Fourth Quarter Earnings Call
January 28, 2016

Financial Data Charts

Forward-Looking Statements

Certain of the matters discussed in these slides, including information regarding the company's 2016 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; 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; 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 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 outcome of litigation matters; results of audits by U.S. Government agencies and of ongoing governmental investigations, including the Aerospace Systems segment; our ability to predict the level of participation in and the related costs of our voluntary refund program for certain EoTech holographic weapons sight products, and our ability to change and terminate the refund program at our discretion; 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, 2014 and in the quarterly report on Form 10-Q for the quarterly period ended September 25, 2015 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.

Fourth Quarter Results

Select Financial Data - Fourth Quarter

($ in Millions, except per share amounts)	4Q15	4Q14	vs. 4Q14
Net Sales	$2,871	$2,961	-3%
Segment Operating Margin(2)	8.9%	9.9%	-100 bps
Segment Operating Income(2)	$255	$294	-13%
Interest Expense	$45	$43	5%
Interest and Other Income, Net	$6	$4	50%
Debt Retirement Charge	$1	$0	n.m.
Effective Income Tax Rate(3)	n.m.	19.6%	n.m.
Diluted Shares	78.5	86.0	-9%
Diluted (Loss) Earnings Per Share (EPS) from Continuing Operations	($0.76)	$2.34	n.m.
Adjusted Diluted EPS from Continuing Operations(2) (4)	$2.16	$2.34	-8%
Net Cash from Operating Activities	$465	$514	-10%
Free Cash Flow(4)	$406	$453	-10%

Notes: (1) The prior period results have been adjusted to present the National Security Solutions business as discontinued operations.

(2) Excludes: (i) 4Q15 goodwill impairment charges of $349 million ($230 million after income taxes), or $2.93 per diluted share, including $338 million for Logistics Solutions and $11 million for a business retained by L-3 in connection with the expected sale of the National Security Solutions business and (ii) a pre-tax loss of $2 million ($2 million after income taxes), or $0.02 per diluted share, related to a business divestiture.

(3) The effective income tax rate for 4Q15 is not meaningful due to the goodwill impairment charges. Excluding the goodwill impairment charges and related income tax benefit, the effective income tax rate for 4Q15 would have decreased to 17.4% compared to 19.6% primarily due to an increased benefit from the Federal Research and Experimentation Tax Credit.

(4) Non-GAAP Measurement. See pages 23 - 26 for a reconciliation of these GAAP to Non-GAAP Measurements and Definitions.

n.m. = not meaningful

Segment Results - Fourth Quarter

($ in Millions)

Segment	4Q15 Net Sales	Sales Growth vs. 4Q14	4Q15 Operating Margin	Margin Change vs. 4Q14 (bps)
Electronic Systems	$ 1,217	-9%	11.3%	-20
Aerospace Systems	1,069	-7%	5.7%	-220
Communication Systems	585	23%	9.7%	-80
Total Segment	$ 2,871	-3%	8.9%	-100

Full Year Results

Select Financial Data - Full Year

($ in Millions, except per share amounts)	2015	2014	vs. 2014
Net Sales	$10,466	$10,986	-5%
Segment Operating Margin(2) (3)	8.5%	9.2%	-70 bps
Segment Operating Income(2) (3)	$890	$1,012	-12%
Interest Expense	$169	$158	7%
Interest and Other Income, Net	$17	$18	-6%
Debt Retirement Charge	$1	$0	n.m.
Effective Income Tax Rate(4)	n.m.	26.0%	n.m.
Diluted Shares	81.9	87.8	-7%
Diluted EPS from Continuing Operations(2)	$3.44	$7.20	-52%
Adjusted Diluted EPS from Continuing Operations(2) (3) (5)	$6.91	$7.20	-4%
Net Cash from Operating Activities	$1,021	$1,092	-7%
Free Cash Flow(5)	$829	$936	-11%

Notes:
(1) The prior period results have been adjusted to present the National Security Solutions business as discontinued operations.
(2) 2015 results impacted by 2Q15 Aerospace Systems segment charges of $103 million, or $0.79 per diluted share, for contract cost growth at Platform Integration division, primarily due to additional losses of $84 million on the head-of-state aircraft modification contracts and $19 million of cost growth on three other aircraft modification contracts.
(3) Excludes: (i) 2015 goodwill impairment charges of $384 million ($264 million after income taxes), or $3.22 per diluted share, including $338 million for Logistics Solutions and $46 million for a business retained by L-3 in connection with the expected sale of the National Security Solutions business and (ii) a pre-tax loss of $31 million ($20 million after income taxes), or $0.25 per diluted share, related to business divestitures.
(4) The effective income tax rate for the year ended December 31, 2015 is not meaningful due to goodwill impairment charges. Excluding the goodwill impairment charges and related income tax benefit, the effective tax rate decreased to 20.5% from 26.0% for the same period last year. Additionally, the effective tax rate that corresponds to adjusted EPS is 21.2%.
(5) Non-GAAP Measurement. See pages 23 - 26 for a reconciliation of these GAAP to Non-GAAP Measurements and Definitions.

n.m. = not meaningful

Segment Results - Full Year

($ in Millions)

Segment	2015 Net Sales	Sales Growth vs. 2014	2015 Operating Margin	Margin Change vs. 2014 (bps)
Electronic Systems	$ 4,269	-8%	11.5%	n.c.
Aerospace Systems	4,156	-4%	4.9%	-160
Communication Systems	2,041	1%	9.6%	-10
Total Segment	$ 10,466	-5%	8.5%	-70

n.c. = no change

2016 Financial Guidance

2016 Consolidated Financial Guidance

($ in Millions, except per share amounts)

USG/DoD	-2%
International	-14%
Commercial	8%

	Guidance (January 28, 2016)	vs. 2015	Prior Guidance (December 8, 2015)
Net Sales	$9,950 to $10,150	-4%	$9,950 to $10,150
Organic Growth	-2.5%	n.c.	-1.5%
Segment Operating Margin	9.8%	+130 bps	9.5%
Segment Operating Income	$985	11%	$955
Interest Expense and Other	$162	6%	$162
Effective Tax Rate	28.0%	+680 bps	30.0%
Diluted Shares	77.5	-5%	77.5
Diluted EPS	$7.40 to $7.60	9%	$6.90 to $7.10
Free Cash Flow	$825	0%	$810

Notes:
(1) Operating margin assumes a net pension expense decrease of $32 million to a $9 million net pension benefit, compared to a net pension expense of $23 million included in the prior guidance. The estimated decrease in net pension expense will increase 2016 operating margin by approximately 30 basis points and diluted EPS by $0.25. The decrease in pension expense is due to: (i) $25 million related to a change in the approach to measure service and interest costs and (ii) $7 million primarily related to an 18 basis point increase in the estimated weighted average discount rate to 4.63% from 4.45% assumed for prior guidance.
(2) Planned share repurchases of $750 million.
(3) Comparisons are to 2015 segment operating income, adjusted diluted EPS and free cash flow from continuing operations.
(4) Diluted EPS growth is calculated based on a comparison to 2015 adjusted diluted EPS of $6.91.
(5) See Reconciliation of GAAP to Non-GAAP Measurements and Definitions.

2016 Segment Guidance

($ in Millions)

Segment	Net Sales	Midpoint Sales vs. 2015	Segment Operating Margin	Midpoint Margin vs. 2015 (bps)
Electronic Systems	$4,150 to $4,250	-2%	12.4% to 12.6%	+100
Aerospace Systems	$3,900 to $4,000	-5%	6.5% to 6.7%	+170
Comm Systems	$1,850 to $1,950	-7%	10.3% to 10.5%	+80
Total Segment	**$9,950 to $10,150**	**-4%**	**9.8%**	**+130**

Note: Estimated net pension expense (FAS, net of CAS) for 2016 vs. 2015 is expected to decrease $40 million, increasing estimated 2016 operating margin by 40 basis points (bps) ($10 million or 20 bps for Electronic Systems, $18 million or 50 bps for Aerospace Systems and $12 million or 60 bps for Communication Systems).

Cash Flow Data

Cash Flow

($ in Millions)	2016 Guidance	2015 Actual	2014 Actual
Net income from continuing operations*	$ 590	$ 297**	$ 645
Impairment/divestiture charges	-	415	1
Depreciation & amortization	213	210	214
Deferred income taxes	65	(90)	120
401K common stock match	110	110	119
Stock-based employee compensation	51	46	50
Excess income tax benefits related to stock-based comp.	(25)	(25)	(17)
Amortization of pension and OPEB net losses	52	67	15
Working capital/other items	(26)	(9)	(55)
Capital expenditures, net	(205)	(194)	(170)
Income tax payments attributable to discontinued operations	-	2	14
Free cash flow	$ 825	$ 829	$ 936

* Before deduction for net income attributable to non-controlling interests.
**Includes after tax charges related to the business divestitures of $20 million and impairment of $264 million.

Supplemental Cash Flow Data

($ in Millions)

	2016 Guidance	2015 Actual	2014 Actual
Cash interest payments	$ 165	$ 182	$ 176
Income tax payments, net[1]	190	148	122
FAS pension expense	96[2] [3]	139	80
CAS pension cost[4]	104	108	110
Pension contributions	98	97	97

(1) Excludes excess income tax benefits related to share-based payment arrangements and income tax payments attributable to discontinued operations.
(2) FAS pension expense represents pension expense determined using U.S. GAAP and assumes a 2015 year-end weighted average discount rate of 4.63% (vs. 4.14% for 2014 year-end) and a 2016 weighted average pension asset return of 8.14%.
(3) Estimated 2016 Pension Expense Sensitivity: A 25 bps increase/decrease in 12/31/15 discount rate would decrease/increase 2016 pension expense by ~$13 million and decrease/increase the 12/31/15 unfunded obligation by ~$120 million.
(4) CAS pension cost represents estimated allowable and reimbursable pension cost under U.S. Government procurement regulations (determined using Cost Accounting Standards or CAS) on L-3's U.S. Government contracts.

Depreciation, Amortization and Capital Expenditures

($ in Millions)

	2015				2014			
	D&A		CapEx, Net		D&A		CapEx, Net	
Segment	4Q15	2015	4Q15	2015	4Q14	2014	4Q14	2014
Electronic Systems	$ 29	$110	$ 26	$100	$ 34	$123	$ 23	$ 79
Aerospace Systems	13	50	19	57	11	40	28	61
Comm Systems	13	50	15	37	13	51	13	30
Consolidated	$ 55	$210	$ 60	$194	$ 58	$214	$ 64	$170

D&A = Depreciation and Amortization
CapEx, Net = Capital expenditures net of dispositions of property, plant and equipment

Cash Sources and Uses, and Capitalization and Leverage

Cash Sources and Uses

($ in Millions)

	2016 Guidance	2015 Actual	2014 Actual
Beginning cash	$ 207	$ 442	$ 500
Free cash flow from continuing operations	825	829	936
Free cash flow from discontinued operations	(15)	70	11
Acquisitions, net of divestitures	511	(2)	(57)
Dividends	(217)	(214)	(208)
Share repurchases	(750)	(740)	(823)
Senior notes net proceeds, (redemption)	(300)	(296)	988
CODES redemption	-	-	(935)
Change in cash balance included in assets held for sale	-	61	(61)
Other, net	64	57	91
Ending cash	$ 325	$ 207	$ 442

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

Capitalization and Leverage

($ in Millions)

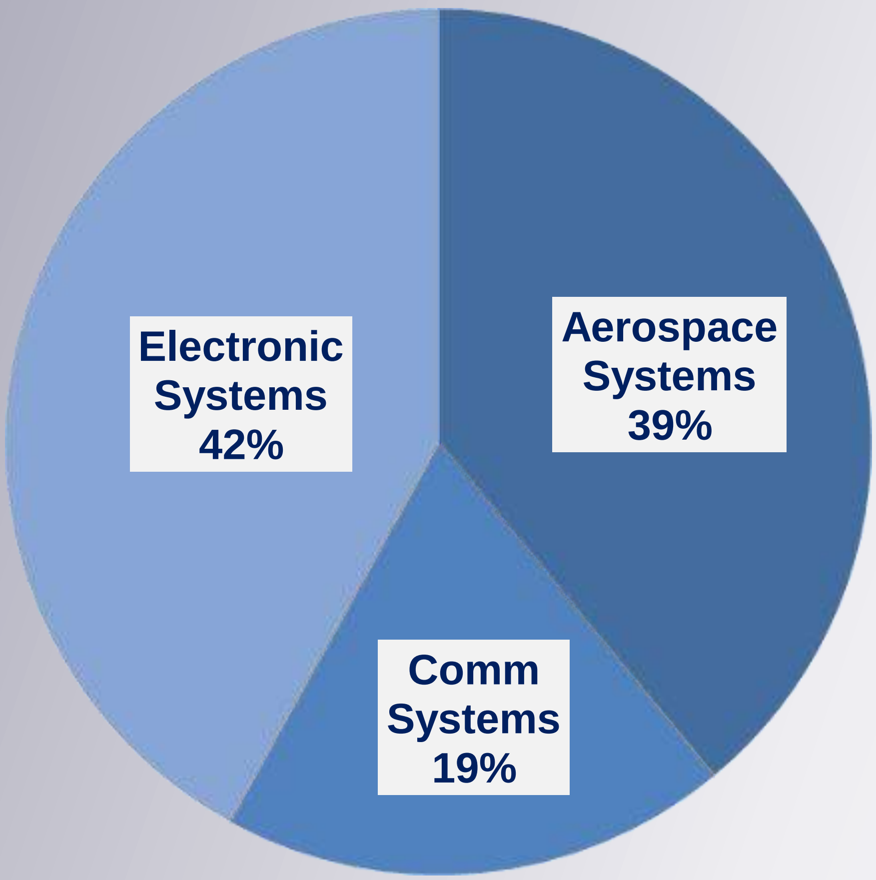
	12/31/15 Actual	12/31/14 Actual
Cash	$207	$442
Debt	$3,642	$3,939
Equity	4,423	5,360
Invested Capital	$8,065	$9,299
Debt/Invested Capital	45.2%	42.4%
Debt/EBITDA	3.14x	3.01x
Available Revolver	$1,000	$1,000

Notes: (1) Equity includes non-controlling interests (minority interests) of $73 million and $75 million as of December 31, 2015 and December 31, 2014, respectively.
(2) Debt/EBITDA includes discontinued operations.
(3) See Reconciliation of GAAP to Non-GAAP Measurements and Definitions.

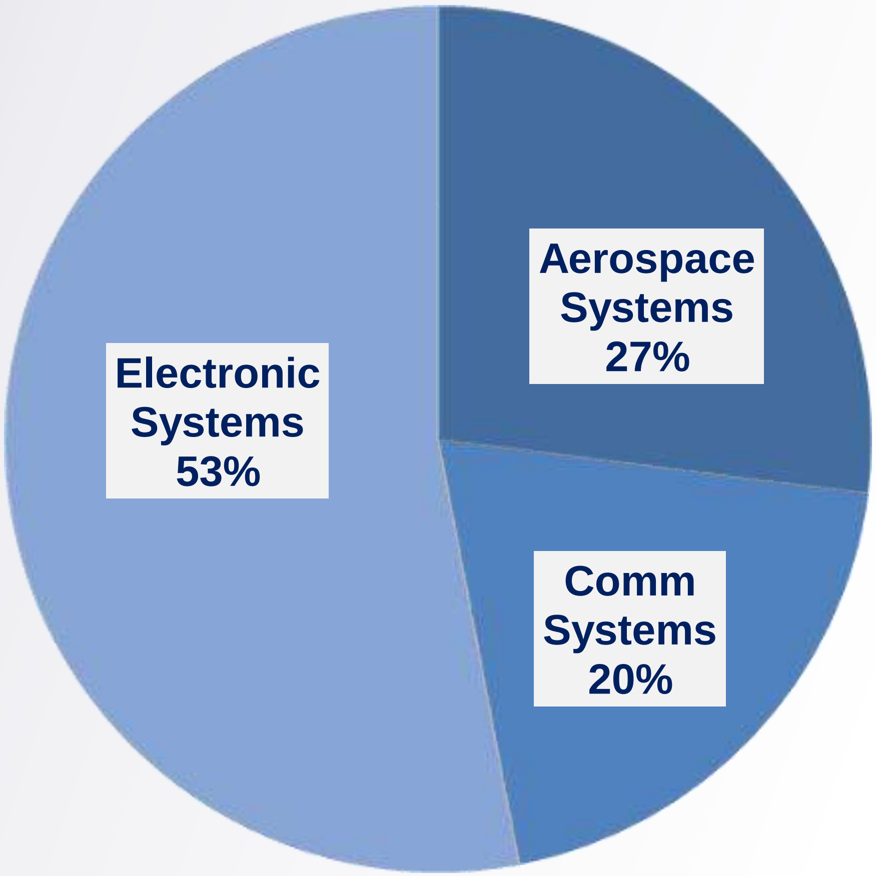
Appendix

Segment Mix: 2016 Guidance Midpoints

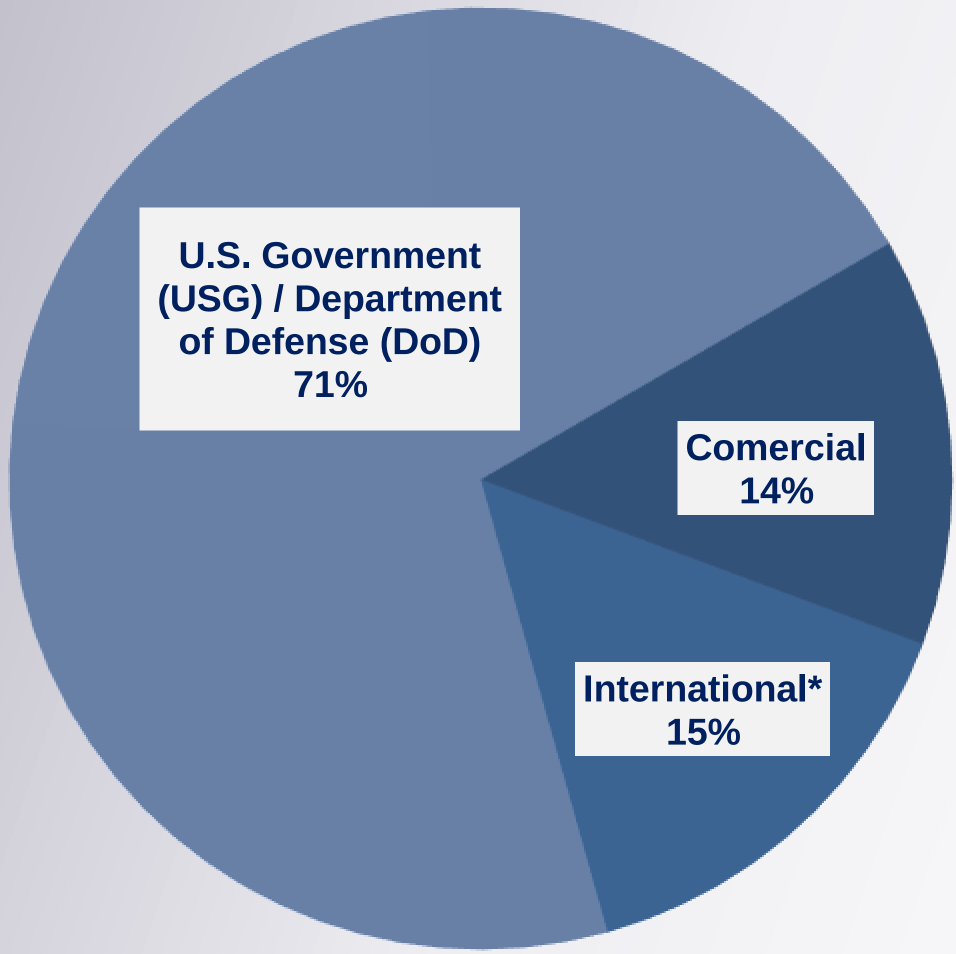
Net Sales



Operating Income



2016 Estimated End Customer Sales Mix



DoD Armed Services	
Air Force	29%
Army	17%
Navy	14%
Other	8%
Total	68%

* Includes U.S. Foreign Military Sales (FMS) of ~5% of sales.

2016 Segment Guidance - Current vs. Prior

($ in Millions)

	Current Guidance (January 28, 2016)		Prior Guidance (December 8, 2015)	
Segment	Net Sales	Operating Margin	Net Sales	Operating Margin
Electronic Systems	$4,150 to $4,250	12.4% to 12.6%	$4,150 to $4,250	12.2% to 12.4%
Aerospace Systems	$3,900 to $4,000	6.5% to 6.7%	$3,900 to $4,000	6.0% to 6.2%
Communication Systems	$1,850 to $1,950	10.3% to 10.5%	$1,850 to $1,950	10.0% to 10.2%
Consolidated	$9,950 to $10,150	9.8%	$9,950 to $10,150	9.5%

Reconciliation of GAAP to Non-GAAP Measurements (1 of 5)

($ in Millions)

		2016 Guidance	2015 Actual	4Q15 Actual	2014 Actual	4Q14 Actual
Net cash from operating activities		$ 1,030	$ 1,021	$ 465	$ 1,092	$ 514
Less:	Capital expenditures	(215)	(197)	(60)	(174)	(64)
Add:	Dispositions of property, plant and equipment	10	3	1	4	-
	Income tax payments attributable to discontinued operations	-	2	-	14	3
Free cash flow		$ 825	$ 829	$ 406	$ 936	$ 453

Reconciliation of GAAP to Non-GAAP Measurements (2 of 5)

($ in Millions, except per share amounts)

	4Q15 Actual	4Q14 Actual	2015 Actual	2014 Actual
Diluted (loss) EPS from continuing operations attributable to L-3 Holdings' common stockholders	$ (0.76)	$ 2.34	$ 3.44	$ 7.20
EPS impact of loss on business divestitures[(A)]	0.02	-	0.08	-
EPS impact of the non-cash impairment charge related to MSI assets held for sale[(B)]	-	-	0.15	-
EPS impact of the loss on a forward contract to sell Euro proceeds from the MSI divestiture[(C)]	-	-	0.02	-
EPS impact of the goodwill impairment charge[(D)]	2.93	-	3.22	-
Dilutive impact of common share equivalents	(0.03)	-	-	-
Adjusted diluted EPS from Continuing Operations*	$ 2.16	$ 2.34	$ 6.91	$ 7.20

* Adjusted diluted EPS is diluted EPS attributable to L-3 Holdings' common stockholders, excluding the charges or credits relating to business divestitures and non-cash goodwill impairment charges. Adjusted net income attributable to L-3 is net income attributable to L-3, excluding the charges or credits relating to business divestitures and non-cash goodwill impairment charges. These amounts are not calculated in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The company believes that the charges or credits relating to business divestitures and non-cash goodwill impairment charges affect the comparability of the results of operations and financial guidance for 2016 to the results of operations for 2015. The company also believes that disclosing net income and diluted EPS excluding the charges or credits relating to business divestitures and non-cash goodwill impairment charges will allow investors to more easily compare the results and financial guidance to the 2014 results. However, these measures may not be defined or calculated by other companies in the same manner.

Reconciliation of GAAP to Non-GAAP Measurements (3 of 5)

($ in Millions, except per share amounts)

		4Q15 Actual	2015 Actual
(A)	Loss on business divestitures	$ (2)	$ (10)
	Tax benefit	-	4
	After-tax impact	(2)	(6)
	Diluted weighted average common shares outstanding	78.5	81.9
	Per share impact*	$ (0.02)	$ (0.08)
(B)	Non-cash impairment charge related to MSI assets held for sale		$ (17)
	Tax benefit		5
	After-tax impact		(12)
	Diluted weighted average common shares outstanding		81.9
	Per share impact		$ (0.15)
(C)	Loss on a forward contract to sell Euro proceeds from the MSI divestiture		$ (4)
	Tax benefit		2
	After-tax impact		(2)
	Diluted weighted average common shares outstanding		81.9
	Per share impact		$ (0.02)
(D)	Goodwill impairment charge	$ (349)	$ (384)
	Tax benefit	119	120
	After-tax impact	(230)	(264)
	Diluted weighted average common shares outstanding	78.5	81.9
	Per share impact	$ (2.93)	$ (3.22)

* Amounts may not recalculate directly due to rounding.

Reconciliation of GAAP to Non-GAAP Measurements (4 of 5)

($ in Millions)

Cash Flow to EBITDA Reconciliation	2015 Actual	2014 Actual
Net cash from operating activities from continuing operations	$ 1,021	$ 1,092
Income tax payments, net of refunds	150	136
Interest payments	165	157
Stock based employee compensation	(156)	(169)
Amortization of pension and post retirement benefit plans net loss	(67)	(15)
Other non-cash items	2	(1)
Changes in operating assets and liabilities	(15)	26
EBITDA from continuing operations	$ 1,100	$ 1,226
Net cash from operating activities from discontinued operations	$ 77	$ 33
Stock based employee compensation	(12)	(14)
Changes in operating assets and liabilities	(5)	65
EBITDA from discontinued operations	$ 60	$ 84
EBITDA	$ 1,160	$ 1,310
DEBT	$ 3,642	$ 3,939
DEBT/EBITDA	3.14x	3.01x

Note: EBITDA is defined as consolidated operating income (excluding impairment losses incurred on goodwill and identifiable intangible assets and losses related to business divestiture transactions), plus consolidated 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.

Reconciliation of GAAP to Non-GAAP Measurements (5 of 5)

<u>Organic Sales Growth</u>: Organic sales growth is defined as the increase or decrease in sales compared to the prior year, excluding the increase or decrease in sales attributable to acquired businesses or business divestitures. Sales from acquired businesses is defined as sales from business acquisitions that are included in L-3's actual results for less than 12 months. Sales from business divestitures is defined as sales from business divestitures that are included in L-3's actual results for the 12 months prior to the divestiture.