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Financial Review

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Forward Looking Statements

Certain of the matters discussed in these slides including information regarding the company's 2011 & 2012 financial outlook 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, 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 planned spin-off of a new, independent, publicly traded government services company, 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; the impact of any strategic initiatives undertaken by us, including but not limited to the potential spin-off of a portion of our Government Services segment, and our ability to achieve anticipated benefits; 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.

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, 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 these slides to reflect events or changes in circumstances or changes in expectations or the occurrence of anticipated events.

Financial Overview

- **Backlog and follow-on business provide good visibility**
- **Customers experiencing fiscal constraints**
  - **FY12 CR and BCA Sequester impacts are TBD**
- **Services under greater pressure than other areas**
  - **Engility spin-off will benefit both companies**
- **Aggressive focus on reducing overheads, right-sizing businesses and more affordable products**
- **Robust cash flow**
- **Disciplined capital allocation**

U.S. Department of Defense (DoD) Budget Scenarios

($ in Billions)

	Enacted			
	Base	OCO	Total	vs. PFY
FY08	$480	$187	$667	11%
FY09	$513	$154	$667	0%
FY10	$529	$162	$691	4%
FY11	$531	$158	$689	0%

	OMB Plan (February 2011)				w/BCA DoD-Case $450B Cuts FY12-21		w/BCA Sequestration $1T Cuts FY12-21	
	Base	OCO	Total	vs. PFY	Total	vs. PFY	Total	vs. PFY
FY12	$553	$118	$671	-2%	$645	-6%	$636	-8%
FY13	$571	$88	$659	-2%	$609	-6%	$555	-13%
FY14	$586	$57	$643	-2%	$598	-2%	$539	-3%
FY15	$598	$43	$641	0%	$591	-1%	$537	0%
FY16	$611	$34	$645	1%	$596	1%	$541	1%

Future DoD budgets trend is down…timing, extent and scope of cuts is TBD

Note: DoD budget data based on L-3 estimates. OMB Plan (February 2011) contains an annual OCO budget placeholder of $50B for FY13 to FY16.

Initial 2012 Financial Guidance

2012 Consolidated Financial Guidance

($ in Billions, except per share amounts)

	2012 Guidance	2011 Guidance	Midpoint vs. 2011
Sales	$14.4 to $14.6	$15.3 to $15.4	-5.5%
Operating margin	10.1%	10.7%	-60 bps
Interest expense/other	$197	$224	-12%
Debt retirement charges	$0	$34	-100%
Tax rate	34.8%	32.5%	+230 bps
Diluted shares	96.6	105.6	-9%
Diluted EPS	$8.35 to $8.55	$8.60 to $8.70	-2%
Net cash from operating activities	$1.37	$1.49	-8%
Less: CapEx, net of dispositions	(0.20)	(0.20)	0%
Free cash flow	$1.17	$1.29	-9%

Notes:
(1) 2012 includes results of the Engility businesses for the full year, and excludes $13M of estimated spin-off transaction expenses. L-3 expects to spin-off the Engility businesses by June 30, 2012.
(2) Higher pension expense for 2012 vs. 2011 is estimated to reduce 2012 operating income by $40M, operating margin by 30 bps and diluted EPS by $0.26, based on a 5.0% discount rate and 2011 asset return of 3.0%. Actual 2012 pension expense assumptions will be determined on December 31, 2011, and may differ from these estimates.
(3) 2012 tax rate excludes U.S. Federal R&E credit expiring December 31, 2011, increasing tax rate 80 bps and decreasing diluted EPS $0.10.
(4) 2011 is based on the Consolidated Financial Guidance issued October 27, 2011, adjusted for $0.10 debt retirement charge announced on November 22.

Segment Guidance: 2012 vs. 2011

($ in Billions)

Segment	Sales	Midpoint Sales vs. 2011	Operating Margin	Midpoint Margin vs. 2011 (bps)
C^3ISR	$3.6 to $3.7	0%	10.6% to 10.8%	-60
Gov't Services	$2.9 to $3.0	-19%	6.9% to 7.1%	-80
AM&M	$2.4 to $2.5	0%	8.5% to 8.7%	-50
Elect Systems	$5.4 to $5.5	-4%	12.0% to 12.2%	-80
L-3 Consolidated	$14.4 to $14.6	-5.5%	10.1%	-60

Notes: (1) The 2012 segment guidance for Gov't Services includes the results of the Engility businesses for the full year. L-3 expects to spin-off the Engility businesses by June 30, 2012.
(2) Higher pension expense for 2012 vs. 2011 is estimated to reduce 2012 operating income by $40M, consolidated operating margin by 30 bps, C^3ISR by 70 bps, AM&M by 20 bps and Electronic Systems by 20 bps.

2012 L-3 and Engility Estimates

($ in Billions)

	L-3 Midpoint Guidance	Engility Estimate	L-3 Ex. Engility Estimate
Sales	$14.5	$1.6	$12.9
Sales vs. 2011	-5.5%	-22.0%	-3.0%
Operating Margin	10.1%	7.3%	10.5%
Operating Margin vs. 2011	-60 bps	-150 bps	-50 bps

Engility spin-off will improve L-3's growth and margin profile

Note: Higher pension expense for 2012 vs. 2011 is estimated to reduce 2012 consolidated operating margin by 30 bps. The Engility businesses do not have pension plans.

Cost Structure Summary

Cost Categories	Cost Throughput %
Direct Labor Labor Related Overhead	43%
Material/Subcontracts and ODCs Variable Non-Labor Overhead	52%
Fixed Non-Labor Overhead	5%
Consolidated Total	100%

Flexible and adaptable cost structure

Cash Flow

($ in Millions)

	2012 Guidance	2011 Guidance	2010 Actual
Net income	$ 825	$ 930	$ 966
Depreciation & amortization	240	243	231
Deferred income taxes	50	120	111
401K common stock match	135	137	143
Stock-based employee compensation	66	67	82
Working capital/other items	54	(7)	(72)
Capital expenditures, net	(200)	(200)	(171)
Free cash flow	$ 1,170	$ 1,290	$ 1,290

Robust Cash Flow

Cash Sources and Uses

($ in Millions)

	2012 Guidance	2011 Guidance	2010 Actual
Beginning cash	$ 715	$ 607	$ 1,016
Free Cash Flow	1,170	1,290	1,290
Dividends	(190)	(190)	(184)
Share repurchases	(800)	(1,000)	(834)
Acquisitions, net	(1)	(28)	(754)
Debt repayments	(300)	(11)	-
Other, net	46	47	73
Ending cash	$ 640	$ 715	$ 607

Disciplined and balanced capital allocation

Note: 2012 Guidance does not include the effect of the Engility spin-off expected to be completed by June 30, 2012.

Capitalization and Leverage

($ in Millions)

	12/31/12 Guidance	12/31/11 Guidance	12/31/10 Actual
Cash	$ 640	$ 715	$ 607
Debt	$ 3,828	$ 4,125	$ 4,137
Equity	7,022	6,875	6,855
Book capitalization	$ 10,850	$ 11,000	$ 10,992
Available revolver	$ 990	$ 990	$ 983

Strong balance sheet and liquidity, Investment grade credit ratings

Note: Equity includes non-controlling interests. 2012 Guidance does not include the effect of the Engility spin-off expected to be completed by June 30, 2012.

2012 Financial Summary

- **More uncertain DoD environment…FY12 CR, FY13 Request and FYDP, BCA Sequester**
- **Lower sales…declining DoD budget and Iraq/Afghanistan drawdowns**
- **Margin pressure…volume, mix, OSD initiatives, higher pension**
- **Proactively rightsizing businesses…flexible cost structure**
- **Engility spin-off improves L-3's growth/margin profile**
- **Strong liquidity and robust cash flow**
- **Disciplined capital allocation bolstering EPS**

L-3: stable, healthy and flexible

Supplemental Financial Data

Supplemental Cash Flow Data

($ in Millions)	2012 Guidance	2011 Guidance	2010 Actual
Cash interest payments	$ 205	$ 237	$ 233
Income tax payments, net	395	255	336
FAS pension expense (1)	180 (3)	148	154
CAS pension cost (2)	122	130	130
Pension contributions	160	176	186

(1) FAS pension expense represents pension expense determined using U.S. GAAP and assumes a 5.0% discount rate (vs. 5.56% at 12/31/10), 3.0% 2011 expected pension asset return vs. 8.55% 2011 assumption).

(2) CAS pension cost represents estimated allowable and reimbursable pension cost under U.S. Government procurement regulations (determined using Cost Accounting Standards or CAS) on L-3's U.S. Government contracts.

(3) Estimated 2012 Pension Expense Sensitivity: A 1% increase/decrease in 2011 pension asset return would decrease/increase 2012 pension expense by $3M and decrease/increase the 12/31/11 unfunded obligation by $16M. A 25 bps increase/decrease in 12/31/11 discount rate would decrease/increase 2012 pension expense by $11M and decrease/increase the 12/31/11 unfunded obligation by $80M.

Select Financial Data 2011 vs. 2012

($ in millions)

	2011 Estimate [1]			2012 Estimate [1]		
	Engility	NSS	Gov't Services Segment	Engility	NSS	Gov't Services Segment
Sales	$2,050	$1,600	$3,650	$1,600	$1,350	$2,950
Operating Margin	8.8%	6.5%	7.8%	7.3%	6.7%	7.0%
Sales Growth	-11%	-2%	-7%	-22%	-16%	-19%
Depreciation & Amortization	$14	$19	$33	$14	$16	$30

Notes: (1) The select financial data for Engility and NSS are based on Guidance midpoints for the Government Services segment, and are subject to change.
(2) 2012 Engility excludes estimated spin-off cost of ~$13M.

Debt Balances and Maturities

($ in Millions)

	12/31/11 Estimate	Type	Maturity Date	Redemption Premium
Senior:				
Revolver	$ -	L+300 bpts	10/23/12	n.a.
3.95% Senior Notes	500	fixed	11/15/16	T+0.50% make-whole
5.2% Senior Notes	1,000	fixed	10/15/19	T+0.30% make-whole
4.75% Senior Notes	800	fixed	7/15/20	T+0.25% make-whole
4.95% Senior Notes	650	fixed	2/15/21	T+0.25% make-whole
Subordinated:				
6-3/8% Notes	$ 500	fixed	10/15/15	2.125%
3% CODES	689	fixed	8/1/35	0%
Unamortized Discounts	(14)			
Total	$ 4,125			

Notes: (1) The contingent convertible notes (CODES) contain "puts" that holders can exercise on Feb 1, 2016, and every 5-year anniversary thereafter at a price of 100%. The current conversion price is $96.48.

(2) T = comparable U.S. treasury note rate.

L3