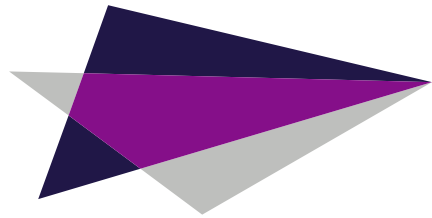


Leidos Investor Day

Waldorf Astoria Hotel – New York, NY

September 11, 2013





leidos

Forward-Looking Statements

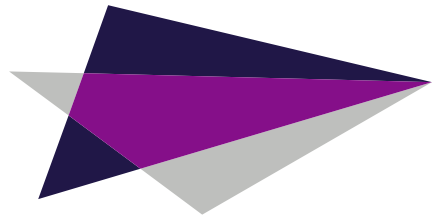
Certain statements in this presentation contain or are based on "forward-looking" information within the meaning of the Private Litigation Reform Act of 1995. In some cases, you can identify forward-looking statements by words such as "expects," "intends," "plans," "anticipates," "believes," "estimates" and similar words or phrases. Forward-looking statements in this presentation include, among others: our intent to separate into two independent publicly traded companies as a result of the proposed spin-off and the timing of the proposed transaction; revenue, growth, profitability and cost-efficiency expectations for the company following the spin-off; the expectation that the spin-off will be tax-free; statements regarding the resources, potential, priorities, competitive positioning, opportunities and addressable markets for the company following the spin-off; expectations about future regular or special dividends, stock repurchases and other anticipated 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 forward-looking statements made in these slides depending on a variety of factors, including: 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 or approval to raise the U.S. debt ceiling; delays in the U.S. Government contract procurement process or the award of contracts; delays or loss of contracts as result of competitor protests; changes in U.S. Government procurement rules, regulations and practices; 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 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; our ability to accurately estimate costs associated with our firm-fixed-price and other contracts; our ability to comply with certain agreements entered into in connection with the CityTime matter; 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; risks associated with the proposed spin-off of our technical, engineering and enterprise information technology services business, such as disruption to business operations, unanticipated expenses, significant transaction costs and/or liabilities, the timing of the spin-off or a failure to complete the proposed spin-off or realize the expected benefits of the proposed spin-off; 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 these slides. 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.

All information in this presentation is as of September 11, 2013. The Company expressly disclaims any duty to update the 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.

Investor Day—Wednesday, September 11th

START	STOP	DURATION (mins)	TOPIC
7:30	8:25	55	Registration and Continental Breakfast
8:25	8:30	5	Opening Remarks and Introductions: John Sweeney, Investor Relations
8:30	8:50	20	Introduction and Company Overview: John Jumper, CEO
8:50	9:20	30	Strategy and Operations: Stu Shea, President & Chief Operating Officer
9:20	9:40	20	CEO and COO Q&A
9:40	10:10	30	National Security: Lou Von Thaer, Sector President
10:10	10:30	20	National Security: Q&A
10:30	10:45	15	Break
10:45	11:15	30	Health and Engineering: Joe Craver, Sector President
11:15	11:35	20	Health and Engineering: Q&A
11:35	11:40	15	Financial: Mark Sopp, Chief Financial Officer
11:40	12:00	20	Financial: Q&A
12:00	12:15	15	Closing Remarks: John Jumper, CEO



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Introduction and Company Overview— John Jumper

CEO



Unlocking The Value of Leidos

- ▶ \$200M+ cost savings with more to come in FY15
- ▶ Emphasize profit growth over top line revenue
 - Target 10.0% EPS annual growth
 - Continuous improvement driving lower rates & higher margin
- ▶ Strong cash generation: priority return to shareholders
 - \$400M annual operating cash flow
- ▶ Stable business base: doing the important things
 - Intelligence, Health, Energy, Environment
- ▶ Technology leverage: deep analytics, cybersecurity
- ▶ Remove Organizational Conflict of Interest

What Has Changed...

Our Transformation

Old SAIC

- ▶ 1,000 flowers blooming and internal competition
- ▶ Organizational Conflicts of Interest
- ▶ Higher cost structure
- ▶ M&A-focused capital deployment
- ▶ Cash on the balance sheet

Leidos

- ▶ Optimized portfolios, shared resources and leveraged technology
- ▶ Free to pursue more business
- ▶ Designed to cost
- ▶ Return-focused capital deployment
- ▶ Cash returned to shareholders

Our Key Leaders With You Today

JOHN JUMPER

Chairman and Chief
Executive Officer



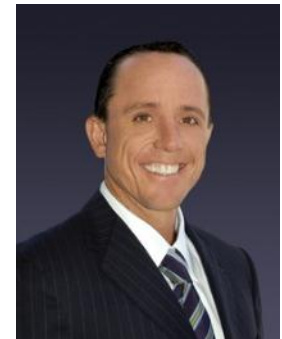
STU SHEA

President and Chief
Operating Officer



MARK SOPP

Chief Financial
Officer



**JOE
CRAVER**

President,
Health and
Engineering Sector



LOU VON THAER

President,
National Security
Sector



Aligned in Their Vision for the Company



Our Board of Directors



JOHN P. JUMPER
Chairman & Chief
Executive Officer



DAVID G. FUBINI
Director



JOHN J. HAMRE
Director



MIRIAM E. JOHN
Director



ANITA K. JONES
Director



HARRY M. J. KRAEMER, JR.
Director



LAWRENCE C. NUSSDORF
Director



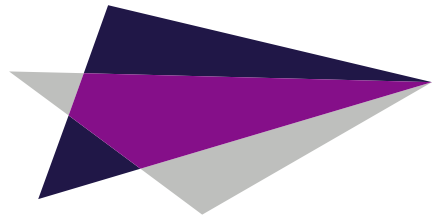
ROBERT S. SHAPARD
Director



NOEL B. WILLIAMS
Director

Investment Rational

- ▶ Stable National Security Sector revenues combined with growth opportunities in Health and Engineering
- ▶ Removal of organizational conflicts of interest
- ▶ Continuous improvement to drive down costs
- ▶ Target operating margin of 8.0%+
- ▶ Low Cap Ex requirements
- ▶ Strong operating cash generation: Target \$400M + operating cash flow in FY15
- ▶ Return Value to Shareholder
 - Attractive dividend yield
 - Priority on returning cash to shareholders
 - Higher threshold for acquisitions



leidos

Strategy and Operations— Stu Shea

PRESIDENT AND CHIEF OPERATING OFFICER



Executing on Our Vision

- ▶ Why Leidos Matters
- ▶ Who We Are
- ▶ What Makes Us Distinctive
- ▶ What is Our Value Proposition
- ▶ What You Should Expect From Us

Why Leidos Matters: Convergence of Megatrends



Giving Rise to Opportunities in Enduring Markets That Matter



Securing the Future

Helping make our communities, our nation and our world a better place for generations to come.

National Security

Delivering innovative solutions that help protect freedom in all domains — air, land, sea, space and cyberspace.



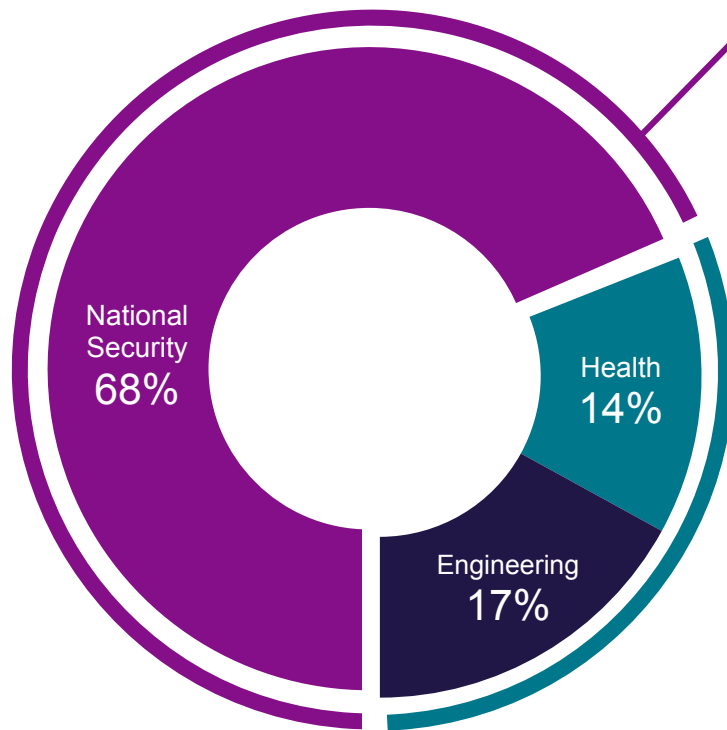
Health

Advancing health technology to improve patient care, reduce healthcare costs, and enhance public health.

Engineering

Passionate about protecting our environment and making energy supply and delivery smarter, cleaner, and more reliable.

Who We Are



FY2014 revenues: ~\$6B

National Security Sector

- ▶ ~\$4B revenue
- ▶ 13,500 employees with >10,500 possessing DoD, TS/SCI, SAP/SAR, and DoE security clearances
- ▶ 99% government, <1% commercial
- ▶ Critical mission support for intelligence community
- ▶ C4ISR R&D and solutions for DoD
- ▶ Industry-leading cybersecurity capabilities

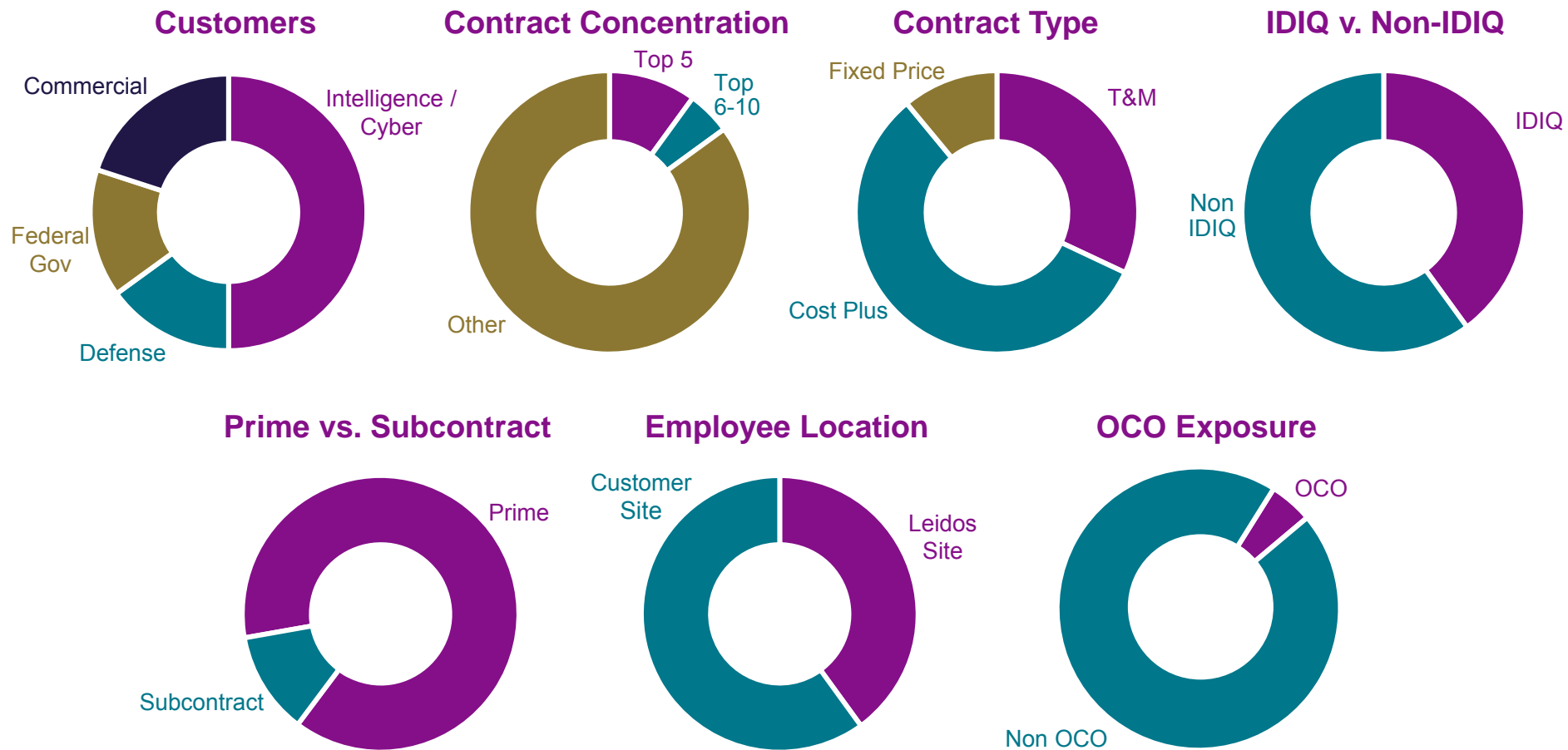
Health & Engineering Sector

- ▶ ~\$2B revenue
- ▶ 9,500 employees
- ▶ 63% commercial, 37% government
- ▶ Healthcare information technology, electronic health records, and advanced data analytics
- ▶ Health and life science / clinical research
- ▶ Energy grid and critical infrastructure design and integration

Solutions That Secure Our Future and Our Way of Life



Revenue Composition

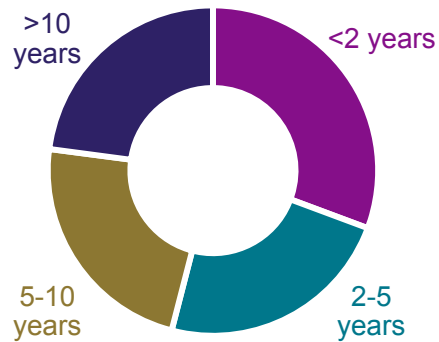


Diversified and Stable Revenue Base, Low Concentration Risk

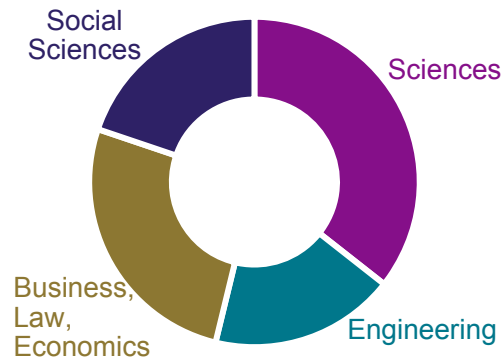


We Have the Right Team

Years of Service



Concentration



Top Operating Locations

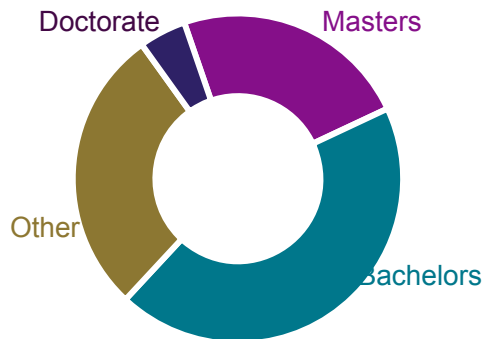
United States

- ▶ Washington, DC (26%)
- ▶ Baltimore, MD (16%)
- ▶ San Diego, CA (6%)
- ▶ Boston, MA (3%)
- ▶ Orlando, FL (3%)
- ▶ Dayton, OH (2%)
- ▶ St. Louis, MO (2%)
- ▶ Pensacola, FL (2%)
- ▶ Knoxville, TN (1%)
- ▶ Oklahoma City, OK (1%)

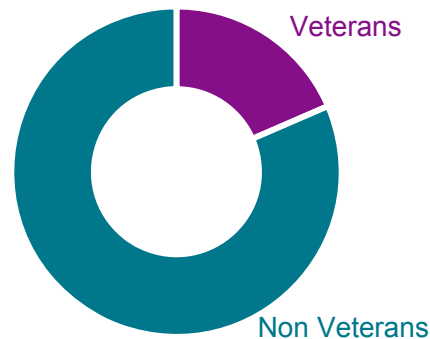
International

- ▶ Afghanistan
- ▶ Kuwait
- ▶ Germany
- ▶ Canada
- ▶ Japan
- ▶ Korea
- ▶ Australia
- ▶ United Kingdom
- ▶ Italy
- ▶ Iraq

Degrees



Veterans



A Balanced, Well-Educated Workforce Capable of Creating the Right Solutions



What Makes Us Distinctive: Rich Markets

One company in three opportunity rich markets of global importance

National Security (\$94B)

- Drive leading C4ISR solutions in challenging mission environments across all operational regimes
- Focus on agile, mission-critical integration
- Exploit & leverage technology for mission advantage

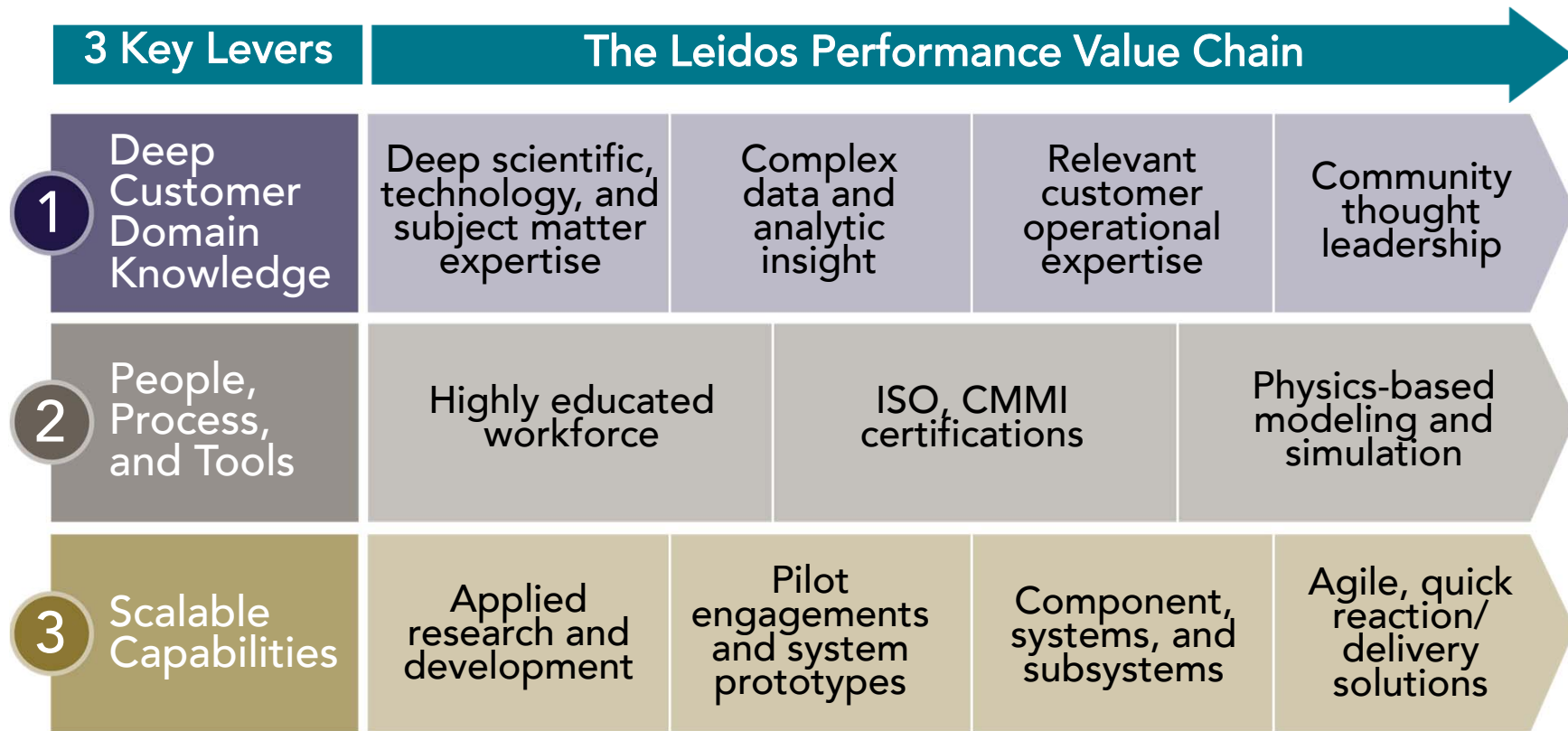
Health (\$43B)

- Improve access and quality of healthcare by driving digitization, interoperability and personalized medicine
- Evolve value-based healthcare through data analytics
- Embed cybersecurity for privacy protection

Engineering (\$80B)

- Expand commercially and internationally to meet global infrastructure and natural resource needs
- Build on IT, analytics and engineering capabilities
- Bring science & technology solutions

What Makes Us Distinctive: Competitive Levers



Leidos' 3 Competitive Levers are Unique, Complete, and Proven



What Makes Us Distinctive: Solutions That Work

One company with Three Unique Levers

1 Deep Customer Domain Knowledge

- ▶ Practical operational knowledge
- ▶ Embedded with our customer community
- ▶ Critical to mission success
- ▶ Respected community thought leadership

2 People, Processes, and Tools

- ▶ Agile development processes
- ▶ Repeatable processes
- ▶ Reliable integrators
- ▶ Physics-based modeling and simulation
- ▶ Science and technology heritage

3 Scalable Capabilities

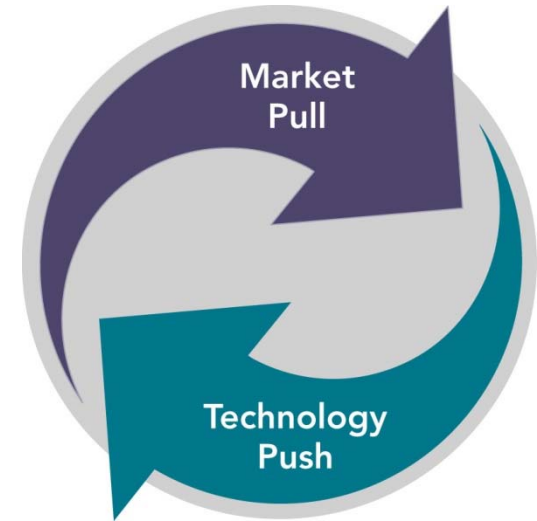
- ▶ Concept to creation
- ▶ Information-enabled engineering
- ▶ Advanced data analytics
- ▶ Full range of CyberSecurity
- ▶ Appropriate solutions

Our Strategy Gives Us a Roadmap for Meeting Our Objectives



What Makes Us Distinctive: Information-Driven Capabilities

- ▶ Achieving technology leverage
 - **Market pull** is enabled by technology
 - ▶ Provides channel access to customers
 - **Technology push** is informed by the market
 - ▶ Retains the imperative of innovation
- ▶ Opportunity to scale
 - Diverse markets share common technical challenges
 - ▶ Health market drowning in data and need to offset demanding regulatory challenges
 - ▶ Future of a highly-interconnected infrastructure (energy sensors)
 - Additional investments key capabilities



Enterprise Strategy, Focused Leadership, and Repeatable Solutions  **leidos**

Leidos Investment Thesis

- ▶ Compelling vision and performance objectives
- ▶ Balanced financial strategy
- ▶ Repeatable operating model
- ▶ Aggressive portfolio management
- ▶ Common core of information-driven capabilities
- ▶ Proximity and criticality to operators & customers
- ▶ Continually optimized cost structure

What You Should Expect From Us: Performance

- ▶ Maintain discipline
 - Laser-focused on core markets
 - Controlled adjacencies
- ▶ Expanding commercial portfolio
- ▶ Technology sharing
 - Increased, shared investment
- ▶ Economic profit improvement
 - Quality revenues
 - Educated workforce
 - Higher margin expectations
- ▶ Perform on current contracts
 - Early contract reviews
 - Integrated early warning system
- ▶ Divestitures and monetization
 - Portfolio shaping
- ▶ Better return of capital to shareholders
- ▶ Continuous attention to cost efficiencies
 - Improved business ecosystems

National Security



Engineering

Health

Cybersecurity

National Security— Lou Von Thaer

SECTOR PRESIDENT



National Security Sector - Positioned for Success

- ▶ ~\$4B in revenues
- ▶ NSS capabilities aligned to address our Nation's vast Intelligence & Defense requirements
- ▶ Intelligence collection, analysis and exploitation of data expertise are indispensable in today's world
 - Comprises 80% of NSS revenues
- ▶ New multibillion dollar OCI-deconflicted markets available to pursue
- ▶ Forty-four year track record of winning competitively and executing
- ▶ Highly regarded industry reputation
 - Adept at rapidly developing and producing cost-effective solutions

Market Shift Plays to Leidos' Advantage

PHYSICAL REALM



DIGITAL REALM



OPERATIONAL REALM

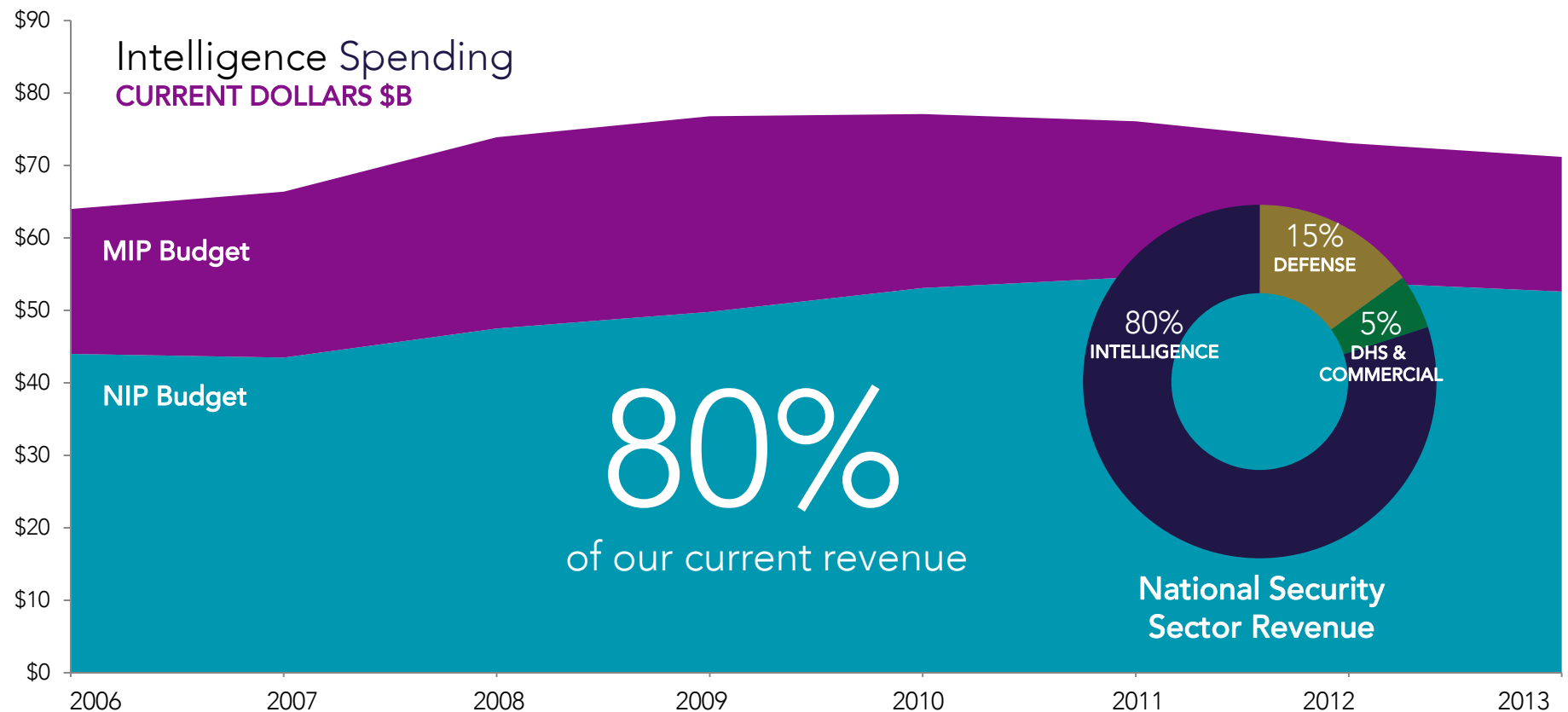


CONVERGENCE

Leidos
Information
Enabled
Solutions

In the future, those that control the
information will control greater
portions of the budget

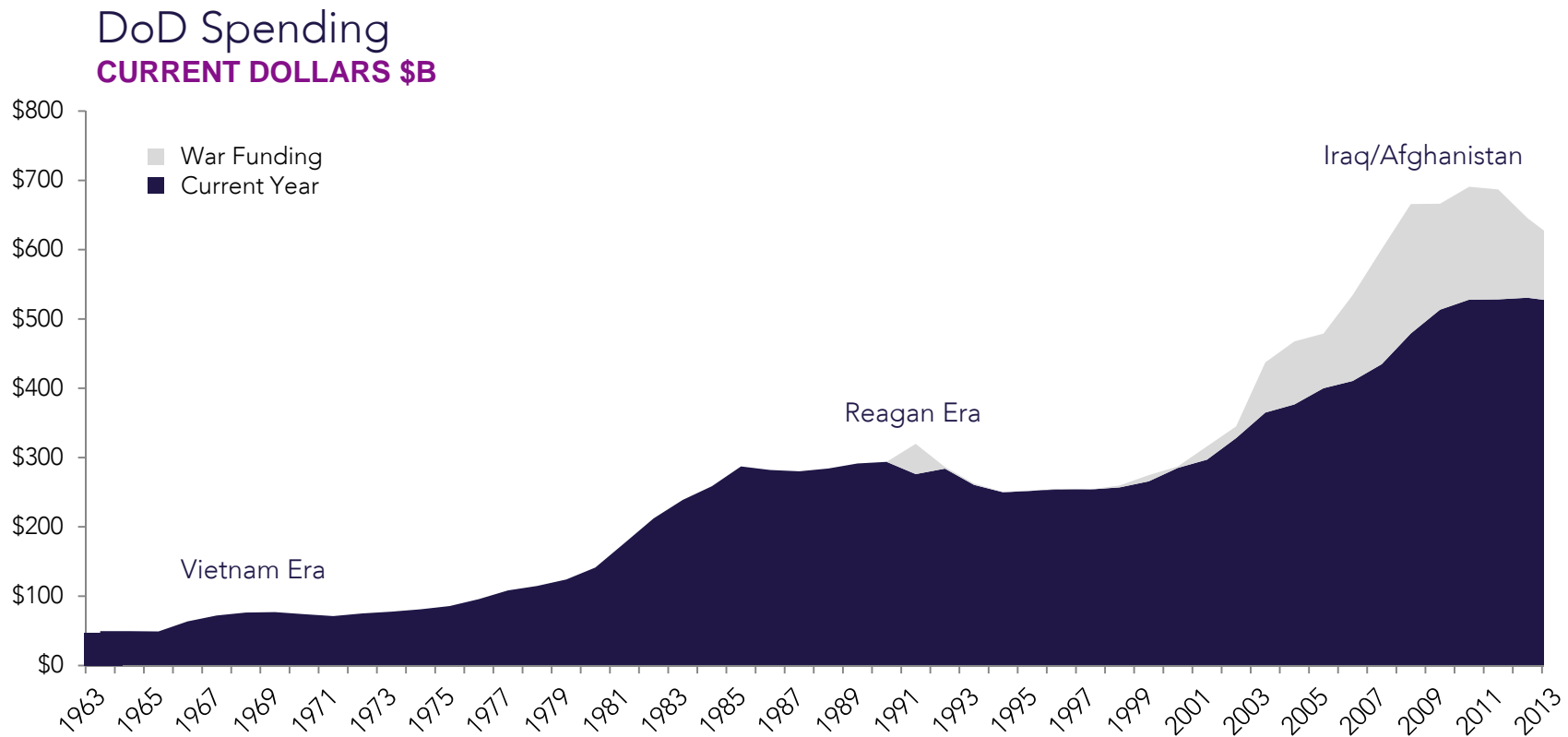
Disclosed US Government Intelligence Budget



Key contributors to U.S. intelligence for four decades

Sources: DNI disclosure of National Intelligence Budget & DoD Green Book; USD not adjusted for inflation.

Expanding Growth Into Defense Market

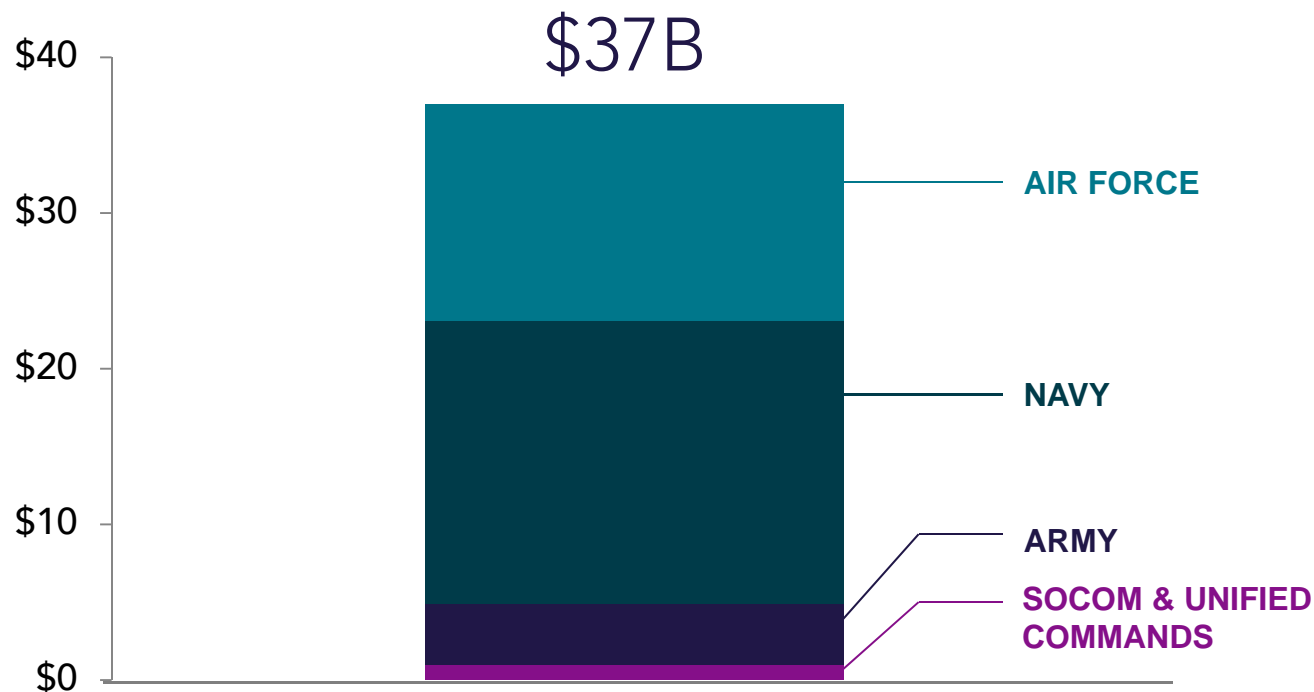


Long-term growing market

Source: DoD Green Book, USD not adjusted for inflation

National Security Sector Unconstrained Markets

- ▶ Addressable market increases dramatically upon separation
- ▶ Significant opportunity space in long term Defense budgets





**Critical Mission Support in all Operational Domains:
Air, Land, Sea, Space and Cyberspace**



National Security at a Glance

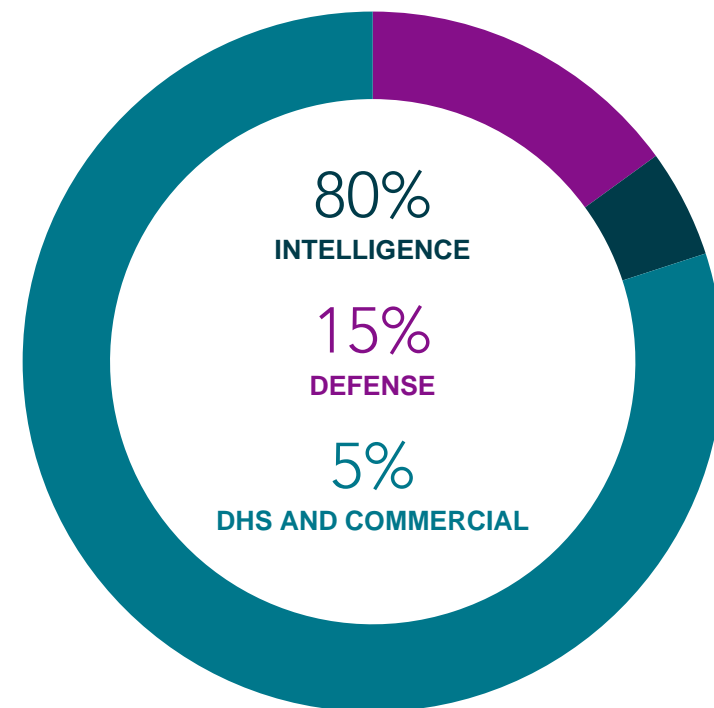
OUR CORE RESOURCES...

13,500
PROFESSIONALS

10,500
WITH SECURITY CLEARANCES

Broad technology,
development and
integration capabilities

CONTRIBUTE TO OUR CUSTOMER MISSIONS...



National Security at a Glance

BUSINESS SEGMENT	REVENUE PERCENTAGE	ADDRESSABLE MARKET
Technology	25%	\$47B
Intelligence	60%	\$23B
Cybersecurity	15%	<u>\$24B</u>
		\$94B

Increase of \$37 Billion in Addressable Market



National Security at a Glance

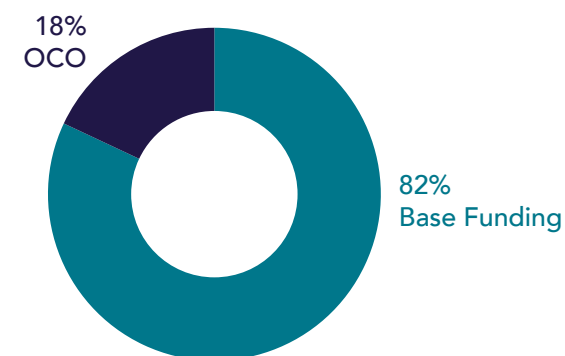
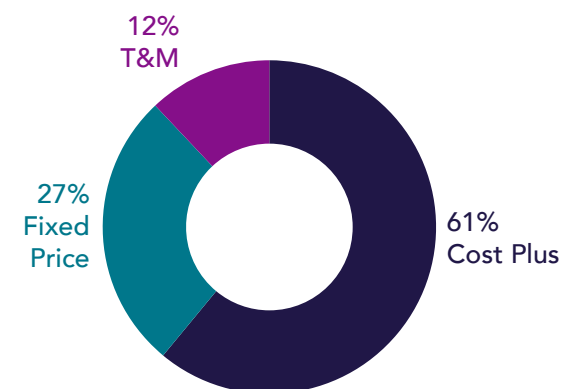
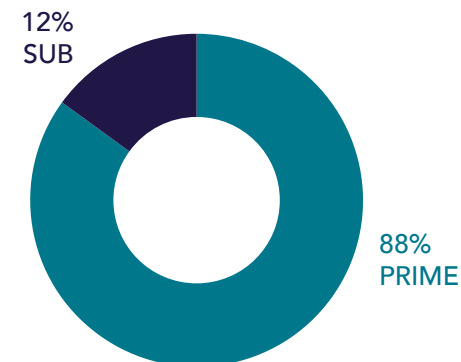
- ▶ Diversified contract base
- ▶ Top 10 contracts < 25% of total revenues
- ▶ 9 of Top 10 contracts in stable intelligence market

FY14 Top Contracts

PROGRAM	REVENUE	BUSINESS SEGMENT
Classified	\$154M	Intelligence
Saturn Arch	\$140M	Technology
GGI	\$102M	Intelligence
MRAP JLI	\$ 99M	Intelligence
Classified	\$ 97M	Cyber
Classified	\$ 86M	Cyber
Classified	\$ 85M	Cyber
Buckeye	\$ 79M	Technology
Blue Devil	\$ 72M	Technology
Joint Intel Ops Center	\$ 70M	Intelligence

History as a Fierce Competitor

- ▶ Proximity to operators & deep domain expertise
- ▶ Capabilities address emerging market needs
 - Rapidly deploy cost-effective technical solutions
 - Advanced analytics to solve complex information problems
 - Cybersecurity to defend critical missions and systems
- ▶ Well positioned in market for revenue & profit growth
 - Market leader with prime contracts
 - Broad and established base
 - Positioned for OCI deconflicted defense market
 - Streamlined infrastructure with costs reduced 15%
- ▶ Prolific business development engine
 - 60% increase in proposal submissions
 - \$7B of bids pending award
 - Additional \$7B of IDIQ bids submitted
 - Competitive win rate (50 – 65%)



Leidos National Security Strategy

Consistent, Reliable, Secure Technology and Information Globally for all Customers

BUSINESS SEGMENTS

Technology

Intelligence

Cybersecurity

DELIVERY FOCUS

Horizontally Integrated
Solutions into New
Markets

- ▶ Quick to Market
- ▶ Tailored to Need
- ▶ Predictive Analytics
- ▶ Full Life Cycle Support
- ▶ Affordable
- ▶ Global Operations

MARKETS

Intelligence
Defense
Homeland Security

Healthcare
Engineering
Utilities

Technology Business Segment

Technology-driven end-to-end integrated solutions operating in the air, land, sea & space

CAPABILITIES



R&D in air, sea, ground & space

- ▶ Autonomous and distributed solutions
- ▶ Modeling, simulation and training



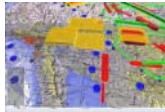
Wide range of technical solutions

- ▶ First full-spectrum ISR in theater
- ▶ Leading Navy's diesel submarine tracking prototype
- ▶ Developing one of two high-speed prototype crafts for USSOCOM



Transitioning to new markets

- ▶ Unmanned, autonomous naval systems
- ▶ Advanced electronic warfare
- ▶ Border Security missions
- ▶ Classified next generation sensors



PRIMARY CUSTOMERS

Research organizations across DoD



Saturn Arch
Buckeye
Desert Owl



Blue Devil ISR
Target Recognition



Tactical Sonar
Naval Warfare Engineering



MOJAVE
ACTUV



Integrated WMD
Targeting & Intelligence Support

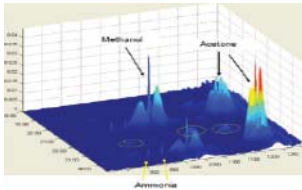
Advanced Technology Solutions to Differentiate Leidos Offerings



Technology Business Segment

Success Story: Distributed Airborne Information Solutions

Deployed technologies on Blue Devil, Buckeye, Desert Owl, Radiant Falcon, Saturn Arch



Multiple Sources



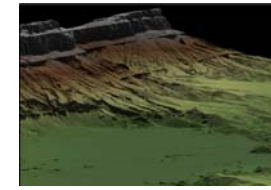
Day & Night



Full Motion Video



Wide Area Imagery



3-D Geospatial

► Mission Needs

- Customer needed to integrate sensor operations to identify and address threats

► Leidos Response

- Leidos combined our expertise, experience, and technologies to develop solutions quickly to match the need
- Idea to deployment in less than 10 months

► Result

- Delivered rapid persistent, multisource, integrated intelligence capability
- Identified multiple high-value targets
- Protected U.S. and coalition troops operating in high-threat areas

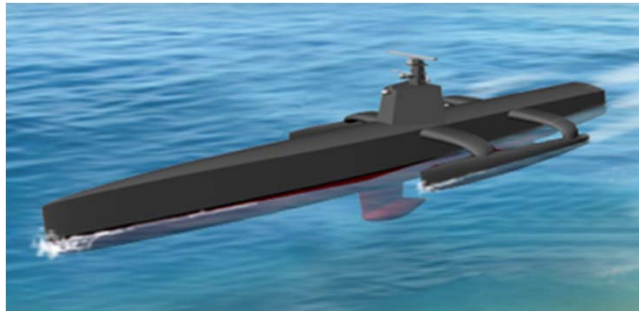
Catching Bad Guys and Protecting our Troops



Technology Business Segment

Growth Opportunity: Naval Autonomous Technology

Design and integrate unmanned, autonomous solutions for intelligence and defense needs



130 FEET LONG
40 FEET WIDE
80 TONS

- ▶ Expanding market for Navy autonomous solutions to address expanding threats
 - Navy developing solution to counter diesel submarines
- ▶ Leidos ability to meet Navy's need
 - Leading prototype design to track diesel electric submarines for months at a fraction of their size and cost
 - Leveraging integration capabilities in ocean modeling, systems engineering and integration, and software development
 - Enabled by experience in design and build of maritime sensors, communications systems, autonomous controls, and propulsion systems
 - Positions Leidos for expanded Navy business over the coming decade

Advanced Platform Development to Meet Demanding New Mission Needs

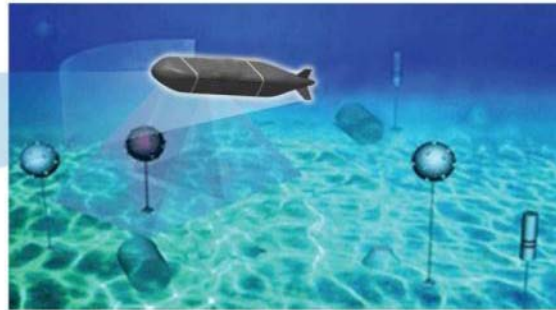
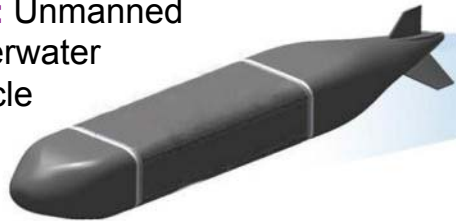


Technology Business Segment

Growth Opportunity: Naval Autonomous Technology

Design and integrate unmanned, autonomous solutions for intelligence and defense needs

UUV: Unmanned Underwater Vehicle



25 FEET LONG

5 FOOT DIAMETER

5 TONS

- ▶ Growing market for multiple mission autonomous systems
 - Navy developing affordable, versatile systems for deploying and retrieving equipment
- ▶ Leidos ability to meet Navy's need
 - Leveraging ACTUV prototype design experience
 - Knowledge in underwater operations, propulsion, and controls
 - Broad experience in intelligence, surveillance, and reconnaissance
 - Expanding Leidos offering for next-generation Navy systems

Leveraging Technology and Experience into Affordable Future Navy Workhorse



Intelligence Business Segment

Building wide range of information processing systems solving toughest challenges today

CAPABILITIES



System Engineering & Integration

- ▶ Advanced analytics
- ▶ Software development
- ▶ Intelligence analysis & operations
- ▶ Integrated logistics solutions



Delivering across Intelligence & Defense

- ▶ Top geospatial products producer for IC
- ▶ Leading NSA & Army data analytics
- ▶ First Intel & Defense Cloud architectures



Pursuing adjacent markets in Defense

- ▶ Bid Data & Cloud solutions
- ▶ Integrated intelligence systems
- ▶ Infrastructure protection
- ▶ Modernization, readiness & sustainment

PRIMARY CUSTOMERS



Classified
Intelligence Communications



Army Military Intel Enterprise
Joint Intelligence Ops Center



Geospatial Production
iSTORE Content Management



MRAP JLI
Distributed Common Ground
System



GPS System Engineering
TACAN Replacement

Delivering “Glue-ware” to Create Integrated Systems for Decision Makers



Intelligence Business Segment

Success Story: Big Data Analytic Solution

Leverage leading data analytics successes in Intelligence into broader markets

Intelligence Data
Analytics Tools



Commercial Data
Analytics Tool



DEFENSE



DHS



HEALTH



ENERGY

CRITICAL INSIGHT

- ▶ Mission Need
 - Intelligence community must review massive amounts of data to make accurate decisions
- ▶ Leidos Response
 - Leidos leveraged our domain knowledge, data analytics and software development capabilities to deliver the leading data analytics platform
- ▶ Result
 - Leidos solution “transformed tactical intelligence”
 - Leidos implemented a 40x improvement in throughput following year
 - “The most significant SIGINT system in aiding the Warfighter in the past 10 years”
 - In 2013, Leidos developed a commercial platform operating at a 200x improvement

Intelligence Business Segment

Growth Opportunity: Border Security Surveillance

Rapid solution deployment for high confidence border security

- ▶ DHS seeking low-risk near-term solution for U.S. border security
 - Failed Secure Border Initiative program delayed border security implementation
 - Seeking proven system to detect and track items of interest along nation's borders
- ▶ Leidos ability to meet DHS' need
 - Leverage security and force protection
 - Integrated solution with proven systems and operations experience
 - Automated solution flexible and easy to operate
 - Positioned for growth in U.S. and global markets



Proven, affordable and flexible solutions for border security



Cybersecurity Business Segment

Delivering over \$700M of Cybersecurity to the Intelligence Community to constantly defend critical infrastructure against the most sophisticated adversaries

CAPABILITIES



Leading Cyber Provider in Intelligence Community

- ▶ Computer Defense, Exploitation, & Ops
- ▶ Predictive Cyber analytics
- ▶ Largest forensics malware in IC
- ▶ Large-scale systems design and integration



Delivering Broad Cyber Solutions

- ▶ Cryptographic algorithms, key management
- ▶ Cyber software development
- ▶ Navy 2013 Tech Award: Cyber Domain Services

Expanding Cyber beyond Intelligence Community

PRIMARY CUSTOMERS



Federal Government

Classified (Multiple)
Key Management



U.S. National Data Center
Key Management

Commercial & Critical Infrastructure

Health

Critical Infrastructure

Commercial Providers

Leveraging Cyber leadership in Intelligence to address increasing commercial demands



Cybersecurity Business Segment

Success Story: Cyber Signature Management

Delivering cyber signatures to protect critical Intelligence Community infrastructure



- ▶ Mission Needs
 - Intelligence community faced with constant, sophisticated cyber attacks
- ▶ Leidos Response
 - Developed solution to identify and defend against new cyber threats
 - Delivers software to defend against new attacks, and protect networks across IC
- ▶ Result
 - Enterprisewide protection from new and emerging cyber threats
 - Well positioned to leverage capabilities across defense and commercial markets

Cybersecurity Business Segment

Growth Opportunity: Cyber Threat Operations

Using intelligence-based capabilities, deliver cybersecurity to protect federal and commercial entities



- ▶ DHS and commercial companies seeking secure network solutions
 - Cyber threats continue to expand in numbers and sophistication
 - Need for reliable cyber protection expanding
- ▶ Leidos has the ability to meet emerging needs
 - Deliver differentiated solutions to protect networks and information
 - Provide cybersecurity defense and incident response
 - Highest margins, fastest growing market
 - Solutions in development

Competition



SYSTEM INTEGRATORS & SOLUTIONS

BAE SYSTEMS

Intelligence & Security

**GENERAL
DYNAMICS**

Information Systems
& Technology



communications

National Security
Solutions

Raytheon

Intelligence, Information
& Services

NORTHROP GRUMMAN

Information Systems



Defense, Space & Security



Information Systems &
Global Solutions

SERVICES

Booz | Allen | Hamilton

ManTech

International Corporation

Mission, Cyber &
Intelligence Solutions

CACI
EVER VIGILANT



Summary

- ▶ NSS brings a 44 year history of performance in good markets and bad
 - Leidos design drives horizontal technology collaboration in expanded markets
 - Continual focus on streamlined operations at reduced cost
 - Expanded focus on increasing earnings to drive shareholder value
- ▶ Continued need for intelligence and market shift plays to Leidos' advantage
- ▶ Nimble and affordable
- ▶ Uniquely positioned to compete

Leidos – Missions that Matter



Health & Engineering— Joe Craver

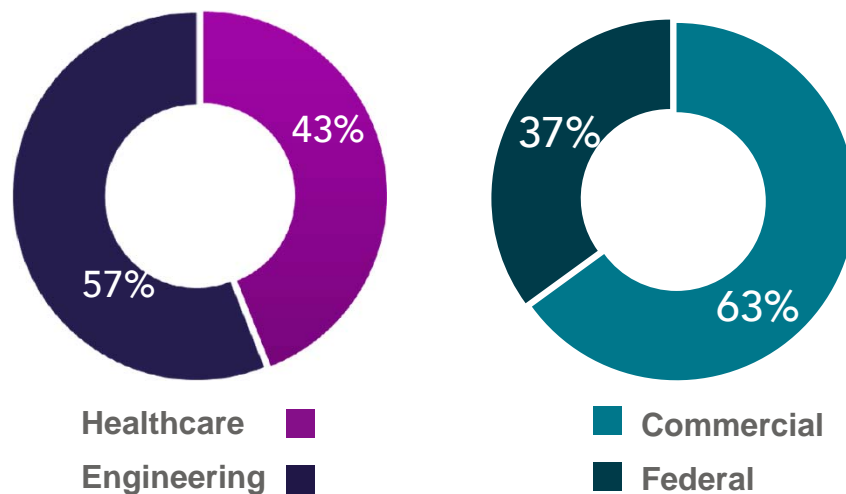
SECTOR PRESIDENT





Health & Engineering Sector

~\$2B Revenues



- ▶ Long-term market presence with solution and service delivery at scale
- ▶ Applied solutions focused on large, receptive commercial markets
- ▶ Core capability leverage with broad impact across multiple market segments

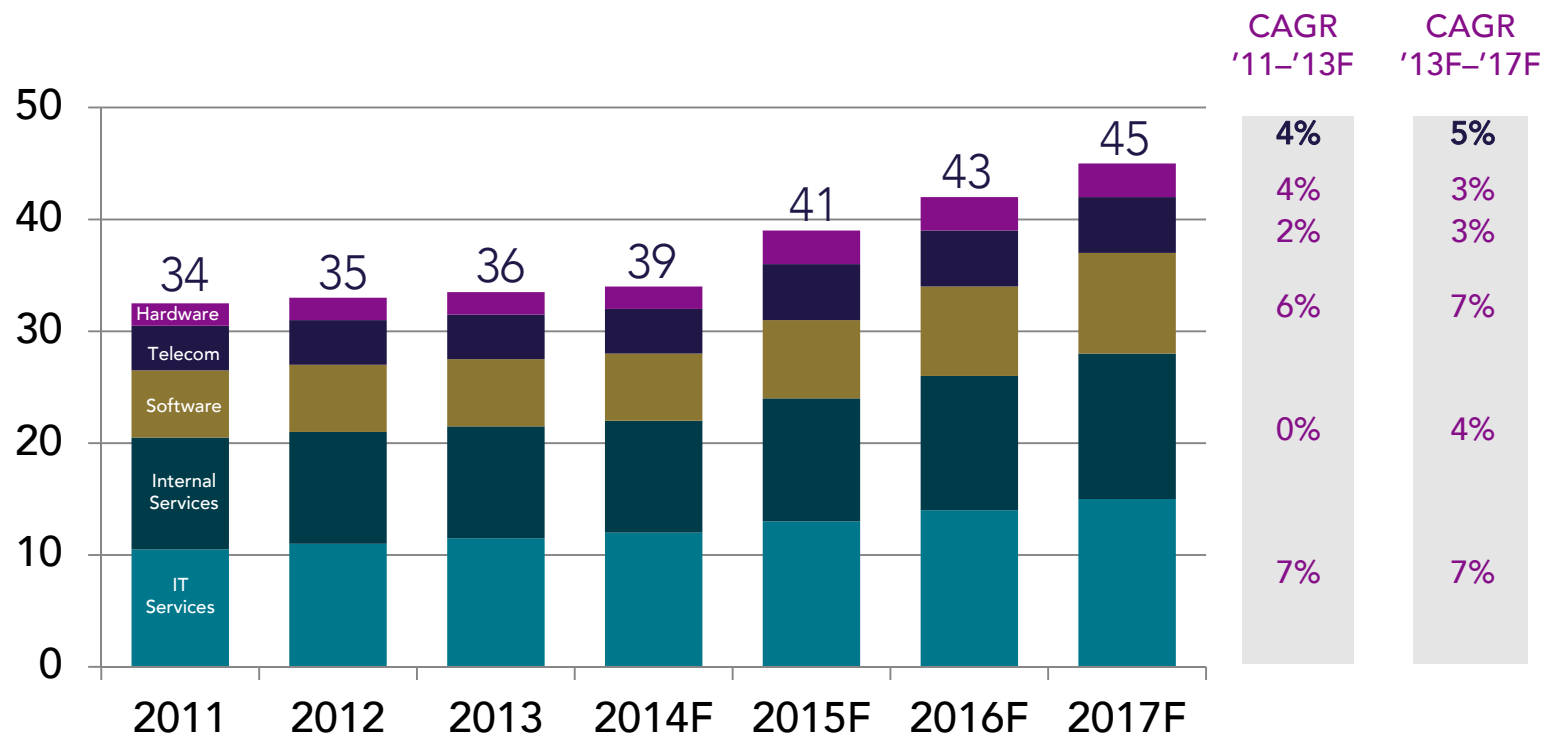
Leidos Health



Leidos Health – Positioned for Long-Term Success

- ▶ Material presence and scale in more than \$35B healthcare IT market
- ▶ Market drivers and business imperatives creating need for health organizations to seek applied solutions
- ▶ Extensive client list, reputation for quality and partnered with all the industry leading software vendors
- ▶ Uniquely positioned with expertise in IT, clinical transformation, behavioral health, life sciences and data analytics
- ▶ Positioned to grow in both Commercial and Federal markets

U.S. Healthcare Provider IT Market



- ▶ International Health IT market is more than \$90B
- ▶ Total addressable market is much bigger than just Health IT

Source: Gartner Enterprise IT spending by verticals forecast, 2013Q1

Leidos Health in the Marketplace

#9

Modern Healthcare's
2013 Management
Consulting Firms

Worked with
15 of 18

U.S. News and
World Report's
2012-13 Best
Hospitals Honor Roll



#4

KLAS Ranking of Overall
Health Services Firms

Engaged by
18 of 25

largest Academic
Medical Centers as
listed by Modern
Healthcare 2012



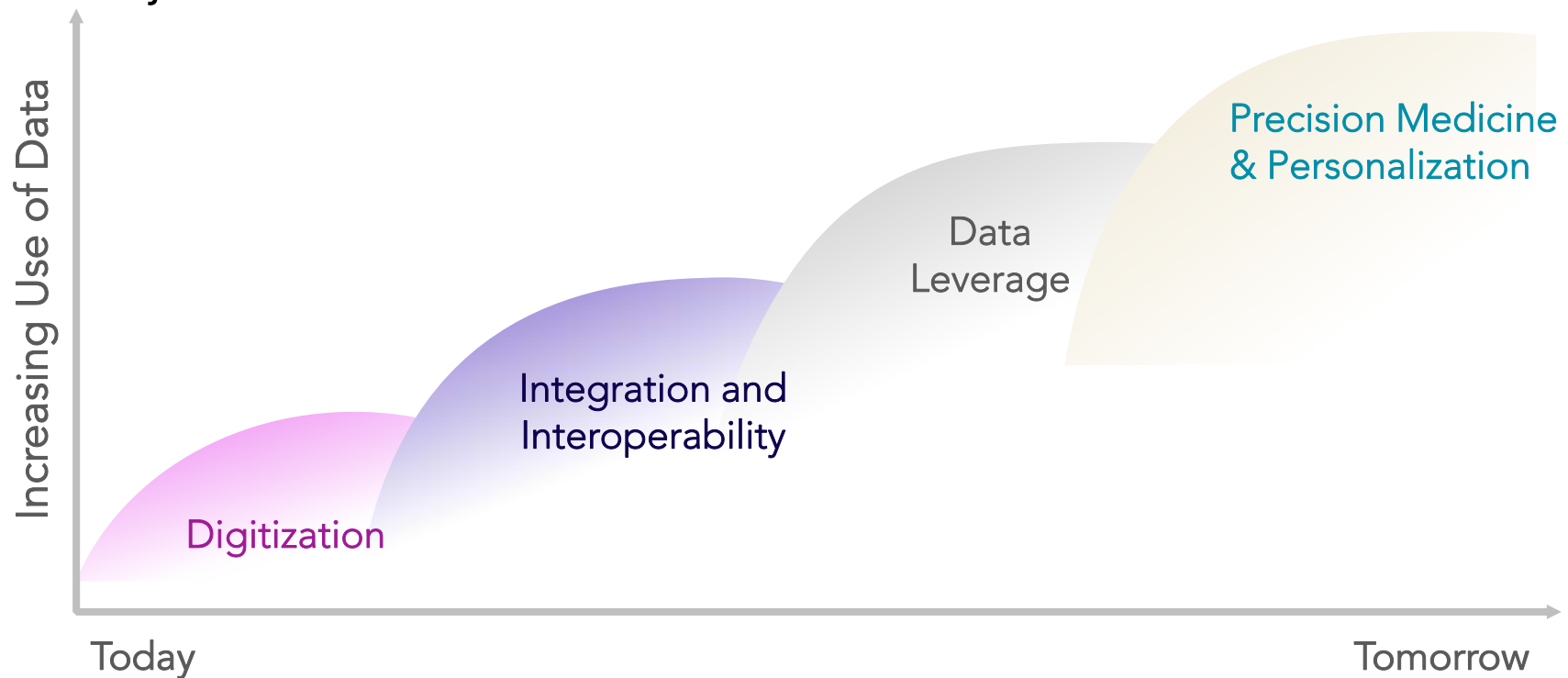
#18

Healthcare
Informatics Top 100



A New Era in Healthcare Is Emerging...

- ▶ Major Shift as Healthcare Becomes More Data-Enabled...



**Leidos' Analytical Capabilities and Domain Knowledge
Allow Us To Excel In Data-Enabled Environments**





From the Research Bench to the Patient Bedside



What We Do

	Percent of Leidos Health Business		Capabilities	Leidos Health 5-Year Growth Trajectory
EHR Consulting <i>(Digitization)</i>	45%	▶	<ul style="list-style-type: none"> ▶ EHR implementation ▶ Optimization 	5–10%
Systems Integration <i>(Integration and Interoperability)</i>	30%	▶	<ul style="list-style-type: none"> ▶ Information integration ▶ IT services ▶ Application development and maintenance ▶ Ongoing system support ▶ Legacy system support 	3–6%
Strategic Services and Solutions <i>(Data Leverage)</i>	15%	▶	<ul style="list-style-type: none"> ▶ Strategic IT planning ▶ Meaningful use ▶ Clinical transformation ▶ ICD-10 ▶ Revenue cycle management ▶ Data analytics; cybersecurity 	10%+
Health Research and Life Sciences <i>(Precision Medicine and Personalization)</i>	10%	▶	<ul style="list-style-type: none"> ▶ Behavioral health ▶ Public health ▶ Life sciences ▶ Health research 	3–6%

Leidos Health Clients

Commercial Clients



CATHOLIC HEALTH EAST



Presence Health™



Adventist
HEALTH SYSTEM



Cleveland Clinic



STANFORD
HOSPITAL & CLINICS
Stanford University Medical Center



PRESBYTERIAN



Sutter Health
With You. For Life.



PROVIDENCE
Health & Services

Albert Einstein Healthcare Network

Einstein

Federal Health Clients



Helping Drive the Transformation Towards Value-Based Healthcare



EHR Consulting

We Offer a Set of Client-Centric Services Designed to Get the Most out of an Organization's EHR Investment at all Stages of the Life Cycle

EHR Practices

- ▶ Allscripts™
- ▶ Cerner
- ▶ Epic
- ▶ McKesson
- ▶ Meditech
- ▶ Siemens

Digitization



EHR Consulting

Digitization

Stage	% of Hospitals EHR Adoption Model
7	2%
6	9%
5	16%
4	15%
3	36%
2	10%
1	4%
0	8%

Only **27%** of hospitals have reached Healthcare Information and Management Systems Stage 5 or higher

Majority of Institutions Have Underdeveloped EHR Capabilities



Systems Integration

Developed & support the U.S. military AHLTA/CHCS system, the largest EHR system ever implemented

- ▶ Nearly 10 million beneficiaries
- ▶ 50 treatment facilities & 360 clinics

Provided health IT & systems integration support in connecting Inland Northwest Health Services (INHS), one of the nation's first health information exchanges, to public health entities and applications

Supported a major Canadian provincial health system in the creation and development of a health information network to link healthcare providers province wide

- ▶ Links nearly 300 healthcare facilities in 126 communities & 380 pharmacies connecting approximately 19,000 healthcare professionals

Integration and Interoperability



Systems Integration

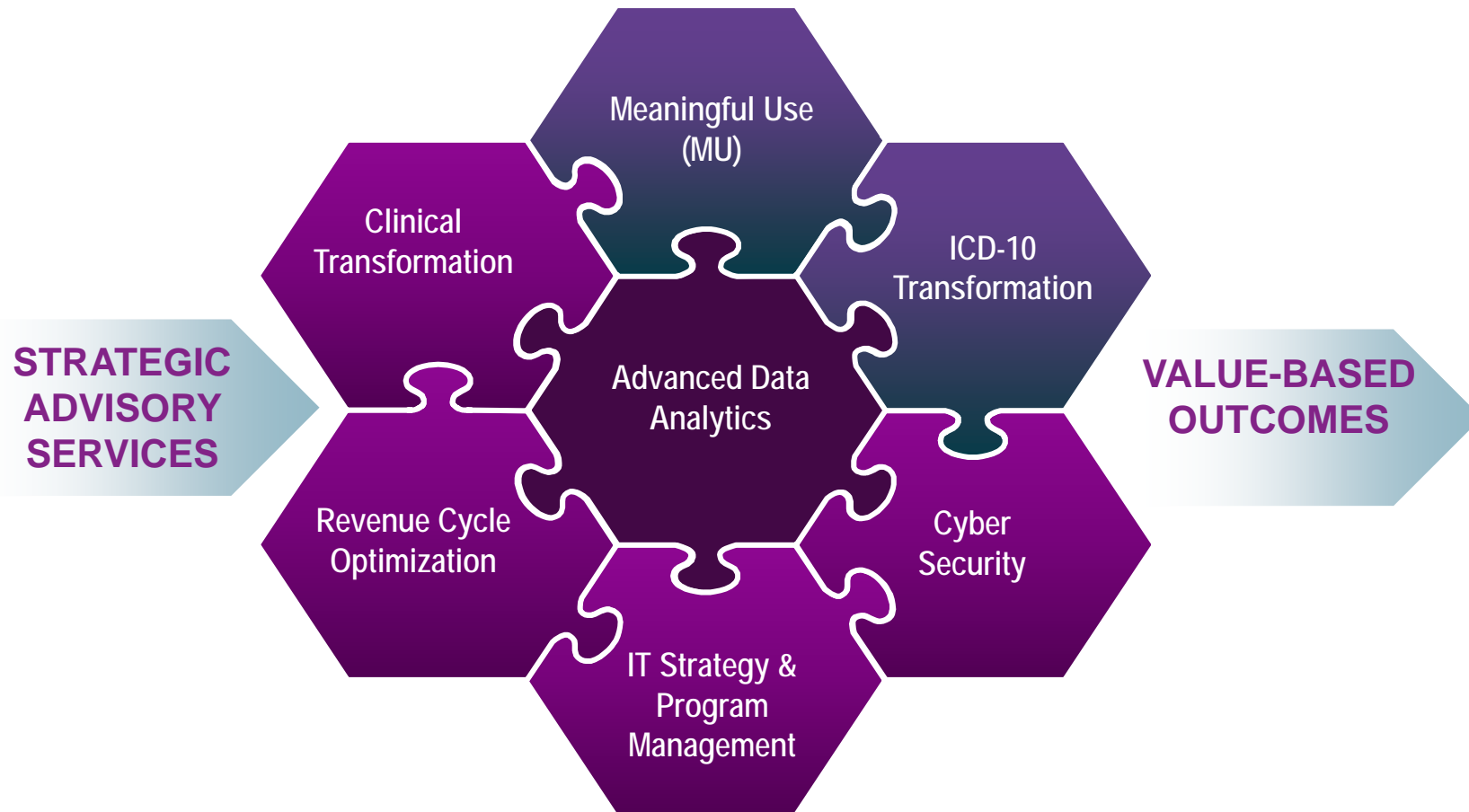
Integration and Interoperability

VA/DoD EHR Integration Opportunity

- ▶ Servicing over 18 million patients in both VA / MHS
- ▶ Total program cost: ~ \$5 - \$20 billion
- ▶ High Congressional visibility creating pressure for action
- ▶ Possible Scenarios:
 - Expansion of existing sharing platforms
 - Adoption of existing systems by differing agency
 - Integration and deployment of new EHR systems (COTS)

Strategic Services and Solutions

Data Leverage



True Value of Digitization is Unlocked Through Data Leverage



Strategic Services and Solutions

Data Leverage



Revenue cycle transformation...

... for one of the largest public hospitals (Grady Health System) in the United States ...

... directed the full implementation of clinical and revenue cycle applications at 27 hospitals and clinics for one of the top academic medical centers in the country ...

Advanced Analytics... deployed social network analytics solutions to support product introduction decisions internationally for one of the largest pharmaceutical companies in the country ...

Health Research & Life Sciences

Precision Medicine and Personalization

- ▶ Leidos has over 25 years of combined programmatic experience providing solutions that enhance health, resilience, readiness, and performance through research, education, training and counseling in areas such as:

Performance Enhancement:

Prediction of Unplanned Loss ▪ Team Resilience ▪
Traumatic Brain Injury ▪ Rehabilitation ▪ Career-Span Health
& Wellness

Operational Stress:

Post Traumatic Stress Disorder (PTSD) ▪ Insomnia ▪
Suicide Prevention ▪ Depression ▪ Re-Integration

Behavioral Sciences:

Adolescent Substance Abuse Counseling & Prevention ▪
Substance Use & Abuse ▪ Sexual Assault & Harassment ▪
Family & Workplace Violence ▪ Prevention of Sexually
Transmitted Disease (STDs)



- ▶ Leidos researchers conduct over 70 individual research studies annually and have supported over 500 research projects in the last 5 years in the areas of health, resilience, and readiness
- ▶ Human subject studies range from 100-2,000 and large database driven research studies are in excess of 5 million records

Research and Life Sciences: Leidos Biomedical Research

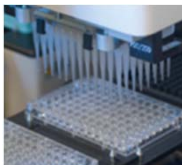
Frederick National Laboratory for Cancer Research

Precision Medicine
and Personalization

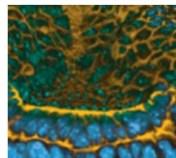


Advanced Technology Research Facility
Opened June 2012

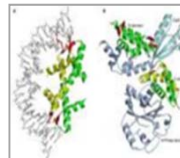
Genetics
and
genomics



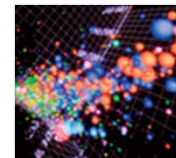
Imaging and
nanotechnology



Proteins and
proteomics



Advanced
biomedical
computing



Translational
Research



Competitive Landscape

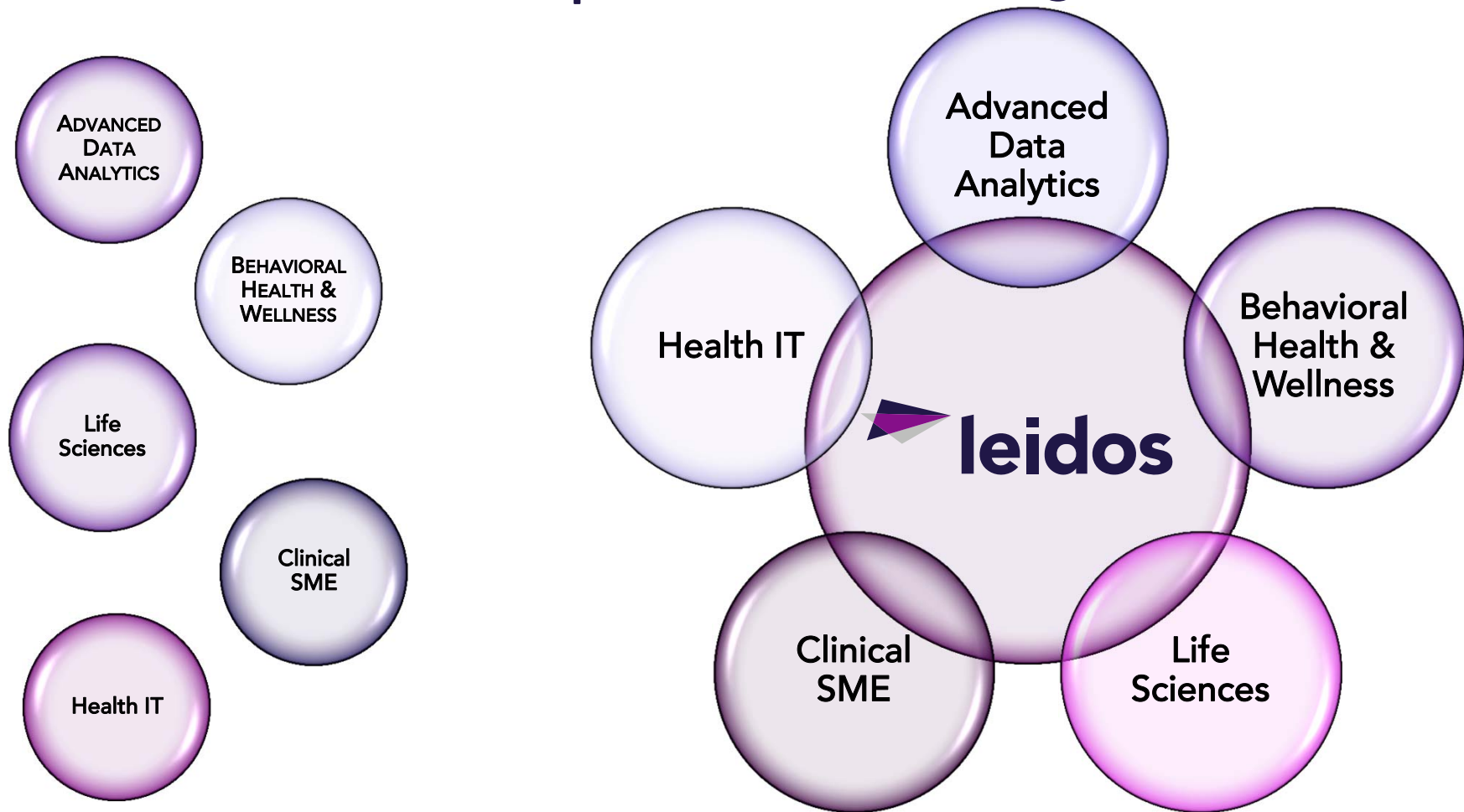
Commercial Health



Federal Health



Leidos Health Competitive Advantage



Leidos Engineering



Leidos Engineering

Engineering Infrastructure Market

- ▶ Over past 22 years, the median growth of engineering services firms is 7%/year
- ▶ >\$20B/yr US market
- ▶ >\$40B/yr International
- ▶ Engineering Services grow 2-1.5X GDP

There are Positive Forces in Leidos' Space

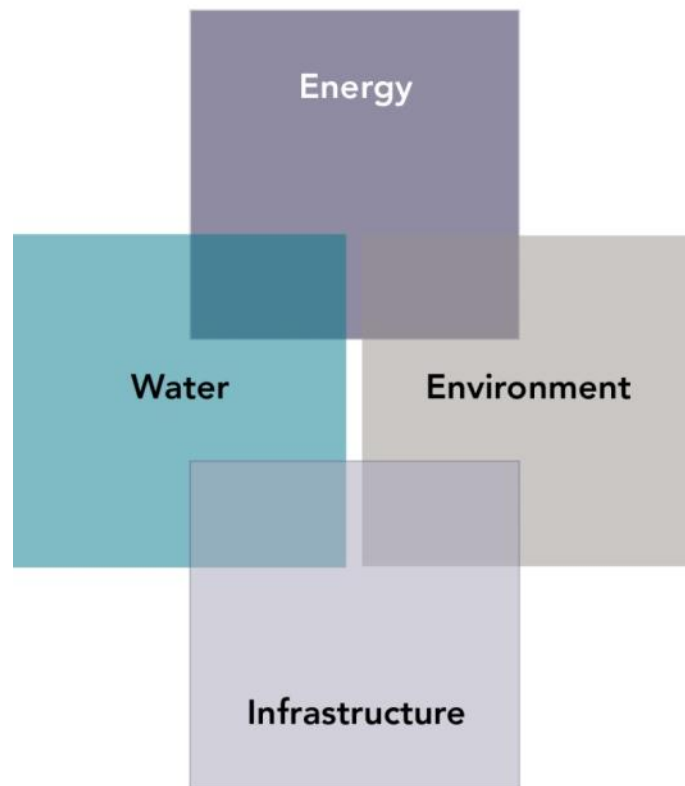
- ▶ Power
- ▶ Oil and gas
- ▶ Industrial
- ▶ Infrastructure

... a Customer Survey of over 800 Industry Decision Makers Revealed the Following Top 3 Priorities...

- ▶ Consistently meets deadlines, budget and delivers on commitments
- ▶ Uses systems approach to integrate engineering, technology, IT and consulting to address emerging challenges
- ▶ Has capabilities to bring clarity and insight to large data

Market Drivers

Interconnected Engineering Elements

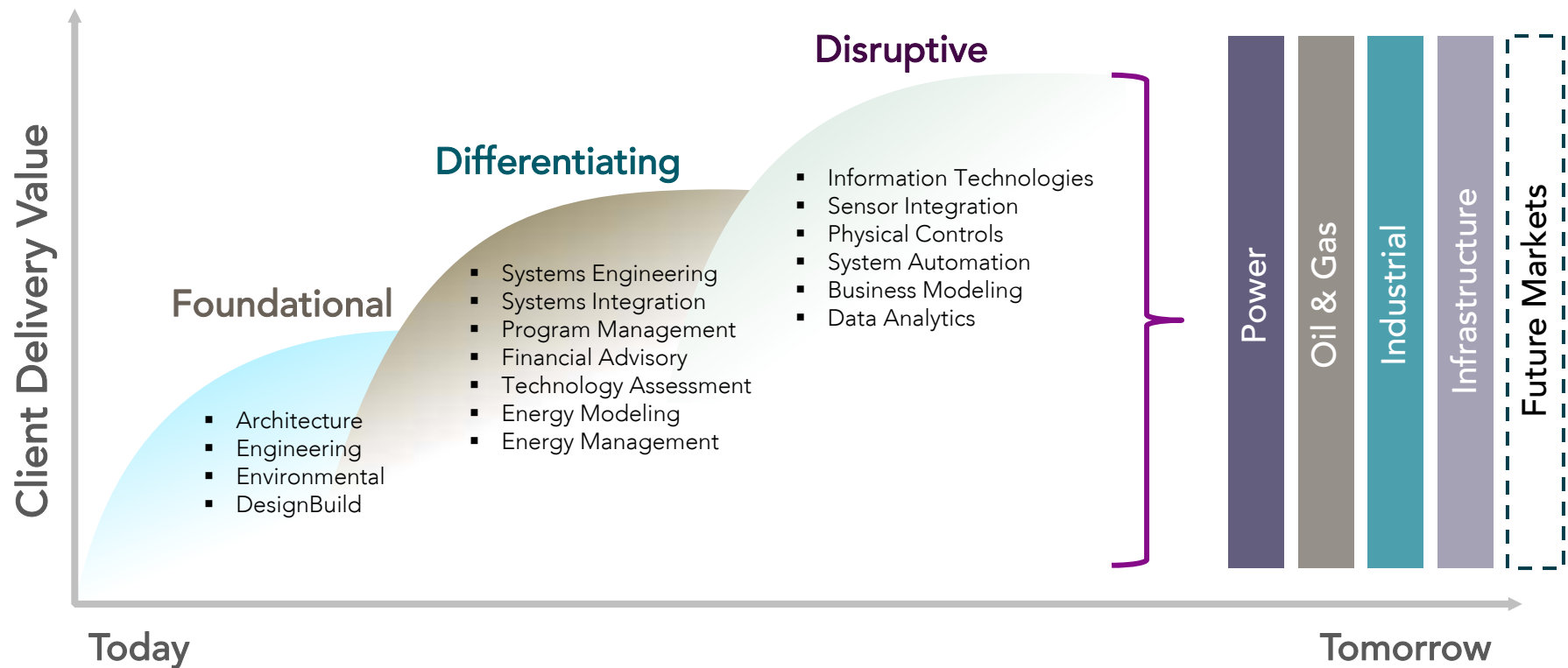


Engineering Market Sectors

Power	<ul style="list-style-type: none"> ▶ Steady spend to upgrade aging electric power grid ▶ Smart grid digitalization movement ▶ Data analytics ▶ By 2020 expect 100GW of plant retirements
Oil and Gas	<ul style="list-style-type: none"> ▶ Massive shift to shale oil and gas ▶ Significant interdependency with water and environment ▶ Strategic implications across nearly all sectors
Industrial	<ul style="list-style-type: none"> ▶ Continued gradual recovery ▶ Increasing focus on efficiency ▶ Transformational potential with shift to gas
Infrastructure	<ul style="list-style-type: none"> ▶ Need for upgrade or replacement or new builds ▶ Need for infrastructure engineering; environmental links ▶ Link between security and commerce

Leidos Engineering Approach is Our Advantage

Combining Horizontal Capability & Applying to Industry Sectors



Addressing Market Interdependence Through Horizontal Leverage





Bringing Engineering and Technology Together in Critical Markets



Industry Rankings and Awards

 **55+** INDUSTRY RANKINGS

 **21** TOP 10 RANKINGS

 **7** DESIGN-BUILD INSTITUTE OF AMERICA AWARDS



CLIMATE CHANGE BUSINESS JOURNAL
Gold Business Achievement Award
RENEWABLE ENERGY PRACTICE

CONTROL ENGINEERING 2013 System Integrator of the Year

TOP NATIONAL RANKINGS

- #3** Business Information Modeling (BIM) Engineering Firms Building Design+ Constr., July 2013
- #6** Transmission & Distribution ENR, July 2013
- #7** Environmental Management ENR, 2013
- #8** Top 50 in Program Management ENR, June 2013
- #8** Top Engineering/Architecture Firms BD+C, July 2013
- #23** Top 25 in Power ENR, July 2013
- #34** Top 500 in Design ENR, April 2013

OTHER SELECT RANKINGS

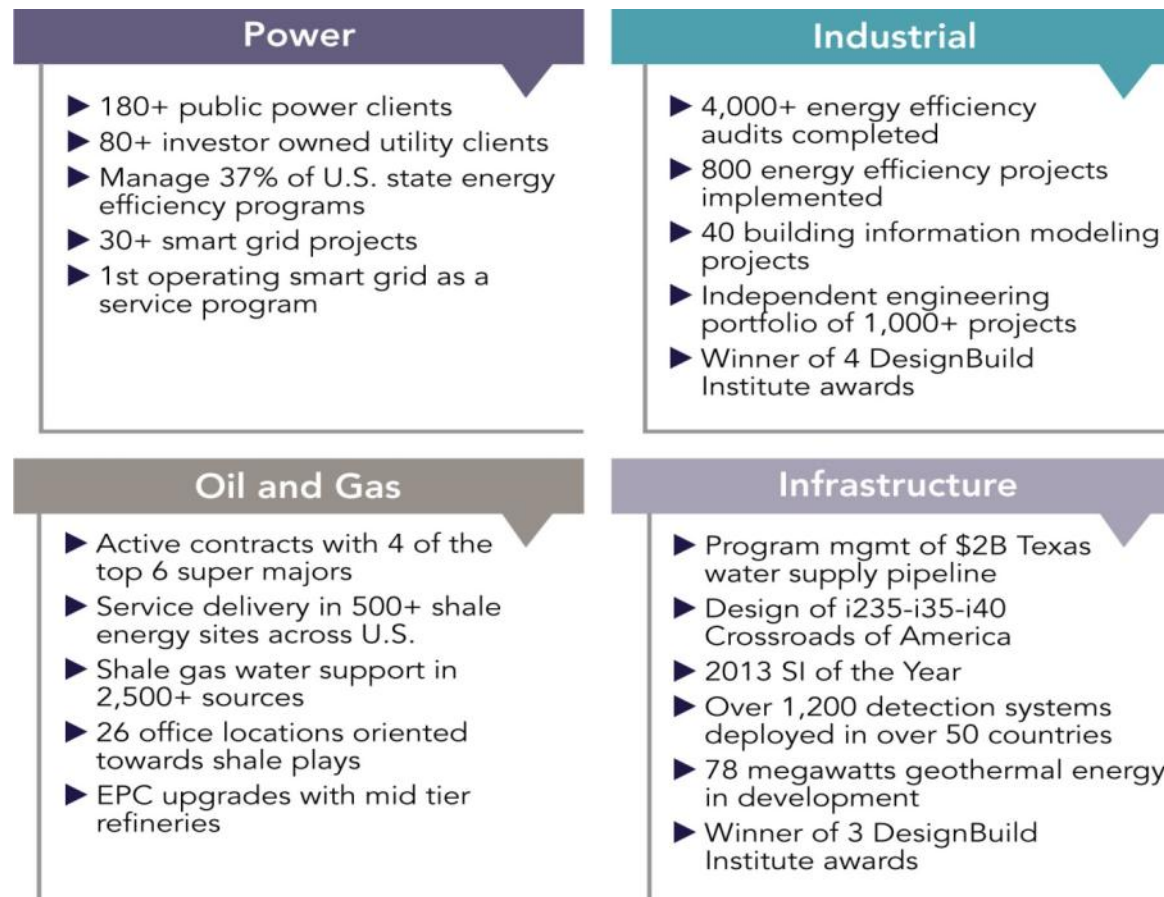
- #4** Wind Power ENR, July 2013
- #6** Auto Plants Engineering Firms ENR, July 2013
- #9** Top Data Center Engineering Firms ENR, July 2013
- #46** Top 100 in Design-Build ENR, June 2013



What We Do

	Percentage of Leidos Engineering Business		Capabilities	Leidos Engineering 5 Year Growth Trajectory
▶ Power	25%	▶	<ul style="list-style-type: none"> ▶ Consulting ▶ Enterprise IT ▶ Energy efficiency ▶ T&D and smart grid ▶ Renewable integration 	5-8%
▶ Oil and Gas	10%	▶	<ul style="list-style-type: none"> ▶ Shale gas ▶ Asset management ▶ Remediation ▶ Design and engineering 	8-10%
▶ Commercial and Industrial	25%	▶	<ul style="list-style-type: none"> ▶ DesignBuild ▶ Architect and engineering ▶ Energy efficiency ▶ Advanced communications systems 	3-6%
▶ Infrastructure	40%	▶	<ul style="list-style-type: none"> ▶ Environmental support ▶ Water resource management ▶ Civil engineering ▶ Financial transactions ▶ Secure commerce products 	3-6%

Leidos Engineering Capabilities Delivered to Markets



Scale and Experience in Markets that Matter



Leidos Engineering Clients



... and Other Fortune 100 Companies



Secure Commerce



Clients Include: CBP, TSA, DoD, DOS, Mexico, Middle East

Leidos Engineering

Lenders & Developers – Consulting Engineering

7 RECENT DEAL OF
THE YEAR AWARDS

Project Finance Magazine

- ▶ Prepared reports on nearly 1,000 power, infrastructure and industrial projects in 75 countries and territories
- ▶ Independent engineering on more than 1,000 energy projects, nearing **\$200 billion** in completed transactions
- ▶ Active in independent engineering and owner's advisory since 1978
- ▶ Reviewed nearly 500 renewable energy and 150 biofuel projects across 6 continents, with energy capacity in excess of 33,000 **megawatts** over the last 2 years alone
- ▶ Evaluated over 300 major technologies

Competitive Landscape

Large Engineering

Specialized Engineering



Impact of Leidos Health & Engineering

NASA One-of-a-Kind Vibro-Acoustic Research Facility DesignBuild



Responsible Shale Exploration Support



San Diego County Airport Design, Engineering, Installation, Testing, and Commissioning



Data Analytics



Oklahoma Cancer Research Center



Financial Overview— Mark Sopp

CHIEF FINANCIAL OFFICER





Leidos Value Creation Roadmap

Profit-Focused Revenues

Year-over-year Operating Income Growth

Strong Cash Generation

Capital Allocation Effectiveness

Proven Business Model – On a New Path to Drive Shareholder Value



Profitability Actions

Focus on Profitable Growth

- ▶ Quality revenues; profit focus
- ▶ Stay within our wheelhouse; shape portfolio
- ▶ Capitalize on OCI and commercial opportunities
- ▶ Greater Leidos content, integrated technology

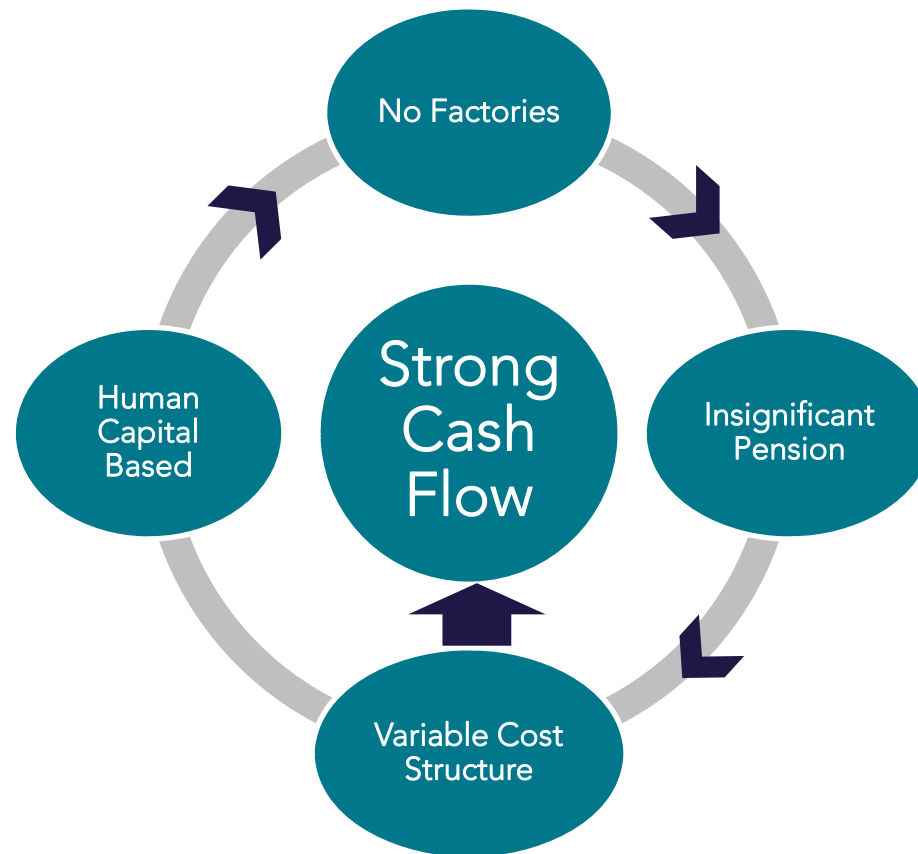
Deliver Expanded Margins

- ▶ Complete transition year costs/charges
- ▶ Full-year benefit of FY14 cost reductions; ongoing
- ▶ Underperforming business areas removed
- ▶ Reduce cost of delivery (procurement, subcontracting)

Geared for More Predictable and Low Capital-Intensive Profit Streams



Strong Cash Flow



Strong and Improving Capital Efficiency

Cash & Credit Statistics

CASH

Cash at Spin ~\$450M

Dividend from NSAIC \$295M

Est'd Beg. Cash ~\$745M

Est'd End FY14 ~\$950M

DEBT

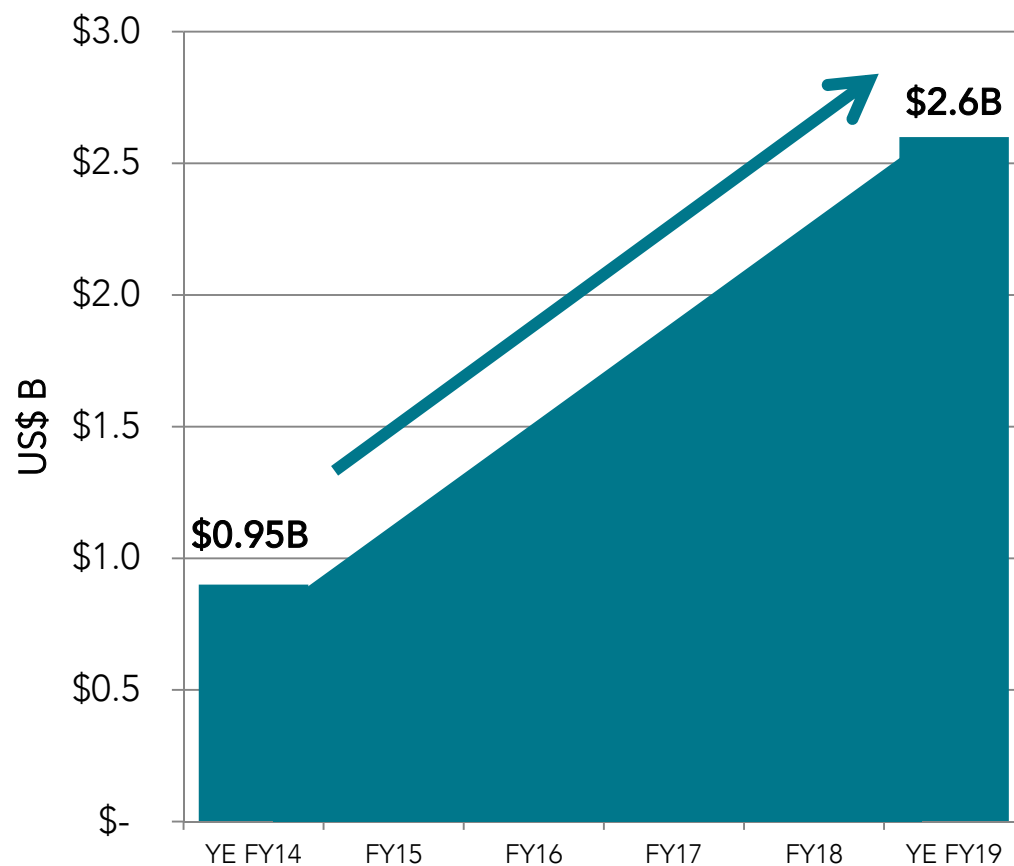
- ▶ No debt maturities till 12/2020
- ▶ Total Debt = \$1,293M
- ▶ Avg. Debt Rate 5.6%
- ▶ Anticipate maintaining investment grade rating

Meaningful Near-Term Cash Deployment Opportunity



Capital Deployment

\$350M Projected FCF*/Year; >\$2.5B deployable next 5 years



~1/3rd - Maintain/Increase Regular Dividends

>1/3rd - Buybacks & Special Dividends

Selective M&A

- Established Businesses
- Strengthens our 3 Markets

*FCF = Free Cash Flow; Derived from projected Operating Cash Flow minus projected Capital Expenditures



Recent Results & Outlook

Leidos Historical Performance

\$'s in millions	FY12	FY13	H1 FY14
Leidos Pro Forma Revenue	\$ 5,860	\$ 6,471	\$ 3,065
SAIC as Reported Operating Income	\$ 300	\$ 741	\$ 219
New SAIC	(343)	(288)	(105)
Stranded Corporate Costs	(66)	(70)	(41)
Separation Costs	-	10	55
Leidos Pro Forma Operating Income	(109)	393	128
<i>Pro Forma Operating Income %</i>	-1.9%	6.1%	4.2%
Non-GAAP Adjustments:			
CityTime	540	-	-
Significant EAC Adjustments	-	10	37
Intangible Impairments	19	13	34
Regulatory and Legal Settlements	22	9	15
Adj. Non-GAAP Operating Income	\$ 472	\$ 425	\$ 214
<i>Adj. Non-GAAP Operating Income %*</i>	7.5%	6.6%	6.9%

* Operating Income % appropriately adjusted for CityTime and EAC revenue impacts

See Appendix for description of pro forma non-GAAP adjustments

Pro Forma (PF) Financials

- Consolidated + segments; Oct '13
- Leidos PF includes:
 - CityTime settlement
 - >100bps stranded costs
 - Significant special charges FY12-14

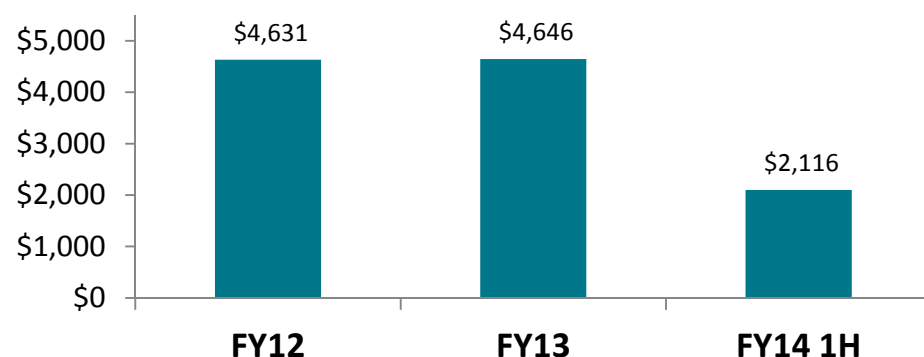
Adjusted Non-GAAP Op Income

- Discrete items adjusted
- Provides additional insight into core operating performance
- Reflects stranded corporate costs and does not reflect cost savings program



National Security Segment Financials

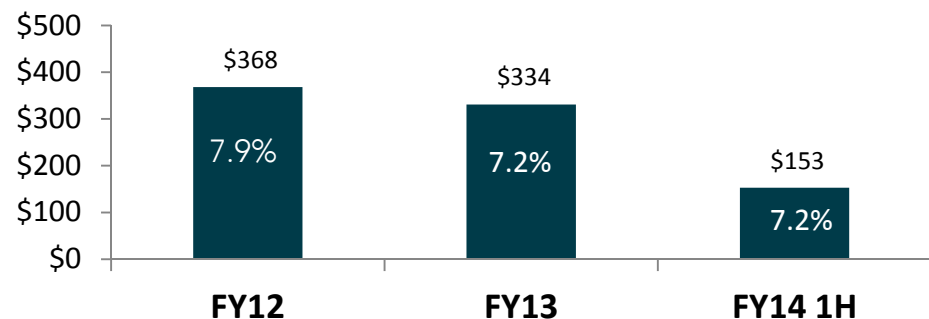
Adjusted Non-GAAP Revenue (\$M)



Revenue

- ▶ 1HFY14 down due to JLI and Federal spending cuts

Adjusted Non-GAAP Operating Income (\$M)



Adjusted Non-GAAP Operating Income

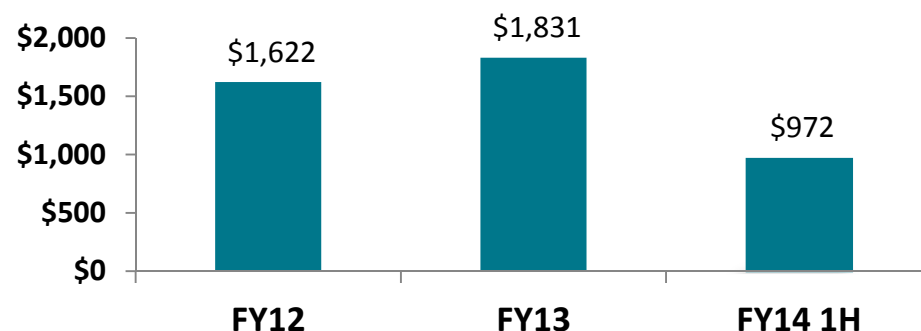
- ▶ Reflects stranded corporate costs; does not reflect cost savings program
- ▶ Adds back Impairments and EAC adjustments for one program

See Non-GAAP reconciliation in the Appendix



Health & Engineering Segment Financials

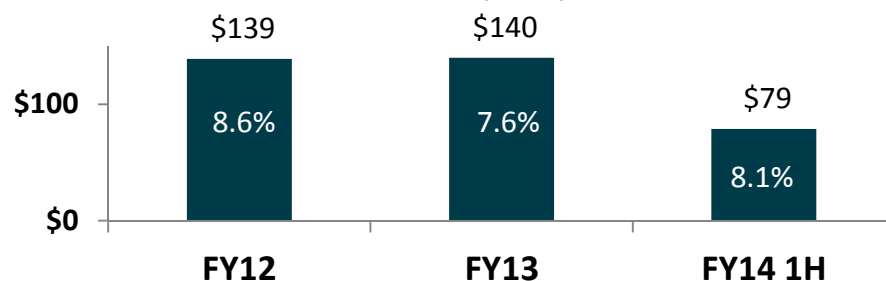
Adjusted Non-GAAP Revenue (\$M)



Revenue

- ▶ Revenue; growth from acquisitions; 1HFY14 internal revenues flat

Adjusted Non-GAAP Operating Income (\$M)



Adjusted Non-GAAP Operating Income

- ▶ Reflects stranded corporate costs; does not reflect cost savings
- ▶ Adds back impairments and EAC adjustments for one program

See Non-GAAP reconciliation in the Appendix



Leidos FY 14 Guidance

- ▶ Consistent with SAIC Inc. guidance issued Sept 4, 2013, except:
 - Separation now assumed; triggers Stranded Corporate Costs ~\$60M (\$.12 EPS)
 - Legal expenses previously reported as part of TSIT ~\$10M (\$.02)
 - EPS, provided on a pre-split and post-split basis

Revenues (billions)	\$ 5.85	to	\$ 6.10
EPS Continuing Operations, pre-stock split	\$ 0.45	to	\$ 0.51
EPS Continuing Operations, split adjusted 1:4	\$ 1.80	to	\$ 2.04
Operating Cash Flows (millions)	\$325 +		

FY15 Margin Improvement Outlook

FY14 1H Adjusted Non-GAAP Operating Income

6.9%

FY14/15 cost savings program

1.0% - 1.5%

HE Sector profit improvements

0.7% - 1.25%

Anticipated portfolio changes

0.1% - 0.2%

Targeted FY15 Operating Margin

8.0% +

Major Levers:

- ▶ Full year benefit of \$200M+ cost reductions
- ▶ Ongoing streamlining; lower wrap rates
- ▶ NSS removal of non-core under-performing business areas
- ▶ Restoring normative commercial health margins
- ▶ HES focus on higher fee consulting engineering projects
- ▶ Profit-focused incentives and accountability

Focused on Bottom Line in Difficult Top-Line Environment



Playing to our Strengths:

Leidos FY15 to FY17 Targets

- ▶ Profit-focused
- ▶ Lower cost structure
- ▶ Strong Cash Flow
- ▶ Attractive Regular Dividend (~1/3 FCF)
- ▶ Targeting > 1/3 FCF buybacks/special dividends

Targeted Organic Growth:

FY15	+/- low single digit
FY16-17	+ low single digit

Targeted Annual Operating Margin	8.0%+
----------------------------------	-------

Targeted EPS* Growth/Yr.	10.0%+
--------------------------	--------

Targeted Operating Cash Flow/Yr.	\$400M+
----------------------------------	---------

* GAAP EPS from Continuing Operations



Summary

1. Attractive, large, enduring, increasingly integrated markets
2. Streamlining, separation, and portfolio moves prep for clean FY15+
3. Profit growth and capital effectiveness focus
4. Deployment opportunity > \$2.5B over the next 5 years
 - >2/3 FCF targeted for dividends and buybacks
 - Select, established M&A to build our three markets
 - Systematically deploy excess cash

Repositioned with Focus on Driving Profit Growth and Returning Cash to Shareholders



Appendix

Unaudited Pro Forma Consolidated Financial Information

The unaudited pro forma consolidated financial information included in this presentation was derived from the Company's historical consolidated financial statements and is being presented to show the effect of the proposed spin-off of New SAIC. The unaudited pro forma consolidated financial information should be read in conjunction with the historical financial statements and accompanying notes. The unaudited pro forma consolidated financial information is presented for the six months ended August 2, 2013 and the years ended January 31, 2013 and 2012 and assumes the separation occurred on February 1, 2011.

The pro forma adjustments are based on the best information available and assumptions that management believes are reasonable, that reflect the impacts of events directly attributable to the proposed spin-off, and that are factually supportable. The pro forma adjustments may differ from those that will be calculated to report New SAIC as discontinued operations in Leidos' future filings. The unaudited pro forma consolidated financial information is provided for illustrative and informational purposes only and is not intended to represent or be indicative of what Leidos' results of operations or financial position would have been had the separation occurred on the dates indicated. The unaudited pro forma consolidated financial information also should not be considered representative of Leidos' future results of operations or financial position.

The pro forma adjustments represent the following:

- Removal of the results of operations for the Technical Services and Information Technology segment that comprises New SAIC.
- Removal of non-recurring transaction and infrastructure setup costs incurred by the Company in connection with the proposed spin-off of New SAIC.
- Addition of certain general corporate overhead expenses (stranded costs) that were not specifically related to New SAIC and do not meet the requirements to be presented as a component of discontinued operations.



Non-GAAP Reconciliations

This presentation includes the financial measures Adjusted Non-GAAP Revenue, Adjusted Non-GAAP Operating Income, and Free Cash Flow, all of which are defined as non-GAAP financial measures by the Securities and Exchange Commission (SEC). These measures may be different than similarly-titled non-GAAP financial measures used by other companies. The presentation of this financial information is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with generally accepted accounting principles (GAAP). Explanations of our non-GAAP financial measures are as follows:

Adjusted Non-GAAP Revenue is a non-GAAP financial measure that is reconciled to the most directly comparable GAAP financial measure, Revenue. Adjusted Non-GAAP Revenue adjusts Revenue for the following discrete events:

- ▶ CityTime – This adjustment represents to a legal settlement related to a timekeeping contract with the City of New York.
- ▶ Significant EAC Adjustments – This adjustment represents write-downs for two discrete contracts during the periods presented that were unusual in nature and in amount.

The Company uses non-GAAP financial measure to provide investors with visibility to how the company performed without these discrete events.

Non-GAAP Reconciliations (Continued)

Adjusted Non-GAAP Operating Income is a non-GAAP financial measure that is reconciled to the most directly comparable GAAP financial measure, Operating Income. Adjusted Non-GAAP Operating Income adjusts Operating Income for the following discrete events:

- ▶ CityTime – This adjustment represents to a legal settlement related to a timekeeping contract with the City of New York.
- ▶ Intangible Impairments – This adjustment represents impairments of long-lived assets due to changes in actual performance against performance projected when the long lived assets were acquired.
- ▶ Significant EAC Adjustments – This adjustment represents write-downs for two discrete contracts during the periods presented that were unusual in nature and in amount.
- ▶ Regulatory and Legal Settlements – This adjustment represents settlements for discrete regulatory and legal matters.

The Company uses non-GAAP financial measure to provide investors with visibility to how the company performed without these discrete events.

Non-GAAP Reconciliations – Adjusted Non-GAAP Revenue and Operating Income

Non-GAAP Adjusted Operating Income Reconciliation by Sector

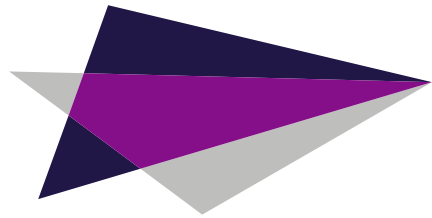
	FY12					FY13					FY14				
	HE Seg	NSS Seg	TSIT	Corp Seg	Total	HE Seg	NSS Seg	TSIT	Corp Seg	Total	HE Seg	NSS Seg	TSIT	Corp Seg	Total
SAIC as Reported Revenue	\$ 1,622	\$ 4,631	\$ 4,238	\$ (2)	\$ 10,489	\$ 1,831	\$ 4,646	\$ 4,693	\$ (5)	\$ 11,165	\$ 972	\$ 2,101	\$ 2,116	\$ (8)	\$ 5,181
SAIC Gemini, Inc.			(4,238)	-	(4,238)			(4,693)		(4,693)			(2,116)		(2,116)
CityTime to Leidos				(391)	(391)				(1)	(1)					-
Leidos Pro Forma Revenue	1,622	4,631	-	(393)	5,860	1,831	4,646	-	(6)	6,471	972	2,101	-	(8)	3,065
Non-GAAP Adjustments:															
CityTime	-	-	-	410	410	-	-	-	-	-	-	-	-	-	-
Significant EAC Adjustments	-	-	-	-	-	10	-	-	-	10	16	15	-	-	31
Adj Non-GAAP Revenue	\$ 1,622	\$ 4,631	\$ -	\$ 17	\$ 6,270	\$ 1,841	\$ 4,646	\$ -	\$ (6)	\$ 6,481	\$ 988	\$ 2,116	\$ -	\$ (8)	\$ 3,096
Sector as Reported Operating Income	\$ 156	\$ 398	\$ (199)	\$ (55)	\$ 300	\$ 160	\$ 371	\$ 314	\$ (104)	\$ 741	\$ 45	\$ 157	\$ 139	\$ (122)	\$ 219
SAIC Gemini, Inc.	-	-	199	-	199	-	-	(314)	28	(286)	-	-	(139)	34	(105)
Stranded Corporate Costs	(17)	(49)	-	-	(66)	(20)	(50)	-	-	(70)	(13)	(28)	-	-	(41)
CityTime	-	-	-	(542)	(542)	-	-	-	(2)	(2)	-	-	-	-	-
Pro Forma Separation Costs	-	-	-	-	-	-	-	-	10	10	-	-	-	55	55
Pro Forma Operating Income	139	349	-	(597)	(109)	140	321	-	(68)	393	32	129	-	(33)	128
<i>Pro Forma Operating Income %</i>	<i>8.6%</i>	<i>7.5%</i>	<i>0.0%</i>	<i>151.9%</i>	<i>-1.9%</i>	<i>7.6%</i>	<i>6.9%</i>	<i>0.0%</i>	<i>1133.3%</i>	<i>6.1%</i>	<i>3.3%</i>	<i>6.1%</i>	<i>0.0%</i>	<i>412.5%</i>	<i>4.2%</i>
Non-GAAP Adjustments:															
CityTime	-	-	-	540	540	-	-	-	-	-	-	-	-	-	-
Significant EAC Adjustments	-	-	-	-	-	10	-	-	-	10	17	20	-	-	37
Intangible Impairments	-	19	-	-	19	-	13	-	-	13	30	4	-	-	34
Regulatory and Legal Settlements	-	-	-	22	22	-	-	-	9	9	-	-	-	15	15
Adj. Non-GAAP Operating Income	\$ 139	\$ 368	\$ -	\$ (35)	\$ 472	\$ 150	\$ 334	\$ -	\$ (59)	\$ 425	\$ 79	\$ 153	\$ -	\$ (18)	\$ 214
<i>Adj. Non-GAAP Operating Income %</i>	<i>8.6%</i>	<i>7.9%</i>	<i>N/A</i>	<i>N/A</i>	<i>7.5%</i>	<i>8.1%</i>	<i>7.2%</i>	<i>N/A</i>	<i>N/A</i>	<i>6.6%</i>	<i>8.0%</i>	<i>7.2%</i>	<i>N/A</i>	<i>N/A</i>	<i>6.9%</i>

Note: The “as reported” amounts above and throughout this presentation have been recasted to give effect to reorganizations and discontinued operations

Non-GAAP Reconciliations – Free Cash Flow

Free Cash Flow is a non-GAAP financial measure that is reconciled to the most directly comparable GAAP financial measure, cash flows used in operating activities. The company believes that reporting free cash flow provides investors with greater visibility into how effectively it generates cash. The company calculates free cash flow by subtracting expenditures for property, plant and equipment from total cash flows used in operating activities.

(\$ in millions)	FY15-FY19	
Projected average annual operating cash flow	\$	400
Projected average annual expenditures for property, plant and equipment		(50)
Free cash flow	\$	350



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