

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

	Quarters Ended		Nine Months Ended	
	Sept. 27 2020	Sept. 29 2019	Sept. 27 2020	Sept. 29 2019
Net sales	\$ 16,495	\$ 15,171	\$ 48,366	\$ 43,934
Cost of sales	(14,359)	(13,108)	(41,926)	(37,690)
Gross profit	2,136	2,063	6,440	6,244
Other (expense) income, net ^{2,3}	11	42	(85)	152
Operating profit	2,147	2,105	6,355	6,396
Interest expense	(145)	(162)	(442)	(496)
Other non-operating income (expense), net	54	(162)	135	(491)
Earnings from continuing operations before income taxes	2,056	1,781	6,048	5,409
Income tax expense ⁴	(303)	(173)	(952)	(677)
Net earnings from continuing operations	1,753	1,608	5,096	4,732
Net loss from discontinued operations ⁵	(55)	-	(55)	-
Net earnings	1,698	1,608	5,041	4,732
Effective tax rate	14.7 %	9.7 %	15.7 %	12.5 %
Earnings (loss) per common share				
Basic				
Continuing operations	\$ 6.28	\$ 5.70	\$ 18.19	\$ 16.77
Discontinued operations ⁵	(0.20)	-	(0.20)	-
Basic earnings per common share	\$ 6.08	\$ 5.70	\$ 17.99	\$ 16.77
Diluted				
Continuing operations	\$ 6.25	\$ 5.66	\$ 18.12	\$ 16.66
Discontinued operations ⁵	(0.20)	-	(0.20)	-
Diluted earnings per common share	\$ 6.05	\$ 5.66	\$ 17.92	\$ 16.66
Weighted average shares outstanding				
Basic	279.3	282.0	280.1	282.2
Diluted	280.6	283.9	281.3	284.0
Common shares reported in stockholders' equity at end of period			278	281

- The corporation closes its books and records on the last Sunday of the calendar quarter to align its financial closing with its business processes, which was on Sept. 27 for the third quarter of 2020 and Sept. 29 for the third quarter of 2019. The consolidated financial statements and tables of financial information included herein are labeled based on that convention. This practice only affects interim periods, as the corporation's fiscal year ends on Dec. 31.
- In the first nine months of 2020, the corporation recognized a non-cash impairment charge of \$128 million (\$96 million, or \$0.34 per share, after tax) for its investment in the international equity method investee, Advanced Military Maintenance, Repair and Overhaul Center (AMMROC).
- In the first nine months of 2019, the corporation recognized a previously deferred non-cash gain of \$51 million (\$38 million, or \$0.13 per share, after tax) related to properties sold in 2015 as a result of completing its remaining obligations.
- Net earnings for the third quarter and the first nine months of 2019 included a benefit of approximately \$62 million (\$0.22 per share) and \$127 million (\$0.45 per share), respectively, from the discrete recording of additional tax deductions related to 2018, primarily attributable to foreign derived intangible income treatment based on proposed tax regulations released on March 4, 2019, and a change in tax accounting method. See "Income Taxes" section for further discussion.
- Net loss from discontinued operations for the third quarter and the first nine months of 2020 includes a \$55 million (\$0.20 per share) non-cash charge resulting from the resolution of certain tax matters related to the former IS&GS business divested in 2016.

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

	Quarters Ended			Nine Months Ended		
	Sept. 27 2020	Sept. 29 2019	% Change	Sept. 27 2020	Sept. 29 2019	% Change
Net sales						
Aeronautics	\$ 6,680	\$ 6,178	8%	\$ 19,552	\$ 17,312	13%
Missiles and Fire Control	2,971	2,601	14%	8,391	7,362	14%
Rotary and Mission Systems	3,998	3,709	8%	11,783	11,239	5%
Space	2,846	2,683	6%	8,640	8,021	8%
Total net sales	\$ 16,495	\$ 15,171	9%	\$ 48,366	\$ 43,934	10%
Operating profit						
Aeronautics	\$ 705	\$ 665	6%	\$ 2,116	\$ 1,842	15%
Missiles and Fire Control	405	349	16%	1,171	1,093	7%
Rotary and Mission Systems	404	342	18%	1,209	1,068	13%
Space	248	309	(20%)	781	931	(16%)
Total business segment operating profit	1,762	1,665	6%	5,277	4,934	7%
Unallocated items						
FAS/CAS operating adjustment	469	513		1,407	1,537	
Stock-based compensation	(67)	(54)		(182)	(158)	
Other, net ^{1,2}	(17)	(19)		(147)	83	
Total unallocated items	385	440	(13%)	1,078	1,462	(26%)
Total consolidated operating profit	\$ 2,147	\$ 2,105	2%	\$ 6,355	\$ 6,396	(1%)
Operating margin						
Aeronautics	10.6%	10.8%		10.8%	10.6%	
Missiles and Fire Control	13.6%	13.4%		14.0%	14.8%	
Rotary and Mission Systems	10.1%	9.2%		10.3%	9.5%	
Space	8.7%	11.5%		9.0%	11.6%	
Total business segment operating margin	10.7%	11.0%		10.9%	11.2%	
Total consolidated operating margin	13.0%	13.9%		13.1%	14.6%	

¹ In the first nine months of 2019, the corporation recognized a previously deferred non-cash gain of \$51 million (\$38 million, or \$0.13 per share, after tax) related to properties sold in 2015 as a result of completing its remaining obligations.

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

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

	Sept. 27 2020	Dec. 31 2019
	(unaudited)	
Assets		
Current assets		
Cash and cash equivalents	\$ 3,585	\$ 1,514
Receivables, net	2,480	2,337
Contract assets	10,388	9,094
Inventories	3,293	3,619
Other current assets	544	531
Total current assets	<u>20,290</u>	<u>17,095</u>
Property, plant and equipment, net	6,803	6,591
Goodwill	10,589	10,604
Intangible assets, net	3,013	3,213
Deferred income taxes	3,198	3,319
Other noncurrent assets	6,880	6,706
Total assets	<u>\$ 50,773</u>	<u>\$ 47,528</u>
Liabilities and equity		
Current liabilities		
Accounts payable	\$ 1,491	\$ 1,281
Contract liabilities	7,354	7,054
Salaries, benefits and payroll taxes	2,818	2,466
Current maturities of long-term debt	1,000	1,250
Other current liabilities	2,538	1,921
Total current liabilities	<u>15,201</u>	<u>13,972</u>
Long-term debt, net	11,675	11,404
Accrued pension liabilities	12,765	13,234
Other noncurrent liabilities	6,146	5,747
Total liabilities	<u>45,787</u>	<u>44,357</u>
Stockholders' equity		
Common stock, \$1 par value per share	278	280
Additional paid-in capital	90	-
Retained earnings	19,844	18,401
Accumulated other comprehensive loss	(15,259)	(15,554)
Total stockholders' equity	<u>4,953</u>	<u>3,127</u>
Noncontrolling interests in subsidiary	33	44
Total equity	<u>4,986</u>	<u>3,171</u>
Total liabilities and equity	<u>\$ 50,773</u>	<u>\$ 47,528</u>

Table 3

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

	Nine Months Ended	
	Sept. 27 2020	Sept. 29 2019
Operating activities		
Net earnings	\$ 5,041	\$ 4,732
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation and amortization	927	867
Stock-based compensation	182	158
Equity method investment impairment	128	-
Tax resolution related to former IS&GS business	55	-
Gain on property sale	-	(51)
Changes in assets and liabilities		
Receivables, net	(143)	60
Contract assets	(1,294)	(1,532)
Inventories	326	(477)
Accounts payable	247	524
Contract liabilities	300	286
Postretirement benefit plans	(130)	828
Income taxes	58	(117)
Other, net	679	543
Net cash provided by operating activities	6,376	5,821
Investing activities		
Capital expenditures	(1,044)	(841)
Other, net	27	38
Net cash used for investing activities	(1,017)	(803)
Financing activities		
Dividends paid	(2,036)	(1,881)
Repurchases of common stock	(1,100)	(710)
Issuance of long-term debt, net of related costs	1,131	-
Repayments of current and long-term debt	(1,150)	-
Repayments of commercial paper, net	-	(600)
Other, net	(133)	(60)
Net cash used for financing activities	(3,288)	(3,251)
Net change in cash and cash equivalents	2,071	1,767
Cash and cash equivalents at beginning of period	1,514	772
Cash and cash equivalents at end of period	\$ 3,585	\$ 2,539

Table 4

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

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity	Noncontrolling Interests in Subsidiary	Total Equity
Balance at Dec. 31, 2019	\$ 280	\$ -	\$ 18,401	\$ (15,554)	\$ 3,127	\$ 44	\$ 3,171
Net earnings	-	-	5,041	-	5,041	-	5,041
Other comprehensive income, net of tax ¹	-	-	-	295	295	-	295
Repurchases of common stock	(3)	(256)	(841)	-	(1,100)	-	(1,100)
Dividends declared ²	-	-	(2,757)	-	(2,757)	-	(2,757)
Stock-based awards, ESOP activity and other	1	346	-	-	347	-	347
Net decrease in noncontrolling interests in subsidiary	-	-	-	-	-	(11)	(11)
Balance at Sept. 27, 2020	\$ 278	\$ 90	\$ 19,844	\$ (15,259)	\$ 4,953	\$ 33	\$ 4,986

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

2 Represents dividends of \$2.40 per share declared for each of the first, second and third quarters of 2020 and dividends of \$2.60 per share declared for the fourth quarter of 2020.

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

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

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

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

	Sept. 27 2020	Dec. 31 2019
Backlog		
Aeronautics	\$ 57,763	\$ 55,636
Missiles and Fire Control	30,290	25,796
Rotary and Mission Systems	36,137	34,296
Space	26,257	28,253
Total backlog	<u>\$ 150,447</u>	<u>\$ 143,981</u>

	Quarters Ended		Nine Months Ended	
	Sept. 27 2020	Sept. 29 2019	Sept. 27 2020	Sept. 29 2019
Aircraft Deliveries				
F-35	31	28	78	83
C-130J	3	6	11	19
Government helicopter programs	19	20	48	61
International military helicopter programs	3	2	7	5

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

Table 6