



Third Quarter 2018 Conference Call

October 25, 2018

Dial In Number
866.588.8312 Domestic
409.220.9941 International
Conference ID: 9646568

Replay Number
855.859.2056 Domestic
404.537.3406 International
Conference ID: 9646568

Replay available through Nov. 2, 2018

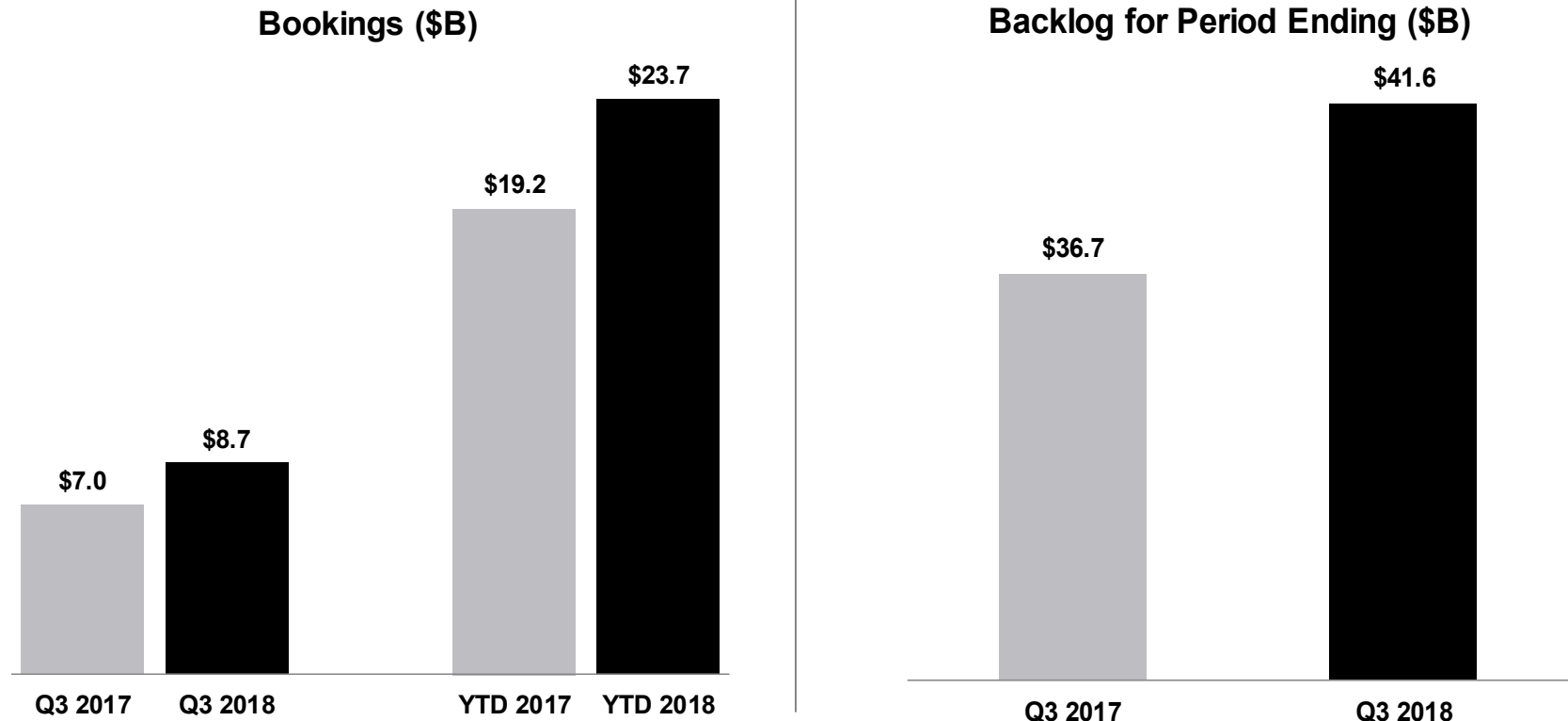
Forward-Looking Statements

This presentation contains forward-looking statements, including information regarding the Company's financial outlook, future plans, objectives, business prospects and anticipated financial performance. These forward-looking statements are not statements of historical facts and represent only the Company's current expectations regarding such matters. These statements inherently involve a wide range of known and unknown risks and uncertainties. The Company's actual actions and results could differ materially from what is expressed or implied by these statements. Specific factors that could cause such a difference include, but are not limited to: the Company's dependence on the U.S. government for a significant portion of its business and the risks associated with U.S. government sales, including changes or shifts in defense spending due to budgetary constraints, spending cuts resulting from sequestration, a government shutdown, or otherwise, uncertain funding of programs, potential termination of contracts and performance under undefinitized contract awards; difficulties in contract performance; the resolution of program terminations; the ability to procure new contracts; the risks of conducting business in foreign countries; the unpredictability of timing of international bookings; the ability to comply with extensive governmental regulation, including export and import requirements such as the International Traffic in Arms Regulations and the Export Administration Regulations, anti-bribery and anti-corruption requirements including the Foreign Corrupt Practices Act, industrial cooperation agreement obligations, and procurement and other regulations; the ability to obtain timely U.S. government approvals for international contracts; changes in government procurement practices; the impact of competition; the ability to develop products and technologies, and the impact of associated investments and costs; the ability to recruit and retain qualified personnel; the impact of potential security and cyber threats, and other disruptions; the risk that actual pension returns, discount rates or other actuarial assumptions, including the long-term return on asset assumption, are significantly different than the Company's current assumptions; the risk of cost overruns, particularly for the Company's fixed-price contracts; dependence on component availability, subcontractor and partner performance and key suppliers; risks of a negative government audit; risks associated with acquisitions, investments, dispositions, joint ventures and other business arrangements; the ability to grow in the government and commercial cybersecurity markets; risks of an impairment of goodwill or other intangible assets; the impact of financial markets and global economic conditions; the use of accounting estimates in the Company's financial statements, including with respect to the provisional impact of the Tax Cuts and Jobs Act of 2017; the outcome of contingencies and litigation matters, including government investigations; the risk of environmental liabilities; and other factors as may be detailed from time to time in the Company's public announcements and Securities and Exchange Commission filings. The Company undertakes no obligation to make any revisions to the forward-looking statements contained in this release and the attachments or to update them to reflect events or circumstances occurring after the date of this release, including any acquisitions, dispositions or other business arrangements that may be announced or closed after such date.

Third Quarter 2018 Highlights

- Strong bookings of \$8.7 billion; book-to-bill ratio of 1.28
- Net sales of \$6.8 billion, up 8.3 percent
- EPS from continuing operations of \$2.25, up 14.2 percent
- Updated full-year 2018 guidance

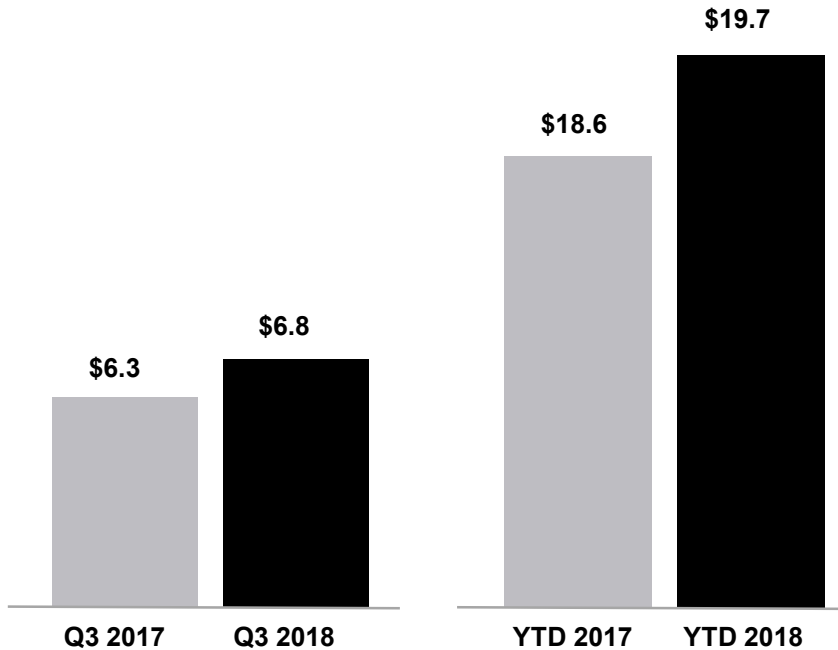
Total Company Bookings and Backlog



**Strong Q3 2018 book-to-bill ratio of 1.28;
record backlog of \$41.6B**

Total Company Net Sales

Net Sales (\$B)



Net Sales (\$M)

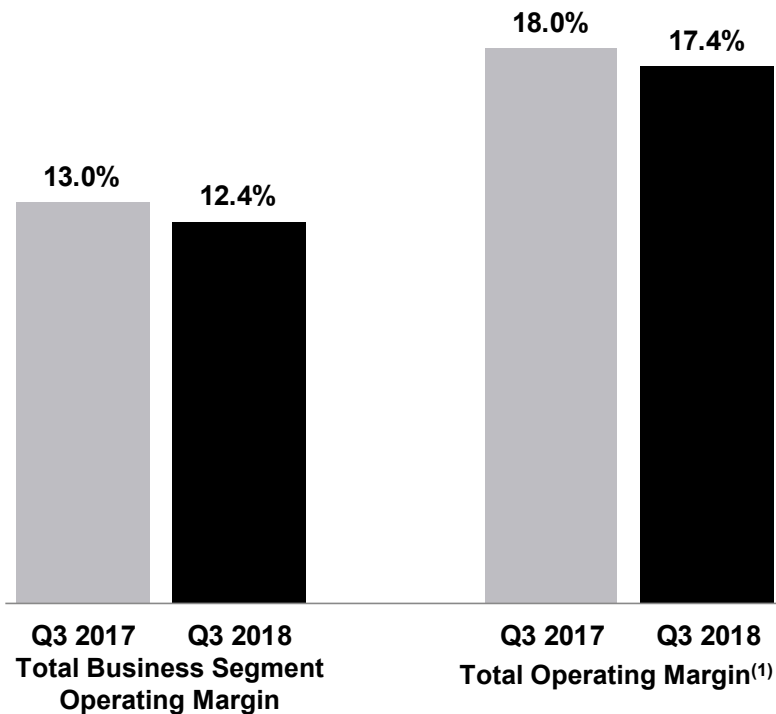
	Q3 2017	Q3 2018	% Change
IDS	\$1,391	\$1,493	7%
IIS	1,543	1,742	13%
MS	1,945	2,082	7%
SAS	1,597	1,695	6%
Forcepoint™	170	173	2%
Eliminations	(355)	(377)	NM
Total Business Segment	6,291	6,808	8.2%
Deferred Revenue Adjustment	(7)	(2)	NM
Total	\$6,284	\$6,806	8.3%

NM = Not Meaningful

Q3 2018 sales increased by over 8 percent

Total Company Operating Margins

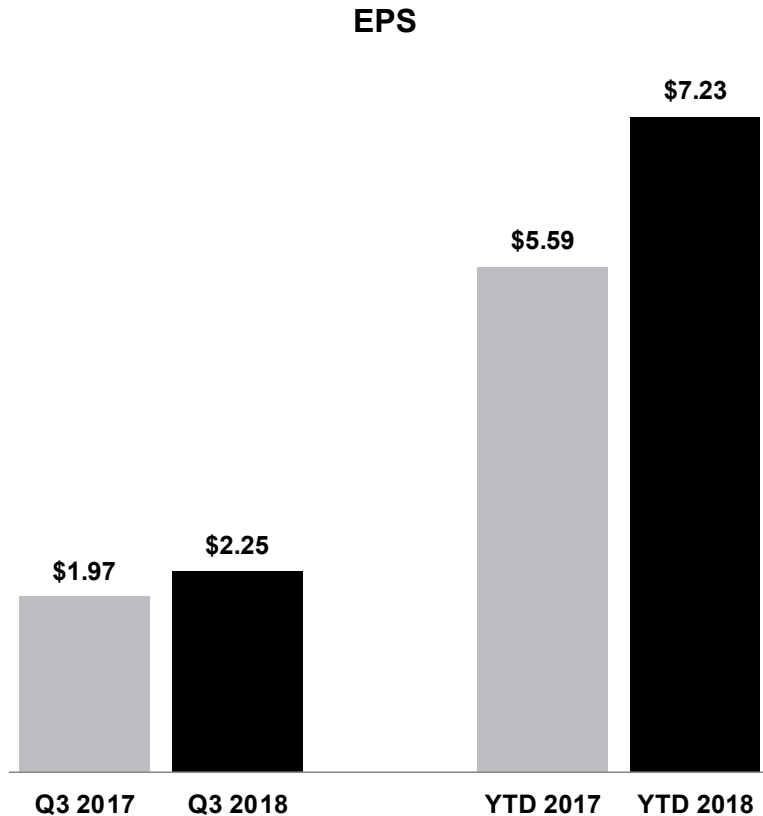
Operating Margins



	Q3 2017	Q3 2018	Change
IDS	16.6%	16.1%	(50) bps
IIS	7.3%	8.6%	130 bps
MS	14.4%	12.3%	(210) bps
SAS	13.3%	13.2%	(10) bps
Forcepoint	13.5%	10.4%	(310) bps
Eliminations	(\$39M)	(\$45M)	(\$6M)
Total Business Segment Operating Margin	13.0%	12.4%	(60) bps
Deferred Revenue Adjustment	(\$7M)	(\$2M)	\$5M
Amortization of Acquired Intangibles	(\$32M)	(\$28M)	\$4M
FAS/CAS Operating Adjustment ⁽¹⁾	\$348M	\$365M	\$17M
Corporate	-	\$5M	\$5M
Total Operating Margin⁽¹⁾	18.0%	17.4%	(60) bps

(1) As previously reported, in the first quarter 2018 the company adopted the new retirement benefit standard, Accounting Standards Update 2017-07. As a result, all components of FAS pension and postretirement benefit expense, other than service costs, were reclassified from operating income to non-operating income, with no impact to net income. All 2017 financial results have been recast to reflect this change.

Earnings Per Share from Continuing Operations



EPS (\$)	
Third Quarter 2017	\$1.97
Operations	0.07
Reduced share count	0.05
Tax impact primarily related to 2017 tax reform	0.78
FAS/CAS operating adjustment	0.05
Retirement benefits non-service expense, non-operating ⁽¹⁾	(0.71)
Other items, net	0.04
Third Quarter 2018	\$2.25

(1) Includes an unfavorable EPS impact of \$0.80 related to the pension plan annuity transaction, partially offset by a favorable \$0.09 EPS impact related to other changes including the update of the actuarial estimates for pension and other postretirement benefit plans.

Q3 2018 EPS exceeded guidance

2018 Financial Outlook

	Current		Prior*
Net Sales (\$B)	27.0 - 27.3	**	26.7 - 27.2
Deferred Revenue Adjustment (\$M)	(10)		(10)
Amortization of Acquired Intangibles (\$M)	(118)		(118)
FAS/CAS Operating Adjustment (\$M) ⁽¹⁾	1,430	**	1,416
Retirement Benefits Non-service Expense, non-operating (\$M) ⁽²⁾	(1,232)	**	(1,246)
Interest Expense, Net (\$M)	(165) - (170)	**	(180) - (185)
Diluted Shares (M)	~287		~287
Effective Tax Rate	~10.5%		~10.5%
EPS from Continuing Operations	\$10.01 - \$10.11	**	\$9.77 - \$9.97
Operating Cash Flow from Cont. Ops. (\$B)	2.6 - 3.0		2.6 - 3.0

*As of July 26, 2018

** Denotes changes from prior guidance

(1) The full-year 2018 FAS/CAS Operating Adjustment had a \$14 million (\$0.04 per share) favorable adjustment, of which approximately \$11 million (\$0.03 per share) was recorded in the third quarter 2018 and approximately \$3 million (\$0.01 per share) is expected to be recorded in the fourth quarter 2018. This is due to the update in the third quarter 2018 of the actuarial estimates for pension and other postretirement benefit plans.

(2) The full-year 2018 Retirement Benefits Non-service Expense had a \$14 million (\$0.04 per share) favorable adjustment, all of which was recorded in the third quarter 2018. This is due to the update in the third quarter 2018 of the actuarial estimates for pension and other postretirement benefit plans.

2018 Financial Outlook: By Business

	Net Sales (\$B)			Operating Margins (%)		
	Current		Prior*	Current		Prior*
IDS	6.1 - 6.2	**	6.0 - 6.2	16.9 - 17.0%	**	16.7 - 16.9%
IIS	6.6 - 6.7	**	6.2 - 6.4	7.9 - 8.0%	**	7.7 - 7.9%
MS	8.4 - 8.5	**	8.5 - 8.7	12.3 - 12.4%	**	12.6 - 12.8%
SAS	6.6 - 6.7	**	6.5 - 6.7	12.8 - 12.9%	**	12.5 - 12.7%
Forcepoint	~\$650M	**	>\$650M	3.0 - 4.0%	**	6.0 - 8.0%
Eliminations	(1.4) - (1.5)		(1.4) - (1.5)	(\$145M) - (\$150M)		(\$145M) - (\$150M)
Total business segment	27.0 - 27.3	**	26.7 - 27.2	12.3 - 12.4%	**	12.5 - 12.7%
Deferred Revenue Adjustment	(\$10M)		(\$10M)	(\$10M)		(\$10M)
Amortization of Acquired Intangibles	-		-	(\$118M)		(\$118M)
FAS/CAS Operating Adjustment	-		-	\$1,430M	**	\$1,416M
Corporate	-		-	(\$60M) - (\$65M)	**	(\$75M) - (\$80M)
Total	27.0 - 27.3	**	26.7 - 27.2	16.9 - 17.0%	**	17.1 - 17.3%

* As of July 26, 2018

** Change from prior guidance

Amounts may not add due to rounding

2018 Financial Outlook

	Outlook	
	Q4 2018	2018
Net Sales (\$M)	7,300 - 7,600	27,000 - 27,300
EPS from Continuing Operations	\$2.78 - \$2.88	\$10.01 - \$10.11
Operating Cash Flow from Continuing Operations (\$M)	1,600 - 2,000	2,600 - 3,000

2019 Initial Outlook

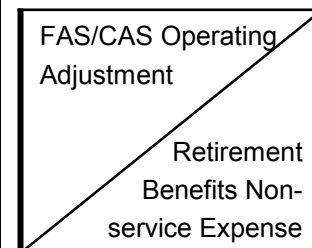
Book-to-Bill	>1
Net Sales	Increase 6 - 8% from 2018
Business Segment Operating Margin	In-line with 2018
Effective Tax Rate	17 - 19%
Operating Cash Flow from Continuing Operations	\$3.8 - \$4.0 billion

Strong sales growth and cash generation expected in 2019

2019 FAS/CAS Operating Adjustment and Retirement Benefits Non-service Expense, Non-operating



2019 FAS / CAS Operating Adjustment / Retirement Benefits Non-service Expense, Non-Operating (\$M)							
Actual 2018 Asset Return	12/31/18 Discount Rate						
	3.50%	3.75%	4.00%	4.25%	4.50%	4.75%	5.00%
-5.00%	1,354 (946)	1,376 (889)	1,397 (833)	1,416 (780)	1,434 (729)	1,451 (679)	1,467 (632)
-2.50%	1,366 (910)	1,388 (852)	1,409 (797)	1,428 (743)	1,446 (692)	1,463 (643)	1,479 (596)
0.00%	1,379 (873)	1,401 (816)	1,421 (760)	1,440 (707)	1,459 (656)	1,476 (607)	1,492 (561)
2.50%	1,391 (837)	1,413 (779)	1,433 (724)	1,453 (670)	1,471 (620)	1,488 (572)	1,504 (528)
5.00%	1,403 (801)	1,425 (743)	1,446 (687)	1,465 (634)	1,483 (584)	1,500 (538)	1,516 (494)
7.50%	1,416 (765)	1,438 (708)	1,458 (652)	1,477 (600)	1,496 (551)	1,513 (505)	1,529 (463)
10.00%	1,428 (728)	1,450 (670)	1,471 (615)	1,490 (564)	1,508 (517)	1,525 (472)	1,541 (430)



This chart indicates the range of possible outcomes based upon different 2018 asset return rates and discount rates that will be determined at 12/31/18. Each box contains a possible outcome for the 2019 FAS/CAS operating adjustment (top left) and the 2019 retirement benefits non-service expense, non-operating (bottom right).

Actual 2019 results are not limited to the above scenarios nor the above factors of discount rate and actual asset return (e.g. results will also reflect any potential changes in census data, etc.). The range of outcomes above is also based on our current, long-term return on asset (ROA) assumption of 7.50%, which could change depending upon future capital market assumptions and the related asset allocation. As noted above, 2019 amounts will be determined at 12/31/18 using assumptions and based on market conditions in place at that time.

Appendix

Workdays in Fiscal Reporting Calendar

	Q1	Q2	Q3	Q4
2018	64	64	63	58
2017	64	64	62	58
Increase / (decrease)	0	0	1	0

	Q1	Q2	Q3	Q4
2017	64	64	62	58
2016	65	64	63	57
Increase / (decrease)	(1)	0	(1)	1