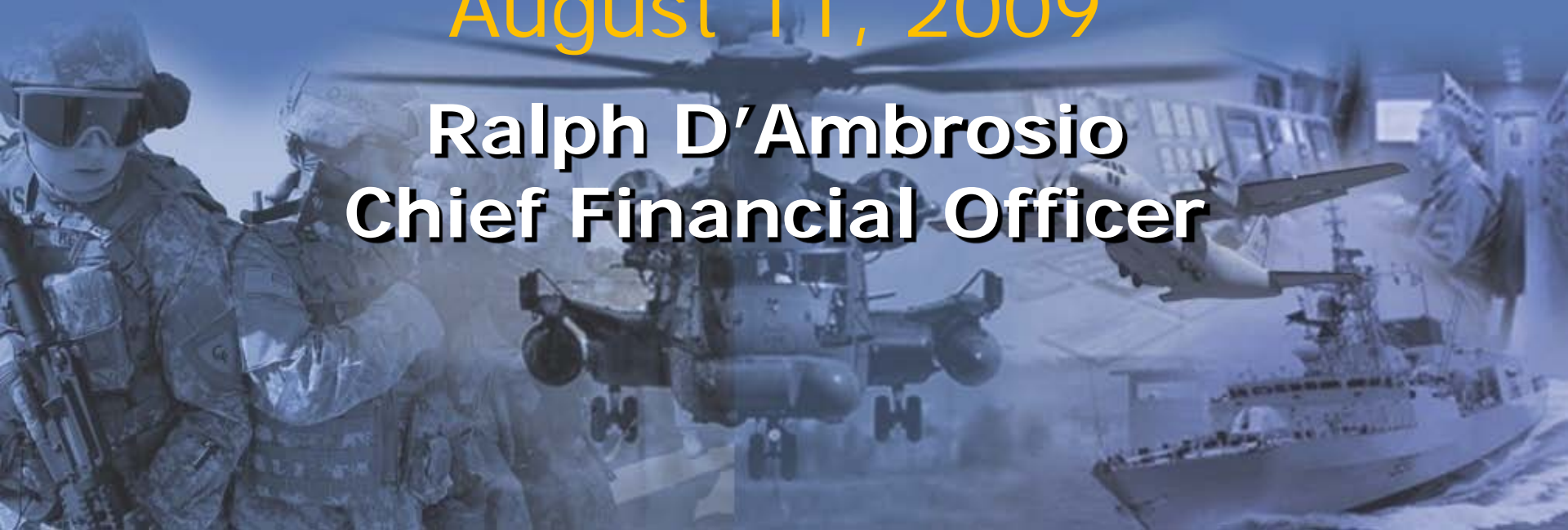




Morgan Keegan & Company, Inc.
2009 Security, Safety and Defense
Conference
August 11, 2009

Ralph D'Ambrosio
Chief Financial Officer



Forward Looking Statements

Certain of the matters discussed in these slides 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 margins, total segment operating margins, 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 as well as our ability to retain and hire employees with U.S. Government Security clearances; 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, including those for the commercial aviation, shipbuilding and communications market; global economic uncertainty; our ability to perform contracts on schedule; events beyond our control such as 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; results of audits by U.S. Government agencies; anticipated cost savings from business acquisitions not 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 (FCPA), including Titan’s ability to maintain its export licenses as well as the outcome of other FCPA matters; ultimate resolution of contingent matters, claims and investigations relating to acquired businesses, and the impact on the final purchase price allocations; competitive pressure among companies in our industry; 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 18 to our audited consolidated financial statements, included in our Annual Report on Form 10-K for the year ended Dec. 31, 2008.

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 these slides to reflect events or changes in circumstances or changes in expectations or the occurrence of anticipated events.



Business Profile

- **\$15B+ aerospace & defense company**
- **Fortune No. 171, S&P 500 company**
- **6th largest U.S. defense contractor**
- **Prime contractor in C³ISR, Services and Aircraft Modernization**
- **Supplier of subsystems and products**



Strategic Goals

- **Grow business base and increase market share**
- **Strengthen existing market positions**
- **Supply best-of-breed quality products/services**
- **Achieve financial growth objectives**
- **Exceed average stock returns in defense sector**



Business Strategy

- **Expand prime contractor/supplier positions**
- **Favorably perform on contracts and strengthen customer relationships**
- **Grow organically, plus select acquisitions**
- **Align R&D, CapEx and M&A with customer priorities**
- **Continuously improve costs and processes**
- **Grow EPS and Cash Flow**



2008 Sales by End Customer

(\$ in Millions)

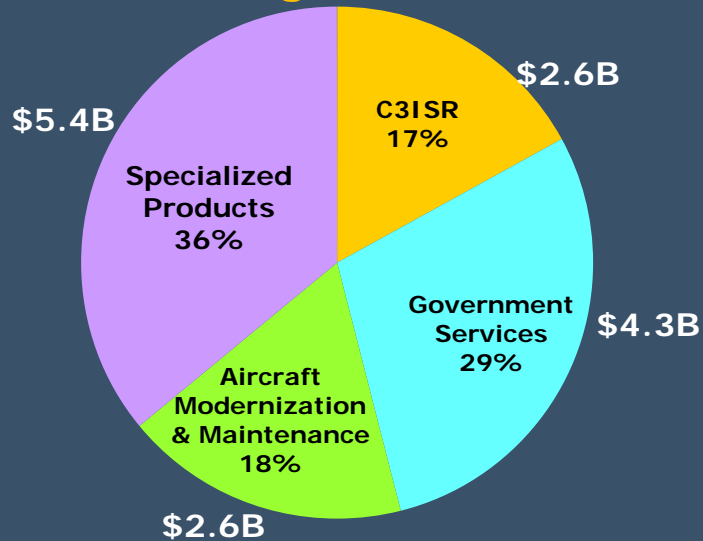
Army	\$ 4,180	28.1%
Air Force	2,944	19.7%
Navy / Marines	2,295	15.4%
Other Defense	1,640	11.0%
U.S. Military (DoD)	<u>\$ 11,059</u>	<u>74.2%*</u>
Other U.S. Government	1,067	7.2%
Foreign Governments	1,099	7.4%
Commercial - Foreign	987	6.6%
Commercial - Domestic	689	4.6%
Consolidated	<u>\$ 14,901</u>	<u>100%</u>

* 73% of 2008 DoD sales were "direct" to the customer

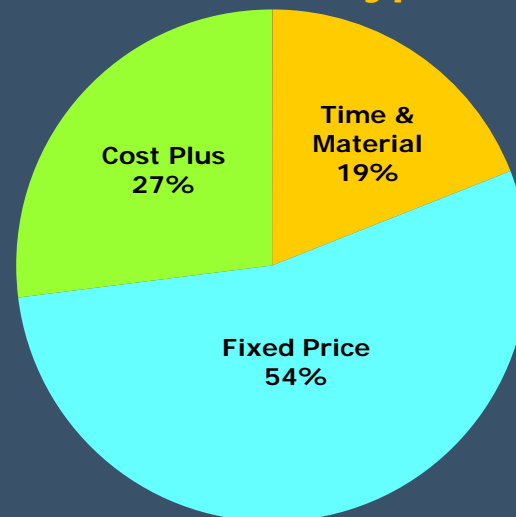


2008 Sales Mix

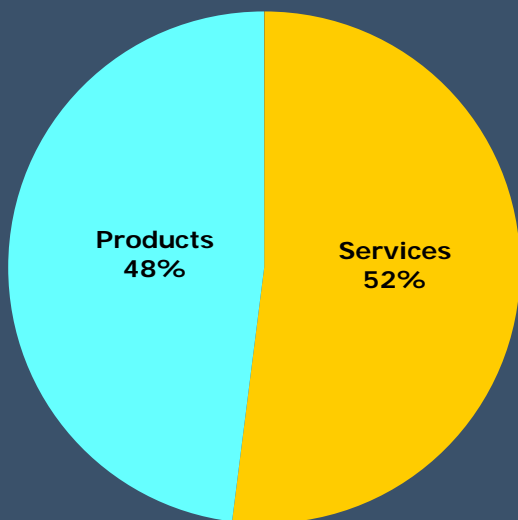
Segments



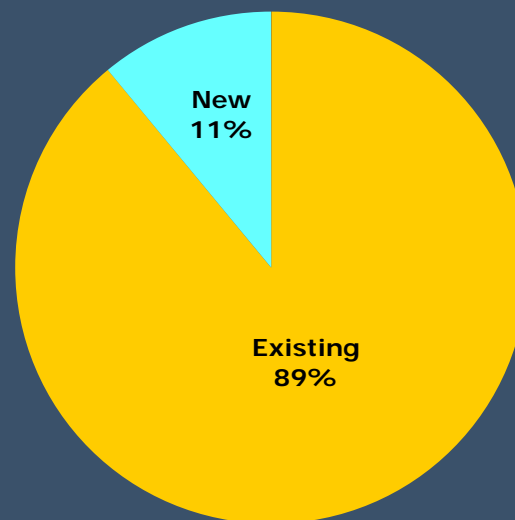
Contract Type



Products / Services



Business Type



Sales \$14.9B



Mid-Year 2009 Status

- **Achieving 2009 Plan - - ISR upsides offsetting weaknesses in Services and Commercial**
- **U.S. Department of Defense (DoD) ~75% sales**
- **Well-positioned for slower-growth DoD environment**
 - **ISR, SOF, training, helicopter maintenance**
 - **limited exposure to Gates cancellations/cuts**
 - **aligned with irregular warfare priorities**
- **Major contract re-competitions - - SOFSA, MNF-ISS**
- **Iraq drawdown sales exposure is manageable**
- **Strong cash flow + no external financing requirements**



Geopolitical and DoD Budget Update



Geopolitical Summary

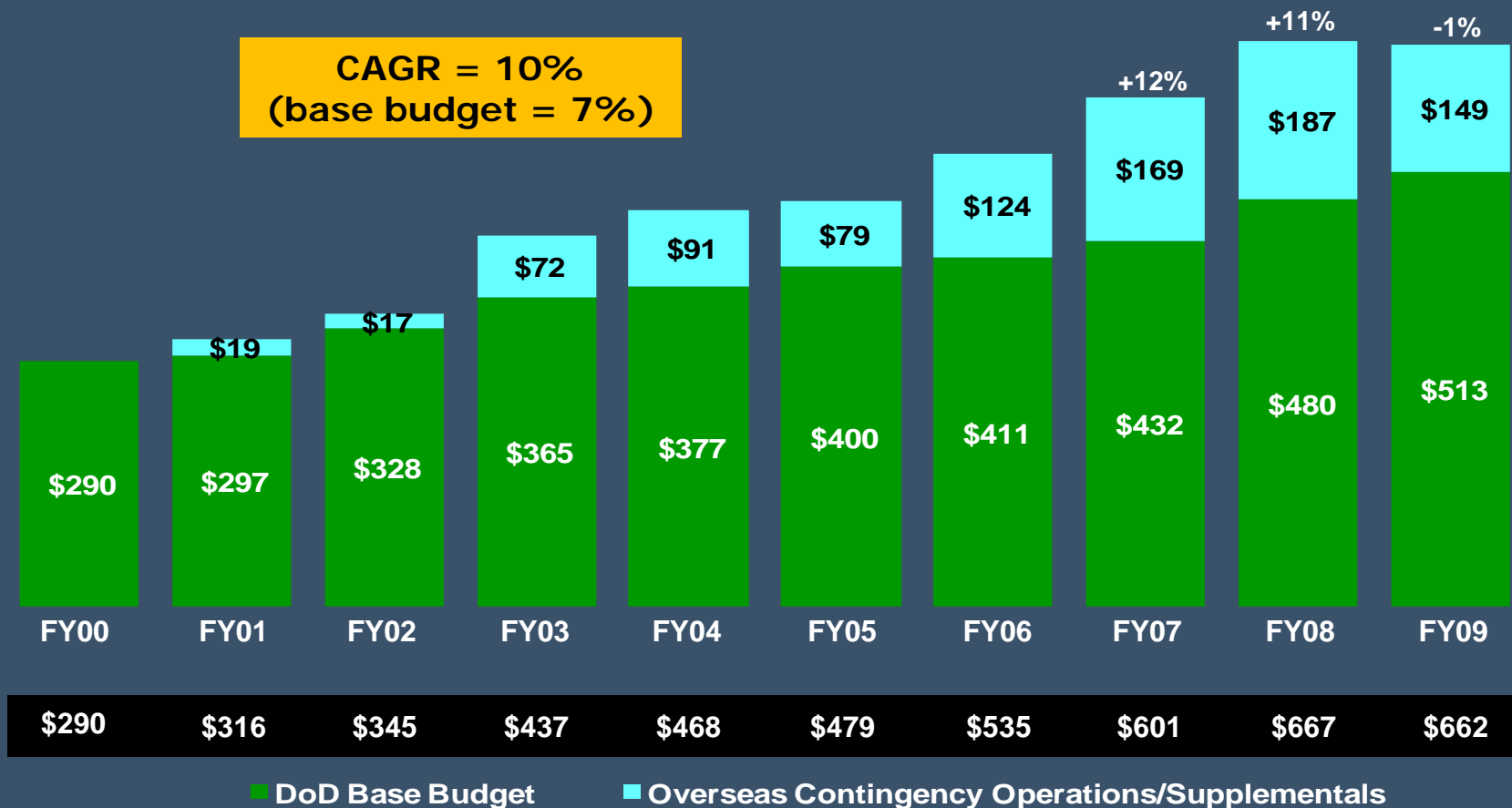
- Global financial crisis and economic recession
- **Iraq** -- Surge has worked. Withdrawal of US Forces 31 Dec 2011
- **Afghanistan** -- 'Deteriorating'...Initial Surge 21K
- **Middle East** -- Continues to Simmer...Key Issue Tension Between Israel and Iran
- **Iran** -- Nuclear ambitions continue. In the Process of Change?
- **Pakistan** -- Key Ingredient in Afghanistan Strategy
- **North Korea** -- Unstable, Manageable, President Clinton's Visit Impact?
- **Russia** -- Reasserting its relevance...What Next?
- **China** -- Economic Vitality; Human rights; Global Outreach Expectation... Continued Progress Amid Human Turmoil
- **Latin America** -- Anti-Americanism...Several Restive Issues... Cuba, Venezuela, Ecuador, Columbia, Honduras and others



DoD Budget - Last 10 Years

(\$ in Billions)

CAGR = 10%
(base budget = 7%)

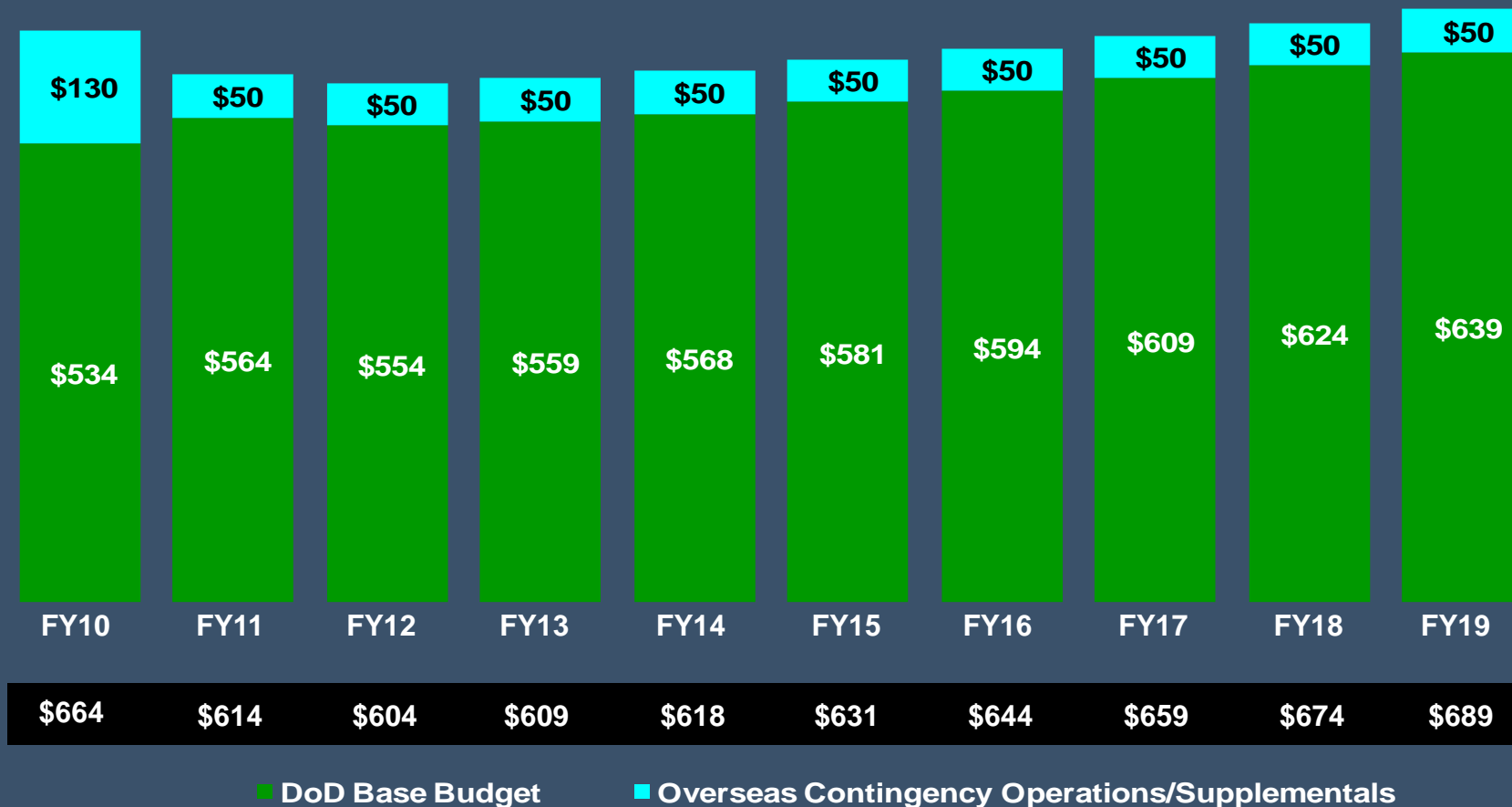


Source: DoD FY2010 Budget Request

DoD Budget - Next 10 Years

(\$ in Billions)

CAGR = 0.4%
(base budget = 2%)



■ DoD Base Budget

■ Overseas Contingency Operations/Supplementals

Source: Office of Management and Budget (Published February 2009)



Financial Review



1H09 Select Financial Data

(\$ in Millions, except per share amounts)

	1H09 Actual	vs 1H08 Actual	vs 1H08 Adjusted
Sales	\$7,565	5%	5%
Operating Margin	10.5%	-150 bpts	n.c.
Operating Income	\$793	-9%	4%
Net Interest Expense and Other Income	\$126	-1%	-6%
Tax Rate	35.8%	-90 bpts	-40 bpts
Diluted Shares	118.0	-5%	-5%
Diluted EPS	\$3.56	-4%	13%

- Notes: (1) 1H08 Actual has been adjusted to retrospectively apply the provisions of certain new accounting standards that were adopted effective January 1, 2009. See 1H08 Supplemental Select Financial Data slide.
- (2) 1H08 Adjusted excludes a net gain of \$117M (\$71M after income taxes or \$0.57 per diluted share) for 2Q08 Items that are comprised of: (i) a litigation gain of \$133M (\$81M after income taxes), (ii) a product line divestiture gain of \$12M (\$7M after income taxes), and (iii) an impairment charge of \$28M (\$17M after income taxes). See Reconciliation of GAAP to non-GAAP Measurements.
- (3) Higher pension expense for 1H09 compared to 1H08 reduced 1H09 operating income by \$35M, operating margin by 50 bpts and diluted EPS by \$0.18.



1H09 Segment Results

(\$ in Millions)

Segment	Sales	Sales Growth vs 1H08	Operating Margin	Margin Change	
				vs 1H08 Actual (bpts)	vs 1H08 Adjusted (bpts)
C ³ ISR	\$ 1,471	26%	11.8%	+80	+80
Gov't Services	2,074	-6%	9.2%	-90	-90
AM&M	1,359	3%	8.6%	+40	+40
Spec Products	2,661	5%	11.7%	+50	-10
Consolidated	\$ 7,565	5%	10.5%	-150	n.c.

- Notes: (1) During 1Q09, segment presentations were revised to conform to certain re-alignments in the company's management and organization structure. Consequently, certain reclassifications were made between the C³ISR, Government Services and AM&M segments for 1H08. See the 1H08 Supplemental Segment Data slide.
- (2) Margin Change vs 1H08 Adjusted excludes a net gain of \$110M for the 2Q08 Items (a litigation gain of \$126M, a product line divestiture gain of \$12M and an impairment charge of \$28M). See Reconciliation of GAAP to Non-GAAP Measurements.
- (3) Higher pension expense for 1H09 compared to 1H08 reduced 1H09 operating income by \$15M or +100 bpts for C³ISR, \$20M or +70 bpts for Specialized Products and \$35M or +50 bpts on a consolidated basis. Operating Margin Change vs 1H08 Adjusted excluding the higher pension expense would have been +180 bpts for C³ISR, +60 bpts for Specialized Products and +50 bpts on a consolidated basis.



2009 Financial Guidance

(\$ in Billions, except per share amounts)

	Current Guidance (July 23, 2009)	Mid-Point Growth	
		vs 2008 Actual	vs 2008 Adjusted
Sales	\$15.5B to \$15.7B	5%	5%
Operating Margin	10.5%	-80 bpts	-10 bpts
Tax Rate	36.0%	+120 bpts	+160 bpts
Diluted EPS	\$7.25 to \$7.35	-4%	7%

Notes: (1) 2008 has been adjusted to retrospectively apply the provisions of certain new accounting standards that were adopted effective January 1, 2009. See 2008 Supplemental Select Financial Data slide.

(2) 2008 Adjusted excludes a net gain of \$150M (\$91M after income taxes or \$0.74 per diluted share) for 2008 Items comprised of: (i) 2Q08 Items that include a litigation gain of \$133M (\$81M after income taxes), a product line divestiture gain of \$12M (\$7M after income taxes) and an impairment charge of \$28M (\$17M after income taxes), and (ii) a 4Q 2008 gain of \$33M (\$20M after income taxes) for the divestiture of a business on October 8, 2008. See Reconciliation of GAAP to Non-GAAP Measurements.

(3) Higher pension expense for 2009 compared to 2008 is expected to reduce 2009 operating income by \$72M, operating margin by 50 bpts and diluted EPS by \$0.39.



Diluted EPS Reconciliation

	2009 Guidance	2008 Actual	Change
GAAP EPS	\$7.25 to \$7.35	\$7.59	-4% to -3%
2008 Items		(0.74)	
EPS excluding 2008 Items	\$7.25 to \$7.35	\$6.85	6% to 7%
Excluding: Higher 2009 Pension Expense	0.39		
Excluding: Higher 2009 Tax Rate	0.10		
Adjusted EPS	\$7.74 to \$7.84	\$6.85	13% to 14%

- Notes: (1) 2008 GAAP EPS decreased by \$0.13 from an As Previously Reported \$7.72 to an As Currently Reported \$7.59 to retrospectively apply the provisions of certain new accounting standards that were adopted effective January 1, 2009.
- (2) 2008 Items are comprised of: (i) 2Q 2008 Items and (ii) a 4Q 2008 gain. See Reconciliation of GAAP to Non-GAAP Measurements.
- (3) Higher pension expense for 2009 compared to 2008 is expected to reduce 2009 operating income by \$72M (\$0.39 per share).



2009 Segment Guidance

(\$ in Billions)

Segment	Sales	Mid-Point Sales Growth vs 2008	Operating Margin	Mid-Point Margin Change	
				vs 2008 Actual (bpts)	vs 2008 Adjusted (bpts)
C ³ ISR	\$2.9 to \$3.0	16%	11.0% to 11.2%	+150	+150
Gov't Services	\$4.2 to \$4.3	-2%	9.6% to 9.8%	-20	-20
AM&M	\$2.7 to \$2.8	3%	8.8% to 9.0%	-20	-20
Spec Products	\$5.6 to \$5.7	5%	11.4% to 11.6%	-50	-80
Consolidated	\$15.5 to \$15.7	5%	10.5%	-80	-10

- Notes: (1) During 1Q09, segment presentations were revised to conform to certain re-alignments in the company's management and organization structure. Consequently, certain reclassifications were made between the C³ISR, Government Services and AM&M segments for 2008. See the 2008 Supplemental Segment Data slide.
- (2) Midpoint Margin Change vs 2008 Adjusted excludes a net gain of \$110M for the 2Q08 Items (a litigation gain of \$126M, a product line divestiture gain of \$12M and an impairment charge of \$28M). See Reconciliation of GAAP to Non-GAAP Measurements.
- (3) Midpoint Margin Change vs 2008 Adjusted excluding higher pension expense for 2009 compared to 2008 would be +250 bpts for C³ISR, -10 bpts for Specialized Products and +40 bpts for consolidated margin.



Free Cash Flow

(\$ in Millions)

	1H09 Actual	1H08 Actual	2009 Guidance	2008 Actual
Net income	\$ 428	\$ 470	\$ 877	\$ 949
Depreciation & amortization	107	103	230	206
Deferred taxes	29	107	55	153
Stock-based compensation	109	102	206	205
CODES non-cash interest	10	10	21	20
Working capital / other	(155)	(164)	36	(146)
Cash flow from operating activities	\$ 528	\$ 628	\$ 1,425	\$1,387
Capital expenditures, net	(80)	(71)	(225)	(203)
Free cash flow	\$ 448	\$ 557	\$ 1,200	\$1,184
<u>Supplemental Data:</u>				
Cash interest payments	\$ 123	\$ 136	\$ 245	\$ 267
Income tax payments, net	190	199	415	345
Pension expense	84	45	166	87
Pension contributions	25	23	65	162



Capitalization and Leverage

(\$ in Millions)

	6/26/09 Actual	12/31/08 Actual
Cash	\$897	\$867
Debt	\$4,504	\$4,493
Equity	6,203	5,941
Invested Capital	\$10,707	\$10,434
Debt / Invested Capital	42.1%	43.1%
Bank Leverage Ratio	2.1x	2.2x
Available Revolver	\$964	\$940

- Notes: (1) 12/31/08 has been adjusted to retrospectively apply the provisions of certain new accounting standards that were adopted effective January 1, 2009. See 12/31/08 Supplemental Capitalization slide.
 (2) Equity includes non-controlling interests (minority interests) of \$92M as of June 26, 2009 and \$83M as of December 31, 2008.



Cash Sources and Uses

(\$ in Millions)

	<u>1H09</u> <u>Actual</u>	<u>2008</u> <u>Actual</u>	<u>2007</u> <u>Actual</u>
Beginning Cash	\$ 867	\$ 780	\$ 348
Free Cash Flow	448	1,184	1,121
Acquisitions / Divestitures	(82)	(229)	(239)
Dividends	(84)	(147)	(126)
Share Repurchases	(301)	(794)	(500)
Other, Net	49	73	176
Ending Cash	\$ 897	\$ 867	\$ 780

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



Debt Balances and Maturities

(\$ in Millions)

	<u>6/26/09 Actual</u>	<u>Type</u>	<u>Maturity Date</u>	<u>Current/Next Redemption</u>	
				<u>Date</u>	<u>Premium</u>
<u>Senior:</u>					
Revolver	\$ -	Variable ⁽¹⁾	3/10	n.a.	
Term Loans	650	Variable ⁽¹⁾	3/10	n.a.	
<u>Subordinated:</u>					
3% CODES	\$ 700	fixed	8/35	2/11 ⁽²⁾	0%
7-5/8% Notes	750	fixed	6/12	6/09	1.271%
6-1/8% Notes	400	fixed	7/13	7/09	2.042%
6-1/8% Notes	400	fixed	1/14	1/09	3.063%
5-7/8% Notes	650	fixed	1/15	1/10	2.938%
6-3/8% Notes	1,000	fixed	10/15	10/10	3.188%
Unamortized Discounts	(46)				
Total	<u>\$ 4,504</u>				

Notes: (1) LIBOR +87.5 bpts.

(2) The contingent convertible notes (CODES) contain "puts" that holders can exercise on Feb 1, 2011, and every 5-year anniversary thereafter at a price of 100%.



Summary

- **Diversified business with good sales visibility**
- **EPS and cash flow growth**
- **Efficient use of debt, improving credit statistics**
- **Strong liquidity, plus no external financing requirements**
- **Disciplined capital allocation**
- **More challenging growth environment**
- **Well-positioned for the future**



Q & A



Supplemental Financial Data



2Q09 Select Financial Data

(\$ in Millions, except per share amounts)

	2Q09	2Q08	2Q08 Items	2Q08	2Q09 vs 2Q08	
	Actual	Actual		Adjusted	Actual	Adjusted
Sales	\$3,929	\$3,722	-	\$3,722	6%	6%
Operating Margin	10.6%	13.5%	-300 bpts	10.5%	-290 bpts	+10 bpts
Operating Income	\$417	\$501	\$(110)	\$391	-17%	7%
Net Interest Expense and Other Income	\$63	\$59	\$7	\$66	7%	-5%
Tax Rate	35.9%	37.1%	-80 bpts	36.3%	-120 bpts	-40 bpts
Diluted Shares	117.2	123.5	-	123.5	-5%	-5%
Diluted Earnings Per Share (EPS)	\$1.90	\$2.21	\$(0.57)	\$1.64	-14%	16%
Net Cash from Operating Activities	\$376	\$535	-	\$535	-30%	-30%
Free Cash Flow	\$336	\$502	-	\$502	-33%	-33%

Notes: (1) 2Q08 has been adjusted to retrospectively apply the provisions of certain new accounting standards that were adopted effective January 1, 2009. See 2Q08 Supplemental Select Financial Data slide.

(2) 2Q08 Items include: (i) a litigation gain of \$133M (\$81M after income taxes or \$0.65 per diluted share) comprised of a reversal of a \$126M liability and \$7M of related accrued interest, (ii) a product line divestiture gain of \$12M (\$7M after income taxes or \$0.06 per diluted share), and (iii) an impairment charge of \$28M (\$17M after income taxes or \$0.14 per diluted share). 2Q08 Adjusted excludes the 2Q08 Items.

(3) Higher pension expense for 2009 compared to 2008 reduced 2Q09 operating income by \$16M, operating margin by 40 bpts and diluted EPS by \$0.09.

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



2Q09 Segment Results

(\$ in Millions)

Segment	Sales	Sales Growth vs 2Q08	Operating Margin	Margin Change	
				vs 2Q08 Actual (bpts)	vs 2Q08 Adjusted (bpts)
C ³ ISR	\$ 761	24%	12.5%	+160	+160
Gov't Services	1,069	-3%	9.5%	-170	-170
AM&M	695	6%	7.3%	+80	+80
Spec Products	1,404	4%	12.1%	+150	+40
Consolidated	\$ 3,929	6%	10.6%	-290	+10

- Notes: (1) During 1Q09, segment presentations were revised to conform to certain re-alignments in the company's management and organization structure. Consequently, certain reclassifications were made between the C³ISR, Government Services and AM&M segments for 2Q08. See the 2Q08 Supplemental Segment Data slide.
- (2) Margin Change vs 2Q08 Adjusted excludes the 2Q08 Items (a litigation gain of \$126M, a product line divestiture gain of \$12M and an impairment charge of \$28M). See Reconciliation of GAAP to Non-GAAP Measurements.
- (3) Higher pension expense for 2009 compared to 2008 reduced 2Q09 operating income by \$7M or +90 bpts for C³ISR, \$9M or +70 bpts for Specialized Products and \$16M or +40 bpts on a consolidated basis. Operating Margin Change vs 2Q08 Adjusted excluding the higher pension expense would have been +250 bpts for C³ISR, +110 bpts for Specialized Products and +50 bpts on a consolidated basis.



2Q08 Supplemental Select Financial Data

(\$ in Millions, except per share amounts)

	GAAP As Previously Reported	Adjustments for:			GAAP As Currently Reported
		SFAS 160	FSP EITF 03-6-1	FSP APB 14-1	
Sales	\$3,722	-	-	-	\$3,722
Operating Margin	13.5%	-	-	-	13.5%
Segment Operating Margin	10.1%	-	-	-	10.1%
Operating Income	\$501	-	-	-	\$501
Segment Operating Income	\$375	-	-	-	\$375
Net Interest Expense and Other Income	\$54	-	-	\$5	\$59
Tax Rate	37.4%	(0.3)%	-	-	37.1%
Net Income Allocable to Common Shareholders	\$278	-	\$(2)	\$(3)	\$273
Diluted Shares	124.0	-	(0.5)	-	123.5
Diluted Earnings Per Share	\$2.24	-	\$(0.01)	\$(0.02)	\$2.21



1H08 Supplemental Select Financial Data

(\$ in Millions, except per share amounts)

	GAAP As Previously Reported	Adjustments for:			GAAP As Currently Reported
		SFAS 160	FSP EITF 03-6-1	FSP APB 14-1	
Sales	\$7,228	-	-	-	\$7,228
Operating Margin	12.0%	-	-	-	12.0%
Segment Operating Margin	10.3%	-	-	-	10.3%
Operating Income	\$869	-	-	-	\$869
Segment Operating Income	\$743	-	-	-	\$743
Net Interest Expense and Other Income	\$117	-	-	\$10	\$127
Tax Rate	37.0%	(0.3)%	-	-	36.7%
Net Income Allocable to Common Shareholders	\$470	-	\$(3)	\$(6)	\$461
Diluted Shares	124.3	-	(0.5)	-	123.8
Diluted Earnings Per Share	\$3.78	-	\$(0.02)	\$(0.04)	\$3.72



2008 Supplemental Select Financial Data

(\$ in Millions, except per share amounts)

	GAAP As Previously Reported	Adjustments for:			GAAP As Currently Reported
		SFAS 160	FSP EITF 03-6-1	FSP APB 14-1	
Sales	\$14,901	-	-	-	\$14,901
Operating Margin	11.3%	-	-	-	11.3%
Segment Operating Margin	10.5%	-	-	-	10.5%
Operating Income	\$1,685	-	-	-	\$1,685
Segment Operating Income	\$1,559	-	-	-	\$1,559
Net Interest Expense and Other Income	\$243	-	-	\$19	\$262
Tax Rate	35.1%	(0.3)%	-	-	34.8%
Net Income Allocable to Common Shareholders	\$949	-	\$(9)	\$(11)	\$929
Diluted Shares	122.9	-	(0.5)	-	122.4
Diluted Earnings Per Share	\$7.72	-	\$(0.04)	\$(0.09)	\$7.59



2Q08 Supplemental Segment Data

(\$ in Millions)

	<u>Previous Presentation</u>	<u>Reclassifications</u>	<u>Revised Presentation</u>
Sales			
C ³ ISR	\$ 621	\$ (5)	\$ 616
Gov't Services	1,096	3	1,099
AM&M	652	2	654
Spec Products	1,353	-	1,353
Consolidated	<u>\$ 3,722</u>	<u>\$ -</u>	<u>\$ 3,722</u>
Operating Margin			
C ³ ISR	10.9%	n.c.	10.9%
Gov't Services	11.1%	0.1%	11.2%
AM&M	6.4%	n.c.	6.5%
Spec Products	10.6%	n.c.	10.6%
Consolidated	13.5%	n.c.	13.5%



1H08 Supplemental Segment Data

(\$ in Millions)

	<u>Previous Presentation</u>	<u>Reclassifications</u>	<u>Revised Presentation</u>
Sales			
C ³ ISR	\$ 1,187	\$ (18)	\$ 1,169
Gov't Services	2,200	7	2,207
AM&M	1,308	11	1,319
Spec Products	2,533	-	2,533
Consolidated	<u><u>\$ 7,228</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7,228</u></u>
Operating Margin			
C ³ ISR	11.1%	-0.2%	11.0%
Gov't Services	10.0%	0.1%	10.1%
AM&M	8.0%	n.c.	8.2%
Spec Products	11.2%	n.c.	11.2%
Consolidated	12.0%	n.c.	12.0%



2008 Supplemental Segment Data

(\$ in Millions)

	<u>Previous Presentation</u>	<u>Reclassifications</u>	<u>Revised Presentation</u>
Sales			
C ³ ISR	\$ 2,567	\$ (30)	\$ 2,537
Gov't Services	4,303	14	4,317
AM&M	2,657	16	2,673
Spec Products	5,374	-	5,374
Consolidated	<u><u>\$ 14,901</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 14,901</u></u>
Operating Margin			
C ³ ISR	9.8%	-0.2%	9.6%
Gov't Services	9.8%	0.1%	9.9%
AM&M	9.1%	n.c.	9.1%
Spec Products	12.0%	n.c.	12.0%
Consolidated	11.3%	n.c.	11.3%



Supplemental Capitalization at 12/31/08

(in Millions)

	As Previously Reported	Adjustments for:		As Currently Reported
		SFAS 160	FSP APB 14-1	
Cash	\$ 867	\$ -	\$ -	\$ 867
Debt	\$ 4,538	\$ -	\$ (45)	\$ 4,493
Minority Interest	83	(83)	-	-
Equity	5,831	83	27	5,941
Invested Capital	\$ 10,452	\$ -	\$ (18)	\$ 10,434



Reconciliation of GAAP to Non-GAAP Measurements

(\$ in Millions)

	1H08 Actual	2008 Actual	2Q08 Actual
Consolidated Operating Margin	12.0%	11.3%	13.5%
Add: Impairment Charge	0.4%	0.2%	0.7%
Less: Litigation Gain	-1.7%	-0.8%	-3.4%
Product Line Divestiture Gain	-0.2%	-0.1%	-0.3%
Consolidated Operating Margin, Excluding 2Q08 Items	<u>10.5%</u>	<u>10.6%</u>	<u>10.5%</u>
Consolidated Operating Income	\$ 869		
Add: Impairment Charge	28		
Less: Litigation Gain	(126)		
Product Line Divestiture Gain	(12)		
Consolidated Operating Income, Excluding 2Q08 Items	<u>\$ 759</u>		
Net Interest Expense and Other Income	\$ 127		
Add: Litigation Gain	7		
Net Interest Expense and Other Income, Excluding 2Q08 Items	<u>\$ 134</u>		
Tax Rate	36.7%	34.8%	
Add: Impairment Charge	0.1%	0.1%	
Less: Litigation Gain	-0.6%	-0.5%	
Tax Rate, Excluding 2Q08 Items	<u>36.2%</u>	<u>34.4%</u>	



Reconciliation of GAAP to Non-GAAP Measurements (Cont'd)

(\$ in Millions, except per share amounts)

	1H09 Actual	2Q09 Actual	2008 Actual	1H08 Actual	2Q08 Actual	2007 Actual
Diluted EPS			\$ 7.59	\$ 3.72		
Add: Impairment Charge			0.14	0.14		
Less: Litigation Gain			(0.66)	(0.65)		
Product Line Divestiture Gain			(0.06)	(0.06)		
Business Divestiture			(0.16)	-		
Diluted EPS, Excluding 2008 Items			<u>\$ 6.85</u>	<u>\$ 3.15</u>		
Specialized Products Operating Margin			12.0%	11.2%	10.6%	
Add: Impairment Charge			0.5%	1.1%	2.0%	
Less: Product Line Divestiture Gain			-0.2%	-0.5%	-0.9%	
Specialized Products Operating Margin, Excluding 2Q08 Items			<u>12.3%</u>	<u>11.8%</u>	<u>11.7%</u>	
Net cash from operating activities	\$ 528	\$ 376	\$1,387	\$ 628	\$ 535	\$1,270
Less: Capital expenditures	(86)	(45)	(218)	(76)	(38)	(157)
Add: Dispositions of property, plant and equipment	6	5	15	5	5	8
Free cash flow	<u>\$ 448</u>	<u>\$ 336</u>	<u>\$1,184</u>	<u>\$ 557</u>	<u>\$ 502</u>	<u>\$1,121</u>



