

Third Quarter Earnings Call

October 27, 2009



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.

Third Quarter Results



Select Financial Data - Third Quarter

(\$ in Millions, except per share amounts)

	<u>3Q09</u>	<u>3Q08</u>	<u>3Q09 vs 3Q08</u>
Sales	\$3,842	\$3,662	5%
Operating Margin	10.9%	10.9%	n.c.
Operating Income	\$418	\$400	5%
Net Interest Expense and Other Income	\$65	\$65	n.c.
Tax Rate	28.3%	36.7%	-840 bpts
Diluted Shares	117.0	122.0	-4%
Diluted Earnings Per Share (EPS)	\$2.12	\$1.70	25%
Net Cash from Operating Activities	\$450	\$403	12%
Free Cash Flow	\$405	\$340	19%

Notes: (1) 3Q08 has been adjusted to retroactively apply the provisions of certain new accounting standards that were adopted effective January 1, 2009. See Third Quarter 2008 Supplemental Select Financial data slide.

(2) Higher pension expense for 2009 compared to 2008 reduced 3Q09 operating income by \$21M, operating margin by 50 bpts and diluted EPS by \$0.11.

(3) 3Q09 includes a tax benefit of \$0.22 for a net reversal of amounts previously accrued related to tax years for which the statute of limitations has expired.

(4) See Reconciliation of GAAP to Non-GAAP measurements.



Segment Results - Third Quarter

(\$ in Millions)

<u>Segment</u>	<u>3Q09 Sales</u>	<u>Sales Growth vs 3Q08</u>	<u>3Q09 Operating Margin</u>	<u>Margin Change vs 3Q08 (bpts)</u>
C ³ ISR	\$ 753	21%	10.4%	+140
Gov't Services	1,011	-3%	10.2%	+60
AM&M	742	17%	9.0%	-210
Spec. Products	1,336	-2%	12.7%	n.c.
Consolidated	\$ 3,842	5%	10.9%	n.c.

- Notes: (1) During 1Q09, segment presentations were revised to conform to certain re-alignments in the company's management and organization structure. Consequently, certain reclassifications were made between the C³ISR, Government Services and AM&M segments for 3Q08. See the Supplemental Segment Data slide.
- (2) Higher pension expense for 2009 compared to 2008 reduced 3Q09 operating income by \$9M or 120 bpts for C³ISR and \$11M or 80 bpts for Specialized Products. Operating Margin Change vs 3Q08 excluding the higher pension expense would have been +260 bpts for C³ISR and +80 bpts for Specialized Products and +50 bpts on a consolidated basis.



Year to Date September Results



Select Financial Data - Year to Date September

(\$ in Millions, except per share amounts)

	2009 Actual	vs 2008 Actual	vs 2008 Adjusted
Sales	\$11,407	5%	5%
Operating Margin	10.6%	-110 bpts	n.c.
Operating Income	\$1,211	-5%	4%
Net Interest Expense and Other Income	\$191	-1%	-4
Tax Rate	33.2%	-350 bpts	-320 bpts
Diluted Shares	117.6	-5%	-5%
Diluted Earnings Per Share (EPS)	\$5.68	5%	17%
Net Cash from Operating Activities	\$978	-5%	-5%
Free Cash Flow	\$853	-5%	-5%

- Notes: (1) 2008 has been adjusted to retrospectively apply the provisions of certain new accounting standards that were adopted effective January 1, 2009. See September 2008 Year to Date Supplemental Select Financial Data slide.
- (2) 2008 adjusted excludes 2Q08 Items comprised of: (i) a litigation gain of \$133M (\$81M after income taxes or \$0.65 per diluted share) comprised of a reversal of a \$126M liability and \$7M of related accrued interest, (ii) a product line divestiture gain of \$12M (\$7M after income taxes or \$0.06 per diluted share), and (iii) an impairment charge of \$28M (\$17M after income taxes or \$0.14 per diluted share). See Reconciliation of GAAP to Non-GAAP Measurements.
- (3) Higher pension expense for 2009 compared to 2008 reduced operating income by \$56M, operating margin by 50 bpts and diluted EPS by \$0.29.
- (4) 2009 includes a \$0.22 tax benefit for a net reversal of amounts previously accrued related to tax years for which the statute of limitations have expired.



Segment Results - Year to Date September

(\$ in Millions)

Segment	2009 Sales	Sales Growth vs 2008	2009 Operating Margin	Margin Change	
				vs 2008 Actual (bpts)	vs 2008 Adjusted (bpts)
C ³ ISR	\$ 2,224	24%	11.3%	+100	+100
Gov't Services	3,085	-5%	9.6%	-30	-30
AM&M	2,101	8%	8.8%	-30	-30
Spec. Products	3,997	3%	12.0%	+30	-10
Consolidated	\$11,407	5%	10.6%	-110	n.c.

- Notes: (1) During 1Q09, segment presentations were revised to conform to certain re-alignments in the company's management and organization structure. Consequently, certain reclassifications were made between the C³ISR, Government Services and AM&M segments for 2008. See the Supplemental Segment Data slide.
- (2) Margin Change vs 2008 Adjusted excludes 2Q08 Items (a litigation gain of \$126M, a product line divestiture gain of \$12M and an impairment charge of \$28M). See Reconciliation of GAAP to Non-GAAP Measurements.
- (3) Higher pension expense for 2009 compared to 2008 reduced operating income by \$24M or 110 bpts for C³ISR and \$31M or 80 bpts for Specialized Products. Operating Margin Change vs 2008 Adjusted excluding the higher pension expense would have been +210 bpts for C³ISR, +70 bpts for Specialized Products and +50 bpts on a consolidated basis.



2009 Financial Guidance



2009 Financial Guidance Update

(\$ in Billions, except per share amounts)

	Current Guidance (October 27, 2009)	Prior Guidance (July 23, 2009)
Sales	\$15.5 to \$15.6	\$15.5 to \$15.7
Operating Margin	10.5%	10.5%
Tax Rate	33.9%	36.0%
Diluted EPS	\$7.45 to \$7.50	\$7.25 to \$7.35
Net Cash from Operating Activities	\$1.43	\$1.43
Less: CapEx, net of Dispositions	(\$0.23)	(\$0.23)
Free Cash Flow	\$1.20	\$1.20



2009 Financial Guidance vs 2008

(\$ in Billions, except per share amounts)

	Current Guidance (October 27, 2009)	Midpoint Growth	
		vs 2008 Actual	vs 2008 Adjusted
Sales	\$15.5 to \$15.6	4%	4%
Operating Margin	10.5%	-80 bpts	-10 bpts
Tax Rate	33.9%	-90 bpts	-50 bpts
Diluted EPS	\$7.45 to \$7.50	-2%	9%
Net Cash from Operating activities	\$1.43		
Less: CapEx, net of Dispositions	(\$0.23)		
Free Cash Flow	\$1.20		

- Notes: (1) 2008 has been adjusted to retrospectively apply the provisions of certain new accounting standards that were adopted effective January 1, 2009. See 2008 Supplemental Select Financial Data slide.
- (2) 2008 Adjusted excludes a net gain of \$150M (\$91M after income taxes or \$0.74 per diluted share) for 2008 Items comprised of: (i) 2Q08 Items that include a litigation gain of \$133M (\$81M after income taxes), a product line divestiture gain of \$12M (\$7M after income taxes) and an impairment charge of \$28M (\$17M after income taxes), and (ii) a 4Q 2008 gain of \$33M (\$20M after income taxes) for the divestiture of a business on October 8, 2008. See Reconciliation of GAAP to Non-GAAP Measurements.
- (3) Higher pension expense for 2009 compared to 2008 is expected to reduce 2009 operating income by \$75M, operating margin by 50 bpts and diluted EPS by \$0.39.
- (4) 2009 includes a \$0.22 tax benefit for a net reversal of amounts previously accrued related to tax years for which the statute of limitations have expired.



Diluted EPS Reconciliation

	2009 Guidance	2008 Actual	Change
GAAP EPS	\$7.45 to \$7.50	\$7.59	-2% to -1%
2008 Items		(0.74)	
EPS excluding 2008 Items	\$7.45 to \$7.50	\$6.85	9%
Excluding: Higher 2009 Pension Expense	0.39		
Adjusted EPS	\$7.84 to \$7.89	\$6.85	14% to 15%

- Notes: (1) 2008 GAAP EPS decreased by \$0.13 from an As Previously Reported \$7.72 to an As Currently Reported \$7.59 to retrospectively apply the provisions of certain new accounting standards that were adopted effective January 1, 2009.
- (2) 2008 Items are comprised of: (i) 2Q 2008 Items and (ii) a 4Q 2008 gain. See Reconciliation of GAAP to Non-GAAP Measurements.
- (3) Higher pension expense for 2009 compared to 2008 is expected to reduce operating income by \$75M (\$0.39 per share).



2009 Segment Guidance

(\$ in Billions)

Segment	Sales	Midpoint Sales Growth vs 2008	Operating Margin	Midpoint Margin Change	
				vs 2008 Actual (bpts)	vs 2008 Adjusted (bpts)
C ³ ISR	\$2.9 to \$3.0	16%	11.0 % to 11.2%	+150	+150
Gov't Services	\$4.1 to \$4.2	-4%	9.6% to 9.8%	-20	-20
AM&M	\$2.7 to \$2.8	3%	8.7% to 8.9%	-30	-30
Spec. Products	\$5.6 to \$5.7	5%	11.6% to 11.8%	-30	-60
Consolidated	\$15.5 to \$15.6	4%	10.5%	-80	-10

Notes: (1) During 1Q09, segment presentations were revised to conform to certain re-alignments in the company's management and organization structure. Consequently, certain reclassifications were made between the C³ISR, Government Services and AM&M segments for 2008. See the Supplemental Segment Data slide.

(2) Midpoint margin Change vs 2008 Adjusted excludes a net gain of \$110M for the 2Q08 Items (a litigation gain of \$126M, a product line divestiture gain of \$12M and an impairment charge of \$28M). See Reconciliation of GAAP to Non-GAAP Measurements.

(3) Midpoint margin Change vs 2008 Adjusted excluding higher pension expense for 2009 compared to 2008 would be +250 bpts for C³ISR, +10 bpts for Specialized Products and +40 bpts for consolidated margin.



2009 Segment Guidance - Current vs Prior

(\$ in Billions)

Segment	Current Guidance		Prior Guidance	
	Sales	Operating Margin	Sales	Operating Margin
C ³ ISR	\$2.9 to \$3.0	11.0% to 11.2%	\$2.9 to \$3.0	11.0% to 11.2%
Gov't Services	\$4.1 to \$4.2	9.6% to 9.8%	\$4.2 to \$4.3	9.6% to 9.8%
AM&M	\$2.7 to \$2.8	8.7% to 8.9%	\$2.7 to \$2.8	8.8% to 9.0%
Spec. Products	\$5.6 to \$5.7	11.6% to 11.8%	\$5.6 to \$5.7	11.4% to 11.6%
Consolidated	\$15.5 to \$15.6	10.5%	\$15.5 to \$15.7	10.5%



Free Cash Flow

(\$ in Millions)

	3Q09 Actual	3Q08 Actual	9M09 Actual	9M08 Actual	2009 Guidance	2008 Actual
Net income	\$ 253	\$ 212	\$ 681	\$ 682	\$ 900	\$ 949
Depreciation & amortization	55	52	162	155	220	206
Deferred taxes	8	36	37	143	55	153
Stock-based compensation	54	54	163	156	212	205
CODES non-cash interest	5	4	15	14	21	20
Working capital / other	75	45	(80)	(119)	17	(146)
Cash flow from operating activities	\$ 450	\$ 403	\$ 978	\$1,031	\$ 1,425	\$ 1,387
Capital expenditures, net	(45)	(63)	(125)	(134)	(225)	(203)
Free cash flow	\$ 405	\$ 340	\$ 853	\$ 897	\$ 1,200	\$ 1,184
Supplemental Data:						
Cash Interest Payments	\$ 58	\$ 62	\$ 181	\$ 198	\$ 237	\$ 267
Income tax payments, net	81	71	271	270	377	345
Pension expense	43	20	127	65	169	87
Pension contributions	21	23	46	46	65	162

Capitalization and Leverage

(\$ in Millions)

	<u>9/25/09 ProForma</u>	<u>9/25/09 Actual</u>	<u>12/31/08 Actual</u>
Cash	<u>\$756</u>	<u>\$1,191</u>	<u>\$867</u>
Debt	\$4,106	\$4,510	\$4,493
Equity	<u>6,454</u>	<u>6,454</u>	<u>5,941</u>
Invested Capital	<u>\$10,560</u>	<u>\$10,964</u>	<u>\$10,434</u>
Debt / Invested Capital	38.9%	41.1%	43.1%
Bank Leverage Ratio	1.9x	2.1x	2.2x
Available Revolver	\$965	\$965	\$940

- Notes: (1) 12/31/08 has been adjusted to retrospectively apply the provisions of certain new accounting standards that were adopted effective January 1, 2009. See 12/31/08 Supplemental Capitalization slide.
 (2) Term loan of \$650 which was due to mature on March 9, 2010 is classified as current liabilities at September 25, 2009.
 (3) Equity includes non-controlling interests (minority interests) of \$92M as of September 25, 2009 and \$83M as of December 31, 2008.



2010 Initial Financial Guidance



2010 Initial Financial Guidance

(\$ in Billions, except per share amounts)

	Initial Guidance (October 27, 2009)	Midpoint vs 2009 Guidance
Sales	\$15.7 to \$15.9	2%
Operating Margin	10.7%	+20 bpts
Tax Rate	35.8%	+190 bpts
Diluted EPS	\$7.85 to \$8.05	6%
Net Cash from Operating Activities	\$1.50	
Less: CapEx, net of Dispositions	(\$0.25)	
Free Cash Flow	\$1.25	4%

2010 Segment Guidance

(\$ in Billions)

<u>Segment</u>	<u>Sales</u>	<u>Operating Margin</u>
C ³ ISR	\$3.3 to \$3.4	11.1% to 11.3%
Gov't Services	\$4.0 to \$4.1	9.6% to 9.8%
AM&M	\$2.6 to \$2.7	8.9% to 9.1%
Spec. Products	\$5.7 to \$5.8	11.7% to 11.9%
Consolidated	\$15.7 to \$15.9	10.7%

Note: AM&M segment includes sales from SOFSA contract through February 28, 2010.



Forward Looking Statements

Certain of the matters discussed in these slides, including information regarding the Company's 2009 and 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; Titan's compliance with its plea agreement and consent to entry of judgment with the U.S. Government relating to the Foreign Corrupt Practices Act (FCPA), including Titan's ability to maintain its export licenses as well as the outcome of other FCPA matters; 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 18 to our audited consolidated financial statements, included in our Annual Report on Form 10-K for the year ended Dec. 31, 2008 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.

Supplemental Select Financial Data - Third Quarter 2008

(\$ in Millions, except per share amounts)

	GAAP As Previously Reported	Adjustments for:			GAAP As Currently Reported
		SFAS 160	FSP EITF 03-6-1	FSP APB 14-1	
Sales	\$3,662	-	-	-	\$3,662
Operating Margin	10.9%	-	-	-	10.9%
Operating Income	\$400	-	-	-	\$400
Net Interest Expense and Other Income	\$61	-	-	\$4	\$65
Tax Rate	37.1%	(0.2)%	-	(0.2)%	36.7%
Net Income Allocable to Common Shareholders	\$212	-	(\$2)	(\$3)	\$207
Diluted Shares	122.6	-	(0.6)	-	122.0
Diluted Earnings Per Share	\$1.73	-	(\$0.01)	(\$0.02)	\$1.70



Supplemental Select Financial Data - September 2008 Year to Date

(\$ in Millions, except per share amounts)

	GAAP As Previously Reported	Adjustments for:			GAAP As Currently Reported
		SFAS 160	FSP EITF 03-6-1	FSP APB 14-1	
Sales	\$10,890	-	-	-	\$10,890
Operating Margin	11.7%	-	-	-	11.7%
Segment Operating Margin	10.5%	-	-	-	10.5%
Operating Income	\$1,269	-	-	-	\$1,269
Segment Operating Income	\$1,143	-	-	-	\$1,143
Net Interest Expense and Other Income	\$178	-	-	\$14	\$192
Tax Rate	37.0%	(0.2)%	-	(0.1)%	36.7%
Net Income Allocable to Common Shareholders	\$682	-	(\$6)	(\$8)	\$668
Diluted Shares	123.7	-	(0.5)	-	123.2
Diluted Earnings Per Share	\$5.51	-	(\$0.02)	(\$0.07)	\$5.42



2008 Supplemental Select Financial Data

(\$ in Millions, except per share amounts)

	GAAP As Previously Reported	Adjustments for:			GAAP As Currently Reported
		SFAS 160	FSP EITF 03-6-1	FSP APB 14-1	
Sales	\$14,901	-	-	-	\$14,901
Operating Margin	11.3%	-	-	-	11.3%
Segment Operating Margin	10.5%	-	-	-	10.5%
Operating Income	\$1,685	-	-	-	\$1,685
Segment Operating Income	\$1,559	-	-	-	\$1,559
Net Interest Expense and Other Income	\$243	-	-	\$19	\$262
Tax Rate	35.1%	(0.3)%	-	-	34.8%
Net Income Allocable to Common Shareholders	\$949	-	\$(9)	\$(11)	\$929
Diluted Shares	122.9	-	(0.5)	-	122.4
Diluted Earnings Per Share	\$7.72	-	\$(0.04)	\$(0.09)	\$7.59



Supplemental Capitalization at 12/31/08

(in Millions)

	As Previously Reported	Adjustments for:		As Currently Reported
		SFAS 160	FSP APB 14-1	
Cash	\$ 867	\$ -	\$ -	\$ 867
Debt	\$ 4,538	\$ -	\$ (45)	\$ 4,493
Minority Interest	83	(83)	-	-
Equity	5,831	83	27	5,941
Invested Capital	\$ 10,452	\$ -	\$ (18)	\$10,434



Supplemental Segment Data

(\$ in Millions)

	Previous Presentation			Reclassifications			Revised Presentation		
	2008	9M08	3Q08	2008	9M08	3Q08	2008	9M08	3Q08
Sales:									
C ³ ISR	\$ 2,567	\$ 1,813	\$ 626	\$ (30)	\$ (23)	\$ (5)	\$ 2,537	\$ 1,790	\$ 621
Gov't Services	4,303	3,240	1,039	14	9	3	4,317	3,249	1,042
AM&M	2,657	1,939	632	16	14	2	2,673	1,953	634
Spec. Products	5,374	3,898	1,365	-	-	-	5,374	3,898	1,365
Consolidated	\$ 14,901	\$ 10,890	\$ 3,662	\$ -	\$ -	\$ -	\$ 14,901	\$ 10,890	\$ 3,662

Operating Margin:

C ³ ISR	9.8%	10.4%	9.2%	-0.2%	-0.1%	-0.2%	9.6%	10.3%	9.0%
Gov't Services	9.8%	9.9%	9.5%	0.1%	-	0.1%	9.9%	9.9%	9.6%
AM&M	9.1%	9.1%	11.1%	n.c.	n.c.	n.c.	9.1%	9.1%	11.1%
Spec. Products	12.0%	11.7%	12.7%	n.c.	n.c.	n.c.	12.0%	11.7%	12.7%
Consolidated	11.3%	11.7%	10.9%	n.c.	n.c.	n.c.	11.3%	11.7%	10.9%



Reconciliation of GAAP to Non-GAAP Measurements

(\$ in Millions)

	2008 <u>Actual</u>	9M08 <u>Actual</u>
Consolidated Operating Margin	11.3%	11.7%
Add: Impairment Charge	0.2%	0.2%
Less: Litigation Gain	-0.8%	-1.2%
Product Line Divestiture Gain	-0.1%	-0.1%
Consolidated Operating Margin, Excluding 2Q08 Items	<u>10.6%</u>	<u>10.6%</u>
Consolidated Operating Income		\$ 1,269
Add: Impairment Charge		28
Less: Litigation Gain		(126)
Product Line Divestiture Gain		(12)
Consolidated Operating Income, Excluding 2Q08 Items		<u>\$ 1,159</u>
Net Interest Expense and Other Income		\$ 192
Add: Litigation Gain		7
Net Interest Expense and Other Income, Excluding 2Q08 Items		<u>\$ 199</u>
Tax Rate	34.8%	36.7%
Add: Impairment Charge	0.1%	-
Less: Litigation Gain	-0.5%	-0.3%
Tax Rate, Excluding 2Q08 Items	<u>34.4%</u>	<u>36.4%</u>

Reconciliation of GAAP to Non-GAAP Measurements (Cont'd)

(\$ in Millions, except for per share amounts)

	<u>2009 Guidance</u>	<u>9M09 Actual</u>	<u>3Q09 Actual</u>	<u>2008 Actual</u>	<u>9M08 Actual</u>	<u>3Q08 Actual</u>
Diluted EPS				\$ 7.59	\$ 5.42	
Add: Impairment Charge				0.14	0.14	
Less: Litigation Gain				(0.66)	(0.65)	
Product Line Divestiture Gain				(0.06)	(0.06)	
Business Divestiture				(0.16)	-	
Diluted EPS, Excluding 2008 Items				<u>\$ 6.85</u>	<u>\$ 4.85</u>	
Specialized Products Operating Margin				12.0%	11.7%	
Add: Impairment Charge				0.5%	0.7%	
Less: Product Line Divestiture Gain				-0.2%	-0.3%	
Specialized Products Operating Margin, Excluding 2Q08 Items				<u>12.3%</u>	<u>12.1%</u>	
Net cash from operating activities	\$ 1,425	\$ 978	\$ 450	\$ 1,387	\$1,031	\$ 403
Less: Capital expenditures	(235)	(128)	(45)	(218)	(139)	(63)
Add: Dispositions of property, plant and equipment	10	3	-	15	5	-
Free cash flow	<u>\$ 1,200</u>	<u>\$ 853</u>	<u>\$ 405</u>	<u>\$ 1,184</u>	<u>\$ 897</u>	<u>\$ 340</u>

