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

	Quarters Ended Dec. 31, 2017	Quarters Ended Dec. 31, 2016	Years Ended Dec. 31, 2017	Years Ended Dec. 31, 2016
Net sales[1]	**$ 15,137**	$ 13,752	**$ 51,048**	$ 47,248
Cost of sales	**(13,518)**	(12,399)	**(45,500)**	(42,186)
Gross profit	**1,619**	1,353	**5,548**	5,062
Other income, net[1,2]	**240**	75	**373**	487
Operating profit	**1,859**	1,428	**5,921**	5,549
Interest expense	**(174)**	(171)	**(651)**	(663)
Other non-operating income(expense), net	**7**	(2)	**(1)**	-
Earnings from continuing operations before income taxes	**1,692**	1,255	**5,269**	4,886
Income tax expense[3]	**(2,407)**	(296)	**(3,340)**	(1,133)
Net (loss) earnings from continuing operations	**(715)**	959	**1,929**	3,753
Net earnings from discontinued operations	**73**	29	**73**	1,549
Net (loss) earnings	**$ (642)**	$ 988	**$ 2,002**	$ 5,302
Effective tax rate[3]	**142.3 %**	23.6 %	**63.4 %**	23.2 %
(Loss) earnings per common share				
Basic				
Continuing operations[1,2,3]	**$ (2.50)**	$ 3.29	**$ 6.70**	$ 12.54
Discontinued operations[4]	**0.25**	0.10	**0.26**	5.17
Basic (loss) earnings per common share	**$ (2.25)**	$ 3.39	**$ 6.96**	$ 17.71
Diluted				
Continuing operations[1,2,3,5]	**$ (2.50)**	$ 3.25	**$ 6.64**	$ 12.38
Discontinued operations[4,5]	**0.25**	0.10	**0.25**	5.11
Diluted (loss) earnings per common share[5]	**$ (2.25)**	$ 3.35	**$ 6.89**	$ 17.49
Weighted average shares outstanding				
Basic	**285.9**	291.8	**287.8**	299.3
Diluted[5]	**285.9**	295.2	**290.6**	303.1
Common shares reported in stockholders' equity at end of period			**284**	289

[1] On Aug. 24, 2016, the corporation's ownership interest in the AWE Management Limited (AWE) joint venture increased from 33 percent to 51 percent 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 business segment, which increased net earnings from continuing operations by $104 million ($0.34 per share) in the year ended Dec. 31, 2016.

[2] In the fourth quarter of 2017, the corporation recognized a previously deferred non-cash gain of $198 million related to properties sold in 2015 as a result of completing its remaining obligations, which increased net earnings from continuing operations by $122 million ($0.43 per share in the fourth quarter and $0.42 per share in 2017).

[3] In the fourth quarter of 2017, the corporation recorded a net one-time charge of $1.9 billion ($6.80 per share in the fourth quarter and $6.69 per share in 2017), substantially all of which was non-cash, primarily related to the estimated impacts of the Tax Cuts and Jobs Act. For additional information regarding the one-time charge, refer to the "Income Taxes" section of this news release.

[4] 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 initial gain on the divestiture have been classified as discontinued operations in the year ended Dec. 31, 2016. In the fourth quarter of 2017 the corporation recognized an additional gain on discontinued operations of $73 million, which reflects certain post-closing adjustments, including certain tax adjustments and the final determination of net working capital.

[5] The corporation incurred a net loss in the fourth quarter of 2017 causing inclusion of any potentially dilutive securities to have an anti-dilutive effect, resulting in the weighted average shares outstanding for basic and dilutive earnings per share being equivalent during the quarter. As a result the corporation's net loss in the fourth quarter of 2017, diluted earnings per share for the quarters of 2017 will not equal the earnings per share amount on the consolidated statements of earnings.

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

	Quarters Ended Dec. 31, 2017	Quarters Ended Dec. 31, 2016	% Change	Years Ended Dec. 31, 2017	Years Ended Dec. 31, 2016	% Change
Net sales						
Aeronautics	**$ 6,046**	$ 5,407	12 %	**$ 20,148**	$ 17,769	13 %
Missiles and Fire Control	**2,293**	1,757	31 %	**7,212**	6,608	9 %
Rotary and Mission Systems	**4,351**	3,809	14 %	**14,215**	13,462	6 %
Space	**2,447**	2,779	(12) %	**9,473**	9,409	1 %
Total net sales	**$ 15,137**	$ 13,752	10 %	**$ 51,048**	$ 47,248	8 %
Operating profit						
Aeronautics	**$ 661**	$ 552	20 %	**$ 2,164**	$ 1,887	15 %
Missiles and Fire Control	**296**	255	16 %	**1,053**	1,018	3 %
Rotary and Mission Systems	**299**	228	31 %	**905**	906	- %
Space[1]	**231**	255	(9) %	**993**	1,289	(23) %
Total business segment operating profit	**1,487**	1,290	15 %	**5,115**	5,100	- %
Unallocated items						
FAS/CAS pension adjustment	**220**	230		**876**	902	
Special item - severance	**-**	-		**-**	(80)	
Other, net[2,3]	**152**	(92)		**(70)**	(373)	
Total unallocated items	**372**	138		**806**	449	
Total consolidated operating profit	**$ 1,859**	$ 1,428	30 %	**$ 5,921**	$ 5,549	7 %
Operating margins						
Aeronautics	**10.9 %**	10.2 %		**10.7 %**	10.6 %	
Missiles and Fire Control	**12.9 %**	14.5 %		**14.6 %**	15.4 %	
Rotary and Mission Systems	**6.9 %**	6.0 %		**6.4 %**	6.7 %	
Space	**9.4 %**	9.2 %		**10.5 %**	13.7 %	
Total business segment operating margins	**9.8 %**	9.4 %		**10.0 %**	10.8 %	
Total consolidated operating margins	**12.3 %**	10.4 %		**11.6 %**	11.7 %	

[1] On Aug. 24, 2016, the corporation's ownership interest in the AWE Management Limited (AWE) joint venture increased from 33 percent to 51 percent 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 business segment, which increased net earnings from continuing operations by $104 million ($0.34 per share) in the year ended Dec. 31, 2016.

[2] On Aug. 16, 2016, the corporation divested its former IS&GS business. Accordingly, the operating results of IS&GS have been classified as discontinued operations in the year ended Dec. 31, 2016. Due to the divestiture, the corporation reclassified $82 million of corporate overhead costs incurred in 2016 from the IS&GS business to other unallocated, net in our consolidated statement of earnings.

[3] In the fourth quarter of 2017, the corporation recognized a previously deferred non-cash gain of $198 million related to properties sold in 2015 as a result of completing our remaining obligations, which increased net earnings from continuing operations by $122 million ($0.43 per share in the fourth quarter and $0.42 per share in 2017).

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

	Dec. 31, 2017	Dec. 31, 2016
Assets		
Current assets		
Cash and cash equivalents	**$ 2,861**	$ 1,837
Receivables, net	**8,603**	8,202
Inventories, net	**4,487**	4,670
Other current assets	**1,510**	399
Total current assets	**17,461**	15,108
Property, plant and equipment, net	**5,775**	5,549
Goodwill	**10,807**	10,764
Intangible assets, net	**3,797**	4,093
Deferred income taxes	**3,239**	6,625
Other noncurrent assets	**5,442**	5,667
Total assets	**$ 46,521**	$ 47,806
Liabilities and equity		
Current liabilities		
Accounts payable	**$ 1,467**	$ 1,653
Customer advances and amounts in excess of costs incurred	**6,752**	6,776
Salaries, benefits and payroll taxes	**1,785**	1,764
Current maturities of long-term debt	**750**	-
Other current liabilities	**1,883**	2,349
Total current liabilities	**12,637**	12,542
Long-term debt, net	**13,513**	14,282
Accrued pension liabilities	**15,703**	13,855
Other postretirement benefit liabilities	**719**	862
Other noncurrent liabilities	**4,558**	4,659
Total liabilities	**47,130**	46,200
Stockholders' equity		
Common stock, $1 par value per share	**284**	289
Additional paid-in capital	**-**	-
Retained earnings	**11,573**	13,324
Accumulated other comprehensive loss	**(12,540)**	(12,102)
Total stockholders' (deficit) equity[1]	**(683)**	1,511
Noncontrolling interests in subsidiary	**74**	95
Total (deficit) equity[1]	**(609)**	1,606
Total liabilities and equity	**$ 46,521**	$ 47,806

[1] The deficit in equity was predominantly due to a $1.9 billion net one-time charge primarily due to the enactment of the Tax Act and the annual Dec. 31, 2017, re-measurement adjustment related to our postretirement benefit plans of $1.4 billion. Under Maryland law, if a corporation has a deficit in equity, it is still able to pay dividends and make share repurchases in an amount limited to its net earnings in either the current or the preceding fiscal year or from the net earnings for the preceding eight quarters and if it is otherwise able to pay its debts as these come due

Lockheed Martin Corporation
Consolidated Statements of Cash Flows[1]
(unaudited; in millions)

	Years Ended Dec. 31, 2017	Years Ended Dec. 31, 2016
Operating activities		
Net earnings	**$ 2,002**	$ 5,302
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation and amortization	**1,195**	1,215
Stock-based compensation	**158**	149
Deferred income taxes	**3,304**	(152)
Severance charges	**-**	99
Gain on property sale	**(198)**	-
Gain on divestiture of IS&GS business	**(73)**	(1,242)
Gain on step acquisition of AWE	**-**	(104)
Changes in assets and liabilities		
Receivables, net	**(401)**	(811)
Inventories, net	**183**	(46)
Accounts payable	**(189)**	(188)
Customer advances and amounts in excess of costs incurred	**(24)**	3
Postretirement benefit plans	**1,316**	1,028
Income taxes	**(1,082)**	146
Other, net	**285**	(210)
Net cash provided by operating activities	**6,476**	5,189
Investing activities		
Capital expenditures	**(1,177)**	(1,063)
Other, net	**30**	78
Net cash used for investing activities	**(1,147)**	(985)
Financing activities		
Repurchases of common stock	**(2,001)**	(2,096)
Dividends paid	**(2,163)**	(2,048)
Special cash payment from divestiture of IS&GS business	**-**	1,800
Repayments of long-term debt	**-**	(952)
Proceeds from stock option exercises	**71**	106
Other, net	**(212)**	(267)
Net cash used for financing activities	**(4,305)**	(3,457)
Net change in cash and cash equivalents	**1,024**	747
Cash and cash equivalents at beginning of period	**1,837**	1,090
Cash and cash equivalents at end of period	**$ 2,861**	$ 1,837

[1] On Aug. 16, 2016, the corporation divested its former IS&GS business. Although, the operating results of IS&GS have been classified as discontinued operations in the year ended Dec. 31, 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)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' (Deficit) Equity[3]	Noncontrolling Interests in Subsidiary	Total (Deficit) Equity[3]
Balance at Dec. 31, 2016	**$ 289**	**$ -**	**$ 13,324**	**$ (12,102)**	**$ 1,511**	**$ 95**	**$ 1,606**
Net earnings	-	-	2,002	-	2,002	-	2,002
Other comprehensive loss, net of tax[1]	-	-	-	(438)	(438)	-	(438)
Repurchases of common stock	(7)	(398)	(1,596)	-	(2,001)	-	(2,001)
Dividends declared[2]	-	-	(2,157)	-	(2,157)	-	(2,157)
Stock-based awards, ESOP activity and other	2	398	-	-	400	-	400
Net decrease in noncontrolling interests in subsidiary	-	-	-	-	-	(21)	(21)
Balance at Dec. 31, 2017	**$ 284**	**$ -**	**$ 11,573**	**$ (12,540)**	**$ (683)**	**$ 74**	**$ (609)**

[1] At Dec. 31, 2017, the corporation recognized a non-cash, after-tax reduction to stockholders' equity of $1.4 billion as a result of the year-end re-measurement of its postretirement benefit plans. Partially offsetting this reduction was an $802 million recognition of previously deferred amounts. The reduction to stockholders' equity was primarily due to a lower discount rate at Dec. 31, 2017 of 3.625 percent as compared to 4.125 percent at Dec. 31, 2016.

[2] Represents dividends of $2.00 per share declared for the fourth quarter of 2017 and $1.82 per share declared for the first, second and third quarters of 2017.

[3] The deficit in equity was predominantly due to a $1.9 billion net one-time charge primarily due to the enactment of the Tax Act and the annual Dec. 31, 2017, re-measurement adjustment related to our postretirement benefit plans of $1.4 billion. Under Maryland law, if a corporation has a deficit in equity, it is still able to pay dividends and make share repurchases in an amount limited to its net earnings in either the current or the preceding fiscal year or from the net earnings for the preceding eight quarters and if it is otherwise able to pay its debts as these come due.

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

Backlog	**Dec. 31, 2017**	**Dec. 31, 2016**
Aeronautics	**$ 35,832**	$ 34,182
Missiles and Fire Control	**17,863**	14,704
Rotary and Mission Systems	**28,974**	28,430
Space	**17,267**	18,842
Total backlog	**$ 99,936**	$ 96,158

	Quarters Ended		**Years Ended**	
Aircraft Deliveries	**Dec. 31, 2017**	**Dec. 31, 2016**	**Dec. 31, 2017**	**Dec. 31, 2016**
F-35	**22**	16	**66**	46
F-16	**1**	4	**8**	12
C-130J	**10**	8	**26**	24
C-5	**2**	3	**7**	9
Other fixed-wing aircraft	**2**	-	**2**	-
Government helicopter programs	**54**	42	**164**	166
Commercial helicopter programs	**4**	4	**7**	12
International military helicopter programs	**6**	1	**9**	2

New Accounting Standards

Effective Jan. 1, 2018, the corporation adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* , as amended (commonly referred to as ASC 606), which changes the way the corporation recognizes revenue for certain of its customer contracts. On Jan. 1, 2018, the corporation also adopted ASU No. 2017-07, *Compensation-Retirement Benefits* , which changed the income statement classification of certain components of net periodic benefit cost for defined benefit pension and other postretirement plans.

Prior to the adoption of ASC 606, the corporation recognized the majority of its revenue using the percentage-of-completion method of accounting. Based on the nature of products provided or services performed, revenue was recorded using the percentage-of-completion cost-to-cost method or the percentage-of-completion units-of-delivery method. See the Annual Report on Form 10-K for fiscal year ended Dec. 31, 2016 for details on the corporation's revenue recognition policy. Under ASC 606, revenue is recognized as the customer obtains control of the goods or receives benefit from services promised in the contract (i.e., performance obligations). For most of the corporation's contracts, the customer obtains control or receives benefits as we perform on the contract, and under ASC 606, revenue for those contracts is recognized over time using a method similar to the current percentage-of-completion cost-to-cost method. The main impacts of ASC 606 to the corporation are timing of revenue recognition for contracts that were historically accounted for using the percentage-of-completion units-of-delivery method with revenue for these contracts recognized earlier in the performance period as we incur costs. Major programs impacted by ASC 606 include the C-130J and C-5 programs in the Aeronautics business; tactical missile programs (Hellfire and JASSM), Patriot Advanced Capability-3 (PAC-3), and fire control programs (LANTIRN® and SNIPER®) in the Missiles and Fire Control (MFC) business; and the Black Hawk and Seahawk helicopter programs in the Rotary and Mission Systems (RMS) business. Also with the adoption of ASC 606, pro forma backlog was re-measured to reflect the value of performance obligations yet to be completed at Dec. 31, 2017. Please see the backlog attachment to this earnings release for pro forma backlog information. Total net cash provided by operating activities and net cash used by investing and financing activities on our consolidated statements of cash flows are not expected to be impacted by the adoption of ASC 606.

The new accounting standard, *Compensation-Retirement Benefits* , which the corporation adopted Jan. 1, 2018, changes the income statement presentation of certain components of net periodic benefit cost related to defined benefit pension and other postretirement benefit plans. Currently, we record all components of net periodic benefit costs in operating profit as part of cost of sales. Under ASU No. 2017-07, we will record only the service component of net periodic benefit cost in operating profit and the non-service components of net periodic benefit cost (i.e., interest cost, expected return on plan assets, amortization of prior service cost or credits, and net actuarial gains or losses) as part of non-operating income.

The financial results reported in the news release for fiscal years ended Dec. 31, 2016 and 2017 do not reflect the accounting changes required by these standards as the corporation did not adopt them until Jan. 1, 2018. However, the Financial Outlook and supplemental tables included in the news release include pro forma financial information, which reflect the accounting changes of these new accounting standards to help understand the 2018 Financial Outlook.

Lockheed Martin Corporation
Pro Forma Consolidated Statements of Earnings - Adjusted for Impacts of New Accounting Standards
(unaudited; in millions)

	Year Ended December 31, 2016			
	Lockheed Martin Historical	**Adjustments for Adoption of ASC 606[1]**	**Reclassification for New Pension Standard**	**Lockheed Martin Adjusted**
Aeronautics	$ 17,769	$ (476)	$ -	$ 17,293
Missiles and Fire Control	6,608	206	-	6,814
Rotary and Mission Systems	13,462	133	-	13,595
Space	9,409	209	-	9,618
Net sales	47,248	72	-	47,320
Aeronautics	1,887	(42)	-	1,845
Missiles and Fire Control	1,018	9	-	1,027
Rotary and Mission Systems	906	(61)	-	845
Space	1,289	(1)	-	1,288
Business Segment Operating Profit	5,100	(95)	-	5,005
Total Unallocated Items	449	(15)	471	905
Total Consolidated Operating Profit	5,549	(110)	471	5,910
Interest expense	(663)	-	-	(663)
Other non-operating expense, net	-	-	(471)	(471)
Earnings from continuing operations before income taxes	4,886	(110)	-	4,776
Income tax expense	(1,133)	33	-	(1,100)
Net earnings from continuing operations	3,753	(77)	-	3,676
Net earnings from discontinued operations	1,549	(37)	-	1,512
Net earnings	$ 5,302	$ (114)	$ -	$ 5,188
Effective tax rate	23.2%			23.0%
Earnings per common share				
Basic				
Continuing operations	$ 12.54	$ (0.26)	$ -	$ 12.28
Discontinued operations	5.17	(0.12)	-	5.05
Basic earnings per common share	$ 17.71	$ (0.38)	$ -	$ 17.33
Diluted				
Continuing operations	$ 12.38	$ (0.25)	$ -	$ 12.13
Discontinued operations	5.11	(0.12)	-	4.99
Diluted earnings per common share	$ 17.49	$ (0.37)	$ -	$ 17.12

[1] Primarily reflects adjustments for contracts that were historically accounted for using the percentage-of-completion units-of-delivery method, which under ASC 606 are recognized as the customer obtains control of the goods and services promised in the contract. The major programs impacted by ASC 606 listed by business segment are as follows: Aeronautics (C-5 and C-130J programs); Missiles and Fire Control (PAC-3, JASSM, Hellfire, LANTIRN® and SNIPER® programs); Rotary and Mission Systems (Black Hawk and Seahawk helicopter programs); and Space (commercial satellite programs).

Lockheed Martin Corporation
Pro Forma Consolidated Statements of Earnings - Adjusted for Impacts of New Accounting Standards
(unaudited; in millions)

	Year Ended December 31, 2017			
	Lockheed Martin Historical	Adjustments for Adoption of ASC 606[1]	Reclassification for New Pension Standard	Lockheed Martin Adjusted
Aeronautics	$ 20,148	$ (738)	$ -	$ 19,410
Missiles and Fire Control	7,212	82	-	7,294
Rotary and Mission Systems	14,215	(552)	-	13,663
Space	9,473	136	-	9,609
Net sales	51,048	(1,072)	-	49,976
Aeronautics	2,164	12	-	2,176
Missiles and Fire Control	1,053	(4)	-	1,049
Rotary and Mission Systems	905	(3)	-	902
Space	993	(13)	-	980
Business Segment Operating Profit	5,115	(8)	-	5,107
Total Unallocated Items	806	-	846	1,652
Total Consolidated Operating Profit	5,921	(8)	846	6,759
Interest expense	(651)	-	-	(651)
Other non-operating expense, net	(1)	-	(846)	(847)
Earnings from continuing operations before income taxes	5,269	(8)	-	5,261
Income tax expense[2]	(3,340)	(13)	-	(3,353)
Net earnings from continuing operations	1,929	(21)	-	1,908
Net earnings from discontinued operations	73	-	-	73
Net earnings	$ 2,002	$ (21)	$ -	$ 1,981
Effective tax rate	63.4%			63.7%
Earnings per common share				
Basic				
Continuing operations	$ 6.70	$ (0.07)	$ -	$ 6.63
Discontinued operations	0.26	-	-	0.26
Basic earnings per common share	$ 6.96	$ (0.07)	$ -	$ 6.89
Diluted				
Continuing operations[2]	$ 6.64	$ (0.07)	$ -	$ 6.57
Discontinued operations	0.25	-	-	0.25
Diluted earnings per common share	$ 6.89	$ (0.07)	$ -	$ 6.82

[1] Primarily reflects adjustments for contracts that were historically accounted for using the percentage-of-completion units-of-delivery method, which under ASC 606 are recognized as the customer obtains control of the goods and services promised in the contract. The major programs impacted by ASC 606 listed by business segment are as follows: Aeronautics (C-130J and C-5 programs); Missiles and Fire Control (Hellfire, JASSM, PAC-3, LANTIRN® and SNIPER® programs); Rotary and Mission Systems (Black Hawk and Seahawk helicopter programs); and Space (commercial satellite programs).

[2] In the fourth quarter of 2017, the corporation recorded a net one-time charge of $1.9 billion ($6.69 per share in 2017 on a GAAP historical basis and $6.74 per share in 2017 on a pro forma adjusted basis), substantially all of which was non-cash, primarily related to the estimated impacts of the Tax Cuts and Jobs Act. For additional information regarding the one-time charge, refer to the “Income Taxes” section of this news release.

Lockheed Martin Corporation
Pro Forma Backlog - Adjusted for Impacts of ASC 606
(unaudited; in millions)

Backlog	**Historical** Dec. 31, 2017	**Pro Forma for Adoption of ASC 606** Dec. 31, 2017
Aeronautics	$ 35,832	$ 35,692
Missiles and Fire Control	17,863	17,678
Rotary and Mission Systems	28,974	30,030
Space	17,267	22,082
Total backlog	$ 99,936	$ 105,482