

Engility Investor Presentation



July 28, 2011

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 Statement

Certain of the matters discussed in this presentation constitute forward-looking statements within the meaning of the private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, information regarding the statements about the tax-free spin-off of a new, independent, publicly traded government services company following the separation of portions of L-3's Government Services segment, the terms and effects of the separation, the nature and impact of the separation, the expected sales, operating income, depreciation and amortization expense and capitalization of the new company and L-3 (the "companies"), and any discussion regarding future operating or financial performance 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. Although we believe that these statements are based upon reasonable assumptions, they are subject to several risks and uncertainties and other important factors that are difficult to predict and beyond the control of the companies, 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 tax-free spin-off described in this presentation; 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; 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. In addition, other factors could impact aspects of the spin-off, including the cost and availability of debt financing.

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", Note 19 to our audited consolidated financial statements and "Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations", in each case included in our Annual Report on Form 10-K for the year ended December 31, 2010, 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 this presentation to reflect events or changes in circumstances or changes in expectations or the occurrence of anticipated events.



Addressing Changing Industry Dynamics

- **Evolving Defense Industry Environment**
- **Positioning L-3 for the Future**
- **Comprehensive Strategic Review across the Company**
- **Government Services is a Unique Situation**
 - **Attractive Cyber, Intel and Security Solutions businesses**
 - **SETA, Training & Operational Support constrained within L-3**

L-3 is Well Positioned for the Future with Broad Capabilities and Leading Positions in Attractive Markets



Transaction Overview - Engility

- **Spin-off SETA, Training and Operational Support businesses within L-3's Government Services segment**
 - **Company to be named Engility**
- **Value creation through:**
 - **Creation of low cost operator**
 - **Expanding available market opportunities**
 - **Elimination of OCI and other constraints**
- **Pro rata distribution of Engility shares to L-3 shareholders**
 - **Tax-free to L-3 and L-3 shareholders**
 - **Conditioned upon IRS ruling and other customary approvals**
- **Expect spin-off to be completed in first half of 2012**
- **No shareholder vote required**



Engility Investment Highlights

- **Attractive & well balanced business base**
- **Above average margins relative to industry peers**
- **Employees with the expertise to deliver value to the customer**
- **Healthy cash flow and incremental debt capacity**
- **Strong and experienced leadership**



Engility is a Leader in its Field

Approximately \$2 Billion in Sales with approximately 10,000 employees

SETA

- Software development, test and evaluation
- Acquisition and program management support
- Software engineering life-cycle sustainment and management
- Counter IED analytical operational support

Training

- Defense related training, education and support services
- International training, development, stability and governance services
- Law enforcement support services, training and technical support

Operational Support

- Military operations and support services
- Conflict and post-conflict stability and disaster management services
- Linguist Services
- Democracy governance services

Core Offering Capabilities

Ability to pursue new opportunities in these areas once separated from L-3



Engility has an Attractive and Well Balanced Business Mix

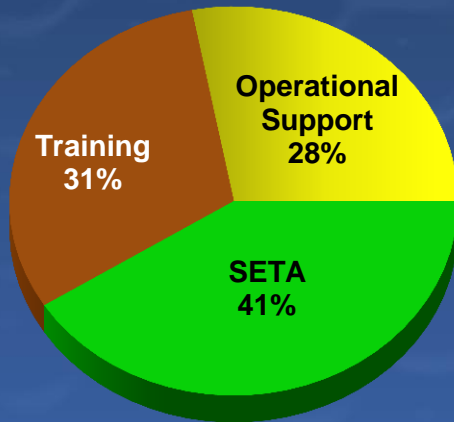
2011 Estimates:

Sales: \$2.0 billion

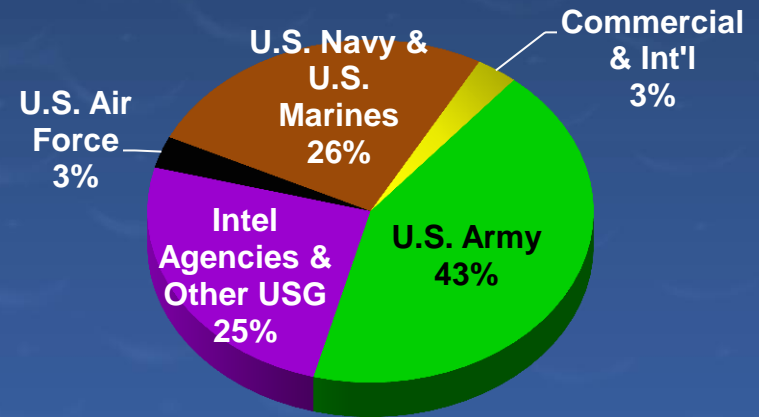
Operating Income: \$179 million

Depreciation & Amortization: \$14 million

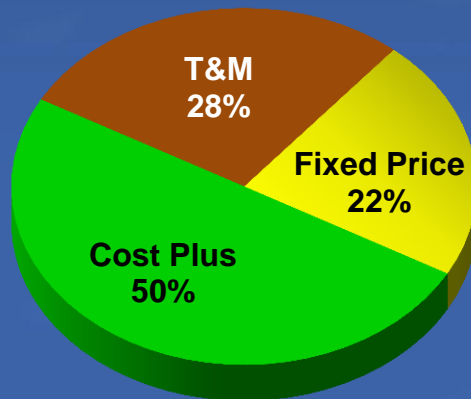
Sales by Area



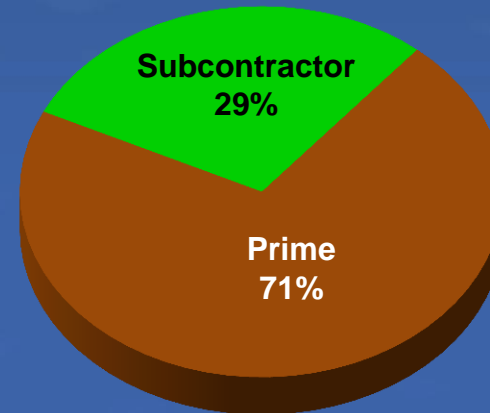
Sales by End Customer



Sales by Contract Type



Sales by Business Type



L-3 National Security Solutions (NSS)

- **L-3 will retain Cyber, Intel and Security Solutions businesses within the Government Services segment**
 - **Aligned with L-3's core electronics, communications and surveillance businesses**
 - **Provides critical touch points with DoD and Intelligence customers**
 - **Fusion of capabilities in the networked battlefield of the future**
 - **Offers differentiated capabilities to attractive growth markets**



Creating and Unlocking Value

- **Financially attractive solution**
 - Tax-free to L-3 and its shareholders
 - Improves L-3's consolidated pro forma 2011 estimated growth rates and margin, and reduces OpTempo exposure
 - Sales growth ~170 bps
 - Operating margin ~30 bps
 - EPS growth ~400 bps
 - Return of capital from spin-off will be deployed using L-3's existing disciplined capital allocation strategy
 - No change to dividend and share repurchase policies
 - Committed to preserving investment grade credit ratings
- **Continue to aggressively pursue value creation**
 - Effectively and broadly address our customers' priorities
 - Focused on managing costs to enhance competitiveness and grow earnings
 - Disciplined capital allocation



Summary

- Thoroughly reviewed L-3's businesses and changing industry dynamics
- Best solution to address strategic considerations and create value
- Engility well positioned to succeed as a stand-alone company
 - Leader in SETA, Training & Operational Support services
 - Removes constraints to pursue new opportunities
 - Structured and capitalized to deliver earnings growth
 - Shareholders retain upside in Engility as a public company
- L-3 will retain differentiated Cyber, Intel, and Security Solutions business
- Separation will improve L-3's pro forma growth rate and margin

L-3 is Well Positioned for the Future with Broad Capabilities and Leading Positions in Attractive Markets



Supplemental Financial Data

Select Financial Data

(\$ in millions)

	2Q11 (unaudited)			1H11 (unaudited)		
	Engility	NSS	Gov't Services Segment	Engility	NSS	Gov't Services Segment
Sales	\$523	\$415	\$938	\$1,046	\$839	\$1,885
Operating Income	\$49	\$21	\$70	\$94	\$47	\$141
Operating Margin	9.3%	5.2%	7.5%	9.0%	5.6%	7.5%
Sales Growth	-9.2%	-1.7%	-6.0%	-5.6%	4.9%	-1.2%
Operating Income Growth	-16.9%	-17.6%	-17.1%	-13.8%	-0.6%	-9.8%
Depreciation & Amortization	\$4	\$5	\$9	\$8	\$9	\$17

Note: The select financial data for Engility and NSS are unaudited preliminary estimates.



Select Financial Data (Cont'd)

(\$ in millions)

	2010 (unaudited)			2011 Estimate		
	Engility ⁽¹⁾	NSS ⁽¹⁾	Gov't Services Segment	Engility ⁽¹⁾	NSS ⁽¹⁾	Gov't Services Segment ⁽²⁾
Sales	\$2,254	\$1,672	\$3,926	\$2,000	\$1,650	\$3,650
Operating Income	\$229	\$113	\$342	\$179	\$108	\$287
Operating Margin	10.1%	6.8%	8.7%	9.0%	6.5%	7.9%
Sales Growth	-6.2%	2.7%	-2.6%	-11.3%	-1.3%	-7.0%
Operating Income Growth	-9.8%	-12.9%	-10.9%	-21.8%	-4.3%	-16.0%
Depreciation & Amortization	\$16	\$20	\$36	\$14	\$19	\$33

(1) The select financial data for Engility and NSS are unaudited preliminary estimates.

(2) The 2011 Estimate financial data are based on the mid-point of L-3's financial segment guidance range for the year ending December 31, 2011, provided on July 28, 2011.



