

CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME

\$ in millions, except per share amounts	Year Ended December 31		
	2018	2017	2016
Sales			
Product	\$ 20,469	\$ 16,364	\$ 15,080
Service	9,626	9,640	9,626
Total sales	30,095	26,004	24,706
Operating costs and expenses			
Product	15,785	12,527	11,197
Service	7,519	7,547	7,600
General and administrative expenses	3,011	2,712	2,632
Operating income	3,780	3,218	3,277
Other (expense) income			
Interest expense	(562)	(360)	(301)
Net FAS (non-service) pension benefit	1,049	699	611
Mark-to-market pension and OPB (expense) benefit	(655)	536	(950)
Other, net	130	136	44
Earnings before income taxes	3,742	4,229	2,681
Federal and foreign income tax expense	513	1,360	638
Net earnings	\$ 3,229	\$ 2,869	\$ 2,043
Basic earnings per share	\$ 18.59	\$ 16.45	\$ 11.42
Weighted-average common shares outstanding, in millions	173.7	174.4	178.9
Diluted earnings per share	\$ 18.49	\$ 16.34	\$ 11.32
Weighted-average diluted shares outstanding, in millions	174.6	175.6	180.5
Net earnings (from above)	\$ 3,229	\$ 2,869	\$ 2,043
Other comprehensive loss			
Change in unamortized prior service credit, net of tax expense of \$19 in 2018, \$35 in 2017 and \$20 in 2016	(60)	(44)	(62)
Change in cumulative translation adjustment	(8)	(4)	(50)
Other, net	(6)	2	(1)
Other comprehensive loss, net of tax	(74)	(46)	(113)
Comprehensive income	\$ 3,155	\$ 2,823	\$ 1,930

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

\$ in millions, except par value	December 31	
	2018	2017
Assets		
Cash and cash equivalents	\$ 1,579	\$ 11,225
Accounts receivable, net	1,448	1,054
Unbilled receivables, net	5,026	3,465
Inventoried costs, net	654	398
Prepaid expenses and other current assets	973	445
Total current assets	9,680	16,587
Property, plant and equipment, net of accumulated depreciation of \$5,369 for 2018 and \$5,066 for 2017	6,372	4,225
Goodwill	18,672	12,455
Intangible assets, net	1,372	52
Deferred tax assets	94	447
Other non-current assets	1,463	1,362
Total assets	\$ 37,653	\$ 35,128
Liabilities		
Trade accounts payable	\$ 2,182	\$ 1,661
Accrued employee compensation	1,676	1,382
Advance payments and amounts in excess of costs incurred	1,917	1,761
Other current liabilities	2,499	2,288
Total current liabilities	8,274	7,092
Long-term debt, net of current portion of \$517 for 2018 and \$867 for 2017	13,883	14,399
Pension and OPB plan liabilities	5,755	5,511
Deferred tax liabilities	108	—
Other non-current liabilities	1,446	994
Total liabilities	29,466	27,996
Commitments and contingencies (Note 12)		
Shareholders' equity		
Preferred stock, \$1 par value; 10,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, \$1 par value; 800,000,000 shares authorized; issued and outstanding: 2018—170,607,336 and 2017—174,085,619	171	174
Paid-in capital	—	44
Retained earnings	8,068	6,913
Accumulated other comprehensive (loss) income	(52)	1
Total shareholders' equity	8,187	7,132
Total liabilities and shareholders' equity	\$ 37,653	\$ 35,128

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CONSOLIDATED STATEMENTS OF CASH FLOWS

\$ in millions	Year Ended December 31		
	2018	2017	2016
Operating activities			
Net earnings	\$ 3,229	\$ 2,869	\$ 2,043
Adjustments to reconcile to net cash provided by operating activities:			
Depreciation and amortization	800	475	456
Mark-to-market pension and OPB expense (benefit)	655	(536)	950
Stock-based compensation	86	94	93
Deferred income taxes	234	985	(60)
Changes in assets and liabilities:			
Accounts receivable, net	202	(209)	46
Unbilled receivables, net	(297)	(422)	(211)
Inventoried costs, net	(37)	25	(53)
Prepaid expenses and other assets	(56)	(92)	(117)
Accounts payable and other liabilities	381	570	18
Income taxes payable, net	(258)	(157)	148
Retiree benefits	(1,083)	(946)	(375)
Other, net	(29)	(43)	(125)
Net cash provided by operating activities	3,827	2,613	2,813
Investing activities			
Acquisition of Orbital ATK, net of cash acquired	(7,657)	—	—
Capital expenditures	(1,249)	(928)	(920)
Other, net	28	39	115
Net cash used in investing activities	(8,878)	(889)	(805)
Financing activities			
Payments of long-term debt	(2,276)	—	(321)
Net proceeds from issuance of long-term debt	—	8,245	749
Net (payments to) proceeds from credit facilities	(320)	(13)	135
Net borrowings on commercial paper	198	—	—
Common stock repurchases	(1,263)	(393)	(1,547)
Cash dividends paid	(821)	(689)	(640)
Payments of employee taxes withheld from share-based awards	(85)	(92)	(153)
Other, net	(28)	(98)	(9)
Net cash (used in) provided by financing activities	(4,595)	6,960	(1,786)
(Decrease) increase in cash and cash equivalents	(9,646)	8,684	222
Cash and cash equivalents, beginning of year	11,225	2,541	2,319
Cash and cash equivalents, end of year	\$ 1,579	\$ 11,225	\$ 2,541

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