



Lockheed Martin 3rd Quarter 2013 Financial Results Conference Call October 22, 2013 11:00 a.m. EDT



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October 22, 2013 at www.lockheedmartin.com/investor
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October 22, 2013

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; the implementation of automatic sequestration under the Budget Control Act of 2011 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; quantity revisions to the F-35 program; 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, (including costs related to any future U.S. Government shutdown), 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, export policies, and potential for delays in procurement due to bid protests; the ability to attract and retain key personnel and suppliers and to provide for the orderly transition of management as the Corporation reduces the size of its workforce; and economic, business, and political conditions 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.

3Q 2013 Overview



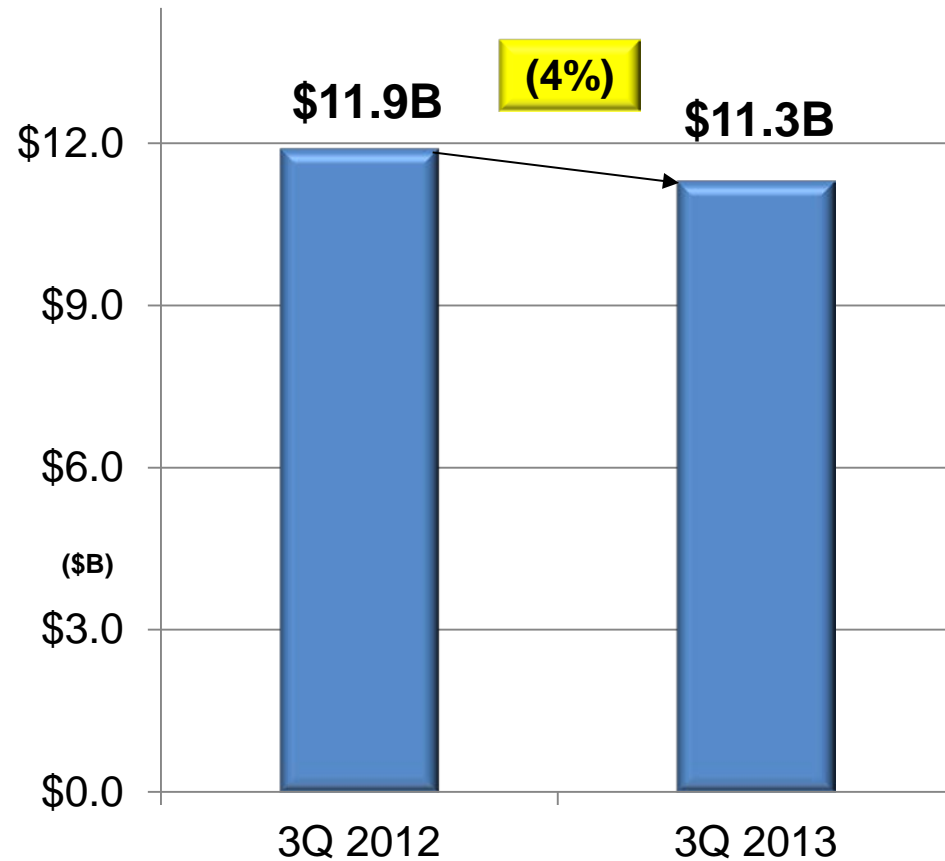
- **Achieved \$11.3 Billion in Sales**
- **Expanded Segment Operating Margin* to 12.8% and Increased Earnings Per Share From Continuing Operations 16% to \$2.57**
- **Generated \$900 Million in Cash From Operations After Making \$750 Million Pension Contribution**
- **Returned \$977 Million of Cash to Shareholders, Including Repurchasing 4.9M Shares for \$607 Million**
- **Generated \$15.0 Billion in Orders and Increased Backlog to \$78.7 Billion**
- **Increased 2013 Outlook**

Continued Strong Performance

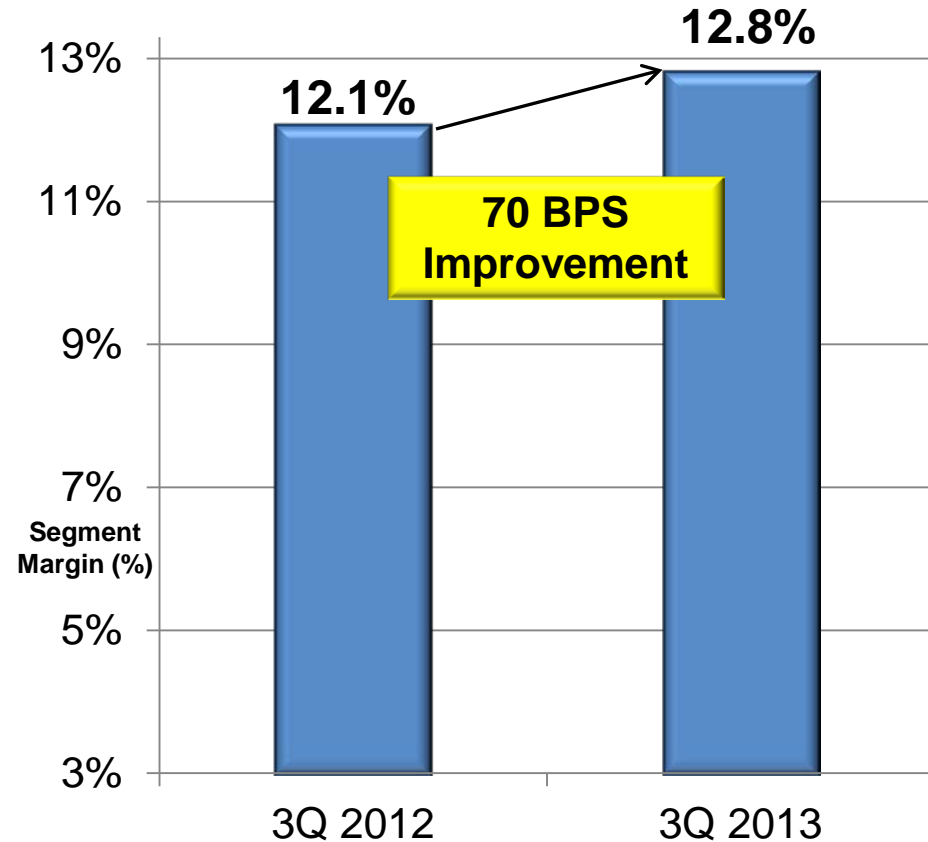
3Q Sales and Segment Operating* Results



Sales



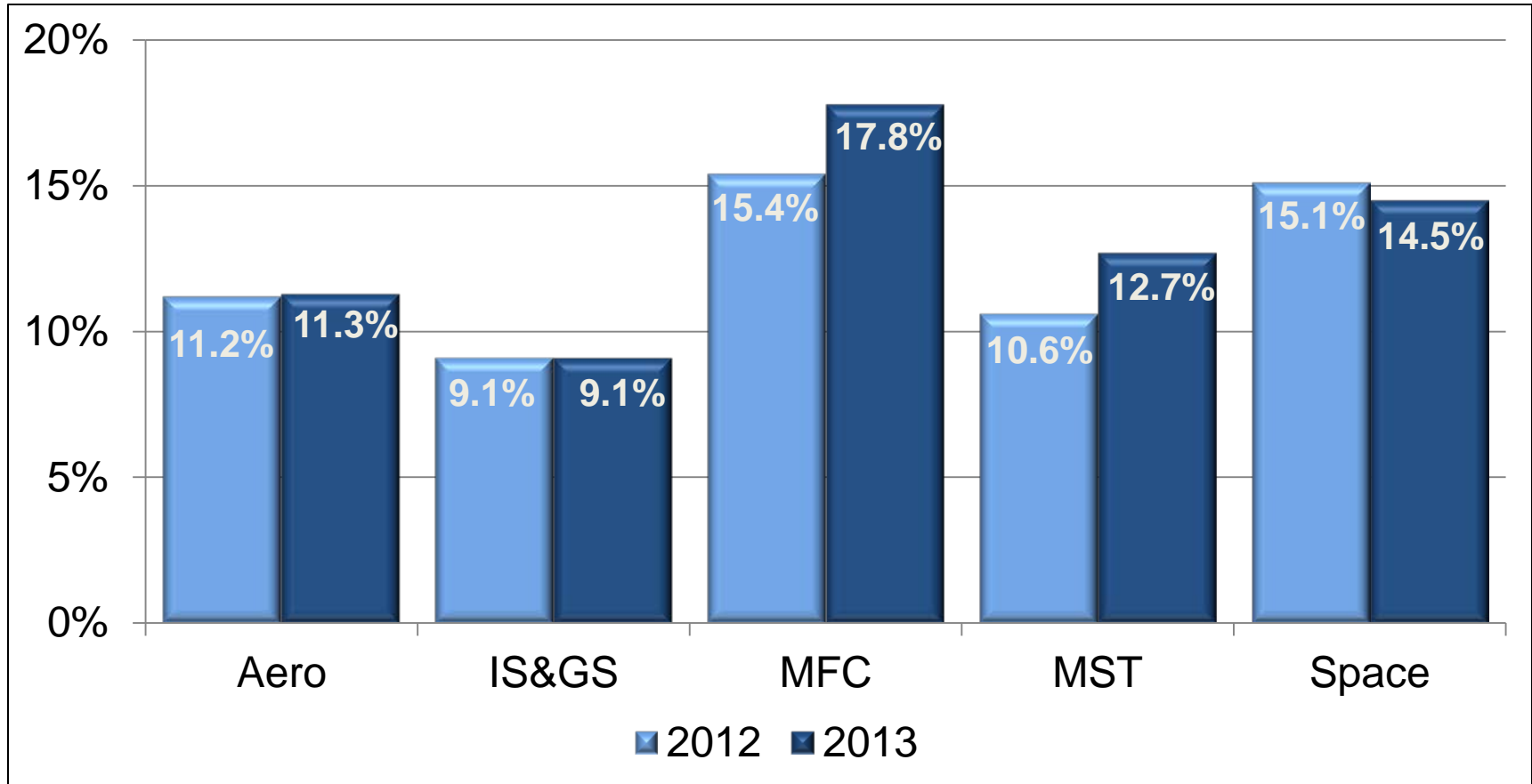
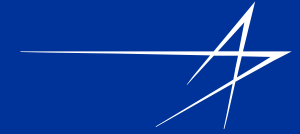
Segment Operating Margin*



**3Q Sales Above Expectations...Tracking to Full Year Outlook
...Margin Strength Continues**

3Q Segment Operating Margins*

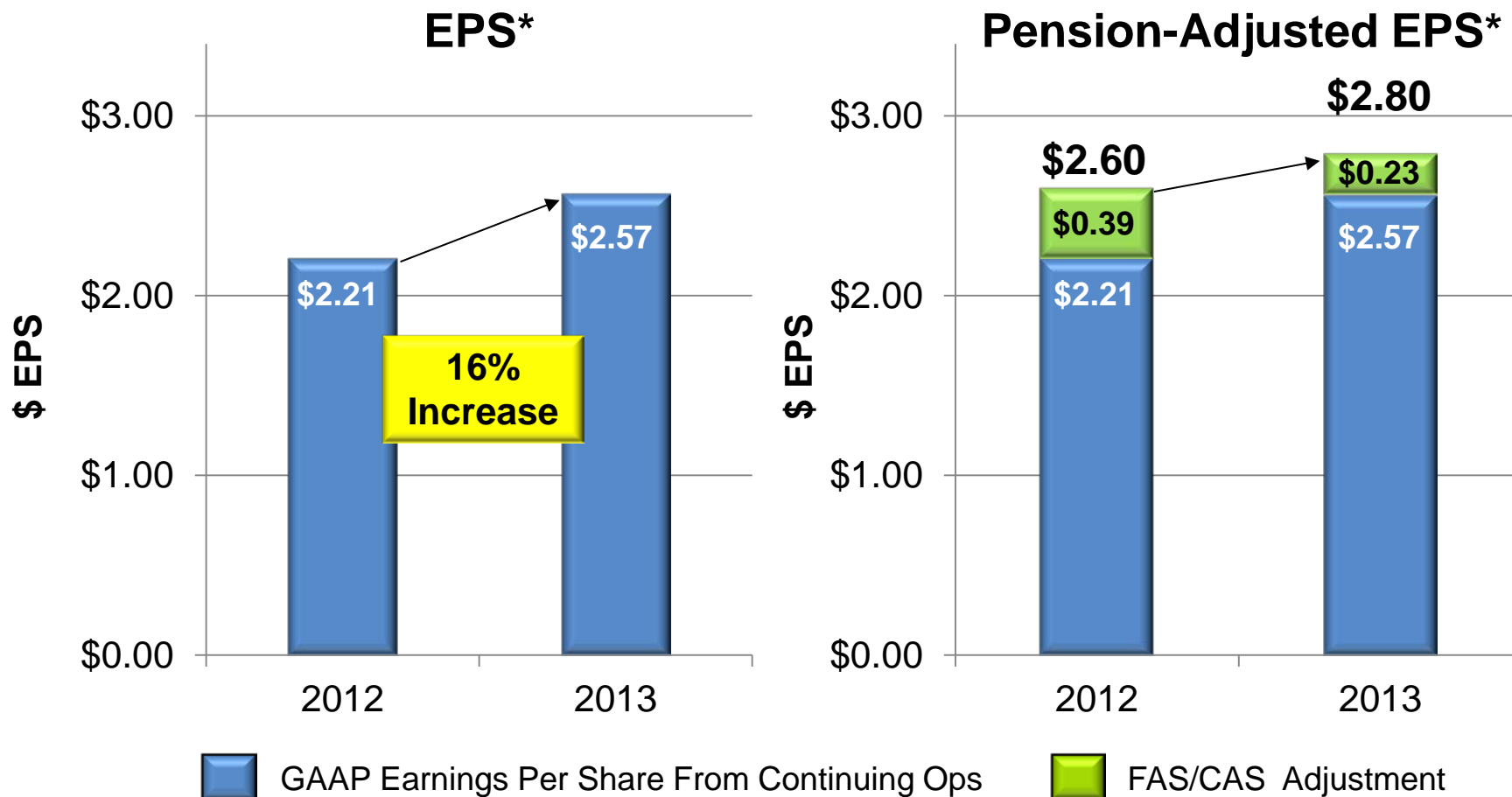
(%)



4 of 5 Business Areas Met or Exceeded 2012 Performance

* See Charts 15-16 for Definitions of Non-GAAP Measures

3Q Earnings Per Share



Operational Performance Driving EPS Growth

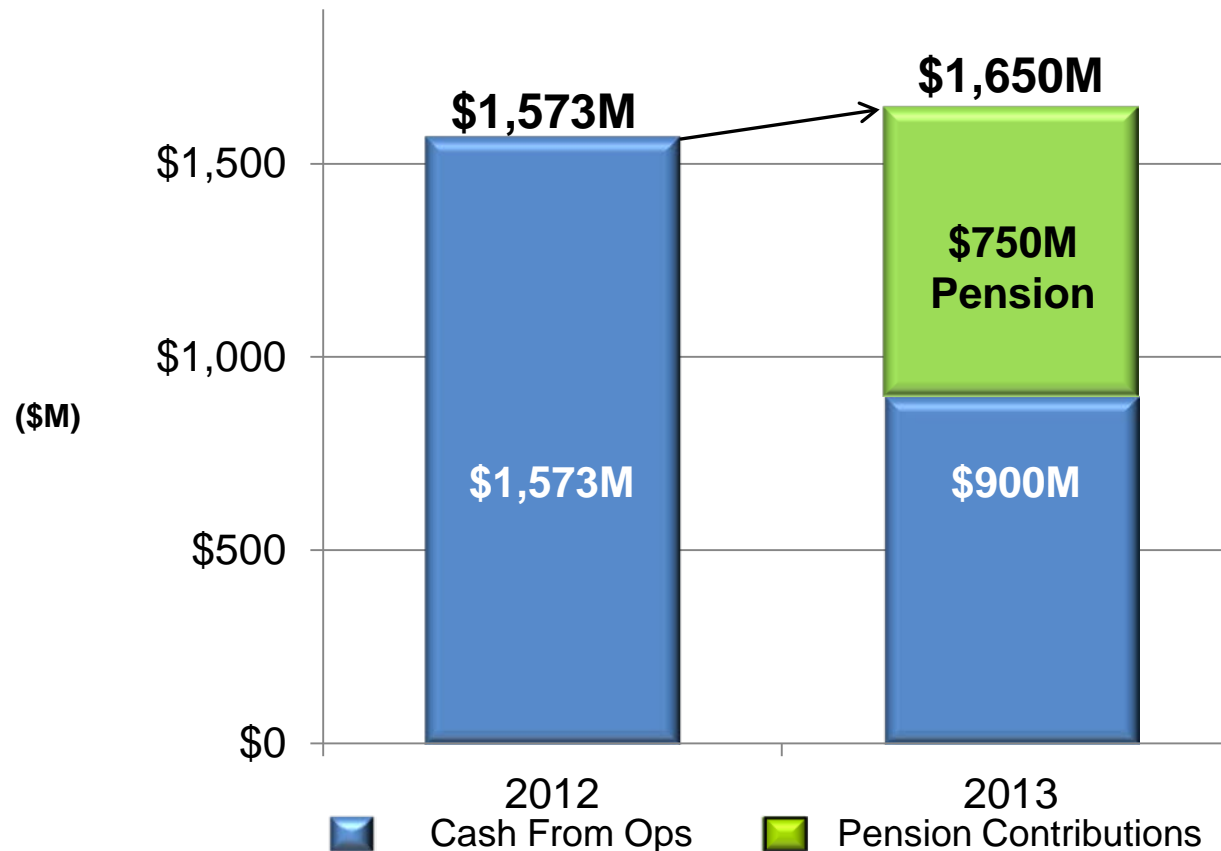
* See Charts 15-16 for Definitions of Non-GAAP Measures

3Q Cash Flow

(\$M)



Pre-Pension Cash Flow*



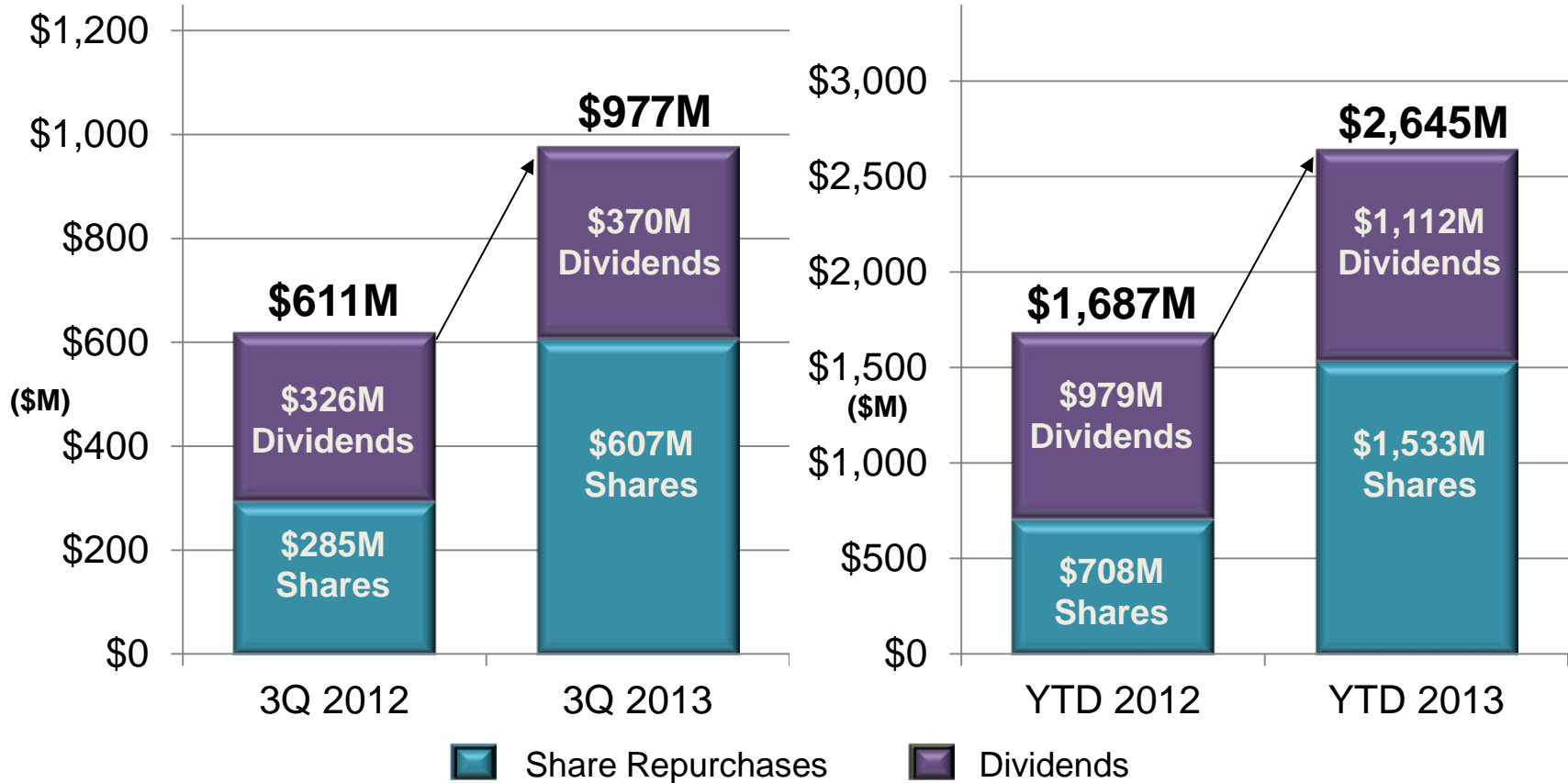
Strong Cash Generation

Cash Returned to Shareholders



3rd Quarter

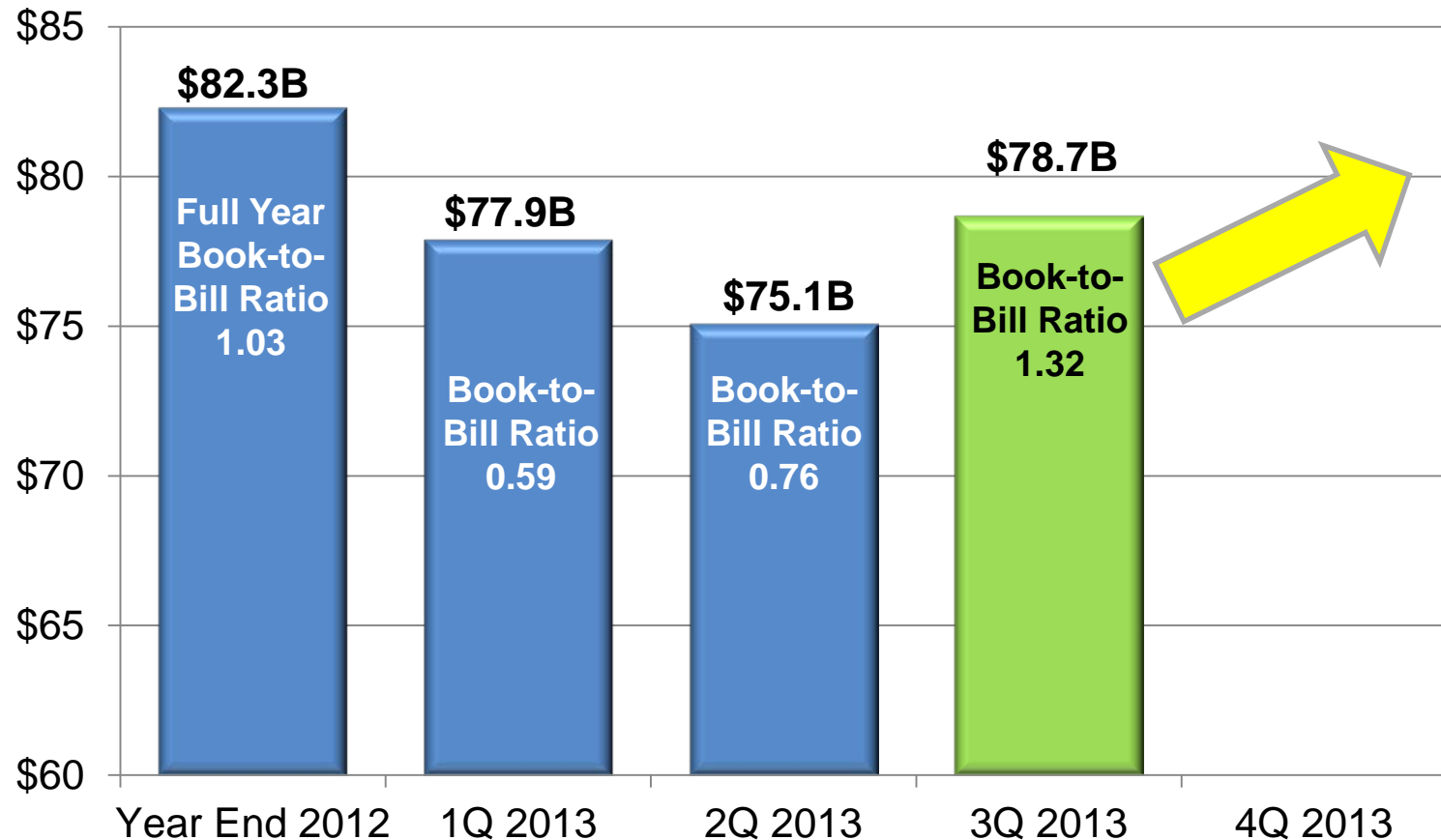
September Year-to-Date



Strong Return of Free Cash Flow To Shareholders

Backlog and Book-to-Bill Ratio*

(\$B)



Expanded Backlog By \$3.6 Billion in 3Q 2013 to \$78.7 Billion

2013 Outlook

(\$M, Except EPS)



	<u>July Outlook</u>	<u>Current Outlook</u>
Sales	\$44,500 - 46,000 Low-End of Range	~ \$45,000
Segment Operating Profit*	\$5,400 - 5,550	\$5,525 - 5,675
<u>Unallocated Expenses, net</u>		
FAS/CAS Adjustment	~ (485)	~ (485)
Special Item - Severance	~ (30)	~ (55)
Other Unallocated Items	~ (335)	~ (360)
Operating Profit	\$4,550 - 4,700	\$4,625 - 4,775
EPS - Continuing Operations	\$9.20 - 9.50	\$9.40 - 9.70
Cash From Operations	≥ \$4,200	≥ \$4,300

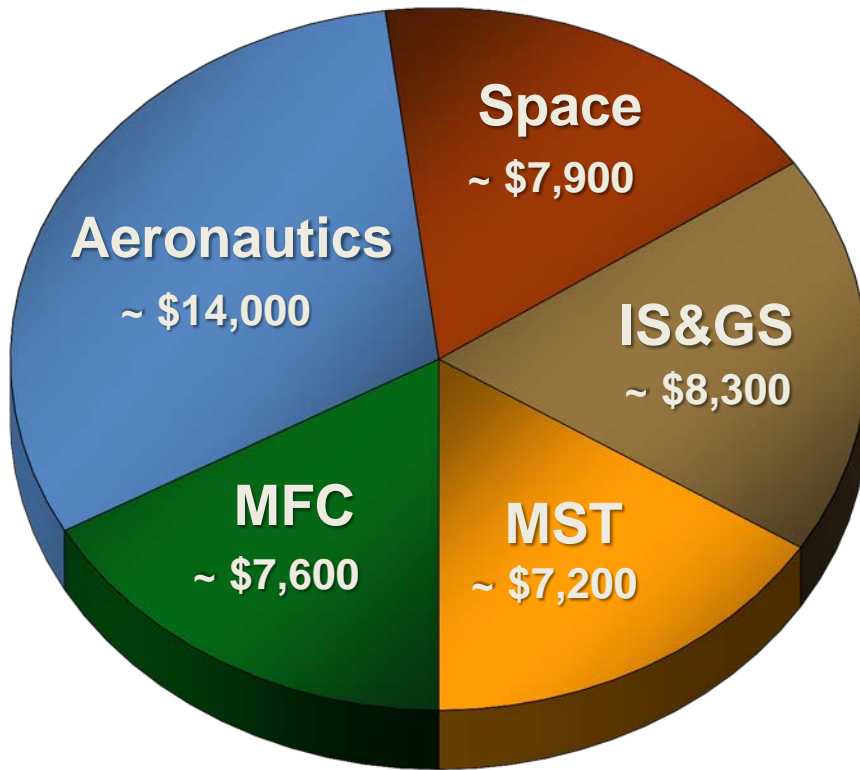
* See Charts 15-16 for Definitions of Non-GAAP Measures

2013 Outlook

(\$M)

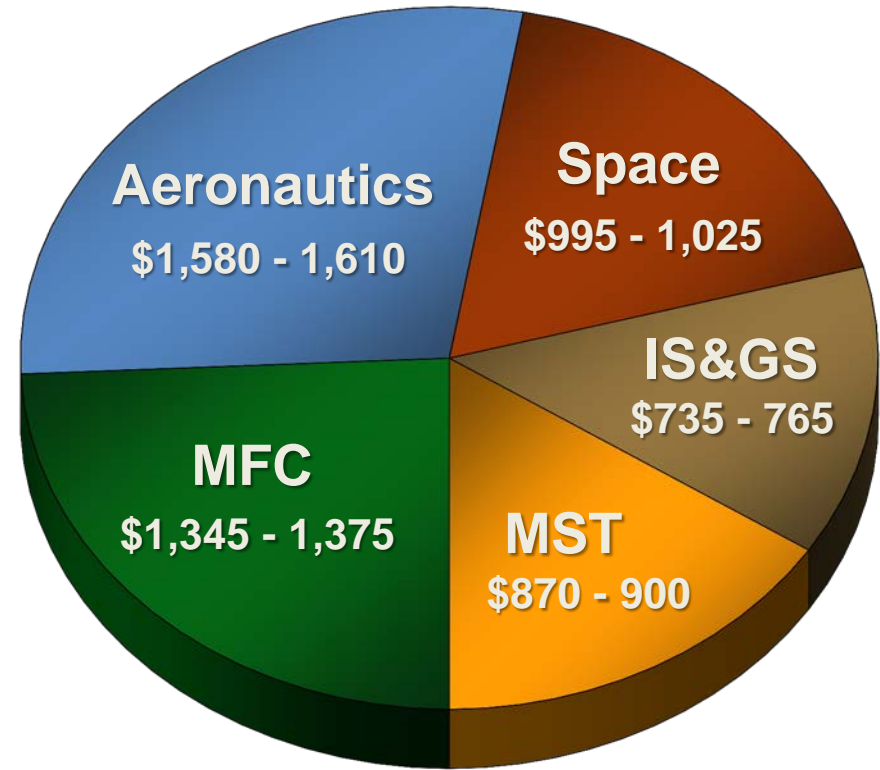


Sales



~ \$45,000M

Segment Op Profit*



\$5,525 - 5,675M

Strong Year-to-Date Performance In Challenging Environment

* See Charts 15-16 for Definitions of Non-GAAP Measures

Preliminary 2014 Trends



- **2014 Sales Slightly Below 2013 Level**
 - Includes Estimate of FY14 CR / Known Sequestration Impacts
- **Consolidated Segment Operating Margin* Above 11.5%**
- **FAS/CAS Pension Adjustment Favorable ~\$150M**
 - Assumes 4.75% Discount Rate at Year-End 2013
 - Assumes Low Single-Digit Returns in 2013
 - Assumes ~ \$1B of Pension Funding in 2014

Will Continue Refining Estimates Over Next Three Months

Summary



2013

- **Strong Year-to-Date Performance...Leading to Solid Year**
- **Continuing to Position for Challenging Environment**
- **Returning Outstanding Value to Shareholders**

2014

- **Detailed Guidance Available on January 2014 Call**

Positioned Well for Achieving Full Year 2013 Goals

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)	<u>2013 Outlook (July)</u>	<u>2013 Current Outlook (October)</u>
Sales	\$44,500 – 46,000 (Low-End of Range)	~\$45,000
Segment Operating Profit	\$5,400 - 5,550	\$5,525 - 5,675
Mid-Point Segment Margin	12.1%	12.4%
Consolidated Operating Profit	\$4,550 – 4,700	\$4,625 – 4,775

	<u>3Q 2013</u>			<u>3Q 2012</u>		
	<u>Sales</u>	<u>Profit</u>	<u>Margin</u>	<u>Sales</u>	<u>Profit</u>	<u>Margin</u>
Operating Profit	\$ 11,347	\$ 1,254	11.1%	\$ 11,869	\$ 1,137	9.6%
Unallocated Expenses, net	-	201		-	297	
Segment Operating Profit	\$ 11,347	\$ 1,455	12.8%	\$ 11,869	\$ 1,434	12.1%

Definitions of Non-GAAP Measures



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.

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.

