



# Lockheed Martin

## 2009 4<sup>th</sup> Quarter & Year-End Financial Results Conference Call

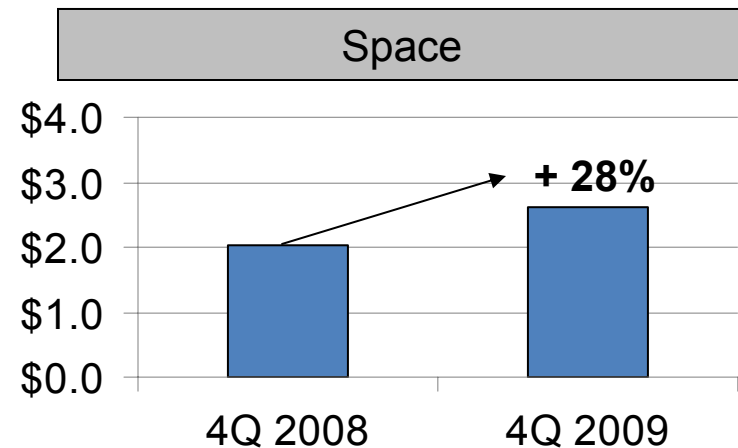
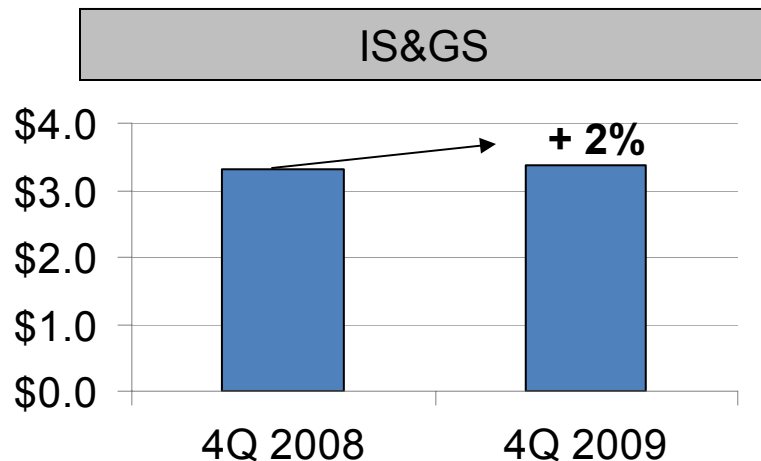
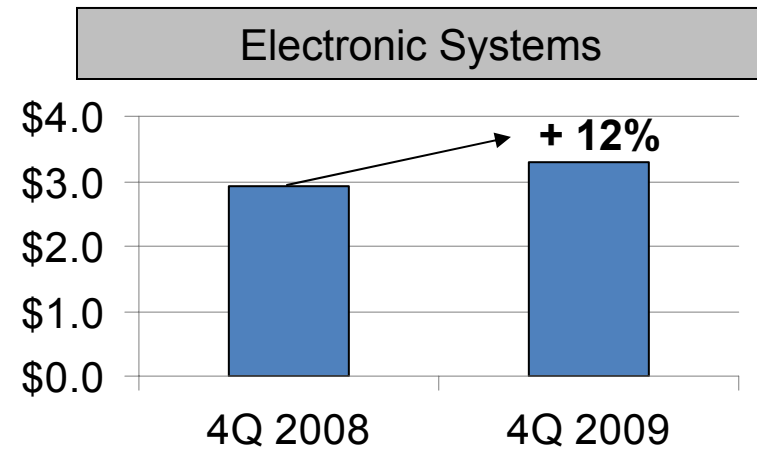
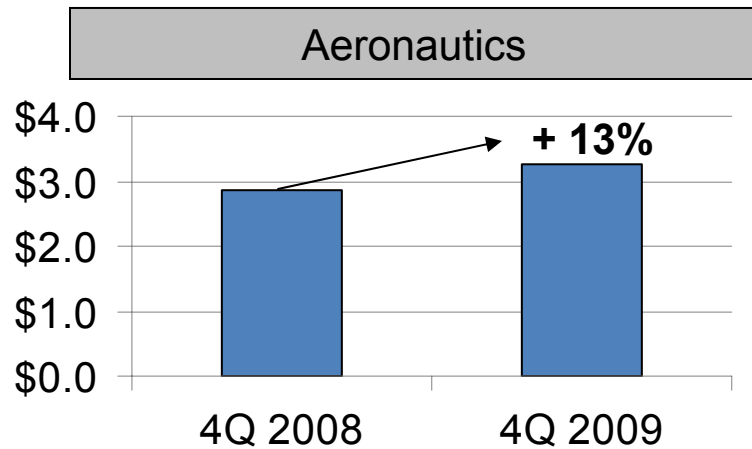
January 28, 2010

<b>Dial In Number:</b>	<b>U.S. &amp; Canada</b>	<b>888-587-0613</b>
	<b>International</b>	<b>719-325-2269</b>



# 4Q Sales Summary

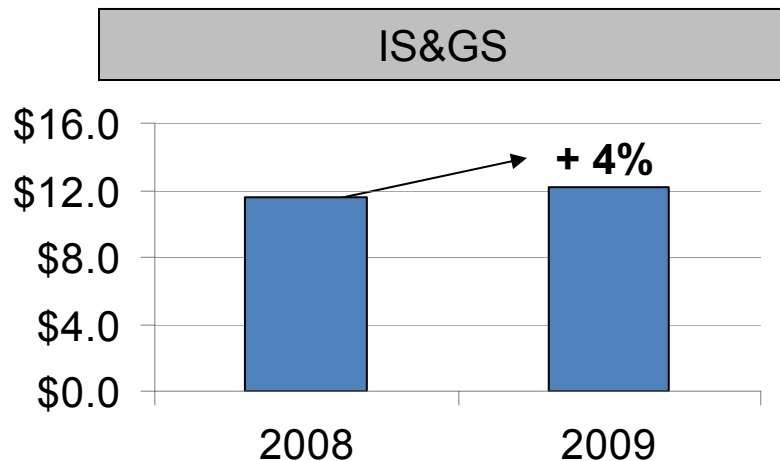
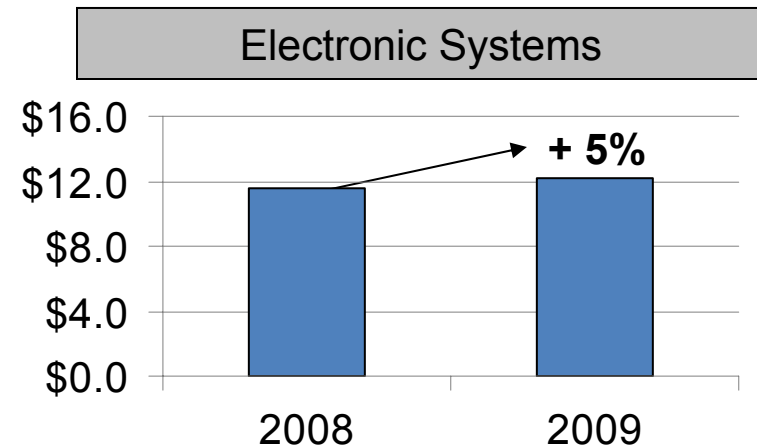
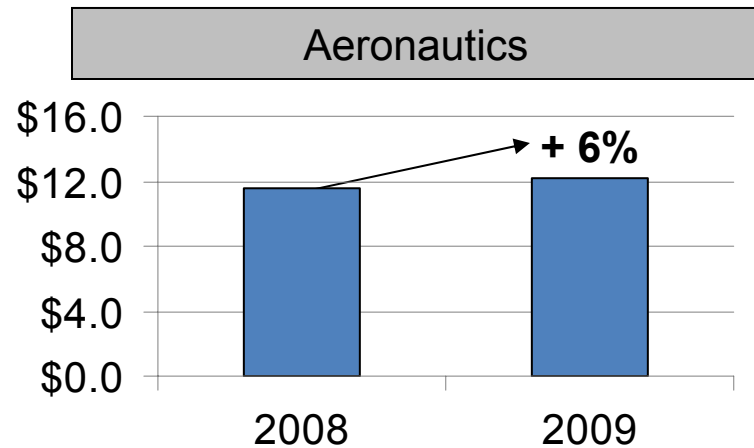
(\$B)



**Sales Growth Across All Business Areas ...  
Overall Corporate Growth +13% in the Quarter**

# Full Year Sales Summary

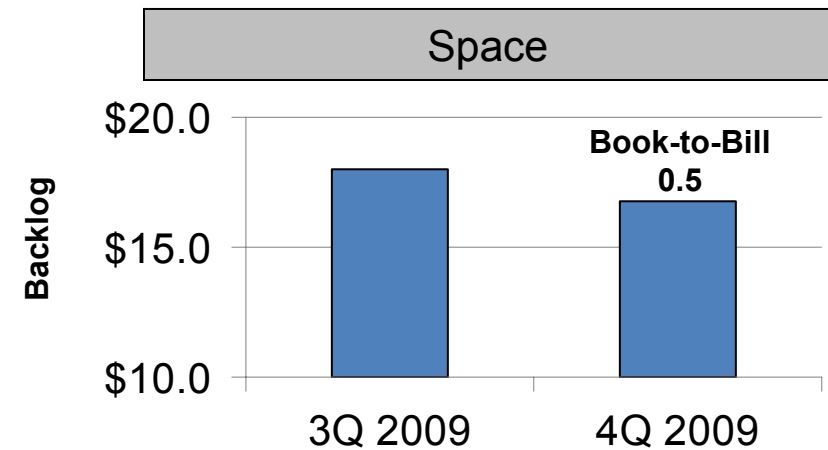
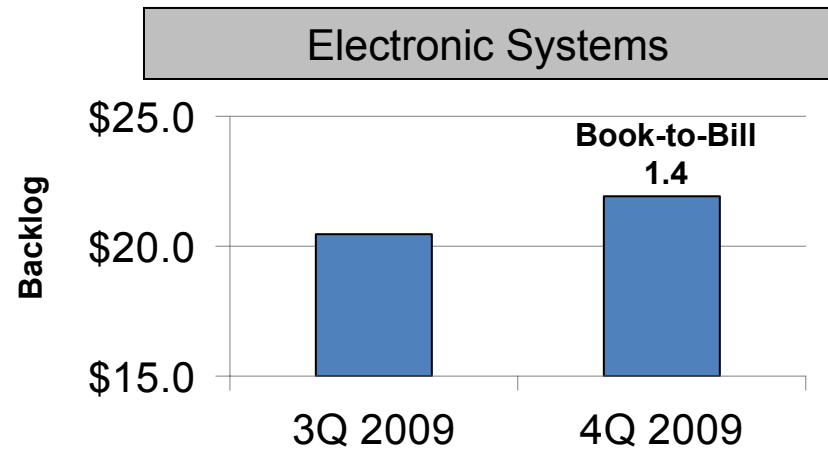
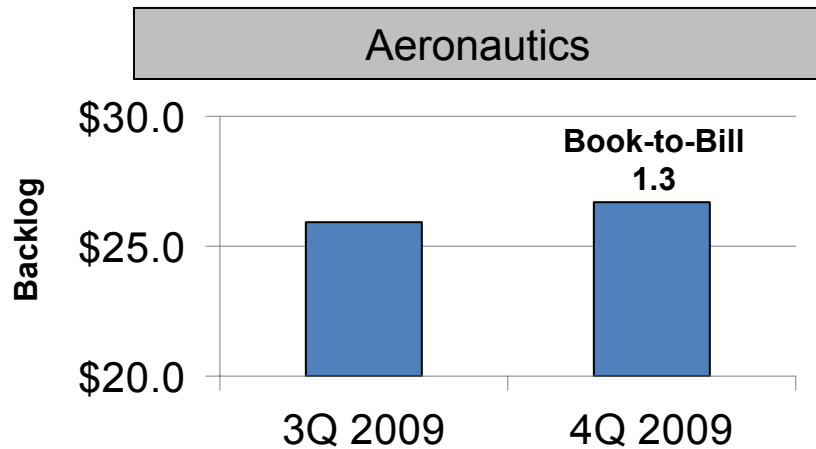
(\$B)



**Sales Growth Across All Business Areas ...  
Overall Corporate Growth +6% for the Year**

# 4Q Book-to-Bill & Backlog

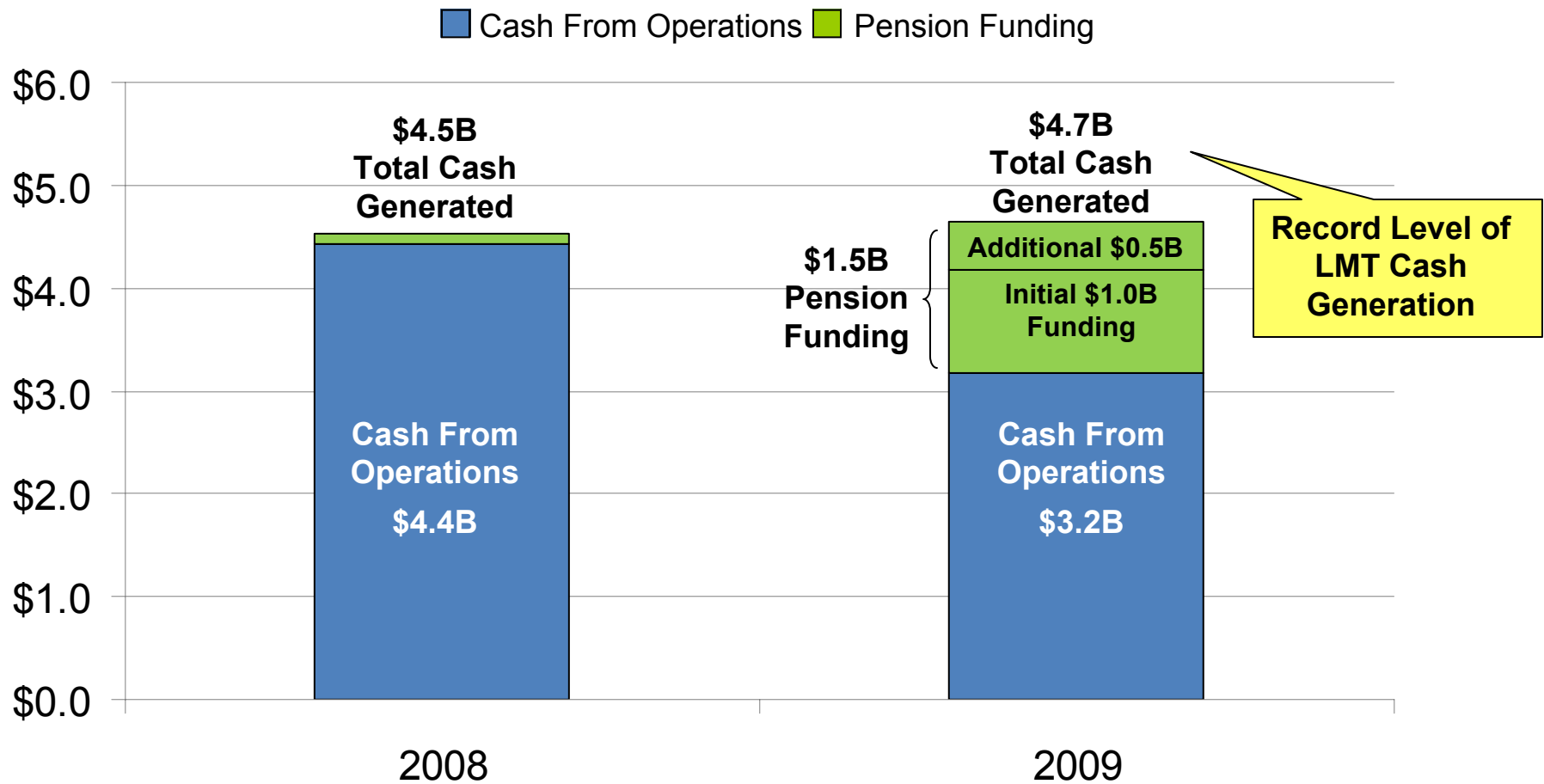
(\$B)



**Solid 4Q Book-to-Bill on Consolidated Basis of 1.1**

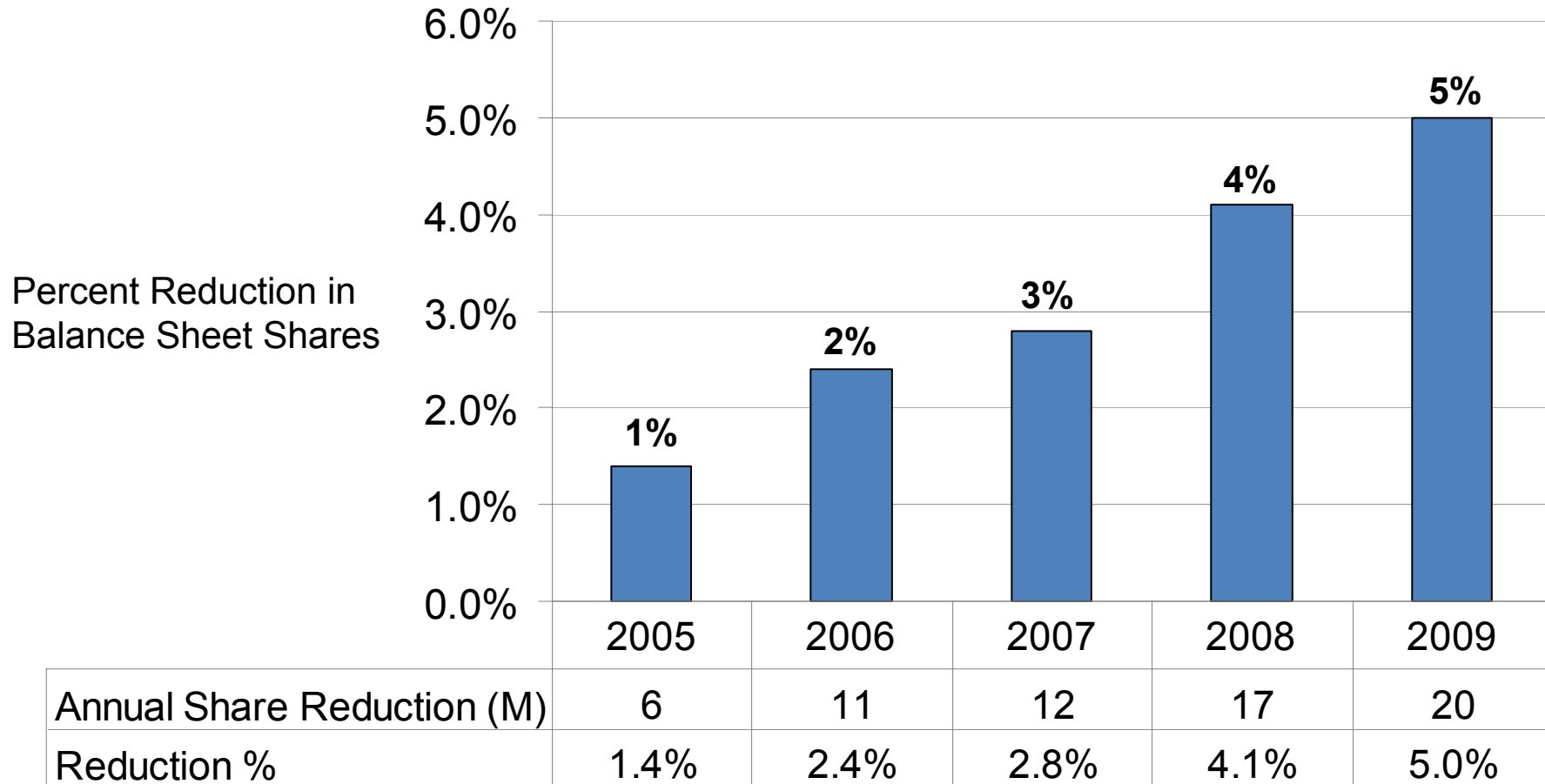
# Cash From Operations

(\$B)



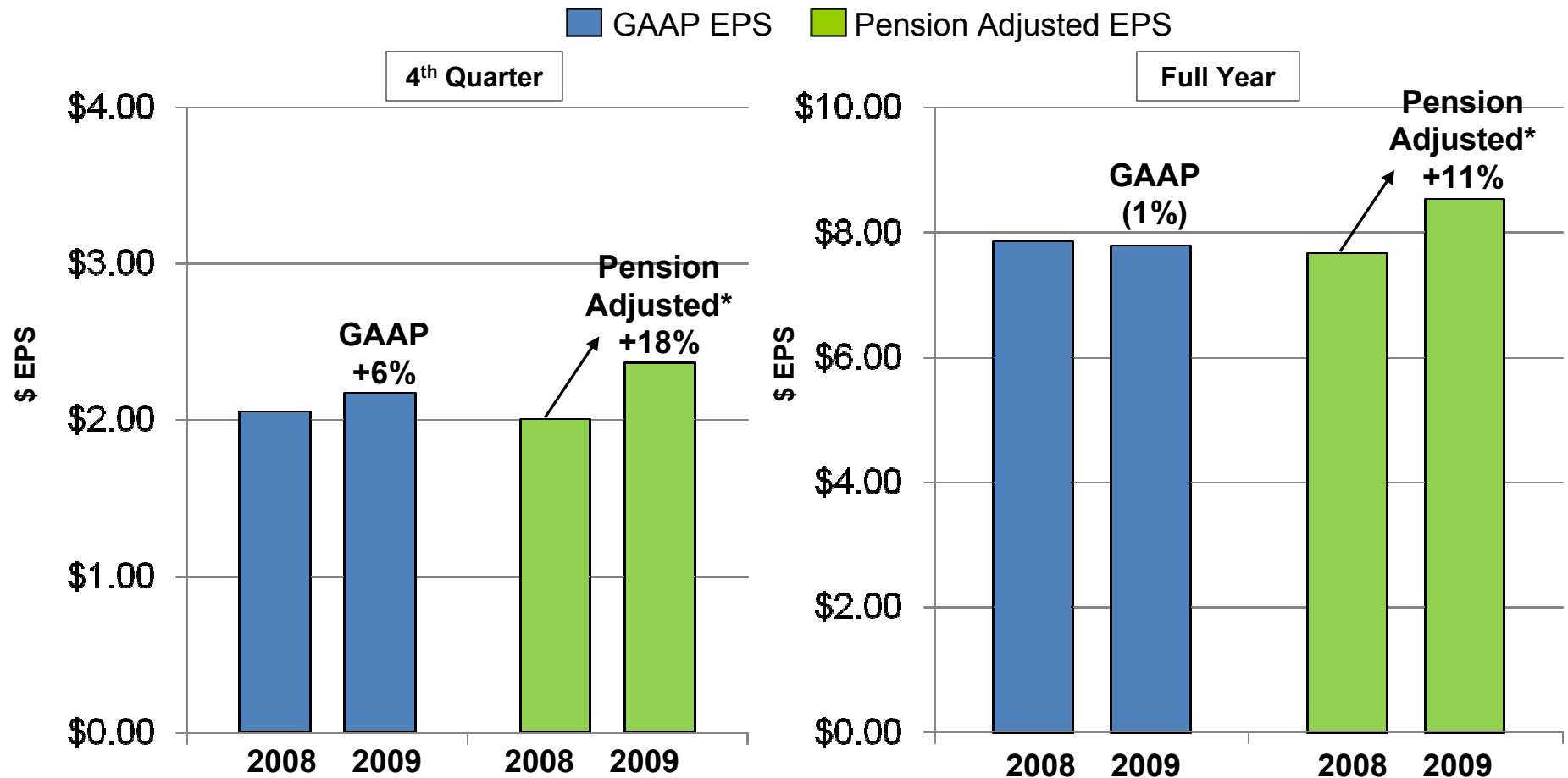
**Exceeded 2009 Outlook of \$3.1 Billion in Cash from Operations...  
Funded \$1.5 Billion to Pension Trusts**

# Annual Share Count Reduction



**Accelerated Share Repurchase Program...  
Achieved 5% Share Count Reduction in 2009**

# Earnings Per Share



\*See Charts 15-17 for Reconciliation and Definition of Non-GAAP Measures

**Double Digit Increase in Pension Adjusted EPS  
For 4Q and Full Year 2009**

# 2010 FAS/CAS Summary

(\$M)



## October 2009 Outlook

(\$495)

Higher 2009 Actual Rate of Return

115

25 bps Reduction in Discount Rate

(95)

Benefit of Additional Discretionary Funding / Other

35

Increased  
2010  
EBIT  
\$55M

## January 2010 Outlook

(\$440)

**Improved Asset Returns More Than Offset Lower Discount Rate**



# 2010 EPS Outlook Reconciliation



## October EPS Outlook

**\$7.05 - 7.25**

Reduction in Projected Share Count

~ .15

Reduction in FAS Pension Expense

~ .10

Increase in Interest Expense

~ (.15)

} .10

## January EPS Outlook

**\$7.15 - 7.35**

**2010 EPS Outlook Increased \$0.10**

# **Financial Appendix & Updated Outlook**

# 2010 Outlook Update

(\$M, Except EPS)



	<u>Prior (Oct)</u>	<u>Current (Jan)</u>
Sales	\$46,250 - 47,250	\$46,250 - 47,250
Segment Operating Profit*	\$5,025 - 5,125	\$5,025 - 5,125
Mid-Point Segment Margin*	10.9%	10.9%
Other Pre-Tax Expense (net)	~ (1,050)	~ (1,070)
Earnings Before Income Taxes	\$3,975 - 4,075	\$3,955 - 4,055
<b>GAAP EPS</b>	<b>\$7.05 - 7.25</b>	<b>\$7.15 - 7.35</b>
Cash From Operations	≥ \$3,200	≥ \$3,200
ROIC	≥ 16.5%	≥ 16.0%

\*See Chart 12 for Reconciliation and Chart 17 for Definition of Non-GAAP Measures

# 2010 Outlook Update

(\$M, Except EPS)



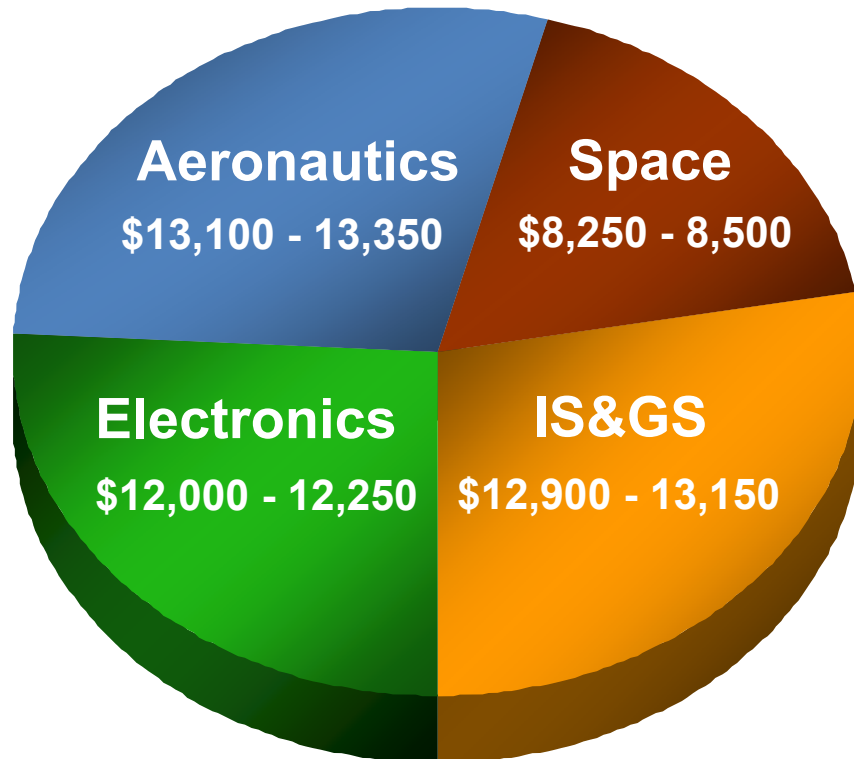
	<u>Prior (Oct)</u>	<u>Current (Jan)</u>
<b>Segment Operating Profit</b>	<b>\$5,025 - 5,125</b>	<b>\$5,025 - 5,125</b>
<u>Unallocated Corp Inc / (Exp)</u>		
FAS/CAS Adjustment	~ (495)	~ (440)
Unusual Items	--	--
Stock Comp Expense	~ (180)	~ (180)
Other Unallocated Items	~ (100)	~ (100)
<b>Operating Profit</b>	<b>\$4,250 - 4,350</b>	<b>\$4,305 - 4,405</b>
Interest Expense	~ (275)	~ (350)
Non-Operating Inc / (Exp)	--	--
<b>Earnings Before Income Taxes</b>	<b>\$3,975 - 4,075</b>	<b>\$3,955 - 4,055</b>
<b>GAAP EPS</b>	<b>\$7.05 - 7.25</b>	<b>\$7.15 - 7.35</b>

# 2010 Segment Outlooks

(\$M)

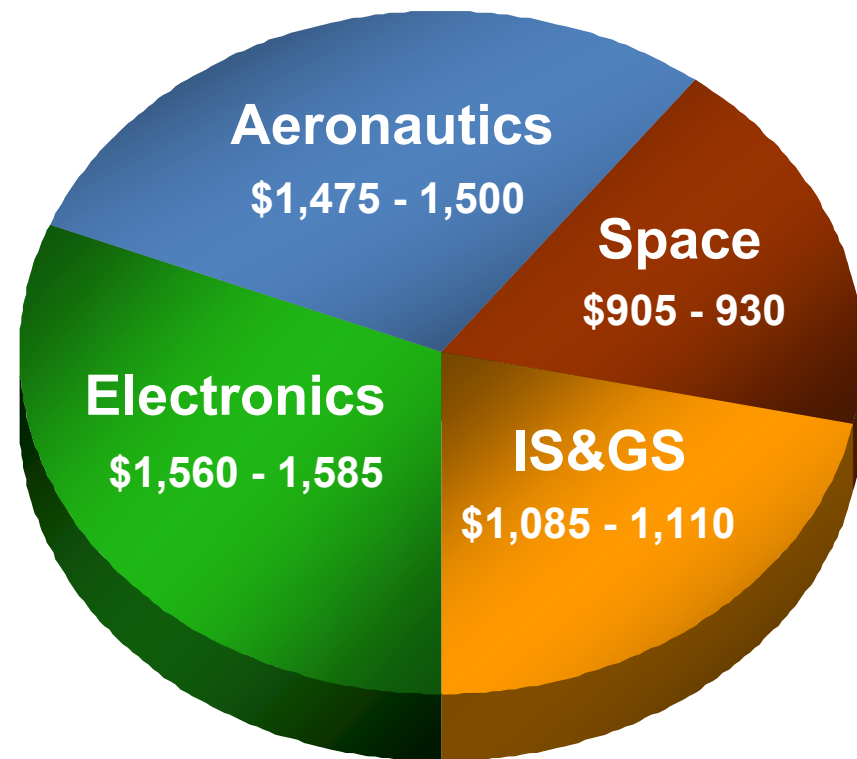


## Sales



**\$46,250 - 47,250M**

## Segment Op Profit\*



**\$5,025 - 5,125M**

\*See Chart 12 for Reconciliation and Chart 17 for Definition of Non-GAAP Measures

**No Change in Segment Outlooks**

# ROIC Calculation

(\$M)



	<b>Actual <u>2009</u></b>	<b>Prior (Oct) <u>2010</u></b>	<b>Current (Jan) <u>2010</u></b>
Net Earnings	\$3,024	<b>Combined</b>	<b>Combined</b>
Interest Exp x .65	198		
<b>Return</b>	<b>\$3,222</b>	<b>≥ \$2,900</b>	<b>≥ \$2,925</b>
Debt (Average)	\$4,054	<b>Combined</b>	<b>Combined</b>
Equity (Average)	3,155		
Benefit Plan Adjustments (Average)	8,960		
<b>Invested Capital (Average)</b>	<b>\$16,169</b>	<b>≤ \$17,600</b>	<b>≤ \$18,300</b>
<b>ROIC</b>	<b>19.9%</b>	<b>≥ 16.5%</b>	<b>≥ 16.0%</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 incorporated into our Statement of Stockholders Equity to recognize the funded / unfunded status of our benefit plans.

# 4Q EPS Reconciliation



	<u>4Q09</u>	<u>4Q08</u>	<u>Change</u>
GAAP EPS	\$2.17	\$2.05	6%
FAS/CAS Adjustment	.19	(.05)	
Pension Adjusted EPS*	\$2.36	\$2.00	18%

\*See Chart 17 for Definitions of Non-GAAP Measures

# Full Year EPS Reconciliation



	<u>2009</u>	<u>2008</u>	<u>Change</u>
GAAP EPS	\$7.78	\$7.86	(1%)
FAS/CAS Adjustment	.76	(.20)	
Pension Adjusted EPS*	\$8.54	\$7.66	11%

\*See Chart 17 for Definitions of Non-GAAP Measures



# 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.

	<b><u>2010 Outlook (Oct)</u></b>	<b><u>2010 Outlook (Jan)</u></b>
Sales	\$46,250 - 47,250	\$46,250 - 47,250
Segment Operating Profit	\$5,025 - 5,125	\$5,025 - 5,125
Mid-Point Segment Margin	10.9%	10.9%
Consolidated Operating Profit	\$4,250 - 4,350	\$4,305 - 4,405
Mid-Point Operating Margin	9.2%	9.3%

## **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.

## **Pension Adjusted Net Earnings / Pension Adjusted Earnings Per Share**

Lockheed Martin defines pension adjusted net earnings / pension adjusted earnings per share as GAAP net earnings / 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. We believe that these measures also may be helpful to investors in understanding and assessing our operating performance in the context of how our principal customer, the U.S. Government, allows us to recover pension costs and to better compare our operating performance to others in the industry on that same basis.

# 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; 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 2008 Form 10-K and 2009 10-Qs, contain more information on the types of risks and other factors that could adversely affect these statements.**

**2009 Financial Results are Unaudited**

