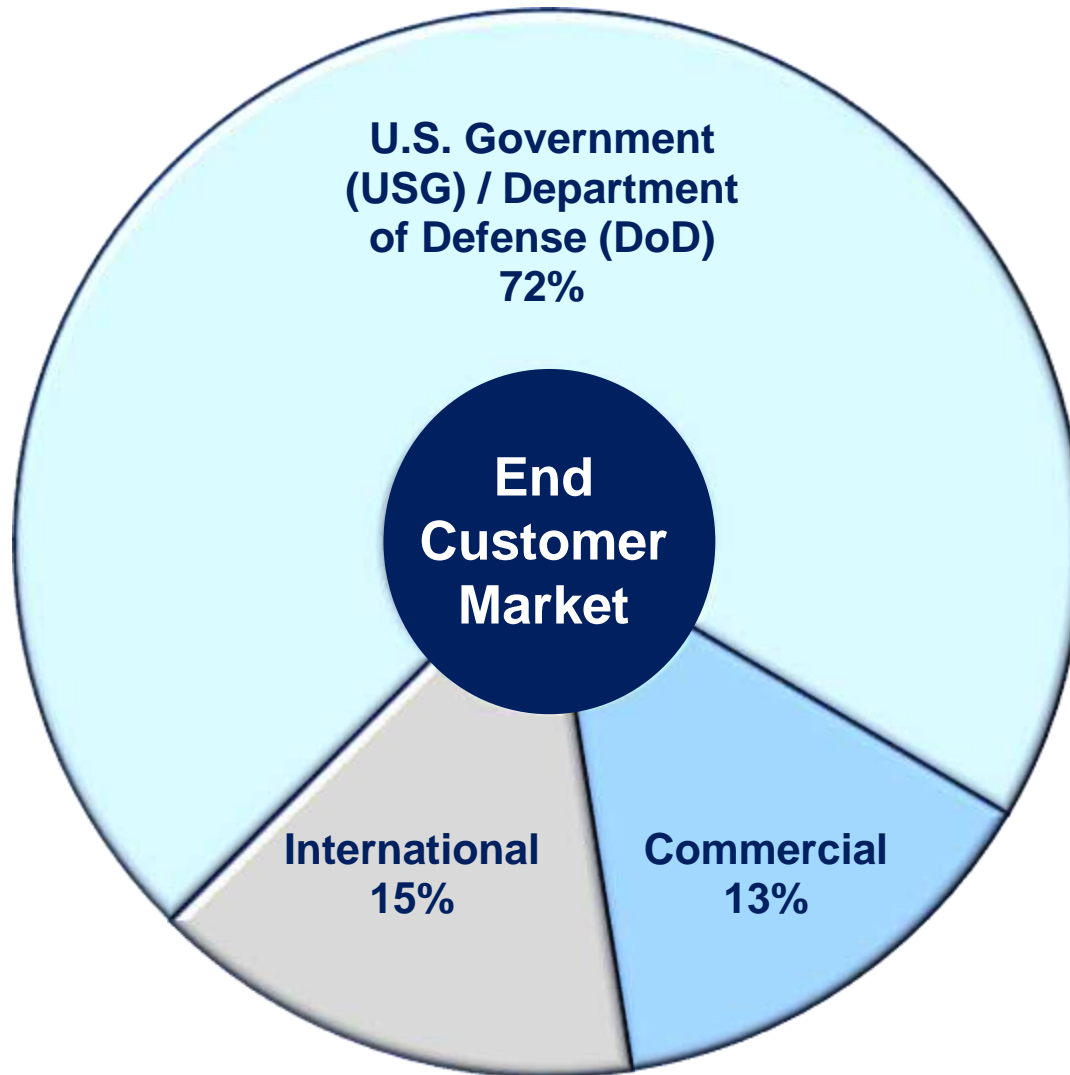
Appendix

Segment Mix: 2016 Guidance



Note: Percentages may not total due to rounding.

2016 Estimated Sales Mix



DoD Armed Services

Air Force	30%
Army	16%
Navy	15%
Other	<u>8%</u>
Total	69%

2016 Segment Guidance - - Current vs. Prior

(\$ in Millions)

Segment	Current Guidance (July 28, 2016)		Prior Guidance (April 27, 2016)	
	Net Sales	Operating Margin	Net Sales	Operating Margin
Electronic Systems	\$4,100 to \$4,200	12.0% to 12.2%	\$4,150 to \$4,250	12.0% to 12.2%
Aerospace Systems	\$4,050 to \$4,150	7.0% to 7.2%	\$3,900 to \$4,000	7.0% to 7.2%
Communication Systems	\$1,900 to \$2,000	10.3% to 10.5%	\$1,850 to \$1,950	10.3% to 10.5%
Consolidated	\$10,150 to \$10,250	9.8%	\$9,950 to \$10,150	9.8%

Reconciliation of GAAP to Non-GAAP Measurements (1 of 4)

(\$ in Millions)

	2Q16 <u>Actual</u>	2Q15 <u>Actual</u>	1H16 <u>Actual</u>	1H15 <u>Actual</u>	2016 <u>Guidance</u>	2015 <u>Actual</u>
Net cash from operating activities from continuing operations	\$ 257	\$ 197	\$ 369	\$ 309	\$ 1,030	\$ 1,068
Less: Capital expenditures	(40)	(43)	(75)	(83)	(216)	(197)
Add: Dispositions of property, plant and equipment	4	-	11	1	11	3
Income tax payments attributable to discontinued operations	-	1	-	1	-	2
Free cash flow	<u>\$ 221</u>	<u>\$ 155</u>	<u>\$ 305</u>	<u>\$ 228</u>	<u>\$ 825</u>	<u>\$ 876</u>

Reconciliation of GAAP to Non-GAAP Measurements (2 of 4)

(\$ in Millions except per share amounts)

	2Q16 Actual	2Q15 Actual	1H16 Actual	1H15 Actual
Diluted EPS from continuing operations attributable to L-3 Holdings' common stockholders	\$ 1.88	\$ 1.39	\$ 3.95	\$ 2.60
EPS impact of (gain) loss on business divestitures ⁽¹⁾	-	(0.03)	-	0.14
Adjusted diluted EPS from continuing operations ⁽²⁾	<u>\$ 1.88</u>	<u>\$ 1.36</u>	<u>\$ 3.95</u>	<u>\$ 2.74</u>
Net income from continuing operations attributable to L-3	\$ 147	\$ 116	\$ 311	\$ 217
(Gain) loss on business divestitures ⁽¹⁾	-	(3)	-	12
Adjusted net income from continuing operations attributable to L-3 ⁽²⁾	<u>\$ 147</u>	<u>\$ 113</u>	<u>\$ 311</u>	<u>\$ 229</u>

(1) Gain (loss) on business divestitures	\$ 2	\$ (20)
Tax benefit	1	8
After-tax impact	3	(12)
Diluted weighted average common shares outstanding	83.2	83.5
Per share impact ⁽³⁾	<u>\$ 0.03</u>	<u>\$ (0.14)</u>

(2) 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 calculated in accordance with 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 for 2015 to the results of operations and financial guidance for 2016. 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 2016 results and financial guidance to the 2015 results. However, these measures may not be defined or calculated by other companies in the same manner.

(3) Amounts may not calculate directly due to rounding.

Reconciliation of GAAP to Non-GAAP Measurements (3 of 4)

(\$ in Millions)

Cash Flow to EBITDA Reconciliation	2Q16 LTM	4Q15 LTM	4Q14 LTM
Net cash from operating activities from continuing operations	\$ 1,128	\$ 1,068	\$ 1,088
Income tax payments, net of refunds	110	124	120
Interest payments, net of interest income	148	145	138
Stock based employee compensation	(153)	(156)	(169)
Amortization of pension and post retirement benefit plans net loss	(59)	(67)	(15)
Other non-cash items	(12)	3	-
Changes in operating assets and liabilities	75	(17)	64
LTM EBITDA from continuing operations	\$ 1,237	\$ 1,100	\$ 1,226
DEBT	\$ 3,329	\$ 3,624	\$ 3,912
DEBT/EBITDA	2.69x	3.29x	3.19x

Note: EBITDA is defined as consolidated operating income (excluding impairment losses incurred on goodwill and identifiable intangible assets and losses related to business divestiture transactions), plus consolidated depreciation and amortization. The Debt to EBITDA ratio is presented because we believe it to be a useful indicator of our debt capacity and our ability to service our debt. EBITDA is not a substitute for net cash from operating activities as determined in accordance with generally accepted accounting principles in the United States of America. EBITDA is not a complete net cash flow measure because EBITDA is a financial measure that does not include reductions for cash payments for our obligation to service our debt, fund our working capital and capital expenditures and pay our income taxes. Rather, EBITDA is one potential indicator of our ability to fund these cash requirements. We believe that the most directly comparable GAAP financial measure to EBITDA is net cash from operating activities. The table above presents a reconciliation of net cash from operating activities to EBITDA.

Reconciliation of GAAP to Non-GAAP Measurements (4 of 4)

Organic Sales Growth: Organic sales growth is defined as the increase or decrease in sales compared to the prior year, excluding the increase or decrease in sales attributable to acquired businesses or business divestitures. Sales from acquired businesses is defined as sales from business acquisitions that are included in L-3's actual results for less than 12 months. Sales from business divestitures is defined as sales from business divestitures that are included in L-3's actual results for the 12 months prior to the divestiture.

Glossary of Acronyms

MSI	Marine Systems International business divested on May 29, 2015
BSI	Broadcast Sports International business divested on April 21, 2015
FAS	Financial Accounting Standards Board
CAS	Cost Accounting Standards - U.S. Government
EBITDA	Earnings Before Interest Taxes Depreciation Amortization
LTM	Last Twelve Months

