

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

	Quarters Ended Dec. 31,		Years Ended Dec. 31,	
	2018	2017	2018	2017
Net sales	\$ 14,411	\$ 13,844	\$ 53,762	\$ 49,960
Cost of sales¹	(12,469)	(12,135)	(46,488)	(43,589)
Gross profit	1,942	1,709	7,274	6,371
Other (expense) income, net ^{2,3}	(91)	240	60	373
Operating profit	1,851	1,949	7,334	6,744
Interest expense	(171)	(174)	(668)	(651)
Other non-operating expense, net	(197)	(203)	(828)	(847)
Earnings from continuing operations before income taxes	1,483	1,572	5,838	5,246
Income tax expense ⁴	(230)	(2,389)	(792)	(3,356)
Net earnings (loss) from continuing operations	1,253	(817)	5,046	1,890
Net earnings from discontinued operations	-	73	-	73
Net earnings (loss)	\$ 1,253	\$ (744)	\$ 5,046	\$ 1,963
Effective tax rate ⁴	15.5 %	152.0 %	13.6 %	64.0 %
Earnings (loss) per common share				
Basic				
Continuing operations ^{1,2,3,4}	\$ 4.43	\$ (2.85)	\$ 17.74	\$ 6.56
Discontinued operations ⁵	-	0.25	-	0.26
Basic earnings (loss) per common share ^{4,5}	\$ 4.43	\$ (2.60)	\$ 17.74	\$ 6.82
Diluted				
Continuing operations ^{1,2,3,4,6}	\$ 4.39	\$ (2.85)	\$ 17.59	\$ 6.50
Discontinued operations ^{5,6}	-	0.25	-	0.25
Diluted earnings (loss) per common share ^{4,5,6}	\$ 4.39	\$ (2.60)	\$ 17.59	\$ 6.75
Weighted average shares outstanding				
Basic	283.1	285.9	284.5	287.8
Diluted ⁶	285.5	285.9	286.8	290.6
Common shares reported in stockholders' equity at end of period			281	284

¹ Cost of sales in 2018 includes the previously announced severance and restructuring charges totaling \$96 million (\$76 million, or \$0.26 per share, after tax) associated with planned workforce reductions and the consolidation of certain operations at the corporation's Rotary and Mission Systems (RMS) business.

² In the fourth quarter of 2018, the corporation recognized a non-cash asset impairment charge of \$110 million (\$83 million, or \$0.29 per share, after tax, for the fourth quarter and year ended Dec. 31, 2018) for its international equity method investee the Advanced Military Maintenance, Repair and Overhaul Center (AMMROC). Additionally, in the first quarter of 2017, the corporation recognized a non-cash asset impairment charge of \$64 million (\$40 million, or \$0.14 per share, after tax, for the year ended Dec. 31, 2017), which represents its portion of a non-cash asset impairment charge recorded by AMMROC.

³ In the fourth quarter of 2017, the corporation recognized a previously deferred non-cash gain of \$198 million (\$122 million, or \$0.43 per share, after tax, in the fourth quarter and \$0.42 per share, after tax, for the year ended Dec. 31, 2017), related to properties sold in 2015 as a result of completing its remaining obligations.

⁴ In the fourth quarter of 2017, the corporation recorded a net one-time charge of \$2.0 billion (\$6.88 per share in the fourth quarter and \$6.77 per share in 2017), substantially all of which was non-cash, primarily related to the estimated impacts of the Tax Cuts and Jobs Act.

⁵ In the fourth quarter of 2017, the corporation recognized an additional gain of \$73 million related to the Aug. 16, 2016 divestiture of its Information Systems & Global Solutions (IS&GS) business, which reflects certain post-closing adjustments, including the final determination of net working capital and certain tax adjustments.

⁶ The corporation incurred a net loss in the fourth quarter of 2017 causing inclusion of any potentially dilutive securities to have an anti-dilutive effect, resulting in the weighted average shares outstanding for basic and dilutive earnings per share being equivalent during the quarter. As a result of the corporation's net loss in the fourth quarter of 2017, diluted earnings per share for the quarters of 2017 will not equal the earnings per share amount for the year ended Dec. 31, 2017.

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

	Quarters Ended Dec. 31,		% Change	Years Ended Dec. 31,		% Change
	2018	2017		2018	2017	
Net sales						
Aeronautics	\$ 5,881	\$ 5,652	4 %	\$ 21,242	\$ 19,410	9 %
Missiles and Fire Control	2,427	1,992	22 %	8,462	7,282	16 %
Rotary and Mission Systems	3,613	3,759	(4) %	14,250	13,663	4 %
Space	2,490	2,441	2 %	9,808	9,605	2 %
Total net sales	\$ 14,411	\$ 13,844	4 %	\$ 53,762	\$ 49,960	8 %
Operating profit						
Aeronautics	\$ 626	\$ 657	(5) %	\$ 2,272	\$ 2,176	4 %
Missiles and Fire Control	376	249	51 %	1,248	1,034	21 %
Rotary and Mission Systems	289	246	17 %	1,302	902	44 %
Space	224	215	4 %	1,055	980	8 %
Total business segment operating profit	1,515	1,367	11 %	5,877	5,092	15 %
Unallocated items						
FAS/CAS operating adjustment	450	403		1,803	1,613	
Severance and restructuring charges ¹	-	-		(96)	-	
Other, net ^{2,3}	(114)	179		(250)	39	
Total unallocated items	336	582		1,457	1,652	
Total consolidated operating profit	\$ 1,851	\$ 1,949	(5) %	\$ 7,334	\$ 6,744	9 %
Operating margin						
Aeronautics	10.6 %	11.6 %		10.7 %	11.2 %	
Missiles and Fire Control	15.5 %	12.5 %		14.7 %	14.2 %	
Rotary and Mission Systems	8.0 %	6.5 %		9.1 %	6.6 %	
Space	9.0 %	8.8 %		10.8 %	10.2 %	
Total business segment operating margin	10.5 %	9.9 %		10.9 %	10.2 %	
Total consolidated operating margin	12.8 %	14.1 %		13.6 %	13.5 %	

¹ Unallocated items in 2018 includes the previously announced severance and restructuring charges totaling \$96 million (\$76 million, or \$0.26 per share, after tax) associated with planned workforce reductions and the consolidation of certain operations at the corporation's RMS business.

² In the fourth quarter of 2018, the corporation recognized a non-cash asset impairment charge of \$110 million (\$83 million, or \$0.29 per share, after tax, for the fourth quarter and year ended Dec. 31, 2018) for its international equity method investee the AMMROC. Additionally, in the first quarter of 2017, the corporation recognized a non-cash asset impairment charge of \$64 million (\$40 million, or \$0.14 per share, after tax, for the year ended Dec. 31, 2017), which represents its portion of a non-cash asset impairment charge recorded by AMMROC.

³ In the fourth quarter of 2017, the corporation recognized a previously deferred non-cash gain of \$198 million (\$122 million, or \$0.43 per share, after tax, in the fourth quarter and \$0.42 per share, after tax, for the year ended Dec. 31, 2017), related to properties sold in 2015 as a result of completing its remaining obligations.

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

	Dec. 31, 2018	Dec. 31, 2017
Assets		
Current assets		
Cash and cash equivalents	\$ 772	\$ 2,861
Receivables, net	2,444	2,265
Contract assets	9,472	7,992
Inventories	2,997	2,878
Other current assets	418	1,509
Total current assets	<u>16,103</u>	<u>17,505</u>
Property, plant and equipment, net	6,124	5,775
Goodwill	10,769	10,807
Intangible assets, net	3,494	3,797
Deferred income taxes	3,208	3,156
Other noncurrent assets	5,178	5,580
Total assets	<u>\$ 44,876</u>	<u>\$ 46,620</u>
Liabilities and equity		
Current liabilities		
Accounts payable	\$ 2,402	\$ 1,467
Contract liabilities	6,491	7,028
Salaries, benefits and payroll taxes	2,122	1,785
Current maturities of long-term debt and commercial paper	1,500	750
Other current liabilities	1,883	1,883
Total current liabilities	<u>14,398</u>	<u>12,913</u>
Long-term debt, net	12,604	13,513
Accrued pension liabilities	11,410	15,703
Other postretirement benefit liabilities	704	719
Other noncurrent liabilities	4,311	4,548
Total liabilities	<u>43,427</u>	<u>47,396</u>
Stockholders' equity		
Common stock, \$1 par value per share	281	284
Additional paid-in capital	-	-
Retained earnings	15,434	11,405
Accumulated other comprehensive loss	(14,321)	(12,539)
Total stockholders' equity (deficit)	<u>1,394</u>	<u>(850)</u>
Noncontrolling interests in subsidiary	55	74
Total equity (deficit)	<u>1,449</u>	<u>(776)</u>
Total liabilities and equity	<u>\$ 44,876</u>	<u>\$ 46,620</u>

Table 3

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

	Years Ended Dec. 31,	
	2018	2017
Operating activities		
Net earnings	\$ 5,046	\$ 1,963
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation and amortization	1,161	1,195
Stock-based compensation	173	158
Deferred income taxes	(244)	3,448
Severance and restructuring charges	96	-
Gain on property sale	-	(198)
Gain on divestiture of IS&GS business	-	(73)
Changes in assets and liabilities		
Receivables, net	(179)	(902)
Contract assets	(1,480)	390
Inventories	(119)	(79)
Accounts payable	914	(189)
Contract liabilities	(537)	353
Postretirement benefit plans	(3,574)	1,316
Income taxes	1,077	(1,210)
Other, net	804	304
Net cash provided by operating activities	3,138	6,476
Investing activities		
Capital expenditures	(1,278)	(1,177)
Other, net	203	30
Net cash used for investing activities	(1,075)	(1,147)
Financing activities		
Repurchases of common stock	(1,492)	(2,001)
Dividends paid	(2,347)	(2,163)
Proceeds from issuance of commercial paper, net	600	-
Repayments of long-term debt	(750)	-
Other, net	(163)	(141)
Net cash used for financing activities	(4,152)	(4,305)
Net change in cash and cash equivalents	(2,089)	1,024
Cash and cash equivalents at beginning of period	2,861	1,837
Cash and cash equivalents at end of period	\$ 772	\$ 2,861

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

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Total Stockholders' Equity</u>	<u>Noncontrolling Interests in Subsidiary</u>	<u>Total Equity</u>
Balance at Dec. 31, 2017	\$ 284	\$ -	\$ 11,405	\$ (12,539)	\$ (850)	\$ 74	\$ (776)
Net earnings	-	-	5,046	-	5,046	-	5,046
Other comprehensive income, net of tax ¹	-	-	-	626	626	-	626
Repurchases of common stock	(5)	(404)	(1,083)	-	(1,492)	-	(1,492)
Dividends declared ²	-	-	(2,342)	-	(2,342)	-	(2,342)
Stock-based awards, ESOP activity and other	2	404	-	-	406	-	406
Reclassification of income tax effects from tax reform ³	-	-	2,408	(2,408)	-	-	-
Net decrease in noncontrolling interests in subsidiary	-	-	-	-	-	(19)	(19)
Balance at Dec. 31, 2018	\$ 281	\$ -	\$ 15,434	\$ (14,321)	\$ 1,394	\$ 55	\$ 1,449

¹ At Dec. 31, 2018 the corporation recognized a non-cash, after-tax reduction to stockholders' equity of \$501 million as a result of the year-end re-measurement of its postretirement benefit plans. This reduction was offset by \$1.2 billion recognition of previously deferred amounts.

² Represents dividends of \$2.20 per share declared for the fourth quarter of 2018 and \$2.00 per share declared for the first, second and third quarters of 2018.

³ In the first quarter of 2018, the corporation adopted ASU 2018-02, *Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. Accordingly, the corporation reclassified the stranded income tax effects in accumulated other comprehensive loss resulting from the Tax Cuts and Jobs Act to retained earnings.

Lockheed Martin Corporation
Other Financial and Operating Information
(unaudited; in millions, except for aircraft deliveries)

	2019 Outlook	2018 Actual
Total FAS expense and CAS costs		
FAS pension expense	\$ (1,090)	\$ (1,431)
Less: CAS pension cost	2,565	2,433
Net FAS/CAS pension adjustment	<u>\$ 1,475</u>	<u>\$ 1,002</u>
Service and non-service cost reconciliation		
FAS pension service cost	\$ (515)	\$ (630)
Less: CAS pension cost	2,565	2,433
FAS/CAS operating adjustment	2,050	1,803
Non-operating FAS pension cost ¹	(575)	(801)
Net FAS/CAS pension adjustment	<u>\$ 1,475</u>	<u>\$ 1,002</u>

¹ The corporation records the non-service cost consolidated statement of earnings. The non-service cost components in the table above relate only to the corporation's qualified defined benefit pension plans. The corporation expects total non-service costs for its qualified defined benefit pension plans in the table above, along with non-service costs for its other postretirement benefit plans of \$115 million, to total \$690 million for 2019. The corporation recorded non-service costs for its other postretirement benefit plans of \$67 million in 2018, in addition to its total non-service costs for its qualified defined benefit pension plans in the table above, for a total of \$868 million in 2018.

	Dec. 31, 2018	Dec. 31, 2017
Backlog		
Aeronautics	\$ 55,601	\$ 35,692
Missiles and Fire Control	21,363	17,729
Rotary and Mission Systems	31,320	30,030
Space	22,184	22,042
Total backlog	<u>\$ 130,468</u>	<u>\$ 105,493</u>

	Quarters Ended		Years Ended	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Aircraft Deliveries				
F-35	32	22	91	66
F-16	-	1	-	8
C-130J	7	10	25	26
C-5	-	2	4	7
Other fixed-wing aircraft	-	2	-	2
Government helicopter programs	32	54	107	164
Commercial helicopter programs	3	4	5	7
International military helicopter programs	8	6	13	9

Table 6