

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

	Quarters Ended		Six Months Ended	
	June 29, 2014	June 30, 2013	June 29, 2014	June 30, 2013
Net sales	\$ 11,306	\$ 11,408	\$ 21,956	\$ 22,478
Cost of sales	(9,965)	(10,184)	(19,244)	(20,213)
Gross profit	1,341	1,224	2,712	2,265
Other income, net	85	74	146	152
Operating profit	1,426	1,298	2,858	2,417
Interest expense	(85)	(88)	(171)	(180)
Other non-operating income (expense), net	-	1	2	(1)
Earnings before income taxes	1,341	1,211	2,689	2,236
Income tax expense	(452)	(352)	(867)	(616)
Net earnings	\$ 889	\$ 859	\$ 1,822	\$ 1,620
Effective tax rate	<u>33.7 %</u>	<u>29.1 %</u>	<u>32.2 %</u>	<u>27.5 %</u>
Earnings per common share				
Basic	<u>\$ 2.81</u>	\$ 2.68	<u>\$ 5.73</u>	\$ 5.04
Diluted	<u>\$ 2.76</u>	\$ 2.64	<u>\$ 5.63</u>	\$ 4.97
Weighted average shares outstanding				
Basic	316.8	320.8	318.0	321.2
Diluted	322.1	325.9	323.6	326.1
Common shares reported in stockholders' equity at end of period			315	319

¹ The Corporation closes its books and records on the last Sunday of the calendar quarter, which was on June 29 for the second quarter of 2014 and June 30 for the second quarter of 2013, to align its financial closing with its business processes. 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.

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

	Quarters Ended			Six Months Ended		
	June 29, 2014	June 30, 2013	% Change	June 29, 2014	June 30, 2013	% Change
Net sales						
Aeronautics	\$ 3,855	\$ 3,407	13 %	\$ 7,241	\$ 6,593	10 %
Information Systems & Global Solutions	1,941	2,101	(8) %	3,851	4,207	(8) %
Missiles and Fire Control	1,891	2,043	(7) %	3,758	4,031	(7) %
Mission Systems and Training	1,771	1,770	- %	3,399	3,600	(6) %
Space Systems	1,848	2,087	(11) %	3,707	4,047	(8) %
Total net sales	\$ 11,306	\$ 11,408	(1) %	\$ 21,956	\$ 22,478	(2) %
Operating profit						
Aeronautics	\$ 453	\$ 407	11 %	\$ 846	\$ 786	8 %
Information Systems & Global Solutions	175	194	(10) %	349	383	(9) %
Missiles and Fire Control	345	381	(9) %	703	725	(3) %
Mission Systems and Training	185	275	(33) %	435	476	(9) %
Space Systems	248	276	(10) %	502	506	(1) %
Total business segment operating profit	1,406	1,533	(8) %	2,835	2,876	(1) %
Unallocated, net						
FAS/CAS pension adjustment						
FAS pension expense	(314)	(487)		(627)	(974)	
Less: CAS cost	399	367		798	733	
FAS/CAS pension income (expense)	85	(120)		171	(241)	
Special item - severance charges	-	-		-	(30)	
Stock-based compensation	(49)	(59)		(97)	(112)	
Other, net	(16)	(56)		(51)	(76)	
Total unallocated, net	20	(235)	N/M %	23	(459)	N/M %
Total consolidated operating profit	\$ 1,426	\$ 1,298	10 %	\$ 2,858	\$ 2,417	18 %
Operating margins						
Aeronautics	11.8 %	11.9 %		11.7 %	11.9 %	
Information Systems & Global Solutions	9.0 %	9.2 %		9.1 %	9.1 %	
Missiles and Fire Control	18.2 %	18.6 %		18.7 %	18.0 %	
Mission Systems and Training	10.4 %	15.5 %		12.8 %	13.2 %	
Space Systems	13.4 %	13.2 %		13.5 %	12.5 %	
Total business segment operating margins	12.4 %	13.4 %		12.9 %	12.8 %	
Total consolidated operating margins	12.6 %	11.4 %		13.0 %	10.8 %	

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

	June 29, 2014	Dec. 31, 2013
Assets		
Current assets		
Cash and cash equivalents	\$ 3,436	\$ 2,617
Receivables, net	6,434	5,834
Inventories, net	2,646	2,977
Deferred income taxes	1,153	1,088
Other current assets	494	813
Total current assets	<u>14,163</u>	<u>13,329</u>
Property, plant, and equipment, net	4,559	4,706
Goodwill	10,505	10,348
Deferred income taxes	3,113	2,850
Other noncurrent assets	4,910	4,955
Total assets	<u>\$ 37,250</u>	<u>\$ 36,188</u>
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	\$ 1,956	\$ 1,397
Customer advances and amounts in excess of costs incurred	6,199	6,349
Salaries, benefits, and payroll taxes	1,813	1,809
Other current liabilities	2,179	1,565
Total current liabilities	<u>12,147</u>	<u>11,120</u>
Accrued pension liabilities	10,046	9,361
Other postretirement benefit liabilities	901	902
Long-term debt, net	6,169	6,152
Other noncurrent liabilities	3,668	3,735
Total liabilities	<u>32,931</u>	<u>31,270</u>
Stockholders' equity		
Common stock, \$1 par value per share	315	319
Additional paid-in capital	-	-
Retained earnings	13,988	14,200
Accumulated other comprehensive loss	(9,984)	(9,601)
Total stockholders' equity	<u>4,319</u>	<u>4,918</u>
Total liabilities and stockholders' equity	<u>\$ 37,250</u>	<u>\$ 36,188</u>

Table 3

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

	Six Months Ended	
	June 29, 2014	June 30, 2013
Operating activities		
Net earnings	\$ 1,822	\$ 1,620
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation and amortization	479	472
Stock-based compensation	97	112
Special item - severance charges	-	30
Changes in operating assets and liabilities		
Receivables, net	(598)	(244)
Inventories, net	307	43
Accounts payable	557	5
Customer advances and amounts in excess of costs incurred	(160)	(120)
Postretirement benefit plans	125	236
Income taxes	311	569
Other, net	137	(15)
Net cash provided by operating activities¹	3,077	2,708
Investing activities		
Capital expenditures	(253)	(282)
Acquisitions of businesses and investments in affiliates	(172)	(63)
Other, net	(1)	6
Net cash used for investing activities	(426)	(339)
Financing activities		
Repurchases of common stock	(1,230)	(926)
Proceeds from stock option exercises	223	389
Dividends paid	(865)	(742)
Repayments of long-term debt	-	(150)
Other, net	40	7
Net cash used for financing activities	(1,832)	(1,422)
Net change in cash and cash equivalents	819	947
Cash and cash equivalents at beginning of period	2,617	1,898
Cash and cash equivalents at end of period	\$ 3,436	\$ 2,845

¹ The Corporation made contributions to its defined benefit pension trust of \$515 million and \$750 million during the second quarter of 2014 and 2013, respectively. Additionally, the Corporation made net tax payments of approximately \$760 million during the second quarter of 2014 compared to about \$680 million during the second 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, 2013	\$ 319	\$ -	\$ 14,200	\$ (9,601)	\$ 4,918
Net earnings	-	-	1,822	-	1,822
Other comprehensive loss, net of tax ¹	-	-	-	(383)	(383)
Repurchases of common stock	(8)	(472)	(750)	-	(1,230)
Dividends declared ²	-	-	(1,284)	-	(1,284)
Stock-based awards and ESOP activity	4	472	-	-	476
Balance at June 29, 2014	\$ 315	\$ -	\$ 13,988	\$ (9,984)	\$ 4,319

¹ The Corporation recognized a non-cash, after-tax decrease to stockholders' equity of \$735 million, as a result of the re-measurements of the assets and benefit obligations of substantially all of its defined benefit pension plans in the second quarter of 2014. This decrease primarily was due to incorporation of the new participant longevity assumptions (also known as mortality), a reduction in the discount rate from 4.75% at Dec. 31, 2013 to 4.25% at the re-measurement date and other assumptions, partially offset by the impact of amendments to freeze certain of the Corporation's defined benefit pension plans for non-union employees. Partially offsetting the re-measurement decrease, was an increase of \$334 million related to the recognition of previously deferred amounts.

² Represents dividends of \$1.33 per share declared during each of the first and second quarters of 2014. Additionally, includes dividends of \$1.33 per share declared in the second quarter of 2014 and payable in the third quarter of 2014.

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

	June 29, 2014	Dec. 31, 2013
Backlog		
Aeronautics	\$ 24,200	\$ 28,000
Information Systems & Global Solutions	7,500	8,300
Missiles and Fire Control	13,400	15,000
Mission Systems and Training	11,600	10,800
Space Systems	21,100	20,500
Total backlog	\$ 77,800	\$ 82,600

	Quarters Ended		Six Months Ended	
Aircraft Deliveries	June 29, 2014	June 30, 2013	June 29, 2014	June 30, 2013
F-16	4	4	8	7
F-35	6	12	14	12
C-130J	6	5	11	11
C-5	2	1	4	1

Table 6