



Lockheed Martin 4th Quarter 2010 Financial Results Conference Call January 27, 2011 3:00 p.m. ET



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January 27, 2011

Forward Looking Statements

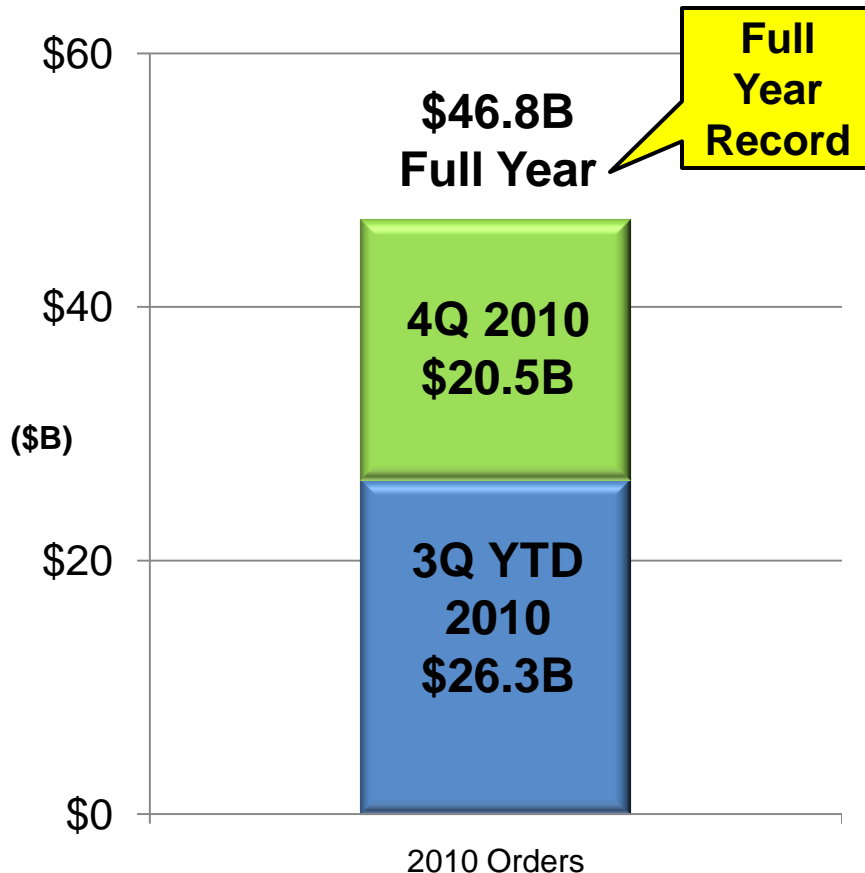


Our presentation contains “forward-looking” statements or projections based on current expectations. These statements are not guarantees of future performance and are subject to risks and uncertainties. Actual results may differ materially due to: the availability of government funding and budgetary 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 2009 Form 10-K and 2010 10-Qs, contain more information on the types of risks and other factors that could adversely affect these statements.

2010 Financial Results are Unaudited

2010 Orders

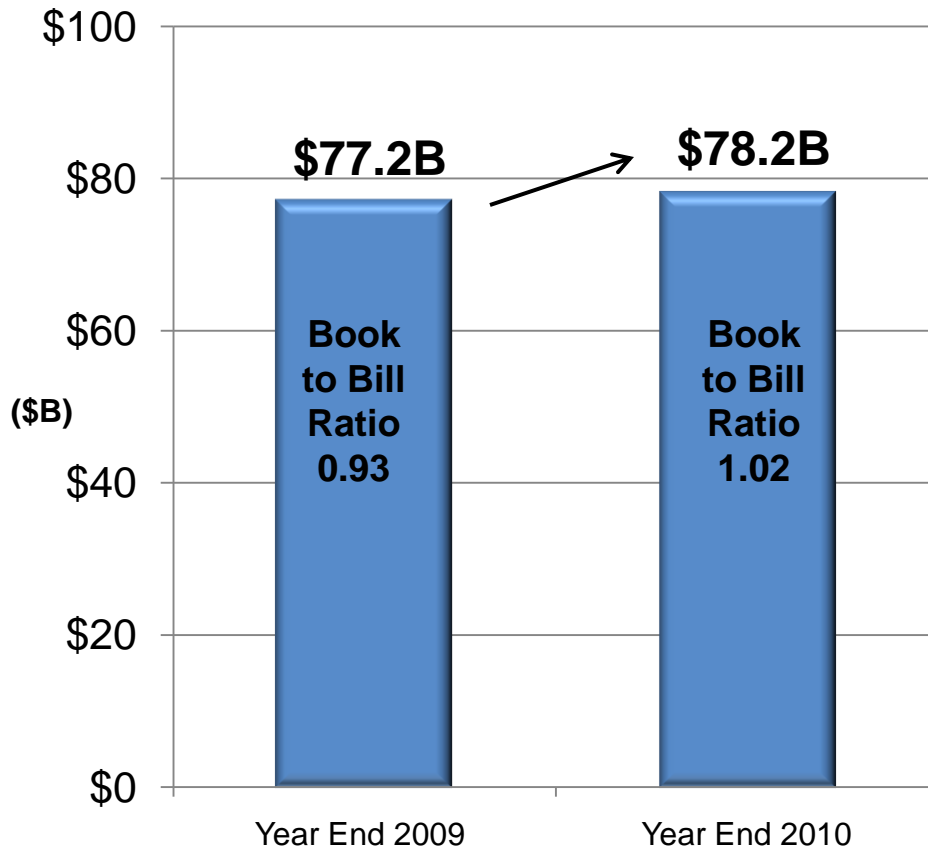


4Q 2010 Key Orders

| Program | Business Area |
|-------------------------|---------------|
| F-35 JSF LRIP IV | Aeronautics |
| AEHF Space Vehicle 4 | Space Systems |
| PAC-3 | Electronics |
| C-130J | Aeronautics |
| Fleet Ballistic Missile | Space Systems |
| NISC III | IS&GS |
| C-5 RERP | Aeronautics |
| Littoral Combat Ship | Electronics |

**Achieved Highest Order Bookings in Corporate History
for Full Year 2010**

Full Year Backlog



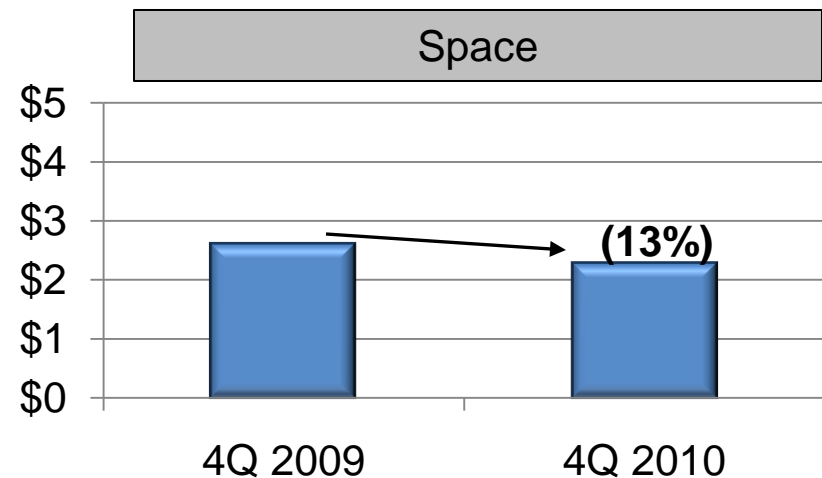
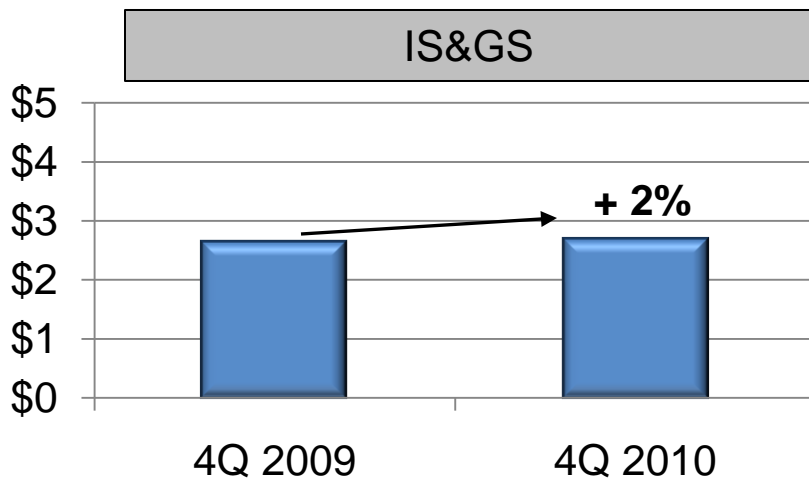
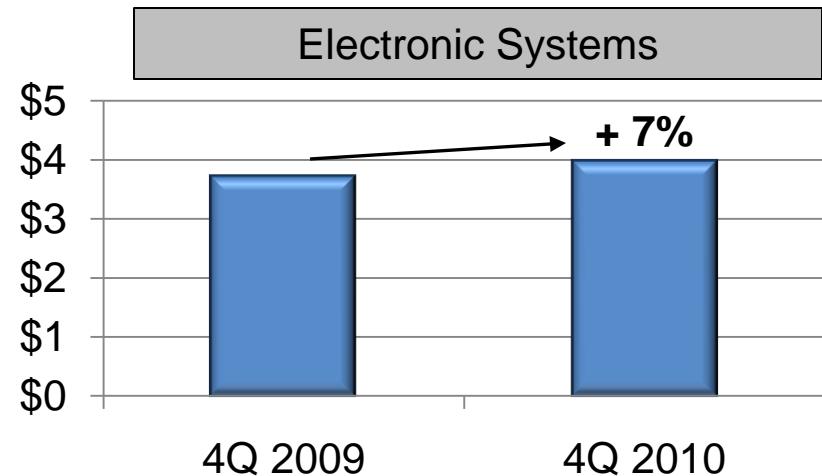
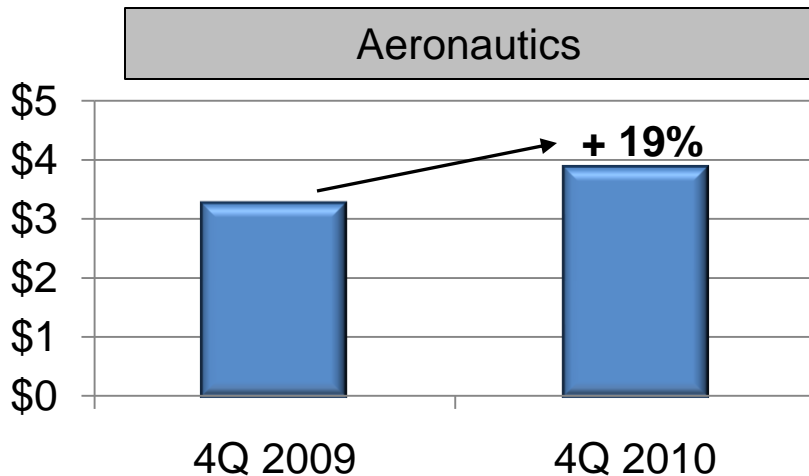
Major Programs in Backlog

| Program | Backlog Through |
|----------------------|--------------------|
| F-35 JSF | 2013 |
| F-16 | 2013 |
| C-130J | 2014 |
| C-5 | 2016 (All Options) |
| Littoral Combat Ship | 2015 (All Options) |
| MH-60 Helicopters | 2013 |
| GPS III | 2019 (All Options) |
| AEHF | 2017 (All Options) |

**Book-to-Bill Ratio of 1.6 in 4Q 2010 ...
Grew Full Year 2010 Backlog by \$1 Billion**

4Q Sales Summary

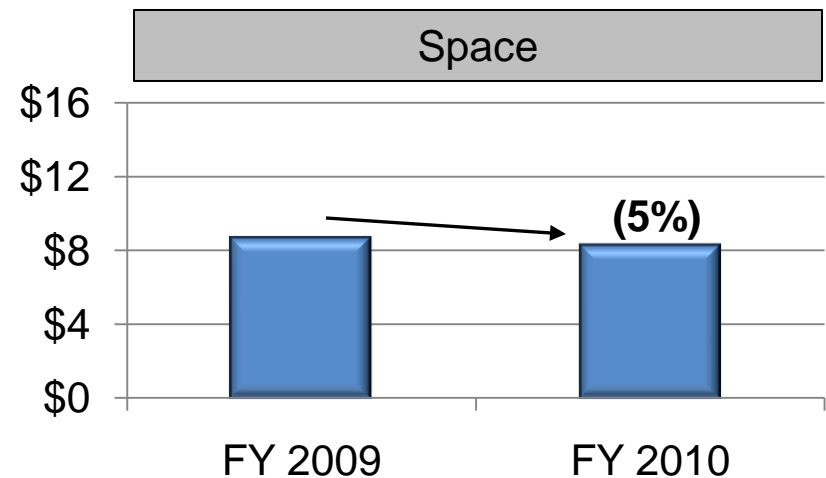
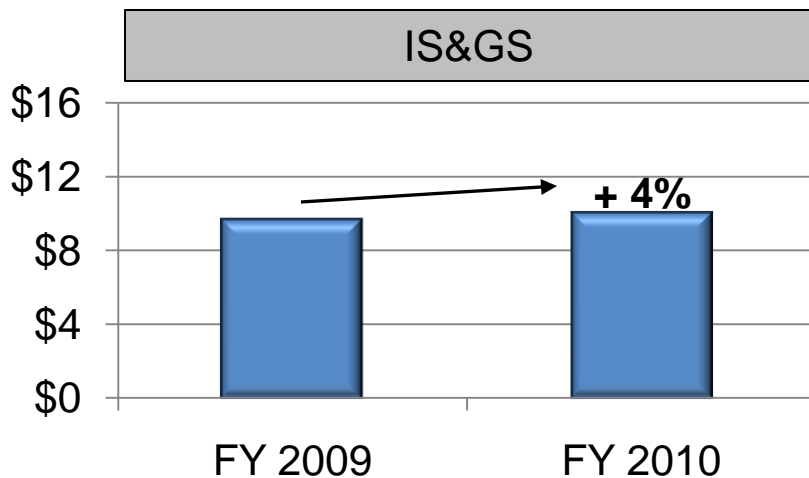
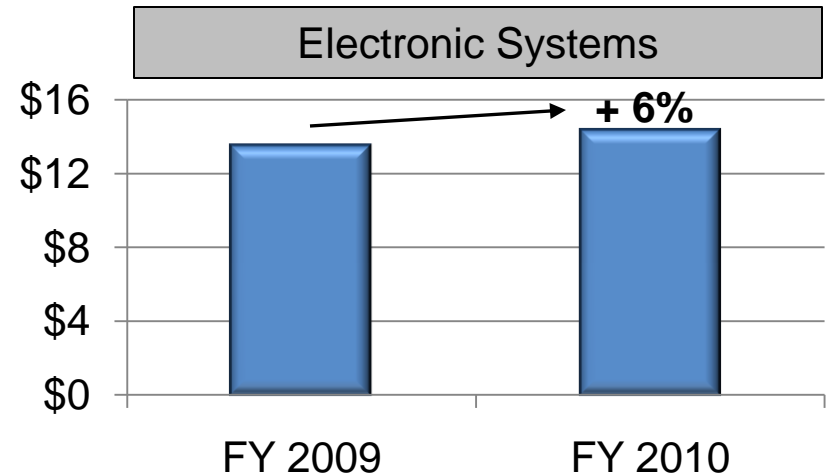
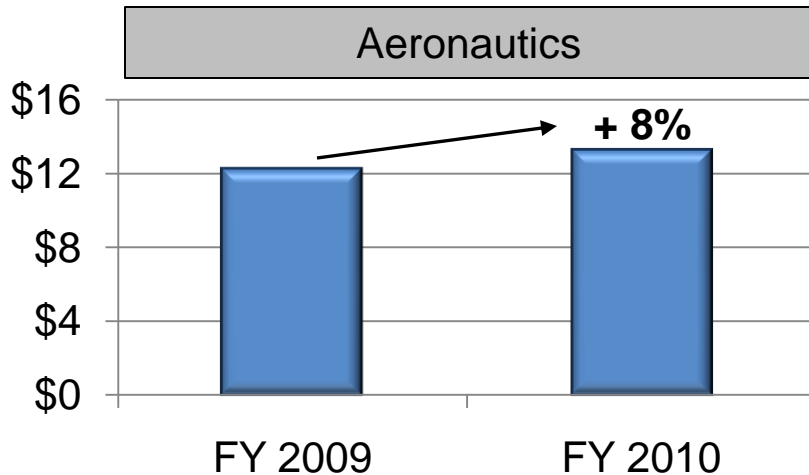
(\$B)



Total Corporate Quarterly Sales Growth of 5%

Full Year Sales Summary

(\$B)



Total Corporate Annual Sales Growth of 4%

2010 EPS Reconciliation



| | |
|-------------------------------------------------------|----------------------|
| October 2010 Continuing Operations EPS Outlook | \$6.75 – 6.95 |
|-------------------------------------------------------|----------------------|

| | |
|-----------------------------|---------------|
| Mid-Point of Outlook | \$6.85 |
|-----------------------------|---------------|

| | |
|-------------------------|------|
| Operational Improvement | 0.12 |
|-------------------------|------|

| | |
|-----------------------------------|------|
| Research & Development Tax Credit | 0.12 |
|-----------------------------------|------|

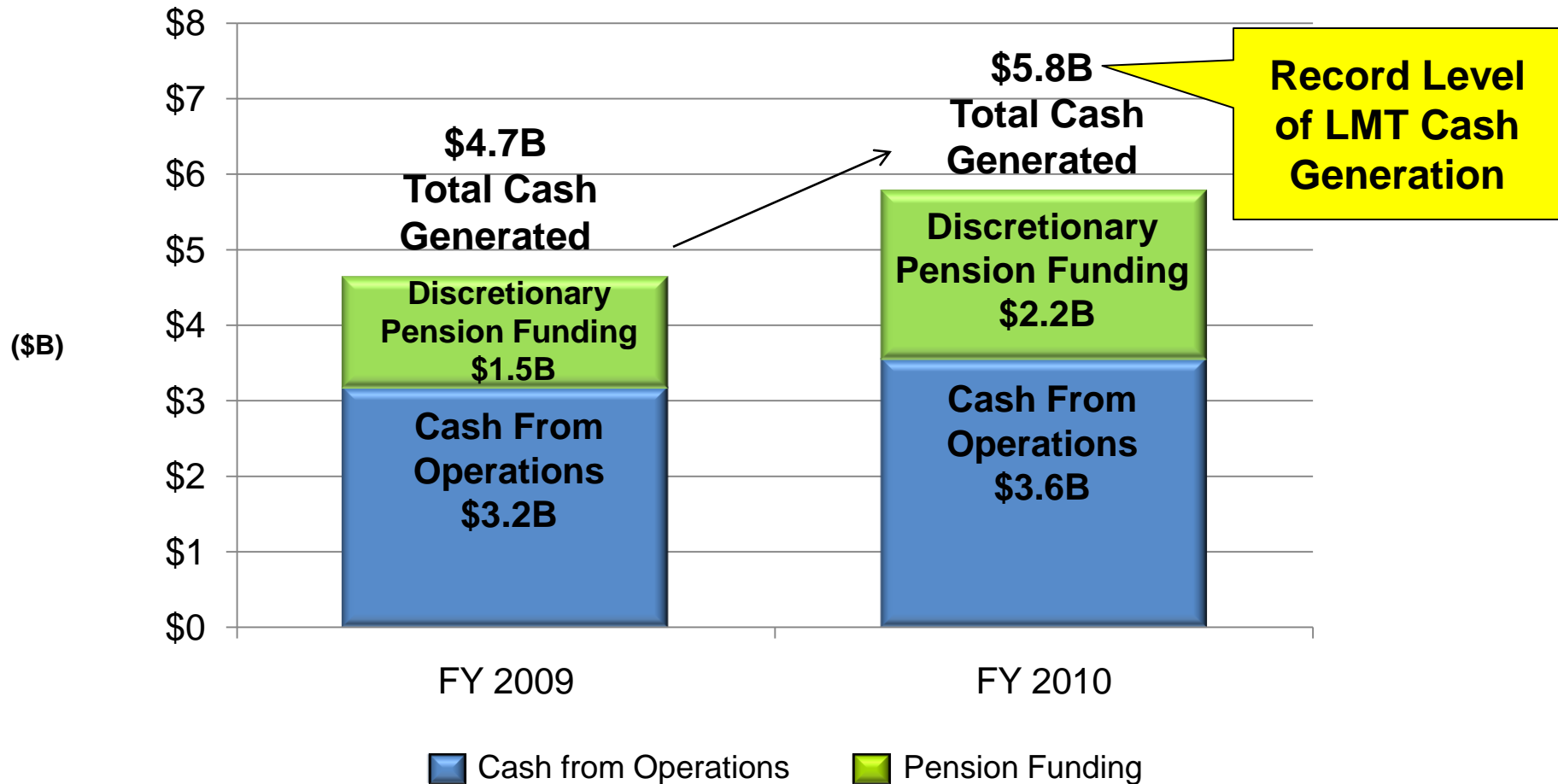
| | |
|-------------------------------------|------|
| Other Improvements to Tax Provision | 0.14 |
|-------------------------------------|------|

| | |
|---------------------------------------------|--------|
| Facility Consolidation / Restructure Charge | (0.07) |
|---------------------------------------------|--------|

| | |
|-----------------|------|
| All Other (net) | 0.02 |
|-----------------|------|

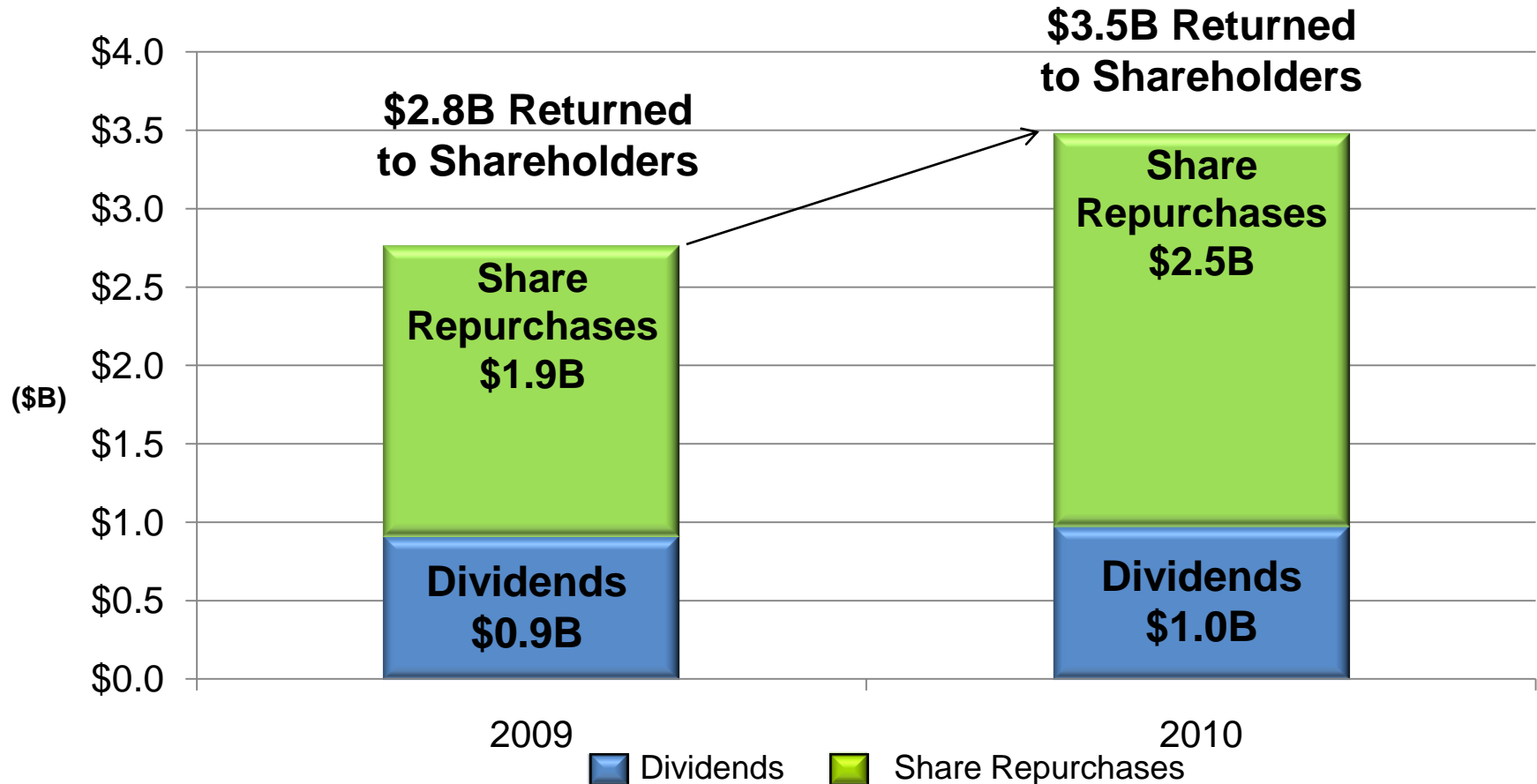
| | |
|----------------------------------------------|---------------|
| 2010 Continuing Operations EPS Actual | \$7.18 |
|----------------------------------------------|---------------|

Cash Generation



**Exceeded 2010 Outlook of \$3.4 Billion in Cash from Operations...
Funded \$2.2 Billion to Pension Trusts**

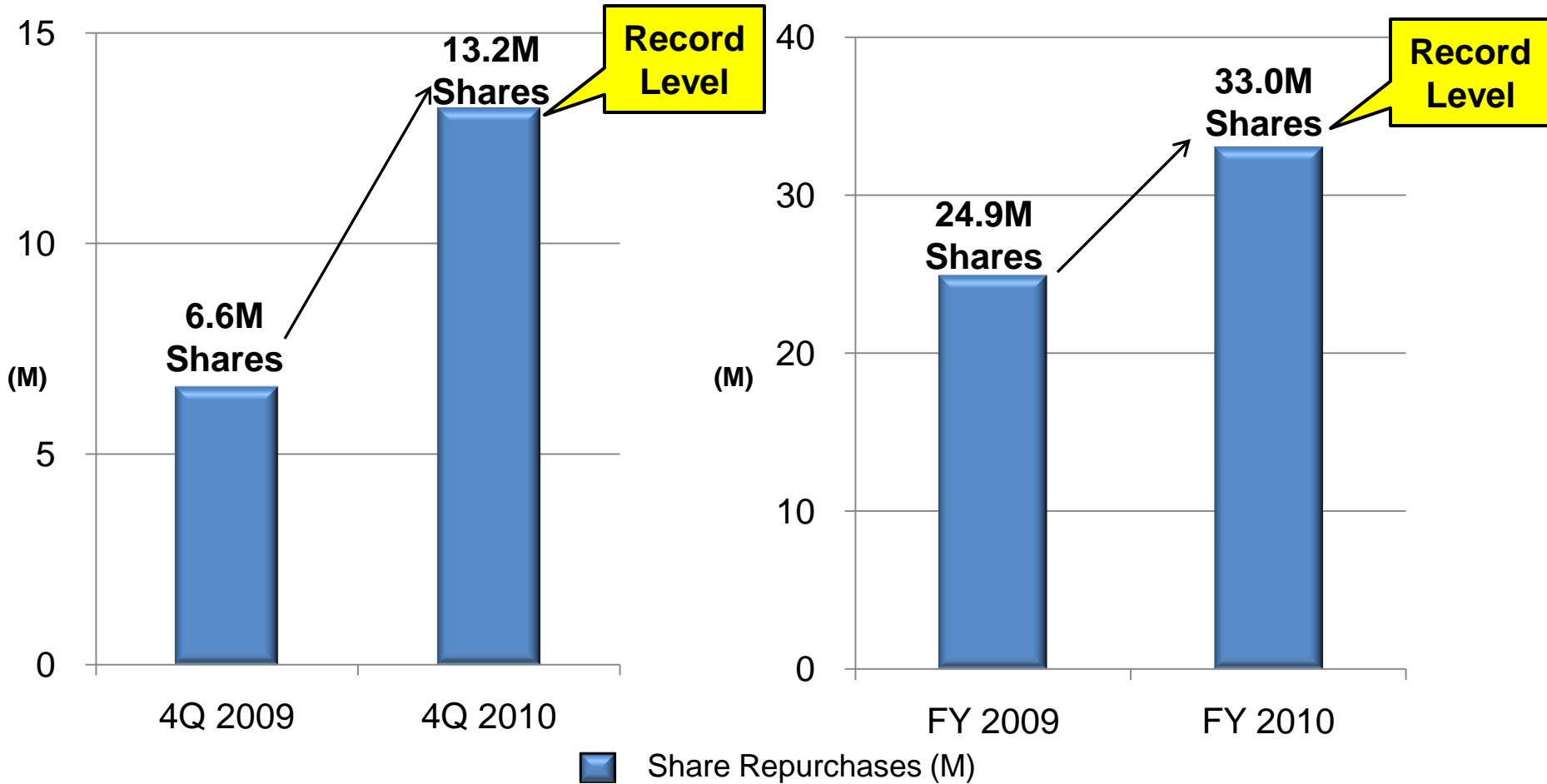
Cash Deployment



*See Charts 18-19 for Definitions of Non-GAAP Measures

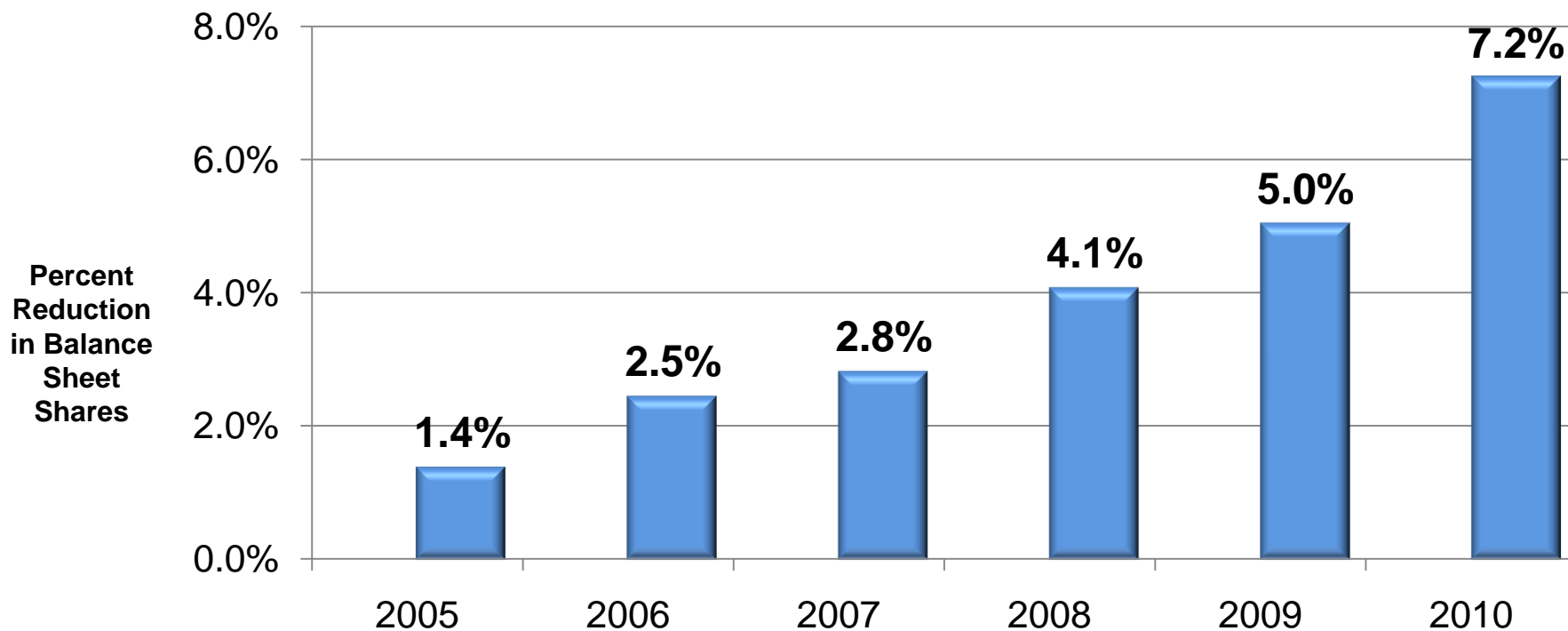
Returned 127% of Free Cash Flow* to Shareholders in 2010

Share Repurchases



Highest Quarterly and Annual Share Repurchase Volume in Corporate History

Share Count Reduction History



| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|------------------------------|------|------|------|------|------|------|
| Annual Share Reduction (M) | 6 | 11 | 12 | 17 | 20 | 27 |
| Y/E Balance Sheet Shares (M) | 432 | 421 | 409 | 393 | 373 | 346 |

**Legacy of Significant Annual Reductions in Share Count ...
7% Reduction in Common Shares in 2010**

2011 Outlook

(\$M, Except EPS)



| | <u>Current (Jan)</u> |
|-------------------------------------|--------------------------|
| Sales | \$45,750 - 47,250 |
| Segment Operating Profit | \$4,950 - 5,100 |
| <u>Unallocated Corp Inc / (Exp)</u> | |
| FAS/CAS Adjustment | ~ (925) |
| Other Unallocated Items | ~ (325) |
| Operating Profit | \$3,700 - 3,850 |
| EPS - Continuing Operations | \$6.70 - 7.00 |
| Cash From Operations | ≥ \$4,000 |

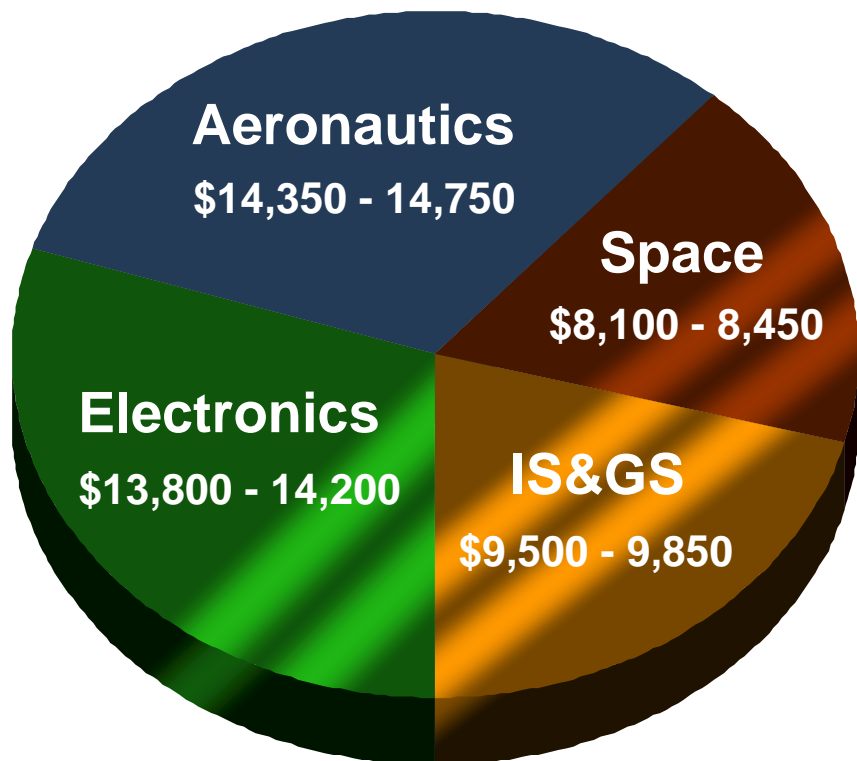
See Charts 18-19 for Definitions of Non-GAAP Measures

2011 Outlook

(\$M)

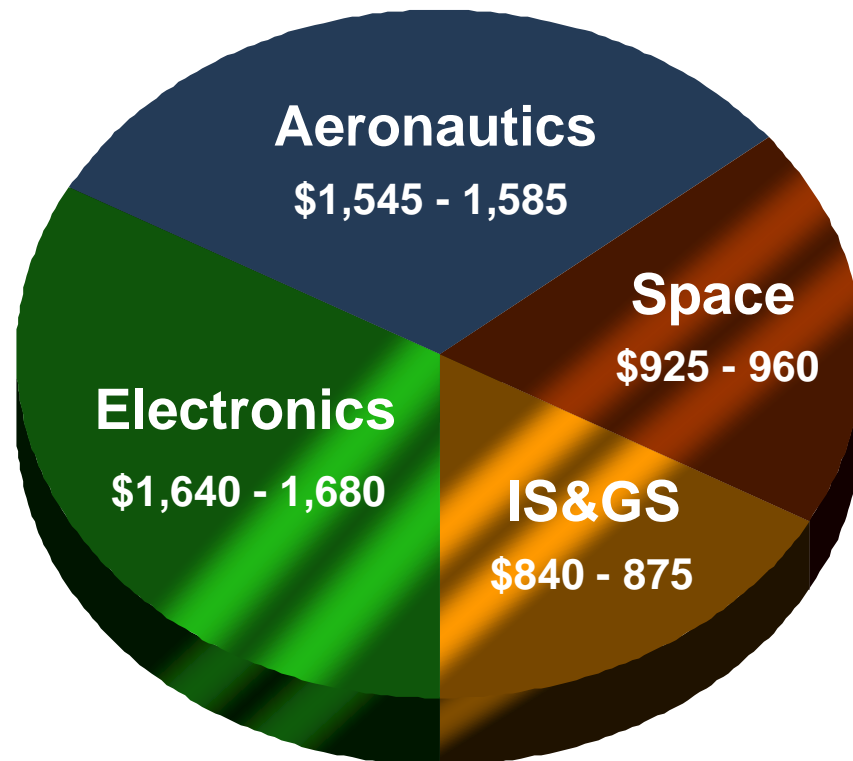


Sales



\$45,750 - 47,250M

Segment Op Profit



\$4,950 - 5,100M

See Charts 18-19 For Definitions of Non-GAAP Measures

2011 FAS/CAS Summary

(\$M)



October 2010 Outlook

(\$1,200)

50 bps Increase in Discount Rate 5.00% → 5.50%

200

2010 Actual Rate of Return of 13%

55

EIG Divestiture: Lower 2011 FAS Expense

20

Increased
2011
EBIT
\$275M

January 2011 Outlook

(\$925)

Favorable Benefit from Increased Discount Rate and Higher Asset Performance

Earnings per Share



| | <u>2010</u> | <u>2011</u> | |
|----------------------------------|---------------|----------------|------------|
| EPS Continuing Operations | \$7.18 | \$6.85* | |
| FAS/CAS Adjustment | 0.80 | 1.75 | |
| Adjusted EPS | \$7.98 | \$8.60 | +8% |

*Calculated Based on Mid-Point of Guidance Range – See Chart 12
See Charts 18-19 for Definitions of Non-GAAP Measures

Growth of 8% in 2011 Adjusted EPS

Value Proposition of LMT



- **Dividend Yield**
- **Share Repurchases**
- **Pension Cash Flows**
- **F-35 Growth**

Foundation for Shareholder Value Creation

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.

2011 Outlook (Jan)

| | |
|-------------------------------|-------------------|
| Sales | \$45,750 - 47,250 |
| Segment Operating Profit | \$4,950 - 5,100 |
| Mid-Point Segment Margin | 10.8% |
| Consolidated Operating Profit | \$3,700 – 3,850 |

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



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.

| | <u>FY 2010</u> |
|-------------------------------------------------------|----------------|
| Cash From Operations | \$3,547 |
| Less: Capital Expenditures | <u>(820)</u> |
| Free Cash Flow | <u>\$2,727</u> |
| | |
| Share Repurchases | \$2,483 |
| Add: Dividends Paid | <u>969</u> |
| Total Cash Returned to Shareholders | <u>\$3,452</u> |
| | |
| Total Cash Returned to Shareholders | \$3,452 |
| Divided by: Free Cash Flow | <u>2,727</u> |
| Percentage of Free Cash Flow Returned to Shareholders | <u>127%</u> |

