

Lockheed Martin Corporation

1st Quarter 2018

Earnings Results Conference Call

Tuesday, April 24, 2018

11:00 am ET

Webcast login at: www.lockheedmartin.com/investor

Webcast replay & podcast available by 2:00 p.m. ET

April 24, 2018 at: www.lockheedmartin.com/investor

Audio replay available from 2:00 p.m. ET

April 24, 2018 through midnight April 25, 2018

Access the audio replay at:

U.S. and Canada: (800) 475-6701; International: (320) 365-3844

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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, 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; affordability initiatives; the risk of future sequestration under the Budget Control Act of 2011 or other budget cuts; 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 including their effects on governmental policy (including trade policy and sanctions); 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; our ability to recover investments, which is frequently 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 repurchases and dividend payments (including the availability of sufficient net earnings to permit such distributions under Maryland law), 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; 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; 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 acquisition of the Sikorsky business if it 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; 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 (including the impact of the Tax Cuts and Jobs Act), 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, 2017. 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 subject to the safe harbor protection provided by the federal securities laws.

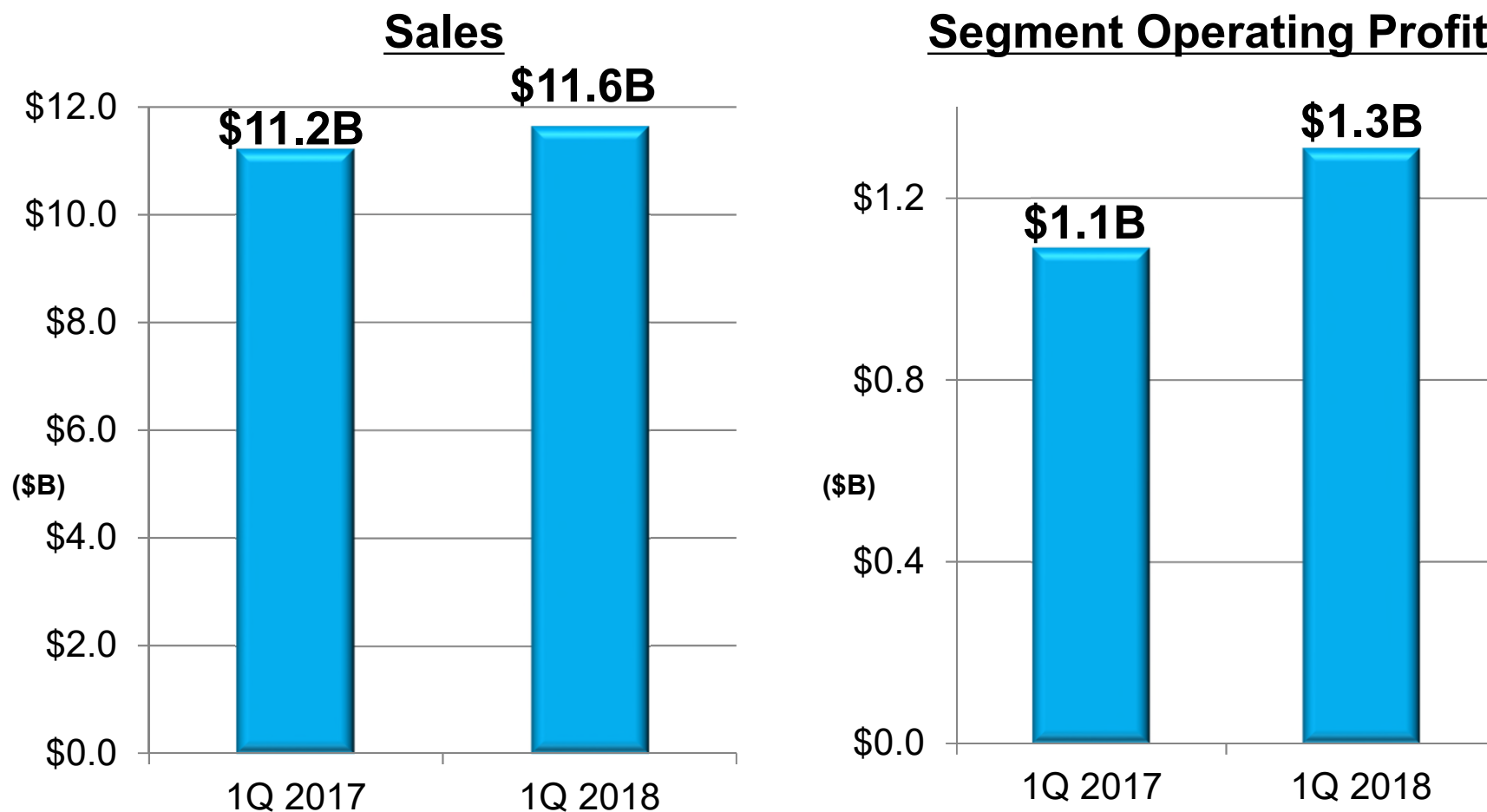
1Q 2018 Overview



- **Achieved Sales of \$11.6 Billion**
- **Achieved Segment Operating Profit* of \$1.3 Billion and Earnings Per Share of \$4.02**
- **Generated \$632 Million in Cash From Operations after Pension Contributions**
- **Returned ~\$890 Million of Cash to Stockholders, Including Repurchasing 0.9M Shares for \$300 Million**
- **Updated 2018 Outlook for Sales, Operating Profit, and Earnings Per Share**

Strong Start to 2018

1Q Sales and Segment Operating Profit*



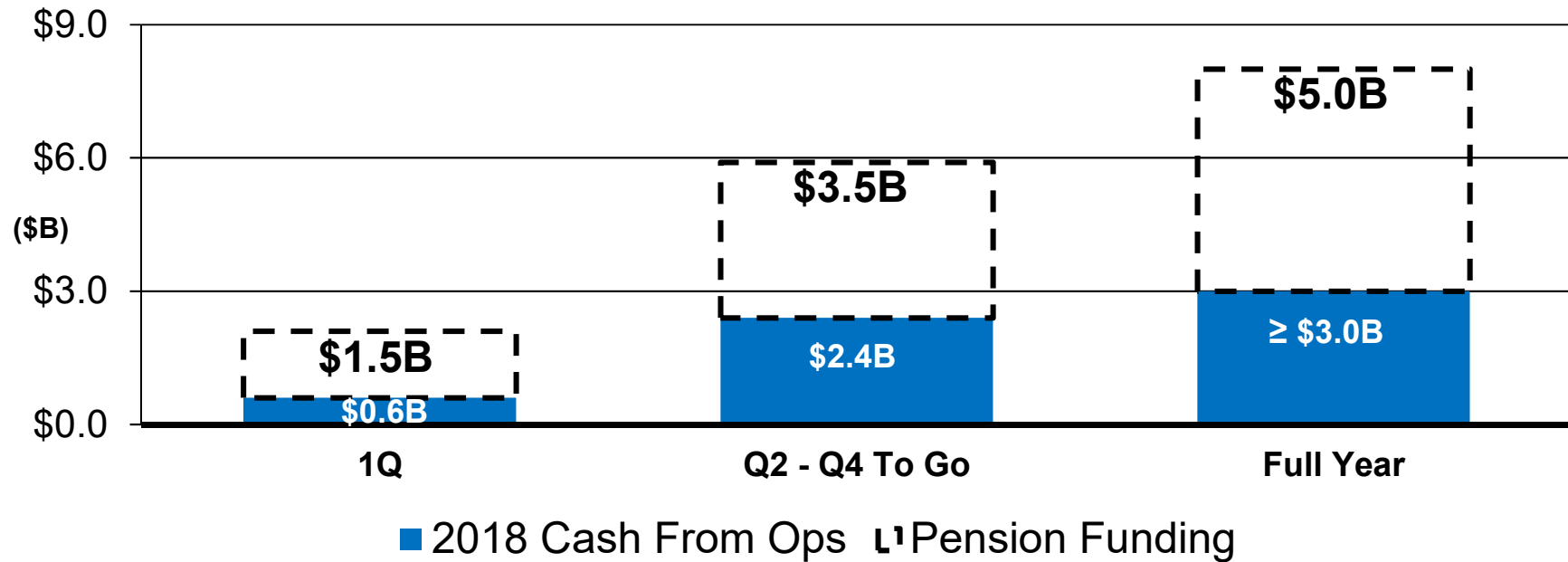
Program Execution Driving Sales and Segment Operating Profit Growth

1Q Earnings Per Share



EPS Growth Reflects Strong Operational Performance

2018 Cash and Pension Funding



**≥ \$3B Cash From Operations Goal
After \$5B Pension Contribution**

2018 Outlook Update

(\$M, Except EPS)



	Prior Outlook	April 2018 Outlook
Sales	\$50,000 – 51,500	\$50,350 – \$51,850
Segment Operating Profit*	\$5,200 – \$5,350	\$5,315 – \$5,465
Net FAS/CAS Pension Adjustment*	~ \$1,010	~ \$1,010
Diluted EPS	\$15.20 – \$15.50	\$15.80 – \$16.10
Cash From Operations	≥ \$3,000	≥ \$3,000

2018 EPS Outlook Reconciliation



Diluted EPS

January 2018 Outlook

\$15.20 - \$15.50

Operational Performance

0.32

Tax Rate / Other

0.28

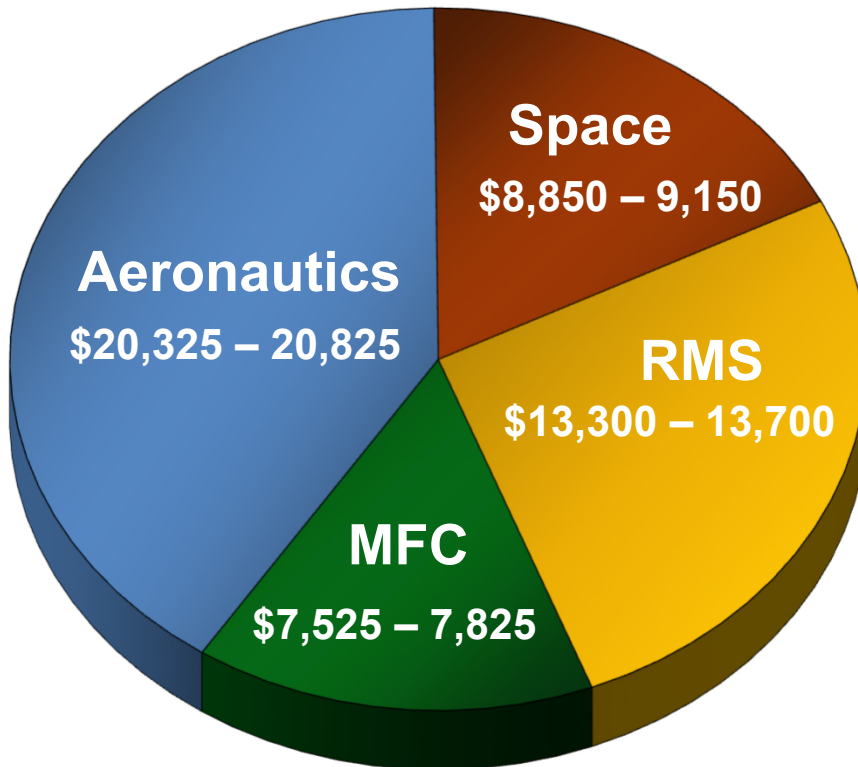
April 2018 Outlook

\$15.80 - \$16.10

2018 Sales Outlook (\$M)

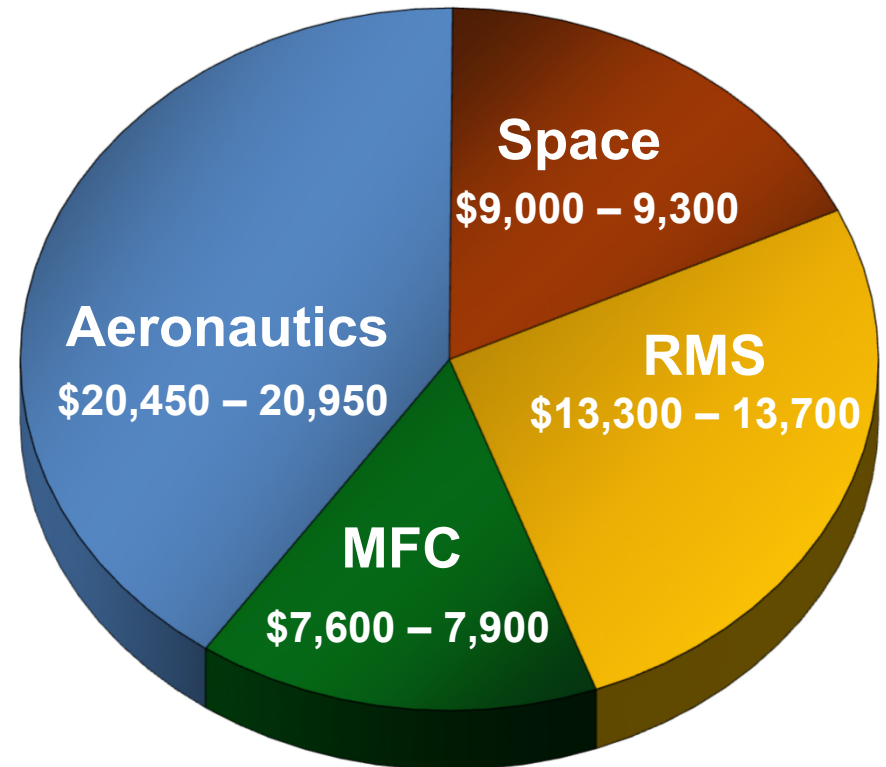


Sales (Prior)



\$50,000 - 51,500M

Sales (Current)



\$50,350 - 51,850M

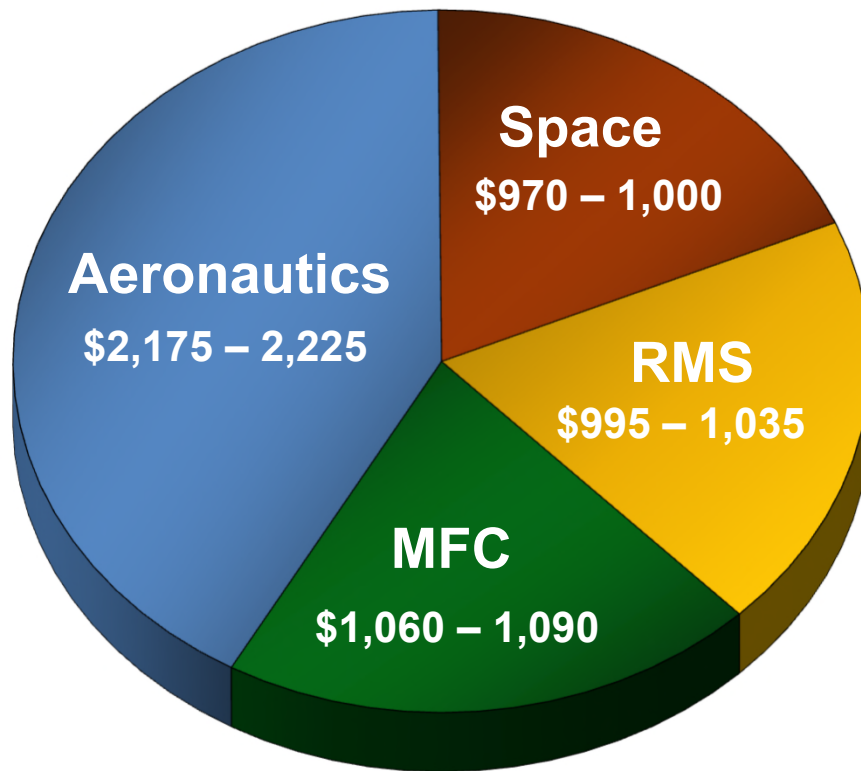
Sales Outlook Increased by \$350M

2018 Segment Operating Profit* Outlook

(\$M)

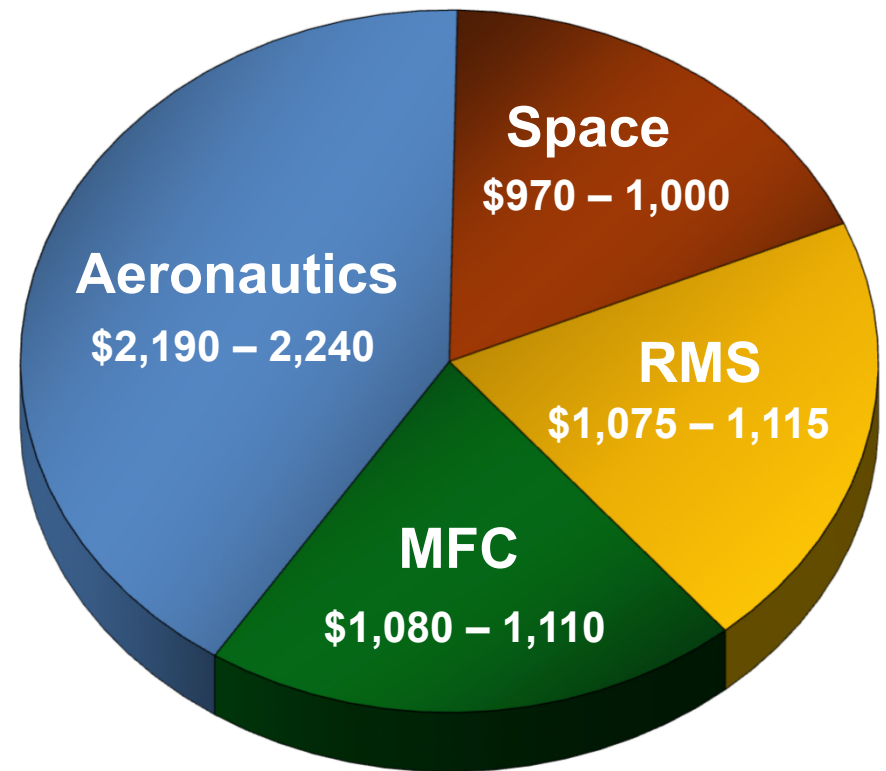


Segment Op Profit (Prior)



\$5,200 - 5,350M

Segment Op Profit (Current)



\$5,315 - 5,465M

Segment Operating Profit Outlook Increased by \$115M

Summary



- **Strong Financial and Operational Performance**
- **Backlog Providing Continued Strength**
- **Increased 2018 Outlook for Sales, Operating Profit, and Earnings Per Share**

**Strong Operational Performance
Driving Increased Full-Year Outlook**



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.

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>2018 Outlook (January)</u>	<u>2018 Outlook (April)</u>
Sales	\$50,000 – 51,500	\$50,350 – 51,850
Segment Operating Profit	\$5,200 – 5,350	\$5,315 – 5,465
Mid-Point Segment Margin	10.4%	10.5%
FAS/CAS Operating Adjustment*	~1,805	~ 1,805
Other, net**	~(175)	~(175)
Consolidated Operating Profit	\$6,830 – 6,980	\$6,945 – 7,095

*FAS/CAS operating adjustment, excludes \$795 million of expected non-service cost that is recorded in other non-operating expense, net in accordance with ASU 2017-07.

**Other, net previously included \$75 million of expected non-service cost related to the corporation's all other postretirement benefit plans, which is recorded in other non-operating expense, net in accordance with ASU 2017-07.

	1Q 2018			1Q 2017		
	<u>Sales</u>	<u>Profit</u>	<u>Margin</u>	<u>Sales</u>	<u>Profit</u>	<u>Margin</u>
Segment Operating Profit	\$ 11,635	\$ 1,310	11.3%	\$ 11,212	\$ 1,091	9.7%
Total Unallocated Items	-	415		-	311	
Consolidated Operating Profit (GAAP)	\$ 11,635	\$ 1,725	14.8%	\$ 11,212	\$ 1,402	12.5%

