

Third Quarter Earnings Call

October 27, 2011



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.

Forward Looking Statements

Certain of the matters discussed in these slides including information regarding the company's 2011 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: timing and completion of the planned spin-off of a new, independent, publicly traded government services company, our dependence on the defense industry and the business risks peculiar to that industry, including changing priorities or reductions in the U.S. Government defense budget; backlog processing and program slips resulting from delayed funding of the Department of Defense (DoD) budget; 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; the impact of any strategic initiatives undertaken by us, including but not limited to the potential spin-off of a portion of our Government Services segment, and our ability to achieve anticipated benefits; 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 markets; global economic uncertainty; the DoD's contractor support services in-sourcing and efficiency initiatives; events beyond our control such as acts of terrorism; our ability to perform contracts (revenue arrangements) 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, including in connection with jury trials; results of audits by U.S. Government agencies; results of on-going governmental investigations, including potential suspensions or debarments; the impact on our business of improper conduct by our employees, agents or business partners; 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) and similar non-U.S. regulations; 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, 2010, 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.



Third Quarter Results



Select Financial Data - Third Quarter

(\$ in Millions, except per share amounts)

	3Q11	3Q10	3Q11 vs. 3Q10
Sales	\$3,787	\$3,835	-1%
Operating Margin	10.7%	11.4%	-70 bpts
Operating Income	\$406	\$437	-7%
Net Interest Expense and Other Income	\$54	\$66	-18%
Tax Rate	32.4%	35.0%	-260 bpts
Diluted Shares	104.8	114.7	-9%
Diluted Earnings Per Share (EPS)	\$2.24	\$2.07	8%
Net Cash from Operating Activities	\$465	\$395	18%
Free Cash Flow	\$418	\$367	14%

- Notes: (1) The 3Q11 lower tax rate is primarily due to a larger portion of earnings in foreign jurisdictions with lower tax rates compared to the 2010 third quarter and the reenactment of the U.S. Federal research and experimentation tax credit.
- (2) 3Q10 includes a debt retirement charge of \$5M (\$3M after tax, or \$0.03 per diluted share).
- (3) See Reconciliation of GAAP to Non-GAAP Measurements.



Segment Results - Third Quarter

(\$ in Millions)

Segment	3Q11 Sales	Sales Growth vs. 3Q10	3Q11 Operating Margin	Margin Change vs. 3Q10 (bpts)
C ³ ISR	\$ 892	13%	11.6%	+90
Gov't Services	904	-9%	8.2%	-110
AM&M	623	-12%	9.9%	+220
Electronic Systems	1,368	2%	12.2%	-320
Consolidated	\$ 3,787	-1%	10.7%	-70

Note: During 1Q11, the company made certain reclassifications between its C³ISR, Government Services and Electronic Systems segments due to the re-alignment of certain business units in the company's management and organizational structure. See the Supplemental Segment Data slides for the previous and revised 3Q10 segment data presentation.



Year to Date September Results



Select Financial Data - Year to Date September

(\$ in Millions, except EPS)

	2011 Actual	2010 Actual	2011 vs. 2010
Sales	\$11,154	\$11,425	-2%
Operating Margin	10.8%	11.3%	-50 bpts
Operating Income	\$1,200	\$1,289	-7%
Net Interest Expense and Other Income	\$184	\$203	-9%
Tax Rate	32.0%	36.1%	-410 bpts
Diluted Shares	107.2	116.0	-8%
Diluted Earnings Per Share (EPS)	\$6.34	\$5.89	8%
Net Cash from Operating Activities	\$984	\$984	0%
Free Cash Flow	\$860	\$893	-4%

Notes: (1) The 2011 lower tax rate is due to (i) \$12M, or \$0.11 per share, for the reversal of previously accrued amounts primarily related to the 2006 and 2007 U.S. Federal income tax returns, (ii) a larger portion of earnings in foreign jurisdictions with lower tax rates as compared to 2010, (iii) the reenactment of the U.S. Federal research and experimentation tax credit, and (iv) a 2010 tax provision of \$5M, or \$0.04 per share, related to the unfavorable tax treatment of the U.S. Federal Patient Protection and Affordable Care Act.

(2) 2011 and 2010 each include an \$18M debt retirement charge.

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



Segment Results - Year to Date September

(\$ in Millions)

Segment	2011 Sales	Sales Growth vs. 2010	2011 Operating Margin	Margin Change vs. 2010 (bpts)
C ³ ISR	\$ 2,522	7%	11.4%	-90
Gov't Services	2,789	-4%	7.7%	-90
AM&M	1,826	-14%	10.1%	+200
Electronic Systems	4,017	-1%	12.8%	-150
Consolidated	\$ 11,154	-2%	10.8%	-50

Note: During 1Q11, the company made certain reclassifications between its C³ISR, Government Services and Electronic Systems segments due to the re-alignment of certain business units in the company's management and organizational structure. See the Supplemental Segment Data slide for the previous and revised 2010 segment data presentation.



Cash Flow Data



Free Cash Flow

(\$ in Millions)

	3Q11 Actual	3Q10 Actual	9M11 Actual	9M10 Actual	2011 Guidance	2010 Actual
Net income	\$ 238	\$ 241	\$ 691	\$ 694	\$ 945	\$ 966
Depreciation & amortization	58	62	181	170	243	231
Deferred taxes	29	(18)	85	47	120	111
Stock-based compensation	47	56	159	172	204	225
CODES non-cash interest	-	5	2	16	2	22
Amortization of pension and OPEB net losses	10	12	36	31	49	41
Working capital / other	83	37	(170)	(146)	(73)	(135)
Cash flow from operating activities	\$ 465	\$ 395	\$ 984	\$ 984	\$ 1,490	\$ 1,461
Capital expenditures, net	(47)	(28)	(124)	(91)	(200)	(171)
Free cash flow	\$ 418	\$ 367	\$ 860	\$ 893	\$ 1,290	\$ 1,290
Supplemental Data:						
Cash interest payments	\$ 49	\$ 43	\$ 171	\$ 173	\$ 226	\$ 233
Income tax payments, net	17	84	192	256	285	336
Pension expense	31	40	110	114	147	154
Pension contributions	59	71	148	115	176	186

Depreciation, Amortization and Capital Expenditures

(\$ in Millions)

Segment	2011				2010			
	D&A*		CapEx**		D&A*		CapEx**	
	3Q11	9M11	3Q11	9M11	3Q10	9M10	3Q10	9M10
C ³ ISR	\$ 12	\$ 35	\$ 23	\$ 44	\$ 12	\$ 33	\$ 10	\$ 33
Gov't Services	8	25	2	8	9	27	-	3
AM&M	4	13	2	7	5	14	-	1
Electronic Systems	34	108	20	65	36	96	18	54
Consolidated	\$ 58	\$181	\$ 47	\$124	\$ 62	\$170	\$ 28	\$ 91

* D&A = Depreciation and Amortization

** CapEx reflects capital expenditures net of dispositions of property, plant and equipment.

Cash Sources and Uses, Capitalization, Leverage and Debt Balances

Cash Sources and Uses

(\$ in Millions)

	<u>3Q11 Actual</u>	<u>3Q10 Actual</u>	<u>9M11 Actual</u>	<u>9M10 Actual</u>	<u>2011 Guidance</u>	<u>2010 Actual</u>
Beginning cash	\$ 548	\$1,023	\$ 607	\$1,016	\$ 607	\$1,016
Net cash from operating activities	465	395	984	984	1,490	1,461
CapEx, net	(47)	(28)	(124)	(91)	(200)	(171)
Acquisitions, net	-	(94)	(15)	(710)	(15)	(754)
Dividends	(46)	(46)	(143)	(139)	(190)	(184)
Share repurchases	(371)	(215)	(800)	(469)	(900)	(834)
Debt refinancing, net	(1)	(400)	(22)	(10)	(22)	(10)
Other, net	(10)	15	51	69	70	83
Ending cash	<u>\$ 538</u>	<u>\$ 650</u>	<u>\$ 538</u>	<u>\$ 650</u>	<u>\$ 840</u>	<u>\$ 607</u>

Capitalization and Leverage

(\$ in Millions)

	9/30/11 Actual	12/31/10 Actual
Cash	\$ 538	\$ 607
Debt	\$ 4,126	\$ 4,137
Equity	6,787	6,855
Book Capitalization	\$ 10,913	\$ 10,992

Debt / Book Capitalization	37.8%	37.6%
Bank Leverage Ratio	1.97x	1.84x
Available Revolver	\$ 990	\$ 983

Note: Equity includes non-controlling interest of \$91M as of September 30, 2011 and December 31, 2010.

Debt Balances and Maturities

(\$ in Millions)

	9/30/11 Actual	Type	Maturity Date	Redemption Premium
Senior:				
Revolver	\$ -	L+300 bpts	10/23/12	n.a.
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
Subordinated:				
6-3/8% Notes	\$ 1,000	fixed	10/15/15	2.125%
3% CODES	689	fixed	8/1/35	0%
Unamortized Discounts	(13)			
Total	\$ 4,126			

Notes: (1) The contingent convertible notes (CODES) contain "puts" that holders can exercise on Feb 1, 2016, and every 5-year anniversary thereafter at a price of 100%. The current conversion price is \$97.79.

(2) T = comparable U.S. treasury note rate.



2011 Financial Guidance



2011 Financial Guidance

(\$ in Billions, except per share amounts)

	Current Guidance (Oct. 27, 2011)	Prior Guidance (Jul. 28, 2011)
Sales	\$15.3 to \$15.4	\$15.5 to \$15.6
Operating Margin	10.7%	10.7%
Tax Rate	32.5%	33.2%
Diluted EPS	\$8.70 to \$8.80	\$8.65 to \$8.75
Net Cash from Operating Activities	\$1.49	\$1.51
Less: CapEx, net of Dispositions	(\$0.20)	(\$0.22)
Free Cash Flow	\$1.29	\$1.29

Note: The revision of the 2011 consolidated financial guidance compared to the previous guidance provided on July 28, 2011 is primarily due to (i) reduced sales and operating income because of less than expected funding for the JCA contract in the AM&M segment and select contracts in the C³ISR and Electronic Systems segments, (ii) transaction costs of approximately \$8M related to the spin-off of the Engility business (previously announced on July 28, 2011), reported in the Government Services segment, (iii) a reduction in the estimated effective tax rate and (iv) fewer diluted shares outstanding primarily due to an additional \$100M of share repurchases, resulting in total expected share repurchases of \$900M, and the timing of these repurchases.



2011 Segment Guidance

(\$ in Billions)

Segment	Sales	Midpoint Sales Growth vs. 2010	Operating Margin	Midpoint Margin Change vs. 2010 (bpts)	D&A*
C ³ ISR	\$3.6 to \$3.7	10%	11.2% to 11.4%	-50	\$47
Gov't Services	\$3.6 to \$3.7	-7%	7.7% to 7.9%	-90	\$33
AM&M	\$2.4 to \$2.5	-12%	9.0% to 9.2%	+90	\$19
Electronic Systems	\$5.6 to \$5.7	0%	12.8% to 13.0%	-100	\$144
Consolidated	\$15.3 to \$15.4	-2%	10.7%	-50	\$243

* D&A = Depreciation and Amortization



2011 Segment Guidance - Current vs. Prior

(\$ in Billions)

Segment	Current Guidance		Prior Guidance	
	Sales	Operating Margin	Sales	Operating Margin
C ³ ISR	\$3.6 to \$3.7	11.2% to 11.4%	\$3.6 to \$3.7	11.0% to 11.2%
Gov't Services	\$3.6 to \$3.7	7.7% to 7.9%	\$3.6 to \$3.7	7.8% to 8.0%
AM&M	\$2.4 to \$2.5	9.0% to 9.2%	\$2.4 to \$2.5	9.0% to 9.2%
Electronic Systems	\$5.6 to \$5.7	12.8% to 13.0%	\$5.7 to \$5.8	12.8% to 13.0%
Consolidated	\$15.3 to \$15.4	10.7%	\$15.5 to \$15.6	10.7%



Appendix



Supplemental Segment Data

(\$ in Millions)

	Previous Presentation			Reclassification			Revised Presentation		
	2010	9M10	3Q10	2010	9M10	3Q10	2010	9M10	3Q10
Sales:									
C ³ ISR	\$ 3,399	\$ 2,412	\$ 810	\$ (76)	\$ (55)	\$ (19)	\$ 3,323	\$ 2,357	\$ 791
Gov't Services	3,963	2,935	1,001	(37)	(33)	(7)	3,926	2,902	994
AM&M	2,781	2,119	707	-	-	-	2,781	2,119	707
Electronic Systems	5,537	3,959	1,317	113	88	26	5,650	4,047	1,343
Consolidated	<u>\$ 15,680</u>	<u>\$ 11,425</u>	<u>\$ 3,835</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,680</u>	<u>\$ 11,425</u>	<u>\$ 3,835</u>

Operating Margin:

C ³ ISR	11.6%	12.2%	10.6%	0.2%	0.1%	0.1%	11.8%	12.3%	10.7%
Gov't Services	8.7%	8.6%	9.2%	-	-	0.1%	8.7%	8.6%	9.3%
AM&M	8.2%	8.1%	7.7%	-	-	-	8.2%	8.1%	7.7%
Electronic Systems	14.1%	14.4%	15.5%	-0.2%	-0.1%	-0.1%	13.9%	14.3%	15.4%
Consolidated	11.2%	11.3%	11.4%	-	-	-	11.2%	11.3%	11.4%

Reconciliation of GAAP to Non-GAAP Measurements

(\$ in Millions)

	<u>2011 Guidance</u>	<u>9M11 Actual</u>	<u>3Q11 Actual</u>	<u>2010 Actual</u>	<u>9M10 Actual</u>	<u>3Q10 Actual</u>
Net cash from operating activities	\$ 1,490	\$ 984	\$ 465	\$ 1,461	\$ 984	\$ 395
Less: Capital expenditures	(205)	(129)	(51)	(181)	(98)	(34)
Add: Dispositions of property, plant and equipment	5	5	4	10	7	6
Free cash flow	<u>\$ 1,290</u>	<u>\$ 860</u>	<u>\$ 418</u>	<u>\$ 1,290</u>	<u>\$ 893</u>	<u>\$ 367</u>

Select Financial Data

(\$ in millions)

	2010 Estimate			2011 Estimate		
	Engility ⁽¹⁾	NSS ⁽¹⁾	Gov't Services Segment	Engility ⁽¹⁾	NSS ⁽¹⁾	Gov't Services Segment ⁽²⁾
Sales	\$2,291	\$1,635	\$3,926	\$2,054	\$1,601	\$3,655
Operating Income	\$238	\$104	\$342	\$179	\$104	\$283
Operating Margin	10.4%	6.4%	8.7%	8.7%	6.5%	7.8%
Sales Growth	-8%	6%	-3%	-10%	-2%	-7%
Operating Income Growth	-10%	-14%	-11%	-25%	-	-17%
Depreciation & Amortization	\$16	\$20	\$36	\$14	\$19	\$33

(1) The select financial data for Engility and NSS are current estimates that are subject to change.

(2) The 2011 Estimate financial data are based on the mid-point of L-3's financial segment guidance range for the year ending December 31, 2011, provided on October 27, 2011.



Select Financial Data (Cont'd)

(\$ in millions)

	3Q11 Estimate			9M11 Estimate		
	Engility	NSS	Gov't Services Segment	Engility	NSS	Gov't Services Segment
Sales	\$493	\$411	\$904	\$1,575	\$1,214	\$2,789
Operating Income	\$42	\$32	\$74	\$141	\$75	\$216
Operating Margin	8.6%	7.8%	8.2%	9.0%	6.1%	7.7%
Sales Growth	-15%	-	-9%	-9%	3%	-4%
Operating Income Growth	-36%	19%	-20%	-21%	5%	-13%
Depreciation & Amortization	\$3	\$5	\$8	\$11	\$14	\$25

Note: The select financial data for Engility and NSS are current estimates that are subject to change.

