

communications

Summary Annual Report 2005

L-3 TODAY

- ③ Sixth-largest defense contractor in the United States
- ③ Prime contractor in command, control and communications, intelligence, surveillance and reconnaissance (C³ISR), Simulation and Training, Aircraft Modernization and Maintenance and Government Services
- ③ Ranked third top-performing large company in airlines, aerospace and defense by *Aviation Week and Space Technology*
- ③ Ranked largest defense contractor in Canada by *Canadian Defence Review*
- ③ Major provider of secure communications and information security products for the delivery of networked digital data to the warfighter
- ③ Leader in aircraft displays, avionics, electro-optical (EO) sensors, satellite communications systems, stabilized weapons and sensors
- ③ Largest provider of training systems for tactical fixed- and rotary-wing aircraft, marksmanship and driving systems as well as information technology and computer-based training
- ③ Leader in law enforcement, leadership training and C³ systems for civil and public safety organizations
- ③ Leading provider of aircraft modernization and support for military and training aircraft and helicopters both domestically and internationally
- ③ Major provider of shipboard and submarine power systems, as well as bridge and control systems for military and commercial ships
- ③ International leader in airborne anti-submarine warfare (ASW)
- ③ Major contributor to key future programs, such as DD(X), MMA, FCA, MHP, Combat Search and Rescue-X (CSAR-X), WIN-T, FAB-T, LHA-R and the F-22
- ③ Major provider of homeland defense products and services, particularly in the areas of aviation, port, maritime and border security, law enforcement, first responder equipment vehicles and crisis management

THE BEST IS AHEAD

FINANCIAL HIGHLIGHTS

(In millions, except per share amounts)

For the year ended December 31,	2005	2004	2003	2002 ^(a)	2001 ^(a)
Sales	\$9,444.7	\$6,897.0	\$5,061.6	\$4,011.2	\$2,347.4
Operating income	996.7	748.6	581.0	454.0	275.3
Income before cumulative effect of a change in accounting principle	508.5	381.9 ^(d)	277.6 ^(d)	202.5 ^{(d)(e)}	115.5
Diluted earnings per share before cumulative effect of a change in accounting principle ^(b)	4.20	3.33 ^(d)	2.62 ^(d)	2.13 ^{(d)(e)}	1.47
Net cash from operating activities	846.8	620.7	456.1	318.5	173.0
Capital expenditures, net of dispositions	116.7	68.6	79.1	58.5	46.9
Free cash flow ^(c)	797.5	552.1	377.0	260.0	126.1
Shareholders' equity	4,490.7	3,799.8	2,574.5	2,202.2	1,213.9

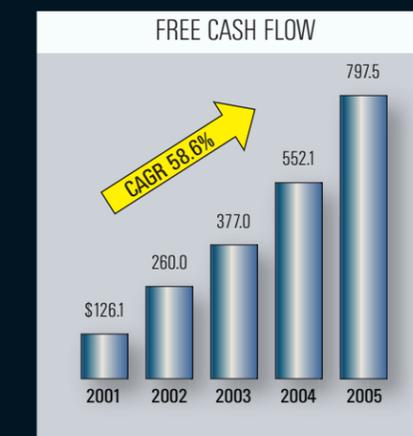
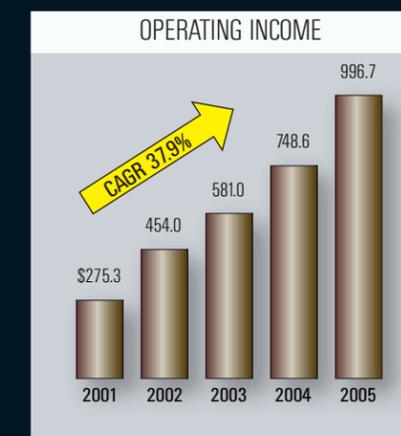
(a) In accordance with Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, effective January 1, 2002, we ceased amortizing goodwill.

(b) Diluted earnings per share for all periods reflects our two-for-one stock split effective May 20, 2002.

(c) We define free cash flow as net cash from operating activities, less capital expenditures, net of dispositions. For the year ended December 31, 2005, free cash flow excludes payments of \$67.4 million to settle Titan shareholder class action and derivative action lawsuits, which were assumed by L-3 as part of the Titan acquisition.

(d) Includes debt retirement charge of \$3.2 million after taxes, or \$0.03 per diluted share in 2004, \$7.2 million after taxes, or \$0.06 per diluted share in 2003 and \$9.9 million after taxes, or \$0.09 per diluted share in 2002.

(e) The year ended December 31, 2002 excludes the cumulative effect of a change in accounting principle for a goodwill impairment of \$24.4 million or \$0.23 per diluted share.



This Summary Annual Report should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2005.

LETTER TO SHAREHOLDERS



Frank C. Lanza
Chairman and Chief Executive Officer

Dear Shareholders:

L-3 Communications had a remarkable year in 2005 – exceeding its financial goals, broadening and strengthening its capabilities with new products and services, increasing its synergies and growth from acquisitions and adding new key defense, government agency and homeland security customers. In fact, L-3 has become the sixth-largest defense company in the United States and is now the largest defense company in Canada. In the past year, L-3 also expanded its international presence with key strategic acquisitions in the United Kingdom (UK) and Germany.

One of L-3's most significant roles in 2005 was the continued support of US forces in Iraq and Afghanistan. With the addition of the Titan acquisition and its workforce, L-3 had several thousand employees aiding US and allied forces in-theater, with many thousands more in the US and abroad providing support to our military.

In 2005, L-3 continued to expand its portfolio of products and services to meet the US Department of Defense's (DoD) strategy of transformation to respond to new geopolitical realities. To handle both conventional and irregular threats, the US military will be transformed into a joint, mobile, high-technology force, capable of defending the US against terrorism and responding to natural disasters. In addition, legacy platforms will continue to be modernized and organizational changes will be optimized to address post-Cold War global enemies and new battlefields. Technology, seamless communications and intelligence-gathering will be vital to the execution of precision engagement in both conventional and irregular warfare.

The DoD requirements include a major emphasis on joint command, control, communications and intelligence (C³I); Light and Special Operations Forces (SOF); mobility; precision weaponry; sea combatants; unmanned air, land and sea sensors; and weapons and logistics. Other areas of focus are stability operations, including those in "fragile states," post-conflict reconstruction, urban warfare, simulators and simulations, propulsion and leap-ahead non-lethal technologies. All of these are areas where L-3 has a significant presence and where the company is making strategic acquisitions to strengthen and expand its offerings.

The US also experienced two devastating Gulf Coast hurricanes in 2005 and L-3 lent its products and capabilities to military, federal and local government officials for rescue and relief operations. These natural disasters have caused

officials at every level to review their crisis management and preparedness protocols. As a result, there has been a strong interest in L-3's crisis management products, command and control (C²) vehicles and persistent surveillance systems. The continuing threat of terrorism worldwide has also caused numerous countries in Europe, Asia and the Middle East to request L-3's aviation, cargo, port and transportation security products along with intrusion detection systems.

Strong Financial Results

By all financial measures, L-3 had a strong 2005. Sales increased to \$9,444.7 million from \$6,897.0 million in 2004, a 36.9% increase. Organic sales growth in 2005 for L-3's defense businesses increased by 11.7%. Operating income in 2005 increased by 33.1% to \$996.7 million, compared to \$748.6 million. Diluted earnings per share for 2005 rose 26.1% to \$4.20, from \$3.33 in 2004.

In 2005, L-3 generated \$846.8 million of net cash from operating activities, compared to \$620.7 million in 2004, an increase of 36.4%. Free cash flow for 2005 was \$797.5 million, compared to \$552.1 million in 2004, an increase of 44.4%, and L-3 concluded the year with \$393.9 million of cash on hand.

L-3 recorded \$10,365.4 million in funded orders, reflecting strong results in all business segments. Funded backlog was \$7,000.9 million at December 31, 2005.

At the close of 2005, L-3 continued to have a very strong balance sheet, even as the company made the largest acquisition in its history – Titan. The company's debt-to-book capitalization was 50.3% at December 31, 2005, compared to 36.1% in 2004.

Strategic Acquisitions

L-3 has been very disciplined in its selection of acquisitions – filling in important niches in its broad base of products and services.

In the command, control and communications, intelligence, surveillance and reconnaissance (C³ISR) reportable segment, L-3 acquired Applied Signal and Image Technology (ASIT), a leader in communications intelligence (COMINT) and signals intelligence (SIGINT) processing for programs

such as Predator and Big Safari and offering growth opportunities in the small payload unmanned aerial vehicle (UAV) market as well as in business jets. This company has been added to L-3's Integrated Systems Group.

Titan was an important acquisition for L-3 – its high-end capabilities and its skilled technical workforce provide complementary services, systems and products for C³ISR, enterprise information technology (IT) and homeland security programs.

The majority of Titan's assets are included in the L-3 Titan Group led by Group President and Chief Operating Officer (COO) Tony Frederickson. The Intelligence Solutions and Technical and Management Services divisions are part of the C³ISR reportable segment, complementing L-3's existing businesses and greatly expanding the company's role in the growing C³I market.

The remaining Titan Group divisions are part of L-3's Government Services reportable segment. These include the Aviation & Maritime Services division, providing support for maritime and expeditionary warfare; and the Enterprise IT Solutions division, offering conventional high-end information technology support to US federal agencies and the DoD. Mr. Frederickson, along with Government Services Group President and COO General (Retired) Carl Vuono, manage L-3's Government Services reportable segment.

The Titan businesses that were product-oriented were incorporated into the Specialized Products reportable segment. With important new products for SIGINT, such as the Prophet Land System, communications-on-the-move (COTM) SATCOM terminals, Long Gun UAVs, video products, naval shipboard systems and sophisticated modems, these businesses continue to expand our product offerings in a variety of markets.

L-3 also made a number of key additions to its Specialized Products reportable segment. L-3 added a Canada-based marine controls business, now known as L-3 Communications Marine Automation and Power Plant Simulation (MAPPs), a global provider of integrated marine control systems for warships, submarines and high-end ocean-going commercial vessels. The company also acquired a business for the growing homeland security and public safety markets – Mobile-Vision, a leading supplier of in-vehicle video surveillance and recording systems used for law enforcement.

There is an emerging market for electro-optical/infrared (EO/IR) imaging, surveillance and targeting sensors and lasers used for law enforcement, military and homeland security. L-3 has become a leader in this area, and in 2005, the company added Sonoma Design Group, offering high-end stabilized EO/IR gimbals and cameras for airborne and surface platforms. This expanded our product base and complemented our WESCAM, Cincinnati Electronics and other EO/IR divisions, which provide products to the military, United States Coast Guard, customs, law enforcement and international customers. Also acquired was EOTech, a leader in advanced holographic weapon sights that improve marksmanship for target acquisition systems. With these additions, L-3 provides EO components, including cooled and uncooled semiconductors, chips, cameras and optics and laser sources, as well as total EO/IR laser-stabilized sensor systems now used on hundreds of civilian and military platforms and missile systems worldwide.

Expanding L-3's International Presence

In 2005, L-3 focused on expanding its international business. One major step was the opening of an office in the UK to reinforce L-3's relationship with the Ministry of Defence (MOD) and to explore additional synergistic combinations in the international arena. In January 2006, L-3 made its first acquisition in the UK, a products company that offers multi-sensor fusion and tracking systems for cruise and ballistic missiles and military aircraft, as well as digital communications switches for many markets. L-3 also forged a partnership with Qinetiq, a UK-based firm, to develop technology for MOD ISR programs.

Another international milestone for L-3 in the Power and Control Systems business was the January 2006 acquisition of a German company – SAM Electronics. This company adds a new commercial shipboard market opportunity to L-3 and also gives the company access to emerging Asian commercial and military markets. The commercial market launches over 1,000 ships per year and the military is relying heavily on commercial products for new ships. With a customer base that is 75% commercial vessels and cruise ships, SAM is a perfect addition for this new paradigm. This division expands our Power and Control Systems Group, led by President and COO Steve Kantor, and opens up opportunities in both commercial and international markets.

In 2005, L-3 formed a strategic joint venture (JV), named Global Military Aircraft Systems (GMAS), with Italy's Alenia Aeronautica, a Finmeccanica company, that will compete in 2006 for missionizing the production and support of the C-27J military transport aircraft proposed for the US Army and US Air Force joint Future Cargo Aircraft/Light Cargo Aircraft (FCA/LCA) program. If the JV wins the FCA/LCA, it would provide the Army with the only militarized intra-theater lift capability platform and replace the aging Sherpa aircraft currently used in Iraq. The FCA/LCA will provide a last-mile theater supply chain to connect with the long-haul C-5, C-17 and C-130 air mobility provided by the Air Force, which will reduce the stress on the CH-47 helicopter lift.

The QDR and the Defense Budget

In the Quadrennial Defense Review (QDR), which was released on February 6, 2006, the Pentagon identified its strategy to fight the war on terrorism, prepare for irregular and asymmetrical conflicts, counter nuclear, biological and chemical weapons and strengthen homeland defense. The QDR also reaffirmed the military's strategy of reorienting capabilities and creating agile forces, while modernizing established platforms. The QDR focus is on capabilities, not platforms. It includes acquisition reform, as well as horizontal integration of military capabilities and minimal stovepipe capabilities.

In conjunction with the QDR, President Bush proposed a record \$439.3 billion US defense budget for 2007. This represented a 7% increase in military spending, which did not include funds to support the wars in Afghanistan and Iraq.

Major initiatives include a 15% increase in SOF personnel, increased use of unmanned platforms for ISR missions and improved coordination with state and local governments through enhanced communications and command systems. L-3 continues to provide critical products and services in key growth areas, including ISR, unmanned missions, precision engagement, EO/IR sensors and persistent surveillance and electric drives.

Transformation includes the US Army's new brigade combat teams (BCTs), which allow for a more rapid insertion of new products and technologies to achieve the desired capabilities balance. In that regard, L-3 offers a myriad of products to make BCT units more agile, lethal and interoperable.

Additionally, the US Navy's Littoral Combat Ship (LCS) will focus on roll-on mission modules, which will provide another opportunity for L-3 to offer its equipment and capabilities without the impact of a major cost and schedule modification to the present surface combatant. These initiatives will stimulate competition between companies, as opposed to a single prime contractor having total responsibility. UAV units will be expanded and unmanned land and sea vehicle missions will increase, eliminating high-risk manned platforms. Increased use of precision weapons, artillery, motors and a heavy emphasis on communication and intelligence consolidation will also be implemented. Future forces will require advanced sensors for navigation of unmanned platforms, networked ISR, C² on the battlefield and a major expansion of roles and missions of the SOF.

Vertical integration is a challenge that L-3 and other mid-tier suppliers face. Defense prime contractors have become Lead System Integration (LSI) contractors, going beyond systems integration work and providing products internally, rather than bidding them out to merchant suppliers and specialized defense contractors. Historically, these defense product suppliers have been the source of innovation for the DoD and provided state-of-the-art and cost-effective offerings. The Pentagon is aware of the flaws in the LSI acquisition strategy and its impact on suppliers and has taken a number of steps to retain greater control of the process. Some key steps are reaffirming the DoD policy of opening the bidding process and implementing oversight to ensure companies can participate in more contract opportunities.

Prospects for 2006 and Beyond

We project L-3's prospects to be excellent in 2006 with both top- and bottom-line as well as organic growth. Once again, the highest growth areas in the DoD budget are in the defense electronics segment – an area where L-3 has leadership. Our sales projection is mainly backlog and follow-on driven. Numerous opportunities exist on new programs and L-3 is well-positioned on the key material national programs that remain unaffected by platform issues. This includes Network-Centric communications and ISR, aircraft modernization and support, training and simulation and government services. In 2006, L-3 will continue to seek acquisitions in areas that strategically strengthen and expand the company's capabilities. We will also strength-

en and continue to lead the consolidation of the fragmented supplier base in order to play a significant role in future homeland security requirements. These acquisitions in specialty products will occur in 2006.

We also believe that a significant number of US troops will return from Iraq in 2006 and that will initiate an investment in equipment recapitalization. L-3 is ready to supply a wide array of systems, products and services for modernization and for maintenance of equipment. As US troops withdraw from Afghanistan and Iraq, we believe that the international demand for L-3's leadership and security training for emerging democracies will continue to grow. L-3 is a prime contractor on the International Criminal Investigative Training Assistance Program (ICITAP) for law enforcement advisors and trainers around the world. ICITAP currently has teams in 35 countries. L-3 also works in conjunction with the US Department of State in providing public and private sector institutions with training, education and leadership developmental services in the US and internationally.

In homeland security, we believe that with the threat of natural disasters and terrorism in the US and in other countries, government authorities are increasing their focus on preparing for potential catastrophes. Crisis management, aviation, maritime, mass transportation, port and cargo security, intrusion detection and bioterrorism detection C² vehicles are the kinds of products and services that are of interest to domestic and international governments.

Organic growth continues to be a major priority for L-3. In 2006 and beyond, this growth will come from a long list of new products from each of our segments – ranging from electronic CTs; mine-hunting equipment; binary ionization technology for target simulation; LITES signals intelligence; the new "pack and fly" small UAV; the ENTR tactical intelligence receiver; EO/IR lasers and sensors; SIGINT subsystems; FAB-T; next-generation secure data links; COTM antennas; the Prophet system; checkpoint security; electric propulsion and many, many more. L-3 will also bid strategically on important upcoming programs, such as the US Army's Linguist program recompetition, MMA, CSAR, LUH, the C-27 Common Theatre Lift Aircraft (the UK Nimrod replacement) and the Department of Homeland Security's

(DHS) Eagle services contract, as well as border security and many opportunities in the intelligence sector.

One of the elements of L-3's success from the very beginning has been the relentless focus on good program performance. It is one of the factors behind L-3's high win and sole source award rates. We believe that by achieving solid organic growth, good program performance and by adding new acquisition gems to our portfolio, L-3 can continue to deliver strong growth. We will achieve 20% top- and bottom-line growth in 2006 – 8% to 10% through organic growth and the remaining through acquisitions.

In the future, L-3 will be a much larger company – with projected revenues approaching \$12 billion. Though the acquisition pipeline remains very strong, most of those companies are in the range of \$50 to \$300 million in annual revenues, so it is unrealistic to be able to match the almost 40% annual sales growth of previous years. We believe that L-3 can continue to be a solid growth company in 2007 and beyond.

Our confidence comes from a number of factors. First, there are good companies still available in the defense arena that could build upon our systems, services and products businesses, which will enable us to get a larger share of the DoD, DHS and agency budgets. Second, we have an entire generation of new state-of-the-art products to aid in the modernization of existing platforms and to funnel into new assets that will come on line.

Third, our employees remain our most important competitive advantage. We have brought together a strong management team dedicated to driving growth and executing a disciplined acquisition strategy, a unique set of science and engineering talent and hardworking, conscientious employees who prosper in our entrepreneurial culture and provide so much value to our customers. For these and many other reasons, L-3 is poised to continue its remarkable history well into the future.

Frank C. Lanza
Chairman and Chief Executive Officer

NEW PRODUCTS

ROVER III MANPACK RECEIVER



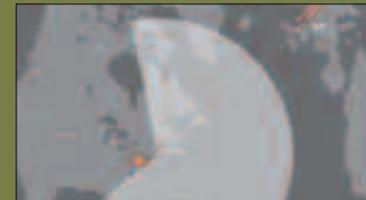
Named L-3's product of the year, the ROVER III, manufactured by L-3 Communication Systems-West, has played an instrumental role in the war in Iraq. With over 700 units in the field, ROVER III gives the warfighter the ability to "see" all targets before launching a weapon strike, reducing collateral damage. It also provides communications interoperability with over 15 different manned and unmanned sensor platforms.

BAI OVERHEAD IMAGERY POD



As a result of customer feedback received during Hurricane Katrina relief activities, L-3 BAI Aerosystems introduced a ROVER III-compatible stand-alone overhead imagery pod. The pod combines steerable EO/IR cameras, a camera controller and a video transmitter into a single integrated unit to aid in search and rescue and other emerging applications.

TARGET ORIENTED TRACKING SYSTEM (TOTS®)



TOTS® from L-3 ASA is a scalable, single-stage, multi-hypothesis fusion tracking engine that uses a powerful Autonomous Multiple Model (AMM) architecture. Developed by L-3 ASA's engineers to meet the demanding real-time sensor data fusion and tracking requirements of the Strategic Defense Initiative (SDI) threat scenarios, today's generic TOTS system delivers unparalleled precision, continuity and low latency, and simultaneously tracks different types of targets with both active and/or passive sensors. L-3 acquired ASA in January 2006.

WRIST ATTACHED VIDEO EQUIPMENT (WAVE)



In cooperation with the US Air Force, L-3 Display Systems is developing second-generation wearable wrist displays that give soldiers and forward combat controllers immediate access to real-time data and video. The WAVE device allows viewing of UAV-transmitted video and works in conjunction with ROVER III. Future versions of the device will incorporate GPS mapping software, a digital camera and other essential communication features.

NEXT GENERATION TRAINER (NGT)



L-3 Link Simulation and Training has developed a prototype of its NGT, which incorporates distributed, networked and web-enabled technologies to support the US military's growing need "to train where you are, train on demand." Link's NGT provides high-fidelity simulation of physical environments, as well as replication of realistic human behaviors. These technologies are planned for use on the US Army's Aviation Combined Arms Tactical Trainer (AVCATT) and the US Air Force's Predator Mission Aircrew Training System (PMATS) programs.

GUNNER CREW CHIEF STATION (GCCS)



L-3 Link Simulation and Training developed the GCCS, a new simulation product that can be integrated with rotary-wing flight simulators to enhance warfighter effectiveness. Designed to improve helicopter gunnery crew training skills, the GCCS replicates the aircraft interior and provides soldiers with the correct visual or virtual representation on a helmet-mounted display system. The GCCS can easily be reconfigured to replicate either the UH-60 or the CH-47 aircraft gunner stations.

NEW PRODUCTS

VT² CONVOY TRAINER



The L-3 MPRI VT² convoy training system provides powerful and flexible tools needed to prepare soldiers for the challenges found on the modern battlefield. This system allows them to plan, rehearse, execute and evaluate training in a high-fidelity, interactive, geo-specific virtual environment.

LASER MARKSMANSHIP TRAINING SYSTEM (LMTS) 390 SERIES VERSION 5



L-3 MPRI's LMTS 390 Series uses an interactive video training simulator that provides judgmental scenarios, full-size target engagement and interactive skill-building exercises. Users train with their own weapon, and the system's advanced "analyze" feature allows for an in-depth review of marksmanship skills.

HOLOGRAPHIC WEAPONS SIGHT (HWS)



L-3 EOTech, Inc. is the manufacturer of the world's only holographic sighting system for small arms platforms and machine gun systems. This revolutionary weapon optic delivers rapid target acquisition and significant accuracy gains in close combat situations without compromising the soldier's peripheral vision.

SONOMA EO PRODUCTS



L-3 Sonoma EO provides advanced EO/IR stabilized turrets to the expanding surveillance market. Sonoma's key products include the Sonoma 333™, a 12-inch stabilized turret for low-altitude manned and Unmanned Aircraft Systems (UAS) and the Sonoma 474™, a high-resolution, long stand-off solution selected for passive detection of Improvised Explosive Devices (IEDs). L-3 Sonoma EO plans growth into mine-countermeasure missions, maritime surveillance and high-altitude UAS and manned platforms.

MX-15 24/7 EO



In 2005, L-3 WESCAM integrated a dual-channel spotter camera, capable of both daylight and low-light long-range identification, into its MX-15 EO/IR system, resulting in a six-sensor payload within a stabilized turret. In addition to the Night Spotter's low-light capabilities, WESCAM augmented a laser illuminator for a true 24/7 persistent EO imaging solution. By matching the Night Spotter's field of view, the entire image area is illuminated – even in total darkness – providing another industry first.

THERMAL-EYE X200xp



In 2005, L-3 Infrared Products (L-3 IP) launched the next generation of hand-held thermal imaging cameras, the Thermal-Eye X200xp. With its predecessor fielded in Iraq and Afghanistan, this pocket-sized camera meets the tough demands of military, federal and local law enforcement users every day. In 2006, L-3 IP will launch the Thermal-Eye 4500AS, a 320x240 higher resolution camera core based on the same technology as the current AS line.

NEW PRODUCTS

SEA FIGHTER



On February 5, 2005, the US Navy christened X-Craft as Sea Fighter (FSF 1). Sea Fighter, developed by L-3 Advanced Systems, is a high-speed, experimental vessel that will test a variety of technologies for the operational development of the US Navy's Littoral Combat Ship (LCS) and the US Coast Guard's Deepwater program. The Sea Fighter's Vistar 350 Sensor Suite electro-optical system is outfitted with L-3 CE's NightConqueror IR Thermal Imager.

FLASHBACK CYCLEVISION™



With its rugged, reliable, solid-state memory, Flashback CycleVision™ gives motorcycle patrol units the unprecedented ability to digitally record video evidence. Based on L-3 Mobile-Vision's proven Flashback™ Digital Video Recorder (DVR), CycleVision includes an externally mounted camera and monitor console that are weatherproof and capable of withstanding extremes in temperature and humidity as well as direct sunlight.

ELECTRONIC CAB SYSTEM (ECS) FOR THE LOGISTICS VEHICLE SYSTEM REPLACEMENT (LVSR)



In 2005, L-3 Ruggedized Command and Control Solutions (L-3 RCCS) pioneered a new graphics display technology with the ECS for the LVSR initiative, a heavy 10x10 off-road tactical vehicle. The ECS, which includes a ruggedized computer, displays and software, presents real-time vehicle data and accesses the onboard camera suite. Suitable to many new platforms and easy to modify, the ECS represents a landmark advance in driver information display capability.

PROPHET



L-3 Linkabit's Prophet mobile ground-based tactical signals intelligence system was developed as a US Army transformational program to replace legacy systems. Currently deployed in Iraq and Afghanistan, Prophet is providing electronic situational information to tactical commanders who may not have access to strategic surveillance resources.

SAFEROUTE™



In June 2005, ACSS announced the development of SafeRoute™, a suite of automatic dependent surveillance-broadcast software solutions designed to improve safety and efficiency for flight operators in flight and in airport environments. In addition to providing critical situational awareness, SafeRoute enables users to reduce fuel consumption.

TALON



In 2006, L-3 Communication Systems-East will introduce Talon, a small form factor PCMCIA encryptor ideal for the mobile warfighter. By inserting Talon into the standard PCI slot of a laptop, DoD users will be able to access and share top secret data. Talon is the first solution designed to be interoperable with existing secure communications via SCIP and HAIPIS protocols.

NEW PRODUCTS

HAYSTACK RADIO TELESCOPE



L-3 ESSCO, in conjunction with Massachusetts Institute of Technology's Lincoln Laboratory, will design, fabricate and install a series of sophisticated technology upgrades to the 37-meter diameter Haystack Radio Telescope. These improvements will extend the operating frequency range of the antenna to 90-100 GHz.

COMMUNICATIONS-ON-THE-MOVE (COTM) ANTENNA



L-3 Datron Advanced Technologies has developed a COTM antenna system designed to support Ku- or Ka-band satellite communications for ground mobile applications such as Humvees, Strykers or Bradley fighting vehicles. The COTM antenna system features an extremely rugged design and low weight and power consumption. Interchangeable Ku- and Ka-band RF/feed assemblies are provided to allow the operator to use DoD or commercial satellite assets.

X-BAND PULSE MODE MICROWAVE POWER MODULE (MPM)



L-3 Electron Devices has extended the performance benefits of its MPM with the recent development of the X-band Pulse Mode MPM. By providing high efficiency in a small, lightweight package, this MPM is ideal for powering the new generation of small UAV persistent surveillance radars.

TCS, INC.



L-3 TCS, Inc. provides engineering, logistics, hardware/software design, integration, modification, test, documentation and sustaining support to the US Air Force SOF/Combat Search and Rescue (CSAR) and C-130 communities. L-3 acquired TCS, Inc. in January 2006.

SAM ELECTRONICS



SAM Electronics' automation, navigation, communication, energy distribution and propulsion systems meet the stringent demands of its customers worldwide. In June 2005, SAM completed a major turnkey project for Pride of America, the new 81,000 gross ton cruise liner for Norwegian Cruise Line. The contract involved extensive project management and engineering as well as responsibility for complete cabling and installation of all electrical systems. L-3 acquired SAM Electronics GmbH in January 2006.

AFFORDABLE WEAPON SYSTEM (AWS)



The AWS is a low-cost guided missile system that uses military and commercial-off-the-shelf (COTS) components. Launched from various platforms by a small rocket booster, the AWS is designed to carry a 200-pound payload to a target several hundred miles away. The missile is equipped with both line-of-sight and satellite data links, enabling it to fly directly to its target guided by GPS or fly to an area and loiter for hours until a forward observer directs the weapon to a target.

NEW PRODUCTS

WANKEL



L-3 Combat Propulsion Systems has acquired the worldwide technology rights to develop and manufacture a new revolutionary rotary engine technology. The high-power density rotary diesel engine is being developed as a candidate engine for Class II-IV UAVs and Advanced Ground Vehicles, as well as Auxiliary Power Units.

ELECTRONICALLY CONTROLLED ACTIVE SUSPENSION SYSTEM (ECASS)



During 2005, L-3 Electronic Systems (L-3 ES) globally launched its ECASS technology, which will initially be installed and tested on a Swedish tactical vehicle. ECASS is a fully active, computer-controlled vehicle mobility enhancement system suitable for a wide range of vehicle applications. A Humvee version of ECASS is under development for release in 2006.

NAVAL BRIDGE SYSTEMS



L-3 Henschel's Multi-Function Control Consoles or universal workstations are designed for use in command, control, communications and combat management systems to ensure reliability in the harsh environments of mission-critical operations. The consoles are flexible in application, design and technology and offer a wide range of advanced features not available in legacy consoles.

MODULAR TACTICAL COMINT



L-3 Applied Signal and Image Technology (L-3 ASIT) offers the latest in a series of low-cost, high-performance signals surveillance payloads. The new system is designed for easy installation in a standard Caravan baggage pod and is ideal for quick-reaction needs.

ADVANCED LASER SYSTEMS TECHNOLOGY (ALST)



L-3 ALST is a leading supplier of laser rangefinders used in sensor systems mounted in airborne fixed- and rotary-wing aircraft and UAVs, naval surface ships and submarines and hand-held thermal imagers, as well as orbital space vehicles. The designs developed by L-3 ALST have surpassed industry standards for compact size, ruggedness and performance at a low cost. During 2006, the company will introduce an ultra-compact laser designator/rangefinder optimized for use in small UAVs and man-portable systems.

VIDEOSCOUT™



L-3 Advanced Products & Design's VideoScout™ is a video management and exploitation system that helps personnel create and share intelligent video from sources such as EO/IR sensors and UAVs to improve situational awareness and decision-making in real time. VideoScout is combat proven, having been deployed to Iraq by the US SOF and the USMC Marine Expeditionary Force (MEF) to provide ISR support during operations. When coupled with the L-3 ROVER III receiver, VideoScout provides constant access to live video, addressing the specific needs of the warfighter anywhere in theater.

ISR Systems

L-3's capabilities range from products and major subsystems to prime ISR platforms, including secure communications systems, data links and command and control, network communications, remote sensors and encryption.



USAF Aircraft

US Air Force Mission Support

L-3 Integrated Systems (L-3 IS) provides comprehensive development, modification and logistics support to several key intelligence platforms in the US Air Force fleet. Within the Big Safari family of programs, L-3 supports the Rivet Joint, Cobra Ball and Combat Sent programs, each a specialized version of the RC-135 platform with strategic and tactical airborne reconnaissance capabilities.

L-3 IS also provides comprehensive support to the EC-130H Compass Call fleet, which disrupts enemy command, control and communications (C³) and hinders adversary coordination essential for enemy force management. In addition, L-3's Titan Group provides engineering and C² integration support to the US Air Force's Airborne Warning and Control System (AWACS) and test and evaluation support for the Joint Surveillance Target Attack Radar System (JSTARS) aircraft.

International Surveillance Systems

L-3 IS performs upgrades of missions and navigation equipment to the Royal New Zealand Air Force's P-3 Orion maritime patrol aircraft. This reconnaissance aircraft will be upgraded with L-3 WESCAM's MX-20 imaging turret system, featuring video capabilities and an infrared camera. L-3 IS also provides system modernization and service life extension on the P-3 Orion for the Republic of Korea (ROK), and will maintain Korea's airborne signals intelligence system.

In 2005, the UK MOD selected L-3 IS for an 18-month contract to conduct Stage 2 architecture studies for Project Helix, a multi-stage program to develop an advanced mission suite for the electronic reconnaissance system for the Royal Air Force's Nimrod R1 aircraft.

In addition, L-3 BAI Aerosystems (L-3 BAI) UAV systems and personnel performed critical intelligence-gathering missions in support of Operation Iraqi Freedom. L-3 BAI made its entry into the tactical UAV market by introducing its largest unmanned aircraft to date, the Viking 400.

USAF Modified Aircraft During Takeoff



USAF Aircraft



IS-Supported Aircraft



Viking 400



Ski Bird LC-130



Republic of Korea P-3

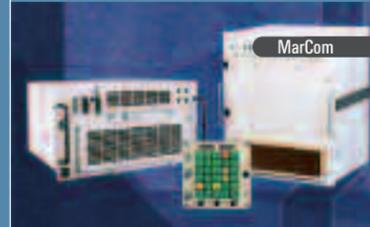


New Zealand P-3



Aircraft Interior





C³ISR

Secure Communications



Networked Communications

L-3 has emerged as a prime contractor for ISR, developing secure data links and signals intelligence (SIGINT) and communications intelligence (COMINT) systems used on a variety of platforms, including UAVs, ships and ground vehicles, for real-time transfer of data to the warfighter.

L-3 Communication Systems-West (L-3 CS-West) has developed the first IPv4 networked wideband backbone communications suite – the Multi-Platform Common Data Link (MP-CDL), which provides line-of-sight and air-to-air communications modes for the US Air Force. In addition, L-3 CS-West's Phoenix is the first fully certified 2.4-meter Quad-Band Terminal in US Army history and is performing successfully in Afghanistan, Iraq and Korea.

L-3 ComCep's Network-Centric Collaborative Targeting (NCCT) program improves the responsiveness and utility of ISR operations to enable real-time targeting and mission planning. NCCT was featured in the US Navy's Trident Warrior Experiment/Demonstration – successfully networking space, aircraft, ships and ground ISR sensor platforms to provide target/threat detections, locations and identifications.

Information Assurance

L-3 products ensure the secure transmission of information for the DoD and US Government agencies. L-3 Communication Systems-East's (L-3 CS-East) suite of data storage systems, which includes its Strategic/Tactical Airborne Recorder (S/TAR™), will be integrated into the P-8A Multi-Mission Maritime Aircraft (MMA), the US Navy's next-generation maritime patrol aircraft. In addition, L-3's MarCom Integrated Voice Communication System (IVCS) became operational aboard the USS San Antonio LPD-17, a vessel critical in maintaining maritime dominance in the littoral battlespace.

Extending L-3's space-based cryptographic products to new areas, L-3 CS-East will design and develop a TRANSEC COMSEC Unit (TCU) for the Mobile User Objective System (MUOS), the US Navy's next-generation narrowband tactical satellite communications system.

For DoD travelers requiring a virtual office, L-3 CS-East is developing the Secure Mobile Environment – Portable Electronic Device (SME-PED), a secure voice, data and email wireless product with PDA functionality. SME-PED will enable the DoD and other US Government users to have a classified-level communications device similar to products that are commercially available.

C³ISR Support Services



Support & Sustainment

L-3 Aeromet provides airborne EO/IR sensor capabilities to support the US Missile Defense Agency (MDA) and other test activities with the High Altitude Observatory (HALO-I/II) aircraft, a modified Gulfstream IIB aircraft, and the Widebody Airborne Sensor Program (WASP)-modified McDonnell Douglas DC-10-10 aircraft.

Intelligence Solutions

L-3 Titan Group has provided intelligence collection, analysis, dissemination and sharing for the intelligence community for more than 25 years. Titan Group supports the Joint Deployable Intelligence Support System (JDISS), a system with 12,000 users and more than 5,000 deployed systems. The Internet-based JDISS program has become a cornerstone of joint intelligence operations. L-3 Titan Group also provides a wide range of cryptologic training and other information services to the military and the National Security Agency (NSA) directly and through the NSA's National Cryptology School. In addition, L-3 Titan Group will develop and rapidly deliver transformational Net-Centric technologies that help the US maintain information dominance.

In the fall of 2005, the Ski Bird aircraft from the 109th Air Lift Wing of the New York Air National Guard was deployed to the South Pole. It was equipped with a tracking and two-way communications device that integrated a ruggedized PDA, GPS capabilities and L-3 Titan Group-developed Global Messenger software.

Technical & Management Services

L-3 Titan Group provides systems acquisition services and operational support to the command, control, communications and computers, ISR (C⁴ISR) community, including the US Army's Communications-Electronics Life Cycle Management Command (CE-LCMC), the US Navy's Space and Warfare Systems Command (SPAWAR), the Air Force Command & Control, Intelligence, Surveillance & Reconnaissance Center (AFC2ISRC) and US Air Forces in Europe. Several of the systems supported include Air Force and allied AWACS, JSTARS, Joint Tactical Radio System (JTRS), Multi-Sensor Command and Control Aircraft (MC2A/E10), Distributed Common Ground System (DCGS) and nearly all US Air Force and US Navy aircraft. L-3 Titan Group also provides constructive simulation support to the US Army Europe (USAREUR).

L-3 Communications Government Services Group (L-3 GSG) was established to manage the rapidly growing Government Services segment of L-3 Communications. The group is comprised of MPRI, GSI, ILEX, Titan Linguist Operations and Technical Support and SYColeman. The GSG, D.P. Associates and Coleman Aerospace report to the Government Services segment. These companies offer customers diverse products and services that address defense, law enforcement, intelligence, homeland security, missile defense, strategic communications and linguist support operations. Each company has offerings that provide integrated systems and solutions.



Training & Education Services

L-3 provides key training and education support services to US and coalition forces around the world. The US Army awarded L-3 MPRI a four-year contract to support a multi-national coalition assisting the government of Afghanistan in building capable security institutions and programs to protect the nation in accordance with established norms and international law. In related international outreach work, L-3 SYColeman provides Information Operations management support to facilitate media outreach initiatives consistent with the goals and objectives of the Iraq country team and Operation Iraqi Freedom. In addition, L-3 MPRI's training systems, includ-

ing the Laser Marksmanship Training System (LMTS) and the Laser Convoy Counter Ambush Training System (LCCATS), provide US Army soldiers with critical marksmanship training.

On the commercial front, Schneider National, Inc. tapped L-3 MPRI to provide Mark III and TransSim VS III driver simulators for its nationwide network of training academies. Schneider is one of the top truckload carriers in the country and will use the simulators to train its workforce of more than 15,000 professional drivers in a safe, realistic and cost-effective training environment.



F/A-18



USCG Patrol Boat



MPRI Driver Simulator



USCG Training in Petaluma, CA



MH-60



LRALT



UH-1Y



MV-22

GOVERNMENT SERVICES

Training and Staff Augmentation Services



PEO Soldier

Staff Support Services

L-3 MPRI manages the PEO Soldier Rapid Fielding Initiative (RFI) Supply Chain Services program, which includes coordination, complete supply chain management, storage, distribution, documentation and transportation services for the US Army. MPRI has fielded equipment to nearly 500,000 soldiers since the program began in October 2003.

L-3 SYColeman provides comprehensive strategic communications support for a variety of clients, including the US Special Operations Command (USSOCOM); Department of the Army, Executive Office of the Headquarters; Office of the Chief of Public Affairs; The Secretary of the Army; and The Chief of Staff, Army. In addition, L-3 MPRI has full-time instructors at the DoD Information School (DINFOS), which provides public affairs instruction to all military services, active and reserve components, as well as National Guard officers, noncommissioned officers (NCOs) and civilians.

Software & Systems Engineering

L-3 ILEX's systems engineering services support the US Army's C⁴ISR mission. ILEX recently partnered with L-3 Government Services, Inc. (L-3 GSI) and won a contract to provide intelligence operations support to the Assistant Chief of Staff of Multi-National Forces-Iraq (MNF-I). In August 2005, L-3 acquired Joseph Shears Associates, Inc., merging it with L-3 ILEX's existing AS&T division. This acquisition strengthens and enhances L-3's support to the Federal Aviation Administration (FAA) headquarters and the William J. Hughes Technical Center.

L-3 D.P. Associates (L-3 DPA) provides management support services and systems engineering support for a variety of vertical flight aircraft programs. L-3 DPA will conduct operator and maintainer training for the USMC's H-1 Upgrade program and will also perform operator and maintainer computer-based training for the US Navy's MH-60R and MH-60S, the USMC's MV-22 and the USAF's CV-22.

GOVERNMENT SERVICES

IT and Other Solutions

With the addition of the L-3 Titan Group, L-3 has added vital Enterprise Information Technology and Aviation and Maritime Services to its Government Services segment.



IT Solutions & Technical Support

L-3 Titan Group has been providing NASA with systems assurances and engineering services for over two decades, supporting over 60 software systems across NASA's ten centers. L-3 Titan Group has won task orders for NASA's largest and most critical programs, including the Space Shuttle, International Space Station and the James Webb Space Telescope. In addition, Titan Group was awarded a significant new contract to provide support services to the FAA's Mike Monroney Aeronautical Center (MMAC), which provides world class IT and related services to the FAA, Department of Transportation and other federal agencies.

In DoD work, L-3 Titan Group provides systems integration support to the Joint Staff, including the Joint Chiefs of Staff, and continues its 15-year relationship and mission support for USSOCOM, delivering a broad spectrum of enterprise network management, information assurance and engineering services.

Ballistic Missile Defense

L-3 Coleman Aerospace provides a variety of ballistic missile targets and associated launch services to the MDA for testing critical elements of the Ballistic Missile Defense System (BMDS). L-3 provided a Long Range Air Launch Target (LRALT) missile that was used to test the AN/FPS-108 Cobra Dane radar and the fire control system of the Ground-based Midcourse Defense (GMD) element of the BMDS. The successful completion of the Cobra Dane mission was a milestone in demonstrating the preparedness of the GMD system to defend the United States from a limited long-range ballistic missile attack.

GOVERNMENT SERVICES

Aviation, Maritime & Human Intelligence



Aviation & Maritime Services

L-3 Titan Group integrates UAVs, sensors and communications equipment to support various surveillance missions for US warfighters in Iraq and Afghanistan.

L-3 Titan Group is the premier systems engineering support contractor to the Naval Air Systems Command (NAVAIR). For decades, L-3 Titan Group has provided the Navy with uninterrupted weapon system support and avionics technical and engineering support on programs such as the F/A-18, EA-6B, EA-18G, F-14, Joint Strike Fighter, P-3, H-60, H-1, V-22, E-6 and multi-mission maritime aircraft. In addition, US Navy SPAWAR relies on L-3 Titan Group to provide systems engineering, program management, logistics and security support for C⁴ISR systems.

For the US Coast Guard (USCG), L-3 Titan Group was selected to provide expanded full-service training support. Titan Group manages the training program and provides curriculum development, instructional designers and trainers to USCG instructional centers throughout the

United States, enabling the Coast Guard to achieve its increased responsibilities for national security.

Linguists & Intelligence Support

L-3 Titan Linguist Operations and Technical Support (TLOTS) is the largest provider of commercial linguist services to the US Government. TLOTS provides translation, interpretation and linguist/analyst support to both deployed and home-station military organizations of the US and NATO countries and their coalition partners, intelligence agencies and commercial enterprises. TLOTS also provides analytical support in the areas of intelligence, counter-intelligence and military intelligence operations.

Additionally, L-3 GSI provides multi-faceted intelligence support services to MNF-I. The L-3 GSI team includes ILEX, SYColeman and MPRI, as well as a variety of other business partners. L-3 GSI provides broad, multi-disciplined intelligence support in order to deliver actionable intelligence to the MNF-I Commander.

Aviation Support Operations

L-3 holds a leadership position in the Aircraft Modernization and Maintenance segment, providing support for a wide variety of aircraft, including training and tactical, SOF, federal non-defense, special mission and head-of-state platforms. L-3's base support operations service hundreds of fixed- and rotary-wing aircraft around the world with everything from depot-level maintenance, turnkey airborne training solutions and logistics support to life extension initiatives and major design changes and overhauls.



Military Training Aircraft

L-3 Vertex provides aviation and aerospace technical services, primarily for US Government customers, supporting 3,500 military and government aircraft and systems.

At Fort Rucker, Alabama, L-3 Vertex supports US Army aviation training, with 503 rotary-wing training aircraft. The L-3 Vertex-led Army Fleet Support (AFS) joint venture achieved outstanding fleet readiness with a 99.8 percent mission performance rating. For the US Navy, L-3 Vertex will provide life-cycle Contractor Logistics Support (CLS) to a fleet of 120 TH-57 (Bell 206) helicopters. Nearly all US Navy, Marine Corps and Coast Guard helicopter pilots receive their Wings of Gold following training in the TH-57.

In 2005, L-3 Vertex received a ten-year subcontract from Raytheon Aircraft to provide Contractor Operated and Maintained Base Supply (COMBS) service for the US Air Force and US Navy Joint Primary Aircraft Training System (JPATS) T-6A aircraft program. The JPATS program calls for a total of 800 aircraft to be delivered through 2015, of which 280 are already in service.

Maintenance Services

L-3 is a major provider of maintenance services for military aircraft. L-3 Vertex is instrumental in supporting the worldwide C-12 aircraft fleet for the US Navy, Marine Corps and Air Force and was selected to develop a prototype Electronic Flight Instrument System (EFIS) in two C-12 aircraft. L-3 Vertex was also selected to provide maintenance, research aircraft systems design, fabrication and airfield services for the NASA Ames Research Center, supporting the UH-60 Black Hawk and the OH-58C Kiowa helicopters, as well as Rotary-wing Unmanned Aerial Vehicles (RUAVs).

L-3 Vertex is also a leading Contract Field Teams provider, with more than 1,000 personnel in Iraq, Kuwait, Afghanistan and other locations worldwide. In addition, L-3 Vertex was selected to provide worldwide supply pipeline services for the C-23 Sherpa light transport aircraft, which delivers a vital intra-theater lift capability in the global war on terrorism.





SMIP



AB 139 US Army LUH



CH 148 MHP



P-3 in Hangar



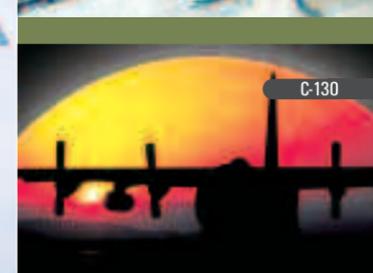
Wing Refurbishment



P-3 in Flight



MAS Hornet Hangar



C-130

AM&M (AIRCRAFT MODERNIZATION AND MAINTENANCE)

Aircraft Modernization and Support Services



GMAS C-27J

Aircraft Modernization

L-3 IS modernizes all types, models and series of P-3 aircraft in the 150-aircraft US Navy fleet, as well as P-3 aircraft supported through US Navy-administered foreign military sales programs under the Sustainment, Modification and Improvement Program (SMIP). L-3 IS also provides aircraft and maintenance to the Metroliner III, as well as other related maintenance to the Naval Air Warfare Center.

In addition, L-3 has a number of strategic partnerships to deliver modified aircraft to the US Army and US Air Force. Global Military Aircraft Systems (GMAS) is a joint venture between L-3 Integrated Systems and Alenia North America, a Finmeccanica company, formed for the modification, production and support of the C-27J mili-

tary transport aircraft to pursue the joint US Army and US Air Force Future Cargo Aircraft/Light Cargo Aircraft (FCA/LCA) program. Currently, the FCA/LCA program calls for the procurement of a new fleet of Cargo Fixed Wing aircraft and related logistics support.

In 2005, L-3 IS announced a partnership with AgustaWestland, Inc. to offer the US139 helicopter, a customized variant of the modern FAA-certified AB139 twin-engine helicopter now in service worldwide for the US Army's Light Utility Helicopter (LUH) competition. L-3 IS will perform final assembly and customization of government-specific avionics for the US139 helicopter and will provide contractor logistics support for the US139 LUH fleet.

Aircraft Modernization and Support Services (CONTINUED)



Special Operations

L-3's Joint Operations Group (JOG) plays a vital role in maintaining and modernizing rotary-wing platforms used for the global war on terrorism. In 2005, USSO-COM contracted JOG to convert the standard US Army UH-60M configuration aircraft to the MH-60M configuration, including SOF-unique avionics and mission equipment.

International Aircraft Modernization

L-3 Communications SPAR Aerospace Limited (L-3 SPAR) is a key provider of maintenance and refurbishment to the global C-130 marketplace. In the US, L-3 SPAR will maintain the USCG's C-130 fleet. On the international front, L-3 SPAR will refurbish C-130s for the Royal New Zealand and Norwegian Air Forces and will perform work on Boeing 727s for Mexico. L-3 SPAR also launched Herc 2020™ and FleetLife™ – life extension and fleet management solutions for the C-130 community.

L-3 SPAR will "Canadianize" the C-27J Spartan aircraft for search and rescue as part of its bid for the Canadian Government, installing the mission system, providing initial in-service support and overseeing airworthiness certification.

In addition, L-3 Electronic Systems (L-3 ES) provides avionics in-service support for the Canadian Forces CP-140 long-range patrol aircraft fleet. L-3 ES is also supplying a state-of-the-art display suite upgrade for the Canadian and Royal Australian Air Force F/A-18s.

L-3 MAS leads the In-Service Support aspects for CH148 helicopters under the 20-year Canadian Maritime Helicopter Project (MHP). In addition, L-3 MAS continued its outstanding delivery performance on the CF-18 Modernization Program for the Canadian Department of National Defence (DND) and leveraged its in-depth CF-18 capacity and capability to international F/A-18 clients, including the US Navy and the Royal Australian Air Force.

SPECIALIZED PRODUCTS

Avionics, Microwave & Specialty Products

With the broadest base of products in the industry, L-3's Specialized Products segment focuses on sensors, electro-optics, fuzes, guidance and navigation for precision engagement, simulators, power and control systems, propulsion systems, specialty products, avionics, antennas and microwave components. This group supports the US Government, with a focus on the DoD and civilian agencies, as well as a substantial commercial and international customer base.



In April 2005, L-3 acquired Mobile-Vision, Inc., a leading supplier of in-vehicle video recording systems for law enforcement agencies, with a product line that includes both analog and digital recording systems and accessories. Mobile-Vision, Inc. has an installed product base of over 50,000 systems for over 4,500 state and local law enforcement agencies.

Aviation

L-3 offers comprehensive product solutions, including cockpit displays, collision avoidance and proximity warning systems, flight management systems and flight data/cockpit voice recorders for the commercial and military aviation markets.

L-3 Avionics Systems' Electronic Standby Instrument Systems (ESIS) will be standard equipment aboard Cessna's new Citation CJ1+ and CJ2+ models and the Bombardier Learjet 60 XR* midsize business jet. L-3 Avionics Systems' products will also be installed on military aircraft around the world. The SkyWatch® HP collision avoidance system was selected for the Embraer Tucano aircraft operated by the British Royal Air Force. In addition, L-3's Tactical Airborne Navigation (TACAN) system will be installed in the Bulgarian Air Force's PC-9M Advanced Turbo Trainer.

Avionics Systems is also developing the SmartDeck® integrated flight controls and display system for the burgeoning general and business aviation markets. SmartDeck integrates navigation, weather, traffic and terrain avoidance, communication, flight controls and engine monitoring functionality into one easy-to-use, full cockpit system.

*Bombardier, Learjet 60 and Learjet 60 XR are trademarks of Bombardier Inc. or its subsidiaries.

Displays

L-3 Display Systems provides advanced cockpit display systems for a number of key military aircraft, including the US Air Force's T-38C Talon, C-130J and C-17 Globemaster III aircraft; the US Army Apache; the US Navy EA-6B Prowler aircraft and the CH-46E Sea Knight helicopter. L-3 Display Systems is developing the Panoramic Cockpit Display subsystem for the F-35 Joint Strike Fighter (JSF) and has also developed Maintenance Panel Indicators (MPIs) for the CH-47F Chinook helicopter, as well as the Electronic Control System (ECS) for the cargo handling/aerial delivery system for the Airbus A400M aircraft.

The 17.1" Primary Flight Display (PFD) from L-3 Ruggedized Command and Control Solutions (L-3 RCCS) is the largest militarized avionics cockpit display in the industry. In addition, L-3 RCCS' 10.4" Multi-Function Display (MFD), under development for the USMC, is capable of presenting full- or split-screen graphics with full motion and FLIR video.



A400M



Hawkeye



CH-47F MPI



C-17 Globemaster III



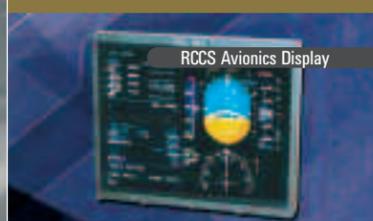
SkyWatch



Inmarsat Satellite Control Center



TACAN System



RCCS Avionics Display

SPECIALIZED PRODUCTS

Avionics, Microwave & Specialty Products (CONTINUED)



eXaminer 3DX

2005 saw the introduction of the CX-3800G[®] high-energy gantry cargo X-ray screening system, which penetrates up to 10 inches of steel and scans up to 20 trucks or containers per hour. With the most compact footprint available in a gantry system, the CX-3800G is ideally suited for settings with limited space. L-3 S&DS is also developing an advanced container security device (ACSD) with state-of-the-art sensors that will continually monitor containers for tampering, breaches or stow-aways. The ACSD will track the entire sequence of a sealed cargo container's journey, providing instant alerts to the monitoring station. In addition, L-3 S&DS is looking to integrate micro-electromechanical machine sensors (MEMS) designed to automatically screen the contents of sealed cargo containers for explosives and chemical, biological and nuclear threat substances.

L-3 Aviation Recorders is the market leader for commercial and military aviation and is supplying flight data and cockpit voice recorders for the Airbus A400M multi-role military transport.

In April 2005, ACSS, a joint venture between L-3 and Thales, received type certification for T²CAS[®], a combined traffic and terrain collision avoidance system, on all Airbus long-range, single-aisle and widebody aircraft. ACSS is also supplying its TAWS+ standalone terrain avoidance system for installation on China's new ARJ21 regional jet.

Telemetry and Electron Power Devices

L-3 is a global, state-of-the-art supplier of specialized components, software and turnkey systems for a host of airborne, ground and space applications.

Significant milestones for 2005 included L-3 Southern California Microwave's shipment of over 3,000 video and data downlink transmitters and receivers for the US Army's Raven and US Marine Corps' Dragon Eye programs, as well as L-3 Telemetry-East's awards to provide telemetry equipment for the Army's XM-982 Excalibur guided projectile program and the Navy's Long Range Land Attack Projectile (LRLAP) Automated Gun System (AGS) for the DD(X) Destroyer.

Security and Detection

With more than 600 Transportation Security Administration (TSA)-certified explosives detection systems (EDS) in use around the world, L-3 Security & Detection Systems (L-3 S&DS) makes commercial aviation safer. Internationally, L-3 S&DS established itself as the EDS manufacturer of choice for the world's most important aviation markets, with systems deployed in Singapore, South Korea and Japan. L-3 S&DS is also among a select few manufacturers that received Civil Aviation Administration of China (CAAC) certification.

In support of intelligence requirements, L-3 Telemetry-West's (L-3 TW) Embedded National Tactical Receiver (ENTR) is being used for the Advanced Anti-Radiation Guided Missile (AARGM) and the Concord Intelligence Broadcast Receiver (IBR). L-3 TW will also deliver the CXS-2000 telemetry, tracking and command (TT&C) transponder for the Mobile User Objective System (MUOS) program, which will provide warfighters with a next-generation narrowband satellite system for tactical

SPECIALIZED PRODUCTS

Avionics, Microwave & Specialty Products (CONTINUED)



communications. In addition, L-3 TW supports High Power Amplifiers (HPAs) for the US Air Force Satellite Control Network (AFSCN) and provides satellite command & control software for Inmarsat and Shin Satellite's IPSTAR satellite.

In other satellite-related work, L-3 Electron Technologies, Inc. (L-3 ETI) celebrated its more than 40-year heritage in the space industry. L-3 ETI's equipment was onboard nearly 70 percent of all geosynchronous communications satellites launched during 2005.

L-3 Randtron Antenna Systems will provide the next-generation Airborne Early Warning (AEW) radar antenna system for the US Navy's Advanced Hawkeye surveillance aircraft and is the supplier of low radar cross-section GPS antennas for the Joint Standoff Weapon (JSOW). Randtron is also supplying broadband antennas for the German Tornado upgrade program.

RF, SATCOM and Antenna Products

L-3's Microwave Group has fielded a full line of RF components and subsystems for over 50 years through its worldwide recognized Narda brand. These components range from passive catalog RF parts through complex

multi-band transceivers and space-qualified channelized amplifiers and assemblies.

L-3's Microwave Group is also a leader in mobile military satellite communications. L-3 Narda Satellite Networks has supplied the Air Force with SATCOM terminals capable of supporting the information exchange requirements of a highly mobile Air Force. L-3 Narda Satellite Networks' Quad-Band Dual Hub SATCOM Terminals (QHSATs) and Fly-Away Tri-Band SATCOM Terminals (FTSATs) enable warfighters in the field to quickly and securely transmit and receive vital command and control, intelligence, surveillance and reconnaissance (C²ISR) data. These terminals bring increased capability, reliability and flexibility to the warfighter in a lighter, leaner package.

The Linkabit brand is a leader in radios, modems and complete terminals. For tactical satellite communications, L-3 Linkabit's product line includes a Miniaturized Demand-Assigned Multiple Access (Mini-DAMA) terminal, which provides bandwidth-efficient mobile satellite services, a Network-Centric waveform modem and an advanced family of man-portable multi-band tactical radios.

L-3 Wolf Coach provides a full range of broadcast and first responder specialty vehicles. Wolf Coach command center vehicles proved invaluable during Hurricane Katrina initial responder activities, providing connectivity and reach-back communications for various state and federal responders.

L-3 ESSCO, the world's leading provider of ground-based radomes, also supplies precision antenna systems, primarily for radar, radioastronomy and remote sensing applications. L-3 Datron, also a part of the Microwave Group, adds significant additional antenna product capabilities. ESSCO and Datron together represent more than 80 years of leadership in advanced antenna technologies that span the telemetry, communications, remote sensing, surveillance and radar antenna markets.

SPECIALIZED PRODUCTS

Sensors, Guidance, Navigation & Simulation

L-3 is the world's premier provider of aircraft simulators, offering highly realistic, real-world training for a full range of rotary- and fixed-wing platforms. L-3 also offers unmatched EO/IR, guidance and precision engagement products, including an array of stabilized imaging turrets, thermal imaging systems, advanced weapon sights for the military and law enforcement, fuzing products and sonars.



Simulation and Training

As the world leader in military flight simulation, L-3 Link Simulation and Training provides aircrew training suites to every branch of the armed services.

For the US Air Force, L-3 Link will develop and build Predator Mission Aircrew Training System (PMATS) units, enabling aircrews to train in the simultaneous operation of multiple Predators over various battlefield environments. In addition, Link supports the US Air Force F-22 program with the delivery of Pilot Training Devices.

In Army work, L-3 Link delivered flight simulators to the Flight School XXI program, a major training initiative to enhance the operational readiness and tactical proficiency of the US Army's various aviation units. Link is also building additional mobile training suites for the Aviation Combined Arms Tactical Trainer (AVCATT) program.

During 2005, L-3 Link received several major contracts from the US Navy and Marine Corps, including awards for an F/A-18C Distributed Mission Training system and two F/A-18C/D Aircrew Flight Trainers (AFTs) to support USMC Hornet aircrew combat training requirements. Link will also build the first simulator for the US Navy's future EA-18G platform, as well as a new P-3C Tactical Operational Readiness Trainer (TORT).

Internationally, Link achieved a major milestone on the Canadian Air Force's CF-18 Advanced Distributed Combat Training System (ADCTS) program, delivering four high-fidelity, networked Air Combat Emulators (ACEs). Link also made major F-16 simulator deliveries to overseas customers, including Egypt and Greece.

Link's Advanced Helmet Mounted Display (AHMD) has set new industry standards for immersive display technology. During 2005, Link demonstrated the AHMD's enhanced training capabilities on military rotary-wing platform simulators. Initial AHMD orders are expected in 2006.

Integrated EO/IR Sensor Systems

L-3 Communications offers an array of high-performance IR imaging modules based on the patented architecture developed by L-3 Cincinnati Electronics (L-3 CE). L-3 CE supplies the 20 micron modular IR sensor for the L-3 WESCAM MX-Series and L-3 Sonoma EO400-Series of EO/IR stabilized imaging turrets. These systems are designed to provide unparalleled image stability and long-range magnification from a wide range of platforms. In 2005, L-3 reduced the weight of its industry-leading



AHMD



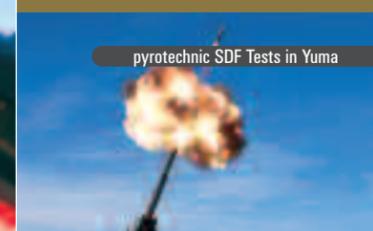
AVCATT AH-64A



CF-18 ADCTS



Little Bird VTOL UAV



pyrotechnic SDF Tests in Yuma



MX-Series



ESAF for GMLRS



Wall-Breaching Ammunition

SPECIALIZED PRODUCTS

Sensors, Guidance, Navigation & Simulation (CONTINUED)

MX-15i EO/IR system by combining the external Master Control Unit (MCU) into the turret. In addition, L-3 WESCAM delivered its first MX-15D designator system for the Little Bird MD-530F Vertical Take-Off and Landing UAV (VTOL UAV).

For ground vehicle platforms, L-3 CE developed its NightConqueror Thermal Imaging System. This system provides state-of-the-art sighting and fire control capabilities that extend the warfighter's ability to identify, track and acquire targets, enhancing situational awareness and creating a common, clear view of the battlespace.

L-3 EO gimbals and IR imaging systems provide technological superiority as weapons directors and offer unparalleled security for sea vessels. L-3 CE provides the replacement thermal imaging sensor on the Optical Sight System (OSS) for the MK-34 Gun Weapon System used on Navy cruisers and destroyers. This system will also be used on the USCG Deepwater program and by foreign military forces, including the navies of Korea and Japan. Additionally, L-3 Brashear shipped its 100th tracking pedestal, which is a two-axis, gyro-stabilized EO gimbal for the US Navy's Phalanx Close-In Weapon System (CIWS) Block 1B Surface Mode Upgrade.

L-3 Infrared Products (L-3 IP) is a leading producer of commercial infrared thermal imaging cameras and technology for military, fire and rescue and homeland security applications. The Thermal-Eye 3600AS camera core was introduced in 2005 and will be used for an unattended ground sensors application for the US Marine Corps. In 2005, L-3 acquired InfraredVision Technology Corporation (ITC), a global supplier of core vanadium oxide (VOx) infrared camera components. The combined product offerings of these companies provide the broadest state-of-the-art uncooled IR solutions in the world.

With well over 35,000 sights deployed and proven experience on the battlefields of Iraq and Afghanistan, the L-3 HOLOGraphic Weapon Sight (HWS) has become



Phalanx Close-In Weapon System

the ultimate close quarters battle optic within the US military. USSOCOM has standardized the HWS as its 1X weapon optic for close quarter, urban combat zones. In 2006, L-3 EOTech will begin delivery of an even more hardened derivative model to meet the stringent requirements set by US elite fighting forces.

Precision Engagement

In support of Operation Iraqi Freedom, L-3 KDI met a multi-national urgent needs request from the US Army to conduct System Development and Demonstration (SDD) for a Guided Multiple Launch Rocket System (GMLRS) variant with a single unitary warhead. L-3 KDI certified that the Electronic Safety & Arming Fuze (ESAF) was safe and suitable for combat use and delivered fuzes for missiles within four months. The missiles have been highly successful, providing commanders with precision capability while limiting collateral damage within urban environments.

L-3 KDI also develops ESAFs, Height-of-Burst (HOB) sensors and arming generators for the Small Diameter Bomb (SDB), a next-generation, low-cost precision strike weapon program.

SPECIALIZED PRODUCTS

Sensors, Guidance, Navigation & Simulation (CONTINUED)



At the forefront of pyrotechnic Self-Destruct Fuzing (pSDF), L-3 BT Fuze has performed strategic research and development for grenade fuzing used in artillery projectiles and the GMLRS, and will develop this feature for air-dropped munitions. L-3 BT Fuze is also the systems integrator for a new family of wall-breaching ammunition on the US Army's Stryker tank program, which utilizes L-3's US Army-certified M393A3 tactical and M467A1 training cartridges. The tactical round will defeat double-reinforced concrete walls, making a hole large enough for an infantry soldier to access.

Undersea Warfare

L-3 is a leading supplier of acoustic undersea warfare systems, having designed, manufactured and supported a broad range of compact, lightweight, high-performance acoustic systems for navies around the world for over 60 years.

L-3 Ocean Systems' (L-3 OS) highly acclaimed Helicopter Long Range Active Sonar (HELTRAS) system is being outfitted on Canadian CH148 and Singaporean S-70B helicopters after past successes in Italy, Germany, Turkey, Greece and the Netherlands. In addition, L-3 OS is installing a remote-controlled HELTRAS on unmanned rigid hull inflatable boats (RHIBs). Following successful demonstrations during Chief of Naval Operations (CNO) Sea Trial Initiatives, HELTRAS on a RHIB was deemed to be one of four successful sea trial collaborations between the Naval Undersea Warfare Center (NUWC) and industry. HELTRAS also performed as promised during Noble Martin and SPONTEX naval exercises in 2005.

L-3 OS continues to experience success with its Low Frequency Active Towed Sonar VDS-100, which has exhibited stellar performance for the Egyptian Navy. L-3 OS also remains the leading supplier of TB-23 submarine towed array systems in the US. Additionally, Ocean Systems is partnering with Singapore Technologies Dynamics in developing the Mark 8x expendable mine destructor and the MS-100 mine-hunting sonar.

SPECIALIZED PRODUCTS

Power and Control Systems

Comprised of MAPPS, Marine Systems, Power Paragon, SPD Electrical Systems, Westwood, Henschel, Unidyne, PacOrd and SAM Electronics, L-3 Power & Control Systems Group is strategically positioned as a single-source provider for a wide range of engineering services and products.



Naval Power

With a product line that includes solid-state interrupters (SSIs), power servers and stealthier, quiet electric drive technology, L-3 Power Paragon provides high-quality, reliable power and control systems for platforms that require clean, continuous power. In 2005, L-3 Power Paragon developed an SSI common controller that will improve performance and reliability while reducing total cost of ownership.

Other advances in naval power solutions include L-3 SPD Electrical Systems' Power Node Control Center® (PNCC) – the first to be installed in 2006 aboard a Navy ship – two variations of a shock-hardened circuit breaker for Navy ships in the US and UK, as well as L-3 Henschel's Automated Battery Monitoring System (ABMS), which will be a critical part of the US Navy's program to upgrade battery systems for all active classes of submarines. L-3 PacOrd also performs power upgrade modifications on

the USS Ponce (LPD-15) as part of the Navy's life extension program for the LPD-4 class vessels. L-3 Westwood Corporation has been building Tactical Quiet Generators (TQGs) for the US military since 1999. In 2005, L-3 provided TQGs to support the needs of forces deployed in Iraq, as well as other strategic areas where mobile electric power is needed.

Naval Controls

L-3 Marine Systems is developing the Integrated Bridge System for the US Navy's DD(X) next-generation advanced destroyer. DD(X) is the centerpiece of a family of ships enabling the Navy to deliver a vast range of warfighting capabilities that will revolutionize the combat capability of the fleet.

Since 2002, L-3 Marine Systems has been a key member of a team that is designing and building the US Navy's Littoral Combat Ship (LCS), a small, fast, maneuverable



Queen Mary 2



Ship Control Center



ICS



Integrated Bridge



Ling Ao Simulator



UK Royal Navy CVF



SSI



Olkiluoto Nuclear Power Plant

SPECIALIZED PRODUCTS

Power and Control Systems (CONTINUED)



Ling Ao Phase II Nuclear Power Station

ship that can support a wide range of joint missions. L-3 Marine Systems is the design agent for the LCS Sea Frame Control and provides full program and ship support for training, documentation and testing.

Also for the LCS, L-3 Henschel provides the suite of Multi-Function Consoles, including operator interfaces for combat management, mission modules and the integrated ship control console. L-3 Henschel also delivered the LHD-8 Automated Bridge System (ABS) outfitted with the Electronic Charting Display Information System - Navy (ECDIS-N) for in-process and future programs, such as LCS, DD(X), LHA-6, CVN21, CG(X) and Seabasing.

L-3 Henschel supplied its Integrated Communications System (ICS) on the USS Virginia and UK Astute submarines. Additionally, L-3 Westwood is involved in the design, engineering and production of sophisticated automation and control equipment utilized on US Navy destroyers, assault ships and aircraft carriers.

L-3 MAPPS is a leading global supplier of integrated marine control systems and products for warships, submarines and high-end ocean-going commercial vessels,

including the Queen Mary 2. L-3 MAPPS' contribution to the Integrated Platform Management System (IPMS) for the UK Royal Navy's Future Aircraft Carrier (CVF) program provides comprehensive monitoring and control of the ship's propulsion, electrical power generation and distribution, auxiliary and damage control systems.

Maintenance and Support

L-3 has provided development, maintenance and operational support to the US Navy's Landing Craft Air Cushion (LCAC) program for more than 20 years. LCAC is an integral component in littoral warfare and a valuable asset of the US Navy's amphibious fleet. Beyond the basic mission of transporting personnel and equipment from ship to shore, this multi-mission vessel can serve as an effective hunter/sweeper for mine countermeasures operations or as a medevac, as evidenced by combat and humanitarian operations around the world, and most recently, post-Hurricane Katrina operations. L-3's role in the LCAC program was expanded in 2005 with L-3 Unidyne's win of three separate maintenance contracts.

Energy

L-3 MAPPS, a leader in power plant simulators for the Energy sector, won key international contracts in 2005. China is the fastest growing market for nuclear power generation, and customers in that country have demonstrated a clear commitment to quality, training and safety. L-3 MAPPS will perform a significant software upgrade on the Daya Bay nuclear power plant simulator. Additionally, MAPPS built the Ling Ao full-scale nuclear power plant simulator and will provide an additional full-scale simulator for the Ling Ao Phase II plant currently under construction. MAPPS will also supply the first full-scale European Pressurized water Reactor (EPR) simulator for the Olkiluoto 3 electric utility in Finland.

Our business segments provide products and services for the Homeland Security market in the following areas:

EMERGING MARKETS - HOMELAND SECURITY

Airport, Cargo and Facility Security

The International Civil Aviation Organization (ICAO) mandated that airports within its member countries perform 100 percent checked-baggage screening for explosives by January 1, 2006. In 2005, L-3 S&DS enabled ten international airports to comply with the standard: in Mexico, where L-3 S&DS installed nine eXaminer systems at Cancún International Airport and VIS 108 and VDS 108 systems at eight other Aeroportuario del Sureste (ASUR) group airports; and in Fiji, where L-3 S&DS installed two MVT-HR systems at Nadi International Airport, the largest airport in the Fiji Islands.

Developing advanced technologies that help secure the nation's air cargo industry is one of L-3's top priorities. In conjunction with the US Government, L-3 S&DS is currently involved in two separate pilot programs sponsored by the TSA to strengthen security for rail and air cargo. In addition, the TSA funded an L-3 S&DS feasibility study to determine the effectiveness of neutron resonance radiography (NRR) for containerized air cargo explosives screening. Because NRR measures an object's elemental composition, the system will be able to automatically detect explosive materials, reducing the potential for human error.

L-3 S&DS technology ensures the safety of visitors, property and critical infrastructure in installations around the globe. In 2005, the high-resolution PX-M[®] checkpoint screening system was chosen to help safeguard the largest palace complex in the world, China's Forbidden City. The PX-M allows inspectors to accurately view the contents of bags and packages while keeping thousands of visitors moving through the palace gates each day.

L-3 S&DS will be introducing an innovative advanced imaging portal using millimeter-wave technology for non-intrusive screening at a much higher throughput than existing trace detection portals.

Deepwater and Port Security

During 2005, L-3 transitioned into full-scale production on the USCG Deepwater program with the completion of the L-3 Integration and Test Facility (LITF). L-3's contribution of the Deepwater communications solution will significantly improve operational efficiency of the USCG fleet. In addition, Titan Group will provide training program management, curriculum development, instructors and administrative support to the USCG's major training centers across the nation. In support of homeland security initiatives, L-3 Aviation Recorders will supply 600 Automatic Identification Systems (AIS) for fleetwide installation on all USCG surface vessels. An innovative vessel traffic system, AIS communicates ship navigational and status information, providing marine domain awareness.

Small craft training is essential to marine law enforcement. Routine patrols and inspections, local law enforcement and port security missions depend on personnel who are thoroughly schooled in small craft navigation and in the rules of tactical engagement. L-3 MPRI has developed two small craft simulators that give mariners the ability to structure, conduct, analyze and reinforce scenario training and mission rehearsal in an interactive and realistic virtual environment.



Thermal-Eye 3500AS



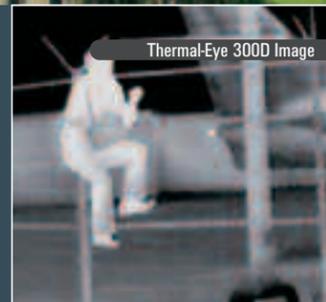
Thermal-Eye 4500AS Image



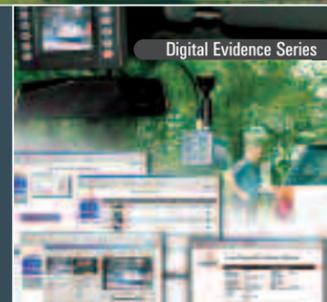
AIS



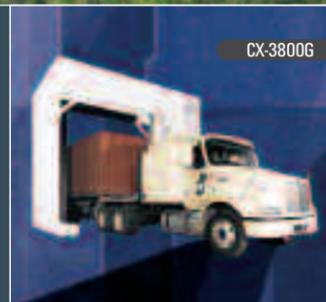
PX-M



Thermal-Eye 300D Image



Digital Evidence Series



CX-3800G



METI

EMERGING MARKETS - HOMELAND SECURITY (CONTINUED)



US Customs & Border Protection

The US Customs & Border Protection (CBP) program executes the DHS comprehensive border strategy to counter potential threats to the US. In 2005, the agency launched the Arizona Border Control Initiative, more than doubling the number of agents and aircraft on patrol to establish greater control of the Arizona/Mexico border. L-3 Vertex supplies key personnel, supporting a diverse fleet of aircraft for DHS/CBP.

The CBP Air and Marine Operations Center (AMOC) uses surveillance and IT databases linked to the Homeland Security Network to protect against air and marine smuggling and to prevent future terrorist assaults over US airspace. L-3 Titan Group has been providing 24/7 operations and maintenance support, software enhancements and upgrades, and has interfaced with other national agencies since 1999.

L-3 IS has successfully transitioned its Integrated Data Handling System (IDHS) into a very successful platform for the Homeland Security and Border Protection environment. Originally designed for the defense market,



IDHS efficiently integrates a variety of different sensors into one common environment. The IDHS system is now being used in both airbase and seaport security, integrating a variety of different radar, sonar, camera and motion detection sensors with different access control and biometric devices.

The DHS US-VISIT initiative is a biometrically based security program for international visitors entering the United States by air, sea or land. When the visitor arrives in the United States, US-VISIT procedures allow the DHS to check identity and key information against visas issued by the Department of State, as well as conduct additional watch list checks. L-3 GSI provides key technical and customer support and L-3 Titan Group will provide systems engineering, design and development and testing support for this program.

Law Enforcement & First Responders

In March 2005, the Department of Justice awarded the International Criminal Investigative Training Assistance

Program (ICITAP) contract to L-3 MPRI. L-3 MPRI provides program management and personnel services support, with 16 full-time program management personnel and 570 ICITAP police officers and personnel assigned to 41 countries, including Iraq and Jordan.

L-3 SYColeman transformed Praetorian, an innovative intelligent video surveillance software solution, from a development suite to a worldwide commercial product. Praetorian has been optimized to manage information on a single, real-time 3-D display and be incorporated in digital Internet Protocol (IP)-based architectures. L-3 also integrated a PDA that makes Praetorian fully accessible to mobile responders.

L-3 Mobile-Vision introduced the first digital evidence management solution for law enforcement. The Digital Evidence Series™ is the only integrated solutions platform that manages all forms of digital evidence in an easy-to-use, secure and expandable architecture.

L-3 Infrared Products secured its number-one position in the OEM fire market with the introduction of the Thermal-Eye 3500AS thermal imaging camera core. The 3500AS offers a compact, lightweight design and advanced image processing, allowing fire and rescue personnel to gather more information from the scene to make better decisions, faster.

L-3 EOTech's HOLOgraphic Weapon Sight has become a standard issue optic used by federal law enforcement agencies, including the Drug Enforcement Administration (DEA), Federal Bureau of Investigation (FBI) and Bureau of Alcohol, Tobacco, and Firearms (ATF) as well as Special Weapons and Tactics (SWAT) teams in major metropolitan areas.

METI is a leader in interactive human patient simulation, offering a variety of training systems for medical and hospital personnel, first responders and emergency technicians. Over 1,200 organizations use METI's technology, including US and international military units, NASA, the Center for Domestic Preparedness and major universities. METI's systems simulate hundreds of medical scenarios and provide realistic responses to medical treatment and drugs. The Army is using METI patient simulators for tactical combat casualty care training in the US and the Middle East.

Crisis Management Planning and Exercises

L-3 supports first responders through a variety of civil emergency preparedness training and exercises. These highly realistic, immersive personnel training scenarios help prepare federal, state, county and municipal first responders confronting a variety of potential threats.

In 2005, L-3 Titan Group designed and conducted the first large-scale test of New York City's bio-terror plans in concert with more than 1,200 federal, state and local authorities. The New York scenario involved a simulated terrorist dissemination of a biological warfare agent at an outdoor event.

Titan Group will also provide a full range of planning, analysis, exercise and information technology services for Chemical, Biological, Radiological, Nuclear and High-Yield Explosive (CBRNE) Consequence Management operations for the US Joint Task Force Civil Support (JTF-CS). The mission of JTF-CS is to save lives, prevent injury and provide temporary critical life support in the event of a chemical, biological, radiological, nuclear or high-yield explosive situation in the US.

Protecting US Airspace

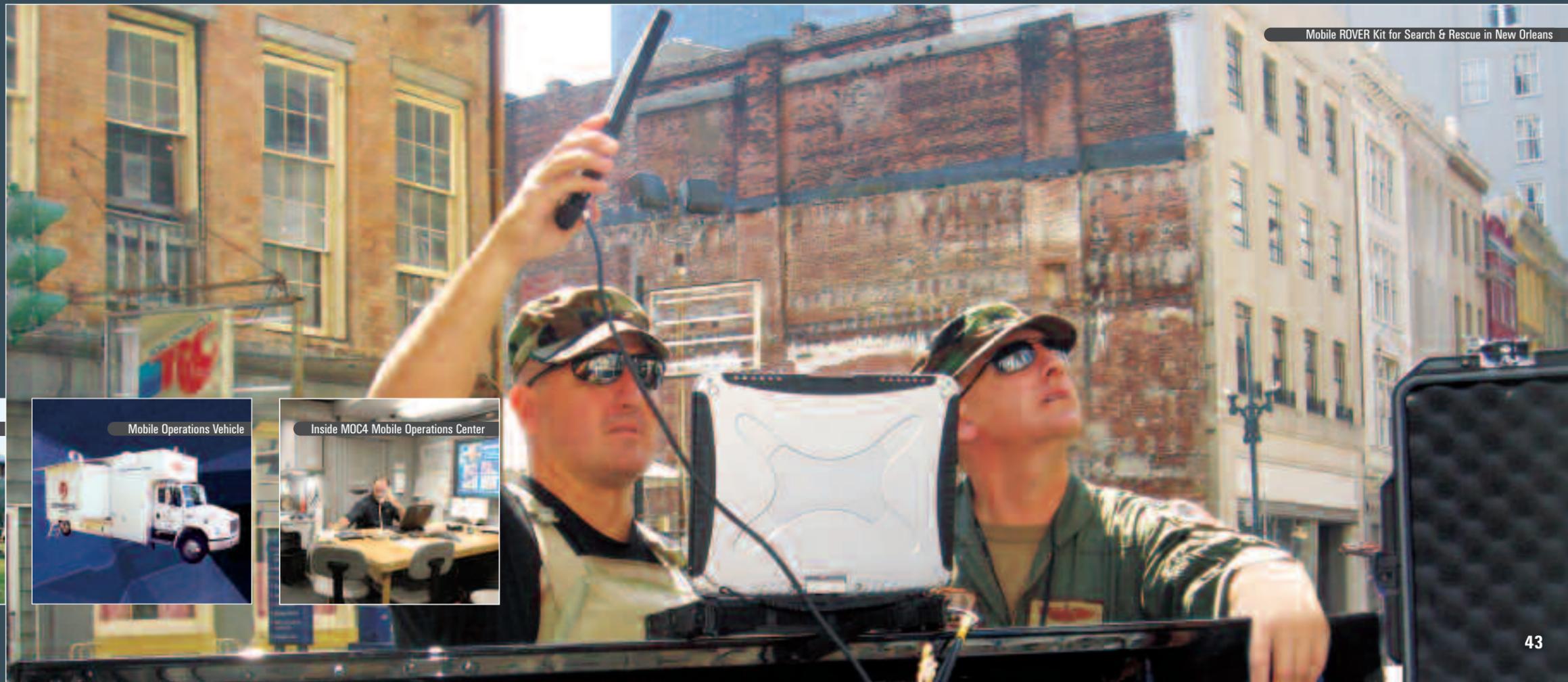
In November 2005, L-3 Titan Group received an award to support the North American Aerospace Defense Command's (NORAD) homeland defense missions. NORAD has been using L-3 Joint Range Extension (JRE) tactical routers to seamlessly combine and route the Common Operational Picture to designated sites and facilities. L-3 Titan Group will also provide tactical data link capabilities for NORAD's Immediate Warfighter Need (IWN). This vital homeland defense program will allow NORAD to build a single integrated data link architecture, reducing the target acquisition time and providing the pilot and the NORAD Commander with immediate airspace situational awareness.

HURRICANE KATRINA RELIEF EFFORTS

Shortly after Hurricane Katrina ravaged the Gulf Coast region, an L-3 BAI team was deployed to New Orleans, where it assisted the US Air Force during the critical rescue and recovery phase. L-3 Evolution XTS Small UAV (SUAV) systems broadcasted geolocated images of fires and flooding to rescue organizers using L-3's VideoScout tactical video exploitation and management system. Live imagery feeds from the Evolution and rescue helicopters were viewed on L-3's ROVER III multi-band receiver, enabling workers to react quickly, rescuing people, property and pets while delivering disaster relief where it was most needed.

L-3 Vertex served a vital role in rescue and recovery efforts and Vertex employees were instrumental in helping customer facilities reopen and resume operations. The US Army Aviation Classification and Repair Depot (AVCRAD) in Gulfport, Mississippi, became a staging center for rotary-wing distribution of food, water and medicines, while the Hammond branch of the US CBP became a command and control center for staging law enforcement, rescue and relief efforts to the major impact area. Through the crisis, Vertex employees brought facilities back online and prepared aircraft for launch.

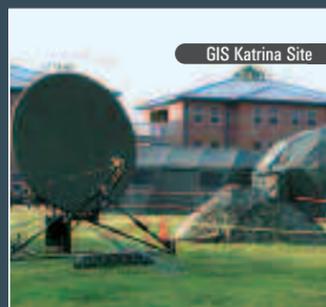
In addition to providing critical relief and law enforcement services following Hurricane Katrina, L-3 Titan Group utilized its geo-spatial capabilities – the technology of gathering, analyzing, interpreting, distributing and using geographic information – to assist the DHS.



Mobile ROVER Kit for Search & Rescue in New Orleans



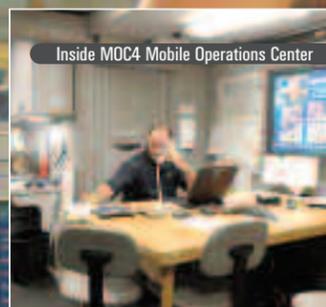
Katrina GIS Image from Satellite



GIS Katrina Site



Mobile Operations Vehicle



Inside MOC4 Mobile Operations Center

HURRICANE KATRINA RELIEF EFFORTS (CONTINUED)



Using software developed by Titan Group engineers, geo-spatial information systems (GIS) were used to site temporary housing for Katrina victims in New Orleans.

L-3 Titan Group's high-tech Mobile Operation Centers (MOC4) provided integrated wireless LAN, satellite communications, video teleconferencing, voice/data recording systems, as well as land, mobile, trunked or conventional radio systems for FEMA.

Shortly after the storm, L-3 Wolf Coach volunteered its Sentinel mobile communications vehicle to the American Red Cross for relief efforts. This emergency vehicle then traveled to the Bayou District, providing voice and data communications through its satellite connection using IP phones. Over the next two weeks, the Sentinel served as a communications link and control conference room for the shelters operating in the hurricane-affected district.

The Sentinel operated continuously for two weeks, until reliable hard line phone communication was re-established. The Sentinel was then purchased by FEMA and is now being retrofitted with specific technical equipment in support of its Rapid Needs Assessment Teams.



L-3 Vertex employees demonstrated astonishing dedication and work ethic by returning to hurricane-ravaged job sites the day after the disaster despite the fact that most employees' homes were either lost or had sustained significant damage.

L-3 Westwood also operates two facilities in New Orleans. Both facilities were severely damaged by Hurricane Katrina, but critical schedule requirements were maintained by temporarily transferring production and personnel to Westwood's Oklahoma operations.

SHAREHOLDER INFORMATION

Corporate Headquarters

You can contact the corporate headquarters by writing to: L-3 Communications, 600 Third Avenue, New York, NY 10016, or by calling 212-697-1111. To send a fax, dial 212-867-5249.

Corporate Information

News media, analysts, shareholders and others seeking corporate information about L-3 Communications should contact Cynthia Swain, vice president of communications at 212-697-1111.

Printed Materials

Printed financial materials may be obtained without charge by calling (866) INFO-LLL (866-463-6555).

Internet

You can access quarterly and annual financial information, news releases and an overview of the company's products and services through the L-3 Communications web site at <http://www.L-3com.com> on the Internet.

Stock Exchange Listing

The common stock of L-3 Communications is traded on the New York Stock Exchange (NYSE) under the symbol LLL.

Shareholder Assistance

If you have questions concerning your shareholder account, please contact the stock transfer agent, Computershare Trust Company, N.A., P. O. Box 43023, Providence, RI 02940-3023, or call 877-282-1168 (781-575-2879 from outside the United States). For the hearing impaired, the phone number is TDD: 800-952-9245.

You can also contact the stock transfer agent at their web site at <http://www.computershare.com> on the Internet.

Annual Meeting

The annual meeting of shareholders will be held at 2:30 p.m. on Tuesday, April 25, 2006 at the New York Palace Hotel, 455 Madison Ave, New York, NY.

Equal Opportunity Employer

L-3 Communications is an equal opportunity employer. All matters regarding recruiting, hiring, training, compensation, benefits, promotions, transfers and all other personnel policies will continue to be free from discriminatory practices.

Certifications

Certification statements by the Chairman and Chief Executive Officer, and the Chief Financial Officer of L-3 Communications Holdings, Inc. and L-3 Communications Corporation required to be filed with the SEC pursuant to Section 302 of the Sarbanes-Oxley Act have been filed as exhibits to our 2005 Form 10-K. In addition, an annual CEO certification was submitted by the CEO on May 26, 2005 in accordance with the NYSE's listing standards.

Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995

The matters set forth in this Summary Annual Report are forward-looking statements. Statements 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 are forward-looking statements. The forward-looking statements included in this Summary Annual Report involve a number of risks and uncertainties that could cause actual results to differ materially from any such statement, including the risks and uncertainties discussed in "Risk Factors" in Part I, Item 1A of the Annual Report on Form 10-K and "Forward-Looking Statements" in Part II, Item 7 of the Annual Report on Form 10-K. The forward-looking statements speak only as of the date made, and we undertake no obligation to update these forward-looking statements.

L-3 COMMUNICATIONS LEADERSHIP TEAM

CORPORATE MANAGEMENT

Board of Directors



(front) Frank C. Lanza, Chairman and Chief Executive Officer
 (left to right) John P. White, Thomas A. Corcoran, Arthur L. Simon, Alan H. Washkowitz, Claude R. Canizares, Robert B. Millard and Peter A. Cohen
 (not pictured) General (Ret.) John M. Shalikhvili



Michael T. Strianese
 Senior Vice President, Chief Financial Officer
 and Corporate Ethics Officer



Christopher C. Cambria
 Senior Vice President, Secretary and
 General Counsel



Jimmie V. Adams
 Vice President of Washington Operations



Robert W. RisCassi
 Vice President



David T. Butler III
 Vice President of Mergers,
 Acquisitions and Corporate Strategy



Ralph G. D'Ambrosio
 Vice President of
 Finance



Kenneth W. Manne
 Vice President of
 Human Resources



Richard A. Nordstrom
 Vice President of
 Operations Review



Sheila M. Sheridan
 Vice President of
 Administration



Stephen M. Souza
 Vice President and
 Treasurer



Cynthia Swain
 Vice President of
 Corporate Communications



Jill J. Wittels, Ph.D.
 Vice President of
 Business Development

L-3 COMMUNICATIONS PRESIDENTS AND CHIEF OPERATING OFFICERS



Curtis Brunson
Vice President and President and COO of
Communication Systems-West Division

Curtis Brunson is responsible for L-3 Communication Systems-West, a premier provider of high-performance wideband communication systems for the US DoD and other government agencies. Communication Systems-West focuses on real-time secure communication systems in support of surveillance and reconnaissance programs. The division is also involved in high data rate satellite communications, battlefield information dissemination, weapons targeting data links and space operations support.



Anthony Caputo
Vice President and President and COO of
L-3 Communications Canada

Anthony Caputo executes the corporation's business strategy in Canada. He also oversees a number of Canadian divisions that provide military aircraft upgrades and maintenance, fleet in-service support, repair and overhaul (R&O), systems integration, aircraft displays and vehicle electronically controlled suspension systems to Canadian and US international customers.



James W. Dunn
Senior Vice President and
President and COO of Sensors and Simulation Group

Jim Dunn leads the L-3 Sensors and Simulation group, which is organized into four strategic business sectors - EO/IR, Precision Engagement, Undersea Warfare and Simulation & Training. The EO/IR group develops fully integrated imaging and sensor solutions for air, land and sea platforms. Precision Engagement provides weapons, components and precision location technology used in a wide variety of weapons systems. The Undersea Warfare segment supplies sonars and counter-mine warfare systems supporting submarine, surface combatant and aviation platforms. The Simulation & Training divisions deliver individual and networked training systems and associated services and are world leaders in simulation-based training for military aviation.



Robert W. Drewes
Vice President and President and COO of
L-3 Integrated Systems Group

Bob Drewes serves as president of L-3 Communications Integrated Systems Group with facilities throughout the US. His operations include highly specialized fleet management and support for signals intelligence and ISR special mission aircraft and airborne surveillance systems. L-3 ComCept and its network communications, and L-3 Vertex report into his organization. L-3 Vertex provides contractor logistics support, life-cycle maintenance and supply and labor augmentation, such as comprehensive maintenance and depot services for aircraft and other equipment deployed around the world.



A. Anton Frederickson
President and COO of
L-3 Titan Group

Tony Frederickson guides the operations of the L-3 Titan Group. Comprised of four divisions, L-3 Titan Group provides a wide range of services, including high-value engineering services for military and homeland security customers; solutions for fusion, dissemination and sharing of intelligence data to the national intelligence community; C⁴ISR and in-service ship and aircraft engineering services to a range of Department of Defense and international customers; and comprehensive IT solutions and operations support to government organizations as well as commercial clients.



Steve Kantor
Vice President and President and COO of
Power and Control Systems Group

Steve Kantor is the COO of the Power and Control Systems Group. The group is comprised of nine operating companies that provide maritime automation, navigation, control, communication and power distribution and conditioning products and services to the US Navy and most allied foreign navies, as well as commercial and industrial customers worldwide. Specialty products and services include ship alteration and overhaul, ground-based mobile electric power and power plant simulation and training.



John S. Mega
Vice President and
President and COO of Microwave Group

John Mega is the COO of L-3's Microwave Group. The businesses in his sector range from microwave components and assemblies through vehicle-mounted communications equipment, transportable military SATCOM systems, tactical SIGINT sensing systems, specialty modem products, large and small aperture tracking and telemetry antennas and high-performance communications-on-the-move equipment. Mr. Mega has been a part of the corporate management team since the inception of L-3 Communications.



Gregory B. Roberts
Vice President and President and COO of
Communication Systems-East Division

Greg Roberts is president of L-3 Communication Systems-East. The division designs, develops, produces and integrates communications systems and support equipment for space, ground and naval applications, including C⁴I systems and products. Communication Systems-East also provides Information Assurance products; integrated maritime communications systems; space communication and recording products; signals intelligence products and unattended ground-sensor systems.



Charles J. Schafer
Senior Vice President and
President and COO of Products Group

Charlie Schafer serves as president of the L-3 Products Group, which includes divisions in the following business areas: Aviation Products; Display Systems; Combat Propulsion Systems; Telemetry and RF Products, Electron & Power Devices and the Advanced Technology Group. Aviation Products provides products for surveillance and safety serving the commercial, military and general aviation markets. Display Systems provides products for military displays as well as civilian first responders. Combat Propulsion Systems supplies diesel engines, transmissions, suspension systems and turrets for military vehicles. Telemetry, RF Products and Electron & Power Devices supplies military, space and commercial products, while the Advanced Technology Group develops products in pulsed power and performs services for radiation and electromagnetic hardening applications.



Carl E. Vuono
President and COO of
Government Services Group

General (Retired) Carl Vuono, former Chief of Staff of the US Army, leads the Government Services Group (GSG). The GSG offers professional services, products and integrated solutions to meet the security needs of customers in the public and private sectors in the US and overseas. Offerings include training, education, and leader and organizational development; security sector reform; law enforcement training and operations; homeland security; security systems integration; strategic communications; computer-based training; engineering and analysis; intelligence support; and driver, marksmanship and maritime simulators.

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Printed in the U.S.A.

Design: Bloch Graulich Whelan Inc. / New York



communications

600 Third Avenue
New York, NY 10016