

**13.0**

## Select Financial Highlights

(In millions, except per share amounts)

For the year ended December 31,	2017 <sup>(a)(b)</sup>	2016 <sup>(a)</sup>	2015 <sup>(a)(c)</sup>
Net sales	<b>\$9,573</b>	\$9,210	\$9,231
Operating income	<b>\$1,020</b>	\$957	\$785
Operating margin	<b>10.7%</b>	10.4%	8.5%
Diluted earnings per share (EPS) from continuing operations	<b>\$9.46</b>	\$7.86	\$6.01
Diluted shares outstanding	<b>79.6</b>	78.8	81.9
Net cash from operating activities from continuing operations	<b>\$985</b>	\$1,022	\$1,035
Capital expenditures, net of dispositions	<b>(150)</b>	(189)	(192)
Income tax payments (refunds) attributable to discontinued operations	<b>27</b>	1	(11)
Free cash flow	<b>\$862</b>	\$834	\$832
Cash dividends per common share	<b>\$3.00</b>	\$2.80	\$2.60
Common stock repurchased	<b>\$180</b>	\$373	\$740

(a) The years ended December 31, 2017, 2016, and 2015 give effect to the sale of the National Security Solutions (NSS) business, which was completed on February 1, 2016, and the expected divestiture in 2018 of the Vertex Aerospace business. The results of these businesses are presented as discontinued operations.

(b) The year ended December 31, 2017 includes an estimated tax benefit of \$79 million, or \$0.99 per diluted share, related to the enactment of the U.S. Tax Cuts and Jobs Act (U.S. Tax Reform) in December 2017.

(c) The year ended December 31, 2015 includes: (1) a non-cash goodwill impairment charge of \$46 million (\$44 million after income taxes), or \$0.54 per diluted share, related to a business retained by L3 in connection with the sale of NSS, and (2) a pre-tax loss of \$31 million (\$20 million after income taxes), or \$0.25 per diluted share, related to business divestitures.

### SALES

(In millions)



### DILUTED EPS

from continuing operations



### FREE CASH FLOW

(In millions)

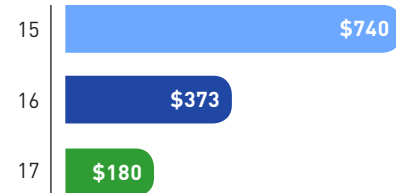


### CASH DIVIDENDS PER COMMON SHARE



### COMMON STOCK REPURCHASED

(In millions)



WE ARE ACCELERATING THE PACE OF CHANGE AT L3 TECHNOLOGIES. WE'RE CREATING THE NEXT VERSION OF L3, RAPIDLY EVOLVING OUR COMPANY FOR ENHANCED PERFORMANCE WITH A FOCUS ON INNOVATION, COLLABORATION AND INTEGRATION.

**WE ARE  
L3 3.0.**





**WE ARE  
L365.**

WE ARE TRANSFORMING OUR CULTURE AND APPROACH TO DEEPEN, EXPAND AND INTENSIFY OUR FOCUS ON CONTINUOUS IMPROVEMENT AND INNOVATION ACROSS EVERY FUNCTION OF OUR BUSINESS. EVERY SINGLE DAY.

WE ARE RE-ENGAGING OUR 31,000+ EMPLOYEES, REIGNITING OUR ENTREPRENEURIAL SPIRIT, AND WORKING FASTER AND CLOSER TOGETHER TO EXCEL FOR OUR COMPANY, OUR CUSTOMERS AND OUR SHAREHOLDERS.

**WE ARE  
THE FUTURE  
OF L3.**





DEAR FELLOW SHAREHOLDERS:

2018 marks the beginning of a new era for L3 Technologies. We are executing our growth strategy and integrating more of our diverse capabilities to exceed the expectations of our customers. We are entering into a time when our core markets—U.S. and international defense, commercial aviation and airport security—are growing. We are adapting to capitalize on these improved markets by intensifying our focus on being agile leaders and innovators in areas with attractive long-term potential. We're accelerating the pace of change with an energy and confidence that stem from our clear vision of becoming a non-traditional 6th prime in aerospace and defense.

### A Strong Foundation

I am truly excited to become the third CEO in L3's history. Since joining the company in October 2015, I have worked closely with our executive team on a journey to move the enterprise toward next-level performance and growth. I would like to thank Michael Strianese for his stewardship and support. Under his tenure, L3 continued to advance its strong foundation and fundamentals. We are market leaders in a broad base of significant high-technology capabilities, and we have a solid balance sheet, an unwavering commitment to our customers, and a strong reputation for quality and integrity.



It is clear that L3 is unique among our peers.

We bring the scale, resources and capabilities of a large company coupled with the culture and innovative mindset of small, forward-focused entrepreneurs. This strength, combined with our strategic agility, enables us to move faster when competing against the larger, more bureaucratic players. This is our blueprint for the future, and we're going to build on it.

### 2017: Disciplined Growth

L3 exceeded our financial plan in every metric and returned the company to growth for the first time in a decade. We achieved year-over-year growth in sales, orders, earnings per share and cash flow, with consolidated net sales increasing 4%, including organic sales growth of 2%. Orders increased by 5%, driven by performance in our Electronic Systems, Communication Systems and Sensor Systems segments, and we achieved a book-to-bill ratio greater than 1.0.

We delivered another year of strong earnings per share (EPS). Diluted EPS from continuing operations was \$9.46, up 20% from 2016, while free cash flow was up 3% for the year.

### Capital Allocation: Shifting Focus

Our capital allocation strategy reflects our willingness to invest in our future, an important dimension of delivering sustained long-term value to our shareholders. In 2017, we generated \$985 million in net cash from operating activities, and in February 2018, continued our 14-year track record of dividend

## A FUNDAMENTALLY DIFFERENT COMPANY



THE FUTURE BELONGS TO THE **SWIFT.**

increases. We're deploying capital in areas where we see the greatest potential to grow operations and maximize value. We invested a robust \$287 million in research and development (R&D), an 11% increase over 2016. We also spent \$316 million in merger and acquisition (M&A) transactions and \$180 million in share repurchases. L3 was one of the first in our industry to shift cash deployment toward M&A as we stepped up activity in attractive growth areas. One thing that hasn't changed—our commitment to maintaining L3's investment-grade credit rating.

### Investing in Our Future

The world is continuously evolving, and the pace of change is swift, particularly in defense. To succeed in their missions, our warfighters need trusted partners who quickly and affordably deliver

innovative solutions in U.S. Department of Defense (DoD) high-priority areas. Airlines and commercial aviation customers are facing similar obstacles. The increase in air travel, coupled with the dynamic threat environment, requires more pilots and more advanced security in airports around the world. These represent significant opportunities for L3.

Both the U.S. DoD budget and commercial aviation are experiencing single-digit growth. Throughout the year, we invested in R&D, acquisitions and capital projects that strengthen our capabilities in these large markets, positioning L3 for future growth in C6ISR<sup>1</sup>, training, airport security, unmanned undersea vehicles (UUV), protected communications, sensors and precision engagement systems.

C6ISR is a critical competency that provides our forces with real-time situational awareness in an integrated, multi-domain battlespace. ISR integration and missionization have always been core strengths for L3. In 2017, we were selected by the U.S. Air Force to be the aircraft integrator to modernize its fleet of EC-130H Compass Call aircraft, now called EC-37B. This is the kind of trusted, reliable systems integration work we will continue to pursue, leveraging our proven ability to bring new ISR capabilities online more rapidly and cost-effectively than the competition.

Both military and commercial aviation are confronted with the challenge of a growing pilot shortage. Training the next generation of U.S. and allied military pilots is an honor and a great responsibility, and we are responding by investing

in increased capacity to deliver safe, efficient and affordable solutions. In 2018, we broke ground on a major expansion of our multipurpose training facility in Texas, adding 40,000 square feet of high-bay space. With our acquisition of Doss Aviation, we now offer complete *ab initio* training to our military customers. L3 Doss is the only third-party company authorized to provide initial flight training to the U.S. Air Force, operating a full-service facility in Colorado for fixed-wing pilots, navigators and remotely piloted aircraft crews. This addition puts L3 in a stronger position to serve our Air Force customers' need for top-quality aircrew training at lower cost.

The opportunities are even greater in commercial training. Around the world, we are opening centers to expand our ability to provide pilot training to airlines. Our October 2017 acquisition of a

Portugal-based company increased our offerings in Europe with the opening of the L3 European Airline Academy. We also announced plans to build a 150,000-square-foot training and simulator manufacturing facility in the U.K. that will include the L3 London Training Center. The facility will be equipped with eight new industry-leading RealitySeven™ full flight simulators, fixed-base simulators and space for classes, meetings and briefings.

L3's simulators and innovative "power-by-the-hour" business model have revolutionized the industry. We established a cadet training partnership with British Airways and won new contracts with easyJet, China's Spring and Sichuan Airlines, and Japan's ANA, among others, to advance our position in this growing area.

To serve the global airport security market, we accelerated our development of total checkpoint solutions around our ClearScan® carry-on baggage and ProVision® personnel screening systems. In 2017, ClearScan was the first automated explosives detection system for carry-on baggage to pass the new European Civil Aviation Conference standard, enabling passengers to keep electronics and liquids in their carry-on bags through the check-in process. Similarly, in October 2016, ClearScan received U.S. Transportation Security Administration (TSA) certification, allowing electronic devices to remain in luggage during screening. When coupled with our Mach-SmartLane® automated screening lane, the combined system can safely process passengers faster than any system in the industry, with a higher probability of detection and a lower false alarm rate.

As more missions take place in access-denied areas, unmanned and autonomous systems are a U.S. Navy priority to address evolving threats. L3 entered the emerging growth market for unmanned undersea vehicles with three acquisitions: OceanServer Technology, Open Water Power and Adaptive Methods. These businesses position us as a prime integrator in the undersea market, a strategy that is already beginning to pay off. In November 2017, the U.S. Navy awarded L3 a contract to design and integrate next-generation communications, mission planning, autonomy, navigation, and other capabilities for its

Extra Large Unmanned Undersea Vehicle (XLUUV). We are also creating and demonstrating new avenues for protected communications. Our state-of-the-art technology will facilitate data teaming between manned and unmanned aircraft on the Apache MUMT-X program. In addition, our work enabling direct communications between advanced tactical aircraft has yielded a next-generation solution that gives our customers a significant advantage over adversaries. To foster more collaboration and innovation, we established the L3 IMPACT Center, which immerses operational users and development experts in a rapid prototyping environment. Across the company, we can work with customers and partners on dynamically changing mission scenarios to quickly design new solutions for operators in the field.

Our leadership in sensor technology, speed-to-market and cost-effective solutions led to L3's selection by the United Launch Alliance (ULA) as the exclusive provider of launch avionics and other services for its new Vulcan Centaur rocket. On this program, L3 has secured a prime role working with the other suppliers to deliver for the customer. We also won a contract to develop next-generation Free Space Optics for the DoD and space customers.

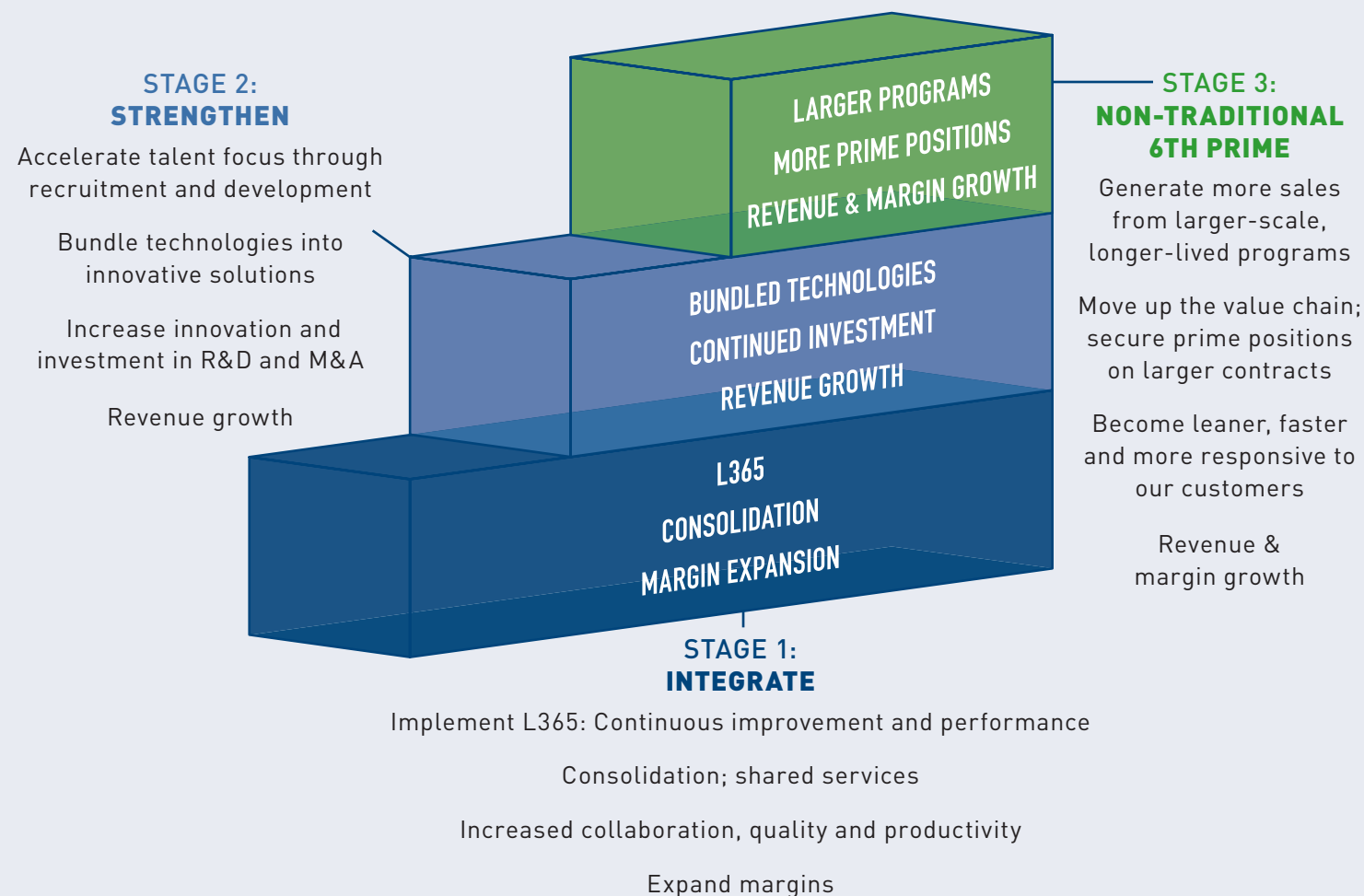
In our international business, we're targeting opportunities around the world where our capabilities are best aligned with the needs of U.S. allies. In January 2018, we formed International Boards in Australia, Canada and the U.K. to support our growth initiatives in these regions. My executive team and I have also traveled to Asia and the Middle East to connect with our customers and discuss how L3's solutions meet their requirements.

Along with strategic M&A and capital investments, we are continuously evaluating L3's portfolio. As part of this process, we made the decision to divest Vertex Aerospace, which will be completed in 2018.

### L3 3.0

Our L3 vision is to become a different kind of prime contractor, a non-traditional 6th prime that is lean and optimized, operating and innovating with an entrepreneur's speed and sense of urgency. We are intently focused on our R&D approach, not just on

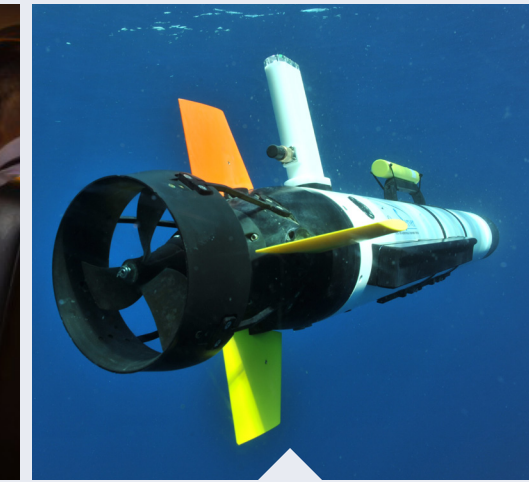
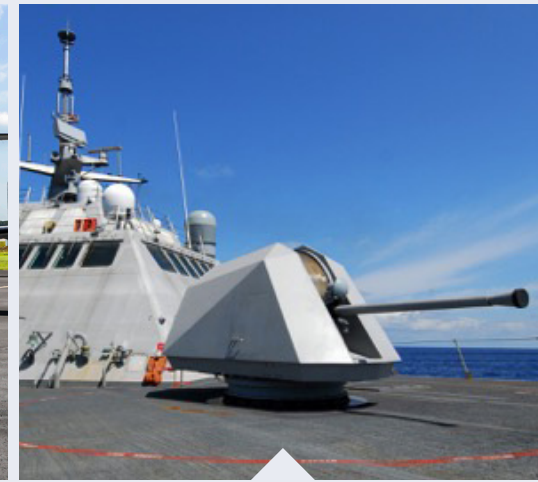
## THREE-STAGE PATH TO LONG-TERM GROWTH





## GROWTH FOCUS AREAS

We are sharpening our R&D and M&A investment focus to drive future growth in areas where L3 strengths, customer needs and market potential intersect.



### PROTECTED COMMUNICATIONS

With increasingly sophisticated adversaries, protected communications are more critical than ever. This is the vital connective tissue between ground, air, space and undersea domains. This is an L3 sweet spot.

### C6ISR

L3 is an industry leader and prime integrator in ISR, delivering advanced, rapidly reconfigurable solutions for a variety of complex missions. Our technologies connect airborne, space-, ground- and sea-based communication systems to provide the warfighter with the actionable intelligence needed for real-time situational awareness and response.

### PRECISION ENGAGEMENT

L3 is developing new alternatives for advanced precision weapons for the DoD. The low-cost ALaMO munition demonstrates how L3's innovative and entrepreneurial mindset delivered a unique solution to increase naval platform survivability and lethality.

### COMMERCIAL PILOT TRAINING

A shortage of qualified pilots is a looming challenge confronting commercial and military aviation worldwide. L3's training and simulation solutions include world-class training centers to help customers meet the need safely, efficiently and cost-effectively.

### UNMANNED UNDERSEA

We made three acquisitions in 2017 to leverage and expand strong L3 leadership in unmanned vehicle technologies and systems into another security-critical realm—undersea.

### AVIATION SECURITY

L3 is building its global leadership in airport security with acquisitions that support a fully integrated solution for improving the screening experience and increasing hourly passenger throughput without compromising security.

what our customers need now, but also on what they're going to need five years from now. At L3, we pride ourselves on being a place where people love what they do and where they work. We are a company of people who not only embrace change, but who *thrive* on it.

We call that **L3 3.0**.

We are undertaking a bold transformation and culture shift centered on **Innovation, Collaboration and Integration**. L3 is a federation of best-in-class entrepreneurs across a broad scope of products and capabilities, and we want each business to concentrate on four things: inventing, selling, building and delivering outstanding value for our customers. We are focused on putting the right people in the right places and making sure everyone is inspired with a relentless drive for performance and continuous improvement.

To achieve this, in **Stage One**, we are intensifying our integration supported by L365—our continuous improvement program launched in 2017. L365 involves a **never-satisfied mindset**, an ongoing quest for excellence that touches every corner of the company. It broadly encompasses eliminating waste, enhancing quality, improving processes and increasing speed—from operations to R&D. For example, we're expanding the scope of our shared services initiatives to include functions such as material procurement, IT and Enterprise Resource Planning (ERP).

Throughout 2017, we 'sector-ized' our divisions, consolidating and integrating complementary businesses to better align with customer needs and market opportunities. In 2018, we're continuing this process and creating cost-saving synergies to clear the way for increased collaboration and accelerated innovation. This allows us to bundle our capabilities into cross-segment solutions, which is the best way to move up the food chain.

In **Stage Two**, we will strengthen the company as investments in growth and integration hit our top and bottom lines in 2019 and beyond. We expect our increased R&D, acquisitions and capital projects to drive sales and expand margins.

**Stage Three** is our larger goal—becoming a non-traditional 6th prime in the next five years—achieving greater scale without compromising our entrepreneurial spirit. We will become a company transformed by securing more prime positions on major contracts and generating a higher percentage of sales from larger programs. This will deliver higher profits and cash flow, which we'll continue to reinvest to drive top-line and earnings growth in the years ahead.

### Strong Company, Stronger Community

Transforming L3's culture likewise increases our ability to support the communities around us. We are donating funds, time and talent to make a real

impact—specifically for military personnel, veterans and their families; for communities devastated by natural disasters; and for the future of our nation's leadership in science, technology, engineering and mathematics (STEM).

L3 is a major supporter of Homes For Our Troops (HFOT). We raised significant funds for the program in 2017, in addition to volunteering at more than 50 HFOT build events nationwide. This is just one of numerous organizations and programs we support in honor of the men and women who serve our country, including the USO, Tragedy Assistance Program for Survivors (TAPS) and Bob Woodruff's Stand Up for Heroes event.

In 2017, natural disasters devastated many areas in the U.S. L3 responded by donating to American Red Cross hurricane relief efforts. We also established L3 Cares, an emergency assistance fund to help employees who experience financial hardships after

these types of events. The fund relies primarily on the generous contributions of our employees, with an L3 company match. We will continue to expand this program to provide financial relief to our colleagues in need.

We understand the importance of how tomorrow's generation of engineers will define L3's reputation for innovation. As a result, we strongly support STEM programs at all levels of education in a variety of ways, from mentorship to funding. Our newest partnership is with The Wings Club Foundation, which leads initiatives and awards scholarships to students pursuing careers in aerospace and aviation.

### The True Growth Driver: People

For every company, performance is judged by sales, earnings and cash flow. These metrics are very important measures of success, but they're an outcome based on the people behind those numbers. It's our people at L3 that determine our success, and we are hard at work ensuring our people have the right conditions to succeed.

When we talk about **Innovation, Collaboration and Integration**, we're effectively describing the accomplishments and efforts of all our employees around the world. Strategies alone do not make L3 3.0 a reality—there must be excellence in execution. We believe our human capital is the truest driver of competitive differentiation, and culture determines performance. This year, we distributed an L3 Employee Experience Survey to gain valuable insight to enhance our business and talent strategy. Our goal under our L3 3.0 transformation is to foster a highly inclusive workplace that attracts, encourages and retains the industry's best innovators, collaborators and integrators.

As we develop talent from within, we are also recruiting top people externally to help move us forward. Among the numerous talented leaders who recently joined our team is Sean Stackley, L3's Vice President of Strategic Advanced Programs and Technology. Sean previously served as Assistant Secretary of the Navy (Research, Development and Acquisition) and

brings stellar industry, policy and engineering experience to our team. Retired U.S. Army Lt. Gen. Patrick J. O'Reilly is L3's Vice President of Engineering. Pat's knowledge of the DoD and managing large, complex programs will help us advance cross-segment collaboration and innovation. John Feren, a world-recognized aviation expert, joined us as Vice President of Business Development and Marketing for Commercial Aviation. In addition, we promoted Andrew C. Ivers, who led several businesses within the segment, to corporate Senior Vice President and President of Communication Systems.

We are building a culture that supports our vision for L3 3.0—people with positive attitudes; team players who excel at what they do and only want to get better.

On behalf of the entire corporation, we would like to thank Michael Strianese and Arthur Simon, who are retiring from L3's Board of Directors in 2018. We are grateful for their years of distinguished service and many contributions to L3's success.

### Pushing the Pace

We are building a truly unique company by leveraging our strengths, identifying and capitalizing on opportunities, and positioning ourselves for success today and in the years ahead. We are singularly attuned to maintaining a steadfast commitment to our customers. We will develop and deliver the trusted solutions, capabilities and innovations they rely on to keep our warfighters, the traveling public, and U.S. military and commercial airline pilots around the world safe.

L3 has the strength, the drive, the resources and the talent that enable us to redefine and exceed expectations. There's no doubt in my mind—we are up to the task.

Sincerely,



**Christopher E. Kubasik**  
Chief Executive Officer and President

INNOVATION.  
COLLABORATION.  
INTEGRATION.  
IT'S ALL ABOUT OUR PEOPLE.  
ACROSS L3, WE ARE SHAPING THE  
FUTURE EVERY DAY, WORKING AS  
INNOVATORS, COLLABORATORS AND  
INTEGRATORS TO MAKE OUR VISION  
FOR L3 3.0 A REALITY.






# INTEGRATORS DRIVE EFFICIENCY, AGILITY AND VALUE.

## OPTIMIZING EFFICIENCY EVERYWHERE

L3 is increasingly looking at its operations as an integrated whole, identifying opportunities to create efficiencies, reduce costs and improve performance through the consolidation of functions, businesses and facilities. The goal: a leaner, faster company that further empowers our entrepreneurial agility.

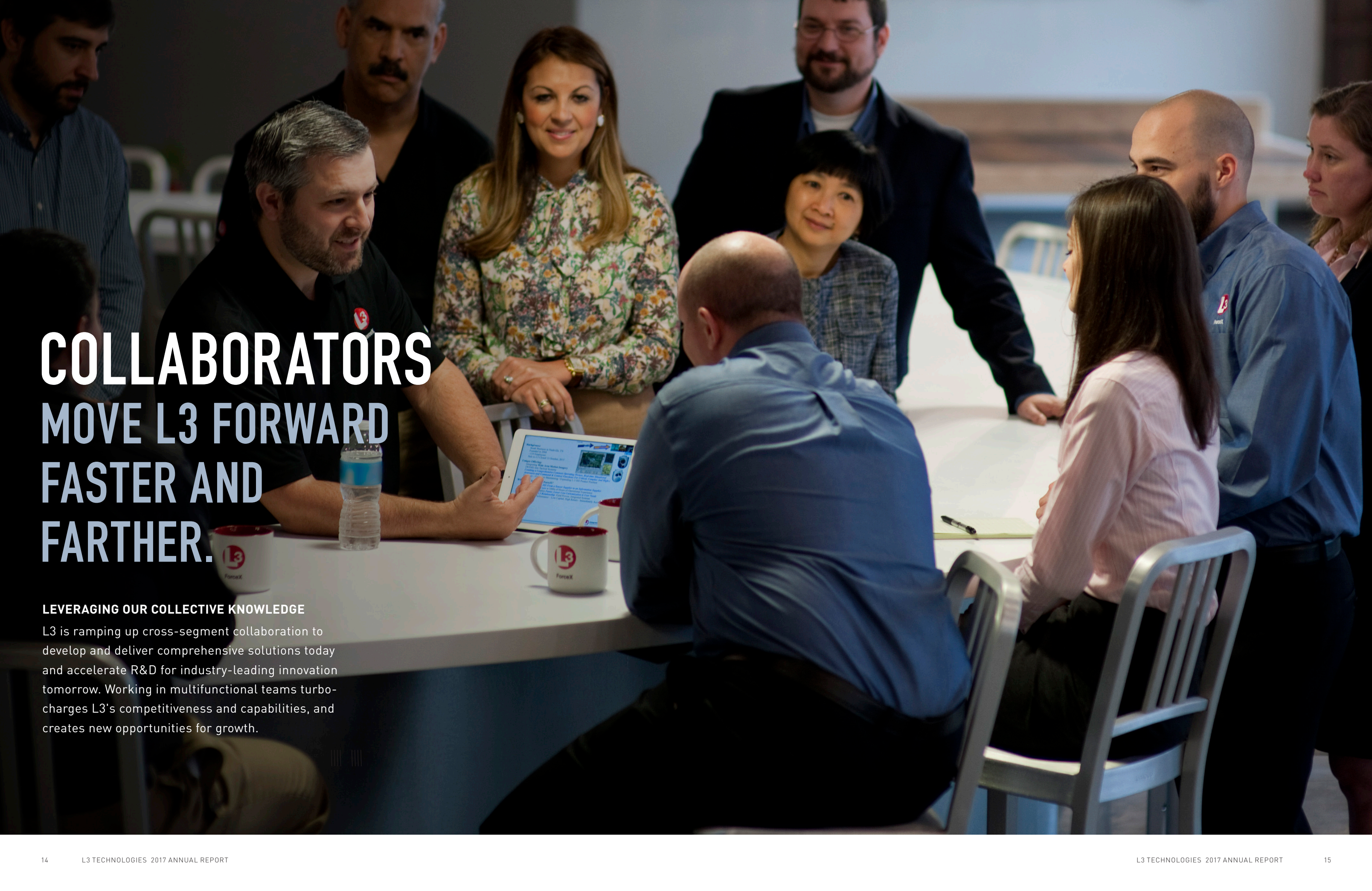


# INNOVATORS ARE THE FUTURE OF L3 AND OUR CUSTOMERS.

## INVENTION MEETS INVESTMENT

Customers need new solutions. They need them to be affordable, and they need them now. We are doing more than increasing our R&D investment—we are revamping our processes to ensure a sharper focus on our areas of strength, improve returns on our investments and compress development time to a sprint.





# COLLABORATORS MOVE L3 FORWARD FASTER AND FARTHER.

## LEVERAGING OUR COLLECTIVE KNOWLEDGE

L3 is ramping up cross-segment collaboration to develop and deliver comprehensive solutions today and accelerate R&D for industry-leading innovation tomorrow. Working in multifunctional teams turbo-charges L3's competitiveness and capabilities, and creates new opportunities for growth.



## BOARD OF DIRECTORS

**Claude R. Canizares**

**Thomas A. Corcoran**

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

**Lewis Kramer**

**Christopher E. Kubasik**

**Robert B. Millard**

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

**Vincent Pagano, Jr.**

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

**Arthur L. Simon\***

**Michael T. Strianese\***

## LEADERSHIP TEAM

**Richard A. Cody**

SVP, Washington Operations

**Ralph G. D'Ambrosio**

SVP and Chief Financial Officer

**Ann D. Davidson**

SVP, General Counsel and Corporate Secretary

**Raymond J. DeLuke**

VP, Chief Information Officer

**Todd W. Gautier**

SVP and President of Electronic Systems Segment

**Andrew C. Ivers**

SVP and President of Communication Systems Segment

**Jeffrey A. Miller**

SVP and President of Sensor Systems Segment

**David M. Van Buren**

SVP, Program Development

**Mark R. Von Schwarz**

SVP and President of Aerospace Systems Segment

**Kevin L. Weiss**

VP, Chief Human Resources Officer

**Heidi R. Wood**

SVP, Corporate Strategy and Technology

## CORPORATE INFORMATION

### Corporate Headquarters

You can contact the corporate headquarters by writing to:  
L3 Technologies  
600 Third Avenue  
New York, NY 10016  
or by calling 212-697-1111, or faxing 212-867-5249.

### Corporate Information

News media, analysts, shareholders and others seeking corporate information about L3 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, job listings, information on becoming a supplier, and an overview of the company's products and services on the L3 website at [www.L3T.com](http://www.L3T.com).

### Stock Exchange Listing

L3'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 11:00 a.m. on Monday, May 7, 2018, at The Wagner at The Battery (formerly 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 505000  
Louisville, KY 40233-5000

#### Overnight Deliveries

Computershare  
462 South 4th Street  
Suite 1600  
Louisville, KY 40233-5000

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](http://www.computershare.com).

### Equal Opportunity Employer

It is the policy of *L3 Technologies, Inc.* to be an equal opportunity employer and to comply voluntarily with the concepts and practices of affirmative action. In keeping with this policy, it is L3 Technologies' objective to advertise for, recruit, hire, train and promote into all job levels the most qualified applicants without regard to race, color, religion, gender, age, national origin, genetic information, citizenship status, marital status, gender identity, sexual orientation, disability, protected veteran status or any other legally protected status. All such decisions will be made in accordance with established personnel policies and by utilizing objective standards based on the individual's qualifications as they relate to the particular job vacancy.

### 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 18 to our audited consolidated financial statements included in this Annual Report.

### Credits

Design: Conjure, Chicago

Use of U.S. DoD and U.S. Coast Guard visual information does not imply or constitute DoD/USCG endorsement.

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\* Will not stand for re-election to the L3 Board of Directors in 2018.