



Lockheed Martin 3rd Quarter 2011 Financial Results Conference Call October 26, 2011 2:00 p.m. EDT



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October 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; difficulty in developing and producing operationally advanced technology systems; 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-Qs, contain more information on the types of risks and other factors that could adversely affect these statements.

2011 Financial Results are Unaudited.

3Q Overview

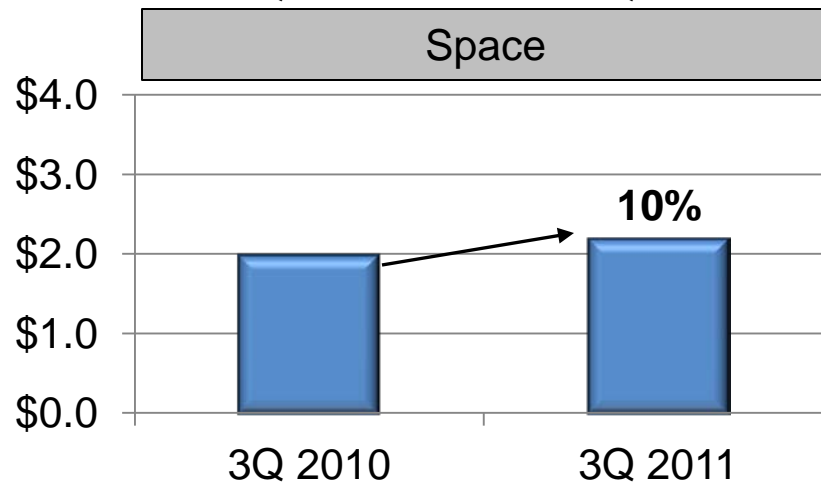
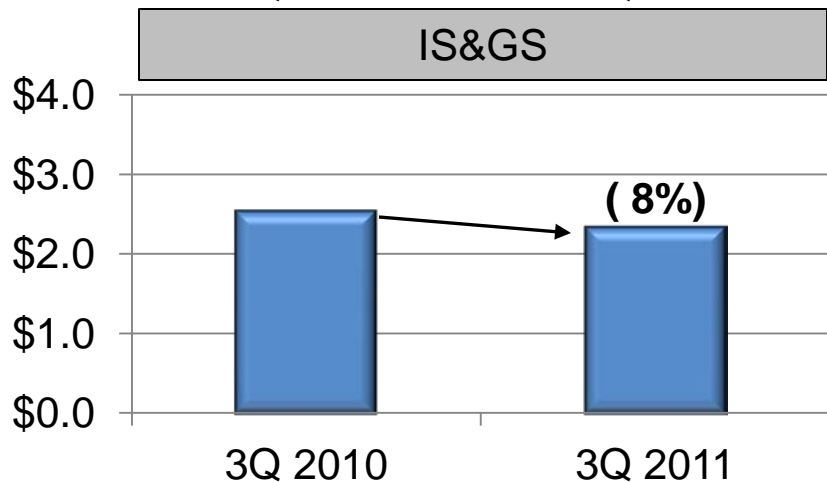
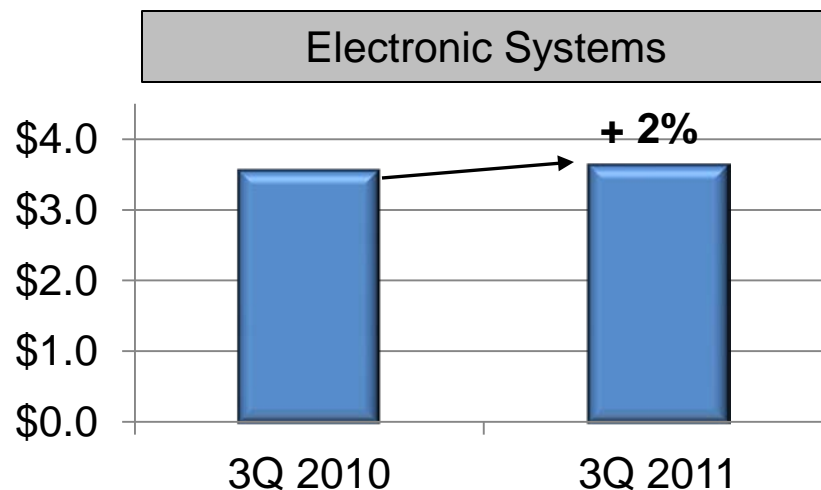
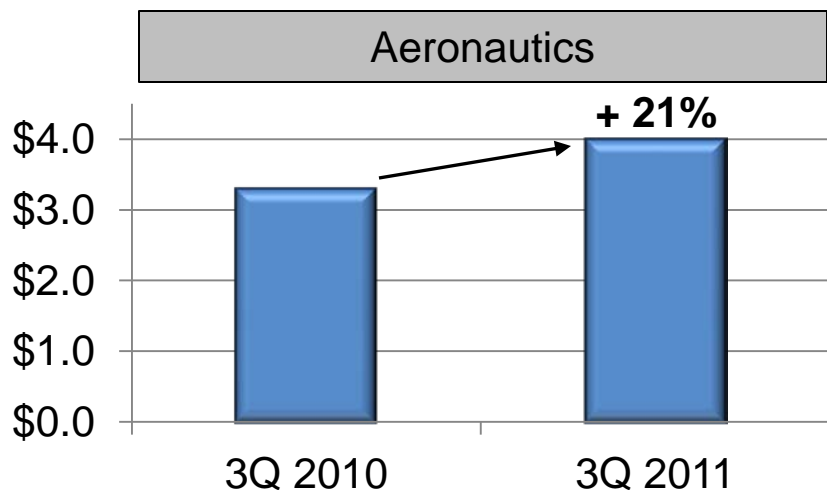


- **Grew Sales 7%**
- **Increased EPS From Continuing Operations By 30%**
- **Generated \$511 Million in Cash From Operations**
- **Repurchased 13.4 Million Shares**
- **Increased Quarterly Dividend by 33%**

Strong Execution ... Strong Quarter

3Q Sales Summary

(\$ Billion)

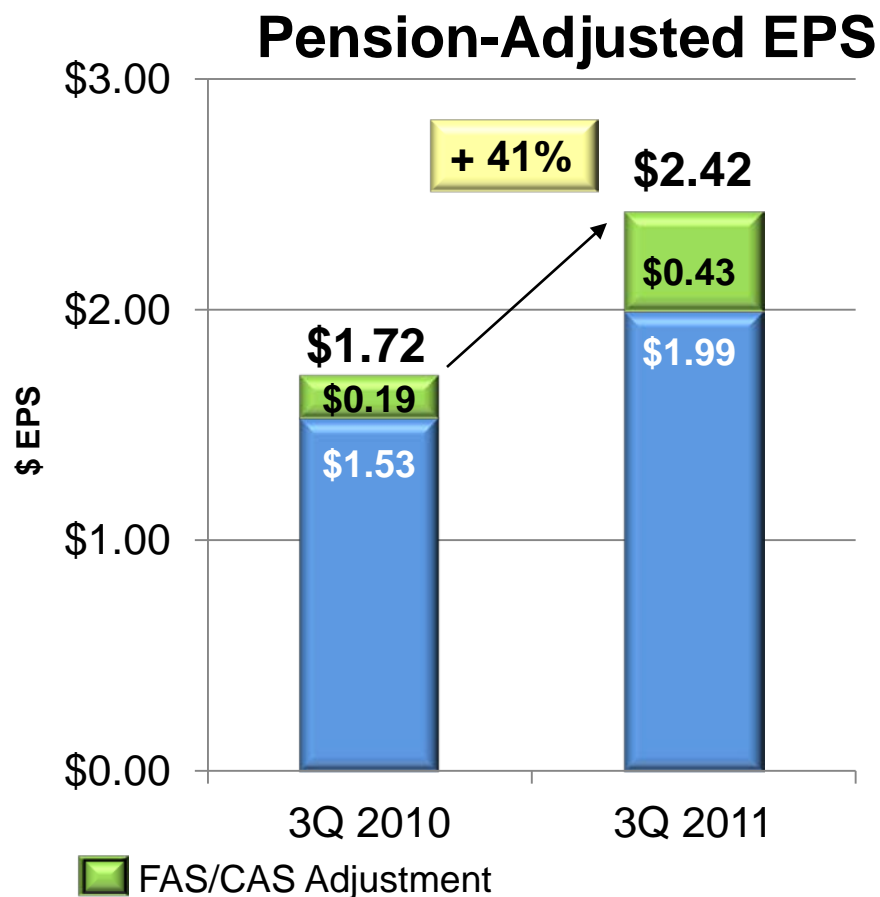
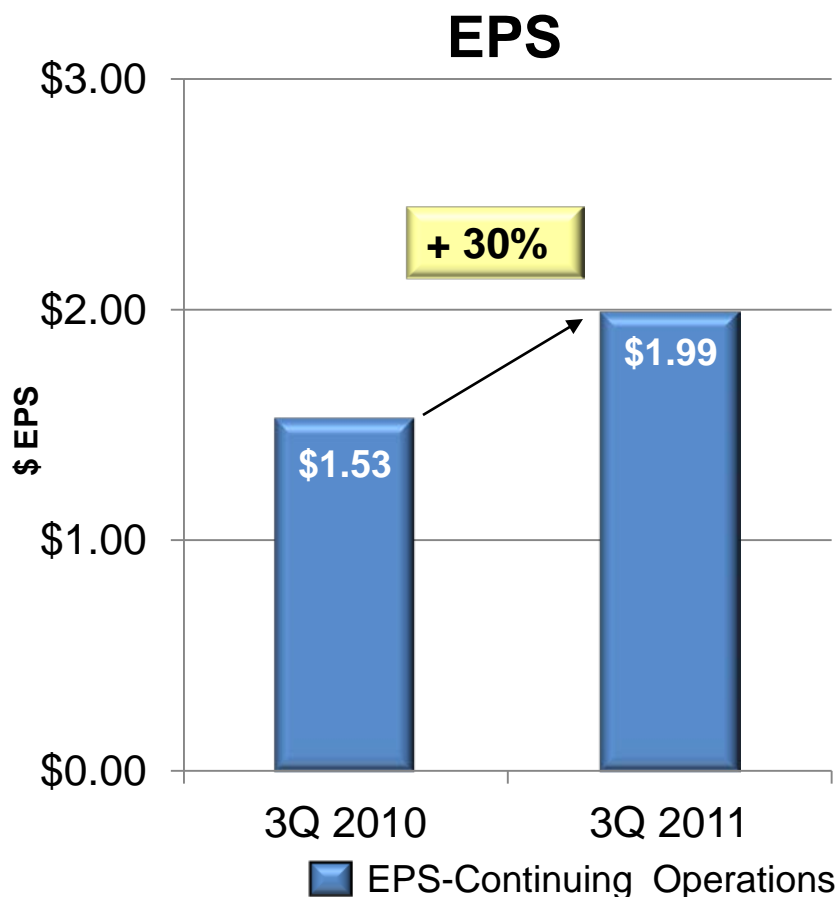


Total Sales Growth of +7% ... On Track For Full Year

3Q Earnings Per Share



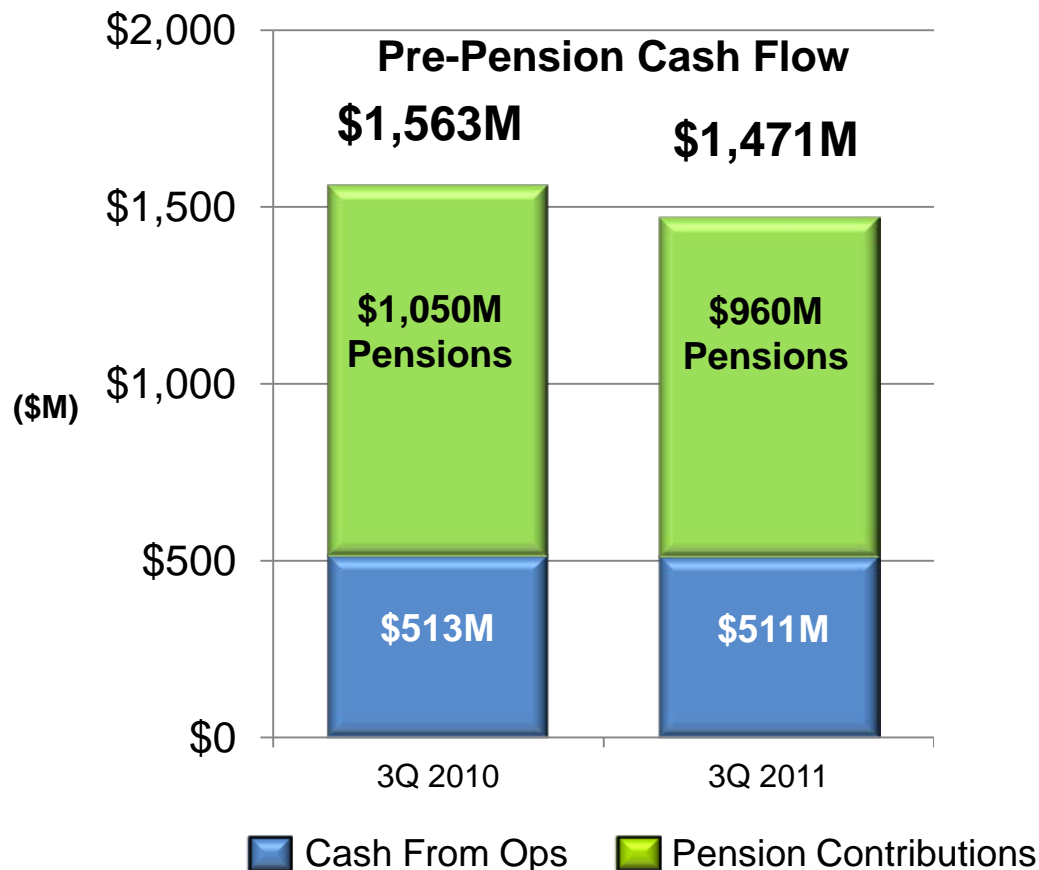
* See Charts 19-20 for Definitions of Non-GAAP Measures



Operational Performance Driving EPS Growth

3Q Cash From Operations

(\$ Million)



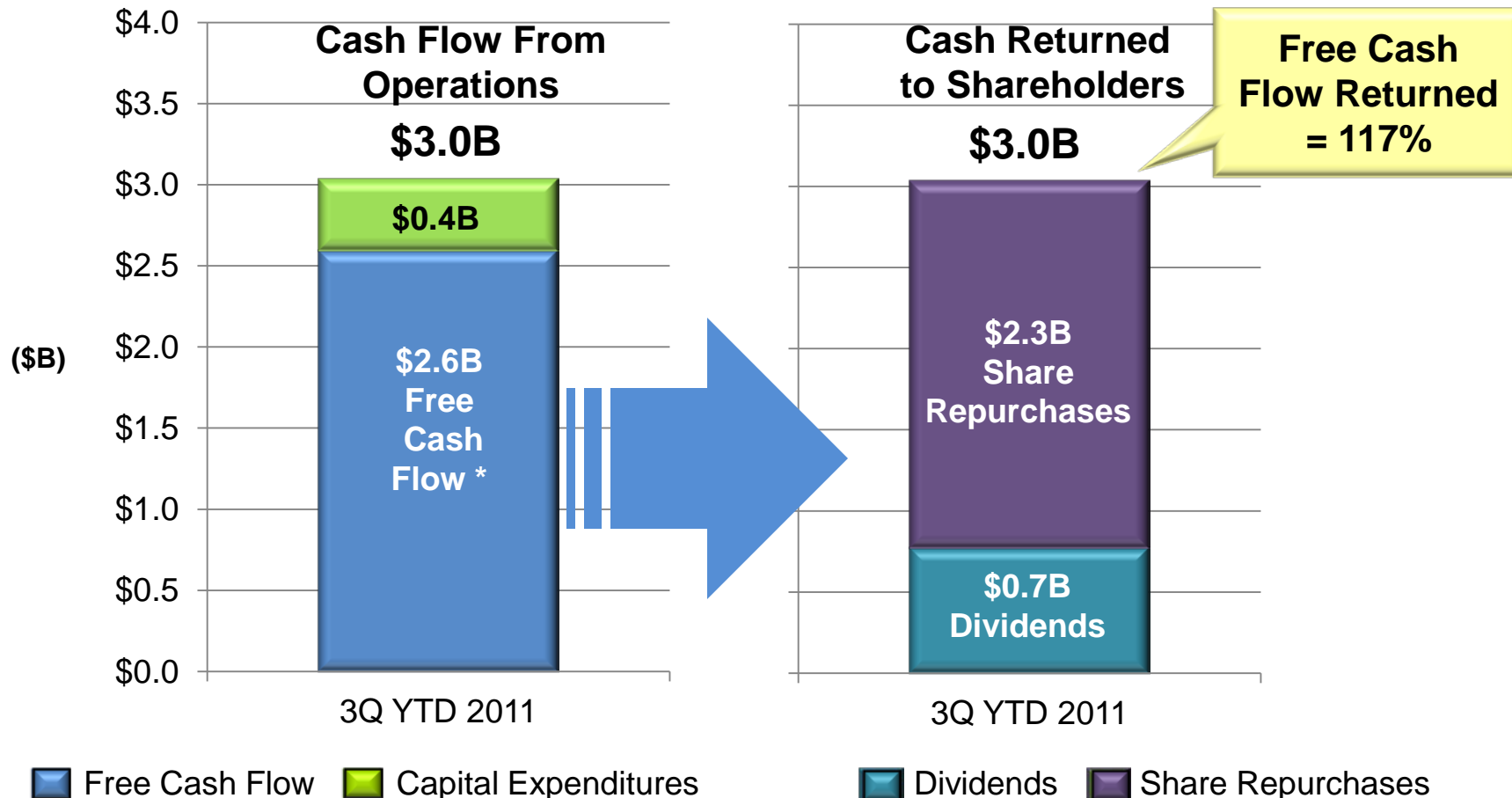
Cash From Operations	
	2011
1Q	\$ 1.7 B
2Q	0.8
3Q	0.5
YTD 3Q Cum	\$ 3.0 B
Full Year Goal	≥ \$ 4.2 B

* See Charts 19-20 for Definitions of Non-GAAP Measures

**Strong Cash Generation ...
On-Track for Full Year Goal of \$4.2 Billion**

3Q YTD Cash Deployment

(\$ Billion)

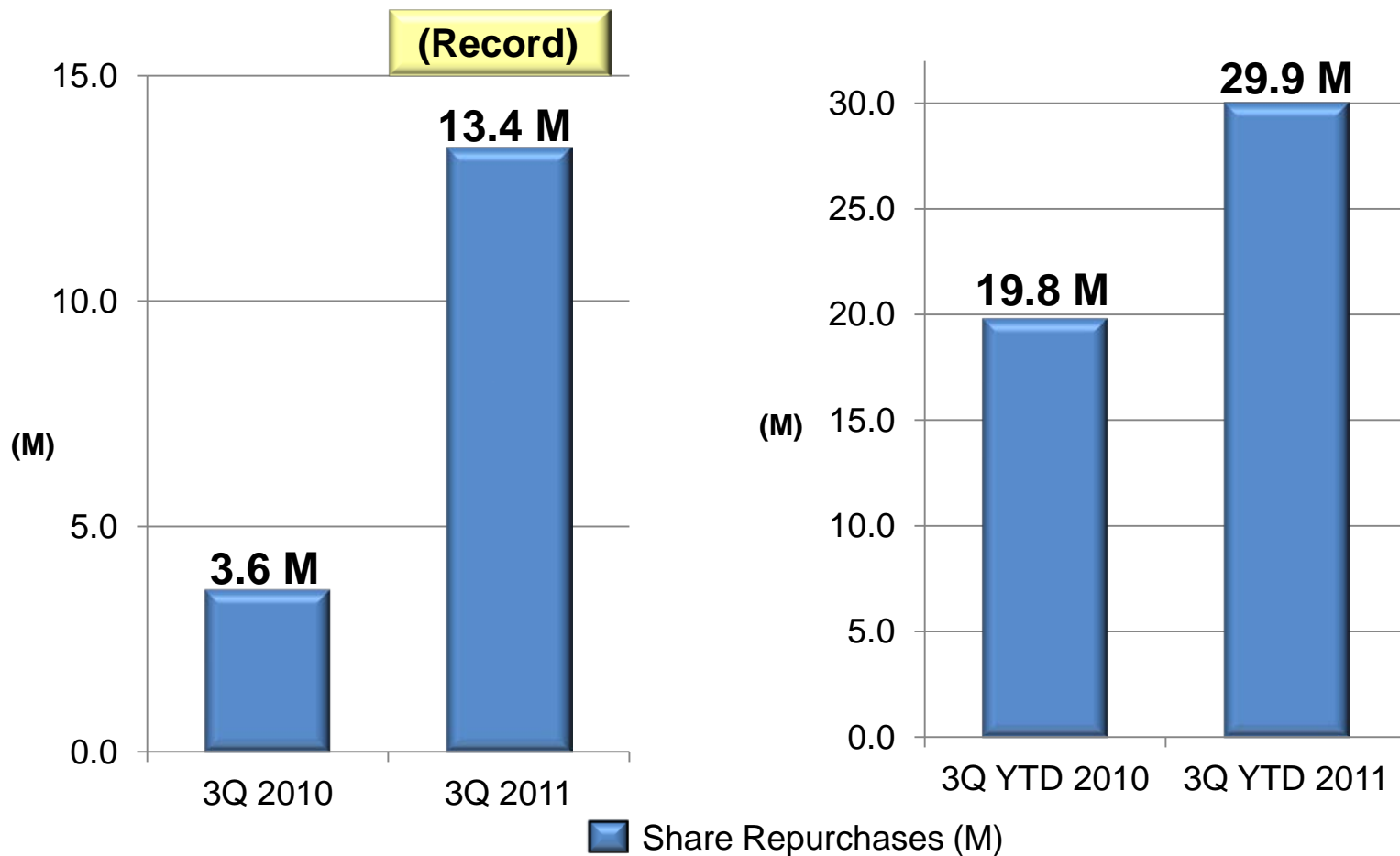


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Robust Cash Returned to Shareholders ... Well Above 50% Goal

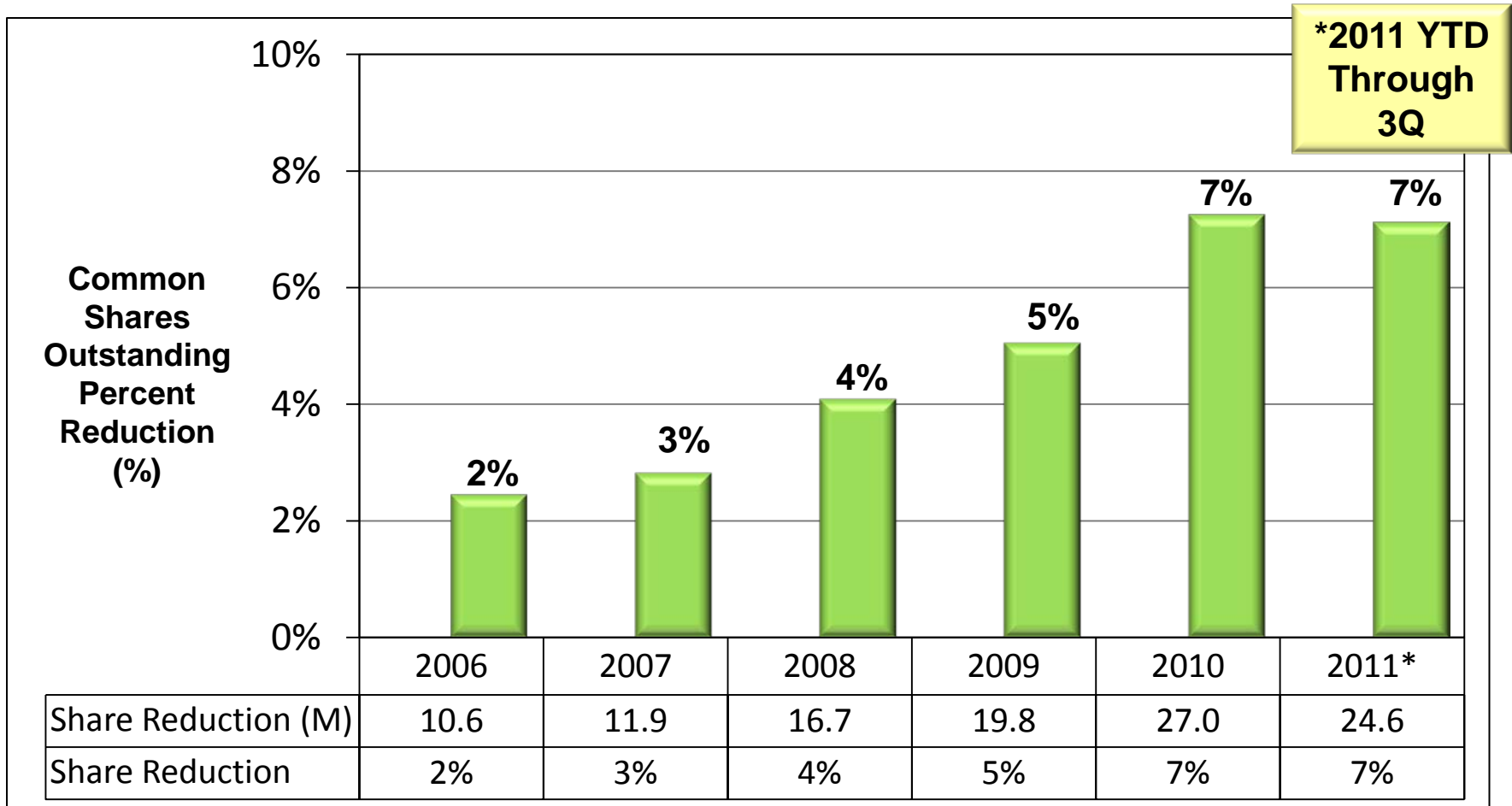
3Q Share Repurchases

(Million)



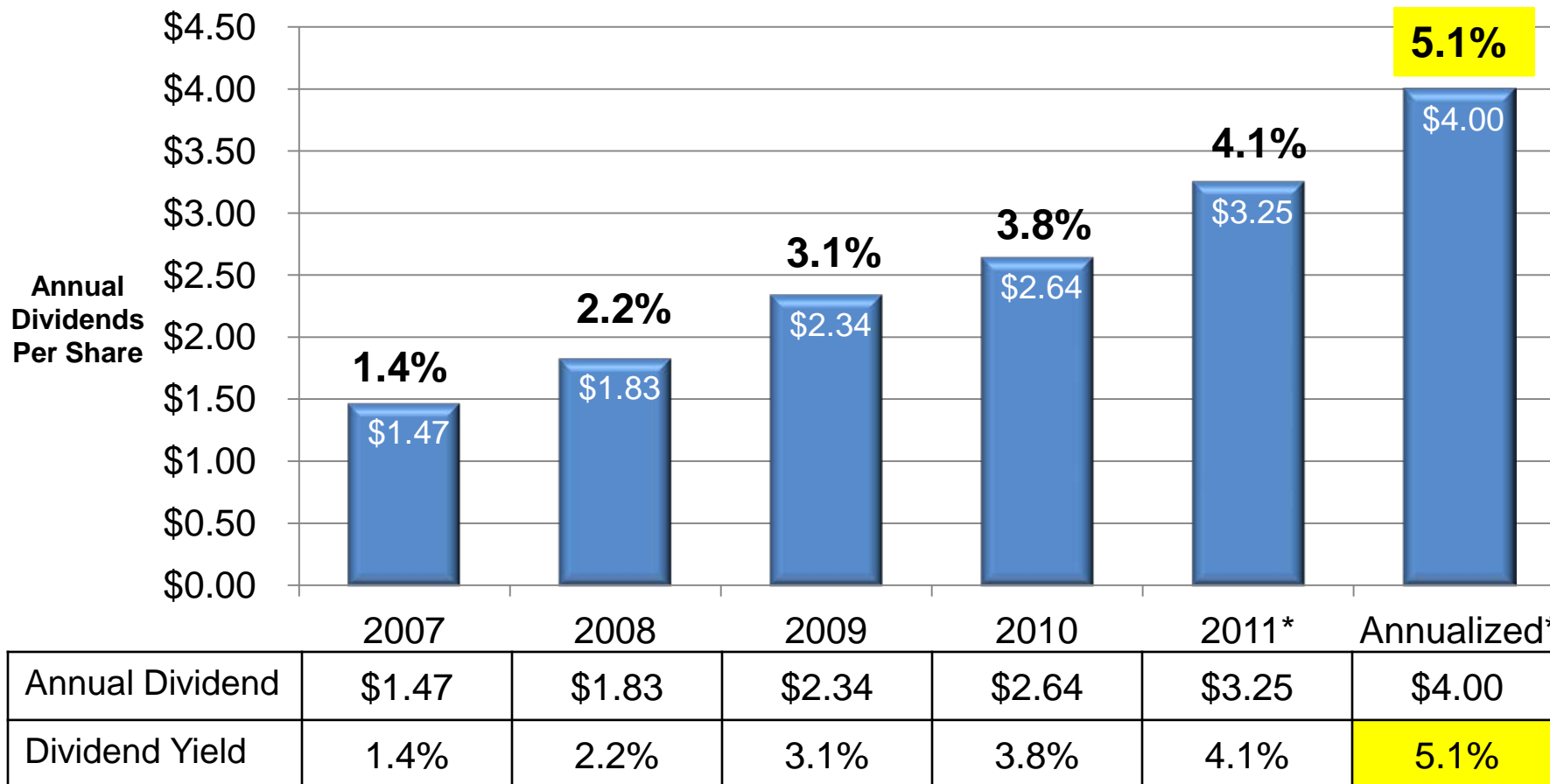
Record Quarterly Share Repurchases ... Ahead of 2010 YTD Pace

Share Reduction History



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

Dividends & Yield



* Based Upon \$78.89 Price on 10/25/2011

Growing Returns to Shareholders

2011 EPS Outlook Reconciliation



EPS from
Continuing Operations

July 2011 Outlook

\$7.35 – \$7.55

Higher Segment Operating Profit

0.05

Lower Corporate Operating Expenses

0.12

3Q Special Item - Severance Charge

(0.07)

Interest on New Debt / Debt Retirement Charge

(0.09)

Lower Share Count / Higher Tax Rate

0.04

0.00

October 2011 Outlook

\$7.40 – \$7.60

* See Charts 19-20 for Definitions of Non-GAAP Measures

Preliminary 2012 Trends



- **Top-Line Sales Flattish**
- **Segment Operating Margins ~ 11%**
- **Operating Cash Flow Facing Pension Funding Headwind**
- **FAS/CAS Pension Adjustment Higher Than Prior Forecast**

2012 FAS/CAS Estimate

(\$ Million)



January 2011 Estimate for 2012 ~ \$ (200)

Sensitivity Scenarios:

Discount Rate From 5.5% to 4.5% ~ (460)

CAS Harmonization Deferred Beyond 2012 ~ (135)

Long-Term Asset Return Assumption From 8.5% to 8.0% ~ (130)

October 2011 Estimate for 2012 ~ \$ (925)

Comparable With 2011 FAS/CAS Adjustment ... Final Assumptions and Outlook Not Available Until January 2012

Summary



2011

- **Strong Year-to-Date Performance...Leading to Solid Year**
- **Results Reflect Proactive Measures**
- **Continue to Return Value to Shareholders**

2012

- **Expect to Have Greater Clarity on January 2012 Call**

Positioned for Full Year 2011 Goals Achievement

Financial Appendix & Updated Outlook

2011 Outlook Update

(\$ Million, Except EPS)



	<u>Prior (July)</u>	<u>Current (Oct)</u>
Sales	\$46,000 - 47,000	\$46,000 - 47,000
Segment Operating Profit	\$5,050 - 5,150	\$5,075 - 5,175
<u>Unallocated Corp Inc / (Exp)</u>		
FAS/CAS Adjustment	~ (925)	~ (925)
Other Unallocated Items	~ (275)	~ (215)
Special Item - Severance	~ (100)	~ (135)
Operating Profit	\$3,750 - 3,850	\$3,800 - 3,900
EPS - Continuing Operations	\$7.35 - 7.55	\$7.40 - 7.60
Cash From Operations	≥ \$4,200	≥ \$4,200

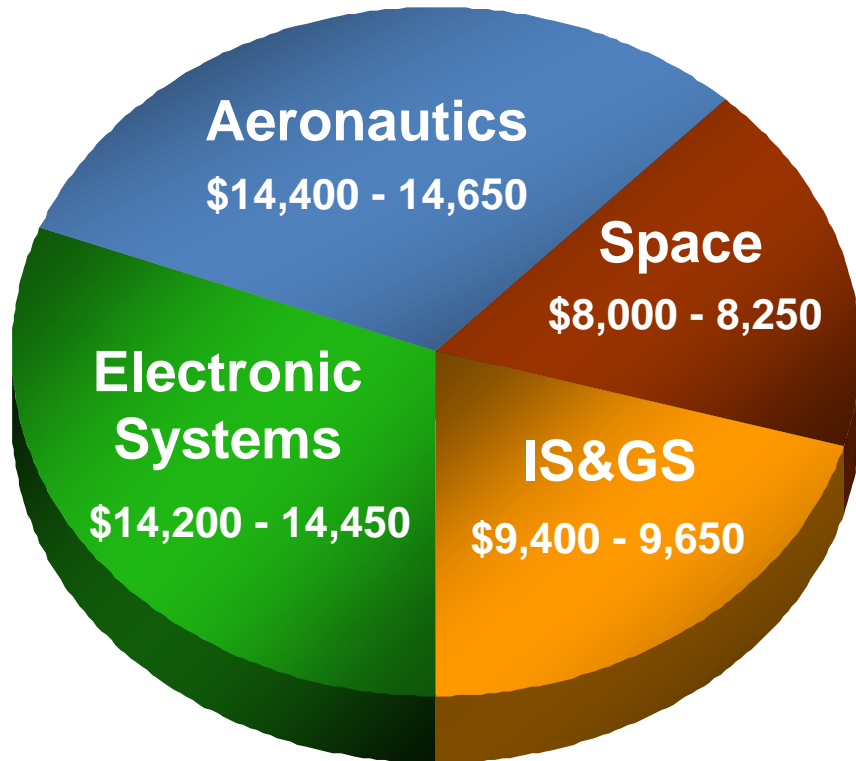
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2011 Sales Outlook

(\$ Million)

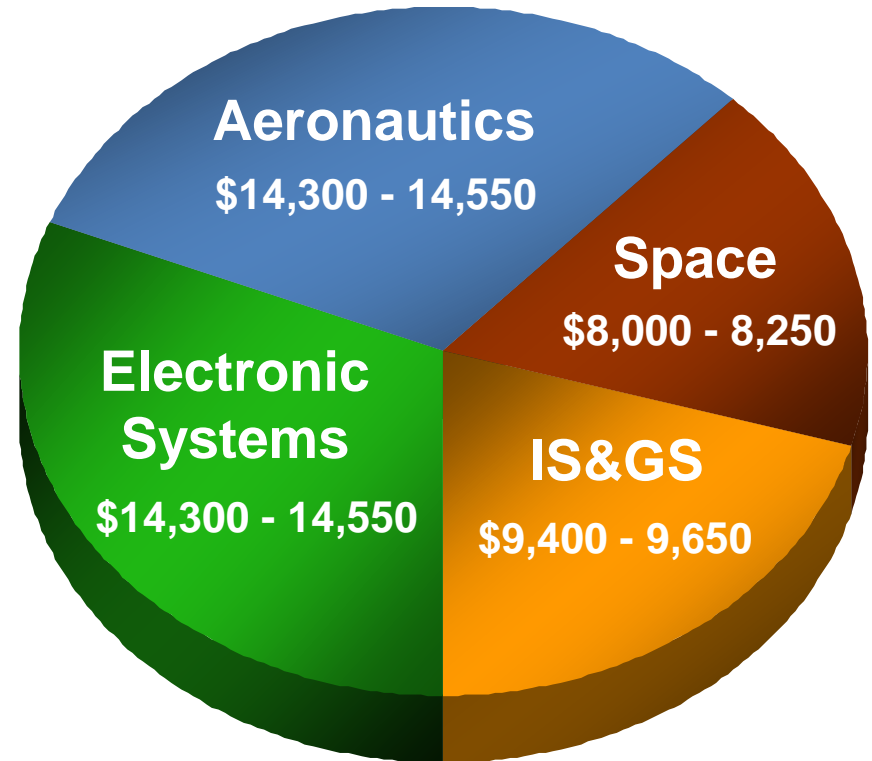


Sales (Prior)



\$46,000 - 47,000M

Sales (Current)



\$46,000 - 47,000M

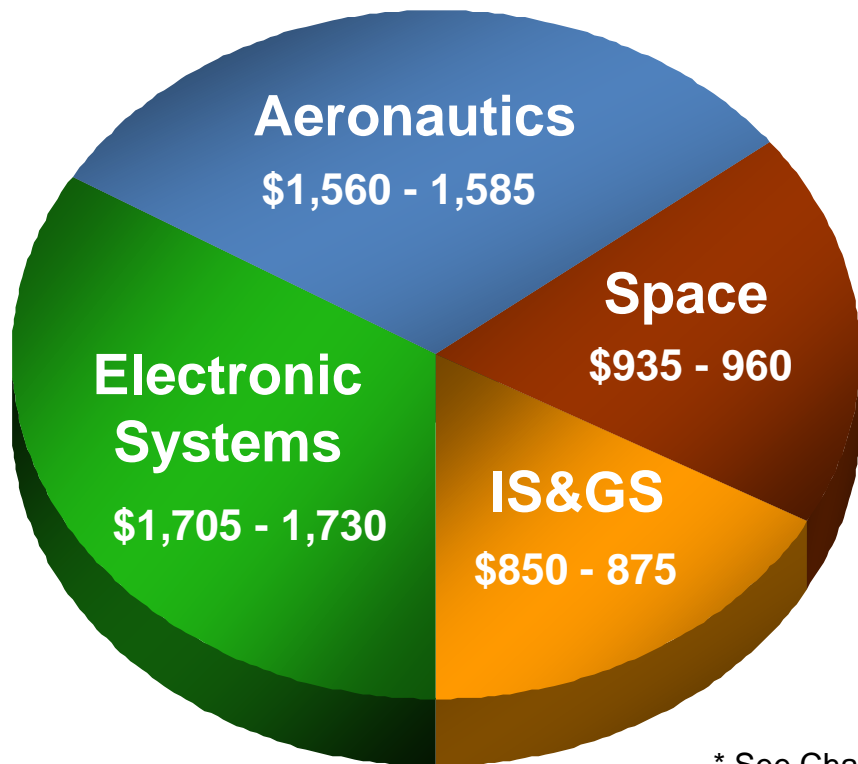
No Change to Consolidated Sales Outlook

2011 Segment Operating Profit Outlook

(\$ Million)

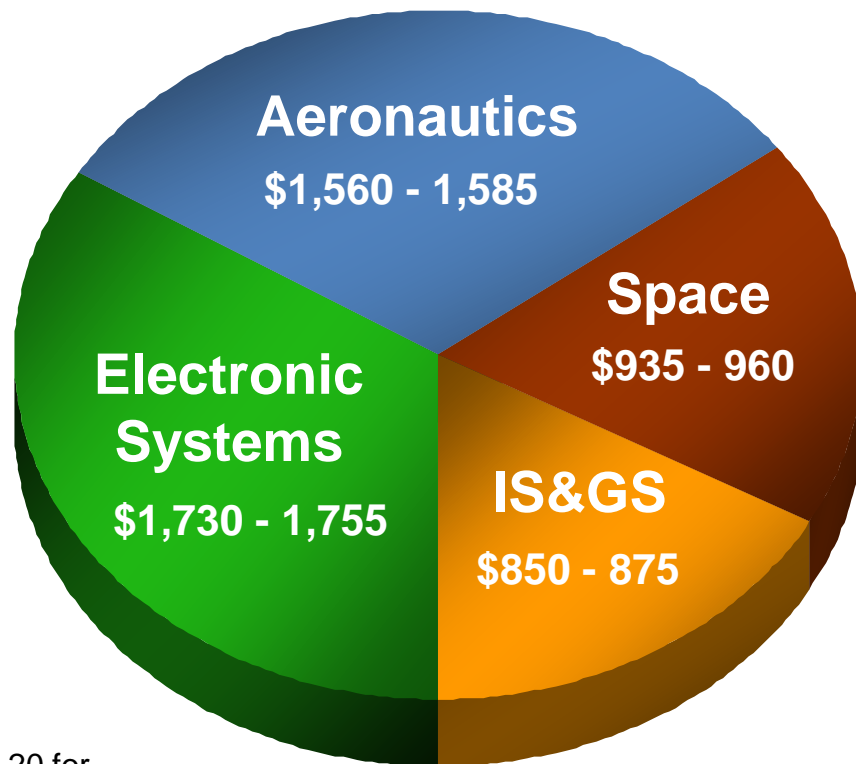


Segment Op Profit (Prior)



\$5,050 - 5,150M

Segment Op Profit (Current)



\$5,075 - 5,175M

* See Charts 19-20 for
Definitions of Non-GAAP
Measures

Electronic Systems / Consolidated Outlook Increased

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 (July)</u>	<u>2011 Outlook (October)</u>
Sales	(\$ Million)	\$46,000 – 47,000	\$46,000 – 47,000
Segment Operating Profit	(\$ Million)	\$5,050 – 5,150	\$5,075 – 5,175
Mid-Point Segment Margin		11.0%	11.0%
Consolidated Operating Profit	(\$ Million)	\$3,750 – 3,850	\$3,800 – 3,900

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.

Pre-Pension Cash Flow

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

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.

	3Q YTD <u>2011</u>
Cash From Operations	\$3,038
Less: Capital Expenditures	<u>(443)</u>
Free Cash Flow	<u>\$2,595</u>
Share Repurchases	\$2,263
Add: Dividends Paid	<u>770</u>
Total Cash Returned to Shareholders	<u>\$3,033</u>
Total Cash Returned to Shareholders	\$3,033
Divided by: Free Cash Flow	<u>2,595</u>
Percentage of Free Cash Flow Returned to Shareholders	<u>117%</u>

