

Lockheed Martin Corporation
Consolidated Statements of Earnings¹
(unaudited; in millions, except per share data)

	Quarters Ended		Nine Months Ended	
	Sept. 30, 2018	Sept. 24, 2017	Sept. 30, 2018	Sept. 24, 2017
Net sales	\$ 14,318	\$ 12,341	\$ 39,351	\$ 36,116
Cost of sales	(12,397)	(10,741)	(34,019)	(31,454)
Gross profit	1,921	1,600	5,332	4,662
Other income, net	42	77	151	133
Operating profit	1,963	1,677	5,483	4,795
Interest expense	(177)	(162)	(497)	(477)
Other non-operating expense, net	(211)	(218)	(631)	(644)
Earnings before income taxes	1,575	1,297	4,355	3,674
Income tax expense	(102)	(334)	(562)	(967)
Net earnings	\$ 1,473	\$ 963	\$ 3,793	\$ 2,707
Effective tax rate	6.5 %	25.8 %	12.9 %	26.3 %
Earnings per common share				
Basic	\$ 5.18	\$ 3.35	\$ 13.31	\$ 9.38
Diluted	\$ 5.14	\$ 3.32	\$ 13.21	\$ 9.29
Weighted average shares outstanding				
Basic	284.3	287.1	284.9	288.5
Diluted	286.7	290.0	287.2	291.3
Common shares reported in stockholders' equity at end of period			283	285

¹ The corporation closes its books and records on the last Sunday of the calendar quarter to align its financial closing with its business processes, which was on Sept. 30 for the third quarter of 2018 and Sept. 24 for the third quarter of 2017. The consolidated financial statements and tables of financial information included herein are labeled based on that convention. This practice only affects interim periods, as the corporation's fiscal year ends on Dec. 31.

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

	Quarters Ended			Nine Months Ended		
	Sept. 30, 2018	Sept. 24, 2017	% Change	Sept. 30, 2018	Sept. 24, 2017	% Change
Net sales						
Aeronautics	\$ 5,642	\$ 4,716	20 %	\$ 15,361	\$ 13,758	12 %
Missiles and Fire Control	2,273	1,957	16 %	6,035	5,290	14 %
Rotary and Mission Systems	3,848	3,363	14 %	10,637	9,904	7 %
Space	2,555	2,305	11 %	7,318	7,164	2 %
Total net sales	\$ 14,318	\$ 12,341	16 %	\$ 39,351	\$ 36,116	9 %
Operating profit						
Aeronautics	\$ 600	\$ 513	17 %	\$ 1,646	\$ 1,519	8 %
Missiles and Fire Control	332	298	11 %	872	785	11 %
Rotary and Mission Systems	361	257	40 %	1,013	656	54 %
Space	293	219	34 %	831	765	9 %
Total business segment operating profit	1,586	1,287	23 %	4,362	3,725	17 %
Unallocated items						
FAS/CAS operating adjustment	451	403		1,353	1,210	
Special item - severance and restructuring charges ¹	-	-		(96)	-	
Other, net	(74)	(13)		(136)	(140)	
Total unallocated items	377	390	(3) %	1,121	1,070	5 %
Total consolidated operating profit	\$ 1,963	\$ 1,677	17 %	\$ 5,483	\$ 4,795	14 %
Operating margin						
Aeronautics	10.6 %	10.9 %		10.7 %	11.0 %	
Missiles and Fire Control	14.6 %	15.2 %		14.4 %	14.8 %	
Rotary and Mission Systems	9.4 %	7.6 %		9.5 %	6.6 %	
Space	11.5 %	9.5 %		11.4 %	10.7 %	
Total business segment operating margin	11.1 %	10.4 %		11.1 %	10.3 %	
Total consolidated operating margin	13.7 %	13.6 %		13.9 %	13.3 %	

¹ Unallocated items include severance and restructuring charges totaling \$96 million (\$76 million, or \$0.26 per share, after tax), which was recorded in the second quarter of 2018 and is associated with planned workforce reductions and the consolidation of certain operations at the corporation's Rotary and Mission Systems (RMS) business segment.

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

	Sept. 30, 2018	Dec. 31, 2017
Assets		
Current assets		
Cash and cash equivalents	\$ 897	\$ 2,861
Receivables, net	2,416	2,265
Contract assets	9,769	7,992
Inventories	3,050	2,878
Other current assets	727	1,509
Total current assets	<u>16,859</u>	<u>17,505</u>
Property, plant and equipment, net	5,902	5,775
Goodwill	10,788	10,807
Intangible assets, net	3,570	3,797
Deferred income taxes	3,036	3,156
Other noncurrent assets	5,340	5,580
Total assets	<u>\$ 45,495</u>	<u>\$ 46,620</u>
Liabilities and equity		
Current liabilities		
Accounts payable	\$ 2,691	\$ 1,467
Contract liabilities	6,489	7,028
Salaries, benefits and payroll taxes	2,165	1,785
Current maturities of long-term debt and commercial paper	1,240	750
Other current liabilities	2,619	1,883
Total current liabilities	<u>15,204</u>	<u>12,913</u>
Long-term debt, net	13,486	13,513
Accrued pension liabilities	10,692	15,703
Other postretirement benefit liabilities	700	719
Other noncurrent liabilities	4,411	4,548
Total liabilities	<u>44,493</u>	<u>47,396</u>
Stockholders' equity		
Common stock, \$1 par value per share	283	284
Additional paid-in capital	-	-
Retained earnings	14,737	11,405
Accumulated other comprehensive loss	(14,077)	(12,539)
Total stockholders' equity (deficit)	<u>943</u>	<u>(850)</u>
Noncontrolling interests in subsidiary	59	74
Total equity (deficit)	<u>1,002</u>	<u>(776)</u>
Total liabilities and equity	<u>\$ 45,495</u>	<u>\$ 46,620</u>

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

	Nine Months Ended	
	Sept. 30, 2018	Sept. 24, 2017
Operating activities		
Net earnings	\$ 3,793	\$ 2,707
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation and amortization	857	880
Stock-based compensation	148	133
Severance and restructuring charges	96	-
Changes in assets and liabilities		
Receivables, net	(151)	(834)
Contract assets	(1,777)	(228)
Inventories	(172)	(66)
Accounts payable	1,237	1,229
Contract liabilities	(539)	(492)
Postretirement benefit plans	(3,935)	1,012
Income taxes	729	(202)
Other, net	635	825
Net cash provided by operating activities	921	4,964
Investing activities		
Capital expenditures	(819)	(670)
Other, net	146	15
Net cash used for investing activities	(673)	(655)
Financing activities		
Dividends paid	(1,725)	(1,591)
Repurchases of common stock	(826)	(1,500)
Proceeds from issuance of commercial paper, net	490	-
Other, net	(151)	(114)
Net cash used for financing activities	(2,212)	(3,205)
Net change in cash and cash equivalents	(1,964)	1,104
Cash and cash equivalents at beginning of period	2,861	1,837
Cash and cash equivalents at end of period	\$ 897	\$ 2,941

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	-	-	3,793	-	3,793	-	3,793
Other comprehensive income, net of tax ¹	-	-	-	870	870	-	870
Repurchases of common stock	(3)	(300)	(523)	-	(826)	-	(826)
Dividends declared ²	-	-	(2,346)	-	(2,346)	-	(2,346)
Stock-based awards, ESOP activity and other	2	300	-	-	302	-	302
Reclassification of effects from tax reform ³	-	-	2,408	(2,408)	-	-	-
Net decrease in noncontrolling interests in subsidiary	-	-	-	-	-	(15)	(15)
Balance at Sept. 30, 2018	\$ 283	\$ -	\$ 14,737	\$ (14,077)	\$ 943	\$ 59	\$ 1,002

¹ Primarily represents the reclassification adjustment for the recognition of prior period amounts related to pension and other postretirement benefit plans.

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

	2018 Outlook	2017 Actual
Total FAS expense and CAS costs		
FAS pension expense	\$ (1,425)	\$ (1,372)
Less: CAS pension cost	2,435	2,248
Net FAS/CAS pension adjustment	<u>\$ 1,010</u>	<u>\$ 876</u>
Service and non-service cost reconciliation		
FAS pension service cost	\$ (630)	\$ (635)
Less: CAS pension cost	2,435	2,248
FAS/CAS operating adjustment	1,805	1,613
Non-operating FAS pension expense ¹	(795)	(737)
Net FAS/CAS pension adjustment	<u>\$ 1,010</u>	<u>\$ 876</u>

¹ The corporation records the non-service cost components of net periodic benefit cost as part of other non-operating expense, net 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 costs for its qualified defined benefit pension plans in the table above, along with non-service costs for its other postretirement benefit plans of \$70 million, to total \$865 million for 2018. The corporation recorded non-service costs for its other postretirement benefit plans of \$109 million in 2017, in addition to its total non-service costs for its qualified defined benefit pension plans in the table above, for a total of \$846 million in 2017.

	Sept. 30, 2018	Dec. 31, 2017
Backlog		
Aeronautics	\$ 36,766	\$ 35,692
Missiles and Fire Control	19,930	17,729
Rotary and Mission Systems	29,214	30,030
Space	23,281	22,042
Total backlog	<u>\$ 109,191</u>	<u>\$ 105,493</u>

	Quarters Ended		Nine Months Ended	
	Sept. 30, 2018	Sept. 24, 2017	Sept. 30, 2018	Sept. 24, 2017
Aircraft Deliveries				
F-35	20	15	59	44
F-16	-	2	-	7
C-130J	7	5	18	16
C-5	1	1	4	5
Government helicopter programs	28	39	75	110
Commercial helicopter programs	1	-	2	3
International military helicopter programs	4	2	5	3

Table 6