

Lockheed Martin Corporation

2nd Quarter 2018

Earnings Results Conference Call

Tuesday, July 24, 2018

11:00 am EDT

Webcast login at: www.lockheedmartin.com/investor

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

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

Audio replay available from 2:00 p.m.

July 24, 2018 through midnight July 25, 2018

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

Replay confirmation code: 450637

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, 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 and the potential impairment of our equity investment in Advanced Military Maintenance, Repair and Overhaul Center LLC (AMMROC); 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 aggressive government positions seeking intellectual property and broad license rights to use and have others use such intellectual property), 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 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.

2Q 2018 Overview



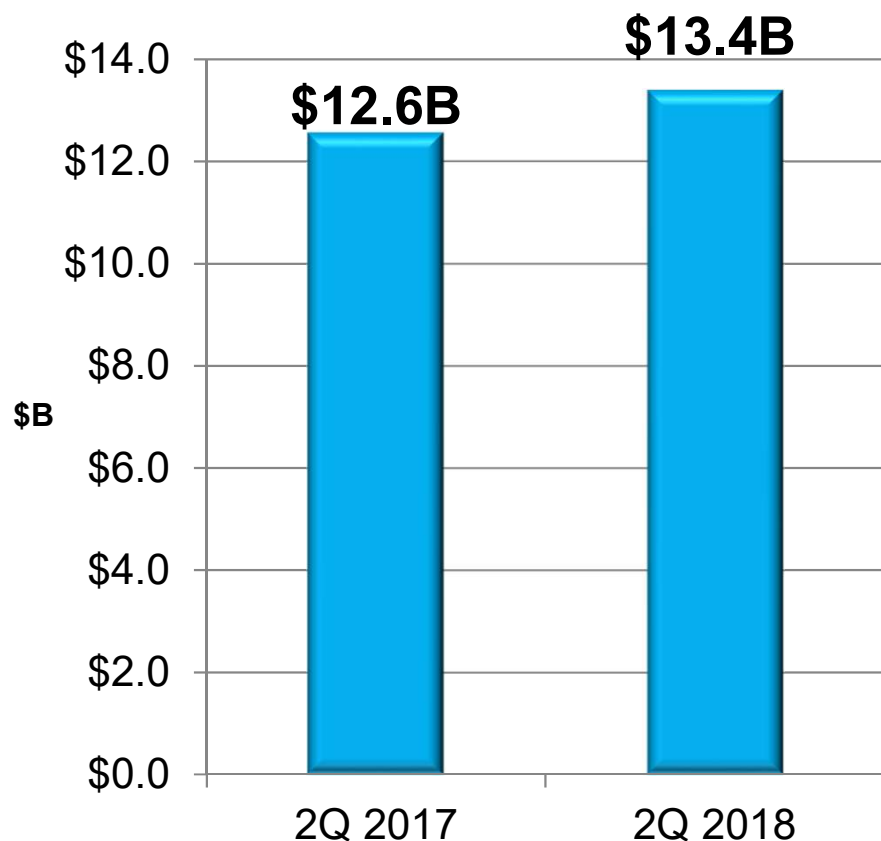
- **Achieved Sales of \$13.4 Billion**
- **Achieved Segment Operating Profit* of \$1.5 Billion and Earnings Per Share of \$4.05**
- **Generated \$1.9 Billion in Cash From Operations before \$2.0 Billion in Pension Contributions**
- **Returned ~\$880 Million of Cash to Stockholders, Including Repurchases of 1.0M Shares for \$310 Million**
- **Increased 2018 Outlook for Sales, Operating Profit, Earnings Per Share and Cash from Operations**

**Strong 2018 Year-to-Date Growth...
Driving Increased Outlook**

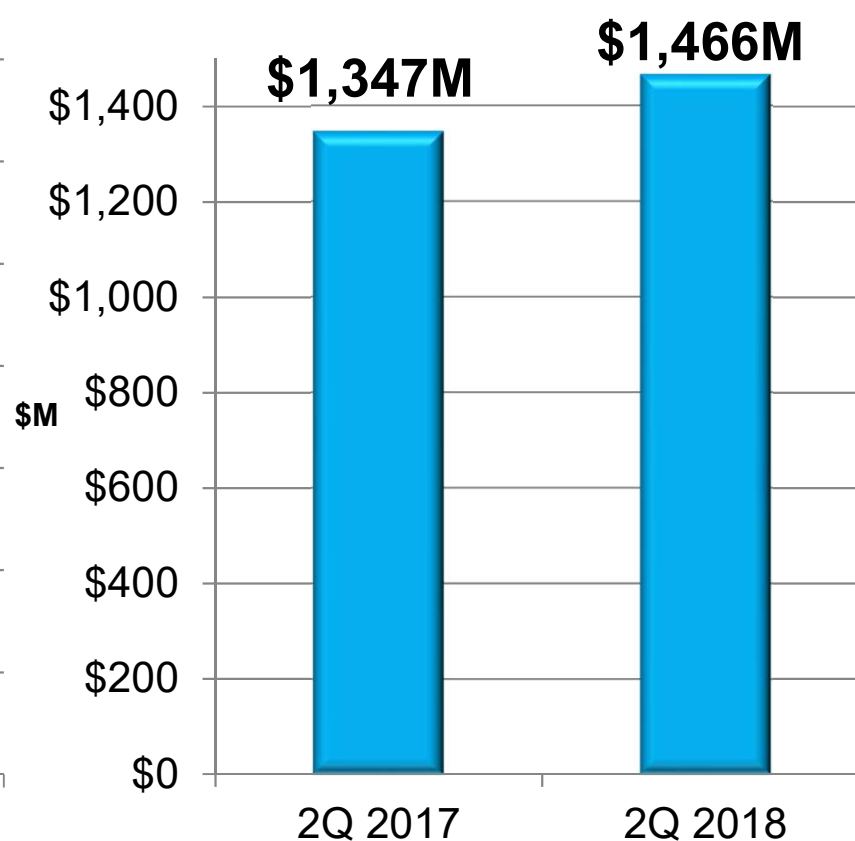
2Q Sales and Segment Operating Profit*



Sales

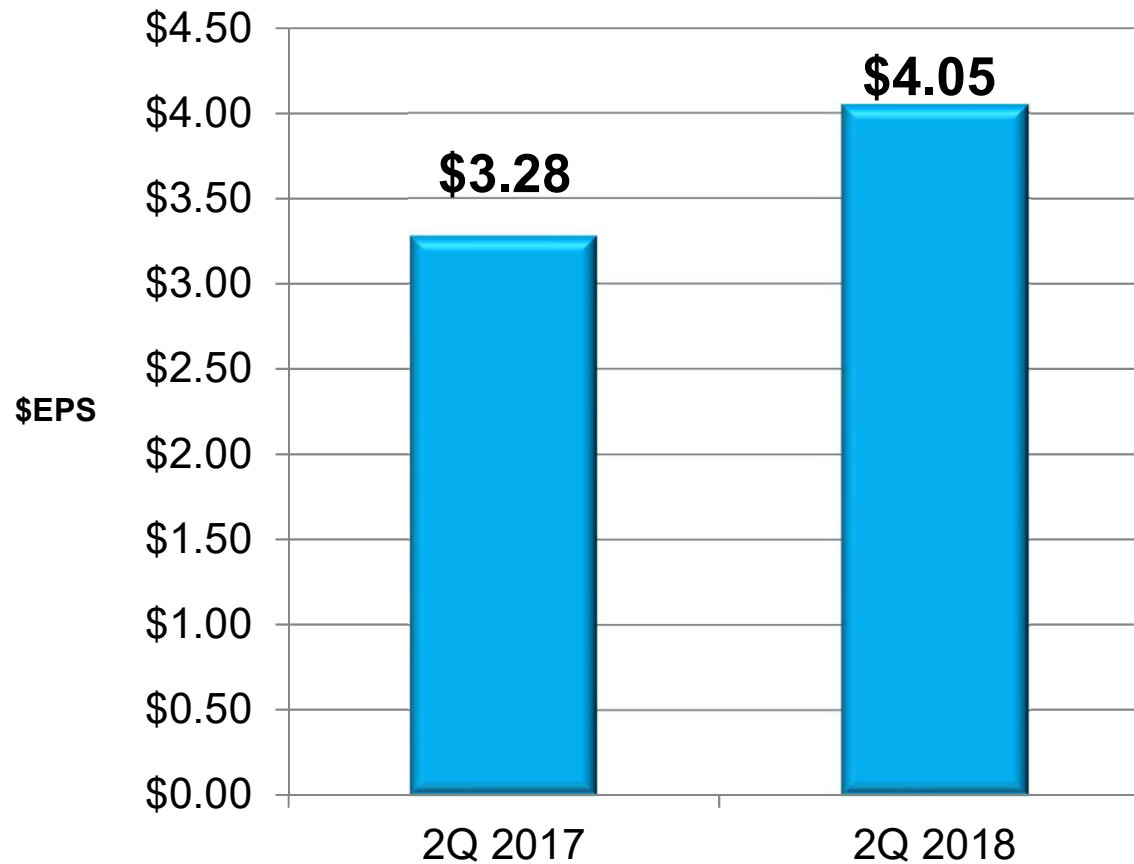


Segment Operating Profit



**Robust Sales and Segment Operating Profit
Enabled Increased Full-Year Outlook**

2Q Earnings Per Share



Strong EPS Growth

2018 Outlook Update

(\$M, Except EPS)

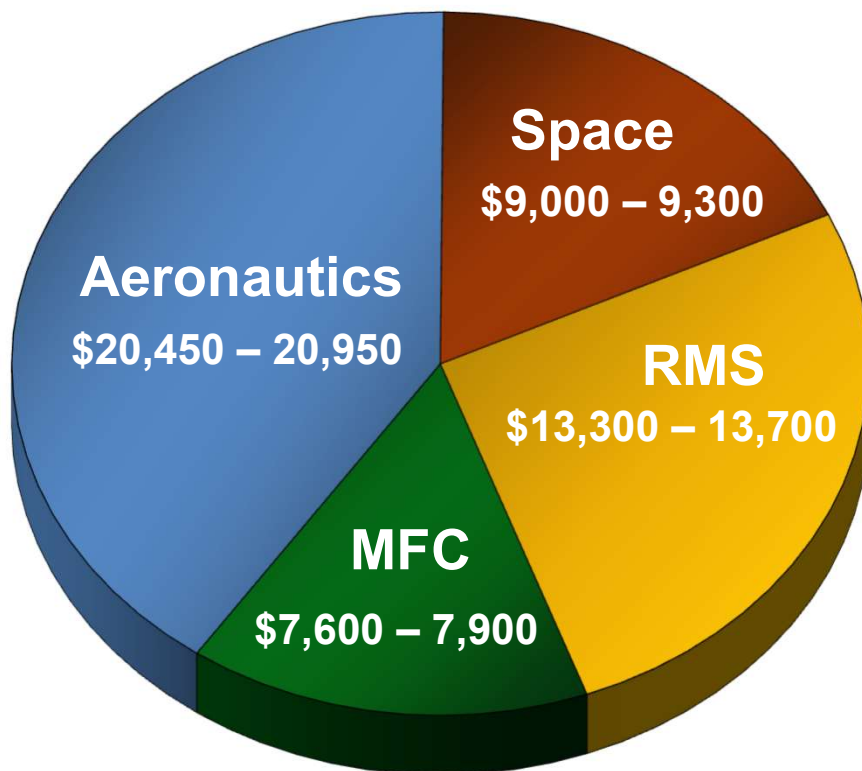


	Prior Outlook	July 2018 Outlook
Sales	\$ 50,350 – \$51,850	\$51,600 – \$53,100
Segment Operating Profit*	\$ 5,315 – \$5,465	\$5,575 – \$5,725
Net FAS/CAS Pension Adjustment*	~ \$1,010	~ \$1,010
Diluted EPS	\$15.80 – \$16.10	\$16.75 – \$17.05
Cash From Operations	≥ \$3,000	≥ \$3,300

2018 Sales Outlook (\$M)

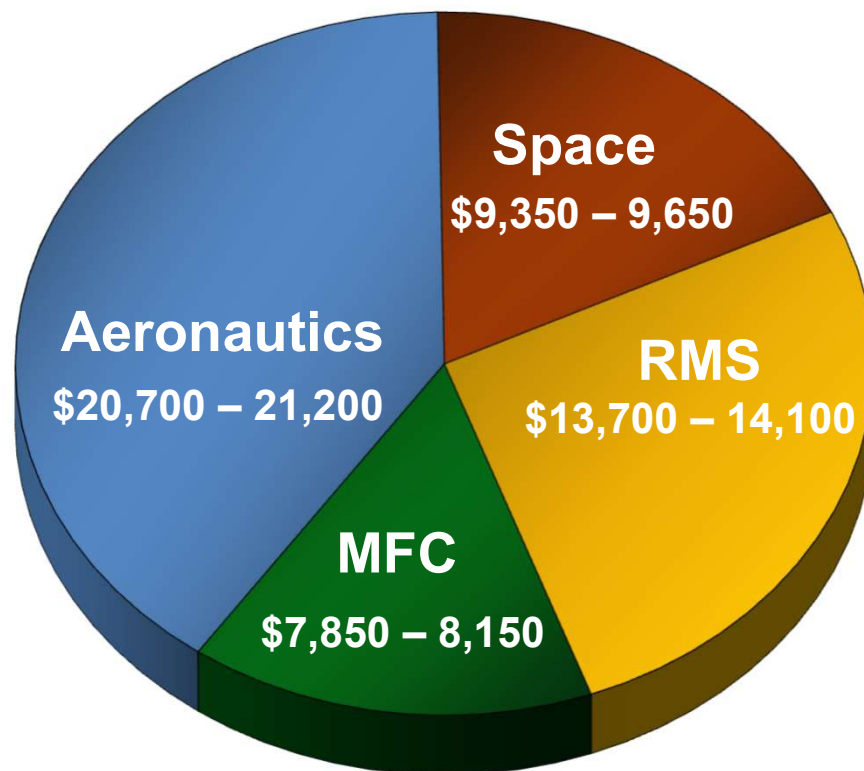


Sales (Prior)



\$50,350 – 51,850M

Sales (Current)



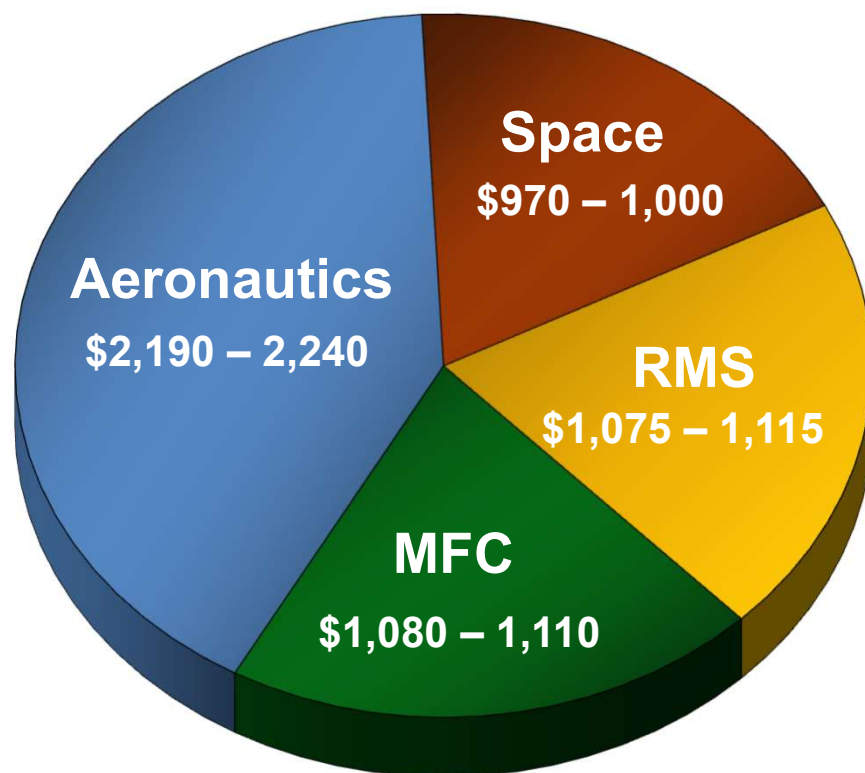
\$51,600 – 53,100M

Sales Outlook Increased by \$1,250M

2018 Segment Operating Profit* Outlook (\$M)

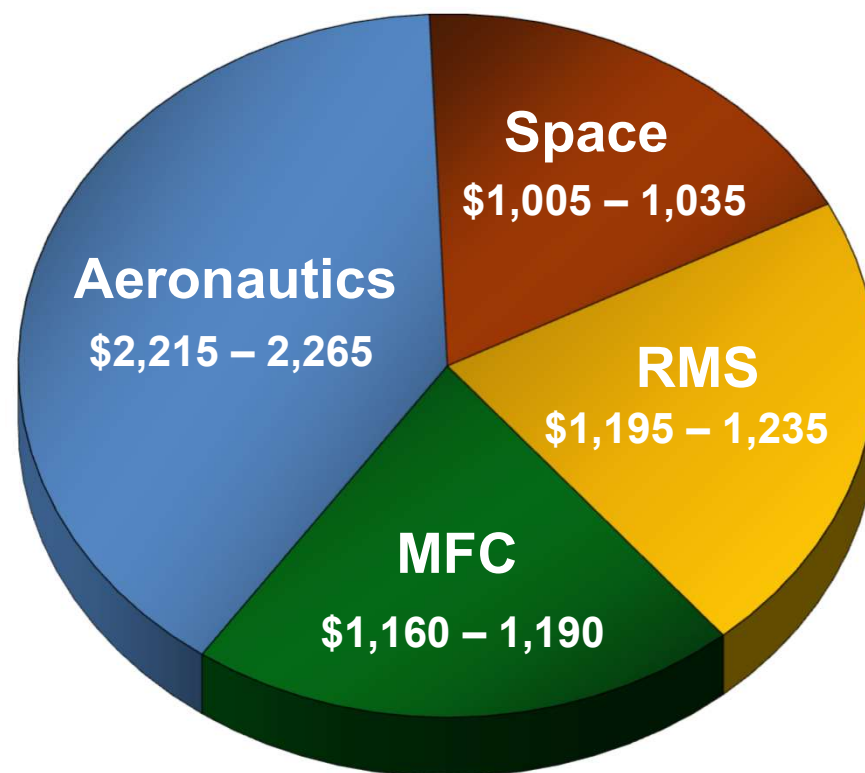


Segment Op Profit (Prior)



\$5,315 – 5,465M

Segment Op Profit (Current)



\$5,575 – 5,725M

Segment Operating Profit Outlook Increased by \$260M

2018 EPS Outlook Reconciliation



Diluted EPS

April 2018 Outlook

\$15.80 - \$16.10

Operational Performance

0.72

Severance and Restructuring Charge

(0.26)

Tax Rate / Other

0.49

July 2018 Outlook

\$16.75 - \$17.05

Cash From Operations Long-Term Outlook

(\$B)



Updated Goal

≥ \$17.3B

≥ ~~\$17~~ Billion Cumulative
For Years 2018 to 2020

	Outlook <u>2018</u>	Cash Goal <u>2019</u>	Cash Goal <u>2020</u>
2018 Pension Contributions:	~ \$5.0B	~ \$0	~ \$0
Cash from Operations:	≥ \$3.0B	~\$7.0B	~\$7.0B
	≥ \$3.3B		

Increased 2018 Cash from Operations Goal

Summary



- **Strong Quarter and Year-to-Date Financial Performance**
- **Increased 2018 Full-Year Sales, Operating Profit, EPS, and Cash from Operations**
- **2019 Trend Information to be Provided on October Call**

**Committed to Delivering Long-Term
Value to Stockholders**



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 and is a performance goal in the corporation's annual incentive plan. 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)	2018 Outlook (July)	2018 Outlook (April)
Sales	\$51,600 – 53,100	\$50,350 – 51,850
Segment Operating Profit	\$5,575 – 5,725	\$5,315 – 5,465
FAS/CAS Operating Adjustment*	~1,805	~1,805
Other, net**	~(270)	~(175)
Mid-Point Segment Margin	10.8%	10.5%
Consolidated Operating Profit	\$7,110 – 7,260	\$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. Other, net included in the 2018 Outlook (July) above includes severance and restructuring charges totaling \$96 million recorded during the second quarter of 2018 associated with planned workforce reductions and the consolidation of certain operations at the corporation's RMS business segment.

	2Q 2018			2Q 2017		
	Sales	Profit	Margin	Sales	Profit	Margin
Segment Operating Profit	\$ 13,398	\$ 1,466	10.9%	\$ 12,563	\$ 1,347	10.7%
Total Unallocated Items	-	329		-	369	
Consolidated Operating Profit (GAAP)	\$ 13,398	\$ 1,795	13.4%	\$ 12,563	\$ 1,716	13.7%

