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SG Cowen & Co.
Annual Aerospace/
Defense Technology Conference
February 8, 2006

Frank C. Lanza
Chairman & CEO

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State Of Affairs

- Still At War. A Wider Footprint Than Iraq and Afghanistan (Terrorism & Rogue States)
- Conventional Concerns (China)…Focus on Deterrence not Active Engagement
- Potential Nuclear States (North Korea & Iran)
- Strategy in DoD is Still One of Transformation
- What has HAMAS Parliamentary Victory in Palestine done to the Mid-East Equation?
- Iraqi Election Results Confirm Shiite Victories
- Iraq Drawdown – Year End?
- Burn Rate – 7b/month for U.S. Commitments
- Economic Relationship with India
- Growing Anti-American Catalyst in South America

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Critical Uncertainties Today

- Shifts in Regional Power
- Worldwide Proliferation of Weapons
- Viability of Nations to be Supported by U.S.
- Technology Advances Available to Adversaries
- Unconventional Weapons Available to Adversaries
- US Constraints on Access Borders for Entry
- Easy Access by Adversaries in Human Resources and Martyr Followers
- Palestine Election and Peace Process Impact the Total Middle East




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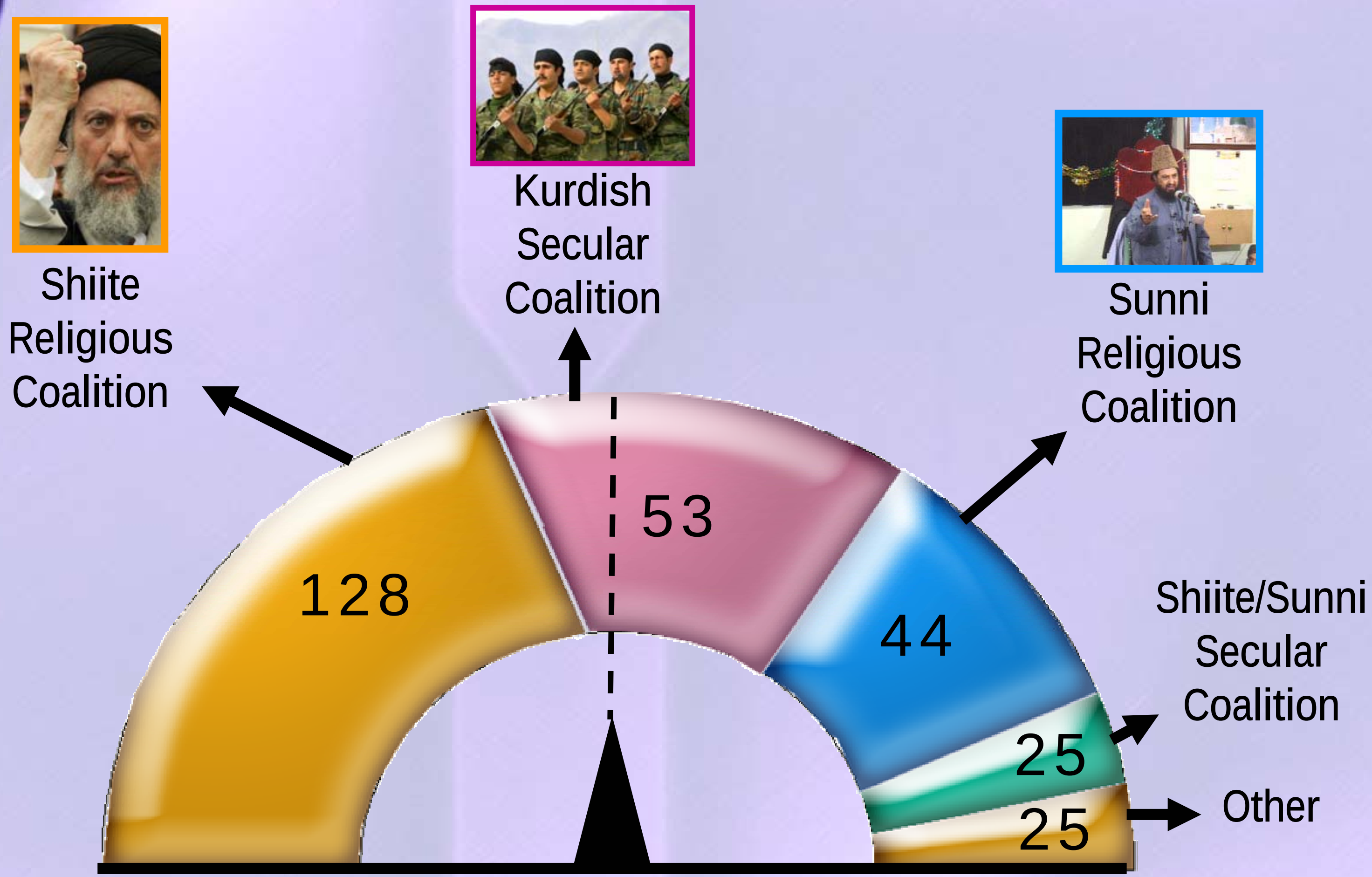
Iraq: 15th December Parliamentary Elections

275 Total Seats



Shiites need only 10 Kurdish votes to attain a majority

Source: The Washington Post, 1/21/06

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Key Changes Rumsfeld Will Ask Lawmakers To Enact

(A)– Do Not Endorse 313 Ship Fleet – Emphasize Capabilities

1. Extending F-22 Production Through 2010 With a Multiyear Acquisition Contract
2. Speeding Up Littoral Combat Ship Program, Will Change The Future Dramatically
3. Increasing Special Operations Forces By 15%
4. Establishing A Special Operations Unmanned Aerial Vehicle (UAV) Squadron Under The Air Force
5. Increasing Navy SEAL and Riverine Warfare Capabilities
6. Increasing Psychological Operations and Civil Affairs Units by 33%, or 3,700 Troops
7. Rumsfeld also Promises in the Document to Overhaul Pentagon Acquisition Practices
8. Noting "Growing and Deep Concern" Over Acquisition Practices that Fail to Accurately Determine the Cost, Schedule and Performance on Major Programs
9. 292 Long Haul Aircraft, 180 C-17, and 112 MoD C-5
10. Greater Presence in the Pacific, 50% Carriers and 60% Submarines
11. 2012 and Sub-year – Joint UCAS Carrier Based
12. Accelerate Predator and Global Hawk
13. Force Reduction ~ 100,000

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No Major Program Cancelled in QDR Report

However…

- ✓Arsenal Ship: Cancelled
- ✓Comanche: Cancelled
- ✓F-22: 800 to 80 Aircraft
- ✓DDX: 34 to 8 Ships
- ✓ACS: Cancelled
- ✓Mid Tier BMD: Cancelled
- ✓TSAT: Restructured
- ✓SBR: Restructured
- ✓EFV: Stretched
- ✓UCAV: Restructured

- ✓Common Missile: Cancelled
- ✓JTRS: Restructured - 2006
- ✓WIN-T: Restructured - 2006
- ✓FAB-T: Restructured - 2006
- ✓Tanker: Major Delay
- ✓FIA: Major Restructured – 2005
- ✓SBIR: Recompete – 2007
- ✓C-17: Stop 180 Aircraft – 2006
  : Modernize C-5 Aircraft
- ✓Maintain 35 Brigades
  - Bradley – 120 BCT
  - MIA2 – 60 BCT
- ✓Spiral Modernization
  (15 FCS – 2015)

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Conclusion

Read Between the Lines and Do Not Rush to Judgment

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Two Fundamental Imperatives:

1. Continue to Re-Orient Capabilities & Forces to be More Agile…to Prepare for Asymmetric Challenges… to Hedge Against Uncertainty

2. Enterprise Changes to Support Strategic Direction

   - Institutional Reform and Governance
   - Irregular Warfare
   - Partnership/Coalition
   - Strategic Communications
   - Intelligence
   - Horizontal Capability – Eliminate Service Stove Pipe
   - Major Change in Programs Budget & Control Probably Never See Another

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QDR - Focus

- Focus is on Capability Not Platforms
- Irregular Warfare is Key Transformation Change
- Horizontal Capabilities not Stove Pipe
- Program Budget will be Established and Controlled by OSD
- Force Structure Manpower Element will be Reduced ≈ 100,000 Uniformed
- LSI Programs will be Exception
- No Magic Guarantee of Surface Ship Size of 313
- Supplemental Funding will Stop and will Effect Army Significantly
- QDR Impact Initiates in ‘07 Budget

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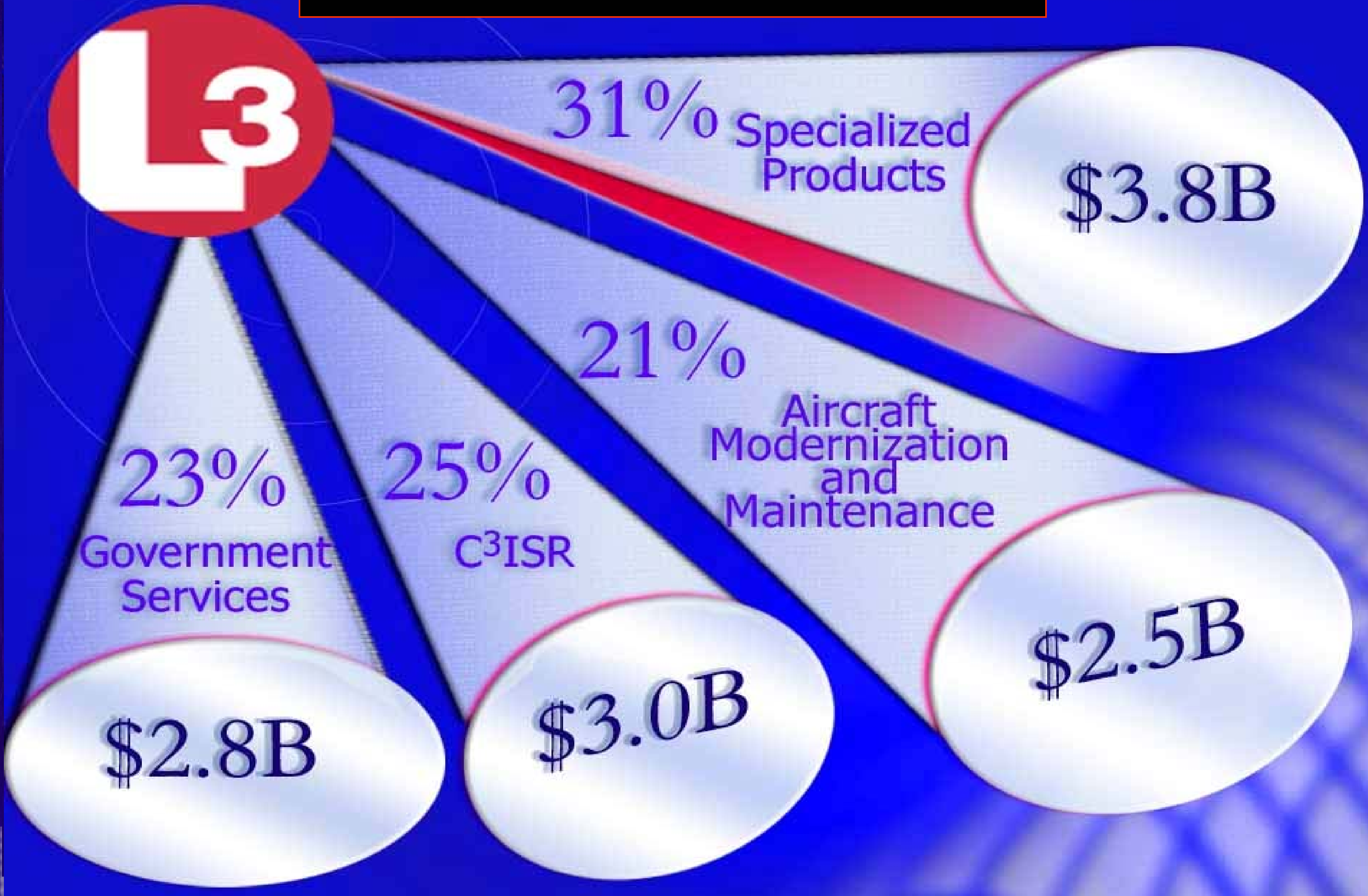
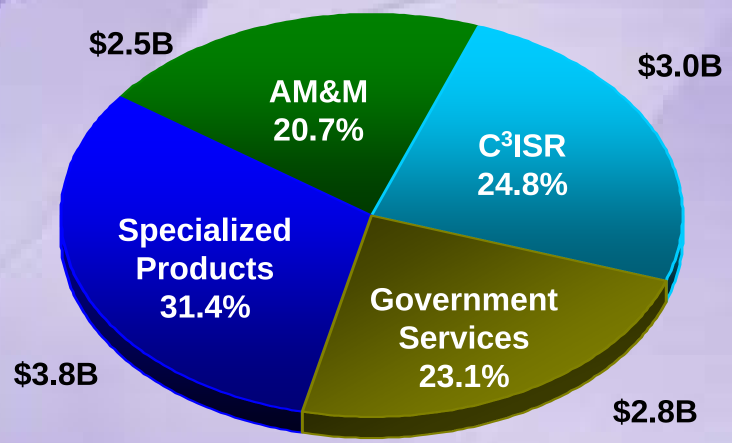
CY06 Sales By Segment - Preliminary

L-3 Consolidated $12.1B

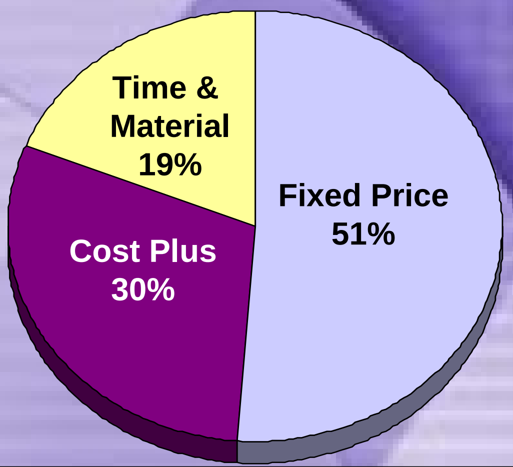


Consolidated 2006E Sales Details

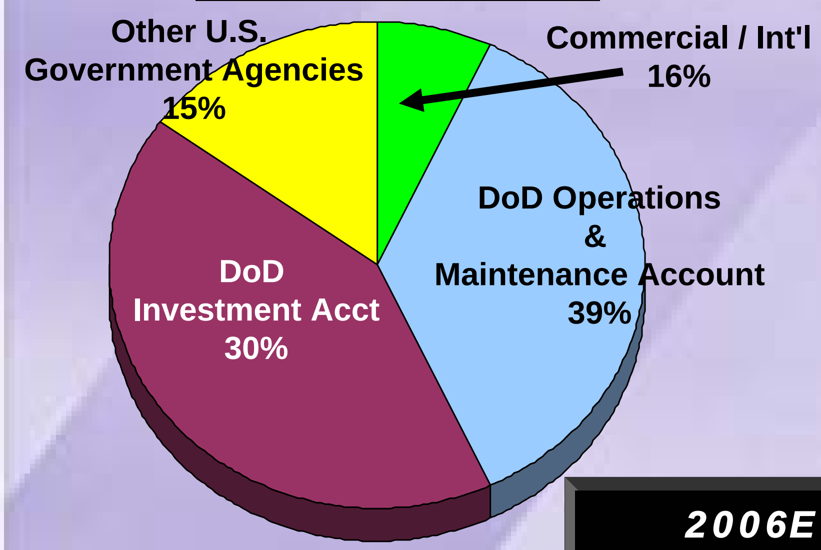
Segments



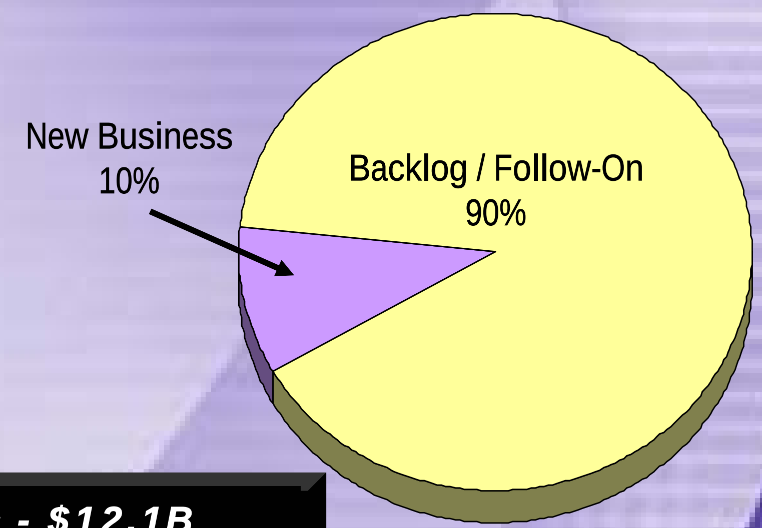
Contract Type



Funding Source



Backlog/Follow-On vs. New Business



2006E Sales - $12.1B
Operating Margin ~ 10.2%

C^3ISR Segment

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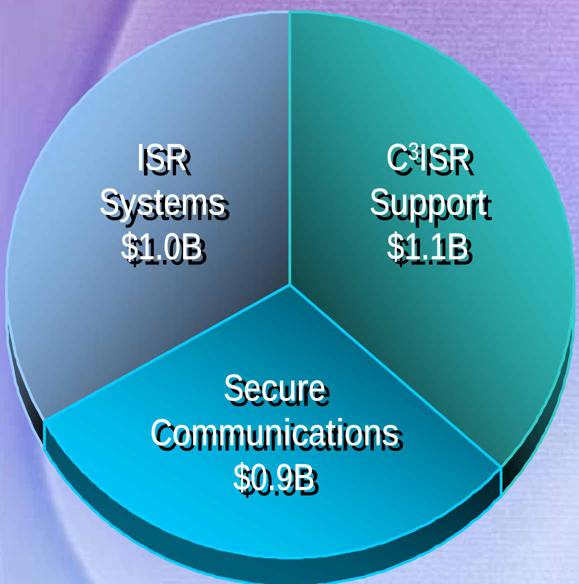
C^3ISR Segment

Business Areas



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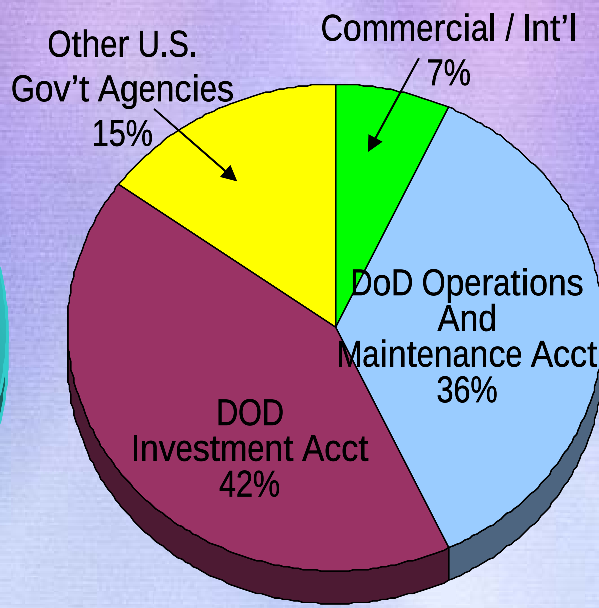
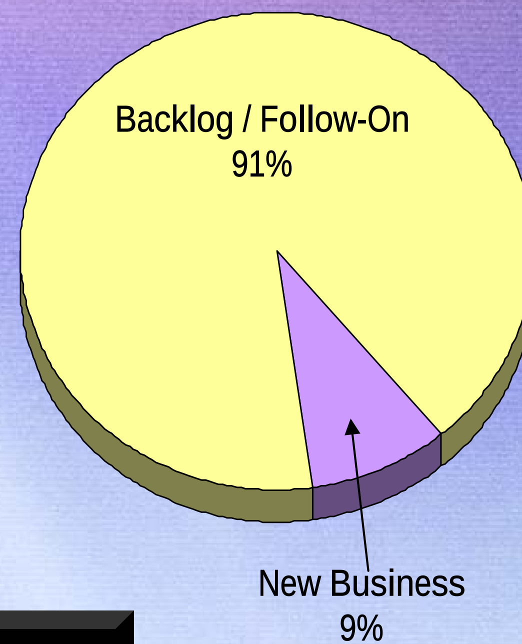


Backlog/Follow-On vs. New Business



2006E Sales - $3.0B
Operating Margin ~ 10% to 11%

Major Subsystems
Prime ISR Platforms

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C^{3}ISR Segment

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Communication Links & ISR (Platforms/Programs)

Aircraft Modernization & Maintenance Segment

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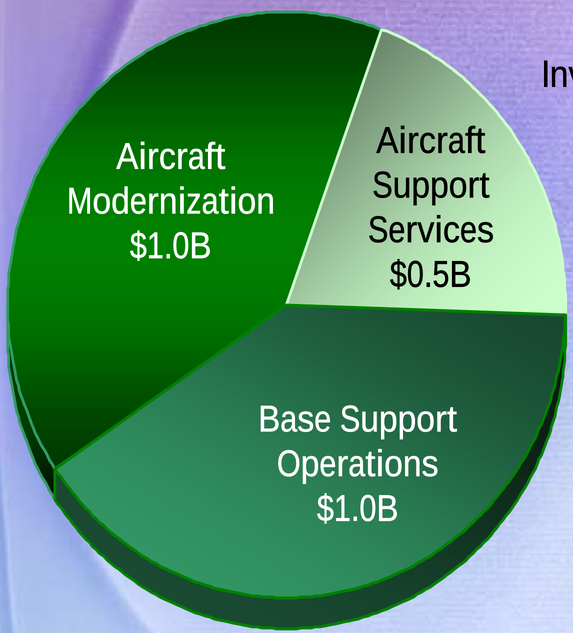
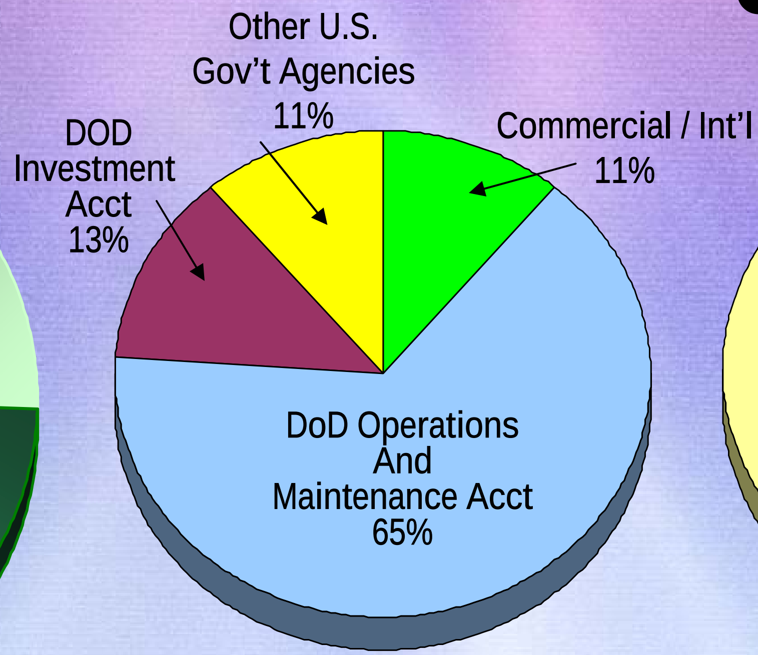
Aircraft Modernization & Maintenance Segment

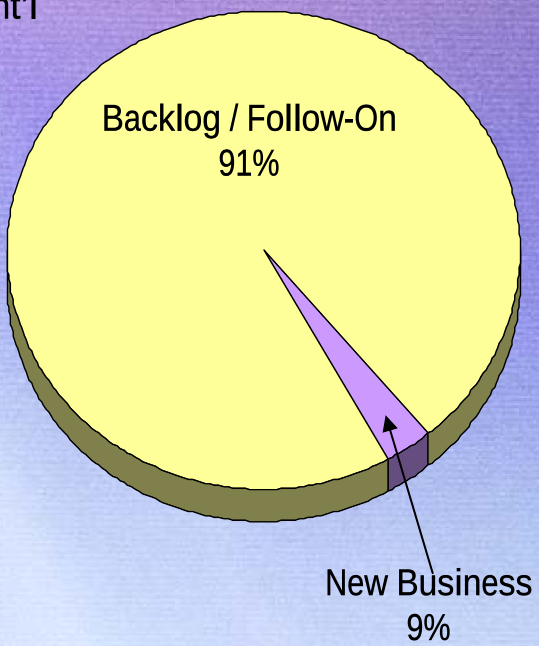
Business Areas



Funding Source



Backlog/Follow-On vs. New Business



2006E Sales - $2.5B

Operating Margin ~ 9% to 10%

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Aircraft Modernization & Maintenance Segment

Specialized Products Segment

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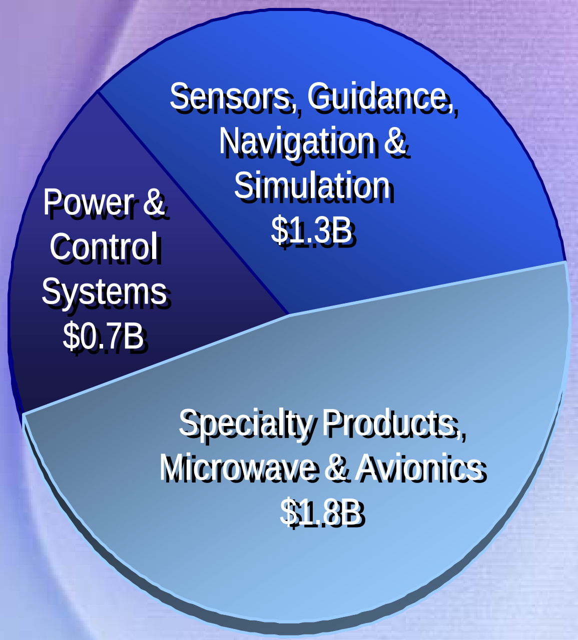
Specialized Products Segment

Business Areas



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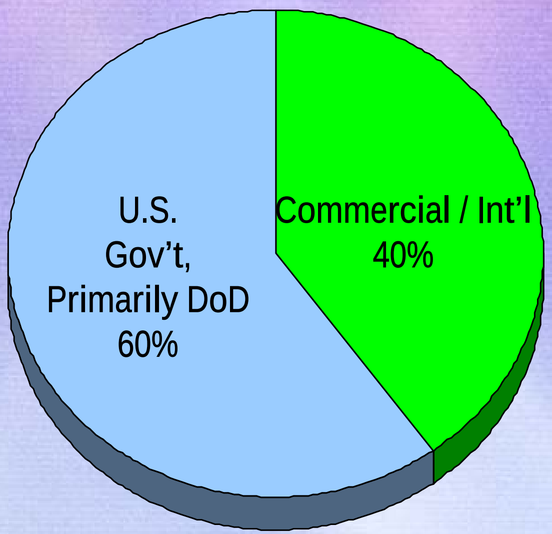
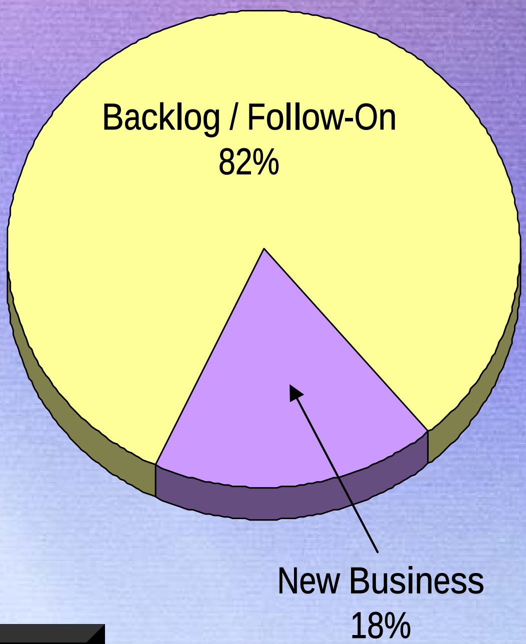


Backlog/Follow-On vs. New Business



2006E Sales - $3.8B

Operating Margin ~ 11% to 12%

Home Depot

Merchant Supplier Products

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Specialized Products Segment

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Government Services Segment

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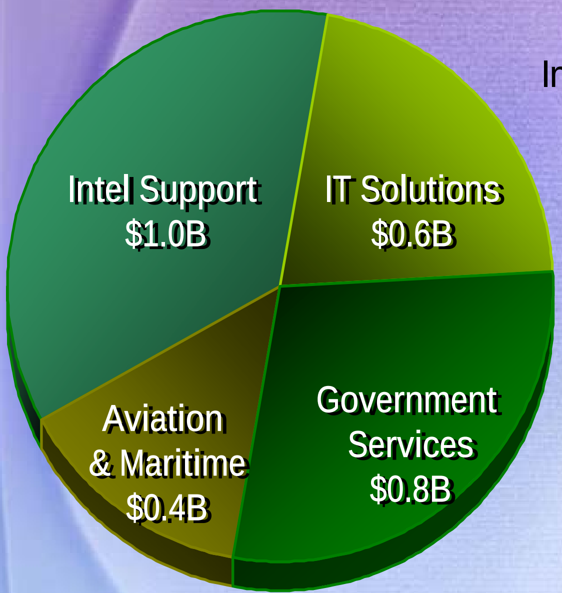
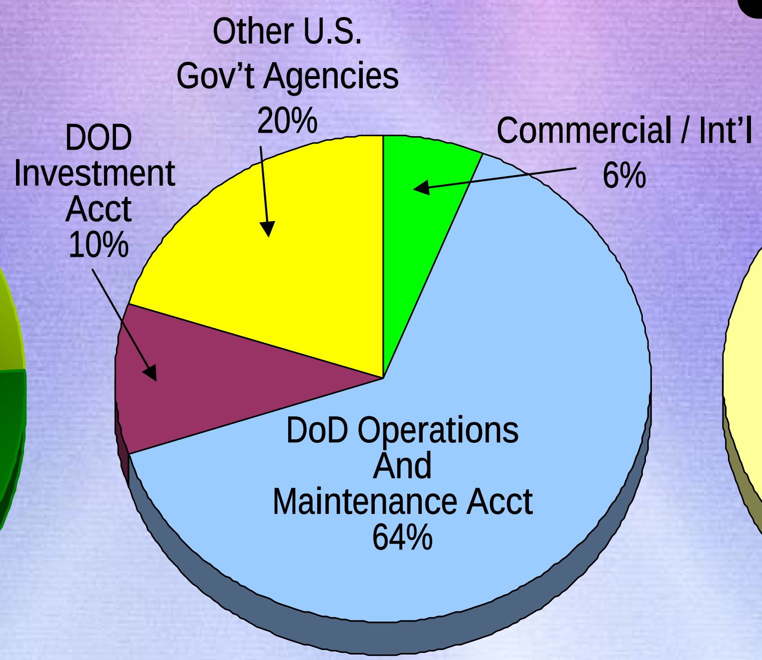
Government Services Segment

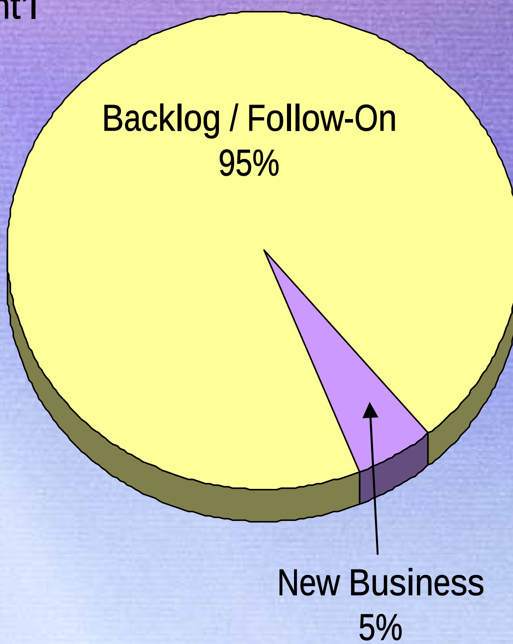
Business Areas



Funding Source



Backlog/Follow-On vs. New Business



2006E Sales - $2.8B
Operating Margin ~ 9% to 10%

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Government Services Segment

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Most Likely HLS Increased Focus

For Funding If Any...

- ✓Border Security → 2006
- ✓Aviation Checkpoint → 2007
- ✓Aviator Cargo → 2007
- ✓Mass Transit → 2007
- ✓Maritime → 2006
- ✓Hazardous Material Storage → 2006

No Major Focus Yet Outlined
By HLS
May Have To Wait For Major Event To
Happen

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Advanced Developments

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Transformational / Advanced Systems

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Important Future Programs

	Year	L-3 Value	Prime
Future Cargo Aircraft C-27	2007	$4 b	L-3
MMA – Sensors/ Borders/Security	X	$300m	Boeing
Utility Helicopter	2006	$1.4b	Comp
LCS/DDX Ships	X	$300m	GD/LMT/NOC
NCCT Network ISR	X	$250M	L-3
Canadian Search & Rescue Aircraft	2006	$250m	L-3
FIA Space ISR	2006	$150m	Boeing/LMT
Border Patrol – HLS	2006	$500m	Comp
Smart Deck – Aviation	X	$350m	L-3
Linguist Support	2006	$2b	L-3
Expeditionary Fighting Vehicle - USMC	2006	$500m	GD
C-5/C-130/F-18/KC-135 Modernization	06/07	$1b	L-3
AH-64 Communications	2006	$100m	Boeing
ETASS – GSI INTEL	2006	$250m	L-3
LSIE – ISR	2006	$250m	L-3
Phoenix – HLS	2006	$1b	L-3

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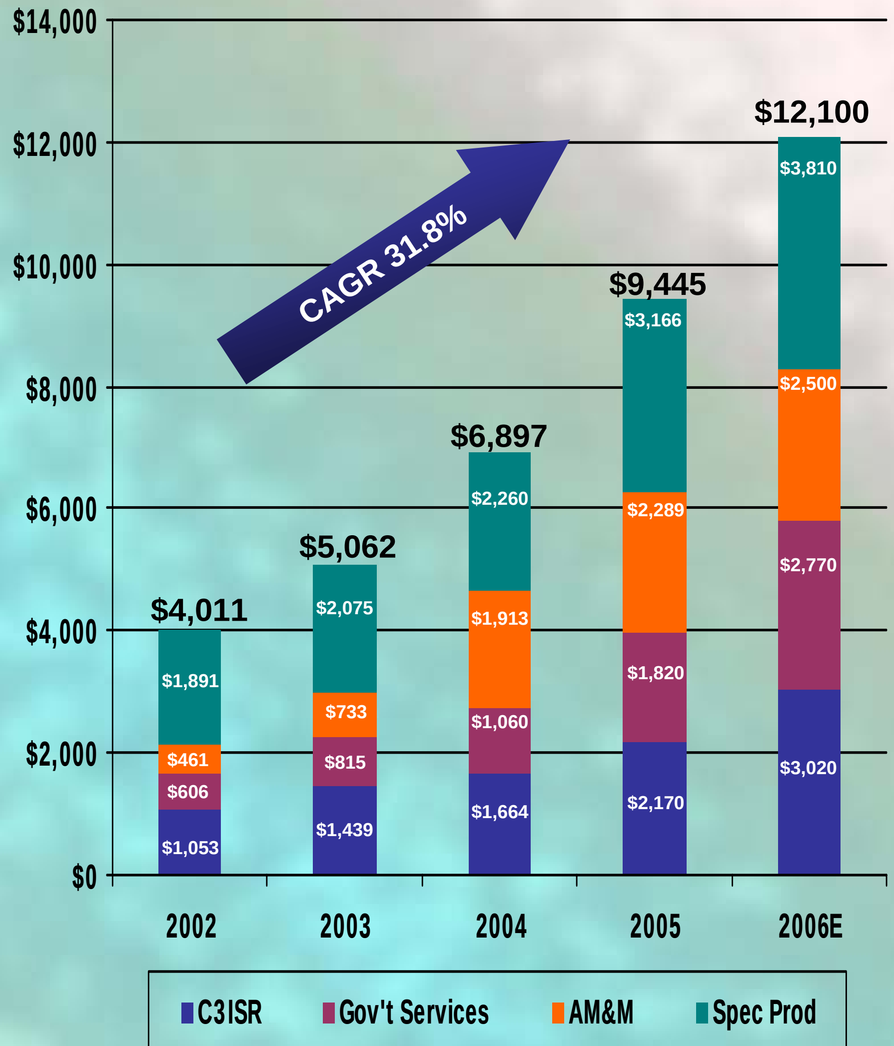
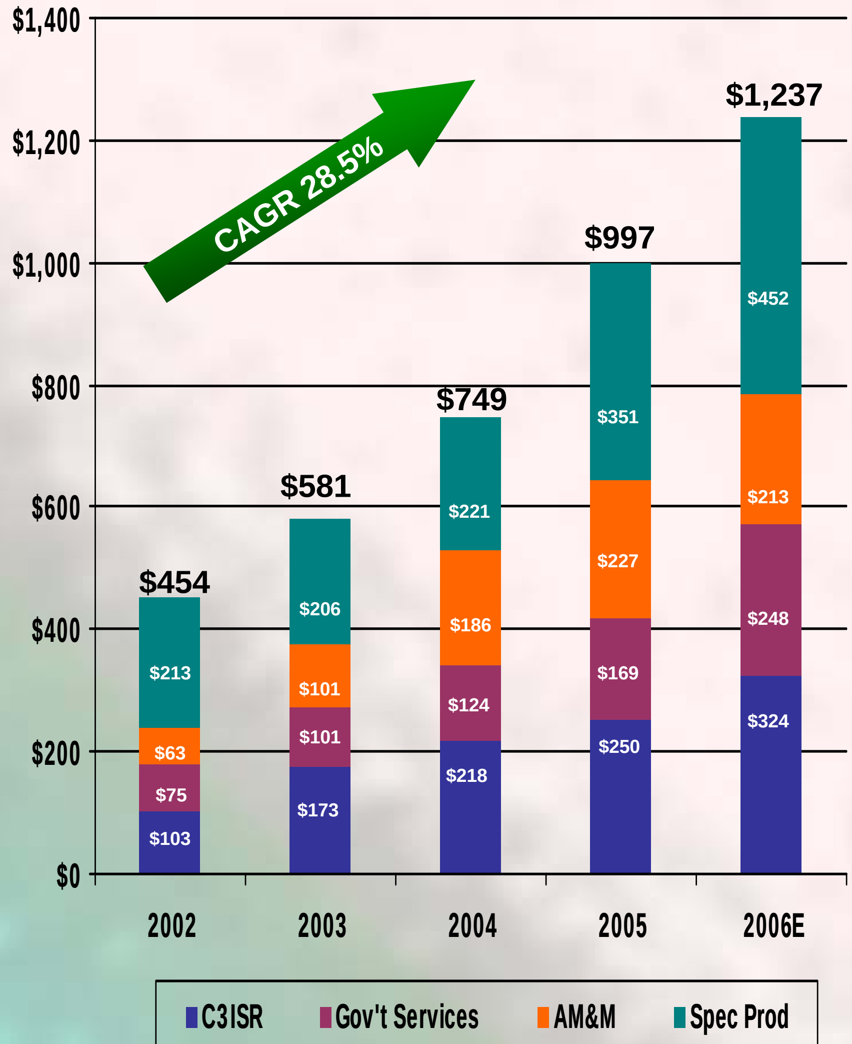
Sales and Operating Income

(Dollars in Millions)

Sales



Operating Income



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Capitalization

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(Dollars in Millions)

	Forecast 12/31/06	Actual 12/31/05	Pro-Forma 12/31/04[(A)]
Cash & Cash Equivalents	$ 920	$ 394	$ -
Revolving Credit Facility	-	-	387
Senior Term Loan	750	750	750
Senior Sub. Notes due 2012 - 2015	3,200	3,200	3,200
3% Conv. CODES due 2035	700	700	700
Less Discount on Notes/Fair Value of Swaps	(15)	(16)	(19)
Total Debt	$ 4,635	$ 4,634	$ 5,018
Minority Interest	85	81	78
Total Shareholders' Equity	5,180	4,491	3,800
Total Book Capitalization	$ 9,900	$ 9,206	$ 8,896
Debt / Book Capitalization	46.8%	50.3%	56.4%
Net Debt / Net Book Capitalization (B)	42.5%	48.1%	56.4%

(A) Reflects 2005 acquisitions and Titan financing
(B) Net of term loan payoff with available cash

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Acquisition Landscape

4th Qtr 2005

Committed	$275m	
Annual Sales	$450m	
Closed	Yes	

Companies (5)

- SAM Electronics (Foreign)
- EO Tech
- ASIT
- ASA (UK)
- TCS

1st Qtr 2006

Committed	$200m
Status	In Final Contract Negotiations
Closed	No

Environment: Very Active Consolidation

Highest Value and Competitive → IT Companies

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L-3 Summary Financial Guidance

2005 Actual and 2006 Forecast

(Dollars in millions, except per share data)

Operating Results Data	2005 Actual	2006 Forecast
Sales	$9,445	$12,100
Organic Sales Growth	11.6%	8% to 10%
Operating Margin	10.6%	10.2%
Diluted EPS	$4.20	$4.80 to $4.95
Net Cash from Operating Activities	$846.8	>$940
Free Cash Flow	$797.5	>$800
Effective Income Tax Rate	35.5%	37.0%
Depreciation & Amortization	$152.8	$185
EBITDA	$1,149.5	$1,462
Pension Expense	$89	$105
Pension Funding	$114	$95
Capital Expenditures	$120	$140

Financial Position Data	12/31/05 Actual (A)	12/31/06 Forecast (A)
Cash	$394	$920
Debt	$4,634	$4,635
Equity	$4,491	$5,180
Debt / Capital	50.3%	46.8%
Available Revolver	$895	$895

(A) Capitalization data excludes any future business acquisitions.

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Reconciliation of GAAP to Non-GAAP Measurements

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(Dollars in millions)

	2005	2006 (E)
Operating income	$ 996.7	$ 1,237.0
Add: Depreciation and Amortization	152.8	185.0
EBITDA (1)	$ 1,149.5	$ 1,422.0

	2005	2006 (E)
Net cash from operating activities	$ 846.8	$ 940.0
Less: Capital expenditures, net of dispositions	(116.7)	(140.0)
Add: Titan Class Action Settlement Payments	67.4	-
Free cash flow (2)	$ 797.5	$ 800.0

(1) See page titled L-3 Summary Financial Guidance for EBITDA amounts included in this presentation.

(2) Free cash flow is defined as net cash from operating activities less net capital expenditures (capital expenditures less cash proceeds from dispositions of property, plant and equipment), plus payments made during 2005 related to the Titan Class Action Settlement.

See page titled L-3 Summary Financial Guidance for free cash flow amounts included in this presentation

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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 herein 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 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.

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