

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

	Quarters Ended		Six Months Ended	
	June 27, 2021	June 28, 2020	June 27, 2021	June 28, 2020
Net sales	\$ 17,029	\$ 16,220	\$ 33,287	\$ 31,871
Cost of sales	(14,878)	(14,007)	(28,950)	(27,567)
Gross profit	2,151	2,213	4,337	4,304
Other income (expense), net ²	41	(127)	37	(96)
Operating profit³	2,192	2,086	4,374	4,208
Interest expense	(142)	(149)	(282)	(297)
Other non-operating income, net	120	25	289	81
Earnings before income taxes	2,170	1,962	4,381	3,992
Income tax expense	(355)	(336)	(729)	(649)
Net earnings	1,815	1,626	3,652	3,343
Effective tax rate	16.4 %	17.1 %	16.6 %	16.3 %
Earnings per common share				
Basic	\$ 6.54	5.81	\$ 13.13	\$ 11.92
Diluted	\$ 6.52	5.79	\$ 13.08	\$ 11.87
Weighted average shares outstanding				
Basic	277.4	279.8	278.1	280.5
Diluted	278.4	280.8	279.1	281.7
Common shares reported in stockholders' equity at end of period			276	278

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 27 for the second quarter of 2021 and June 28 for the second 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 second quarter of 2020, the company recognized a noncash impairment charge of \$128 million (\$96 million, or \$0.34 per share, after tax) for its investment in the international equity method investee, AMMROC which the company has sold.

³ The company has experienced performance issues on a classified program at its Aeronautics business segment. During the second quarter of 2021, the company completed a comprehensive review of the program determined that estimated total costs to complete the program are expected to exceed the contract price. As a result, the company recorded a loss of \$225 million (\$169 million, or \$0.61 per share, after tax) at its Aeronautics business segment.

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

	Quarters Ended			Six Months Ended		
	June 27, 2021	June 28, 2020	% Change	June 27, 2021	June 28, 2020	% Change
Net sales						
Aeronautics	\$ 6,666	\$ 6,503	3%	\$ 13,053	\$ 12,872	1%
Missiles and Fire Control	2,944	2,801	5%	5,693	5,420	5%
Rotary and Mission Systems	4,242	4,039	5%	8,349	7,785	7%
Space	3,177	2,877	10%	6,192	5,794	7%
Total net sales	\$ 17,029	\$ 16,220	5%	\$ 33,287	\$ 31,871	4%
Operating profit						
Aeronautics ¹	\$ 572	\$ 739	(23%)	\$ 1,265	\$ 1,411	(10%)
Missiles and Fire Control	401	370	8%	797	766	4%
Rotary and Mission Systems	458	429	7%	891	805	11%
Space	335	252	33%	562	533	5%
Total business segment operating profit	1,766	1,790	(1%)	3,515	3,515	-%
Unallocated items						
FAS/CAS operating adjustment	489	469		978	938	
Severance and restructuring charges	-	-		(36)	-	
Other, net ²	(63)	(173)		(83)	(245)	
Total unallocated items	426	296	44%	859	693	24%
Total consolidated operating profit	\$ 2,192	\$ 2,086	5%	\$ 4,374	\$ 4,208	4%
Operating margin						
Aeronautics	8.6%	11.4%		9.7%	11.0%	
Missiles and Fire Control	13.6%	13.2%		14.0%	14.1%	
Rotary and Mission Systems	10.8%	10.6%		10.7%	10.3%	
Space	10.5%	8.8%		9.1%	9.2%	
Total business segment operating margin	10.4%	11.0%		10.6%	11.0%	
Total consolidated operating margin	12.9%	12.9%		13.1%	13.2%	

¹ The company has experienced performance issues on a classified program at its Aeronautics business segment. During the second quarter of 2021, the company completed a comprehensive review of the program determined that estimated total costs to complete the program are expected to exceed the contract price. As a result, the company recorded a loss of \$225 million (\$169 million, or \$0.61 per share, after tax) at its Aeronautics business segment.

² In the second quarter of 2020, the company recognized a noncash impairment charge of \$128 million (\$96 million, or \$0.34 per share, after tax) for its investment in the international equity method investee, AMMROC which the company has sold.

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

	Quarters Ended		Six Months Ended	
	June 27, 2021	June 28, 2020	June 27, 2021	June 28, 2020
Amortization of purchased intangibles				
Aeronautics	\$ 1	\$ -	\$ 1	\$ -
Missiles and Fire Control	-	-	1	1
Rotary and Mission Systems	58	58	116	116
Space	22	7	44	14
Total amortization of purchased intangibles	\$ 81	\$ 65	\$ 162	\$ 131

	2021 Outlook	2020 Actual
Total FAS income and CAS costs		
FAS pension income	\$ 265	\$ 118
Less: CAS pension cost	2,065	1,977
Net FAS/CAS pension adjustment	\$ 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-operating FAS pension income ¹	375	219
Net FAS/CAS pension adjustment	\$ 2,330	\$ 2,095

¹ The company records the non-service cost components of net periodic benefit cost as part of other non-operating income in the consolidated statement of earnings. 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 income for its qualified defined benefit pension plans in the table above, along with non-service income for its other postretirement benefit plans of \$5 million, to total non-service income of \$380 million for 2021. The company recorded non-service cost 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.

Table 3

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

	June 27, 2021	Dec. 31, 2020
	(unaudited)	
Assets		
Current assets		
Cash and cash equivalents	\$ 2,745	\$ 3,160
Receivables, net	2,611	1,978
Contract assets	11,425	9,545
Inventories	3,119	3,545
Other current assets	774	1,150
Total current assets	<u>20,674</u>	<u>19,378</u>
Property, plant and equipment, net	7,290	7,213
Goodwill	10,810	10,806
Intangible assets, net	2,849	3,012
Deferred income taxes	3,377	3,475
Other noncurrent assets	7,099	6,826
Total assets	<u>\$ 52,099</u>	<u>\$ 50,710</u>
Liabilities and equity		
Current liabilities		
Accounts payable	\$ 1,608	\$ 880
Contract liabilities	7,379	7,545
Salaries, benefits and payroll taxes	3,029	3,163
Current maturities of long-term debt	506	500
Other current liabilities	2,720	1,845
Total current liabilities	<u>15,242</u>	<u>13,933</u>
Long-term debt, net	11,665	11,669
Accrued pension liabilities	12,412	12,874
Other noncurrent liabilities	6,250	6,196
Total liabilities	<u>45,569</u>	<u>44,672</u>
Stockholders' equity		
Common stock, \$1 par value per share	276	279
Additional paid-in capital	122	221
Retained earnings	21,961	21,636
Accumulated other comprehensive loss	(15,837)	(16,121)
Total stockholders' equity	<u>6,522</u>	<u>6,015</u>
Noncontrolling interests in subsidiary	8	23
Total equity	<u>6,530</u>	<u>6,038</u>
Total liabilities and equity	<u>\$ 52,099</u>	<u>\$ 50,710</u>

Table 4

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

	Six Months Ended	
	June 27, 2021	June 28, 2020
Operating activities		
Net earnings	\$ 3,652	\$ 3,343
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation and amortization	670	608
Stock-based compensation	127	115
Equity method investment impairment	-	128
Severance and restructuring charges	36	-
Changes in assets and liabilities		
Receivables, net	(633)	(498)
Contract assets	(1,880)	(727)
Inventories	426	98
Accounts payable	743	191
Contract liabilities	(166)	427
Postretirement benefit plans	(133)	(77)
Income taxes	33	473
Other, net	141	415
Net cash provided by operating activities	3,016	4,496
Investing activities		
Capital expenditures	(599)	(636)
Other, net	210	4
Net cash used for investing activities	(389)	(632)
Financing activities		
Dividends paid	(1,460)	(1,364)
Repurchases of common stock	(1,500)	(1,015)
Issuance of long-term debt, net of related costs	-	1,131
Repayments of current and long-term debt	-	(1,150)
Other, net	(82)	(125)
Net cash used for financing activities	(3,042)	(2,523)
Net change in cash and cash equivalents	(415)	1,341
Cash and cash equivalents at beginning of year	3,160	1,514
Cash and cash equivalents at end of year	\$ 2,745	\$ 2,855

Table 5

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	-	-	3,652	-	3,652	-	3,652
Other comprehensive income, net of tax ¹	-	-	-	284	284	-	284
Dividends declared ²	-	-	(2,179)	-	(2,179)	-	(2,179)
Repurchases of common stock	(4)	(348)	(1,148)	-	(1,500)	-	(1,500)
Stock-based awards, ESOP activity and other	1	249	-	-	250	-	250
Net decrease in noncontrolling interests in subsidiary	-	-	-	-	-	(15)	(15)
Balance at June 27, 2021	\$ 276	\$ 122	\$ 21,961	\$ (15,837)	\$ 6,522	\$ 8	\$ 6,530

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 \$2.60 per share declared for each of the first, second and third quarters of 2021. In the second quarter, the company declared the second and third quarter dividends. However, the third quarter dividend will be paid in Sept. 2021.

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

	June 27, 2021	Dec. 31, 2020
Backlog		
Aeronautics	\$ 50,296	\$ 56,551
Missiles and Fire Control	29,285	29,183
Rotary and Mission Systems	35,329	36,249
Space	26,754	25,148
Total backlog	\$ 141,664	\$ 147,131

	Quarters Ended		Six Months Ended	
	June 27, 2021	June 28, 2020	June 27, 2021	June 28, 2020
Aircraft Deliveries				
F-35	37	25	54	47
C-130J	6	5	8	8
Government helicopter programs	20	16	35	29
Commercial helicopter programs	-	-	1	-
International military helicopter programs	7	2	8	4

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

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