

***Cowen and Company 35th Annual
Aerospace/Defense &
Transportation Conference***

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**Chairman, President and
Chief Executive Officer**



Forward-Looking Statements

Certain of the matters discussed in these slides, including information regarding the company's 2014 financial 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: our dependence on the defense industry; backlog processing and program slips resulting from delayed awards and/or funding from the Department of Defense (DoD) and other major customers; the U.S. Government fiscal situation; changes in DoD budget levels and spending priorities; 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 most recent annual report on Form 10-K for the year ended December 31, 2012, 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.



L-3 At a Glance

- **Aerospace & defense contractor...sales \$12B**
- **Non-platform prime for ISR, aircraft modernization, logistics, EIT**
- **Supplier of communication and electronic systems**
- **Attributes:**
 - **broad/diverse technologies, customers**
 - **flexible cost structure...proactive resizing**
 - **high earnings-to-cash flow conversion**
 - **efficient capital structure...investment grade credit**
 - **shareholder friendly capital allocation**



L-3: healthy...managing, progressing through DoD down-cycle

Strategy and Priorities

- **Build strong businesses with durable discriminators and #1 or #2 market positions**
- **Grow market share**
 - innovative and affordable solutions
 - contract performance and collaboration
 - excellent customer relationships
 - expand platform content
- **Invest in IRAD and M&A**
- **Proactively size businesses**
- **Attract & retain key employees**
- **Maintain strong internal controls/ethics**



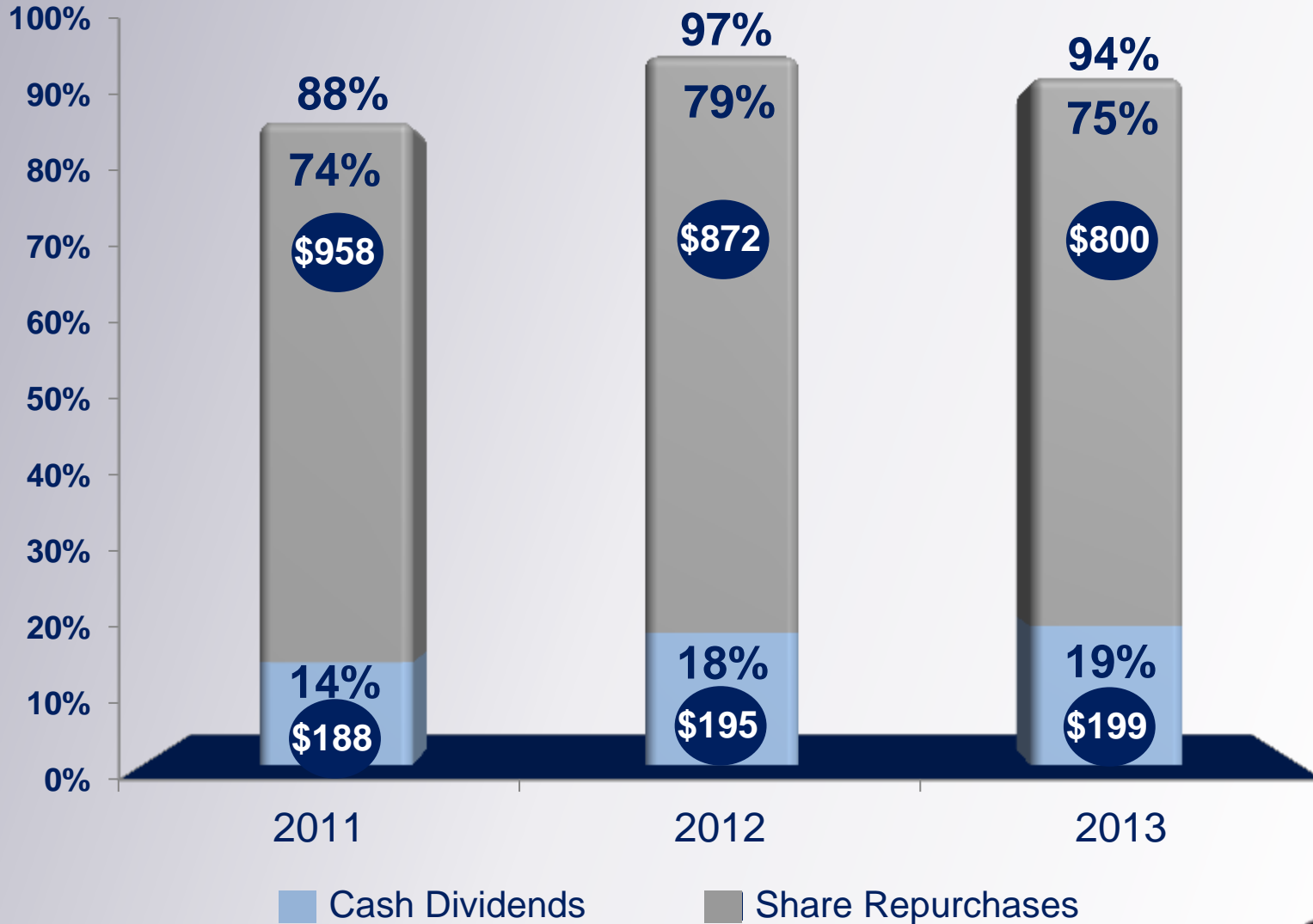
Accomplishments - - 2013

- Solid program performance
- Adjusted to USG/DoD sequestration
- Exceeded financial plan
- Gained market share
- Grew international & commercial sales 11%
- Robust free cash flow



Cash Returned to Shareholders

(\$ in Millions)



U.S. Government Markets

- Geopolitical threats vs. fiscal constraints...
fiscal deficit improving
- Defense down-cycle began 2011
 - BBP initiatives and drawdowns continue
 - Ryan-Murray deal trims sequester cuts
 - FY14 budget -1% vs. FY13...OCO \$41B > Request
- Non-DoD agencies - - smaller bill payers than DoD
- Market share opportunities

2014 Sales Estimates



International/Commercial Markets

- **International - - growing**

- **ISR systems, simulators, aircraft modifications, night vision equipment, sensors...gaining market share**
- **Targeting growth in UK, Canada, Saudi, Australia, UAE, South Korea, others**

2014 Sales Estimate



- **Commercial - - growing**

- **Aviation products and security & detection growing**
- **Shipbuilding declining**
- **SATCOM rebounding**

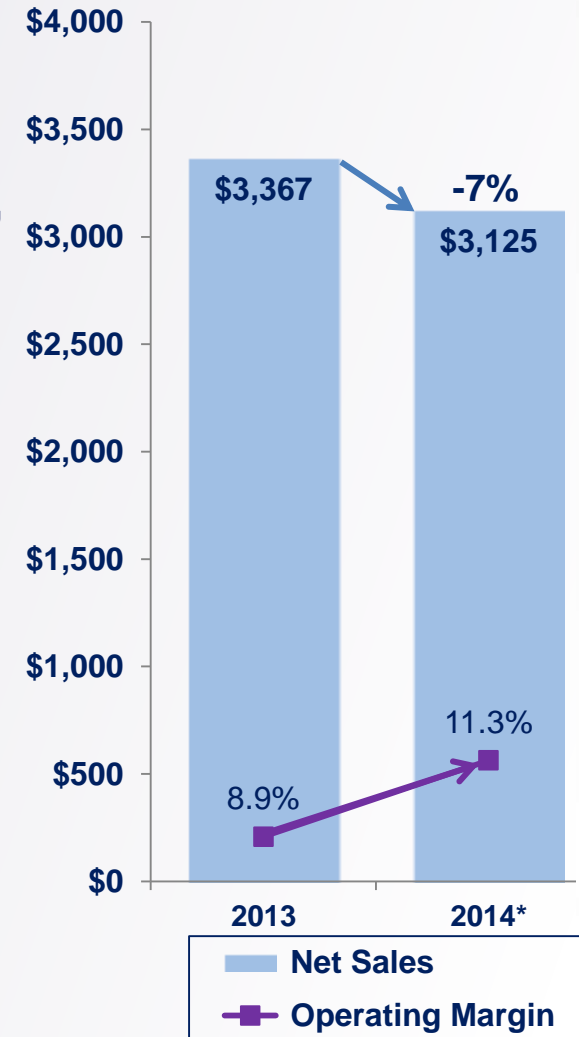
Segment Trends



C³ISR

- Solid, long-term positions
- DoD declining...drawdown, sequester, tactical ISR demand
- Investing in international ISR, MPA and covert, advanced comms
- Pull-through for ES and P&LS
- Margin improving, lower pension expense

(\$ in Millions)

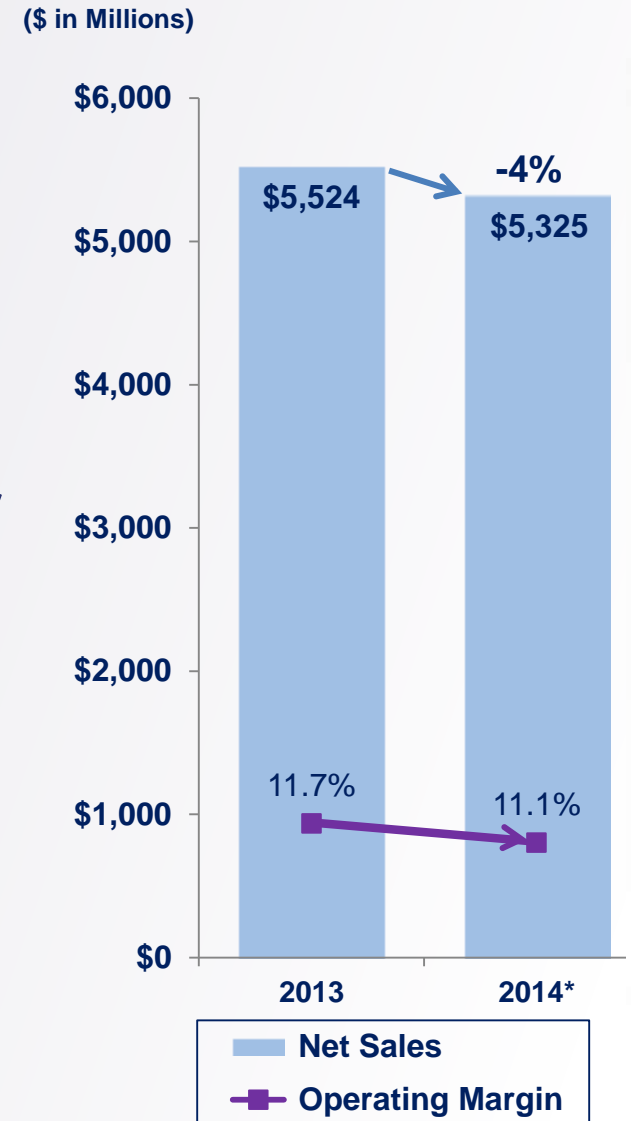


* Midpoint Guidance



Electronic Systems (ES)

- Diverse supplier, mostly FFP...48% international & commercial
- International & commercial growing
- DoD declining...drawdown, sequester
- M&A and IRAD to increase positions, expand markets
- Highest core margin, mix changes, lower pension expense



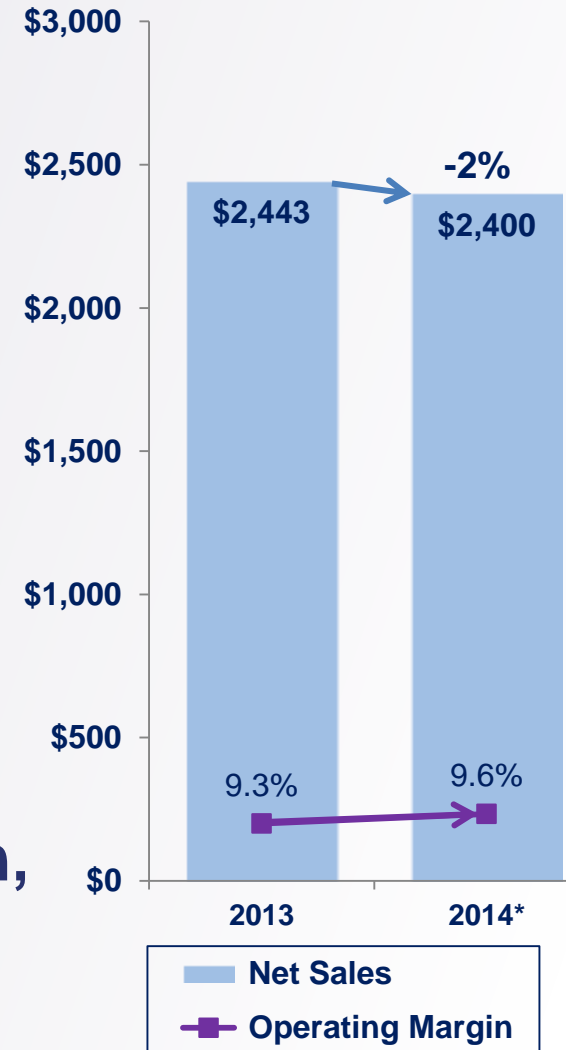
* Midpoint Guidance



Platform & Logistics Solutions (P&LS)

- Aging fleets and BBP initiatives creating opportunities
- Leading L-3's international growth
- Pursuing adjacent logistics markets
- Sequester reducing USN P-3 sustainment, aircraft CLS
- Higher productivity expanding margin, lower pension expense

(\$ in Millions)



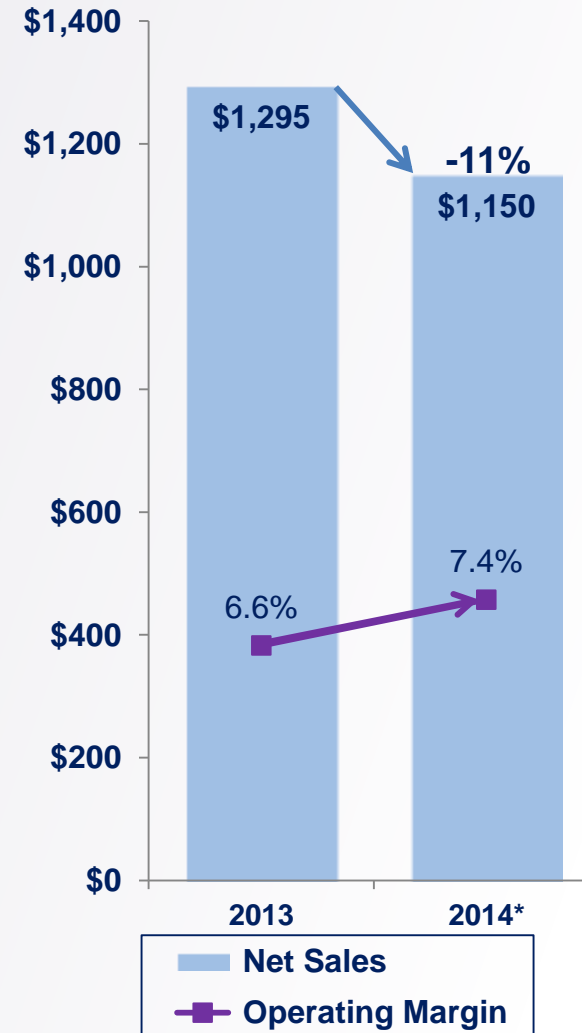
* Midpoint Guidance



National Security Solutions (NSS)

- Market pressures reducing sales...
BBP, sequester, drawdowns
- Integrating C³ISR and ES technologies
- Significant competition...gaining
market share...won major IDIQs
- Margin improving

(\$ in Millions)



* Midpoint Guidance



2014 Consolidated Guidance

(\$ in Millions, except per share amounts)

	Current Guidance (January 30, 2014)	Midpoint vs. 2013
Sales	\$11,900 to \$12,100	-5%
Operating margin	10.5%	+50 bps
Interest expense	\$176	-\$1
Interest and other income	\$14	-\$1
Effective tax rate	33.0%	+480 bps
Diluted shares	87.5	-4%
Diluted EPS	\$8.15 to \$8.35	-3%
Free cash flow	\$1,000	-6%

2014 Consolidated Financial Guidance Assumptions:

- (1) Lower pension expense vs. 2013 increases operating income by \$98 million and operating margin by 80 bps.
- (2) The U.S. Federal research and experimentation (R&E) tax credit which expired on December 31, 2013 is not extended, increasing tax rate by 130 basis points and reducing diluted EPS by \$0.16.
- (3) Share repurchases of \$500 million
- (4) See Reconciliation of GAAP to Non-GAAP Measurements.



Summary

- Company is well-positioned
- Technology/solutions for several DoD priorities
- Adjusting to sequester...gaining market share
- International & Commercial growing
- Strong cash flow



L-3 healthy, managing through downturn

Q & A



Reconciliation of GAAP to Non-GAAP Measurements

(\$ in Millions)

	<u>2014 Guidance</u>	<u>2013 Actual</u>
Net cash from operating activities	\$ 1,195	\$ 1,263
Less: Capital expenditures	(200)	(209)
Add: Dispositions of property, plant and equipment	5	12
Free cash flow	<u>\$ 1,000</u>	<u>\$ 1,066</u>



