LEIDOS 4Q CY15

Earnings Conference Call

February 18, 2016

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Forward-Looking Statements

Certain statements in this release contain or are based on “forward-looking” information within the meaning of the Private Securities Litigation Reform Act of 1995. In some cases, you can identify forward-looking statements by words such as “expects,” “intends,” “plans,” “anticipates,” “believes,” “estimates,” “guidance” and similar words or phrases. Forward-looking statements in this release include, among others, estimates of future revenues, operating income, earnings, earnings per share, charges, backlog, outstanding shares and cash flows, as well as statements about future dividends, stock repurchases, and other uses of capital. These statements reflect our belief and assumptions as to future events that may not prove to be accurate.

Actual performance and results may differ materially from the guidance and other forward-looking statements made in this release depending on a variety of factors, including: changes to our reputation and relationships with government agencies, developments in the U.S. Government defense budget, including budget reductions, implementation of spending cuts (sequestration) or changes in budgetary priorities; delays in the U.S. Government budget process; delays in the U.S. Government contract procurement process or the award of contracts; delays or loss of contracts as a result of competitor protests; changes in U.S. Government procurement rules, regulations and practices; changes in interest rates and other market factors out of our control; our compliance with various U.S. Government and other government procurement rules and regulations; governmental reviews, audits and investigations of our Company; our ability to effectively compete for and win contracts with the U.S. Government and other customers; our ability to attract, train and retain skilled employees, including our management team, and to obtain security clearances for our employees; factors relating to the satisfaction of the conditions to the proposed transaction with Lockheed Martin, including regulatory approvals and the required approvals of our stockholders; our and Lockheed Martin's ability to meet expectations regarding the timing, completion and accounting and tax treatments of the transaction with Lockheed Martin; the possibility that we may be unable to achieve expected synergies and operating efficiencies in connection with the transaction with Lockheed Martin within the expected time-frames or at all; the integration of the Information Systems & Global Solutions business being acquired from Lockheed Martin being more difficult, time-consuming or costly than expected; the effect of any changes resulting from the proposed transaction in customer, supplier and other business relationships; general market perception of the proposed transaction with Lockheed Martin; exposure to lawsuits and contingencies associated with Lockheed Martin’s Information Systems & Global Solutions business; the mix of our contracts and our ability to accurately estimate costs associated with our firm-fixed-price and other contracts; our ability to realize as revenues the full amount of our backlog; cybersecurity, data security or other security threats, systems failures or other disruptions of our business; resolution of legal and other disputes with our customers and others or legal or regulatory compliance issues; our ability to effectively acquire businesses and make investments; our ability to maintain relationships with prime contractors, subcontractors and joint venture partners; our ability to manage performance and other risks related to customer contracts, including complex engineering or design build projects; the failure of our inspection or detection systems to detect threats; the adequacy of our insurance programs designed to protect us from significant product or other liability claims; our ability to manage risks associated with our international business; our ability to declare future dividends based on our earnings, financial condition, capital requirements and other factors, including compliance with applicable laws and contractual agreements; and our ability to execute our business plan and long-term management initiatives effectively and to overcome these and other known and unknown risks that we face. These are only some of the factors that may affect the forward-looking statements contained in this release. For further information concerning risks and uncertainties associated with our business, please refer to the filings we make from time to time with the U.S. Securities and Exchange Commission, including the “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Legal Proceedings” sections of our latest annual report on Form 10-K and quarterly reports on Form 10-Q, all of which may be viewed or obtained through the Investor Relations section of our web site at www.leidos.com.

All information in this presentation is as of February 18, 2016. The Company expressly disclaims any duty to update the guidance or any other forward-looking statement provided in this presentation to reflect subsequent events, actual results or changes in the Company’s expectations. The Company also disclaims any duty to comment upon or correct information that may be contained in reports published by investment analysts or others.

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Non-GAAP Reconciliations

This presentation includes certain non-GAAP financial measures, such as non-GAAP operating income, non-GAAP income from continuing operations, non-GAAP earnings per share and non-GAAP operating income margin. These non-GAAP financial measures are not meant to be considered in isolation or as a substitute for results prepared in accordance with generally accepted accounting principles in the United States (GAAP). A reconciliation of non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP is included in this presentation and can be found on our website at www.Leidos.com. Leidos management believes that these non-GAAP financial measures provide useful information to investors regarding the Company's financial condition and results of operations as they provide another measure of the Company's profitability, and are considered important measures by financial analysts covering Leidos and its peers.

Note: See slides 17 and 18 for non-GAAP reconciliations.

Executive Summary

- Q4 CY15 Highlights
  - Revenue of $1.3B, +10% yoy
  - Non-GAAP Operating Income margins of 8.2%, +144bps yoy
  - Non-GAAP EPS of $0.78, +13% yoy
  - Cash Flow from Operations: $32M
- CY15 Highlights
  - Revenue of $5.1B, +0.5% yoy
  - Non-GAAP Operating Income margins of 7.4%, +38bps yoy
  - Non-GAAP EPS of $2.89, +13% yoy
  - Cash Flow from Operations: $410M
- Ongoing internal priorities include:
  - People
  - Capabilities
  - Cost Structure

Note: See slides 17 and 18 for non-GAAP reconciliations.

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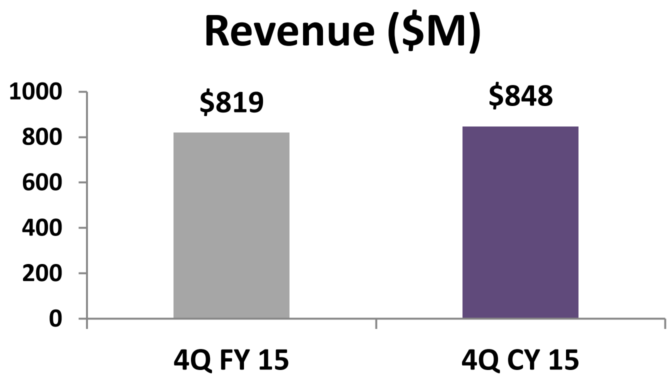
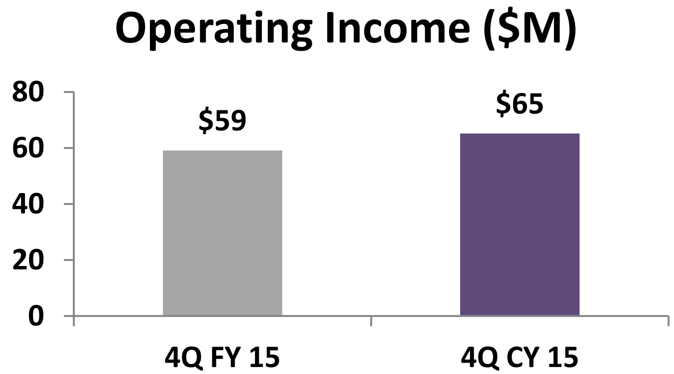
National Security Solutions – Overview





Revenue increased $29M, or 4% yoy, driven by:

- Increase in revenues associated with the U.K. Ministry of Defense program, partially offset by
- Decline in revenues from Overseas Contingency Operations (OCO)
- Non-OCO Revenue increased 7.5%

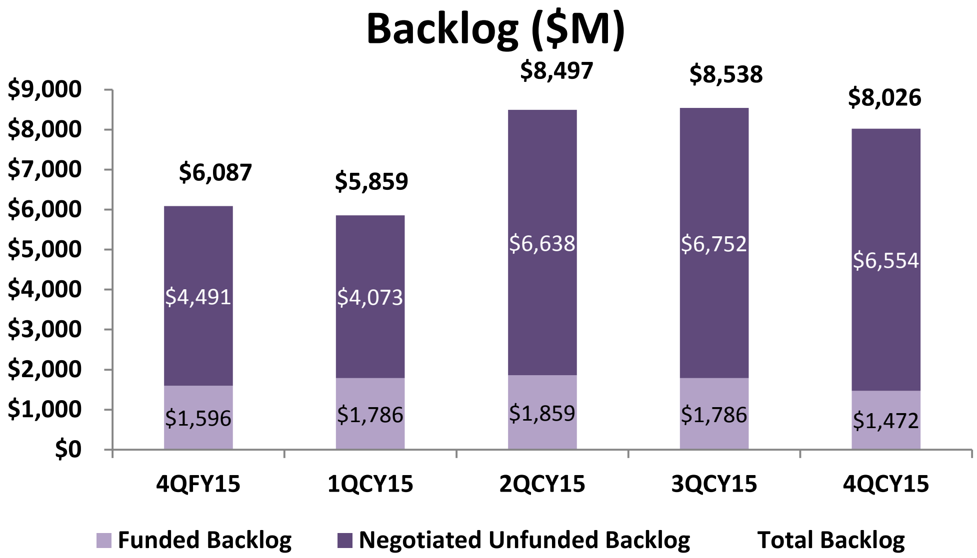
Operating Income:

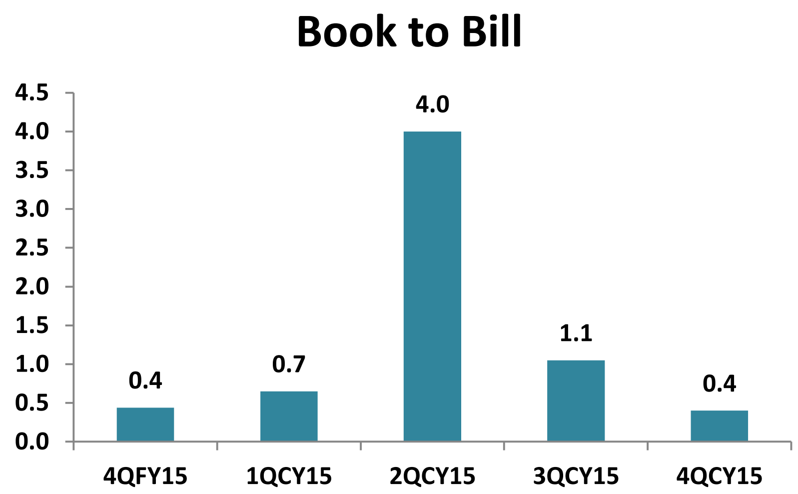
- Operating income increased $6M, or 10% yoy due to improved program performance

Operating Margin:

- Operating income margin of 7.7% increased from the prior year by 50bps

National Security Solutions – Awards & Backlog





- 0.4x book-to-bill for Q4 CY15
- Total bids outstanding of $8.3B at end of Q4 CY15
- Recent notable wins
  - U.S. Army – $662M single award IDIQ
  - U.S. Special Operations Command – $750M multiple award IDIQ
  - Contracts with a value of $127M, by U.S. national security and intelligence clients

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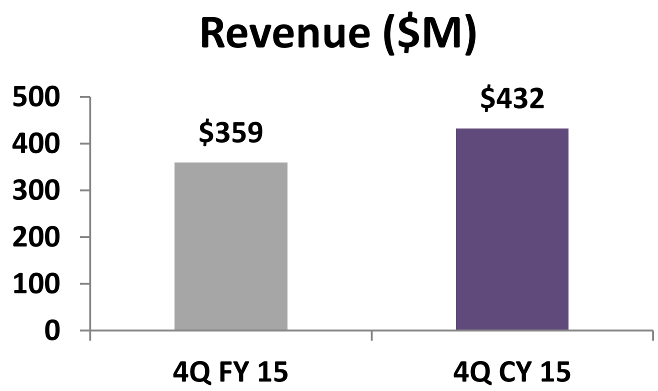
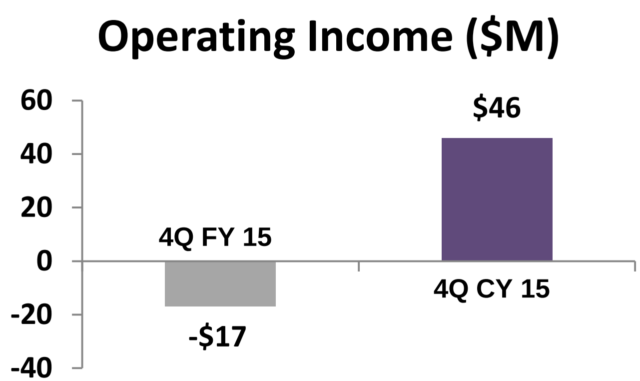
Health and Engineering – Overview





Revenue increased $73M, or 20% yoy, due to:

- Growth in Federal Health business driven by ramp of DHMSM program
- Increase in engineering & security products revenues
- Partially offset by lower volumes in commercial health

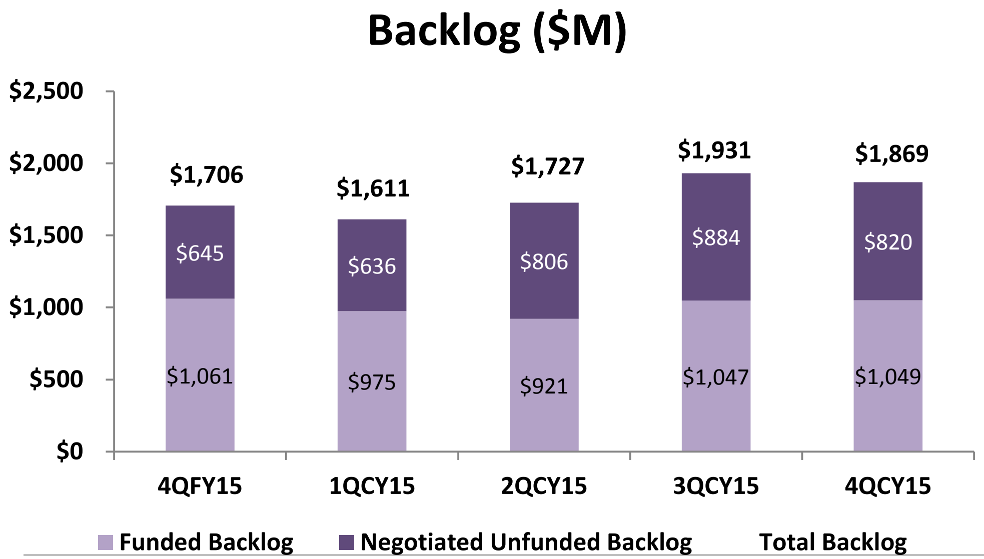
Operating income increased $63M yoy, primarily due to:

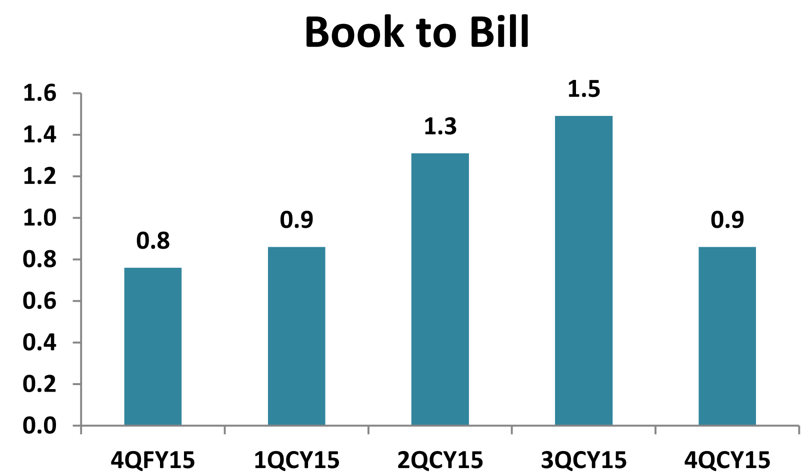
- Higher sales volumes from security products, and reduced indirect expenses
- Prior year period includes $40 million non-cash asset impairment charge related to the sale of Plainfield

Operating margin:

- Operating margin of 10.6% grew significantly compared to -4.7% in the prior year period

Health and Engineering – Awards & Backlog





- 0.9x book-to-bill for Q4 CY15
- Total bids outstanding of $2.6B at end of Q4 CY15
- Recent notable wins
  - National Institutes of Health – $17M Task Order

Leidos Calendar Year 2016 Guidance

Revenue	$5.1B to $5.3B
Non-GAAP Diluted EPS*	$2.75 to $2.95
Cash Flow from Continuing Operations	At or above $275M

* For a definition of Non-GAAP Diluted EPS please see slide 19.

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Profit and Loss – GAAP

	4QCY15	4QFY15	Percentage Change
	(in millions, except for per share amounts)		
Revenues	$ 1,281	$ 1,169	*10%*
Cost of revenues	1,124	1,017	
Selling, general and administrative expenses	52	73	
Asset impairment charges	-	40	
Restructuring expenses	3	2	
Operating income	102	37	*176%*
Operating income margin	*8.0%*	*3.2%*	
Interest expense, net	(12)	(17)	
Other income, net	83	4	
Income from continuing operations before income taxes	173	24	
Income tax (expense) benefit	(46)	2	
Income from continuing operations	**127**	**26**	
Diluted EPS from continuing operations	**$ 1.72**	**$ 0.35**	

Profit and Loss – Non-GAAP

	4QCY15	4QFY15	Percentage Change
	(in millions, except for per share amounts)		
Revenues	$ 1,281	$ 1,169	*10%*
Cost of revenues	1,124	1,017	
Selling, general and administrative expenses	52	73	
Non-GAAP operating income from continuing operations[1]	105	79	*33%*
Non-GAAP operating income margin	*8.2%*	*6.8%*	
Interest expense, net	(12)	(17)	
Other income, net	1	4	
Non-GAAP income from continuing operations before income taxes	94	66	
Income tax expense	(36)	(14)	
Non-GAAP income from continuing operations[2]	**58**	**52**	
Non-GAAP diluted EPS from continuing operations	**$ 0.78**	**$ 0.69**	

[1] Non-GAAP operating income from continuing operations excludes asset impairment charges of $40 million for 4Q FY15 and restructuring expenses of $3 million and $2 million for 4Q CY15 and 4Q FY15, respectively. See slides 17 and 18 for the reconciliation of non-GAAP operating income and EPS to GAAP operating income and EPS.
[2] Non-GAAP income from continuing operations excludes a gain on a real estate sale of $82 million for 4Q CY15. See slides 18 and 19 for the reconciliation of non-GAAP EPS to GAAP EPS.

Appendices

Working Days per Quarter
GAAP Financial Information
Non-GAAP Financial Information
Calendar Year 2015 Reconciliation to Transition Period

Working Days per Quarter

	Q1	Q2	Q3	Q4	Year Total
CY15	63	63	64	61	251
FY15	64	63	64	60	251
(Decrease) / Increase	(1)	0	0	1	0

Note 1: In March 2015, Leidos announced a change in its fiscal year end from the Friday nearest the end of January to the Friday closest to the end of December. The first quarter results are for the three months ended April 3, 2015, which includes the last month of the previous fiscal year ended January 30, 2015. Calendar Year 2015 (CY15) refers to the period from January 3, 2015 – January 1, 2016.

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Historical Financials – Segment Income Statement

	1QFY15	2QFY15	3QFY15	4QFY15	FY15	1QCY15	2QCY15	3QCY15	4QCY15	CY15
					(in millions)					
National Security Segment										
Revenues	$ 944	$ 925	$ 906	$ 819	**$ 3,594**	$ 862	$ 879	$ 878	$ 848	**$ 3,467**
Operating income	$ 77	$ 78	$ 72	$ 59	**$ 286**	$ 62	$ 74	$ 78	$ 65	**$ 279**
Health & Engineering Segment										
Revenues	$ 372	$ 381	$ 373	$ 359	**$ 1,485**	$ 385	$ 379	$ 418	$ 432	**$ 1,614**
Operating income (loss)	$ 23	$ (482)	$ 4	$ (17)	**$ (472)**	$ (7)	$ (7)	$ 13	$ 46	**$ 45**
Corporate										
Revenues	$ (4)	$ -	$ (3)	$ (9)	**$ (16)**	$ (1)	$ (1)	$ 6	$ 1	**$ 5**
Operating (loss) income	$ (13)	$ (6)	$ (4)	$ (5)	**$ (28)**	$ (17)	$ (3)	$ 3	$ (9)	**$ (26)**
Total Continuing Operations										
Revenues	$ 1,312	$ 1,306	$ 1,276	$ 1,169	**$ 5,063**	$ 1,246	$ 1,257	$ 1,302	$ 1,281	**$ 5,086**
Operating income (loss)	$ 87	$ (410)	$ 72	$ 37	**$ (214)**	$ 38	$ 64	$ 94	$ 102	**$ 298**

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Historical Financials — Income Statement

(in millions, except for per share amounts)

	1QFY15	2QFY15	3QFY15	4QFY15	FY15	1QCY15	2QCY15	3QCY15	4QCY15	CY15
Revenues	**$ 1,312**	**$ 1,306**	**$ 1,276**	**$ 1,169**	**$ 5,063**	**$ 1,246**	**$ 1,257**	**$ 1,302**	**$ 1,281**	**$ 5,086**
Cost of revenues	1,141	1,119	1,115	1,017	**4,392**	1,093	1,113	1,138	1,124	**4,468**
Selling, general and administrative expenses[1]	83	87	72	73	**315**	73	51	65	52	**241**
Goodwill impairment charges	-	486	-	-	**486**	-	-	-	-	**-**
Asset impairment charges	-	24	17	40	**81**	40	29	4	-	**73**
Restructuring expenses	1	-	-	2	**3**	2	-	1	3	**6**
Operating income (loss) from continuing operations	**$ 87**	**$ (410)**	**$ 72**	**$ 37**	**$ (214)**	**$ 38**	**$ 64**	**$ 94**	**$ 102**	**$ 298**
Non-operating income (expense):										
Interest expense, net	(20)	(19)	(18)	(17)	**(74)**	(14)	(14)	(14)	(12)	**(54)**
Other income (expense), net	2	(1)	-	4	**5**	(1)	2	-	83	**84**
Income (loss) from continuing operations before income taxes	69	(430)	54	24	**(283)**	23	52	80	173	**328**
Income tax (expense) benefit	(24)	(9)	(16)	2	**(47)**	-	(15)	(31)	(46)	**(92)**
Income (loss) from continuing operations	**$ 45**	**$ (439)**	**$ 38**	**$ 26**	**$ (330)**	**$ 23**	**$ 37**	**$ 49**	**$ 127**	**$ 236**
Diluted earnings (loss) per share from continuing operations	**$ 0.57**	**$ (5.93)**	**$ 0.51**	**$ 0.35**	**$ (4.46)**	**$ 0.31**	**$ 0.50**	**$ 0.67**	**$ 1.72**	**$ 3.19**
Diluted weighted average number of shares outstanding	**78**	**74**	**74**	**75**	**74**	**75**	**74**	**73**	**74**	**74**

[1] Selling, general and administrative expenses includes bad debt expense of $9 million for calendar year 2015 and $5 million for fiscal 2015, respectively.

Note: Earnings per share are computed independently for each of the quarters presented and therefore may not sum to the total for the fiscal year.

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Historical Financials — Non-GAAP Income Statement

	1QFY15	2QFY15	3QFY15	4QFY15	FY15	1QCY15	2QCY15	3QCY15	4QCY15	CY15
	(in millions, except for per share amounts)									
Revenues	**$ 1,312**	**$ 1,306**	**$ 1,276**	**$ 1,169**	**$ 5,063**	**$ 1,246**	**$ 1,257**	**$ 1,302**	**$ 1,281**	**$ 5,086**
Cost of revenues	1,141	1,119	1,115	1,017	**4,392**	1,093	1,113	1,138	1,124	**4,468**
Selling, general and administrative expenses[1]	83	87	72	73	**315**	73	51	65	52	**241**
Non-GAAP operating income from continuing operations[2]	**$ 88**	**$ 100**	**$ 89**	**$ 79**	**$ 356**	**$ 80**	**$ 93**	**$ 99**	**$ 105**	**$ 377**
Non-operating income (expense) :										
Interest expense, net	(20)	(19)	(18)	(17)	**(74)**	(14)	(14)	(14)	(12)	**(54)**
Other income (expense), net	2	(1)	-	4	**5**	(1)	2	-	1	**2**
Non-GAAP income from continuing operations before income taxes	70	80	71	66	**287**	65	81	85	94	**325**
Non-GAAP income tax expense	(24)	(34)	(23)	(14)	**(95)**	(16)	(27)	(32)	(36)	**(111)**
Non-GAAP income from continuing operations[3]	**$ 46**	**$ 46**	**$ 48**	**$ 52**	**$ 192**	**$ 49**	**$ 54**	**$ 53**	**$ 58**	**$ 214**
Non-GAAP diluted earnings per share from continuing operations	**$ 0.59**	**$ 0.61**	**$ 0.65**	**$ 0.69**	**$ 2.56**	**$ 0.65**	**$ 0.73**	**$ 0.73**	**$ 0.78**	**$ 2.89**
Non-GAAP diluted weighted average number of shares outstanding	**78**	**75**	**74**	**75**	**75**	**75**	**74**	**73**	**74**	**74**

[1] Selling, general and administrative expenses includes bad debt expense of $9 million for calendar year 2015 and $5 million for fiscal 2015, respectively.
[2] Non-GAAP operating income from continuing operations excludes asset impairment charges and restructuring expenses. See slides 17 and 18 for the reconciliation of non-GAAP operating income and EPS to GAAP operating income (loss) and EPS.
[3] Non-GAAP income from continuing operations excludes a gain on a real estate sale. See slides 18 and 19 for the reconciliation of non-GAAP EPS to GAAP EPS.

Note: Earnings per share are computed independently for each of the quarters presented and therefore may not sum to the total for the fiscal year.

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Non-GAAP Operating Income Reconciliation

	1QFY15	2QFY15	3QFY15	4QFY15	FY15	1QCY15	2QCY15	3QCY15	4QCY15	CY15
					(in millions)					
GAAP operating income (loss) from continuing operations	**$ 87**	**$ (410)**	**$ 72**	**$ 37**	**$ (214)**	**$ 38**	**$ 64**	**$ 94**	**$ 102**	**$ 298**
Asset impairment charges	-	510	17	40	**567**	40	29	4	-	**73**
Restructuring expenses	1	-	-	2	**3**	2	-	1	3	**6**
Non-GAAP operating income from continuing operations	**$ 88**	**$ 100**	**$ 89**	**$ 79**	**$ 356**	**$ 80**	**$ 93**	**$ 99**	**$ 105**	**$ 377**
Non-GAAP operating income margin	*6.7%*	*7.7%*	*7.0%*	*6.8%*	***7.0%***	*6.4%*	*7.4%*	*7.6%*	*8.2%*	***7.4%***

Note: Please see description of non-GAAP operating income on slide 19.

Non-GAAP EPS Reconciliation

	1QFY15	2QFY15	3QFY15	4QFY15	FY15	1QCY15	2QCY15	3QCY15	4QCY15	CY15
	(in millions, except for per share amounts)									
GAAP income (loss) from continuing operations	**$ 45**	**$ (439)**	**$ 38**	**$ 26**	**$ (330)**	**$ 23**	**$ 37**	**$ 49**	**$ 127**	**$ 236**
Asset impairment charges	-	510	17	40	**567**	40	29	4	-	**73**
Restructuring expenses	1	-	-	2	**3**	2	-	1	3	**6**
Gain on a real estate sale	-	-	-	-	**-**	-	-	-	(82)	**(82)**
Total non-GAAP adjustments	**$ 1**	**$ 510**	**$ 17**	**$ 42**	**$ 570**	**$ 42**	**$ 29**	**$ 5**	**$ (79)**	**$ (3)**
Adjustment to the income tax provision to reflect non-GAAP adjustments[1]	-	(25)	(7)	(16)	**(48)**	(16)	(12)	(1)	10	**(19)**
Non-GAAP income from continuing operations	**$ 46**	**$ 46**	**$ 48**	**$ 52**	**$ 192**	**$ 49**	**$ 54**	**$ 53**	**$ 58**	**$ 214**
GAAP diluted earnings (loss) per share from continuing operations[2]	**$ 0.57**	**$ (5.93)**	**$ 0.51**	**$ 0.35**	**$ (4.46)**	**$ 0.31**	**$ 0.50**	**$ 0.67**	**$ 1.72**	**$ 3.19**
Total adjustments from non-GAAP income from continuing operations, above[2]	$ 0.02	$ 6.54	$ 0.14	$ 0.34	**$ 7.02**	$ 0.34	$ 0.23	$ 0.06	$ (0.94)	**$ (0.30)**
Non-GAAP diluted earnings per share from continuing operations[2]	**$ 0.59**	**$ 0.61**	**$ 0.65**	**$ 0.69**	**$ 2.56**	**$ 0.65**	**$ 0.73**	**$ 0.73**	**$ 0.78**	**$ 2.89**
Diluted Shares (for computing Non-GAAP EPS)	**78**	**75**	**74**	**75**	**75**	**75**	**74**	**73**	**74**	**74**

[1] Calculation uses an estimated statutory tax rate on non-GAAP tax deductible adjustments.

[2] Earnings per share are computed independently for each of the quarters presented and therefore may not sum to the total for the fiscal year.

Note 1: Please see description of non-GAAP EPS on slide 19.

Non-GAAP Definitions

The Company's computation of non-GAAP operating income and non-GAAP diluted earnings per share from continuing operations, which may not be comparable to a similarly titled measure reported by other companies, uses GAAP operating income (loss) and income (loss) from continuing operations, respectively, adjusted to exclude the impact of discrete events such as separation transaction expenses, restructuring expenses, business acquisition and integration costs, gains and losses on disposal of assets and businesses, and impairments.

Non-GAAP operating income and non-GAAP diluted earnings per share are adjusted for the following discrete items:

- Asset impairment charges – This adjustment represents impairments of goodwill and long-lived intangible and tangible assets.
- Restructuring expenses – This adjustment represents costs for lease termination and facility consolidation including costs associated with the Company's September 2013 spin-off of its former technical services and enterprise IT business.
- Gain on a real estate sale – This adjustment represents the gain on the sale of the remaining building and land associated with the Company's former headquarters.

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Calendar Year 2015 Reconciliation to Transition Period

As a result of the Company's fiscal year end change, the Company's Annual Report on Form 10-K to be filed with the Securities Exchange Commission on or before March 1, 2016 will cover the 11-month period from January 31, 2015 to January 1, 2016 (transition period) as its Transition Report. This presentation covers the 12-month period from January 3, 2015 to January 1, 2016 (calendar year 2015). Below is a reconciliation of income from continuing operations from calendar year 2015 to the transition period.

	CY15		1 Month Ended January 30, 2015		11 Months Ended January 1, 2016	
	(in millions, except for per share amounts)					
Revenues	**$**	**5,086**	**$**	**374**	**$**	**4,712**
Cost of revenues		4,468		322		4,146
Selling, general and administrative expenses[1]		241		32		209
Asset impairment charges		73		40		33
Restructuring expenses		6		2		4
Operating income (loss) from continuing operations	**$**	**298**	**$**	**(22)**	**$**	**320**
Non-operating income (expense):						
Interest expense, net		(54)		(5)		(49)
Other income, net		84		-		84
Income (loss) from continuing operations before income taxes		328		(27)		355
Income tax (expense) benefit		(92)		20		(112)
Income (loss) from continuing operations	**$**	**236**	**$**	**(7)**	**$**	**243**
Basic earnings (loss) per share from continuing operations	**$**	**3.23**	**$**	**(0.10)**	**$**	**3.33**
Diluted earnings (loss) per share from continuing operations	**$**	**3.19**	**$**	**(0.09)**	**$**	**3.28**

[1] Selling, general and administrative expenses includes bad debt expense of $9 million and $8 million for calendar year 2015 and the 11 months ended January 1, 2016, respectively.