

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

	Quarters Ended		Six Months Ended	
	June 26, 2016	June 28, 2015	June 26, 2016	June 28, 2015
Net sales	\$ 12,914	\$ 11,643	\$ 24,616	\$ 21,754
Cost of sales	(11,490)	(10,272)	(21,957)	(19,120)
Gross profit	1,424	1,371	2,659	2,634
Other income, net	142	74	204	167
Operating profit	1,566	1,445	2,863	2,801
Interest expense	(166)	(104)	(330)	(197)
Other non-operating income, net	-	2	1	5
Earnings before income taxes	1,400	1,343	2,534	2,609
Income tax expense	(379)	(414)	(615)	(802)
Net earnings²	\$ 1,021	\$ 929	\$ 1,919	\$ 1,807
Effective tax rate	27.1 %	30.8 %	24.3 %	30.7 %
Earnings per common share²				
Basic	\$ 3.37	\$ 2.98	\$ 6.32	\$ 5.76
Diluted	\$ 3.32	\$ 2.94	\$ 6.23	\$ 5.68
Weighted average shares outstanding				
Basic	303.1	312.0	303.8	313.7
Diluted	307.1	316.1	307.9	318.2
Common shares reported in stockholders' equity at end of period			301	309

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 26 for the second quarter of 2016 and June 28 for the second 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.

² 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 and operating cash flows of \$11 million (\$0.04 per share) and \$115 million (\$0.37 per share) in the quarter and six months ended June 26, 2016. The adjustments for the second quarter of 2016 include only the quarterly impacts, whereas the adjustments for the first six months of 2016 include the second 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			Six Months Ended		
	June 26, 2016	June 28, 2015	% Change	June 26, 2016	June 28, 2015	% Change
Net sales						
Aeronautics	\$ 4,375	\$ 4,131	6 %	\$ 8,174	\$ 7,265	13 %
Information Systems & Global Solutions	1,337	1,408	(5) %	2,671	2,798	(5) %
Missiles and Fire Control	1,680	1,649	2 %	3,114	3,032	3 %
Mission Systems and Training	3,303	2,165	53 %	6,307	4,144	52 %
Space Systems	2,219	2,290	(3) %	4,350	4,515	(4) %
Total net sales	\$ 12,914	\$ 11,643	11 %	\$ 24,616	\$ 21,754	13 %
Operating profit						
Aeronautics	\$ 478	\$ 444	8 %	\$ 898	\$ 815	10 %
Information Systems & Global Solutions	151	107	41 %	260	252	3 %
Missiles and Fire Control	253	293	(14) %	474	579	(18) %
Mission Systems and Training	202	262	(23) %	431	442	(2) %
Space Systems	340	294	16 %	584	618	(6) %
Total business segment operating profit	1,424	1,400	2 %	2,647	2,706	(2) %
Unallocated items						
FAS/CAS pension adjustment	243	120		489	239	
Other, net	(101)	(75)		(273)	(144)	
Total unallocated items	142	45		216	95	
Total consolidated operating profit	\$ 1,566	\$ 1,445	8 %	\$ 2,863	\$ 2,801	2 %
Operating margins						
Aeronautics	10.9 %	10.7 %		11.0 %	11.2 %	
Information Systems & Global Solutions	11.3 %	7.6 %		9.7 %	9.0 %	
Missiles and Fire Control	15.1 %	17.8 %		15.2 %	19.1 %	
Mission Systems and Training	6.1 %	12.1 %		6.8 %	10.7 %	
Space Systems	15.3 %	12.8 %		13.4 %	13.7 %	
Total business segment operating margins	11.0 %	12.0 %		10.8 %	12.4 %	
Total consolidated operating margins	12.1 %	12.4 %		11.6 %	12.9 %	

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

	<u>June 26, 2016</u>	<u>December 31, 2015¹</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 1,269	\$ 1,090
Receivables, net	9,275	8,061
Inventories, net	5,136	4,962
Other current assets	393	460
Total current assets	<u>16,073</u>	<u>14,573</u>
Property, plant and equipment, net	5,438	5,490
Goodwill	13,621	13,576
Intangible assets, net	4,051	4,147
Deferred income taxes	5,830	5,931
Other noncurrent assets	5,395	5,411
Total assets	<u>\$ 50,408</u>	<u>\$ 49,128</u>
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	\$ 2,778	\$ 1,974
Customer advances and amounts in excess of costs incurred	7,236	6,988
Salaries, benefits and payroll taxes	2,012	1,916
Current maturities of long-term debt	502	956
Other current liabilities	3,067	2,085
Total current liabilities	<u>15,595</u>	<u>13,919</u>
Long-term debt, net	14,307	14,305
Accrued pension liabilities	11,816	11,807
Other postretirement benefit liabilities	1,073	1,070
Other noncurrent liabilities	4,620	4,930
Total liabilities	<u>47,411</u>	<u>46,031</u>
Stockholders' equity		
Common stock, \$1 par value per share	301	303
Additional paid-in capital	-	-
Retained earnings	13,800	14,238
Accumulated other comprehensive loss	(11,104)	(11,444)
Total stockholders' equity	<u>2,997</u>	<u>3,097</u>
Total liabilities and stockholders' equity	<u>\$ 50,408</u>	<u>\$ 49,128</u>

¹ Certain prior period amounts have been reclassified to conform with current period presentation.

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

	Six Months Ended	
	June 26, 2016	June 28, 2015
Operating activities		
Net earnings	\$ 1,919	\$ 1,807
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation and amortization	593	490
Stock-based compensation	97	89
Severance charges	99	-
Changes in assets and liabilities		
Receivables, net	(1,214)	(1,183)
Inventories, net	(233)	(154)
Accounts payable	806	453
Customer advances and amounts in excess of costs incurred	239	(211)
Postretirement benefit plans	515	580
Income taxes	237	471
Other, net	82	(122)
Net cash provided by operating activities	3,140	2,220
Investing activities		
Capital expenditures	(386)	(309)
Other, net	59	91
Net cash used for investing activities	(327)	(218)
Financing activities		
Issuance of long-term debt, net of related costs	-	2,213
Repayments of long-term debt	(452)	-
Repurchases of common stock	(1,002)	(1,541)
Dividends paid	(1,034)	(965)
Proceeds from stock option exercises	53	84
Other, net	(199)	(37)
Net cash used for financing activities	(2,634)	(246)
Net change in cash and cash equivalents	179	1,756
Cash and cash equivalents at beginning of period	1,090	1,446
Cash and cash equivalents at end of period	\$ 1,269	\$ 3,202

Lockheed Martin Corporation
Consolidated Statement of Stockholders' 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>
Balance at Dec. 31, 2015	\$ 303	\$ -	\$ 14,238	\$ (11,444)	\$ 3,097
Net earnings	-	-	1,919	-	1,919
Other comprehensive income, net of tax ¹	-	-	-	340	340
Repurchases of common stock	(5)	(159)	(838)	-	(1,002)
Dividends declared ²	-	-	(1,519)	-	(1,519)
Stock-based awards and ESOP activity	3	159	-	-	162
Balance at June 26, 2016	\$ 301	\$ -	\$ 13,800	\$ (11,104)	\$ 2,997

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

² Represents dividends of \$1.65 per share declared during the first, second and third quarter of 2016.

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

	June 26, 2016	Dec. 31, 2015
Backlog		
Aeronautics	\$ 28,800	\$ 31,800
Information Systems & Global Solutions	4,300	4,800
Missiles and Fire Control	15,300	15,500
Mission Systems and Training	29,500	30,100
Space Systems	18,500	17,400
Total backlog	\$ 96,400	\$ 99,600

	Quarters Ended		Six Months Ended	
Aircraft Deliveries	June 26, 2016	June 28, 2015	June 26, 2016	June 28, 2015
F-16	3	3	5	6
F-35	14	11	20	19
C-130J	6	6	12	10
C-5	2	4	4	5

Table 6