

Lockheed Martin Corporation
Consolidated Statements of Earnings¹
(unaudited; in millions, except per share data)

	Quarters Ended		Six Months Ended	
	June 26, 2022	June 27, 2021	June 26, 2022	June 27, 2021
Net sales	\$ 15,446	\$ 17,029	\$ 30,410	\$ 33,287
Cost of sales ^{2,3}	(13,490)	(14,878)	(26,545)	(28,950)
Gross profit	1,956	2,151	3,865	4,337
Other income, net	7	41	31	37
Operating profit	1,963	2,192	3,896	4,374
Interest expense	(141)	(142)	(276)	(282)
Non-service FAS pension (expense) income ⁴	(1,331)	94	(1,191)	187
Other non-operating (expense) income, net ^{5,6}	(161)	26	(38)	102
Earnings before income taxes	330	2,170	2,391	4,381
Income tax expense	(21)	(355)	(349)	(729)
Net earnings	\$ 309	\$ 1,815	\$ 2,042	\$ 3,652
Effective tax rate	6.4 %	16.4 %	14.6 %	16.6 %
Earnings per common share				
Basic	\$ 1.16	\$ 6.54	\$ 7.65	\$ 13.13
Diluted	\$ 1.16	\$ 6.52	\$ 7.62	\$ 13.08
Weighted average shares outstanding				
Basic	265.8	277.4	267.0	278.1
Diluted	266.7	278.4	267.9	279.1
Common shares reported in stockholders' equity at end of period			264	276

¹ The company 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 26 for the second quarter of 2022 and June 27 for the second quarter of 2021. 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 company's fiscal year ends on Dec. 31.

² In the quarters ended June 26, 2022 and June 27, 2021, the company recognized net losses of \$61 million (\$46 million, or \$0.17 per share, after-tax) and net gains of \$24 million (\$18 million, or \$0.06 per share, after-tax) due to changes in the fair value of investments held in a trust for deferred compensation plans.

³ During the quarter ended June 27, 2021, the company recorded a loss of \$225 million (\$169 million, or \$0.61 per share, after-tax) at its Aeronautics business segment as a result of performance issues on a classified program.

⁴ During the quarter ended June 26, 2022, the company recognized a \$1.5 billion (\$1.2 billion, or \$4.33 per share, after-tax) noncash, non-operating pension settlement charge related to the purchase of group annuity contracts to transfer \$4.3 billion of gross pension obligations and related plan assets to an insurance company, which represents the accelerated recognition of actuarial losses that were included in the accumulated other comprehensive loss account within stockholders' equity.

⁵ Other non-operating (expense) income, net for the quarters ended June 26, 2022 and June 27, 2021 include net losses of \$143 million (\$107 million, or \$0.40 per share, after-tax) and net gains of \$14 million (\$11 million, or \$0.04 per share, after-tax) due to changes in the fair value of investments held in the Lockheed Martin Ventures Fund.

⁶ Other non-operating (expense) income, net for the quarter ended June 26, 2022 include a charge of \$34 million (\$26 million, or \$0.10 per share, after-tax) due to a debt refinancing transaction.

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

	Quarters Ended			Six Months Ended		
	June 26, 2022	June 27, 2021	% Change	June 26, 2022	June 27, 2021	% Change
Net sales						
Aeronautics	\$ 5,862	\$ 6,666	(12%)	\$ 12,263	\$ 13,053	(6%)
Missiles and Fire Control	2,747	2,944	(7%)	5,199	5,693	(9%)
Rotary and Mission Systems	4,012	4,242	(5%)	7,564	8,349	(9%)
Space	2,825	3,177	(11%)	5,384	6,192	(13%)
Total net sales	\$ 15,446	\$ 17,029	(9%)	\$ 30,410	\$ 33,287	(9%)
Operating profit						
Aeronautics ¹	\$ 612	\$ 572	7%	\$ 1,291	\$ 1,265	2%
Missiles and Fire Control	418	401	4%	802	797	1%
Rotary and Mission Systems	403	458	(12%)	751	891	(16%)
Space	268	335	(20%)	513	562	(9%)
Total business segment operating profit	1,701	1,766	(4%)	3,357	3,515	(4%)
Unallocated items						
FAS/CAS operating adjustment	425	489		851	978	
Severance and restructuring charges	-	-		-	(36)	
Other, net ²	(163)	(63)		(312)	(83)	
Total unallocated items	262	426	(38%)	539	859	(37%)
Total consolidated operating profit	\$ 1,963	\$ 2,192	(10%)	\$ 3,896	\$ 4,374	(11%)
Operating margin						
Aeronautics	10.4%	8.6%		10.5%	9.7%	
Missiles and Fire Control	15.2%	13.6%		15.4%	14.0%	
Rotary and Mission Systems	10.0%	10.8%		9.9%	10.7%	
Space	9.5%	10.5%		9.5%	9.1%	
Total business segment operating margin	11.0%	10.4%		11.0%	10.6%	
Total consolidated operating margin	12.7%	12.9%		12.8%	13.1%	

¹ During the quarter ended June 27, 2021, the company recorded a loss of \$225 million (\$169 million, or \$0.61 per share, after-tax) at its Aeronautics business segment as a result of performance issues on a classified program.

² Net earnings for the quarters ended June 26, 2022 and June 27, 2021 include net losses of \$61 million (\$46 million, or \$0.17 per share, after-tax) and net gains of \$24 million (\$18 million, or \$0.06 per share, after-tax) due to changes in the fair value of investments held in a trust for deferred compensation plans.

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

	June 26, 2022	Dec. 31, 2021
Assets		
Current assets		
Cash and cash equivalents	\$ 1,775	\$ 3,604
Receivables, net	3,401	1,963
Contract assets	11,753	10,579
Inventories	3,431	2,981
Other current assets	613	688
Total current assets	<u>20,973</u>	<u>19,815</u>
Property, plant and equipment, net	7,569	7,597
Goodwill	10,794	10,813
Intangible assets, net	2,584	2,706
Deferred income taxes	2,680	2,290
Other noncurrent assets	7,158	7,652
Total assets	<u>\$ 51,758</u>	<u>\$ 50,873</u>
Liabilities and equity		
Current liabilities		
Accounts payable	\$ 2,309	\$ 780
Salaries, benefits and payroll taxes	2,935	3,108
Contract liabilities	8,077	8,107
Other current liabilities	3,158	2,002
Total current liabilities	<u>16,479</u>	<u>13,997</u>
Long-term debt, net	11,644	11,670
Accrued pension liabilities	5,808	8,319
Other noncurrent liabilities	6,395	5,928
Total liabilities	<u>40,326</u>	<u>39,914</u>
Stockholders' equity		
Common stock, \$1 par value per share	264	271
Additional paid-in capital	-	94
Retained earnings	19,336	21,600
Accumulated other comprehensive loss	(8,168)	(11,006)
Total stockholders' equity	<u>11,432</u>	<u>10,959</u>
Total liabilities and equity	<u>\$ 51,758</u>	<u>\$ 50,873</u>

Table 3

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

	Six Months Ended	
	June 26, 2022	June 27, 2021
Operating activities		
Net earnings	\$ 2,042	\$ 3,652
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation and amortization	672	670
Stock-based compensation	134	127
Deferred income taxes	(1,172)	24
Pension settlement charge	1,470	-
Severance and restructuring charges	-	36
Changes in assets and liabilities		
Receivables, net	(1,438)	(633)
Contract assets	(1,174)	(1,880)
Inventories	(450)	426
Accounts payable	1,522	743
Contract liabilities	(30)	(166)
Income taxes	1,065	33
Qualified defined benefit pension plans	(231)	(133)
Other, net	331	117
Net cash provided by operating activities	2,741	3,016
Investing activities		
Capital expenditures	(572)	(599)
Other, net	(11)	210
Net cash used for investing activities	(583)	(389)
Financing activities		
Issuance of long-term debt, net of related costs	2,267	-
Repayments of long-term debt	(2,250)	-
Repurchases of common stock	(2,356)	(1,500)
Dividends paid	(1,511)	(1,460)
Other, net	(137)	(82)
Net cash used for financing activities	(3,987)	(3,042)
Net change in cash and cash equivalents	(1,829)	(415)
Cash and cash equivalents at beginning of period	3,604	3,160
Cash and cash equivalents at end of period	\$ 1,775	\$ 2,745

Table 4

Lockheed Martin Corporation
Other Supplemental Information
(unaudited; in millions)

Our pretax FAS (expense) income related to our qualified defined benefit pension plans consisted of the following:

	Quarters Ended		Six Months Ended	
	June 26, 2022	June 27, 2021	June 26, 2022	June 27, 2021
Qualified defined benefit pension plans				
Operating:				
Service cost	\$ (24)	\$ (27)	\$ (48)	\$ (54)
Non-operating:				
Interest cost	(303)	(310)	(605)	(621)
Expected return on plan assets	503	569	1,005	1,138
Recognized net actuarial losses	(151)	(252)	(301)	(504)
Amortization of prior service credits	90	87	180	174
Pension settlement charge	(1,470)	-	(1,470)	-
Non-service FAS pension (expense) income	(1,331)	94	(1,191)	187
Total FAS pension (expense) income	(1,355)	67	(1,239)	133
Less: pension settlement charge	1,470	-	1,470	-
Total FAS pension income - adjusted¹	\$ 115	\$ 67	\$ 231	\$ 133

¹ Total FAS pension (expense) income – adjusted is a non-GAAP measure. See the "Use of Non-GAAP Financial Measures" section of this news release for more information.

Our total net FAS/CAS pension adjustment for the quarters and six months ended June 26, 2022 and June 27, 2021, including the service and non-service cost components of FAS pension (expense) income for our qualified defined benefit pension plans, were as follows:

	Quarters Ended		Six Months Ended	
	June 26, 2022	June 27, 2021	June 26, 2022	June 27, 2021
Total FAS (expense) income and CAS costs				
FAS pension (expense) income	\$ (1,355)	\$ 67	\$ (1,239)	\$ 133
Less: CAS pension cost	449	516	899	1,032
Net FAS/CAS pension adjustment	(906)	583	(340)	1,165
Less: pension settlement charge	1,470	-	1,470	-
Net FAS/CAS pension adjustment - adjusted ¹	\$ 564	\$ 583	\$ 1,130	\$ 1,165
Service and non-service cost reconciliation				
FAS pension service cost	\$ (24)	\$ (27)	\$ (48)	\$ (54)
Less: CAS pension cost	449	516	899	1,032
FAS/CAS operating adjustment	425	489	851	978
Non-service FAS pension income	(1,331)	94	(1,191)	187
Net FAS/CAS pension adjustment	(906)	583	(340)	1,165
Less: pension settlement charge	1,470	-	1,470	-
Net FAS/CAS pension adjustment - adjusted ¹	\$ 564	\$ 583	\$ 1,130	\$ 1,165

¹ Net FAS/CAS pension adjustment – adjusted is a non-GAAP measure. See the "Use of Non-GAAP Financial Measures" section of this news release for more information.

Lockheed Martin Corporation
Selected Financial Data
(unaudited; in millions)

	2022 Outlook	2021 Actual
Total FAS expense and CAS cost		
Total FAS pension expense	\$ (1,060)	\$ (1,398)
Less: CAS pension cost	<u>1,800</u>	<u>2,066</u>
Total FAS/CAS pension adjustment	740	668
Less: pension settlement charge	<u>1,470</u>	<u>1,665</u>
Net FAS/CAS pension adjustment - adjusted ^{1,2}	<u>\$ 2,210</u>	<u>\$ 2,333</u>
 Service and non-service cost reconciliation		
FAS pension service cost	\$ (90)	\$ (106)
Less: CAS pension cost	<u>1,800</u>	<u>2,066</u>
FAS/CAS operating adjustment	1,710	1,960
FAS pension non-service expense	<u>(970)</u>	<u>(1,292)</u>
Total FAS/CAS pension adjustment	740	668
Less: pension settlement charge	<u>1,470</u>	<u>1,665</u>
Net FAS/CAS pension adjustment - adjusted ^{1,2}	<u>\$ 2,210</u>	<u>\$ 2,333</u>

¹ Total FAS/CAS pension adjustment – adjusted is a non-GAAP measure. See the "Use of Non-GAAP Financial Measures" section of this news release for more information.

² The cost components in the table above relate only to the company's qualified defined benefit pension plans. The company recognized a noncash, non-operating settlement charge of \$1,470 million in the second quarter of 2022, and \$1,665 million in the third quarter of 2021, related to the accelerated recognition of actuarial losses previously included in accumulated other comprehensive loss for certain pension plans as a result of the purchase of group annuity contracts from an insurance company.

Lockheed Martin Corporation

Other Financial and Operating Information

(unaudited; in millions, except for aircraft deliveries and weeks)

	Quarters Ended		Six Months Ended	
	June 26, 2022	June 27, 2021	June 26, 2022	June 27, 2021
Amortization of purchased intangibles				
Aeronautics	\$ 1	\$ 1	\$ 1	\$ 1
Missiles and Fire Control	-	-	1	1
Rotary and Mission Systems	58	58	116	116
Space	3	22	6	44
Total amortization of purchased intangibles	\$ 62	\$ 81	\$ 124	\$ 162

	June 26, 2022	Dec. 31, 2021
Backlog		
Aeronautics	\$ 43,828	\$ 49,118
Missiles and Fire Control	29,165	27,021
Rotary and Mission Systems	35,101	33,700
Space	26,547	25,516
Total backlog	\$ 134,641	\$ 135,355

	Quarters Ended		Six Months Ended	
	June 26, 2022	June 27, 2021	June 26, 2022	June 27, 2021
Aircraft Deliveries				
F-35	35	37	61	54
C-130J	6	6	11	8
Government helicopter programs	25	20	42	35
Commercial helicopter programs	-	-	-	1
International military helicopter programs	5	7	5	8

	Number of Weeks in Reporting Period ¹	
	2022	2021
First quarter	12	12
Second quarter	13	13
Third quarter	13	13
Fourth quarter	14	14

¹ Calendar quarters are typically comprised of 13 weeks. However, the company closes its books and records on the last Sunday of each month, except for the month of Dec., as its fiscal year ends on Dec. 31. As a result, the number of weeks in a reporting quarter may vary slightly during the year and for comparable prior year periods.