

Cowen and Company 31st Annual Aerospace/Defense Conference February 10, 2010



Michael T. Strianese
Chairman, President and
Chief Executive Officer



Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995

Except For Historical Information Contained Herein, The Matters Set Forth In This Presentation Are Forward-Looking Statements. Statements 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 Are Forward-Looking Statements. The Forward-Looking Statements Set Forth Above Involve A Number Of Risks And Uncertainties That Could Cause Actual Results To Differ Materially From Any Such Statement, Including The Risks And Uncertainties Discussed In The Company's Safe Harbor Compliance Statement For Forward-Looking Statements Included At the End Of This Presentation and In The Company's Recent Filings, Including Forms 10-K And 10-Q, With The Securities And Exchange Commission. The Forward-Looking Statements Speak Only As Of The Date Made, And The Company Undertakes No Obligation To Update These Forward-Looking Statements.



Geopolitical Summary

Iraq -- Withdrawal of US Forces in progress

Afghanistan -- Deteriorating... initial surge 21K... 2nd surge 30K troops

Pakistan -- Key ingredient in Afghanistan strategy

Yemen -- Failing state... another Al-Qaida planning and operational base

Iran -- Nuclear ambitions continue

Middle East -- Simmering... key issue tension between Israel and Iran

North Korea -- Unstable, manageable, “new” Asia policy

Russia -- Reasserting its relevance... What next?

China -- Economic vitality; human rights; global outreach expectation... continued progress amid human turmoil

Latin America -- Anti-Americanism... several restive issues... Cuba, Venezuela, Ecuador, Columbia, Honduras and others

Overall - - More Complex

U.S. Defense Budget

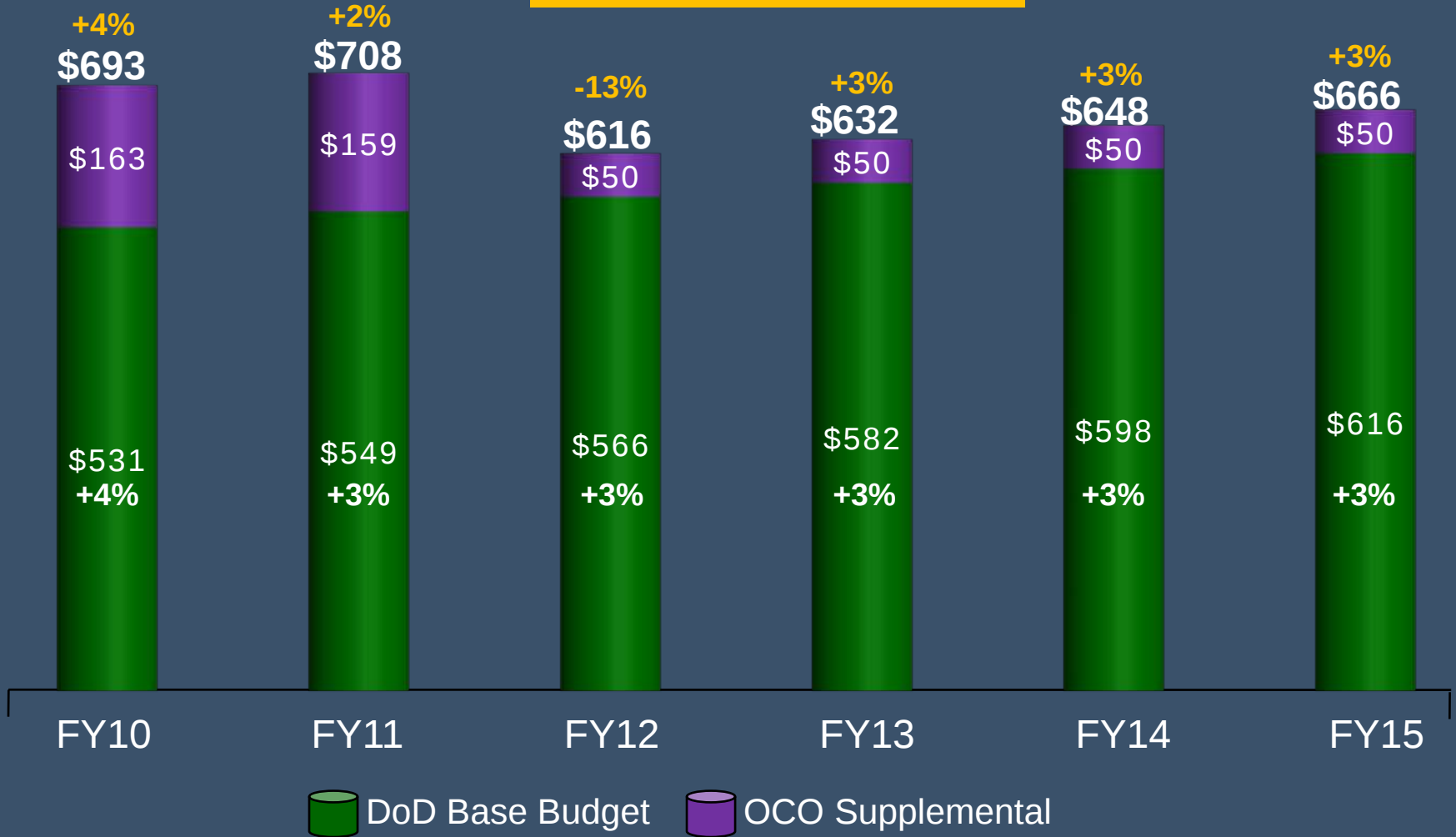
- *FY10 base budget approved for \$531B, OCO funding \$130B, additional \$33B for OCO supplemental for Afghanistan*
- *FY11 base budget approved for \$549B, OCO funding for \$159B*
- *Focus on today's wars... and accept more conventional risks*
- *Rapid prototype fielding... 75 % solutions that work*
- *Iraq and Afghanistan continues... Afghanistan surge increasing FY10 / FY11 supplementals*



Defense Budget Estimates

(\$ in Billions)

Base FY09 to FY15 CAGR = 3%
Total FY09 to FY15 CAGR = 0%

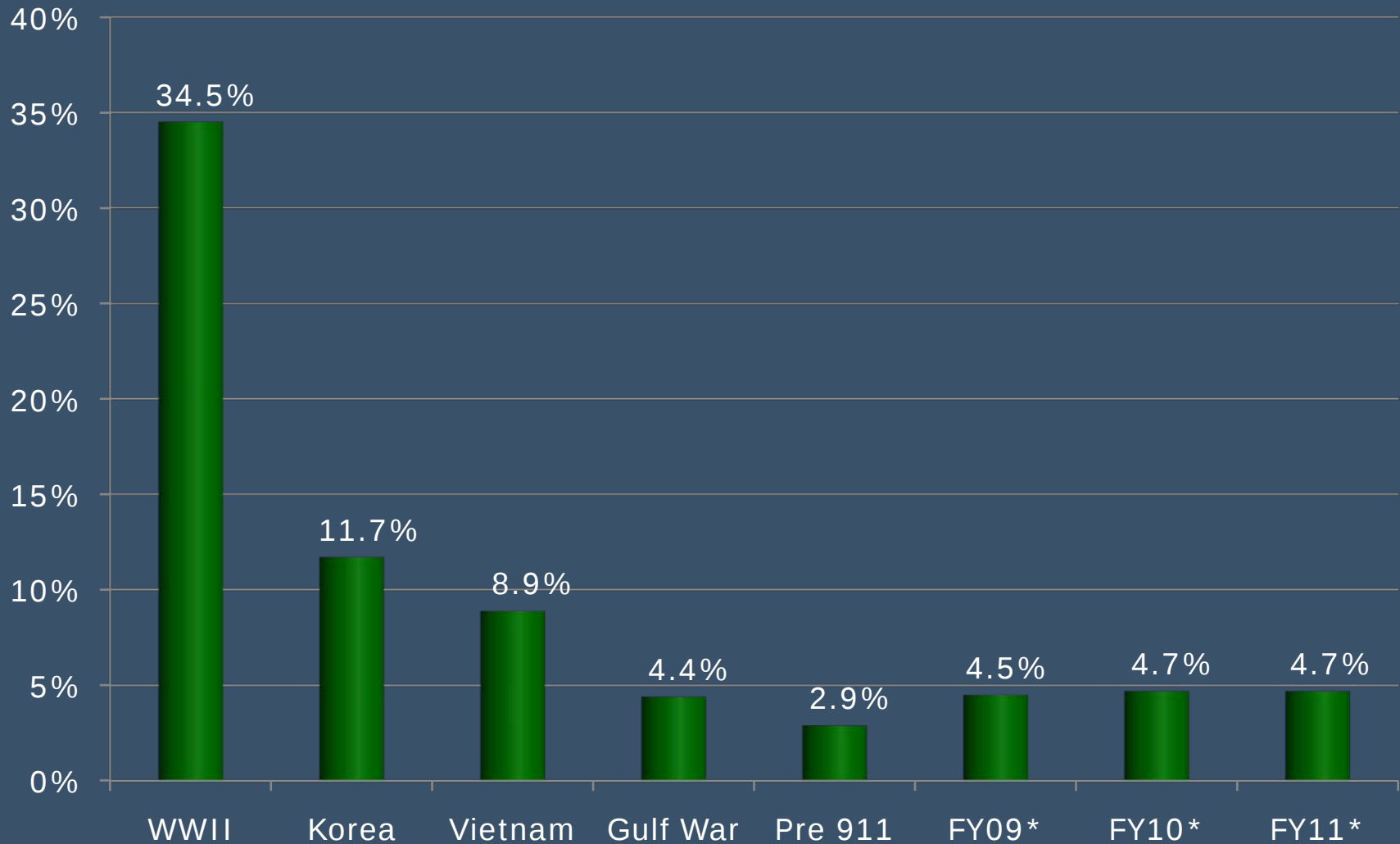


Source: <http://comptroller.defense.gov/budget.html> (Feb 2010)



U.S. Defense Spending as a Percent of GDP

(% of GDP)



* Assumes GDP projections reflected in the President's FY 2011 Budget Request, February 2010)

Source: <http://comptroller.defense.gov/budget.html> (Feb 2010)



2009 Review



2009 Major Highlights

- *Achieved 2009 Plan and financial objectives*
- *DoD ISR surge main driver of sales growth*
- *Project Liberty - - all aircraft deliveries to date on or ahead of schedule*
- *SOCOM EUAS - - 1st significant UAV platform win as prime*
- *Strong, disciplined financial performance*



2009 Financial Summary

- *Diluted EPS from continuing operations of \$7.61 (up 11 %, excluding 2008 unusual items)*
- *Sales grew 5 % to \$15.6B, despite Linguist headwind of \$226M*
- *Operating Margin of 10.6 % (higher pension expense reduced margin by 50 bpts)*
- *Strong cash flow + improving leverage metrics*
- *Debt/capital structure - - inaugural investment grade senior notes offering, new 3-year revolver, \$400M net debt reduction with improved maturity profile*



2009 Estimated Sales by End Customer

Army	28%
Air Force	20%
Navy/Marines	15%
Other Defense	13%
U.S. Military (DoD)	76%
Other U.S. Government	7%
Foreign Governments	7%
Commercial - Foreign	6%
Commercial - Domestic	4%
Consolidated	100%



Cash Returned to Shareholders

(\$ in Millions)

	2009 Actual*	2008 Actual
Cash Dividends	\$ 165	\$ 147
Share Repurchases	505	794
Total Cash Returned	<u>\$ 670</u>	<u>\$ 941</u>
Free Cash Flow	<u>\$ 1,225</u>	<u>\$ 1,184</u>
% Returned	<u>55%</u>	<u>79%</u>

* Also reduced debt by ~\$400M.



2010 Outlook



2010 Strategic Goals

- *Continue to expand business base*
 - *Organically*
 - *Increased product and service offerings*
 - *Acquisitions to augment organic growth*
 - *Customer-focused approach to program execution*
 - *Disciplined financial performance*
 - *Exceed market returns in A&D sector*
 - *Collaborate to increase growth opportunities*



Collaboration Producing Benefits

- *Opening new doors for L-3 solutions*
- *Combining strong technologies*
- *Speed and agility are key discriminators*
- *Moving from "black boxes" to system solutions*



Select IR&D Projects



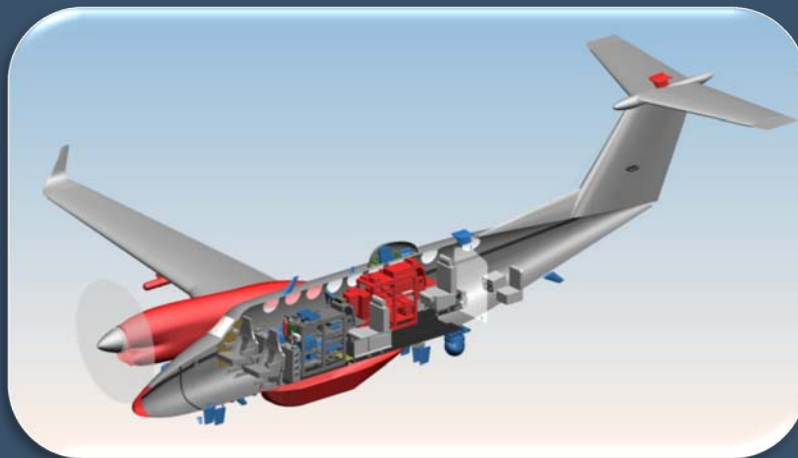
Long Term Force Protection
Counter IED solutions



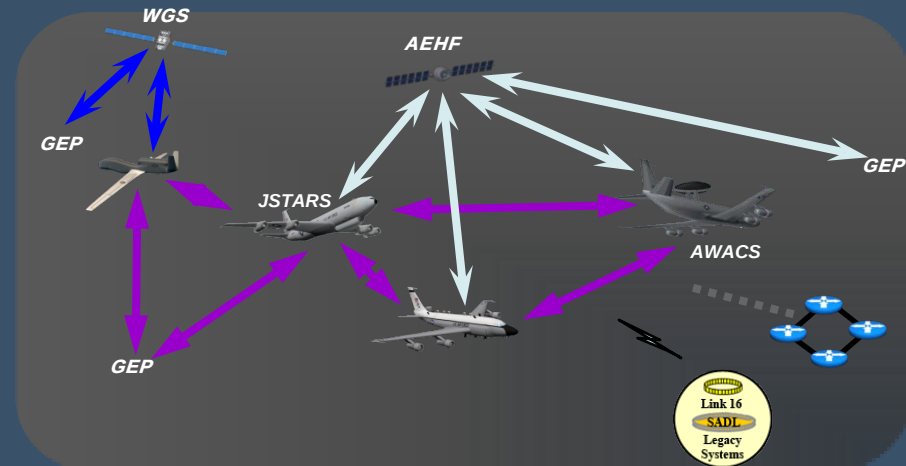
Next Gen Multi-View Tomography
Improved baggage screening



Antenna Technology
Light-weight airborne
antennas



Small Aircraft ISR Sensor Insertion
New ISR technology



Advanced Modem Development
Next gen SATCOM terminals

M&A Environment

- *Seller price expectations moderating*
- *Financing conditions improving*
- *More opportunities emerging*
- *Slowing DoD budgets increase buyer risks*



M&A Objectives and Strategy

- *Enhance capabilities and augment growth prospects*
- *Add important technologies, products and services*
- *Access select customers, programs and contract vehicles*
- *Prefer hardware vs services*
- *Likely small/medium vs larger transactions*



Growth Areas for 2010

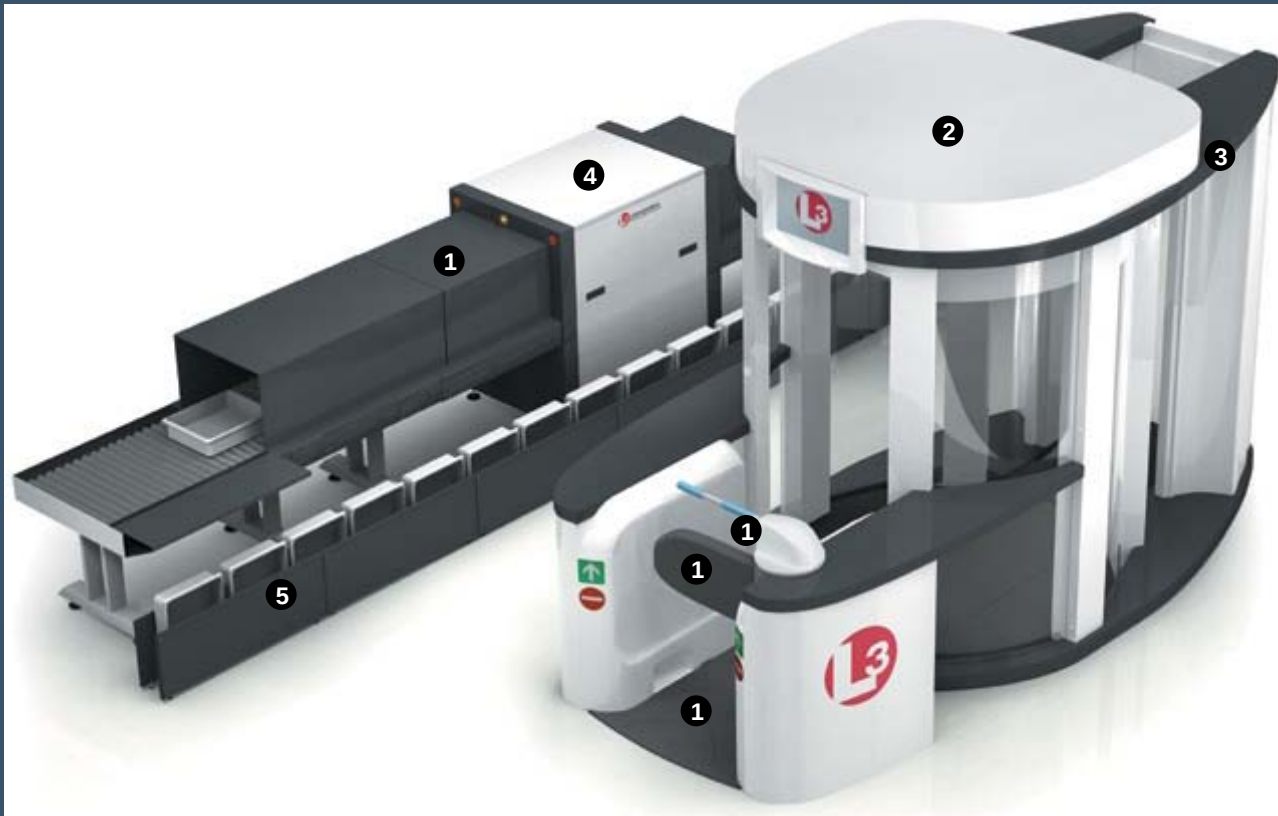
- *C³ISR - Unmanned, Manned, Sensors, Manpacks, Logistics*
- *Services - Afghanistan Training, Intelligence Support*
- *AMM - JCA, Helo maintenance and training support, Aerostructures fabrication and subassemblies*
- *Electronic Systems - EO/IR, Microwave, Security & Detection*



L-3's Integrated Checkpoint

- *Advanced Technology*
- *Next Generation Trace*
- *Millimeter Wave Technology*

- 1 Explosives trace detection
- 2 Millimeter wave imaging technology
- 3 Zoned metal detection
- 4 Conventional X-ray screening coupled with automated explosives detection
- 5 Automated bin return system
- 6 Consolidated workstation



2010 Segment Outlook

Segment	2010 Sales Guidance	Midpoint Growth vs. 2009	Trends
C ³ ISR	\$3.4 to \$3.5	11%	Strong demand for persistent surveillance, platform missionization, secure comms and sensors
Gov't Services	\$4.0 to \$4.1	-3%	Declining Iraq sales partially offset by Afghan increase; changing contract vehicles restraining growth; increasingly competitive space



2010 Segment Outlook (Continued)

Segment	2010 Sales Guidance	Midpoint Growth vs. 2009	Trends
AM&M	\$2.7 to \$2.8	-3%	SOFSA re-competition; aging aircraft fleets present opportunities; HELO maintenance and aviator training growing
Electronic Systems	\$5.6 to \$5.7	2%	Growth in diverse product portfolio driven by EO/IR, Microwave Comms, Undersea Warfare and Security & Detection Systems, offset by declining commercial and propulsion systems (Bradley Fighting Vehicle)

2010 Financial Guidance

		Midpoint Growth vs. 2009
Sales	\$15.8B to \$16.0B	2%
Operating Margin	10.7%	+10 bpts
Diluted EPS	\$8.00 to \$8.20	6%
Cash Flow from Operations	\$1.5B	6%
Free Cash Flow	\$1.25B	2%



L-3 Summary

- *Non-platform centric prime contractor and diverse subcontractor positions*
- *Good positioning in slower growth DoD environment*
 - *Less exposure to program cancellations/cuts*
 - *Solutions to sustain/enhance existing platforms*
 - *Quick reaction capabilities*
 - *Aligned with irregular warfare priorities*
- *Growing sales, earnings and cash flow*
- *Adaptability, agility and collaboration to continue growing*
- *Disciplined capital allocation*
- *M&A provides upside to organic growth*



Supplemental Financial Data



2009 Financial Review



Select Financial Data - Full Year

(in Millions, except per share amounts)

	2009 Actual	vs 2008 Actual	vs 2008 Adjusted
Sales	\$15,615	5%	5%
Operating Margin	10.6%	-70 bpts	n.c.
Operating Income	\$1,656	-2%	5%
Net Interest Expense and Other Income	\$270	3%	n.c.
Tax Rate	34.3%	-40 bpts	n.c.
Diluted Shares	117.4	-4%	-4%
Diluted EPS from Continuing Operations	\$7.61	2%	11%
Net Cash from Operating Activities	\$1,407	1%	1%
Free Cash Flow	\$1,225	3%	3%

- Notes: (1) 2008 has been adjusted to retrospectively apply the provisions of certain new accounting standards that were adopted effective January 1, 2009. See 2008 Supplemental Select Financial Data slide.
- (2) 2008 Adjusted excludes 2Q08 Items comprised of: (i) a litigation gain of \$133M (\$81M after income taxes or \$0.66 per diluted share) comprised of a reversal of a \$126M liability and \$7M of related accrued interest, (ii) a product line divestiture gain of \$12M (\$7M after income taxes or \$0.06 per diluted share), and (iii) an impairment charge of \$28M (\$17M after income taxes or \$0.14 per diluted share). See Reconciliation of GAAP to Non-GAAP Measurements.
- (3) Higher pension expense for 2009 compared to 2008 reduced operating income by \$79M (\$48M after income taxes), operating margin by 50 bpts and diluted EPS by \$0.41.



Segment Results - Full Year

(\$ in Millions)

Segment	2009 Sales	Sales Growth vs 2008	2009 Operating Margin	Margin Change	
				vs 2008 Actual (bpts)	vs 2008 Adjusted (bpts)
C ³ ISR	\$ 3,095	22%	11.1%	+150	+150
Gov't Services	4,155	-4%	9.5%	-40	-40
AM&M	2,827	6%	8.6%	-50	-50
Electronic Sys.	5,538	3%	12.1%	+10	-20
Consolidated	\$15,615	5%	10.6%	-70	n.c.

- Notes: (1) During 1Q09, segment presentations were revised to conform to certain re-alignments in the company's management and organization structure. Consequently, certain reclassifications were made between the C³ISR, Government Services and AM&M segments for 2008. See the Supplemental Segment Data slide.
- (2) Margin Change vs 2008 Adjusted excludes 2Q08 Items (a litigation gain of \$126M, a product line divestiture gain of \$12M and an impairment charge of \$28M). See Reconciliation of GAAP to Non-GAAP Measurements.
- (3) Higher pension expense for 2009 compared to 2008 reduced operating income by \$32M or 100 bpts for C³ISR and \$42M or 80 bpts for Electronic Systems. Operating Margin Change vs 2008 Adjusted excluding the higher pension expense would have been +250 bpts for C³ISR, +60 bpts for Electronic Systems, and +50 bpts on a consolidated basis.



2010 Financial Guidance



2010 Financial Guidance

(\$ in Billions, except EPS amounts)

Sales

Operating Margin

Tax Rate

Diluted EPS

Net Cash from Operating Activities

Less: CapEx, net of Dispositions

Free Cash Flow

**2010
Current
Guidance
(January 28, 2010)**

\$15.8 to \$16.0

10.7%

35.8%

\$8.00 to \$8.20

\$1.50

(\$0.25)

\$1.25

2010 Segment Guidance

(\$ in Billions)

Segment	Sales	Midpoint Sales Growth vs. 2009	Operating Margin	Midpoint Margin Change vs. 2009 (bpts)
C ³ ISR	\$3.4 to \$3.5	11%	11.2% to 11.4%	+20
Gov't Services	\$4.0 to \$4.1	-3%	9.6% to 9.8%	+20
AM&M	\$2.7 to \$2.8	-3%	8.8% to 9.0%	+30
Electronic Systems	\$5.6 to \$5.7	2%	11.7% to 11.9%	-30
Consolidated	\$15.8 to \$16.0	2%	10.7%	+10

Note: AM&M segment includes sales from SOFSA contract through approximately May 31, 2010.



Free Cash Flow

(\$ in Millions)

	2010 Guidance	2009 Actual
Net income	\$ 950	\$ 911
Depreciation & amortization	227	218
Deferred taxes	95	51
Stock-based compensation	228	213
CODES non-cash interest	22	21
Working capital/other	(22)	(7)
Cash flow from operating activities	\$ 1,500	\$ 1,407
Capital expenditures, net	(250)	(182)
Free cash flow	\$ 1,250	\$ 1,225
<u>Supplemental Data:</u>		
Cash interest payments	\$ 236	\$ 237
Income tax payments, net	425	380
Pension expense	148	173
Pension contributions	140	67

Capitalization and Leverage

(\$ in Millions)

	<u>12/31/10 Guidance</u>	<u>12/31/09 Actual</u>	<u>12/31/08 Actual</u>
Cash	<u>\$1,665</u>	<u>\$1,016</u>	<u>\$867</u>
Debt	\$4,136	\$4,112	\$4,493
Equity	<u>7,295</u>	<u>6,658</u>	<u>5,941</u>
Invested Capital	<u>\$11,431</u>	<u>\$10,770</u>	<u>\$10,434</u>
Debt/Invested Capital	36.2%	38.2%	43.1%
Bank Leverage Ratio	1.8x	1.9x	2.2x
Available Revolver	\$970	\$968	\$940

Notes: (1) 12/31/08 has been adjusted to retrospectively apply the provisions of certain new accounting standards that were adopted effective January 1, 2009. See 12/31/08 Supplemental Capitalization slide.

(2) Equity includes non-controlling interests (minority interests) of \$95M as of December 31, 2010, \$93M as of December 31, 2009 and \$83M as of December 31, 2008.



Cash Sources and Uses

(\$ in Millions)

	2010 Guidance	2009 Actual	2008 Actual
<u>Sources:</u>			
Beginning Cash	\$ 1,016	\$ 867	\$ 780
Free Cash Flow	1,250	1,225	1,184
Stock Options, ESP, Other	91	110	64
Subtotal	\$ 2,357	\$ 2,202	\$ 2,028
<u>Uses:</u>			
Acquisitions/Divestitures	\$ (7)	\$ (90)	\$ (220)
Dividends	(185)	(165)	(147)
Share Repurchases	(500)	(505)	(794)
Debt Repayments, Net	-	(426)	-
Subtotal	\$ (692)	\$ (1,186)	\$ (1,161)
Ending Cash	\$ 1,665	\$ 1,016	\$ 867

Note: See Reconciliation of GAAP to Non-GAAP Requirements



Debt

(\$ in Millions)

	12/31/09 Actual	Type	Maturity Date	Next Redemption	
				Date	Premium
Senior:					
Revolver	\$ -	L+300 bpts	10/12	n.a.	
5.2% Senior Notes	1,000	fixed	10/19	n.a.	
Subordinated:					
3% CODES	\$ 700	fixed	8/35	2/11	0%
6-1/8% Notes	400	fixed	7/13	7/09	2.042%
6-1/8% Notes	400	fixed	1/14	1/10	2.042%
5-7/8% Notes	650	fixed	1/15	1/10	2.938%
6-3/8% Notes	1,000	fixed	10/15	10/10	3.188%
Unamortized Discounts	(38)				
Total	\$ 4,112				

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%.



Forward Looking Statements

Certain of the matters discussed in these slides, including information regarding the Company's 2010 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 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; the DoD's contractor support services in-sourcing initiative; 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; anticipated cost savings from business acquisitions not fully realized or realized within the expected time frame; outcome of matters relating to the Foreign Corrupt Practice Act; 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 18 to our audited consolidated financial statements, included in our Annual Report on Form 10-K for the year ended Dec. 31, 2008 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.



2008 Supplemental Select Financial Data

(in Millions, except per share amounts)

	GAAP As Previously Reported	Adjustments for:			GAAP As Currently Reported
		Non-Controlling Interests	Participating Securities	Convertible Debt	
Sales	\$14,901	-	-	-	\$14,901
Operating Margin	11.3%	-	-	-	11.3%
Segment Operating Margin	10.5%	-	-	-	10.5%
Operating Income	\$1,685	-	-	-	\$1,685
Segment Operating Income	\$1,559	-	-	-	\$1,559
Net Interest Expense and Other Income	\$243	-	-	\$19	\$262
Tax Rate	35.1%	(0.3)%	-	(0.1)%	34.7%
Income from Continuing Operations Allocable to Common Shareholders	\$929	-	\$(9)	\$(11)	\$909
Diluted Shares	122.9	-	(0.5)	-	122.4
Diluted Earnings Per Share from Continuing Operations	\$7.56	-	\$(0.04)	\$(0.09)	\$7.43



Supplemental Capitalization at 12/31/08

(in Millions)

	As Previously Reported	Adjustments for:		As Currently Reported
		Non-Controlling Interests	Convertible Debt	
Cash	\$ 867	\$ -	\$ -	\$ 867
Debt	\$ 4,538	\$ -	\$ (45)	\$ 4,493
Minority Interest	83	(83)	-	-
Equity	5,831	83	27	5,941
Invested Capital	\$ 10,452	\$ -	\$ (18)	\$10,434

Supplemental Segment Data

(\$ in Millions)

	<u>Previous Presentation</u>		<u>Reclassifications</u>		<u>Revised Presentation</u>	
	<u>2008</u>	<u>4Q08</u>	<u>2008</u>	<u>4Q08</u>	<u>2008</u>	<u>4Q08</u>
<u>Sales:</u>						
C ³ ISR	\$ 2,567	\$ 753	\$ (30)	\$ (6)	\$ 2,537	\$ 747
Gov't Services	4,303	1,063	14	5	4,317	1,068
AM&M	2,657	719	16	1	2,673	720
Electronic Sys.	5,374	1,476	-	-	5,374	1,476
Consolidated	<u>\$ 14,901</u>	<u>\$ 4,011</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,901</u>	<u>\$ 4,011</u>

Operating Margin:

C ³ ISR	9.8%	8.3%	-0.2%	-0.3%	9.6%	8.0%
Gov't Services	9.8%	9.5%	0.1%	0.2%	9.9%	9.7%
AM&M	9.1%	8.9%	n.c.	0.1%	9.1%	9.0%
Electronic Sys.	12.0%	12.7%	n.c.	n.c.	12.0%	12.7%
Consolidated	11.3%	10.4%	n.c.	n.c.	11.3%	10.4%



Reconciliation of GAAP to Non-GAAP Measurements

(\$ in Millions)

	2008 Actual
Consolidated Operating Margin	11.3%
Add: Impairment Charge	0.2%
Less: Litigation Gain	-0.8%
Product Line Divestiture Gain	-0.1%
Consolidated Operating Margin, Excluding 2Q08 Items	10.6%
Consolidated Operating Income	\$ 1,685
Add: Impairment Charge	28
Less: Litigation Gain	(126)
Product Line Divestiture Gain	(12)
Consolidated Operating Income, Excluding 2Q08 Items	\$ 1,575
Net Interest Expense and Other Income	\$ 262
Add: Litigation Gain	7
Net Interest Expense and Other Income, Excluding 2Q08 Items	\$ 269
Tax Rate	34.7%
Add: Impairment Charge	0.1%
Less: Litigation Gain	-0.5%
Tax Rate, Excluding 2Q08 Items	34.3%



Reconciliation of GAAP to Non-GAAP Measurements (Cont'd)

(\$ in Millions, except for per share amounts)

	<u>2010 Guidance</u>	<u>2009 Actual</u>	<u>4Q09 Actual</u>	<u>2008 Actual</u>	<u>4Q08 Actual</u>
Diluted EPS from Continuing Operations				\$ 7.43	
Add: Impairment Charge				0.14	
Less: Litigation Gain				(0.66)	
Product Line Divestiture Gain				(0.06)	
Diluted EPS from Continuing Operations, Excluding 2008 Items				<u>\$ 6.85</u>	
Electronic Systems Operating Margin				12.0%	
Add: Impairment Charge				0.5%	
Less: Product Line Divestiture Gain				-0.2%	
Electronic Systems Operating Margin, Excluding 2Q08 Items				<u>12.3%</u>	
Net cash from operating activities	\$ 1,500	\$ 1,407	\$ 429	\$ 1,387	\$ 356
Less: Capital expenditures	(250)	(186)	(58)	(218)	(79)
Add: Dispositions of property, plant and equipment	-	4	1	15	10
Free cash flow	<u>\$ 1,250</u>	<u>\$ 1,225</u>	<u>\$ 372</u>	<u>\$ 1,184</u>	<u>\$ 287</u>



