



# ***Lockheed Martin***

***2008 1<sup>st</sup> Quarter***

***Financial Results Conference Call***

***April 22, 2008***

|                               |                                 |                            |
|-------------------------------|---------------------------------|----------------------------|
| <b><i>Dial In Number:</i></b> | <b><i>U.S. &amp; Canada</i></b> | <b><i>877-545-1409</i></b> |
|                               | <b><i>International</i></b>     | <b><i>719-325-4873</i></b> |

# Financial Results - First Quarter

(\$M, Except EPS)



|                                   | <u>2008</u> | <u>2007</u> |
|-----------------------------------|-------------|-------------|
| <b>Sales</b>                      | \$ 9,983    | \$ 9,275    |
| <b>Segment Operating Profit</b>   | \$ 1,150    | \$ 999      |
| <b>Unallocated Corp Inc/(Exp)</b> | 28          | (14)        |
| <b>Operating Profit</b>           | \$ 1,178    | \$ 985      |
| <b>GAAP EPS</b>                   | \$ 1.75     | \$ 1.60     |
| <b>Cash from Operations</b>       | \$ 882      | \$ 1,482    |
| <b>Capital Expenditures</b>       | \$ 104      | \$ 84       |

# 2008 Outlook Update Summary

(\$M, Except EPS)



|                                     | <u>January Outlook</u> | <u>April Outlook</u> |
|-------------------------------------|------------------------|----------------------|
| <b>Sales</b>                        | \$41,800 - 42,800      | \$41,800 - 42,800    |
| <b>Segment Operating Profit</b>     | \$4,715 - 4,840        | \$4,750 - 4,875      |
| <b>Mid-Point Segment Margin</b>     | 11.3%                  | 11.4%                |
| <b>Other Pre-Tax Expense (net)</b>  | ~ (310)                | ~ (370)              |
| <b>Earnings Before Income Taxes</b> | \$4,405 - 4,530        | \$4,380 - 4,505      |
| <b>GAAP EPS</b>                     | \$7.05 - 7.25          | \$7.15 - 7.35        |
| <b>Cash From Operations</b>         | ≥ \$4,200              | ≥ \$4,200            |
| <b>ROIC</b>                         | ≥ 18.5%                | ≥ 19.0%              |

# 2008 EPS Update

(\$)



**Prior EPS Estimate (January 2008) \$7.05 - \$7.25**

**Increased Segment Operating Profit 0.06**

## Other Updates

|  |               |                 |
|--|---------------|-----------------|
| <b>Share Repurchase Benefit</b>  | <b>0.14</b>   | } <b>\$0.04</b> |
| <b>Reduction in Unallocated Expense</b><br>(Stock Comp. Expense and Other Unallocated Items) | <b>0.06</b>   |                 |
| <b>Unusual Item - Deferred Gain on LKEI / ILS Sale</b>                                       | <b>0.02</b>   |                 |
| <b>Reduction in Non-Operating Income</b><br>(Interest and Investment Income)                 | <b>(0.16)</b> |                 |
| <b>Increased Interest Expense</b>  | <b>(0.02)</b> |                 |

**Current EPS Estimate (April 2008) \$7.15 - \$7.35**

# Updated Outlook for 2008 - Earnings Detail

(\$M, Except EPS)



|  | <u>January Outlook</u> | <u>April Outlook</u>   |
|--|------------------------|------------------------|
| <b>Segment Operating Profit</b>        | <b>\$4,715 - 4,840</b> | <b>\$4,750 - 4,875</b> |
| <u>Unallocated Corp. (Exp.) / Inc.</u> |                        |                        |
| <i>FAS/CAS Adjustment</i>              | ~ 125                  | ~ 125                  |
| <i>Unusual Item</i>                    | --                     | ~ 15                   |
| <i>Stock Comp. Expense</i>             | ~ (170)                | ~ (155)                |
| <i>Other Unallocated Items</i>         | ~ (65)                 | ~ (40)                 |
| <b>Operating Profit</b>                | <b>\$4,605 - 4,730</b> | <b>\$4,695 - 4,820</b> |
| <b>Interest Expense</b>                | ~ (345)                | ~ (360)                |
| <b>Non-Operating Income</b>            | ~ 145                  | ~ 45                   |
| <b>Earnings Before Income Taxes</b>    | <b>\$4,405 - 4,530</b> | <b>\$4,380 - 4,505</b> |
| <b>GAAP EPS</b>                        | <b>\$7.05 - 7.25</b>   | <b>\$7.15 - 7.35</b>   |

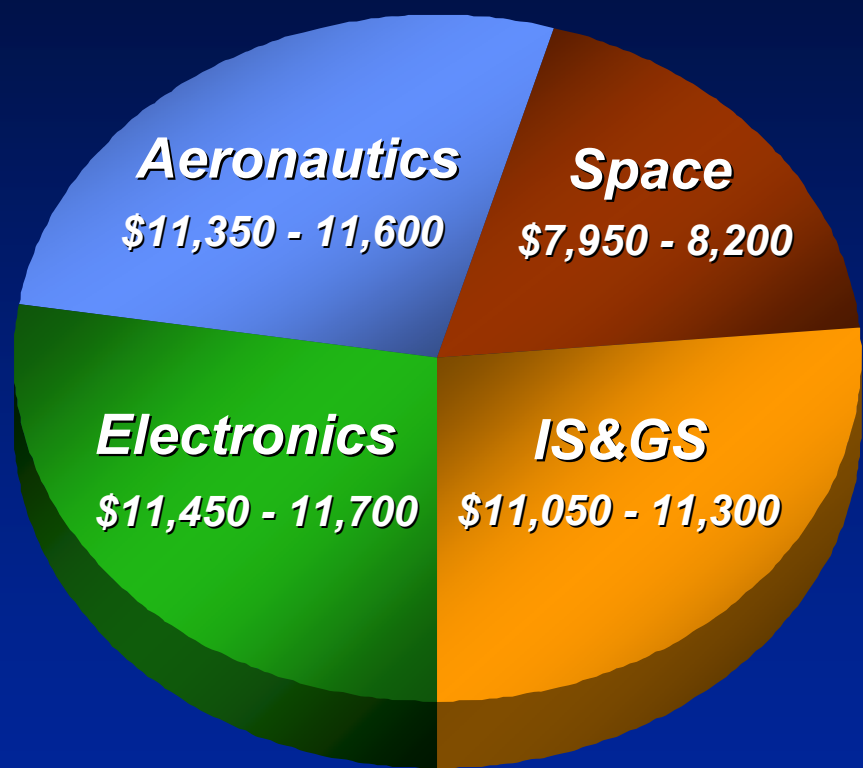
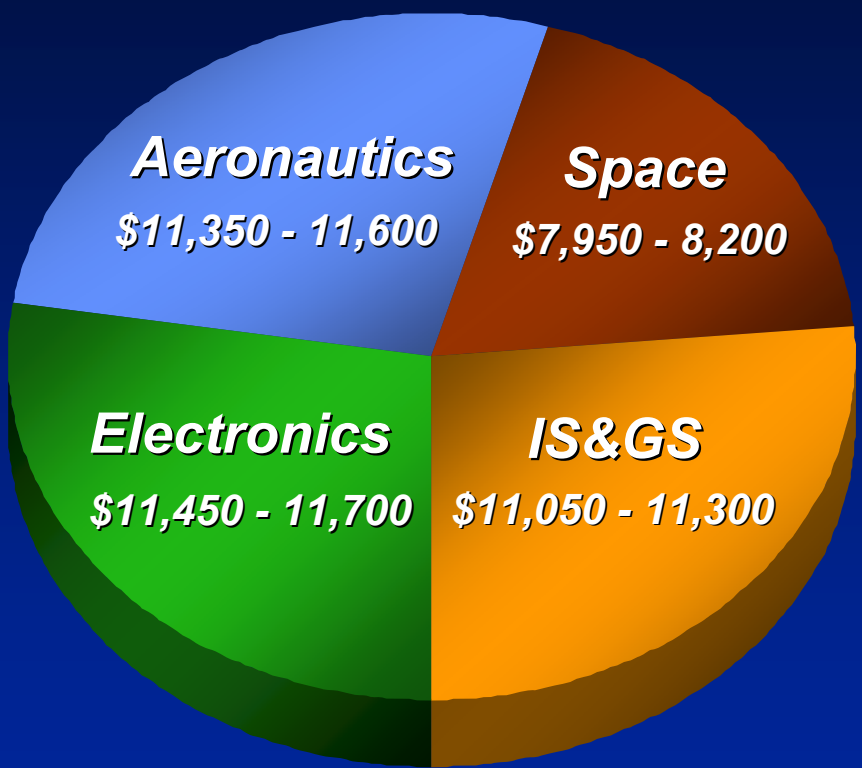


# Sales Outlook

(\$M)

Prior (Jan)

Current (April)



**Sales Outlook Unchanged**

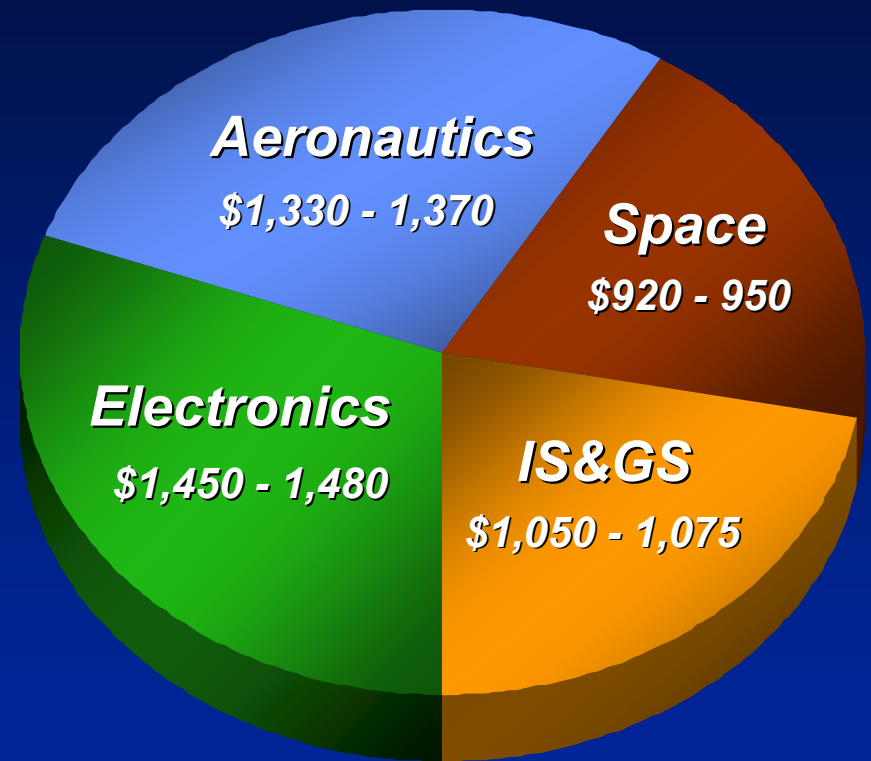
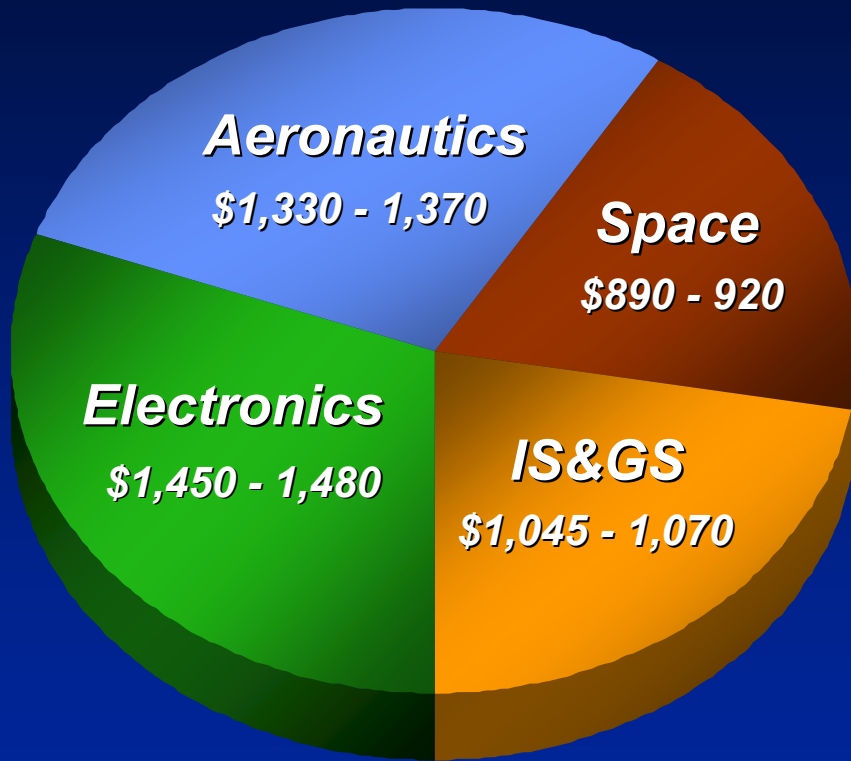
# Segment Operating Profit Outlook

(\$M)



Prior (Jan)

Current (April)



**Segment Operating Profit Outlook Increased**

# ROIC Calculation

(\$M)



|   | <i>Actual</i><br><u>2005</u> | <i>Actual</i><br><u>2006</u> | <i>Actual</i><br><u>2007</u> | <i>Outlook</i><br><u>2008</u> |
|---|------------------------------|------------------------------|------------------------------|-------------------------------|
| <i>Net Earnings</i>                       | \$1,825                      | \$2,529                      | \$3,033                      | } <b>Combined</b>             |
| <i>Interest Exp x .65</i>                 | 241                          | 235                          | 229                          |                               |
| <b>Return</b>                             | <b>\$2,066</b>               | <b>\$2,764</b>               | <b>\$3,262</b>               |                               |
| <i>Debt (Average)</i>                     | \$5,077                      | \$4,727                      | \$4,416                      | } <b>Combined</b>             |
| <i>Equity (Average)</i>                   | 7,590                        | 7,686                        | 7,661                        |                               |
| <i>Benefit Plan Adjustments (Average)</i> | 1,545                        | 2,006                        | 3,171                        |                               |
| <b>Invested Capital (Average)</b>         | <b>\$14,212</b>              | <b>\$14,419</b>              | <b>\$15,248</b>              | <b>≤ \$16,750</b>             |
| <b>ROIC</b>                               | <b>14.5%</b>                 | <b>19.2%</b>                 | <b>21.4%</b>                 | <b>≥ 19.0%</b>                |

Our definition of Return on Invested Capital (ROIC) is net earnings plus after-tax interest expense divided by average invested capital (stockholders' equity plus debt), after adjusting stockholders' equity by adding back adjustments related to postretirement benefit plans.

Average benefit plan adjustments reflect the cumulative value of entries identified in our Statement of Stockholders Equity related to recognized and unrecognized benefit plan-related amounts, the adjustment for adoption of FAS 158 and the minimum pension liability.



# 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 (expense) and income, 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. Expense", or "Unallocated Corp. (Exp.) / Inc." reconciles Segment Operating Profit to consolidated Operating Profit. The caption "Other Pre-Tax Expense (net)" reconciles Segment Operating Profit to consolidated Earnings Before Income Taxes. 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>January Outlook</u> | <u>April Outlook</u> |
|-------------------------------|------------------------|----------------------|
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| Segment Operating Profit      | \$4,715 - 4,840        | \$4,750 - 4,875      |
| Mid-Point Segment Margin      | 11.3%                  | 11.4%                |
| Consolidated Operating Profit | \$4,605 - 4,730        | \$4,695 - 4,820      |
| Mid-Point Operating Margin    | 11.0%                  | 11.2%                |

## ROIC

Management believes that Return on Invested Capital (ROIC) provides greater visibility into how effectively Lockheed Martin deploys capital. Management uses ROIC as a target level to help ensure that overall performance is understood and acceptable when capital is invested. ROIC is not a measure of financial performance under GAAP, and may not be defined and calculated by other companies in the same manner. ROIC should not be considered in isolation or as an alternative to net earnings as an indicator of company performance.

## Free Cash Flow

Lockheed Martin defines Free Cash Flow as GAAP Cash From Operations less Capital Expenditures. This measure is used by our senior management in evaluating the company's ability to generate cash from its core businesses.

Management uses these measures to compare segment performance and for comparisons to other companies within our industry as an alternative to GAAP. These measures also may be helpful to investors in understanding period-over-period financial results separate and apart from items that may, or could, have a disproportionate positive or negative impact on our financial results in any particular period.

# Forward Looking Statements



**Our presentation contains “forward-looking” statements or projections based on current expectations. These statements are not guarantees of future performance and are subject to risks and uncertainties. Actual results may differ materially due to: the availability of government funding and budgetary constraints; changes in customer priorities; the impact of continued hostilities in Iraq and Afghanistan on funding for defense programs; program and contract performance; return on benefit plan assets, interest and discount rates, and other changes that may impact benefit plan assumptions; the timing and availability of future government awards; the outcome of legal proceedings; the future impact of acquisitions, divestitures or joint ventures; 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](http://www.lockheedmartin.com) or at [www.sec.gov](http://www.sec.gov)), including our 2007 Form 10-K, contain more information on the types of risks and other factors that could adversely affect these statements.**

**2008 Financial Results are Unaudited.**



***Investor Relations Contacts:***

***Jerry Kircher, 301/897-6584***

***Shamala Littlefield, 301/897-6455***