

Lockheed Martin Corporation
Consolidated Statements of Earnings^{1, 2}
(unaudited; in millions, except per share data)

	Quarters Ended		Six Months Ended	
	June 25, 2017	June 26, 2016	June 25, 2017	June 26, 2016
Net sales	\$ 12,685	\$ 11,577	\$ 23,742	\$ 21,945
Cost of sales	(11,260)	(10,347)	(21,164)	(19,620)
Gross profit	1,425	1,230	2,578	2,325
Other income, net	60	145	56	208
Operating profit	1,485	1,375	2,634	2,533
Interest expense	(160)	(165)	(315)	(330)
Other non-operating (expense) income, net	(2)	-	(1)	1
Earnings from continuing operations before income taxes	1,323	1,210	2,318	2,204
Income tax expense	(381)	(311)	(613)	(499)
Net earnings from continuing operations	942	899	1,705	1,705
Net earnings from discontinued operations	-	122	-	214
Net earnings	\$ 942	\$ 1,021	\$ 1,705	\$ 1,919
Effective tax rate	28.8 %	25.7 %	26.4 %	22.6 %
Earnings per common share				
Basic				
Continuing operations	\$ 3.27	\$ 2.97	\$ 5.90	\$ 5.61
Discontinued operations	-	0.40	-	0.71
Basic earnings per common share	\$ 3.27	\$ 3.37	\$ 5.90	\$ 6.32
Diluted				
Continuing operations	\$ 3.23	\$ 2.93	\$ 5.84	\$ 5.54
Discontinued operations	-	0.39	-	0.69
Diluted earnings per common share	\$ 3.23	\$ 3.32	\$ 5.84	\$ 6.23
Weighted average shares outstanding				
Basic	288.5	303.1	289.2	303.8
Diluted	291.2	307.1	292.0	307.9

Common shares reported in stockholders' equity at end of period

286

301

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 June 25 for the second quarter of 2017 and June 26 for the second quarter of 2016. 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 On Aug. 16, 2016, the corporation completed the divestiture of its Information Systems & Global Solutions (IS&GS) business. Accordingly, the operating results of IS&GS have been classified as discontinued operations in the quarter and six months ended June 26, 2016.

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

	Quarters Ended			Six Months Ended		
	June 25, 2017	June 26, 2016	% Change	June 25, 2017	June 26, 2016	% Change
Net sales						
Aeronautics	\$ 5,225	\$ 4,375	19 %	\$ 9,331	\$ 8,174	14 %
Missiles and Fire Control	1,637	1,680	(3) %	3,126	3,114	- %
Rotary and Mission Systems	3,410	3,303	3 %	6,511	6,307	3 %
Space Systems	2,413	2,219	9 %	4,774	4,350	10 %
Total net sales	\$ 12,685	\$ 11,577	10 %	\$ 23,742	\$ 21,945	8 %
Operating profit						
Aeronautics	\$ 550	\$ 478	15 %	\$ 986	\$ 898	10 %
Missiles and Fire Control	268	253	6 %	487	474	3 %
Rotary and Mission Systems	254	202	26 %	362	431	(16) %
Space Systems	256	340	(25) %	544	584	(7) %
Total business segment operating profit	1,328	1,273	4 %	2,379	2,387	- %
Unallocated items						
FAS/CAS pension adjustment	219	222		436	446	
Special item - severance	-	-		-	(80)	
Other, net ¹	(62)	(120)		(181)	(220)	
Total unallocated items	157	102	54 %	255	146	75 %
Total consolidated operating profit	\$ 1,485	\$ 1,375	8 %	\$ 2,634	\$ 2,533	4 %
Operating margins						
Aeronautics	10.5 %	10.9 %		10.6 %	11.0 %	
Missiles and Fire Control	16.4 %	15.1 %		15.6 %	15.2 %	
Rotary and Mission Systems	7.4 %	6.1 %		5.6 %	6.8 %	
Space Systems	10.6 %	15.3 %		11.4 %	13.4 %	
Total business segment operating margins	10.5 %	11.0 %		10.0 %	10.9 %	
Total consolidated operating margins	11.7 %	11.9 %		11.1 %	11.5 %	

¹ On Aug. 16, 2016, the corporation completed the divestiture of its IS&GS business. Accordingly, the operating results of IS&GS have been classified as discontinued operations in the quarter and six months ended June 26, 2016, the corporation reclassified \$30 million of corporate overhead costs incurred in the quarter ended June 26, 2016 from the IS&GS business to other unallocated, net in our consolidated statement of earnings.

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

	<u>June 25, 2017</u>	<u>December 31, 2016</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 2,452	\$ 1,837
Receivables, net	8,762	8,202
Inventories, net	4,941	4,670
Other current assets	411	399
Total current assets	<u>16,566</u>	<u>15,108</u>
Property, plant and equipment, net	5,532	5,549
Goodwill	10,780	10,764
Intangible assets, net	3,944	4,093
Deferred income taxes	6,332	6,625
Other noncurrent assets	5,557	5,667
Total assets	<u>\$ 48,711</u>	<u>\$ 47,806</u>
Liabilities and equity		
Current liabilities		
Accounts payable	\$ 2,554	\$ 1,653
Customer advances and amounts in excess of costs incurred	6,460	6,776
Salaries, benefits and payroll taxes	1,796	1,764
Other current liabilities	2,831	2,349
Total current liabilities	<u>13,641</u>	<u>12,542</u>
Long-term debt, net	14,283	14,282
Accrued pension liabilities	13,960	13,855
Other postretirement benefit liabilities	859	862
Other noncurrent liabilities	4,619	4,659
Total liabilities	<u>47,362</u>	<u>46,200</u>
Stockholders' equity		
Common stock, \$1 par value per share	286	289
Additional paid-in capital	-	-
Retained earnings	12,616	13,324
Accumulated other comprehensive loss	(11,637)	(12,102)
Total stockholders' equity	<u>1,265</u>	<u>1,511</u>
Noncontrolling interests in subsidiary	84	95
Total equity	<u>1,349</u>	<u>1,606</u>
Total liabilities and equity	<u>\$ 48,711</u>	<u>\$ 47,806</u>

Table 3

Lockheed Martin Corporation
Consolidated Statements of Cash Flows¹
(unaudited; in millions)

	Six Months Ended	
	June 25, 2017	June 26, 2016
Operating activities		
Net earnings	\$ 1,705	\$ 1,919
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation and amortization	581	593
Stock-based compensation	101	97
Severance charges	-	99
Changes in assets and liabilities		
Receivables, net	(560)	(1,214)
Inventories, net	(271)	(233)
Accounts payable	940	806
Customer advances and amounts in excess of costs incurred	(316)	239
Postretirement benefit plans	685	515
Income taxes	3	237
Other, net	342	82
Net cash provided by operating activities	3,210	3,140
Investing activities		
Capital expenditures	(448)	(386)
Other, net	9	59
Net cash used for investing activities	(439)	(327)
Financing activities		
Repurchases of common stock	(1,000)	(1,002)
Dividends paid	(1,069)	(1,034)
Repayments of long-term debt	-	(452)
Proceeds from stock option exercises	44	53
Other, net	(131)	(199)
Net cash used for financing activities	(2,156)	(2,634)
Net change in cash and cash equivalents	615	179
Cash and cash equivalents at beginning of period	1,837	1,090
Cash and cash equivalents at end of period	\$ 2,452	\$ 1,269

¹ On Aug. 16, 2016, the corporation completed the divestiture of its IS&GS business. Accordingly, the operating results of have been classified as discontinued operations in the six months of 2016. However, cash from operations in the six months of 2016 includes cash generated by IS&GS of approximately \$295 million, as the corporation retained this cash as part of the divestiture.

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

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Total Stockholders' Equity</u>	<u>Noncontrolling Interests in Subsidiary</u>	<u>Total Equity</u>
Balance at Dec. 31, 2016	\$ 289	\$ -	\$ 13,324	\$ (12,102)	\$ 1,511	\$ 95	\$ 1,606
Net earnings	-	-	1,705	-	1,705	-	1,705
Other comprehensive income, net of tax ¹	-	-	-	465	465	-	465
Repurchases of common stock	(4)	(168)	(828)	-	(1,000)	-	(1,000)
Dividends declared ²	-	-	(1,585)	-	(1,585)	-	(1,585)
Stock-based awards and ESOP activity	1	168	-	-	169	-	169
Net decrease in noncontrolling interests in subsidiary	-	-	-	-	-	(11)	(11)
Balance at June 25, 2017	\$ 286	\$ -	\$ 12,616	\$ (11,637)	\$ 1,265	\$ 84	\$ 1,349

¹ Primarily represents the reclassification adjustment for the recognition of prior period amounts related to postretirement benefit plans.

² Represents dividends of \$1.82 per share declared for the first, second and third quarters of 2017. In the second quarter, the corporation declared the second and third quarter dividends. However, the third quarter dividend will be paid in Sept. 2017.

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

	<u>June 25, 2017</u>	<u>Dec. 31, 2016</u>
Backlog		
Aeronautics	\$ 32,000	\$ 34,200
Missiles and Fire Control	15,000	14,700
Rotary and Mission Systems	26,700	28,400
Space Systems	18,400	18,900
Total backlog	<u>\$ 92,100</u>	<u>\$ 96,200</u>

	<u>Quarters Ended</u>		<u>Six Months Ended</u>	
	<u>June 25, 2017</u>	<u>June 26, 2016</u>	<u>June 25, 2017</u>	<u>June 26, 2016</u>
Aircraft Deliveries				
F-35	14	14	29	20
F-16	3	3	5	5
C-130J	6	6	11	12
C-5	3	2	4	4
Government helicopter programs	39	46	71	87
Commercial helicopter programs	3	-	3	5
International military helicopter programs	-	-	1	-

Table 6