

Deutsche Bank 6th Annual Global Industrials and Basic Materials Conference

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**Chairman, President and
Chief Executive 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 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 and actions taken by rating agencies that could result in a downgrade of our debt; 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 of the Aerospace Systems segment; 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.

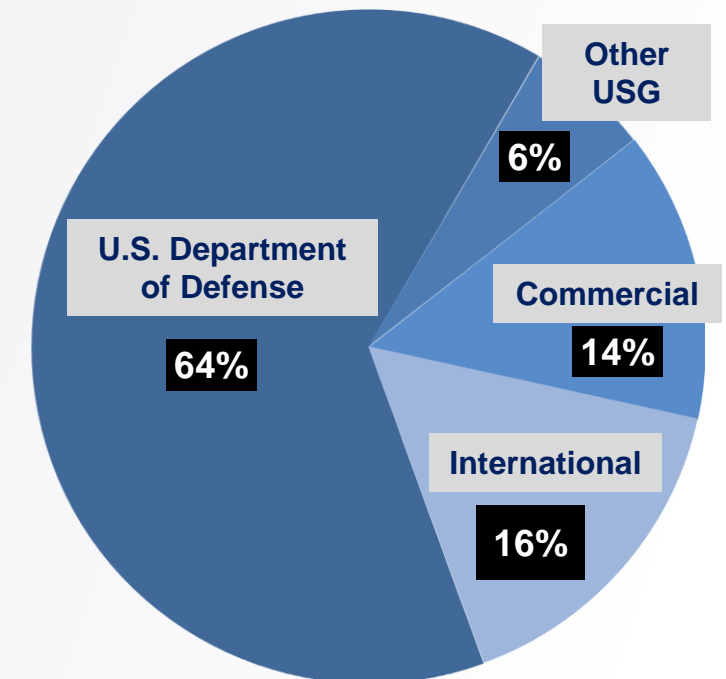
Our forward-looking statements speak only as of the date of these slides or as of the date they were made, and we undertake no obligation to update forward-looking statements. For a more detailed discussion of these factors, also see the information under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our most recent report on Form 10-K for the year ended December 31, 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

- **Prime**: ISR, aircraft sustainment, simulation, night vision & image intensification, intelligence support
- **Supplier**: electronic and communication systems
- **Attributes**:
 - broad/diverse technologies, contracts
 - increasing international/commercial mix
 - efficient capital structure... IG credit
 - high earnings-to-cash flow conversion

2015 Estimated Sales Mix



L-3 Strategy and Priorities

- **Sharpen focus on defense electronics... durable discriminators and leading market positions**
- **Strengthen market positions**
 - innovative and affordable solutions
 - R&D and contract performance
 - excellent customer relationships
 - expand "payloads" content, USG classified
- **Portfolio shaping to strengthen L-3**
- **Grow EPS... expand margin... robust cash flow**

U.S. Government Markets Improving

- DoD budget expected to grow in FY16... first increase since FY10
- Procurement drivers
 - Geopolitics
 - Better Buying Power initiatives
 - Afghanistan drawdown
 - Sequestration constraints
- Focus:
 - Less ambitious and less exquisite
 - Quick reaction capabilities
 - COTS based solutions
 - Affordable prices



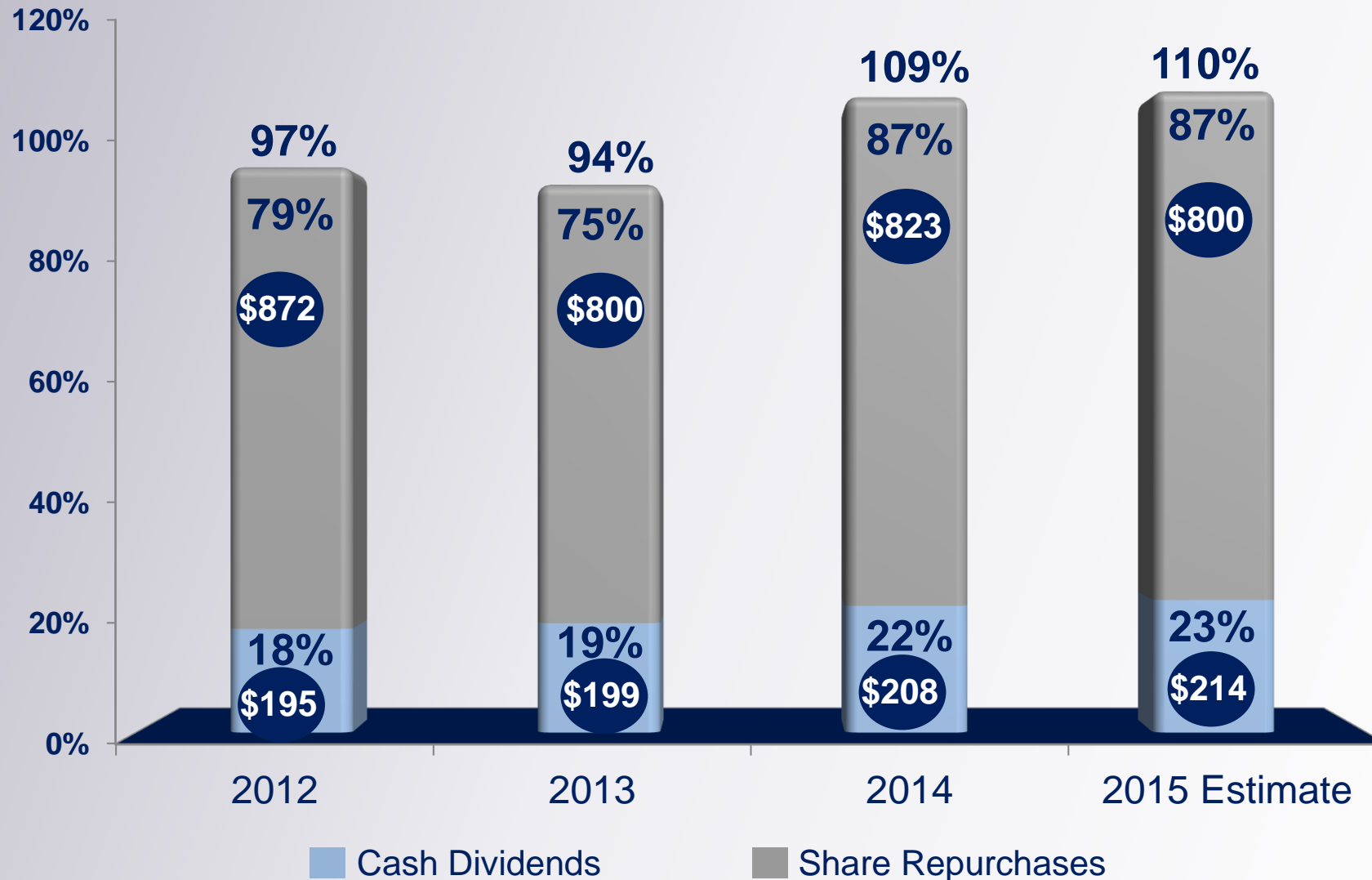
International & Commercial Markets Growing

- **International - - large addressable market**
 - Increased marketing & selling efforts
 - Introducing more products for export
 - ISR systems, simulators, aircraft modifications, communication systems, NVE, sensors
- **Commercial - - favorable fundamentals**
 - Growing: aviation products, security screening, simulation & training and SATCOM
 - Declining: shipbuilding products... divested MSI



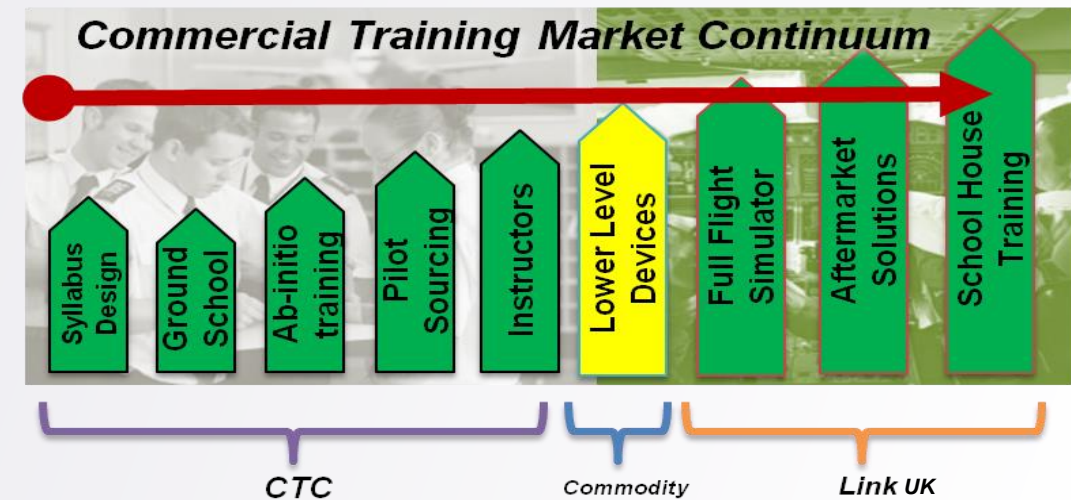
Cash Returned to Shareholders

(\$ in Millions)



CTC Aviation Group Acquisition (Renamed L-3 CTC Ltd.)

- Leader in large commercial transport aviation training, including pilot training and crew resourcing
- Extends L-3's commercial aviation training solutions... complements L-3 Link UK
- Growing, high-margin, market leader in evolving and expanding market
- Drives international and commercial growth
- Purchase price: £143 million (~\$220 million)
- Estimated sales: CY15 \$86 million, CY16 \$95 million



2015 Consolidated Financial Guidance (April 30, 2015)

(\$ in Millions, except per share amounts)

| | <u>2015 Guidance</u> | <u>Midpoint vs. 2014</u> | <u>Pro Forma Excl. MSI vs. 2014</u> |
|---------------------------------|----------------------|--------------------------|-------------------------------------|
| Sales | \$11,450 to \$11,650 | -5% | -2% |
| Segment Operating Margin | 9.4% | +50 bps | +40 bps |
| Adjusted Diluted EPS* | \$7.35 to \$7.65 | -1% | |
| Free Cash Flow* | \$925 | -2% | |

2015 Guidance Assumptions:

- (1) Segment operating margin and adjusted diluted EPS exclude 1Q15 loss of \$22 million (\$15 million after taxes), or \$0.18 per diluted share, related to the divestiture of MSI.
- (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) Excludes any potential non-cash goodwill impairment charges for which the information is presently unknown.
- (4) Excludes potential litigation charges, if any, and additional expenses relating to the Internal Review at Aerospace Systems, which was completed in October 2014.

* Adjusted Diluted EPS and Free Cash Flow are non-GAAP measurements. See Pages 15 - 16 for a reconciliation of these GAAP to Non-GAAP measurements.



Summary

- DoD budget inflecting in FY16
- Affordable solutions/technologies aligned with customer priorities
- Growing international/commercial
- Focused on expanding margin
- Generating robust cash flow
- Reshaping portfolio to strengthen L-3



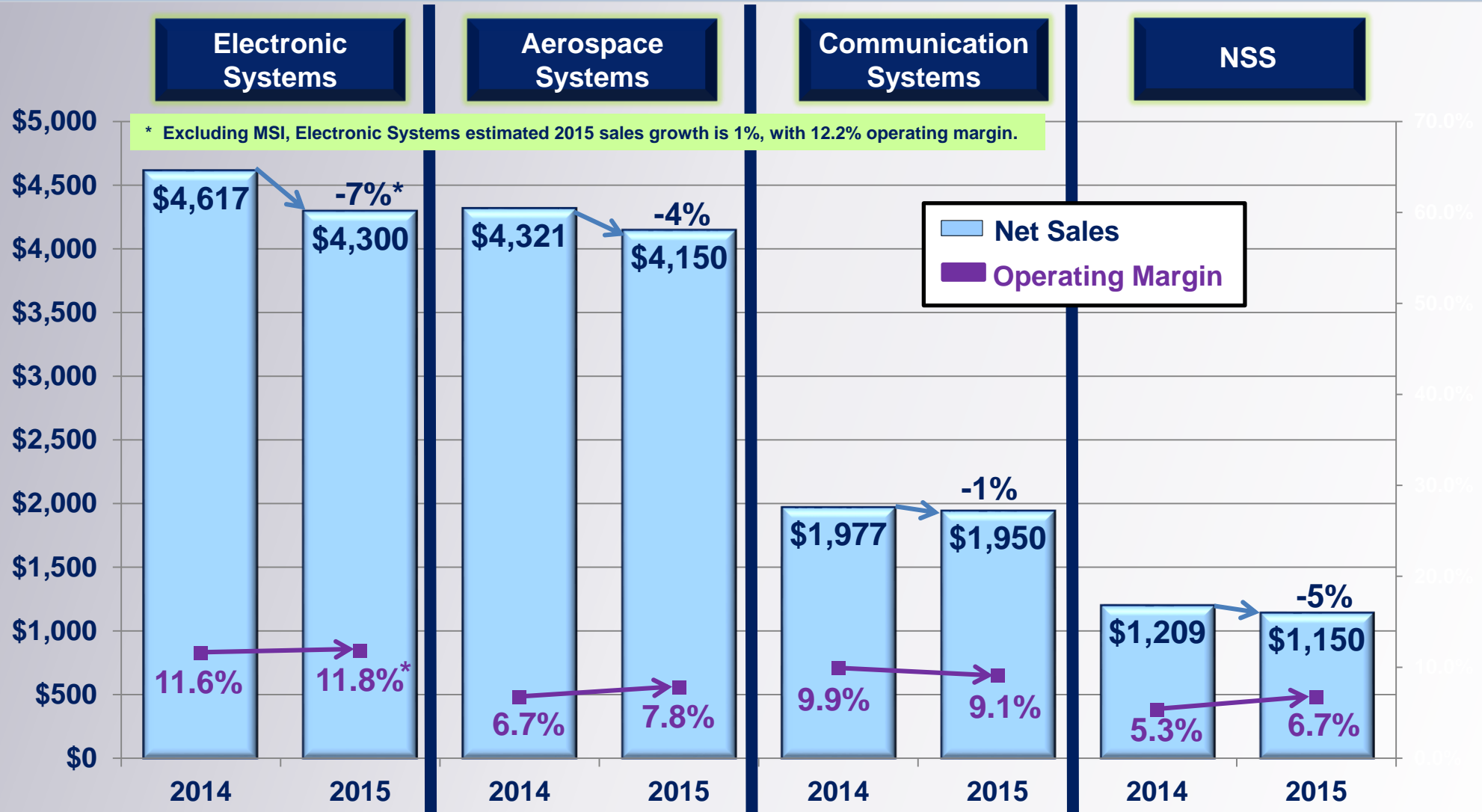
Q & A

Supplemental Data



2015 Segment Guidance Midpoints (April 30, 2015)

(\$ in Millions)



Notes: (1) Higher net pension expense (FAS, net CAS) of \$59 million vs. 2014 reduces operating margin by 30 bps for Electronic Systems, 70 bps for Aerospace Systems, 90 bps for Communication Systems and 10 bps for NSS.

(2) The MSI divestiture completed on May 29, 2015 reduces Electronic Systems estimated 2015 sales vs. 2014 by \$350 million.



Cash Sources and Uses (April 30, 2015)

(\$ in Millions)

| | <u>2015 Guidance</u> | <u>2014 Actual</u> |
|--|--------------------------|------------------------|
| Beginning cash | \$ 442 | \$ 500 |
| Free cash flow | 925 | 946 |
| Acquisitions, net of divestitures | 299 | (51) |
| Dividends | (214) | (208) |
| Share repurchases | (800) | (823) |
| Senior notes net proceeds | - | 988 |
| CODES redemption | - | (935) |
| Change in cash balance included in assets held for sale | 11 | (61) |
| Other, net | 87 | 86 |
| Ending cash | <u>\$ 750</u> | <u>\$ 442</u> |

Notes: (1) 2015 Guidance (April 30, 2015) excludes the acquisition of CTC Aviation Group for \$220 million, completed on May 27, 2015.

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

Reconciliation of GAAP to Non-GAAP Measurements (1 of 2)

(\$ in Millions)

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

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

(\$ in Millions, except per share amounts)

| | 2015 Guidance | |
|---|------------------|-------------------|
| | Low End of Range | High End of Range |
| Diluted EPS attributable to L-3 Holdings' common stockholders | \$ 7.17 | \$ 7.47 |
| EPS impact of the non-cash impairment charge related to MSI assets held for sale ^(A) | 0.14 | 0.14 |
| EPS impact of the unrealized loss on a forward contract to sell Euro proceeds from the MSI divestiture ^(B) | 0.04 | 0.04 |
| Adjusted diluted EPS | \$ 7.35 | \$ 7.65 |
| ^(A) Non-cash impairment charge related to MSI assets held for sale | \$ 17 | \$ 17 |
| Tax effect | 5 | 5 |
| After-tax impact | 12 | 12 |
| Diluted weighted average common shares outstanding | 81.9 | 81.9 |
| Per share impact* | \$ 0.14 | \$ 0.14 |
| ^(B) Unrealized loss on a forward contract to sell Euro proceeds from the MSI divestiture | \$ 5 | \$ 5 |
| Tax effect | 2 | 2 |
| After-tax impact | 3 | 3 |
| Diluted weighted average common shares outstanding | 81.9 | 81.9 |
| Per share impact | \$ 0.04 | \$ 0.04 |

* Amounts may not recalculate directly due to rounding.

