2010
Investor Conference
December 7, 2010

Financial Review

Ralph G. D'Ambrosio
Senior Vice President &
Chief Financial Officer

Forward Looking Statements

Certain of the matters discussed in these slides, including information regarding the company’s 2010 and 2011 preliminary financial outlook that are predictive in nature, depend upon or refer to events or conditions or 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; 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 market; 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 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; results of audits by U.S. Government agencies; results of on-going governmental investigations, including potential suspensions or debarments; 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); 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 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, 2009 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 these slides to reflect events or changes in circumstances or changes in expectations or the occurrence of anticipated events.

2010 Financial Guidance

($ in Billions, except per share amounts)

	2010 Guidance	Midpoint Growth vs. 2009
Sales	$15.6 to $15.7	n.c.
Operating margin	11.1%	+50 bpts
Tax rate	35.0%	+70 bpts
Diluted EPS	$8.05 to $8.25	7%
Net cash from operating activities	$1.46	4%
Less: CapEx, net of dispositions	(0.20)	10%
Free cash flow	$1.26	3%

Note: 2010 guidance assumes the U.S. Federal Research and Experimentation (R&E) tax credit that expired on December 31, 2009, will be extended for the full year ending December 31, 2010. The benefit of the R&E credit on the 2010 tax rate is ~110 bpts or $0.14 of diluted EPS.

2011 Financial Guidance

2011 Financial Guidance

($ in Billions, except per share amounts)

	2011 Guidance	Midpoint vs. 2010 Guidance
Sales	$15.7 to $15.9	1%
Operating margin*	10.4%	-70 bpts
Tax rate	35.0%	n.c.
Diluted EPS	$8.20 to $8.40	2%
Net cash from operating activities	$1.48	1%
Less: CapEx, net of dispositions	(0.22)	10%
Free cash flow	$1.26	n.c.

* The 2011 operating margin includes an estimated increase for pension expense of $34M compared to 2010 that will reduce margin by ~20 bpts and diluted EPS by ~$0.20 compared to 2010. The 2011 estimated pension expense assumes a 5.0% discount rate at December 31, 2010 and a 2010 asset return of 8.55%. The actual 2011 pension expense assumptions will be determined by prevailing credit market conditions on December 31, 2010 (the company's measurement date), and actual 2010 pension asset returns.

Segment Guidance 2011 vs. 2010

($ in Billions)

Segment	Sales	Sales Growth vs. 2010*	Operating Margin**	Margin Change vs. 2010* (bpts)
C^3ISR	$3.6 to $3.7	6%	10.4% to 10.6%	-120
Gov't Services	$3.9 to $4.0	n.c.	8.0% to 8.2%	-50
AM&M	$2.4 to $2.5	-11%	8.7% to 8.9%	+70
Electronic Systems	$5.7 to $5.8	3%	12.4% to 12.6%	-140
Consolidated	$15.7 to $15.9	1%	10.4%	-70

* Based on the midpoints of segment sales and operating margin guidance for 2011 and 2010.

** Estimated higher pension expense vs. 2010 reduces consolidated operating margin by 20 bpts, C^3ISR by 30 bpts, AM&M by 30 bpts, and Electronic Systems by 20 bpts.

Cash Flow

($ in Millions)

	2011 Guidance	2010 Guidance
Net income	$ 920	$ 955
Depreciation & amortization	245	240
Deferred taxes	45	65
Stock-based compensation	220	224
CODES non-cash interest	2	22
Amortization of pension & OPEB net losses	50	42
Working capital/other	(2)	(88)
Net cash from operating activities	$ 1,480	$ 1,460
Capital expenditures, net	(220)	(200)
Free cash flow	$ 1,260	$ 1,260

Cash Sources and Uses

($ in Millions)

	2011 Guidance	2010 Guidance
Beginning cash	$ 650	$ 1,016
Net cash from operating activities	1,480	1,460
CapEx, net	(220)	(200)
Acquisitions, net	(5)	(708)
Dividends	(195)	(185)
Share repurchases	(500)	(800)
Other, net	90	67
Ending cash	$ 1,300	$ 650

Capitalization and Leverage

($ in Millions)

	12/31/11 Guidance	12/31/10 Guidance	12/31/09 Actual
Cash	$ 1,300	$ 650	$ 1,016
Debt	$ 4,141	$ 4,138	$ 4,112
Equity	7,584	6,987	6,660
Book capitalization	$ 11,725	$ 11,125	$ 10,772
Debt/book capitalization	35.3%	37.2%	38.2%
Bank leverage ratio	1.8x	1.8x	1.9x
Available revolver	$ 970	$ 970	$ 968

Note: Equity includes non-controlling interests.

Financial Summary

- *Diversified business with good sales visibility*
- *Environment: more challenging and uncertain*
- *Proactive cost structure management… right-sizing of businesses*
- *Robust cash flow… disciplined capital allocation*
- *Upside potential from cash deployment*
- *Growing EPS and free cash flow/share*
- *L-3: strong, diverse and healthy*

Supplemental Financial Data

Segment Guidance 2010 vs. 2009

($ in Billions)

Segment	Sales	Sales Growth vs. 2009*	Operating Margin	Margin Change vs. 2009* (bpts)
C^3ISR	$3.4 to $3.5	11%	11.6% to 11.8%	+60
Gov't Services	$3.9 to $4.0	-4%	8.5% to 8.7%	-100
AM&M	$2.7 to $2.8	-3%	8.0% to 8.2%	-50
Electronic Systems	$5.5 to $5.6	-1%	13.8% to 14.0%	+180
Consolidated	$15.6 to $15.7	n.c.	11.1%	+50

* Based on the midpoints of 2010 segment sales and operating margin guidance.

Supplemental Cash Flow Data

($ in Millions)

	2011 Guidance	2010 Guidance
Cash interest payments	$ 227	$ 232
Income tax payments, net	445	378
Pension expense	193	153
Pension contributions	213	135

Debt Balances and Maturities

($ in Millions)

	9/24/10 Actual	Type	Maturity Date	Redemption Date	Redemption Premium
Senior:					
Revolver	$ -	L+300 bpts	10/23/12	n.a.	
5.2% Senior Notes	1,000	fixed	10/15/19	n.a.	
4.75% Senior Notes	800	fixed	7/15/20	n.a.	
Subordinated:					
5-7/8% Notes	$ 650	fixed	1/15/15	1/15/10	2.938%
6-3/8% Notes	1,000	fixed	10/15/15	10/15/10	3.188%
3% CODES	700	fixed	8/1/35	2/1/11	0%
Unamortized Discounts	(18)				
Total	$ 4,132				

Note: The contingent convertible notes (CODES) contain "puts" that holders can exercise on Feb 1, 2011, and every 5-year anniversary thereafter at a price of 100%.

2009 Supplemental Segment Data

($ in Millions)

	Previous Presentation	Reclassification	Revised Presentation
Sales:			
C^3ISR	$ 3,095	$ -	$ 3,095
Gov't Services	4,155	(61)	4,094
AM&M	2,827	-	2,827
Electronic Systems	5,538	61	5,599
Consolidated	$ 15,615	$ -	$ 15,615
Operating Margin:			
C^3ISR	11.1%	-	11.1%
Gov't Services	9.5%	0.1%	9.6%
AM&M	8.6%	-	8.6%
Electronic Systems	12.1%	-	12.1%
Consolidated	10.6%	-	10.6%