

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

	Quarters Ended		Nine Months Ended	
	Sept. 26 2021	Sept. 27 2020	Sept. 26 2021	Sept. 27 2020
Net sales	\$ 16,028	\$ 16,495	\$ 49,315	\$ 48,366
Cost of sales	(13,726)	(14,359)	(42,676)	(41,926)
Gross profit	2,302	2,136	6,639	6,440
Other income (expense), net	(8)	11	29	(85)
Operating profit	2,294	2,147	6,668	6,355
Interest expense	(141)	(145)	(423)	(442)
Non-service FAS pension (expense) income ²	(1,572)	54	(1,385)	164
Other non-operating income (expense), net	98	-	200	(29)
Earnings from continuing operations before income taxes	679	2,056	5,060	6,048
Income tax expense	(65)	(303)	(794)	(952)
Net earnings from continuing operations	614	1,753	4,266	5,096
Net loss from discontinued operations ³	-	(55)	-	(55)
Net earnings	614	1,698	4,266	5,041
Effective tax rate	9.6 %	14.7 %	15.7 %	15.7 %
Earnings (loss) per common share				
Basic				
Continuing operations ²	\$ 2.22	\$ 6.28	\$ 15.37	\$ 18.19
Discontinued operations ³	-	(0.20)	-	(0.20)
Basic earnings per common share	\$ 2.22	\$ 6.08	\$ 15.37	\$ 17.99
Diluted				
Continuing operations ²	\$ 2.21	\$ 6.25	\$ 15.32	\$ 18.12
Discontinued operations ³	-	(0.20)	-	(0.20)
Diluted earnings per common share	\$ 2.21	\$ 6.05	\$ 15.32	\$ 17.92
Weighted average shares outstanding				
Basic	276.2	279.3	277.5	280.1
Diluted	277.3	280.6	278.5	281.3
Common shares reported in stockholders' equity at end of period			274	278

¹ The company closes its books and records on the last Sunday of the interim calendar quarter to align its financial closing with its business processes, which was on Sept. 26 for the third quarter of 2021 and Sept. 27 for the third quarter of 2020. 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 third quarter of 2021, the company recognized a \$1.7 billion (\$1.3 billion, or \$4.72 per share, after-tax) noncash pension settlement charge related to the purchase of group annuity contracts to transfer \$4.9 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.

³ Net loss from discontinued operations for the third quarter of 2020 include a \$55 million (\$0.20 per share) noncash charge resulting from the resolution of certain tax matters related to the former Information Systems & Global Solutions business divested in 2016.

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

	Quarters Ended			Nine Months Ended		
	Sept. 26 2021	Sept. 27 2020	% Change	Sept. 26 2021	Sept. 27 2020	% Change
Net sales						
Aeronautics	\$ 6,568	\$ 6,680	(2%)	\$ 19,621	\$ 19,552	-%
Missiles and Fire Control	2,781	2,971	(6%)	8,474	8,391	1%
Rotary and Mission Systems	3,980	3,998	-%	12,329	11,783	5%
Space	2,699	2,846	(5%)	8,891	8,640	3%
Total net sales	\$ 16,028	\$ 16,495	(3%)	\$ 49,315	\$ 48,366	2%
Operating profit						
Aeronautics	\$ 714	\$ 705	1%	\$ 1,979	\$ 2,116	(6%)
Missiles and Fire Control	413	405	2%	1,210	1,171	3%
Rotary and Mission Systems	459	404	14%	1,350	1,209	12%
Space	264	248	6%	826	781	6%
Total business segment operating profit	1,850	1,762	5%	5,365	5,277	2%
Unallocated items						
FAS/CAS operating adjustment	491	469		1,469	1,407	
Severance and restructuring charges	-	-		(36)	-	
Other, net	(47)	(84)		(130)	(329)	
Total unallocated items	444	385	15%	1,303	1,078	21%
Total consolidated operating profit	\$ 2,294	\$ 2,147	7%	\$ 6,668	\$ 6,355	5%
Operating margin						
Aeronautics	10.9%	10.6%		10.1%	10.8%	
Missiles and Fire Control	14.9%	13.6%		14.3%	14.0%	
Rotary and Mission Systems	11.5%	10.1%		10.9%	10.3%	
Space	9.8%	8.7%		9.3%	9.0%	
Total business segment operating margin	11.5%	10.7%		10.9%	10.9%	
Total consolidated operating margin	14.3%	13.0%		13.5%	13.1%	

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

	Sept. 26 2021 <u>(unaudited)</u>	Dec. 31 2020
Assets		
Current assets		
Cash and cash equivalents	\$ 2,727	\$ 3,160
Receivables, net	2,267	1,978
Contract assets	12,697	9,545
Inventories	2,903	3,545
Other current assets	763	1,150
Total current assets	<u>21,357</u>	<u>19,378</u>
Property, plant and equipment, net	7,332	7,213
Goodwill	10,815	10,806
Intangible assets, net	2,768	3,012
Deferred income taxes	2,664	3,475
Other noncurrent assets	6,907	6,826
Total assets	<u>\$ 51,843</u>	<u>\$ 50,710</u>
Liabilities and equity		
Current liabilities		
Accounts payable	\$ 1,520	\$ 880
Contract liabilities	7,515	7,545
Salaries, benefits and payroll taxes	3,122	3,163
Current maturities of long-term debt	6	500
Other current liabilities	2,863	1,845
Total current liabilities	<u>15,026</u>	<u>13,933</u>
Long-term debt, net	11,668	11,669
Accrued pension liabilities	9,351	12,874
Other noncurrent liabilities	6,167	6,196
Total liabilities	<u>42,212</u>	<u>44,672</u>
Stockholders' equity		
Common stock, \$1 par value per share	274	279
Additional paid-in capital	98	221
Retained earnings	21,476	21,636
Accumulated other comprehensive loss	(12,217)	(16,121)
Total stockholders' equity	<u>9,631</u>	<u>6,015</u>
Noncontrolling interests in subsidiary	-	23
Total equity	<u>9,631</u>	<u>6,038</u>
Total liabilities and equity	<u>\$ 51,843</u>	<u>\$ 50,710</u>

Table 3

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

	Nine Months Ended	
	Sept. 26 2021	Sept. 27 2020
Operating activities		
Net earnings	\$ 4,266	\$ 5,041
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation and amortization	999	927
Stock-based compensation	189	182
Equity method investment impairment	-	128
Tax resolution related to former IS&GS business	-	55
Pension settlement charge	1,665	-
Severance and restructuring charges	36	-
Changes in assets and liabilities		
Receivables, net	(289)	(143)
Contract assets	(3,152)	(1,294)
Inventories	642	326
Accounts payable	653	247
Contract liabilities	(30)	300
Income taxes	55	58
Postretirement benefit plans	(200)	(130)
Other, net	119	679
Net cash provided by operating activities	4,953	6,376
Investing activities		
Capital expenditures	(915)	(1,044)
Other, net	296	27
Net cash used for investing activities	(619)	(1,017)
Financing activities		
Dividends paid	(2,178)	(2,036)
Repurchases of common stock	(2,000)	(1,100)
Issuance of long-term debt, net of related costs	-	1,131
Repayments of long-term debt	(500)	(1,150)
Other, net	(89)	(133)
Net cash used for financing activities	(4,767)	(3,288)
Net change in cash and cash equivalents	(433)	2,071
Cash and cash equivalents at beginning of year	3,160	1,514
Cash and cash equivalents at end of year	\$ 2,727	\$ 3,585

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, 2020	\$ 279	\$ 221	\$ 21,636	\$ (16,121)	\$ 6,015	\$ 23	\$ 6,038
Net earnings	-	-	4,266	-	4,266	-	4,266
Other comprehensive income, net of tax ^{1,2}	-	-	-	3,904	3,904	-	3,904
Dividends declared ³	-	-	(2,954)	-	(2,954)	-	(2,954)
Repurchases of common stock	(6)	(522)	(1,472)	-	(2,000)	-	(2,000)
Stock-based awards, ESOP activity and other	1	399	-	-	400	-	400
Net decrease in noncontrolling interests in subsidiary	-	-	-	-	-	(23)	(23)
Balance at Sept. 26, 2021	\$ 274	\$ 98	\$ 21,476	\$ (12,217)	\$ 9,631	\$ -	\$ 9,631

¹ Includes the reclassification adjustment of \$387 million for the recognition of prior period amounts related to pension and other postretirement benefit plans.

² The company increased stockholders' equity by \$1.3 billion, due to recognition of a non-cash pension settlement charge related to the accelerated recognition of actuarial losses included in accumulated other comprehensive loss for certain defined benefit pension plans resulting from the purchase of group annuity contracts from an insurance company. As a result of the transaction, we were required to remeasure the benefit obligations and assets for the affected defined benefit pension plans resulting in an additional corresponding increase to stockholders' equity by \$2.3 billion. (See "Purchase of Group Annuity Contracts and Pension Remeasurement").

³ Represents dividends of \$2.60 per share declared for each of the first, second and third quarters of 2021 and dividends of \$2.80 per share declared for the fourth quarter of 2021.

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		Nine Months Ended	
	Sept. 26	Sept. 27	Sept. 26	Sept. 27
	2021	2020	2021	2020
Qualified defined benefit pension plans				
Operating:	\$ 26	\$ 25	\$ 80	\$ 76
Service cost				
Non-operating:				
Interest cost	302	385	923	1,154
Expected return on plan assets	(517)	(566)	(1,655)	(1,698)
Recognized net actuarial losses	210	213	714	637
Amortization of prior service credits	(88)	(86)	(262)	(257)
Pension settlement charge	1,665	-	1,665	-
Non-service FAS pension expense (income)	1,572	(54)	1,385	(164)
Total FAS pension expense (income)	1,598	(29)	1,465	(88)
Less: pension settlement charge	(1,665)	-	(1,665)	-
Total FAS pension (income) - adjusted¹	\$ (67)	\$ (29)	\$ (200)	\$ (88)

¹ Total FAS pension (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 nine months ended Sept. 26, 2021 and Sept. 27, 2020, including the service and non-service cost components of FAS pension income (expense) for our qualified defined benefit pension plans, were as follows:

	Quarters Ended		Nine Months Ended	
	Sept. 26	Sept. 27	Sept. 26	Sept. 27
	2021	2020	2021	2020
Total FAS (expense) income and CAS costs				
FAS pension (expense) income	\$ (1,598)	\$ 29	\$ (1,465)	\$ 88
Less: CAS pension cost	517	494	1,549	1,483
Net FAS/CAS pension adjustment	(1,081)	523	84	1,571
Less: pension settlement charge	1,665	-	1,665	-
Net FAS/CAS pension adjustment - adjusted ¹	\$ 584	\$ 523	\$ 1,749	\$ 1,571
Service and non-service cost reconciliation				
FAS pension service cost	\$ (26)	\$ (25)	\$ (80)	\$ (76)
Less: CAS pension cost	517	494	1,549	1,483
FAS/CAS operating adjustment	491	469	1,469	1,407
Non-service FAS pension (expense) income	(1,572)	54	(1,385)	164
Net FAS/CAS pension adjustment	(1,081)	523	84	1,571
Less: pension settlement charge	1,665	-	1,665	-
Net FAS/CAS pension adjustment - adjusted ¹	\$ 584	\$ 523	\$ 1,749	\$ 1,571

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.

	2021	2020
	Outlook	Actual
Total FAS (expense) income and CAS costs		
FAS pension (expense) income	\$ (1,400)	\$ 118
Less: CAS pension cost	2,065	1,977
Net FAS/CAS pension adjustment	665	2,095
Less: pension settlement charge	1,665	-
Net FAS/CAS pension adjustment - adjusted ^{1,2}	\$ 2,330	\$ 2,095
Service and non-service cost reconciliation		
FAS pension service cost	\$ (110)	\$ (101)
Less: CAS pension cost	2,065	1,977
FAS/CAS operating adjustment	1,955	1,876
Non-service FAS pension (expense) income	(1,290)	219
Net FAS/CAS pension adjustment	665	2,095
Less: pension settlement charge	1,665	-
Net FAS/CAS pension adjustment - adjusted ^{1,2}	\$ 2,330	\$ 2,095

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.

² The company recognized a noncash, non-operating settlement charge of \$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. The non-service cost components in the table above relate only to the company's qualified defined benefit pension plans. The company expects non-service FAS (expense) income for its qualified defined benefit pension plans in the table above (recorded as part of non-service FAS pension (expense) income in the consolidated statement of earnings), along with non-service income for its other postretirement benefit plans of \$5 million (recorded as part of other non-operating income (expense), net in the consolidated statement of earnings), to total non-service expense of \$1,285 million for 2021 inclusive of the pension settlement charge. The company recorded non-service expense for its other postretirement benefit plans of \$33 million in 2020, in addition to its non-service income for its qualified defined benefit pension plans in the table above, to total non-service income of \$186 million in 2020.

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

	Quarters Ended		Nine Months Ended	
	Sept. 26 2021	Sept. 27 2020	Sept. 26 2021	Sept. 27 2020
Amortization of purchased intangibles				
Aeronautics	\$ -	\$ -	\$ 1	\$ -
Missiles and Fire Control	1	1	2	2
Rotary and Mission Systems	58	58	174	174
Space	2	7	46	21
Total amortization of purchased intangibles	\$ 61	\$ 66	\$ 223	\$ 197

	Sept. 26 2021	Dec. 31 2020
Backlog		
Aeronautics	\$ 47,892	\$ 56,551
Missiles and Fire Control	27,582	29,183
Rotary and Mission Systems	34,100	36,249
Space	25,274	25,148
Total backlog	\$ 134,848	\$ 147,131

	Quarters Ended		Nine Months Ended	
	Sept. 26 2021	Sept. 27 2020	Sept. 26 2021	Sept. 27 2020
Aircraft Deliveries				
F-35	36	31	90	78
C-130J	7	3	15	11
Government helicopter programs	18	19	53	48
Commercial helicopter programs	1	-	2	-
International military helicopter programs	1	3	9	7

	2021	2020
Number of Weeks in Reporting Period¹		
First quarter	12	13
Second quarter	13	13
Third quarter	13	13
Fourth quarter	14	13

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.