

Fourth Quarter Earnings Call

January 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.

Fourth Quarter Results



Select Financial Data - Fourth Quarter

(\$ in Millions, except per share amounts)

	4Q09	4Q08	4Q09 vs 4Q08
Sales	\$4,208	\$4,011	5%
Operating Margin	10.6%	10.4%	+20 bpts
Operating Income	\$446	\$416	7%
Net Interest Expense and Other Income	\$79	\$70	\$9
Tax Rate	37.3%	28.6%	+870 bpts
Diluted Shares	116.6	120.1	-3%
Diluted EPS from Continuing Operations	\$1.93	\$2.01	-4%
Net Cash from Operating Activities	\$429	\$356	21%
Free Cash Flow	\$372	\$287	30%

Notes: (1) 4Q08 has been adjusted to retroactively apply the provisions of certain new accounting standards that were adopted effective January 1, 2009. See Fourth Quarter 2008 Supplemental Select Financial data slide.

(2) Higher pension expense for 2009 compared to 2008 reduced 4Q09 operating income by \$23M (\$14M after income taxes), operating margin by 50 bpts and diluted EPS by \$0.12.

(3) 4Q08 includes income tax benefits related to: (i) a net reversal of previously accrued amounts of \$18M, or \$0.15 per diluted share, for the completion of examinations of the 2004 and 2005 US Federal income tax returns and certain state and foreign tax accruals, and (ii) \$13M, or \$0.11 per diluted share, due to the US Federal research and experimentation tax credit that was retroactively re-enacted in December 2008.

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



Segment Results - Fourth Quarter

(\$ in Millions)

<u>Segment</u>	<u>4Q09 Sales</u>	<u>Sales Growth vs 4Q08</u>	<u>4Q09 Operating Margin</u>	<u>Margin Change vs 4Q08 (bpts)</u>
C ³ ISR	\$ 871	17%	10.6%	+260
Gov't Services	1,071	-	9.5%	-20
AM&M	725	1%	8.1%	-90
Electronic Sys.	1,541	4%	12.5%	-20
Consolidated	\$ 4,208	5%	10.6%	+20

- 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 4Q08. See the Supplemental Segment Data slide.
- (2) Higher pension expense for 2009 compared to 2008 reduced 4Q09 operating income by \$8M or 100 bpts for C³ISR, \$3M or 50 bpts for AM&M, and \$12M or 70 bpts for Electronic Systems. Operating Margin Change vs 4Q08 excluding the higher pension expense would have been +360 bpts for C³ISR, -40 bpts for AM&M, +50 bpts for Electronic Systems and +70 bpts on a consolidated basis.
- (3) During 4Q09, the company renamed its Specialized Products reportable segment Electronic Systems to better describe the nature of the segment's businesses.



Full Year Results



Select Financial Data - Full Year

(\$ in Millions, except per share amounts)

	2009 Actual	vs 2008 Actual	vs 2008 Adjusted
Sales	\$15,615	5%	5%
Operating Margin	10.6%	-70 bpts	n.c.
Operating Income	\$1,656	-2%	5%
Net Interest Expense and Other Income	\$270	3%	n.c.
Tax Rate	34.3%	-40 bpts	n.c.
Diluted Shares	117.4	-4%	-4%
Diluted EPS from Continuing Operations	\$7.61	2%	11%
Net Cash from Operating Activities	\$1,407	1%	1%
Free Cash Flow	\$1,225	3%	3%

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 2Q08 Items comprised of: (i) a litigation gain of \$133M (\$81M after income taxes or \$0.66 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 \$79M (\$48M after income taxes), operating margin by 50 bpts and diluted EPS by \$0.41.



Segment Results - Full Year

(\$ 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	\$ 3,095	22%	11.1%	+150	+150
Gov't Services	4,155	-4%	9.5%	-40	-40
AM&M	2,827	6%	8.6%	-50	-50
Electronic Sys.	5,538	3%	12.1%	+10	-20
Consolidated	\$15,615	5%	10.6%	-70	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 \$32M or 100 bpts for C³ISR and \$42M or 80 bpts for Electronic Systems. Operating Margin Change vs 2008 Adjusted excluding the higher pension expense would have been +250 bpts for C³ISR, +60 bpts for Electronic Systems, and +50 bpts on a consolidated basis.



2010 Financial Guidance



2010 Financial Guidance

(\$ in Billions, except EPS amounts)

	2010 Current Guidance	2010 Prior Guidance
Sales	\$15.8 to \$16.0	\$15.7 to \$15.9
Operating Margin	10.7%	10.7%
Tax Rate	35.8%	35.8%
Diluted EPS	\$8.00 to \$8.20	\$7.85 to \$8.05
Net Cash from Operating Activities	\$1.50	\$1.50
Less: CapEx, net of Dispositions	(\$0.25)	(\$0.25)
Free Cash Flow	\$1.25	\$1.25

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%	11.2% to 11.4%	+20
Gov't Services	\$4.0 to \$4.1	-3%	9.6% to 9.8%	+20
AM&M	\$2.7 to \$2.8	-3%	8.8% to 9.0%	+30
Electronic Systems	\$5.6 to \$5.7	2%	11.7% to 11.9%	-30
Consolidated	\$15.8 to \$16.0	2%	10.7%	+10

Note: AM&M segment includes sales from SOFSA contract through approximately May 31, 2010.



Free Cash Flow

(\$ in Millions)

	4Q09 Actual	2009 Actual	2010 Guidance
Net income	\$ 230	\$ 911	\$ 950
Depreciation & amortization	56	218	227
Deferred taxes	15	51	95
Stock-based compensation	50	213	228
CODES non-cash interest	6	21	22
Working capital/other	72	(7)	(22)
Cash flow from operating activities	\$ 429	\$ 1,407	\$ 1,500
Capital expenditures, net	(57)	(182)	(250)
Free cash flow	\$ 372	\$ 1,225	\$ 1,250

Supplemental Data:

Cash interest payments	\$ 56	\$ 237	\$ 236
Income tax payments, net	109	380	425
Pension expense	46	173	148
Pension contributions	21	67	140

Debt

(\$ in Millions)

	12/31/09 Actual	Type	Maturity Date	Next Redemption	
				Date	Premium
Senior:					
Revolver	\$ -	L+300 bpts	10/12	n.a.	
5.2% Senior Notes	1,000	fixed	10/19	n.a.	
Subordinated:					
3% CODES	\$ 700	fixed	8/35	2/11	0%
6-1/8% Notes	400	fixed	7/13	7/09	2.042%
6-1/8% Notes	400	fixed	1/14	1/10	2.042%
5-7/8% Notes	650	fixed	1/15	1/10	2.938%
6-3/8% Notes	1,000	fixed	10/15	10/10	3.188%
Unamortized Discounts	(38)				
Total	\$ 4,112				

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%.



Capitalization and Leverage

(\$ in Millions)

	<u>12/31/10 Guidance</u>	<u>12/31/09 Actual</u>	<u>12/31/08 Actual</u>
Cash	<u>\$1,675</u>	<u>\$1,016</u>	<u>\$867</u>
Debt	\$4,136	\$4,112	\$4,493
Equity	<u>7,305</u>	<u>6,658</u>	<u>5,941</u>
Invested Capital	<u>\$11,441</u>	<u>\$10,770</u>	<u>\$10,434</u>
Debt/Invested Capital	36.2%	38.2%	43.1%
Bank Leverage Ratio	1.8x	1.9x	2.2x
Available Revolver	\$970	\$968	\$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) Equity includes non-controlling interests (minority interests) of \$95M as of December 31, 2010, \$93M as of December 31, 2009 and \$83M as of December 31, 2008.

Forward Looking Statements

Certain of the matters discussed in these slides, including information regarding the Company's 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; outcome of matters relating to the Foreign Corrupt Practice Act; 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 - Fourth Quarter 2008

(\$ in Millions, except per share amounts)

	GAAP As Previously Reported	Adjustments for:			GAAP As Currently Reported
		Non-Controlling Interests	Participating Securities	Convertible Debt	
Sales	\$4,011	-	-	-	\$4,011
Operating Margin	10.4%	-	-	-	10.4%
Operating Income	\$416	-	-	-	\$416
Net Interest Expense and Other Income	\$65	-	-	\$5	\$70
Tax Rate	29.0%	-	-	(0.4)%	28.6%
Income from Continuing Operations Allocable to Common Shareholders	\$247	-	(\$3)	(\$3)	\$241
Diluted Shares	120.7	-	(0.6)	-	120.1
Diluted Earnings Per Share from Continuing Operations	\$2.04	-	(\$0.01)	(\$0.02)	\$2.01



2008 Supplemental Select Financial Data

(\$ in Millions, except per share amounts)

	GAAP As Previously Reported	Adjustments for:			GAAP As Currently Reported
		Non-Controlling Interests	Participating Securities	Convertible Debt	
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)%	-	(0.1)%	34.7%
Income from Continuing Operations Allocable to Common Shareholders	\$929	-	\$(9)	\$(11)	\$909
Diluted Shares	122.9	-	(0.5)	-	122.4
Diluted Earnings Per Share from Continuing Operations	\$7.56	-	\$(0.04)	\$(0.09)	\$7.43



Supplemental Capitalization at 12/31/08

(in Millions)

	As Previously Reported	Adjustments for:		As Currently Reported
		Non-Controlling Interests	Convertible Debt	
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)

	<u>Previous Presentation</u>		<u>Reclassifications</u>		<u>Revised Presentation</u>	
	<u>2008</u>	<u>4Q08</u>	<u>2008</u>	<u>4Q08</u>	<u>2008</u>	<u>4Q08</u>
<u>Sales:</u>						
C ³ ISR	\$ 2,567	\$ 753	\$ (30)	\$ (6)	\$ 2,537	\$ 747
Gov't Services	4,303	1,063	14	5	4,317	1,068
AM&M	2,657	719	16	1	2,673	720
Electronic Sys.	5,374	1,476	-	-	5,374	1,476
Consolidated	\$ 14,901	\$ 4,011	\$ -	\$ -	\$ 14,901	\$ 4,011

Operating Margin:

C ³ ISR	9.8%	8.3%	-0.2%	-0.3%	9.6%	8.0%
Gov't Services	9.8%	9.5%	0.1%	0.2%	9.9%	9.7%
AM&M	9.1%	8.9%	n.c.	0.1%	9.1%	9.0%
Electronic Sys.	12.0%	12.7%	n.c.	n.c.	12.0%	12.7%
Consolidated	11.3%	10.4%	n.c.	n.c.	11.3%	10.4%



Reconciliation of GAAP to Non-GAAP Measurements

(\$ in Millions)

	<u>2008 Actual</u>
Consolidated Operating Margin	11.3%
Add: Impairment Charge	0.2%
Less: Litigation Gain	-0.8%
Product Line Divestiture Gain	-0.1%
Consolidated Operating Margin, Excluding 2Q08 Items	<u>10.6%</u>
Consolidated Operating Income	\$ 1,685
Add: Impairment Charge	28
Less: Litigation Gain	(126)
Product Line Divestiture Gain	(12)
Consolidated Operating Income, Excluding 2Q08 Items	<u>\$ 1,575</u>
Net Interest Expense and Other Income	\$ 262
Add: Litigation Gain	7
Net Interest Expense and Other Income, Excluding 2Q08 Items	<u>\$ 269</u>
Tax Rate	34.7%
Add: Impairment Charge	0.1%
Less: Litigation Gain	-0.5%
Tax Rate, Excluding 2Q08 Items	<u>34.3%</u>

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

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

	<u>2010 Guidance</u>	<u>2009 Actual</u>	<u>4Q09 Actual</u>	<u>2008 Actual</u>	<u>4Q08 Actual</u>
Diluted EPS from Continuing Operations				\$ 7.43	
Add: Impairment Charge				0.14	
Less: Litigation Gain				(0.66)	
Product Line Divestiture Gain				(0.06)	
Diluted EPS from Continuing Operations, Excluding 2008 Items				<u>\$ 6.85</u>	
Electronic Systems Operating Margin				12.0%	
Add: Impairment Charge				0.5%	
Less: Product Line Divestiture Gain				-0.2%	
Electronic Systems Operating Margin, Excluding 2Q08 Items				<u>12.3%</u>	
Net cash from operating activities	\$ 1,500	\$ 1,407	\$ 429	\$ 1,387	\$ 356
Less: Capital expenditures	(250)	(186)	(58)	(218)	(79)
Add: Dispositions of property, plant and equipment	-	4	1	15	10
Free cash flow	<u>\$ 1,250</u>	<u>\$ 1,225</u>	<u>\$ 372</u>	<u>\$ 1,184</u>	<u>\$ 287</u>

