

**Lockheed Martin Corporation**  
**Consolidated Statements of Earnings<sup>1,2</sup>**  
(unaudited; in millions, except per share data)

	Quarters Ended		Nine Months Ended	
	Sept. 25, 2016	Sept. 27, 2015	Sept. 25, 2016	Sept. 27, 2015
<b>Net sales</b>	\$ 11,551	\$ 10,060	\$ 33,496	\$ 29,016
<b>Cost of sales</b>	(10,167)	(8,963)	(29,787)	(25,661)
Gross profit	1,384	1,097	3,709	3,355
Other income, net	204	95	412	257
<b>Operating profit<sup>3</sup></b>	1,588	1,192	4,121	3,612
Interest expense	(162)	(104)	(492)	(301)
Other non-operating income, net	1	1	2	6
Earnings from continuing operations before income taxes	1,427	1,089	3,631	3,317
Income tax expense <sup>4</sup>	(338)	(333)	(837)	(1,008)
Net earnings from continuing operations <sup>4</sup>	1,089	756	2,794	2,309
Net earnings from discontinued operations	1,306	109	1,520	363
<b>Net earnings<sup>4</sup></b>	\$ 2,395	\$ 865	\$ 4,314	\$ 2,672
Effective tax rate	23.7 %	30.6 %	23.1 %	30.4 %
<b>Earnings per common share</b>				
Basic				
Continuing operations <sup>4</sup>	\$ 3.64	\$ 2.45	\$ 9.25	\$ 7.41
Discontinued operations	4.38	0.35	5.03	1.16
Basic earnings per common share	\$ 8.02	\$ 2.80	\$ 14.28	\$ 8.57
Diluted				
Continuing operations	\$ 3.61	\$ 2.42	\$ 9.13	\$ 7.30
Discontinued operations	4.32	0.35	4.97	1.15
Diluted earnings per common share	\$ 7.93	\$ 2.77	\$ 14.10	\$ 8.45
<b>Weighted average shares outstanding</b>				
Basic	298.5	308.4	302.0	311.9
Diluted	302.1	312.7	305.9	316.3
Common shares reported in stockholders' equity at end of period			291	306

<sup>1</sup> 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. 25 for the third quarter of 2016 and Sept. 27 for the third quarter of 2015. 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.

<sup>2</sup> As a result of the divestiture of the IS&GS business segment on Aug. 16, 2016, the operating results of the IS&GS business segment have been classified as discontinued operations for all periods presented. A \$1.2 billion gain recorded as a result of the divestiture of the IS&GS business segment is recorded in net earnings from discontinued operations in the quarter and nine months ended Sept. 25, 2016.

<sup>3</sup> The amounts in the third quarter and first nine months of 2016 include a non-cash gain of \$127 million recognized at the Corporation's Space Systems business segment related to the consolidation of the AWE venture upon obtaining control of this venture on Aug. 24, 2016, which increased net earnings from continuing operations \$104 million (or \$0.34 per share).

<sup>4</sup> In the second quarter of 2016, the Corporation adopted a new accounting standard issued by the Financial Accounting Standards Board for employee share-based payment awards and reported the impacts as though the standard had been adopted on Jan. 1, 2016. Accordingly, the Corporation recognized additional income tax benefits as an increase to net earnings from continuing operations and operating cash flows of \$22 million (\$0.07 per share) and \$137 million (\$0.45 per share) in the quarter and nine months ended Sept. 25, 2016. The adjustments for the third quarter of 2016 include only the quarterly impacts, whereas the adjustments for the first nine months of 2016 include the second and third quarter impacts and the reclassification of income tax benefits of \$104 million originally recognized in additional paid-in capital and cash flows from financing activities in the first quarter of 2016. The new accounting standard did not impact any periods prior to Jan. 1, 2016.

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

	Quarters Ended			Nine Months Ended		
	Sept. 25, 2016	Sept. 27, 2015	% Change	Sept. 25, 2016	Sept. 27, 2015	% Change
<b>Net sales</b>						
Aeronautics	\$ 4,188	\$ 3,921	7 %	\$ 12,362	\$ 11,186	11 %
Missiles and Fire Control	1,737	1,769	(2) %	4,851	4,801	1 %
Rotary and Mission Systems	3,346	2,162	55 %	9,653	6,306	53 %
Space Systems	2,280	2,208	3 %	6,630	6,723	(1) %
<b>Total net sales</b>	<b>\$ 11,551</b>	<b>\$ 10,060</b>	<b>15 %</b>	<b>\$ 33,496</b>	<b>\$ 29,016</b>	<b>15 %</b>
<b>Operating profit</b>						
Aeronautics	\$ 437	\$ 418	5 %	\$ 1,335	\$ 1,233	8 %
Missiles and Fire Control	289	316	(9) %	763	895	(15) %
Rotary and Mission Systems	247	245	1 %	678	687	(1) %
Space Systems <sup>1</sup>	450	265	70 %	1,034	883	17 %
<b>Total business segment operating profit</b>	<b>1,423</b>	<b>1,244</b>	<b>14 %</b>	<b>3,810</b>	<b>3,698</b>	<b>3 %</b>
<b>Unallocated items<sup>2</sup></b>						
FAS/CAS pension adjustment	226	102		672	305	
Special item - severance charges	-	(15)		(80)	(15)	
Other, net	(61)	(139)		(281)	(376)	
<b>Total unallocated items</b>	<b>165</b>	<b>(52)</b>		<b>311</b>	<b>(86)</b>	
<b>Total consolidated operating profit</b>	<b>\$ 1,588</b>	<b>\$ 1,192</b>	<b>33 %</b>	<b>\$ 4,121</b>	<b>\$ 3,612</b>	<b>14 %</b>
<b>Operating margin</b>						
Aeronautics	10.4 %	10.7 %		10.8 %	11.0 %	
Missiles and Fire Control	16.6 %	17.9 %		15.7 %	18.6 %	
Rotary and Mission Systems	7.4 %	11.3 %		7.0 %	10.9 %	
Space Systems	19.7 %	12.0 %		15.6 %	13.1 %	
<b>Total business segment operating margin</b>	<b>12.3 %</b>	<b>12.4 %</b>		<b>11.4 %</b>	<b>12.7 %</b>	
<b>Total consolidated operating margin</b>	<b>13.7 %</b>	<b>11.8 %</b>		<b>12.3 %</b>	<b>12.4 %</b>	

<sup>1</sup> The amounts in the third quarter and first nine months of 2016 include a non-cash gain of \$127 million related to the consolidation of AWE upon obtaining control of this venture on Aug. 24, 2016, which increased net earnings from continuing operations \$104 million (or \$0.34 per share).

<sup>2</sup> The following reclassifications of "Unallocated items" were made as a result of the divestiture of the IS&GS business segment:  
i) the non-service portion of pension costs for IS&GS employees that participated in the Corporation's defined benefit pension and other post-employment benefit plans were reclassified from the operating results of the IS&GS business segment to "FAS/CAS pension adjustment" and were \$11 million and \$54 million in the quarter and nine months ended Sept. 25, 2016 and \$17 million and \$53 million in the quarter and nine months ended Sept. 27, 2015, ii) Corporate overhead costs allocated to and included in the operating results of the IS&GS business segment were reclassified to "Other, net" and were \$17 million and \$82 million in the quarter and nine months ended Sept. 25, 2016 and \$40 million and \$133 million in the quarter and nine months ended Sept. 27, 2015, and iii) significant severance charges related to the IS&GS business segment that were historically recorded in "Special item - severance charges" were reclassified to net earnings from discontinued operations and were \$19 million in the nine months ended Sept. 25, 2016 and \$20 million in the quarter and nine months ended Sept. 27, 2015. For more information see the "Unallocated items" section of the accompanying news release.

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

	<u>Sept. 25, 2016</u>	<u>Dec. 31, 2015<sup>1</sup></u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 2,895	\$ 1,090
Receivables, net	8,955	7,254
Inventories, net	4,852	4,819
Other current assets	408	441
Assets of discontinued operations <sup>2</sup>	-	969
Total current assets	<u>17,110</u>	<u>14,573</u>
Property, plant and equipment, net	5,369	5,389
Goodwill	10,791	10,695
Intangible assets, net	4,205	4,022
Deferred income taxes	5,850	6,068
Other noncurrent assets	5,414	5,396
Assets of discontinued operations <sup>2</sup>	-	3,161
Total assets	<u>\$ 48,739</u>	<u>\$ 49,304</u>
<b>Liabilities and equity</b>		
Current liabilities		
Accounts payable	\$ 2,840	\$ 1,745
Customer advances and amounts in excess of costs incurred	6,830	6,703
Salaries, benefits and payroll taxes	1,856	1,707
Current maturities of long-term debt	-	956
Other current liabilities	2,899	1,859
Liabilities of discontinued operations <sup>2</sup>	-	948
Total current liabilities	<u>14,425</u>	<u>13,918</u>
Long-term debt, net	14,304	14,305
Accrued pension liabilities	11,859	11,807
Other postretirement benefit liabilities	1,083	1,070
Other noncurrent liabilities	4,638	4,902
Liabilities of discontinued operations <sup>2</sup>	-	205
Total liabilities	<u>46,309</u>	<u>46,207</u>
Stockholders' equity		
Common stock, \$1 par value per share	291	303
Additional paid-in capital	-	-
Retained earnings	13,023	14,238
Accumulated other comprehensive loss	<u>(10,991)</u>	<u>(11,444)</u>
Total stockholders' equity	<u>2,323</u>	<u>3,097</u>
Noncontrolling interests in subsidiary	107	-
Total equity	<u>2,430</u>	<u>3,097</u>
Total liabilities and equity	<u>\$ 48,739</u>	<u>\$ 49,304</u>

<sup>1</sup> Certain prior period amounts have been reclassified to conform with current period presentation.

<sup>2</sup> The assets and liabilities of the IS&GS business segment have been classified as assets and liabilities of discontinued operations as of Dec. 31, 2015.

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

	<b>Nine Months Ended</b>	
	<b>Sept. 25, 2016</b>	<b>Sept. 27, 2015</b>
<b>Operating activities</b>		
Net earnings	\$ 4,314	\$ 2,672
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation and amortization	888	726
Stock-based compensation	124	118
Severance charges	99	35
Gain on divestiture of IS&GS business segment	(1,234)	-
Gain on step acquisition of AWE	(104)	-
Changes in assets and liabilities		
Receivables, net	(1,537)	(861)
Inventories, net	(235)	(359)
Accounts payable	1,033	637
Customer advances and amounts in excess of costs incurred	57	(421)
Postretirement benefit plans	787	868
Income taxes	37	126
Other, net	231	196
<b>Net cash provided by operating activities<sup>1</sup></b>	<b>4,460</b>	<b>3,737</b>
<b>Investing activities</b>		
Capital expenditures	(627)	(500)
Other, net	76	89
<b>Net cash used for investing activities</b>	<b>(551)</b>	<b>(411)</b>
<b>Financing activities</b>		
Special cash payment from divestiture of IS&GS business segment	1,800	-
Issuance of long-term debt, net of related costs	-	2,213
Repayments of long-term debt	(952)	-
Repurchases of common stock	(1,280)	(2,364)
Dividends paid	(1,518)	(1,427)
Proceeds from stock option exercises	75	126
Other, net	(229)	(20)
<b>Net cash used for financing activities</b>	<b>(2,104)</b>	<b>(1,472)</b>
<b>Net change in cash and cash equivalents</b>	<b>1,805</b>	<b>1,854</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>1,090</b>	<b>1,446</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 2,895</b>	<b>\$ 3,300</b>

<sup>1</sup> Cash from operations includes cash flows generated by the IS&GS business segment through the closing of the divestiture of this business segment on Aug. 16, 2016, 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>Non- controlling Interest</u>	<u>Total Equity</u>
<b>Balance at Dec. 31, 2015</b>	<b>\$ 303</b>	<b>\$ -</b>	<b>\$ 14,238</b>	<b>\$ (11,444)</b>	<b>\$ 3,097</b>	<b>\$ -</b>	<b>\$ 3,097</b>
Net earnings	-	-	4,314	-	4,314	-	4,314
Other comprehensive income, net of tax <sup>1</sup>	-	-	-	453	453	-	453
Shares tendered and retired in connection with divestiture of IS&GS business segment	(9)	-	(2,488)	-	(2,497)	-	(2,497)
Repurchases of common stock	(6)	(272)	(1,002)	-	(1,280)	-	(1,280)
Dividends declared <sup>2</sup>	-	-	(2,056)	-	(2,056)	-	(2,056)
Stock-based awards, ESOP activity and other	3	272	17	-	292	-	292
Increase in non-controlling interests in subsidiary	-	-	-	-	-	107	107
<b>Balance at Sept. 25, 2016</b>	<b>\$ 291</b>	<b>\$ -</b>	<b>\$ 13,023</b>	<b>\$ (10,991)</b>	<b>\$ 2,323</b>	<b>\$ 107</b>	<b>\$ 2,430</b>

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

<sup>2</sup> Represents dividends of \$1.65 per share declared in each of the first, second and third quarters of 2016. Additionally, includes dividends of \$1.82 per share declared in the third quarter of 2016 and payable in the fourth quarter of 2016.

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

	<b>Sept. 25, 2016</b>	<b>Dec. 31, 2015</b>
<b>Backlog</b>		
Aeronautics	\$ 27,900	\$ 31,800
Missiles and Fire Control	14,500	15,500
Rotary and Mission Systems	29,200	30,100
Space Systems	19,800	17,400
<b>Total backlog</b>	<b>\$ 91,400</b>	<b>\$ 94,800</b>

	<b>Quarters Ended</b>		<b>Nine Months Ended</b>	
	<b>Sept. 25, 2016</b>	<b>Sept. 27, 2015</b>	<b>Sept. 25, 2016</b>	<b>Sept. 27, 2015</b>
<b>Aircraft Deliveries</b>				
F-16	3	3	8	9
F-35	10	12	30	31
C-130J	4	4	16	14
C-5	2	2	6	7

Table 6