

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

	Quarters Ended		Six Months Ended	
	June 30, 2019	June 24, 2018	June 30, 2019	June 24, 2018
Net sales	\$ 14,427	\$ 13,398	\$ 28,763	\$ 25,033
Cost of sales ²	(12,434)	(11,645)	(24,582)	(21,622)
Gross profit	1,993	1,753	4,181	3,411
Other income, net ³	15	42	110	109
Operating profit	2,008	1,795	4,291	3,520
Interest expense	(163)	(165)	(334)	(320)
Other non-operating expense, net	(162)	(210)	(329)	(420)
Earnings before income taxes	1,683	1,420	3,628	2,780
Income tax expense ⁴	(263)	(257)	(504)	(460)
Net earnings	\$ 1,420	\$ 1,163	\$ 3,124	\$ 2,320
Effective tax rate	15.6 %	18.1 %	13.9 %	16.5 %
Earnings per common share				
Basic	\$ 5.03	\$ 4.08	\$ 11.07	\$ 8.13
Diluted	\$ 5.00	\$ 4.05	\$ 11.00	\$ 8.07
Weighted average shares outstanding				
Basic	282.2	285.0	282.3	285.2
Diluted	283.9	287.1	284.1	287.5

Common shares reported in stockholders' equity at end of period **281** 283

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 June 30 for the second quarter of 2019 and June 24 for the second quarter of 2018. 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.

² In the second quarter and first six months of 2018, the corporation recorded 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.

³ In the first six months of 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.

⁴ Net earnings in the second quarter and first six months of 2019 include benefits of \$15 million (\$0.05 per share) and \$90 million (\$0.32 per share), respectively, from additional tax deductions, based on proposed tax regulations released on March 4, 2019, which clarified that foreign military sales qualify as foreign derived intangible income. Approximately \$65 million (\$0.23 per share) of the total benefit was recorded discretely in the first quarter of 2019 because it relates to the prior year.

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

	Quarters Ended			Six Months Ended		
	June 30, 2019	June 24, 2018	% Change	June 30, 2019	June 24, 2018	% Change
Net sales						
Aeronautics	\$ 5,550	\$ 5,321	4 %	\$ 11,134	\$ 9,719	15 %
Missiles and Fire Control	2,411	2,085	16 %	4,761	3,762	27 %
Rotary and Mission Systems	3,768	3,566	6 %	7,530	6,789	11 %
Space	2,698	2,426	11 %	5,338	4,763	12 %
Total net sales	\$ 14,427	\$ 13,398	8 %	\$ 28,763	\$ 25,033	15 %
Operating profit						
Aeronautics	\$ 592	\$ 572	3 %	\$ 1,177	\$ 1,046	13 %
Missiles and Fire Control	327	279	17 %	744	540	38 %
Rotary and Mission Systems	347	341	2 %	726	652	11 %
Space	288	274	5 %	622	538	16 %
Total business segment operating profit	1,554	1,466	6 %	3,269	2,776	18 %
Unallocated items						
FAS/CAS operating adjustment	512	451		1,024	902	
Severance and restructuring charges ¹	-	(96)		-	(96)	
Other, net ²	(58)	(26)		(2)	(62)	
Total unallocated items	454	329	38 %	1,022	744	37 %
Total consolidated operating profit	\$ 2,008	\$ 1,795	12 %	\$ 4,291	\$ 3,520	22 %
Operating margin						
Aeronautics	10.7 %	10.7 %		10.6 %	10.8 %	
Missiles and Fire Control	13.6 %	13.4 %		15.6 %	14.4 %	
Rotary and Mission Systems	9.2 %	9.6 %		9.6 %	9.6 %	
Space	10.7 %	11.3 %		11.7 %	11.3 %	
Total business segment operating margin	10.8 %	10.9 %		11.4 %	11.1 %	
Total consolidated operating margin	13.9 %	13.4 %		14.9 %	14.1 %	

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² In the first six months of 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.

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

	June 30, 2019	Dec. 31, 2018
	(unaudited)	
Assets		
Current assets		
Cash and cash equivalents	\$ 1,167	\$ 772
Receivables, net	2,546	2,444
Contract assets	10,388	9,472
Inventories	3,599	2,997
Other current assets	400	418
Total current assets	<u>18,100</u>	<u>16,103</u>
Property, plant and equipment, net	6,170	6,124
Goodwill	10,775	10,769
Intangible assets, net	3,351	3,494
Deferred income taxes	3,163	3,208
Other noncurrent assets ¹	6,281	5,178
Total assets	<u>\$ 47,840</u>	<u>\$ 44,876</u>
Liabilities and equity		
Current liabilities		
Accounts payable	\$ 2,611	\$ 2,402
Contract liabilities	6,766	6,491
Salaries, benefits and payroll taxes	2,077	2,122
Current maturities of long-term debt and commercial paper	900	1,500
Other current liabilities ¹	2,778	1,883
Total current liabilities	<u>15,132</u>	<u>14,398</u>
Long-term debt, net	12,637	12,604
Accrued pension liabilities	11,426	11,410
Other postretirement benefit liabilities	688	704
Other noncurrent liabilities ¹	5,061	4,311
Total liabilities	<u>44,944</u>	<u>43,427</u>
Stockholders' equity		
Common stock, \$1 par value per share	281	281
Additional paid-in capital	-	-
Retained earnings	16,408	15,434
Accumulated other comprehensive loss	(13,839)	(14,321)
Total stockholders' equity	<u>2,850</u>	<u>1,394</u>
Noncontrolling interests in subsidiary	46	55
Total equity	<u>2,896</u>	<u>1,449</u>
Total liabilities and equity	<u>\$ 47,840</u>	<u>\$ 44,876</u>

¹ Effective Jan. 1, 2019, the corporation adopted Accounting Standards Update (ASU) 2016-02, Leases (Topic 842). As of June 30, 2019, right-of-use operating lease assets were \$971 million and operating lease liabilities were \$1.1 billion. Approximately \$815 million of operating lease liabilities were classified as noncurrent. There was no impact to the corporation's consolidated statements of earnings 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)

	Six Months Ended	
	June 30, 2019	June 24, 2018
Operating activities		
Net earnings	\$ 3,124	\$ 2,320
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation and amortization	565	566
Stock-based compensation	104	98
Severance and restructuring charges	-	96
Gain on property sale	(51)	-
Changes in assets and liabilities		
Receivables, net	(102)	(217)
Contract assets	(916)	(1,289)
Inventories	(602)	(160)
Accounts payable	237	1,224
Contract liabilities	275	(615)
Postretirement benefit plans	552	(2,790)
Income taxes	112	928
Other, net	33	399
Net cash provided by operating activities	3,331	560
Investing activities		
Capital expenditures	(533)	(480)
Other, net	25	151
Net cash used for investing activities	(508)	(329)
Financing activities		
Dividends paid	(1,260)	(1,156)
Repurchases of common stock	(500)	(610)
Repayments of commercial paper, net	(600)	-
Other, net	(68)	(145)
Net cash used for financing activities	(2,428)	(1,911)
Net change in cash and cash equivalents	395	(1,680)
Cash and cash equivalents at beginning of period	772	2,861
Cash and cash equivalents at end of period	\$ 1,167	\$ 1,181

Table 4

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	-	-	3,124	-	3,124	-	3,124
Other comprehensive income, net of tax ¹	-	-	-	482	482	-	482
Repurchases of common stock	(2)	(220)	(278)	-	(500)	-	(500)
Dividends declared ²	-	-	(1,872)	-	(1,872)	-	(1,872)
Stock-based awards, ESOP activity and other	2	220	-	-	222	-	222
Net decrease in noncontrolling interests in subsidiary	-	-	-	-	-	(9)	(9)
Balance at June 30, 2019	\$ 281	\$ -	\$ 16,408	\$ (13,839)	\$ 2,850	\$ 46	\$ 2,896

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 \$2.20 per share declared for each of the first, second and third quarters of 2019. In the second quarter, the corporation declared the second and third quarter dividends. However, the third quarter dividend will be paid in Sept. 2019.

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

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

¹ The corporation records the non-service cost components of FAS pension expense as part of other non-operating expense, net in the consolidated statements 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.

	June 30, 2019	Dec. 31, 2018
Backlog		
Aeronautics	\$ 51,906	\$ 55,601
Missiles and Fire Control	<u>26,237</u>	<u>21,363</u>
Rotary and Mission Systems	<u>32,309</u>	<u>31,320</u>
Space	<u>26,231</u>	<u>22,184</u>
Total backlog	<u>\$ 136,683</u>	<u>\$ 130,468</u>

	Quarters Ended		Six Months Ended	
	June 30, 2019	June 24, 2018	June 30, 2019	June 24, 2018
Aircraft Deliveries				
F-35	29	25	55	39
C-130J	8	8	13	11
C-5	-	2	-	3
Government helicopter programs	26	29	41	47
Commercial helicopter programs	-	-	-	1
International military helicopter programs	1	-	3	1

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