

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

	Quarters Ended	
	March 31, 2019	March 25, 2018
Net sales	\$ 14,336	\$ 11,635
Cost of sales	(12,148)	(9,977)
Gross profit	2,188	1,658
Other income, net ²	95	67
Operating profit	2,283	1,725
Interest expense	(171)	(155)
Other non-operating expense, net	(167)	(210)
Earnings before income taxes	1,945	1,360
Income tax expense ³	(241)	(203)
Net earnings	\$ 1,704	\$ 1,157
Effective tax rate	12.4 %	14.9 %
Earnings per common share³		
Basic	\$ 6.03	\$ 4.05
Diluted	\$ 5.99	\$ 4.02
Weighted average shares outstanding		
Basic	282.5	285.5
Diluted	284.3	287.9
Common shares reported in stockholders' equity at end of period	281	284

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 March 31 for the first quarter of 2019 and March 25 for the first 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 first quarter 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.

³ Net earnings in the first quarter of 2019 include benefits of \$75 million, or \$0.26 per share, 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, or \$0.23 per share, of the total benefit was recorded discretely because it relates to prior year.

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

	Quarters Ended		% Change
	March 31, 2019	March 25, 2018	
Net sales			
Aeronautics	\$ 5,584	\$ 4,398	27 %
Missiles and Fire Control	2,350	1,677	40 %
Rotary and Mission Systems	3,762	3,223	17 %
Space	2,640	2,337	13 %
Total net sales	\$ 14,336	\$ 11,635	23 %
Operating profit			
Aeronautics	\$ 585	\$ 474	23 %
Missiles and Fire Control	417	261	60 %
Rotary and Mission Systems	379	311	22 %
Space	334	264	27 %
Total business segment operating profit	1,715	1,310	31 %
Unallocated items			
FAS/CAS operating adjustment	512	451	
Other, net ¹	56	(36)	
Total unallocated items	568	415	37 %
Total consolidated operating profit	\$ 2,283	\$ 1,725	32 %
Operating margin			
Aeronautics	10.5 %	10.8 %	
Missiles and Fire Control	17.7 %	15.6 %	
Rotary and Mission Systems	10.1 %	9.6 %	
Space	12.7 %	11.3 %	
Total business segment operating margin	12.0 %	11.3 %	
Total consolidated operating margin	15.9 %	14.8 %	

¹ In the first quarter 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)

	March 31, 2019	Dec. 31, 2018
	(unaudited)	
Assets		
Current assets		
Cash and cash equivalents	\$ 991	\$ 772
Receivables, net	2,833	2,444
Contract assets	10,497	9,472
Inventories	3,285	2,997
Other current assets	425	418
Total current assets	<u>18,031</u>	<u>16,103</u>
Property, plant and equipment, net	6,140	6,124
Goodwill	10,769	10,769
Intangible assets, net	3,425	3,494
Deferred income taxes	3,169	3,208
Other noncurrent assets ¹	6,150	5,178
Total assets	<u>\$ 47,684</u>	<u>\$ 44,876</u>
Liabilities and equity		
Current liabilities		
Accounts payable	\$ 3,097	\$ 2,402
Contract liabilities	6,796	6,491
Salaries, benefits and payroll taxes	1,861	2,122
Current maturities of long-term debt and commercial paper	1,300	1,500
Other current liabilities ¹	2,349	1,883
Total current liabilities	<u>15,403</u>	<u>14,398</u>
Long-term debt, net	12,621	12,604
Accrued pension liabilities	11,418	11,410
Other postretirement benefit liabilities	698	704
Other noncurrent liabilities ¹	5,022	4,311
Total liabilities	<u>45,162</u>	<u>43,427</u>
Stockholders' equity		
Common stock, \$1 par value per share	281	281
Additional paid-in capital	-	-
Retained earnings	16,278	15,434
Accumulated other comprehensive loss	(14,094)	(14,321)
Total stockholders' equity	<u>2,465</u>	<u>1,394</u>
Noncontrolling interests in subsidiary	57	55
Total equity	<u>2,522</u>	<u>1,449</u>
Total liabilities and equity	<u>\$ 47,684</u>	<u>\$ 44,876</u>

¹ Effective Jan. 1, 2019, the corporation adopted Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. As of March 31, 2019, right-of-use operating lease assets were \$969 million and operating lease liabilities were \$1.1 billion. Approximately \$812 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)

	Quarters Ended	
	March 31, 2019	March 25, 2018
Operating activities		
Net earnings	\$ 1,704	\$ 1,157
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation and amortization	277	279
Stock-based compensation	37	38
Gain on property sale	(51)	-
Changes in assets and liabilities		
Receivables, net	(389)	(108)
Contract assets	(1,025)	(1,413)
Inventories	(288)	(318)
Accounts payable	744	1,290
Contract liabilities	305	(478)
Postretirement benefit plans	278	(1,145)
Income taxes	243	1,064
Other, net	(172)	266
Net cash provided by operating activities	1,663	632
Investing activities		
Capital expenditures	(284)	(216)
Other, net	27	130
Net cash used for investing activities	(257)	(86)
Financing activities		
Dividends paid	(638)	(586)
Repurchases of common stock	(281)	(300)
Repayments of commercial paper, net	(200)	-
Other, net	(68)	(128)
Net cash used for financing activities	(1,187)	(1,014)
Net change in cash and cash equivalents	219	(468)
Cash and cash equivalents at beginning of period	772	2,861
Cash and cash equivalents at end of period	\$ 991	\$ 2,393

Table 4

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, 2018	\$ 281	\$ -	\$ 15,434	\$ (14,321)	\$ 1,394	\$ 55	\$ 1,449
Net earnings	-	-	1,704	-	1,704	-	1,704
Other comprehensive income, net of tax ¹	-	-	-	227	227	-	227
Repurchases of common stock	(1)	(46)	(237)	-	(284)	-	(284)
Dividends declared ²	-	-	(623)	-	(623)	-	(623)
Stock-based awards, ESOP activity and other	1	46	-	-	47	-	47
Net increase in noncontrolling interests in subsidiary	-	-	-	-	-	2	2
Balance at March 31, 2019	<u>\$ 281</u>	<u>\$ -</u>	<u>\$ 16,278</u>	<u>\$ (14,094)</u>	<u>\$ 2,465</u>	<u>\$ 57</u>	<u>\$ 2,522</u>

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

² Represents dividends of \$2.20 per share declared for the first quarter of 2019.

Lockheed Martin Corporation
Other Financial and Operating Information
(unaudited; in millions, except for 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	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	<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 net periodic benefit cost 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.

	March 31, 2019	Dec. 31, 2018
Backlog		
Aeronautics	\$ 52,344	\$ 55,601
Missiles and Fire Control	23,214	21,363
Rotary and Mission Systems	31,327	31,320
Space	26,585	22,184
Total backlog	<u>\$ 133,470</u>	<u>\$ 130,468</u>

	Quarters Ended	
	March 31, 2019	March 25, 2018
Aircraft Deliveries		
F-35	26	14
C-130J	5	3
C-5	-	1
Government helicopter programs	15	18
Commercial helicopter programs	-	1
International military helicopter programs	2	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

Table 6