



Lockheed Martin Corporation

3rd Quarter 2015

Financial Results Conference Call
October 20, 2015
11:00 am EDT



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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 our 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: our reliance on contracts with the U.S. Government, all of which are conditioned upon the availability of funding; declining budgets; affordability initiatives; the implementation of automatic sequestration under the Budget Control Act of 2011; U.S. Government operations under a continuing resolution or the failure to adopt a budget which may cause contracts to be delayed, canceled or funded at lower levels or which may impact our operating results, financial position and cash flows; risks related to the development, production, performance, schedule, cost and requirements of complex and technologically advanced programs including our largest, the F-35 program; economic, industry, business and political conditions (domestic and international) including their effects on governmental policy; our success in growing international sales and expanding into adjacent markets and risks associated with doing business in new markets and internationally; the competitive environment for our products and services, including increased market pressures in our services businesses, competition from outside the aerospace and defense industry, and increased bid protests; planned production rates for significant programs and compliance with stringent performance and reliability standards; the performance of key suppliers, teammates, venture partners, subcontractors and customers; the timing and customer acceptance of product deliveries; our ability 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 our businesses; our ability to implement capitalization changes such as share repurchase activity and pension funding or debt levels; our ability to recover certain costs under U.S. Government contracts and changes in contract mix; the accuracy of our estimates and projections; risk of a future impairment of goodwill or other long-term assets; movements in interest rates and other changes that may affect pension plan assumptions and actual returns on pension plan assets; realizing the anticipated benefits of acquisitions or divestitures, ventures, teaming arrangements or internal reorganizations, and our efforts to increase the efficiency of our operations and improve the affordability of our products and services; the satisfaction of conditions to (including regulatory approvals) and consummation of our previously announced acquisition of Sikorsky, the timing and terms of any financing for such acquisition, and our ability to successfully integrate the Sikorsky business and realize synergies and other expected benefits of the transaction; the terms, timing or structure of a potential transaction related to our government IT infrastructure services and technical services businesses (or whether any such transaction will take place at all); the adequacy of our insurance and indemnities; materials availability; the effect of changes in or 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 allegations that we have failed to comply with law, other contingencies and U.S. Government identification of deficiencies in our 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, 2014 and 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. 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.

3rd Quarter 2015 Overview



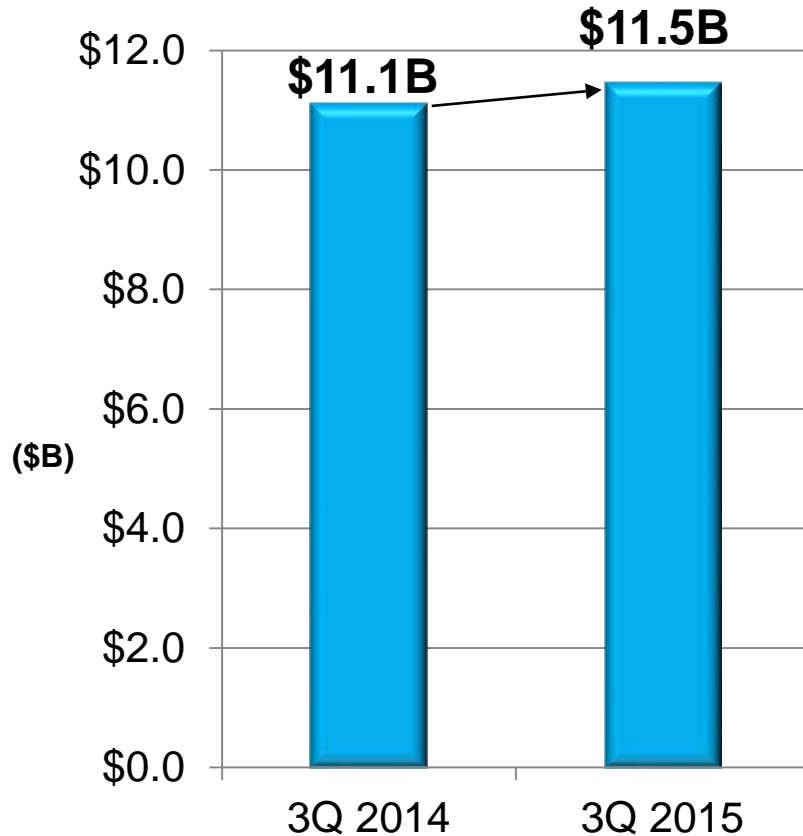
- **Achieved Sales of \$11.5 Billion**
- **Achieved Segment Operating Margin* of 11.9% and Earnings Per Share of \$2.77**
- **Generated \$1.5 Billion in Cash From Operations**
- **Returned \$1.3 Billion of Cash to Stockholders, Including Repurchasing 4.1M Shares for \$823 Million**
- **Increased Outlook for 2015 Sales, Segment Operating Profit and Earnings Per Share**

Strong Performance Continuing in 2015

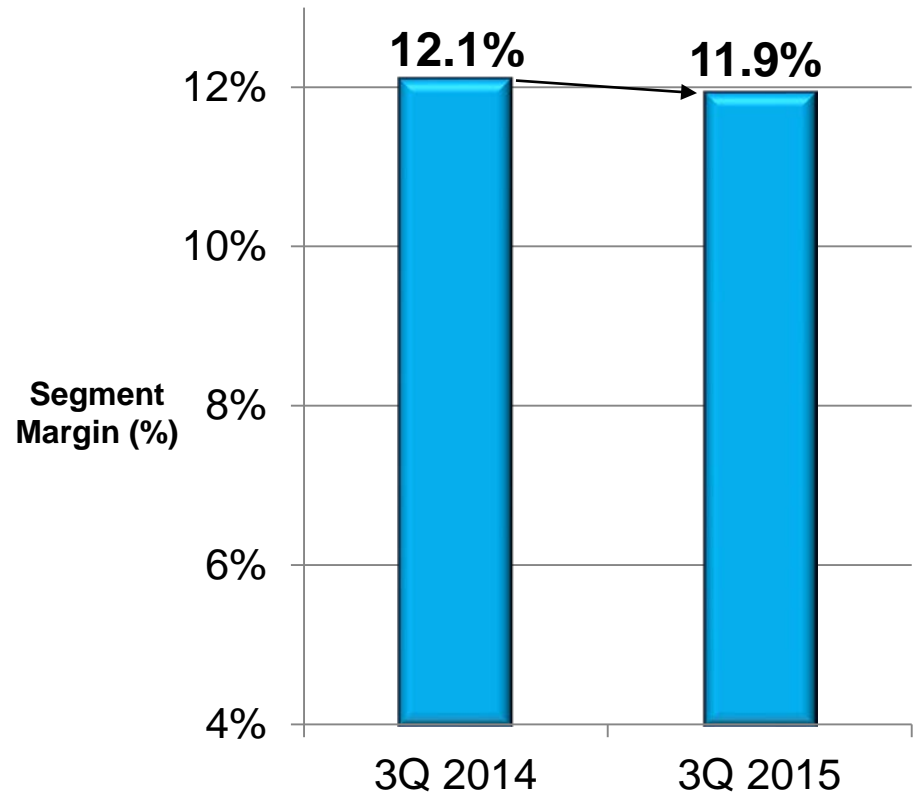
Sales and Segment Operating Margin



Sales

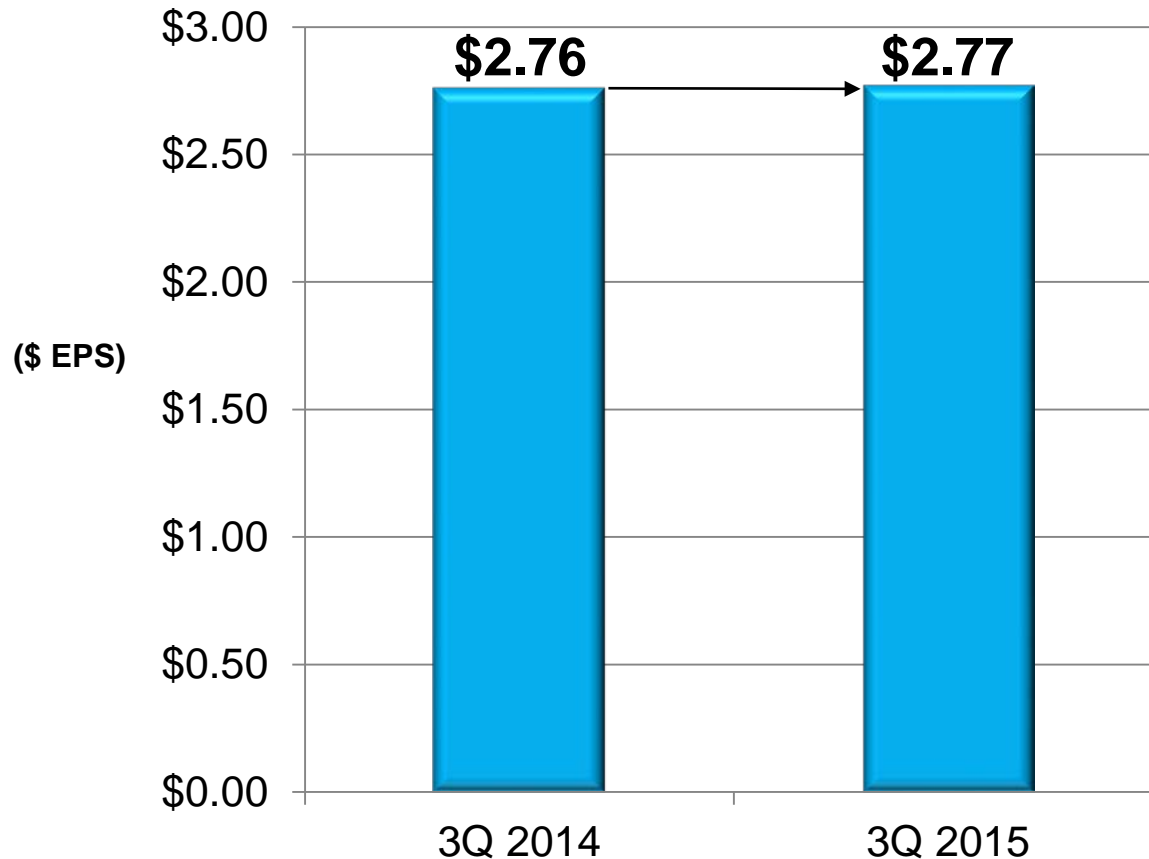


Segment Operating Margin



3Q Results Exceeded Expectations

Earnings Per Share

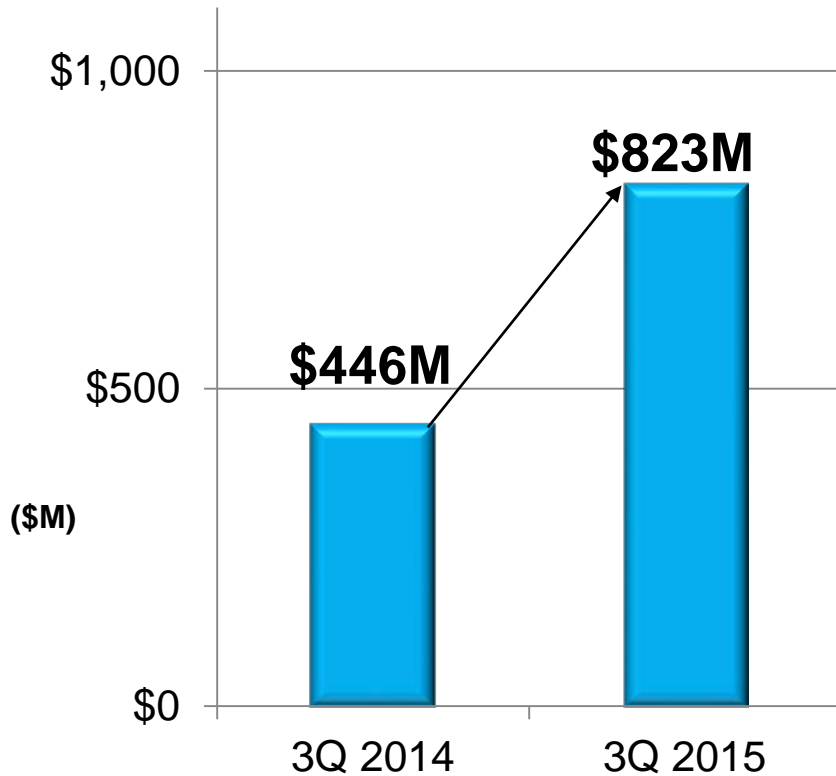


**Strong Operational EPS Performance
Offset (\$0.08) IS&GS Severance Charge**

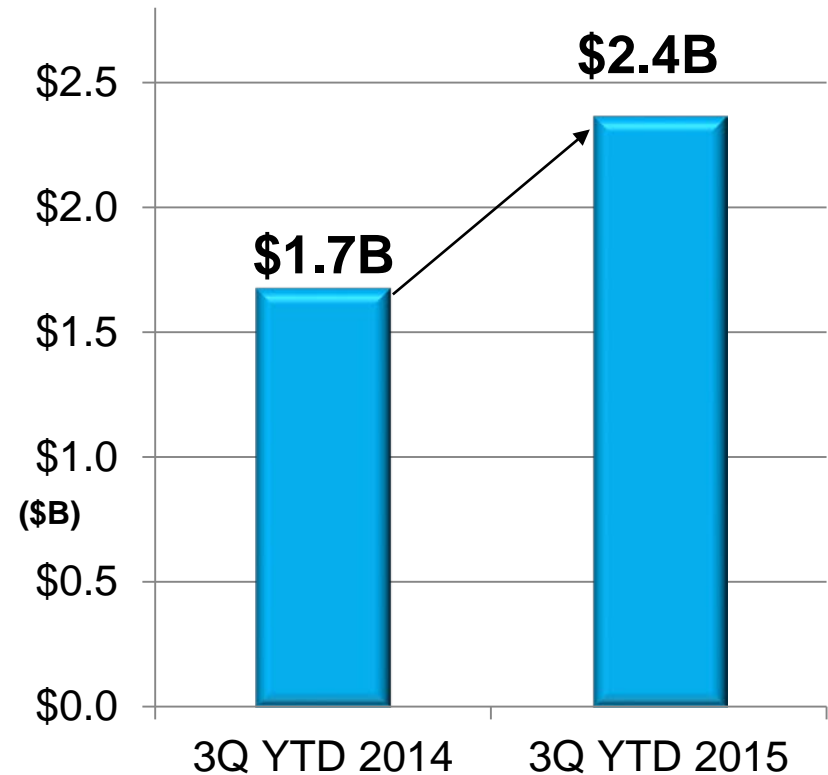
Share Repurchase Activity



3Q Comparison



September YTD



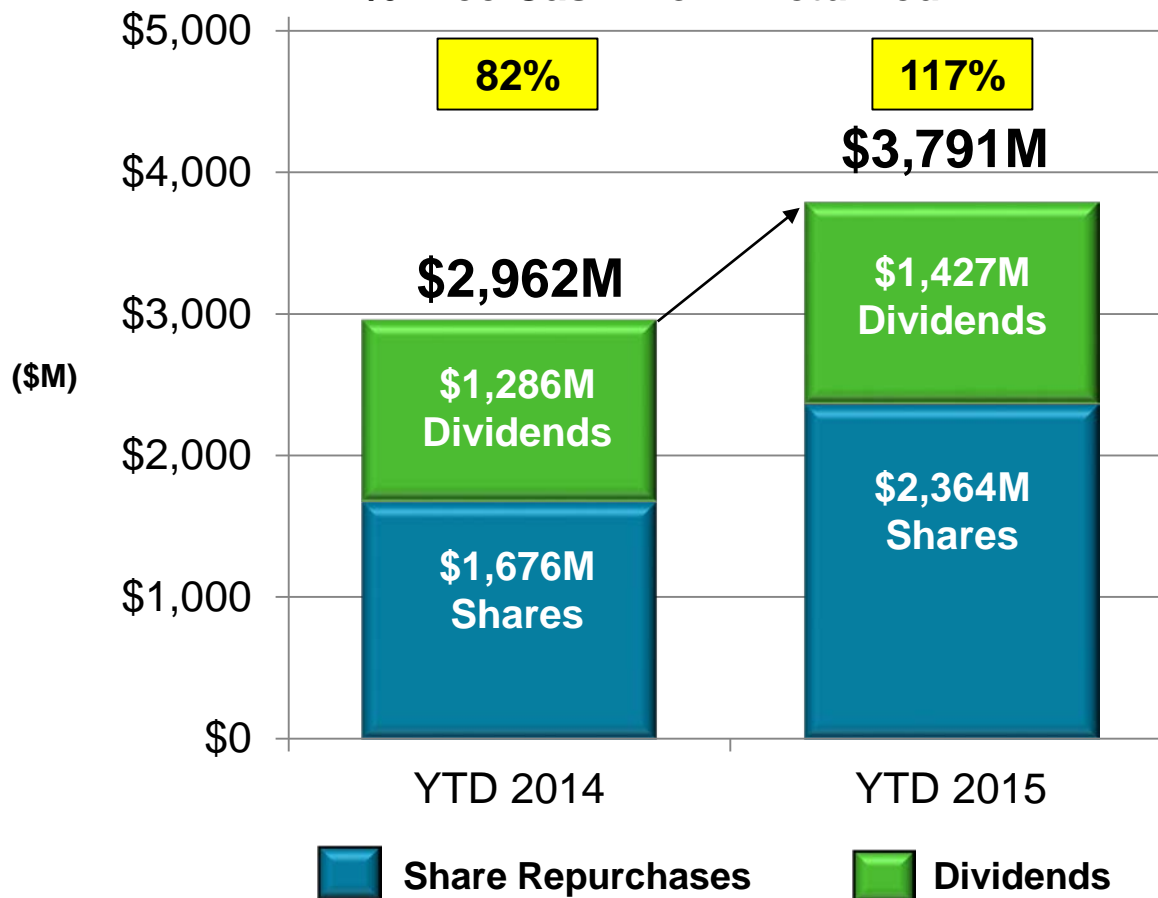
Share Repurchases Ahead of 2014 Quarter and YTD Pace... Projecting \geq \$3.0B for 2015

Cash Returned to Stockholders



September Year-to-Date

% Free Cash Flow* Returned:



Strong Return of Free Cash Flow to Stockholders

2015 Outlook Update

(Sikorsky transaction and strategic review assumptions not included)



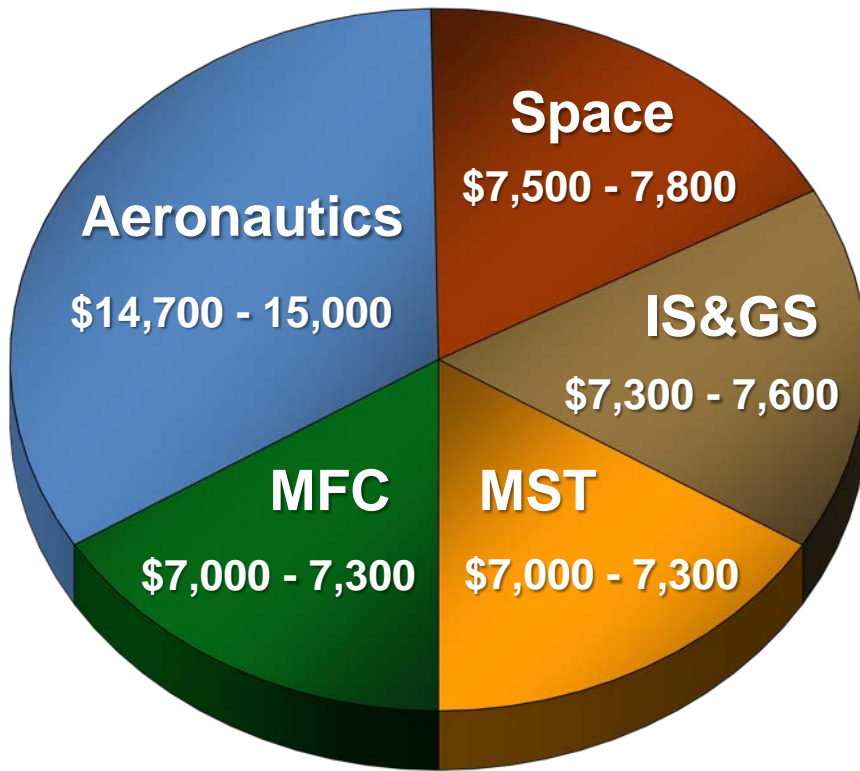
\$M except EPS	<u>Prior (July)</u>	<u>Current (October)</u>
Orders	\$43,500 - 45,000	No Change
Sales	\$43,500 - 45,000	~\$45,000
Segment Operating Profit*	\$5,225 - 5,375	~\$5,400
<u>Unallocated Corp Inc / (Exp)</u>		
FAS/CAS Pension Adjustment	~ 475	~ 475
Special Item – Severance	—	(35)
Other, Net	~ (275)	~ (290)
Operating Profit	\$5,425 - 5,575	~\$5,550
EPS	\$11.00 - 11.30	~\$11.30
Cash From Operations	≥ \$5,000	No Change

2015 Sales Outlook

(\$M)

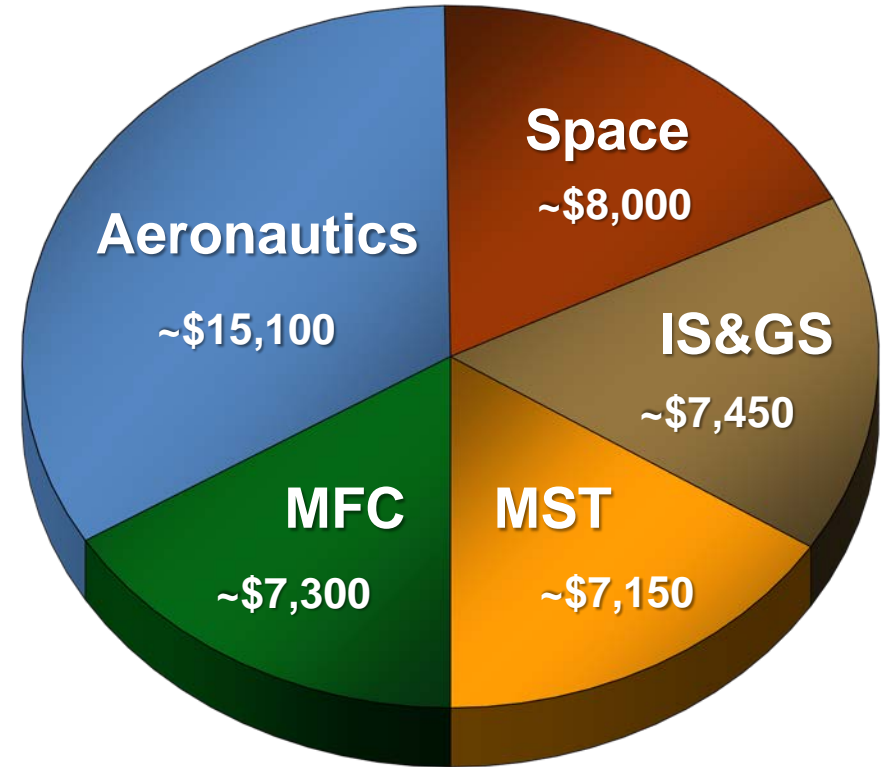


Sales (Prior)



\$43,500 - 45,000M

Sales (Current)



~\$45,000M

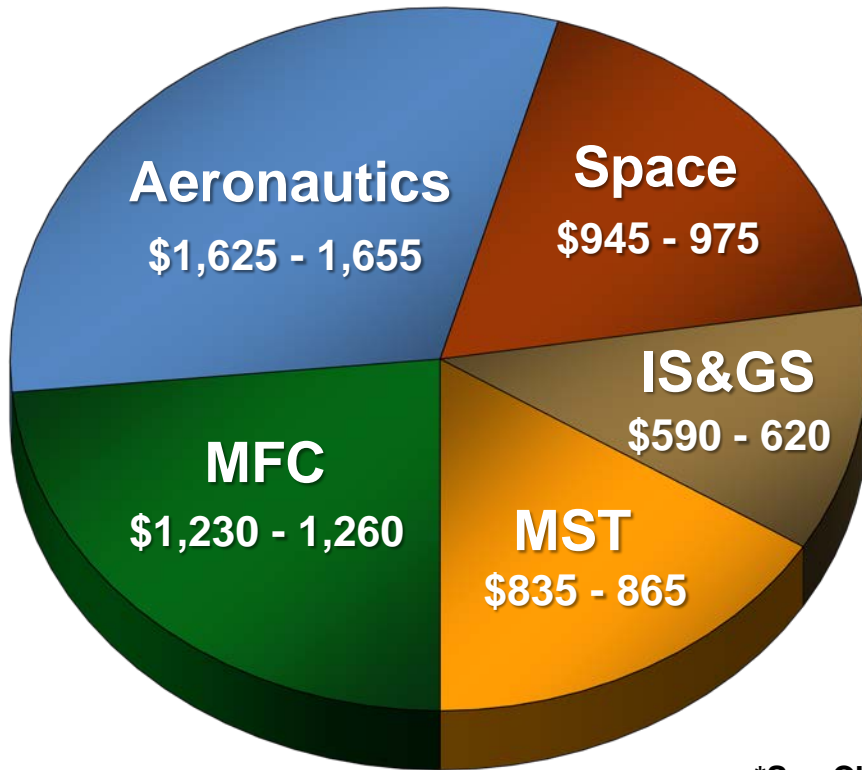
Increased Sales Outlook to High End of Prior Range

2015 Segment Operating Profit* Outlook



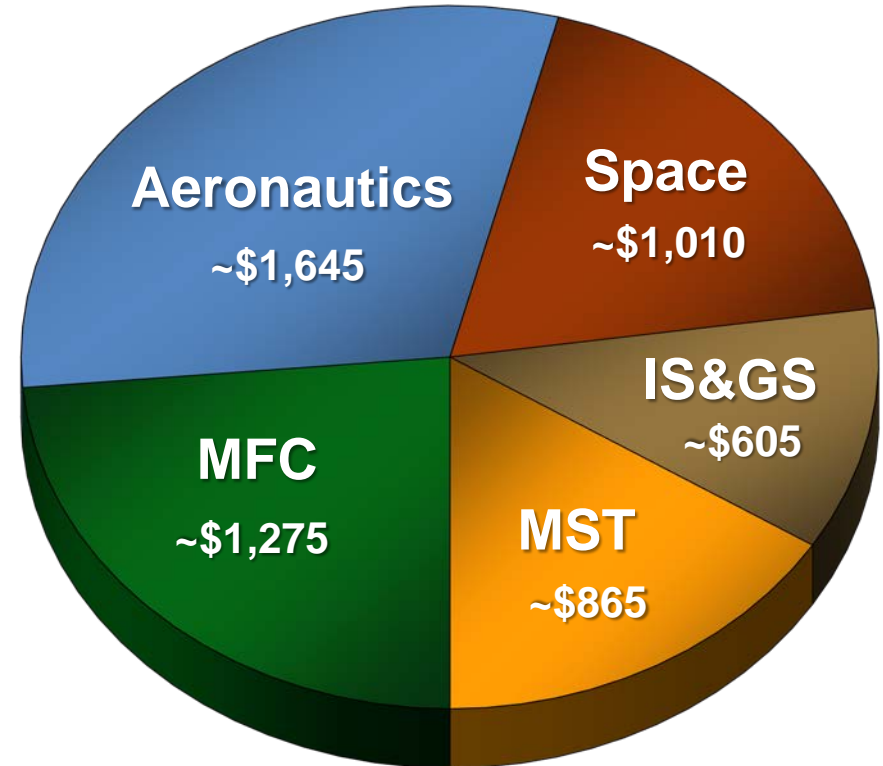
(\$M)

Segment Op Profit (Prior)



\$5,225 - 5,375M

Segment Op Profit (Current)



~\$5,400M

*See Chart 14 for
Definitions of Non-
GAAP Measures

Increased Segment Operating Profit Outlook

Preliminary 2016 Outlook



- **Sales Comparable to 2015 Level**
- **Segment Margin 11.0% – 11.5%**
- **FAS/CAS Benefit of \$810M**
 - Updated discount rate, actual asset returns
- **Cash from Operations Comparable to 2015**
 - No Contributions to Pension Trust
- **Share Repurchases \geq \$2.0 Billion**

**Preliminary 2016 Outlook Excludes Sikorsky
and Strategic Review Related Activities**

Summary



- **Strong Year-to-Date Performance...Leading to Solid 2015**
- **Cash Deployment Focus Continuing to Generate Returns to Stockholders**
- **Portfolio Providing Excellent Positioning for Future**

Strategic Review

- **Path Forward to be Communicated Before Year-End**
- **2016 Trend Outlook will be Updated for Realigned Organization When Strategic Actions Are Incorporated in January**

Solid Foundation for Delivering Value



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.

	<u>3Q YTD 2015</u>	<u>3Q YTD 2014</u>
Cash from Operations	\$ 3,737	\$ 4,067
Capital Expenditures	<u>(500)</u>	<u>(456)</u>
Free Cash Flow	\$ 3,237	\$ 3,611

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>2015 Outlook (July)</u>			<u>2015 Outlook (October)</u>																																					
Sales	\$43,500 – 45,000			~\$45,000																																					
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Consolidated Operating Profit	\$5,425 – 5,575			\$5,550																																					
	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th colspan="3" style="text-align: center;"><u>3Q 2015</u></th> <th colspan="3" style="text-align: center;"><u>3Q 2014</u></th> </tr> <tr> <th></th> <th style="text-align: center;"><u>Sales</u></th> <th style="text-align: center;"><u>Profit</u></th> <th style="text-align: center;"><u>Margin</u></th> <th style="text-align: center;"><u>Sales</u></th> <th style="text-align: center;"><u>Profit</u></th> <th style="text-align: center;"><u>Margin</u></th> </tr> </thead> <tbody> <tr> <td>Segment Operating Profit</td> <td style="text-align: right;">\$ 11,461</td> <td style="text-align: right;">\$ 1,369</td> <td style="text-align: right;">11.9%</td> <td style="text-align: right;">\$ 11,114</td> <td style="text-align: right;">\$ 1,346</td> <td style="text-align: right;">12.1%</td> </tr> <tr> <td>Total Unallocated Items</td> <td style="text-align: center;">-</td> <td style="text-align: center;">(15)</td> <td></td> <td style="text-align: center;">-</td> <td style="text-align: center;">46</td> <td></td> </tr> <tr> <td>Consolidated Operating Profit (GAAP)</td> <td style="text-align: right;">\$ 11,461</td> <td style="text-align: right;">\$ 1,354</td> <td style="text-align: right;">11.8%</td> <td style="text-align: right;">\$ 11,114</td> <td style="text-align: right;">\$ 1,392</td> <td style="text-align: right;">12.5%</td> </tr> </tbody> </table>							<u>3Q 2015</u>			<u>3Q 2014</u>				<u>Sales</u>	<u>Profit</u>	<u>Margin</u>	<u>Sales</u>	<u>Profit</u>	<u>Margin</u>	Segment Operating Profit	\$ 11,461	\$ 1,369	11.9%	\$ 11,114	\$ 1,346	12.1%	Total Unallocated Items	-	(15)		-	46		Consolidated Operating Profit (GAAP)	\$ 11,461	\$ 1,354	11.8%	\$ 11,114	\$ 1,392	12.5%
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