

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

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FORM 10-Q

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

For the quarterly period ended March 29, 2015

Commission File Number: 1-11437

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**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, Maryland**  
(Address of principal executive offices)

**20817**  
(Zip Code)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES  NO

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

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer  Smaller Reporting Company

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

There were 314,760,542 shares of our common stock, \$1 par value per share, outstanding as of March 29, 2015.

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**Lockheed Martin Corporation**  
**Form 10-Q**  
**For the Quarterly Period Ended March 29, 2015**  
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## PART I. FINANCIAL INFORMATION

## ITEM 1. Financial Statements.

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

|   | Quarters Ended    |                   |
|---|-------------------|-------------------|
|   | March 29,<br>2015 | March 30,<br>2014 |
| <b>Net sales</b>                            |                   |                   |
| Products                                    | \$ 7,853          | \$ 8,410          |
| Services                                    | 2,258             | 2,240             |
| Total net sales                             | 10,111            | 10,650            |
| <b>Cost of sales</b>                        |                   |                   |
| Products                                    | (6,951)           | (7,339)           |
| Services                                    | (1,951)           | (1,950)           |
| Other unallocated, net                      | 54                | 10                |
| Total cost of sales                         | (8,848)           | (9,279)           |
| Gross profit                                | 1,263             | 1,371             |
| Other income, net                           | 93                | 61                |
| <b>Operating profit</b>                     | 1,356             | 1,432             |
| Interest expense                            | (93)              | (86)              |
| Other non-operating income, net             | 3                 | 2                 |
| Earnings before income taxes                | 1,266             | 1,348             |
| Income tax expense                          | (388)             | (415)             |
| <b>Net earnings</b>                         | \$ 878            | \$ 933            |
| <b>Earnings per common share</b>            |                   |                   |
| Basic                                       | \$ 2.78           | \$ 2.92           |
| Diluted                                     | 2.74              | 2.87              |
| <b>Cash dividends paid per common share</b> | \$ 1.50           | \$ 1.33           |

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

**Lockheed Martin Corporation**  
**Consolidated Statements of Comprehensive Income**  
**(unaudited; in millions)**

|  | <b>Quarters Ended</b>     |                           |
|--|---------------------------|---------------------------|
|  | <b>March 29,<br/>2015</b> | <b>March 30,<br/>2014</b> |
| Net earnings   | \$ 878                    | \$ 933                    |
| Other comprehensive income (loss), net of tax                          |                           |                           |
| Recognition of previously deferred postretirement benefit plan amounts | 212                       | 167                       |
| Other, net   | (57)                      | (3)                       |
| Other comprehensive income, net of tax                                 | 155                       | 164                       |
| Comprehensive income   | \$ 1,033                  | \$ 1,097                  |

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

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

|   | March 29,<br>2015 | December 31,<br>2014 |
|---|-------------------|----------------------|
|   | (unaudited)       |                      |
| <b>Assets</b>   |                   |                      |
| Current assets  |                   |                      |
| Cash and cash equivalents                                 | \$ 3,486          | \$ 1,446             |
| Receivables, net  | 6,545             | 5,884                |
| Inventories, net  | 3,087             | 2,882                |
| Deferred income taxes                                     | 1,468             | 1,451                |
| Other current assets                                      | 632               | 666                  |
| Total current assets                                      | 15,218            | 12,329               |
| Property, plant and equipment, net                        | 4,654             | 4,755                |
| Goodwill  | 10,841            | 10,862               |
| Deferred income taxes                                     | 4,024             | 4,013                |
| Other noncurrent assets                                   | 5,015             | 5,114                |
| Total assets  | \$ 39,752         | \$ 37,073            |
| <b>Liabilities and stockholders' equity</b>               |                   |                      |
| Current liabilities                                       |                   |                      |
| Accounts payable  | \$ 1,945          | \$ 1,570             |
| Customer advances and amounts in excess of costs incurred | 5,548             | 5,790                |
| Salaries, benefits and payroll taxes                      | 1,722             | 1,826                |
| Other current liabilities                                 | 2,352             | 1,926                |
| Total current liabilities                                 | 11,567            | 11,112               |
| Accrued pension liabilities                               | 11,400            | 11,413               |
| Other postretirement benefit liabilities                  | 1,098             | 1,102                |
| Long-term debt, net                                       | 8,404             | 6,169                |
| Other noncurrent liabilities                              | 3,763             | 3,877                |
| Total liabilities   | 36,232            | 33,673               |
| Stockholders' equity                                      |                   |                      |
| Common stock, \$1 par value per share                     | 313               | 314                  |
| Additional paid-in capital                                | —                 | —                    |
| Retained earnings   | 14,922            | 14,956               |
| Accumulated other comprehensive loss                      | (11,715)          | (11,870)             |
| Total stockholders' equity                                | 3,520             | 3,400                |
| Total liabilities and stockholders' equity                | \$ 39,752         | \$ 37,073            |

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

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

|  | Quarters Ended    |                   |
|--|-------------------|-------------------|
|  | March 29,<br>2015 | March 30,<br>2014 |
| <b>Operating activities</b>  |                   |                   |
| Net earnings   | \$ 878            | \$ 933            |
| Adjustments to reconcile net earnings to net cash provided by operating activities |                   |                   |
| Depreciation and amortization  | 244               | 237               |
| Stock-based compensation   | 40                | 48                |
| Changes in assets and liabilities  |                   |                   |
| Receivables, net   | (661)             | (423)             |
| Inventories, net   | (205)             | 29                |
| Accounts payable   | 375               | 545               |
| Customer advances and amounts in excess of costs incurred                          | (242)             | (152)             |
| Postretirement benefit plans   | 292               | 320               |
| Income taxes   | 395               | 584               |
| Other, net   | (159)             | (21)              |
| Net cash provided by operating activities  | 957               | 2,100             |
| <b>Investing activities</b>  |                   |                   |
| Capital expenditures   | (118)             | (103)             |
| Other, net   | 26                | (23)              |
| Net cash used for investing activities   | (92)              | (126)             |
| <b>Financing activities</b>  |                   |                   |
| Issuance of long-term debt, net of related costs                                   | 2,213             | —                 |
| Repurchases of common stock  | (604)             | (1,106)           |
| Proceeds from stock option exercises   | 65                | 197               |
| Dividends paid   | (498)             | (444)             |
| Other, net   | (1)               | 26                |
| Net cash provided by (used for) financing activities                               | 1,175             | (1,327)           |
| Net change in cash and cash equivalents  | 2,040             | 647               |
| Cash and cash equivalents at beginning of period                                   | 1,446             | 2,617             |
| Cash and cash equivalents at end of period   | \$ 3,486          | \$ 3,264          |

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

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

|  | <b>Common<br/>Stock</b> | <b>Additional<br/>Paid-in<br/>Capital</b> | <b>Retained<br/>Earnings</b> | <b>Accumulated<br/>Other<br/>Comprehensive<br/>Loss</b> | <b>Total<br/>Stockholders'<br/>Equity</b> |
|--|-------------------------|---|------------------------------|---|---|
| Balance at December 31, 2013           | \$ 319                  | \$ —                                      | \$ 14,200                    | \$ (9,601)  | \$ 4,918                                  |
| Net earnings                           | —                       | —   | 933                          | —   | 933                                       |
| Other comprehensive income, net of tax | —                       | —   | —                            | 164   | 164                                       |
| Repurchases of common stock            | (7)                     | (316)                                     | (783)                        | —   | (1,106)                                   |
| Dividends declared                     | —                       | —   | (428)                        | —   | (428)                                     |
| Stock-based awards and ESOP activity   | 3                       | 316                                       | —                            | —   | 319                                       |
| Balance at March 30, 2014              | \$ 315                  | \$ —                                      | \$ 13,922                    | \$ (9,437)  | \$ 4,800                                  |
| Balance at December 31, 2014           | \$ 314                  | \$ —                                      | \$ 14,956                    | \$ (11,870)   | \$ 3,400                                  |
| Net earnings                           | —                       | —   | 878                          | —   | 878                                       |
| Other comprehensive income, net of tax | —                       | —   | —                            | 155   | 155                                       |
| Repurchases of common stock            | (3)                     | (166)                                     | (435)                        | —   | (604)                                     |
| Dividends declared                     | —                       | —   | (477)                        | —   | (477)                                     |
| Stock-based awards and ESOP activity   | 2                       | 166                                       | —                            | —   | 168                                       |
| Balance at March 29, 2015              | \$ 313                  | \$ —                                      | \$ 14,922                    | \$ (11,715)   | \$ 3,520                                  |

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

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

**NOTE 1 – BASIS OF PRESENTATION**

We prepared these consolidated financial statements in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information, the instructions to Form 10-Q and Article 10 of U.S. Securities and Exchange Commission (SEC) Regulation S-X. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. We followed the accounting policies disclosed in the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2014 (2014 Form 10-K) filed with the SEC.

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

We close our books and records on the last Sunday of the calendar quarter, which was on March 29 for the first quarter of 2015 and March 30 for the first quarter of 2014, to align our financial closing with our business processes. The consolidated financial statements and tables of financial information included herein are labeled based on that convention. This practice only affects interim periods as our fiscal year ends on December 31.

The results of operations for the interim periods presented are not necessarily indicative of results to be expected for the full year or future periods. Unless otherwise noted, we present all per share amounts cited in these consolidated financial statements on a "per diluted share" basis. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our 2014 Form 10-K.

**NOTE 2 – EARNINGS PER COMMON SHARE**

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

|   | <b>Quarters Ended</b>     |                           |
|---|---------------------------|---------------------------|
|   | <b>March 29,<br/>2015</b> | <b>March 30,<br/>2014</b> |
| Weighted average common shares outstanding for basic computations   | <b>315.4</b>              | 319.1                     |
| Weighted average dilutive effect of equity awards                   | <b>4.8</b>                | 6.0                       |
| Weighted average common shares outstanding for diluted computations | <b>320.2</b>              | 325.1                     |



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

We compute basic and diluted earnings per common share by dividing net earnings by the respective weighted average number of common shares outstanding for the periods presented. Our calculation of diluted earnings per common share also includes the dilutive effects for the assumed vesting of outstanding restricted stock units and exercise of outstanding stock options based on the treasury stock method. There were no anti-dilutive equity awards for the quarters ended March 29, 2015 and March 30, 2014.

**NOTE 3 – INFORMATION ON BUSINESS SEGMENTS**

We operate in five business segments: Aeronautics, Information Systems & Global Solutions (IS&GS), Missiles and Fire Control, Mission Systems and Training (MST) and Space Systems. We organize our business segments based on the nature of the products and services offered.

Net sales of our business segments exclude intersegment sales as these activities are eliminated in consolidation. Operating profit of our business segments includes our share of earnings or losses from equity method investees as the operating activities of the equity method investees are closely aligned with the operations of our business segments. United Launch Alliance (ULA), which is part of our Space Systems business segment, is our primary equity method investee. Operating profit of our business segments excludes the FAS/CAS pension adjustment described below; expense for stock-based compensation; the effects of items not considered part of management's evaluation of segment operating performance, such as charges related to significant severance actions (Note 8, under the caption "Restructuring Charges") and goodwill impairments; gains or losses from divestitures; the effects of certain legal settlements; corporate costs not allocated to our business segments; and other miscellaneous corporate activities. These items are included in the reconciling item "Unallocated items" between operating profit from our business segments and our consolidated operating profit. See Note 8 (under the caption "Changes in Estimates") for a discussion related to certain factors that may impact the comparability of net sales and operating profit of our business segments.

Our business segments' results of operations include pension expense only as calculated under U.S. Government Cost Accounting Standards (CAS), which we refer to as CAS pension cost. We recover CAS pension cost through the pricing of our products and services on U.S. Government contracts and, therefore, the CAS pension cost is recognized in each of our business segments' net sales and cost of sales. Since our consolidated financial statements must present pension expense calculated in accordance with the financial accounting standards (FAS) requirements under GAAP, which we refer to as FAS pension expense, the FAS/CAS pension adjustment increases or decreases the CAS pension cost recorded in our business segments' results of operations to equal the FAS pension expense.

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

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

|   | Quarters Ended    |                   |
|---|-------------------|-------------------|
|   | March 29,<br>2015 | March 30,<br>2014 |
| <b>Net sales</b>                        |                   |                   |
| Aeronautics                             | \$ 3,134          | \$ 3,386          |
| Information Systems & Global Solutions  | 1,869             | 1,910             |
| Missiles and Fire Control               | 1,503             | 1,867             |
| Mission Systems and Training            | 1,651             | 1,628             |
| Space Systems                           | 1,954             | 1,859             |
| Total net sales                         | \$ 10,111         | \$ 10,650         |
| <b>Operating profit</b>                 |                   |                   |
| Aeronautics                             | \$ 371            | \$ 393            |
| Information Systems & Global Solutions  | 136               | 174               |
| Missiles and Fire Control               | 292               | 358               |
| Mission Systems and Training            | 219               | 250               |
| Space Systems                           | 288               | 254               |
| Total business segment operating profit | 1,306             | 1,429             |
| <b>Unallocated items</b>                |                   |                   |
| FAS/CAS pension adjustment              |                   |                   |
| FAS pension expense                     | (284)             | (313)             |
| Less: CAS pension cost                  | 403               | 399               |
| FAS/CAS pension adjustment              | 119               | 86                |
| Stock-based compensation                | (40)              | (48)              |
| Other, net                              | (29)              | (35)              |
| Total unallocated items                 | 50                | 3                 |
| Total consolidated operating profit     | \$ 1,356          | \$ 1,432          |
| <b>Intersegment sales</b>               |                   |                   |
| Aeronautics                             | \$ 19             | \$ 27             |
| Information Systems & Global Solutions  | 185               | 176               |
| Missiles and Fire Control               | 90                | 87                |
| Mission Systems and Training            | 292               | 315               |
| Space Systems                           | 29                | 27                |
| Total intersegment sales                | \$ 615            | \$ 632            |

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

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

|  | March 29,<br>2015 | December 31,<br>2014 |
|--|-------------------|----------------------|
| <b>Assets</b>                          |                   |                      |
| Aeronautics                            | \$ 6,655          | \$ 6,021             |
| Information Systems & Global Solutions | 6,146             | 6,228                |
| Missiles and Fire Control              | 4,030             | 4,050                |
| Mission Systems and Training           | 6,291             | 6,277                |
| Space Systems                          | 4,043             | 3,914                |
| Total business segment assets          | 27,165            | 26,490               |
| Corporate assets (a)                   | 12,587            | 10,583               |
| Total assets                           | \$ 39,752         | \$ 37,073            |

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

Our Aeronautics business segment includes our largest program, the F-35 Lightning II Joint Strike Fighter, an international multi-role, multi-variant, stealth fighter aircraft. Net sales for the F-35 program represented approximately 19% and 16% of our total consolidated net sales for the quarters ended March 29, 2015 and March 30, 2014.

#### NOTE 4 – INVENTORIES, NET

Inventories, net consisted of the following (in millions):

|  | March 29,<br>2015 | December 31,<br>2014 |
|--|-------------------|----------------------|
| Work-in-process, primarily related to long-term contracts and programs in progress | \$ 7,306          | \$ 6,728             |
| Less: customer advances and progress payments                                      | (5,026)           | (4,701)              |
|  | 2,280             | 2,027                |
| Other inventories  | 807               | 855                  |
| Total inventories, net   | \$ 3,087          | \$ 2,882             |

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

**NOTE 5 – POSTRETIREMENT BENEFIT PLANS**

Our pretax net periodic benefit cost related to our qualified defined benefit pension plans and retiree medical and life insurance plans consisted of the following (in millions):

|   | Quarters Ended    |                   |
|---|-------------------|-------------------|
|   | March 29,<br>2015 | March 30,<br>2014 |
| <b>Qualified defined benefit pension plans</b>    |                   |                   |
| Service cost                                      | \$ 217            | \$ 243            |
| Interest cost                                     | 448               | 488               |
| Expected return on plan assets                    | (684)             | (660)             |
| Recognized net actuarial losses                   | 400               | 221               |
| Amortization of net prior service (credits) costs | (97)              | 21                |
| <b>Total net periodic benefit cost</b>            | <b>\$ 284</b>     | <b>\$ 313</b>     |
| <b>Retiree medical and life insurance plans</b>   |                   |                   |
| Service cost                                      | \$ 5              | \$ 5              |
| Interest cost                                     | 28                | 31                |
| Expected return on plan assets                    | (37)              | (36)              |
| Recognized net actuarial losses                   | 11                | 6                 |
| Amortization of net prior service costs           | 1                 | 1                 |
| <b>Total net periodic benefit cost</b>            | <b>\$ 8</b>       | <b>\$ 7</b>       |

The recognized net actuarial losses and the amortization of net prior service (credits) costs in the table above, as well as similar amounts related to our other postretirement benefit plans (\$13 million for the quarter ended March 29, 2015 and \$9 million for the quarter ended March 30, 2014), reflect amounts that were reclassified from accumulated other comprehensive loss (AOCL) and recorded as a component of net periodic benefit cost for the periods presented. These costs totaled \$212 million (net of \$116 million of tax expense) for the quarter ended March 29, 2015 and \$167 million (net of \$91 million of tax expense) for the quarter ended March 30, 2014, which were recorded on our Statements of Comprehensive Income as an increase to other comprehensive income.

The funding of our qualified defined benefit pension plans is determined in accordance with the Employee Retirement Income Security Act of 1974 (ERISA), as amended by the Pension Protection Act of 2006 (PPA), and in a manner consistent with CAS and Internal Revenue Code rules. There were no contributions to either our qualified defined benefit pension plans or our retiree medical and life insurance plans during the quarters ended March 29, 2015 and March 30, 2014. We do not plan to make contributions to our qualified defined benefit pension plans in 2015.

**NOTE 6 – LEGAL PROCEEDINGS AND CONTINGENCIES**

We are a party to or have property subject to litigation and other proceedings that arise in the ordinary course of our business, including matters arising under provisions relating to the protection of the environment and are subject to contingencies related to certain businesses we previously owned. These types of matters could result in fines, penalties, compensatory or treble damages or non-monetary relief. We believe that the probability is remote that the outcome of each of these matters, including the legal proceedings described below, will have a material adverse effect on the Corporation as a whole, notwithstanding that the unfavorable resolution of any matter may have a material effect on our net earnings in any particular interim reporting period. Among the factors that we consider in this assessment are the nature of existing legal proceedings and claims, the asserted or possible damages or loss contingency (if estimable), the progress of the case, existing law and precedent, the opinions or views of legal counsel and other advisers, our experience in similar cases and the experience of other companies, the facts available to us at the time of assessment and how we intend to respond to the proceeding or claim. Our assessment of these factors may change as individual proceedings or claims progress.

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

Although we cannot predict the outcome of legal or other proceedings with certainty, where there is at least a reasonable possibility that a loss may have been incurred, GAAP requires us to disclose an estimate of the reasonably possible loss or range of loss or make a statement that such an estimate cannot be made. We follow a thorough process in which we seek to estimate the reasonably possible loss or range of loss before we conclude and disclose that an estimate cannot be made. With respect to the legal proceedings discussed below, a reasonably possible loss or range of loss cannot be estimated.

**Legal Proceedings**

On April 24, 2009, we filed a declaratory judgment action against the New York Metropolitan Transportation Authority and its Capital Construction Company (collectively, the MTA) asking the U.S. District Court for the Southern District of New York to find that the MTA is in material breach of our agreement based on the MTA's failure to provide access to sites where work must be performed and the customer-furnished equipment necessary to complete the contract. The MTA filed an answer and counterclaim alleging that we breached the contract and subsequently terminated the contract for alleged default. The primary damages sought by the MTA are the cost to complete the contract and potential re-procurement costs. While we are unable to estimate the cost of another contractor to complete the contract and the costs of re-procurement, we note that our contract with the MTA had a total value of \$323 million, of which \$241 million was paid to us, and that the MTA is seeking damages of approximately \$190 million. We dispute the MTA's allegations and are defending against them. Additionally, following an investigation, our sureties on a performance bond related to this matter, who were represented by independent counsel, concluded that the MTA's termination of the contract was improper. Finally, our declaratory judgment action was later amended to include claims for monetary damages against the MTA of approximately \$95 million. This matter was taken under submission by the District Court in December 2014 after a five-week bench trial and the filing of post-trial pleadings by the parties. We expect a decision in the second or third quarter of 2015.

On August 28, 2003, the U.S. Department of Justice (DOJ) filed complaints in partial intervention in two lawsuits filed under the civil qui tam provisions of the False Claims Act in the U.S. 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 DOJ alleges that we committed violations of the Resource Conservation and Recovery Act at the Paducah Gaseous Diffusion Plant by not properly handling, storing and transporting hazardous waste, and that we violated the False Claims Act by misleading Department of Energy officials and state regulators about the nature and extent of environmental noncompliance at the plant. The complaint does not allege a specific calculation of damages. In April 2013, the parties attended a settlement conference ordered by the magistrate judge. The conference focused on the parties' sharply differing views of the merits of the case and did not significantly contribute to our understanding of the damages sought. In December 2014, the parties participated in confidential mediation pursuant to Federal Rule of Civil Procedure Rule 408. The plaintiffs made settlement demands at this mediation but these were not tied to any theory of damages, were not apportioned between the False Claims Act and Resource Conservation and Recovery Act allegations (as to which our defenses differ) and did not provide insight into what damages plaintiffs would seek to prove if this matter proceeds to trial. Consequently, we continue to be unable to estimate the reasonably possible loss or range of loss, which could be incurred if the plaintiffs were to prevail, but we believe we have substantial defenses. We anticipate filing motions for summary judgment in the second quarter of 2015.

**Environmental Matters**

We are involved in environmental proceedings and potential proceedings relating to soil and groundwater contamination, disposal of hazardous waste and other environmental matters at several of our current or former facilities or at third-party sites where we have been designated as a potentially responsible party (PRP). A substantial portion of environmental costs will be included in our net sales and cost of sales in future periods pursuant to U.S. Government regulations. At the time a liability is recorded for future environmental costs, we record a receivable for estimated future recovery considered probable through the pricing of products and services to agencies of the U.S. Government, regardless of the contract form (e.g., cost-reimbursable, fixed-price). We continuously evaluate the recoverability of our environmental receivables by assessing, among other

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

factors, U.S. Government regulations, our U.S. Government business base and contract mix and our history of receiving reimbursement of such costs. We include the portion of those environmental costs expected to be allocated to our non-U.S. Government contracts, or that is determined to not be recoverable under U.S. Government contracts, in our cost of sales at the time the liability is established.

At March 29, 2015 and December 31, 2014, the aggregate amount of liabilities recorded relative to environmental matters was \$950 million and \$965 million, most of which are recorded in other noncurrent liabilities on our Balance Sheets. We have recorded receivables totaling \$823 million and \$836 million at March 29, 2015 and December 31, 2014, most of which are recorded in other noncurrent assets on our Balance Sheets, for the estimated future recovery of these costs, as we consider the recovery probable based on the factors previously mentioned. We project costs and recovery of costs over approximately 20 years.

We also are pursuing claims for recovery of costs incurred or contribution to site cleanup costs against other PRPs, including the U.S. Government, and are conducting remediation activities under various consent decrees and orders relating to soil, groundwater, sediment or surface water contamination at certain sites of former or current operations. Under an agreement related to our Burbank and Glendale, California, sites, the U.S. Government reimburses us 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).

Our environmental liabilities could be impacted by regulations with respect to the contaminants perchlorate and hexavalent chromium. California is currently reevaluating its existing drinking water standard with respect to perchlorate. In March 2015, California's health risk agency announced a non-enforceable public health goal for perchlorate that California's regulatory agency must consider when promulgating an enforceable drinking water standard. The goal calls for maximum perchlorate levels significantly below those allowed under the current standard imposed by California. In addition, the U.S. Environmental Protection Agency (U.S. EPA) is considering whether to regulate perchlorate in drinking water and is also considering whether to impose standards for hexavalent chromium. If substantially lower standards are adopted for perchlorate in either California or at the federal level or if the U.S. EPA were to adopt a standard for hexavalent chromium lower than California's recently adopted standard of 10 parts per billion, we expect a material increase in our estimates for environmental liabilities and the related assets for the portion of the increased costs that are probable of future recovery in the pricing of our products and services for the U.S. Government. The amount that would be allocable to our non-U.S. Government contracts or that is determined to not be recoverable under U.S. Government contracts would be expensed, which may have a material effect on our earnings in any particular interim reporting period.

**Letters of Credit, Surety Bonds and Third-Party Guarantees**

We have entered into standby letters of credit, surety bonds and third-party guarantees with financial institutions and other third parties primarily relating to advances received from customers and the guarantee of future performance on certain contracts. Letters of credit and surety bonds generally are available for draw down in the event we do not perform. In some cases, we may guarantee the contractual performance of third parties such as venture partners. We had total outstanding letters of credit, surety bonds and third-party guarantees aggregating \$2.6 billion and \$2.4 billion at March 29, 2015 and December 31, 2014.

At March 29, 2015 and December 31, 2014, third-party guarantees totaled \$1.1 billion and \$774 million, of which approximately 90% and 85% related to guarantees of contractual performance of ventures to which we currently are or previously were a party. This amount represents our estimate of the maximum amount we would expect to incur upon the contractual non-performance of the venture partners. In addition, we generally have cross-indemnities in place that may enable us to recover amounts that may be paid on behalf of a venture partner. We believe our current and former venture partners will be able to perform their obligations, as they have done through March 29, 2015, and that it will not be necessary to make payments under the guarantees. In determining our exposures, we evaluate the reputation, performance on contractual obligations, technical capabilities and credit quality of our current and former venture partners.

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

**United Launch Alliance**

In connection with our 50% ownership interest of ULA, we and The Boeing Company (Boeing) have each received distributions from ULA, including distributions of \$527 million that we and Boeing have each received (since ULA's formation in December 2006) which are subject to agreements between us, Boeing and ULA, whereby, if ULA does not have sufficient cash resources or credit capacity to make required payments under the inventory supply agreement it has with Boeing, both we and Boeing would provide to ULA, in the form of an additional capital contribution, the level of funding required for ULA to make those payments. Any such capital contributions would not exceed the amount of the distributions subject to the agreements. Based on current expectations of ULA's cash flow needs, we currently believe that ULA should have sufficient operating cash flows and credit capacity, including access to its \$560 million revolving credit agreement from third-party financial institutions, to meet its obligations such that we will not be required to make a contribution under these agreements.

In addition, both we and Boeing have cross-indemnified each other for guarantees by us and Boeing of the performance and financial obligations of ULA under certain launch service contracts. We believe ULA will be able to fully perform its obligations, as it has done through March 29, 2015, and that it will not be necessary to make payments under the cross-indemnities or guarantees.

**NOTE 7 – FAIR VALUE MEASUREMENTS**

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

|                            | March 29, 2015 |         |         | December 31, 2014 |         |         |
|----------------------------|----------------|---------|---------|-------------------|---------|---------|
|                            | Total          | Level 1 | Level 2 | Total             | Level 1 | Level 2 |
| <b>Assets</b>              |                |         |         |                   |         |         |
| Equity securities          | \$ 93          | \$ 93   | \$ —    | \$ 92             | \$ 92   | \$ —    |
| Mutual funds               | 640            | 640     | —       | 696               | 696     | —       |
| U.S. Government securities | 134            | —       | 134     | 136               | —       | 136     |
| Other securities           | 161            | —       | 161     | 153               | —       | 153     |
| Derivatives                | 37             | —       | 37      | 27                | —       | 27      |
| <b>Liabilities</b>         |                |         |         |                   |         |         |
| Derivatives                | 29             | —       | 29      | 18                | —       | 18      |

Substantially all assets measured at fair value, other than derivatives, represent investments classified as trading securities held in a separate trust to fund certain of our non-qualified deferred compensation plans and are recorded in other noncurrent assets on our Balance Sheets. The fair values of equity securities and mutual funds are determined by reference to the quoted market price per unit in active markets multiplied by the number of units held without consideration of transaction costs. The fair values of U.S. Government and other securities are determined using pricing models that use observable inputs (e.g., interest rates and yield curves observable at commonly quoted intervals), bids provided by brokers or dealers or quoted prices of securities with similar characteristics. The fair values of derivative instruments, which consist of foreign currency exchange forward and interest rate swap contracts, primarily are determined based on the present value of future cash flows using model-derived valuations that use observable inputs such as interest rates, credit spreads and foreign currency exchange rates. We did not have any transfers of assets or liabilities between levels of the fair value hierarchy during the quarter ended March 29, 2015.

We use derivative instruments principally to reduce our exposure to market risks from changes in foreign currency exchange rates and interest rates. We do not enter into or hold derivative instruments for speculative trading purposes. We transact business globally and are subject to risks associated with changing foreign currency exchange rates. We enter into foreign currency hedges such as forward and option contracts that change in value as foreign currency exchange rates change. These contracts hedge forecasted foreign currency transactions in order to mitigate fluctuations in our earnings and cash flows associated with changes in foreign

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

currency exchange rates. We designate foreign currency hedges as cash flow hedges. We also are exposed to the impact of interest rate changes primarily through our borrowing activities. For fixed rate borrowings, we may use variable interest rate swaps, effectively converting fixed rate borrowings to variable rate borrowings in order to reduce the amount of interest paid. These swaps are designated as fair value hedges. For variable rate borrowings, we may use fixed interest rate swaps, effectively converting variable rate borrowings to fixed rate borrowings in order to mitigate the impact of interest rate changes on earnings. These swaps are designated as cash flow hedges. We also may enter into derivative instruments that are not designated as hedges and do not qualify for hedge accounting, which are intended to mitigate certain economic exposures.

The aggregate notional amount of our outstanding interest rate swaps at both March 29, 2015 and December 31, 2014 was \$1.3 billion. The aggregate notional amount of our outstanding foreign currency hedges at March 29, 2015 and December 31, 2014 was \$1.0 billion and \$804 million. Derivative instruments did not have a material impact on net earnings and comprehensive income during the quarters ended March 29, 2015 and March 30, 2014. Substantially all of our derivatives are designated for hedge accounting.

In addition to the financial instruments listed in the table above, we hold other financial instruments, including cash and cash equivalents, receivables, accounts payable and debt. The carrying amounts for cash and cash equivalents, receivables and accounts payable approximated their fair values. The estimated fair value of our outstanding debt was \$10.4 billion and \$7.9 billion at March 29, 2015 and December 31, 2014 and the outstanding principal amount was \$9.3 billion and \$7.0 billion at March 29, 2015 and December 31, 2014, excluding unamortized discounts of \$887 million and \$872 million. The estimated fair values of our outstanding debt were determined based on quoted prices for similar instruments in active markets (Level 2).

**NOTE 8 – OTHER**

**Changes in Estimates**

Accounting for contracts using the percentage-of-completion method requires judgment relative to assessing risks, estimating contract sales and costs (including estimating award and incentive fees and penalties related to performance) and making assumptions for schedule and technical issues. Due to the number of years it may take to complete many of our contracts and the scope and nature of the work required to be performed on those contracts, estimating total sales and costs at completion is complicated and subject to many variables and, accordingly estimates are subject to change. When adjustments in estimated total contract sales or estimated total costs are required, any changes from prior estimates are recognized in the current period for the inception-to-date effect of such changes. When estimates of total costs to be incurred on a contract exceed estimates of total sales to be earned, a provision for the entire loss on the contract is recorded in the period in which the loss is determined.

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

Comparability of our segment sales, operating profit and operating margins may be impacted favorably or unfavorably by changes in profit booking rates on our contracts accounted for using the percentage-of-completion method of accounting. Increases in the profit booking rates, typically referred to as risk retirements, usually relate



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

to revisions in the estimated total costs that reflect improved conditions on a particular contract. Conversely, conditions on a particular contract may deteriorate resulting in an increase in the estimated total costs to complete and a reduction in the profit booking rate. Increases or decreases in profit booking rates are recognized in the current period and reflect the inception-to-date effect of such changes. Segment operating profit and margins may also be impacted favorably or unfavorably by other items. Favorable items may include the positive resolution of contractual matters, cost recoveries on restructuring charges, insurance recoveries and gains on sales of assets. Unfavorable items may include the adverse resolution of contractual matters; restructuring charges, except for significant severance actions which are excluded from segment operating results; reserves for disputes; asset impairments; and losses on sales of assets. Our consolidated net adjustments not related to volume, including net profit booking rate adjustments and other matters, increased segment operating profit by approximately \$490 million and \$525 million for the quarters ended March 29, 2015 and March 30, 2014. These adjustments increased net earnings by approximately \$320 million (\$1.00 per share) and \$340 million (\$1.05 per share) for the quarters ended March 29, 2015 and March 30, 2014.

### **Restructuring Charges**

#### *Fourth Quarter 2013 Action*

In November 2013, we committed to a plan to close and consolidate certain facilities and reduce our total workforce by approximately 4,000 positions within our IS&GS, MST and Space Systems business segments. This plan resulted from a strategic review of our facility capacity and future workload projections for these businesses and was intended to better align our organization and cost structure and improve the affordability of our products and services given the changes in U.S. Government spending as well as the rapidly changing competitive and economic landscape. As of March 29, 2015, we have paid approximately \$123 million in severance payments associated with this action, of which approximately \$16 million was paid during the quarter ended March 29, 2015.

We also expect to incur total accelerated costs (e.g., accelerated depreciation expense related to long-lived assets at the sites to be closed) and incremental costs (e.g., relocation of equipment and other employee related costs) of approximately \$15 million, \$50 million and \$190 million at our IS&GS, MST and Space Systems business segments. As of March 29, 2015, we have incurred total accelerated and incremental costs of approximately \$136 million, inclusive of amounts incurred during the quarter ended March 29, 2015. The accelerated and incremental costs are recorded as incurred in cost of sales on our Statements of Earnings and included in the respective business segment's results of operations.

The remaining payments associated with the severance and incremental costs are expected to be paid by the end of 2015. We expect to recover a substantial amount of the restructuring charges through the pricing of our products and services to the U.S. Government and other customers, with the impact included in the respective business segment's results of operations.

### **Income Taxes**

Our effective income tax rates were 30.6% and 30.8% for the quarters ended March 29, 2015 and March 30, 2014. The rates for both periods benefited from tax deductions for U.S. manufacturing activities and for dividends paid to our defined contribution plans with an employee stock ownership plan feature. The rates included no benefit from the research and development tax credit because the credit was not part of the law and had not been reenacted during either period.

### **Stockholders' Equity**

#### *Repurchases of Common Stock*

During the quarter ended March 29, 2015, we repurchased 3.0 million shares of our common stock for \$604 million. We had total remaining authorization of \$3.1 billion for future common share repurchases under our program as of March 29, 2015. As we repurchase our common shares, we reduce common stock for the \$1 of par value of the shares repurchased, with the excess purchase price over par value recorded as a reduction of additional paid-in capital. If additional paid-in capital is reduced to zero, we record the remainder of the excess purchase price over par value as a reduction of retained earnings.

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

*Dividends*

We declared cash dividends totaling \$477 million (\$1.50 per share) and \$428 million (\$1.33 per share) during the quarters ended March 29, 2015 and March 30, 2014.

*Restricted Stock Unit Grants*

In January 2015, we granted certain employees approximately 0.6 million restricted stock units (RSUs) with a grant-date fair value of \$192.28 per RSU. The grant-date fair value of these RSUs is equal to the closing market price of our common stock on the grant date less a discount to reflect the delay in payment of dividend-equivalent cash payments that are made only upon vesting, which is generally three years from the grant date. We recognize the grant-date fair value of RSUs, less estimated forfeitures, as compensation expense ratably over the requisite service period, which is shorter than the vesting period if the employee is retirement eligible on the date of grant or will become retirement eligible before the end of the vesting period.

*Accumulated Other Comprehensive Loss*

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

|   | Postretirement<br>Benefit Plans | Other, net | AOCL        |
|---|---------------------------------|------------|-------------|
| Balance at December 31, 2013                      | \$ (9,649)                      | \$ 48      | \$ (9,601)  |
| Other comprehensive loss before reclassifications | —                               | (4)        | (4)         |
| Amounts reclassified from AOCL                    |                                 |            |             |
| Recognition of net actuarial losses (a)           | 153                             | —          | 153         |
| Amortization of net prior service costs (a)       | 14                              | —          | 14          |
| Other   | —                               | 1          | 1           |
| Total reclassified from AOCL                      | 167                             | 1          | 168         |
| Total other comprehensive income (loss)           | 167                             | (3)        | 164         |
| Balance at March 30, 2014                         | \$ (9,482)                      | \$ 45      | \$ (9,437)  |
| Balance at December 31, 2014                      | \$ (11,813)                     | \$ (57)    | \$ (11,870) |
| Other comprehensive loss before reclassifications | —                               | (54)       | (54)        |
| Amounts reclassified from AOCL                    |                                 |            |             |
| Recognition of net actuarial losses (a)           | 277                             | —          | 277         |
| Amortization of net prior service credits (a)     | (65)                            | —          | (65)        |
| Other   | —                               | (3)        | (3)         |
| Total reclassified from AOCL                      | 212                             | (3)        | 209         |
| Total other comprehensive income (loss)           | 212                             | (57)       | 155         |
| Balance at March 29, 2015                         | \$ (11,601)                     | \$ (114)   | \$ (11,715) |

(a) Reclassifications from AOCL related to our postretirement benefit plans were recorded as a component of net periodic benefit cost for each period presented (Note 5).

**Long-term Debt**

On February 20, 2015, we issued \$2.25 billion of notes in a registered public offering consisting of \$750 million maturing in 2025 with a fixed interest rate of 2.90%, \$500 million maturing in 2035 with a fixed interest rate of 3.60% and \$1.0 billion maturing in 2045 with a fixed interest rate of 3.80%. We may, at our option, redeem some or all of the notes at any time by paying the principal amount of notes being redeemed plus any make-whole premium and accrued and unpaid interest to the date of redemption. Interest on the notes is payable on March 1 and September 1 of each year, beginning on September 1, 2015. These notes rank equally in right of payment with all of our existing unsecured and unsubordinated indebtedness.

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

**Recent Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board (FASB) issued a new standard that will change the way we recognize revenue and significantly expand the disclosure requirements for revenue arrangements. Unless the FASB delays the effective date of the new standard, it will be effective for us beginning on January 1, 2017 and may be adopted either retrospectively or on a modified retrospective basis whereby the new standard would be applied to new contracts and existing contracts with remaining performance obligations as of the effective date, with a cumulative catch-up adjustment recorded to beginning retained earnings at the effective date for existing contracts with remaining performance obligations. In April 2015, the FASB proposed a one-year delay in the effective date of the standard to January 1, 2018, with an option that would permit companies to adopt the standard as early as the original effective date. Early adoption prior to the original effective date is not permitted. A final decision on the effective date is expected in 2015. We are currently evaluating the methods of adoption allowed by the new standard and the effect the standard is expected to have on our consolidated financial statements and related disclosures. As the new standard will supersede substantially all existing revenue guidance affecting us under GAAP, it could impact revenue and cost recognition on thousands of contracts across all our business segments, in addition to our business processes and our information technology systems. As a result, our evaluation of the effect of the new standard will extend over future periods.

**Review Report of Ernst & Young LLP,  
Independent Registered Public Accounting Firm**

Board of Directors  
Lockheed Martin Corporation

We have reviewed the consolidated balance sheet of Lockheed Martin Corporation as of March 29, 2015, and the related consolidated statements of earnings, comprehensive income, cash flows, and stockholders' equity for the quarters ended March 29, 2015 and March 30, 2014. 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 (United States), 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 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 the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Lockheed Martin Corporation as of December 31, 2014, and the related consolidated statements of earnings, comprehensive income, cash flows, and stockholders' equity for the year then ended (not presented herein), and we expressed an unqualified audit opinion on those consolidated financial statements in our report dated February 9, 2015. In our opinion, the accompanying consolidated balance sheet as of December 31, 2014, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Ernst & Young LLP

McLean, Virginia  
April 22, 2015

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

### BUSINESS OVERVIEW

We are a global security and aerospace company principally engaged in the research, design, development, manufacture, integration and sustainment of advanced technology systems, products and services. We also provide a broad range of management, engineering, technical, scientific, logistics and information services. We serve customers globally with products and services that have defense, civil and commercial applications, with our principal customers being agencies of the U.S. Government. In 2014, 79% of our \$45.6 billion in net sales were from the U.S. Government, either as a prime contractor or as a subcontractor (including 59% from the Department of Defense (DoD)), 20% were from international customers (including foreign military sales (FMS) contracted through the U.S. Government) and 1% were from U.S. commercial and other customers. Our main areas of focus are in defense, space, intelligence, homeland security and information technology, including cybersecurity.

The following discussion is a supplement to and should be read in conjunction with the accompanying consolidated financial statements and notes thereto and with our Annual Report on Form 10-K for the year ended December 31, 2014 (2014 Form 10-K).

### INDUSTRY CONSIDERATIONS

#### U.S. Government Funding Constraints

The U.S. Government, our principal customer, continues to face significant fiscal and economic challenges. To address those challenges, the U.S. Government has implemented various initiatives, including measures to reduce its spending levels pursuant to the Budget Control Act of 2011 (Budget Control Act). The Budget Control Act established limits on discretionary spending, which provided for reductions to planned defense spending of \$487 billion over a 10-year period that began with government fiscal year (GFY) 2012 (a U.S. Government fiscal year starts on October 1 and ends on September 30). The Budget Control Act also provided for additional automatic spending reductions, known as sequestration that would have reduced planned defense spending by an additional \$500 billion over a nine-year period that began in GFY 2013.

The Bipartisan Budget Act of 2013 (Bipartisan Budget Act) increased the limits on discretionary spending for GFY 2015, however, it retained sequestration cuts for GFYs 2016 through 2021, including the across-the-board spending reduction methodology provided for in the Budget Control Act. As a result, there remains uncertainty regarding how sequestration cuts beyond GFY 2015 will be applied, as the DoD and other agencies may have significantly less flexibility in how to apply budget cuts in future years. While the defense budget sustained the largest single reductions under the Budget Control Act, other civil agencies and programs have also been impacted by significant spending reductions. In light of the Budget Control Act and deficit reduction pressures, it is likely that discretionary spending by the U.S. Government will remain constrained for a number of years.

On December 16, 2014, the U.S. Government passed the GFY 2015 omnibus spending bill to finance most federal activities through September 30, 2015, the end of its current fiscal year, after operating under continuing resolution temporary funding measures from October 1, 2014 to December 16, 2014. The omnibus spending bill provides for a revised defense spending limit of \$585 billion for GFY 2015 and eliminated much of the uncertainty and inefficiency in procuring products and services under the continuing resolution. Under continuing resolutions, partial-year funding is available at prior year levels, subject to certain restrictions, but new spending initiatives are not authorized.

On February 2, 2015, the President submitted a budget proposal for GFY 2016, which included \$534 billion for defense spending, about \$35 billion more than the spending limits under the Budget Control Act. The budget also provides for \$51 billion in additional Overseas Contingency Operations (OCO) spending. In March 2015, budget resolutions were passed by both houses of Congress that outline total defense spending levels that meet or slightly exceed the amounts requested by the President in his GFY 2016 budget. The budget resolutions reach this target by leaving the Budget Control Act sequestration cuts to the Defense Department's base budget

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

in place, while increasing funding for OCO, an account normally restricted to paying for war-related costs. Although this strategy requires the support of the President, it may be the initial step toward achieving a potential budget agreement. We anticipate there will continue to be a significant debate within the U.S. Government over defense spending throughout the budget process for GFY 2016 and beyond. The outcome of these debates could have long-term consequences for our industry and company as described below. However, we believe that our portfolio of products and services will continue to be well supported in a strategically focused allocation of budget resources.

**Potential Impacts of Budget Reductions**

While recent budget actions provide a more measured and strategic approach to addressing the U.S. Government's fiscal challenges, sequestration remains a long-term concern. If not further modified, sequestration could have significant negative impacts on our industry and company in future periods. There may be disruption of ongoing programs, impacts to our supply chain, contractual actions (including partial or complete terminations), potential facilities closures, and thousands of personnel reductions across the industry that will severely impact advanced manufacturing operations and engineering expertise, and accelerate the loss of skills and knowledge. Sequestration, or other budgetary cuts in lieu of sequestration, could have a material negative effect on our company.

Despite the continued uncertainty surrounding U.S. Government budgets, the investments and acquisitions we have made in recent years have sought to align our businesses with what we believe are the most critical national priorities and mission areas. Additionally, we are seeking to lessen our dependence on contracts with the U.S. Government by focusing on expanding into adjacent markets close to our core capabilities and growing international sales, but we may not be successful in this strategy. The possibility remains, however, that our programs could be materially reduced, extended, or terminated as a result of the U.S. Government's continuing assessment of priorities, changes in government priorities, or budget reductions, including sequestration (particularly in those circumstances where sequestration is implemented across-the-board without regard to national priorities). Additionally, decreases in production volume associated with budget cuts, including sequestration, will increase unit costs, making our products less affordable for both our U.S. and international customers. In particular, sequestration may also result in significant rescheduling or termination activity with our supplier base. Such activity could result in claims from our suppliers, which may include the amount established in any settlement agreements, the costs of evaluating the supplier settlement proposals, and the costs of negotiating settlement agreements. Budget cuts, including sequestration, could result in restructuring charges, impairment of assets, including goodwill, or other charges. We expect costs associated with claims from our suppliers and restructuring charges will be recovered from our customers.

Generally, we expect that the impact of budget reductions on our operating results will lag in certain of our businesses with longer cycles, such as our Aeronautics and Space Systems business segments, and our products businesses within our Missiles and Fire Control (MFC) and Mission Systems and Training (MST) business segments, due to our production contract backlog. However, our businesses with smaller, short-term contracts are the most susceptible to the impacts of budget reductions, such as our Information Systems & Global Solutions (IS&GS) business segment and certain services businesses within our MFC and MST business segments. We have also experienced increased market pressures in these services businesses including lower in-theater support as troop levels are drawn down and increased re-competition on existing contracts coupled with the fragmentation of large contracts into multiple smaller contracts that are awarded primarily on the basis of price. Additionally, our services businesses across most of our business segments have experienced lower volume due to improved product field performance that require less service support.

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

**CONSOLIDATED RESULTS OF OPERATIONS**

Since our operating cycle is primarily long-term and involves many types of contracts for the design, development and manufacture of products and related activities with varying delivery schedules, the results of operations of a particular period, or period-to-period comparisons of sales and profits, may not be indicative of future operating results. The following discussions of comparative results among periods should be reviewed in this context. All per share amounts cited in these discussions are presented on a "per diluted share" basis, unless otherwise noted. Our consolidated results of operations were as follows (in millions, except per share data):

|  | Quarters Ended    |                   |
|--|-------------------|-------------------|
|  | March 29,<br>2015 | March 30,<br>2014 |
| Net sales                                | <b>\$10,111</b>   | \$10,650          |
| Cost of sales                            | <b>(8,848)</b>    | (9,279)           |
| Gross profit                             | <b>1,263</b>      | 1,371             |
| Other income, net                        | <b>93</b>         | 61                |
| Operating profit                         | <b>1,356</b>      | 1,432             |
| Interest expense                         | <b>(93)</b>       | (86)              |
| Other non-operating income, net          | <b>3</b>          | 2                 |
| Earnings before income taxes             | <b>1,266</b>      | 1,348             |
| Income tax expense                       | <b>(388)</b>      | (415)             |
| Net earnings                             | <b>878</b>        | 933               |
| <b>Diluted earnings per common share</b> | <b>\$ 2.74</b>    | \$ 2.87           |

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

**Net Sales**

We generate sales from the delivery of products and services to our customers. Product sales are predominantly generated in our Aeronautics, MFC, MST and Space Systems business segments and most of our service sales are generated in our IS&GS and MFC business segments. Our consolidated net sales were as follows (in millions):

|                        | Quarters Ended    |                   |
|------------------------|-------------------|-------------------|
|                        | March 29,<br>2015 | March 30,<br>2014 |
| Products               | <b>\$ 7,853</b>   | \$ 8,410          |
| Services               | <b>2,258</b>      | 2,240             |
| <b>Total net sales</b> | <b>\$10,111</b>   | \$10,650          |

Substantially all of our contracts are accounted for using the percentage-of-completion method. Under the percentage-of-completion method, we record net sales on contracts based upon our progress towards completion on a particular contract, as well as our estimate of the profit to be earned at completion. The following discussion of material changes in our consolidated net sales should be read in tandem with the following discussion of changes in our consolidated cost of sales and our business segment results of operations because changes in our sales are typically accompanied by a corresponding change in our cost of sales due to the nature of the percentage-of-completion method.

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*Product Sales*

Our product sales represent about 80% of our total sales for both the quarters ended March 29, 2015 and March 30, 2014. Product sales decreased \$557 million, or 7%, during the quarter ended March 29, 2015 compared to the quarter ended March 30, 2014, primarily due to lower product sales of about \$310 million at MFC and approximately \$255 million at Aeronautics. The decrease at MFC was primarily driven by fewer deliveries from tactical missile programs (Hellfire, Joint Air-to-Surface Standoff Missile (JASSM) and Guided Multiple Launch Rocket System (GMLRS)) and air and missile defense programs (primarily Patriot Advanced Capability-3 (PAC-3)). The decrease at Aeronautics was attributable to fewer aircraft deliveries (C-130, C-5 and F-16 programs), partially offset by increased volume and sustainment activities on the F-35 production contracts.

*Service Sales*

Our service sales represent about 20% of our total sales for both the quarters ended March 29, 2015 and March 30, 2014. Service sales increased \$18 million, or 1%, during the quarter ended March 29, 2015 compared to the quarter ended March 30, 2014. Higher service sales of about \$90 million at Space Systems due to businesses acquired in 2014 were partially offset by lower service sales of approximately \$55 million at MFC, primarily attributable to various technical services programs as a result of decreased volume reflecting market pressures.

**Cost of Sales**

Cost of sales, for both products and services, consist of materials, labor, subcontracting costs, an allocation of indirect costs (overhead and general and administrative), as well as the costs to fulfill our industrial cooperation agreements, sometimes referred to as offset agreements, required under certain contracts with international customers. For each of our contracts, we monitor the nature and amount of costs at the contract level, which form the basis for estimating our total costs to complete the contract. Our consolidated cost of sales were as follows (in millions):

|                            | <b>Quarters Ended</b>     |                           |
|----------------------------|---------------------------|---------------------------|
|                            | <b>March 29,<br/>2015</b> | <b>March 30,<br/>2014</b> |
| Cost of sales - products   | <b>\$(6,951)</b>          | \$(7,339)                 |
| % of product sales         | <b>88.5%</b>              | 87.3%                     |
| Cost of sales - services   | <b>(1,951)</b>            | (1,950)                   |
| % of service sales         | <b>86.4%</b>              | 87.1%                     |
| Other unallocated, net     | <b>54</b>                 | 10                        |
| <b>Total cost of sales</b> | <b>\$(8,848)</b>          | \$(9,279)                 |

The following discussion of material changes in our consolidated cost of sales for products and services should be read in tandem with the preceding discussion of changes in our consolidated net sales and our business segment results of operations. We have not identified any developing trends in cost of sales for products and services that would have a material impact on our future operations.

*Product Costs*

Product costs decreased \$388 million, or 5%, during the quarter ended March 29, 2015 compared to the quarter ended March 30, 2014. Product costs decreased about \$235 million at MFC and approximately \$205 million at Aeronautics. The decreases at MFC and Aeronautics were attributable to the fewer deliveries for the various programs mentioned above. The 1.2% increase in product costs as a percentage of product sales for the quarter ended March 29, 2015 compared to the quarter ended March 30, 2014 was primarily due to lower operating profit margin due to performance matters on an international program during the quarter ended March 29, 2015 at IS&GS and items impacting MST, including decreased risk retirements (ship and aviation systems) and new program starts.



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*Service Costs*

Service costs during the quarter ended March 29, 2015 were comparable to the quarter ended March 30, 2014. Higher service costs of about \$90 million at Space Systems due to businesses acquired in the third quarter of 2014 were offset by lower service costs of approximately \$70 million at MFC, primarily attributable to various technical services programs as a result of decreased volume reflecting market pressures. The 0.7% decrease in service costs as a percentage of service sales for the quarter ended March 29, 2015 compared to the quarter ended March 30, 2014 was primarily due to the items decreasing service costs at MFC.

*Other Unallocated, Net*

Other unallocated, net primarily includes the FAS/CAS pension adjustment as described in the Business Segment Results of Operations section below, stock-based compensation and other corporate costs. These items are not allocated to the business segments and, therefore, are excluded from the cost of sales for products and services. Other unallocated, net was \$54 million of income for the quarter ended March 29, 2015 compared to \$10 million of income for the quarter ended March 30, 2014.

The increase was primarily attributable to the increase in the FAS/CAS pension adjustment, partially offset by fluctuations in other costs associated with various corporate items, none of which were individually significant. The change in the FAS/CAS pension adjustment was attributable to the decrease in FAS pension expense resulting from the June 2014 plan amendments to certain of our defined benefit pension plans to freeze future retirement benefits, which was partially offset by the impact of new longevity (also known as mortality) assumptions adopted in 2014 and a lower discount rate.

**Other Income, Net**

Other income, net primarily includes our share of earnings or losses from equity method investees. For the quarter ended March 29, 2015, other income, net was \$93 million, compared to \$61 million for the quarter ended March 30, 2014. The increase was primarily attributable to fluctuations in our share of earnings from equity method investees, as discussed in the "Business Segment Results of Operations" section below.

**Interest Expense**

Interest expense for the quarter ended March 29, 2015 was \$93 million, about the same as for the quarter ended March 30, 2014. The impact of the issuance of the \$2.25 billion of fixed rate notes in February 2015 (Note 8 under the caption "Long-term Debt") is expected to increase our quarterly interest expense by approximately \$20 million.

**Other Non-Operating Income, Net**

Other non-operating income, net for the quarter ended March 29, 2015 was comparable to the quarter ended March 30, 2014.

**Income Tax Expense**

Our effective income tax rates were 30.6% and 30.8% for the quarters ended March 29, 2015 and March 30, 2014. The rates for both periods benefited from tax deductions for U.S. manufacturing activities and for dividends paid to our defined contribution plans with an employee stock ownership plan feature. The rates included no benefit from the research and development tax credit because the credit was not part of the law and had not been reenacted during either period.

Future changes in tax law could significantly impact our provision for income taxes, the amount of taxes payable and our deferred tax asset and liability balances. Recent proposals to lower the U.S. corporate income tax rate would require us to reduce our net deferred tax assets upon enactment of new tax legislation, with a

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corresponding material, one-time, non-cash increase in income tax expense, but our income tax expense and payments would be materially reduced in subsequent years. Our net deferred tax assets were \$5.5 billion as of March 29, 2015 and December 31, 2014, based on a 35% Federal statutory income tax rate, and primarily relate to our postretirement benefit plans. If legislation reducing the Federal statutory income tax rate to 25% had been enacted at March 29, 2015, our net deferred tax assets would have been reduced by \$1.6 billion and we would have recorded a corresponding one-time, non-cash increase in income tax expense of \$1.6 billion. This additional expense would be less if the legislation phased in the tax rate reduction or if the final rate was higher than 25%. The amount of net deferred tax assets will change periodically based on several factors, including the measurement of our postretirement benefit plan obligations and actual cash contributions to our postretirement benefit plans.

**Net Earnings**

Net earnings for the quarter ended March 29, 2015 were \$878 million (\$2.74 per share) compared to \$933 million (\$2.87 per share) for the quarter ended March 30, 2014. Both net earnings and earnings per share were affected by the factors mentioned above.

**BUSINESS SEGMENT RESULTS OF OPERATIONS**

We operate in five business segments: Aeronautics, IS&GS, MFC, MST and Space Systems. We organize our business segments based on the nature of the products and services offered.

Net sales of our business segments exclude intersegment sales as these activities are eliminated in consolidation. Operating profit of our business segments includes our share of earnings or losses from equity method investees as the operating activities of the equity method investees are closely aligned with the operations of our business segments. United Launch Alliance (ULA), which is part of our Space Systems business segment, is our primary equity method investee. Operating profit of our business segments excludes the FAS/CAS pension adjustment described below; expense for stock-based compensation; the effects of items not considered part of management's evaluation of segment operating performance, such as charges related to significant severance actions (Note 8, under the caption "Restructuring Charges") and goodwill impairments; gains or losses from divestitures; the effects of certain legal settlements; corporate costs not allocated to our business segments; and other miscellaneous corporate activities. These items are included in the reconciling item "Unallocated items" between operating profit from our business segments and our consolidated operating profit. See Note 8 (under the caption "Changes in Estimates") for a discussion related to certain factors that may impact the comparability of net sales and operating profit of our business segments.

Our business segments' results of operations include pension expense only as calculated under CAS, which we refer to as CAS pension cost. We recover CAS pension cost through the pricing of our products and services on U.S. Government contracts and, therefore, the CAS pension cost is recognized in each of our business segments' net sales and cost of sales. Since our consolidated financial statements must present pension expense calculated in accordance with the financial accounting standards (FAS) requirements under U.S. generally accepted accounting principles (GAAP), which we refer to as FAS pension expense, the FAS/CAS pension adjustment increases or decreases the CAS pension cost recorded in our business segments' results of operations to equal the FAS pension expense.

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

|  | Quarters Ended    |                   |
|--|-------------------|-------------------|
|  | March 29,<br>2015 | March 30,<br>2014 |
| <b>Net sales</b>                               |                   |                   |
| Aeronautics                                    | \$ 3,134          | \$ 3,386          |
| Information Systems & Global Solutions         | 1,869             | 1,910             |
| Missiles and Fire Control                      | 1,503             | 1,867             |
| Mission Systems and Training                   | 1,651             | 1,628             |
| Space Systems                                  | 1,954             | 1,859             |
| <b>Total net sales</b>                         | <b>\$10,111</b>   | <b>\$10,650</b>   |
| <b>Operating profit</b>                        |                   |                   |
| Aeronautics                                    | \$ 371            | \$ 393            |
| Information Systems & Global Solutions         | 136               | 174               |
| Missiles and Fire Control                      | 292               | 358               |
| Mission Systems and Training                   | 219               | 250               |
| Space Systems                                  | 288               | 254               |
| <b>Total business segment operating profit</b> | <b>1,306</b>      | <b>1,429</b>      |
| <b>Unallocated items</b>                       |                   |                   |
| FAS/CAS pension adjustment                     |                   |                   |
| FAS pension expense                            | (284)             | (313)             |
| Less: CAS pension cost                         | 403               | 399               |
| FAS/CAS pension adjustment                     | 119               | 86                |
| Stock-based compensation                       | (40)              | (48)              |
| Other, net                                     | (29)              | (35)              |
| <b>Total unallocated items</b>                 | <b>50</b>         | <b>3</b>          |
| <b>Total consolidated operating profit</b>     | <b>\$ 1,356</b>   | <b>\$ 1,432</b>   |

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

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

Many of our contracts span several years and include highly complex technical requirements. At the outset of a contract, we identify and monitor risks to the achievement of the technical, schedule and cost aspects of the contract and assess the effects of those risks on our estimates of total costs to complete the contract. The estimates consider the technical requirements (e.g., a newly-developed product versus a mature product), the schedule and associated tasks (e.g., the number and type of milestone events) and costs (e.g., material, labor,

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subcontractor, overhead and the estimated costs to fulfill our industrial cooperation agreements, sometimes referred to as offset agreements, required under certain contracts with international customers). The initial profit booking rate of each contract considers risks surrounding the ability to achieve the technical requirements, schedule and costs in the initial estimated total costs to complete the contract. Profit booking rates may increase during the performance of the contract if we successfully retire risks surrounding the technical, schedule and cost aspects of the contract which decreases the estimated total costs to complete the contract. Conversely, our profit booking rates may decrease if the estimated total costs to complete the contract increase. All of the estimates are subject to change during the performance of the contract and may affect the profit booking rate.

Changes in net sales and operating profit generally are expressed in terms of volume. Changes in volume refer to increases or decreases in sales or operating profit resulting from varying production activity levels, deliveries or service levels on individual contracts. Changes in volume also include the effect of fluctuations in contract profit booking rates that have occurred in reporting periods other than those presented in the comparative segment results. Volume changes in segment operating profit are typically based on the current profit booking rate for a particular contract.

Comparability of our segment sales, operating profit and operating margins may be impacted favorably or unfavorably by changes in profit booking rates on our contracts accounted for using the percentage-of-completion method of accounting. Increases in the profit booking rates, typically referred to as risk retirements, usually relate to revisions in the estimated total costs that reflect improved conditions on a particular contract. Conversely, conditions on a particular contract may deteriorate resulting in an increase in the estimated total costs to complete and a reduction in the profit booking rate. Increases or decreases in profit booking rates are recognized in the current period and reflect the inception-to-date effect of such changes. Segment operating profit and margins may also be impacted favorably or unfavorably by other items. Favorable items may include the positive resolution of contractual matters, cost recoveries on restructuring charges, insurance recoveries and gains on sales of assets. Unfavorable items may include the adverse resolution of contractual matters; restructuring charges, except for significant severance actions (Note 8, under the caption "Restructuring Charges") which are excluded from segment operating results; reserves for disputes; asset impairments; and losses on sales of assets. Segment operating profit and items such as risk retirements, reductions of profit booking rates or other matters are presented net of state income taxes.

Our consolidated net adjustments not related to volume, including net profit booking rate adjustments and other matters, net of state income taxes, increased segment operating profit by approximately \$490 million and \$525 million for the quarters ended March 29, 2015 and March 30, 2014. The consolidated net adjustments for the quarter ended March 29, 2015 include lower operating profit for performance matters on an international program at IS&GS, as mentioned in our business segment results of operations below.

## Aeronautics

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

|                   | <b>Quarters Ended</b>     |                           |
|-------------------|---------------------------|---------------------------|
|                   | <b>March 29,<br/>2015</b> | <b>March 30,<br/>2014</b> |
| Net sales         | <b>\$ 3,134</b>           | \$ 3,386                  |
| Operating profit  | <b>371</b>                | 393                       |
| Operating margins | <b>11.8%</b>              | 11.6%                     |

Aeronautics' net sales for the quarter ended March 29, 2015 decreased \$252 million, or 7%, compared to the quarter ended March 30, 2014. The decrease was attributable to lower net sales of approximately \$135 million for the C-130 program due to fewer aircraft deliveries (four aircraft delivered in the quarter ended March 29, 2015, compared to five delivered in the quarter ended March 30, 2014) and lower sustainment activities; about \$95 million for the C-5 program due to fewer aircraft deliveries (one aircraft delivered in the quarter ended March 29, 2015, compared to two delivered in the quarter ended March 30, 2014); approximately \$70 million for the F-16

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program due to decreased sustainment activities and fewer aircraft deliveries (three aircraft delivered in the quarter ended March 29, 2015, compared to four delivered in the quarter ended March 30, 2014); about \$50 million for the F-22 program due to decreased sustainment activities; and approximately \$50 million due to lower volume on various other sustainment activities. The decreases were partially offset by higher net sales of approximately \$175 million for F-35 production contracts due to increased volume and sustainment activities. Net sales for F-35 development contracts were comparable.

Aeronautics' operating profit for the quarter ended March 29, 2015 decreased \$22 million, or 6%, compared to the quarter ended March 30, 2014. The decrease was primarily attributable to lower operating profit of approximately \$30 million for the C-130 program due to fewer aircraft deliveries and lower risk retirements; and about \$20 million for the F-16 program due to decreased sustainment activities, lower risk retirements, and fewer aircraft deliveries. The decreases were partially offset by higher operating profit of approximately \$25 million for F-35 production contracts due to increased volume and risk retirements. Operating profit for F-35 development contracts was comparable. Adjustments not related to volume, including net profit booking rate adjustments, for the quarter ended March 29, 2015 were comparable to the quarter ended March 30, 2014.

### Information Systems & Global Solutions

Summary operating results for our IS&GS business segment were as follows (in millions):

|                   | <b>Quarters Ended</b>     |                           |
|-------------------|---------------------------|---------------------------|
|                   | <b>March 29,<br/>2015</b> | <b>March 30,<br/>2014</b> |
| Net sales         | <b>\$ 1,869</b>           | <b>\$ 1,910</b>           |
| Operating profit  | <b>136</b>                | <b>174</b>                |
| Operating margins | <b>7.3%</b>               | <b>9.1%</b>               |

IS&GS' net sales decreased \$41 million, or 2%, for the quarter ended March 29, 2015 compared to the quarter ended March 30, 2014. The decrease was attributable to lower net sales of approximately \$160 million due to decreased volume as a result of the wind-down or completion of certain programs (including Persistent Threat Detection System program) affected by in-theater force reductions, lower customer funding levels (primarily command and control programs), and the impacts of increased re-competition of existing contracts coupled with the fragmentation of large contracts into multiple smaller contracts that are awarded primarily on the basis of price (CMS-CITIC). The decreases were partially offset by higher net sales of approximately \$80 million for businesses acquired in 2014; and about \$40 million due to increased volume on recently awarded programs.

IS&GS' operating profit for the quarter ended March 29, 2015 decreased \$38 million, or 22%, compared to the quarter ended March 30, 2014. The decrease was primarily attributable to lower operating profit of approximately \$70 million for performance matters on an international program during the first quarter of 2015 and about \$10 million for the amortization of intangible assets associated with recently acquired businesses. The decreases were partially offset by higher operating profit of approximately \$35 million due to risk retirements on various programs and increased volume on recently awarded programs. Adjustments not related to volume, including net profit booking rate adjustments, were \$25 million lower for the quarter ended March 29, 2015 compared to the quarter ended March 30, 2014.

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**Missiles and Fire Control**

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

|                   | Quarters Ended    |                   |
|-------------------|-------------------|-------------------|
|                   | March 29,<br>2015 | March 30,<br>2014 |
| Net sales         | \$ 1,503          | \$ 1,867          |
| Operating profit  | 292               | 358               |
| Operating margins | 19.4%             | 19.2%             |

MFC's net sales for the quarter ended March 29, 2015 decreased \$364 million, or 19%, compared to the quarter ended March 30, 2014. The decrease was attributable to lower net sales of approximately \$160 million for tactical missile programs due to fewer deliveries (primarily Hellfire, JASSM and GMLRS); about \$115 million for air and missile defense programs due to decreased deliveries (primarily PAC-3); and approximately \$85 million for fire control programs due to decreased deliveries (primarily LANTIRN® and Sniper®).

MFC's operating profit for the quarter ended March 29, 2015 decreased \$66 million, or 18%, compared to the quarter ended March 30, 2014. The decrease was attributable to lower operating profit of approximately \$50 million for tactical missile programs due to fewer deliveries and lower risk retirements (primarily Hellfire); and about \$25 million for fire control programs due to lower risk retirements and fewer deliveries (primarily LANTIRN® and Sniper®). Adjustments not related to volume, including net profit booking rate adjustments, were approximately \$25 million lower for the quarter ended March 29, 2015 compared to the quarter ended March 30, 2014.

**Mission Systems and Training**

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

|                   | Quarters Ended    |                   |
|-------------------|-------------------|-------------------|
|                   | March 29,<br>2015 | March 30,<br>2014 |
| Net sales         | \$ 1,651          | \$ 1,628          |
| Operating profit  | 219               | 250               |
| Operating margins | 13.3%             | 15.4%             |

MST's net sales for the quarter ended March 29, 2015 increased \$23 million, or 1%, compared to the quarter ended March 30, 2014. Net sales increased by approximately \$110 million for integrated warfare systems and sensors programs due to the start of new programs (primarily Space Fence) and volume (including Aegis and radar surveillance programs); and \$35 million for undersea systems due to an increase in volume on various programs. The increases were mostly offset by lower net sales of approximately \$120 million for ship and aviation systems programs due to fewer deliveries (including MH-60) and lower volume (including Merlin Capability Sustainment Program).

MST's operating profit for the quarter ended March 29, 2015 decreased \$31 million, or 12%, compared to the quarter ended March 30, 2014. The decrease was primarily attributable to lower operating profit of approximately \$25 million for ship and aviation systems due to decreased risk retirements (primarily naval launchers programs) and lower volume. Adjustments not related to volume, including net profit booking rate adjustments and other matters, were approximately \$40 million lower for the quarter ended March 29, 2015 compared to the quarter ended March 30, 2014.

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**Space Systems**

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

|                   | <b>Quarters Ended</b>     |                           |
|-------------------|---------------------------|---------------------------|
|                   | <b>March 29,<br/>2015</b> | <b>March 30,<br/>2014</b> |
| Net sales         | <b>\$ 1,954</b>           | <b>\$ 1,859</b>           |
| Operating profit  | <b>288</b>                | <b>254</b>                |
| Operating margins | <b>14.7%</b>              | <b>13.7%</b>              |

Space Systems' net sales for the quarter ended March 29, 2015 increased \$95 million, or 5%, compared to the quarter ended March 30, 2014. The increase was attributable to higher net sales of approximately \$105 million for the Orion program due to increased volume; and about \$90 million for businesses acquired in 2014. These increases were partially offset by lower net sales of approximately \$75 million for government satellite programs due to decreased volume.

Space Systems' operating profit for the quarter ended March 29, 2015 increased \$34 million, or 13%, compared to the quarter ended March 30, 2014. The increase was attributable to higher operating profit of about \$20 million for government satellite programs due to increased risk retirements; and approximately \$15 million for the Orion program due to increased risk retirements and volume. Adjustments not related to volume, including net profit booking rate adjustments and other matters, were approximately \$50 million higher for the quarter ended March 29, 2015 compared to the quarter ended March 30, 2014.

Total equity earnings recognized by Space Systems (primarily ULA) represented approximately \$75 million, or 26%, of this business segment's operating profit for the quarter ended March 29, 2015, compared to approximately \$70 million, or 28%, in the quarter ended March 30, 2014.

**FINANCIAL CONDITION****Liquidity and Cash Flows**

We have a balanced cash deployment strategy to enhance stockholder value and position ourselves to take advantage of new business opportunities when they arise. Consistent with that strategy, we have continued to invest in our business, including capital expenditures, independent research and development and have made selective business acquisitions, while returning cash to stockholders through dividends and share repurchases, and managing our debt levels, maturities and interest rates.

We have generated strong operating cash flows, which have been the primary source of funding for our operations, capital expenditures, acquisitions, debt service and repayments, dividends, share repurchases and postretirement benefit plan contributions. We have accessed the capital markets on limited occasions, as needed or when opportunistic as we did in February 2015 when we issued \$2.25 billion of long-term debt. We expect our cash from operations will continue to be sufficient to support our operations and anticipated capital expenditures for the foreseeable future. As mentioned in the "Capital Resources" section below, we have financing resources available to fund potential cash outflows that are less predictable or more discretionary, should they occur. We also have access to credit markets, if needed, for liquidity or general corporate purposes, including, but not limited to, our revolving credit facility or the ability to issue commercial paper, and letters of credit to support customer advance payments and for other trade finance purposes such as guaranteeing our performance on particular contracts.

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The following table provides a summary of our cash flow information followed by a discussion of the key elements (in millions):

|  | <b>Quarters Ended</b>     |                           |
|--|---------------------------|---------------------------|
|  | <b>March 29,<br/>2015</b> | <b>March 30,<br/>2014</b> |
| Cash and cash equivalents at beginning of year       | <b>\$ 1,446</b>           | <b>\$ 2,617</b>           |
| Operating activities                                 |                           |                           |
| Net earnings   | <b>878</b>                | 933                       |
| Non-cash adjustments                                 | <b>284</b>                | 285                       |
| Changes in working capital                           | <b>(733)</b>              | (1)                       |
| Other, net   | <b>528</b>                | 883                       |
| Net cash provided by operating activities            | <b>957</b>                | 2,100                     |
| Net cash used for investing activities               | <b>(92)</b>               | (126)                     |
| Net cash provided by (used for) financing activities | <b>1,175</b>              | (1,327)                   |
| Net change in cash and cash equivalents              | <b>2,040</b>              | 647                       |
| Cash and cash equivalents at end of period           | <b>\$ 3,486</b>           | <b>\$ 3,264</b>           |

#### *Operating Activities*

Net cash provided by operating activities decreased \$1.1 billion for the quarter ended March 29, 2015 compared to the quarter ended March 30, 2014 primarily due to changes in working capital, decreases in income tax refunds as discussed below and lower net earnings. The \$732 million decrease in cash flows related to working capital (defined as receivables and inventories less accounts payable and customer advances and amounts in excess of costs incurred) was attributable to an increase in receivables due to timing of customer collections (primarily F-35 contracts) and growth in inventories due to timing of deliveries (C-130 and PAC-3). We made net income tax payments of \$36 million during the quarter ended March 29, 2015 compared to net income tax refunds of \$200 million during the quarter ended March 30, 2014 attributable to our tax-deductible pension contributions made during the quarter ended December 31, 2013.

#### *Investing Activities*

Net cash used for investing activities decreased \$34 million for the quarter ended March 29, 2015 compared to the quarter ended March 30, 2014 due to various activities, none of which were individually significant. Capital expenditures amounted to \$118 million and \$103 million for the quarters ended March 29, 2015 and March 30, 2014. The majority of our capital expenditures were for equipment and facilities infrastructure that generally are incurred to support new and existing programs across all of our business segments. We also incur capital expenditures for information technology to support programs and general enterprise information technology infrastructure, inclusive of costs for the development or purchase of internal-use software.

#### *Financing Activities*

Net cash provided by financing activities was \$1.2 billion for the quarter ended March 29, 2015 compared to net cash used for financing activities of \$1.3 billion for the quarter ended March 30, 2014. The difference between the periods was primarily due to proceeds received from the February 2015 debt issuance described below and lower share repurchases of common stock, partially offset by lower cash received from the issuance of common stock in connection with employee stock option exercises and higher dividends paid.

On February 20, 2015, we received proceeds of \$2.21 billion for the issuance of \$2.25 billion of fixed interest-rate long-term notes.

We paid \$604 million and \$1.1 billion to repurchase 3.0 million and 7.0 million shares of our common stock during the quarters ended March 29, 2015 and March 30, 2014.



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Cash received from the issuance of our common stock in connection with employee stock option exercises during the quarters ended March 29, 2015 and March 30, 2014 totaled \$65 million and \$197 million. Those exercises resulted in the issuance of 0.9 million and 2.3 million shares of our common stock.

During the quarter ended March 29, 2015, we paid dividends totaling \$498 million, which include our 2015 first quarter dividend (\$1.50 per share) and dividend-equivalent cash payments associated with the vesting of the January 2012 restricted stock unit grants. During the quarter ended March 30, 2014, we paid dividends totaling \$444 million (\$1.33 per share).

**Capital Resources**

At March 29, 2015, we held cash and cash equivalents of \$3.5 billion. As of March 29, 2015, approximately \$525 million of our cash and cash equivalents was held outside of the U.S. by our international subsidiaries. Although those balances are generally available to fund ordinary business operations without legal or other restrictions, a significant portion is not immediately available to fund U.S. operations unless repatriated. Our intention is to permanently reinvest earnings from our international subsidiaries. While we do not intend to do so, if this cash had been repatriated at March 29, 2015, the amount of additional U.S. federal income tax that would be due after considering international tax credits would not be significant.

Our outstanding debt, net of unamortized discounts, amounted to \$8.4 billion, which is inclusive of the issuance of the \$2.25 billion notes in February 2015 (Note 8 under the caption "Long-term Debt"), and mainly is in the form of publicly-issued notes that bear interest at fixed rates. As of March 29, 2015, we were in compliance with all covenants contained in our debt and credit agreements. There were no other material changes during the quarter ended March 29, 2015 to our contractual commitments as presented in "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our 2014 Form 10-K that were outside the ordinary course of our business.

At March 29, 2015, we had a \$1.5 billion revolving credit facility with a syndicate of banks that expires in August 2019. We may request and the banks may grant, at their discretion, an increase to the credit facility up to an additional \$500 million. The credit facility also includes a sublimit of up to \$300 million available for the issuance of letters of credit. There were no borrowings outstanding under the credit facility through March 29, 2015. We also have agreements in place with financial institutions to provide for the issuance of commercial paper. There were no commercial paper borrowings outstanding through March 29, 2015. If we were to issue commercial paper, the borrowings would be supported by the credit facility. We also have an effective shelf registration statement on Form S-3 on file with the U.S. Securities and Exchange Commission to provide for the issuance of an indeterminate amount of debt securities.

Our stockholders' equity was \$3.5 billion at March 29, 2015, an increase of \$120 million from December 31, 2014. The increase was primarily attributable to net earnings of \$878 million, the amortization of \$212 million in 2015 postretirement benefit plan expense, and employee stock activity of \$168 million (including the impacts of stock option exercises, ESOP activity and stock-based compensation). These increases were partially offset by the repurchase of 3.0 million common shares for \$604 million and dividends declared of \$477 million during the quarter ended March 29, 2015. As we repurchase our common shares, we reduce common stock for the \$1 of par value of the shares repurchased, with the excess purchase price over par value recorded as a reduction of additional paid-in capital. If additional paid-in capital is reduced to zero, we record the remainder of the excess purchase price over par value as a reduction of retained earnings.

**OTHER MATTERS**

**Status of the F-35 Program**

The F-35 program consists of a development contract and multiple production contracts, including sustainment activities. The development contract is being performed concurrent with the production contracts. Concurrent performance of development and production contracts is used for complex programs to test aircraft,

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

shorten the time to field systems, and achieve overall cost savings. We expect the development portion of the F-35 program will be substantially complete in 2017, with less significant efforts continuing into 2019. Production of the aircraft is expected to continue for many years given the U.S. Government's current inventory objective of 2,443 aircraft for the Air Force, Marine Corps, and Navy; commitments from our eight international partners and three international customers; as well as expressions of interest from other countries.

The U.S. Government continues to complete various operational tests, including ship trials, mission system evaluations, and weapons testing, with the F-35 aircraft fleet recently surpassing 30,000 flight hours. Progress continues to be made on the production of aircraft. In March 2015, the first internationally assembled F-35A rolled out of the Final Assembly and Check Out facility located in Cameri, Italy. As of March 29, 2015, we have delivered 117 production aircraft to our U.S. and international partners and have 92 production aircraft in backlog, including orders from our international partners.

Given the size and complexity of the F-35 program, we anticipate that there will be continual reviews related to aircraft performance, program schedule, cost, and requirements as part of the DoD, Congressional, and international partners' oversight and budgeting processes. Current program challenges include, but are not limited to, supplier and partner performance, software development, level of cost associated with life cycle operations and sustainment and warranties, receiving funding for production contracts on a timely basis, executing future flight tests, and findings resulting from testing and operating the aircraft.

### **Contingencies**

See Note 6 for information regarding our contingent obligations, including off-balance sheet arrangements.

### **Critical Accounting Policies**

There have been no significant changes to the critical accounting policies we disclosed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2014 Form 10-K.

#### *Goodwill*

We continue to experience uncertainty in our business environment due to significant fiscal and economic challenges facing the U.S. Government, our primary customer, as well as market pressures. While initiatives such as the Bipartisan Budget Act provided a more measured and strategic approach to addressing the U.S. Government's fiscal challenges through 2015, budget reductions, including sequestration, remain a long-term concern as the Bipartisan Budget Act retained sequestration cuts for GFYs 2016 through 2021 and the across-the-board spending reduction methodology provided for in the Budget Control Act. Generally, our businesses with smaller, short-term contracts are the most susceptible to the impacts of budget reductions, such as our Civil reporting unit within our IS&GS business segment, Technical Services reporting unit within our MFC business segment and certain services businesses within our MST business segment. The Civil reporting unit has been impacted by the continued downturn in certain federal agencies' information technology budgets and increased re-competition on existing contracts coupled with fragmentation of large contracts into multiple smaller contracts that are awarded primarily on the basis of price.

The carrying value of our Civil reporting unit included goodwill of \$2.1 billion as of March 29, 2015. In our last annual goodwill impairment analysis, which was performed in the fourth quarter of 2014, we estimated that the fair value of our Civil reporting unit exceeded its carrying value by a margin of approximately 15%. Budget reductions, contract cancellations and terminations or market pressures could cause our sales, earnings and cash flows to further decline below our current projections. Similarly, market factors utilized in the impairment analysis, including long-term growth rates, discount rates and market pricing multiples, could negatively impact the fair value of our reporting units. Based on our assessment of these circumstances, we have determined that our Civil reporting unit is at risk of a future goodwill impairment should there be further deterioration of projected cash flows, negative changes in market factors or a significant increase in the carrying value of this reporting unit.

**Lockheed Martin Corporation  
Management's Discussion and Analysis of Financial Condition  
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Impairment assessments inherently involve management judgments regarding a number of assumptions such as those described above. Due to the many variables inherent in the estimation of a reporting unit's fair value and the relative size of our recorded goodwill, differences in assumptions could have a material effect on the estimated fair value of one or more of our reporting units and could result in a goodwill impairment charge in a future period.

**Recent Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board (FASB) issued a new standard that will change the way we recognize revenue and significantly expand the disclosure requirements for revenue recognition. In April 2015, the FASB proposed a one-year delay in the effective date of the standard to January 1, 2018, with an option that would permit companies to adopt the standard as early as the original effective date of January 1, 2017. A final decision on the effective date is expected in 2015. See Note 8 (under the caption "New Accounting Pronouncements") for additional information related to this new standard.

## Lockheed Martin Corporation

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

For quantitative and qualitative disclosures about market risk, refer to the following sections of our Annual Report on Form 10-K for the year ended December 31, 2014: "Quantitative and Qualitative Disclosures About Market Risk," Note 1, under the caption "Derivative financial instruments," and Note 9. Our exposures to market risk have not changed materially since December 31, 2014.

### ITEM 4. Controls and Procedures.

We performed an evaluation of the effectiveness of our disclosure controls and procedures as of March 29, 2015. The evaluation was performed with the participation of senior management of each business segment and key Corporate functions, under the supervision of the Chief Executive Officer (CEO) and Chief Financial Officer (CFO). Based on this evaluation, the CEO and CFO concluded that our disclosure controls and procedures were operating and effective as of March 29, 2015.

There were no changes in our internal control over financial reporting during the quarter ended March 29, 2015 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### Forward-Looking Statements

This Form 10-Q contains statements that, to the extent they are not recitations of historical fact, constitute forward-looking statements within the meaning of the federal securities laws, and are based on our current expectations and assumptions. The words "believe," "estimate," "anticipate," "project," "intend," "expect," "plan," "outlook," "scheduled," "forecast" and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to risks and uncertainties. Actual results may differ materially due to factors such as:

- our reliance on contracts with the U.S. Government, all of which are conditioned upon the availability of funding;
- declining budgets; affordability initiatives; the implementation of automatic sequestration under the Budget Control Act of 2011; U.S. Government operations under a continuing resolution or the failure to adopt a budget which may cause contracts to be delayed, canceled or funded at lower levels or which may cause us to put our own funds at risk;
- risks related to the development, performance, schedule, cost and requirements of complex and technologically advanced programs including our largest, the F-35 program;
- economic, industry, business and political conditions (domestic and international) including their effects on governmental policy;
- our success in growing international sales and expanding into adjacent markets and risks associated with doing business in new markets and internationally;
- the competitive environment for our products and services, including increased market pressures in our services businesses, competition from outside the aerospace and defense industry, and increased bid protests;
- planned production rates for significant programs and compliance with stringent performance and reliability standards;
- the performance of key suppliers, teammates, venture partners, subcontractors and customers;
- the timing and customer acceptance of product deliveries;
- our ability to attract and retain key personnel and transfer knowledge to new personnel; the impact of work stoppages or other labor disruptions;
- the impact of cyber or other security threats or other disruptions to our businesses;
- our ability to implement, pace and effect capitalization changes such as share repurchase activity and pension funding or debt levels;
- our ability to recover certain costs under U.S. Government contracts and changes in contract mix;
- the accuracy of our estimates and projections;

### Lockheed Martin Corporation

- risk of a future impairment of goodwill or other long-term assets;
- movements in interest rates and other changes that may affect pension plan assumptions and actual returns on pension plan assets;
- realizing the anticipated benefits of acquisitions or divestitures, ventures, teaming arrangements or internal reorganizations, and our efforts to increase the efficiency of our operations and improve the affordability of our products and services;
- the adequacy of our insurance and indemnities;
- materials availability;
- the effect of changes in (or the interpretation of): legislation, regulation or policy, including those applicable to procurement, cost allowability or recovery, accounting, taxation, or export; and
- the outcome of legal proceedings, bid protests, environmental remediation efforts, government allegations that we have failed to comply with law, other contingencies and U.S. Government identification of deficiencies in our business systems.

These are only some of the factors that may affect the forward-looking statements contained in this Form 10-Q. For a discussion identifying additional important factors that could cause actual results to vary materially from those anticipated in the forward-looking statements, see our filings with the U.S. Securities and Exchange Commission (SEC) including, but not limited to, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2014 and this Form 10-Q. Our filings may be accessed through the Investor Relations page of our website, [www.lockheedmartin.com/investor](http://www.lockheedmartin.com/investor), or through the website maintained by the SEC at [www.sec.gov](http://www.sec.gov).

Our actual financial results likely will be different from those projected due to the inherent nature of projections. Given these uncertainties, forward-looking statements should not be relied on in making investment decisions. The forward-looking statements contained in this Form 10-Q speak only as of the date of its filing. Except where required by applicable law, we expressly disclaim a duty to provide updates to forward-looking statements after the date of this Form 10-Q to reflect subsequent events, changed circumstances, changes in expectations, or the estimates and assumptions associated with them. The forward-looking statements in this Form 10-Q are intended to be subject to the safe harbor protection provided by the federal securities laws.

**Lockheed Martin Corporation**

**PART II. OTHER INFORMATION**

**ITEM 1. Legal Proceedings.**

We are a party to or have property subject to litigation and other proceedings that arise in the ordinary course of our business, including matters arising under provisions relating to the protection of the environment and are subject to contingencies related to certain businesses we previously owned. These types of matters could result in fines, penalties, compensatory or treble damages or non-monetary relief. We believe the probability is remote that the outcome of these matters will have a material adverse effect on the Corporation as a whole, notwithstanding that the unfavorable resolution of any matter may have a material effect on our net earnings in any particular interim reporting period. We cannot predict the outcome of legal or other proceedings with certainty. These matters include the proceedings summarized in Note 6 in this Form 10-Q and Note 12 in our Annual Report on Form 10-K for the year ended December 31, 2014 (2014 Form 10-K) filed with the U.S. Securities and Exchange Commission.

We are subject to federal, state, local and foreign requirements for protection of the environment, including those for discharge of hazardous materials and remediation of contaminated sites. As a result, we are a party to or have our property subject to various lawsuits or proceedings involving environmental protection matters. Due in part to their complexity and pervasiveness, such requirements have resulted in us being involved with related legal proceedings, claims and remediation obligations. The extent of our financial exposure cannot in all cases be reasonably estimated at this time. For information regarding these matters, including current estimates of the amounts that we believe are required for remediation or clean-up to the extent estimable, see Note 6 in this Form 10-Q. See also "Critical Accounting Policies – Environmental Matters" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 12, each in our 2014 Form 10-K for a description of previously reported matters.

As a U.S. Government contractor, we are subject to various audits and investigations by the U.S. Government to determine whether our operations are being conducted in accordance with applicable regulatory requirements. U.S. Government investigations of us, whether relating to government contracts or conducted for other reasons, could result in administrative, civil or criminal liabilities, including repayments, fines or penalties being imposed upon us, or could lead to suspension, proposed debarment, debarment from eligibility for future U.S. Government contracting or suspension of export privileges. Suspension or debarment could have a material adverse effect on us because of our dependence on contracts with the U.S. Government. U.S. Government investigations often take years to complete and many result in no adverse action against us. We also provide products and services to customers outside of the U.S., which are subject to U.S. and foreign laws and regulations and foreign procurement policies and practices. Our compliance with local regulations or applicable U.S. Government regulations also may be audited or investigated.

**ITEM 1A. Risk Factors.**

While we attempt to identify, manage and mitigate risks and uncertainties associated with our business to the extent practical under the circumstances, some level of risk and uncertainty will always be present. "Item 1A. Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2014 (2014 Form 10-K) describes some of the risks and uncertainties associated with our business, including U.S. Government defense spending priorities, as further described in the "Industry Considerations" section of "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Form 10-Q. These risks and uncertainties have the potential to materially affect our business, results of operations, financial condition, cash flows, projected results and future prospects. We do not believe that there have been any material changes to the risk factors disclosed in our 2014 Form 10-K.

**Lockheed Martin Corporation**

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

There were no sales of unregistered equity securities during the quarter ended March 29, 2015.

The following table provides information about our repurchases of our common stock that is registered pursuant to Section 12 of the Securities Exchange Act of 1934 during the quarter ended March 29, 2015.

| Period <sup>(a)</sup>                | Total<br>Number of<br>Shares<br>Purchased | Average<br>Price Paid<br>Per Share | Total Number of<br>Shares<br>Purchased as<br>Part of Publicly<br>Announced Plans<br>or Programs <sup>(b)</sup> | Amount<br>Available for<br>Future Share<br>Repurchases<br>Under the<br>Plans or<br>Programs <sup>(b)</sup> |
|--------------------------------------|---|------------------------------------|--|--|
|                                      |   |                                    |  | (in millions)  |
| January 1, 2015 – January 25, 2015   | 366,480                                   | \$ 194.32                          | 365,925  | \$ 3,600   |
| January 26, 2015 – February 22, 2015 | 1,306,450                                 | \$ 191.72                          | 749,121  | \$ 3,454   |
| February 23, 2015 – March 29, 2015   | <u>1,928,173</u>                          | \$ 200.83                          | <u>1,928,058</u>   | \$ 3,067   |
| Total                                | 3,601,103 <sup>(c)</sup>                  | \$ 196.86                          | 3,043,104  | \$ 3,067   |

- (a) We close our books and records on the last Sunday of each month to align our financial closing with our business processes, except for the month of December, as our fiscal year ends on December 31. As a result, our fiscal months often differ from the calendar months. For example, January 25, 2015 was the last day of our January 2015 fiscal month.
- (b) In October 2010, our Board of Directors approved a share repurchase program pursuant to which we are authorized to repurchase our common stock in privately negotiated transactions or in the open market at prices per share not exceeding the then-current market prices. Under the program, management has discretion to determine the dollar amount of shares to be repurchased and the timing of any repurchases in compliance with applicable law and regulation. We also may make purchases under the program pursuant to Rule 10b5-1 plans. The program does not have an expiration date.
- (c) During the quarter ended March 29, 2015, the total number of shares purchased included 557,999 shares that were transferred to us by employees in satisfaction of minimum tax withholding obligations associated with the vesting of restricted stock units. These purchases were made pursuant to a separate authorization by our Board of Directors and are not included within the program.

**ITEM 6. Exhibits.**

| Exhibit No. | Description   |
|-------------|---|
| 10.1        | Lockheed Martin Corporation 2006 Management Incentive Compensation Plan (Performance Based), as amended and restated effective January 1, 2015.   |
| 10.2        | Form of Restricted Stock Unit Award Agreement, Form of Long-Term Incentive Performance Award Agreement (2015-2017 performance period), and Form of Performance Stock Unit Award Agreement (2015-2017 performance period) under the Lockheed Martin Corporation 2011 Incentive Performance Award Plan (incorporated by reference to Exhibit 10.30 to Lockheed Martin Corporation's Annual Report on Form 10-K for the year ended December 31, 2014). |
| 10.3        | Lockheed Martin Corporation Deferred Management Incentive Compensation Plan, as amended and restated effective January 1, 2015.   |
| 10.4        | Lockheed Martin Corporation Supplemental Savings Plan, as amended and restated effective January 1, 2015.   |
| 15          | Acknowledgment of Ernst & Young LLP, Independent Registered Public Accounting Firm  |
| 31.1        | Certification of Marillyn A. Hewson pursuant to Section 302 of the Sarbanes-Oxley Act of 2002   |

**Lockheed Martin Corporation**

|         |  |
|---------|--|
| 31.2    | Certification of Bruce L. Tanner pursuant to Section 302 of the Sarbanes-Oxley Act of 2002   |
| 32      | Certification of Marillyn A. Hewson and Bruce L. Tanner pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101.INS | XBRL Instance Document   |
| 101.SCH | XBRL Taxonomy Extension Schema Document  |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document  |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document   |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document  |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document   |



**Lockheed Martin Corporation**

**SIGNATURE**

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

Lockheed Martin Corporation  
(Registrant)

Date: April 22, 2015

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

LOCKHEED MARTIN CORPORATION2006 MANAGEMENT INCENTIVE COMPENSATION PLAN(Performance-Based)Approved January 23, 2014Amended and Restated Effective January 1, 2015ARTICLE IPURPOSE OF THE PLAN

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

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

ARTICLE IISTANDARD OF CONDUCT AND PERFORMANCE EXPECTATION

1. It is expected that employees will work towards accomplishing the enterprise, business area and individual goals established under this Plan in accordance with the Company's Code of Ethics and Business Conduct. It is a prerequisite to any award that a Participant has acted in accordance with the Code of Ethics and Business Conduct and has fostered an atmosphere to encourage all employees acting under the Participant's supervision to perform their duties in accordance with the highest ethical standards. Thus, in evaluating performance against commitments, a Participant's adherence to the Company's ethical standards will be considered paramount in determining awards under this Plan.
2. Plan Participants whose individual performance is determined to be unacceptable are not eligible to receive Incentive Compensation awards.

ARTICLE III

DEFINITIONS

1. ANNUAL SALARY – The annual base salary of a Participant on December 1 of the year preceding the year of payment, but excluding any Incentive Compensation, commissions, over-time payments, retention payments, equity compensation, indirect payments, retroactive payments not affecting the base salary or applicable to the current year, and any other payments of compensation of any kind.
2. APPLICABLE PERFORMANCE FACTOR – For any Participant, the result obtained by multiplying the Participant’s Individual Performance Factor, applicable Business Area Performance Factor and the Enterprise Performance Factor.
3. BOARD OF DIRECTORS – The Board of Directors of the Company.
4. BUSINESS AREA PERFORMANCE FACTOR – (a) In the case of a Business Area (with Lockheed Martin International being treated as a Business Area), the performance factor determined for a particular Business Area; and (b) in the case of Enterprise Operations, the average of all Business Area Performance Factors subject to adjustment as provided under Section C of Exhibit A.
5. BUSINESS UNIT PERFORMANCE FACTOR – The performance factor assigned to a business unit other than a Business Area or the Company overall.
6. CODE – The Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated thereunder.
7. COMMITTEE – The Management Development & Compensation Committee of the Board of Directors as from time to time appointed or constituted by the Board of Directors.
8. COMPANY or CORPORATION – Lockheed Martin Corporation and those subsidiaries of which it owns directly or indirectly 50% or more of the voting stock or other equity.
9. CORPORATE SALARY BOARD – as defined in CPS-504, the corporate Senior Vice President Human Resources and Communications and the Chief Executive Officer.
10. DISABILITY – Termination of employment as a result of becoming totally disabled as evidenced by commencement of benefits under the Company’s long-term disability plan in which the Participant is enrolled (or, if not a participant in a Company-sponsored long-term disability plan, under circumstances which would result in the Participant becoming eligible for benefits using the standards set forth in the Company’s plan).
11. ELECTED OFFICER – An Employee who has been elected as an officer by the Board of Directors.
12. ENTERPRISE PERFORMANCE FACTOR – The performance factor assigned with respect to the Company’s overall performance as set forth in Section C of Exhibit A.

13. EMPLOYEE – Any person who is employed by the Company and who is paid a salary as distinguished from an hourly wage. The term “Employee” includes only those individuals that the Company classifies on its payroll records as Employees and does not include consultants, independent contractors, leased employees, co-op students, interns, temporary or casual employees, individuals paid by a third party or other individuals not classified as an Employee by the Company. Notwithstanding the foregoing, the term “Employee” shall not include any employee who, during any part of such year, was represented by a collective bargaining agent.
14. INCENTIVE COMPENSATION – A payment made pursuant to this Plan.
15. INDIVIDUAL PERFORMANCE FACTORS – The performance factor assigned to a Participant as set forth in Section B of Exhibit A.
16. ORGANIZATIONAL PERFORMANCE FACTORS – The Business Area Performance Factor and the Enterprise Performance Factor as set forth in Section C of Exhibit A.
17. PARTICIPANT – Any Employee selected to participate in the Plan in accordance with its terms.
18. PLAN – This Lockheed Martin Corporation 2006 Management Incentive Compensation Plan (Performance-Based), as amended from time to time.
19. PLAN YEAR – A calendar year.
20. REQUIRED APPROVER – (a) the Committee in the case of the Chief Executive Officer; (ii) the Corporate Salary Board in the case of a vice president (whether appointed or elected); (iii) the relevant business area Executive Vice President in the case of a director level or lower level Employee working in a business area; or (iv) the Elected Officer serving as the head of a corporate function in the case of all director level or lower level Employees assigned to that corporate function.
21. RESTRICTED EMPLOYEE – An Employee who is an Elected Officer.
22. RETIREMENT – Retirement under the terms of a Company-sponsored pension plan or for Employees who do not participate in a pension plan, termination from employment with the Company following the attainment of age 55 and five years of service or attainment of age 65.
23. SUBCOMMITTEE – A subcommittee of the Committee, composed solely of two or more outside directors of the Company (within the meaning of Section 162(m) (4) (C)) or the entire Committee if all members of the Committee are outside directors.
24. TARGET LEVEL – The target levels assigned to a Participant in accordance with Article V.

#### ARTICLE IV

##### ELIGIBILITY FOR PARTICIPATION

Participants are selected each Plan Year based on recommendations by the Required Approver, subject to the approval of the Chief Executive Officer. Those eligible shall include only those Employees considered by the Committee to be key Employees of the Company. No member of the Committee shall be eligible for participation in the Plan.

ARTICLE V

INCENTIVE COMPENSATION PAYMENTS

1. **CALCULATION OF PAYMENTS** -- Incentive Compensation payments to Participants shall be calculated in accordance with the formula and procedures set forth in Exhibits A and B hereto. All such payments shall be in cash.
2. **TARGETS** – Target Levels will be assigned to Participants based upon target levels for comparable positions at companies in the comparator group (for Elected Officers) or other industry surveys used by the Company to determine executive compensation (for participants other than Elected Officers). Target Levels will generally be set by reference to the 50<sup>th</sup> percentile of the market. At the beginning of each Plan Year or in connection with an internal promotion or an employment offer made later in a Plan Year, the Required Approver, subject to review by the Chief Executive Officer, shall identify the Employees eligible to participate in the Plan for that Plan Year and designate a Target Level for each Employee so designated. Target Levels for appointed Vice Presidents and other Elected Officers (other than the Chief Executive Officer) must be approved by the Corporate Salary Board, subject to approval by the Committee in the case of an Elected Officer. The Committee shall review and recommend the Target Level for the Chief Executive Officer, subject to approval by the Board of Directors.
3. **INDIVIDUAL PERFORMANCE FACTORS** - Each Employee designated as eligible for participation for a particular Plan Year shall identify key commitments that will serve as individual performance goals for that Plan Year on or before March 30 of that Plan Year (or within 30 days of designation as a Participant by the Required Approver or assumption of a new position with eligibility for participation in the Plan, whichever is later). As soon as practicable following the end of the Plan Year, the performance of each Participant will be evaluated in the respective Business Area or corporate functional area against the Participant's commitments and assigned an Individual Performance Factor as provided for in Exhibit A, subject to approval by the Chief Executive Officer. The Individual Performance Factors for Elected Officers, other than the Chief Executive Officer, shall be assigned initially by the Chief Executive Officer, as provided in Exhibit A, subject to approval by the Committee. The Individual Performance Factor for the Chief Executive Officer of Lockheed Martin Corporation shall be recommended by the Committee and approved by the Board of Directors. The Committee may, at the request of any member of the Committee, review the Individual Performance Factors of any other Participant or groups of Participants. The Committee may make adjustments to any such performance factors as it considers appropriate.
4. **ORGANIZATIONAL PERFORMANCE FACTORS** - The Chief Executive Officer (for the Company overall) and each Business Area Executive Vice President (for each Business Area and business unit for which a Business Unit Factor is required) shall identify key commitments for the Company overall or the Business Area (or business unit), as the case may be for that Plan Year on or before March 30 of that Plan Year. The commitments may be commitments to financial, strategic or operational goals. The Chief Executive Officer shall review the Enterprise and Business Area commitments with the Committee. At the end of the Plan Year, the Chief Executive Officer shall evaluate the performance of the Company for purposes of determining the Enterprise Performance Factor and each Business Area for purposes of determining the applicable Business Area Performance Factor in light of their respective organizational commitments and determine the Enterprise Performance Factor, the Business Area Performance Factors, and the Business Unit Performance Factors, as provided for in Exhibit A, subject to the approval of the Committee.

5. APPROPRIATIONS TO THE PLAN.

- A. The Committee will recommend to the Board of Directors the amount to be appropriated to the Plan by the Company for distribution to Participants and as computed pursuant to the provisions of this Paragraph 5. To the extent that the aggregate of all proposed payments of Incentive Compensation to all Participants as determined by the application of the formula set forth in Exhibit A (subject to any adjustments made by the Committee under Paragraph 3 or 4 above or pursuant to Exhibit B) for a particular Plan Year exceeds the amount determined by the Committee to be available for payment, all proposed payments of Incentive Compensation to Participants shall be reduced on a pro-rata basis.
  - B. The Board of Directors will review the recommendations of the Committee as to the amount to appropriate to the Plan for a particular Plan Year. The Board of Directors may, notwithstanding any provision of the Plan, make adjustments to any proposed Incentive Compensation payment under the Plan, and subject to any such adjustments, the Board of Directors will appropriate to the Plan the amount as recommended by the Committee for distribution to the Participants; provided that, the Board of Directors may appropriate an amount which is less than the amount recommended by the Committee to be appropriated to all payments of Incentive Compensation, in which event all proposed payments of Incentive Compensation to Participants shall be reduced on a pro-rata basis. Prior to the determination of the amount to be appropriated under the Plan for any Plan Year, the Board of Directors may authorize the Corporation to earmark funds or allocate funds to a separate account or trust, in either case for the purpose of making payments under the Plan.
  - C. Before the end of each Plan Year, the Board of Directors may set a minimum aggregate bonus amount that must be used to pay Awards under this Plan attributable to service during the Plan Year to any combination of Participants who are not Elected Officers of the Company.
6. METHOD OF PAYMENT - The amount determined for each Participant with respect to each Plan Year shall be paid to such Participant in cash not later than March 15 following the Plan Year or deferred at the direction of the Committee, but only to the extent permitted under Code Section 409A, until the Participant's termination of employment. Notwithstanding the foregoing, Participants may also elect to defer payments to the extent provided in the Lockheed Martin Corporation Deferred Management Incentive Compensation Plan.
7. RIGHTS OF PARTICIPANTS - All payments are subject to the discretion of the Board of Directors. No Participant shall have any right to require the Board of Directors to make any appropriation to the Plan for any Plan Year, nor shall any Participant have any vested interest or property right in any share in any amounts which may be appropriated to the Plan.
8. AUTHORITY TO RECOVER PAYMENTS. The Board of Directors retains the authority to make retroactive adjustments to a payment made under the Plan on or after January 1, 2008 under the following circumstances and such other circumstances as may be specified by final regulation issued by the Securities and Exchange Commission entitling the Company to recapture or claw back amounts paid pursuant to the Plan:

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

The Board of Directors may delegate its authority to make determinations under this Section 8 to the Committee.

## ARTICLE VI

### ADMINISTRATION

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

ARTICLE VII

AMENDMENT OR TERMINATION OF PLAN

The Board of Directors shall have the right to terminate or amend this Plan at any time and to discontinue further appropriations thereto, provided that such termination or amendment shall not be made in a manner that would cause a Participant to include Incentive Compensation in gross income pursuant to Code Section 409A.

ARTICLE VIII

EFFECTIVE DATE

The Plan shall first be effective with respect to the operations of the Company for the Plan Year beginning January 1, 2006, contingent upon approval of Exhibit B by the Company's stockholders at its 2006 annual meeting. An amended and restated Plan was approved by the Management Development and Compensation Committee on January 23, 2014, effective January 1, 2014. The Company amended and restated the Plan on December 3, 2014, effective January 1, 2014. The Company has further amended and restated the Plan as of the date indicated below, effective January 1, 2015.

LOCKHEED MARTIN CORPORATION:

/s/ Patricia L. Lewis

By: Patricia L. Lewis  
Senior Vice President, Human Resources

Date: 3/30/15



EXHIBIT A

CALCULATION OF MANAGEMENT INCENTIVE COMPENSATION PAYMENTS

A. AWARD FORMULA

1. (a) Incentive Compensation payments will be calculated by multiplying the Participant's Annual Salary by the applicable Target Level of the Participant (determined in accordance with Article V above), and that result will then be multiplied by the Applicable Performance Factor which is composed of the Individual Performance Factor (as defined in Section B), the Enterprise Performance Factor (as defined in Section C) and the Business Area Performance Factor (as defined in Section C).

Payments to Participants subject to Exhibit B shall be reduced to the extent required by Exhibit B.

(b) **Special Award Formula For Designated Business Units:** Notwithstanding the foregoing, the Salary Board may designate a business unit for which Incentive Compensation will be determined solely on the basis of an Individual Performance Factor and a Business Unit Performance Factor so long as no Elected Officer is an employee of that business unit.

(c) The maximum amount that may be authorized for any Participant under this Plan is 200% of a Participant's Target Level and payments will be reduced on a Participant-by-Participant basis if necessary so that no Participant receives (or is authorized) more than 200% of a Participant's Target Level.

2. Pro-rated awards for Participants who terminate employment during a Plan Year may be recommended for consideration based on the following:

| <u>Termination Method</u>   | <u>Incentive Compensation Award</u>  |
|-----------------------------|--|
| Voluntary                   | May be considered for a pro-rated award if on active status December 1 of the Plan Year with a minimum of six (6) full months as an active Plan Participant during the Plan Year.  |
| Lay Off                     | May be pro-rated based on the conditions of the case at the discretion of the Required Approver if the Participant has a minimum of six (6) full months as an active Plan Participant during the Plan Year.  |
| Retirement/Disability/Death | May be considered for a pro-rated award in the event the Participant has (i) a minimum of six (6) full months as an active Participant during the Plan Year; and (ii) the Participant terminates employment with the Company on account of Retirement, Disability, or death. |

3. Pro-rated awards may be recommended for
  - i. Employees who become Participants subsequent to the beginning of a Plan Year, and have a minimum of six (6) full months as active Participants during the Plan Year;
  - ii. Employees who are on unpaid leave of absence for more than three (3) months and have a minimum of six (6) full months as an active Participant during the Plan Year; or
  - iii. Employees who are scheduled to work less than full time (less than forty (40) hours per week) and have a minimum of six (6) full-time equivalent months as an active Participant during the Plan Year.
4. Recommended awards for Participants whose Target Levels change during the Plan Year
  - i. may be pro-rated (based on number of months at old versus new Target Level), subject to the Required Approver
  - ii. may be effective for the entire year based on the new Target Level if the new Target Level is approved prior to March 30 of the Plan Year; or
  - iii. may be effective for the entire year based on the new Target Level if full-Plan Year application is approved by the Committee.
5. Any calculation of Incentive Compensation under this Exhibit A shall be subject to the provisions of the Plan and Exhibit B. Deviations from this Exhibit A are subject to approval by the Required Approver and the Corporate Salary Board. In the event of any conflict between the terms or application of this Exhibit A and the Plan, the Plan shall prevail. In the event of any conflict between the terms of Exhibit A and Exhibit B, Exhibit B shall prevail.

**B. INDIVIDUAL PERFORMANCE FACTORS**

Individual performance factors are normally in increments of 0.05 for ratings above 0.50 and will have the following definitions beginning with the 2013 Plan Year:

| <u>Factor</u>     | <u>Performance Definition</u>   |
|-------------------|---|
| 1.15 – 1.25       | Significantly exceeded all or majority of commitments and met or exceeded all behavioral expectations |
| 1.00 – 1.15       | Exceeded all or majority of commitments and met or exceeded all behavioral expectations               |
| 0.75 – 1.00       | Achieved all or majority of commitments and met all or majority of behavioral expectations            |
| 0.50 – 0.75, 0.00 | Did not achieve majority of commitments and/or did not meet majority of behavioral expectations       |

C. ORGANIZATIONAL PERFORMANCE FACTORS

The Organizational Performance Factors will depend on the assessment of the performance of the Company overall and each Business Area (or business unit in the case of a designated business unit) in accomplishing the strategic, operational or financial commitments identified at the beginning of the Plan Year. Assessments of and weightings among organizational performance commitments will be determined by the Committee.

Intermediate organizational ratings, as recommended by the Chief Executive Officer and approved by the Committee for results achieved, may be assigned normally in increments of 0.05 for ratings above 0.50.

(a) Enterprise Performance Factor

| <u>Factor</u> | <u>Performance Definition</u>                                    |
|---------------|--|
| 1.20 – 1.30   | Results significantly exceeded all requirements and expectations |
| 1.05 – 1.15   | Results exceeded some requirements and expectations              |
| 1.00          | Results achieved requirements and expectations                   |
| 0.50 – 0.95   | Results partially achieved some requirements and expectations    |
| 0.00          | Results did not achieve requirements and expectations            |

(b) Business Area Performance Factor:

| <u>Factor</u> | <u>Performance Definition</u>                                    |
|---------------|--|
| 1.20 – 1.25   | Results significantly exceeded all requirements and expectations |
| 1.05 – 1.15   | Results exceeded some requirements and expectations              |
| 1.00          | Results achieved requirements and expectations                   |
| 0.50 – 0.95   | Results partially achieved some requirements and expectations    |
| 0.00          | Results did not achieve requirements and expectations            |

The Business Area Performance Factor for employees of Enterprise Operations shall be the average of the Business Area Performance Factors determined for the Business Areas. The Compensation Committee may recommend an increase or decrease of 0.05 for an activity which is the responsibility of Enterprise Operations that the Committee determines has an enterprise-wide impact.

EXHIBIT B

PERFORMANCE BASED AWARDS

A. INCENTIVE COMPENSATION FOR ELECTED OFFICERS.

Notwithstanding any provision of the Plan to the contrary, Incentive Compensation awards made to Elected Officers shall be subject to the terms of this Exhibit B. The terms of Exhibit B were approved by the stockholders of Lockheed Martin Corporation at its 2006 Annual Meeting.

B. IDENTIFICATION OF THE ELECTED OFFICERS.

The eligible class of Participants subject to Exhibit B is those Participants who are Elected Officers on the last day of the Plan Year.

C. LIMITATION OF INCENTIVE COMPENSATION.

Notwithstanding any other provision of this Plan to the contrary, the Incentive Compensation payable under the Plan to (i) the Elected Officer who is the Chief Executive Officer shall not exceed 0.3% of Cash Flow for the Plan Year; and (ii) each of the Participants who are Elected Officers on the last day of the Plan Year, other than the Chief Executive Officer, shall not exceed 0.2% of Cash Flow for the Plan Year. The Subcommittee shall have discretion to determine the conditions, restrictions or other limitations, in accordance with and subject to the terms of this Plan and Code Section 162(m), on the payment of Incentive Compensation to the Elected Officers. The Subcommittee may reserve the right to reduce the amount payable under this paragraph C in accordance with any standards contained in this Plan (including Exhibit A) or on any other basis (including the Subcommittee's discretion). Neither the Subcommittee or the Committee, nor the Board of Directors shall have the authority under this Plan to increase the amount payable under this paragraph C.

D. SUBCOMMITTEE CERTIFICATION.

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

E. DEFINITIONS.

For purposes of this Exhibit B,

(i) "Cash Flow" means net cash flow from operations as determined by the Subcommittee at the end of the Plan Year in accordance with generally accepted accounting principles in the United States. Cash Flow shall be determined by the Subcommittee based upon the comparable numbers reported on the Corporation's audited consolidated financial statements or, if audited financial statements are not available for the period for which Cash Flow is being determined, the Subcommittee shall determine Cash Flow in a manner consistent with the historical practices used by the Corporation in determining net cash provided by operating activities as reported in its audited consolidated statement of cash flows. The Subcommittee shall have the right to specify any other adjustment that should be applied in determining Cash Flow that it deems necessary or appropriate to take into account any event recognized under any

accounting policy or practice affecting the Corporation, provided the Subcommittee specifies the adjustment at or prior to the time the organizational performance goals for the Corporation are reviewed with the Subcommittee, but in no event later than March 30 of the Plan Year;

(ii) "Subcommittee" means a subcommittee of the Committee, composed solely of two or more outside directors of the Company (within the meaning of Code Section 162(m) (4) (C)) or the entire Committee if all members of the Committee are outside directors.

F. ADMINISTRATION.

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

This document constitutes part of a prospectus covering securities that have been registered under the Securities Act of 1933.

LOCKHEED MARTIN CORPORATION  
DEFERRED MANAGEMENT INCENTIVE  
COMPENSATION PLAN

(As Amended and Restated Generally Effective January 1, 2015)

ARTICLE I

PURPOSES OF THE DEFERRAL PLAN

The purposes of the Lockheed Martin Corporation Deferred Management Incentive Compensation Plan (“Deferral Plan”) are to provide certain key management employees of Lockheed Martin Corporation and its subsidiaries (“Company”) the opportunity to defer receipt of (i) Incentive Compensation awards; (ii) Long Term Incentive Award payments and (iii) certain benefits payable under the Death Benefit Plan, as defined herein. 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 plan documents and award agreements that govern Incentive Compensation, Long Term Incentive Awards, and the Death Benefit Plan shall be construed and applied independently of each other. Capitalized terms in this Article I shall have the meanings indicated in the following Article II.

The Deferral Plan applies solely to MICP awards, Long Term Incentive Award payments, and certain payments under the Death Benefit 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 was amended and restated, effective January 1, 2005, in order to comply with the requirements of Code section 409A. The 2005 amendment and restatement of the Deferral Plan applied 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 or losses 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 or losses 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. The Deferral Plan was subsequently amended and restated, effective January 1, 2007, to permit eligible executives of the Company to defer payments that are available to them pursuant to the partial termination of the Death Benefit Plan.

The Deferral Plan was amended and restated, effective January 1, 2008 to modify the annual installment payment option to conform to other nonqualified plans maintained by the Company. The Deferral Plan and Appendix A were further amended and restated, effective

January 1, 2008, to provide for new investment options in which Participants may invest their Account Balances, whether earned and vested before or after January 1, 2005. The addition of the new investment option in Appendix A is not intended to constitute a material modification within the meaning of Code section 409A.

The Deferral Plan was amended and restated, effective June 26, 2008, to clarify certain provisions in accordance with the final Treasury regulations issued under Code section 409A, and to make other administrative changes. The Deferral Plan was amended and restated, effective December 31, 2008, to clarify additional provisions in accordance with the final Treasury regulations issued under Code section 409A and to make other administrative clarifications. The Deferral Plan was amended and restated, effective February 26, 2009, to prospectively eliminate an investment option and change the number of available installment payments.

The Deferral Plan was amended and restated, effective December 31, 2010, to clarify additional provisions in accordance with the final Treasury regulations issued under Code section 409A and to make other administrative clarifications. The Deferral Plan was amended and restated, effective October 25, 2011, to reflect changes to the administrative requirements for Company Deferrals for certain Long Term Incentive Awards issued in 2011 and later years and to permit participants in the Sandia National Laboratories, Inc. Long Term Incentive Performance Award Plan to defer cash awards to the Deferral Plan. The Deferral Plan was amended and restated, effective January 26, 2012, to permit participants in the Applied NanoStructured Solutions, LLC Management Incentive Compensation Plan to defer cash awards to the Deferral Plan. The Plan was amended and restated, effective December 14, 2012, to permit participants in the Lockheed Martin Corporation Attorney Incentive Plan to defer cash awards to the Deferral Plan.

The Deferral Plan is hereby amended and restated to (i) clarify that Long Term Incentive Awards granted under the Lockheed Martin Corporation Amended and Restated 2011 Incentive Performance Award Plan may be deferred under the Deferral Plan, (ii) Incentive Compensation under the Sandia Corporation 2015 Management Incentive Compensation Plan may be deferred under the Deferral Plan, (iii) limit Deferral Plan eligibility to employees of the Company who are employed on or before May 1 of each Award Year, and (iv) provide the Committee with the discretionary authority to cash out Account Balances that do not exceed the limit under Code section 402(g) for the year in which the cash out occurs in circumstances permitted under Code section 409A.

## 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, Long Term Incentive Award payments, and Death Benefit 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, as amended from time to time, 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 a two-year (one-year, if applicable) 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. DEATH BENEFIT — The amount payable to an Eligible Employee pursuant to Article X, Section 1 of the Death Benefit Plan.
13. DEATH BENEFIT PLAN — The Lockheed Martin Corporation Post-Retirement Death Benefit Plan for Elected Officers.



14. 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, a Long Term Incentive Award and any related Company Deferral for an Award Year, or a Death Benefit payable pursuant to the Death Benefit Plan. A Deferral Agreement made by June 30, 2012 by an employee whose participation in the Lockheed Martin Corporation Management Incentive Compensation Plan was transferred to the Lockheed Martin Corporation Attorney Incentive Plan shall continue to apply to any amount awarded the employee for 2012 under the Lockheed Martin Corporation Attorney Incentive Plan.

15. 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.

16. DEFERRED COMPENSATION — The amount of Incentive Compensation credited to a Participant's Account under the Deferral Plan, the amount of any Long Term Incentive Award payment credited to a Participant's Account under the Deferral Plan (other than Company Deferrals), and the amount of the Death Benefit payment credited to a Participant's Account under the Deferral Plan.

17. ELIGIBLE EMPLOYEE — An employee of the Company on or before May 1 of the Award Year who is a participant in the MICP, who receives a Long Term Incentive Award, or who is eligible to receive a Death Benefit under the Death Benefit 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.

18. EXCHANGE ACT — The Securities Exchange Act of 1934.

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

20. IPA PLAN — The Lockheed Martin Corporation Amended and Restated 2003 Incentive Performance Award Plan or the Lockheed Martin Corporation Amended and Restated 2011 Incentive Performance Award Plan, or any successor plan or plans.

21. 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.

22. INVESTMENT FUND OPTION — The investment option under which earnings will be credited to a Participant's Account based on the market value and investment return of the investment options (including target date funds and core funds (and successor funds), and excluding the Company Stock Fund, ESOP Fund, and Self-Managed Account) that are available to participants pursuant to the terms of the Qualified Savings Plan, provided that the Committee retains the discretion to add certain funds to, or to exclude certain funds from, the Investment Fund Option.

23. LONG TERM INCENTIVE AWARD—A long term incentive performance award granted to an employee under the Omnibus Plan, the IPA Plan, or the Sandia Corporation Long Term Incentive Performance Award Plan.

24. MICP — The Lockheed Martin Corporation Management Incentive Compensation Plan, the 2006 Lockheed Martin Corporation Management Incentive Compensation Plan (for incentive compensation awarded after February 1, 2006), the Applied NanoStructured Solutions, LLC Management Incentive Compensation Plan (beginning with the 2012 Award Year), the Lockheed Martin Corporation Attorney Incentive Plan (beginning with the 2013 Award Year), or the Sandia Corporation 2015 Management Incentive Compensation Plan (beginning with the 2015 Award Year).

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

26. PARTICIPANT — An Eligible Employee for whom Incentive Compensation, a Long Term Incentive Award payment, or a Death Benefit 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.

27. 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.

28. PERFORMANCE PERIOD—The period set forth in a Long Term Incentive Award over which the Company’s performance is measured by reference to stated performance metrics to determine whether any payment will be made under such Long Term Incentive Award.

29. QUALIFIED SAVINGS PLAN – The Lockheed Martin Corporation Salaried Savings Plan or any successor plan.

30. 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.

31. 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.

32. 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.

32A. TERMINATION OF EMPLOYMENT — A separation from service as such term is defined in Code section 409A and the regulations thereunder.

33. 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 (if any) 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 after the applicable deadline described in Section 1(a), Section 1(b), or Section 1(d) of this Article III for delivering a Deferral Agreement to the Company, 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 that relates to an Award Year 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. A Deferral Agreement relating to a Death Benefit payment shall relate only to such Death Benefit payment.

(d) Death Benefit. An Eligible Employee may elect to defer a Death Benefit payable under the Death Benefit Plan by executing and delivering to the Company a Deferral Agreement no later than the date specified by the Senior Vice President, Human Resources in accordance with Code section 409A.

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, Long Term Incentive Award payment, or Death Benefit payment;

(c) the excess of the Eligible Employee's Incentive Compensation, Long Term Incentive Award payment, or Death Benefit payment over a dollar amount specified by the Eligible Employee; or

(d) all of the Eligible Employee's Incentive Compensation, Long Term Incentive Award payment, or Death Benefit 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, the Company Stock Investment Option, or the Investment Fund 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 certain Long Term Incentive Awards issued under the Omnibus Plan or the IPA Plan, 50% of the amount payable at the end of the Performance Period will be automatically deferred until the second anniversary (or first anniversary, if applicable) 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 (one year, if applicable) 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 (or first, if applicable) 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 (or first, if applicable) 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). A Death Benefit payment that a Participant has elected to defer under this Deferral Plan shall be credited to the Participant's Account as of the date on which the amount of the Death Benefit payment was determined and paid to eligible employees absent any election to defer. 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. 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. Any Deferred Compensation and Company Deferral credits under this Section 1 which are allocable to the Investment Fund Option shall be credited as if the dollar amount of credits had been invested in the applicable fund at the published closing price of the applicable fund on the applicable Trading Day described in this Section 1.

2. Crediting of Earnings.

(a) General Rules.

(i) Earnings (or losses) 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 in cash pursuant to Article V shall be credited with earnings (or losses) through the Trading Day that is four (4) business days prior to the date on which a distribution is to be made. Any amount distributed from a Participant's Account in stock pursuant to Article V shall be credited with earnings (or losses) through the last Trading Day preceding the date on which a distribution is to be made.

(iii) Company Deferrals shall be credited with earnings (or losses) through the last Trading Day in the period which ends on the second anniversary (first anniversary, if applicable) 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, valued daily, 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. Effective with respect to amounts deferred on or after February 26, 2009, no Incentive Compensation may be invested in the Interest Option. Amounts deferred prior to February 26, 2009 may remain invested in the Interest Option until such amounts are transferred to the Company Stock Investment Option or the Investment Fund Option on or after July 1, 2009. No amounts may be credited or reallocated to the Interest Option on or after July 1, 2009.

(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 each Trading Day 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) Investment Fund Option. Earnings (or losses) shall be credited to a Participant's Account based on the investment option or options within the Investment Fund Option to which his or her Account has been allocated. The manner in which earnings (or losses) are credited under each of the investment options shall be determined in the same manner as under the Qualified Savings Plan. The procedures for directing the allocation and reallocation among the investment options in the Investment Fund Option shall be the same as the procedures for making allocations under the Qualified Savings Plan.

3. Election of Investment Options. A Participant's initial investment elections for a particular type of award for an Award Year or a Death Benefit shall be made in his or her Deferral Agreement for such Award Year or Death Benefit, 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 for amounts credited before December 31, 2008 and to the default option designated under the Qualified Savings Plan for amounts credited on or after December 31, 2008.

4. Reallocation Among Investment Options. Effective June 16, 2008, a Participant may reallocate the portion of his Account Balance that is invested in the Interest Option and the Investment Fund Option to the Interest Option (through June 30, 2009), the Company Stock Investment Option, and the various investment funds in the Investment Fund Option, subject to the trading restrictions that apply to the transfer and reallocation of investments under the terms of the Qualified Savings Plan, applied as if such Qualified Savings Plan restrictions also pertain to the Interest Option; provided that a Participant may not at any time reallocate the portion of his Account Balance that has been invested at any time in the Company Stock Investment Option. Notwithstanding the foregoing, any election by a Section 16 Person to reallocate any portion of his Account Balance to the Company Stock Investment Option shall only become effective if the election is made at least six months following the most recent election with respect to any plan of the Corporation that involved the disposition of the Corporation's equity securities pursuant to a "Discretionary Transaction" (as defined in Exchange Act Rule 16b-3). No amounts may be credited or reallocated to the Interest Option on or after July 1, 2009.

## 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 Investment Fund 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, Investment Fund 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 attributable to the Company Stock Investment Option shall be distributed to a Section 16 Person under this Deferral Plan unless such amount was allocated to the Company Stock Investment Option 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 (or withheld for payment of applicable taxes) 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 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 has a Termination of Employment with the Company for any reason.
- (c) Payment to begin on the first Payment Date of the year next following the date on which the Participant has both had a Termination of 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. Subject to the rules regarding distributions to a Specified Employee, 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 Company reasonably anticipates that 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 (including a Section 16 Person) on account of a termination of employment shall commence or be made 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, distributions shall commence or be made on the next date that is at least six (6) months following such termination of employment, regardless of whether such date is a Payment Date.



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 or Death Benefit, as applicable, from among the following options:

(a) A lump sum.

(b) Annual installment payments for a period of years designated by the Participant not to exceed:

(i) Fifteen (15) annual installments for distributions commencing prior to January 1, 2008:

(ii) Twenty (20) annual installments for distributions commencing on or after January 1, 2008 and prior to January 1, 2010:

(iii) Twenty-Five (25) annual installments for distributions commencing on or after January 1, 2010;

Such election shall be irrevocable except as provided in Section 4 of this Article V. 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 in full discharge of all liabilities with respect to such benefits.

Further notwithstanding the foregoing, if at any time the Account Balance of a Participant who is not an active employee of the Corporation and who is entitled to begin payment or who has begun payment pursuant to an annual installment payment election under Section 3(b) is not greater than the applicable dollar limit under Code section 402(g)(1)(B) for the calendar year, then the Claims Administrator (or its delegate) may determine, in writing, that the Company shall pay the Participant's Account Balance in a single lump sum payment, provided that the payment (I) results in termination and liquidation of the entirety of the Participant's interest under the Deferral Plan and any other agreement, program or arrangement that is treated as a single nonqualified deferred compensation plan under Treas. Reg. § 1.409A-1(c)(2) with respect to the Participant and (II) is not greater than the applicable dollar amount under Code section 402(g)(1)(B) for the year in which the lump sum payment is made.

#### 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 or for a Death Benefit, the Participant will be deemed to have elected that payment of benefits with respect to that Award Year or Death Benefit 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 or Death Benefit (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 Award Years or a Death Benefit 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, 2009, (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. Distribution upon Early Termination. Notwithstanding a Participant's payment elections under this Article V, subject to the requirements of Code section 409A, 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; provided, however, that if a distribution in accordance with the provisions of this Section 6 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 Company reasonably anticipates that 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. Distributions under this Section 5 are subject to any delay in distribution required for Specified Employees 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, to the extent reasonably necessary, the Participant's Account Balance shall be distributed to him or her in a lump sum as soon as practical (but no later than 90 days) 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; provided, however, that if a distribution in accordance with the provisions of this Section 6 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 Company reasonably anticipates that 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. This Section 6 of Article V shall apply, however, only to the extent that the accelerated payment upon a conflict of interest determination conforms to Code section 409A.

7. Benefits Payable Upon Death. 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 severe financial emergency (within the meaning of Code section 409A(A)(2)(A)(vi) and 409A(A)(2)(B)(ii)) 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 Company reasonably anticipates that 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)(2)(B)(iv).

(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 within 90 days 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 Company reasonably anticipates that 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 the Company's 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 Company 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 Company reasonably anticipates that 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 Code section 409A, in the event that the Company reasonably anticipates that the payment of benefits in accordance with the Participant's election under Section 3 of this Article VI would prevent the Company from claiming an income tax deduction with respect to any portion of the benefits paid under Code section 162(m), the Committee shall have the right to delay 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 delayed distribution schedule, the Committee shall undertake to have distributions made at such times and in such amounts as the Company reasonably anticipates, or should reasonably anticipate, that if the payment is made during such year, the deduction will not be barred by Code section 162(m) or upon a Termination of Employment in accordance with Treasury Regulation section 1.409A-2(b)(7)(i), 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. All scheduled payments under this Plan and any other plan required to be aggregated with this Plan must be delayed in order for such payment to be delayed pursuant to this Section 8.

11. Change of Law. Notwithstanding anything herein to the contrary, if the Committee determines in good faith, based on consultation with counsel and in accordance with the requirements of Code section 409A, 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, Long Term Incentive Award, or Death Benefit 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, former spouse, or child pursuant to the terms of a domestic relations order (which shall be interpreted and administered in accordance with Code sections 414(p)(1)(B) and 409A), provided that the form of payment designated in such order is a lump sum payment described in Section 3(a) of Article V of this Deferral Plan.

## ARTICLE VII

### AMENDMENT OR TERMINATION

1. Amendment. The Board or its authorized delegate 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 and the Claims Administrator (identified in Section 6 below) shall have full authority to interpret the Plan, and interpretations of the Plan by the Committee or the Claims Administrator 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 has delegated 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 has not delegated (and 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 or its delegate 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 or the Claims Administrator 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 (or the Claims Administrator) from all liability with respect thereto.

5. Proof of Claims. The Committee or the Claims Administrator 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 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.

(e) The Claims Administrator shall be the Lockheed Martin Corporation Savings Plan Administrative Committee. Notwithstanding the foregoing, with respect to claims and appeals brought by elected officers of the Company, the Claims Administrator shall be the Committee.

## 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, pay any Death Benefit, 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 reallocation of all or a portion of a Participant's Account Balance, 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

This Deferral Plan was originally 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 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

/s/ Patricia L. Lewis

\_\_\_\_\_  
By: Patricia L. Lewis  
Senior Vice President, Human Resources

3/16/15

\_\_\_\_\_  
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. **INVESTMENT FUND OPTION** – The investment option under which earnings (or losses) will be credited to a Participant's Account based on the market value and investment return of the investment options (including target date funds and core funds (and successor funds), and excluding the Company Stock Fund, ESOP Fund, and Self-Managed Account) that are available to participants pursuant to the terms of the Qualified Savings Plan, provided that the Committee retains the discretion to add certain funds to, or to exclude certain funds from, the Investment Fund Option.

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.

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. **QUALIFIED SAVINGS PLAN** — The Lockheed Martin Corporation Salaried Savings Plan or any successor plan.

26. **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.

27. **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.

28. **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.

29. **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.

30. **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. 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. Any Deferred Compensation and Company Deferral credits under this Section 1 which are allocable to the Investment Fund Option shall be credited as if the dollar amount of credits had been invested in the applicable fund at the published closing price of the applicable fund on the applicable Trading Day described in this Section 1.

2. Crediting of Earnings (Losses) and Reallocations.

(a) General Rules.

(i) Earnings (or losses) 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 (or losses) 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 in cash pursuant to Article V shall be credited with earnings (or losses) through the Trading Day that is four (4) business days prior to the Payment Date on which a distribution is to be made. Any amount distributed from a Participant's Account in stock pursuant to Article V shall be credited with earnings (or losses) through the last Trading Day preceding the date on which a distribution is to be made.

(iv) Company Deferrals shall be credited with earnings (or losses) 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, valued daily, 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. No amounts may be reallocated to the Interest Option on or after July 1, 2009. Amounts deferred prior to January 1, 2005 may remain invested in the Interest Option until such amounts are transferred to the Company Stock Investment Option or the Investment Fund Option on or after July 1, 2009.

(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 each Trading Day 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 was reallocated in accordance with paragraph 5 (or paragraph 4 prior to October 1, 2004) of this Article IV from the Company Stock Investment Option to the Interest Option or the , 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) Investment Fund Option. Earnings (or losses) shall be credited to a Participant's Account based on the investment option or options within the Investment Fund Option to which his or her Account has been allocated. The manner in which earnings (or losses) are credited under each of the investment options shall be determined in the same manner as under the Qualified Savings Plan. The procedures for directing the allocation and reallocation among the investment options in the Investment Fund Option shall be the same as the procedures for making allocations under the Qualified Savings Plan.

3. Election of Investment Options. A Participant's initial 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 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.

6. Reallocation Among Investment Options. Effective June 16, 2008, a Participant may reallocate the portion of his Account Balance that is invested in the Interest Option and the Investment Fund Option to the Interest Option (through June 30, 2009), the Company Stock Investment Option, and the various investment funds in the Investment Fund Option, subject to the trading restrictions that apply to the transfer and reallocation of investments under the terms of the Qualified Savings Plan, applied as if such Qualified Savings Plan restrictions also pertain to the Interest Option; provided that a Participant may not at any time reallocate the portion of his Account Balance that is invested at any time in the Company Stock Investment Option. Notwithstanding the foregoing, any election by a Section 16 Person to reallocate any portion of his Account Balance to the Company Stock Investment Option shall only become effective if the election is made at least six months following the most recent election with respect to any plan of the Corporation that involved the disposition of the Corporation's equity securities pursuant to a "Discretionary Transaction" (as defined in Exchange Act Rule 16b-3). . No amounts may be reallocated to the Interest Option on or after July 1, 2009.

## 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 Investment Fund 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, the Investment Fund 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 (for distributions occurring prior to June 16, 2008) or the Trading Day that is four (4) business days prior to the date of the distribution (for distributions occurring on or after June 16, 2008). 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 (or withheld for applicable taxes) 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 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 or its authorized delegate 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 or its delegate shall have full authority to interpret the Plan, and interpretations of the Plan by the Committee or its delegate 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 or its delegate 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 (or its delegate) from all liability with respect thereto.

5. Proof of Claims. The Committee or its delegate 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 or its delegate 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 reallocation of all or a portion of a Participant's Account Balance, 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.

This document constitutes part of a prospectus covering securities that have been registered under the Securities Act of 1933.

LOCKHEED MARTIN CORPORATION  
SUPPLEMENTAL SAVINGS PLAN

(Amended and Restated Generally Effective January 1, 2015)

ARTICLE I

PURPOSES OF THE PLAN

The purposes of the Lockheed Martin Corporation Supplemental Savings Plan (the “Supplemental Savings Plan” or “Plan”) are to provide certain key management employees of Lockheed Martin Corporation and its Subsidiaries (as such term is defined herein) (the “Company”) the opportunity to defer compensation that cannot be contributed under the Lockheed Martin Salaried Corporation Savings Plan (the “Qualified Savings Plan”) because of the limitation of Code section 402(g), and to provide those employees with matching credits equal to the matching contributions that would have been made by the Company on their behalf under the Qualified Savings Plan if the amounts deferred had been contributed to the Qualified Savings Plan.

The Plan was amended and restated, effective January 1, 2005, in order to comply with the requirements of Code section 409A. The 2005 amendment and restatement of the Plan, as further amended and restated from time to time, applies only to the portion of a Participant’s Account Balance (and any earnings or losses attributable to those amounts) that is deferred or becomes vested on or after January 1, 2005. Notwithstanding anything to the contrary herein, the portion of a Participant’s Account Balance that was deferred and vested prior to January 1, 2005 (and any earnings or losses attributable to those amounts) shall be governed by the terms of the Plan in effect on December 31, 2004, which is attached hereto as Appendix A.

Since 2005, the Plan has been amended and restated from time to time to provide for the treatment of Roth 401(k) contributions, to make installment distribution options consistent among the nonqualified plans sponsored by the Company, to clarify additional provisions in accordance with the final Treasury regulations issued under Code section 409A, to modify the eligibility provisions of the plan, and to make other administrative clarifications. The Plan was amended and restated, effective November 15, 2010, to eliminate deferrals under the Plan based on Compensation in excess of the limitations of Code section 401(a)(17) or 415(c)(1)(A) and to clarify additional provisions in accordance with the final Treasury regulations issued under Code section 409A. The Plan was amended and restated, effective February 23, 2011, to make distribution options consistent among the nonqualified plans sponsored by the Company. The Plan is hereby amended and restated to name the Company’s current incentive plans for select management or highly compensated employees listed in the Plan’s eligibility provisions and to clarify the Plan’s eligibility provisions. The Plan is hereby amended and restated, generally effective January 1, 2015, to provide the Committee with the discretionary authority to cash out Account Balances that do not exceed the limit under Code section 402(g) for the year in which the cash out occurs in circumstances permitted under Code section 409A.

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, Matching Credits, and earnings (or losses) attributable to the Investment Options selected by the Participant, and which is debited to reflect distributions. The portions of a Participant's Account allocated to different Investment Options will be accounted for separately.
2. ACCOUNT BALANCE — The total amount credited to a Participant's Account at any time, including the portions of the Account allocated to each Investment Option.
3. BENEFICIARY — The person or persons designated by the Participant as his or her beneficiary under the Qualified Savings Plan.
4. BOARD — The Board of Directors of Lockheed Martin Corporation.
5. CODE — The Internal Revenue Code of 1986, as amended.
6. COMMITTEE — The committee described in Section 1 of Article IX.
7. COMPANY — Lockheed Martin Corporation and its Subsidiaries (as such term is defined herein).
8. COMPANY STOCK INVESTMENT OPTION — The Investment Option under which the Participant's Account is credited as if invested under the investment option in the Qualified Savings Plan for the common stock of the Company.
9. COMPENSATION — An employee's base salary from the Company, as defined in the Qualified Savings Plan.
10. 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 Compensation for a Year in accordance with Article III.
11. DEFERRED COMPENSATION — The amount of Compensation deferred and credited to a Participant's Account under the Supplemental Savings Plan.

12. ELIGIBLE EMPLOYEE –

(a) A salaried employee:

(i) who is eligible to participate in the Qualified Savings Plan as of the thirtieth (30th) day preceding the last day on which a Deferral Agreement may be made for a Year, and

(ii) (a) who is a participant in the Lockheed Martin Corporation Management Incentive Compensation Plan, the Applied NanoStructured Solutions, LLC Management Incentive Compensation Plan, or the Lockheed Martin Corporation Attorney Incentive Plan, as of November 1 of the Year preceding the Year for which a Deferral Agreement is to take effect, or

(b) whose annual rate of Compensation equals or exceeds \$200,000 (increased by \$5,000 for each Year after 2009 for employees who have no Deferral Agreement in effect) as of November 1 of the Year preceding the Year for which a Deferral Agreement is to take effect, and

(iii) who satisfies such additional requirements for participation in this Supplemental Savings 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. For example, the Committee may limit participation in the Plan to employees who are engaged full-time in activities related to the management of the Corporation or its Subsidiaries, affiliates, programs, or employees.

(b) Notwithstanding Article II, section 12(a)(ii)(b) above, an employee who was an active Participant in the Plan in 2009, shall remain an Eligible Employee on November 1, 2009 (and November 1 of each succeeding year), provided that (a) his or her annual rate of Compensation on November 1, 2009 (and November 1 of each succeeding year) equals or exceeds \$150,000, (b) he or she continues to participate in the Plan for each Year after 2009, and (c) he or she satisfies section (iii) above (hereinafter referred to as “grandfathered Participants”). If such a grandfathered Participant cancels his or her Deferral Agreement for any Year after 2009 (including due to termination of employment), such grandfathered Participant shall no longer be an Eligible Employee until such time as he or she has satisfied Article II, section 12(a)(i), (ii), and (iii) above.

13. EXCHANGE ACT — The Securities Exchange Act of 1934.

14. INVESTMENT OPTION — A measure of investment return pursuant to which Deferred Compensation credited to a Participant’s Account shall be further credited with earnings (or losses). The Investment Options available under this Supplemental Savings Plan shall correspond to the investment options available under the Qualified Savings Plan (other than the ESOP Fund or the Self-Managed Account, which are not available under this Plan).

15. MATCHING CREDIT — Any amount credited to a Participant's Account under Article IV.

16. PARTICIPANT — An Eligible Employee for whom Compensation has been deferred under this Supplemental Savings Plan; the term shall include a current or former employee whose Account Balance has not been fully distributed.

17. QUALIFIED SAVINGS PLAN — The Lockheed Martin Corporation Salaried Savings Plan or any successor plan.

18. SECTION 16 PERSON — A Participant who at the relevant time is subject to the reporting and short-swing liability provisions of Section 16 of the Exchange Act.

19. TERMINATION OF EMPLOYMENT — A separation from service as such term is defined in Code section 409A and the regulations thereunder.

20. 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.

21. SUPPLEMENTAL SAVINGS PLAN — The Lockheed Martin Corporation Supplemental Savings Plan, which was originally adopted by the Board of Directors of Lockheed Corporation, effective January 1, 1984, as the Lockheed Corporation Supplemental Savings Plan, and which was amended and restated (and re-named) pursuant to action of the Board on July 25, 1996, and as further amended from time to time.

22. YEAR — The calendar year.

### ARTICLE III

#### ELECTION OF DEFERRED AMOUNT

1. Timing of Deferral Elections. An Eligible Employee may elect to defer Compensation for a Year by executing and delivering to the Company a Deferral Agreement by the deadline established by the Committee or its delegate (no later than the end of the immediately preceding Year). An Eligible Employee's Deferral Agreement shall be irrevocable when delivered to the Company and shall remain irrevocably in effect for all succeeding Years, except that the Deferral Agreement may be modified or revoked with respect to any succeeding Year by the Eligible Employee's execution and delivery to the Company of a new or modified Deferral Agreement by the deadline established by the Committee or its delegate (no later than the end of the Year immediately preceding such succeeding Year).

2. Amount of Deferred Compensation. Unless an Eligible Employee elects to make no deferral for a Year, the Eligible Employee's Deferred Compensation for a Year shall equal (i) his or her Compensation from the time when his or her Deferral Agreement takes effect during



the Year (as specified under Section 3 of this Article III) until the last day of the Year, multiplied by (ii) the percentage of Compensation that the Eligible Employee has elected to contribute to the Qualified Savings Plan (whether in the form of pre-tax salary reduction contributions, Roth 401(k) contributions, after-tax contributions, or a combination thereof) for that Year. An Eligible Employee who has elected to make a deferral for a Year under this Supplemental Savings Plan shall be precluded from modifying his or her rate of contributions to the Qualified Savings Plan for that Year after the date on which his or her Deferral Agreement for that Year (including any continuing Deferral Agreement) has become irrevocable under Section 1 of this Article III.

3. Time when Deferral Agreement Takes Effect. The Eligible Employee's Deferral Agreement shall take effect with respect to Compensation for a Year after the Eligible Employee's pre-tax salary reduction contributions and/or Roth 401(k) contributions, if applicable, under the Qualified Savings Plan for such Year equal the applicable limit under Code section 402(g). An Eligible Employee's Deferral Agreement shall first take effect and apply to that portion of Compensation for a Year earned by the Eligible Employee for a particular payroll period that exceeds the amount at which, or with respect to which, the triggering event occurs.

#### ARTICLE IV

##### MATCHING CREDITS

The Company shall credit to the Account of a Participant as Matching Credits the same percentage of the Participant's Deferred Compensation as it would have contributed as matching contributions to the Qualified Savings Plan if the amount of the Participant's Deferred Compensation had been contributed as pre-tax salary reduction, Roth 401(k), or after-tax contributions to the Qualified Savings Plan.

#### ARTICLE V

##### CREDITING OF ACCOUNTS

1. Crediting of Deferred Compensation. Deferred Compensation shall be credited to a Participant's Account as of the day on which such amount would have been credited to the Participant's account under the Qualified Savings Plan if the Participant's Deferred Compensation had been contributed as pre-tax salary reduction, Roth 401(k), or after-tax contributions to the Qualified Savings Plan.

2. Crediting of Matching Credits. Matching Credits shall be credited to a Participant's Account as of the day on which the Deferred Compensation to which they relate is credited under Section 1.

3. Crediting of Earnings. Earnings (or losses) shall be credited to a Participant's Account based on the Investment Option or Options to which his or her Account has been allocated, beginning with the day as of which any amounts (or any reallocation of amounts) are credited to the Participant's Account. Any amount distributed from a Participant's Account shall

be credited with earnings (or losses) through the date that is four (4) business days before the date on which the distribution is made. The manner in which earnings (or losses) are credited under each of the Investment Options shall be determined in the same manner as under the Qualified Savings Plan.

4. Selection of Investment Options. A Participant may elect to allocate his or her Account among the Investment Options available under the Qualified Savings Plan (other than the options designated as the ESOP Fund or the Self-Managed Account). The procedures for directing allocations and reallocations among the Investment Options in the Supplemental Savings Plan (including the procedures relating to timing, frequency, amount, and the investment of Matching Credits) shall be the same as the procedures for making allocations under the Qualified Savings Plan. In the event a Participant does not make an investment allocation for the Supplemental Savings Plan, his elections will be deemed to be the elections made by the Participant in the Qualified Savings Plan (except that an election for the ESOP Fund or the Self-Managed Account shall be disregarded, and such amounts shall be allocated to the default investment option applicable to the Qualified Savings Plan until reallocated by the Participant).

## ARTICLE VI

### PAYMENT OF BENEFITS

1. General. The Company's liability to pay benefits to a Participant or Beneficiary under this Supplemental Savings Plan shall be measured by and shall in no event exceed the Participant's Account Balance, which shall be fully vested and nonforfeitable at all times. All benefit payments shall be made in cash and, except as otherwise provided, shall reduce allocations to the Investment Options in the same proportions that the Participant's Account Balance is allocated among those Investment Options.

2. Commencement of Payment. The payment of benefits to a Participant shall commence as soon as administratively feasible (but no more than 90 days) following the Participant's Termination of Employment with the Company. Notwithstanding the foregoing, benefits paid under this Plan to a Participant who is reasonably determined by the Company to be a "specified employee" within the meaning of Code section 409A(a)(2)(B)(i), shall not commence before six (6) months following the month in which the Participant terminates employment.

3. Form of Payment. At the time an Eligible Employee 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 payments, as designated by the Participant for a period not to exceed 25 years (or 25 annual payments). The amount of each annual payment shall be determined by dividing the Participant's Account Balance on the date such payment is processed by the number of years remaining in the designated installment period.

Such election shall be irrevocable except as provided in Section 4 of this Article 6. Such election shall be made in writing in the form and manner designated by the Company. 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 in full discharge of all liabilities with respect to such benefits.

Further notwithstanding the foregoing, if at any time the Account Balance of a Participant who is not an active employee of the Corporation and who is entitled to begin payment or who has begun payment pursuant to an annual installment payment election under Section 3(b) is not greater than the applicable dollar limit under Code section 402(g)(1)(B) for the calendar year, then the Claims Administrator (or its delegate) may determine, in writing, that the Company shall pay the Participant's Account Balance in a single lump sum payment, provided that the payment (I) results in termination and liquidation of the entirety of the Participant's interest under the Plan and any other agreement, program or arrangement that is treated as a single nonqualified deferred compensation plan under Treas. Reg. § 1.409A-1(c)(2) with respect to the Participant and (II) is not greater than the applicable dollar amount under Code section 402(g)(1)(B) for the year in which the lump sum payment is made.

#### 4. Prospective Change of Payment Election.

(a) A Participant may modify his or her payment election at the time the Participant enters into a Deferral Agreement for a Year. Any such modification shall apply to all amounts credited to the Participant's Account under this Supplemental Savings Plan.

(b) In the event a Participant does not make a valid election with respect to the form of benefit, the Participant will be deemed to have elected that payment of benefits be made in a lump sum.

(c) A Participant's election (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 VI, a Participant may make a new election with respect to the commencement of payment and form of payment. 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 Participant's Termination of Employment, 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, 2009 (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.

5. 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 an immediate lump sum. Such lump sum shall be paid as soon as administratively practicable (but no later than 90 days) after the death of the Participant.

6. Acceleration Upon Conflict of Interest. Notwithstanding a Participant's form of payment election under Section 3 of this Article VI, 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, then, to the extent reasonably necessary, the Participant's Account Balance shall be distributed to him or her in a lump sum as soon as practical (but no later than 90 days) 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 that the conflict of interest may exist; provided, however, that if a distribution in accordance with the provisions of this Section 6 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 Company reasonably anticipates that 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. This Section 6 of Article VI shall apply, however, only to the extent that the accelerated payment upon a conflict of interest determination conforms to Code section 409A.

7. Acceleration upon Change in Control.

(a) Notwithstanding any other provision of this Supplemental Savings Plan, 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 Supplemental Savings 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 the Company's 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 Company 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 VI 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 7(a), if a distribution in accordance with the provisions of Section 7(a) would result in a nonexempt 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 transaction or would otherwise not result in liability under Section 16(b) of the Exchange Act.

(d) This Section 7 shall apply only to a Change in Control of Lockheed Martin Corporation and shall not cause immediate payout of an Account Balance in any transaction involving the Company's sale, liquidation, merger, or other disposition of any Company Subsidiary.

(e) The Committee may cancel or modify this Section 7 at any time prior to a Change in Control. In the event of a Change in Control, this Section 7 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 7 shall not, for purposes of Section 7, be subject to cancellation or modification during the five year period.

8. Deductibility of Payments. Subject to the provisions of Code section 409A, in the event that the Company reasonably anticipates that the payment of benefits in accordance with the Participant's election under Section 3 of this Article VI would prevent the Company from claiming an income tax deduction with respect to any portion of the benefits paid under Code section 162(m), the Committee shall have the right to delay 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 delayed distribution schedule, the Committee shall undertake to have distributions made at such times and in such amounts that the Company reasonably anticipates, or should reasonably anticipate, that if the payment is made during such year, the deduction will not be barred by Code section 162(m) or upon a Termination of Employment in accordance with Treasury Regulation section 1.409A-2(b)(7)(i), 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. All scheduled payments under this Plan and any other plan of deferred compensation that would be aggregated with this Plan must be delayed in order for any such payment to be delayed pursuant to this Section 8.

9. Change of Law. Notwithstanding anything herein to the contrary, if the Committee determines in good faith, based on consultation with counsel and in accordance with the requirements of Code section 409A, that the Federal income tax treatment or legal status of this Supplemental Savings Plan has or may be adversely affected by a change in the Internal Revenue 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.

10. Tax Withholding. To the extent required by law, the Company shall withhold from benefit payments hereunder, or with respect to any amounts credited to a Participant's Account hereunder, 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. However, the amount of Deferred Compensation or Matching Credits to be credited to a Participant's Account will not be reduced or adjusted by the amount of any tax that the Company is required to withhold with respect thereto.

ARTICLE VII

EXTENT OF PARTICIPANTS' RIGHTS

1. Unfunded Status of Plan. This Supplemental Savings 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 Supplemental Savings Plan. Notwithstanding the foregoing, to assist the Company in meeting its obligations under this Supplemental Savings Plan, the Company may set aside assets in a trust or trusts described in Revenue Procedure 92-64, 1992-2 C.B. 422 (generally known as a "rabbi trust"), and the Company may direct that its obligations under this Supplemental Savings Plan be satisfied by payments out of such trust or trusts. It is the Company's intention that this Supplemental Savings 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, former spouse, or child pursuant to the terms of a domestic relations order (which shall be interpreted and administered in accordance with Code sections 414(p)(1)(B) and 409A), provided that the form of payment designated in such order is a lump sum payment described in Section 3(a) of Article VI of this Plan.

ARTICLE VIII

AMENDMENT OR TERMINATION

1. Amendment. The Board or its authorized delegate may amend, modify, suspend or discontinue this Supplemental Savings 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 or her Account Balance.

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 transaction or would otherwise not result in liability under Section 16(b) of the Exchange Act.

ARTICLE IX

ADMINISTRATION

1. The Committee. This Supplemental Savings 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 Supplemental Savings Plan to comply with the 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 and the Claims Administrator shall have full authority to interpret the Plan, and interpretations of the Plan by the Committee or the Claims Administrator shall be final and binding on all parties. Notwithstanding anything contained in the Plan or in any document issued under the Plan, it is intended that the Plan will at all times conform to the requirements of Code section 409A and any regulations or other guidance issued thereunder, and that the provisions of the Plan will be interpreted to meet such requirements. If any provision of the Plan is determined not to conform to such requirements, the 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 Supplemental Savings Plan in accordance with its terms and purpose, except that the Committee has not delegated (and may not delegate) any authority the delegation of which would cause this Supplemental Savings 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 Supplemental Savings Plan, the Committee or its delegate 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 Supplemental Savings 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 Supplemental Savings 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 Supplemental Savings Plan or for the failure of the Supplemental Savings Plan or any Participant's rights under the Supplemental Savings 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 or the Claims Administrator 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 (or the Claims Administrator) from all liability with respect thereto.

5. Proof of Claims. The Committee or the Claims Administrator 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 Plan is wholly or partially denied by 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 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 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 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.

(e) 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.

(f) The Claims Administrator shall be the Lockheed Martin Corporation Savings Plan Administrative Committee. Notwithstanding the foregoing, with respect to claims and appeals brought by elected officers of the Company, the Claims Administrator shall be the Committee.

## ARTICLE X

### GENERAL AND MISCELLANEOUS PROVISIONS

1. Neither this Supplemental Savings Plan 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 Supplemental Savings Plan 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 Plan 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 Plan or a Deferral Agreement, either singly or collectively, by their terms or implications in any way limit the right of the Company to change an Eligible Employee's compensation or other benefits.

2. Any amount credited to a Participant's Account under this Supplemental Savings Plan shall not 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. 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 place of residence or business address.

4. In the event it should become impossible for the Company or the Committee to perform any act required by this 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 Supplemental Savings Plan.

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

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

8. The validity of this Supplemental Savings 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. This Supplemental Savings 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. This Supplemental Savings Plan is intended to constitute an “excess benefit plan” within the meaning of Rule 16b-3(b)(2) under the Securities Exchange Act of 1934, and it shall be construed and applied accordingly. It is the intent of the Company that this Supplemental Savings 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 Supplemental Savings 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 Supplemental Savings 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 Supplemental Savings Plan, the provisions of this Supplemental Savings Plan may at any time be bifurcated by the Board or the Committee in any manner so that certain provisions of this Supplemental Savings Plan are applicable solely to Section 16 Persons. Notwithstanding any other provision of this Supplemental Savings 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 Supplemental Savings 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.

ARTICLE XI

EFFECTIVE DATE

This amendment and restatement of the Supplemental Savings Plan shall generally become effective on January 1, 2015. Subsequent amendments to the Supplemental Savings Plan are effective as of the date stated in the amendment or the adopting resolution.

LOCKHEED MARTIN CORPORATION

/s/ Patricia L. Lewis

By: Patricia L. Lewis  
Senior Vice President, Human Resources

3/16/15

Date

## APPENDIX A

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

### ARTICLE I

#### PURPOSES OF THE PLAN

The purposes of the Lockheed Martin Corporation Supplemental Savings Plan (the "Supplemental Savings Plan") are to provide certain key management employees of Lockheed Martin Corporation and its subsidiaries (the "Company") the opportunity to defer compensation that cannot be contributed under the Lockheed Martin Salaried Savings Program (the "Qualified Savings Plan") because of the limitations of Code section 401(a)(17), 402(g), or 415(c)(1)(A), and to provide those employees with matching credits equal to the matching contributions that would have been made by the Company on their behalf under the Qualified Savings Plan if the amounts deferred had been contributed to the Qualified Savings Plan.

### 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, Matching Credits, and earnings (or losses) attributable to the Investment Options selected by the Participant, and which is debited to reflect distributions. The portions of a Participant's Account allocated to different Investment Options will be accounted for separately.
2. ACCOUNT BALANCE — The total amount credited to a Participant's Account at any time, including the portions of the Account allocated to each Investment Option.
3. BENEFICIARY — The person or persons designated by the Participant as his or her beneficiary under the Qualified Savings Plan.
4. BOARD — The Board of Directors of Lockheed Martin Corporation.
5. CODE — The Internal Revenue Code of 1986, as amended.

6. COMMITTEE — The committee described in Section 1 of Article IX.
7. COMPANY — Lockheed Martin Corporation and its subsidiaries.
8. COMPANY STOCK INVESTMENT OPTION — The Investment Option under which the Participant's Account is credited as if invested under the investment option in the Qualified Savings Plan for the common stock of the Company.
9. COMPENSATION — An employee's base salary from the Company, as defined in the Qualified Savings Plan.
10. 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 Compensation for a Year.
11. DEFERRED COMPENSATION — The amount of Compensation deferred and credited to a Participant's Account under the Supplemental Savings Plan for a Year.
12. ELIGIBLE EMPLOYEE — A salaried employee who is eligible to participate in the Qualified Savings Plan as of the thirtieth (30th) day preceding the last day on which a Deferral Agreement may be made for a Year, and whose annual rate of Compensation equals or exceeds \$150,000 as of November 1 of the Year preceding the Year for which a Deferral Agreement is to take effect, and who satisfies such additional requirements for participation in this Supplemental Savings 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.
13. EXCHANGE ACT — The Securities Exchange Act of 1934.
14. INVESTMENT OPTION — A measure of investment return pursuant to which Deferred Compensation credited to a Participant's Account shall be further credited with earnings (or losses). The Investment Options available under this Supplemental Savings Plan shall correspond to the investment options available under the Qualified Savings Plan.
15. MATCHING CREDIT — Any amount credited to a Participant's Account under Article IV.
16. PARTICIPANT — An Eligible Employee for whom Compensation has been deferred under this Supplemental Savings Plan; the term shall include a former employee whose Account Balance has not been fully distributed.
17. QUALIFIED SAVINGS PLAN — The Lockheed Martin Salaried Savings Plan or any successor plan.

18. SECTION 16 PERSON — A Participant who at the relevant time is subject to the reporting and short-swing liability provisions of Section 16 of the Exchange Act.

19. SUPPLEMENTAL SAVINGS PLAN — The Lockheed Martin Corporation Supplemental Savings Plan, which was originally adopted by the Board of Directors of Lockheed Corporation, effective January 1, 1984, as the Lockheed Corporation Supplemental Savings Plan, and which has been amended and restated (and re-named) pursuant to action of the Board on July 25, 1996, and as further amended from time to time.

20. YEAR — The calendar year.

### ARTICLE III

#### ELECTION OF DEFERRED AMOUNT

1. Timing of Deferral Elections. An Eligible Employee may elect to defer Compensation for a Year by executing and delivering to the Company a Deferral Agreement no later than November 30 of the preceding Year. An Eligible Employee's Deferral Agreement shall be irrevocable when delivered to the Company and shall remain irrevocably in effect for all succeeding Years, except that the Deferral Agreement may be modified or revoked with respect to any succeeding year by the Eligible Employee's execution and delivery to the Company of a new or modified Deferral Agreement on or before November 30 of such succeeding Year. Notwithstanding the foregoing, deferral elections for the 1997 Year may be made as late as February 28, 1997, in recognition of the fact that the right to enter into Deferral Agreements for the 1997 Year has generally been suspended pending the distribution of prospectuses for the Plan, as amended and restated; provided, however, no Deferral Agreement for the 1997 Year shall take effect, or apply to Compensation earned, before the date that the Eligible Employee's Deferral Agreement is executed and delivered to the Company.

2. Amount of Deferred Compensation. Unless an Eligible Employee elects to make no deferral for a Year, the Eligible Employee's Deferred Compensation for a Year shall equal (i) his or her Compensation from the time when his or her Deferral Agreement takes effect during the Year (as elected under Section 3 of this Article III) until the last day of the Year, multiplied by (ii) the percentage of Compensation that the Eligible Employee has elected to contribute to the Qualified Savings Plan (whether in the form of pre-tax salary reduction contributions, after-tax contributions, or a combination thereof) for that Year. An Eligible Employee who has elected to make a deferral for a Year under this Supplemental Savings Plan shall be precluded from modifying his or her rate of contributions to the Qualified Savings Plan for that Year after the date on which his or her Deferral Agreement for that Year (including any continuing Deferral Agreement) has become irrevocable under Section 1 of this Article III.

3. Time when Deferral Agreement Takes Effect. The Eligible Employee may elect to have his or her Deferral Agreement take effect after the occurrence of either of the following triggering events:

(a) the Eligible Employee's pre-tax salary reduction contributions under the Qualified Savings Plan for the Year equal the applicable limit under Code section 402(g), or

(b) the Compensation paid to the Eligible Employee for the Year equals the applicable compensation limit under Code section 401(a)(17), or, if earlier, the annual additions (within the meaning of Code section 415(c)(2)) of the Eligible Employee for the Year under the Qualified Savings Plan and any other plan maintained by the Company equal the applicable limit under Code section 415(c)(1)(A).

An Eligible Employee's Deferral Agreement shall first take effect and apply to that portion of Compensation earned by the Eligible Employee for a particular payroll period that exceeds the amount at which, or with respect to which, the triggering event occurs.

#### ARTICLE IV

##### MATCHING CREDITS

The Company shall credit to the Account of a Participant as Matching Credits the same percentage of the Participant's Deferred Compensation as it would have contributed as matching contributions to the Qualified Savings Plan if the amount of the Participant's Deferred Compensation had been contributed as pre-tax salary reduction or after-tax contributions to the Qualified Savings Plan.

#### ARTICLE V

##### CREDITING OF ACCOUNTS

1. Crediting of Deferred Compensation. Deferred Compensation shall be credited to a Participant's Account as of the day on which such amount would have been credited to the Participant's account under the Qualified Savings Plan if the Participant's Deferred Compensation had been contributed as pre-tax salary reduction or after-tax contributions to the Qualified Savings Plan.

2. Crediting of Matching Credits. Matching Credits shall be credited to a Participant's Account as of the day on which the Deferred Compensation to which they relate are credited under Section 1.

3. Crediting of Earnings. Earnings (or losses) shall be credited to a Participant's Account based on the Investment Option or Options to which his or her Account has been allocated, beginning with the day as of which any amounts (or any reallocation of amounts) are credited to the Participant's Account. Any amount distributed from a Participant's Account shall be credited with earnings (or losses) through the day on which the distribution is processed. The manner in which earnings (or losses) are credited under each of the Investment Options shall be determined in the same manner as under the Qualified Savings Plan.



4. Selection of Investment Options. The amounts credited to a Participant's Account under this Supplemental Savings Plan shall be allocated among the Investment Options in the same percentages as the Participant's account under the Qualified Savings Plan is allocated among those Investment Options. In the event that an Account is maintained for a Participant under this Supplemental Savings Plan at a time when an account is no longer maintained for the Participant under the Qualified Savings Plan, the Participant may allocate and reallocate his or her Account Balance among the Investment Options in accordance with the procedures and limitations on allocations and reallocations under the Qualified Savings Plan.

## ARTICLE VI

### PAYMENT OF BENEFITS

1. General. The Company's liability to pay benefits to a Participant or Beneficiary under this Supplemental Savings Plan shall be measured by and shall in no event exceed the Participant's Account Balance, which shall be fully vested and nonforfeitable at all times. All benefit payments shall be made in cash and, except as otherwise provided, shall reduce allocations to the Investment Options in the same proportions that the Participant's Account Balance is allocated among those Investment Options.

2. Commencement of Payment. The payment of benefits to a Participant shall commence as soon as administratively feasible following the Participant's termination of employment with the Company and his or her entitlement to commence receiving benefits under the Qualified Savings Plan.

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

- (a) A lump sum.
- (b) Annual payments for a period of 5, 10, 15, or 20 years, as designated by the Participant. The amount of each annual payment shall be determined by dividing the Participant's Account Balance on the date such payment is processed by the number of years 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 Election. The Committee may, in its discretion, permit a Participant to modify his or her payment election under Section 3 of this Article VI at the time the Participant enters into a Deferral Agreement for a Year; if accepted, any such modification shall apply to all amounts credited to the Participant's Account under this Supplemental Savings Plan. No such modification will be effective if made within one year of the date of the Participant's termination of employment.

5. 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 an immediate lump sum.

6. Acceleration Upon Conflict of Interest. Notwithstanding a Participant's form of payment election under Section 3 of this Article VI, 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, 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 that the conflict of interest may exist.

7. Acceleration upon Change in Control.

(a) Notwithstanding any other provision of this Supplemental Savings Plan, 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 Supplemental Savings 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 7(a), if a distribution in accordance with the provisions of Section 7(a) would result in a nonexempt 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 transaction or would otherwise not result in liability under Section 16(b) of the Exchange Act.

(d) This Section 7 shall apply only to a Change in Control of Lockheed Martin Corporation and shall not cause immediate payout of an Account Balance 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 7 at any time prior to a Change in Control. In the event of a Change in Control, this Section 6 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 7 shall not, for purposes of Section 7, be subject to cancellation or modification during the five year period.

8. Deductibility of Payments. In the event that the payment of benefits in accordance with the Participant's election under Section 3 of this Article VI 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 election, 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.

9. 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 this Supplemental Savings Plan has or may be adversely affected by a change in the Internal Revenue 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.

10. Tax Withholding. To the extent required by law, the Company shall withhold from benefit payments hereunder, or with respect to any amounts credited to a Participant's Account hereunder, 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. However, the amount of Deferred Compensation or Matching Credits to be credited to a Participant's Account will not be reduced or adjusted by the amount of any tax that the Company is required to withhold with respect thereto.

## ARTICLE VII

### EXTENT OF PARTICIPANTS' RIGHTS

1. Unfunded Status of Plan. This Supplemental Savings 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 Supplemental Savings Plan. Notwithstanding the foregoing, to assist the Company in meeting its obligations under this Supplemental Savings Plan, the Company may set aside assets in a trust or trusts described in Revenue Procedure 92-64, 1992-2 C.B. 422 (generally known as a "rabbi trust"), and the Company may direct that its obligations under this Supplemental Savings Plan be satisfied by payments out of such trust or trusts. It is the Company's intention that this Supplemental Savings 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 to benefit payments under this Supplemental Savings Plan shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, or garnishment by creditors of the Participant or the Participant's Beneficiary.

## ARTICLE VIII

### AMENDMENT OR TERMINATION

1. Amendment. The Board or its authorized delegate may amend, modify, suspend or discontinue this Supplemental Savings 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 or her Account Balance.

2. Termination. The Board reserves the right to terminate this Supplemental Savings 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 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 transaction or would otherwise not result in liability under Section 16(b) of the Exchange Act.

## ARTICLE IX

### ADMINISTRATION

1. The Committee. This Supplemental Savings 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 Supplemental Savings Plan to comply with the 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 and the Claims Administrator shall have full authority to interpret the Plan, and interpretations of the Plan by the Committee or Claims Administrator 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 Supplemental Savings Plan in accordance with its terms and purpose, except that the Committee may not delegate any authority the delegation of which would cause this Supplemental Savings 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 Supplemental Savings 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 Supplemental Savings 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 Supplemental Savings 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 Supplemental Savings Plan or for the failure of the Supplemental Savings Plan or any Participant's rights under the Supplemental Savings 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 or the Claims Administrator 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 (or the Claims Administrator) from all liability with respect thereto.

5. Proof of Claims. The Committee or the Claims Administrator 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 Plan is denied by the Claims Administrator are as follows:

- (A) The Claims Administrator shall:
  - (i) notify the claimant within a reasonable time of such denial, setting forth the specific reasons therefore; and
  - (ii) afford the claimant a reasonable opportunity for a review of the decision.
- (B) The notice of such denial shall set forth, in addition to the specific reasons for the denial, the following:
  - (i) identification of pertinent provisions of this Plan;
  - (ii) such additional information as may be relevant to the denial of the claim; and

- (iii) an explanation of the claims review procedure and advice that the claimant may request an opportunity to submit a statement of issues and comments.
- (C) Within sixty days following advice of denial of a claim, upon request made by the claimant, the Claims Administrator shall take appropriate steps to review its decision in light of any further information or comments submitted by the claimant. The Claims Administrator may hold a hearing at which the claimant may present the basis of any claim for review.
- (D) The Claims Administrator shall render a decision within a reasonable time (not to exceed 120 days) after the claimant's request for review and shall advise the claimant in writing of its decision, specifying the reasons and identifying the appropriate provisions of the Plan.
- (E) The Claims Administrator shall be the Lockheed Martin Corporation Savings Plan Administrative Committee. Notwithstanding the foregoing, with respect to claims and appeals brought by elected officers of the Company, the Claims Administrator shall be the Committee.

## ARTICLE X

### GENERAL AND MISCELLANEOUS PROVISIONS

1. Neither this Supplemental Savings Plan 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 Supplemental Savings Plan 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 Plan 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 Plan or a Plan Agreement, either singly or collectively, by their terms or implications in any way limit the right of the Company to change an Eligible Employee's compensation or other benefits.

2. Any amount credited to a Participant's Account under this Supplemental Savings Plan shall not 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. 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 place of residence or business address.

4. In the event it should become impossible for the Company or the Committee to perform any act required by this 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 Supplemental Savings Plan.

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

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

8. The validity of this Supplemental Savings 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. This Supplemental Savings 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. This Supplemental Savings Plan is intended to constitute an "excess benefit plan" within the meaning of Rule 16b-3(b)(2) under the Securities Exchange Act of 1934, and it shall be construed and applied accordingly. It is the intent of the Company that this Supplemental Savings 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 Supplemental Savings 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 Supplemental Savings 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 Supplemental Savings Plan, the provisions of this Supplemental Savings Plan may at any time be bifurcated by the Board or the Committee in any manner so that certain provisions of this Supplemental Savings Plan are applicable solely to Section 16 Persons. Notwithstanding any other provision of this Supplemental Savings 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 Supplemental Savings 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.

#### ARTICLE XI

#### EFFECTIVE DATE

This amendment and restatement of the Supplemental Savings Plan shall generally become effective on January 1, 1997. Subsequent amendments to the Supplemental Savings Plan are effective as of the date stated in the amendment or the adopting resolution.

**Acknowledgment of Ernst & Young LLP,  
Independent Registered Public Accounting Firm**

Board of Directors  
Lockheed Martin Corporation

We are aware of the incorporation by reference of our report dated April 22, 2015, relating to the unaudited consolidated interim financial statements of Lockheed Martin Corporation that is included in its Form 10-Q for the quarter ended March 29, 2015, in the following Registration Statements of Lockheed Martin Corporation:

- 33-58073, 33-58077, 33-58079, and 333-58097 on Form S-8, each dated March 15, 1995;
- 33-63155 on Form S-8, dated October 3, 1995;
- 33-58083 on Form S-8 (Post-Effective Amendment No. 1), dated January 22, 1997;
- 333-20117 and 333-20139 on Form S-8, each dated January 22, 1997;
- 333-27309 on Form S-8, dated May 16, 1997;
- 333-37069 on Form S-8, dated October 2, 1997;
- 333-40997 on Form S-8, dated November 25, 1997;
- 333-58069 on Form S-8, dated June 30, 1998;
- 333-69295 on Form S-8, dated December 18, 1998;
- 333-92197 on Form S-8, dated December 6, 1999;
- 333-92363 on Form S-8, dated December 8, 1999;
- 333-78279 on Form S-8 (Post-Effective Amendments No. 2 and 3), each dated August 3, 2000;
- 333-56926 on Form S-8, dated March 12, 2001;
- 333-84154 on Form S-8, dated March 12, 2002;
- 333-105118 on Form S-8, dated May 9, 2003;
- 333-113769, 333-113770, 333-113771, 333-113772, and 333-113773 on Form S-8, each dated March 19, 2004;
- 333-115357 on Form S-8, dated May 10, 2004;
- 333-127084 on Form S-8, dated August 1, 2005;
- 333-146963 on Form S-8, dated October 26, 2007;
- 333-155687 on Form S-8, dated November 25, 2008;
- 333-162716 on Form S-8, dated October 28, 2009;
- 333-155684 on Form S-8 (Post-Effective Amendment No. 1), dated August 23, 2011;
- 333-176440 on Form S-8, dated August 23, 2011;
- 333-188118 on Form S-8, dated April 25, 2013;
- 333-195466 on Form S-8, dated April 24, 2014 and July 23, 2014 (Post-Effective Amendment No.1);
- 333-197577 on Form S-3, dated July 23, 2014; and
- 333-199570 on Form S-3, dated October 23, 2014.

/s/ Ernst & Young LLP

McLean, Virginia  
April 22, 2015

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

I, Marillyn A. Hewson, certify that:

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

/s/ Marillyn A. Hewson

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Marillyn A. Hewson  
Chief Executive Officer

Date: April 22, 2015

**CERTIFICATION OF BRUCE L. TANNER PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Bruce L. Tanner, certify that:

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

/s/ Bruce L. Tanner

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Bruce L. Tanner  
Chief Financial Officer

Date: April 22, 2015

**CERTIFICATION OF MARILLYN A. HEWSON AND BRUCE L. TANNER PURSUANT TO 18 U.S.C. SECTION  
1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Lockheed Martin Corporation (the "Corporation") on Form 10-Q for the quarter ended March 29, 2015, as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, Marillyn A. Hewson, Chief Executive Officer of the Corporation, and I, Bruce L. Tanner, Chief Financial Officer of the Corporation, each certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

/s/ Marillyn A. Hewson

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Marillyn A. Hewson  
Chief Executive Officer

/s/ Bruce L. Tanner

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Bruce L. Tanner  
Chief Financial Officer

Date: April 22, 2015