

Third Quarter Earnings Call *October 30, 2014*

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 2014 financial guidance and preliminary 2015 outlook 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," "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: the effect, if any, of the results of our Internal Review on our customer relationships, financial condition or results of operations or our internal controls over financial reporting; our dependence on the defense industry; backlog processing and program slips resulting from delayed funding of the Department of Defense (DoD) budget; 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; 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; 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 on-going governmental investigations; 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 amendment to our Annual Report on Form 10-K/A for the year ended December 31, 2013 filed on October 10, 2014 and in the quarterly report on Form 10-Q for the quarterly period ended September 26, 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.



Third Quarter Results



Select Financial Data - Third Quarter

(\$ in Millions, except per share amounts, 2013 as revised)

	<u>3Q14</u>	<u>3Q13</u>	<u>vs. 3Q13</u>
Sales	\$2,940	\$3,002	-2%
Operating Margin	8.7%	10.2%	-150 bps
Operating Income	\$257	\$306	-16%
Interest Expense	\$47	\$44	7%
Interest and Other Income, Net	\$5	\$4	n.m.
Tax Rate	27.0%	23.3%	+370 bps
Diluted Shares	86.6	91.3	-5%
Diluted Earnings Per Share (EPS)	\$1.78	\$2.19	-19%
Net Cash from Operating Activities	\$390	\$221	76%
Free Cash Flow	\$344	\$185	86%

Notes:

- (1) The 3Q14 diluted EPS included outside accounting and legal advisory costs of \$24 million, or \$0.17 per diluted share, incurred for the Aerospace Systems internal review ("Internal Review") and tax benefits of \$9 million or \$0.10 per diluted share. The 3Q13 included tax benefits of \$24 million or \$0.26 per diluted share.
- (2) The 3Q14 tax rate is higher than 3Q13 primarily due to a \$10 million tax benefit related to the reversal of accrued amounts for the expiration of the statutes of limitations.
- (3) The passage of the Highway and Transportation Funding Act of 2014 (HATFA) reduced recoverable pension costs under Government Cost Accounting Standards (CAS) by \$3 million, and reduced 3Q14 diluted EPS by approximately \$0.02.
- (4) See Reconciliation of GAAP to Non-GAAP Measurements.

n.m. = not meaningful



Segment Results - Third Quarter

(\$ in Millions)

Segment	3Q14 Sales	Sales Growth vs. 3Q13	3Q14 Operating Margin	Margin Change 3Q13 (bps)
Electronic Systems	\$ 1,106	-1%	11.3%	-170
Aerospace Systems	1,035	-5%	6.2%	-340
Communication Systems	493	3%	9.9%	+340
NSS	306	-5%	6.2%	-180
Consolidated	\$ 2,940	-2%	8.7%	-150

Note: Internal Review expenses of \$24 million reduced Aerospace Systems margin by 230 bps and consolidated margin by 90 bps.



Year to Date September Results



Select Financial Data - Year to Date September

(\$ in Millions, except per share amounts)

	2014	2013	vs. 2013
Sales	\$8,916	\$9,388	-5%
Operating Margin	8.8%	9.7%	-90 bps
Operating Income	\$782	\$906	-14%
Interest Expense	\$129	\$131	-2%
Interest and Other Income, Net	\$14	\$14	n.c.
Tax Rate	29.5%	27.5%	+200 bps
Diluted Shares	88.4	91.3	-3%
Diluted EPS	\$5.21	\$6.20	-16%
Net Cash from Operating Activities	\$605	\$617	-2%
Free Cash Flow	\$494	\$480	3%

Notes:

- (1) The 2014 year-to-date diluted EPS included outside accounting and legal advisory costs of \$24 million, or \$0.17 per diluted share, incurred for the Internal Review and tax benefits of \$9 million or \$0.10 per diluted share. The 2013 year-to-date diluted EPS included tax benefits of \$38 million or \$0.42 per diluted share.
- (2) The 2014 tax rate is higher than 2013 primarily due to tax benefits in 2013 of \$28 million for the U.S. Federal research and experimentation (R&E) tax credit, and \$10 million related to the reversal of accrued amounts for the expiration of the statutes of limitations.
- (3) HATFA reduced recoverable CAS pension costs by \$3 million and diluted EPS by approximately \$0.02.
- (4) See Reconciliation of GAAP to Non-GAAP Measurements.

n.c. = no change



Segment Results - Year to Date September

(\$ in Millions)

<u>Segment</u>	<u>2014 Sales</u>	<u>Sales Growth vs. 2013</u>	<u>2014 Operating Margin</u>	<u>Margin Change vs. 2013 (bps)</u>
Electronic Systems	\$ 3,286	-2%	11.7%	+10
Aerospace Systems	3,169	-7%	6.2%	-360
Communication Systems	1,516	-8%	9.7%	+260
NSS	945	-4%	5.9%	-80
Consolidated	\$ 8,916	-5%	8.8%	-90

Note: Internal Review expense of \$24 million reduced Aerospace Systems segment margin by 70 bps and Consolidated margin by 30 bps.



Internal Review of Aerospace Systems Segment



Internal Review Pretax Charges - - Reconciliation from Preliminary July 31st to Final October 10th

(\$ in Millions)

<u>Preliminary July 31st</u>	<u>\$ 84</u>
Logistics Solutions:	
- Excess spare parts inventory Net Realized Value (NRV)	20
- Unbilled receivables and inventory NRV	16
- Other	5
Platform Systems:	
- Losses on an international aircraft modification contract	14
- Losses on two contracts for rotary wing subassemblies and parts	15
- Write-off of deferred cost for aerostructures design and testing for a new commercial aircraft	15
<u>Final October 10th</u>	<u><u>\$ 169</u></u>



Internal Review Pretax Charges by Period

(\$ in Millions)

	<u>Before 2011</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>1Q14</u>	<u>2Q14</u>	<u>Total</u>
Army C-12	\$ -	\$ (3)	\$ (16)	\$ (35)	\$ (4)	\$ (11)	\$ (69)
Other	(4)	(2)	(11)	(11)	(5)	(15)	(48)
Logistics Solutions	\$ (4)	\$ (5)	\$ (27)	\$ (46)	\$ (9)	\$ (26)	\$ (117)
Platform Systems	\$ -	\$ -	\$ 2	\$ (14)	\$ (11)	\$ (29)	\$ (52)
Total	<u>\$ (4)</u>	<u>\$ (5)</u>	<u>\$ (25)</u>	<u>\$ (60)</u>	<u>\$ (20)</u>	<u>\$ (55)</u>	<u>\$ (169)</u>



2014 Financial Guidance



2014 Consolidated Financial Guidance

(\$ in Millions, except per share amounts)

	Guidance (October 30, 2014)	Midpoint vs. 2013
Sales	\$12,025 to \$12,125	-4%
Operating margin	9.2%	-40 bps
Interest expense	\$179	\$2
Interest and other income	\$18	-\$2
Effective tax rate	30.0%	+200 bps
Diluted shares	87.7	-4%
Diluted EPS	\$7.30 to \$7.50	-10%
Free cash flow	\$875 to \$925	-16%

2014 Consolidated Financial Guidance Assumptions:

- (1) Lower pension expense vs. 2013 increases operating income by \$94 million and operating margin by 80 bps. The passage of HATFA reduces 2014 recoverable CAS pension costs by \$4 million.
- (2) The R&E tax credit, which expired on December 31, 2013, increases the effective tax rate by 170 bps and reduces diluted EPS by \$0.18.
- (3) Share repurchases of \$825 million.
- (4) Guidance excludes any potential non-cash goodwill impairment charges for which the information is presently unknown.
- (5) Guidance excludes the impact, if any, of litigation and investigations relative to the matters subject to the Internal Review.

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



2014 Segment Guidance

(\$ in Millions)

Segment	Sales	Midpoint Sales vs. 2013	Operating Margin	Midpoint Margin vs. 2013 (bps)	Pension Margin Impact* (bps)
Electronic Systems	\$4,525 to \$4,575	-1%	11.7% to 11.9%	+20	+70
Aerospace Systems	\$4,325 to \$4,375	-4%	6.9% to 7.1%	-240	+80
Comm Systems	\$1,900 to \$1,950	-12%	9.6% to 9.8%	+200	+150
NSS	\$1,225 to \$1,275	-3%	6.4% to 6.6%	-10	+10
L-3 Consolidated	\$12,025 to \$12,125	-4%	9.2%	-40	+80

* Lower pension expense 2014 vs. 2013 increases operating income \$94M (Aerospace Systems \$34M, Electronic Systems \$30M, Communication Systems \$29M, and NSS \$1M).



Consolidated 2014 Guidance Midpoints Reconciliation of Changes

(\$ in Millions)

	<u>Sales</u>	<u>Operating Income</u>	<u>Operating Margin</u>	<u>Diluted EPS</u>
<u>May 1st Update</u>	<u>\$12,050</u>	<u>\$ 1,265</u>	10.5%	<u>\$ 8.30</u>
Aerospace Systems segment:				
Preliminary 1H14 Internal Review Charges	(17)	(34)		
2H14 Logistics Solutions lower profits, primarily Army C-12 contract	-	(20)		
2H14 Internal Review expenses	-	(15)		
Subtotal	<u>(17)</u>	<u>(69)</u>		<u>(0.50)</u>
All other, net	<u>92</u>	<u>4</u>		<u>0.20</u>
<u>July 31st Preliminary Update</u>	<u>\$12,125</u>	<u>\$ 1,200</u>	9.9%	<u>\$ 8.00</u>
Aerospace Systems segment:				
Final vs. Preliminary 1H14 Internal Review charges	2	(41)		
2H14 Platform Systems and Logistics Solutions lower profits	-	(24)		
2H14 additional Internal Review expenses	-	(10)		
Order delays and contract performance, unrelated to Internal Review	<u>(152)</u>	<u>(30)</u>		
Subtotal	<u>(150)</u>	<u>(105)</u>		<u>(0.75)</u>
Higher pension expense (HATFA)	-	(4)		<u>(0.03)</u>
All other, net	<u>100</u>	<u>19</u>		<u>0.18</u>
<u>October 30th Update</u>	<u><u>\$12,075</u></u>	<u><u>\$ 1,110</u></u>	9.2%	<u><u>\$ 7.40</u></u>



2015 Preliminary Outlook



2015 Preliminary Outlook

(\$ in Billions, except per share amounts)

	Preliminary Outlook (October 30, 2014)	vs. 2014 Midpoint
Sales	\$11.8	-2%
Operating margin	9.3%	+10 bps
Interest expense	\$0.2	\$0.01
Effective tax rate	32.0%	+200 bps
Diluted shares	82.8	-6%
Diluted EPS	\$7.50	1%
Free cash flow	\$0.925	3%

2015 Preliminary Outlook Assumptions:

- (1) DoD and other U.S. Government sales are expected to decrease 5%, including a \$250 million decline due to the U.S. military drawdown from Afghanistan. International/Commercial sales are expected to increase 5%.
- (2) Estimated higher pension expense (FAS expense, less CAS cost recoveries) vs. 2014 decreases operating income by \$73 million, operating margin by approximately 60 bps and diluted EPS by \$0.56. The increase is due to: (i) \$49 million for an 86 bps decline in the estimated weighted average discount rate to 4.17% from 5.03% at 12/31/13, (ii) \$12 million for the reduction of 2015 recoverable CAS pension costs due to the passage of HATFA and (iii) \$12 million for other changes in actuarial assumptions, primarily mortality rates.
- (3) No U.S. Federal R&E tax credit, which expired on December 31, 2013. If reenacted for 2015, the annual R&E credit benefit would be a reduction to the effective tax rate of 170 bps and an increase to diluted EPS of \$0.19.
- (4) Share repurchases of \$500 million.
- (5) Outlook excludes any potential non-cash goodwill impairment charges for which the information is presently unknown.
- (6) Outlook excludes the impact, if any, of litigation and investigations relating to matters subject to the Internal Review.

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



Consolidated Sales and Margin Reconciliation

2014 Guidance to 2015 Preliminary Outlook

(\$ in Billions)

	<u>Sales</u>	<u>Operating Margin</u>
<u>2014 Financial Midpoint Guidance</u>	<u>\$ 12.1</u>	<u>9.2%</u>
Electronic Systems		
Communication Systems		
NSS	(0.1)	0.3%
Aerospace Systems:		
Add: 2014 Internal Review charges & expenses	-	0.8%
Other	(0.2)	-0.4%
Subtotal before higher pension expense	<u>11.8</u>	<u>9.9%</u>
Less: Higher pension expense	-	-0.6%
<u>2015 Preliminary Outlook</u>	<u>\$ 11.8</u>	<u>9.3%</u>

Notes:

- (1) Internal Review charges and expenses comprise 1H14 pretax charges of \$75 million related to the Internal Review and 2H14 expenses to perform the Internal Review of \$25 million.
- (2) The estimated sales reductions for 2015 vs. 2014 include \$250 million for the U.S. military drawdown from Afghanistan.
- (3) Estimated pension expense is expected to increase by \$73 million for 2015 vs. 2014, reducing operating margin by approximately 60 bps.



Cash Flow Data



Cash Flow

(\$ in Millions)

	<u>3Q14 Actual</u>	<u>3Q13 Actual</u>	<u>9M14 Actual</u>	<u>9M13 Actual</u>	<u>2014 Guidance*</u>	<u>2013 Actual</u>
Net income	\$ 157	\$ 204	\$ 470	\$ 572	\$ 660	\$ 760
Depreciation & amortization	56	52	165	158	222	214
Deferred income taxes	48	30	91	38	130	42
401K common stock match	31	29	105	90	125	114
Stock-based employee compensation	10	14	39	42	53	59
Amortization of pension and OPEB net losses	3	20	11	63	15	83
Working capital/other items	85	(128)	(276)	(346)	(110)	(9)
Capital expenditures, net	(46)	(36)	(111)	(137)	(195)	(197)
Free cash flow	<u>\$ 344</u>	<u>\$ 185</u>	<u>\$ 494</u>	<u>\$ 480</u>	<u>\$ 900</u>	<u>\$ 1,066</u>

* Based on midpoint of Guidance range.



Supplemental Cash Flow Data

(\$ in Millions)

	<u>3Q14</u> <u>Actual</u>	<u>3Q13</u> <u>Actual</u>	<u>9M14</u> <u>Actual</u>	<u>9M13</u> <u>Actual</u>	<u>2014</u> <u>Guidance</u>	<u>2013</u> <u>Actual</u>
Cash interest payments	\$ 37	\$ 47	\$ 123	\$ 133	\$ 176	\$ 171
Income tax payments, net	10	28	124	151	165	226
FAS pension expense	19	45	60	136	80 ⁽¹⁾	181
CAS pension cost ^{(2) (3)}	25	29	80	86	110	117
Pension contributions	37	50	85	93	97	105

(1) FAS pension expense represents pension expense determined using U.S. GAAP and assumes a 2014 weighted average discount rate of 5.03% (vs. 4.15% for 2013) and a 2014 weighted average pension asset return of 8.13%.

(2) 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.

(3) HATFA reduces 2014 recoverable CAS pension costs by \$4 million.



Depreciation, Amortization and Capital Expenditures

(\$ in Millions)

Segment	2014				2013			
	D&A		CapEx, Net		D&A		CapEx, Net	
	3Q14	9M14	3Q14	9M14	3Q13	9M13	3Q13	9M13
Electronic Systems	\$ 30	\$ 89	\$ 20	\$ 56	\$ 28	\$ 87	\$ 17	\$ 55
Aerospace Systems	11	30	17	33	10	28	8	32
Comm Systems	13	38	7	17	12	35	10	46
NSS	2	8	2	5	2	8	1	4
Consolidated	\$ 56	\$165	\$ 46	\$111	\$ 52	\$158	\$ 36	\$137

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)

	3Q14 Actual	3Q13 Actual	9M14 Actual	9M13 Actual	2014 Guidance	2013 Actual
Beginning cash	\$ 299	\$ 328	\$ 500	\$ 349	\$ 500	\$ 349
Free cash flow	344	185	494	480	900*	1,066
Acquisitions, net of divestitures	-	(1)	(52)	2	(52)	(58)
Dividends	(51)	(50)	(158)	(151)	(208)	(199)
Share repurchases	(80)	(156)	(413)	(404)	(825)	(800)
Senior notes net proceeds	-	-	988	-	988	-
CODES redemption	-	-	(935)	-	(935)	-
Other	(4)	71	84	101	122	142
Ending cash	<u>\$ 508</u>	<u>\$ 377</u>	<u>\$ 508</u>	<u>\$ 377</u>	<u>\$ 490</u>	<u>\$ 500</u>

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

* Based on midpoint of Guidance range.



Capitalization and Leverage

(\$ in Millions)

	9/26/14 Actual	12/31/13 Actual
Cash	\$508	\$500
Debt	\$3,938	\$3,630
Equity	5,979	6,056
Invested Capital	\$9,917	\$9,686
Debt/Invested Capital	39.7%	37.5%
Bank Leverage Ratio	2.50x	2.15x
Available Revolver	\$1,000	\$1,000

Note: Equity includes non-controlling interests (minority interests) of \$76M as of September 26, 2014 and \$75M as of December 31, 2013.

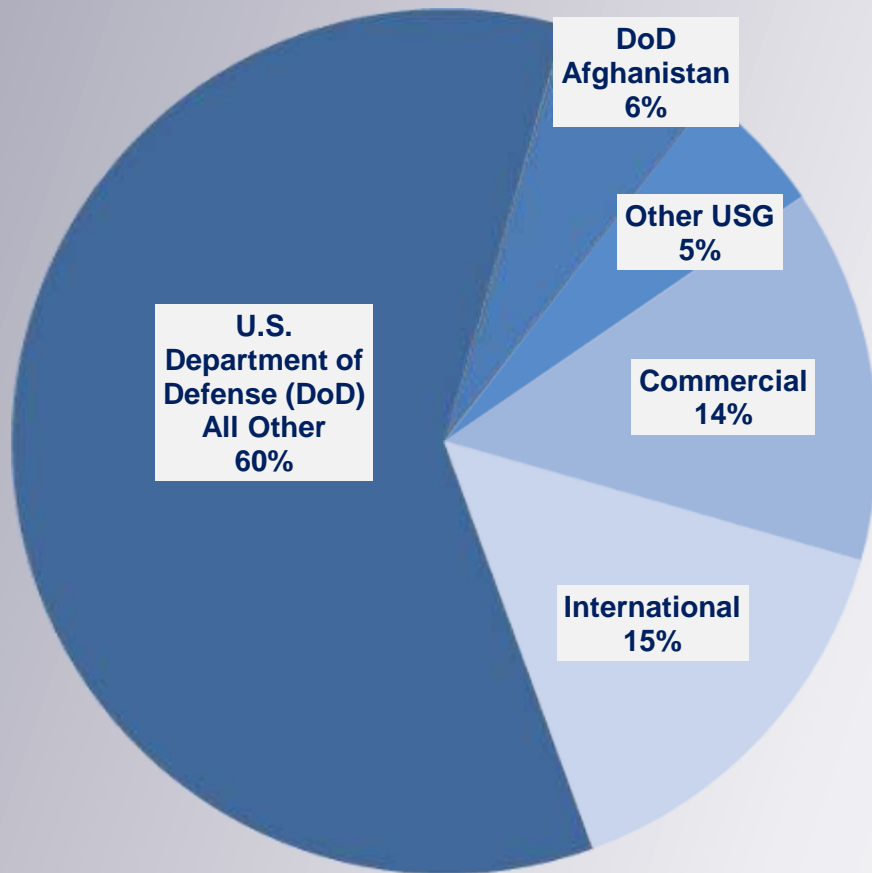


Appendix

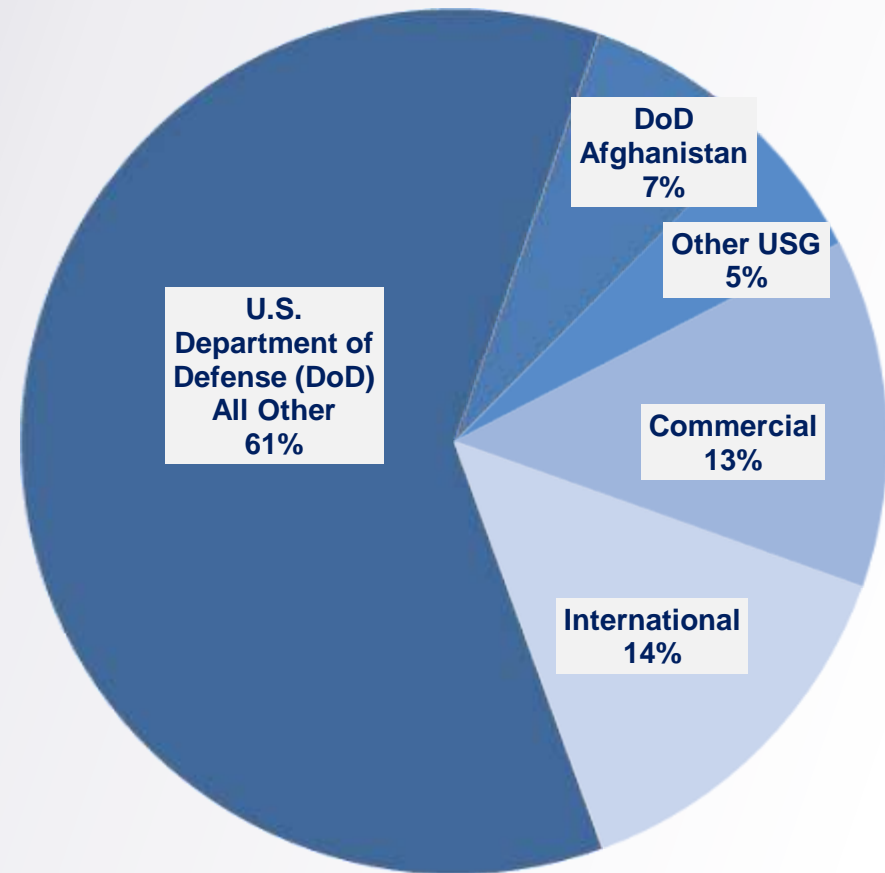


End Customer Sales Mix Trends

2014 Estimate



2013 Actual

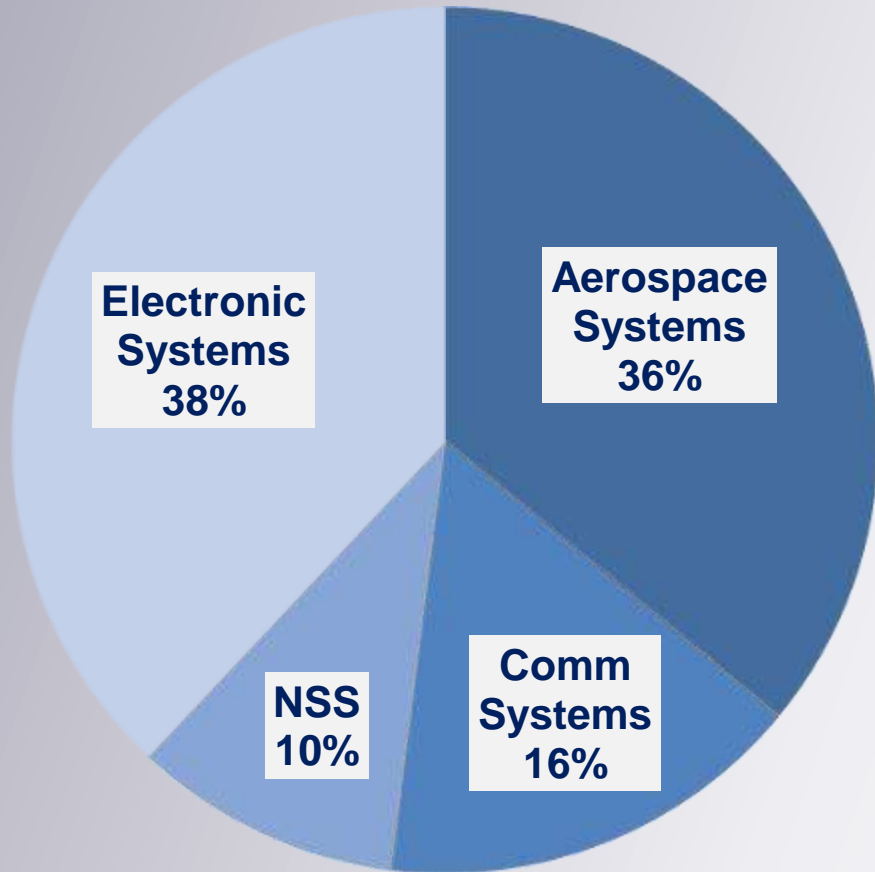


Direct to End Customer = 68%
Indirect to End Customer = 32%

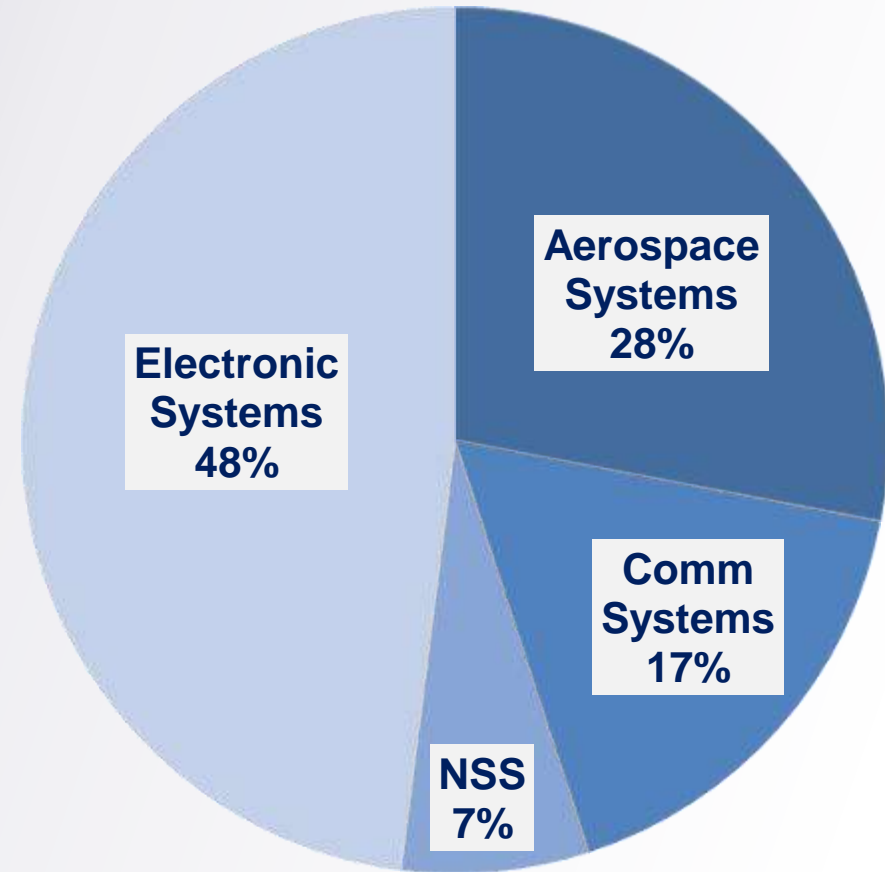


Segment Mix: 2014 Guidance Midpoints

Sales



Operating Income



2014 Segment Guidance - Current vs. Prior

(\$ in Millions)

Segment	Current Guidance (October 30, 2014)		Preliminary Guidance (July 31, 2014)	
	Sales	Operating Margin	Sales	Operating Margin
Electronic Systems	\$4,525 to \$4,575	11.7% to 11.9%	\$4,450 to \$4,550	11.7% to 11.9%
Aerospace Systems	\$4,325 to \$4,375	6.9% to 7.1%	\$4,450 to \$4,550	9.0% to 9.2%
Communication Systems	\$1,900 to \$1,950	9.6% to 9.8%	\$1,825 to \$1,925	9.6% to 9.8%
NSS	\$1,225 to \$1,275	6.4% to 6.6%	\$1,200 to \$1,300	6.4% to 6.6%
Consolidated	\$12,025 to \$12,125	9.2%	\$12,025 to \$12,225	9.9%



Reconciliation of GAAP to Non-GAAP Measurements

(\$ in Millions)

	2014 Guidance*	9M14 Actual	3Q14 Actual	2013 Actual	9M13 Actual	3Q13 Actual
Net cash from operating activities	\$ 1,095	\$ 605	\$ 390	\$ 1,263	\$ 617	\$ 221
Less: Capital expenditures	(200)	(115)	(48)	(209)	(147)	(37)
Add: Disposition of property, plant and equipment	5	4	2	12	10	1
Free cash flow	<u>\$ 900</u>	<u>\$ 494</u>	<u>\$ 344</u>	<u>\$ 1,066</u>	<u>\$ 480</u>	<u>\$ 185</u>

* Based on midpoint of Guidance range.



