



Lockheed Martin 2nd Quarter 2010 Financial Results Conference Call July 27, 2010 11:00 a.m. EDT



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July 27, 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 timing and availability of future government awards; the outcome of legal proceedings; the future impact of acquisitions, divestitures or joint ventures, including the potential that a delay in the divestiture of EIG could result in U.S. Government customers electing not to renew existing or award new contracts to EIG; 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-Q, contain more information on the types of risks and other factors that could adversely affect these statements.

2010 Financial Results are Unaudited

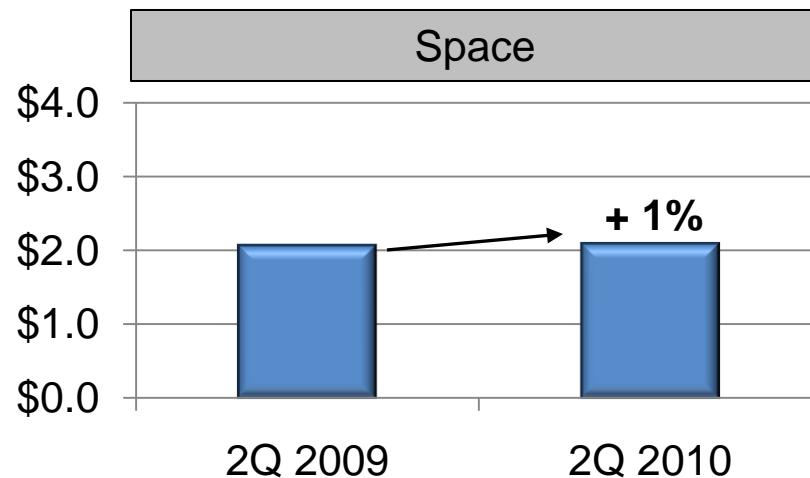
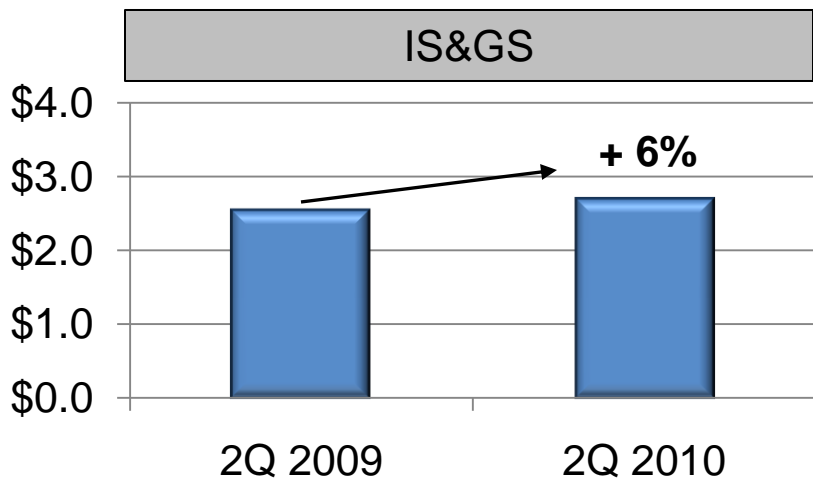
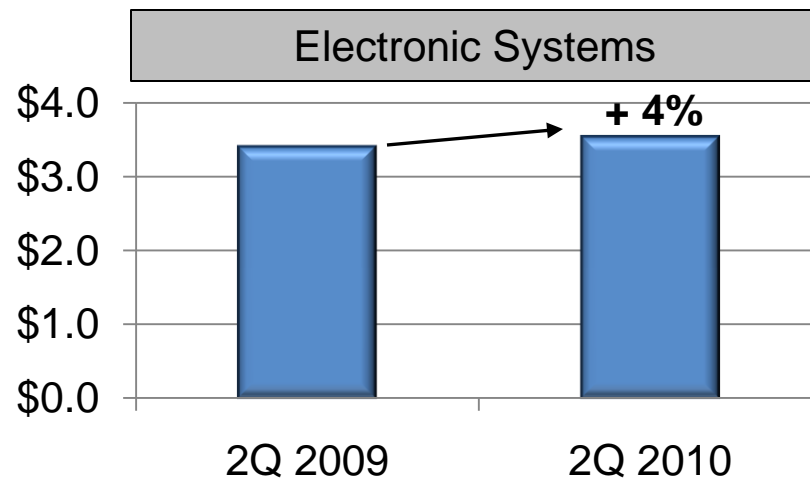
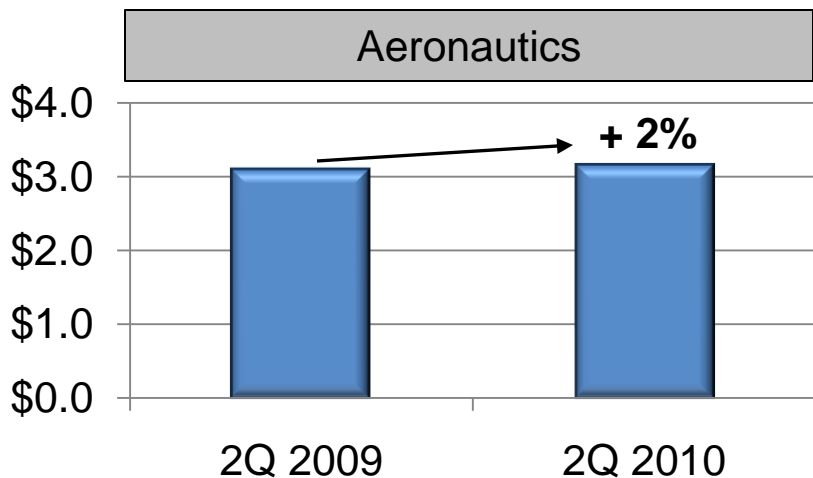
2010 Reorganization



- Pacific Architects & Engineers, Inc. (PAE) moved from IS&GS to discontinued operations
- EIG remains in IS&GS continuing operations as we evaluate a sale transaction versus a spin-off to stockholders
- All financial information reflects assumptions above as well as realignment between IS&GS and Electronics:
 - Readiness & Stability Operations (RSO) and Savi Technology moved from IS&GS to Electronics
 - RSO and Savi combined with Simulation, Training & Support (STS) to form Global Training & Logistics (GTL)
- See chart 11 for more details

2Q Sales Summary

(\$B)



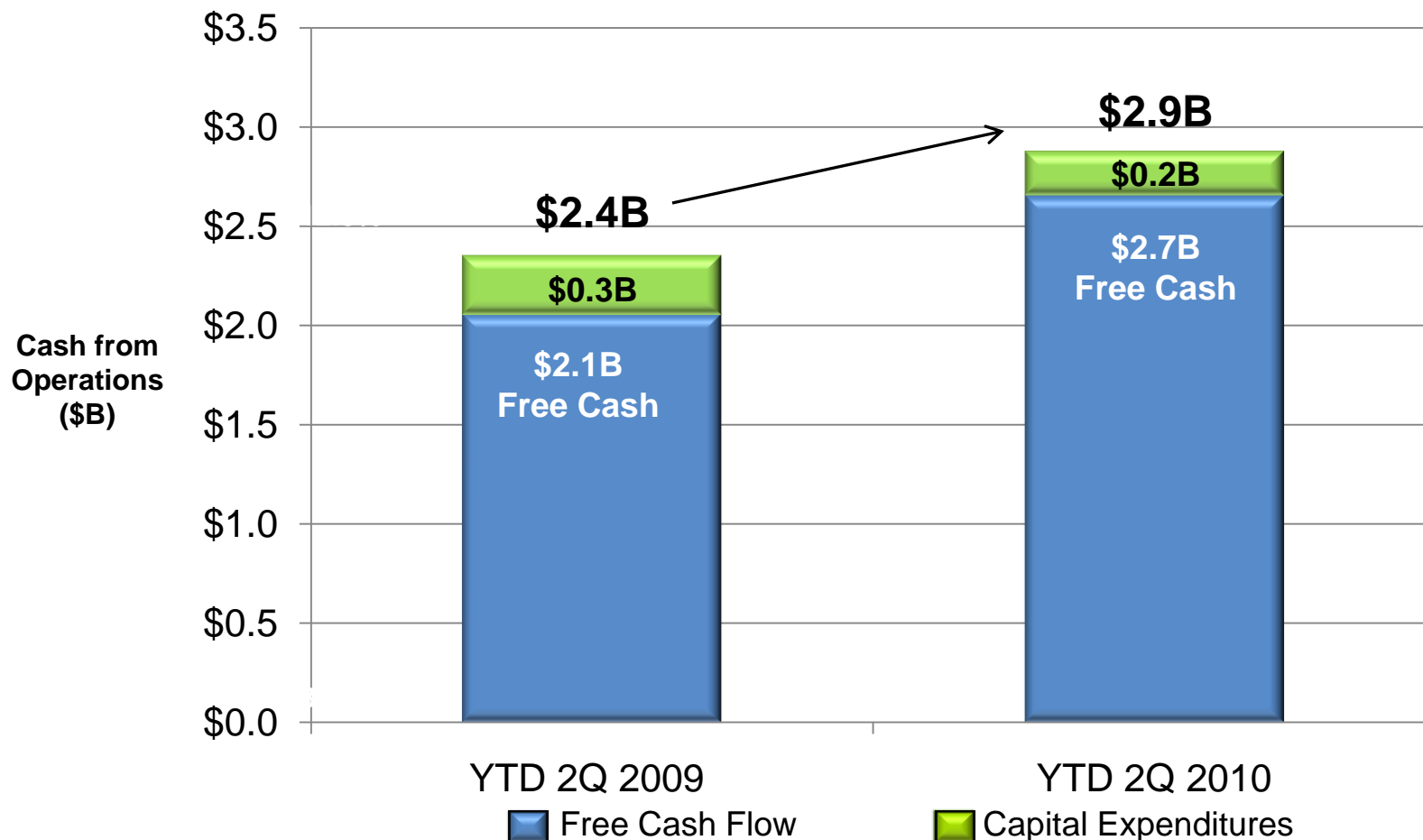
**Total Sales Growth of +3% As Expected...
On Track To Meet Full Year Guidance**

2Q YTD Cash From Operations

(\$B)

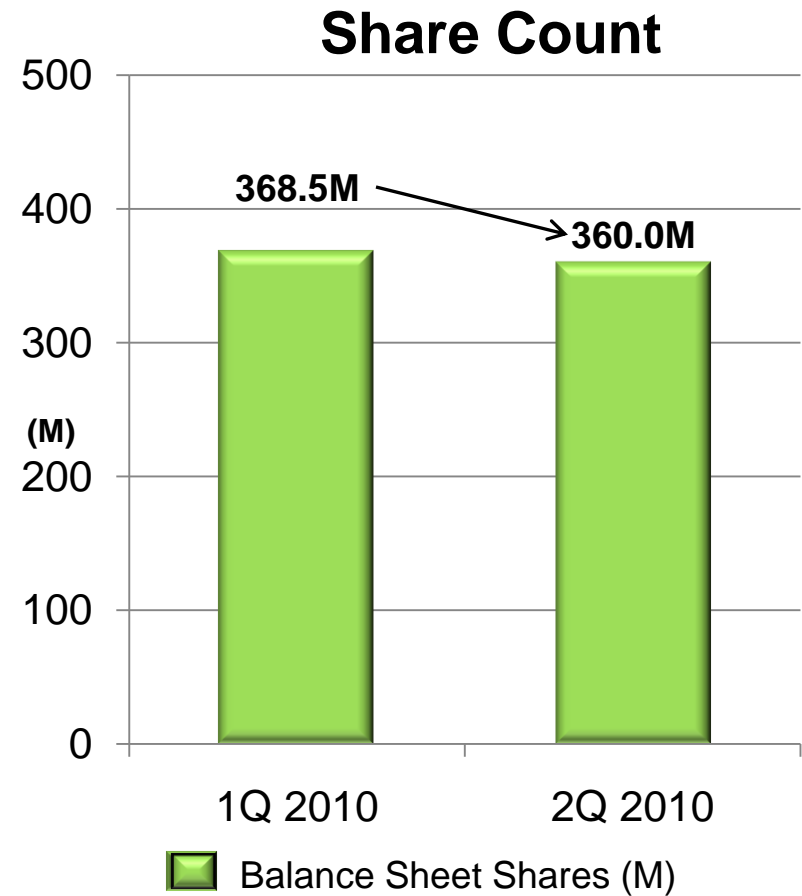
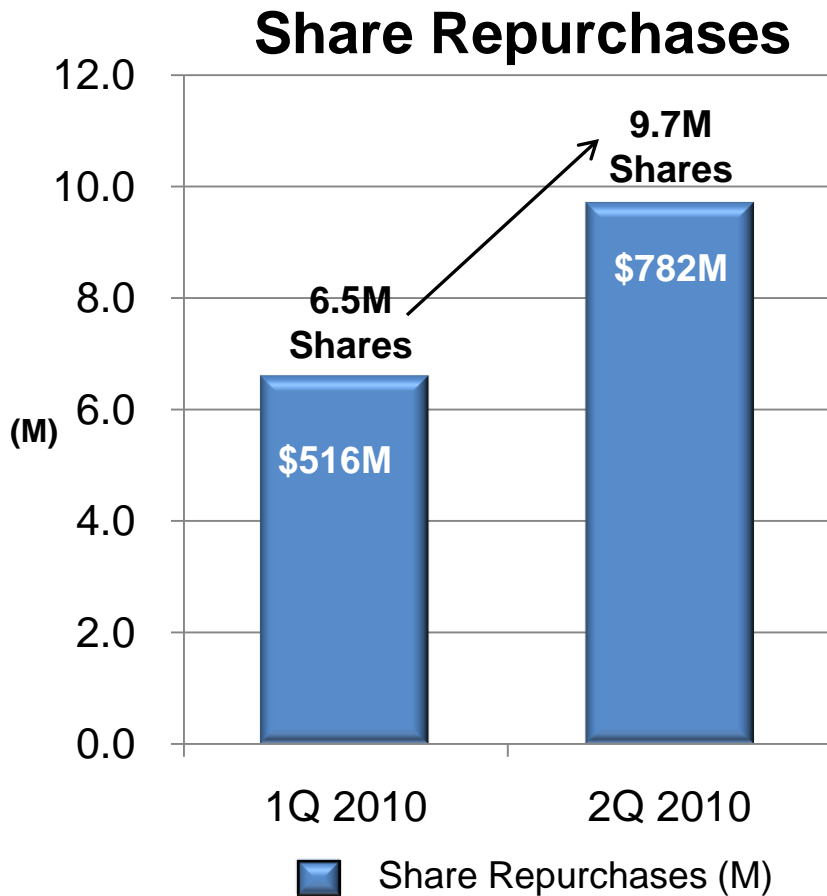


*See Charts 16-17 for Definitions of Non-GAAP Measures



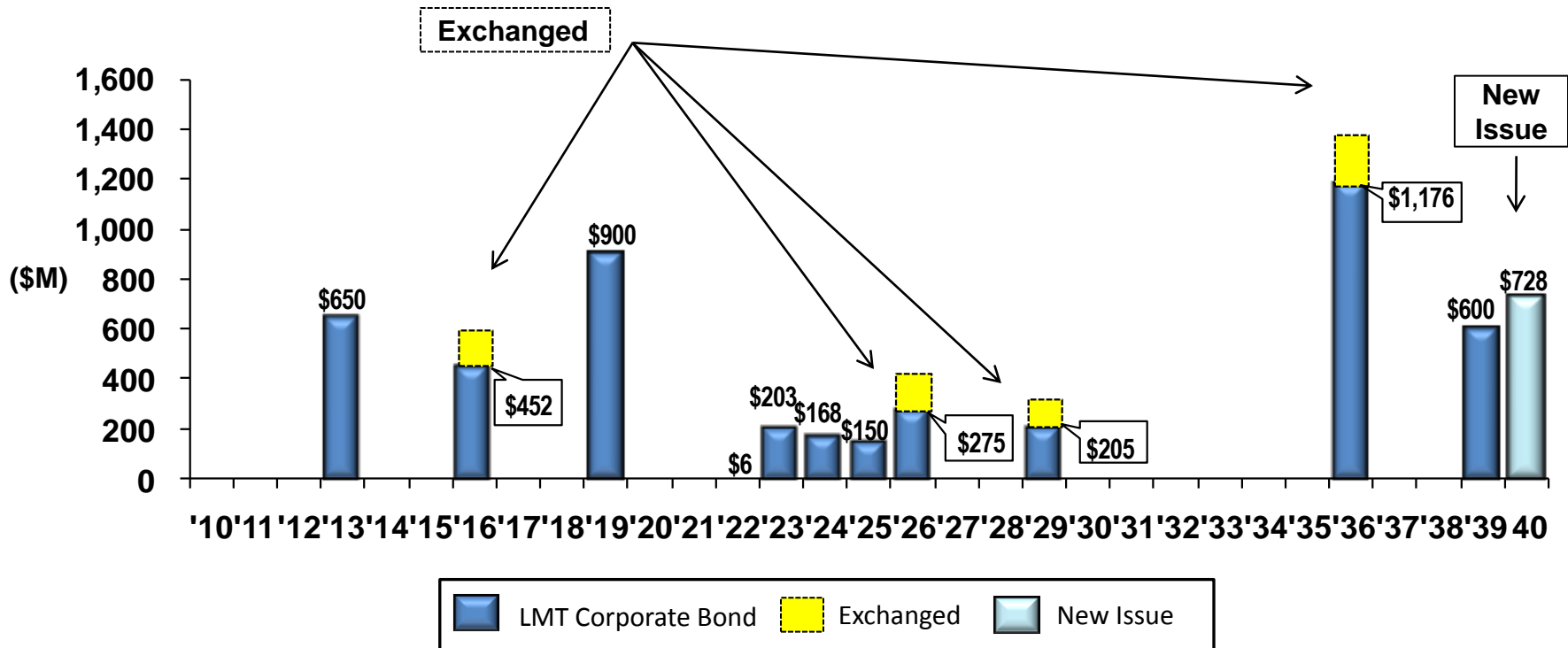
**Strong Cash Generation YTD 2010....
\$2.9 Billion After Funding \$350M to Pension**

Share Repurchase Activity



**Strong Share Repurchase Activity ...
Continued Reduction in Outstanding Share Count**

LMT Bond Maturities



- Exchanged high coupon, high premium debt for new 30 year bonds plus cash.
- Extended the bond maturity and reduced the average coupon of our debt portfolio.

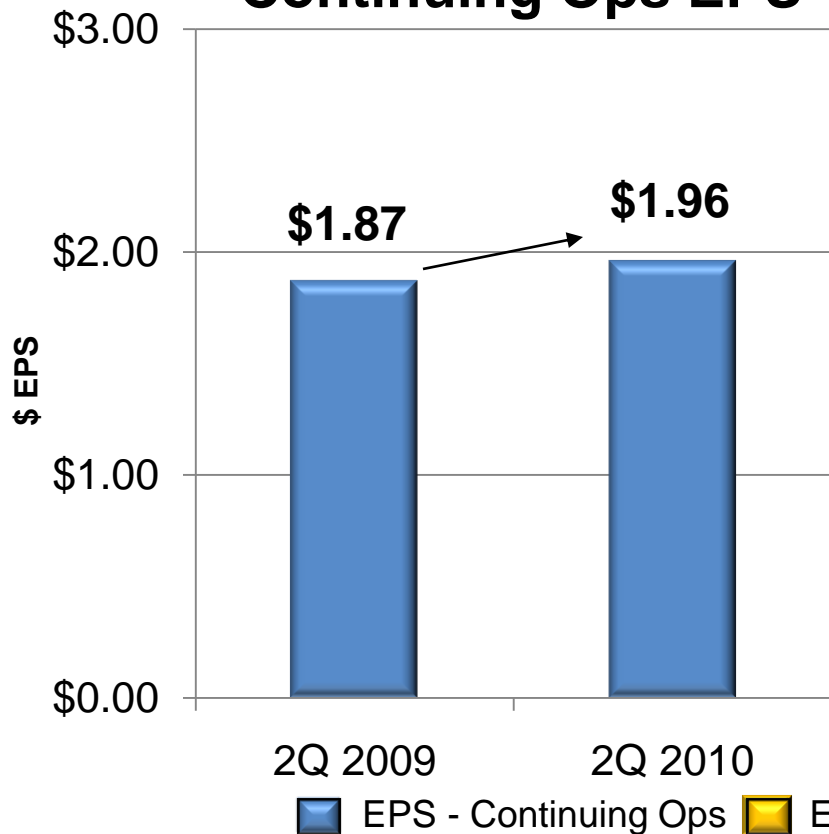
Continue to Proactively Manage Bond Portfolio

2Q Earnings Per Share

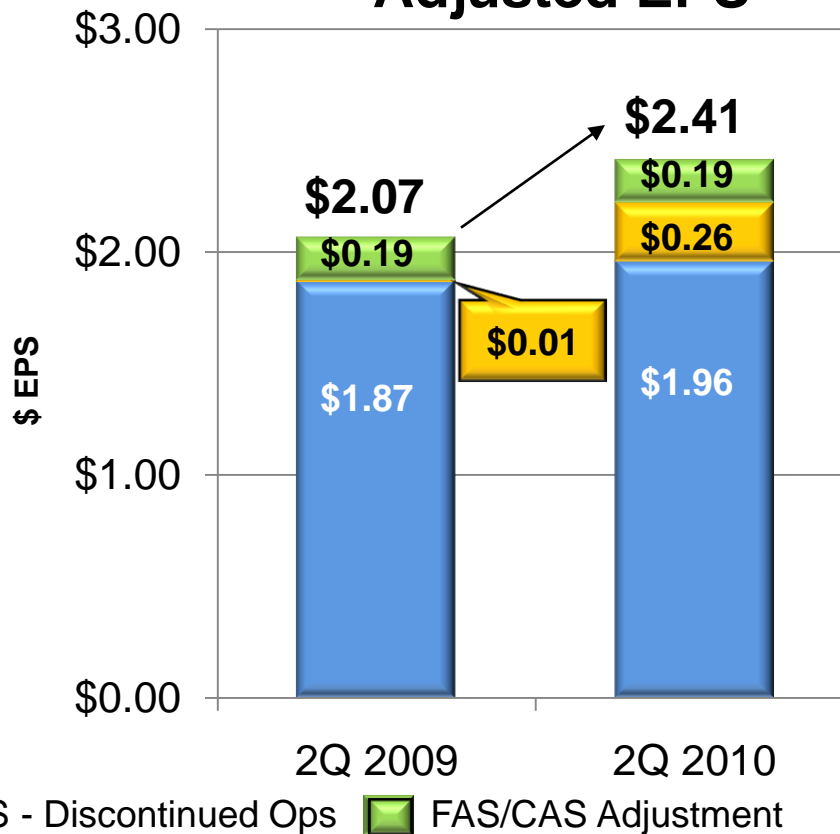


See Charts 16-17 for Definitions of Non-GAAP Measures

Continuing Ops EPS



Adjusted EPS



Continuing to Deliver Value to Stockholders

2010 GAAP EPS Reconciliation



April 2010 GAAP EPS Outlook **\$7.00 – 7.20**

Operational Improvements – Space Systems	~ .05	}	.15
Reduced Share Count / Other	~ .15		
PAE Earnings to Discontinued Operations	~ (.05)		

July 2010 Continuing Operations EPS Outlook **\$7.15 – 7.35**

PAE Earnings From Continuing Operations	~ .05
Tax Benefit on PAE Book / Tax Basis Delta	~ .25

July 2010 GAAP EPS Outlook **\$7.45 – 7.65**

Financial Appendix & Updated Outlook

2010 Outlook Revisions



- **PAE Moved From IS&GS to Discontinued Operations**
 - **\$750M Reduction to Prior IS&GS Sales Projection**
 - **\$30M Reduction to Prior IS&GS Operating Profit Projection**
- **Enterprise Integration Group Remains in IS&GS Continuing Operations**
- **Increased Space Systems' Operating Profit Outlook by \$30M**
- **Reduced Full Year Projections for Share Count and Other**
- **Organizational Realignment Between IS&GS and Electronic Systems (ES)**
 - **Readiness and Stability Operations and Savi Technology From IS&GS to ES**
 - **\$1,750M of Projected Sales and \$95M of Operating Profit From IS&GS to ES**
- **Discontinued Operations Projected to Generate ~ \$0.30 of EPS**
 - **\$0.05 From \$30M of Operating Profit Moved From IS&GS to Disc Ops**
 - **\$0.25 Tax Benefit Resulting From Delta in PAE Book Basis vs. Tax Basis**
 - **EPS Projection Excludes Potential Gain / (Loss) on PAE Sale**

2010 Outlook Update

(\$M, Except EPS)



	<u>Prior (April)</u>	<u>Current (July)</u>
Sales	\$46,250 - 47,250	\$45,500 - 46,500
Segment Operating Profit*	\$5,025 - 5,125	\$5,025 - 5,125
Mid-Point Segment Margin*	10.9%	11.0%
Other Pre-Tax Expense (net)	~ (1,050)	~ (1,050)
Earnings Before Income Taxes	\$3,975 - 4,075	\$3,975 - 4,075
EPS - Continuing Operations	\$7.00 - \$7.20	\$7.15 - \$7.35
EPS - Discontinued Operations		~ \$0.30
GAAP EPS	\$7.00 - 7.20	\$7.45 - 7.65
Cash From Operations	≥ \$3,300	≥ \$3,400
ROIC	≥ 16.0%	≥ 17.0%

*See Charts 16-17 for Definitions of Non-GAAP Measures

2010 Outlook Update

(\$M, Except EPS)



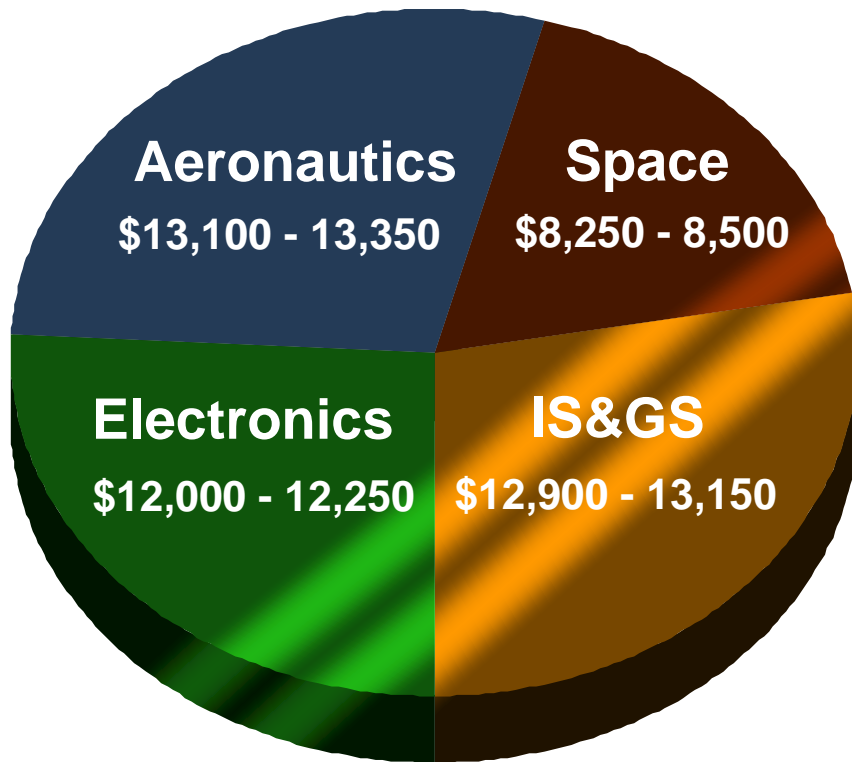
	<u>Prior (April)</u>	<u>Current (July)</u>
Segment Operating Profit	\$5,025 - 5,125	\$5,025 - 5,125
<u>Unallocated Corp Inc / (Exp)</u>		
FAS/CAS Adjustment	~ (440)	~ (440)
Unusual Items	--	--
Stock Comp Expense	~ (170)	~ (170)
Other Unallocated Items	~ (120)	~ (100)
Operating Profit	\$4,295 - 4,395	\$4,315 - 4,415
Interest Expense	~ (350)	~ (350)
Non-Operating Inc / (Exp)	~ 30	~ 10
Earnings Before Income Taxes	\$3,975 - 4,075	\$3,975 - 4,075
EPS - Continuing Operations	\$7.00 - 7.20	\$7.15 - 7.35

2010 Sales Outlook

(\$M)

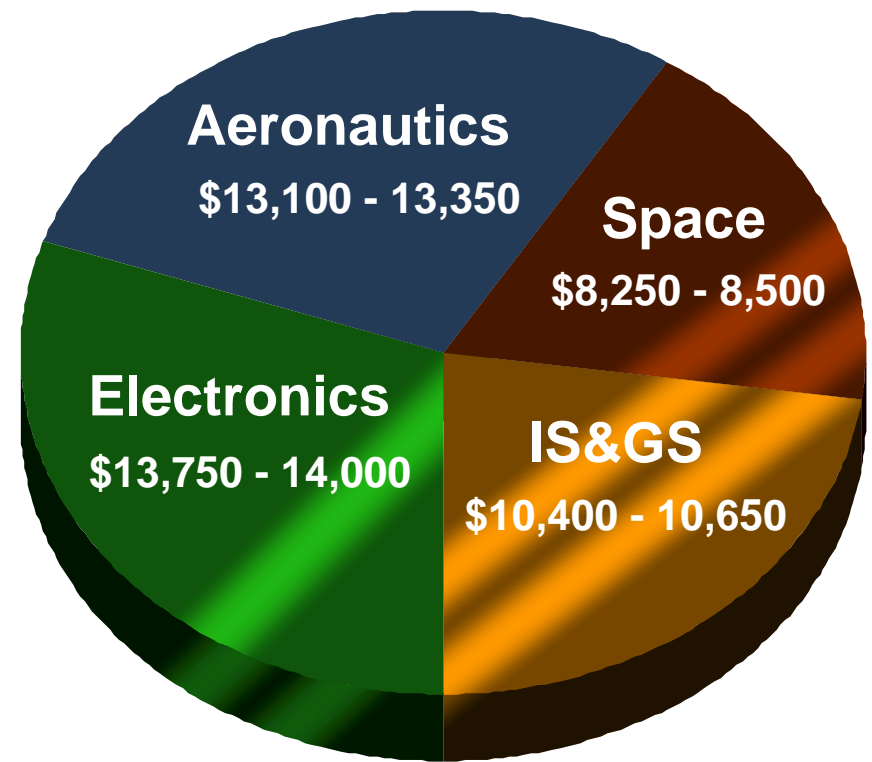


Sales (April)



\$46,250 - 47,250M

Sales (July)



\$45,500 - 46,500M

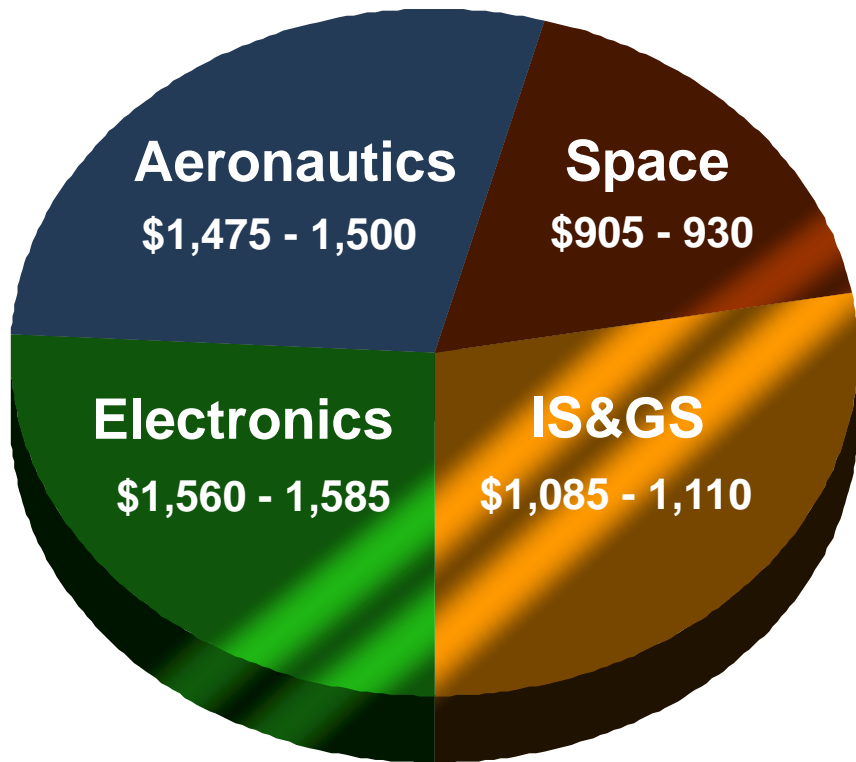
Updated for IS&GS/ES Realignment & PAE to Disc Ops

2010 Segment Operating Profit Outlook

(\$M)

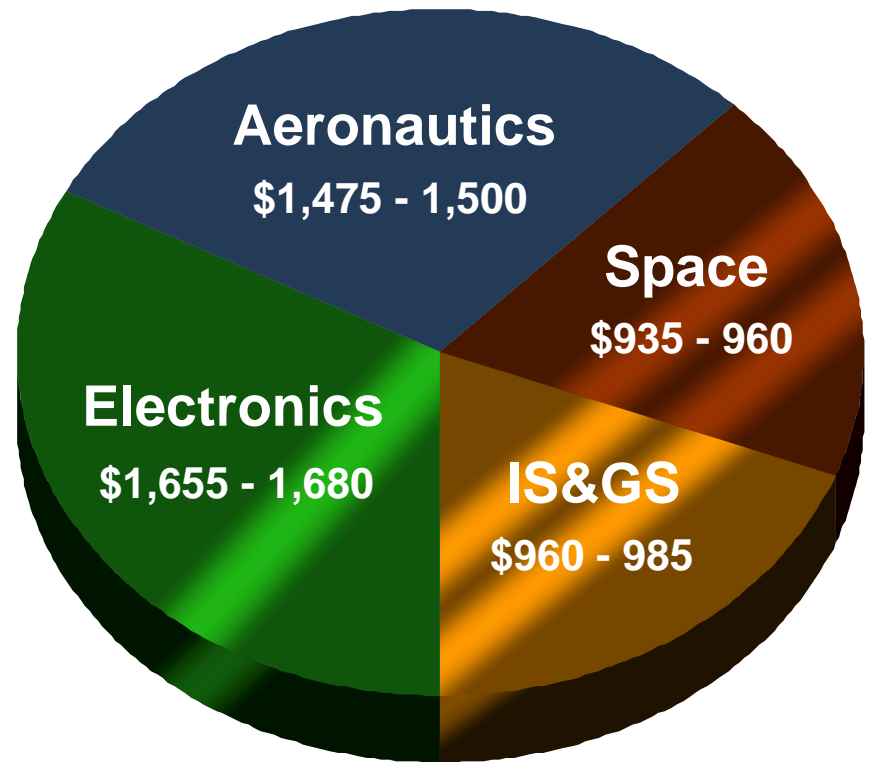


Segment Op Profit (April)



\$5,025 - 5,125M

Segment Op Profit (July)



\$5,025 - 5,125M

See Charts 16-17 for Definitions of Non-GAAP Measures

Space Increased, IS&GS/ES Realigned & PAE to Disc Ops

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 (Apr)</u>	<u>2010 Outlook (July)</u>
Sales	\$46,250 - 47,250	\$45,500 - 46,500 (1)
Segment Operating Profit	\$5,025 - 5,125	\$5,025 - 5,125
Mid-Point Segment Margin	10.9%	11.0%
Consolidated Operating Profit	\$4,295 - 4,395	\$4,315 - 4,415
Mid-Point Operating Margin	9.3%	9.5%

(1) Decrease in Sales Outlook reflects transfer of PAE 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.

Definitions of Non-GAAP Measures

Continued

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 and in comparison to that of other companies within our industry as an alternative to GAAP.

<u>Reconciliation of Adjusted EPS</u>	<u>2Q 2009</u>	<u>2Q 2010</u>
GAAP EPS Continuing Operations	\$1.87	\$1.96
Plus: Discontinued Operations	0.01	0.26
EPS Excluding Unusual Adjustment	\$1.88	\$2.22
Plus: FAS/CAS Adjustment	0.19	0.19
Adjusted EPS	\$2.07	\$2.41

ROIC Calculation

(\$M)



	Actual <u>2009</u>	Prior (Apr) <u>2010</u>	Current (July) <u>2010</u>
Net Earnings	\$3,024	Combined	Combined
Interest Exp x .65	198		
Return	\$3,222	≥ \$2,860	≥ \$3,000
Debt (Average)	\$4,054	Combined	Combined
Equity (Average)	3,155		
Benefit Plan Adjustments (Average)	8,960		
Invested Capital (Average)	\$16,169	≤ \$17,900	≤ \$17,650
ROIC	19.9%	≥ 16.0%	≥ 17.0%

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.

