

Investor Information

September 16, 2008



L-3 at a Glance

2007 Sales:	\$14B
U.S. Defense Industry Rank:	6
Fortune 200 Company (2007 sales):	No. 182
Business Segments:	4
Funded Backlog (June 27, 2008):	\$11.0B
Employees:	>64,000



Business Profile

- ❖ **Prime contractor in C³ISR, AM&M and Government Services**
- ❖ **Supplier with broad product mix and balanced exposure to new platforms**
- ❖ **Participate in growing DoD segments**
 - **ISR, sensors and communications**
 - **simulation & training**
 - **SOF and ISR support services**
- ❖ **Participate in other major budgets**



Sales by End Customer

(\$ in Billions)	2007 Actual	% of Total
Army	\$3.8	27%
Air Force	2.7	19%
Navy / Marines	2.1	15%
Other Defense	1.7	13%
Total U.S. Military (DoD)	10.3	74%
Other, U.S. Government	0.8	6%
U.S. government	11.1	80%
Foreign governments	1.0	7%
Commercial - Foreign	1.1	8%
Commercial - domestic	0.8	5%
Consolidated	\$14.0	100%



Sales by Business Area (2008 Estimates)

(\$ in Billions)

C³ISR Segment

ISR Systems	\$1.3
Networked Communications	0.8
Secure Communications Products	0.4
Total	\$2.5

Government Services Segment

Training & Operational Support	\$1.1
Command & Control Sys & Software	0.9
Intelligence Solutions	0.7
Global Security & Eng Solutions	0.6
Enterprise IT Solutions	0.6
Linguist Services	0.4
Total	\$4.3

AM&M Segment

Aircraft & Base Support	\$1.7
Aircraft Modernization	0.9
Total	\$2.6

Specialized Products Segment

Power & Control Systems	\$ 0.9
EO/IR	0.8
Microwave	0.8
Simulation & Training	0.6
Precision Engagement	0.4
Aviation Products	0.4
Security & Detection	0.3
Displays	0.3
Propulsion Systems	0.3
Telemetry & Advanced Tech	0.3
Undersea Warfare	0.2
Total	\$ 5.3

Consolidated 2008 Sales Guidance ≥\$14.7



Business Strategy

- ❖ Expand prime contractor and supplier positions
- ❖ Align R&D, CapEx and M&A with customer priorities
- ❖ Organic growth, plus M&A
- ❖ Favorable contract performance
- ❖ Continuous cost improvement
- ❖ Grow EPS and cash flow



Growth Drivers

- ❖ **Program performance**
- ❖ **Proprietary technologies and R&D**
- ❖ **Services outside DoD**
- ❖ **International business**
- ❖ **Select acquisitions**



Acquisition Objectives

- ❖ Add important new technologies, products, programs, customers, with attractive returns
- ❖ Areas of interest:
 - Content on ground vehicles
 - Intel, logistics and high-end services
 - Sensors, ISR and unmanned systems
- ❖ Acquisition pipeline -- many candidates, limited qualified ones
- ❖ Niche or larger acquisitions

External Environment

❖ General US Defense Themes

- Sixth year of a "long war"
- Highest dollar DoD budget since WWII
- Supplementals continue
- Force structure increase
- Internal pressures growing

❖ US commitment to Iraq/GWOT continues

❖ Geopolitical scene increasing complexity

❖ Presidential election uncertainty

Q208 Income Statement

(\$ in millions, except per share amounts)

		"Q2 Items"	EPS Impact
Sales	\$ 3,722		
Segment Operating Income	375	{ Impairment Charge (\$28M) Product Line Divestiture Gain \$12M	\$(0.14) \$ 0.06
Litigation Gain	126	Reversal of \$126M liability	\$ 0.62
Operating Income	501		
Interest Expense/Other	57	{ Reversal of \$7M accrued interest related to Litigation Gain	\$ 0.03
Income Taxes	166		
Tax Rate	37.4%	36.6% excluding Q208 Items	
Net Income	278		
Diluted EPS	\$ 2.24	\$1.67 excluding Q208 Items	\$ 0.57
Diluted Shares	124.0		

Total Q2 Items = net pre-tax gain of \$117M (net after-tax gain of \$71M), \$0.57 EPS



Q208 Selected Financial Data

(\$ in millions, except per share amounts)

	Q208 Actual*	Q207 Actual	Increase (Decrease)
Sales	\$3,722	\$3,407	9%
Operating Margin	10.5%	10.4%	+10 bpts
Operating Income	\$391	\$355	10%
Tax Rate	36.6%	34.4%	+220 bpts
Diluted EPS	\$1.67	\$1.49	12%
Free Cash Flow	\$502	\$349	44%
Orders	\$4,203	\$3,445	22%
Book-to-Bill	1.13x	1.01x	
Backlog	\$10,984	\$9,382	17%

Note: See Reconciliation of GAAP to Non-GAAP measurements.

* Excludes Q2 Items - - Litigation Gain, Product Line Divestiture Gain and Impairment Charge



1H08 Selected Financial Data

(\$ in millions, except per share amounts)

	1H08 Actual*	1H07 Actual	Increase (Decrease)
Sales	\$7,228	\$6,707	8%
Operating Margin	10.5%	10.2%	+30 bpts
Operating Income	\$759	\$681	11%
Tax Rate	36.6%	35.4%	+120 bpts
Diluted EPS	\$3.21	\$2.77	16%
Free Cash Flow	\$557	\$545	2%
Orders	\$8,283	\$7,328	13%
Book-to-Bill	1.15x	1.09x	
Backlog	\$10,984	\$9,382	17%

Note: See Reconciliation of GAAP to Non-GAAP measurements.

* Excludes Q2 Items - - Litigation Gain, Product Line Divestiture Gain and Impairment Charge

2008 Financial Guidance

(\$ in Billions, except per share amounts)

	2008 Guidance (July 24, 2008)		Mid-Point Growth*
	GAAP	Excl. Q2 Items*	
Sales	≥ \$14.7	≥ \$14.7	5%
Operating Margin	11.5%	10.7%	+30 bpts
Tax Rate	36.7%	36.5%	+90 bpts
Diluted EPS	\$7.28 to \$7.32	\$6.71 to \$6.75	13%
Free Cash Flow	\$1.2	\$1.2	7%

Notes: (1) 2008 Guidance includes the Linguist-Iraq contract/subcontract (sales at ~\$370M).
 (2) 2008 tax rate assumes federal R&E tax credit (-70 bpts or \$0.07 EPS) enacted in Q4.
 (3) See Reconciliation of GAAP to Non-GAAP measurements.

* Excludes Q2 Items that (i) aggregate to a pre-tax net gain of \$117M , (ii) increase Operating Margin by 0.8%, (iii) increase the tax rate by 0.2% and (iv) increase EPS by \$0.57.



Summary

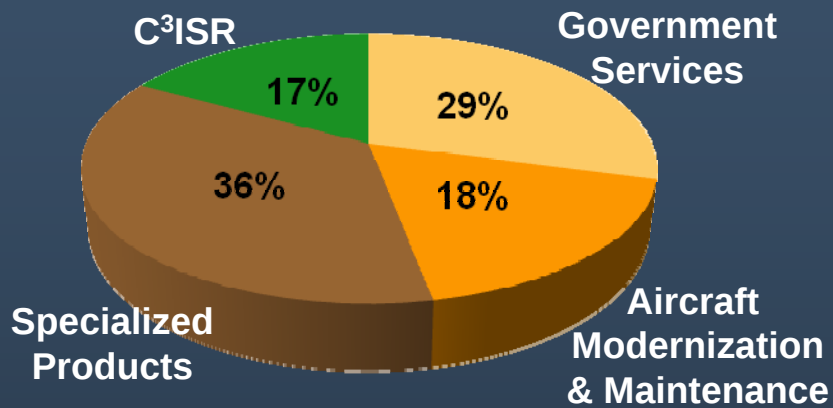
- ❖ **Diversified business**
- ❖ **Sales visibility from existing business**
- ❖ **Strong, flexible balance sheet**
- ❖ **Efficient use of debt in capital structure**
- ❖ **Ample resources to grow company**
- ❖ **Disciplined capital allocation**
- ❖ **Grow EPS and cash flow, with good ROI**

Supplemental Financial Data



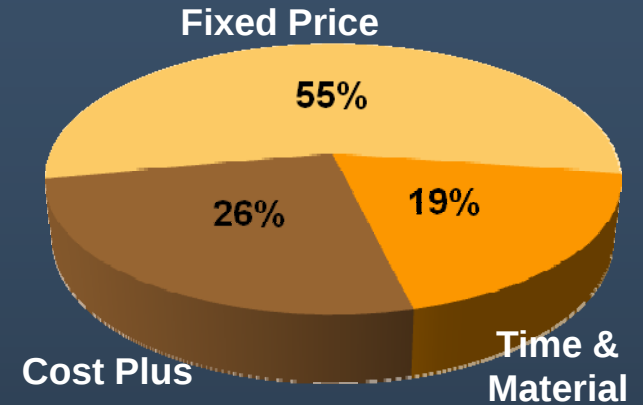
2008 Estimated Sales Mix

Segments

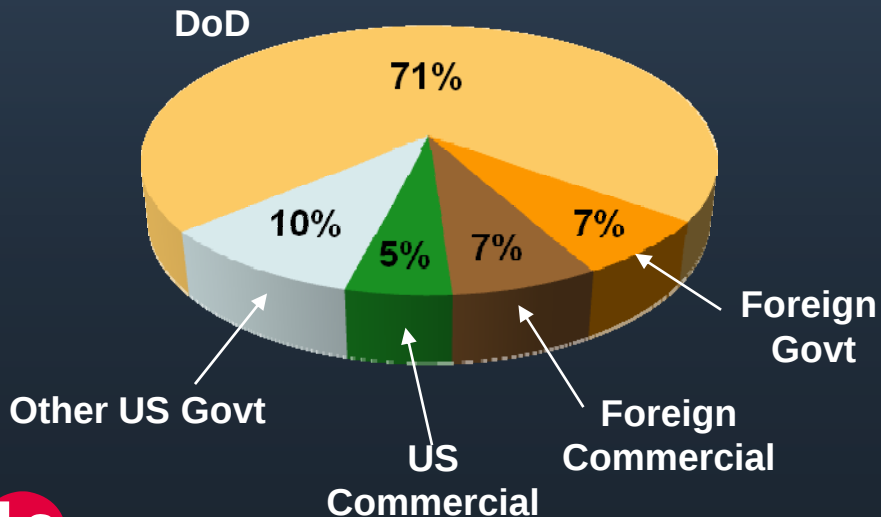


Products 49%
Services 51%

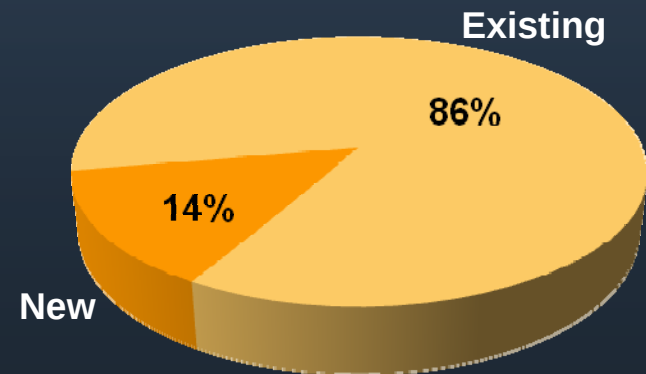
Contract Type



Funding Source



Business Type *



* Estimate at January 1, 2008.



2008 Segment Sales

(\$ in Billions)

Segment	2008 Guidance	2007 Actual	Increase (Decrease)
C ³ ISR	\$2.5 to \$2.6	\$2.3	7% to 8%
Government Services	\$4.3 to \$4.4	\$4.3	-1% to +1%
		excluding Linguist	8% to 10%
AM&M	\$2.6 to \$2.7	\$2.6	5% to 6%
Specialized Products	\$5.3 to \$5.4	\$4.8	11% to 12%
Consolidated	≥ \$14.7B	\$14.0	5% to 6%
		excluding Linguist	8% to 9%

Notes: (1) 2008 Sales Guidance includes the Linguist-Iraq contract/subcontract (sales at ~\$370M)
 (2) 2008 Sales Guidance includes approximately \$270M of sales growth from business acquisitions, net of divestitures



2008 Segment Operating Margin

Segment	2008 Guidance	2007 Actual
C ³ ISR	10.6% to 10.8%	10.0%
Government Services	9.8% to 10.0%	9.3%
excluding Linguist	10.2% to 10.4%	9.9%
AM&M*	9.1% to 9.3%	9.8%
Specialized Products**	11.8% to 12.0%	11.8%
Consolidated	10.7%	10.4%
excluding Linguist	10.8%	10.6%

* Excluding litigation charges, Operating Margin is 9.7% to 9.9%

** Excluding Product Line Divestiture Gain and Impairment Charge, Operating Margin is 11.5% to 11.7%



Free Cash Flow

(\$ in Millions)

	2008 Guidance	2007 Actual
Net Income	\$ 905	\$ 756
Depreciation of PP&E	163	150
Amortization, Primarily Intangibles	54	57
Deferred Taxes	185 *	113
Stock-Based Compensation	197	177
OSI Litigation Liability	(131)	5
Operating Assets & Liabilities / Other	(1)	12
Capital Expenditures, net	(172)	(149)
Free Cash Flow	\$ 1,200	\$ 1,121
Earnings-to-Cash Flow Conversion	144%	148%

Note: 2008 Earnings-to-Cash Flow Conversion is before Q2 Items.
See Reconciliation of GAAP to Non-GAAP measurements.

* Includes increase of \$51M for Litigation Gain and decrease of \$10M for Impairment Charge



Capitalization and Leverage

(\$ in Millions)	6/27/2008 Actual	12/31/08 Guidance	12/31/07 Actual
Cash	\$ 622	\$ 1,125	\$ 780
Debt	\$ 4,537	\$ 4,538	\$ 4,537
Minority Interest	88	87	87
Equity	6,059	6,485	5,989
Book Capitalization	\$ 10,684	\$ 11,110	\$ 10,613
Debt/Book Capitalization	42.5%	40.8%	42.7%
Net Debt/Net Book Capitalization	38.9%	34.2%	38.2%
Bank Leverage Ratio	2.2x	2.2x	2.3x

Note: Guidance amounts assume \$600M share repurchases for 2008 and only completed business acquisitions.



Debt Analysis

(\$ in Millions)

	6/27/08 Actual	Type	Maturity Date	First / Next Redemption	
				Date	Premium
Senior Debt:					
Revolver	\$ -	Variable ⁽¹⁾	Mar 2010	n.a.	
Term Loans	650	Variable ⁽¹⁾	Mar 2010	n.a.	
Subtotal	\$ 650				
Subordinated Debt:					
7 ⁵ / ₈ % Notes	\$ 750	Fixed	Jun 2012	Jun 2008	2.542%
6 ¹ / ₈ % Notes	400	Fixed	Jul 2013	Jul 2008	3.063%
6 ¹ / ₈ % Notes	400	Fixed	Jan 2014	Jan 2009	3.063%
5 ⁷ / ₈ % Notes	650	Fixed	Jan 2015	Jan 2010	2.938%
6 ³ / ₈ % Notes	1,000	Fixed	Oct 2015	Oct 2010	3.188%
3% CODES	700	Fixed	Aug 2035	Feb 2011	0% ⁽²⁾
Unamortized Discounts	(13)				
Subtotal	\$3,887				
Total	\$4,537				

(1) Currently LIBOR +0.875 bpts

(2) The contingent convertible notes (CODES) contain "puts" that holders can exercise on Feb 2011, Feb 2016, Feb 2021, Feb 2026 and Feb 2031 at a price of 100%.



2007 Selected Financial Data

(\$ in millions, except EPS amounts)

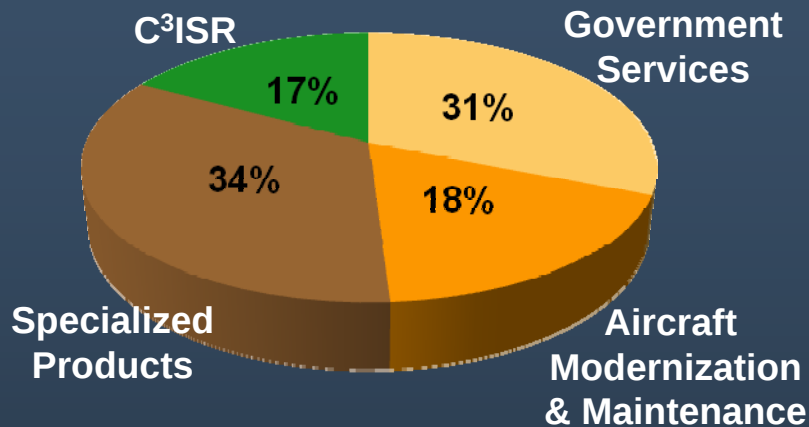
	2007 Actual	2006 Actual	Increase (Decrease)
Sales	\$13,961	\$12,477	12%
Operating Margin	10.4%	10.3%	+10 bpts
Operating Income	\$1,448	\$1,279	13%
Interest Expense / Other	\$274	\$286	-4%
Tax Rate	35.6%	36.6%	
Diluted EPS	\$5.98	\$5.05	18%
Free Cash Flow	\$1,121	\$920	22%

- Notes: (1) 2006 actual excludes Q206 Litigation Charge of \$129 (\$78 net of taxes) or \$0.63 per diluted share and Stock-Based Charge of \$39 (\$26 net of taxes) or \$0.20 per diluted share.
 (2) See Reconciliation of GAAP to Non-GAAP measurements.



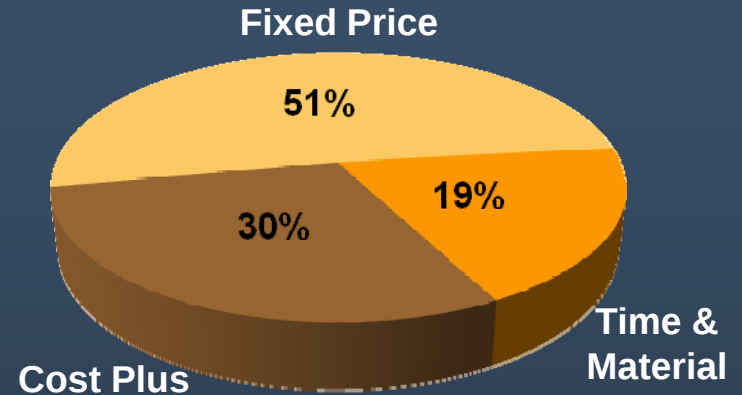
2007 Sales Mix

Segments

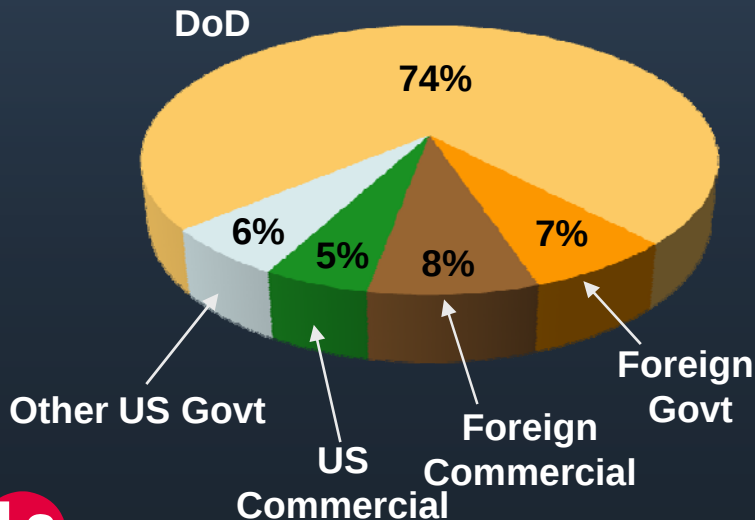


Products 47%
Services 53%

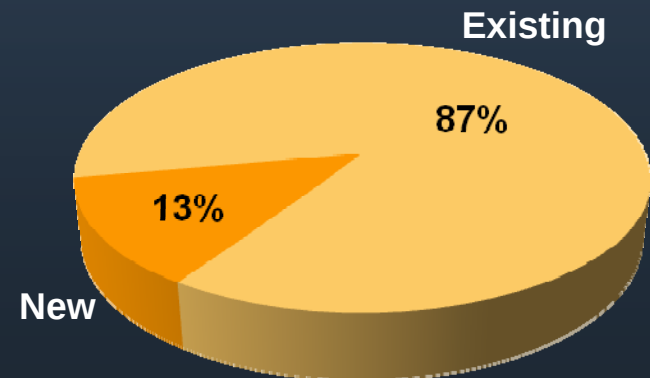
Contract Type



Funding Source



Business Type *



* Estimate at January 1, 2007.



Forward Looking Statements

Certain of the matters discussed in this presentation 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; election year uncertainties; 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 stock options amounts; 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; 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; 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, including Titan’s ability to maintain its export licenses; 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 17 to our audited consolidated financial statements, included in our Annual Report on Form 10-K for the year ended Dec. 31, 2007.

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 this presentation to reflect events or changes in circumstances or changes in expectations or the occurrence of anticipated events.



Reconciliation of GAAP to Non-GAAP Measurements

(\$ in Millions, except per share data)

	Q208 Actual	Q207 Actual	1H08 Actual	1H07 Actual	2008 Guidance	2007 Actual	2006 Actual
Operating Income	\$ 501		\$ 869				\$ 1,111
Add: Impairment Charge	28		28				-
Litigation Charge	-		-				129
Stock-Based Charge	-		-				39
Less: Litigation Gain	(126)		(126)				-
Product Line Divestiture Gain	(12)		(12)				-
Operating Income, excluding Q206 & Q208 Items	<u>\$ 391</u>		<u>\$ 759</u>				<u>\$ 1,279</u>
Operating Margin	13.5%		12.0%		11.5%		8.9%
Add: Impairment Charge	0.7%		0.4%		0.2%		-
Litigation Charge	-		-		-		1.0%
Stock-Based Charge	-		-		-		0.4%
Less: Litigation Gain	(3.4)%		(1.7)%		(0.9)%		-
Product Line Divestiture Gain	(0.3)%		(0.2)%		(0.1)%		-
Operating Margin, excluding 2006 and Q208 Items	<u>10.5%</u>		<u>10.5%</u>		<u>10.7%</u>		<u>10.3%</u>
Diluted earnings per share	\$ 2.24		\$ 3.78		\$7.28 to \$7.32		\$ 4.22
Non-GAAP Items:							
Add: Litigation Charge per share	-		-		-		0.63
Stock-Based Charge per share	-		-		-		0.20
Impairment Charge per share	0.14		0.14		0.14		-
Less: Litigation Gain per share	(0.65)		(0.65)		(0.65)		-
Product Line Divestiture Gain per share	(0.06)		(0.06)		(0.06)		-
Diluted earnings per share excluding Non-GAAP items	<u>\$ 1.67</u>		<u>\$ 3.21</u>		<u>\$6.71 to \$6.75</u>		<u>\$ 5.05</u>
Net cash from operating activities	\$ 535	\$ 386	\$ 628	\$ 610	\$ 1,372	\$ 1,270	\$ 1,074
Less: Capital expenditures	(38)	(38)	(76)	(67)	(182)	(157)	(156)
Add: Dispositions of property, plant and equipment	5	1	5	2	10	8	2
Free cash flow	<u>\$ 502</u>	<u>\$ 349</u>	<u>\$ 557</u>	<u>\$ 545</u>	<u>\$ 1,200</u>	<u>\$ 1,121</u>	<u>\$ 920</u>



