2Q09 Earnings Call

July 23, 2009

Financial Data Charts

This presentation consists of L-3 general capabilities and administrative information that does not contain controlled technical data as defined within the International Traffic in Arms (ITAR) Part 120.10 or Export Administration Regulations (EAR) Part 734.7-11.

2Q09 Actual Results

2Q09 Select Financial Data

($ in Millions, except per share amounts)

	2Q09 Actual	2Q08 Actual	2Q08 Items	2Q08 Adjusted	2Q09 vs 2Q08 Actual	2Q09 vs 2Q08 Adjusted
Sales	$3,929	$3,722	-	$3,722	6%	6%
Operating Margin	10.6%	13.5%	-300 bpts	10.5%	-290 bpts	+10 bpts
Operating Income	$417	$501	$(110)	$391	-17%	7%
Net Interest Expense and Other Income	$63	$59	$7	$66	7%	-5%
Tax Rate	35.9%	37.1%	-80 bpts	36.3%	-120 bpts	-40 bpts
Diluted Shares	117.2	123.5	-	123.5	-5%	-5%
Diluted Earnings Per Share (EPS)	$1.90	$2.21	$(0.57)	$1.64	-14%	16%
Net Cash from Operating Activities	$376	$535	-	$535	-30%	-30%
Free Cash Flow	$336	$502	-	$502	-33%	-33%

Notes: (1) 2Q08 Actual has been adjusted to retrospectively apply the provisions of certain new accounting standards that were adopted effective January 1, 2009. See 2Q08 Supplemental Select Financial Data slide for the: (i) As Previously Reported (ii) Adjustments for certain new accounting standards and (iii) As Currently Reported results.

(2) 2Q08 Items include: (i) a litigation gain of $133M ($81M after income taxes or $0.65 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). 2Q08 Adjusted excludes the 2Q08 Items.

(3) Higher pension expense for 2009 compared to 2008 reduced 2Q09 operating income by $16M, operating margin by 40 bpts and diluted EPS by $0.09.

(4) See Reconciliation of GAAP to Non-GAAP Measurements.

2Q09 Segment Results

($ in Millions)

Segment	Sales	Sales Growth vs 2Q08	Operating Margin	Margin Change vs 2Q08 Actual (bpts)	Margin Change vs 2Q08 Adjusted (bpts)
C^3ISR	$ 761	24%	12.5%	+160	+160
Gov't Services	1,069	-3%	9.5%	-170	-170
AM&M	695	6%	7.3%	+80	+80
Spec Products	1,404	4%	12.1%	+150	+40
Consolidated	**$ 3,929**	**6%**	**10.6%**	**-290**	**+10**

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 C^3ISR, Government Services and AM&M segments for 2Q08. See the Supplemental Segment Data slide which presents: (i) previous segment data presentation, (ii) reclassifications to the respective segments and (iii) revised segment data presentations.

(2) Margin Change vs 2Q08 Adjusted excludes the Q208 Items.

(3) Higher pension expense for 2009 compared to 2008 reduced 2Q09 operating income by $7M or +90 bpts for C^3ISR and $9M or +70 bpts for Specialized Products. Operating Margin Change vs 2Q08 Adjusted excluding the higher pension expense would have been +250 bpts for C^3ISR and +110 bpts for Specialized Products.

(4) See Reconciliation of GAAP to Non-GAAP Measurements.

1H09 Actual Results

1H09 Select Financial Data

($ in Millions, except per share amounts)

	1H09 Actual	1H08 Actual	2Q08 Items	1H08 Adjusted	1H09 vs 1H08 Actual	1H09 vs 1H08 Adjusted
Sales	$7,565	$7,228	-	$7,228	5%	5%
Operating Margin	10.5%	12.0%	-150 bpts	10.5%	-150 bpts	n.c.
Operating Income	$793	$869	$(110)	$759	-9%	4%
Net Interest Expense and Other Income	$126	$127	$7	$134	-1%	-6%
Tax Rate	35.8%	36.7%	-50 bpts	36.2%	-90 bpts	-40 bpts
Diluted Shares	118.0	123.8	-	123.8	-5%	-5%
Diluted Earnings Per Share (EPS)	$3.56	$3.72	$(0.57)	$3.15	-4%	13%
Net Cash from Operating Activities	$528	$628	-	$628	-16%	-16%
Free Cash Flow	$448	$557	-	$557	-20%	-20%

Notes: (1) 1H08 Actual has been adjusted to retrospectively apply the provisions of certain new accounting standards that were adopted effective January 1, 2009. See 1H08 Supplemental Select Financial Data slide for the: (i) As Previously Reported (ii) Adjustments for certain new accounting standards and (iii) As Currently Reported results.

(2) 2Q08 Items include: (i) a litigation gain of $133M ($81M after income taxes or $0.65 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). 1H08 Adjusted excludes the 2Q08 Items.

(3) Higher pension expense for 2009 compared to 2008 reduced 1H09 operating income by $35M, operating margin by 50 bpts and diluted EPS by $0.18.

(4) See Reconciliation of GAAP to Non-GAAP Measurements.

1H09 Segment Results

($ in Millions)

Segment	Sales	Sales Growth vs 1H08	Operating Margin	Margin Change vs 1H08 Actual (bpts)	Margin Change vs 1H08 Adjusted (bpts)
C^3ISR	$ 1,471	26%	11.8%	+80	+80
Gov't Services	2,074	-6%	9.2%	-90	-90
AM&M	1,359	3%	8.6%	+40	+40
Spec Products	2,661	5%	11.7%	+50	-10
Consolidated	**$ 7,565**	**5%**	**10.5%**	**-150**	**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 C^3ISR, Government Services and AM&M segments for 1H08. See the Supplemental Segment Data slide which presents: (i) previous segment data presentation, (ii) reclassifications to the respective segments and (iii) revised segment data presentations.

(2) Margin Change vs 1H08 Adjusted excludes Q208 Items.

(3) Higher pension expense for 2009 compared to 2008 reduced 1H09 operating income by $15M or +100 bpts for C^3ISR and $20M or +70 bpts for Specialized Products. Operating Margin Change vs 1H08 Adjusted excluding the higher pension expense would have been +180 bpts for C^3ISR and +60 bpts for Specialized Products.

(4) See Reconciliation of GAAP to Non-GAAP Measurements.

2009 Financial Guidance

2009 Financial Guidance

($ in Billions, except per share amounts)

	Current Guidance (July 23, 2009)	Prior Guidance (Apr. 23, 2009)
Sales	$15.5 to $15.7	$15.5 to $15.7
Operating Margin	10.5%	10.4%
Tax Rate	36.0%	36.0%
Diluted EPS	$7.25 to $7.35	$7.17 to $7.32
Net Cash from Operating Activities	$1.43	$1.43
Less: CapEx, net of Dispositions	($0.23)	($0.23)
Free Cash Flow	$1.20	$1.20

Diluted EPS Reconciliation

	2009 Guidance	2008 Actual	Change
GAAP EPS	**$7.25 to $7.35**	**$7.59**	**-4% to -3%**
2008 Items		(0.74)	
EPS excluding 2008 Items	**$7.25 to $7.35**	**$6.85**	**6% to 7%**
Excluding: Higher 2009 Pension Expense	0.39		
Excluding: Higher 2009 Tax Rate	0.10		
Adjusted EPS	**$7.74 to $7.84**	**$6.85**	**13% to 14%**

Notes: (1) 2008 GAAP EPS decreased by $0.13 from an As Previously Reported $7.72 to an As Currently Reported $7.59 to retrospectively apply the provisions of certain new accounting standards that were adopted effective January 1, 2009.
(2) 2008 Items are comprised of: (i) 2Q 2008 Items that include a litigation gain of $133M ($0.66 per share), a product line divestiture gain of $12M ($0.06 per share) and an impairment charge of $28M ($0.14 per share), and (ii) a 4Q 2008 gain of $33M ($0.16 per share) for the divestiture of a business.
(3) Higher pension expense for 2009 compared to 2008 is expected to reduce operating income by $72M ($0.39 per share).

2009 Segment Guidance

($ in Billions)

Segment	Sales	Midpoint Sales Growth vs 2008	Operating Margin	Midpoint Margin Change vs 2008 Actual (bpts)	Midpoint Margin Change vs 2008 Adjusted (bpts)
C³ISR	$2.9 to $3.0	16%	11.0% to 11.2%	+150	+150
Gov't Services	$4.2 to $4.3	-2%	9.6% to 9.8%	-20	-20
AM&M	$2.7 to $2.8	3%	8.8% to 9.0%	-20	-20
Spec Products	$5.6 to $5.7	5%	11.4% to 11.6%	-50	-80
Consolidated	**$15.5 to $15.7**	**5%**	**10.5%**	**-80**	**-10**

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 which presents: (i) previous segment data presentation, (ii) reclassifications to the respective segments and (iii) revised segment data presentations.

(2) Midpoint Margin Change vs 2008 Adjusted excludes 2Q08 Items (litigation gain of $126M, a product line divestiture gain of $12M and an impairment charge of $28M).

(3) Midpoint Margin Change vs 2008 Adjusted excluding higher pension expense for 2009 compared to 2008 would be +250 bpts for C³ISR, -10 bpts for Specialized Products and +40 bpts for consolidated margin.

(4) See Reconciliation of GAAP to Non-GAAP Measurements.

2009 Segment Guidance - Current vs Prior

($ in Billions)

Segment	Current Guidance Sales	Current Guidance Operating Margin	Prior Guidance Sales	Prior Guidance Operating Margin
C^3ISR	$2.9 to $3.0	11.0% to 11.2%	$2.8 to $2.9	10.4% to 10.6%
Gov't Services	$4.2 to $4.3	9.6% to 9.8%	$4.3 to $4.4	9.8% to 10.0%
AM&M	$2.7 to $2.8	8.8% to 9.0%	$2.7 to $2.8	9.0% to 9.2%
Spec Products	$5.6 to $5.7	11.4% to 11.6%	$5.7 to $5.8	11.4% to 11.6%
Consolidated	**$15.5 to $15.7**	**10.5%**	**$15.5 to $15.7**	**10.4%**

Free Cash Flow

($ in Millions)	2Q09 Actual	2Q08 Actual	1H09 Actual	1H08 Actual	2009 Guidance	2008 Actual
Net income	$ 227	$ 278	$ 428	$ 470	$ 877	$ 949
Depreciation & amortization	54	52	107	103	230	206
Deferred taxes	15	81	29	107	55	153
Stock-based compensation	60	58	109	102	206	205
CODES non-cash interest	5	5	10	10	21	20
OSI litigation accrual	-	(133)	-	(131)	-	(131)
Working capital / other	15	194	(155)	(33)	36	(15)
Cash flow from operating activities	$ 376	$ 535	$ 528	$ 628	$ 1,425	$ 1,387
Capital expenditures, net	(40)	(33)	(80)	(71)	(225)	(203)
Free cash flow	**$ 336**	**$ 502**	**$ 448**	**$ 557**	**$ 1,200**	**$ 1,184**
Supplemental Data:						
Cash Interest Payments	$ 64	$ 69	$ 123	$ 136	$ 245	$ 267
Income tax payments, net	146	132	190	199	415	345
Pension expense	42	23	84	45	166	87
Pension contributions	22	21	25	23	65	162

Notes: (1) 2008 Deferred Taxes include an increase of $52M for 2Q 2008 litigation gain and a decrease of $11M for 2Q 2008 impairment charge.

(2) 2008 net income includes $91M for the 2008 Items comprised of (i) $71M for 2Q08 Items, and (ii) $20M for a Q408 gain on the divestiture of a business.

(3) Income tax payments exclude savings from stock option compensation expense deductions classified as financing activities in accordance with SFAS 123R.

Capitalization and Leverage

($ in Millions)

	6/26/09 Actual	12/31/08 Actual
Cash	$897	$867
Debt	$4,504	$4,493
Equity	6,203	5,941
Invested Capital	$10,707	$10,434
Debt / Invested Capital	42.1%	43.1%
Bank Leverage Ratio	2.1x	2.2x
Available Revolver	$964	$940

Notes: (1) 2008 has been adjusted to retrospectively apply the provisions of certain new accounting standards that were adopted effective January 1, 2009. See Supplemental Capitalization slide for 12/31/08 capitalization: (i) As Previously Reported (ii) Adjustments for certain new accounting standards and (iii) As Currently Reported.
(2) Term loans of $650 which mature on March 9, 2010 are classified as current liabilities at 6/26/09.
(3) Equity includes non-controlling interests (minority interests) of $92M as of June 26, 2009 and $83M as of December 31, 2008.

Debt Balances and Maturities

($ in Millions)

	6/26/09 Actual	Type	Maturity Date	Current/Next Redemption Date	Current/Next Redemption Premium
Senior:					
Revolver	$ -	Variable[1]	3/10	n.a.	
Term Loans	650	Variable[1]	3/10	n.a.	
Subordinated:					
3% CODES	$ 700	fixed	8/35	2/11[2]	0%
7-5/8% Notes	750	fixed	6/12	6/09	1.271%
6-1/8% Notes	400	fixed	7/13	7/09	2.042%
6-1/8% Notes	400	fixed	1/14	1/09	3.063%
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	(46)				
Total	$ 4,504				

Notes: (1) LIBOR +87.5 bpts.
(2) 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 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; 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; 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 (FCPA), including Titan’s ability to maintain its export licenses as well as the outcome of other FCPA matters; 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.

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.

2Q08 Supplemental Select Financial Data

($ in Millions, except per share amounts)

	GAAP As Previously Reported	Adjustments for: SFAS 160	FSP EITF 03-6-1	FSP APB 14-1	GAAP As Currently Reported
Sales	$3,722	-	-	-	$3,722
Operating Margin	13.5%	-	-	-	13.5%
Segment Operating Margin	10.1%	-	-	-	10.1%
Operating Income	$501	-	-	-	$501
Segment Operating Income	$375	-	-	-	$375
Net Interest Expense and Other Income	$54	-	-	5	$59
Tax Rate	37.4%	(0.3)%	-	-	37.1%
Net Income Allocable to Common Shareholders	$278	-	(2)	(3)	$273
Diluted Shares	124.0	-	(0.5)	-	123.5
Diluted Earnings Per Share	$2.24	-	(0.01)	(0.02)	$2.21

1H08 Supplemental Select Financial Data

($ in Millions, except per share amounts)

	GAAP As Previously Reported	Adjustments for: SFAS 160	FSP EITF 03-6-1	FSP APB 14-1	GAAP As Currently Reported
Sales	$7,228	-	-	-	$7,228
Operating Margin	12.0%	-	-	-	12.0%
Segment Operating Margin	10.3%	-	-	-	10.3%
Operating Income	$869	-	-	-	$869
Segment Operating Income	$743	-	-	-	$743
Net Interest Expense and Other Income	$117	-	-	10	$127
Tax Rate	37.0%	(0.3)%	-	-	36.7%
Net Income Allocable to Common Shareholders	$470	-	(3)	(6)	$461
Diluted Shares	124.3	-	(0.5)	-	123.8
Diluted Earnings Per Share	$3.78	-	(0.02)	(0.04)	$3.72

Supplemental Capitalization at 12/31/08

(in Millions)

	As Previously Reported	Adjustments for: SFAS 160	Adjustments for: FSP APB 14-1	As Currently Reported
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

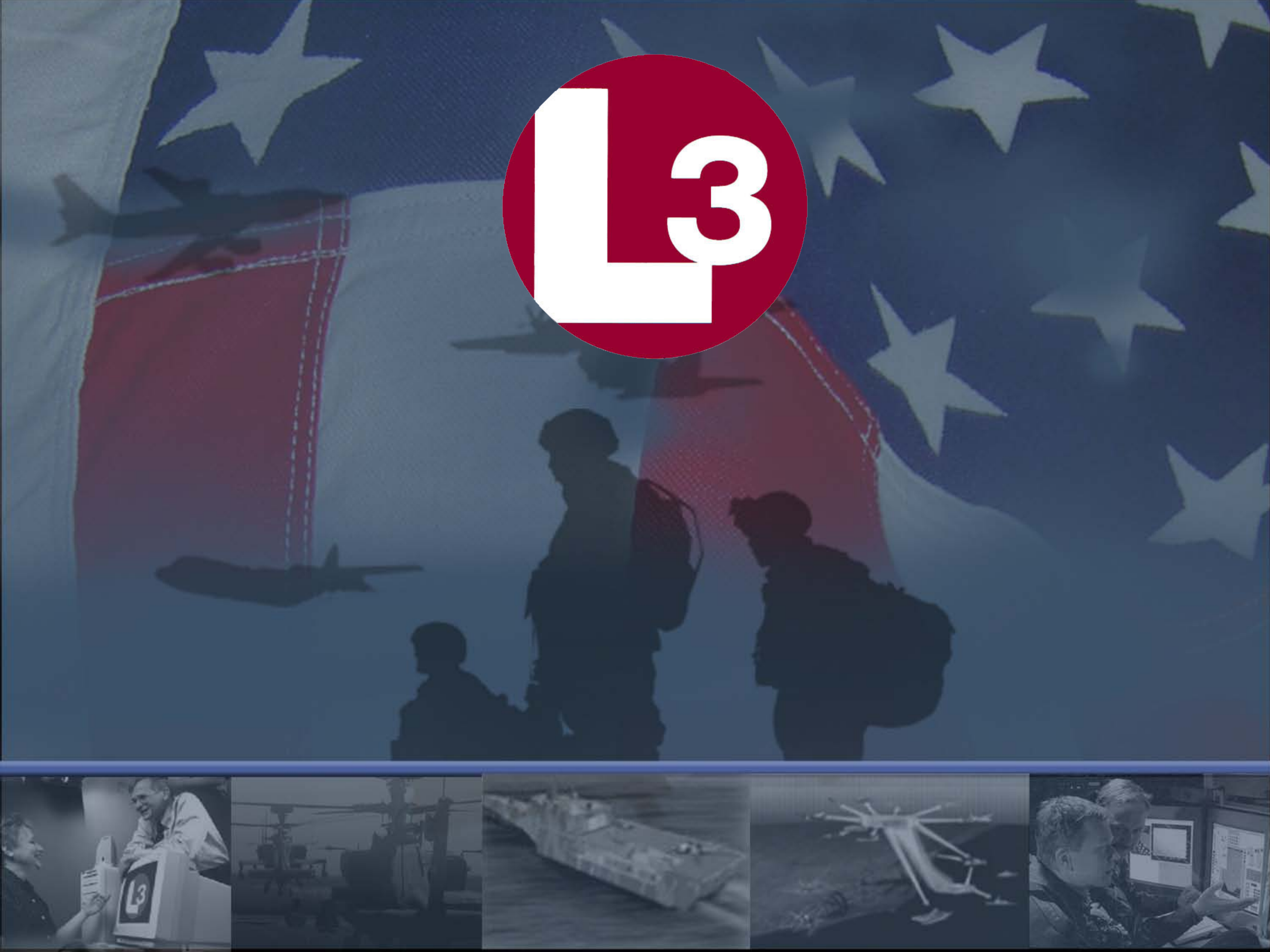
Supplemental Segment Data

($ in Millions)

	Previous Presentation		Reclassifications		Revised Presentation	
	2008	2Q08	2008	2Q08	2008	2Q08
Sales:						
C^3ISR	$ 2,567	$ 621	$ (30)	$ (5)	$ 2,537	$ 616
Gov't Services	4,303	1,096	14	3	4,317	1,099
AM&M	2,657	652	16	2	2,673	654
Spec Products	5,374	1,353	-	-	5,374	1,353
Consolidated	$14,901	$3,722	$ -	$ -	$14,901	$3,722
Operating Margin:						
C^3ISR	9.8%	10.9%	-0.2%	n.c.	9.6%	10.9%
Gov't Services	9.8%	11.1%	0.1%	0.1%	9.9%	11.2%
AM&M	9.1%	6.4%	n.c.	0.1%	9.1%	6.5%
Spec Products	12.0%	10.6%	n.c.	n.c.	12.0%	10.6%
Consolidated	10.5%	10.1%	n.c.	n.c.	10.5%	10.1%

Reconciliation of GAAP to Non-GAAP Measurements

($ in Millions)	2009 Guidance	1H09 Actual	2Q09 Actual	2008 Actual	1H08 Actual	2Q08 Actual
Consolidated Operating Margin				11.3%	12.0%	13.5%
Add: Impairment Charge				0.2%	0.4%	0.7%
Less: Litigation Gain				-0.8%	-1.7%	-3.4%
Product Line Divestiture Gain				-0.1%	-0.2%	-0.3%
Consolidated Operating Margin, Excluding Items				10.6%	10.5%	10.5%
Specialized Products Operating Margin				12.0%	11.2%	10.6%
Add: Impairment Charge				0.5%	1.1%	2.0%
Less: Product Line Divestiture Gain				-0.2%	-0.5%	-0.9%
Specialized Products Operating Margin, Excluding Items				12.3%	11.8%	11.7%
Net cash from operating activities	$ 1,425	$ 528	$ 376	$ 1,387	$ 628	$ 535
Less: Capital expenditures	(235)	(86)	(45)	(218)	(76)	(38)
Add: Dispositions of property, plant and equipment	10	6	5	15	5	5
Free cash flow	$ 1,200	$ 448	$ 336	$ 1,184	$ 557	$ 502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