

Lockheed Martin Corporation
Consolidated Statements of Earnings ¹
(unaudited; in millions, except per share data)

	Quarters Ended	
	March 29, 2020	March 31, 2019
Net sales	\$ 15,651	\$ 14,336
Cost of sales	(13,560)	(12,148)
Gross profit	2,091	2,188
Other income, net ²	31	95
Operating profit	2,122	2,283
Interest expense	(148)	(171)
Other non-operating expense, net	56	(167)
Earnings before income taxes	2,030	1,945
Income tax expense ³	(313)	(241)
Net earnings	\$ 1,717	\$ 1,704
Effective tax rate	15.4 %	12.4 %
Earnings per common share		
Basic	\$ 6.10	\$ 6.03
Diluted	\$ 6.08	\$ 5.99
Weighted average shares outstanding		
Basic	281.3	282.5
Diluted	282.6	284.3
Common shares reported in stockholders' equity at end of period	279	281

¹ 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 March 29 for the first quarter of 2020 and March 31 for the first quarter of 2019. 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.

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 2018.

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

	Quarters Ended		% Change
	March 29, 2020	March 31, 2019	
Net sales			
Aeronautics	\$ 6,369	\$ 5,584	14 %
Missiles and Fire Control	2,619	2,350	11 %
Rotary and Mission Systems	3,746	3,762	- %
Space	2,917	2,640	10 %
Total net sales	\$ 15,651	\$ 14,336	9 %
Operating profit			
Aeronautics	\$ 672	\$ 585	15 %
Missiles and Fire Control	396	417	(5)%
Rotary and Mission Systems	376	379	(1)%
Space	281	334	(16)%
Total business segment operating profit	1,725	1,715	1 %
Unallocated items			
FAS/CAS operating adjustment	469	512	
Severance and restructuring charges	-	-	
Other, net ¹	(72)	56	
Total unallocated items	397	568	(30)%
Total consolidated operating profit	\$ 2,122	\$ 2,283	(7)%
Operating margin			
Aeronautics	10.6 %	10.5 %	
Missiles and Fire Control	15.1 %	17.7 %	
Rotary and Mission Systems	10.0 %	10.1 %	
Space	9.6 %	12.7 %	
Total business segment operating margin	11.0 %	12.0 %	
Total consolidated operating margin	13.6 %	15.9 %	

¹ 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.

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

	March 29, 2020 (unaudited)	Dec. 31, 2019
Assets		
Current assets		
Cash and cash equivalents	\$ 1,988	\$ 1,514
Receivables, net	2,892	2,337
Contract assets	10,189	9,094
Inventories	3,539	3,619
Other current assets	614	531
Total current assets	<u>19,222</u>	<u>17,095</u>
Property, plant and equipment, net	6,605	6,591
Goodwill	10,565	10,604
Intangible assets, net	3,142	3,213
Deferred income taxes	3,164	3,319
Other noncurrent assets	6,550	6,706
Total assets	<u>\$ 49,248</u>	<u>\$ 47,528</u>
Liabilities and equity		
Current liabilities		
Accounts payable	\$ 3,166	\$ 1,281
Contract liabilities	7,205	7,054
Salaries, benefits and payroll taxes	2,022	2,466
Current maturities of long-term debt and commercial paper	1,250	1,250
Other current liabilities	2,009	1,921
Total current liabilities	<u>15,652</u>	<u>13,972</u>
Long-term debt, net	11,439	11,404
Accrued pension liabilities	13,078	13,234
Other noncurrent liabilities	5,592	5,747
Total liabilities	<u>45,761</u>	<u>44,357</u>
Stockholders' equity		
Common stock, \$1 par value per share	279	280
Additional paid-in capital	-	-
Retained earnings	18,708	18,401
Accumulated other comprehensive loss	(15,541)	(15,554)
Total stockholders' equity	<u>3,446</u>	<u>3,127</u>
Noncontrolling interests in subsidiary	41	44
Total equity	<u>3,487</u>	<u>3,171</u>
Total liabilities and equity	<u>49,248</u>	<u>47,528</u>

Table 3

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

	Quarters Ended	
	March 29, 2020	March 31, 2019
Operating activities		
Net earnings	\$ 1,717	\$ 1,704
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation and amortization	301	277
Stock-based compensation	42	37
Gain on property sale	-	(51)
Changes in assets and liabilities		
Receivables, net	(555)	(389)
Contract assets	(1,095)	(1,025)
Inventories	80	(288)
Accounts payable	1,894	744
Contract liabilities	151	305
Postretirement benefit plans	(39)	278
Income taxes	167	243
Other, net	(349)	(172)
Net cash provided by operating activities	2,314	1,663
Investing activities		
Capital expenditures	(293)	(284)
Other, net	(2)	27
Net cash used for investing activities	(295)	(257)
Financing activities		
Dividends paid	(693)	(638)
Repurchases of common stock	(756)	(281)
(Repayments of) proceeds from commercial paper, net	-	(200)
Other, net	(96)	(68)
Net cash used for financing activities	(1,545)	(1,187)
Net change in cash and cash equivalents	474	219
Cash and cash equivalents at beginning of period	1,514	772
Cash and cash equivalents at end of period	\$ 1,988	\$ 991

Table 4

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

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity	Noncontrolling Interests in Subsidiary	Total Equity
Balance at Dec. 31, 2019	\$ 280	\$ -	\$ 18,401	\$ (15,554)	\$ 3,127	\$ 44	\$ 3,171
Net earnings	-	-	1,717	-	1,717	-	1,717
Other comprehensive income, net of tax ¹	-	-	-	13	13	-	13
Repurchases of common stock ²	(2)	(29)	(733)	-	(764)	-	(764)
Dividends declared ³	-	-	(677)	-	(677)	-	(677)
Stock-based awards, ESOP activity and other	1	29	-	-	30	-	30
Net decrease in noncontrolling interests in subsidiary	-	-	-	-	-	(3)	(3)
Balance at March 29, 2020	\$ 279	\$ -	\$ 18,708	\$ (15,541)	\$ 3,446	\$ 41	\$ 3,487

¹ Primarily represents the reclassification adjustment for the recognition of prior period amounts related to pension and other postretirement benefit plans.

² Represents dividends of \$2.40 per share declared for the first quarter of 2020.

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

	2020 Outlook	2019 Actual
Total FAS expense and CAS costs		
FAS pension income (expense) ¹	\$ 115	\$ (1,093)
Less: CAS pension cost	<u>1,975</u>	<u>2,565</u>
Net FAS/CAS pension adjustment	<u>\$ 2,090</u>	<u>\$ 1,472</u>
Service and non-service cost reconciliation		
FAS pension service cost	\$ (100)	\$ (516)
Less: CAS pension cost	<u>1,975</u>	<u>2,565</u>
FAS/CAS operating adjustment	<u>1,875</u>	<u>2,049</u>
Non-operating FAS pension credit (cost) ²	<u>215</u>	<u>(577)</u>
Net FAS/CAS pension adjustment	<u>\$ 2,090</u>	<u>\$ 1,472</u>

¹ The corporation projects FAS pension income in 2020, compared to FAS pension expense in 2019, as a result of completing the planned freeze of its salaried pension plans effective Jan. 1, 2020 that was previously announced on July 1, 2014. The corporation's FAS pension expense is comprised of service cost, interest cost, expected return on plan assets, amortization of prior service credit, and amortization of actuarial losses. The service cost and amortization of actuarial losses components of FAS pension expense are significantly lower due to the freeze. As a result, the expected return on plan assets and amortization of prior service credit exceed all other FAS pension expense components in 2020. For additional information regarding the corporation's FAS pension expense or income and CAS pension cost, see the corporation's Annual Report on Form 10-K for the year ended Dec. 31, 2019.

² The corporation records the non-service cost components of net periodic benefit cost as part of other non-operating income (expense) in the consolidated statement 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 income (cost) for its qualified defined benefit pension plans in the table above, along with non-service cost for its other postretirement benefit plans of \$30 million, to total non-service credit of \$185 million for 2020. The corporation recorded non-service cost for its other postretirement benefit plans of \$116 million in 2019, in addition to its total non-service cost for its qualified defined benefit pension plans in the table above, for a total of \$693 million in 2019.

	March 29, 2020	Dec. 31, 2019
Backlog		
Aeronautics	\$ 52,886	\$ 55,636
Missiles and Fire Control	<u>27,070</u>	<u>25,796</u>
Rotary and Mission Systems	<u>37,484</u>	<u>34,296</u>
Space	<u>26,680</u>	<u>28,253</u>
Total backlog	<u>\$ 144,120</u>	<u>\$ 143,981</u>

	Quarters Ended	
	March 29, 2020	March 31, 2019
Aircraft Deliveries		
F-35	22	26
C-130J	3	5
C-5	-	-
Government helicopter programs	13	15
Commercial helicopter programs	-	-
International military helicopter programs	2	2

	2020	2019
Number of Weeks in Reporting Period		
First quarter	13	13
Second quarter	13	13
Third quarter	13	13
Fourth quarter	13	13

Table 6