

Lockheed Martin Corporation
Consolidated Statements of Earnings¹
(unaudited; in millions, except per share data)

	Quarters Ended		Nine Months Ended	
	Sept. 29, 2013	Sept. 30, 2012	Sept. 29, 2013	Sept. 30, 2012
Net sales	\$ 11,347	\$ 11,869	\$ 33,825	\$ 35,083
Cost of sales	(10,163)	(10,849)	(30,376)	(31,882)
Gross profit	<u>1,184</u>	<u>1,020</u>	<u>3,449</u>	<u>3,201</u>
Other income, net	<u>70</u>	<u>117</u>	<u>222</u>	<u>172</u>
Operating profit	1,254	1,137	3,671	3,373
Interest expense	<u>(84)</u>	<u>(97)</u>	<u>(264)</u>	<u>(289)</u>
Other non-operating income, net	<u>3</u>	<u>6</u>	<u>2</u>	<u>30</u>
Earnings from continuing operations before income taxes	<u>1,173</u>	<u>1,046</u>	<u>3,409</u>	<u>3,114</u>
Income tax expense	<u>(331)</u>	<u>(319)</u>	<u>(947)</u>	<u>(938)</u>
Net earnings from continuing operations	<u>842</u>	<u>727</u>	<u>2,462</u>	<u>2,176</u>
Net earnings from discontinued operations ²	<u>31</u>	<u>-</u>	<u>31</u>	<u>-</u>
Net earnings	<u>\$ 873</u>	<u>\$ 727</u>	<u>\$ 2,493</u>	<u>\$ 2,176</u>
Effective tax rate	<u>28.2 %</u>	<u>30.5 %</u>	<u>27.8 %</u>	<u>30.1 %</u>
Earnings per common share				
Basic				
Continuing operations	<u>\$ 2.62</u>	<u>\$ 2.25</u>	<u>\$ 7.66</u>	<u>\$ 6.72</u>
Discontinued operations	<u>0.10</u>	<u>-</u>	<u>0.10</u>	<u>-</u>
Basic earnings per common share	<u><u>\$ 2.72</u></u>	<u><u>\$ 2.25</u></u>	<u><u>\$ 7.76</u></u>	<u><u>\$ 6.72</u></u>
Diluted				
Continuing operations	<u>\$ 2.57</u>	<u>\$ 2.21</u>	<u>\$ 7.54</u>	<u>\$ 6.62</u>
Discontinued operations	<u>0.09</u>	<u>-</u>	<u>0.09</u>	<u>-</u>
Diluted earnings per common share	<u><u>\$ 2.66</u></u>	<u><u>\$ 2.21</u></u>	<u><u>\$ 7.63</u></u>	<u><u>\$ 6.62</u></u>
Weighted average shares outstanding				
Basic	321.3	323.5	321.3	324.0
Diluted	327.5	328.3	326.6	328.6

Common shares reported in stockholders' equity at end of period

318 321

¹ The Corporation closes its books and records on the last Sunday of the calendar quarter to align its financial closing with its business processes, which was on Sept. 29 for the third quarter of 2013 and Sept. 30 for the third quarter of 2012. The consolidated financial statements and tables of financial information included herein are labeled based on that convention. This practice only affects interim periods, as the Corporation's fiscal year ends on Dec. 31.

² Discontinued operations for the quarter and nine months ended September 29, 2013 include 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			Nine Months Ended		
	Sept. 29, 2013	Sept. 30, 2012	% Change	Sept. 29, 2013	Sept. 30, 2012	% Change
Net sales						
Aeronautics	\$ 3,632	\$ 3,698	(2) %	\$ 10,225	\$ 10,812	(5) %
Information Systems & Global Solutions	2,059	2,292	(10) %	6,266	6,645	(6) %
Missiles and Fire Control	2,003	1,951	3 %	6,034	5,560	9 %
Mission Systems and Training	1,698	1,862	(9) %	5,298	5,719	(7) %
Space Systems	1,955	2,066	(5) %	6,002	6,347	(5) %
Total net sales	\$ 11,347	\$ 11,869	(4) %	\$ 33,825	\$ 35,083	(4) %
Operating profit						
Aeronautics	\$ 412	\$ 415	(1) %	\$ 1,198	\$ 1,254	(4) %
Information Systems & Global Solutions	187	209	(11) %	570	605	(6) %
Missiles and Fire Control	356	300	19 %	1,081	984	10 %
Mission Systems and Training	216	198	9 %	692	550	26 %
Space Systems	284	312	(9) %	790	851	(7) %
Total business segment operating profit	1,455	1,434	1 %	4,331	4,244	2 %
Unallocated expenses, net						
Non-cash FAS/CAS pension adjustment						
FAS pension expense	(487)	(485)		(1,461)	(1,456)	
Less: CAS expense	366	278		1,099	834	
Non-cash FAS/CAS pension expense	(121)	(207)		(362)	(622)	
Special item - severance charges ¹	-	(23)		(30)	(23)	
Stock-based compensation	(38)	(42)		(150)	(129)	
Other, net	(42)	(25)		(118)	(97)	
Total unallocated expenses, net	(201)	(297)	(32) %	(660)	(871)	(24) %
Total consolidated operating profit	\$ 1,254	\$ 1,137	10 %	\$ 3,671	\$ 3,373	9 %
Operating margins						
Aeronautics	11.3%	11.2%		11.7%	11.6%	
Information Systems & Global Solutions	9.1%	9.1%		9.1%	9.1%	
Missiles and Fire Control	17.8%	15.4%		17.9%	17.7%	
Mission Systems and Training	12.7%	10.6%		13.1%	9.6%	
Space Systems	14.5%	15.1%		13.2%	13.4%	
Total business segment operating margins	12.8%	12.1%		12.8%	12.1%	
Total consolidated operating margins	11.1%	9.6%		10.9%	9.6%	

¹ Severance charges during the first nine months of 2013 consisted of amounts, net of state tax benefits, associated with the elimination of certain positions at the Corporation's Information Systems & Global Solutions business segment during the first quarter of 2013. Severance charges during 2012 consisted of amounts, net of state tax benefits, associated with the elimination of certain positions at the Corporation's former Electronic Systems business segment. Severance charges for initiatives that are not significant are included in business segment operating profit.

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

	<u>Sept. 29, 2013</u>	<u>Dec. 31, 2012</u>
	(unaudited)	
Assets		
Current assets		
Cash and cash equivalents	\$ 2,661	\$ 1,898
Receivables, net	6,919	6,563
Inventories, net	2,920	2,937
Deferred income taxes	1,167	1,269
Other current assets	452	1,188
Total current assets	<u>14,119</u>	<u>13,855</u>
Property, plant, and equipment, net	4,598	4,675
Goodwill	10,534	10,370
Deferred income taxes	4,657	4,809
Other noncurrent assets	4,999	4,948
Total assets	<u>\$ 38,907</u>	<u>\$ 38,657</u>
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	\$ 1,928	\$ 2,038
Customer advances and amounts in excess of costs incurred	6,350	6,503
Salaries, benefits, and payroll taxes	1,737	1,649
Current portion of long-term debt	-	150
Other current liabilities	2,278	1,815
Total current liabilities	<u>12,293</u>	<u>12,155</u>
Accrued pension liabilities	14,135	15,278
Other postretirement benefit liabilities	1,219	1,220
Long-term debt, net	6,156	6,158
Other noncurrent liabilities	3,827	3,807
Total liabilities	<u>37,630</u>	<u>38,618</u>
Stockholders' equity		
Common stock, \$1 par value per share	318	321
Additional paid-in capital	-	-
Retained earnings	13,694	13,211
Accumulated other comprehensive loss	(12,735)	(13,493)
Total stockholders' equity	<u>1,277</u>	<u>39</u>
Total liabilities and stockholders' equity	<u>\$ 38,907</u>	<u>\$ 38,657</u>

Table 3

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

	Nine Months Ended	
	Sept. 29, 2013	Sept. 30, 2012
Operating activities		
Net earnings	\$ 2,493	\$ 2,176
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	704	711
Stock-based compensation	150	129
Special item - severance charges	30	23
Changes in operating assets and liabilities:		
Receivables, net	(310)	(365)
Inventories, net	18	(387)
Accounts payable	(119)	(86)
Customer advances and amounts in excess of costs incurred	(157)	(3)
Postretirement benefit plans	(20)	329
Income taxes	690	48
Other, net	129	301
Net cash provided by operating activities¹	3,608	2,876
Investing activities		
Capital expenditures	(491)	(514)
Acquisitions of businesses and investments in affiliates	(266)	(29)
Other, net	(27)	16
Net cash used for investing activities	(784)	(527)
Financing activities		
Repurchases of common stock ²	(1,533)	(708)
Proceeds from stock option exercises	749	337
Dividends paid	(1,112)	(979)
Repayments of long-term debt	(150)	-
Other, net	(15)	71
Net cash used for financing activities	(2,061)	(1,279)
Net change in cash and cash equivalents	763	1,070
Cash and cash equivalents at beginning of period	1,898	3,582
Cash and cash equivalents at end of period	\$ 2,661	\$ 4,652

¹ The Corporation made contributions to its pension trust of \$750 million and \$1.5 billion during the third quarter and first nine months of 2013, respectively, compared to none and \$1.1 billion during the third quarter and first nine months of 2012, respectively.

² During the first nine months of 2013, the Corporation paid \$1.5 billion to repurchase 14.5 million shares of its common stock. The Corporation reduced stockholders' equity by \$1.6 billion, which represents the 14.7 million shares of common stock repurchases the Corporation committed to during the first nine months of 2013, a portion of which settled in cash during the fourth quarter of 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	-	-	2,493	-	2,493
Other comprehensive income, net of tax ¹	-	-	-	758	758
Repurchases of common stock ²	(15)	(1,097)	(451)	-	(1,563)
Dividends declared ³	-	-	(1,559)	-	(1,559)
Stock-based awards and ESOP activity	12	1,097	-	-	1,109
Balance at Sept. 29, 2013	\$ 318	\$ -	\$ 13,694	\$ (12,735)	\$ 1,277

¹ Primarily represents the reclassification adjustment for the recognition of previously deferred amounts related to postretirement benefit plans of \$761 million.

² The Corporation reduced stockholders' equity by \$1.6 billion, which represents the 14.7 million shares of common stock repurchases the Corporation committed to during the first nine months of 2013. On Sept. 26, 2013, the Corporation's Board of Directors approved a \$3.0 billion increase to its share repurchase program. The Corporation had total remaining authorization of \$3.8 billion for future common share repurchases under its program as of Sept. 29, 2013.

³ Includes dividends of \$1.15 per share declared during each of the first, second, and third quarters of 2013. Additionally, includes dividends of \$1.33 per share declared in the third quarter of 2013 and payable in the fourth quarter of 2013.

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

	<u>Sept. 29, 2013</u>	<u>Dec. 31, 2012</u>
Backlog		
Aeronautics	\$ 29,200	\$ 30,100
Information Systems & Global Solutions	7,700	8,700
Missiles and Fire Control	14,100	14,700
Mission Systems and Training	10,500	10,700
Space Systems	17,200	18,100
Total backlog	<u>\$ 78,700</u>	<u>\$ 82,300</u>

	<u>Quarters Ended</u>		<u>Nine Months Ended</u>	
Aircraft Deliveries	<u>Sept. 29, 2013</u>	<u>Sept. 30, 2012</u>	<u>Sept. 29, 2013</u>	<u>Sept. 30, 2012</u>
F-16	2	6	9	29
F-22	-	-	-	8
F-35	10	12	22	17
C-130J	8	8	19	25
C-5M	1	1	2	2

Table 6