

Fourth Quarter Earnings Call

January 31, 2012



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 2012 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, and "Part II – Item A – Risk Factors" in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, 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.

Fourth Quarter Results



Select Financial Data - Fourth Quarter

(\$ in Millions, except per share amounts)

	4Q11	4Q10	vs. 4Q10
Sales	\$4,015	\$4,255	-6%
Segment Operating Margin	11.0%	10.8%	+20 bps
Segment Operating Income	\$441	\$461	-4%
Net Interest Expense and Other Income	\$69	\$63	10%
Debt Retirement Charge	\$17	\$0	nm
Tax Rate	11.2%	31.7%	nm
Diluted Shares	100.9	112.8	-11%
Diluted Earnings Per Share	\$2.72	\$2.37	15%
Adjusted Diluted Earnings Per Share (EPS)	\$2.44	\$2.37	3%
Net Cash from Operating Activities	\$500	\$477	5%
Free Cash Flow	\$438	\$397	10%

Notes: (1) 4Q11 adjusted EPS excludes a tax benefit of \$78M or \$0.77 per share, and non-cash impairment charges of \$57M (\$50M after taxes) or \$0.49 per share, including a goodwill impairment charge of \$43M (\$42M after taxes) or \$0.41 per share and \$14M (\$8M after taxes) or \$0.08 per share for the company's share of an impairment charge for long-lived assets at an equity method investment (collectively the "4Q11 Items").

(2) Excluding the 4Q11 Items, the tax rate would have been 32.5%, an 80 bps increase compared to 4Q10.

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



Segment Results - Fourth Quarter

(\$ in Millions)

Segment	4Q11 Sales	Sales Growth vs. 4Q10	4Q11 Operating Margin	Margin Change vs. 4Q10 (bps)
C ³ ISR	\$ 1,046	8%	11.5%	+100
Gov't Services	832	-19%	7.7%	-130
AM&M	614	-7%	7.9%	-80
Electronic Systems	1,523	-5%	13.6%	+50
Consolidated	\$ 4,015	-6%	11.0%	+20

Note: During 1Q11, the company made certain reclassifications between its C³ISR, Government Services and Electronic Systems reportable segments due to the re-alignment of business units in the company's management and organizational structure. See Supplemental Segment Data slides for the previous and revised 4Q10 segment data presentation.

Full Year Results



Select Financial Data - Full Year

(\$ in Millions, except per share amounts)

	2011	2010	vs. 2010
Sales	\$15,169	\$15,680	-3%
Segment Operating Margin	10.8%	11.2%	-40 bps
Segment Operating Income	\$1,641	\$1,750	-6%
Net Interest Expense and Other Income	\$235	\$248	-5%
Debt Retirement Charge	\$35	\$18	94%
Tax Rate	27.1%	34.9%	nm
Diluted Shares	105.6	115.1	-8%
Diluted Earnings Per Share	\$9.03	\$8.25	9%
Adjusted Diluted EPS	\$8.77	\$8.25	6%
Net Cash from Operating Activities	\$1,484	\$1,461	2%
Free Cash Flow	\$1,298	\$1,290	1%

Notes: (1) 2011 adjusted EPS excludes a tax benefit of \$78M or \$0.74 per share, and non-cash impairment charges of \$57M (\$50M after taxes) or \$0.48 per share, including a goodwill impairment charge of \$43M (\$42M after taxes) or \$0.40 per share and \$14M (\$8M after taxes) or \$0.08 per share for the company's share of an impairment charge for long-lived assets at an equity method investment (collectively the "4Q11 Items").

(2) Excluding the 4Q11 Items, the tax rate would have been 32.1%, an 280 bps decrease compared to 2010.

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



Segment Results - Full Year

(\$ in Millions)

Segment	2011 Sales	Sales Growth vs. 2010	2011 Operating Margin	Margin Change vs. 2010 (bps)
C ³ ISR	\$ 3,568	7%	11.5%	-30
Gov't Services	3,621	-8%	7.7%	-100
AM&M	2,440	-12%	9.5%	+130
Electronic Systems	5,540	-2%	13.0%	-90
Consolidated	\$ 15,169	-3%	10.8%	-40

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

2012 Financial Guidance



2012 Consolidated Financial Guidance

(\$ in Billions, except per share amounts)

	Current Guidance (Jan. 31, 2012)	Midpoint Guidance vs. 2011
Sales	\$14.4 to \$14.6	-4%
Operating Margin	10.1%	-70 bps
Interest Expense/Other	\$197	-11%
Tax Rate	34.8%	+270 bps
Diluted EPS	\$8.35 to \$8.55	-4%
Net Cash from Operating Activities	\$1.37	-8%
Less: CapEx, net of Dispositions	(\$0.20)	8%
Free Cash Flow	\$1.17	-10%

- Notes: (1) The 2012 consolidated guidance includes the estimated results of the Engility businesses for the full year and does not give effect to the planned spin-off of the Engility businesses. L-3 expects to spin-off the Engility businesses by approximately June 30, 2012.
- (2) 2011 excludes a tax benefit of \$78M or \$0.74 per share, and non-cash impairment charges of \$57M (\$50M after taxes) or \$0.48 per share.



2012 Segment Guidance

(\$ in Billions)

Segment	Sales	Midpoint Sales Growth vs. 2011	Operating Margin	Midpoint Margin Change vs. 2011 (bpts)
C ³ ISR	\$3.6 to \$3.7	2%	10.6% to 10.8%	-80
Gov't Services	\$2.9 to \$3.0	-19%	6.9% to 7.1%	-70
AM&M	\$2.4 to \$2.5	0%	8.5% to 8.7%	-90
Electronic Systems	\$5.4 to \$5.5	-2%	12.0% to 12.2%	-90
Consolidated	\$14.4 to \$14.6	-4%	10.1%	-70

Notes: (1) The 2012 segment guidance for Government Services includes the estimated results of the Engility businesses for the full year and does not give effect to the planned spin-off of the Engility businesses. L-3 expects to spin-off the Engility businesses by approximately June 30, 2012.

(2) Higher pension expense for 2012 vs. 2011 is estimated to reduce 2012 operating income by \$38M, consolidated margin by 30 bps, C³ISR by 70 bps, AM&M by 20 bps and Electronic Systems by 20 bps.

(3) 2011 excludes non-cash impairment charges of \$57M.



2012 L-3 and Engility Estimates

(\$ in Billions)

	<u>L-3 Midpoint Guidance</u>	<u>Engility Estimate</u>	<u>L-3 Ex. Engility Estimate</u>
Sales	\$14.5	\$1.6	\$12.9
Sales vs. 2011	-4.4%	-21.1%	-1.8%
Segment Operating Margin	10.1%	7.3%	10.5%
Segment Operating Margin vs. 2011	-70 bps	-150 bps	-60 bps

Engility spin-off will improve L-3's growth and margin profile

Notes: (1) The Engility estimate represents the results of the Engility businesses for the full year ending December 31, 2012. L-3 expects to spin-off the Engility businesses by approximately June 30, 2012.

(2) Higher pension expense for 2012 vs. 2011 is estimated to reduce 2012 consolidated operating margin by 30 bps. The Engility businesses do not have pension plans.

Cash Flow Data



Cash Flow

(\$ in Millions)

	2012 Guidance	2011 Actual	2010 Actual
Net income	\$ 825	\$ 968	\$ 966
Impairment charges	-	57	-
Depreciation & amortization	240	247	231
Deferred income taxes	65	90	111
401K common stock match	135	137	143
Stock-based employee compensation	66	64	82
Working capital/other items	39	(79)	(72)
Capital expenditures, net	(200)	(186)	(171)
Free cash flow	\$ 1,170	\$ 1,298	\$ 1,290

Robust Cash Flow

Supplemental Cash Flow Data

(\$ in Millions)

	2012 Guidance	2011 Actual	2010 Actual
Cash interest payments	\$ 202	\$ 238	\$ 233
Income tax payments, net	395	257	336
FAS pension expense ⁽¹⁾	179 ⁽³⁾	145	154
CAS pension cost ⁽²⁾	127	131	130
Pension contributions	173	175	186

(1) FAS pension expense represents pension expense determined using U.S. GAAP and is based on a 5.0% discount rate (vs. 5.56% at 12/31/10) and a 2011 actual pension asset return of 3.6% vs. 8.55% 2011 assumption).

(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) Estimated 2012 Pension Expense Sensitivity: A 1% increase/decrease in 2011 pension asset return would decrease/increase 2012 pension expense by \$3M and decrease/increase the 12/31/11 unfunded obligation by \$17M. A 25 bps increase/decrease in 12/31/11 discount rate would decrease/increase 2012 pension expense by \$12M and decrease/increase the 12/31/11 unfunded obligation by approximately \$90M.

Depreciation, Amortization and Capital Expenditures

(\$ in Millions)

Segment	2011				2010			
	D&A*		CapEx**		D&A*		CapEx**	
	4Q11	FY11	4Q11	FY11	4Q10	FY10	4Q10	FY10
C ³ ISR	\$ 12	\$ 47	\$ 26	\$ 70	\$ 12	\$ 45	\$ 31	\$ 64
Gov't Services	10	35	2	10	9	36	4	7
AM&M	6	19	6	13	5	19	(4)	(3)
Electronic Systems	38	146	28	93	35	131	49	103
Consolidated	\$ 66	\$247	\$ 62	\$186	\$ 61	\$231	\$ 80	\$171

* D&A = Depreciation and Amortization

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

Cash Sources and Uses, and Capitalization and Leverage

Cash Sources and Uses

(\$ in Millions)

	2012 Guidance	2011 Actual	2010 Actual
Beginning cash	\$ 764	\$ 607	\$ 1,016
Free Cash Flow	1,170	1,298	1,290
Dividends	(190)	(188)	(184)
Share repurchases	(800)	(958)	(834)
Acquisitions, net	(1)	(27)	(754)
Debt repayments, net	(300)	(11)	-
Other, net	47	43	73
Ending cash	\$ 690	\$ 764	\$ 607

Disciplined and balanced capital allocation

Notes: (1) 2012 Guidance includes estimated results of the Engility businesses for the full year, and does not give effect to the planned spin-off of the Engility businesses, expected to be completed by approximately June 30, 2012. Following the spin-off of Engility, a portion of the spin-off proceeds are expected to be used for additional debt reduction.

(2) 2012 Guidance does not include the acquisition of the Kollmorgen Electro-Optical business (KEO). The KEO purchase price is \$210M.

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

Capitalization and Leverage

(\$ in Millions)

	12/31/11 Actual	12/31/10 Actual
Cash	\$764	\$607
Debt	\$4,125	\$4,137
Equity	6,730	6,855
Invested Capital	\$10,855	\$10,992
Debt/Invested Capital	38.0%	37.6%
Bank Leverage Ratio	1.88x	1.84x
Available Revolver	\$997	\$983

Note: Equity includes non-controlling interests (minority interests) of \$89M as of Dec 31, 2011 and \$91M as of Dec 31, 2010.

Appendix



Debt Balances and Maturities

(\$ in Millions)

	12/31/11 Actual	Type	Maturity Date	Redemption Premium
Senior:				
Revolver	\$ -	L+300 bpts	10/23/12	n.a.
3.95% Senior Notes	500	fixed	11/15/16	T+0.50% make-whole
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	500	fixed	10/15/15	2.125%
3% CODES	689	fixed	8/1/35	0%
Unamortized Discounts	(14)			
Total	\$ 4,125			

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%. Current conversion price \$96.48.

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



Supplemental Segment Data

(\$ in Millions)

	<u>Previous Presentation</u>		<u>Reclassification</u>		<u>Revised Presentation</u>	
	<u>2010</u>	<u>4Q10</u>	<u>2010</u>	<u>4Q10</u>	<u>2010</u>	<u>4Q10</u>
<u>Sales:</u>						
C ³ ISR	\$ 3,399	\$ 988	\$ (76)	\$ (21)	\$ 3,323	\$ 967
Gov't Services	3,963	1,028	(37)	(4)	3,926	1,024
AM&M	2,781	661	-	-	2,781	661
Electronic Systems	5,537	1,577	113	25	5,650	1,602
Consolidated	\$ 15,680	\$ 4,254	\$ -	\$ -	\$ 15,680	\$ 4,254

Operating Margin:

C ³ ISR	11.6%	10.3%	0.2%	0.2%	11.8%	10.5%
Gov't Services	8.7%	8.9%	-	0.1%	8.7%	9.0%
AM&M	8.2%	8.7%	-	-	8.2%	8.7%
Electronic Systems	14.1%	13.4%	-0.2%	-0.3%	13.9%	13.1%
Consolidated	11.2%	10.8%	-	-	11.2%	10.8%

Select Financial Data

(\$ in millions)

	2010 Estimate			2011 Estimate			2012 Estimate		
	Engility ⁽¹⁾	NSS ⁽¹⁾	Gov't Services Segment	Engility ⁽¹⁾	NSS ⁽¹⁾	Gov't Services Segment	Engility	NSS	Gov't Services Segment ⁽²⁾
Sales	\$2,306	\$1,620	\$3,926	\$2,027	\$1,594	\$3,621	\$1,600	\$1,350	\$2,950
Operating Income	\$238	\$104	\$342	\$178	\$102	\$280	\$117	\$90	\$207
Operating Margin	10.3%	6.4%	8.7%	8.8%	6.4%	7.7%	7.3%	6.7%	7.0%
Sales Growth	-7%	5%	-3%	-12%	-2%	-8%	-21%	-15%	-19%
Operating Income Growth	-9%	-15%	-11%	-25%	-2%	-18%	-34%	-12%	-26%
Depreciation & Amortization	\$16	\$20	\$36	\$17	\$19	\$36	\$14	\$16	\$30

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

(2) The 2012 Estimate financial data are based on the mid-point of L-3's financial segment guidance range for the year ending December 31, 2012, provided on January 31, 2012.

Select Financial Data (Cont'd)

(\$ in millions)

	4Q11 Estimate			2011 Estimate		
	Engility	NSS	Gov't Services Segment	Engility	NSS	Gov't Services Segment
Sales	\$472	\$360	\$832	\$2,027	\$1,594	\$3,621
Operating Income	\$39	\$25	\$64	\$178	\$102	\$280
Operating Margin	8.3%	6.9%	7.7%	8.8%	6.4%	7.7%
Sales Growth	-19%	-18%	-19%	-12%	-2%	-8%
Operating Income Growth	-34%	-24%	-31%	-25%	-2%	-18%
Depreciation & Amortization	\$5	\$6	\$11	\$17	\$19	\$36

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



Reconciliation of GAAP to Non-GAAP Measurements

(\$ in Millions, except per share data)

	<u>2012 Guidance</u>	<u>2011 Actual</u>	<u>4Q11 Actual</u>	<u>2010 Actual</u>	<u>4Q10 Actual</u>
Diluted Earnings Per Share		\$ 9.03	\$ 2.72		
Add: Non-cash impairment charges		0.48	0.49		
Less: Tax Benefit		(0.74)	(0.77)		
Adjusted Diluted Earnings Per Share		<u>\$ 8.77</u>	<u>\$ 2.44</u>		
Net cash from operating activities	\$ 1,370	\$ 1,484	\$ 500	\$ 1,461	\$ 477
Less: Capital expenditures	(205)	(192)	(63)	(181)	(83)
Add: Dispositions of property, plant and equipment	5	6	1	10	3
Free cash flow	<u>\$ 1,170</u>	<u>\$ 1,298</u>	<u>\$ 438</u>	<u>\$ 1,290</u>	<u>\$ 397</u>

