



Lockheed Martin 2nd Quarter 2011 Financial Results Conference Call

July 26, 2011
11:00 a.m. EDT



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July 26, 2011

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 due to budgetary or debt ceiling constraints; changes in customer priorities; additional costs or schedule revisions to the F-35 program that may result from re-planning of the restructured program; 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 allowability of costs under government cost accounting standards; the outcome of legal proceedings; the future impact of acquisitions, divestitures or joint ventures; 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 2010 Form 10-K and 2011 Form 10-Q, contain more information on the types of risks and other factors that could adversely affect these statements.

2011 Financial Results are Unaudited.

2Q Overview

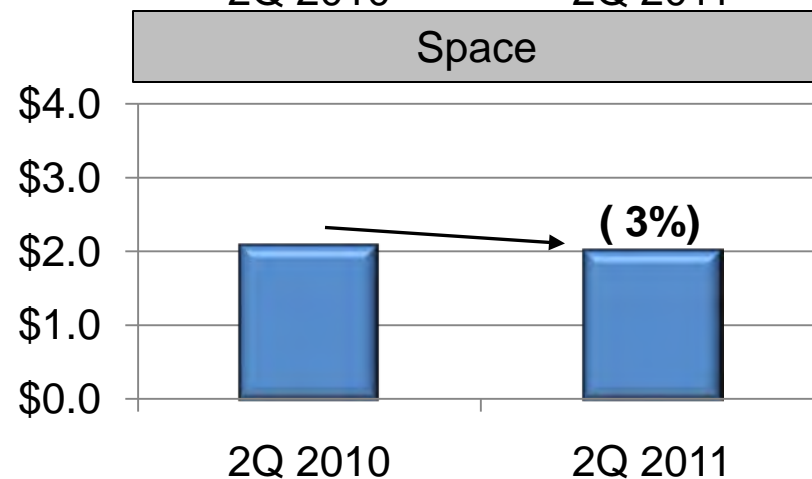
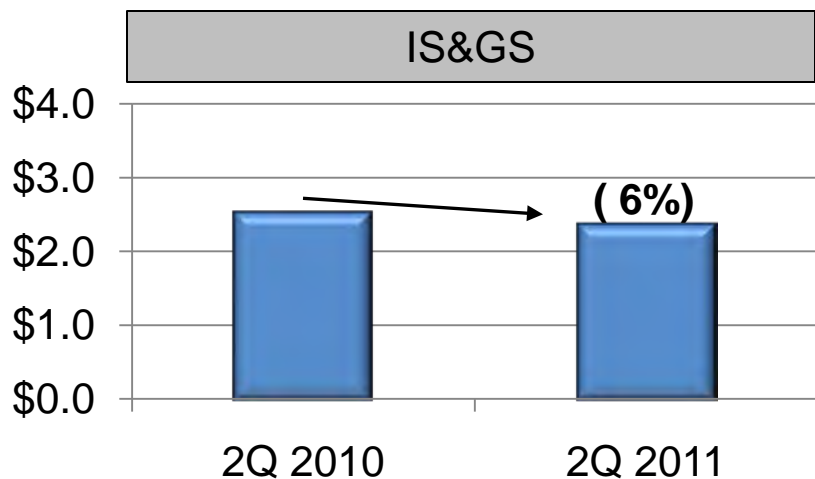
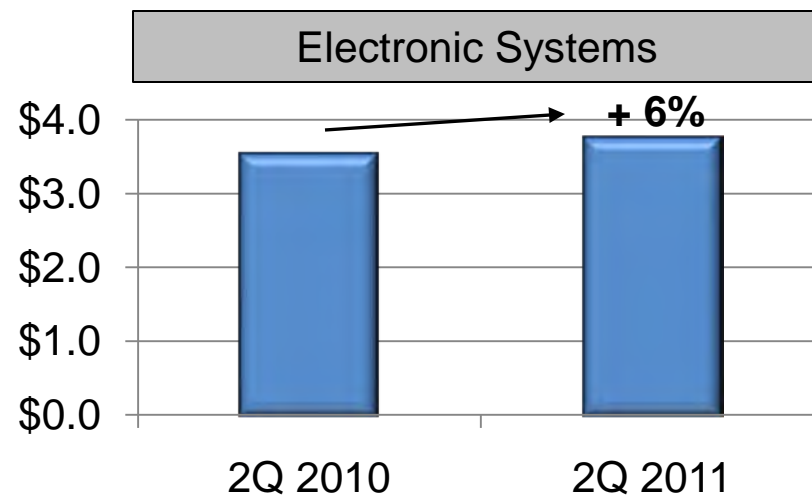
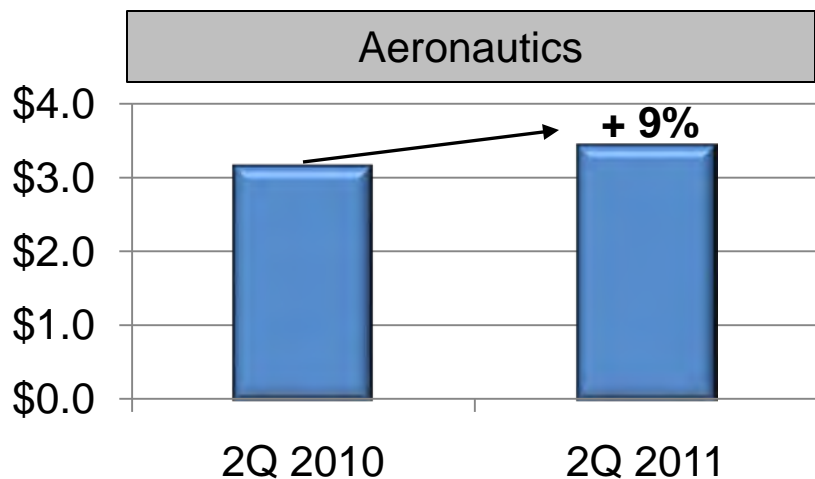


- **Grew Sales 2%**
- **Increased EPS From Continuing Operations By 11%**
- **Generated Nearly \$850 Million in Cash From Operations**
- **Repurchased 13 Million Shares**

Strong Execution ... Strong Quarter

2Q Sales Summary

(\$Billion)

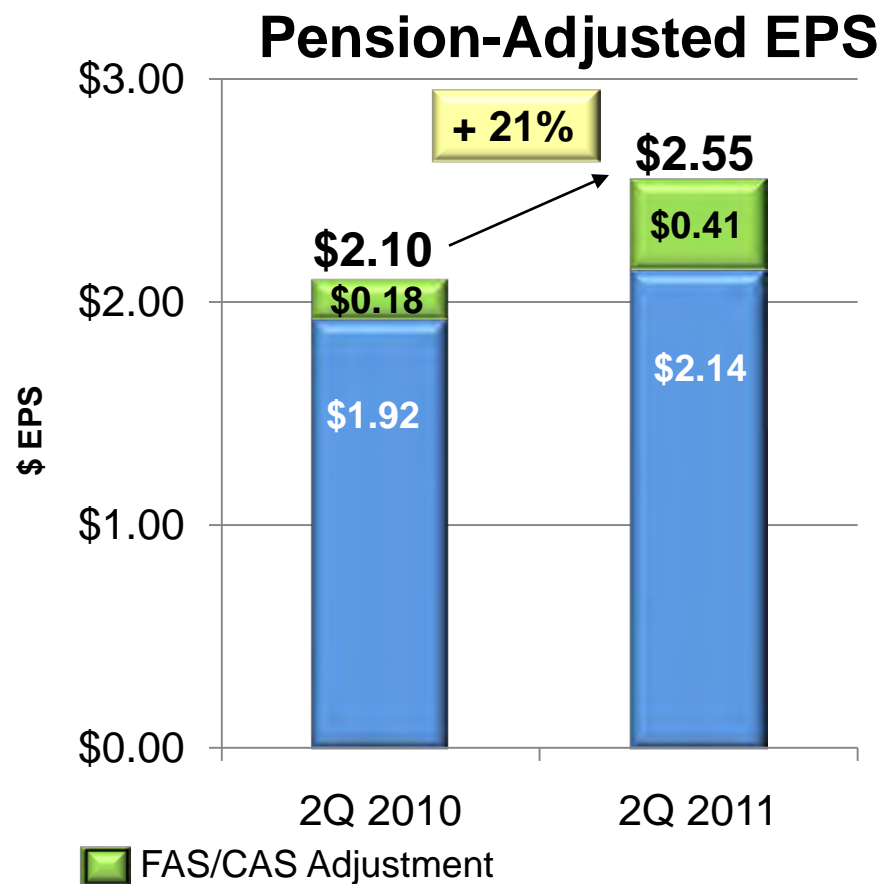
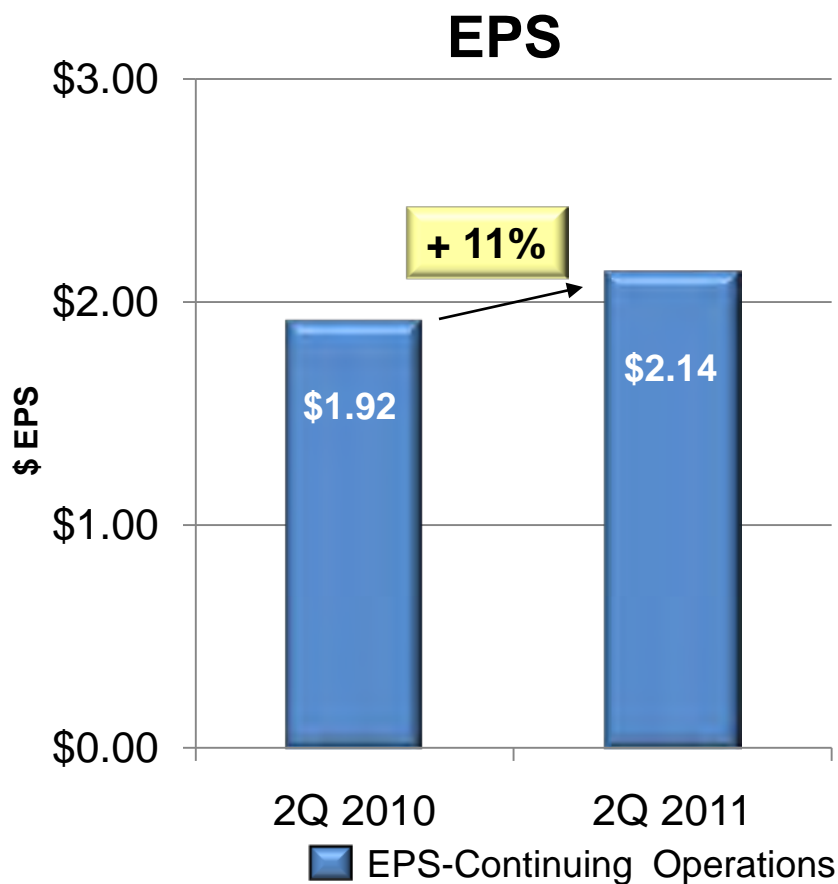


Total Sales Growth of +2% ... On Track For Full Year

2Q Earnings Per Share

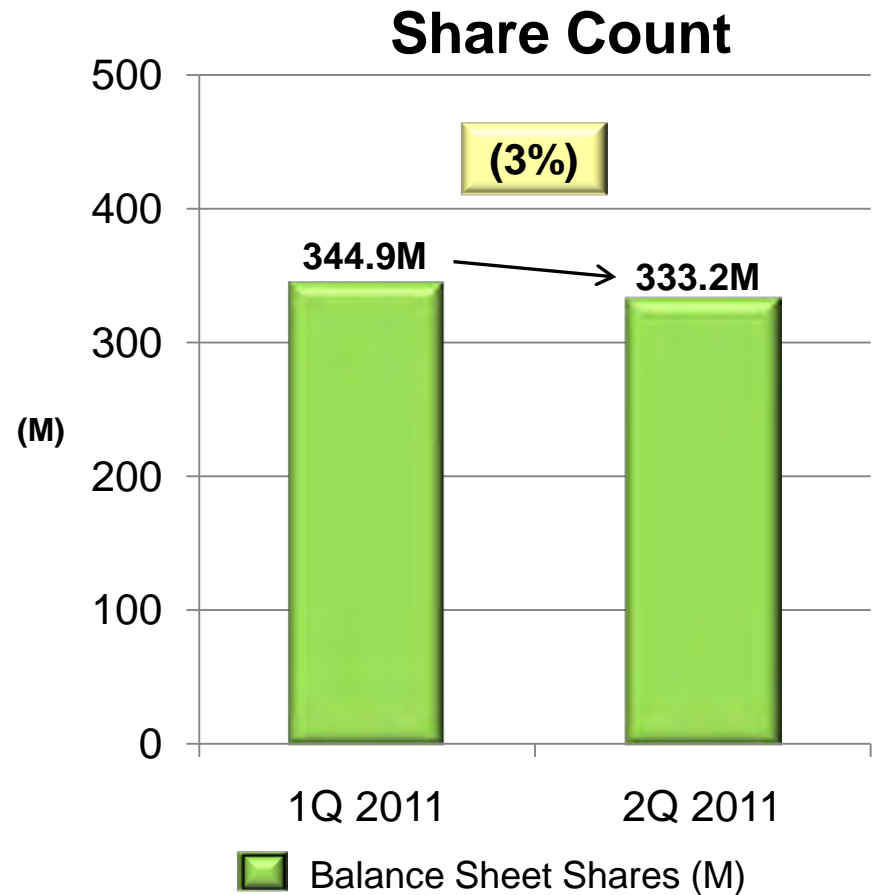
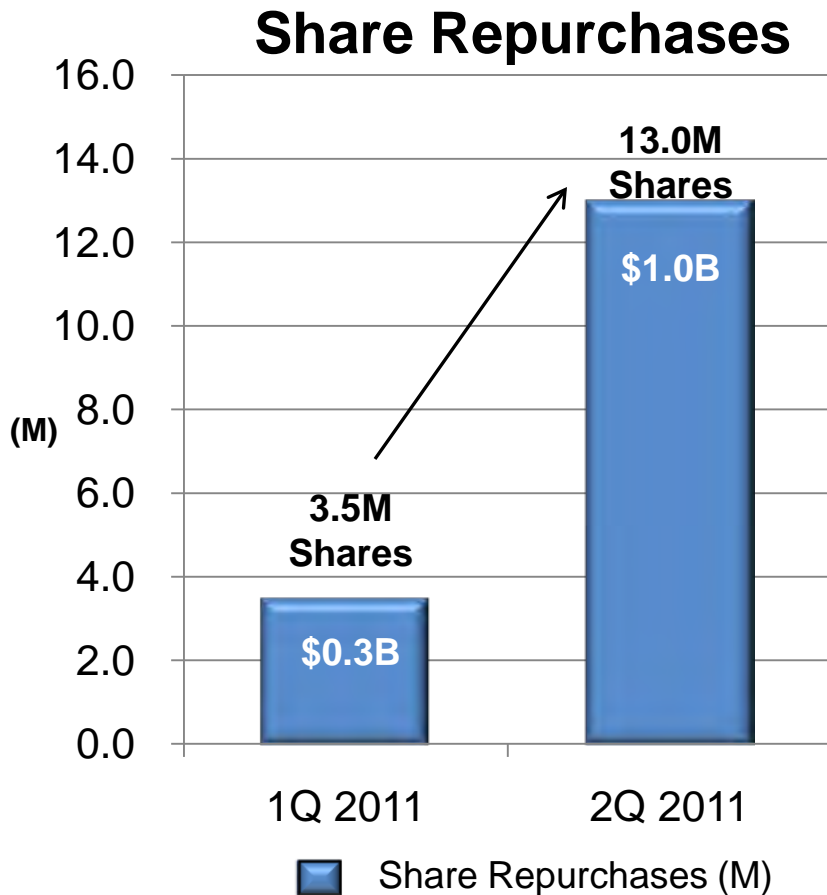


*See Charts 16-17 for Definitions of Non-GAAP Measures



Operational Performance Driving EPS Growth

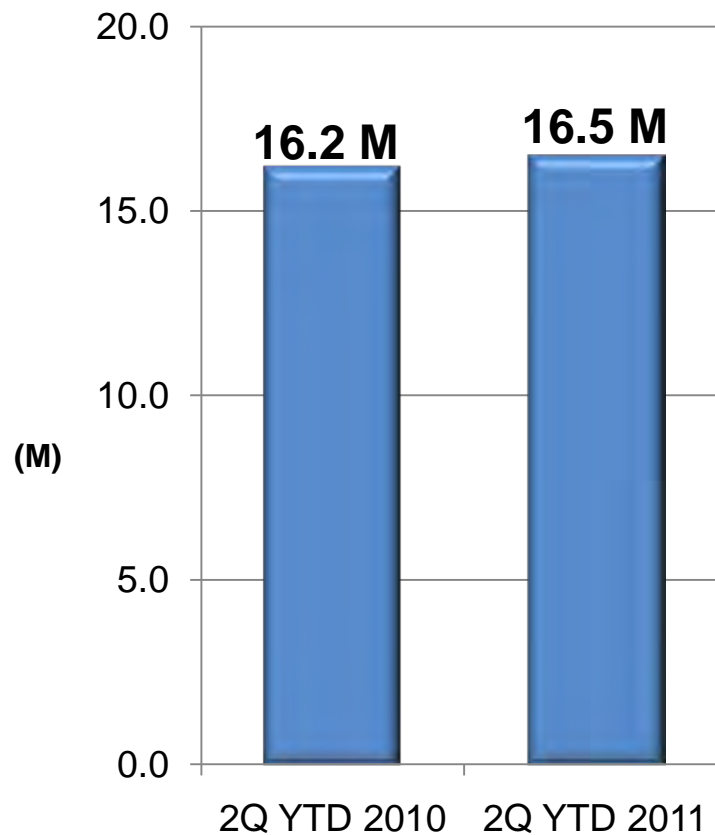
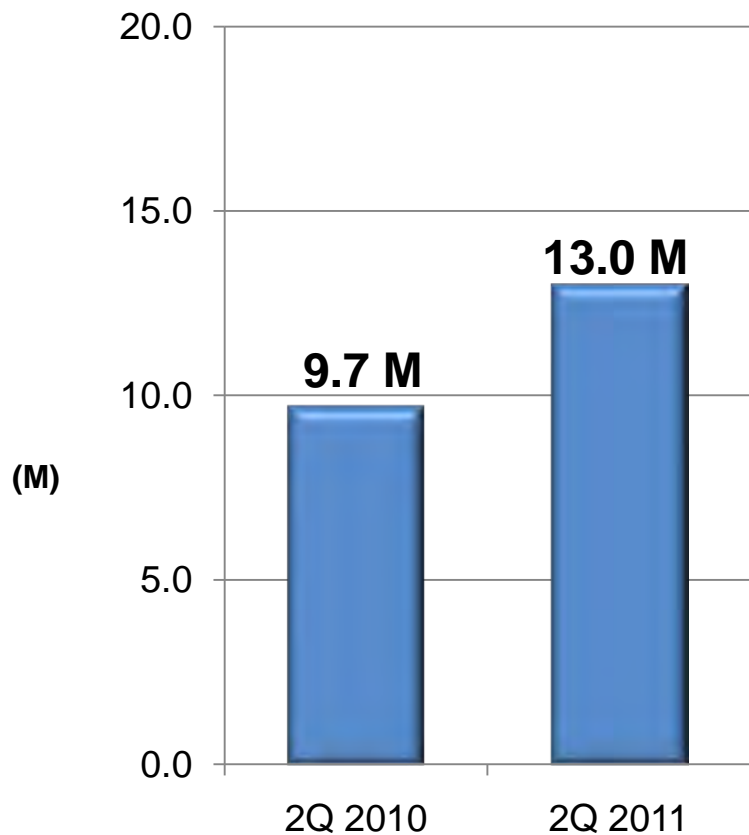
Share Repurchase Activity



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

2Q Share Repurchases

(Million)

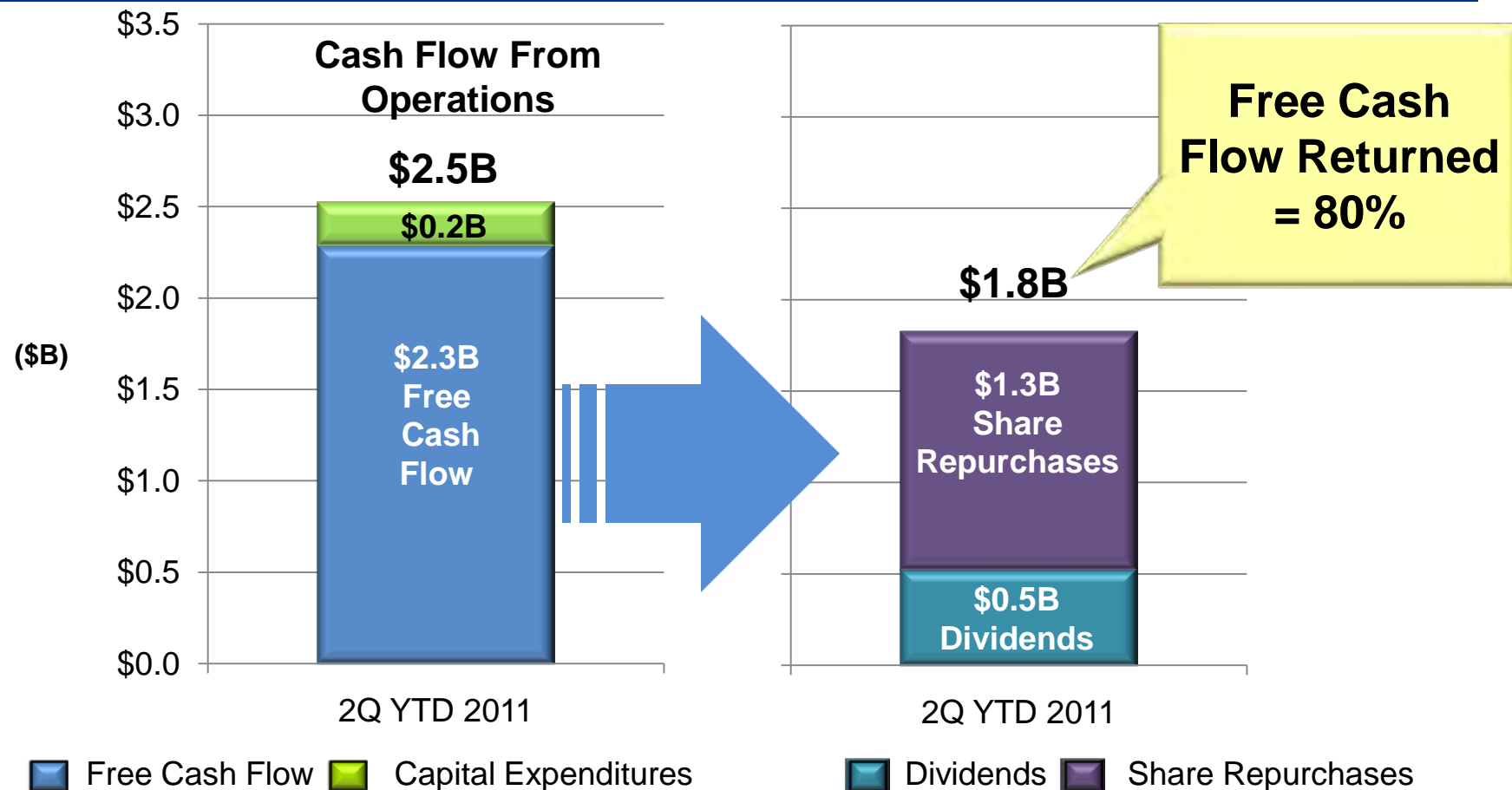


■ Share Repurchases (M)

Strong 2Q Share Repurchases ... Ahead of 2010 YTD Pace

2Q YTD Cash From Operations

(\$Billion)



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

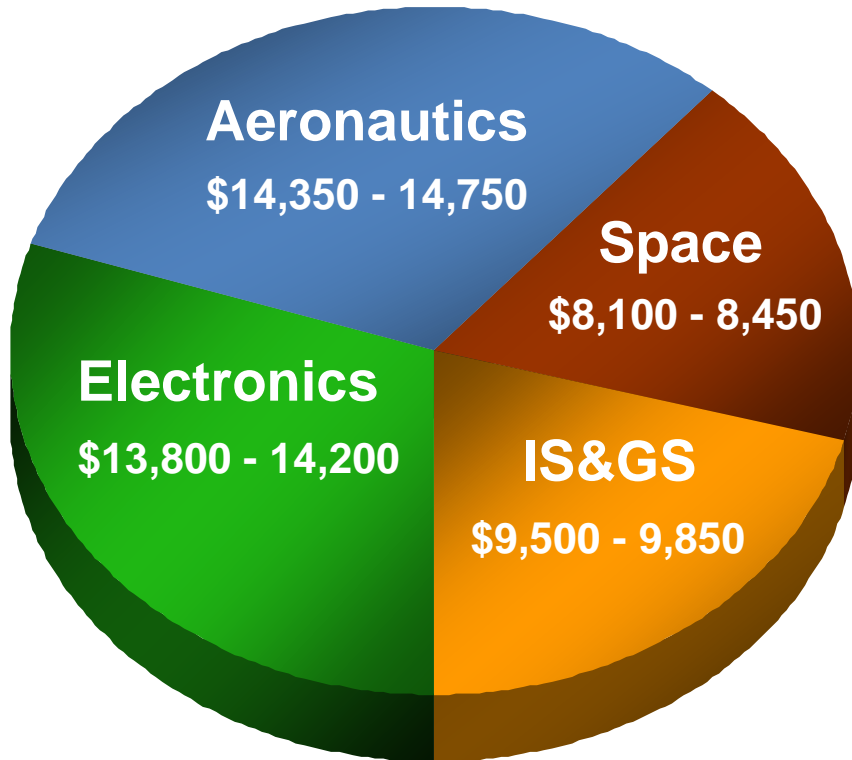
Robust Cash Returned to Shareholders

2011 Sales Outlook

(\$M)

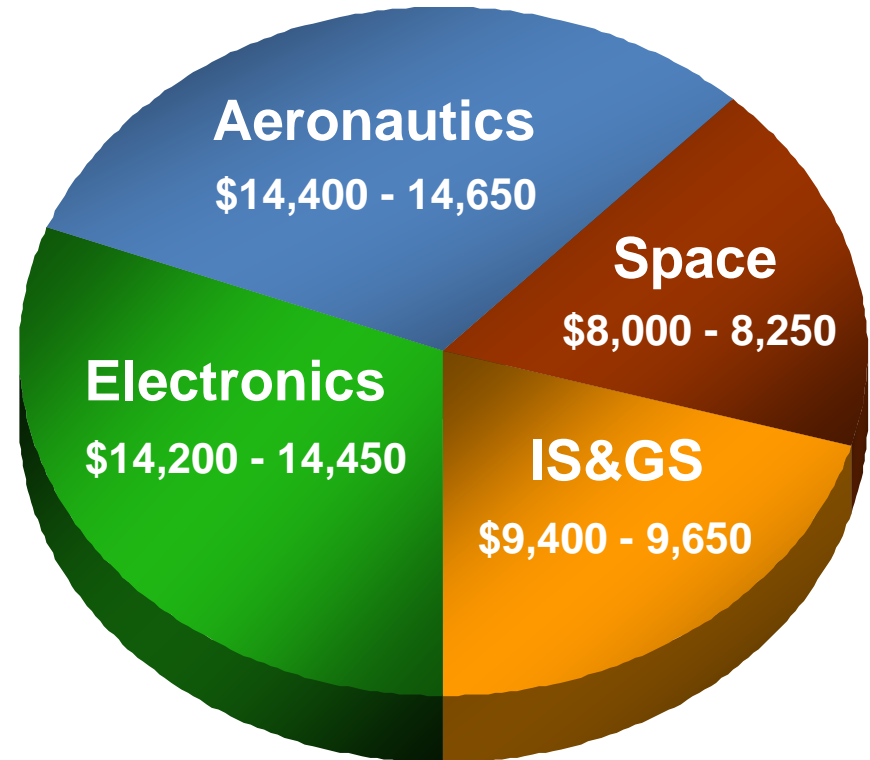


Sales (Prior)



\$45,750 - 47,250M

Sales (Current)



\$46,000 - 47,000M

Outlook Updated / Tightened on YTD Performance

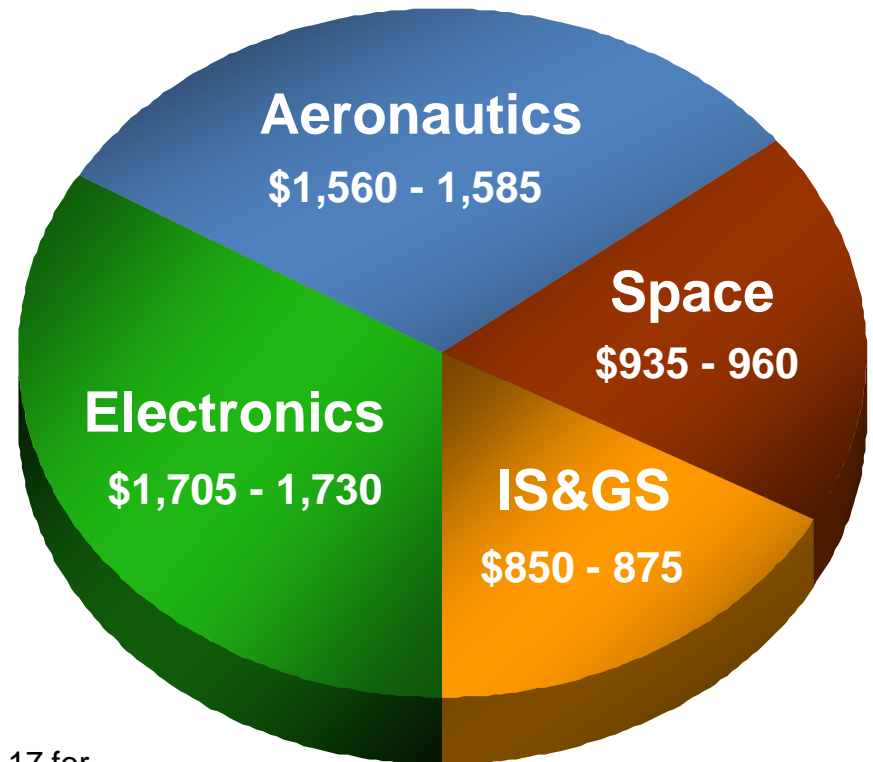
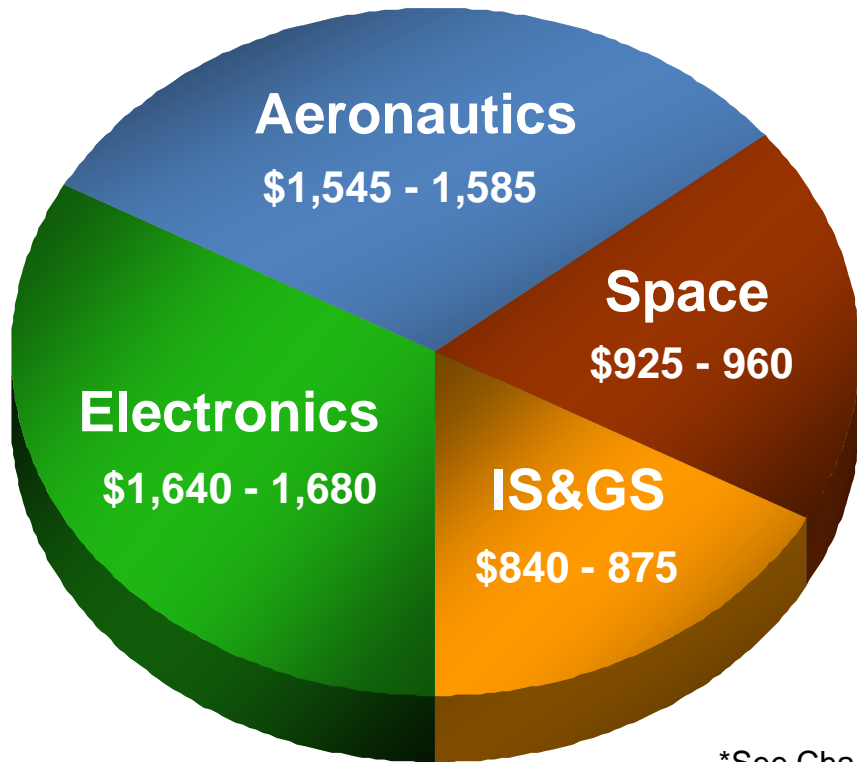
2011 Segment Operating Profit Outlook



(\$M)

Segment Op Profit (Prior)

Segment Op Profit (Current)



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

Outlook Increased / Tightened on YTD Performance

2011 EPS Outlook Reconciliation



	<u>EPS from Continuing Operations</u>
January 2011 Outlook	\$6.70 – \$7.00
2Q Unusual Item - Resolution of Prior Year Tax Matters	0.25
April 2011 Outlook	\$6.95 – \$7.25
Higher Segment Operating Profit (Low End Of Range Increased \$100M / High End of Range Increased \$50M)	0.20 - 0.10
Lower Corporate Operating Expenses	0.10
2Q Unusual Item - Severance Charge	(0.18)
Higher Investment Income / Lower Interest Expense	0.05
Lower Effective Tax Rate / Lower Share Count	0.23
July 2011 Outlook	\$7.35 – \$7.55

2011 Cash From Operations Outlook Reconciliation

(\$Billion)



**Cash from
Continuing Operations**

January 2011 Outlook \geq **\$4,000**

2Q Unusual Item - Resolution of Prior Year Tax Matters **100**

April 2011 Outlook \geq **\$4,100**

Higher Segment Operating Profit **100**

July 2011 Outlook \geq **\$4,200**

Cash Expansion Following Earnings Growth

Summary



- **Strong First Half ... Leading to Solid Year**
- **Results Reflect Proactive Measures**
- **Continued to Return Value to Shareholders**

Positioned for Full Year Goals Achievement

Financial Appendix & Updated Outlook

2011 Outlook Update

(\$M, Except EPS)



	<u>Prior (April)</u>	<u>Current (July)</u>
Sales	\$45,750 - 47,250	\$46,000 - 47,000
Segment Operating Profit	\$4,950 - 5,100	\$5,050 - 5,150
<u>Unallocated Corp Inc / (Exp)</u>		
FAS/CAS Adjustment	~ (925)	~ (925)
Other Unallocated Items	~ (325)	~ (275)
Unusual Item - Severance	- -	~ (100)
Operating Profit	\$3,700 - 3,850	\$3,750 - 3,850
EPS - Continuing Operations	\$6.95 - 7.25	\$7.35 - 7.55
Cash From Operations	≥ \$4,100	≥ \$4,200

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. 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>2011 Outlook (April)</u>	<u>2011 Outlook (July)</u>
Sales	\$45,750 - 47,250	\$46,000 – 47,000
Segment Operating Profit	\$4,950 - 5,100	\$5,050 – 5,150
Mid-Point Segment Margin	10.8%	11.0%
Consolidated Operating Profit	\$3,700 – 3,850	\$3,750 – 3,850

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

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



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.

	2QYTD <u>2011</u>
Cash From Operations	\$2,527
Less: Capital Expenditures	<u>(242)</u>
Free Cash Flow	<u>\$2,285</u>
Share Repurchases	\$1,299
Add: Dividends Paid	<u>524</u>
Total Cash Returned to Shareholders	<u>\$1,823</u>
Total Cash Returned to Shareholders	\$1,823
Divided by: Free Cash Flow	<u>2,285</u>
Percentage of Free Cash Flow Returned to Shareholders	<u>80%</u>

