



Lockheed Martin Corporation

4th Quarter 2015

Financial Results Conference Call
January 26, 2016
11:00 am EST



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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 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 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; our ability to successfully integrate the Sikorsky business and realize synergies and other expected benefits of the acquisition; adjustments required as a result of the ongoing purchase accounting analysis related to the Sikorsky acquisition; risks related to the completion of the Corporation’s previously announced transaction with Leidos related to the Corporation’s IS&GS business segment, including anticipated terms and timing, obtaining Leidos stockholder and regulatory approvals and anticipated tax treatment; the dependency of any split-off transaction on market conditions and the value to be received in any split-off transaction; 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.

2015 Overview



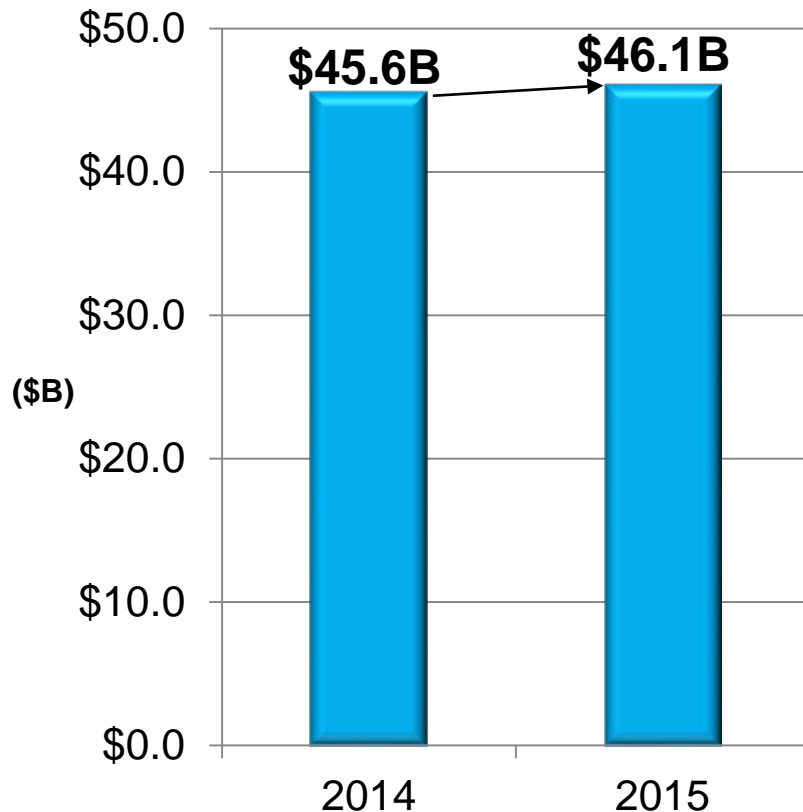
- **Achieved Sales of \$46.1 Billion**
- **Achieved Segment Operating Margin* of 11.9% and Earnings Per Share of \$11.46**
- **Generated \$5.1 Billion in Cash From Operations**
- **Returned \$5.0 Billion of Cash to Stockholders, Including Repurchasing 15.2M Shares for \$3.1 Billion**
- **Expanded Backlog to \$99.6 Billion**

Exceptional Performance in 2015

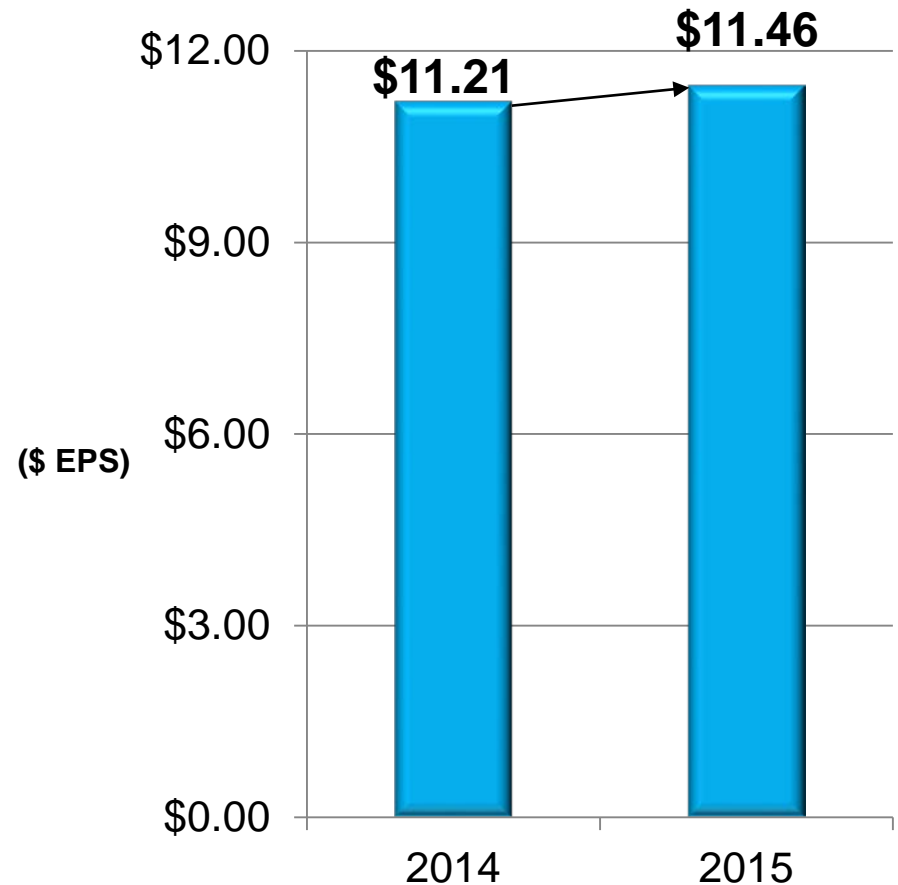
Sales and Earnings Per Share



Sales



Earnings Per Share

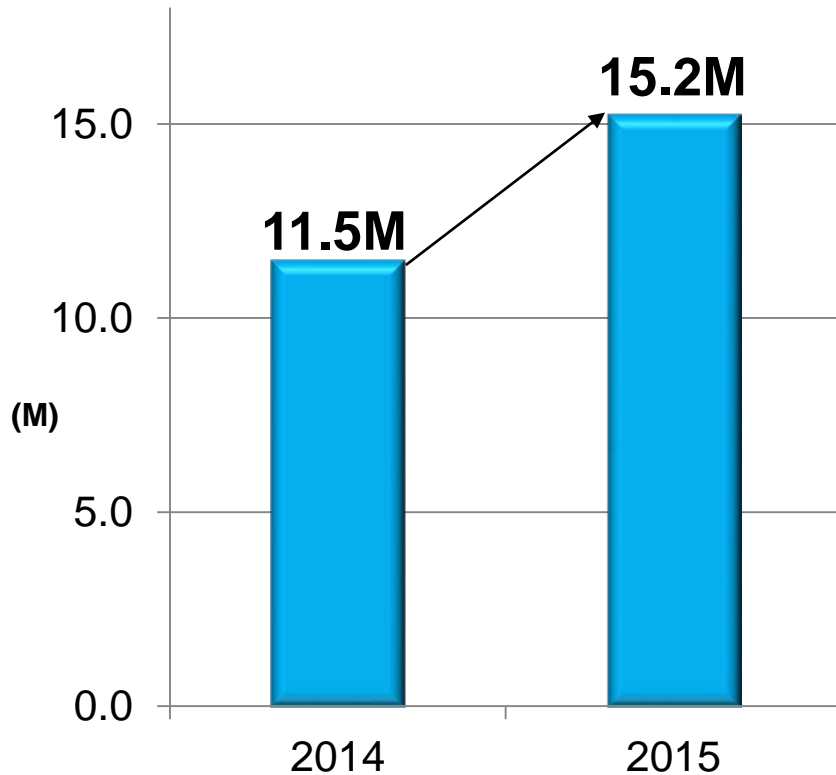


2015 Results Exceeded Expectations

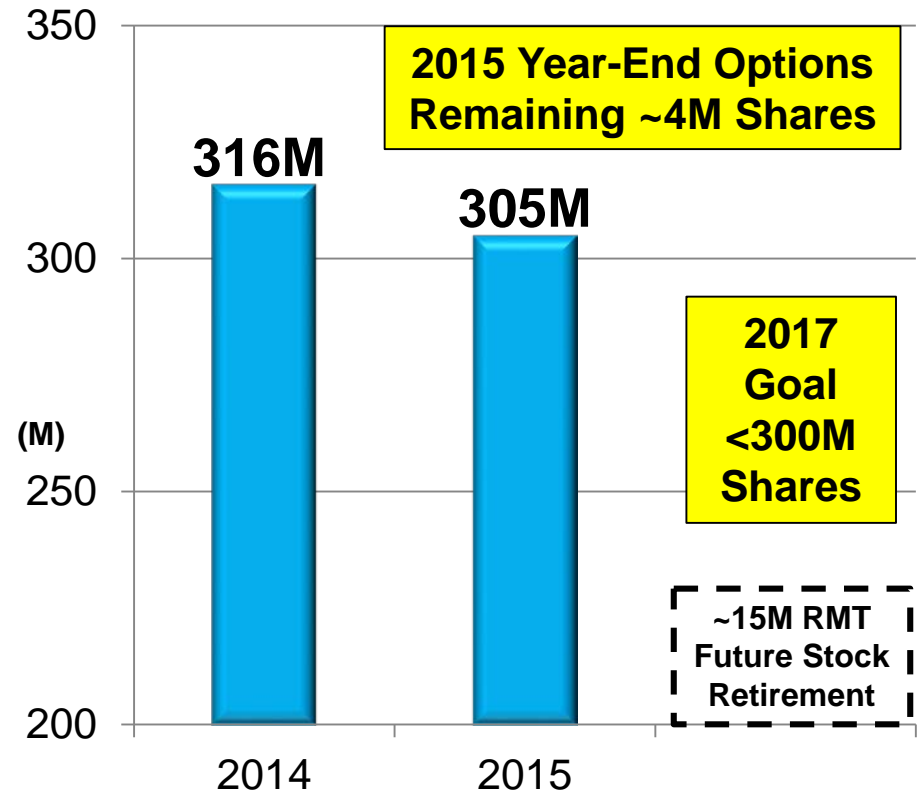
Share Repurchase Activity



Shares Repurchased

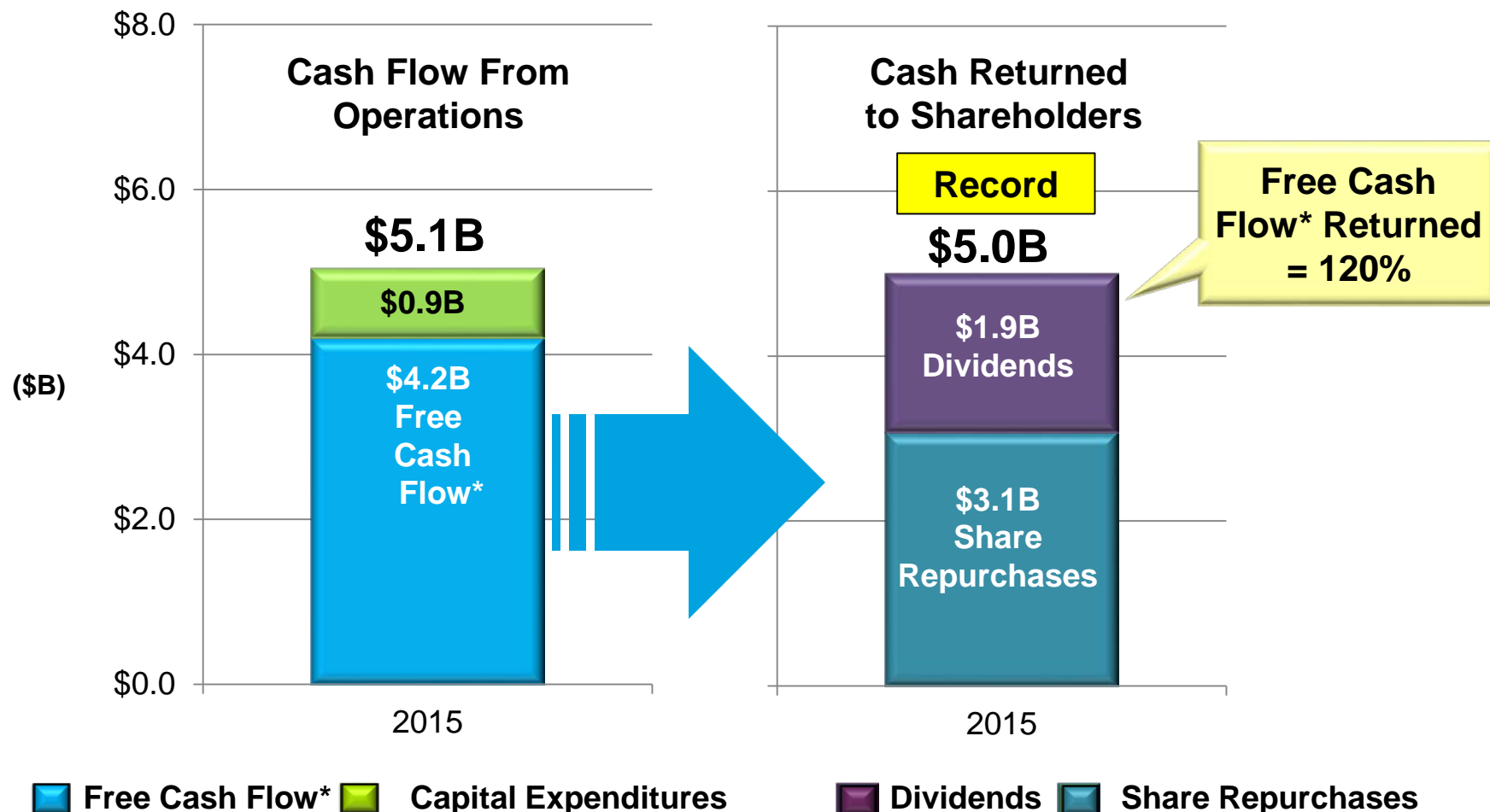


Shares Outstanding



Continued Strong Share Repurchases With Additional Reduction Opportunities

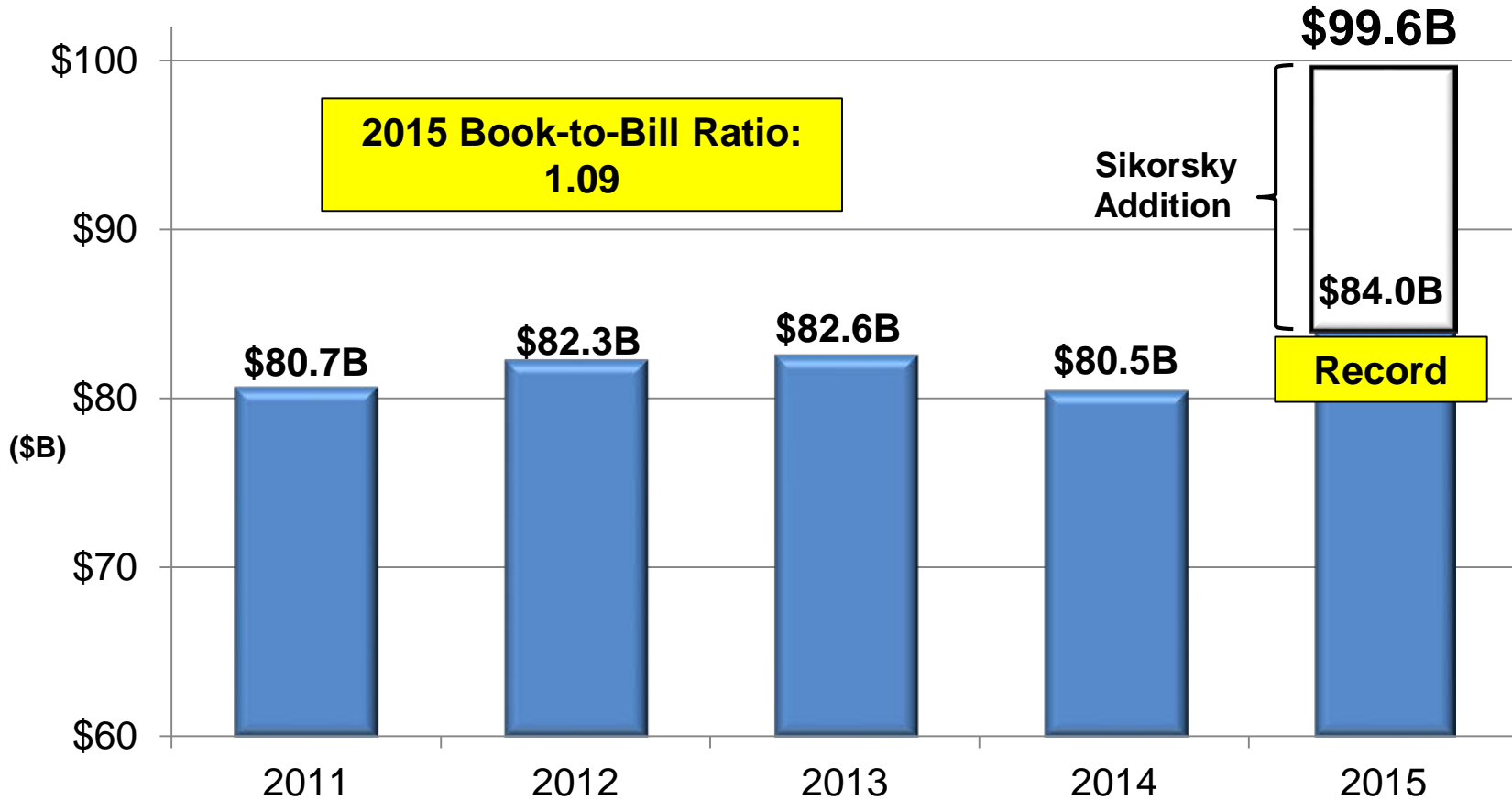
Cash Returned to Stockholders



Strong Return of Free Cash Flow* to Stockholders

Full Year Backlog

(\$B)



5th Consecutive Year of Backlog >\$80 Billion

2016 Outlook

(\$M, Except EPS)



Current Outlook*

Sales	\$49,500 - 51,000
Segment Operating Profit**	\$4,900 - 5,050
<u>Unallocated Income / (Expense)</u>	
FAS/CAS Pension Adjustment	~ 975
Other, net	~ (275)
Consolidated Operating Profit	\$5,600 - 5,750
Earnings Per Share	\$11.45 - 11.75
Cash From Operations	≥ \$5,300

* Assumes IS&GS for Full Year

**See Chart 16 for Definitions of Non-GAAP Measures

2016 FAS/CAS Adjustment Outlook

(\$M)



October Guidance

\$810

October

January

Mortality Table Update

125

Discount Rate Change

4.25%

4.375%

60

Actual 2015 Asset Return

0%

(2)%

(40)

Other

20

January Guidance

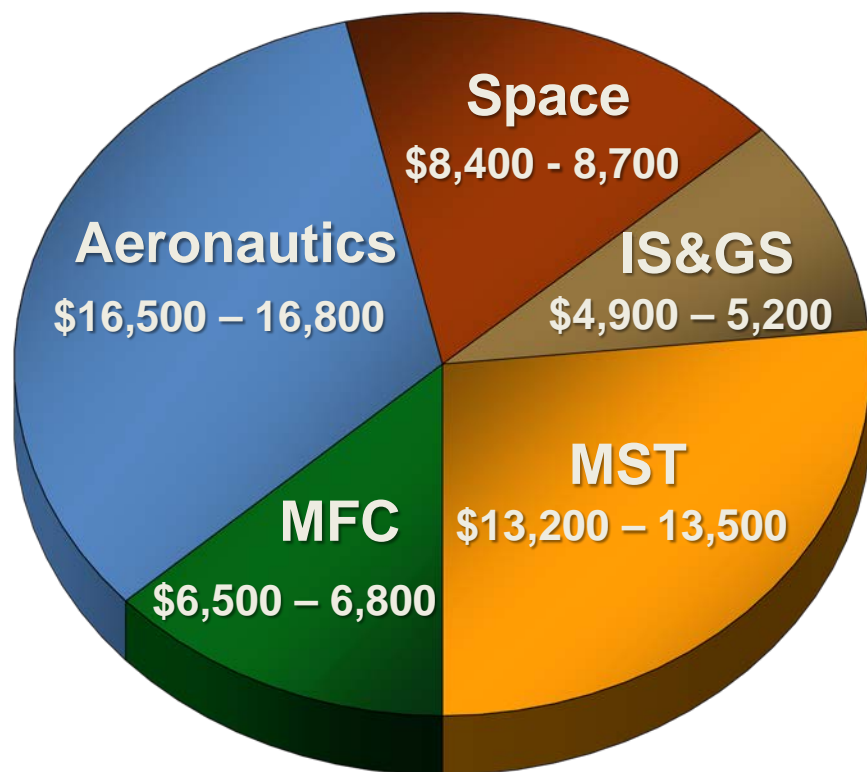
\$975

2016 Outlook

(\$M)

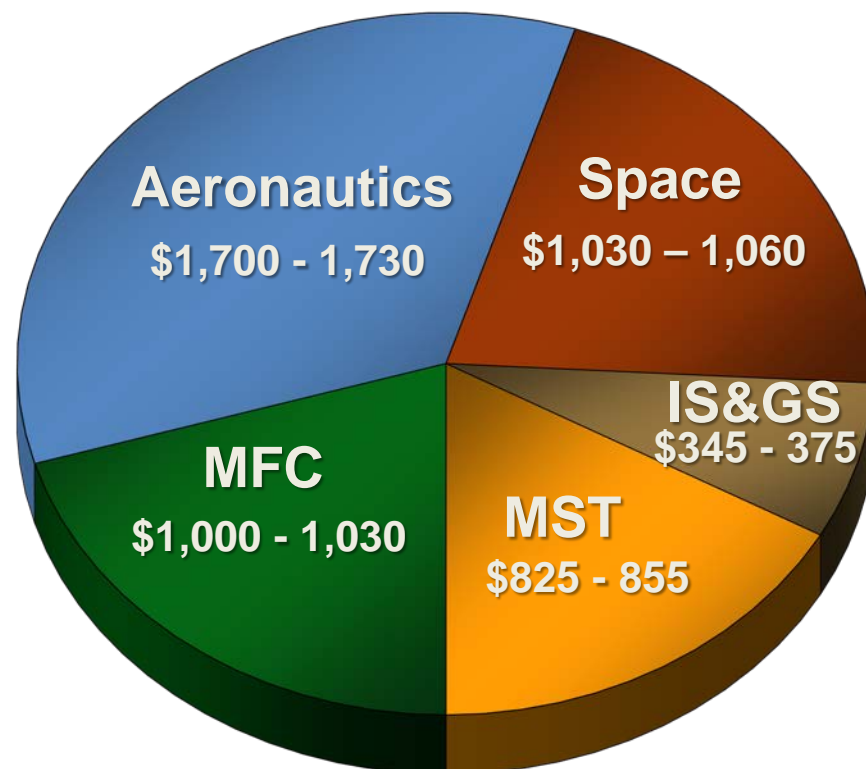


Sales



\$49,500 - 51,000M

Segment Op Profit*



\$4,900 - 5,050M

*See Chart 16 for Definitions of Non-GAAP Measures

Sikorsky Adjustments in MST Outlook



(\$M)

2016

	Sales	Profit
Purchase Accounting*	(\$400)	(\$260)
Intangible Amortization		(230)
Customer Inventory Rights	(400)	(30)
Integration / Inherited Restructure		(115)
Total Impact	(\$400)	(\$375)

Lockheed Martin RMT with Leidos



- **Combined Value of ~\$5 Billion For Contributed Assets in Tax Efficient Structure**
 - ~\$3.2 Billion in Equity Value Under Reverse Morris Trust Transaction with Stock Split Off
 - \$1.8 Billion of Special Cash Payment to LMT
- **Anticipate Reduction in Outstanding LMT Share Count of ~15 Million Shares at Transaction Close**
- **LMT Stockholders to Benefit From Expected Synergies**
- **Significant Book Gain Recognized By LMT at Closing**

Highest Value-Creating Strategic Option

Lockheed Martin Proforma – 2017 & Beyond



	<u>Future</u>
• Sales Growth Rate	Higher
• GAAP E.P.S.	Neutral to Higher
• Cash From Operations	Neutral to Higher
• R.O.I.C.	Higher
• Shares Outstanding	Lower

**Strategic Positioning of Portfolio
Enhancing Long-Term Growth**

Summary



- **Exceptional 2015 Performance...Solid Foundation for 2016**
- **Cash Deployment Focus Continuing to Generate Returns to Stockholders**
- **Portfolio-Shaping Actions Position Us for Future Value Creation**

Strong 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.

	2015
Cash from Operations	\$ 5,101
Capital Expenditures	(939)
Free Cash Flow	\$ 4,162

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>2016 Outlook</u>
Sales	\$49,500 – 51,000
Segment Operating Profit	\$4,900 – 5,050
Mid-Point Segment Margin	9.9%
Consolidated Operating Profit	\$5,600 – 5,750

	2015			2014		
	Sales	Profit	Margin	Sales	Profit	Margin
Segment Operating Profit	\$ 46,132	\$ 5,486	11.9%	\$ 45,600	\$ 5,588	12.3%
Total Unallocated Items	-	(50)		-	4	
Consolidated Operating Profit (GAAP)	\$ 46,132	\$ 5,436	11.8%	\$ 45,600	\$ 5,592	12.3%



Additional Information and Where to Find It

In connection with the proposed transaction, Abacus Innovations Corporation, a wholly-owned subsidiary of Lockheed Martin created for the transaction (“Spinco”), will file with the SEC a registration statement on Form S-4/S-1 containing a prospectus and Leidos Holdings, Inc. (Leidos) will file with the SEC a proxy statement on Schedule 14A and a registration statement on Form S-4 containing a prospectus. INVESTORS AND SECURITY HOLDERS ARE ADVISED TO READ THE REGISTRATION STATEMENTS/PROSPECTUSES AND PROXY STATEMENT WHEN THEY BECOME AVAILABLE, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PARTIES AND THE PROPOSED TRANSACTION. Investors and security holders may obtain a free copy of the prospectuses and proxy statement (when available) and other documents filed with the SEC by Lockheed Martin, Spinco and Leidos at the SEC’s web site at <http://www.sec.gov>. Free copies of these documents, once available, and each of the companies’ other filings with the SEC, may also be obtained from the respective companies websites at <http://www.Leidos.com> (Leidos) and <http://www.lockheedmartin.com> (Lockheed Martin).

This communication is not a solicitation of a proxy from any investor or security holder. However, Leidos, Lockheed Martin, and certain of their respective directors, executive officers and other members of management and employees, may be deemed to be participants in the solicitation of proxies from stockholders of Leidos in respect of the proposed transaction under the rules of the SEC. Information regarding Leidos’ directors and executive officers is available in Leidos’ 2014 Annual Report on Form 10-K filed with the SEC on March 25, 2015, and in its definitive proxy statement for its annual meeting of stockholders filed on April 17, 2015. Information regarding Lockheed Martin’s directors and executive officers is available in Lockheed Martin’s 2014 Annual Report on Form 10-K filed with the SEC on February 9, 2015, and in its definitive proxy statement for its annual meeting of stockholders filed on March 13, 2015. These documents can be obtained free of charge from the sources indicated above. Other information regarding the participants in the proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, will be contained in the registration statements, prospectuses and proxy statement and other relevant materials to be filed with the SEC when they become available.

This communication shall not constitute an offer to sell or the solicitation of an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.

