

***Cowen and Company 34th Annual
Aerospace/Defense Conference***

February 6, 2013



Michael T. Strianese

**Chairman, President and
Chief Executive Officer**

Forward Looking Statements

Certain of the matters discussed in these slides, including information regarding the company's 2013 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, 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, 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 these and 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, 2011, as modified by the Form 8-K filed on November 20, 2012, "Part I – Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations – Overview and Outlook – Industry Considerations," included in our Quarterly Reports on Form 10-Q for the quarters ended September 28, 2012, June 29, 2012 and March 30, 2012, and any material updates to these factors contained in any of 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.

L-3 Vision

- *Provide innovative solutions for our customers*
- *Expand our leading market positions*
- *Perform with excellence, integrity and accountability*
- *Increase value for all stakeholders*



Strategy

- **Excellent customer relationships**
- **Expand leading market positions**
- **Attract & retain great people**
- **Continue optimizing business portfolio**
- **Increase commercial and international business**
- **Collaborate for additional opportunities**
- **Maintain strong ethical culture**



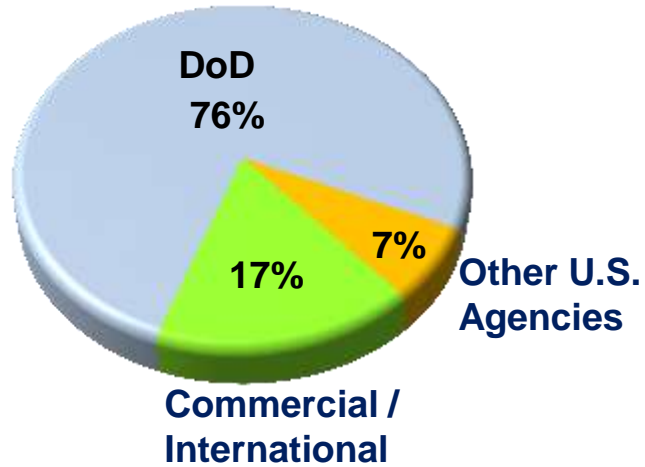
2012 Accomplishments

- Solid program performance
- Strengthened portfolio with reshaping actions...Engility spin-off...acquisitions
- Ft. Rucker CLS re-compete win and market share gains
- Grew Orders 7% vs. 2011...Book-to-Bill 1.05x
- Increased Commercial/International sales 15% vs. 2011
- Robust cash flow

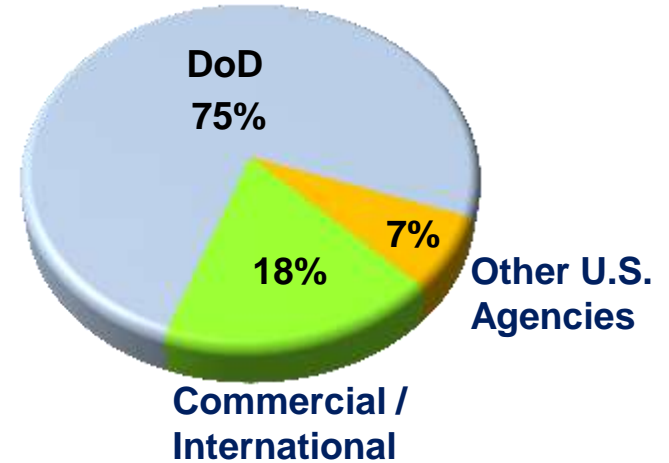


End Customer Sales Mix Evolving

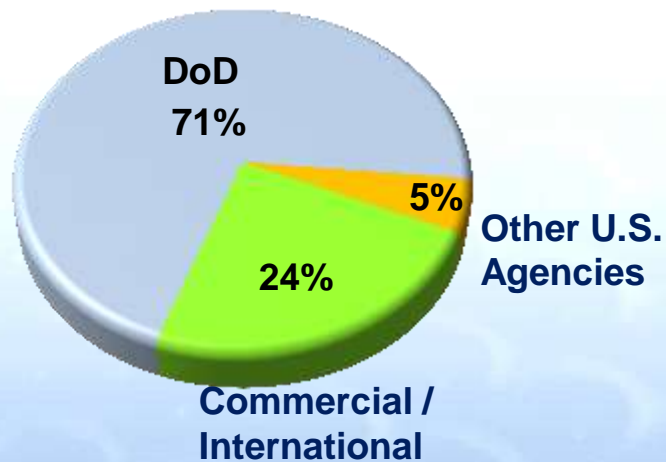
2010



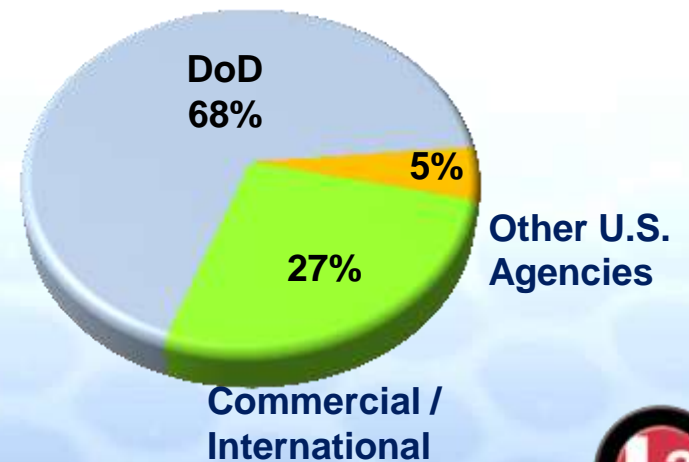
2011



2012

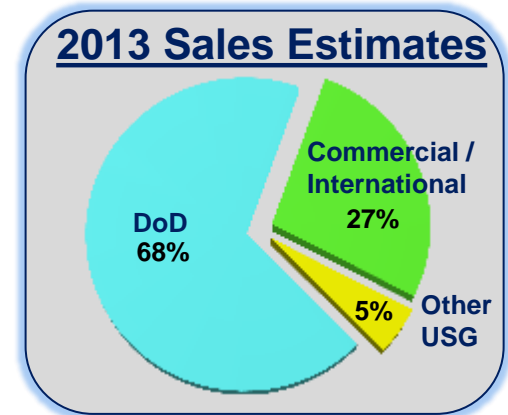


2013 Estimate



US Government Markets

- **Geopolitical threats vs. fiscal constraints**
- **DoD budget cyclical downturn began in 2011**
 - **OCO declining rapidly with drawdowns**
 - **BCA...cut \$487B FY12-21 base budget growth**
 - **Potential full year FY13CR**
 - **Expect Sequester resolution**
- **OSD Better Buying Power Initiatives...evolving, not abating**
- **Non-DoD agencies - - smaller bill payers than DoD**



Commercial/International Markets

- **Foreign Military - - market share growth... airborne ISR, aircraft modifications, and simulators**

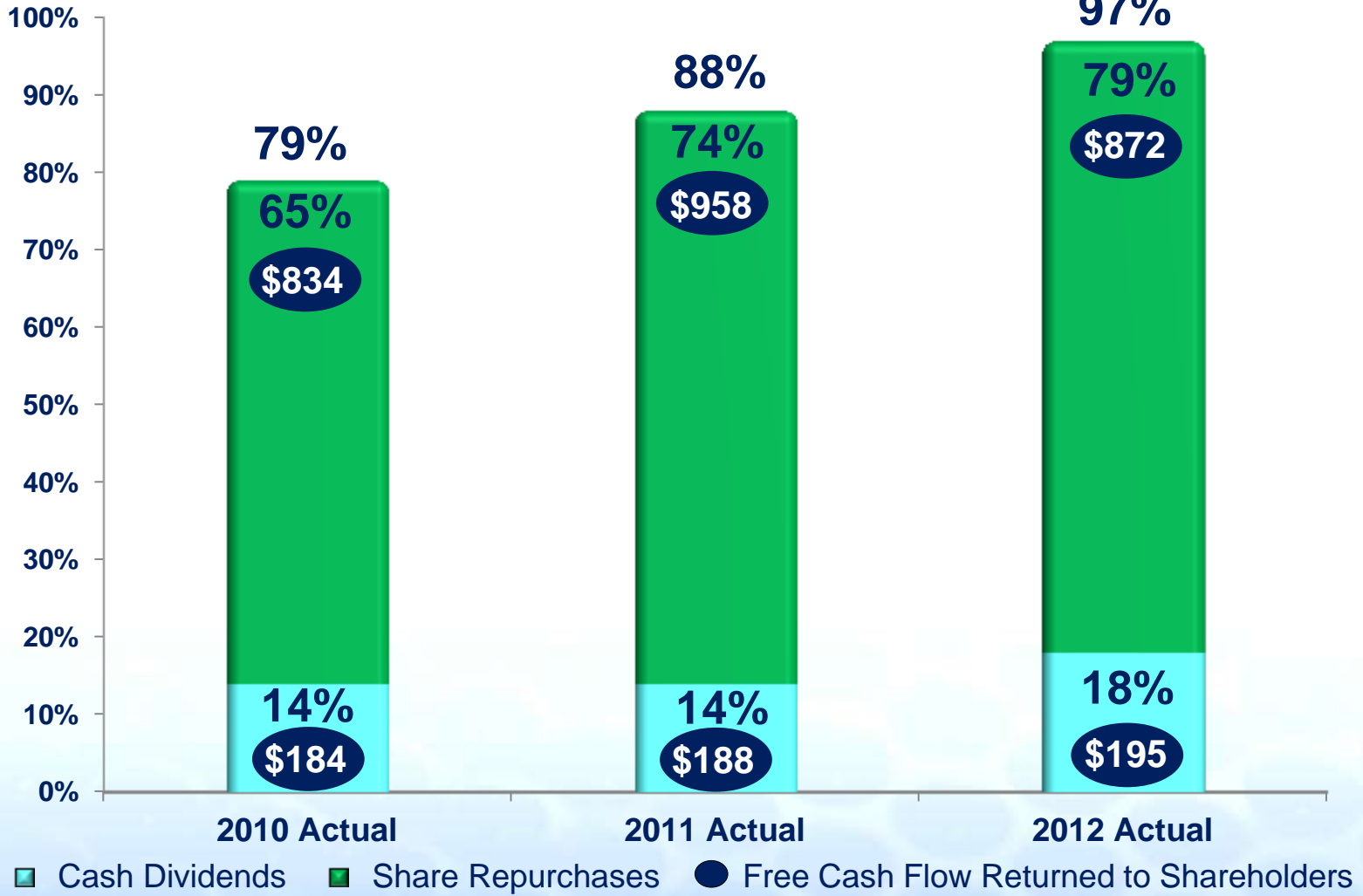


- **Commercial - - modest growth in aviation and security & detection...shipbuilding and SATCOM softening**
- **Link UK acquisition adds commercial simulation market and full-motion simulator capability**



Cash Returned to Shareholders

(\$ in Millions)



Notes: (1) Free Cash Flow for this purpose includes cash flow from discontinued operations.

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



Outlook - - 2013



Electronic Systems Segment

- Diverse products supplier, mostly short-cycle... highest segment exposure to Commercial/International
- Leveraging technologies to capture higher-level assemblies and systems...increasing market share
- DoD funding cuts impacts...EO/IR turrets Afghanistan surge ended in 2012...Non-DoD business growing
- Highest segment margins...mix changes



2013 Guidance Midpoints: Sales \$5,475M, Margin 10.8%



C³ISR Segment

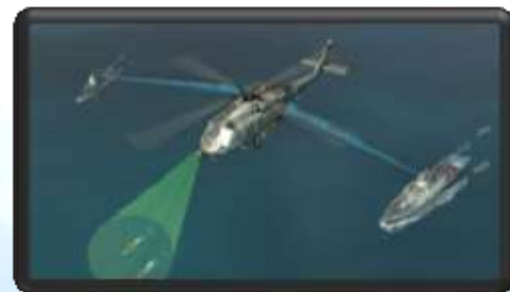
- Strong, long-term program positions with solid demand

- Pull-through for Electronic Systems and AM&M



- International/select DoD growing...small ISR aircraft and Rover declining due to Afghanistan drawdown

- Solid margins...higher pension expense



2013 Guidance Midpoints: Sales \$3,550M, Margin 10.5%



AM&M Segment

- Aging fleets and DoD affordability initiatives creating opportunities
- Platform Systems gaining market share...several international wins
- Expanding into adjacent ground equipment CLS market
- Stable margins



2013 Guidance Midpoints: Sales \$2,375M, Margin 9.2%



NSS Segment

- Sales declining...OSD initiatives, tighter budgets, drawdowns
- Technology enablers from C³ISR
- Intense competition
- Margins improving



2013 Guidance Midpoints: Sales \$1,250M, Margin 6.5%



Financial Guidance - - 2013 (Jan. 30, 2013)

		Midpoint vs. 2012
Sales	\$12,550M to \$12,750M	-4%
Operating Margin	10.0%	-30 bps
Diluted EPS	\$8.15 to \$8.35	+3%
Tax Rate	32.0%	-20 bps
Free Cash Flow	\$1,030M	-2%



Notes: (1) The 2013 guidance assumes that the Sequestration spending reductions to the fiscal year 2013 (FY13) DoD budget, mandated by the Budget Control Act of 2011 and scheduled to take effect on March 1, 2013, do not occur. The 2013 guidance also assumes the FY13 DoD Continuing Resolution Authority that expires on March 27, 2013 will not be extended.

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



L-3: Summary

- **Strong execution in a challenging but manageable environment**
- **Technology/solutions for customer priorities**
- **Company is well-positioned**
- **Defense down-cycle will eventually turn**
- **Continued robust cash flow and focused capital allocation**



Reconciliation of GAAP to Non-GAAP Measurements

(\$ in Millions)

	2013 <u>Guidance</u>	2012 <u>Actual</u>	2011 <u>Actual</u>	2010 <u>Actual</u>
Net cash from operating activities from continuing operations	\$ 1,225	\$ 1,231	\$ 1,231	\$ 1,270
Less: Capital expenditures from continuing operations	(200)	(210)	(187)	(178)
Add: Dispositions of property, plant and equipment from continuing operations	5	5	6	10
Income tax payments attributable to discontinued operations	-	24	63	21
Free cash flow from continuing operations	<u>\$ 1,030</u>	<u>\$ 1,050</u>	<u>\$ 1,113</u>	<u>\$ 1,123</u>
Net cash from operating activities from discontinued operations		\$ 75	\$ 253	\$ 191
Less: Capital expenditures from discontinued operations		-	(5)	(3)
Income tax payments attributable to discontinued operations		(24)	(63)	(21)
Free cash flow from discontinued operations		<u>\$ 51</u>	<u>\$ 185</u>	<u>\$ 167</u>
Combined free cash flow from all operations		<u>\$ 1,101</u>	<u>\$ 1,298</u>	<u>\$ 1,290</u>



