

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

	Quarters Ended Dec. 31,		Years Ended Dec. 31,	
	2019	2018	2019	2018
Net sales	\$ 15,878	\$ 14,411	\$ 59,812	\$ 53,762
Cost of sales ¹	(13,755)	(12,469)	(51,445)	(46,488)
Gross profit	2,123	1,942	8,367	7,274
Other income (expense), net ^{2,3,4}	26	(91)	178	60
Operating profit	2,149	1,851	8,545	7,334
Interest expense	(157)	(171)	(653)	(668)
Other non-operating expense, net	(160)	(197)	(651)	(828)
Earnings before income taxes	1,832	1,483	7,241	5,838
Income tax expense ⁵	(334)	(230)	(1,011)	(792)
Net earnings	\$ 1,498	\$ 1,253	\$ 6,230	\$ 5,046
Effective tax rate	18.2 %	15.5 %	14.0 %	13.6 %
Earnings per common share				
Basic	\$ 5.32	\$ 4.43	\$ 22.09	\$ 17.74
Diluted	\$ 5.29	\$ 4.39	\$ 21.95	\$ 17.59
Weighted average shares outstanding				
Basic	281.4	283.1	282.0	284.5
Diluted	283.3	285.5	283.8	286.8

Common shares reported in stockholders' equity at end of period 280 281

- ¹ In the year ended Dec. 31, 2018, the corporation recognized 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 business segment.
- ² In the year ended Dec. 31, 2019, the corporation recognized a previously deferred non-cash gain of \$51 million (\$38 million, or \$0.13 per share, after-tax) related to properties sold in 2015 as a result of completing its remaining obligations.
- ³ In the quarter and year ended Dec. 31, 2019, the corporation recognized a gain of \$34 million (approximately \$0 after-tax) for the sale of its Distributed Energy Solutions (DES) business, a commercial energy service provider that was part of its MFC business segment. The operating results, financial position and cash flows for the DES business were not significant to the corporation and, accordingly, have not been reclassified to discontinued operations.
- ⁴ In the quarter and year ended Dec. 31, 2018, the corporation recognized a non-cash asset impairment charge of \$110 million (\$83 million, or \$0.29 per share, after tax) related to its investment in Advanced Military Maintenance, Repair and Overhaul Center (AMMROC).
- ⁵ Net earnings for the year ended Dec. 31, 2019 include benefits of \$127 million (\$0.45 per share) for additional tax deductions for the prior year, primarily attributable to foreign derived intangible income treatment based on proposed tax regulations released on March 4, 2019 and the corporation's change in tax accounting method. Net earnings for the year ended Dec. 31, 2018 include benefits of \$146 million (\$0.51 per share) for additional tax deductions for the prior year, primarily attributable to true-ups to the net one-time charges related to the Tax Cuts and Jobs Act enacted on Dec. 22, 2017 and the corporation's change in tax accounting method. See the "Income Taxes" section for further discussion.

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

	Quarters Ended Dec. 31,			Years Ended Dec. 31,		
	2019	2018	% Change	2019	2018	% Change
Net sales						
Aeronautics	\$ 6,381	\$ 5,881	9 %	\$ 23,693	\$ 21,242	12 %
Missiles and Fire Control	2,769	2,427	14 %	10,131	8,462	20 %
Rotary and Mission Systems	3,889	3,613	8 %	15,128	14,250	6 %
Space	2,839	2,490	14 %	10,860	9,808	11 %
Total net sales	\$ 15,878	\$ 14,411	10 %	\$ 59,812	\$ 53,762	11 %
Operating profit						
Aeronautics	\$ 679	\$ 626	8 %	\$ 2,521	\$ 2,272	11 %
Missiles and Fire Control	348	376	(7)%	1,441	1,248	15 %
Rotary and Mission Systems	353	289	22 %	1,421	1,302	9 %
Space	260	224	16 %	1,191	1,055	13 %
Total business segment operating profit	1,640	1,515	8 %	6,574	5,877	12 %
Unallocated items						
FAS/CAS operating adjustment	512	450		2,049	1,803	
Severance and restructuring charges ¹	-	-		-	(96)	
Other, net ^{2,3,4}	(3)	(114)		(78)	(250)	
Total unallocated items	509	336		1,971	1,457	
Total consolidated operating profit	\$ 2,149	\$ 1,851	16 %	\$ 8,545	\$ 7,334	17 %
Operating margin						
Aeronautics	10.6 %	10.6 %		10.6 %	10.7 %	
Missiles and Fire Control	12.6 %	15.5 %		14.2 %	14.7 %	
Rotary and Mission Systems	9.1 %	8.0 %		9.4 %	9.1 %	
Space	9.2 %	9.0 %		11.0 %	10.8 %	
Total business segment operating margin	10.3 %	10.5 %		11.0 %	10.9 %	
Total consolidated operating margin	13.5 %	12.8 %		14.3 %	13.6 %	

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 For the year ended Dec. 31, 2019, the corporation recognized a previously deferred non-cash gain of \$51 million (\$38 million, or \$0.13 per share, after tax) related to properties sold in 2015 as a result of completing its remaining obligations.

³ In the quarter and year ended Dec. 31, 2019, the corporation recognized a gain of \$34 million (approximately \$0 after-tax) for the sale of its DES business, a commercial energy service provider that was part of its MFC business segment. The operating results, financial position and cash flows for the DES business were not significant to the corporation and, accordingly, have not been reclassified to discontinued operations.

⁴ In the quarter and year ended Dec. 31, 2018, the corporation recognized a non-cash asset impairment charge of \$110 million (\$83 million, or \$0.29 per share, after tax) related to its investment in AMMROC.

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

	Dec. 31, 2019	Dec. 31, 2018
Assets		
Current assets		
Cash and cash equivalents	\$ 1,514	\$ 772
Receivables, net	2,337	2,444
Contract assets	9,094	9,472
Inventories	3,619	2,997
Other current assets	531	418
Total current assets	<u>17,095</u>	<u>16,103</u>
Property, plant and equipment, net	6,591	6,124
Goodwill	10,604	10,769
Intangible assets, net	3,213	3,494
Deferred income taxes	3,319	3,208
Other noncurrent assets ¹	6,706	5,178
Total assets	<u>\$ 47,528</u>	<u>\$ 44,876</u>
Liabilities and equity		
Current liabilities		
Accounts payable	\$ 1,281	\$ 2,402
Contract liabilities	7,054	6,491
Salaries, benefits and payroll taxes	2,466	2,122
Current maturities of long-term debt and commercial paper	1,250	1,500
Other current liabilities ¹	1,921	1,883
Total current liabilities	<u>13,972</u>	<u>14,398</u>
Long-term debt, net	11,404	12,604
Accrued pension liabilities	13,234	11,410
Other postretirement benefit liabilities	337	704
Other noncurrent liabilities ¹	5,410	4,311
Total liabilities	<u>44,357</u>	<u>43,427</u>
Stockholders' equity		
Common stock, \$1 par value per share	280	281
Additional paid-in capital	-	-
Retained earnings	18,401	15,434
Accumulated other comprehensive loss	(15,554)	(14,321)
Total stockholders' equity	<u>3,127</u>	<u>1,394</u>
Noncontrolling interests in subsidiary	44	55
Total equity	<u>3,171</u>	<u>1,449</u>
Total liabilities and equity	<u>\$ 47,528</u>	<u>\$ 44,876</u>

¹ Effective Jan. 1, 2019, the corporation adopted Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. As of Dec. 31, 2019, right-of-use operating lease assets were \$1.0 billion and operating lease liabilities were \$1.1 billion. Approximately \$855 million of operating lease liabilities were classified as noncurrent. There was no impact to the corporation's consolidated operating results or cash flows as a result of adopting this standard. The 2018 periods were not restated for the adoption of ASU 2016-02.

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

	Years Ended Dec. 31,	
	2019	2018
Operating activities		
Net earnings	\$ 6,230	\$ 5,046
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation and amortization	1,189	1,161
Stock-based compensation	189	173
Deferred income taxes	222	(244)
Severance and restructuring charges	-	96
Gain on property sale	(51)	-
Changes in assets and liabilities		
Receivables, net	107	(179)
Contract assets	378	(1,480)
Inventories	(622)	(119)
Accounts payable	(1,098)	914
Contract liabilities	563	(537)
Postretirement benefit plans	81	(3,574)
Income taxes	(151)	1,077
Other, net	274	804
Net cash provided by operating activities¹	7,311	3,138
Investing activities		
Capital expenditures	(1,484)	(1,278)
Other, net	243	203
Net cash used for investing activities	(1,241)	(1,075)
Financing activities		
Dividends paid	(2,556)	(2,347)
Repurchases of common stock	(1,200)	(1,492)
(Repayments of) proceeds from commercial paper, net	(600)	600
Repayments of long-term debt	(900)	(750)
Other, net	(72)	(163)
Net cash used for financing activities	(5,328)	(4,152)
Net change in cash and cash equivalents	742	(2,089)
Cash and cash equivalents at beginning of period	772	2,861
Cash and cash equivalents at end of period	\$ 1,514	\$ 772

¹ Cash provided by operating activities for the year ended Dec. 31, 2019 is after discretionary pension contributions of \$1.0 billion. Cash provided by operating activities for the year ended Dec. 31, 2018 is after annual pension contributions of \$5.0 billion and includes \$870 million of tax refunds.

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

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity	Noncontrolling Interests in Subsidiary	Total Equity
Balance at Dec. 31, 2018	\$ 281	\$ -	\$ 15,434	\$ (14,321)	\$ 1,394	\$ 55	\$ 1,449
Net earnings	-	-	6,230	-	6,230	-	6,230
Other comprehensive loss, net of tax ¹	-	-	-	(1,233)	(1,233)	-	(1,233)
Repurchases of common stock	(4)	(483)	(713)	-	(1,200)	-	(1,200)
Dividends declared ²	-	-	(2,550)	-	(2,550)	-	(2,550)
Stock-based awards, ESOP activity and other	3	483	-	-	486	-	486
Net decrease in noncontrolling interests in subsidiary	-	-	-	-	-	(11)	(11)
Balance at Dec. 31, 2019	\$ 280	\$ -	\$ 18,401	\$ (15,554)	\$ 3,127	\$ 44	\$ 3,171

¹ At Dec. 31, 2019 the corporation recognized a non-cash, after-tax reduction to stockholders' equity of \$2.2 billion as a result of the year-end re-measurement of its postretirement benefit plans. This reduction was offset by about \$900 million due to recognition of previously deferred amounts.

² Represents dividends of \$2.40 per share declared for the fourth quarter of 2019 and \$2.20 per share declared for the first, second and third quarters of 2019.

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

	2020 Outlook	2019 Actual
Total FAS expense and CAS costs		
FAS pension income (expense) ¹	\$ 115	\$ (1,093)
Less: CAS pension cost	1,975	2,565
Net FAS/CAS pension adjustment	<u>\$ 2,090</u>	<u>\$ 1,472</u>
Service and non-service cost reconciliation		
FAS pension service cost	\$ (100)	\$ (516)
Less: CAS pension cost	1,975	2,565
FAS/CAS operating adjustment	1,875	2,049
Non-operating FAS pension credit (cost) ²	215	(577)
Net FAS/CAS pension adjustment	<u>\$ 2,090</u>	<u>\$ 1,472</u>

1 The corporation projects FAS pension income in 2020, compared to FAS pension expense in 2019, as a result of completing the planned freeze of its salaried pension plans effective Jan. 1, 2020 that was previously announced on July 1, 2014. The corporation's FAS pension expense is comprised of service cost, interest cost, expected return on plan assets, amortization of prior service credit, and amortization of actuarial losses. The service cost and amortization of actuarial losses components of FAS pension expense are significantly lower due to the freeze. As a result, the expected return on plan assets and amortization of prior service credit exceed all other FAS pension expense components in 2020. For additional information regarding the corporation's FAS pension expense or income and CAS pension cost, see the corporation's Annual Report on Form 10-K for the year ended Dec. 31, 2018.

2 The corporation records the non-service cost components of net periodic benefit cost as part of other non-operating income (expense) in the 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 credit (cost) for its qualified defined benefit pension plans in the table above, along with non-service cost for its other postretirement benefit plans of \$30 million, to total non-service credit of \$185 million for 2020. The corporation recorded non-service cost for its other postretirement benefit plans of \$116 million in 2019, in addition to its total non-service cost for its qualified defined benefit pension plans in the table above, for a total of \$693 million in 2019.

	Dec. 31, 2019	Dec. 31, 2018
Backlog		
Aeronautics	\$ 55,636	\$ 55,601
Missiles and Fire Control	25,796	21,363
Rotary and Mission Systems	34,296	31,320
Space	28,253	22,184
Total backlog	<u>\$ 143,981</u>	<u>\$ 130,468</u>

	Quarters Ended		Years Ended	
	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
Aircraft Deliveries				
F-35	51	32	134	91
C-130J	9	7	28	25
C-5	-	-	-	4
Government helicopter programs	24	32	85	107
Commercial helicopter programs	2	3	2	5
International military helicopter programs	8	8	13	13

	2019	2018
Number of Weeks in Reporting Period¹		
First quarter	13	12
Second quarter	13	13
Third quarter	13	14
Fourth quarter	13	13

1 The corporation closes its books and records for the first three quarters on the last Sunday of the calendar quarter to align its financial closing with its business processes. This practice only affects interim periods, as the corporation's fiscal year ends on Dec. 31. Typically, the corporation's fiscal quarters are 13 weeks in length but due to its fiscal year ending on Dec. 31, the number of weeks in the corporation's quarters may vary slightly from year to year. Consequently, the difference in the number of weeks in the current and comparable prior period could affect period-to-period comparisons.