

Cowen and Company 36th Annual Aerospace/Defense Conference & Transport One-on-One Forum

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**Ralph D'Ambrosio
Senior Vice President
and Chief Financial Officer**



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 2015 financial guidance 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 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; risks relating to technology and data security; 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, including the internal review; 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.



L-3 Key Characteristics and Positioning

- Aerospace & defense contractor
- Prime contractor: ISR, aircraft sustainment, simulation, night vision equipment, enterprise IT & cyber
- Supplier: electronic and communication systems
- Attributes:
 - broad/diverse technologies, contracts
 - 29% international & commercial
 - flexible cost structure
 - efficient capital structure... IG credit
 - high earnings-to-cash flow conversion



Resilient... progressing through DoD down-cycle

L-3 Strategy and Priorities

- **Build strong businesses with durable discriminators and #1 or #2 market positions**
- **Strengthen market positions... gain market share**
 - proactively right-size businesses
 - innovative and affordable solutions
 - IRAD and contract performance
 - excellent customer relationships
 - pursue adjacencies... expand platform content
- **Portfolio shaping to strengthen L-3**
- **Attract & retain key employees**
- **Maintain strong internal controls**
- **Grow EPS... generate robust cash flow**



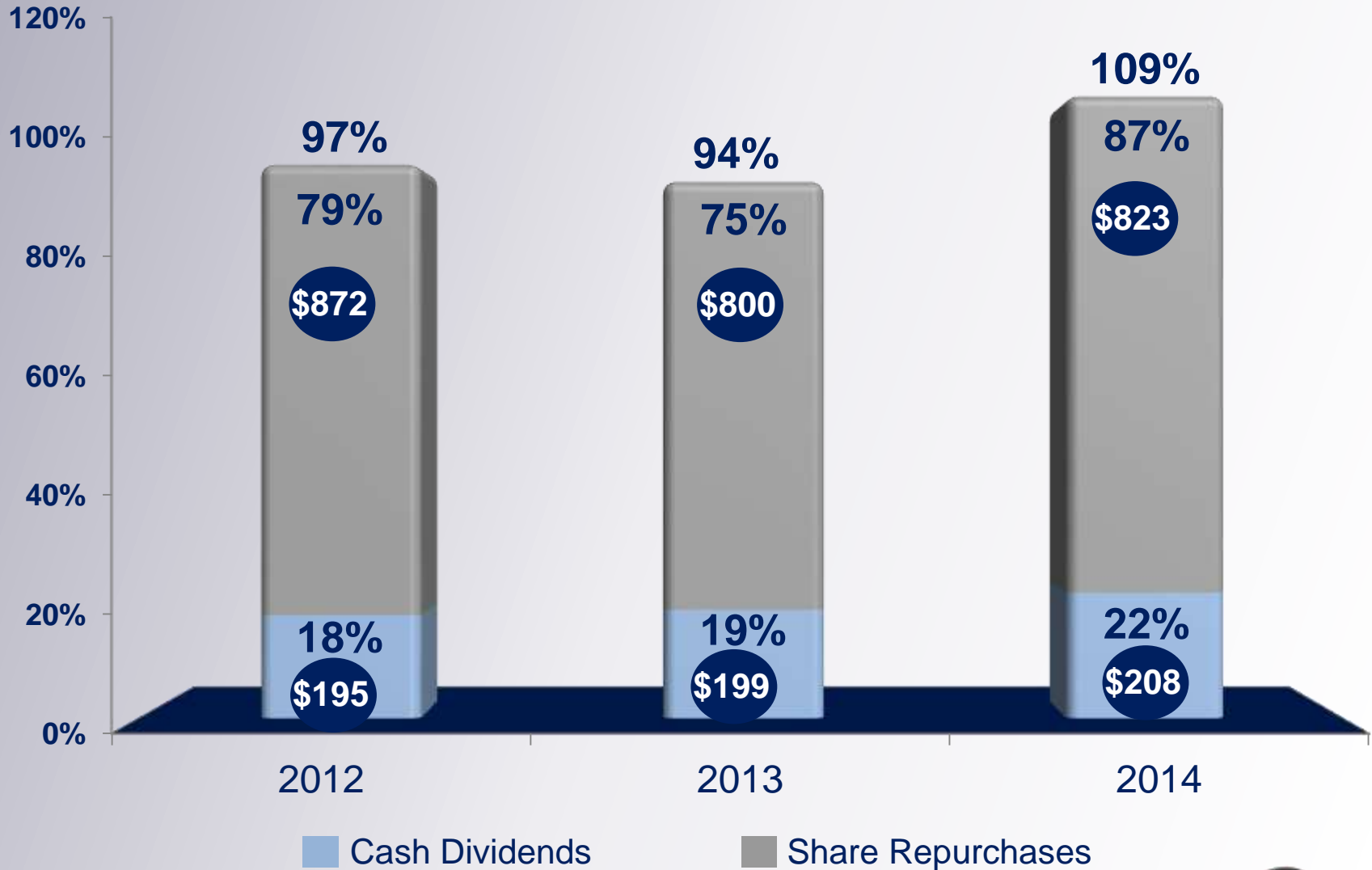
Accomplishments - - 2014

- Gained market share in every segment
- Expanded International/Commercial business
- Combined Microwave and Comm Systems Groups
- Generated \$946M free cash flow
- Agreement to sell Marine Systems International (MSI)
- Maintained efficient capital structure with ample liquidity



Cash Returned to Shareholders

(\$ in Millions)



U.S. Government Markets

- **Geopolitical threats escalating**
- **Fiscal deficit continues to improve**
- **Defense down-cycle began 2011**
 - **BBP and drawdowns continue**
 - **Congress reduced first 3 years of sequester cuts**
 - **Base budget grows in FY16, even with full sequester**
- **Several market share opportunities... especially in U.S. Government classified areas**



International & Commercial Growing

- **International - - large addressable market**
 - **Increased marketing & selling efforts**
 - **Introducing more products for export**

- **Commercial - - favorable fundamentals**
 - **Growing: aviation products, security & detection, simulation & training and SATCOM**
 - **Declining: marine products**

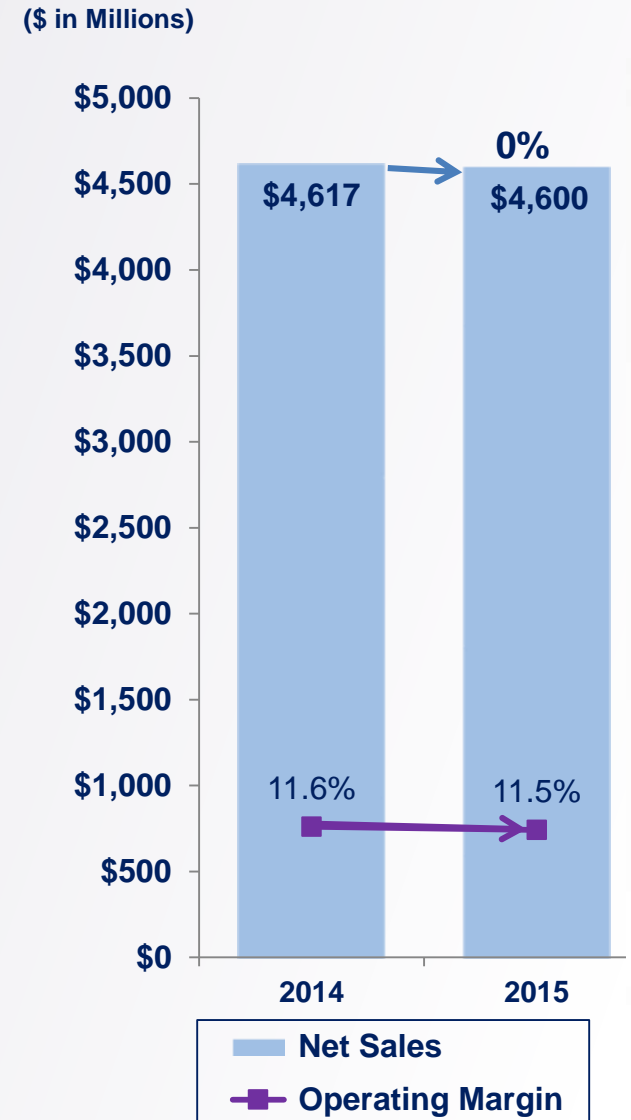


Segment Trends



Electronic Systems

- Diverse discriminating products... mostly FFP
- 49% International & Commercial... growing
- Increasing market positions with IRAD and M&A
- Divesting low-margin MSI business
- Highest core margin and expanding



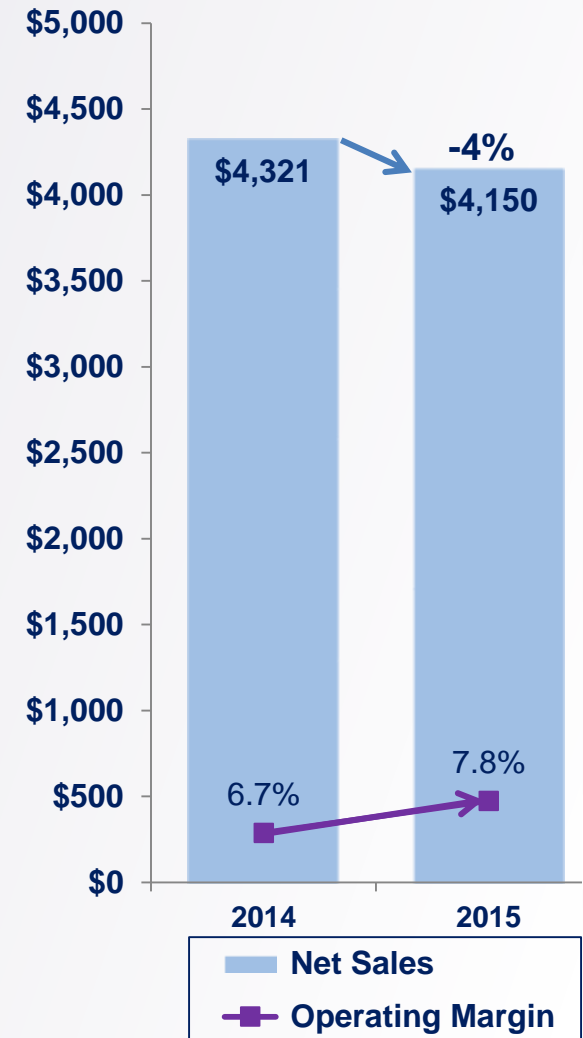
Note: 2015 based on segment guidance midpoint (January 29, 2015). Higher pension vs. 2014, \$13 million or -30 bps margin.



Aerospace Systems

- Sales headwinds... drawdown, DoD budget shortfalls
- DoD requires low cost/rapid turnaround fleet upgrades
- Investing in ISR and multi-mission aircraft, C-130 upgrades
- Margin pressures... volume, mix, BBP, logistics

(\$ in Millions)

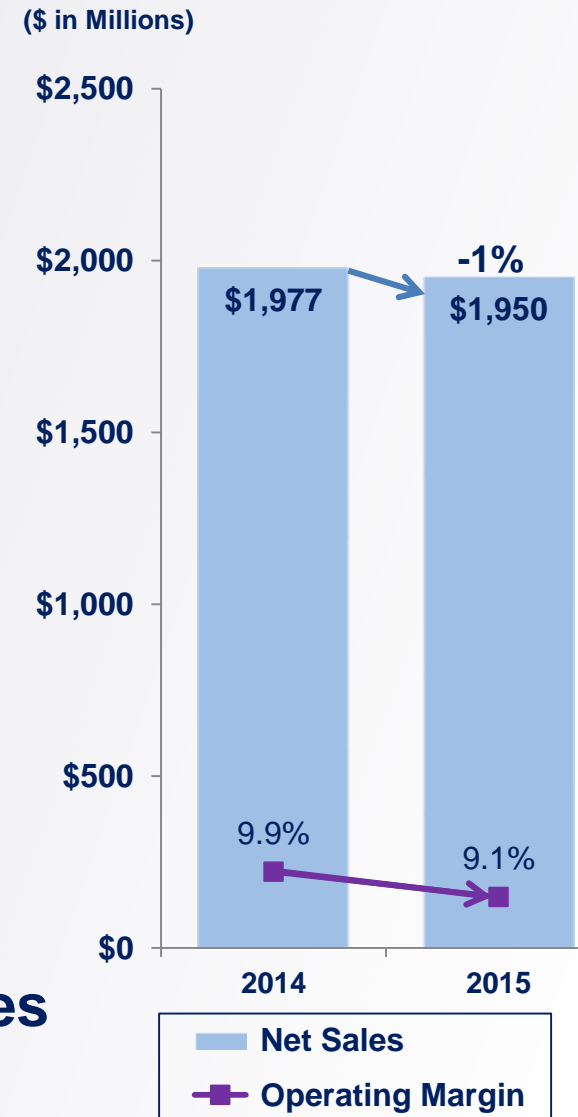


Note: 2015 based on segment guidance midpoint (January 29, 2015). Higher pension vs. 2014, \$27 million or -70 bps margin.



Communication Systems

- Solid, long-term positions
- Tactical ISR and Army budget sales pressures abating
- Investing in advanced A2/AD communications
- Core margin improving... manufacturing productivity, group combination synergies

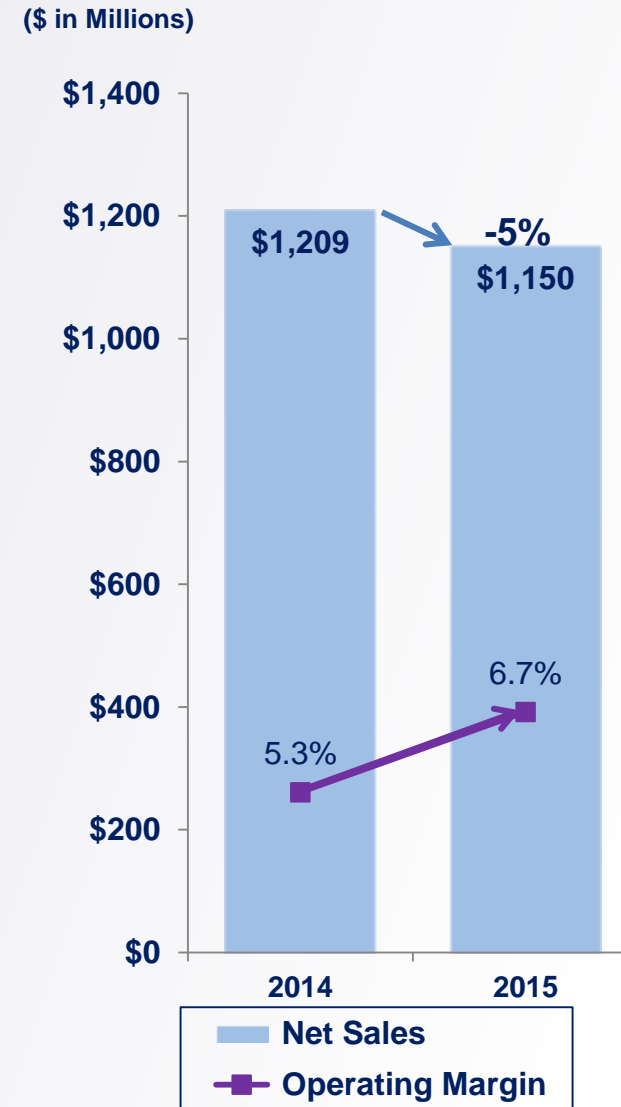


Note: 2015 based on segment guidance midpoint (January 29, 2015). Higher pension vs. 2014, \$18 million or -90 bps margin.



National Security Solutions

- Market pressures... BBP, IT budgets, small business set-asides
- Gaining share... won several intelligence community contracts
- Building cyber security with targeted pursuits
- Margin constraints... BBP, cost reimbursable contracts



Note: 2015 based on segment guidance midpoint (January 29, 2015). Higher pension vs. 2014, \$1 million or -10 bps margin.



Consolidated Financial Guidance - - 2015

(\$ in Millions, except per share amounts)

	<u>Guidance (January 29, 2015)</u>	<u>Midpoint vs. 2014</u>
Sales	\$11,750 to \$11,950	-2%
Operating margin	9.3%	+40 bps
Effective tax rate	32.0%	+520 bps
Diluted shares	82.8	-6%
Diluted EPS	\$7.35 to \$7.65	-1%
Free cash flow	\$925	-2%

2015 Guidance Assumptions:

- (1) A net pension expense increase of \$59 million to \$29 million for 2015 compared to \$30 million net pension income for 2014.
- (2) The R&E tax credit that expired on December 31, 2014 is not re-enacted for 2015. If re-enacted for 2015, the annual R&E tax credit would reduce the effective tax rate by 220 bps and increase diluted EPS by \$0.24.
- (3) Planned share repurchases of \$500 million.
- (4) Excludes any potential non-cash goodwill impairment charges for which the information is presently unknown.
- (5) Excludes potential litigation charges and additional expenses relating to the Internal Review at Aerospace Systems, which was completed in October 2014.
- (6) Excludes the impact of the divestiture of L-3 MSI, which is expected to close in the second quarter of 2015.

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



Summary

- Technologies/affordable solutions aligned with customer priorities
- DoD budget inflecting in FY16
- Gaining market share
- Growing international & commercial
- Generating robust cash flow



Resilient... progressing through DoD down-cycle

Q & A



Reconciliation of GAAP to Non-GAAP Measurements

(\$ in Millions)

	<u>2015 Guidance</u>	<u>2014 Actual</u>	<u>2013 Actual</u>
Net cash from operating activities	\$ 1,120	\$ 1,125	\$ 1,263
Less: Capital expenditures	(200)	(183)	(209)
Add: Dispositions of property, plant and equipment	5	4	12
Free cash flow	<u>\$ 925</u>	<u>\$ 946</u>	<u>\$ 1,066</u>



