



Lockheed Martin Corporation

1st Quarter 2017

Financial Results Conference Call

April 25, 2017

11:00 am ET



Webcast login at www.lockheedmartin.com/investor

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April 25, 2017 through midnight April 26, 2017

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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 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, 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 in 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 the Corporation's 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 in the Corporation's remaining services businesses, 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; 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 a future 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, or if demand for Sikorsky's products is adversely impacted by global economic conditions including oil and gas trends; 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 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. 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 this presentation. 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.

1Q 2017 Overview



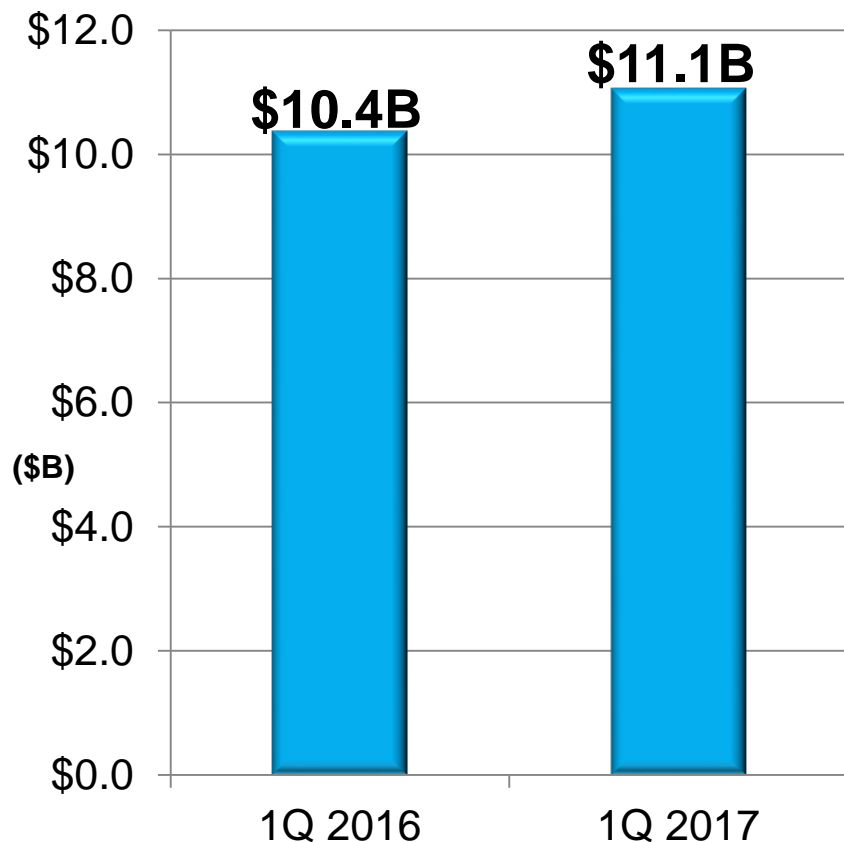
- **Achieved Sales of \$11.1 Billion**
- **Achieved Segment Operating Profit* of \$1.1 Billion and Earnings Per Share of \$2.61**
- **Generated \$1.7 Billion in Cash From Operations**
- **Returned \$1.0 Billion of Cash to Stockholders, Including Repurchasing 1.9M Shares for \$0.5 Billion**
- **Updated 2017 Outlook for Sales, Operating Profit, Earnings Per Share and Cash From Operations**

Solid Start to 2017

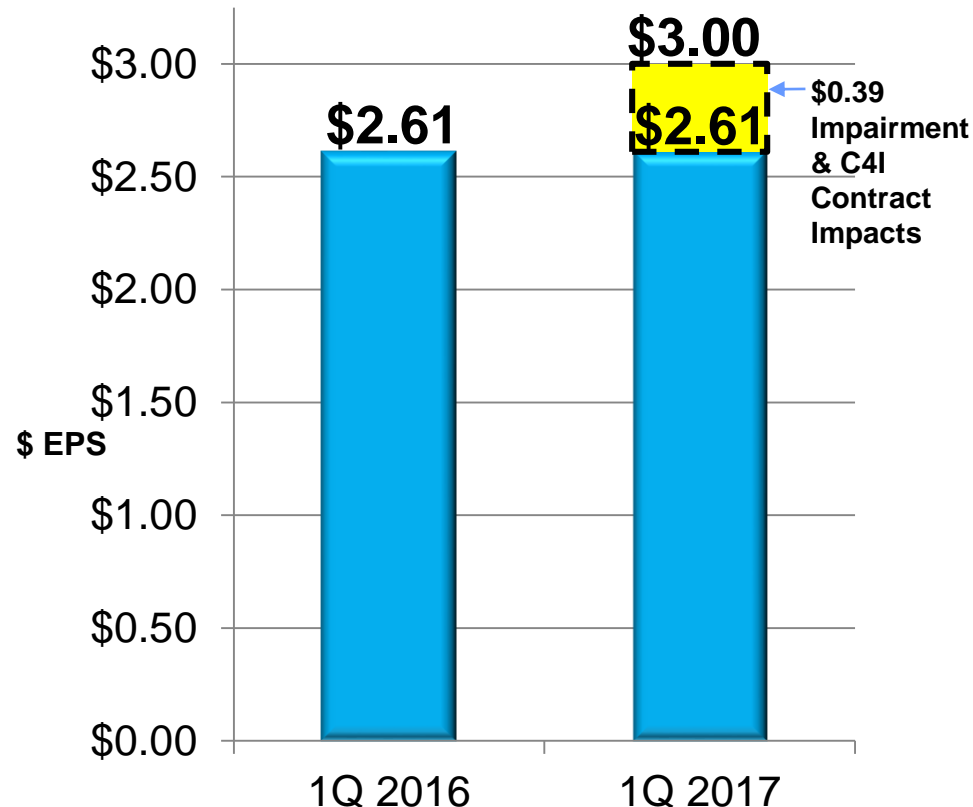
1Q Sales and Earnings Per Share



Sales

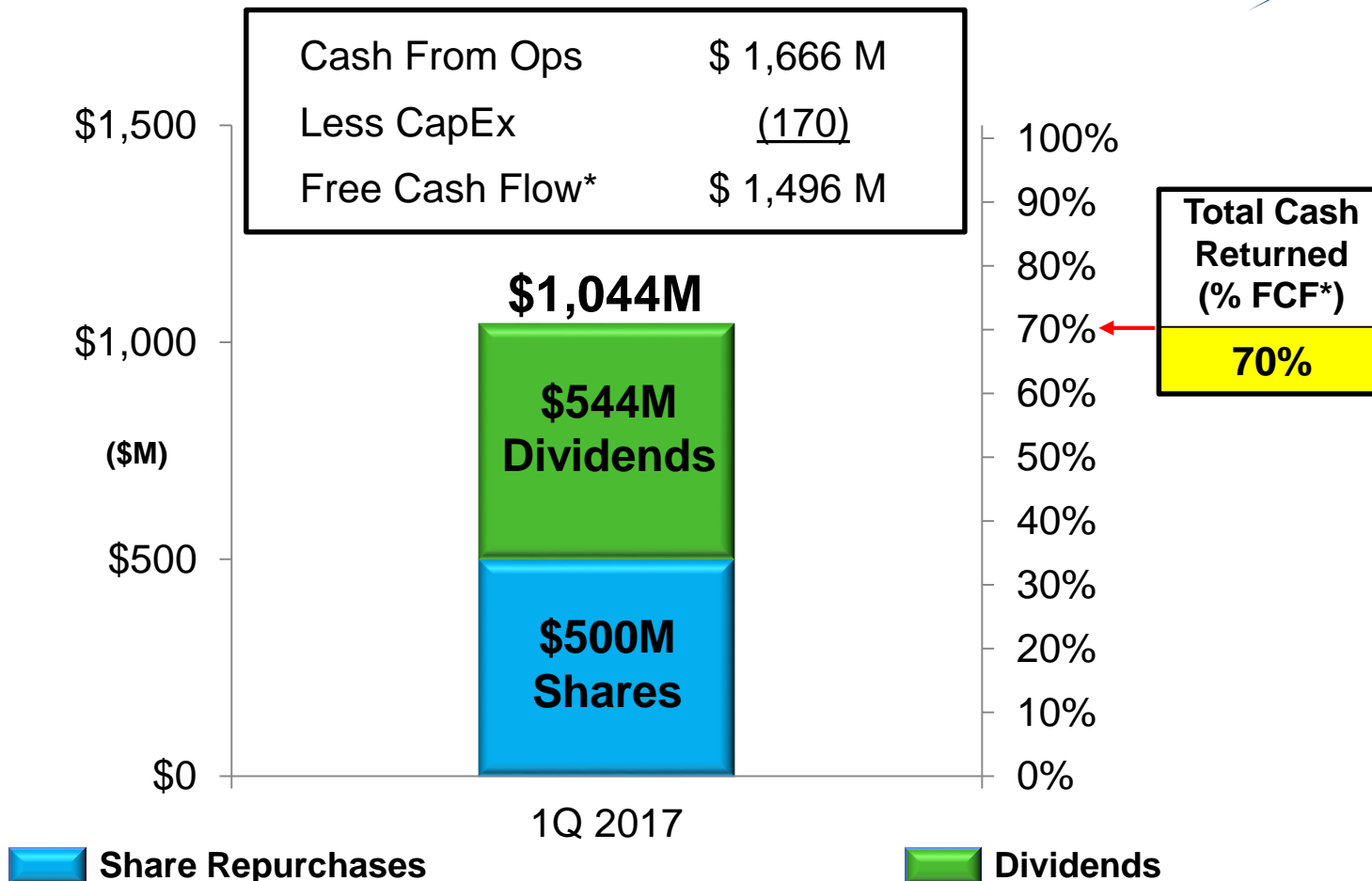


Earnings Per Share*



Strong Sales Growth in 1Q 2017...Solid EPS

Cash Returned to Stockholders



On Pace For Full Year Cash Deployment Goals

2017 Outlook Update

(\$M, Except EPS)



| | <u>Prior (Jan)</u> | <u>Current (April)</u> |
|-----------------------------------|---------------------|----------------------------|
| Sales | \$49,400 - \$50,600 | \$49,500 - \$50,700 |
| Segment operating profit* | \$5,015 - \$5,135 | \$4,985 - \$5,105 |
| <u>Unallocated items</u> | | |
| FAS/CAS pension adjustment | ~ 880 | ~ 880 |
| Other, net | ~ (300) | ~ (350) |
| Operating profit | \$5,595 - \$5,715 | \$5,515 - \$5,635 |
| Diluted Earnings Per Share | \$12.25 - \$12.55 | \$12.15 - \$12.45 |
| Cash from operations | ≥ \$5,700 | ≥ \$6,000 |

2017 EPS Outlook Reconciliation



Diluted EPS

January 2017 Outlook

\$12.25 - \$12.55

C4I Contract Charge

(0.25)

Joint Venture Investment Impairment

(0.14)

Other Segment Operating Profit* Improvements

0.20

Tax Rate/Other

0.09

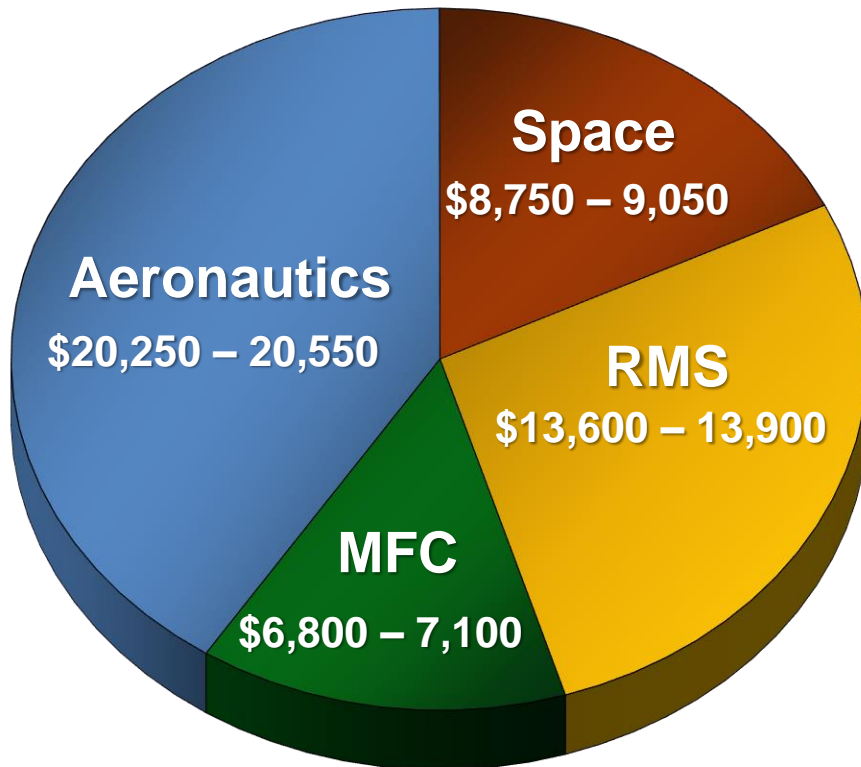
April 2017 Outlook

\$12.15 - \$12.45

2017 Sales Outlook (\$M)

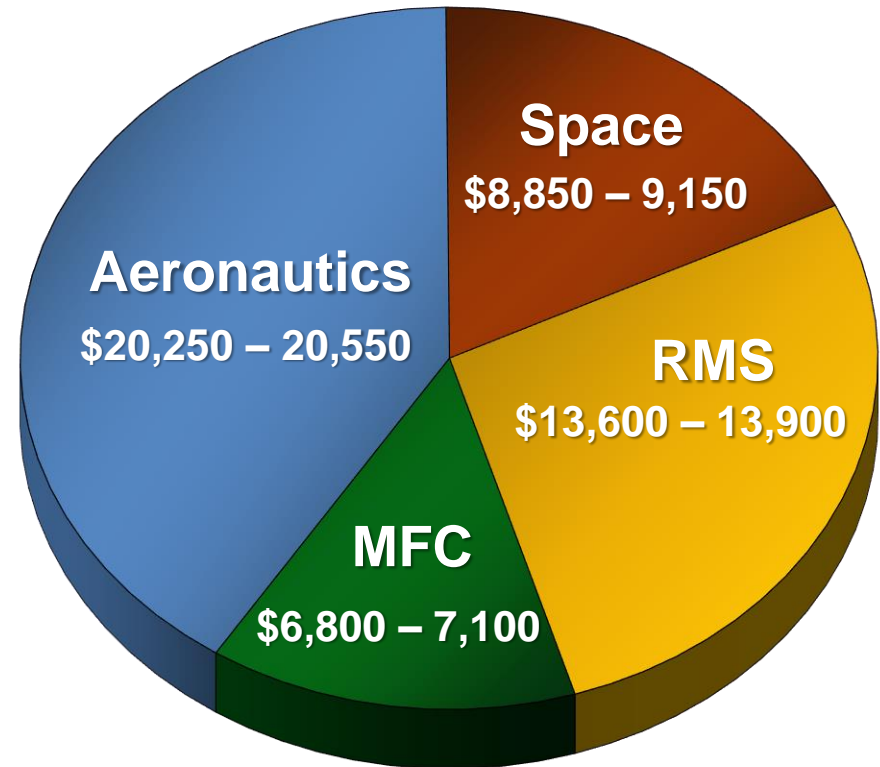


Sales (Prior)



\$49,400 - 50,600M

Sales (Current)



\$49,500 - 50,700M

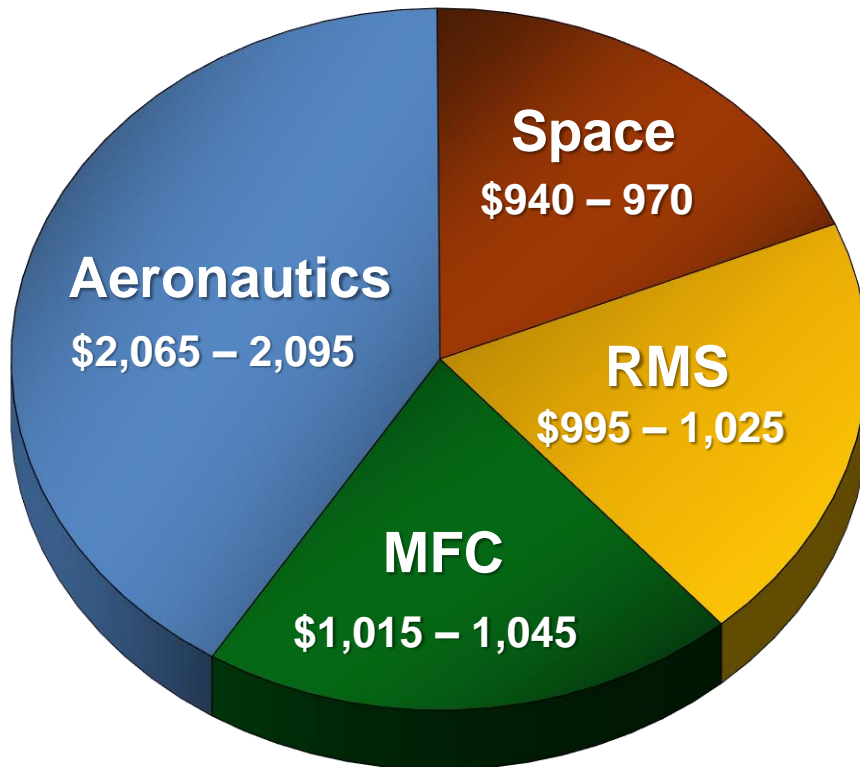
Sales Increased by \$100M

2017 Segment Operating Profit* Outlook

(\$M)

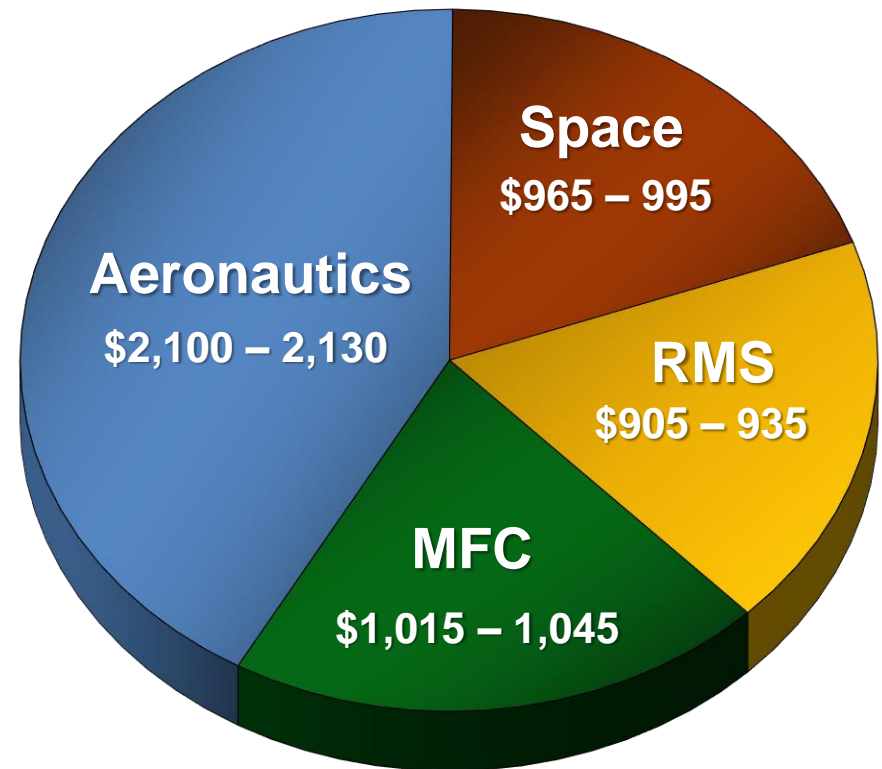


Segment Op Profit (Prior)



\$5,015 - 5,135M

Segment Op Profit (Current)



\$4,985 - 5,105M

Segment Operating Profit Outlook Decreased by \$30M

Summary



- **Mixed Performance in the Quarter**
 - **Two Earnings Setbacks**
 - **Strong Performance from Rest of Portfolio**
- **Cash Outlook Improved due to F-35 Negotiations**
- **Continue to Provide Significant Cash Returns to Stockholders**

Focused on Opportunities to Improve 2017 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.

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 (January)</u> | <u>2017 Outlook (April)</u> |
|-------------------------------|-------------------------------|-----------------------------|
| Sales | \$49,400 – 50,600 | \$49,500 – 50,700 |
| Segment Operating Profit | \$5,015 – 5,135 | \$4,985 – 5,105 |
| Mid-Point Segment Margin | 10.2% | 10.1% |
| Consolidated Operating Profit | \$5,595 – 5,715 | \$5,515 – 5,635 |

| | <u>1Q 2017</u> | | | <u>1Q 2016</u> | | |
|--------------------------------------|----------------|---------------|---------------|----------------|---------------|---------------|
| | <u>Sales</u> | <u>Profit</u> | <u>Margin</u> | <u>Sales</u> | <u>Profit</u> | <u>Margin</u> |
| Segment Operating Profit | \$ 11,057 | \$ 1,051 | 9.5% | \$ 10,368 | \$ 1,114 | 10.7% |
| Total Unallocated Items | - | 98 | | - | 44 | |
| Consolidated Operating Profit (GAAP) | \$ 11,057 | \$ 1,149 | 10.4% | \$ 10,368 | \$ 1,158 | 11.2% |

