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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2024

or

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

For the transition period from ______ to ______

Commission file number: 1-11437

LOCKHEED MARTIN CORPORATION
(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

Large accelerated filer ? Accelerated filer **?** Non–accelerated filer **?** Smaller reporting company ? Emerging growth company ?

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

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

There were 239,938,144 shares of our common stock, $1 par value per share, outstanding as of April 19, 2024.

Lockheed Martin Corporation
Form 10-Q
For the Quarterly Period Ended March 31, 2024
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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	
	March 31, 2024	**March 26, 2023**
Net sales		
Products	**$ 14,196**	$ 12,526
Services	**2,999**	2,600
Total net sales	**17,195**	15,126
Cost of sales		
Products	**(12,884)**	(11,151)
Services	**(2,603)**	(2,284)
Other unallocated, net	**285**	355
Total cost of sales	**(15,202)**	(13,080)
Gross profit	**1,993**	2,046
Other income (expense), net	**36**	(9)
Operating profit	**2,029**	2,037
Interest expense	**(255)**	(202)
Non-service FAS pension income	**16**	110
Other non-operating income, net	**45**	49
Earnings before income taxes	**1,835**	1,994
Income tax expense	**(290)**	(305)
Net earnings	**$ 1,545**	$ 1,689
Earnings per common share		
Basic	**$ 6.42**	$ 6.63
Diluted	**$ 6.39**	$ 6.61
Cash dividends paid per common share	**$ 3.15**	$ 3.00

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	
	March 31, 2024	**March 26, 2023**
Net earnings	**$ 1,545**	$ 1,689
Other comprehensive income, net of tax		
Postretirement benefit plans		
Amortization of actuarial losses and prior service credits, net of tax of $5 million in 2024 and $10 million in 2023	**19**	(37)
Other, net, net of tax of $0 million in 2024 and $4 million in 2023	**(27)**	(26)
Other comprehensive (loss), net of tax	**(8)**	(63)
Comprehensive income	**$ 1,537**	$ 1,626

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

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

	March 31, 2024	December 31, 2023
	(unaudited)	
Assets		
Current assets		
Cash and cash equivalents	**$ 2,790**	$ 1,442
Receivables, net	**2,257**	2,132
Contract assets	**14,050**	13,183
Inventories	**3,278**	3,132
Other current assets	**583**	632
Total current assets	**22,958**	20,521
Property, plant and equipment, net	**8,354**	8,370
Goodwill	**10,789**	10,799
Intangible assets, net	**2,151**	2,212
Deferred income taxes	**3,024**	2,953
Other noncurrent assets	**7,687**	7,601
Total assets	**$ 54,963**	$ 52,456
Liabilities and equity		
Current liabilities		
Accounts payable	**$ 3,523**	$ 2,312
Salaries, benefits and payroll taxes	**2,679**	3,133
Contract liabilities	**8,745**	9,190
Current maturities of long-term debt	**168**	168
Other current liabilities	**2,584**	2,134
Total current liabilities	**17,699**	16,937
Long-term debt, net	**19,250**	17,291
Accrued pension liabilities	**6,133**	6,162
Other noncurrent liabilities	**5,231**	5,231
Total liabilities	**48,313**	45,621
Stockholders’ equity		
Common stock, $1 par value per share	**239**	240
Additional paid-in capital	**—**	—
Retained earnings	**15,222**	15,398
Accumulated other comprehensive loss	**(8,811)**	(8,803)
Total stockholders’ equity	**6,650**	6,835
Total liabilities and equity	**$ 54,963**	$ 52,456

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

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

	Quarters Ended	
	March 31, 2024	**March 26, 2023**
Operating activities		
Net earnings	**$ 1,545**	$ 1,689
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation and amortization	**351**	325
Stock-based compensation	**61**	57
Deferred income taxes	**(77)**	(117)
Changes in assets and liabilities		
Receivables, net	**(125)**	(78)
Contract assets	**(867)**	(871)
Inventories	**(146)**	(383)
Accounts payable	**1,301**	1,217
Contract liabilities	**(445)**	(152)
Income taxes	**341**	414
Qualified defined benefit pension plans	**(1)**	(94)
Other, net	**(303)**	(443)
Net cash provided by operating activities	**1,635**	1,564
Investing activities		
Capital expenditures	**(378)**	(294)
Other, net	**6**	35
Net cash used for investing activities	**(372)**	(259)
Financing activities		
Issuance of long-term debt, net of related costs	**1,980**	—
Repurchases of common stock	**(1,000)**	(500)
Dividends paid	**(780)**	(784)
Other, net	**(115)**	(128)
Net cash provided by (used for) financing activities	**85**	(1,412)
Net change in cash and cash equivalents	**1,348**	(107)
Cash and cash equivalents at beginning of period	**1,442**	2,547
Cash and cash equivalents at end of period	**$ 2,790**	$ 2,440

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

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

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Equity
Balance at December 31, 2023	**$ 240**	**$ —**	**$ 15,398**	**$ (8,803)**	**$ 6,835**
Net earnings	**—**	**—**	**1,545**	**—**	**1,545**
Other comprehensive income, net of tax	**—**	**—**	**—**	**(8)**	**(8)**
Dividends declared	**—**	**—**	**(763)**	**—**	**(763)**
Repurchases of common stock	**(2)**	**(40)**	**(958)**	**—**	**(1,000)**
Stock-based awards, ESOP activity and other	**1**	**40**	**—**	**—**	**41**
Balance at March 31, 2024	**$ 239**	**$ —**	**$ 15,222**	**$ (8,811)**	**$ 6,650**
Balance at December 31, 2022	$ 254	$ 92	$ 16,943	$ (8,023)	$ 9,266
Net earnings	—	—	1,689	—	1,689
Other comprehensive income, net of tax	—	—	—	(63)	(63)
Dividends declared	—	—	(768)	—	(768)
Repurchases of common stock	(1)	(113)	(386)	—	(500)
Stock-based awards, ESOP activity and other	1	21	—	—	22
Balance at March 26, 2023	$ 254	$ —	$ 17,478	$ (8,086)	$ 9,646

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

NOTE 1 - BASIS OF PRESENTATION

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

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

We close our books and records on the last Sunday of the interim calendar quarter, which was on March 31 for the first quarter of 2024 and March 26 for the first quarter of 2023, 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, 2023 (2023 Form 10-K).

NOTE 2 - EARNINGS PER COMMON SHARE

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

	Quarters Ended	
	March 31, 2024	**March 26, 2023**
Weighted average common shares outstanding for basic computations	**240.7**	254.7
Weighted average dilutive effect of equity awards	**0.9**	1.0
Weighted average common shares outstanding for diluted computations	**241.6**	255.7

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 ended March 31, 2024 and March 26, 2023. Basic and diluted weighted average common shares outstanding decreased in 2024 compared to 2023 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 for each of our business segments were as follows (in millions):

	Quarters Ended	
	March 31, 2024	**March 26, 2023**
Net sales		
Aeronautics	**$ 6,845**	$ 6,269
Missiles and Fire Control	**2,993**	2,388
Rotary and Mission Systems	**4,088**	3,510
Space	**3,269**	2,959
Total net sales	**$ 17,195**	$ 15,126
Operating profit		
Aeronautics	**$ 679**	$ 675
Missiles and Fire Control	**311**	377
Rotary and Mission Systems	**430**	350
Space	**325**	280
Total business segment operating profit	**1,745**	1,682
Unallocated items		
FAS/CAS pension operating adjustment	**406**	415
Intangible asset amortization expense	**(61)**	(62)
Other, net	**(61)**	2
Total unallocated items	**284**	355
Total consolidated operating profit	**$ 2,029**	$ 2,037
Intersegment sales		
Aeronautics	**$ 70**	$ 53
Missiles and Fire Control	**202**	146
Rotary and Mission Systems	**586**	489
Space	**107**	86
Total intersegment sales	**$ 965**	$ 774

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, 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.

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):

	Quarters Ended March 31, 2024				
	Aeronautics	MFC	RMS	Space	Total
Net sales					
Products	$ 5,592	$ 2,664	$ 3,241	$ 2,699	$ 14,196
Services	1,253	329	847	570	2,999
Total net sales	$ 6,845	$ 2,993	$ 4,088	$ 3,269	$ 17,195
Net sales by contract type					
Fixed-price	$ 4,584	$ 1,996	$ 2,477	$ 900	$ 9,957
Cost-reimbursable	2,261	997	1,611	2,369	7,238
Total net sales	$ 6,845	$ 2,993	$ 4,088	$ 3,269	$ 17,195
Net sales by customer					
U.S. Government	$ 4,666	$ 2,167	$ 2,840	$ 3,162	$ 12,835
International [(a)]	2,152	824	1,162	68	4,206
U.S. commercial and other	27	2	86	39	154
Total net sales	$ 6,845	$ 2,993	$ 4,088	$ 3,269	$ 17,195
Net sales by geographic region					
United States	$ 4,693	$ 2,169	$ 2,926	$ 3,201	$ 12,989
Europe	1,211	245	269	18	1,743
Asia Pacific	636	187	540	46	1,409
Middle East	203	370	162	4	739
Other	102	22	191	—	315
Total net sales	$ 6,845	$ 2,993	$ 4,088	$ 3,269	$ 17,195

	Quarter Ended March 26, 2023				
	Aeronautics	MFC	RMS	Space	Total
Net sales					
Products	$ 5,156	$ 2,089	$ 2,792	$ 2,489	$ 12,526
Services	1,113	299	718	470	2,600
Total net sales	$ 6,269	$ 2,388	$ 3,510	$ 2,959	$ 15,126
Net sales by contract type					
Fixed-price	$ 4,312	$ 1,618	$ 2,208	$ 764	$ 8,902
Cost-reimbursable	1,957	770	1,302	2,195	6,224
Total net sales	$ 6,269	$ 2,388	$ 3,510	$ 2,959	$ 15,126
Net sales by customer					
U.S. Government	$ 4,117	$ 1,581	$ 2,423	$ 2,908	$ 11,029
International [(a)]	2,114	805	1,020	45	3,984
U.S. commercial and other	38	2	67	6	113
Total net sales	$ 6,269	$ 2,388	$ 3,510	$ 2,959	$ 15,126
Net sales by geographic region					
United States	$ 4,155	$ 1,583	$ 2,490	$ 2,914	$ 11,142
Europe	1,130	211	225	23	1,589
Asia Pacific	675	102	438	22	1,237
Middle East	225	455	186	—	866
Other	84	37	171	—	292
Total net sales	$ 6,269	$ 2,388	$ 3,510	$ 2,959	$ 15,126

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

Our Aeronautics business segment includes our largest program, the F-35 Lightning II, an international multi-role, multi-variant, stealth fighter aircraft. Net sales for the F-35 program represented approximately 25% of our total consolidated net sales for the quarter ended March 31, 2024 and 26% of our total consolidated net sales for the quarter ended March 26, 2023.

Assets

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

	March 31, 2024	December 31, 2023
Assets		
Aeronautics	**$ 13,695**	$ 13,167
Missiles and Fire Control	**5,786**	5,703
Rotary and Mission Systems	**17,454**	17,521
Space	**6,862**	6,560
Total business segment assets	**43,797**	42,951
Corporate assets [a]	**11,166**	9,505
Total assets	**$ 54,963**	$ 52,456

[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 investments in early-stage companies.

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):

	March 31, 2024	December 31, 2023
Contract assets	**$ 14,050**	$ 13,183
Contract liabilities	**8,745**	9,190

Contract assets increased $867 million during the quarter ended March 31, 2024, due to the recognition of revenue related to the satisfaction or partial satisfaction of performance obligations during the quarter ended March 31, 2024 for which we have not yet billed our customers. There were no significant credit or impairment losses related to our contract assets during the quarters ended March 31, 2024 and March 26, 2023.

Contract liabilities decreased $445 million during the quarter ended March 31, 2024, primarily due to revenue recognized in excess of payments received on these performance obligations. During the quarter ended March 31, 2024, we recognized $2.4 billion of our contract liabilities at December 31, 2023 as revenue. During the quarter ended March 26, 2023, we recognized $2.2 billion of our contract liabilities at December 31, 2022 as revenue.

NOTE 5 - INVENTORIES

Inventories consisted of the following (in millions):

	March 31, 2024	December 31, 2023
Materials, spares and supplies	**$ 640**	$ 606
Work-in-process	**2,443**	2,338
Finished goods	**195**	188
Total inventories	**$ 3,278**	$ 3,132

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 March 31, 2024 and December 31, 2023, $1.1 billion and $989 million of pre-contract costs (primarily the F-35 program and classified contracts at our Aeronautics business segment) were included in inventories.

NOTE 6 - POSTRETIREMENT BENEFIT PLANS

FAS income

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

	Quarters Ended March 31, 2024	Quarters Ended March 26, 2023
Qualified defined benefit pension plans		
Operating:		
Service cost	**$ (15)**	$ (16)
Non-operating:		
Interest cost	**(349)**	(365)
Expected return on plan assets	**393**	430
Amortization of actuarial losses	**(65)**	(42)
Amortization of prior service credits	**37**	87
Non-service FAS pension income	**16**	110
Total FAS pension income	**$ 1**	$ 94
Retiree medical and life insurance plans		
Operating:		
Service cost	**$ (1)**	$ (1)
Non-operating:		
Interest cost	**(16)**	(17)
Expected return on plan assets	**27**	26
Amortization of actuarial gains	**9**	8
Amortization of prior service costs	**(1)**	(3)
Non-service FAS retiree medical and life income	**19**	14
Total FAS retiree medical and life income	**$ 18**	$ 13

We record the service cost component of FAS income 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 for our qualified defined benefit pension plans in the non-service FAS pension income account; and the non-service components of our FAS income for our retiree medical and life insurance plans as part of the other non-operating income, 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 ($4 million for the quarter ended March 31, 2024 and $3 million for the quarter ended March 26, 2023) were reclassified from accumulated other comprehensive loss (AOCL) and recorded as a component of FAS income for the periods presented. These costs totaled $24 million, ($19 million, net of tax) during the quarter ended March 31, 2024, and $(47) million ($(37) million, net of tax) during the quarter ended March 26, 2023.

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 ended March 31, 2024 and March 26, 2023.

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 Derco Aerospace (Derco) employee. In May 2017, the U.S. Government filed a complaint in intervention in a second suit, which was brought by qui tam relator Peter Cimma, a former Sikorsky Support Services, Inc. (SSSI) employee. In November 2017, the Court consolidated the cases into a single action for discovery and trial.

The U.S. Government alleges that Sikorsky and two of its wholly-owned subsidiaries, Derco and SSSI, violated the civil False Claims Act and the Truth in Negotiations Act in connection with a contract the U.S. Navy awarded to SSSI in June 2006 to support the Navy’s T-34 and T-44 fixed-wing turboprop training aircraft. SSSI subcontracted with Derco, primarily to procure and manage spare parts for the training aircraft. The U.S. Government contends that SSSI overbilled the Navy on the contract as the result of Derco’s use of prohibited cost-plus-percentage-of-cost (CPPC) pricing to add profit and overhead costs as a percentage of the price of the spare parts that Derco procured and then sold to SSSI. The U.S. Government also alleges that Derco’s claims to SSSI, SSSI’s claims to the Navy, and SSSI’s yearly Certificates of Final Indirect Costs from 2006 through 2012 were false and that SSSI submitted inaccurate cost or pricing data in violation of the Truth in Negotiations Act for a sole-sourced, follow-on “bridge” contract. The U.S. Government’s complaints assert common law claims for breach of contract and unjust enrichment. On November 29, 2021, the District Court granted the U.S. Government’s motion for partial summary judgment, finding that the Derco-SSSI agreement was a CPPC contract. On October 17, 2023, the District Court ruled on the parties’ cross motions for summary judgment, granting some motions and denying others. Trial on the U.S. Government’s remaining claims is scheduled for May 6, 2024.

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 March 31, 2024 and December 31, 2023, the aggregate amount of liabilities recorded relative to environmental matters was $677 million and $680 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 $611 million and $613 million at March 31, 2024 and December 31, 2023, most of which are recorded in other noncurrent assets on our consolidated balance sheets.

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

We also pursue claims for recovery of costs incurred or for contribution to site remediation costs against other PRPs, including the U.S. Government, and are conducting remediation activities under various consent decrees, orders, and agreements relating to soil, groundwater, sediment, or surface water contamination at certain sites of former or current

operations. Under agreements related to certain sites in California, New York, United States Virgin Islands and Washington, the U.S. Government and/or a private party reimburses us an amount equal to a percentage, specific to each site, of expenditures for certain remediation activities in their capacity as PRPs under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA).

In addition to the proceedings and potential proceedings discussed above, potential new regulations concerning perchlorate and hexavalent chromium at the federal and state level could increase our cleanup costs. If substantially lower cleanup standards are adopted for perchlorate or for hexavalent chromium, we expect a material increase in both our estimates for environmental liabilities and the related assets for the portion of costs that are probable of future recovery. 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 new, existing, and contemplated requirements addressing a class of chemicals known generally as per- and polyfluoroalkyl substances (PFAS). PFAS are common and appear in products such as fire-fighting foams and stain- and stick-resistant products (e.g., Teflon, stain-resistant fabrics) and have been used in manufacturing processes. Regulations requiring very low PFAS contaminant levels in drinking water could eventually lead to increased cleanup costs at a number 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 $ 2.7 billion and $2.9 billion at March 31, 2024 and December 31, 2023.

Additionally, we may guarantee the contractual performance of third parties such as joint venture partners. At March 31, 2024 and December 31, 2023, third-party guarantees totaled $364 million and $1.0 billion, of which approximately 29% and 75% 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 March 31, 2024 and December 31, 2023, 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):

	March 31, 2024				December 31, 2023			
	Total	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**
Assets								
Mutual funds	**$ 985**	**$ 985**	**$ —**	**$ —**	$ 1,025	$ 1,025	$ —	$ —
U.S. Government securities	**101**	**—**	**101**	**—**	119	—	119	—
Other securities	**698**	**338**	**315**	**45**	679	333	301	45
Derivatives	**15**	**—**	**15**	**—**	32	—	32	—
Liabilities								
Derivatives	**221**	**—**	**221**	**—**	200	—	200	—

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 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 March 31, 2024 and December 31, 2023. The aggregate notional amount of our outstanding foreign currency hedges was $6.2 billion and $6.5 billion at March 31, 2024 and December 31, 2023. The fair values of our outstanding interest rate swaps and foreign currency hedges at March 31, 2024 and December 31, 2023 were not significant. Derivative instruments did not have a material impact on net earnings and comprehensive income during the quarters ended March 31, 2024 and March 26, 2023. 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 $19.9 billion and $18.5 billion at March 31, 2024 and December 31, 2023. The outstanding principal amount of debt, including short-term and long-term debt, was $20.7 billion and $18.7 billion at March 31, 2024 and December 31, 2023, excluding $1.3 billion of unamortized discounts and issuance costs at both March 31, 2024 and December 31, 2023. 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 quarter ended March 31, 2024, we repurchased 2.3 million shares of our common stock for $1.0 billion in open market purchases. The total remaining authorization for future common stock repurchases under our share repurchase program was $9.0 billion as of March 31, 2024. 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 $763 million ($3.15 per share) during the quarter ended March 31, 2024. 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.

Accumulated Other Comprehensive Loss

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

	Postretirement Benefit Plans	Other, net	AOCL
Balance at December 31, 2023	**$ (8,704)**	**$ (99)**	**$ (8,803)**
Other comprehensive income (loss) before reclassifications	**—**	**(41)**	**(41)**
Amounts reclassified from AOCL			
Amortization of net actuarial losses [a]	**47**	**—**	**47**
Amortization of net prior service credits [a]	**(28)**	**—**	**(28)**
Other	**—**	**14**	**14**
Total reclassified from AOCL	**19**	**14**	**33**
Total other comprehensive income (loss)	**19**	**(27)**	**(8)**
Balance at March 31, 2024	**$ (8,685)**	**$ (126)**	**$ (8,811)**
Balance at December 31, 2022	$ (7,866)	$ (157)	$ (8,023)
Other comprehensive income (loss) before reclassifications	—	(29)	(29)
Amounts reclassified from AOCL			
Amortization of net actuarial losses [a]	29	—	29
Amortization of net prior service credits [a]	(66)	—	(66)
Other	—	3	3
Total reclassified from AOCL	(37)	3	(34)
Total other comprehensive income (loss)	(37)	(26)	(63)
Balance at March 26, 2023	$ (7,903)	$ (183)	$ (8,086)

[a] Reclassifications from AOCL related to postretirement benefit plans were recorded as a component of FAS income for each period presented. See “Note 6 - Postretirement Benefit Plans”.

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 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 booking rate 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 booking rate adjustments. Increases or decreases in profit booking rates are recognized in the current period they are determined and reflect the inception-to-date effect of such changes. Segment operating profit and margin can be impacted favorably or unfavorably by, for example, certain items listed below, which may or may not impact sales. Favorable items include the positive resolution of contractual matters, cost recoveries on severance and restructuring, insurance recoveries and gains on sales of assets. Unfavorable items 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 $272 million during the quarter ended March 31, 2024 and $433 million during the quarter ended March 26, 2023. These adjustments increased segment operating profit by approximately $195 million ($154 million, or $0.64 per share, after tax) during the quarter ended March 31, 2024, and $415 million ($328 million, or $1.28 per share, after tax) during the quarter ended March 26, 2023. The impact to 2024 segment operating profit includes a reach-forward loss of $100 million recognized on a classified program at our MFC business segment described below.

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 March 31, 2024, we recognized additional losses of $20 million related to technical challenges that have resulted in schedule delays and higher than anticipated costs bringing cumulative losses to approximately $ 290 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 continue to 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.

We are responsible for a program to design, develop and construct a ground-based radar at our RMS business segment. The program previously experienced performance issues for which we have periodically recognized reach-forward losses. During the first quarter of 2024, we delivered and the customer accepted the radar, which retired the

technical risk on the production scope at less than anticipated cost. As a result, we reduced the cumulative losses on the program by $20 million to approximately $260 million as of March 31, 2024 and determined that additional losses will not be incurred as the production scope of work is winding down.

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 significantly 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, of which about $970 million are currently included in contract assets on the balance sheet which could become at risk for future recovery. 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 not entirely in our control and dependent on aircraft availability and performance, the availability of Canadian government resources, and potential restructured contract terms and conditions to better align with the current needs of the Canadian government and allow for cost recovery. As of March 31, 2024, cumulative losses remained at approximately $100 million. Future performance issues, lower than forecast flight hours, or changes in our estimates due to the outcome of any restructuring discussions may further affect our ability to recover our costs, including recovery of the contract assets recognized on the balance sheet and our assessment of the reach-forward loss, which could be material to our operating results.

We also have a number of contracts with Türkish industry for the Türkish Utility Helicopter Program (TUHP), which anticipates co-production with Türkish industry for production of T70 helicopters for use in Türkiye, as well as the related provision of Türkish 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 Türkish 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. As of March 31, 2024, cumulative losses related to development work for the program remained insignificant and the program remains in a contract liability position on the balance sheet. The TUHP contracts may be negotiated to be restructured or terminated, either in whole or in part and as a result, we could be at risk of recording significant reach-forward losses 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 be material to our financial results.

Our MFC business segment was previously awarded a competitively bid classified contract, which includes a cost-reimbursable base contract for the initial phase of the program and multiple fixed price options for additional phases. The options for additional phases may be exercised over the next several years and if performed we expect they would each be at a loss. During the first quarter of 2024, we updated our assessment of the likelihood that the options may be exercised and concluded it was probable that an option would be exercised based on progress made on the program and discussions with the customer. Accordingly, in the first quarter of 2024 we recognized a reach forward loss of approximately $100 million, bringing the cumulative losses recognized on the program to approximately $150 million, including charges for precontract costs recognized in prior periods. We will continue to assess the likelihood that additional options will be exercised, utilizing factors such as our performance, future requirements of the program, discussions with the customer and suppliers, customer funding, experience with other customer programs, among other factors. We will be required to recognize additional losses for the remaining options if they become probable of being exercised. The potential total loss across the additional options is up to approximately $1.3 billion. The ultimate amount of additional loss recognized, if any, will depend on how many of the additional options are exercised or become probable of being exercised.

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 March 31, 2024, our ending backlog was $159.4 billion. We expect to recognize approximately 38% of our backlog over the next 12 months and approximately 62% over the next 24 months as revenue with the remainder recognized thereafter.

Income Taxes

Our effective income tax rates were 15.8% and 15.3% for the quarters ended March 31, 2024 and March 26, 2023. The rates for all periods benefited from research and development tax credits, tax deductions for foreign derived intangible income, dividends paid to our defined contribution plans with an employee stock ownership plan feature and employee equity awards.

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 $597 million and $581 million at March 31, 2024 and December 31, 2023. Due to changes in fair value and/or sales of investments, we recorded net gains of $5 million ($4 million, or $0.02 per share, after-tax) during the quarter ended March 31, 2024 and net gains of $29 million ($22 million, or $0.09 per share, after-tax) during the quarter ended March 26, 2023. These gains are reflected in the other non-operating income, net account on our consolidated statements of earnings.

Debt Issuance

On January 29, 2024, we issued a total of $2.0 billion of senior unsecured notes, consisting of $650 million aggregate principal amount of 4.50% Notes due 2029 (the “2029 Notes”), $600 million aggregate principal amount of 4.80% Notes due 2034 (the “2034 Notes”) and $750 million aggregate principal amount of 5.20% Notes due 2064 (the “2064 Notes” and, together with the 2029 Notes and 2034 Notes, the “Notes”). Net proceeds of $1.98 billion 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 will pay interest on the Notes semi-annually in arrears on February 15 and August 15 of each year with the first payment to be made on August 15, 2024. 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.

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 March 31, 2024, the related consolidated statements of earnings, comprehensive income, cash flows and equity for the quarters ended March 31, 2024 and March 26, 2023, 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, 2023, 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 23, 2024, 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, 2023, 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
April 23, 2024

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, 2023 (2023 Form 10-K).

BUSINESS OVERVIEW

We are a global defense technology company driving innovation and advancing scientific discovery. Our all-domain mission solutions and 21st Century Security vision accelerate the delivery of transformative technologies to our customers. We are 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 quarter ended March 31, 2024, 75% of our $17.2 billion in net sales were from the U.S. Government, either as a prime contractor or as a subcontractor (including 66% from the Department of Defense (DoD)), 24% 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 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.

On March 22, 2024, the President signed the second Fiscal Year (FY) 2024 Consolidated Appropriations package into law, which includes the DoD. This legislation reflects the Fiscal Responsibility Act (FRA) spending limit of $886 billion for National Defense, of which $842 billion was for the DoD base budget.

The President’s FY 2025 budget request was submitted to Congress on March 11, 2024, initiating the FY 2025 defense authorization and appropriations legislative process. The request included $895 billion for National Defense, of which $850 billion is for the DoD base budget, in keeping with the limit established by the FRA. While compression on overall requirements driven by the FRA limit is evident, the Office of the Secretary of Defense has stated the FY 2025 budget proposal meets their objectives of keeping National Defense Strategy priorities on track.

On April 20, 2024, the House of Representatives passed three bills providing a total of $95 billion in additional supplemental funding for Ukraine, Israel and Taiwan, to include funding for the restock of U.S. munitions capacity, and a fourth bill to impose sanctions and allow the use of seized Russian assets to assist Ukraine. The four bills were combined into to one and sent to the Senate, where it is expected to be passed and subsequently signed into law in the near-term.

We anticipate the federal budget will continue to be subject to debate and compromise shaped by, among other things, heightened political tensions and the 2024 elections, 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 2023 Form 10-K.

Geopolitical and Economic Environment

We operate in a complex and evolving global security environment and our business is affected by geopolitical and security issues. Russia’s invasion of Ukraine, conflicts in the Middle East and heightened tension in the Pacific region have elevated global security concerns resulting in increased interest for our products and services as countries seek to improve their security posture. In this context, the U.S. Government, our largest customer, continues to align its budget with the defense priorities set forth in the 2022 National Defense Strategy. In addition, security assistance provided by the U.S. Government and its allies to Ukraine has increased U.S. Government and allied demand to replenish U.S. stockpiles, resulting in additional and potential future orders, including for the ramp-up in production capacity for certain products. We continue to expect additional orders over the next several years attributable to the global threat environment. We operate in a long-cycle business and the U.S. government has been focused on increasing industry capacity to meet demand. For example, in 2024, our Missiles and Fire Control business segment expects to begin realizing higher year over year sales from the production ramp up associated with munitions replenishment. We continue to work with the U.S. Government and our supply chain to evaluate increases in capacity at 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. We continue to experience supply chain challenges, including supplier shortages and performance issues. These issues have delayed certain customer deliveries, have been a limiting factor on our ability to ramp up production in response to customer demand for certain products and have caused out-of-sequence manufacturing, which increases costs and decreases operational efficiency. In addition, elevated levels of inflation and macro-economic 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, have increased as a result of inflation, and have adversely affected our margins on certain programs. In addition, some suppliers are reducing the typical duration of pricing validity in their proposals to us, which is operationally challenging and increases the risk of cost volatility. We continue to work to mitigate challenges caused by the supply chain or current macroeconomic environment on our business, including by supporting small business and at-risk suppliers, deploying resources to work with our supply chain, securing materials and support by executing long-term contracts, identifying alternative sources, and optimizing our supply chain organization through digital transformation and workforce development. If we experience significant supply chain issues or high rates of inflation, and 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, especially in a budget constrained environment. 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 2023 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. Additionally, we close our books and records on the last Sunday of each month, except for the month of December, as our fiscal year ends on December 31, to align our financial closing with our business processes. Because of this, the number of weeks in a reporting quarter may vary slightly during the year and for comparable prior year periods. 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	
	March 31, 2024	**March 26, 2023**
Net sales	**$ 17,195**	$ 15,126
Cost of sales	**(15,202)**	(13,080)
Gross profit	**1,993**	2,046
Other income (expense), net	**36**	(9)
Operating profit	**2,029**	2,037
Interest expense	**(255)**	(202)
Non-service FAS pension income	**16**	110
Other non-operating income, net	**45**	49
Earnings before income taxes	**1,835**	1,994
Income tax expense	**(290)**	(305)
Net earnings	**$ 1,545**	$ 1,689
Diluted earnings per common share	**$ 6.39**	$ 6.61

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

Net Sales

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

	Quarters Ended	
	March 31, 2024	**March 26, 2023**
Products	**$ 14,196**	$ 12,526
% of total net sales	**82.6 %**	82.8 %
Services	**2,999**	2,600
% of total net sales	**17.4 %**	17.2 %
Total net sales	**$ 17,195**	$ 15,126

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.

Product Sales

Product sales increased $1.7 billion, or 13%, during the quarter ended March 31, 2024, compared to the same period in 2023. The increase was primarily attributable to higher product sales of $575 million at MFC, $450 million at RMS, $435 million at Aeronautics and $210 million at Space. Higher product sales at MFC were due to production ramp up on Guided Multiple Launch Rocket Systems (GMLRS), High Mobility Artillery Rocket System (HIMARS), Joint Air-to-Surface Standoff Missile (JASSM) and Long Range Anti-Ship Missile (LRASM) programs. Higher product sales at RMS were due to new program ramp up within the laser systems portfolio and higher volume on various C6ISR (command, control, communications, computers, cyber, combat systems, intelligence, surveillance, and reconnaissance) and radar programs. Higher product sales at Aeronautics were due to higher volume on classified and F-35 production contracts. Higher product sales at Space were due to higher volume on Fleet Ballistic Missile (FBM) and transport layer programs and ramp up in the hypersonic development programs.

Service Sales

Service sales increased $399 million, or 15%, during the quarter ended March 31, 2024, compared to the same period in 2023. The increase was primarily attributable to higher service sales of approximately $140 million at Aeronautics, $130 million at RMS and $100 million at Space. Higher service sales at Aeronautics were due to higher volume on C-130 and F-35 sustainment contracts. Higher service sales at RMS were due to higher volume on various Training and Logistics Services and C6ISR programs. Higher service sales at Space were due to higher volume on national security space services.

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	
	March 31, 2024	**March 26, 2023**
Cost of sales – products	**$ (12,884)**	$ (11,151)
% of product sales	**90.8 %**	89.0 %
Cost of sales – services	**(2,603)**	(2,284)
% of service sales	**86.8 %**	87.8 %
Other unallocated, net	**285**	355
Total cost of sales	**$ (15,202)**	$ (13,080)

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 $1.7 billion, or 16%, during the quarter ended March 31, 2024, compared to the same period in 2023. The increase was primarily attributable to higher product costs of approximately $650 million at MFC, $460 million at Aeronautics, $400 million at RMS and $220 million at Space due to higher volume and production ramp up as described above in “Product Sales”.

Service Costs

Service costs increased $319 million, or 14%, during the quarter ended March 31, 2024, compared to the same period in 2023. The increase was primarily attributable to higher service costs of $115 million at Aeronautics, $95 million at RMS and $80 million at Space due to higher volume as described above in “Service Sales”.

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 income (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 $285 million during the quarter ended March 31, 2024, compared to $355 million during the quarter ended March 26, 2023. The decrease in other unallocated, net was primarily due to lower gains from the changes in the fair value of assets and liabilities related to deferred compensation plans during the quarter ended March 31, 2024 compared to the same periods in 2023 and fluctuations in costs associated with various corporate items, none of which were individually significant.

Other Income (Expense), Net

Other income (expense), net, primarily includes earnings generated by equity method investees. Other income, net was $36 million during the quarter ended March 31, 2024, compared to other expense, net of $9 million during the quarter ended March 26, 2023. Other income (expense), net during the quarter ended March 31, 2024 includes higher earnings generated by our equity method investment in ULA due to higher launch volume.

Interest Expense

Interest expense was $255 million and $202 million during the quarters ended March 31, 2024 and March 26, 2023. The increase in interest expense in 2024 resulted primarily from the issuance of senior unsecured notes in January 2024 and May 2023.

Non-Service FAS Pension Income

Non-service FAS pension income was $16 million and $110 million during the quarters ended March 31, 2024 and March 26, 2023. The decrease was primarily due to a lower prior service credit amortization and a reduced asset base as detailed in “Note 6 - Postretirement Benefit Plans” included in our Notes to Consolidated Financial Statements.

Other Non-operating Income, Net

Other non-operating income, 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 $45 million and $49 million during the quarters ended March 31, 2024 and March 26, 2023. See “Note 10 - Other” included in our Notes to Consolidated Financial Statements for additional information.

Income Tax Expense

Our effective income tax rates were 15.8% and 15.3% for the quarters ended March 31, 2024 and March 26, 2023. The rates for all periods benefited from research and development tax credits, tax deductions for foreign derived intangible income, dividends paid to our defined contribution plans with an employee stock ownership plan feature and employee equity awards.

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 2024 cash tax liability by approximately $350 million and our net deferred tax assets will increase by a similar amount. The actual impact on 2024 cash tax liability will depend on the amount of research and development expenses paid or incurred in 2024 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.

The Organisation for Economic Co-operation and Development (OECD) has a framework to implement a global minimum corporate tax of 15% for companies with global revenues and profits above certain thresholds (referred to as Pillar 2), with certain aspects of Pillar 2 effective January 1, 2024 and other aspects effective January 1, 2025. While it is uncertain whether the U.S. will enact legislation to adopt Pillar 2, certain countries in which we operate have adopted legislation, and other countries are in the process of introducing legislation to implement Pillar 2. We do not expect Pillar 2 to have a material impact on our effective tax rate or our consolidated results of operation, financial position, and cash flows.

Net Earnings

We reported net earnings of $1.5 billion ($6.39 per share) during the quarter ended March 31, 2024, compared to $1.7 billion ($6.61 per share) during the quarter ended March 26, 2023. Net earnings and earnings per share for the quarter ended March 31, 2024 were affected by the factors mentioned above. Earnings per share also benefited from a net decrease of approximately 14.1 million weighted average common shares outstanding during the quarter ended March 31, 2024, compared to the same period in 2023. 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	
	March 31, 2024	**March 26, 2023**
Net sales		
Aeronautics	**$ 6,845**	$ 6,269
Missiles and Fire Control	**2,993**	2,388
Rotary and Mission Systems	**4,088**	3,510
Space	**3,269**	2,959
Total net sales	**$ 17,195**	$ 15,126
Operating profit		
Aeronautics	**$ 679**	$ 675
Missiles and Fire Control	**311**	377
Rotary and Mission Systems	**430**	350
Space	**325**	280
Total business segment operating profit	**1,745**	1,682
Unallocated items		
FAS/CAS pension operating adjustment	**406**	415
Intangible asset amortization expense	**(61)**	(62)
Other, net	**(61)**	2
Total unallocated items	**284**	355
Total consolidated operating profit	**$ 2,029**	$ 2,037

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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The total FAS/CAS pension adjustments, including the service and non-service cost components of FAS pension income for our qualified defined benefit pension plans, were as follows (in millions):

	Quarters Ended	
	March 31, 2024	**March 26, 2023**
Total FAS income and CAS cost		
FAS pension income	**$ 1**	$ 94
Less: CAS pension cost	**421**	431
Total FAS/CAS pension adjustment	**$ 422**	$ 525
Service and non-service cost reconciliation		
FAS pension service cost	**$ (15)**	$ (16)
Less: CAS pension cost	**421**	431
Total FAS/CAS pension operating adjustment	**406**	415
Non-service FAS pension income	**16**	110
Total FAS/CAS pension adjustment	**$ 422**	$ 525

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.

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.

Many of our contracts span several years and include highly complex technical requirements. At the outset of a contract accounted for under the percentage-of-completion cost-to-cost method, 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 sales and total costs to complete the contract, as well as our ability to earn variable consideration. 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 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 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 or may increase the variable consideration we expect to receive on the contract. Conversely, our profit booking rates may decrease if the estimated total costs to complete the contract increase or our estimates of variable consideration we expect to receive decrease. The profit booking rate may also be adjusted if the total estimated value of the contract changes or there is a contract modification. 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.

Changes in net sales and operating profit generally are expressed in terms of volume, contract mix, and/or performance (referred to as profit booking rate adjustments). 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. Contract mix refers to changes in the ratio of contract type or life cycle (e.g., cost-type, fixed-price, development, production and/or sustainment).

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 booking rate 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 booking rate adjustments. Increases or decreases in profit booking rates are recognized in the current period they are determined and reflect the inception-to-date effect of such changes. Segment operating profit and margin can be impacted favorably or unfavorably by, for example, certain items listed below, which may or may not impact sales. Favorable items include the positive resolution of contractual matters, cost recoveries on severance and restructuring, insurance recoveries and gains on sales of assets. Unfavorable items 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 $195 million during the quarter ended March 31, 2024 and $415 million during the quarter ended March 26, 2023. The impact to 2024 segment operating profit includes a reach-forward loss of $100 million recognized on a classified program at our MFC business segment (as further described on page 22, see the discussion under “Contract Estimates” in Note 10 - Other included in our Notes to Consolidated Financial Statements).

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

Aeronautics

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

	Quarters Ended	
	March 31, 2024	**March 26, 2023**
Net sales	**$ 6,845**	$ 6,269
Operating profit	**679**	675
Operating margin	**9.9 %**	10.8 %

Aeronautics’ net sales during the quarter ended March 31, 2024 increased $576 million, or 9%, compared to the same period in 2023. The increase was primarily attributable to higher net sales of $305 million on the F-35 program due to higher volume on production, development and sustainment contracts; $155 million on classified programs driven by higher volume; and $60 million on the F-16 program due to the ramp up on production.

Aeronautics’ operating profit during the quarter ended March 31, 2024 was comparable to the same period in 2023. Operating profit increased $50 million on the F-16 program as operating profit for the first quarter of 2023 reflects the impact of unfavorable profit adjustments on a production contract and sustainment contracts as a result of schedule delays related to software and technical specification risks that did not recur in the first quarter of 2024. This increase was partially offset by lower operating profit of $30 million on the F-35 program primarily due to lower net profit adjustments on production contracts as a result of higher than anticipated material costs, partially offset by higher volume described above. Total net profit booking rate adjustments were $40 million lower in the first quarter of 2024 compared to the same period in 2023.

Missiles and Fire Control

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

	Quarters Ended	
	March 31, 2024	**March 26, 2023**
Net sales	**$ 2,993**	$ 2,388
Operating profit	**311**	377
Operating margin	**10.4 %**	15.8 %

MFC’s net sales during the quarter ended March 31, 2024 increased $605 million, or 25%, compared to the same period in 2023. The increase was primarily attributable to higher net sales of $460 million for tactical and strike missile programs due to production ramp up on GMLRS, HIMARS, JASSM and LRASM programs; and $100 million for integrated air and missile defense programs primarily due to higher volume on PAC-3 and Terminal High Altitude Area Defense (THAAD).

MFC’s operating profit during the quarter ended March 31, 2024 decreased $66 million, or 18%, compared to the same period in 2023. The decrease was primarily attributable to lower operating profit for tactical and strike missile programs due to a $100 million reach-forward loss recognized for an option on a classified program and an unfavorable profit adjustment on HELLFIRE as a result of additional costs expected to be incurred associated with a contract claim, partially offset by the production ramp up described above. Total net profit booking rate adjustments, inclusive of the $100 million loss described above, were $120 million lower in the first quarter of 2024 compared to the same period in 2023.

Rotary and Mission Systems

In February 2024, the U.S. Army announced it is cancelling the Future Attack Reconnaissance Aircraft (FARA) program at the conclusion of fiscal year 2024, for which our Sikorsky business was competing. We are currently evaluating the potential effect of this decision on our Sikorsky business operations including assessing the recoverability of certain assets.

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

	Quarters Ended	
	March 31, 2024	**March 26, 2023**
Net sales	**$ 4,088**	$ 3,510
Operating profit	**430**	350
Operating margin	**10.5 %**	10.0 %

RMS’ net sales during the quarter ended March 31, 2024 increased $578 million, or 16%, compared to the same period in 2023. The increase was primarily attributable to higher net sales of $295 million on integrated warfare systems and sensors (IWSS) programs due to new program ramp up within the laser systems portfolio and higher volume on the Aegis and radar programs; $150 million for various C6ISR programs due to higher volume; and $100 million for Sikorsky helicopter programs due to higher volume on Seahawk and CH-53K programs.

RMS’ operating profit during the quarter ended March 31, 2024 increased $80 million, or 23%, compared to the same period in 2023. The increase was primarily attributable to higher operating profit of $40 million on IWSS programs due to higher volume described above and a favorable profit rate adjustment as a result of the delivery of a ground-based radar which retired the technical risk; and $25 million on Sikorsky helicopter programs due to higher volume described above and higher margins due to contract mix, partially offset by unfavorable profit adjustments on Seahawk programs. Total net profit booking rate adjustments were $30 million lower in the first quarter of 2024 compared to the same period in 2023.

Space

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

	Quarters Ended	
	March 31, 2024	**March 26, 2023**
Net sales	**$ 3,269**	$ 2,959
Operating profit	**325**	280
Operating margin	**9.9 %**	9.5 %

Space’s net sales during the quarter ended March 31, 2024 increased $310 million, or 10%, compared to the same period in 2023. The increase was primarily attributable to higher net sales of $140 million for strategic and missile defense programs due to higher volume on FBM and ramp up in the hypersonic and Next Generation Interceptor (NGI) development programs; and higher net sales of $115 million for national security space programs due to higher volume on Transport Layer and GPS III programs and ramp up on the Tracking Layer program.

Space’s operating profit during the quarter ended March 31, 2024 increased $45 million, or 16%, compared to the same period in 2023. The increase was primarily attributable to $30 million of higher equity earnings from our investment in United Launch Alliance (ULA) due to higher launch volume, and higher operating profit of $20 million on strategic and missile defense programs due to the higher volume described above. These increases were partially offset by lower operating profit of $25 million for national security space programs due to the impact of lower net favorable profit adjustments on Next Gen OPIR as a result of the timing of the award and incentive fee assessments. Total net profit booking rate adjustments were $30 million lower in the first quarter of 2024 compared to the same period in 2023.

Total equity earnings/(losses) (primarily ULA) represented approximately $15 million or 5% in the first quarter of 2024, compared to approximately $(15) million, or (5)% for the same period in 2023.

FINANCIAL CONDITION

Liquidity and Capital Resources

At March 31, 2024, we had cash and cash equivalents of $2.8 billion that was generally available to fund ordinary business operations without significant legal, regulatory or other restrictions. 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. There were no borrowings outstanding under the revolving credit facility and commercial paper at both March 31, 2024 and December 31, 2023. As of March 31, 2024, we were in compliance with all covenants contained in our debt and credit agreements.

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 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 42% of the sales we recorded during the quarter ended March 31, 2024, 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. 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.

We have a disciplined and dynamic 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 continue to return cash to stockholders through dividends and share repurchases. As of March 31, 2024, the total remaining authorization for future common share repurchases under our program was $9.0 billion. 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 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.

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. Future pension risk transfer transactions could be significant and result in us making additional contributions to the pension trust. 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, and Cost Accounting Standards (CAS). We could be required to make pension contributions earlier and/or in excess than planned if our return on pension assets is less than our assumptions, which would reduce our free cash flow. We may also make additional contributions on an ad hoc basis at our discretion.

There were no material changes during the quarter ended March 31, 2024 to our contractual commitments as presented in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of our 2023 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):

	Quarters Ended March 31, 2024	Quarters Ended March 26, 2023
Cash and cash equivalents at beginning of year	**$ 1,442**	$ 2,547
Operating activities		
Net earnings	**1,545**	1,689
Noncash adjustments	**335**	265
Changes in working capital	**(282)**	(267)
Other, net	**37**	(123)
Net cash provided by operating activities	**1,635**	1,564
Net cash used for investing activities	**(372)**	(259)
Net cash provided by (used for) financing activities	**85**	(1,412)
Net change in cash and cash equivalents	**1,348**	(107)
Cash and cash equivalents at end of period	**$ 2,790**	$ 2,440

Operating Activities

Net cash provided by operating activities during the quarter ended March 31, 2024 was comparable to the same period in 2023.

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):

	Quarters Ended March 31, 2024	Quarters Ended March 26, 2023
Cash from operations	**$ 1,635**	$ 1,564
Capital expenditures	**(378)**	(294)
Free cash flow	**$ 1,257**	$ 1,270

Investing Activities

Net cash used for investing activities during the quarter ended March 31, 2024 increased $113 million compared to the same period in 2023. Capital expenditures totaled $378 million and $294 million during the quarters ended March 31, 2024 and March 26, 2023. 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 provided by financing activities during the quarter ended March 31, 2024 increased $1.5 billion compared to the same period in 2023.

During the quarter ended March 31, 2024 and March 26, 2023, we paid dividends totaling $780 million ($3.15 per share) and $784 million ($3.00 per share).

During the quarter ended March 31, 2024, we paid $1.0 billion to repurchase 2.3 million shares of our common stock. See “Note 9 - Stockholders’ Equity” included in our Notes to Consolidated Financial Statements for additional information. During the quarter ended March 26, 2023, we paid $500 million to repurchase 1.1 million shares of our common stock.

During the quarter ended March 31, 2024, 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.

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 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 ten Foreign Military Sales (FMS) customers; as well as interest from other countries.

We continue to see strong international demand for the F-35. In December 2023, the Republic of Korea announced it signed a follow-on Letter of offer and acceptance (LOA) for 20 additional F-35s, increasing its program of record from 40 to 60. In January 2024, the Czech Republic signed a LOA to procure 24 F-35s and the U.S. Department of State approved a potential Foreign Military Sale to Greece for up to 40 F-35s. In February 2024, Singapore announced its intent to purchase eight F-35As to complement the 12 F-35Bs to which it has previously committed.

Since program inception through March 31, 2024, we have delivered 992 production F-35 aircraft, including 710 F-35A variants, 197 F-35B variants and 85 F-35C variants, demonstrating the F-35 program’s continued progress and longevity. Our backlog as of March 31, 2024 was 373 aircraft and our aircraft production rate remains at approximately 156 per year; however, we had no customer deliveries of aircraft in the first quarter of 2024. Deliveries of aircraft with Technology Refresh-3 (TR-3) capability remain on hold as the software is finalized. We continue to target a second quarter 2024 customer acceptance of a specific software configuration permitting deliveries of TR-3 aircraft and expect deliveries to begin in the third quarter 2024. 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 continual reviews on aircraft performance, program and delivery schedule, cost and requirements as part of the DoD, Congressional and international countries’ oversight and budgeting processes. Areas of focus include Lockheed Martin’s and our suppliers’ performance, software development (including, in particular, software maturation related to TR-3 capability), and flight test execution and related findings. Additional areas of focus include the level of cost associated with life cycle operations, sustainment and potential contractual obligations, inflation-related cost pressures, and the ability to increase 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 2023 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 2023 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, 2023. 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 March 31, 2024. 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 March 31, 2024.

There were no changes in our internal control over financial reporting during the quarter ended March 31, 2024 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 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 Türkish entities and persons, and 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;
- changes in pension plan assumptions and actual returns on pension assets; cash funding requirements and pension risk transfers and associated settlement charges;
- 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 has 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, 2023 and subsequent Quarterly Reports on Form 10-Q. Our filings may be accessed through the Investor Relations page of our website, www.lockheedmartin.com/investor, or through the website maintained by the SEC at www.sec.gov.

Our actual financial results likely will be different from those projected due to the inherent nature of projections. Given these uncertainties, forward-looking statements should not be relied on in making investment decisions. The forward-looking statements contained in this Form 10-Q speak only as of the date of 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, 2023 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 2023 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 March 31, 2024.

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 March 31, 2024.

Period [(a)]	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs [(b)]	Approximate Dollar Value of Shares That May Yet be Purchased Under the Plans or Programs [(b)]
				(in millions)
January 1, 2024 – January 28, 2024	—	$ —	—	$ 10,023
January 29, 2024 – February 25, 2024	1,183,474	$ 426.33	1,180,861	$ 9,520
February 26, 2024 – March 31, 2024 [(c)]	1,404,974	$ 434.34	1,141,334	$ 9,023
Total [(c)]	2,588,448	$ 430.68	2,322,195	

(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, February 25, 2024 was the last day of our February 2024 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 $9.0 billion as of March 31, 2024. Under the program, management has discretion to determine the dollar amount of shares to be repurchased and the timing of any repurchases in compliance with applicable law and regulation. This includes purchases pursuant to Rule 10b5-1 plans, including accelerated share repurchases. The program does not have an expiration date.

(c) During the quarter ended March 31, 2024, the total number of shares purchased included 266,253 shares that were transferred to us by employees in satisfaction of tax withholding obligations associated with the vesting of restricted stock units and performance 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 March 31, 2024.

ITEM 6. Exhibits

Exhibit No.	Description
10.1	Form of 2024 Annual Restricted Stock Unit Award Agreement under the Lockheed Martin Corporation 2020 Incentive Performance Award Plan
10.2	Form of Performance Stock Unit Award Agreement (2024 - 2026 Performance Period) under the Lockheed Martin Corporation 2020 Incentive Performance Award Plan
10.3	Form of Long Term Incentive Performance Award Agreement (2024 - 2026 Performance Period) under the Lockheed Martin Corporation 2020 Incentive Performance Award Plan
15	Acknowledgment of Independent Registered Public Accounting Firm
31.1	Certification of James D. Taiclet pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Jesus Malave pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification of James D. Taiclet and Jesus Malave pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document contained in Exhibit 101

SIGNATURE

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

	Lockheed Martin Corporation
	(Registrant)
Date: April 23, 2024	By: /s/ H. Edward Paul III
	H. Edward Paul III
	Vice President and Controller
	(Duly Authorized Officer and Chief Accounting Officer)