

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

	Quarters Ended		Nine Months Ended	
	Sept. 28, 2014	Sept. 29, 2013	Sept. 28, 2014	Sept. 29, 2013
Net sales	\$ 11,114	\$ 11,347	\$ 33,070	\$ 33,825
Cost of sales	<u>(9,839)</u>	<u>(10,163)</u>	<u>(29,083)</u>	<u>(30,376)</u>
Gross profit	1,275	1,184	3,987	3,449
Other income, net	<u>117</u>	<u>70</u>	<u>263</u>	<u>222</u>
Operating profit	1,392	1,254	4,250	3,671
Interest expense	<u>(82)</u>	<u>(84)</u>	<u>(253)</u>	<u>(264)</u>
Other non-operating income, net	<u>1</u>	<u>3</u>	<u>3</u>	<u>2</u>
Earnings from continuing operations before income taxes	1,311	1,173	4,000	3,409
Income tax expense	<u>(423)</u>	<u>(331)</u>	<u>(1,290)</u>	<u>(947)</u>
Net earnings from continuing operations	888	842	2,710	2,462
Net earnings from discontinued operations ²	<u>-</u>	<u>31</u>	<u>-</u>	<u>31</u>
Net earnings	<u>\$ 888</u>	<u>\$ 873</u>	<u>\$ 2,710</u>	<u>\$ 2,493</u>
Effective tax rate	<u>32.3 %</u>	<u>28.2 %</u>	<u>32.3 %</u>	<u>27.8 %</u>
Earnings per common share				
Basic				
Continuing operations	\$ 2.81	\$ 2.62	\$ 8.54	\$ 7.66
Discontinued operations ²	<u>-</u>	<u>0.10</u>	<u>-</u>	<u>0.10</u>
Basic earnings per common share	<u>\$ 2.81</u>	<u>\$ 2.72</u>	<u>\$ 8.54</u>	<u>\$ 7.76</u>
Diluted				
Continuing operations	\$ 2.76	\$ 2.57	\$ 8.39	\$ 7.54
Discontinued operations ²	<u>-</u>	<u>0.09</u>	<u>-</u>	<u>0.09</u>
Diluted earnings per common share	<u>\$ 2.76</u>	<u>\$ 2.66</u>	<u>\$ 8.39</u>	<u>\$ 7.63</u>
Weighted average shares outstanding				
Basic	316.3	321.3	317.4	321.3
Diluted	321.8	327.5	323.0	326.6
Common shares reported in stockholders' equity at end of period			314	318

¹ The Corporation closes its books and records on the last Sunday of the calendar quarter, which was on Sept. 28 for the third quarter of 2014 and Sept. 29 for the third 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.

² Discontinued operations for the third quarter and first nine months of 2013 include a benefit resulting from the resolution of certain tax matters related to a business sold prior to 2013.

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

	<u>Quarters Ended</u>		<u>% Change</u>	<u>Nine Months Ended</u>		<u>% Change</u>
	<u>Sept. 28,</u> <u>2014</u>	<u>Sept. 29,</u> <u>2013</u>		<u>Sept. 28,</u> <u>2014</u>	<u>Sept. 29,</u> <u>2013</u>	
Net sales						
Aeronautics	\$ 3,544	\$ 3,632	(2) %	\$ 10,785	\$ 10,225	5 %
Information Systems & Global Solutions	1,949	2,059	(5) %	5,800	6,266	(7) %
Missiles and Fire Control	1,908	2,003	(5) %	5,666	6,034	(6) %
Mission Systems and Training	1,679	1,698	(1) %	5,078	5,298	(4) %
Space Systems	2,034	1,955	4 %	5,741	6,002	(4) %
Total net sales	\$ 11,114	\$ 11,347	(2) %	\$ 33,070	\$ 33,825	(2) %
Operating profit						
Aeronautics	\$ 362	\$ 412	(12) %	\$ 1,208	\$ 1,198	1 %
Information Systems & Global Solutions	175	187	(6) %	524	570	(8) %
Missiles and Fire Control	335	356	(6) %	1,038	1,081	(4) %
Mission Systems and Training	193	216	(11) %	628	692	(9) %
Space Systems	281	284	(1) %	783	790	(1) %
Total business segment operating profit	1,346	1,455	(7) %	4,181	4,331	(3) %
Unallocated, net						
FAS/CAS pension adjustment						
FAS pension expense	(258)	(487)		(885)	(1,461)	
Less: CAS pension cost	342	366		1,140	1,099	
FAS/CAS pension income (expense)	84	(121)		255	(362)	
Special item - severance charges	-	-		-	(30)	
Stock-based compensation	(31)	(38)		(128)	(150)	
Other, net	(7)	(42)		(58)	(118)	
Total unallocated, net	46	(201)	N/M	69	(660)	N/M
Total consolidated operating profit	\$ 1,392	\$ 1,254	11 %	\$ 4,250	\$ 3,671	16 %
Operating margins						
Aeronautics	10.2 %	11.3 %		11.2 %	11.7 %	
Information Systems & Global Solutions	9.0 %	9.1 %		9.0 %	9.1 %	
Missiles and Fire Control	17.6 %	17.8 %		18.3 %	17.9 %	
Mission Systems and Training	11.5 %	12.7 %		12.4 %	13.1 %	
Space Systems	13.8 %	14.5 %		13.6 %	13.2 %	
Total business segment operating margins	12.1 %	12.8 %		12.6 %	12.8 %	
Total consolidated operating margins	12.5 %	11.1 %		12.9 %	10.9 %	

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

	<u>Sept. 28, 2014</u>	<u>Dec. 31, 2013</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 2,963	\$ 2,617
Receivables, net	6,081	5,834
Inventories, net	2,898	2,977
Deferred income taxes	1,183	1,088
Other current assets	559	813
Total current assets	<u>13,684</u>	<u>13,329</u>
Property, plant, and equipment, net	4,590	4,706
Goodwill	10,774	10,348
Deferred income taxes	2,954	2,850
Other noncurrent assets	4,931	4,955
Total assets	<u>\$ 36,933</u>	<u>\$ 36,188</u>
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	\$ 2,000	\$ 1,397
Customer advances and amounts in excess of costs incurred	5,904	6,349
Salaries, benefits, and payroll taxes	1,919	1,809
Other current liabilities	2,310	1,565
Total current liabilities	<u>12,133</u>	<u>11,120</u>
Accrued pension liabilities	9,556	9,361
Other postretirement benefit liabilities	901	902
Long-term debt, net	6,165	6,152
Other noncurrent liabilities	3,604	3,735
Total liabilities	<u>32,359</u>	<u>31,270</u>
Stockholders' equity		
Common stock, \$1 par value per share	314	319
Additional paid-in capital	-	-
Retained earnings	14,124	14,200
Accumulated other comprehensive loss	(9,864)	(9,601)
Total stockholders' equity	<u>4,574</u>	<u>4,918</u>
Total liabilities and stockholders' equity	<u>\$ 36,933</u>	<u>\$ 36,188</u>

Table 3

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

	Nine Months Ended	
	Sept. 28, 2014	Sept. 29, 2013
Operating activities		
Net earnings	\$ 2,710	\$ 2,493
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation and amortization	726	704
Stock-based compensation	128	150
Special item - severance charges	-	30
Changes in assets and liabilities		
Receivables, net	(231)	(310)
Inventories, net	66	18
Accounts payable	596	(119)
Customer advances and amounts in excess of costs incurred	(458)	(157)
Postretirement benefit plans	(96)	(20)
Income taxes	270	690
Other, net	356	129
Net cash provided by operating activities¹	4,067	3,608
Investing activities		
Capital expenditures	(456)	(491)
Acquisitions of businesses and investments in affiliates	(622)	(266)
Other, net	14	(27)
Net cash used for investing activities	(1,064)	(784)
Financing activities		
Repurchases of common stock	(1,676)	(1,533)
Proceeds from stock option exercises	278	749
Dividends paid	(1,286)	(1,112)
Repayments of long-term debt	-	(150)
Other, net	27	(15)
Net cash used for financing activities	(2,657)	(2,061)
Net change in cash and cash equivalents	346	763
Cash and cash equivalents at beginning of period	2,617	1,898
Cash and cash equivalents at end of period	\$ 2,963	\$ 2,661

¹ The Corporation made contributions to its defined benefit pension trust of \$1.0 billion during the first nine months of 2014, compared to \$1.5 billion during the first nine months of 2013. Additionally, the Corporation made net tax payments of \$1.0 billion during the first nine months of 2014, compared to \$387 million during the first nine months of 2013.

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, 2013	\$ 319	\$ -	\$ 14,200	\$ (9,601)	\$ 4,918
Net earnings	-	-	2,710	-	2,710
Other comprehensive loss, net of tax ¹	-	-	-	(263)	(263)
Repurchases of common stock	(10)	(643)	(1,023)	-	(1,676)
Dividends declared ²	-	-	(1,763)	-	(1,763)
Stock-based awards and ESOP activity	5	643	-	-	648
Balance at Sept. 28, 2014	\$ 314	\$ -	\$ 14,124	\$ (9,864)	\$ 4,574

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 related to substantially all of its defined benefit pension plans in the second quarter of 2014. This decrease primarily was due to the 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, partially offset by the impact of the amendments of certain of the Corporation's qualified and nonqualified defined benefit pension plans for non-union employees to freeze future retirement benefits. Partially offsetting the re-measurement decrease was an increase of \$520 million related to the recognition of previously deferred amounts.

² Represents dividends of \$1.33 per share declared during each of the first, second and third quarters of 2014. Additionally, includes dividends of \$1.50 per share declared in the third quarter of 2014 and payable in the fourth quarter of 2014.

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

	Sept. 28, 2014	Dec. 31, 2013
Backlog		
Aeronautics	\$ 23,300	\$ 28,000
Information Systems & Global Solutions	8,000	8,300
Missiles and Fire Control	12,800	15,000
Mission Systems and Training	12,200	10,800
Space Systems	20,200	20,500
Total backlog	\$ 76,500	\$ 82,600

	Quarters Ended		Nine Months Ended	
Aircraft Deliveries	Sept. 28, 2014	Sept. 29, 2013	Sept. 28, 2014	Sept. 29, 2013
F-16	3	2	11	9
F-35	8	10	22	22
C-130J	5	8	16	19
C-5	2	1	6	2

Table 6