

Lockheed Martin Corporation

4th Quarter 2016

Financial Results Conference Call January 24, 2017 11:00 am EST



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Forward-Looking Statements



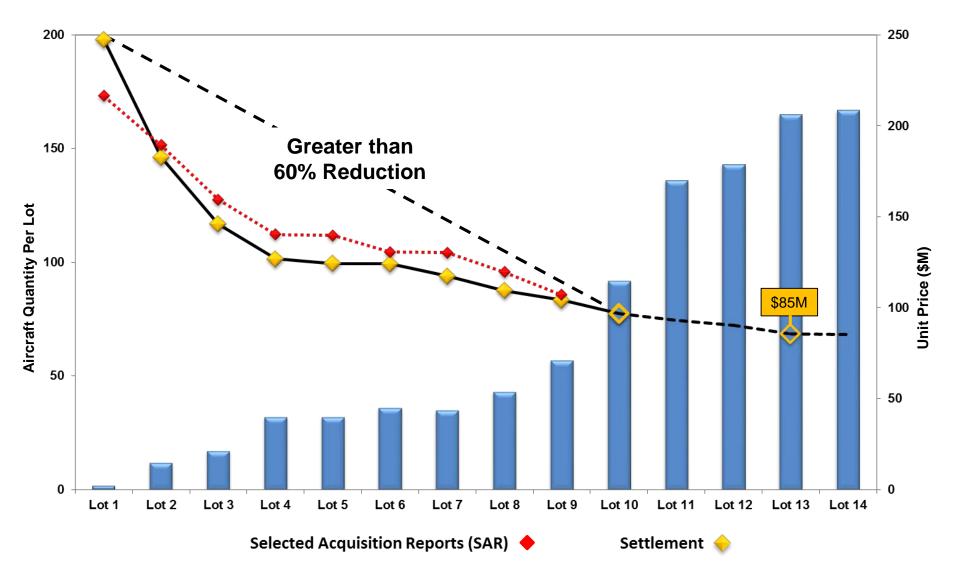
This presentation contains statements that, to the extent they are not recitations of historical fact, constitute forward-looking statements within the meaning of the federal securities laws, and are based on Lockheed Martin's current expectations and assumptions. The words "believe," "estimate," "anticipate," "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 impact of potential unilateral contract actions on our ability to negotiate favorable contract terms; 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 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 growing international sales and expanding into adjacent markets and risks associated with doing business in new markets and internationally; 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; 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 FAS/CAS earnings 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, including remediation of a material weakness in internal controls over financial reporting related to general information technology controls at 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 our 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 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, 2015 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. 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 forwardlooking statements in this press release are intended to be subject to the safe harbor protection provided by the federal securities laws.

Chart 2

January 24, 2017

F-35A Model (CTOL) Unit Price Reduction (Includes Engine)





2016 Overview



- Achieved Sales of \$47.2 Billion
- Achieved Segment Operating Profit* of \$5.1 Billion and Earnings Per Share from Continuing Operations of \$12.38
- Generated \$5.2 Billion in Cash From Operations
- Returned \$4.1 Billon of Cash to Stockholders, Including Repurchasing 8.9M Shares for \$2.1 Billion
- Grew Backlog to \$96.2 Billion

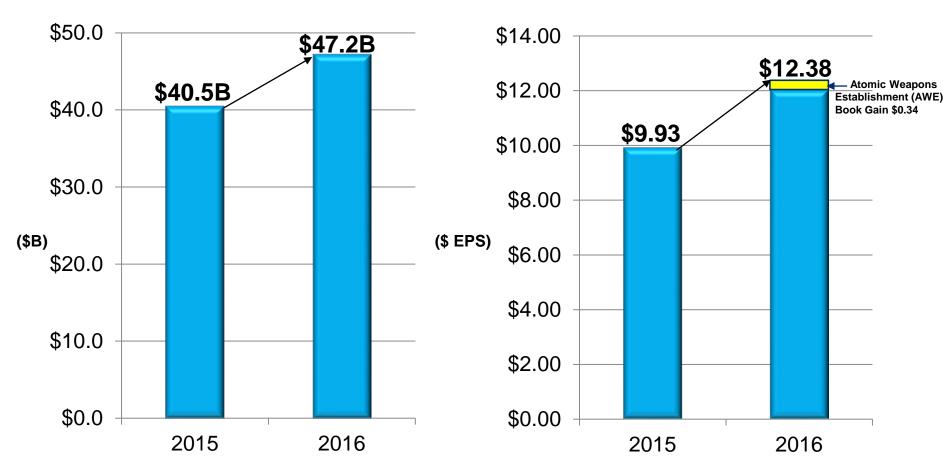
Exceptional Performance in 2016

Sales and Earnings Per Share





Earnings Per Share*



Strong Growth in 2016...Well Positioned for 2017

Cash From Operations



2016

2017

October 2016 Outlook

≥\$5.0B or \$5.7B

≥\$5.0B or \$5.7B

2016 Full Year Actual

\$5.2B

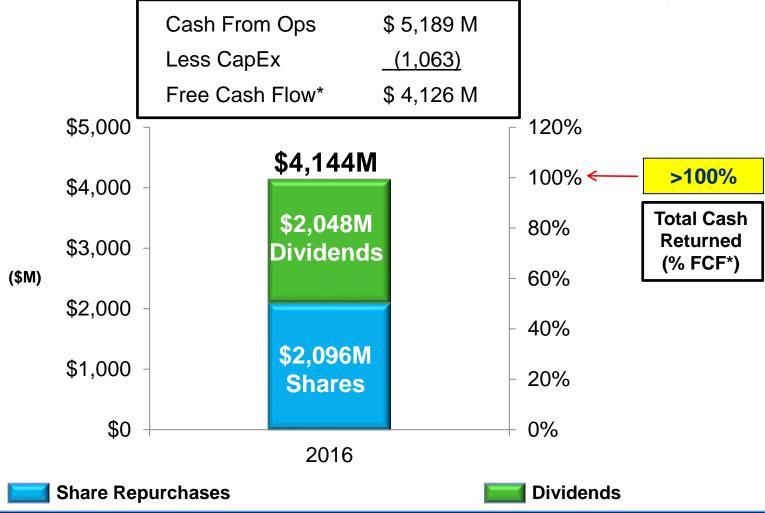
January 2017 Outlook

≥\$5.7B

Exceeding Two-year Outlook by ≥\$200M

Cash Returned to Stockholders - 2016

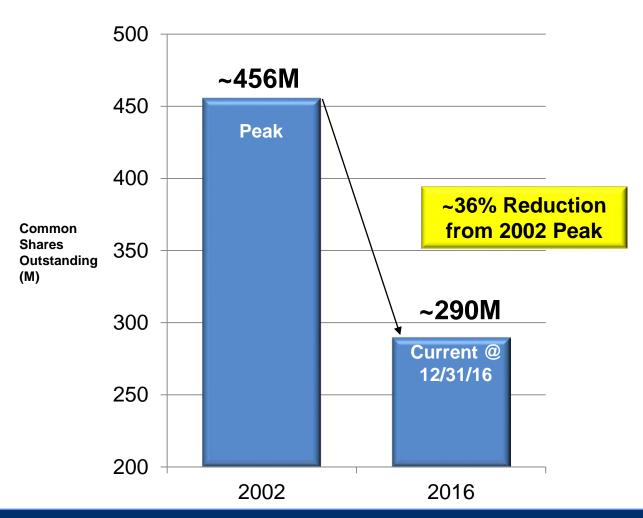




Continued Commitment to Returning Cash to Stockholders

Common Shares Outstanding





Early Achievement of Share Reduction Goal...One Year in Advance of Target Date

2017 Outlook

(\$M, Except EPS)



00 - 50,600

Unallocated Items

FAS/CAS Pension Adjustment	~ 880
Other, net	~ (300)

Consolidated Operating Profit	\$5,595 - 5,715
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2017 FAS/CAS Adjustment Outlook



October Outlook

~\$800

Discount Rate Change (4.125% vs. 3.625%)

240

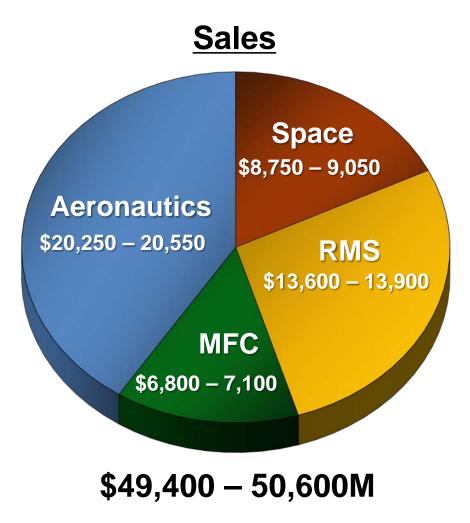
Long-term Asset Return Change (7.5% vs. 8.0%) (160)

January Guidance

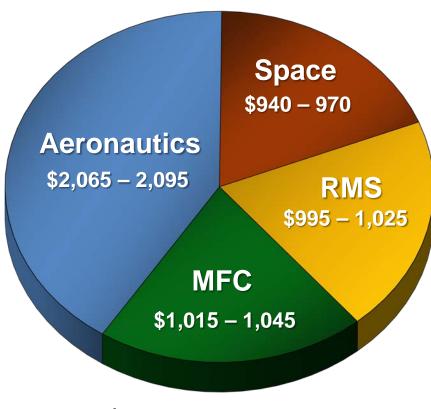
~\$880

2017 Outlook (\$M)





Segment Op Profit*



Summary



 Exceptional 2016 Performance...Strong Foundation for 2017 Growth

Cash Generation and Cash Deployment Focus
 Continuing to Generate Strong Returns to Stockholders

 Portfolio-Shaping Actions Completed...Positioned for Long-Term Value Creation

Delivering Results for Customers and Stockholders



Financial Appendix

Chart 13 January 24, 2017

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)	2017 Outlook
Sales	\$49,400 - 50,600
Segment Operating Profit	\$5,015 - 5,135
Mid-Point Segment Margin	10.2%
Consolidated Operating Profit	\$5,595 – 5,715

	2016				2015					
	Sales		Sales Profit		Margin	Sales		Profit		Margin
Segment Operating Profit	\$	47,248	\$	5,100	10.8%	\$	40,536	\$	4,978	12.3%
Total Unallocated Items		-		449			-		(266)	
Consolidated Operating Profit (GAAP)	\$	47,248	\$	5,549	11.7%	\$	40,536	\$	4,712	11.6%

