



Lockheed Martin 4th Quarter 2013 Financial Results Conference Call January 23, 2014 3:00 p.m. EST



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January 23, 2014 at www.lockheedmartin.com/investor
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January 23, 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, the deferral or termination of awards, budget uncertainty arising from sequestration or Congressional actions intended to replace sequestration, U.S. Government operations under a continuing resolution, any future shutdown of U.S. Government operations, or any failure to raise the debt ceiling 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, 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 and the Corporation’s increased reliance on securing international and adjacent business. 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, 2012, contain more information on the types of risks and other factors that could adversely affect these statements.

2013 Overview

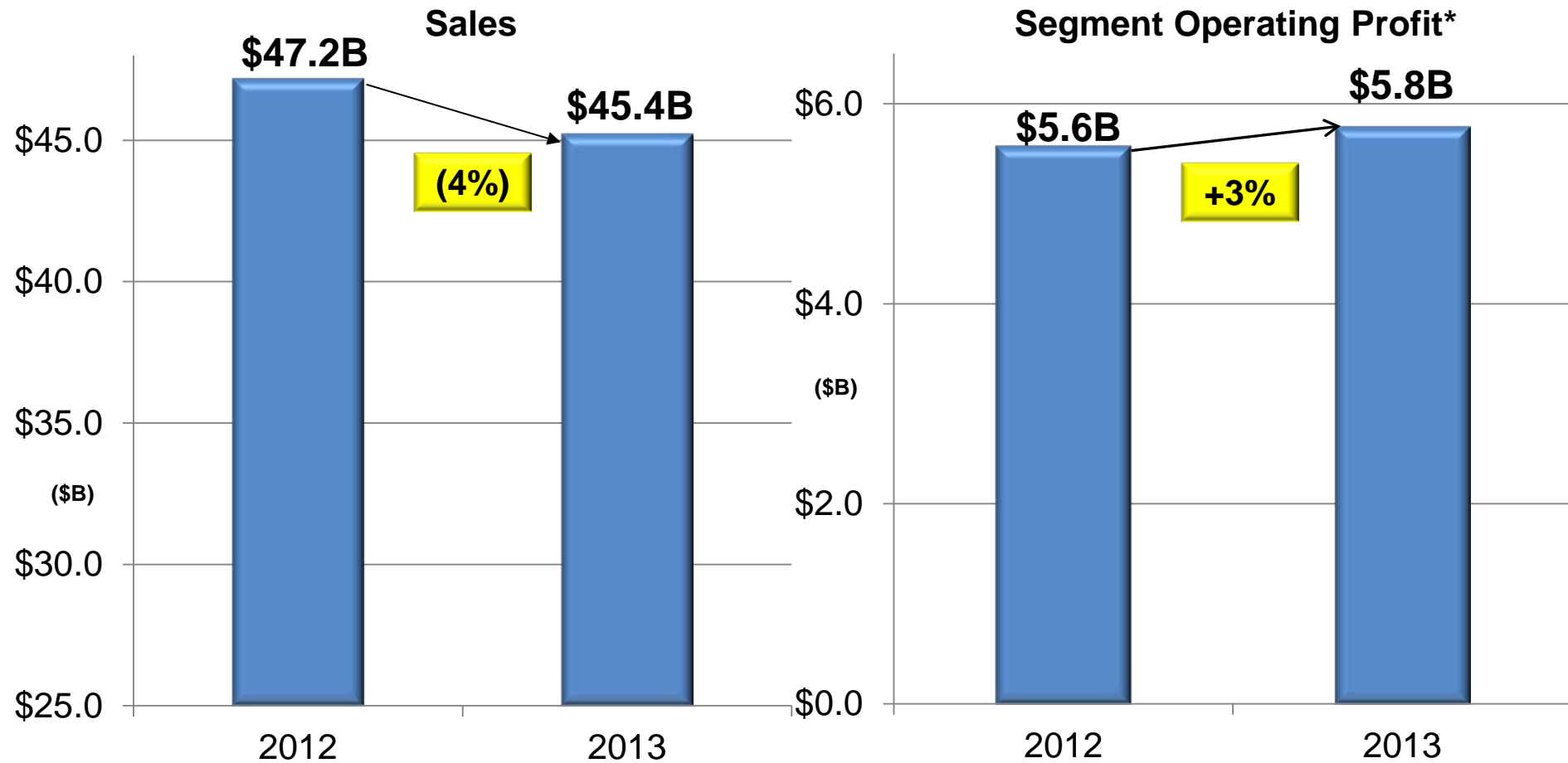


- **Achieved Sales of \$45.4 Billion**
- **Expanded Segment Operating Margin* to 12.7% in 2013 vs. 11.8% in 2012**
- **Increased Earnings Per Share From Continuing Operations in 2013 to \$9.04, After Special Charges**
- **Generated \$4.5 Billion in Cash From Operations After \$2.25 Billion of Pension Contributions**
- **Expanded Backlog to \$82.6 Billion**

Strong Performance...Strong Year

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

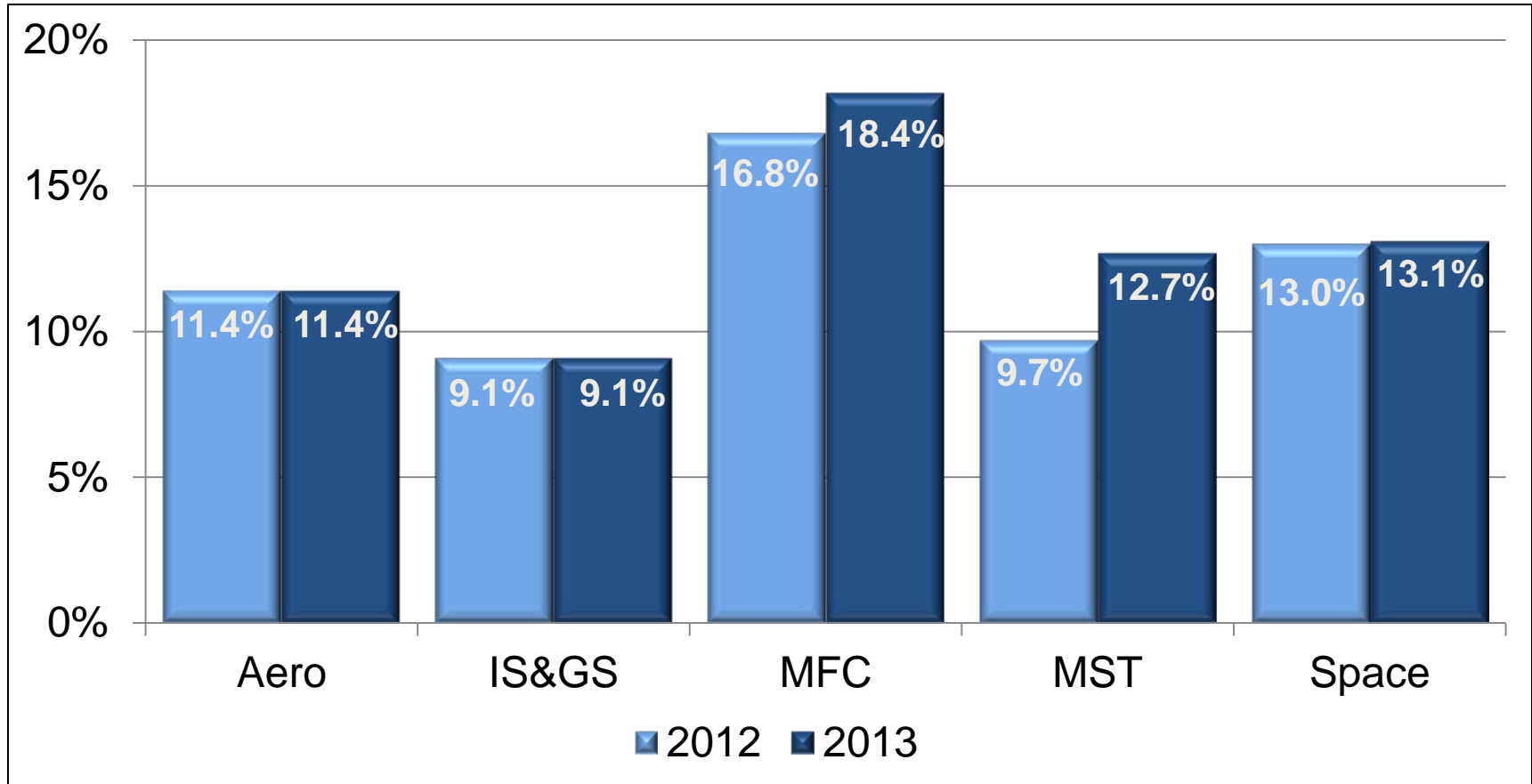
2013 Sales and Segment Operating* Results



**Achieved 2013 Expected Sales Level...
Exceeded 2013 Segment Operating Profit Expectations**

2013 Segment Operating Margins*

(%)



All 5 Business Areas Met or Exceeded 2012 Performance

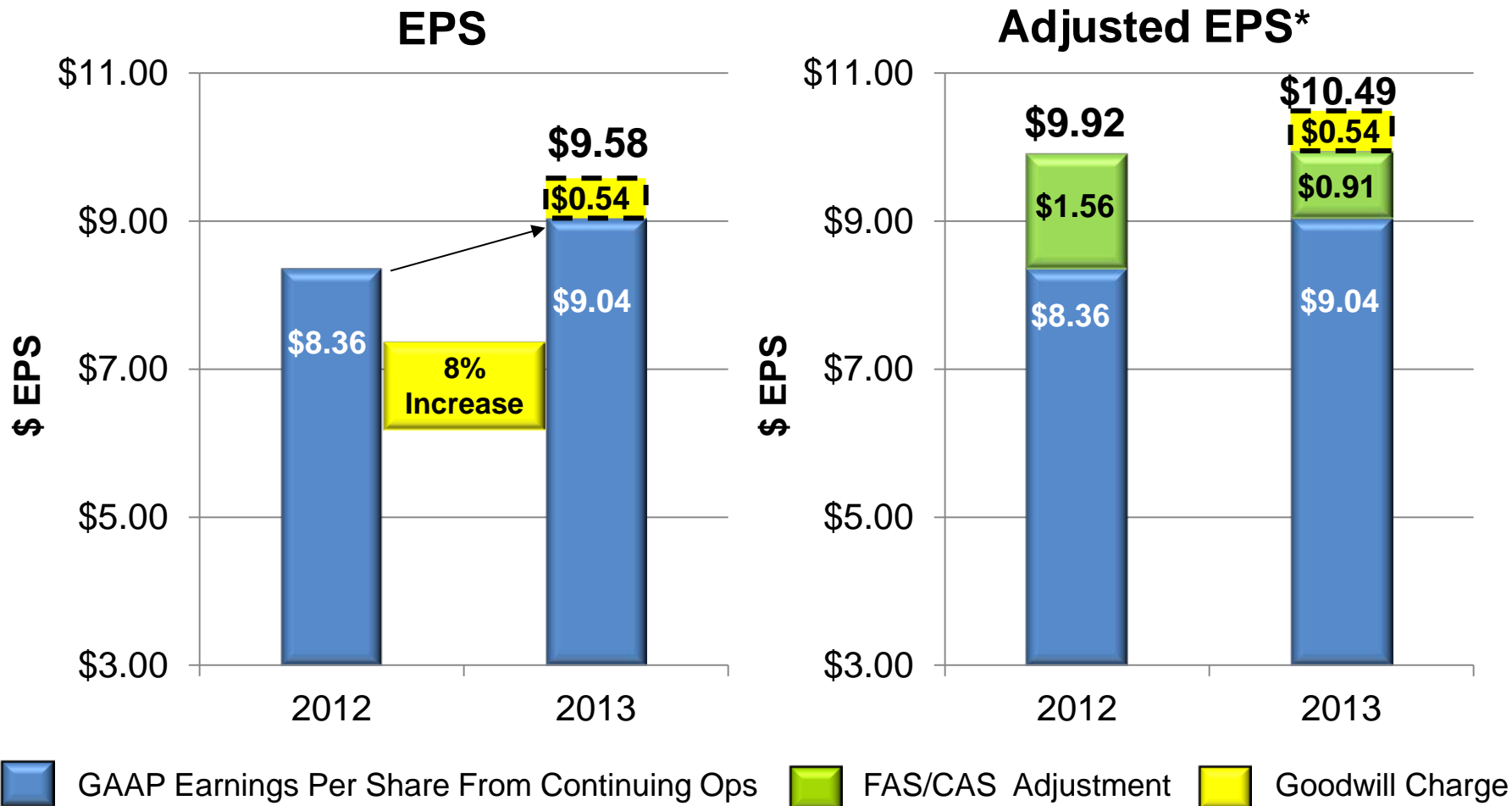
* See Charts 16-17 for Definitions of Non-GAAP Measures

Goodwill Impairment / Restructure



- **\$195M Goodwill Impairment Charge Recorded in 4Q...\$(0.54) EPS Impact**
 - Associated With Technical Services Business Within MFC
 - Current Estimate of Fair Value Less Than Book Value
 - No Other “At Risk” Reporting Units After Charge
- **Restructuring Actions Announced November 14, 2013**
 - Severance Charge of \$171M Recorded in 4Q...\$(0.34) EPS Impact
 - Facility and Other Charges of ~ \$200M Expensed in 2014 / 2015
 - 2014 Guidance Incorporates Impacts to Earnings & Cash Flow
 - Expect Recovery of Vast Majority of Costs Over Time

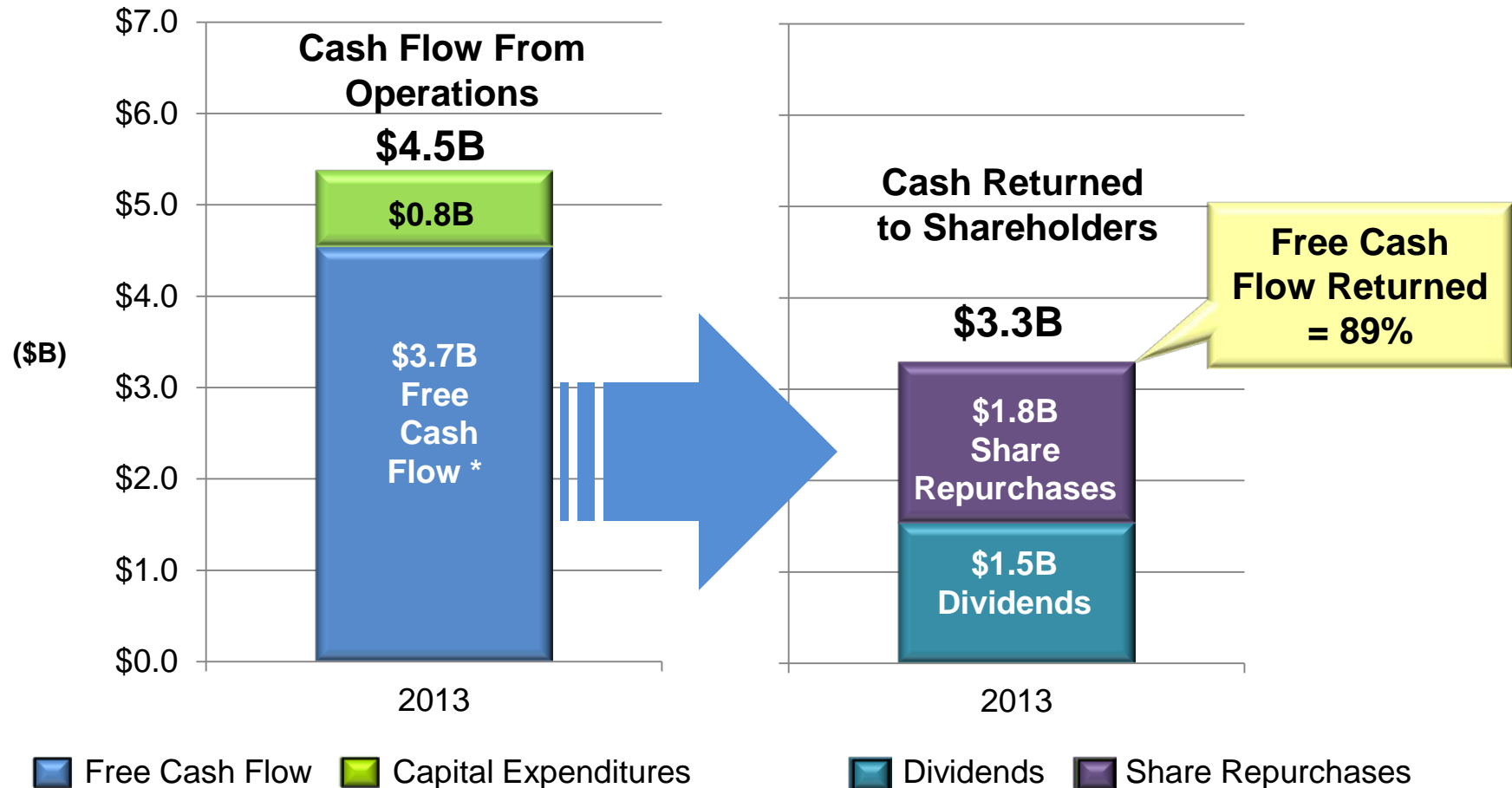
2013 Earnings Per Share



Operational Performance Driving EPS Growth

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

2013 Cash Generation and Deployment

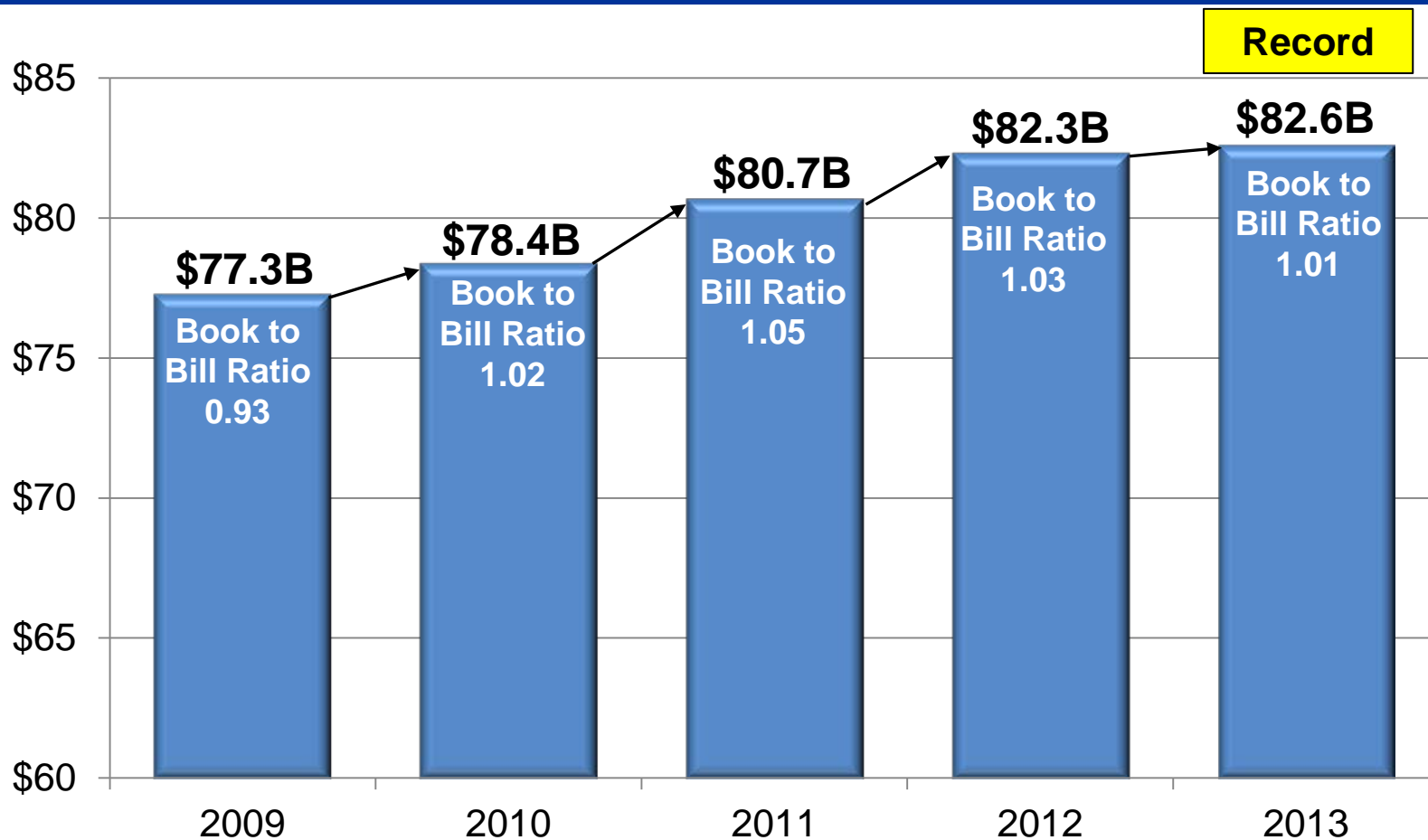


* See Charts 16-17 for Definitions of Non-GAAP Measures

Robust Cash Returned to Shareholders ... Well Above 50% Goal

Full Year Backlog

(\$B)



Grew Backlog to Highest Level Ever

2014 Guidance Assumptions



- **FAS/CAS Pension Adjustment Favorable ~ \$345M Income**
 - Discount Rate at 4.75%
 - Long Term Asset Return at 8.0%
 - 2014 Contributions of \$1.0B / 2014 CAS Recovery ~ \$1.6B

- **Research & Development Tax Credit Excluded**

- **Diluted Share Count Remains Flat**
 - Share Repurchases = Option Exercise + Issuances

2014 Outlook

(\$M, Except EPS)



Current Outlook

Orders	\$41,500 - 43,000
Sales	\$44,000 - 45,500
Segment Operating Profit*	\$5,175 - 5,325
<u>Unallocated Income / (Expense)</u>	
FAS/CAS Pension Income	~ 345
Other Unallocated Items	~ (345)
Consolidated Operating Profit	\$5,175 - 5,325
EPS - Continuing Operations	\$10.25 - 10.55
Cash From Operations	≥ \$4,600

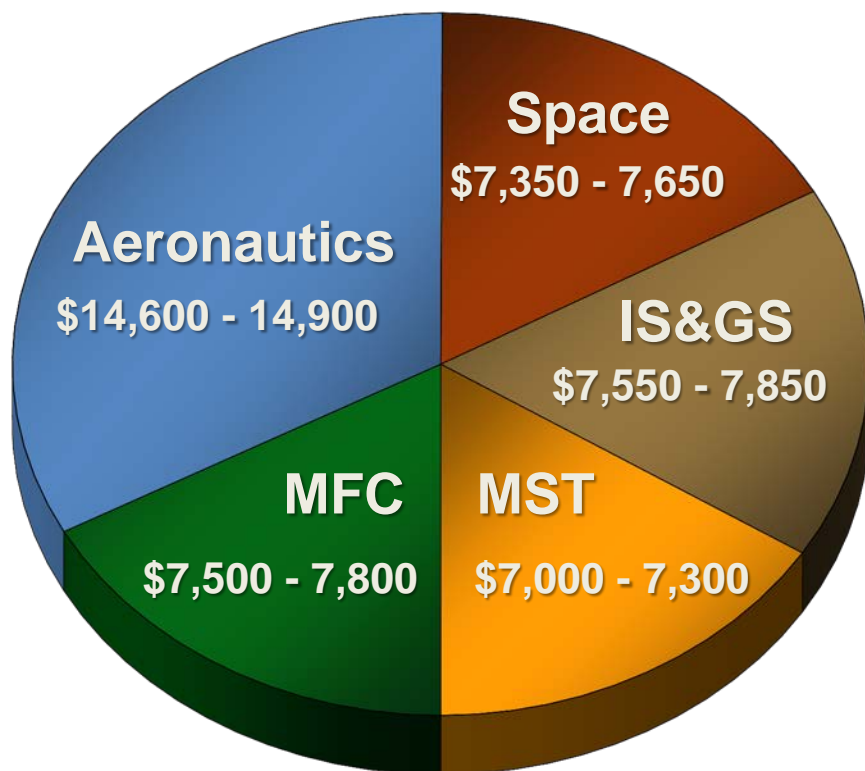
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2014 Outlook

(\$M)

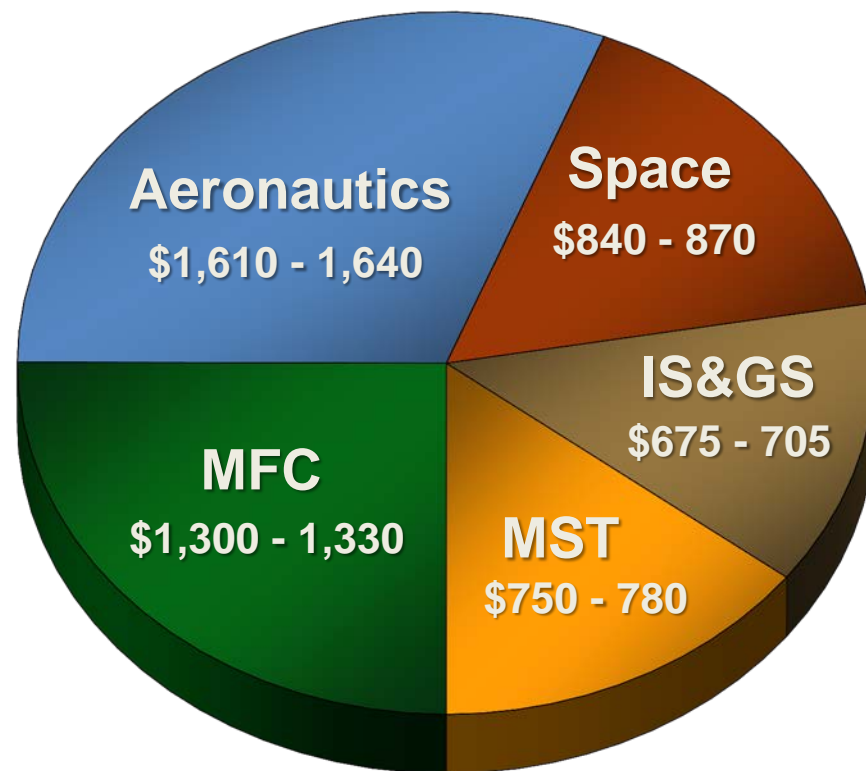


Sales



\$44,000 - 45,500M

Segment Op Profit*



\$5,175 - 5,325M

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

Restructure Impact on 2014 Guidance



- **~\$(200M) Restructure Charges in 2014 & 2015 in Segment Operating Results**
 - Facility-Related Charges
 - Incorporated in 2014 Guidance
- **Reduces Space and MST Segment Operating Profit**
 - Impacts Space by \$(55M) and MST by \$(25M), Net of Recoveries
 - Reduces EPS by \$(0.16) and Operating Cash Flow by ~\$(150M)
- **Lower Impacts to Profit & Cash in 2015**
- **Expect to Recover Vast Majority of Charges in 2016 and Beyond**

Summary



2013

- **Strong Performance in Challenging Marketplace**
- **Generated Outstanding Value to Shareholders**

2014

- **Long-Cycle Portfolio Well Positioned**
- **Cash Deployment for Value Creation**
- **Record Backlog Provides Stability and Visibility**

Exceeded All 2013 Objectives

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.

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 "Unallocated Expenses, 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)

2014 Outlook

Sales	\$44,000 – 45,500
Segment Operating Profit	\$5,175 - 5,325
Mid-Point Segment Margin	11.7%
Consolidated Operating Profit	\$5,175 – 5,325

	<u>2013</u>			<u>2012</u>		
	<u>Sales</u>	<u>Profit</u>	<u>Margin</u>	<u>Sales</u>	<u>Profit</u>	<u>Margin</u>
Operating Profit	\$ 45,358	\$ 4,505	9.9%	\$ 47,182	\$ 4,434	9.4%
Unallocated Expenses, net	-	1,247		-	1,149	
Segment Operating Profit	\$ 45,358	\$ 5,752	12.7%	\$ 47,182	\$ 5,583	11.8%

Definitions of Non-GAAP Measures



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. In addition, special charges such as Goodwill are excluded. 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 Goodwill, between periods and in comparison to that of other companies within our industry as an alternative to GAAP.

Pre-Pension Cash Flow

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

Book-to-Bill Ratio

Lockheed Martin defines the Book-to-Bill as the ratio of orders received to sales recognized for a specified period.

Free Cash Flow

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

