

Third Quarter Earnings Call

October 28, 2010



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)

	3Q10	3Q09	3Q10 vs. 3Q09
Sales	\$3,835	\$3,842	-0.2%
Operating Margin	11.4%	10.9%	+50 bpts
Operating Income	\$437	\$418	5%
Net Interest Expense and Other Income	\$66	\$65	2%
Tax Rate	35.0%	28.3%	+670 bpts
Diluted Shares	114.7	117.0	-2%
Diluted Earnings Per Share (EPS)	\$2.07	\$2.12	-2%
Net Cash from Operating Activities	\$395	\$450	-12%
Free Cash Flow	\$367	\$405	-9%

- Notes: (1) 3Q10 includes a debt retirement charge of \$5M (\$3M after tax, or \$0.03 per diluted share) on the redemption of the \$400M 6-1/8% senior subordinated notes due 2013.
 (2) 3Q09 includes a tax benefit of \$0.22 per diluted share for a net reversal of amounts previously accrued related to tax years for which the statute of limitations had expired.
 (3) See Reconciliation of GAAP to Non-GAAP Measurements.



Segment Results - Third Quarter

(\$ in Millions)

Segment	3Q10 Sales	Sales Growth vs. 3Q09	3Q10 Operating Margin	Margin Change vs. 3Q09 (bpts)
C ³ ISR	\$ 809	8%	10.6%	+20
Gov't Services	1,001	1%	9.2%	-100
AM&M	707	-5%	7.7%	-130
Electronic Systems	1,318	-3%	15.5%	+280
Consolidated	\$ 3,835	-0.2%	11.4%	+50

Note: During 2Q10, the company made certain reclassifications between its Government Services and Electronic Systems reportable segments due to a re-alignment of a business unit in the company's management and organizational structure. See Supplemental Segment Data slides for the previous 3Q09 segment data presentation, reclassifications to the respective segments and the revised segment data presentation.



Year to Date September Results



Select Financial Data - Year to Date September

(\$ in Millions, except EPS)

	2010 Actual	2009 Actual	2010 vs. 2009
Sales	\$11,425	\$11,407	0.2%
Operating Margin	11.3%	10.6%	+70 bpts
Operating Income	\$1,289	\$1,211	6%
Net Interest Expense and Other Income	\$203	\$191	6%
Tax Rate	36.1%	33.2%	+290 bpts
Diluted Shares	116.0	117.6	-1%
Diluted Earnings Per Share (EPS)	\$5.89	\$5.68	4%
Net Cash from Operating Activities	\$984	\$978	1%
Free Cash Flow	\$893	\$853	5%

- Notes: (1) 2010 includes a debt retirement charge of \$18M (\$11M after tax or \$0.09 per diluted share) on the redemption of \$800M 6-1/8% senior subordinated notes due 2014 and 2013.
 (2) 2009 includes a tax benefit of \$0.22 per diluted share for a net reversal of amounts previously accrued related to tax years for which the statute of limitations had expired.
 (3) See Reconciliation of GAAP to Non-GAAP Measurements.



Segment Results - Year to Date September

(\$ in Millions)

Segment	2010 Sales	Sales Growth vs. 2009	2010 Operating Margin	Margin Change vs. 2009 (bpts)
C ³ ISR	\$ 2,412	8%	12.2%	+90
Gov't Services	2,935	-3%	8.6%	-100
AM&M	2,119	1%	8.1%	-70
Electronic Systems	3,959	-2%	14.4%	+250
Consolidated	\$ 11,425	0.2%	11.3%	+70

Note: During 2Q10, the company made certain reclassifications between its Government Services and Electronic Systems reportable segments due to a re-alignment of a business unit in the company's management and organizational structure. See Supplemental Segment Data slides for the previous 2009 segment data presentation, reclassifications to the respective segments and the revised segment data presentation.



2010 Financial Guidance



2010 Financial Guidance

(\$ in Billions, except per share amounts)

	Current Guidance (Oct. 28, 2010)	Prior Guidance (Jul. 27, 2010)
Sales	\$15.6 to \$15.7	\$16.0 to \$16.1
Operating Margin	11.1%	10.9%
Tax Rate	35.0%	36.1%
Diluted EPS	\$8.05 to \$8.25	\$8.05 to \$8.25
Net Cash from Operating Activities	\$1.46	\$1.51
Less: CapEx, net of Dispositions	(\$0.20)	(\$0.25)
Free Cash Flow	\$1.26	\$1.26

- Notes: (1) The current guidance includes the impact of continued procurement and funding delays with the U.S. Department of Defense and foreign government customers and certain re-programming actions and funding reductions.
- (2) The current guidance assumes that the U.S. Federal Research and Experimentation (R&E) tax credit that expired on December 31, 2009, will be extended for the full year ending December 31, 2010. The benefit of the R&E credit on the 2010 tax rate is ~110 bpts or \$0.14 of diluted EPS. The R&E credit is expected to be retroactively enacted in the fourth quarter of 2010.



2010 Segment Guidance

(\$ in Billions)

Segment	Sales	Midpoint Sales Growth vs. 2009	Operating Margin	Midpoint Margin Change vs. 2009 (bpts)
C ³ ISR	\$3.4 to \$3.5	11%	11.6% to 11.8%	+60
Gov't Services	\$3.9 to \$4.0	-4%	8.5% to 8.7%	-100
AM&M	\$2.7 to \$2.8	-3%	8.0% to 8.2%	-50
Electronic Systems	\$5.5 to \$5.6	-1%	13.8% to 14.0%	+180
Consolidated	\$15.6 to \$15.7	0.2%	11.1%	+50



2010 Segment Guidance - Current vs Prior

(\$ in Billions)

Segment	Current Guidance		Prior Guidance	
	Sales	Operating Margin	Sales	Operating Margin
C ³ ISR	\$3.4 to \$3.5	11.6% to 11.8%	\$3.4 to \$3.5	11.8% to 12.0%
Gov't Services	\$3.9 to \$4.0	8.5% to 8.7%	\$4.0 to \$4.1	9.2% to 9.4%
AM&M	\$2.7 to \$2.8	8.0% to 8.2%	\$2.7 to \$2.8	8.6% to 8.8%
Electronic Systems	\$5.5 to \$5.6	13.8% to 14.0%	\$5.7 to \$5.8	12.6% to 12.8%
Consolidated	\$15.6 to \$15.7	11.1%	\$16.0 to \$16.1	10.9%



Free Cash Flow

(\$ in Millions)

	3Q10 Actual	3Q09 Actual	9M10 Actual	9M09 Actual	2010 Guidance	2009 Actual
Net income	\$ 241	\$ 253	\$ 694	\$ 681	\$ 955	\$ 911
Depreciation & amortization	62	55	170	162	240	218
Deferred taxes	(18)	7	47	36	65	74
Stock-based compensation	56	54	172	163	224	213
CODES non-cash interest	5	5	16	15	22	20
Amortization of pension & OPEB net losses	12	13	31	39	42	52
Working capital/other	37	63	(146)	(118)	(88)	(81)
Cash flow from operating activities	\$ 395	\$ 450	\$ 984	\$ 978	\$ 1,460	\$1,407
Capital expenditures, net	(28)	(45)	(91)	(125)	(200)	(182)
Free cash flow	\$ 367	\$ 405	\$ 893	\$ 853	\$ 1,260	\$1,225
Supplemental Data:						
Cash interest payments	\$ 43	\$ 58	\$ 173	\$ 181	\$ 232	\$ 237
Income tax payments, net	84	81	256	271	378	378
Pension expense	40	43	114	127	153	173
Pension contributions	71	21	115	46	135	67



Capitalization and Leverage

(\$ in Millions)

	9/24/10 Actual	12/31/09 Actual
Cash	\$650	\$1,016
Debt	\$4,132	\$4,112
Equity	7,000	6,660
Invested Capital	\$11,132	\$10,772
Debt / Invested Capital	37.1%	38.2%
Bank Leverage Ratio	1.8x	1.9x
Available Revolver	\$973	\$968

Note: Equity includes non-controlling interests (minority interests) of \$90M as of September 24, 2010 and \$93M as of December 31, 2009.



Debt Balances and Maturities

(\$ in Millions)

	9/24/10 Actual	Type	Maturity Date	Redemption	
				Date	Premium
Senior:					
Revolver	\$ -	L+300 bpts	10/23/12	n.a.	
5.2% Senior Notes	1,000	fixed	10/15/19	n.a.	
4.75% Senior Notes	800	fixed	7/15/20	n.a.	
Subordinated:					
5-7/8% Notes	\$ 650	fixed	1/15/15	1/15/10	2.938%
6-3/8% Notes	1,000	fixed	10/15/15	10/15/10	3.188%
3% CODES	700	fixed	8/1/35	2/1/11	0%
Unamortized Discounts	(18)				
Total	\$ 4,132				

Note: The contingent convertible notes (CODES) contain "puts" that holders can exercise on Feb 1, 2011, and every 5-year anniversary thereafter at a price of 100%.



2011 Initial Financial Guidance



2011 Initial Financial Guidance

(\$ in Billions, except EPS)

	Initial Guidance (October 28, 2010)	Midpoint vs. 2010 Guidance
Sales	\$15.7 to \$15.9	1%
Operating Margin*	10.4%	-70 bpts
Tax Rate	35.0%	n.c.
Diluted EPS	\$8.20 to \$8.40	2%
Net Cash from Operating Activities	\$1.48	1%
Less: CapEx, net of Dispositions	(\$0.22)	10%
Free Cash Flow	\$1.26	n.c.

* The 2011 estimated operating margin includes an estimated increase for pension expense of \$34M compared to 2010. This increase will reduce operating margin by ~20 bpts and diluted EPS by ~\$0.20 compared to 2010. The 2011 estimated pension expense assumes a 5.0% discount rate at December 31, 2010 and a 2010 actual asset return equal to the expected long-term asset return assumption of 8.55%. The actual 2011 pension expense assumptions will be finalized based on prevailing credit market conditions existing on December 31, 2010, the company's measurement date, and actual pension asset returns for 2010.



Forward Looking Statements

Certain of the matters discussed in these slides, including information regarding the company's 2010 and 2011 preliminary 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; 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; 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 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; results of audits by U.S. Government agencies; results of on-going governmental investigations, including potential suspensions or debarments; 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); 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, 2009 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 Segment Data

(\$ in Millions)

	Previous Presentation			Reclassification			Revised Presentation		
	2009	9M09	3Q09	2009	9M09	3Q09	2009	9M09	3Q09
Sales:									
C ³ ISR	\$ 3,095	\$ 2,224	\$ 753	\$ -			\$ 3,095	\$ 2,224	\$ 753
Gov't Services	4,155	3,085	1,011	(61)	(48)	(16)	4,094	3,037	995
AM&M	2,827	2,101	742	-			2,827	2,101	742
Electronic Systems	5,538	3,997	1,336	61	48	16	5,599	4,045	1,352
Consolidated	\$ 15,615	\$ 11,407	\$ 3,842	\$ -	\$ -	\$ -	\$ 15,615	\$ 11,407	\$ 3,842

Operating Margin:

C ³ ISR	11.1%	11.3%	10.4%	-	-	-	11.1%	11.3%	10.4%
Gov't Services	9.5%	9.6%	10.2%	0.1%	-	-	9.6%	9.6%	10.2%
AM&M	8.6%	8.8%	9.0%	-	-	-	8.6%	8.8%	9.0%
Electronic Systems	12.1%	12.0%	12.7%	-	-0.1%	-	12.1%	11.9%	12.7%
Consolidated	10.6%	10.6%	10.9%	-	-	-	10.6%	10.6%	10.9%



Reconciliation of GAAP to Non-GAAP Measurements

(\$ in Millions)

	<u>2011 Guidance</u>	<u>2010 Guidance</u>	<u>9M10 Actual</u>	<u>3Q10 Actual</u>	<u>2009 Actual</u>	<u>9M09 Actual</u>	<u>3Q09 Actual</u>
Net cash from operating activities	\$ 1,480	\$ 1,460	\$ 984	\$ 395	\$ 1,407	\$ 978	\$ 450
Less: Capital expenditures	(225)	(207)	(98)	(34)	(186)	(128)	(45)
Add: Dispositions of property, plant and equipment	5	7	7	6	4	3	-
Free cash flow	<u>\$ 1,260</u>	<u>\$ 1,260</u>	<u>\$ 893</u>	<u>\$ 367</u>	<u>\$ 1,225</u>	<u>\$ 853</u>	<u>\$ 405</u>



