

Lockheed Martin Corporation
Consolidated Statements of Earnings
(unaudited; in millions, except per share data)

	<u>Quarters Ended Dec. 31,</u>		<u>Years Ended Dec. 31,</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Net sales	\$ 11,533	\$ 12,099	\$ 45,358	\$ 47,182
Cost of sales	(10,795)	(11,104)	(41,171)	(42,986)
Gross profit	738	995	4,187	4,196
Other income, net	96	66	318	238
Operating profit	834	1,061	4,505	4,434
Interest expense	(86)	(94)	(350)	(383)
Other non-operating (expense) income, net	(2)	(9)	-	21
Earnings from continuing operations before income taxes	746	958	4,155	4,072
Income tax expense	(258)	(389)	(1,205)	(1,327)
Net earnings from continuing operations	488	569	2,950	2,745
Net earnings from discontinued operations ¹	-	-	31	-
Net earnings	\$ 488	\$ 569	\$ 2,981	\$ 2,745
Effective tax rate	34.6 %	40.6 %	29.0 %	32.6 %
Earnings per common share				
Basic				
Continuing operations	\$ 1.53	\$ 1.76	\$ 9.19	\$ 8.48
Discontinued operations ¹	-	-	0.10	-
Basic earnings per common share	\$ 1.53	\$ 1.76	\$ 9.29	\$ 8.48
Diluted				
Continuing operations	\$ 1.50	\$ 1.73	\$ 9.04	\$ 8.36
Discontinued operations ¹	-	-	0.09	-
Diluted earnings per common share	\$ 1.50	\$ 1.73	\$ 9.13	\$ 8.36
Weighted average shares outstanding				
Basic	319.9	322.7	320.9	323.7
Diluted	326.3	328.0	326.5	328.4
Common shares reported in stockholders' equity at end of period			319	321

¹ Discontinued operations for the year ended Dec. 31, 2013 includes a benefit resulting from the resolution of certain tax matters related to a business previously sold.

Lockheed Martin Corporation
Business Segment Summary Operating Results
(unaudited; in millions)

	Quarters Ended Dec. 31,		% Change	Years Ended Dec. 31,		% Change
	2013	2012		2013	2012	
Net sales						
Aeronautics	\$ 3,898	\$ 4,141	(6) %	\$ 14,123	\$ 14,953	(6) %
Information Systems & Global Solutions	2,101	2,201	(5) %	8,367	8,846	(5) %
Missiles and Fire Control	1,723	1,897	(9) %	7,757	7,457	4 %
Mission Systems and Training	1,855	1,860	- %	7,153	7,579	(6) %
Space Systems	1,956	2,000	(2) %	7,958	8,347	(5) %
Total net sales	\$ 11,533	\$ 12,099	(5) %	\$ 45,358	\$ 47,182	(4) %
Operating profit						
Aeronautics	\$ 414	\$ 445	(7) %	\$ 1,612	\$ 1,699	(5) %
Information Systems & Global Solutions	189	203	(7) %	759	808	(6) %
Missiles and Fire Control	350	272	29 %	1,431	1,256	14 %
Mission Systems and Training	213	187	14 %	905	737	23 %
Space Systems	255	232	10 %	1,045	1,083	(4) %
Total business segment operating profit	1,421	1,339	6 %	5,752	5,583	3 %
Unallocated expenses, net						
FAS/CAS pension adjustment						
FAS pension expense	(487)	(485)		(1,948)	(1,941)	
Less: CAS cost	367	277		1,466	1,111	
FAS/CAS pension expense	(120)	(208)		(482)	(830)	
Special items						
Goodwill impairment charge ¹	(195)	-		(195)	-	
Severance charges ²	(171)	(25)		(201)	(48)	
Stock-based compensation	(39)	(38)		(189)	(167)	
Other, net	(62)	(7)		(180)	(104)	
Total unallocated expenses, net	(587)	(278)	N/M	(1,247)	(1,149)	9 %
Total consolidated operating profit	\$ 834	\$ 1,061	(21) %	\$ 4,505	\$ 4,434	2 %
Operating margins						
Aeronautics	10.6%	10.7%		11.4%	11.4%	
Information Systems & Global Solutions	9.0%	9.2%		9.1%	9.1%	
Missiles and Fire Control	20.3%	14.3%		18.4%	16.8%	
Mission Systems and Training	11.5%	10.1%		12.7%	9.7%	
Space Systems	13.0%	11.6%		13.1%	13.0%	
Total business segment operating margins	12.3%	11.1%		12.7%	11.8%	
Total consolidated operating margins	7.2%	8.8%		9.9%	9.4%	

¹ The Corporation recognized a non-cash goodwill impairment charge related to the Technical Services reporting unit within the Missiles and Fire Control business segment. The charge related to the continuing impact of defense budget reductions and related competitive pressures on the Technical Services business, which typically has smaller customer contracts of a shorter duration.

² Consistent with the Form 8-K filed with the U.S. Securities and Exchange Commission on Nov. 14, 2013, the Corporation recognized severance charges of \$171 million, net of state tax benefits, related to its plan to consolidate certain facilities and reduce its total workforce, of which \$53 million, \$37 million, and \$81 million related to the Corporation's Information Systems & Global Solutions (IS&GS), Mission Systems and Training, and Space Systems business segments. In addition, the Corporation recognized severance charges of \$30 million for a workforce reduction at IS&GS during the first quarter of 2013.

Lockheed Martin Corporation
Consolidated Balance Sheets
(in millions, except par value)

	<u>Dec. 31,</u> <u>2013</u>	<u>Dec. 31,</u> <u>2012</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 2,617	\$ 1,898
Receivables, net	5,834	6,563
Inventories, net	2,977	2,937
Deferred income taxes	1,088	1,269
Other current assets	813	1,188
Total current assets	<u>13,329</u>	<u>13,855</u>
Property, plant, and equipment, net	4,706	4,675
Goodwill	10,348	10,370
Deferred income taxes	2,850	4,809
Other noncurrent assets	4,955	4,948
Total assets	<u>\$ 36,188</u>	<u>\$ 38,657</u>
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	\$ 1,397	\$ 2,038
Customer advances and amounts in excess of costs incurred	6,349	6,503
Salaries, benefits, and payroll taxes	1,809	1,649
Current portion of long-term debt	-	150
Other current liabilities	1,565	1,815
Total current liabilities	<u>11,120</u>	<u>12,155</u>
Accrued pension liabilities	9,361	15,278
Other postretirement benefit liabilities	902	1,220
Long-term debt, net	6,152	6,158
Other noncurrent liabilities	3,735	3,807
Total liabilities	<u>31,270</u>	<u>38,618</u>
Stockholders' equity		
Common stock, \$1 par value per share	319	321
Additional paid-in capital	-	-
Retained earnings	14,200	13,211
Accumulated other comprehensive loss	(9,601)	(13,493)
Total stockholders' equity	<u>4,918</u>	<u>39</u>
Total liabilities and stockholders' equity	<u>\$ 36,188</u>	<u>\$ 38,657</u>

Lockheed Martin Corporation
Consolidated Statements of Cash Flows
(unaudited; in millions)

	<u>Years Ended Dec. 31,</u>	
	<u>2013</u>	<u>2012</u>
Operating activities		
Net earnings	\$ 2,981	\$ 2,745
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	990	988
Stock-based compensation	189	167
Deferred income taxes	(5)	930
Goodwill impairment charge	195	-
Severance charges	201	48
Changes in operating assets and liabilities:		
Receivables, net	767	(460)
Inventories, net	(60)	(422)
Accounts payable	(647)	(236)
Customer advances and amounts in excess of costs incurred	(158)	57
Postretirement benefit plans	(375)	(1,883)
Income taxes	364	(535)
Other, net	104	162
Net cash provided by operating activities¹	4,546	1,561
Investing activities		
Capital expenditures	(836)	(942)
Acquisitions of businesses and investments in affiliates	(269)	(259)
Other, net	(16)	24
Net cash used for investing activities	(1,121)	(1,177)
Financing activities		
Repurchases of common stock ²	(1,762)	(990)
Proceeds from stock option exercises	827	440
Dividends paid	(1,540)	(1,352)
Repayments of long-term debt	(150)	-
Premium paid on debt exchange	-	(225)
Other, net	(81)	59
Net cash used for financing activities	(2,706)	(2,068)
Net change in cash and cash equivalents	719	(1,684)
Cash and cash equivalents at beginning of period	1,898	3,582
Cash and cash equivalents at end of period	\$ 2,617	\$ 1,898

¹ The Corporation made contributions to its pension trust of \$2.25 billion and \$3.6 billion during the year ended Dec. 31, 2013 and 2012, respectively.

² During 2013, the Corporation paid \$1.8 billion to repurchase 16.2 million shares of its common stock. This includes a portion of shares committed to be repurchased in the fourth quarter of 2012 which settled in cash during the first quarter of 2013. The Corporation reduced stockholders' equity by \$1.7 billion, which represents the 16.0 million shares of common stock repurchases the Corporation committed to during 2013.

Lockheed Martin Corporation
Consolidated Statement of Stockholders' Equity
(unaudited; in millions)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance at Dec. 31, 2012	\$ 321	\$ -	\$ 13,211	\$ (13,493)	\$ 39
Net earnings	-	-	2,981	-	2,981
Other comprehensive income, net of tax ¹	-	-	-	3,892	3,892
Repurchases of common stock ²	(16)	(1,294)	(434)	-	(1,744)
Dividends declared ³	-	-	(1,558)	-	(1,558)
Stock-based awards and ESOP activity	14	1,294	-	-	1,308
Balance at Dec. 31, 2013	<u>\$ 319</u>	<u>\$ -</u>	<u>\$ 14,200</u>	<u>\$ (9,601)</u>	<u>\$ 4,918</u>

¹ At Dec. 31, 2013, the Corporation recognized a non-cash, after-tax increase to stockholders' equity of \$2.9 billion, as a result of the year-end measurement of the funded status of its postretirement benefit plans. This increase primarily was due to a higher discount rate at Dec. 31, 2013 of 4.75% as compared to 4.00% at Dec. 31, 2012. In addition to the year-end measurement increase, there was a \$1.0 billion recognition of previously deferred amounts.

² The Corporation reduced stockholders' equity by \$1.7 billion, which represents the 16.0 million shares of common stock repurchases the Corporation committed to during 2013.

³ Includes dividends declared of \$1.15 per share for each of the first, second, and third quarters of 2013 and dividends declared of \$1.33 per share for the fourth quarter of 2013.

Lockheed Martin Corporation
Operating Data
(unaudited; in millions, except aircraft deliveries)

	Dec. 31, 2013	Dec. 31, 2012
Backlog		
Aeronautics	\$ 28,000	\$ 30,100
Information Systems & Global Solutions	8,300	8,700
Missiles and Fire Control	15,000	14,700
Mission Systems and Training	10,800	10,700
Space Systems	20,500	18,100
Total backlog	\$ 82,600	\$ 82,300

	Quarters Ended Dec. 31,		Years Ended Dec. 31,	
Aircraft Deliveries	2013	2012	2013	2012
F-16	4	8	13	37
F-22	-	-	-	8
F-35	13	13	35	30
C-130J	6	9	25	34
C-5M	4	2	6	4