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Ralph D'Ambrosio
Senior Vice President and
Chief Financial Officer

L-3 Overview

- Aerospace & defense company
- 2009 sales of \$15.6B (~70% prime)
- Fortune No. 148 (based on sales)
- Non-platform centric prime contractor plus diverse subcontractor/supplier
- 67,000 employees
- 76% of sales U.S. Department of Defense (DoD)



2009 Sales by End Customer

(\$ in Millions)		
Army	\$ 4,107	26%
Air Force	3,721	24%
Navy/Marines	2,544	16%
Other Defense	1,560	10%
U.S. Military (DoD)	\$ 11,932	76%
Other U.S. Government	\$ 1,127	7%
Foreign Governments	1,082	7%
Commercial - Foreign	867	6%
Commercial - Domestic	607	4%
Total	\$ 15,615	100%



External Environment



U.S. DoD Budgets and Priorities

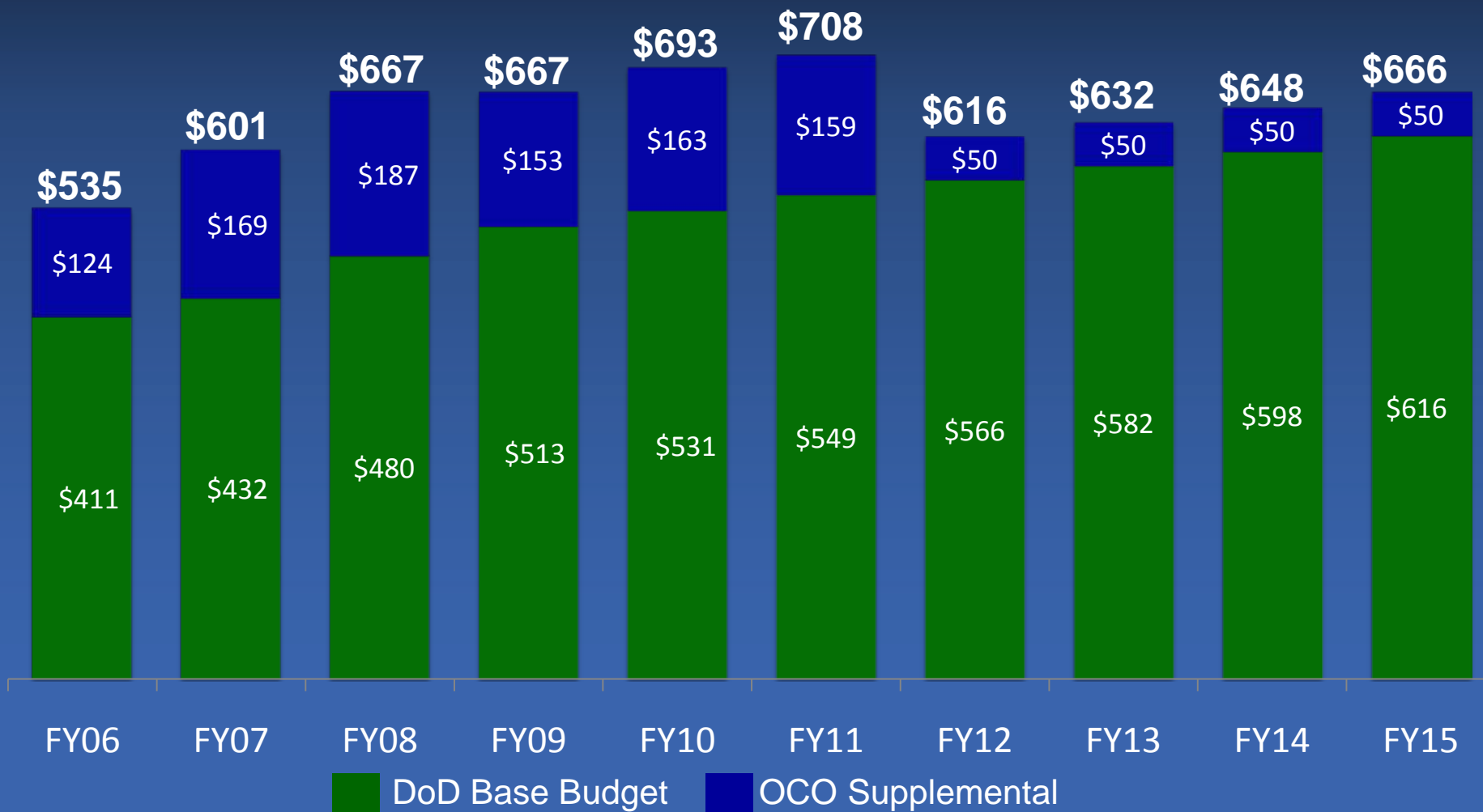
- **Modest base budget growth, plus large OCO supplementals**
- **Rebalancing for today's wars... Iraq and Afghanistan resource focus**
- **Rapid acquisition... end unneeded, poorly performing programs**
- **Budget constraints... few new starts... rationing and re-programming continue**
- **SecDef (May 8)... overhead cuts needed to fund modernization and force structure**



DoD Topline Budget FY06 - FY15

(\$ in Billions)

Base FY09 to FY15 CAGR = 3% nominal (1% real) growth



Source: Department of Defense Appropriation Acts FY2006 - FY2010, FY11 President's Budget document.
<http://comptroller.defense.gov/budget.html> (Feb 2010)

Commercial/International Markets

- **Commercial market - - currently declining, possible rebound late 2010, next year**
- **Homeland security market - - opportunity emerging for advanced checkpoint imaging systems (WBI and ACX)**
- **Foreign Military Sales (FMS) - - fiscal pressures curbing growth, stretching procurements**



L-3 Strategy, Objectives and Outlook



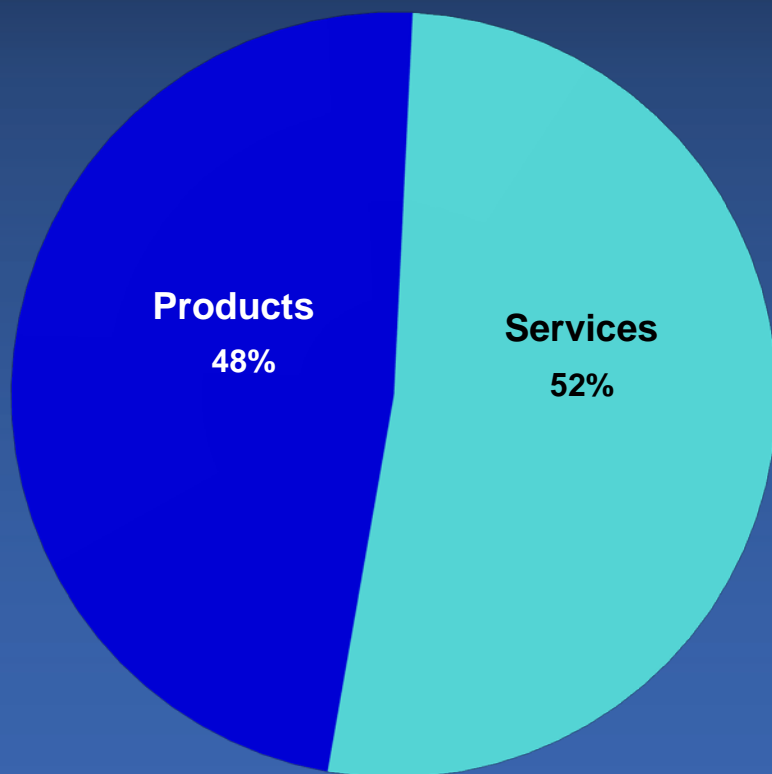
Strategic Goals and Objectives

- **Grow business base and increase market share**
- **Supply superior quality customer solutions with high satisfaction**
- **Achieve financial growth objectives - - double digit EPS growth with increasing FCF/share**
- **Maintain strong balance sheet, liquidity and credit ratings**
- **Exceed average investment returns in defense sector**

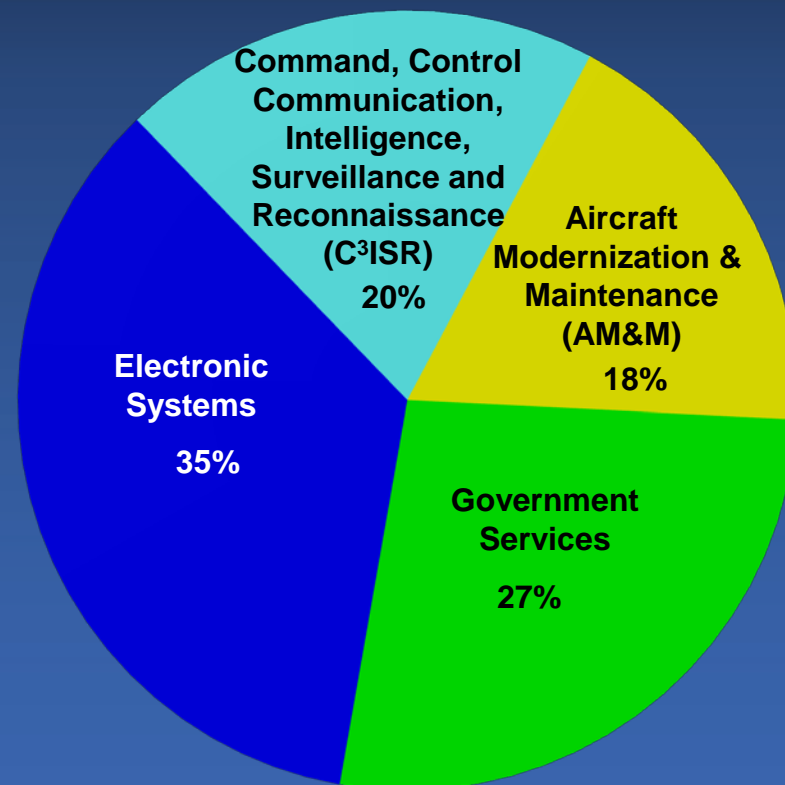


2009 Sales Mix

Products / Services



Segments



2009 Sales \$15.6B



C³ISR Segment

- Global ISR market solutions specializing in SIGINT and COMINT systems
- Networked communications systems and secure communications products
- Logistics and field support services
- 20% of 2009 consolidated sales

Sales and Margin



Growth Areas

- Unmanned/Manned
- Small ISR aircraft
- Manpacks
- Logistics



Government Services Segment

- **Engineering, technical and support services for the U.S. Government and allied foreign governments**

- **Capacity Building**
- **Organizational Sustainment**
- **Training & Education**
- **Linguist Services**
- **Systems Engineering & Integration**
- **Advisory & Acquisition Services**
- **Intelligence Analysis & Support**
- **Security & Incident Management Systems**

- **27% of 2009 consolidated sales**

Sales and Margin



Growth Areas

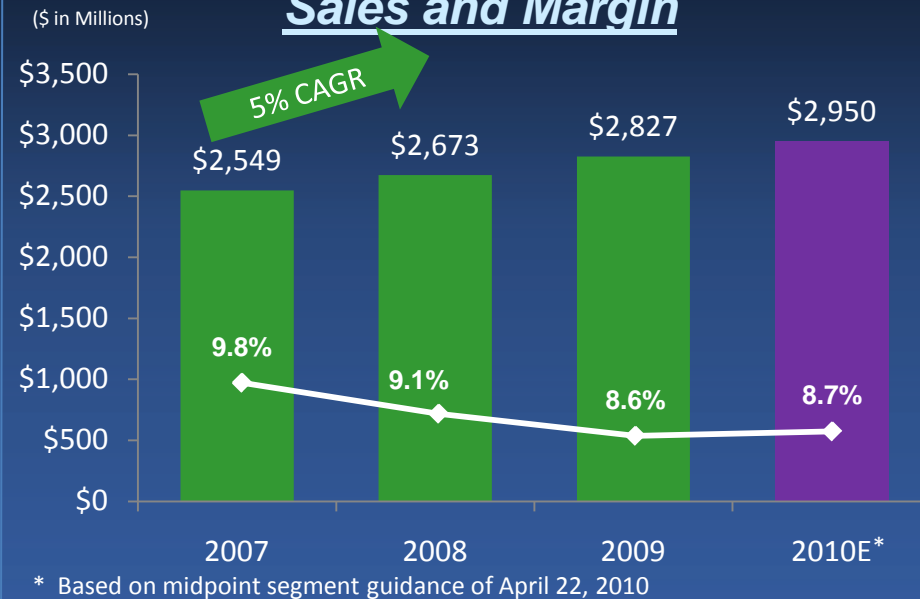
- **Military/Police Training**
- **Intelligence and SOF Support**
- **Integrated Security Solutions**



AM&M Segment

- Modernization, upgrades service-life extensions and sustainment, maintenance, life-cycle management of military aircraft for the DoD and allied foreign governments
- Integrated logistics support services for military aircraft and other platforms
- 18% of 2009 consolidated sales

Sales and Margin



Growth Areas

- Joint Cargo Aircraft (JCA)
- Special mission aircraft
- Helicopter maintenance and training support
- Aerostructures and subassemblies



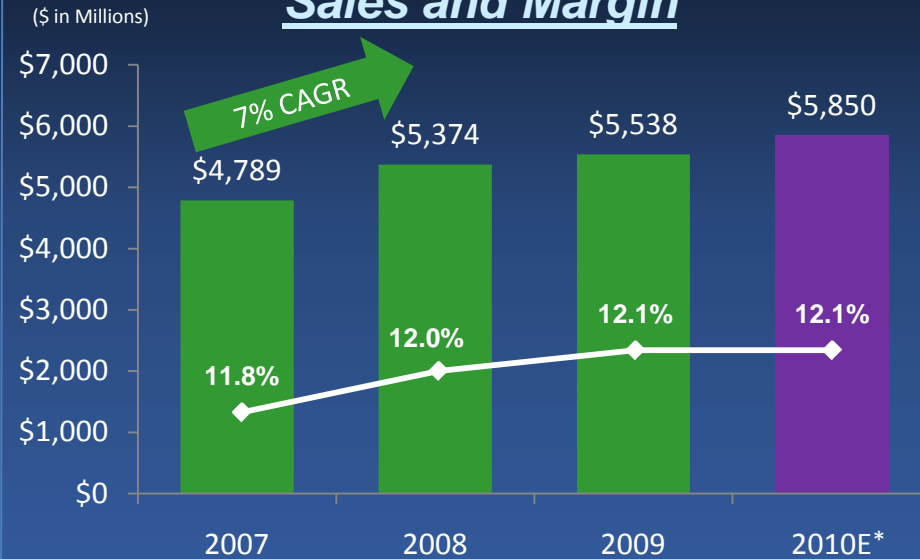
Electronic Systems Segment

- Broad range of systems, subsystems and products, plus related services to military and commercial customers

Business Area	% of 2009 Segment Sales
Power & Control Systems	17%
Electro-Optical/Infrared (EO/IR)	16
Microwave	15
Avionics & Displays	10
Simulation & Training	10
Precision Engagement	9
Security & Detection	5
Propulsion Systems	5
Telemetry & Advanced Technology	5
Undersea Warfare	5
Marine Services	3
Total Segment	100%

- 35% of 2009 consolidated sales

Sales and Margin



* Based on midpoint segment guidance of April 22, 2010

Growth Areas

- EO/IR (aircraft, aerostats, warfighter systems)
- Microwave Comms
- Simulation & Training
- Security & Detection



2010 Financial Guidance (April 22, 2010)

		Midpoint Growth vs. 2009
Sales	\$16.2B to \$16.3B	4%
Operating Margin	10.8%	+20 bpts
Diluted EPS	\$8.13 to \$8.33	8%
Net Cash from Operating Activities	\$1.51B	7%
Capital Expenditures, Net	\$0.25B	37%

Notes: (1) 2010 Financial Guidance will be updated in the second quarter results report on July 27, 2010.

(2) The 2010 Financial Guidance (issued on April 22, 2010) excludes (i) an \$18M (\$11M after income taxes or \$0.09 per diluted share) debt retirement charge related to the redemption of the 6-1/8% \$800M senior subordinated notes due 2013/2014 announced on May 21, 2010, and (ii) the loss of the follow-on SOFSA contract that is expected to reduce 2010 sales by ~\$150M (\$0.04 per diluted share), announced on June 21, 2010.



Cash Flow

(\$ in Millions)

	2010 Guidance (Apr 22, 2010)	2009 Actual
Net income	\$ 960	\$ 911
Depreciation & amortization	230	218
Deferred taxes	95	74
Stock-based compensation	228	213
Amortization of pension net losses	39	52
Non-cash interest expense	22	20
Working capital/Other	(64)	(81)
Net cash flow from operating activities	1,510	1,407
Capital expenditures, net	(250)	(182)
Free Cash Flow	\$ 1,260	\$ 1,225



Capitalization and Leverage

(\$ in Millions)

	3/26/10 Actual	12/31/09 Actual	12/31/08 Actual
Cash	\$ 1,135	\$ 1,016	\$ 867
Debt	\$ 4,118	\$ 4,112	\$ 4,493
Equity	6,796	6,660	5,941
Book Capitalization	\$ 10,914	\$ 10,772	\$ 10,434
Debt/Book Capitalization	37.7%	38.2%	43.1%
Bank Leverage Ratio	1.9x	1.9x	2.2x
Available Revolver	\$ 968	\$ 968	\$ 940



L-3 Summary

- **Diverse prime contractor, subcontractor and supplier**
- **Good positioning within slower growth DoD environment**
 - **Aligned with irregular warfare priorities**
 - **Quick reaction capabilities**
 - **Less exposure to program cancellations/cuts**
 - **Solutions to sustain/enhance existing platforms**
- **Growing sales, earnings and cash flow**
- **Disciplined capital allocation... improving leverage metrics**
- **Adaptability, agility and collaboration to continue growing**



