

LOCKHEED MARTIN CORPORATION
Consolidated Statements of Earnings ^(a)
(unaudited; in millions, except per share data)

	Quarter Ended Dec. 31,		Year Ended Dec. 31,	
	2011	2010	2011	2010
Net sales	\$ 12,211	\$ 12,761	\$ 46,499	\$ 45,671
Cost of sales	(11,223)	(11,704)	(42,795)	(41,883)
Gross profit	988	1,057	3,704	3,788
Other income, net	94	58	276	261
Operating profit	1,082	1,115	3,980	4,049
Interest expense	(96)	(87)	(354)	(345)
Other non-operating income (expense), net	(20)	28	5	74
Earnings from continuing operations before income taxes	966	1,056	3,631	3,778
Income tax expense	(268)	(235)	(964)	(1,164)
Net earnings from continuing operations	698	821	2,667	2,614
Net earnings (loss) from discontinued operations ^(b)	(15)	140	(12)	264
Net earnings	<u>\$ 683</u>	<u>\$ 961</u>	<u>\$ 2,655</u>	<u>\$ 2,878</u>
Effective tax rate	<u>27.7%</u>	<u>22.3%</u>	<u>26.5%</u>	<u>30.8%</u>
Earnings (loss) per common share				
Basic				
Continuing operations	\$ 2.16	\$ 2.31	\$ 7.94	\$ 7.18
Discontinued operations	(0.04)	0.39	(0.04)	0.72
Basic earnings per common share	<u>\$ 2.12</u>	<u>\$ 2.70</u>	<u>\$ 7.90</u>	<u>\$ 7.90</u>
Diluted				
Continuing operations	\$ 2.14	\$ 2.28	\$ 7.85	\$ 7.10
Discontinued operations	(0.05)	0.39	(0.04)	0.71
Diluted earnings per common share	<u>\$ 2.09</u>	<u>\$ 2.67</u>	<u>\$ 7.81</u>	<u>\$ 7.81</u>
Average number of shares outstanding				
Basic	322.5	355.8	335.9	364.2
Diluted	326.7	359.7	339.9	368.3
Common shares reported in stockholders' equity at end of period			321.1	345.9

^(a) As previously disclosed, the Corporation changed its methodology for recognizing net sales for service contracts with the U.S. Government effective Jan. 1, 2011. The Corporation now recognizes sales on those contracts using the preferable percentage-of-completion (POC) method consistent with its accounting for product sales and others in the industry. All prior periods presented herein have been adjusted for this immaterial change.

^(b) Discontinued operations include the operating results of Savi Technology, Inc. (Savi) for all periods presented, Pacific Architects and Engineers, Inc. (PAE) for 2010 and through the date of its sale on April 4, 2011, and those of Enterprise Integration Group for 2010, through the date of its sale on Nov. 22, 2010, as well as other immaterial items.

LOCKHEED MARTIN CORPORATION

Segment Net Sales, Operating Profit and Margins ^(a)
(unaudited; in millions)

	Quarter Ended Dec. 31,			Year Ended Dec. 31,		
	2011	2010	% Change	2011	2010	% Change
Net sales						
Aeronautics	\$ 3,855	\$ 3,830	1 %	\$ 14,362	\$ 13,109	10 %
Electronic Systems	3,697	4,011	(8)	14,622	14,399	2
Information Systems & Global Solutions	2,548	2,640	(3)	9,381	9,921	(5)
Space Systems	2,111	2,280	(7)	8,134	8,242	(1)
Total	\$ 12,211	\$ 12,761	(4) %	\$ 46,499	\$ 45,671	2 %
Operating profit						
Aeronautics	\$ 461	\$ 414	11 %	\$ 1,630	\$ 1,498	9 %
Electronic Systems	431	490	(12)	1,788	1,748	2
Information Systems & Global Solutions	254	199	28	874	814	7
Space Systems	258	279	(8)	989	968	2
Total business segments	1,404	1,382	2	5,281	5,028	5
Unallocated corporate expense, net	(322)	(267)	(21)	(1,301)	(979)	(33)
Total	\$ 1,082	\$ 1,115	(3) %	\$ 3,980	\$ 4,049	(2) %
Margins						
Aeronautics	12.0 %	10.8 %		11.3 %	11.4 %	
Electronic Systems	11.7	12.2		12.2	12.1	
Information Systems & Global Solutions	10.0	7.5		9.3	8.2	
Space Systems	12.2	12.2		12.2	11.7	
Total business segments	11.5	10.8		11.4	11.0	
Total consolidated	8.9 %	8.7 %		8.6 %	8.9 %	

^(a) During the quarter ended Dec. 31, 2011, the Corporation realigned an immaterial supply chain services business from the Aeronautics business segment to the Electronic Systems business segment. As a result, the segment financial statements have been adjusted to reflect this transfer for all periods presented.

LOCKHEED MARTIN CORPORATION
Selected Financial Data
(unaudited; in millions, except per share data)

	<u>Quarter Ended Dec. 31,</u>		<u>Year Ended Dec. 31,</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<u>Unallocated corporate expense, net</u>				
FAS/CAS pension adjustment				
FAS pension expense	\$ (455)	\$ (370)	\$ (1,821)	\$ (1,442)
Less: CAS expense	(225)	(247)	(899)	(988)
FAS/CAS pension adjustment - expense	(230)	(123)	(922)	(454)
Special items - severance and other charges	-	(42)	(136)	(220)
Stock compensation expense and other, net	(92)	(102)	(243)	(305)
Total	\$ (322)	\$ (267)	\$ (1,301)	\$ (979)

	<u>Quarter Ended Dec. 31, 2011</u>			<u>Year Ended Dec. 31, 2011</u>		
	<u>Operating profit</u>	<u>Net earnings</u>	<u>Earnings per share</u>	<u>Operating profit</u>	<u>Net earnings</u>	<u>Earnings per share</u>
<u>Special Items - 2011</u>						
Severance charges	\$ -	\$ -	\$ -	\$ (136)	\$ (88)	\$ (0.26)
Resolution of certain adjustments related to tax years 2003-2008	-	-	-	-	89	0.26
Total	\$ -	\$ -	\$ -	\$ (136)	\$ 1	\$ -

	<u>Quarter Ended Dec. 31, 2010</u>			<u>Year Ended Dec. 31, 2010</u>		
	<u>Operating profit</u>	<u>Net earnings</u>	<u>Earnings per share</u>	<u>Operating profit</u>	<u>Net earnings</u>	<u>Earnings per share</u>
<u>Special Items - 2010</u>						
Facility consolidation	\$ (42)	\$ (27)	\$ (0.08)	\$ (42)	\$ (27)	\$ (0.07)
Voluntary Executive Separation Program Charge	-	-	-	(178)	(116)	(0.31)
Elimination of Medicare Part D deferred tax assets	-	-	-	-	(96)	(0.26)
Total	\$ (42)	\$ (27)	\$ (0.08)	\$ (220)	\$ (239)	\$ (0.64)

LOCKHEED MARTIN CORPORATION
Consolidated Balance Sheets
(unaudited; in millions, except per share data)

	<u>Dec. 31, 2011</u>	<u>Dec. 31, 2010</u>
<u>Assets</u>		
Current assets		
Cash and cash equivalents	\$ 3,582	\$ 2,261
Short-term investments	3	516
Receivables, net	6,064	5,692
Inventories	2,481	2,363
Deferred income taxes	1,339	1,147
Other current assets	625	518
Assets of discontinued operation held for sale	-	396
Total current assets	<u>14,094</u>	<u>12,893</u>
Property, plant and equipment, net	4,611	4,554
Goodwill	10,148	9,605
Deferred income taxes	4,388	3,485
Other assets	4,667	4,576
Total assets	<u>\$ 37,908</u>	<u>\$ 35,113</u>
<u>Liabilities and Stockholders' Equity</u>		
Current liabilities		
Accounts payable	\$ 2,269	\$ 1,627
Customer advances and amounts in excess of costs incurred	6,399	5,890
Salaries, benefits and payroll taxes	1,664	1,870
Other current liabilities	1,798	1,810
Liabilities of discontinued operation held for sale	-	204
Total current liabilities	<u>12,130</u>	<u>11,401</u>
Long-term debt, net	6,460	5,019
Accrued pension liabilities	13,502	10,607
Other postretirement benefit liabilities	1,274	1,213
Other liabilities	3,541	3,376
Total liabilities	<u>36,907</u>	<u>31,616</u>
Stockholders' equity		
Common stock, \$1 par value per share	321	346
Additional paid-in capital	-	-
Retained earnings	11,937	12,161
Accumulated other comprehensive loss	(11,257)	(9,010)
Total stockholders' equity	<u>1,001</u>	<u>3,497</u>
Total liabilities and stockholders' equity	<u>\$ 37,908</u>	<u>\$ 35,113</u>

LOCKHEED MARTIN CORPORATION
Consolidated Statements of Cash Flows
(unaudited; in millions)

	<u>Year Ended Dec. 31,</u>	
	<u>2011</u>	<u>2010</u>
<u>Operating Activities</u>		
Net earnings	\$ 2,655	\$ 2,878
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation and amortization	797	841
Stock-based compensation	141	168
Deferred income taxes	(2)	452
Reduction in tax expense from resolution of certain tax matters	(89)	-
Tax expense related to Medicare Part D reimbursement	-	96
Net adjustments related to discontinued operations	(81)	(257)
Changes in assets and liabilities		
Receivables, net	(363)	3
Inventories	(74)	(207)
Accounts payable	609	(364)
Customer advances and amounts in excess of costs incurred	502	706
Postretirement benefit plans	(393)	(1,027)
Income taxes	304	60
Other, net	247	452
Net cash provided by operating activities ^(a)	<u>4,253</u>	<u>3,801</u>
<u>Investing Activities</u>		
Expenditures for property, plant and equipment	(814)	(820)
Expenditures for capitalized internal-use software ^(a)	(173)	(254)
Net cash provided by (used for) short-term investment transactions	510	(171)
Net proceeds from sale of EIG	-	798
Acquisitions of businesses / investments in affiliates	(649)	(148)
Other, net	313	22
Net cash used for investing activities	<u>(813)</u>	<u>(573)</u>
<u>Financing Activities</u>		
Repurchases of common stock	(2,465)	(2,420)
Common stock dividends	(1,095)	(969)
Issuance of long-term debt, net of related costs	1,980	-
Repayments of long-term debt	(632)	-
Other, net	93	31
Net cash used for financing activities	<u>(2,119)</u>	<u>(3,358)</u>
Net increase (decrease) in cash and cash equivalents	1,321	(130)
Cash and cash equivalents at beginning of year	2,261	2,391
Cash and cash equivalents at end of year	<u>\$ 3,582</u>	<u>\$ 2,261</u>

^(a) During the quarter ended Dec. 31, 2011, the Corporation revised the classification of expenditures associated with the development or purchase of internal-use software from operating cash flows to investing cash flows. Cash flows for all periods presented have been adjusted for this change.

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, 2010	\$ 346	\$ -	\$ 12,372	\$ (9,010)	\$ 3,708
Cumulative effect of a change in accounting principle ^(a)	-	-	(211)	-	(211)
Balance at Dec. 31, 2010, as adjusted	346	-	12,161	(9,010)	3,497
Net earnings	-	-	2,655	-	2,655
Repurchases of common stock ^(b)	(32)	(589)	(1,781)	-	(2,402)
Common stock dividends declared ^(c)	-	-	(1,098)	-	(1,098)
Stock-based awards and ESOP activity	7	589	-	-	596
Other comprehensive loss ^(d)	-	-	-	(2,247)	(2,247)
Balance at Dec. 31, 2011	<u>\$ 321</u>	<u>\$ -</u>	<u>\$ 11,937</u>	<u>\$ (11,257)</u>	<u>\$ 1,001</u>

^(a) As previously disclosed, the Corporation changed its methodology for recognizing net sales for service contracts with the U.S. Government effective Jan. 1, 2011. The Corporation now recognizes sales on those contracts using the preferable percentage-of-completion (POC) method consistent with its accounting for product sales and others in the industry. All prior periods presented have been adjusted for this immaterial change.

^(b) The Corporation repurchased 1.9 million shares for \$139 million in the quarter ended Dec. 31, 2011. For the year ended Dec. 31, 2011, the Corporation repurchased 31.8 million shares for \$2.4 billion. In the third quarter of 2011, the Corporation's Board of Directors authorized an additional \$3.5 billion for share repurchases, bringing the total authorized amount under the program to \$6.5 billion. As of Dec. 31, 2011, the Corporation had repurchased a total of 43.0 million shares under the program for \$3.2 billion, and there remained \$3.3 billion authorized for additional share repurchases.

^(c) Includes dividends of \$0.75 per share declared and paid in the first, second and third quarters and a dividend of \$1.00 declared and paid in the fourth quarter.

^(d) At Dec. 31, 2011, the Corporation recognized a non-cash, after-tax reduction to stockholders' equity of \$2.9 billion, as a result of the required remeasurement of its postretirement benefit plans. The decrease primarily was due to a lower discount rate at Dec. 31, 2011 of 4.75% as compared to 5.50% at Dec. 31, 2010.

LOCKHEED MARTIN CORPORATION
Operating Data
(unaudited)

	<u>Dec. 31, 2011</u>	<u>Dec. 31, 2010</u>
	(in millions)	
<u>Backlog</u>		
Aeronautics	\$ 30,500	\$ 27,500
Electronic Systems	24,900	23,400
Information Systems & Global Solutions	9,300	9,700
Space Systems	16,000	17,800
Total	<u>\$ 80,700</u>	<u>\$ 78,400</u>

	<u>Quarter Ended Dec. 31,</u>		<u>Year Ended Dec. 31,</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<u>Aircraft Deliveries</u>				
F-16	5	3	22	20
F-22	6	7	14	20
F-35	2	-	9	-
C-130J	7	9	33	25
C-5M	-	1	2	1