



***Investor Conference
Financial Review
November 6, 2007***

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Chief Financial Officer***



2007 Financial Review

2007 Selected Financial Data



(\$ in millions, except EPS amounts)

	2007 Guidance	2006 Actual	Increase (Decrease)
Sales	\$13,700	\$12,477	10%
Operating Margin	10.5%	10.3%	+20 bpts
Operating Income	\$1,432	\$1,279	12%
Interest Expense / Other	\$273	\$286	-5%
Tax Rate	35.6%	36.6%	
Diluted EPS	\$5.86 to \$5.90	\$5.05	17%
Free Cash Flow	\$1,100	\$920	20%

- 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.

2007 Segment Sales



(\$ in Billions)

Segment	2007	2006	Growth	
	Guidance	Actual	Total	Organic
C ³ ISR	\$ 2.2	\$ 2.0	9%	6%
Gov't Services	4.2	3.9	10%	10%
AM&M	2.5	2.3	8%	5%
Specialized Products	4.8	4.3	12%	8%
Consolidated	\$ 13.7	\$ 12.5	10%	8%

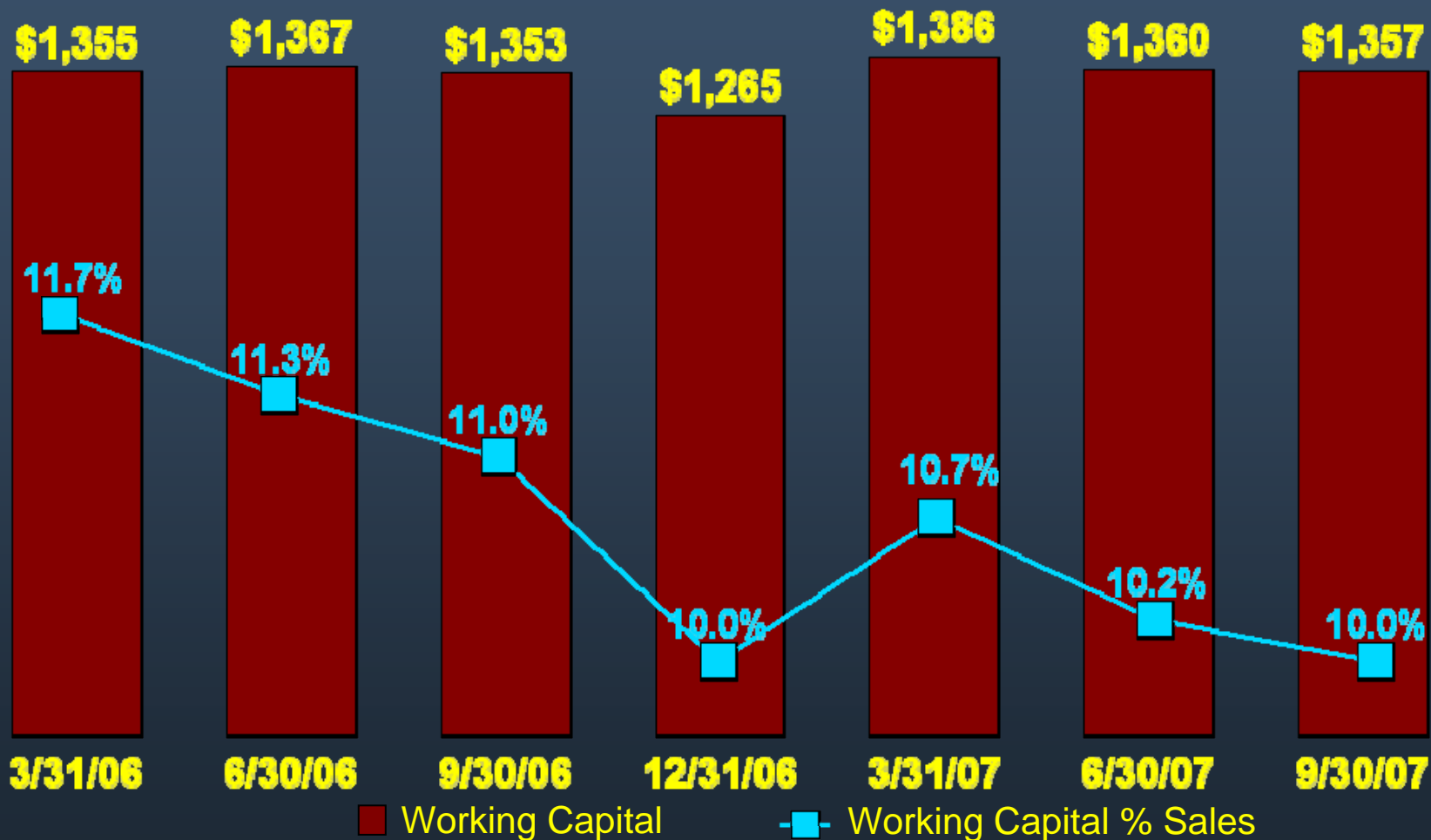
Note: The 2007 Sales Guidance includes the Linguist contract through December 9, 2007.

Working Capital Reduction Initiative

Working Capital and Sales



(\$ in Millions)



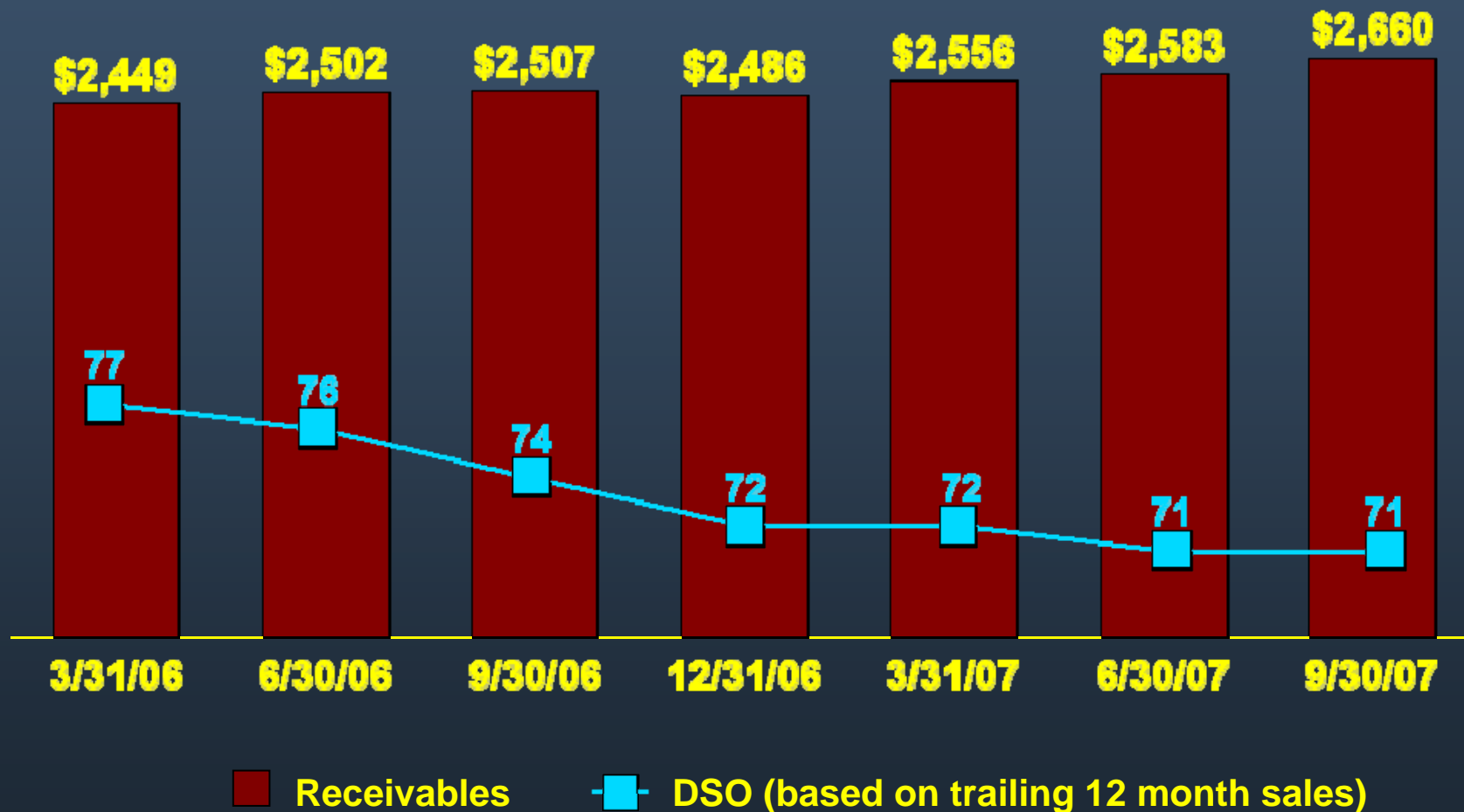
Working Capital: Current assets (less cash and deferred tax assets) less Current Liabilities (less debt, income taxes and OSI liability)

Note: See Reconciliation of GAAP to Non-GAAP measurements

Receivables and Days Sales Outstanding (DSO)



(\$ in Millions)



2008 Financial Growth Objectives

2008 Financial Growth Objectives



- **Double-digit EPS growth, driven by growing operating income**
 - Sales growth (6% to 8% organic target)
 - Growing sales faster than overheads
 - Modest margin expansion
- **Strong Earnings-to-Cash Flow conversion**
- **Book-to-Bill > 1.0x**
- **Deploy Free Cash Flow to increase EPS**

Initial 2008 Financial Guidance

2008 Initial Financial Guidance



(\$ in Billions, except EPS amounts)

	2008 Guidance*	2007 Guidance	Mid-Point Growth*	Growth w/Linguist Contract
Sales	\$14.0 to \$14.2	\$13.7	3%	7%
Operating Margin	10.9%	10.5%	+40 bpts	+20 bpts
Tax Rate	36.5%	35.6%		
Diluted EPS	\$6.41 to \$6.55	\$5.86 to \$5.90	10%	13%
Free Cash Flow	\$1.15	\$1.1	5%	

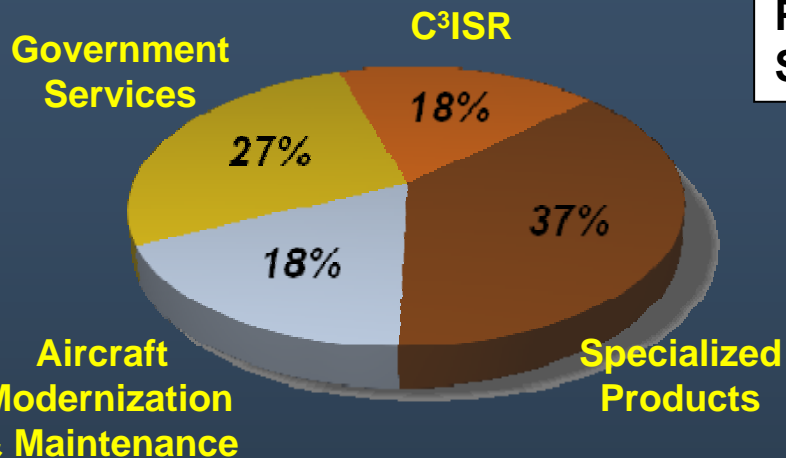
* Major Assumption: 2008 Guidance excludes the Linguist contract.

- Notes:
- (1) Excludes impact of proposed FASB accounting change on cash-settled convertible debt that would reduce 2008 and 2007 EPS each by ~\$0.15.
 - (2) Free Cash Flow is before payment of award in OSI litigation (up to \$76, net of taxes).
 - (3) See Reconciliation of GAAP to Non-GAAP measurements.

2008 Sales Mix

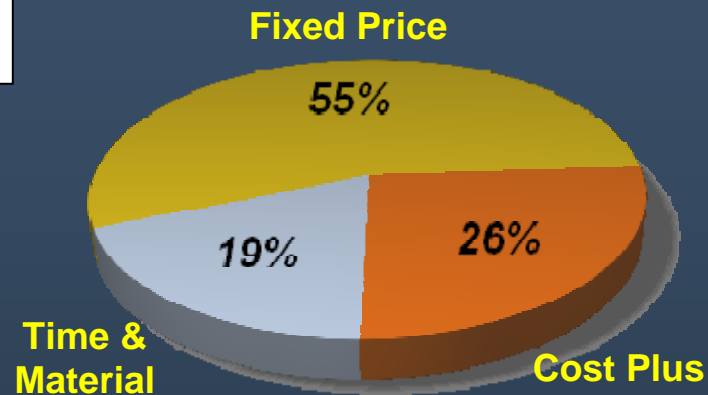


Segments

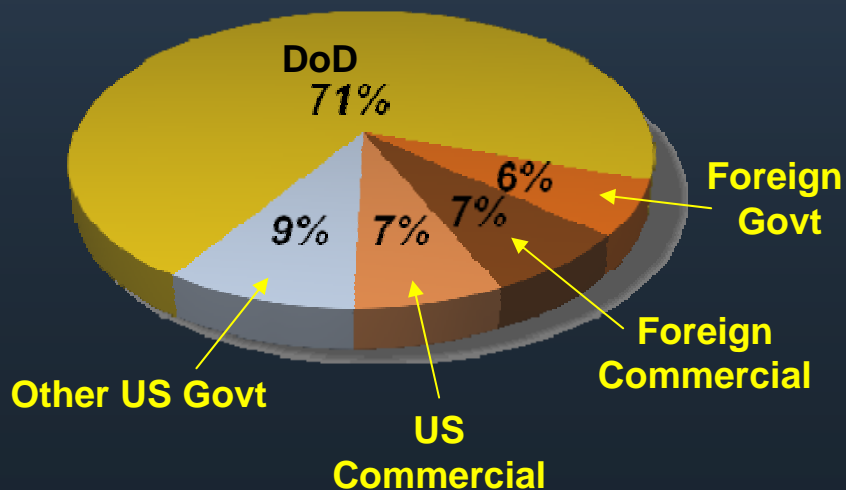


Products 49%
Services 51%

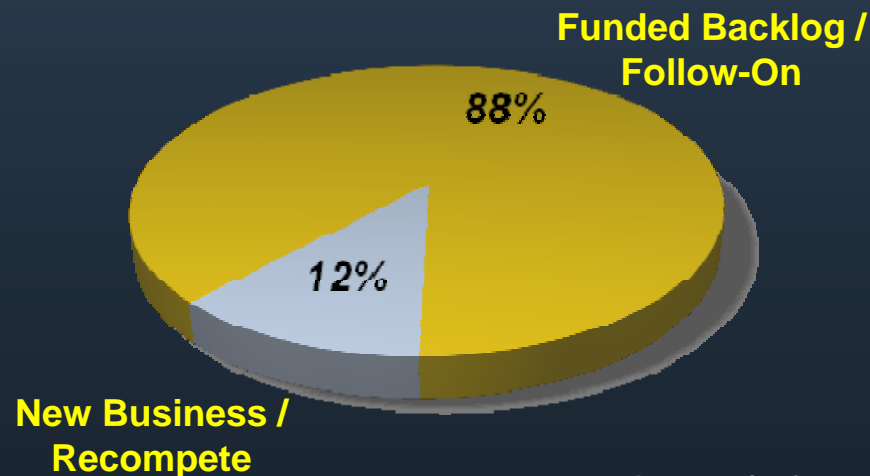
Contract Type



Funding Source



Business Type



2008 Segment Sales



(\$ in Billions)

Segment	2008 Guidance	2007 Guidance	Increase (Decrease)
C ³ ISR	\$2.4 to \$2.5	\$2.2	10% to 12%
Government Services	\$3.8 to \$3.9	\$4.2	-9 to -7%
		growth w/Linguist	5% to 7%
AM&M	\$2.6 to \$2.7	\$2.5	4% to 6%
Specialized Products	\$5.1 to \$5.2	\$4.8	6% to 8%
Consolidated	\$14.0 to \$14.2	\$13.7	2% to 4%
		growth w/Linguist	6% to 8%

- Notes: (1) The 2008 Sales Guidance does not include the Linguist contract.
 (2) The 2007 Sales Guidance includes the Linguist contract through December 9, 2007.
 (3) All Sales Guidance amounts only include completed business acquisitions.

2008 Segment Operating Margin



Segment	2008 Guidance	2007 Guidance
C ³ ISR	10.5% to 10.8%	10% to 10.4%
Government Services	10% to 10.4%	9.4% to 9.8%
margin w/Linguist	9.5% to 9.9%	
AM&M	9.5% to 9.8%	9.6% to 10%
Specialized Products	11.8% to 12.2%	11.6% to 12%
Consolidated	10.9%	10.5%
margin w/Linguist	10.7%	

Free Cash Flow



(\$ in Millions)

	<u>2008 Guidance</u>	<u>2007 Guidance</u>
Net Income	\$ 820	\$ 745
Depreciation of PP&E	159	148
Amortization of Intangibles	56	58
Deferred Taxes	110	120
Stock-Based Compensation	197	177
Operating Assets & Liabilities / Other	(12)	12
Capital Expenditures, net	(180)	(160)
Free Cash Flow	\$ 1,150	\$ 1,100
Earnings-to-Cash Flow Conversion	140%	148%

Note: Free Cash Flow is before payment of award in OSI litigation (up to \$76M, net of taxes). See Reconciliation of GAAP to Non-GAAP measurements.

Capitalization and Leverage

(\$ in Millions)

	12/31/08 Guidance	12/31/07 Guidance	12/31/06 Actual
Cash	\$ 1,525	\$ 825	\$ 348
Debt	\$ 4,538	\$ 4,537	\$ 4,535
Minority Interest	92	88	84
Equity	6,620	6,000	5,306
Book Capitalization	\$ 11,250	\$ 10,625	\$ 9,925
Debt/Book Capitalization	40.3%	42.7%	45.7%
Net Debt/Net Book Capitalization	31.0%	37.9%	43.7%
Bank Leverage Ratio	2.2x	2.4x	2.9x

Declining leverage from earnings growth

Ample resources to grow and increase EPS

Note: Guidance amounts only include completed business acquisitions.

Financial Review Conclusions



- **Diversified programs, customers, products and funding**
- **Good sales visibility from funded backlog and follow-on business**
- **Robust earnings-to-cash flow conversion**
- **Strong, flexible balance sheet**
- **Disciplined capital allocation**
- **Emphasis on growing EPS and cash flow**

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 "guidance", "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 litigation matters or government investigations material to us to which we currently are, or to which we may become in the future, a party; 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, including Titan, 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.

Forward Looking Statements (Cont'd)



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 16 to our audited consolidated financial statements, included in our Annual Report on Form 10-K for the year ended December 31, 2006, and our condensed unaudited consolidated financial statements included in our Quarterly report on Form 10-Q for the period ended September 30, 2007.

All of our 2008 and 2007 guidance amounts are approximate estimates. Our forward-looking statements, including but not limited to, our 2008 guidance and 2007 guidance, 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>2006</u> Actual	<u>2007</u> Guidance	<u>2008</u> Guidance
Operating income	\$ 1,111		
Add: Litigation Charge	129		
Stock-Based Charge	<u>39</u>		
Operating income excluding Litigation and Stock-Based Charges	<u>\$ 1,279</u>		
Net income	\$ 526		
Add: Litigation Charge	78		
Stock-Based Charge	<u>26</u>		
Net income excluding Litigation and Stock-Based Charges	<u>\$ 630</u>		
Diluted earnings per share	\$ 4.22		
Add: Litigation Charge per share	0.63		
Stock-Based Charge per share	<u>0.20</u>		
Diluted earnings per share excluding Litigation and Stock-Based Charges	<u>\$ 5.05</u>		
Net cash from operating activities	\$ 1,074	\$ 1,260	\$ 1,330
Less: Capital expenditures	(156)	(165)	(180)
Add: Dispositions of property, plant and equipment	<u>2</u>	<u>5</u>	<u>-</u>
Free cash flow	<u>\$ 920</u>	<u>\$ 1,100</u>	<u>\$ 1,150</u>

	<u>3/31/06</u>	<u>6/30/06</u>	<u>9/30/06</u>	<u>12/31/06</u>	<u>3/31/07</u>	<u>6/30/07</u>	<u>9/30/07</u>
Working Capital	\$ 1,677	\$ 1,620	\$ 1,671	\$ 1,553	\$ 1,851	\$ 2,012	\$ 2,177
Less : Cash and cash equivalents	(173)	(184)	(248)	(348)	(387)	(531)	(725)
Deferred income taxes	(233)	(306)	(314)	(224)	(258)	(258)	(258)
Add: Income taxes payable	84	110	115	151	49	6	31
Liability for OSI judgment	-	126	126	126	126	128	129
Other	-	1	3	7	5	3	3
Working Capital excluding certain items	<u>\$ 1,355</u>	<u>\$ 1,367</u>	<u>\$ 1,353</u>	<u>\$ 1,265</u>	<u>\$ 1,386</u>	<u>\$ 1,360</u>	<u>\$ 1,357</u>

