



Lockheed Martin 4th Quarter 2011 Financial Results Conference Call January 26, 2012 3:00 p.m. EST



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January 26, 2012

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 could differ materially due to factors such as: the availability of government funding and budgetary constraints; changes in customer priorities; quantity revisions to the F-35 program; return or loss on benefit plan assets, interest rates, and other changes that may affect benefit plan assumptions; the effect of capitalization changes (such as share repurchase activity, advanced pension funding, option exercises, or debt levels); 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, contain more information on the types of risks and other factors that could adversely affect these statements.

2011 Financial Results are Unaudited

2011 Overview

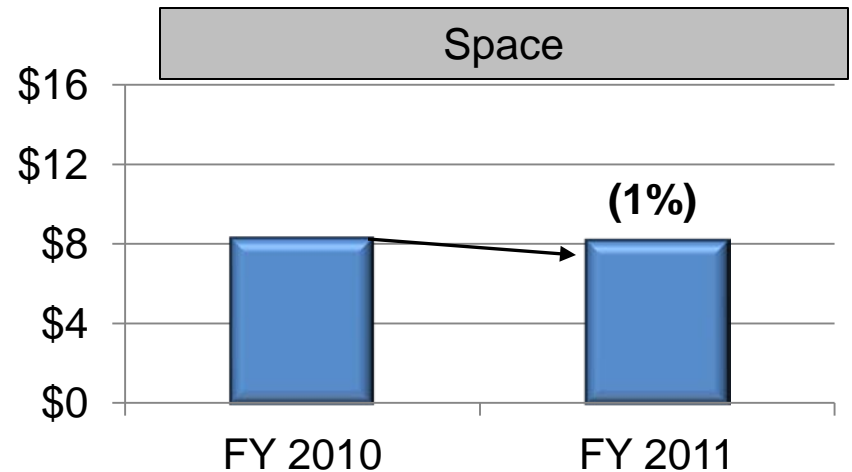
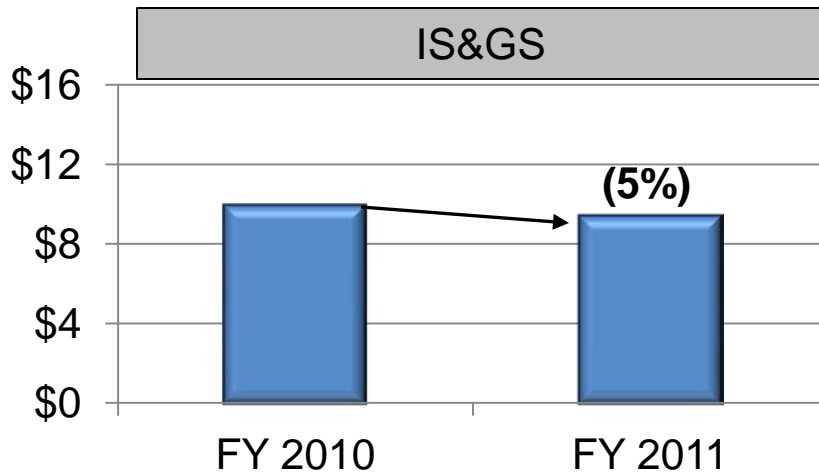
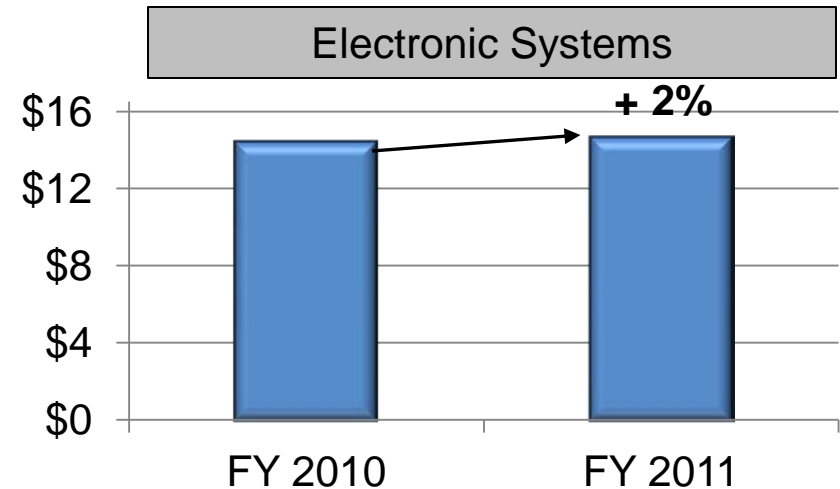
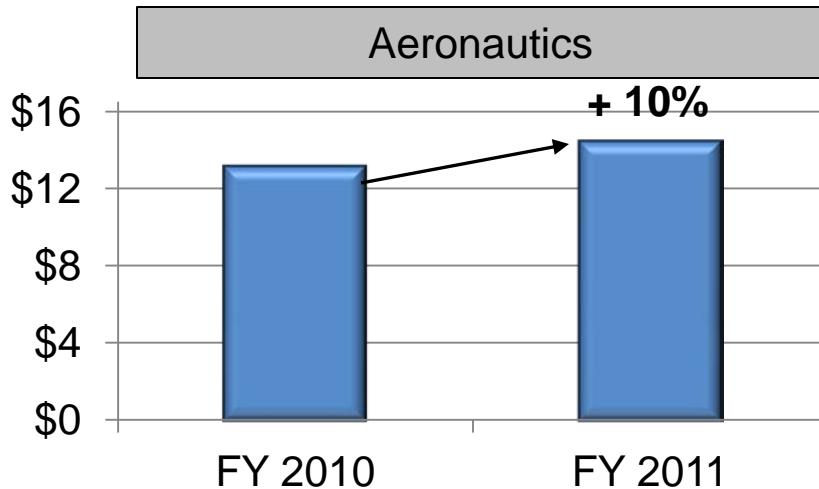


- **Grew Sales 2% in 2011**
- **Achieved 4Q Orders of \$19.8 Billion and Record Backlog of \$80.7 Billion**
- **Expanded Segment Operating Margin to 11.4% in 2011 vs. 11.0% in 2010**
- **Increased EPS From Continuing Operations By 11% in 2011**
- **Generated \$4.3 Billion in Cash From Operations after \$1.0 Billion Accelerated Pension Contributions**

Strong Execution ... Strong Year

Full Year Sales Summary

(\$B)



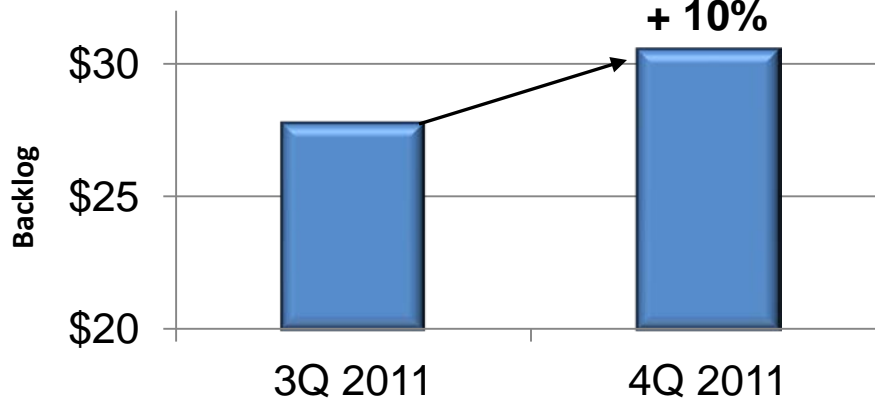
Total Corporate Annual Sales Growth of 2%

4Q Backlog

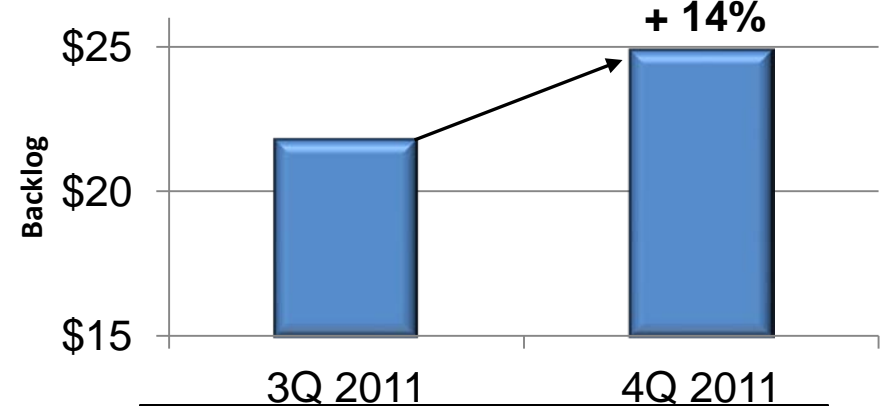
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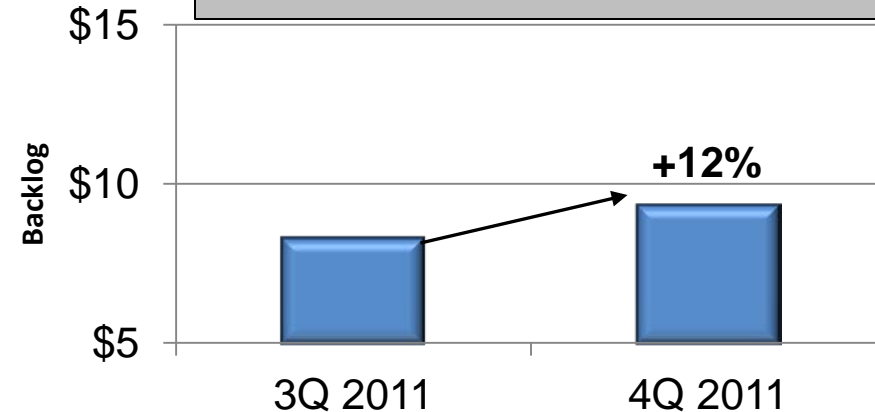
Aeronautics



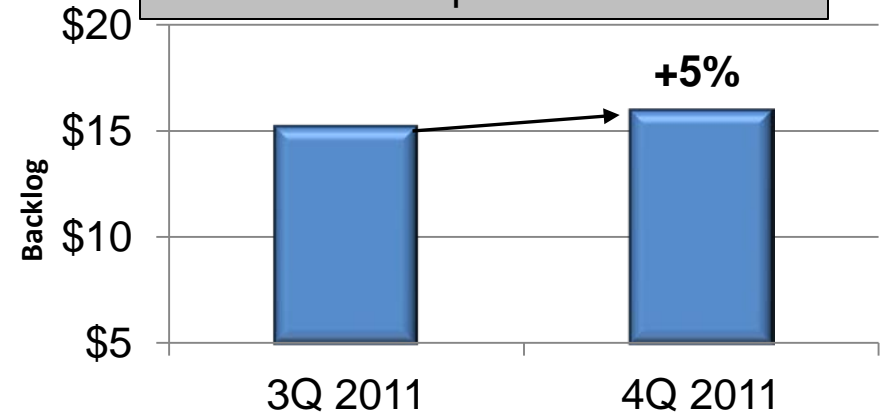
Electronic Systems



IS&GS



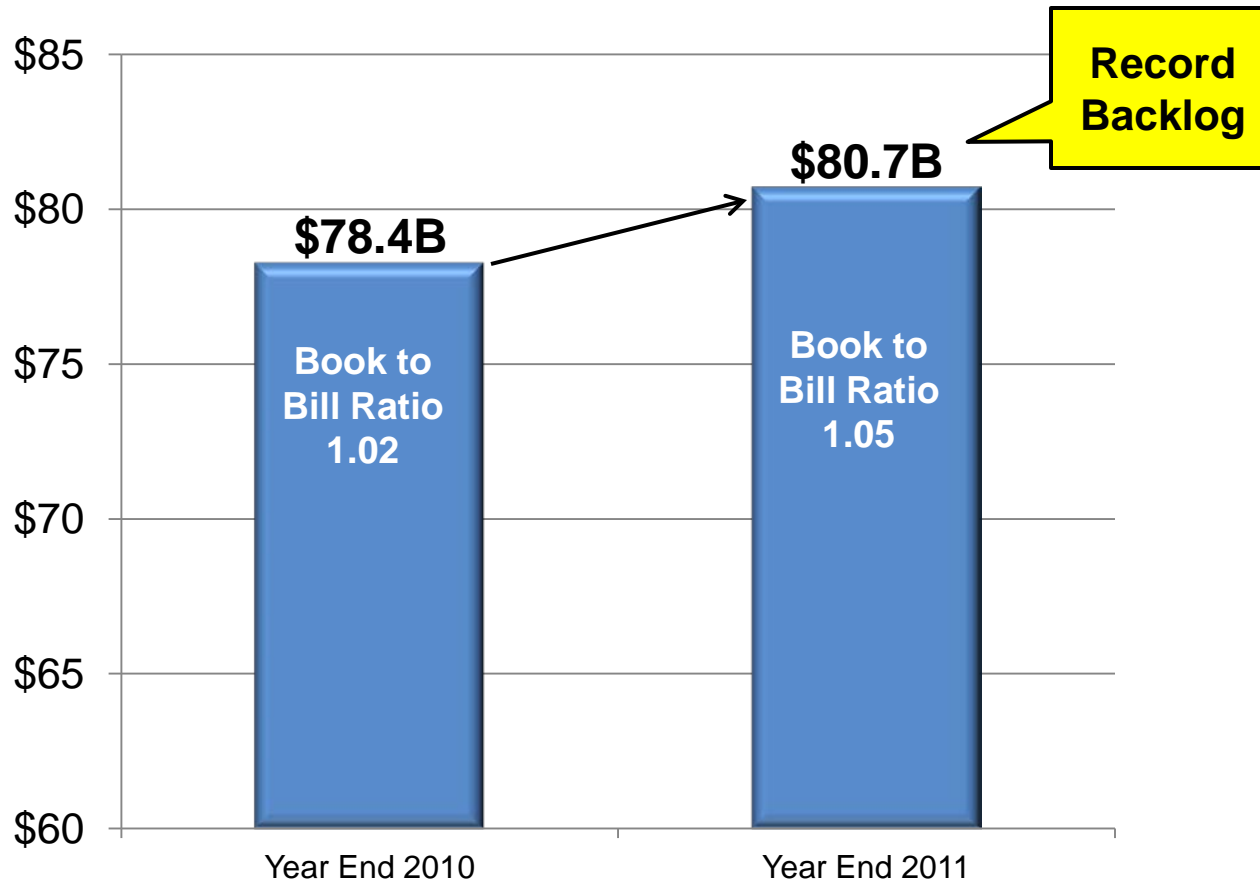
Space



Increase in Backlog by All Business Areas

Full Year Backlog

(\$B)

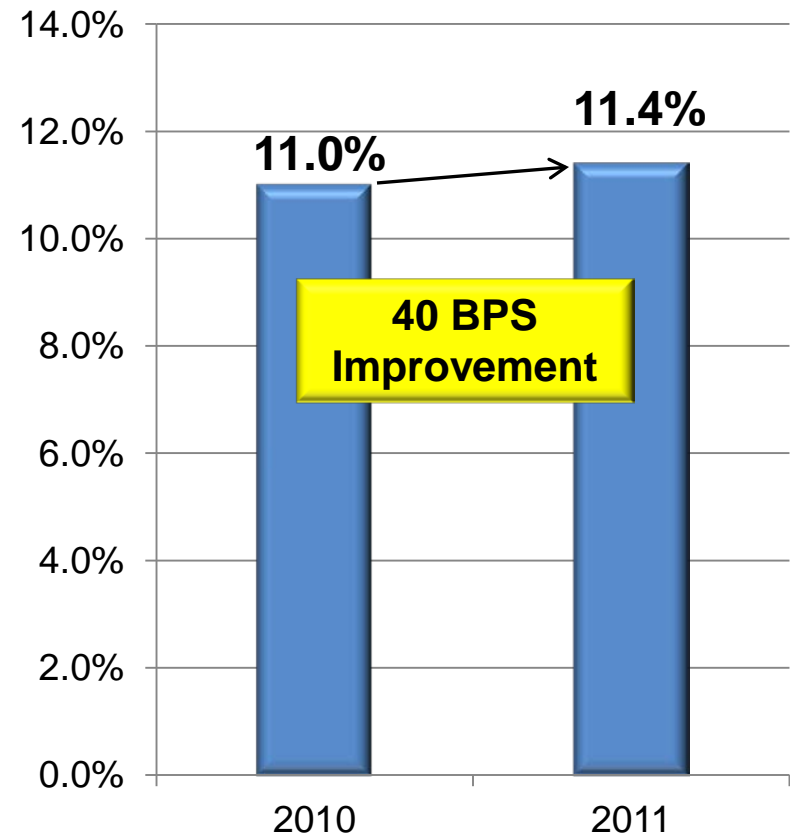
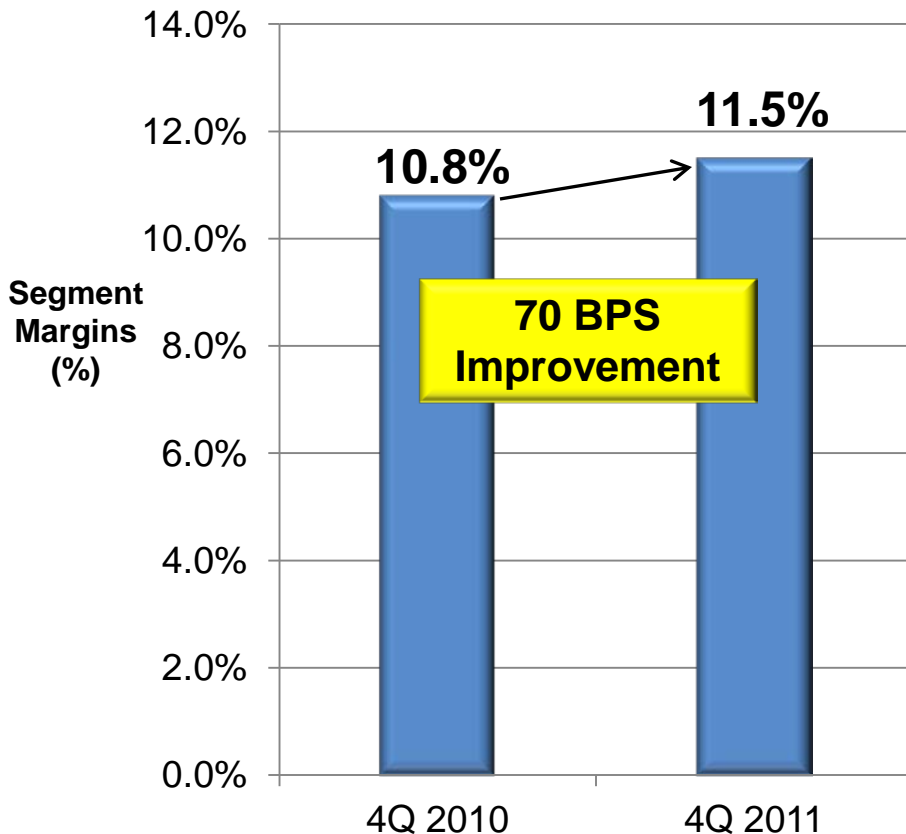


**Maintained Book-to-Bill Ratio Above 1.00 ...
Grew Full Year 2011 Backlog by \$2.3 Billion**

Segment Operating Margins



Full Year

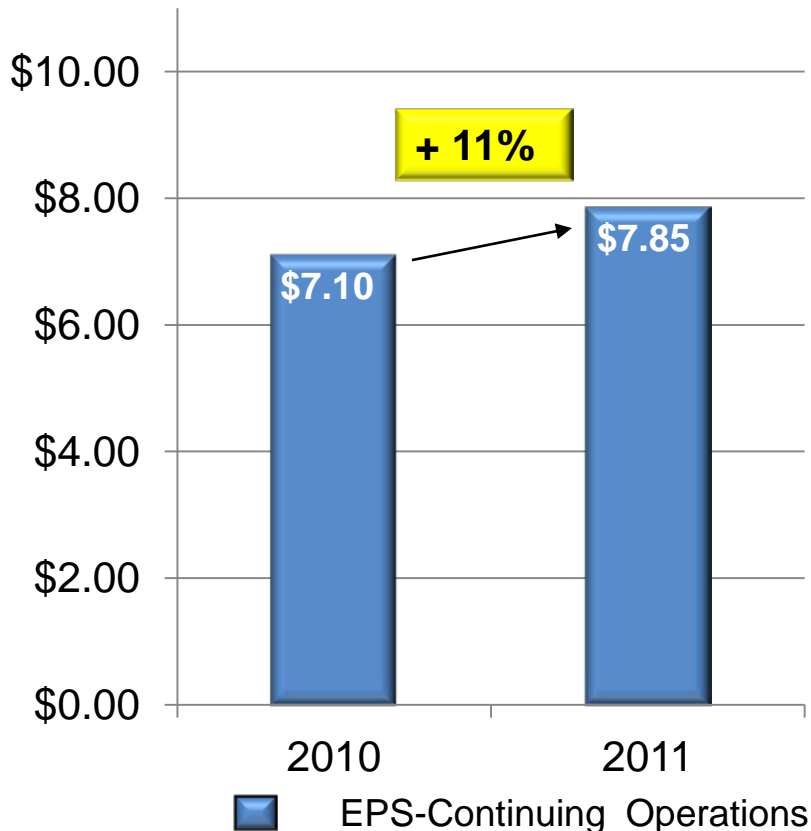


**Program Execution and Cost Reduction
Actions Driving Margin Expansion**

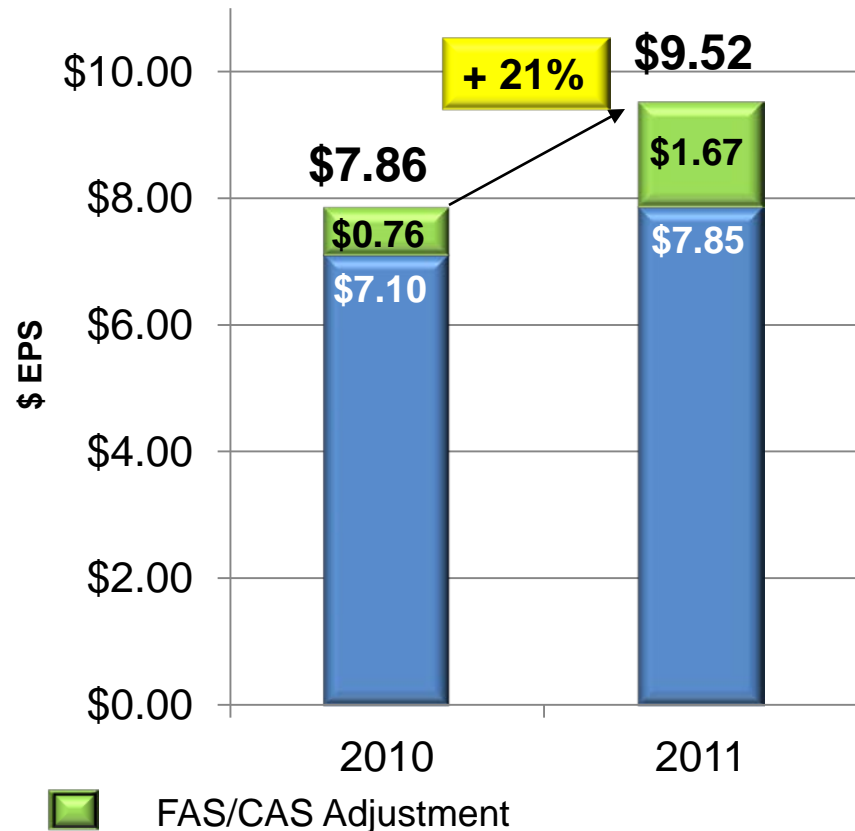
Earnings Per Share



EPS



Pension-Adjusted EPS*

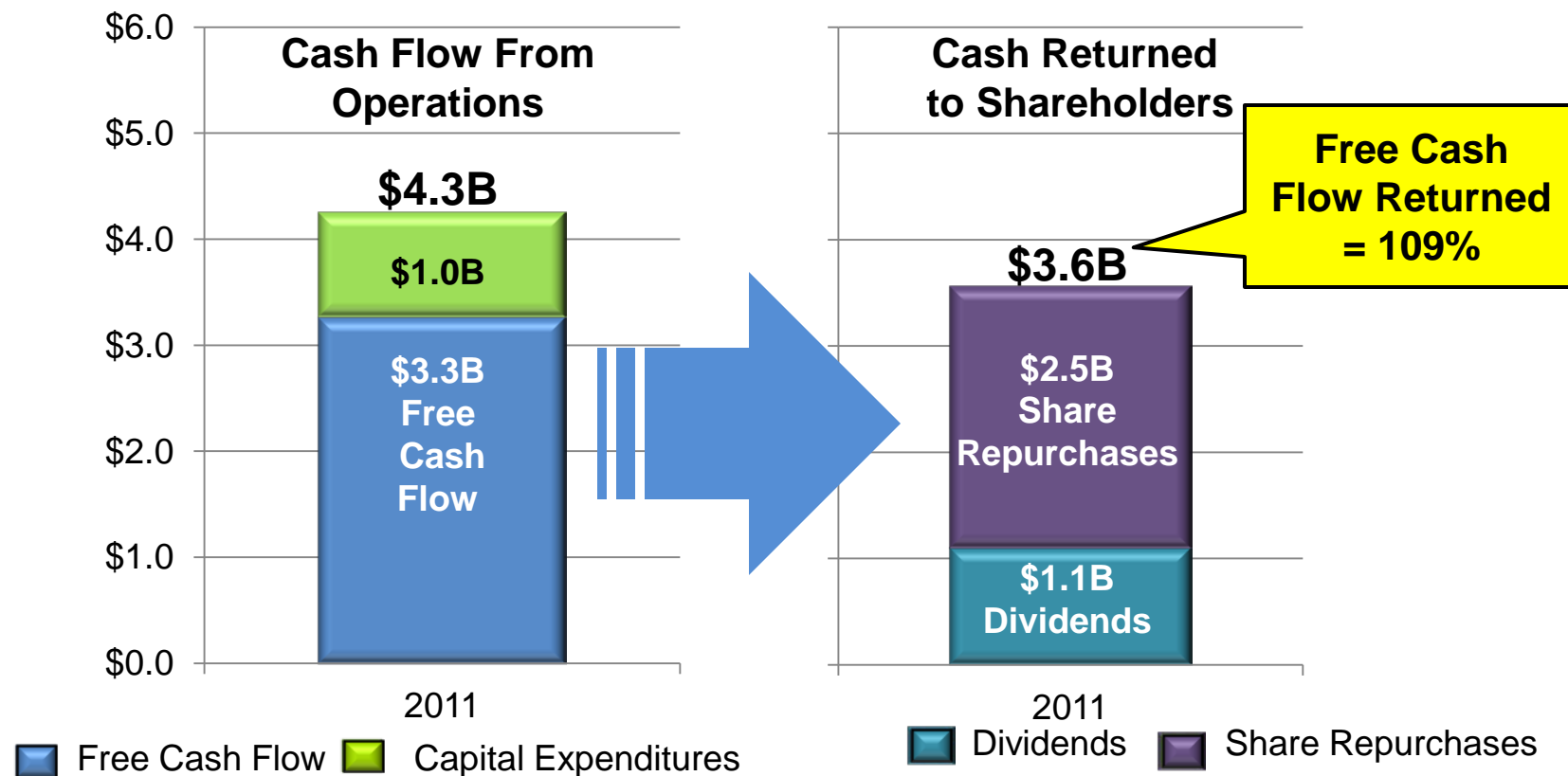


*See Charts 17-18 for Definitions of Non-GAAP Measures

Operational Performance Driving EPS Growth

2011 Cash Deployment

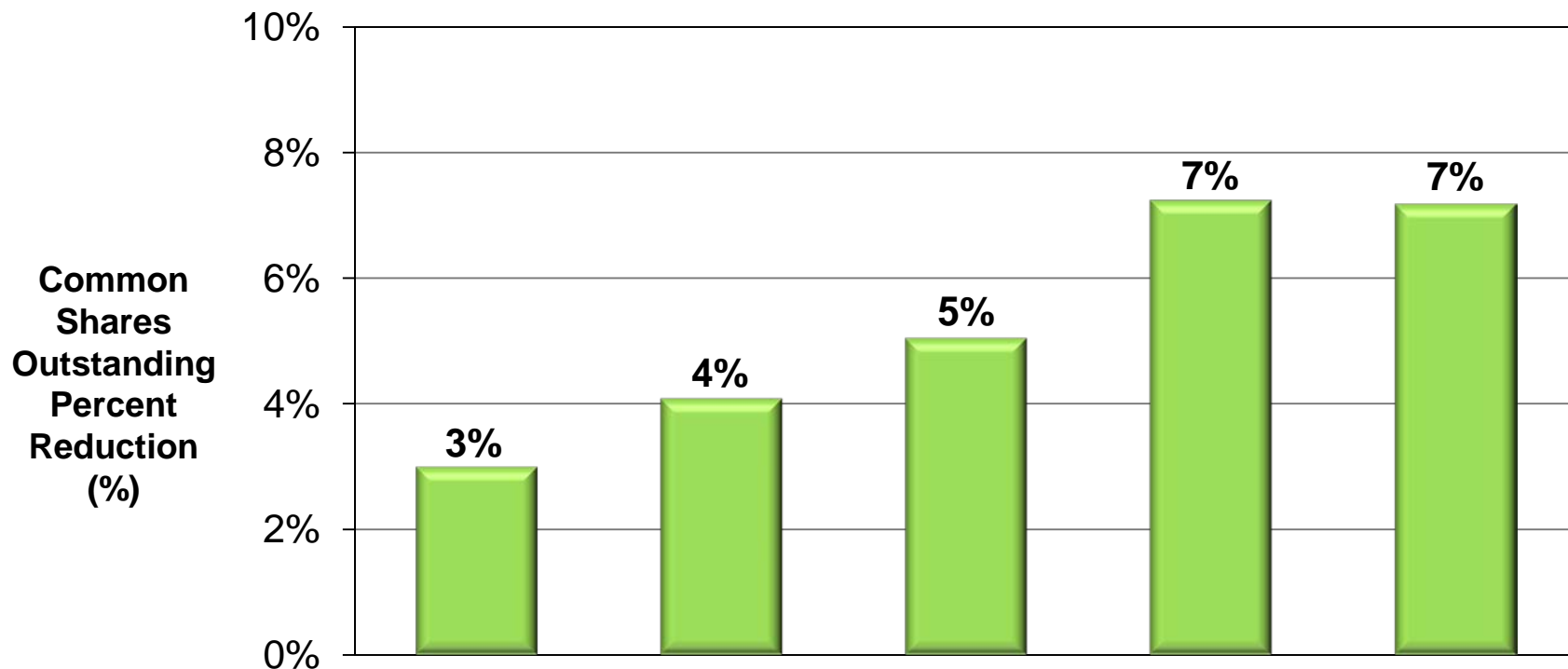
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Exceeded 50% Goal for 9th Year in a Row

* See Charts 17-18 for Definitions of Non-GAAP Measures

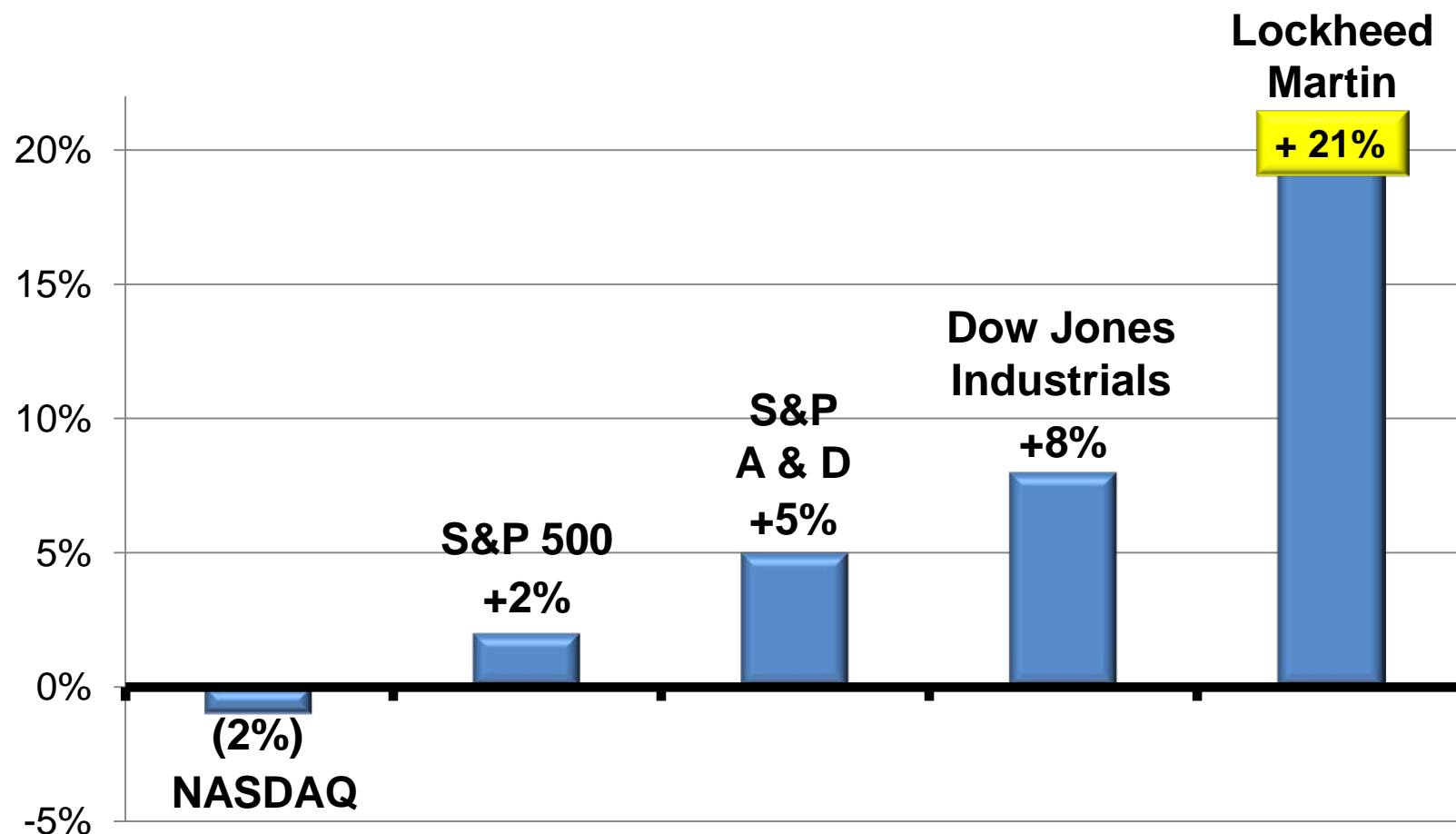
Share Reduction History



	2007	2008	2009	2010	2011
Share Reduction (M)	11.9	16.7	19.8	27.0	24.8

**Continued Strong Share Repurchase Program...
Achieved 7% Share Count Reduction 2011**

Total Shareholder Return - 2011



*See Charts 17-18 for Definitions of Non-GAAP Measures

LMT Significant Outperformance vs. All Major Indices

2012 Outlook

(\$M, Except EPS)



Current (Jan)

Sales	\$45,000 - 46,000
Segment Operating Profit	\$5,025 - 5,125
<u>Unallocated Corp Inc / (Exp)</u>	
FAS/CAS Adjustment	~ (835)
Other Unallocated Items	~ (290)
Operating Profit	\$3,900 - 4,000
EPS - Continuing Operations	\$7.70 - 7.90
Cash From Operations	\$3,800

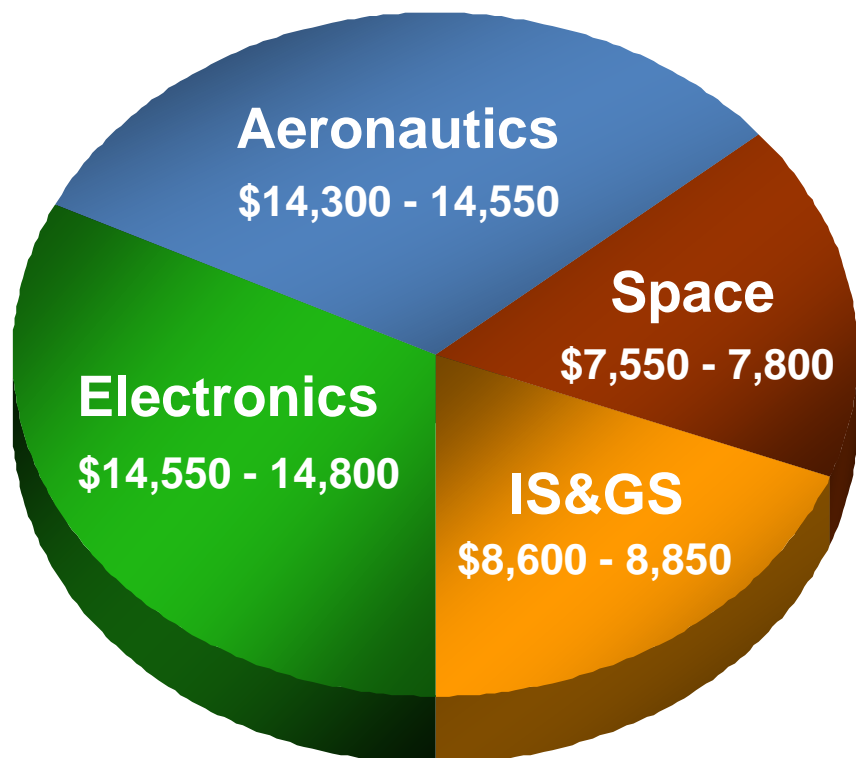
See Charts 17-18 for Definitions of Non-GAAP Measures

2012 Outlook

(\$M)

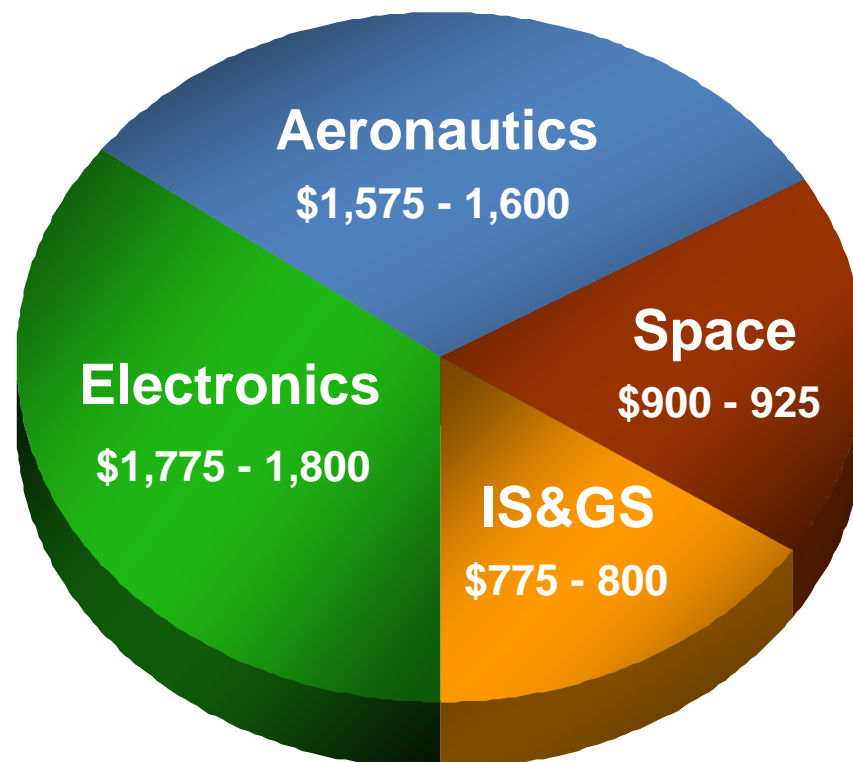


Sales



\$45,000 - 46,000M

Segment Op Profit



\$5,025 - 5,125M

See Charts 17-18 for Definitions of Non-GAAP Measures

2012 FAS/CAS Summary

(\$M)



October 2011 Sensitivity Scenario ~ (\$925)

25 bps Increase in Discount Rate 4.50% → 4.75% 115

All Other Updates (25)

January 2012 Outlook ~ (\$835)

Benefit from Increase in Discount Rate

Summary



2011

- **Excellent Year Operationally and Financially**
- **Results Reflect Program Execution and Proactive Measures**
- **Strong Total Shareholder Return**

2012

- **Solid Financial Foundation...Backlog and Cash**
- **Portfolio Alignment with Customer Needs**

Positioned for Performance in 2012

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 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.

2012 Outlook (Jan)

Sales	\$45,000 – 46,000
Segment Operating Profit	\$5,025 - 5,125
Mid-Point Segment Margin	11.2%
Consolidated Operating Profit	\$3,900 – 4,000

	<u>4th Quarter</u>				<u>Full Year</u>			
	<u>2010</u>		<u>2011</u>		<u>2010</u>		<u>2011</u>	
	<u>Profit</u>	<u>Margin</u>	<u>Profit</u>	<u>Margin</u>	<u>Profit</u>	<u>Margin</u>	<u>Profit</u>	<u>Margin</u>
Segment Operating Profit/Margin	\$ 1,382	10.8%	\$ 1,404	11.5%	\$ 5,028	11.0%	\$ 5,281	11.4%
Unallocated Corporate Income/(Expense)	(267)	(2.1%)	(322)	(2.6%)	(979)	(2.1%)	(1,301)	(2.8%)
Consolidated Operating Profit/Margin	<u>\$ 1,115</u>	<u>8.7%</u>	<u>\$ 1,082</u>	<u>8.9%</u>	<u>\$ 4,049</u>	<u>8.9%</u>	<u>\$ 3,980</u>	<u>8.6%</u>

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.

Definitions of Non-GAAP Measures



(\$M)

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 and capitalized software.

	<u>FY 2011</u>
Cash From Operations *	\$4,253
Less: Capital Expenditures *	<u>(987)</u>
Free Cash Flow	<u>\$3,266</u>
Share Repurchases	\$2,465
Add: Dividends Paid	<u>1,095</u>
Total Cash Returned to Shareholders	<u>\$3,560</u>
Total Cash Returned to Shareholders	\$3,560
Divided by: Free Cash Flow	<u>3,266</u>
Percentage of Free Cash Flow Returned to Shareholders	<u>109%</u>

Total Shareholder Return

Total Shareholder Return represents the percentage share price change from the beginning of the year to year-end, plus dividend yield on Lockheed Martin stock for the current year.

*** Internal-Use Software**

The Corporation revised the classification of cash payments associated with the development or purchase of internal-use software from operating cash flows to investing cash flows. Cash flows for all periods presented have been adjusted for this change. Cash payments for internal-use software were \$47 million and \$173 million for the quarter and year ended December 31, 2011, respectively, and \$50 million and \$254 million for the quarter and year ended December 31, 2010, respectively, and are included in the capital expenditures amount above. The presentation change did not impact Free Cash Flows.

