

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

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**FORM 10-Q**

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(Mark One)

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

For the quarterly period ended **September 24, 2023**

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**

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**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**  
(Address of principal executive offices)

**20817**

(Zip Code)

**(301) 897-6000**

(Registrant's telephone number, including area code)

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

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
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 248,098,715 shares of our common stock, \$1 par value per share, outstanding as of October 13, 2023.

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**Lockheed Martin Corporation**  
**Form 10-Q**  
**For the Quarterly Period Ended September 24, 2023**  
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**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 24, 2023	September 25, 2022	September 24, 2023	September 25, 2022
<b>Net sales</b>				
Products	\$ 14,014	\$ 14,011	\$ 40,298	\$ 39,266
Services	2,864	2,572	8,399	7,727
Total net sales	<b>16,878</b>	16,583	<b>48,697</b>	46,993
<b>Cost of sales</b>				
Products	(12,571)	(12,493)	(35,960)	(34,939)
Services	(2,510)	(2,235)	(7,436)	(6,758)
Other unallocated, net	251	265	883	689
Total cost of sales	<b>(14,830)</b>	(14,463)	(42,513)	(41,008)
Gross profit	2,048	2,120	6,184	5,985
Other (expense) income, net	(6)	39	30	70
<b>Operating profit</b>	<b>2,042</b>	2,159	<b>6,214</b>	6,055
Interest expense	(237)	(145)	(662)	(421)
Non-service FAS pension income (expense)	111	111	332	(1,080)
Other non-operating income (expense), net	37	(26)	69	(64)
Earnings before income taxes	1,953	2,099	<b>5,953</b>	4,490
Income tax expense	(269)	(321)	(899)	(670)
<b>Net earnings</b>	<b>\$ 1,684</b>	\$ 1,778	<b>\$ 5,054</b>	\$ 3,820
<b>Earnings per common share</b>				
Basic	\$ 6.75	\$ 6.73	\$ 20.04	\$ 14.36
Diluted	\$ 6.73	\$ 6.71	\$ 19.97	\$ 14.31
<b>Cash dividends paid per common share</b>	<b>\$ 3.00</b>	\$ 2.80	<b>\$ 9.00</b>	\$ 8.40

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 24, 2023	September 25, 2022	September 24, 2023	September 25, 2022
Net earnings	\$ 1,684	\$ 1,778	\$ 5,054	\$ 3,820
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	—	162	—	1,860
Amortization of actuarial losses and prior service credits, net of tax of \$10 million and \$30 million in 2023 and \$1 million and \$27 million in 2022	(37)	(2)	(111)	93
Pension settlement charge, net of tax of \$314 million in 2022	—	—	—	1,156
Other, net, net of tax of \$5 million and \$4 million in 2023 and \$6 million and \$12 million in 2022	(30)	(126)	(12)	(237)
Other comprehensive income, net of tax	(67)	34	(123)	2,872
Comprehensive income	\$ 1,617	\$ 1,812	\$ 4,931	\$ 6,692

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 24, 2023	December 31, 2022
(unaudited)		
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 3,551	\$ 2,547
Receivables, net	2,405	2,505
Contract assets	13,605	12,318
Inventories	3,312	3,088
Other current assets	449	533
Total current assets	23,322	20,991
Property, plant and equipment, net	8,046	7,975
Goodwill	10,782	10,780
Intangible assets, net	2,274	2,459
Deferred income taxes	4,873	3,744
Other noncurrent assets	7,369	6,931
Total assets	\$ 56,666	\$ 52,880
<b>Liabilities and equity</b>		
Current liabilities		
Accounts payable	\$ 3,817	\$ 2,117
Salaries, benefits and payroll taxes	3,139	3,075
Contract liabilities	7,936	8,488
Current maturities of long-term debt	168	118
Other current liabilities	2,133	2,089
Total current liabilities	17,193	15,887
Long-term debt, net	17,221	15,429
Accrued pension liabilities	5,323	5,472
Other noncurrent liabilities	7,655	6,826
Total liabilities	47,392	43,614
Stockholders' equity		
Common stock, \$1 par value per share	247	254
Additional paid-in capital	107	92
Retained earnings	17,066	16,943
Accumulated other comprehensive loss	(8,146)	(8,023)
Total stockholders' equity	9,274	9,266
Total liabilities and equity	\$ 56,666	\$ 52,880

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

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

	<b>Nine Months Ended</b>	
	<b>September 24, 2023</b>	<b>September 25, 2022</b>
<b>Operating activities</b>		
Net earnings	\$ 5,054	\$ 3,820
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation and amortization	1,009	965
Stock-based compensation	221	195
Deferred income taxes	(395)	(540)
Pension settlement charge	—	1,470
Changes in assets and liabilities		
Receivables, net	100	(521)
Contract assets	(1,287)	(1,754)
Inventories	(224)	(132)
Accounts payable	1,731	1,834
Contract liabilities	(552)	(48)
Income taxes	(81)	113
Qualified defined benefit pension plans	(283)	(322)
Other, net	262	794
Net cash provided by operating activities	5,555	5,874
<b>Investing activities</b>		
Capital expenditures	(987)	(977)
Other, net	(4)	(4)
Net cash used for investing activities	(991)	(981)
<b>Financing activities</b>		
Issuance of long-term debt, net of related costs	1,975	2,267
Repayments of long-term debt	(115)	(2,250)
Repurchases of common stock	(3,000)	(3,694)
Dividends paid	(2,289)	(2,250)
Other, net	(131)	(140)
Net cash used for financing activities	(3,560)	(6,067)
Net change in cash and cash equivalents	1,004	(1,174)
Cash and cash equivalents at beginning of period	2,547	3,604
Cash and cash equivalents at end of period	\$ 3,551	\$ 2,430

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 24, 2023 and September 25, 2022**  
(unaudited; in millions)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Equity
<b>Balance at June 25, 2023</b>	\$ 251	\$ —	\$ 17,068	\$ (8,079)	\$ 9,240
Net earnings	—	—	1,684	—	1,684
Other comprehensive income, net of tax	—	—	—	(67)	(67)
Dividends declared	—	—	11	—	11
Repurchases of common stock	(4)	(49)	(1,697)	—	(1,750)
Stock-based awards, ESOP activity and other	—	156	—	—	156
<b>Balance at September 24, 2023</b>	\$ 247	\$ 107	\$ 17,066	\$ (8,146)	\$ 9,274
<b>Balance at June 26, 2022</b>	\$ 264	\$ —	\$ 19,336	\$ (8,168)	\$ 11,432
Net earnings	—	—	1,778	—	1,778
Other comprehensive income, net of tax	—	—	—	34	34
Dividends declared	—	—	7	—	7
Repurchases of common stock	(3)	(148)	(1,282)	—	(1,433)
Stock-based awards, ESOP activity and other	—	148	—	—	148
<b>Balance at September 25, 2022</b>	\$ 261	\$ —	\$ 19,839	\$ (8,134)	\$ 11,966

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 24, 2023 and September 25, 2022**  
(unaudited; in millions)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Other Comprehensive Loss	Accumulated Total Equity
<b>Balance at December 31, 2022</b>	\$ 254	\$ 92	\$ 16,943	\$ (8,023)	\$ 9,266
Net earnings	—	—	5,054	—	5,054
Other comprehensive income, net of tax	—	—	—	(123)	(123)
Dividends declared	—	—	(2,280)	—	(2,280)
Repurchases of common stock	(8)	(341)	(2,651)	—	(3,000)
Stock-based awards, ESOP activity and other	1	356	—	—	357
<b>Balance at September 24, 2023</b>	<b>\$ 247</b>	<b>\$ 107</b>	<b>\$ 17,066</b>	<b>\$ (8,146)</b>	<b>\$ 9,274</b>
<b>Balance at December 31, 2021</b>	<b>\$ 271</b>	<b>\$ 94</b>	<b>\$ 21,600</b>	<b>\$ (11,006)</b>	<b>\$ 10,959</b>
Net earnings	—	—	3,820	—	3,820
Other comprehensive income, net of tax	—	—	—	2,872	2,872
Dividends declared	—	—	(2,239)	—	(2,239)
Repurchases of common stock	(11)	(453)	(3,342)	—	(3,806)
Stock-based awards, ESOP activity and other	1	359	—	—	360
<b>Balance at September 25, 2022</b>	<b>\$ 261</b>	<b>\$ —</b>	<b>\$ 19,839</b>	<b>\$ (8,134)</b>	<b>\$ 11,966</b>

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

**Lockheed Martin Corporation**  
**Notes to Consolidated Financial Statements (unaudited)**

**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.

Effective January 1, 2023, we no longer consider amortization expense related to purchased intangible assets when evaluating the operating performance of our business segments. As a result, intangible asset amortization expense, which was previously included in segment operating profit, is now reported in unallocated corporate expense within total consolidated operating profit. This change has no impact on our consolidated operating results. Management believes this updated presentation better aligns with how the business is viewed and managed and will provide better insights into business segment performance. This change has been applied to the amounts in this Form 10-Q, including amounts for 2022. See "Note 3 - Information on Business Segments" for further information regarding the impact of this change on our current and prior period segment operating profit.

We close our books and records on the last Sunday of the interim calendar quarter, which was on September 24 for the third quarter of 2023 and September 25 for the third quarter of 2022 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, 2022 (2022 Form 10-K).

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**Lockheed Martin Corporation**  
**Notes to Consolidated Financial Statements (unaudited) (continued)**

**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 24, 2023	September 25, 2022	September 24, 2023	September 25, 2022
Weighted average common shares outstanding for basic computations	249.3	264.1	252.2	266.0
Weighted average dilutive effect of equity awards	0.9	1.0	0.9	0.9
Weighted average common shares outstanding for diluted computations	250.2	265.1	253.1	266.9

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 24, 2023 and September 25, 2022. Basic and diluted weighted average common shares outstanding decreased in 2023 compared to 2022 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 thus are 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**

As discussed in "Note 1 - Basis of Presentation", effective January 1, 2023, we no longer consider amortization expense related to purchased intangible assets when evaluating the operating performance of our business segments. As a result, intangible asset amortization expense, which was previously included in segment operating profit, is now reported in unallocated items within total consolidated operating profit.

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**Lockheed Martin Corporation**  
**Notes to Consolidated Financial Statements (unaudited) (continued)**

This change has been applied to the amounts below, including the amounts for 2022. Sales and operating profit for each of our business segments were as follows (in millions):

	Quarters Ended		Nine Months Ended	
	September 24, 2023	September 25, 2022	September 24, 2023	September 25, 2022
<b>Net sales</b>				
Aeronautics	\$ 6,717	\$ 7,089	\$ 19,861	\$ 19,352
Missiles and Fire Control	2,939	2,831	8,082	8,030
Rotary and Mission Systems	4,121	3,781	11,528	11,345
Space	3,101	2,882	9,226	8,266
Total net sales	\$ 16,878	\$ 16,583	\$ 48,697	\$ 46,993
<b>Operating profit</b>				
Aeronautics	\$ 671	\$ 759	\$ 2,064	\$ 2,051
Missiles and Fire Control	398	383	1,146	1,186
Rotary and Mission Systems	482	472	1,286	1,339
Space	259	304	851	823
Total business segment operating profit	1,810	1,918	5,347	5,399
<b>Unallocated items</b>				
FAS/CAS pension operating adjustment	414	430	1,245	1,281
Intangible asset amortization expense	(61)	(62)	(185)	(186)
Other, net	(121)	(127)	(193)	(439)
Total unallocated items	232	241	867	656
Total consolidated operating profit	\$ 2,042	\$ 2,159	\$ 6,214	\$ 6,055
<b>Intersegment sales</b>				
Aeronautics	\$ 62	\$ 63	\$ 186	\$ 181
Missiles and Fire Control	177	146	482	463
Rotary and Mission Systems	518	503	1,512	1,411
Space	97	102	275	284
Total intersegment sales	\$ 854	\$ 814	\$ 2,455	\$ 2,339

**Unallocated Items**

Business segment operating profit excludes the FAS/CAS pension operating adjustment, 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, stock-based compensation expense, changes in the fair value of assets and liabilities for deferred compensation plans, retiree benefits, significant severance charges, significant asset impairments, gains or losses from divestitures, intangible asset amortization expense, 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**

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 Financial Accounting Standards (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.

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**Lockheed Martin Corporation**  
**Notes to Consolidated Financial Statements (unaudited) (continued)**

**Disaggregation of Net Sales**

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

	Quarter Ended September 24, 2023				
	Aeronautics	MFC	RMS	Space	Total
<b>Net sales</b>					
Products	\$ 5,538	\$ 2,609	\$ 3,249	\$ 2,618	\$ 14,014
Services	1,179	330	872	483	2,864
Total net sales	\$ 6,717	\$ 2,939	\$ 4,121	\$ 3,101	\$ 16,878
<b>Net sales by contract type</b>					
Fixed-price	\$ 4,495	\$ 2,017	\$ 2,602	\$ 796	\$ 9,910
Cost-reimbursable	2,222	922	1,519	2,305	6,968
Total net sales	\$ 6,717	\$ 2,939	\$ 4,121	\$ 3,101	\$ 16,878
<b>Net sales by customer</b>					
U.S. Government	\$ 4,547	\$ 2,061	\$ 2,796	\$ 3,055	\$ 12,459
International <sup>(a)</sup>	2,170	875	1,254	24	4,323
U.S. commercial and other	—	3	71	22	96
Total net sales	\$ 6,717	\$ 2,939	\$ 4,121	\$ 3,101	\$ 16,878
<b>Net sales by geographic region</b>					
United States	\$ 4,547	\$ 2,064	\$ 2,867	\$ 3,077	\$ 12,555
Europe	1,190	197	269	1	1,657
Asia Pacific	693	155	601	22	1,471
Middle East	220	474	185	1	880
Other	67	49	199	—	315
Total net sales	\$ 6,717	\$ 2,939	\$ 4,121	\$ 3,101	\$ 16,878

	Nine Months Ended September 24, 2023				
	Aeronautics	MFC	RMS	Space	Total
<b>Net sales</b>					
Products	\$ 16,339	\$ 7,110	\$ 9,082	\$ 7,767	\$ 40,298
Services	3,522	972	2,446	1,459	8,399
Total net sales	\$ 19,861	\$ 8,082	\$ 11,528	\$ 9,226	\$ 48,697
<b>Net sales by contract type</b>					
Fixed-price	\$ 13,463	\$ 5,498	\$ 7,261	\$ 2,359	\$ 28,581
Cost-reimbursable	6,398	2,584	4,267	6,867	20,116
Total net sales	\$ 19,861	\$ 8,082	\$ 11,528	\$ 9,226	\$ 48,697
<b>Net sales by customer</b>					
U.S. Government	\$ 13,285	\$ 5,553	\$ 7,973	\$ 9,084	\$ 35,895
International <sup>(a)</sup>	6,453	2,521	3,349	110	12,433
U.S. commercial and other	123	8	206	32	369
Total net sales	\$ 19,861	\$ 8,082	\$ 11,528	\$ 9,226	\$ 48,697
<b>Net sales by geographic region</b>					
United States	\$ 13,408	\$ 5,561	\$ 8,179	\$ 9,116	\$ 36,264
Europe	3,466	582	706	48	4,802
Asia Pacific	2,058	472	1,593	60	4,183
Middle East	671	1,340	526	2	2,539
Other	258	127	524	—	909
Total net sales	\$ 19,861	\$ 8,082	\$ 11,528	\$ 9,226	\$ 48,697

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**Lockheed Martin Corporation**  
**Notes to Consolidated Financial Statements (unaudited) (continued)**

	Quarter Ended September 25, 2022					
	Aeronautics	MFC	RMS	Space	Total	
<b>Net sales</b>						
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	
<b>Net sales by contract type</b>						
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	
<b>Net sales by customer</b>						
U.S. Government	\$ 4,728	\$ 2,086	\$ 2,721	\$ 2,842	\$ 12,377	
International <sup>(a)</sup>	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	
<b>Net sales by geographic region</b>						
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	
<b>Net sales</b>						
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	
<b>Net sales by contract type</b>						
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	
<b>Net sales by customer</b>						
U.S. Government	\$ 12,904	\$ 5,605	\$ 8,017	\$ 8,144	\$ 34,670	
International <sup>(a)</sup>	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	
<b>Net sales by geographic region</b>						
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	

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

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**Notes to Consolidated Financial Statements (unaudited) (continued)**

Our Aeronautics business segment includes our largest program, the F-35 Lightning II, an international multi-role, multi-variant, stealth fighter aircraft. Net sales for the F-35 program represented approximately 26% of our total consolidated net sales for both the quarter and nine months ended September 24, 2023 and 29% and 27% of our total consolidated net sales for the quarter and nine months ended September 25, 2022.

**Assets**

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

	September 24, 2023	December 31, 2022
<b>Assets</b>		
Aeronautics	\$ 13,252	\$ 12,055
Missiles and Fire Control	5,706	5,788
Rotary and Mission Systems	17,822	17,988
Space	6,522	6,351
Total business segment assets	43,302	42,182
Corporate assets <sup>(a)</sup>	13,364	10,698
<b>Total assets</b>	<b>\$ 56,666</b>	<b>\$ 52,880</b>

(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 used in our corporate operations, assets held in a trust for deferred compensation plans, and other marketable investments.

**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 24, 2023	December 31, 2022
Contract assets	\$ 13,605	\$ 12,318
Contract liabilities	7,936	8,488

Contract assets increased \$1.3 billion during the nine months ended September 24, 2023, due to the recognition of revenue related to the satisfaction or partial satisfaction of performance obligations during the nine months ended September 24, 2023 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 24, 2023 and September 25, 2022.

Contract liabilities decreased \$552 million during the nine months ended September 24, 2023, primarily due to revenue recognized in excess of payments received on these performance obligations. During the quarter and nine months ended September 24, 2023, we recognized \$916 million and \$4.2 billion of our contract liabilities at December 31, 2022 as revenue. 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.

**Lockheed Martin Corporation**  
**Notes to Consolidated Financial Statements (unaudited) (continued)**

**NOTE 5 - INVENTORIES**

Inventories consisted of the following (in millions):

	<b>September 24, 2023</b>	<b>December 31, 2022</b>
Materials, spares and supplies	\$ 606	\$ 599
Work-in-process	2,522	2,297
Finished goods	184	192
<b>Total inventories</b>	<b>\$ 3,312</b>	<b>\$ 3,088</b>

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 determine that 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). These advanced procurement costs are generally incurred in order to enhance our ability to achieve schedule and certain customer milestones. 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 24, 2023 and December 31, 2022, \$955 million and \$791 million of pre-contract costs were included in inventories. The increase in pre-contract costs as of September 24, 2023 is primarily driven by our Aeronautics business segment (primarily F-35 program and classified contracts).

**Lockheed Martin Corporation**  
**Notes to Consolidated Financial Statements (unaudited) (continued)**

**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 24, 2023	September 25, 2022	September 24, 2023	September 25, 2022
<b>Qualified defined benefit pension plans</b>				
Operating:				
Service cost	\$ (17)	\$ (20)	\$ (49)	\$ (68)
Non-operating:				
Interest cost	(364)	(342)	(1,094)	(947)
Expected return on plan assets	430	425	1,291	1,430
Amortization of actuarial losses	(42)	(62)	(126)	(363)
Amortization of prior service credits	87	90	261	270
Pension settlement charge	—	—	—	(1,470)
Non-service FAS pension income (expense)	111	111	332	(1,080)
Total FAS pension income (expense)	\$ 94	\$ 91	\$ 283	\$ (1,148)
<b>Retiree medical and life insurance plans</b>				
Operating:				
Service cost	\$ (1)	\$ (3)	\$ (4)	\$ (7)
Non-operating:				
Interest cost	(17)	(12)	(51)	(36)
Expected return on plan assets	25	34	77	102
Amortization of actuarial gains	7	12	23	35
Amortization of prior service costs	(2)	(7)	(7)	(21)
Non-service FAS retiree medical and life income	13	27	42	80
Total FAS retiree medical and life income	\$ 12	\$ 24	\$ 38	\$ 73

We record the service cost component of FAS income (expense) for our qualified defined benefit pension 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 amortization of net actuarial losses or gains and prior service credits or costs in the table above, along with similar costs related to our other postretirement benefit plans (\$3 million and \$10 million for the quarter and nine months ended September 24, 2023 and \$ 30 million and \$41 million for the quarter and nine months ended September 25, 2022) were reclassified from accumulated other comprehensive loss (AOCL) and recorded as a component of FAS income (expense) for the periods presented. These costs totaled \$(47) million (\$37 million, net of tax) and \$(141) million (\$111 million, net of tax) during the quarter and nine months ended September 24, 2023, and \$(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.

**Lockheed Martin Corporation**  
**Notes to Consolidated Financial Statements (unaudited) (continued)**

**Purchase of Group Annuity Contracts and Pension Remeasurement**

The nine months ended September 25, 2022 reflect a noncash, non-operating pension settlement charge of \$ 1.5 billion (\$1.2 billion, or \$4.33 per share, after-tax) recognized 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.

**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 24, 2023 and September 25, 2022.

**NOTE 7 - LEGAL PROCEEDINGS AND CONTINGENCIES**

**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, including the legal proceedings described below, will have a material adverse effect on the company 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.

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.

*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 Dercos Aerospace (Dercos) 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, Dercos 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 Dercos, 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 Dercos'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 Dercos procured and then sold to SSSI. The U.S. Government also alleges that Dercos'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

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**Notes to Consolidated Financial Statements (unaudited) (continued)**

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 Dercos-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, and our history of receiving reimbursement of such costs. 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 24, 2023 and December 31, 2022, the aggregate amount of liabilities recorded relative to environmental matters was \$ 690 million and \$696 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 \$613 million and \$618 million at September 24, 2023 and December 31, 2022, 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

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**Notes to Consolidated Financial Statements (unaudited) (continued)**

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 as a result of a court decision, must regulate perchlorate at the federal level. The California State Water Resources Control Board (SWRCB) continues to reevaluate its existing drinking water standard of 6 parts per billion (ppb) for perchlorate. The California SWRCB has also proposed to regulate hexavalent chromium at 10 ppb, which we currently do not expect would materially increase our cleanup costs in California. If substantially lower standards are adopted for perchlorate or for hexavalent chromium, 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. We had total outstanding letters of credit and surety bonds aggregating \$2.9 billion at both September 24, 2023 and December 31, 2022.

Additionally, we may guarantee the contractual performance of third parties such as joint venture partners. At September 24, 2023 and December 31, 2022, third-party guarantees totaled \$962 million and \$904 million, of which approximately 73% and 71% 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. Third-party guarantees do not include guarantees issued on behalf of subsidiaries and other consolidated entities.

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 24, 2023 and December 31, 2022,

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**Notes to Consolidated Financial Statements (unaudited) (continued)**

there were no material amounts recorded in our financial statements related to third-party guarantees or novation agreements.

**Other Contingencies**

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.

**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 24, 2023				December 31, 2022			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
<b>Assets</b>								
Mutual funds	\$ 897	\$ 897	\$ —	\$ —	\$ 897	\$ 897	\$ —	\$ —
U.S. Government securities	97	—	97	—	118	—	118	—
Other securities	669	323	297	49	660	333	264	63
Derivatives	16	—	16	—	18	—	18	—
<b>Liabilities</b>								
Derivatives	246	—	246	—	196	—	196	—

Substantially all assets measured at fair value, other than derivatives, represent assets held in a 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, 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

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**Notes to Consolidated Financial Statements (unaudited) (continued)**

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 minimize 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 minimize certain economic exposures.

The aggregate notional amount of our outstanding interest rate swaps was \$1.3 billion at both September 24, 2023 and December 31, 2022. The aggregate notional amount of our outstanding foreign currency hedges was \$6.6 billion and \$7.3 billion at September 24, 2023 and December 31, 2022. The fair values of our outstanding interest rate swaps and foreign currency hedges at September 24, 2023 and December 31, 2022 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 24, 2023 and September 25, 2022. 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 make investments in early-stage companies that we believe are advancing or developing new technologies applicable to our business. Investments that have quoted market prices in active markets (Level 1) are recorded at fair value and reflected in other securities while certain investments are categorized as Level 3 when valuations using observable inputs are unavailable. See "Note 10 - Other - Investments" for more information.

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 \$17.1 billion and \$16.0 billion at September 24, 2023 and December 31, 2022. The outstanding principal amount of debt, including short-term and long-term debt, was \$18.7 billion and \$16.8 billion at September 24, 2023 and December 31, 2022, excluding \$1.3 billion of unamortized discounts and issuance costs at both September 24, 2023 and December 31, 2022. 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 24, 2023, we repurchased 6.7 million shares of our common stock for \$3.0 billion pursuant to accelerated share repurchase (ASR) agreements and open market purchases. We also retired an additional 1.5 million shares received for no additional consideration in the first quarter of 2023 upon final settlement of an ASR agreement executed in the fourth quarter of 2022.

The total remaining authorization for future common stock repurchases under our share repurchase program was \$7.0 billion as of September 24, 2023. In October 2023, subsequent to our third quarter, our Board of Directors authorized an increase of \$6.0 billion to our share repurchase program, increasing our total authorization of the current program to \$13 billion for future purchases. 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 \$2.3 billion (\$9.00 per share) and \$2.2 billion (\$8.40 per share) during the nine months ended September 24, 2023 and September 25, 2022. On October 6, 2023, subsequent to our third quarter, we authorized a fourth quarter 2023 dividend payment of \$3.15 per share, an increase of \$0.15 per share over our third quarter 2023 dividend of \$3.00 per share, which we declared in the second quarter of 2023.

The total amount of dividends 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.

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**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
<b>Balance at December 31, 2022</b>	\$ (7,866)	\$ (157)	\$ (8,023)
Other comprehensive income (loss) before reclassifications	—	(41)	(41)
Amounts reclassified from AOCL			
Amortization of net actuarial losses <sup>(b)</sup>	88	—	88
Amortization of net prior service credits <sup>(b)</sup>	(199)	—	(199)
Other	—	29	29
Total reclassified from AOCL	(111)	29	(82)
Total other comprehensive (loss) income	(111)	(12)	(123)
<b>Balance at September 24, 2023</b>	\$ (7,977)	\$ (169)	\$ (8,146)
<b>Balance at December 31, 2021</b>	\$ (10,964)	\$ (42)	\$ (11,006)
Other comprehensive income (loss) before reclassifications <sup>(a)</sup>	1,860	(254)	1,606
Amounts reclassified from AOCL			
Pension settlement charge <sup>(a)</sup>	1,156	—	1,156
Amortization of net actuarial losses <sup>(b)</sup>	295	—	295
Amortization of net prior service credits <sup>(b)</sup>	(202)	—	(202)
Other	—	17	17
Total reclassified from AOCL	1,249	17	1,266
Total other comprehensive income (loss)	3,109	(237)	2,872
<b>Balance at September 25, 2022</b>	\$ (7,855)	\$ (279)	\$ (8,134)

(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 as a result of the purchase of group annuity contracts to transfer \$4.3 billion of our gross defined benefit pension obligations and related plan assets to an insurance company on June 24, 2022. See "Note 6 - Postretirement Benefit Plans." Also as a result, during the quarter ended June 26, 2022, we recognized a noncash, non-operating pension settlement charge of \$1.5 billion (\$1.2 billion, or \$4.33 per share, after-tax).

(b) These amounts include \$(37) million and \$(2) million, net of tax, for the quarters ended September 24, 2023 and September 25, 2022, which are comprised of the amortization of net actuarial losses of \$30 million and \$65 million for the quarters ended September 24, 2023 and September 25, 2022, and net prior service credits of \$67 million in both the quarters ended September 24, 2023 and September 25, 2022.

**NOTE 10 - OTHER**

**Contract Estimates**

Significant estimates and assumptions are made in estimating contract sales, costs, and profit. We estimate profit as the difference between estimated revenues and total estimated costs to complete the contract. 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 sales and 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, general and administrative and the estimated costs to fulfill our industrial cooperation agreements, sometimes referred to as offset or localization 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

**Lockheed Martin Corporation**  
**Notes to Consolidated Financial Statements (unaudited) (continued)**

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.

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. 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, 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 period they are determined 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, insurance recoveries and gains on sales of assets. Unfavorable items may include the adverse resolution of contractual matters; supply chain disruptions; 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 sales by \$ 231 million and \$1.0 billion during the quarter and nine months ended September 24, 2023, and \$515 million and \$1.4 billion during the quarter and nine months ended September 25, 2022. These adjustments increased segment operating profit by approximately \$335 million (\$265 million, or \$1.06 per share, after tax) and \$ 1.1 billion (\$881 million, or \$3.48 per share, after tax) during the quarter and nine months ended September 24, 2023, and \$455 million (\$359 million, or \$1.35 per share, after tax) and \$ 1.3 billion (\$1.0 billion, or \$3.89 per share, after tax) during the quarter and nine months ended September 25, 2022.

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-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 financial results, cash flows, or financial condition. Any such losses are recorded in the period in which the loss is evident.

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 recognized reach-forward losses. As of September 24, 2023, cumulative losses remained at approximately \$270 million. We will continue to monitor the technical requirements and our performance, the remaining work and any future changes in scope or schedule, 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 financial results. In addition, we and our industry team will incur advanced procurement costs (also referred to as pre-contract costs) in order to enhance our ability to achieve the schedule and certain milestones. We will monitor the recoverability of pre-contract costs, which could be impacted by the customer's decision regarding future phases of the program.

**Lockheed Martin Corporation**  
**Notes to Consolidated Financial Statements (unaudited) (continued)**

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 recognized reach-forward losses. As of September 24, 2023, cumulative losses remained at 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 financial 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. It is converted into sales in future periods as work is performed or deliveries are made. 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 24, 2023, our ending backlog was \$156.0 billion. We expect to recognize approximately 35% of our backlog over the next 12 months and approximately 60% over the next 24 months as revenue with the remainder recognized thereafter.

#### **Income Taxes**

Our effective income tax rates were 13.8% and 15.1% for the quarter and nine months ended September 24, 2023 and 15.3% and 14.9% for the quarter and nine months ended September 25, 2022. The rate for the third quarter of 2023 was lower than the third quarter of 2022 primarily due to additional research and development tax credits for prior years. The rates for all periods benefited from research and development tax credits, 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, 2022, our liabilities associated with uncertain tax positions were \$1.6 billion. For the nine months ended September 24, 2023, our liabilities associated with uncertain tax positions increased to \$2.3 billion with a corresponding increase to net deferred tax assets primarily 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.

#### **Investments**

We make investments in companies that we believe are advancing or developing new technologies applicable to our business. These investments are primarily in early-stage companies and may be in the form of common or preferred stock, warrants, convertible debt securities, investments in funds or equity method investments. Most of these 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. The carrying amounts of the investments were \$602 million and \$589 million at September 24, 2023 and December 31, 2022. Due to changes in fair value and/or sales of investments, we recorded net losses of \$13 million (\$10 million, or \$0.04 per share, after tax) and \$24 million (\$18 million, or \$0.07 per share, after-tax) during the quarter and nine months ended September 24, 2023 and 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. These losses are reflected in the other non-operating income (expense), net account on our consolidated statements of earnings.

#### **Debt Issuance**

On May 25, 2023, we issued a total of \$2.0 billion of senior unsecured notes, consisting of \$500 million aggregate principal amount of 4.45% Notes due May 15, 2028 (the "2028 Notes"), \$850 million aggregate principal amount of 4.75% Notes due February 15, 2034 (the "2034 Notes") and \$650 million aggregate principal amount of 5.20% Notes due

**Lockheed Martin Corporation**  
**Notes to Consolidated Financial Statements (unaudited) (continued)**

February 15, 2055 (the "2055 Notes" and, together with the 2028 Notes and 2034 Notes, the "Notes") in a registered public offering. Net proceeds of \$1,975 million were received from the offering after deducting pricing discounts and debt issuance costs, which are being amortized and recorded as interest expense over the term of the Notes. 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. The Notes rank equally in right of payment with all of our existing unsecured and unsubordinated indebtedness.

**Revolving Credit Facility**

At September 24, 2023, we had a \$3.0 billion Revolving Credit Facility with various banks, with the option to increase the commitments under the Revolving Credit Facility by an additional amount of up to \$500 million (for an aggregate amount of up to \$3.5 billion). Effective August 24, 2023, we extended the expiration date of the Revolving Credit Agreement from August 24, 2027 to August 24, 2028. 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. There were no borrowings under the Revolving Credit Agreement at September 24, 2023.

**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 Company) as of September 24, 2023, the related consolidated statements of earnings, comprehensive income and equity for the quarters and nine months ended September 24, 2023 and September 25, 2022, and consolidated statements of cash flows for the nine months ended September 24, 2023 and September 25, 2022, 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 Company as of December 31, 2022, 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 26, 2023, 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, 2022, 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 Company's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company 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 17, 2023

## **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, 2022 (2022 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. Our main areas of focus are in defense, space, intelligence, homeland security and information technology, including cybersecurity. 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 24, 2023, 74% of our \$48.7 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.

### **U.S. Budget Environment**

With nearly three quarters of our sales from the U.S. government, U.S. government spending levels, particularly defense spending, and timely funding thereof can affect our financial performance over the short and long term.

The President's Fiscal Year (FY) 2024 budget request was submitted to Congress on March 9, 2023, initiating the FY 2024 defense authorization and appropriations legislative process. The request includes \$886 billion for National Defense, of which \$842 billion is for the DoD base budget.

On June 3, 2023, the President signed H.R. 3746 "The Fiscal Responsibility Act" (FRA) into law. The legislation suspends the debt ceiling until January 1, 2025, and, among other provisions, caps national defense spending at \$886 billion for FY 2024 (President's Budget Request level) and \$895 billion for FY 2025. Supplemental funding legislation is not subject to the budget caps.

Additionally, the FRA will result in a decrease in government spending for FY 2024 by one percent from FY 2023 enacted levels if Congress does not pass all twelve defense and non-defense discretionary appropriations bills by the end of 2023. If all twelve bills are not enacted, the sequestration process would be initiated on January 1, 2024, with effective implementation no later than April 30, 2024.

The House and Senate continue the legislative process on the FY 2024 budget. Final passage of the FY 2024 National Defense Authorization Act (NDAA) is anticipated before the end of the calendar year. Congress will also continue its effort to move appropriations bills and conference agreements, but these actions are dependent on the House leadership vote and Senate calendar. The FRA spending cap limits the ability of the defense committees to support significant increases in program funding without supplemental or emergency funding designations. Overall, congressional sentiment remains strong for supporting the National Defense Strategy and defense spending.

On September 30, 2023, the President signed a continuing resolution to continue funding the U.S. government at FY 2023 levels through the earlier of November 17, 2023, or until FY 2024 appropriations bills are enacted. Under the continuing resolution, funding at amounts consistent with appropriated levels for FY 2023 are available, subject to certain restrictions, but new contract and program starts are not authorized. We expect our key programs will continue to be supported and funded under the continuing resolution. However, during periods covered by continuing resolutions, we may experience delays in new awards of our products and services, and those delays may adversely affect our results of operations.

If Congress is not able to enact FY 2024 appropriations bills or extend the continuing resolution, the U.S. government will enter a whole or partial shutdown. The impact of any government shutdown is uncertain. However, if a government shutdown were to occur and were to continue for an extended period, we could be at risk of program cancellations, schedule delays, production halts and other disruptions and nonpayment, which could adversely affect our results of operations.

We anticipate the federal budget will continue to be subject to debate and compromise shaped by, among other things, heightened political tensions, the global security environment, inflationary pressures, and macroeconomic conditions. The result may be shifting funding priorities, which could have material impacts on defense spending broadly and our programs.

See also the discussion of U.S. Government funding risks within "Item 1A, Risk Factors" included in our 2022 Form 10-K.

#### **Geopolitical and Economic Environment**

We operate in a complex and evolving global security environment and our business is affected by geopolitical issues. Russia's invasion of Ukraine significantly elevated global geopolitical tensions and security concerns resulting in increased interest for certain of our products and services as countries seek to improve their security posture. In addition, security assistance provided by the U.S. Government and its allies to Ukraine has created U.S. Government and allied demand to replenish U.S. stockpiles, resulting in additional and potential future orders for our products, including for the ramp-up in production capacity for certain products. However, given the long-cycle nature of our business and current industry capacity, we do not expect a significant increase in 2023 sales from new contracts in response to the conflict. We continue to work with the U.S. Government and our supply chain to evaluate increases in capacity at certain of our operations to anticipate potential demand and enable us to deliver critical capabilities.

Our business and financial performance is also affected by general economic conditions. Supply chain disruptions persist, and we continue to experience supply chain challenges, including supplier shortages and performance issues, which have delayed certain customer deliveries and adversely impacted our performance and our financial results year to date. While we continue working to minimize the impact of supply chain challenges, many of these challenges are industry wide or caused by geopolitical events that are outside of our control. In addition, heightened levels of inflation and the potential worsening of macroeconomic conditions present risks for Lockheed Martin, our suppliers and the stability of the broader defense industrial base. Certain costs, including rising labor rates and supplier costs, on several of our programs have increased as a result of inflation, and put pressure on achieving our expected margins on the programs. In addition, some suppliers are reducing the typical duration of pricing validity in their proposals to us, which can be operationally challenging and increase the risk of cost volatility. If we continue to experience high rates of inflation, and we are unable to successfully mitigate the impact, our future profits, margins and cash flows, particularly for existing fixed-price contracts, may be adversely affected. Inflation and higher interest rates can also constrain the overall purchasing power of our customers for our products and services potentially impacting future orders. 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.

For additional risks to the company related to the geopolitical and economic environment, see Item 1A, Risk Factors of our 2022 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 year, or year-to-year comparisons of sales and profits, may not be indicative of future operating results. The following discussions of comparative results 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 24, 2023	September 25, 2022	September 24, 2023	September 25, 2022
Net sales	\$ 16,878	\$ 16,583	\$ 48,697	\$ 46,993
Cost of sales	(14,830)	(14,463)	(42,513)	(41,008)
Gross profit	2,048	2,120	6,184	5,985
Other (expense) income, net	(6)	39	30	70
Operating profit	2,042	2,159	6,214	6,055
Interest expense	(237)	(145)	(662)	(421)
Non-service FAS pension income (expense)	111	111	332	(1,080)
Other non-operating income (expense), net	37	(26)	69	(64)
Earnings before income taxes	1,953	2,099	5,953	4,490
Income tax expense	(269)	(321)	(899)	(670)
Net earnings	\$ 1,684	\$ 1,778	\$ 5,054	\$ 3,820
Diluted earnings per common share	\$ 6.73	\$ 6.71	\$ 19.97	\$ 14.31

Certain amounts reported in other income, 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 24, 2023	September 25, 2022	September 24, 2023	September 25, 2022
Products	\$ 14,014	\$ 14,011	\$ 40,298	\$ 39,266
% of total net sales	83.0 %	84.5 %	82.8 %	83.6 %
Services	2,864	2,572	8,399	7,727
% of total net sales	17.0 %	15.5 %	17.2 %	16.4 %
Total net sales	\$ 16,878	\$ 16,583	\$ 48,697	\$ 46,993

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.

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**Product Sales**

Product sales during the quarter ended September 24, 2023 were comparable to the same period in 2022. Lower product sales of \$535 million at Aeronautics were mostly offset by higher product sales of \$280 million at RMS and \$175 million at Space. Lower product sales at Aeronautics were due to lower volume on F-35 production contracts. Higher product sales at RMS were due to higher volume on various integrated warfare systems and sensors (IWSS) programs. Higher product sales at Space were due to higher volume on strategic and missile defense programs (Next Generation Interceptor (NGI) development and Fleet Ballistic Missile (FBM)).

Product sales increased \$1.0 billion, or 3%, during the nine months ended September 24, 2023 compared to the same period in 2022. The increase was primarily attributable to higher product sales of \$845 million at Space due to higher volume for strategic and missile defense programs (NGI development and FBM) and national security space programs (Global Positioning System (GPS) III, Transport Layer development and classified development programs).

**Service Sales**

Service sales increased \$292 million, or 11%, during the quarter ended September 24, 2023 compared to the same period in 2022. The increase was primarily attributable to higher sales of approximately \$165 million at Aeronautics due to higher volume on F-35 sustainment contracts.

Service sales increased \$672 million, or 9%, during the nine months ended September 24, 2023 compared to the same period in 2022. The increase was primarily attributable to higher sales of approximately \$465 million at Aeronautics due to higher volume on F-35 sustainment contracts and \$115 million at Space due to higher volume on national security space programs (classified development and Space-Based Infrared System (SBIRS)).

**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				Six Months Ended <sup>(a)</sup>			
	September 24, 2023		September 25, 2022		September 24, 2023		September 25, 2022	
Cost of sales – products	\$	(12,571)	\$	(12,493)	\$	(35,960)	\$	(34,939)
% of product sales	89.7	%	89.2	%	89.2	%	89.0	%
Cost of sales – services	(2,510)		(2,235)		(7,436)		(6,758)	
% of service sales	87.6	%	86.9	%	88.5	%	87.5	%
Other unallocated, net	251		265		883		689	
Total cost of sales	\$	(14,830)	\$	(14,463)	\$	(42,513)	\$	(41,008)

<sup>(a)</sup> Effective January 1, 2023, we reclassified intangible asset 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. See "Note 1 - Basis of Presentation" included in our Notes to Consolidated Financial Statements for further information regarding the impact of this change on our current and prior period segment operating profit.

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 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 \$78 million, or 1%, during the quarter ended September 24, 2023 compared to the same period in 2022. The increase was primarily attributable to higher product costs of \$245 million at RMS, and \$200 million at

Space, offset by lower product costs of \$445 million at Aeronautics. Higher product costs at RMS were due to higher volume on various IWSS programs. Higher product costs at Space were due to higher volume for strategic and missile defense programs (NGI development and FBM) and national security space programs (GPS III). Lower product costs at Aeronautics were due to lower volume on F-35 production contracts.

Product costs increased \$1.0 billion, or 3%, during the nine months ended September 24, 2023 compared to the same period in 2022. The increase was primarily attributable to higher product costs of \$775 million at Space due to higher volume for strategic and missile defense programs (NGI development and FBM) and national security space programs (GPS III, Transport Layer development and classified development programs).

#### **Service Costs**

Service costs increased \$275 million, or 12%, during the quarter ended September 24, 2023 compared to the same period in 2022. The increase was primarily attributable to higher service costs of approximately \$155 million at Aeronautics due to higher volume on F-35 sustainment contracts.

Service costs increased \$678 million, or 10%, during the nine months ended September 24, 2023 compared to the same period in 2022. The increase was primarily attributable to higher service costs of approximately \$440 million at Aeronautics due to higher volume on F-35 sustainment contracts and \$100 million at Space due to higher volume on national security space programs (classified and SBIRS).

#### **Other Unallocated, Net**

Other unallocated, net primarily includes the FAS/CAS pension operating adjustment (which represents the difference between total CAS pension cost recorded in our business segments' results of operations and the service cost component of Financial Accounting Standards (FAS) pension expense), stock-based compensation expense, changes in the fair value of assets and liabilities for deferred compensation plans, intangible asset amortization expense 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 \$251 million and \$883 million during the quarter and nine months ended September 24, 2023, compared to \$265 million and \$689 million during the quarter and nine months ended September 25, 2022. There were lower losses from the changes in the fair value of assets and liabilities related to deferred compensation plans during the quarter and nine months ended September 24, 2023 compared to the same periods in 2022.

#### **Other (Expense) Income, Net**

Other (expense) income, net, primarily includes earnings generated by equity method investees. Other expense, net was \$6 million compared to other income, net of \$39 million during the quarters ended September 24, 2023 and 2022. Other income, net was \$30 million and \$70 million during the nine months ended September 24, 2023 and 2022. Other (expense) income, net during the quarter and nine months ended September 24, 2023 includes lower earnings generated by our equity method investment in ULA due to lower launch volume and an increase in new product development costs.

#### **Interest Expense**

Interest expense during the quarter and nine months ended September 24, 2023 was \$237 million and \$662 million, compared to \$145 million and \$421 million during the quarter and nine months ended September 25, 2022. The increase in interest expense in 2023 resulted primarily from the issuance of senior unsecured notes in October 2022 and May 2023.

#### **Non-Service FAS Pension Income (Expense)**

Non-service FAS pension income was \$111 million during the quarters ended September 24, 2023 and 2022. Non-service FAS pension income was \$332 million compared to non-service FAS pension expense of \$1.1 billion during the nine months ended September 24, 2023 and 2022. 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 during the second quarter of 2022.

#### **Other Non-operating Income (Expense), Net**

Other non-operating income (expense), net primarily includes gains or losses related to changes in the fair value of early-stage company investments or gains or losses upon sale of these investments. Other non-operating income, net was \$37 million compared to other non-operating expense, net of \$26 million during the quarters ended September 24, 2023 and 2022. Other non-operating income, net was \$69 million compared to other non-operating expense, net of \$64 million during the nine months ended September 24, 2023 and 2022. Other non-operating income (expense), net for the quarter and nine months ended September 24, 2023 includes lower losses related to fair value adjustments of early-stage company investments and higher interest income compared to the same periods in 2022. See "Note 10 - Other" included in our Notes to Consolidated Financial Statements for additional information.

#### **Income Tax Expense**

Our effective income tax rates were 13.8% and 15.1% for the quarter and nine months ended September 24, 2023 and 15.3% and 14.9% for the quarter and nine months ended September 25, 2022. The rate for the third quarter of 2023 was lower than the third quarter of 2022 primarily due to additional research and development tax credits for prior years. The rates for all periods benefited from research and development tax credits, 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 eliminated 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. This provision is expected to increase our 2023 cash tax liability by approximately \$575 million and our net deferred tax assets will increase by a similar amount. The actual impact on 2023 cash tax liability will depend on the amount of research and development expenses paid or incurred in 2023 among other factors. The cash tax impact will continue over the five-year amortization period but will decrease over the period and be immaterial by 2027.

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.

#### **Net Earnings**

We reported net earnings of \$1.7 billion (\$6.73 per share) and \$5.1 billion (\$19.97 per share) during the quarter and nine months ended September 24, 2023, compared to \$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. Net earnings and earnings per share for the quarter and nine months ended September 24, 2023 were affected by the factors mentioned above. Earnings per share also benefited from a net decrease of approximately 14.9 million and 13.8 million weighted average common shares outstanding during the quarter and nine months ended September 24, 2023, compared to the same periods in 2022. 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 thus are 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. See "Note 3 - Information on Business Segments – unallocated items".

Sales and operating profit for each of our business segments were as follows (in millions):

	Quarters Ended		Nine Months Ended	
	September 24, 2023	September 25, 2022	September 24, 2023	September 25, 2022
<b>Net sales</b>				
Aeronautics	\$ 6,717	\$ 7,089	\$ 19,861	\$ 19,352
Missiles and Fire Control	2,939	2,831	8,082	8,030
Rotary and Mission Systems	4,121	3,781	11,528	11,345
Space	3,101	2,882	9,226	8,266
Total net sales	\$ 16,878	\$ 16,583	\$ 48,697	\$ 46,993
<b>Operating profit</b>				
Aeronautics	\$ 671	\$ 759	\$ 2,064	\$ 2,051
Missiles and Fire Control	398	383	1,146	1,186
Rotary and Mission Systems	482	472	1,286	1,339
Space	259	304	851	823
Total business segment operating profit	1,810	1,918	5,347	5,399
<b>Unallocated items</b>				
FAS/CAS pension operating adjustment	414	430	1,245	1,281
Intangible asset amortization expense	(61)	(62)	(185)	(186)
Other, net	(121)	(127)	(193)	(439)
Total unallocated items	232	241	867	656
Total consolidated operating profit	\$ 2,042	\$ 2,159	\$ 6,214	\$ 6,055

Effective January 1, 2023, we no longer consider amortization expense related to purchased intangible assets when evaluating the operating performance of our business segments. This change has been applied to the accompanying amounts above, including the amounts for 2022. See "Note 1 - Basis of Presentation" included in our Notes to Consolidated Financial Statements for further information regarding the impact of this change on our current and prior period segment operating profit. We also included supplemental tables under the caption Pro Forma Business Segment Summary Operating Results in our earnings release included as exhibit 99.1 to our Current Report on Form 8-K filed January 24, 2023, which provide unaudited pro forma financial information reflecting the impact of the change in presentation as-if it had been applicable for the quarters and year to date periods in 2022 and 2021. The supplemental tables, the earnings release and the Current Report on Form 8-K are not, and shall not be deemed to be, incorporated by reference herein.

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 Financial Accounting Standards (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 adjustments, 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 24, 2023	September 25, 2022	September 24, 2023	September 25, 2022
<b>Total FAS income (expense) and CAS cost</b>				
FAS pension income (expense)	\$ 94	\$ 91	\$ 283	\$ (1,148)
Less: CAS pension cost	431	450	1,294	1,349
Total FAS/CAS pension adjustment	\$ 525	\$ 541	\$ 1,577	\$ 201
<b>Service and non-service cost reconciliation</b>				
FAS pension service cost	\$ (17)	\$ (20)	\$ (49)	\$ (68)
Less: CAS pension cost	431	450	1,294	1,349
Total FAS/CAS pension operating adjustment	414	430	1,245	1,281
Non-service FAS pension income (expense)	111	111	332	(1,080)
Total FAS/CAS pension adjustment	\$ 525	\$ 541	\$ 1,577	\$ 201

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.

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. 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, 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 period they are determined 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, insurance recoveries and gains on sales of assets. Unfavorable items may include the adverse resolution of contractual matters; supply chain disruptions; 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 \$335 million and \$1.1 billion during the quarter and nine months ended September 24, 2023 and \$455 million and \$1.3 billion during the quarter and nine months ended September 25, 2022.

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.

We have contracted with the Canadian Government for the Canadian Maritime Helicopter Program (CMHP) at our RMS business segment that provides for design, development, and production of CH-148 aircraft (the Original Equipment contract), which is a military variant of the S-92 helicopter, and for logistical support to the fleet (the In Service Support contract) over an extended time period. We are currently in discussions with the Canadian Government to potentially restructure certain contractual terms and conditions that may be beneficial to both parties. The program has experienced performance issues, including delays in the final aircraft deliveries from the original contract requirement, and the Royal Canadian Air Force's flight hours have been less than originally anticipated, which has impacted program revenues and the recovery of our costs under this program. We have incurred significant costs and recognized the related sales, which are currently included in contract assets on the balance sheet. Such assets are recovered based on flight hours. Future sales and recovery of costs under the program are highly dependent upon achieving a certain number of flight hours, which are uncertain and dependent on aircraft availability and performance, and the availability of Canadian government resources. During the second quarter of 2023, due to increases in estimated costs for the production and lower than planned revenues for the logistical support program considering recent discussions with the customer and subsequent analysis, we recognized a loss of \$100 million (\$75 million, or \$0.29 per share, after tax) on the program. Future performance issues, lower than forecast flight hours, or changes in our estimates due to the outcome of any restructuring discussions, including revised contract scope or customer requirements may further affect our ability to recover our costs, including the contract assets recognized on the balance sheet, or our assessment of the likelihood of cost recovery and may result in additional losses that could be material to our operating results. As of September 24, 2023, cumulative losses remained unchanged.

We also have a number of contracts with Turkish industry for the Turkish Utility Helicopter Program (TUHP), which anticipates co-production with Turkish industry for production of T70 helicopters for use in Türkiye, as well as the related provision of Turkish goods and services under buy-back or offset obligations, to include the future sales of helicopters built in Türkiye for sale globally. In 2020, the U.S. Government imposed certain sanctions on Turkish entities and persons that have affected our ability to perform under the TUHP contracts and we have provided force majeure notices under the affected contracts. The TUHP contracts may be negotiated to be restructured or terminated, either in whole or in part.

during which, we could be at risk of recording a reach-forward loss in future periods. Additionally, we could elect to pursue other relief or remedies, which could result in a further reduction in sales, the imposition of penalties or assessment of damages, and increased unrecoverable costs, which could have an adverse effect on our financial results.

Our MFC business segment was previously awarded a competitively bid classified contract, which includes multiple phases of the program. We are currently performing on a phase which is primarily structured as cost-type. Additional phases are primarily fixed price and are not currently able to be awarded. If the additional phases are awarded at later dates, some of which could be within the next twelve months, we expect that those phases would be performed at a loss. We will continue to monitor the circumstances on the program and we may be required to recognize a reach-forward loss related to any additional phases at such time they become probable that they will be awarded. Any such losses could be material to our financial results.

#### Aeronautics

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

	Quarters Ended		Nine Months Ended	
	September 24, 2023	September 25, 2022	September 24, 2023	September 25, 2022
Net sales	\$ 6,717	\$ 7,089	\$ 19,861	\$ 19,352
Operating profit	671	759	2,064	2,051
Operating margin	10.0 %	10.7 %	10.4 %	10.6 %

Aeronautics' net sales during the quarter ended September 24, 2023 decreased \$372 million, or 5%, compared to the same period in 2022. The decrease was primarily attributable to lower net sales of \$525 million for the F-35 program due to lower volume on production contracts and the recognition in the third quarter 2022 of \$325 million of sales deferred from the second quarter of 2022 until additional contractual authorization and funding was received on the Lot 15 contract. This decrease was partially offset by higher net sales of \$125 million on classified programs due to higher volume.

Aeronautics' operating profit during the quarter ended September 24, 2023 decreased \$88 million, or 12%, compared to the same period in 2022. The decrease was primarily attributable to lower operating profit of \$115 million for the F-35 program due to lower volume and lower favorable profit adjustments on production contracts and the recognition of sales and associated operating profit in the third quarter of 2022 on the Lot 15 contract as described above. This decrease was partially offset by higher operating profit of \$50 million on classified programs due to higher net favorable profit adjustments in 2023 and the absence in 2023 of unfavorable profit adjustments recorded in the third quarter of 2022. Total net profit booking rate adjustments were \$80 million lower in the third quarter of 2023 compared to the same period in 2022.

Aeronautics' net sales in the nine months ended September 24, 2023 increased \$509 million, or 3%, compared to the same period in 2022. The increase was primarily attributable to higher net sales of \$360 million on classified programs due to higher volume and higher net sales of \$165 million for the F-16 program due to higher production volume. These increases were partially offset by lower net sales of \$125 million for the F-35 program due to lower volume on production contracts partially offset by higher volume on sustainment and development contracts.

Aeronautics' operating profit in the nine months ended September 24, 2023 was comparable to the same period in 2022. Operating profit increased \$80 million on classified programs due to higher volume and the absence in 2023 of unfavorable profit adjustments recorded in the third quarter of 2022. This increase was offset by lower operating profit of \$75 million for the F-22 program due to lower net favorable profit adjustments. Total net profit booking rate adjustments were \$95 million lower in the nine months ended September 24, 2023 compared to the same period in 2022.

## Missiles and Fire Control

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

	Quarters Ended		Nine Months Ended	
	September 24, 2023	September 25, 2022	September 24, 2023	September 25, 2022
Net sales	\$ 2,939	\$ 2,831	\$ 8,082	\$ 8,030
Operating profit	398	383	1,146	1,186
Operating margin	13.5 %	13.5 %	14.2 %	14.8 %

MFC's net sales during the quarter ended September 24, 2023 increased \$108 million, or 4%, compared to the same period in 2022. The increase was primarily attributable to higher net sales of \$125 million for tactical and strike missile programs due to higher volume (Guided Multiple Launch Rocket Systems (GMLRS) and High Mobility Artillery Rocket System (HIMARS)). These increases were partially offset by lower net sales of \$60 million for integrated air and missile defense programs due to lower volume (Patriot Advanced Capability-3 (PAC-3)).

MFC's operating profit during the quarter ended September 24, 2023 increased \$15 million, or 4%, compared to the same period in 2022. The increase was primarily attributable to higher operating profit of \$10 million for sensors and global sustainment programs due to higher net favorable profit adjustments (Apache). Operating profit for integrated air and missile defense programs was comparable to the same period in 2022 due to lower favorable profit adjustments (PAC-3) in 2023 offset by the absence in 2023 of a \$40 million unfavorable profit adjustment on the Advanced Radar Threat System Variant 2 (ARTS-V2) program in the third quarter of 2022. Total net profit booking rate adjustments were \$15 million higher in the third quarter of 2023 compared to the same period in 2022.

MFC's net sales in the nine months ended September 24, 2023 increased \$52 million, or 1%, compared to the same period in 2022. The increase was primarily attributable to higher net sales of \$85 million for tactical and strike missile programs due to higher volume (Precision Strike Missile (PrSM)), partially offset by lower net sales of \$80 million for sensors and global sustainment programs due to the absence in 2023 of the impact of a favorable profit adjustment on an international program as a result of a requirements modification in 2022.

MFC's operating profit in the nine months ended September 24, 2023 decreased \$40 million, or 3%, compared to the same period in 2022. The decrease was primarily attributable to lower operating profit of \$100 million for sensors and global sustainment programs due to the absence in 2023 of the favorable profit adjustment on an international program in 2022 as described above. This decrease was partially offset by higher operating profit of \$50 million for integrated air and missile defense programs due to the absence in 2023 of a \$40 million unfavorable profit adjustment on the ARTS-V2 program in the third quarter of 2022. Total net profit booking rate adjustments were approximately \$65 million lower in the nine months ended September 24, 2023 compared to the same period in 2022.

## Rotary and Mission Systems

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

	Quarters Ended		Nine Months Ended	
	September 24, 2023	September 25, 2022	September 24, 2023	September 25, 2022
Net sales	\$ 4,121	\$ 3,781	\$ 11,528	\$ 11,345
Operating profit	482	472	1,286	1,339
Operating margin	11.7 %	12.5 %	11.2 %	11.8 %

RMS' net sales during the quarter ended September 24, 2023 increased \$340 million, or 9%, compared to the same period in 2022. The increase was primarily attributable to higher net sales of \$235 million for IWSS programs due to new program ramp up (Defense of Guam, Indirect Fire Protection Capability High Energy Laser (IFPC-HEL) and TPY-4 programs) and higher volume (Aegis); and higher net sales of \$60 million on C6IRSR (command, control, communications, computers, cyber, combat systems, intelligence, surveillance, and reconnaissance) programs due to higher volume.

RMS' operating profit during the quarter ended September 24, 2023 increased \$10 million, or 2%, compared to the same period in 2022. The increase was primarily attributable to higher operating profit of \$50 million for IWSS programs due to higher favorable profit adjustments (Littoral Combat Ship (LCS)) and new program ramp up (Defense of Guam, IFPC-HEL and TPY-4 programs). This increase was partially offset by lower operating profit of \$35 million for Sikorsky

helicopter programs due to lower favorable profit adjustments (Combat Rescue Helicopter (CRH) and Black Hawk). Total net profit booking rate adjustments were \$25 million lower in the third quarter of 2023 compared to the same period in 2022.

RMS' net sales in the nine months ended September 24, 2023 increased \$183 million, or 2%, compared to the same period in 2022. The increase was primarily attributable to higher net sales of \$380 million for IWSS programs due to higher volume (Aegis) and new program ramp up (Defense of Guam and TPY-4 programs), partially offset by lower net sales of \$190 million for Sikorsky helicopter programs due to lower production volume (Black Hawk).

RMS' operating profit in the nine months ended September 24, 2023 decreased \$53 million, or 4%, compared to the same period in 2022. The decrease was primarily attributable to lower operating profit of \$160 million for Sikorsky helicopter programs due to an unfavorable profit adjustment of \$100 million in the second quarter of 2023 on the CMHP as a result of increases in estimated costs and lower than planned revenues and lower production volume (Black Hawk). This decrease was partially offset by higher operating profit of \$140 million for IWSS programs primarily due to the favorable profit adjustment of \$65 million in second quarter of 2023 as a result of a positive resolution of a contractual matter on an international surveillance and control program, along with higher volume (Aegis) and higher favorable profit adjustments (LCS). Total net profit booking rate adjustments were \$100 million lower in the nine months ended September 24, 2023 compared to the same period in 2022.

## Space

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

	Quarters Ended			Nine Months Ended		
	September 24, 2023	September 25, 2022		September 24, 2023	September 25, 2022	
Net sales	\$ 3,101	\$ 2,882		\$ 9,226	\$ 8,266	
Operating profit	259	304		851	823	
Operating margin	8.4 %	10.5 %		9.2 %	10.0 %	

Space's net sales during the quarter ended September 24, 2023 increased \$219 million, or 8%, compared to the same period in 2022. The increase was primarily attributable to higher net sales of \$135 million for strategic and missile defense programs due to higher volume (NGI development and FBM); higher net sales of \$45 million for national security space programs due to higher volume (GPS III); and higher net sales of \$40 million for commercial civil space programs due to higher volume (Orion).

Space's operating profit during the quarter ended September 24, 2023 decreased \$45 million, or 15%, compared to the same period in 2022. The decrease was primarily attributable to \$35 million of lower equity earnings from ULA due to lower launch volume. Total net profit booking rate adjustments were \$30 million lower in the third quarter of 2023 compared to the same period in 2022.

Space's net sales in the nine months ended September 24, 2023 increased \$960 million, or 12%, compared to the same period in 2022. The increase was primarily attributable to higher net sales of \$470 million for strategic and missile defense programs due to higher volume (NGI development and FBM); higher net sales of \$335 million for national security space programs due to higher volume (GPS III, Transport Layer development and classified development programs); and higher net sales of \$160 million for commercial civil space programs due to higher volume and higher favorable profit adjustments (Orion).

Space's operating profit in the nine months ended September 24, 2023 increased \$28 million, or 3%, compared to the same period in 2022. The increase was primarily attributable to higher operating profit of \$80 million for national security space programs due to higher net favorable profit adjustments (classified programs and Next Generation Overhead Persistent Infrared (Next Gen OPIR)). This increase was partially offset by \$65 million of lower equity earnings from ULA due to lower launch volume and an increase in new product development costs. Total net profit booking rate adjustments were \$60 million higher in the nine months ended September 24, 2023 compared to the same period in 2022.

Total equity earnings (primarily ULA) represented approximately \$15 million, or 6%, and \$20 million, or 2%, of Space's operating profit during the quarter and nine months ended September 24, 2023, compared to approximately \$50 million, or 16%, and \$85 million, or 10%, during the quarter and nine months ended September 25, 2022.

## FINANCIAL CONDITION

### Liquidity and Cash Flows

At September 24, 2023, we had cash and cash equivalents of \$3.6 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 share repurchases. This access includes our \$3.0 billion 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 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 41% of the sales we recorded during the quarter ended September 24, 2023, 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. For example, the U.S. Government increased the progress payment rate applicable to us from 80% to 90% at the beginning of the COVID-19 pandemic. Effective July 2023, this policy was rescinded and all new contracts executed will revert back to the 80% progress payment rate. Due to our cash deployment practices, we do not anticipate a material impact to our cash flows as a result of this change. In addition, the U.S. Government from time to time withholds payments on certain of our billings based on contract terms or regulatory provisions. Ultimately, the impact of policy changes or withholding payments may delay the receipt of cash, but the cumulative amount of cash collected during the life of the contract should not vary. Additionally, during the COVID-19 pandemic, we accelerated payments to the supply chain with a focus on small and at-risk businesses. We will continue to evaluate the use of accelerated payments on an as needed basis.

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. In October 2023, the Board of Directors authorized a fourth quarter dividend payment of \$3.15 per share, representing an increase of \$0.15 per share over the prior quarterly dividend payment. The Board of Directors also authorized an increase of \$6.0 billion to our share repurchase program in addition to the \$7.0 billion remaining in authorization as of September 24, 2023. We currently expect that the authorization amount will be utilized for share repurchases through 2026. 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. We also actively manage our pension obligations and expect to continue to opportunistically manage our pension liabilities through the purchase of

group annuity contracts or other actions for portions of our outstanding defined benefit pension obligations using assets from the pension trust. See "Note 6 - Postretirement Benefit Plans" included in our Notes to Consolidated Financial Statements for additional information. Future pension risk transfer transactions could 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 24, 2023 to our contractual commitments as presented in "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our 2022 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 24, 2023	September 25, 2022
Cash and cash equivalents at beginning of year	\$ 2,547	\$ 3,604
Operating activities		
Net earnings	5,054	3,820
Noncash adjustments	835	2,090
Changes in working capital	(232)	(621)
Other, net	(102)	585
Net cash provided by operating activities	5,555	5,874
Net cash used for investing activities	(991)	(981)
Net cash used for financing activities	(3,560)	(6,067)
Net change in cash and cash equivalents	1,004	(1,174)
Cash and cash equivalents at end of period	\$ 3,551	\$ 2,430

#### *Operating Activities*

Net cash provided by operating activities during the nine months ended September 24, 2023 decreased \$319 million compared to the same period in 2022. The decrease was primarily due to the timing of federal tax payments.

#### 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 and other investments. 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 24, 2023	September 25, 2022
Cash from operations	\$ 5,555	\$ 5,874
Capital expenditures	(987)	(977)
Free cash flow	\$ 4,568	\$ 4,897

*Investing Activities*

Net cash used for investing activities during the nine months ended September 24, 2023 was comparable to the same period in 2022. Capital expenditures totaled \$987 million and \$977 million during the nine months ended September 24, 2023 and September 25, 2022. The majority of our capital expenditures are 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 \$3.6 billion during the nine months ended September 24, 2023, compared to \$6.1 billion during the same period in 2022.

During the nine months ended September 24, 2023 and September 25, 2022, we paid dividends totaling \$2.3 billion (\$9.00 per share) and \$2.3 billion (\$8.40 per share).

During the nine months ended September 24, 2023, we paid \$3.0 billion to repurchase 6.7 million shares of our common stock. See "Note 9 - Stockholders' Equity" included in our Notes to Consolidated Financial Statements for additional information. During the nine months ended September 25, 2022, we paid \$3.7 billion to repurchase 11.1 million shares of our common stock.

During the nine months ended September 24, 2023, we received net proceeds of \$2.0 billion from issuance of senior unsecured notes. See "Note 10 - Other" included in our Notes to Consolidated Financial Statements for additional information. 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.

During the nine months ended September 24, 2023, we repaid \$115 million of long-term notes with a fixed interest rate of 7.00% according to their scheduled maturities.

**Capital Resources**

At September 24, 2023, we held cash and cash equivalents of \$3.6 billion that was generally available to fund ordinary business operations without significant legal, regulatory or other restrictions.

At September 24, 2023, we had a \$3.0 billion revolving credit facility (the Revolving Credit Facility) with various banks that is available for general corporate purposes including supporting commercial paper borrowings. Effective August 24, 2023, we extended the expiration date of the Revolving Credit Facility from August 24, 2027 to August 24, 2028. 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 24, 2023.

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 24, 2023 and December 31, 2022. 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.

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Our total outstanding short-term and long-term debt, net of unamortized discounts and issuance costs was \$17.4 billion as of September 24, 2023 and is in the form of publicly-issued notes that bear interest at fixed rates. We use variable interest rate swaps to convert a portion of the fixed rate borrowings to variable rate borrowings, see "Note 8 – Fair Value Measurements" included in our Notes to Consolidated Financial Statements for additional information. As of September 24, 2023, we were in compliance with all covenants contained in our debt and credit agreements.

We actively seek to finance our business in a manner that preserves financial flexibility while minimizing borrowing costs to the extent practicable. We review changes in financial market and economic conditions to manage the types, amounts and maturities of our indebtedness. We may at times refinance existing indebtedness, vary our mix of variable-rate and fixed-rate debt or seek alternative financing sources for our cash and operational needs.

## **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 nine Foreign Military Sales (FMS) customers; as well as interest from other countries. We continue to see strong international demand for the F-35. The Government of Canada announced in January 2023 their commitment to purchase 88 F-35 aircraft. In February 2023, the Government of Singapore announced its intent to exercise an option to purchase an additional eight F-35 aircraft, increasing its total quantity to 12. In September 2023, the Israel Defense Ministry submitted an official letter of request to advance Israel's procurement of a third F-35 squadron, increasing their total quantity of aircraft from 50 to 75. Also in September 2023, the U.S. Department of State formally approved the sale of up to 25 more F-35s to South Korea, beyond the currently approved purchase of 40 aircraft.

During the third quarter of 2023, we delivered 30 aircraft, bringing year-to-date 2023 deliveries to 80, and ended the quarter with a backlog of 391 aircraft. Since program inception through the third quarter of 2023, we have delivered 974 production F-35 aircraft to U.S. and international customers, including 703 F-35A variants, 191 F-35B variants, and 80 F-35C variants, demonstrating the F-35 program's continued progress and longevity.

During the third quarter of 2023, we updated our F-35 Technology Refresh 3 ("TR-3") schedule projections and we currently anticipate delivering the first TR-3 aircraft between April and June 2024. As a result, we now expect to deliver 97 aircraft in 2023 (all in the TR-2 configuration), which we do not currently anticipate will impact our 2023 financial outlook. We are producing F-35s at a rate of 156 per year and expect to continue at that pace while simultaneously working to finalize TR-3 software development and testing. Additionally, we remain focused on receiving the necessary hardware from our suppliers to deliver this critical combat capability for the F-35.

Given the size and complexity of the F-35 program, we anticipate that there will be continual reviews related to aircraft performance, program, and delivery schedule, cost, and requirements as part of the DoD, Congressional, and international countries' oversight, and budgeting processes. Current program challenges include our and our suppliers' performance, software development (including, in particular, software maturation related to the TR-3 configuration), 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 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 2022 Form 10-K.

### **ITEM 3. Quantitative and Qualitative Disclosures About Market Risk**

As disclosed in "Item 7A, Quantitative and Qualitative Disclosures About Market Risk" of our 2022 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, 2022. 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 24, 2023. 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 24, 2023.

There were no changes in our internal control over financial reporting during the quarter ended September 24, 2023 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:

- 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;
- 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;
- risks related to the development, production, sustainment, performance, schedule, cost and requirements of complex and technologically advanced programs, including the F-35 program;
- planned production rates and orders for significant programs, compliance with stringent performance and reliability standards, and materials availability, including government furnished equipment;
- 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 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;
- changes in 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;
- performance and financial viability of key suppliers, teammates, joint ventures (including United Launch Alliance), joint venture partners, subcontractors and customers;
- economic, industry, business and political conditions including their effects on governmental policy;
- the impact of inflation and other cost pressures;
- the impact of pandemics and epidemics on our business and financial results, including supply chain disruptions and delays, employee absences, and program delays;
- 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 Chinese sanctions on us or our suppliers, teammates or partners, U.S. Government sanctions on Turkish entities and persons, 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 risks posed by international sales;
- changes in foreign national priorities and foreign government budgets and planned orders, including potential effects from fluctuations in currency exchange rates;

- the competitive environment for our products and services, including competition from startups and non-traditional defense contractors;
- our ability to develop and commercialize new technologies and products, including emerging digital and network technologies and capabilities;
- our ability to benefit fully from or adequately protect our intellectual property rights;
- 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;
- 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 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 and intangibles;
- the availability and adequacy of our insurance and indemnities;
- 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 changes in the amount or reevaluation of uncertain tax positions; 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, 2022 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](http://www.lockheedmartin.com/investor), or through the website maintained by the SEC at [www.sec.gov](http://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 our 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 company 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.

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 in this Form 10-Q, which is hereby incorporated by reference. For additional information and a description of previously reported matters, see also "Critical Accounting Policies – Environmental Matters" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Note 14 – Legal Proceedings, Commitments and Contingencies," in our Annual Report on Form 10-K for the year ended December 31, 2022 filed with the U.S. Securities and Exchange Commission.

#### ITEM 1A. Risk Factors

There have been no material changes to the risk factors disclosed in "Item 1A, Risk Factors" of our 2022 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.

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

There were no sales of unregistered equity securities during the quarter ended September 24, 2023.

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 24, 2023.

Period <sup>(a)</sup>	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(b)</sup>	Approximate Dollar Value of Shares That May Yet be Purchased Under the Plans or Programs <sup>(b)</sup>
(in millions)				
June 26, 2023 – July 30, 2023 <sup>(c)(d)</sup>	3,199,400	\$ 449.26	3,193,597	\$ 7,023
July 31, 2023 – August 27, 2023	171	\$ 450.57	—	\$ 7,023
August 28, 2023 – September 24, 2023				
(e)	875,962	\$ 448.35	875,956	\$ 7,023
<b>Total<sup>(c)(d)(e)</sup></b>	<b>4,075,533</b>	<b>\$ 449.29</b>	<b>4,069,553</b>	

- (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 24, 2023 was the last day of our September 2023 fiscal month.
- (b) In 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 \$7.0 billion as of September 24, 2023. In October 2023, the Board of Directors authorized an increase to the program by \$6.0 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) In June 2023, we entered into an ASR agreement for which we paid \$200 million and received an initial delivery of 0.3 million shares of our common stock in June 2023. Upon final settlement of the ASR agreement in the third quarter of 2023, we received an additional 0.1 million shares based on the average price paid per share of \$455.17. Average Price Paid Per Share in the table above does not include ASR shares.
- (d) During the quarter ended September 24, 2023, we entered into an ASR agreement for which we paid \$1,750 million and received total share delivery of 4.0 million shares of our common stock based on the average price paid per share of \$440.07. Average Price Paid Per Share in the table above does not include ASR shares.
- (e) During the quarter ended September 24, 2023, the total number of shares purchased included 5,980 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 5. Other Information**

None of our directors or executive officers adopted or terminated a Rule 10b5-1 trading arrangement or adopted or terminated a non-Rule 10b5-1 trading arrangement (as defined in Item 408(c) of Regulation S-K) during the quarter ended September 24, 2023.

**ITEM 6. Exhibits**

Exhibit No.	Description
10.1	<a href="#">Extension Agreement dated as of August 24, 2023, by and 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, 2023)</a>
10.2	<a href="#">Lockheed Martin Corporation Directors Deferred Compensation Plan, as amended</a>
15	<a href="#">Acknowledgment of Independent Registered Public Accounting Firm</a>
31.1	<a href="#">Certification of James D. Taiclet pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
31.2	<a href="#">Certification of Jesus Malave pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
32	<a href="#">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</a>
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 17, 2023

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

**LOCKHEED MARTIN CORPORATION  
DIRECTORS DEFERRED COMPENSATION PLAN**

*As Amended and Restated Effective January 1, 2024*

**ARTICLE I**

**PURPOSE**

The purpose of this Plan is to give each non-employee Director of Lockheed Martin Corporation the opportunity to be compensated for his or her service as a Director on a deferred basis. The Plan is also intended to establish a method of paying Director compensation which will aid the Corporation in attracting and retaining as members of the Board persons whose abilities, experience and judgment can contribute to the success of the Corporation. In addition, by providing Directors with the option of accruing earnings based on the performance of Lockheed Martin Common Stock, the Plan is intended to more closely align the economic interests of Directors with the interests of stockholders generally.

The Plan was amended and restated, effective January 1, 2005, in order to comply with the requirements of Internal Revenue Code section 409A. This amendment and restatement of the Plan applies only to the portion of a Participant's Account balance that is earned or becomes vested on or after January 1, 2005 (and any earnings attributable to that portion). The portion of a Participant's Account balance that was earned and vested prior to January 1, 2005 (and any earnings attributable to that portion) shall be governed by the terms of the Plan in effect on December 31, 2004, which is attached hereto as Appendix A.

The Plan and Appendix A were amended and restated, effective as soon as administratively practicable on or after February 1, 2009, to change the interest option for calculating earnings and to provide for new investment options in which Participants may invest their Account balances, whether earned and vested before or after January 1, 2005. The addition of the new investment options in Appendix A is not intended to constitute a material modification within the meaning of Code section 409A.

The Plan is hereby amended and restated effective January 1, 2024, to make certain clarifying changes.

**ARTICLE II**

**DEFINITIONS**

Whenever the following terms are used in this Plan, they shall have the meaning specified below, unless the context clearly indicates to the contrary:

*Account* means the bookkeeping account maintained by the Corporation on behalf of a participating Director which is credited with the Director's Deferred Compensation, including investment earnings credited under Section 4.2.

*Beneficiary* shall have the meaning specified in Section 7.2(b).

*Board of Directors* or *Board* means the Board of Directors of the Corporation.

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*Committee* means the Committee appointed to administer this Plan, as provided in Section 6.1 hereof.

*Corporation* means Lockheed Martin Corporation, a Maryland corporation, and its successors.

*Deferred Compensation* means Director's Fees deferred pursuant to this Plan and investment earnings credited thereto under Section 4.2.

*Director* means a member of the Board of Directors of the Corporation who is eligible to receive compensation in the form of Director's Fees and who is not an officer or employee of the Corporation or any of its subsidiaries.

*Director's Fees* means the cash fees payable to a Director for services as a Director and for services on any Committee of the Board, including the amount of any retainer paid to a non-employee for services as Chairman of the Board.

*Effective Date* means the effective date referred to in Section 7.8.

*Election Form* means the form by which a Director elects to participate in this Plan.

*Plan* means the Lockheed Martin Corporation Directors Deferred Compensation Plan.

*Qualified Savings Plan* means the Lockheed Martin Corporation Salaried Savings Plan.

## **ARTICLE III**

### **PARTICIPATION**

**3.1 Timing of Deferral Elections.** In order to defer Director's Fees earned in any calendar year, a Director must make a deferral election by executing and filing an Election Form by December 31 of the year prior to the year in which the fees will be earned. In the case of a new Director, an election to defer Director's Fees must be filed within 30 days after the commencement of the Director's term of office and shall apply only to fees for services after the date of such election. The deferral election shall specify the manner in which earnings (or losses) on the deferred amount shall accrue in accordance with Section 4.2 below. To the extent that a Director elects that any portion of a deferred amount shall accrue earnings (or losses) based on the Lockheed Martin Common Stock Investment Option, such an election shall be given effect only if (i) the election is irrevocably made at least six (6) months prior to the effective date of the allocation or (ii) the crediting of the deferred amount to the Lockheed Martin Common Stock Investment Option has been approved by the Board of Directors (or a committee thereof that is comprised of persons specified in Section 6.1). To the extent that a Director makes an election to have Deferred Compensation credited to the Lockheed Martin Common Stock Investment Option which is not in compliance with (i) or (ii) above, the amount elected to be deferred into the Lockheed Martin Common Stock Investment Option shall initially be allocated to the default investment option under the Qualified Savings Plan until such time as the allocation to the Lockheed Martin Common Stock Investment Option would be in compliance with (i) or (ii) above, at which time the deferred amount shall automatically be reallocated.

**3.2 Terms of Deferral Elections.** A Director's deferral election for a calendar year shall specify the percentage (which may equal 100%) of the Director's Fees to be earned by the Director for that year which are to be deferred under this Plan and, with respect to fees deferred pursuant to that election, the method for crediting earnings (or losses) selected by the Director in accordance with Article IV and the manner of distribution in accordance with Section 5.1(a). A

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Director's deferral election shall be irrevocable during any calendar year in which it is in effect. A Director's election shall remain in effect and shall be deemed to have been made for a subsequent calendar year unless the Director files a revised election form by December 31 of the year preceding the year in which the applicable Director's Fees will be earned. If a Director files a change of election in accordance with Section 5.1(c), the manner of distribution elected under that Section will apply only to the Deferred Compensation for the calendar years listed on the Election Form.

## ARTICLE IV

### CREDITING OF ACCOUNTS

4.1 *Crediting of Director's Fees.* Director's Fees that a Director has elected to defer shall be credited to the Director's Account as of the first business day of the month following the end of the calendar quarter in which the Director's Fees are earned. The elected deferral percentage shall apply to all Director's Fees earned by the Director during a calendar year.

4.2 *Crediting of Investment Earnings.* Subject to the provisions of Section 3.1 above, as of each trading day (each day on which the New York Stock Exchange is open), a Director's Account shall be credited to reflect investment earnings (or losses) for each trading day, based on the Director's investment selections under this Section 4.2. A Director may elect to have his or her Account credited with investment earnings (or losses) for each trading day as if the Director's Account balance had been invested in the following:

(a) *Interest Option.* Interest at a rate equivalent to (i) the then published rate for computing the present value of future benefits at the time cost is assignable under Cost Accounting Standard 415, Deferred Compensation, as determined by the Secretary of the Treasury on a semi-annual basis pursuant to Pub. L. 92-41, 85 Stat. 97, (ii) such other interest rate as is available to participants in the Lockheed Martin Corporation Deferred Management Incentive Compensation Plan as an interest option if the interest option under (i) is not an option under that plan, or (iii) if there is no rate under (i) or (ii) such other interest rate as is approved by the Board. Notwithstanding anything in the Plan to the contrary, Deferred Compensation credited to a Director's Account on or after July 1, 2009 may not be invested in the Interest Option. Deferred Compensation credited to the Interest Option prior to July 1, 2009 may remain credited to the Interest Option, until such amounts are transferred to the Lockheed Martin Common Stock Investment Option or the Investment Fund Option on or after July 1, 2009. No Deferred Compensation may be credited or reallocated to the Interest Option on or after July 1, 2009.

(b) *Investment Fund Option.* Earnings shall be credited to a Director's Account based on the market value and investment return of the investment options (including the Target Date Funds and core mutual funds (and successor funds), and excluding the Company Stock Fund, ESOP Fund, and Self-Managed Account) that are available to participants pursuant to the terms of the Qualified Savings Plan, provided that the Committee retains the discretion to add certain funds to, or to exclude certain funds from, the Investment Fund Option. Earnings (or losses) shall be credited to a Director's Account based on the investment option or options within the Investment Fund Option to which his or her Account has been allocated. The manner in which earnings (or losses) are credited under each of the investment options shall be determined in the same manner as under the Qualified Savings Plan.

(c) *Lockheed Martin Common Stock Investment Option.* Earnings (or losses) shall be credited as if such amount had been invested in Lockheed Martin Common Stock at the published closing price of the Corporation's Common Stock on the New York Stock Exchange on the last trading day preceding the day as to which such amount is deferred (or reallocated) into the Lockheed Martin Common Stock Investment Option; this portion of a Director's

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Account shall reflect any subsequent appreciation or depreciation in the market value of Lockheed Martin Common Stock based on the published closing price of the stock on the New York Stock Exchange on each trading day of each month and shall reflect dividends on the stock as if such dividends were reinvested in shares of Lockheed Martin Common Stock.

- (d) A combination of (a), (b) and (c).

A Director's initial investment selections must be made by the date that the Director's initial deferral election takes effect. A Director may change his or her investment selections for all amounts credited to the Plan or separately with respect to amounts to be deferred in future periods to the Director's Account and amounts deferred in prior periods to the Director's Account, provided that any such change to the investment of amounts deferred in prior periods to the Director's Account that would result in an increase or decrease in the portion of the Director's Account allocated to the Lockheed Martin Common Stock Investment Option shall only be effective if it is made pursuant to an irrevocable written election made at least six months following the date of the Director's most recent "opposite way" election with respect to either the Plan or any other plan maintained by Lockheed Martin that provides for Discretionary Transactions (as defined in Rule 16b-3). Subject to the foregoing, a change of investment selections must be made by accessing the Qualified Savings Plan Web tool. Except as set forth above, the procedures (including restrictions) for directing the allocation and reallocation among the investment options shall be the same as the procedures (and restrictions) for making allocations and reallocations under the Qualified Savings Plan. Deferred Compensation credited to a Director's Account prior to July 1, 2009 may be credited or reallocated to the Interest Option prior to July 1, 2009. No Deferred Compensation may be credited or reallocated to the Interest Option on or after July 1, 2009.

**4.3 Account Balance as Measure of Deferred Compensation** The Deferred Compensation payable to a Director (or the Director's Beneficiary) shall be measured by, and shall in no event exceed, the sum of the amounts credited to the Director's Account.

## **ARTICLE V**

### **PAYMENT OF DEFERRED COMPENSATION**

#### **5.1 Manner of Distribution.**

- (a) *Rules for Initial Elections and Subsequent Changes in Elections*

(i) Election for Commencement of Payment At the time a Director completes an Election Form or files a change of election form, he or she shall elect from among the following options governing the date on which the payment of benefits shall commence:

- (A) Payment to begin on the January 15th or July 15th next following the date of the termination of a Director's status as a Director for any reason.
- (B) Payment to begin on January 15th of the year next following the year in which the Director's status as a Director terminates for any reason.
- (C) Payment to begin on the January 15th next following the date on which the Director has both terminated Director status for any reason and attained the age designated by the Director in the Election Form.

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(ii) Election for Form of Payment At the time a Director completes an Election Form or files a change of election form, he or she shall elect the form of payment of his or her Deferred Compensation from among the following options:

(A) A lump sum.

(B) Annual payments for a period of years designated by the Director which shall not exceed fifteen (15). The amount of each annual payment shall be determined by dividing the Director's Account at the end of the month prior to such payment by the number of years remaining in the elected installment period.

(b) *Cash-out of Small Benefits.* Notwithstanding the above, if the Account balance of a Director who is entitled to begin payment equals \$10,000 or less, the Director's Account balance shall be paid in a single lump sum payment in full discharge of all liabilities with respect to such benefits. In no event shall a distribution in accordance with the previous sentence be made after March 15th of the calendar year following the year in which the termination of the Director's status as a Director occurs.

(c) *Subsequent Change of Elections.* A Director may change any election as to the manner of distribution and file a new election choosing a lump sum or installment payments with respect to the payment of the Director's entire Account, or with respect to fees deferred for specific calendar years, by executing an election (on a form prescribed by the Company) within the time periods described in this Section 5.1(c). Any election under this Section 5.1(c) shall specify a time on which commencement of distribution will begin and the number of installments to be paid if any, under the options specified in Section 5.1(c). An election must be made prior to the Director's termination of service as a director. To constitute a valid election by a Director making a prospective change to a previous election, (i) the prospective election must be executed and delivered to the Company at least twelve (12) months before the date the first payment would be due under the Director's previous election, and (ii) the first payment must be delayed by at least sixty (60) months from the date the first payment would be due under the Director's previous election. In the event an election fails to satisfy the terms of this Section 5.1(c), such election shall be void and payment shall commence under the Director's previous valid election or, if none exists, shall be paid in a lump sum.

(d) *Valuation of Distributions.* Distributions shall be valued based on the closing price on the trading day that is four (4) business days prior to the date of the distribution.

5.2 *Commencement of Payments.* Subject to the provisions of Section 5.5 and except as provided in Sections 5.1(b) and 5.4, the payment of Deferred Compensation to a Director shall be made following a Director's termination as a Director in accordance with his or her deferral elections regardless of whether the Director's termination is due to resignation, retirement, disability, death, or otherwise. Installment payments shall continue to be made in January of each succeeding year until all installments have been paid.

5.3 *Death Benefits.* Subject to the provisions of Section 5.5, in the event that a Director dies before payment of the Director's Deferred Compensation has commenced or been completed, the balance of the Director's Account shall be distributed to the Director's Beneficiary commencing in the January following the date of the Director's death in accordance with the manner of distribution (lump sum or annual installments as well as timing of commencement of distributions) elected by the Director for payments during the Director's lifetime.

5.4 *Emergency Withdrawals.* In the event of an unforeseen financial emergency prior to the commencement of distributions or after the commencement of installment payments, the

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Committee may approve a distribution to a Director (or Beneficiary after the death of a Director) of the part of the Director's Account balance an amount which does not exceed the amount necessary to satisfy such emergency plus the amount necessary to pay taxes reasonably anticipated as a result of the distribution. This emergency distribution amount must take into consideration any amounts by which the hardship is or may be relieved through reimbursement or compensation by insurance or by liquidation of the Director's (or Beneficiary's after the death of the Director) assets to the extent such liquidation would not cause a severe financial hardship. An emergency withdrawal will be approved only in a circumstance of severe financial hardship to the Director (or Beneficiary, as applicable) resulting from a sudden and unexpected illness or accident of the Director (or Beneficiary, as applicable) or of a dependant of the Director (or Beneficiary, as applicable), loss of property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Director (or Beneficiary, as applicable). The investment earnings shall be determined as if the withdrawal had been debited from the Director's Account in the first day of the month in which the withdrawal occurs.

5.5 *Corporation's Right to Withhold.* There shall be deducted from all payments under this Plan the amount of taxes, if any, required to be withheld under applicable federal or state tax laws. The Directors and their Beneficiaries will be liable for payment of any and all income or other taxes imposed on Deferred Compensation payable under this Plan.

5.6 *Section 16 Limitations on Distributions.* Notwithstanding anything contained herein to the contrary, no distribution of any portion of a Director's Account credited to the Lockheed Martin Common Stock Investment Option shall be made unless (i) the Board of Directors or Committee has approved the distribution or (ii) at least six months have passed from the date the Director's service on the Board has terminated.

## ARTICLE VI

### ADMINISTRATION, AMENDMENT AND TERMINATION

6.1 *Administration by Committee.* This Plan shall be administered by a Committee consisting of exclusively "non-employee directors" as that term is defined in Rule 16b-3 ("Rule 16b-3") promulgated by the Securities and Exchange Commission under Section 16 of the Securities Exchange Act of 1934 (the "Exchange Act"). The Committee shall act by vote of a majority or by unanimous written consent of its members. The Committee's resolution of any question regarding the interpretation of this Plan shall be subject to review by the Board, and the Board's determination shall be final and binding on all parties. Notwithstanding anything contained in the Plan or in any document issued under the Plan, it is intended that the Plan will at all times comply with the requirements of Internal Revenue Code section 409A and any regulations or other guidance issued thereunder, and that the provisions of the Plan will be interpreted to meet such requirements. If any provision of the Plan or any Deferral Agreement is determined not to conform to such requirements, the Plan and/or the Deferral Agreement, as applicable, shall be interpreted to omit such offending provision.

6.2 *Amendment and Termination.* This Plan may be amended, modified, or terminated by the Board at any time, except that no such action shall (without the consent of affected Directors or, if appropriate, their Beneficiaries or personal representatives) adversely affect the rights of Directors or Beneficiaries with respect to compensation earned and deferred under this Plan prior to the date of such amendment, modification, or termination, or result in the application of penalties under Code section 409A.

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## ARTICLE VII

### MISCELLANEOUS

7.1 *Limitation on Directors' Rights.* Participation in this Plan shall not give any Director the right to continue to serve as a member of the Board or any rights or interests other than as herein provided. No Director shall have any right to any payment or benefit hereunder except to the extent provided in this Plan. This Plan shall create only a contractual obligation on the part of the Corporation as to such amounts and shall not be construed as creating a trust. The Plan, in and of itself, has no assets. Directors shall have only the rights of general unsecured creditors of the Corporation with respect to amounts credited to or payable from their Accounts.

7.2 *Beneficiaries.*

(a) *Beneficiary Designation.* Subject to applicable laws (including any applicable community property and probate laws), each Director may designate in writing the Beneficiary that the Director chooses to receive any payments that become payable after the Director's death, as provided in Section 5.3. A Director's Beneficiary designation shall be made on forms provided and in accordance with procedures established by the Corporation and may be changed by the Director at any time before the Director's death.

(b) *Definition of Beneficiary.* A Director's "Beneficiary" or "Beneficiaries" shall be the person or persons, including a trust or trusts, validly designated by the Director or, in the absence of a valid designation, entitled by will or the laws of descent and distribution to receive the amounts otherwise payable to the Director under this Plan in the event of the Director's death.

7.3 *Rights Not Assignable; Obligations Binding Upon Successors.* A Director's rights under this Plan shall not be assignable or transferable and any purported transfer, assignment, pledge or other encumbrance or attachment of any payments or benefits under this Plan, or any interest thereon, other than pursuant to Section 6.2, shall not be permitted or recognized. Obligations of the Corporation under this Plan shall be binding upon successors of the Corporation.

7.4 *Governing Law; Severability.* The validity of this Plan or any of its provisions shall be construed, administered, and governed in all respects under and by the laws of the State of Maryland. If any provisions of this instrument shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.

7.5 *Annual Statements.* The Corporation shall prepare and send a statement to the Director (or to the Director's Beneficiary after the Director's death) showing the balance credited to the Director's Account as of December 31 of each year for which an Account is maintained with respect to the Director.

7.6 *Headings Not Part of Plan.* Headings and subheadings in this Plan are inserted for reference only and are not to be considered in the construction of this Plan.

7.7 *Consent to Plan Terms.* By electing to participate in this Plan, a Director shall be deemed conclusively to have accepted and consented to all of the terms of this Plan and to all actions and decisions of the Corporation, Board, or Committee with regard to the Plan. Such terms and consent shall also apply to and be binding upon each Director's Beneficiary or Beneficiaries, personal representatives, and other successors in interest.

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7.8 *Effective Date.* This Plan became effective on March 15, 1995.

7.9 *Plan Construction.* It is the intent of the Corporation that this Plan satisfy and be interpreted in a manner that satisfies the applicable requirements of Rule 16b-3 so that Directors will be entitled to the benefits of Rule 16b-3 or other exemptive rules under Section 16 of the Exchange Act and will not be subjected to avoidable liability thereunder. Any contrary interpretation shall be avoided.

\* \* \* \* \*

This Plan has been amended and restated pursuant to resolution of the Board of Directors on October 6, 2023 effective as stated herein.

LOCKHEED MARTIN CORPORATION

By: /s/ Maryanne Lavan

Maryanne Lavan  
Senior Vice President, General Counsel and Corporate Secretary

Date: October 11, 2023

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## APPENDIX A

### DIRECTORS DEFERRED COMPENSATION PLAN

This Appendix A to the Directors Deferred Compensation Plan shall govern the portion of a Director's Account that was earned and vested prior to January 1, 2005 (and any earnings attributable to that portion). This Appendix A shall not apply to the portion of a Director's Account that is earned or becomes vested on or after January 1, 2005 (and any earnings attributable to that portion).

#### **ARTICLE I**

##### **PURPOSE**

The purpose of this Plan is to give each non-employee Director of Lockheed Martin Corporation the opportunity to be compensated for his or her service as a Director on a deferred basis. The Plan is also intended to establish a method of paying Director compensation which will aid the Corporation in attracting and retaining as members of the Board persons whose abilities, experience and judgment can contribute to the success of the Corporation. In addition, by providing Directors with the option of accruing earnings based on the performance of Lockheed Martin Common Stock, the Plan is intended to more closely align the economic interests of Directors with the interests of stockholders generally.

#### **ARTICLE II**

##### **DEFINITIONS**

Whenever the following terms are used in this Plan, they shall have the meaning specified below, unless the context clearly indicates to the contrary:

*Account* means the bookkeeping account maintained by the Corporation on behalf of a participating Director which is credited with the Director's Deferred Compensation, including investment earnings credited under Section 4.2.

*Beneficiary* shall have the meaning specified in Section 8.2(b).

*Board of Directors or Board* means the Board of Directors of the Corporation.

*Committee* means the Committee appointed to administer this Plan, as provided in Section 7.1 hereof.

*Corporation* means Lockheed Martin Corporation, a Maryland corporation, and its successors.

*Deferred Compensation* means Director's Fees deferred pursuant to this Plan and investment earnings credited thereto under Section 4.2. Deferred Compensation also includes the Lump Sum Retirement Benefit deferred pursuant to this Plan and investment earnings credited thereto under Section 4.2.

*Director* means, except as provided in Section 5.5, a member of the Board of Directors of the Corporation who is eligible to receive compensation in the form of Director's Fees and who is not an officer or employee of the Corporation or any of its subsidiaries.

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*Director's Fees* means the cash fees payable to a Director for services as a Director and for services on any Committee of the Board, including the amount of any retainer paid to a non-employee for services as Chairman of the Board.

*Effective Date* means the effective date referred to in Section 8.8.

*Election Form* means the form by which a Director elects to participate in this Plan.

*Lump Sum Death Benefit* means the actuarial value of the \$100,000 death benefit provided to Directors prior to May 1, 1999.

*Lump Sum Retirement Benefit* means the value of the benefit earned under the Lockheed Martin Corporation Directors Retirement Plan as determined upon termination of that plan effective May 1, 1999.

*Plan* means the Lockheed Martin Corporation Directors Deferred Compensation Plan.

*Qualified Savings Plan* means the Lockheed Martin Corporation Salaried Savings Plan or any successor plan.

## ARTICLE III

### PARTICIPATION

3.1 *Timing of Deferral Elections.* In order to defer Director's Fees earned in any calendar year, a Director must make a deferral election by executing and filing an Election Form before the commencement of that calendar year. In the case of a new Director, an election to defer Director's Fees must be filed within 30 days after the commencement of the Director's term of office and shall apply only to fees for services after the date of such election. The deferral election shall specify the manner in which earnings (or losses) on the deferred amount shall accrue in accordance with Section 4.2 below. To the extent that a Director elects that any portion of a deferred amount shall accrue earnings (or losses) based on the Lockheed Martin Common Stock Investment Option, such an election shall be given effect only if (i) the election is irrevocably made at least six (6) months prior to the effective date of the allocation or (ii) the crediting of the deferred amount to the Lockheed Martin Common Stock Investment Option has been approved by the Board of Directors (or a committee thereof that is comprised of persons specified in Section 7.1). To the extent that a Director makes an election to have Deferred Compensation credited to the Lockheed Martin Common Stock Investment Option which is not in compliance with (i) or (ii) above, the amount elected to be deferred into the Lockheed Martin Common Stock Investment Option shall initially be allocated to the default investment option under the Qualified Savings Plan until such time as the allocation to the Lockheed Martin Common Stock Investment Option would be in compliance with (i) or (ii) above, at which time the deferred amount shall automatically be reallocated.

3.2 *Terms of Deferral Elections.* A Director's deferral election for a calendar year shall specify the percentage (which may equal 100%) of the Director's Fees to be earned by the Director for that year which are to be deferred under this Plan and with respect to fees deferred pursuant to that election the method for crediting earnings (or losses) selected by the Director in accordance with Article IV and the manner of distribution in accordance with Section 5.1(b). A Director's deferral election shall remain in effect for each subsequent calendar year, unless the Director duly files a revised Election Form or written revocation of the election before the beginning of the subsequent calendar year. A Director's deferral election shall be irrevocable during any calendar year in which it is in effect. If a Director files a change of election in accordance with Section 5.1(d), the manner of distribution elected under that Section will remain

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in effect for deferrals in any subsequent year unless the Director duly files a revised Election Form.

## ARTICLE IV

### CREDITING OF ACCOUNTS

4.1 *Crediting of Director's Fees.* Director's Fees that a Director has elected to defer shall be credited to the Director's Account as of the first day of the month in which the Director's Fees would have been payable to the Director if no deferral election had been made under this Plan. The elected deferral percentage shall apply to all Director's Fees earned by the Director during a calendar year.

4.2 *Crediting of Investment Earnings.* Subject to the provisions of Section 3.1 above, as of each trading day (each day on which the New York Stock Exchange is open), a Director's Account shall be credited to reflect investment earnings (or losses) for each trading day, based on the Director's investment selections under this Section 4.2. A Director may elect to have his or her Account credited with investment earnings (or losses) for each trading day as if the Director's Account balance had been invested in the following:

(a) *Interest Option.* Interest at a rate equivalent to (i) the then published rate for computing the present value of future benefits at the time cost is assignable under Cost Accounting Standard 415, Deferred Compensation, as determined by the Secretary of the Treasury on a semi-annual basis pursuant to Pub. L. 92-41, 85 Stat. 97, (ii) such other interest rate as is available to participants in the Lockheed Martin Corporation Deferred Management Incentive Compensation Plan as an interest option if the interest option under (i) is not an option under that plan, or (iii) if there is no rate under (i) or (ii), such other interest rate as is approved by the Board. No amounts may be credited or reallocated to the Interest Option on or after July 1, 2009. Deferred Compensation credited to a Director's Account prior to January 1, 2005, may remain credited to, or may be reallocated to, the Interest Option until such amounts are transferred to the Company Stock Investment Option or the Investment Fund Option on or after July 1, 2009.

(b) *Investment Fund Option.* Earnings shall be credited to a Director's Account based on the market value and investment return of the investment options (including the Target Date Funds and core mutual funds (and successor funds), and excluding the Company Stock Fund, ESOP Fund, and Self-Managed Account) that are available to participants pursuant to the terms of the Qualified Savings Plan, provided that the Committee retains the discretion to add certain funds to, or to exclude certain funds from, the Investment Fund Option. Earnings shall be credited to a Director's Account based on the investment option or options within the Investment Fund Option to which his or her Account has been allocated. The manner in which earnings are credited under each of the investment options shall be determined in the same manner as under the Qualified Savings Plan.

(c) *Lockheed Martin Common Stock Investment Option.* Earnings (or losses) shall be credited as if such amount had been invested in Lockheed Martin Common Stock at the published closing price of the Corporation's Common Stock on the New York Stock Exchange on the last trading day preceding the day as to which such amount is deferred (or reallocated) into the Lockheed Martin Common Stock Investment Option; this portion of a Director's Account shall reflect any subsequent appreciation or depreciation in the market value of Lockheed Martin Common Stock based on the published closing price of the stock on the New York Stock Exchange on each trading day of each month and shall reflect dividends on the stock as if such dividends were reinvested in shares of Lockheed Martin Common Stock.

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(d) A combination of (a), (b) and (c).

A Director's initial investment selections must be made by the date that the Director's initial deferral election takes effect. A Director may change his or her investment selections with respect to all amounts credited to the Director's Account, including amounts deferred in prior periods, provided that any such change that would result in an increase or decrease in the portion of the Director's Account allocated to the Lockheed Martin Common Stock Investment Option shall only be effective if it is made pursuant to an irrevocable written election made at least six months following the date of the Director's most recent "opposite way" election with respect to either the Plan or any other plan maintained by Lockheed Martin that provides for Discretionary Transactions (as defined in Rule 16b-3). Subject to the foregoing, a change of investment selections must be made by accessing the Qualified Savings Plan Web tool. Except as set forth above, the procedures (including restrictions) for directing the allocation and reallocation among the investment options shall be the same as the procedures (and restrictions) for making allocations and reallocations under the Qualified Savings Plan. No amounts may be credited or reallocated to the Interest Option on or after July 1, 2009.

**4.3 Account Balance as Measure of Deferred Compensation** The Deferred Compensation payable to a Director (or the Director's Beneficiary) shall be measured by, and shall in no event exceed, the sum of the amounts credited to the Director's Account.

## ARTICLE V

### PAYMENT OF DEFERRED COMPENSATION

#### 5.1 Manner of Distribution.

(a) *Amounts deferred prior to October 24, 2003.* Subject to the provisions of Section 5.6 and 5.1(d), with respect to any fees deferred prior to October 24, 2003, a Director's Deferred Compensation shall be paid as a lump sum cash payment equal to the balance credited to the Director's Account on or about January 15th of the calendar year that next follows the date of the termination of the Director's status as a Director. Notwithstanding the foregoing, with respect to any fees deferred prior to October 24, 2003, a Director may elect to have the Director's Deferred Compensation distributed in annual installments commencing on or about January 15th of the calendar year that next follows the date of the termination of the Director's status as a Director and continuing over a maximum period of ten (10) years. The amount of each annual installment shall be determined by dividing the Director's Account balance (or the portion of the Account balance to which the installment election applies) on the December 31 preceding the payment date by the number of years remaining in the elected installment period.

(b) *Rules for Deferrals made (or changes in elections filed) on or after October 24, 2003*

(i) Election for Commencement of Payment At the time a Director completes an Election Form or files a change of election form, he or she shall elect from among the following options governing the date on which the payment of benefits shall commence:

(A) Payment to begin on or about the January 15th or July 15th next following the date of the termination of a Director's status as a Director for any reason.

(B) Payment to begin on or about January 15th of the year next following the year in which the Director's status as a Director terminates for any reason.

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(C) Payment to begin on or about the January 15th next following the date on which the Director has both terminated Director status for any reason and attained the age designated by the Director in the Election Form.

(ii) Election for Form of Payment At the time a Director completes an Election Form or files a change of election form, he or she shall elect the form of payment of his or her Deferred Compensation from among the following options:

(A) A lump sum.

(B) Annual payments for a period of years designated by the Director which shall not exceed fifteen (15). The amount of each annual payment shall be determined by dividing the Director's Account at the end of the month prior to such payment by the number of years remaining in the elected installment period. The installment period may be shortened, in the sole discretion of the Committee, if the Committee at any time determines that the amount of the annual payments that would be made to the Director during the designated installment period would be too small to justify the maintenance of the Director's Account and the processing of payments.

(c) *Deferral For Director's Fees Earned in 1996.* A Director may elect to have the Director's Deferred Compensation earned during the 1996 calendar year credited and paid as a lump sum under (a) or annual installments under (b) except that payment (or installments, as the case may be) will be made (or commence) on January 1, 1998, or as soon as practicable thereafter regardless of whether the Director has terminated service as a Director.

(d) *Timing and Change of Elections.* A Director may change any election as to the manner of distribution and file a new election choosing a lump sum or installment payments with respect to the payment of the Director's entire Account, or with respect to fees deferred for specific years or with respect to the specific benefits available under Article VI, by executing an election (on a form prescribed by the Corporation) within the time periods described in this Section 5.1(d). Any election under this Section 5.1(d) shall specify a time on which commencement of distribution will begin and the number of installments to be paid, if any, under the options specified in Section 5.1(b). An election must be made prior to the Director's termination of service as a director. No election will be considered valid to the extent the election would (i) result in a payment being made within six months of the date of the election or (ii) result in a payment in the same calendar year as the election; in the event an election fails to satisfy the provisions set forth in this sentence, the first payment under the election will be delayed until the first January 15 or July 15 that is both (i) at least six months after the date of the election and (ii) in a calendar year after the date of the election. In addition, to constitute a valid election, an election made under this Section 5.1(d) must be made (i) at least six months before the date the first payment would be due under the Director's previous election and (ii) in a different calendar year than the date the first payment would be due under the Director's previous election.

In the event an election fails to satisfy the terms of this Section 5.1(d), such election shall be void and payment shall commence under the Director's previous valid election or, if none exists, shall be paid in a lump sum.

(e) *Valuation of Distributions.* Distributions shall be valued based on the closing price on the trading day that is four (4) business days prior to the date of the distribution.

5.2 *Commencement of Payments.* Subject to the provisions of Section 5.6 and except as provided in Sections 5.1(a) and (c) and 5.4, the payment of Deferred Compensation to a Director shall be made following a Director's termination as a Director in accordance with his or

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her deferral elections regardless of whether the Director's termination is due to resignation, retirement, disability, death, or otherwise. Installment payments shall continue to be made in January of each succeeding year until all installments have been paid.

**5.3 Death Benefits.** Subject to the provisions of Section 5.6, in the event that a Director dies before payment of the Director's Deferred Compensation has commenced or been completed, the balance of the Director's Account shall be distributed to the Director's Beneficiary commencing in the January following the date of the Director's death in accordance with the manner of distribution (lump sum or annual installments as well as timing of commencement of distributions) elected by the Director for payments during the Director's lifetime. However, upon good cause shown by a Beneficiary or personal representative of the Director, the Committee, in its sole discretion, may reject a Director's installment election and instead cause the Director's death benefits to be paid in a lump sum.

**5.4 Emergency Withdrawals.** In the event of an unforeseeable emergency prior to the commencement of distributions or after the commencement of installment payments, the Committee may approve a distribution to a Director (or Beneficiary after the death of a Director) of the part of the Director's Account balance that is reasonably needed to satisfy the emergency need. An Emergency withdrawal will be approved only in a circumstance of severe financial hardship to the Director (or Beneficiary after the death of the Director) resulting from a sudden and unexpected illness or accident of the Director (or Beneficiary, as applicable) or of a dependent of the Director (or Beneficiary, as applicable), loss of property due to casualty, or other similar extraordinary or unforeseeable circumstance arising from events beyond the control of the Director (or Beneficiary, as applicable). The investment earnings credited to the Director's Account shall be determined as if the withdrawal had been debited from the Director's Account on the first day of the month in which the withdrawal occurs.

**5.5 Status of Certain Directors.**

(a) For purposes of Section 5.2, a retired Director who continues to advise the Board of Directors under an Advisory Services Agreement shall be treated as an active Director for the period that he or she continues to serve under such agreement, if the Director so elects on or before April 25, 1996. An election under this Section 5.5 shall not otherwise alter the Director's rights under this Plan. Once made, an election under this Section 5.5 shall be irrevocable.

(b) For the purposes of Article VI, a member of the Board of Directors who is not eligible for Director's Fees but who is eligible for a Lump Sum Retirement Benefit shall be eligible to defer such compensation pursuant to this Plan.

**5.6 Corporation's Right to Withhold.** There shall be deducted from all payments under this Plan the amount of taxes, if any, required to be withheld under applicable federal or state tax laws. The Directors and their Beneficiaries will be liable for payment of any and all income or other taxes imposed on Deferred Compensation payable under this Plan.

**5.7 Section 16 Limitations on Distributions.** Notwithstanding anything contained herein to the contrary, no distribution of any portion of a Director's Account credited to the Lockheed Martin Common Stock Investment Option shall be made unless (i) the Board of Directors or Committee has approved the distribution or (ii) at least six months have passed from the date the Director's service on the Board has terminated.

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**ARTICLE VI**

## **SPECIAL RULES FOR LUMP SUM RETIREMENT BENEFIT AND LUMP SUM DEATH BENEFIT**

6.1 *Deferral of Lump Sum Benefits.* The Lump Sum Retirement Benefit and the Lump Sum Death Benefit for each Director shall be credited to that Director's Account as of May 1, 1999. Subject to the provisions of Section 3.1 above, the Director's investment selections for deferred Director's Fees shall be the investment selection for a Director's Lump Sum Retirement Benefit and Lump Sum Death Benefit and as of the last day of each month, a Director's Account shall be credited to reflect investment earnings (or loss) for the month, based on the Director's investment selections under Section 4.2.

6.2 *Payment of Lump Sum Benefits.* The Lump Sum Retirement Benefit and the Lump Sum Death Benefit shall be distributed as part of a Director's Deferred Compensation in accordance with Article V. Subject to Section 5.7, a Director may also elect to receive the Lump Sum Death Benefit and the Lump Sum Retirement Benefit in a single lump sum payable on or about May 1, 2000, so long as prior to May 1, 1999, the Director makes an irrevocable written election to receive the lump sum payment. Any lump sum payment made pursuant to this Section 6.2 shall include amounts credited as investment earnings with respect to the Lump Sum Retirement Benefit for the period from May 1, 1999 until April 30, 2000. Notwithstanding anything herein to the contrary, no portion of a Director's Lump Sum Retirement Benefit may be paid prior to May 1, 2000.

## **ARTICLE VII**

### **ADMINISTRATION, AMENDMENT AND TERMINATION**

7.1 *Administration by Committee.* This Plan shall be administered by a Committee consisting of exclusively non-employee directors as that term is defined in Rule 16b-3 ("Rule 16b-3") promulgated by the Securities and Exchange Commission under Section 16 of the Securities Exchange Act of 1934 (the "Exchange Act"). The Committee shall act by vote of a majority or by unanimous written consent of its members. The Committee's resolution of any question regarding the interpretation of this Plan shall be subject to review by the Board, and the Board's determination shall be final and binding on all parties.

7.2 *Amendment and Termination.* This Plan may be amended, modified, or terminated by the Board at any time, except that no such action shall (without the consent of affected Directors or, if appropriate, their Beneficiaries or personal representatives) adversely affect the rights of Directors or Beneficiaries with respect to compensation earned and deferred under this Plan prior to the date of such amendment, modification, or termination.

## **ARTICLE VIII**

### **MISCELLANEOUS**

8.1 *Limitation on Directors' Rights.* Participation in this Plan shall not give any Director the right to continue to serve as a member of the Board or any rights or interests other than as herein provided. No Director shall have any right to any payment or benefit hereunder except to the extent provided in this Plan. This Plan shall create only a contractual obligation on the part of the Corporation as to such amounts and shall not be construed as creating a trust. The Plan, in and of itself, has no assets. Directors shall have only the rights of general unsecured creditors of the Corporation with respect to amounts credited to or payable from their Accounts.

8.2 *Beneficiaries.*

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(a) *Beneficiary Designation.* Subject to applicable laws (including any applicable community property and probate laws), each Director may designate in writing the Beneficiary that the Director chooses to receive any payments that become payable after the Director's death, as provided in Section 5.3. A Director's Beneficiary designation shall be made on forms provided and in accordance with procedures established by the Corporation and may be changed by the Director at any time before the Director's death.

(b) *Definition of Beneficiary.* A Director's "Beneficiary" or "Beneficiaries" shall be the person or persons, including a trust or trusts, validly designated by the Director or, in the absence of a valid designation, entitled by will or the laws of descent and distribution to receive the amounts otherwise payable to the Director under this Plan in the event of the Director's death.

8.3 *Rights Not Assignable; Obligations Binding Upon Successors.* A Director's rights under this Plan shall not be assignable or transferable and any purported transfer, assignment, pledge or other encumbrance or attachment of any payments or benefits under this Plan, or any interest thereon, other than pursuant to Section 7.2, shall not be permitted or recognized. Obligations of the Corporation under this Plan shall be binding upon successors of the Corporation.

8.4 *Governing Law; Severability.* The validity of this Plan or any of its provisions shall be construed, administered, and governed in all respects under and by the laws of the State of Maryland. If any provisions of this instrument shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.

8.5 *Annual Statements.* The Corporation shall prepare and send a statement to the Director (or to the Director's Beneficiary after the Director's death) showing the balance credited to the Director's Account as of December 31 of each year for which an Account is maintained with respect to the Director.

8.6 *Headings Not Part of Plan.* Headings and subheadings in this Plan are inserted for reference only and are not to be considered in the construction of this Plan.

8.7 *Consent to Plan Terms.* By electing to participate in this Plan, a Director shall be deemed conclusively to have accepted and consented to all of the terms of this Plan and to all actions and decisions of the Corporation, Board, or Committee with regard to the Plan. Such terms and consent shall also apply to and be binding upon each Director's Beneficiary or Beneficiaries, personal representatives, and other successors in interest.

8.8 *Effective Date.* This Plan shall become effective on March 15, 1995.

8.9 *Plan Construction.* It is the intent of the Corporation that this Plan satisfy and be interpreted in a manner that satisfies the applicable requirements of Rule 16b-3 so that Directors will be entitled to the benefits of Rule 16b-3 or other exemptive rules under Section 16 of the Exchange Act and will not be subjected to avoidable liability thereunder. Any contrary interpretation shall be avoided.

**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 17, 2023, 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 24, 2023, 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;
- 333-188118 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;
- 333-271323 on Form S-8, dated April 18, 2023; and
- 333-271325 on Form S-3, dated April 18, 2023.

/s/ Ernst & Young LLP

Tysons, Virginia  
October 17, 2023

**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 17, 2023

**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 17, 2023

**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 24, 2023, 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 17, 2023