



Lockheed Martin 3rd Quarter 2012 Financial Results Conference Call

October 24, 2012

3:00 p.m. EDT

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100 YEARS OF
ACCELERATING
TOMORROW

Forward Looking Statements



Our presentation contains “forward-looking statements” or projections based on Lockheed Martin’s current expectations and assumptions. These statements are not guarantees of future performance and are subject to risks and uncertainties. Actual results could differ materially due to factors such as: the availability of government funding, budgetary constraints, performance, cost or other factors; sequestration under the Budget Control Act of 2011 or alternative measures that may be adopted; changes in customer priorities; quantity revisions to the F-35 program; return or loss on benefit plan assets, interest rates, and other changes that may affect benefit plan assumptions; the effect of capitalization changes (such as share repurchase activity, accelerated pension funding, option exercises, or debt levels); the allowability of costs under government cost accounting standards; the outcome of legal proceedings; the future impact of acquisitions, divestitures or joint ventures; the timing and availability of future government awards; economic, business and regulatory conditions and other factors. We disclaim any duty to update forward-looking statements to reflect new developments.

Our SEC filings (found at www.lockheedmartin.com or at www.sec.gov), including our 2011 Form 10-K and 2012 10-Qs, contain more information on the types of risks and other factors that could adversely affect these statements.

2012 Financial Results are Unaudited

3Q Overview



- **Generated Sales of \$11.9 Billion**
- **Expanded Segment Operating Margin* to 12.1%**
- **Increased EPS from Continuing Operations by 11%**
- **Generated \$1.6 Billion in Cash From Operations**
- **Increased Quarterly Dividend by 15% to \$1.15 per share**
- **Increased 2012 Outlook for Sales, Earnings, EPS and Operating Cash**
- **Provided Preliminary 2013 Financial Trends and Pension Sensitivity**

Continued Strong Performance

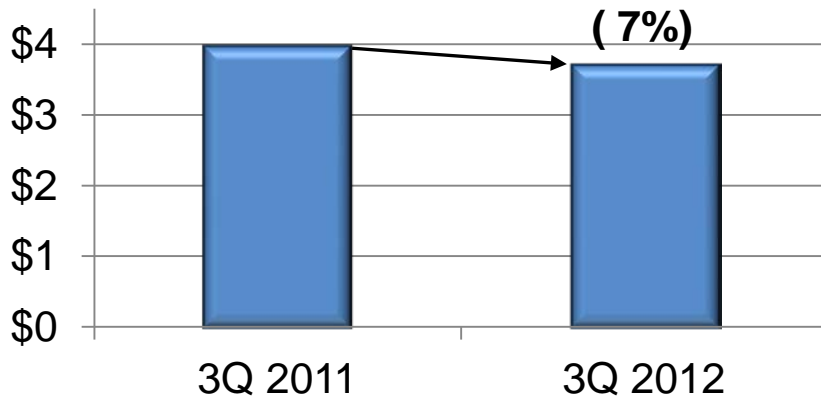
* See Charts 17-18 for Definitions of Non-GAAP Measures

3Q Sales Summary

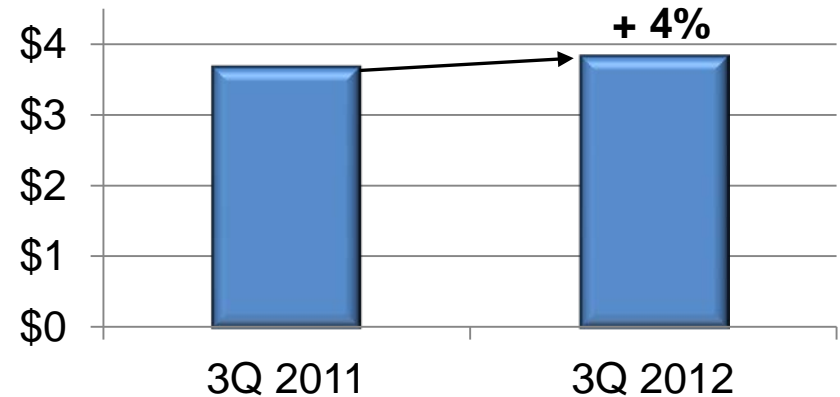
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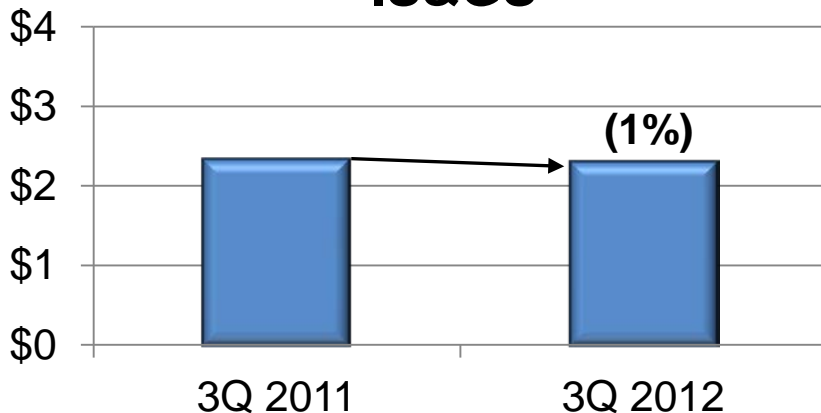
Aeronautics



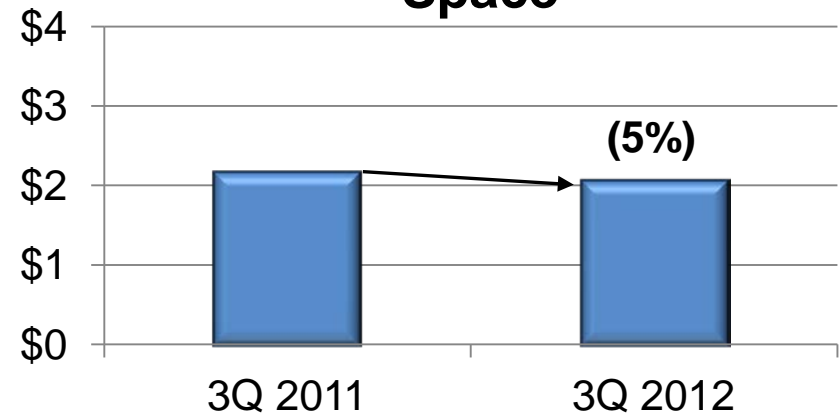
Electronic Systems



IS&GS



Space



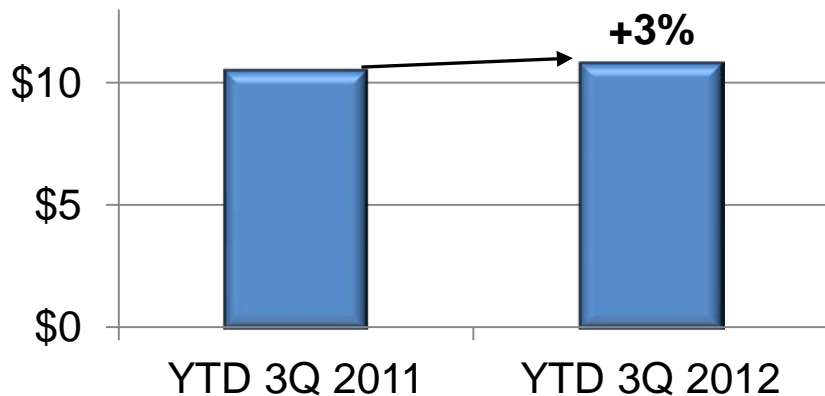
**Generated \$11.9 Billion... 2% Decrease...
Primarily Due to Aircraft Delivery and Satellite Timing**

3Q YTD Sales Summary

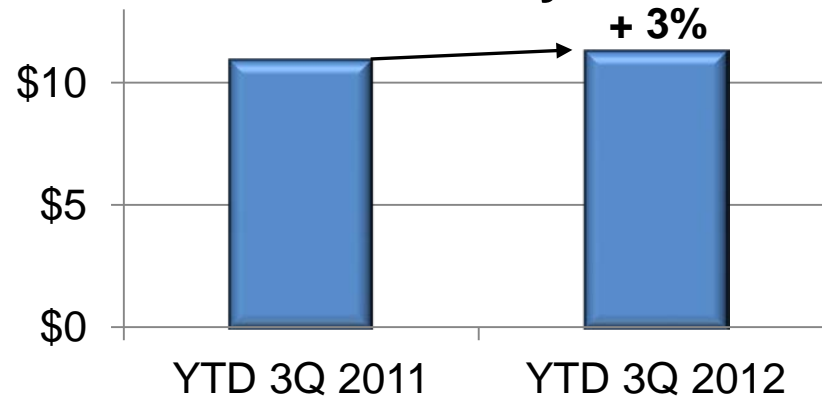
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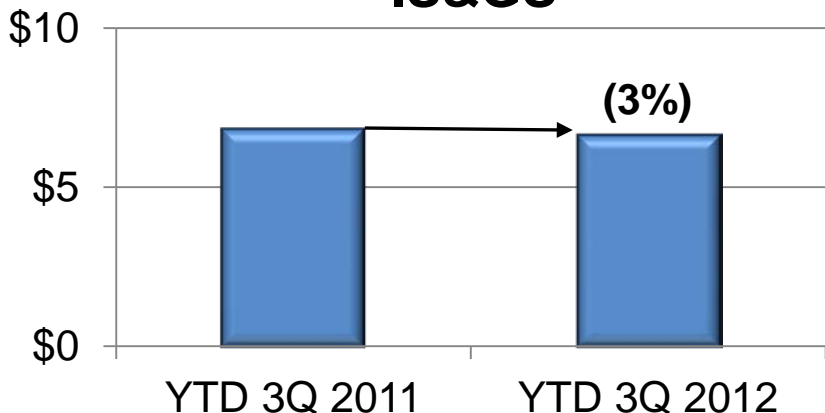
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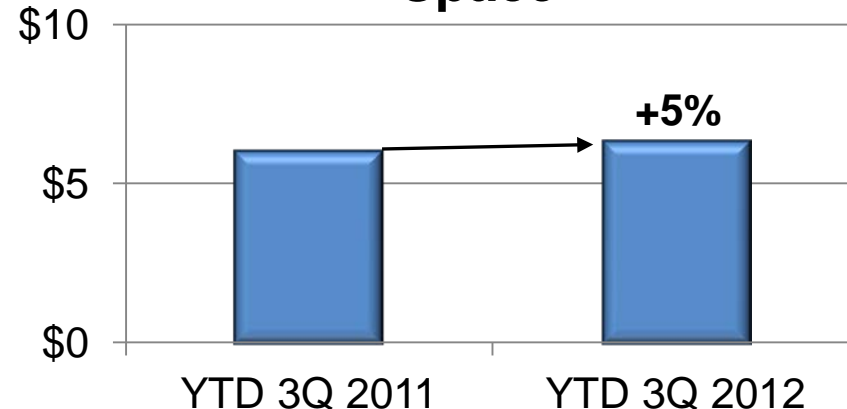
Electronic Systems



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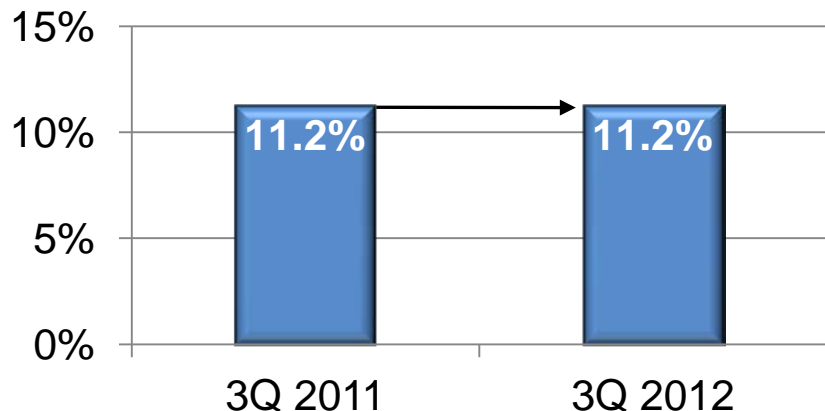
**2012 YTD Sales +2%...
Increased Full Year Sales Outlook**

3Q Segment Operating Margins

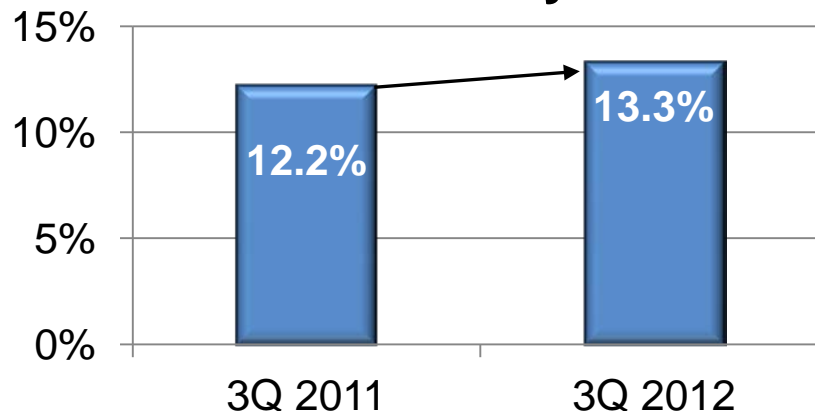
(%)



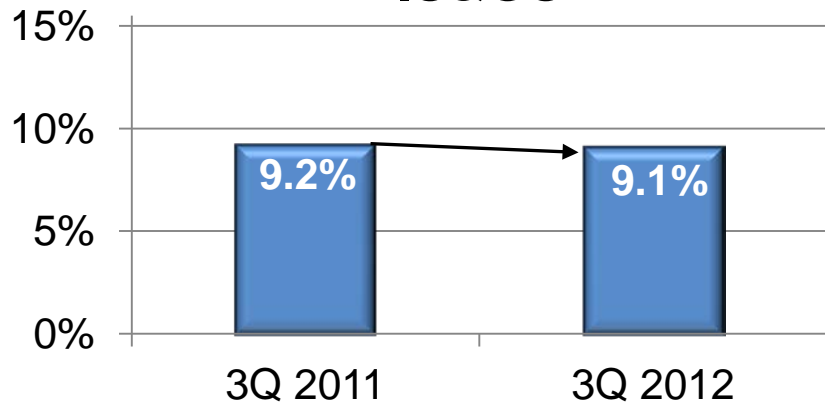
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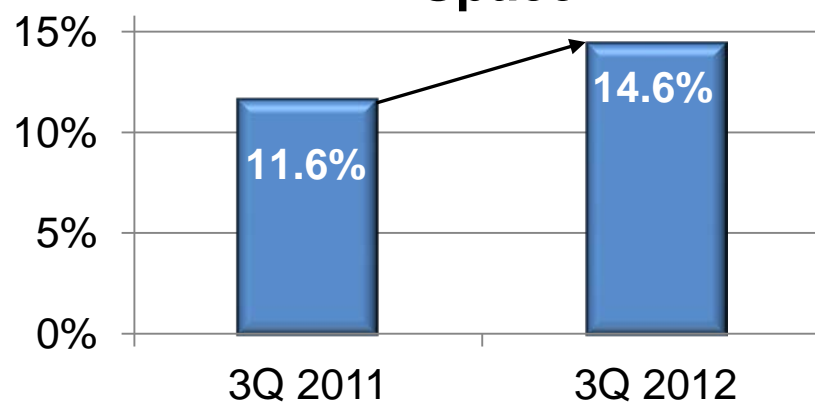
Electronic Systems



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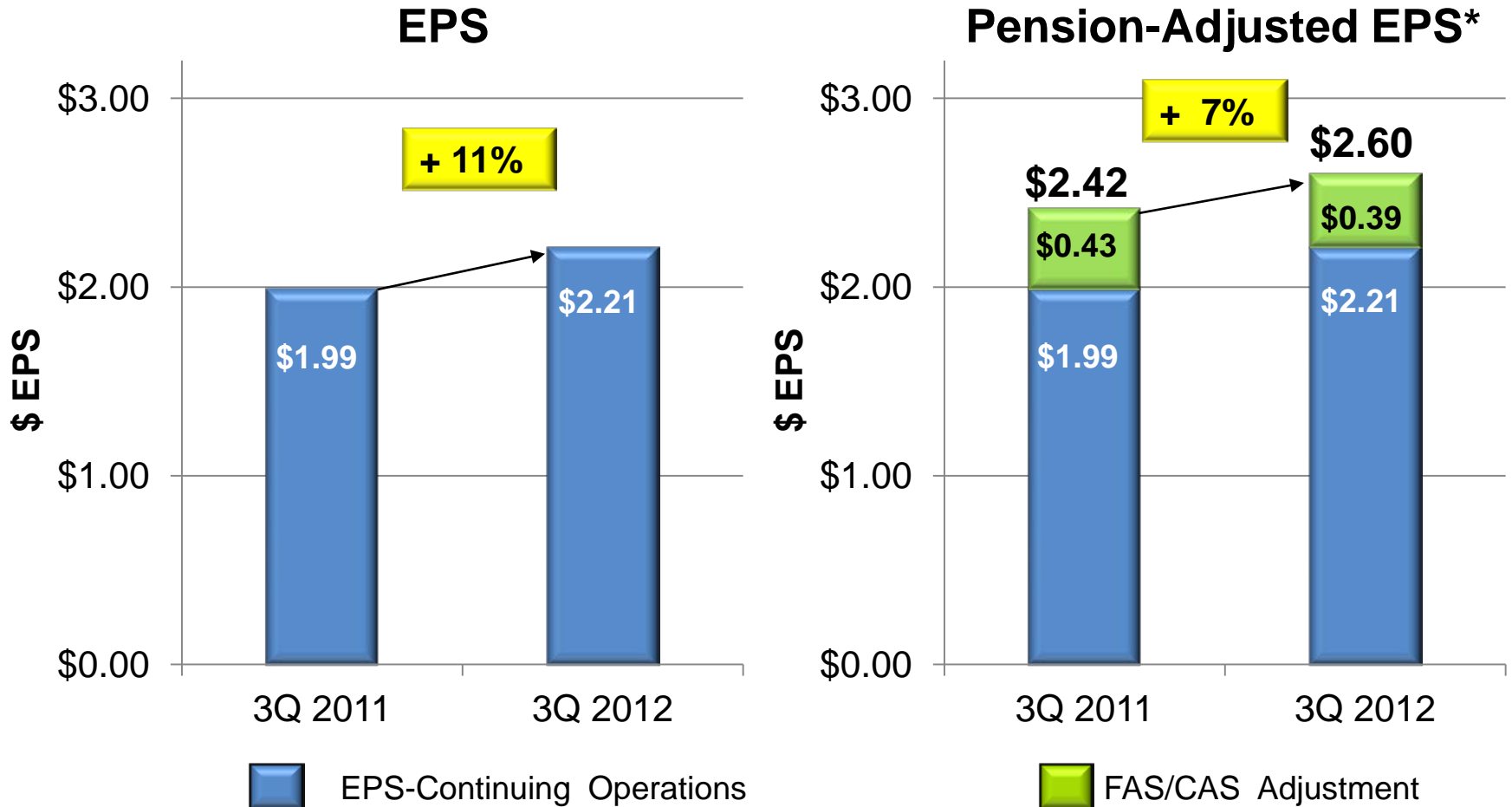
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Segment Operating Margin Increased 90 bps to 12.1%



3Q Earnings Per Share



**EPS Growth Driven By
Strong Operational Performance**

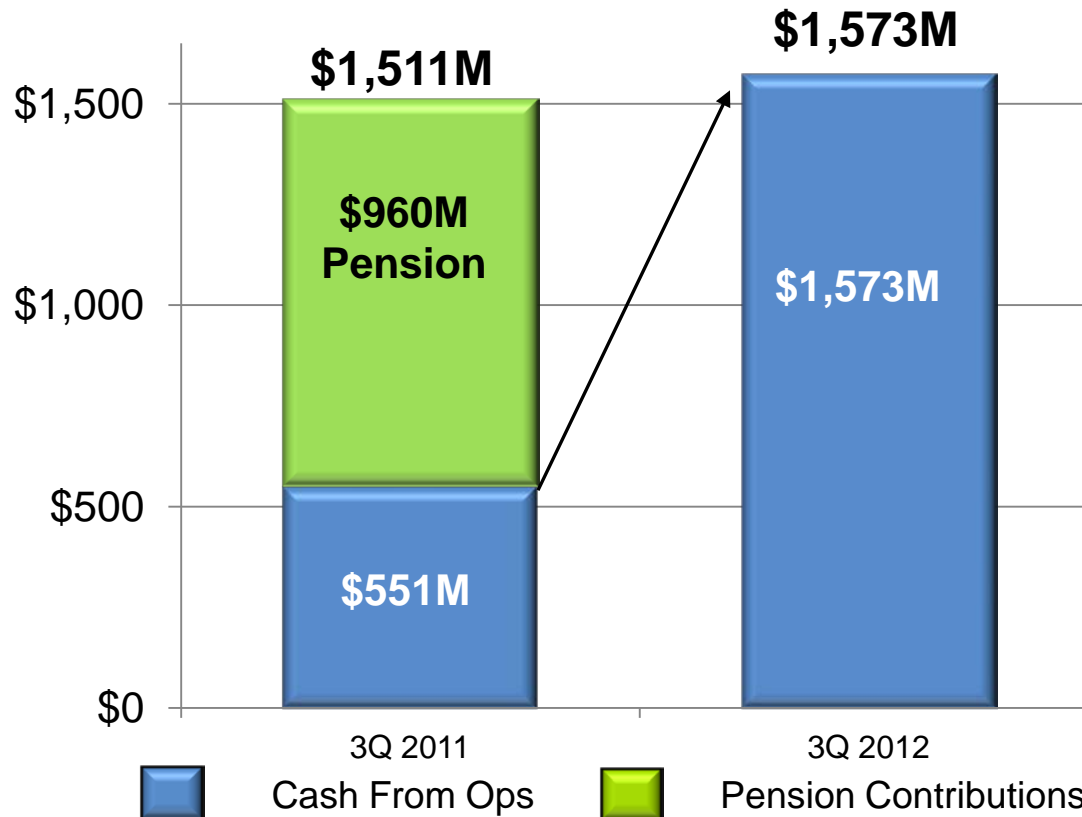
* See Charts 17-18 for Definitions of Non-GAAP Measures
 Chart 7

3Q Cash Flow

(\$M)



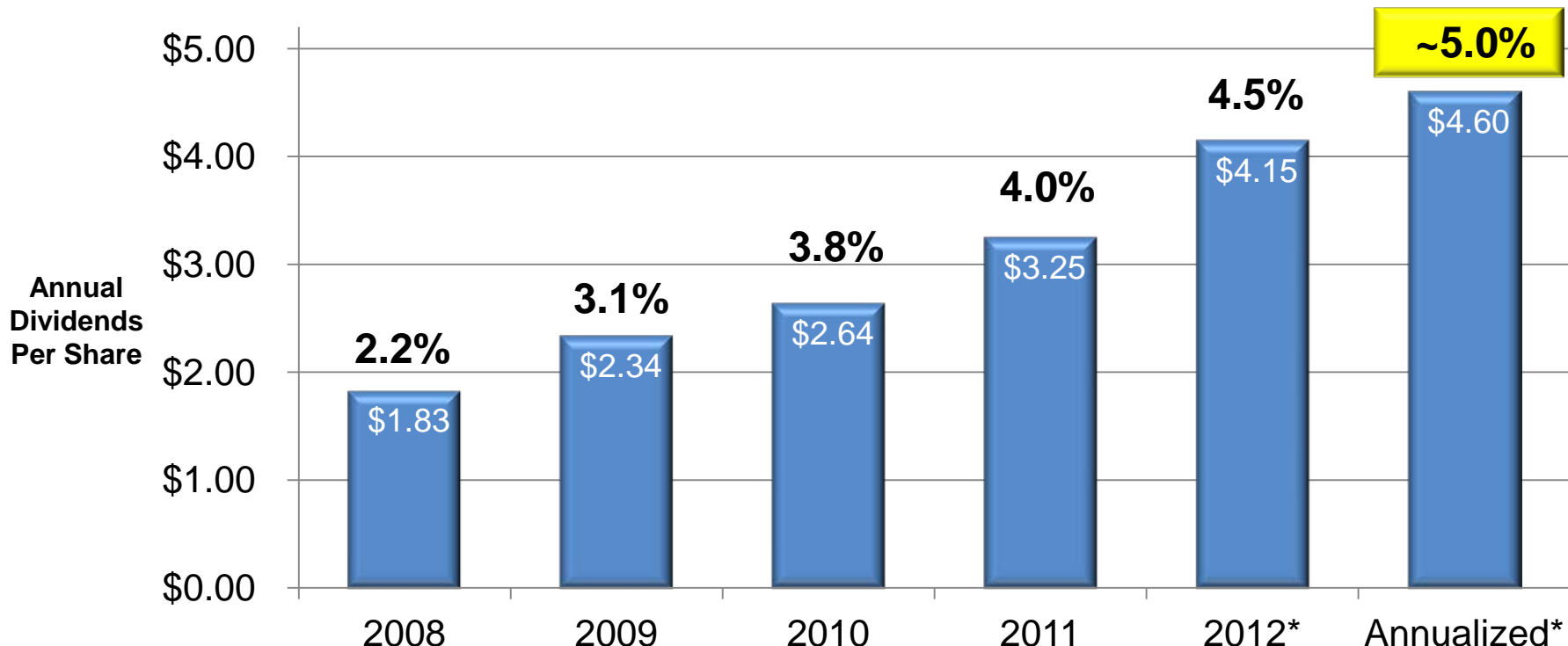
Pre-Pension Cash Flow*



**Strong Cash Generation...
Increased Full Year Outlook to \geq \$4.0 Billion**

* See Charts 17-18 for Definitions of Non-GAAP Measures

Dividends & Yield



	2008	2009	2010	2011	2012*	Annualized*
Annual Dividend	\$1.83	\$2.34	\$2.64	\$3.25	\$4.15	\$4.60
Dividend Yield	2.2%	3.1%	3.8%	4.0%	4.5%	~5.0%

* Based Upon \$92.89 Price on 10/19/2012

**10th Consecutive Year of Double Digit Dividend Increase...
Growing Returns to Shareholders**

2012 Outlook Update

(\$ Million, Except EPS)



	<u>Prior (July)</u>	<u>Current (Oct)</u>
Sales	\$45,000 - 46,000	\$45,500 - 46,500
Segment Operating Profit	\$5,200 - 5,300	\$5,375 - 5,475
<u>Unallocated Corp Inc / (Exp)</u>		
FAS/CAS Adjustment	~ (835)	~ (835)
Other Unallocated Expense	~ (340)	~ (390)
Operating Profit	\$4,025 - 4,125	\$4,150 - 4,250
EPS - Continuing Operations	\$7.90 - 8.10	\$8.20 - 8.40
Cash From Operations	≥ \$3,900	≥ \$4,000

2012 EPS Outlook Reconciliation



**EPS from
Continuing Operations**

July 2012 Outlook

\$7.90 – \$8.10

Segment Operating Profit Increase

0.35

All Other

(0.05)

October 2012 Outlook

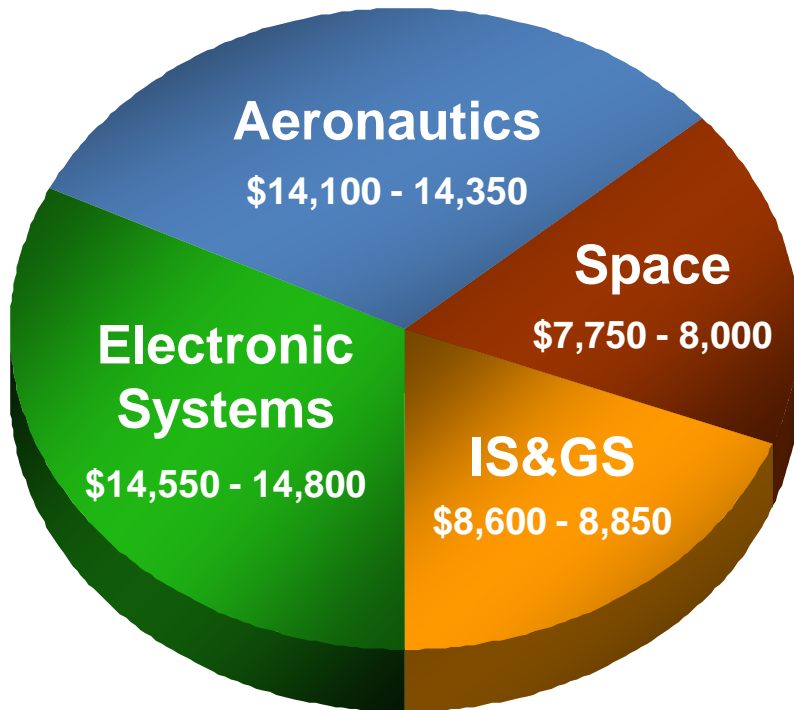
\$8.20 – \$8.40

2012 Sales Outlook

(\$ Million)

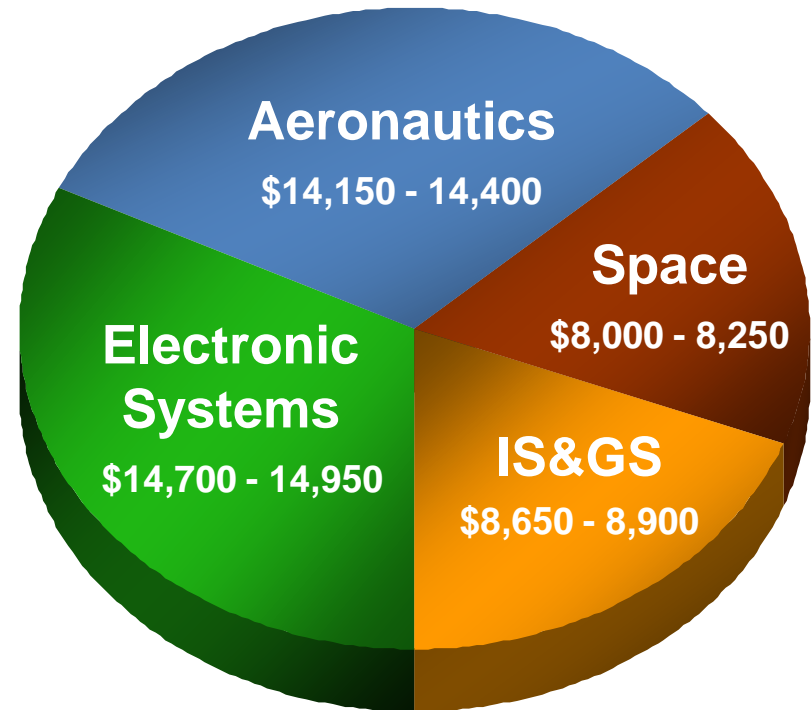


Sales (Prior)



\$45,000 - 46,000M

Sales (Current)



\$45,500 - 46,500M

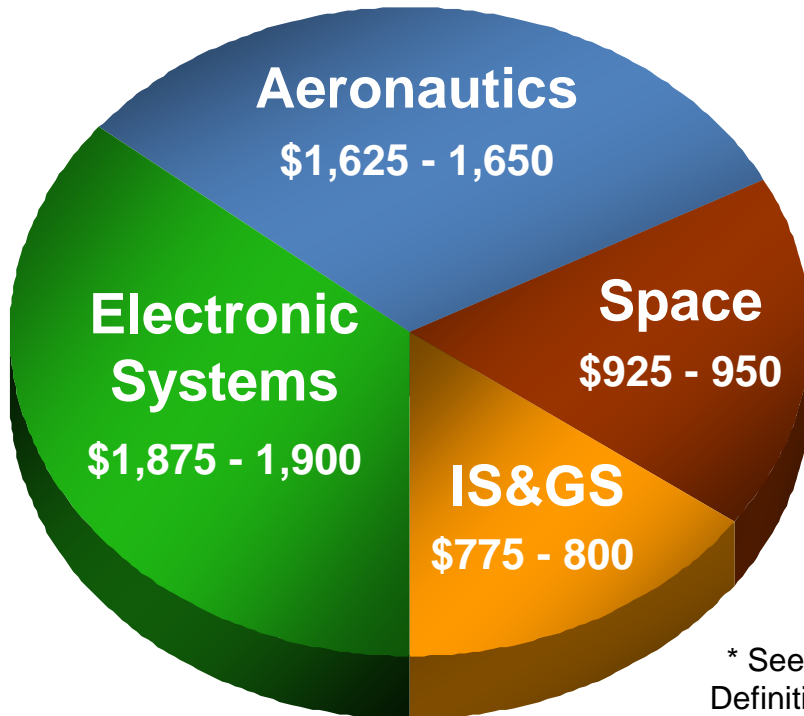
**All Four Segments Increased
Sales Outlook**

2012 Segment Operating Profit Outlook

(\$ Million)

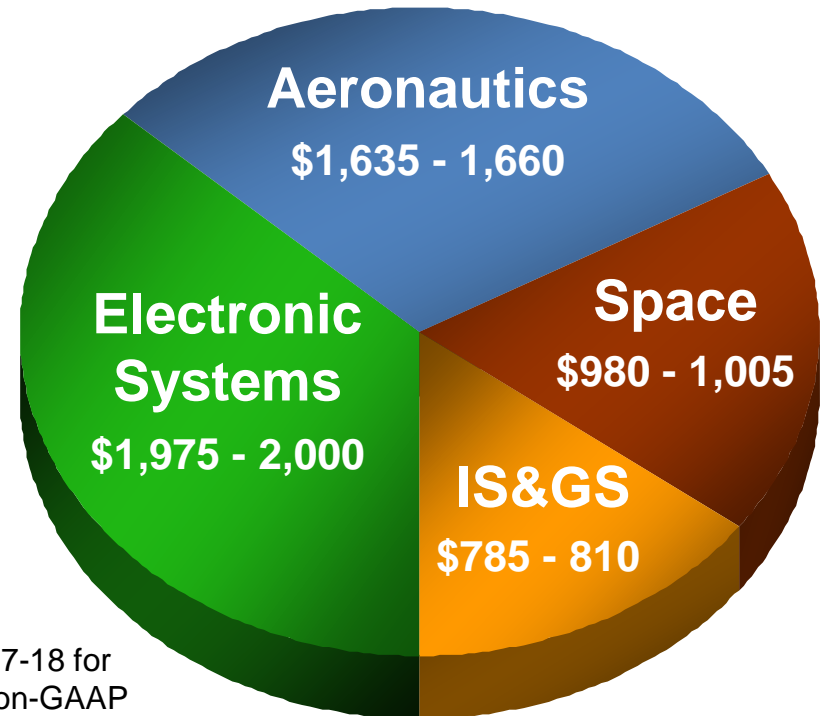


Segment Op Profit* (Prior)



\$5,200 - 5,300M

Segment Op Profit* (Current)



\$5,375 - 5,475M

* See Charts 17-18 for Definitions of Non-GAAP Measures

All Four Segments Increased Operating Profit Outlook

Preliminary 2013 Trends



- **Low Single Digit Decline in Top-Line Sales**
 - **Assumes No Impact From Sequestration**
- **Segment Operating Margin Remains Above 11%**
- **FAS/CAS Pension Adjustment Expense ~(\$700M)**
 - **Assumes 4.0% Discount Rate at Year-End 2012**
 - **Assumes 8.0% Actual Return on Assets During 2012**
 - **Assumes Pension Funding Comparable to 2012**

Summary



2012

- **Strong Year-to-Date Performance...Leading to Solid Year**
- **Continuing to Position for Challenging Environment**
- **Returning Value to Shareholders**

2013

- **Detailed Guidance Available on January 2013 Call Reflecting New Electronic Systems Realignment**

Positioned for Full Year 2012 Goals Achievement

Financial Appendix

Definitions of Non-GAAP Measures



Non-GAAP Financial Measures Disclosure

This presentation, and today's conference call remarks, contain non-Generally Accepted Accounting Principles (GAAP) financial measures (as defined by SEC Regulation G). While we believe that these non-GAAP financial measures may be useful in evaluating Lockheed Martin, this information should be considered supplemental and is not a substitute for financial information prepared in accordance with GAAP. In addition, our definitions for non-GAAP measures may differ from similarly titled measures used by other companies or analysts.

Segment Operating Profit / Margin

Segment Operating Profit represents the total earnings from our business segments before unallocated corporate income and expense, interest expense, other non-operating income and expense, and income tax expense. This measure is used by our senior management in evaluating the performance of our business segments. The caption "Unallocated Corp Inc / (Exp)" reconciles Segment Operating Profit to consolidated Operating Profit. Segment Margin is calculated by dividing Segment Operating Profit by Sales. Mid-point Segment Margin represents the mid-point of the outlook range for Segment Operating Profit divided by the mid-point of the outlook range for Sales.

	<u>2012 Outlook (July)</u>	<u>2012 Outlook (October)</u>
Sales	\$45,000 – 46,000	\$45,500 – 46,500
Segment Operating Profit	\$5,200 - 5,300	\$5,375 - 5,475
Mid-Point Segment Margin	11.5%	11.8%
Consolidated Operating Profit	\$4,025 – 4,125	\$4,150 – 4,250

	<u>3Q 2012</u>			<u>3Q 2011</u>		
	<u>Sales</u>	<u>Profit</u>	<u>Margin</u>	<u>Sales</u>	<u>Profit</u>	<u>Margin</u>
Operating Profit	\$ 11,869	\$ 1,098	9.3%	\$ 12,119	\$ 1,041	8.6%
Unallocated/Other expenses, net	-	336		-	314	
Segment Operating Profit	\$ 11,869	\$ 1,434	12.1%	\$ 12,119	\$ 1,355	11.2%

Definitions of Non-GAAP Measures



Pension-Adjusted Earnings Per Share

Lockheed Martin defines adjusted earnings per share as GAAP earnings per share excluding the effect of the FAS/CAS pension adjustment. Management uses these measures as an additional means to compare and forecast the company's operating performance before the effect of the FAS/CAS pension adjustment between periods and in comparison to that of other companies within our industry as an alternative to GAAP.

Pre-Pension Cash Flow

Lockheed Martin defines pre-pension cash flow as GAAP cash from operations plus the cash amount contributed to pension trusts.



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