

LOCKHEED MARTIN CORP  
Form 10-Q  
October 27, 2016  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**FORM 10-Q**

Quarterly Report Pursuant to Section 13 or 15(d)

of the Securities Exchange Act of 1934

**For the quarterly period ended September 25, 2016**

Commission File Number: 1-11437

**LOCKHEED MARTIN CORPORATION**

(Exact name of registrant as specified in its charter)

**Maryland**

(State or other jurisdiction of  
incorporation or organization)

**52-1893632**

(I.R.S. Employer Identification Number)

**6801 Rockledge Drive, Bethesda, Maryland**

(Address of principal executive offices)

**20817**

(Zip Code)

**(301) 897-6000**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES  NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES  NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer  Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES  NO

There were 292,977,354 shares of our common stock, \$1 par value per share, outstanding as of September 25, 2016.

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**For the Quarterly Period Ended September 25, 2016**

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	Quarters Ended		Nine Months Ended	
	September 25, 2016	September 27, 2015	September 25, 2016	September 27, 2015
<b>Net sales</b>				
Products	\$ 10,062	\$ 8,593	\$ 28,629	\$ 25,066
Services	1,489	1,467	4,867	3,950
Total net sales	11,551	10,060	33,496	29,016
<b>Cost of sales</b>				
Products	(9,027)	(7,668)	(25,787)	(22,238)
Services	(1,313)	(1,248)	(4,321)	(3,347)
Severance charges		(15)	(80)	(15)
Other unallocated, net	173	(32)	401	(61)
Total cost of sales	(10,167)	(8,963)	(29,787)	(25,661)
Gross profit	1,384	1,097	3,709	3,355
Other income, net	204	95	412	257
<b>Operating profit</b>	<b>1,588</b>	<b>1,192</b>	<b>4,121</b>	<b>3,612</b>
Interest expense	(162)	(104)	(492)	(301)
Other non-operating income, net	1	1	2	6
Earnings from continuing operations before income taxes	1,427	1,089	3,631	3,317
Income tax expense	(338)	(333)	(837)	(1,008)
Net earnings from continuing operations	1,089	756	2,794	2,309
Net earnings from discontinued operations	1,306	109	1,520	363
<b>Net earnings</b>	<b>\$ 2,395</b>	<b>\$ 865</b>	<b>\$ 4,314</b>	<b>\$ 2,672</b>
<b>Earnings per common share</b>				
Basic				
Continuing operations	\$ 3.64	\$ 2.45	\$ 9.25	\$ 7.41
Discontinued operations	4.38	0.35	5.03	1.16
Basic earnings per common share	\$ 8.02	\$ 2.80	\$ 14.28	\$ 8.57
Diluted				
Continuing operations	\$ 3.61	\$ 2.42	\$ 9.13	\$ 7.30
Discontinued operations	4.32	0.35	4.97	1.15
Diluted earnings per common share	\$ 7.93	\$ 2.77	\$ 14.10	\$ 8.45

**Cash dividends paid per common share**    \$    **1.65**            \$    1.50            \$    **4.95**            \$    4.50

The accompanying notes are an integral part of these unaudited consolidated financial statements.

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**Lockheed Martin Corporation**  
**Consolidated Statements of Comprehensive Income**  
**(unaudited; in millions)**

	Quarters Ended		Nine Months Ended	
	September 25, 2016	September 27, 2015	September 25, 2016	September 27, 2015
Net earnings	\$ 2,395	\$ 865	\$ 4,314	\$ 2,672
Other comprehensive income (loss), net of tax				
Postretirement benefit plans				
Recognition of previously deferred postretirement benefit plan amounts	175	212	521	637
Reclassifications from divestiture of IS&GS business segment	(134)		(134)	
Other, net	72	(77)	66	(88)
Other comprehensive income, net of tax	113	135	453	549
Comprehensive income	\$ 2,508	\$ 1,000	\$ 4,767	\$ 3,221

The accompanying notes are an integral part of these unaudited consolidated financial statements.

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

	September 25, 2016	December 31, 2015
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 2,895	\$ 1,090
Receivables, net	8,955	7,254
Inventories, net	4,852	4,819
Other current assets	408	441
Assets of discontinued operations		969
Total current assets	17,110	14,573
Property, plant and equipment, net	5,369	5,389
Goodwill	10,791	10,695
Intangible assets, net	4,205	4,022
Deferred income taxes	5,850	6,068
Other noncurrent assets	5,414	5,396
Assets of discontinued operations		3,161
Total assets	\$ 48,739	\$ 49,304
<b>Liabilities and equity</b>		
Current liabilities		
Accounts payable	\$ 2,840	\$ 1,745
Customer advances and amounts in excess of costs incurred	6,830	6,703
Salaries, benefits and payroll taxes	1,856	1,707
Current maturities of long-term debt		956
Other current liabilities	2,899	1,859
Liabilities of discontinued operations		948
Total current liabilities	14,425	13,918
Long-term debt, net	14,304	14,305
Accrued pension liabilities	11,859	11,807
Other postretirement benefit liabilities	1,083	1,070
Other noncurrent liabilities	4,638	4,902
Liabilities of discontinued operations		205
Total liabilities	46,309	46,207
Stockholders' equity		
Common stock, \$1 par value per share	291	303
Additional paid-in capital		



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Retained earnings	<b>13,023</b>	14,238
Accumulated other comprehensive loss	<b>(10,991)</b>	(11,444)
Total stockholders' equity	<b>2,323</b>	3,097
Noncontrolling interests in subsidiary	<b>107</b>	
Total equity	<b>2,430</b>	3,097
Total liabilities and equity	<b>\$ 48,739</b>	\$ 49,304

The accompanying notes are an integral part of these unaudited consolidated financial statements.

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

	<b>Nine Months Ended</b>	
	<b>September 25, September 27,</b>	
	<b>2016</b>	<b>2015</b>
<b>Operating activities</b>		
Net earnings	\$ 4,314	\$ 2,672
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation and amortization	888	726
Stock-based compensation	124	118
Severance charges	99	35
Gain on divestiture of IS&GS business segment	(1,234)	
Gain on step acquisition of AWE	(104)	
Changes in assets and liabilities		
Receivables, net	(1,537)	(861)
Inventories, net	(235)	(359)
Accounts payable	1,033	637
Customer advances and amounts in excess of costs incurred	57	(421)
Postretirement benefit plans	787	868
Income taxes	37	126
Other, net	231	196
Net cash provided by operating activities	<b>4,460</b>	<b>3,737</b>
<b>Investing activities</b>		
Capital expenditures	(627)	(500)
Other, net	76	89
Net cash used for investing activities	<b>(551)</b>	