

Lockheed Martin Corporation

3rd Quarter 2017

Earnings Results Conference Call

October 24, 2017

11:00 am ET

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Forward-Looking Statements



This presentation contains statements that, to the extent they are not recitations of historical fact, constitute forward-looking statements within the meaning of the federal securities laws, and are based on Lockheed Martin's current expectations and assumptions. The words "believe," "estimate," "anticipate," "project," "intend," "expect," "plan," "outlook," "scheduled," "forecast" and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to risks and uncertainties. Actual results may differ materially due to factors such as: the corporation's reliance on contracts with the U.S. Government, all of which are conditioned upon the availability of funding and can be terminated by the U.S. Government for convenience, and the corporation's ability to negotiate favorable contract terms; budget uncertainty, any failure to further raise the debt ceiling, and the potential for a government shutdown; affordability initiatives; the implementation of automatic sequestration under the Budget Control Act of 2011 or Congressional actions intended to replace sequestration; risks related to the development, production, sustainment, performance, schedule, cost and requirements of complex and technologically advanced programs including the corporation's largest, the F-35 program; economic, industry, business and political conditions (domestic and international) including their effects on governmental policy; the corporation's success expanding into and doing business in adjacent markets and internationally; the differing risks posed by international sales, including those involving commercial relationships with unfamiliar customers and different cultures; that in some instances our ability to recover investments is dependent upon the successful operation of ventures that we do not control; and changes in foreign national priorities, and foreign government budgets; the competitive environment for the corporation's products and services, including increased pricing pressures, competition from outside the aerospace and defense industry, and increased bid protests; planned production rates for significant programs; compliance with stringent performance and reliability standards; materials availability; the performance and financial viability of key suppliers, teammates, ventures, venture partners, subcontractors and customers; the timing and customer acceptance of product deliveries; the corporation's ability to continue to innovate and develop new products and to attract and retain key personnel and transfer knowledge to new personnel; the impact of work stoppages or other labor disruptions; the impact of cyber or other security threats or other disruptions to the corporation's businesses; the corporation's ability to implement and continue capitalization changes such as share repurchase activity and payment of dividends, pension funding as well as the pace and effect of any such capitalization changes; the corporation's ability to recover certain costs under U.S. Government contracts and changes in contract mix; the accuracy of the corporation's estimates and projections and the potential impact of changes in U.S. or foreign tax laws; movements in interest rates and other changes that may affect pension plan assumptions, equity, the level of the FAS/CAS adjustment and actual returns on pension plan assets; realizing the anticipated benefits of acquisitions or divestitures, ventures, teaming arrangements or internal reorganizations, and the corporation's efforts to increase the efficiency of its operations and improve the affordability of its products and services; operations and improve the affordability of its products and services; the ability to realize synergies and other expected benefits of the Sikorsky acquisition; remediation of the material weakness in internal control over financial reporting related to Sikorsky; risk of an impairment of goodwill, investments or other long-term assets, including the potential impairment of goodwill, intangible assets and inventory recorded as a result of the Sikorsky acquisition if Sikorsky does not perform as expected, has a deterioration of projected cash flows, negative changes in market factors, including oil and gas trends, or a significant increase in carrying value of the reporting unit; risks related to the achievement of the intended benefits and tax treatment of the divestiture of the corporation's former IS&GS business; the adequacy of the corporation's insurance and indemnities; the effect of changes in (or the interpretation of): legislation, regulation or policy, including those applicable to procurement (including competition from fewer and larger prime contractors), cost allowability or recovery, accounting, taxation, or export; and the outcome of legal proceedings, bid protests, environmental remediation efforts, government investigations or government allegations that we have failed to comply with law, other contingencies and U.S. Government identification of deficiencies in the corporation's business systems. These are only some of the factors that may affect the forward-looking statements contained in this presentation. For a discussion identifying additional important factors that could cause actual results to vary materially from those anticipated in the forward-looking statements, see the corporation's filings with the U.S. Securities and Exchange Commission (SEC) including, but not limited to, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors" in the corporation's Annual Report on Form 10-K for the year ended Dec. 31, 2016 and subsequent quarterly reports on Form 10-Q. The corporation's filings may be accessed through the Investor Relations page of its website, www.lockheedmartin.com/investor, or through the website maintained by the SEC at www.sec.gov. The corporation's actual financial results likely will be different from those projected due to the inherent nature of projections. Given these uncertainties, forward-looking statements should not be relied on in making investment decisions. The forward-looking statements contained in this presentation speak only as of the date of its filing. Except where required by applicable law, the corporation expressly disclaims a duty to provide updates to forward-looking statements after the date of this presentation to reflect subsequent events, changed circumstances, changes in expectations, or the estimates and assumptions associated with them. The forward-looking statements in this presentation are intended to be subject to the safe harbor protection provided by the federal securities laws.

3Q 2017 Overview



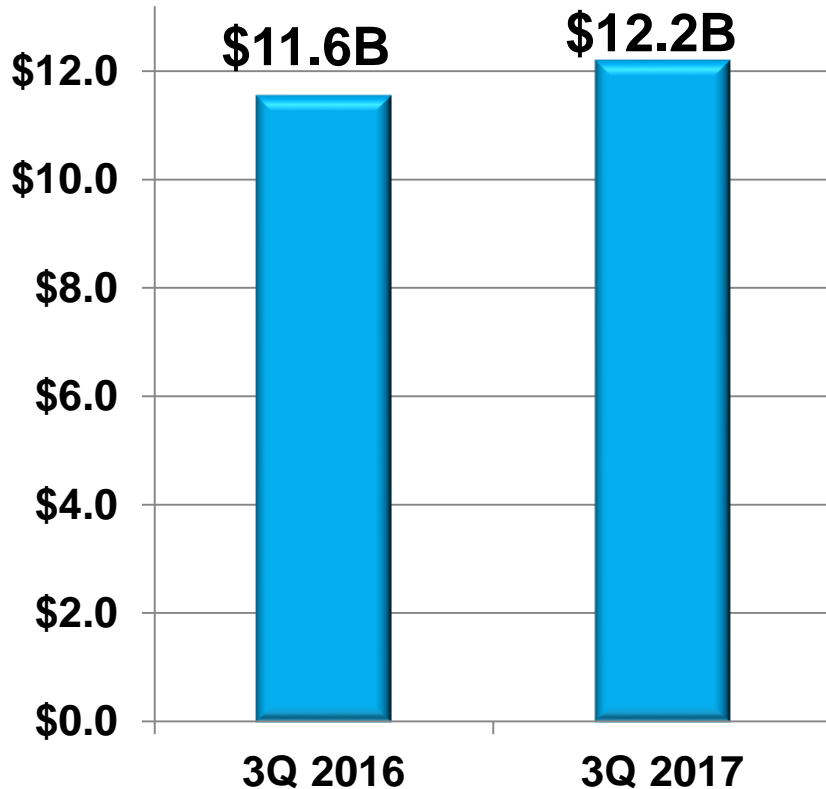
- **Achieved Sales of \$12.2 Billion**
- **Achieved Segment Operating Profit* of \$1.2 Billion and Earnings Per Share of \$3.24**
- **Generated \$1.8 Billion in Cash From Operations**
- **Returned \$1.0 Billion of Cash to Stockholders, Including \$500 Million in Share Repurchases**
- **Achieved Record Backlog of \$104 Billion**
- **Increased 2017 Outlook for Sales, Operating Profit, Earnings Per Share and Cash From Operations**

Solid Operational Results Enabling Future Growth

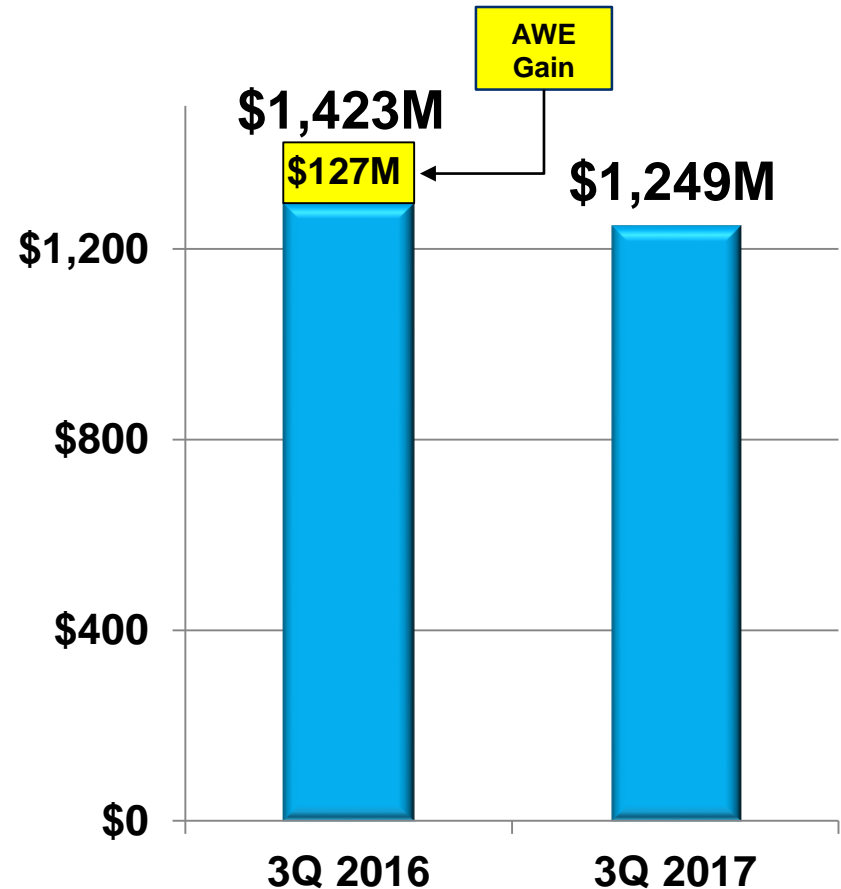
3Q Sales and Segment Operating Profit*



Sales (\$B)

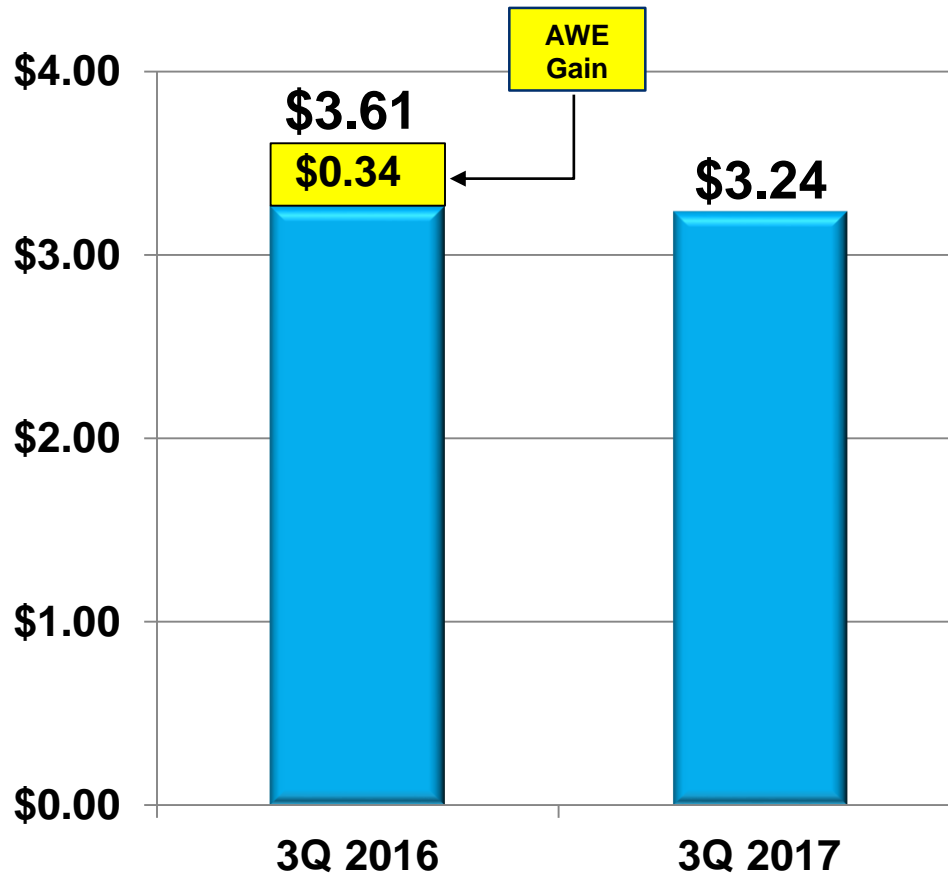


Segment Operating Profit (\$M)



Solid Sales Growth...3Q 2017 Segment Operating Profit Lower but Full Year Outlook Increased

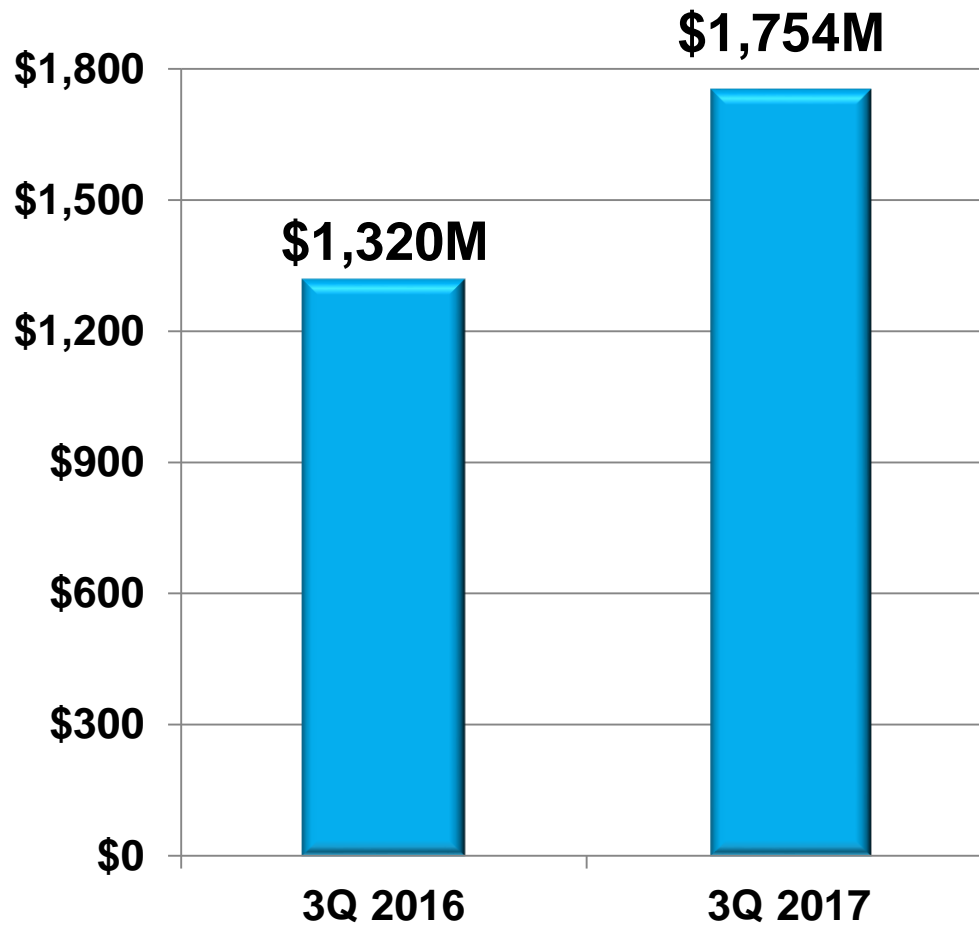
3Q Earnings Per Share from Continuing Operations



Continued EPS Performance...Increased Full Year Outlook

3Q Cash From Operations

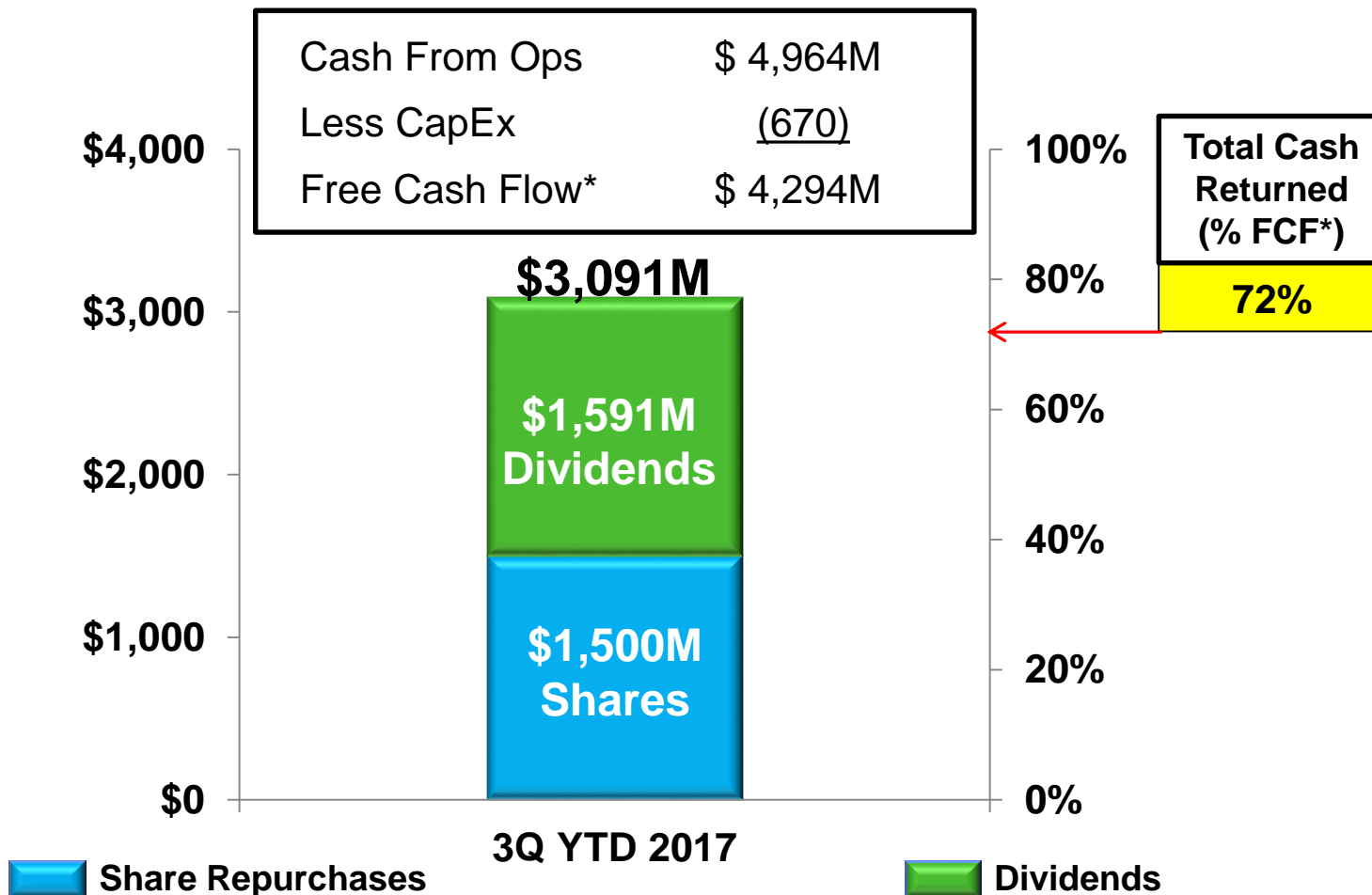
(\$M)



Robust Cash Generation

3Q YTD Cash Returned to Stockholders

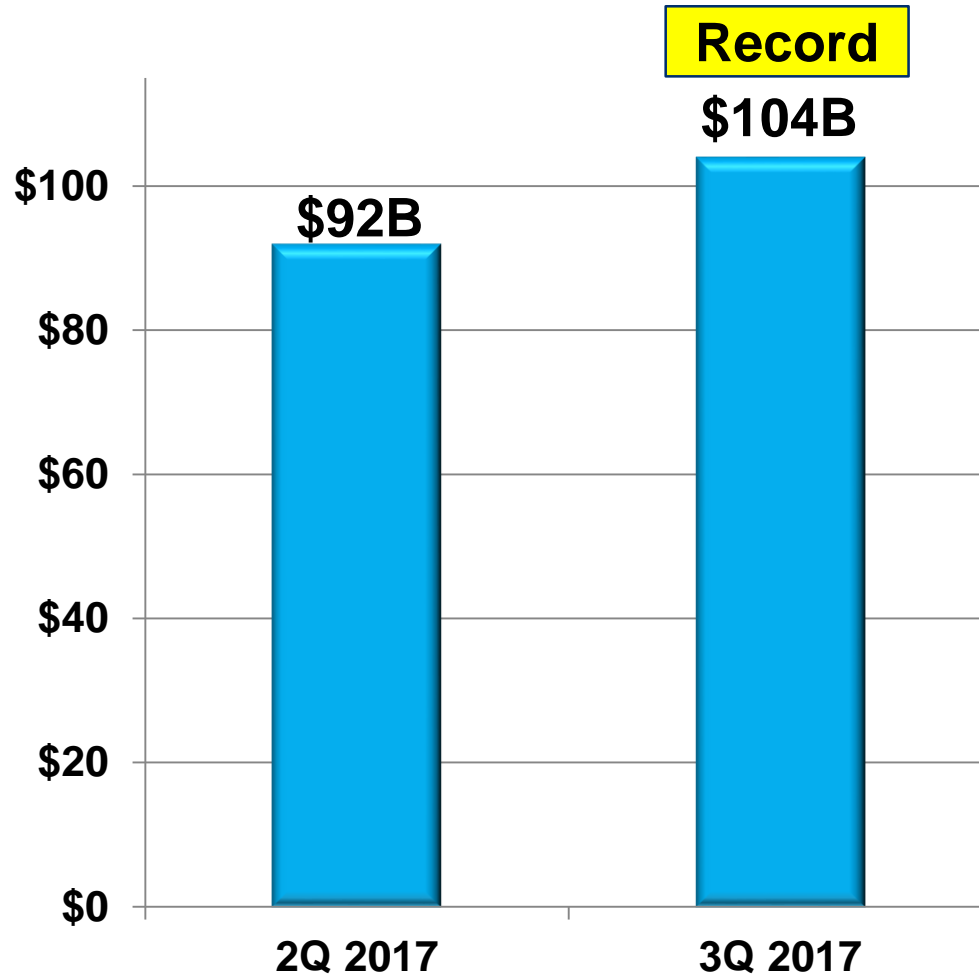
(\$M)



Continued Return of Cash to Stockholders...Increased Quarterly Dividend Rate and Repurchase Authority

Backlog

(\$B)



Book-to-Bill
3Q 2017: 1.9x
YTD 2017: 1.2x

Record Backlog Provides for Future Growth

2017 Outlook Update

(\$M, Except EPS)

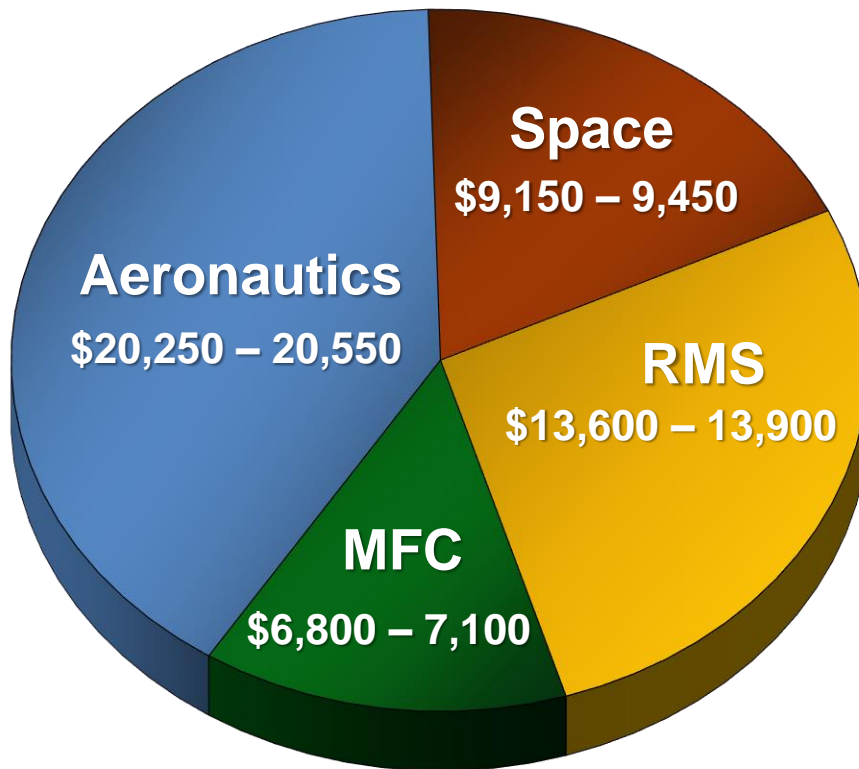


	<u>Prior (July)</u>	<u>Current (October)</u>
Sales	\$49,800 - \$51,000	\$50,000 - \$51,200
Segment Operating Profit*	\$5,020 - \$5,140	\$5,040 - \$5,160
<u>Unallocated items</u>		
FAS/CAS Net Pension Adjustment	~ 880	~ 880
Property Sale Gain	-	~ 200
Other, net	~(325)	~(305)
Operating Profit	\$5,575 - \$5,695	\$5,815 - \$5,935
Diluted Earnings Per Share	\$12.30 - \$12.60	\$12.85 - \$13.15
Cash from Operations	≥ \$6,000	≥ \$6,200

2017 Sales Outlook (\$M)

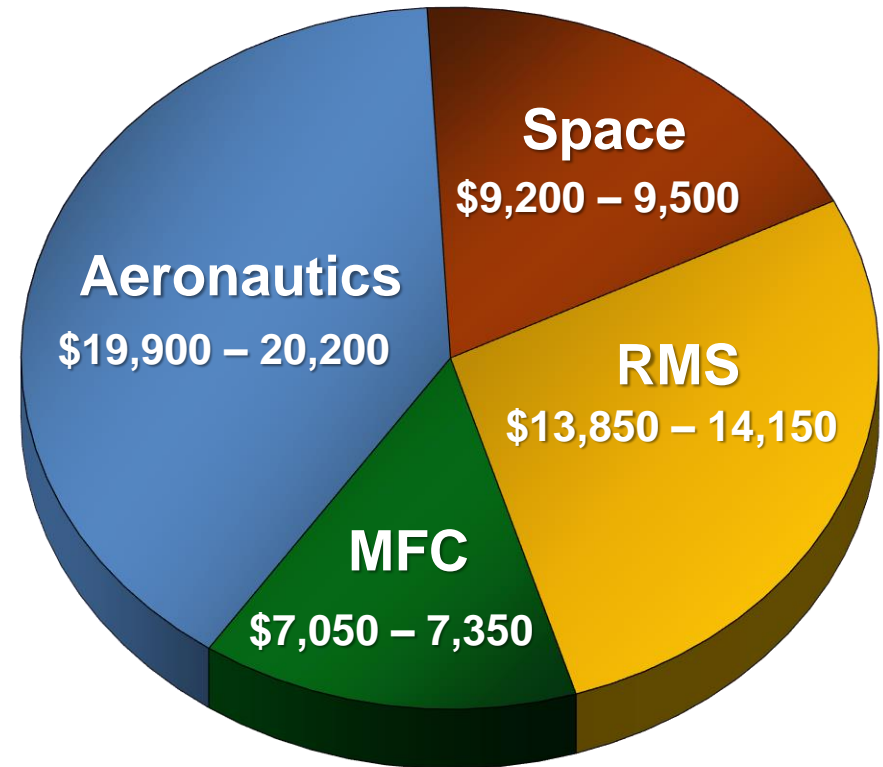


Sales (Prior)



\$49,800 – 51,000M

Sales (Current)



\$50,000 – 51,200M

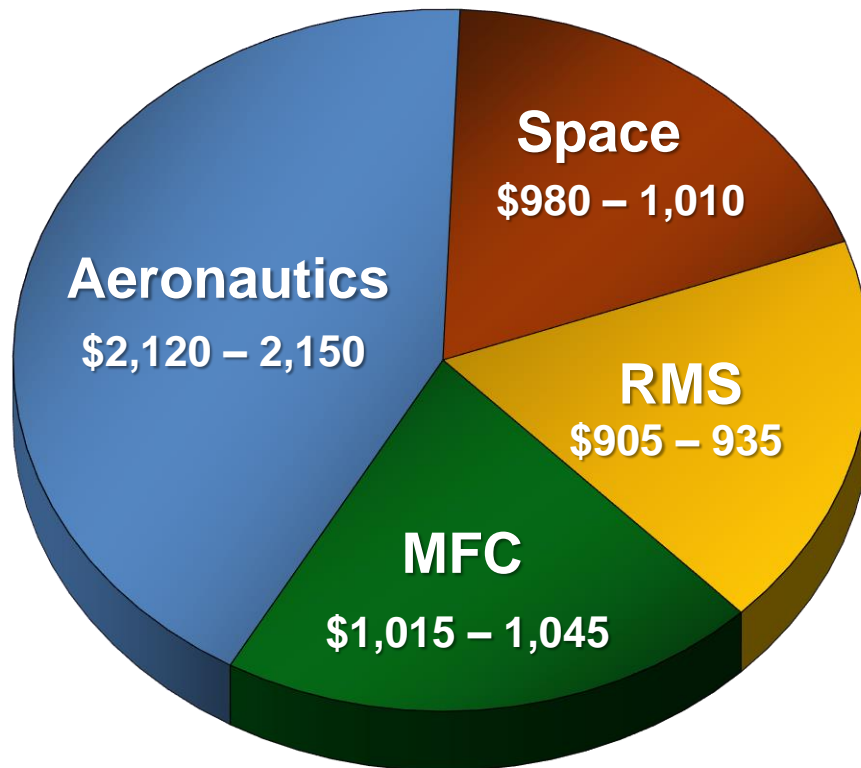
Sales Outlook Increased by \$200M

2017 Segment Operating Profit* Outlook

(\$M)

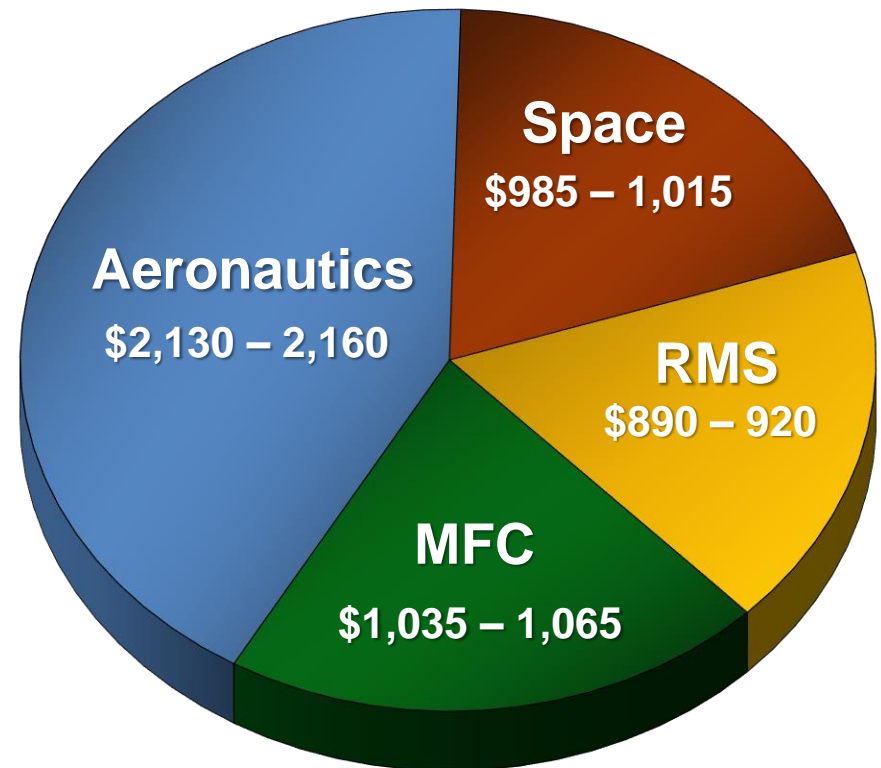


Segment Op Profit (Prior)



\$5,020 - 5,140M

Segment Op Profit (Current)



\$5,040 - 5,160M

Segment Operating Profit Outlook Increased by \$20M

2017 Estimated Impact of ASC 606 Revenue Recognition



(\$M)

Metric	Current Outlook (ASC 605)	Current Outlook (ASC 606)
Sales	\$50,000 - \$51,200	\$49,000 – \$50,200
Segment Operating Profit*	\$5,040 - \$5,160	\$5,040 – \$5,160
Segment Operating Margin*	~10.1%	~10.3%

- **ASC 606 Sales Recognition Predominantly POC Cost-to-Cost**
 - Today ~70% of Sales POC Cost-to-Cost, ~30% on Delivery
- **Sales Reduction Driven by Programs with Declining Deliveries**
 - Primarily F-16s, C-5s and Black Hawk Helicopters
- **Profit Relatively Unchanged**
 - Timing of Step-Ups Tied to Same Risk Retirement Events

**No Change to Economics / Cash from Operations ...
Simply Changes Phasing of Sales and Earnings Under GAAP**

Preliminary Trends – 2018 ASC 606 Basis



2018 Outlook

- **Sales Increase ~2% from 2017 Level**
- **Segment Operating Margin* 10.3% – 10.5%**
- **Cash from Operations ≥ \$5.0 Billion**
 - Pension Trust Contributions ~\$1.6B in 2018
- **Share Repurchases ≥ \$1.0 Billion**
- **Debt Maturity ~\$750 Million**

FAS/CAS Outlook

- **2018 Net FAS/CAS Adjustment ~\$860 Million**
 - Assumes 3.875% Discount Rate at Year-End 2017
 - Assumes 9.0% Return on Plan Assets in 2017
 - Assumes 7.5% Long-Term Return on Assets

**Core Growth and Strong Cash Generation Continuing...
Pre-Pension Cash* from Operations ~\$6.6B**

Longer Term Trends - Cash From Operations

(\$B)



(Established Goal in October 2014)

Prior Goal

≥ \$15 Billion Cum
For Years 2015 to 2017

2015 Actuals	2016 Actuals	2017 Outlook
\$5.1B	\$5.2B	\$5.0B
		≥ \$6.2B

(October 2016 Goal Updated)

New Goal

> \$16B

≥ ~~\$15~~ Billion Cum
For Years 2017 to 2019

2017 Outlook	Goal for 2018 - 2019
≥ \$6.2B	≥ \$10.0B

Pre-Pension Cash*:	~\$16.6B
<i>Pension Contributions**:</i>	~(\$0.1B)
Cash from Operations:	~\$16.5B

Pre-Pension Cash:	~\$19.5B
<i>Pension Contributions:</i>	~(\$3.3B)
Cash from Operations:	~\$16.2B

✓ **On-Track to Exceed
Prior 3 Year Goal**

** Sikorsky Related Pension (Acquired in Nov. 2015)

**Continuing to Generate Substantial Operating Cash Flow
Despite Resumption of Pension Contributions**

Summary



- **Increased Full Year Outlook for All Key Financial Metrics**
- **Record Backlog Driving Long-Term Growth**
- **Robust Cash Flow with Increased 3-Year Cash from Operations Goal**
- **Continuing Balanced Cash Deployment Strategy**
- **Adopting New Revenue Recognition Standard in 2018**

Focused Commitment to Stockholders and Delivering Results



Financial Appendix

Definitions of Non-GAAP Measures



Non-GAAP Financial Measures Disclosure

This presentation, and today's conference call remarks, contain non-Generally Accepted Accounting Principles (GAAP) financial measures (as defined by SEC Regulation G). While we believe that these non-GAAP financial measures may be useful in evaluating Lockheed Martin, this information should be considered supplemental and is not a substitute for financial information prepared in accordance with GAAP. In addition, our definitions for non-GAAP measures may differ from similarly titled measures used by other companies or analysts.

Free Cash Flow

Lockheed Martin defines Free Cash Flow (FCF) as Cash from Operations, less Capital Expenditures.

Pre-Pension Cash

Lockheed Martin defines pre-pension cash as GAAP cash from operations plus cash amount contributed to pension trusts

Segment Operating Profit / Margin

Segment Operating Profit represents the total earnings from our business segments before unallocated income and expense, interest expense, other non-operating income and expense, and income tax expense. This measure is used by our senior management in evaluating the performance of our business segments. The caption "Total Unallocated Items" reconciles Segment Operating Profit to Consolidated Operating Profit. Segment Margin is calculated by dividing Segment Operating Profit by Sales. Mid-point Segment Margin represents the mid-point of the outlook range for Segment Operating Profit divided by the mid-point of the outlook range for Sales.

(\$ Millions)	<u>2017 Outlook (July)</u>	<u>2017 Outlook (October)</u>
Sales	\$49,800 – 51,000	\$50,000 – 51,200
Segment Operating Profit	\$5,020 – 5,140	\$5,040 - \$5,160
Mid-Point Segment Margin	10.1%	10.1%
Consolidated Operating Profit	\$5,575 – 5,695	\$5,615 - \$5,735

	3Q 2017			3Q 2016		
	Sales	Profit	Margin	Sales	Profit	Margin
Segment Operating Profit	\$ 12,169	\$ 1,249	10.3%	\$ 11,551	\$ 1,423	12.3%
Total Unallocated Items	-	179		-	165	
Consolidated Operating Profit (GAAP)	\$ 12,169	\$ 1,428	11.7%	\$ 11,551	\$ 1,588	13.7%

