

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

	<u>QUARTER ENDED DECEMBER 31,</u>		<u>YEAR ENDED DECEMBER 31,</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Net Sales	\$ 9,965	\$ 8,978	\$ 35,526	\$ 31,824
Costs and Expenses	<u>9,515</u>	<u>8,422</u>	<u>33,558</u>	<u>29,848</u>
Earnings from Operations	450	556	1,968	1,976
Other Income and (Expenses), net	<u>(2)</u>	<u>60</u>	<u>121</u>	<u>43</u>
Operating Profit [EBIT]	448	616	2,089	2,019
Interest Expense	<u>102</u>	<u>111</u>	<u>425</u>	<u>487</u>
Earnings before Income Taxes	346	505	1,664	1,532
Income Tax (Benefit) Expense	<u>(26)</u>	<u>161</u>	<u>398</u>	<u>479</u>
Net Earnings	<u>\$ 372</u>	<u>\$ 344</u>	<u>\$ 1,266</u>	<u>\$ 1,053</u>
Effective Tax Rate	<u>(7.5%)</u>	<u>31.9%</u>	<u>23.9%</u>	<u>31.3%</u>
Earnings per Common Share:				
Basic	\$ 0.84	\$ 0.77	\$ 2.86	\$ 2.36
Diluted	\$ 0.83	\$ 0.77	\$ 2.83	\$ 2.34
Average Number of Shares Outstanding:				
Basic	442.9	445.2	443.1	446.5
Diluted	448.2	448.4	447.1	450.0

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

	<u>QUARTER ENDED DECEMBER 31,</u>			<u>YEAR ENDED DECEMBER 31,</u>		
	<u>2004</u>	<u>2003</u>	<u>% Change</u>	<u>2004</u>	<u>2003</u>	<u>% Change</u>
<u>Net sales:</u>						
Aeronautics	\$ 3,001	\$ 3,034	(1%)	\$ 11,781	\$ 10,202	15%
Electronic Systems	3,108	2,602	19%	9,724	8,991	8%
Space Systems	1,798	1,451	24%	6,357	6,021	6%
Integrated Systems & Solutions	1,014	916	11%	3,850	3,420	13%
Information & Technology Services	1,041	972	7%	3,801	3,174	20%
<i>Segment net sales</i>	<u>9,962</u>	<u>8,975</u>	11%	<u>35,513</u>	<u>31,808</u>	12%
Other	3	3		13	16	
Total net sales	<u>\$ 9,965</u>	<u>\$ 8,978</u>		<u>\$ 35,526</u>	<u>\$ 31,824</u>	
<u>Operating profit:</u>						
Aeronautics	\$ 229	\$ 200	15%	\$ 899	\$ 690	30%
Electronic Systems	325	241	35%	969	858	13%
Space Systems	127	103	23%	489	403	21%
Integrated Systems & Solutions	83	77	8%	334	291	15%
Information & Technology Services	81	76	7%	285	226	26%
<i>Segment operating profit</i>	<u>845</u>	<u>697</u>	21%	<u>2,976</u>	<u>2,468</u>	21%
Unallocated corporate expense, net ¹	<u>(397)</u>	<u>(81)</u>		<u>(887)</u>	<u>(449)</u>	
Total operating profit	<u>\$ 448</u>	<u>\$ 616</u>		<u>\$ 2,089</u>	<u>\$ 2,019</u>	
<u>Segment margins:</u>						
Aeronautics	7.6%	6.6%		7.6%	6.8%	
Electronic Systems	10.5%	9.3%		10.0%	9.5%	
Space Systems	7.1%	7.1%		7.7%	6.7%	
Integrated Systems & Solutions	8.2%	8.4%		8.7%	8.5%	
Information & Technology Services	7.8%	7.8%		7.5%	7.1%	
Total Segments	8.5%	7.8%		8.4%	7.8%	

¹ "Unallocated corporate expense, net" includes the FAS/CAS pension adjustment, earnings and losses from equity investments, interest income, costs for stock-based compensation programs, unusual items not considered in the evaluation of segment operating performance, corporate costs not allocated to the operating segments and miscellaneous corporate activities.

LOCKHEED MARTIN CORPORATION
Selected Financial Data
Preliminary and Unaudited
(In millions)

	<u>QUARTER ENDED DECEMBER 31,</u>		<u>YEAR ENDED DECEMBER 31,</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
<u>Summary of unallocated corporate expense, net</u>				
FAS/CAS pension adjustment	\$ (149)	\$ (80)	\$ (595)	\$ (300)
Unusual items (expense) / income	(215)	15	(215)	(153)
Other items	(33)	(16)	(77)	4
Unallocated corporate expense, net	\$ (397)	\$ (81)	\$ (887)	\$ (449)

<u>FAS/CAS pension adjustment</u>				
FAS 87 expense	\$ (219)	\$ (131)	\$ (884)	\$ (484)
Less: CAS costs	(70)	(51)	(289)	(184)
FAS/CAS pension adjustment - expense	\$ (149)	\$ (80)	\$ (595)	\$ (300)

	<u>QUARTER ENDED DECEMBER 31,</u>					
	<u>Operating profit (loss)</u>		<u>Net earnings (loss)</u>		<u>Earnings (loss) per share</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
<u>Unusual Items</u>						
Charge for Pit 9 litigation	\$ (180)	\$ -	\$ (117)	\$ -	\$ (0.26)	\$ -
Cost of early retirement of debt	(154)	-	(100)	-	(0.22)	-
Gain on sale of interest in New Skies Satellites, N.V.	91	-	59	-	0.13	-
Gain on sale of COMSAT General business	28	-	4	-	0.01	-
Previously disclosed items for prior year	-	15	-	8	-	0.02
	(215)	15	(154)	8	(0.34)	0.02
Closure of an IRS examination	-	-	144	-	0.32	-
	\$ (215)	\$ 15	\$ (10)	\$ 8	\$ (0.02)	\$ 0.02

	<u>YEAR ENDED DECEMBER 31,</u>					
	<u>Operating profit (loss)</u>		<u>Net earnings (loss)</u>		<u>Earnings (loss) per share</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
<u>Unusual Items</u>						
Charge for Pit 9 litigation	\$ (180)	\$ -	\$ (117)	\$ -	\$ (0.26)	\$ -
Cost of early retirement of debt	(154)	(146)	(100)	(96)	(0.22)	(0.21)
Gain on sale of interest in New Skies Satellites, N.V.	91	-	59	-	0.13	-
Gain on sale of COMSAT General business	28	-	4	-	0.01	-
Previously disclosed items for prior year	-	(7)	-	(6)	-	(0.01)
	(215)	(153)	(154)	(102)	(0.34)	(0.22)
Closure of an IRS examination	-	-	144	-	0.32	-
	\$ (215)	\$ (153)	\$ (10)	\$ (102)	\$ (0.02)	\$ (0.22)

LOCKHEED MARTIN CORPORATION
Selected Financial Data
Preliminary and Unaudited
(In millions)

	<u>QUARTER ENDED DECEMBER 31,</u>		<u>YEAR ENDED DECEMBER 31,</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
<u>Depreciation and amortization of property, plant and equipment</u>				
Aeronautics	\$ 35	\$ 25	\$ 105	\$ 89
Electronic Systems	41	43	162	160
Space Systems	36	36	134	120
Integrated Systems & Solutions	6	9	28	29
Information & Technology Services	4	11	40	42
<i>Segments</i>	<u>122</u>	<u>124</u>	<u>469</u>	<u>440</u>
Unallocated corporate expense, net	11	12	42	40
Total depreciation and amortization	<u>\$ 133</u>	<u>\$ 136</u>	<u>\$ 511</u>	<u>\$ 480</u>
<hr/>				
<u>Amortization of purchased intangibles</u>				
Aeronautics	\$ 12	\$ 12	\$ 50	\$ 50
Electronic Systems	12	12	47	47
Space Systems	2	2	8	8
Integrated Systems & Solutions	3	4	14	14
Information & Technology Services	3	3	14	8
<i>Segments</i>	<u>32</u>	<u>33</u>	<u>133</u>	<u>127</u>
Unallocated corporate expense, net	6	2	12	2
Total amortization of purchased intangibles	<u>\$ 38</u>	<u>\$ 35</u>	<u>\$ 145</u>	<u>\$ 129</u>

LOCKHEED MARTIN CORPORATION
Consolidated Condensed Balance Sheet
Preliminary and Unaudited
(In millions)

	DECEMBER 31, 2004	DECEMBER 31, 2003
	<hr/>	<hr/>
<u>Assets</u>		
Cash and cash equivalents	\$ 1,060	\$ 1,010
Short-term investments	396	240
Accounts receivable	4,094	4,039
Inventories	1,864	2,348
Other current assets	1,541	1,764
Total current assets	<hr/> 8,955	<hr/> 9,401
Property, plant and equipment, net	3,599	3,489
Investments in equity securities	885	1,060
Goodwill	7,892	7,879
Purchased intangibles, net	672	807
Prepaid pension asset	1,030	1,213
Other noncurrent assets	2,596	2,326
Total assets	<hr/> \$ 25,629 <hr/>	<hr/> \$ 26,175 <hr/>
<u>Liabilities and Stockholders' Equity</u>		
Accounts payable	\$ 1,726	\$ 1,434
Customer advances and amounts in excess of costs incurred	4,101	4,256
Other accrued expenses	2,797	3,067
Current maturities of long-term debt	15	136
Total current liabilities	<hr/> 8,639	<hr/> 8,893
Long-term debt	5,104	6,072
Accrued pension liabilities	1,660	1,100
Post-retirement and other noncurrent liabilities	3,205	3,354
Stockholders' equity	7,021	6,756
Total liabilities and stockholders' equity	<hr/> \$ 25,629 <hr/>	<hr/> \$ 26,175 <hr/>

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

	<u>YEAR ENDED DECEMBER 31,</u>	
	<u>2004</u>	<u>2003</u>
<u>Operating Activities</u>		
Net income	\$ 1,266	\$ 1,053
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property, plant and equipment	511	480
Amortization of purchased intangibles	145	129
Changes in operating assets and liabilities		
Receivables	(87)	(258)
Inventories	519	(94)
Accounts Payable	288	330
Customer advances and amounts in excess of costs incurred	(155)	(285)
Other	437	454
Net cash provided by operating activities	<u>2,924</u>	<u>1,809</u>
<u>Investing Activities</u>		
Expenditures for property, plant and equipment	(769)	(687)
Purchases of short-term investments, net	(156)	(240)
Acquisitions of businesses / investments in affiliated companies	(91)	(821)
Divestitures and other activities	308	287
Net cash used for investing activities	<u>(708)</u>	<u>(1,461)</u>
<u>Financing Activities</u>		
Repayments related to long-term debt	(1,089)	(2,202)
Issuances of long-term debt	-	1,000
Long-term debt issuance and repayment costs	(163)	(175)
Common stock activity, net	(509)	(438)
Common stock dividends	(405)	(261)
Net cash used for financing activities	<u>(2,166)</u>	<u>(2,076)</u>
Net increase (decrease) in cash and cash equivalents	50	(1,728)
Cash and cash equivalents at beginning of period	<u>1,010</u>	<u>2,738</u>
Cash and cash equivalents at end of period	<u>\$ 1,060</u>	<u>\$ 1,010</u>

LOCKHEED MARTIN CORPORATION
Consolidated Statement of Stockholders' Equity
Preliminary and Unaudited
(In millions)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Unearned Compensation	Unearned ESOP Shares	Accumulated Other Comprehensive Loss ¹	Total Stockholders' Equity
Balance at January 1, 2004	\$ 446	\$ 2,477	\$ 5,054		\$ (17)	\$ (1,204)	\$ 6,756
Net earnings			1,266				1,266
Common stock dividends			(405)				(405)
Common stock activity, net	(8)	(254)		\$ (23)	17		(268)
Other comprehensive loss						(328)	(328)
Balance at December 31, 2004	<u>\$ 438</u>	<u>\$ 2,223</u>	<u>\$ 5,915</u>	<u>\$ (23)</u>	<u>\$ -</u>	<u>\$ (1,532)</u>	<u>\$ 7,021</u>

¹ Includes the minimum pension liability of \$1.2 billion at December 31, 2003 and an increase to this liability of \$276 million during 2004.

LOCKHEED MARTIN CORPORATION
Return on Invested Capital (ROIC)
Preliminary and Unaudited
(In millions, except percentages)

	DECEMBER 31,	
	<u>2004</u>	<u>2003</u>
Net earnings	\$ 1,266	\$ 1,053
Interest expense (multiplied by 65 percent¹)	276	317
Return	<u><u>\$ 1,542</u></u>	<u><u>\$ 1,370</u></u>
Average long-term debt, including current maturities	\$ 5,932	\$ 6,612
Average equity²	7,015	6,170
Average Invested Capital	<u><u>\$ 12,947</u></u>	<u><u>\$ 12,782</u></u>
Return on Invested Capital	<u><u>11.9%</u></u>	<u><u>10.7%</u></u>

¹ Represents after-tax interest expense utilizing the federal statutory tax rate of 35 percent.

² Equity includes non-cash adjustments for other comprehensive losses, primarily for the additional minimum pension liability.

We define Return on Invested Capital (ROIC) as net income plus after-tax interest expense divided by average invested capital (shareholders' equity plus debt). Management believes that ROIC provides greater visibility into how effectively Lockheed Martin deploys capital. Management uses ROIC as a target level to help ensure that overall performance is understood and acceptable when capital is invested. ROIC is not a measure of financial performance under generally accepted accounting principles (GAAP), 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 income as an indicator of company performance.

LOCKHEED MARTIN CORPORATION

Operating Data

Preliminary and Unaudited

(In millions, except deliveries and launches)

	DECEMBER 31,	
	2004	2003
<u>Backlog</u>		
Aeronautics	\$ 30,489	\$ 37,580
Electronic Systems	18,239	17,339
Space Systems	16,112	12,813
Integrated Systems & Solutions	4,586	4,350
Information & Technology Services	4,560	4,817
Total	<u>\$ 73,986</u>	<u>\$ 76,899</u>

	QUARTER ENDED DECEMBER 31,		YEAR ENDED DECEMBER 31,	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
<u>Deliveries</u> ¹				
F-16 ²	22	22	83	62
C-130J	5	6	13	15
<u>Launches</u>				
Atlas	1	2	6	5
Proton	1	-	4	2
Titan IV	-	-	1	2

¹ Deliveries - Aircraft delivered to and accepted by customers.

² Sales were recognized upon delivery of certain aircraft (unit-of-delivery sales recognition) and for others, sales were recognized on a percentage-of-completion basis.