

LOCKHEED MARTIN CORPORATION
Consolidated Condensed Statement of Earnings
Unaudited
(In millions, except per share data and percentages)

	<u>QUARTER ENDED</u>		<u>YEAR ENDED</u>	
	<u>December 31, 2008</u>	<u>December 31, 2007</u>	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Net sales	\$ 11,132	\$ 10,841	\$ 42,731	\$ 41,862
Cost of sales	<u>9,865</u>	<u>9,717</u>	<u>38,082</u>	<u>37,628</u>
	1,267	1,124	4,649	4,234
Other income (expense), net	<u>81</u>	<u>91</u>	<u>482</u>	<u>293</u>
Operating profit	1,348	1,215	5,131	4,527
Interest expense	77	87	341	352
Other non-operating (expense) income, net	<u>(102)</u>	<u>54</u>	<u>(88)</u>	<u>193</u>
Earnings before income taxes	1,169	1,182	4,702	4,368
Income tax expense	<u>346</u>	<u>383</u>	<u>1,485</u>	<u>1,335</u>
Net earnings	<u>\$ 823</u>	<u>\$ 799</u>	<u>\$ 3,217</u>	<u>\$ 3,033</u>
Effective tax rate	<u>29.6%</u>	<u>32.4%</u>	<u>31.6%</u>	<u>30.6%</u>
Earnings per common share:				
Basic	\$2.08	\$1.94	\$8.05	\$7.29
Diluted	\$2.05	\$1.89	\$7.86	\$7.10
Average number of shares outstanding:				
Basic	395.8	412.3	399.7	416.0
Diluted	400.7	423.4	409.4	427.1
Common shares reported in stockholders' equity at quarter end:			392.7	409.4

LOCKHEED MARTIN CORPORATION

Net Sales, Operating Profit and Margins

Unaudited

(In millions, except percentages)

	QUARTER ENDED			YEAR ENDED		
	December 31, 2008	December 31, 2007	% Change	December 31, 2008	December 31, 2007	% Change
Net sales						
Electronic Systems	\$ 2,934	\$ 2,874	2 %	\$ 11,620	\$ 11,143	4 %
Information Systems & Global Services	3,299	2,835	16	11,611	10,213	14
Aeronautics	2,865	3,004	(5)	11,473	12,303	(7)
Space Systems	2,034	2,128	(4)	8,027	8,203	(2)
Total net sales	\$ 11,132	\$ 10,841	3 %	\$ 42,731	\$ 41,862	2 %
Operating profit						
Electronic Systems	\$ 369	\$ 360	3 %	\$ 1,508	\$ 1,410	7 %
Information Systems & Global Services	307	275	12	1,076	949	13
Aeronautics	369	385	(4)	1,433	1,476	(3)
Space Systems	210	236	(11)	953	856	11
<i>Segment operating profit</i>	1,255	1,256	-	4,970	4,691	6
Unallocated corporate income (expense) , net	93	(41)		161	(164)	
	\$ 1,348	\$ 1,215	11 %	\$ 5,131	\$ 4,527	13 %
Margins:						
Electronic Systems	12.6 %	12.5 %		13.0 %	12.7 %	
Information Systems & Global Services	9.3	9.7		9.3	9.3	
Aeronautics	12.9	12.8		12.5	12.0	
Space Systems	10.3	11.1		11.9	10.4	
Total operating segments	11.3 %	11.6 %		11.6 %	11.2 %	
Total consolidated	12.1 %	11.2 %		12.0 %	10.8 %	

LOCKHEED MARTIN CORPORATION
Selected Financial Data
Unaudited
(In millions, except per share data)

	<u>QUARTER ENDED</u>		<u>YEAR ENDED</u>	
	<u>December 31, 2008</u>	<u>December 31, 2007</u>	<u>December 31, 2008</u>	<u>December 31, 2007</u>
<u>Unallocated corporate income (expense), net</u>				
FAS/CAS pension adjustment	\$ 32	\$ (12)	\$ 128	\$ (58)
Stock compensation expense	(40)	(33)	(155)	(149)
Unusual items, net	48	-	193	71
Other, net	53	4	(5)	(28)
Unallocated corporate income (expense) , net	\$ 93	\$ (41)	\$ 161	\$ (164)

	<u>QUARTER ENDED</u>		<u>YEAR ENDED</u>	
	<u>December 31, 2008</u>	<u>December 31, 2007</u>	<u>December 31, 2008</u>	<u>December 31, 2007</u>
<u>FAS/CAS pension adjustment</u>				
FAS 87 expense	\$ (115)	\$ (169)	\$ (462)	\$ (687)
Less: CAS costs	(147)	(157)	(590)	(629)
FAS/CAS pension adjustment - income (expense)	\$ 32	\$ (12)	\$ 128	\$ (58)

	<u>QUARTER ENDED DECEMBER 31, 2008</u>			<u>YEAR ENDED DECEMBER 31, 2008</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>Unusual Items - 2008</u>						
ILS/LKEI deferred gain	\$ 48	\$ 32	\$ 0.08	\$ 108	\$ 70	\$ 0.17
Earnings associated with prior years' land sales	-	-	-	85	56	0.14
	\$ 48	\$ 32	\$ 0.08	\$ 193	\$ 126	\$ 0.31

	<u>QUARTER ENDED DECEMBER 31, 2007</u>			<u>YEAR ENDED DECEMBER 31, 2007</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>Unusual Items - 2007</u>						
Gain on sale of interest in Comsat International	\$ -	\$ -	\$ -	\$ 25	\$ 16	\$ 0.04
Gain on sale of surplus land	-	-	-	25	16	0.04
Earnings from reversal of legal reserves	-	-	-	21	14	0.03
Benefit from closure of an IRS audit	-	-	-	-	59	0.14
	\$ -	\$ -	\$ -	\$ 71	\$ 105	\$ 0.25

LOCKHEED MARTIN CORPORATION

Selected Financial Data

Unaudited

(In millions)

	QUARTER ENDED		YEAR ENDED	
	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007
<u>Depreciation and amortization of plant and equipment</u>				
Electronic Systems	\$ 63	\$ 77	\$ 252	\$ 227
Information Systems & Global Services	17	16	66	68
Aeronautics	53	60	190	181
Space Systems	57	46	166	136
Segments	190	199	674	612
Unallocated corporate expense, net	15	13	53	54
Total depreciation and amortization	\$ 205	\$ 212	\$ 727	\$ 666

	QUARTER ENDED		YEAR ENDED	
	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007
<u>Amortization of purchased intangibles</u>				
Electronic Systems	\$ 2	\$ 5	\$ 10	\$ 27
Information Systems & Global Services	11	13	44	55
Aeronautics	12	12	50	50
Space Systems	2	3	5	9
Segments	27	33	109	141
Unallocated corporate expense, net	1	3	9	12
Total amortization of purchased intangibles	\$ 28	\$ 36	\$ 118	\$ 153

LOCKHEED MARTIN CORPORATION
Consolidated Condensed Balance Sheet
Unaudited
(In millions)

	<u>December 31,</u> <u>2008</u>	<u>DECEMBER 31,</u> <u>2007</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 2,168	\$ 2,648
Short-term investments	61	333
Receivables	5,296	4,925
Inventories	1,902	1,718
Deferred income taxes	755	756
Other current assets	500	560
Total current assets	<u>10,682</u>	<u>10,940</u>
Property, plant and equipment, net	4,488	4,320
Goodwill	9,526	9,387
Purchased intangibles, net	355	463
Prepaid pension asset	122	313
Deferred income taxes	4,651	760
Other assets	3,610	2,743
Total assets	<u><u>\$ 33,434</u></u>	<u><u>\$ 28,926</u></u>
<u>Liabilities and Stockholders' Equity</u>		
Accounts payable	\$ 2,013	\$ 2,163
Customer advances and amounts in excess of costs incurred	4,535	4,212
Current maturities of long-term debt	242	104
Other accrued expenses	3,734	3,549
Total current liabilities	<u>10,524</u>	<u>10,028</u>
Long-term debt, net	3,563	4,303
Accrued pension liabilities	12,004	1,192
Other postretirement and other noncurrent liabilities	4,478	3,598
Stockholders' equity	2,865	9,805
Total liabilities and stockholders' equity	<u><u>\$ 33,434</u></u>	<u><u>\$ 28,926</u></u>
Total debt-to-capitalization ratio:	<u><u>57%</u></u>	<u><u>31%</u></u>

LOCKHEED MARTIN CORPORATION
Consolidated Condensed Statement of Cash Flows
Unaudited
(In millions)

	YEAR ENDED	
	December 31, 2008	December 31, 2007
<u>Operating Activities</u>		
Net earnings	\$ 3,217	\$ 3,033
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	727	666
Amortization of purchased intangibles	118	153
Stock-based compensation	155	149
Excess tax benefit on stock compensation	(92)	(124)
Changes in operating assets and liabilities:		
Receivables	(333)	(324)
Inventories	(183)	(57)
Accounts payable	(159)	(66)
Customer advances and amounts in excess of costs incurred	313	394
Other	658	414
Net cash provided by operating activities (a)	4,421	4,238
<u>Investing Activities</u>		
Expenditures for property, plant and equipment	(926)	(940)
Sale of short-term investments, net	272	48
Acquisitions of businesses / investments in affiliates	(233)	(337)
Divestiture of investment in affiliate	-	26
Other	(20)	(2)
Net cash used for investing activities	(907)	(1,205)
<u>Financing Activities</u>		
Repurchases of common stock	(2,931)	(2,127)
Issuances of common stock and related amounts	250	350
Excess tax benefit on stock compensation	92	124
Common stock dividends	(737)	(615)
Issuance of long-term debt and related costs	491	-
Repayments of long-term debt	(1,103)	(32)
Net cash used for financing activities	(3,938)	(2,300)
Effect of exchange rate changes on cash (a)	(56)	3
Net (decrease) increase in cash and cash equivalents	(480)	736
Cash and cash equivalents at beginning of period	2,648	1,912
Cash and cash equivalents at end of period	\$ 2,168	\$ 2,648

(a) In the fourth quarter of 2008, the Corporation reclassified the effect of exchange rate changes on cash from "Other" within "Net cash provided by operating activities" to a separate reconciling item in the Consolidated Condensed Statement of Cash Flows. Prior year amounts have been reclassified to conform to this presentation.

LOCKHEED MARTIN CORPORATION
Consolidated Condensed Statement of Stockholders' Equity
Unaudited
(In millions)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance at January 1, 2008	\$ 409	\$ -	\$ 11,247	\$ (1,851)	\$ 9,805
Net earnings			3,217		3,217
Common stock dividends (a)			(737)		(737)
Conversion of debentures	5	58			63
Stock-based awards and ESOP activity	8	738			746
Repurchases of common stock (b)	(29)	(796)	(2,106)		(2,931)
Other comprehensive loss (c)				(7,298)	(7,298)
Balance at December 31, 2008	\$ 393	\$ -	\$ 11,621	\$ (9,149)	\$ 2,865

(a) Includes dividends (\$0.42 per share) declared and paid in the first, second and third quarters and a dividend (\$0.57 per share) paid in the fourth quarter.

(b) The Corporation repurchased 6.7 million shares for \$575 million during the fourth quarter. During the year, the Corporation repurchased 29.0 million shares for \$2.9 billion. The Corporation has 33.7 million shares remaining under its share repurchase program as of the end of 2008.

(c) At December 31, 2008, the Corporation recognized a non-cash, after-tax reduction of stockholders' equity of approximately \$7.25 billion, as a result of the required remeasurement of the pension plans. The decrease was primarily the result of actual return on plan assets in 2008 of (28%) and a lower discount rate at December 31, 2008 of 6.125% compared to 6.375% at December 31, 2007.

LOCKHEED MARTIN CORPORATION

Operating Data

Unaudited

(In millions)

	December 31, 2008	December 31, 2007
<u>Backlog</u>		
Electronic Systems	\$ 22,500	\$ 21,200
Information Systems & Global Services	13,300	11,800
Aeronautics	27,200	26,300
Space Systems	17,900	17,400
Total	\$ 80,900	\$ 76,700

	QUARTER ENDED		YEAR ENDED	
<u>Aircraft Deliveries</u>	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007
F-16	5	9	28	41
F-22	6	7	23	24
C-130J	3	3	12	12