

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

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2019

Commission file number: 1-11437

LOCKHEED MARTIN CORPORATION

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of
incorporation or organization)

52-1893632

(I.R.S. Employer Identification No.)

6801 Rockledge Drive, Bethesda, Maryland

(Address of principal executive offices)

20817

(Zip Code)

(301) 897-6000

(Registrant's telephone number, including area code)

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 282,538,809 shares of our common stock, \$1 par value per share, outstanding as of March 31, 2019.

Lockheed Martin Corporation
Form 10-Q
For the Quarterly Period Ended March 31, 2019
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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, 2019	March 25, 2018
Net sales		
Products	\$ 11,970	\$ 9,762
Services	2,366	1,873
Total net sales	14,336	11,635
Cost of sales		
Products	(10,625)	(8,697)
Services	(2,047)	(1,689)
Other unallocated, net	524	409
Total cost of sales	(12,148)	(9,977)
Gross profit	2,188	1,658
Other income, net	95	67
Operating profit	2,283	1,725
Interest expense	(171)	(155)
Other non-operating expense, net	(167)	(210)
Earnings before income taxes	1,945	1,360
Income tax expense	(241)	(203)
Net earnings	\$ 1,704	\$ 1,157
Earnings per common share		
Basic	\$ 6.03	\$ 4.05
Diluted	\$ 5.99	\$ 4.02
Cash dividends paid per common share	\$ 2.20	\$ 2.00

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, 2019	March 25, 2018
Net earnings	\$ 1,704	\$ 1,157
Other comprehensive income, net of tax		
Recognition of previously deferred postretirement benefit plan amounts	227	300
Other, net	—	58
Other comprehensive income, net of tax	227	358
Comprehensive income	\$ 1,931	\$ 1,515

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

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

	March 31, 2019	December 31, 2018
	(unaudited)	
Assets		
Current assets		
Cash and cash equivalents	\$ 991	\$ 772
Receivables, net	2,833	2,444
Contract assets	10,497	9,472
Inventories	3,285	2,997
Other current assets	425	418
Total current assets	18,031	16,103
Property, plant and equipment, net	6,140	6,124
Goodwill	10,769	10,769
Intangible assets, net	3,425	3,494
Deferred income taxes	3,169	3,208
Other noncurrent assets	6,150	5,178
Total assets	\$ 47,684	\$ 44,876
Liabilities and equity		
Current liabilities		
Accounts payable	\$ 3,097	\$ 2,402
Contract liabilities	6,796	6,491
Salaries, benefits and payroll taxes	1,861	2,122
Current maturities of long-term debt and commercial paper	1,300	1,500
Other current liabilities	2,349	1,883
Total current liabilities	15,403	14,398
Long-term debt, net	12,621	12,604
Accrued pension liabilities	11,418	11,410
Other postretirement benefit liabilities	698	704
Other noncurrent liabilities	5,022	4,311
Total liabilities	45,162	43,427
Stockholders' equity		
Common stock, \$1 par value per share	281	281
Additional paid-in capital	—	—
Retained earnings	16,278	15,434
Accumulated other comprehensive loss	(14,094)	(14,321)
Total stockholders' equity	2,465	1,394
Noncontrolling interests in subsidiary	57	55
Total equity	2,522	1,449
Total liabilities and equity	\$ 47,684	\$ 44,876

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, 2019	March 25, 2018
Operating activities		
Net earnings	\$ 1,704	\$ 1,157
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation and amortization	277	279
Stock-based compensation	37	38
Gain on property sale	(51)	—
Changes in assets and liabilities		
Receivables, net	(389)	(108)
Contract assets	(1,025)	(1,413)
Inventories	(288)	(318)
Accounts payable	744	1,290
Contract liabilities	305	(478)
Postretirement benefit plans	278	(1,145)
Income taxes	243	1,064
Other, net	(172)	266
Net cash provided by operating activities	1,663	632
Investing activities		
Capital expenditures	(284)	(216)
Other, net	27	130
Net cash used for investing activities	(257)	(86)
Financing activities		
Dividends paid	(638)	(586)
Repurchases of common stock	(281)	(300)
Repayments of commercial paper, net	(200)	—
Other, net	(68)	(128)
Net cash used for financing activities	(1,187)	(1,014)
Net change in cash and cash equivalents	219	(468)
Cash and cash equivalents at beginning of period	772	2,861
Cash and cash equivalents at end of period	\$ 991	\$ 2,393

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 Stockholders' Equity	Noncontrolling Interests in Subsidiary	Total Equity
Balance at December 31, 2018	\$ 281	\$ —	\$ 15,434	\$ (14,321)	\$ 1,394	\$ 55	\$ 1,449
Net earnings	—	—	1,704	—	1,704	—	1,704
Other comprehensive income, net of tax	—	—	—	227	227	—	227
Repurchases of common stock	(1)	(46)	(237)	—	(284)	—	(284)
Dividends declared	—	—	(623)	—	(623)	—	(623)
Stock-based awards, ESOP activity and other	1	46	—	—	47	—	47
Net increase in noncontrolling interests in subsidiary	—	—	—	—	—	2	2
Balance at March 31, 2019	\$ 281	\$ —	\$ 16,278	\$ (14,094)	\$ 2,465	\$ 57	\$ 2,522
Balance at December 31, 2017	\$ 284	\$ —	\$ 11,405	\$ (12,539)	\$ (850)	\$ 74	\$ (776)
Net earnings	—	—	1,157	—	1,157	—	1,157
Other comprehensive income, net of tax	—	—	—	358	358	—	358
Repurchases of common stock	(1)	(25)	(274)	—	(300)	—	(300)
Dividends declared	—	—	(573)	—	(573)	—	(573)
Stock-based awards, ESOP activity and other	1	25	—	—	26	—	26
Reclassification of income tax effects from tax reform	—	—	2,408	(2,408)	—	—	—
Net decrease in noncontrolling interests in subsidiary	—	—	—	—	—	(3)	(3)
Balance at March 25, 2018	\$ 284	\$ —	\$ 14,123	\$ (14,589)	\$ (182)	\$ 71	\$ (111)

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

Lockheed Martin Corporation
Notes to Consolidated Financial Statements (unaudited)

NOTE 1 – BASIS OF PRESENTATION

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

In the opinion of management, these consolidated financial statements reflect all adjustments that are of a normal recurring nature necessary for a fair presentation of our results of operations, financial condition, and cash flows for the interim periods presented. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We base these estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Our actual results may differ materially from these estimates. Significant estimates inherent in the preparation of our consolidated financial statements include, but are not limited to, accounting for sales and cost recognition, postretirement benefit plans, environmental receivables and liabilities, evaluation of goodwill 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 calendar quarter, which was on March 31 for the first quarter of 2019 and March 25 for the first quarter of 2018, 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.

We adopted Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, effective January 1, 2019, using a modified retrospective transition method. Consequently, periods prior to January 1, 2019 are not restated for the adoption of ASU 2016-02. See “Note 6 – Leases” and “Note 12 – Recent Accounting Pronouncements” for more information regarding our adoption of this standard. Other than the changes in our accounting policies related to adoption of ASU 2016-02, we followed the accounting policies disclosed in the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2018 (2018 Form 10-K) filed with the SEC.

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 2018 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, 2019	March 25, 2018
Weighted average common shares outstanding for basic computations	282.5	285.5
Weighted average dilutive effect of equity awards	1.8	2.4
Weighted average common shares outstanding for diluted computations	284.3	287.9

We compute basic and diluted earnings per common share by dividing net earnings by the respective weighted average number of common shares outstanding for the periods presented. Our calculation of diluted earnings per common share also includes the dilutive effects for the assumed vesting of outstanding restricted stock units (RSUs) and performance stock units (PSUs) and exercise of outstanding stock options based on the treasury stock method. There were no significant anti-dilutive equity awards during the quarters ended March 31, 2019 or March 25, 2018.

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

NOTE 3 – INFORMATION ON BUSINESS SEGMENTS

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 the products and services offered.

Net sales and operating profit of our business segments exclude intersegment sales and cost of sales as these activities are eliminated in consolidation. 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 also includes total pension and other postretirement benefit plan costs recoverable on U.S. Government contracts as determined in accordance with U.S. Government cost accounting standards (CAS). However, our financial statements must present total costs calculated in accordance with Financial Accounting Standards (FAS) under U.S. GAAP. Accordingly, the adjustment from CAS cost to FAS service cost for our postretirement benefit plans is excluded from business segment operating profit (see additional discussion below). Business segment operating profit also excludes expense for stock-based compensation, corporate costs not considered allocable under FAR, and the effects of items not considered part of management’s evaluation of segment operating performance.

Excluded items are included in the reconciling item “Unallocated items” between operating profit from our business segments and our consolidated operating profit. See “Note 11 – Other” for a discussion related to certain factors that may impact the comparability of net sales and operating profit of our business segments. Summary operating results for each of our business segments were as follows (in millions):

	Quarters Ended	
	March 31, 2019	March 25, 2018
Net sales		
Aeronautics	\$ 5,584	\$ 4,398
Missiles and Fire Control	2,350	1,677
Rotary and Mission Systems	3,762	3,223
Space	2,640	2,337
Total net sales	\$ 14,336	\$ 11,635
Operating profit		
Aeronautics	\$ 585	\$ 474
Missiles and Fire Control	417	261
Rotary and Mission Systems	379	311
Space	334	264
Total business segment operating profit	1,715	1,310
Unallocated items		
FAS/CAS operating adjustment ^(a)	512	451
Stock-based compensation	(37)	(38)
Other, net	93	2
Total unallocated items	568	415
Total consolidated operating profit	\$ 2,283	\$ 1,725
Intersegment sales		
Aeronautics	\$ 42	\$ 25
Missiles and Fire Control	121	95
Rotary and Mission Systems	580	461
Space	68	45
Total intersegment sales	\$ 811	\$ 626

^(a) The FAS/CAS operating adjustment represents the difference between the service cost component of FAS pension expense and total pension costs recoverable on U.S. Government contracts as determined in accordance with CAS.

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

Our total net FAS/CAS pension adjustment for the quarters ended March 31, 2019 and March 25, 2018, including the service and non-service cost components of FAS pension expense for our qualified defined benefit pension plans, were as follows (in millions):

	Quarters Ended	
	March 31, 2019	March 25, 2018
Total FAS expense and CAS costs		
FAS pension expense	\$ (273)	\$ (356)
Less: CAS pension cost	641	608
Net FAS/CAS pension adjustment	\$ 368	\$ 252
Service and non-service cost reconciliation		
FAS pension service cost	\$ (129)	\$ (157)
Less: CAS pension cost	641	608
FAS/CAS operating adjustment	512	451
Non-operating FAS pension cost ^(a)	(144)	(199)
Net FAS/CAS pension adjustment	\$ 368	\$ 252

^(a) The non-service cost components of net periodic benefit cost relate only to our qualified defined benefit pension plans. In addition to the non service cost components in the table above, we incurred similar costs for our other postretirement benefit plans of \$30 million and \$17 million for the quarters ended March 31, 2019 and March 25, 2018.

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 cost in each of our business segment's net sales and cost of sales. Our consolidated financial statements must present FAS pension and other postretirement benefit plan expense calculated in accordance with FAS requirements under U.S. GAAP. The operating portion of the net FAS/CAS pension adjustment represents the difference between the service cost component of FAS pension expense and total CAS pension cost. The non-service FAS pension cost component is included in other non-operating expense, net in our consolidated statements of earnings. The net FAS/CAS pension adjustment increases or decreases CAS pension cost to equal total FAS pension cost (both service and non-service).

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

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

	Quarter Ended March 31, 2019				
	Aeronautics	MFC	RMS	Space	Total
Net sales					
Products	\$ 4,796	\$ 1,916	\$ 3,059	\$ 2,199	\$ 11,970
Services	788	434	703	441	2,366
Total net sales	\$ 5,584	\$ 2,350	\$ 3,762	\$ 2,640	\$ 14,336
Net sales by contract type					
Fixed-price	\$ 4,170	\$ 1,535	\$ 2,619	\$ 523	\$ 8,847
Cost-reimbursable	1,414	815	1,143	2,117	5,489
Total net sales	\$ 5,584	\$ 2,350	\$ 3,762	\$ 2,640	\$ 14,336
Net sales by customer					
U.S. Government	\$ 3,435	\$ 1,633	\$ 2,675	\$ 2,236	\$ 9,979
International ^(a)	2,095	670	995	395	4,155
U.S. commercial and other	54	47	92	9	202
Total net sales	\$ 5,584	\$ 2,350	\$ 3,762	\$ 2,640	\$ 14,336
Net sales by geographic region					
United States	\$ 3,489	\$ 1,680	\$ 2,767	\$ 2,245	\$ 10,181
Asia Pacific	906	122	330	8	1,366
Europe	798	122	198	381	1,499
Middle East	337	413	285	6	1,041
Other	54	13	182	—	249
Total net sales	\$ 5,584	\$ 2,350	\$ 3,762	\$ 2,640	\$ 14,336

	Quarter Ended March 25, 2018				
	Aeronautics	MFC	RMS	Space	Total
Net sales					
Products	\$ 3,770	\$ 1,353	\$ 2,717	\$ 1,922	\$ 9,762
Services	628	324	506	415	1,873
Total net sales	\$ 4,398	\$ 1,677	\$ 3,223	\$ 2,337	\$ 11,635
Net sales by contract type					
Fixed-price	\$ 3,215	\$ 1,112	\$ 2,208	\$ 400	\$ 6,935
Cost-reimbursable	1,183	565	1,015	1,937	4,700
Total net sales	\$ 4,398	\$ 1,677	\$ 3,223	\$ 2,337	\$ 11,635
Net sales by customer					
U.S. Government	\$ 2,765	\$ 1,088	\$ 2,356	\$ 1,870	\$ 8,079
International ^(a)	1,577	554	781	456	3,368
U.S. commercial and other	56	35	86	11	188
Total net sales	\$ 4,398	\$ 1,677	\$ 3,223	\$ 2,337	\$ 11,635
Net sales by geographic region					
United States	\$ 2,821	\$ 1,123	\$ 2,442	\$ 1,881	\$ 8,267
Asia Pacific	754	98	324	23	1,199
Europe	508	69	155	426	1,158
Middle East	257	380	171	7	815
Other	58	7	131	—	196
Total net sales	\$ 4,398	\$ 1,677	\$ 3,223	\$ 2,337	\$ 11,635

^(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.

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

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

	March 31, 2019	December 31, 2018
Assets		
Aeronautics	\$ 9,469	\$ 8,435
Missiles and Fire Control	5,678	5,017
Rotary and Mission Systems	18,914	18,333
Space	5,792	5,445
Total business segment assets	39,853	37,230
Corporate assets ^(a)	7,831	7,646
Total assets	\$ 47,684	\$ 44,876

^(a) Corporate assets primarily include cash and cash equivalents, deferred income taxes, environmental receivables, and investments held in a separate trust to fund certain of our non-qualified deferred compensation plans.

Our Aeronautics business segment includes our largest program, the F-35 Lightning II Joint Strike Fighter, an international multi-role, multi-variant, stealth fighter aircraft. Net sales for the F-35 program represented approximately 26% of our total consolidated net sales for the quarter ended March 31, 2019 and 24% of our total consolidated net sales for the quarter ended March 25, 2018.

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, 2019	December 31, 2018
Contract assets	\$ 10,497	\$ 9,472
Contract liabilities	6,796	6,491

Contract assets increased \$1.0 billion during the quarter ended March 31, 2019, primarily due to the recognition of revenue related to the satisfaction or partial satisfaction of performance obligations during the quarter ended March 31, 2019 for which we have not yet billed our customers. There were no significant impairment losses related to our contract assets during the quarters ended March 31, 2019 and March 25, 2018.

Contract liabilities increased \$305 million during the quarter ended March 31, 2019, primarily due to payments received in advance of our satisfaction or partial satisfaction of these performance obligations. During the quarter ended March 31, 2019, we recognized \$1.8 billion of our contract liabilities at December 31, 2018 as revenue. During the quarter ended March 25, 2018, we recognized \$1.9 billion of our contract liabilities at December 31, 2017 as revenue.

NOTE 5 – INVENTORIES

Inventories consisted of the following (in millions):

	March 31, 2019	December 31, 2018
Materials, spares and supplies	\$ 438	\$ 446
Work-in-process	2,495	2,161
Finished goods	352	390
Total inventories	\$ 3,285	\$ 2,997

Costs incurred to fulfill a customer 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 customer contract or to an anticipated customer

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

contract that we can specifically identify and 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). 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, 2019 and December 31, 2018, \$468 million and \$443 million of pre-contract costs were included in inventory.

NOTE 6 – LEASES

We evaluate whether our contractual arrangements contain leases at the inception of such arrangements. Specifically, we consider whether we can control the underlying asset and have the right to obtain substantially all of the economic benefits or outputs from the asset. Substantially all of our leases are long-term operating leases with fixed payment terms. We do not have significant financing leases. Our right-of-use (ROU) operating lease assets represent our right to use an underlying asset for the lease term, and our operating lease liabilities represent our obligation to make lease payments. ROU operating lease assets are recorded in other noncurrent assets in our consolidated balance sheet. Operating lease liabilities are recorded in other current liabilities or other noncurrent liabilities in our consolidated balance sheet based on their contractual due dates.

Both the ROU operating lease asset and liability are recognized as of the lease commencement date at the present value of the lease payments over the lease term. Most of our leases do not provide an implicit rate that can readily be determined. Therefore, we use a discount rate based on our incremental borrowing rate, which is determined using our credit rating and information available as of the commencement date. ROU operating lease assets include lease payments made at or before the lease commencement date and exclude lease incentives.

Our operating lease agreements may include options to extend the lease term or terminate it early. We include options to extend or terminate leases in the ROU operating lease asset and liability when it is reasonably certain we will exercise these options. Operating lease expense is recognized on a straight-line basis over the lease term and is included in cost of sales on our consolidated statement of earnings.

We have operating lease arrangements with lease and non-lease components. The non-lease components in our arrangements are not significant when compared to the lease components. For all operating leases, we account for the lease and non-lease components as a single component. Additionally, for certain equipment leases, we apply a portfolio approach to recognize operating lease ROU assets and liabilities. We evaluate ROU assets for impairment consistent with our property, plant and equipment policy disclosure included in our 2018 Form 10-K.

Generally, we enter into operating lease agreements for facilities, land and equipment. Our ROU operating lease assets were \$969 million at March 31, 2019. Operating lease liabilities were \$1.1 billion, of which \$812 million were classified as noncurrent, at March 31, 2019. New ROU operating lease assets and liabilities entered into during the quarter ended March 31, 2019 were not significant. The weighted average remaining lease term and discount rate for our operating leases were approximately 9.3 years and 3.4% at March 31, 2019.

During the quarters ended March 31, 2019 and March 25, 2018, we recognized operating lease expense of \$59 million and \$60 million. In addition, we made cash payments of \$57 million for operating leases during the quarter ended March 31, 2019, which are included in cash flows from operating activities in our consolidated statement of cash flows.

Future minimum lease commitments at March 31, 2019 were as follows (in millions):

	Total	Remainder of					
		2019	2020	2021	2022	2023	Thereafter
Operating leases	\$ 1,243	\$ 234	\$ 175	\$ 147	\$ 117	\$ 96	\$ 474
Less: imputed interest	\$ 182						
Total	\$ 1,061						

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

NOTE 7 – POSTRETIREMENT BENEFIT PLANS

Our pretax net periodic benefit cost 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, 2019	March 25, 2018
Qualified defined benefit pension plans		
Service cost	\$ 129	\$ 157
Interest cost	452	435
Expected return on plan assets	(575)	(599)
Recognized net actuarial losses	351	444
Amortization of prior service credits	(84)	(81)
Total net periodic benefit cost	\$ 273	\$ 356
Retiree medical and life insurance plans		
Service cost	\$ 4	\$ 5
Interest cost	24	23
Expected return on plan assets	(28)	(34)
Recognized net actuarial losses	1	1
Amortization of prior service costs	10	4
Total net periodic benefit (credit) cost	\$ 11	\$ (1)

We record the service cost component of net periodic benefit cost as part of cost of sales and the non-service cost components of net periodic benefit cost as part of other non-operating expense, net in the consolidated statements of earnings.

The recognized net actuarial losses and amortization of prior service credits or costs in the table above, along with similar costs related to our other postretirement benefit plans (\$11 million for the quarter ended March 31, 2019 and \$14 million for the quarter ended March 25, 2018) were reclassified from accumulated other comprehensive loss (AOCL) and recorded as a component of net periodic benefit cost for the periods presented. These costs totaled \$289 million (\$227 million, net of tax) during the quarter ended March 31, 2019 and \$382 million (\$300 million, net of tax) during the quarter ended March 25, 2018 and were recorded on our consolidated statements of comprehensive income as an increase to other comprehensive income.

The funding of our qualified defined benefit pension plans is determined in accordance with the Employee Retirement Income Security Act of 1974 (ERISA), as amended by the Pension Protection Act of 2006 (PPA), along with consideration of CAS and Internal Revenue Code rules. During the quarter ended March 31, 2019, there were no contributions to our qualified defined benefit pension plans. During the quarter ended March 25, 2018, we contributed \$1.5 billion to our qualified defined benefit pension plans.

NOTE 8 – LEGAL PROCEEDINGS AND CONTINGENCIES

We are a party to or have property subject 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, 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 corporation as a whole, notwithstanding that the unfavorable resolution of any matter may have a material effect on our net earnings 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.

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

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.

Legal Proceedings

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 the 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 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.

The U.S. Government further alleged violations of the Anti-Kickback Act and False Claims Act based on a monthly "chargeback," through which SSSI billed Derco for the cost of certain SSSI personnel, allegedly in exchange for SSSI's permitting a pricing arrangement that was "highly favorable" to Derco. On January 12, 2018, the Corporation filed a partial motion to dismiss intended to narrow the U.S. Government's claims, including by seeking dismissal of the Anti-Kickback Act allegations. The Corporation also moved to dismiss Cimma as a party under the False Claims Act's first-to-file rule, which permits only the first relator to recover in a pending case. The District Court granted these motions, in part, on July 20, 2018, dismissing the Government's claims under the Anti-Kickback Act and dismissing Cimma as a party to the litigation.

The U.S. Government seeks damages of approximately \$52 million, subject to trebling, plus statutory penalties. We believe that we have legal and factual defenses to the U.S. Government's remaining claims. 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 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.

On February 8, 2019, the Department of Justice (DOJ) filed a complaint in the U.S. District Court for the Eastern District of Washington alleging, among other counts, civil False Claims Act (FCA) and civil Anti-Kickback Act (AKA) violations against Mission Support Alliance, LLC (MSA), Lockheed Martin, Lockheed Martin Services, Inc. (LMSI) and a current Lockheed Martin vice president. The dollar amount of damages sought is not specified but DOJ seeks treble damages with respect to the FCA and penalties that are subject to doubling under the AKA. Lockheed Martin earlier disclosed investigations by the Department of Energy (DOE) and DOJ (the Investigations) and DOJ's intent to bring suit. The Investigations relate primarily to information technology services performed by LMSI under a subcontract to MSA and the pricing by MSA and LMSI of those services as well as Lockheed Martin's payment of standard incentive compensation to certain employees who were seconded to MSA, including the vice president. MSA is a joint venture that holds a prime contract to provide infrastructure support services at DOE's Hanford facility. On April 23, 2019, the parties each filed partial motions to dismiss the U.S. Government's FCA and AKA allegations.

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

On August 16, 2016, we divested our former Information Systems & Global Solutions (IS&GS) business segment to Leidos Holdings, Inc. (Leidos) in a transaction that resulted in IS&GS, now known as Leidos Innovations Corporation (Leidos Innovations), becoming a wholly owned subsidiary of Leidos (the Transaction). In the Transaction, Leidos acquired IS&GS' interest in MSA and the liabilities related to Lockheed Martin's participation in MSA. Included within the liabilities assumed were those associated with the Investigations. Lockheed Martin transferred to Leidos a reserve of approximately \$38 million established by Lockheed Martin with respect to its potential liability and that of its affiliates arising from the Investigations and agreed to indemnify Leidos Innovations with respect to the liabilities assumed for damages to Leidos Innovations and an enumerated list of subsidiaries of Leidos Innovations related to the Investigations for 100% of amounts in excess of this reserve up to \$64 million and 50% of amounts in excess of \$64 million.

We cannot reasonably estimate our exposure at this time, but it is possible that a settlement by or judgment against any of the defendants could implicate Lockheed Martin's indemnification obligations as described above. At present, in view of what we believe to be the strength of the defenses, our belief that Leidos assumed the liabilities, and our view of the structure of the indemnity, we do not believe it probable that we will incur a material loss and have not taken any reserve.

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 IS&GS business, we retained 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 a receivable 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 environmental receivables by assessing, among other factors, U.S. Government regulations, our U.S. Government business base and contract mix, our history of receiving reimbursement of such costs, and efforts by some U.S. Government representatives to limit such reimbursement. We include the portion of those environmental costs expected to be allocated to our non-U.S. Government contracts, or that is determined not to be recoverable under U.S. Government contracts, in our cost of sales at the time the liability is established.

At March 31, 2019 and December 31, 2018, the aggregate amount of liabilities recorded relative to environmental matters was \$830 million and \$864 million, most of which are recorded in other noncurrent liabilities on our consolidated balance sheets. We have recorded receivables totaling \$721 million and \$750 million at March 31, 2019 and December 31, 2018, most of which are recorded in other noncurrent assets on our consolidated balance sheets for the estimated future recovery of these costs, as we consider the recovery probable based on the factors previously mentioned. We project costs and recovery of costs over approximately 20 years.

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

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. There are a number of former and present operating facilities that we are monitoring or investigating 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 record a liability when it is probable that a loss has occurred 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 at a particular 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 reasonably cannot 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 loss or reasonably possible loss or range of loss.

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 and New York, the U.S. Government reimburses us an amount equal to a percentage, specific to each site, of expenditures for certain remediation activities in the U.S. Government's capacity as a PRP under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA).

In addition to the proceedings and potential proceedings discussed above, California previously established a maximum level of the contaminant hexavalent chromium in drinking water of 10 parts per billion (ppb). This standard was successfully challenged by the California Manufacturers and Technology Association (CMTA) for failure to conduct the required economic feasibility analysis. In response to the court's ruling, the State Water Resources Control Board (State Board), a branch of the California Environmental Protection Agency, withdrew the hexavalent chromium standard from the published regulations, leaving only the 50 ppb standard for total chromium. The State Board has indicated it will work to re-establish a hexavalent chromium standard. If the standard for hexavalent chromium is re-established at 10 ppb or above, it will not have a material impact on our existing remediation costs in California. Further, the U.S. Environmental Protection Agency (U.S. EPA) is considering whether to regulate hexavalent chromium.

California is also reevaluating its existing drinking water standard of 6 ppb for perchlorate, and the U.S. EPA is taking steps to regulate perchlorate in drinking water. If substantially lower standards are adopted, in either California or at the federal level for perchlorate or for hexavalent chromium, we expect a material increase in our estimates for environmental liabilities and the related assets for the portion of the increased costs that are probable of future recovery in the pricing of our products and services for the U.S. Government. The amount that would be allocable to our non-U.S. Government contracts or that is determined not to be recoverable under U.S. Government contracts would be expensed, which may have a material effect on our earnings in any particular interim reporting period.

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. In some cases, we may guarantee the contractual performance of third parties such as venture partners. We had total outstanding letters of credit, surety bonds, and third-party guarantees aggregating \$3.4 billion and \$3.6 billion at March 31, 2019 and December 31, 2018. Third-party guarantees do not include guarantees to subsidiaries and other consolidated entities.

At March 31, 2019 and December 31, 2018, third-party guarantees totaled approximately \$905 million and \$850 million, of which approximately 66% and 65% related to guarantees of contractual performance of ventures to which we currently are or previously were a party. This amount represents our estimate of the maximum amount we would expect to incur upon the contractual non-performance of the venture, 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 venture partner.

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

In determining our exposures, we evaluate the reputation, performance on contractual obligations, technical capabilities and credit quality of our current and former venture partners and the transferee under novation agreements all of which include a guarantee as required by the FAR. There were no material amounts recorded in our financial statements related to third-party guarantees or novation agreements.

NOTE 9 – FAIR VALUE MEASUREMENTS

Assets and liabilities measured and recorded at fair value on a recurring basis consisted of the following (in millions):

	March 31, 2019			December 31, 2018		
	Total	Level 1	Level 2	Total	Level 1	Level 2
Assets						
Mutual funds	\$ 984	\$ 984	\$ —	\$ 978	\$ 978	\$ —
U.S. Government securities	112	—	112	105	—	105
Other securities	180	65	115	144	28	116
Derivatives	20	—	20	22	—	22
Liabilities						
Derivatives	78	—	78	61	—	61
Assets measured at NAV ^(a)						
Other commingled funds	19			18		

^(a) Net Asset Value (NAV) is the total value of the fund divided by the number of the fund's shares outstanding.

Substantially all assets measured at fair value, other than derivatives, represent investments held in a separate 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 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 exchange forward 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.

The derivatives outstanding at both March 31, 2019 and December 31, 2018 consist of foreign currency forward contracts, interest rate swaps and foreign currency related contract embedded derivatives. 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. These contracts hedge forecasted foreign currency transactions in order to mitigate 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 reduce the amount of interest paid. 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 mitigate 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 mitigate certain economic exposures.

The aggregate notional amount of our outstanding interest rate swaps at both March 31, 2019 and December 31, 2018 was \$1.3 billion. The aggregate notional amount of our outstanding foreign currency hedges at March 31, 2019 and December 31, 2018 was \$3.4 billion and \$3.5 billion. The fair values of our outstanding interest rate swaps and foreign currency hedges at March 31, 2019 and December 31, 2018 were not significant. Derivative instruments did not have a material impact on net earnings and comprehensive income during the quarters ended March 31, 2019 and March 25, 2018. Substantially all of our derivatives are designated for hedge accounting.

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

In addition to the financial instruments listed in the table above, we hold other financial instruments, including debt and commercial paper. The estimated fair value of our outstanding debt and commercial paper based on Level 2 inputs was \$16.3 billion and \$15.4 billion at March 31, 2019 and December 31, 2018. The outstanding principal amount of debt and commercial paper was \$15.1 billion and \$15.3 billion at March 31, 2019 and December 31, 2018, excluding unamortized discounts and issuance costs of \$1.2 billion.

NOTE 10 – STOCKHOLDERS' EQUITY

Repurchases of Common Stock

During the quarter ended March 31, 2019, we repurchased 1.0 million shares of our common stock for \$284 million, some of which was settled subsequent to the end of the first quarter. The total remaining authorization for future common share repurchases under our share repurchase program was \$2.7 billion as of March 31, 2019. 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. Due to the volume of repurchases and the prices at which these were made, additional paid-in capital was reduced to zero, with the remainder of the excess purchase price over par value of \$237 million and \$274 million recorded as a reduction to retained earnings during the quarters ended March 31, 2019 and March 25, 2018.

Dividends

We declared cash dividends totaling \$623 million (\$2.20 per share) and \$573 million (\$2.00 per share) during the quarters ended March 31, 2019 and March 25, 2018. Dividends paid during the quarters ended March 31, 2019 and March 25, 2018 are higher than dividends declared due to dividend-equivalents paid to holders of RSUs. These dividend-equivalents are accrued during the RSU vesting period and are paid upon the vesting of the RSU.

Restricted Stock Unit Grants

During the quarter ended March 31, 2019, we granted certain employees approximately 0.6 million RSUs with a grant date fair value of \$303.60 per RSU. The grant date fair value of these RSUs is equal to the closing market price of our common stock on the grant date less a discount to reflect the delay in payment of dividend-equivalent cash payments that are made only upon vesting, which is generally three years from the grant date. We recognize the grant date fair value of RSUs, less estimated forfeitures, as compensation expense ratably over the requisite service period, which is shorter than the vesting period if the employee is retirement eligible on the date of grant or will become retirement eligible before the end of the vesting period.

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

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, 2018	\$ (14,254)	\$ (67)	\$ (14,321)
Other comprehensive income before reclassifications	—	(5)	(5)
Amounts reclassified from AOCL			
Recognition of net actuarial losses ^(a)	287	—	287
Amortization of net prior service credits ^(a)	(60)	—	(60)
Other	—	5	5
Total reclassified from AOCL	227	5	232
Total other comprehensive income	227	—	227
Balance at March 31, 2019	\$ (14,027)	\$ (67)	\$ (14,094)
Balance at December 31, 2017	\$ (12,559)	\$ 20	\$ (12,539)
Other comprehensive income before reclassifications	—	55	55
Amounts reclassified from AOCL			
Recognition of net actuarial losses ^(a)	364	—	364
Amortization of net prior service credits ^(a)	(64)	—	(64)
Other	—	3	3
Total reclassified from AOCL	300	3	303
Total other comprehensive income	300	58	358
Reclassification of income tax effects from tax reform ^(b)	(2,396)	(12)	(2,408)
Balance at March 25, 2018	\$ (14,655)	\$ 66	\$ (14,589)

^(a) Reclassifications from AOCL related to our postretirement benefit plans were recorded as a component of net periodic benefit cost for each period presented (see "Note 7 – Postretirement Benefit Plans").

^(b) Upon adoption of ASU 2018-02, *Income Statement - Reporting Comprehensive Income (Topic 220)* during the quarter ended March 25, 2018, we reclassified the impact of the income tax effects related to the Tax Cuts and Jobs Act (the Tax Act) from AOCL to retained earnings by the same amount with zero impact to total equity.

NOTE 11 – OTHER
Changes in Estimates

Significant estimates and assumptions are made in estimating contract sales and costs, including the profit booking rate. 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 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 surrounding 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. 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 determined.

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

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 for which we recognize revenue over time using the percentage-of-completion cost-to-cost method to measure progress towards completion. Increases in the profit booking rates, typically referred to as risk retirements, 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. Increases or decreases in profit booking rates are recognized in the current period and reflect the inception-to-date effect of such changes. Segment operating profit and margin may also be impacted favorably or unfavorably by other items, which may or may not impact sales. Favorable items may include the positive resolution of contractual matters, cost recoveries on severance and restructuring charges, insurance recoveries and gains on sales of assets. Unfavorable items may include the adverse resolution of contractual matters; 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 adjustments not related to volume, including net profit booking rate adjustments and other matters, increased segment operating profit by approximately \$565 million during the quarter ended March 31, 2019 and \$420 million during the quarter ended March 25, 2018. These adjustments increased net earnings by approximately \$446 million (\$1.57 per share) during the quarter ended March 31, 2019 and \$332 million (\$1.15 per share) during the quarter ended March 25, 2018. We recognized net sales from performance obligations satisfied in prior periods of approximately \$670 million during the quarter ended March 31, 2019 and \$415 million during the quarter ended March 25, 2018, which primarily relate to changes in profit booking rates that impacted revenue.

We are responsible for a program to design, develop and construct a ground-based radar. The program has experienced performance issues for which we have periodically accrued reserves. During the quarter ending March 31, 2019, we revised our estimated costs to complete the program and recorded a charge of approximately \$50 million (\$38 million, or \$0.13 per share, after tax) at our RMS business segment, which resulted in cumulative losses of approximately \$195 million on this program as of March 31, 2019. We may continue to experience issues related to customer requirements and our performance under this contract and have to record additional charges. However, based on the losses previously recorded and our current estimate of the sales and costs to complete the program, at this time we do not anticipate that additional losses, if any, would be material to our operating results or financial condition.

As previously disclosed in our 2018 Form 10-K, we have two commercial satellite programs at our Space business segment for which we have experienced performance issues related to the development and integration of a modernized LM 2100 satellite platform. These programs are for the delivery of three satellites in total, including one that launched in February 2019 and one that launched in April 2019. We have periodically revised our estimated costs to complete these developmental commercial programs. During the quarter ended March 31, 2019, we recorded losses of approximately \$20 million (\$15 million, or \$0.05 per share, after tax), which resulted in cumulative losses of approximately \$410 million for these programs. While these losses reflect our estimated total losses on the programs, we will continue to incur unrecoverable general and administrative costs each period until we complete the contract for the third satellite. While we have launched two satellites from one program, the third satellite program remains developmental and further challenges in the delivery and integration of new satellite technology, anomalies discovered during system testing requiring repair or rework, further schedule delays, and penalties could require that we record additional loss reserves which could be material to our operating results. We are late to the contract delivery schedule for the third satellite. If we are not able to deliver the third satellite by the contract termination date, the customer could seek to exercise a termination right under the contract, in which case we would have to refund the payments we have received and pay certain penalties. However, we think that it is not probable that the customer will seek to exercise any termination rights.

As previously disclosed in our 2018 Form 10-K, we are responsible for designing, developing and installing an upgraded turret for the Warrior Capability Sustainment Program at our MFC business segment. As of March 31, 2019, cumulative losses remain at approximately \$140 million. We may continue to experience issues related to customer requirements and our performance under this contract and have to record additional reserves. However, based on the losses already recorded and our current estimate of the sales and costs to complete the program, at this time we do not anticipate that additional losses, if any, would be material to our operating results or financial condition.

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

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. 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, 2019, our ending backlog was \$133.5 billion. We expect to recognize approximately 37% of our backlog over the next 12 months and approximately 65% over the next 24 months as revenue, with the remainder recognized thereafter.

Severance and Restructuring Charges

During the second quarter of 2018, we recorded charges totaling \$96 million (\$76 million, or \$0.26 per share, after tax) related to certain severance and restructuring actions at our RMS business segment. We expect to recover a portion of the severance and restructuring charges through the pricing of our products and services to the U.S. Government and other customers in future periods, which will be included in RMS' operating results. As of the end of the quarter ended March 31, 2019, we have paid approximately \$50 million in severance payments associated with these actions.

Income Taxes

Our effective income tax rates were 12.4% for the quarter ended March 31, 2019, and 14.9% for the quarter ended March 25, 2018. The rate for the quarter ended March 31, 2019 benefited from additional tax deductions based on proposed tax regulations released on March 4, 2019, which clarified that FMS sales qualify for foreign derived intangible income treatment. Approximately \$65 million, or \$0.23 per share, of this benefit was recorded discretely because it relates to the prior year. The rates for both periods benefited from tax deductions for dividends paid to our defined contribution plans with an employee stock ownership plan feature, tax deductions for foreign derived intangible income related to commercial sales, tax deductions for employee equity awards, and the research and development tax credit.

Sale of Customer Receivables

On occasion, our customers may seek deferred payment terms to purchase our products. In connection with these transactions, we may, at our customer's request, enter into arrangements for the non-recourse sale of customer receivables to unrelated third-party financial institutions. For accounting purposes, these transactions are not discounted and are treated as a sale of receivables as we have no continuing involvement. The sale proceeds from the financial institutions are reflected in our operating cash flows on the statement of cash flows. We sold customer receivables of \$104 million during the quarter ended March 31, 2019 and \$103 million during the quarter ended March 25, 2018. There were no gains or losses related to sales of these receivables.

Short-Term Debt and Commercial Paper

As of March 31, 2019, we had \$1.3 billion of short-term borrowings due within one year, consisting of \$900 million of debt scheduled to mature in November 2019 and \$400 million of commercial paper borrowings with a weighted average rate of 2.55%. As of December 31, 2018, we had \$1.5 billion of short-term borrowings due within one year, consisting of \$900 million of debt scheduled to mature in November 2019 and \$600 million of commercial paper borrowings with a weighted average rate of 2.89%. All of our commercial paper borrowings have maturities of up to three months or less from the date of issuance.

NOTE 12 – RECENT ACCOUNTING PRONOUNCEMENTS

Effective January 1, 2019, we adopted ASU 2016-02, *Leases (Topic 842)*, as amended, which requires lessees to recognize a ROU asset and lease liability on the balance sheet for most lease arrangements and expands disclosures about leasing arrangements for both lessees and lessors, among other items. We adopted ASU 2016-02 using the optional transition method whereby we applied the new lease requirements under ASU 2016-02 through a cumulative-effect adjustment, which after completing our implementation analysis, resulted in no adjustment to our January 1, 2019

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

beginning retained earnings balance. On January 1, 2019, we recognized approximately \$1.0 billion of ROU operating lease assets and approximately \$1.1 billion of operating lease liabilities, including noncurrent operating lease liabilities of approximately \$830 million as a result of adopting this standard. The difference between ROU operating lease assets and operating lease liabilities was primarily due to previously accrued rent expense relating to periods prior to January 1, 2019. As part of our adoption, we elected all of the available practical expedients with the exception of the practical expedient permitting the use of hindsight when determining the lease term and assessing impairment of ROU assets. The adoption of the standard did not have a material impact on our operating results or cash flows. The comparative periods have not been restated for the adoption of ASU 2016-02.

Effective January 1, 2019, we adopted ASU 2017-12, *Derivatives and Hedging (Topic 815)*, which among other things, eliminates the requirement to separately measure and report hedge ineffectiveness. The adoption of this standard did not have a significant impact on our operating results, financial position or cash flows.

In August 2018, the FASB issued ASU 2018-14, *Compensation—Retirement Benefits—Defined Benefit Plans—General (Topic 715-20): Disclosure Framework—Changes to the Disclosure Requirements For Defined Benefit Plans*. The new standard modifies the annual disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans by removing and adding certain disclosures for these plans. The guidance is effective for our fiscal year ending December 31, 2020 and requires disclosure changes to be presented on a retrospective basis. The adoption will not have an impact on our operating results, financial position or cash flows.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which requires companies to record an allowance for expected credit losses over the contractual term of financial assets, including short-term trade receivables and contract assets, and expands disclosure requirements for credit quality of financial assets. We will adopt the new standard effective January 1, 2020. Currently, we do not expect a significant impact to our operating results, financial position or cash flows as a result of adopting this new standard.

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 Corporation) as of March 31, 2019, the related consolidated statements of earnings, comprehensive income, cash flows and equity for the quarters ended March 31, 2019 and March 25, 2018, 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 Corporation as of December 31, 2018, 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 February 8, 2019, 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, 2018, 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 Corporation’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 24, 2019

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

BUSINESS OVERVIEW

We are a global security and aerospace company principally engaged in the research, design, development, manufacture, integration and sustainment of advanced technology systems, products and services. We also provide a broad range of management, engineering, technical, scientific, logistics, system integration and cybersecurity services. 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, 2019, 70% of our \$14.3 billion in net sales were from the U.S. Government, either as a prime contractor or as a subcontractor (including 59% from the Department of Defense (DoD)), 29% 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. Our main areas of focus are in defense, space, intelligence, homeland security and information technology, including cybersecurity.

2019 Financial Outlook

We expect our 2019 net sales to increase in the mid-single digit range from 2018 levels. The projected growth is driven by increased production and sustainment on the F-35 program at Aeronautics and increased volume from recent contract awards and increased volume in the tactical and strike missiles business at MFC. Total business segment operating profit margin in 2019 is expected to be approximately 10.7%; and cash from operations is expected to be greater than or equal to \$7.5 billion. The preliminary outlook for 2019 assumes the U.S. Government continues to support and fund our key programs. Changes in circumstances may require us to revise our assumptions, which could materially change our current estimate of 2019 net sales, operating margin and cash flows.

The following discussion is a supplement to and should be read in conjunction with the accompanying consolidated financial statements and notes thereto and with our Annual Report on Form 10-K for the year ended December 31, 2018 (2018 Form 10-K).

INDUSTRY CONSIDERATIONS

U.S. Government Funding

The U.S. Government began the government fiscal year (FY) with a full-year appropriation for the DoD. Congress passed, and the President signed into law an appropriation act that provides \$685 billion in funding for the DoD for FY 2019, which is comprised of \$617 billion in base funding and \$68 billion for the Overseas Contingency Operations (OCO) account to support the Global War on Terrorism (GWOT). Additionally, the U.S. Government passed full-year appropriations for FY 2019 for all agencies on February 15, 2019.

On March 11, 2019, the President submitted a budget proposal for FY 2020, which begins October 1, 2019, to Congress that includes a base budget for national defense of \$750 billion, including \$718 billion for the DoD. The base budget request for national defense represents an increase of nearly \$34 billion over the FY 2019 funding level, most of which relates to increases in the DoD's budget. Congress must approve or revise the President's FY 2020 budget proposal through enactment of appropriations bills and other policy legislation, which then requires final approval from the President.

Currently, U.S. defense spending in FY 2020 and FY 2021 remains subject to statutory spending limits established by the Budget Control Act of 2011 (Budget Control Act). The Budget Control Act spending limits were modified for fiscal years 2013 through 2019 by several acts. However, these acts do not alter the spending limits beyond FY 2019. As currently enacted, the Budget Control Act limits defense spending to \$576 billion (including approximately \$550 billion for DoD) for FY 2020 with a modest increase to \$590 billion (including approximately \$563 billion for DoD) in 2021. The President's defense budget proposal for FY 2020 and estimates beyond FY 2020 exceed the spending limits established by the Budget Control Act. As a result, continued budget uncertainty, and the risk of future sequestration cuts remain unless the Budget Control Act is repealed or significantly modified, and if Congress is unable to reach a timely agreement on full year appropriations for FY 2020, there is a risk of future government shutdowns or funding under a continuing resolution. See also the discussion of U.S. Government funding risks within Item 1A - Risk Factors included in our 2018 Form 10-K.

CONSOLIDATED RESULTS OF OPERATIONS

Since 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, the results of operations of a particular period, or period-to-period comparisons of sales and profits, may not be indicative of future operating results. The following discussions of comparative results among periods 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, 2019	March 25, 2018
Net sales	\$ 14,336	\$ 11,635
Cost of sales	(12,148)	(9,977)
Gross profit	2,188	1,658
Other income, net	95	67
Operating profit	2,283	1,725
Interest expense	(171)	(155)
Other non-operating expense, net	(167)	(210)
Earnings before income taxes	1,945	1,360
Income tax expense	(241)	(203)
Net earnings	\$ 1,704	\$ 1,157
Diluted earnings per common share	\$ 5.99	\$ 4.02

Certain amounts reported in other income, net, primarily 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, 2019	March 25, 2018
Products	\$ 11,970	\$ 9,762
% of total net sales	83.5%	83.9%
Services	2,366	1,873
% of total net sales	16.5%	16.1%
Total net sales	\$ 14,336	\$ 11,635

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 \$2.2 billion, or 23%, during the quarter ended March 31, 2019 compared to the same period in 2018. The increase in product sales was primarily due to higher product sales of approximately \$1.0 billion at

Aeronautics, \$565 million at MFC and \$340 million at RMS. Higher product sales at Aeronautics were primarily due to higher production volume for the F-35 program. The increase at MFC was primarily due to increased volume for tactical and strike missile programs (primarily precision fires, classified, and new hypersonic missile programs) and contract mix and increased volume for integrated air and missile defense programs (primarily Terminal High Altitude Area Defense (THAAD) and Patriot Advanced Capability-3 (PAC-3)). The increase in product sales at RMS was primarily due to higher volume for integrated warfare systems and sensors (IWSS) programs and higher volume for Sikorsky helicopter programs.

Service Sales

Service sales increased \$493 million, or 26%, during the quarter ended March 31, 2019 compared to the same period in 2018. The increase in service sales was primarily due to an increase in service sales of about \$195 million at RMS, \$160 million at Aeronautics, and \$110 million at MFC. The increase in service sales at RMS was primarily due to increased volume for IWSS and training and logistics solutions programs. Higher service sales at Aeronautics were primarily due to higher sustainment volume for the F-35 program and higher volume on modernization and sustainment for the F-22 program. The increase in service sales at MFC was primarily attributable to increased volume for sensors and global sustainment programs (primarily Special Operations Forces Global Logistics Support Services (SOF GLSS)) and higher sustainment volume for the PAC-3 program.

Cost of Sales

Cost of sales, for both products and services, consist of materials, labor, subcontracting costs, 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, 2019	March 25, 2018
Cost of sales – products	\$ (10,625)	\$ (8,697)
% of product sales	88.8%	89.1%
Cost of sales – services	(2,047)	(1,689)
% of service sales	86.5%	90.2%
Other unallocated, net	524	409
Total cost of sales	\$ (12,148)	\$ (9,977)

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. We have not identified any 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 \$1.9 billion, or 22%, during the quarter ended March 31, 2019 compared to the same period in 2018. The increase in product costs was primarily due to higher product costs of about \$965 million at Aeronautics, \$420 million at MFC, and \$355 million at RMS. The increase in product costs at Aeronautics was primarily due to higher production volume for the F-35 program. The increase in product costs at MFC was primarily due to increased volume for tactical and strike missile programs (primarily precision fires, classified, and new hypersonic missile programs) and contract mix and increased volume for integrated air and missile defense programs (primarily THAAD and PAC-3). The increase in product costs at RMS was primarily due to higher volume for IWSS programs, a charge for a ground-based radar program, and higher volume for Sikorsky helicopter programs.

Service Costs

Service costs increased \$358 million, or 21%, during the quarter ended March 31, 2019 compared to the same period in 2018. The increase in service costs was primarily due to higher service costs of about \$125 million at RMS, \$120 million at Aeronautics, and \$90 million at MFC. The increase in service costs at RMS was primarily due to increased volume for IWSS and training and logistics solutions programs. Higher service costs at Aeronautics were primarily due to higher sustainment volume for the F-35 program and higher volume on modernization and sustainment for the F-22 program. The increase in service costs at MFC was primarily attributable to increased volume for sensors and global sustainment programs (primarily SOF GLSS) and higher sustainment volume for the PAC-3 program.

Other Unallocated, Net

Other unallocated, net primarily includes the FAS/CAS operating adjustment (which represents the difference between CAS pension cost recorded in our business segment's results of operations and the service cost component of FAS pension expense), stock-based compensation expense and other corporate costs. These items are not allocated to the business segments and, therefore, are excluded from the cost of sales for products and services. Other unallocated, net was a net reduction to expense of \$524 million during the quarter ended March 31, 2019 compared to \$409 million during the quarter ended March 25, 2018. Other unallocated, net during the quarter ended March 31, 2019 was higher primarily due to an increase in our FAS/CAS operating adjustment (see "Business Segment Results of Operations" discussion below for more detail).

Other Income, Net

Other income, net primarily includes our share of earnings or losses from equity method investees. During the quarter ended March 31, 2019, other income, net was \$95 million compared to \$67 million during the quarter ended March 25, 2018. The increase during the quarter ended March 31, 2019 was primarily attributable to a previously deferred non-cash gain of approximately \$51 million (\$38 million, or \$0.13 per share, after tax) related to properties sold in 2015 as a result of completing our remaining obligations, partially offset by lower earnings generated by equity method investees.

Other Non-operating Expense, Net

Other non-operating expense, net primarily includes the non-service cost components of FAS pension and other postretirement benefit plan expense (i.e., interest cost, expected return on plan assets, net actuarial gains or losses, and amortization of prior service cost or credits) related to our postretirement benefit plans. During the quarter ended March 31, 2019, other non-operating expense, net was \$167 million compared to \$210 million during the quarter ended March 25, 2018. The decrease during the quarter ended March 31, 2019 was primarily due to a reduction in non-service FAS pension expense for our qualified defined benefit pension plans.

Income Tax Expense

Our effective income tax rates were 12.4% for the quarter ended March 31, 2019, and 14.9% for the quarter ended March 25, 2018. The rate for the quarter ended March 31, 2019 benefited from additional tax deductions based on proposed tax regulations released on March 4, 2019, which clarified that FMS sales qualify for foreign derived intangible income treatment. Approximately \$65 million, or \$0.23 per share, of this benefit was recorded discretely because it relates to the prior year. The rates for both periods benefited from tax deductions for dividends paid to our defined contribution plans with an employee stock ownership plan feature, tax deductions for foreign derived intangible income related to commercial sales, tax deductions for employee equity awards, and the research and development tax credit.

Future changes in tax law could significantly impact our provision for income taxes, the amount of taxes payable, our deferred tax asset and liability balances, and stockholders' equity. 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 future changes in tax law.

Net Earnings

We reported net earnings of \$1.7 billion (\$5.99 per share) during the quarter ended March 31, 2019, compared to \$1.2 billion (\$4.02 per share) during the quarter ended March 25, 2018. Both net earnings and earnings per share were affected by the factors mentioned above. Earnings per share also benefited from a net decrease of approximately

3.0 million shares outstanding from March 25, 2018 to March 31, 2019 as 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 the products and services offered.

Net sales and operating profit of our business segments exclude intersegment sales and cost of sales as these activities are eliminated in consolidation. 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 also includes total pension and other postretirement benefit plan costs recoverable on U.S. Government contracts as determined in accordance with U.S. Government cost accounting standards (CAS). However, our financial statements must present total costs calculated in accordance with Financial Accounting Standards (FAS) under U.S. GAAP. Accordingly, the adjustment from CAS cost to FAS service cost for our postretirement benefit plans is excluded from business segment operating profit (see additional discussion below). Business segment operating profit also excludes expense for stock-based compensation, corporate costs not considered allocable under FAR, and the effects of items not considered part of management's evaluation of segment operating performance.

Excluded items are included in the reconciling item "Unallocated items" between operating profit from our business segments and our consolidated operating profit. See "Note 11 – Other" for a discussion related to certain factors that may impact the comparability of net sales and operating profit of our business segments.

Summary operating results for each of our business segments were as follows (in millions):

	Quarters Ended	
	March 31, 2019	March 25, 2018
Net sales		
Aeronautics	\$ 5,584	\$ 4,398
Missiles and Fire Control	2,350	1,677
Rotary and Mission Systems	3,762	3,223
Space	2,640	2,337
Total net sales	\$ 14,336	\$ 11,635
Operating profit		
Aeronautics	\$ 585	\$ 474
Missiles and Fire Control	417	261
Rotary and Mission Systems	379	311
Space	334	264
Total business segment operating profit	1,715	1,310
Unallocated items		
FAS/CAS operating adjustment ^(a)	512	451
Stock-based compensation	(37)	(38)
Other, net	93	2
Total unallocated items	568	415
Total consolidated operating profit	\$ 2,283	\$ 1,725

^(a) The FAS/CAS operating adjustment represents the difference between the service cost component of FAS pension expense and total pension costs recoverable on U.S. Government contracts as determined in accordance with CAS.

Our total net FAS/CAS pension adjustment for the quarters ended March 31, 2019 and March 25, 2018, including the service and non-service cost components of FAS pension expense for our qualified defined benefit pension plans, were as follows (in millions):

	Quarters Ended	
	March 31, 2019	March 25, 2018
Total FAS expense and CAS costs		
FAS pension expense	\$ (273)	\$ (356)
Less: CAS pension cost	641	608
Net FAS/CAS pension adjustment	\$ 368	\$ 252
Service and non-service cost reconciliation		
FAS pension service cost	\$ (129)	\$ (157)
Less: CAS pension cost	641	608
FAS/CAS operating adjustment	512	451
Non-operating FAS pension cost ^(a)	(144)	(199)
Net FAS/CAS pension adjustment	\$ 368	\$ 252

^(a) The non-service cost components of net periodic benefit cost relate only to our qualified defined benefit pension plans. In addition to the non service cost components in the table above, we incurred similar costs for our other postretirement benefit plans of \$30 million and \$17 million for the quarters ended March 31, 2019 and March 25, 2018.

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 cost in each of our business segment's net sales and cost of sales. Our consolidated financial statements must present FAS pension and other postretirement benefit plan expense calculated in accordance with FAS requirements under U.S. GAAP. The operating portion of the net FAS/CAS pension adjustment represents the difference between the service cost component of FAS pension expense and total CAS pension cost. The non-service FAS pension cost component is included in other non-operating expense, net in our consolidated statements of earnings. The net FAS/CAS pension adjustment increases or decreases CAS pension cost to equal total FAS pension cost (both service and non-service).

Management evaluates performance on our contracts by focusing on net sales and operating profit and not by type or amount of operating expense. Consequently, our discussion of business segment performance focuses on net sales and operating profit, consistent with our approach for managing the business. This approach is consistent throughout the life cycle of our contracts, as management assesses the bidding of each contract by focusing on net sales and operating profit and monitors performance on our contracts in a similar manner through their completion.

We regularly provide customers with reports of our costs as the contract progresses. The cost information in the reports is accumulated in a manner specified by the requirements of each contract. For example, cost data provided to a customer for a product would typically align to the subcomponents of that product (such as a wing-box on an aircraft) and for services would align to the type of work being performed (such as aircraft sustainment). Our contracts generally allow for the recovery of costs in the pricing of our products and services. Most of our contracts are bid and negotiated with our customers under circumstances in which we are required to disclose our estimated total costs to provide the product or service. This approach for negotiating contracts with our U.S. Government customers generally allows for recovery of our actual costs plus a reasonable profit margin. We also may enter into long-term supply contracts for certain materials or components to coincide with the production schedule of certain products and to ensure their availability at known unit prices.

Many of our contracts span several years and include highly complex technical requirements. At the outset of a contract, we identify and monitor risks to the achievement of the technical, schedule and cost aspects of the contract and assess the effects of those risks on our estimates of total costs to complete the contract. The estimates consider the technical requirements (e.g., a newly-developed product versus a mature product), the schedule and associated tasks (e.g., the number and type of milestone events) and costs (e.g., material, labor, subcontractor, overhead and the estimated costs to fulfill our industrial cooperation agreements, sometimes referred to as offset agreements, required under certain contracts with international customers). The initial profit booking rate of each contract considers risks surrounding the ability to achieve the technical requirements, schedule and costs in the initial estimated total costs to

complete the contract. Profit booking rates may increase during the performance of the contract if we successfully retire risks surrounding the technical, schedule and cost aspects of the contract, which decreases the estimated total costs to complete the contract. Conversely, our profit booking rates may decrease if the estimated total costs to complete the contract increase. All of the estimates are subject to change during the performance of the contract and may affect the profit booking rate.

Changes in net sales and operating profit generally are expressed in terms of volume. Changes in volume refer to increases or decreases in sales or operating profit resulting from varying production activity levels, deliveries or service levels on individual contracts. Volume changes in segment operating profit are typically based on the current profit booking rate for a particular contract.

Comparability of our segment sales, operating profit and operating margin may be impacted favorably or unfavorably by changes in profit booking rates on our contracts for which we recognize revenue over time using the percentage-of-completion cost-to-cost method to measure progress towards completion. Increases in the profit booking rates, typically referred to as risk retirements, 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. Increases or decreases in profit booking rates are recognized in the current period and reflect the inception-to-date effect of such changes. Segment operating profit and margin may also be impacted favorably or unfavorably by other items, which may or may not impact sales. Favorable items may include the positive resolution of contractual matters, cost recoveries on severance and restructuring charges, insurance recoveries and gains on sales of assets. Unfavorable items may include the adverse resolution of contractual matters; 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.

We are responsible for a program to design, develop and construct a ground-based radar. The program has experienced performance issues for which we have periodically accrued reserves. During the quarter ending March 31, 2019, we revised our estimated costs to complete the program and recorded a charge of approximately \$50 million (\$38 million, or \$0.13 per share, after tax) at our RMS business segment, which resulted in cumulative losses of approximately \$195 million on this program as of March 31, 2019. We may continue to experience issues related to customer requirements and our performance under this contract and have to record additional charges. However, based on the losses previously recorded and our current estimate of the sales and costs to complete the program, at this time we do not anticipate that additional losses, if any, would be material to our operating results or financial condition.

As previously disclosed in our 2018 Form 10-K, we have two commercial satellite programs at our Space business segment for which we have experienced performance issues related to the development and integration of a modernized LM 2100 satellite platform. These programs are for the delivery of three satellites in total, including one that launched in February 2019 and one that launched in April 2019. We have periodically revised our estimated costs to complete these developmental commercial programs. During the quarter ended March 31, 2019, we recorded losses of approximately \$20 million (\$15 million, or \$0.05 per share, after tax), which resulted in cumulative losses of approximately \$410 million for these programs. While these losses reflect our estimated total losses on the programs, we will continue to incur unrecoverable general and administrative costs each period until we complete the contract for the third satellite. While we have launched two satellites from one program, the third satellite program remains developmental and further challenges in the delivery and integration of new satellite technology, anomalies discovered during system testing requiring repair or rework, further schedule delays, and penalties could require that we record additional loss reserves which could be material to our operating results. We are late to the contract delivery schedule for the third satellite. If we are not able to deliver the third satellite by the contract termination date, the customer could seek to exercise a termination right under the contract, in which case we would have to refund the payments we have received and pay certain penalties. However, we think that it is not probable that the customer will seek to exercise any termination rights.

As previously disclosed in our 2018 Form 10-K, we are responsible for designing, developing and installing an upgraded turret for the Warrior Capability Sustainment Program at our MFC business segment. As of March 31, 2019, cumulative losses remain at approximately \$140 million. We may continue to experience issues related to customer requirements and our performance under this contract and have to record additional reserves. However, based on the losses already recorded and our current estimate of the sales and costs to complete the program, at this time we do not anticipate that additional losses, if any, would be material to our operating results or financial condition.

Our consolidated net adjustments not related to volume, including net profit booking rate adjustments and other matters, increased segment operating profit by approximately \$565 million during the quarter ended March 31, 2019 and \$420 million during the quarter ended March 25, 2018.

Aeronautics

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

	Quarters Ended	
	March 31, 2019	March 25, 2018
Net sales	\$ 5,584	\$ 4,398
Operating profit	585	474
Operating margin	10.5%	10.8%

Aeronautics' net sales during the quarter ended March 31, 2019 increased \$1.2 billion, or 27%, compared to the same period in 2018. The increase was primarily attributable to higher net sales of approximately \$910 million for the F-35 program due to increased volume on production, sustainment and development programs; about \$100 million for classified development activities due to higher volume; and about \$70 million for the F-22 program due to higher volume on modernization and sustainment programs.

Aeronautics' operating profit during the quarter ended March 31, 2019 increased \$111 million, or 23%, compared to the same period in 2018. Operating profit increased approximately \$105 million for the F-35 program due to increased volume on production contracts and higher risk retirements on production and sustainment programs. Adjustments not related to volume, including net profit booking rate adjustments and other matters, were comparable during the quarter ended March 31, 2019 to the same period in 2018.

We continue to expect Aeronautics' 2019 net sales to increase in the high-single digit percentage range as compared to 2018 driven by the increased volume on the F-35 program. Operating profit is also expected to increase in the high-single digit percentage range, resulting in comparable operating profit margins in 2019 as compared to 2018.

Missiles and Fire Control

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

	Quarters Ended	
	March 31, 2019	March 25, 2018
Net sales	\$ 2,350	\$ 1,677
Operating profit	417	261
Operating margin	17.7%	15.6%

MFC's net sales during the quarter ended March 31, 2019 increased \$673 million, or 40%, compared to the same period in 2018. The increase was primarily attributable to higher net sales of approximately \$295 million for tactical and strike missiles programs due to increased volume (primarily precision fires, classified programs and new hypersonic missile programs); about \$220 million for integrated air and missile defense programs due to contract mix and increased volume (primarily THAAD and PAC-3); and about \$140 million for sensors and global sustainment programs due to increased volume (primarily Apache and SOF GLSS).

MFC's operating profit during the quarter ended March 31, 2019 increased \$156 million, or 60%, compared to the same period in 2018. Operating profit increased approximately \$75 million for integrated air and missile defense programs due to contract mix, higher volume and higher risk retirements on international programs (primarily PAC-3 and THAAD); and about \$55 million for tactical and strike missiles programs due to higher risk retirements and higher volume (primarily precision fires). Adjustments not related to volume, including net profit booking rate adjustments, were about \$50 million higher during the quarter ended March 31, 2019 compared to the same period in 2018.

We currently expect MFC's net sales to increase in the low-double digit percentage range in 2019 as compared to 2018 driven by key contract awards in 2018 and higher volume in the tactical and strike missiles business. Operating

profit is also expected to increase in the low-double digit percentage range in 2019 as compared to 2018 driven by the increase in sales volume. Operating profit margin for 2019 is expected to be slightly lower than 2018 levels.

Rotary and Mission Systems

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

	Quarters Ended	
	March 31, 2019	March 25, 2018
Net sales	\$ 3,762	\$ 3,223
Operating profit	379	311
Operating margin	10.1%	9.6%

RMS' net sales during the quarter ended March 31, 2019 increased \$539 million, or 17%, compared to the same period in 2018. The increase was primarily attributable to higher net sales of approximately \$295 million for IWSS programs due to higher volume (primarily Radar Surveillance Systems and Multi Mission Surface Combatant) and about \$170 million for Sikorsky helicopter programs due to higher volume (primarily the combat rescue helicopter program, military aircraft services, and mission systems programs).

RMS' operating profit during the quarter ended March 31, 2019 increased \$68 million, or 22%, compared to the same period in 2018. Operating profit increased approximately \$30 million for IWSS programs due to higher risk retirements and higher volume (primarily Radar Surveillance Systems), partially offset by a \$50 million charge for a ground-based radar program; about \$15 million for Sikorsky helicopter programs primarily due to higher risk retirements and higher volume for mission systems programs, partially offset by lower margin contracts for helicopter development programs. The increase in operating profit also included an increase of about \$15 million for C6ISR (command, control, communications, computers, cyber, combat systems, intelligence, surveillance, and reconnaissance) programs due to lower charges for various programs. Adjustments not related to volume, including net profit booking rate adjustments and other matters, were about \$30 million higher during the quarter ended March 31, 2019 compared to the same period during 2018.

We currently expect RMS' net sales to increase in the low-single digit percentage range compared to 2018 levels. Operating profit is also expected to increase in the low-single digit percentage range compared to 2018 levels. Operating profit margin for 2019 is expected to be slightly higher than 2018 levels.

Space

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

	Quarters Ended	
	March 31, 2019	March 25, 2018
Net sales	\$ 2,640	\$ 2,337
Operating profit	334	264
Operating margin	12.7%	11.3%

Space's net sales during the quarter ended March 31, 2019 increased \$303 million, or 13%, compared to the same period in 2018. The increase was primarily attributable to higher net sales of \$260 million for government satellite programs due to higher volume (primarily Next Generation Overhead Persistent Infrared (Next Gen OPIR); Global Positioning System (GPS) III; government satellite services; and Advanced Extremely High Frequency (AEHF)); and about \$50 million for the Orion program due to higher volume.

Space's operating profit during the quarter ended March 31, 2019 increased \$70 million, or 27%, compared to the same period in 2018. Operating profit increased approximately \$65 million for government satellite programs due to higher risk retirements (primarily AEHF) and higher volume (primarily GPS III; government satellite services; and AEHF); and about \$15 million for the Orion program due to higher risk retirements and higher volume. These increases were partially offset by a decrease of approximately \$20 million due to lower equity earnings for ULA. Adjustments not related to volume, including net profit booking rate adjustments, were about \$70 million higher during the quarter ended March 31, 2019 compared to the same period in 2018.

Total equity earnings recognized by Space (primarily ULA) represented approximately \$65 million, or 19%, of Space's operating profit during the quarter ended March 31, 2019, compared to approximately \$85 million, or 32%, during the quarter ended March 25, 2018.

We currently expect Space's 2019 net sales to increase in the low-single digit percentage range compared to 2018 levels. Operating profit in 2019 is expected to decrease in the mid- to high-single digit percentage range as compared to 2018 driven by lower equity earnings in 2019 compared to 2018. As a result, operating profit margin in 2019 is expected to decrease from 2018 levels.

FINANCIAL CONDITION

Liquidity and Cash Flows

We have a balanced cash deployment strategy to 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, including capital expenditures, independent research and development and have made selective business acquisitions and investments, while returning cash to stockholders through dividends and share repurchases, and managing our debt levels, maturities and interest rates, and pension obligations.

We have generated strong operating cash flows, which have been the primary source of funding for our operations, capital expenditures, debt service and repayments, dividends, share repurchases and postretirement benefit plan contributions. The total remaining authorization for future common share repurchases under our share repurchase program was \$2.7 billion as of March 31, 2019.

We expect our cash from operations will continue to be sufficient to support our operations and anticipated capital expenditures for the foreseeable future. However, we expect to continue to issue commercial paper backed by our revolving credit facility to manage the timing of our cash flows. We also have additional access to credit markets, if needed, for liquidity or general corporate purposes, and letters of credit to support customer advance payments and for other trade finance purposes such as guaranteeing our performance on particular contracts. See our "Capital Resources" section below for a discussion on financial resources available to us, including the issuance of commercial paper.

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, 2019	March 25, 2018
Cash and cash equivalents at beginning of year	\$ 772	\$ 2,861
Operating activities		
Net earnings	1,704	1,157
Non-cash adjustments	263	317
Changes in working capital	(653)	(1,027)
Other, net	349	185
Net cash provided by operating activities	1,663	632
Net cash used for investing activities	(257)	(86)
Net cash used for financing activities	(1,187)	(1,014)
Net change in cash and cash equivalents	219	(468)
Cash and cash equivalents at end of period	\$ 991	\$ 2,393

Operating Activities

Net cash provided by operating activities increased \$1.0 billion during the quarter ended March 31, 2019 compared to the same period in 2018. The increase in cash was largely driven by cash contributions of \$1.5 billion made during the quarter ended March 25, 2018 to our qualified defined benefit pension plans and a decrease in cash used for working capital of \$374 million, partially offset by net tax refunds of \$850 million received during the quarter ended March 25, 2018.

Investing Activities

Net cash used for investing activities increased during the quarter ended March 31, 2019, compared to the same period in 2018 primarily due to approximately \$105 million of cash received during the quarter ended March 25, 2018 as part of the final settlement of net working capital in connection with the 2016 divestiture of our Information Systems and Global Solutions business. Capital expenditures totaled \$284 million and \$216 million during the quarters ended March 31, 2019 and March 25, 2018. The majority of our capital expenditures were for equipment and facilities infrastructure that generally are incurred to support new and existing programs across all of our business segments. We also incur capital expenditures for information technology to support programs and general enterprise information technology infrastructure, inclusive of costs for the development or purchase of internal-use software.

Financing Activities

Net cash used for financing activities was \$1.2 billion during the quarter ended March 31, 2019, compared to \$1.0 billion during the same period in 2018. Net cash used for financing activities during the quarters ended March 31, 2019 and March 25, 2018 was primarily driven by dividend payments and share repurchases. During the quarter ended March 31, 2019 we also made net repayments of \$200 million for commercial paper.

During the quarters ended March 31, 2019 and March 25, 2018, we paid dividends totaling \$638 million (\$2.20 per share) and \$586 million (\$2.00 per share). In addition, we repurchased 1.0 million shares of our common stock during the quarter ended March 31, 2019 for \$284 million some of which was settled subsequent to the end of the first quarter. We repurchased 0.9 million shares of our common stock for \$300 million during the quarter ended March 25, 2018.

Capital Resources

At March 31, 2019, we held cash and cash equivalents of \$991 million that was generally available to fund ordinary business operations without significant legal, regulatory, or other restrictions.

Our outstanding debt, net of unamortized discounts and issuance costs, was \$13.9 billion as of March 31, 2019 and mainly is in the form of publicly-issued notes that bear interest at fixed rates. As of March 31, 2019, we had \$1.3 billion of short-term borrowings due within one year, consisting of \$900 million of debt scheduled to mature in November 2019 and \$400 million of commercial paper borrowings with a weighted average rate of 2.55%. As of December 31, 2018, we had \$1.5 billion of short-term borrowings due within one year, consisting of \$900 million of debt scheduled to mature in November 2019 and \$600 million of commercial paper borrowings with a weighted average rate of 2.89%. All of our commercial paper borrowings have maturities of up to three months or less from the date of issuance. The outstanding balance of commercial paper can fluctuate daily and the amount outstanding during the period may be greater than or less than the amount reported at the end of the period. As of March 31, 2019, we were in compliance with all covenants contained in our debt and credit agreements. There were no material changes during the quarter ended March 31, 2019 to our contractual commitments as presented in "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our 2018 Form 10-K that were outside the ordinary course of our business.

At March 31, 2019, we had a \$2.5 billion revolving credit facility (the 5-year Facility) with various banks that is available for general corporate purposes. The undrawn portion of the 5-year Facility also serves as a backup facility for the issuance of commercial paper. The total amount outstanding at any point in time under the combination of our commercial paper program and the credit facility cannot exceed the amount of the 5-year Facility. We may request and the banks may grant, at their discretion, an increase in the borrowing capacity under the 5-year Facility of up to an additional \$500 million. There were no borrowings outstanding under the 5-year Facility at March 31, 2019.

On occasion, our customers may seek deferred payment terms to purchase our products. In connection with these transactions, we may, at our customer's request, enter into arrangements for the non-recourse sale of customer receivables to unrelated third-party financial institutions. For accounting purposes, these transactions are not discounted and are treated as a sale of receivables as we have no continuing involvement. The sale proceeds from the financial institutions are reflected in our operating cash flows on the statement of cash flows. We sold customer receivables of \$104 million during the quarter ended March 31, 2019 and \$103 million during the quarter ended March 25, 2018. There were no gains or losses related to sales of these receivables.

Our total equity was \$2.5 billion at March 31, 2019, an increase of \$1.1 billion from December 31, 2018. The increase was primarily attributable to net earnings of \$1.7 billion and amortization of \$227 million in pension and other postretirement benefit plan expense and gains. These increases were partially offset by dividends declared of \$623 million

and the repurchase of 1.0 million shares for \$284 million some of which was settled subsequent to the end of the first quarter. 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. Due to the volume of repurchases made under our share repurchase program, additional paid-in capital was reduced to zero, with the remainder of the excess purchase price over par value of \$237 million recorded as a reduction of retained earnings during the quarter ended March 31, 2019.

OTHER MATTERS

Status of the F-35 Program

The F-35 program consists of multiple production contracts, sustainment activities, and new development efforts. During the quarter ended March 31, 2019, we delivered 26 aircraft to our U.S. and international partners, resulting in total deliveries of 383 production aircraft as of March 31, 2019. We have 370 production aircraft in backlog as of March 31, 2019, including orders from our international partners. Production of the aircraft is expected to continue for many years given the U.S. Government's current inventory objective of 2,456 aircraft for the U.S. Air Force, U.S. Marine Corps, and U.S. Navy; commitments from our eight international partners and three international customers; as well as expressions of interest from other countries.

In February 2019, the Department of the Navy declared Initial Operational Capability for its F-35C fleet, resulting in all three F-35 aircraft variants mission-ready and combat-capable. Given the size and complexity of the F-35 program, we anticipate that there will be continual reviews related to aircraft performance, program schedule, cost, and requirements as part of the DoD, Congressional, and international partners' oversight and budgeting processes. Current program challenges include, but are not limited to, supplier and partner performance, software development, level of cost associated with life cycle operations and sustainment and warranties, receiving funding for production contracts on a timely basis, executing future flight tests, findings resulting from testing and operating the aircraft.

Contingencies

See "Note 8 – 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 2018 Annual Report on Form 10-K.

Postretirement Benefit Plans

We may from time to time take actions to mitigate the effect of our defined benefit pension plans on our financial results by reducing the volatility of our pension obligations, including entering into additional transactions involving the purchase of a group annuity contract for a portion of our outstanding defined benefit pension obligations using assets from the pension trust. As described in our 2018 Form 10-K, during December 2018, a Lockheed Martin qualified defined benefit pension plan purchased two contracts from insurance companies covering \$2.6 billion of our outstanding defined benefit pension obligations. One of the contracts we purchased (referred to as a buy-out contract) relieved us of all responsibility for the pension obligations related to approximately 32,000 U.S. retirees and beneficiaries. The second contract was structured as a buy-in contract (that will reimburse the plan for all future benefit payments related to defined benefit obligations for approximately 9,000 U.S. retirees and beneficiaries) and was originally planned to be converted into a buy-out contract, but we have decided to retain the contract in the pension trust and not terminate the related pension plan (although the terms of the plan reserve our right to terminate the plan in the future). The buy-in contract is accounted for at fair value as an investment of the trust.

Goodwill and Intangible Assets

The carrying value of our Sikorsky reporting unit included goodwill of \$2.7 billion, an indefinite-lived trademark intangible asset of \$887 million, and finite-lived customer program intangible assets of \$2.4 billion as of March 31, 2019. As of the date of our 2018 annual impairment test, we estimated that the fair value of our Sikorsky reporting unit exceeded

its carrying value of goodwill by a margin of approximately 20% and the fair value of the intangible asset exceeded its carrying value by a margin of approximately 5%.

The fair values and carrying values of our goodwill and intangible asset at our Sikorsky reporting unit are closely aligned. Therefore, any business deterioration, changes in timing of orders, contract cancellations or terminations, or negative changes in market factors could cause our sales, earnings and cash flows to decline below current projections. Similarly, market factors utilized in the impairment analysis, including long-term growth rates, discount rates and relevant comparable public company earnings multiples and transaction multiples, could negatively impact the fair value of our reporting units. Based on our assessment of these circumstances, we have determined that goodwill and intangible assets at our Sikorsky reporting unit are at risk for impairment should there be deterioration of projected cash flows, a significant increase in the carrying value of the reporting unit, contract cancellations or terminations, or negative changes in market factors.

Recent Accounting Pronouncements

See “Note 12 – Recent Accounting Pronouncements” included in our Notes to Consolidated Financial Statements for information related to new accounting standards.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

As disclosed in “Item 7A. Quantitative and Qualitative Disclosures About Market Risk” of our Annual Report on Form 10-K for the year ended December 31, 2018, 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 other exposures to market risk have not changed materially since December 31, 2018. See “Note 9 – 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, 2019. 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, 2019.

There were no changes in our internal control over financial reporting during the quarter ended March 31, 2019 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 conditioned upon the availability of funding and can be terminated by the U.S. Government for convenience, and our ability to negotiate favorable contract terms;
- budget uncertainty; affordability initiatives; the risk of future sequestration under the Budget Control Act of 2011 or other budget cuts; the impact of any future government shutdowns (including the potential that we work on unfunded contracts to preserve their cost and/or schedule); continuing delay in obtaining export approvals from the Department of State resulting from the prior shutdown and staffing shortages; or the potential that DoD funds are repurposed;
- risks related to the development, production, sustainment, performance, schedule, cost and requirements of complex and technologically advanced programs including our largest, the F-35 program;
- economic, industry, business and political conditions including their effects on governmental policy (including government actions to prevent the sale or delivery of our products, such as delays in obtaining Congressional approvals for exports requiring Congressional notification to the Kingdom of Saudi Arabia, the United Arab Emirates

and Turkey and the Pentagon's decision to suspend the sales of F-35 aircraft to Turkey), or other trade policies or sanctions (including potential sanctions on the Kingdom of Saudi Arabia);

- our success expanding into and doing business in adjacent markets and internationally; the differing risks posed by international sales, including those involving commercial relationships with unfamiliar customers and different cultures; our ability to recover investments, which is frequently dependent upon the successful operation of ventures that we do not control; and changes in foreign national priorities, and foreign government budgets;
- the competitive environment for our products and services, including increased pricing pressures, aggressive pricing in the absence of cost realism evaluation criteria, competition from outside the aerospace and defense industry, and increased bid protests;
- planned production rates for significant programs; compliance with stringent performance and reliability standards; materials availability;
- the performance and financial viability of key suppliers, teammates, ventures, venture partners, subcontractors and customers;
- the timing and customer acceptance of product deliveries;
- our ability to continue to innovate and develop new products and to attract and retain key personnel and transfer knowledge to new personnel; the impact of work stoppages or other labor disruptions;
- the impact of cyber or other security threats or other disruptions to our businesses;
- our ability to implement and continue and the timing and impact of capitalization changes such as share repurchases and dividend payments;
- timing and estimates regarding pension funding and the success of our efforts to reduce volatility of our outstanding pension obligations and to accelerate CAS cost recovery and recover certain associated costs from the U.S. Government;
- our ability to recover certain costs under U.S. Government contracts and changes in contract mix;
- the accuracy of our estimates and projections;
- movements in interest rates and other changes that may affect pension plan assumptions, equity, the level of the FAS/CAS adjustment and actual returns on pension plan assets;
- realizing the anticipated benefits of acquisitions or divestitures, ventures, teaming arrangements or internal reorganizations, and our efforts to increase the efficiency of our operations and improve the affordability of our products and services;
- risk of an impairment of goodwill and intangible assets, investments or other long-term assets, including the potential impairment of goodwill, intangible assets and inventory recorded as a result of the acquisition of the Sikorsky business and the potential further impairment of our equity investment in Advanced Military Maintenance, Repair and Overhaul Center LLC (AMMROC);
- the adequacy of our insurance and indemnities;
- the effect of changes in (or in the interpretation of) procurement and other regulations and policies affecting our industry, including export of our products from the U.S. and other countries, cost allowability or recovery, aggressive government positions with respect to the use and ownership of intellectual property and potential changes to the DoD's acquisition regulations relating to progress payments and performance-based payments and a preference for fixed-price contracts;
- the effect of changes in accounting, taxation, or export laws, regulations, and policies; and
- the outcome of legal proceedings, bid protests, environmental remediation efforts, government investigations or government allegations that we have failed to comply with law, other contingencies and U.S. Government identification of deficiencies in our business systems.

These are only some of the factors that may affect forward-looking statements contained in this Form 10-Q. For a discussion identifying additional important factors that could cause actual results to vary 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, 2018 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 its 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 or have property subject to litigation and other proceedings that arise in the ordinary course of our business, including matters arising under provisions relating to 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, compensatory or treble damages or non-monetary sanctions or relief. We believe the probability is remote that the outcome of these matters will have a material adverse effect on the corporation as a whole, notwithstanding that the unfavorable resolution of any matter may have a material effect on our net earnings in any particular interim reporting period. We cannot predict the outcome of legal or other proceedings with certainty. These matters include the proceedings summarized in “Note 8 – Legal Proceedings and Contingencies” included in our Notes to Consolidated Financial Statements and “Note 14 – Legal Proceedings, Commitments and Contingencies” in our Annual Report on Form 10-K for the year ended December 31, 2018 (2018 Form 10-K) filed with the U.S. Securities and Exchange Commission.

We are subject to federal, state, local and foreign requirements for protection of the environment, including those for discharge of hazardous substances and remediation of contaminated sites. As a result, we are a party to or have our property subject to various lawsuits or proceedings involving environmental protection matters. Due in part to their complexity and pervasiveness, such requirements have resulted in us being involved with related legal proceedings, claims and remediation obligations. The extent of our financial exposure cannot in all cases be reasonably estimated at this time. For information regarding these matters, including current estimates of the amounts that we believe are required for environmental remediation to the extent estimable, see “Note 8 – Legal Proceedings and Contingencies” included in our Notes to Consolidated Financial Statements. 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”, each in our 2018 Form 10-K for a description of previously reported matters.

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.

ITEM 1A. Risk Factors

While we attempt to identify, manage and mitigate risks and uncertainties associated with our business to the extent practical under the circumstances, some level of risk and uncertainty will always be present. “Item 1A. Risk Factors” of our 2018 Form 10-K describes some of the risks and uncertainties associated with our business, including U.S. Government funding, as further described in the “Industry Considerations” section of “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Form 10-Q. These risks and uncertainties have the potential to materially affect our business, results of operations, financial condition, cash flows, projected results and future prospects. We do not believe that there have been any material changes to the risk factors disclosed in our 2018 Form 10-K.

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, 2019.

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, 2019.

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)	Amount Available for Future Share Repurchases Under the Plans or Programs ^(b)
				(in millions)
January 1, 2019 – January 27, 2019	272,782	\$ 273.28	272,782	\$ 2,936
January 28, 2019 – February 24, 2019	566,964	\$ 292.59	263,928	\$ 2,857
February 25, 2019 – March 31, 2019	435,061	\$ 300.07	434,138	\$ 2,727
Total	1,274,807 ^(c)	\$ 291.01	970,848	

^(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, January 27, 2019 was the last day of our January 2019 fiscal month.

^(b) In October 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 \$2.7 billion as of March 31, 2019. 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, 2019, the total number of shares purchased included 303,959 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 6. Exhibits

Exhibit No.	Description
10.1	Form of Restricted Stock Unit Award Agreement under the Lockheed Martin Corporation 2011 Incentive Performance Award Plan.
10.2	Form of Performance Stock Unit Award Agreement (2019 - 2021 Performance Period) under the Lockheed Martin Corporation 2011 Incentive Performance Award Plan.
10.3	Form of Long Term Incentive Performance Award Agreement (2019 - 2021 Performance Period) under the Lockheed Martin Corporation 2011 Incentive Performance Award Plan.
10.4	Lockheed Martin Corporation Amended and Restated 2006 Management Incentive Compensation Plan (Performance Based), amended and restated effective January 1, 2019.
15	Acknowledgment of Independent Registered Public Accounting Firm.
31.1	Certification of Marilyn A. Hewson pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Kenneth R. Possenriede pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Marilyn A. Hewson and Kenneth R. Possenriede 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	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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 24, 2019

By: /s/ Brian P. Colan
Brian P. Colan
Vice President and Controller
(Duly Authorized Officer and Chief Accounting Officer)

Award Date: February 21, 2019



**RESTRICTED STOCK UNIT AWARD AGREEMENT (ANNUAL)
GRANTED UNDER THE LOCKHEED MARTIN CORPORATION
2011 INCENTIVE PERFORMANCE AWARD PLAN**

**THIS DOCUMENT CONSTITUTES PART OF A PROSPECTUS COVERING
SECURITIES THAT HAVE BEEN REGISTERED UNDER THE
SECURITIES ACT OF 1933**

This Award Agreement applies to the Restricted Stock Units ("RSUs") granted by Lockheed Martin Corporation to you as of the Award Date (defined above) under the Lockheed Martin Corporation 2011 Incentive Performance Award Plan, as amended and restated ("Plan"). The term Restricted Stock Unit or RSU as used in this Award Agreement refers only to the Restricted Stock Units awarded to you under this Award Agreement. References to the "Corporation" include Lockheed Martin Corporation and its Subsidiaries.

Each RSU entitles you, upon satisfaction of the continuous employment and other requirements set forth in this letter and the Plan, to receive from the Corporation: (i) one (1) share of the Corporation's common stock, par value \$1.00 per share ("Stock"); and (ii) a cash payment equal to the sum of any cash dividends paid to stockholders of the Corporation during the Restricted Period (as defined below), each in accordance with the terms of this Award Agreement, the Plan, and any rules and procedures adopted by the Management Development and Compensation Committee ("Committee") of the Board of Directors.

This Award Agreement sets forth some of the terms and conditions of your Award under the Plan, as determined by the Committee. Additional terms and conditions, including tax information, are contained in the Plan and in the Prospectus relating to the Plan of which the Plan and this Award Agreement are a part. In the event of a conflict between this Award Agreement and the Plan, the Plan document will control. The number of RSUs applicable to your Award are set forth in the electronic stock plan award recordkeeping system ("Stock Plan System") maintained by the Corporation or its designee at <http://www.stockplanconnect.com>. The Prospectus is also available at this website.

Except as described in Section 9, your Award is not effective or enforceable until you properly acknowledge your acceptance of the Award by completing the electronic receipt on the Stock Plan System as soon as possible but in no event later than May 31, 2019. **Except as described in Section 9, if you do not properly acknowledge your acceptance of this Award Agreement on or before May 31, 2019, this Award will be forfeited.**

Assuming prompt and proper acknowledgement of your acceptance of this Award Agreement as described above and in Section 9, this Award will be effective as of the Award Date.

Acceptance of this Award Agreement constitutes your consent to any action taken under the Plan consistent with its terms with respect to this Award and your agreement to be bound by the restrictions contained in Section 9 and Exhibit A ("Post-Employment Conduct Agreement") and Exhibit B ("Stock Ownership Requirements"), as amended from time to time.

1. CONSIDERATION FOR AWARD

The consideration for the RSUs is your continued service to the Corporation as an Employee during the Restricted Period set forth below. If you do not continue to perform services for the Corporation as an Employee during the entire Restricted Period as set forth below under "RESTRICTED PERIOD, FORFEITURE," your Award will be forfeited in whole or in part.

2. RIGHTS OF OWNERSHIP, RESTRICTIONS ON TRANSFER

During the Restricted Period, your RSUs will be subject to forfeiture. Until the Restricted Period ends with respect to a particular RSU and a share of Stock is delivered to you, you generally will not have the rights and privileges of a stockholder. In particular, you will not have the right to vote your RSUs on any matter put to the stockholders of the Corporation; you may not sell, transfer, assign, pledge, use as collateral or otherwise dispose of or encumber RSUs; and you will not have the right to receive any dividends paid to stockholders or dividend equivalents on the RSUs.

Upon expiration or termination of the Restricted Period with respect to your RSUs, and subject to the forfeiture provisions set forth below, each RSU for which the restrictions have lapsed will be exchanged for a certificate (either in paper or book entry form) evidencing one (1) share of Stock issued in your name and an amount equal to the cash dividends that would have been paid to you had you owned such share from the Award Date until the expiration or termination of the Restricted Period ("Deferred Dividend Equivalents" or "DDEs"). Your shares and the cash payment for the DDEs will be delivered to you as soon as practicable, but not later than sixty (60) days after the expiration or termination of the Restricted Period, and in no event later than the March 15 following the expiration or termination of such Restricted Period (or, for taxpayers in Canada or as otherwise required by local country law, in no event later than the December 31 following the expiration or termination of such Restricted Period).

The certificates delivered to you may contain any legend the Corporation determines is appropriate under the securities laws.

You are responsible for payment of all Taxes imposed on you as a result of the Award. The Corporation will comply with all applicable U.S. Tax withholding requirements applicable to the RSUs, the DDEs, and associated Stock. Please see the prospectus for the Plan for a discussion of certain material U.S. Tax consequences of the Award. Any withholding Tax on shares of Stock (and associated DDEs) deliverable to you will be satisfied by means of the Corporation's reducing the number of shares of Stock (and associated DDEs) deliverable to you in respect of a vested Award. If you are an Insider at the time of income tax withholding, the Corporation will base withholding on the highest individual tax rate. If you are not an Insider at the time of income tax withholding, the Corporation will base withholding on the highest individual tax rate, unless you elect otherwise in accordance with procedures established by the Corporation during an election window offered by the Corporation. If you elect a lower tax rate for withholding, then you may owe additional taxes as a result of the payment of the Award.

If any Tax withholding is required with respect to any Award (including with respect to associated DDEs) during the Restricted Period, the Corporation generally shall accelerate vesting on a number of shares of Stock and/or DDEs with a value equal to the Tax withholding obligation and the vested shares of Stock and/or vested DDEs will be used to satisfy the Tax withholding obligation. Your Award will be reduced by the number of shares of Stock and/or DDEs that are accelerated pursuant to the prior sentence.

The Corporation shall also have the right to (i) offset any other obligation of the Corporation to you (including but not limited to by withholding from your salary) by an amount sufficient to satisfy the Tax withholding obligation, or (ii) require you (or your estate) to pay the Corporation an amount equal to the Tax withholding obligation.

If you are a taxpayer in a country other than the U.S., you agree to make appropriate arrangements with the Corporation or its subsidiaries for the satisfaction of all income and employment tax withholding requirements, as well as social insurance contributions applicable to the RSUs, the DDEs, and associated Stock. Please see the tax summary for your country on the Stock Plan System at <http://www.stockplanconnect.com>. If you are a taxpayer in a country other than the U.S., you represent that you will consult with your own tax advisors in connection with this Award and that you are not relying on the Corporation for any tax advice.

If a payment under this Award constitutes nonqualified deferred compensation under Section 409A of the Code, no payment due upon termination of employment shall be made unless the termination of employment is a "separation from service" as defined in Section 409A of the Code and accompanying regulations. In the event Code section 409A(a)(2)(B)(i) applies because you are a specified employee receiving a distribution on account of a termination of employment, delivery of Stock and the DDEs may be delayed for six months from such date. Similarly, if you are an Insider subject to the reporting provisions of Section 16(a) of the Securities Exchange Act of 1934 ("Exchange Act"), delivery of Stock following the expiration of the Restricted Period for any reason may be delayed for six months. For example, if the delivery of the Stock would result in a nonexempt short-swing transaction under Section 16(b) of the Exchange Act, delivery will be delayed until the earliest date upon which the delivery either would not result in a nonexempt short-swing transaction or would otherwise not result in liability under Section 16(b) of the Exchange Act.

After the Stock is delivered to you, you will enjoy all of the rights and privileges associated with ownership of the shares, including the right to vote on any matter put to stockholder vote, to receive dividends, and to encumber, sell or otherwise transfer the shares. You should note, however, that, while the shares would thus be free of the restrictions imposed during the Restricted Period, your ability to sell or pledge the shares may be limited under the federal securities laws or corporate policy.

In the event of your death, the Stock and cash payment for the DDEs in respect of your RSUs will be transferred to your estate.

3. RESTRICTED PERIOD, FORFEITURE

Except as otherwise provided in Section 4 below or as required to satisfy a Tax withholding obligation as provided in Section 2 above, all of your RSUs will be forfeited and all of your rights to the RSUs and to receive Stock for your RSUs and to receive cash payment for the DDEs will cease without further obligation on the part of the Corporation unless (i) except as described in

Section 9, you personally accept this Award Agreement as provided in Section 9 by May 31, 2019, and (ii) you provide services to the Corporation as an Employee of the Corporation throughout the entire Restricted Period. The Restricted Period begins on the Award Date and terminates on February 21, 2022, subject only to the specific exceptions provided below.

4. DEATH, DISABILITY, LAYOFF, RETIREMENT

(a) Death and Disability

Your RSUs and the DDEs will immediately vest and no longer be subject to the continuing employment requirement if:

- (i) you die while still employed by the Corporation; or
- (ii) you terminate employment as a result of your total disability. Your employment will be treated as terminating because of a total disability on the date you commence receiving a benefit under the Corporation's long-term disability plan in which you participate (or, if you are not enrolled in the Corporation's long-term disability plan, on the date on which long-term disability benefits would have commenced under the plan under which you would have been covered, had you enrolled, using the standards set forth in that plan).

The vested RSUs will be exchanged for shares of Stock, and the DDEs will be paid in cash as soon as practicable, but no later than sixty (60) days after the date of your termination of employment, on account of death or total disability, and in no event later than March 15 following the year in which such termination occurs (or, for taxpayers in Canada or as otherwise required by local country law, in no event later than the December 31 following such termination).

Except as otherwise determined by the Corporation in its discretion in accordance with Section 9, in the event that you die and have not properly acknowledged acceptance of the Award prior to your death (or by May 31, 2019, whichever comes first), you will forfeit all of your RSUs granted hereunder and all of your rights to the RSUs and to receive Stock for your RSUs and the DDEs will cease without further obligation on the part of the Corporation.

(b) Retirement or Layoff

If you retire or are laid off by the Corporation (including through a voluntary separation program that constitutes a window program under Code section 409A) and the effective date of your retirement or layoff is after August 21, 2019, but before February 21, 2022, you will continue to vest in your RSUs and the DDEs as if you had remained employed by the Corporation until February 21, 2022. The effective date of your retirement is the first day following the date you terminate services with the Corporation. Notwithstanding the foregoing, if you are an employee who has been identified by the Corporation as subject to Divestiture (as defined in Section 6 below), and the effective date of your layoff is after the Award Date but before August 21, 2019, you will continue to vest in your RSUs and the DDEs as if you remained employed by the Corporation until February 21, 2022.

The vested RSUs will be exchanged for shares of Stock, and the related DDEs associated with the vested portion of your RSUs will be paid in cash, on or as soon as practicable after

February 21, 2022, but in no event later than March 15, 2022 (or, for taxpayers in Canada or as otherwise required by local country law, in no event later than the December 31 following the end of the Restricted Period).

For purposes of this provision, the term "retirement" means retirement from service following attainment of (i) age 55 and ten years of service (at the time of termination), or (ii) age 65.

If you are employed in Canada, for purposes of the Award Agreement, the date of termination of employment will be the last day of actual and active employment. For the avoidance of doubt, except as may be required by applicable minimum standards legislation, no period of notice or payment in lieu of notice that is given or that ought to have been given under any applicable law or contract in respect of such termination of employment that follows or is in respect of a period after your last day of actual and active employment, if any, will be considered as extending your period of employment for purposes of determining your entitlement under this Award Agreement.

5. RESIGNATION OR TERMINATION BEFORE FEBRUARY 21, 2022

Except where prohibited by law, if you resign or your employment otherwise terminates before February 21, 2022, other than on account of death, disability, layoff, or retirement (as described above), or Divestiture or Change in Control (as described below), you will forfeit your RSUs and the related DDEs on the date of your termination.

Except where prohibited by law, if your employment terminates for any reason before February 21, 2022, by action of the Corporation due to your misconduct, then you will forfeit your RSUs and the associated DDEs on the date of your termination. If your employment terminates due to your misconduct after August 21, 2019, but before February 21, 2022, then you will not be eligible for continued vesting under Section 4(b) of the Award Agreement, even if at the time of your termination due to misconduct you have attained (i) age 55 and ten years of service, or (ii) age 65. The business area or Enterprise Operations review committee responsible for determinations of misconduct, or the Committee if you are an Elected Officer, will determine if your employment terminates due to misconduct.

6. DIVESTITURE

In the event of a Divestiture (as defined below) of all or substantially all of a business operation of the Corporation and such Divestiture results in the termination of your employment with the Corporation or its subsidiaries and the transfer of such employment to the other party to the Divestiture or the entity resulting from the Divestiture (or its affiliate), then the Committee may arrange for such other party or entity to assume or continue your RSUs or substitute equivalent restricted securities for your RSUs, with the same terms and conditions that apply to your RSUs pursuant to this Award Agreement, and the remainder of this Section 6 shall not apply.

If (i) such assumption, continuance or substitution of your RSUs does not occur, (ii) the Divestiture results in the termination of your employment with the Corporation or its subsidiaries, and (iii) your employment transfers to the other party to the Divestiture or the entity resulting from the Divestiture (or its affiliate), then the following rules will apply:

(a) Pro-rata Vesting. You shall be eligible to receive a fraction of your RSUs and the associated DDEs with respect to such fraction. The numerator of such fraction shall equal the number of days in the Restricted Period before your employment as an Employee terminated due

to the Divestiture, and the denominator shall equal the total number of days in the Restricted Period. Fractional shares shall be rounded up to the next whole share.

(b) Special Rule if Retirement Eligible. Notwithstanding Section 6(a) immediately above, if at the time your employment with the Corporation or its subsidiaries terminates due to Divestiture and transfers to the other party to the Divestiture or the resulting entity to the Divestiture (or its affiliate), you are eligible for retirement treatment under Section 4(b) above (without regard to whether your termination occurs after August 21, 2019), then the Corporation will treat you as having retired and apply the vesting provision in Section 4(b) above to your RSUs.

(c) No Further Rights. The Committee shall have complete and absolute discretion to make the determinations called for under this Section 6, and all such determinations shall be binding on you and on any person who claims all or any part of your RSUs and associated DDEs on your behalf as well as on the Corporation. If you terminate employment during the Restricted Period due to Divestiture but are eligible to receive a portion of your RSUs and associated DDEs as a result of this Section 6, payment of such portion of your RSUs and associated DDEs shall be in full satisfaction of all rights you have under this Award Agreement and you will receive shares of Stock in exchange for RSUs and the cash payment for the DDEs as soon as practicable, but no later than sixty (60) days after your termination of employment with the Corporation.

For the purposes of this Section 6, the term "Divestiture" shall mean a transaction that results in the transfer of control of the business operation divested to any person, corporation, association, partnership, joint venture, limited liability company or other business entity of which less than 50% of the voting stock or other equity interests (in the case of entities other than corporations), is owned or controlled directly or indirectly by the Corporation, by one or more of the Corporation's subsidiaries or by a combination thereof.

7. CHANGE IN CONTROL DURING THE RESTRICTED PERIOD

In the event of a consummation of a Change in Control during the Restricted Period, the number of RSUs subject to this Award and associated DDEs will become vested (i) on the effective date of the Change in Control if the RSUs are not assumed, continued, or equivalent restricted securities are not substituted for the RSUs by the Corporation or its successor, or (ii) if the RSUs are assumed, continued or substituted by the Corporation or its successor, on the effective date of your involuntary termination by the Corporation or its successor other than for Cause (as defined herein, not including death or Total Disability) or your voluntary termination with Good Reason (as defined herein), in either case, within the 24-month period following the consummation of the Change in Control.

In the event the RSUs and associated DDEs vest in accordance with this Section 7 (whether immediately following the Change in Control or following your termination), the shares of Stock or equivalent substituted securities in which you have become vested and the associated DDEs (less any Tax withholding) shall be delivered to you within 14 days of the date on which you become vested.

(a) "Cause" shall mean either of the following:

- (i) Conviction for an act of fraud, embezzlement, theft or other act constituting a felony (other than traffic-related offenses or as a result of vicarious liability); or
- (ii) Willful misconduct that is materially injurious to the Corporation's financial position, operating results or reputation; provided, however that no act or failure to act shall be considered "willful" unless done, or omitted to be done, by you (a) in bad faith; (b) for the purpose of receiving an actual improper personal benefit in the form of money, property or services; or (c) in circumstances where you had reasonable cause to believe that the act, omission, or failure to act was unlawful.

(b) "Good Reason" shall mean, without your express written consent, the occurrence of any one or more of the following after the Change in Control:

- (i) A material and substantial reduction in the nature or status of your authority or responsibilities;
- (ii) A material reduction in your annualized rate of base salary;
- (iii) A material reduction in the aggregate value of your level of participation in any short or long term incentive cash compensation plan, employee benefit or retirement plan or compensation practices, arrangements, or policies;
- (iv) A material reduction in the aggregate level of participation in equity-based incentive compensation plans; or
- (v) Your principal place of employment is relocated to a location that is greater than 50 miles from your principal place of employment on the date the Change in Control is consummated.

Your continued employment following an event that would constitute a basis for voluntary termination with Good Reason shall not constitute Good Reason if you consent to, or waive your rights with respect to any circumstances constituting Good Reason. In addition, the occurrence of an event described in (i) through (v) shall constitute the basis for voluntary termination for Good Reason only if you provide written notice of your intent to terminate employment within 90 days of the first occurrence of such event and the Corporation has had at least 30 days from the date on which such notice is provided to cure such occurrence. If you do not terminate employment for Good Reason within 180 days after the first occurrence of the applicable grounds, then you will be deemed to have waived your right to terminate for Good Reason with respect to such grounds.

8. AMENDMENT AND TERMINATION OF PLAN OR AWARDS

As provided in Section 9 of the Plan, subject to certain limitations contained within Section 9, the Board of Directors may at any time amend, suspend or discontinue the Plan and the Committee may at any time alter or amend this Award Agreement. Notwithstanding Section 9 of the Plan, no such amendment, suspension or discontinuance of the Plan or alteration or amendment of Award Agreements will, except with your express written consent, adversely affect your rights

under this Award Agreement. This Award Agreement shall not be amended or interpreted in a manner that is reasonably believed to result in the imposition of Tax under Code section 409A.

9. ACCEPTANCE OF AWARD AGREEMENT; ELECTRONIC DELIVERY

No Award is enforceable until you properly acknowledge your acceptance of this Award Agreement by completing the electronic receipt on the Stock Plan System as soon as possible but in no event later than May 31, 2019. Acceptance of this Award Agreement must be made only by you personally or by a person acting pursuant to a power of attorney in the event of your inability to acknowledge your acceptance (and not by your estate, your spouse or any other person) and constitutes your consent to any action taken under the Plan consistent with its terms with respect to this Award. Notwithstanding the foregoing, this Award will be enforceable and deemed accepted, and will not be forfeited, if you are unable to accept this Award Agreement personally by May 31, 2019, due to your death, disability, incapacity, deployment in the Armed Forces, or similar unforeseen circumstance as determined by the Corporation in its discretion. If you desire to accept this Award, you must acknowledge your acceptance and receipt of this Award Agreement electronically on or before May 31, 2019, by going to the Stock Plan System at <http://www.stockplanconnect.com>.

Assuming prompt and proper acknowledgment of this Award Agreement as described above, this Award will be effective as of the Award Date.

By accepting this Award Agreement, you consent to receive copies of the Prospectus applicable to this Award from the Stock Plan System (<http://www.stockplanconnect.com>) as well as to electronic delivery of the Corporation's annual report on Form 10-K, annual proxy and quarterly reports on Form 10-Q. This consent can only be withdrawn by written notice to the Vice President of Compensation and Performance Management at Lockheed Martin Corporation, Mail Point 126, 6801 Rockledge Drive, Bethesda, MD 20817.

The Corporation will deliver any documents related to RSUs awarded under the Plan or future RSUs that may be awarded under the Plan through the Stock Plan System. The Corporation will request your consent to participate in the Plan through the Stock Plan System. You hereby consent to receive such documents and agree to participate in the Plan through the Stock Plan System.

Except as described above, if you do not personally acknowledge your acceptance of this Award Agreement on or before May 31, 2019, this Award will be forfeited as noted above.

10. POST-EMPLOYMENT COVENANTS

Except where prohibited by law, by accepting this Award Agreement as described in Section 9, you agree to the terms of the Post-Employment Conduct Agreement contained in Exhibit A to this Award Agreement.

11. STOCK OWNERSHIP REQUIREMENTS

Except where prohibited by law, by accepting this Award Agreement through the procedure described in Section 9, you acknowledge receipt of the Stock Ownership Requirements ("Ownership Requirements") attached as Exhibit B and agree to comply with such Ownership Requirements as amended from time to time. If you are not a Vice President (or above) on

February 21, 2019, but you are promoted to Vice President (or above) prior to February 21, 2022, the Ownership Requirements as in effect at that time shall become applicable to you on the date of your promotion to Vice President (or above).

12. DATA PRIVACY CONSENT FOR EMPLOYEES LOCATED OUTSIDE OF THE UNITED STATES

To the extent recognized under applicable law, if you are located outside of the United States, then by accepting this Award Agreement as described in Section 9, you hereby explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your Personal Data (defined below) as described in this Award Agreement by and among the Corporation for the exclusive purpose of implementing, administering and managing your participation in the Plan.

You understand that the Corporation collects, holds, uses, and processes certain information about you, including, but not limited to, your name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares or directorships held in the Corporation, details of all awards or any other entitlement to shares awarded, canceled, exercised, vested, unvested or outstanding in your favor, for the purpose of implementing, administering and managing the Plan ("Personal Data"). The Corporation acts as the controller/owner of this Personal Data, and processes this Personal Data for purposes of implementing, administering, and managing the Plan. The Corporation protects the Personal Data that it receives in the United States from the European Union in accordance with the EU-U.S. Privacy Shield. You can obtain further information about Privacy Shield in the Corporation's European Employee Privacy Notice, which can currently be accessed through the Corporation's Cross Function Procedure CRX-017.

You understand that Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in your country or elsewhere, and that the recipient's country may have different, including less stringent, data privacy laws and protections than your country. You may request a list with the names and addresses of any third-party recipients of the Personal Data at any time by contacting your local human resources representative. When disclosing Personal Data to these third parties, the Corporation provides appropriate safeguards for protecting the transfer of your Personal Data, such as establishing standard data protection clauses with the third parties as adopted by the European Commission. You may request a copy of, or information about, such safeguards by contacting your local human resources representative. You recognize that the Corporation and any other possible recipients including any present or future third-party recipients must receive, possess, use, retain and transfer your Personal Data, in electronic or other form, for the purposes of implementing, administering and managing your participation in the Plan, including any requisite transfer of such Personal Data as may be required to a broker or other third party with whom the Corporation may elect to administer the settlement of any award. You understand that Personal Data will be held only as long as is necessary to implement, administer and manage your participation in the Plan and comply with applicable legal requirements.

To the extent provided by your local law, you may, at any time, have the right to request: access to your Personal Data, rectification of your Personal Data, erasure of your Personal Data, restriction of processing of your Personal Data, portability of your Personal Data and information about the storage and processing of your Personal Data. You may also have the right to object, on grounds related to a particular situation, to the processing of your Personal Data, as well as to

refuse or withdraw the consents herein, in any case without cost, by contacting in writing your local human resources representative. You understand, however, that refusing or withdrawing your consent may affect your ability to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact your local human resources representative.

13. EMPLOYEE ACKNOWLEDGEMENT

You acknowledge and agree as follows:

- (a) the Plan is discretionary in nature and that the Committee may amend, suspend, or terminate it at any time;
- (b) the grant of the RSUs is voluntary and occasional and does not create any contractual or other right to receive future grants of any RSUs, or benefits in lieu of any RSUs even if RSUs have been granted repeatedly in the past;
- (c) all determinations with respect to such future RSUs, if any, including but not limited to the times when RSUs shall be granted or when RSUs shall vest, will be at the sole discretion of the Committee or its delegate;
- (d) your participation in the Plan is voluntary;
- (e) the value of the RSUs is an extraordinary item of compensation, which is outside the scope of your employment contract (if any), except as may otherwise be explicitly provided in your employment contract;
- (f) the RSUs are not part of normal or expected compensation or salary for any purpose, including, but not limited to, calculating termination, severance, resignation, redundancy, end of service, or similar payments, or bonuses, long-service awards, pension or retirement benefits;
- (g) the RSUs shall expire upon termination of your employment for any reason except as may otherwise be explicitly provided in the Plan and this Award Agreement;
- (h) the future value of the shares is unknown and cannot be predicted with certainty;
- (i) no claim or entitlement to compensation or damages arises from the termination of the RSUs in accordance with the Plan and this Award Agreement or diminution in value of the RSUs or Stock and you irrevocably release the Corporation and your employer from any such claim that may arise; and
- (j) if you are a resident of Turkey, that the offer of this Award has been made by the Corporation to you personally in connection with your existing relationship with the Corporation or one or more of its affiliates, subsidiaries and/or related companies, and further, that the Award, the related shares of the Stock and the related offer thereof are not subject to regulation by any securities regulator in Turkey, or otherwise outside of the U.S.

14. ENGLISH LANGUAGE

You have received the terms and conditions of this Award Agreement and any other related communications, and you consent to having received these documents in English. If you have received this Award Agreement or any other documents related to the Plan translated into a language other than English, and if the translated version is different from the English version, the English version will control.

Quebec Residents Only: The Parties have agreed that this Award Agreement, the Plan as well as any notice, document or instrument relating to them be drawn up in English only. You acknowledge that, upon your reasonable request, the Corporation will provide a French translation of such documents to you. Les parties aux présentes ont convenu que la présente accord, le "Plan," ainsi que tous autres avis, actes ou documents s'y rattachant soient rédigés en anglais seulement. Vous reconnaissez que, à votre demande raisonnable, "the Corporation" fournit une traduction française de ces documents à vous.

15. CURRENCY EXCHANGE RISK

If your functional currency is not the U.S. dollar, you agree and acknowledge that you will bear any and all risk associated with the exchange or fluctuation of currency associated with the RSUs, including without limitation sale of the Shares and payment of DDEs (the "Currency Exchange Risk"). Any cash payments due to you under this Award Agreement will be converted to your functional currency at the rate determined by the Corporation, in its discretion, on the last day of the Restricted Period. You waive and release the Corporation and its subsidiaries from any potential claims arising out of the Currency Exchange Risk.

16. EXCHANGE CONTROL REQUIREMENTS

You agree and acknowledge that you will comply with any and all exchange control requirements applicable to the RSUs and the sale of Shares and any resulting funds including, without limitation, reporting or repatriation requirements.

17. MISCELLANEOUS

If you are on leave of absence, for the purposes of the Plan, you will be considered to still be in the employ of the Corporation unless otherwise provided in an agreement between you and the Corporation.

Nothing contained in this Award Agreement shall confer upon you any right of continued employment by the Corporation or guarantee that any future awards will be made to you under the Plan. In addition, nothing in this Award Agreement limits in any way the right of the Corporation to terminate your employment at any time. Neither the value of the RSUs awarded to you nor the DDEs will be taken into account for other benefits offered by the Corporation, including but not limited to pension benefits. Notwithstanding any other provision of this Award Agreement to the contrary, no Stock will be issued to you pursuant to this Award Agreement within six months from the Award Date.

Transactions involving Stock delivered under this Award Agreement are subject to the securities laws and CPS 722 (a copy of which has been made available to you). Among other things, CPS 722 prohibits employees of the Corporation from engaging in transactions that violate

securities laws or involve hedging or pledging stock. Insiders are subject to additional restrictions. **The Corporation recommends that Insiders consult with the Senior Vice President, General Counsel and Corporate Secretary or her staff before entering into any transactions involving Stock or RSUs.**

You have no rights as a stockholder to any securities covered by this Award Agreement until the date on which you become the holder of record of such securities. Capitalized terms used, but not defined herein, shall have the meanings ascribed to them in the Plan.

Exhibit A
Post-Employment Conduct Agreement
(RSU Grant)

This Post-Employment Conduct Agreement (this "PECA") attached as Exhibit A to the Award Agreement with an Award Date of February 21, 2019 (the "Award Agreement"), is entered into in consideration of, among other things, the grant of restricted stock units to me under the Award Agreement (the "RSUs") pursuant to the Lockheed Martin Corporation 2011 Incentive Performance Award Plan, as amended (the "Plan"). References to the "Corporation" shall include Lockheed Martin Corporation and its Subsidiaries. By accepting the RSUs, I agree as follows:

1. Restrictions Following Termination of Employment.

(a) Covenant Not To Compete – Without the express written consent of the "Required Approver" (as defined in Section 6), during the one-year period (or two-year period for Elected Officers) following the date of my termination of employment (the "Termination Date") with the Corporation, I will not, directly or indirectly, be employed by, provide services to, or advise a "Restricted Company" (as defined in Section 6), whether as an employee, advisor, director, officer, partner or consultant, or in any other position, function or role that, in any such case,

- (i) oversees, controls or affects the design, operation, research, manufacture, marketing, sale or distribution of "Competitive Products or Services" (as defined in Section 6) of or by the Restricted Company, or
- (ii) would involve a substantial risk that the "Confidential or Proprietary Information" (as defined in Section 1(c) below) of the Corporation (including but not limited to technical information or intellectual property, strategic plans, information relating to pricing offered to the Corporation by vendors or suppliers or to prices charged or pricing contemplated to be charged by the Corporation, information relating to employee performance, promotions or identification for promotion, or information relating to the Corporation's cost base) could be used to the disadvantage of the Corporation.

Section 1(a)(i) and (ii) shall not apply to residents of California.

To the extent permitted by applicable law, including but not limited to any applicable rules governing attorney conduct (such as the ABA Model Rules of Professional Conduct and state versions thereof), Sections 1(a)(i) and (ii) and Section 1(b) relating to non-solicitation, shall apply to individuals who are employed by the Corporation in an attorney position and whose occupation during the one-year (or two-year, for Elected Officers) period following employment with the Corporation does not include practicing law.

In lieu of Section 1(a)(i) and (ii), as well as Section 1(b) relating to non-solicitation, the following Section 1(a)(iii) shall apply to individuals who are employed by the Corporation in an attorney position, and whose occupation during the one-year (or two-year, for Elected Officers) period following employment with the Corporation includes practicing law.

- (iii) Post-Employment Activity As a Lawyer – I acknowledge that as counsel to the Corporation, I owe ethical and fiduciary obligations to the Corporation

and that at least some of these obligations will continue even after my Termination Date with the Corporation. I agree that after my Termination Date I will comply fully with all applicable ethical and fiduciary obligations that I owe to the Corporation. To the extent permitted by applicable law, including but not limited to any applicable rules governing attorney conduct, I agree that I will not:

- a. Represent any client in the same or a substantially related matter in which I represented the Corporation where the client's interests are materially adverse to the Corporation; or
- b. Disclose confidential information relating to my representation of the Corporation, including the disclosure of information that is to the disadvantage of the Corporation, except for information that is or becomes generally known.

The Corporation's Senior Vice President, General Counsel, and Corporate Secretary or the General Tax Counsel, as applicable, will determine in his or her discretion whether an individual is employed by the Corporation in an attorney position.

(b) Non-Solicit – Without the express written consent of the Required Approver, during the two-year period following the Termination Date, I will not (i) cause or attempt to cause, directly or indirectly, the complete or partial loss of any contract in effect before the Termination Date between the Corporation and any customer, supplier, distributor or manufacturer of or to the Corporation with which I was responsible, in whole or in part, for soliciting, negotiating, implementing, managing, or overseeing or (ii) induce or attempt to induce, directly or indirectly, any person who is an employee of the Corporation with whom I worked or interacted with within two years prior to the Termination Date to cease employment with the Corporation in order to perform work or services for any entity other than the Corporation.

(c) Protection of Proprietary Information – Except to the extent required by law, following my Termination Date, I will have a continuing obligation to comply with the terms of any non-disclosure or similar agreements that I signed while employed by the Corporation committing to hold confidential the "Confidential or Proprietary Information" (as defined below) of the Corporation or any of its affiliates, subsidiaries, related companies, joint ventures, partnerships, customers, suppliers, partners, contractors or agents, in each case in accordance with the terms of such agreements. I will not use or disclose or allow the use or disclosure by others to any person or entity of Confidential or Proprietary Information of the Corporation or others to which I had access or that I was responsible for creating or overseeing during my employment with the Corporation. In the event I become legally compelled (by deposition, interrogatory, request for documents, subpoena, civil investigative demand or otherwise) to disclose any proprietary or confidential information, I will immediately notify the Corporation's Senior Vice President, General Counsel and Corporate Secretary as to the existence of the obligation and will cooperate with any reasonable request by the Corporation for assistance in seeking to protect the information. All materials to which I have had access, or which were furnished or otherwise made available to me in connection with my employment with the Corporation shall be and remain the property of the Corporation. For purposes of this PECA, "Confidential or Proprietary Information" means Proprietary Information within the meaning of CRX-015C (a copy of which has been made available to me), including but not limited to information that a person or entity desires to protect from unauthorized disclosure to third parties that can provide the person or entity with a business, technological, or economic

advantage over its competitors, or which, if known or used by third parties or if used by the person's or entity's employees or agents in an unauthorized manner, might be detrimental to the person's or entity's interests. Confidential or Proprietary Information may include, but is not limited to:

- (i) existing and contemplated business, marketing and financial business information such as business plans and methods, marketing information, cost estimates, forecasts, financial data, cost or pricing data, bid and proposal information, customer identification, sources of supply, contemplated product lines, proposed business alliances, and information about customers and competitors,
- (ii) existing and contemplated technical information and documentation pertaining to technology, know how, equipment, machines, devices and systems, computer hardware and software, compositions, formulas, products, processes, methods, designs, specifications, mask works, testing or evaluation procedures, manufacturing processes, production techniques, research and development activities, inventions, discoveries, and improvements, and
- (iii) human resources and personnel information.

(d) No Disparagement – Following the Termination Date, I will not make any statements, whether verbal or written, that disparage or reasonably may be interpreted to disparage the Corporation or its directors, officers, employees, technology, products or services with respect to any matter whatsoever.

(e) Cooperation in Litigation and Investigations – Following the Termination Date, I will, to the extent reasonably requested, cooperate with the Corporation in any pending or future litigation (including alternative dispute resolution proceedings) or investigations in which the Corporation or any of its subsidiaries or affiliates is a party or is required or requested to provide testimony and regarding which, as a result of my employment with the Corporation, I reasonably could be expected to have knowledge or information relevant to the litigation or investigation. Notwithstanding any other provision of this PECA, nothing in this PECA shall affect my obligation to cooperate with any governmental inquiry or investigation or to give truthful testimony in court.

2. Consideration and Acknowledgement. I acknowledge and agree that the benefits and compensation opportunities being made available to me under the Award Agreement are in addition to the benefits and compensation opportunities that otherwise are or would be available to me in connection with my employment by the Corporation and that the grant of the RSUs is expressly made contingent upon my agreements with the Corporation set forth in this PECA. I acknowledge that the scope and duration of the restrictions in Section 1 are necessary to be effective and are fair and reasonable in light of the value of the benefits and compensation opportunities being made available to me under the Award Agreement. I further acknowledge and agree that as a result of the high level executive and management positions I hold with the Corporation and the access to and extensive knowledge of the Corporation's Confidential or Proprietary Information, employees, suppliers and customers, these restrictions are reasonably required for the protection of the Corporation's legitimate business interests.

3. Remedies For Breach of Section 1; Additional Remedies of Clawback and Recoupment.

(a) I agree, upon demand by the Corporation, to forfeit, return or repay to the Corporation the "Benefits and Proceeds" (as defined below) in the event any of the following occur:

- (i) I breach any of the covenants or agreements in Section 1;
- (ii) The Corporation determines that either (a) my intentional misconduct or gross negligence, or (b) my failure to report another person's intentional misconduct or gross negligence of which I had knowledge during the period I was employed by the Corporation, contributed to the Corporation having to restate all or a portion of its financial statements filed for any period with the Securities and Exchange Commission;
- (iii) The Corporation determines that I engaged in fraud, bribery, or any other illegal act, or that my intentional misconduct or gross negligence (including the failure to report another person's intentional misconduct or gross negligence of which I had knowledge during the period I was employed by the Corporation) contributed to another person's fraud, bribery, or other illegal act, which in any such case adversely affected the Corporation's financial position or reputation;
- (iv) The Corporation determines that my intentional misconduct or gross negligence caused severe reputational or financial harm to the Corporation;
- (v) The Corporation determines that I misappropriated Confidential or Proprietary Information, as defined in Section 1(c), and I (A) intended to use the misappropriated Confidential or Proprietary Information to cause severe reputational or financial harm to the Corporation or (B) used the misappropriated Confidential or Proprietary Information in a manner that caused severe reputational or financial harm to the Corporation; or
- (vi) Under such other circumstances specified by final regulation issued by the Securities and Exchange Commission entitling the Corporation to recapture or clawback "Benefits and Proceeds" (as defined below).

(b) The remedy provided in Section 3(a) shall not be the exclusive remedy available to the Corporation for any of the conduct described in Section 3(a) and shall not limit the Corporation from seeking damages or injunctive relief. For purposes of Section 3(a), a determination by the Corporation means, with respect to an Elected Officer, a determination by the Management Development and Compensation Committee of the Board of Directors of the Corporation (the "Committee") and, with respect to any other employee, a determination by a review committee consisting of the Senior Vice President, Human Resources, the Senior Vice President, Ethics and Enterprise Assurance, and the Senior Vice President, General Counsel and Corporate Secretary (the "Review Committee").

(c) For purposes of this Section 3, "Benefits and Proceeds" means (i) to the extent I own Stock issued in respect of vested RSUs, such Stock; (ii) to the extent I no longer own the

shares of Stock of the Corporation issued in respect of the RSUs, cash in an amount equal to the greater of (x) the value of such Stock on the date the associated RSUs vested (which, unless otherwise determined by the Committee or the Review Committee, as applicable, shall be equal to the closing price of the shares of Stock as finally reported by the New York Stock Exchange on such date), and (y) the proceeds received in connection with the disposition of such Stock; and (iii) to the extent I have not earned the RSUs fully, all of my remaining rights, title or interest in my Award and any accrued dividend equivalents with respect thereto.

4. Injunctive Relief. I acknowledge that the Corporation's remedies at law may be inadequate to protect the Corporation against any actual or threatened breach of the provisions of Section 1 or the conduct described in Section 3(a), and, therefore, without prejudice to any other rights and remedies otherwise available to the Corporation at law or in equity (including but not limited to, an action under Section 3(a)), the Corporation shall be entitled to the granting of injunctive relief in its favor and to specific performance without proof of actual damages and without the requirement of the posting of any bond or similar security.

5. Invalidity; Unenforceability. It is the desire and intent of the parties that the provisions of this PECA shall be enforced to the fullest extent permissible. Accordingly, if any particular provision of this PECA is adjudicated to be invalid or unenforceable, this PECA shall be deemed amended to delete the portion adjudicated to be invalid or unenforceable, such deletion to apply only with respect to the operation of this provision in the particular jurisdiction in which such adjudication is made.

6. Definitions. Capitalized terms not defined in this PECA have the meaning given to them in the Plan, as applicable. For purposes of this PECA, the following terms have the meanings given below:

(a) "Restricted Company" means The Boeing Company, General Dynamics Corporation, Northrop Grumman Corporation, the Raytheon Company, United Technologies Corporation, Honeywell International Inc., BAE Systems Inc., L3 Technologies, Inc., the Harris Corporation, Thales, Airbus Group, Inc., Textron Inc., Finmeccanica SpA, Leidos Holdings, Inc. and (i) any entity directly or indirectly controlling, controlled by, or under common control with any of the foregoing, and (ii) any successor to all or part of the business of any of the foregoing as a result of a merger, reorganization, consolidation, spin-off, split-up, acquisition, divestiture, or similar transaction, or as a result of a name change.

(b) "Competitive Products or Services" means products or services that compete with, or are an alternative or potential alternative to, products sold or services provided by a subsidiary, business area, division or operating unit or business of the Corporation as of the Termination Date and at any time within the two-year period ending on the Termination Date; provided, that, (i) if I had direct responsibility for the business of, or function with respect to, a subsidiary, or for a business area, division or operating unit or business of the Corporation at any time within the two-year period ending on the Termination Date, Competitive Products or Services includes the products so sold or the services so provided during that two-year period by the subsidiary, business area, division or operating unit of the Corporation for which I had responsibility, and (ii) if I did not have direct responsibility for the business of, or function with respect to, a subsidiary, or for a business area, division or operating unit or business of the Corporation at any time within the two-year period ending on the Termination Date, Competitive Products or Services includes the products so sold or the services so provided by a subsidiary, business area, division or operating unit of the Corporation for which I had access (or was required or permitted such access in the performance

of my duties or responsibilities with the Corporation) to Confidential or Proprietary Information of the Corporation at any time during the two-year period ending on the Termination Date.

(c) "Required Approver" means:

- (i) with respect to the Chairman, President and Chief Executive Officer, the Management Development and Compensation Committee of the Corporation's Board of Directors;
- (ii) with respect to any Elected Officer (other than the Chairman, President and Chief Executive Officer), the Corporation's Chief Executive Officer; or
- (iii) with respect to all other employees, the Senior Vice President, Human Resources of the Corporation.

(d) "Elected Officer" means an officer of the Corporation who was elected to his or her position by the Corporation's Board of Directors.

7. Miscellaneous.

(a) The Plan, the Award Agreement (with Exhibit B) and this PECA constitute the entire agreement governing the terms of the award of the RSUs to me.

(b) This PECA shall be governed by Maryland law, without regard to its provisions governing conflicts of law. Any enforcement of, or challenge to, this PECA may only be brought in the United States District Court for the District of Maryland, unless such court determines that it does not have subject matter jurisdiction, in which case any such enforcement or challenge may be brought in the Circuit Court of Maryland. Both parties consent to the proper jurisdiction and venue of such court, as applicable, for the purpose of enforcing or challenging this PECA.

(c) This PECA shall inure to the benefit of the Corporation's successors and assigns and may be assigned by the Corporation without my consent.

(d) This PECA provides for certain obligations on my part following the Termination Date and shall not, by implication or otherwise, affect in any way my obligations to the Corporation during the term of my employment by the Corporation, whether pursuant to written agreements between the Corporation and me, the provisions of applicable Corporate policies that may be adopted from time to time or applicable law or regulation.

This PECA is effective as of the acceptance by me of the award of RSUs under the Award Agreement and is not contingent on the vesting of my RSUs.

Exhibit B

Stock Ownership Requirements

Lockheed Martin's Stock Ownership Requirements for Key Employees apply to all senior level positions of Vice President and above. This reflects the expectations of our major shareholders that management demonstrate its confidence in Lockheed Martin through a reasonable level of personal share ownership. This practice is consistent with other major U.S. corporations which link some portion of personal financial interests of key employees with those of shareholders.

Stock Ownership Requirements

Title	Annual Base Pay Multiple
Chairman, President, and Chief Executive Officer	6 times
Chief Operating Officer	5 times
Chief Financial Officer	4 times
Executive Vice Presidents	3 times
Senior Vice Presidents	2 times
Other Elected Officers	2 times
Other Vice Presidents	1 times

Satisfaction of Requirements

Covered employees may satisfy their ownership requirements with common stock in these categories:

- Shares owned directly.
- Shares owned by a spouse or a trust.
- Shares represented by monies invested in 401(k) Company Common Stock Funds or comparable plans.
- Share equivalents as represented by income deferred to the Company Stock Investment Option of the Deferred Management Incentive Compensation Plan (DMICP).
- Unvested Restricted Stock Units.

Key employees will be required to achieve the appropriate ownership level within five years and are expected to make continuous progress toward their target. Appointment to a new level will reset the five year requirement. Unexercised options prior to vesting are not counted toward meeting the guidelines.

Holding Period

Covered employees must retain net vested Restricted Stock Units and Performance Stock Units and the net shares resulting from any exercise of stock options if the ownership requirements are not yet satisfied.

Covered employees are asked to report annually on their progress toward attainment of their share ownership goals.

Award Date: February 21, 2019



**PERFORMANCE STOCK UNIT AWARD AGREEMENT GRANTED
UNDER THE LOCKHEED MARTIN CORPORATION
2011 INCENTIVE PERFORMANCE AWARD PLAN FOR
THE 2019 – 2021 PERFORMANCE PERIOD**

**THIS DOCUMENT CONSTITUTES PART OF A PROSPECTUS COVERING
SECURITIES THAT HAVE BEEN REGISTERED UNDER THE
SECURITIES ACT OF 1933**

This Award Agreement applies to the Performance Stock Unit (“PSUs”) Award granted by Lockheed Martin Corporation to you as of the Award Date (defined above) under the Lockheed Martin Corporation 2011 Incentive Performance Award Plan, as amended and restated (“Plan”). The term “Target Award” as used in this Award Agreement refers only to the Target Award awarded to you under this Award Agreement and the term “Award” refers only to PSUs set forth in this Award Agreement. References to the “Corporation” include Lockheed Martin Corporation and its Subsidiaries.

This Award Agreement sets forth your Target Award as well as some of the terms and conditions of your Award under the Plan, as determined by the Management Development and Compensation Committee (“Committee”) of the Board of Directors. Additional terms and conditions, including tax information, are contained in the Plan and in the Prospectus relating to the Plan of which the Plan and this Award Agreement are a part. Your Target Award is identified in the electronic stock plan award recordkeeping system (“Stock Plan System”) maintained by the Corporation or its designee at <http://www.stockplanconnect.com>. The Prospectus is also available at this website.

Except as described in Section 18, your Award is not effective or enforceable until you properly acknowledge your acceptance of the Award by completing the electronic receipt on the Stock Plan System as soon as possible but in no event later than May 31, 2019. **Except as described in Section 18, if you do not properly acknowledge your acceptance of this Award Agreement on or before May 31, 2019, this Award will be forfeited.**

Assuming prompt and proper acknowledgement of your acceptance of this Award Agreement as described above and in Section 18, this Award will be effective as of the Award Date. Acceptance of this Award Agreement constitutes your consent to any action taken under the Plan consistent with its terms with respect to this Award and your agreement to be bound by the restrictions contained in Section 18, Exhibit A (“Post-Employment Conduct Agreement”) and Exhibit B (“Stock Ownership Requirements”), as amended from time to time.

The Corporation will comply with all applicable U.S. Tax withholding requirements applicable to the PSUs, the DDEs, and associated Stock. **Please see the Prospectus for the Plan for a discussion of certain material U.S. Tax consequences of the Award.** If you are a taxpayer in a country other than the U.S., you agree to make appropriate arrangements with the Corporation or its subsidiaries for the satisfaction of all income and employment tax withholding requirements, as well as social insurance contributions applicable to the PSUs, the DDEs, and associated Stock. Please see the tax summary for your country available on the Stock Plan System at <http://www.stockplanconnect.com>. If you are a taxpayer in a country other than the U.S., you represent that you will consult with your own tax advisors in connection with this Award and that you are not relying on the Corporation for any tax advice.

Any withholding Tax on your Award will be satisfied by means of the Corporation reducing the number of shares of Stock (and associated DDEs) deliverable to you in respect of a vested Award. If you are an Insider at the time of income tax withholding, the Corporation will base withholding on the highest individual tax rate. If you are not an Insider at the time of income tax withholding, the Corporation will base withholding on the highest individual tax rate, unless you elect otherwise in accordance with procedures established by the Corporation during an election window offered by the Corporation. If you elect a lower tax rate for withholding, then you may owe additional taxes as a result of the payment of the Award. The Corporation shall also have the right to (i) offset any other obligation of the Corporation to you (including but not limited to, by withholding from your salary) by an amount sufficient to satisfy the Tax withholding obligation, or (ii) require you (or your estate) to pay the Corporation an amount equal to the Tax withholding obligation.

Nothing contained in this Award Agreement shall confer upon you any right of continued employment by the Corporation or guarantee that any future awards will be made to you under the Plan. In addition, nothing in this Award Agreement limits in any way the right of the Corporation to terminate your employment at any time. Neither the value of the PSUs awarded to you nor the DDEs will be taken into account for other benefits offered by the Corporation. Notwithstanding any other provision of this Award Agreement to the contrary, no Stock will be issued to you pursuant to this Award Agreement within six months from the Award Date. You have no rights as a stockholder to any securities covered by this Award Agreement until the date on which you become the holder of record of such securities.

Transactions involving Stock delivered under this Award Agreement are subject to the securities laws and CPS 722 (a copy of which has been made available to you). Among other things, CPS 722 prohibits employees of the Corporation from engaging in transactions that violate securities laws or involve hedging or pledging stock. Insiders are subject to additional restrictions. **The Corporation recommends that Insiders consult with the Senior Vice President, General Counsel and Corporate Secretary or her staff before entering into any transactions involving Stock or PSUs.**

Capitalized terms used in this Award Agreement either shall be defined in this Award Agreement or if not defined in this Award Agreement shall have the meaning given to the term in the Plan. Appendix A contains an index of all capitalized terms used in this Award Agreement.

Section 1. Shares Awarded; Performance Period; Vesting Period; Payment of Award.

1.1 Shares Awarded.

(a) Target Award. Your Target Award for the Performance Period under this Award Agreement shall be the number of whole shares of Stock identified as your Performance Stock Unit ("PSU") Target Award in your account in the Stock Plan System at <http://www.stockplanconnect.com>.

The Award paid to you shall be calculated in accordance with Section 2.1.

(b) Maximum Award. Your Maximum Award for the Performance Period under this Award Agreement shall be the number of shares of Stock equal to 200% of your Target Award, subject to the provisions of Section 2.1 and the caps contained therein.

(c) Deferred Dividend Equivalents ("DDEs"). Your Award shall include a payment equal to the cash dividends that would have been paid to you had you owned the numbers of whole shares of Stock equal to your final Award as determined under Section 2.1(d), from the Award Date until the end of the Performance Period.

1.2 Performance Period. The "Performance Period" under this Award Agreement is the three-year performance period that runs from January 1, 2019, until December 31, 2021.

1.3 Vesting Period. The "Vesting Period" under this Award Agreement is the three-year period that runs from February 21, 2019, until the later of (i) February 21, 2022, or (ii) the date on which the Committee certifies in writing the Total Stockholder Return Performance Factor, the ROIC Performance Factor and the Cash Flow Performance Factor.

1.4 Payment of Award. Your Award will be paid to you in whole shares of Stock (either in book entry or paper form) pursuant to Section 5. The final number of whole shares, if any, payable to you under your Award is dependent upon the Corporation's performance with respect to each of the metrics described in Section 3 and Section 4, the limits described in Sections 1.1(b) and 2 and your continued employment with the Corporation in accordance with Section 5. As a result of these requirements, the number of whole shares of Stock you receive at the end of the Vesting Period will be between 0% and 200% of your Target Award (as described in Section 2.1 below) and may be smaller than your Maximum Award (or the performance factors could result in no payment in respect of your Award). Any certificates delivered to you may contain any legend the Corporation determines is appropriate under the securities laws. If you are an Insider subject to the reporting provisions of Section 16(a) of the Securities Exchange Act of 1934 ("Exchange Act"), delivery of Stock in payment of your Award for any reason may be delayed for six months. For example, if the delivery of the Stock would result in a nonexempt short-swing transaction under Section 16(b) of the Exchange Act, delivery will be delayed until the earliest date upon which the delivery either would not result in a nonexempt short-swing transaction or would otherwise not result in liability under Section 16(b) of the Exchange Act.

Section 2. Calculation of Award Payments.

2.1 End of Performance Period Calculation. Following the end of the Performance Period and prior to any shares of Stock being issued,

(a) The Committee will calculate the Total Stockholder Return Performance Factor based on the Corporation's performance during the Performance Period relative to the performance of other corporations which compose the "Peer Performance Group" as defined in Section 3.1 below.

(b) The Committee will calculate the ROIC Performance Factor based on the Corporation's ROIC during the Performance Period as compared to the projected ROIC for the Performance Period as set forth in the February 20, 2019, Committee resolution ("ROIC Target").

(c) The Committee will calculate the Cash Flow Performance Factor based on the Corporation's cumulative Cash Flow during the Performance Period as compared to the projected cumulative Cash Flow for the Performance Period as set forth in the February 20, 2019, Committee resolution ("Cash Flow Target").

(d) Your "Earned Award" shall be calculated by multiplying the weighted average of the Total Stockholder Return Performance Factor, the ROIC Performance Factor, and the Cash Flow Performance Factor by your Target Award. Any resulting fractional share shall be rounded up to the nearest whole share. The Total Stockholder Return Performance Factor, the ROIC Performance Factor, and the Cash Flow Performance Factor shall be weighted as follows in determining the weighted average of the three performance factors:

Total Stockholder Return Performance Factor 50%
ROIC Performance Factor 25%
Cash Flow Performance Factor 25%

Notwithstanding the foregoing, the number of shares of Stock you receive as your final Award shall be reduced to the extent necessary so that the Fair Market Value of your Earned Award on the last day of the Vesting Period does not exceed the product of (a) the Fair Market Value of a share of Stock on the Award Date, multiplied by (b) 400%, multiplied by (c) the number of shares in your Earned Award.

You must (except as specified in Section 5) remain employed by the Corporation through the last day of the Vesting Period to receive your Award. No portion of your Award will be payable until it is fully vested in accordance with Sections 5.1 and 5.2.

2.2 Adjustment of ROIC Target and Cash Flow Target. The Committee will adjust the ROIC Target and Cash Flow Target established as described in Section 2.1(b) and Section 2.1(c), respectively, to account for the impact of any acquisition or divestiture during the Performance Period with a transaction value in excess of \$1 billion at the time the transaction takes effect.

Section 3. Total Stockholder Return Performance Factor.

3.1. Peer Performance Group. The Total Stockholder Return Performance Factor will be based upon the relative ranking of the Corporation's Average TSR (as defined in Section 3.2(a)) for the Performance Period to the Average TSR for such Period for each company in the "Peer Performance Group." The "Peer Performance Group" shall consist of the following companies (each a "Peer Company"): Arconic Inc. (ARNC), The Boeing Company (BA), Booz Allen Hamilton Holding Corporation (BAH), CACI International Inc. (CACI), General Dynamics Corporation (GD), Harris Corporation (HRS), Honeywell International Inc. (HON), Huntington Ingalls Industries (HII), Leidos Holdings, Inc. (LDOS), Northrop Grumman Corporation (NOC), Raytheon Company (RTN), Science Applications International Corporation (SAIC), Textron Inc. (TXT), TransDigm Group Inc. (TDG), and United Technologies Corporation (UTX). The following rules apply to the composition and relative ranking of the Peer Performance Group during the Performance Period:

- (a) If, on or before the last trading day of the twenty-fourth month of the Performance Period (i.e., on or before December 31, 2020), a Peer Company publicly announces that it has entered into a definitive agreement to be acquired (including, without limitation, a merger or other business combination of a Peer Company with another entity in which the Peer Company is not the survivor and the sale of all or substantially all of a Peer Company's assets), then that Peer Company will be removed from the Peer Performance Group as of the beginning of the Performance Period.
- (b) If, after the last trading day of the twenty-fourth month of the Performance Period (i.e., after December 31, 2020), a Peer Company publicly announces that it has entered into a definitive agreement to be acquired (including, without limitation, a merger or other business combination of a Peer Company with another entity in which the Peer Company is not the survivor and the sale of all or substantially all of a Peer Company's assets), then that Peer Company's Average TSR ranking will be fixed at its ranking relative to the Corporation's Average TSR (i.e., ranking either above or below the Corporation) as of the last trading day of the last full month prior to the announcement.
- (c) If a Peer Company engages in a merger or other business combination transaction during the Performance Period and following the closing of such transaction the survivor is publicly traded on a securities exchange under the Peer Company's pre-transaction ticker symbol or under another ticker symbol that includes the Peer Company's pre-transaction trading history, as determined by the Corporation using the tool the Corporation has designated in its discretion for computing Total Stockholder Return, then the Peer Company will remain in the Peer Performance Group. If both parties to the transaction are Peer Companies, then Section 3.1(a) or 3.1(b) will apply to one Peer Company and Section 3.1(a), 3.1(b), or 3.1(c) will apply to the other Peer Company. For the avoidance of doubt, if Harris Corporation completes its announced merger transaction with L3 Technologies, Inc. during the Performance Period and continues to trade under the ticker HRS or a new ticker that includes Harris Corporation's pre-transaction trading history, then Harris Corporation will remain in the Peer Performance Group.
- (d) If a Peer Company files for bankruptcy under the US Bankruptcy Code (Title 11 of the United States Code) at any time during the Performance Period, then that Peer Company will be ranked last for purposes of the end of Performance Period calculation described in Section 3.2(a).

The Corporation's Total Stockholder Return will be based on the performance of the Stock. With respect to the Peer Companies, the Total Stockholder Return of each company that is taken into account in computing the Peer Performance Group Total Stockholder Return will be based on the equity security of the relevant company that is traded using the ticker symbol indicated above in parentheses after the Peer Company's name, or a successor ticker symbol determined as described in Section 3.1(c).

3.2. Calculation of Total Stockholder Return Performance Factor.

(a) Calculation of Average TSR. During the Performance Period, the Committee shall compute the Total Stockholder Return (as defined in the Plan and assuming the reinvestment of any cash dividends) for the Corporation and for each other company in the Peer Performance Group for 36 periods during the Performance Period where each period begins on January 1, 2019 (based on the closing price for the stock on December 31, 2018), and ends on the last day of each successive calendar month in the Performance Period on which the New York Stock Exchange is open for trading. Each such Total Stockholder Return shall be computed from data available to the public using the tool the Corporation has designated in its discretion for computing Total Stockholder Return. At the end of the Performance Period, the 36 Total Stockholder Return figures for each company for the Performance Period will be averaged to determine each company's average Total Stockholder Return ("Average TSR") for the Performance Period. Each company's Average TSR shall be ranked among the Average TSRs for each other company in the Peer Performance Group on a percentile basis (using the Excel PERCENTRANK function), taking into account any changes to the Peer Performance Group or ranking changes made during the Performance Period in accordance with Section 3.1(a) – (d).

(b) Percentage Level of Target Award. Your Total Stockholder Return Performance Factor, expressed as a percentage, will be determined under this Section 3.2(b) (and Section 3.2(c) to the extent interpolation is necessary) based on the Percentile Ranking (as determined under Section 3.2(a)) of the Corporation's Average TSR for the Performance Period under the following chart:

<u>Band</u>	<u>Percentile Ranking</u>	<u>Total Stockholder Return Performance Factor</u>
One	75 th - 100 th	200% (Maximum)
Two	60 th	150%
Three	50 th	100%
Four	40 th	50%
Five	35 th	25% (Threshold)

(c) Total Stockholder Return Performance Factor Interpolation. If the Percentile Ranking as determined under Section 3.2(a) puts the Corporation over the listed Percentile Ranking for the applicable Band (other than Band One) in Section 3.2(b), your Total Stockholder Return Performance Factor under Section 3.2(b) shall be interpolated on a linear basis.

If the Corporation's Average TSR for the three-year Performance Period is negative, the maximum Total Stockholder Return Performance Factor shall not exceed 100%.

Section 4. ROIC Performance Factor and Cash Flow Performance Factor.

4.1 ROIC Performance Factor. The ROIC Performance Factor will be determined by comparing the Corporation's ROIC for the Performance Period to the ROIC Target and then identifying the ROIC Performance Factor based upon the factor associated with the difference on the following table:

<u>ROIC Band</u>	<u>ROIC Performance Factor</u>
Target +≥ 160 basis points	200% (Maximum)
Target + 120 basis points	175%
Target + 80 basis points	150%
Target + 40 basis points	125%
Target	100%
Target – 10 basis points	75%
Target – 20 basis points	50%
Target – 30 basis points	25% (Threshold)

(a) ROIC Definition. For purposes of this Award Agreement, "ROIC" means return on invested capital for the Performance Period calculated as (A) average annual (i) net income (excluding any charge or addition to net income resulting solely from adjustment of deferred tax assets and liabilities for the effect of enactment of corporate tax reform and related legislation and regulations that change the top United States federal corporate income tax rate by two or more percentage points after February 21, 2019 ("Tax Reform")), plus (ii) interest expense times one minus the weighted average of the highest marginal federal corporate income tax rates over the three year Performance Period, adjusted to reflect any applicable limitations on deductibility of the Corporation's interest expense ("Return"), divided by (B) the average thirteen quarter-end investment balances (beginning with the quarter-end immediately preceding the beginning of the Performance Period) consisting of (i) debt (including current maturities of long-term debt) plus (ii) stockholders' equity plus the postretirement plans amounts determined quarterly as included in the Corporation's Statement of Stockholders' Equity. For any year in which net income would otherwise be affected by Tax Reform, net income shall be adjusted by substituting the effective tax rate assumed in the 2019 Long Range Plan for the actual effective tax rate (and ignoring the adjustment under clause (i) above, if any, to the extent necessary to avoid double counting of tax impacts).

(b) ROIC Determination. Each component of ROIC and the calculation of any postretirement plans amounts recorded in the Corporation's Statement of Stockholders' Equity shall be determined by the Committee in accordance with generally accepted accounting principles in the United States and be based upon the comparable numbers reported on the Corporation's audited consolidated financial statements or, if audited financial statements are not available for the date or period on which ROIC is being determined, the Committee shall make its determination in a manner consistent with the

historical practices used by the Corporation in determining the components of ROIC and postretirement plans amounts recorded in the Corporation's Statement of Stockholders' Equity for purposes of reporting those items on its audited financial statements, as modified by this paragraph. Notwithstanding the foregoing, ROIC will be adjusted to exclude the impact of any change in accounting standards or adoption of any new accounting standard that was not included in the 2019 Long Range Plan that is required under generally accepted accounting principles in the United States and that is reported in the Corporation's filings with the Securities and Exchange Commission as having a material effect on the Corporation's consolidated financial statements. ROIC, as included in the 2019 Long Range Plan, and the change in ROIC for purposes of the ROIC Performance Factor, will be determined in accordance with this Section 4.1(b).

4.2 Cash Flow Performance Factor. The Cash Flow Performance Factor will be determined by comparing the Corporation's cumulative Cash Flow during the Performance Period to the Cash Flow Target, and then identifying the Cash Flow Performance Factor based upon the factor associated with the change from the Cash Flow Target on the following table:

<u>Cash Flow Band</u>	<u>Cash Flow Performance Factor</u>
Target + \geq \$2.0B or more	200% (Maximum)
Target + \$1.5B	175%
Target + \$1.0B	150%
Target + \$0.5B	125%
Target	100%
Target - \$0.2B	75%
Target - \$0.5B	50%
Target - \$0.7B	25% (Threshold)

(a) Cash Flow Definition. For purposes of this Award Agreement, "Cash Flow" means net cash flow from operations, adjusted to exclude the impact of: (i) the aggregate after tax difference between the amount forecasted in the Corporation's 2019 Long Range Plan to be contributed by the Corporation to the Corporation's defined benefit pension plans during the Performance Period and the actual amounts contributed by the Corporation during the Performance Period; (ii) any tax payments or tax benefits during the Performance Period associated with the divestiture of business units, other than tax payments or tax benefits that were included in the Corporation's 2019 Long Range Plan; and (iii) for any year in which Cash Flow would otherwise be affected by Tax Reform, the aggregate difference between the tax payments forecasted in the 2019 Long Range Plan and the actual tax payments (and adjusting the amount under clause (i) above, if any, to the extent necessary to avoid double counting of tax impacts).

(b) Cash Flow Determination. Cash Flow shall be determined by the Committee based upon the comparable numbers reported on the Corporation's audited consolidated financial statements or, if audited financial statements are not available for the period for which Cash Flow is being determined, the Committee shall determine Cash Flow in a manner consistent with the historical practices used by the Corporation in determining net cash provided by operating activities as reported in its audited consolidated statement of cash flows, in either case as modified by this paragraph. Notwithstanding the foregoing, Cash Flow will be

adjusted to exclude the impact of any change in accounting standards or adoption of any new accounting standard that was not included in the 2019 Long Range Plan that is required under generally accepted accounting principles in the United States and that is reported in the Corporation's filings with the Securities and Exchange Commission as having a material effect on the Corporation's consolidated financial statements.

4.3 Interpolation of ROIC and Cash Flow Metrics. If the change in ROIC or Cash Flow falls between two numbers listed in the applicable table in Section 4.1 or 4.2, the appropriate factor will be interpolated on a linear basis. Notwithstanding the foregoing, the ROIC Performance Factor will always be zero if the ROIC for the Performance Period falls short of the ROIC Target by more than 30 basis points and the Cash Flow Performance Factor will always be zero if the aggregate Cash Flow for the Performance Period falls short of the Cash Flow Target by more than \$0.7 billion.

Section 5. Payment of Award.

5.1. Employment Requirement.

(a) General Rule. In order to be eligible to receive payment of your final Award as determined under Section 2.1(d), you must accept this Award Agreement as described in Section 18 and remain employed by the Corporation through the last day of the Vesting Period. Except as provided below or where prohibited by law, if your employment as an Employee terminates during the Vesting Period, you shall forfeit your right to receive all or any part of your Award. If you are on Corporation-approved leave of absence at any point during the Vesting Period, for purposes of this Award Agreement, you will be considered to still be in the employ of the Corporation, unless otherwise provided in an agreement between you and the Corporation.

(b) Exceptions. Notwithstanding Section 5.1(a), if the Committee determines

(i) that your employment as an Employee terminated, as a result of your death, Total Disability or Retirement, or a Divestiture (each as defined in Section 5.1(c)), or

(ii) that the Corporation terminated your employment involuntarily after August 21, 2019, (except that, if you are an employee who has been identified by the Corporation as subject to Divestiture, "after August 21, 2019" does not apply to you) as a result of a layoff, including through a voluntary layoff program that constitutes a window program under Section 409A of the Code,

you shall be eligible to receive a fraction of your Award and the DDEs with respect to such fraction. The numerator of such fraction shall equal the number of days in the Vesting Period before your employment as an Employee terminated, and the denominator shall equal the total number of days in the Vesting Period. The Committee shall have complete and absolute discretion to make the determinations called for under this Section 5.1(b), and all such determinations shall be binding on you and on any person who claims all or any part of your Award on your behalf as well as on the Corporation. If you terminate employment during the Vesting Period but are eligible to receive a portion of your Award as a result of an exception under this Section 5.1(b), payment of such portion of your Award and DDEs shall be in full satisfaction of all rights you have under this Award Agreement.

(c) Special Definitions. For purposes of this Award Agreement:

(i) Your employment as an Employee shall be treated as terminating because of a "Total Disability" on the date you commence receiving a benefit under the Corporation's long-term disability plan in which you participate, or if you are not enrolled in the Corporation's long-term disability plan, the date on which long-term disability benefits would commence under the plan under which you would have been covered, had you enrolled, using the standards set forth in that plan;

(ii) Your employment as an Employee shall be treated as terminating as a result of Divestiture if the Corporation divests all or substantially all of a business operation of the Corporation and such divestiture results in the termination of your employment with the Corporation and a transfer of such employment to the other party in the Divestiture. A "Divestiture" shall mean a transaction that results in the transfer of control of the business operation divested to any person, corporation, association, partnership, joint venture, limited liability company or other business entity of which less than 50% of the voting stock or other equity interests are owned or controlled directly or indirectly by the Corporation, by one or more of the Corporation's Subsidiaries or by any combination thereof; and

(iii) Your employment as an Employee shall be treated as terminating because of "Retirement" if the effective date of your termination of employment is after August 21, 2019, and (1) after you reach age 65, or (2) after you reach age 55 and have (at the time of your termination) completed at least ten years of service with the Corporation. For this purpose, the effective date of your termination of employment is the day next following your last day worked.

(d) Resignation or Termination before February 21, 2022.

(i) Except where prohibited by law, if you resign or your employment otherwise terminates before February 21, 2022, other than on account of death, Total Disability, layoff, Retirement or Divestiture (as described above) or Change in Control (as described below), you will forfeit your right to receive all or any part of your Award on the date of your termination.

(ii) Except where prohibited by law, if your employment terminates for any reason before February 21, 2022, by action of the Corporation due to your misconduct, then you will forfeit your right to receive all or any part of your Award on the date of your termination. If your employment terminates due to your misconduct after August 21, 2019, but before February 21, 2022, then you will not be eligible to receive a fraction of your Award pursuant to Section 5.1(b) of the Award Agreement, even if at the time of your termination due to misconduct you have attained (i) age 55 and ten years of service, or (ii) age 65. The business area or Enterprise Operations review committee responsible for determinations of misconduct, or the Committee if you are an Elected Officer, will determine if your employment terminates due to misconduct.

(e) Rules Applicable to Canadian Employees. If you are employed in Canada, for purposes of the Award Agreement, the date of termination of employment will be the last day of actual and active employment. For the avoidance of doubt, except as may be required by applicable minimum standards legislation, no period of notice or payment in lieu of notice that is given or that ought to have been given under any applicable law or contract in respect of such termination of employment that follows or is in respect of a period after your last day of actual and active employment, if any, will be considered as extending your period of employment for the purposes of determining your entitlement under this Agreement.

5.2. Payment Rules.

(a) Vesting. If you are eligible to receive an Award under Section 5.1(a) or a fraction of an Award under Section 5.1(b), your Award shall vest on the last day of the Vesting Period.

(b) Method of Payment. Your Award shall be paid in whole shares of Stock. DDEs on the shares underlying your Award, if any, shall be paid in cash. In the event of your death, your payment will be made to your estate.

(c) Timing of Payment. You shall have the right to receive your Award plus DDEs as soon as administratively practicable following the Vesting Period, but no later than the earlier of the March 15 or 60 days following the last day of the Vesting Period (for taxpayers in Canada or as otherwise required by local country law, no later than December 31st following the last day of the Vesting Period).

5.3. Cutback. Any payment called for under Section 5.2 will be reduced to the extent that such payment together with payments attributable to any other Share-Based Awards that are granted during 2019 as Performance-Based Awards exceeds 1,000,000 shares of Stock. Amounts in excess of 1,000,000 shares shall be forfeited. Any DDEs on forfeited shares shall also be forfeited.

Section 6. No Assignment – General Creditor Status.

You shall have no right to assign any interest you might have in all or any part of the Target Award or Award which has been granted to you under this Award Agreement and any attempt to do so shall be null and void and shall have no force or effect whatsoever. Furthermore, all payments called for under this Award Agreement shall be made from the Corporation's general assets, and your right to payment from the Corporation's general assets shall be the same as the right of a general and unsecured creditor of the Corporation. Until a share of Stock is delivered to you, you generally will not have the rights and privileges of a stockholder. In particular, you will not have the right to vote your PSUs on any matter put to the stockholders of the Corporation; you may not sell, transfer, assign, pledge, use as collateral or otherwise dispose of or encumber PSUs; and you will not have the right to receive any dividends paid to stockholders or dividend equivalents on the PSUs.

Section 7. Plan.

This Award Agreement shall be subject to all of the terms and conditions set forth in the Plan.

Section 8. Change in Control.

8.1. Change in Control during the Performance Period.

(a) In the event of a consummation of a Change in Control during the Performance Period, your Target Award (and DDEs) will become vested (i) on the effective date of the Change in Control if the PSUs are not assumed, continued, or equivalent restricted securities are not substituted for your PSUs by the Corporation or its successor, or (ii) if the PSUs are assumed, continued or substituted by the Corporation or its successor, on the effective date of your involuntary termination other than for Cause (not including death or Total Disability) or your voluntary termination with Good Reason, in either case, within the 24-month period following the consummation of the Change in Control; provided that any such termination is also a "separation from service" under Code section 409A.

(b) In the event the PSUs vest in accordance with this Section 8.1 (whether immediately following the Change in Control or following your termination), the shares of Stock or equivalent substituted securities in which you have become vested and DDEs shall be delivered to you within 14 days of the date on which you become vested.

8.2. Change in Control during the Vesting Period.

(a) In the event of a consummation of a Change in Control after the end of the Performance Period but during the Vesting Period, you will vest in your Target Award (and DDEs) (i) on the effective date of the Change in Control if the PSUs are not assumed or continued or equivalent restricted securities are not substituted for your PSUs by the Corporation or its successor, or (ii) on the earlier of the end of the Vesting Period or the effective date of your termination if the PSUs are assumed, continued or substituted for, upon your involuntary termination other than for Cause (not including death or Total Disability) or your voluntary termination with Good Reason, in either case, prior to the end of the Vesting Period.

(b) In the event the PSUs vest in accordance with this Section 8.2 (whether immediately following the Change in Control or following your termination), the shares of Stock or equivalent substituted securities in which you have become vested and DDEs shall be delivered to you within 14 days of the date on which you become vested.

8.3 Special Definitions. For purposes of this Award Agreement:

(a) "Cause" shall mean either of the following:

(i) Conviction for an act of fraud, embezzlement, theft or other act constituting a felony (other than traffic-related offenses or as a result of vicarious liability); or

(ii) Willful misconduct that is materially injurious to the Corporation's financial position, operating results or reputation; provided, however that no act or failure to act shall be considered "willful" unless done, or omitted to be done, by you (a) in bad faith; (b) for the purpose of receiving an actual improper personal benefit in the form of money, property or services; or (c) in circumstances where you had reasonable cause to believe that the act or failure to act was unlawful.

(b) "Good Reason" shall mean, without your express written consent, the occurrence of any one or more of the following after the Change in Control:

- (i) A material and substantial reduction in the nature or status of your authority or responsibilities;
- (ii) A material reduction in your annualized rate of base salary;
- (iii) A material reduction in the aggregate value of your level of participation in any short or long term incentive cash compensation plan, employee benefit or retirement plan or compensation practices, arrangements, or policies;
- (iv) A material reduction in the aggregate level of participation in equity-based incentive compensation plans;
or
- (v) Your principal place of employment is relocated to a location that is greater than 50 miles from your principal place of employment on the date the Change in Control is consummated.

Your continued employment following an event that would constitute a basis for voluntary termination with Good Reason shall not constitute Good Reason if you consent to, or waive your rights with respect to any circumstances constituting Good Reason. In addition, the occurrence of an event described in (i) through (v) shall constitute the basis for voluntary termination for Good Reason only if you provide written notice of your intent to terminate employment within 90 days of the first occurrence of such event and the Corporation has had at least 30 days from the date on which such notice is provided to cure such occurrence. If you do not terminate employment for Good Reason within 180 days after the first occurrence of the applicable grounds, then you will be deemed to have waived your right to terminate for Good Reason with respect to such grounds.

8.4. Special Rule. Notwithstanding Section 8.1 or 8.2, if a payment in accordance with those provisions would result in a nonexempt short-swing transaction under Section 16(b) of the Exchange Act, then the date of distribution to you shall be delayed until the earliest date upon which the distribution either would not result in a nonexempt short-swing transaction or would otherwise not result in liability under Section 16(b) of the Exchange Act.

Section 9. Amendment and Termination.

As provided in Section 9 of the Plan, the Board of Directors may at any time amend, suspend or discontinue the Plan and the Committee may at any time amend this Award Agreement. Notwithstanding the foregoing, no such action by the Board of Directors or the Committee shall amend Sections 1, 2, 3, 4, or 5 in a manner adverse to you or reduce the amount payable hereunder in a material manner without your written consent. For this purpose, a change in the amount payable hereunder that occurs solely by reason of a change in the date or form of payment due to Section 409A of the Code or Section 16 of the Exchange Act shall in no case be treated as a reduction prohibited by this Section 9. Thus, for example, if an amount payable by reason of Section 8 is delayed by an amendment to this Award Agreement or other action undertaken to comply with Section 409A of the Code and the amount payable is reduced solely by reason of a corresponding delay in the date of valuation of a share of Stock, such a change shall not be treated

as a reduction prohibited by this Section 9. This Section 9 shall be construed and applied so as to permit the Committee to amend this Award Agreement at any time in any manner reasonably necessary or appropriate in order to comply with the requirements of Section 16 of the Exchange Act and of Section 409A of the Code, including amendments regarding the timing and form of payments hereunder.

Section 10. Data Privacy Consent For Employees Located Outside Of The United States.

To the extent recognized under applicable law, if you are located outside of the United States, then by accepting this Award Agreement as described in Section 18, you hereby explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your Personal Data (defined below) as described in this Award Agreement by and among the Corporation for the exclusive purpose of implementing, administering and managing your participation in the Plan.

You understand that the Corporation collects, holds, uses and processes certain information about you, including, but not limited to, your name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares or directorships held in the Corporation, details of all awards or any other entitlement to shares awarded, canceled, exercised, vested, unvested or outstanding in your favor, for the purpose of implementing, administering and managing the Plan ("Personal Data"). The Corporation acts as the controller/owner of this Personal Data, and processes this Personal Data for purposes of implementing, administering, and managing the Plan. The Corporation protects the Personal Data that it receives in the United States from the European Union in accordance with the EU-U.S. Privacy Shield. You can obtain further information about Privacy Shield in the Corporation's European Employee Privacy Notice, which can currently be accessed through the Corporation's Cross Function Procedure CRX-017.

You understand that Personal Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in your country or elsewhere, and that the recipient's country may have different, including less stringent, data privacy laws and protections than your country. You may request a list with the names and addresses of any third-party recipients of the Personal Data at any time by contacting your local human resources representative. Where disclosing Personal Data to these third parties, the Corporation provides appropriate safeguards for protecting the transfer of your Personal Data, such as establishing standard data protection clauses with the third parties as adopted by the European Commission. You may request a copy of, or information about, such safeguards by contacting your local human resources representative. You recognize that the Corporation and any other possible recipients including any present or future third-party recipients must receive, possess, use, retain and transfer your Personal Data, in electronic or other form, for the purposes of implementing, administering and managing your participation in the Plan, including any requisite transfer of such Personal Data as may be required to a broker or other third party with whom the Corporation may elect to administer the settlement of any award. You understand that Personal Data will be held only as long as is necessary to implement, administer and manage your participation in the Plan and comply with applicable legal requirements.

To the extent provided by your local law, you may, at any time, have the right to request: access to your Personal Data, rectification of your Personal Data, erasure of your Personal Data, restriction of processing of your Personal Data, portability of your Personal Data and information

about the storage and processing of your Personal Data. You may also have the right to object, on grounds related to a particular situation, to the processing of your Personal Data, as well as to refuse or withdraw the consents herein, in any case without cost, by contacting in writing your local human resources representative. You understand, however, that refusing or withdrawing your consent may affect your ability to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact your local human resources representative.

Section 11. No Assurance of Employment; No Right to an Award; Value of Award.

Nothing contained in the Plan or in this Award Agreement shall confer upon you any right to continue in the employ or other service of the Corporation or constitute any contract (of employment or otherwise) or limit in any way the right of the Corporation to change your compensation or other benefits or to terminate your employment with or without cause. You acknowledge and agree as follows:

- (a) the Plan is discretionary in nature and that the Board of Directors may amend, suspend, or terminate it at any time;
- (b) the grant of the PSUs is voluntary and occasional and does not create any contractual or other right to receive future grants of any PSUs, or benefits in lieu of any PSUs even if PSUs have been granted repeatedly in the past;
- (c) all determinations with respect to such future PSUs, if any, including but not limited to the times when PSUs shall be granted or when PSUs shall vest, will be at the sole discretion of the Committee or its delegate;
- (d) your participation in the Plan is voluntary;
- (e) the value of the PSUs is an extraordinary item of compensation, which is outside the scope of your employment contract (if any), except as may otherwise be explicitly provided in your employment contract;
- (f) the PSUs are not part of normal or expected compensation or salary for any purpose, including, but not limited to, calculating termination, severance, resignation, redundancy, end of service, or similar payments, or bonuses, long-service awards, pension or retirement benefits;
- (g) the PSUs shall expire upon termination of your employment for any reason except as may otherwise be explicitly provided in the Plan and this Award Agreement;
- (h) the future value of the shares is unknown and cannot be predicted with certainty; and
- (i) no claim or entitlement to compensation or damages arises from the termination of the PSUs in accordance with the Plan and this Award Agreement or diminution in value of the PSUs or Stock and you irrevocably release the Corporation from any such claim that may arise.

Section 12. Conflict.

In the event of a conflict between this Award Agreement and the Plan, the Plan document shall control.

Section 13. Compliance with Section 409A of the Code.

It is the intent of the Corporation that your Award not be subject to taxation under Section 409A(a)(1) of the Code. Nevertheless, in the event that your Award is or could be subject to Section 409A of the Code, as determined by the Senior Vice President, Human Resources, in consultation with the General Tax Counsel or his or her delegate, the following rules apply: (i) the Award will be interpreted and administered to meet the requirements of Sections 409A(a)(2), (3) and (4) of the Code and thus to be exempt from taxation under Section 409A(a)(1) of the Code; (ii) no Award payment will be made on account of your termination of employment unless the termination of employment constitutes a "separation from service" under Code section 409A(a)(2)(a)(i); and (iii) if you are a "specified employee" within the meaning of Code section 409A, any payment in respect of this Award made on account of a termination of employment will be delayed for six (6) months following such termination of employment, and then made at the earliest date permitted by Section 409A of the Code.

Section 14. Post-Employment Covenants & Stock Ownership Requirements.

Except where prohibited by law, by accepting this Award Agreement as described in Section 18, you agree to the terms of the Post-Employment Conduct Agreement contained in Exhibit A to this Award Agreement and you acknowledge receipt of the Stock Ownership Requirements ("Ownership Requirements") attached as Exhibit B to this Award Agreement and agree to comply with such Ownership Requirements as amended from time to time. If you are not a Vice President (or above) on February 21, 2019, but you are promoted to Vice President (or above) prior to February 21, 2022, the Ownership Requirements as in effect at that time shall become applicable to you on the date of your promotion to Vice President (or above).

Section 15. English Language.

You have received the terms and conditions of this Award Agreement and any other related communications, and you consent to having received these documents, in English. If you have received this Award Agreement or any other documents related to the Plan translated into a language other than English, and if the translated version is different from the English version, the English version will control.

Quebec Residents Only: The Parties have agreed that this Award Agreement, the Plan as well as any notice, document or instrument relating to them be drawn up in English only. You acknowledge that, upon your reasonable request, the Corporation will provide a French translation of such documents to you. Les parties aux présentes ont convenu que la présente accord, le "Plan," ainsi que tous autres avis, actes ou documents s'y rattachant soient rédigés en anglais seulement. Vous reconnaissez que, à votre demande raisonnable, "the Corporation" fournit une traduction française de ces documents à vous.

Section 16. Currency Exchange Risk.

If your functional currency is not the U.S. dollar, you agree and acknowledge that you will bear any and all risk associated with the exchange or fluctuation of currency associated with the Award (the "Currency Exchange Risk"). You waive and release the Corporation and its subsidiaries from any potential claims arising out of the Currency Exchange Risk.

Section 17. Exchange Control Requirements.

You agree and acknowledge that you will comply with any and all exchange control requirements applicable to the Award and any resulting funds including, without limitation, reporting or repatriation requirements.

Section 18. Acceptance of Award Agreement; Electronic Delivery.

By accepting this Award Agreement, you consent to receive copies of the Prospectus applicable to this Award through the Stock Plan System at <http://www.stockplanconnect.com> as well as to electronic delivery of the Corporation's annual report on Form 10-K, annual proxy statement and quarterly reports on Form 10-Q. This consent can only be withdrawn by written notice to the Vice President of Compensation and Performance Management at Lockheed Martin Corporation, Mail Point 126, 6801 Rockledge Drive, Bethesda, MD 20817. The Corporation will deliver any documents related to the Award under the Plan or future Awards that may be awarded under the Plan through the Stock Plan System. The Corporation will request your consent to participate in the Plan through the Stock Plan System. You hereby consent to receive such documents and agree to participate in the Plan through the Stock Plan System.

No Award is enforceable until you properly acknowledge your acceptance of this Award Agreement by completing the electronic receipt on the Stock Plan System as soon as possible but in no event later than May 31, 2019. Acceptance of this Award Agreement must be made only by you personally or by a person acting pursuant to a power of attorney in the event of your inability to acknowledge your acceptance (and not by your estate, your spouse or any other person) and constitutes your consent to any action taken under the Plan consistent with its terms with respect to this Award. Notwithstanding the foregoing, this Award will be enforceable and deemed accepted, and will not be forfeited, if you are unable to accept this Award Agreement personally by May 31, 2019, due to your death, disability, incapacity, deployment in the Armed Forces, or similar unforeseen circumstance as determined by the Corporation in its discretion. If you desire to accept this Award, you must acknowledge your acceptance and receipt of this Award Agreement electronically on or before May 31, 2019, by going to the Stock Plan System at <http://www.stockplanconnect.com>.

Assuming prompt and proper acknowledgment of this Award Agreement as described in Section 18, this Award will be effective as of the Award Date.

Appendix A

Capitalized Terms

Average TSR	§ 3.2(a)
Award	1 st ¶
Award Date	Header
Cash Flow	§ 4.2(a)
Cash Flow Performance Factor	§ 4.2
Cash Flow Target	§ 2.1(c)
Cause	§ 8.3(a)
Change in Control	Plan
Code	Plan
Committee	2 nd ¶
Corporation	1 st ¶
DDE	§ 1.1(c)
Divestiture	§ 5.1(c)(ii)
Employee	Plan
Exchange Act	Plan
Fair Market Value	Plan
Good Reason	§ 8.3(b)
Insider	Plan
Maximum Award	§ 1.1(b)
Peer Performance Group	§ 3.1
Performance-Based Award	Plan
Performance Period	§ 1.2
Personal Data	§ 10
Plan	1 st ¶
PSU	§ 1.1(a)
Retirement	§ 5.1(c)(iii)
Return	§ 4.1(a)
ROIC	§ 4.1(a)
ROIC Performance Factor	§ 4.1
ROIC Target	§ 2.1(b)
Share-Based Awards	Plan
Stock	Plan
Stock Plan System	2 nd ¶
Target Award	1 st ¶; § 1.1(a)
Total Disability	§ 5.1(c)(i)
Total Stockholder Return	Plan; § 3.2(a)
Total Stockholder Return Performance Factor	§ 3.1; § 3.2
Vesting Period	§ 1.3

Exhibit A

Post-Employment Conduct Agreement
(PSU Grant)

This Post-Employment Conduct Agreement (this "PECA") attached as Exhibit A to the Award Agreement with an Award Date of February 21, 2019, (the "Award Agreement") is entered into in consideration of, among other things, the grant of performance restricted stock units to me under the Award Agreement (the "PSUs") pursuant to the Lockheed Martin Corporation 2011 Incentive Performance Award Plan, as amended (the "Plan"). References to the "Corporation" shall include Lockheed Martin Corporation and its Subsidiaries. By accepting the PSUs, I agree as follows:

1. Restrictions Following Termination of Employment.

(a) Covenant Not To Compete - Without the express written consent of the "Required Approver" (as defined in Section 6), during the one-year period (or two-year period for Elected Officers) following the date of my termination of employment (the "Termination Date") with the Corporation, I will not, directly or indirectly, be employed by, provide services to, or advise a "Restricted Company" (as defined in Section 6), whether as an employee, advisor, director, officer, partner or consultant, or in any other position, function or role that, in any such case,

(i) oversees, controls or affects the design, operation, research, manufacture, marketing, sale or distribution of "Competitive Products or Services" (as defined in Section 6) of or by the Restricted Company, or

(ii) would involve a substantial risk that the "Confidential or Proprietary Information" (as defined in Section 1(c)) of the Corporation (including but not limited to technical information or intellectual property, strategic plans, information relating to pricing offered to the Corporation by vendors or suppliers or to prices charged or pricing contemplated to be charged by the Corporation, information relating to employee performance, promotions or identification for promotion, or information relating to the Corporation's cost base) could be used to the disadvantage of the Corporation.

Section 1(a)(i) and (ii) shall not apply to residents of California.

To the extent permitted by applicable law, including but not limited to any applicable rules governing attorney conduct (such as the ABA Model Rules of Professional Conduct and state versions thereof), Sections 1(a)(i) and (ii) and Section 1(b) relating to non-solicitation, shall apply to individuals who are employed by the Corporation in an attorney position and whose occupation during the one-year (or two-year, for Elected Officers) period following employment with the Corporation does not include practicing law.

In lieu of Section 1(a)(i) and (ii), as well as Section 1(b) relating to non-solicitation, the following Section 1(a)(iii) shall apply to individuals who are employed by the Corporation in an

attorney position, and whose occupation during the one-year (or two-year, for Elected Officers) period following employment with the Corporation includes practicing law.

(iii) **Post-Employment Activity As a Lawyer** – I acknowledge that as counsel to the Corporation, I owe ethical and fiduciary obligations to the Corporation and that at least some of these obligations will continue even after my Termination Date with the Corporation. I agree that after my Termination Date I will comply fully with all applicable ethical and fiduciary obligations that I owe to the Corporation. To the extent permitted by applicable law, including but not limited to any applicable rules governing attorney conduct, I agree that I will not:

- (a) Represent any client in the same or a substantially related matter in which I represented the Corporation where the client's interests are materially adverse to the Corporation; or
- (b) Disclose confidential information relating to my representation of the Corporation, including the disclosure of information that is to the disadvantage of the Corporation, except for information that is or becomes generally known.

The Corporation's Senior Vice President, General Counsel, and Corporate Secretary or the General Tax Counsel, as applicable, will determine in his or her discretion whether an individual is employed by the Corporation in an attorney position.

(b) **Non-Solicit** – Without the express written consent of the Required Approver, during the two-year period following the Termination Date, I will not (i) cause or attempt to cause, directly or indirectly, the complete or partial loss of any contract in effect before the Termination Date between the Corporation and any customer, supplier, distributor or manufacturer of or to the Corporation with which I was responsible, in whole or in part, for soliciting, negotiating, implementing, managing, or overseeing or (ii) induce or attempt to induce, directly or indirectly, any person who is an employee of the Corporation with whom I worked or interacted with within two years prior to the Termination Date to cease employment with the Corporation in order to perform work or services for any entity other than the Corporation.

(c) **Protection of Proprietary Information** – Except to the extent required by law, following my Termination Date, I will have a continuing obligation to comply with the terms of any non-disclosure or similar agreements that I signed while employed by the Corporation committing to hold confidential the "Confidential or Proprietary Information" (as defined below) of the Corporation or any of its affiliates, subsidiaries, related companies, joint ventures, partnerships, customers, suppliers, partners, contractors or agents, in each case in accordance with the terms of such agreements. I will not use or disclose or allow the use or disclosure by others to any person or entity of Confidential or Proprietary Information of the Corporation or others to which I had access or that I was responsible for creating or overseeing during my employment with the Corporation. In the event I become legally compelled (by deposition, interrogatory, request for documents, subpoena, civil investigative demand or otherwise) to disclose any proprietary or confidential information, I will immediately notify the Corporation's Senior Vice President, General Counsel and Corporate Secretary as to the existence of the obligation and will cooperate with any

reasonable request by the Corporation for assistance in seeking to protect the information. All materials to which I have had access, or which were furnished or otherwise made available to me in connection with my employment with the Corporation shall be and remain the property of the Corporation. For purposes of this PECA, "Confidential or Proprietary Information" means Proprietary Information within the meaning of CRX-015C (a copy of which has been made available to me), including but not limited to information that a person or entity desires to protect from unauthorized disclosure to third parties that can provide the person or entity with a business, technological, or economic advantage over its competitors, or which, if known or used by third parties or if used by the person's or entity's employees or agents in an unauthorized manner, might be detrimental to the person's or entity's interests. Confidential or Proprietary Information may include, but is not limited to:

(i) existing and contemplated business, marketing and financial business information such as business plans and methods, marketing information, cost estimates, forecasts, financial data, cost or pricing data, bid and proposal information, customer identification, sources of supply, contemplated product lines, proposed business alliances, and information about customers or competitors, and

(ii) existing and contemplated technical information and documentation pertaining to technology, know how, equipment, machines, devices and systems, computer hardware and software, compositions, formulas, products, processes, methods, designs, specifications, mask works, testing or evaluation procedures, manufacturing processes, production techniques, research and development activities, inventions, discoveries, and improvements, and

(iii) human resources and personnel information.

(d) No Disparagement – Following the Termination Date, I will not make any statements, whether verbal or written, that disparage or reasonably may be interpreted to disparage the Corporation or its directors, officers, employees, technology, products or services with respect to any matter whatsoever.

(e) Cooperation in Litigation and Investigations – Following the Termination Date, I will, to the extent reasonably requested, cooperate with the Corporation in any pending or future litigation (including alternative dispute resolution proceedings) or investigations in which the Corporation or any of its subsidiaries or affiliates is a party or is required or requested to provide testimony and regarding which, as a result of my employment with the Corporation, I reasonably could be expected to have knowledge or information relevant to the litigation or investigation. Notwithstanding any other provision of this PECA, nothing in this PECA shall affect my obligation to cooperate with any governmental inquiry or investigation or to give truthful testimony in court.

2. Consideration and Acknowledgement. I acknowledge and agree that the benefits and compensation opportunities being made available to me under the Award Agreement are in addition to the benefits and compensation opportunities that otherwise are or would be available to me in connection with my employment by the Corporation and that the grant of the PSUs is expressly made contingent upon my agreements with the Corporation set forth in this PECA. I acknowledge that the scope and duration of the restrictions in Section 1 are necessary to be effective and are fair and reasonable in light of the value of the benefits and compensation

opportunities being made available to me under the Award Agreement. I further acknowledge and agree that as a result of the high level executive and management positions I hold with the Corporation and the access to and extensive knowledge of the Corporation's Confidential or Proprietary Information, employees, suppliers and customers, these restrictions are reasonably required for the protection of the Corporation's legitimate business interests.

3. Remedies For Breach of Section 1; Additional Remedies of Clawback and Recoupment.

(a) I agree, upon demand by the Corporation, to forfeit, return or repay to the Corporation the "Benefits and Proceeds" (as defined below) in the event any of the following occur:

(i) I breach any of the covenants or agreements in Section 1;

(ii) The Corporation determines that either (a) my intentional misconduct or gross negligence, or (b) my failure to report another person's intentional misconduct or gross negligence of which I had knowledge during the period I was employed by the Corporation, contributed to the Corporation having to restate all or a portion of its financial statements filed for any period with the Securities and Exchange Commission;

(iii) The Corporation determines that I engaged in fraud, bribery or any other illegal act or that my intentional misconduct or gross negligence (including the failure to report the acts of another person of which I had knowledge during the period I was employed by the Corporation) contributed to another person's fraud, bribery or other illegal act, which in any such case adversely affected the Corporation's financial position or reputation;

(iv) The Corporation determines that my intentional misconduct or gross negligence caused severe reputational or financial harm to the Corporation;

(v) The Corporation determines that I misappropriated Confidential or Proprietary Information, as defined in Section 1(c), and I (A) intended to use the misappropriated Confidential or Proprietary Information to cause severe reputational or financial harm to the Corporation or (B) used the misappropriated Confidential or Proprietary Information in a manner that caused severe reputational or financial harm to the Corporation; or

(iv) Under such other circumstances specified by final regulation issued by the Securities and Exchange Commission entitling the Corporation to recapture or clawback "Benefits and Proceeds" (as defined below).

(b) The remedy provided in Section 3(a) shall not be the exclusive remedy available to the Corporation for any of the conduct described in Section 3(a) and shall not limit the Corporation from seeking damages or injunctive relief. For purposes of Section 3(a), a determination by the Corporation means, with respect to an Elected Officer, a determination by the Management Development and Compensation Committee of the Board of Directors of the Corporation (the "Committee") and, with respect to any other employee, a

determination by a review committee consisting of the Senior Vice President, Human Resources, the Senior Vice President, Ethics and Enterprise Assurance, and the Senior Vice President, General Counsel and Corporate Secretary (the "Review Committee").

(c) For purposes of this Section 3, "Benefits and Proceeds" means (i) to the extent I own Stock issued in respect of vested PSUs, such Stock; (ii) to the extent I no longer own the shares of Stock of the Corporation issued in respect of the PSUs, cash in an amount equal to the greater of (x) the value of such Stock on the date the associated PSUs vested (which, unless otherwise determined by the Committee or the Review Committee, shall be equal to the closing price of the shares of Common as finally reported by the New York Stock Exchange on such date), and (y) the proceeds received in connection with the disposition of such Stock; and (iii) to the extent I have not earned the PSUs fully, all of my remaining rights, title or interest in my Award and any accrued dividend equivalents with respect thereto.

4. Injunctive Relief. I acknowledge that the Corporation's remedies at law may be inadequate to protect the Corporation against any actual or threatened breach of the provisions of Section 1 or the conduct described in Section 3(a), and, therefore, without prejudice to any other rights and remedies otherwise available to the Corporation at law or in equity (including but not limited to, an action under Section 3(a)), the Corporation shall be entitled to injunctive relief in its favor and to specific performance without proof of actual damages and without the requirement of the posting of any bond or similar security.

5. Invalidity; Unenforceability. It is the desire and intent of the parties that the provisions of this PECA shall be enforced to the fullest extent permissible. Accordingly, if any particular provision of this PECA is adjudicated to be invalid or unenforceable, this PECA shall be deemed amended to delete the portion adjudicated to be invalid or unenforceable, such deletion to apply only with respect to the operation of this provision in the particular jurisdiction in which such adjudication is made.

6. Definitions. Capitalized terms not defined in this PECA have the meaning given to them in the Plan, as applicable. For purposes of this PECA, the following terms have the meanings given below:

(a) "Restricted Company" means The Boeing Company, General Dynamics Corporation, Northrop Grumman Corporation, the Raytheon Company, United Technologies Corporation, Honeywell International Inc., BAE Systems Inc., L3 Technologies, Inc., the Harris Corporation, Thales, Airbus Group, Inc., Textron Inc., Finmeccanica SpA, Leidos Holdings, Inc. and (i) any entity directly or indirectly controlling, controlled by, or under common control with any of the foregoing, and (ii) any successor to all or part of the business of any of the foregoing as a result of a merger, reorganization, consolidation, spin-off, split-up, acquisition, divestiture, or similar transaction, or as a result of a name change.

(b) "Competitive Products or Services" means products or services that compete with, or are an alternative or potential alternative to, products sold or services provided by a subsidiary, business area, division or operating unit or business of the Corporation as of the Termination Date and at any time within the two-year period ending on the Termination Date; provided, that, (i) if I had direct responsibility for the business of, or function with

respect to, a subsidiary, or for a business area, division or operating unit or business of the Corporation at any time within the two-year period ending on the Termination Date, Competitive Products or Services includes the products so sold or the services so provided during that two-year period by the subsidiary, business area, division or operating unit of the Corporation for which I had responsibility, and (ii) if I did not have direct responsibility for the business of, or function with respect to, a subsidiary, or for a business area, division or operating unit or business of the Corporation at any time within the two-year period ending on the Termination Date, Competitive Products or Services includes the products so sold or the services so provided by a subsidiary, business area, division or operating unit of the Corporation for which I had access (or was required or permitted such access in the performance of my duties or responsibilities with the Corporation) to Confidential or Proprietary Information of the Corporation at any time during the two-year period ending on the Termination Date.

(c) "Required Approver" means:

- (i) with respect to the Chairman, President and Chief Executive Officer, the Management and Development Committee of the Corporation's Board of Directors;
- (ii) with respect to an Elected Officer, the Corporation's Chairman, President and Chief Executive Officer; or
- (iii) with respect to all other employees, the Senior Vice President, Human Resources of the Corporation.

(d) "Elected Officer" means an officer of the Corporation who was elected to his or her position by the Corporation's Board of Directors.

7. Miscellaneous.

(a) The Plan, the Award Agreement (with Exhibit B) and this PECA constitute the entire agreement governing the terms of the award of the PSUs to me.

(b) This PECA shall be governed by Maryland law, without regard to its provisions governing conflicts of law. Any enforcement of, or challenge to, this PECA may only be brought in the United States District Court for the District of Maryland, unless such court determines that it does not have subject matter jurisdiction, in which case any such enforcement or challenge may be brought in the Circuit Court of Maryland. Both parties consent to the proper jurisdiction and venue of such court, as applicable, for the purpose of enforcing or challenging this PECA.

(c) This PECA shall inure to the benefit of the Corporation's successors and assigns and may be assigned by the Corporation without my consent.

(d) This PECA provides for certain obligations on my part following the Termination Date and shall not, by implication or otherwise, affect in any way my obligations to the Corporation during the term of my employment by the Corporation, whether pursuant to

written agreements between the Corporation and me, the provisions of applicable Corporate policies that may be adopted from time to time or applicable law or regulation.

This PECA is effective as of the acceptance by me of the award of PSU under the Award Agreement and is not contingent on the vesting of my PSU Award.

Exhibit B

Stock Ownership Requirements

Lockheed Martin's Stock Ownership Requirements for Key Employees apply to all senior level positions of Vice President and above. This reflects the expectations of our major stockholders that management demonstrate its confidence in Lockheed Martin through a reasonable level of personal share ownership. This practice is consistent with other major U.S. corporations which link some portion of personal financial interests of key employees with those of shareholders.

Stock Ownership Requirements

Title	Annual Base Pay Multiple
Chairman, President and Chief Executive Officer	6 times
Chief Operating Officer	5 times
Chief Financial Officer	4 times
Executive Vice Presidents	3 times
Senior Vice Presidents	2 times
Other Elected Officers	2 times
Other Vice Presidents	1 times

Satisfaction of Requirements

Covered employees may satisfy their ownership requirements with common stock in these categories:

- Shares owned directly.
- Shares owned by a spouse or a trust.
- Shares represented by monies invested in 401(k) Company Common Stock Funds or comparable plans.
- Share equivalents as represented by income deferred to the Company Stock Investment Option of the Deferred Management Incentive Compensation Plan (DMICP).
- Unvested Restricted Stock Units

Key employees will be required to achieve the appropriate ownership level within five years and are expected to make continuous progress toward their target. Appointment to a new level will reset the five year requirement. Unexercised options prior to vesting are not counted toward meeting the guidelines.

Holding Period

Covered employees must retain net vested Restricted Stock Units and Performance Stock Units and the net shares resulting from any exercise of stock options if the ownership requirements are not yet satisfied.

Covered employees are asked to report annually on their progress toward attainment of their share ownership goals.

Award Date: February 21, 2019



**LONG-TERM INCENTIVE PERFORMANCE AWARD AGREEMENT
GRANTED UNDER THE LOCKHEED MARTIN CORPORATION
2011 INCENTIVE PERFORMANCE AWARD PLAN FOR
THE 2019 – 2021 PERFORMANCE PERIOD**

**THIS DOCUMENT CONSTITUTES PART OF A PROSPECTUS COVERING
SECURITIES THAT HAVE BEEN REGISTERED UNDER THE
SECURITIES ACT OF 1933**

This Award Agreement applies to the Long-Term Incentive Performance ("LTIP") Award granted by Lockheed Martin Corporation to you as of the Award Date (defined above) under the Lockheed Martin Corporation 2011 Incentive Performance Award Plan, as amended and restated ("Plan"). The term "Target Award" as used in this Award Agreement refers only to the Target Award awarded to you under this Award Agreement and the term "Award" refers only to the LTIP Award set forth in this Award Agreement. References to the "Corporation" include Lockheed Martin Corporation and its Subsidiaries.

This Award Agreement sets forth your Target Award as well as some of the terms and conditions of your Award under the Plan, as determined by the Management Development and Compensation Committee ("Committee") of the Board of Directors. Additional terms and conditions, including tax information, are contained in the Plan and in the Prospectus relating to the Plan of which the Plan and this Award Agreement are a part. Your Target Award is identified in the electronic stock plan award recordkeeping system ("Stock Plan System") maintained by the Corporation or its designee at <http://www.stockplanconnect.com>. The Prospectus is also available at this website.

Except as described in Section 18, your Award is not effective or enforceable until you properly acknowledge your acceptance of the Award by completing the electronic receipt on the Stock Plan System as soon as possible but in no event later than May 31, 2019. **Except as described in Section 18, if you do not properly acknowledge your acceptance of this Award Agreement on or before May 31, 2019, this Award will be forfeited.**

Assuming prompt and proper acknowledgement of your acceptance of this Award Agreement as described above and in Section 18, this Award will be effective as of the Award Date. Acceptance of this Award Agreement constitutes your consent to any action taken under the Plan consistent with its terms with respect to this Award and your agreement to be bound by the restrictions contained in Section 18, Exhibit A ("Post-Employment Conduct Agreement") and Exhibit B ("Stock Ownership Requirements"), as amended from time to time, except where prohibited by law.

The Corporation will comply with all applicable U.S. Tax withholding requirements applicable to the Award. **Please see the prospectus for the Plan for a discussion of certain material U.S. Tax consequences of the Award.** If you are a taxpayer in a country other than the U.S., you agree to make appropriate arrangements with the Corporation or its subsidiaries for the satisfaction of all income and employment tax withholding requirements, as well as social insurance contributions applicable to the Award. Please see the tax summary for your country available on the Stock Plan System at <http://www.stockplanconnect.com>. If you are a taxpayer in a country other than the U.S., you represent that you will consult with your own tax advisors in connection with this Award and that you are not relying on the Corporation for any tax advice.

In general, the Corporation will reduce the amount paid to you under this Award Agreement by an amount sufficient to satisfy any applicable Tax withholding obligation, generally at the highest individual tax rate, unless you elect otherwise in accordance with procedures established by the Corporation during an election window that may be offered by the Corporation. If you elect a lower tax rate for withholding, then you may owe additional taxes as a result of the payment of the Award. The Corporation shall also have the right to (i) offset any other obligation of the Corporation to you (including but not limited to, by withholding from your salary) by an amount sufficient to satisfy the Tax withholding obligation, or (ii) require you (or your estate) to pay the Corporation an amount equal to the Tax withholding obligation.

Nothing contained in this Award Agreement shall confer upon you any right of continued employment by the Corporation or guarantee that any future awards will be made to you under the Plan. In addition, nothing in this Award Agreement limits in any way the right of the Corporation to terminate your employment at any time. The value of the Award will not be taken into account for other benefits offered by the Corporation.

Capitalized terms used in this Award Agreement either shall be defined in this Award Agreement or if not defined in this Award Agreement shall have the meaning given to the term in the Plan. Appendix A contains an index of all capitalized terms used in this Award Agreement.

Section 1. Target Award; Performance Period.

1.1 Target Award. Your Target Award for the Performance Period under this Award Agreement shall be the U.S. dollar amount identified as your Target Award in your account in the Stock Plan System at <http://www.stockplanconnect.com>.

1.2 Performance Period. The Performance Period under this Award Agreement is a three-year performance period that runs from January 1, 2019, until December 31, 2021.

1.3 Payment of Award. The amount payable to you under your Award is dependent upon the Corporation's performance as compared to the metrics described in Section 3 and Section 4 of this Award Agreement and your continued employment with the Corporation in accordance with Section 5 of this Award Agreement. As a result of these requirements, any payments you receive may be larger or smaller than your Target Award (e.g., the performance factors could result in no payment in respect of your Award). With respect to US-based Employees, when an Award becomes vested in accordance with Section 5.2(a), the Award amount will be paid to the Participant in US Dollars. With respect to non-US based employees, when an Award becomes vested in accordance with Section 5.2(a), the amount payable to the Participant in cash will be the amount

of the Participant's Award converted into the Participant's functional currency at the conversion rate determined by the Corporation in its discretion as of the date the Award becomes vested in accordance with Section 5.2(a).

Section 2. Calculation of Award Payments.

2.1 End of Performance Period Calculation. Following the end of the Performance Period and prior to any payments being made,

(a) The Committee will calculate the Total Stockholder Return Performance Factor based on the Corporation's performance during the Performance Period relative to the performance of other corporations which compose the "Peer Performance Group" as defined in Section 3.1 below.

(b) The Committee will calculate the ROIC Performance Factor based on the Corporation's ROIC during the Performance Period as compared to the projected ROIC for the Performance Period as set forth in the February 20, 2019, Committee resolution ("ROIC Target").

(c) The Committee will calculate the Cash Flow Performance Factor based on the Corporation's cumulative Cash Flow during the Performance Period as compared to the projected cumulative Cash Flow for the Performance Period as set forth in the February 20, 2019, Committee resolution ("Cash Flow Target").

(d) Your "Potential Award" shall be calculated by multiplying the weighted average of the Total Stockholder Return Performance Factor, the ROIC Performance Factor, and the Cash Flow Performance Factor by your Target Award. The Total Stockholder Return Performance Factor, the ROIC Performance Factor, and the Cash Flow Performance Factor shall be weighted as follows in determining the weighted average of the three performance factors:

Total Stockholder Return Performance Factor	50%
ROIC Performance Factor	25%
Cash Flow Performance Factor	25%

You must (except as specified in Section 5) remain employed by the Corporation through December 31, 2021, to receive your Potential Award.

2.2 Adjustment of ROIC Target and Cash Flow Target. The Committee will adjust the ROIC Target and Cash Flow Target established as described in Section 2.1(b) and Section 2.1(c), respectively, to account for the impact of any acquisition or divestiture during the Performance Period with a transaction value in excess of \$1 billion at the time the transaction takes effect.

Section 3. Total Stockholder Return Performance Factor.

3.1. Peer Performance Group. The Total Stockholder Return Performance Factor will be based upon the relative ranking of the Corporation's Average TSR (as defined in Section 3.2(a)) for the Performance Period to the Average TSR for such Period for each company in the "Peer Performance Group." The "Peer Performance Group" shall consist of the following companies

(each a "Peer Company"): Arconic Inc. (ARNC), The Boeing Company (BA), Booz Allen Hamilton Holding Corporation (BAH), CACI International Inc. (CACI), General Dynamics Corporation (GD), Harris Corporation (HRS), Honeywell International Inc. (HON), Huntington Ingalls Industries (HII), Leidos Holdings, Inc. (LDOS), Northrop Grumman Corporation (NOC), Raytheon Company (RTN), Science Applications International Corporation (SAIC), Textron Inc. (TXT), TransDigm Group Inc. (TDG), and United Technologies Corporation (UTX). The following rules apply to the composition and relative ranking of the Peer Performance Group during the Performance Period:

- (a) If, on or before the last trading day of the twenty-fourth month of the Performance Period (i.e., on or before December 31, 2020), a Peer Company publicly announces that it has entered into a definitive agreement to be acquired (including, without limitation, a merger or other business combination of a Peer Company with another entity in which the Peer Company is not the survivor and the sale of all or substantially all of a Peer Company's assets), then that Peer Company will be removed from the Peer Performance Group as of the beginning of the Performance Period.
- (b) If, after the last trading day of the twenty-fourth month of the Performance Period (i.e., after December 31, 2020), a Peer Company publicly announces that it has entered into a definitive agreement to be acquired (including, without limitation, a merger or other business combination of a Peer Company with another entity in which the Peer Company is not the survivor and the sale of all or substantially all of a Peer Company's assets), then that Peer Company's Average TSR ranking will be fixed at its ranking relative to the Corporation's Average TSR (i.e., ranking either above or below the Corporation) as of the last trading day of the last full month prior to the announcement.
- (c) If a Peer Company engages in a merger or other business combination transaction during the Performance Period and following the closing of such transaction the survivor is publicly traded on a securities exchange under the Peer Company's pre-transaction ticker symbol or under another ticker symbol that includes the Peer Company's pre-transaction trading history, as determined by the Corporation using the tool the Corporation has designated in its discretion for computing Total Stockholder Return, then the Peer Company will remain in the Peer Performance Group. If both parties to the transaction are Peer Companies, then Section 3.1(a) or 3.1(b) will apply to one Peer Company and Section 3.1(a), 3.1(b), or 3.1(c) will apply to the other Peer Company. For the avoidance of doubt, if Harris Corporation completes its announced merger transaction with L3 Technologies, Inc. during the Performance Period and continues to trade under the ticker HRS or a new ticker that includes Harris Corporation's pre-transaction trading history, then Harris Corporation will remain in the Peer Performance Group.
- (d) If a Peer Company files for bankruptcy under the US Bankruptcy Code (Title 11 of the United States Code) at any time during the Performance Period, then that Peer Company will be ranked last for purposes of the end of Performance Period calculation described in Section 3.2(a).

The Corporation's Total Stockholder Return will be based on the performance of the Stock. With respect to the Peer Companies, the Total Stockholder Return of each company that is taken into account in computing the Peer Performance Group Total Stockholder Return will be based on the equity security of the relevant company that is traded using the ticker symbol indicated above

in parentheses after the Peer Company's name, or a successor ticker symbol determined as described in Section 3.1(c).

3.2. Calculation of Total Stockholder Return Performance Factor.

(a) Calculation of Average TSR. During the Performance Period, the Committee shall compute the Total Stockholder Return (as defined in the Plan and assuming the reinvestment of any cash dividends) for the Corporation and for each other company in the Peer Performance Group for 36 periods during the Performance Period where each period begins on January 1, 2019 (based on the closing price for the stock on December 31, 2018), and ends on the last day of each successive calendar month in the Performance Period on which the New York Stock Exchange is open for trading. Each such Total Stockholder Return shall be computed from data available to the public using the tool the Corporation has designated in its discretion for computing Total Stockholder Return. At the end of the Performance Period, the 36 Total Stockholder Return figures for each company for the Performance Period will be averaged to determine each company's average Total Stockholder Return ("Average TSR") for the Performance Period. Each company's Average TSR shall be ranked among the Average TSRs for each other company in the Peer Performance Group on a percentile basis (using the Excel PERCENTRANK function), taking into account any changes to the Peer Performance Group or ranking changes made during the Performance Period in accordance with Section 3.1(a) – (d).

(b) Percentage Level of Target Award. Your Total Stockholder Return Performance Factor, expressed as a percentage, will be determined under this Section 3.2(b) (and Section 3.2(c) to the extent interpolation is necessary) based on the Percentile Ranking (as determined under Section 3.2(a)) of the Corporation's Average TSR for the Performance Period under the following chart:

<u>Band</u>	<u>Percentile Ranking</u>	<u>Total Stockholder Return Performance Factor</u>
One	75 th – 100 th	200% (Maximum)
Two	60 th	150%
Three	50 th	100%
Four	40 th	50%
Five	35 th	25% (Threshold)

(c) Total Stockholder Return Performance Factor Interpolation. If the Percentile Ranking as determined under Section 3.2(a) puts the Corporation over the listed Percentile Ranking for the applicable Band (other than Band One) in Section 3.2(b), your Total Stockholder Return Performance Factor under Section 3.2(b) shall be interpolated on a linear basis.

If the Corporation's Average TSR for the three-year Performance Period is negative, the maximum Total Stockholder Return Performance Factor shall not exceed 100%.

Section 4. ROIC Performance Factor and Cash Flow Performance Factor.

4.1 ROIC Performance Factor. The ROIC Performance Factor will be determined by comparing the Corporation's ROIC for the Performance Period to the ROIC Target and then identifying the ROIC Performance Factor based upon the factor associated with the difference on the following table:

<u>ROIC Band</u>	<u>ROIC Performance Factor</u>
Target +≥ 160 basis points	200% (Maximum)
Target + 120 basis points	175%
Target + 80 basis points	150%
Target + 40 basis points	125%
Target	100%
Target – 10 basis points	75%
Target – 20 basis points	50%
Target – 30 basis points	25% (Threshold)

(a) ROIC Definition. For purposes of this Award Agreement, "ROIC" means return on invested capital for the Performance Period calculated as (A) average annual (i) net income (excluding any charge or addition to net income resulting solely from adjustment of deferred tax assets and liabilities for the effect of enactment of corporate tax reform and related legislation and regulations that change the top United States federal corporate income tax rate by two or more percentage points after February 21, 2019 ("Tax Reform")), plus (ii) interest expense times one minus the weighted average of the highest marginal federal corporate income tax rates over the three year Performance Period, adjusted to reflect any applicable limitations on deductibility of the Corporation's interest expense ("Return"), divided by (B) the average thirteen quarter-end investment balances (beginning with the quarter-end immediately preceding the beginning of the Performance Period) consisting of (i) debt (including current maturities of long-term debt) plus (ii) stockholders' equity plus the postretirement plans amounts determined quarterly as included in the Corporation's Statement of Stockholders' Equity. For any year in which net income would otherwise be affected by Tax Reform, net income shall be adjusted by substituting the effective tax rate assumed in the 2019 Long Range Plan for the actual effective tax rate (and ignoring the adjustment under clause (i) above, if any, to the extent necessary to avoid double counting of tax impacts).

(b) ROIC Determination. Each component of ROIC and the calculation of any postretirement plans amounts recorded in the Corporation's Statement of Stockholders' Equity shall be determined by the Committee in accordance with generally accepted accounting principles in the United States and be based upon the comparable numbers reported on the Corporation's audited consolidated financial statements or, if audited financial statements are not available for the date or period on which ROIC is being determined, the Committee shall make its determination in a manner consistent with the historical practices used by the Corporation in determining the components of ROIC and postretirement plans amounts recorded in the Corporation's Statement of Stockholders' Equity for purposes of reporting those items on its audited financial statements, as modified

by this paragraph. Notwithstanding the foregoing, ROIC will be adjusted to exclude the impact of any change in accounting standards or adoption of any new accounting standard that was not included in the 2019 Long Range Plan that is required under generally accepted accounting principles in the United States and that is reported in the Corporation's filings with the Securities and Exchange Commission as having a material effect on the Corporation's consolidated financial statements. ROIC, as included in the 2019 Long Range Plan, and the change in ROIC for purposes of the ROIC Performance Factor, will be determined in accordance with this Section 4.1(b).

4.2 Cash Flow Performance Factor. The Cash Flow Performance Factor will be determined by comparing the Corporation's cumulative Cash Flow during the Performance Period to the Cash Flow Target, and then identifying the Cash Flow Performance Factor based upon the factor associated with the change from the Cash Flow Target on the following table:

<u>Cash Flow Band</u>	<u>Cash Flow Performance Factor</u>
Target + \geq \$2.0B or more	200% (Maximum)
Target + \$1.5B	175%
Target + \$1.0B	150%
Target + \$0.5B	125%
Target	100%
Target - \$0.2B	75%
Target - \$0.5B	50%
Target - \$0.7B	25% (Threshold)

(a) Cash Flow Definition. For purposes of this Award Agreement, Cash Flow means net cash flow from operations, adjusted to exclude the impact of: (i) the aggregate after tax difference between the amount forecasted in the Corporation's 2019 Long Range Plan to be contributed by the Corporation to the Corporation's defined benefit pension plans during the Performance Period and the actual amounts contributed by the Corporation during the Performance Period; (ii) any tax payments or tax benefits during the Performance Period associated with the divestiture of business units, other than tax payments or tax benefits that were included in the Corporation's 2019 Long Range Plan; and (iii) for any year in which Cash Flow would otherwise be affected by Tax Reform, the aggregate difference between the tax payments forecasted in the 2019 Long Range Plan and the actual tax payments (and adjusting the amount under clause (i) above, if any, to the extent necessary to avoid double counting of tax impacts).

(b) Cash Flow Determination. Cash Flow shall be determined by the Committee based upon the comparable numbers reported on the Corporation's audited consolidated financial statements or, if audited financial statements are not available for the period for which Cash Flow is being determined, the Committee shall determine Cash Flow in a manner consistent with the historical practices used by the Corporation in determining net cash provided by operating activities as reported in its audited consolidated statement of cash flows, in either case as modified by this paragraph. Notwithstanding the foregoing, Cash Flow will be adjusted to exclude the impact of any change in accounting standards or adoption of any new accounting standard that was not included in the 2019 Long Range Plan that is required

under generally accepted accounting principles in the United States and that is reported in the Corporation's filings with the Securities and Exchange Commission as having a material effect on the Corporation's consolidated financial statements.

4.3 Interpolation of ROIC and Cash Flow Metrics. If the change in ROIC or Cash Flow falls between two numbers listed in the applicable table in Section 4.1 or 4.2, the appropriate factor will be interpolated on a linear basis. Notwithstanding the foregoing, the ROIC Performance Factor will always be zero if the ROIC for the Performance Period falls short of the ROIC Target by more than 30 basis points and the Cash Flow Performance Factor will always be zero if the aggregate Cash Flow for the Performance Period falls short of the Cash Flow Target by more than \$0.7 billion.

Section 5. Payment of Award.

5.1. Employment Requirement.

(a) General Rule. In order to be eligible to receive payment of your Award as determined under Section 2.1, you must accept this Award Agreement as described in Section 18 and remain employed by the Corporation through the last day of the Performance Period. Except as provided below or where prohibited by law, if your employment as an Employee terminates during the Performance Period, you shall forfeit your right to receive all or any part of your Award. If you are on Corporation-approved leave of absence at any point during the Performance Period, for purposes of this Award Agreement, you will be considered to still be in the employ of the Corporation, unless otherwise provided in an agreement between you and the Corporation.

(b) Exceptions. Notwithstanding Section 5.1(a), if the Committee determines

(1) that your employment as an Employee terminated as a result of your death, Total Disability or Retirement, or a Divestiture (each as defined in Section 5.1(c)), or

(2) that the Corporation terminated your employment involuntarily after August 21, 2019, (except that, if you are an employee who has been identified by the Corporation as subject to Divestiture, "after August 21, 2019," does not apply to you) as a result of a layoff, including through a voluntary layoff program that constitutes a window program under Section 409A of the Code,

you shall be eligible to receive a fraction of your Award. The numerator of such fraction shall equal the number of days in the Performance Period before your employment as an Employee terminated, and the denominator shall equal the total number of days in the Performance Period. The Committee shall have complete and absolute discretion to make the determinations called for under this Section 5.1(b), and all such determinations shall be binding on you and on any person who claims all or any part of your Award on your behalf as well as on the Corporation. If you terminate employment during the Performance Period but are eligible to receive a portion of your Potential Award as a result of an exception under this Section 5.1(b), payment of such portion of your Potential Award shall be in full satisfaction of all rights you have under this Award Agreement.

(c) Special Definitions. For purposes of this Award Agreement:

(1) Your employment as an Employee shall be treated as terminating because of a "Total Disability" on the date you commence receiving a benefit under the Corporation's long-term disability plan in which you participate, or if you are not enrolled in the Corporation's long-term disability plan, the date on which long-term disability benefits would commence under the plan under which you would have been covered, had you enrolled, using the standards set forth in that plan;

(2) Your employment as an Employee shall be treated as terminating as a result of Divestiture if the Corporation divests all or substantially all of a business operation of the Corporation and such divestiture results in the termination of your employment with the Corporation and a transfer of such employment to the other party in the Divestiture. A "Divestiture" shall mean a transaction that results in the transfer of control of the business operation divested to any person, corporation, association, partnership, joint venture, limited liability company or other business entity of which less than 50% of the voting stock or other equity interests are directly or indirectly owned or controlled by the Corporation, by one or more of the Corporation's Subsidiaries or by a combination thereof; and

(3) Your employment as an Employee shall be treated as terminating because of "Retirement" if the effective date of your termination of employment is after August 21, 2019, and (i) after you reach age 65, or (ii) after you reach age 55 and have (at the time of your termination) completed at least ten years of service with the Corporation. For this purpose, the effective date of your termination of employment is the day next following your last day worked.

(d) Resignation or Termination before the Last Day of the Performance Period.

(1) Except where prohibited by law, if you resign or your employment otherwise terminates before the last day of the Performance Period, other than on account of death, Total Disability, layoff, Retirement or Divestiture (as described above) or Change in Control (as described below), you will forfeit your right to receive all or any part of your Award on the date of your termination.

(2) Except where prohibited by law, if your employment terminates for any reason before the last day of the Performance Period by action of the Corporation due to your misconduct, then you will forfeit your right to receive all or any part of your Award on the date of your termination. If your employment terminates due to your misconduct after August 21, 2019, but before the last day of the Performance Period, then you will not be eligible to receive a fraction of your Award pursuant to Section 5.1(b) of the Award Agreement, even if at the time of your termination due to misconduct you have attained (i) age 55 and ten years of service, or (ii) age 65. The business area or Enterprise Operations review committee responsible for determinations of misconduct, or the Committee if you are an Elected Officer, will determine if your employment terminates due to misconduct.

5.2. Payment Rules.

(a) General Rule: Vesting; Method of Payment; Timing of Payment. If you are eligible to receive all, or a portion of, your Potential Award under Section 5.1, up to \$10,000,000 of your Potential Award shall be fully vested on the date on which the Committee certifies in writing that your Target Award has become a Potential Award for the Performance Period. This portion of your award shall be known as the "Payable Portion" of your Potential Award. The Payable Portion of your Potential Award shall be (i) paid to you in cash as soon as administratively practicable after the certification date described above, but not later than March 15, 2022, or (ii) deferred in accordance with Section 5.2(c). Subject to your deferral election under Section 5.2(c), in the event of your death, the Payable Portion of your Potential Award will be made to your estate.

(b) Special Rules for Certain Employees Terminated During Performance Period. If you terminate employment during the Performance Period but are eligible to receive a portion of your Potential Award as a result of an exception under Section 5.1(b), payment of such portion of your Potential Award shall be in full satisfaction of all rights you have under this Award Agreement. The portion of your Potential Award payable to you following a termination of employment during the Performance Period under circumstances described in Section 5.1(b) shall be paid to you or, in the event of your death, to your estate, at the time specified in Section 5.2(a) (subject to Section 5.2(c)).

(c) Deferral. You will be given an opportunity to elect to defer any amounts payable under Section 5.2 of this Award Agreement. Such election shall be irrevocable, shall be made in accordance with the terms of the Lockheed Martin Corporation Deferred Management Incentive Compensation Plan ("DMICP") and the requirements of Code Section 409A, and shall be subject to such additional terms and conditions as are set by the Committee. A deferral election form and the terms and conditions for any deferral will be furnished to you in due course. The beneficiary designation for the DMICP shall govern any amounts deferred under the terms of the DMICP. This Section 5.2(c) shall not apply if you are a taxpayer in a country other than the United States.

(d) Payment Rules Applicable to Canadian Employees. If you are employed in Canada, for purposes of the Award Agreement, the date of termination of employment will be the last day of actual and active employment. For the avoidance of doubt, except as may be required by applicable minimum standards legislation, no period of notice or payment in lieu of notice that is given or that ought to have been given under any applicable law or contract in respect of such termination of employment that follows or is in respect of a period after your last day of actual and active employment, if any, will be considered as extending your period of employment for the purposes of determining your entitlement under this Agreement.

5.3. Cutback. Any portion of your Potential Award in excess of the Payable Portion of your Potential Award will be forfeited to the extent that such portion, together with payments attributable to any other Cash-Based Awards that are granted during 2019 as Performance Based Awards, exceeds \$10,000,000. Amounts in excess of any Plan limits also shall be forfeited.

5.4. Means of Satisfying Code Section 409A. If any payment that would otherwise be made under this Award Agreement is required to be delayed by reason of Section 13, such payment

shall be made at the earliest date permitted by Code Section 409A. The amount of any delayed payment shall be the amount that would have been paid prior to the delay, adjusted to include interest from the original payment date to the actual payment date, at a rate equivalent to the six month London Interbank Offered Rate (LIBOR) as published in the Money Rates section of the Wall Street Journal, plus 25 basis points. The increase over LIBOR may be adjusted to reflect the six month unsecured borrowing rate of the Corporation.

Section 6. No Assignment – General Creditor Status.

You shall have no right to assign any interest you might have in all or any part of the Target Award or Potential Award which has been granted to you under this Award Agreement and any attempt to do so shall be null and void and shall have no force or effect whatsoever. Furthermore, all payments called for under this Award Agreement shall be made in cash from the Corporation's general assets, and your right to payment from the Corporation's general assets shall be the same as the right of a general and unsecured creditor of the Corporation.

Section 7. Plan.

This Award Agreement shall be subject to all of the terms and conditions set forth in the Plan.

Section 8. Change in Control.

8.1. Vesting of Award Upon Change in Control. In the event of a consummation of a Change in Control during the Performance Period, your Target Award will become vested (i) on the effective date of the Change in Control if the LTIP Award is not assumed or continued, or equivalent cash incentives are not substituted for your LTIP Award by the Corporation or its successor, or (ii) if the LTIP is assumed, continued or substituted, upon your involuntary termination other than for Cause (not including death or Total Disability) or your voluntary termination with Good Reason, in either case, within the 24-month period following the consummation of the Change in Control. The cash payment in which you have become vested shall be delivered to you within fourteen (14) days of the date on which you become vested.

8.2 Special Definitions.

(a) Cause shall mean either of the following:

- 1) Conviction for an act of fraud, embezzlement, theft or other act constituting a felony (other than traffic-related offenses or as a result of vicarious liability);
- 2) Willful misconduct that is materially injurious to the Corporation's financial position, operating results or reputation; provided, however that no act or failure to act shall be considered "willful" unless done, or omitted to be done, by you (a) in bad faith; (b) for the purpose of receiving an actual improper personal benefit in the form of money, property or services; or (c) in circumstances where you had reasonable cause to believe that the act, failure to act, or omission was unlawful.

(b) Good Reason shall mean, without your express written consent, the occurrence of any one or more of the following after the Change in Control:

- 1) A material and substantial reduction in the nature or status of your authority or responsibilities;
- 2) A material reduction in your annualized rate of base salary;
- 3) A material reduction in the aggregate value of your level of participation in any short or long term incentive cash compensation plan, employee benefit or retirement plan or compensation practices, arrangements, or policies;
- 4) A material reduction in the aggregate level of participation in equity-based incentive compensation plans;
or
- 5) Your principal place of employment is relocated to a location that is greater than fifty (50) miles from your principal place of employment on the date the Change in Control is consummated.

Your continued employment following an event that would constitute a basis for voluntary termination with Good Reason shall not constitute Good Reason if you consent to, or waive your rights with respect to, any circumstances constituting Good Reason. In addition, the occurrence of an event described in 1) through 5) shall constitute the basis for voluntary termination for Good Reason only if you provide written notice of your intent to terminate employment within 90 days of the first occurrence of such event and the Corporation has had at least 30 days from the date on which such notice is provided to cure such occurrence. If you do not terminate employment for Good Reason within 180 days after the first occurrence of the applicable grounds, then you will be deemed to have waived your right to terminate for Good Reason with respect to such grounds.

8.3. Special Rule. Notwithstanding Section 8.1, if a payment in accordance with those provisions would result in a nonexempt short-swing transaction under Section 16(b) of the Exchange Act, then the date of distribution to you shall be delayed until the earliest date upon which the distribution either would not result in a nonexempt short-swing transaction or would otherwise not result in liability under Section 16(b) of the Exchange Act.

Section 9. Amendment and Termination.

As provided in Section 9 of the Plan, the Board of Directors may at any time amend, suspend or discontinue the Plan and the Committee may at any time amend this Award Agreement. Notwithstanding the foregoing, no such action by the Board of Directors or the Committee shall amend Sections 1, 2, 3, 4, or 5 in a manner adverse to you or reduce the amount payable hereunder in a material manner without your written consent. For this purpose, a change in the amount payable hereunder that occurs solely by reason of a change in the date or form of payment due to Section 409A of the Code or Section 16 of the Exchange Act shall in no case be treated as a reduction prohibited by this Section 9. Thus, for example, if an amount payable by reason of Section 8 is delayed by an amendment to this Award Agreement or other action undertaken to comply with Section 409A of the Code and the amount payable is reduced solely by reason of a corresponding delay in the date of valuation of a share of Stock, such a change shall not be treated as a reduction prohibited by this Section 9. This Section 9 shall be construed and applied so as

to permit the Committee to amend this Award Agreement at any time in any manner reasonably necessary or appropriate in order to comply with the requirements of Section 16 of the Exchange Act and of Section 409A of the Code, including amendments regarding the timing and form of payments hereunder.

Section 10. Data Privacy Consent For Employees Located Outside Of The United States.

To the extent recognized under applicable law, if you are located outside of the United States, then by accepting this Award Agreement as described in Section 18, you hereby explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your Personal Data (defined below) as described in this Award Agreement by and among the Corporation for the exclusive purpose of implementing, administering and managing your participation in the Plan.

You understand that the Corporation collects, holds, uses, and processes certain information about you, including, but not limited to, your name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares or directorships held in the Corporation, details of all awards or any other entitlement to shares awarded, canceled, exercised, vested, unvested or outstanding in your favor, for the purpose of implementing, administering and managing the Plan ("Personal Data"). The Corporation acts as the controller/owner of this Personal Data, and processes this Personal Data for purposes of implementing, administering, and managing the Plan. The Corporation protects the Personal Data that it receives in the United States from the European Union in accordance with the EU-U.S. Privacy Shield. You can obtain further information about Privacy Shield in the Corporation's European Employee Privacy Notice, which can currently be accessed through the Corporation's Cross Function Procedure CRX-017.

You understand that Personal Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in your country or elsewhere, and that the recipient's country may have different, including less stringent, data privacy laws and protections than your country. You may request a list with the names and addresses of any third-party recipients of the Personal Data at any time by contacting your local human resources representative. Where disclosing Personal Data to these third parties, the Corporation provides appropriate safeguards for protecting the transfer of your Personal Data, such as establishing standard data protection clauses with the third parties as adopted by the European Commission. You may request a copy of, or information about, such safeguards by contacting your local human resources representative. You recognize that the Corporation and any other possible recipients including any present or future third-party recipients must receive, possess, use, retain and transfer your Personal Data, in electronic or other form, for the purposes of implementing, administering and managing your participation in the Plan, including any requisite transfer of such Personal Data as may be required to a broker or other third party with whom the Corporation may elect to administer the settlement of any award. You understand that Personal Data will be held only as long as is necessary to implement, administer and manage your participation in the Plan and comply with applicable legal requirements.

To the extent provided by your local law, you may, at any time, have the right to request: access to your Personal Data, rectification of your Personal Data, erasure of your Personal Data, restriction of processing of your Personal Data, portability of your Personal Data and information about the storage and processing of your Personal Data. You may also have the right to object, on grounds

related to a particular situation, to the processing of your Personal Data, as well as to refuse or withdraw the consents herein, in any case without cost, by contacting in writing your local human resources representative. You understand, however, that refusing or withdrawing your consent may affect your ability to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact your local human resources representative.

Section 11. No Assurance of Employment; No Right to an Award; Value of Award.

Nothing contained in the Plan or in this Award Agreement shall confer upon you any right to continue in the employ or other service of the Corporation or constitute any contract (of employment or otherwise) or limit in any way the right of the Corporation to change your compensation or other benefits or to terminate your employment with or without cause. You acknowledge and agree as follows:

- (a) the Plan is discretionary in nature and that the Board of Directors may amend, suspend, or terminate it at any time;
- (b) the grant of the Award is voluntary and occasional and does not create any contractual or other right to receive future grants of any Awards, or benefits in lieu of any Award even if Awards have been granted repeatedly in the past;
- (c) all determinations with respect to such future Awards, if any, including but not limited to the times when Awards shall be granted or when Awards shall vest, will be at the sole discretion of the Committee or its delegate;
- (d) your participation in the Plan is voluntary;
- (e) the value of the Award is an extraordinary item of compensation, which is outside the scope of your employment contract (if any), except as may otherwise be explicitly provided in your employment contract;
- (f) the Award is not part of normal or expected compensation or salary for any purpose, including, but not limited to, calculating termination, severance, resignation, redundancy, end of service, or similar payments, or bonuses, long-service awards, pension or retirement benefits;
- (g) the Award shall expire upon termination of your employment for any reason except as may otherwise be explicitly provided in the Plan and this Award Agreement;
- (h) the future value of the Award is unknown and cannot be predicted with certainty; and
- (i) no claim or entitlement to compensation or damages arises from the termination of the Award in accordance with the Plan and this Award Agreement or diminution in value of the Award and you irrevocably release the Corporation from any such claim that may arise.

Section 12. Conflict.

In the event of a conflict between this Award Agreement and the Plan, the Plan document shall control.

Section 13. Compliance with Section 409A of the Code.

It is the intent of the Corporation that your Award not be subject to taxation under Section 409A(a)(1) of the Code. Nevertheless, in the event that your Award is or could be subject to Section 409A of the Code, as determined by the Senior Vice President, Human Resources, in consultation with the General Tax Counsel or his or her delegate, the following rules apply: (i) the Award will be interpreted and administered to meet the requirements of Sections 409A(a)(2), (3) and (4) of the Code and thus to be exempt from taxation under Section 409A(a)(1) of the Code; (ii) no Award payment will be made on account of your termination of employment unless the termination of employment constitutes a "separation from service" under Code section 409A(a)(2)(a)(i); and (iii) if you are a "specified employee" within the meaning of Code section 409A, any payment in respect of this Award made on account of a termination of employment will be delayed for six (6) months following such termination of employment, and then made at the earliest date permitted by Section 409A of the Code.

Section 14. Post-Employment Covenants & Stock Ownership Requirements.

Except where prohibited by law, by accepting this Award Agreement as described in Section 18, you agree to the terms of the Post-Employment Conduct Agreement contained in Exhibit A to this Award Agreement and you acknowledge receipt of the Stock Ownership Requirements ("Ownership Requirements") attached as Exhibit B to this Award Agreement and agree to comply with such Ownership Requirements as amended from time to time. If you are not a Vice President (or above) on February 21, 2019, but you are promoted to Vice President (or above) prior to February 21, 2022, the Ownership Requirements as in effect at that time shall become applicable to you on the date of your promotion to Vice President (or above).

Section 15. English Language.

You have received the terms and conditions of this Award Agreement and any other related communications, and you consent to having received these documents, in English. If you have received this Award Agreement or any other documents related to the Plan translated into a language other than English, and if the translated version is different from the English version, the English version will control.

Quebec Residents Only: The Parties have agreed that this Award Agreement, the Plan as well as any notice, document or instrument relating to them be drawn up in English only. You acknowledge that, upon your reasonable request, the Corporation will provide a French translation of such documents to you. Les parties aux présentes ont convenu que la présente accord, le "Plan," ainsi que tous autres avis, actes ou documents s'y rattachant soient rédigés en anglais seulement. Vous reconnaissez que, à votre demande raisonnable, "the Corporation" fournit une traduction française de ces documents à vous.

Section 16. Currency Exchange Risk.

If your functional currency is not the U.S. dollar, you agree and acknowledge that you will bear any and all risk associated with the exchange or fluctuation of currency associated with the Award (the "Currency Exchange Risk"). You waive and release the Corporation and its subsidiaries from any potential claims arising out of the Currency Exchange Risk.

Section 17. Exchange Control Requirements.

You agree and acknowledge that you will comply with any and all exchange control requirements applicable to the Award and any resulting funds including, without limitation, reporting or repatriation requirements.

Section 18. Acceptance of Award Agreement; Electronic Delivery.

By accepting this Award Agreement, you consent to receive copies of the Prospectus applicable to this Award through the Stock Plan System at <http://www.stockplanconnect.com> as well as to electronic delivery of the Corporation's annual report on Form 10-K, annual proxy statement and quarterly reports on Form 10-Q. This consent can only be withdrawn by written notice to the Vice President of Compensation and Performance Management at Lockheed Martin Corporation, Mail Point 126, 6801 Rockledge Drive, Bethesda, MD 20817. The Corporation will deliver any documents related to the Award under the Plan or future Awards that may be awarded under the Plan through the Stock Plan System. The Corporation will request your consent to participate in the Plan through the Stock Plan System. You hereby consent to receive such documents and agree to participate in the Plan through the Stock Plan System.

No Award is enforceable until you properly acknowledge your acceptance of this Award Agreement by completing the electronic receipt on the Stock Plan System as soon as possible but in no event later than May 31, 2019. Acceptance of this Award Agreement must be made only by you personally or by a person acting pursuant to a power of attorney in the event of your inability to acknowledge your acceptance (and not by your estate, your spouse or any other person) and constitutes your consent to any action taken under the Plan consistent with its terms with respect to this Award. Notwithstanding the foregoing, this Award will be enforceable and deemed accepted, and will not be forfeited, if you are unable to accept this Award Agreement personally by May 31, 2019, due to your death, disability, incapacity, deployment in the Armed Forces, or similar unforeseen circumstance as determined by the Corporation in its discretion. If you desire to accept this Award, you must acknowledge your acceptance and receipt of this Award Agreement electronically on or before May 31, 2019, by going to the Stock Plan System at <http://www.stockplanconnect.com>.

Assuming prompt and proper acknowledgment of this Award Agreement as described in Section 18, this Award will be effective as of the Award Date.

Appendix A

Capitalized Terms

Average TSR	§ 3.2(a)
Award	1 st ¶
Award Date	Header
Cash-Based Award	Plan
Cash Flow	§ 4.2(a)
Cash Flow Performance Factor	§ 4.2
Cash Flow Target	§ 2.1(c)
Cause	§ 8.2(a)
Change in Control	Plan
Code	Plan
Committee	2 nd ¶
Corporation	1 st ¶
Divestiture	§ 5.1(c)(2)
Employee	Plan
Exchange Act	Plan
Good Reason	§ 8.2(b)
Insider	Plan
Payable Portion	§ 5.2(a)
Peer Performance Group	§ 3.1
Performance-Based Award	Plan
Performance Period	§ 1.2
Personal Data	§ 10
Plan	1 st ¶
Potential Award	§ 2.1(d)
Retirement	§ 5.1(c)(3)
Return	§ 4.1(a)
ROIC	§ 4.1(a)
ROIC Performance Factor	§ 4.1
ROIC Target	§ 2.1(b)
Stock Plan System	2 nd ¶
Subsidiary	Plan
Target Award	1 st ¶, § 1.1
Total Disability	§ 5.1(c)(1)
Total Stockholder Return	Plan; § 3.2(a)
Total Stockholder Return Performance Factor	§ 3.1; § 3.2

Exhibit A
Post-Employment Conduct Agreement
(LTIP Grant)

This Post-Employment Conduct Agreement (this "PECA") attached as Exhibit A to the Award Agreement with an Award Date of February 21, 2019, (the "Award Agreement") is entered into in consideration of, among other things, the grant of a Long Term Incentive Performance Award to me under the Award Agreement (the "LTIP") pursuant to the Lockheed Martin Corporation 2011 Incentive Performance Award Plan, as amended (the "Plan"). References to the "Corporation" shall include Lockheed Martin Corporation and its Subsidiaries. By accepting the LTIP, I agree as follows:

1. Protective Covenants.

(a) Covenant Not To Compete – Without the express written consent of the "Required Approver," during the one-year (or two-year for Elected Officers) period following the date of my termination of employment (the "Termination Date") with the Corporation, I will not, directly or indirectly, be employed by, provide services to, or advise a "Restricted Company" (as defined in Section 6), whether as an employee, advisor, director, officer, partner or consultant, or in any other position, function or role that, in any such case,

- (i) oversees, controls or affects the design, operation, research, manufacture, marketing, sale or distribution of "Competitive Products or Services" (as defined in Section 6) of or by the Restricted Company, or
- (ii) would involve a substantial risk that the "Confidential or Proprietary Information" (as defined in Section 1(c)) of the Corporation (including but not limited to technical information or intellectual property, strategic plans, information relating to pricing offered to the Corporation by vendors or suppliers or to prices charged or pricing contemplated to be charged by the Corporation, information relating to employee performance, promotions or identification for promotion, or information relating to the Corporation's cost base) could be used to the disadvantage of the Corporation.

Section 1(a)(i) and (ii) shall not apply to residents of California.

To the extent permitted by applicable law, including but not limited to any applicable rules governing attorney conduct (such as the ABA Model Rules of Professional Conduct and state versions thereof), Sections 1(a)(i) and (ii) and Section 1(b) relating to non-solicitation, shall apply to individuals who are employed by the Corporation in an attorney position and whose occupation during the one-year (or two-year, for Elected Officers) period following employment with the Corporation does not include practicing law.

In lieu of Section 1(a)(i) and (ii), as well as Section 1(b) relating to non-solicitation, the following Section 1(a)(iii) shall apply to individuals who are employed by the Corporation in an attorney position, and whose occupation during the one-year (or two-year, for Elected Officers) period following employment with the Corporation includes practicing law.

- (i) Post-Employment Activity As a Lawyer – I acknowledge that as counsel to the Corporation, I owe ethical and fiduciary obligations to the Corporation and that at least some of these obligations will continue even after my Termination Date with the Corporation. I agree that after my Termination Date I will comply fully with all applicable ethical and fiduciary obligations that I owe to the Corporation. To the extent permitted by applicable law, including but not limited to any applicable rules governing attorney conduct, I agree that I will not:
- (a) Represent any client in the same or a substantially related matter in which I represented the Corporation where the client's interests are materially adverse to the Corporation; or
 - (b) Disclose confidential information relating to my representation of the Corporation, including the disclosure of information that is to the disadvantage of the Corporation, except for information that is or becomes generally known.

The Corporation's Senior Vice President, General Counsel, and Corporate Secretary or the General Tax Counsel, as applicable, will determine in his or her discretion whether an individual is employed by the Corporation in an attorney position.

(b) Non-Solicit – Without the express written consent of the Required Approver, during the two-year period following the Termination Date, I will not (i) cause or attempt to cause, directly or indirectly, the complete or partial loss of any contract in effect before the Termination Date between the Corporation and any customer, supplier, distributor or manufacturer of or to the Corporation with which I was responsible, in whole or in part, for soliciting, negotiating, implementing, managing, or overseeing or (ii) induce or attempt to induce, directly or indirectly, any person who is an employee of the Corporation with whom I worked or interacted with within two years prior to the Termination Date to cease employment with the Corporation in order to perform work or services for any entity other than the Corporation.

(c) Protection of Proprietary Information – Except to the extent required by law, following my Termination Date, I will have a continuing obligation to comply with the terms of any non-disclosure or similar agreements that I signed while employed by the Corporation committing to hold confidential the "Confidential or Proprietary Information" (as defined below) of the Corporation or any of its affiliates, subsidiaries, related companies, joint ventures, partnerships, customers, suppliers, partners, contractors or agents, in each case in accordance with the terms of such agreements. I will not use or disclose or allow the use or disclosure by others to any person or entity of Confidential or Proprietary Information of the Corporation or others to which I had access or that I was responsible for creating or overseeing during my employment with the Corporation. In the event I become legally compelled (by deposition, interrogatory, request for documents, subpoena, civil investigative demand or otherwise) to disclose any proprietary or confidential information, I will immediately notify the Corporation's Senior Vice President, General Counsel, and Corporate Secretary as to the existence of the obligation and will cooperate with any reasonable request by the Corporation for assistance in seeking to protect the information. All materials to which I have had access, or which were furnished or otherwise made available to me in connection with my employment with the Corporation shall be and remain the property of the Corporation. For purposes of this PECA, "Confidential or Proprietary Information" means Proprietary Information within the meaning of CRX-015C (a copy of which has been made available to me), including but not limited to information that a person or entity desires to protect from unauthorized disclosure to

third parties that can provide the person or entity with a business, technological, or economic advantage over its competitors, or which, if known or used by third parties or if used by the person's or entity's employees or agents in an unauthorized manner, might be detrimental to the person's or entity's interests. Confidential or Proprietary Information may include, but is not limited to:

- (i) existing and contemplated business, marketing and financial business information such as business plans and methods, marketing information, cost estimates, forecasts, financial data, cost or pricing data, bid and proposal information, customer identification, sources of supply, contemplated product lines, proposed business alliances, and information about customers or competitors, and
- (ii) existing or contemplated technical information and documentation pertaining to technology, know how, equipment, machines, devices and systems, computer hardware and software, compositions, formulas, products, processes, methods, designs, specifications, mask works, testing or evaluation procedures, manufacturing processes, production techniques, research and development activities, inventions, discoveries, and improvements, and
- (iii) human resources and personnel information.

(d) No Disparagement – Following the Termination Date, I will not make any statements, whether verbal or written, that disparage or reasonably may be interpreted to disparage the Corporation or its directors, officers, employees, technology, products or services with respect to any matter whatsoever.

(e) Cooperation in Litigation and Investigations – Following the Termination Date, I will, to the extent reasonably requested, cooperate with the Corporation in any pending or future litigation (including alternative dispute resolution proceedings) or investigations in which the Corporation or any of its subsidiaries or affiliates is a party or is required or requested to provide testimony and regarding which, as a result of my employment with the Corporation, I reasonably could be expected to have knowledge or information relevant to the litigation or investigation. Notwithstanding any other provision of this PECA, nothing in this PECA shall affect my obligation to cooperate with any governmental inquiry or investigation or to give truthful testimony in court.

2. Consideration and Acknowledgement. I acknowledge and agree that the benefits and compensation opportunities being made available to me under the Award Agreement are in addition to the benefits and compensation opportunities that otherwise are or would be available to me in connection with my employment by the Corporation and that the grant of the LTIP is expressly made contingent upon my agreements with the Corporation set forth in this PECA. I acknowledge that the scope and duration of the restrictions in Section 1 are necessary to be effective and are fair and reasonable in light of the value of the benefits and compensation opportunities being made available to me under the Award Agreement. I further acknowledge and agree that as a result of the high level executive and management positions I hold with the Corporation and the access to and extensive knowledge of the Corporation's Confidential or Proprietary Information, employees, suppliers and customers, these restrictions are reasonably required for the protection of the Corporation's legitimate business interests.

3. Remedies For Breach of Section 1; Additional Remedies of Clawback and Recoupment.

(a) I agree, upon demand by the Corporation, to forfeit, return or repay to the Corporation the "Benefits and Proceeds" (as defined below) in the event any of the following occur:

(i) I breach any of the covenants or agreements in Section 1;

(ii) The Corporation determines that either (a) my intentional misconduct or gross negligence, or (b) my failure to report another person's intentional misconduct or gross negligence of which I had knowledge during the period I was employed by the Corporation, contributed to the Corporation having to restate all or a portion of its financial statements filed for any period with the Securities and Exchange Commission;

(i) The Corporation determines that I engaged in fraud, bribery or any other illegal act or that my intentional misconduct or gross negligence (including the failure to report the acts of another person of which I had knowledge during the period I was employed by the Corporation) contributed to another person's fraud, bribery or other illegal act, which in any such case adversely affected the Corporation's financial position or reputation;

(ii) The Corporation determines that my intentional misconduct or gross negligence caused severe reputational or financial harm to the Corporation;

(iii) The Corporation determines that I misappropriated Confidential or Proprietary Information, as defined in Section 1(c), and I (A) intended to use the misappropriated Confidential or Proprietary Information to cause severe reputational or financial harm to the Corporation or (B) used the misappropriated Confidential or Proprietary Information in a manner that caused severe reputational or financial harm to the Corporation; or

(iv) Under such other circumstances specified by final regulation issued by the Securities and Exchange Commission entitling the Corporation to recapture or clawback "Benefits and Proceeds" (as defined below).

(b) The remedy provided in Section 3(a) shall not be the exclusive remedy available to the Corporation for any of the conduct described in Section 3(a) and shall not limit the Corporation from seeking damages or injunctive relief. For purposes of Section 3(a), a determination by the Corporation means, with respect to an Elected Officer, a determination by the Management Development and Compensation Committee of the Board of Directors of the Corporation (the "Committee") and, with respect to any other employee, a determination by a review committee consisting of the Senior Vice President, Human Resources, the Senior Vice President, Ethics and Enterprise Assurance, and the Senior Vice President, General Counsel and Corporate Secretary.

(c) For purposes of this Section 3, "Benefits and Proceeds" means (i) to the extent I have earned any of the LTIP, any cash paid to me, whether paid currently or deferred; and (ii) to the extent I have not earned the LTIP fully, all of my remaining rights, title or interest in the LTIP.

4. Injunctive Relief. I acknowledge that the Corporation's remedies at law may be inadequate to protect the Corporation against any actual or threatened breach of the provisions of Section 1 or the conduct described in Section 3(a), and, therefore, without prejudice to any other rights and

remedies otherwise available to the Corporation at law or in equity (including but not limited to, an action under Section 3(a)), the Corporation shall be entitled to injunctive relief in its favor and to specific performance without proof of actual damages and without the requirement of the posting of any bond or similar security.

5. Invalidity; Unenforceability. It is the desire and intent of the parties that the provisions of this PECA shall be enforced to the fullest extent permissible. Accordingly, if any particular provision of this PECA is adjudicated to be invalid or unenforceable, this PECA shall be deemed amended to delete the portion adjudicated to be invalid or unenforceable, such deletion to apply only with respect to the operation of this provision in the particular jurisdiction in which such adjudication is made.

6. Definitions. Capitalized terms not defined in this PECA have the meaning given to them in the Plan, as applicable. For purposes of this PECA, the following terms have the meanings given below:

(a) "Restricted Company" means The Boeing Company, General Dynamics Corporation, Northrop Grumman Corporation, the Raytheon Company, United Technologies Corporation, Honeywell International Inc., BAE Systems Inc., L3 Technologies, Inc., the Harris Corporation, Thales, Airbus Group, Inc., Textron Inc., Finmeccanica SpA, Leidos Holdings, Inc. and (i) any entity directly or indirectly controlling, controlled by, or under common control with any of the foregoing, and (ii) any successor to all or part of the business of any of the foregoing as a result of a merger, reorganization, consolidation, spin-off, split-up, acquisition, divestiture, or similar transaction, or as a result of a name change.

(b) "Competitive Products or Services" means products or services that compete with, or are an alternative or potential alternative to, products sold or services provided by a subsidiary, business area, division or operating unit or business of the Corporation as of the Termination Date and at any time within the two-year period ending on the Termination Date; provided, that, (i) if I had direct responsibility for the business of, or function with respect to, a subsidiary, or for a business area, division or operating unit or business of the Corporation at any time within the two-year period ending on the Termination Date, Competitive Products or Services includes the products so sold or the services so provided during that two-year period by the subsidiary, business area, division or operating unit of the Corporation for which I had responsibility, and (ii) if I did not have direct responsibility for the business of, or function with respect to, a subsidiary, or for a business area, division or operating unit or business of the Corporation at any time within the two-year period ending on the Termination Date, Competitive Products or Services includes the products so sold or the services so provided by a subsidiary, business area, division or operating unit of the Corporation for which I had access (or was required or permitted such access in the performance of my duties or responsibilities with the Corporation) to Confidential or Proprietary Information of the Corporation at any time during the two-year period ending on the Termination Date.

(c) "Required Approver" means:

- (i) with respect to the Chairman, President and Chief Executive Officer, the Management and Development Committee of the Corporation's Board of Directors;
- (ii) with respect to an Elected Officer, the Corporation's Chairman, President and Chief Executive Officer; or

(iii) with respect to all other employees, the Senior Vice President, Human Resources of the Corporation.

(d) "Elected Officer" means an officer of the Corporation who was elected to his or her position by the Corporation's Board of Directors.

7. Miscellaneous.

(a) The Plan, the Award Agreement (with Exhibit B) and this PECA constitute the entire agreement governing the terms of the award of the LTIP to me.

(b) This PECA shall be governed by Maryland law, without regard to its provisions governing conflicts of law. Any enforcement of, or challenge to, this PECA may only be brought in the United States District Court for the District of Maryland, unless such court determines that it does not have subject matter jurisdiction, in which case any such enforcement or challenge may be brought in the Circuit Court of Maryland. Both parties consent to the proper jurisdiction and venue of such court, as applicable, for the purpose of enforcing or challenging this PECA.

(c) This PECA shall inure to the benefit of the Corporation's successors and assigns, and may be assigned by the Corporation without my consent.

(d) This PECA provides for certain obligations on my part following the Termination Date and shall not, by implication or otherwise, affect in any way my obligations to the Corporation during the term of my employment by the Corporation, whether pursuant to written agreements between the Corporation and me, the provisions of applicable Corporate policies that may be adopted from time to time or applicable law or regulation.

This PECA is effective as of the acceptance by me of the award of an LTIP under the Award Agreement and is not contingent on the vesting of the LTIP.

Exhibit B

Stock Ownership Requirements

Lockheed Martin's Stock Ownership Requirements for Key Employees apply to all senior level positions of Vice President and above. This reflects the expectations of our major stockholders that management demonstrate its confidence in Lockheed Martin through a reasonable level of personal share ownership. This practice is consistent with other major U.S. corporations which link some portion of personal financial interests of key employees with those of shareholders.

Stock Ownership Requirements

Title	Annual Base Pay Multiple
Chairman, President and Chief Executive Officer	6 times
Chief Operating Officer	5 times
Chief Financial Officer	4 times
Executive Vice Presidents	3 times
Senior Vice Presidents	2 times
Other Elected Officers	2 times
Other Vice Presidents	1 times

Satisfaction of Requirements

Covered employees may satisfy their ownership requirements with common stock in these categories:

- Shares owned directly.
- Shares owned by a spouse or a trust.
- Shares represented by monies invested in 401(k) Company Common Stock Funds or comparable plans.
- Share equivalents as represented by income deferred to the Company Stock Investment Option of the Deferred Management Incentive Compensation Plan (DMICP).
- Unvested Restricted Stock Units

Key employees will be required to achieve the appropriate ownership level within five years and are expected to make continuous progress toward their target. Appointment to a new level will reset the five year requirement. Unexercised options prior to vesting are not counted toward meeting the guidelines.

Holding Period

Covered employees must retain net vested Restricted Stock Units and Performance Stock Units and the net shares resulting from any exercise of stock options if the ownership requirements are not yet satisfied.

Covered employees are asked to report annually on their progress toward attainment of their share ownership goals.

LOCKHEED MARTIN CORPORATION
AMENDED AND RESTATED
2006 MANAGEMENT INCENTIVE COMPENSATION PLAN
(Performance-Based)

Amended and Restated Effective January 1, 2019

Article I. PURPOSE OF THE PLAN

This Plan is established to provide a further incentive to selected Employees to promote the success of Lockheed Martin Corporation by providing an opportunity to receive additional compensation for performance measured against established goals. The Plan is intended to achieve the following:

- 1) Link pay of executive Employees to business performance.
- 2) Incentivize Employees to work individually and as teams to meet objectives and goals consistent with enhancing shareholder value.
- 3) Facilitate the Company's ability to retain qualified Employees and to attract top executive talent.
- 4) Establish performance goals within the meaning of Section 162(m) of the Internal Revenue Code.

Article II. DEFINITIONS

Section 2.01 BOARD OF DIRECTORS – The Board of Directors of Lockheed Martin Corporation.

Section 2.02 CASH FLOW – For purposes of Article IV, net cash flow from operations as determined by the Subcommittee at the end of the Plan Year in accordance with generally accepted accounting principles in the United States. Cash Flow shall be determined by the Subcommittee based upon the comparable numbers reported on the Company's audited consolidated financial statements or, if audited financial statements are not available for the period for which Cash Flow is being determined, the Subcommittee shall determine Cash Flow in a manner consistent with the historical practices used by the Company in determining net cash provided by operating activities as reported in its audited consolidated statement of cash flows. The Subcommittee shall have the right to specify any other adjustment that should be applied in determining Cash Flow that it deems necessary or appropriate to take into account any event recognized under any accounting policy or practice affecting the Company, provided the Subcommittee specifies the adjustment at or prior to the time the organizational performance goals for the Company are reviewed with the Subcommittee, but in no event later than March 30 of the Plan Year.

Section 2.03 CODE – The Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated thereunder.

Section 2.04 COMMITTEE – The Management Development & Compensation Committee of the Board of Directors as from time to time appointed or constituted by the Board of Directors.

Section 2.05 COMPANY – Lockheed Martin Corporation and those subsidiaries of which it owns directly or indirectly 50% or more of the voting stock or other equity.

Section 2.06 ELECTED OFFICER – An Employee who has been elected as an officer by the Board of Directors.

Section 2.07 EMPLOYEE – Any person who is employed by the Company and who is paid a salary as distinguished from an hourly wage. The term “Employee” includes only those individuals that the Company classifies on its payroll records as Employees and does not include consultants, independent contractors, leased employees, co-op students, interns, temporary or casual employees, individuals paid by a third party or other individuals not classified as an Employee by the Company. Notwithstanding the foregoing, the term “Employee” shall not include any employee who, during any part of such year, was represented by a collective bargaining agent.

Section 2.08 INCENTIVE COMPENSATION – An amount of compensation paid pursuant to this Plan.

Section 2.09 PARTICIPANT – Any Employee selected to participate in the Plan in accordance with Article III.

Section 2.10 PLAN – This Lockheed Martin Corporation Amended and Restated 2006 Management Incentive Compensation Plan (Performance-Based), as amended from time to time.

Section 2.11 PLAN YEAR – A calendar year.

Section 2.12 SUBCOMMITTEE – A subcommittee of the Committee, composed solely of two or more outside directors of the Company (within the meaning of Code Section 162(m)(4)(C)) or the entire Committee if all members of the Committee are outside directors.

Article III. ELIGIBILITY AND PARTICIPATION

The Elected Officers of the Company are eligible to participate in the Plan. An Elected Officer’s participation in the Plan for a Plan Year is subject to the approval of the Committee. Employees who are considered by the Chief Executive Officer to be key Employees of the Company also are eligible to participate in the Plan, subject to the Employee’s selection of and approval by the Chief Executive Officer for participation in a Plan Year. No member of the Committee shall be eligible for participation in the Plan.

Article IV. LIMITATIONS ON INCENTIVE COMPENSATION

Section 4.01 Notwithstanding any other provisions of the Plan that may be to the contrary, Incentive Compensation awards made to Participants who are Elected Officers on the last day of the Plan Year are subject to this Article IV. The limitations on Incentive Compensation set forth in Section 2.02 and this Article IV were approved by the stockholders of Lockheed Martin Corporation at its 2006 Annual Meeting.

Section 4.02 Incentive Compensation payable under the Plan to (i) the Elected Officer who is the Chief Executive Officer shall not exceed 0.3% of Cash Flow for the Plan Year; and (ii) each of the Participants who are Elected Officers on the last day of the Plan Year, other than the Chief Executive Officer, shall not exceed 0.2% of Cash Flow for the Plan Year. The Subcommittee shall have discretion to determine the conditions, restrictions, or other limitations, in accordance with and subject to the terms of this Plan and Code Section 162(m), on the payment of Incentive Compensation to the Elected Officers. The Subcommittee may reserve the right to reduce the amount payable under this Section 4.02 in accordance with any standards contained in the Plan or on any other basis (including the Subcommittee's discretion). None of the Subcommittee, the Committee, or the Board of Directors shall have the authority under this Plan to increase the amount payable under this Section 4.02.

Section 4.03 Before authorizing any Incentive Compensation payment under this Plan to a Participant who is an Elected Officer, the Subcommittee must certify in writing (by resolution or otherwise) that the payments are consistent with Section 4.02 of the Plan and that any other material terms under this Plan for payment of Incentive Compensation were satisfied.

Section 4.04 The provisions of Section 2.02 and Article IV shall be interpreted and administered by the Subcommittee in a manner consistent with the requirements for "performance-based compensation" under Code Section 162(m).

Article V. INCENTIVE COMPENSATION PAYMENTS

Section 5.01 Subject to Section 2.02, Article IV and any performance goals (including organizational or enterprise performance goals) established by the Committee or its delegate for the Plan Year (such goals to be established on or before March 30 of the Plan Year), the Committee (or the Committee's delegate in the case of Participants who are not Elected Officers) shall determine the proposed amount of Incentive Compensation to be paid to each Participant with respect to a Plan Year. Notwithstanding the preceding sentence, in determining the proposed amount of each Participant's Incentive Compensation award for a Plan Year, the Committee (or the Board of Directors in the case of Participants who are Elected Officers or the Company's Senior Vice President, Human Resources in the case of Participants who are not Elected Officers) may make an upward (subject to Section 2.02 and Article IV) or downward (including to zero) adjustment of the proposed amount of Incentive Compensation award otherwise payable to the Participant for the Plan Year on the basis of such factors as it deems relevant.

Section 5.02 With respect to a Plan Year, the Committee shall recommend to the Board of Directors the proposed aggregate amount of Incentive Compensation payments to be distributed by the Company to Participants and the proposed amount of Incentive Compensation award to each Participant who is an Elected Officer. The Board of Directors shall review and approve the recommendations of the Committee, or make adjustments to the proposed amounts of Incentive Compensation payable for a Plan Year (on an aggregate level or with respect to a Participant who is an Elected Officer, or both), on the basis of such factors as it deems relevant.

Section 5.03 The Incentive Compensation amount determined for each Participant with respect to each Plan Year shall be paid to such Participant in cash not later than March 15 following the Plan Year or deferred at the direction of the Committee, but only to the extent permitted under Code Section 409A, until the Participant's termination of employment. Notwithstanding the foregoing, Participants may also elect to defer payments in accordance with the terms of the Lockheed Martin Corporation Deferred Management Incentive Compensation Plan.

Section 5.04 Before the end of each Plan Year, the Board of Directors may set a minimum aggregate bonus amount that must be used to pay Incentive Compensation awards under this Plan attributable to service during the Plan Year to any combination of Participants who are not Elected Officers of the Company.

Section 5.05 All applicable U.S. Federal, state and local taxes will be withheld from all Incentive Compensation payments made under this Plan.

Article VI. COST OF PLAN

The cost for this Plan is intended to be an allowable expense.

Article VII. RIGHTS OF PARTICIPANTS

Section 7.01 All payments are subject to the discretion of the Board of Directors. No Participant shall have any right to require the Board of Directors to make any appropriation to the Plan for any Plan Year, nor shall any Participant have any vested interest or property right in any share in any amounts which may be appropriated to the Plan.

Section 7.02 This Plan does not constitute an employment agreement of any kind, or a promise of employment for a specific term (including the Plan Year) and does not alter the at will nature of a Participant's employment with the Company, which may be terminated by the Company or a Participant for any or no reason and without advance notice.

Article VIII. AUTHORITY TO RECOVER PAYMENTS

The Board of Directors retains the authority to make retroactive adjustments to an Incentive Compensation payment made under the Plan in accordance with the provisions regarding Recovery of Payments (Claw Back) in Exhibit A.

Article IX. PLAN ADMINISTRATION

The Plan shall be administered under the direction of the Committee. The Committee shall have the right to construe the Plan, to interpret any provision thereof, to make rules and regulations relating to the Plan, and to determine any factual question arising in connection with the Plan's operation after such investigation or hearing as the Committee may deem appropriate. Any decision made by the Committee under the provisions of this Article shall be conclusive and binding on all parties concerned. The Committee may delegate to the officers or Employees of the Company the authority to execute and deliver those instruments and documents, to do all acts and things, and to take all other steps deemed necessary, advisable or convenient for the effective administration of this Plan in accordance with its terms and purpose. The rights and obligations of the Committee under this Article IX shall be assumed by the Subcommittee in the case of Participants subject to Article IV.

Article X. AMENDMENT OR TERMINATION OF PLAN

The Board of Directors or its delegate shall have the right to terminate or amend this Plan at any time and to discontinue further payments hereunder.

Article XI. EFFECTIVE DATE

The Plan was first effective with respect to the operations of the Company for the Plan Year beginning January 1, 2006. The Company has further amended and restated the Plan as of the date indicated below, effective January 1, 2019.

LOCKHEED MARTIN CORPORATION:

/s/ Patricia L. Lewis
By: Patricia L. Lewis
Senior Vice President, Human Resources
Date: 2/28/19

Exhibit A

Administrative Provisions

Article I. STANDARD OF CONDUCT AND PERFORMANCE EXPECTATION

It is a prerequisite that before any payment under the Plan can be considered that a Participant will have acted in accordance with the Lockheed Martin Corporation Code of Ethics and Business Conduct and fostered an atmosphere to encourage all employees acting under the Participant's supervision to perform their duties in accordance with the highest ethical standards. Ethical behavior is imperative. It is also a prerequisite before a payment under a Plan can be considered that a Participant be in good standing with the Company. Thus, in evaluating performance against commitments, a Participant's adherence to the Company's ethical standards will be considered paramount in determining awards under the Plan.

Participants whose individual performance is determined to be unacceptable are not eligible to receive Incentive Compensation awards.

Article II. DEFINITIONS

With respect to a Participant, unless otherwise defined in this Article II of Exhibit A, capitalized terms used in this document have the meanings set forth in the Plan.

Section 2.01 DAILY PRO-RATED – The Incentive Compensation award for a Participant who does not work in an eligible position for the entire Plan Year will be pro-rated to the day, i.e., the number of days the Employee is a Participant during the Plan Year divided by the number of days in the Plan Year.

Section 2.02 DISABILITY – Termination of employment as a result of becoming totally disabled as evidenced by commencement of benefits under the Company's long-term disability plan in which the Participant is enrolled (or, if not a Participant in a Company-sponsored long-term disability plan, under circumstances which would result in the Participant becoming eligible for benefits using the standards set forth in the Company's long-term disability plan).

Section 2.03 ESP – The Lockheed Martin Corporation Executive Severance Plan, as amended from time to time.

Section 2.04 RETIREMENT – Retirement under the terms of a Company-sponsored pension plan or for Employees who do not participate in a pension plan, termination from employment with the Company following the attainment of age 55 and five years of service or attainment of age 65.

Article III. ELIGIBILITY FOR INCENTIVE COMPENSATION AWARDS

Section 3.01 In general, a Participant must be an Employee on active status or on paid leave of absence on January 1 through December 31 of the Plan Year to be eligible for a full Incentive Compensation award for that Plan Year.

Section 3.02 Partial, pro-rated Incentive Compensation awards for Participants may be made as provided in this Section 3.02. All pro-rated awards will be Daily Pro-Rated. For purposes of this Section 3.02, active status includes a paid leave of absence.

- (a) Hire during a Plan Year:
 - (i) Participant hired before October 1: Participant is eligible for a pro-rated payment if on active status on December 31 of the Plan Year.
 - (ii) Employee hired on or after October 1: Employee is not eligible for an award under the Plan for the Plan Year.
- (b) Promotion during a Plan Year:
 - (i) Employee promoted before October 1: Employee is eligible for a pro-rated payment if selected to be a Participant and on active status on December 31 of the Plan Year.
 - (ii) Employee promoted on or after October 1: Employee is not eligible for an award under the Plan for the Plan Year.
- (c) Downlevel during a Plan Year:
 - (i) Participant downleveled before October 1: Participant is eligible for a pro-rated award if on active status on December 31 of the Plan Year.
 - (ii) Participant downleveled on or after October 1: Participant is eligible for a full award if he or she was a Participant on January 1 of the Plan Year and continues to be an Employee on active status on December 31 of the Plan Year.
- (d) Voluntary termination during the Plan Year: A Participant is not eligible for an award if he or she voluntarily terminates employment, other than on account of Retirement, during the Plan Year.
- (e) Lay Off during a Plan Year:
 - (i) Non-ESP-Eligible Participants: A Participant who does not receive a payment under the ESP may be considered for a pro-rated award in the Company's discretion if the Participant has a minimum of six (6) months as an active Employee during the Plan Year. The pro-rated award will be based on a payment made "At Target."
 - (ii) ESP-Eligible Participants: A Participant who receives any payment under the ESP, regardless of whether the Participant receives a supplemental payment under the ESP, is not eligible to receive an award under the Plan with respect to the Plan Year in which the layoff occurs (even if the layoff occurs on the last day of the Plan Year).
- (f) Retirement during a Plan Year: A Participant who terminates employment with the Company on account of Retirement during a Plan Year may be considered for a pro-rated award in the Company's discretion if the Participant has a minimum of six (6) full months as an active Employee during the Plan Year. The pro-rated award will be based on year-end performance results.

- (g) Disability or death during a Plan Year: A Participant who terminates employment with the Company on account of Disability or death during a Plan Year may be considered for a pro-rated award in the Company's discretion if the Participant has a minimum of three (3) full months as an active Employee during the Plan Year. The pro-rated award will be based on a payment made "At Target."
- (h) Unpaid leave of absence during a Plan Year: A Participant who is on an unpaid leave of absence for more than three (3) months during a Plan Year may be considered for a pro-rated award in the Company's discretion if the Participant has a minimum of three (3) full months as an active Employee during the Plan Year.
- (i) Termination for cause during a Plan Year: A Participant who is terminated for cause during the Plan Year is not eligible for an award under the Plan.

Section 3.03 An Incentive Compensation award for a Participant whose target level and/or award formula changes during the Plan Year will be pro-rated to the day, i.e., the number of days during which the original level and/or formula applied to the Participant divided by the number of days in the Plan Year, and the number of days during which the new level and/or formula applied to the Participant divided by the number of days in the Plan Year.

Article IV. RECOVERY OF PAYMENTS (CLAW BACK)

Section 4.01 The Board of Directors retains the authority to make retroactive adjustments to a payment made under the Plan on or after January 1, 2008, and with respect to (c) or (d) below, on or after February 21, 2019 under the following circumstances and such other circumstances as may be specified by final regulation issued by the Securities and Exchange Commission entitling the Company to recapture or claw back amounts paid pursuant to the Plan:

- (a) If the Board of Directors determines, after consideration of all the facts and circumstances that the Board of Directors in its sole discretion considers relevant, that either (i) the intentional misconduct or gross negligence of an Elected Officer, or (ii) the failure of an Elected Officer to report another person's intentional misconduct or gross negligence of which the Elected Officer had knowledge, contributed to the Company having to restate all or a portion of its financial statements filed with the Securities and Exchange Commission, then the Board of Directors may require the Elected Officer to repay to the Company the value of any payment under the Plan as determined by the Board of Directors.
- (b) If the Board of Directors determines, after consideration of all the facts and circumstances that the Board of Directors in its sole discretion considers relevant, that an Elected Officer either (i) engaged in fraud, bribery or other illegal act, or (ii) the Elected Officer's intentional misconduct or gross negligence (including the failure by the Elected Officer to report the acts of another person of which the Elected Officer had knowledge) contributed to another person's fraud, bribery or other illegal act, which in either case adversely impacted the Company's financial position or reputation, the Board of Directors may require the Elected Officer to repay to the Company the value of any payment under the Plan as determined by the Board of Directors.

- (c) If the Board of Directors determines, after consideration of all the facts and circumstances that the Board of Directors in its sole discretion considers relevant, that an Elected Officer engaged in intentional misconduct or gross negligence that caused severe reputational or financial harm to the Corporation, the Board of Directors may require the Elected Officer to repay to the Company the value of any payment under the Plan as determined by the Board of Directors.
- (d) If the Board of Directors determines, after consideration of all the facts and circumstances that the Board of Directors in its sole discretion considers relevant, that an Elected Officer misappropriated Confidential or Proprietary Information (within the meaning of CRX-015C), and the Elected Officer either (i) intended to use the misappropriated Confidential or Proprietary Information to cause severe reputational or financial harm the Corporation or (ii) used the misappropriated Confidential or Proprietary Information in a manner that caused severe reputational or financial harm to the Corporation, the Board of Directors may require the Elected Officer to repay to the Company the value of any payment under the Plan as determined by the Board of Directors.

To the extent permissible under applicable law, the Board of Directors may delegate its authority to make determinations under this Article IV to the Committee.

ADDENDUM I
PROVISIONS APPLICABLE TO EMPLOYEES OF LM AUSTRALIA
MODIFICATIONS TO THE PLAN AND EXHIBIT A

MODIFICATIONS TO THE PLAN

All references to Code section 409A are inapplicable to Employees who are employed by LM Australia. Payments under the Plan will be taxed as income under local rules and subject to superannuation and any other applicable deductions required by law or regulation.

With respect to Employees employed by LM Australia, Section 2.07 is revised in its entirety as follows:

EMPLOYEE –The term “Employee” includes only those individuals that the Company classifies on its payroll records as Employees and does not include consultants, independent contractors, interns, volunteers, temporary or casual employees, individuals paid by a third party or other individuals not classified as an Employee by the Company.

MODIFICATIONS TO EXHIBIT A

In Section 3.02(e), the references to “layoff” or to being “laid off” mean “redundancy” or being “made redundant”.

With respect to Employees employed by LM Australia, Section 3.02(h) is revised in its entirety as follows:

Unpaid leave of absence during a Plan Year: A Participant who is on an approved unpaid leave of absence for more than three (3) months during a Plan Year may be considered for a pro-rated award in the Company’s discretion. If such Participant has a minimum of three (3) full months as an active Employee during the Plan Year, such pro-rated award will be based on the Participant’s actual performance rating for such Plan Year. If such Participant has less than three (3) full months as an active Employee during the Plan Year, such pro-rated award will be based on a payment made “At Target.”

ACKNOWLEDGEMENT AND DISCRETION

This Plan does not form part of any contract between a Participant and the Company. Any reference to obligations or requirements of the Company in this Plan is not intended to give rise to contractual obligations binding on the Company.

Any payment made to a Participant under this Plan does not form part of a Participant's annual salary for any purpose, including leave entitlements, notice and severance payments, unless otherwise provided by legislation.

REVIEW

This Plan, as it applies to Employees who are employed by LM Australia, shall be reviewed on an annual basis.

ADDENDUM II

PROVISIONS APPLICABLE TO EMPLOYEES OF LM UK

MODIFICATIONS TO THE PLAN

All references to the Internal Revenue Code are inapplicable to Employees who are employed by LM UK.

With respect to Employees employed by LM UK, Section 2.07 is revised in its entirety as follows:

EMPLOYEE – Any person who is employed by the Company or who would otherwise be entitled to the same basic working and employment conditions as an employee in terms of pay. Except where entitled by law to the same basic working and employment conditions as an employee in terms of pay this does not include consultants, independent contractors, students, interns, temporary or casual employees, zero hours workers or other individuals not classified by the Company as its employees.

With respect to Employees employed by LM UK, Section 5.03 is revised in its entirety as follows:

Incentive Compensation payments under the Plan will be paid to each Participant through payroll not later than March 30 following the Plan Year.

With respect to Employees employed by LM UK, Section 5.05 is revised in its entirety as follows:

All Incentive Compensation payments made under the Plan shall be non-pensionable and shall be subject to PAYE and National Insurance and any other applicable deductions through the payroll. This does not affect the Employee's ability to make additional voluntary pension contributions.

With respect to Employees employed by LM UK, Section 7.02 is revised in its entirety as follows:

This Plan does not form a part of the Participant's contract of employment, or constitute an employment agreement or benefit of any kind, or a promise of employment for a specific term (including the Plan Year) and does not alter the nature of a Participant's employment with the Company, which may be terminated by the Company or a Participant in accordance with its terms.

MODIFICATIONS TO EXHIBIT A

The following is added to the end of the second paragraph of Article I:

In addition to any other requirements set forth in the Plan with respect to receipt of payments under the Plan, Participants who are employed by LM UK may not be eligible to receive payment if, on the date of payment, they are subject to the Company's disciplinary procedure or a performance improvement plan or are under notice of termination of employment.

With respect to Employees employed by LM UK, Section 2.02 is revised in its entirety as follows:

LTD BENEFITS – The payments that are made under the Company's long-term disability plan.

With respect to Employees employed by LM UK, Section 2.04 is revised in its entirety as follows:

RETIREMENT – Retirement under the terms of a Company-sponsored pension plan or, for Employees who do not participate in a pension plan, termination from employment with the Company following the attainment of age 55.

With respect to Employees employed by LM UK, Section 3.01 is revised in its entirety as follows:

In general, a Participant must be an Employee on active status or on paid leave of absence on January 1 through December 31 of the Plan Year to be eligible for a full Incentive Compensation award for that Plan Year. For purposes of the foregoing: (a) an Employee will not be eligible for an Incentive Compensation award with respect to any period of paid leave of absence in excess of 26 weeks (regardless of whether the paid leave of absence began prior to the current Plan Year); and (b) Employees in receipt of LTD Payments will not be considered on active status or on paid leave of absence.

With respect to Employees employed by LM UK, Section 3.02(e) is revised in its entirety as follows:

Termination due to Redundancy during a Plan Year: A Participant who terminates employment with the Company on account of redundancy during a Plan Year may be considered for a pro-rated award in the Company's discretion if the Participant has a minimum of six (6) months as an active Employee during the Plan Year. The pro-rated award will be based on a payment made "At Target."

With respect to Employees employed by LM UK, Section 3.02(g) is revised in its entirety as follows:

Death during a Plan Year: A Participant who either terminates employment with the Company or has his or her employment terminated on account of death during a Plan Year may be considered for a pro-rated award at the Company's discretion if the Participant has a minimum of three (3) full months as an active Employee during the Plan Year. The pro-rated award will be based on a payment made "At Target."

With respect to Employees employed by LM UK, Section 3.02(h) is revised in its entirety as follows:

Unpaid leave of absence during a Plan Year: A Participant who is on an approved unpaid leave of absence for more than three (3) months during a Plan Year may be considered for a pro-rated award in the Company's discretion. If such Participant has a minimum of three (3) full months as an active Employee during the Plan Year, such pro-rated award will be based on the Participant's actual performance rating for such Plan Year. If such Participant has less than three (3) full months as an active Employee during the Plan Year, such pro-rated award will be based on a payment made "At Target."

With respect to Employees employed by LM UK, new Section 3.02(j) is added as follows:

LTD Payments during a Plan Year: A Participant is not eligible for an Incentive Compensation award with respect to any part of a Plan Year for which he or she is receiving LTD Payments but will receive a pro-rated award for the remainder of the year that they are on active service.

Where no performance rating has been recorded, the individual component of the pro-rated award will be based on a payment made “At Target”.

With respect to Employees employed by LM UK, new Section 4.02 is added as follows:

Any Participant receiving a payment does so on the understanding that it is made on the understanding that the Participant has not acted in the manner referred to in Section 4.01 and that the Participant received the payment subject to the provisions of Section 4.01. Where the provision of Section 4.01 apply the payment shall be recoverable as a debt due from the Participant to the Company.

**Acknowledgment of
Independent Registered Public Accounting Firm**

Board of Directors and Stockholders
Lockheed Martin Corporation

We are aware of the incorporation by reference of our report dated April 24, 2019, relating to the unaudited consolidated interim financial statements of Lockheed Martin Corporation that is included in its Form 10-Q for the quarter ended March 31, 2019, in the following Registration Statements of Lockheed Martin Corporation:

- 33-63155 on Form S-8, dated October 3, 1995;
- 33-58083 on Form S-8 (Post-Effective Amendment No. 1), dated January 22, 1997;
- 333-20117 and 333-20139 on Form S-8, each dated January 22, 1997;
- 333-27309 on Form S-8, dated May 16, 1997;
- 333-37069 on Form S-8, dated October 2, 1997;
- 333-40997 on Form S-8, dated November 25, 1997;
- 333-58069 on Form S-8, dated June 30, 1998;
- 333-92197 on Form S-8, dated December 6, 1999;
- 333-92363 on Form S-8, dated December 8, 1999;
- 333-78279 on Form S-8 (Post-Effective Amendments No. 2 and 3), each dated August 3, 2000;
- 333-56926 on Form S-8, dated March 12, 2001;
- 333-105118 on Form S-8, dated May 9, 2003;
- 333-113769, 333-113770, 333-113771, 333-113772, and 333-113773 on Form S-8, each dated March 19, 2004;
- 333-115357 on Form S-8, dated May 10, 2004;
- 333-127084 on Form S-8, dated August 1, 2005;
- 333-146963 on Form S-8, dated October 26, 2007;
- 333-155687 on Form S-8, dated November 25, 2008;
- 333-162716 on Form S-8, dated October 28, 2009;
- 333-155684 on Form S-8 (Post-Effective Amendment No. 1), dated August 23, 2011;
- 333-176440 on Form S-8, dated August 23, 2011;
- 333-188118 on Form S-8, dated April 25, 2013;
- 333-195466 on Form S-8, dated April 24, 2014 and July 23, 2014 (Post-Effective Amendment No.1);
- 333-219373 on Form S-3, dated July 20, 2017; and
- 333-219374 on Form S-3, dated July 20, 2017.

/s/ Ernst & Young LLP

Tysons, Virginia
April 24, 2019

**CERTIFICATION OF MARILLYN A. HEWSON PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Marillyn A. Hewson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Lockheed Martin Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures, and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Marillyn A. Hewson

Marillyn A. Hewson

Chief Executive Officer

Date: April 24, 2019

**CERTIFICATION OF KENNETH R. POSSENRIEDE PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Kenneth R. Possenriede, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Lockheed Martin Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures, and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Kenneth R. Possenriede

Kenneth R. Possenriede

Chief Financial Officer

Date: April 24, 2019

CERTIFICATION OF MARILLYN A. HEWSON AND KENNETH R. POSSENRIEDE PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Lockheed Martin Corporation (the "Corporation") on Form 10-Q for the quarter ended March 31, 2019, as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, Marilyn A. Hewson, Chief Executive Officer of the Corporation, and I, Kenneth R. Possenriede, Chief Financial Officer of the Corporation, each certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

/s/ Marilyn A. Hewson

Marilyn A. Hewson
Chief Executive Officer

/s/ Kenneth R. Possenriede

Kenneth R. Possenriede
Chief Financial Officer

Date: April 24, 2019