



Morgan Keegan & Company, Inc.
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L-3: Strong and Diverse

- Aerospace & defense company
- 2009 sales of \$15.6B (~70% prime)
- Non-platform centric prime contractor, plus diverse subcontractor/supplier
- Robust cash flows and strong balance sheet
- Growing sales, EPS and cash flow



2009 Sales by End Customer

(\$ in Millions)		
Army	\$ 4,107	26%
Air Force	3,721	24%
Navy/Marines	2,544	16%
Other Defense	1,560	10%
U.S. Military (DoD)	\$ 11,932	76%
Other U.S. Government	\$ 1,127	7%
Foreign Governments	1,082	7%
Commercial - Foreign	867	6%
Commercial - Domestic	607	4%
Total	\$ 15,615	100%



External Environment



U.S. DoD Budgets and Priorities

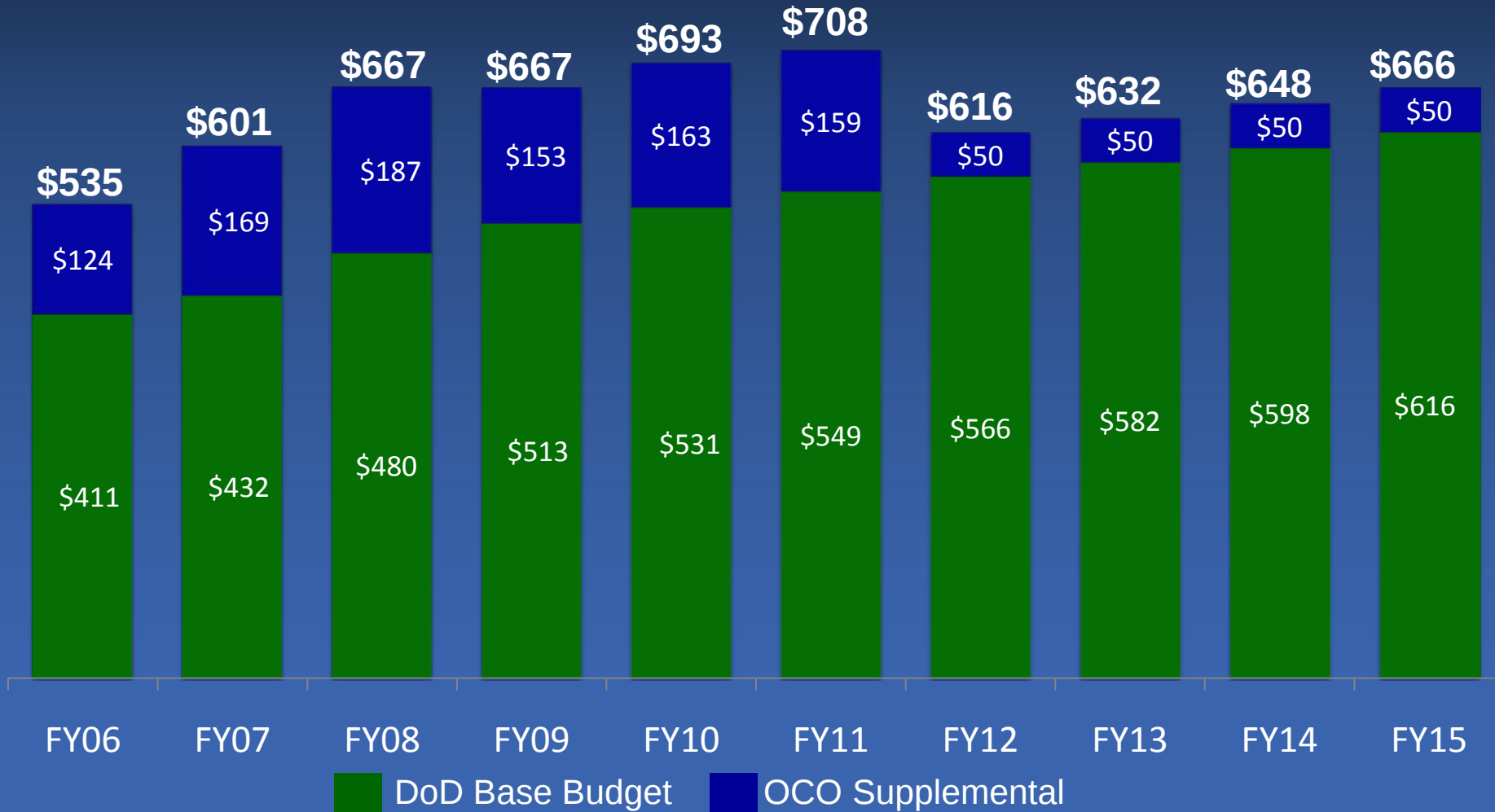
- Large, modest growth base budgets, plus significant OCO supplementals
- Rebalancing for today's wars... Iraq and Afghanistan resource focus
- Budget constraints... few new starts
...ending troubled and excess programs
... rationing continues
- OSD... Efficiency Drive to achieve 2 to 3% real growth equivalent, to fund modernization and force structure



DoD Topline Budget FY06 - FY15

(\$ in Billions)

Base FY09 to FY15 CAGR = 3% nominal (1% real) growth

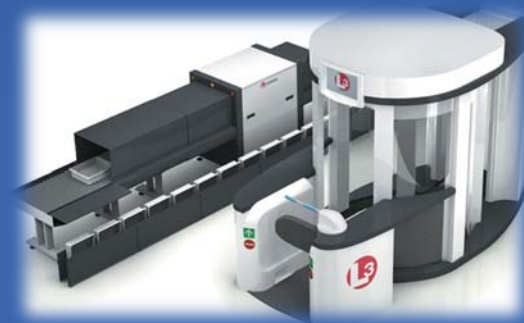


Source: Department of Defense Appropriation Acts FY2006 - FY2010, FY11 President's Budget document.
<http://comptroller.defense.gov/budget.html> (Feb 2010)



Commercial/International Markets

- Approximately 17% of consolidated sales
- Commercial markets - - currently declining, possible rebound late 2010, next year
- Homeland security market - - advanced checkpoint imaging systems growing
- Foreign Military - - fiscal conditions pressuring budgets, stretching procurements, but growth pockets remain



L-3 Strategy, Objectives and Outlook



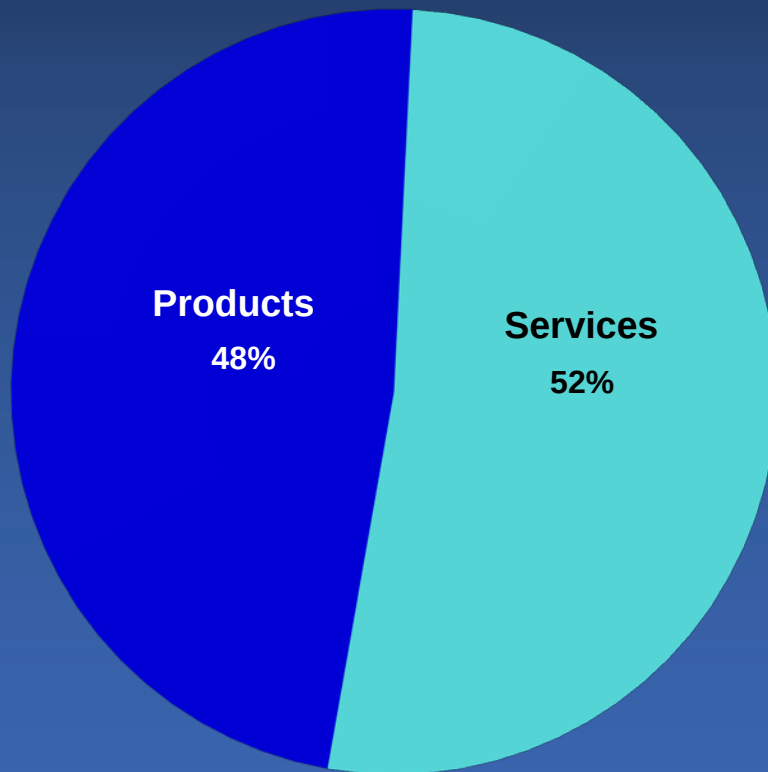
L-3: Focus Items

- **Grow business base and increase market share... organic plus M&A**
- **Supply superior quality customer solutions**
- **Achieve financial objectives... double-digit EPS growth with increasing cash flow/share**
- **Maintain strong balance sheet, liquidity and credit ratings**
- **Exceed average investment returns in defense sector**

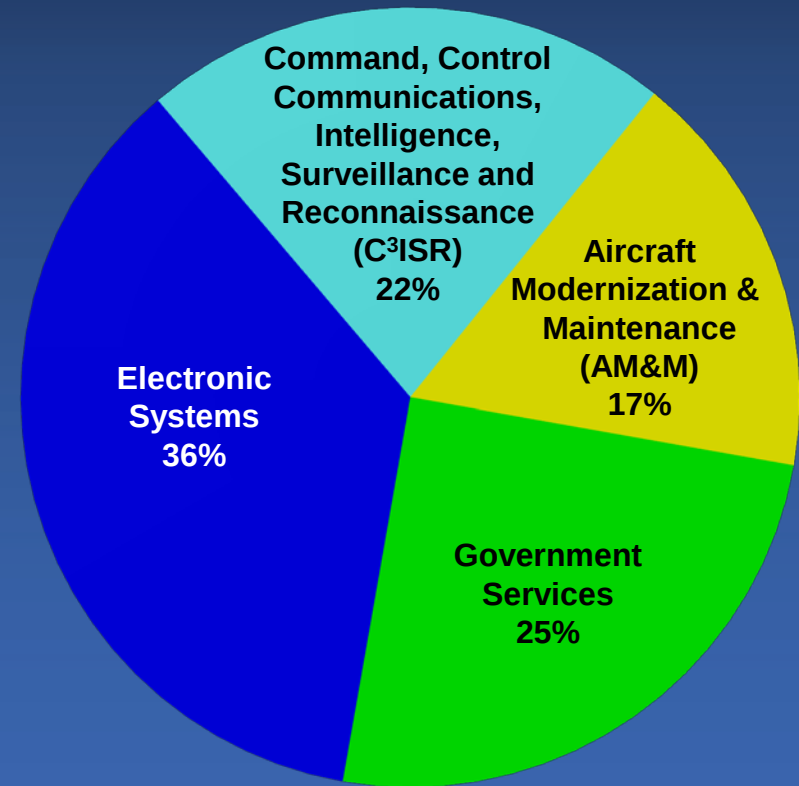


L-3: *Balanced Sales Mix*

Products / Services



Segments

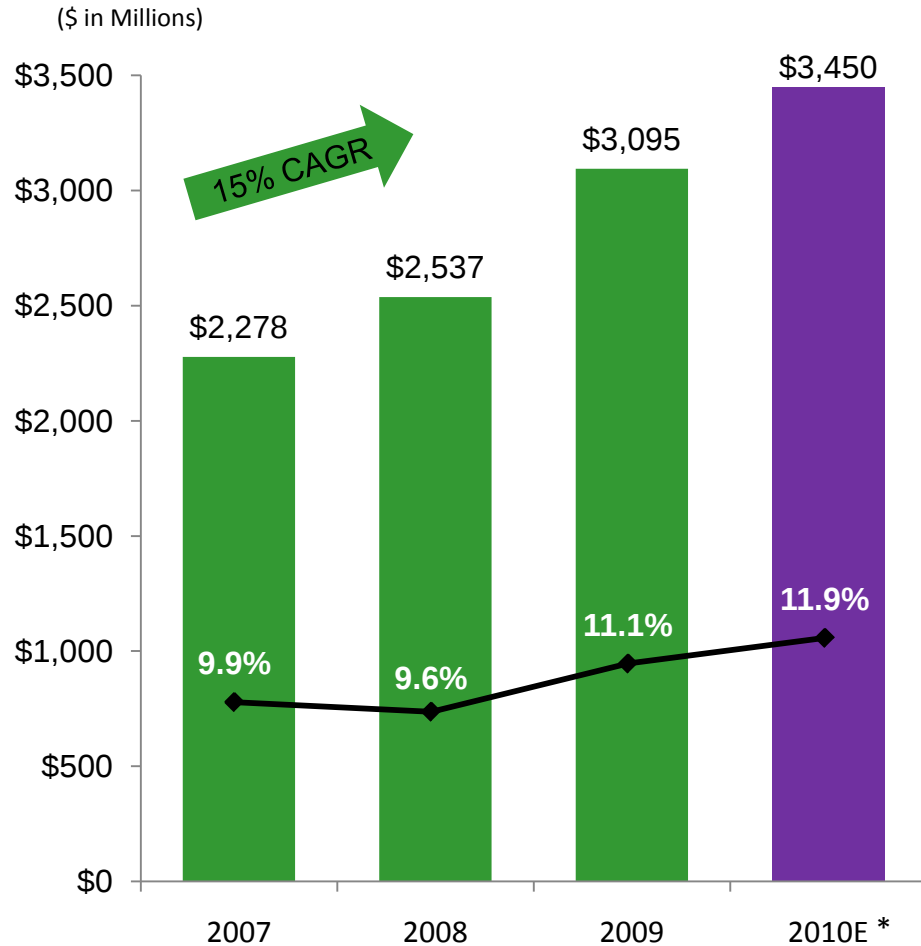


2010 Sales Guidance \$16.0B to \$16.1B



C³ISR Segment

Sales and Operating Margin



- Global ISR solutions specializing in airborne, SIGINT and COMINT systems
- Platform missionization
- Networked communications systems
- Secure communications products
- Logistics and field support
- 22% of consolidated sales

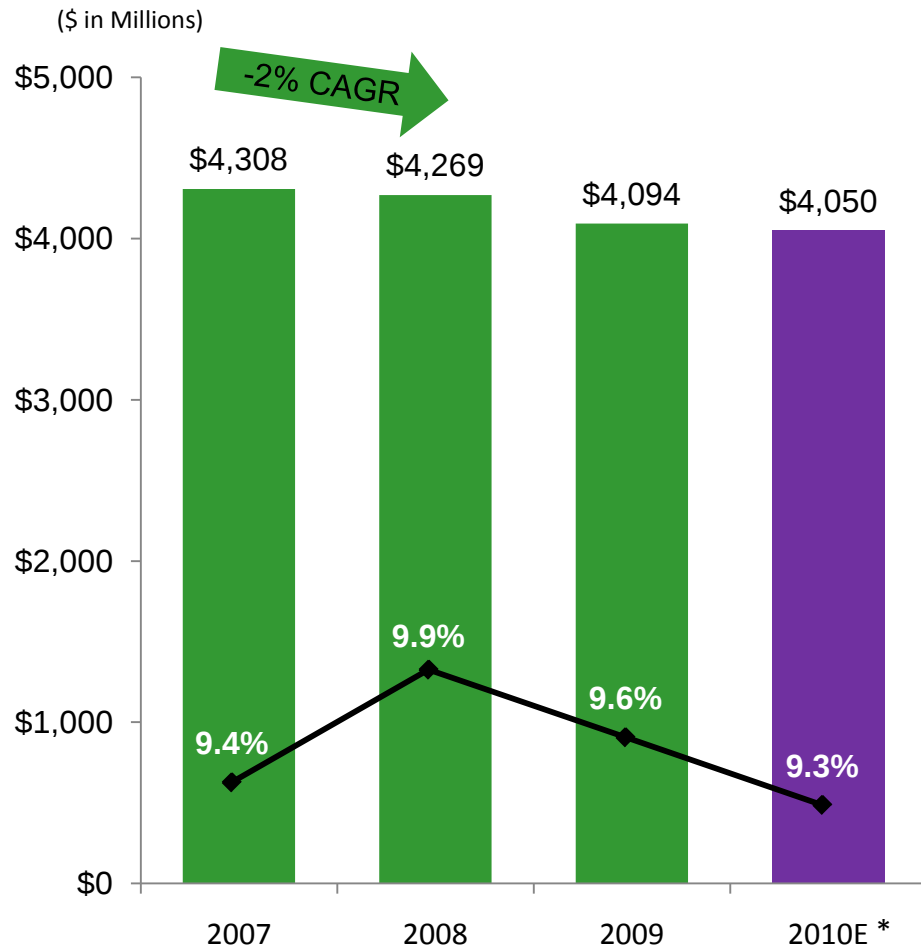
Growth Areas:

Unmanned/manned systems, small ISR aircraft, manpacks, logistics



Government Services Segment

Sales and Operating Margin

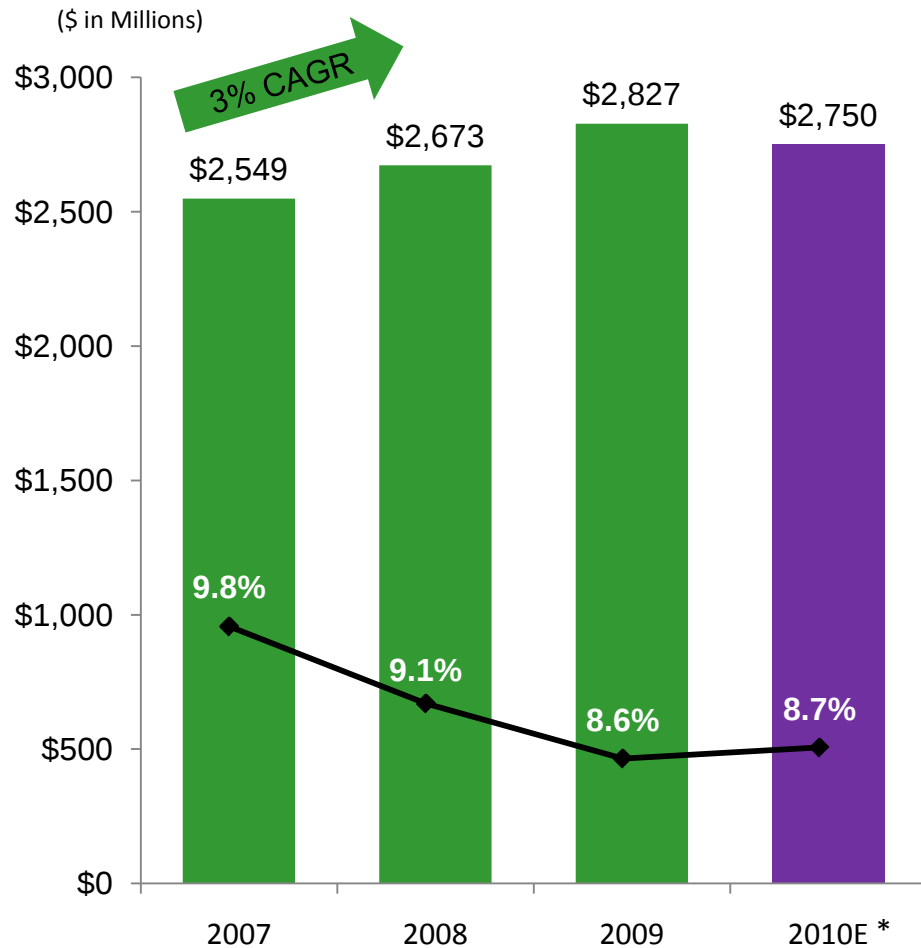


- Engineering, technical, and support services for the U.S. Government and allied foreign governments
 - Capacity Building
 - Training & Education
 - Linguist Services
 - Systems Engineering & Integration
 - Advisory & Acquisition Services
 - Intelligence Analysis & Support
 - Security Systems
- 25% of consolidated sales

Growth Areas: Military/Police training, intelligence and SOF support, integrated security solution

AM&M Segment

Sales and Operating Margin

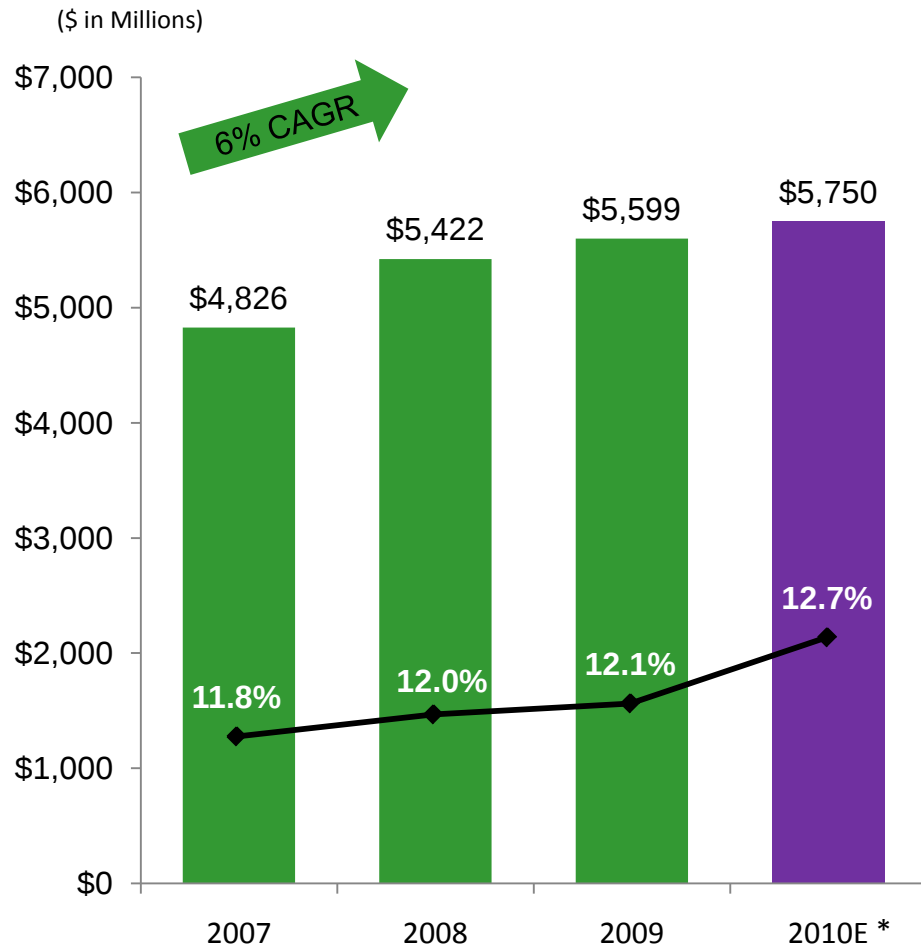


- Modernization, service-life extensions and sustainment, maintenance of military aircraft for the DoD and allied foreign governments
- Integrated logistics support services for military aircraft and other platforms
- 17% of consolidated sales

Growth Areas: Special mission aircraft, helicopter maintenance and training, aerostructures and subassemblies, Joint Cargo Aircraft (JCA)

Electronic Systems Segment

Sales and Margin



* Based on midpoint segment guidance of July 27, 2010

- Systems, subsystems and products, plus related services for military and commercial platforms

Business Area	Segment Sales %
Electro-Optical/Infrared (EO/IR)	21%
Microwave	16
Power & Control Systems	15
Avionics & Displays	10
Simulation & Training	9
Precision Engagement	9
Security & Detection	6
Telemetry & Advanced Technology	5
Undersea Warfare	4
Propulsion Systems	3
Marine Services	2

- 36% of consolidated sales

Growth Areas: EO/IR (aircraft, aerostats, warfighter systems), microwave comms, simulation & training, security & detection systems

2010 Financial Guidance (July 27, 2010)

		Midpoint Growth vs. 2009
Sales	\$16.0B to \$16.1B	3%
Operating Margin	10.9%	+30 bpts
Diluted EPS	\$8.05 to \$8.25	7%
Net Cash from Operating Activities	\$1.51B	7%
Capital Expenditures, Net	\$0.25B	37%



Robust Cash Flow

(\$ in Millions)

	2010 Guidance (Jul 27, 2010)	2009 Actual
Net income	\$ 965	\$ 911
Depreciation & amortization	240	218
Deferred taxes	95	74
Stock-based compensation	226	213
Amortization of pension and OPEB net losses	39	52
CODES non-cash interest expense	22	20
Working capital/other	(78)	(81)
Net cash flow from operating activities	1,509	1,407
Capital expenditures, net	(249)	(182)
Free Cash Flow	<u>\$ 1,260</u>	<u>\$ 1,225</u>



Strong Capital Structure

(\$ in Millions)

	6/25/10 Actual	12/31/09 Actual	12/31/08 Actual
Cash	\$ 1,023	\$ 1,016	\$ 867
Debt	\$ 4,525	\$ 4,112	\$ 4,493
Equity	6,926	6,660	5,941
Book Capitalization	\$ 11,451	\$ 10,772	\$ 10,434

Debt/Book Capitalization	39.5%	38.2%	43.1%
Bank Leverage Ratio	2.0x	1.9x	2.2x
Available Revolver	\$ 967	\$ 968	\$ 940

Note: 6/25/10 includes \$400M 6-1/8% senior subordinated notes due 2013 redeemed on July 15, 2010. 6/25/10 Pro Forma debt = \$4,126M and cash = \$608M.



Disciplined Cash Deployment

(\$ in Millions)

	2010 Guidance	2009 Actual	2008 Actual
Beginning Cash	\$ 1,016	\$ 867	\$ 780
Net Cash From Operating Activities	1,509	1,407	1,387
CapEx, Net	(249)	(182)	(203)
Acquisitions, Net	(650)	(90)	(220)
Dividends	(185)	(165)	(147)
Share Repurchases	(500)	(505)	(794)
Debt Repayments, Net	(10)	(426)	-
Other, Net	74	110	64
Ending Cash	<u>\$ 1,005</u>	<u>\$ 1,016</u>	<u>\$ 867</u>

Note: The 2010 Guidance includes the completed Insight Technology and ATI business acquisitions.



L-3: Well-Positioned

- **Diverse prime contractor, subcontractor and supplier**
- **Good positioning in slower growth DoD environment**
 - **Aligned with irregular warfare priorities**
 - **Less exposure to program cancellations/cuts**
 - **Solutions to sustain/enhance existing platforms**
 - **Commercial/international exposure**
- **Robust cash flow... disciplined capital allocation... improving leverage metrics**
- **Growing sales, earnings and cash flow**



Forward Looking Statements

Certain of the matters discussed in these slides 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 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 that are difficult to predict, 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; our ability to perform contracts on schedule; events beyond our control such as acts of terrorism; our international operations; our extensive use of fixed-price type contracts as compared to cost-reimbursable 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 ongoing governmental investigations, including potential suspensions or debarments; anticipated cost savings from business acquisitions not fully realized or realized within the expected time frame; Titan's compliance with its plea agreement and consent to entry of judgment with the U.S. Government relating to the Foreign Corrupt Practices Act (FCPA), including Titan's ability to maintain its export licenses as well as the outcome of other FCPA matters; 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 Dec. 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.



