LOCKHEED MARTIN

News Release

Lockheed Martin Reports First Quarter 2019 Results

- **Net sales of $14.3 billion**
- **Net earnings of $1.7 billion, or $5.99 per share**
- **Generated cash from operations of $1.7 billion**
- **Achieved record backlog of $133.5 billion**
- **Increases 2019 outlook for all financial metrics**

BETHESDA, Md., April 23, 2019 – Lockheed Martin Corporation [NYSE: LMT] today reported first quarter 2019 net sales of $14.3 billion, compared to $11.6 billion in the first quarter of 2018. Net earnings in the first quarter of 2019 were $1.7 billion, or $5.99 per share, compared to $1.2 billion, or $4.02 per share, in the first quarter of 2018. Cash from operations in the first quarter of 2019 was $1.7 billion, compared to cash from operations of $632 million in the first quarter of 2018.

“The corporation had strong performance in the first quarter which has allowed us to increase our full year financial guidance for sales, profit, earnings per share and cash,” said Lockheed Martin Chairman, President and CEO Marillyn Hewson. "Our differentiated portfolio and record backlog position us well for continued growth, and we remain focused on delivering innovative technologies and solutions for our customers, and long-term value creation for stockholders."

Summary Financial Results

The following table presents the corporation's summary financial results.

(in millions, except per share data)	Quarters Ended March 31, 2019	Quarters Ended March 25, 2018
Net sales	**$ 14,336**	$ 11,635
Business segment operating profit[1]	**$ 1,715**	$ 1,310
Unallocated items		
FAS/CAS operating adjustment	**512**	451
Other, net[2]	**56**	(36)
Total unallocated items	**568**	415
Consolidated operating profit	**$ 2,283**	$ 1,725
Net earnings[3]	**$ 1,704**	$ 1,157
Diluted earnings per share	**$ 5.99**	$ 4.02
Cash generated from operations[4]	**$ 1,663**	$ 632

1 Business segment operating profit is a non-GAAP measure. See the Non-GAAP Financial Measures section of this news release for more information.

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 the prior year.

4 Cash from operations in the first quarter of 2018 included cash contributions of $1.5 billion made to the corporation's qualified defined benefit pension plans and net tax refunds of $850 million.

2019 Financial Outlook

The following table and other sections of this news release contain forward-looking statements, which are based on the corporation's current expectations. Actual results may differ materially from those projected. It is the corporation's typical practice not to incorporate adjustments into its financial outlook for proposed acquisitions, divestitures, ventures, changes in law, or new accounting standards until such items have been consummated, enacted or adopted. For additional factors that may impact the corporation's actual results, refer to the "Forward-Looking Statements" section in this news release.

(in millions, except per share data)	Current Update	January 2019
Net sales	**$56,750 - $58,250**	$55,750 - $57,250
Business segment operating profit	**$6,100 - $6,250**	$6,000 - $6,150
Net FAS/CAS pension adjustment[1]	**~$1,475**	~$1,475
Diluted earnings per share[2]	**$20.05 - $20.35**	$19.15 - $19.45
Cash from operations	**≥$7,500**	≥$7,400

1 The net FAS/CAS pension adjustment above is presented as a single amount and includes expected 2019 U.S. Government cost accounting standards (CAS) pension cost of approximately $2,565 million and expected financial accounting standards (FAS) pension expense of approximately $1,090 million. CAS pension cost and the service cost component of FAS pension expense is included in operating profit as part of cost of sales. The non-service cost component of FAS pension expense is included in other non-operating expense, net in the corporation's consolidated statements of earnings. For additional detail on the corporation's FAS/CAS pension adjustment see the supplemental table included at the end of this news release.

2 Although the corporation typically does not update its outlook for proposed changes in law, the above includes the effect of recently proposed tax regulations confirming that foreign military sales (FMS) qualify for tax deductions for foreign derived intangible income. Even though the proposed regulations are still subject to public comment, the corporation believes incorporating the effect of the proposed regulations yields more accurate disclosure of the company's expectations because the proposed regulations describe the tax treatment of FMS sales in accordance with the corporation's analysis of the Internal Revenue Code.

Cash Activities

The corporation's cash activities in the first quarter of 2019 consisted of the following:

- paying cash dividends of $638 million, compared to $586 million in the first quarter of 2018;
- repurchasing 1.0 million shares for $281 million, compared to 0.9 million shares for $300 million in the first quarter of 2018;
- making capital expenditures of $284 million, compared to $216 million in the first quarter of 2018; and
- making net repayments of $200 million for commercial paper, compared to no net repayments in the first quarter of 2018.

Segment Results

The corporation operates in four business segments organized based on the nature of products and services offered: Aeronautics, Missiles and Fire Control (MFC), Rotary and Mission Systems (RMS) and Space. The following table presents summary operating results of the corporation's business segments and reconciles these amounts to the corporation's consolidated financial results.

(in millions)	Quarters Ended	
	March 31, 2019	**March 25, 2018**
Net sales		
Aeronautics	**$ 5,584**	$ 4,398
Missiles and Fire Control	**2,350**	1,677
Rotary and Mission Systems	**3,762**	3,223
Space	**2,640**	2,337
Total net sales	**$ 14,336**	$ 11,635
Operating profit		
Aeronautics	**$ 585**	$ 474
Missiles and Fire Control	**417**	261
Rotary and Mission Systems	**379**	311
Space	**334**	264
Total business segment operating profit	**1,715**	1,310
Unallocated items		
FAS/CAS operating adjustment	**512**	451
Other, net	**56**	(36)
Total unallocated items	**568**	415
Total consolidated operating profit	**$ 2,283**	$ 1,725

Net sales and operating profit of the corporation's business segments exclude intersegment sales, cost of sales, and profit as these activities are eliminated in consolidation. Operating profit of the corporation's business segments includes the corporation's share of earnings or losses from equity method investees as the operating activities of the investees are closely aligned with the operations of its business segments.

Operating profit of the corporation's business segments also excludes the FAS/CAS operating adjustment described below, a portion of corporate costs not considered allowable or allocable to contracts with the U.S. Government under the applicable U.S. government cost accounting standards (CAS) or federal acquisition regulations (FAR), and other items not considered part of management's evaluation of segment operating performance such as a portion of management and administration costs, legal fees and settlements, environmental costs, compensation expense, retiree benefits, significant severance actions, significant asset impairments, gains or losses from significant divestitures, and other miscellaneous corporate activities.

The corporation recovers CAS pension cost through the pricing of its products and services on U.S. Government contracts and, therefore, recognizes CAS pension cost in each of its business segment's net sales and cost of sales. The corporation's consolidated financial statements must present pension and other postretirement benefit plan expense calculated in accordance with U.S. generally accepted accounting principles (referred to as FAS pension expense). The operating portion of the net FAS/CAS pension adjustment represents the difference between the service cost component of FAS pension expense and CAS pension cost. The non-service FAS pension cost component is included in other non-operating expense, net on the corporation's consolidated statements of earnings. The net FAS/CAS pension adjustment increases or decreases CAS pension cost to equal total FAS pension expense (both service and non-service).

Changes in net sales and operating profit generally are expressed in terms of volume. Changes in volume refer to increases or decreases in sales or operating profit resulting from varying production activity or service levels on individual contracts. Volume changes in segment operating profit are typically based on the current profit booking rate for a particular contract. In addition, comparability of the corporation's segment sales, operating profit and operating margin may be impacted favorably or unfavorably by changes in profit booking rates on the corporation's contracts for which it recognizes revenue over time using the percentage-of-completion cost-to-cost method to measure progress towards completion. Increases in profit booking rates, typically referred to as risk retirements, usually relate to revisions in the estimated total costs to fulfill the performance obligations that reflect improved conditions on a particular contract. Conversely, conditions on a particular contract may deteriorate, resulting in an increase in the estimated total costs to fulfill the performance obligations and a reduction in the profit booking rate. Increases or decreases in profit booking rates are recognized in the current period and reflect the inception-to-date effect of such changes.

Segment operating profit and margin may also be impacted favorably or unfavorably by other items, which may or may not impact sales. Favorable items may include the positive resolution of contractual matters, cost recoveries on severance and restructuring charges, insurance recoveries and gains on sales of assets. Unfavorable items may include the adverse resolution of contractual matters; restructuring charges, except for significant severance actions which are excluded from segment operating results; reserves for disputes; certain asset impairments; and losses on sales of certain assets.

The corporation's consolidated net adjustments not related to volume, including net profit booking rate adjustments, represented approximately 33 percent of total segment operating profit in the first quarter of 2019 as compared to 32 percent in the first quarter of 2018.

Aeronautics

(in millions)	Quarters Ended	
	March 31, 2019	**March 25, 2018**
Net sales	**$ 5,584**	$ 4,398
Operating profit	**$ 585**	$ 474
Operating margin	**10.5%**	10.8%

Aeronautics' net sales in the first quarter of 2019 increased $1.2 billion, or 27 percent, compared to the same period in 2018. The increase was primarily attributable to higher net sales of approximately $910 million for the F-35 program due to increased volume on production, sustainment and development programs; about $100 million for classified development activities due to higher volume; and about $70 million for the F-22 program due to higher volume on modernization and sustainment programs.

Aeronautics' operating profit in the first quarter of 2019 increased $111 million, or 23 percent, compared to the same period in 2018. Operating profit increased approximately $105 million for the F-35 program due to increased volume on production contracts and higher risk retirements on production and sustainment programs. Adjustments not related to volume, including net profit booking rate adjustments and other matters, were comparable in the first quarter of 2019 to the same period in 2018.

Missiles and Fire Control

(in millions)	Quarters Ended	
	March 31, 2019	March 25, 2018
Net sales	**$ 2,350**	$ 1,677
Operating profit	**$ 417**	$ 261
Operating margin	**17.7%**	15.6%

MFC’s net sales in the first quarter of 2019 increased $673 million, or 40 percent, compared to the same period in 2018. The increase was primarily attributable to higher net sales of approximately $295 million for tactical and strike missiles programs due to increased volume (primarily precision fires, classified programs and new hypersonic missile programs); about $220 million for integrated air and missile defense programs due to contract mix and increased volume (primarily Terminal High Altitude Area Defense (THAAD) and Patriot Advanced Capability-3 (PAC-3)); and about $140 million for sensors and global sustainment programs due to increased volume (primarily Apache and Special Operations Forces Global Logistics Support Services).

MFC’s operating profit in the first quarter of 2019 increased $156 million, or 60 percent, compared to the same period in 2018. Operating profit increased approximately $75 million for integrated air and missile defense programs due to contract mix, higher volume and higher risk retirements on international programs (primarily PAC-3 and THAAD); and about $55 million for tactical and strike missiles programs due to higher risk retirements and higher volume (primarily precision fires). Adjustments not related to volume, including net profit booking rate adjustments, were about $50 million higher in the first quarter of 2019 compared to the same period in 2018.

Rotary and Mission Systems

(in millions)	Quarters Ended	
	March 31, 2019	March 25, 2018
Net sales	**$ 3,762**	$ 3,223
Operating profit	**$ 379**	$ 311
Operating margin	**10.1%**	9.6%

RMS' net sales in the first quarter of 2019 increased $539 million, or 17 percent, compared to the same period in 2018. The increase was primarily attributable to higher net sales of approximately $295 million for integrated warfare systems and sensors (IWSS) programs due to higher volume (primarily Radar Surveillance Systems and Multi Mission Surface Combatant) and about $170 million for Sikorsky helicopter programs due to higher volume (primarily the combat rescue helicopter program, military aircraft services, and mission systems programs).

RMS' operating profit in the first quarter of 2019 increased $68 million, or 22 percent, compared to the same period in 2018. Operating profit increased approximately $30 million for IWSS programs due to higher risk retirements and higher volume (primarily Radar Surveillance Systems), partially offset by a $50 million charge for a ground-based radar program; about $15 million for Sikorsky helicopter programs primarily due to higher risk retirements and higher volume for mission systems programs, partially offset by lower margin contracts for helicopter development programs. The increase in operating profit also included an increase of about $15 million for C6ISR (command, control, communications, computers, cyber, combat systems, intelligence, surveillance, and reconnaissance) programs due to lower charges for various programs. Adjustments not related to volume, including net profit booking rate adjustments and other matters, were about $30 million higher in the first quarter of 2019 compared to the same period in 2018.

Space

(in millions)	Quarters Ended March 31, 2019	Quarters Ended March 25, 2018
Net sales	**$ 2,640**	$ 2,337
Operating profit	**$ 334**	$ 264
Operating margin	**12.7%**	11.3%

Space's net sales in the first quarter of 2019 increased $303 million, or 13 percent, compared to the same period in 2018. The increase was primarily attributable to higher net sales of $260 million for government satellite programs due to higher volume (primarily Next Generation Overhead Persistent Infrared (Next Gen OPIR); Global Positioning System (GPS) III; government satellite services; and Advanced Extremely High Frequency (AEHF)); and about $50 million for the Orion program due to higher volume.

Space's operating profit in the first quarter of 2019 increased $70 million, or 27 percent, compared to the same period in 2018. Operating profit increased approximately $65 million for government satellite programs due to higher risk retirements (primarily AEHF) and higher volume (primarily GPS III; government satellite services; and AEHF); and about $15 million for the Orion program due to higher risk retirements and higher volume. These increases were partially offset by a decrease of approximately $20 million due to lower equity earnings for ULA. Adjustments not related to volume, including net profit booking rate adjustments, were about $70 million higher in the first quarter of 2019, compared to the same period in 2018.

Total equity earnings recognized by Space (primarily ULA) represented approximately $65 million, or 19 percent, of Space's operating profit in the first quarter of 2019, compared to approximately $85 million, or 32 percent, in the first quarter of 2018.

Income Taxes

The corporation’s effective income tax rate was 12.4 percent in the first quarter of 2019, compared to 14.9 percent in the first quarter of 2018. The rate for the first quarter of 2019 benefited from additional tax deductions based on proposed tax regulations released on March 4, 2019, which clarified that foreign military sales qualify for foreign derived intangible income treatment. Approximately $65 million, or $0.23 per share, of this benefit was recorded discretely because it relates to the prior year. The rates for both periods benefited from tax deductions for dividends paid to the corporation's defined contribution plans with an employee stock ownership plan feature, tax deductions for foreign derived intangible income related to direct commercial sales, tax deductions for employee equity awards, and the research and development tax credit.

Use of Non-GAAP Financial Measures

This news release contains the following non-generally accepted accounting principles (non-GAAP) financial measures (as defined by U.S. Securities and Exchange Commission Regulation G). While the corporation believes that these non-GAAP financial measures may be useful in evaluating the financial performance of Lockheed Martin, this information should be considered supplemental and is not a substitute for financial information prepared in accordance with GAAP. In addition, the corporation's definitions for non-GAAP financial measures may differ from similarly titled measures used by other companies or analysts.

Business segment operating profit represents the total earnings from the corporation's business segments before unallocated income and expense. This measure is used by the corporation's senior management in evaluating the performance of its business segments and is a performance goal in the corporation’s annual incentive plan. Business segment operating margin is calculated by dividing business segment operating profit by sales. The table below reconciles the non-GAAP measure business segment operating profit with the most directly comparable GAAP financial measure, consolidated operating profit.

(in millions)	2019 Financial Outlook	
	Current Update	**January 2019**
Business segment operating profit (non-GAAP)	**$6,100 - $6,250**	$6,000 - $6,150
FAS/CAS operating adjustment[1]	**~2,050**	~2,050
Other, net	**~(125)**	~(165)
Consolidated operating profit (GAAP)	**$8,025 - $8,175**	$7,885 - $8,035

1 Refer to the supplemental table "Other Financial and Operating Information" included in this news release for a detail of the FAS/CAS operating adjustment, which excludes $575 million of expected non-service cost that will be recorded in other non-operating expense, net.

Conference Call Information

Lockheed Martin Corporation will webcast live its first quarter 2019 earnings results conference call (listen-only mode) on Tuesday, April 23, 2019, at 11:00 a.m. ET. The live webcast and relevant financial charts will be available for download on the Lockheed Martin Investor Relations website at www.lockheedmartin.com/investor.

For additional information, visit our website: www.lockheedmartin.com.

About Lockheed Martin

Headquartered in Bethesda, Maryland, Lockheed Martin Corporation is a global security and aerospace company that employs approximately 105,000 people worldwide and is principally engaged in the research, design, development, manufacture, integration and sustainment of advanced technology systems, products and services.

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Forward-Looking Statements

This news release contains statements that, to the extent they are not recitations of historical fact, constitute forward-looking statements within the meaning of the federal securities laws, and are based on Lockheed Martin's current expectations and assumptions. The words "believe," "estimate," "anticipate," "project," "intend," "expect," "plan," "outlook," "scheduled," "forecast" and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to risks and uncertainties. Actual results may differ materially due to factors such as:

- the corporation's reliance on contracts with the U.S. Government, which are conditioned upon the availability of funding and can be terminated by the U.S. Government for convenience, and the corporation's ability to negotiate favorable contract terms;
- budget uncertainty; affordability initiatives; the risk of future sequestration under the Budget Control Act of 2011 or other budget cuts; the impact of any future government shutdowns (including the potential that the corporation works on unfunded contracts to preserve their cost and/or schedule); continuing delay in obtaining export approvals from the Department of State resulting from the prior shutdown and staffing shortages; or the potential that DoD funds are repurposed;
- risks related to the development, production, sustainment, performance, schedule, cost and requirements of complex and technologically advanced programs including the corporation's largest, the F-35 program;
- economic, industry, business and political conditions including their effects on governmental policy (including government actions to prevent the sale or delivery of the corporation's products, such as delays in obtaining Congressional approvals for exports requiring Congressional notification to the Kingdom of Saudi Arabia, the United Arab Emirates and Turkey and the Pentagon's decision to suspend the sales of F-35 aircraft to Turkey), or other trade policies or sanctions (including potential sanctions on the Kingdom of Saudi Arabia);
- the corporation's success expanding into and doing business in adjacent markets and internationally; the differing risks posed by international sales, including those involving commercial relationships with unfamiliar customers and different cultures; its ability to recover investments, which is frequently dependent upon the successful operation of ventures that it does not control; and changes in foreign national priorities, and foreign government budgets;
- the competitive environment for the corporation's products and services, including increased pricing pressures, aggressive pricing in the absence of cost realism evaluation criteria, competition from outside the aerospace and defense industry, and increased bid protests;
- planned production rates for significant programs; compliance with stringent performance and reliability standards; materials availability;
- the performance and financial viability of key suppliers, teammates, ventures, venture partners, subcontractors and customers;
- the timing and customer acceptance of product deliveries;
- the corporation's ability to continue to innovate and develop new products and to attract and retain key personnel and transfer knowledge to new personnel; the impact of work stoppages or other labor disruptions;
- the impact of cyber or other security threats or other disruptions to the corporation's businesses;
- the corporation's ability to implement and continue and the timing and impact of capitalization changes such as share repurchases and dividend payments;

- timing and estimates regarding pension funding and the success of the corporation's efforts to reduce volatility of its outstanding pension obligations and to accelerate CAS cost recovery and recover certain associated costs from the U.S. Government;
- the corporation’s ability to recover certain costs under U.S. Government contracts and changes in contract mix;
- the accuracy of the corporation’s estimates and projections;
- movements in interest rates and other changes that may affect pension plan assumptions, equity, the level of the FAS/CAS adjustment and actual returns on pension plan assets;
- realizing the anticipated benefits of acquisitions or divestitures, ventures, teaming arrangements or internal reorganizations, and the corporation’s efforts to increase the efficiency of its operations and improve the affordability of its products and services;
- risk of an impairment of goodwill and intangible assets, investments or other long-term assets, including the potential impairment of goodwill, intangible assets and inventory recorded as a result of the acquisition of the Sikorsky business and the potential further impairment of its equity investment in Advanced Military Maintenance, Repair and Overhaul Center LLC (AMMROC);
- the adequacy of the corporation’s insurance and indemnities;
- the effect of changes in (or in the interpretation of) procurement and other regulations and policies affecting the corporation's industry, including export of its products from the U.S. and other countries, cost allowability or recovery, aggressive government positions with respect to the use and ownership of intellectual property and potential changes to the DoD’s acquisition regulations relating to progress payments and performance-based payments and a preference for fixed-price contracts;
- the effect of changes in accounting, taxation, or export laws, regulations, and policies; and
- the outcome of legal proceedings, bid protests, environmental remediation efforts, government investigations or government allegations that the corporation has failed to comply with law, other contingencies and U.S. Government identification of deficiencies in the corporation’s business systems.

These are only some of the factors that may affect the forward-looking statements contained in this news release. For a discussion identifying additional important factors that could cause actual results to vary materially from those anticipated in the forward-looking statements, see the corporation’s filings with the U.S. Securities and Exchange Commission (SEC) including, but not limited to, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Risk Factors” in the corporation’s Annual Report on Form 10-K for the year ended Dec. 31, 2018. The corporation’s filings may be accessed through the Investor Relations page of its website, www.lockheedmartin.com/investor, or through the website maintained by the SEC at www.sec.gov.

The corporation’s actual financial results likely will be different from those projected due to the inherent nature of projections. Given these uncertainties, forward-looking statements should not be relied on in making investment decisions. The forward-looking statements contained in this news release speak only as of the date of its filing. Except where required by applicable law, the corporation expressly disclaims a duty to provide updates to forward-looking statements after the date of this news release to reflect subsequent events, changed circumstances, changes in expectations, or the estimates and assumptions associated with them. The forward-looking statements in this news release are intended to be subject to the safe harbor protection provided by the federal securities laws.