



Lockheed Martin 2nd Quarter 2014 Financial Results Conference Call July 22, 2014 11:00 a.m. EDT



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July 22, 2014

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 may differ materially due to factors such as: the availability of funding for the Corporation’s products and services; changes in customer priorities and requirements including declining budgets resulting from affordability initiatives, our dependence upon U.S. Government contracts, (e.g., the F-35 program), the deferral or termination of awards, budget uncertainty arising from sequestration or Congressional actions intended to replace sequestration, U.S. Government operations under a future continuing resolution, any future shutdown of U.S. Government operations, and the success of our strategy to mitigate some of these risks by focusing on expanding into adjacent markets and growing international sales; the accuracy of the Corporation’s estimates and assumptions; the effect of capitalization changes; difficulties in developing and producing operationally advanced technology systems, cyber security or other security threats, information technology failures, natural disasters, public health crises or other disruptions; the timing and customer acceptance of product deliveries; materials availability and the performance of key suppliers, teammates, joint venture partners, subcontractors, and customers; charges from any future impairment reviews that may result in the recognition of losses and a reduction in the book value of goodwill or other long-term assets; the future effect of legislation, rulemaking, and changes in accounting, tax, defense procurement, changes in policy, interpretations, or challenges to the allowability and recovery of costs incurred under government cost accounting standards, export policy, changes in contracting policy and contract mix; the future impact of acquisitions or divestitures, joint ventures, teaming arrangements, or internal reorganizations; compliance with laws and regulations, the outcome of legal proceedings and other contingencies, and U.S. Government identification of deficiencies in the Corporation’s business systems; the competitive environment for the Corporation’s products and services, and potential for delays in procurement due to bid protests; the Corporation’s efforts to increase the efficiency of its operations and improve the affordability of its products and services including difficulties associated with: moving or consolidating operations; reducing the size of the workforce; providing for the orderly transition of management; attracting and retaining key personnel; and supply chain management; and economic, business, and political conditions domestically and internationally (Including potential impacts resulting from tension between the international community and Russia over Ukraine) and the Corporation’s increased reliance on securing international and adjacent business. Except where required by applicable law, we disclaim any duty to update these forward-looking statements.

Our SEC filings (found at www.lockheedmartin.com/investor, or through the website maintained by the SEC at www.sec.gov), including, our Annual Report on Form 10-K for the year ended Dec. 31, 2013, contain more information on the types of risks and other factors that could adversely affect these statements.

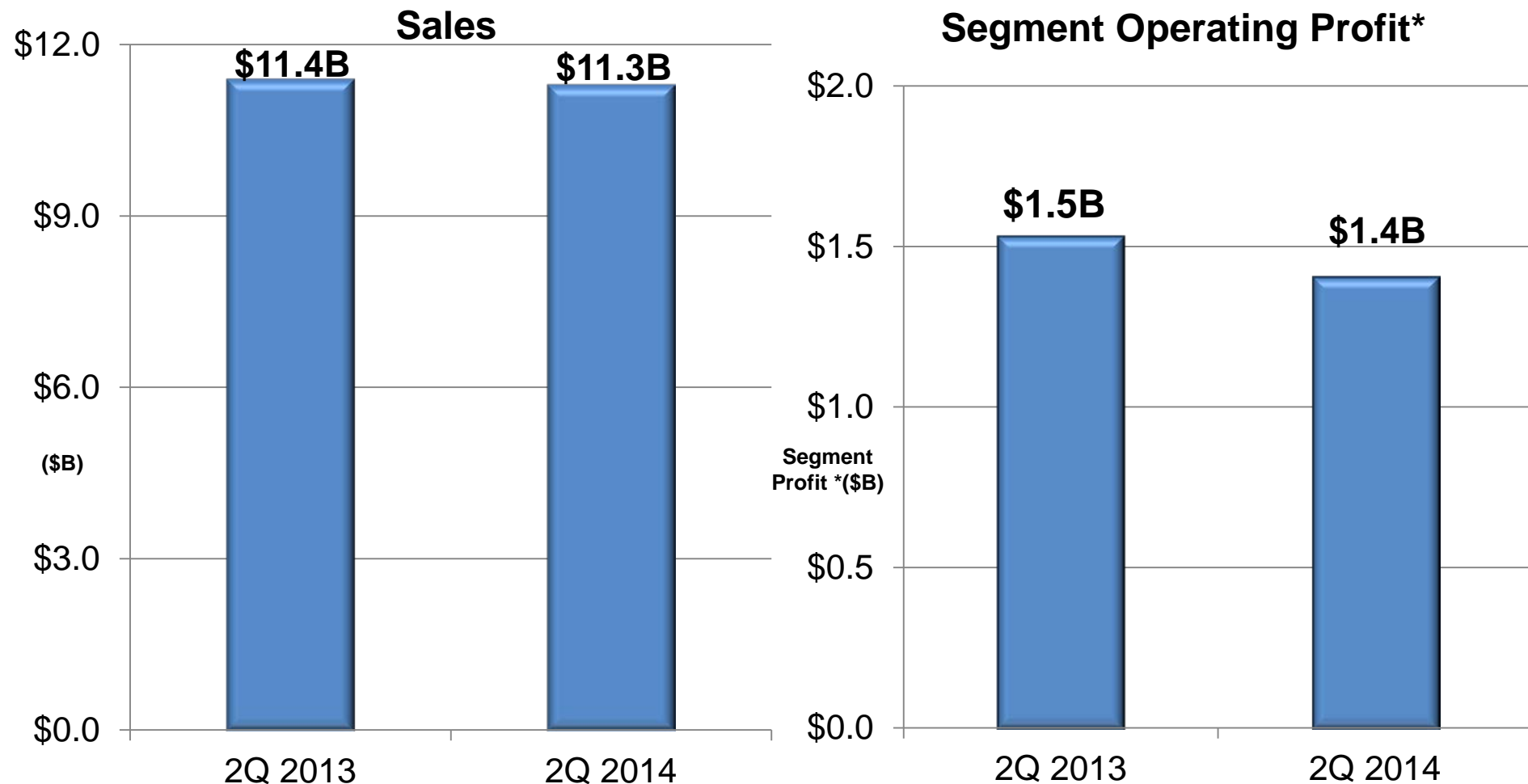
2Q 2014 Overview



- **Achieved \$11.3 Billion in Sales**
- **Achieved Segment Operating Profit* of \$1.4 Billion**
- **Increased Net Earnings by 3% to \$889M**
- **Increased Earnings Per Share to \$2.76**
- **Generated \$977 Million in Cash From Operations**
- **Increased 2014 Outlook for Operating Profit, EPS, and Cash From Operations**

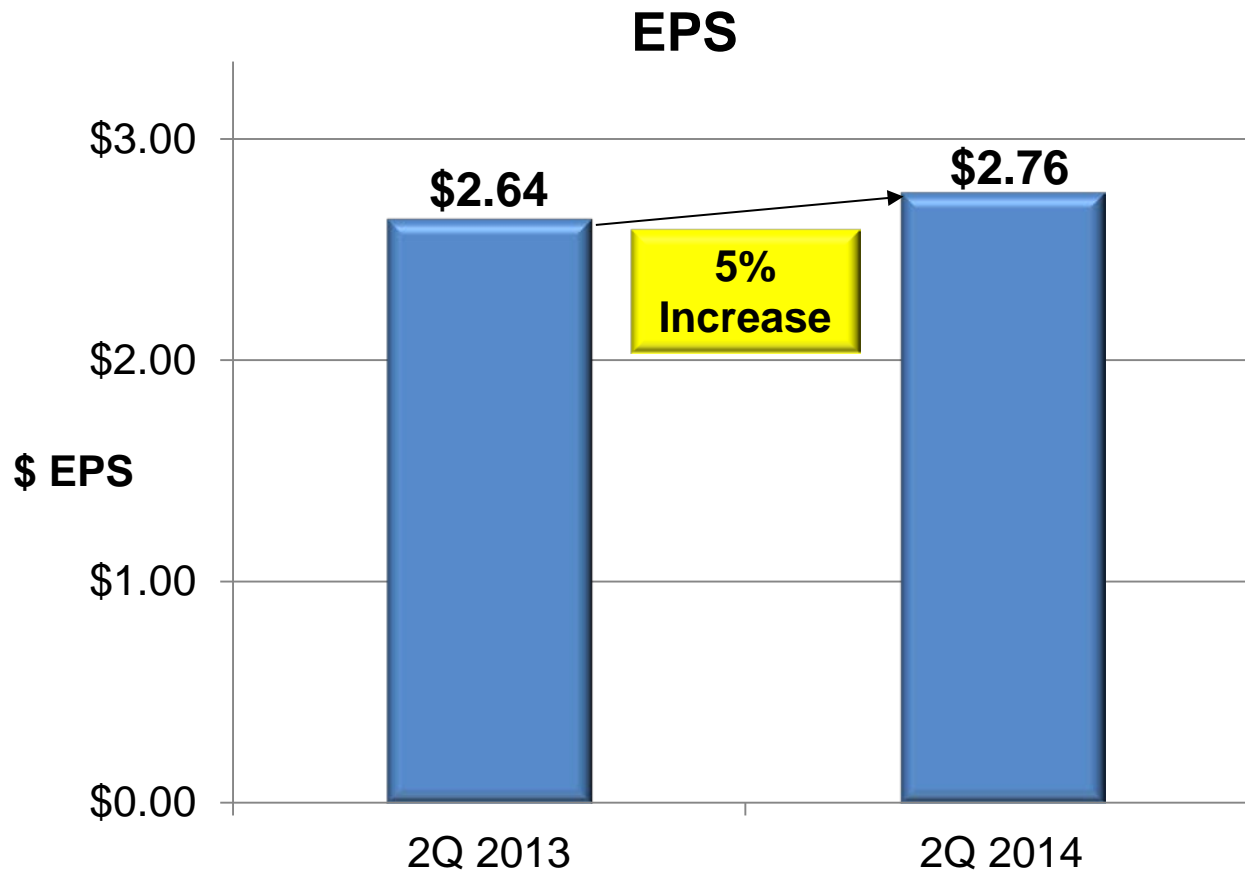
Strong Quarter Results

2Q Sales and Segment Operating Profit*



2Q Results Better Than Expected

2Q Earnings Per Share



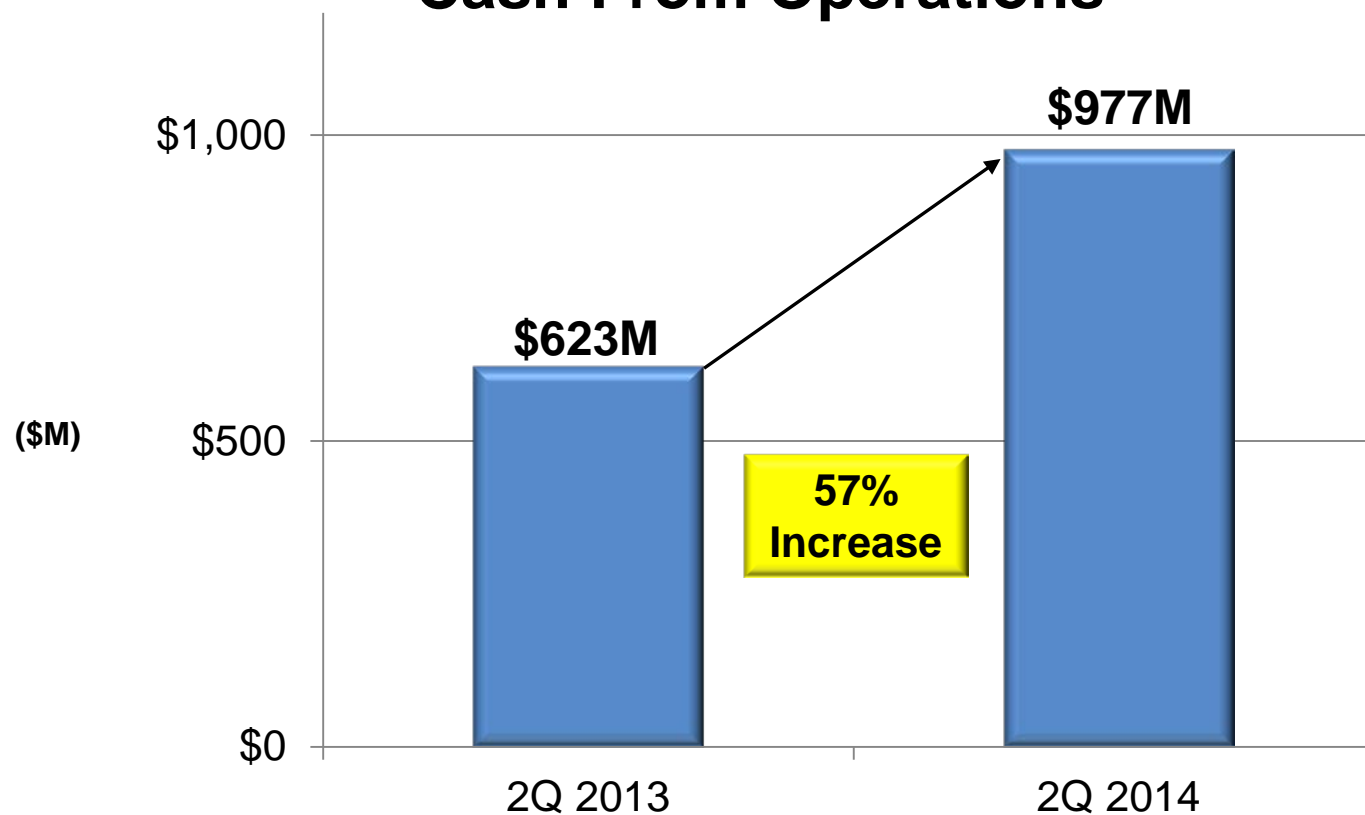
Continued EPS Growth

2Q Cash Flow

(\$M)



Cash From Operations



**Strong Cash Generation...
Leading to Increase in Outlook**

2014 Outlook Update

(\$M, Except EPS)



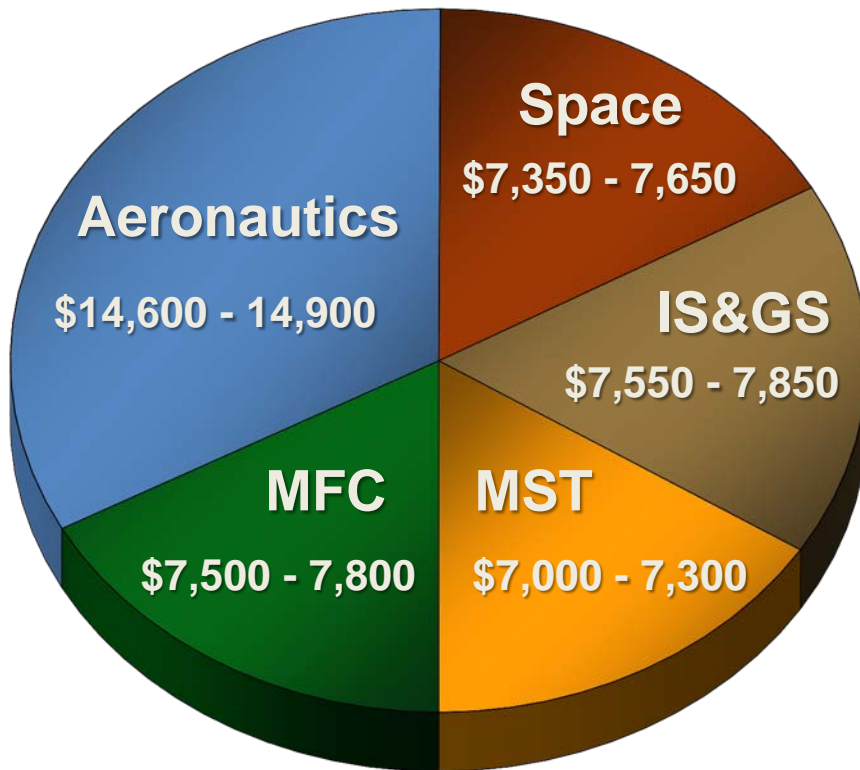
	<u>Prior (April)</u>	<u>Current (July)</u>
Orders	\$41,500 - 43,000	\$41,500 - 43,000
Sales	\$44,000 - 45,500	\$44,000 - 45,500
Segment Operating Profit*	\$5,250 - 5,400	\$5,375 - 5,525
<u>Unallocated Corp Inc / (Exp)</u>		
FAS/CAS Pension Income	~ 345	~ 445
Other, Net	~ (345)	~ (345)
Operating Profit	\$5,250 - 5,400	\$5,475 - 5,625
EPS	\$10.50 - 10.80	\$10.85 - 11.15
Cash From Operations	≥ \$4,700	≥ \$4,800

2014 Sales Outlook

(\$M)

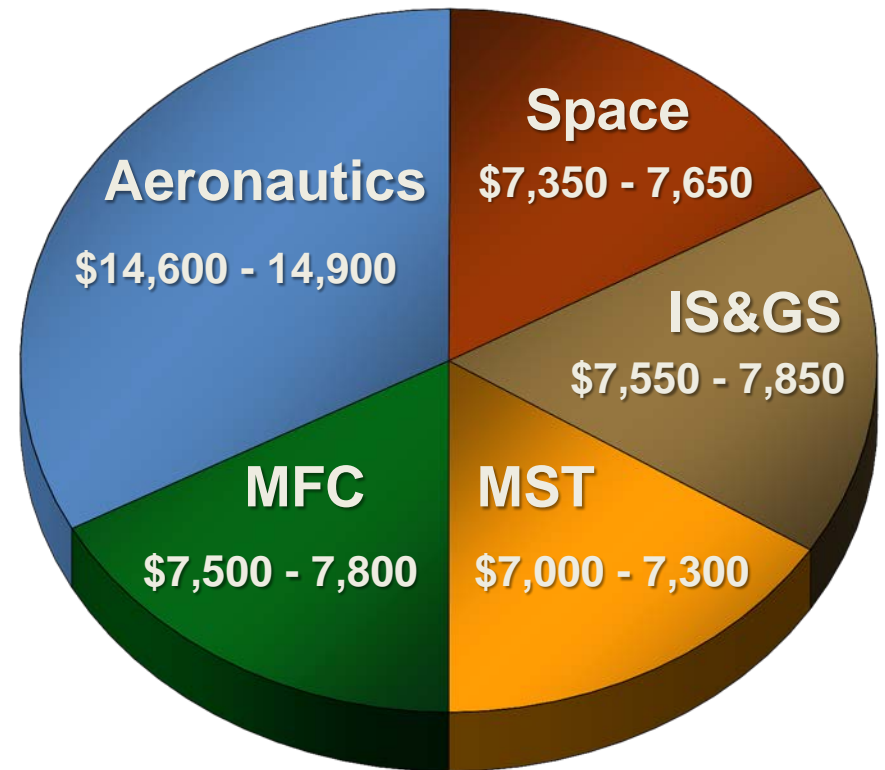


Sales (Prior)



\$44,000 - 45,500M

Sales (Current)



\$44,000 - 45,500M

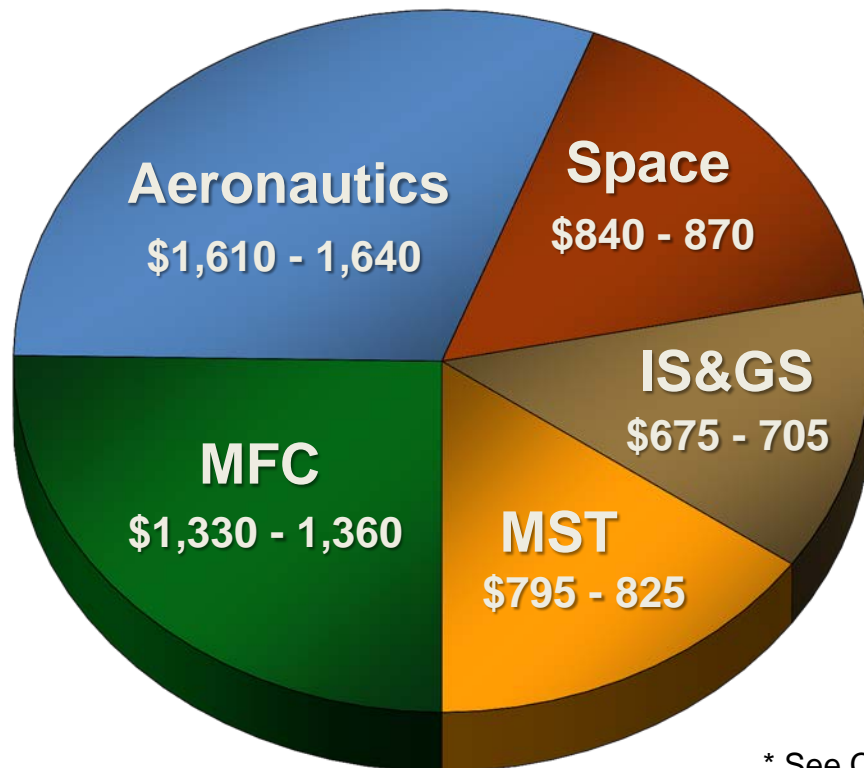
No Change to Sales Outlook

2014 Segment Operating Profit* Outlook

(\$M)

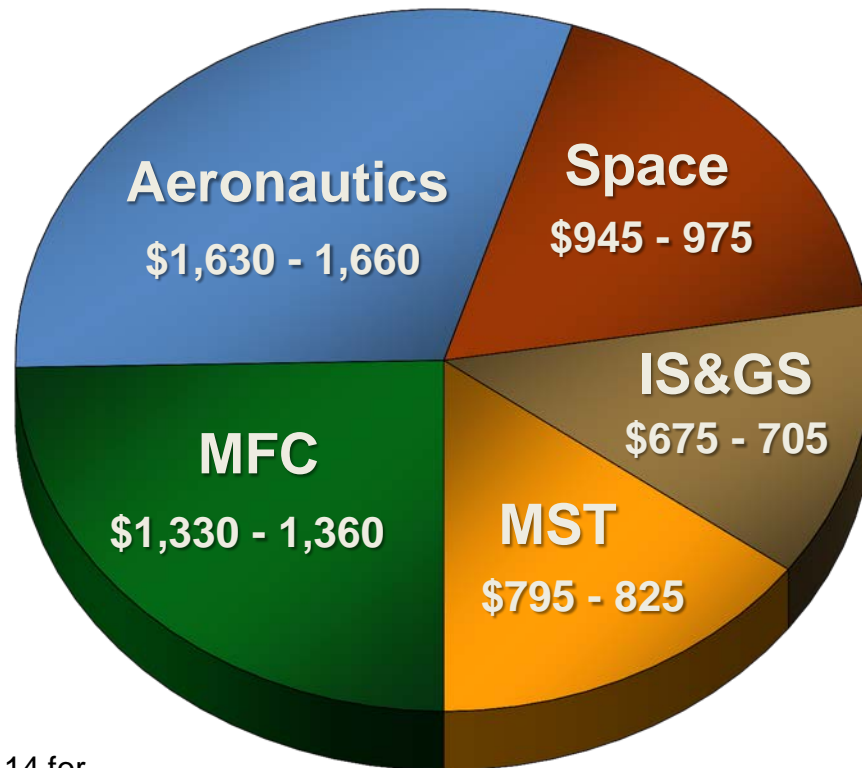


Segment Op Profit (Prior)



\$5,250 - 5,400M

Segment Op Profit (Current)



\$5,375 - 5,525M

* See Chart 14 for
Definitions of Non-GAAP
Measures

Space & Aero Outlooks Increased

2014 EPS Outlook Reconciliation



EPS

April 2014 Outlook

\$10.50 – \$10.80

Increase in Segment Operating Profit*

~ 0.25

Increase in FAS/CAS Pension Income

~ 0.20

Tax Reserve Adjustments

~ (0.10)

July 2014 Outlook

\$10.85 – \$11.15

* See Chart 14 for Definitions of Non-GAAP Measures

Pension Trends*



FAS/CAS Income

- **Project Lower Net FAS Expense in Future**
- **Expect FAS/CAS Income in 2015 at ~2x the 2014 Level...Out Year FAS/CAS Income Significantly Above 2015 Level**

Pension Funding / Recovery

- **Operating Cash Flow Benefit From Prefund (~\$10B) Maintained**
- **2015 & 2016 Recoveries Expected to be Sequentially Higher Than 2014**

* All Subject to Assumptions Which Can Materially Change

Summary



- **Strong Quarter and Year-to-Date Performance**
- **Results Reflect Program Execution, Proactive Measures, and Broad Business Portfolio**
- **Plan to Resume Discretionary Share Repurchases in 3rd Quarter**
- **Well Positioned For Achievement of Full Year Goals**

**Continued Strong Performance...
Increased Full Year Outlook**

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.

Free Cash Flow

Lockheed Martin defines Free Cash Flow (FCF) as Cash from Operations, less Capital Expenditures.

Segment Operating Profit / Margin

Segment Operating Profit represents the total earnings from our business segments before unallocated 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 "Total unallocated, net" 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.

(\$ Millions)

	<u>2014 Outlook (April)</u>	<u>2014 Outlook (July)</u>
Sales	\$44,000 – 45,500	No Change
Segment Operating Profit	\$5,250 - 5,400	\$5,375 - 5,525
Mid-Point Segment Margin	11.9%	12.2%
Consolidated Operating Profit	\$5,250 - 5,400	\$5,475 - 5,625

	<u>2Q 2014</u>			<u>2Q 2013</u>		
	<u>Sales</u>	<u>Profit</u>	<u>Margin</u>	<u>Sales</u>	<u>Profit</u>	<u>Margin</u>
Segment Operating Profit	\$ 11,306	\$ 1,406	12.4%	\$ 11,408	\$ 1,533	13.4%
Total unallocated, net	-	20		-	(235)	
Consolidated Operating Profit (GAAP)	\$ 11,306	\$ 1,426	12.6%	\$ 11,408	\$ 1,298	11.4%

