



Lockheed Martin Corporation

1st Quarter 2015

Financial Results Conference Call April 21, 2015 / 11:00 am EDT



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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 Corporation’s reliance on contracts with the U.S. Government, all of which are conditioned upon the availability of funding; declining budgets; affordability initiatives; the implementation of automatic sequestration under the Budget Control Act of 2011; U.S. Government operations under a continuing resolution or the failure to adopt a budget which may cause contracts to be delayed, canceled or funded at lower levels or which may cause the Corporation to put its funds at risk; risks related to the development, performance, schedule, cost and requirements of complex and technologically advanced programs including the Corporation’s largest, the F-35 program; economic, industry, business and political conditions (domestic and international) including their effects on governmental policy; the Corporation’s success in growing international sales and expanding into adjacent markets and risks associated with doing business in new markets and internationally; the competitive environment for the Corporation’s products and services, including increased market pressures in the Corporation’s services businesses, competition from outside the aerospace and defense industry, and increased bid protests; planned production rates for significant programs and compliance with stringent performance and reliability standards; the performance of key suppliers, teammates, joint venture partners, subcontractors, and customers; the timing and customer acceptance of product deliveries; the Corporation’s ability to attract and retain key personnel and transfer knowledge to new personnel; the impact of work stoppages or other labor disruptions; cyber security or other security threats, or other disruptions; the ability to implement, pace and effect of capitalization changes; the Corporation’s ability to recover certain costs under U.S. Government contracts and changes in contract mix; the accuracy of the Corporation’s estimates and projections; risk of a future impairment of goodwill or other long-term assets; movements in interest rates and other changes that may affect pension plan assumptions and actual returns on pension plan assets; realizing the anticipated benefits of acquisitions or divestitures, ventures, teaming arrangements or internal reorganizations, and the Corporation’s efforts to increase the efficiency of its operations and improve the affordability of its products and services; the adequacy of the Corporation’s insurance and indemnities; materials availability; the effect of changes in (or the interpretation of): legislation, regulation or policy, including those applicable to procurement, cost allowability or recovery, accounting, taxation or export, and; the outcome of legal proceedings, bid protests, environmental remediation efforts, government allegations that we have failed to comply with law, other contingencies and U.S. Government identification of deficiencies in the Corporation’s business systems. 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, 2014, contain more information on the types of risks and other factors that could adversely affect these statements.

1st Quarter 2015 Overview

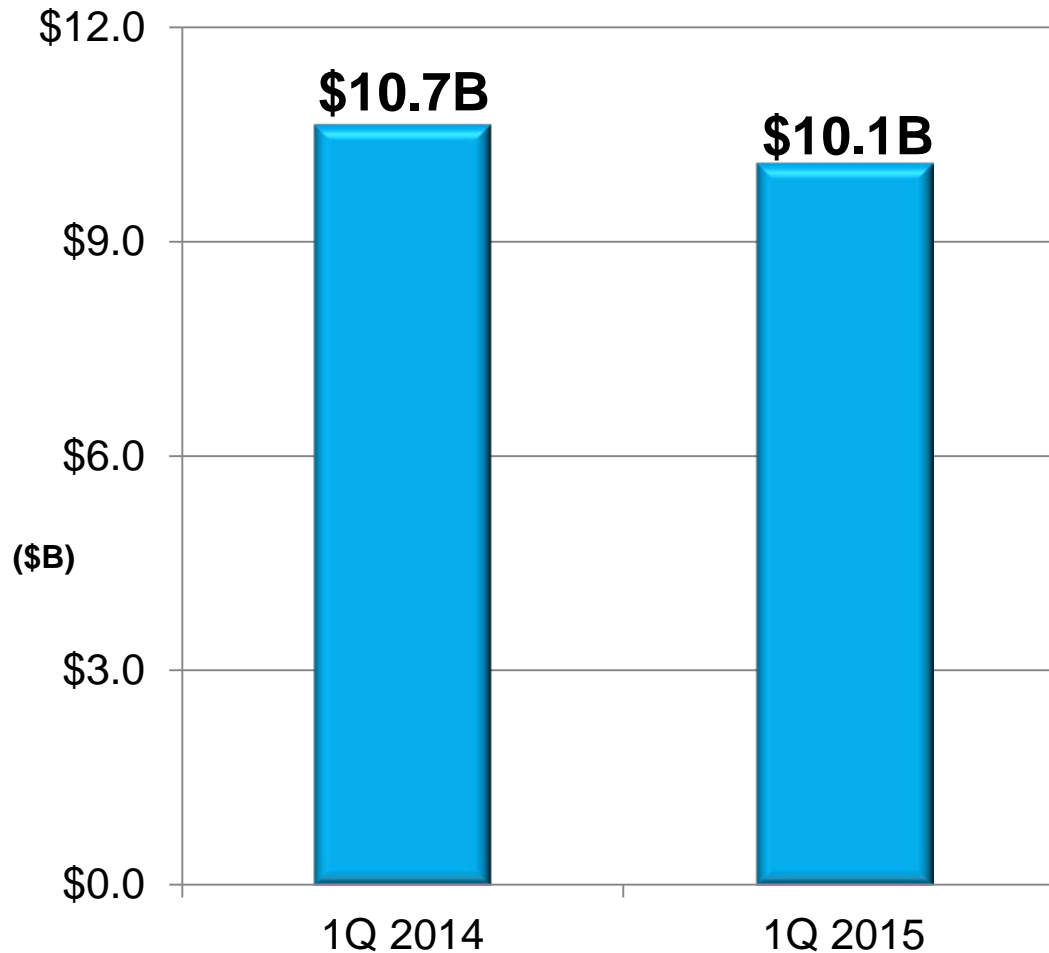


- **Achieved Sales of \$10.1 Billion**
- **Achieved Segment Operating Margin* of 12.9% and Earnings Per Share of \$2.74**
- **Generated \$957 Million in Cash From Operations**
- **Returned \$1.1 Billion of Cash to Stockholders, Including Repurchasing 3.0 M Shares for \$604 Million**
- **Increased 2015 Full Year Outlook for Operating Profit and Earnings Per Share**

*See Chart 14 for Definitions of Non-GAAP Measures

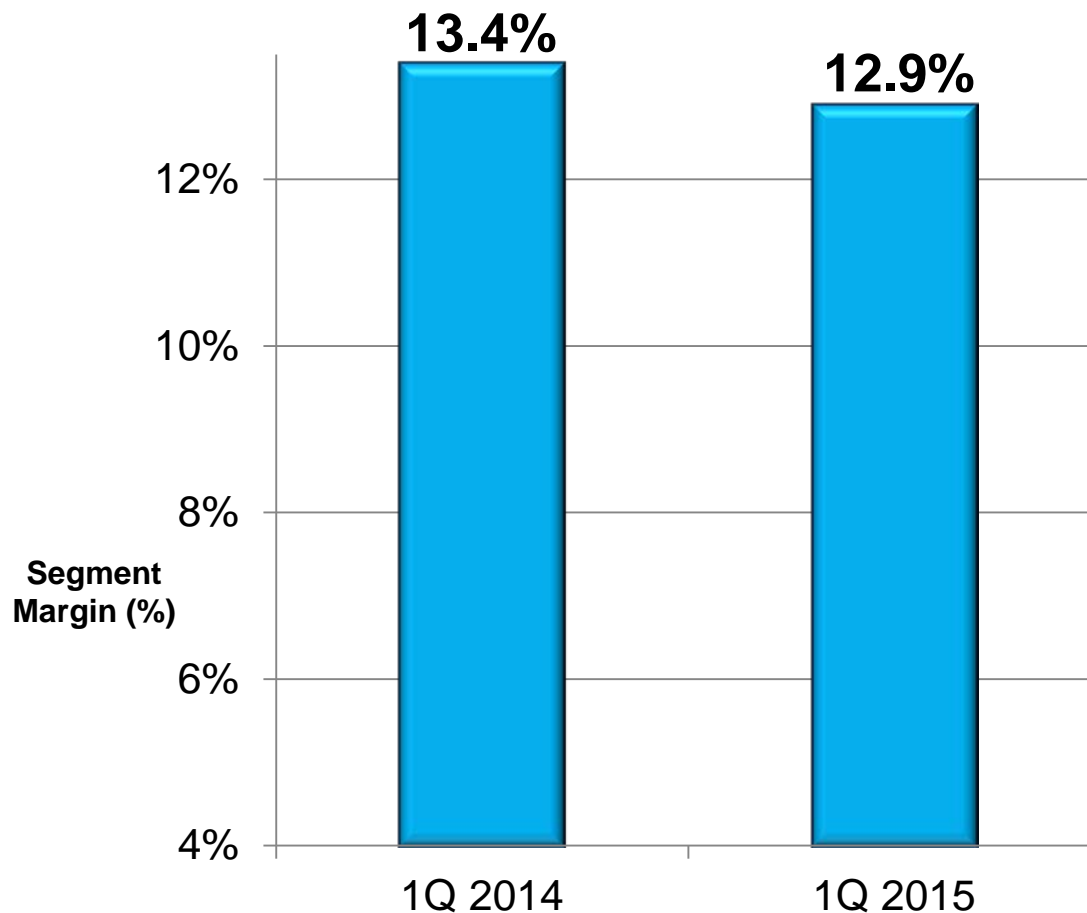
Solid Start to 2015

Sales Summary



**1Q Sales Met Expectations...
Tracking to Full Year Outlook**

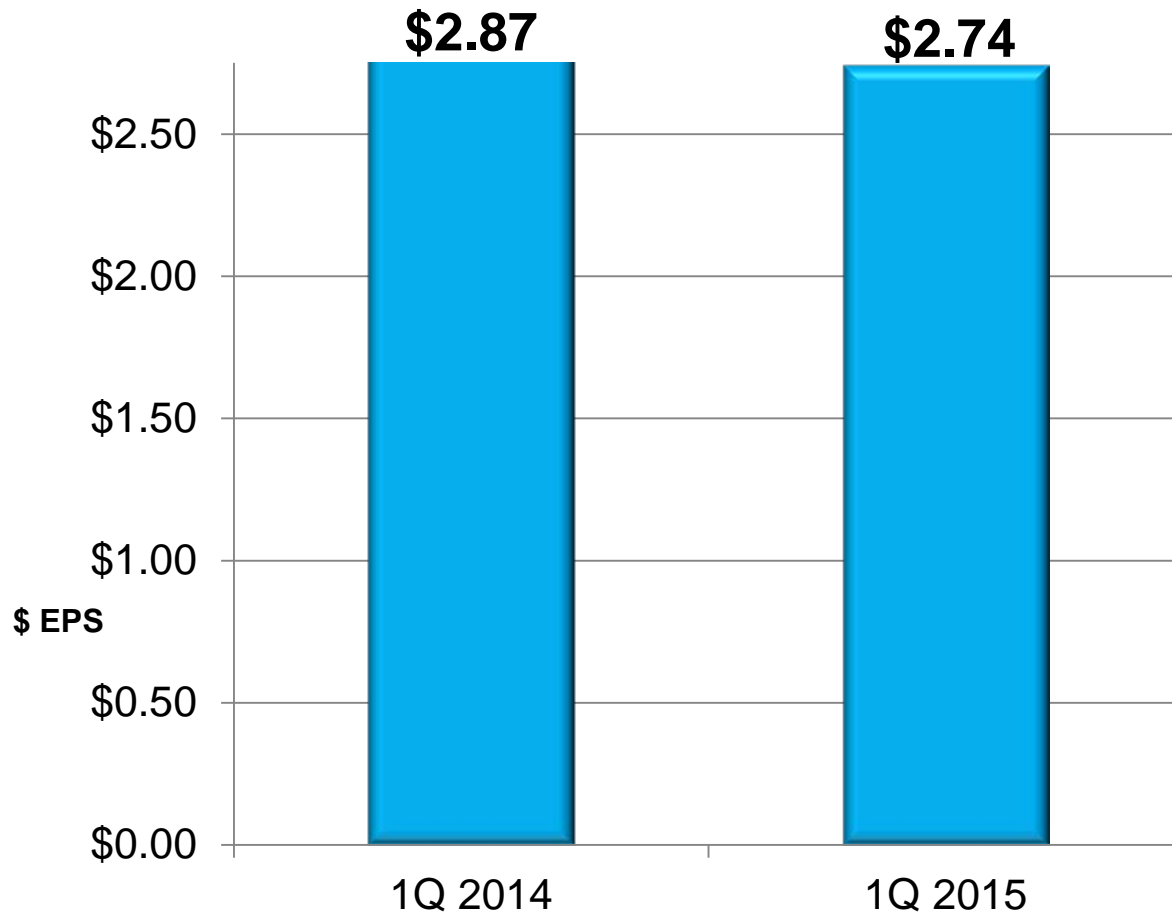
Segment Operating Margins*



*See Chart 14 for Definitions of Non-GAAP Measures

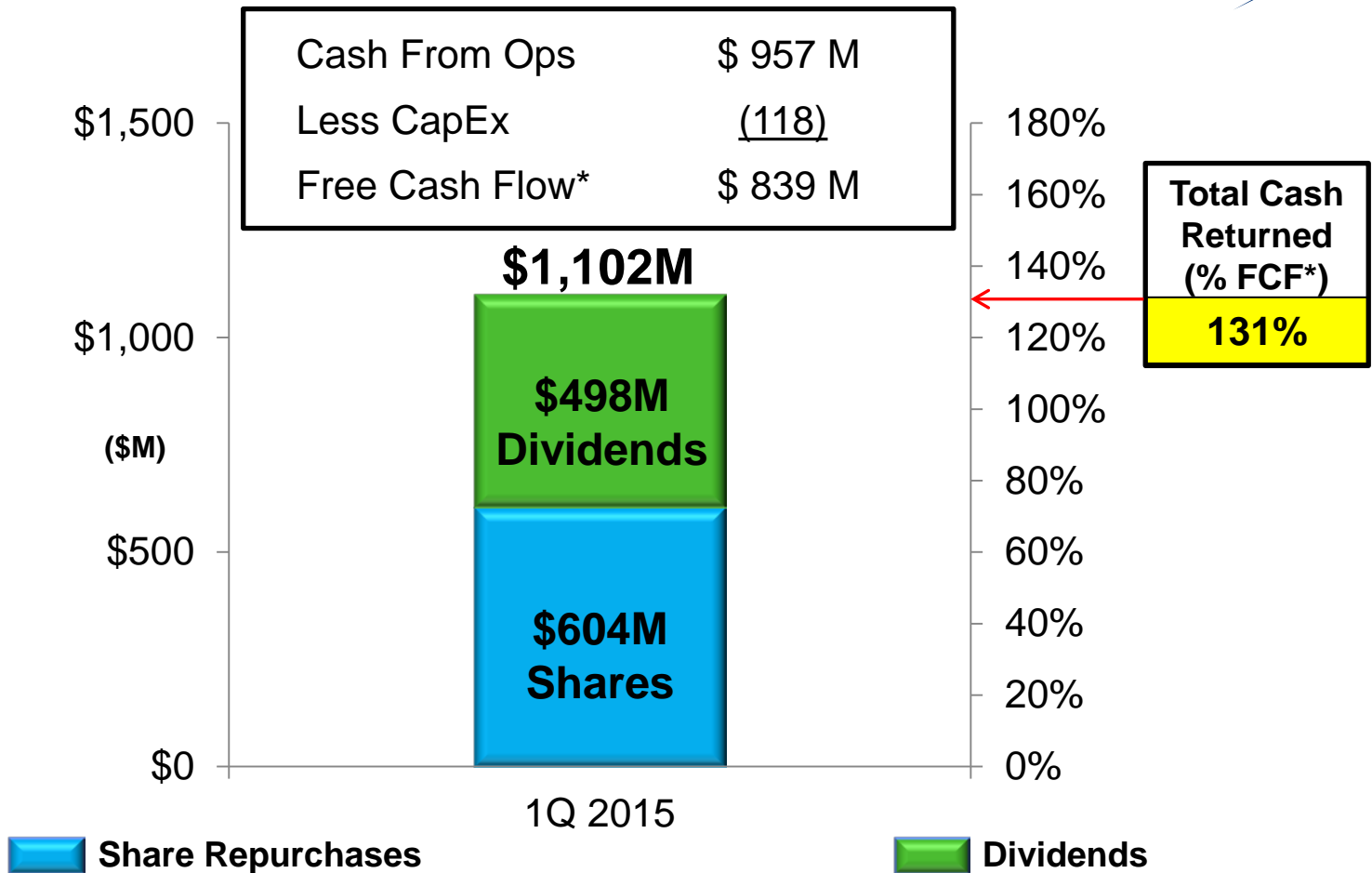
**1Q Margin Above Expectations...
Resulting in Increase to Outlook**

Earnings Per Share



Solid EPS Performance in 1Q 2015

Cash Returned to Stockholders



*See Chart 14 for Definitions of Non-GAAP Measures

Strong Cash Returns to Stockholders

2015 Outlook Update

(\$M, Except EPS)



	<u>Prior (Jan)</u>	<u>Current (April)</u>
Orders	\$43,500 - 45,000	No Change
Sales	\$43,500 - 45,000	No Change
Segment Operating Profit*	\$5,100 - 5,250	\$5,150 - 5,300
<u>Unallocated Corp Inc / (Exp)</u>		
FAS/CAS Pension Adjustment	~ 475	No Change
Other, Net	~ (275)	No Change
Operating Profit	\$5,300 - 5,450	\$5,350 - 5,500
EPS	\$10.80 - 11.10	\$10.85 - 11.15
Cash From Operations	≥ \$5,000	No Change

*See Chart 14 for Definitions of Non-GAAP Measures

2015 EPS Outlook Reconciliation



EPS

January 2015 Outlook

\$10.80 – \$11.10

Increase in Segment Operating Profit*

~ 0.11

Share Repurchase Activity / Lower Share Count

~ 0.07

Increased Interest Expense

~ (0.13)

April 2015 Outlook

\$10.85 – \$11.15

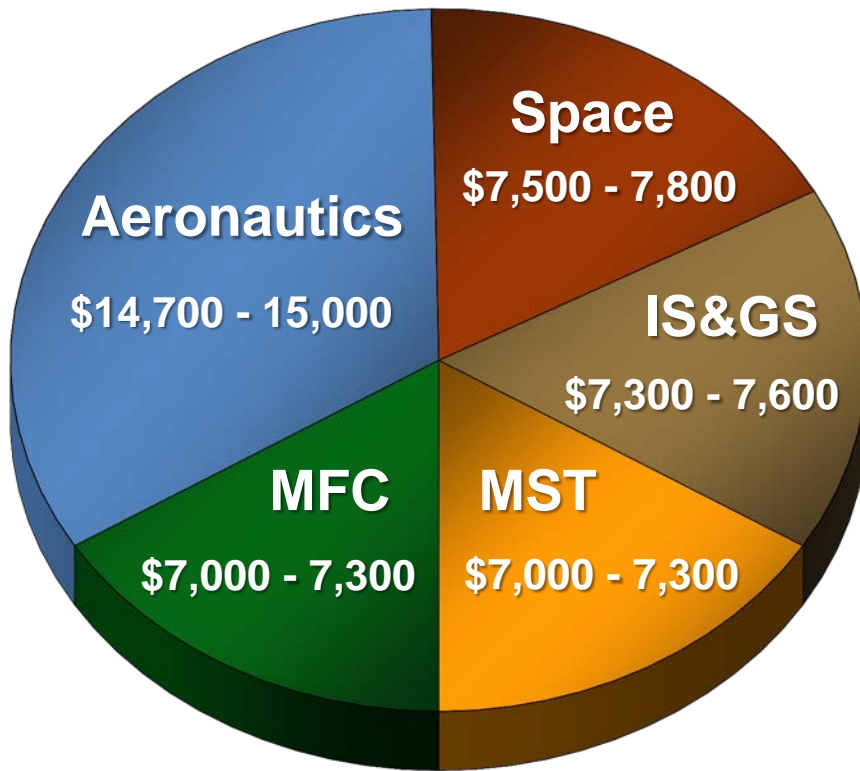
*See Chart 14 for Definitions of Non-GAAP Measures

2015 Sales Outlook

(\$M)

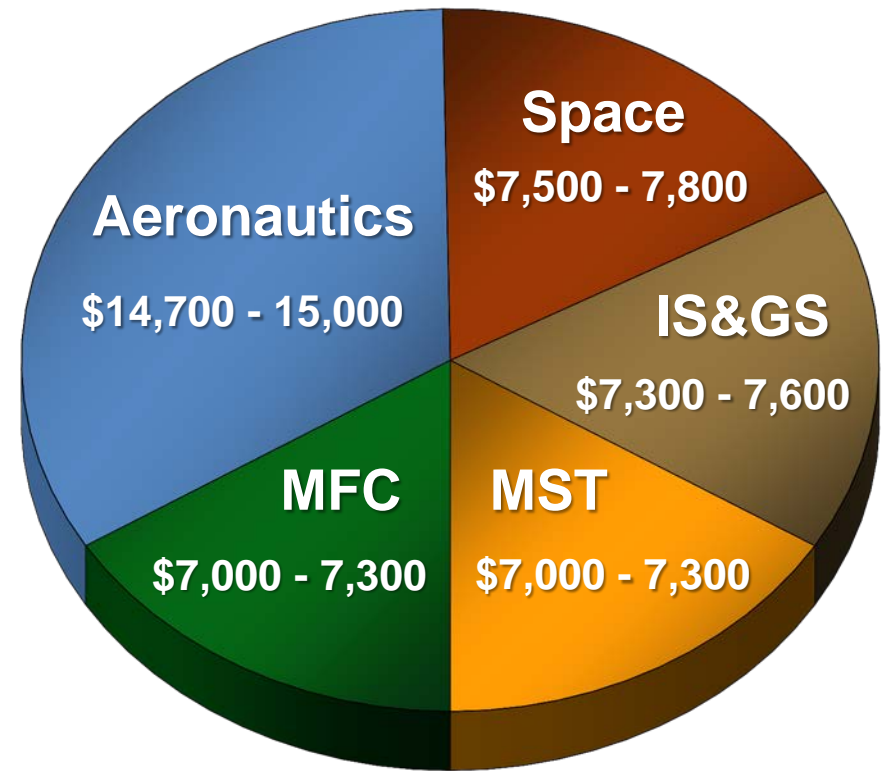


Sales (Prior)



\$43,500 - 45,000M

Sales (Current)



\$43,500 - 45,000M

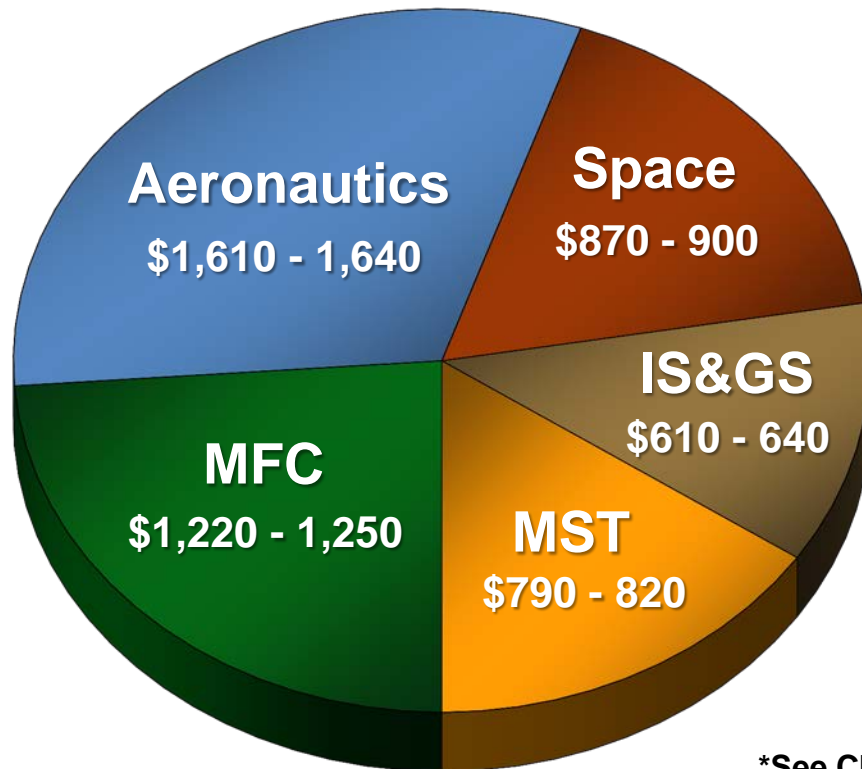
No Change to Sales Outlook

2015 Segment Operating Profit* Outlook

(\$M)

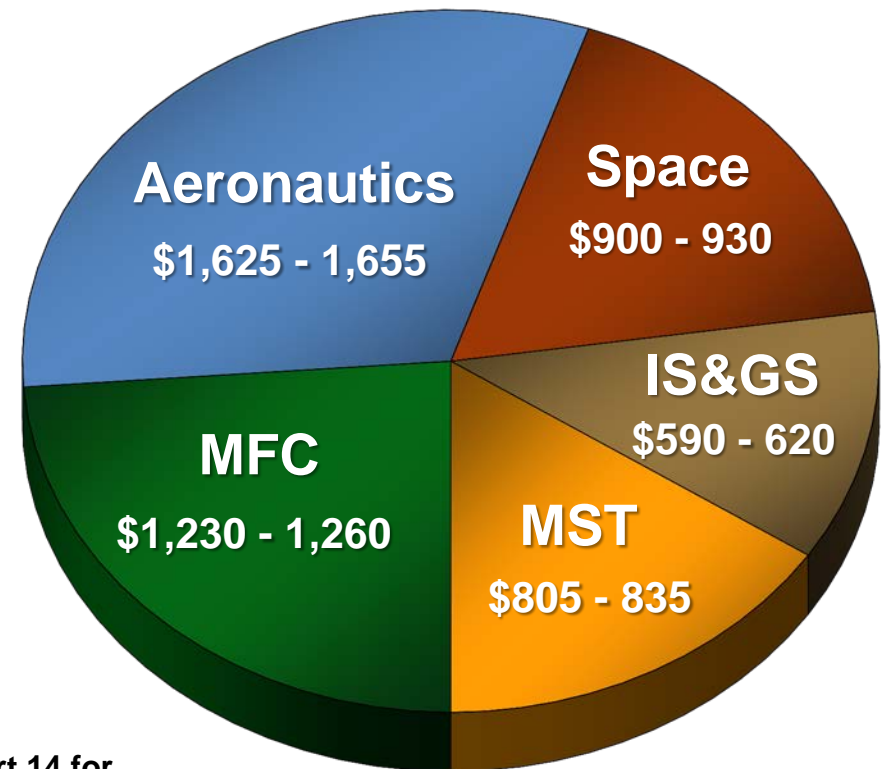


Segment Op Profit (Prior)



\$5,100 - 5,250M

Segment Op Profit (Current)



\$5,150 - 5,300M

*See Chart 14 for
Definitions of Non-
GAAP Measures

Segment Operating Profit Outlook Increased By \$50M

Summary



- **Solid Quarter of Operational and Financial Performance**
- **Cash Deployment Actions Continuing to Generate Returns to Stockholders**
- **Broad Portfolio Providing Financial Strength**

**1Q Results Achieved/Exceeded Internal Expectations...
Enabled Increase to 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 Items" 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>2015 Outlook (January)</u>			<u>2015 Outlook (April)</u>		
	Sales	Profit	Margin	Sales	Profit	Margin
Sales	\$43,500 – 45,000			No Change		
Segment Operating Profit	\$5,100 – 5,250			\$5,150 – 5,300		
Mid-Point Segment Margin	11.7%			11.8%		
Consolidated Operating Profit	\$5,300 – 5,450			\$5,350 – 5,500		
	1Q 2015			1Q 2014		
	Sales	Profit	Margin	Sales	Profit	Margin
Segment Operating Profit	\$10,111	\$1,306	12.9%	\$10,650	\$1,429	13.4%
Total Unallocated Items	-	50		-	3	
Consolidated Operating Profit (GAAP)	\$10,111	\$1,356	13.4%	\$10,650	\$1,432	13.4%

