

**Lockheed Martin Corporation**  
**Consolidated Statements of Earnings<sup>1, 2, 3</sup>**  
(unaudited; in millions, except per share data)

	Quarters Ended		Nine Months Ended	
	Sept. 24, 2017	Sept. 25, 2016	Sept. 24, 2017	Sept. 25, 2016
<b>Net sales</b>	\$ 12,169	\$ 11,551	\$ 35,911	\$ 33,496
<b>Cost of sales</b>	(10,818)	(10,167)	(31,982)	(29,787)
Gross profit	1,351	1,384	3,929	3,709
Other income, net	77	204	133	412
<b>Operating profit</b>	1,428	1,588	4,062	4,121
Interest expense	(162)	(162)	(477)	(492)
Other non-operating (expense) income, net	(7)	1	(8)	2
Earnings from continuing operations before income taxes	1,259	1,427	3,577	3,631
Income tax expense	(320)	(338)	(933)	(837)
Net earnings from continuing operations	939	1,089	2,644	2,794
Net earnings from discontinued operations	-	1,306	-	1,520
<b>Net earnings</b>	\$ 939	\$ 2,395	\$ 2,644	\$ 4,314
Effective tax rate	25.4 %	23.7 %	26.1 %	23.1 %
<b>Earnings per common share</b>				
Basic				
Continuing operations	\$ 3.27	\$ 3.64	\$ 9.16	\$ 9.25
Discontinued operations	-	4.38	-	5.03
Basic earnings per common share	\$ 3.27	\$ 8.02	\$ 9.16	\$ 14.28
Diluted				
Continuing operations	\$ 3.24	\$ 3.61	\$ 9.08	\$ 9.13
Discontinued operations	-	4.32	-	4.97
Diluted earnings per common share	\$ 3.24	\$ 7.93	\$ 9.08	\$ 14.10
<b>Weighted average shares outstanding</b>				
Basic	287.1	298.5	288.5	302.0
Diluted	290.0	302.1	291.3	305.9
Common shares reported in stockholders' equity at end of period			285	291

<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. 24 for the third quarter of 2017 and Sept. 25 for the third quarter of 2016. 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> On Aug. 16, 2016, the corporation completed the divestiture of its former Information Systems & Global Solutions (IS&GS) business. Accordingly, the operating results of IS&GS and the \$1.2 billion gain on the divestiture have been classified as discontinued operations in the quarter and nine months ended Sept. 25, 2016.

<sup>3</sup> On Aug. 24, 2016, the corporation's ownership interest in the AWE Management Limited (AWE) joint venture increased from 33% to 51% and the corporation was required to change its accounting for this investment from the equity method to consolidation. As a result of the increased ownership interest, the corporation recognized a non-cash gain of \$127 million at its Space Systems business segment, which increased net earnings from continuing operations by \$104 million (\$0.34 per share) in the quarter and nine months ended Sept. 25, 2016.

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

	Quarters Ended			Nine Months Ended		
	Sept. 24, 2017	Sept. 25, 2016	% Change	Sept. 24, 2017	Sept. 25, 2016	% Change
<b>Net sales</b>						
Aeronautics	\$ 4,771	\$ 4,188	14 %	\$ 14,102	\$ 12,362	14 %
Missiles and Fire Control	1,793	1,737	3 %	4,919	4,851	1 %
Rotary and Mission Systems	3,353	3,346	- %	9,864	9,653	2 %
Space Systems	2,252	2,280	(1) %	7,026	6,630	6 %
<b>Total net sales</b>	<b>\$ 12,169</b>	<b>\$ 11,551</b>	<b>5 %</b>	<b>\$ 35,911</b>	<b>\$ 33,496</b>	<b>7 %</b>
<b>Operating profit</b>						
Aeronautics	\$ 517	\$ 437	18 %	\$ 1,503	\$ 1,335	13 %
Missiles and Fire Control	270	289	(7) %	757	763	(1) %
Rotary and Mission Systems	244	247	(1) %	606	678	(11) %
Space Systems <sup>1</sup>	218	450	(52) %	762	1,034	(26) %
<b>Total business segment operating profit</b>	<b>1,249</b>	<b>1,423</b>	<b>(12) %</b>	<b>3,628</b>	<b>3,810</b>	<b>(5) %</b>
<b>Unallocated items</b>						
FAS/CAS pension adjustment	220	226		656	672	
Special item - severance	-	-		-	(80)	
Other, net	(41)	(61)		(222)	(281)	
<b>Total unallocated items</b>	<b>179</b>	<b>165</b>	<b>8 %</b>	<b>434</b>	<b>311</b>	<b>40 %</b>
<b>Total consolidated operating profit</b>	<b>\$ 1,428</b>	<b>\$ 1,588</b>	<b>(10) %</b>	<b>\$ 4,062</b>	<b>\$ 4,121</b>	<b>(1) %</b>
<b>Operating margins</b>						
Aeronautics	10.8 %	10.4 %		10.7 %	10.8 %	
Missiles and Fire Control	15.1 %	16.6 %		15.4 %	15.7 %	
Rotary and Mission Systems	7.3 %	7.4 %		6.1 %	7.0 %	
Space Systems <sup>1</sup>	9.7 %	19.7 %		10.8 %	15.6 %	
<b>Total business segment operating margins</b>	<b>10.3 %</b>	<b>12.3 %</b>		<b>10.1 %</b>	<b>11.4 %</b>	
<b>Total consolidated operating margins</b>	<b>11.7 %</b>	<b>13.7 %</b>		<b>11.3 %</b>	<b>12.3 %</b>	

<sup>1</sup> On Aug. 24, 2016, the corporation's ownership interest in the AWE Management Limited (AWE) joint venture increased from 33% to 51% and the corporation was required to change its accounting for this investment from the equity method to consolidation. As a result of the increased ownership interest, the corporation recognized a non-cash gain of \$127 million at its Space Systems business segment, which increased net earnings from continuing operations by \$104 million (\$0.34 per share) in the quarter and nine months ended Sept. 25, 2016.

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

	<u>Sept. 24 2017</u>	<u>Dec. 31, 2016</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 2,941	\$ 1,837
Receivables, net	9,021	8,202
Inventories, net	4,803	4,670
Other current assets	443	399
Total current assets	<u>17,208</u>	<u>15,108</u>
Property, plant and equipment, net	5,511	5,549
Goodwill	10,812	10,764
Intangible assets, net	3,877	4,093
Deferred income taxes	5,970	6,625
Other noncurrent assets	5,568	5,667
Total assets	<u>\$ 48,946</u>	<u>\$ 47,806</u>
<b>Liabilities and equity</b>		
Current liabilities		
Accounts payable	\$ 2,848	\$ 1,653
Customer advances and amounts in excess of costs incurred	6,195	6,776
Salaries, benefits and payroll taxes	1,895	1,764
Other current liabilities	2,146	2,349
Total current liabilities	<u>13,084</u>	<u>12,542</u>
Long-term debt, net	14,268	14,282
Accrued pension liabilities	13,998	13,855
Other postretirement benefit liabilities	858	862
Other noncurrent liabilities	4,563	4,659
Total liabilities	<u>46,771</u>	<u>46,200</u>
Stockholders' equity		
Common stock, \$1 par value per share	285	289
Additional paid-in capital	-	-
Retained earnings	13,173	13,324
Accumulated other comprehensive loss	(11,360)	(12,102)
Total stockholders' equity	<u>2,098</u>	<u>1,511</u>
Noncontrolling interests in subsidiary	77	95
Total equity	<u>2,175</u>	<u>1,606</u>
Total liabilities and equity	<u>\$ 48,946</u>	<u>\$ 47,806</u>

Table 3

**Lockheed Martin Corporation**  
**Consolidated Statements of Cash Flows<sup>1</sup>**  
(unaudited; in millions)

	<b>Nine Months Ended</b>	
	<b>Sept. 24, 2017</b>	<b>Sept. 25, 2016</b>
<b>Operating activities</b>		
Net earnings	\$ 2,644	\$ 4,314
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation and amortization	880	888
Stock-based compensation	133	124
Severance charges	-	99
Gain on divestiture of IS&GS segment	-	(1,234)
Gain on step acquisition of AWE	-	(104)
Changes in assets and liabilities		
Receivables, net	(819)	(1,537)
Inventories, net	(133)	(235)
Accounts payable	1,229	1,033
Customer advances and amounts in excess of costs incurred	(581)	57
Postretirement benefit plans	1,012	787
Income taxes	(202)	37
Other, net	801	231
<b>Net cash provided by operating activities</b>	<b>4,964</b>	<b>4,460</b>
<b>Investing activities</b>		
Capital expenditures	(670)	(627)
Other, net	15	76
<b>Net cash used for investing activities</b>	<b>(655)</b>	<b>(551)</b>
<b>Financing activities</b>		
Special cash payment from divestiture of IS&GS business segment	-	1,800
Repurchases of common stock	(1,500)	(1,280)
Dividends paid	(1,591)	(1,518)
Repayments of long-term debt	-	(952)
Proceeds from stock option exercises	62	75
Other, net	(176)	(229)
<b>Net cash used for financing activities</b>	<b>(3,205)</b>	<b>(2,104)</b>
<b>Net change in cash and cash equivalents</b>	<b>1,104</b>	<b>1,805</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>1,837</b>	<b>1,090</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 2,941</b>	<b>\$ 2,895</b>

<sup>1</sup> On Aug. 16, 2016, the corporation completed the divestiture of its IS&GS business. Although, the operating results of IS&GS have been as discontinued operations in the nine months ended Sept. 25, 2016, cash from operations includes cash generated by IS&GS of approximately \$310 million 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>Noncontrolling Interests in Subsidiary</u>	<u>Total Equity</u>
<b>Balance at Dec. 31, 2016</b>	\$ 289	\$ -	\$ 13,324	\$ (12,102)	\$ 1,511	\$ 95	\$ 1,606
Net earnings	-	-	2,644	-	2,644	-	2,644
Other comprehensive income, net of tax <sup>1</sup>	-	-	-	742	742	-	742
Repurchases of common stock	(5)	(282)	(1,213)	-	(1,500)	-	(1,500)
Dividends declared <sup>2</sup>	-	-	(1,582)	-	(1,582)	-	(1,582)
Stock-based awards and ESOP activity	1	282	-	-	283	-	283
Net decrease in noncontrolling interests in subsidiary	-	-	-	-	-	(18)	(18)
<b>Balance at Sept. 24, 2017</b>	<b>\$ 285</b>	<b>\$ -</b>	<b>\$ 13,173</b>	<b>\$ (11,360)</b>	<b>\$ 2,098</b>	<b>\$ 77</b>	<b>\$ 2,175</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 \$1.82 per share declared for the first, second and third quarters of 2017.

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

	<b>Sept. 24, 2017</b>	<b>Dec. 31, 2016</b>
<b>Backlog</b>		
Aeronautics	\$ 39,500	\$ 34,200
Missiles and Fire Control	16,800	14,700
Rotary and Mission Systems	29,800	28,400
Space Systems	17,500	18,900
<b>Total backlog</b>	<b>\$ 103,600</b>	<b>\$ 96,200</b>

	<b>Quarters Ended</b>		<b>Nine Months Ended</b>	
	<b>Sept. 24, 2017</b>	<b>Sept. 25, 2016</b>	<b>Sept. 24, 2017</b>	<b>Sept. 25, 2016</b>
<b>Aircraft Deliveries</b>				
F-35	15	10	44	30
F-16	2	3	7	8
C-130J	5	4	16	16
C-5	1	2	5	6
Government helicopter programs	39	37	110	124
Commercial helicopter programs	-	3	3	8
International military helicopter programs	2	1	3	1

Table 6