Lockheed Martin Announces 2007 Fourth Quarter And Year-End Results

- * Fourth quarter earnings per share up 13% to \$1.89; Full year earnings per share up 22% to \$7.10
- * Fourth quarter net earnings up 10% to \$799 million; Full year net earnings up 20% to \$3.0 billion
- * Fourth quarter net sales of \$10.8 billion, level with 2006; Full year net sales up 6% to \$41.9 billion
- * Cash from operations of \$420 million for the fourth quarter; \$4.2 billion for the full year
- * Increased outlook for 2008 net sales, operating profit, earnings per share, cash from operations and return on invested capital (ROIC)

PRNewswire-FirstCall BETHESDA. Md.

Lockheed Martin Corporation today reported fourth quarter 2007 net earnings of \$799 million (\$1.89 per diluted share), compared to \$729 million (\$1.68 per diluted share) in 2006. Net sales were \$10.8 billion in both the fourth quarter of 2007 and 2006. Cash from operations for the fourth quarter of 2007 was \$420 million, compared to \$333 million in 2006.

Net earnings for the year ended December 31, 2007 were \$3.0 billion (\$7.10 per share), compared to \$2.5 billion (\$5.80 per share) in 2006. Net sales for the year ended December 31, 2007 were \$41.9 billion, a 6% increase over the \$39.6 billion in the comparable 2006 period. Cash from operations for the year ended December 31, 2007 was \$4.2 billion, compared to \$3.8 billion in 2006. Return on Invested Capital (ROIC) was 21.4% for the year ended December 31, 2007 compared to 19.2% in 2006.

"I'm very proud of our performance across the board in 2007," said Bob Stevens, Chairman, President and CEO. "Our program execution was solid, we won important new business and we continued to shape a balanced business portfolio--all while achieving outstanding financial performance. This success is a tribute to our dedicated and talented employees who understand the important challenges that face our customers."

Summary Reported Results and Financial Outlook

The following table presents the Corporation's results for the quarters and years ended December 31, in accordance with generally accepted accounting principles (GAAP):

REPORTED RESULT (In millions, except per share data)	-	th Quarte		Year 007 20	06
Net sales	\$10,84	l1 \$10,	840 \$4	1,862 \$	39,620
Operating profit Segment operating pro Unallocated corporate FAS/CAS pension ac Unusual items, net Stock compensation Other, net	, net: ljustmer	2	9 7	1 230 (149) (105)	(111)
Net earnings	\$79	99 \$7	29 \$3	,033 \$2	,529
Diluted earnings per s	hare	\$1.89	\$1.68	\$7.10	\$5.80
Cash from operations		\$420	\$333	\$4,241	\$3,783

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.

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2008 FINANCIAL OUTLOOK (1)
(In millions, except per share data 2008 Projections and percentages) Current Update October 2007

Net sales $41,800 - $42,800 $41,250 - $42,750
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Operating profit: Segment operating profit: \$4,715 - \$4,840 \$4,660 - \$4,785 Unallocated corporate, net: FAS/CAS pension adjustment 125 40 Unusual items, net Stock compensation expense (170)(170)Other, net (65)(65)4,605 - 4,730 4,465 - 4,590 Interest expense (345)(345)145 Other non-operating income 180 Earnings before income taxes \$4,405 - \$4,530 \$4,300 - \$4,425 \$7.05 - \$7.25 Diluted earnings per share \$6.95 - \$7.15 Cash from operations >/= \$4,000 >/= \$4,200 ROIC(2) >/= 18.5% >/= 18.0%

- (1) All amounts estimated
- (2) See discussion of non-GAAP performance measures at the end of this document

The Corporation's outlook for 2008 net sales and segment operating profit has been increased primarily as a result of volume and performance in the Aeronautics business area.

The Corporation's outlook for 2008 non-cash FAS/CAS pension adjustment has been updated to reflect the:

- * selection of a 6.375% discount rate at the year-end 2007 measurement date versus the 6.25% assumed in the prior outlook;
- * actual return on plan assets in 2007 that exceeded the 8.5% return included in the prior outlook; and
- * benefit of pre-funding various pension trusts during the fourth quarter of 2007.

The Corporation's outlook for 2008 other non-operating income has been reduced to reflect lower interest income resulting from a 100 basis point decline in assumed yields on cash balances. In addition, the Corporation has removed the anticipated tax benefits associated with credits for research and development activity as legislation providing for these benefits was not extended beyond 2007.

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

Balanced Cash Deployment Strategy

Cash flow from operations was \$420 million for the quarter and \$4.2 billion for the year ended December 31, 2007. The Corporation continued to execute a balanced cash deployment strategy during 2007 as follows:

- * repurchased 3.0 million shares at a cost of \$322 million in the quarter and 21.6 million shares at a cost of \$2.1 billion in the year;
- * made discretionary payments of \$491 million in the fourth quarter to pre-fund a portion of future years' funding requirements for the Corporation's defined benefit pension plan trust and retiree medical plan trust;
- * made capital expenditures of \$460 million during the quarter and \$940 million during the year;
- * paid cash dividends totaling \$175 million in the fourth quarter and \$615 million in the year;
- * paid \$12 million in the quarter and \$337 million during the year for acquisition and joint venture activities; and
- * repaid \$32 million of long-term debt in the year.

The Corporation operates in four principal business segments: Aeronautics; Electronic Systems; Information Systems & Global Services (IS&GS); and Space Systems.

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 the Corporation's 2006 Form 10-K for a description of "Unallocated corporate (expense) income, net," including the FAS / CAS pension adjustment. Schedule "C" of the financial attachments to this release contains the current year values for the various components of "Unallocated corporate (expense) income, net."

In the fourth quarter of 2007, interest income was reclassified from segment operating profit and unallocated corporate (expense) income, net, to "Other non-operating income and expense, net", to conform to the 2007 consolidated condensed statement of earnings presentation. Schedules "I" through "N" of the attachments to this press release present historical unaudited pro forma data that has been reclassified to reflect this presentation.

The following table presents the operating results of the business segments and reconciles these amounts to the Corporation's consolidated financial results.

(\$ millions)	4th	n Quarte	r	Year		
	2007	2006	200	7 200	6	
Net sales						
Aeronautics	\$3,0	004 \$	3,378	\$12,303	\$12,188	
Electronic Syste	ms 2	2,874	2,792	11,143	10,519	
IS&GS	2,83	5 2,	672	10,213	8,990	
Space Systems	2	2,128	1,998	8,203	7,923	
Total net sales	\$10,	841 8	10,840	\$41,862	\$39,620	
Segment operating profit						
•	.	0.5	ተጋርኃ	¢1 476	¢1 001	
Aeronautics						
Electronic Syste				1,410		
IS&GS	275	5 2	27	949 8	304	
Space Systems		236	187	856	742	
Segment opera	ating					
profit	Ū	1,16	1 4,	691 4,0	031	
·	•	•	•			
Unallocated corporate,						
net	(41)	(91)	(16	4) (261)	
Operating profit	01	015	1 1 070	¢4 507	¢2 770	
Operating profit	\$1,	215	\$1,070	\$4,527	\$3,770	

The following discussion compares the segment operating results for the quarter and year ended December 31, 2007 to the same periods in 2006.

Aeronautics

```
4th Quarter
($ millions)
                                    Year
             2007 2006
                              2007
                                       2006
                $3,004 $3,378 $12,303 $12,188
Net sales
Operating profit
                  $385
                           $383 $1,476
                                          $1,221
                                     12.0%
Operating margin
                   12.8%
                            11.3%
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Net sales for Aeronautics decreased by 11% for the quarter and increased by 1% for the year ended December 31, 2007 from the comparable 2006 periods. Sales declines in the quarter were driven by lower volume on F-16 and F-35 programs in Combat Aircraft and C-130 programs in Air Mobility. For the year, the sales increase was primarily due to higher volume in sustainment services activities in Other Aeronautics programs. In Combat Aircraft, volume increases on the F-22 program more than offset declines on the F-16 program. These increases were offset partially by lower volume on C-130 programs in Air Mobility.

Segment operating profit for Aeronautics increased by 1% for the quarter and 21% for the year ended December 31, 2007 from the comparable 2006 periods. During the quarter, Combat Aircraft operating profit increased due to improved performance on F-16 and F-22 programs. Air Mobility and Other Aeronautics programs operating profit decreased due to lower volume on support and sustainment activities. For the year, operating profit increased in Combat Aircraft mainly due to improved performance on F-22 and F-16 programs. This increase was offset partially by lower operating profit in support and sustainment activities on Air Mobility and Other Aeronautics programs.

(\$ millions) 4th Quarter Year 2007 2007 2006 2006 \$2,792 \$10,519 Net sales \$2,874 \$11,143 \$364 Operating profit \$360 \$1.410 \$1,264 Operating margin 12.5% 13.0% 12.7% 12.0%

Net sales for Electronic Systems increased by 3% for the quarter and 6% for the year ended December 31, 2007 from the comparable 2006 periods. During the quarter, sales increases at Maritime Systems & Sensors (MS2) more than offset decreases at Missiles & Fire Control (M&FC) and Platform, Training & Energy (PT&E). The growth at MS2 was primarily driven by increased volume in undersea and tactical systems activities. This growth partially was offset by declines in volume on certain tactical missile and air defense programs at M&FC and platform integration activities at PT&E.

For the year ended December 31, 2007, sales increased in all three lines of business. The growth at M&FC was mainly due to higher volume in fire control systems and air defense programs, which more than offset declines in tactical missile programs. At MS2, volume increases in undersea and radar systems activities were offset partially by decreases in surface systems activities. The sales growth at PT&E was primarily due to higher volume in platform integration activities, which more than offset declines in distribution technology activities.

Segment operating profit for Electronic Systems declined by 1% for the quarter and increased 12% for the year ended December 31, 2007 from the comparable 2006 periods. For the quarter, operating profit declined due to lower volume and performance on certain international air defense programs at M&FC and surface systems activities at MS2. This decline partially was offset by increases from improved performance in platform integration activities at PT&E.

For the year, operating profit increased in all three lines of business. PT&E increased primarily due to higher volume and improved performance on platform integration activities. Growth in MS2 operating profit was primarily due to higher volume on undersea and tactical systems activities that more than offset lower volume on surface systems activities. At M&FC, operating profit increased due to higher volume in fire control systems and improved performance in tactical missile programs, which partially were offset by performance on air defense programs.

Information Systems & Global Services

(\$ millions) 4th Quarter Year 2007 2007 2006 2006 Net sales \$2,835 \$2,672 \$10,213 \$8,990 Operating profit \$275 \$227 \$949 \$804 8.5% 9.3% 9.7% 8.9% Operating margin

Net sales for IS&GS increased by 6% for the quarter and 14% for the year ended December 31, 2007 from the comparable 2006 periods. For both the quarter and year, the increases were primarily attributable to sales growth at Global Services and Information Systems. The increase in Global Services sales was due to higher volume and growth in mission services activities including the impact of the acquisition of Pacific Architects & Engineers, Inc. (PAE) in September 2006. The sales increases at Information Systems were due to growth in information technology and the acquisition of Management Systems Designers Inc. (MSD) in February 2007. Mission Solutions sales were relatively unchanged for the quarter but increased for the year due to higher volume in mission & combat support activities.

Segment operating profit for IS&GS increased by 21% for the quarter and 18% for the year ended December 31, 2007 from the comparable 2006 periods. Operating profit increased for the quarter and year in all three lines of business. For the quarter, the increase in Mission Solutions was primarily driven by higher volume in mission & combat support solutions and aviation solutions activities. The increase in operating profit at Global Services was mainly due to improved performance in services activities. The Information Systems increase was due to improved performance in information technology activities. For the year, Mission Solutions increased due to higher volume in mission & combat support solutions and aviation solutions activities. Global Services growth was primarily attributable to the acquisition of PAE in September 2006. Information Systems increased primarily due to improved performance of information technology activities and the acquisition of MSD.

Space Systems

(\$ millions) 4th Quarter Year
2007 2006 2007 2006

Net sales \$2,128 \$1,998 \$8,203 \$7,923

Operating profit \$236 \$187 \$856 \$742
Operating margin 11.1% 9.4% 10.4% 9.4%

Net sales for Space Systems increased by 7% for the quarter and 4% for the year ended December 31, 2007 from the comparable 2006 periods. For the quarter, sales increases at Strategic & Defensive Missile Systems (S&DMS) and Space Transportation more than offset decreases in Satellites. The S&DMS growth was primarily driven by higher volume in strategic missile programs. The sales increase at Space Transportation was driven by higher volume on the Orion program, which more than offset decreases due to the formation of the United Launch Alliance L.L.C. (ULA) joint venture in the fourth quarter of 2006. The Corporation no longer records sales on Atlas launch vehicles and related support to the U.S. Government, as ULA is accounted for under the equity method of accounting. In Satellites, declines in government satellites were offset partially by increases in commercial satellites. There was one commercial satellite delivery in both the fourth quarters of 2007 and 2006.

For the year, sales increases at Satellites and S&DMS more than offset declines at Space Transportation. In Satellites, the growth was mainly driven by higher volume in government satellite activities, while commercial satellites sales remained relatively flat. There were four commercial satellite deliveries during 2007 and five in 2006. The S&DMS growth during the year was primarily driven by higher volume in strategic missile programs. The sales decline in Space Transportation in 2007 was expected given the divestiture of the International Launch Services business and the formation of ULA in the fourth quarter of 2006. This sales decline was offset partially by higher volume on the Orion program.

Segment operating profit for Space Systems increased by 26% for the quarter and 15% for the year ended December 31, 2007 from the comparable 2006 periods. For the quarter, operating profit increases in Space Transportation and S&DMS more than offset decreases in Satellites. In Space Transportation, the growth in operating profit during the quarter was mainly due to increased earnings at ULA and higher volume on the Orion program. The S&DMS growth was primarily driven by higher volume and improved performance on strategic missile programs. In Satellites, the operating profit decrease was primarily attributable to lower volume in government satellite activities.

For the year, operating profit growth in Satellites and S&DMS more than offset declines at Space Transportation. The growth in Satellites was due to improved performance in commercial and government satellite activities. Increased operating profit at S&DMS was due to higher volume and improved performance on strategic missile programs. In Space Transportation, the decline in 2007 operating profit from 2006 was mainly due to a charge recognized by ULA in the third quarter of 2007 for an asset impairment on Delta II medium lift launch vehicles. The decline also reflects benefits recognized in 2006 from risk reduction activities, including the definitization of the Evolved Expendable Launch Vehicle Launch Capabilities contract, and other performance improvements on the Atlas program, with no similar items recognized in the comparable period in 2007.

Unallocated Corporate (Expense) Income, Net

(\$ millions)	4th Qu	arter	Ye	ear	
20	07 20	006	2007	2006	
FAS/CAS pension a	djustment	\$(12)	\$(69)	\$(58)	\$(275)
Unusual items, net		29	71	230	
Stock compensation	expense	(33)	(28)	(149)	(111)
Other, net	4	(23)	(28)	(105)	
Unallocated corpora	te				
expense, net	\$(41)	\$(91)	\$(164	4) \$(26	1)

Certain items are excluded from segment results as part of management's evaluation of segment operating performance. There were no unusual items in the fourth quarter of 2007. For purposes of segment reporting, the following unusual items were included in "Unallocated corporate (expense) income, net" for the fourth quarter of 2006 and the years ended December 31, 2007 and 2006:

2007 -

- * A second quarter gain, net of state income taxes, of \$25 million related to the sale of the Corporation's remaining 20% interest in Comsat International;
- * A first quarter gain, net of state income taxes, of \$25 million related to the sale of land; and
- * First quarter earnings, net of state income taxes, of \$21 million related to the reversal of legal reserves from the settlement of certain litigation claims.

These items, coupled with the income tax benefit of \$59 million (\$0.14 per share) described in the Income Taxes discussion below, increased net earnings by \$105 million (\$0.25 per share) during the year ended December 31, 2007.

2006 -

- * Fourth quarter earnings, net of state income taxes, of \$29 million related to the reversal of transaction related reserves upon the expiration of indemnity provision in the Aerospace Electronics Systems divestiture agreement consummated in 2000;
- * A third quarter gain, net of state income taxes, of \$31 million related to the sale of land;
- * 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 from the sale of 21 million 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.

The fourth quarter item increased net earnings by \$19 million (\$0.04 per share). Net earnings from these items, coupled with a third quarter charge related to a debt exchange of \$11 million (\$0.03 per share) and the income tax benefit of \$62 million (\$0.14 per share) described in the Income Taxes discussion below, increased net earnings by \$201 million (\$0.45 per share) during the year ended December 31, 2006.

The increase in "Other, net" for the quarter and year ended December 31, 2007 from the comparable periods in 2006 is primarily attributable to lower expense on various corporate items.

Income Taxes

The Corporation's effective income tax rates were 32.4% and 30.6% for the quarter and year ended December 31, 2007, and 30.5% and 29.6% for the comparable 2006 periods. These rates were lower than the 35% statutory rate for all periods due to tax benefits for US manufacturing activities, dividends related to employee stock ownership plans, and R&D tax credits. The 2007 tax rate was also reduced by an IRS audit settlement that decreased tax expense by \$59 million and the 2006 tax rate was also reduced by extraterritorial tax benefits, including a \$62 million refund claim for additional benefits in prior years.

The 1% increase in the 2007 tax rate when compared to 2006 is primarily the result of the elimination of the extraterritorial tax benefits in 2007, partially offset by additional tax benefits resulting from a statutory increase in US manufacturing benefits, new legislation that provided enhanced R&D tax credits, and the favorable closure of an IRS audit.

Headquartered in Bethesda, Md., Lockheed Martin employs approximately 140,000 people worldwide and is principally engaged in the research, design, development, manufacture, integration and sustainment of advanced technology systems, products and services.

Website: www.lockheedmartin.com

Conference call: Lockheed Martin will webcast the earnings conference call (listen-only mode) at 3 p.m. E.T. on January 24, 2008. A live audio broadcast, including relevant charts, will be available on the Investor Relations page of the company's website 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 U.S. and foreign government funding for our products and services; changes in customer priorities and requirements (including changes to respond to Department of Defense reviews, Congressional actions, budgetary constraints, cost-cutting initiatives, election cycles, terrorist threats and homeland security); the impact of continued military operations in

Iraq and Afghanistan on funding for existing and future defense programs; the award or termination of contracts; return on benefit plan assets, interest and discount rates and other changes that may impact benefit plan assumptions; difficulties in developing and producing highly advanced technology systems; the timing of customer acceptance and product deliveries; materials availability and performance by 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; variability in the earnings or losses recorded for joint ventures which we do not control and account for using the equity method of accounting; the future impact of legislation, changes in accounting, tax rules, or export policies; the impact of acquisition or divestiture, joint venture or teaming activities; the outcome of legal proceedings and other contingencies (including lawsuits, government/regulatory investigations or audits, 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 2006 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 financial 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 January 23, 2008. 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 visibility into how Lockheed Martin uses capital invested in its operations. The Corporation uses ROIC to evaluate multi-year investment decisions as a long-term performance measure, and 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 adjustments related to postretirement benefit plans.

2007 Actual 2006 Actual (In millions, except percentages) \$3,033 \$2,529 Net Earnings Interest Expense (multiplied by 65%) (1) 235 229 Return \$3,262 \$2,764 \$4,416 Average debt (2),(5) \$4,727 Average equity (3),(5) 7,661 7,686 Average Benefit Plan Adjustments (4),(5) 3,171 2,006 Average Invested Capital \$15,248 \$14,419 Return on invested capital 21.4% 19.2% 2008 Projections (In millions, except percentages) Current Update October 2007 Net Earnings Combined Combined Interest Expense (multiplied by 65%) (1) Return >/= \$3,185 >/= \$3,150 Average debt (2),(5) Average equity (3),(5) Combined Combined Average Benefit Plan Adjustments (4),(5) Average Invested Capital < / = \$17,200 < / = \$17,300 Return on invested capital >/= 18.5% >/= 18.0%

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, primarily for the recognized and unrecognized benefit plan-related amounts, the adjustment for adoption of FAS 158 and the minimum pension liability.
- (4) Average benefit plan adjustments reflect the cumulative value of entries identified in our Statement of Stockholders Equity discussed in Note 3
- (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

Unaudited

(In millions, except per share data and percentages)

QUARTER ENDED YEAR ENDED DECEMBER 31, DECEMBER 31,

2007 2006 2007 2006

Net sales \$10,841 \$10,840 \$41,862 \$39,620 Cost of sales 9,717 9,809 37,628 36,186 1,124 1,031 4,234 3,434

1,124 1,001 4,204 0,404

 Other income and expenses, net
 91
 39
 293
 336

 Operating profit
 1,215
 1,070
 4,527
 3,770

 Interest expense
 87
 85
 352
 361

Other non-operating income and expense,

net 54 64 193 183

Earnings before income taxes 1,182 1,049 4,368 3,592 Income tax expense 383 320 1,335 1,063 Net earnings \$799 \$729 \$3,033 \$2,529 Effective tax rate 32.4% 30.5% 30.6% 29.6%

Earnings per common share:

Basic \$1.94 \$1.72 \$7.29 \$5.91 Diluted \$1.89 \$1.68 \$7.10 \$5.80

Average number of shares outstanding:

Basic 412.3 423.4 416.0 428.1 Diluted 423.4 432.8 427.1 436.4

Common shares reported in stockholders'

equity at December 31: 409.4 421.3

Α

LOCKHEED MARTIN CORPORATION

Net Sales, Segment Operating Profit and Margins

Unaudited

(In millions, except percentages)

QUARTER ENDED DECEMBER 31, YEAR ENDED DECEMBER 31,

2007 2006 % Change 2007 2006 % Change

Net sales:

\$3,004 \$3,378 (11%) \$12,303 \$12,188 Aeronautics 1% Electronic Systems 2,874 2,792 3% 11,143 10,519 6% Information Systems & Global Services 2,835 2,672 6% 10,213 8,990 14% 2,128 1,998 Space Systems 7% 8,203 7,923 4% -% \$41,862 \$39,620 Total net sales \$10,841 \$10,840 6%

Operating profit:

Aeronautics \$385 \$383 1% \$1,476 \$1,221 21%

Electronic Systems 360 1,264 12% 364 (1%) 1,410 Information Systems & Global Services 275 227 21% 949 804 18% Space Systems 236 26% 742 15% 187 856 Segment operating profit 1,256 1,161 8% 4,691 4,031 16% Unallocated corporate expense, (91) net (41) (164) (261) \$1,215 \$1,070 14% \$4,527 \$3,770 20% Margins: Aeronautics 12.8% 11.3% 12.0% 10.0% Electronic Systems 12.5 12.7 12.0 13.0 Information Systems & Global Services 9.7 8.5 9.3 8.9 Space Systems 11.1 9.4 10.4 9.4 Total operating 10.7 11.2 11.6 10.2 segments Total consolidated 11.2% 9.9% 10.8% 9.5% В LOCKHEED MARTIN CORPORATION Selected Financial Data Unaudited (In millions, except per share data) QUARTER ENDED YEAR ENDED DECEMBER 31, DECEMBER 31, 2007 2006 2007 2006 Unallocated corporate (expense) / income, net FAS/CAS pension adjustment \$(12) \$(69) \$(58) \$(275) Unusual items, net 29 71 230 Stock compensation expense (33) (28) (149) (111) Other, net (23)(28)(105)Unallocated corporate expense, \$(41) \$(91) \$(164) \$(261) net QUARTER ENDED YEAR ENDED DECEMBER 31, DECEMBER 31, 2007 2006 2007 2006 FAS/CAS pension adjustment FAS 87 expense \$(169) \$(234) \$(687) \$(938) Less: CAS costs (157) (165) (629) (663)FAS/CAS pension adjustment - expense \$(12) \$(69) \$(58) \$(275) QUARTER ENDED DECEMBER 31, 2007 YEAR ENDED DECEMBER 31, 2007 Operating Net Earnings Operating Net Earnings profit earnings per share profit earnings per share Unusual Items - 2007 Gain on sale of interest in Comsat International \$-\$25 \$16 \$0.04 \$-Gain on sale of surplus land 25 0.04 16

Comsat
International \$- \$- \$- \$- \$25 \$16 \$0.

Gain on sale of surplus land - - - 25 16 0.04

Earnings from reversal of legal reserves - - - 21 14 0.03

Benefit from closure of an IRS audit - - - 59 0.14

QUARTER ENDED DECEMBER 31, 2006 YEAR ENDED DECEMBER 31, 2006

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

Unusual Items

- 2006

Earnings from

expiration of AES

transaction

indemnification \$29 \$19 \$0.04 \$29 \$19 \$0.04

Gain on sales of

surplus land - - - 51 33 0.08

Benefit from IRS

claims for export

tax benefits - - - - 62 0.14

Debt related expenses - - - - (11) (0.03)

Gain on sale of

interest in

Inmarsat - - - 127 83 0.19

Gain on Space Imaging

sale - - - 23 15 0.03

\$29 \$19 \$0.04 \$230 \$201 \$0.45

С

LOCKHEED MARTIN CORPORATION

Selected Financial Data

Unaudited (In millions)

QUARTER ENDED YEAR ENDED DECEMBER 31, DECEMBER 31,

2007 2006 2007 2006

Depreciation and amortization of

plant and equipment

Aeronautics \$60 \$42 \$181 \$154 Electronic Systems 77 55 227 190 Information Systems & Global Services 16 22 68 65 136 Space Systems 37 132 46

Segments 199 156 612 541

Unallocated corporate expense, net 13 15 54 59

Total depreciation and amortization \$212 \$171 \$666 \$600

QUARTER ENDED YEAR ENDED DECEMBER 31, DECEMBER 31,

2007 2006 2007 2006

Amortization of purchased intangibles

 Aeronautics
 \$12
 \$13
 \$50
 \$50

 Electronic Systems
 5
 13
 27
 47

Information Systems & Global Services 13 15 55 46 Space Systems 3 2 9 9

 Space Systems
 3
 2
 9
 9

 Segments
 33
 43
 141
 152

Unallocated corporate expense, net 3 3 12 12

Total amortization of purchased

intangibles \$36 \$46 \$153 \$164

QUARTER ENDED YEAR ENDED DECEMBER 31, DECEMBER 31,

2007 2006 2007 2006

Other non-operating income and expense, net

Interest income \$54 \$64 \$193 \$199

Debt related expenses - - - 16

Total other non-operating income

and expense, net \$54 \$64 \$193 \$183

D

LOCKHEED MARTIN CORPORATION

Consolidated Condensed Balance Sheet

Unaudited

(In millions, except percentages)

DECEMBER 31, DECEMBER 31,

2007 2006

Assets

Cash and cash equivalents \$2,648 \$1,912 Short-term investments 333 381 Receivables 4.925 4.595 Inventories 1,718 1,657 756 900 Deferred income taxes Other current assets 560 719

Total current assets 10,940 10,164

Property, plant and equipment, net Goodwill 9,387 9,250 9,250

Purchased intangibles, net 463 605

Prepaid pension asset 313 235

Deferred income taxes 760 1,487

Other assets 2,743 2,434

Total assets \$28,926 \$28,231

Liabilities and Stockholders' Equity

Accounts payable \$2,163 \$2,221

Customer advances and amounts in excess of costs incurred 4,254 3,856

Other accrued expenses 3,350 3,442 Current maturities of long-term debt 104 34

Total current liabilities 9,871 9,553

Long-term debt, net4,3034,405Accrued pension liabilities1,1923,025

Other postretirement and other

noncurrent liabilities 3,755 4,364 Stockholders' equity 9,805 6,884

Total liabilities and stockholders' equity \$28,926 \$28,231

Total debt-to-capitalization ratio: 31% 39%

Ε

LOCKHEED MARTIN CORPORATION

Consolidated Condensed Statement of Cash Flows Unaudited (In millions)

YEAR ENDED DECEMBER 31, 2007 2006

Operating Activities

Net earnings \$3,033 \$2,529

Adjustments to reconcile net earnings to net

cash provided by operating activities:

Depreciation and amortization 819 764

Changes in operating assets and liabilities:

Receivables (324)94 Inventories (57)(530)(66)217 Accounts payable Customer advances and amounts in excess of costs incurred 394 475 Other 442 234

Net cash provided by operating activities 3,783 4,241

Investing Activities

Expenditures for property, plant and equipment (940)(893)Sale of short-term investments, net 48 48 Acquisitions of businesses / investments in

affiliates (337)(1,122)

Divestitures of businesses / investments in

affiliates 26 180 Other (2) 132

Net cash used for investing activities (1,205)(1,655)

Financing Activities

474 Issuances of common stock and related amounts 756 Repurchases of common stock (2,127)(2,115)Common stock dividends (615)(538)Premium and transaction costs for debt exchange (353)Repayments of long-term debt (210)(32)

Net cash used for financing activities (2,300)(2,460)

Net increase (decrease) in cash and cash

equivalents (332)

Cash and cash equivalents at beginning of period 1,912 2,244 Cash and cash equivalents at end of period \$1,912 \$2,648

F

LOCKHEED MARTIN CORPORATION

Consolidated Condensed Statement of Stockholders' Equity Unaudited (In millions)

Accumulated

Additional Other Total Common Paid-In Retained Comprehensive Stockholders' Stock Capital Earnings Loss Equity

Balance at

January 1, 2007 \$421 \$755 \$9,269 \$(3,561) \$6,884

Adoption of

FIN 48 (a) 31 31

Net earnings 3,033 3,033

Common stock

(615)(615)dividends (b)

Stock-based awards

and ESOP

activity 10 879 889

Repurchases of

common stock (c) (22) (1,634) (471)(2,127)

Other comprehensive

income (d) 1,710 1,710

Balance at

December 31, 2007 \$409 \$9,805 \$- \$11,247 \$(1,851)

(a) The Corporation adopted Financial Accounting Standards Board Interpretation No. 48 (FIN 48), "Accounting for Uncertainty in Income Taxes" on January 1, 2007. The cumulative effect of adopting the provisions of FIN 48 was a non-cash increase to opening retained

- (b) Includes dividends (\$0.35 per share) declared and paid in the first, second and third quarters and a dividend (\$0.42 per share) paid in the fourth quarter.
- (c) The Corporation repurchased 3.0 million shares of its common stock for \$322 million during the fourth quarter. During the year, the Corporation repurchased 21.6 million common shares for \$2.1 billion. The Corporation has 32.7 million shares remaining under its share repurchase program as of the end of 2007.
- (d) At December 31, 2007, the Corporation recognized a non-cash, after-tax increase of stockholder's equity of approximately \$1.7 billion, as a result of the required remeasurement of the pension plans. The increase was primarily the result of increasing the discount rate assumption from 5.875% at December 31, 2006 to 6.375% at December 31, 2007.

G

LOCKHEED MARTIN CORPORATION

Operating Data Unaudited (In millions)

DECEMBER 31, DECEMBER 31,

2007 2006

Backlog

 Aeronautics
 \$26,300
 \$26,900

 Electronic Systems
 21,200
 19,700

 Information Systems & Global Services
 11,800
 10,500

 Space Systems
 17,400
 18,800

Total \$76,700 \$75,900

QUARTER ENDED YEAR ENDED DECEMBER 31, DECEMBER 31,

Aircraft Deliveries 2007 2006 2007 2006

F-16 9 20 41 67 F-22 7 8 24 27 C-130J 3 4 12 12

Н

LOCKHEED MARTIN CORPORATION

Proforma Consolidated Condensed Statement of Earnings (a) Unaudited

(In millions, except per share data and percentages)

QUARTER ENDED

March 31, June 30, September 30, 2007 2007 2007

 Net sales
 \$9,275
 \$10,651
 \$11,095

 Cost of sales
 8,365
 9,597
 9,949

 910
 1,054
 1,146

Other income and expenses, net 75 110 17 Operating profit 985 1,164 1,163 Interest expense 93 93 79

Other non-operating income and

expenses, net 37 67 35
Earnings before income taxes 929 1,138 1,119

| Comparison | Com

	Earnings	per	common	share
--	----------	-----	--------	-------

Basic \$1.64 \$1.87 \$1.85 Diluted \$1.60 \$1.82 \$1.80

Average number of shares outstanding:

Basic 421.4 416.7 413.5 Diluted 432.1 426.5 424.5

QUARTER ENDED

March 31, June 30, September 30, December 31,

2006 2006 2006 2006

 Net sales
 \$9,214
 \$9,961
 \$9,605
 \$10,840

 Cost of sales
 8,454
 9,121
 8,802
 9,809

 760
 840
 803
 1,031

Other income and

 expenses, net
 170
 63
 64
 39

 Operating profit
 930
 903
 867
 1,070

 Interest expense
 94
 92
 90
 85

Other non-operating income

and expenses, net 41 40 38 64 Earnings before income taxes 877 851 815 1.049 286 271 186 320 Income tax expense \$580 Net earnings \$591 \$629 \$729 Effective tax rate 32.6% 31.8% 22.8% 30.5%

Earnings per common share:

Basic \$1.36 \$1.35 \$1.48 \$1.72 Diluted \$1.34 \$1.34 \$1.46 \$1.68

Average number of shares

outstanding:

Basic 436.0 428.8 424.3 423.4 Diluted 441.3 433.7 431.9 432.8

(a) In the fourth quarter of 2007, interest income was reclassified from segment operating profit and unallocated corporate (expense) income, net to "Other non-operating income and expense, net" to conform to the 2007 consolidated condensed statement of earnings presentation. Schedules "I" through "N" of the attachments to this press release present historical unaudited pro forma data that has been reclassified to reflect this presentation.

1

LOCKHEED MARTIN CORPORATION

Proforma Consolidated Condensed Statement of Earnings Unaudited

(In millions, except per share data and percentages)

YEAR ENDED DECEMBER 31,

2006 2005
Net sales \$39,620 \$37,213
Cost of sales 36,186 34,676
3,434 2,537

Other income and expenses, net Operating profit 3,770 2,853 Interest expense 361 370

Other non-operating income and expenses, net 183 133
Earnings before income taxes 3,592 2,616

 Income tax expense
 1,063
 791

 Net earnings
 \$2,529
 \$1,825

 Effective tax rate
 29.6%
 30.2%

Earnings per common share:

Basic \$5.91 \$4.15 Diluted \$5.80 \$4.10

Average number of shares outstanding:

Basic	428.1	440.3
Diluted	436.4	445.7

J

LOCKHEED MARTIN CORPORATION Proforma Sales, Operating Profit and Margins Unaudited (In millions, except percentages)

QUARTER ENDED

March 31, June 30, September 30, 2007 2007 2007

Net sales (a):

Aeronautics \$2,821 \$3,136 \$3,342 Electronic Systems 2,515 2,927 2,827 Information Systems & Global Services 2,145 2,520 2,713 Space Systems 1,794 2,068 2,213 Total net sales \$11,095 \$9,275 \$10,651

Operating profit:

Aeronautics \$299 \$378 \$414 Electronic Systems 317 387 346 Information Systems & Global Services 231 245 198 Space Systems 185 214 221 1,226 Segment operating profit 999 1,210

Unallocated corporate (expense) /

income, net (14) (46) (63) \$985 \$1,164 \$1,163

Margins:

Aeronautics 10.6% 12.1% 12.4% Electronic Systems 12.6 13.2 12.2 Information Systems & Global Services 9.2 9.2 9.0 Space Systems 10.0 10.3 10.3 Total operating segments 10.8 11.4 11.1 Total consolidated 10.6% 10.9% 10.5%

QUARTER ENDED

March 31, June 30, September 30, December 31, 2006 2006 2006 2006

Net sales (a):

\$2,823 \$3,004 \$2,983 \$3,378 Aeronautics Electronic Systems 2,453 2,698 2,576 2,792 Information Systems & 2,191 2.672 **Global Services** 1,969 2,158 Space Systems 1.969 2.101 1.855 1.998 Total net sales \$9,214 \$9,961 \$9,605 \$10,840

Operating profit:

\$250 \$272 Aeronautics \$316 \$383 Electronic Systems 306 276 364 318 Information Systems & **Global Services** 180 194 203 227 Space Systems 192 188 187 Segment operating profit 928 972 970 1,161

Unallocated corporate

(expense) / income, net 2 (69) (103) (91) \$930 \$903 \$867 \$1,070

Margins:

Aeronautics	8.9%	9.1%	10.6%	11.3%
Electronic Systems Information Systems	12.5 &	11.8	10.7	13.0
Global Services	9.1	9.0	9.3	8.5
Space Systems	9.8	8.9	9.4	9.4
Total operating segn	nents 10	.1 9.8	10.1	10.7
Total consolidated	10.1%	9.1%	9.0%	9.9%

(a) Net sales unchanged from previously disclosed amounts

Κ

LOCKHEED MARTIN CORPORATION Proforma Sales, Operating Profit and Margins Unaudited (In millions, except percentages)

YEAR ENDED DECEMBER 31,

2006 2005

Net sales (a):

Aeronautics \$12,188 \$12,349 Electronic Systems 10,519 9,811 Information Systems & Global Services 8,990 8,233 Space Systems 7,923 6,820

Total net sales \$39,620 \$37,213

Operating profit:

\$1,221 \$1,018 Aeronautics Electronic Systems 1,264 1,078 Information Systems & Global Services 804 720 742 605 Space Systems Segment operating profit 4,031 3,421 Unallocated corporate expense, net (261)(568)

\$3,770 \$2,853

Margins:

10.0% 8.2% Aeronautics Electronic Systems 12.0 11.0 Information Systems & Global Services 8.9 8.7 Space Systems 9.4 8.9 Total operating segments 10.2% 9.2% 9.5% Total consolidated 7.7%

(a) Net sales unchanged from previously disclosed amounts

L

LOCKHEED MARTIN CORPORATION

Proforma Unallocated Corporate (Expense) / Income, net and Other Non-Operating Income and Expense, net Unaudited (In millions, except percentages)

> QUARTER ENDED March 31, June 30, September 30, 2007 2007 2007

Unallocated corporate (expense)

/ income, net:

FAS/CAS pension adjustment Unusual items, net 46 25 - Stock compensation expense Other, net 3 (24) (11) \$(18)

Unallocated corporate (expense) /

income, net \$(14) \$(46) \$(63)

Other non-operating income and expense, net

Interest income \$37 \$67 \$35 Debt related expenses - - -

Total other non-operating income

and expense, net \$37 \$67 \$35

QUARTER ENDED

March 31, June 30, September 30, December 31, 2006 2006 2006 2006

Unallocated corporate (expense) / income, net:

FAS/CAS pension

adjustment \$(68) \$(68) \$(70) \$(69) Unusual items, net 150 20 31 29 Stock compensation expense (30) (27) (26) (28)

expense (30) (27) (26) (28) Other, net (50) 6 (38) (23)

Unallocated corporate (expense) / income,

net \$2 \$(69) \$(103) \$(91)

Other non-operating income and expense, net

Interest income \$41 \$40 \$54 \$64

Debt related expenses - - 16 -

Total other non-operating

income and expense, net \$41 \$40 \$38 \$64

М

LOCKHEED MARTIN CORPORATION

Proforma Unallocated Corporate (Expense) / Income, net and Other Non-Operating Income and Expense, net Unaudited

(In millions, except percentages)

YEAR ENDED DECEMBER 31, 2006 2005

Unallocated corporate (expense) / income, net:

 FAS/CAS pension adjustment
 \$(275)
 \$(626)

 Unusual items, net
 230
 173

 Stock compensation expense
 (111)

 Other, net
 (105)
 (115)

Unallocated corporate expense, net \$(261) \$(568)

Other non-operating income and expense, net

Interest income \$199 \$143

Debt related expenses 16 10

Total other non-operating income and expense, net \$183 \$133

Ν

First Call Analyst: FCMN Contact:

SOURCE: Lockheed Martin Corporation

Web site: http://www.lockheedmartin.com/

Company News On-Call: http://www.prnewswire.com/comp/534163.html

https://news.lockheedmartin.com/2008-01-24-Lockheed-Martin-Announces-2007-Fourth-Quarter-and-Year-End-Results