

***Deutsche Bank's 5th Annual
Global Industrials and Basic
Materials Conference***

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Senior Vice President
and Chief Financial Officer

Forward-Looking Statements

Certain of the matters discussed in these slides, including information regarding the Company's 2014 financial outlook, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than historical facts, may be forward-looking statements, such as "may," "will," "should," "likely," "projects," "expects," "anticipates," "intends," "plans," "believes," "estimates," and similar expressions are used to identify forward-looking statements. The Company cautions investors that these statements are subject to risks and uncertainties many of which are difficult to predict and generally beyond the Company's control that could cause actual results to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. Some of the factors that could cause actual results to differ include, but are not limited to, the following: our dependence on the defense industry; backlog processing and program slips resulting from delayed awards and/or funding from the Department of Defense (DoD) and other major customers; the U.S. Government fiscal situation; changes in DoD budget levels and spending priorities; U.S. Government failure to raise the debt ceiling; our reliance on contracts with a limited number of customers and the possibility of termination of government contracts by unilateral government action or for failure to perform; the extensive legal and regulatory requirements surrounding many of our contracts; our ability to retain our existing business and related contracts; our ability to successfully compete for and win new business; or, identify, acquire and integrate additional businesses; our ability to maintain and improve our operating margin; the availability of government funding 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 recruit, retain and train our employees; 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; global economic uncertainty; the DoD's Better Buying Power and other efficiency initiatives; events beyond our control such as acts of terrorism; our ability to perform contracts on schedule; our international operations; our extensive use of fixed-price type revenue arrangements; the rapid change of technology and high level of competition 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 and of on-going governmental investigations; the impact on our business of improper conduct by our employees, agents or business partners; ultimate resolution of contingent matters, claims and investigations relating to acquired businesses, and the impact on the final purchase price allocations; and the fair values of our assets.

In addition, for a discussion of other risks and uncertainties that could impair our results of operations or financial condition, see "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our most recent annual report on Form 10-K for the year ended December 31, 2013, and any material updates to these factors contained in any of our future filings.

Readers of these slides are cautioned that 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 filing to reflect events or changes in circumstances or changes in expectations or the occurrence of anticipated events.



L-3 Key Characteristics and Positioning

2014 Midpoint Guidance (May 1, 2014)

Sales	\$ 12,050M
Operating Margin	10.5%
EPS	\$8.30
FCF	\$1,000M

- **Aerospace & defense contractor**
- **Prime for ISR, aircraft modernization, sustainment, enterprise & mission IT, cyber operations**
- **Supplier of communication and electronic systems**
- **Attributes:**
 - not platform dependent... diverse technologies, contracts
 - 30% international & commercial
 - flexible cost structure... proactive resizing
 - high earnings-to-cash flow conversion
 - efficient capital structure... IG credit ratings
 - shareholder friendly capital allocation... EPS growth focus

Healthy... progressing through DoD down-cycle



DoD Budget Trends (with Full Sequester FY16 to FY19)

(\$ in Billions)

	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
Base	\$ 528	\$ 530	\$ 496	\$ 496	\$ 496	\$ 500	\$ 512	\$ 525	\$ 537
OCO	\$ 159	\$ 115	\$ 82	\$ 85	\$ 79	\$ 30	\$ 30	\$ 30	\$ 30
Total	\$ 687	\$ 645	\$ 578	\$ 581	\$ 575	\$ 530	\$ 542	\$ 555	\$ 567
Annual Growth:									
Base	0%	0%	-6%	0%	0%	1%	2%	3%	2%
OCO	-2%	-28%	-29%	4%	-7%	-62%	0%	0%	0%
Total	0%	-6%	-10%	1%	-1%	-8%	2%	2%	2%

Outlook improving

- Notes: (1) FY12 to FY14 based on enacted U.S. Department of Defense (DoD) budgets. FY15 to FY19 based on the FY15 Proposed Budget Request (PBR) announced by the Obama Administration on March 4, 2014. FY15 excludes the unfunded Opportunity, Growth, and Security initiative of \$26 billion.
- (2) FY16 to FY19 base budgets exclude projected amounts above DoD Sequester caps (\$35B FY16, \$31B FY17, \$27B FY18, \$22B FY19).
- (3) Overseas Contingency Operations (OCO) budgets for FY15 to FY19 are placeholders.



Financials - - 2010 to 2014

(\$ in Millions, except EPS)

Net Sales



Operating Income and Margin



Diluted EPS



Free Cash Flow



Notes: (1) Continuing Operations data only, 2014 based on midpoint guidance (May 1, 2014).

(2) 2011 diluted EPS and operating income (as applicable) excludes a tax benefit of \$0.74 EPS, a non-cash goodwill impairment charge of \$43 million or \$0.40 EPS and a long-lived asset impairment charge at an equity method investment of \$0.08 EPS.



Free Cash Flow

(\$ in Millions)

	2012	2013	2014
	Actual	Actual	Guidance
Net income	\$ 788	\$ 787	\$ 740
Depreciation & amortization	228	214	222
Deferred income taxes	112	48	90
401K common stock match	125	114	115
Stock-based employee compensation	59	59	59
Amortization of pension and OPEB net losses	68	83	18
Working Capital/other items	(125)	(42)	(49)
Capital expenditures, net	(205)	(197)	(195)
Free cash flow	<u>\$ 1,050</u>	<u>\$ 1,066</u>	<u>\$ 1,000</u>
Cash flow conversion	133%	135%	135%

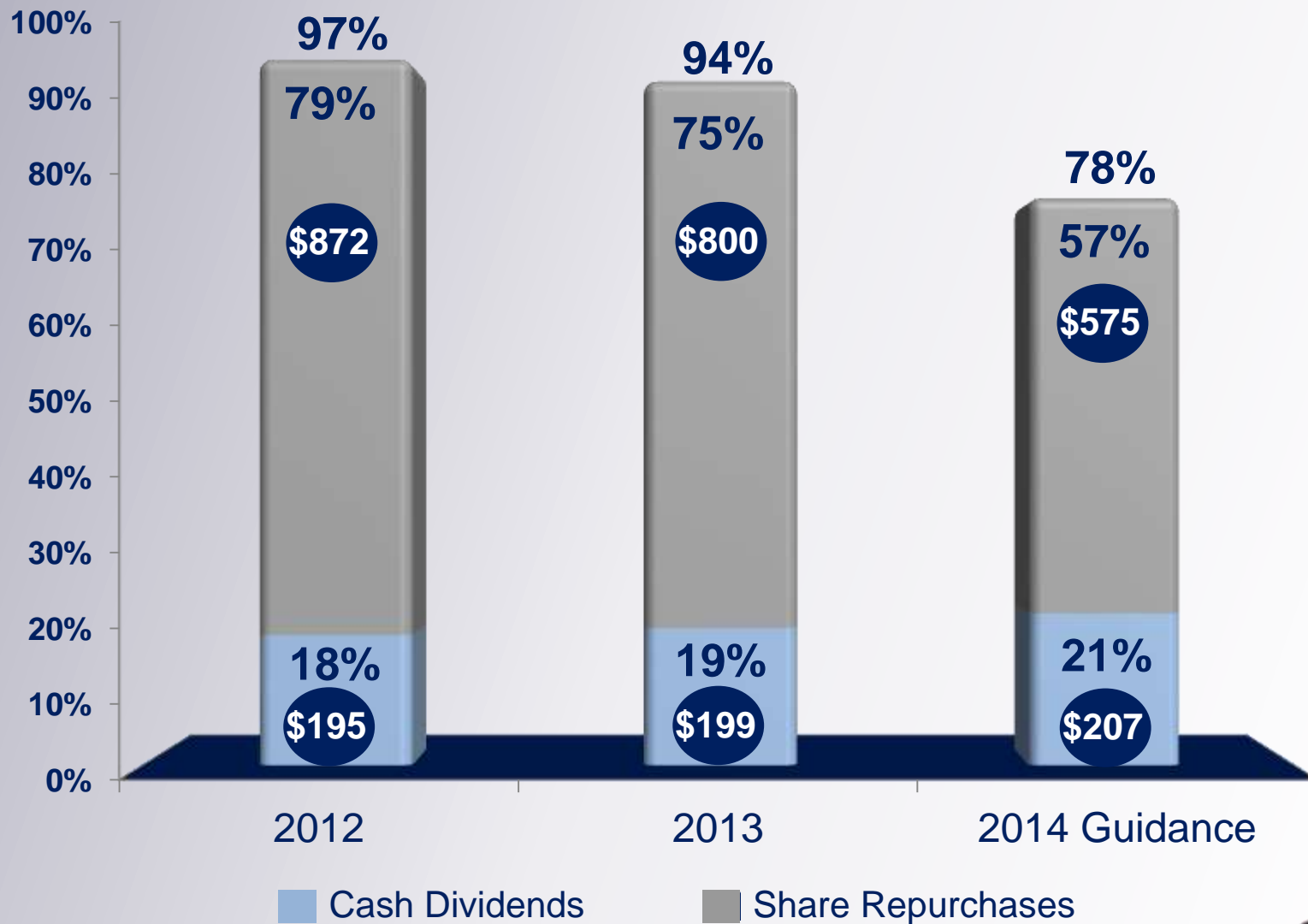
High Cash Flow Conversion

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



Cash Returned to Shareholders

(\$ in Millions)



L-3 Summary

- Technologies/solutions aligned with customer priorities
- Adjusting to USG Sequestration
 - resizing businesses
 - gaining market share
 - growing international & commercial
- Generating robust cash flow
- DoD budget cycle nearing upturn



L-3: Healthy, Agile and Focused

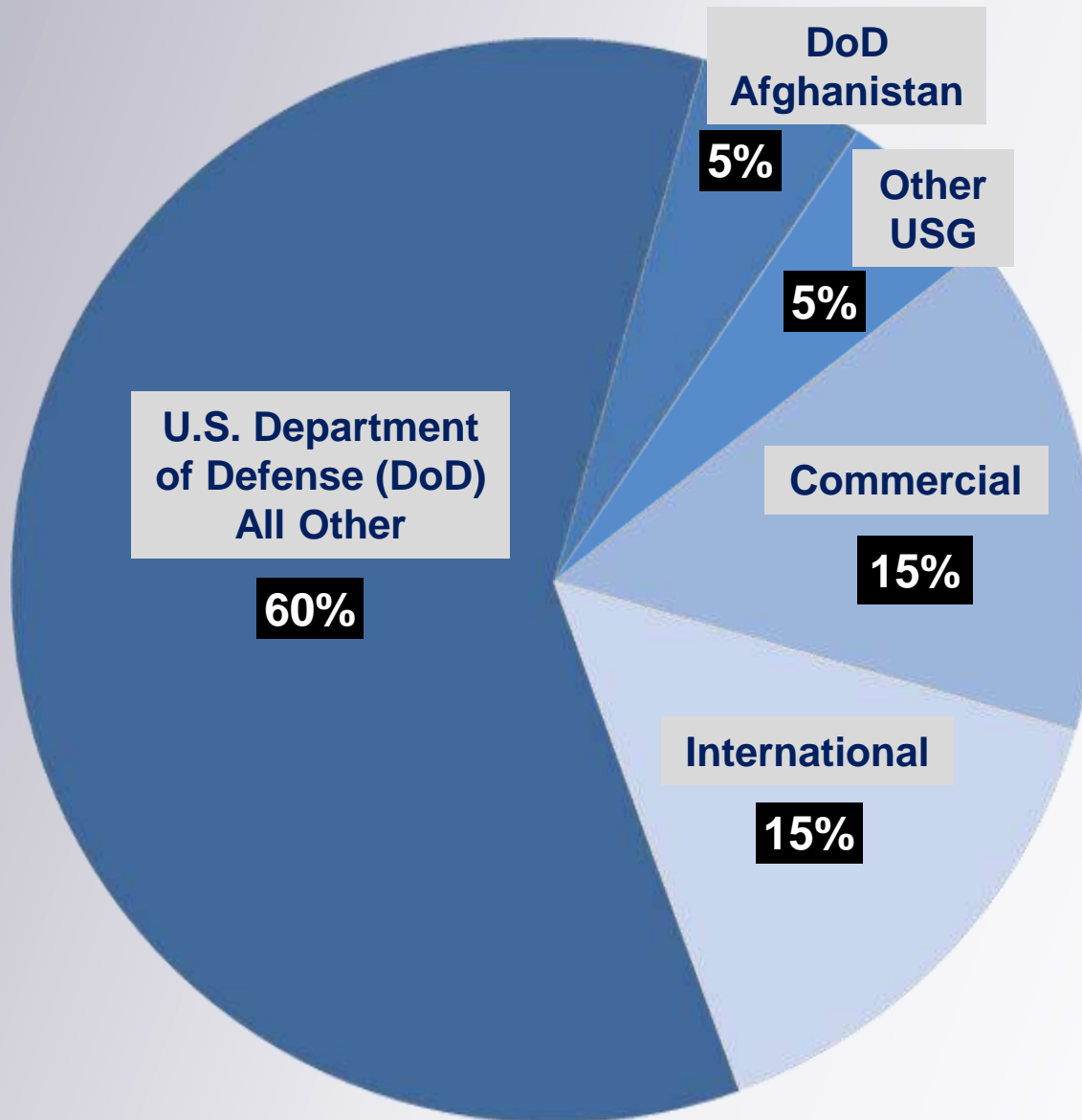
Q & A



Supplemental Data



2014 Sales Mix Estimates



L-3 Strategy and Priorities

- **Build strong businesses with durable discriminators, high barriers to entry and #1 or #2 market positions**
- **Strengthen market positions... gain market share**
 - **innovative and affordable solutions**
 - **contract performance and collaboration**
 - **excellent customer relationships**
 - **pursue adjacencies... expand platform content**
- **Invest in R&D and M&A**
- **Proactively right-size businesses**
- **Attract & retain key employees**
- **Maintain strong internal controls**
- **Grow EPS... maintain robust cash flow**



2014 Consolidated Financial Guidance

(\$ in Millions, except per share amounts)

	Guidance (May 1, 2014)	Midpoint vs. 2013
Sales	\$11,950 to \$12,150	-5%
Operating margin	10.5%	+50 bps
Interest expense	\$177	\$0
Interest and other income	\$14	-\$1
Effective tax rate	32.5%	+430 bps
Diluted shares	88.6	-3%
Diluted EPS	\$8.20 to \$8.40	-3%
Free cash flow	\$1,000	-6%

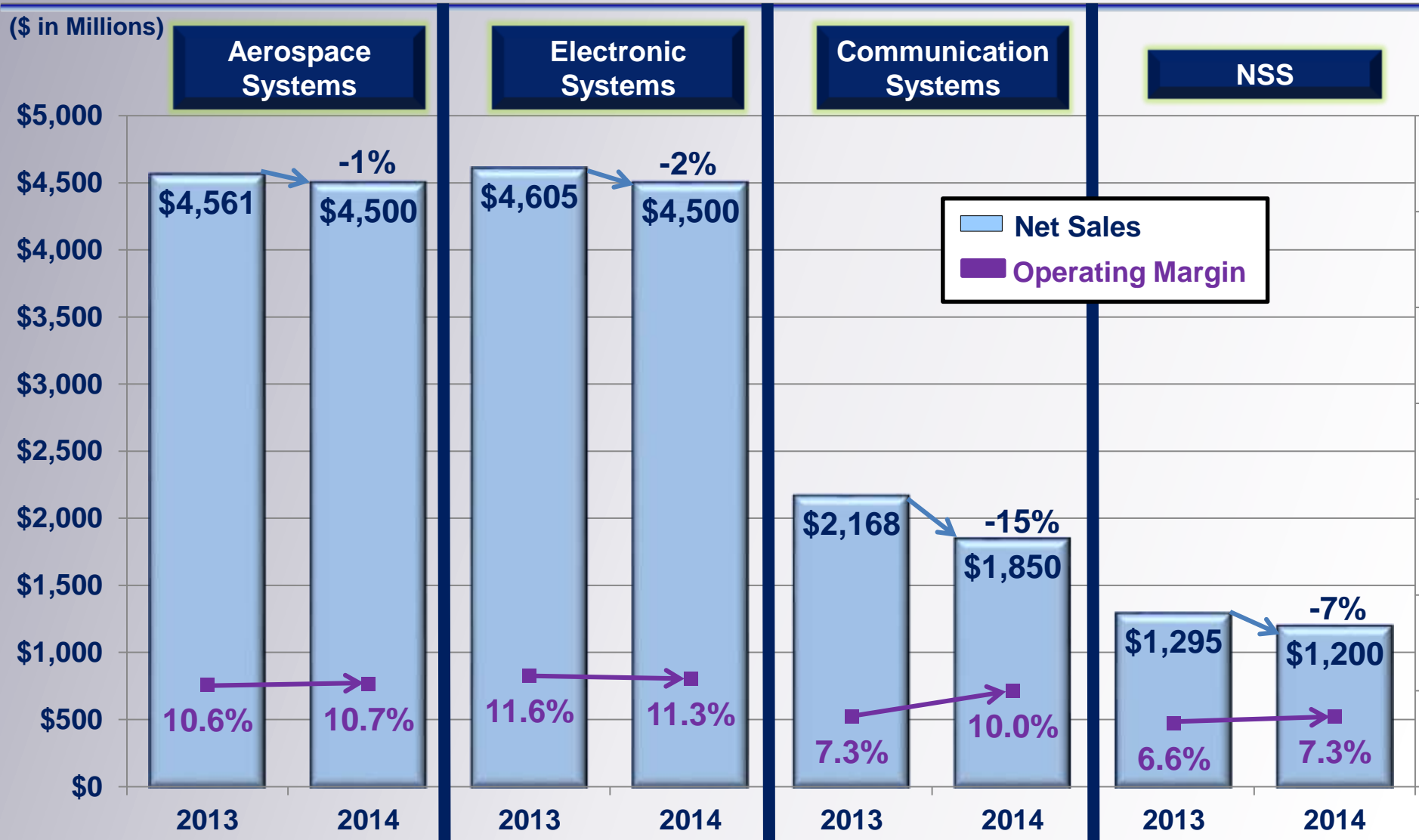
2014 Consolidated Financial Guidance Assumptions:

- (1) Lower pension expense vs. 2013 increases operating income by \$97 million and operating margin by 80 bps.
- (2) The U.S. Federal research and experimentation (R&E) tax credit, which expired on December 31, 2013, increases effective tax rate by 130 bps and reduces diluted EPS by \$0.16.
- (3) Share repurchases of \$575 million.
- (4) The acquisition of Data Tactics Corporation, completed on March 4, 2014, which adds ~\$50 million of sales.
- (5) Guidance excludes any potential non-cash goodwill impairment charges for which the information is presently unknown.

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



2014 Segment Guidance Midpoints (May 1, 2014)



Note: Lower pension expense 2014 vs. 2013 increases operating income \$97 million and margin 80 bps (Aerospace Systems \$33 million or 70 bps, Electronic Systems \$32 million or 70 bps, Communication Systems \$31 million or 170 bps, and NSS \$1 million or 10 bps).



Cash Sources and Uses (May 1, 2014)

(\$ in Millions)

	2014	2013
	<u>Guidance</u>	<u>Actual</u>
Beginning cash	\$ 500	\$ 349
Free cash flow	1,000	1,066
Acquisitions, net	(57)	(58)
Dividends	(207)	(199)
Share repurchases	(575)	(800)
Other, net	89	142
Ending cash	<u>\$ 750</u>	<u>\$ 500</u>

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



Reconciliation of GAAP to Non-GAAP Measurements

(\$ in Millions)

	<u>2014 Guidance</u>	<u>2013 Actual</u>	<u>2012 Actual</u>	<u>2011 Actual</u>	<u>2010 Actual</u>
Net cash from operating activities	\$1,195	\$1,263	\$1,231	\$1,231	\$1,270
Less: Capital expenditures	(200)	(209)	(210)	(187)	(178)
Add: Dispositions of property, plant and equipment	5	12	5	6	10
Income taxes attributable to discontinued operations	-	-	24	63	21
Free cash flow	<u>\$1,000</u>	<u>\$1,066</u>	<u>\$1,050</u>	<u>\$1,113</u>	<u>\$1,123</u>



