# Lockheed Martin Reports Fourth Quarter And Full Year 2016 Results

- -- Net sales of \$13.8 billion in the fourth quarter and \$47.2 billion in 2016
- -- Net earnings from continuing operations of \$959 million, or \$3.25 per share, in the fourth quarter and \$3.8 billion, or \$12.38 per share, in 2016
- -- Generated cash from operations of \$729 million in the fourth quarter and \$5.2 billion in 2016
- -- Backlog of \$96.2 billion at the end of 2016
- -- 2017 financial outlook provided

BETHESDA, Md., Jan. 24, 2017 /PRNewswire/ -- Lockheed Martin (NYSE: LMT) today reported fourth quarter 2016 net sales o\$13.8 billion, compared to \$11.5 billion in the fourth quarter of 2015. Net earnings from continuing operations in the fourth quarter of 2016 were \$959 million, or \$3.25 per share, compared to \$817 million, or \$2.63 per share, in the fourth quarter of 2015. Cash from operations in the fourth quarter of 2016 was \$729 million, compared to \$1.4 billion in the fourth quarter of 2015.

Net sales in 2016 were \$47.2 billion, compared to \$40.5 billion in 2015. Net earnings from continuing operations in 2016 were \$3.8 billion, or \$12.38 per share, compared to \$3.1 billion, or \$9.93 per share, in 2015. Cash from operations in 2016 was \$5.2 billion, compared to cash from operations in 2015 of \$5.1 billion.

"Our dedicated employees delivered outstanding performance for our customers in 2016, resulting in exceptional financial results," said Chairman, President, and CEO Marillyn Hewson. "Looking ahead to 2017, we remain focused on meeting commitments to customers, pursuing new business growth opportunities, investing in innovative solutions to drive affordability and prepare for the future, and returning value to our shareholders."

## **Summary Financial Results**

The following table presents the Corporation's summary financial results.

(in millions, except per share data) <sup>1</sup>		Quarters En	ded Dec. 3	1,		Years Ende	d Dec. 31,	
		2016	2	2015	2	2016		2015
Net sales	\$	13,752	\$	11,520	\$	47,248	\$	40,536
Business segment operating profit <sup>2</sup>	\$	1,290	\$	1,280	\$	5,100	\$	4,978
Unallocated items 1								
FAS/CAS pension adjustment <sup>3</sup>		230		95		902		400
Special item - severance charges		_		(67)		(80)		(82)
Stock-based compensation		(25)		(20)		(149)		(133)
Other, net <sup>5</sup>		(67)		(188)		(224)		(451)
Total unallocated items		138		(180)		449		(266)
Consolidated operating profit	\$	1,428	\$	1,100	\$	5,549	\$	4,712
Net earnings from								
Continuing operations 2,4,5	\$	959	\$	817	\$	3,753	\$	3,126
Discontinued operations	•	29		116	·	1,549	•	479
Net earnings	\$	988	\$	933	\$	5,302	\$	3,605
Diluted earnings per share from								
Continuing operations 2,4,5	\$	3.25	\$	2.63	\$	12.38	\$	9.93
Discontinued operations	•	0.10		0.38	·	5.11		1.53
Diluted earnings per share	\$	3.35	\$	3.01	\$	17.49	\$	11.46
Cash from operations 1,4	\$	729	\$	1,364	\$	5,189	\$	5,101

<sup>&</sup>lt;sup>1</sup> The operating results of the Corporation'sformer Information Systems & Global Solutions (IS&GS) business, which was divested on Aug. 16, 2016, have been classified as discontinued operations in the year ended Dec. 31, 2016 and in the quarter and year ended Dec. 31, 2015. However, cash from operations includes the cash flows generated by the IS&GS business through the Aug. 16, 2016 divestiture date, as the Corporation retained this cash as part of the divestiture. A \$1.2 billion gain recorded as a result of the divestiture of the IS&GS business is included in net earnings from discontinued operations in the year ended Dec. 31, 2016. Certain reclassifications of Unallocated items were made as a result of the divestiture of the IS&GS business. See the "Unallocated items" section of this news release for additional information related to these reclassifications.

## 2017 Financial Outlook

The following table and other sections of this news release contain forward-looking statements, which are based on the Corporation's current expectations. Actual results may differ materially from those projected. It is the Corporation's practice not to incorporate adjustments into its financial outlook for proposed acquisitions, divestitures, ventures and changes in law until such items have been consummated or enacted. For additional factors that may impact the Corporation's actual results, refer to the "Forward-Looking Statements" section in this news release.

(in millions, except per share data)	Current Outlook
Net sales	\$49,400 - \$50,600
Business segment operating profit FAS/CAS pension adjustment Other, net Consolidated operating profit	\$5,015 - \$5,135 ~880 ~(300) \$5,595 - \$5,715
Diluted earnings per share	\$12.25 – \$12.55
Cash from operations	≥ \$5,700

<sup>&</sup>lt;sup>2</sup> Business segment operating profit for the year ended Dec. 31, 2016 includes a non-cash gain of \$127 million recognized at the Corporation's Space Systems business segment related to the consolidation of AWE Management Limited (AWE) upon obtaining control of this venture on Aug. 24, 2016, which increased net earnings from continuing operations \$104 million (\$0.34 per share).

<sup>&</sup>lt;sup>3</sup> FAS/CAS pension adjustment increased in the quarter and year ended Dec 31, 2016 primarily due to the increase in CAS cost as a consequence of CAS Harmonization. See description in section titled "Section Results" in this news release.

<sup>&</sup>lt;sup>4</sup> In 2016, the Corporation adopted a new accounting standard issued by the Financial Accounting Standards Board that changed certain aspects of the accounting for equity awards granted to employees. As a result, the Corporation recognized additional income tax benefits as an increase to net earnings from continuing operations and operating cash flows of \$15 million (\$0.05 per share) and \$152 million (\$0.50 per share) in the quarter and year ended Dec. 31, 2016. The new accounting standard did not impact any periods prior to Jan. 1, 2016.

<sup>&</sup>lt;sup>5</sup> Other, net in the quarter and year ended Dec. 31, 2015 includes a non-cash asset impairment charge of about \$90 million related to the Corporation's decision to divest its Lockheed Martin Commercial Flight Training (LMCFT) business. This charge was partially offset by a net deferred tax benefit of about \$80 million, which is recorded in income tax expense. The net impact reduced net earnings by about \$10 million (\$0.03 per share) in the quarter and year ended Dec. 31, 2015. The Corporation completed the sale of LMCFT in the second quarter of 2016. Additionally, Other, net in the quarter and year ended Dec. 31, 2015 includes approximately \$38 million (\$0.08 per share) of non-recoverable transaction costs associated with the acquisition of Sikorsky.

The Corporation's outlook for the 2017 FAS/CAS pension benefit is expected to be approximately \$880 million. This incorporates a year end 2016 discount rate of 4.125%, a 25 basis point decrease from the end of 2015; an actual investment return during 2016 of approximately 5.0%; a 50 basis point reduction in our long-term rate of return assumption from 8.00% to 7.50%; and the revised longevity assumptions released on Oct. 20, 2016 by the Society of Actuaries. There are no planned contributions to our leaacy qualified defined benefit pension plans in 2017.

## **Cash Deployment Activities**

The Corporation's cash deployment activities in the quarter and year endedDec. 31, 2016 consisted of the following:

- repurchasing 3.2 million shares for \$816 million and 8.9 million shares for \$2.1 billion during the quarter and year ended Dec. 31, 2016, compared to 3.2 million shares for \$707 million and 15.2 million shares for \$3.1 billion during the quarter and year ended Dec. 31, 2015;
- paying cash dividends of \$530 million and \$2.0 billion during the quarter and year ended Dec. 31, 2016, compared to \$505 million and \$1.9 billion during the quarter and year ended Dec. 31, 2015;
- repaying \$952 million of long-term debt upon scheduled maturity during the year endedDec. 31, 2016, compared to no repayments in the year endedDec. 31, 2015: and
- making capital expenditures of \$436 million and \$1.1 billion during the quarter and year ended Dec. 31, 2016, compared to \$439 million and \$939 million during the quarter and year ended Dec. 31, 2015.

#### **Internal Controls**

The Corporation is completing its assessment of the effectiveness of its internal control over financial reporting as oDec. 31, 2016. However, the Corporation expects to report a material weakness in internal control over financial reporting at its Sikorsky Aircraft Corporation (Sikorsky) business in its Annual Report on Form 10-K for the year ended Dec. 31, 2016. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Corporation's annual or interim financial statements could occur but will not be prevented or detected on a timely basis.

Sikorsky was acquired on Nov. 6, 2015 and generated about 10% of the Corporation's total net sales for the year endedDec. 31, 2016. Prior to 2016, Sikorsky was not included in assessments of the effectiveness of the Corporation's internal control over financial reporting as the U.S. Securities and Exchange Commission (SEC) rules provide companies one year to assess controls at an acquired entity. Accordingly, in the year ended Dec. 31, 2016 the Corporation has performed its first comprehensive assessment of the design and effectiveness of internal controls at Sikorsky and determined that Sikorsky's internal control over financial reporting was ineffective as of Dec. 31, 2016. Specifically, Sikorsky did not adequately identify, design and implement appropriate process-level controls for its processes and appropriate information technology controls for its information technology systems. As of the date of this earnings release, there have been no material errors in the financial results or balances identified as a result of the control deficiencies at Sikorsky, and there has been no restatement of prior period financial statements and no change in previously released financial results were required due to these control deficiencies.

The Corporation continues its review and will continue to enhance the risk assessment process and the design of internal controls over financial reporting at Sikorsky. The material weakness will not be considered remediated until the applicable remedial controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. The Corporation expects that the remediation of this material weakness will be completed prior to the end of fiscal year 2017.

## Segment Results

The Corporation operates in four business segments organized based on the nature of products and services offered: Aeronautics, Missiles and Fire Control (MFC), Rotary and Mission Systems (RMS) and Space Systems.

The discussion and presentation of the operating results of the Corporation's business segments in this news release have been impacted by the following recent events:

- The Corporation completed the divestiture of its Information Systems & Global Solutions (IS&GS) business onAug. 16, 2016, which merged with a subsidiary of Leidos Holdings, Inc. (Leidos). The discussion and presentation of the Corporation's segment results for all periods presented in this news release exclude the results of the IS&GS business.
- The Corporation's ownership interest in the AWE Management Limited (AWE) venture increased by 18% onAug. 24, 2016. As a result of the increase in ownership interest, the Corporation now holds a 51% controlling interest in AWE. Accordingly, the Corporation is required to consolidate the AWE venture, which has been aligned under the Corporation's Space Systems business segment. The discussion of Space Systems operating results includes 100% of AWE's sales and 51% of AWE's operating profit since Aug. 24, 2016. Previously, the Corporation accounted for its investment in AWE using the equity method of accounting. Under the equity method, none of AWE's sales and only 33% of AWE's net earnings were included in operating profit of the Space Systems business segment.
- On Nov. 6, 2015, the Corporation completed the acquisition of Sikorsky, which was aligned under its RMS business segment. The discussion and presentation of the operating results of the RMS business segment include the operating results of Sikorsky since the Nov. 6, 2015 acquisition date.

Operating profit of the business segments includes the Corporation's share of earnings or losses from equity method investees as the operating activities of the equity method investees are closely aligned with the operations of the Corporation's business segments. United Launch Alliance (ULA), which is part of the Space Systems business segment, is the Corporation's primary equity method investee. Operating profit of the Corporation's business segments excludes the FAS/CAS pension adjustment, which represents the difference between total pension expense recorded in accordance with U.S. generally accepted accounting principles (FAS) and pension costs recoverable on U.S. Government contracts as determined in accordance with U.S. Government Cost Accounting Standards (CAS); expense for stock-based compensation; the effects of items not considered part of management's evaluation of segment operating performance, such as charges related to significant severance actions and certain asset impairments; gains or losses from divestitures; the effects of certain legal settlements; corporate costs not allocated to the Corporation's business segments; and other miscellaneous corporate activities.

Changes in net sales and operating profit generally are expressed in terms of volume. Changes in volume refer to increases or decreases in sales or operating profit resulting from varying production activity levels, deliveries or service levels on individual contracts. Volume changes in segment operating profit are typically based on the current profit booking rate for a particular contract.

In addition, comparability of the Corporation's segment sales, operating profit and operating margin may be impacted favorably or unfavorably by changes in profit booking rates on the Corporation's contracts accounted for using the percentage-of-completion method of accounting. Increases in the profit booking rates, typically referred to as risk retirements, usually relate to revisions in the estimated total costs that reflect improved conditions on a particular contract. Conversely, conditions on a particular contract may deteriorate resulting in an increase in the estimated total costs to complete and a reduction in the profit booking rate. Increases or decreases in profit booking rates are recognized in the current period and reflect the inception-to-date effect of such changes. Segment operating profit and margin may also be impacted favorably or unfavorably by other items. Favorable items may include the positive resolution of contractual matters, cost recoveries on restructuring charges, insurance recoveries and gains on sales of assets. Unfavorable items may include the adverse resolution of contractual matters; restructuring charges, except for significant severance actions which are excluded from segment operating results: reserves for disputes; certain asset impairments: and losses on sales of assets.

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

(in millions)		Quarters Er	nded De	c. 31,	Years Ended Dec. 31,					
	_	2016		2015	-	2016		2015		
Net sales			-	<del></del>	-		_			
Aeronautics	\$	5,407	\$	4,384	\$	17,769	\$	15,570		
Missiles and Fire Control		1,757		1,969		6,608		6,770		
Rotary and Mission Systems		3,809		2,785		13,462		9,091		
Space Systems		2,779		2,382		9,409		9,105		
Total net sales	\$	13,752	\$	11,520	\$	47,248	\$	40,536		
Operating profit										
Aeronautics	\$	552	\$	448	\$	1,887	\$	1,681		
Missiles and Fire Control		255		387		1,018		1,282		
Rotary and Mission Systems		228		157		906		844		
Space Systems		255		288		1,289		1,171		
Total business segment operating profit Unallocated items		1,290	-	1,280		5,100		4,978		

FAS/CAS pension adjustment	230	95	902	400
Special item - severance charges	_	(67)	(80)	(82)
Stock-based compensation	(25)	(20)	(149)	(133)
Other, net	(67)	(188)	(224)	(451)
Total unallocated items	138	(180)	449	(266)
Total consolidated operating profit	\$ 1,428	\$ 1,100	\$ 5,549	\$ 4,712

The Corporation's consolidated net profit adjustments not related to volume, including net profit booking rate adjustments and reserves, represented approximately 26 percent and 28 percent of total segment operating profit for the quarter and year ended Dec. 31, 2016, compared to approximately 28 percent and 34 percent for the quarter and year ended Dec. 31, 2015.

#### Aeronautics

(in millions)	C	Quarters Ended Dec. 31,						Years E	ndec	Dec	l Dec. 31,			
		2016			2015	•		2016			2015	•		
Net sales	\$	5,407		\$	4,384	•	\$	17,769	•	\$	15,570			
Operating profit	\$	552		\$	448		\$	1,887		\$	1,681			
Operating margin		10.2	%		10.2	%		10.6	%		10.8	%		

Aeronautics' net sales in the fourth quarter of 2016 increased\$1.0 billion, or 23 percent, compared to the same period in 2015. The increase was attributable to higher net sales of approximately \$\$40 million for the F-35 program due to increased volume on aircraft production and sustainment activities, partially offset by lower volume on development activities; about \$160 million for the F-16 program due to higher volume on aircraft modernization programs and increased aircraft deliveries (four aircraft delivered in the quarter ended Dec. 31, 2016 compared to two in the same period of 2015); abous\$100 million for the C-5 program due to increased aircraft deliveries (three aircraft delivered in the quarter ended Dec. 31, 2016 compared to two in the same period of 2015) and increased sustainment activities; and abous\$100 million for the C-130 program due to increased aircraft deliveries (eight aircraft delivered in the quarter ended Dec. 31, 2016 compared to seven in the same period of 2015) and increased sustainment activities.

Aeronautics' operating profit in the fourth quarter of 2016 increased\$104 million, or 23 percent, compared to the same period in 2015. Operating profit increased about \$80 million for the F-35 program due to increased volume on aircraft production and sustainment activities and higher risk retirements; and abou\$15 million for the C-5 program due to higher risk retirements and increased aircraft deliveries. Adjustments not related to volume, including net profit booking rate adjustments, were about \$50 million higher in the fourth quarter of 2016 compared to the same period in 2015.

Aeronautics' net sales in 2016 increased\$2.2 billion, or 14 percent, compared to 2015. The increase was attributable to higher net sales of abou\$1.7 billion for the F-35 program due to increased volume on aircraft production and sustainment activities, partially offset by lower volume on development activities; and about \$290 million for C-130 program due to increased deliveries (24 aircraft delivered in the year ended Dec. 31, 2016 compared to 21 in the same period of 2015) and increased sustainment activities; and about \$250 million for the F-16 program primarily due to higher volume on aircraft modernization programs. The increases were partially offset by lower net sales of about \$55 million for the C-5 program due to decreased sustainment activities.

Aeronautics' operating profit in 2016 increased \$206 million, or 12 percent, compared to 2015. Operating profit increased about\$195 million for the F-35 program due to increased volume on aircraft production and sustainment activities and higher risk retirements; and about \$60 million for aircraft support and maintenance programs due to higher risk retirements and increased volume. These increases were partially offset by lower operating profit of about \$65 million for the C-130 program due to contract mix and lower risk retirements. Adjustments not related to volume, including net profit booking rate adjustments, were about \$20 million higher in 2016 compared to 2015.

#### Missiles and Fire Control

(in millions)	Quarters Ended Dec. 31,						Years E	nde	d Dec	. 31,	
		2016 2015					2016			•	
Net sales	\$	1,757	-	\$	1,969	-	\$ 6,608	-	\$	6,770	
Operating profit	\$	255		\$	387		\$ 1,018		\$	1,282	
Operating margin		14.5	%		19.7	%	15.4	%		18.9	%

MFC's net sales in the fourth quarter of 2016 decreased\$212 million, or 11 percent, compared to the same period in 2015. The decrease was attributable to lower net sales of about \$125 million for air and missile defense programs due to lower deliveries and volume (primarily Patriot Advanced Capability (PAC-3) and Terminal High Altitude Area Defense (THAAD)); and about \$65 million for fire control programs due to lower deliveries (primarily LANTIRN® and SNIPER®).

MFC's operating profit in the fourth quarter of 2016 decreased \$132 million, or 34 percent, compared to the same period in 2015. Operating profit decreased abou\$110 million for air and missile defense programs due to lower risk retirements (PAC-3 and THAAD) and lower deliveries and volume. Adjustments not related to volume, including net profit booking rate adjustments, were about \$80 million lower in the fourth quarter of 2016 compared to the same period in 2015.

MFC's net sales in 2016 decreased \$162 million, or 2 percent, compared to 2015. The decrease was attributable to lower net sales of abou\$205 million for air and missile defense programs due to decreased volume (primarily THAAD); and lower net sales of about \$95 million due to lower volume on various programs. These decreases were partially offset by a \$75 million increase for tactical missiles programs due to increased deliveries (primarily Hellfire); and about\$70 million for fire control programs due to increased volume (Special Operations Forces Contractor Logistics Support Services).

MFC's operating profit in 2016 decreased \$264 million, or 21 percent, compared to 2015. Operating profit decreased about\$145 million for air and missile defense programs due to lower risk retirements (PAC-3 and THAAD) and a reserve for a contractual matter; about \$45 million for tactical missiles programs due to lower risk retirements (Javelin); and about \$45 million for fire control programs due to lower risk retirements (Apache) and program mix. Adjustments not related to volume, including net profit booking rate adjustments and reserves, were about \$225 million lower in 2016 compared to 2015.

# **Rotary and Mission Systems**

(in millions)	G	Quarters Ended Dec. 31,						Years Ended Dec.						
		2016	2015					2016			2015	•		
Net sales	\$	3,809	-	\$	2,785	-	\$	13,462	-	\$	9,091	•		
Operating profit	\$	228		\$	157		\$	906		\$	844			
Operating margin		6.0	%		5.6	%		6.7	%		9.3	9/		

RMS' net sales in the fourth quarter of 2016 increased\$1.0 billion, or 37 percent, compared to the same period in 2015. The increase was primarily attributable to higher net sales of about \$1.2 billion from Sikorsky, which was acquired onNov. 6, 2015. Net sales for 2015 include Sikorsky's results subsequent to the acquisition date, net of certain revenue adjustments required to account for the acquisition of this business. This increase was partially offset by a decrease in net sales of about \$90 million for training and logistics programs due to decreased volume on various programs and the divestiture of our Lockheed Martin Commercial Flight Training (LMCFT) business which reported sales through the May 2, 2016 divestiture date.

RMS' operating profit in the fourth quarter of 2016 increased\$71 million, or 45 percent, compared to the same period in 2015. Operating profit increased abou\$50 million for our integrated warfare systems and sensors programs due to investments made in connection with a next generation radar technology program awarded during the quarter ended Dec. 31, 2015; and \$35 million for undersea systems programs primarily due to higher reserves for performance matters on an international program recorded during the quarter ended Dec. 31, 2015. Adjustments not related to volume, including net profit booking rate adjustments and reserves, were abou\$80 million higher in the fourth quarter of 2016 compared to the same period in 2015.

RMS' net sales in 2016 increased \$4.4 billion, or 48 percent, compared to 2015. The increase was primarily attributable to higher net sales of about \$4.6 billion from Sikorsky, which was acquired on Nov. 6, 2015. Net sales for 2015 include Sikorsky's results subsequent to the acquisition date, net of certain revenue adjustments required to account for the acquisition of this business. This increase was partially offset by lower net sales of about \$70 million for training and logistics programs due to the divestiture of our LMCFT business on May 2, 2016; and about \$65 million for ship and aviation systems programs due to decreased volume on various programs.

RMS' operating profit in 2016 increased \$62 million, or 7 percent, compared to 2015. Operating profit increased about\$85 million for training and logistics programs due

primarily to the divestiture of our LMCFT business which generated operating losses through its May 2, 2016 divestiture date; about \$60 million for our integrated warfare systems and sensors programs due to investments made in connection with a next generation radar technology program awarded during the year ended Dec. 31, 2015; and about \$55 million for undersea systems programs due primarily to higher reserves for performance matters on an international program in the year endedDec. 31, 2015. These increases were partially offset by a decrease of\$70 million as a result of a higher operating loss from Sikorsky, inclusive of the unfavorable impacts of intangible asset amortization and other adjustments required to account for the acquisition of this business; about \$30 million for ship and aviation systems programs due primarily to performance on various programs; and about \$25 million for other matters. Adjustments not related to volume, including net profit booking rate adjustments and reserves, were about \$155 million higher in 2016 compared to 2015.

## Space Systems

(in millions)	Quarters Ended Dec. 31,						Years E	ndec	Dec		
	201	2016 2015					2016			2015	
Net sales	\$ 2,	,779		\$	2,382	-	\$ 9,409	-	\$	9,105	
Operating profit	\$	255		\$	288		\$ 1,289		\$	1,171	
Operating margin		9.2	%		12.1	%	13.7	%		12.9	%

Space Systems' net sales in the fourth quarter of 2016 increased\$397 million, or 17 percent, compared to the same period in 2015. The increase was attributable to net sales of about \$310 million from AWE following the consolidation of this business in the third quarter of 2016; and abou\$150 million for commercial space transportation programs due to increased launch-related activities. These increases were partially offset by lower net sales of about \$80 million for the government satellite programs due to decreased volume (primarily Mobile User Objective Systems (MUOS) and Space Based Infrared Systems (SBIRS)).

Space Systems' operating profit in the fourth quarter of 2016 decreased\$33 million, or 11 percent, compared to the same period in 2015. Operating profit decreased about \$75 million for government satellite programs due to lower risk retirements (primarily MUOS and SBIRS) and decreased volume, partially offset by about\$25 million of increased equity earnings from joint ventures (primarily ULA). Adjustments not related to volume, including net profit booking rate adjustments, were about \$75 million lower in the fourth quarter of 2016 compared to the same period in 2015.

Space Systems' net sales in 2016 increased\$304 million, or 3 percent, compared to 2015. The increase was attributable to net sales of abou\$410 million from AWE following the consolidation of this business in the third quarter of 2016; and about \$150 million for commercial space transportation programs due to increased launch-related activities; and about \$70 million of higher net sales for various programs (primarily Fleet Ballistic Missiles) due to increased volume. These increases were partially offset by a decrease in net sales of about \$340 million for government satellite programs due to decreased volume (primarily SBIRS and MUOS) and the wind-down or completion of mission solutions programs.

Space Systems' operating profit in 2016 increased \$118 million, or 10 percent, compared to 2015. The increase was primarily attributable to a non-cash, pre-tax gain of about \$127 million related to the consolidation of AWE; and about \$80 million of increased equity earnings from joint ventures (primarily ULA). These increases were partially offset by a decrease of about \$105 million for government satellite programs due to lower risk retirements (primarily SBIRS, MUOS and mission solutions programs) and decreased volume. Adjustments not related to volume, including net profit booking rate adjustments, were about \$185 million lower in 2016 compared to 2015.

Total equity earnings recognized by Space Systems (primarily ULA) represented about\$85 million, or 33 percent, and about\$325 million, or 25 percent, of this business segment's operating profit during the quarter and year ended Dec. 31, 2016, compared to about\$60 million, or 21 percent, and about\$245 million, or 21 percent, during the quarter and year ended Dec. 31, 2015.

#### **Unallocated items**

in millions)	Qı	ıarters Eı	nded De	ec. 31,	Years Ended Dec. 31,					
	2	016	2	015	2	016	2	015		
Unallocated items	-		-							
FAS/CAS pension adjustment	\$	230	\$	95	\$	902	\$	400		
Special item - severance charges		_		(67)		(80)		(82)		
Stock-based compensation		(25)		(20)		(149)		(133)		
Other, net		(67)		(188)		(224)		(451)		
Total unallocated items	\$	138	\$	(180)	\$	449	\$	(266)		

Consistent with the manner in which the Corporation's business segment operating performance is evaluated by senior management, certain items are excluded from the business segment results and are included in "Unallocated items." See the Corporation's 2015 Annual Report on Form 10-K for a description of "Unallocated items."

The operating results of the IS&GS business, which was divested on Aug. 16, 2016, have been reclassified as discontinued operations for all periods presented. Certain corporate overhead costs and certain defined benefit pension costs that were historically allocated to and included in the operating results of the IS&GS business have been reclassified into "Unallocated items" and included in the results of the Corporation's continuing operations because the Corporation will continue to incur these costs subsequent to the divestiture of the IS&GS business.

Corporate overhead costs incurred by the Corporation and previously allocated to and included in the operating results of the IS&GS business were comprised of expenses related to senior management, legal, human resources, finance, accounting, treasury, tax, information technology, communications, ethics and compliance, corporate employee benefits, incentives and stock-based compensation, shared services processing and administration and depreciation for corporate fixed assets. The amount of corporate overhead costs previously included in the operating results of the IS&GS business that have been reclassified to and included in the results of the Corporation's continuing operations were \$82 million in the year ended Dec. 31, 2016 and \$32 million and \$165 million in the quarter and year ended Dec. 31, 2015. These costs are included in "Other, net" within "Unallocated items."

Prior to the divestiture of the IS&GS business, certain IS&GS salaried employees participated in various defined benefit pension and other post-employment benefit plans administered and sponsored by the Corporation. Pension costs related to benefits earned by these employees were historically allocated to and included in the results of operations of the IS&GS business. Subsequent to the divestiture, IS&GS salaried employees that transferred to Leidos will no longer earn additional benefits under the Corporation's defined benefit pension and other post-employment benefit plans, but remain entitled to the benefits earned through the closing of the divestiture. The Corporation retained all obligations related to the benefits earned by the IS&GS salaried employees through the closing of the divestiture and the related assets of the plans. Therefore, the Corporation will continue to incur the non-service portion of pension costs (interest cost, actuarial gains and losses and expected return on plan assets) for IS&GS salaried employees that transferred to Leidos. Accordingly, these costs have been reclassified to and included in the results of the Corporation's continuing operations. The non-service portion of pension costs previously included in the operating results of the IS&GS business that have been reclassified to and included in the results of the Corporation's continuing operations were \$54 million in the year ended Dec. 31, 2016 and \$18 million and \$71 million in the quarter and year ended Dec. 31, 2015. These costs are included in the "FAS/CAS pension adjustment" within "Unallocated items." The service portion of pension costs related to IS&GS salaried employees that transferred to Leidos remains in the operating results of the IS&GS business classified as discontinued operations because such costs will no longer be incurred by the Corporation subsequent to the divestiture of IS&GS.

The Corporation allocates certain corporate overhead costs and defined benefit pension costs to its business segments because under U.S. Government contracting regulations such costs are allowable in establishing prices for contracts with the U.S. Government. Although the corporate overhead costs and defined benefit pension costs that were historically allocated to and included in the operating results of the IS&GS business have been reclassified to and included in the results of the Corporation's continuing operations for financial reporting purposes, the Corporation will allocate similar costs incurred in future periods to its remaining business segments and expects to recover a substantial amount of these costs through the pricing of its products and services to the U.S. Government and other customers in future periods.

Significant severance charges related to the IS&GS business were historically recorded at the Lockheed Martin corporate office. These charges have been reclassified into the operating results of the IS&GS business classified as discontinued operations and excluded from the results of the Corporation's continuing operations. The amount of severance charges reclassified were \$19 million and \$20 million in the years endedDec. 31, 2016 and 2015, respectively.

## **Income Taxe**

The Corporation's effective income tax rate from continuing operations was 23.6 percent and 23.2 percent in the quarter and year ended Dec. 31, 2016, compared to 16.8 percent and 27.3 percent in the quarter and year ended Dec. 31, 2015. The rates for both periods benefited from tax deductions for U.S. manufacturing activities and for dividends paid to the Corporation's defined contribution plans with an employee stock ownership plan feature. The rate in the year ended Dec. 31, 2016 benefited from the nontaxable gain recorded in connection with the increase in AWE ownership. The rate in the quarter and year ended Dec. 31, 2016 also benefited from the R&D tax credit. As a result of legislation enacted in the fourth quarter of 2015, the R&D tax credit was permanently extended and reinstated, retroactive to the beginning of 2015. Accordingly, the effective income tax rates for both the quarter and year ended Dec. 31, 2015 reflect the credit for all of 2015, which reduced the Corporation's

effective tax rates by 7.1 percentage points for the fourth quarter and 1.6 percentage points for the full year in 2015.

In addition, the rate in the quarter and year endedDec. 31, 2016 benefited from the additional tax benefits related to equity awards, which are now recorded as income tax benefit or expense in earnings effective with the adoption of an accounting standard update in the second quarter of 2016. As a result, the Corporation recognized additional income tax benefits of \$15 million and \$152 million during the quarter and year endedDec. 31, 2016.

As a result of a decision in the fourth quarter of 2015 to divest LMCFT in 2016, the Corporation recorded an asset impairment charge of about 90 million. This charge was partially offset by a net deferred tax benefit of about \$80 million. The net impact of the resulting tax benefit reduced the effective income tax rates by 5.2 percentage points for the fourth quarter and 1.2 percentage points for the full year in 2015.

## **Conference Call Information**

Lockheed Martin will webcast live the earnings conference call (listen-only mode) onTuesday, Jan. 24, 2017, at 11:00 a.m. ET. The live webcast and relevant financial charts will be available for download on the Lockheed Martin Investor Relations website at <a href="https://www.lockheedmartin.com/investor">www.lockheedmartin.com/investor</a>.

For additional information, visit our website: www.lockheedmartin.com.

#### **About Lockheed Martin**

Headquartered in Bethesda, Maryland, Lockheed Martin is a global security and aerospace company that employs approximately 97,000 people worldwide and is principally engaged in the research, design, development, manufacture, integration and sustainment of advanced technology systems, products and services.

#### Forward-Looking Statements

This news release contains statements that, to the extent they are not recitations of historical fact, constitute forward-looking statements within the meaning of the federal securities laws, and are based on Lockheed Martin's current expectations and assumptions. The words "believe," "estimate," "anticipate," "project," "intend," "expect," "plan," "outlook," "scheduled," "forecast" and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to risks and uncertainties. Actual results may differ materially due to factors such as:

- the Corporation's reliance on contracts with the U.S. Government, all of which are conditioned upon the availability of funding and can be terminated by the U.S.
   Government for convenience, and the impact of potential unilateral contract actions on our ability to negotiate favorable contract terms;
- declining budgets; affordability initiatives; the implementation of automatic sequestration under the Budget Control Act of 2011 or Congressional actions intended to replace sequestration;
- risks related to the development, production, performance, schedule, cost and requirements of complex and technologically advanced programs including the Corporation's largest, the F-35 program;
- · economic, industry, business and political conditions (domestic and international) including their effects on governmental policy;
- the Corporation's success in growing international sales and expanding into adjacent markets and risks associated with doing business in new markets and internationally;
- the competitive environment for the Corporation's products and services, including increased pricing pressures in the Corporation's remaining services businesses, competition from outside the aerospace and defense industry, and increased bid protests;
- · planned production rates for significant programs; compliance with stringent performance; reliability standards; materials availability;
- the performance and financial viability of key suppliers, teammates, ventures, venture partners, subcontractors and customers;
- · the timing and customer acceptance of product deliveries;
- the Corporation's ability to continue to innovate and develop new products and to attract and retain key personnel and transfer knowledge to new personnel; the impact of work stoppages or other labor disruptions;
- the impact of cyber or other security threats or other disruptions to the Corporation's businesses;
- the Corporation's ability to implement and continue capitalization changes such as share repurchase activity and payment of dividends, pension funding as well as the pace and effect of any such capitalization changes;
- the Corporation's ability to recover certain costs under U.S. Government contracts and changes in contract mix;
- the accuracy of the Corporation's estimates and projections and the potential impact of changes in U.S. or foreign tax laws;
- movements in interest rates and other changes that may affect pension plan assumptions, equity, the level of FAS/CAS earnings and actual returns on pension plan assets:
- realizing the anticipated benefits of acquisitions or divestitures, ventures, teaming arrangements or internal reorganizations, and the Corporation's efforts to increase the efficiency of its operations and improve the affordability of its products and services;
- the ability to realize synergies and other expected benefits of the Sikorsky acquisition, including remediation of the material weakness in internal control over financial reporting related to the identification, design and operating effectiveness of internal controls over financial reporting at Sikorsky;
- risk of a future impairment of goodwill, investments or other long-term assets, including the potential impairment of goodwill, intangible assets and inventory, recorded as a result of the Sikorsky acquisition, if Sikorsky does not perform as expected, or if demand for Sikorsky's products is adversely impacted by global economic conditions including oil and gas trends;
- risks related to the achievement of the intended benefits and tax treatment of the divestiture of our former IS&GS business;
- · the adequacy of the Corporation's insurance and indemnities;
- the effect of changes in (or the interpretation of): legislation, regulation or policy, including those applicable to procurement (including competition from fewer and larger prime contractors), cost allowability or recovery, accounting, taxation, or export; and
- the outcome of legal proceedings, bid protests, environmental remediation efforts, government investigations or government allegations that we have failed to comply with law, other contingencies and U.S. Government identification of deficiencies in the Corporation's business systems.

These are only some of the factors that may affect the forward-looking statements contained in this news release. For a discussion identifying additional important factors that could cause actual results to vary materially from those anticipated in the forward-looking statements, see the Corporation's filings with SEC including, but not limited to, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors" in the Corporation's Annual Report on Form 10-K for the year ended Dec. 31, 2015 and 2016 quarterly reports on Form 10-O. The Corporation's filings may be accessed through the Investor Relations page of its website, <a href="https://www.lockheedmartin.com/investor">www.lockheedmartin.com/investor</a>, or through the website maintained by the SEC atwww.sec.gov.

The Corporation's actual financial results likely will be different from those projected due to the inherent nature of projections. Given these uncertainties, forward-looking statements should not be relied on in making investment decisions. The forward-looking statements contained in this news release speak only as of the date of its filing. Except where required by applicable law, the Corporation expressly disclaims a duty to provide updates to forward-looking statements after the date of this news release to reflect subsequent events, changed circumstances, changes in expectations, or the estimates and assumptions associated with them. The forward-looking statements in this news release are intended to be subject to the safe harbor protection provided by the federal securities laws.

	Quarters Ended Dec. 31,					Years Ended	d Dec. 31,		
	2	016	2	015	:	2016	2	015	
Net sales	\$	13,752	\$	11,520	\$	47,248	\$	40,536	
Cost of sales		(12,399)		(10,383)		(42,186)		(36,044)	
Gross profit		1,353		1,137		5,062		4,492	
Other income (expense), net		75		(37)		487		220	
Operating profit <sup>2</sup>		1,428		1,100		5,549		4,712	
Interest expense		(171)		(142)		(663)		(443)	
Other non-operating (expense) income, net		(2)		24				30	
Earnings from continuing operations before income taxes		1,255		982		4,886		4,299	
Income tax expense <sup>3</sup>		(296)		(165)		(1,133)		(1,173)	
Net earnings from continuing operations <sup>3</sup> Net earnings from discontinued operations		959 29		817 116		3,753 1,549		3,126 479	
Net earnings <sup>3</sup>	\$	988	\$	933	\$	5,302	\$	3,605	
Effective tax rate		23.6 %		16.8 %		23.2 %		27.3 %	
Earnings per common share									
Basic Continuing operations <sup>3</sup> Discontinued operations	\$	3.29 0.10	\$	2.67 0.38	\$	12.54 5.17	\$	10.07 1.55	
Basic earnings per common share	\$	3.39	\$	3.05	\$	17.71	\$	11.62	
Diluted Continuing operations Discontinued operations Diluted earnings per common share	\$ 	3.25 0.10 3.35	\$ 	2.63 0.38 3.01	\$ \$	12.38 5.11 17.49	\$	9.93 1.53 11.46	
Weighted average shares outstanding Basic Diluted		291.8 295.2		305.9 310.2		299.3 303.1		310.3 314.7	
Common shares reported in stockholders' equity at end of period						289		303	

<sup>&</sup>lt;sup>1</sup> As a result of the divestiture of the IS&GS business segment on Aug. 16, 2016, the operating results of the IS&GS business segment have been classified as discontinued operations in the year ended Dec. 31, 2016 and in the quarter and year ended Dec. 31, 2015. A \$1.2 billion gain was recorded as a result of the divestiture of the IS&GS business segment and is recorded in earnings from discontinued operations in the year ended Dec. 31, 2016.

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

		Quart	ers E	Ende	d					Yea	rs Er	nded				
		2016		2	2015		% Cha	nge		2016		2	2015	=	% Cha	ange
Net sales Aeronautics	\$	5.407	•	\$	4.384		23	%	\$	17,769	-	\$	15.570	-	14	%
Missiles and Fire Control	•	1.757		-	1.969		(11)	%	•	6.608		•	6.770		(2)	%
Rotary and Mission Systems		3,809			2.785		`37	%		13,462			9,091		48	%
Space Systems		2,779			2,382		17	%		9,409			9,105		3	%
Total net sales	\$	13,752		\$	11,520		19	%	\$	47,248	-	\$	40,536	-	17	%
Operating profit																
Aeronautics	\$	552		\$	448		23	%	\$	1,887		\$	1,681		12	%
Missiles and Fire Control		255			387		(34)	%		1,018			1,282		(21)	%
Rotary and Mission Systems		228			157		45	%		906			844		7	%
Space Systems <sup>1</sup>		255			288		(11)	%		1,289			1,171		10	%
Total business segment operating profit		1,290			1,280		1	%		5,100	=		4,978	=	2	%
Unallocated items <sup>2</sup>																
FAS pension expense		(261)			(286)					(1,019)			(1,127)			
Less: CAS pension cost		`491			381					1,921			1,527			
FAS/CAS pension adjustment		230			95					902	=		400	=		
Special item - severance charges		-			(67)					(80)			(82)			
Stock-based compensation		(25)			(20)					(149)			(133)			
Other, net		(67)			(188)					(224)			(451)			
Total unallocated items		138	•		(180)					449	-		(266)	-		
Total consolidated operating profit	\$	1,428		\$	1,100		30	%	\$	5,549		\$	4,712	-	18	%
Operating margin																
Aeronautics		10.2	%			%				10.6	%		10.8	%		
Missiles and Fire Control		14.5	%			%				15.4	%		18.9	%		
Rotary and Mission Systems		6.0	%			%				6.7	%		9.3	%		
Space Systems		9.2	%			%				13.7	%		12.9	%		
Total business segment operating margin		9.4	%		11.1	%				10.8	%		12.3	%		

<sup>&</sup>lt;sup>2</sup> The amounts in the year ended Dec. 31, 2016 include a non-cash gain of \$127 million recognized at the Corporation's Space Systems business segment related to the consolidation of the AWE venture upon obtaining control of this venture on Aug. 24, 2016, which increased net earnings from continuing operations \$104 million (or \$0.34 per share).

<sup>&</sup>lt;sup>3</sup> In 2016, the Corporation adopted a new accounting standard issued by the Financial Accounting Standards Board that changed certain aspects of the accounting for equity awards granted to employees. As a result, the Corporation recognized additional income tax benefits as an increase to net earnings from continuing operations and operating cash flows of \$15 million (\$0.05 per share) and \$152 million (\$0.50 per share) in the quarter and year ended Dec. 31, 2016.
The new accounting standard did not impact any periods prior to Jan. 1, 2016.

11.7 %

- 1 The amounts for the year ended Dec. 31, 2016 include a non-cash gain of \$127 million related to the consolidation of AWE upon obtaining control of this venture on Aug. 24, 2016, which increased net earnings from continuing operations \$104 million (or \$0.34 per share).
- <sup>2</sup> The following reclassifications of "Unallocated items" were made as a result of the divestiture of the IS&GS business segment:
  i) the non-service portion of pension costs for IS&GS employees that participated in the Corporation's defined benefit pension and other post-employment benefit plans were reclassified from the operating results of the IS&GS business segment to "FAS/CAS pension adjustment" and were \$54 million in the year ended Dec. 31, 2016 and \$18 million and \$71 million in the quarter and year ended Dec. 31, 2015, ii) Corporate overhead costs allocated to and included in the operating results of the IS&GS business segment were reclassified to "Other, net" and were \$82 million in the year ended Dec. 31, 2016 and \$32 million and \$165 million in the quarter and year ended Dec. 31, 2015, and iii) charges related to the IS&GS business segment that were historically recorded in "Special item severance charges" were reclassified to net earnings from discontinued operations and were \$19 million in the year ended Dec. 31, 2016 and \$20 million in the year ended Dec. 31, 2015. For more information see the "Unallocated items" section of the accompanying news release.

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

		Dec. 31, 2016		Dec. 31, 2015 <sup>1</sup>
Assets				
Current assets				
Cash and cash equivalents	\$	1,837	\$	1,090
Receivables, net		8,202		7,254
Inventories, net		4,670		4,819
Other current assets		399		441
Assets of discontinued operations <sup>2</sup>		_		969
Total current assets		15,108		14,573
Total danon docoto		.0,.00		,0.0
Property, plant and equipment, net		5,549		5,389
Goodwill		10,764		10,695
Intangible assets, net		4,093		4,022
Deferred income taxes		6,625		6,068
Other noncurrent assets		5,667		5,396
Assets of discontinued operations <sup>2</sup>		-,		3,161
Total assets	\$	47,806	\$	49.304
Total assets	<u> </u>	47,000	Ψ	73,307
Liabilities and equity				
Current liabilities	_			
Accounts payable	\$	1,653	\$	1,745
Customer advances and amounts in excess of costs incurred		6,776		6,703
Salaries, benefits and payroll taxes		1,764		1,707
Current maturities of long-term debt		-		956
Other current liabilities		2,349		1,859
Liabilities of discontinued operations <sup>2</sup>		-		948
Total current liabilities		12,542		13,918
Long-term debt, net		14,282		14,305
Accrued pension liabilities		13,855		11,807
Other postretirement benefit liabilities		862		1,070
Other noncurrent liabilities		4,659		4,902
Liabilities of discontinued operations <sup>2</sup>		· -		205
Total liabilities		46,200		46,207
Stockholders' equity				
Common stock, \$1 par value per share		289		303
Additional paid-in capital		200		-
Retained earnings		13,324		14.238
Accumulated other comprehensive loss		(12,102)		(11,444)
Total stockholders' equity		1,511		3,097
Noncontrolling interests in subsidiary		95		
Total equity		1,606		3,097
Total liabilities and equity	\$	47,806	\$	49,304
i otal naomities and equity	Ψ	47,000	Ψ	70,004

<sup>&</sup>lt;sup>1</sup> Certain prior period amounts have been reclassified to conform with current period presentation.

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

		Years Ende	d Dec. 3	31,	
		016	2015		
Operating activities			•	0.005	
Net earnings	\$	5,302	\$	3,605	
Adjustments to reconcile net earnings to net cash provided by operating activities					
Depreciation and amortization		1,215		1,026	
Stock-based compensation		149		138	

<sup>&</sup>lt;sup>2</sup> The assets and liabilities of the IS&GS business segment have been classified as assets and liabilities of discontinued operations as of Dec. 31, 2015.

Severance charges Deferred income taxes Gain on divestiture of IS&GS business Gain on step acquisition of AWE Changes in assets and liabilities	99 (152) (1,242) (104)	102 (445)
Receivables, net	(811)	(256)
Inventories, net	(46)	(398)
Accounts payable	(188)	(160)
Customer advances and amounts in excess of costs incurred	3	(32)
Postretirement benefit plans	1,028	1,068
Income taxes	146	(48)
Other, net	(210)	501
Net cash provided by operating activities <sup>1</sup>	5,189	5,101
Investing activities		
Capital expenditures	(1,063)	(939)
Acquisitions of businesses and investments in affiliates <sup>2</sup>		(9,003)
Other, net	78	208
Net cash used for investing activities	(985)	(9,734)
Financing activities		
Special cash payment from divestiture of IS&GS business	1,800	-
Proceeds from the issuance of long-term debt	· •	9,101
Repayments of long-term debt	(952)	-
Proceeds from borrowings under revolving credit facilities	-	6,000
Repayments of borrowings under revolving credit facilities	-	(6,000)
Repurchases of common stock	(2,096)	(3,071)
Dividends paid	(2,048)	(1,932)
Proceeds from stock option exercises	106	174
Other, net	(267)	5
Net cash (used for) provided by financing activities	(3,457)	4,277
Net change in cash and cash equivalents	747	(356)
Cash and cash equivalents at beginning of period	1,090	1,446
Cash and cash equivalents at end of period	\$ 1,837	\$ 1,090

<sup>&</sup>lt;sup>1</sup> Cash from operations includes cash flows generated by the IS&GS business segment through the closing of the divestiture of this business segment on Aug. 16, 2016, as the Corporation retained this cash as part of the divestiture.

# Lockheed Martin Corporation Consolidated Statement of Equity (unaudited; in millions)

	mon ock	Additional Paid-In Capital		Retained Earnings		Accumulated Other Comprehensive Loss		Total Stockholders' Equity		Non controlling Interest		Fotal equity				
Balance at Dec. 31, 2015	\$ 303	\$	-	\$	14,238	\$	(11,444)	\$	3,097	\$	-	\$ 3,097				
Net earnings	-		-		5,302		-		5,302		-	5,302				
Other comprehensive loss, net of tax <sup>1</sup>	-		-		-		(658)		(658)		-	(658)				
Shares exchanged and retired in connection with divestiture of IS&GS business	(9)		-		(2,488)		-		(2,497)		-	(2,497)				
Repurchases of common stock	(9)		(395)		(1,692)		-		(2,096)		-	(2,096)				
Dividends declared <sup>2</sup>	-		-		(2,036)		-		(2,036)		-	(2,036)				
Stock-based awards, ESOP activity and other	4		395		-		=		399		-	399				
Increase in noncontrolling interests in subsidiary	-		-		-		-		-		=		-		95	95
Balance at Dec. 31, 2016	\$ 289	\$		\$	13,324	\$ (12,102)		\$ 1,511		,102) \$ 1,511		\$	95	\$ 1,606		

<sup>&</sup>lt;sup>1</sup> Primarily represents the reclassification adjustment for the recognition of prior period amounts related to postretirement benefit plans.

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

Backlog	ec. 31, 2016	ec. 31, 2015
Aeronautics	\$ 34,200	\$ 31,800
Missiles and Fire Control	14,700	15,500
Rotary and Mission Systems	28,400	30,100
Space Systems	18,900	17,400

 $<sup>^{2}\,</sup>$  Includes the \$9.0 billion purchase price of Sikorsky, net of cash acquired.

<sup>&</sup>lt;sup>2</sup> Represents dividends of \$1.65 per share declared in each of the first, second and third quarters of 2016. Additionally, includes dividends of \$1.82 per share declared in the third quarter of 2016 and paid in the fourth quarter of 2016.

Total backlog \$ 96,200 \$ 94,800

	Quarters I	Years Ended			
Aircraft Deliveries	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015	
F-16	4	2	12	11	
F-35	16	14	46	45	
C-130J	8	7	24	21	
C-5	3	2	9	9	

Lockheed Martin Corporation
Press Release Attachments
Consolidated Statements of Earnings Adjusted for Discontinued Operations
(unaudited; in millions)

		Quarter Ended March 29, 2015						Quarter Ended June 28, 2015						
	Ma	kheed artin torical	Disco	ments for entinued rations	N	ckheed lartin ljusted	N	ckheed //artin storical	Disc	ments for ontinued rations	Lock Ma Adju			
Aeronautics	\$	3,134	\$	-	\$	3,134	\$	4,131	\$	-	\$			
Information Systems & Global Solutions		1,390		(1,390)		-	1,408			(1,408)				
Missiles and Fire Control		1,383	-			1,383		1,649	-					
Rotary and Mission Systems		1,979	979 -			1,979	2,165		-					
Space Systems		2,225		-		2,225		2,290		-				
Net sales		10,111	-	(1,390)		8,721	\$	11,643	\$	(1,408)	\$			
Aeronautics		371		-		371		444		-				
Information Systems & Global Solutions		145		(145)		-	107		(107)					
Missiles and Fire Control		286		-		286		293						
Rotary and Mission Systems		180		180		=		180		262				
Space Systems	324			-		324		294		-				
<b>Business Segment Operating Profit</b>		1,306		(145)		1,161	-	1,400		(107)				
Total Unallocated Items		50		(64)		(14)		45		(65)				
Total Consolidated Operating Profit		1,356		(209)		1,147	-	1,445		(172)				
Interest expense		(93)		-		(93)		(104)		-				
Other non-operating income, net		3				3		2		-				
Earnings from continuing operations before income taxes		1,266		(209)		1,057		1,343		(172)				
Income tax expense		(388)		69		(319)		(414)		58				
Net earnings from continuing operations		878		(140)		738		929		(114)				
Net earnings from discontinued operations				140		140				114				
Net earnings	\$	878	\$	<u>-</u>	\$	878	\$	929	\$		\$			
Effective tax rate		30.6%				30.2%		30.8%						
Earnings per common share														
Basic														
Continuing operations	\$	2.78	\$	(0.44)	\$	2.34	\$	2.98	\$	(0.37)	\$			
Discontinued operations				0.44		0.44				0.37				
Basic earnings per common share	\$	2.78	\$		\$	2.78	\$	2.98	\$		\$			
Diluted														
Continuing operations	\$	2.74	\$	(0.44)	\$	2.30	\$	2.94	\$	(0.36)	\$			
Discontinued operations				0.44		0.44				0.36				
Diluted earnings per common share	\$	2.74	\$	<u>-</u>	\$	2.74	\$	2.94	\$		\$			

		Three	Months Er	nded March 29	Six Months Ended June 28, 2015						
	N	Lockheed Martin Historical		Adjustments for Discontinued Operations		Lockheed Martin Adjusted		ckheed Martin storical	Adjustments fo Discontinued Operations	r Lock Mai Adju	
Aeronautics	\$	3,134	\$	-	\$	3,134	\$	7,265	\$	- \$	
Information Systems & Global Solutions		1,390		(1,390)		-		2,798	(2,798	3)	

Missiles and Fire Control		1,383	-		1,383	3,032	-	
Rotary and Mission Systems		1,979	-		1,979	4,144	-	
Space Systems		2,225	-		2,225	4,515	-	
Net sales	1	0,111	 (1,390)		8,721	 21,754	 (2,798)	
Aeronautics		371	=		371	815	-	
Information Systems & Global Solutions		145	(145)		=	252	(252)	
Missiles and Fire Control		286	=		286	579	-	
Rotary and Mission Systems		180	=		180	442	-	
Space Systems		324	=		324	618	-	
<b>Business Segment Operating Profit</b>		1,306	 (145)	-	1,161	 2,706	 (252)	
Total Unallocated Items		50	(64)		(14)	95	(129)	
Total Consolidated Operating Profit		1,356	(209)		1,147	 2,801	 (381)	-
Interest expense		(93)	-		(93)	(197)	-	
Other non-operating income, net		3	 		3	 5	 -	
Earnings from continuing operations before income taxes		1,266	(209)		1,057	2,609	(381)	
Income tax expense		(388)	 69		(319)	 (802)	 127	
Net earnings from continuing operations		878	(140)		738	1,807	(254)	
Net earnings from discontinued operations			 140		140	 -	 254	
Net earnings	\$	878	\$ 	\$	878	\$ 1,807	\$ 	\$
Effective tax rate		30.6%			30.2%	 30.7%		
Earnings per common share								
Basic								
Continuing operations	\$	2.78	\$ (0.44)	\$	2.34	\$ 5.76	\$ (0.81)	\$
Discontinued operations		-	0.44		0.44	 	 0.81	
Basic earnings per common share	\$	2.78	\$ 	\$	2.78	\$ 5.76	\$ 	\$
Diluted								
Continuing operations	\$	2.74	\$ (0.44)	\$	2.30	\$ 5.68	\$ (0.80)	\$
Discontinued operations			 0.44		0.44	 	 0.80	
Diluted earnings per common share	\$	2.74	\$ 	\$	2.74	\$ 5.68	\$ <u>-</u>	\$

Lockheed Martin Corporation
Press Release Attachments
Consolidated Statements of Earnings Adjusted for Discontinued Operations
(unaudited; in millions)

		Qua	arter Ended	March 27, 20	Quarter Ended June 26, 2016							
	N	Lockheed Martin Historical		Adjustments for Discontinued Operations		Lockheed Martin Adjusted		ckheed lartin storical	Adjustments for Discontinued Operations		Loc M Adj	
Aeronautics	\$	\$ 3,799		-	\$	3,799	\$	4,375	\$	-	\$	
Information Systems & Global Solutions		1,334		(1,334)		-		1,337		(1,337)		
Missiles and Fire Control		1,434		-		1,434		1,680		=		
Rotary and Mission Systems		3,004		-		3,004		3,303		=		
Space Systems		2,131		-		2,131		2,219		=		
Net sales		11,702	-	(1,334)	-	10,368	-	12,914	-	(1,337)		
Aeronautics		420		-		420		478		=		
Information Systems & Global Solutions		109		(109)		-		151		(151)		
Missiles and Fire Control		221		-		221		253		=		
Rotary and Mission Systems		229		-		229		202		=		
Space Systems		244		-		244		340		-		
Business Segment Operating Profit		1,223	(109)		1,114		1,424		(151)			
Total Unallocated Items		74		(30)		44		142				

Total Consolidated Operating Profit	-	1,297	 (139)	 1,158	 1,566	 (191)	-
Interest expense		(164)	(1)	(165)	(166)	1	
Other non-operating income, net		11	 <u> </u>	 1	 -	 	_
Earnings from continuing operations before income taxes		1,134	(140)	994	1,400	(190)	
Income tax expense <sup>1</sup>		(236)	 48	 (188)	 (379)	 68	
Net earnings from continuing operations		898	(92)	806	1,021	(122)	
Net earnings from discontinued operations		<u> </u>	 92	 92	 -	 122	
Net earnings <sup>1</sup>	\$	898	\$ 	\$ 898	\$ 1,021	\$ <u> </u>	
Effective tax rate		20.8%		 18.9%	 27.1%		
Earnings per common share							
Basic							
Continuing operations	\$	2.95	\$ (0.30)	\$ 2.65	\$ 3.37	\$ (0.40)	
Discontinued operations		-	 0.30	 0.30	 <u> </u>	 0.40	
Basic earnings per common share	\$	2.95	\$ 	\$ 2.95	\$ 3.37	\$ 	
Diluted							
Continuing operations	\$	2.91	\$ (0.30)	\$ 2.61	\$ 3.32	\$ (0.39)	
Discontinued operations		-	 0.30	 0.30	 <u> </u>	 0.39	
Diluted earnings per common share	\$	2.91	\$ =	\$ 2.91	\$ 3.32	\$ -	

		Three	Months En	ded March 27	, 2016		Six Months Ended June 26, 2016						
	Ma	kheed artin torical	Disco	ments for ontinued erations	1	ockheed Martin djusted	N	ckheed Martin storical	Adjustments for Discontinued Operations		Loc M Adj		
Aeronautics	\$	3,799	\$	-	\$	3,799	\$	8,174	\$	-	\$		
Information Systems & Global Solutions		1,334		(1,334)		-		2,671		(2,671)			
Missiles and Fire Control		1,434		=		1,434		3,114		-			
Rotary and Mission Systems	3,004			-		3,004		6,307		-			
Space Systems	2,131		-			2,131		4,350		-			
Net sales	11,702			(1,334)	10,368			24,616	-	(2,671)	-		
Aeronautics		420	-			420		898		-			
Information Systems & Global Solutions	109			(109)		-		260		(260)			
Missiles and Fire Control		221		-		221		474		-			
Rotary and Mission Systems		229		-		229		431		=			
Space Systems		244		-		244		584		-			
<b>Business Segment Operating Profit</b>		1,223		(109)		1,114		2,647		(260)	-		
Total Unallocated Items		74		(30)		44		216		(70)			
Total Consolidated Operating Profit		1,297		(139)		1,158		2,863	-	(330)			
Interest expense		(164)		(1)		(165)		(330)		-			
Other non-operating income, net		1		-		1		11			-		
Earnings from continuing operations before income taxes		1,134		(140)		994		2,534		(330)			
Income tax expense <sup>1</sup>		(236)		48		(188)		(615)		116			
Net earnings from continuing operations		898		(92)		806		1,919		(214)			
Net earnings from discontinued operations		<u> </u>		92		92		-		214			
Net earnings <sup>1</sup>	\$	898	\$		\$	898	\$	1,919	\$		\$		
Effective tax rate		20.8%				18.9%		24.3%					
Earnings per common share													
Basic													
Continuing operations	\$	2.95	\$	(0.30)	\$	2.65	\$	6.32	\$	(0.71)	\$		
Discontinued operations		-		0.30		0.30		<del>-</del>		0.71			
Basic earnings per common share	\$	2.95	\$		\$	2.95	\$	6.32	\$		\$		

Diluted						
Continuing operations	\$ 2.91	\$ (0.30)	\$ 2.61	\$ 6.23	\$ (0.69)	\$
Discontinued operations	 -	 0.30	 0.30	 <u> </u>	 0.69	 _
Diluted earnings per common share	\$ 2.91	\$ =	\$ 2.91	\$ 6.23	\$ -	\$

<sup>1</sup> Income tax expense and net earnings for the quarter and year ended March 27, 2016 reflect the adoption during the second quarter of 2016 of a new accounting standard issued by the Fir

SOURCE Lockheed Martin

Additional assets available online: Documents (3)

https://news.lockheedmartin.com/2017-01-24-Lockheed-Martin-Reports-Fourth-Quarter-and-Full-Year-2016-Results