UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 25, 2022

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______ to ______

Commission file number: 1-11437

LOCKHEED MARTIN CORPORATION

(Exact name of registrant as specified in its charter)

Maryland	**52-1893632**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
6801 Rockledge Drive, Bethesda, Maryland	**20817**
(Address of principal executive offices)	(Zip Code)

(301) 897-6000
(Registrant’s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, $1 par value	LMT	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non–accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b–2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non–accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

There were 262,073,963 shares of our common stock, $1 par value per share, outstanding as of October 14, 2022.

Lockheed Martin Corporation
Form 10-Q
For the Quarterly Period Ended September 25, 2022
Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

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

	Quarters Ended		Nine Months Ended	
	September 25, 2022	September 26, 2021	September 25, 2022	September 26, 2021
Net sales				
Products	**$ 14,011**	$ 13,475	**$ 39,266**	$ 41,486
Services	**2,572**	2,553	**7,727**	7,829
Total net sales	**16,583**	16,028	**46,993**	49,315
Cost of sales				
Products	**(12,547)**	(11,838)	**(35,103)**	(36,985)
Services	**(2,243)**	(2,332)	**(6,780)**	(7,000)
Severance and restructuring charges	**—**	—	**—**	(36)
Other unallocated, net	**327**	444	**875**	1,345
Total cost of sales	**(14,463)**	(13,726)	**(41,008)**	(42,676)
Gross profit	**2,120**	2,302	**5,985**	6,639
Other income (expense), net	**39**	(8)	**70**	29
Operating profit	**2,159**	2,294	**6,055**	6,668
Interest expense	**(145)**	(141)	**(421)**	(423)
Non-service FAS pension income (expense)	**111**	(1,572)	**(1,080)**	(1,385)
Other non-operating (expense) income, net	**(26)**	98	**(64)**	200
Earnings before income taxes	**2,099**	679	**4,490**	5,060
Income tax expense	**(321)**	(65)	**(670)**	(794)
Net earnings	**$ 1,778**	$ 614	**$ 3,820**	$ 4,266
Earnings per common share				
Basic	**$ 6.73**	$ 2.22	**$ 14.36**	$ 15.37
Diluted	**$ 6.71**	$ 2.21	**$ 14.31**	$ 15.32
Cash dividends paid per common share	**$ 2.80**	$ 2.60	**$ 8.40**	$ 7.80

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Lockheed Martin Corporation
Consolidated Statements of Comprehensive Income
(unaudited; in millions)

	Quarters Ended		Nine Months Ended	
	September 25, 2022	**September 26, 2021**	**September 25, 2022**	**September 26, 2021**
Net earnings	**$ 1,778**	$ 614	**$ 3,820**	$ 4,266
Other comprehensive income, net of tax				
Postretirement benefit plans				
Net actuarial gain recognized due to plan remeasurements, net of tax of $44 million and $505 million in 2022 and $613 million in 2021	**162**	2,258	**1,860**	2,258
Amounts reclassified from accumulated other comprehensive loss, net of tax of $1 million and $27 million in 2022 and $30 million and $105 million in 2021	**(2)**	107	**93**	387
Pension settlement charge, net of tax of $314 million in 2022 and $355 million in 2021	**—**	1,310	**1,156**	1,310
Other, net, net of tax of $6 million and $12 million in 2022 and $4 million and $8 million in 2021	**(126)**	(55)	**(237)**	(51)
Other comprehensive income, net of tax	**34**	3,620	**2,872**	3,904
Comprehensive income	**$ 1,812**	$ 4,234	**$ 6,692**	$ 8,170

The accompanying notes are an integral part of these unaudited consolidated financial statements.

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

	September 25, 2022	December 31, 2021
	(unaudited)	
Assets		
Current assets		
Cash and cash equivalents	$ 2,430	$ 3,604
Receivables, net	2,484	1,963
Contract assets	12,333	10,579
Inventories	3,113	2,981
Other current assets	600	688
Total current assets	20,960	19,815
Property, plant and equipment, net	7,629	7,597
Goodwill	10,764	10,813
Intangible assets, net	2,521	2,706
Deferred income taxes	3,116	2,290
Other noncurrent assets	7,040	7,652
Total assets	$ 52,030	$ 50,873
Liabilities and equity		
Current liabilities		
Accounts payable	$ 2,622	$ 780
Salaries, benefits and payroll taxes	3,151	3,108
Contract liabilities	8,059	8,107
Other current liabilities	2,515	2,002
Total current liabilities	16,347	13,997
Long-term debt, net	11,480	11,670
Accrued pension liabilities	5,745	8,319
Other noncurrent liabilities	6,492	5,928
Total liabilities	40,064	39,914
Stockholders' equity		
Common stock, $1 par value per share	261	271
Additional paid-in capital	—	94
Retained earnings	19,839	21,600
Accumulated other comprehensive loss	(8,134)	(11,006)
Total stockholders' equity	11,966	10,959
Total liabilities and equity	$ 52,030	$ 50,873

The accompanying notes are an integral part of these unaudited consolidated financial statements.

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

	Nine Months Ended	
	September 25, 2022	**September 26, 2021**
Operating activities		
Net earnings	**$ 3,820**	$ 4,266
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation and amortization	**965**	999
Stock-based compensation	**195**	189
Deferred income taxes	**(540)**	(235)
Pension settlement charge	**1,470**	1,665
Severance and restructuring charges	**—**	36
Changes in assets and liabilities		
Receivables, net	**(521)**	(289)
Contract assets	**(1,754)**	(3,152)
Inventories	**(132)**	642
Accounts payable	**1,834**	653
Contract liabilities	**(48)**	(30)
Income taxes	**113**	55
Qualified defined benefit pension plans	**(322)**	(200)
Other, net	**794**	354
Net cash provided by operating activities	**5,874**	4,953
Investing activities		
Capital expenditures	**(977)**	(915)
Other, net	**(4)**	296
Net cash used for investing activities	**(981)**	(619)
Financing activities		
Issuance of long-term debt, net of related costs	**2,267**	—
Repayments of long-term debt	**(2,250)**	(500)
Repurchases of common stock	**(3,694)**	(2,000)
Dividends paid	**(2,250)**	(2,178)
Other, net	**(140)**	(89)
Net cash used for financing activities	**(6,067)**	(4,767)
Net change in cash and cash equivalents	**(1,174)**	(433)
Cash and cash equivalents at beginning of period	**3,604**	3,160
Cash and cash equivalents at end of period	**$ 2,430**	$ 2,727

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Lockheed Martin Corporation
Consolidated Statements of Equity
For the Quarters Ended September 25, 2022 and September 26, 2021
(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 June 26, 2022	**$ 264**	**$ —**	**$ 19,336**	**$ (8,168)**	**$ 11,432**	**$ —**	**$ 11,432**
Net earnings	**—**	**—**	**1,778**	**—**	**1,778**	**—**	**1,778**
Other comprehensive income, net of tax	**—**	**—**	**—**	**34**	**34**	**—**	**34**
Dividends declared	**—**	**—**	**7**	**—**	**7**	**—**	**7**
Repurchases of common stock	**(3)**	**(148)**	**(1,282)**	**—**	**(1,433)**	**—**	**(1,433)**
Stock-based awards, ESOP activity and other	**—**	**148**	**—**	**—**	**148**	**—**	**148**
Balance at September 25, 2022	**$ 261**	**$ —**	**$ 19,839**	**$ (8,134)**	**$ 11,966**	**$ —**	**$ 11,966**
Balance at June 27, 2021	$ 276	$ 122	$ 21,961	$ (15,837)	$ 6,522	$ 8	$ 6,530
Net earnings	—	—	614	—	614	—	614
Other comprehensive income, net of tax	—	—	—	3,620	3,620	—	3,620
Dividends declared	—	—	(775)	—	(775)	—	(775)
Repurchases of common stock	(2)	(174)	(324)	—	(500)	—	(500)
Stock-based awards, ESOP activity and other	—	150	—	—	150	—	150
Net decrease in noncontrolling interests in subsidiary	—	—	—	—	—	(8)	(8)
Balance at September 26, 2021	$ 274	$ 98	$ 21,476	$ (12,217)	$ 9,631	$ —	$ 9,631

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Lockheed Martin Corporation
Consolidated Statements of Equity
For the Nine Months Ended September 25, 2022 and September 26, 2021
(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 December 31, 2021	**$ 271**	**$ 94**	**$ 21,600**	**$ (11,006)**	**$ 10,959**	**$ —**	**$ 10,959**
Net earnings	**—**	**—**	**3,820**	**—**	**3,820**	**—**	**3,820**
Other comprehensive income, net of tax	**—**	**—**	**—**	**2,872**	**2,872**	**—**	**2,872**
Dividends declared	**—**	**—**	**(2,239)**	**—**	**(2,239)**	**—**	**(2,239)**
Repurchases of common stock	**(11)**	**(453)**	**(3,342)**	**—**	**(3,806)**	**—**	**(3,806)**
Stock-based awards, ESOP activity and other	**1**	**359**	**—**	**—**	**360**	**—**	**360**
Balance at September 25, 2022	**$ 261**	**$ —**	**$ 19,839**	**$ (8,134)**	**$ 11,966**	**$ —**	**$ 11,966**
Balance at December 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	—	—	—	3,904	3,904	—	3,904
Dividends declared	—	—	(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 September 26, 2021	$ 274	$ 98	$ 21,476	$ (12,217)	$ 9,631	$ —	$ 9,631

The accompanying notes are an integral part of these unaudited consolidated financial statements.

NOTE 1 - BASIS OF PRESENTATION

We prepared these consolidated financial statements in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information, the instructions to Form 10-Q and Article 10 of U.S. Securities and Exchange Commission (SEC) Regulation S-X. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements.

In the opinion of management, these consolidated financial statements reflect all adjustments that are of a normal recurring nature necessary for a fair presentation of our results of operations, financial condition, and cash flows for the interim periods presented. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We base these estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Our actual results may differ materially from these estimates. Significant estimates inherent in the preparation of our consolidated financial statements include, but are not limited to, accounting for sales and cost recognition; postretirement benefit plans; environmental liabilities and assets for the portion of environmental costs that are probable of future recovery; evaluation of goodwill, intangible assets, investments and other assets for impairment; income taxes including deferred tax assets; fair value measurements; and contingencies. The consolidated financial statements include the accounts of subsidiaries we control and variable interest entities if we are the primary beneficiary. We eliminate intercompany balances and transactions in consolidation.

We close our books and records on the last Sunday of the interim calendar quarter, which was on September 25, for the third quarter of 2022 and September 26, for the third quarter of 2021, to align our financial closing with our business processes. The consolidated financial statements and tables of financial information included herein are labeled based on that convention. This practice only affects interim periods as our fiscal year ends on December 31.

The results of operations for the interim periods presented are not necessarily indicative of results to be expected for the full year or future periods. Unless otherwise noted, we present all per share amounts cited in these consolidated financial statements on a “per diluted share” basis. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2021 (2021 Form 10-K).

NOTE 2 - EARNINGS PER COMMON SHARE

The weighted average number of shares outstanding used to compute earnings per common share were as follows (in millions):

	Quarters Ended		Nine Months Ended	
	September 25, 2022	**September 26, 2021**	**September 25, 2022**	**September 26, 2021**
Weighted average common shares outstanding for basic computations	**264.1**	276.2	**266.0**	277.5
Weighted average dilutive effect of equity awards	**1.0**	1.1	**0.9**	1.0
Weighted average common shares outstanding for diluted computations	**265.1**	277.3	**266.9**	278.5

We compute basic and diluted earnings per common share by dividing net earnings by the respective weighted average number of common shares outstanding for the periods presented. Our calculation of diluted earnings per common share also includes the dilutive effects for the assumed vesting of outstanding restricted stock units (RSUs) and performance stock units (PSUs) based on the treasury stock method. There were no significant anti-dilutive equity awards during the quarters and nine months ended September 25, 2022 and September 26, 2021. Basic and diluted weighted average common shares outstanding decreased in 2022 compared to 2021 due to share repurchases. See “Note 9 - Stockholders’ Equity” for more information.

NOTE 3 - INFORMATION ON BUSINESS SEGMENTS

Overview

We operate in four business segments: Aeronautics, Missiles and Fire Control (MFC), Rotary and Mission Systems (RMS) and Space. We organize our business segments based on the nature of products and services offered.

Selected Financial Data by Business Segment

Net sales and operating profit of our business segments exclude intersegment sales, cost of sales, and profit as these activities are eliminated in consolidation and not included in management's evaluation of performance of each segment. Business segment operating profit includes our share of earnings or losses from equity method investees as the operating activities of the equity method investees are closely aligned with the operations of our business segments.

Summary Operating Results

Summary operating results for each of our business segments were as follows (in millions):

	Quarters Ended		Nine Months Ended	
	September 25, 2022	September 26, 2021	September 25, 2022	September 26, 2021
Net sales				
Aeronautics	**$ 7,089**	$ 6,568	**$ 19,352**	$ 19,621
Missiles and Fire Control	**2,831**	2,781	**8,030**	8,474
Rotary and Mission Systems	**3,781**	3,980	**11,345**	12,329
Space	**2,882**	2,699	**8,266**	8,891
Total net sales	**$ 16,583**	$ 16,028	**$ 46,993**	$ 49,315
Operating profit				
Aeronautics	**$ 759**	$ 714	**$ 2,050**	$ 1,979
Missiles and Fire Control	**382**	413	**1,184**	1,210
Rotary and Mission Systems	**414**	459	**1,165**	1,350
Space	**301**	264	**814**	826
Total business segment operating profit	**1,856**	1,850	**5,213**	5,365
Unallocated items				
FAS/CAS pension operating adjustment	**430**	491	**1,281**	1,469
Severance and restructuring charges	**—**	—	**—**	(36)
Other, net	**(127)**	(47)	**(439)**	(130)
Total unallocated items	**303**	444	**842**	1,303
Total consolidated operating profit	**$ 2,159**	$ 2,294	**$ 6,055**	$ 6,668
Intersegment sales				
Aeronautics	**$ 63**	$ 60	**$ 181**	$ 165
Missiles and Fire Control	**146**	153	**463**	449
Rotary and Mission Systems	**503**	455	**1,411**	1,381
Space	**102**	95	**284**	269
Total intersegment sales	**$ 814**	$ 763	**$ 2,339**	$ 2,264
Amortization of purchased intangibles				
Aeronautics	**$ —**	$ —	**$ (1)**	$ (1)
Missiles and Fire Control	**(1)**	(1)	**(2)**	(2)
Rotary and Mission Systems	**(58)**	(58)	**(174)**	(174)
Space	**(3)**	(2)	**(9)**	(46)
Total amortization of purchased intangibles	**$ (62)**	$ (61)	**$ (186)**	$ (223)

Unallocated Items

Business segment operating profit excludes the FAS/CAS pension operating adjustment described below, a portion of corporate costs not considered allowable or allocable to contracts with the U.S. Government under the applicable U.S. Government cost accounting standards (CAS) or federal acquisition regulations (FAR), and other items not considered part of management's evaluation of segment operating performance such as a portion of management and administration costs, legal fees and settlements, environmental costs, changes in the fair value of strategic investments in companies made by our Lockheed Martin Ventures Fund, stock-based compensation expense, changes in the fair value of investments held in a trust for deferred compensation plans, retiree benefits, significant severance actions, significant asset impairments, gains or losses from divestitures, and other miscellaneous corporate activities. Excluded items are included in the reconciling item "Unallocated items" between operating profit from our business segments and our consolidated operating profit. See "Note 10 - Other" for a discussion related to certain factors that may impact the comparability of net sales and operating profit of our business segments.

FAS/CAS Pension Operating Adjustment

We recover CAS pension and other postretirement benefit plan cost through the pricing of our products and services on U.S. Government contracts and, therefore, recognize CAS pension cost in each of our business segment's net sales and cost of sales. Our consolidated financial statements must present pension and other postretirement benefit plan income calculated in accordance with FAS requirements under U.S. GAAP. The operating portion of the total FAS/CAS pension adjustment represents the difference between the service cost component of FAS pension income (expense) and total CAS pension cost. The non-service FAS pension income (expense) components are included in non-service FAS pension income (expense) in our consolidated statements of earnings. As a result, to the extent that CAS pension cost exceeds the service cost component of FAS pension income (expense), we have a favorable FAS/CAS pension operating adjustment.

The total FAS/CAS pension adjustment for the quarters and nine months ended September 25, 2022 and September 26, 2021, including the service and non-service cost components of FAS pension income (expense) for our qualified defined benefit pension plans, were as follows (in millions):

	Quarters Ended		Nine Months Ended	
	September 25, 2022	**September 26, 2021**	**September 25, 2022**	**September 26, 2021**
Total FAS income (expense) and CAS cost				
FAS pension income (expense)	**$ 91**	$ (1,598)	**$ (1,148)**	$ (1,465)
Less: CAS pension cost	**450**	517	**1,349**	1,549
Total FAS/CAS pension adjustment	**$ 541**	$ (1,081)	**$ 201**	$ 84
Service and non-service cost reconciliation				
FAS pension service cost	**$ (20)**	$ (26)	**$ (68)**	$ (80)
Less: CAS pension cost	**450**	517	**1,349**	1,549
Total FAS/CAS pension operating adjustment	**430**	491	**1,281**	1,469
Non-service FAS pension income (expense)	**111**	(1,572)	**(1,080)**	(1,385)
Total FAS/CAS pension adjustment	**$ 541**	$ (1,081)	**$ 201**	$ 84

The total FAS/CAS pension adjustment for the nine months ended September 25, 2022 reflects a noncash, non-operating pension settlement charge of $1.5 billion ($1.2 billion, or $4.33 per share, after-tax) recognized in the second quarter in connection with the transfer of $4.3 billion of our gross defined benefit pension obligations and related plan assets to an insurance company on June 24, 2022. The total FAS/CAS pension adjustment during the quarter and nine months ended September 26, 2021 reflects a noncash, non-operating pension settlement charge of $1.7 billion ($1.3 billion, or $4.72 per share, after-tax) recognized in connection with the transfer of $4.9 billion of our gross defined benefit pension obligations and related plan assets to an insurance company on August 3, 2021. See "Note 6 - Postretirement Benefit Plans.

Disaggregation of Net Sales

Net sales by products and services, contract type, customer, and geographic region were as follows (in millions):

	Quarter Ended September 25, 2022				
	Aeronautics	MFC	RMS	Space	Total
Net sales					
Products	$ 6,072	$ 2,530	$ 2,968	$ 2,441	$ 14,011
Services	1,017	301	813	441	2,572
Total net sales	$ 7,089	$ 2,831	$ 3,781	$ 2,882	$ 16,583
Net sales by contract type					
Fixed-price	$ 5,217	$ 2,005	$ 2,436	$ 722	$ 10,380
Cost-reimbursable	1,872	826	1,345	2,160	6,203
Total net sales	$ 7,089	$ 2,831	$ 3,781	$ 2,882	$ 16,583
Net sales by customer					
U.S. Government	$ 4,728	$ 2,086	$ 2,721	$ 2,842	$ 12,377
International (a)	2,326	744	1,002	34	4,106
U.S. commercial and other	35	1	58	6	100
Total net sales	$ 7,089	$ 2,831	$ 3,781	$ 2,882	$ 16,583
Net sales by geographic region					
United States	$ 4,763	$ 2,087	$ 2,779	$ 2,848	$ 12,477
Europe	1,184	228	199	21	1,632
Asia Pacific	785	100	440	10	1,335
Middle East	255	374	181	3	813
Other	102	42	182	—	326
Total net sales	$ 7,089	$ 2,831	$ 3,781	$ 2,882	$ 16,583

	Nine Months Ended September 25, 2022				
	Aeronautics	MFC	RMS	Space	Total
Net sales					
Products	$ 16,293	$ 7,147	$ 8,906	$ 6,920	$ 39,266
Services	3,059	883	2,439	1,346	7,727
Total net sales	$ 19,352	$ 8,030	$ 11,345	$ 8,266	$ 46,993
Net sales by contract type					
Fixed-price	$ 13,819	$ 5,661	$ 7,243	$ 2,112	$ 28,835
Cost-reimbursable	5,533	2,369	4,102	6,154	18,158
Total net sales	$ 19,352	$ 8,030	$ 11,345	$ 8,266	$ 46,993
Net sales by customer					
U.S. Government	$ 12,904	$ 5,605	$ 8,017	$ 8,144	$ 34,670
International (a)	6,344	2,419	3,102	97	11,962
U.S. commercial and other	104	6	226	25	361
Total net sales	$ 19,352	$ 8,030	$ 11,345	$ 8,266	$ 46,993
Net sales by geographic region					
United States	$ 13,008	$ 5,611	$ 8,243	$ 8,169	$ 35,031
Europe	3,052	746	564	65	4,427
Asia Pacific	2,211	313	1,425	23	3,972
Middle East	739	1,256	558	9	2,562
Other	342	104	555	—	1,001
Total net sales	$ 19,352	$ 8,030	$ 11,345	$ 8,266	$ 46,993

	Quarter Ended September 26, 2021				
	Aeronautics	MFC	RMS	Space	Total
Net sales					
Products	$ 5,573	$ 2,429	$ 3,201	$ 2,272	$ 13,475
Services	995	352	779	427	2,553
Total net sales	$ 6,568	$ 2,781	$ 3,980	$ 2,699	$ 16,028
Net sales by contract type					
Fixed-price	$ 4,819	$ 1,900	$ 2,617	$ 631	$ 9,967
Cost-reimbursable	1,749	881	1,363	2,068	6,061
Total net sales	$ 6,568	$ 2,781	$ 3,980	$ 2,699	$ 16,028
Net sales by customer					
U.S. Government	$ 4,312	$ 1,938	$ 2,838	$ 2,671	$ 11,759
International [(a)]	2,229	847	1,047	22	4,145
U.S. commercial and other	27	(4)	95	6	124
Total net sales	$ 6,568	$ 2,781	$ 3,980	$ 2,699	$ 16,028
Net sales by geographic region					
United States	$ 4,339	$ 1,934	$ 2,933	$ 2,677	$ 11,883
Europe	910	226	213	32	1,381
Asia Pacific	890	81	409	(14)	1,366
Middle East	360	527	246	4	1,137
Other	69	13	179	—	261
Total net sales	$ 6,568	$ 2,781	$ 3,980	$ 2,699	$ 16,028

	Nine Months Ended September 26, 2021				
	Aeronautics	MFC	RMS	Space	Total
Net sales					
Products	$ 16,635	$ 7,410	$ 9,870	$ 7,571	$ 41,486
Services	2,986	1,064	2,459	1,320	7,829
Total net sales	$ 19,621	$ 8,474	$ 12,329	$ 8,891	$ 49,315
Net sales by contract type					
Fixed-price	$ 14,473	$ 5,769	$ 8,096	$ 1,890	$ 30,228
Cost-reimbursable	5,148	2,705	4,233	7,001	19,087
Total net sales	$ 19,621	$ 8,474	$ 12,329	$ 8,891	$ 49,315
Net sales by customer					
U.S. Government	$ 12,952	$ 6,155	$ 8,711	$ 7,941	$ 35,759
International [(a)]	6,611	2,316	3,384	926	13,237
U.S. commercial and other	58	3	234	24	319
Total net sales	$ 19,621	$ 8,474	$ 12,329	$ 8,891	$ 49,315
Net sales by geographic region					
United States	$ 13,010	$ 6,158	$ 8,945	$ 7,965	$ 36,078
Europe	2,708	640	637	931	4,916
Asia Pacific	2,697	188	1,593	(10)	4,468
Middle East	955	1,452	593	5	3,005
Other	251	36	561	—	848
Total net sales	$ 19,621	$ 8,474	$ 12,329	$ 8,891	$ 49,315

(a) International sales include foreign military sales (FMS) contracted through the U.S. Government and direct commercial sales to international governments and other international customers.

Our Aeronautics business segment includes our largest program, the F-35 Lightning II Joint Strike Fighter, an international multi-role, multi-variant, stealth fighter aircraft. Net sales for the F-35 program represented approximately 29% and 27% of our total consolidated net sales for the quarter and nine months ended September 25, 2022 and 28% and 27% of our total consolidated net sales for the quarter and nine months ended September 26, 2021.

Assets

Total assets for each of our business segments were as follows (in millions):

	September 25, 2022	December 31, 2021
Assets		
Aeronautics	**$ 12,080**	$ 10,756
Missiles and Fire Control	**5,560**	5,243
Rotary and Mission Systems	**17,792**	17,664
Space	**6,517**	6,199
Total business segment assets	**41,949**	39,862
Corporate assets [a]	**10,081**	11,011
Total assets	**$ 52,030**	$ 50,873

[a] Corporate assets primarily include cash and cash equivalents, deferred income taxes, assets for the portion of environmental costs that are probable of future recovery, property, plant and equipment, investments held in a separate trust for deferred compensation plans and investments held in the Lockheed Martin Ventures Fund.

NOTE 4 - CONTRACT ASSETS AND LIABILITIES

Contract assets include unbilled amounts typically resulting from sales under contracts when the percentage-of-completion cost-to-cost method of revenue recognition is utilized and revenue recognized exceeds the amount billed to the customer. Contract liabilities include advance payments and billings in excess of revenue recognized. Contract assets and contract liabilities were as follows (in millions):

	September 25, 2022	December 31, 2021
Contract assets	**$ 12,333**	$ 10,579
Contract liabilities	**8,059**	8,107

Contract assets increased $1.8 billion during the nine months ended September 25, 2022, due to the recognition of revenue related to the satisfaction or partial satisfaction of performance obligations during the nine months ended September 25, 2022 for which we have not yet billed our customers (primarily on the F-35 program at Aeronautics). There were no significant credit or impairment losses related to our contract assets during the quarters and nine months ended September 25, 2022 and September 26, 2021.

Contract liabilities decreased $48 million during the nine months ended September 25, 2022, primarily due to revenue recognized in excess of payments received on these performance obligations. During the quarter and nine months ended September 25, 2022, we recognized $742 million and $4.3 billion of our contract liabilities at December 31, 2021 as revenue. During the quarter and nine months ended September 26, 2021, we recognized $700 million and $3.9 billion of our contract liabilities at December 31, 2020 as revenue.

NOTE 5 - INVENTORIES

Inventories consisted of the following (in millions):

	September 25, 2022	December 31, 2021
Materials, spares and supplies	**$ 609**	$ 624
Work-in-process	**2,312**	2,163
Finished goods	**192**	194
Total inventories	**$ 3,113**	$ 2,981

Costs incurred to fulfill a contract in advance of the contract being awarded are included in inventories as work-in-process if we determine that those costs relate directly to a contract or to an anticipated contract that we can specifically identify and contract award is probable, the costs generate or enhance resources that will be used in satisfying performance obligations, and the costs are recoverable (referred to as pre-contract costs). Pre-contract costs that are initially capitalized in inventory are generally recognized as cost of sales consistent with the transfer of products and services to the customer upon the receipt of the anticipated contract. All other pre-contract costs, including start-up costs, are expensed as incurred. As of September 25, 2022 and December 31, 2021, $931 million and $634 million of pre-contract costs were included in inventories. The increase in pre-contract costs as of September 25, 2022 is primarily driven by our Aeronautics business segment (primarily F-35 program and classified contracts).

NOTE 6 - POSTRETIREMENT BENEFIT PLANS

FAS income (expense)

The pretax FAS income (expense) related to our qualified defined benefit pension plans and retiree medical and life insurance plans consisted of the following (in millions):

	Quarters Ended		Nine Months Ended	
	September 25, 2022	September 26, 2021	**September 25, 2022**	September 26, 2021
Qualified defined benefit pension plans				
Operating:				
Service cost	**$ (20)**	$ (26)	**$ (68)**	$ (80)
Non-operating:				
Interest cost	**(342)**	(302)	**(947)**	(923)
Expected return on plan assets	**425**	517	**1,430**	1,655
Recognized net actuarial losses	**(62)**	(210)	**(363)**	(714)
Amortization of prior service credits	**90**	88	**270**	262
Pension settlement charge	**—**	(1,665)	**(1,470)**	(1,665)
Non-service FAS pension income (expense)	**111**	(1,572)	**(1,080)**	(1,385)
Total FAS pension income (expense)	**$ 91**	$ (1,598)	**$ (1,148)**	$ (1,465)
Retiree medical and life insurance plans				
Operating:				
Service cost	**$ (3)**	$ (3)	**$ (7)**	$ (10)
Non-operating:				
Interest cost	**(12)**	(13)	**(36)**	(39)
Expected return on plan assets	**34**	35	**102**	105
Recognized net actuarial gains	**12**	—	**35**	—
Amortization of prior service costs	**(7)**	(9)	**(21)**	(27)
Non-service FAS retiree medical and life income	**27**	13	**80**	39
Total FAS retiree medical and life income	**$ 24**	$ 10	**$ 73**	$ 29

We record the service cost component of FAS income (expense) for our qualified defined benefit plans and retiree medical and life insurance plans in the cost of sales accounts; the non-service components of our FAS income (expense) for our qualified defined benefit pension plans in the non-service FAS pension income (expense) account; and the non-service components of our FAS income (expense) for our retiree medical and life insurance plans as part of the other non-operating income (expense), net account on our consolidated statements of earnings.

The recognized net actuarial losses or gains and amortization of prior service credits or costs in the table above, along with similar costs related to our other postretirement benefit plans ($30 million and $41 million for the quarter and nine months ended September 25, 2022 and $6 million and $13 million for the quarter and nine months ended September 26, 2021) were reclassified from accumulated other comprehensive loss (AOCL) and recorded as a component of FAS income (expense) for the periods presented. These costs totaled $(3) million ($(2) million, net of tax) and $120 million ($93 million, net of tax) during the quarter and nine months ended September 25, 2022, and $137 million ($107 million, net of tax) and $492 million ($387 million, net of tax) during the quarter and nine months ended September 26, 2021 and were recorded on our consolidated statements of comprehensive income as an increase to other comprehensive income.

Purchase of Group Annuity Contracts and Pension Remeasurement

As previously announced, on June 24, 2022, we purchased group annuity contracts to transfer $4.3 billion of gross defined benefit pension obligations and related plan assets to an insurance company for approximately 13,600 U.S.

retirees and beneficiaries. The group annuity contracts were purchased using assets from Lockheed Martin's master retirement trust and no additional funding contribution was required. This transaction had no impact on the amount, timing, or form of the monthly retirement benefit payments to the affected retirees and beneficiaries. In connection with this transaction, during the second quarter we recognized a noncash, non-operating pension settlement charge of $1.5 billion.

As a result of this transaction, we were required to remeasure the related plan benefit obligations and assets as of the June 24, 2022 close date reflecting the use of an updated discount rate and actual return on plan assets. The plan remeasurement resulted in a decrease of $2.2 billion to our net unfunded pension obligations, which includes a decrease in benefit obligation of $7.9 billion (primarily due to an increase in the discount rate from 2.875% at December 31, 2021 to 4.75%) and an incremental loss on plan assets of $5.7 billion. The corresponding increase of $1.7 billion after taxes was recognized in stockholders' equity. We now expect FAS pension expense of approximately $1.1 billion in 2022, inclusive of the noncash, non-operating pension settlement charge of $1.5 billion (pretax) described above.

The nine months ended September 26, 2021 reflect a noncash, non-operating pension settlement charge of $1.7 billion recognized in connection with the transfer of $4.9 billion of our gross defined benefit pension obligations and related plan assets to an insurance company on August 3, 2021.

Funding requirements

The required funding of our qualified defined benefit pension plans is determined in accordance with the Employee Retirement Income Security Act of 1974 (ERISA), as amended, along with consideration of CAS and Internal Revenue Code rules. We made no contributions to our qualified defined benefit pension plans during the quarters and nine months ended September 25, 2022 and September 26, 2021.

NOTE 7 - LEGAL PROCEEDINGS AND CONTINGENCIES

We are a party to litigation and other proceedings that arise in the ordinary course of our business, including matters arising under provisions relating to the protection of the environment, and are subject to contingencies related to certain businesses we previously owned. These types of matters could result in fines, penalties, cost reimbursements or contributions, compensatory or treble damages or non-monetary sanctions or relief. We believe the probability is remote that the outcome of each of these matters, including the legal proceedings described below, will have a material adverse effect on the corporation as a whole, notwithstanding that the unfavorable resolution of any matter may have a material effect on our net earnings and cash flows in any particular interim reporting period. Among the factors that we consider in this assessment are the nature of existing legal proceedings and claims, the asserted or possible damages or loss contingency (if estimable), the progress of the case, existing law and precedent, the opinions or views of legal counsel and other advisers, our experience in similar cases and the experience of other companies, the facts available to us at the time of assessment and how we intend to respond to the proceeding or claim. Our assessment of these factors may change over time as individual proceedings or claims progress.

As a U.S. Government contractor, we are subject to various audits and investigations by the U.S. Government to determine whether our operations are being conducted in accordance with applicable regulatory requirements. U.S. Government investigations of us, whether relating to government contracts or conducted for other reasons, could result in administrative, civil, or criminal liabilities, including repayments, fines or penalties being imposed upon us, suspension, proposed debarment, debarment from eligibility for future U.S. Government contracting, or suspension of export privileges. Suspension or debarment could have a material adverse effect on us because of our dependence on contracts with the U.S. Government. U.S. Government investigations often take years to complete and many result in no adverse action against us. We also provide products and services to customers outside of the U.S., which are subject to U.S. and foreign laws and regulations and foreign procurement policies and practices. Our compliance with local regulations or applicable U.S. Government regulations also may be audited or investigated.

In the normal course of business, we provide warranties to our customers associated with certain product sales. We record estimated warranty costs in the period in which the related products are delivered. The warranty liability is generally based on the number of months of warranty coverage remaining for the products delivered and the average historical monthly warranty payments. Warranty obligations incurred in connection with long-term production contracts are accounted for within the contract estimates at completion.

Although we cannot predict the outcome of legal or other proceedings with certainty, where there is at least a reasonable possibility that a loss may have been incurred, GAAP requires us to disclose an estimate of the reasonably possible loss or range of loss or make a statement that such an estimate cannot be made. We follow a thorough process in which we seek to estimate the reasonably possible loss or range of loss, and only if we are unable to make such an estimate do we conclude and disclose that an estimate cannot be made. Accordingly, unless otherwise indicated below in our discussion of legal proceedings, a reasonably possible loss or range of loss associated with any individual legal proceeding cannot be estimated.

Legal Proceedings

United States of America, ex rel. Patzer; Cimma v. Sikorsky Aircraft Corp., et al.

As a result of our acquisition of Sikorsky Aircraft Corporation (Sikorsky), we assumed the defense of and any potential liability for two civil False Claims Act lawsuits pending in the U.S. District Court for the Eastern District of Wisconsin. In October 2014, the U.S. Government filed a complaint in intervention in the first suit, which was brought by qui tam relator Mary Patzer, a former Derco Aerospace (Derco) employee. In May 2017, the U.S. Government filed a complaint in intervention in a second suit, which was brought by qui tam relator Peter Cimma, a former Sikorsky Support Services, Inc. (SSSI) employee. In November 2017, the Court consolidated the cases into a single action for discovery and trial.

The U.S. Government alleges that Sikorsky and two of its wholly-owned subsidiaries, Derco and SSSI, violated the civil False Claims Act and the Truth in Negotiations Act in connection with a contract the U.S. Navy awarded to SSSI in June 2006 to support the Navy's T-34 and T-44 fixed-wing turboprop training aircraft. SSSI subcontracted with Derco, primarily to procure and manage spare parts for the training aircraft. The U.S. Government contends that SSSI overbilled the Navy on the contract as the result of Derco's use of prohibited cost-plus-percentage-of-cost (CPPC) pricing to add profit and overhead costs as a percentage of the price of the spare parts that Derco procured and then sold to SSSI. The U.S. Government also alleges that Derco's claims to SSSI, SSSI's claims to the Navy, and SSSI's yearly Certificates of Final Indirect Costs from 2006 through 2012 were false and that SSSI submitted inaccurate cost or pricing data in violation of the Truth in Negotiations Act for a sole-sourced, follow-on "bridge" contract. The U.S. Government's complaints assert common law claims for breach of contract and unjust enrichment. On November 29, 2021, the District Court granted the U.S. Government's motion for partial summary judgment, finding that the Derco-SSSI agreement was a CPPC contract.

We believe that we have legal and factual defenses to the U.S. Government's remaining claims. The U.S. Government seeks damages of approximately $52 million, subject to trebling, plus statutory penalties. Although we continue to evaluate our liability and exposure, we do not currently believe that it is probable that we will incur a material loss. If, contrary to our expectations, the U.S. Government prevails on the remaining issues in this matter and proves damages at or near $52 million and is successful in having such damages trebled, the outcome could have an adverse effect on our results of operations in the period in which a liability is recognized and on our cash flows for the period in which any damages are paid.

Lockheed Martin v. Metropolitan Transportation Authority

On April 24, 2009, we filed a declaratory judgment action against the New York Metropolitan Transportation Authority and its Capital Construction Company (collectively, the MTA) asking the U.S. District Court for the Southern District of New York to find that the MTA is in material breach of our agreement based on the MTA's failure to provide access to sites where work must be performed and the customer-furnished equipment necessary to complete the contract. The MTA filed an answer and counterclaim alleging that we breached the contract and subsequently terminated the contract for alleged default. The primary damages sought by the MTA are the costs to complete the contract and potential re-procurement costs. While we are unable to estimate the cost of another contractor to complete the contract and the costs of re-procurement, we note that our contract with the MTA had a total value of $323 million, of which $241 million was paid to us, and that the MTA is seeking damages of approximately $190 million. We dispute the MTA's allegations and are defending against them. Additionally, following an investigation, our sureties on a performance bond related to this matter, who were represented by independent counsel, concluded that the MTA's termination of the contract was improper. Finally, our declaratory judgment action was later amended to include claims for monetary damages against the MTA of approximately $95 million. This matter was taken under submission by the District Court in December 2014, after a five-week bench trial and the filing of post-trial pleadings by the parties. We continue to await a decision from the District

Court. Although this matter relates to our former Information Systems & Global Solutions (IS&GS) business, we retained responsibility for the litigation when we divested IS&GS in 2016.

Environmental Matters

We are involved in proceedings and potential proceedings relating to soil, sediment, surface water, and groundwater contamination, disposal of hazardous substances, and other environmental matters at several of our current or former facilities, facilities for which we may have contractual responsibility, and at third-party sites where we have been designated as a potentially responsible party (PRP). A substantial portion of environmental costs will be included in our net sales and cost of sales in future periods pursuant to U.S. Government regulations. At the time a liability is recorded for future environmental costs, we record assets for estimated future recovery considered probable through the pricing of products and services to agencies of the U.S. Government, regardless of the contract form (e.g., cost-reimbursable, fixed-price). We continually evaluate the recoverability of our assets for the portion of environmental costs that are probable of future recovery by assessing, among other factors, U.S. Government regulations, our U.S. Government business base and contract mix, our history of receiving reimbursement of such costs, and efforts by some U.S. Government representatives to limit such reimbursement. We include the portions of those environmental costs expected to be allocated to our non-U.S. Government contracts, or determined not to be recoverable under U.S. Government contracts, in our cost of sales at the time the liability is established or adjusted.

At September 25, 2022 and December 31, 2021, the aggregate amount of liabilities recorded relative to environmental matters was $722 million and $742 million, most of which are recorded in other noncurrent liabilities on our consolidated balance sheets. We have recorded assets for the portion of environmental costs that are probable of future recovery totaling $627 million and $645 million at September 25, 2022 and December 31, 2021, most of which are recorded in other noncurrent assets on our consolidated balance sheets.

Environmental remediation activities usually span many years, which makes estimating liabilities a matter of judgment because of uncertainties with respect to assessing the extent of the contamination as well as such factors as changing remediation technologies and changing regulatory environmental standards. We are monitoring or investigating a number of former and present operating facilities for potential future remediation. We perform quarterly reviews of the status of our environmental remediation sites and the related liabilities and receivables. Additionally, in our quarterly reviews, we consider these and other factors in estimating the timing and amount of any future costs that may be required for remediation activities, and we record a liability when it is probable that a loss has occurred or will occur for a particular site and the loss can be reasonably estimated. The amount of liability recorded is based on our estimate of the costs to be incurred for remediation for that site. We do not discount the recorded liabilities, as the amount and timing of future cash payments are not fixed or cannot be reliably determined. We cannot reasonably determine the extent of our financial exposure in all cases as, although a loss may be probable or reasonably possible, in some cases it is not possible at this time to estimate the reasonably possible loss or range of loss. We project costs and recovery of costs over approximately 20 years.

We also pursue claims for recovery of costs incurred or for contribution to site remediation costs against other PRPs, including the U.S. Government, and are conducting remediation activities under various consent decrees, orders, and agreements relating to soil, groundwater, sediment, or surface water contamination at certain sites of former or current operations. Under agreements related to certain sites in California, New York, United States Virgin Islands and Washington, the U.S. Government and/or a private party reimburses us an amount equal to a percentage, specific to each site, of expenditures for certain remediation activities in their capacity as PRPs under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA).

In addition to the proceedings and potential proceedings discussed above, potential new regulations of perchlorate and hexavalent chromium at the federal and state level could adversely affect us. In particular, the U.S. Environmental Protection Agency (EPA) is considering whether to regulate hexavalent chromium at the federal level and the California State Water Resources Control Board continues to reevaluate its existing drinking water standard of 6 ppb for perchlorate.

If substantially lower standards are adopted for perchlorate in California or for hexavalent chromium at the federal level, we expect a material increase in our estimates for environmental liabilities and the related assets for the portion of the increased costs that are probable of future recovery in the pricing of our products and services for the U.S. Government. The amount that would be allocable to our non-U.S. Government contracts or that is determined not to be recoverable under U.S. Government contracts would be expensed, which may have a material effect on our earnings in any particular interim reporting period.

We also are evaluating the potential impact of existing and contemplated legal requirements addressing a class of chemicals known generally as per- and polyfluoroalkyl substances (PFAS). PFAS have been used ubiquitously, such as in fire-fighting foams, manufacturing processes, and stain- and stick-resistant products (e.g., Teflon, stain-resistant fabrics). Because we have used products and processes over the years containing some of those compounds, they likely exist as contaminants at many of our environmental remediation sites. Governmental authorities have announced plans, and in some instances have begun, to regulate certain of these compounds at extremely low concentrations in drinking water, which could lead to increased cleanup costs at many of our environmental remediation sites.

Letters of Credit, Surety Bonds and Third-Party Guarantees

We have entered into standby letters of credit and surety bonds issued on our behalf by financial institutions, and we have directly issued guarantees to third parties primarily relating to advances received from customers and the guarantee of future performance on certain contracts. Letters of credit and surety bonds generally are available for draw down in the event we do not perform. In some cases, we may guarantee the contractual performance of third parties such as joint venture partners. We had total outstanding letters of credit, surety bonds and third-party guarantees aggregating $3.6 billion at both September 25, 2022 and December 31, 2021. Third-party guarantees do not include guarantees issued on behalf of subsidiaries and other consolidated entities.

At September 25, 2022 and December 31, 2021, third-party guarantees totaled $863 million and $838 million, of which approximately 70% related to guarantees of contractual performance of joint ventures to which we currently are or previously were a party. These amounts represent our estimate of the maximum amounts we would expect to incur upon the contractual non-performance of the joint venture, joint venture partners or divested businesses. Generally, we also have cross-indemnities in place that may enable us to recover amounts that may be paid on behalf of a joint venture partner.

In determining our exposures, we evaluate the reputation, performance on contractual obligations, technical capabilities and credit quality of our current and former joint venture partners and the transferee under novation agreements all of which include a guarantee as required by the FAR. At September 25, 2022 and December 31, 2021, there were no material amounts recorded in our financial statements related to third-party guarantees or novation agreements.

NOTE 8 - FAIR VALUE MEASUREMENTS

Assets and liabilities measured and recorded at fair value on a recurring basis consisted of the following (in millions):

	September 25, 2022			December 31, 2021		
	Total	**Level 1**	**Level 2**	**Total**	**Level 1**	**Level 2**
Assets						
Mutual funds	**$ 862**	**$ 862**	**$ —**	$ 1,434	$ 1,434	$ —
U.S. Government securities	**125**	**—**	**125**	121	—	121
Other securities	**605**	**353**	**252**	684	492	192
Derivatives	**116**	**—**	**116**	15	—	15
Liabilities						
Derivatives	**303**	**—**	**303**	60	—	60
Assets measured at NAV [(a)]						
Other commingled funds	**—**			20		

(a) Net Asset Value (NAV) is the total value of the fund divided by the number of the fund’s shares outstanding.

Substantially all assets measured at fair value, other than derivatives, represent investments held in a separate trust to fund certain of our non-qualified deferred compensation plans and are recorded in other noncurrent assets on our consolidated balance sheets. The fair values of mutual funds and certain other securities are determined by reference to the quoted market price per unit in active markets multiplied by the number of units held without consideration of transaction costs. The fair values of U.S. Government and certain other securities are determined using pricing models that use observable inputs (e.g., interest rates and yield curves observable at commonly quoted intervals), bids provided by brokers or dealers or quoted prices of securities with similar characteristics. The fair values of derivative instruments, which consist of foreign currency forward contracts and option contracts, including embedded derivatives, and interest rate swap contracts, are primarily determined based on the present value of future cash flows using model-derived valuations that use observable inputs such as interest rates, credit spreads and foreign currency exchange rates.

We use derivative instruments principally to reduce our exposure to market risks from changes in foreign currency exchange rates and interest rates. We do not enter into or hold derivative instruments for speculative trading purposes. We transact business globally and are subject to risks associated with changing foreign currency exchange rates. We enter into foreign currency hedges such as forward and option contracts that change in value as foreign currency exchange rates change. Our most significant foreign currency exposures relate to the British pound sterling, the euro, the Canadian dollar, the Australian dollar, the Norwegian kroner and the Polish zloty. These contracts hedge forecasted foreign currency transactions in order to minimize fluctuations in our earnings and cash flows associated with changes in foreign currency exchange rates. We designate foreign currency hedges as cash flow hedges. We also are exposed to the impact of interest rate changes primarily through our borrowing activities. For fixed rate borrowings, we may use variable interest rate swaps, effectively converting fixed rate borrowings to variable rate borrowings in order to hedge changes in the fair value of the debt. These swaps are designated as fair value hedges. For variable rate borrowings, we may use fixed interest rate swaps, effectively converting variable rate borrowings to fixed rate borrowings in order to mitigate the impact of interest rate changes on earnings. These swaps are designated as cash flow hedges. We also may enter into derivative instruments that are not designated as hedges and do not qualify for hedge accounting, which are intended to mitigate certain economic exposures.

The aggregate notional amount of our outstanding interest rate swaps was $1.3 billion and $500 million at September 25, 2022 and December 31, 2021. The aggregate notional amount of our outstanding foreign currency hedges was $5.4 billion and $4.0 billion at September 25, 2022 and December 31, 2021. The fair values of our outstanding interest rate swaps and foreign currency hedges at September 25, 2022 and December 31, 2021 were not significant. Derivative instruments did not have a material impact on net earnings and comprehensive income during the quarters and nine months ended September 25, 2022 and September 26, 2021. The impact of derivative instruments on our consolidated statements of cash flows is included in net cash provided by operating activities. Substantially all of our derivatives are designated for hedge accounting.

We also hold investments in public companies, primarily as a result of investments in early-stage companies through our Lockheed Martin Ventures Fund. These investments have quoted market prices in active markets (Level 1) and are recorded at fair value and reflected in other securities in the table above. See “Note 10 - Other - Lockheed Martin Ventures Fund” for more information on Lockheed Martin Ventures investments.

In addition to the financial instruments listed in the table above, we hold other financial instruments, including cash and cash equivalents, receivables, accounts payable and debt. The carrying amounts for cash and cash equivalents, receivables and accounts payable approximated their fair values. The estimated fair value of our outstanding debt was $11.8 billion and $15.4 billion at September 25, 2022 and December 31, 2021. The outstanding principal amount of debt was $12.8 billion at both September 25, 2022 and December 31, 2021, excluding $1.2 billion and $1.1 billion of unamortized discounts and issuance costs at September 25, 2022 and December 31, 2021. The estimated fair values of our outstanding debt were determined based on the present value of future cash flows using model-derived valuations that use observable inputs such as interest rates and credit spreads (Level 2).

NOTE 9 - STOCKHOLDERS’ EQUITY

Repurchases of Common Stock

During the nine months ended September 25, 2022, we repurchased 11.1 million shares of our common stock for $3.8 billion, including pursuant to accelerated share repurchase (ASR) agreements and open market purchases. As previously disclosed, in January 2022, we received 2.2 million shares of our common stock for no additional consideration upon final settlement of the ASR we entered into in the fourth quarter of 2021. In addition, we repurchased 4.7 million shares for $2.0 billion under an ASR agreement that we entered into in the first quarter of 2022. Some of the shares repurchased during the third quarter of 2022 were settled subsequent to the end of the quarter.

The total remaining authorization for future common share repurchases under our share repurchase program was $117 million as of September 25, 2022. On October 17, 2022, the Board of Directors authorized an increase to the program by $14 billion. As we repurchase our common shares, we reduce common stock for the $1 of par value of the shares repurchased, with the excess purchase price over par value recorded as a reduction of additional paid-in capital. If additional paid-in capital is reduced to zero, we record the remainder of the excess purchase price over par value as a reduction of retained earnings.

Dividends

We declared cash dividends totaling $2.2 billion ($8.40 per share) during the nine months ended September 25, 2022. Subsequent to the third quarter of 2022, on September 30, 2022, the company authorized a fourth quarter dividend payment of $3.00 per share, representing an increase of $0.20 per share. The total amount declared may differ from the total amount of dividends paid during a period due to the timing of dividend-equivalents paid on RSUs and PSUs. These dividend-equivalents are accrued during the vesting period and are paid upon the vesting of the RSUs and PSUs, which primarily occurs in the first quarter each year.

Accumulated Other Comprehensive Loss

Changes in the balance of AOCL, net of tax, consisted of the following (in millions):

	Postretirement Benefit Plans	Other, net	AOCL
Balance at December 31, 2021	**$ (10,964)**	**$ (42)**	**$ (11,006)**
Other comprehensive income (loss) before reclassifications [a]	**1,860**	**(254)**	**1,606**
Amounts reclassified from AOCL			
Pension settlement charge [b]	**1,156**	**—**	**1,156**
Recognition of net actuarial losses [c]	**295**	**—**	**295**
Amortization of net prior service credits [c]	**(202)**	**—**	**(202)**
Other	**—**	**17**	**17**
Total reclassified from AOCL	**1,249**	**17**	**1,266**
Total other comprehensive income (loss)	**3,109**	**(237)**	**2,872**
Balance at September 25, 2022	**$ (7,855)**	**$ (279)**	**$ (8,134)**
Balance at December 31, 2020	$ (16,155)	$ 34	$ (16,121)
Other comprehensive income (loss) before reclassifications [a]	2,258	(55)	2,203
Amounts reclassified from AOCL			
Pension settlement charge [b]	1,310	—	1,310
Recognition of net actuarial losses [c]	579	—	579
Amortization of net prior service credits [c]	(192)	—	(192)
Other	—	4	4
Total reclassified from AOCL	1,697	4	1,701
Total other comprehensive income (loss)	3,955	(51)	3,904
Balance at September 26, 2021	$ (12,200)	$ (17)	$ (12,217)

(a) Changes in AOCL before reclassifications related to our postretirement benefit plans represent the net actuarial gains from the interim remeasurement of certain defined benefit pension plans required primarily as a result of the purchase of group annuity contracts to transfer $4.3 billion and $4.9 billion of our gross defined benefit pension obligations and related plan assets to an insurance company on June 24, 2022 and August 3, 2021.

(b) During the nine months ended September 25, 2022 and September 26, 2021, we recognized a noncash, non-operating pension settlement charge of $1.5 billion ($1.2 billion, or $4.33 per share, after-tax) and $1.7 billion ($1.3 billion, or $4.72 per share, after-tax). See “Note 6 - Postretirement Benefit Plans”.

(c) These amounts include $(2) million and $107 million, net of tax, for the quarters ended September 25, 2022 and September 26, 2021, which are comprised of the recognition of net actuarial losses of $65 million and $171 million for the quarters ended

September 25, 2022 and September 26, 2021, and the amortization of net prior service credits of $67 million and $64 million for the quarters ended September 25, 2022 and September 26, 2021.

NOTE 10 - OTHER

Changes in Estimates

Significant estimates and assumptions are made in estimating contract sales and costs, including the profit booking rate. At the outset of a long-term contract, we identify and monitor risks to the achievement of the technical, schedule and cost aspects of the contract, as well as our ability to earn variable consideration, and assess the effects of those risks on our estimates of total costs to complete the contract. The estimates consider the technical requirements (e.g., a newly-developed product versus a mature product), the schedule and associated tasks (e.g., the number and type of milestone events) and costs (e.g., material, labor, subcontractor, overhead and the estimated costs to fulfill our industrial cooperation agreements, sometimes referred to as offset agreements, required under certain contracts with international customers). The initial profit booking rate of each contract considers risks surrounding the ability to achieve the technical requirements, schedule and costs in the initial estimated total costs to complete the contract. Profit booking rates may increase during the performance of the contract if we successfully retire risks related to technical, schedule and cost aspects of the contract, which decreases the estimated total costs to complete the contract or may increase the variable consideration we expect to receive on the contract. Conversely, our profit booking rates may decrease if the estimated total costs to complete the contract increase or our estimates of variable consideration we expect to receive decrease. All of the estimates are subject to change during the performance of the contract and may affect the profit booking rate. When estimates of total costs to be incurred on a contract exceed total estimates of the transaction price, a provision for the entire loss is determined at the contract level and is recorded in the period in which the loss is evident, which we refer to as a reach-forward loss.

In addition, comparability of our segment sales, operating profit and operating margin may be impacted favorably or unfavorably by changes in profit booking rates on our contracts for which we recognize revenue over time using the percentage-of-completion cost-to-cost method to measure progress towards completion. Increases in the profit booking rates, typically referred to as favorable profit adjustments, usually relate to revisions in the estimated total costs to fulfill the performance obligations that reflect improved conditions on a particular contract. Conversely, conditions on a particular contract may deteriorate, for example COVID-19 impacts or supply chain disruptions, resulting in an increase in the estimated total costs to fulfill the performance obligations and a reduction in the profit booking rate and are typically referred to as unfavorable profit adjustments. Increases or decreases in profit booking rates are recognized in the current period and reflect the inception-to-date effect of such changes. Segment operating profit and margin may also be impacted favorably or unfavorably by other items, which may or may not impact sales. Favorable items may include the positive resolution of contractual matters, cost recoveries on severance and restructuring charges, insurance recoveries and gains on sales of assets. Unfavorable items may include the adverse resolution of contractual matters; restructuring charges, except for significant severance actions, which are excluded from segment operating results; reserves for disputes; certain asset impairments; and losses on sales of certain assets.

We have various development programs for new and upgraded products, services, and related technologies which have complex design and technical challenges. This development work is inherently uncertain and subject to significant variability in estimates of the cost and time required to complete the work by us and our suppliers. Many of these programs have cost-type contracting arrangements (e.g. cost-reimbursable or cost-plus-fixed-fee). In such cases, the associated financial risks are primarily in reduced fees, lower profit rates, or program cancellation if cost, schedule, or technical performance issues arise.

However, some of our existing development programs are contracted on a fixed-price basis or include cost-type contracting for the development phase with fixed price production options and our customers are increasingly implementing procurement policies such as these that shift risk to contractors. Competitively bid programs with fixed-price development work or fixed price production options increase the risk of a reach-forward loss upon contract award and during the period of contract performance. Due to the complex and often experimental nature of development programs, we may experience (and have experienced in the past) technical and quality issues during the development of new products or technologies for a variety of reasons. Our development programs are ongoing, and while we believe the cost and fee estimates incorporated in the financial statements are appropriate, the technical complexity of these programs and fixed-price contract structure creates financial risk as estimated completion costs may exceed the current contract value, which could trigger earnings charges, termination provisions, or other financially significant exposures. These programs have risk for reach-forward losses if our estimated costs exceed our estimated contract revenues, and such losses could be significant to our operating results, cash flows, or financial condition. Any such losses are recorded in the period in which the loss is evident.

Our consolidated net profit booking rate adjustments increased segment operating profit by approximately $455 million and $1.3 billion during the quarter and nine months ended September 25, 2022 and $580 million and $1.5 billion during the quarter and nine months ended September 26, 2021. These adjustments increased net earnings by approximately $359 million ($1.35 per share) and $1.0 billion ($3.89 per share) during the quarter and nine months ended September 25, 2022 and $458 million ($1.65 per share) and $1.2 billion ($4.14 per share) during the quarter and nine months ended September 26, 2021. We recognized net sales from performance obligations satisfied in prior periods of approximately $515 million and $1.4 billion during the quarter and nine months ended September 25, 2022, and $616 million and $1.6 billion during the quarter and nine months ended September 26, 2021, which primarily relate to changes in profit booking rates that impacted revenue.

We have experienced performance issues on a classified fixed-price incentive fee contract that involves highly complex design and systems integration at our Aeronautics business segment and have periodically accrued reserves. During the quarter ended September 25, 2022, we revised our estimated costs to complete the program by
reviewing the design and system integration requirements, performance to date, remaining work, and schedule and recorded an additional charge of approximately $25 million. As of September 25, 2022, cumulative losses were approximately $250 million. We will continue to monitor our performance, any future changes in scope, and estimated costs to complete the program and may have to record additional losses in future periods if we experience further performance issues, increases in scope, or cost growth, which could be material to our operating results. In addition, we and our industry team will incur advanced procurement costs (also referred to as precontract costs) in order to enhance our ability to achieve the revised schedule and certain milestones. We will monitor the recoverability of precontract costs, which could be impacted by the customer’s decision regarding future phases of the program.

We are responsible for a program to design, develop and construct a ground-based radar at our RMS business segment. The program has experienced performance issues for which we have periodically accrued reserves. As of September 25, 2022, cumulative losses were approximately $280 million. We will continue to monitor our performance, any future changes in scope, and estimated costs to complete the program and may have to record additional losses in future periods if we experience further performance issues, increases in scope, or cost growth. However, based on the losses previously recorded and our current estimate of the sales and costs to complete the program, at this time we do not anticipate that additional losses, if any, would be material to our operating results or financial condition.

Backlog

Backlog (i.e., unfulfilled or remaining performance obligations) represents the sales we expect to recognize for our products and services for which control has not yet transferred to the customer. Our backlog includes both funded (firm orders for our products and services for which funding has been both authorized and appropriated by the customer) and unfunded (firm orders for which funding has not been appropriated) amounts. We do not include unexercised options or potential orders under indefinite-delivery, indefinite-quantity agreements in our backlog. For our cost-reimbursable and fixed-priced-incentive contracts, the estimated consideration we expect to receive pursuant to the terms of the contract may exceed the contractual award amount. The estimated consideration is determined at the outset of the contract and is continuously reviewed throughout the contract period. In determining the estimated consideration, we consider the risks related to the technical, schedule and cost impacts to complete the contract and an estimate of any variable consideration. Periodically, we review these risks and may increase or decrease backlog accordingly. As the risks on such contracts are successfully retired, the estimated consideration from customers may be reduced, resulting in a reduction of backlog without a corresponding recognition of sales. As of September 25, 2022, our ending backlog was $139.7 billion. We expect to recognize approximately 34% of our backlog over the next 12 months and approximately 55% over the next 24 months as revenue with the remainder recognized thereafter.

Income Taxes

Our effective income tax rate was 15.3% and 14.9% for the quarter and nine months ended September 25, 2022 and 9.6% and 15.7% for the quarter and nine months ended September 26, 2021. The rate for the third quarter of 2021 was lower than the third quarter of 2022 primarily due to lower earnings before income taxes resulting from a noncash, non-operating pension settlement charge of $1.7 billion, which reduced the tax expense by approximately $355 million. The rates for all periods benefited from the research and development tax credit, tax deductions for foreign derived intangible income and dividends paid to our defined contribution plans with an employee stock ownership plan feature.

As of December 31, 2021, our liabilities associated with uncertain tax positions were not material. For the quarter ended September 25, 2022, our liabilities associated with uncertain tax positions increased to $1.2 billion with a corresponding increase to net deferred tax assets resulting from the Tax Cuts and Jobs Act of 2017’s elimination of the option for taxpayers to deduct research and development expenditures immediately in the year incurred and instead requiring taxpayers to amortize such expenditures over five years.

Lockheed Martin Ventures Fund

Through our Lockheed Martin Ventures Fund, we make strategic investments in companies that we believe are advancing or developing new technologies applicable to our business. These investments may be in the form of common or preferred stock, warrants, convertible debt securities or investments in funds. Most of the investments are in equity securities without readily determinable fair values (privately held securities), which are measured initially at cost and are then adjusted to fair value only if there is an observable price change or reduced for impairment, if applicable. Investments with quoted market prices in active markets (Level 1) (publicly held securities) are recorded at fair value. The carrying amounts of investments held in our Lockheed Martin Ventures Fund were $418 million and $465 million at September 25, 2022 and December 31, 2021. Due to changes in fair value and/or sales of investments, we recorded net losses of $26 million ($20 million, or $0.07 per share, after-tax) and $66 million ($50 million, or $0.19 per share, after-tax) during the quarter and nine months ended September 25, 2022; and net gains of $98 million ($74 million, or $0.27 per share, after-tax) and $180 million ($135 million, or $0.49 per share, after-tax) during the quarter and nine months ended September 26, 2021. These gains and losses are reflected in the other non-operating (expense) income, net account on our consolidated statements of earnings.

Severance and Restructuring Charges

During the first quarter of 2021, we recorded severance and restructuring charges of $36 million ($28 million, or $0.10 per share, after-tax) related to workforce reductions and facility exit costs within our RMS business segment. These actions were taken to consolidate certain operations in order to improve the efficiency of RMS’ manufacturing operations and affordability of its products and services. Employees terminated as part of these actions received lump-sum severance payments upon separation primarily based on years of service.

Revolving Credit Facility

On August 24, 2022, we entered into a new Revolving Credit Agreement (the “Revolving Credit Agreement”) with various banks. The Revolving Credit Agreement consists of a $3.0 billion five-year unsecured revolving credit facility, with the option to increase the commitments under the credit facility by an additional amount of up to $500 million (for an aggregate amount of up to $3.5 billion), subject to the agreement of one or more new or existing lenders to provide such additional amounts and certain other customary conditions. The Revolving Credit Agreement matures on August 24, 2027. However, we may request that commitments be renewed for additional one-year periods under certain circumstances as set forth in the Revolving Credit Agreement. The Revolving Credit Agreement is available for any of our lawful corporate purposes, including supporting commercial paper borrowings. Borrowings under the Revolving Credit Agreement are unsecured and bear interest at rates set forth in the Revolving Credit Agreement. The Revolving Credit Agreement contains customary representations, warranties and covenants, including covenants restricting ours and certain of our subsidiaries’ ability to encumber assets and our ability to merge or consolidate with another entity. The Revolving Credit Agreement replaces our revolving credit agreement (the “Former Credit Agreement”), which had been scheduled to mature on August 24, 2026. The Former Credit Agreement, which had a total capacity of $3.0 billion and was undrawn, was terminated effective August 24, 2022. There were no borrowings under the Revolving Credit Agreement or the Former Credit Agreement at September 25, 2022.

Debt Issuance and Redemption

On May 5, 2022, we issued a total of $2.3 billion of senior unsecured notes, consisting of $800 million aggregate principal amount of 3.90% Notes due June 15, 2032 (the “2032 Notes”), $850 million aggregate principal amount of 4.15% Notes due June 15, 2053 (the “2053 Notes”) and $650 million aggregate principal amount of 4.30% Notes due June 15, 2062 (the “2062 Notes” and, together with the 2032 Notes and 2053 Notes, the “Notes”) in a registered public offering. We may, at our option, redeem the Notes of any series in whole or in part at any time and from time to time at a redemption price equal to the greater of 100% of the principal amount of the Notes to be redeemed or an applicable make-whole amount, plus accrued and unpaid interest to the date of redemption.

On May 11, 2022, we used the net proceeds from the offering of the Notes to redeem all of the outstanding $500 million in aggregate principal amount of our 3.10% Notes due 2023, $750 million in aggregate principal amount of our 2.90% Notes due 2025, and the remaining balance of the net proceeds to redeem $1.0 billion of our outstanding $2.0 billion in aggregate principal amount of our 3.55% Notes due 2026 at their redemption price.

NOTE 11 - RECENT ACCOUNTING PRONOUNCEMENTS

Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting

In 2017, the United Kingdom's Financial Conduct Authority (FCA) announced that after 2021 it would no longer compel banks to submit the rates required to calculate the London Interbank Offered Rate (LIBOR), which have been widely used as reference rates for various securities and financial contracts, including loans, debt and derivatives. This announcement indicates that the continuation of LIBOR on the current basis is not guaranteed after 2021. Subsequently in March 2021, the FCA announced some USD LIBOR tenors (overnight, 1 month, 3 month, 6 month and 12 month) will continue to be published until June 30, 2023. Regulators in the U.S. and other jurisdictions have been working to replace these rates with alternative reference interest rates that are supported by transactions in liquid and observable markets, such as the Secured Overnight Financing Rate (SOFR) for USD LIBOR. Our credit facility, as amended in August 2022, contains Term SOFR based rates and contains provisions for selecting a Daily Simple SOFR replacement should Term SOFR not be available as a benchmark. Should either Term or Daily Simple SOFR not be available, we would work with the facility's Administrative Agent to amend the agreement with a replacement rate. Certain of our derivative instruments still reference LIBOR-based rates. We have adhered to the ISDA 2020 IBOR Fallbacks Protocol, which will govern our derivatives upon the final cessation of USD LIBOR. ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting, as amended, limits the accounting impact from contract modifications, including hedging relationships, due to the transition from LIBOR to alternative reference rates that are completed by December 31, 2022. The Financial Accounting Standards Board (FASB) is currently working on a project to extend the date to December 31, 2024. We do not expect a significant impact to our financial results, financial position or cash flows from the transition from LIBOR to alternative reference interest rates, but we will continue to monitor the impact of this transition until it is completed.

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
Lockheed Martin Corporation

Results of Review of Interim Financial Statements

We have reviewed the accompanying consolidated balance sheet of Lockheed Martin Corporation (the Corporation) as of September 25, 2022, the related consolidated statements of earnings, comprehensive income and equity for the quarters and nine months ended September 25, 2022 and September 26, 2021, and the consolidated statements of cash flows for the nine months ended September 25, 2022 and September 26, 2021, and the related notes (collectively referred to as the "consolidated interim financial statements"). Based on our reviews, we are not aware of any material modifications that should be made to the consolidated interim financial statements for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Corporation as of December 31, 2021, the related consolidated statements of earnings, comprehensive income, cash flows and equity for the year then ended, and the related notes (not presented herein); and in our report dated January 25, 2022, we expressed an unqualified audit opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2021, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Basis for Review Results

These financial statements are the responsibility of the Corporation's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Corporation in accordance with the U.S. federal securities laws and the applicable rules and regulations of the SEC and the PCAOB. We conducted our review in accordance with the standards of the PCAOB. A review of interim financial statements consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

/s/ Ernst & Young LLP

Tysons, Virginia
October 18, 2022

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is intended to help the reader understand our results of operations and financial condition. The MD&A is provided as a supplement to, and should be read in conjunction with, our consolidated financial statements and notes to consolidated financial statements and with our Annual Report on Form 10-K for the year ended December 31, 2021 (2021 Form 10-K).

BUSINESS OVERVIEW

We are a global security and aerospace company principally engaged in the research, design, development, manufacture, integration and sustainment of advanced technology systems, products and services. We also provide a broad range of management, engineering, technical, scientific, logistics, system integration and cybersecurity services. We serve both U.S. and international customers with products and services that have defense, civil and commercial applications, with our principal customers being agencies of the U.S. Government. During the nine months ended September 25, 2022, 74% of our $47.0 billion in net sales were from the U.S. Government, either as a prime contractor or as a subcontractor (including 64% from the Department of Defense (DoD)), 25% were from international customers (including foreign military sales (FMS) contracted through the U.S. Government) and 1% were from U.S. commercial and other customers. Our main areas of focus are in defense, space, intelligence, homeland security and information technology, including cybersecurity.

COVID-19

The coronavirus disease 2019 (COVID-19) pandemic continued to cause business impacts in the first nine months of 2022. The emergence of the Omicron variant in late 2021 and resulting increase in COVID cases in early 2022 adversely impacted our operations and our supply chain. Specifically, during the first nine months of 2022, our performance was affected by supply chain disruptions and delays, as well as labor challenges associated with employee absences, travel restrictions, site access, quarantine restrictions, remote work, and adjusted work schedules. The recovery from that disruption has been slower than originally anticipated, in particular within our supply chain, and some of those supply chain impacts are expected to continue into 2023. Attendance for employees required to be onsite has fluctuated based on pandemic developments. We are actively engaging with our customers and are continuing to take measures to protect the health and safety of our employees. In our on-going effort to mitigate supply chain risks, we accelerated payments of $1.1 billion to our suppliers as of September 25, 2022, that are due according to contractual terms in future periods, while consistently prioritizing small businesses, which make up over half of our active supply base, as well as at-risk businesses.

The ultimate impact of COVID-19 on our operations and financial performance in future periods, including our ability to execute our programs in the expected timeframe, remains uncertain and will depend on future pandemic-related developments, including the duration of the pandemic, potential subsequent waves of COVID-19 infection or potential new variants, the effectiveness and adoption of COVID-19 vaccines and therapeutics, supplier impacts and related government actions to prevent and manage disease spread, including the implementation of any federal, state, local or foreign vaccine mandates, all of which are uncertain and cannot be predicted. The long-term impacts of COVID-19 on government budgets and other funding priorities, including international priorities, that impact demand for our products and services are also difficult to predict, but could negatively affect our future results and performance.

For additional risks to the corporation related to the COVID-19 pandemic, see Item 1A, Risk Factors of our 2021 Form 10-K.

Inflation

Heightened levels of inflation and the potential worsening of macro-economic conditions present a risk for Lockheed Martin, our suppliers and the stability of the broader defense industrial base. During the first nine months of 2022, we have experienced impacts to our labor rates and suppliers have signaled inflation related cost pressures, which will flow through to our costs and pricing. Although we have not seen a significant impact from inflation to our financial results in the first nine months of 2022, if inflation remains at current levels for an extended period, or increases, and we are unable to successfully mitigate the impact, our costs are likely to increase, resulting in pressure on our profits, margins and cash flows, particularly for existing fixed-price contracts. For new contract proposals, we are factoring into our pricing heightened levels of inflation based on accepted DoD escalation indices and other assumptions, and in some cases seeking the inclusion of economic price adjustment (EPA) clauses, which would permit, subject to the particular contractual terms, cost adjustments in fixed-price contracts for unexpected inflation. In addition, inflation and the increases in the cost of borrowing from rising interest rates could constrain the overall purchasing power of our customers for our products and services, in particular in the near term to the extent inflation assumptions are less than current inflationary pressures. Rising interest rates will also increase our borrowing costs on new debt and could affect the fair value of our investments. While rising interest rates reduce the measure of our gross pension obligations, they can also lead to decline in pension plan assets with offsetting impacts on our net pension liability. We remain committed to our ongoing efforts to increase the efficiency of our operations and improve the cost competitiveness and affordability of our products and services, which may, in part, offset cost increases from inflation.

Conflict in Ukraine

Russia's invasion of Ukraine has elevated global geopolitical tensions and security concerns. As a result, we have received increased interest for our products and services as countries seek to improve their security posture, particularly in Europe. In addition, security assistance provided by the U.S. government to Ukraine has created U.S. government demand to replenish U.S. stockpiles, resulting in additional and potential future orders for our products. We are beginning to see this interest result in initiation of new contract discussions, however, given the long-cycle nature of our business and current industry capacity, we do not expect a significant increase in near term sales from new contracts in response to the conflict. We are evaluating capacity at our operations and the supply chain to anticipate potential demand and enable us to deliver critical capabilities. In addition, the U.S. Government and other nations have implemented broad economic sanctions and export controls targeting Russia, which combined with the conflict, have the potential to indirectly disrupt our supply chain and access to certain resources. We have not, however, experienced significant adverse impacts to date and will continue to monitor for any impacts and seek to mitigate disruption that may arise. The conflict also has increased the threat of malicious cyber activity from nation states and other actors. We have taken steps designed to enhance our defensive posture against tactics and techniques associated with this increased threat.

INDUSTRY CONSIDERATIONS

U.S. Government Funding

On March 28, 2022, the Administration submitted to Congress the President's Fiscal Year (FY) 2023 budget request, which proposes $813 billion for national defense. The DoD portion of this request is $773 billion, a 4% increase above the FY 2022 enacted amount.

However, Congress has not yet enacted an annual budget for FY 2023. To avert a government shutdown, on September 30, 2022, a continuing resolution funding measure was enacted to finance all U.S. government activities through December 16, 2022. Under the continuing resolution, partial-year funding at amounts consistent with appropriated levels for FY 2022 are available, subject to certain restrictions, but new spending initiatives are not authorized. Importantly, our key programs continue to be supported and funded despite the continuing resolution financing mechanism. However, during periods covered by continuing resolutions, we may experience delays in procurement of products and services due to lack of funding, and those delays may affect our results of operations.

The continuing resolution also included an additional $12.3 billion in supplemental funding for Ukraine.

Congress continues to work toward the enactment of a FY 2023 Department of Defense Appropriations Act and a FY 2023 National Defense Authorization Act (NDAA). Our expectation is that final FY 2023 DoD funding will be higher than requested in the President's budget. Final legislation is not expected to be enacted until late in calendar year 2022 or, possibly, in early calendar year 2023.

See also the discussion of U.S. Government funding risks within "Item 1A, Risk Factors" included in our 2021 Form 10-K.

CONSOLIDATED RESULTS OF OPERATIONS

Our operating cycle is primarily long-term and involves many types of contracts for the design, development and manufacture of products and related activities with varying delivery schedules. Consequently, the results of operations of a particular period, or period-to-period comparisons of sales and profits, may not be indicative of future operating results. The following discussions of comparative results among periods should be reviewed in this context. All per share amounts cited in these discussions are presented on a "per diluted share" basis, unless otherwise noted. Our consolidated results of operations were as follows (in millions, except per share data):

	Quarters Ended		Nine Months Ended	
	September 25, 2022	September 26, 2021	**September 25, 2022**	September 26, 2021
Net sales	**$ 16,583**	$ 16,028	**$ 46,993**	$ 49,315
Cost of sales	**(14,463)**	(13,726)	**(41,008)**	(42,676)
Gross profit	**2,120**	2,302	**5,985**	6,639
Other income (expense), net	**39**	(8)	**70**	29
Operating profit	**2,159**	2,294	**6,055**	6,668
Interest expense	**(145)**	(141)	**(421)**	(423)
Non-service FAS pension income (expense)	**111**	(1,572)	**(1,080)**	(1,385)
Other non-operating (expense) income, net	**(26)**	98	**(64)**	200
Earnings before income taxes	**2,099**	679	**4,490**	5,060
Income tax expense	**(321)**	(65)	**(670)**	(794)
Net earnings	**$ 1,778**	$ 614	**$ 3,820**	$ 4,266
Diluted earnings per common share	**$ 6.71**	$ 2.21	**$ 14.31**	$ 15.32

Certain amounts reported in other income (expense), net, including our share of earnings or losses from equity method investees, are included in the operating profit of our business segments. Accordingly, such amounts are included in the discussion of our business segment results of operations.

Net Sales

We generate sales from the delivery of products and services to our customers. Our consolidated net sales were as follows (in millions):

	Quarters Ended		Nine Months Ended	
	September 25, 2022	September 26, 2021	**September 25, 2022**	September 26, 2021
Products	**$ 14,011**	$ 13,475	**$ 39,266**	$ 41,486
% of total net sales	**84.5 %**	84.1 %	**83.6 %**	84.1 %
Services	**2,572**	2,553	**7,727**	7,829
% of total net sales	**15.5 %**	15.9 %	**16.4 %**	15.9 %
Total net sales	**$ 16,583**	$ 16,028	**$ 46,993**	$ 49,315

Substantially all of our contracts are accounted for using the percentage-of-completion cost-to-cost method. Under the percentage-of-completion cost-to-cost method, we record net sales on contracts over time based upon our progress towards completion on a particular contract, as well as our estimate of the profit to be earned at completion. The following discussion of material changes in our consolidated net sales should be read in tandem with the subsequent discussion of changes in our consolidated cost of sales and our business segment results of operations because changes in our sales are typically accompanied by a corresponding change in our cost of sales due to the nature of the percentage-of-completion cost-to-cost method. Overall, our sales were negatively affected in the first nine months of 2022 because of supply chain impacts.

Product Sales

Product sales increased $536 million, or 4%, during the quarter ended September 25, 2022 compared to the same period in 2021. The increase was primarily attributable to higher product sales of approximately $500 million at Aeronautics mostly due to higher volume on F-35 contracts; about $170 million at Space due to higher development volume on strategic and missile defense programs (Next Generation Interceptor (NGI)); and approximately $100 million at MFC primarily due to higher volume on integrated air and missile defense programs (Patriot Advanced Capability-3 (PAC-3)). These increases were partially offset by lower product sales of about $235 million at RMS mostly due to lower production volume on Black Hawk.

Product sales decreased $2.2 billion, or 5%, during the nine months ended September 25, 2022 compared to the same period in 2021. The decrease is primarily attributable to lower product sales of approximately $965 million at RMS mostly due to lower production volume on Black Hawk and lower net sales for training and logistics solutions (TLS) programs due to the delivery of an international pilot training system in the first quarter of 2021; about $650 million at Space primarily due to the renationalization of AWE on June 30, 2021; approximately $340 million at Aeronautics mostly due to lower volume on F-35 contracts partially offset by higher volume on classified contracts; and about $265 million at MFC primarily due to lower volume on air dominance weapon systems and Terminal High Altitude Area Defense (THAAD).

Service Sales

Service sales increased $19 million, or 1%, during the quarter ended September 25, 2022 compared to the same period in 2021.

Service sales decreased $102 million, or 1%, during the nine months ended September 25, 2022 compared to the same period in 2021. The decrease in service sales was primarily due to lower sales of approximately $180 million at MFC primarily due to lower volume on the Special Operations Forces Global Logistics Support Services (SOF GLSS).

Cost of Sales

Cost of sales, for both products and services, consist of materials, labor, subcontracting costs and an allocation of indirect costs (overhead and general and administrative), as well as the costs to fulfill our industrial cooperation agreements, sometimes referred to as offset agreements, required under certain contracts with international customers. For each of our contracts, we monitor the nature and amount of costs at the contract level, which form the basis for estimating our total costs to complete the contract. Our consolidated cost of sales were as follows (in millions):

	Quarters Ended		Nine Months Ended	
	September 25, 2022	**September 26, 2021**	**September 25, 2022**	**September 26, 2021**
Cost of sales – products	**$ (12,547)**	$ (11,838)	**$ (35,103)**	$ (36,985)
% of product sales	**89.6 %**	87.9 %	**89.4 %**	89.2 %
Cost of sales – services	**(2,243)**	(2,332)	**(6,780)**	(7,000)
% of service sales	**87.2 %**	91.3 %	**87.7 %**	89.4 %
Severance and restructuring charges	**—**	—	**—**	(36)
Other unallocated, net	**327**	444	**875**	1,345
Total cost of sales	**$ (14,463)**	$ (13,726)	**$ (41,008)**	$ (42,676)

The following discussion of material changes in our consolidated cost of sales for products and services should be read in tandem with the preceding discussion of changes in our consolidated net sales and our business segment results of operations. Except for potential impacts to our programs resulting from COVID-19, supply chain disruptions and inflation, we have not identified any additional developing trends in cost of sales for products and services that would have a material impact on our future operations.

Product Costs

Product costs increased $709 million, or 6%, during the quarter ended September 25, 2022 compared to the same period in 2021. The increase was primarily attributable to higher product costs of approximately $495 million at

Aeronautics primarily due to higher volume on F-35 contracts; about $220 million at Space mostly due to higher development volume on strategic and missile defense programs (NGI); and approximately $135 million at MFC mostly due to higher volume on integrated air and missile defense programs (PAC-3). These increases were partially offset by lower product costs of about $140 million at RMS primarily due to lower production volume on Black Hawk.

Product costs decreased $1.9 billion, or 5%, during the nine months ended September 25, 2022 compared to the same period in 2021. The decrease was primarily attributable to lower product costs of approximately $765 million at RMS mostly due to the delivery of an international pilot training system in the first quarter of 2021 and lower production volume on Black Hawk; about $530 million at Space primarily due to the renationalization of AWE; approximately $365 million at Aeronautics mostly due to lower volume on F-35 contracts; and about $220 million at MFC primarily due to lower volume on air dominance weapon systems and THAAD.

Service Costs

Service costs decreased $89 million, or 4%, during the quarter ended September 25, 2022 compared to the same period in 2021.

Service costs decreased $220 million, or 3%, during the nine months ended September 25, 2022 compared to the same period in 2021. The decrease was primarily attributable to lower service costs of approximately $180 million at MFC primarily due to lower volume on SOF GLSS.

Severance and Restructuring Charges

During the first quarter of 2021, we recorded severance and restructuring charges of $36 million ($28 million, or $0.10 per share, after-tax) associated with plans to close and consolidate certain facilities and reduce total workforce within our RMS business segment. See “Note 10 - Other” included in our Notes to Consolidated Financial Statements for additional information.

Other Unallocated, Net

Other unallocated, net primarily includes the FAS/CAS pension operating adjustment (which represents the difference between CAS pension cost recorded in our business segment’s results of operations and the service cost component of FAS pension income (expense)), stock-based compensation expense, changes in the fair value of investments held in a trust for deferred compensation plans and other corporate costs. These items are not allocated to the business segments and, therefore, are not allocated to cost of sales for products or services. Other unallocated, net reduced cost of sales by $327 million and $875 million during the quarter and nine months ended September 25, 2022, compared to $444 million and $1.3 billion during the quarter and nine months ended September 26, 2021. Other unallocated, net during the quarter and nine months ended September 25, 2022 was lower primarily due to declines in the fair value of investments held in a trust for deferred compensation plans during the quarter and nine months ended September 25, 2022 compared to the same periods in 2021, a decrease in our FAS/CAS pension operating adjustment due to lower CAS cost from the American Rescue Plan Act of 2021 (ARPA) legislation, and fluctuations in costs associated with various corporate items, none of which were individually significant.

Other Income (Expense), Net

Other income (expense), net, primarily includes earnings generated by equity method investees. Other income, net was $39 million during the quarter ended September 25, 2022, compared to other expense, net of $8 million during the quarter ended September 26, 2021. Other income, net was $70 million during the nine months ended September 25, 2022, compared to $29 million during the nine months ended September 26, 2021. Other income, net during the quarter ended September 25, 2022 included higher earnings generated by our equity method investment in ULA due to higher launch volume and launch vehicle mix.

Interest Expense

Interest expense during the quarter and nine months ended September 25, 2022 was $145 million and $421 million, compared to $141 million and $423 million during the quarter and nine months ended September 26, 2021. See “Capital Resources” included within “Liquidity and Cash Flows” discussion below and “Note 10 - Other” included in our Notes to Consolidated Financial Statements for additional information.

Non-Service FAS Pension Income (Expense)

Non-service FAS pension income was $111 million during the quarter ended September 25, 2022, compared to Non-service FAS pension expense of $1.1 billion for the nine months ended September 25, 2022. Non-Service FAS pension expense was $1.6 billion and $1.4 billion during the quarter and nine months ended September 26, 2021. Non-service FAS pension expense for the nine months ended September 25, 2022 includes a noncash, non-operating pension settlement charge of $1.5 billion ($1.2 billion, or $4.33 per share, after-tax), related to the transfer of $4.3 billion of our gross defined benefit pension obligations and related plan assets to an insurance company on June 24, 2022. Non-service FAS pension expense for the quarter and nine months ended September 26, 2021 includes a noncash pension settlement charge of $1.7 billion ($1.3 billion, or $4.72 per share, after-tax), related to the transfer of $4.9 billion of our gross defined benefit pension obligations and related plan assets to an insurance company on August 3, 2021. See “Note 6 - Postretirement Benefit Plans” included in our Notes to Consolidated Financial Statements for additional information.

Other Non-operating (Expense) Income, Net

Other non-operating (expense) income, net primarily includes gains or losses related to changes in the fair value of strategic investments in companies made by our Lockheed Martin Ventures Fund. During the quarter ended September 25, 2022, other non-operating expense, net was $26 million compared to other non-operating income, net of $98 million during the quarter ended September 26, 2021. During the nine months ended September 25, 2022, other non-operating expense, net was $64 million compared to other non-operating income, net of $200 million during the nine months ended September 26, 2021. The decrease during the quarter and nine months ended September 25, 2022 was primarily due to decreases in the fair value of investments held in this fund. Other non-operating expense, net for the nine months ended September 25, 2022 also included losses related to early extinguishments of debt. See “Note 10 - Other” included in our Notes to Consolidated Financial Statements for additional information.

Income Tax Expense

Our effective income tax rate was 15.3% and 14.9% for the quarter and nine months ended September 25, 2022 and 9.6% and 15.7% for the quarter and nine months ended September 26, 2021. The rate for the third quarter of 2021 was lower than the third quarter of 2022 primarily due to lower earnings before income taxes resulting from a noncash, non-operating pension settlement charge of $1.7 billion, which reduced the tax expense by approximately $355 million. See “Note 6 - Postretirement Benefit Plans” included in our Notes to Consolidated Financial Statements for additional information. The rates for all periods benefited from the research and development tax credit, tax deductions for foreign derived intangible income and dividends paid to our defined contribution plans with an employee stock ownership plan feature.

Changes in U.S. (federal or state) or foreign tax laws and regulations, or their interpretation and application (including those with retroactive effect), such as the amortization for research or experimental expenditures, could significantly impact our provision for income taxes, the amount of taxes payable, our deferred tax asset and liability balances, and stockholders’ equity. In addition to future changes in tax laws, the amount of net deferred tax assets will change periodically based on several factors, including the measurement of our postretirement benefit plan obligations, actual cash contributions to our postretirement benefit plans and the change in the amount or reevaluation of uncertain tax positions.

Beginning in 2022, the Tax Cuts and Jobs Act of 2017 eliminates the option to deduct research and development expenditures immediately in the year incurred and requires taxpayers to amortize such expenditures over five years for tax purposes. Furthermore, in anticipation of the new provision taking effect, we analyzed the provision and worked with our advisors to evaluate its application to our business. We estimate our cash from operations in 2022 will be negatively impacted by approximately $600 million and our net deferred tax assets will increase by a similar amount provided this provision is not deferred, modified, or repealed. While it is possible that Congress may defer, modify, or repeal this provision, potentially with retroactive effect, we have no assurance that this provision will be deferred, modified, or repealed and we have made federal tax payments of approximately $450 million related to this provision during the nine months ended September 25, 2022. The actual impact on 2022 cash from operations will depend on the amount of research and development expenses paid or incurred in 2022 among other factors. While the largest impact of this provision will be to 2022 cash from operations, the impact would continue over the five-year amortization period, but would decrease over the period and be immaterial in year six.

As of December 31, 2021, our liabilities associated with uncertain tax positions were not material. For the quarter ended September 25, 2022, our liabilities associated with uncertain tax positions increased to $1.2 billion with a corresponding increase to net deferred tax assets as a result of the provision described above from the Tax Cuts and Jobs Act of 2017.

We are regularly under audit or examination by tax authorities, including foreign tax authorities (including in, amongst others, Australia, Canada, India, Italy, Japan, Poland, and the United Kingdom). The final determination of tax audits and any related litigation could similarly result in unanticipated increases in our tax expense and affect profitability and cash flows.

On August 16, 2022, the President signed into law the Inflation Reduction Act of 2022 which contained provisions effective January 1, 2023, including a 15% corporate minimum tax and a 1% excise tax on stock buybacks, both of which we expect to be immaterial to our financial results, financial position and cash flows.

Net Earnings

We reported net earnings of $1.8 billion ($6.71 per share) and $3.8 billion ($14.31 per share) during the quarter and nine months ended September 25, 2022, compared to $614 million ($2.21 per share) and $4.3 billion ($15.32 per share) during the quarter and nine months ended September 26, 2021. Net earnings and earnings per share for the nine months ended September 25, 2022 were affected by factors mentioned above. Earnings per share also benefited from a net decrease of approximately 12.2 million and 11.6 million weighted average common shares outstanding during the quarter and nine months ended September 25, 2022, compared to the same periods in 2021. The reduction in weighted average common shares was a result of share repurchases, partially offset by share issuance under our stock-based awards and certain defined contribution plans.

BUSINESS SEGMENT RESULTS OF OPERATIONS

We operate in four business segments: Aeronautics, MFC, RMS and Space. We organize our business segments based on the nature of products and services offered.

Net sales and operating profit of our business segments exclude intersegment sales, cost of sales, and profit as these activities are eliminated in consolidation and not included in management's evaluation of performance of each segment. Business segment operating profit includes our share of earnings or losses from equity method investees as the operating activities of the equity method investees are closely aligned with the operations of our business segments.

Business segment operating profit excludes the FAS/CAS pension operating adjustment described below, a portion of corporate costs not considered allowable or allocable to contracts with the U.S. Government under the applicable U.S. Government cost accounting standards (CAS) or federal acquisition regulations (FAR), and other items not considered part of management's evaluation of segment operating performance such as a portion of management and administration costs, legal fees and settlements, environmental costs, changes in the fair value of strategic investments in companies made by our Lockheed Martin Ventures Fund, stock-based compensation expense, changes in the fair value of investments held in a trust for deferred compensation plans, retiree benefits, significant severance actions, significant asset impairments, gains or losses from divestitures, and other miscellaneous corporate activities. Excluded items are included in the reconciling item "Unallocated items" between operating profit from our business segments and our consolidated operating profit.

Summary operating results for each of our business segments were as follows (in millions):

	Quarters Ended		Nine Months Ended	
	September 25, 2022	**September 26, 2021**	**September 25, 2022**	**September 26, 2021**
Net sales				
Aeronautics	**$ 7,089**	$ 6,568	**$ 19,352**	$ 19,621
Missiles and Fire Control	**2,831**	2,781	**8,030**	8,474
Rotary and Mission Systems	**3,781**	3,980	**11,345**	12,329
Space	**2,882**	2,699	**8,266**	8,891
Total net sales	**$ 16,583**	$ 16,028	**$ 46,993**	$ 49,315
Operating profit				
Aeronautics	**$ 759**	$ 714	**$ 2,050**	$ 1,979
Missiles and Fire Control	**382**	413	**1,184**	1,210
Rotary and Mission Systems	**414**	459	**1,165**	1,350
Space	**301**	264	**814**	826
Total business segment operating profit	**1,856**	1,850	**5,213**	5,365
Unallocated items				
FAS/CAS pension operating adjustment	**430**	491	**1,281**	1,469
Severance and restructuring charges	**—**	—	**—**	(36)
Other, net	**(127)**	(47)	**(439)**	(130)
Total unallocated items	**303**	444	**842**	1,303
Total consolidated operating profit	**$ 2,159**	$ 2,294	**$ 6,055**	$ 6,668

Our business segments' results of operations include pension expense only as calculated under U.S. Government Cost Accounting Standards (CAS), which we refer to as CAS pension cost. We recover CAS pension and other postretirement benefit plan cost through the pricing of our products and services on U.S. Government contracts and, therefore, recognize CAS pension cost in each of our business segment's net sales and cost of sales. Our consolidated financial statements must present pension and other postretirement benefit plan income calculated in accordance with FAS requirements under U.S. GAAP. The operating portion of the total FAS/CAS pension adjustment represents the difference between the service cost component of FAS pension income (expense) and total CAS pension cost. The non-service FAS pension income (expense) components are included in non-service FAS pension income (expense) in our consolidated statements of earnings. As a result, to the extent that CAS pension cost exceeds the service cost component of FAS pension income (expense), we have a favorable FAS/CAS pension operating adjustment.

The total FAS/CAS pension adjustment for the quarters and nine months ended September 25, 2022 and September 26, 2021, including the service and non-service cost components of FAS pension income (expense) for our qualified defined benefit pension plans, were as follows (in millions):

	Quarters Ended		Nine Months Ended	
	September 25, 2022	**September 26, 2021**	**September 25, 2022**	**September 26, 2021**
Total FAS income (expense) and CAS cost				
FAS pension income (expense)	**$ 91**	$ (1,598)	**$ (1,148)**	$ (1,465)
Less: CAS pension cost	**450**	517	**1,349**	1,549
Total FAS/CAS pension adjustment	**$ 541**	$ (1,081)	**$ 201**	$ 84
Service and non-service cost reconciliation				
FAS pension service cost	**$ (20)**	$ (26)	**$ (68)**	$ (80)
Less: CAS pension cost	**450**	517	**1,349**	1,549
Total FAS/CAS pension operating adjustment	**430**	491	**1,281**	1,469
Non-service FAS pension income (expense)	**111**	(1,572)	**(1,080)**	(1,385)
Total FAS/CAS pension adjustment	**$ 541**	$ (1,081)	**$ 201**	$ 84

The total FAS/CAS pension adjustment for the nine months ended September 25, 2022 reflects a noncash, non-operating pension settlement charge of $1.5 billion ($1.2 billion, or $4.33 per share, after-tax) recognized in the second quarter in connection with the transfer of $4.3 billion of our gross defined benefit pension obligations and related plan assets to an insurance company on June 24, 2022. The total FAS/CAS pension adjustment during the quarter and nine months ended September 26, 2021 reflects a noncash, non-operating pension settlement charge of $1.7 billion ($1.3 billion, or $4.72 per share, after-tax) recognized in connection with the transfer of $4.9 billion of our gross defined benefit pension obligations and related plan assets to an insurance company on August 3, 2021. See Note 6 - Postretirement Benefit Plans.

Management evaluates performance on our contracts by focusing on net sales and operating profit and not by type or amount of operating expense. Consequently, our discussion of business segment performance focuses on net sales and operating profit, consistent with our approach for managing the business. This approach is consistent throughout the life cycle of our contracts, as management assesses the bidding of each contract by focusing on net sales and operating profit and monitors performance on our contracts in a similar manner through their completion.

We regularly provide customers with reports of our costs as the contract progresses. The cost information in the reports is accumulated in a manner specified by the requirements of each contract. For example, cost data provided to a customer for a product would typically align to the subcomponents of that product (such as a wing-box on an aircraft) and for services would align to the type of work being performed (such as aircraft sustainment). Our contracts generally allow for the recovery of costs in the pricing of our products and services. Most of our contracts are bid and negotiated with our customers under circumstances in which we are required to disclose our estimated total costs to provide the product or service. This approach for negotiating contracts with our U.S. Government customers generally allows for recovery of our actual costs plus a reasonable profit margin. We also may enter into long-term supply contracts for certain materials or components to coincide with the production schedule of certain products and to ensure their availability at known unit prices.

Many of our contracts span several years and include highly complex technical requirements. At the outset of a contract, we identify and monitor risks to the achievement of the technical, schedule and cost aspects of the contract and assess the effects of those risks on our estimates of total costs to complete the contract. The estimates consider the technical requirements (e.g., a newly-developed product versus a mature product), the schedule and associated tasks (e.g., the number and type of milestone events) and costs (e.g., material, labor, subcontractor, overhead and the estimated costs to fulfill our industrial cooperation agreements, sometimes referred to as offset agreements, required under certain contracts with international customers). The initial profit booking rate of each contract considers risks surrounding the ability to achieve the technical requirements, schedule and costs in the initial estimated total costs to complete the contract and variable considerations. Profit booking rates may increase during the performance of the contract if we successfully retire risks related to the technical, schedule and cost aspects of the contract, which decreases the estimated total costs to complete the contract. Conversely, our profit booking rates may decrease if the estimated total costs to complete the contract increase. All of the estimates are subject to change during the performance of the contract and may affect the profit booking rate. For further discussion on fixed-price contracts, see “Note 10 - Other” included in our Notes to Consolidated Financial Statements.

We have a number of programs that are designated as classified by the U.S. Government which cannot be specifically described. The operating results of these classified programs are included in our consolidated and business segment results and are subjected to the same oversight and internal controls as our other programs.

Our net sales are primarily derived from long-term contracts for products and services provided to the U.S. Government as well as FMS contracted through the U.S. Government. We recognize revenue as performance obligations are satisfied and the customer obtains control of the products and services. For performance obligations to deliver products with continuous transfer of control to the customer, revenue is recognized based on the extent of progress towards completion of the performance obligation, generally using the percentage-of-completion cost-to-cost measure of progress for our contracts because it best depicts the transfer of control to the customer as we incur costs on our contracts. For performance obligations in which control does not continuously transfer to the customer, we recognize revenue at the point in time in which each performance obligation is fully satisfied.

Changes in net sales and operating profit generally are expressed in terms of volume. Changes in volume refer to increases or decreases in sales or operating profit resulting from varying production activity levels, deliveries or service levels on individual contracts. Volume changes in segment operating profit are typically based on the current profit booking rate for a particular contract.

In addition, comparability of our segment sales, operating profit and operating margin may be impacted favorably or unfavorably by changes in profit booking rates on our contracts for which we recognize revenue over time using the percentage-of-completion cost-to-cost method to measure progress towards completion. Increases in the profit booking rates, typically referred to as favorable profit adjustments, usually relate to revisions in the estimated total costs to fulfill the performance obligations that reflect improved conditions on a particular contract. Conversely, conditions on a particular contract may deteriorate, for example COVID-19 impacts or supply chain disruptions, resulting in an increase in the estimated total costs to fulfill the performance obligations and a reduction in the profit booking rate and are typically referred to as unfavorable profit adjustments. Increases or decreases in profit booking rates are recognized in the current period and reflect the inception-to-date effect of such changes. Segment operating profit and margin may also be impacted favorably or unfavorably by other items, which may or may not impact sales. Favorable items may include the positive resolution of contractual matters, cost recoveries on severance and restructuring charges, insurance recoveries and gains on sales of assets. Unfavorable items may include the adverse resolution of contractual matters; restructuring charges, except for significant severance actions, which are excluded from segment operating results; reserves for disputes; certain asset impairments; and losses on sales of certain assets.

Our consolidated net profit booking rate adjustments increased segment operating profit by approximately $455 million and $1.3 billion during the quarter and nine months ended September 25, 2022 and $580 million and $1.5 billion during the quarter and nine months ended September 26, 2021.

We periodically experience performance issues and record losses for certain programs. For further discussion on programs at Aeronautics and RMS, see “Note 10 - Other” included in our Notes to Consolidated Financial Statements.

Aeronautics

Summary operating results for our Aeronautics business segment were as follows (in millions):

	Quarters Ended		Nine Months Ended	
	September 25, 2022	September 26, 2021	September 25, 2022	September 26, 2021
Net sales	**$ 7,089**	$ 6,568	**$ 19,352**	$ 19,621
Operating profit	**759**	714	**2,050**	1,979
Operating margin	**10.7 %**	10.9 %	**10.6 %**	10.1 %

Aeronautics' net sales during the quarter ended September 25, 2022 increased $521 million, or 8%, compared to the same period in 2021. Net sales increased by approximately $425 million for the F-35 program due to the recognition of $325 million of sales deferred from the second quarter of 2022 to the third quarter of 2022 until additional contractual authorization and funding was received on the Lot 15 contract and higher volume and net favorable profit adjustments on production contracts; and about $100 million on classified contracts primarily due to higher volume that was partially offset by lower net favorable profit adjustments.

Aeronautics' operating profit during the quarter ended September 25, 2022 increased $45 million, or 6%, compared to the same period in 2021. Operating profit increased approximately $70 million for the F-35 program due to the recognition of sales and associated operating profit on the Lot 15 contract as described above and higher net favorable profit adjustments on production contracts; and about $15 million for the F-22 program due to higher net favorable profit adjustments. These increases were partially offset by lower operating profit of approximately $40 million on classified contracts due to the combination of lower net favorable profit adjustments and $25 million of unfavorable profit adjustments recorded in the third quarter of 2022. Net favorable profit booking rate adjustments were $20 million lower in the third quarter of 2022 compared to the same period in 2021.

Aeronautics' net sales during the nine months ended September 25, 2022 decreased $269 million, or 1%, compared to the same period in 2021. Net sales decreased by approximately $585 million for the F-35 program due to lower volume on production and sustainment contracts as a result of supply chain performance delays and lower net favorable profit adjustments on production and sustainment contracts, partially offset by higher volume on development contracts. This decrease was partially offset by increases of approximately $310 million on classified contracts primarily due to higher volume.

Aeronautics' operating profit during the nine months ended September 25, 2022 increased $71 million, or 4%, compared to the same period in 2021. Operating profit increased approximately $200 million on classified contracts due to a net of $200 million of unfavorable profit adjustments recognized on a classified program and about $85 million for the F-22 program due to higher net favorable profit adjustments. These increases were partially offset by lower operating profit of approximately $125 million for the F-35 program due to lower net favorable profit adjustments and lower volume on production and sustainment contracts; and about $95 million for the F-16 program due to unfavorable profit adjustments in second quarter of 2022 on a production contract and modernization contracts. Net favorable profit booking rate adjustments were $75 million higher in the nine months ended September 25, 2022 compared to the same period in 2021.

Missiles and Fire Control

Summary operating results for our MFC business segment were as follows (in millions):

	Quarters Ended		Nine Months Ended	
	September 25, 2022	**September 26, 2021**	**September 25, 2022**	**September 26, 2021**
Net sales	**$ 2,831**	$ 2,781	**$ 8,030**	$ 8,474
Operating profit	**382**	413	**1,184**	1,210
Operating margin	**13.5 %**	14.9 %	**14.7 %**	14.3 %

MFC's net sales during the quarter ended September 25, 2022 increased $50 million, or 2%, compared to the same period in 2021. The increase was primarily attributable to higher net sales of approximately $95 million for integrated air and missile defense programs due to higher volume (PAC-3).This increase was partially offset by a decrease of about $55 million for sensors and global sustainment programs as a result of closeout activities related to the Warrior program in 2021.

MFC's operating profit during the quarter ended September 25, 2022 decreased $31 million, or 8%, compared to the same period in 2021. The decrease was primarily attributable to lower operating profit for integrated air and missile defense programs due to lower net favorable profit adjustments of approximately $50 million for the PAC-3 program and an unfavorable profit adjustment of about $40 million on the Advanced Radar Threat System Variant 2 (ARTS-V2) program, partially offset by the impact of higher volume on PAC-3; and about $10 million for sensors and global sustainment programs primarily due to favorable profit adjustments on the Warrior program in the third quarter of 2021 as a result of the program being terminated in March 2021. These net decreases were partially offset by unfavorable profit adjustments of approximately $25 million on an energy program in the third quarter of 2021 that did not recur in 2022. Net favorable profit booking rate adjustments were $75 million lower in the third quarter of 2022 compared to the same period in 2021.

MFC's net sales during the nine months ended September 25, 2022 decreased $444 million, or 5%, compared to the same period in 2021. The decrease was primarily attributable to lower net sales of approximately $285 million for sensors and global sustainment programs due to lower volume on SOF GLSS as a result of troop withdrawals from Afghanistan and lower volume and net favorable profit adjustments on Sniper Advanced Targeting Pod (SNIPER®); and about $110 million for tactical and strike missile programs due to lower volume (air dominance weapon systems). Net sales for integrated air and missile defense programs were comparable as lower volume (THAAD) and lower net favorable profit adjustments (PAC-3) were mostly offset by higher volume (PAC-3).

MFC's operating profit during the nine months ended September 25, 2022 decreased $26 million, or 2% compared to the same period in 2021. The decrease was primarily attributed to lower operating profit for integrated air and missile defense programs due to lower net favorable profit adjustments of approximately $60 million for the PAC-3 program and an unfavorable profit adjustment of about $40 million on the ARTS-V2 program. This decrease was partially offset by an increase of about $35 million for tactical and strike missile programs due to higher net favorable profit adjustments (HIMARS, GMLRS and JASSM); and higher unfavorable profit adjustments of approximately $25 million on an energy program in 2021. Operating profit for sensors and global sustainment programs was comparable as the net effect of favorable profit adjustments on an international program in the first quarter of 2022 was mostly offset by the closeout activities related to the Warrior program in 2021. In addition, operating margin was positively impacted when compared to the nine months ended September 26, 2021 due to contract mix (lower SOF GLSS volume and lower development volume at tactical and strike missiles). Net favorable profit booking rate adjustments were $55 million lower in the nine months ended September 25, 2022 compared to the same period in 2021.

Rotary and Mission Systems

Summary operating results for our RMS business segment were as follows (in millions):

	Quarters Ended		Nine Months Ended	
	September 25, 2022	**September 26, 2021**	**September 25, 2022**	**September 26, 2021**
Net sales	**$ 3,781**	$ 3,980	**$ 11,345**	$ 12,329
Operating profit	**414**	459	**1,165**	1,350
Operating margin	**10.9 %**	11.5 %	**10.3 %**	10.9 %

RMS' net sales during the quarter ended September 25, 2022 decreased $199 million, or 5%, compared to the same period in 2021. The decrease was primarily attributable to lower net sales of approximately $160 million for Sikorsky helicopter programs due to lower production volume and net favorable profit adjustments (Black Hawk); and about $35 million for various C6ISR (command, control, communications, computers, cyber, combat systems, intelligence, surveillance, and reconnaissance) programs due to lower volume.

RMS' operating profit during the quarter ended September 25, 2022 decreased $45 million, or 10%, compared to the same period in 2021.The decrease was primarily attributable to approximately $65 million for Sikorsky helicopter programs due to lower net favorable profit adjustments and volume (Black Hawk). This decrease was partially offset by an increase of about $10 million for IWSS programs due primarily to $45 million of unfavorable profit adjustments on a ground-based radar program in the third quarter of 2021 that did not recur in the third quarter of 2022, partially offset by lower net favorable profit adjustments on certain programs (TPQ-53 and Vertical Launching System (VLS)). Net favorable profit booking rate adjustments were $15 million lower in the third quarter of 2022 compared to the same period in 2021.

RMS' net sales during the nine months ended September 25, 2022 decreased $984 million, or 8%, compared to the same period in 2021.The decrease was primarily attributable to lower net sales of approximately $305 million for TLS programs primarily due to the delivery of an international pilot training system in the first quarter of 2021 that did not recur in 2022; about $300 million for Sikorsky helicopter programs due to lower production volume (Black Hawk); approximately $240 million for IWSS programs due to lower volume (Littoral Combat Ship (LCS)) and Advanced Hawkeye); and about $140 million for various C6ISR programs due to lower volume.

RMS' operating profit during the nine months ended September 25, 2022 decreased $185 million, or 14%, compared to the same period in 2021. The decrease was primarily attributable to approximately $95 million for Sikorsky helicopter programs due to lower production volume and net favorable profit adjustments (Black Hawk), partially offset by higher net favorable profit adjustments on certain programs (Combat Rescue Helicopter (CRH)); about $40 million for various C6ISR programs due to lower net favorable profit adjustments and volume; and approximately $40 million for IWSS programs due to lower net favorable profit adjustments (TPQ-53 and Aegis), partially offset by $30 million of unfavorable profit adjustments on a ground-based radar program in 2021 that did not recur in 2022. Operating profit for TLS programs was comparable due to the delivery of an international pilot training system in the first quarter of 2021 that did not recur in 2022, offset by higher net favorable profit adjustments on various other programs. Net favorable profit booking rate adjustments were $95 million lower in the nine months ended September 25, 2022 compared to the same period in 2021.

Space

Summary operating results for our Space business segment were as follows (in millions):

	Quarters Ended		Nine Months Ended	
	September 25, 2022	**September 26, 2021**	**September 25, 2022**	**September 26, 2021**
Net sales	**$ 2,882**	$ 2,699	**$ 8,266**	$ 8,891
Operating profit	**301**	264	**814**	826
Operating margin	**10.4 %**	9.8 %	**9.8 %**	9.3 %

Space's net sales during the quarter ended September 25, 2022 increased $183 million, or 7%, compared to the same period in 2021. The increase was primarily attributable to higher net sales of approximately $155 million for strategic and missile defense programs due to higher development volume (NGI).

Space's operating profit during the quarter ended September 25, 2022 increased $37 million, or 14%, compared to the same period in 2021. The increase was primarily attributable to approximately $50 million of higher equity earnings from the company's investment in United Launch Alliance (ULA) due to higher launch volume and launch mix. This increase was partially offset by a decrease of about $15 million for commercial civil space programs due to lower net favorable profit adjustments and lower volume (primarily the Orion and Human Lander System (HLS) programs). Operating profit for national security space programs was comparable as an unfavorable profit adjustment of $45 million on a commercial ground solutions program in the third quarter of 2021 that did not recur was offset by lower net favorable profit adjustments (Space-Based Infrared System (SBIRS) and classified programs). Net favorable profit booking rate adjustments were $15 million lower in the third quarter of 2022 compared to the same period in 2021.

Space's net sales during the nine months ended September 25, 2022 decreased $625 million, or 7%, compared to the same period in 2021. The decrease was primarily attributable to lower net sales of approximately $865 million due to the renationalization of the AWE program on June 30, 2021, which was no longer included in our financial results beginning in the third quarter of 2021; and about $165 million for commercial civil space programs due to lower volume (Orion and HLS programs). These decreases were partially offset by higher net sales of about $385 million for strategic and missile defense programs due to higher development volume (NGI).

Space’s operating profit during the nine months ended September 25, 2022 decreased $12 million, or 1%, compared to the same period in 2021. The decrease was primarily attributable to approximately $50 million for commercial civil space programs due to lower net favorable profit adjustments and lower volume (the Orion and HLS programs); and about $40 million for national security space programs primarily due to lower net favorable profit adjustments (SBIRS and classified programs), partially offset by lower net unfavorable profit adjustments of $50 million on a commercial ground solutions program. These decreases were partially offset by higher equity earnings of approximately $50 million from the company's investment in ULA due to higher launch volume and launch mix; and about $30 million for strategic and missile defense programs due to higher net favorable profit adjustments and volume (primarily NGI and other missile defense programs). Operating profit for the AWE program was comparable as its operating profit in the first nine months of 2021 was mostly offset by accelerated amortization expense for intangible assets as a result of the renationalization. Net favorable profit booking rate adjustments were $70 million lower in the nine months ended September 25, 2022 compared to the same period in 2021.

Total equity earnings (primarily ULA) represented approximately $50 million, or 17%, and $85 million, or 10%, of Space's operating profit during the quarter and nine months ended September 25, 2022. Total equity earnings were not significant during the quarter ended September 26, 2021 and $35 million, or 4% during the nine months ended September 26, 2021.

FINANCIAL CONDITION

Liquidity and Cash Flows

At September 25, 2022, we had cash and cash equivalents of $2.4 billion. Our principal source of liquidity is our cash from operations. However, we also have access to credit markets, if needed, for liquidity or general corporate purposes, including our revolving credit facility or the ability to issue commercial paper, and letters of credit to support customer advance payments and for other trade finance purposes such as guaranteeing our performance on particular contracts. We also have access to credit markets to fund share repurchases. We believe our cash and cash equivalents, our expected cash flow generated from operations and our access to credit markets will be sufficient to meet our cash requirements and cash deployment plans over the next twelve months and beyond based on our current business plans.

Cash received from customers, either from the payment of invoices for work performed or for advances from non-U.S. Government customers in excess of costs incurred, is our primary source of cash from operations. We generally do not begin work on contracts until funding is appropriated by the customer. However, from time to time, we fund customer programs ourselves pending government appropriations. If we incur costs in excess of funds obligated on the contract or in advance of a contract award, this negatively affects our cash flows and we may be at risk for reimbursement of the excess costs.

Billing timetables and payment terms on our contracts vary based on a number of factors, including the contract type. We generally bill and collect cash more frequently under cost-reimbursable contracts, which represented approximately 39% of the sales we recorded during the nine months ended September 25, 2022, as we are authorized to bill as the costs are incurred. A number of our fixed-price contracts may provide for performance-based payments, which allow us to bill and collect cash as we perform on the contract. The amount of performance-based payments and the related milestones are encompassed in the negotiation of each contract. The timing of such payments may differ from the timing of the costs incurred related to our contract performance, thereby affecting our cash flows.

The U.S. Government has indicated that it would consider progress payments as the baseline for negotiating payment terms on fixed-price contracts, rather than performance-based payments. In contrast to negotiated performance-based payment terms, progress payment provisions correspond to a percentage of the amount of costs incurred during the performance of the contract and are invoiced regularly as costs are incurred. Our cash flows may be affected if the U.S. Government changes its payment policies or decides to withhold payments on our billings. While the impact of policy changes or withholding payments may delay the receipt of cash, the cumulative amount of cash collected during the life of the contract should not vary.

To date, the effects of COVID-19 have resulted in some negative impacts on our cash flows, partially due to supplier disruptions and delays. The U.S. Government has taken certain actions and enacted legislation to mitigate the impacts of

COVID-19 on public health, the economy, state and local governments, individuals, and businesses. Since the pandemic began, Lockheed Martin has remained committed to accelerating payments to the supply chain with a focus on small and at risk businesses. As of September 25, 2022, we have accelerated $1.1 billion of payments to our suppliers that are due by their terms in future periods. We will continue to monitor risk driven by the pandemic and, based on our current assessment, we will continue to accelerate payments to our suppliers based on risk assessed need through the end of 2022.

In addition, we have a balanced cash deployment strategy to invest in our business and key technologies to provide our customers with enhanced capabilities, enhance stockholder value, and position ourselves to take advantage of new business opportunities when they arise. Consistent with that strategy, we have continued to invest in our business and technologies through capital expenditures, independent research and development, and selective business acquisitions and investments.

We have returned cash to stockholders through dividends and share repurchases. Subsequent to the third quarter of 2022, on September 30, 2022, the company authorized a fourth quarter dividend payment of $3.00 per share, representing an increase of $0.20 per share. On October 17, 2022, the Board of Directors authorized an additional $14 billion to the program from the $117 million that remained at September 25, 2022. This multi-year share repurchase program follows the substantial completion of purchases of common stock under the prior repurchase authorization. We anticipate executing a $4.0 billion accelerated share repurchase program in the fourth quarter of 2022 bringing our total share repurchases for the year to approximately $8.0 billion. The remainder of the repurchase program authorization is expected to be utilized over a three-year period. We expect to fund the repurchases through a combination of cash on hand and the issuance of debt. The stock repurchase program does not have an expiration date and may be amended or terminated by the board of directors at any time. The amount of shares ultimately purchased and the timing of purchases are at the discretion of management and subject to compliance with applicable law and regulation.

We continue to actively manage our debt levels, including maturities and interest rates, as evidenced by the debt transaction in the second quarter of 2022. We also actively manage our pension obligations and expect to continue to opportunistically manage our pension liabilities through the purchase of group annuity contracts for portions of our outstanding defined benefit pension obligations using assets from the pension trust as we did on June 24, 2022. See “Note 6 - Postretirement Benefit Plans” included in our Notes to Consolidated Financial Statements for additional information. Future pension risk transfer transactions could also be significant and result in us making additional contributions to the pension trust and/or require us to recognize noncash, non-operating pension settlement charges in earnings in the applicable reporting period.

There were no material changes during the quarter or nine months ended September 25, 2022 to our contractual commitments as presented in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of our 2021 Form 10-K that were outside the ordinary course of our business.

The following table provides a summary of our cash flow information followed by a discussion of the key elements (in millions):

	Nine Months Ended	
	September 25, 2022	**September 26, 2021**
Cash and cash equivalents at beginning of year	**$ 3,604**	$ 3,160
Operating activities		
Net earnings	**3,820**	4,266
Noncash adjustments	**2,090**	2,654
Changes in working capital	**(621)**	(2,176)
Other, net	**585**	209
Net cash provided by operating activities	**5,874**	4,953
Net cash used for investing activities	**(981)**	(619)
Net cash used for financing activities	**(6,067)**	(4,767)
Net change in cash and cash equivalents	**(1,174)**	(433)
Cash and cash equivalents at end of period	**$ 2,430**	$ 2,727

Operating Activities

Net cash provided by operating activities during the nine months ended September 25, 2022 increased $921 million compared to the same period in 2021. The increase was primarily driven by $1.6 billion of lower working capital (defined as receivables, contract assets, and inventories less accounts payable and contract liabilities) which was primarily attributable to timing of production and billing cycles affecting contract assets (primarily the F-35 program in our Aeronautics business segment) and timing of cash payments for accounts payable, partially offset by liquidation of inventories (primarily TLS and Sikorsky helicopter programs in our RMS business segment).

Non-GAAP Financial Measure - Free Cash Flow

Free cash flow is a non-GAAP financial measure that we define as cash from operations less capital expenditures. Our capital expenditures are comprised of equipment and facilities infrastructure and information technology (inclusive of costs for the development or purchase of internal-use software that are capitalized). We use free cash flow to evaluate our business performance and overall liquidity, as well as a performance goal in our annual and long-term incentive plans. We believe free cash flow is a useful measure for investors because it represents the amount of cash generated from operations after reinvesting in the business and that may be available to return to stockholders and creditors (through dividends, stock repurchases and debt repayments) or available to fund acquisitions. The entire amount of free cash flow is not necessarily available for discretionary expenditures, however, because it does not account for certain mandatory expenditures, such as the repayment of maturing debt and pension contributions. While management believes that free cash flow as a non-GAAP financial measure may be useful in evaluating our financial performance, it should be considered supplemental to, and not a substitute for, financial information prepared in accordance with GAAP and may not be comparable to similarly titled measures used by other companies.

The following table reconciles net cash provided by operating activities to free cash flow (in millions):

	Nine Months Ended	
	September 25, 2022	**September 26, 2021**
Cash from operations	**$ 5,874**	$ 4,953
Capital expenditures	**(977)**	(915)
Free cash flow	**$ 4,897**	$ 4,038

Investing Activities

Net cash used for investing activities during the nine months ended September 25, 2022 increased $362 million compared to the same period in 2021. The increase in cash used for investing activities is due to the receipt of $231 million in the first nine months of 2021 from the sale of our ownership interest in the Advanced Military Maintenance, Repair and Overhaul Center (AMMROC) joint venture. Capital expenditures totaled $977 million and $915 million during the nine months ended September 25, 2022 and September 26, 2021. The majority of our capital expenditures were for equipment and facilities infrastructure that generally are incurred to support new and existing programs across all of our business segments. We also incur capital expenditures for information technology to support programs and general enterprise information technology infrastructure, inclusive of costs for the development or purchase of internal-use software.

Financing Activities

Net cash used for financing activities was $6.1 billion during the nine months ended September 25, 2022, compared to $4.8 billion during the same period in 2021.

During the nine months ended September 25, 2022 and September 26, 2021, we paid dividends totaling $2.3 billion ($8.40 per share) and $2.2 billion ($7.80 per share).

During the nine months ended September 25, 2022, we paid $3.7 billion to repurchase 11.1 million shares of our common stock, some of which were settled subsequent to the end of the third quarter. See “Note 9 - Stockholders’ Equity” included in our Notes to Consolidated Financial Statements for additional information. During the nine months ended September 26, 2021, we paid $2.0 billion to repurchase 5.6 million shares of our common stock.

During the nine months ended September 25, 2022, we received net proceeds of $2.3 billion from issuance of senior unsecured notes and used the net proceeds from the offering to redeem all of the outstanding $500 million Notes due 2023, $750 million Notes due 2025 and used the remaining balance of the net proceeds to redeem $1.0 billion of our outstanding $2.0 billion Notes due 2026. See “Note 10 - Other” included in our Notes to Consolidated Financial Statements for additional information.

Capital Resources

At September 25, 2022, we held cash and cash equivalents of $2.4 billion that was generally available to fund ordinary business operations without significant legal, regulatory, or other restrictions.

At September 25, 2022, we had a $3.0 billion revolving credit facility (the Revolving Credit Facility) with various banks with an expiration date of August 24, 2027 that is available for general corporate purposes including supporting commercial paper borrowings. We may request and the banks may grant, at their discretion, an increase in the borrowing capacity under the Revolving Credit Facility of up to an additional $500 million. There were no borrowings outstanding under the Revolving Credit Facility at September 25, 2022. See “Note 10 - Other” included in our Notes to Consolidated Financial Statements for additional information.

We have agreements in place with financial institutions to provide for the issuance of commercial paper. The outstanding balance of commercial paper can fluctuate daily and the amount outstanding during the period may be greater than or less than the amount reported at the end of the period. There were no commercial paper borrowings outstanding as of September 25, 2022 and December 31, 2021. We may, as conditions warrant, from time to time issue commercial paper backed by our Revolving Credit Facility to manage the timing of cash flows. However, depending on market conditions, commercial paper may not be available on favorable terms or at all.

Our outstanding debt, net of unamortized discounts and issuance costs was $11.5 billion as of September 25, 2022 and is in the form of publicly-issued notes that bear interest at fixed rates. As of September 25, 2022, we were in compliance with all covenants contained in our debt and credit agreements.

OTHER MATTERS

Status of the F-35 Program

The F-35 program primarily consists of production contracts, sustainment activities, and new development efforts. Production of the aircraft is expected to continue for many years given the U.S. Government’s current inventory objective of 2,456 aircraft for the U.S. Air Force, U.S. Marine Corps, and U.S. Navy; commitments from our seven international partner countries and eight Foreign Military Sales (FMS) customers; as well as interest from other countries. We have seen strong international demand for the F-35 in the first three quarters of 2022. During the first quarter of 2022, Finland became the seventh FMS customer to join the program, and Germany announced its intention to purchase 35 F-35 aircraft. On March 28, 2022, the Government of Canada selected the F-35 as the preferred bidder to move into the Finalization Phase of the competitive process to replace their fighter fleet. In the Finalization Phase, they will collaborate with the F-35 team to deliver unique requirements and a delivery profile before moving forward with the U.S. Government for the procurement of 88 aircraft. During the third quarter of 2022, the Swiss government signed a Letter of Offer and Acceptance for the procurement of 36 F-35 aircraft and became the eighth FMS customer to join the program.

During the third quarter of 2022, we announced an agreement in principle with the U.S. Government on the F-35 Low Rate Initial Production (LRIP) Lots 15-17 production contract for approximately 375 aircraft and we continue to engage with the U.S. Government to definitize the contract. We have been performing work on the Lots 15-17 production under customer authorization and initial funding under an advance acquisition contract received in December 2019. During the second quarter of 2022, our costs began to exceed the contract value and available funding on the Lots 15-17 advance acquisition contract, which prevented the recognition of approximately $325 million of sales and associated operating profit in the second quarter. This also prevented us from invoicing and receiving cash of approximately $465 million in the second quarter of 2022 for costs incurred.

In the third quarter of 2022, we received an undefinitized contract action for Lot 15 aircraft and funding from the U.S. Government that allowed us to resume invoicing, collect the cash deferred from the second quarter, and recognize the sales and associated operating profit deferred from the second quarter. This undefinitized contract action added 129 Lot 15 aircraft to our backlog while we continue working to definitize the Lots 15-17 production contract.

As part of the Lots 15-17 agreement in principle referenced above, the U.S. Government reduced the acquisition quantities based on budget availability. COVID-19 and other impacts experienced by the F-35 enterprise have continued to impact our near-term production plans. While we expect the LRIP Lots 15-17 production contract to support our long-term objective to produce 156 aircraft a year, deliveries are expected to be in the range of 148-153 aircraft for 2022 and in the range of 147-153 aircraft per year in 2023 and 2024, before we achieve our 156 aircraft delivery target in 2025. We anticipate annual deliveries of 156 aircraft beyond 2025 for the foreseeable future.

During the third quarter of 2022, F-35 deliveries were temporarily paused because specialty metals sourced from the People’s Republic of China were discovered in one component provided by a supplier. The material in question poses no performance, quality, safety, or security risks and the F-35 remains safe for flight. The U.S. Government has processed a National Security Waiver that permits the Department of Defense to accept delivery of aircraft that contain the component, and we are in discussions with the U.S. Government to incorporate the waiver into the underlying production contracts, which will permit deliveries to formally resume. We currently expect deliveries to resume in the fourth quarter of 2022.

During the third quarter of 2022, we delivered 27 production aircraft to our U.S. and international partner countries, and FMS customers, resulting in total deliveries of 841 production aircraft. We have 271 production aircraft in backlog, including orders from our international partner customers and countries.

Given the size and complexity of the F-35 program, we anticipate that there will be continual reviews related to aircraft performance, program schedule, delivery schedule, cost, and requirements as part of the DoD, Congressional, and international countries’ oversight, and budgeting processes. In addition to the contract negotiation and funding and supplier performance challenges described above, current program challenges include Lockheed Martin and partner performance (including COVID-19 performance-related challenges), software development, execution of future flight tests and findings resulting from testing and operating the aircraft, the level of cost associated with life cycle operations, sustainment and potential contractual obligations, inflation-related cost pressures, and the ability to continue to reduce the unit production costs and improve affordability.

Contingencies

See “Note 7 - Legal Proceedings and Contingencies” included in our Notes to Consolidated Financial Statements for information regarding our contingent obligations, including off-balance sheet arrangements.

Critical Accounting Policies

There have been no significant changes to the critical accounting policies disclosed in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our 2021 Form 10-K, except for, as set forth below.

Postretirement Benefit Plans

As previously disclosed, on June 24, 2022, we purchased group annuity contracts to transfer $4.3 billion of gross defined benefit pension obligations and related plan assets to an insurance company for approximately 13,600 U.S. retirees and beneficiaries. The group annuity contracts were purchased using assets from Lockheed Martin’s master retirement trust and no additional funding contribution was required. In connection with this transaction, we recognized a noncash, non-operating pension settlement charge of $1.5 billion ($1.2 billion, or $4.33 per share, after-tax) for the affected defined benefit pension plans in the second quarter ended June 26, 2022, which represents the accelerated recognition of actuarial losses that were included in the accumulated other comprehensive loss account within stockholders’ equity. For more information on the transaction and remeasurement, see “Note 6 - Postretirement Benefit Plans” included in our Notes to Consolidated Financial Statements.

Goodwill and Intangible Assets

The carrying value of our goodwill balance was $10.8 billion at September 25, 2022, including $2.7 billion of goodwill at our Sikorsky reporting unit. The carrying value of our Sikorsky reporting unit also included an indefinite-lived trademark intangible asset of $887 million as of September 25, 2022. In the fourth quarter of 2021, we performed our annual impairment test for goodwill and indefinite-lived trademark intangible asset, and the results of that test indicated no impairment existed. As of the date of our 2021 annual impairment test, we estimated that the fair value of our Sikorsky reporting unit exceeded its carrying value for goodwill by a margin of approximately 30% and the fair value of the intangible asset exceeded its carrying value by a margin of approximately 15%. We will perform our next annual goodwill and intangible asset impairment test during the fourth quarter of 2022 and will perform a quantitative assessment of the fair value of our Sikorsky reporting unit.

The fair values of both our Sikorsky reporting unit and the indefinite-lived trademark intangible asset at our Sikorsky reporting unit can be significantly impacted by the reporting unit's performance, the amount and timing of expected future cash flows, contract terminations, changes in expected future orders, general market pressures, including U.S. Government budgetary constraints, discount rates, long term growth rates, and changes in U.S. (federal or state) or foreign tax laws and regulations, or their interpretation and application, including those with retroactive effect, along with other significant judgments. Based on our assessment of these circumstances, we have determined that goodwill at our Sikorsky reporting unit and the indefinite-lived trademark intangible asset at our Sikorsky reporting unit are at risk for impairment should there be a deterioration of projected cash flows of the reporting unit.

We do not currently anticipate any material impairments on our assets as a result of COVID-19 or inflation. See Item 1A, Risk Factors of our 2021 Form 10-K for a discussion of the potential impacts of COVID-19 on the fair value of our assets.

Recent Accounting Pronouncements

See "Note 11 - Recent Accounting Pronouncements" included in our Notes to Consolidated Financial Statements for information related to new accounting standards.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

As disclosed in "Item 7A, Quantitative and Qualitative Disclosures About Market Risk" of our 2021 Form 10-K, we transact business globally and are subject to risks associated with changing foreign currency exchange rates. We enter into foreign currency hedges such as forward and option contracts that change in value as foreign currency exchange rates change. Our exposures to market risk have not changed materially since December 31, 2021. See "Note 8 - Fair Value Measurements" included in our Notes to Consolidated Financial Statements for additional discussion.

ITEM 4. Controls and Procedures

We performed an evaluation of the effectiveness of our disclosure controls and procedures as of September 25, 2022. The evaluation was performed with the participation of senior management of each business segment and key corporate functions, under the supervision of the Chief Executive Officer (CEO) and Chief Financial Officer (CFO). Based on this evaluation, the CEO and CFO concluded that our disclosure controls and procedures were operating and effective as of September 25, 2022.

There were no changes in our internal control over financial reporting during the quarter ended September 25, 2022 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Forward-Looking Statements

This Form 10-Q contains statements that, to the extent they are not recitations of historical fact, constitute forward-looking statements within the meaning of the federal securities laws, and are based on our current expectations and assumptions. The words "believe," "estimate," "anticipate," "project," "intend," "expect," "plan," "outlook," "scheduled," "forecast" and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to risks and uncertainties. Actual results may differ materially due to factors such as:

- the impact of COVID-19 or future epidemics on our business and financial results, including supply chain disruptions and delays, labor challenges associated with employee absences, quarantine restrictions, travel restrictions, site access, program delays, and changes in customer payment policies;
- budget uncertainty, the risk of future budget cuts, the impact of continuing resolution funding mechanisms and the debt ceiling and the potential for government shutdowns and changing funding and acquisition priorities;
- our reliance on contracts with the U.S. Government, which are dependent on U.S. Government funding and can be terminated for convenience, and our ability to negotiate favorable contract terms;
- risks related to the development, production, sustainment, performance, schedule, cost and requirements of complex and technologically advanced programs, including the F-35 program;
- the continued delay of the definitization of the Lots 15-17 F-35 production contract;
- planned production rates and orders for significant programs, compliance with stringent performance and reliability standards, and materials availability;

- performance and financial viability of key suppliers, teammates, joint ventures and partners, subcontractors and customers;
- economic, industry, business and political conditions including their effects on governmental policy;
- the impact of inflation and other cost pressures;
- government actions that disrupt our supply chain or prevent the sale or delivery of our products (such as delays in approvals for exports requiring Congressional notification);
- trade policies or sanctions (including potential Chinese sanctions on us or our suppliers, teammates or partners, U.S. Government sanctions on Republic of Turkiye and its removal from the F-35 program, and potential indirect effects of sanctions on Russia to our supply chain);
- our success expanding into and doing business in adjacent markets and internationally and the differing risks posed by international sales;
- changes in foreign national priorities and foreign government budgets and planned orders, including the impact of a strengthening U.S. dollar;
- the competitive environment for our products and services, including competition from startups and non-traditional defense contractors;
- the timing of contract awards or delays in contract definitization as well as the timing and customer acceptance of product deliveries and performance milestones;
- our ability to develop and commercialize new technologies and products, including emerging digital and network technologies and capabilities;
- our ability to attract and retain a highly skilled workforce, the impact of work stoppages or other labor disruptions;
- cyber or other security threats or other disruptions faced by us or our suppliers;
- our ability to implement and continue, and the timing and impact of, capitalization changes such as share repurchases, dividend payments and financing transactions;
- our ability to recover costs under U.S. Government contracts and the mix of fixed-price and cost-reimbursable contracts;
- customer procurement policies that shift risk to contractors, including competitively bid programs with fixed-price development work or follow-on production options or other financial risks; and the impact of investments, cost overruns or other cost pressures and performance issues on fixed price contracts;
- the accuracy of our estimates and projections;
- the impact of pension risk transfers, including potential noncash settlement charges, timing and estimates regarding pension funding and movements in interest rates and other changes that may affect pension plan assumptions, stockholders' equity, the level of the FAS/CAS adjustment, and actual returns on pension plan assets;
- realizing the anticipated benefits of acquisitions or divestitures, investments, joint ventures, teaming arrangements or internal reorganizations, and market volatility affecting the fair value of investments in our Lockheed Martin Ventures Fund that are marked to market;
- our efforts to increase the efficiency of our operations and improve the affordability of our products and services, including through digital transformation and cost reduction initiatives;
- the risk of an impairment of our assets, including the potential impairment of goodwill recorded at the Sikorsky line of business;
- the availability and adequacy of our insurance and indemnities;
- our ability to benefit fully from or adequately protect our intellectual property rights;
- procurement and other regulations and policies affecting our industry, export of our products, cost allowability or recovery, preferred contract type, and performance and progress payments policy;
- impacts of climate change and compliance with laws, regulations, policies, and customer requirements in response to climate change concerns;
- changes in accounting, U.S. or foreign tax, export or other laws, regulations, and policies and their interpretation or application; and
- the outcome of legal proceedings, bid protests, environmental remediation efforts, audits, government investigations or government allegations that we have failed to comply with law, other contingencies and U.S. Government identification of deficiencies in our business systems.

These are only some of the factors that may affect the forward-looking statements contained in this Form 10-Q. For a discussion identifying additional important factors that could cause actual results to differ materially from those anticipated in the forward-looking statements, see our filings with the U.S. Securities and Exchange Commission (SEC) including, but not limited to, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2021 and subsequent Quarterly Reports on Form 10-Q. Our filings may be accessed through the Investor Relations page of our website, www.lockheedmartin.com/investor, or through the website maintained by the SEC at www.sec.gov.

Our actual financial results likely will be different from those projected due to the inherent nature of projections. Given these uncertainties, forward-looking statements should not be relied on in making investment decisions. The forward-looking statements contained in this Form 10-Q speak only as of the date of its filing. Except where required by applicable law, we expressly disclaim a duty to provide updates to forward-looking statements after the date of this Form 10-Q to reflect subsequent events, changed circumstances, changes in expectations, or the estimates and assumptions associated with them. The forward-looking statements in this Form 10-Q are intended to be subject to the safe harbor protection provided by the federal securities laws.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

We are a party to litigation and other proceedings that arise in the ordinary course of our business, including matters arising under provisions relating to the protection of the environment, and are subject to contingencies related to certain businesses we previously owned. These types of matters could result in fines, penalties, cost reimbursements or contributions, compensatory or treble damages or non-monetary sanctions or relief. We believe the probability is remote that the outcome of each of these matters will have a material adverse effect on the corporation as a whole, notwithstanding that the unfavorable resolution of any matter may have a material effect on our net earnings and cash flows in any particular interim reporting period. We cannot predict the outcome of legal or other proceedings with certainty. These matters include the proceedings summarized in “Note 7 - Legal Proceedings and Contingencies” included in our Notes to Consolidated Financial Statements in this Form 10-Q and “Note 15 – Legal Proceedings, Commitments and Contingencies” in our Annual Report on Form 10-K for the year ended December 31, 2021 (2021 Form 10-K) filed with the U.S. Securities and Exchange Commission.

We are subject to federal, state, local and foreign requirements for the protection of the environment, including those for discharge of hazardous materials and remediation of contaminated sites. Due in part to the complexity and pervasiveness of these requirements, we are a party to or have property subject to various lawsuits, proceedings and remediation obligations. The extent of our financial exposure cannot in all cases be reasonably estimated at this time. For information regarding the matters discussed above, including current estimates of the amounts that we believe are required for remediation or clean-up to the extent estimable, see “Note 7 - Legal Proceedings and Contingencies” included in our Notes to Consolidated Financial Statements. See also “Critical Accounting Policies – Environmental Matters” in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Note 15 – Legal Proceedings, Commitments and Contingencies”, each in our 2021 Form 10-K, for a description of previously reported matters.

As a U.S. Government contractor, we are subject to various audits and investigations by the U.S. Government to determine whether our operations are being conducted in accordance with applicable regulatory requirements. U.S. Government investigations of us, whether relating to government contracts or conducted for other reasons, could result in administrative, civil or criminal liabilities, including repayments, fines or penalties being imposed upon us, suspension, proposed debarment, debarment from eligibility for future U.S. Government contracting or suspension of export privileges. Suspension or debarment could have a material adverse effect on us because of our dependence on contracts with the U.S. Government. U.S. Government investigations often take years to complete and many result in no adverse action against us. We also provide products and services to customers outside of the U.S., which are subject to U.S. and foreign laws and regulations and foreign procurement policies and practices. Our compliance with local regulations or applicable U.S. Government regulations also may be audited or investigated.

ITEM 1A. Risk Factors

Except for the risk factors discussed below, we do not believe that there have been any material changes to the risk factors disclosed in “Item 1A, Risk Factors” of our 2021 Form 10-K. These risks and uncertainties described in our risk factors have the potential to materially affect our business, results of operations, financial condition, cash flows, projected results and future prospects. These risks are not exclusive and additional risks to which we are subject include the factors mentioned under “Forward-Looking Statements” and the risks described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Quarterly Report on Form 10-Q.

The F-35 program comprises a material portion of our revenue and reductions or delays in funding for this program and risks related to the development, production, sustainment, performance, schedule, cost, and requirements of the program could adversely affect our performance.

The F-35 program, which consists of multiple development, production, and sustainment contracts, is our largest program and represented 27% of our total consolidated net sales in both 2021 and the first nine months of 2022. A decision by the U.S. Government or other governments to cut or delay spending on this program or reduce or delay planned orders would have an adverse impact on our business and results of operations. Given the size and complexity of the F-35 program, we anticipate that there will be continual reviews related to aircraft performance, program schedule, delivery schedule, cost, and requirements as part of the DoD, Congressional, and international countries' oversight and budgeting processes. Current program challenges include supplier, Lockheed Martin and partner performance (including COVID-19 performance-related challenges), software development, definitizing and receiving funding for contracts on a timely basis (as described below), execution of future flight tests and findings resulting from testing and operating the aircraft, the level of cost associated with life cycle operations, sustainment and potential contractual obligations, inflation related cost pressures, and the ability to continue to reduce the unit production costs and improve affordability.

As described in "Status of the F-35 Program" in Management's Discussion and Analysis of Financial Condition and Results of Operations, delays in reaching an agreement with the U.S. Government on the F-35 Low Rate Initial Production (LRIP) Lots 15-17 production contract prevented us from recognizing approximately $325 million of sales and associated operating profit in the second quarter of 2022 and prevented us from invoicing and receiving cash of approximately $465 million in the second quarter of 2022 for costs incurred. In the third quarter of 2022, we received an undefinitized contract action (UCA) for Lot 15 aircraft and funding from the U.S. Government that allowed us to resume invoicing, collect the cash deferred from the second quarter, and recognize the sales and associated operating profit deferred from the second quarter. While we continue working to definitize the Lots 15-17 production contract, there can be no assurance that the existing agreement in principle and Lot 15 UCA will be converted to a definitive contract in a timely manner, on acceptable terms, or at all, any of which could adversely affect our results of operations, cash flows, and financial condition.

During the third quarter of 2022, F-35 deliveries were temporarily paused because specialty metals sourced from the People's Republic of China were discovered in one component provided by a supplier. The material in question poses no performance, quality, safety, or security risks and the F-35 remains safe for flight. The U.S. Government has processed a National Security Waiver that permits the Department of Defense to accept delivery of aircraft that contain the component, and we are in discussions with the U.S. Government to incorporate the waiver into the underlying production contract, which will permit deliveries to resume. We currently expect deliveries to resume in the fourth quarter of 2022. If a contract modification is not made to incorporate the waiver into our underlying production contracts, further delivery delays and costs related to remediating the non-compliant part could be significant. In addition, ongoing investigations related to the issue could adversely affect our business. We remain heavily dependent on our supply chain for sourcing contractually compliant components, which is outside of our direct control and is multi-tiered. The future occurrence of non-compliant components in the F-35 or other programs could cause suspensions in product deliveries, remediation work on installed components, contract price adjustments and alternate supply sourcing, all of which could adversely affect our results of operations, cash flows and financial condition.

We also may not be successful in making hardware and software upgrades and other modernization capabilities in a timely manner, including as a result of dependencies on suppliers, which could increase costs and create schedule delays. Our ability to capture and retain future F-35 growth in development, production and sustainment is dependent on the success of our efforts to achieve F-35 sustainment performance, customer affordability, supply chain improvements, continued reliability improvements and other efficiencies, some of which are outside our control.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

There were no sales of unregistered equity securities during the quarter ended September 25, 2022.

The following table provides information about our repurchases of our common stock that is registered pursuant to Section 12 of the Securities Exchange Act of 1934 during the quarter ended September 25, 2022.

Period [(a)]	Total Number of Shares Purchased		Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs [(b)]		Approximate Dollar Value of Shares That May Yet be Purchased Under the Plans or Programs [(b)]
						(in millions)
June 27, 2022 – July 31, 2022[(c)]	315,042	$	412.00	308,202	$	1,423
August 1, 2022 – August 28, 2022[(c)]	1,390,835	$	431.98	1,390,531	$	823
August 29, 2022 – September 25, 2022	1,692,187	$	416.92	1,692,187	$	117
Total[(c)]	3,398,064	$	422.63	3,390,920		

(a) We close our books and records on the last Sunday of each month to align our financial closing with our business processes, except for the month of December, as our fiscal year ends on December 31. As a result, our fiscal months often differ from the calendar months. For example, September 25, 2022 was the last day of our September 2022 fiscal month.

(b) In October 2010, our Board of Directors approved a share repurchase program pursuant to which we are authorized to repurchase our common stock in privately negotiated transactions or in the open market at prices per share not exceeding the then-current market prices. From time to time, our Board of Directors authorizes increases to our share repurchase program. The total remaining authorization for future common share repurchases under our share repurchase program was $117 million as of September 25, 2022. On October 17, 2022, the Board of Directors authorized an increase to the program by $14 billion. Under the program, management has discretion to determine the dollar amount of shares to be repurchased and the timing of any repurchases in compliance with applicable law and regulation. This includes purchases pursuant to Rule 10b5-1 plans, including accelerated share repurchases. The program does not have an expiration date.

(c) During the quarter ended September 25, 2022, the total number of shares purchased included 7,144 shares that were transferred to us by employees in satisfaction of tax withholding obligations associated with the vesting of restricted stock units. These purchases were made pursuant to a separate authorization by our Board of Directors and are not included within the program.

ITEM 6. Exhibits

Exhibit No.	Description
10.1	Amendment No. 4 to Lockheed Martin Corporation Executive Severance Plan, as amended and restated effective December 1, 2016
10.2	Revolving Credit Agreement dated as of August 24, 2022, among Lockheed Martin Corporation, the lenders listed therein, and Bank of America, N.A., as administrative agent (incorporated by reference to Exhibit 10.1 to Lockheed Martin Corporation's Current Report on Form 8-K filed with the SEC on August 24, 2022)
10.3	Non-Employee Director Compensation Summary
15	Acknowledgment of Independent Registered Public Accounting Firm
31.1	Certification of James D. Taiclet pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Jesus Malave pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification of James D. Taiclet and Jesus Malave pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document contained in Exhibit 101

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Lockheed Martin Corporation
(Registrant)

Date: October 18, 2022

By: /s/ H. Edward Paul III
H. Edward Paul III
Vice President and Controller
(Duly Authorized Officer and Chief Accounting Officer)

Exhibit 10.1

LOCKHEED MARTIN CORPORATION
EXECUTIVE SEVERANCE PLAN
(As Amended and Restated Effective December 1, 2016)

Amendment No. 4

Lockheed Martin Corporation wishes to revise the Lockheed Martin Corporation Executive Severance Plan (the "Plan") to reflect certain changes to severance benefits available under the Plan and to make certain clarifications. Accordingly, the Plan is revised as follows, effective as of the date this amendment is executed, unless otherwise indicated below.

1. Any reference in the Plan to "Senior Vice President, Human Resources" shall be replaced with "Senior Vice President, Chief Human Resources Officer."

2. Section 1(q) of the Plan is amended and restated in its entirety to read as follows:

(q) Prorated Bonus Equivalent – With respect to an Eligible Employee who is a participant in the MICP, the Attorney Incentive Plan, or the Lockheed Martin Corporation Cyber Compensation Plan, or, with respect to Eligible Employees who are not Officers, other annual incentive plan that is designated by the Senior Vice President, Chief Human Resources Officer in their sole discretion, an amount equal to (i) an Eligible Employee's Base Pay multiplied by the target percentage assigned to the Eligible Employee under the applicable annual incentive plan, or, with respect to an Eligible Employee who is a participant in the Lockheed Martin Corporation Employee Annual Incentive Plan, or, with respect to Eligible Employees who are not Officers, other annual incentive plan that is designated by the Senior Vice President, Chief Human Resources Officer in their sole discretion, an amount equal to (ii) an Eligible Employee's Base Pay multiplied by the business area award percentage at 100 percent and the applicable individual target percentage under the applicable annual incentive plan and (iii) then multiplying the product obtained under (i) or (ii), as applicable, by the number of weeks in the Plan Year in which the Executive Layoff Event occurs for which the Eligible Employee was paid by the Company for at least one day. For the purposes of this Section 1(q), no week may be counted twice. For the avoidance of doubt, (I) no Eligible Employee who, at the time of the Executive Layoff Event, works for Lockheed Martin Investment Management Company and is a participant in the Lockheed Martin Investment Management Company Incentive Compensation Plan (the "LMIMCO Plan") will receive a Prorated Bonus Equivalent under the Plan; rather, any bonus payable under the LMIMCO Plan will be governed by the terms of the LMIMCO Plan; and (II) no Eligible Employee who receives a Pro Rata Bonus Equivalent under the Plan will be eligible to receive any payment under the applicable annual incentive plan for the year in which the Executive Layoff Event Occurs.

3. Effective for Executive Layoff Events after August 23, 2022, Section 5(a) of the Plan is amended and restated in its entirety to read as follows:

(a) Basic Severance Benefit Applicable to Officers. The Basic Severance Benefit payable to an Eligible Employee who is an Officer shall equal two weeks of such Eligible Employee's Base Pay. For the avoidance of doubt, only Officers shall be eligible for the Basic Severance Benefit.

4. Effective for Executive Layoff Events after August 23, 2022, Section 5(b) of the Plan is amended and restated in its entirety to read as follows:

(b) Supplemental Severance Benefit. The following Supplemental Severance Benefits, which may be in addition to the Basic Severance Benefit for Eligible Employees identified in Section 5(a), are available only to Eligible Employees who execute (i) a valid and binding written release of the Company and its directors, officers and Employees of claims of any kind or nature in respect of the Employee's employment with the Company and any predecessor employer (and each of their affiliates) in the form supplied by the Company ("Release"); and do not revoke any such Release within any revocation period provided for in the Release, and, (ii) except where prohibited under applicable law, a Post-Employment Conduct Agreement substantially in the form attached to the Plan as Exhibit A.1 (for Officers) or A.2 (for Eligible Employees who are not Officers) and as amended to reflect specific jurisdictional or other requirements ("PECA"); provided such Release and PECA are executed no earlier than the date of the Eligible Employee's Termination of Employment; and provided further that such executed Release and PECA are received by the Company by the later of (i) 45 days after they are provided to the Eligible Employee and (ii) the date of the Eligible Employee's Termination of Employment.

(i) For the Chief Executive Officer – a lump sum payment equal to the sum of 2.99 times Annual Base Pay plus 2.99 times Full Bonus Equivalent plus Follow-on Benefits.

(ii) For an Officer other than the Chief Executive Officer – a lump sum payment equal to the sum of Annual Base Pay plus Full Bonus Equivalent plus Follow-on Benefits.

(iii) For an Eligible Employee under Section 3(a)(ii) or (iii) who is not an Officer on the date of the Eligible Employee's Executive Layoff Event – a lump sum payment equal to the sum of:

(a) An amount of the Eligible Employee's Annual Base Pay, determined as follows:

(1) For a Level 8 Employee (or Eligible Employee under Section 3(a)(iii) who was an Officer or Level 8 Employee within the 6-month period specified within such subsection), 1.00 times Annual Base Pay; or

(2) For a Level 7 Employee (or Eligible Employee under Section 3(a)(iii) who was a Level 7 Employee within the 6-month period specified within such subsection), 0.75 times Annual Base Pay;

plus

(b) the Eligible Employee's Pro Rata Bonus Equivalent, provided that in order to be eligible for payment of Pro Rata Bonus Equivalent, the Eligible Employee must be employed on a full time basis during the first calendar quarter of the Plan Year in which the Eligible Employee's Executive Layoff Event occurs with a termination date no earlier than April 1 of such Plan Year; plus

(c) Follow-on Benefits.

(iv) In addition to the applicable amount specified in Section (b) (i), (ii), or (iii) above, an Eligible Employee who is receiving a Supplemental Severance Benefit also will be eligible to receive (a) outplacement services for one year; and (b) if the Eligible Employee relocated in order to fill the position held by the Eligible Employee at the time of the Executive Layoff Event, they will also be eligible for relocation services in accordance with CRX-538; provided that if such Eligible Employee is not an Officer, in order to receive such benefit, they must have relocated pursuant to CRX-538 within the 24-month period prior to the

Executive Layoff Event.

5. Effective for Executive Layoff Events after August 23, 2022, Section 5(c) of the Plan is amended and restated in its entirety to read as follows:

(c) Timing of Payment of Severance Benefit The amount of the Severance Benefit payable under Section 5(a) and Section 5 (b)(i), (ii) or (iii) above will be paid in a lump sum, less applicable tax withholdings as follows:

(i) In the case of payment of a Basic Severance Benefit payable under Section 5(a) above, within 90 days following the Eligible Employee's Executive Layoff Event, but in no event later than the March 15 immediately following the year in which the Eligible Employee's Executive Layoff Event occurred; and

(ii) In the case of payment of a Supplemental Severance Benefit payable under Section 5(b)(i), (ii) or (iii) above, within 90 days following the Eligible Employee's (a) Executive Layoff Event, and (b) execution of a release of claims and the expiration of any applicable revocation period thereunder following such Executive Layoff Event, but in no event later than the March 15 immediately following the year in which the Eligible Employee's Executive Layoff Event occurs. Outplacement and relocation expenses paid as part of the Supplemental Severance Benefit will be provided by a third party provider selected by the Company. Outplacement or relocation expenses will be paid by the Company to the third party providing the services following billing to the Company and must be incurred no later than December 31 of the second year following the year in which the Eligible Employee's Executive Layoff Event occurred and paid by the Company no later than December 31 of the third year following the year in which the Eligible Employee's termination of employment occurred. To the extent that (i) Internal Revenue Code Section 409A applies to any payment under this Plan, and (ii) the employee is required to sign a release of claims or noncompetition agreement in order to receive payment, payments under this Plan shall be made no later than 90 days following the Executive Layoff Event; provided that if the payment period or period in which the employee may consider whether to sign the release or other agreement spans two taxable years, payment shall be made or shall commence in the later taxable year.

6. Section 6(c) of the Plan is amended and restated in its entirety to read as follows:

(c) If an Eligible Employee dies after their Termination of Employment, but before payment of a Basic Severance Benefit is made, the Basic Severance Benefit will be paid to their estate. If an Eligible Employee dies after they have signed the release of claims and the release of claims is delivered to the Company within the time limit provided in Section 5(b) of the Plan, then the Supplemental Severance Benefit will be paid to their estate in accordance with the timing rules in Section 5(c) of the Plan.

7. Section 10 of the Plan is amended and restated in its entirety to read as follows:

10. Amendment and Termination of Plan. The Plan may be amended, in whole or in part, at any time by action of the Committee or by any authorized delegate, without notice, except that any amendment that would change the eligibility requirements for, or the amount of benefits payable to, Officers under the Plan must be approved by the Committee. The Plan may be terminated by action of the Committee at any time. Upon termination of the Plan, the Company shall have no further liability hereunder, and all Plan benefits (including any amounts payable to Employees who separated from service before the date of Plan termination) shall cease.

8. Exhibit A.1 of the Plan, Post-Employment Conduct Agreement for Elected Officers, and Exhibit A.2 of the Plan, Post-Employment Conduct Agreement for Non-Officers, are updated in their entirety in the forms attached hereto.

LOCKHEED MARTIN CORPORATION

By: _/s/ Greg Karol________________
Greg Karol
Senior Vice President
Chief Human Resources Officer

Date: ___8/8/2022_________________

Exhibit A.1
Post-Employment Conduct Agreement for Elected Officers

[PECA will vary by state law and current legal and professional requirements at time of termination]

[Applicable provisions may be incorporated into the release of claims agreement in lieu of a separate PECA]

This Post Employment Conduct Agreement dated ____________ (this "PECA"), together with the Release of Claims being entered into contemporaneous with this PECA, is entered into in consideration of the payment ("Severance Payment") to be made to me under the Lockheed Martin Corporation Executive Severance Plan ("Severance Plan"). By signing below, I agree as follows:

(1) Restrictions Following Termination of Employment.

(a) Covenant Not To Compete – Without the express written consent of the Chief Executive Officer of the Company (or the Committee with respect to the Chief Executive Officer of the Company), during the two-year period following the date of my termination of employment with the Company ("Termination Date"), I will not, directly or indirectly, be employed by, provide services to, or advise a "Restricted Company" (as defined in Section 6 below), whether as an employee, advisor, director, officer, partner or consultant, or in any other position, function or role that, in any such case,

(i) oversees, controls or affects the design, operation, research, manufacture, marketing, sale or distribution of "Competitive Products or Services" (as defined in Section 6 below) of or by the Restricted Company, or

(ii) would involve a substantial risk that the "Confidential or Proprietary Information" (as defined in Section 1(c) below) of the Company (including but not limited to technical information or intellectual property, strategic plans, information relating to pricing offered to the Company by vendors or suppliers or to prices charged or pricing contemplated to be charged by the Company, information relating to employee performance, promotions or identification for promotion, or information relating to the Company's cost base) could be used to the disadvantage of the Company.

I acknowledge and agree that: (A) enforcement of this PECA pursuant to Sections 1(a)(i) and (ii) is necessary to protect, among other interests, the Company's trade secrets and other Confidential or Proprietary Information, as defined by Section 1(c); and (B) Sections 1(a)(i) and (ii) shall not apply to me if I am a resident of or work in California, or if I work and/or reside in any other state or jurisdiction that prohibits or otherwise bans such a covenant between the Corporation and me.

To the extent permitted by applicable law, including but not limited to any applicable rules governing attorney conduct (such as the ABA Model Rules of Professional Conduct and state versions thereof), Sections 1(a)(i) and (ii) and Section 1(b) relating to non-solicitation, shall apply to individuals who are employed by the Company in an attorney position and whose occupation during the two-year period following employment with the Company does not include practicing law.

In lieu of Section 1(a)(i) and (ii), as well as Section 1(b) relating to non-solicitation, the following Section 1(a)(iii) shall apply to individuals who are employed by the Company in an attorney position, and whose occupation during the two-year period following employment with the Company includes practicing law.

(iii) Post-employment Activity As a Lawyer – I acknowledge that as counsel to the Company, I owe ethical and fiduciary obligations to the Company and that at least some of these obligations will continue even after my Termination Date with the Company. I agree that after my Termination Date I will comply fully with all applicable ethical and fiduciary obligations that I owe to the Company. To the extent permitted by applicable law, including but not limited to any applicable rules governing attorney conduct, I agree that I will not:

a. Represent any client in the same or a substantially related matter in which I represented the Company where the client's interests are materially adverse to the Company; or

b. Disclose confidential information relating to my representation of the Company, including the disclosure of information that is to the disadvantage of the Company, except for information that is or becomes generally known.

The Company's Senior Vice President, General Counsel, and Corporate Secretary or the General Tax Counsel, as applicable, will determine in their discretion whether an individual is employed by the Company in an attorney position.

(b) Non-Solicit – Without the express written consent of the Chief Executive Officer of the Company (or the Committee with respect to the Chief Executive Officer of the Company), during the two-year period following the Termination Date, I will not (i) cause or attempt to cause, directly or indirectly, the complete or partial loss of any contract in effect before the Termination Date between the Company and any customer, supplier, distributor or manufacturer of or to the Company with which I was responsible, in whole or in part, for soliciting, negotiating, implementing, managing, or overseeing or (ii) induce or attempt to induce, directly or indirectly, any person who is an employee of the Company with whom I worked or interacted within two years prior to the Termination Date to cease employment with the Company in order to perform work or services for any entity other than the Company.

I acknowledge and agree that: (A) the enforcement of this PECA pursuant to Section 1(b)(i) is necessary to protect, among other interests, the Company's trade secrets and other Confidential or Proprietary Information, as defined by Section 1(c); and (B) Section 1(b)(i) shall not apply to me if I am a resident of or work in California, or if I work and/or reside in any other state or jurisdiction that prohibits or otherwise bans such a covenant between the Corporation and me.

(c) Protection of Proprietary Information – Except to the extent required by law, following my Termination Date, I will have a continuing obligation to comply with the terms of any non-disclosure or similar agreements that I signed while employed by the Company committing to hold confidential the "Confidential or Proprietary Information" (as defined below) of the Company or any of its affiliates, subsidiaries, related companies, joint ventures, partnerships, customers, suppliers, partners, contractors or agents, in each case in accordance with the terms of such agreements. I will not use or disclose or allow the use or disclosure by others to any person or entity of Confidential or Proprietary Information of the Company or others to which I had access or that I was responsible for creating or overseeing during my employment with the Company. In the event I become legally compelled (by deposition, interrogatory, request for documents, subpoena, civil investigative demand or otherwise) to disclose any proprietary or confidential information, I will immediately notify the Company's Senior Vice President, General Counsel and Corporate Secretary as to the existence of the obligation and will cooperate with any reasonable request by the Company for assistance in seeking to protect the information. All materials to which I have had access, or which were furnished or otherwise made available to me in connection with my employment with the Company shall be and remain the property of the Company. For purposes of this PECA, "Confidential or Proprietary Information" means trade secrets, as defined by the federal Defend Trade Secrets Act of 2016 and/or applicable state trade secret law, and

Sensitive Information within the meaning of CRX-015 (a copy of which has been made available to me), including but not limited to information that a person or entity desires to protect from unauthorized disclosure to third parties that can provide the person or entity with a business, technological, or economic advantage over its competitors, or which, if known or used by third parties or if used by the person's or entity's employees or agents in an unauthorized manner, might be detrimental to the person's or entity's interests. Confidential or Proprietary Information may include, but is not limited to:

(i) existing and contemplated business, marketing and financial business information such as business plans and methods, marketing information, cost estimates, forecasts, financial data, cost or pricing data, bid and proposal information, customer identification, sources of supply, contemplated product lines, proposed business alliances, and information about customers and competitors,

(ii) existing and contemplated technical information and documentation pertaining to technology, know how, equipment, machines, devices and systems, computer hardware and software, compositions, formulas, products, processes, methods, designs, specifications, mask works, testing or evaluation procedures, manufacturing processes, production techniques, research and developmental activities, inventions, discoveries, and improvements, and

(iii) human resources and personnel information.

(d) No disparagement – Following the Termination Date, I will not make any statements, whether verbal or written, that disparage or reasonably may be interpreted to disparage the Company or its directors, officers, employees, technology, products or services with respect to any matter whatsoever.

(e) Cooperation in Litigation and Investigations - Following the Termination Date, I will, to the extent reasonably requested, cooperate with the Company in any pending or future litigation (including alternative dispute resolution proceedings) or investigations in which the Company or any of its subsidiaries or affiliates is a party or is required or requested to provide testimony and regarding which, as a result of my employment with the Company, I reasonably could be expected to have knowledge or information relevant to the litigation or investigation. Notwithstanding any other provision of this PECA, nothing in this PECA shall affect my obligation to cooperate with any governmental inquiry or investigation or to give truthful testimony in court.

(f) Communications with Regulatory Authorities – Nothing in this PECA prohibits or restricts me (or my attorney) from initiating communications directly with, responding to an inquiry from, or providing testimony before the Securities and Exchange Commission or any other federal or state regulatory authority regarding a possible securities law violation.

(g) Notice under the Defend Trade Secrets Act and NLRA – Notwithstanding anything in this PECA to the contrary:

(i) I will not be held criminally or civilly liable under any federal or state trade secret law for any disclosure of a trade secret that is made: (1) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney and solely for the purpose of reporting or investigating a suspected violation of law; or (2) in a complaint or other document that is filed under seal in a lawsuit or other proceeding.

(ii) If I file a lawsuit for retaliation by the Company for reporting a suspected violation of law, I may disclose the Company's trade secrets to my attorney and use the trade secret information in the court proceeding if I (1) file any document containing the trade secret under seal; and (2) do not disclose the trade secret, except pursuant to court order.

(iii) Nothing in this PECA in any way prohibits or is intended to restrict or impede, and shall not be interpreted or understood as restricting or impeding, me from exercising my rights under Section 7 of the National Labor Relations Act (NLRA).

2. Consideration and Release of Claims. I acknowledge and agree that the Severance Payment being made to me is in addition to the payments or benefits that otherwise are or would be owed to me by the Company and that the Severance Benefit being provided to me is in consideration for my entering into this PECA and the Release of Claims attached to this PECA. I acknowledge that the scope and duration of the restrictions in Section 1 are necessary to be effective and are fair and reasonable in light of the value of the payments being made to me. I further acknowledge and agree that as a result of the high level executive and management positions I have held within the Company and the access to and extensive knowledge of the Company's Confidential or Proprietary Information, employees, suppliers and customers, these restrictions are reasonably required for the protection of the Company's legitimate business interests, including, but not limited to, the Company's Confidential or Proprietary Information.

3. Remedies For Breach of Section 1; Additional Remedies of Clawback and Recoupment.

(a) I agree, upon demand by the Company, to repay the Severance Payment to the Company in the event any of the following occur:

(i) I breach any of the covenants in Section 1;

(ii) The Company determines that either (a) my intentional misconduct or gross negligence, or (b) my failure to report another person's intentional misconduct or gross negligence of which I had knowledge during the period I was employed by the Company, contributed to the Company having to restate all or a portion of its financial statements filed for any period with the Securities and Exchange Commission;

(iii) The Company determines that I engaged in fraud, bribery or any other illegal act or that my intentional misconduct or gross negligence (including the failure to report the acts of another person of which I had knowledge during the period I was employed by the Company) contributed to another person's fraud, bribery or other illegal act, which in any such case adversely affected the Company's financial position or reputation;

(iv) The Company determines that my intentional misconduct or gross negligence caused severe reputational or financial harm to the Company;

(v) The Company determines that I misappropriated Confidential or Proprietary Information, as defined in Section 1(c), and I (A) intended to use the misappropriated Confidential or Proprietary Information to cause severe reputational or financial harm to the Company or (B) used the misappropriated Confidential or Proprietary Information in a manner that caused severe reputational or financial harm to the Company; or

(vi) Under such other circumstances specified by final regulation issued by the Securities and Exchange Commission entitling the Company to recapture or clawback the Severance Payment.

(b) The remedy provided in Section 3(a) shall not be the exclusive remedy available to the Company for any of the conduct described in Section 3(a) and shall not limit the Company from seeking damages or injunctive relief. For purposes of Section 3(a), a determination by the Company means a determination by the Management Development and Compensation Committee of the Board of Directors of the Company.

4. Injunctive Relief. I acknowledge that the Company's remedies at law may be inadequate to protect the Company against any actual or threatened breach of the provisions of Section 1 or the conduct described in Section 3(a), and, therefore, without prejudice to any other rights and remedies otherwise available to the Company at law or in equity (including but not limited to, an action under Section 3(a), the Company shall be entitled to injunctive relief in its favor and to specific performance without proof of actual damages and without the requirement of the posting of any bond or similar security.

5. Invalidity; Unenforceability. It is the desire and intent of the parties that the provisions of this PECA shall be enforced to the fullest extent permissible. The covenants in each section of this PECA are independent of any other provisions of this PECA. Each term in this PECA constitutes a separate covenant between the parties, and each term is fully severable from any other term. The parties agree if any particular paragraphs, subparagraphs, phrases, words, or other portions of this PECA are determined by an appropriate court to be invalid or unenforceable as written, they shall be modified as necessary to comport with the reasonable intent and expectations of the parties and in favor of providing reasonable protection to all of the Company's legitimate business interests, and such modification shall not affect the remaining provisions of this PECA, or if they cannot be modified to be made valid or enforceable, then they shall be severed from this PECA, and all remaining terms and provisions shall remain enforceable.

6. Definitions. Capitalized terms not defined in this PECA have the meaning given to them in the Severance Plan, as applicable. For purposes of this PECA, the following terms have the meanings given below:

(a) "Restricted Company" means The Boeing Company, General Dynamics Corporation, Northrop Grumman Corporation, the Raytheon Technologies Corporation, Honeywell International Inc., BAE Systems Inc., L3Harris Technologies, Inc., Thales, Airbus Group, Inc., Textron, Inc., Leonardo SpA, Leidos Holdings, Inc., Space Exploration Technologies Corp., and (i) any entity directly or indirectly controlling, controlled by, or under common control with any of the foregoing, and (ii) any successor to all or part of the business of any of the foregoing as a result of a merger, reorganization, consolidation, spin-off, split-up, acquisition, divestiture, or similar transaction, or as a result of a name change, and (iii), if the box at the beginning of this Section 6(a) is checked, any entity or business identified in Addendum A to this PECA.

(b) "Competitive Products or Services" means products or services that compete with, or are an alternative or potential alternative to, products sold or services provided by a subsidiary, business area, division or operating unit or business of the Company as of the Termination Date and at any time within the two-year period ending on the Termination Date; provided, that, (i) if I had direct responsibility for the business of, or function with respect to, a subsidiary, or for a business area, division or operating unit or business of the Company at any time within the two-year period ending on the Termination Date, Competitive Products or Services includes the products so sold or the services so provided during that two-year period by the subsidiary, business area, division or operating unit of the Company for which I had responsibility, and (ii) if I did not have direct responsibility for the business of, or function with respect to, a subsidiary, or for a business area, division or operating unit or business of the Company at any time within the two-year period ending on the Termination Date, Competitive Products or Services includes the products so sold or the services so provided by a subsidiary, business area, division or operating unit of the Company for which I had access (or was required or permitted such access in the performance of my duties or responsibilities with the Company) to Confidential or Proprietary Information of the Company at any time during the two-year period ending on the Termination Date.

7. Miscellaneous

(a) The Severance Plan, this PECA with the attached Release of Claims constitute the entire agreement governing the terms of the Severance Payment and supersede all other prior agreements and understandings, both written and oral, between me and the Company or any employee, officer or director of the Company concerning payments on account of my termination of employment.

(b) This PECA shall be governed by Maryland law, without regard to its provisions governing conflicts of law. Any enforcement of, or challenge to, this PECA may only be brought in the United States District Court for the District of Maryland, unless it is determined that such court does not have subject matter jurisdiction, in which case any such enforcement or challenge must be brought in the Circuit Court of Montgomery County in the State of Maryland. Both parties consent to the proper jurisdiction and venue of such court, as applicable, for the purpose of enforcing or challenging this PECA. This Section 7(b) shall not apply to residents of California.

(c) This PECA shall inure to the benefit of the Company's successors and assigns and may be assigned by the Company without my consent.

(d) The restrictive covenants and other terms in this PECA are to be read consistent with the terms of any other restrictive covenants or other agreements that I have executed with the Company; provided, however, to the extent there is a conflict between/among such agreements, such agreements shall be construed as providing the broadest possible protections to the Company, even if such construction would require provisions of more than one such agreement to be given effect.

SIGNED this _____ day of ____________________, 2___.

____
(Signature)

____
(Printed Name)

____
(Title)

FOR LOCKHEED MARTIN CORPORATION:

____
(Signature)

____
(Printed Name)

____
(Title)

_____________________ ___________
(Date)

NOTE: HRBP must scan and upload the executed PECA (and Addendum A, if applicable) to the Executive Action System in order for payments to be processed.
If Addendum A is applicable, be sure to check the box at the beginning of Section 6(a) of the PECA and have Legal review Addendum A.

Addendum A
Additional "Restricted Companies" For Purposes of Section 6(a) of the PECA

Entity Name	Description of the Competitive Business

Exhibit A.2
Post-Employment Conduct Agreement for Non-Officers

[PECA will vary by state law and current legal and professional requirements at time of termination]

[Applicable provisions may be incorporated into the release of claims agreement in lieu of a separate PECA]

This Post Employment Conduct Agreement dated ____________ (this "PECA"), together with the Release of Claims being entered into contemporaneous with this PECA, is entered into in consideration of the payment ("Severance Payment") to be made to me under the Lockheed Martin Corporation Executive Severance Plan ("Severance Plan"). By signing below, I agree as follows:

(1) <u>Restrictions Following Termination of Employment</u>.

(a) <u>Covenant Not To Compete</u> – Without the express written consent of the Senior Vice President, Chief Human Resources Officer of the Company, during the one-year period following the date of my termination of employment with the Company ("Termination Date"), I will not, directly or indirectly, be employed by, provide services to, or advise a "Restricted Company" (as defined in Section 6 below), whether as an employee, advisor, director, officer, partner or consultant, or in any other position, function or role that, in any such case,

(i) oversees, controls or affects the design, operation, research, manufacture, marketing, sale or distribution of "Competitive Products or Services" (as defined in Section 6 below) of or by the Restricted Company, or

(ii) would involve a substantial risk that the "Confidential or Proprietary Information" (as defined in Section 1(c) below) of the Company (including but not limited to technical information or intellectual property, strategic plans, information relating to pricing offered to the Company by vendors or suppliers or to prices charged or pricing contemplated to be charged by the Company, information relating to employee performance, promotions or identification for promotion, or information relating to the Company's cost base) could be used to the disadvantage of the Company.

I acknowledge and agree that: (A) enforcement of this PECA pursuant to Sections 1(a)(i) and (ii) is necessary to protect, among other interests, the Company's trade secrets and other Confidential or Proprietary Information, as defined by Section 1(c); and (B) Sections 1(a)(i) and (ii) shall not apply to me if I am a resident of or work in California, or if I work and/or reside in any other state or jurisdiction that prohibits or otherwise bans such a covenant between the Corporation and me.

To the extent permitted by applicable law, including but not limited to any applicable rules governing attorney conduct (such as the ABA Model Rules of Professional Conduct and state versions thereof), Sections 1(a)(i) and (ii) and Section 1(b) relating to non-solicitation, shall apply to individuals who are employed by the Company in an attorney position and whose occupation during the one-year period following employment with the Company does not include practicing law.

In lieu of Section 1(a)(i) and (ii), as well as Section 1(b) relating to non-solicitation, the following Section 1(a)(iii) shall apply to individuals who are employed by the Company in an attorney position, and whose occupation during the one-year period following employment with the Company includes practicing law.

(iii) Post-employment Activity As a Lawyer – I acknowledge that as counsel to the Company, I owe ethical and fiduciary obligations to the Company and that at least some of these obligations will continue even after my Termination Date with the Company. I agree that after my Termination Date I will comply fully with all applicable ethical and fiduciary obligations that I owe to the Company. To the extent permitted by applicable law, including but not limited to any applicable rules governing attorney conduct, I agree that I will not:

a. Represent any client in the same or a substantially related matter in which I represented the Company where the client's interests are materially adverse to the Company; or

b. Disclose confidential information relating to my representation of the Company, including the disclosure of information that is to the disadvantage of the Company, except for information that is or becomes generally known.

The Company's Senior Vice President, General Counsel, and Corporate Secretary or the General Tax Counsel, as applicable, will determine in their discretion whether an individual is employed by the Company in an attorney position.

(b) Non-Solicit – Without the express written consent of the Senior Vice President, Chief Human Resources Officer of the Company, during the two-year period following the Termination Date, I will not (i) cause or attempt to cause, directly or indirectly, the complete or partial loss of any contract in effect before the Termination Date between the Company and any customer, supplier, distributor or manufacturer of or to the Company with which I was responsible, in whole or in part, for soliciting, negotiating, implementing, managing, or overseeing or (ii) induce or attempt to induce, directly or indirectly, any person who is an employee of the Company with whom I worked or interacted within two years prior to the Termination Date to cease employment with the Company in order to perform work or services for any entity other than the Company.

I acknowledge and agree that: (A) the enforcement of this PECA pursuant to Section 1(b)(i) is necessary to protect, among other interests, the Company's trade secrets and other Confidential or Proprietary Information, as defined by Section 1(c); and (B) Section 1(b)(i) shall not apply to me if I am a resident of or work in California, or if I work and/or reside in any other state or jurisdiction that prohibits or otherwise bans such a covenant between the Corporation and me.

(c) Protection of Proprietary Information – Except to the extent required by law, following my Termination Date, I will have a continuing obligation to comply with the terms of any non-disclosure or similar agreements that I signed while employed by the Company committing to hold confidential the "Confidential or Proprietary Information" (as defined below) of the Company or any of its affiliates, subsidiaries, related companies, joint ventures, partnerships, customers, suppliers, partners, contractors or agents, in each case in accordance with the terms of such agreements. I will not use or disclose or allow the use or disclosure by others to any person or entity of Confidential or Proprietary Information of the Company or others to which I had access or that I was responsible for creating or overseeing during my employment with the Company. In the event I become legally compelled (by deposition, interrogatory, request for documents, subpoena, civil investigative demand or otherwise) to disclose any proprietary or confidential information, I will immediately notify the Company's Senior Vice President, General Counsel and Corporate Secretary as to the existence of the obligation and will cooperate with any reasonable request by the Company for assistance in seeking to protect the information. All materials to which I have had access, or which were furnished or otherwise made available to me in connection with my employment with the Company shall be and remain the property of the Company. For purposes of this PECA, "Confidential or Proprietary Information" means trade secrets, as defined by the federal Defend Trade Secrets Act of 2016 and/or applicable state trade secret law, and

Sensitive Information within the meaning of CRX-015 (a copy of which has been made available to me), including but not limited to information that a person or entity desires to protect from unauthorized disclosure to third parties that can provide the person or entity with a business, technological, or economic advantage over its competitors, or which, if known or used by third parties or if used by the person's or entity's employees or agents in an unauthorized manner, might be detrimental to the person's or entity's interests. Confidential or Proprietary Information may include, but is not limited to:

(i) existing and contemplated business, marketing and financial business information such as business plans and methods, marketing information, cost estimates, forecasts, financial data, cost or pricing data, bid and proposal information, customer identification, sources of supply, contemplated product lines, proposed business alliances, and information about customers and competitors,

(ii) existing and contemplated technical information and documentation pertaining to technology, know how, equipment, machines, devices and systems, computer hardware and software, compositions, formulas, products, processes, methods designs, specifications, mask works, testing or evaluation procedures, manufacturing processes, production techniques, research and development activities, inventions, discoveries, and improvements, and

(iii) human resources and personnel information.

(d) No disparagement – Following the Termination Date, I will not make any statements, whether verbal or written, that disparage or reasonably may be interpreted to disparage the Company or its directors, officers, employees, technology, products or services with respect to any matter whatsoever.

(e) Cooperation in Litigation and Investigations - Following the Termination Date, I will, to the extent reasonably requested, cooperate with the Company in any pending or future litigation (including alternative dispute resolution proceedings) or investigations in which the Company or any of its subsidiaries or affiliates is a party or is required or requested to provide testimony and regarding which, as a result of my employment with the Company, I reasonably could be expected to have knowledge or information relevant to the litigation or investigation. Notwithstanding any other provision of this PECA, nothing in this PECA shall affect my obligation to cooperate with any governmental inquiry or investigation or to give truthful testimony in court.

(f) Communications with Regulatory Authorities – Nothing in this PECA prohibits or restricts me (or my attorney) from initiating communications directly with, responding to an inquiry from, or providing testimony before the Securities and Exchange Commission or any other federal or state regulatory authority regarding a possible securities law violation.

(g) Notice under the Defend Trade Secrets Act and NLRA – Notwithstanding anything in this PECA to the contrary:

(i) I will not be held criminally or civilly liable under any federal or state trade secret law for any disclosure of a trade secret that is made: (1) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney and solely for the purpose of reporting or investigating a suspected violation of law; or (2) in a complaint or other document that is filed under seal in a lawsuit or other proceeding.

(ii) If I file a lawsuit for retaliation by the Company for reporting a suspected violation of law, I may disclose the Company's trade secrets to my attorney and use the trade secret information in the court proceeding if I (1) file any document containing the trade secret under seal; and (2) do not disclose the trade secret, except pursuant to court order.

(iii) Nothing in this PECA in any way prohibits or is intended to restrict or impede, and shall not be interpreted or understood as restricting or impeding, me from exercising my rights under Section 7 of the National Labor Relations Act (NLRA).

2. Consideration and Release of Claims. I acknowledge and agree that the Severance Payment being made to me is in addition to the payments or benefits that otherwise are or would be owed to me by the Company and that the Severance Benefit being provided to me is in consideration for my entering into this PECA and the Release of Claims attached to this PECA. I acknowledge that the scope and duration of the restrictions in Section 1 are necessary to be effective and are fair and reasonable in light of the value of the payments being made to me. I further acknowledge and agree that as a result of the high level executive and management positions I have held within the Company and the access to and extensive knowledge of the Company's Confidential or Proprietary Information, employees, suppliers and customers, these restrictions are reasonably required for the protection of the Company's legitimate business interests, including, but not limited to, the Company's Confidential or Proprietary Information.

3. Remedies For Breach of Section 1; Additional Remedies of Clawback and Recoupment.

(a) I agree, upon demand by the Company, to repay the Severance Payment to the Company in the event any of the following occur:

(i) I breach any of the covenants in Section 1;

(ii) The Company determines that either (a) my intentional misconduct or gross negligence, or (b) my failure to report another person's intentional misconduct or gross negligence of which I had knowledge during the period I was employed by the Company, contributed to the Company having to restate all or a portion of its financial statements filed for any period with the Securities and Exchange Commission;

(iii) The Company determines that I engaged in fraud, bribery or any other illegal act or that my intentional misconduct or gross negligence (including the failure to report the acts of another person of which I had knowledge during the period I was employed by the Company) contributed to another person's fraud, bribery or other illegal act, which in any such case adversely affected the Company's financial position or reputation;

(iv) The Company determines that my intentional misconduct or gross negligence caused severe reputational or financial harm to the Company;

(v) The Company determines that I misappropriated Confidential or Proprietary Information, as defined in Section 1(c), and I (A) intended to use the misappropriated Confidential or Proprietary Information to cause severe reputational or financial harm to the Company or (B) used the misappropriated Confidential or Proprietary Information in a manner that caused severe reputational or financial harm to the Company; or

(vi) Under such other circumstances specified by final regulation issued by the Securities and Exchange Commission entitling the Company to recapture or clawback the Severance Payment.

(b) The remedy provided in Section 3(a) shall not be the exclusive remedy available to the Company for any of the conduct described in Section 3(a) and shall not limit the Company from seeking damages or injunctive relief. For purposes of Section 3(a), a determination by the Company means a determination by a review committee consisting of the Senior Vice President, Chief Human Resources

Officer, the Senior Vice President, Ethics and Enterprise Assurance, and the Senior Vice President, General Counsel and Corporate Secretary (the “Review Committee”).

4. Injunctive Relief. I acknowledge that the Company’s remedies at law may be inadequate to protect the Company against any actual or threatened breach of the provisions of Section 1 or the conduct described in Section 3(a), and, therefore, without prejudice to any other rights and remedies otherwise available to the Company at law or in equity (including but not limited to, an action under Section 3(a), the Company shall be entitled to injunctive relief in its favor and to specific performance without proof of actual damages and without the requirement of the posting of any bond or similar security.

5. Invalidity; Unenforceability. It is the desire and intent of the parties that the provisions of this PECA shall be enforced to the fullest extent permissible. The covenants in each section of this PECA are independent of any other provisions of this PECA. Each term in this PECA constitutes a separate covenant between the parties, and each term is fully severable from any other term. The parties agree if any particular paragraphs, subparagraphs, phrases, words, or other portions of this PECA are determined by an appropriate court to be invalid or unenforceable as written, they shall be modified as necessary to comport with the reasonable intent and expectations of the parties and in favor of providing reasonable protection to all of the Company’s legitimate business interests, and such modification shall not affect the remaining provisions of this PECA, or if they cannot be modified to be made valid or enforceable, then they shall be severed from this PECA, and all remaining terms and provisions shall remain enforceable.

6. Definitions. Capitalized terms not defined in this PECA have the meaning given to them in the Severance Plan, as applicable. For purposes of this PECA, the following terms have the meanings given below:

(a) “Restricted Company” means The Boeing Company, General Dynamics Corporation, Northrop Grumman Corporation, the Raytheon Technologies Corporation, Honeywell International Inc., BAE Systems Inc., L3Harris Technologies, Inc., Thales, Airbus Group, Inc., Textron, Inc., Leonardo SpA, Leidos Holdings, Inc., Space Exploration Technologies Corp., and (i) any entity directly or indirectly controlling, controlled by, or under common control with any of the foregoing, and (ii) any successor to all or part of the business of any of the foregoing as a result of a merger, reorganization, consolidation, spin-off, split-up, acquisition, divestiture, or similar transaction, or as a result of a name change, and (iii), if the box at the beginning of this paragraph is checked, any entity or business identified in Addendum A to this PECA.

(b) “Competitive Products or Services” means products or services that compete with, or are an alternative or potential alternative to, products sold or services provided by a subsidiary, business area, division or operating unit or business of the Company as of the Termination Date and at any time within the two-year period ending on the Termination Date; provided, that, (i) if I had direct responsibility for the business of, or function with respect to, a subsidiary, or for a business area, division or operating unit or business of the Company at any time within the two-year period ending on the Termination Date, Competitive Products or Services includes the products so sold or the services so provided during that two-year period by the subsidiary, business area, division or operating unit of the Company for which I had responsibility, and (ii) if I did not have direct responsibility for the business of, or function with respect to, a subsidiary, or for a business area, division or operating unit or business of the Company at any time within the two-year period ending on the Termination Date, Competitive Products or Services includes the products so sold or the services so provided by a subsidiary, business area, division or operating unit of the Company for which I had access (or was required or permitted such access in the performance of my duties or responsibilities with the Company) to Confidential or Proprietary Information of the Company at any time during the two-year period ending on the Termination Date.

7. Miscellaneous

(a) The Severance Plan, this PECA with the attached Release of Claims constitute the entire agreement governing the terms of the Severance Payment and supersede all other prior agreements and understandings, both written and oral, between me and the Company or any employee, officer or director of the Company concerning payments on account of my termination of employment.

(b) This PECA shall be governed by Maryland law, without regard to its provisions governing conflicts of law. Any enforcement of, or challenge to, this PECA may only be brought in the United States District Court for the District of Maryland, unless it is determined that such court does not have subject matter jurisdiction, in which case any such enforcement or challenge must be brought in the Circuit Court of Montgomery County in the State of Maryland. Both parties consent to the proper jurisdiction and venue of such court, as applicable, for the purpose of enforcing or challenging this PECA. This Section 7(b) shall not apply to residents of California.

(c) This PECA shall inure to the benefit of the Company's successors and assigns and may be assigned by the Company without my consent.

(d) The restrictive covenants and other terms in this PECA are to be read consistent with the terms of any other restrictive covenants or other agreements that I have executed with the Company; provided, however, to the extent there is a conflict between/among such agreements, such agreements shall be construed as providing the broadest possible protections to the Company, even if such construction would require provisions of more than one such agreement to be given effect.

SIGNED this _____ day of ___________________, 2___.

____
(Signature)

____
(Printed Name)

____
(Title)
FOR LOCKHEED MARTIN CORPORATION:

____
(Signature)

____
(Printed Name)

____
(Title)

_____________________ ___________
(Date)

NOTE: HRBP must scan and upload the executed PECA (and Addendum A, if applicable) to the Executive Action System in order for payments to be processed.

If Addendum A is applicable, be sure to check the box at the beginning of Section 6(a) of the PECA and have Legal review Addendum A.

Addendum A
Additional "Restricted Companies" For Purposes of Section 6(a) of the PECA

Entity Name	Description of the Competitive Business

Exhibit 10.3

Annual Directors’ Compensation Summary Effective Jan. 1, 2023 (Non-Employee Directors)

Annual Cash Retainer	$170,000 per year
Annual Equity Retainer	$170,000 per year, payable under the Lockheed Martin Corporation Directors Equity Plan*
Audit Committee Chairman Retainer	$35,000 per year
Management Development and Compensation Committee Chairman Retainer	$30,000 per year
Other Committee Chairman Retainers	$25,000 per year
Lead Director Retainer	$55,000 per year
Travel Accident Insurance	$1,000,000
Deferred Compensation Plan	Deferral plan for cash retainer
Director Education	Reimbursed for costs and expenses
Stock Ownership Guidelines	Ownership in common stock or stock units with a value equivalent to five times the annual cash retainer within five years of joining the Board

* In June 2014, the board of directors approved a resolution to the effect that each non-employee director would elect to receive the equity portion of the retainer in the form of stock units and would not elect options to purchase shares unless the board resolution was further amended or revoked. The Lockheed Martin Corporation Directors Equity Plan provides that except in certain circumstances, stock units vest 50 percent on June 30 and 50 percent on December 31 following the grant date. Effective for any annual retainer earned on or after January 1, 2018, (1) any director who has satisfied the Stock Ownership Guidelines may elect to be paid the vested portion of the annual retainer in equity (along with any accumulated dividend equivalents) on the earlier of termination or retirement from the board of directors or March 31 following the first anniversary of the award date, and (2) any director who has not satisfied the Stock Ownership Guidelines shall continue to be paid the vested portion of the annual retainer (along with any accumulated dividend equivalents) upon termination or retirement from the board of directors.

Exhibit 15

Acknowledgment of
Independent Registered Public Accounting Firm

Board of Directors and Stockholders
Lockheed Martin Corporation

We are aware of the incorporation by reference of our report dated October 18, 2022, relating to the unaudited consolidated interim financial statements of Lockheed Martin Corporation that is included in its Form 10-Q for the quarter ended September 25, 2022, in the following Registration Statements of Lockheed Martin Corporation:

- 333-92363 on Form S-8, dated December 8, 1999;
- 333-115357 on Form S-8, dated May 10, 2004;
- 333-155687 on Form S-8, dated November 25, 2008;
- 333-176440 on Form S-8, dated August 23, 2011 and April 24, 2020 (Post-Effective Amendment No. 1);
- 333-188118 on Form S-8, dated April 25, 2013;
- 333-195466 on Form S-8, dated April 24, 2014, July 23, 2014 (Post-Effective Amendment No.1) and April 24, 2020 (Post-Effective Amendment No. 2);
- 333-237829, 333-237831, and 333-237832 on Form S-8, each dated April 24, 2020; and
- 333-237836 on Form S-3, dated April 24, 2020.

/s/ Ernst & Young LLP

Tysons, Virginia
October 18, 2022

Exhibit 31.1

CERTIFICATION OF JAMES D. TAICLET PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, James D. Taiclet, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Lockheed Martin Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures, and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ James D. Taiclet
James D. Taiclet
Chief Executive Officer

Date: October 18, 2022

Exhibit 31.2

CERTIFICATION OF JESUS MALAVE PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jesus Malave, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Lockheed Martin Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures, and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Jesus Malave
Jesus Malave
Chief Financial Officer

Date: October 18, 2022

Exhibit 32

CERTIFICATION OF JAMES D. TAICLET AND JESUS MALAVE PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Lockheed Martin Corporation (the “Corporation”) on Form 10-Q for the period ended September 25, 2022, as filed with the U.S. Securities and Exchange Commission on the date hereof (the “Report”), I, James D. Taiclet, Chief Executive Officer of the Corporation, and I, Jesus Malave, Chief Financial Officer of the Corporation, each certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

/s/ James D. Taiclet
James D. Taiclet
Chief Executive Officer

/s/ Jesus Malave
Jesus Malave
Chief Financial Officer

Date: October 18, 2022