

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

	Quarters Ended Dec. 31,		Years Ended Dec. 31,	
	2014	2013	2014	2013
<b>Net sales</b>	<b>\$ 12,530</b>	\$ 11,533	<b>\$ 45,600</b>	\$ 45,358
<b>Cost of sales</b>	<b>(11,262)</b>	(10,795)	<b>(40,345)</b>	(41,171)
Gross profit	1,268	738	5,255	4,187
Other income, net	74	96	337	318
<b>Operating profit</b>	<b>1,342</b>	834	<b>5,592</b>	4,505
Interest expense	(87)	(86)	(340)	(350)
Other non-operating income (expense), net	3	(2)	6	-
Earnings from continuing operations before income taxes	1,258	746	5,258	4,155
Income tax expense	(354)	(258)	(1,644)	(1,205)
Net earnings from continuing operations	904	488	3,614	2,950
Net earnings from discontinued operations <sup>1</sup>	-	-	-	31
<b>Net earnings</b>	<b>\$ 904</b>	\$ 488	<b>\$ 3,614</b>	\$ 2,981
Effective tax rate	<u>28.1 %</u>	<u>34.6 %</u>	<u>31.3 %</u>	<u>29.0 %</u>
<b>Earnings per common share</b>				
Basic				
Continuing operations	\$ 2.87	\$ 1.53	\$ 11.41	\$ 9.19
Discontinued operations <sup>1</sup>	-	-	-	0.10
Basic earnings per common share	<u>\$ 2.87</u>	<u>\$ 1.53</u>	<u>\$ 11.41</u>	<u>\$ 9.29</u>
Diluted				
Continuing operations	\$ 2.82	\$ 1.50	\$ 11.21	\$ 9.04
Discontinued operations <sup>1</sup>	-	-	-	0.09
Diluted earnings per common share	<u>\$ 2.82</u>	<u>\$ 1.50</u>	<u>\$ 11.21</u>	<u>\$ 9.13</u>
<b>Weighted average shares outstanding</b>				
Basic	315.1	319.9	316.8	320.9
Diluted	320.6	326.3	322.4	326.5
Common shares reported in stockholders' equity at end of period			314	319

<sup>1</sup> Discontinued operations for the year ended Dec. 31, 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 Dec. 31,</u>		<u>% Change</u>	<u>Years Ended Dec. 31,</u>		<u>% Change</u>
	<u>2014</u>	<u>2013</u>		<u>2014</u>	<u>2013</u>	
<b>Net sales</b>						
Aeronautics	\$ 4,135	\$ 3,898	6 %	\$ 14,920	\$ 14,123	6 %
Information Systems & Global Solutions	1,988	2,101	(5) %	7,788	8,367	(7) %
Missiles and Fire Control	2,014	1,723	17 %	7,680	7,757	(1) %
Mission Systems and Training	2,069	1,855	12 %	7,147	7,153	- %
Space Systems	2,324	1,956	19 %	8,065	7,958	1 %
<b>Total net sales</b>	<b>\$ 12,530</b>	<b>\$ 11,533</b>	<b>9 %</b>	<b>\$ 45,600</b>	<b>\$ 45,358</b>	<b>1 %</b>
<b>Operating profit</b>						
Aeronautics	\$ 441	\$ 414	7 %	\$ 1,649	\$ 1,612	2 %
Information Systems & Global Solutions	175	189	(7) %	699	759	(8) %
Missiles and Fire Control	320	350	(9) %	1,358	1,431	(5) %
Mission Systems and Training	215	213	1 %	843	905	(7) %
Space Systems	256	255	- %	1,039	1,045	(1) %
<b>Total business segment operating profit</b>	<b>1,407</b>	<b>1,421</b>	<b>(1) %</b>	<b>5,588</b>	<b>5,752</b>	<b>(3) %</b>
<b>Unallocated items</b>						
FAS/CAS pension adjustment						
FAS pension expense	(259)	(487)		(1,144)	(1,948)	
Less: CAS pension cost	380	367		1,520	1,466	
FAS/CAS pension income (expense)	121	(120)		376	(482)	
Special items						
Goodwill impairment charges <sup>1</sup>	(119)	(195)		(119)	(195)	
Severance charges <sup>2</sup>	-	(171)		-	(201)	
Stock-based compensation	(36)	(39)		(164)	(189)	
Other, net	(31)	(62)		(89)	(180)	
<b>Total unallocated items</b>	<b>(65)</b>	<b>(587)</b>	<b>(89) %</b>	<b>4</b>	<b>(1,247)</b>	<b>N/M</b>
<b>Total consolidated operating profit</b>	<b>\$ 1,342</b>	<b>\$ 834</b>	<b>61 %</b>	<b>\$ 5,592</b>	<b>\$ 4,505</b>	<b>24 %</b>
<b>Operating margins</b>						
Aeronautics	10.7 %	10.6 %		11.1 %	11.4 %	
Information Systems & Global Solutions	8.8 %	9.0 %		9.0 %	9.1 %	
Missiles and Fire Control	15.9 %	20.3 %		17.7 %	18.4 %	
Mission Systems and Training	10.4 %	11.5 %		11.8 %	12.7 %	
Space Systems	11.0 %	13.0 %		12.9 %	13.1 %	
<b>Total business segment operating margins</b>	<b>11.2 %</b>	<b>12.3 %</b>		<b>12.3 %</b>	<b>12.7 %</b>	
<b>Total consolidated operating margins</b>	<b>10.7 %</b>	<b>7.2 %</b>		<b>12.3 %</b>	<b>9.9 %</b>	

<sup>1</sup> In the fourth quarters and years ended Dec. 31, 2014 and 2013, the Corporation recognized non-cash goodwill impairment charges of \$119 million and \$195 million. The charges related to the Technical Services reporting unit within the Missiles and Fire Control business segment. The charges reflect the impact of market pressures on the Technical Services business, such as lower in-theater support as troop levels are drawn down and increased re-competition on existing contracts that are awarded on the basis of price.

<sup>2</sup> In the fourth quarter of 2013, the Corporation recognized severance charges of \$171 million related to its plan to consolidate certain facilities and reduce its total workforce, of which \$53 million, \$37 million and \$81 million related to the Corporation's Information Systems & Global Solutions (IS&GS), Mission Systems and Training and Space Systems business segments. In addition, the Corporation recognized severance charges of \$30 million for a workforce reduction at IS&GS during the first quarter of 2013.

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

	<u>Dec. 31, 2014</u>	<u>Dec. 31, 2013</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 1,446	\$ 2,617
Receivables, net	5,884	5,834
Inventories, net	2,882	2,977
Deferred income taxes	1,451	1,088
Other current assets	666	813
Total current assets	<u>12,329</u>	<u>13,329</u>
Property, plant and equipment, net	4,755	4,706
Goodwill	10,862	10,348
Deferred income taxes	4,013	2,850
Other noncurrent assets	5,114	4,955
Total assets	<u>\$ 37,073</u>	<u>\$ 36,188</u>
<b>Liabilities and stockholders' equity</b>		
Current liabilities		
Accounts payable	\$ 1,570	\$ 1,397
Customer advances and amounts in excess of costs incurred	5,790	6,349
Salaries, benefits and payroll taxes	1,826	1,809
Other current liabilities	1,926	1,565
Total current liabilities	<u>11,112</u>	<u>11,120</u>
Accrued pension liabilities	11,413	9,361
Other postretirement benefit liabilities	1,102	902
Long-term debt, net	6,169	6,152
Other noncurrent liabilities	3,877	3,735
Total liabilities	<u>33,673</u>	<u>31,270</u>
Stockholders' equity		
Common stock, \$1 par value per share	314	319
Additional paid-in capital	-	-
Retained earnings	14,956	14,200
Accumulated other comprehensive loss	(11,870)	(9,601)
Total stockholders' equity	<u>3,400</u>	<u>4,918</u>
Total liabilities and stockholders' equity	<u>\$ 37,073</u>	<u>\$ 36,188</u>

Table 3

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

	<u>Years Ended Dec. 31,</u>	
	<u>2014</u>	<u>2013</u>
<b>Operating activities</b>		
Net earnings	\$ 3,614	\$ 2,981
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation and amortization	994	990
Stock-based compensation	164	189
Deferred income taxes	(401)	(5)
Goodwill impairment charges	119	195
Severance charges	-	201
Changes in assets and liabilities		
Receivables, net	28	767
Inventories, net	77	(60)
Accounts payable	95	(647)
Customer advances and amounts in excess of costs incurred	(572)	(158)
Postretirement benefit plans	(880)	(375)
Income taxes	351	364
Other, net	277	104
<b>Net cash provided by operating activities<sup>1</sup></b>	<u>3,866</u>	<u>4,546</u>
<b>Investing activities</b>		
Capital expenditures	(845)	(836)
Acquisitions of businesses and investments in affiliates	(898)	(269)
Other, net	20	(16)
<b>Net cash used for investing activities</b>	<u>(1,723)</u>	<u>(1,121)</u>
<b>Financing activities</b>		
Repurchases of common stock	(1,900)	(1,762)
Proceeds from stock option exercises	308	827
Dividends paid	(1,760)	(1,540)
Repayments of long-term debt	-	(150)
Other, net	38	(81)
<b>Net cash used for financing activities</b>	<u>(3,314)</u>	<u>(2,706)</u>
<b>Net change in cash and cash equivalents</b>	(1,171)	719
<b>Cash and cash equivalents at beginning of period</b>	2,617	1,898
<b>Cash and cash equivalents at end of period</b>	<u>\$ 1,446</u>	<u>\$ 2,617</u>

<sup>1</sup> The Corporation made contributions to its defined benefit pension trust of \$2.0 billion during the year ended Dec. 31, 2014, compared to \$2.25 billion during the year ended Dec. 31, 2013. Additionally, the Corporation made net tax payments of about \$1.5 billion during the year ended Dec. 31, 2014, compared to approximately \$785 million during the year ended Dec. 31, 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>
<b>Balance at Dec. 31, 2013</b>	<b>\$ 319</b>	<b>\$ -</b>	<b>\$ 14,200</b>	<b>\$ (9,601)</b>	<b>\$ 4,918</b>
Net earnings	-	-	3,614	-	3,614
Other comprehensive loss, net of tax <sup>1</sup>	-	-	-	(2,269)	(2,269)
Repurchases of common stock	(12)	(792)	(1,096)	-	(1,900)
Dividends declared <sup>2</sup>	-	-	(1,762)	-	(1,762)
Stock-based awards and ESOP activity	7	792	-	-	799
<b>Balance at Dec. 31, 2014</b>	<b>\$ 314</b>	<b>\$ -</b>	<b>\$ 14,956</b>	<b>\$ (11,870)</b>	<b>\$ 3,400</b>

<sup>1</sup> The Corporation recognized a total, non-cash, after-tax decrease to stockholders' equity of \$2.9 billion as a result of re-measurements of the assets and benefit obligations related to its defined benefit pension plans that occurred in the fourth quarter of 2014. This decrease was primarily due to a reduction in the discount rate from 4.75% at Dec. 31, 2013 to 4.00% at the Dec. 31, 2014 re-measurement date and the incorporation of the new participant longevity assumptions (also known as mortality), 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 approximately \$705 million related to the recognition of previously deferred amounts.

<sup>2</sup> 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 paid in the fourth quarter of 2014.

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

	<b>Dec. 31, 2014</b>	<b>Dec. 31, 2013</b>
<b>Backlog</b>		
Aeronautics	<b>\$ 27,600</b>	\$ 28,000
Information Systems & Global Solutions	<b>8,700</b>	8,300
Missiles and Fire Control	<b>13,600</b>	15,000
Mission Systems and Training	<b>11,700</b>	10,800
Space Systems	<b>18,900</b>	20,500
<b>Total backlog</b>	<b>\$ 80,500</b>	\$ 82,600
<b>Orders</b>	<b>\$ 43,300</b>	

	<b>Quarters Ended Dec. 31,</b>		<b>Years Ended Dec. 31,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>Aircraft Deliveries</b>				
F-16	<b>6</b>	4	<b>17</b>	13
F-35	<b>14</b>	13	<b>36</b>	35
C-130J	<b>8</b>	6	<b>24</b>	25
C-5	<b>1</b>	4	<b>7</b>	6

Table 6