



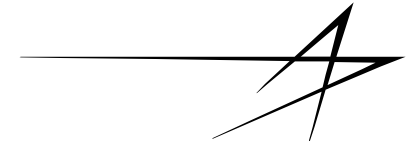
Lockheed Martin

2004 4th Quarter and Year-End

Earnings Conference Call

January 27, 2005

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; changes in customer priorities; the impact of continued hostilities in Iraq; budgetary constraints; program and contract performance; the timing and availability of future government awards; the outcome of legal proceedings; economic, business and regulatory conditions and other factors.

Our SEC filings, including our 2003 Form 10-K and 2004 Form 10-Q’s, contain more information on the types of risks and other factors that could adversely affect these statements. We disclaim any duty to update forward-looking statements to reflect new developments.

2004 Financial Results are Preliminary and Unaudited.

Financial Results – Fourth Quarter

(\$M, Except EPS)



	<u>4Q04</u>	<u>4Q03</u>
Sales	\$9,965	\$8,978
Segment EBIT	845	697
Unallocated Corp. Expense	(397)	(81)
Consolidated EBIT	448	616
GAAP EPS	\$0.83	\$0.77

Fourth Quarter



	<u>4Q04</u>	<u>4Q03</u>
<i>GAAP EPS</i>	\$ 0.83	\$ 0.77
<i>Unusual Items</i>	0.02	(0.02)
<i>FAS/CAS Adjustment</i>	0.22	0.12
<i>Adjusted EPS*</i>	\$ 1.07	\$ 0.87

****See Chart 17 for Non-GAAP Measures Definitions***

Financial Results – Full Year

(\$M, Except EPS)



	<u>2004</u>	<u>2003</u>
<i>Sales</i>	\$35,526	\$31,824
<i>Segment EBIT</i>	2,976	2,468
<i>Unallocated Corp. Expense</i>	<u>(887)</u>	<u>(449)</u>
<i>Consolidated EBIT</i>	2,089	2,019
<i>GAAP EPS</i>	\$2.83	\$2.34
<i>Cash From Operations</i>	\$2,924	\$1,809
<i>Capital Expenditures</i>	769	687

Full Year



	<u>2004</u>	<u>2003</u>
<i>GAAP EPS</i>	\$ 2.83	\$ 2.34
<i>Unusual Items</i>	0.02	0.22
<i>FAS/CAS Adjustment</i>	0.87	0.46
<i>Adjusted EPS*</i>	\$ 3.72	\$ 3.02

****See Chart 17 for Non-GAAP Measures Definitions***

2004 Earnings vs. Cash Flow

(\$M, Except EPS)



<i>Adjusted EPS*</i>	\$3.72
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<i>Average Shares Outstanding</i>	447.1
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<i>Adjusted Net Earnings*</i>	\$1,663
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<i>Cash from Operations</i>	\$2,924
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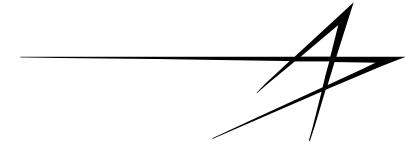
<i>Capital Expenditures</i>	(769)
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<i>Free Cash Flow*</i>	\$2,155
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Free Cash Flow Exceeds Adjusted Net Earnings

****See Chart 17 for Non-GAAP Measures Definitions***

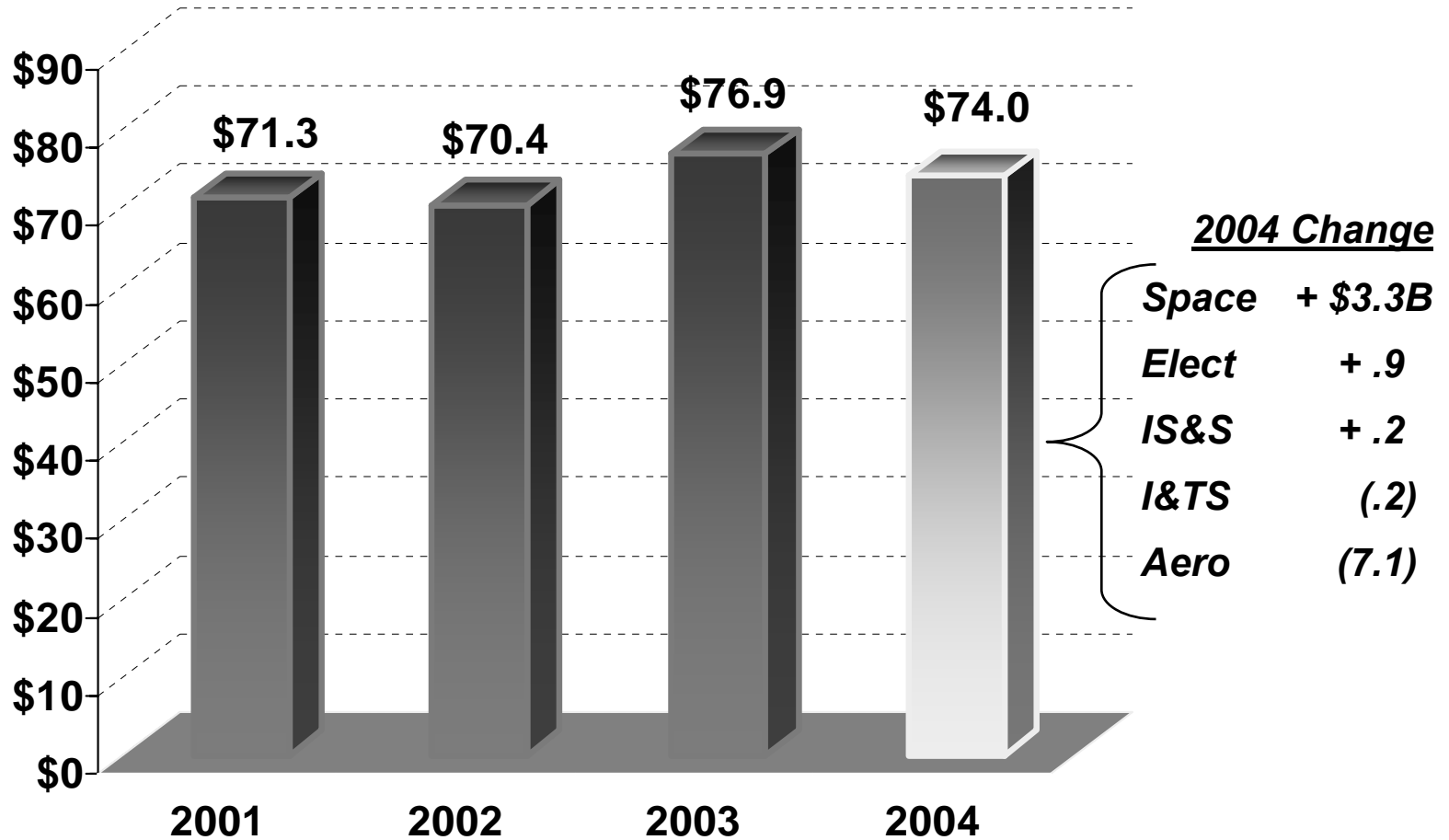
2004 Cash Deployment



- ***Continued Internal Investment***
 - ***Capital Expenditures / R&D / B&P / Pension Plans***
- ***Dividends***
 - ***Increased Rate 14% to \$1.00 per Year***
- ***Repurchased Shares***
 - ***5.3M Shares Repurchased in 4Q for \$307M***
 - ***14.7M Shares Repurchased in 2004 for \$772M***
- ***Retired \$1.1B of Debt***
 - ***\$950M Retired in Advance of Maturity***
- ***M&A Activity***
 - ***Small Acquisitions Fill Strategic Niches***
 - ***Continued Divesting Telecom Holdings***

Backlog

(\$B)



4th Consecutive Year Backlog Over \$70B



2005 Estimates

Sales & Earnings Estimates - 2005

(\$M, Except Sales & EPS)



	<u>Prior</u>	<u>Current</u>
<i>Sales</i>	<i>\$34.5 - 36.0B</i>	<i>\$36.0 - 37.5B</i>
<i>Segment EBIT</i>	<i>2,950 - 3,100</i>	<i>3,125 - 3,225</i>
<i>FAS/CAS Adjustment</i>	<i>(550) - (300)</i>	<i>~ (630)</i>
<i>Other Unallocated Items</i>	<i>(50) - 0</i>	<i>(100) - (50)*</i>
<i>Consolidated EBIT</i>	<i>2,425 - 2,600</i>	<i>2,400 - 2,525</i>
<i>Interest Expense</i>	<i>425 - 450</i>	<i>350 - 375</i>
<i>GAAP EPS</i>	<i>\$3.00 - 3.25</i>	<i>\$3.05 - 3.30</i>

****Assumes ~ (\$50M) Option Expense from Adopting FAS 123R on 7/1/2005***

2005 EPS Estimate Reconciliation



<i>Prior GAAP EPS Estimate</i>	<i>\$3.00 - 3.25</i>
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- ***Segment Operations*** ***\$0.20 - 0.25***

- ***Reduced Interest Expense*** ***~ \$0.11***

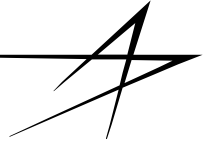
- ***FAS/CAS Adjustment*** ***~ (\$0.20)***

- ***Option Expensing*** ***(\$0.10) - (0.08)***

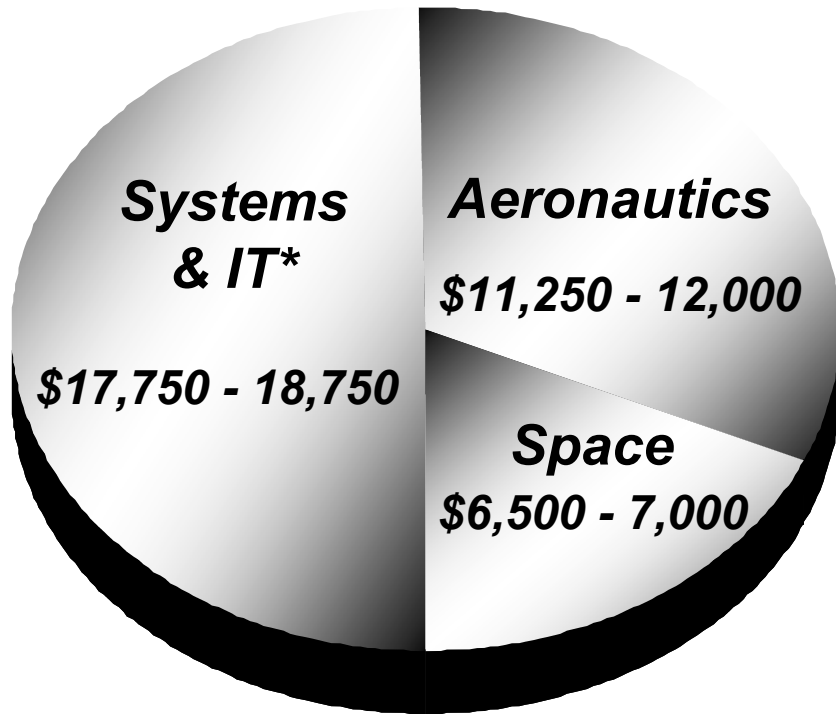
<i>Current GAAP EPS Estimate</i>	<i>\$3.05 - 3.30</i>
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Segment Estimates – 2005

(\$M)

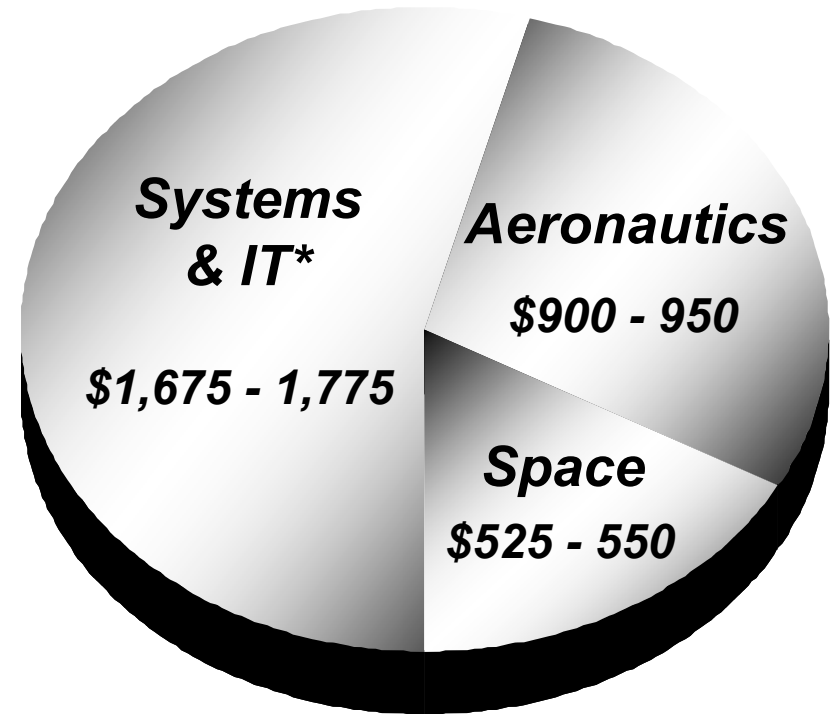


Sales



\$36.0 - 37.5B

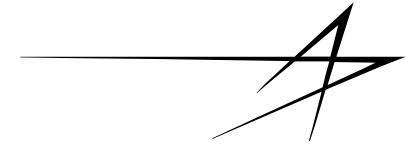
Segment EBIT



\$3,125 - 3,225M

**Consolidated Estimate for Electronics, IS&S, and I&TS Segments*

Cash Flow Estimates



Prior Guidance

Total 2004 and 2005 Cash From Operations ~ \$5.5B

- ***Over 50% Generated in 2004***

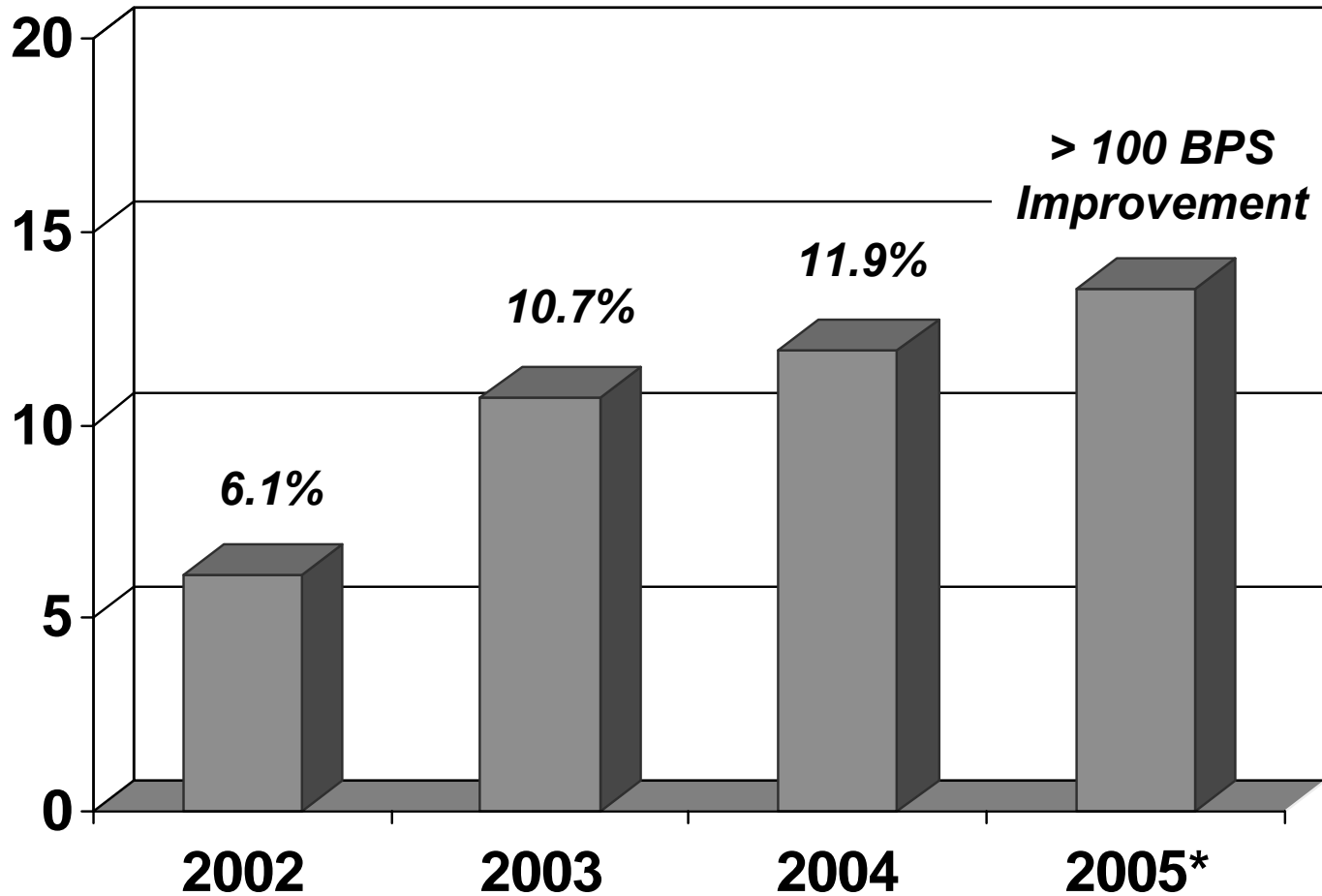
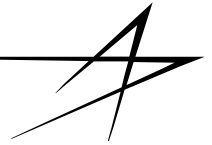
Total 2004 and 2005 Capital Expenditures ~ \$1.6B

Current Guidance

	<u>Actual</u> <u>2004</u>	<u>Outlook</u> <u>2005</u>	<u>2004 / 2005</u>
<i>Cash From Operations</i>	<i>\$2.9B</i>	<i>≥ \$3.0B</i>	<i>≥ \$5.9B</i>
<i>Capital Expenditures</i>	<i>.8B</i>	<i>~ .9B</i>	<i>~ 1.7B</i>

Return on Invested Capital (ROIC)

(%)



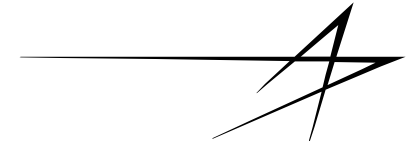
See Chart 18 for Calculation Methodology

**Targeted Improvement*



Appendix

Non-GAAP Measures Definitions



Non-GAAP Financial Measures Disclosure

This presentation contains non-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 generally accepted accounting principles (GAAP).

Our definitions for the non-GAAP measures used in this presentation (see below) may differ from similarly titled measures used by other companies or analysts.

Segment EBIT

Segment Earnings before Interest and Taxes (Segment EBIT), or segment operating profit, represents the total earnings from each of our five business segments before Interest, Taxes and unallocated corporate expense, net. This measure is used by our senior management in evaluating the performance of our business segments. The caption "Unallocated Corp. Expense" reconciles Segment EBIT to consolidated operating profit or earnings before interest and taxes.

Adjusted Net Earnings / Adjusted Earnings Per Share

Lockheed Martin defines adjusted net earnings / adjusted earnings per share as GAAP net earnings / GAAP earnings per share before the impact of the FAS/CAS adjustment, stock option expense, and the effects of discrete or unusual items that are not considered part of management's evaluation of operational and financial performance. Refer to our 2003 Form 10-K and our 2004 year-end earnings release (January 27, 2005) for a description of these items. Refer to Chart 19 for a reconciliation of adjusted net earnings / adjusted earnings per share to corresponding GAAP values.

Free Cash Flow

Lockheed Martin defines Free Cash Flow as GAAP Cash From Operations less Capital Expenditures. This measure is used by our senior management in evaluating the company's ability to generate cash from its core businesses.

Management uses these measures to compare segment performance and for comparisons to other companies within our industry as an alternative to GAAP. These measures also may be helpful to investors in understanding period-over-period financial results separate and apart from items that may, or could, have a disproportionate positive or negative impact on our financial results in any particular period.

Return on Invested Capital Calculation



(\$M)

	<u>2002</u>	<u>2003</u>	<u>2004</u>
<i>Net Income</i>	\$ 500	\$ 1,053	\$ 1,266
<i>Interest Exp x .65</i>	<u>378</u>	<u>317</u>	<u>276</u>
<i>Return</i>	878	1,370	1,542
<i>Debt (Average)</i>	7,492	6,612	5,932
<i>Equity (Average)</i>	<u>6,852</u>	<u>6,170</u>	<u>7,015</u>
<i>Invested Capital</i>	\$ 14,344	\$ 12,782	\$ 12,947

ROIC

6.1%

10.7%

11.9%

We define Return on Invested Capital (ROIC) as net income plus after-tax interest expense divided by average invested capital (shareholders' equity plus debt). Management believes that ROIC provides greater visibility into how effectively Lockheed Martin deploys capital. Management uses ROIC as a target level to help ensure that overall performance is understood and acceptable when capital is invested. ROIC is not a measure of financial performance under generally accepted accounting principles (GAAP), and may not be defined and calculated by other companies in the same manner. ROIC should not be considered in isolation or as an alternative to net income as an indicator of company performance.

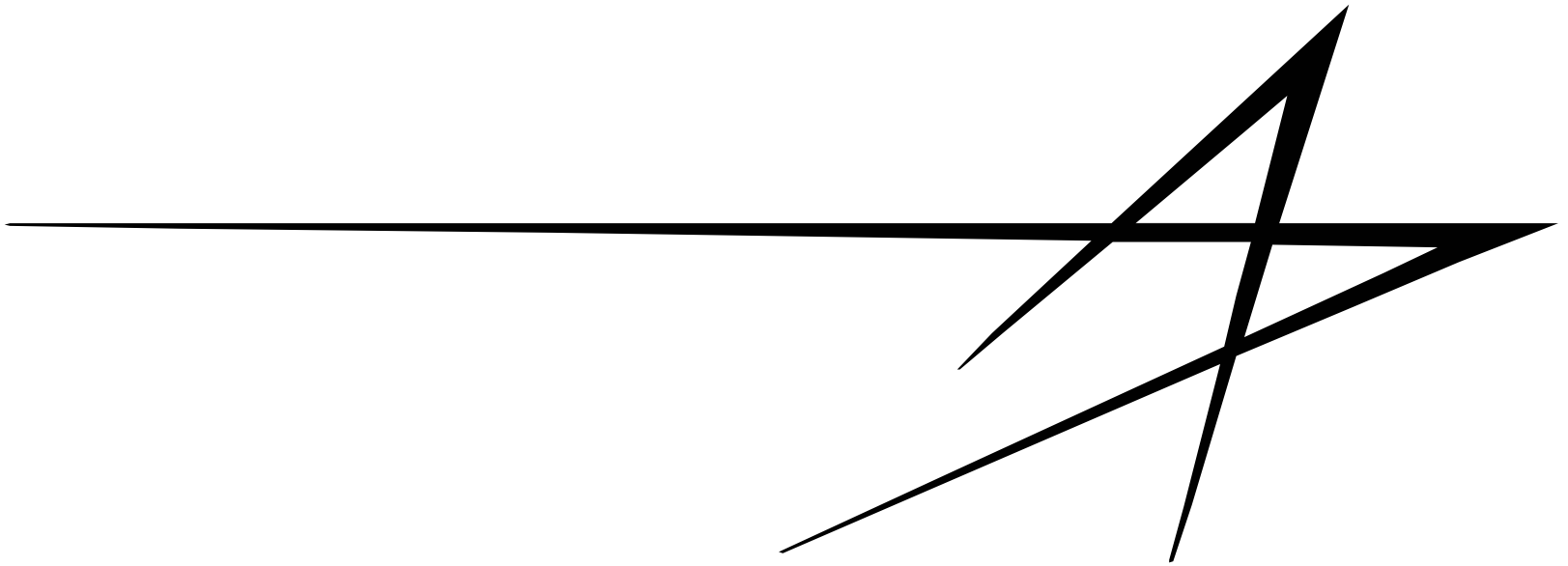
Full Year 2004

(\$M, Except EPS)



	<u>EPS</u>	<u>Net Earnings</u>
GAAP	\$ 2.83	\$ 1,266
<i>Unusual Items</i>	<i>0.02</i>	<i>10</i>
<i>FAS/CAS Adjustment</i>	<i>0.87</i>	<i>387</i>
Adjusted*	\$ 3.72	\$ 1,663

**See Chart 17 for Non-GAAP Measures Definitions*



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