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This presentation consists of L3 Technologies, Inc. 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.



Technologies

Forward-Looking Statements

Certain of the matters discussed in these slides, including information regarding the company's 2017 financial guidance 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," "financial guidance," "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; the outcome of litigation matters (see Notes to our annual report on Form 10-K and quarterly reports on Form 10-Q); results of audits by U.S. Government agencies and of ongoing governmental investigations; our significant amount of debt and the restrictions contained in our debt agreements and actions taken by rating agencies that could result in a downgrade of our debt; 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; the risk that our commercial aviation products and services businesses are affected by a downturn in global demand for air travel or a reduction in commercial aircraft OEM (Original Equipment Manufacturer) production rates; 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 including currency risks and compliance with foreign laws; our extensive use of fixed-price type revenue arrangements; the rapid change of technology and high level of competition in which our businesses participate; risks relating to technology and data security; our introduction of new products into commercial markets or our investments in civil and commercial products or companies; the impact on our business of improper conduct by our employees, agents or business partners; goodwill impairments and the fair values of our assets; and ultimate resolution of contingent matters, claims and investigations relating to acquired businesses, and the impact on the final purchase price allocations.

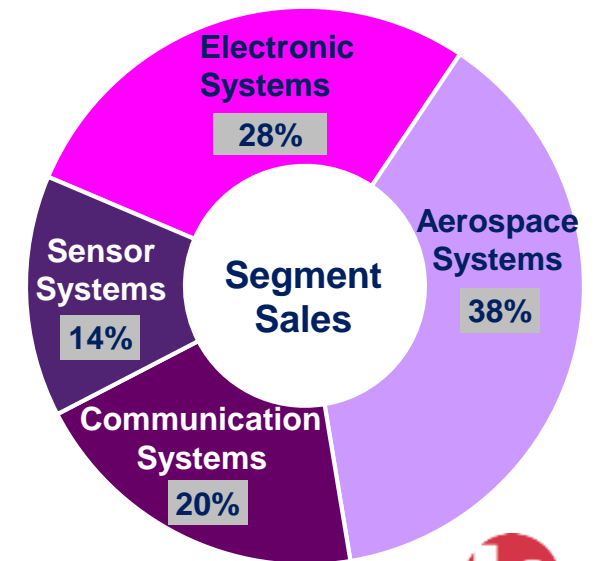
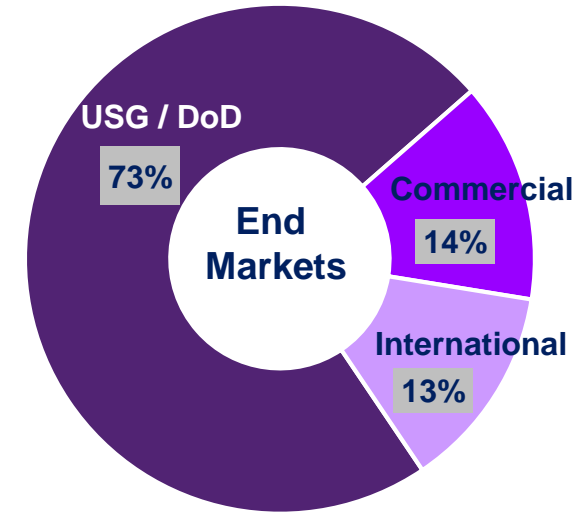
Our forward-looking statements speak only as of the date of these slides or as of the date they were made, and we undertake no obligation to update forward-looking statements. For a more detailed discussion of these factors, also see the information under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our most recent report on Form 10-K for the year ended December 31, 2016 and our quarterly report on Form 10-Q for the period ended September 29, 2017, and any material updates to these factors contained in any of our future filings.

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.



L3 Key Characteristics

- **Leading A&D contractor... non-platform prime contractor and supplier positions... estimated 2017 sales \$10.9 billion**
- **Attributes:**
 - **broad/diverse positions in DoD market supporting organic growth**
 - **high earnings-to-cash flow conversion**
 - **efficient capital structure... IG credit**
 - **new, experienced management team**
- **Growth investments and restructuring/consolidations to enhance competitiveness, and accelerate growth/profitability**
- **Objectives: satisfy customers... disciplined growth + margin expansion + targeted capital allocation**



2017 Trends

- **Sales growing in USG and Commercial markets**
 - strong demand for UAV communications, munition fuzes, full flight simulators, EOIR sensors, and night vision equipment
 - maintenance/logistics contract losses and new business delays/slips impeding **Aerospace Systems**

Financial Estimates (October 26, 2017)

(\$ in Millions except EPS)

| | 2017 | vs. 2016 |
|---|-----------------|----------------|
| Net Sales | \$10,900 | 4% |
| Organic Growth | 2% | n.c. |
| Segment Operating Margin^(A) | 10.3% | +70 bps |
| Segment Operating Income^(A) | \$1,123 | 11% |
| Diluted EPS | \$7.18 | -13% |
| Adjusted Diluted EPS^(A) | \$8.85 | 8% |
| Free Cash Flow | \$875 | -3% |

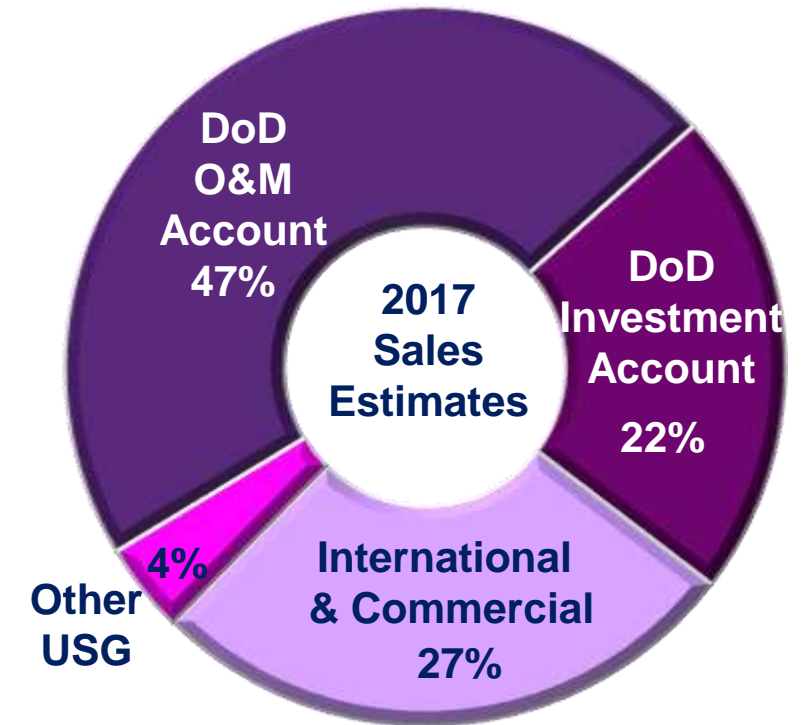
Note: (A) Excludes the goodwill impairment charge of \$187 million (\$133 million after income taxes), or \$1.67 per diluted share, for Vertex Aerospace.

- **Growing all profit metrics (before 3Q17 Vertex goodwill impairment charge)**
- **Robust free cash flow... favoring acquisitions after dividend, divesting Vertex**



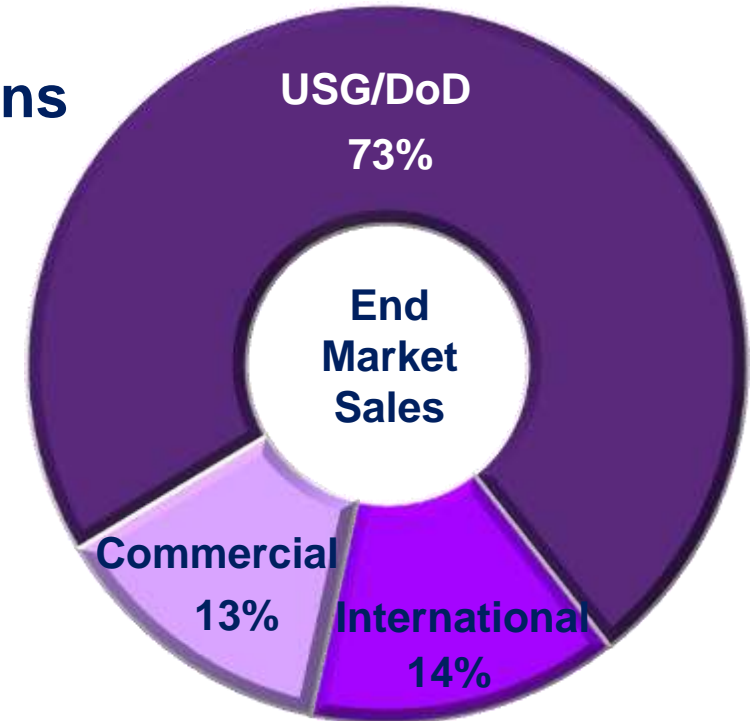
U.S. Government Markets Growing

- Escalating geopolitical volatility supports military spending growth
- DoD budget upcycle began FY16
 - emphasizing Platform Recap and Readiness
 - classified budgets expanding and growing
 - continued annual CRs
 - anticipate more sequester trimming and OCO relief
- Expect higher defense budgets, despite legislative uncertainties



Attractive International & Commercial Markets

- **Markets affected by global economic and security conditions**
- **International - - large addressable market, growth outlook improving**
 - foreign governments and FMS
 - **ISR systems, simulators, communication equipment, night vision, sensors systems**
- **Commercial - - favorable fundamentals**
 - **growing: avionics, aviation simulation & training**
 - **market softness: Space/SatCom and aviation security**



2018 Preliminary Outlook (October 26, 2017)

Consolidated

Sales Growth: -1% to 0% vs. 2017^(A)

Operating Margin: +30 bps vs. 2017^(B)

Tax Rate: ~27%

Diluted Shares: 0% to +1% vs. 2017

Diluted EPS: \$8.75 to \$9.00

Segments

Sales Growth vs. 2017:

Electronics

Communications

Sensors

Aerospace

} average 5% to 7%

-12% to -11%

(-1% to -2% excluding Vertex)

Operating Margin vs. 2017:

Electronics

Communications

Sensors

Aerospace

} + ≥ 50 bps

-170 to -180 bps^(C)

up slightly^(B)

Notes: (A) 4% to 5% vs. 2017 excluding Army C-12 and Ft. Rucker sales declines.

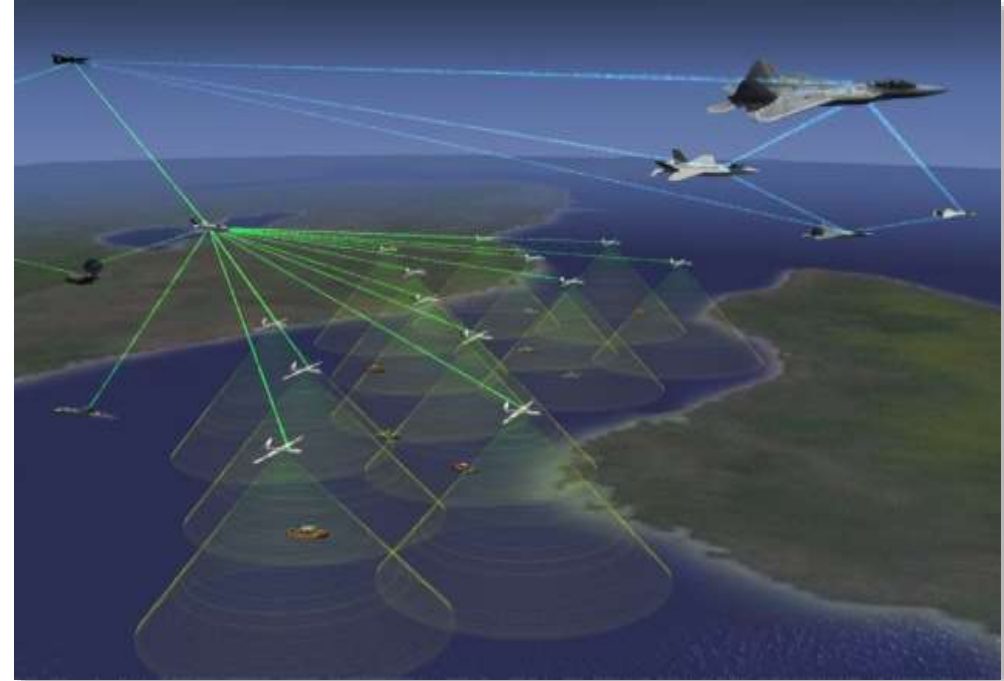
(B) Mostly due to lower net pension expense of approximately \$36 million (with \$32 million in Aerospace Systems).

(C) Primarily driven by \$30 million of incremental growth investments.



Summary

- **Attractive end markets**
- **Affordable solutions aligned with customer priorities**
- **Growing sales and all profit metrics***
- **Robust cash flow and allocating capital for disciplined growth**
- **Growth investments and restructuring/consolidations to enhance competitiveness, growth and profitability**



* Before 3Q17 Vertex Aerospace goodwill impairment charge.

Supplemental Data

Third Quarter Earnings Call

October 26, 2017

Financial Data Charts



Technologies

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Select Financial Data - - Third Quarter

(\$ in Millions, except per share amounts)

| | 3Q17 ⁽¹⁾ | 3Q16 ⁽²⁾ | vs. 3Q16 |
|--|---------------------|---------------------|----------------|
| Net Sales | \$2,646 | \$2,505 | 6% |
| Organic Growth (Decline) | 4% | -2.5% | n.m. |
| Segment Operating Margin⁽³⁾ | 9.4% | 8.6% | +80 bps |
| Segment Operating Income⁽³⁾ | \$250 | \$215 | 16% |
| Interest Expense and Other, Net⁽⁴⁾ | \$37 | \$35 | 6% |
| Effective Income Tax Rate | 0% | 16.1% | n.m. |
| Minority Interest Expense⁽⁵⁾ | \$3 | \$3 | n.c. |
| Diluted Shares | 79.8 | 78.8 | 1% |
| Diluted EPS from Continuing Operations | \$0.29 | \$1.88 | -85% |
| Adjusted Diluted EPS from Continuing Operations^{(3) (6)} | \$1.96 | \$1.88 | 4% |
| Net Cash from Operating Activities from Continuing Operations | \$316 | \$210 | 50% |
| Free Cash Flow⁽⁶⁾ | \$262 | \$163 | 61% |

Notes: (1) Quarter ended September 29, 2017.

(2) Quarter ended September 23, 2016.

(3) 3Q17 excludes a goodwill impairment charge of \$187 million (\$133 million after-tax), or \$1.67 per share, for Vertex Aerospace.

(4) Interest Expense and Other, Net is comprised of: (i) interest expense of \$43 million for 3Q17 and \$41 million for 3Q16 and (ii) interest and other income, net of \$6 million for 3Q17 and 3Q16.

(5) Minority Interest Expense represents net income from continuing operations attributable to noncontrolling interests.

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

n.m. = not meaningful n.c. = no change



Segment Results - - Third Quarter

(\$ in Millions)

| Segment | 3Q17 Net Sales | Sales Growth vs. 3Q16 | Organic Growth | 3Q17 Operating Margin | Margin Change vs. 3Q16 (bps) |
|--------------------------------------|-------------------|-----------------------------|-------------------|-----------------------------|---------------------------------------|
| Electronic Systems | \$ 715 | 13% | 8% | 14.4% | +50 |
| Aerospace Systems ⁽¹⁾ | 1,025 | 1% | 1% | 5.6% | +10 |
| Communication Systems ⁽²⁾ | 540 | 7% | 7% | 7.8% | -10 |
| Sensor Systems ⁽³⁾ | 366 | 3% | 1% | 13.1% | +430 |
| Total Segment⁽⁴⁾ | \$ 2,646 | 6% | 4% | 9.4% | +80 |

- Notes: (1) Includes severance costs of \$15 million in connection with consolidating most of the Aircraft Systems Sector into the ISR Systems Sector, which has been renamed Mission Integration.
(2) Includes severance costs of \$15 million for restructuring costs primarily related to the EDD/ETI Traveling Wave Tube (TWT) businesses consolidation. Operating margin decreased by 290 basis points due to the severance and restructuring costs.
(3) Includes severance costs of \$4 million.
(4) Includes severance and restructuring costs of \$34 million.



Select Financial Data - - Year to Date September

(\$ in Millions, except per share amounts)

| | 2017 ⁽¹⁾ | 2016 ⁽²⁾ | vs. 2016 |
|--|---------------------|---------------------|----------------|
| Net Sales | \$8,047 | \$7,522 | 7% |
| Organic Growth | 5% | 1% | n.m. |
| Segment Operating Margin⁽³⁾ | 10.1% | 9.5% | +60 bps |
| Segment Operating Income⁽³⁾ | \$815 | \$714 | 14% |
| Interest Expense and Other, Net⁽⁴⁾ | \$113 | \$115 | -2% |
| Effective Income Tax Rate | 22.1% | 21.7% | +40 bps |
| Minority Interest Expense⁽⁵⁾ | \$12 | \$10 | 20% |
| Diluted Shares | 79.6 | 78.7 | 1% |
| Diluted EPS from Continuing Operations | \$4.88 | \$5.83 | -16% |
| Adjusted Diluted EPS from Continuing Operations^{(3) (6)} | \$6.55 | \$5.83 | 12% |
| Net Cash from Operating Activities from Continuing Operations | \$667 | \$586 | 14% |
| Free Cash Flow | \$580 | \$475 | 22% |

Notes: (1) Year-to-date period ended September 29, 2017.

(2) Year-to-date period ended September 23, 2016.

(3) 2017 excludes a goodwill impairment charge of \$187 million (\$133 million after-tax), or \$1.67 per share, for Vertex Aerospace.

(4) Interest Expense and Other, Net is comprised of: (i) interest expense of \$128 million for 2017 and \$125 million for 2016 and (ii) interest and other income, net of \$15 million for 2017 and 2016.

(5) Minority Interest Expense represents net income from continuing operations attributable to noncontrolling interests.

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

n.m. = not meaningful



Segment Results - - Year to Date September

(\$ in Millions)

| <u>Segment</u> | <u>2017 Net Sales</u> | <u>Sales Growth vs. 2016</u> | <u>Organic Growth</u> | <u>2017 Operating Margin</u> | <u>Margin Change vs. 2016 (bps)</u> |
|------------------------------|---------------------------|--------------------------------------|---------------------------|--------------------------------------|---|
| Electronic Systems | \$ 2,220 | 17% | 12% | 13.5% | n.c. |
| Aerospace Systems | 3,096 | -2% | -2% | 6.3% | -100 |
| Communication Systems | 1,626 | 11% | 11% | 10.5% | +80 |
| Sensor Systems | 1,105 | 11% | 9% | 13.6% | +530 |
| Total Segment | \$ 8,047 | 7% | 5% | 10.1% | +60 |

n.c. = no change

2017 Consolidated Financial Guidance

(in Millions, except per share amounts)

| | USG/DoD +4% International -7% Commercial +5% | Guidance (October 26, 2017) <hr/> \$10,800 to \$11,000 | vs. 2016 | Prior Guidance (July 27, 2017) <hr/> \$10,800 to \$11,000 |
|-----------------------------------|--|--|-----------------|---|
| Net Sales | | | 4% | |
| Organic Growth | | 2% | n.c. | 2% |
| Operating Margin | | 10.3% | +70 bps | 10.3% |
| Interest Expense and Other | | \$154 | \$(4) | \$158 |
| Effective Tax Rate | | 24.9% | +270 bps | 25.8% |
| Minority Interest Expense | | \$17 | \$3 | \$17 |
| Diluted Shares | | 80 | 2% | 80 |
| Diluted EPS | | \$7.13 to \$7.23 | -13% | \$8.65 to \$8.85 |
| Adjusted Diluted EPS | | \$8.80 to \$8.90 | 8% | n.a. |
| Free Cash Flow | | \$875 | -3% | \$875 |

The current guidance for 2017 excludes: (i) the Vertex Aerospace and any potential goodwill impairment charges for which the information is presently unknown, (ii) potential adverse results related to litigation contingencies and (iii) other items such as gains or losses related to potential business divestitures and the impact of potential acquisitions.

- Notes: (1) Excludes the goodwill impairment charge of \$187 million (\$133 million after income taxes), or \$1.67 per diluted share, for Vertex Aerospace.
 (2) Interest expense and other is comprised of: (i) interest expense of \$172 million and (ii) interest and other income, net, of \$18 million.
 (3) See Reconciliation of GAAP to Non-GAAP Measurements.

n.c. = no change n.a. = not applicable



2017 Segment Guidance

(in Millions)

| Segment | Net Sales | Midpoint Sales vs. 2016 | Midpoint Organic Growth | Segment Operating Margin | Midpoint Margin vs. 2016 (bps) |
|-----------------------|-----------------------------|-------------------------|-------------------------|--------------------------|--------------------------------|
| Electronic Systems | \$3,000 to \$3,100 | 11% | 6% | 13.3% to 13.5% | +10 |
| Aerospace Systems | \$4,050 to \$4,150 | -3% | -3% | 6.4% to 6.6% | -30 |
| Communication Systems | \$2,125 to \$2,225 | 6% | 6% | 10.6% to 10.8% | +90 |
| Sensor Systems | \$1,525 to \$1,625 | 7% | 6% | 13.3% to 13.5% | +310 |
| Total Segments | \$10,800 to \$11,000 | 4% | 2% | 10.3% | +70 |

Note: Aerospace Systems operating income includes \$15 million of severance costs in connection with consolidating most of the Aircraft Systems sector into the ISR sector, which has been renamed Mission Integration.



Cash Flow

(\$ in Millions)

| | 3Q17 Actual | 3Q16 Actual | 9M17 Actual | 9M16 Actual | 2017 Guidance | 2016 Actual |
|---|----------------------|----------------|-----------------------|----------------|-----------------------|----------------|
| Income from continuing operations | \$ 26 ⁽¹⁾ | \$ 151 | \$ 401 ⁽¹⁾ | \$ 469 | \$ 590 ⁽¹⁾ | \$ 661 |
| Impairment charge | 187 | - | 187 | - | 187 | - |
| Gain on sale of property, plant and equipment | - | - | (42) | (6) | (42) | (5) |
| Depreciation & amortization | 56 | 51 | 165 | 153 | 220 | 206 |
| Deferred income taxes | (46) | 19 | (15) | 48 | (3) | 43 |
| 401K common stock match | 36 | 34 | 96 | 92 | 115 | 113 |
| Stock-based employee compensation | 15 | 15 | 43 | 34 | 57 | 49 |
| Amortization of pension and OPEB net losses | 13 | 12 | 43 | 37 | 58 | 48 |
| Working capital/other items | 29 | (72) | (211) | (241) | (152) | (18) |
| Capital expenditures, net | (54) | (47) | (87) | (111) | (155) | (195) |
| Free cash flow⁽²⁾ | \$ 262 | \$ 163 | \$ 580 | \$ 475 | \$ 875 | \$ 902 |

Notes: (1) Includes after tax charge of \$133 million related to goodwill impairment.

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



Supplemental Cash Flow Data

(\$ in Millions)

| | <u>3Q17 Actual</u> | <u>3Q16 Actual</u> | <u>9M17 Actual</u> | <u>9M16 Actual</u> | <u>2017 Guidance</u> | <u>2016 Actual</u> |
|---------------------------------|------------------------|------------------------|------------------------|------------------------|--------------------------|------------------------|
| Cash interest payments | \$ 37 | \$ 37 | \$ 120 | \$ 120 | \$ 165 | \$ 162 |
| Income tax payments, net | 26 | 33 | 115 | 81 | 180 | 112 |
| FAS pension expense | 26 | 23 | 80 | 71 | 106 ^{(1) (2)} | 97 |
| CAS pension cost ⁽³⁾ | 28 | 29 | 89 | 83 | 119 | 111 |
| Pension contributions | 53 | 29 | 64 | 49 | 100 | 97 |

(1) FAS pension expense represents pension expense determined using U.S. GAAP and assumes a 2016 year-end weighted average discount rate of 4.41% (vs. 4.67% for 2015 year-end) and a 2017 weighted average pension asset return of 7.92%.

(2) Estimated 2017 Pension Expense Sensitivity: A 25 bps increase/decrease in 12/31/16 discount rate would decrease/increase 2017 pension expense by ~\$14 million and decrease/increase the 12/31/16 unfunded obligation by ~\$130 million.

(3) CAS pension cost represents estimated allowable and reimbursable pension cost under U.S. Government procurement regulations (determined using Cost Accounting Standards or CAS) on L3's U.S. Government contracts.



Depreciation, Amortization and Capital Expenditures

(\$ in Millions)

| Segment | 2017 | | | | 2016 | | | |
|-----------------------|--------------|---------------|--------------|--------------|--------------|---------------|--------------|---------------|
| | D&A | | CapEx, Net | | D&A | | CapEx, Net | |
| | 3Q17 | 9M17 | 3Q17 | 9M17 | 3Q16 | 9M16 | 3Q16 | 9M16 |
| Electronic Systems | \$ 19 | \$ 54 | \$ 15 | \$ 51 | \$ 15 | \$ 45 | \$ 15 | \$ 41 |
| Aerospace Systems | 15 | 42 | 15 | 34 | 13 | 40 | 10 | 28 |
| Communication Systems | 12 | 36 | 14 | (22) | 12 | 35 | 8 | 15 |
| Sensor Systems | 10 | 33 | 10 | 24 | 11 | 33 | 14 | 27 |
| Consolidated | \$ 56 | \$ 165 | \$ 54 | \$ 87 | \$ 51 | \$ 153 | \$ 47 | \$ 111 |



Cash Sources and Uses

(\$ in Millions)

| | <u>3Q17 Actual</u> | <u>3Q16 Actual</u> | <u>9M17 Actual</u> | <u>9M16 Actual</u> | <u>2017 Guidance</u> | <u>2016 Actual</u> |
|---|------------------------|------------------------|------------------------|------------------------|--------------------------|------------------------|
| Beginning cash | \$ 385 | \$ 352 | \$ 363 | \$ 207 | \$ 363 | \$ 207 |
| Free cash flow from continuing operations | 262 | 163 | 580 | 475 | 875 | 902 |
| Free cash flow from discontinued operations | (2) | - | (2) | (56) | (2) | (56) |
| Divestitures | 2 | (14) | 18 | 561 | 18 | 561 |
| Acquisitions | (100) | - | (291) | (27) | (291) | (388) |
| Dividends | (59) | (54) | (178) | (166) | (237) | (220) |
| Share repurchases | (65) | (50) | (91) | (326) | (200) | (373) |
| Placeholder for add'l M&A/share repurchases | - | - | - | - | (130) | - |
| Debt reduction | - | - | - | (300) | - | (303) |
| Other, net | 16 | 14 | 40 | 43 | 64 | 33 |
| Ending cash | <u>\$ 439</u> | <u>\$ 411</u> | <u>\$ 439</u> | <u>\$ 411</u> | <u>\$ 460</u> | <u>\$ 363</u> |

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



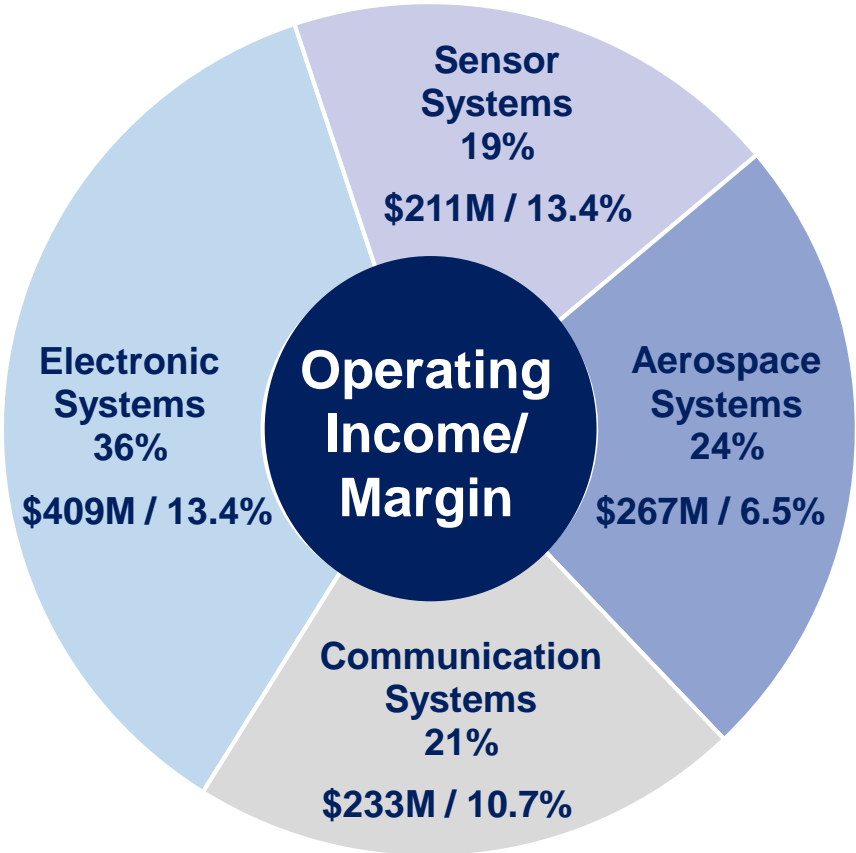
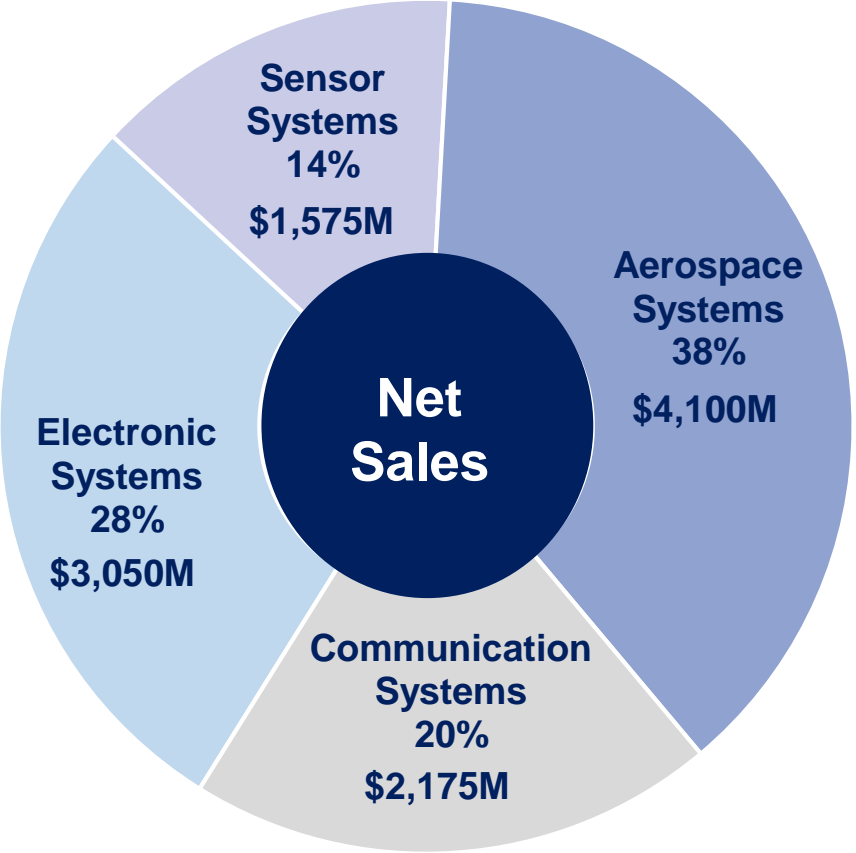
Capitalization and Leverage

(\$ in Millions)

| | 9/29/17 Actual | 12/31/16 Actual | 12/31/15 Actual |
|-----------------------|-------------------|--------------------|--------------------|
| Cash | \$439 | \$363 | \$207 |
| Debt | \$3,329 | \$3,325 | \$3,626 |
| Equity | 5,069 | 4,624 | 4,429 |
| Invested Capital | \$8,398 | \$7,949 | \$8,055 |
| Debt/Invested Capital | 39.6% | 41.8% | 45.0% |
| Debt/LTM EBITDA | 2.51x | 2.74x | 3.30x |
| Available Revolver | \$1,000 | \$1,000 | \$1,000 |

Notes: (1) Debt/LTM EBITDA excludes discontinued operations.
 (2) See Reconciliation of GAAP to Non-GAAP Measurements.

Segment Mix: 2017 Guidance



Note: Net sales and operating income/margin represent midpoints of the range of segment guidance.



2017 Segment Guidance - Current vs. Prior

(\$ in Millions)

| Segment | Current Guidance (October 26, 2017) | | Prior Guidance (July 27, 2017) | |
|-----------------------|--|------------------|-----------------------------------|------------------|
| | Net Sales | Operating Margin | Net Sales | Operating Margin |
| Electronic Systems | \$3,000 to \$3,100 | 13.3% to 13.5% | \$3,000 to \$3,100 | 13.2% to 13.4% |
| Aerospace Systems | \$4,050 to \$4,150 | 6.4% to 6.6% | \$4,050 to \$4,150 | 6.9% to 7.1% |
| Communication Systems | \$2,125 to \$2,225 | 10.6% to 10.8% | \$2,125 to \$2,225 | 10.6% to 10.8% |
| Sensor Systems | \$1,525 to \$1,625 | 13.3% to 13.5% | \$1,525 to \$1,625 | 12.7% to 12.9% |
| Consolidated | \$10,800 to \$11,000 | 10.3% | \$10,800 to \$11,000 | 10.3% |



Reconciliation of GAAP to Non-GAAP Measurements (1 of 3)

(in Millions)

| | 3Q17 Actual | 3Q16 Actual | 9M17 Actual | 9M16 Actual | 2017 Guidance | 2016 Actual |
|---|----------------|----------------|----------------|----------------|------------------|----------------|
| Net cash from operating activities from continuing operations | \$ 316 | \$ 210 | \$ 667 | \$ 586 | \$ 1,030 | \$ 1,097 |
| Less: Capital expenditures | (56) | (51) | (154) | (126) | (225) | (216) |
| Add: Dispositions of property, plant and equipment | 2 | 4 | 67 | 15 | 70 | 21 |
| Free cash flow from continuing operations | <u>\$ 262</u> | <u>\$ 163</u> | <u>\$ 580</u> | <u>\$ 475</u> | <u>\$ 875</u> | <u>\$ 902</u> |
| Net cash from operating activities from discontinued operations | \$ (2) | \$ - | \$ (2) | \$ (56) | \$ (2) | \$ (56) |
| Less: Capital expenditures | - | - | - | - | - | - |
| Free cash flow from discontinued operations | <u>\$ (2)</u> | <u>\$ -</u> | <u>\$ (2)</u> | <u>\$ (56)</u> | <u>\$ (2)</u> | <u>\$ (56)</u> |

Reconciliation of GAAP to Non-GAAP Measurements (2 of 3)

(in Millions except per share amounts)

| | Third Quarter Ended | | Year-to-Date Ended | |
|--|---------------------|----------------|--------------------|----------------|
| | 9/29/17 | 9/23/16 | 9/29/17 | 9/23/16 |
| Diluted EPS from continuing operations attributable to L3's common stockholders | \$ 0.29 | \$ 1.88 | \$ 4.88 | \$ 5.83 |
| EPS impact of goodwill impairment charge ⁽¹⁾ | 1.67 | - | 1.67 | - |
| Adjusted diluted EPS from continuing operations ⁽²⁾ | <u>\$ 1.96</u> | <u>\$ 1.88</u> | <u>\$ 6.55</u> | <u>\$ 5.83</u> |
| Net income from continuing operations attributable to L3 | \$ 23 | \$ 148 | \$ 389 | \$ 459 |
| Goodwill impairment charge ⁽¹⁾ | 133 | - | 133 | - |
| Adjusted net income from continuing operations attributable to L3 ⁽²⁾ | <u>\$ 156</u> | <u>\$ 148</u> | <u>\$ 522</u> | <u>\$ 459</u> |

| | | |
|--|------------------|------------------|
| ⁽¹⁾ Goodwill impairment charge | \$ (187) | \$ (187) |
| Tax benefit | 54 | 54 |
| After-tax impact | <u>(133)</u> | <u>(133)</u> |
| Diluted weighted average common shares outstanding | 79.8 | 79.6 |
| Per share impact ⁽³⁾ | <u>\$ (1.67)</u> | <u>\$ (1.67)</u> |

⁽²⁾ Adjusted diluted EPS is diluted EPS attributable to L3's common stockholders, excluding the goodwill impairment charge related to Vertex Aerospace. Adjusted net income attributable to L3 is net income attributable to L3, excluding the goodwill impairment charge related to Vertex Aerospace. These amounts are not calculated in accordance with the accounting principles generally accepted in the United States of America (U.S. GAAP). The company believes that the goodwill impairment charge affects the comparability of the results of operations for 2017 to the results of operations for 2016. The company also believes that disclosing net income and diluted EPS excluding the goodwill impairment charge will allow investors to more easily compare the 2017 results to the 2016 results. However, these measures may not be defined or calculated by other companies in the same manner.

⁽³⁾ Amounts may not calculate due to rounding.



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

(in Millions)

| Cash Flow to EBITDA Reconciliation | 9/29/17 LTM | 12/31/16 Actual | 12/31/15 Actual |
|--|-----------------|--------------------|--------------------|
| Net cash from operating activities from continuing operations | \$ 1,178 | \$ 1,097 | \$ 1,069 |
| Income tax payments, net of refunds | 146 | 112 | 122 |
| Interest payments, net of interest income | 144 | 145 | 145 |
| Stock-based employee compensation | (175) | (162) | (156) |
| Amortization of pension and post retirement benefit plans net loss | (54) | (48) | (67) |
| Gain on sale of property, plant and equipment | 41 | 5 | - |
| Other non-cash items | 1 | (12) | 3 |
| Changes in operating assets and liabilities | 46 | 77 | (16) |
| LTM EBITDA from continuing operations | \$ 1,327 | \$ 1,214 | \$ 1,100 |
| Debt | \$ 3,329 | \$ 3,325 | \$ 3,626 |
| Debt/LTM EBITDA | 2.51x | 2.74x | 3.30x |

Note: EBITDA is defined as consolidated income from continuing operations (excluding impairment losses incurred on goodwill and identifiable intangible assets and losses related to business divestiture transactions), plus consolidated interest, taxes, depreciation and amortization. The Debt to EBITDA ratio is presented because we believe it to be a useful indicator of our debt capacity and our ability to service our debt. EBITDA is not a substitute for net cash from operating activities as determined in accordance with generally accepted accounting principles in the United States of America. EBITDA is not a complete net cash flow measure because EBITDA is a financial measure that does not include reductions for cash payments for our obligation to service our debt, fund our working capital and capital expenditures and pay our income taxes. Rather, EBITDA is one potential indicator of our ability to fund these cash requirements. We believe that the most directly comparable GAAP financial measure to EBITDA is net cash from operating activities. The table above presents a reconciliation of net cash from operating activities to EBITDA.



Glossary of Acronyms

| | | | |
|-------------------|--|----------------|--|
| A&D | Aerospace & Defense | GAAP | Generally Accepted Accounting Principles |
| A2/AD | Anti-Access/Area Denial | HWS | Holographic Weapon Sites |
| bps | Basis Points | IG | Investment Grade |
| CapEx, Net | Capital expenditures, net of disposition of property, plant and equipment | ISR | Intelligence, Surveillance and Reconnaissance |
| CAS | Cost Accounting Standards - U.S. Government | LTM | Last Twelve Months |
| CRs | Continuing Resolutions | O&M | Operations & Maintenance |
| D&A | Depreciation and Amortization | OCO | Overseas Contingency Operations |
| EBITDA | Earnings Before Interest Taxes Depreciation Amortization | OPEB | Other Post Employment Benefits |
| EDD/ETI | Electron Devices Division / Electronic Technologies, Inc. | R&D | Research & Development |
| EO/IR | Electro-Optical / Infra-Red | SATCOM | Satellite Communications |
| EPS | Earnings Per Share | UAV | Unmanned Aerial Vehicle |
| FAS | Financial Accounting Standards Board | USG | United States Government |
| FMS | Foreign Military Sales | | |





Technologies