
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 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, 2006

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 Number)

6801 ROCKLEDGE DRIVE, BETHESDA, MD
(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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act). (Check one)

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding as of March 31, 2006
Common stock, \$1 par value	431,882,361

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Lockheed Martin Corporation
Unaudited Condensed Consolidated Statement of Earnings

	Three Months Ended	
	March 31,	
	2006	2005
	<i>(In millions, except per share data)</i>	
Net sales		
Products	\$ 7,944	\$ 7,248
Services	1,270	1,240
	<u>9,214</u>	<u>8,488</u>
Cost of Sales		
Products	7,202	6,648
Services	1,102	1,094
Unallocated Corporate costs	150	204
	<u>8,454</u>	<u>7,946</u>
	760	542
Other income and expenses, net	211	88
Operating profit	971	630
Interest expense	94	90
Earnings before income taxes	877	540
Income tax expense	286	171
Net earnings	<u>\$ 591</u>	<u>\$ 369</u>
Earnings per common share		
Basic	<u>\$ 1.36</u>	<u>\$ 0.84</u>
Diluted	<u>\$ 1.34</u>	<u>\$ 0.83</u>
Cash dividends declared per common share	<u>\$ 0.30</u>	<u>\$ 0.25</u>

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

Lockheed Martin Corporation
Condensed Consolidated Balance Sheet

	(Unaudited) March 31, 2006	December 31, 2005
	(In millions)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,682	\$ 2,244
Short-term investments	457	429
Receivables	4,832	4,579
Inventories	1,916	1,921
Deferred income taxes	830	861
Other current assets	511	495
Total current assets	<u>11,228</u>	<u>10,529</u>
Property, plant and equipment, net	3,884	3,924
Goodwill	8,534	8,447
Purchased intangibles, net	538	560
Prepaid pension asset	1,315	1,360
Other assets	2,940	2,924
	<u>\$ 28,439</u>	<u>\$ 27,744</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,950	\$ 1,998
Customer advances and amounts in excess of costs incurred	4,425	4,331
Salaries, benefits and payroll taxes	1,422	1,475
Current maturities of long-term debt	219	202
Other current liabilities	1,751	1,422
Total current liabilities	<u>9,767</u>	<u>9,428</u>
Long-term debt	4,762	4,784
Accrued pension liabilities	2,286	2,097
Other postretirement benefit liabilities	1,315	1,277
Other liabilities	2,373	2,291
Stockholders' equity:		
Common stock, \$1 par value per share	430	432
Additional paid-in capital	1,404	1,724
Retained earnings	7,737	7,278
Accumulated other comprehensive loss	(1,635)	(1,553)
Other	—	(14)
Total stockholders' equity	<u>7,936</u>	<u>7,867</u>
	<u>\$ 28,439</u>	<u>\$ 27,744</u>

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

Lockheed Martin Corporation
Unaudited Condensed Consolidated Statement of Cash Flows

	Three Months Ended	
	March 31,	
	2006	2005
	<i>(In millions)</i>	
Operating Activities:		
Net earnings	\$ 591	\$ 369
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	135	126
Amortization of purchased intangibles	39	37
Changes in operating assets and liabilities:		
Receivables	(217)	(58)
Inventories	5	84
Accounts payable	(12)	75
Customer advances and amounts in excess of costs incurred	95	238
Other	549	677
Net cash provided by operating activities	<u>1,185</u>	<u>1,548</u>
Investing Activities:		
Expenditures for property, plant and equipment	(98)	(89)
Purchase of short-term investments, net	(28)	(10)
Acquisitions / investments in affiliated companies	(153)	(413)
Divestitures of businesses / investments in affiliated companies	156	762
Other	6	2
Net cash (used for) provided by investing activities	<u>(117)</u>	<u>252</u>
Financing Activities:		
Issuances of common stock and related amounts	391	111
Repurchases of common stock	(883)	(134)
Common stock dividends	(132)	(110)
Repayments of long-term debt	(6)	—
Net cash used for financing activities	<u>(630)</u>	<u>(133)</u>
Net increase in cash and cash equivalents	438	1,667
Cash and cash equivalents at beginning of period	<u>2,244</u>	<u>1,060</u>
Cash and cash equivalents at end of period	<u>\$ 2,682</u>	<u>\$ 2,727</u>

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

Lockheed Martin Corporation
Notes to Unaudited Condensed Consolidated Financial Statements
March 31, 2006

NOTE 1 – BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Lockheed Martin Corporation (Lockheed Martin or the Corporation) has continued to follow the accounting policies set forth in the consolidated financial statements included in its 2005 Annual Report on Form 10-K filed with the Securities and Exchange Commission (SEC), except for the adoption of Statement of Financial Accounting Standards (FAS) 123(R), *Stock-Based Compensation*, as disclosed in Note 3. In the opinion of management, the interim financial information provided herein reflects all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of the results of operations for the interim periods. The results of operations for the three months ended March 31, 2006 are not necessarily indicative of results to be expected for the full year. Certain amounts presented for prior periods have been reclassified to conform to the 2006 presentation.

NOTE 2 – EARNINGS PER SHARE

Basic and diluted per share amounts were computed based on net earnings for the respective periods. The weighted average number of common shares outstanding during the period was used in the calculation of basic earnings per share. The weighted average number of common shares used in the calculation of diluted per share amounts is adjusted for the dilutive effects of stock options based on the treasury stock method, and for the dilutive effects of the conversion obligation in excess of accreted principal related to the Corporation's \$1.0 billion of floating rate convertible debentures. The conversion obligation had no dilutive effect in periods prior to the first quarter of 2006.

The debentures are convertible by holders into shares of the Corporation's common stock on a contingent basis under the circumstances described in the indenture related to these securities. The debentures are not convertible unless the price of the Corporation's common stock is greater than or equal to 130% of the applicable conversion price for a specified period during a quarter, or unless certain other events occur. The conversion price was \$74.12 per share at March 31, 2006, and is expected to change over time as provided for in the indenture agreement. The Corporation has irrevocably agreed to pay only cash in lieu of common stock for the accreted principal amount of the debentures in respect of its conversion obligations, but has retained the right to elect to satisfy any and all conversion obligations in excess of the accreted principal amount of the debentures in cash and/or common stock. Though the Corporation retains that right, FAS 128, *Earnings Per Share*, requires an assumption that shares will be used and that those shares be included in the calculation of weighted average common shares outstanding for diluted earnings per share computations. The number of shares in the first quarter of 2006 was not material.

Lockheed Martin Corporation
Notes to Unaudited Condensed Consolidated Financial Statements (continued)

Unless otherwise noted, all per share amounts cited in these financial statements are presented on a “per diluted share” basis.

The following table sets forth the computations of basic and diluted earnings per share:

	Three Months Ended	
	March 31,	
	2006	2005
	<i>(In millions, except per share data)</i>	
Net earnings for basic and diluted computations	\$ 591	\$ 369
Weighted average common shares outstanding:		
Average number of common shares outstanding for basic computations	436.0	441.3
Dilutive stock options and convertible securities	5.3	5.2
Average number of common shares outstanding for diluted computations	441.3	446.5
Earnings per common share		
Basic	\$ 1.36	\$ 0.84
Diluted	\$ 1.34	\$ 0.83

NOTE 3 – STOCK-BASED COMPENSATION

Effective January 1, 2006, the Corporation adopted FAS 123(R), *Share-Based Payments*, and related Securities and Exchange Commission rules included in Staff Accounting Bulletin No. 107, on a modified prospective basis. Under this method, compensation cost recognized beginning January 1, 2006 will include costs related to 1) all share-based payments (stock options and restricted stock awards) granted prior to but not yet vested as of January 1, 2006, based on the grant-date fair value estimated in accordance with the original provisions of FAS 123, *Accounting for Stock-Based Compensation*, and 2) all share-based payments (stock options and restricted stock units) granted subsequent to December 31, 2005 based on the grant-date fair value estimated in accordance with the provisions of FAS 123(R). Compensation cost for stock options is generally recognized ratably over the three-year vesting period for active non-retirement eligible employees and over the initial one-year vesting period for active, retirement eligible employees. Compensation costs for restricted stock awards (RSAs) and restricted stock units (RSUs) granted to employees are recognized ratably over the vesting period. The Corporation has continued to use the Black-Scholes option pricing model to estimate the fair value of stock options granted subsequent to the date of adoption of FAS 123(R).

Compensation costs related to stock options and restricted stock for the quarter ended March 31, 2006 totaled \$30 million, and are included in the statement of earnings in cost of sales. The net impact to earnings was \$18 million (\$0.04 per share). Compensation

Lockheed Martin Corporation
Notes to Unaudited Condensed Consolidated Financial Statements (continued)

cost related to restricted stock in prior periods was not material; therefore, the above amounts approximate the incremental impact of adopting FAS 123(R) as compared to the application of the original provisions of FAS 123.

Prior to January 1, 2006, the Corporation measured compensation cost for stock-based compensation plans using the intrinsic value method of accounting as prescribed in Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations, but disclosed the pro forma effects on net earnings and earnings per share as if compensation cost had been recognized based upon the fair value-based method at the date of grant for stock options awarded consistent with the provisions of FAS 123. The pro forma disclosures for the quarter ended March 31, 2005 set forth below include \$33 million (\$0.08 per share) as an inception-to-date adjustment of fair value-based, pro forma compensation expense related to retirement eligible employees with outstanding and unvested stock option awards. This adjustment reflects the service period as one year rather than the original vesting period since the Corporation's stock option award agreements allow employees to retain all stock option awards held through the initial vesting date prior to retirement, and to continue vesting in the award as if their employment had continued.

The Corporation's reported and pro forma earnings per share information for the first quarter of 2005 follows:

	Three Months Ended March 31, 2005
	<i>(In millions, except per share data)</i>
Net earnings:	
As reported	\$ 369
Fair value-based compensation cost, net of taxes	
Fair value-based, pro forma compensation expense	(14)
Inception-to-date adjustment	(33)
Pro forma	<u>\$ 322</u>
Earnings per basic share:	
As reported	\$ 0.84
Fair value-based, pro forma compensation expense	(0.03)
Inception-to-date adjustment	(0.08)
Pro forma	<u>\$ 0.73</u>
Earnings per diluted share:	
As reported	\$ 0.83
Fair value-based, pro forma compensation expense	(0.03)
Inception-to-date adjustment	(0.08)
Pro forma	<u>\$ 0.72</u>

Lockheed Martin Corporation
Notes to Unaudited Condensed Consolidated Financial Statements (continued)

The fair value for stock options was estimated at the date of grant using the Black-Scholes option pricing model, which requires management to make certain assumptions. Expected volatility was estimated based on the historical volatility of the Corporation's stock over the past five years. The average expected life was based on the contractual term of the stock option and expected employee exercise and post-vesting employment termination trends. The risk-free interest rate is based on U.S. Treasury zero-coupon issues with a remaining term equal to the expected life assumed at the date of grant. Forfeitures are estimated at the date of grant based on historical experience. Prior to the adoption of FAS 123(R), the Corporation recorded forfeitures as they occurred for purposes of estimating pro forma compensation expense under FAS 123. The impact of forfeitures is not material. The following are the weighted average assumptions used in the Black-Scholes option pricing model for the periods indicated:

	Three Months Ended March 31,	
	2006	2005
Risk-free interest rate	4.50%	3.70%
Dividend yield	1.80%	1.73%
Volatility factors related to expected price of Lockheed Martin stock	0.260	0.259
Expected option life	5 years	5 years

Stock-Based Compensations Plans

At March 31, 2006, the Corporation had in place the Lockheed Martin Amended and Restated 2003 Incentive Performance Award Plan (the Award Plan) and the Lockheed Martin Directors Equity Plan (the Directors Plan). Under the Award Plan, employees may be granted stock-based incentive awards, including options to purchase common stock, stock appreciation rights, restricted stock or stock units. Employees may also be granted cash-based incentive awards. The types and mix of stock-based incentive awards are evaluated on an ongoing basis and may vary based on management's overall strategy regarding compensation, including consideration of the impact of the expensing of stock option awards in connection with our adoption of FAS 123(R).

The Award Plan requires that options to purchase common stock have an exercise price of not less than 100% of the market value of the underlying stock on the date of grant, that no award of stock options may become fully vested prior to the second anniversary of the grant and that no portion of a stock option grant may become vested in less than one year, except for 1.5 million stock options that are specifically exempted from vesting restrictions. The minimum vesting period for restricted stock or stock units payable in stock is three years. Award agreements may provide for shorter vesting periods or vesting following termination of employment in the case of death, disability, divestiture, retirement or layoff. The Award Plan does not impose any minimum vesting periods on other types of awards. The maximum term of a stock option or any other award is 10 years.

RSAs and RSUs issued under the Award Plan are recorded based on the market value of the Corporation's common stock on the date of the award and the related compensation

Lockheed Martin Corporation
Notes to Unaudited Condensed Consolidated Financial Statements (continued)

expense is recognized over the vesting period. Recipients of RSAs are entitled to receive cash dividends and to vote their respective shares, but are prohibited from selling or transferring shares prior to vesting. The RSAs generally vest over three to five years from the grant date. Recipients of RSU's are also entitled to receive dividends. The accounting treatment for RSUs is similar to the accounting for RSAs, except that the shares are not issued until the RSUs vest, no earlier than three years from the date of the award.

Under the Directors Plan, approximately 50% of a director's annual compensation is awarded based on each director's election to receive such compensation in the form of stock units which track investment returns to changes in value of the Corporation's common stock with dividends reinvested, options to purchase common stock or a combination of the two. The Directors Plan requires that options to purchase common stock have an exercise price of not less than 100% of the market value of the underlying stock on the date of grant. Except in certain circumstances, stock options and stock units issued under the Directors Plan vest on the first anniversary of the grant. The maximum term of a stock option is 10 years.

The Award Plan and the Directors Plan, as well as the number of shares of Lockheed Martin common stock authorized for issuance under these plans, have been approved by the stockholders of the Corporation. At March 31, 2006, the number of shares of Lockheed Martin common stock reserved for issuance under the Corporation's stock option and award plans totaled 47.2 million. The Corporation issues new shares upon the exercise of stock options or vesting of RSUs.

Stock Option Activity

The following table summarizes stock option activity related to the Corporation's plans for the three months ended March 31, 2006:

	Number of Stock Options <i>(In thousands)</i>	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life <i>(In years)</i>	Aggregate Intrinsic Value <i>(In millions)</i>
Outstanding at December 31, 2005	34,138	\$ 47.64		
Granted	3,823	67.97		
Exercised	(8,503)	45.93		
Terminated	(45)	44.44		
Outstanding at March 31, 2006	<u>29,413</u>	<u>50.78</u>	<u>6.7</u>	<u>\$ 716.3</u>
Vested and unvested expected to vest at March 31, 2006	<u>29,211</u>	<u>50.70</u>	<u>6.7</u>	<u>713.8</u>
Exercisable at March 31, 2006	<u>19,169</u>	<u>46.03</u>	<u>5.5</u>	<u>557.8</u>

Lockheed Martin Corporation
Notes to Unaudited Condensed Consolidated Financial Statements (continued)

The weighted-average grant-date fair values of stock options granted during the quarters ended March 31, 2006 and 2005 were \$17.64 and \$14.16, respectively. Stock options granted vest over three years and have 10-year terms. Exercise prices of stock options awarded for all periods were equal to the market price of the stock on the date of grant. The total intrinsic value of stock options exercised during the same periods was \$208 million and \$55 million, respectively. The total fair value of stock options vested during those periods was \$103 million and \$76 million, respectively.

RSU and RSA Activity

The following table summarizes activity related to unvested RSUs and RSAs for the three months ended March 31, 2006:

	Number of RSUs / RSAs <i>(In thousands)</i>	Weighted Average Grant- Date Fair Value Per Share
Nonvested at December 31, 2005	577	\$ 46.04
Granted	1,310	67.97
Vested	(15)	45.64
Terminated	(9)	49.41
Nonvested at March 31, 2006	<u>1,863</u>	<u>61.45</u>

There were no grants of RSAs or RSUs in the first quarter of 2005.

As of March 31, 2006, there was \$199 million of total unrecognized compensation cost related to non-vested stock options, RSUs and RSAs. That cost is expected to be recognized over a weighted-average period of 2.2 years. Cash received from the exercise of stock options for the quarters ended March 31, 2006 and 2005 totaled \$391 million and \$111 million, respectively. In addition, the Corporation will realize a \$73 million tax benefit from the exercise of stock options for the quarter ended March 31, 2006 as it makes its tax payments during the remainder of the year. In accordance with FAS 123(R), \$69 million of this benefit will be classified as a financing cash inflow in the statement of cash flows, and the balance will be classified as cash from operations. The \$19 million tax benefit from stock options exercised in the quarter ended March 31, 2005 was realized in the quarter ended June 30, 2005 and was classified as cash from operations in its entirety.

Lockheed Martin Corporation
Notes to Unaudited Condensed Consolidated Financial Statements (continued)

NOTE 4 – INVENTORIES

	March 31, 2006	December 31, 2005
<i>(In millions)</i>		
Work in process, primarily related to long-term contracts and programs in progress	\$ 5,005	\$ 5,121
Less customer advances and progress payments	(3,404)	(3,527)
	1,601	1,594
Other inventories	315	327
	\$ 1,916	\$ 1,921

Work in process inventories included amounts advanced to Khrunichev State Research and Production Space Center (Khrunichev), the Russian manufacturer of Proton launch vehicles and provider of related launch services, of \$181 million and \$190 million at March 31, 2006 and December 31, 2005, respectively, to provide contracted launch services.

NOTE 5 – POSTRETIREMENT BENEFIT PLANS

The net pension cost as determined by FAS 87, *Employers' Accounting for Pensions*, and the net postretirement benefit cost as determined by FAS 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*, related to the Corporation's plans include the following components:

	Three Months Ended March 31,	
	2006	2005
<i>(In millions)</i>		
<u>Defined benefit pension plans</u>		
Service cost	\$ 224	\$ 213
Interest cost	389	384
Expected return on plan assets	(482)	(436)
Amortization of prior service cost	20	20
Recognized net actuarial losses	83	98
Total net pension expense	\$ 234	\$ 279
<u>Retiree medical and life insurance plans</u>		
Service cost	\$ 14	\$ 14
Interest cost	49	57
Expected return on plan assets	(30)	(25)
Amortization of prior service cost	(6)	3
Recognized net actuarial losses	11	15
Total net postretirement expense	\$ 38	\$ 64

Lockheed Martin Corporation
Notes to Unaudited Condensed Consolidated Financial Statements (continued)

The Corporation made discretionary prepayments totaling \$980 million in 2005 to the defined benefit pension plans' trust which will reduce its cash funding requirements for 2006. In 2006, the Corporation's required contributions are expected to be \$100 million to \$110 million for its defined benefit plan's pension trust, after giving consideration to the 2005 prepayments, and \$230 million to \$240 million for its retiree medical and life insurance plans. There were no contributions in the first quarter of 2006.

NOTE 6 – LEGAL PROCEEDINGS AND CONTINGENCIES

The Corporation or its subsidiaries are parties to or have property subject to litigation and other proceedings, including matters arising under provisions relating to the protection of the environment. In the opinion of management and in-house counsel, the probability is remote that the outcome of these matters will have a material adverse effect on the Corporation's consolidated results of operations, financial position or cash flows. The results of legal proceedings, however, cannot be predicted with certainty. These matters include the following items:

On March 27, 2006, a government investigator served the Corporation with a subpoena issued by a grand jury in the United States District Court for the Northern District of Ohio. The subpoena seeks documents related to the Corporation's application for patents issued in the United States and the United Kingdom relating to a missile detection and warning technology. The Corporation is cooperating with the government's investigation.

On February 6, 2004, the Corporation submitted a certified contract claim to the United States seeking contractual indemnity for remediation and litigation costs (past and future) associated with its former facility in Redlands, California. The claim was submitted pursuant to a claim sponsorship agreement with The Boeing Company (Boeing), executed in 2001, in Boeing's capacity as the prime contractor on the Short Range Attack Missile (SRAM) program. The contract for the SRAM program, which formed a significant portion of the Corporation's work at the Redlands facility, contained special contractual indemnities from the U.S. Air Force, as authorized by Public Law 85-804. On August 31, 2004, the United States denied the claim. The Corporation's appeal of that decision is pending before the Armed Services Board of Contract Appeals.

On August 28, 2003, the Department of Justice filed complaints in partial intervention in two previously reported lawsuits filed under the *qui tam* provisions of the Civil False Claims Act in the United States District Court for the Western District of Kentucky, *United States ex rel. Natural Resources Defense Council, et al v. Lockheed Martin Corporation, et al*, and *United States ex rel. John D. Tillson v. Lockheed Martin Energy Systems, Inc., et al*. The Department alleges that the Corporation committed violations of the Resource Conservation and Recovery Act at the Paducah Gaseous Diffusion Plant by failing to properly handle, store, and transport hazardous waste and that it violated the False Claims Act by purportedly misleading Department of Energy (DoE) officials and

Lockheed Martin Corporation
Notes to Unaudited Condensed Consolidated Financial Statements (continued)

state regulators regarding the nature and extent of environmental noncompliance at the plant. The Corporation disputes the allegations and is defending against them.

Nine lawsuits were filed against the Corporation as a result of an incident in July 2003 at its aircraft parts manufacturing facility in Meridian, Mississippi, which resulted in the deaths of seven of its employees and the wounding of eight others. Six of the lawsuits were filed in the U.S. District Court for the Southern District of Mississippi, and three lawsuits were filed in the Circuit Court of Lauderdale County, Mississippi. The lawsuits allege various torts, including wrongful death, intentional infliction of injury, negligent supervision, intentional infliction of emotional distress and, in the case of the federal actions, racial or gender discrimination. On July 14, 2005, the U.S. Court of Appeals for the Fifth Circuit reversed the District Court's decision denying our motion for partial summary judgment in the *Erica Willis Tanks v. Lockheed Martin* lawsuit and dismissed the wrongful death and other state tort claims. On August 26, 2005, the District Court dismissed the wrongful death and other state tort claims in the other five lawsuits pending before it. Two of the lawsuits filed in state court, *Fitzgerald v. Lockheed Martin* and *Miller v. Lockheed Martin*, have been settled.

On June 10, 2003, Lockheed Martin filed a civil complaint in the United States District Court for the Middle District of Florida in Orlando against Boeing and various individuals. On May 24, 2004, the Corporation filed an amended and supplemental complaint, which presently alleges that the defendants solicited, acquired and used Lockheed Martin's proprietary information during the competition for awards under the U.S. Air Force's Evolved Expendable Launch Vehicle (EELV) programs and others in violation of Federal and state laws. On August 9, 2004, Boeing filed a six-count counterclaim. The counterclaim alleges tortious interference with business and contract, unfair and deceptive trade practices under Florida law, and false advertising under the Lanham Act, based on the Corporation's purported disclosure to the U.S. Air Force and the government of Boeing's possession and use of Lockheed Martin's documents in the EELV and other competitions. In connection with the proposed formation of United Launch Alliance (see Note 8), Boeing and Lockheed Martin have agreed, simultaneous with the closing of the transaction, that they will immediately dismiss all claims against each other. On May 5, 2005, upon motions of Boeing and the Corporation, the U.S. District Court suspended all activity in the cases pending the outcome of the transaction.

In 1995, Space Systems Loral filed a lawsuit in the U.S. District Court for the Northern District of California alleging that the Corporation's series A2100, 3000, 4000, 5000 and 7000 satellites infringe a patent relating to a method and apparatus to minimize attitude changes resulting from satellite thruster operations. The Corporation believes that its satellites do not infringe the patent and is vigorously defending the case.

As described in the "Environmental Matters" discussion below, Lockheed Martin is subject to federal and state requirements for protection of the environment, including those for discharge of hazardous materials and remediation of contaminated sites. As a result, the Corporation is a party to or has its property subject to various other lawsuits or proceedings involving environmental matters. Due in part to their complexity and

Lockheed Martin Corporation
Notes to Unaudited Condensed Consolidated Financial Statements (continued)

pervasiveness, such requirements have resulted in the Corporation being involved with related legal proceedings, claims and remediation obligations.

The Corporation has been in litigation with certain residents of Redlands, California since 1997 regarding allegations of personal injury, property damage, and other tort claims on behalf of individuals and putative classes of individuals arising from its alleged contribution to regional groundwater contamination. In March and April of 2005, the California Court of Appeal issued orders staying all trial and appellate proceedings pending further order of the Court, including staying the trial of 14 claims that was to have commenced in May 2005 in the California Superior Court for San Bernardino County. Following an unsuccessful settlement conference, the trial proceedings remain stayed pending further review and action by the Court of Appeal.

Environmental matters – The Corporation is involved in environmental proceedings and potential proceedings relating to soil and groundwater contamination, disposal of hazardous waste and other environmental matters at several of its current or former facilities. At March 31, 2006 and December 31, 2005, the aggregate amount of liabilities recorded relative to environmental matters was \$464 million. Environmental cleanup activities usually span several years, which makes estimating liabilities more judgmental due to, for example, changing remediation technologies, assessments of the extent of contamination and continually evolving regulatory environmental standards. These factors are considered in estimates of the timing and amount of any future costs that may be required for remediation actions. The recorded liabilities have not been discounted, as the timing of cash payments is not fixed or cannot be reliably determined.

About 60% of the liability at December 31, 2005 relates to sites in Redlands, Burbank and Glendale, California, and in Great Neck, New York, mainly for remediation of soil and groundwater contamination. The remainder of the liability related to other properties (including current operating facilities and certain facilities operated in prior years) for which the Corporation's obligation is probable and the financial exposure can be estimated. In cases where a date to complete activities at a particular environmental site cannot be estimated by reference to agreements or otherwise, the Corporation projects costs over an appropriate time frame not to exceed 20 years. The extent of the Corporation's financial exposure cannot in all cases be reasonably determined at this time. The Corporation also is pursuing claims for contribution to site cleanup costs against other potentially responsible parties (PRPs), including the U.S. Government.

At Redlands, California, in response to administrative orders issued by the California Regional Water Quality Control Board, the Corporation is investigating the impact and potential remediation of regional groundwater contamination by perchlorates and chlorinated solvents and has submitted a plan approved by the Regional Board to maintain public water supplies with respect to chlorinated solvents during the investigation. Following further study of perchlorate health effects by both the National Academy of Sciences and by the U.S. EPA, California reaffirmed a six parts per billion (ppb) public health goal for perchlorates in March 2005. Although the six ppb public health goal is not a legally enforceable drinking water standard, the Corporation has

Lockheed Martin Corporation
Notes to Unaudited Condensed Consolidated Financial Statements (continued)

developed and is in the process of implementing a preliminary remediation plan to meet the six ppb goal in anticipation that California may promulgate an enforceable standard at that level.

The Corporation also is conducting remediation activities pursuant to various consent decrees and orders relating to soil or groundwater contamination at certain sites of former operations, including sites in Burbank and Glendale, California and Great Neck, New York. Under the Burbank and Glendale orders, the Corporation, among other things, is obligated to construct and fund the operations of soil and groundwater treatment facilities through 2018 and 2012, respectively. Responsibility for the long-term operation of the Burbank and Glendale facilities has been assumed by the respective localities. In addition, under an agreement related to the Burbank and Glendale remediation activities, the U.S. Government reimburses the Corporation in an amount equal to approximately 50% of expenditures for certain remediation activities in its capacity as a PRP under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA).

NOTE 7 – INFORMATION ON BUSINESS SEGMENTS

The Corporation operates in five business segments: Aeronautics, Electronic Systems, Space Systems, Integrated Systems & Solutions (IS&S), and Information & Technology Services (I&TS). The business segments have been organized based on the nature of the products and services offered. In the following table related to the caption “Operating profit,” total operating profit of the business segments is reconciled to the corresponding consolidated amount. The reconciling item “Unallocated Corporate expense, net” includes the FAS/CAS pension adjustment (see discussion below), earnings and losses from equity investments, interest income, costs for certain stock-based compensation programs (including stock-based compensation costs for stock options and restricted stock as discussed in Note 3), the effects of items not considered part of management’s evaluation of segment operating performance, Corporate costs not allocated to the operating segments and other miscellaneous Corporate activities.

The FAS/CAS pension adjustment represents the difference between pension expense or income calculated for financial reporting purposes under GAAP in accordance with FAS 87, and pension costs calculated and funded in accordance with U.S. Government Cost Accounting Standards (CAS), which are reflected in the business segment results. CAS is a major factor in determining pension funding requirements for the Corporation, and governs the extent of allocability and recoverability of pension costs on government contracts. The CAS expense is recovered through the pricing of the Corporation’s products and services on U.S. Government contracts, and therefore recognized in segment net sales. The results of operations of the Corporation’s segments only include pension expense as determined and funded in accordance with CAS rules.

Lockheed Martin Corporation
Notes to Unaudited Condensed Consolidated Financial Statements (continued)

Transactions between segments are generally negotiated and accounted for under terms and conditions that are similar to other government and commercial contracts; however, these intercompany transactions are eliminated in consolidation and for purposes of the presentation of "Net Sales" in the related table that follows.

	Three Months Ended	
	March 31,	
	2006	2005
	<i>(In millions)</i>	
Selected Financial Data by Business Segment		
<u>Net sales</u>		
Aeronautics	\$ 2,671	\$ 2,766
Electronic Systems	2,630	2,257
Space Systems	1,969	1,662
Integrated Systems & Solutions	1,019	958
Information & Technology Services	925	845
	\$ 9,214	\$ 8,488
<u>Operating profit</u>		
Aeronautics	\$ 240	\$ 222
Electronic Systems	323	232
Space Systems	193	153
Integrated Systems & Solutions	93	84
Information & Technology Services	82	71
Total business segments	931	762
Net unallocated Corporate expense	40	(132)
	\$ 971	\$ 630
<u>Intersegment revenue</u>		
Aeronautics	\$ 27	\$ 17
Electronic Systems	172	132
Space Systems	34	44
Integrated Systems & Solutions	169	147
Information & Technology Services	203	228
	\$ 605	\$ 568

NOTE 8 – OTHER

In the first quarter of 2006, the Corporation sold 21 million of its shares in Inmarsat plc for \$132 million, reducing its ownership from 5.3% to less than 1%. The transaction resulted in the recording of a gain, net of state income taxes, of \$127 million in other income and expenses, and an increase in net earnings of \$83 million (\$0.19 per share).

Also in the first quarter of 2006, the Corporation received proceeds from the sale of the assets of Space Imaging, LLC. The transaction resulted in a gain, net of state income taxes, of \$23 million, and increased net earnings by \$15 million (\$0.03 per share).

Lockheed Martin Corporation
Notes to Unaudited Condensed Consolidated Financial Statements (continued)

In 2005, Lockheed Martin and Boeing entered into an agreement to create a joint venture that would combine the production, engineering, test and launch operations associated with U.S. Government launches of the Corporation's Atlas launch vehicles and Boeing's Delta launch vehicles. The joint venture, named United Launch Alliance, LLC (ULA), is structured as a 50-50 joint venture and would be accounted for as an equity investment. Under the terms of the joint venture, Atlas and Delta expendable launch vehicles would continue to be available as alternatives on individual launch missions. The agreement also stipulates that, upon closing of the transaction, Lockheed Martin and Boeing will dismiss all claims against each other in the pending civil litigation related to a previous competition for launches under the Air Force EELV program (see Note 6 for a discussion of that litigation).

The closing of the ULA transaction is subject to conditions to closing, including government and regulatory approvals and agreements in the United States and internationally. The agreement between Lockheed Martin and Boeing provides that if the conditions to closing are not satisfied and the ULA transaction is not consummated by March 31, 2006, either Boeing or Lockheed Martin may terminate the joint venture agreement. On March 31, 2006, the conditions to closing had not been satisfied because the ULA transaction remained subject to an October 24, 2005 request from the Federal Trade Commission (FTC) for additional information in response to Lockheed Martin and Boeing's pre-merger notices under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (HSR). The FTC's "second request" extends the period the FTC is permitted to review the transaction under the HSR Act. At the present time, Lockheed Martin does not know when, or if, the FTC will terminate the HSR statutory waiting period. As a result, closing of the ULA transaction has not been scheduled, and either party may terminate the transaction at any time prior to satisfaction of the regulatory and other closing conditions and closing. The Corporation does not expect that the formation of ULA would have a material impact on the Corporation's results of operations or financial position for 2006.

In the first quarter of 2005, the Corporation received proceeds of \$752 million in connection with the sale of its 25% interest in Intelsat, Ltd., and recorded a gain, net of state income taxes, of \$47 million in other income and expenses. The gain increased net earnings by \$31 million (\$0.07 per share).

Also in the first quarter of 2005, the Corporation recorded a charge, net of state income tax benefits, of \$30 million in cost of sales related to impairment in the value of a single telecommunications satellite operated by a wholly-owned subsidiary of the Corporation. The charge reduced net earnings by \$19 million (\$0.04 per share).

Lockheed Martin Corporation
Notes to Unaudited Condensed Consolidated Financial Statements (continued)

The components of comprehensive income for the three months ended March 31, 2006 and 2005 consisted of the following:

	Three Months Ended March 31,	
	2006	2005
<i>(In millions)</i>		
Net earnings	\$ 591	\$ 369
Other comprehensive loss:		
Reclassification adjustment related to available-for-sale investments	(79)	—
Other	(3)	(6)
	<u>(82)</u>	<u>(6)</u>
Comprehensive income	<u>\$ 509</u>	<u>\$ 363</u>

The reclassification adjustment represents the reclassification of the unrealized gain recorded in accumulated other comprehensive income related to our investment in Inmarsat, as the Corporation realized a gain on the sale of Inmarsat shares in the first quarter of 2006 which is reflected in net earnings.

Federal and foreign income tax payments, net of refunds received, were not material for the three months ended March 31, 2006. The Corporation received net federal and foreign income tax refunds of \$58 million in the first quarter of 2005. The Corporation's total interest payments were \$22 million and \$17 million for the three months ended March 31, 2006 and 2005, respectively.

Lockheed Martin Corporation
Report of Independent Registered Public Accounting Firm

Board of Directors
Lockheed Martin Corporation

We have reviewed the condensed consolidated balance sheet of Lockheed Martin Corporation as of March 31, 2006, and the related condensed consolidated statement of earnings for the three-month periods ended March 31, 2006 and 2005, and the condensed consolidated statement of cash flows for the three-month periods ended March 31, 2006 and 2005. These financial statements are the responsibility of the Corporation's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information 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 Public Company Accounting Oversight Board, 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.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Lockheed Martin Corporation as of December 31, 2005, and the related consolidated statements of earnings, stockholders' equity, and cash flows for the year then ended (not presented herein) and in our report dated February 22, 2006, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31 2005, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Ernst & Young LLP

Ernst & Young LLP

Baltimore, Maryland
April 25, 2006

Lockheed Martin Corporation

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

March 31, 2006

Lockheed Martin Corporation principally researches, designs, develops, manufactures, integrates, operates and sustains advanced technology systems, products and services. We mainly serve customers in domestic and international defense, civil agencies, and homeland security. Our sales to agencies of the U.S. Government represented 85% of our sales in 2005. Of the remaining 15% of sales, approximately 13% related to sales to international customers, with the remainder attributable to commercial customers. Our main areas of focus are in defense, space, intelligence / homeland security, and government information technology.

We operate in five principal business segments: Aeronautics, Electronic Systems, Space Systems, Integrated Systems & Solutions (IS&S), and Information & Technology Services (I&TS). As a lead systems integrator, our products and services range from electronics and information systems, including integrated net-centric solutions, to missiles, aircraft, spacecraft and launch services.

The following discussion should be read along with our 2005 Annual Report on Form 10-K filed with the Securities and Exchange Commission, and with the unaudited condensed consolidated financial statements included in this Form 10-Q.

RESULTS OF OPERATIONS

Consolidated Results of Operations

Since our operating cycle is long-term and involves many types of development and production contracts with varying production delivery schedules, the results of operations of a particular quarter, or quarter-to-quarter comparisons of recorded sales and profits, may not be indicative of our future operating results. The following discussions of comparative results among periods should be viewed in this context. All per share amounts cited in the following discussions are presented on a "per diluted share" basis.

The following discussion of net sales and operating results provides an overview of our operations by focusing on key elements set forth in our statement of earnings. The "Discussion of Business Segments" which follows describes the contributions of each of our business segments to our consolidated sales and operating profit for the quarters ended March 31, 2006 and 2005. We follow an integrated approach for managing the performance of our businesses and generally focus the discussion of our results of operations around major lines of business, versus distinguishing between products and services. Most of our services sales are generated in our Information & Technology Services segment.

Net sales for the first quarter of 2006 were \$9.2 billion, a 9% increase over the first quarter 2005 sales of \$8.5 billion. Sales increased in every business segment except

Lockheed Martin Corporation
Management's Discussion and Analysis of Financial Condition and
Results of Operations (continued)

Aeronautics, which experienced a slight decrease due to declines in F-16 volume and fewer C-130J deliveries.

Other income and expenses, net was \$211 million for the first quarter of 2006 compared to \$88 million recorded in the comparable 2005 period. The increase was primarily due to the \$127 million gain associated with the sale of Inmarsat stock and the \$23 million gain from the sale of the assets of Space Imaging LLC. The 2005 results included a \$47 million gain from the sale of Intelsat. In addition, the increase between the periods reflected an increase in interest income recorded in the 2006 period, resulting primarily from higher cash balances and interest rates.

Effective January 1, 2006, we adopted Statement of Financial Accounting Standards (FAS) 123(R), *Share-Based Payments*, and related rules, on a modified prospective basis (see Note 3). Under this method, we recognize compensation cost related to the estimated fair value of unvested stock options and restricted stock granted in 2006 and prior years. Prior to January 1, 2006, we measured compensation cost for stock options using the intrinsic value method, but disclosed the pro forma effects on net earnings and earnings per share as if compensation cost had been recognized based upon the fair value-based method. Compensation costs related to stock options and restricted stock for the quarter ended March 31, 2006 totaled \$30 million, and is included in the statement of earnings in cost of sales. The net impact to earnings was \$18 million (\$0.04 per share). Compensation cost related to restricted stock in prior periods was not material; therefore, the above amounts approximate the incremental impact of adopting FAS 123(R) as compared to the application of the original provisions of FAS 123. As of March 31, 2006, there was \$199 million of total unrecognized compensation cost related to non-vested stock options, restricted stock units and restricted stock awards. That cost is expected to be recognized over a weighted-average period of 2.2 years.

Operating profit (earnings before interest and taxes) for the first quarter of 2006 was \$971 million, an increase of 54% from the \$630 million recorded in 2005. Operating profit increased in all five business segments during the quarter ended March 31, 2006 from the comparable 2005 period.

Interest expense for the first quarter of 2006 was \$94 million, \$4 million higher than the comparable period in 2005. This was primarily the result of an increase the floating interest rate on the \$1.0 billion of convertible debentures issued in August 2003.

Our effective income tax rates for the quarters ended March 31, 2006 and 2005 were 32.6% and 31.7%, respectively. The tax rate is higher for the quarter ended March 31, 2006 because of higher earnings taxed at the 35% statutory rate and lower tax benefits related to export sales. For both periods, the effective tax rates were lower than the 35% statutory rate primarily due to tax benefits related to export sales, the tax deduction for U.S. manufacturing activities and deductions for dividends related to our employee stock ownership plan.

Lockheed Martin Corporation
Management's Discussion and Analysis of Financial Condition and
Results of Operations (continued)

Net earnings for the first quarter of 2006 were \$591 million (\$1.34 per share) compared to \$369 million (\$0.83 per share) reported in the first quarter of 2005.

DISCUSSION OF BUSINESS SEGMENTS

The following tables of financial information and related discussions of the results of operations of our business segments are consistent with the presentation of segment information in Note 7 to the financial statements in this Form 10-Q.

The Aeronautics segment generally includes fewer programs that have much larger sales and operating results than programs included in the other segments. Therefore, due to the larger number of comparatively smaller programs in the remaining segments, the discussions of the results of operations of these business segments generally focus on lines of business within the segments rather than on specific programs.

Aeronautics

Aeronautics' operating results included the following:

	Three Months Ended	
	March 31,	
	2006	2005
	<i>(In millions)</i>	
Net sales	\$ 2,671	\$ 2,766
Operating profit	240	222

Net sales for Aeronautics decreased by 3% for the quarter ended March 31, 2006 from 2005 due to a decline in Air Mobility, which more than offset higher volume in Combat Aircraft. The decline in Air Mobility is primarily attributable to fewer C-130J deliveries. The increase in Combat Aircraft sales was mainly due to higher volume on the F-35 and F-22 programs, which more than offset a decline in F-16 volume.

Aeronautics' operating profit increased by 8% in the first quarter of 2006 compared to 2005 due to increases in both Combat Aircraft and other aeronautics programs, which more than offset declines in Air Mobility. In Combat Aircraft, higher volume and improved performance on the F-22 program was partially offset by reduced volume on F-16 programs. Improved performance on other aeronautics programs also contributed to the increase in operating profit during the quarter. The decline in Air Mobility operating profit was primarily due to fewer C-130J deliveries and lower volume on other air mobility programs.

Lockheed Martin Corporation
Management's Discussion and Analysis of Financial Condition and
Results of Operations (continued)

Electronic Systems

Electronic Systems' operating results included the following:

	Three Months Ended	
	March 31,	
	2006	2005
	<i>(In millions)</i>	
Net sales	\$ 2,630	\$ 2,257
Operating profit	323	232

Net sales for Electronic Systems increased by 17% for the quarter ended March 31, 2006 compared to 2005. The increase was primarily attributable to higher sales volume in air defense programs at Missiles & Fire Control (M&FC); platform integration activities and simulation and training programs at Platform, Training & Transportation Solutions (PT&TS); and tactical systems and undersea systems programs at Maritime Systems & Sensors (MS2).

Electronic Systems' operating profit increased by 39% for the quarter ended March 31, 2006 compared to the 2005 period. For the quarter, the increase in operating profit was due to improved performance and volume increases in fire control programs and certain international air defense programs at M&FC; simulation and training programs at PT&TS; and radar and tactical systems activities at MS2.

Space Systems

Space Systems' operating results included the following:

	Three Months Ended	
	March 31,	
	2006	2005
	<i>(In millions)</i>	
Net sales	\$ 1,969	\$ 1,662
Operating profit	193	153

Net sales for Space Systems increased 18% for the quarter ended March 31, 2006 compared to 2005. The sales growth was primarily attributable to an increase in Satellites and Strategic and Defensive Missile Systems (S&DMS). In Satellites, the growth was due to higher volume on both government and commercial programs. There was one commercial satellite delivery in the first quarter of 2006 compared to no deliveries in 2005. In S&DMS, sales increased due to higher volume on both fleet ballistic missile programs and missile defense activities. In Launch Services, sales remained unchanged as increased volume in support of U.S. Government missions on the Atlas program due to

Lockheed Martin Corporation
Management's Discussion and Analysis of Financial Condition and
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the definitization of the EELV Launch Capabilities (ELC) contract was offset by reduced volume from the completion of the Titan program in 2005.

Space Systems' operating profit increased by 26% for the quarter ended March 31, 2006 compared to 2005. In Launch Services, operating profit increased due to higher volume and risk reduction activities including the definitization of the ELC contract discussed above and other performance improvements on the Atlas program. These increases were partially offset by a reduction in operating profit due to the completion of the Titan program in 2005. S&DMS operating profit increased due to higher volume and improved performance on both fleet ballistic missile programs and missile defense activities. Satellites' operating profit remained unchanged, as increased costs on commercial programs offset higher volume and improved performance on government programs.

In 2005, Lockheed Martin and Boeing announced that they had entered into an agreement to create a joint venture that will combine the production, engineering, test and launch operations associated with U.S. Government launches of our Atlas launch vehicles and Boeing's Delta launch vehicles (see Note 7). The joint venture, named United Launch Alliance, LLC (ULA), will be structured as a 50-50 joint venture between Lockheed Martin and Boeing, and will be accounted for as an equity investment. Accordingly, subsequent to closing, we will no longer recognize sales for the operations we include in the joint venture. The closing of the ULA transaction is subject to government and regulatory approval in the United States and internationally. At this time, closing of the transaction has not been scheduled and either party may terminate the transaction at any time prior to satisfaction of the closing conditions and closing. We do not expect that the formation of ULA would have a material impact on our consolidated results of operations or financial position for 2006.

Integrated Systems & Solutions

Integrated Systems & Solutions' operating results included the following:

	Three Months Ended	
	March 31,	
	2006	2005
	<i>(In millions)</i>	
Net sales	\$ 1,019	\$ 958
Operating profit	93	84

Net sales for Integrated Systems & Solutions increased by 6% for the quarter ended March 31, 2006 compared to 2005. The increase was primarily attributable to higher volume and performance related to intelligence, defense and information assurance activities.

Lockheed Martin Corporation
Management's Discussion and Analysis of Financial Condition and
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Segment operating profit increased by 11% for the quarter ended March 31, 2006 compared to 2005. Higher volume and performance on the activities described above accounted for the increase in operating profit.

Information & Technology Services

Information & Technology Services' operating results included the following:

	Three Months Ended March 31,	
	2006	2005
	<i>(In millions)</i>	
Net sales	\$ 925	\$ 845
Operating profit	82	71

Net sales for Information & Technology Services increased by 9% for the quarter ended March 31, 2006 compared to 2005. The increase was due to higher volume in Information Technology that more than offset lower volume on NASA programs and Defense Services activities.

Segment operating profit increased by 15% for the quarter ended March 31, 2006 compared to 2005. The increase was due to improved performance in Defense Services and higher volume in Information Technology, which offset declines due to reduced volume on NASA programs.

Net Unallocated Corporate (Expense) Income

The following table shows the components of net unallocated Corporate (expense) income. For a discussion of the FAS/CAS pension adjustment and other types of items included in net unallocated Corporate (expense) income, see Note 7 to the financial statements in this Form 10-Q.

	Three Months Ended March 31,	
	2006	2005
	<i>(In millions)</i>	
FAS/CAS pension adjustment	\$ (68)	\$ (155)
Items not considered in segment operating performance	150	17
Other, net	(42)	6
	<u>\$ 40</u>	<u>\$ (132)</u>

Lockheed Martin Corporation
Management's Discussion and Analysis of Financial Condition and
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The following table shows the CAS cost that is included as expense in the segments' operating results, the related FAS expense, and the resulting FAS/CAS pension adjustment:

	Three Months Ended March 31,	
	2006	2005
<i>(In millions)</i>		
FAS 87 expense	\$ (234)	\$ (279)
Less: CAS costs	(166)	(124)
FAS/CAS pension adjustment – expense	<u>\$ (68)</u>	<u>\$ (155)</u>

The decrease in the FAS 87 expense and increase in the CAS cost amounts in 2006 compared to 2005 are consistent with our expectations based on the assumptions we used in computing these amounts as discussed in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of our 2005 Annual Report on Form 10-K under the caption "Critical Accounting Policies."

Certain items are excluded from segment results as part of senior management's evaluation of segment operating performance. Therefore, for purposes of segment reporting, the following items were included in "Unallocated Corporate (expense) income, net" for the quarters ended March 31, 2006 and 2005:

First Quarter 2006 –

- A gain, net of state income taxes, of \$127 million related to the sale of 21 million of our shares of Inmarsat; and
- A gain, net of state income taxes, of \$23 million, related to the sale of the assets of Space Imaging, LLC.

First Quarter 2005 –

- A gain, net of state income taxes, of \$47 million related to the sale of our 25% interest in Intelsat, Ltd.; and
- A charge, net of state income tax benefits, of \$30 million related to impairment in the value of a single telecommunications satellite operated by one of our wholly-owned subsidiaries.

On a net basis, these items increased our net earnings by \$98 million (\$0.22 per share) and \$12 million (\$0.03 per share) during the quarters ended March 31, 2006 and 2005, respectively.

The decrease in "Other, net" was primarily attributable to the fact that the Corporation adopted FAS 123(R) "Share-Based Payments" prospectively on January 1, 2006 and recognized stock compensation expense of \$30 million for stock options and grants of other stock based incentive awards.

Lockheed Martin Corporation
Management's Discussion and Analysis of Financial Condition and
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LIQUIDITY AND CASH FLOWS

We have a balanced cash deployment and disciplined growth strategy to enhance our businesses, increase shareholder value and position ourselves to take advantage of new business opportunities when they arise. Consistent with that strategy, we have invested in our business (*e.g.*, capital expenditures, independent research and development), repurchased shares, increased our dividends, opportunistically reduced our debt and made select acquisitions of businesses. The following provides an overview of our execution of this strategy.

Operating Activities

Net cash provided by operating activities for the three months ended March 31, 2006 was \$1.2 billion, \$363 million lower than the same period in 2005. The increase in net earnings of \$222 million was more than offset by a \$468 million reduction in the amount of cash provided from operating working capital accounts (receivables, inventories, accounts payable and customer advances and amounts in excess of costs incurred). Timing of customer receipts and payments to vendors, along with a lower level of customer advances received in the 2006 period, contributed to the first quarter decrease in cash provided by operating working capital accounts between years. The remaining change in operating cash between periods was due to the timing of income tax payments and various other operating activities. We continue to focus on the management of our operating working capital accounts to maximize cash flow.

Investing Activities

Capital expenditures – Capital expenditures for property, plant and equipment amounted to \$98 million in the first quarter of 2006 and \$89 million in the first quarter of 2005. We expect our capital expenditures to continue to increase over the next two years consistent with the expected growth in our business and to support specific program requirements.

Acquisitions, divestitures and other activities – We have a process to selectively identify businesses for acquisition that meet our financial targets and disciplined growth strategy. We have focused on government information technology providers, systems integrators and complementary technologies. We paid \$116 million for two businesses in the first quarter of 2006 and \$413 million for the acquisition of two businesses in the first quarter of 2005.

We received proceeds of \$156 million in the first quarter of 2006 from divestiture activities, including the sale of our shares in Inmarsat stock and the sale of the assets of Space Imaging, LLC. In the first quarter of 2005 we received \$762 million from divestiture activities, including \$752 million from the sale of our investment in Intelsat Ltd.

Lockheed Martin Corporation
Management's Discussion and Analysis of Financial Condition and
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During the first quarter of 2006, we increased our short-term investments by \$28 million compared to an increase of \$10 million in the same period of 2005.

Financing Activities

Share activity and dividends – Cash received from the issuance of our common stock for the first quarter of 2006 totaled \$391 million, compared to \$111 million during the same period in 2005. These amounts represent the cash received for the exercise price of stock options exercised, resulting in the issuance of 8.5 million shares and 2.8 million shares during the respective periods. The increase in the cash received and the number of shares issued was due to an increase in the number of stock options exercised, driven by our higher stock price in 2006.

We used cash to repurchase common shares during the first quarter of both 2006 and 2005 as follows: in the first quarter of 2006, \$883 million to repurchase 12.0 million common shares, of which \$872 million was paid for 11.8 million common shares in transactions that were executed and settled during the quarter, and an additional \$11 million was paid for 0.2 million common shares purchased in 2005 that were settled in January 2006; in the first quarter of 2005, \$134 million to repurchase 2.4 million common shares, of which \$35 million was paid for 0.6 million common shares in transactions that were executed and settled during the quarter, and an additional \$99 million was paid for 1.8 million common shares purchased in 2004 that were settled in January 2005.

We made purchases under our share repurchase program, which provides for the repurchase of up to 88 million shares of our common stock from time-to-time at management's discretion. As of March 31, 2006, we had repurchased a total of 57.9 million shares under the program, and there remained approximately 30.1 million shares that may be repurchased in the future. See Part II, Item 2 of this Form 10-Q, for additional information regarding the repurchase of shares during the quarter ended March 31, 2006.

Shareholders received dividends of \$132 million in the first quarter of 2006 compared to \$110 million in the first quarter of 2005. We paid a quarterly dividend of \$0.30 in 2006 compared to \$0.25 per share in the first quarter of 2005.

Issuance and repayment of long-term debt – Cash provided from operations has been our principal source of funds to reduce our long-term debt. We used \$6 million in the first quarter of 2006 for the early retirement and scheduled repayments of long-term debt. There were no repayments of long-term debt in the first quarter of 2005.

Lockheed Martin Corporation
Management's Discussion and Analysis of Financial Condition and
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CAPITAL RESOURCES

At March 31, 2006, our total long-term debt amounted to \$5.0 billion, unchanged from the December 31, 2005 balance. Our long-term debt is mainly in the form of publicly issued notes and debentures. The majority of our long-term debt bears interest at fixed rates. We have \$1.0 billion of convertible debentures that have a floating interest rate based on LIBOR. Our debt-to-total capital ratio remained unchanged at 39% from December 31, 2005 to March 31, 2006. We held cash and cash equivalents of approximately \$2.7 billion and short-term investments of \$457 million at March 31, 2006.

Our stockholders' equity amounted to \$7.9 billion at March 31, 2006, an increase of \$69 million from December 31, 2005. The following items were the drivers of the increase:

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings (In millions)</u>	<u>Other</u>	<u>Total</u>
Balance at December 31, 2005	\$ 432	\$ 1,724	\$ 7,278	\$(1,567)	\$7,867
Net earnings	—	—	591	—	591
Cash dividends	—	—	(132)	—	(132)
Stock-based awards and ESOP activity ⁽¹⁾	10	540	—	14	564
Common stock repurchases	(12)	(860)	—	—	(872)
Other comprehensive loss	—	—	—	(82)	(82)
Net activity	(2)	(320)	459	(68)	69
Balance at March 31, 2006	<u>\$ 430</u>	<u>\$ 1,404</u>	<u>\$ 7,737</u>	<u>\$(1,635)</u>	<u>\$7,936</u>

⁽¹⁾ Common Stock and Additional Paid-in Capital include amounts related to the exercise of 8.5 million stock options, resulting in the issuance of a like number of common shares.

At March 31, 2006, we had in place a \$1.5 billion revolving credit facility which expires in July 2010. There were no borrowings outstanding under the facility at March 31, 2006.

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

Lockheed Martin Corporation
Management's Discussion and Analysis of Financial Condition and
Results of Operations (continued)

Cash and cash equivalents, short-term investments, cash flow from operations and other available financing resources, are expected to be sufficient to meet anticipated operating, capital expenditure and debt service requirements, as well as acquisition and other discretionary investment needs, projected over the next three years.

CRITICAL ACCOUNTING POLICIES

The foregoing discussion of our financial condition and results of operations is based on the consolidated financial statements included in this Form 10-Q, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, sales and expenses, and the related disclosures of contingencies. We base these estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

During the quarter ended March 31, 2006, there were no significant changes to the critical accounting policies we disclosed in Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2005.

OTHER MATTERS

In March 2006, the Financial Accounting Standards Board (FASB) issued an exposure draft of a proposed standard that, if enacted in its current form, would make a significant change to existing rules by requiring recognition in the balance sheet of the overfunded or underfunded positions of defined benefit pension and other postretirement plans, along with a corresponding noncash, after-tax adjustment to stockholders' equity. The proposed standard would be effective at year-end 2006 and would require adoption on a retrospective basis. The proposed standard has not yet completed the FASB's due process for review and enactment, and therefore the final provisions of the standard and its effects on our financial statements, if and when it is issued, are not yet known. However, if the requirements of the proposed standard, as currently drafted, had been in effect at December 31, 2005, we would have recognized a noncash, after-tax reduction in our stockholders' equity of approximately \$3.5 billion.

We participate in two joint ventures with Russian government-owned space firms, one of which has exclusive rights to market launches of commercial, non-Russian-origin space payloads on the Proton family of rockets from a launch site in Kazakhstan. One of the joint venture partners, Khrunichev State Research and Production Space Center (Khrunichev), is the manufacturer of the Proton launch vehicle and provider of the related launch services in Russia. Contracts for launch services usually require substantial

Lockheed Martin Corporation
Management's Discussion and Analysis of Financial Condition and
Results of Operations (continued)

advances from the customer prior to launch. At March 31, 2006, \$307 million of advances received from customers for Proton launch services not yet provided was included as a liability in our balance sheet in customer advances and amounts in excess of costs incurred.

A sizeable percentage of the advances we receive from customers for Proton launch services are sent to Khrunichev. If a contracted launch service is not provided, a sizeable percentage of the related advance would have to be refunded to our customer. At March 31, 2006, payments to Khrunichev included in inventories for launches under contract totaled \$181 million. Our ability to recover these advances may be affected by Khrunichev's ability to provide the launch services, as well as economic conditions and the political environment in Russia. Through the first quarter of 2006, Proton launch services provided through our joint ventures have been provided according to contract terms.

Lockheed Martin Corporation

Item 3. Quantitative and Qualitative Disclosure of Market Risk

Our main exposure to market risk relates to interest rates and foreign currency exchange rates. Our financial instruments that are subject to interest rate risk principally include fixed-rate and floating-rate long-term debt. If interest rates were to change by plus or minus 1%, interest expense related to our floating-rate debt would increase or decrease by approximately \$10 million. The majority of our long-term debt obligations are not callable until maturity. We have used interest rate swaps in the past to manage our exposure to fixed and variable interest rates; however, at March 31, 2006, we had no such agreements in place.

We use forward foreign exchange contracts to manage our exposure to fluctuations in foreign currency exchange rates, and do so in ways that qualify for hedge accounting treatment. These exchange contracts hedge the fluctuations in cash flows associated with firm commitments or specific anticipated transactions contracted in foreign currencies, or hedge the exposure to rate changes affecting foreign currency denominated assets or liabilities. Related gains and losses on these contracts, to the extent they are effective hedges, are recognized in income at the same time the hedged transaction is recognized or when the hedged asset or liability is adjusted. To the extent the hedges are ineffective, gains and losses on the contracts are recognized in the current period. At March 31, 2006, the fair value of forward exchange contracts outstanding, as well as the amounts of gains and losses recorded during the quarter then ended, were not material. We do not hold or issue derivative financial instruments for trading or speculative purposes.

Lockheed Martin Corporation

Item 4. Controls and Procedures

We maintain disclosure controls and procedures, including internal control over financial reporting, that are designed to ensure that information required to be disclosed in our periodic filings with the SEC is reported within the time periods specified in the SEC's rules and forms, and to provide reasonable assurance that assets are safeguarded and transactions are properly executed and recorded. Our disclosure controls and procedures are also designed to ensure that information is accumulated and communicated to our management, including our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating such controls and procedures, we recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily is required to use its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Also, we have investments in certain unconsolidated entities. As we do not control or manage those entities, our controls and procedures with respect to those entities are necessarily substantially more limited than those we maintain with respect to our consolidated subsidiaries.

We routinely review our system of internal control over financial reporting and make changes to our processes and systems to improve controls and increase efficiency, while ensuring that we maintain an effective internal control environment. Changes may include such activities as implementing new, more efficient systems, consolidating the activities of two or more business units, and migrating certain processes to our Shared Services centers. In addition, when we acquire new businesses, we review the controls and procedures of the acquired business as part of our integration activities.

We performed an evaluation of the effectiveness of our disclosure controls and procedures as of March 31, 2006. The evaluation was performed with the participation of senior management of each business segment and key Corporate functions, and under the supervision of the CEO and CFO. Based on our evaluation we concluded that our disclosure controls and procedures were effective as of March 31, 2006.

There were no changes in our internal control over financial reporting during the most recently completed fiscal quarter that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Lockheed Martin Corporation

FORWARD-LOOKING STATEMENTS

This Form 10-Q contains statements which, to the extent that 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,” “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 could differ materially because of factors such as: the availability of government funding for our products and services both domestically and internationally; changes in government and customer priorities and requirements (including changes to respond to Department of Defense reviews, Congressional actions, budgetary constraints, cost-cutting initiatives, terrorist threats and homeland security); the impact of continued military operations in Iraq and Afghanistan on funding for existing defense programs; the award or termination of contracts; difficulties in developing and producing operationally advanced technology systems; the timing and customer acceptance of product deliveries; materials availability and performance by key suppliers, subcontractors and customers; return on pension plan assets, interest and discount rates, and other changes that may impact pension plan assumptions; charges from any future impairment reviews that may result in the recognition of losses and a reduction in the book value of goodwill or other long-term assets; the future impact of legislation or changes in accounting or tax rules, interpretations or pronouncements; the future impact of acquisitions or divestitures, joint ventures or teaming arrangements; the outcome of legal proceedings and other contingencies (including lawsuits, government investigations or audits, government/regulatory approvals, and environmental remediation efforts); the competitive environment for our products and services; and economic, business and political conditions domestically and internationally.

These are only some of the factors that may affect the forward-looking statements contained in this Form 10-Q. For a discussion identifying additional important factors that could cause actual results to vary materially from those anticipated in the forward-looking statements, see the Corporation’s filings with the SEC including, but not limited to, the discussions of “Government Contracts and Regulations” and “Risk Factors” on page 22 and pages 24 through 32, respectively, of the Corporation’s Annual Report on Form 10-K for the year ended December 31, 2005 (Form 10-K); “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on pages 22 through 33 of this Form 10-Q; and “Note 5 – Postretirement Benefit Plans” and “Note 6 – Legal Proceedings and Contingencies” of the Notes to Consolidated Financial Statements of the Unaudited Consolidated Financial Statements on pages 13 through 14 and pages 14 through 17, respectively, included in this Form 10-Q.

The Corporation’s actual financial results likely will be different from those projected due to the inherent nature of projections. Given these uncertainties, you should not rely on forward-looking statements in making investment decisions. The forward-looking statements contained in this Form 10-Q speak only as of the date of its filing. The Corporation expressly disclaims a duty to provide updates to forward-looking statements

Lockheed Martin Corporation

after the date of this Form 10-Q to reflect the occurrence of subsequent events, changed circumstances, changes in its 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

Lockheed Martin Corporation

Item 1. Legal Proceedings

The Corporation is a party to or has property subject to litigation and other proceedings, including matters arising under provisions relating to the protection of the environment, as described in “Note 6 – Legal Proceedings and Contingencies” of the Notes to Unaudited Condensed Consolidated Financial Statements in this Form 10-Q, and in the Corporation’s 2005 Annual Report on Form 10-K filed with the Securities Exchange Commission (Form 10-K), or arising in the ordinary course of business. In the opinion of management and in-house counsel, the probability is remote that the outcome of any such litigation or other proceedings will have a material adverse effect on the Corporation’s consolidated results of operations, financial position or cash flows. The results of legal proceedings, however, cannot be predicted with certainty.

The Corporation is primarily engaged in providing products and services under contracts with the U.S. Government and, to a lesser degree, under direct foreign sales contracts, some of which are funded by the U.S. Government. These contracts are subject to extensive legal and regulatory requirements and, from time to time, agencies of the U.S. Government investigate whether the Corporation’s operations are being conducted in accordance with these requirements. U.S. Government investigations of the Corporation, whether relating to these contracts or conducted for other reasons, could result in administrative, civil or criminal liabilities, including repayments, fines or penalties being imposed upon the Corporation, or could lead to suspension or debarment from future U.S. Government contracting. U.S. Government investigations often take years to complete and many result in no adverse action against the Corporation.

We are subject to federal and state requirements for protection of the environment, including those for discharge of hazardous materials and remediation of contaminated sites. As a result, we are a party to or have our property subject to various other lawsuits or proceedings involving environmental protection matters. Due in part to their complexity and pervasiveness, such requirements have resulted in our 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 remediation or clean-up to the extent estimable, see “Note 6 – Legal Proceedings and Contingencies” on pages 14 through 17 of this Form 10-Q.

In addition, see the “Legal Proceedings” section of the Form 10-K for a description of previously reported matters.

Lockheed Martin Corporation

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 of our 2005 Form 10-K (pages 24 through 32) describes some of the risks and uncertainties associated with our business. These risks and uncertainties have the potential to materially affect our business, financial condition, results of operations, cash flows, projected results and future prospects. We do not believe that there have been any material changes to the risk factors previously disclosed in our 2005 Form 10-K.

Item 2. Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities

The following table provides information about purchases by Lockheed Martin during the three-month period ended March 31, 2006 of equity securities that are registered by the Corporation pursuant to Section 12 of the Exchange Act.

Issuer Purchases of Equity Securities

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid Per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Programs ⁽¹⁾</u>	<u>Maximum Number of Shares that May Yet Be Purchased Under the Programs ⁽²⁾</u>
January 2006	100,000	\$ 66.89	100,000	41,793,788
February 2006	3,400,000	\$ 72.86	3,400,000	38,393,788
March 2006	8,258,200	\$ 74.81	8,258,200	30,135,588

⁽¹⁾ The Corporation repurchased a total of 11,758,200 shares of its common stock during the quarter ended March 31, 2006 under a share repurchase program that it announced in October 2002.

⁽²⁾ The Corporation's Board of Directors has approved a share repurchase program for the repurchase of up to 88 million shares of its common stock from time-to-time. Under the program, management has discretion to determine the number and price of the shares to be repurchased, and the timing of any repurchases in compliance with applicable law and regulation.

Item 3. Defaults Upon Senior Securities.

None.

Lockheed Martin Corporation

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders during the first quarter of 2006.

Item 5. Other Information.

On March 29, 2006, the Corporation entered into a professional services agreement with Anthony G. Van Schaick. A copy of the consulting agreement is filed as Exhibit 10.1 to this report. Mr. Van Schaick retired as Vice President and Treasurer of the Corporation effective as of April 1, 2006.

On April 14, 2006, the Corporation amended its Deferred Management Incentive Compensation Plan ("DMICP"). A copy of the DMICP is filed as Exhibit 10.2 to this report.

Item 6. Exhibits

(a) Exhibits

Exhibit 10.1	Professional Services Agreement, effective as of April 1, 2006, between Lockheed Martin Corporation and Anthony G. Van Schaick.
Exhibit 10.2	Lockheed Martin Corporation Deferred Management Incentive Compensation Plan.
Exhibit 12	Lockheed Martin Corporation Computation of Ratio of Earnings to Fixed Charges for the three months ended March 31, 2006
Exhibit 15	Acknowledgment of Independent Registered Public Accounting Firm
Exhibit 31.1	Rule 13a-14(a) Certification of Robert J. Stevens
Exhibit 31.2	Rule 13a-14(a) Certification of Christopher E. Kubasik
Exhibit 32.1	Certification Pursuant to 18 U.S.C. Section 1350 of Robert J. Stevens
Exhibit 32.2	Certification Pursuant to 18 U.S.C. Section 1350 of Christopher E. Kubasik

Lockheed Martin Corporation

SIGNATURES

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 27, 2006

by: /s/ Martin T. Stanislav

Martin T. Stanislav
Vice President and Controller
(Chief Accounting Officer)

PROFESSIONAL SERVICES AGREEMENT

This Professional Services Agreement is made and entered into effective as of April 1, 2006 by and between Lockheed Martin Corporation, a Maryland corporation, located at 6801 Rockledge Drive, Bethesda, Maryland 20817 (hereinafter "LMC") and Anthony Gerard Van Schaick located at 11622 Highland Farm Road, Potomac, MD 20854 (hereinafter "CONTRACTOR").

WITNESSED:

That in consideration of the promises and mutual obligations hereinafter set forth, the parties hereto agree as follows:

1. SERVICES BY CONTRACTOR

- A. In order to facilitate an orderly transition of management within the LMC Treasury and Finance departments, CONTRACTOR shall provide historical background information, factual and management assistance, guidance and services, and perform special projects for the Senior Vice President Finance and the Vice President and Treasurer on matters involving the department on an as needed, on call basis.
- B. CONTRACTOR'S primary contact with LMC shall be Meg VanDeWeghe, Senior Vice President Finance, referred to hereinafter as the Agreement Monitor.

2. TERM

The term of this Agreement shall commence on April 1, 2006 and end on March 31, 2007.

3. COMPENSATION FOR SERVICES

- A. CONTRACTOR shall be compensated for the Services to be performed hereunder by payment of \$100,000 for the term of the Agreement, with the first payment of \$55,000 being made in April 2006. Each subsequent quarterly payment of \$15,000 will be made within the first 2 weeks of the start of the quarter. This amount represents payment for Services rendered, if any, by CONTRACTOR under this Agreement. CONTRACTOR shall provide up to 50 days of consulting work per year for one year (from April 1, 2006 to March 31, 2007). Days worked in excess of 50 per year will be compensated at \$2,000 per day.
- B. With prior approval of the Agreement Monitor, LMC shall reimburse CONTRACTOR for reasonable and actual travel expenses (at locations other than CONTRACTOR'S office), including expenditures for hotels, meals, first class air or rail fare, taxis, car rental, mileage for use of personal automobile, parking and toll fees, telephone, and incidentals.
- C. CONTRACTOR acknowledges that the retainer will be taxable income to him and will be reported as such by LMC to the IRS.

4. PAYMENT AND INVOICE

- A. CONTRACTOR'S invoice shall identify the Services performed during the period covered by such invoice and be forwarded to: **Lockheed Martin Corporation, 6801 Rockledge Drive, Bethesda, MD 20817, Attn: Meg VanDeWeghe**. Invoices should be issued on at least a quarterly basis notwithstanding the fact that the services may have already been

paid for by virtue of the quarterly retainers paid pursuant to paragraph 3.A. Each invoice should sufficiently describe the Services rendered during the period covered by the invoice, the days of performance, and the total number of days worked to date under this Agreement. With each invoice, CONTRACTOR must submit an “**Activity Report**”, **Form No. CS-10-3** (Blank Copy attached hereto), for the period covered by the invoice.

- B. In the event sums are due for the days worked in excess of 50 days per year, LMC agrees to make payment within 30 days of receipt and approval of a proper invoice reflecting these Services. For invoices claiming reimbursement for expenses, CONTRACTOR is required to attach original receipts (for expenses exceeding \$75.00) for such expenditures in a form satisfactory to LMC. If original receipts are not furnished, CONTRACTOR payment shall be subject to Federal, state, or local taxes.

5. INDEPENDENT CONTRACTOR RELATIONSHIP

CONTRACTOR is an independent contractor in all its operations and activities hereunder. CONTRACTOR and LMC agree that CONTRACTOR will render Services according to CONTRACTOR’S own methods and is subject to LMC’s control only with regard to the CONTRACTOR’S final product or result. LMC shall not exercise direct control or supervision over the means that CONTRACTOR uses to accomplish CONTRACTOR’S work. The Parties understand and agree that CONTRACTOR is not an employee of LMC.

6. CONFLICT OF INTEREST

- A. CONTRACTOR shall not engage in any activity which presents a conflict of interest in the line of his relationship with LMC.
- B. CONTRACTOR hereby acknowledges receipt of a copy of the LMC *Code of Ethics and Business Conduct* and, by executing this Agreement, CONTRACTOR agrees that CONTRACTOR will strictly comply with the provisions of the Code in the performance of the Services hereunder.

7. NON-DISCLOSURE OF PROPRIETARY OR CONFIDENTIAL INFORMATION

- A. CONTRACTOR agrees not to disclose to others, either during or subsequent to the term of this Agreement, any LMC information, knowledge, or data which CONTRACTOR may receive, or have access to, or which may otherwise be disclosed to CONTRACTOR, proprietary or confidential information as further defined herein. “Proprietary or Confidential Information” as used herein means any information of LMC or of others which has come into the LMC’s or CONTRACTOR’S possession, custody or knowledge in the course of performing services under this Agreement that has independent economic value as a result of its not being generally known to the public and is the subject of reasonable means to preserve the confidentiality of the information. Proprietary or Confidential Information includes (without limitation) information, whether written or otherwise, regarding LMC’s earnings, expenses, marketing information, cost estimates, forecasts, bid and proposal data, financial data, trade secrets, products, procedures, inventions, systems or designs, manufacturing or research processes, material sources, equipment sources, customers and prospective customers, business plans, strategies, buying practices and procedures, prospective and executed contracts and other business arrangements or business prospects, except to the extent such information become readily available to the general public lawfully and without breach of a confidential, contractual, or fiduciary duty. CONTRACTOR acknowledges and agrees that he has a continuing obligation to not use or disclose Proprietary or Confidential Information.
- B. CONTRACTOR agrees that Proprietary or Confidential Information shall be used solely for the purpose of performing the Services required under this Agreement, and further

agrees that except as may strictly be required by CONTRACTOR'S obligations under this Agreement, CONTRACTOR shall not reproduce, nor allow any third party to use or reproduce, any Proprietary or Confidential Information or any documents or other material containing Proprietary or Confidential information.

- C. All materials to which CONTRACTOR had access, or which were furnished or otherwise made available to CONTRACTOR in connection with the Services performed hereunder, shall be and remain the property of LMC. Upon expiration or termination of this Agreement, or upon request of LMC, CONTRACTOR shall return to LMC all such materials, documents and information, including any Proprietary or Confidential Information and all reproductions thereof, then in CONTRACTOR'S possession or control, and CONTRACTOR in connection with this Agreement in accordance with specific instructions issued by LMC to CONTRACTOR, shall comply with any instructions within five (5) days of receipt thereof.

8. LIABILITY

- A. LMC shall not be liable to CONTRACTOR for any loss, injury, damage, expense or any liability whatsoever arising out of, or in connection with, the performance of the services required by this Agreement.
- B. Each party shall be responsible to the other for any costs or expenses including attorney's fees, all expenses of litigation and/or settlement, and court costs, arising from the default of such party, its officers, employees, agents, suppliers, or subcontractors at any tier, in the performance of any of its obligations under this Agreement.

9. GOVERNING LAW

This Agreement shall be governed by, subject to, and construed according to the laws of the State of Maryland excluding its choice of law rules. CONTRACTOR shall comply with all applicable Federal, state and local laws, orders and regulations, as well as with all LMC policies, operating instructions, rules and regulations applicable to the performance of this Agreement.

10. TERMINATION

- A. LMC may terminate this Agreement 1) if Section 10.C. of this Agreement applies; 2) if CONTRACTOR is in default as described in Section 16 of this Agreement; or 3) upon sixty (60) days advance written notice to CONTRACTOR of LMC's intent to terminate this Agreement.
- B. CONTRACTOR may not terminate this Agreement without LMC's advance written consent. LMC will not unreasonably withhold its written consent if CONTRACTOR'S reason for termination is due to CONTRACTOR'S desire to accept employment that is not otherwise in violation of CONTRACTOR'S Covenant not to Compete obligations as set forth in Addendum A and which makes him unavailable or unable to provide the Services called for in this Agreement.
- C. This Agreement shall terminate immediately and all payments due shall be forfeited if, in rendering Services hereunder, improper payments are made, unlawful conduct is engaged in, or any part of the fee or expenses payable under this Agreement is used or an illegal purpose.

- D. In the event the Agreement is terminated under any provisions herein, CONTRACTOR shall not be required to repay any of the consideration already paid under the Agreement to date.

11. SEVERABILITY

If any provision of this Agreement (including the provisions of Addendum A) shall be held illegal or unenforceable, the remainder of the Agreement or the application of any other provisions to the parties shall not be affected thereby.

12. ACCEPTANCE OF CONTRACT/TERMS AND CONDITIONS

- A. This Agreement integrates, merges, and supersedes any prior offers, negotiations, and agreements concerning the subject matter hereof and constitutes the entire agreement between the Parties.
- B. CONTRACTOR'S acknowledgment, acceptance of payment, or commencement of performance, shall constitute CONTRACTOR'S unqualified acceptance of this Agreement.
- C. Additional or differing terms or conditions proposed by CONTRACTOR or included in CONTRACTOR'S acknowledgement hereof are hereby objected to by LMC and have no effect unless accepted in writing by LMC.

13. ASSIGNMENT

Any assignment of CONTRACTOR'S contract rights or delegation of duties shall be void, unless prior written consent is given by LMC.

14. CONTRACT DIRECTION

- A. Only the LMC Senior Vice President, Human Resources or his designee has authority to make changes in or amendments to this Agreement. Such changes or amendments must be in writing.
- B. Except as otherwise provided herein, all notices to be furnished by the CONTRACTOR shall be sent to the LMC Senior Vice President, Human Resources, with a copy to the Contract Monitor identified in paragraph 1.B of this Agreement.

15. DEFAULT

- A. LMC, by written notice, may terminate this Agreement for default, in whole or in part, if CONTRACTOR fails to comply with any of the terms of this Agreement, fails to make progress as to endanger performance of this Agreement, or fails to provide adequate assurance of future performance. CONTRACTOR shall have ten (10) days (or such longer period as LMC may authorize in writing) to cure any such failure after receipt of notice from LMC.
- B. LMC shall not be liable for any Services not accepted; however, LMC may require CONTRACTOR to deliver to LMC any supplies and materials, manufacturing materials, and manufacturing drawings that CONTRACTOR has specifically produced or acquired for the terminated portion of this Agreement. LMC and CONTRACTOR shall agree on the amount of payment for these other deliverables.

C. CONTRACTOR shall continue all Services not terminated.

16. DISPUTES

All disputes under this Agreement which are not disposed of by mutual agreement may be decided by recourse to an action at law or in equity. Until final resolution of any dispute hereunder, CONTRACTOR shall diligently proceed with the performance of this Agreement as directed by LMC.

17. GRATUITIES/KICKBACKS

No gratuities (in the form of entertainment, gifts or otherwise) or kickbacks shall be offered or given by CONTRACTOR, to any employee of LMC with a view toward securing favorable treatment as a supplier.

18. INTELLECTUAL PROPERTY

A. CONTRACTOR agrees that LMC shall be the owner of all inventions, technology, designs, works of authorship, mask works, technical information, computer software, business information and other information conceived, developed or otherwise generated in the performance of this Agreement by or on behalf of CONTRACTOR. CONTRACTOR hereby assigns and agrees to assign all right, title and interest in the foregoing to LMC, including without limitation all copyrights, patent rights and other intellectual property rights therein and further agrees to execute, at LMC'S request and expense, all documentation necessary to perfect title therein in LMC. CONTRACTOR agrees that it will maintain and disclose to LMC written records of, and otherwise provide LMC with full access to, the subject matter covered by this Agreement and that all such subject matter will be deemed Proprietary or Confidential Information of LMC and subject to the protection provisions of the paragraph 7 of this Agreement. CONTRACTOR agrees to assist LMC, at LMC'S request and expense, in every reasonable way, in obtaining, maintaining, and enforcing patent and other intellectual property protection on the subject matter covered by this Clause.

B. CONTRACTOR warrants that the Services performed and delivered under this Agreement will not infringe or otherwise violate the intellectual property rights of any third party in the United States or any foreign country. CONTRACTOR agrees to defend, indemnify and hold harmless LMC and its customers from and against any claims, damages, losses costs an expenses, including reasonable attorney's fees, arising out of any action by a third party that is based upon a claim that the Services performed or delivered under this Agreement infringes or otherwise violates the intellectual property rights of any person or entity.

19. RELEASE OF INFORMATION

Except as required by law, no public release of any information, or confirmation or denial of same, with respect to this Agreement or the subject matter hereof, will be made by CONTRACTOR without the prior written approval of LMC.

21. TIMELY PERFORMANCE

A. CONTRACTOR'S timely performance is a critical element of this Agreement.

B. If CONTRACTOR becomes aware of difficulty in performing the Services, CONTRACTOR shall timely notify LMC, in writing, giving pertinent details. This notification shall not change any delivery schedule.

22. WAIVER, APPROVAL, AND REMEDIES

- A. Failure by LMC to enforce any of the provision(s) of this Agreement shall not be construed as a waiver of the requirement(s) of such provision(s), or as a waiver of the right of LMC thereafter to enforce each and every such provision(s).
- B. LMC'S approval of documents shall not relieve CONTRACTOR from complying with any requirements of this Agreement.
- C. The rights and remedies of LMC in this Agreement are cumulative and in addition to any other rights and remedies provided by law or in equity.

23. AMENDMENTS AND NOTICE

- A. Sole authority to make changes in or amendments to this Agreement on behalf of LMC rests with the Senior Vice President, Human Resources, and no direction shall be valid unless in writing.
- B. All notices by LMC or CONTRACTOR shall be given in writing by mail or fax to the following locations:

Lockheed Martin Corporation
6801 Rockledge Drive MP 200-11
Bethesda, MD 20817
Attn: Kenneth J. Disken

Anthony Gerard Van Schaick

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first above written.

LOCKHEED MARTIN CORPORATION

CONTRACTOR

/s/ Kenneth J. Disken
Signature

/s/ Anthony G. Van Schaick
Signature

Kenneth J. Disken
Senior Vice President, Human Resources

Anthony G. Van Schaick

March 27, 2006
Date

March 29, 2006
Date

Receipt and Acknowledgment

I acknowledge that I have received my personal copy of Setting the Standard, the Lockheed Martin Code of Ethics and Business Conduct. I understand that each Lockheed Martin employee, agent, consultant, or representative is responsible for knowing and adhering to the principles and standards of the Code.

Signature /s/ Anthony G. Van Schaick
Printed Name Anthony G. Van Schaick
Date March 29, 2006

LOCKHEED MARTIN LOGO

Independent Contractor's Activity Report

Independent Contractor: Attach invoices to this Activity Report and send to the Agreement Monitor

Agreement Monitor: Put the department charge number on the invoices. If acceptable, sign this Report and send with invoices to Accounts Payable

Name of Independent Contractor (If a business organization, also identify individual[s] who performed services)

Agreement start date

Agreement end date

Describe the nature of and time expended (in days or hours) performing activities, including dates, purpose, persons visited, and subject matter discussed during meetings. If any reports were delivered to Lockheed Martin in connection with these activities, name the individual(s) to whom reports were delivered

Reports delivered to

Reimbursable costs: In accordance with the Agreement, Independent Contractor shall submit receipts and explanations for any of the following expenditures in excess of \$25.00: authorized travel expenses (incurred at locations other than Contractor's office) including expenditures for hotels, meals, air or rail fare, taxis, and car rental; and, when appropriate, applicable local expenditures such as business meetings/meals, mileage for use of personal automobile, parking, toll fees, and telephone

Approval for payment: I have reviewed this Activity Report and affirm that value has been received for work performed by the Independent Contractor. Accordingly, I authorize payment to the Independent Contractor for services rendered on behalf of Lockheed Martin

Agreement Monitor Signature

Printed name

Date

None.

LOCKHEED MARTIN CORPORATION
DEFERRED MANAGEMENT INCENTIVE
COMPENSATION PLAN

(As Amended and Restated Effective January 1, 2005)

ARTICLE I

PURPOSES OF THE PLAN

The purposes of the Lockheed Martin Corporation Deferred Management Incentive Compensation Plan (the "Deferral Plan") are to provide certain key management employees of Lockheed Martin Corporation and its subsidiaries (the "Company") the opportunity to defer receipt of (i) Incentive Compensation awards under the Lockheed Martin Corporation Management Incentive Compensation Plan (the "MICP") and (ii) Long Term Incentive Award payments under the Lockheed Martin Corporation 1995 Omnibus Performance Award Plan (the "Omnibus Plan") and the Lockheed Martin Corporation Amended and Restated 2003 Incentive Performance Award Plan (the "IPA Plan"). Providing this opportunity to defer income under the Deferral Plan will encourage key employees to maintain a financial interest in the Company's performance. Except as expressly provided hereinafter, the provisions of this Deferral Plan and the MICP, the Omnibus Plan and the IPA Plan shall be construed and applied independently of each other.

The Deferral Plan applies solely to MICP awards and Long Term Incentive Award payments under the Omnibus Plan and the IPA Plan and expressly does not apply to any special awards which may be made under any of the Company's other incentive plans, except and to the extent specifically provided under the terms of such other incentive plans and the relevant awards.

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

ARTICLE II

DEFINITIONS

Unless the context indicates otherwise, the following words and phrases shall have the meanings hereinafter indicated:

1. ACCOUNT — The bookkeeping account maintained by the Company for each Participant which is credited with the Participant's Deferred Compensation and earnings (or

losses) attributable to the investment options selected by the Participant, and which is debited to reflect distributions and forfeitures; the portions of a Participant's Account allocated to different investment options and the portions attributable to the deferral of Incentive Compensation awards and Long Term Incentive Award payments will be accounted for separately.

2. ACCOUNT BALANCE — The total amount credited to a Participant's Account at any point in time, including the portions of the Account allocated to each investment option.

3. AWARD YEAR—As to Incentive Compensation, the calendar year with respect to which an Eligible Employee is awarded Incentive Compensation; as to a Long Term Incentive Award payment and the related Company Deferral, the first calendar year in the Performance Period for which the Long Term Incentive Award is effective with respect to an Eligible Employee.

4. BENEFICIARY —The person or persons (including a trust or trusts) validly designated by a Participant, on the form provided by the Company, to receive distributions of the Participant's Account Balance, if any, upon the Participant's death. In the absence of a valid designation, or if the designated Beneficiary has predeceased the Participant, the Participant's Beneficiary shall be the personal representative of the Participant's estate in the event of a Participant's death. A Participant may amend his or her Beneficiary designation at any time before the Participant's death.

5. BOARD — The Board of Directors of Lockheed Martin Corporation.

6. CODE — the Internal Revenue Code of 1986, including the regulations and guidance of general applicability thereunder.

7. COMMITTEE — The committee described in Section 1 of Article VIII.

8. COMMON STOCK — The \$1.00 par value common stock of the Company.

9. COMPANY — Lockheed Martin Corporation and its Subsidiaries.

10. COMPANY DEFERRALS — The amount deferred by the Company, and not at the election of the Participant, for the two-year period following the end of a Performance Period for a Long Term Incentive Award.

11. COMPANY STOCK INVESTMENT OPTION — The investment option under which the amount credited to a Participant's Account will be based on the market value and investment return of the Company's Common Stock.

12. DEFERRAL AGREEMENT — The written agreement executed by an Eligible Employee on the form provided by the Company under which the Eligible Employee elects to defer Incentive Compensation for an Award Year or a Long Term Incentive Award and any related Company Deferral for an Award Year.

13. DEFERRAL PLAN — The Lockheed Martin Corporation Deferred Management Incentive Compensation Plan, adopted by the Board on July 27, 1995, and as amended from time to time.
14. DEFERRED COMPENSATION — The amount of Incentive Compensation credited to a Participant's Account under the Deferral Plan and the amount of any Long Term Incentive Award payment credited to a Participant's Account under the Deferral Plan (other than Company Deferrals).
15. ELIGIBLE EMPLOYEE — An employee of the Company who is a participant in the MICP or who receives a Long Term Incentive Award under the Omnibus Plan or the IPA Plan and who has satisfied such additional requirements for participation in this Deferral Plan as the Committee may from time to time establish. In the exercise of its authority under this provision, the Committee shall limit participation in the Plan to employees whom the Committee believes to be a select group of management or highly compensated employees within the meaning of Title I of the Employee Retirement Income Security Act of 1974, as amended.
16. EXCHANGE ACT — The Securities Exchange Act of 1934.
17. INCENTIVE COMPENSATION — The MICP amount granted to an employee for an Award Year.
18. IPA PLAN — The Lockheed Martin Corporation Amended and Restated 2003 Incentive Performance Award Plan.
19. INTEREST OPTION — The investment option under which earnings will be credited to a Participant's Account based on the interest rate applicable under Cost Accounting Standard 415, Deferred Compensation.
20. LONG TERM INCENTIVE AWARD—A long term incentive award granted to an employee under the Omnibus Plan or the IPA Plan.
21. MICP — The Lockheed Martin Corporation Management Incentive Compensation Plan or the 2006 Lockheed Martin Corporation Management Incentive Compensation Plan (for incentive compensation awarded after February 1, 2006).
22. OMNIBUS PLAN—The Lockheed Martin Corporation 1995 Omnibus Performance Award Plan.
23. PARTICIPANT — An Eligible Employee for whom Incentive Compensation or a Long Term Incentive Award payment has been deferred for one or more years under this Deferral Plan; the term shall include a former employee whose Deferred Compensation has not been fully distributed.
24. PAYMENT DATE — As to any Participant, the January 15 or July 15 on or about on which payment to the Participant is to be made or to begin in accordance with Article V.

25. PERFORMANCE PERIOD — The period set forth in a Long Term Incentive Award over which the Company's performance is measured by reference to total stockholder return to determine whether any payment will be made under such Long Term Incentive Award.

26. SECTION 16 PERSON — A Participant who is subject to the reporting and short-swing liability provisions of Section 16 of the Securities Exchange Act of 1934 on the date a Deferral Agreement or other election form is delivered to the Company in accordance with the terms of this Deferral Plan.

27. SPECIFIED EMPLOYEE — A Participant who is reasonably determined to be a "specified employee" within the meaning of Code section 409A(2)(B)(i) as of December 31 of a calendar year and who shall be treated as such for the 12-month period beginning the next April 1 and for twelve calendar months thereafter.

28. SUBSIDIARY — As to any person, any corporation, association, partnership, joint venture or other business entity of which 50% or more of the voting stock or other equity interests (in the case of entities other than corporation), is owned or controlled (directly or indirectly) by that entity, or by one or more of the Subsidiaries of that entity, or by a combination thereof.

29. TRADING DAY — A day upon which transactions with respect to Company Common Stock are reported in the consolidated transaction reporting system.

ARTICLE III

ELECTION OF DEFERRED AMOUNT

1. Timing of Deferral Elections.

(a) Incentive Compensation. An Eligible Employee may elect to defer Incentive Compensation for an Award Year by executing and delivering to the Company a Deferral Agreement no later than June 30 of the Award Year.

(b) Long Term Incentive Awards and Company Deferrals. An Eligible Employee may elect to defer the payment of a Long Term Incentive Award and a Company Deferral for an Award Year by executing and delivering to the Company a Deferral Agreement as of a date specified by the Senior Vice President, Human Resources, which shall be no later than six months prior to the end of the performance period.

(c) Irrevocability of Elections. No Eligible Employee shall have the right to modify or revoke a Deferral Agreement for an Award Year after the applicable deadline described in Section 1(a) and Section 1(b) of this Article III for delivering a Deferral Agreement to the Company for such Award Year, provided no Section 16 Person shall have the right to modify or revoke a Deferral Agreement after such applicable deadline or, if earlier, after the date the

agreement has been delivered to the Company. The Senior Vice President, Human Resources may establish policies and procedures to determine when a Deferral Agreement or other election called for under this Plan has been delivered to the Company. Each Deferral Agreement shall apply only to amounts deferred in that Award Year and a separate Deferral Agreement must be completed for each Award Year for which an Eligible Employee defers Incentive Compensation or a Long Term Incentive Award.

2. Amount of Deferral Elections. An Eligible Employee's deferral election may be stated as:

- (a) a dollar amount which is at least \$5,000 and is an even multiple of \$1,000;
- (b) the greater of \$5,000 or a designated percentage of the Eligible Employee's Incentive Compensation or Long Term Incentive Award payment;
- (c) the excess of the Eligible Employee's Incentive Compensation or Long Term Incentive Award payment over a dollar amount specified by the Eligible Employee; or
- (d) all of the Eligible Employee's Incentive Compensation or Long Term Incentive Award payment.

In the case of a deferral election under paragraph (c) of this Section 2, an Eligible Employee's deferral election shall be effective only if the resulting excess amount is at least \$5,000.

3. Effect of Taxes on Deferred Compensation. The amount that would otherwise be deferred and credited to an Eligible Employee's Account will be reduced by the amount of any tax that the Company is required to withhold with respect to the Deferred Compensation. The reduction for taxes shall be made proportionately out of amounts otherwise allocable to the Interest Option and the Company Stock Investment Option.

4. Multiple Awards. In the case of an Eligible Employee who receives more than one Long Term Incentive Award with respect to the same Performance Period, the elections made by the Eligible Employee under this Article III as well as under Articles V and VI for the first Long Term Incentive Award granted to the Eligible Employee with respect to a Performance Period shall be deemed to be the elections made by that Eligible Employee for any other Long Term Incentive Awards granted to that Eligible Employee with respect to that same Performance Period.

5. Company Deferrals. Pursuant to the terms of the Long Term Incentive Awards, 50% of the amount payable at the end of the Performance Period will be automatically deferred until the second anniversary of the last day of the Performance Period with respect to a particular award. The Company may establish an account for Company Deferrals under the Company Stock Investment Option of this Deferral Plan. However, the terms governing the Company Deferrals will be governed for the two year period of deferral by the terms of the award agreement entered into under the Omnibus Plan or the IPA Plan with respect to the Long

Term Incentive Award and not by this Deferral Plan except to the extent the award agreement expressly refers to the terms of this Deferral Plan. Notwithstanding the foregoing, if the Participant elects to defer the Company Deferrals beyond the second anniversary of the end of the Performance Period, the deferrals will be treated as made under this Deferral Plan for the period following the second anniversary of the end of the Performance Period.

ARTICLE IV
CREDITING OF ACCOUNTS

1. Crediting of Deferred Compensation. Incentive Compensation or a Long Term Incentive Award payment that a Participant has elected to defer under this Deferral Plan shall be credited to the Participant's Account as of the Trading Day set by action of the Committee or, if the Committee does not act to set such a day, on the second Trading Day which follows the date of approval of the related Incentive Compensation or Long Term Incentive Award payment (other than Company Deferrals). If the Company establishes an account for Company Deferrals pursuant to Section 5 of Article III, the Company Deferrals shall be credited to such account as of the last Trading Day in the Performance Period. Any Deferred Compensation credits under this Section 1 which are allocable to the Interest Option shall be credited at the dollar amount of such credits, and any Deferred Compensation and Company Deferral credits under this Section 1 which are allocable to the Company Stock Investment Option shall be credited as if the dollar amount of credits had been invested in the Company's Common Stock at the published closing price of the Company's Common Stock on the applicable Trading Day described in this Section 1.

2. Crediting of Earnings.

(a) General Rules.

(i) Earnings shall be credited to a Participant's Account based on the investment option or options to which the Account has been allocated beginning with the applicable Trading Day described in this Article IV.

(ii) Any amount distributed from a Participant's Account pursuant to Article V shall be credited with earnings through the last Trading Day of the month preceding the month in which a distribution is to be made on a Payment Date pursuant to Article V to the extent distributed from the portion of a Participant's Account allocated to the Company Stock Investment Option and shall (subject to Section 2(d) of this Article IV) be credited with earnings through the last day of the month preceding the month in which a distribution is to be made on a Payment Date pursuant to Article V to the extent distributed from the portion of a Participant's Account allocated to the Interest Option.

(iii) Company Deferrals shall be credited with earnings through the last Trading Day in the period which ends on the second anniversary of the end of the applicable Performance Period unless deferred further pursuant to a Deferral Agreement.

(b) Interest Option. The portion of a Participant's Account allocated or reallocated to the Interest Option shall be credited with interest, compounded monthly, while so allocated or reallocated at a rate equivalent to the then published rate for computing the present value of future benefits at the time cost is assignable under Cost Accounting Standard 415, Deferred Compensation, as determined by the Secretary of the Treasury on a semi-annual basis pursuant to Pub. L. 92-41, 85 Stat. 97.

(c) Company Stock Investment Option.

(i) The portion of a Participant's Account allocated to the Company Stock Investment Option shall be credited when so allocated on the applicable Trading Day described in this Article IV as if such amount had been invested in the Company's Common Stock at the published closing price of the Company's Common Stock on such Trading Day.

(ii) The portion of the Participant's Account Balance allocated to the Company Stock Investment Option shall reflect any post-allocation appreciation or depreciation in the market value of the Company's Common Stock based on the published closing price of the stock on the last Trading Day of each month and shall reflect dividends paid and any other distributions made with respect to the Company's Common Stock.

(iii) Cash dividends shall be treated as if such dividends had been reinvested in the Company's Common Stock at the published closing price of the Company's Common Stock on the Trading Day on which the cash dividend is paid or, if the dividend is paid on a day which is not a Trading Day, on the Trading Day which immediately precedes the day the dividend is paid.

(d) Interest Crediting For Late Payments From Interest Option. If any part of a Participant's Account is allocated to the Interest Option as of a Payment Date and payment does not commence by the last day of the month in which the Payment Date occurs, earnings shall be credited on such part of the Participant's Account from the last day of the month preceding the Payment Date to the last day of the month preceding the month the late payment actually is made at the rate set forth under Section 2(b) of this Article IV. All the interest credited under this Section 2(d) of this Article IV with respect to a late payment shall be paid on the date the late payment is first made.

3. Election of Investment Options. A Participant's investment elections for a particular type of award for an Award Year shall be made in his or her Deferral Agreement for such Award Year, and no Participant shall have the right to modify or revoke any such election after the time the Participant no longer has the right to make or revoke a Deferral Agreement under Section 1 of Article II. A Participant's allocations between investment options shall be subject to such minimum allocations as the Committee may establish. In the event a Participant fails to specify an investment election in his or her Deferral Agreement, the amount subject to that Deferral Agreement shall be deemed allocated to the Interest Option.

ARTICLE V
PAYMENT OF BENEFITS

1. General.

(a) Account Balance and Elections. The Company's liability to pay benefits to a Participant or Beneficiary under this Deferral Plan shall be measured by and shall in no event exceed the Participant's Account Balance. Except as otherwise provided in this Deferral Plan (including but not limited to Section 5 of Article III with respect to Company Deferrals), a Participant's Account Balance shall be paid to him in accordance with the Participant's elections under this Article V.

(b) Cash and Stock Payments. All benefit payments shall be made in cash to the extent a Participant's Account is allocated to the Interest Option or is attributable to Company Deferrals and shall be made in whole shares of the Company's Common Stock to the extent that a Participant's Account is allocated to the Company Stock Investment Option (other than with respect to Company Deferrals) and, except as otherwise provided, shall reduce allocations to the Interest Option and the Company Stock Investment Option in the same proportions that the Participant's Account Balance is allocated between those investment options at the end of the month preceding the date of distribution. Notwithstanding the foregoing, no amount of Deferred Compensation shall be distributed to a Section 16 Person under this Deferral Plan unless such amount was allocated to the Participant's Account in accordance with Section 1 of Article IV at least six months prior to the date of distribution. At the Company's discretion a distribution of Common Stock may be made directly to a Participant or to a brokerage account opened in the name of the Participant. When an Account is distributed in a lump sum or, if an Account is distributed in installments, cash shall be distributed at that time in lieu of any fractional share of Common Stock. The cash distribution in lieu of fractional shares shall be based on the published closing price of the Company's Common Stock on the last Trading Day of the month preceding the date the distribution is scheduled to be made.

2. Election for Commencement of Payment. At the time a Participant completes a Deferral Agreement, he or she shall elect from among the following options governing the date on which the payment of benefits shall commence:

(a) Payment to begin on the Payment Date next following the date of the Participant's termination of employment with the Company for any reason.

(b) Payment to begin on the first Payment Date of the year next following the year in which the Participant terminates employment with the Company for any reason.

(c) Payment to begin on the Payment Date next following the date on which the Participant has both terminated employment with the Company for any reason and attained the age designated by the Participant in the Deferral Agreement.

Notwithstanding a Participant's election or any other provision of the Deferral Plan, the following specific rules apply to Participants who are Section 16 Persons or Specified Employees. Any payment of benefits in the form of shares of Common Stock that would result in a nonexempt short-swing transaction under Section 16(b) of the Exchange Act 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. Any distributions to a Specified Employee on account of a termination of employment shall commence on the Payment Date determined pursuant to the Specified Employee's election (or as otherwise provided under this Deferral Plan), except that if such Payment Date would be within six (6) months of the date of the Specified Employee's termination of employment from the Company, commencement or distribution of benefits shall be made or commence on the next Payment Date that is at least six (6) months following such termination of employment.

3. Election for Form of Payment. At the time a Participant completes a Deferral Agreement, he or she shall elect the form of payment of his or her Deferred Compensation for the specified Award Year from among the following options:

(a) A lump sum.

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

Notwithstanding the foregoing, if the Account Balance of a Participant who is entitled to begin payment equals \$10,000 or less, the Participant's Account Balance shall be paid in a single lump sum payment as soon as administratively practicable in full discharge of all liabilities with respect to such benefits.

4. Prospective Change of Payment Elections.

(a) If a Participant has different payment options in effect with respect to his or her Account Balance, the Company shall maintain sub-accounts for the Participant to determine the amounts subject to each payment election.

(b) In the event a Participant does not make a valid election with respect to the commencement of payment and form of benefit for an Award Year, the Participant will be deemed to have elected that payment of benefits with respect to that Award Year be made in a lump sum on or about the Payment Date next following the date of the Participant's termination of employment.

(c) A Participant's election with respect to an Award Year (including a "deemed election" in accordance with the preceding paragraph) shall remain in effect unless and until such election is modified by a subsequent election in accordance with (d) below.

(d) Notwithstanding anything to the contrary in this Article V, a Participant may make a new election with respect to the commencement of payment and form of payment with respect to any sub-account maintained for Awards or with respect to his or her entire Account Balance. A new election under this section shall be made by executing and delivering to the Company an election in such form as prescribed by the Company. To constitute a valid election by a Participant making a prospective change to a previous election, (i) the prospective election must be executed and delivered to the Company at least twelve (12) months before the date the first payment would be due under the Participant's previous election, and (ii) the first payment must be delayed by at least sixty (60) months from the date the first payment would be due under the Participant's previous election, and (iii) such change in election shall not be given effect until twelve (12) months from the date that the change in election is delivered to the Company. In the event an election fails to satisfy the provisions set forth in this paragraph, such election shall be void and, if such an election is void, payment shall be made in accordance with the most recent election which was valid.

(e) Notwithstanding the above, for periods prior to January 1, 2007, (or such later date as may be provided by the Internal Revenue Service in guidance of general applicability), the Senior Vice President, Human Resources may provide alternative rules for elections with respect to the commencement of payment and form of payment that conform to the rules provided in Notice 2005-1, and subsequent Internal Revenue Service guidance providing transition relief under Code section 409A.

(f) A Participant may not make or modify an election with respect to commencement of payment or form of payment after the date a Participant terminates employment.

5. Acceleration upon Early Termination. Notwithstanding a Participant's payment elections under this Article V, if the Participant terminates employment with the Company, other than by reason of death or disability (as defined in Section 8(b) of this Article V), and before the Participant has attained age 55, except as provided in Section 5 of Article III with respect to Company Deferrals, the Participant's Account Balance shall be distributed to him or her in a lump sum on or about the Payment Date next following the date of the Participant's termination of employment with the Company. Distributions under this Section 5 are limited by Section 1 of Article VIII, by any delay in distribution required for Specified Employees as provided in Section 2 of this Article V and, further, by any delay in distribution required to avoid liability under Section 16(b) of the Exchange Act, as provided in Section 2 of this Article V.

6. Acceleration Upon Conflict of Interest. Notwithstanding a Participant's payment elections under this Article V, if following a Participant's termination of employment with the Company, the Participant takes a position (or accepts a position) with a governmental entity, agency, or instrumentality and that employer has determined that the Participant's continued participation in the Plan may constitute a conflict of interest precluding the Participant from continuing in his position (or from accepting an offered position) with that employer or subjecting the Participant to penalty, sanction, or otherwise limiting the Participant's responsibilities for that employer, except as provided in Section 5 of Article III with respect to Company Deferrals, then the Participant's Account Balance shall be distributed to him or her in a lump sum as soon as practical following the later of (i) the date on which the Participant commences employment with the government employer; or (ii) the date on which it is determined or indicated that the conflict of interest may exist. This Section 6 of Article V shall apply, however, only to the extent that the accelerated payment upon a conflict-of-interest determination conforms with Code section 409A.

7. Death Benefits. Upon the death of a Participant before a complete distribution of his or her Account Balance, the Account Balance will be paid to the Participant's Beneficiary in accordance with the payment elections applicable to the Participant. If a Participant dies while actively employed or otherwise before the payment of benefits has commenced, payments to the Beneficiary shall commence on the date payments to the Participant would have commenced, taking account of the Participant's termination of employment (by death or before) and, if applicable, by postponing commencement until after the date the Participant would have attained the commencement age specified by the Participant. Whether the Participant dies before or after the commencement of distributions, payments to the Beneficiary shall be made for the period or remaining period elected by the Participant.

8. Early Distributions in Special Circumstances. Notwithstanding a Participant's payment elections under this Article V, a Participant or Beneficiary may request an earlier distribution in the following limited circumstances (except as provided in Section 5 of Article III with respect to Company Deferrals):

(a) Hardship Distributions. A Participant may apply for a hardship distribution pursuant to this Section 8(a) on such form and in such manner as the Committee shall prescribe and, subject to the last sentence of this Section 8(a) with respect to Section 16 Persons, the Committee shall have the power and discretion at any time to approve a payment to a Participant if the Committee determines that the Participant is suffering from an unforeseeable serious financial emergency caused by circumstances beyond the Participant's control which would cause a hardship to the Participant unless such payment were made. Any such hardship payment will be in a lump sum and will not exceed the lesser of (i) the amount necessary to satisfy the financial emergency (taking account of the income tax liability associated with the distribution), or (ii) the Participant's Account Balance; provided, however, that if a distribution in accordance with the provisions of this Section 8(a) from the portion of the Participant's Account allocated to the Company Stock Investment Option would otherwise result in a nonexempt short-swing transaction under Section 16(b) of the Exchange Act, the date of distribution with respect to such portion to such Section 16 Person 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. The Committee's determination under this Section 8(a) shall conform to the requirements of Code section 409A(a).

(b) Disability. If the Committee determines that a Participant has become permanently disabled within the meaning of Section 409A(a)(2)(C) of the Code before the Participant's entire Account Balance has been distributed, the Participant's remaining Account Balance will be distributed in a lump sum payment; provided, however, that if a distribution in accordance with the provisions of this Section 8(b) from the portion of the Participant's Account allocated to the Company Stock Investment Option would otherwise result in a nonexempt short-swing transaction under Section 16(b) of the Exchange Act, the date of distribution with respect to such portion to any Section 16 Person 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.

9. Acceleration upon Change in Control.

(a) Notwithstanding any other provision of the Deferral Plan, except as provided in Section 5 of Article III with respect to Company Deferrals, the Account Balance of each Participant shall be distributed in a single lump sum within fifteen (15) calendar days following a "Change in Control."

(b) For purposes of this Deferral Plan, a Change in Control shall include and be deemed to occur upon the following events:

(i) A tender offer or exchange offer is consummated for the ownership of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding voting securities entitled to vote in the election of directors of the Company.

(ii) The Company is merged, combined, consolidated, recapitalized or otherwise reorganized with one or more other entities that are not Subsidiaries and, as a result of the merger, combination, consolidation, recapitalization or other reorganization, less than 75% of the outstanding voting securities of the surviving or resulting corporation shall immediately after the event be owned in the aggregate by the stockholders of the Company (directly or indirectly), determined on the basis of record ownership as of the date of determination of holders entitled to vote on the action (or in the absence of a vote, the day immediately prior to the event)

(iii) Any person (as this term is used in Sections 3(a)(9) and 13(d)(3) of the Exchange Act, but excluding any person described in and satisfying the conditions of Rule 13d-1 (b)(1) thereunder), becomes the

beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding securities entitled to vote in the election of directors of the Company.

(iv) At any time within any period of two years after a tender offer, merger, combination, consolidation, recapitalization, or other reorganization or a contested election, or any combination of these events, the "Incumbent Directors" shall cease to constitute at least a majority of the authorized number of members of the Board. For purposes hereof, "Incumbent Directors" shall mean the persons who were members of the Board immediately before the first of these events and the persons who were elected or nominated as their successors or pursuant to increases in the size of the Board by a vote of at least three-fourths of the Board members who were then Board members (or successors or additional members so elected or nominated)

(v) The stockholders of the Company approve a plan of liquidation and dissolution or the sale or transfer of substantially all of the Company's business and/or assets as an entirety to an entity that is not a Subsidiary.

Notwithstanding the foregoing, no distribution shall be made solely on account of a Change in Control and prior to the benefit commencement date specified in Section 2 of Article V unless the Change in Control is an event qualifying for a distribution of deferred compensation under both the definition of Change in Control in this Plan and in Section 409A(a)(2)(A)(v) of the Code.

(c) Notwithstanding the provisions of Section 9(a), if a distribution in accordance with the provisions of Section 9(a) would result in a nonexempt short-swing transaction under Section 16(b) of the Exchange Act with respect to any Section 16 Person, then the date of distribution to such Section 16 Person 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.

(d) This Section 9 shall apply only to a Change in Control of Lockheed Martin Corporation and shall not cause immediate payout of Deferred Compensation in any transaction involving the Company's sale, liquidation, merger, or other disposition of any subsidiary.

(e) The Committee may cancel or modify this Section 9 at any time prior to a Change in Control. In the event of a Change in Control, this Section 9 shall remain in force and effect, and shall not be subject to cancellation or modification for a period of five years, and any defined term used in Section 9 shall not, for purposes of Section 9, be subject to cancellation or modification during the five-year period.

10. Deductibility of Payments. Subject to the provisions of Section 1 of Article VIII, in the event that the payment of benefits in accordance with the Participant's elections under this Article V would prevent the Company from claiming an income tax deduction with respect to any portion of the benefits paid, the Committee shall have the right to modify the timing of distributions from the Participant's Account as necessary to maximize the Company's tax deductions. In the exercise of its discretion to adopt a modified distribution schedule, the Committee shall undertake to have distributions made at such times and in such amounts as most closely approximate the Participant's elections, consistent with the objective of maximum deductibility for the Company. The Committee shall have no authority to reduce a Participant's Account Balance or to pay aggregate benefits less than the Participant's Account Balance in the event that all or a portion thereof would not be deductible by the Company.

11. Change of Law. Subject to the provisions of Section 1 of Article VIII, notwithstanding anything to the contrary herein, if the Committee determines in good faith, based on consultation with counsel, that the federal income tax treatment or legal status of the Plan has or may be adversely affected by a change in the Code, Title I of the Employee Retirement Income Security Act of 1974, or other applicable law or by an administrative or judicial construction thereof, the Committee may direct that the Accounts of affected Participants or of all Participants be distributed as soon as practicable after such determination is made, to the extent deemed necessary or advisable by the Committee to cure or mitigate the consequences, or possible consequences of, such change in law or interpretation thereof.

12. Tax Withholding. To the extent required by law, the Company shall withhold from benefit payments hereunder, or with respect to any Incentive Compensation or Long Term Incentive Award payment deferred hereunder or credit contributed by the Company under Article IV, any Federal, state, or local income or payroll taxes required to be withheld and shall furnish the recipient and the applicable government agency or agencies with such reports, statements, or information as may be legally required.

ARTICLE VI

EXTENT OF PARTICIPANTS' RIGHTS

1. Unfunded Status of Plan. This Deferral Plan constitutes a mere contractual promise by the Company to make payments in the future, and each Participant's rights shall be those of a general, unsecured creditor of the Company. No Participant shall have any beneficial interest in any specific assets that the Company may hold or set aside in connection with this Deferral Plan. Notwithstanding the foregoing, to assist the Company in meeting its obligations under this Deferral Plan, the Company may set aside assets in a trust described in Revenue Procedure 92-64, 1992-2 C.B. 422, and the Company may direct that its obligations under this Deferral Plan be satisfied by payments out of such trust. The assets of any such trust will remain subject to the claims of the general creditors of the Company. It is the Company's intention that the Deferral Plan be unfunded for Federal income tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974.

2. Nonalienability of Benefits. A Participant's rights under this Plan shall not be assignable or transferable and any purported transfer, assignment, pledge or other encumbrance or attachment of any payments or benefits under this Plan, or any interest therein shall not be permitted or recognized, other than the designation of, or passage of payment rights to, a Beneficiary. Notwithstanding, any portion of a Participant's benefit under this Plan may be paid to a spouse or former spouse pursuant to the terms of a domestic relations order (as defined in Code section 414(p)(1)(B)), provided that the form of payment designated in such order is one that is provided for under Section 3 of Article V of this Deferral Plan.

ARTICLE VII

AMENDMENT OR TERMINATION

1. Amendment. The Board may amend, modify, suspend or discontinue this Deferral Plan at any time subject to any shareholder approval that may be required under applicable law, provided, however, that no such amendment shall have the effect of reducing a Participant's Account Balance or postponing the time when a Participant is entitled to receive a distribution of his Account Balance. Further, no amendment may alter the formula for crediting interest to Participants' Accounts with respect to amounts for which deferral elections have previously been made, unless the amended formula is not less favorable to Participants than that previously in effect, or unless each affected Participant consents to such change.

2. Termination. The Board reserves the right to terminate this Plan at any time and to pay all Participants their Account Balances in any form and at such times that the Board reasonably determines in its discretion is appropriate and conforms to the requirements of Code section 409A; provided, however, that if a distribution in accordance with the provisions of this Section 2 would otherwise result in a nonexempt short-swing transaction under Section 16(b) of the Exchange Act, the date of distribution with respect to any Section 16 Person 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.

3. Transfer of Liability. The Board reserves the right to transfer to another entity all of the obligations of Company with respect to a Participant under this Plan if such entity agrees pursuant to a binding written agreement to assume all of the obligations of the Company under this Plan with respect to such Participant.

ARTICLE VIII

ADMINISTRATION

1. The Committee. This Deferral Plan shall be administered by the Management Development and Compensation Committee of the Board or such other committee of the Board as may be designated by the Board and constituted so as to permit this Deferral Plan to comply with the disinterested administration requirements of Rule 16b-3 of the Exchange Act. The members of the Committee shall be designated by the Board. A majority of the members of

the Committee (but not fewer than two) shall constitute a quorum. The vote of a majority of a quorum or the unanimous written consent of the Committee shall constitute action by the Committee. The Committee shall have full authority to interpret the Plan, and interpretations of the Plan by the Committee shall be final and binding on all parties. Notwithstanding anything contained in the Deferral Plan or in any document issued under the Deferral Plan, it is intended that the Deferral Plan will at all times conform to the requirements of Code section 409A and any regulations or other guidance issued thereunder, and that the provisions of the Deferral Plan will be interpreted to meet such requirements. If any provision of the Deferral Plan is determined not to conform to such requirements, the Deferral Plan shall be interpreted to omit such offending provision.

2. Delegation and Reliance. 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 Deferral Plan in accordance with its terms and purpose, except that the Committee may not delegate any authority the delegation of which would cause this Deferral Plan to fail to satisfy the applicable requirements of Rule 16b-3. In making any determination or in taking or not taking any action under this Deferral Plan, the Committee may obtain and rely upon the advice of experts, including professional advisors to the Company. No member of the Committee or officer of the Company who is a Participant hereunder may participate in any decision specifically relating to his or her individual rights or benefits under the Deferral Plan.

3. Exculpation and Indemnity. Neither the Company nor any member of the Board or of the Committee, nor any other person participating in any determination of any question under this Deferral Plan, or in the interpretation, administration or application thereof, shall have any liability to any party for any action taken or not taken in good faith under this Deferral Plan or for the failure of the Deferral Plan or any Participant's rights under the Deferral Plan to achieve intended tax consequences, to qualify for exemption or relief under Section 16 of the Exchange Act and the rules thereunder, or to comply with any other law, compliance with which is not required on the part of the Company.

4. Facility of Payment. If a minor, person declared incompetent, or person incapable of handling the disposition of his or her property is entitled to receive a benefit, make an application, or make an election hereunder, the Committee may direct that such benefits be paid to, or such application or election be made by, the guardian, legal representative, or person having the care and custody of such minor, incompetent, or incapable person. Any payment made, application allowed, or election implemented in accordance with this Section shall completely discharge the Company and the Committee from all liability with respect thereto.

5. Proof of Claims. The Committee may require proof of the death, disability, incompetency, minority, or incapacity of any Participant or Beneficiary and of the right of a person to receive any benefit or make any application or election.

6. Claim Procedures. The procedures when a claim under this Deferral Plan is wholly or partially denied by the Committee or its delegate, as applicable (the "Claims Administrator") are as follows:

(a) The Claims Administrator shall, within 90 days after receipt of a claim, furnish to claimant a written notice setting forth, in a manner calculated to be understood by claimant: (1) the specific reason or reasons for the denial; (2) specific reference to pertinent Deferral Plan provisions on which the denial is based; (3) a description of any additional materials or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; (4) an explanation of the steps to be taken if the claimant wishes to have the denial reviewed; and (5) a statement of the claimant's right to bring a civil action under section 502(a) of ERISA following an adverse determination on review. The 90 day period may be extended for not more than an additional 90 days if special circumstances make such an extension necessary. The Claims Administrator shall give the claimant, before the end of the initial 90 day period, a written notice of such extension, stating such special circumstances and the date by which the Claims Administrator expects to render a decision.

(b) By a written application filed with the Claims Administrator within 60 days after receipt by claimant of the written notice described in paragraph (a), the claimant or his duly authorized representative may request review of the denial of his claim.

(c) In connection with such review, the claimant or his duly authorized representative may submit issues, comments, documents, records and other information relating to the claim for benefits to the Claims Administrator. In addition, the claimant will be provided, upon request and free of charge, reasonable access to and copies of all documents, records, or other information "relevant" to claimant's claim for benefits. A document, record, or other information is "relevant" if it: (1) was relied upon in making the benefit determination; (2) was submitted, considered or generated in the course of making the benefit determination, without regard to whether such document, record or information was relied upon in making the benefit determination; or (3) demonstrates compliance with administrative processes and safeguards required under federal law.

(d) The Deferral Plan will provide an impartial review that takes into account all comments, records and other information submitted by the claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. The Claims Administrator shall make a decision and furnish such decision in writing to the claimant within 60 days after receipt by the Claims Administrator of the request for review. This period may be extended to not more than 120 days after such receipt if special circumstances make such an extension necessary. The claimant will be notified in writing prior to the expiration of the original 60 day period if such an extension is required, and such notice will include the reason for the extension and the date by which it is expected that a decision will be reached. The decision on review shall be in writing, set forth in a manner calculated to be understood by the claimant and shall include: (1) the specific reasons for the decision; (2) specific reference to the pertinent Deferral Plan provisions on which

the decision is based; (3) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all documents, records, and other information "relevant" to the claimant's claim for benefits; (4) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; (5) a statement describing any voluntary appeal procedures and the claimant's right to obtain information about such procedures, if any; and (6) a statement of the claimant's right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on review. If in the event that the reviewing committee must make a determination of disability in order to decide a claim, the reviewing committee shall follow the special claims procedures for disability benefits described in Department of Labor Regulation section 2560.503-1(d). The reviewing committee shall render a decision within a reasonable time (not to exceed 90 days) after the claimant's request for review, rather than within 120 days as set forth in the above paragraph.

ARTICLE IX

GENERAL AND MISCELLANEOUS PROVISIONS

1. No Guarantee of Employment or Award. Neither this Deferral Plan, a Company Deferral nor a Participant's Deferral Agreement, either singly or collectively, shall in any way obligate the Company to continue the employment of a Participant with the Company, nor does either this Deferral Plan, a Company Deferral or a Deferral Agreement limit the right of the Company at any time and for any reason to terminate the Participant's employment. In no event shall this Deferral Plan, a Company Deferral or a Deferral Agreement, either singly or collectively, by their terms or implications constitute an employment contract of any nature whatsoever between the Company and a Participant. In no event shall this Deferral Plan, a Company Deferral or a Deferral Agreement, either singly or collectively, by their terms or implications in any way obligate the Company to award Incentive Compensation, grant any award under the Omnibus Plan or IPA Plan or make any Long Term Incentive Award payment to any Eligible Employee for any Award Year, whether or not the Eligible Employee is a Participant in the Deferral Plan for that Award Year, nor in any other way limit the right of the Company to change an Eligible Employee's compensation or other benefits.

2. Notice. Any written notice to the Company referred to herein shall be made by mailing or delivering such notice to the Company at 6801 Rockledge Drive, Bethesda, Maryland 20817, to the attention of the Senior Vice President, Human Resources. Any written notice to a Participant shall be made by delivery to the Participant in person, through electronic transmission, or by mailing such notice to the Participant at his or her last-known place of residence or business address.

3. Performance of Acts. In the event it should become impossible for the Company or the Committee to perform any act required by this Deferral Plan, the Company or the Committee may perform such other act as it in good faith determines will most nearly carry out the intent and the purpose of this Deferral Plan.

4. Employee Consent. By electing to become a Participant hereunder, each Eligible Employee shall be deemed conclusively to have accepted and consented to all of the terms of this Deferral Plan.

5. Terms Binding. The provisions of this Deferral Plan and the Deferral Agreements hereunder shall be binding upon and inure to the benefit of the Company, its successors, and its assigns, and to the Participants and their heirs, executors, administrators, and legal representatives.

6. Copy of Plan. A copy of this Deferral Plan shall be available for inspection by Participants or other persons entitled to benefits under the Deferral Plan at reasonable times at the offices of the Company.

7. State Law. The validity of this Deferral Plan or any of its provisions shall be construed, administered, and governed in all respects under and by the laws of the State of Maryland, except as to matters of Federal law. If any provisions of this instrument shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.

8. Regulatory Requirements. This Deferral Plan and its operation, including but not limited to, the mechanics of deferral elections, the issuance of securities, if any, or the payment of cash hereunder is subject to compliance with all applicable federal and state laws, rules and regulations (including but not limited to state and federal insider trading, registration, reporting and other securities laws) and such other approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company, be necessary or advisable in connection therewith.

9. Section 16 of Exchange Act. It is the intent of the Company that this Deferral Plan satisfy and be interpreted in a manner, that, in the case of Participants who are or may be Section 16 Persons, satisfies any applicable requirements of Rule 16b-3 of the Exchange Act or other exemptive rules under Section 16 of the Exchange Act and will not subject Section 16 Persons to short-swing profit liability thereunder. If any provision of this Deferral Plan would otherwise frustrate or conflict with the intent expressed in this Section 9, that provision to the extent possible shall be interpreted and deemed amended so as to avoid such conflict. To the extent of any remaining irreconcilable conflict with this intent, the provision shall be deemed disregarded. Similarly, any action or election by a Section 16 Person with respect to the Deferral Plan to the extent possible shall be interpreted and deemed amended so as to avoid liability under Section 16 or, if this is not possible, to the extent necessary to avoid liability under Section 16, shall be deemed ineffective. Notwithstanding anything to the contrary in this Deferral Plan, the provisions of this Deferral Plan may at any time be bifurcated by the Board or the Committee in any manner so that certain provisions of this Deferral Plan are applicable solely to Section 16 Persons. Notwithstanding any other provision of this Deferral Plan to the contrary, if a distribution which would otherwise occur is prohibited or proposed to be delayed because of the provisions of Section 16 of the Exchange Act or the provisions of the Deferral Plan designed to ensure compliance with Section 16, the Section 16 Person involved may affirmatively elect in writing to have the distribution occur in any event; provided that the Section 16 Person shall concurrently enter into arrangements satisfactory to the Committee in its sole discretion for the satisfaction of any and all liabilities, costs and expenses arising from this election.

10. Securities Laws. This Deferral Plan, allocations to and from the Company Stock Investment Option and the issuance and delivery of shares of Common Stock and/or other securities or property or the payment of cash under this Deferral Plan, are subject to compliance with all applicable federal and state laws, rules and regulations (including but not limited to state and federal insider trading, registration, reporting and other securities laws and federal margin requirements) and to such approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company be necessary or advisable to comply with all legal requirements. Any securities delivered under this Deferral Plan shall be subject to such restrictions (and the person acquiring such securities shall, if requested by the Company provide such evidence, assurance and representations to the Company as to compliance with any thereof) as counsel to the Company may deem necessary or desirable to assure compliance with all applicable legal requirements.

11. Electronic Notice and Signatures. Whenever a signature notice or delivery of a document is required or appropriate under this Deferral Plan, signature, notice or delivery may be accomplished by paper or written format or, to the extent authorized by the Committee, by electronic means. In the event the Committee authorizes electronic means for the signature, notice or delivery of a document under this Deferral Plan, the electronic record or confirmation of that signature, notice or delivery maintained by or on behalf of the Committee shall for purposes of this Deferral Plan be treated as if it was a written signature or notice and was delivered in the manner provided herein for a written document.

ARTICLE X
EFFECTIVE DATE AND SHAREHOLDER APPROVAL

This Deferral Plan was adopted by the Board on July 27, 1995 and became effective upon adoption to awards of Incentive Compensation for the Company's fiscal year ending December 31, 1995 and subsequent fiscal years. Subsequent amendments or restatements to the Deferral Plan are effective as of the date stated in the amendment, restatement, or the adopting resolution.

This Deferral Plan has been amended and restated effective as of the date stated on the first page herein.

WITNESS:

LOCKHEED MARTIN CORPORATION



Name

By: Kenneth J. Disken
Senior Vice President, Human Resources

4/14/06
Date

April 14, 2006
Date

APPENDIX A

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

ARTICLE I

PURPOSES OF THE PLAN

The purposes of the Lockheed Martin Corporation Deferred Management Incentive Compensation Plan (the "Deferral Plan") are to provide certain key management employees of Lockheed Martin Corporation and its subsidiaries (the "Company") the opportunity to defer receipt of (i) Incentive Compensation awards under the Lockheed Martin Corporation Management Incentive Compensation Plan (the "MICP") and (ii) Long Term Incentive Award payments under the Lockheed Martin Corporation 1995 Omnibus Performance Award Plan (the "Omnibus Plan") and the Lockheed Martin Corporation 2003 Incentive Performance Award Plan (the "IPA Plan"). Providing this opportunity to defer income under the Deferral Plan will encourage key employees to maintain a financial interest in the Company's performance. Except as expressly provided hereinafter, the provisions of this Deferral Plan and the MICP, the Omnibus Plan and the IPA Plan shall be construed and applied independently of each other.

The Deferral Plan applies solely to MICP awards and Long Term Incentive Award payments under the Omnibus Plan and the IPA Plan and expressly does not apply to any special awards which may be made under any of the Company's other incentive plans, except and to the extent specifically provided under the terms of such other incentive plans and the relevant awards.

ARTICLE II

DEFINITIONS

Unless the context indicates otherwise, the following words and phrases shall have the meanings hereinafter indicated:

1. ACCOUNT — The bookkeeping account maintained by the Company for each Participant which is credited with the Participant's Deferred Compensation and earnings (or losses) attributable to the investment options selected by the Participant, and which is debited to reflect distributions and forfeitures; the portions of a Participant's Account allocated to different investment options and the portions attributable to the deferral of Incentive Compensation awards and Long Term Incentive Award payments will be accounted for separately.

2. ACCOUNT BALANCE — The total amount credited to a Participant's Account at any point in time, including the portions of the Account allocated to each investment option.
3. AWARD YEAR—As to Incentive Compensation, the calendar year with respect to which an Eligible Employee is awarded Incentive Compensation; as to a Long Term Incentive Award payment and the related Company Deferral, the first calendar year in the Performance Period for which the Long Term Incentive Award is effective with respect to an Eligible Employee.
4. BENEFICIARY —The person or persons (including a trust or trusts) validly designated by a Participant, on the form provided by the Company, to receive distributions of the Participant's Account Balance, if any, upon the Participant's death. In the absence of a valid designation, or if the designated Beneficiary has predeceased the Participant, the Participant's Beneficiary shall be the personal representative of the Participant's estate in the event of a Participant's death. A Participant may amend his or her Beneficiary designation at any time before the Participant's death.
5. BOARD — The Board of Directors of Lockheed Martin Corporation.
6. COMMITTEE — The committee described in Section 1 of Article VIII.
7. COMMON STOCK — The \$1.00 par value common stock of the Company.
8. COMPANY — Lockheed Martin Corporation and its subsidiaries.
9. COMPANY DEFERRALS — The amount deferred by the Company, and not at the election of the Participant, for the two-year period following the end of a Performance Period for a Long Term Incentive Award.
10. COMPANY STOCK INVESTMENT OPTION — The investment option under which the amount credited to a Participant's Account will be based on the market value and investment return of the Company's Common Stock.
11. DEFERRAL AGREEMENT — The written agreement executed by an Eligible Employee on the form provided by the Company under which the Eligible Employee elects to defer Incentive Compensation for an Award Year or a Long Term Incentive Award and any related Company Deferral for an Award Year.
12. DEFERRAL PLAN — The Lockheed Martin Corporation Deferred Management Incentive Compensation Plan, adopted by the Board on July 27, 1995, and as amended from time to time.
13. DEFERRED COMPENSATION — The amount of Incentive Compensation credited to a Participant's Account under the Deferral Plan and the amount of any Long Term Incentive Award payment credited to a Participant's Account under the Deferral Plan (other than Company Deferrals).

14. **ELIGIBLE EMPLOYEE** — An employee of the Company who is a participant in the MICP or who receives a Long Term Incentive Award under the Omnibus Plan or the IPA Plan and who has satisfied such additional requirements for participation in this Deferral Plan as the Committee may from time to time establish. In the exercise of its authority under this provision, the Committee shall limit participation in the Plan to employees whom the Committee believes to be a select group of management or highly compensated employees within the meaning of Title I of the Employee Retirement Income Security Act of 1974, as amended.

15. **EXCHANGE ACT** — The Securities Exchange Act of 1934.

16. **INCENTIVE COMPENSATION** — The MICP amount granted to an employee for an Award Year.

17. **IPA PLAN** — The Lockheed Martin Corporation 2003 Incentive Performance Award Plan.

18. **INTEREST OPTION** — The investment option under which earnings will be credited to a Participant's Account based on the interest rate applicable under Cost Accounting Standard 415, Deferred Compensation.

19. **LONG TERM INCENTIVE AWARD** — A long term incentive award granted to an employee under the Omnibus Plan or the IPA Plan.

20. **MICP** — The Lockheed Martin Corporation Management Incentive Compensation Plan.

21. **OMNIBUS PLAN** — The Lockheed Martin Corporation 1995 Omnibus Performance Award Plan.

22. **PARTICIPANT** — An Eligible Employee for whom Incentive Compensation or a Long Term Incentive Award payment has been deferred for one or more years under this Deferral Plan; the term shall include a former employee whose Deferred Compensation has not been fully distributed.

23. **PAYMENT DATE** — As to any Participant, the January 15 or July 15 on or about on which payment to the Participant is to be made or to begin in accordance with Article V.

24. **PERFORMANCE PERIOD** — The period set forth in a Long Term Incentive Award over which the Company's performance is measured by reference to total stockholder return to determine whether any payment will be made under such Long Term Incentive Award.

25. **REALLOCATION EFFECTIVE DATE** — The date a reallocation elected by a Participant or Beneficiary under Section 6(a) of Article IV is effected, which shall be the June 30, July 31, August 31 or September 30 immediately following the end of the Reallocation Election Period in which his or her election under Section 6(a) becomes irrevocable.

26. REALLOCATION ELECTION PERIOD — A period in which a Participant or Beneficiary may under Section 6(a) of Article IV elect a reallocation of his or her Account Balance from one investment option to another investment option, and there shall be four such election periods: June 1 through June 15, 2004, June 16 through July 15, 2004, July 16 through August 15, 2004 and August 16 through September 15, 2004.

27. SECTION 16 PERSON — A Participant who is subject to the reporting and short-swing liability provisions of Section 16 of the Securities Exchange Act of 1934 on the date a Deferral Agreement or other election form is delivered to the Company in accordance with the terms of this Deferral Plan.

28. SUBSIDIARY — As to any person, any corporation, association, partnership, joint venture or other business entity of which 50% or more of the voting stock or other equity interests (in the case of entities other than corporation), is owned or controlled (directly or indirectly) by that entity, or by one or more of the Subsidiaries of that entity, or by a combination thereof.

29. TRADING DAY — A day upon which transactions with respect to Company Common Stock are reported in the consolidated transaction reporting system.

ARTICLE III

ELECTION OF DEFERRED AMOUNT

1. Timing of Deferral Elections.

(a) Incentive Compensation. An Eligible Employee may elect to defer Incentive Compensation for an Award Year by executing and delivering to the Company a Deferral Agreement no later than October 31 of the Award Year, provided that any election by a Section 16 Person shall be subject to the provisions of Section 4 of Article IV.

(b) Long Term Incentive Awards and Company Deferrals. An Eligible Employee may elect to defer the payment of a Long Term Incentive Award and a Company Deferral for an Award Year by executing and delivering to the Company a Deferral Agreement no later than October 31 of the Award Year, provided that any election by a Section 16 Person shall be subject to the provisions of Section 4 of Article IV.

(c) Irrevocability of Elections. No Eligible Employee shall have the right to modify or revoke a Deferral Agreement for an Award Year after the applicable deadline described in Section 1(a) and Section 1(b) of this Article III for delivering a Deferral Agreement to the Company for such Award Year, provided no Section 16 Person shall have the right to modify or revoke a Deferral Agreement after such applicable deadline or, if earlier, after the date the agreement has been delivered to the Company. The Committee may establish policies and procedures to determine when a Deferral Agreement or other election called for under this Plan has been delivered to the Company. Each Deferral Agreement shall apply only to amounts deferred in that Award Year and a separate Deferral Agreement must be completed for each Award Year for which an Eligible Employee defers Incentive Compensation or a Long Term Incentive Award.

2. Amount of Deferral Elections. An Eligible Employee's deferral election may be stated as:

- (a) a dollar amount which is at least \$5,000 and is an even multiple of \$1,000,
- (b) the greater of \$5,000 or a designated percentage of the Eligible Employee's Incentive Compensation or Long Term Incentive Award payment (adjusted to the next highest multiple of \$1,000),
- (c) the excess of the Eligible Employee's Incentive Compensation or Long Term Incentive Award payment over a dollar amount specified by the Eligible Employee (which must be an even multiple of \$1,000), or
- (d) all of the Eligible Employee's Incentive Compensation or Long Term Incentive Award payment.

An Eligible Employee's deferral election shall be effective only if the Participant is awarded, in the case of Incentive Compensation, at least \$10,000 of Incentive Compensation for that Award Year, or in the case of Long Term Incentive Award, at least \$10,000 is payable to the Participant in cash at the conclusion of the Performance Period applicable to a Long Term Incentive Award payment. In addition, in the case of a deferral election under paragraph (c) of this Section 2, an Eligible Employee's deferral election shall be effective only if the resulting excess amount is at least \$5,000.

3. Effect of Taxes on Deferred Compensation. The amount that would otherwise be deferred and credited to an Eligible Employee's Account will be reduced by the amount of any tax that the Company is required to withhold with respect to the Deferred Compensation. The reduction for taxes shall be made proportionately out of amounts otherwise allocable to the Interest Option and the Company Stock Investment Option.

4. Multiple Awards. In the case of an Eligible Employee who receives more than one Long Term Incentive Award with respect to the same Performance Period, the elections made by the Eligible Employee under this Article III as well as under Articles V and VI for the first Long Term Incentive Award granted to the Eligible Employee with respect to a Performance Period shall be deemed to be the elections made by that Eligible Employee for any other Long Term Incentive Awards granted to that Eligible Employee with respect to that same Performance Period.

5. Company Deferrals. Pursuant to the terms of the Long Term Incentive Awards, 50% of the amount payable at the end of the Performance Period will be automatically deferred until the second anniversary of the last day of the Performance Period with respect to a particular award. The Company may establish an account for Company Deferrals under the Company Stock Investment Option of this Deferral Plan. However, the terms governing the Company Deferrals will be governed for the two year period of deferral by the terms of the

award agreement entered into under the Omnibus Plan or the IPA Plan with respect to the Long Term Incentive Award and not by this Deferral Plan except to the extent the award agreement expressly refers to the terms of this Deferral Plan. Notwithstanding the foregoing, if the Participant elects to defer the Company Deferrals beyond the second anniversary of the end of the Performance Period, the deferrals will be treated as made under this Deferral Plan for the period following the second anniversary of the end of the Performance Period.

ARTICLE IV
CREDITING OF ACCOUNTS

1. Crediting of Deferred Compensation. Incentive Compensation or a Long Term Incentive Award payment that a Participant has elected to defer under this Deferral Plan shall be credited to the Participant's Account as of the Trading Day set by action of the Committee or, if the Committee does not act to set such a day, on the second Trading Day which follows the date of approval of the related Incentive Compensation or Long Term Incentive Award. If the Company establishes an account for Company Deferrals pursuant to Section 5 of Article III, the Company Deferrals shall be credited to such account as of the last Trading Day in the Performance Period. Any Deferred Compensation credits under this Section 1 which are allocable to the Interest Option shall be credited at the dollar amount of such credits, and any Deferred Compensation and Company Deferral credits under this Section 1 which are allocable to the Company Stock Investment Option shall be credited as if the dollar amount of credits had been invested in the Company's Common Stock at the published closing price of the Company's Common Stock on the applicable Trading Day described in this Section 1.

2. Crediting of Earnings and Reallocations.

(a) General Rules.

(i) Earnings shall be credited to a Participant's Account based on the investment option or options to which the Account has been allocated beginning with the applicable Trading Day described in this Article IV.

(ii) Earnings on amounts reallocated in accordance with this Article IV shall be credited to the Participant's Account as of the applicable day or Trading Day described for such reallocation in this Article IV.

(iii) Any amount distributed from a Participant's Account pursuant to Article V shall be credited with earnings through the last Trading Day of the month preceding the month in which a distribution is to be made on a Payment Date pursuant to Article V to the extent distributed from the portion of a Participant's Account allocated to the Company Stock Investment Option and shall (subject to Section 2(d) of this Article IV) be credited with earnings through the last day of the month preceding the month in which a distribution is to be made on a Payment Date pursuant to Article V to the extent distributed from the portion of a Participant's Account allocated to the Interest Option.

(iv) Company Deferrals shall be credited with earnings through the last Trading Day in the period which ends on the second anniversary of the end of the applicable Performance Period unless deferred further pursuant to a Deferral Agreement.

(b) Interest Option. The portion of a Participant's Account allocated or reallocated to the Interest Option shall be credited with interest, compounded monthly, while so allocated or reallocated at a rate equivalent to the then published rate for computing the present value of future benefits at the time cost is assignable under Cost Accounting Standard 415, Deferred Compensation, as determined by the Secretary of the Treasury on a semi-annual basis pursuant to Pub. L. 92-41, 85 Stat. 97.

(c) Company Stock Investment Option.

(i) The portion of a Participant's Account allocated or reallocated to the Company Stock Investment Option shall be credited when so allocated or reallocated on the applicable Trading Day described in this Article IV as if such amount had been invested in the Company's Common Stock at the published closing price of the Company's Common Stock on such Trading Day.

(ii) The portion of the Participant's Account Balance allocated to the Company Stock Investment Option shall reflect any post-allocation appreciation or depreciation in the market value of the Company's Common Stock based on the published closing price of the stock on the last Trading Day of each month and shall reflect dividends paid and any other distributions made with respect to the Company's Common Stock.

(iii) Cash dividends shall be treated as if such dividends had been reinvested in the Company's Common Stock at the published closing price of the Company's Common Stock on the Trading Day on which the cash dividend is paid or, if the dividend is paid on a day which is not a Trading Day, on the Trading Day which immediately precedes the day the dividend is paid.

(iv) If any portion of a Participant's Account is reallocated in accordance with paragraph 6 (or paragraph 5 prior to October 1, 2004) of this Article IV from the Company Stock Investment Option to the Interest Option, the reallocation shall be credited to the Interest Option as if the Company's Common Stock had been bought or sold at the published closing price of the Company's Common Stock on the Trading Day on which the reallocation is effective, or if the reallocation is effective as of the day that is not a Trading Day, the Trading Day which immediately precedes the effective date of the reallocation.

(d) Interest Crediting For Late Payments. If any part of a Participant's Account is allocated to the Interest Option as of a Payment Date and payment does not commence by the last day of the month in which the Payment Date occurs, earnings shall be credited on such part of the Participant's Account from

the last day of the month preceding the Payment Date to the last day of the month preceding the month the late payment actually is made at the rate set forth under Section 2(b) of this Article IV. All the interest credited under this Section 2(d) of this Article IV with respect to a late payment shall be paid on the date the late payment is first made.

3. Election of Investment Options. A Participant's investment elections for a particular type of award for an Award Year shall be made in his or her Deferral Agreement for such Award Year, and no Participant shall (except as provided for in Section 6 and Section 7 of this Article IV) have the right to modify or revoke any such election after the time the Participant no longer has the right to modify or revoke a Deferral Agreement under Section 1 of Article III. A Participant's allocations between investment options shall be subject to such minimum allocations as the Committee may establish.

4. Special Rule for Section 16 Persons. An election by a Section 16 Person to have any Deferred Compensation allocated to the Company Stock Investment Option shall be effective on the Trading Day described in Section 1 of this Article IV unless he or she delivers the related Deferral Agreement to the Company less than six months before such Trading Day. If he or she delivers the related Deferral Agreement to the Company less than six months before such date, his or her Company Stock Investment Option election automatically shall be treated as an Interest Option election under Section 1 of this Article IV until the first Trading Day of the seventh month following the month in which the Deferral Agreement is delivered to the Company. The Deferred Compensation so allocated to the Interest Option together with any related interest credits shall by operation of this Deferral Plan automatically be reallocated and credited to the Company Stock Investment Option on such Trading Day in accordance with Section 2(b) of this Article IV.

Reallocations to Interest Option (deleted effective September 30, 2004). If benefit payments to a Participant or Beneficiary are to be paid or commenced to be paid over a period that extends more than six months after the date of the Participant's termination of employment with the Company, the Participant or Beneficiary, as applicable, may make a one-time irrevocable election under this Section 5 at any time after the Participant's termination of employment and before the completion of benefit payments to have the portion of the Participant's Account that is allocated to the Company Stock Investment Option reallocated to the Interest Option. A reallocation under this Section 5 shall take effect as of the first Trading Day of the month following the month in which an executed reallocation election is delivered to the Company, provided an election by a Participant or Beneficiary who is a Section 16 Person on the date the election is delivered to the Company shall be effective only if such election satisfies on such date all the requirements of the exemption under Rule 16b-3 of the Exchange Act for a "discretionary transaction" or otherwise would not result in a short swing profit recovery pursuant to Rule 16b-3 under the Exchange Act. In the event such election does not satisfy the exemption pursuant to Rule 16b-3 under the Exchange Act for a "discretionary transaction" and if giving effect to the election would result in liability under Section 16(b) of the Exchange Act, the election shall not be given effect until the first Trading Day of the month following the month in which the election could be given effect without creating liability under Section 16(b) of the Exchange Act. Notwithstanding anything herein to the contrary, no election may be made under this Section 5 after September 15, 2004, and any such election made during September 2004 will be valued and take effect as of September 30, 2004.

5. One-Time Reallocation Right.

(a) General Rule. Subject to Section 5(b) of this Article IV, a Participant or Beneficiary may during a Reallocation Election Period execute and deliver to the Company an election made on such form and in such manner as prescribed by the Committee to the Company to reallocate all or a portion (in five (5) percent increments) of his or her Account Balance (other than Company Deferrals) which is then allocated to one investment option to the other investment option. Any such election shall be irrevocable when received by the Company, and the reallocation which the Participant or Beneficiary elects shall be effective as of the Reallocation Effective Date that immediately follows the end of the Reallocation Election Period in which his or her election becomes irrevocable. Only one reallocation election may be made by a Participant or Beneficiary with the result that a reallocation made in one Reallocation Election Period will preclude a reallocation election in a subsequent Reallocation Election Period.

(b) Exception. If a Participant or a Beneficiary is a Section 16 Person on any date in a Reallocation Election Period and delivers an election to the Company in such period, such election shall have no force or effect under Section 6(a) unless such election complies with the exemption under Rule 16b-3 of the Exchange Act for a "discretionary transaction".

(c) Additional Credit. The Company shall credit to the Account of each Participant or Beneficiary that has Deferred Compensation (other than Company Deferrals) credited to the Stock Investment Option as of September 30, 2004 an amount equal to the greater of (i) \$24.95 per Account Balance; or (ii) \$0.10 for each whole share of Common Stock reflected in the Participant's or Beneficiary's Account Balance (exclusive of Company Deferrals). Such amount shall be allocated and credited to the Interest Option as of September 30, 2004, after taking into account any reallocation under Section 6(a) of this Article IV.

ARTICLE V

PAYMENT OF BENEFITS

1. General.

(a) Account Balance and Elections. The Company's liability to pay benefits to a Participant or Beneficiary under this Deferral Plan shall be measured by and shall in no event exceed the Participant's Account Balance. Except as otherwise provided in this Deferral Plan (including but not limited to Section 5 of Article III with respect to Company Deferrals), a Participant's Account Balance shall be paid to him in accordance with the Participant's elections under this Article V.

(b) Cash Only Payment. With respect to benefit payments made on a Payment Date which is on or before September 30, 2004, all such benefit payments shall be

made in accordance with the terms of this Deferral Plan as in effect on such date in cash and, except as otherwise provided under such terms, shall reduce allocations to the Interest Option and the Company Stock Investment Option in the same proportions that the Participant's Account Balance is allocated between those investment options at the end of the month preceding the date of distribution. Notwithstanding the foregoing, no amount of Deferred Compensation shall be distributed to a Section 16 Person under this Deferral Plan which is attributable to the Stock Investment Option unless such amount was allocated to the Participant's Account in accordance with Section 1 of Article 4 at least six months prior to the date of distribution or no portion of such amount was allocated to the Company Stock Investment Option in the six months prior to distribution.

(c) Cash and Stock Payments. With respect to benefit payments made after September 30, 2004, all such benefit payments shall be made in cash to the extent a Participant's Account is allocated to the Interest Option or is attributable to Company Deferrals and shall be made in whole shares of the Company's Common Stock to the extent that a Participant's Account is allocated to the Company Stock Investment Option (other than with respect to Company Deferrals) and, except as otherwise provided, shall reduce allocations to the Interest Option and the Company Stock Investment Option in the same proportions that the Participant's Account Balance is allocated between those investment options at the end of the month preceding the date of distribution. Notwithstanding the foregoing, no amount of Deferred Compensation shall be distributed to a Section 16 Person under this Deferral Plan unless such amount was allocated to the Participant's Account in accordance with Section 1 of Article 4 at least six months prior to the date of distribution. At the Company's discretion a distribution of Common Stock may be made directly to a Participant or to a brokerage account opened in the name of the Participant. When an Account is distributed in a lump sum or, if an Account is distributed in installments, when the final installment is made, cash shall be distributed at that time in lieu of any fractional share of Common Stock. The cash distribution in lieu of fractional shares shall be based on the published closing price of the Company's Common Stock on the last Trading Day of the month preceding the date the distribution is scheduled to be made.

2. Election for Commencement of Payment. At the time a Participant first completes a Deferral Agreement, he or she shall elect from among the following options governing the date on which the payment of benefits shall commence:

- (A) Payment to begin on the Payment Date next following the date of the Participant's termination of employment with the Company for any reason.
- (B) Payment to begin on the first Payment Date of the year next following the year in which the Participant terminates employment with the Company for any reason.
- (C) Payment to begin on the Payment Date next following the date on which the Participant has both terminated employment with the Company for any reason and attained the age designated by the Participant in the Deferral Agreement.

Notwithstanding a Participant's election, any payment of benefits in the form of shares of Common Stock that would otherwise commence within six months of the date on which a Participant ceased to be Section 16 Person shall not be paid on that date but instead shall be paid on the first Payment Date that is at least six months after the date on which that Participant ceased to be a Section 16 Person.

3. Election for Form of Payment. At the time a Participant first completes a Deferral Agreement, he or she shall elect the form of payment of his or her Account Balance from among the following options:

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

4. Prospective Change of Payment Elections.

(a) Notwithstanding anything to the contrary in this Article V, a Participant may make an election with respect to the commencement of payment (from among the options set forth in Section 2(A), (B), or (C) above) and form of payment (from among the options set forth in Section 3(A) or (B) above) of his or her entire Account Balance, or with respect to specific Award Years, by executing and delivering to the Company an election form on or after October 1, 2002 in such form as prescribed by the Company. If a Participant has different payment options in effect with respect to his or her Account Balance, the Company shall maintain sub-accounts for the Participant to determine the amounts subject to each payment election; however, no election or modification of an election will be accepted if it would require the Company to maintain more than five sub-accounts within the Participant's Account in order to make payments in accordance with the Participant's elections.

(b) In the event a Participant does not make a valid election with respect to the commencement of payment and form of benefit for an Award Year commencing on or after October 1, 2002, the Participant will be deemed to have elected that payment of benefits with respect to that Award Year be made in a lump sum on or about the Payment Date next following the date of the Participant's termination of employment.

(c) A Participant's election with respect to an Award Year (including a "deemed election" in accordance with the preceding paragraph) shall remain in effect unless and until such election is modified by a subsequent election in accordance with the second preceding paragraph above.

(d) To constitute a valid election by a Participant making a prospective change to a previous election, the prospective election must be executed and delivered to the Company (i) at least six months before the date the first payment would be due under the Participant's previous election and (ii) in a different calendar year than the date the first payment would be due under the Participant's previous election. In the event an election fails to satisfy the provisions set forth in this paragraph, such election shall be void and, if such an election is void, payment shall be made in accordance with the most recent election which was valid. In addition, no prospective election will be considered valid to the extent the prospective election would (i) result in a payment being made within six months of the date of the prospective election or (ii) result in a payment under the prospective election in the same calendar year as the date of the prospective election. In the event a prospective election fails to satisfy the provisions set forth in the preceding sentence, the first payment under the prospective election will be delayed until the first Payment Date that is both (i) at least six months after the date of the prospective election and (ii) in a calendar year after the date of the prospective election.

(e) A Participant may not make or modify an election with respect to commencement of payment or form of payment after the date a Participant terminates employment.

5. Acceleration upon Early Termination. Notwithstanding a Participant's payment elections under this Article V, if the Participant terminates employment with the Company other than by reason of layoff, death or disability and before the Participant is eligible to commence receiving retirement benefits under a pension plan maintained by the Company (or before the Participant has attained age 55 if the Participant does not participate in such a pension plan), except as provided in Section 5 of Article III with respect to Company Deferrals, the Participant's Account Balance shall be distributed to him or her in a lump sum on or about the Payment Date next following the date of the Participant's termination of employment with the Company; provided, however, that if a distribution in accordance with the provisions of this Section 5 would otherwise result in a nonexempt short-swing transaction under Section 16(b) of the Exchange Act, the date of distribution with respect to any Section 16 Person 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.

6. Acceleration Upon Conflict of Interest. Notwithstanding a Participant's payment elections under this Article V, if following a Participant's termination of employment with the Company, the Participant takes a position (or accepts a position) with a governmental entity, agency, or instrumentality and that employer has determined or indicated that the Participant's continued participation in the Plan may constitute a conflict of interest precluding the Participant from continuing in his position (or from accepting an offered position) with that employer or subjecting the Participant to penalty, sanction, or otherwise limiting the Participant's responsibilities for that employer, except as provided in Section 5 of Article III with respect to Company Deferrals, then the Participant's Account Balance shall be distributed to him or her in a lump sum as soon as practical following the later of (i) the date on which the Participant

commences employment with the government employer; or (ii) the date on which it is determined or indicated that the conflict of interest may exist. This Section 6 shall be applicable only to the extent that such distribution conforms to Code section 409A.

7. Death Benefits.

(a) General Rule. Upon the death of a Participant before a complete distribution of his or her Account Balance, the Account Balance will be paid to the Participant's Beneficiary in accordance with the payment elections applicable to the Participant. If a Participant dies while actively employed or otherwise before the payment of benefits has commenced, payments to the Beneficiary shall commence on the date payments to the Participant would have commenced, taking account of the Participant's termination of employment (by death or before) and, if applicable, by postponing commencement until after the date the Participant would have attained the commencement age specified by the Participant. Whether the Participant dies before or after the commencement of distributions, payments to the Beneficiary shall be made for the period or remaining period elected by the Participant.

(b) Special Rule. Notwithstanding Section 7(a) of this Article V, in the event that a Participant dies before the Participant's entire Account Balance has been distributed, the Committee, in its sole discretion, may modify the timing of distributions from the Participant's Account, including the commencement date and number of distributions, if it concludes that such modification is necessary to relieve the financial burdens of the Participant's Beneficiary; provided, however, that if a distribution in accordance with the provisions of this Section 7(b) from the portion of the Participant's Account allocated to the Company Stock Investment Option would otherwise result in a nonexempt short-swing transaction under Section 16(b) of the Exchange Act, the date of distribution with respect to such portion to any Section 16 Person 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.

8. Early Distributions in Special Circumstances. Notwithstanding a Participant's payment elections under this Article V, a Participant or Beneficiary may request an earlier distribution in the following limited circumstances (except as provided in Section 5 of Article III with respect to Company Deferrals):

(a) Hardship Distributions. A Participant may apply for a hardship distribution pursuant to this Section 8(a) on such form and in such manner as the Committee shall prescribe and, subject to the last sentence of this Section 8(a) with respect to Section 16 Persons, the Committee shall have the power and discretion at any time to approve a payment to a Participant if the Committee determines that the Participant is suffering from a serious financial emergency caused by circumstances beyond the Participant's control which would cause a hardship to the Participant unless such payment were made. Any such hardship payment will be in a lump sum and will not exceed the lesser of (i) the amount necessary to satisfy the financial emergency (taking account of the income tax liability associated with the distribution), or (ii) the Participant's Account Balance; provided, however, that if a distribution in accordance with the

provisions of this Section 8(a) from the portion of the Participant's Account allocated to the Company Stock Investment Option would otherwise result in a nonexempt short-swing transaction under Section 16(b) of the Exchange Act, the date of distribution with respect to such portion to such Section 16 Person 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.

(b) Withdrawal with Forfeiture. A Participant may elect on such form and in such manner as the Committee shall prescribe at any time to withdraw ninety percent (90%) of the amount credited to the Participant's Account. If such a withdrawal is made, the remaining ten percent (10%) of the Participant's Account shall be permanently forfeited, and the Participant will be prohibited from deferring any amount under the Deferral Plan for the Award Year in which the withdrawal is received (or the first Award Year in which any portion of the withdrawal is received); provided, however, that if a distribution in accordance with the provisions of this Section 8(b) from the portion of the Participant's Account allocated to the Company Stock Investment Option would otherwise result in a nonexempt short-swing transaction under Section 16(b) of the Exchange Act, the date of distribution with respect to such portion to any Section 16 Person 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.

(c) Disability. If the Committee determines that a Participant has become permanently disabled before the Participant's entire Account Balance has been distributed, the Committee, in its sole discretion, may modify the timing of distributions from the Participant's Account, including the commencement date and number of distributions, if it concludes that such modification is necessary to relieve the financial burdens of the Participant; provided, however, that if a distribution in accordance with the provisions of this Section 8(c) from the portion of the Participant's Account allocated to the Company Stock Investment Option would otherwise result in a nonexempt short-swing transaction under Section 16 (b) of the Exchange Act, the date of distribution with respect to such portion to any Section 16 Person 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.

9. Acceleration upon Change in Control.

(a) Notwithstanding any other provision of the Deferral Plan, except as provided in Section 5 of Article III with respect to Company Deferrals, the Account Balance of each Participant shall be distributed in a single lump sum within fifteen (15) calendar days following a "Change in Control."

(b) For purposes of this Deferral Plan, a Change in Control shall include and be deemed to occur upon the following events:

(1) A tender offer or exchange offer is consummated for the ownership of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding voting securities entitled to vote in the election of directors of the Company.

(2) The Company is merged, combined, consolidated, recapitalized or otherwise reorganized with one or more other entities that are not Subsidiaries and, as a result of the merger, combination, consolidation, recapitalization or other reorganization, less than 75% of the outstanding voting securities of the surviving or resulting corporation shall immediately after the event be owned in the aggregate by the stockholders of the Company (directly or indirectly), determined on the basis of record ownership as of the date of determination of holders entitled to vote on the action (or in the absence of a vote, the day immediately prior to the event)

(3) Any person (as this term is used in Sections 3(a)(9) and 13(d)(3) of the Exchange Act, but excluding any person described in and satisfying the conditions of Rule 13d-1 (b)(1) thereunder), becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding securities entitled to vote in the election of directors of the Company.

(4) At any time within any period of two years after a tender offer, merger, combination, consolidation, recapitalization, or other reorganization or a contested election, or any combination of these events, the "Incumbent Directors" shall cease to constitute at least a majority of the authorized number of members of the Board. For purposes hereof, "Incumbent Directors" shall mean the persons who were members of the Board immediately before the first of these events and the persons who were elected or nominated as their successors or pursuant to increases in the size of the Board by a vote of at least three-fourths of the Board members who were then Board members (or successors or additional members so elected or nominated)

(5) The stockholders of the Company approve a plan of liquidation and dissolution or the sale or transfer of substantially all of the Company's business and/or assets as an entirety to an entity that is not a Subsidiary.

(c) Notwithstanding the provisions of Section 9(a), if a distribution in accordance with the provisions of Section 9(a) would result in a nonexempt short-swing transaction under Section 16(b) of the Exchange Act with respect to any Section 16 Person, then the date of distribution to such Section 16 Person 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.

(d) This Section 9 shall apply only to a Change in Control of Lockheed Martin Corporation and shall not cause immediate payout of Deferred Compensation in any transaction involving the Company's sale, liquidation, merger, or other disposition of any subsidiary.

(e) The Committee may cancel or modify this Section 9 at any time prior to a Change in Control. In the event of a Change in Control, this Section 9 shall remain in force and effect, and shall not be subject to cancellation or modification for a period of five years, and any defined term used in Section 9 shall not, for purposes of Section 9, be subject to cancellation or modification during the five-year period.

10. Deductibility of Payments. In the event that the payment of benefits in accordance with the Participant's elections under this Article V would prevent the Company from claiming an income tax deduction with respect to any portion of the benefits paid, the Committee shall have the right to modify the timing of distributions from the Participant's Account as necessary to maximize the Company's tax deductions. In the exercise of its discretion to adopt a modified distribution schedule, the Committee shall undertake to have distributions made at such times and in such amounts as most closely approximate the Participant's elections, consistent with the objective of maximum deductibility for the Company. The Committee shall have no authority to reduce a Participant's Account Balance or to pay aggregate benefits less than the Participant's Account Balance in the event that all or a portion thereof would not be deductible by the Company.

11. Change of Law. Notwithstanding anything to the contrary herein, if the Committee determines in good faith, based on consultation with counsel, that the federal income tax treatment or legal status of the Plan has or may be adversely affected by a change in the Code, Title I of the Employee Retirement Income Security Act of 1974, or other applicable law or by an administrative or judicial construction thereof, the Committee may direct that the Accounts of affected Participants or of all Participants be distributed as soon as practicable after such determination is made, to the extent deemed necessary or advisable by the Committee to cure or mitigate the consequences, or possible consequences of, such change in law or interpretation thereof.

12. Tax Withholding. To the extent required by law, the Company shall withhold from benefit payments hereunder, or with respect to any Incentive Compensation or Long Term Incentive Award payment deferred hereunder or credit contributed by the Company under Article IV, any Federal, state, or local income or payroll taxes required to be withheld and shall furnish the recipient and the applicable government agency or agencies with such reports, statements, or information as may be legally required.

ARTICLE VI

EXTENT OF PARTICIPANTS' RIGHTS

1. Unfunded Status of Plan. This Deferral Plan constitutes a mere contractual promise by the Company to make payments in the future, and each Participant's rights shall be those of a general, unsecured creditor of the Company. No Participant shall have any beneficial interest in any specific assets that the Company may hold or set aside in connection with this Deferral Plan. Notwithstanding the foregoing, to assist the Company in meeting its obligations under this Deferral Plan, the Company may set aside assets in a trust described in Revenue Procedure 92-64, 1992-2 C.B. 422, and the Company may direct that its obligations under this Deferral Plan be satisfied by payments out of such trust. The assets of any such trust will remain subject to the claims of the general creditors of the Company. It is the Company's intention that the Deferral Plan be unfunded for Federal income tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974.

2. Nonalienability of Benefits. A Participant's rights under this Deferral Plan shall not be assignable or transferable and any purported transfer, assignment, pledge or other encumbrance or attachment of any payments or benefits under this Deferral Plan, or any interest therein shall not be permitted or recognized, other than the designation of, or passage of payment rights to, a Beneficiary. Notwithstanding, any portion of a Participant's benefit under this Plan may be paid to a spouse or former spouse pursuant to the terms of a domestic relations order (as defined in Code section 414(p)(1)(B)), provided that the form of payment designated in such order is one that is provided for under Section 3 of Article V of this Deferral Plan.

ARTICLE VII

AMENDMENT OR TERMINATION

1. Amendment. The Board may amend, modify, suspend or discontinue this Deferral Plan at any time subject to any shareholder approval that may be required under applicable law, provided, however, that no such amendment shall have the effect of reducing a Participant's Account Balance or postponing the time when a Participant is entitled to receive a distribution of his Account Balance. Further, no amendment may alter the formula for crediting interest to Participants' Accounts with respect to amounts for which deferral elections have previously been made, unless the amended formula is not less favorable to Participants than that previously in effect, or unless each affected Participant consents to such change.

2. Termination. The Board reserves the right to terminate this Plan at any time and to pay all Participants their Account Balances in a lump sum immediately following such termination or at such time thereafter as the Board may determine; provided, however, that if a distribution in accordance with the provisions of this Section 2 would otherwise result in a nonexempt short-swing transaction under Section 16(b) of the Exchange Act, the date of distribution with respect to any Section 16 Person 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.

3. Transfer of Liability. The Board reserves the right to transfer to another entity all of the obligations of Company with respect to a Participant under this Plan if such entity agrees pursuant to a binding written agreement to assume all of the obligations of the Company under this Plan with respect to such Participant.

ARTICLE VIII
ADMINISTRATION

1. The Committee. This Deferral Plan shall be administered by the Compensation Committee of the Board or such other committee of the Board as may be designated by the Board and constituted so as to permit this Deferral Plan to comply with the disinterested administration requirements of Rule 16b-3 of the Exchange Act. The members of the Committee shall be designated by the Board. A majority of the members of the Committee (but not fewer than two) shall constitute a quorum. The vote of a majority of a quorum or the unanimous written consent of the Committee shall constitute action by the Committee. The Committee shall have full authority to interpret the Plan, and interpretations of the Plan by the Committee shall be final and binding on all parties.

2. Delegation and Reliance. 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 Deferral Plan in accordance with its terms and purpose, except that the Committee may not delegate any authority the delegation of which would cause this Deferral Plan to fail to satisfy the applicable requirements of Rule 16b-3. In making any determination or in taking or not taking any action under this Deferral Plan, the Committee may obtain and rely upon the advice of experts, including professional advisors to the Company. No member of the Committee or officer of the Company who is a Participant hereunder may participate in any decision specifically relating to his or her individual rights or benefits under the Deferral Plan.

3. Exculpation and Indemnity. Neither the Company nor any member of the Board or of the Committee, nor any other person participating in any determination of any question under this Deferral Plan, or in the interpretation, administration or application thereof, shall have any liability to any party for any action taken or not taken in good faith under this Deferral Plan or for the failure of the Deferral Plan or any Participant's rights under the Deferral Plan to achieve intended tax consequences, to qualify for exemption or relief under Section 16 of the Exchange Act and the rules thereunder, or to comply with any other law, compliance with which is not required on the part of the Company.

4. Facility of Payment. If a minor, person declared incompetent, or person incapable of handling the disposition of his or her property is entitled to receive a benefit, make an application, or make an election hereunder, the Committee may direct that such benefits be paid to, or such application or election be made by, the guardian, legal representative, or person having the care and custody of such minor, incompetent, or incapable person. Any payment made, application allowed, or election implemented in accordance with this Section shall completely discharge the Company and the Committee from all liability with respect thereto.

5. Proof of Claims. The Committee may require proof of the death, disability, incompetency, minority, or incapacity of any Participant or Beneficiary and of the right of a person to receive any benefit or make any application or election.

6. Claim Procedures. If a claim under this Deferral Plan is denied by the Committee, the Committee shall communicate such denial and shall provide an opportunity to appeal such denial in a manner which the Committee deems appropriate under the circumstances, which may include following the then applicable claims procedures under the Employee Retirement Income Security Act of 1974, as amended.

ARTICLE IX

GENERAL AND MISCELLANEOUS PROVISIONS

1. No Guarantee of Employment or Award. Neither this Deferral Plan, a Company Deferral nor a Participant's Deferral Agreement, either singly or collectively, shall in any way obligate the Company to continue the employment of a Participant with the Company, nor does either this Deferral Plan, a Company Deferral or a Deferral Agreement limit the right of the Company at any time and for any reason to terminate the Participant's employment. In no event shall this Deferral Plan, a Company Deferral or a Deferral Agreement, either singly or collectively, by their terms or implications constitute an employment contract of any nature whatsoever between the Company and a Participant. In no event shall this Deferral Plan, a Company Deferral or a Deferral Agreement, either singly or collectively, by their terms or implications in any way obligate the Company to award Incentive Compensation, grant any award under the Omnibus Plan or IPA Plan or make any Long Term Incentive Award payment to any Eligible Employee for any Award Year, whether or not the Eligible Employee is a Participant in the Deferral Plan for that Award Year, nor in any other way limit the right of the Company to change an Eligible Employee's compensation or other benefits.

2. Affect on Retirement Plans. Neither Incentive Compensation nor Long Term Incentive Award payments deferred under this Deferral Plan shall be treated as compensation for purposes of calculating the amount of a Participant's benefits or contributions under any pension, retirement, or other plan maintained by the Company, except as provided in such other plan.

3. Notice. Any written notice to the Company referred to herein shall be made by mailing or delivering such notice to the Company at 6801 Rockledge Drive, Bethesda, Maryland 20817, to the attention of the Vice President, Human Resources. Any written notice to a Participant shall be made by delivery to the Participant in person, through electronic transmission, or by mailing such notice to the Participant at his or her last-known place of residence or business address.

4. Performance of Acts. In the event it should become impossible for the Company or the Committee to perform any act required by this Deferral Plan, the Company or the Committee may perform such other act as it in good faith determines will most nearly carry out the intent and the purpose of this Deferral Plan.

5. Employee Consent. By electing to become a Participant hereunder, each Eligible Employee shall be deemed conclusively to have accepted and consented to all of the terms of this Deferral Plan and all actions or decisions made by the Company, the Board, or Committee with regard to the Deferral Plan.

6. Terms Binding. The provisions of this Deferral Plan and the Deferral Agreements hereunder shall be binding upon and inure to the benefit of the Company, its successors, and its assigns, and to the Participants and their heirs, executors, administrators, and legal representatives.

7. Copy of Plan. A copy of this Deferral Plan shall be available for inspection by Participants or other persons entitled to benefits under the Deferral Plan at reasonable times at the offices of the Company.

8. State Law. The validity of this Deferral Plan or any of its provisions shall be construed, administered, and governed in all respects under and by the laws of the State of Maryland, except as to matters of Federal law. If any provisions of this instrument shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.

9. Regulatory Requirements. This Deferral Plan and its operation, including but not limited to, the mechanics of deferral elections, the issuance of securities, if any, or the payment of cash hereunder is subject to compliance with all applicable federal and state laws, rules and regulations (including but not limited to state and federal insider trading, registration, reporting and other securities laws) and such other approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company, be necessary or advisable in connection therewith.

10. Section 16 of Exchange Act. It is the intent of the Company that this Deferral Plan satisfy and be interpreted in a manner, that, in the case of Participants who are or may be Section 16 Persons, satisfies any applicable requirements of Rule 16b-3 of the Exchange Act or other exemptive rules under Section 16 of the Exchange Act and will not subject Section 16 Persons to short-swing profit liability thereunder. If any provision of this Deferral Plan would otherwise frustrate or conflict with the intent expressed in this Section 10, that provision to the extent possible shall be interpreted and deemed amended so as to avoid such conflict. To the extent of any remaining irreconcilable conflict with this intent, the provision shall be deemed disregarded. Similarly, any action or election by a Section 16 Person with respect to the Deferral Plan to the extent possible shall be interpreted and deemed amended so as to avoid liability under Section 16 or, if this is not possible, to the extent necessary to avoid liability under Section 16, shall be deemed ineffective. Notwithstanding anything to the contrary in this Deferral Plan, the provisions of this Deferral Plan may at any time be bifurcated by the Board or the Committee in any manner so that certain provisions of this Deferral Plan are applicable solely to Section 16 Persons. Notwithstanding any other provision of this Deferral Plan to the contrary, if a distribution which would otherwise occur is prohibited or proposed to be delayed because of the

provisions of Section 16 of the Exchange Act or the provisions of the Deferral Plan designed to ensure compliance with Section 16, the Section 16 Person involved may affirmatively elect in writing to have the distribution occur in any event; provided that the Section 16 Person shall concurrently enter into arrangements satisfactory to the Committee in its sole discretion for the satisfaction of any and all liabilities, costs and expenses arising from this election.

11. Securities Laws. This Deferral Plan, allocations to and from the Company Stock Investment Option and the issuance and delivery of shares of Common Stock and/or other securities or property or the payment of cash under this Deferral Plan, are subject to compliance with all applicable federal and state laws, rules and regulations (including but not limited to state and federal insider trading, registration, reporting and other securities laws and federal margin requirements) and to such approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company be necessary or advisable to comply with all legal requirements. Any securities delivered under this Deferral Plan shall be subject to such restrictions (and the person acquiring such securities shall, if requested by the Company provide such evidence, assurance and representations to the Company as to compliance with any thereof) as counsel to the Company may deem necessary or desirable to assure compliance with all applicable legal requirements.

12. 1995 Awards. Notwithstanding any other provision of this Deferral Plan, each Eligible Employee who is a Section 16 Person and has entered into a Deferral Agreement prior to the initial distribution of a prospectus relating to this Deferral Plan shall be entitled, during a ten-business-day period following the initial distribution of that prospectus, to make an irrevocable election to (i) receive a distribution of all or any portion of his or her Account Balance attributable to Deferred Compensation for the 1995 Award Year during the seventh month following the month of the election, or (ii) reallocate all or any part of his or her Account Balance attributable to Deferred Compensation for the 1995 Award Year to a different investment option as of the end of the sixth month following the month of the election.

13. Limits on Accounts. At no time shall the aggregate Account Balances of all Participants to the extent allocated to the Company Stock Investment Option exceed an amount equal to the then fair market value of 5,000,000 shares of the Company's Common Stock, nor shall the cumulative amount of Incentive Compensation and Long Term Incentive Award payments deferred under this Deferral Plan by all Eligible Employees for all Award Years exceed \$250,000,000.

14. Electronic Notice and Signatures. Whenever a signature notice or delivery of a document is required or appropriate under this Deferral Plan, signature, notice or delivery may be accomplished by paper or written format or, to the extent authorized by the Committee, by electronic means. In the event the Committee authorizes electronic means for the signature, notice or delivery of a document under this Deferral Plan, the electronic record or confirmation of that signature, notice or delivery maintained by or on behalf of the Committee shall for purposes of this Deferral Plan be treated as if it was a written signature or notice and was delivered in the manner provided herein for a written document.

ARTICLE X

EFFECTIVE DATE AND SHAREHOLDER APPROVAL

This Deferral Plan was adopted by the Board on July 27, 1995 and became effective upon adoption to awards of Incentive Compensation for the Company's fiscal year ending December 31, 1995 and subsequent fiscal years; provided, however, that with respect to Section 16 Persons, the availability of the Company Stock Investment Option is conditioned upon the approval of this Deferral Plan by the stockholders of Lockheed Martin Corporation. In the event that this Deferral Plan is not approved by the stockholders, then Section 16 Persons shall not be entitled to have Deferred Compensation allocated to the Company Stock Investment Option; any prior elections by Section 16 Persons to have allocations made to the Company Stock Investment Option shall retroactively be deemed ineffective, and the Account Balances of those Section 16 Persons shall be restated as if all of their Deferred Compensation had been allocated to the Interest Option at all times. Subsequent amendments to the Deferral Plan are effective as of the date stated in the amendment or the adopting resolution.

This Deferral Plan has been amended and restated effective as of the date stated on the first page herein.

Lockheed Martin Corporation
Computation of Ratio of Earnings to Fixed Charges
For the Three Months Ended March 31, 2006
(In millions, except ratio)

Earnings	
Earnings before income taxes	\$877
Interest expense	94
Losses (undistributed earnings) of 50% and less than 50% owned companies, net	8
Portion of rents representative of an interest factor	13
Amortization of debt premium and discount, net	(1)
Adjusted earnings from continuing operations before income taxes	<u>\$991</u>
Fixed Charges	
Interest expense	\$ 94
Portion of rents representative of an interest factor	13
Amortization of debt premium and discount, net	(1)
Capitalized interest	—
Total fixed charges	<u>\$106</u>
Ratio of Earnings to Fixed Charges	<u>9.3</u>

Acknowledgement of Independent Registered Public Accounting Firm

April 25, 2006

Board of Directors
Lockheed Martin Corporation

We are aware of the incorporation by reference in the following Registration Statements of Lockheed Martin Corporation:

- (1) Registration Statement Number 33-58067 on Form S-3, dated March 14, 1995;
- (2) Registration Statement Numbers: 33-58073, 33-58075, 33-58077, 33-58079, 33-58081, and 33-58097 on Form S-8, each dated March 15, 1995;
- (3) Post-Effective Amendment No. 1 on Form S-8 to the Registration Statement Number 33-57645 on Form S-4, dated March 15, 1995;
- (4) Registration Statement Number 33-63155 on Form S-8, dated October 3, 1995;
- (5) Post-Effective Amendment No. 1 on Form S-8 to the Registration Statement Number 33-58083, dated January 22, 1997;
- (6) Registration Statement Numbers: 333-20117 and 333-20139 on Form S-8, each dated January 22, 1997;
- (7) Registration Statement Number 333-27309 on Form S-8, dated May 16, 1997;
- (8) Registration Statement Number 333-37069 on Form S-8, dated October 2, 1997;
- (9) Registration Statement Number 333-40997 on Form S-8, dated November 25, 1997;
- (10) Registration Statement Number 333-58069 on Form S-8, dated June 30, 1998;
- (11) Registration Statement Number 333-69295 on Form S-8, dated December 18, 1998;
- (12) Registration Statement Number 333-92197 on Form S-8, dated December 6, 1999;
- (13) Registration Statement Number 333-92363 on Form S-8, dated December 8, 1999;

- (14) Post-Effective Amendment No. 2 on Form S-8 to the Registration Statement Number 333-78279 on Form S-4, dated August 3, 2000;
- (15) Registration Statement Number 333-43048 on Form S-3, dated August 4, 2000;
- (16) Registration Statement Number 333-56926 on Form S-8, dated March 12, 2001;
- (17) Registration Statement Number 333-84154 on Form S-8, dated March 12, 2002;
- (18) Registration Statement Number 333-105118 on Form S-8, dated May 9, 2003;
- (19) Registration Statement Numbers: 333-113769, 333-113770, 333-113771, 333-113772, and 333-113773 on Form S-8, each dated March 19, 2004;
- (20) Registration Statement Number 333-115357 on Form S-8, dated May 10, 2004;
- (21) Post-Effective Amendment No. 4 on Form S-3 to the Registration Statement Number 333-108333, dated November 3, 2004; and
- (22) Registration Statement Number 333-127084 on Form S-8, dated August 1, 2005;

of our report dated April 25, 2006, relating to the unaudited condensed consolidated interim financial statements of Lockheed Martin Corporation that is included in its Form 10-Q for the quarter ended March 31, 2006.

/s/ Ernst & Young LLP
Ernst & Young LLP

Baltimore, Maryland
April 25, 2006

I, Robert J. Stevens, Chairman, President and Chief Executive Officer, 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 officers 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 we 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 officers 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 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.

Date: April 27, 2006

/s/ Robert J. Stevens

Robert J. Stevens

Chairman, President and Chief Executive Officer

I, Christopher E. Kubasik, Executive Vice President and Chief Financial Officer, 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 officers 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 we 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 officers 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 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.

Date: April 27, 2006

/s/ Christopher E. Kubasik

Christopher E. Kubasik

Executive Vice President and Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350**

In connection with the Quarterly Report of Lockheed Martin Corporation (the "Corporation") on Form 10-Q for the period ended March 31, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert J. Stevens, Chairman, President and Chief Executive Officer of the Corporation, 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/ Robert J. Stevens

Robert J. Stevens

Chairman, President and Chief Executive Officer

April 27, 2006

A signed original of this written statement required by Section 906 has been provided to the Corporation and will be retained by the Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350**

In connection with the Quarterly Report of Lockheed Martin Corporation (the "Corporation") on Form 10-Q for the period ended March 31, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christopher E. Kubasik, Executive Vice President and Chief Financial Officer of the Corporation, 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/ Christopher E. Kubasik

Christopher E. Kubasik

Executive Vice President and Chief Financial Officer

April 27, 2006

A signed original of this written statement required by Section 906 has been provided to the Corporation and will be retained by the Corporation and furnished to the Securities and Exchange Commission or its staff upon request.