

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

	Quarters Ended		Six Months Ended	
	June 28, 2020	June 30, 2019	June 28, 2020	June 30, 2019
Net sales	\$ 16,220	\$ 14,427	\$ 31,871	\$ 28,763
Cost of sales	(14,007)	(12,434)	(27,567)	(24,582)
Gross profit	2,213	1,993	4,304	4,181
Other (expense) income, net ^{2,3}	(127)	15	(96)	110
Operating profit	2,086	2,008	4,208	4,291
Interest expense	(149)	(163)	(297)	(334)
Other Non-Operating Income (Expense), net	25	(162)	81	(329)
Earnings before income taxes	1,962	1,683	3,992	3,628
Income tax expense ⁴	(336)	(263)	(649)	(504)
Net earnings	1,626	1,420	3,343	3,124
Effective tax rate	17.1 %	15.6 %	16.3 %	13.9 %
Earnings per common share				
Basic	\$ 5.81	\$ 5.03	\$ 11.92	\$ 11.07
Diluted	\$ 5.79	\$ 5.00	\$ 11.87	\$ 11.00
Weighted average shares outstanding				
Basic	279.8	282.2	280.5	282.3
Diluted	280.8	283.9	281.7	284.1

Common shares reported in stockholders' equity at end of period 278 281

¹ 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 June 28 for the second quarter of 2020 and June 30 for the second 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.

² In the second quarter and first six 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) which the corporation entered into an agreement to sell in July 2020.

³ In the first six 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.

⁴ Net earnings in the first six months of 2019 included a benefit of approximately \$65 million (\$0.23 per share) from the discrete recording of additional tax deductions related to 2018 in the first quarter of 2019, based on proposed tax regulations released on March 4, 2019, that clarified that foreign military sales qualify as foreign derived intangible income.

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

	Quarters Ended			Six Months Ended		
	June 28, 2020	June 30, 2019	% Change	June 28, 2020	June 30, 2019	% Change
Net sales						
Aeronautics	\$ 6,503	\$ 5,550	17%	\$ 12,872	\$ 11,134	16%
Missiles and Fire Control	2,801	2,411	16%	5,420	4,761	14%
Rotary and Mission Systems	4,039	3,768	7%	7,785	7,530	3%
Space	2,877	2,698	7%	5,794	5,338	9%
Total net sales	\$ 16,220	\$ 14,427	12%	\$ 31,871	\$ 28,763	11%
Operating profit						
Aeronautics	\$ 739	\$ 592	25%	\$ 1,411	\$ 1,177	20%
Missiles and Fire Control	370	327	13%	766	744	3%
Rotary and Mission Systems	429	347	24%	805	726	11%
Space	252	288	(13%)	533	622	(14%)
Total business segment operating profit	1,790	1,554	15%	3,515	3,269	8%
Unallocated items						
FAS/CAS operating adjustment	469	512		938	1,024	
Other, net ^{1,2}	(173)	(58)		(245)	(2)	
Total unallocated items	296	454	(35%)	693	1,022	(32%)
Total consolidated operating profit	\$ 2,086	\$ 2,008	4%	\$ 4,208	\$ 4,291	(2%)
Operating margin						
Aeronautics	11.4%	10.7%		11.0%	10.6%	
Missiles and Fire Control	13.2%	13.6%		14.1%	15.6%	
Rotary and Mission Systems	10.6%	9.2%		10.3%	9.6%	
Space	8.8%	10.7%		9.2%	11.7%	
Total business segment operating margin	11.0%	10.8%		11.0%	11.4%	
Total consolidated operating margin	12.9%	13.9%		13.2%	14.9%	

¹ In the first six 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 second quarter and first six 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) which the corporation entered into an agreement to sell in July 2020.

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

	<u>June 28,</u> <u>2020</u>	<u>Dec. 31,</u> <u>2019</u>
	(unaudited)	
Assets		
Current assets		
Cash and cash equivalents	\$ 2,855	\$ 1,514
Receivables, net	2,835	2,337
Contract assets	9,821	9,094
Inventories	3,521	3,619
Other current assets	538	531
Total current assets	<u>19,570</u>	<u>17,095</u>
Property, plant and equipment, net	6,663	6,591
Goodwill	10,579	10,604
Intangible assets, net	3,077	3,213
Deferred income taxes	3,127	3,319
Other noncurrent assets	6,587	6,706
Total assets	<u>\$ 49,603</u>	<u>\$ 47,528</u>
Liabilities and equity		
Current liabilities		
Accounts payable	\$ 1,453	\$ 1,281
Contract liabilities	7,481	7,054
Salaries, benefits and payroll taxes	2,488	2,466
Current maturities of long-term debt and commercial paper	500	1,250
Other current liabilities	2,966	1,921
Total current liabilities	<u>14,888</u>	<u>13,972</u>
Long-term debt, net	12,174	11,404
Accrued pension liabilities	12,921	13,234
Other noncurrent liabilities	5,834	5,747
Total liabilities	<u>45,817</u>	<u>44,357</u>
Stockholders' equity		
Common stock, \$1 par value per share	278	280
Additional paid-in capital	-	-
Retained earnings	18,876	18,401
Accumulated other comprehensive loss	(15,403)	(15,554)
Total stockholders' equity	<u>3,751</u>	<u>3,127</u>
Noncontrolling interests in subsidiary	35	44
Total equity	<u>3,786</u>	<u>3,171</u>
Total liabilities and equity	<u>\$ 49,603</u>	<u>\$ 47,528</u>

Table 3

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

	Six Months Ended	
	June 28, 2020	June 30, 2019
Operating activities		
Net earnings	\$ 3,343	\$ 3,124
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation and amortization	608	565
Stock-based compensation	115	104
Equity method investment impairment	128	-
Gain on property sale	-	(51)
Changes in assets and liabilities		
Receivables, net	(498)	(102)
Contract assets	(727)	(916)
Inventories	98	(602)
Accounts payable	191	237
Contract liabilities	427	275
Postretirement benefit plans	(77)	552
Income taxes	473	112
Other, net	415	33
Net cash provided by operating activities	4,496	3,331
Investing activities		
Capital expenditures	(636)	(533)
Other, net	4	25
Net cash used for investing activities	(632)	(508)
Financing activities		
Dividends paid	(1,364)	(1,260)
Repurchases of common stock	(1,015)	(500)
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	(125)	(68)
Net cash used for financing activities	(2,523)	(2,428)
Net change in cash and cash equivalents	1,341	395
Cash and cash equivalents at beginning of period	1,514	772
Cash and cash equivalents at end of period	\$ 2,855	\$ 1,167

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 December 31, 2019	\$ 280	\$ -	\$ 18,401	\$ (15,554)	\$ 3,127	\$ 44	\$ 3,171
Net earnings	-	-	3,343	-	3,343	-	3,343
Other comprehensive income, net of tax ¹	-	-	-	151	151	-	151
Repurchases of common stock	(3)	(197)	(841)	-	(1,041)	-	(1,041)
Dividends declared ²	-	-	(2,027)	-	(2,027)	-	(2,027)
Stock-based awards, ESOP activity and other	1	197	-	-	198	-	198
Net decrease in noncontrolling interests in subsidiary	-	-	-	-	-	(9)	(9)
Balance at June 28, 2020	\$ 278	\$ -	\$ 18,876	\$ (15,403)	\$ 3,751	\$ 35	\$ 3,786

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. In the second quarter, the corporation declared the second and third quarter dividends. However, the third quarter dividend will be paid in Sept. 2020.

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

	2020 Outlook	2019 Actual
Total FAS 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 credit (cost) 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.

	June 28, 2020	Dec. 31, 2019
Backlog		
Aeronautics	\$ 56,202	\$ 55,636
Missiles and Fire Control	31,061	25,796
Rotary and Mission Systems	37,185	34,296
Space	25,866	28,253
Total backlog	<u>\$ 150,314</u>	<u>\$ 143,981</u>

	Quarters Ended		Six Months Ended	
	June 28, 2020	June 30, 2019	June 28, 2020	June 30, 2019
Aircraft Deliveries				
F-35	25	29	47	55
C-130J	5	8	8	13
Government helicopter programs	16	26	29	41
International military helicopter programs	2	1	4	3

	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