LOCKHEED MARTIN CORP
Form 8-K
October 25, 2005

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of Earliest Event Reported) October 25, 2005

Cash from operations

$893	$1,039	**$3,138**	$2,835

OUTLOOK

The following tables and other sections of this press release contain forward-looking statements, which are based on the Corporation s current expectations. Actual results may differ materially from those projected. See the Forward-Looking Statements discussion contained in this press release.

2005 OUTLOOK

(In millions, except per share data and percentages)

	2005 Projections	
	Current Update	July 2005
Net sales	**$37,000 - $37,500**	$36,500 - $38,000

LOCKHEED MARTIN CORPORATION

(Exact name of registrant as specified in its charter)

Maryland	**1-11437**	<="#000000">
Operating profit:		
	$3,350 - $3,400	$3,300 - $3,400

Segment operating profit		
Unallocated corporate expense, net:		
FAS/CAS pension adjustment	approx. (630)	approx. (630)
Unusual items	143	58
Other	12 37	(8) 17
	$2,875 - $2,950	$2,725 - $2,825
Diluted earnings per share	**$3.85 - $3.95**	$3.60 - $3.75
Cash from operations	**≥ $3,200**	At least $3,000
Return on invested capital (ROIC)*	**≥ 15.0%**	> 14.0%

* See Non-GAAP Performance Measures on page 11 for ROIC definition and calculation.

The increase in projected 2005 diluted earnings per share was primarily driven by an unusual gain of $0.12 per share from the sale of approximately 16 million shares of

Inmarsat stock. This stock sale was consummated in October, and the gain will be reflected in the Corporation s fourth quarter results.

2006 OUTLOOK

(In millions, except per share data and percentages)

	2006 Projection
Net sales	**$ 38,000 - $39,500**
Operating profit:	
Segment operating profit	$3,500 - $3,650
Unallocated corporate expense, net:	
FAS/CAS pension adjustment	approx. (450)
Unusual items	
Stock compensation expense	approx. (100)
Other	25 50
	$2,975 - $3,150
Diluted earnings per share	**$4.00 - $4.25**
Cash from operations	**≥ $3,200**
Return on invested capital (ROIC)*	**> 15.0%**

* See Non-GAAP Performance Measures on page 11 for ROIC definition and calculation.

The outlook for 2006 operating profit and earnings per share assumes that the Corporation s 2006 non-cash FAS/CAS pension adjustment will be calculated using a discount rate of 5.5%, and the actual return on plan assets in 2005 will be 5.5%. The 2006 non-cash FAS/CAS pension adjustment will not be finalized until year-end, consistent with the Corporation s pension plan measurement date. The Corporation will update its 2006 outlook, as necessary, when it announces 2005 year-end financial results.

The projected 2006 operating profit includes estimated stock option expense as a result of the Corporation adopting FAS 123R Share-Based Payment prospectively on January 1, 2006. The projected 2006 stock compensation expense includes a combination of stock options and grants of other stock-based incentive awards.

It is the Corporation s practice not to incorporate adjustments to its outlook and projections for proposed acquisitions, divestitures or other unusual activities until such transactions have been consummated.

YEAR-TO-DATE RESULTS

Net sales for the nine months ended September 30, 2005 were $27.0 billion, a 6% increase over the $25.6 billion recorded in the comparable 2004 period.

Net earnings for the nine months ended September 30, 2005 were $1.3 billion ($2.81 per share) compared to $894 million ($2.00 per share) in 2004. The 2005 results include the effects of three previously disclosed unusual items: an after-tax gain of $31 million ($0.07 per share) recognized in the first quarter from the sale of the Corporation s Intelsat investment, an after-tax gain of $27 million ($0.06 per share) recognized in the second quarter related to the Corporation s investment in Inmarsat, and an after-tax loss of $19 million ($0.04 per share) recognized in the first quarter related to an impairment in the value of a telecommunications satellite operated by a subsidiary. On a combined basis, these items increased 2005 net earnings by $39 million ($0.09 per share). No unusual items were recognized in the nine months ended September 30, 2004.

CASH FLOW AND LEVERAGE

Cash from operations for the quarter and nine months ended September 30, 2005 was $893 million and $3.1 billion. The Corporation continued to execute its balanced cash deployment strategy during the quarter and nine months ended September 30, 2005 as follows:

- Repurchased 9.3 million of its common shares at a cost of $578 million in the quarter and 14.9 million of its common shares at a cost of $933 million during the nine month period;
- Paid cash dividends of $110 million in the quarter and $332 million for the nine month period;
- Made a discretionary prepayment of $450 million in the second quarter to pre-fund the majority of the anticipated 2006 funding requirements for the Corporation s pension plan trust;
- Paid $410 million in the first quarter to acquire The SYTEX Group, Inc. and STASYS Limited;

Made capital expenditures of $154 million in the quarter and $362 million during the nine month period; and

Retired $37 million of debt in advance of its maturity in the second quarter.

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In September, the Corporation s Board of Directors authorized the repurchase of up to an additional 45 million shares of its common stock, bringing the total shares authorized for repurchase to 88 million under the program. Through September 30, 2005, the Corporation has repurchased 41 million shares of its common stock under the program. The Board of Directors also authorized a 20% increase in the quarterly dividend from $0.25 to $0.30, effective for dividends payable on December 30, 2005.

In October, the Corporation paid approximately $150 million to acquire INSYS Group Limited and Coherent Technologies, Inc. The INSYS acquisition expands the Corporation s commitment in the U.K. and both acquisitions align with the Corporation s strategy of acquiring companies that supplement our competencies, offer access to new customers and provide appropriate financial returns to our shareholders.

The Corporation s ratio of debt-to-total capitalization was 40% at the end of the third quarter compared to 42% at December 31, 2004. At September 30, 2005, the Corporation s cash and short-term investments were $3.6 billion.

SEGMENT RESULTS

The Corporation operates in five principal business segments: Electronic Systems; Integrated Systems & Solutions (IS&S); Information & Technology Services (I&TS); Aeronautics; and Space Systems. The results of Electronic Systems, IS&S and I&TS have been aggregated and reported as the Systems & IT Group due to the common focus on information technology and systems integration and engineering solutions across these segments.

Consistent with the manner in which the Corporation s business segment operating performance is evaluated, unusual items are excluded from segment results and included in Unallocated corporate (expense) income, net. See our 2004 Form 10-K for a description of Unallocated corporate (expense) income, net, including the FAS / CAS pension adjustment.

The following table presents the operating results of the Systems & IT Group, Aeronautics and Space Systems and reconciles these amounts to the Corporation s consolidated financial results.

	3rd Quarter		Year-to-Date	
($ millions)	**2005**	2004	**2005**	2004
Net sales				
Systems & IT Group				
Electronic Systems	**$ 2,493**	$ 2,279	**$ 7,490**	$ 6,619
Integrated Systems & Solutions	**1,051**			

(State or other jurisdiction of Incorporation) **(Commission File Number)** **(IRS Employer Identification No.)**

6801 Rockledge Drive, Bethesda, Maryland
(Address of principal executive offices)

20817
(Zip Code)

(301) 897-6000

(Registrant s telephone number, including area code)

Not Applicable

(Former name or address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

¨ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

¨ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

¨ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

¨ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition.

On October 25, 2005, Lockheed Martin Corporation announced its financial results for the quarter ended September 30, 2005. The press release is furnished as Exhibit 99.1 to this Form. The information furnished pursuant to this Item 2.02, including Exhibit 99.1, shall not be deemed filed for purposes of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933.

Item 9.01. Financial Statements and Exhibits.

Exhibit No.	Description
99.1	Lockheed Martin Corporation Press Release dated October 25, 2005 (earnings release for third quarter ended September 30, 2005).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

LOCKHEED MARTIN CORPORATION

/s/ Martin T. Stanislav

Martin T. Stanislav
Vice President and Controller

October 25, 2005

Exhibit No.	Description
99.1	Lockheed Martin Corporation Press Release dated October 25, 2005 (earnings release for third quarter ended September 30, 2005).