



Lockheed Martin 3rd Quarter 2010 Financial Results Conference Call October 19, 2010 11:00 a.m. EDT



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October 19, 2010

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 economic recovery and stimulus plans and continued hostilities in Iraq and Afghanistan on funding for defense programs; program and contract performance; return or loss on benefit plan assets, interest and discount rates, and other changes that may affect benefit plan assumptions; the effect of capitalization changes (such as share repurchase activity, advance pension funding, option exercises, or debt levels) on earnings per share; failure to have key programs recertified after notice of exceeding cost-growth thresholds specified by the Nunn-McCurdy process; the effect of the technical baseline review of the F-35 program; the timing and availability of future government awards; 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 2009 Form 10-K and 2010 10-Qs, contain more information on the types of risks and other factors that could adversely affect these statements.

2010 Financial Results are Unaudited

2010 Portfolio/Affordability Actions

EIG – Enterprise Integration Group

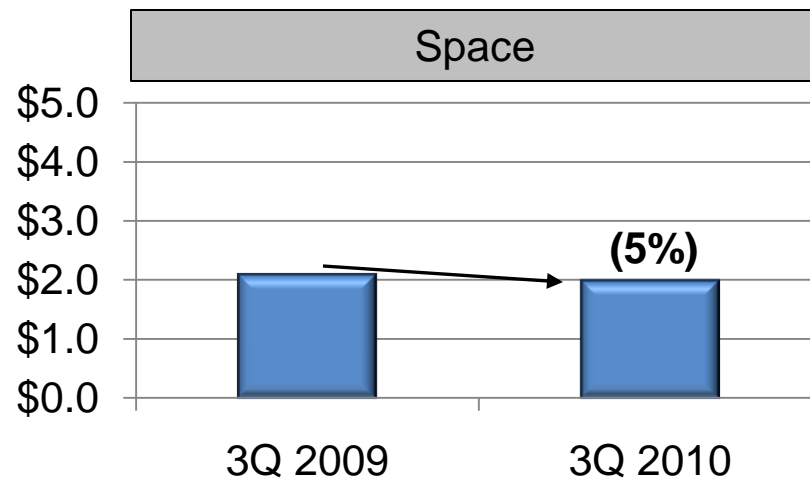
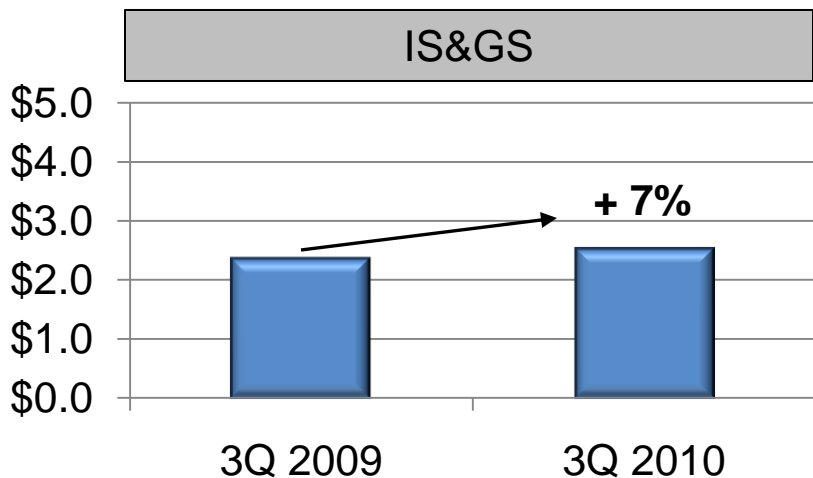
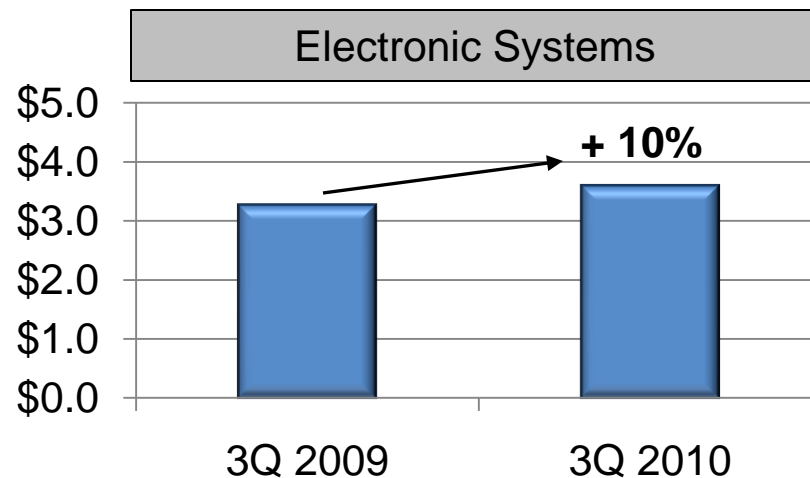
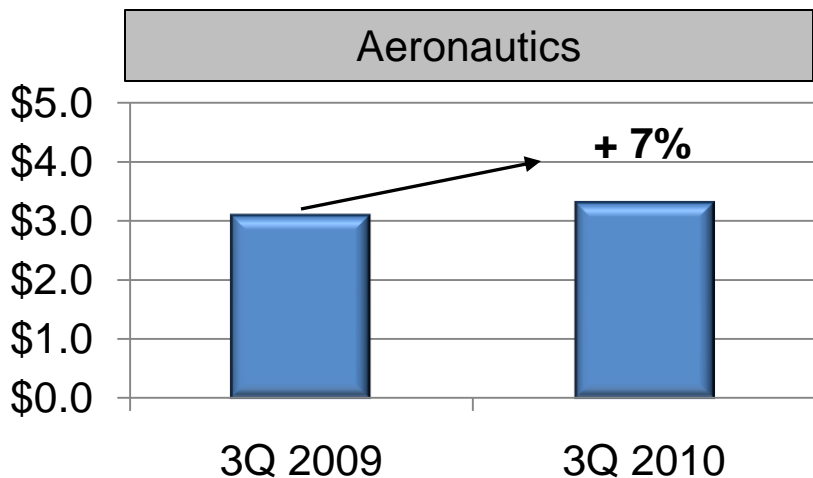
- Announced Sale to Veritas Capital ... \$815 million
- Sale Closure Expected by Year End 2010
- Financial Results Classified as Discontinued Operations
- IS&GS Guidance Revised

VESP – Voluntary Executive Separation Program

- ~600 Employees Participating
- Total Charge to 3Q 2010 Earnings \$178 million pre-tax
- Working with Customer on Timing of Recovery of Program Costs

3Q Sales Summary

(\$B)



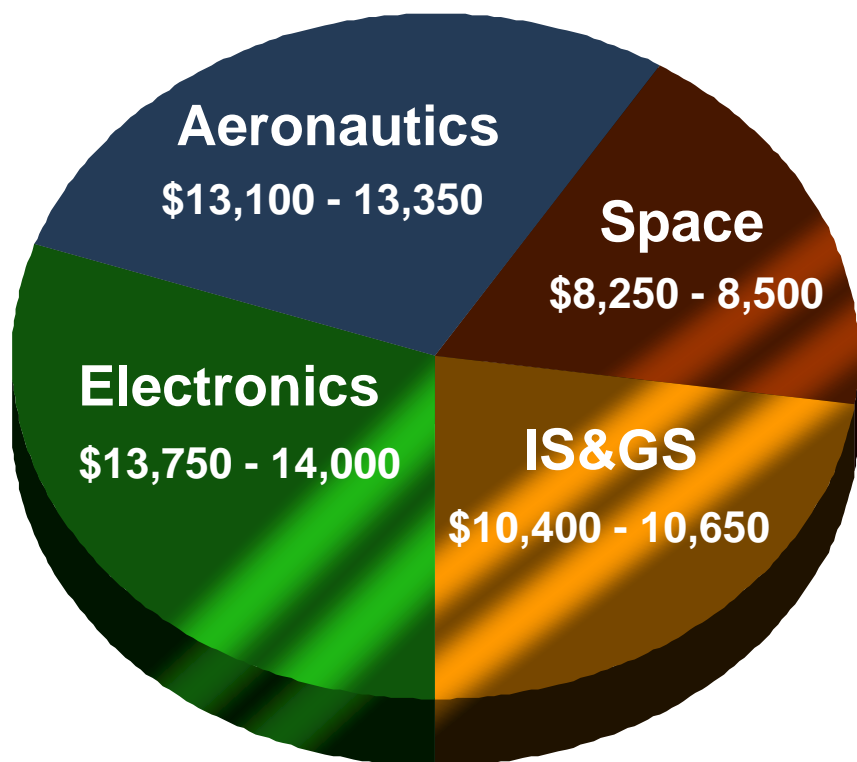
Total Corporate Sales Growth of 6%

2010 Sales Outlook

(\$M)

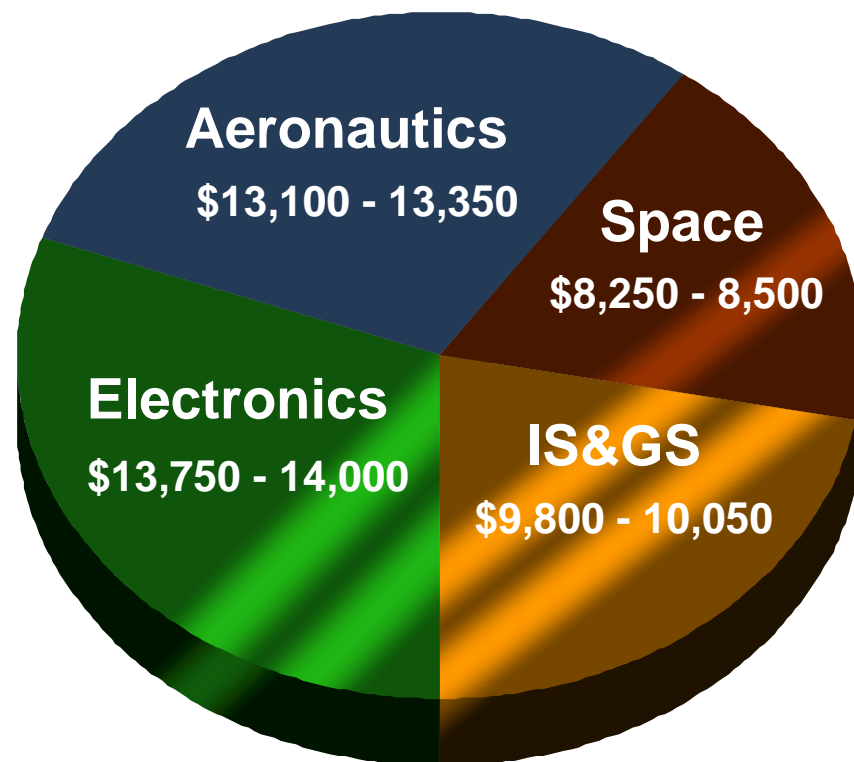


Sales (July)



\$45,500 - 46,500M

Sales (Oct)



\$44,900 - 45,900M

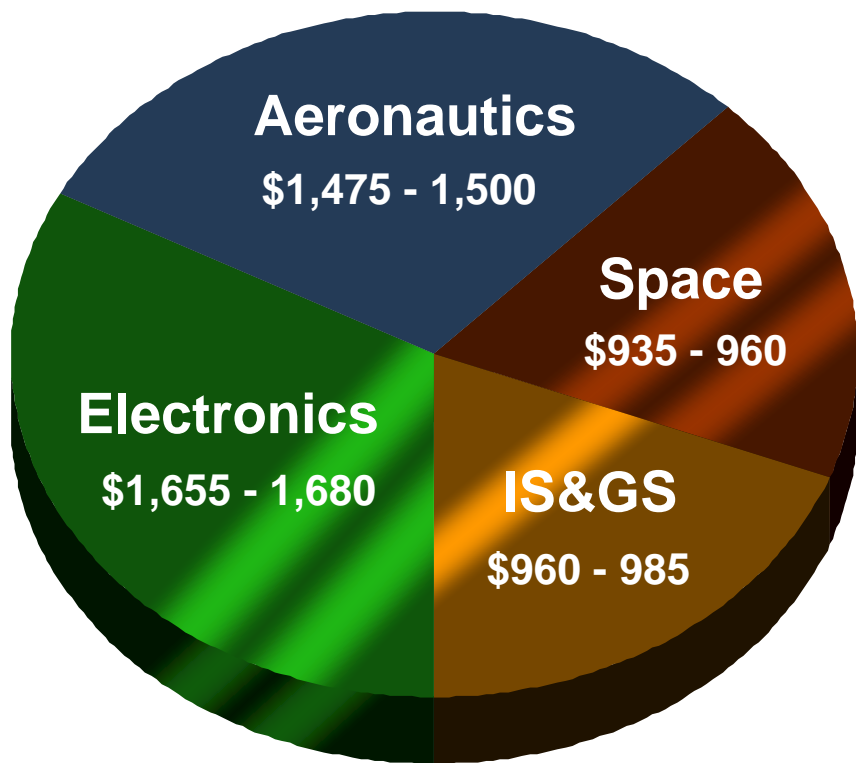
IS&GS Guidance Updated for EIG to Disc Ops

2010 Segment Operating Profit Outlook

(\$M)

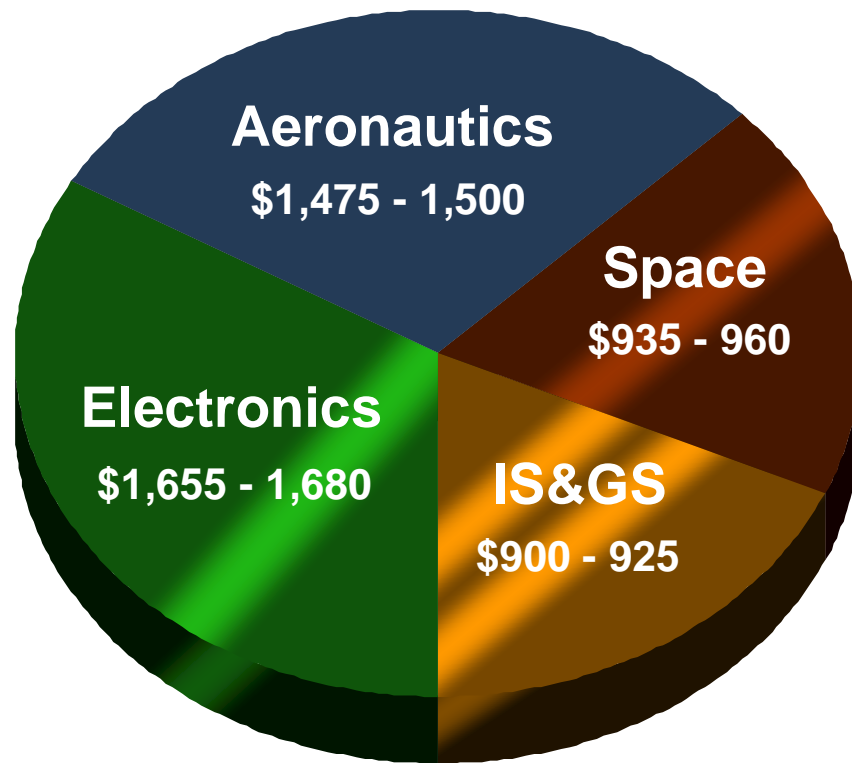


Segment Op Profit (July)



\$5,025 - 5,125M

Segment Op Profit (Oct)

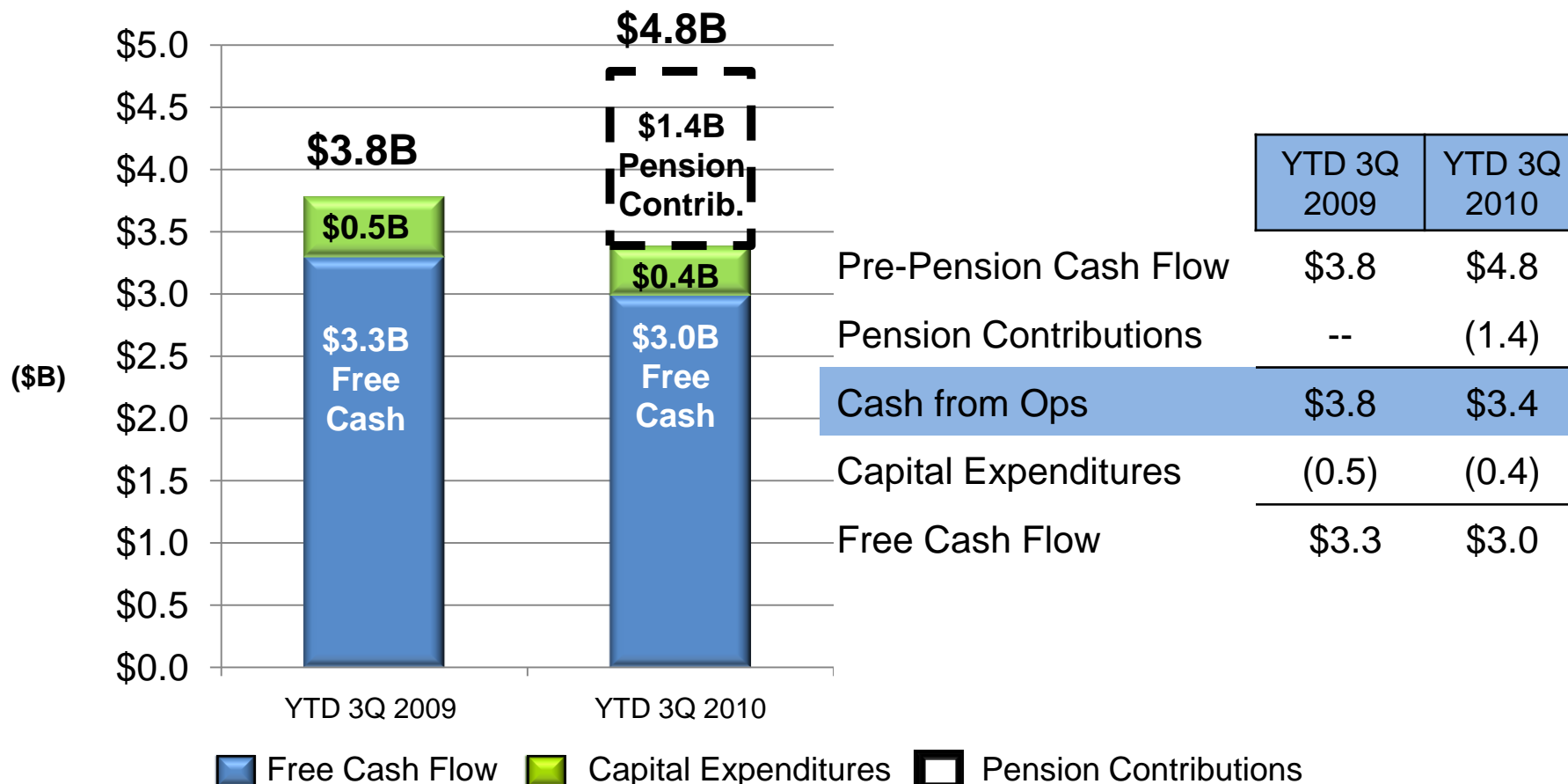


\$4,965 - 5,065M

See Charts 15-16 for Definitions of Non-GAAP Measures

IS&GS Guidance Updated for EIG to Disc Ops

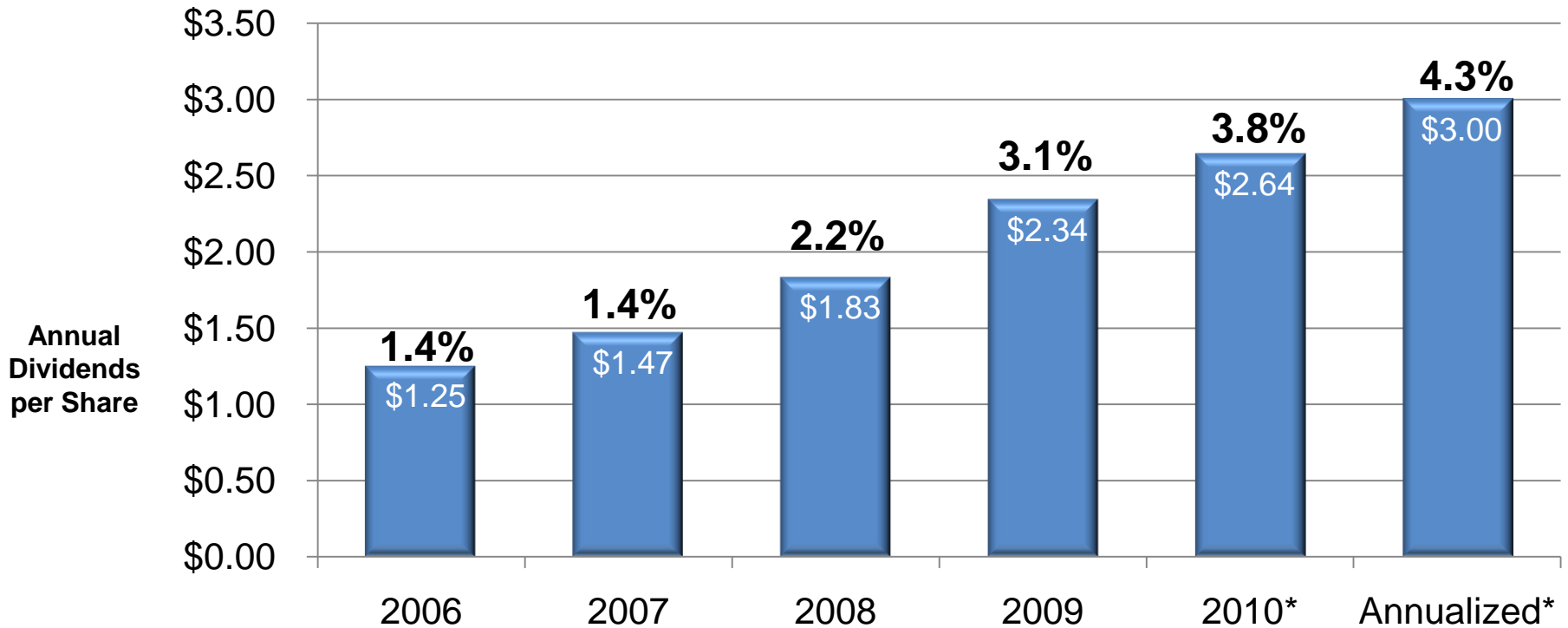
3Q YTD Cash Flow



See Charts 15-16 for Definitions of Non-GAAP Measures

Strong Cash Generation YTD 2010....
\$3.4 Billion Cash from Ops After Funding \$1.4B to Pension

Dividends & Yield



Annual Dividend	\$1.25	\$1.47	\$1.83	\$2.34	\$2.64	\$3.00
Dividend Yield	1.4%	1.4%	2.2%	3.1%	3.8%	4.3%

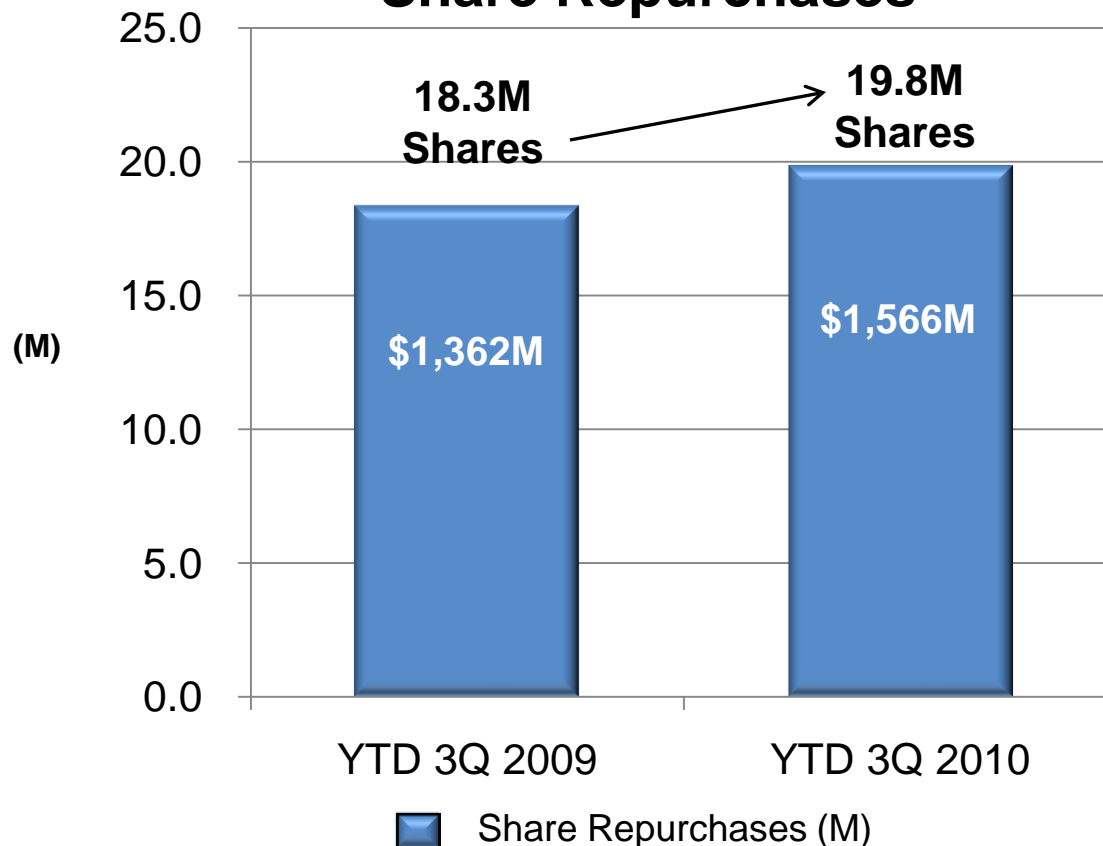
* Based Upon 10/15/2010 Price

Growing Returns to Shareholders

Share Repurchase Activity



Share Repurchases



4.1% Share Reduction

Balance Sheet Shares	
<u>12/31/2009</u>	<u>9/26/2010</u>
373M	358M

Opportunistic Share Repurchases Continuing

2010 EPS Reconciliation



July 2010 Continuing Operations EPS Outlook	\$7.15 – 7.35
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Voluntary Executive Separation Program Impact	(0.31)
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Enterprise Integration Group to Discontinued Operations	(0.11)
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All Other (net)	0.02
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October 2010 Continuing Operations EPS Outlook	\$6.75 – 6.95
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Emerging Trends - 2011



- Sales Growth in Low Single-Digit Range
 - Aeronautics: Strong Growth ... F-35 & C130J
 - Electronics: Flattish ... PTDS Completion in 2010 & Littoral Combat Ship Award Delay
 - IS&GS: Slight Decrease ... Census Contract Completion in 2010
 - Space: Flattish
- Segment Operating Profit ... Similar to 2010 Level
- Pension Expense – FAS/CAS
 - Discount Rate Declining
 - Asset Returns Favorable
 - CAS Harmonization Assumed in 2012

Financial Appendix & Updated Outlook

2010 Outlook Update

(\$M, Except EPS)



	<u>Prior (July)</u>	<u>Current (Oct)</u>
Sales	\$45,500 - 46,500	\$44,900 - 45,900
Segment Operating Profit*	\$5,025 - 5,125	\$4,965 - 5,065
Mid-Point Segment Margin*	11.0%	11.0%
Other Pre-Tax Expense (net)	~ (1,050)	~ (1,215)
Pre-Tax Earnings - Cont Ops	\$3,975 - 4,075	\$3,750 - 3,850
EPS - Continuing Operations	\$7.15 - \$7.35	\$6.75 - \$6.95
Cash From Operations	≥ \$3,400 (\$1.4B Pension Funding)	≥ \$3,400 (\$2.2B Pension Funding)
ROIC	≥ 17.0%	≥ 16.5%

*See Chart 15-16 for Definitions of Non-GAAP Measures

2010 Outlook Update

(\$M, Except EPS)



	<u>Prior (July)</u>	<u>Current (Oct)</u>
Segment Operating Profit	\$5,025 - 5,125	\$4,965 - 5,065
<u>Unallocated Corp Inc / (Exp)</u>		
FAS/CAS Adjustment	~ (440)	~ (440)
Unusual Items	--	~ (180)
Stock Comp Expense	~ (170)	~ (170)
Other Unallocated Items	~ (100)	~ (120)
Operating Profit	\$4,315 - 4,415	\$4,055 - 4,155
Interest Expense	~ (350)	~ (350)
Non-Operating Inc / (Exp)	~ 10	~ 45
Pre-Tax Earnings - Cont Ops	\$3,975 - 4,075	\$3,750 - 3,850
EPS - Continuing Operations	\$7.15 - 7.35	\$6.75 - 6.95

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. 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>2010 Outlook (July)</u>	<u>2010 Outlook (Oct)</u>
Sales	\$45,500 - 46,500	\$44,900 - 45,900 (1)
Segment Operating Profit	\$5,025 - 5,125	\$4,965 - 5,065 (1)
Mid-Point Segment Margin	11.0%	11.0%
Consolidated Operating Profit	\$4,315 - 4,415	\$4,055 - 4,155
Mid-Point Operating Margin	9.5%	9.0%

(1) Decrease in Sales and Segment Operating Profit Outlooks reflects transfer of EIG to Discontinued Operations

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 the amount identified as expenditures for property, plant and equipment.

Pre-Pension Cash Flow

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

ROIC Calculation

(\$M)



	Actual 2009	Prior (July) 2010	Current (Oct) 2010
Net Earnings	\$3,024	Combined	Combined
Interest Exp x .65	198		
Return	\$3,222	≥ \$3,000	≥ \$2,885
Debt (Average)	\$4,054	Combined	Combined
Equity (Average)	3,155		
Benefit Plan Adjustments (Average)	8,960		
Invested Capital (Average)	\$16,169	≤ \$17,650	≤ \$17,500
ROIC	19.9%	≥ 17.0%	≥ 16.5%

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 incorporated into our Statement of Stockholders Equity to recognize the funded / unfunded status of our benefit plans.

