

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

	Quarters Ended Dec. 31,		Years Ended Dec. 31,	
	2022	2021	2022	2021
Net sales	\$ 18,991	\$ 17,729	\$ 65,984	\$ 67,044
Cost of sales ^{1,2,3}	(16,689)	(15,307)	(57,697)	(57,983)
Gross profit	2,302	2,422	8,287	9,061
Other (expense) income, net	(9)	33	61	62
Operating profit	2,293	2,455	8,348	9,123
Interest expense	(202)	(146)	(623)	(569)
Non-service FAS pension income (expense) ⁴	109	93	(971)	(1,292)
Other non-operating (expense) income, net ^{5,6}	(10)	88	(74)	288
Earnings before income taxes	2,190	2,490	6,680	7,550
Income tax expense	(278)	(441)	(948)	(1,235)
Net earnings	\$ 1,912	\$ 2,049	\$ 5,732	\$ 6,315
Effective tax rate	12.7 %	17.7 %	14.2 %	16.4 %
Earnings per common share				
Basic	\$ 7.44	\$ 7.50	\$ 21.74	\$ 22.85
Diluted	\$ 7.40	\$ 7.47	\$ 21.66	\$ 22.76
Weighted average shares outstanding				
Basic	257.1	273.3	263.7	276.4
Diluted	258.3	274.3	264.6	277.4
Common shares reported in stockholders' equity at end of period			254	271

¹ In the quarter and year ended Dec. 31, 2022, the company recognized severance and other charges of \$100 million (\$79 million, or \$0.31 per share, after-tax) related to certain actions at the company's RMS business segment, which included severance costs for the planned reduction of certain positions and asset impairment charges. In the year ended Dec. 31, 2021, the company recognized severance and other charges of \$36 million (\$28 million, or \$0.10 per share, after-tax) for previously announced actions also at the company's RMS business segment in the first quarter of 2021.

² In the quarter and year ended Dec. 31, 2022, the company recognized net gains of \$19 million (\$14 million, or \$0.06 per share, after-tax) and net losses of \$176 million (\$132 million, or \$0.50 per share, after-tax), compared to net gains of \$7 million (\$5 million, or \$0.02 per share, after-tax) and \$42 million (\$32 million, or \$0.11 per share, after-tax) in the quarter and year ended Dec. 31, 2021 due to changes in fair value of investments and liabilities for deferred compensation plans.

³ In the year ended Dec. 31, 2021, the company recorded a loss of \$225 million (\$169 million, or \$0.61 per share, after-tax) at its Aeronautics business segment as a result of performance issues on a classified program in the second quarter of 2021.

⁴ In the year ended Dec. 31, 2022, the company recognized a \$1.5 billion (\$1.2 billion, or \$4.33 per share, after-tax) pension settlement charge, compared to \$1.7 billion (\$1.3 billion, or \$4.72 per share, after-tax) recognized in the year ended Dec. 31, 2021, related to the purchase of group annuity contracts to transfer gross pension obligations and related plan assets to an insurance company, which represents the accelerated recognition of actuarial losses that were included in the accumulated other comprehensive loss account within stockholders' equity.

⁵ In the quarter and year ended Dec. 31, 2022, the company recognized net losses of \$48 million (\$36 million, or 0.14 per share, after-tax) and \$114 million (\$86 million, or \$0.33 per share, after-tax), compared to net gains of \$85 million (\$64 million, or \$0.23 per share, after-tax) and \$265 million (\$199 million, or \$0.72 per share, after-tax) for the quarter and year ended Dec. 31, 2021 due to changes in fair value of mark-to-market investments.

⁶ In the year ended Dec. 31, 2022, the company recognized a charge of \$34 million (\$26 million, or \$0.10 per share, after-tax) due to a debt refinancing transaction in the second quarter of 2022.

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

	<u>Dec. 31 2022</u>	<u>Dec. 31, 2021</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 2,547	\$ 3,604
Receivables, net	2,505	1,963
Contract assets	12,318	10,579
Inventories	3,088	2,981
Other current assets	533	688
Total current assets	<u>20,991</u>	<u>19,815</u>
Property, plant and equipment, net	7,975	7,597
Goodwill	10,780	10,813
Intangible assets, net	2,459	2,706
Deferred income taxes	3,744	2,290
Other noncurrent assets	6,931	7,652
Total assets	<u>\$ 52,880</u>	<u>\$ 50,873</u>
Liabilities and equity		
Current liabilities		
Accounts payable	\$ 2,117	\$ 780
Salaries, benefits and payroll taxes	3,075	3,108
Contract liabilities	8,488	8,107
Other current liabilities	2,207	2,002
Total current liabilities	<u>15,887</u>	<u>13,997</u>
Long-term debt, net	15,429	11,670
Accrued pension liabilities	5,472	8,319
Other noncurrent liabilities	6,826	5,928
Total liabilities	<u>43,614</u>	<u>39,914</u>
Stockholders' equity		
Common stock, \$1 par value per share	254	271
Additional paid-in capital	92	94
Retained earnings	16,943	21,600
Accumulated other comprehensive loss	(8,023)	(11,006)
Total stockholders' equity	<u>9,266</u>	<u>10,959</u>
Total liabilities and equity	<u>\$ 52,880</u>	<u>\$ 50,873</u>

Table 2

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

	Years Ended Dec. 31,	
	2022	2021
Operating activities		
Net earnings	\$ 5,732	\$ 6,315
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation and amortization	1,404	1,364
Stock-based compensation	238	227
Deferred income taxes	(757)	(183)
Pension settlement charge	1,470	1,665
Severance and other charges	100	36
Changes in assets and liabilities		
Receivables, net	(542)	15
Contract assets	(1,739)	(1,034)
Inventories	(107)	564
Accounts payable	1,274	(98)
Contract liabilities	381	562
Income taxes	148	45
Qualified defined benefit pension plans	(412)	(267)
Other, net	612	10
Net cash provided by operating activities	7,802	9,221
Investing activities		
Capital expenditures	(1,670)	(1,522)
Other, net	(119)	361
Net cash used for investing activities	(1,789)	(1,161)
Financing activities		
Issuance of long-term debt, net of related costs	6,211	—
Repayments of long-term debt	(2,250)	(500)
Repurchases of common stock	(7,900)	(4,087)
Dividends paid	(3,016)	(2,940)
Other, net	(115)	(89)
Net cash used for financing activities	(7,070)	(7,616)
Net change in cash and cash equivalents	(1,057)	444
Cash and cash equivalents at beginning of period	3,604	3,160
Cash and cash equivalents at end of period	\$ 2,547	\$ 3,604

Table 3

Lockheed Martin Corporation
Other Supplemental Information
(unaudited; in millions)

The company's pretax FAS expense related to its qualified defined benefit pension plans consisted of the following:

	Years Ended Dec. 31,	
	2022	2021
Qualified defined benefit pension plans		
Operating:		
Service cost	\$ (87)	\$ (106)
Non-operating:		
Interest cost	(1,289)	(1,220)
Expected return on plan assets	1,854	2,146
Recognized net actuarial losses	(425)	(902)
Amortization of prior service credits	359	349
Pension settlement charge	(1,470)	(1,665)
Non-service FAS pension expense	(971)	(1,292)
Total FAS pension expense	(1,058)	(1,398)
Less: pension settlement charge	1,470	1,665
Total FAS pension income - adjusted¹	\$ 412	\$ 267

¹ Total FAS pension income – adjusted is a non-GAAP measure. See the "Use of Non-GAAP Financial Measures" section of this news release for more information.

The company's expected total FAS/CAS pension adjustment for 2023 compared to actual results for the years ended Dec. 31, 2022 and Dec. 31, 2021, including the service and non-service cost components of FAS pension expense for its qualified defined benefit pension plans, are as follows:

	2023	Years Ended Dec. 31,	
	Outlook	2022	2021
Total FAS income (expense) and CAS costs			
FAS pension income (expense)	\$ 375	\$ (1,058)	\$ (1,398)
Less: CAS pension cost	1,725	1,796	2,066
Total FAS/CAS pension adjustment	2,100	738	668
Less: pension settlement charge	—	1,470	1,665
Total FAS/CAS pension adjustment - adjusted ¹	\$ 2,100	\$ 2,208	\$ 2,333
Service and non-service cost reconciliation			
FAS pension service cost	\$ (65)	\$ (87)	\$ (106)
Less: CAS pension cost	1,725	1,796	2,066
FAS/CAS operating adjustment	1,660	1,709	1,960
Non-service FAS pension income (expense)	440	(971)	(1,292)
Total FAS/CAS pension adjustment	2,100	738	668
Less: pension settlement charge	—	1,470	1,665
Total FAS/CAS pension adjustment - adjusted ^{1,2}	\$ 2,100	\$ 2,208	\$ 2,333

¹ Total FAS/CAS pension adjustment – adjusted is a non-GAAP measure. See the "Use of Non-GAAP Financial Measures" section of this news release for more information.

² The cost components in the table above relate only to the company's qualified defined benefit pension plans. The company recognized a noncash, non-operating settlement charge of \$1,470 million in the second quarter of 2022, and \$1,665 million in the third quarter of 2021, related to the accelerated recognition of actuarial losses previously included in accumulated other comprehensive loss for certain pension plans as a result of the purchase of group annuity contracts from an insurance company.

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

	<u>Dec. 31 2022</u>	<u>Dec. 31, 2021</u>
Backlog		
Aeronautics	\$ 56,630	\$ 49,118
Missiles and Fire Control	28,735	27,021
Rotary and Mission Systems	34,949	33,700
Space	29,684	25,516
Total backlog	<u>\$ 149,998</u>	<u>\$ 135,355</u>

	<u>Quarters Ended Dec. 31,</u>		<u>Years Ended Dec. 31,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Aircraft Deliveries				
F-35	53	52	141	142
C-130J	6	7	24	22
Government helicopter programs	24	37	86	90
Commercial helicopter programs	—	1	—	3
International military helicopter programs	4	8	9	17

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Number of Weeks in Reporting Period¹			
First quarter	12	12	12
Second quarter	13	13	13
Third quarter	13	13	13
Fourth quarter	14	14	14

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

Lockheed Martin Corporation
Pro Forma Business Segment Summary Operating Results - Continued
(unaudited; in millions)

	Quarter Ended March 28, 2021			Quarter Ended June 27, 2021			Quarter Ended September 26, 2021			Quarter Ended December 31, 2021		
	As Reported	Reclassification ¹	As Adjusted	As Reported	Reclassification ¹	As Adjusted	As Reported	Reclassification ¹	As Adjusted	As Reported	Reclassification ¹	As Adjusted
Net sales												
Aeronautics	\$ 6,387	\$ —	\$ 6,387	\$ 6,666	\$ —	\$ 6,666	\$ 6,568	\$ —	\$ 6,568	\$ 7,127	\$ —	\$ 7,127
Missiles and Fire Control	2,749	—	2,749	2,944	—	2,944	2,781	—	2,781	3,219	—	3,219
Rotary and Mission Systems	4,107	—	4,107	4,242	—	4,242	3,980	—	3,980	4,460	—	4,460
Space	3,015	—	3,015	3,177	—	3,177	2,699	—	2,699	2,923	—	2,923
Total net sales	\$ 16,258	\$ —	\$ 16,258	\$ 17,029	\$ —	\$ 17,029	\$ 16,028	\$ —	\$ 16,028	\$ 17,729	\$ —	\$ 17,729
Operating profit												
Aeronautics	\$ 693	\$ —	\$ 693	\$ 572	\$ 1	\$ 573	\$ 714	\$ —	\$ 714	\$ 820	\$ —	\$ 820
Missiles and Fire Control	396	1	397	401	—	401	413	1	414	438	—	438
Rotary and Mission Systems	433	58	491	458	58	516	459	58	517	448	58	506
Space	227	22	249	335	22	357	264	2	266	308	4	312
Total business segment operating profit²	1,749	81	1,830	1,766	81	1,847	1,850	61	1,911	2,014	62	2,076
Total unallocated items	433	(81)	352	426	(81)	345	444	(61)	383	441	(62)	379
Total consolidated operating profit	\$ 2,182	\$ —	\$ 2,182	\$ 2,192	\$ —	\$ 2,192	\$ 2,294	\$ —	\$ 2,294	\$ 2,455	\$ —	\$ 2,455
Operating margin												
Aeronautics	10.9 %	— %	10.9 %	8.6 %	— %	8.6 %	10.9 %	— %	10.9 %	11.5 %	— %	11.5 %
Missiles and Fire Control	14.4 %	— %	14.4 %	13.6 %	— %	13.6 %	14.9 %	— %	14.9 %	13.6 %	— %	13.6 %
Rotary and Mission Systems	10.5 %	1.5 %	12.0 %	10.8 %	1.4 %	12.2 %	11.5 %	1.5 %	13.0 %	10.0 %	1.3 %	11.3 %
Space	7.5 %	0.8 %	8.3 %	10.5 %	0.7 %	11.2 %	9.8 %	0.1 %	9.9 %	10.5 %	0.2 %	10.7 %
Total business segment operating margin²	10.8 %	0.5 %	11.3 %	10.4 %	0.4 %	10.8 %	11.5 %	0.4 %	11.9 %	11.4 %	0.3 %	11.7 %
Total consolidated operating margin	13.4 %	— %	13.4 %	12.9 %	— %	12.9 %	14.3 %	— %	14.3 %	13.8 %	— %	13.8 %
	Three Months Ended March 28, 2021			Six Months Ended June 27, 2021			Nine Months Ended September 26, 2021			Year Ended December 31, 2021		
	As Reported	Reclassification ¹	As Adjusted	As Reported	Reclassification ¹	As Adjusted	As Reported	Reclassification ¹	As Adjusted	As Reported	Reclassification ¹	As Adjusted
Net sales												
Aeronautics	\$ 6,387	\$ —	\$ 6,387	\$ 13,053	\$ —	\$ 13,053	\$ 19,621	\$ —	\$ 19,621	\$ 26,748	\$ —	\$ 26,748
Missiles and Fire Control	2,749	—	2,749	5,693	—	5,693	8,474	—	8,474	11,693	—	11,693
Rotary and Mission Systems	4,107	—	4,107	8,349	—	8,349	12,329	—	12,329	16,789	—	16,789
Space	3,015	—	3,015	6,192	—	6,192	8,891	—	8,891	11,814	—	11,814
Total net sales	\$ 16,258	\$ —	\$ 16,258	\$ 33,287	\$ —	\$ 33,287	\$ 49,315	\$ —	\$ 49,315	\$ 67,044	\$ —	\$ 67,044
Operating profit												
Aeronautics	\$ 693	\$ —	\$ 693	\$ 1,265	\$ 1	\$ 1,266	\$ 1,979	\$ 1	\$ 1,980	\$ 2,799	\$ 1	\$ 2,800
Missiles and Fire Control	396	1	397	797	1	798	1,210	2	1,212	1,648	2	1,650
Rotary and Mission Systems	433	58	491	891	116	1,007	1,350	174	1,524	1,798	232	2,030
Space	227	22	249	562	44	606	826	46	872	1,134	50	1,184
Total business segment operating profit²	1,749	81	1,830	3,515	162	3,677	5,365	223	5,588	7,379	285	7,664
Total unallocated items	433	(81)	352	859	(162)	697	1,303	(223)	1,080	1,744	(285)	1,459
Total consolidated operating profit	\$ 2,182	\$ —	\$ 2,182	\$ 4,374	\$ —	\$ 4,374	\$ 6,668	\$ —	\$ 6,668	\$ 9,123	\$ —	\$ 9,123
Operating margin												
Aeronautics	10.9 %	— %	10.9 %	9.7 %	— %	9.7 %	10.1 %	— %	10.1 %	10.5 %	— %	10.5 %
Missiles and Fire Control	14.4 %	— %	14.4 %	14.0 %	— %	14.0 %	14.3 %	— %	14.3 %	14.1 %	— %	14.1 %
Rotary and Mission Systems	10.5 %	1.5 %	12.0 %	10.7 %	1.4 %	12.1 %	10.9 %	1.5 %	12.4 %	10.7 %	1.4 %	12.1 %
Space	7.5 %	0.8 %	8.3 %	9.1 %	0.7 %	9.8 %	9.3 %	0.5 %	9.8 %	9.6 %	0.4 %	10.0 %
Total business segment operating margin²	10.8 %	0.5 %	11.3 %	10.6 %	0.4 %	11.0 %	10.9 %	0.4 %	11.3 %	11.0 %	0.4 %	11.4 %
Total consolidated operating margin	13.4 %	— %	13.4 %	13.1 %	— %	13.1 %	13.5 %	— %	13.5 %	13.6 %	— %	13.6 %

1 Effective Jan. 1, 2023, the company reclassified intangible amortization expense out of the business segment operating profit and into the unallocated items line item to better align with how management views and manages the business.

2 Business segment operating profit and operating margin are non-GAAP measures. See the "Use of Non-GAAP Financial Measures" section of this news release for more information.