



CORE

2014 L-3 ANNUAL REPORT

STRENGTH

SELECT FINANCIAL HIGHLIGHTS

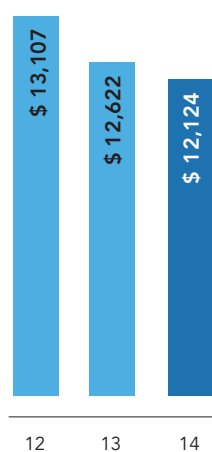
In millions, except per share amounts

For the year ended December 31,	2014	2013 ^(a)	2012 ^{(a)(b)}
Net sales	\$12,124	\$12,622	\$13,107
Operating income	1,085	1,212	1,308
Operating margin	8.9%	9.6%	10.0%
Income from continuing operations attributable to L-3	664	751	756
Net income attributable to L-3	664	751	784
Diluted earnings per share from continuing operations	7.56	8.24	7.74
Diluted earnings per share	7.56	8.24	8.03
Diluted shares outstanding	87.8	91.1	97.6
Net cash provided by operating activities from continuing operations	1,125	1,263	1,231
Less: Capital expenditures, net of dispositions	179	197	205
Plus: Income tax payments attributable to discontinued operations	—	—	24
Free cash flow ^(c)	946	1,066	1,050
Equity	5,360	6,056	5,527

- (a) The years ended December 31, 2013 and 2012 have been revised following the completion, in October 2014, of the internal review at our Aerospace Systems segment.
- (b) The year ended December 31, 2012 gives effect to the spin-off of Engility Holdings, Inc., which was completed on July 17, 2012, and is reported as discontinued operations.
- (c) We define "free cash flow" as net cash from operating activities, less capital expenditures, net of dispositions, plus income tax payments attributable to discontinued operations.

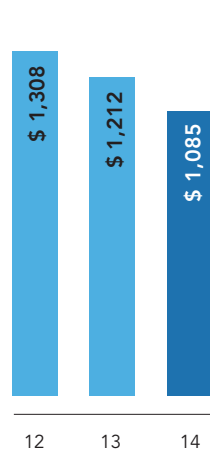
SALES

(In millions)



OPERATING INCOME

(In millions)



DILUTED EPS

from continuing operations



FREE CASH FLOW

(In millions)



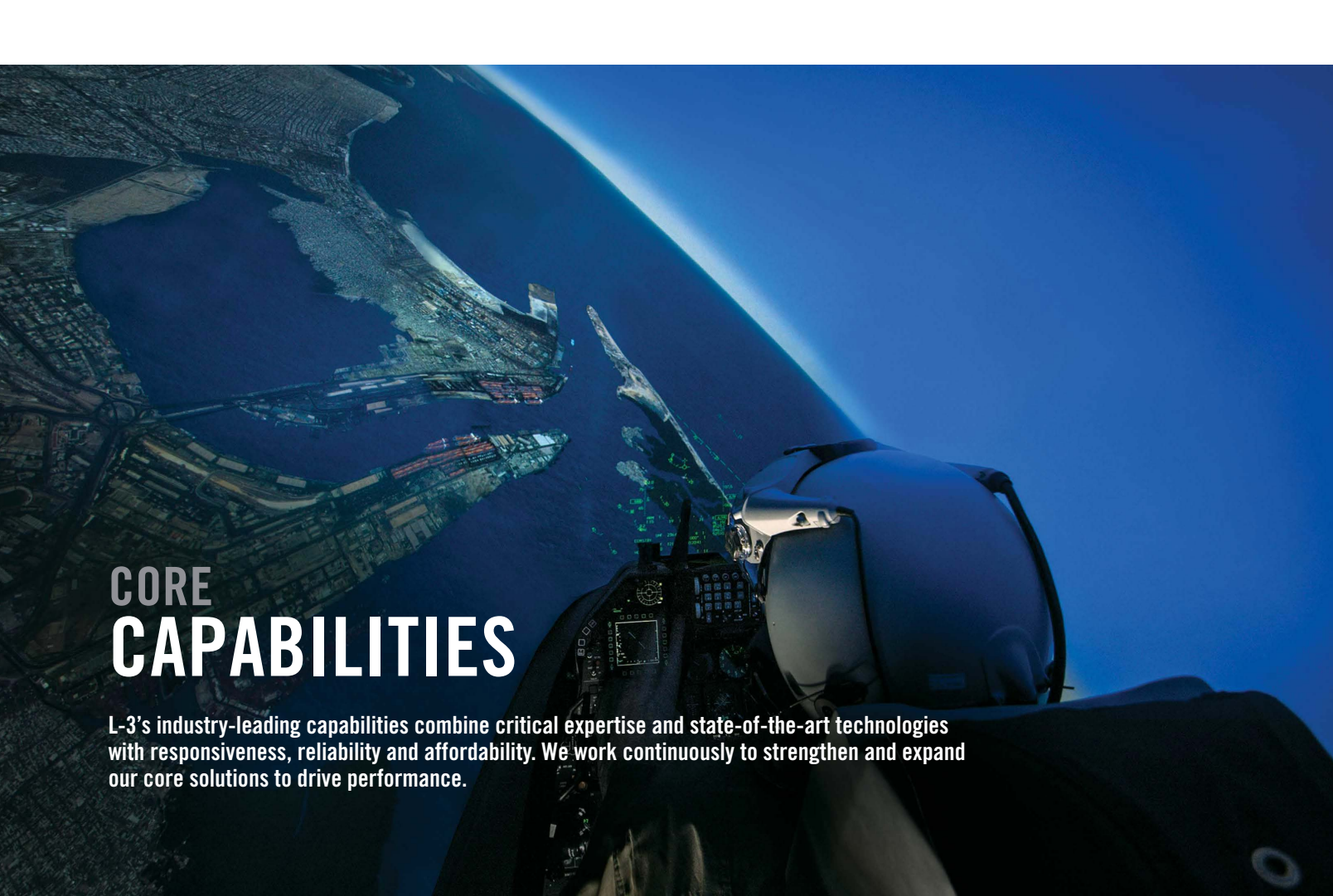
This Summary Annual Report should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2014, included in this book.

L-3 demonstrated its resilience and core strength with solid strategic execution and operational performance in 2014.

We capitalized on opportunities and overcame challenges, finishing the year well-positioned to create long-term value for our customers and shareholders.

On The Cover:

L-3's SATCOM solutions meet our customers' increased demand for mobile communications and intelligence gathering in any environment. From man-portable systems to fly-away VSAT terminals, L-3 enables secure, multi-band communications worldwide.



CORE CAPABILITIES

L-3's industry-leading capabilities combine critical expertise and state-of-the-art technologies with responsiveness, reliability and affordability. We work continuously to strengthen and expand our core solutions to drive performance.



CORE VALUES

L-3's core values – agility, performance, customer focus, integrity, collaboration and innovation – guide us in all our efforts, from addressing challenges to pursuing goals. We strive to maintain high ethical standards in everything we do.



CORE COMMITMENT

L-3 maintains our steadfast commitment to creating maximum value for all of our stakeholders. We do this through our consistent performance, technology investments, efficient cost management, strong cash flow and a focused approach to capital allocation. This enables us to deliver value to our customers through market-leading solutions, while delivering value to our shareholders through the right mix of share repurchases, dividends and strategic acquisitions.



CORE TALENT

L-3's people are among the most knowledgeable and experienced in the industry. The depth of our talent enables us to understand, anticipate and meet our customers' changing needs. Our employees have the expertise to align us with evolving market forces, allowing us to innovate, compete and succeed.

2014: A YEAR OF PROGRESS, PERFORMANCE, CHALLENGE AND OPPORTUNITY

L-3 performed well amidst continuing challenges. We executed our strategy and managed our business effectively, exceeding our financial plan for orders and continuing to generate robust free cash flow. In 2014, we delivered strong program and operational performance, winning new contracts and gaining market share in all four of our segments. We also won our major contract recompetitions. We reshaped our portfolio of businesses and invested in L-3's future, while delivering value to shareholders through a disciplined capital allocation and dividend strategy.

I appreciate the efforts of our 45,000 employees around the world. Throughout the year, they maintained a consistent focus on performance and dedication to our customers. Thanks to them, L-3 continues to be an industry leader and well-positioned to achieve long-term success.

Continued financial performance and strength

Our consolidated net sales were \$12.1 billion in 2014, with growth in our international and commercial businesses partially offsetting U.S. government sales declines. Net international and commercial sales increased by 2 percent year-over-year, reaching 29 percent of our total net consolidated sales, compared with 27 percent in 2013.

We recorded orders of \$12.1 billion for 2014, yielding a book-to-bill ratio of 1.0, exceeding expectations and underscoring the continued strength of our market positions across the business. Our diluted earnings per share for 2014 was



\$7.56 and our operating margin was 8.9 percent. Free cash flow for the full year 2014 was a robust \$946 million.

Maximizing value through a disciplined strategy

During 2014, we adhered to our long-standing capital allocation strategy by increasing shareholder value through dividends and share repurchases, while investing in selective acquisitions and internal research and development (R&D) initiatives. For the year ended December 31, we converted 142 percent of our earnings to cash and returned more than \$1 billion to L-3 shareholders. In the aggregate, we returned 109 percent of our 2014 free cash flow to our investors. We raised our dividend for the 10th consecutive year to \$2.40 per share, paying total cash dividends of \$208 million, and repurchased a total of \$823 million in common stock for the year ended December 31, up from \$800 million in the prior year.

Delivering value is also about investing in the growth of our products and capabilities. R&D initiatives drive the

innovation that makes L-3 an industry leader and differentiates us in the marketplace. We continued to develop new technologies that support our customers' critical requirements and priorities, allocating \$413 million in R&D and capital expenditures in 2014. We plan to increase this investment in 2015. The coming year's focus will be on electronic warfare, sensor development, ISR systems, space work and cyber, as well as niche areas in the classified arena — a growing DoD budget priority. Across the company, we are increasing efforts to leverage our expertise and technologies to generate new opportunities and capitalize on the growing number of U.S. government mandates for cybersecurity measures at commercial entities, many of which align well with L-3's existing capabilities.

Strategic acquisitions continue to be important components of our growth strategy. We seek out companies that complement L-3's core businesses, enhance our number-one or number-two market positions, create new, adjacent product opportunities, and deliver attractive returns on investment. Our Data Tactics acquisition, which we completed in March 2014, broadened and strengthened our National Security Solutions (NSS) segment.

In January 2015, we acquired MITEQ, Inc. and combined it with our Narda Microwave-East business to form L-3 Narda-MITEQ. This addition expands our existing tactical SATCOM capabilities and adds RF microwave and low-power SATCOM products that create new cross-selling opportunities and expand our customer base.

At the same time, we continually evaluate our existing operations to better align us with our customers' priorities and bring additional efficiencies to our business. In December, we entered into an agreement to sell our Marine Systems International (MSI) business. The disposition of MSI will

improve our margins. We expect to close this transaction in the second quarter of 2015.

Driving growth in international and commercial businesses

Our strategy of expanding our international and commercial businesses in an increasingly volatile world continues to be successful. This area has grown from 21 percent to 29 percent of net sales in just three years.

These gains were achieved through a disciplined focus on major markets around the world. To bolster customer relations and increase our local presence, we have established corporate footprints in the U.K., Australia, Canada, Saudi Arabia and South Korea. These offices are led by L-3 managers with a deep understanding of conducting business in their respective regions.

We had a number of strategic international wins in the Middle East during the year, highlighted by our first international sale of L-3's SPYDR ISR aircraft to the Royal Saudi Air Force. This sale validates the strong ongoing interest we have seen in this platform and provides a success story to leverage in our pursuit of additional orders in the Middle East and other key international markets.

We also won a contract to build three UH-60L Operational Flight Trainers and associated training systems for the Royal Saudi Land Forces Aviation Command. Delivery of these high-fidelity trainers marks the first time L-3's Reality-Seven™ full flight simulator technology solution will be used in support of a military training program. Other wins in the region include Hawkeye™ VSAT terminals for a Middle Eastern customer and WESCAM electro-optical/infrared (EO/IR) sensors for the Royal Saudi Air Force, the UAE and Egypt. L-3 was also selected to provide cargo screening

With more than 50 years of experience in C-130 modifications, L-3 continues to capitalize on the robust market for technology, maintenance and upgrades on this widely used platform. In 2014, L-3 won a contract to upgrade C-130 avionics for the Argentine Air Force.



L-3 will deliver two SPYDR manned aircraft to Saudi Arabia, with the potential for additional sales over the next three years. The international sale of L-3's SPYDR platform serves as a solid foundation for the continued growth of our tactical ISR business.



L-3's Lynx® MultiLink Surveillance System is a new line of single-box ADS-B solutions, offering groundbreaking technology to the NextGen flight environment for General Aviation (GA). The Lynx systems integrate into any existing GA cockpit, providing pilots with ADS-B, as well as traffic, weather and situational awareness, at an attractive price point.



systems for customs agencies in Saudi Arabia and other customers in the Middle East.

We received a five-year indefinite-delivery/indefinite-quantity (ID/IQ) contract for advanced target pointers and weapon-mounted thermal imagers for the Italian Army's Future Soldier System program. In 2014, we made our first delivery of Hawklink radio terminal sets for use aboard Royal Australian Navy MH-60R SEAHAWK® helicopters. L-3 also won a C-130 aircraft avionics upgrade contract for the Argentine Air Force. This win sets the stage for future business in South America and positions L-3 for additional international C-130 contracts with customers throughout the world.

The growth in our commercial business in 2014 was led by international wins for ProVision® passenger screening systems for customers in Europe and baggage screening systems for South Korea's Incheon International Airport. Domestically, orders from the TSA continue to be strong.

L-3 recently introduced our Lynx® MultiLink Surveillance System line of Automatic Dependent Surveillance-Broadcast (ADS-B) products for General Aviation. This introduction, which is well in advance of ADS-B compliance deadlines, bolsters L-3's position as a leading ADS-B innovator — with products for all aviation markets. It also adds to the already strong demand for our aviation products, including our Traffic Alert and Collision Avoidance Systems (TCAS) and advanced display systems.

We also received multiple orders for our training and simulation systems from commercial customers in 2014, including Boeing 787 full flight simulators for All Nippon Airways, an Airbus A320 simulator for Sichuan Airlines and a Sukhoi Superjet 100 full flight simulator for Interjet.

In addition, we signed a contract with Virgin Atlantic for training services and expanded our Asian Aviation Training Centre in Bangkok, Thailand.

Supporting the DoD with excellent program performance across L-3 operations

Overall, the company's businesses continued to deliver solutions on time and on budget to our DoD customers in 2014.

L-3's Electronic Systems segment is known for innovation, with state-of-the-art products and solutions that span a diverse range of applications. L-3 won a support contract for the Battle Force Tactical Training System from the Naval Surface Warfare Center. The contract includes engineering services and support, training systems support, operation and maintenance training, and fleet synthetic exercise support.

Our Warrior Systems business, which is a leader in advanced optical and night vision systems, expanded our business base with a large order from the U.S. Air Force for our Enhanced Night Vision Goggles. L-3's state-of-the-art night vision solutions combine the benefits of image intensification and heat signature technology to create a greater level of situational awareness for the warfighter.

Other wins in the segment included a classified space-based sensor program for the U.S. government and a nine-shipset order for switchgear and circuit breakers on Virginia-class submarines.

Our Aerospace Systems segment's solutions remain in demand across the DoD, as well as international and commercial marketplaces, where the need for ISR continues due to geopolitical volatility.

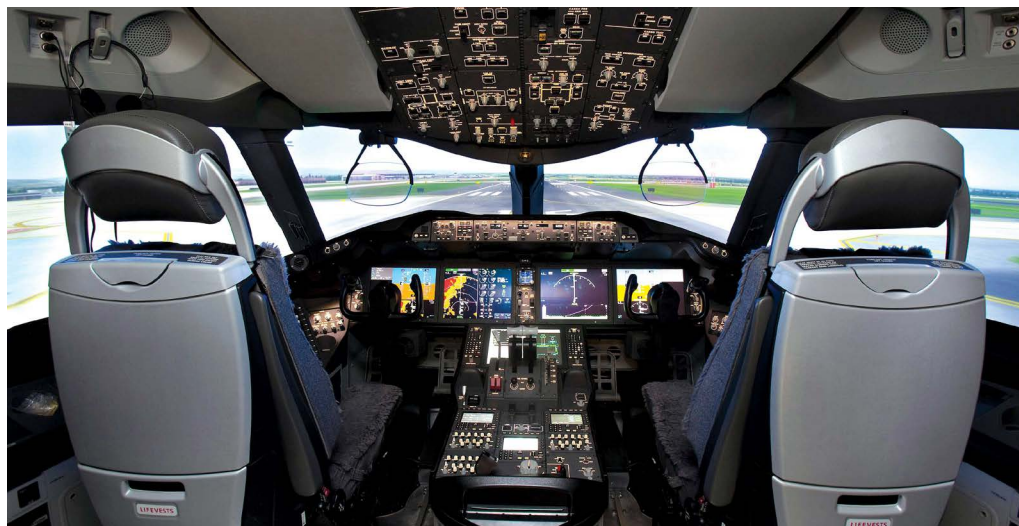
L-3's CX-Mobile™ G3 high-energy mobile cargo scanner was selected by several Middle Eastern countries for use at their ports and borders. It utilizes industry-leading technology to scan large freight loads safely and efficiently via a fully automated drive-through, allowing drivers to safely remain in their cabs during scans.



L-3's competitively won contract to provide 1.2-meter and 1.6-meter Hawkeye™ VSAT terminals to a Middle Eastern customer will optimize communications services in areas where commercial satellite resources are limited. These small, transportable terminals feature multiple modem waveforms that enable proven, reliable communications in the harshest desert environments.



L-3 is the leading supplier of Boeing 787 full flight simulators to commercial airlines worldwide. In 2014, we expanded our leadership position by winning a contract to supply All Nippon Airways (ANA) with its third B787 full flight simulator and second associated flight training device. The devices will expand ANA's training capacity at its Tokyo facility, enabling the airline to keep pace with the acceptance of several new 787 aircraft.



Our largest win of the year was the recompetition of our contract to provide logistics services in support of the U.S. Navy's T-45A and T-45C aircraft. L-3 was also selected for the Vance Air Force Base Training Aircraft Flight Operations Support contract. On this program, L-3 will provide aircraft maintenance and logistical support to T-1, T-6 and T-38 training aircraft. These strategic wins complement existing L-3 contracts of similar scope at various bases around the country. We will also perform work on the U.S. Air Force's communications systems replacement program for the C-32/40, a fleet of VIP transport aircraft. L-3 was awarded a similar communications system upgrade for the C-37 aircraft in this same fleet. We also completed the early delivery of a baseline Rivet Joint aircraft to the U.S. Air Force. This aircraft is the first to use our new conformal antenna design, which provides increased ISR capabilities and performance.

Communication Systems is proud to be a trusted provider and go-to source for advanced products and solutions that deliver seamless, secure broadband data to the warfighter. L-3 equipment can be found on virtually every military platform, supplying mission-critical infrastructure to meet the secure communications needs of troops worldwide.

In 2014, L-3 continued to support network operations for U.S. Combatant Commands by providing wideband communications to senior leaders and warfighters. L-3 will also supply ground terminals to interface with the network, providing the data needed for current and future operations. Also during the year, we began deliveries of airborne communications equipment for use aboard NATO Alliance Ground Surveillance Global Hawk unmanned vehicles, supporting secure real-time data transfer for the Joint Intelligence, Surveillance and Reconnaissance system.

National Security Solutions (NSS) is a capabilities-based business that addresses today's cyber threat environment by

safeguarding critical, sensitive and classified data. In 2014, we continued to improve the competitive position of NSS, penetrating new markets and gaining share in the U.S. government intelligence community.

L-3 won a major competitive contract for the National Geospatial-Intelligence Agency's (NGA) Information Technology Enterprise Managed Services (ITEMS) Transport Services program. L-3 will provide engineering, operations and sustainment services to the NGA's global communications infrastructure to enable the secure, reliable and timely transmission of data. Another important competitive award was a contract to support the Pentagon Information Technology Agency, Enterprise Information and Mission Assurance Directorate, which is responsible for cyber-related network defense, intrusion detection, incident handling and other cyber support activities. Additional NSS contract wins include a National Reconnaissance Office contract, CASCADE, to provide the mechanism for quick-reaction capability initiatives and studies.

Underscoring L-3's strengths in the classified arena, the company won two prestigious James S. Cogswell Outstanding Industrial Security Achievement Awards from the DoD Defense Security Service (DSS) in 2014. The Cogswell is the highest award a company can receive for the handling of classified information. This was the 10th consecutive year that L-3 has received at least one Cogswell Award. Also, for the second time in three years, L-3 was recognized by the DSS with the Excellence in Counterintelligence Award for exceptional actions to prevent foreign attempts to illegally obtain U.S. defense technology.

Integrity, first and foremost

Everyone at L-3 must operate with honesty, transparency and integrity. Our progress in 2014 was adversely affected by

problems in our Aerospace Systems segment. We immediately undertook an extensive internal review of the segment. As a result, we revised the company's previously issued financial statements and took appropriate remedial actions to strengthen the control environment. Throughout this process, our management team and employees remained focused on performance and delivering for our customers — demonstrating the strength and resilience of our company and our commitment to the highest level of ethical conduct.

Working with our local communities

L-3 businesses and employees participate in a wide range of activities that give back to our communities and make a difference in important areas through both corporate support and contributions at the business unit level.

For example, as part of our ongoing dedication to the men and women in the armed forces, L-3 supports a variety of efforts to help our veterans and their families. In 2014, our employees volunteered at and donated to Homes for Our Troops, which builds adaptive homes for wounded warriors. We also provide a supportive work environment for service personnel as part of the Employer Partnership of the Armed Forces and contribute to the Coast Guard Foundation, the Special Operations Warrior Foundation, the Tragedy Assistance Program for Survivors (TAPS), the Wounded Warrior Project and the Marine Corps Scholarship Foundation.

L-3 supports science, technology, engineering and mathematics (STEM) initiatives through our involvement in education at all levels, from elementary to university and postgraduate school. Our efforts range from co-op programs that provide technical work experience for students to

partnerships with major research colleges and universities near L-3 operations. We are also active in a variety of education programs and institutions, including the Texas A&M University-Commerce robotics summer camp, the University of North Texas engineering department and many more. In 2014, L-3 was the first corporate tenant of the Baylor Research and Innovation Collaborative, the flagship development of a planned 21-acre research park near Baylor University.

L-3: well-positioned and focused on the future

The defense industry works in close partnership with government agencies and is a valuable contributor to national security and global stability. Together, we share a deep commitment to ensuring that our military personnel have the very best technology to help them safely and effectively fulfill their duties.

Events unfolding around the world continue to underscore the reality that a strong national defense is vital to the interests of the United States and its allies. We expect to see continuing demand for L-3's leading-edge capabilities and products, particularly in ISR, communications, electronics and security. While the challenging environment has persisted due to sequestration, the DoD budget downturn is nearing its end. Consequently, we are focused on growth.

To pursue that growth, L-3 is moving ahead in implementing our core strategy. We will continue to build and maintain close relationships with our customers, increasing market share by understanding, anticipating and meeting their needs. We will also expand our international business through a



L-3 was awarded a contract to provide flight operations support services at Vance Air Force Base in Oklahoma. The win expands L-3's role in maintaining safe and effective operations for several different training aircraft platforms at U.S. military bases around the world.



L-3 continues to grow our enhanced night vision capability, giving warriors greater day- and nighttime visibility in the most challenging environments. We have won contracts with the U.S. Army and Air Force for our innovative Enhanced Night Vision Goggles, which deliver superior situational awareness.

strong local presence in key markets and work with the right partners to extend our leading defense technologies into new commercial areas.

L-3 will continue to shape our portfolio for success, acquiring businesses that align with our strategy and add value for our customers and shareholders. And we will build our capabilities in high-priority classified businesses, collaborating across the company to leverage our products, technologies and experience to create new opportunities.

As we look ahead, we will remain focused on our core strengths to create shareholder value through financial and operational performance and by exceeding our customers' expectations. Once again, my thanks to our shareholders, customers and employees for their support.

Sincerely,



Michael T. Strianese

Chairman, President and Chief Executive Officer

L-3 won two National Security Agency (NSA) Enterprise Program Management contracts to provide systems engineering, acquisition planning, program management and financial management for two of NSA's major mission areas.

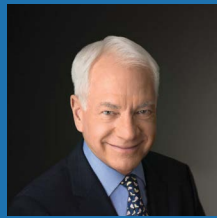


MANAGEMENT

BOARD OF DIRECTORS



Michael T. Strianese



Claude R. Canizares



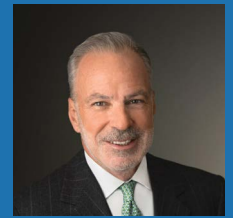
Thomas A. Corcoran



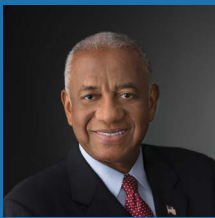
**General (Ret.)
Ann E. Dunwoody**



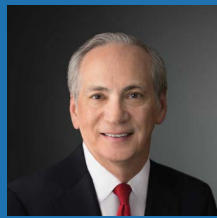
Lewis Kramer



Robert B. Millard



**General (Ret.)
Lloyd W. Newton**



Vincent Pagano, Jr.



**General (Ret.)
H. Hugh Shelton**



Arthur L. Simon



Alan H. Washkowitz

EXECUTIVE MANAGEMENT



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Executive Vice President,
Corporate Strategy and
Development



Richard A. Cody
Senior Vice President,
Washington Operations



Ron Cook
Senior Vice President,
London Operations



Ralph G. D'Ambrosio
Senior Vice President and
Chief Financial Officer



Steve Kantor
Senior Vice President
and President of
Electronic Systems



Kathleen E. Karelis
Senior Vice President
and Senior Counsel



John C. McNellis
Senior Vice President
and President of
Aerospace Systems



John S. Mega
Senior Vice President
and President of
Communication Systems



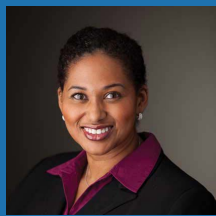
Steven M. Post
Senior Vice President,
General Counsel and
Corporate Secretary



Les A. Rose
Vice President
and President of
National Security Solutions



David M. Van Buren
Senior Vice President,
Business Strategy



Juliet N. Boueya
Vice President,
Corporate Communications



Sheila M. Sheridan
Vice President,
Administration



Kevin Weiss
Vice President,
Human Resources

CORPORATE INFORMATION

CORPORATE HEADQUARTERS

You can contact the corporate headquarters by writing to:
L-3
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 should contact corporate communications at 212-697-1111.

PRINTED MATERIALS

Printed financial and governance materials can be obtained without charge by written request to the corporate headquarters addressed to the Corporate Secretary or 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 website at www.L-3.com.

STOCK EXCHANGE LISTING

L-3's common stock is listed on the New York Stock Exchange (NYSE) under the symbol LLL.

ANNUAL MEETING

The annual meeting of shareholders will be held at 2:30 p.m. on Tuesday, May 5, 2015, at The Ritz-Carlton New York, Battery Park, Two West Street, New York, NY.

SHAREHOLDER ASSISTANCE

If you have questions concerning your shareholder account, please contact the stock transfer agent:

REGULAR MAIL

Computershare
P.O. Box 30170
College Station, TX 77842-3170

OVERNIGHT DELIVERIES

Computershare
211 Quality Circle, Suite 210
College Station, TX 77845

or call 877-282-1168 (781-575-2879 from outside the United States).
For the hearing impaired, the phone number is TDD: 800-490-1493.

You can also contact the stock transfer agent at its website at www.computershare.com.

EQUAL OPPORTUNITY EMPLOYER

L-3 is an equal opportunity employer and does not discriminate on the basis of age, race, gender, sexual orientation, religion, color, national origin, marital status, disability and protected veterans status or any other characteristic protected by law. All employment-related decisions are based solely on business needs and relevant requisite skills related to the position.

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Except for historical information contained herein, the matters set forth in this 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 set forth herein 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 the Company's "Forward-looking Statements" included in the Company's recent filings, including Forms 10-K and 10-Q, with the Securities and Exchange Commission. The forward-looking statements speak only as of the date made, and the Company undertakes no obligation to update these forward-looking statements. For a discussion of other risks and uncertainties that could impair our results of operations or financial condition, see Part I - Item 1A - "Risk Factors" and Note 19 to our audited consolidated financial statements, included in our Annual Report on Form 10-K for the year ended December 31, 2014.

CREDITS

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