

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

	Quarters Ended		Nine Months Ended	
	Sept. 29, 2019	Sept. 30, 2018	Sept. 29, 2019	Sept. 30, 2018
<b>Net sales</b>	\$ 15,171	\$ 14,318	\$ 43,934	\$ 39,351
Cost of sales <sup>2</sup>	(13,108)	(12,397)	(37,690)	(34,019)
Gross profit	2,063	1,921	6,244	5,332
Other income, net <sup>3</sup>	42	42	152	151
<b>Operating profit</b>	<b>2,105</b>	1,963	<b>6,396</b>	5,483
Interest expense	(162)	(177)	(496)	(497)
Other non-operating expense, net	(162)	(211)	(491)	(631)
Earnings before income taxes	1,781	1,575	5,409	4,355
Income tax expense <sup>4</sup>	(173)	(102)	(677)	(562)
<b>Net earnings</b>	<b>\$ 1,608</b>	\$ 1,473	<b>\$ 4,732</b>	\$ 3,793
Effective tax rate	9.7 %	6.5 %	12.5 %	12.9 %
<b>Earnings per common share</b>				
Basic	\$ 5.70	\$ 5.18	\$ 16.77	\$ 13.31
Diluted	\$ 5.66	\$ 5.14	\$ 16.66	\$ 13.21
<b>Weighted average shares outstanding</b>				
Basic	282.0	284.3	282.2	284.9
Diluted	283.9	286.7	284.0	287.2

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

<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 Sept. 29 for the third quarter of 2019 and Sept. 30 for the third 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.

<sup>2</sup> In the first nine months of 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.

<sup>3</sup> In the first nine 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.

<sup>4</sup> Net earnings for the quarter and the first nine months of 2019 include benefits of \$62 million (\$0.22 per share) and \$127 million (\$0.45 per share), respectively, 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 our change in tax accounting method. Net earnings for the quarter and the first nine months of 2018 include benefits of \$148 million (\$0.52 per share) and \$152 million (\$0.53 per share), respectively, 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 our change in tax accounting method.

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

	Quarters Ended			Nine Months Ended		
	Sept. 29, 2019	Sept. 30, 2018	% Change	Sept. 29, 2019	Sept. 30, 2018	% Change
<b>Net sales</b>						
Aeronautics	\$ 6,178	\$ 5,642	10 %	\$ 17,312	\$ 15,361	13 %
Missiles and Fire Control	2,601	2,273	14 %	7,362	6,035	22 %
Rotary and Mission Systems	3,709	3,848	(4)%	11,239	10,637	6 %
Space	2,683	2,555	5 %	8,021	7,318	10 %
<b>Total net sales</b>	<b>\$ 15,171</b>	<b>\$ 14,318</b>	<b>6 %</b>	<b>\$ 43,934</b>	<b>\$ 39,351</b>	<b>12 %</b>
<b>Operating profit</b>						
Aeronautics	\$ 665	\$ 600	11 %	\$ 1,842	\$ 1,646	12 %
Missiles and Fire Control	349	332	5 %	1,093	872	25 %
Rotary and Mission Systems	342	361	(5)%	1,068	1,013	5 %
Space	309	293	5 %	931	831	12 %
<b>Total business segment operating profit</b>	<b>1,665</b>	<b>1,586</b>	<b>5 %</b>	<b>4,934</b>	<b>4,362</b>	<b>13 %</b>
<b>Unallocated items</b>						
FAS/CAS operating adjustment	513	451		1,537	1,353	
Severance and restructuring charges <sup>1</sup>	-	-		-	(96)	
Other, net <sup>2</sup>	(73)	(74)		(75)	(136)	
<b>Total unallocated items</b>	<b>440</b>	<b>377</b>	<b>17 %</b>	<b>1,462</b>	<b>1,121</b>	<b>30 %</b>
<b>Total consolidated operating profit</b>	<b>\$ 2,105</b>	<b>\$ 1,963</b>	<b>7 %</b>	<b>\$ 6,396</b>	<b>\$ 5,483</b>	<b>17 %</b>
<b>Operating margin</b>						
Aeronautics	10.8 %	10.6 %		10.6 %	10.7 %	
Missiles and Fire Control	13.4 %	14.6 %		14.8 %	14.4 %	
Rotary and Mission Systems	9.2 %	9.4 %		9.5 %	9.5 %	
Space	11.5 %	11.5 %		11.6 %	11.4 %	
<b>Total business segment operating margin</b>	<b>11.0 %</b>	<b>11.1 %</b>		<b>11.2 %</b>	<b>11.1 %</b>	
<b>Total consolidated operating margin</b>	<b>13.9 %</b>	<b>13.7 %</b>		<b>14.6 %</b>	<b>13.9 %</b>	

<sup>1</sup> In the first nine months of 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.

<sup>2</sup> In the first nine 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)

	Sept. 29, 2019	Dec. 31, 2018
	(unaudited)	
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 2,539	\$ 772
Receivables, net	2,384	2,444
Contract assets	11,004	9,472
Inventories	3,474	2,997
Other current assets	402	418
Total current assets	<u>19,803</u>	<u>16,103</u>
Property, plant and equipment, net	6,240	6,124
Goodwill	10,762	10,769
Intangible assets, net	3,278	3,494
Deferred income taxes	2,912	3,208
Other noncurrent assets <sup>1</sup>	6,280	5,178
Total assets	<u>\$ 49,275</u>	<u>\$ 44,876</u>
<b>Liabilities and equity</b>		
Current liabilities		
Accounts payable	\$ 2,904	\$ 2,402
Contract liabilities	6,777	6,491
Salaries, benefits and payroll taxes	2,308	2,122
Current maturities of long-term debt and commercial paper	900	1,500
Other current liabilities <sup>1</sup>	2,626	1,883
Total current liabilities	<u>15,515</u>	<u>14,398</u>
Long-term debt, net	12,652	12,604
Accrued pension liabilities	11,436	11,410
Other postretirement benefit liabilities	677	704
Other noncurrent liabilities <sup>1</sup>	5,058	4,311
Total liabilities	<u>45,338</u>	<u>43,427</u>
Stockholders' equity		
Common stock, \$1 par value per share	281	281
Additional paid-in capital	-	-
Retained earnings	17,265	15,434
Accumulated other comprehensive loss	(13,653)	(14,321)
Total stockholders' equity	<u>3,893</u>	<u>1,394</u>
Noncontrolling interests in subsidiary	44	55
Total equity	<u>3,937</u>	<u>1,449</u>
Total liabilities and equity	<u>\$ 49,275</u>	<u>\$ 44,876</u>

<sup>1</sup> Effective Jan. 1, 2019, the corporation adopted Accounting Standards Update (ASU) 2016-02, Leases (Topic 842). As of Sept. 29, 2019, right-of-use operating lease assets were \$984 million and operating lease liabilities were \$1.1 billion. Approximately \$818 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)

	<b>Nine Months Ended</b>	
	<b>Sept. 29, 2019</b>	<b>Sept. 30, 2018</b>
<b>Operating activities</b>		
Net earnings	\$ 4,732	\$ 3,793
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation and amortization	867	857
Stock-based compensation	158	148
Severance and restructuring charges	-	96
Gain on property sale	(51)	-
Changes in assets and liabilities		
Receivables, net	60	(151)
Contract assets	(1,532)	(1,777)
Inventories	(477)	(172)
Accounts payable	524	1,237
Contract liabilities	286	(539)
Postretirement benefit plans	828	(3,935)
Income taxes	(117)	729
Other, net	543	635
<b>Net cash provided by operating activities</b>	<b>5,821</b>	<b>921</b>
<b>Investing activities</b>		
Capital expenditures	(841)	(819)
Other, net	38	146
<b>Net cash used for investing activities</b>	<b>(803)</b>	<b>(673)</b>
<b>Financing activities</b>		
Dividends paid	(1,881)	(1,725)
Repurchases of common stock	(710)	(826)
(Repayments of) proceeds from commercial paper, net	(600)	490
Other, net	(60)	(151)
<b>Net cash used for financing activities</b>	<b>(3,251)</b>	<b>(2,212)</b>
<b>Net change in cash and cash equivalents</b>	<b>1,767</b>	<b>(1,964)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>772</b>	<b>2,861</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 2,539</b>	<b>\$ 897</b>

Table 4

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

	<b>Common Stock</b>	<b>Additional Paid-in Capital</b>	<b>Retained Earnings</b>	<b>Accumulated Other Comprehensive Loss</b>	<b>Total Stockholders' Equity</b>	<b>Noncontrolling Interests in Subsidiary</b>	<b>Total Equity</b>
<b>Balance at Dec. 31, 2018</b>	<b>\$ 281</b>	<b>\$ -</b>	<b>\$ 15,434</b>	<b>\$ (14,321)</b>	<b>\$ 1,394</b>	<b>\$ 55</b>	<b>\$ 1,449</b>
Net earnings	-	-	4,732	-	4,732	-	4,732
Other comprehensive income, net of tax <sup>1</sup>	-	-	-	668	668	-	668
Repurchases of common stock	(2)	(366)	(350)	-	(718)	-	(718)
Dividends declared <sup>2</sup>	-	-	(2,551)	-	(2,551)	-	(2,551)
Stock-based awards, ESOP activity and other	2	366	-	-	368	-	368
Net decrease in noncontrolling interests in subsidiary	-	-	-	-	-	(11)	(11)
<b>Balance at Sept. 29, 2019</b>	<b>\$ 281</b>	<b>\$ -</b>	<b>\$ 17,265</b>	<b>\$ (13,653)</b>	<b>\$ 3,893</b>	<b>\$ 44</b>	<b>\$ 3,937</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 \$2.20 per share declared for each of the first, second and third quarters of 2019 and dividends of \$2.40 per share declared for the fourth quarter of 2019.

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

	<b>2019 Outlook</b>	<b>2018 Actual</b>
<b>Total FAS expense and CAS costs</b>		
FAS pension expense	\$ (1,090)	\$ (1,431)
Less: CAS pension cost	<b>2,565</b>	2,433
Net FAS/CAS pension adjustment	<u>\$ 1,475</u>	<u>\$ 1,002</u>
<b>Service and non-service cost reconciliation</b>		
FAS pension service cost	\$ (515)	\$ (630)
Less: CAS pension cost	<b>2,565</b>	2,433
FAS/CAS operating adjustment	<b>2,050</b>	1,803
Non-operating FAS pension cost <sup>1</sup>	<b>(575)</b>	(801)
Net FAS/CAS pension adjustment	<u>\$ 1,475</u>	<u>\$ 1,002</u>

<sup>1</sup> 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.

	<b>Sept. 29, 2019</b>	<b>Dec. 31, 2018</b>
<b>Backlog</b>		
Aeronautics	\$ 49,426	\$ 55,601
Missiles and Fire Control	<b>26,973</b>	21,363
Rotary and Mission Systems	<b>31,867</b>	31,320
Space	<b>29,089</b>	22,184
<b>Total backlog</b>	<u>\$ 137,355</u>	<u>\$ 130,468</u>

	<b>Quarters Ended</b>		<b>Nine Months Ended</b>	
	<b>Sept. 29, 2019</b>	<b>Sept. 30, 2018</b>	<b>Sept. 29, 2019</b>	<b>Sept. 30, 2018</b>
<b>Aircraft Deliveries</b>				
F-35	28	20	83	59
C-130J	6	7	19	18
C-5	-	1	-	4
Government helicopter programs	20	28	61	75
Commercial helicopter programs	-	1	-	2
International military helicopter programs	2	4	5	5

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

Table 6