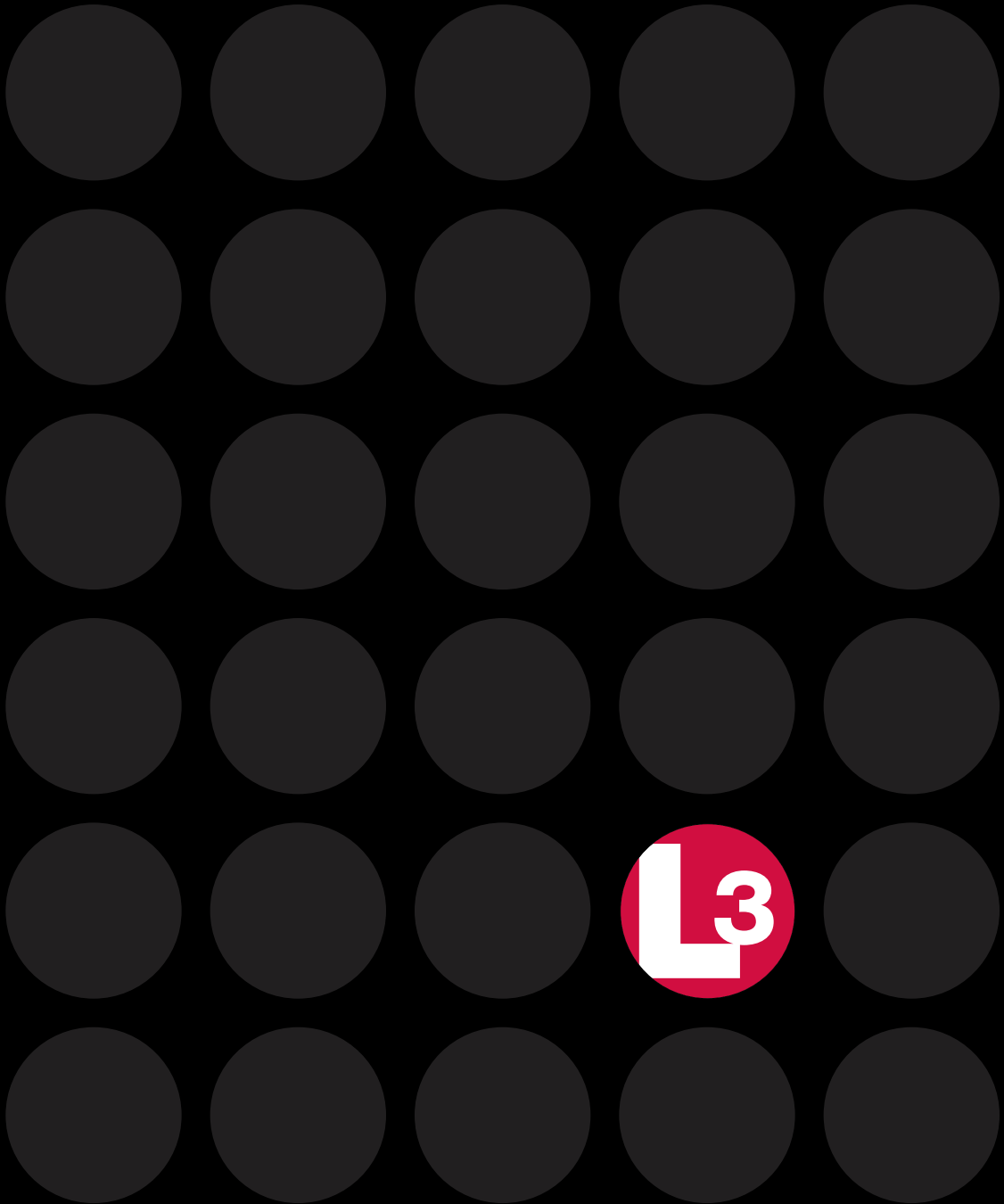




performance as strategy

The second decade for L-3 has begun.

In 2007, we performed at an exceptional level,
demonstrating that our strategy, strong management
team, enduring relationships and thoughtful
allocation of resources yield outstanding results.



Dear Fellow Shareholders:

I am proud to report that L-3 once again distinguished itself among its peers in 2007.



L-3 was one of the top-performing stocks among the large-cap aerospace and defense companies, as we continued building on the growth strategy that in just 10 years has taken us from a \$700 million black box supplier to a prime contractor with annual sales of \$14 billion.

Company-wide sales growth for the year was 12 percent, exceeding our target. Earnings per share grew from \$4.22 to \$5.98 (up 18 percent, excluding certain 2006 charges), and operating margins increased by 10 basis points to 10.4 percent (excluding certain 2006 charges).

In 2007, L-3 generated \$1.3 billion of net cash from operating activities and free cash flow of \$1.1 billion grew 22 percent from a year earlier, giving us continued flexibility to fund key initiatives. During the year, we repurchased \$500 million of our common stock. Including our dividend, this represented a five-fold increase in cash returned to our shareholders compared to 2006.

L-3's board of directors showed continued confidence in our financial performance by authorizing an additional \$750 million to continue our share repurchase program. We also increased our dividend.

L-3 continued to focus on shareholder value and pursued select acquisitions that enhance our core businesses. During 2007, we acquired four businesses for \$218 million, which



added important new products, technologies, customers and programs.

In summary, we achieved our financial goals and completed the successful transition to a strong new leadership team.

In 2008, we believe demand for L-3's products and services will keep growing with our customers' long-term needs for modernization and transformation.

We began 2008 with a record funded backlog of \$9.6 billion and significant follow-on business opportunities. Our Group presidents did an outstanding job winning new contracts to expand our business base.

With more than 2,000 contracts, our customers cover a global spectrum and include the military, intelligence agencies, homeland security and more. We remain committed to broadening the scope of our military business by offering high-end services, like our support of Afghanistan's Ministry of Defense and Ministry of the Interior, where we are helping to develop leaders and build government capacity (see page 10). We are also selectively pursuing more business in the commercial sector.

The agility to adapt our skills to many environments and deliver solutions quickly is L-3's greatest strength. In times of conflict or peace, our products and services

are sought after because they are critical to our customers' successful operations. One example is our ROVER III communications device, which was originally developed to support the U.S. Air Force (see page 8). Today, it is also being utilized to serve humanitarian and emergency purposes.

I am especially proud that L-3 won the role as prime systems integrator for the C-27J Joint Cargo Aircraft (see page 12). This award marks a milestone for L-3 as a recognized expert in aircraft modernization and maintenance. We also won other important programs as a prime contractor in 2007.

In the United Kingdom, L-3 was awarded prime contracts on the HELIX and Integrated Broadcast Service programs, confirming our status as a leading prime contractor for state-of-the-art intelligence, surveillance and reconnaissance solutions.

In Canada, where we are a participant on several defense programs, we received contracts to continue our avionics support for the CP-140 Aurora surveillance aircraft and the CF-18.

In Australia, we won a subcontract to supply communications systems for the Royal Australian Navy's new Landing Helicopter Dock amphibious ships. In addition, we opened a local

office to support our growing business opportunities there. These wins reinforce that our successful performance over the past decade has earned us the credibility to pursue opportunities worldwide, not only as a supplier, but also as a prime contractor.

As we grow, L-3 is taking an increasingly integrated and collaborative approach with its businesses while preserving the entrepreneurial spirit that has contributed greatly to our success. This approach maintains our business units' operating autonomy, which is vital to the character and success of L-3 and will not be compromised. Still, I think we can do more to bring together L-3 technologies and talents across our company. These efforts will also lead to more growth and efficiencies in our operations.

My sincere thanks to L-3's employees for making 2007 another exceptional year for our company. By listening and responding to our customers, by having the broad range of capabilities to meet their needs, and by collaborating with imagination and efficiency, we will continue to build on our success.

Sincerely,

Michael T. Strianese
President and Chief Executive Officer



L-3's strength is our **C³ISR**

ability to develop innovative

solutions for a diverse base

of customers, including

military and government

agencies, aviation and maritime

businesses, security providers

and more. The following

are a few examples of how

L-3's business segments

leveraged their expertise in

2007 to grow sales.

C³ISR

For nearly 45 years, L-3 has upgraded and modernized the RC-135 Rivet Joint reconnaissance aircraft fleet. In 2007, L-3 accelerated that cycle in response to customer requests and the changing nature of threats in the Global War on Terror. On this program, L-3 is meeting and exceeding customer expectations by augmenting the aircraft's capabilities, while simultaneously increasing its availability to America's warfighters.

L-3 successfully flight-tested the industry's smallest and most advanced Mini-Common Data Link terminal, which can simultaneously transmit and receive high-bandwidth video. This one-pound innovation advances L-3's long-standing reputation as a critical data link provider and leader in the development of the military's network-centric communications architecture.

L-3's encryption technology expertise led to new contracts with the military and a variety of agencies. Among them, the Transportation Security Administration (TSA) selected L-3's Talon™ in-line network encryptor to facilitate secure remote access of classified data. In addition, L-3 received National Security Agency certification for two critical new products, the unityCP™ and the RedEagle™ KG-245X 10 Gbps network encryptor.

government services

L-3 was named prime contractor on the team to provide real-time intelligence capability to the U.K. Ministry of Defence and its operational forces through the Integrated Broadcast Service program. L-3 will provide program management, system design, platform integration, and systems engineering for requirements development, test and evaluation services for the life of the program.

L-3 was selected as a qualified supplier by the U.S. government to compete for projects under the "Alliant" program, a 10-year, up-to-\$50 billion initiative to upgrade, develop and support IT systems for civilian and defense agencies. Alliant will be available to all federal agencies for the next decade.

L-3 received a Blanket Purchase Agreement with the Centers for Disease Control and Prevention (CDC) to assist that agency with preparedness efforts for all hazards, including acts of bioterrorism and pandemic outbreaks. L-3's scope of work includes strategic and operational planning, training and exercise programs for CDC personnel, as well as institutional and organizational capacity and leadership building.



aircraft modernization and maintenance

L-3 received a \$600 million funding increase, extending its long-standing contract to provide services and time-sensitive logistical products to support the U.S. Special Operations Command.

L-3 successfully flight-tested NASA's Stratospheric Observatory for Infrared Astronomy (SOFIA). L-3's enhancements to SOFIA, a modified Boeing 747SP, include the installation of a 45,000-pound infrared telescope that will be used to capture images and spectra that cannot be viewed using ground-based telescopes. SOFIA represents the most dramatic physical modifications ever made to a 747 aircraft.



specialized products

Microwave: L-3 will supply Ground Multi-Band Terminals to the U.S. Air Force, enabling wideband communications services over both military and commercial satellite systems, including the new Wideband Global SATCOM system. The compact satellite communication terminals provide dramatically enhanced communications capacity over existing terminals, reducing the number of operators needed.

Aviation Products: After receiving operational certification from the FAA, L-3 successfully integrated SafeRoute™ into UPS' fleet of B757 aircraft. SafeRoute is saving the cargo operator approximately a million gallons of jet fuel annually by streamlining merging and spacing operations and surface area movement management.

L-3 signed an agreement with Airbus to certify the T³CAS integrated surveillance system on all Airbus A320 and A330/A340 aircraft families. T³CAS combines traffic alert collision avoidance system (TCAS) technology with terrain awareness warning system capability and a Mode S transponder. The platform for Airbus will offer automatic dependent surveillance-broadcast (ADS-B) capabilities, such as air traffic situational awareness.

Sensors and Simulation: L-3 will provide the new helicopters in the U.K.'s Future Lynx program with exceptional long-range electro-optical laser designator MX®-15Di turrets to support crucial maritime, battlefield reconnaissance and combat missions for British army and naval forces.

Power and Control Systems: L-3 received follow-on awards for U.S. Nuclear Navy program continuation and additional work-scope. Additionally, L-3 was awarded the Integrated Electric Propulsion System and Integrated Bridge for three American Heavy Lift tankers that will be used for petroleum product delivery. L-3 also continued the engineering development of the Integrated Platform Management System for the U.K. Royal Navy's Future Aircraft Carrier program and will provide comprehensive monitoring and control of the ship's propulsion, electrical power generation and distribution, auxiliary and damage control systems.



“With ROVER III, soldiers now have the ability to **visualize the battlefield** in real time and communicate with command centers and forces in close combat. It reduces the element of surprise.”

— Susan D. Opp
President

L-3 Communication Systems-West

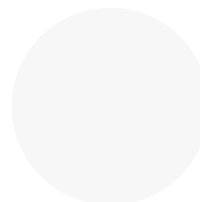
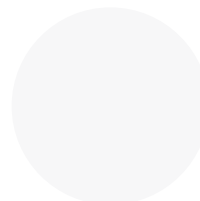
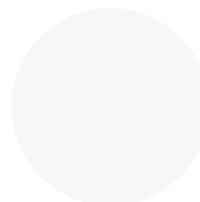
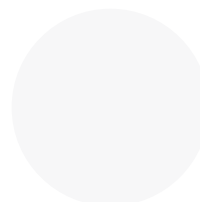
“What’s on the other side of the hill?” L-3’s Remote Operated Video Enhanced Receiver (ROVER III) answers that age-old question, revolutionizing combat—and saving lives.

The ROVER III instantly transmits and receives live video and other critical data from unmanned aerial vehicles (UAVs), gunships and fighter aircraft. ROVER III enables soldiers to see what confronts them, cutting down to seconds the time it takes to detect enemies or explosive devices and to coordinate air strikes that hit only their intended targets. L-3 packed all of this technology into a 4.5-pound laptop, modified with an antenna and transponder, making it easy to use in the most challenging environments.

ROVER III has proven its value for humanitarian missions as well. After Hurricane Katrina, ROVER III gathered video images from a New Orleans rooftop to help rescuers locate survivors and assess damage. During the recent California wildfires, it provided firefighters with aerial views of the affected areas, aiding search and rescue operations.

Impressive as ROVER III itself is the speed with which L-3 met an urgent U.S. Air Force request to develop and deploy it in a matter of months. Now ROVER III’s success poses the new challenge of upgrading the system based on inputs from the field. The next version of ROVER III, with added data encryption, will be even smaller.

Whether in Iraq, Afghanistan or at home, ROVER III literally brings a new vision to warfare and to homeland safety and security.





“Our diverse military experience enables us to help provide the ANSF with the **knowledge and support** needed for the future stability of Afghanistan.”

— General (U.S. Army, Retired) Carl E. Vuono
President
L-3 Services Group

Decades of war in Afghanistan have left the country with the challenge of rebuilding its institutions as well as its infrastructure. The stability and security of the country are dependent upon the development of the nation's military and police forces. L-3's MPRI division has been there since 2003, supporting the U.S. military in Kabul and throughout the country to reform, develop, train and equip the Afghan National Army, and since 2006, mentoring leaders of the Afghan National Police, which together form the Afghan National Security Forces (ANSF).

L-3's team started with just 14 members and now numbers more than 350, from retired master sergeants to former senior military officers. These highly skilled professionals are providing comprehensive mentoring, training, reforming and development assistance to the ANSF. Some are assisting the ANSF to further develop and refine its top-end organizational doctrine and processes. Others are writing the manuals to instruct ANSF

leaders in Western operational and tactical doctrine and teaching and training peace initiatives. L-3's experts also augment the staff of commanders at every level, providing analysis and logistical support in the field.

Especially important is the role L-3 personnel play as mentors to ANSF leaders at nearly all levels, helping to instruct them in the operational aspects of leading the ANSF, while developing both their strategic and day-to-day management skills. To date, L-3 has created 34 core systems in the army and police to serve as the framework in guiding their efforts.

Many L-3 representatives have been in the country for several years, providing essential continuity and institutional perspective toward developing an enduring ANSF. By helping Afghans build capable security forces, L-3 is contributing significantly to the efforts of the U.S. government and the international community to secure Afghanistan's future.





“L-3’s expertise in modifying and missionizing aircraft is something our customers rely upon. The JCA program demonstrates how we can create real value when industry and government work together to develop solutions that directly benefit the warfighter.”

— Robert W. Drewes
President
L-3 Integrated Systems Group

Moving quickly to engage the enemy in remote locations, today’s mobile forces need a new type of cargo aircraft—one that can support forward deployments to sustain their operational momentum. L-3 is the prime contractor for the C-27J Spartan Joint Cargo Aircraft (JCA), a carrier designed to transport vital supplies to troops on “the last tactical mile.”

Agile enough to land on less than 2,000 feet of unimproved runway, the C-27J can transport troops and supplies to remote areas, providing needed support in mission-critical zones. This medium-sized aircraft has a payload of up to 25,000 pounds, offering an expanded capability to carry personnel, vehicles or heavy cargo for combat operations or airlift, medevac, airdrop, humanitarian and homeland security missions. In challenging environments, the C-27J has the ability to get in, get out and get the job done.

The C-27J will provide the Army with critical air support as it restructures its aviation assets to meet new requirements and expand the Air Force’s fleet of in-theater aircraft. As a long-trusted partner of both service branches, L-3’s expertise in systems integration and aircraft modification made it uniquely well-suited to lead the JCA team.

Another key component of the JCA program is L-3’s global experience and partnership with Finmeccanica and Global Military Aircraft Systems. L-3’s leadership helps guide subcontractors through diverse engineering requirements to specially missionize the C-27J to meet all JCA requirements. The result is an aircraft that will be a leading competitor for contracts worldwide and provides L-3 with significant after-market opportunities attached to the C-27J.





“The PMATS simulator is the first high-fidelity simulator for UAVs in the industry. It has **revolutionized the way the Air Force trains** unmanned aircraft pilots and sensor operators.”

— James W. Dunn
President
L-3 Sensors and Simulation Group

The use of unmanned aerial vehicles (UAVs) in warfare and security has soared and so has demand for skilled operators. Working with the U.S. Air Force, L-3 Link Simulation and Training has created the innovative, high-fidelity Predator Mission Aircrew Training System (PMATS). This system provides UAV pilots and sensor operators a highly realistic operational experience and allows them to sharpen flying and surveillance skills, without endangering their aircraft.

The Link name has been synonymous with pilot readiness since the 1930s, when Ed Link developed the first flight trainer. L-3 applied its vast experience in simulator training for helicopters and tactical aircraft to create the first fully immersive simulation system that meets the specialized needs of UAV aircrews.

PMATS combines ground control station hardware with high-fidelity databases and training software to realistically model the Predator's systems, sensors and weapons. This simulation enables Predator crews to train for a full range of challenging missions under adverse environmental

conditions. The PMATS plug-and-play architecture also allows multiple simulators to be engaged in networked exercises, speeding up the training process. With high-resolution imagery and interactive software, aircrews can see and respond to even the most complex activities on the ground—ideal preparation for operating within complex urban environments common to modern warfare.

While Predators have become an integral element of U.S. military operations, training pilots to fly UAVs has opened up more opportunities for L-3. Predators are increasingly used for humanitarian and homeland security operations, such as customs and border patrol. And L-3's system architecture can easily be adapted to provide the most true-to-life training simulations for any UAV, while remaining interoperable with legacy fixed- and rotary-wing platforms.

The next generation of PMATS is set to launch in 2008 and will have enhanced capabilities. As missions evolve, so will the system, resulting in increased sales for L-3.



board of directors



*Left to right: Arthur L. Simon, Alan H. Washkowitz (seated), Thomas A. Corcoran, Michael T. Strianese, Robert B. Millard, John P. White, Peter A. Cohen (seated) and Claude R. Canizares
Not pictured: General (Ret.) John M. Shalikashvili*

financial highlights

(in millions, except per share amounts)

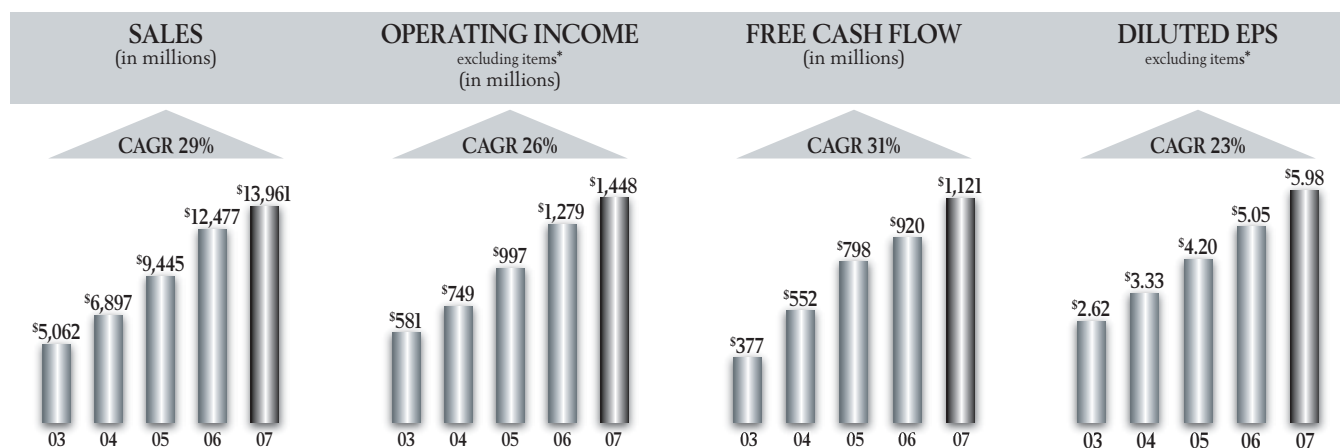
For the year ended December 31,

	2007	2006 ^(a)	2005	2004	2003
Sales	\$13,961	\$12,477	\$9,445	\$6,897	\$5,062
Operating income	1,448	1,111	997	749	581
Q2 2006 Charges	—	168	—	—	—
Operating income before Q2 2006 Charges	1,448	1,279	997	749	581
Net income	756	526	509	382 ^(c)	278 ^(c)
Diluted earnings per share	5.98	4.22	4.20	3.33 ^(c)	2.62 ^(c)
Q2 2006 Charges	—	0.83	—	—	—
Diluted earnings per share before Q2 2006 Charges	5.98	5.05	4.20	3.33 ^(c)	2.62 ^(c)
Net cash from operating activities	1,270	1,074	847	621	456
Capital expenditures, net of dispositions	149	154	117	69	79
Free cash flow ^(b)	1,121	920	798	552	377
Shareholders' equity	5,989	5,306	4,491	3,800	2,575

(a) The year ended December 31, 2006, includes: (1) a pre-tax charge of \$129 million (\$0.63 per diluted share) for an adverse jury verdict currently on appeal, and (2) a pre-tax charge of \$39 million (\$0.20 per diluted share) in connection with our voluntary review of past stock option granting practices, which were recorded during the three months ended June 30, 2006 (collectively, the "Q2 2006 Charges").

(b) We define "free cash flow" as net cash from operating activities, less capital expenditures, net of dispositions. For the year ended December 31, 2005, free cash flow excludes payments of \$68 million for the settlement of Titan shareholder class action and derivative action lawsuits, which were liabilities that L-3 assumed as part of the Titan acquisition.

(c) Includes debt retirement charge of \$3 million after taxes, or \$0.03 per diluted share, in 2004 and \$7 million after taxes, or \$0.06 per diluted share, in 2003.



*Operating income and diluted EPS for 2006 exclude the Q2 2006 Charges.

This Summary Annual Report should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2007, included in this book.

shareholder information

corporate headquarters

You can contact the corporate headquarters by writing to: L-3 Communications, 600 Third Avenue, New York, NY 10016, or by calling 212-697-1111. To send a fax, dial 212-867-5249.

corporate information

News media, analysts, shareholders and others seeking corporate information about L-3 Communications should contact corporate communications at 212-697-1111.

printed materials

Printed financial and governance materials may be obtained without charge by calling (866) INFO-LLL (866-463-6555).

internet

You can access quarterly and annual financial information, news releases and an overview of the company's products and services through the L-3 Communications website at www.L-3com.com.

stock exchange listing

The common stock of L-3 Communications Holdings, Inc. is traded on the New York Stock Exchange (NYSE) under the symbol LLL.

annual meeting

The annual meeting of shareholders will be held April 29, 2008, at 2:30 p.m. at The Ritz-Carlton New York, Battery Park, Two West Street, New York, NY.

shareholder assistance

If you have questions concerning your shareholder account, please contact the stock transfer agent:

Regular Mail

Computershare Trust Company, N.A.
P.O. Box 43078
Providence, RI 02940-3078

Overnight Deliveries

250 Royall Street
Canton, MA 02021
or call 877-282-1168 (781-575-2879 *from outside the United States*). For the hearing impaired, the phone number is TDD: 800-952-9245. You can also contact the stock transfer agent at its website at www.computershare.com.

equal opportunity employer

L-3 Communications is an equal opportunity employer. All matters regarding recruiting, hiring, training, compensation, benefits, promotions, transfers and all other personnel policies will continue to be free from discriminatory practices.

certifications

Certification statements by the president and chief executive officer, and the vice president and chief financial officer of L-3 Communications Holdings, Inc. and L-3 Communications Corporation required to be filed with the SEC pursuant to Section 302 of the Sarbanes-Oxley Act have been filed as exhibits to our Annual Report on Form 10-K for the year ended December 31, 2007. In addition, an annual CEO certification was submitted by the CEO on

May 23, 2007, in accordance with the NYSE's listing standards.

safe harbor statement under the private securities litigation reform act of 1995

Except for historical information contained herein, the matters set forth in this Annual Report 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. 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 17 to our audited consolidated financial statements, included in our Annual Report on Form 10-K for the year ended December 31, 2007.



L-3 Communications
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