



***Lehman Brothers 2008 High Yield  
Bond and Syndicated Loan Conference  
March 12, 2008***

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Chief Financial Officer***

# *External Environment*

- ❖ Healthy/growing DoD budget
- ❖ US commitment to Iraq continues
- ❖ Geopolitical scene increasing complexity
- ❖ Presidential election uncertainty
- ❖ US military transformation is mandatory



# *L-3 at a Glance*

<b>2007 Sales:</b>	<b>\$14B</b>
<b>U.S. Defense Industry Rank:</b>	<b>6</b>
<b>Business Segments:</b>	<b>4</b>
<b>Funded Backlog:</b>	<b>\$9.6B</b>
<b>Employees:</b>	<b>&gt;64,000</b>



# 2007 Selected Financial Data

(\$ in millions, except EPS amounts)

	2007 Actual	2006 Actual	Increase (Decrease)
Sales	\$13,961	\$12,477	12%
Operating Margin	10.4%	10.3%	+10 bpts
Operating Income	\$1,448	\$1,279	13%
Interest Expense / Other	\$274	\$286	-4%
Tax Rate	35.6%	36.6%	
Diluted EPS	\$5.98	\$5.05	18%
Free Cash Flow	\$1,121	\$920	22%

- Notes: (1) 2006 actual excludes Q206 Litigation Charge of \$129 (\$78 net of taxes) or \$0.63 per diluted share and Stock-Based Charge of \$39 (\$26 net of taxes) or \$0.20 per diluted share.  
 (2) See Reconciliation of GAAP to Non-GAAP measurements.



# *Sales by End Customer*

(\$ in Millions)

	2007 Actual	% of Total
Army	\$ 3,782	27%
Air Force	2,667	19%
Navy / Marines	2,075	15%
Other Defense	1,744	13%
<b>Total U.S. Military (DoD)</b>	<b>\$10,268</b>	<b>74%</b>
Other, U.S. Government	834	6%
U.S. government	\$11,102	80%
Foreign governments	972	7%*
Commercial - foreign	1,122	8%*
Commercial - domestic	765	5%
<b>Consolidated</b>	<b>\$13,961</b>	<b>100%</b>

\* Total international = 15%



# ***Business Profile***

- ❖ Prime contractor in C<sup>3</sup>ISR, AM&M, Services
- ❖ Supplier with broad product mix and balanced exposure to new platforms
- ❖ Participate in fast growing DoD segments
  - communications, ISR and sensors
  - simulation & training
  - warfighter support services
- ❖ Participate in other major budgets



# ***Business Strategy***

- ❖ Expand prime contractor and supplier positions
- ❖ Align R&D, CapEx and M&A with customer priorities
- ❖ Organic growth, plus M&A
- ❖ Grow EPS and Cash Flow



# *Growth Drivers*

- ❖ Program performance
- ❖ Proprietary technologies and R&D
- ❖ Services outside DoD
- ❖ International business
- ❖ Acquisitions



# *Acquisition Strategy*

- ❖ Add important new technologies, products, programs, customers, with attractive returns
- ❖ Areas of interest:
  - Content on ground vehicles
  - Intel support, logistics and high-end services
  - Sensors, ISR and unmanned systems
- ❖ Acquisition pipeline -- still many candidates, limited qualified ones
- ❖ Niche or larger acquisitions



# 2008 Financial Guidance

(\$ in Billions, except EPS amounts)

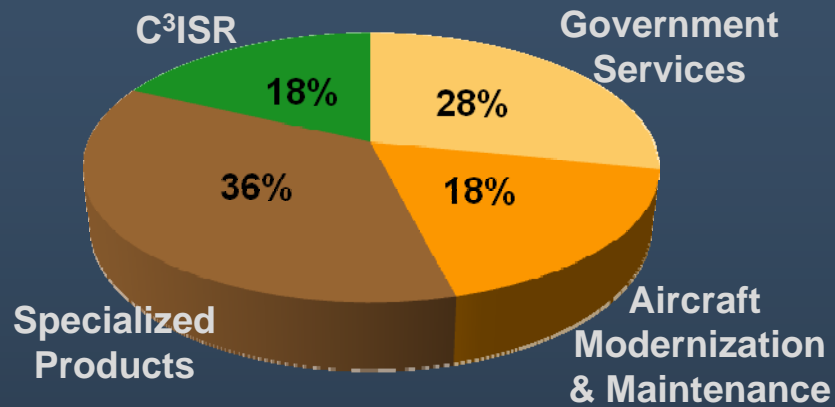
	2008 Guidance	2007 Actual	Mid-Point Growth	Growth Excluding Linguist
Sales	\$14.2 to \$14.4	\$14.0	2%	7%
Operating Margin	10.8%	10.4%	+40 bpts	+30 bpts
Tax Rate	36.5%	35.6%	+90 bpts	
Diluted EPS	\$6.48 to \$6.62	\$5.98	10%	13%
Free Cash Flow	\$1.20	\$1.12	7%	

- Notes: (1) Guidance includes sales for the Linguist Iraq contract through March 8 (\$150M).  
 (2) Excludes impact of proposed FASB accounting change on cash-settled convertible debt.  
 (3) 2008 Free Cash Flow is before possible OSI litigation verdict payment (up to \$76, net of taxes).  
 (4) 2008 tax rate assumes federal R&E tax credit (-70 bpts or \$0.07 EPS).  
 (5) See Reconciliation of GAAP to Non-GAAP measurements.



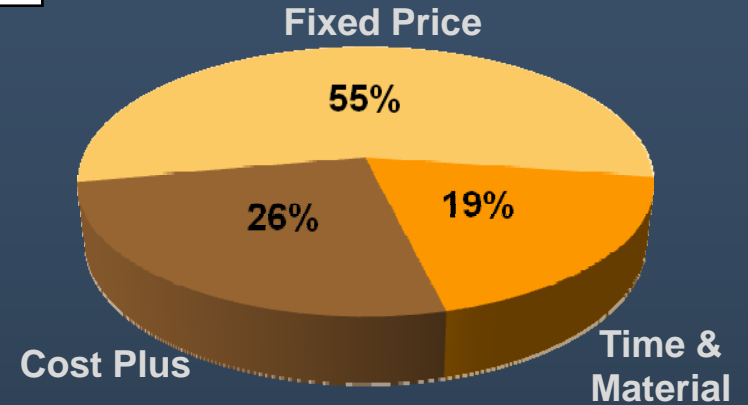
# 2008 Estimated Sales Mix

## Segments

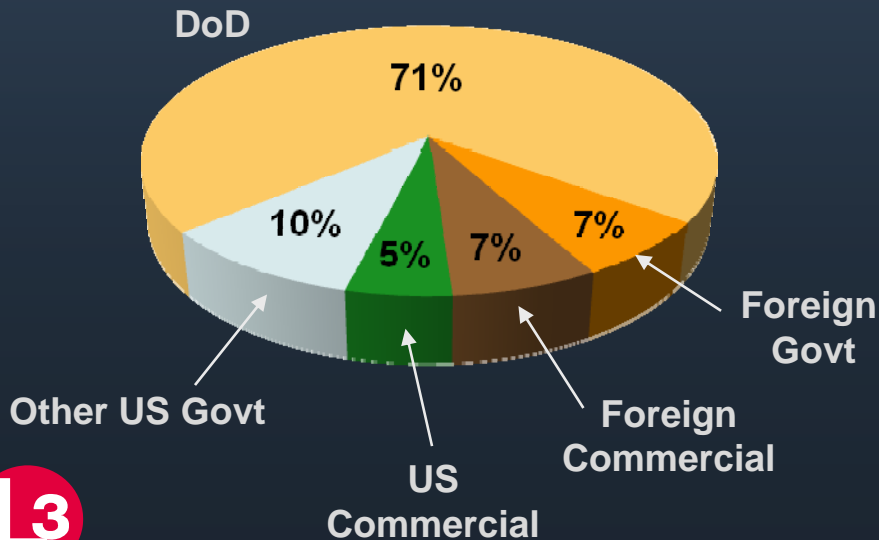


Products 49%  
Services 51%

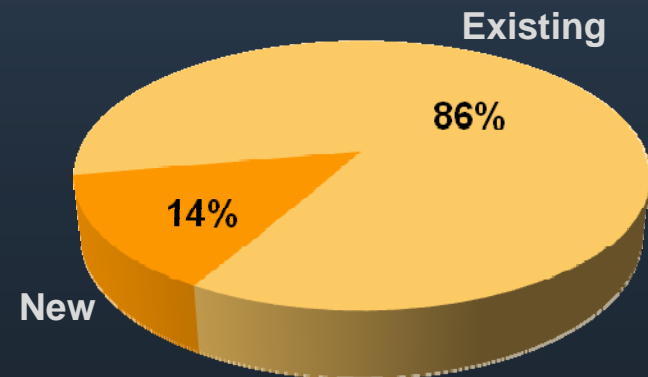
## Contract Type



## Funding Source



## Business Type \*



\* Estimate at January 1, 2008.



# Free Cash Flow

(\$ in Millions)

	2008 Guidance	2007 Actual
Net Income	\$ 822	\$ 756
Depreciation of PP&E	158	150
Amortization, Primarily Intangibles	57	57
Deferred Taxes	110	113
Stock-Based Compensation	195	177
Operating Assets & Liabilities / Other	28	17
Capital Expenditures, net	(170)	(149)
<b>Free Cash Flow</b>	<b>\$ 1,200</b>	<b>\$ 1,121</b>
<b>Earnings-to-Cash Flow Conversion</b>	<b>146%</b>	<b>148%</b>

Notes: (1) 2008 Free Cash Flow is before possible OSI litigation verdict payment (up to \$76M, net of taxes).

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



# Capitalization and Leverage

(\$ in Millions)

	12/31/08 Guidance	12/31/07 Actual	12/31/06 Actual
Cash	\$ 1,520	\$ 780	\$ 348
Debt	\$ 4,538	\$ 4,537	\$ 4,535
Minority Interest	92	87	84
Equity	6,590	5,989	5,306
Book Capitalization	\$ 11,220	\$ 10,613	\$ 9,925
Debt/Book Capitalization	40.4%	42.7%	45.7%
Net Debt/Net Book Capitalization	31.1%	38.2%	43.7%
Bank Leverage Ratio	2.2x	2.4x	2.9x
Available Revolver	\$ 775	\$ 794	\$ 923

Note: Guidance amounts only include completed business acquisitions.

# Debt Analysis

(\$ in Millions)		12/31/07		Maturity	First Redemption	
	%	Actual	Type	Date	Date	Premium
<b>Senior Debt:</b>						
Revolver		\$ -	Variable	Mar 2010	n.a.	
Term Loans		650	Variable	Mar 2010	n.a.	
Subtotal	14%	\$ 650				
<b>Subordinated Debt:</b>						
7 <sup>5</sup> / <sub>8</sub> % Notes		\$ 750	Fixed	Jun 2012	Jun 2007	3.813%
6 <sup>1</sup> / <sub>8</sub> % Notes		400	Fixed	Jul 2013	Jul 2008	3.063%
6 <sup>1</sup> / <sub>8</sub> % Notes		400	Fixed	Jan 2014	Jan 2009	3.063%
5 <sup>7</sup> / <sub>8</sub> % Notes		650	Fixed	Jan 2015	Jan 2010	2.938%
6 <sup>3</sup> / <sub>8</sub> % Notes		1,000	Fixed	Oct 2015	Oct 2010	3.188%
3% CODES		700	Fixed	Aug 2035	Feb 2011	0%*
Unamortized Discounts		(13)				
Subtotal	86%	\$ 3,887				
Total	100%	\$ 4,537				

\* The contingent convertible notes (CODES) contain "puts" that holders can exercise on Feb 2011, Feb 2016, Feb 2021, Feb 2026 and Feb 2031 at a price of 100%.



# *L-3's Credit Ratings*

	<u>S&amp;P</u>	<u>Moody's</u>	<u>Fitch</u>
Senior Debt	BBB-	Ba2	BBB-
Subordinated Debt	BB+	Ba3	BB
Investment Grade	BBB-	Baa3	BBB-



# *Concluding Thoughts*

- ❖ Diversified business
- ❖ Sales visibility from existing business
- ❖ Robust earnings-to-cash flow conversion
- ❖ Strong, flexible balance sheet
- ❖ Disciplined capital allocation
- ❖ Emphasis on growing EPS and cash flow





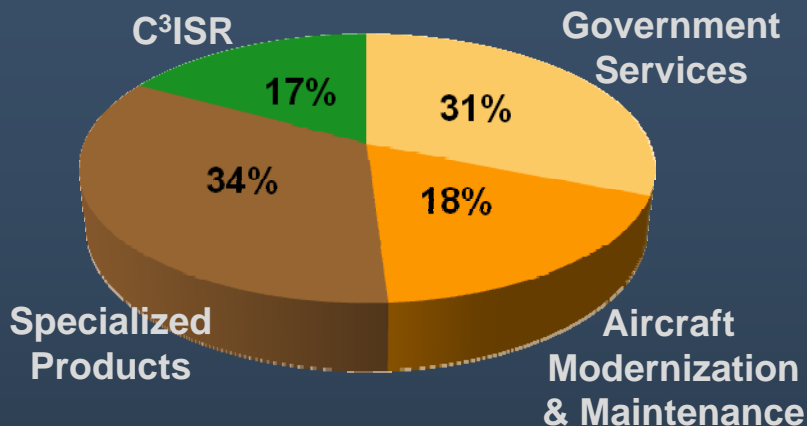
# *Supplemental Financial Data*



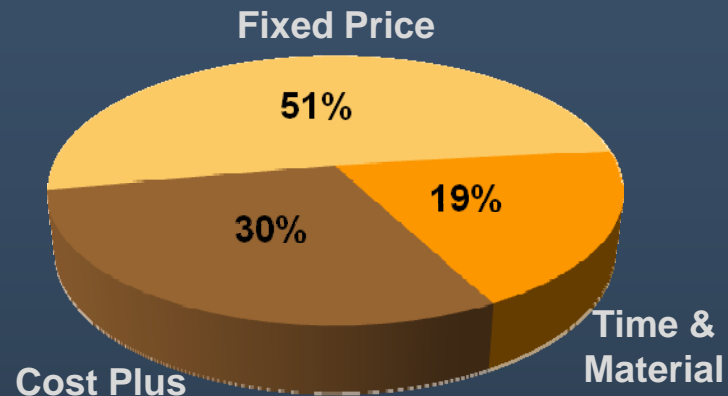
# 2007 Estimated Sales Mix

Products 47%  
Services 53%

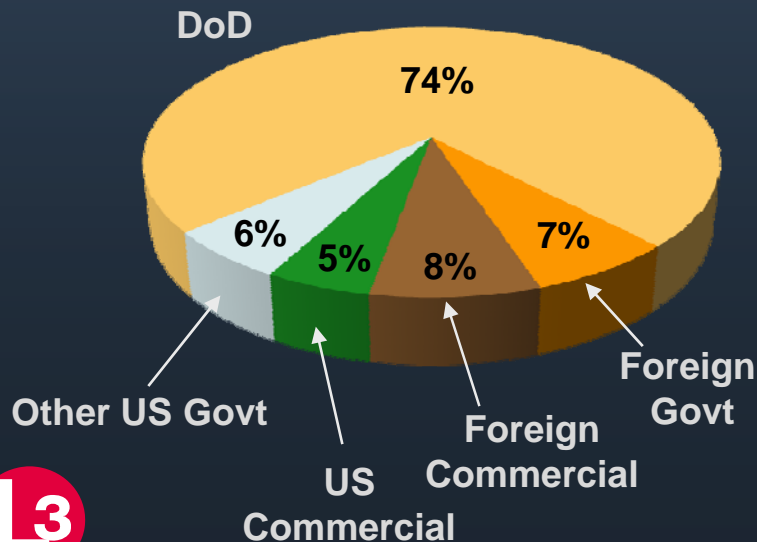
## Segments



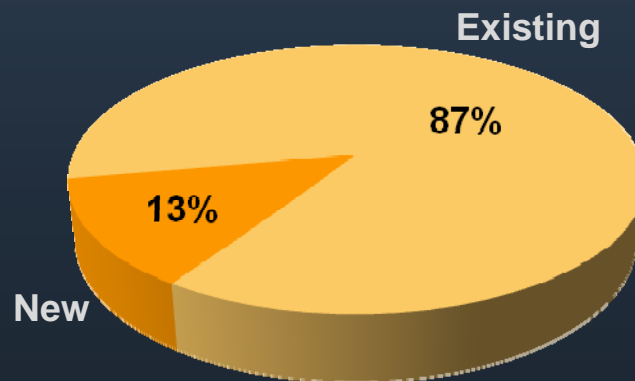
## Contract Type



## Funding Source



## Business Type \*



\* Estimate at January 1, 2007.



# 2007 Segment Sales

(\$ in Billions)

Segment	2007	2006	Growth	
	Actual	Actual	Total	Organic
C <sup>3</sup> ISR	\$ 2.3	\$ 2.0	14%	11%
Gov't Services	4.3	3.9	13%	13%
AM&M	2.6	2.3	9%	6%
Specialized Products	4.8	4.3	12%	8%
<b>Consolidated</b>	<b>\$ 14.0</b>	<b>\$ 12.5</b>	<b>12%</b>	<b>10%</b>



# 2008 Segment Sales

(\$ in Billions)

Segment	2008 Guidance	2007 Actual	Increase (Decrease)
C <sup>3</sup> ISR	\$2.5 to \$2.6	\$2.3	8% to 10%
Government Services	\$4.0 to \$4.1	\$4.3	-7% to -5%
		<b>excluding Linguist</b>	<b>6% to 8%</b>
AM&M	\$2.6 to \$2.7	\$2.6	5% to 7%
Specialized Products	\$5.1 to \$5.2	\$4.8	6% to 8%
<b>Consolidated</b>	<b>\$14.2 to \$14.4</b>	<b>\$14.0</b>	<b>2% to 4%</b>
		<b>excluding Linguist</b>	<b>6% to 8%</b>

Notes: (1) The 2008 Sales Guidance includes Linguist contract extension through March 8, 2008 (\$150M).  
 (2) All Sales Guidance amounts only include completed business acquisitions.



# 2008 Segment Operating Margin

Segment	2008 Guidance	2007 Actual
C <sup>3</sup> ISR	10.5% to 10.8%	10.0%
Government Services	9.8% to 10.2%	9.3%
excluding Linguist	10.0% to 10.4%	9.9%
AM&M	9.5% to 9.8%	9.8%
Specialized Products	11.8% to 12.2%	11.8%
<b>Consolidated</b>	<b>10.8%</b>	<b>10.4%</b>
excluding Linguist	<b>10.9%</b>	<b>10.6%</b>



# 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 margin, total segment operating margin, 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; actual future interest rates, volatility and other assumptions used in the determination of pension benefits and stock options amounts; our ability to successfully negotiate contracts with labor unions and our ability to favorably resolve labor disputes should they arise; the business and economic conditions in the markets in which we operate; our ability to perform contracts on schedule; economic conditions, competitive environment and political conditions (including 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 current or future litigation matters and governmental investigation(s) of our businesses, including acquired businesses; anticipated cost savings from business acquisitions may not be 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, including Titan’s ability to maintain its export licenses; 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, 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)

	2006 Actual	2007 Actual	2008 Guidance
Operating income	\$ 1,111		
Add: Litigation Charge	129		
Stock-Based Charge	39		
Operating income excluding Litigation and Stock-Based Charges	<u>\$ 1,279</u>		
Diluted earnings per share	\$ 4.22		
Add: Litigation Charge per share	0.63		
Stock-Based Charge per share	0.20		
Diluted earnings per share excluding Litigation and Stock-Based Charges	<u>\$ 5.05</u>		
Net cash from operating activities	\$ 1,074	\$ 1,270	\$ 1,370
Less: Capital expenditures	(156)	(157)	(180)
Add: Dispositions of property, plant and equipment	2	8	10
Free cash flow	<u>\$ 920</u>	<u>\$ 1,121</u>	<u>\$ 1,200</u>



