

**Lockheed Martin Corporation**  
**Consolidated Statements of Earnings<sup>1</sup>**  
(unaudited; in millions, except per share data)

	Quarters Ended		Six Months Ended	
	June 24, 2018	June 25, 2017	June 24, 2018	June 25, 2017
<b>Net sales</b>	\$ 13,398	\$ 12,563	\$ 25,033	\$ 23,775
<b>Cost of sales</b>	<u>(11,645)</u>	<u>(10,907)</u>	<u>(21,622)</u>	<u>(20,713)</u>
Gross profit	1,753	1,656	3,411	3,062
Other income, net	<u>42</u>	<u>60</u>	<u>109</u>	<u>56</u>
<b>Operating profit</b>	1,795	1,716	3,520	3,118
Interest expense	(165)	(160)	(320)	(315)
Other non-operating expense, net	<u>(210)</u>	<u>(214)</u>	<u>(420)</u>	<u>(426)</u>
Earnings before income taxes	1,420	1,342	2,780	2,377
Income tax expense	<u>(257)</u>	<u>(387)</u>	<u>(460)</u>	<u>(633)</u>
<b>Net earnings</b>	<u>\$ 1,163</u>	<u>\$ 955</u>	<u>\$ 2,320</u>	<u>\$ 1,744</u>
Effective tax rate	<u>18.1 %</u>	<u>28.8 %</u>	<u>16.5 %</u>	<u>26.6 %</u>
<b>Earnings per common share</b>				
Basic	\$ 4.08	\$ 3.31	\$ 8.13	\$ 6.03
Diluted	\$ 4.05	\$ 3.28	\$ 8.07	\$ 5.97
<b>Weighted average shares outstanding</b>				
Basic	285.0	288.5	285.2	289.2
Diluted	287.1	291.2	287.5	292.0
Common shares reported in stockholders' equity at end of period			283	286

<sup>1</sup> 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 24 for the second quarter of 2018 and June 25 for the second 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			Six Months Ended		
	June 24, 2018	June 25, 2017	% Change	June 24, 2018	June 25, 2017	% Change
<b>Net sales</b>						
Aeronautics	\$ 5,321	\$ 4,922	8 %	\$ 9,719	\$ 9,042	7 %
Missiles and Fire Control	2,085	1,784	17 %	3,762	3,333	13 %
Rotary and Mission Systems	3,566	3,414	4 %	6,789	6,541	4 %
Space	2,426	2,443	(1) %	4,763	4,859	(2) %
<b>Total net sales</b>	<b>\$ 13,398</b>	<b>\$ 12,563</b>	<b>7 %</b>	<b>\$ 25,033</b>	<b>\$ 23,775</b>	<b>5 %</b>
<b>Operating profit</b>						
Aeronautics	\$ 572	\$ 567	1 %	\$ 1,046	\$ 1,006	4 %
Missiles and Fire Control	279	253	10 %	540	487	11 %
Rotary and Mission Systems	341	271	26 %	652	399	63 %
Space	274	256	7 %	538	546	(1) %
<b>Total business segment operating profit</b>	<b>1,466</b>	<b>1,347</b>	<b>9 %</b>	<b>2,776</b>	<b>2,438</b>	<b>14 %</b>
<b>Unallocated items</b>						
FAS/CAS operating adjustment	451	404		902	807	
Special item - severance and restructuring charges <sup>1</sup>	(96)	-		(96)	-	
Other, net	(26)	(35)		(62)	(127)	
<b>Total unallocated items</b>	<b>329</b>	<b>369</b>	<b>(11) %</b>	<b>744</b>	<b>680</b>	<b>9 %</b>
<b>Total consolidated operating profit</b>	<b>\$ 1,795</b>	<b>\$ 1,716</b>	<b>5 %</b>	<b>\$ 3,520</b>	<b>\$ 3,118</b>	<b>13 %</b>
<b>Operating margin</b>						
Aeronautics	10.7 %	11.5 %		10.8 %	11.1 %	
Missiles and Fire Control	13.4 %	14.2 %		14.4 %	14.6 %	
Rotary and Mission Systems	9.6 %	7.9 %		9.6 %	6.1 %	
Space	11.3 %	10.5 %		11.3 %	11.2 %	
<b>Total business segment operating margin</b>	<b>10.9 %</b>	<b>10.7 %</b>		<b>11.1 %</b>	<b>10.3 %</b>	
<b>Total consolidated operating margin</b>	<b>13.4 %</b>	<b>13.7 %</b>		<b>14.1 %</b>	<b>13.1 %</b>	

<sup>1</sup> Unallocated items for the second quarter and the first six months of 2018 include 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 segment.

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

	<u>June 24, 2018</u>	<u>Dec. 31, 2017</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 1,181	\$ 2,861
Receivables, net	2,482	2,265
Contract assets	9,281	7,992
Inventories	3,038	2,878
Other current assets	522	1,509
Total current assets	<u>16,504</u>	<u>17,505</u>
Property, plant and equipment, net	5,786	5,775
Goodwill	10,781	10,807
Intangible assets, net	3,646	3,797
Deferred income taxes	3,051	3,156
Other noncurrent assets	5,357	5,580
Total assets	<u>\$ 45,125</u>	<u>\$ 46,620</u>
<b>Liabilities and equity</b>		
Current liabilities		
Accounts payable	\$ 2,675	\$ 1,467
Contract liabilities	6,413	7,028
Salaries, benefits and payroll taxes	2,051	1,785
Current maturities of long-term debt	750	750
Other current liabilities	1,992	1,883
Total current liabilities	<u>13,881</u>	<u>12,913</u>
Long-term debt, net	13,479	13,513
Accrued pension liabilities	12,196	15,703
Other postretirement benefit liabilities	706	719
Other noncurrent liabilities	4,384	4,548
Total liabilities	<u>44,646</u>	<u>47,396</u>
Stockholders' equity		
Common stock, \$1 par value per share	283	284
Additional paid-in capital	-	-
Retained earnings	14,528	11,405
Accumulated other comprehensive loss	(14,395)	(12,539)
Total stockholders' equity (deficit)	<u>416</u>	<u>(850)</u>
Noncontrolling interests in subsidiary	63	74
Total equity (deficit)	<u>479</u>	<u>(776)</u>
Total liabilities and equity	<u>\$ 45,125</u>	<u>\$ 46,620</u>

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

	<b>Six Months Ended</b>	
	<b>June 24, 2018</b>	<b>June 25, 2017</b>
<b>Operating activities</b>		
Net earnings	\$ 2,320	\$ 1,744
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation and amortization	566	581
Stock-based compensation	98	101
Severance and restructuring charges	96	-
Changes in assets and liabilities		
Receivables, net	(217)	(619)
Contract assets	(1,289)	(170)
Inventories	(160)	(38)
Accounts payable	1,224	940
Contract liabilities	(615)	(388)
Postretirement benefit plans	(2,790)	685
Income taxes	928	3
Other, net	399	371
<b>Net cash provided by operating activities</b>	<b>560</b>	<b>3,210</b>
<b>Investing activities</b>		
Capital expenditures	(480)	(448)
Other, net	151	9
<b>Net cash used for investing activities</b>	<b>(329)</b>	<b>(439)</b>
<b>Financing activities</b>		
Dividends paid	(1,156)	(1,069)
Repurchases of common stock	(610)	(1,000)
Other, net	(145)	(87)
<b>Net cash used for financing activities</b>	<b>(1,911)</b>	<b>(2,156)</b>
<b>Net change in cash and cash equivalents</b>	<b>(1,680)</b>	<b>615</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>2,861</b>	<b>1,837</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 1,181</b>	<b>\$ 2,452</b>

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>
<b>Balance at Dec. 31, 2017</b>	<b>\$ 284</b>	<b>\$ -</b>	<b>\$ 11,405</b>	<b>\$ (12,539)</b>	<b>\$ (850)</b>	<b>\$ 74</b>	<b>\$ (776)</b>
Net earnings	-	-	2,320	-	2,320	-	2,320
Other comprehensive income, net of tax <sup>1</sup>	-	-	-	552	552	-	552
Repurchases of common stock	(2)	(161)	(460)	-	(623)	-	(623)
Dividends declared <sup>2</sup>	-	-	(1,145)	-	(1,145)	-	(1,145)
Stock-based awards, ESOP activity and other	1	161	-	-	162	-	162
Reclassification of effects from tax reform <sup>3</sup>	-	-	2,408	(2,408)	-	-	-
Net decrease in noncontrolling interests in subsidiary	-	-	-	-	-	(11)	(11)
<b>Balance at June 24, 2018</b>	<b>\$ 283</b>	<b>\$ -</b>	<b>\$ 14,528</b>	<b>\$ (14,395)</b>	<b>\$ 416</b>	<b>\$ 63</b>	<b>\$ 479</b>

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

<sup>2</sup> Represents dividends of \$2.00 per share declared for the first and second quarters of 2018. On June 28, 2018, subsequent to the end of the corporation's second quarter, the corporation declared its third quarter dividend of \$2.00 per share.

<sup>3</sup> 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)

	<b>2018 Outlook</b>	<b>2017 Actual</b>		
<b>Total FAS expense and CAS costs</b>				
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>		
<b>Service and non-service cost reconciliation</b>				
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	(795)	(737)		
Net FAS/CAS pension adjustment	<u>\$ 1,010</u>	<u>\$ 876</u>		
	<b>June 24, 2018</b>	<b>Dec. 31, 2017</b>		
<b>Backlog</b>				
Aeronautics	\$ 36,639	\$ 35,692		
Missiles and Fire Control	19,167	17,729		
Rotary and Mission Systems	29,106	30,030		
Space	20,091	22,042		
<b>Total backlog</b>	<u>\$ 105,003</u>	<u>\$ 105,493</u>		
	<b>Quarters Ended</b>	<b>Six Months Ended</b>		
	<b>June 24, 2018</b>	<b>June 25, 2017</b>	<b>June 24, 2018</b>	<b>June 25, 2017</b>
<b>Aircraft Deliveries</b>				
F-35	25	14	39	29
F-16	-	3	-	5
C-130J	8	6	11	11
C-5	2	3	3	4
Government helicopter programs	29	39	47	71
Commercial helicopter programs	-	3	1	3
International military helicopter programs	-	-	1	1

Table 6