

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

| | Quarters Ended Dec. 31, | | Years Ended Dec. 31, | |
|---|-------------------------|--------------|----------------------|--------------|
| | 2020 | 2019 | 2020 | 2019 |
| Net sales | \$ 17,032 | \$ 15,878 | \$ 65,398 | \$ 59,812 |
| Cost of sales ¹ | (14,818) | (13,755) | (56,744) | (51,445) |
| Gross profit | 2,214 | 2,123 | 8,654 | 8,367 |
| Other (expense) income, net ^{2,3,4} | 75 | 26 | (10) | 178 |
| Operating profit | 2,289 | 2,149 | 8,644 | 8,545 |
| Interest expense | (149) | (157) | (591) | (653) |
| Other non-operating income (expense), net | 47 | (160) | 182 | (651) |
| Earnings from continuing operations before income taxes | 2,187 | 1,832 | 8,235 | 7,241 |
| Income tax expense ⁵ | (395) | (334) | (1,347) | (1,011) |
| Net earnings from continuing operations | 1,792 | 1,498 | 6,888 | 6,230 |
| Net loss from discontinued operations ⁵ | - | - | (55) | - |
| Net earnings | 1,792 | 1,498 | 6,833 | 6,230 |
| Effective tax rate | 18.1 % | 18.2 % | 16.4 % | 14.0 % |
| Earnings (loss) per common share | | | | |
| Basic | | | | |
| Continuing operations | \$ 6.41 | \$ 5.32 | \$ 24.60 | \$ 22.09 |
| Discontinued operations ⁶ | - | - | (0.20) | - |
| Basic earnings per common share | \$ 6.41 | \$ 5.32 | \$ 24.40 | \$ 22.09 |
| Diluted | | | | |
| Continuing operations | \$ 6.38 | \$ 5.29 | \$ 24.50 | \$ 21.95 |
| Discontinued operations ⁶ | - | - | (0.20) | - |
| Diluted earnings per common share | \$ 6.38 | \$ 5.29 | \$ 24.30 | \$ 21.95 |
| Weighted average shares outstanding | | | | |
| Basic | 279.7 | 281.4 | 280.0 | 282.0 |
| Diluted | 281.0 | 283.3 | 281.2 | 283.8 |
| Common shares reported in stockholders' equity at end of period | | | 279 | 280 |

- ¹ In the quarter and year ended Dec. 31, 2020, the corporation recognized severance charges of \$27 million (\$21 million, or \$0.08 per share, after-tax) primarily related to corporate functions.
- ² In the year ended Dec. 31, 2020, the corporation recognized a non-cash impairment charge of \$128 million (\$96 million, or \$0.34 per share, after tax) for its investment in the international equity method investee, Advanced Military Maintenance, Repair and Overhaul Center (AMMROC).
- ³ In the year ended Dec. 31, 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.
- ⁴ In the quarter and year ended Dec. 31, 2019, the corporation recognized a gain of \$34 million (approximately \$0 after-tax) for the sale of its Distributed Energy Solutions business, a commercial energy service provider that was part of its Missiles and Fire Control business segment.
- ⁵ Net earnings for the year ended Dec. 31, 2019 included benefits of \$127 million (\$0.45 per share), from the discrete recording of additional tax deductions related to 2018, primarily attributable to foreign derived intangible income treatment based on proposed tax regulations released on March 4, 2019 and a change in tax accounting method.
- ⁶ Net loss from discontinued operations for the year ended Dec. 31, 2020 includes a \$55 million (\$0.20 per share) non-cash charge resulting from the resolution of certain tax matters related to the former IS&GS business divested in 2016.

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

| | Quarters Ended Dec. 31, | | | Years Ended Dec. 31, | | |
|--|-------------------------|------------------|--------------|----------------------|------------------|--------------|
| | 2020 | 2019 | % Change | 2020 | 2019 | % Change |
| Net sales | | | | | | |
| Aeronautics | \$ 6,714 | \$ 6,381 | 5% | \$ 26,266 | \$ 23,693 | 11% |
| Missiles and Fire Control | 2,866 | 2,769 | 4% | 11,257 | 10,131 | 11% |
| Rotary and Mission Systems | 4,212 | 3,889 | 8% | 15,995 | 15,128 | 6% |
| Space | 3,240 | 2,839 | 14% | 11,880 | 10,860 | 9% |
| Total net sales | \$ 17,032 | \$ 15,878 | 7% | \$ 65,398 | \$ 59,812 | 9% |
| Operating profit | | | | | | |
| Aeronautics | \$ 727 | \$ 679 | 7% | \$ 2,843 | \$ 2,521 | 13% |
| Missiles and Fire Control | 374 | 348 | 7% | 1,545 | 1,441 | 7% |
| Rotary and Mission Systems | 406 | 353 | 15% | 1,615 | 1,421 | 14% |
| Space | 368 | 260 | 42% | 1,149 | 1,191 | (4%) |
| Total business segment operating profit | 1,875 | 1,640 | 14% | 7,152 | 6,574 | 9% |
| Unallocated items | | | | | | |
| FAS/CAS operating adjustment | 469 | 512 | | 1,876 | 2,049 | |
| Severance charges | (27) | - | | (27) | - | |
| Other, net ^{1,2,3} | (28) | (3) | | (357) | (78) | |
| Total unallocated items | 414 | 509 | (19%) | 1,492 | 1,971 | (24%) |
| Total consolidated operating profit | \$ 2,289 | \$ 2,149 | 7% | \$ 8,644 | \$ 8,545 | 1% |
| Operating margin | | | | | | |
| Aeronautics | 10.8% | 10.6% | | 10.8% | 10.6% | |
| Missiles and Fire Control | 13.0% | 12.6% | | 13.7% | 14.2% | |
| Rotary and Mission Systems | 9.6% | 9.1% | | 10.1% | 9.4% | |
| Space | 11.4% | 9.2% | | 9.7% | 11.0% | |
| Total business segment operating margin | 11.0% | 10.3% | | 10.9% | 11.0% | |
| Total consolidated operating margin | 13.4% | 13.5% | | 13.2% | 14.3% | |

¹ In the year ended Dec. 31, 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.

² In the year ended Dec. 31, 2020, the corporation recognized a non-cash impairment charge of \$128 million (\$96 million, or \$0.34 per share, after tax) for its investment in the international equity method investee, AMMROC.

³ In the quarter and year ended Dec. 31, 2019, the corporation recognized a gain of \$34 million (approximately \$0 after-tax) for the sale of its Distributed Energy Solutions business, a commercial energy service provider that was part of its Missiles and Fire Control business segment.

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

| | Dec. 31 2020 | Dec. 31 2019 |
|--|-------------------------|-------------------------|
| | (unaudited) | |
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 3,160 | \$ 1,514 |
| Receivables, net | 1,978 | 2,337 |
| Contract assets | 9,545 | 9,094 |
| Inventories | 3,545 | 3,619 |
| Other current assets | 1,150 | 531 |
| Total current assets | <u>19,378</u> | <u>17,095</u> |
| Property, plant and equipment, net | 7,213 | 6,591 |
| Goodwill | 10,806 | 10,604 |
| Intangible assets, net | 3,012 | 3,213 |
| Deferred income taxes | 3,475 | 3,319 |
| Other noncurrent assets | 6,826 | 6,706 |
| Total assets | <u>\$ 50,710</u> | <u>\$ 47,528</u> |
| Liabilities and equity | | |
| Current liabilities | | |
| Accounts payable | \$ 880 | \$ 1,281 |
| Contract liabilities | 7,545 | 7,054 |
| Salaries, benefits and payroll taxes | 3,163 | 2,466 |
| Current maturities of long-term debt | 500 | 1,250 |
| Other current liabilities | 1,845 | 1,921 |
| Total current liabilities | <u>13,933</u> | <u>13,972</u> |
| Long-term debt, net | 11,669 | 11,404 |
| Accrued pension liabilities | 12,874 | 13,234 |
| Other noncurrent liabilities | 6,196 | 5,747 |
| Total liabilities | <u>44,672</u> | <u>44,357</u> |
| Stockholders' equity | | |
| Common stock, \$1 par value per share | 279 | 280 |
| Additional paid-in capital | 221 | - |
| Retained earnings | 21,636 | 18,401 |
| Accumulated other comprehensive loss | (16,121) | (15,554) |
| Total stockholders' equity | <u>6,015</u> | <u>3,127</u> |
| Noncontrolling interests in subsidiary | 23 | 44 |
| Total equity | <u>6,038</u> | <u>3,171</u> |
| Total liabilities and equity | <u>\$ 50,710</u> | <u>\$ 47,528</u> |

Table 3

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

| | Years Ended Dec. 31, | |
|--|-----------------------------|-----------------|
| | 2020 | 2019 |
| Operating activities | | |
| Net earnings | \$ 6,833 | \$ 6,230 |
| Adjustments to reconcile net earnings to net cash provided by operating activities | | |
| Depreciation and amortization | 1,290 | 1,189 |
| Stock-based compensation | 221 | 189 |
| Equity method investment impairment | 128 | - |
| Tax resolution related to former IS&GS business | 55 | - |
| Deferred income taxes | 5 | 222 |
| Severance charges | 27 | - |
| Gain on property sale | - | (51) |
| Changes in assets and liabilities | | |
| Receivables, net | 359 | 107 |
| Contract assets | (451) | 378 |
| Inventories | 74 | (622) |
| Accounts payable | (372) | (1,098) |
| Contract liabilities | 491 | 563 |
| Postretirement benefit plans | (1,197) | 81 |
| Income taxes | (19) | (151) |
| Other, net | 739 | 274 |
| Net cash provided by operating activities | 8,183 | 7,311 |
| Investing activities | | |
| Capital expenditures | (1,766) | (1,484) |
| Acquisitions of businesses | (282) | |
| Other, net | 38 | 243 |
| Net cash used for investing activities | (2,010) | (1,241) |
| Financing activities | | |
| Repurchases of common stock | (1,100) | (1,200) |
| Dividends paid | (2,764) | (2,556) |
| Repayments of commercial paper, net | - | (600) |
| Repayments of current and long-term debt | (1,650) | (900) |
| Issuance of long-term debt, net of related costs | 1,131 | - |
| Other, net | (144) | (72) |
| Net cash used for financing activities | (4,527) | (5,328) |
| Net change in cash and cash equivalents | 1,646 | 742 |
| Cash and cash equivalents at beginning of year | 1,514 | 772 |
| Cash and cash equivalents at end of year | \$ 3,160 | \$ 1,514 |

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 |
|--|-------------------------|---|------------------------------|---|---|---|-------------------------|
| Dec. 31, 2019 | \$ 280 | \$ - | \$ 18,401 | \$ (15,554) | \$ 3,127 | \$ 44 | \$ 3,171 |
| Net earnings | - | - | 6,833 | - | 6,833 | - | 6,833 |
| Other comprehensive income, net of tax ¹ | - | - | - | (567) | (567) | - | (567) |
| Repurchases of common stock | (3) | (256) | (841) | - | (1,100) | - | (1,100) |
| Dividends declared ² | - | - | (2,757) | - | (2,757) | - | (2,757) |
| Stock-based awards, ESOP activity and other | 2 | 477 | - | - | 479 | - | 479 |
| Net decrease in noncontrolling interests in subsidiary | - | - | - | - | - | (21) | (21) |
| Dec. 31, 2020 | \$ 279 | \$ 221 | \$ 21,636 | \$ (16,121) | \$ 6,015 | \$ 23 | \$ 6,038 |

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 each of the first, second and third quarters of 2020 and dividends of \$2.60 per share declared for the fourth quarter of 2020.

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

| | 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 | <u>\$ 2,330</u> | <u>\$ 2,095</u> |
| 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 | <u>\$ 2,330</u> | <u>\$ 2,095</u> |

¹ The corporation 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 corporation's qualified defined benefit pension plans. The corporation expects total non-service income for its qualified defined benefit pension plans in the table above, along with non-service cost for its other postretirement benefit plans of \$35 million, to total non-service credit of \$340 million for 2021. The corporation recorded non-service cost for its other postretirement benefit plans of \$33 million in 2020, in addition to its total non-service credit for its qualified defined benefit pension plans in the table above, for a total non-service credit of \$186 million in 2020.

| | Dec. 31, 2020 | Dec. 31, 2019 |
|----------------------------|-------------------|-------------------|
| Backlog | | |
| Aeronautics | \$ 56,551 | \$ 55,636 |
| Missiles and Fire Control | 29,183 | 25,796 |
| Rotary and Mission Systems | 36,249 | 34,296 |
| Space ¹ | 25,148 | 28,253 |
| Total backlog | <u>\$ 147,131</u> | <u>\$ 143,981</u> |

¹ Space backlog at Dec. 31, 2020 was reduced by approximately \$1.0 billion due to the U.K. Ministry of Defense's intent to re-nationalize the AWE program on June 30, 2021.

| Aircraft Deliveries | Quarters Ended Dec. 31, | | Years Ended Dec. 31, | |
|--|-------------------------|------|----------------------|------|
| | 2020 | 2019 | 2020 | 2019 |
| F-35 | 42 | 51 | 120 | 134 |
| C-130J | 10 | 9 | 22 | 28 |
| Government helicopter programs | 32 | 24 | 80 | 85 |
| International military helicopter programs | 8 | 8 | 15 | 13 |

| Number of Weeks in Reporting Period ¹ | 2021 | 2020 | 2019 |
|--|---------------|------|------|
| | First quarter | 12 | 13 |
| Second quarter | 13 | 13 | 13 |
| Third quarter | 13 | 13 | 13 |
| Fourth quarter | 14 | 13 | 13 |

¹ Quarters are typically 13 weeks in length but, due to our fiscal year ending on Dec. 31, the number of weeks in a reporting period may vary slightly during the year and for comparable prior year periods.