

2008 Investor Conference



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2008 Financial Review



2008 Select Financial Data

(In millions, except per share amounts)

	2008 Guidance	2007 Actual	2008 vs 2007
Sales	≥\$14,700	\$13,961	5%
Operating Margin %	10.7%	10.4%	+30 bpts
Tax Rate	36.4%	35.6%	+80 bpts
Diluted Shares	123.3	126.5	-3%
Diluted EPS	\$6.75	\$5.98	13%
Free Cash Flow	\$1,115	\$1,121	n.c.

Notes: (1) 2008 Guidance excludes 2008 Items comprised of (i) Q2 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 Q4 2008 gain of approximately \$29M (\$0.14 per share) for the divestiture of a business on October 8, 2008.

(2) 2008 Sales include the Linguist-Iraq contract/subcontract sales of ~\$390M and ~\$250M of sales growth from business acquisitions, net of divestitures.

(3) See Reconciliation of GAAP to Non-GAAP Measurements



2008 Segment Guidance

(\$ in Billions)

Segment	Sales	Sales Growth		Operating Margin	Margin Expansion (bpts)
		Total	Organic		
C ³ ISR	\$2.5	9%	9%	10.5%	+50
Gov't Services	\$4.2	-3%	-4%	9.9%	+60
	Excl. Linguist	6%	5%	10.4%	+40
AM&M	\$2.6	4%	4%	9.3%	-50
Spec Products	\$5.4	12%	7%	12.1%	+30
Consolidated	\$14.7	5%	4%	10.7%	+30
	Excl. Linguist	8%	6%	10.8%	+20

- Notes: (1) 2008 Sales include the Linguist-Iraq contract/subcontract sales of ~\$390M and ~\$250M of sales growth from business acquisitions, net of divestitures.
 (2) Operating Margin excludes Q2 2008 Items (litigation gain of \$133M, a product line divestiture gain of \$12M and an impairment charge of \$28M).
 (3) See Reconciliation of GAAP to Non-GAAP Measurements



Financial Growth Objectives



Financial Growth Objectives

- *Double-digit EPS growth*
- *Operating Income Growth*
 - *organic sales growth*
 - *grow sales faster than overheads*
 - *modest margin expansion*
- *High Earnings-to-Cash Flow conversion*
- *Book-to-Bill > 1.0x*
- *Disciplined cash deployment*

2009 Financial Guidance



2009 Financial Guidance

(\$ in Billions, except EPS amounts)

	<u>2009 Guidance</u>	<u>2009 vs 2008 Excluding Items</u>
Sales	\$15.4 to \$15.7	5% to 7%
Operating Margin	10.7%	n.c.
Tax Rate	36.0%	-40 bpts
Diluted EPS	\$7.30 to \$7.50	8% to 11%
Free Cash Flow	\$1.2	8%

Notes: (1) Guidance amounts only include completed business acquisitions.

(2) Comparison to 2008 excludes 2008 Items comprised of (i) Q2 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 Q4 2008 gain of approximately \$29M (\$0.14 per share) for the divestiture of a business on October 8, 2008.

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



Diluted EPS Reconciliation

	2009 Guidance	2008 Guidance	Change
GAAP EPS	\$7.30 to \$7.50	\$7.47	-2% to 0%
Less: 2008 Items	-	(0.72)	
EPS Excluding 2008 Items	\$7.30 to \$7.50	\$6.75	8% to 11%
New Accounting Rule Changes	-	(0.14)	
EPS Adjusted For Accounting Changes	\$7.30 to \$7.50	\$6.61	10% to 13%
Higher 2009 Pension Expense	0.19	-	
Adjusted EPS	\$7.49 to \$7.69	\$6.61	13% to 16%

Notes: (1) 2008 Items include \$0.58 EPS for Q2 2008 Items net gain and \$0.14 for Q4 2008 business divestiture gain.
 (2) 2008 GAAP EPS will be restated effective January 1, 2009 for new accounting rules (FSP APB14-1 and FSP EITF 03-6-1). Impact on 2009 is expected to be (\$0.15) EPS.

2009 Pension Expense Sensitivity

Scenario	Assumptions			'09 vs '08 Impact			
	'08 Asset Return	'09 Discount Rate	Additional '08 Funding	Pretax Income	Margin (bpts)	EPS	EPS Change
I	-13%	7.0%	\$0	\$(32)M	-20	\$(0.17)	-2.5%
II	-23%	7.5%	\$100M	\$(35)M	-20	\$(0.19)	-2.8%
III	-28%	7.5%	\$100M	\$(48)M	-30	\$(0.26)	-3.9%
IV	-28%	8.0%	\$100M	\$(34)M	-20	\$(0.18)	-2.7%

Note: 2009 Financial Guidance assumes Scenario II.

2009 Segment Guidance

(\$ in Billions)

Segment	Sales	Sales Growth	Operating Margin	Margin Change (bpts)	Higher Pension Expense '09 vs '08 Margin Impact (bpts)
C ³ ISR	\$2.7 to \$2.8	8% to 10%	11.0% to 11.2%	+50 to +70	-50
Gov't Services	\$4.3 to \$4.4	2% to 4%	9.9% to 10.1%	0 to +20	n.c.
Excluding Linguist		6% to 8%			
AM&M	\$2.7 to \$2.8	4% to 6%	9.2% to 9.4%	-10 to +10	n.c.
Spec Products	\$5.7 to \$5.8	6% to 8%	11.8% to 12.0%	-30 to -10	-50
Consolidated	\$15.4 to \$15.7	5% to 7%	10.7%	n.c.	-20
Excluding Linguist		6% to 8%			

Note: (1) Margin Change excludes Q2 2008 Items (litigation gain of \$133M, a product line divestiture gain of \$12M and an impairment charge of \$28M).



Free Cash Flow

(\$ in Millions)

	2009 Guidance	2008 Guidance
Net Income	\$ 890	\$ 920
Depreciation & Amortization	235	210
Deferred Taxes	100	185
Stock-Based Compensation	205	200
Divestiture Gains/Impairment Charge	-	(14)
CODES Noncash Interest	21	-
Working Capital/Other	(56)	(60)
OSI Litigation Accrual	-	(131)
Capital Expenditures, net	(195)	(195)
Free Cash Flow	\$ 1,200	\$ 1,115
<u>Supplemental Data</u>		
Income Tax Payments, net	\$ 380	\$ 353
Pension Contributions	65	165

Notes: (1) Deferred Taxes include increase of \$51M for Q2 2008 litigation gain and decrease of \$10M for Q2 2008 impairment charge.

(2) 2008 Guidance net income includes \$89M for 2008 Items.

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



Capitalization and Leverage

(\$ in Millions)	12/31/09 Guidance	12/31/08 Guidance	12/31/07 Actual
Cash	\$ 1,675	\$ 950	\$ 780
Debt	\$ 4,516	\$ 4,538	\$ 4,537
Equity	7,109	6,410	6,076
Invested Capital	\$ 11,625	\$ 10,948	\$ 10,613
Debt/Book Capitalization	38.8%	41.5%	42.7%
Bank Leverage Ratio	2.1x	2.2x	2.3x
Available Revolver	\$ 940	\$ 940	\$ 794

Notes: (1) Guidance amounts only include completed business acquisitions.
 (2) Equity includes minority interest of ~\$87M

Cash Sources and Uses

(\$ in Millions)

	<u>2009 Guidance</u>	<u>2008 Guidance</u>
Beginning Cash	\$ 950	\$ 780
Free Cash Flow	1,200	1,115
Acquisitions / Divestitures	(40)	(175)
Dividends	(160)	(148)
Share Repurchases	(400)	(725)
Other, Net	125	103
Ending Cash	\$ 1,675	\$ 950

Note: (1) Guidance amounts only include completed business acquisitions.

L-3 Financial Summary

- *Diversified business with good sales visibility*
- *Organic growth plus margin expansion*
- *EPS and cash flow growth*
- *Efficient use of debt, improving credit statistics*
- *Strong liquidity position*
- *Ample resources to grow company*
- *Disciplined cash deployment*

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; global economic uncertainty and tightening of the credit markets; 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 (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 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)

	<u>2009 Guidance</u>	<u>2008 Guidance</u>	<u>2007 Actual</u>
Operating Margin		11.4%	
Add: Impairment Charge		0.2%	
Less Litigation Gain		(0.8)%	
Product Line Divestiture Gain		(0.1)%	
Operating Margin, excluding Q208 Items		<u>10.7%</u>	
Diluted earnings per share		\$7.47	
Add: Impairment Charge		0.14	
Less Litigation Gain		(0.66)	
Product Line Divestiture Gain		(0.06)	
Business Divestiture Gain		(0.14)	
Diluted earnings per share excluding Items		<u>\$ 6.75</u>	
Net cash from operating activities	\$ 1,395	\$ 1,310	\$ 1,270
Less Capital expenditures	(205)	(205)	(157)
Add: Dispositions of property, plant and equipment	10	10	8
Free cash flow	<u>\$ 1,200</u>	<u>\$ 1,115</u>	<u>\$ 1,121</u>

