# Lockheed Martin Announces Second Quarter 2006 Results

- \* Second Quarter Net Earnings Up 26% to \$580 Million; Year-To-Date Net Earnings Up 41% to \$1.2 Billion
- \* Second Quarter Earnings Per Share Up 31% to \$1.34; Year-To-Date Earnings per share up 45% to \$2.68
- \* Second Quarter Net Sales Up 7% to \$10.0 Billion; Year-To-Date Net Sales Up 8% to \$19.2 Billion
- \* Generates \$1.6 Billion in Cash From Operations in the Second Quarter; \$2.8 Billion Year-To-Date
- \* Increases Outlook for 2006 Earnings Per Share, Cash From Operations and Return on Invested Capital (ROIC)

# PRNewswire-FirstCall BETHESDA, Md.

Lockheed Martin Corporation today reported second quarter 2006 net earnings of \$580 million (\$1.34 per diluted share) compared to \$461 million (\$1.02 per diluted share) in 2005. Net sales were \$10.0 billion, a 7% increase over second quarter 2005 sales of \$9.3 billion. Cash from operations for the second quarter of 2006 was \$1.6 billion.

Net sales for the first six months of 2006 were \$19.2 billion, an 8% increase over the \$17.8 billion recorded in the comparable 2005 period. Net earnings for the six months ended June 30, 2006 were \$1.2 billion (\$2.68 per share) compared to \$830 million (\$1.85 per share) in 2005. Cash from operations for the first half of 2006 was \$2.8 billion.

"All of our employees continue to focus on meeting customer commitments, capturing new orders, improving productivity and generating cash," said Bob Stevens, Chairman, President and CEO. "Our results reflect excellent operational and financial performance across all business areas. This performance enabled us to increase our 2006 financial outlook, as we drive toward our long standing goal of double-digit operating margins."

## SUMMARY REPORTED RESULTS AND OUTLOOK

The following table presents the Corporation's results for the quarter and year-to-date periods ended June 30, in accordance with generally accepted accounting principles (GAAP):

```
REPORTED RESULTS
                                 2nd Quarter
                                                Year-to-Date
(In millions, except per
                           2006
                                 2005
                                          2006
                                                  2005
share data)
Net sales
                       $9,961 $9,295 $19,175 $17,783
Operating profit
 Segment operating profit
                              $976
                                   $865 $1,907 $1,627
Unallocated corporate, net:
  FAS/CAS pension adjustment
                                 (68)
                                       (156)
                                              (136)
                                                      (311)
  Unusual items, net
                             20
                                   41
                                        170
                                                58
                                             (57)
  Stock compensation expense
                                 (27)
                                       - -
                                      30
  Other, net
                         42
                               14
                                             20
                     $943
                            $764 $1,914 $1,394
Net earnings
                                $461 $1,171
Diluted earnings per share
                             $1.34 $1.02 $2.68
                                                    $1.85
Cash from operations
                            $1,613
                                    $697 $2,798 $2,245
```

The following table and other sections of this press release contain forward-looking statements, which are based on the Corporation's current expectations. Actual results may differ materially from those projected. See the "Forward-Looking Statements" discussion contained in this press release.

2006 OUTLOOK 2006 Projections (In millions, except per Current Update April 2006

share data)

Net sales \$38,500 - \$39,500 \$38,000 - \$39,500

Operating profit:

Segment operating profit \$3,825 - \$3,925 \$3,625 - \$3,725 Unallocated corporate

expense, net:

```
FAS/CAS pension adjustment
                                   approx. (275)
                                                    approx. (275)
  Unusual items, net
                             approx. 170
                                              approx. 150
                                  approx. (110)
  Stock compensation expense
                                                   approx. (110)
                           15 - 40
                                           5 - 30
  Other, net
                      $3,625 - $3,750 $3,395 - $3,520
Diluted earnings per share
                                $5.10 - $5.30
                                                $4.65 - $4.85
Cash from operations
                                 >/= $3,600
                                                >/= $3,400
ROIC (1)
                                            > 14.8%
                            > 16.5%
(1) A summary table showing the calculation of ROIC is displayed at the
```

end of this release.

The \$0.45 increase in projected 2006 diluted earnings per share is primarily driven by improved operational

performance in all business segments. In addition, the current outlook reflects a reduction in the projected full-year, weighted-average number of diluted shares outstanding as a result of share repurchase activity and the recognition of an incremental \$20 million (\$13 million after-tax or \$0.03 per share) unusual gain during the second

quarter.

It is the Corporation's practice not to incorporate adjustments to its outlook and projections for proposed acquisitions, divestitures, joint ventures, or other unusual activities until such transactions have been consummated.

## CASH FLOW AND LEVERAGE

Cash from operations for the quarter and six months ended June 30, 2006 was \$1.6 billion and \$2.8 billion. The Corporation continued to execute its balanced cash deployment strategy during the quarter and first half of the year as follows:

- \* Repurchased 9.8 million of its common shares at a cost of \$718 million in the quarter and 21.5 million of its common shares at a cost of \$1.6 billion during the first six months of the year;
- \* Invested \$321 million in the second quarter and \$474 million during the first six months of the year for acquisition activities;
- \* Repaid \$194 million of debt in the quarter and \$200 million during the first six months;
- \* Made capital expenditures of \$165 million in the quarter and \$263 million during the first six months of the year; and
- \* Paid cash dividends of \$129 million in the quarter and \$261 million for the first half of year.

The Corporation's ratio of total debt-to-capitalization was 39% at the end of the second quarter, unchanged from the December 31, 2005 level. At June 30, 2006, the Corporation had \$3.4 billion in cash and short-term investments.

#### SEGMENT RESULTS

The Corporation operates in five principal business segments: Electronic Systems, Integrated Systems & Solutions (IS&S), Information & Technology Services (I&TS), Aeronautics, and Space Systems. The results of Electronic Systems, IS&S and I&TS have been aggregated and reported as the Systems & IT Group due to the common focus on information technology and systems integration and engineering solutions across these segments.

Consistent with the manner in which the Corporation's business segment operating performance is evaluated, unusual items are excluded from segment results and included in "Unallocated corporate (expense) income, net." See our 2005 Form 10-K for a description of "Unallocated corporate (expense) income, net," including the FAS / CAS pension adjustment.

The following table presents the operating results of the Systems & IT Group, Aeronautics and Space Systems and reconciles these amounts to the Corporation's consolidated financial results.

```
      (In millions)
      2nd Quarter 2006
      Year-to-Date 2005

      Net sales
      2006
      2005

      Systems & IT Group
      Electronic Systems
      $2,886
      $2,740
      $5,516
      $4,997

      Integrated Systems & Solutions
      1,086
      1,052
      2,105
      2,010

      Information & Technology Services
      1,070
      998
      1,995
      1,843
```

Systems & IT Group 5,042 4,790 9,616 8,850

Aeronautics 2,818 2,879 5,489 5,645 Space Systems 2,101 1,626 4,070 3,288

Total net sales

\$9,961 \$9,295 \$19,175 \$17,783

Operating profit

Systems & IT Group

Electronic Systems \$333 \$295 \$656 \$527 Integrated Systems & Solutions 100 93 193 177 Information & Technology Services 93 86 175 157 474 1,024 Systems & IT Group 526

 Aeronautics
 261
 245
 501
 467

 Space Systems
 189
 146
 382
 299

 Segment operating profit
 976
 865
 1,907
 1,627

Unallocated corporate (expense)

income, net: (33) (101) 7 (233)

Total operating profit \$943 \$764 \$1,914 \$1,394

The following discussion compares the operating results for the quarter and six months ended June 30, 2006 to the same periods in 2005.

Systems & IT Group (\$ millions)

2nd Quarter Year-to-Date 2006 2005 2006 2005

 Net sales
 \$5,042
 \$4,790
 \$9,616
 \$8,850

 Operating profit
 \$526
 \$474
 \$1,024
 \$861

Net sales for the Systems & IT Group increased by 5% for the quarter and 9% for the six months ended June 30, 2006 from the 2005 periods. Each of the business segments in the group reported sales growth during the quarter and first half of the year.

In Electronic Systems, during the second quarter, sales increased due to higher volume in platform integration activities at Platform, Training & Transportation Solutions (PT&TS) and in surface system programs at Maritime Systems & Sensors (MS2). These increases were partially offset by a decline in fire control programs at Missiles & Fire Control (M&FC). For the first half of the year, the sales growth in Electronic Systems was due to volume increases in platform integration activities at PT&TS, surface system programs at MS2; and in air defense programs at M&FC. In IS&S, for both the quarter and year- to-date periods, the increases in sales were primarily attributable to higher volume and performance related to intelligence, defense and information assurance activities. In I&TS, for both the quarter and year-to-date periods, the increases in sales were primarily attributable to higher volume in Information Technology, which offset declines in NASA programs.

Operating profit for the Systems & IT Group increased by 11% for the quarter and 19% for the six months ended June 30, 2006 compared to the 2005 periods. Each of the business segments in the group reported growth in operating profit during the quarter and first half of the year.

In Electronic Systems, the increase in operating profit during the second quarter was attributable to improved performance on radar programs at MS2 and higher volume on platform integration activities at PT&TS which were partially offset by a decline in certain tactical missile programs at M&FC. For the six month period, Electronic Systems' operating profit increased mainly due to improved performance on radar programs at MS2 and fire control programs at M&FC as well as higher volume on platform integration activities at PT&TS. In IS&S, for both the quarter and first half of the year, the increases were primarily attributable to higher volume and performance related to intelligence, defense and information assurance activities. In I&TS, for both the quarter and year-to-date periods, the increases were due to improved performance in Defense Services.

Aeronautics (\$ millions)

2nd Quarter Year-to-Date 2006 2005 2006 2005

 Net sales
 \$2,818
 \$2,879
 \$5,489
 \$5,645

 Operating profit
 \$261
 \$245
 \$501
 \$467

Net sales for Aeronautics decreased by 2% for the quarter and by 3% for the six months ended June 30, 2006 from the 2005 periods. During the quarter, sales declined in both Combat Aircraft and Air Mobility. The decrease in Combat Aircraft was due to lower volume on the F-22 and F-16 programs, which was partially offset by an increase in F-35 Lightning II volume. The decline in Air Mobility was mainly due to lower volume on the C-5 program. For the six month period, a decline in Air Mobility sales was partially offset by a slight increase in Combat Aircraft sales. The decline in Air Mobility was attributable to fewer C-130J deliveries and lower volume on the C-5 program. The increase in Combat Aircraft sales was mainly due to higher F-35 volume, partially offset by reduced volume on the F-16 and F-22 programs.

Segment operating profit increased by 7% for both the quarter and six months ended June 30, 2006 from the 2005 periods. During the quarter, increases in Air Mobility and other aeronautics programs more than offset a decline in Combat Aircraft. The increase in Air Mobility was mainly due to improved performance on the C-130J and other air mobility programs in 2006. In Combat Aircraft, declines in F-22 operating profit were partially offset by increases due to higher F-35 volume and improved F-16 performance. For the first half of the year, operating profit increased in Air Mobility and other aeronautics programs. Improved performance on C-130 programs accounted for the majority of the increase in Air Mobility. In Combat Aircraft, operating profit was relatively unchanged between periods. In 2006, higher operating profit on the F-35 program was offset by lower operating profit on the F-22 program. These fluctuations were attributable to the fact that in 2005, operating profit included a reduction in earnings on the F-35 program and increased volume and improved performance on the F-22 program.

Space Systems (\$ millions)

Operating profit

Net sales

2nd Quarter Year-to-Date 2006 2005 2006 2005 \$2,101 \$1,626 \$4,070 \$3,288 \$189 \$146 \$382 \$299

Net sales for Space Systems increased by 29% for the quarter and 24% for the six months ended June 30, 2006 from the 2005 periods. In both periods, the sales growth was mainly due to volume increases in Satellites and Strategic & Defensive Missile Systems (S&DMS). The increases in Satellites were due to higher volume on both commercial and government programs. There were two commercial satellite deliveries in the second quarter of 2006 and three in the first six months of 2006 compared to no deliveries in the first six months of 2005. The increases in S&DMS were attributable to both the fleet ballistic missile and missile defense programs. In Launch Services, sales remained relatively unchanged for the quarter and six months ended June 30, 2006 from the 2005 periods.

Segment operating profit increased by 29% for the quarter and 28% for the six months ended June 30, 2006, when compared to the 2005 periods. For the quarter and six-month period, operating profit increased in Launch Services, Satellites and S&DMS. In Launch Services, operating profit increased due to improved performance on the Atlas program in both 2006 periods due to higher volume and risk reduction activities, including the first quarter definitization of the EELV Launch Capabilities contract. In S&DMS, operating profit increased due to higher volume on the programs discussed above while the increase in Satellites was primarily driven by the increase in commercial satellite deliveries.

```
Unallocated Corporate (Expense) Income, Net
($ millions)
                    2nd Quarter
                                     Year-to-Date
                    2006
                           2005
                                    2006 2005
                             $(68) $(156) $(136) $(311)
FAS/CAS pension adjustment
Unusual items, net
                           20
                                 41
                                      170
                                                58
                                             (57)
Stock compensation expense
                                (27)
                                     - -
                        42
                                      30
Other, net
                               14
                                             20
Unallocated corporate (expense)
                        $(33) $(101)
income, net
                                         $7 $(233)
```

The FAS/CAS pension adjustment (calculated as the difference between FAS 87 expense and the CAS cost amounts) decreased in 2006 compared to 2005. This decrease is consistent with the Corporation's previously disclosed assumptions used in computing these amounts. For more information see the Management's Discussion and Analysis of Financial Condition and Results of Operations section of our 2005 Annual Report on Form 10-K under the caption "Critical Accounting Policies."

Certain items are excluded from segment results as part of senior management's evaluation of segment operating performance. Therefore, for purposes of segment reporting, the following unusual items were included in "Unallocated Corporate (expense) income, net" for the quarters and six months ended June 30, 2006 and 2005:

#### 2006 -

- \* A second quarter gain, net of state income taxes, of \$20 million related to the sale of land:
- \* A first quarter gain, net of state income taxes, of \$127 million related to the sale of 21 million of our shares of Inmarsat; and
- \* A first quarter gain, net of state income taxes, of \$23 million, related to the sale of the assets of Space Imaging, LLC.

These items increased our net earnings by \$13 million (\$0.03 per share) and \$111 million (\$0.25 per share) during the quarter and six months ended June 30, 2006.

#### 2005

- \* A second quarter recognition of a deferred gain, net of state income taxes, of \$41 million related to the June 2005 initial public offering of shares of Inmarsat:
- \* A first quarter gain, net of state income taxes, of \$47 million related to the sale of our 25% interest in Intelsat, Ltd.; and
- \* A first quarter charge, net of state income tax benefits, of \$30 million related to impairment in the value of a single telecommunications satellite operated by one of our wholly-owned subsidiaries.

On a net basis, these items increased our net earnings by \$27 million (\$0.06 per share) and \$39 million (\$0.09 per share) during the quarter and six months ended June 30, 2005.

The Corporation adopted FAS 123(R) "Share-Based Payments" prospectively on January 1, 2006 and recognized stock compensation expense on stock options and grants of other stock based incentive awards during the second quarter of \$27 million (\$17 million after-tax or \$0.04 per share) and \$57 million (\$35 million after-tax or \$0.08 per share) for the first six months of 2006.

The increase in "Other, net" is primarily attributable to other corporate activities including an increase in interest income recorded in the 2006 period, resulting mainly from higher cash balances and interest rates.

Headquartered in Bethesda, Md., Lockheed Martin employs about 135,000 people worldwide and is principally engaged in the research, design, development, manufacture, integration and sustainment of advanced technology systems, products and services. The Corporation reported 2005 sales of \$37.2 billion.

Web site: www.lockheedmartin.com

Conference call: Lockheed Martin will webcast the earnings conference call (listen-only mode) at 11 a.m. E.T. on July 25, 2006. A live audio broadcast, including relevant charts, will be available on the Investor Relations page of the company's web site at: http://www.lockheedmartin.com/investor.

#### FORWARD-LOOKING STATEMENTS

Statements in this release that are "forward-looking statements" are based on Lockheed Martin's current expectations and assumptions. Forward-looking statements in this release include estimates of future sales, earnings and cash flow. These statements are not guarantees of future performance and are subject to risks and uncertainties. Actual results could differ materially because of factors such as: the availability of government funding for our products and services both domestically and internationally; changes in government and customer priorities and requirements (including changes to respond to Department of Defense reviews, Congressional actions, budgetary constraints, cost-cutting initiatives, terrorist threats and homeland security); the impact of continued military operations in Iraq and Afghanistan on funding for existing defense programs; the award or termination of contracts; return on pension plan assets, interest and discount rates and other changes that may impact pension plan assumptions; difficulties in developing and producing operationally advanced technology systems; the timing and customer acceptance of product deliveries; materials availability and performance by key suppliers, subcontractors and customers; charges from any future impairment reviews that may result in the recognition of losses and a reduction in the book value of goodwill or other long-term assets; the future impact of legislation or changes in accounting or tax rules or pronouncements; the future impact of acquisitions or divestitures, joint ventures or teaming arrangements; the outcome of legal proceedings and other contingencies (including lawsuits, government investigations or audits, government/regulatory and environmental remediation efforts); the competitive environment for the Corporation's products and services; and economic, business and political conditions domestically and internationally.

These are only some of the factors that may affect the forward-looking statements contained in this press release. For further information regarding risks and uncertainties associated with Lockheed Martin's business, please refer to the Corporation's SEC filings, including the "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Risk Factors," and "Legal Proceedings" sections of the Corporation's 2005 annual report

on Form 10-K, which may be obtained at the Corporation's website: http://www.lockheedmartin.com/.

It is the Corporation's policy to only update or reconfirm its earnings, sales, cash and ROIC outlook by issuing a press release. The Corporation generally plans to provide a forward-looking outlook as part of its quarterly earnings release but reserves the right to provide an outlook at different intervals or to revise its practice in future periods. All information in this release is as of July 24, 2006. Lockheed Martin undertakes no duty to update any forward-looking statement to reflect subsequent events, actual results or changes in the Corporation's expectations. We also disclaim any duty to comment upon or correct information that may be contained in reports published by investment analysts or others.

#### NON-GAAP PERFORMANCE MEASURES

The Corporation believes that reporting ROIC provides investors with greater visibility into how effectively Lockheed Martin uses the capital invested in its operations. The Corporation uses ROIC to evaluate multi-year investment decisions and as a long-term performance measure, and also uses ROIC as a factor in evaluating management performance for incentive compensation purposes. ROIC is not a measure of financial performance under generally accepted accounting principles, and may not be defined and calculated by other companies in the same manner. ROIC should not be considered in isolation or as an alternative to net earnings as an indicator of performance.

The Corporation calculates ROIC as follows:

Net earnings plus after-tax interest expense divided by average invested capital (stockholders' equity plus debt), after adjusting stockholders' equity by adding back minimum pension liability balances.

(In millions, except 2006 Outlook 2005 Actual 2004 Actual percentages) Net Earnings Interest Expense \$1,825 \$1,266 (multiplied by 65%) (1) Combined 241 276 Return > \$2,450 \$2,066 \$1,542 Average debt (2,5) 5.077 5.932 Combined Average equity 3, 5 7,590 7,015 Average minimum pension liability (4,5) 1,545 1,296 Average Invested Capital < \$ 14,850 \$14,212 \$14,243 > 16.5% 14.5% 10.8% Return on invested capital

- Represents after-tax interest expense utilizing the federal statutory rate of 35%
- (2) Debt consists of long-term debt, including current maturities, and short-term borrowings (if any).
- (3) Equity includes non-cash adjustments for other comprehensive losses, primarily for the additional minimum pension liability.
- (4) Minimum pension liability values reflect the cumulative value of entries identified in our Statement of Stockholders Equity under the caption "Minimum pension liability." The annual minimum pension liability adjustments to equity were: 2001 = (\$33M); 2002 = (\$1,537M); 2003 = \$331M; 2004 = (\$285M); 2005 = (\$105M). As these entries are recorded in the fourth quarter, the value added-back to our average equity in a given year is the cumulative impact of all prior year entries plus 20% of the current year entry value.
- (5) Yearly averages are calculated using balances at the start of the year and at the end of each quarter.

LOCKHEED MARTIN CORPORATION Consolidated Condensed Statement of Earnings Preliminary and Unaudited (In millions, except per share data and percentages)

THREE MONTHS SIX MONTHS ENDED JUNE 30, ENDED JUNE 30, 2006 2005 2006 2005

Cost of sales

9,121 8,637 17,575 16,583

840 658 1,600 1,200

Other income and expenses, net 103 106 314 194

Operating profit 943 764 1,914 1,394

Interest expense 92 94 186 184

Earnings before income taxes 851 670 1,728 1,210

Income tax expense 271 209 557 380

Net earnings \$580 \$461 \$1,171 \$830

Effective tax rate 31.8% 31.2% 32.2% 31.4%

Earnings per common share:

Basic \$1.35 \$1.03 \$2.71 \$1.87 Diluted \$1.34 \$1.02 \$2.68 \$1.85

Average number of shares outstanding:

Basic 428.8 445.3 432.4 443.3 Diluted 433.7 451.3 437.4 448.9

Common shares reported in

stockholders' equity at June 30: 421.5 441.2

LOCKHEED MARTIN CORPORATION Net Sales, Operating Profit and Margins Preliminary and Unaudited

(In millions, except percentages)

THREE MONTHS ENDED SIX MONTHS ENDED

JUNE 30, JUNE 30,

% %

2006 2005 Change 2006 2005 Change

Net sales:

Systems & IT Group:

Electronic Systems \$2,886 \$2,740 \$5,516 \$4,997

Integrated Systems &

Solutions 1,086 1,052 2,105 2,010

Information & Technology

Services 1,070 998 1,995 1,843

Systems & IT Group 5,042 4,790 5% 9,616 8,850 9%

Aeronautics 2,818 2,879 (2%) 5,489 5,645 (3%) Space Systems 2,101 1,626 29% 4,070 3,288 24%

Total net sales \$9,961 \$9,295 7% \$19,175 \$17,783 8%

Operating profit:

Systems & IT Group:

Electronic Systems \$333 \$295 \$656 \$527

Integrated Systems &

Solutions 100 93 193 177

Information & Technology

Services 93 86 175 157

Systems & IT Group 526 474 11% 1,024 861 19%

Aeronautics 261 245 7% 501 467 7% Space Systems 189 146 29% 382 299 28%

Segment operating

profit 976 865 13% 1,907 1,627 17%

Unallocated corporate

(expense) / income, net (33) (101) 7 (233)

Total operating profit \$943 \$764 23% \$1,914 \$1,394 37%

Margins:

Systems & IT Group:

Electronic Systems 11.5% 10.8% 11.9% 10.5%

Integrated Systems &

9.2% Solutions 9.2% 8.8% 8.8%

Information & Technology

Services 8.7% 8.6% 8.8% 8.5% Systems & IT Group 10.4% 9.9% 10.6% 9.7%

9.1% 8.3% Aeronautics 9.3% 8.5% Space Systems 9.0% 9.0% 9.4% 9.1%

Total operating segments 9.8% 9.3% 9.9% 9.1%

**Total Consolidated** 9.5% 8.2% 10.0% 7.8%

# LOCKHEED MARTIN CORPORATION Selected Financial Data

Preliminary and Unaudited

(In millions)

THREE MONTHS SIX MONTHS ENDED JUNE 30, ENDED JUNE 30,

2006 2005 2006 2005

Summary of unallocated corporate

(expense) / income, net

FAS/CAS pension adjustment \$(68) \$(156) \$(136) \$(311)

Unusual items, net 20 41 170 58 Stock compensation expense (27)(57)30 Other, net 42 14 20

Unallocated corporate

(expense)/ income, net \$(33) \$(101) \$7 \$(233)

#### THREE MONTHS SIX MONTHS ENDED JUNE 30, ENDED JUNE 30,

2006 2005 2006 2005

FAS/CAS pension adjustment

FAS 87 expense \$(234) \$(280) \$(468) \$(559) Less: CAS costs (166) (124) (332) (248)

FAS/CAS pension adjustment -

\$(68) \$(156) \$(136) \$(311) expense

#### THREE MONTHS ENDED SIX MONTHS ENDED

JUNE 30, 2006 JUNE 30, 2006

Operating Net Earnings Operating Net Earnings profit earnings per share profit earnings per share

Unusual Items

Gain on sale

of land \$20 \$13 \$0.03 \$20 \$13 \$0.03

Gain on sale of

Inmarsat stock 127 83 0.19

Gain on sale of Space Imaging's

assets 23 15

\$0.03 \$170 \$111 \$20 \$13 \$0.25

#### THREE MONTHS ENDED SIX MONTHS ENDED

JUNE 30, 2005 JUNE 30, 2005

Operating Net Earnings

Operating Net Earnings profit earnings (loss) profit earnings per share (loss) (loss) per share

Unusual Items

Gain on

Inmarsat IPO \$41 \$27 \$0.06 \$41 \$27 \$0.06 Gain on sale of

0.07 Intelsat stock 47 31

LMI impairment

(30)(19)(0.04)charge \$41 \$27 \$0.06 \$58 \$39 \$0.09

LOCKHEED MARTIN CORPORATION

Selected Financial Data Preliminary and Unaudited (In millions)

THREE MONTHS ENDED SIX MONTHS ENDED

JUNE 30, JUNE 30, 2006 2005 2006 2005

Depreciation and amortization of

property, plant and equipment

Systems & IT Group:

Electronic Systems \$46 \$43 \$89 \$84 12 22 Integrated Systems & Solutions 12 20 Information & Technology Services 4 4 7 Systems & IT Group 62 59 118 111

Aeronautics 36 31 71 60 Space Systems 35 32 65 63 122 Segments 133 234 254

Unallocated corporate expense, net 10 30 24

Total depreciation and

amortization \$149 \$132 \$284 \$258

THREE MONTHS ENDED SIX MONTHS ENDED

JUNE 30, JUNE 30, 2005 2006 2005 2006

Amortization of purchased intangibles

Systems & IT Group:

Electronic Systems \$12 \$12 \$24 \$24 Integrated Systems & Solutions 3 8 7 5 5 Information & Technology Services 10 9 42 Systems & IT Group 20 40 21

25 25 Aeronautics 13 13 Space Systems 2 2 4 4 Segments 36 35 71 69 Unallocated corporate expense, net 3 3 7 6

Total amortization of purchased

intangibles \$39 \$38 \$78 \$75

LOCKHEED MARTIN CORPORATION

Consolidated Condensed Balance Sheet

Preliminary and Unaudited

(In millions)

JUNE 30, DECEMBER 31, 2006 2005

Assets

Cash and cash equivalents \$2,956 \$2,244 Short-term investments 430 429 Receivables 4,367 4,579 1,880 Inventories 1,921 Other current assets 1,330 1,356

Total current assets 10,963 10,529

Property, plant and equipment, net 3,891 3,924

8,827 Goodwill 8,447 Purchased intangibles, net 525 560 Prepaid pension asset 1,269 1,360 Other assets 2,961 2,924

Total assets \$28,436 \$27,744

Liabilities and Stockholders' Equity		
Accounts payable	\$1,935	\$1,998
Customer advances and amounts in		
excess of costs incurred	4,784	4,331
Other accrued expenses	3,143	2,897
Current maturities of long-term debt	41	202
Total current liabilities	9,903	9,428
Long-term debt	4,746	4,784
Accrued pension liabilities	2,441	2,097
Other postretirement and other		
noncurrent liabilities	3,688	3,568
Stockholders' equity	7,658	7,867
Total liabilities and		
stockholders' equity	\$28,436	\$27,744

LOCKHEED MARTIN CORPORATION Consolidated Condensed Statement of Cash Flows Preliminary and Unaudited (In millions)

(In millions)							
SIX MONTHS ENDED JUNE 30,							
	2006	2	2005				
Operating Activities Net earnings Adjustments to reconcile net to net cash provided by operating activities:		,171	\$8	30			
Depreciation and amortizati Amortization of purchased i Changes in operating asset Receivables	ntangibles s and liab		4 78 (12	258 75			
Inventories Accounts payable	4		1 <u>0</u> 7	94			
Customer advances and a excess of costs incurred Other	mounts ir 580	453	361	544			
Net cash provided by operati	ng activiti	es 2	2,798	2,245			
Investing Activities Expenditures for property, plant and equipment (263) Purchases of short-term investments (1) (18)							
Acquisitions of businesses / investments in affiliated com Divestitures of businesses /	panies	(4	74)	(413)			
investments in affiliated com Other	panies 50	1	56 3	803			
Net cash (used for) / provider investing activities	•	532)	16	7			
Financing Activities Common stock activity, net Common stock dividends Repayments of long-term de	bt	(1,09 (26 (2	,	(149) (222) (39)			
Net cash used for financing a	activities	(1,5	554)	(410)			
Net increase in cash and cash Cash and cash equivalents a beginning of period	ıt .	ents 2,244	712 1,	2,002			

Cash and cash equivalents at end of period

\$3,062

\$2,956

Additional Other Total

Common Paid-In Retained Unearned Comprehensive Stockholders' Stock Capital Earnings Compensation Loss Equity

Balance at January 1,

2006 \$432 \$1,724 \$7,278 \$(14) \$(1,553) \$7,867

Net

earnings 1,171 1,171

Common

stock

dividends(a) (389) (389)

Stockbased awards and ESOP

activity 12 680 14 706

Repurchases of common

stock (22) (1,568) (1,590)

Other

comprehensive

loss (107) (107)

Balance at June 30,

2006 \$422 \$836 \$8,060 \$ - \$(1,660) \$7,658

(a) Includes dividends (\$0.30 per share) declared and paid in the first and second quarters. This amount also includes a dividend (\$0.30 per share) that was declared on June 22, 2006 and is payable on September 29, 2006 to shareholders of record on September 1, 2006.

# LOCKHEED MARTIN CORPORATION

Operating Data
Preliminary and Unaudited
(In millions)

JUNE 30, DECEMBER 31, 2006 2005

Backlog

Systems & IT Group:

 Electronic Systems
 \$21,110
 \$19,932

 Integrated Systems & Solutions
 4,665
 3,974

 Information & Technology Services
 5,215
 5,414

 Systems & IT Group
 30,990
 29,320

 Aeronautics
 26,760
 29,580

 Space Systems
 15,930
 15,925

 Total
 \$73,680
 \$74,825

THREE	MONTHS		SIX MONTHS	
<b>ENDED</b>	JUNE 30,		ENDED JUNE 3	0,
2006	2005	2006	2005	

Deliveries F-16 12 16 30 30 F-22 9 4 15 7 C-130J 3 3 5 7

Launches

Atlas 1 - 2 2 Proton - 1 1 2

SOURCE: Lockheed Martin Corporation

Web site: <a href="http://www.lockheedmartin.com/">http://www.lockheedmartin.com/</a><a href="ht

Company News On-Call: <a href="http://www.prnewswire.com/comp/534163.html">http://www.prnewswire.com/comp/534163.html</a>

https://news.lockheedmartin.com/2006-07-25-Lockheed-Martin-Announces-Second-Quarter-2006-Results