
UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2004 Commission file number 1-11437

LOCKHEED MARTIN CORPORATION

(Exact name of registrant as specified in its charter)

MARYLAND

(State or other jurisdiction of
incorporation or organization)

6801 ROCKLEDGE DRIVE, BETHESDA, MD

(Address of principal executive offices)

52-1893632

(I.R.S. Employer
Identification Number)

20817

(Zip Code)

(301) 897-6000

(Registrant's telephone number, including area code)

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

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

Class
Common stock, \$1 par value

Outstanding as of April 30, 2004
448,791,412

LOCKHEED MARTIN CORPORATION
FORM 10-Q
FOR THE QUARTER ENDED MARCH 31, 2004

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Exhibit 10.1	Lockheed Martin Deferred Management Incentive Compensation Plan, as amended on April 22, 2004
Exhibit 10.2	Form of the Lockheed Martin Corporation Long-Term Incentive Performance Award Agreement
Exhibit 12	Computation of Ratio of Earnings to Fixed Charges
Exhibit 15	Acknowledgment of Independent Accountants
Exhibit 31.1	Rule 13a-14(a) Certification of Vance D. Coffman
Exhibit 31.2	Rule 13a-14(a) Certification of Christopher E. Kubasik
Exhibit 32.1	Certification of Vance D. Coffman Pursuant to 18 U.S.C. Section 1350
Exhibit 32.2	Certification of Christopher E. Kubasik Pursuant to 18 U.S.C. Section 1350

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Lockheed Martin Corporation
Unaudited Condensed Consolidated Statement of Earnings

	Three Months Ended March 31,	
	2004	2003
	<i>(In millions, except per share data)</i>	
Net sales	\$ 8,347	\$ 7,059
Cost of sales	7,879	6,587
Earnings from operations	468	472
Other income and expenses, net	68	33
Interest expense	536	505
Earnings before income taxes	428	365
Income tax expense	137	115
Net earnings	\$ 291	\$ 250
Earnings per common share		
Basic	\$ 0.66	\$ 0.56
Diluted	\$ 0.65	\$ 0.55
Cash dividends declared per common share	\$ 0.22	\$ 0.12

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

Lockheed Martin Corporation
Unaudited Condensed Consolidated Balance Sheet

	March 31, 2004	December 31, 2003
<i>(In millions)</i>		
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,124	\$ 1,010
Short-term investments	—	240
Receivables	4,018	4,039
Inventories	2,223	2,348
Deferred income taxes	960	921
Other current assets	832	843
Total current assets	10,157	9,401
Property, plant and equipment, net	3,423	3,489
Investments in equity securities	1,065	1,060
Goodwill	7,879	7,879
Purchased intangibles, net	771	807
Prepaid pension asset	1,168	1,213
Other assets	2,360	2,326
	\$ 26,823	\$ 26,175
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,611	\$ 1,434
Customer advances and amounts in excess of costs incurred	4,124	4,256
Salaries, benefits and payroll taxes	1,150	1,418
Income taxes	245	91
Current maturities of long-term debt	121	136
Other current liabilities	1,651	1,558
Total current liabilities	8,902	8,893
Long-term debt	6,072	6,072
Post-retirement benefit liabilities	1,497	1,440
Accrued pension liabilities	1,276	1,100
Other liabilities	2,052	1,914
Stockholders' equity:		
Common stock, \$1 par value per share	447	446
Additional paid-in capital	2,544	2,477
Retained earnings	5,247	5,054
Unearned ESOP shares	(7)	(17)
Accumulated other comprehensive loss	(1,207)	(1,204)
Total stockholders' equity	7,024	6,756
	\$ 26,823	\$ 26,175

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

Lockheed Martin Corporation
Unaudited Condensed Consolidated Statement of Cash Flows

	Three Months Ended March 31,	
	2004	2003
	<i>(In millions)</i>	
Operating Activities:		
Net earnings	\$ 291	\$ 250
Adjustments to reconcile earnings to net cash provided by operating activities:		
Depreciation and amortization of property, plant and equipment	126	108
Amortization of purchased intangibles	36	31
Changes in operating assets and liabilities:		
Receivables	21	(143)
Inventories	278	181
Accounts payable	177	(16)
Customer advances and amounts in excess of costs incurred	(132)	(16)
Other	265	149
	1,062	544
Investing Activities:		
Expenditures for property, plant and equipment	(106)	(78)
Sale of short-term investments	240	—
Acquisition of businesses/investments in affiliated companies	(4)	(159)
Other	17	5
	147	(232)
Financing Activities:		
Repayments related to long-term debt	(15)	(637)
Issuances of common stock	18	10
Repurchases of common stock	—	(279)
Common stock dividends	(98)	(54)
	(95)	(960)
Net increase (decrease) in cash and cash equivalents	1,114	(648)
Cash and cash equivalents at beginning of period	1,010	2,738
	\$ 2,124	\$ 2,090
	\$ 2,124	\$ 2,090

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

Lockheed Martin Corporation
Notes to Unaudited Condensed Consolidated Financial Statements
March 31, 2004

NOTE 1 – BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Lockheed Martin Corporation (Lockheed Martin or the Corporation) has continued to follow the accounting policies set forth in the consolidated financial statements included in its 2003 Annual Report on Form 10-K filed with the Securities and Exchange Commission. In the opinion of management, the interim financial information provided herein reflects all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of the results of operations for the interim periods. The results of operations for the three months ended March 31, 2004 are not necessarily indicative of results to be expected for the full year. Certain amounts presented for prior periods have been reclassified to conform with the 2004 presentation.

NOTE 2 – STOCK-BASED COMPENSATION AND EARNINGS PER SHARE

The Corporation measures compensation cost for stock-based compensation plans using the intrinsic value method of accounting as prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. The Corporation has adopted those provisions of Statement of Financial Accounting Standards (FAS) 123, "Accounting for Stock-Based Compensation," as amended, which require disclosure of the pro forma effects on net earnings and earnings per share as if compensation cost had been recognized based upon the fair value-based method at the date of grant for options awarded.

Reported and pro forma basic and diluted earnings per share for the periods presented were computed based on the respective reported and pro forma net earnings amounts. The weighted average number of common shares outstanding during the period was used in the calculation of basic earnings per share. In accordance with FAS 128, "Earnings Per Share," the weighted average number of common shares used in the calculation of diluted per share amounts is adjusted for the dilutive effects of stock options based on the treasury stock method.

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

For purposes of pro forma disclosures, the options' estimated fair values are amortized to expense over the options' vesting periods. The Corporation's reported and pro forma earnings per share information follows:

	Three Months Ended March 31,	
	2004	2003
	<i>(In millions, except per share data)</i>	
Net earnings:		
As reported	\$ 291	\$ 250
Fair value-based compensation cost, net of taxes	(13)	(14)
	<u>\$ 278</u>	<u>\$ 236</u>
Average common shares outstanding:		
Average number of common shares outstanding for basic computations	444.3	448.8
Dilutive stock options—based on the treasury stock method	3.2	3.7
	<u>447.5</u>	<u>452.5</u>
Earnings per basic share:		
As reported	\$ 0.66	\$ 0.56
Pro forma	<u>\$ 0.63</u>	<u>\$ 0.53</u>
Earnings per diluted share:		
As reported	\$ 0.65	\$ 0.55
Pro forma	<u>\$ 0.62</u>	<u>\$ 0.52</u>

NOTE 3 – PENDING ACQUISITION OF THE TITAN CORPORATION

In September 2003, the Corporation announced that it had entered into a definitive agreement to acquire The Titan Corporation (Titan). Under the terms of the merger agreement, stockholders of Titan could elect to receive \$22 in cash for each share of Titan common stock, an amount of Lockheed Martin common stock based on an exchange rate, or a combination of cash and stock. In April 2004, the Corporation and Titan amended the merger agreement. Under the terms of the amended agreement, Titan stockholders will receive \$20 in cash for each Titan share owned. The Corporation and Titan are reviewing payments to Titan's international consultants to determine whether the payments were made in violation of applicable law. The Securities and Exchange Commission and the U.S. Department of Justice (DoJ) have commenced related investigations.

The acquisition remains subject to approval by Titan stockholders and satisfaction of other closing conditions, including a condition that Titan obtain written confirmation that the DoJ considers its investigation of the allegations related to payments to Titan's

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

international consultants resolved and does not intend to pursue any claims against Titan, or Titan must have entered into a plea agreement with the DoJ and completed the sentencing process. Upon satisfaction of this condition in accordance with the amended merger agreement, Lockheed Martin has agreed that the facts surrounding these allegations, and the related proceedings, costs and expenses, will not constitute a material adverse effect on Titan.

Titan has agreed that it will not enter into any agreement with the U.S. Government to resolve the investigation and allegations without Lockheed Martin's written consent, which cannot be unreasonably withheld or delayed. It will not be considered unreasonable if Lockheed Martin withholds its consent in a situation in which 1) the aggregate fines, penalties or settlement payable by Titan or any of its affiliates are materially adverse in relation to Titan's consolidated financial condition, assets or stockholders' equity, or 2) the agreements, consent decrees or settlements impose significant adverse restrictions or limitations on the business or operations of Titan or any of its affiliates.

NOTE 4 – INVENTORIES

	<u>March 31, 2004</u>	<u>December 31, 2003</u>
	<i>(In millions)</i>	
Work in process, primarily related to long-term contracts and programs in progress	\$ 5,131	\$ 5,434
Less customer advances and progress payments	(3,154)	(3,396)
	<u>1,977</u>	<u>2,038</u>
Other inventories	246	310
	<u>\$ 2,223</u>	<u>\$ 2,348</u>

Work in process inventories included amounts advanced to Khrunichev State Research and Production Space Center (Khrunichev), the Russian manufacturer of Proton launch vehicles and provider of related launch services, of \$325 million and \$327 million at March 31, 2004 and December 31, 2003, respectively.

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

NOTE 5 – POSTRETIREMENT BENEFIT PLANS

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

	Three Months Ended March 31,	
	2004	2003
	<i>(In millions)</i>	
<u>Defined benefit pension plans</u>		
Service cost	\$ 186	\$ 142
Interest cost	375	323
Expected return on plan assets	(425)	(389)
Amortization of prior service cost	20	18
Recognized net actuarial losses	67	14
	\$ 223	\$ 108
<u>Retiree medical and life insurance plans</u>		
Service cost	\$ 13	\$ 9
Interest cost	57	46
Expected return on plan assets	(22)	(15)
Amortization of prior service cost	2	—
Recognized net actuarial losses	15	11
	\$ 65	\$ 51

Legislation was recently passed which impacts the measurement of liabilities included in funding calculations for 2004. The Corporation does not expect that required contributions to its defined benefit pension plans during the year ending December 31, 2004 will be material, after giving consideration to a \$450 million discretionary prepayment in 2003. Approximately \$310–\$320 million is expected to be contributed to its retiree medical and life insurance plans in 2004. Contributions in the first quarter of 2004 were not material.

The Lockheed Martin Corporation Salaried Savings Plan includes a 401(k) feature that has an Employee Stock Ownership Plan (ESOP). The ESOP purchased 34.8 million shares of the Corporation’s common stock in 1989 with the proceeds from a \$500 million note issue which is guaranteed by the Corporation. The Corporation’s match to the Salaried Savings Plan consists of shares of its common stock, which has been partially fulfilled with stock released from the ESOP at approximately 2.4 million shares per year. The Corporation expects to repay the final quarterly installment of the ESOP debt in the second quarter of 2004 and allocate the remaining shares held by the ESOP. Subsequent to the second quarter of 2004, the Corporation’s match to the Salaried Savings Plan is

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

expected to be fulfilled through purchases of common stock from terminating participants or in the open market, or through newly issued shares from the Corporation.

NOTE 6 – CONTINGENCIES

The Corporation or its subsidiaries are parties to or have property subject to litigation and other proceedings, including matters arising under provisions relating to the protection of the environment. In the opinion of management and in-house counsel, the probability is remote that the outcome of the environmental matters described below will have a material adverse effect on the Corporation's consolidated results of operations, financial position or cash flows. These matters include the following items:

Environmental matters—The Corporation is responding to three administrative orders issued in 1994 and 1997 by the California Regional Water Quality Control Board (the Regional Board) in connection with the Corporation's former Lockheed Propulsion Company facilities in Redlands, California. Under the orders, the Corporation is investigating the impact and potential remediation of regional groundwater contamination by perchlorates and chlorinated solvents. The Regional Board has approved the Corporation's plan to maintain public water supplies with respect to chlorinated solvents during this investigation, and the Corporation continues to negotiate with local water purveyors to implement this plan, as well as to address water supply concerns relative to perchlorate contamination.

There is no formally adopted, enforceable remediation or drinking water standard for perchlorates under California or federal law, and interim standards are in a state of flux. In January 2002, the State of California reduced its provisional standard for perchlorate concentration in water from 18 parts per billion (ppb) to 4 ppb. Although this revised provisional standard did not create any legally enforceable requirements for the Corporation at the time, the Corporation developed and is in the process of implementing a preliminary remediation plan which would meet that provisional standard if it were to become final. In March 2004, the State of California again changed its provisional standard for perchlorates, raising it from 4 ppb to 6 ppb. The Corporation is evaluating the impact of this most recent change in the provisional standard, but does not expect significant changes to the preliminary remediation plan at this time.

The consolidated balance sheet at March 31, 2004 includes a liability of approximately \$180 million, representing the Corporation's estimate of the remaining expenditures necessary to implement the remediation and other work at the site. As at other sites, the Corporation is pursuing claims for contribution to site clean-up costs against other potentially responsible parties (PRPs), including the U.S. Government.

The Corporation has been conducting remediation activities to address soil and groundwater contamination by chlorinated solvents at its former operations in Great Neck, New York, which it acquired as part of its acquisition of Loral Corporation in 1996. This work is being done pursuant to a series of orders and agreements with the New York State Department of Environmental Conservation beginning with a 1991

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

administrative order entered by Unisys Tactical Defense Systems, a predecessor company at the site. The remediation work associated with this site includes work performed on the site itself, as well as implementation of an interim remedial measure intended to address an off-site plume of groundwater contamination. Future costs are estimated to be approximately \$50 million. This amount is included in the consolidated balance sheet at March 31, 2004. As at other sites, the Corporation is pursuing claims against other PRPs, including the U.S. Government, for contribution to site clean-up costs.

Since 1990, the Corporation has been responding to various consent decrees and orders relating to soil and regional groundwater contamination in the San Fernando Valley associated with the Corporation's former operations in Burbank and Glendale, California. Among other things, these consent decrees and orders obligate the Corporation to construct and fund the operations of soil and groundwater treatment facilities in Burbank and Glendale, California through 2018 and 2012, respectively; however, responsibility for the long-term operation of these facilities was assumed by the respective localities in 2001. The Corporation has been successful in limiting its financial responsibility for these activities to date to its pro rata share as a result of litigation and settlements with other PRPs. In addition, under an agreement reached with the U.S. Government in 2000, the Corporation will continue to be reimbursed in an amount equal to approximately 50% of future expenditures for certain remediation activities by the U.S. Government in its capacity as a PRP under the Comprehensive Environmental Response, Compensation and Liability Act. The Corporation has recorded a liability of approximately \$55 million representing its estimate of the total expenditures required over the remaining terms of the consent decrees and orders described above, net of the effects of the agreement.

The Corporation is involved in proceedings and potential proceedings relating to environmental matters at other facilities, including disposal of hazardous wastes and soil and groundwater contamination. The extent of the Corporation's financial exposure cannot in all cases be reasonably determined at this time. In addition to the amounts with respect to the Redlands, Great Neck, Burbank and Glendale sites described above, a liability of approximately \$140 million for the other properties (including current operating facilities and certain facilities operated in prior years) in which an estimate of financial exposure can be determined has been recorded. In cases where a date to complete activities at a particular environmental site cannot be estimated by reference to agreements or otherwise, the Corporation projects costs over a reasonable time frame not to exceed 20 years.

Under agreements reached with the U.S. Government in 1990 and 2000, certain groundwater treatment and soil remediation expenditures referenced above are being allocated to the Corporation's operations as general and administrative costs and, under existing government regulations, these and other environmental expenditures related to U.S. Government business, after deducting any recoveries from insurance or other PRPs, are allowable in establishing the prices of the Corporation's products and services. As a

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

result, a substantial portion of the expenditures are being reflected in the Corporation's sales and cost of sales pursuant to U.S. Government agreement or regulation.

At March 31, 2004, the aggregate amount of liabilities recorded relative to environmental matters was approximately \$425 million. The Corporation has recorded an asset for the portion of environmental costs that are probable of future recovery in pricing of the Corporation's products and services for U.S. Government business. The portion that is expected to be allocated to commercial business has been reflected in cost of sales. The recorded amounts do not reflect the possible future recoveries of portions of the environmental costs through insurance policy coverage or from other PRPs, which the Corporation is pursuing as required by agreement and U.S. Government regulation. Any such recoveries, when received, would reduce the allocated amounts to be included in the Corporation's U.S. Government sales and cost of sales.

Waste remediation contract—In 1994, the Corporation was awarded a \$180 million fixed-price contract by the U.S. Department of Energy (DoE) for the design, construction and limited test of remediation facilities, and the remediation of waste found in Pit 9, located on the Idaho National Engineering and Environmental Laboratory reservation. The DoE, through its management contractor, terminated the Pit 9 contract for default on June 1, 1998. The DoE's lawsuit, together with the Corporation's counterclaims, was tried in the U.S. District Court in Pocatello, Idaho from August through November 2003. At trial, the DoE sought damages and interest totaling approximately \$100 million. The Corporation sought to overturn the termination for default and damages of approximately \$270 million. The matter was submitted to the trial court for decision in March 2004. The Corporation has assumed that it will recover some portion of its costs, which are recorded in inventories, based on its estimate of the probable outcome of the case. It is not possible to predict the outcome of the lawsuit with certainty. The court may award damages to either party in the full amount it sought at trial or in some lesser amount. The Corporation expects the court to render its decision later in 2004. However, the final resolution of the lawsuit will likely depend upon the outcome of further proceedings and possible negotiations with the DoE.

NOTE 7 – INFORMATION ON BUSINESS SEGMENTS

In 2003, the Corporation announced the formation of Integrated Systems & Solutions (IS&S), a new business segment, from components of the Electronic Systems and Space Systems segments. The following tables of financial data have been adjusted to reflect these changes in the business segments. These actions did not result in any changes to the historical operating results in total for the Corporation.

The Corporation operates in five business segments: Aeronautics, Electronic Systems, Space Systems, IS&S, and Information & Technology Services (I&TS). In the following tables of financial data, the total of the operating results of the principal business segments is reconciled to the corresponding consolidated amount. With respect to the caption "Operating profit," the reconciling item "Unallocated Corporate (expense) income, net" includes the FAS/CAS pension adjustment (see discussion below), earnings

Lockheed Martin Corporation

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

and losses from equity investments (mainly telecommunications), interest income, costs for stock-based compensation programs, the effects of items not considered part of management's evaluation of segment operating performance, Corporate costs not allocated to the operating segments and other miscellaneous Corporate activities. For financial data other than "Operating profit," all activities other than those pertaining to the principal business segments are included in "Other."

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

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

Three Months Ended
March 31,

2004 2003

(In millions)

Selected Financial Data by Business Segment

Net sales

Aeronautics	\$ 2,874	\$ 2,088
Electronic Systems	2,133	1,981
Space Systems	1,578	1,528
Integrated Systems & Solutions	907	772
Information & Technology Services	852	687
	<hr/>	<hr/>
Total business segments	8,344	7,056
Other	3	3
	<hr/>	<hr/>
	\$ 8,347	\$ 7,059

Operating profit

Aeronautics	\$ 206	\$ 145
Electronic Systems	202	183
Space Systems	120	104
Integrated Systems & Solutions	80	72
Information & Technology Services	60	48
	<hr/>	<hr/>
Total business segments	668	552
Unallocated Corporate (expense) income, net	(132)	(47)
	<hr/>	<hr/>
	\$ 536	\$ 505

Intersegment revenue (a)

Aeronautics	\$ 15	\$ 9
Electronic Systems	142	108
Space Systems	46	31
Integrated Systems & Solutions	131	115
Information & Technology Services	187	215
	<hr/>	<hr/>
Total business segments	521	478
Other	27	18
	<hr/>	<hr/>
	\$ 548	\$ 496

(a) Intercompany transactions between segments are eliminated in consolidation and therefore excluded from the net sales and operating profit amounts presented above.

NOTE 8 – OTHER

In 2003, the Corporation issued irrevocable redemption notices for two issuances of callable debentures totaling \$450 million. In March and April 2003, the Corporation repaid \$300 million and \$150 million, respectively. The Corporation recorded a loss, net of state income tax benefits, of \$19 million in other income and expenses related to the

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

early repayment of the \$450 million of debt. The loss reduced net earnings for the quarter ended March 31, 2003 by \$13 million (\$0.03 per diluted share).

In March 2003, Lockheed Martin paid \$130 million to acquire the outstanding borrowings of Space Imaging, LLC, an equity investee, under Space Imaging's credit facility, and the Corporation's guarantee of Space Imaging's borrowings under the credit facility was eliminated. The Corporation reversed, net of state income taxes, approximately \$19 million of the charge recorded in 2002 related to its investment in Space Imaging and the guarantee. This gain increased first quarter 2003 net earnings by \$13 million (\$0.03 per diluted share). The \$130 million is included in investing activities on the statement of cash flows for the period ended March 31, 2003.

The components of comprehensive income for the three months ended March 31, 2004 and 2003 consisted of the following:

	Three Months Ended March 31,	
	2004	2003
	<i>(In millions)</i>	
Net earnings	\$ 291	\$ 250
Other comprehensive income (loss):		
Net unrealized (loss) gain from available-for-sale investments	(6)	14
Other	3	(16)
	(3)	(2)
Comprehensive income	\$ 288	\$ 248

The Corporation's total interest payments were \$15 million and \$36 million for the three months ended March 31, 2004 and 2003, respectively.

The Corporation's federal and foreign income tax payments did not have a net impact on cash in the first quarter of 2004. Net federal and foreign income tax payments were \$31 million for the three months ended March 31, 2003.

Lockheed Martin Corporation
Independent Accountants' Review Report

Board of Directors
Lockheed Martin Corporation

We have reviewed the accompanying unaudited condensed consolidated balance sheet of Lockheed Martin Corporation as of March 31, 2004, and the related unaudited condensed consolidated statement of earnings for the three-month periods ended March 31, 2004 and 2003, and the unaudited condensed consolidated statement of cash flows for the three-month periods ended March 31, 2004 and 2003. These financial statements are the responsibility of the Corporation's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States, which will be performed for the full year with the objective of expressing an opinion regarding the financial statements taken as a whole. Accordingly we do not express such an opinion.

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

We have previously audited, in accordance with auditing standards generally accepted in the United States, the consolidated balance sheet of Lockheed Martin Corporation as of December 31, 2003, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended (not presented herein) and in our report dated January 27, 2004, we expressed an unqualified opinion on those consolidated financial statements and included an explanatory paragraph relating to the Corporation's 2002 adoption of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets." In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31 2003, 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 30, 2004

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

March 31, 2004

Lockheed Martin Corporation is mainly involved in the research, design, development, manufacture, integration, operation and support of advanced technology systems, products and services. We serve customers in domestic and international defense, civil government and commercial markets. Over 75% of our sales over the past three years have been to agencies of the U.S. Government. Our main areas of focus are in the defense, space, homeland security and government information technology markets.

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

The following discussion should be read along with our 2003 Annual Report on Form 10-K filed with the Securities and Exchange Commission, and with the unaudited condensed consolidated financial statements included in this Form 10-Q.

RESULTS OF OPERATIONS

Consolidated Results of Operations

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

Net sales for the first quarter of 2004 were \$8.3 billion, an 18% increase over the first quarter 2003 sales of \$7.1 billion. Sales increased in all business segments during the quarter ended March 31, 2004 compared to 2003.

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

For the quarter ended March 31, 2003, the following items, among other things, were included in "Unallocated Corporate (expense) income, net" (see the related section under the Discussion of Business Segments below):

- A loss, net of state income taxes, of \$19 million recognized in the first quarter of 2003 associated with our decision to call and prepay \$450 million of long-term debentures originally due 2023.
- The impact of the reversal, net of state income taxes, of \$19 million of the charge we recorded in 2002 related to our investment in Space Imaging and our guarantee of certain of Space Imaging's borrowings. In March 2003, we paid \$130 million to acquire the outstanding borrowings of Space Imaging, LLC, an equity investee, under Space Imaging's credit facility, and our guarantee of Space Imaging's borrowings under the credit facility was eliminated.

On a net basis, these items did not impact our net earnings or earnings per share for the 2003 period. There were no such items related to the quarter ended March 31, 2004.

Operating profit (earnings before interest and taxes) for the first quarter of 2004 was \$536 million, an increase of 6% from the \$505 million recorded in 2003. Operating profit increased in all five business segments during the quarter ended March 31, 2004 from the comparable 2003 period.

Interest expense for the first quarter of 2004 was \$108 million, \$32 million lower than the comparable period in 2003. This was primarily the result of the reduction in our debt portfolio and the favorable impact of having issued \$1.0 billion of convertible debentures in August 2003 to replace higher cost debt.

Our effective income tax rates for the quarters ended March 31, 2004 and 2003 were 32.0% and 31.5%. The effective rates for both periods were lower than the statutory rate of 35% primarily due to tax benefits related to export sales.

For the first quarter of 2004 and 2003, our net earnings were \$291 million, or \$0.65 per diluted share, and \$250 million, or \$0.55 per diluted share.

Discussion of Business Segments

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

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

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

Aeronautics

Aeronautics' operating results included the following:

	Three Months Ended March 31,	
	2004	2003
	<i>(In millions)</i>	
Net sales	\$2,874	\$2,088
Operating profit	206	145

Net sales for Aeronautics increased by 38% for the quarter ended March 31, 2004 from 2003 due to growth in the Combat Aircraft and Air Mobility lines of business. Combat Aircraft sales growth of \$750 million was primarily due to higher volume on the F-35 Joint Strike Fighter program and on F-16 programs as a result of increased deliveries (15 in 2004 compared to three in 2003). Increased C-130J deliveries, four in 2004 compared to three in 2003, contributed to the revenue growth in Air Mobility.

Segment operating profit increased by 42% for the quarter in 2004 compared to 2003. Operating profit was higher primarily due to the impact of increases in aircraft deliveries and volume in Combat Aircraft programs, and the return to profitability in 2004 on C-130J deliveries.

Electronic Systems

Electronic Systems' operating results included the following:

	Three Months Ended March 31,	
	2004	2003
	<i>(In millions)</i>	
Net sales	\$2,133	\$1,981
Operating profit	202	183

Net sales for Electronic Systems increased by 8% for the quarter ended March 31, 2004 compared to 2003. The sales increase was primarily attributable to higher volume in surface systems programs at Maritime Systems & Sensors (MS2) and in combat vision programs at Missiles & Fire Control (M&FC).

Segment operating profit increased by 10% for the quarter in 2004 compared to 2003. Operating profit was higher primarily due to improved performance on tactical missile

Lockheed Martin Corporation
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and air defense programs at M&FC and distribution technology programs at Platform, Training & Transportation Systems.

Space Systems

Space Systems' operating results included the following:

	Three Months Ended March 31,	
	2004	2003
	<i>(In millions)</i>	
Net sales	\$1,578	\$1,528
Operating profit	120	104

Net sales for Space Systems increased 3% for the quarter ended March 31, 2004 compared to 2003. The sales growth was primarily attributable to an increase in Launch Services (two Atlas launches in 2004 compared to none in 2003), which more than offset a decline in Satellites due to one less commercial satellite delivery.

Space Systems' operating profit increased by 15% for the quarter ended March 31, 2004 compared to 2003. Launch Services' operating profit increased due to the benefit resulting from the termination of a launch vehicle contract by a commercial customer and U.S. Government support of the Atlas program, which more than offset a decline in activities on the maturing Titan launch vehicle program. Satellites' operating profit declined due to performance on certain government satellite programs, which more than offset improved performance in commercial satellites.

Integrated Systems & Solutions

Integrated Systems & Solutions' operating results included the following:

	Three Months Ended March 31,	
	2004	2003
	<i>(In millions)</i>	
Net sales	\$907	\$772
Operating profit	80	72

Net sales for IS&S increased by 17% and operating profit increased 11% for the quarter ended March 31, 2004 from the comparable 2003 period. These increases were primarily attributable to a higher volume of intelligence, defense and information assurance activities.

Lockheed Martin Corporation
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Information & Technology Services

Information & Technology Services' operating results included the following:

	Three Months Ended March 31,	
	2004	2003
	<i>(In millions)</i>	
Net sales	\$852	\$687
Operating profit	60	48

Net sales for I&TS increased by 24% for the quarter ended March 31, 2004 compared to 2003. The increase in sales was primarily attributable to higher volume of \$120 million in Information Technology. Information Technology's results included the net impact of the Corporation's November 2003 purchase of the ACS federal government IT business and the concurrent sale of its commercial IT business, as well as organic growth on existing IT programs. The remaining increase in sales was attributable to higher volume in Defense Services, which were partially offset by a decline in NASA program sales.

Segment operating profit increased by 25% for the quarter ended March 31, 2004 from the comparable 2003 period. Operating profit increased mainly due to the higher volume in Information Technology.

Unallocated Corporate (Expense) Income, Net

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

	Three Months Ended March 31,	
	2004	2003
	<i>(In millions)</i>	
FAS/CAS pension adjustment	\$(150)	\$(72)
Other, net	18	25
	\$(132)	\$(47)

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

	Three Months Ended March 31,	
	2004	2003
	<i>(In millions)</i>	
FAS 87 expense	\$ (223)	\$ (108)
CAS cost	(73)	(36)
	\$ (150)	\$ (72)

The increases in the FAS 87 expense and the CAS cost amounts in 2004 compared to 2003 are consistent with our expectations based on the assumptions we used in computing these amounts as discussed in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of our 2003 Annual Report on Form 10-K under the caption "Critical Accounting Policies."

LIQUIDITY AND CASH FLOWS

We have established strategic cash deployment objectives to help ensure that we keep a focus toward growing our core business and increasing shareholder value, and that we are in a position to take advantage of opportunities when they arise. These objectives include internal investment in our business (e.g., capital expenditures, independent research and development), debt reduction, acquisitions of businesses that will complement our core operations, share repurchases and increases in dividends. The following discussion highlights activities during the first quarter of 2004 that support these objectives.

Operating Activities

Our operating cash flow continues to be the primary source of funds for financing our activities. Cash from operations amounted to \$1.1 billion in the first quarter of 2004 and \$544 million in the first quarter of 2003. Our earnings, adjusted for non-cash items such as depreciation and amortization, as well as working capital improvements, were the driving forces behind the first quarter 2004 cash flows. Our working capital has improved in 2004 when compared to the prior year. We attribute this to our continued discipline in managing our cash conversion cycle, from the negotiation of performance-based progress payment or advance payment terms in our contracts, inventory management and billing and collection activities. We expect cash from operations to continue to be strong.

Lockheed Martin Corporation
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Investing Activities

Capital expenditures—Capital expenditures for property, plant and equipment amounted to \$106 million in the first quarter of 2004 and \$78 million in the first quarter of 2003. We expect our capital expenditures to increase over the next 2 years consistent with the expected growth in our business.

Acquisitions and divestitures—We also selectively identify businesses for potential acquisition. During the first quarter of 2004, we liquidated \$240 million from short-term investments to cash in anticipation of completing our acquisition of The Titan Corporation (see the following discussion entitled "Pending Acquisition of The Titan Corporation"). During the first quarter of 2003, we paid \$130 million associated with our investment in Space Imaging, LLC (see the related discussion in Note 8—"Other") and \$23 million as the final installment on our 2001 acquisition of a government IT provider.

Financing Activities

Issuance and repayment of long-term debt—Cash provided from operations has been our principal source of funds to reduce our long-term debt. We used \$15 million in the first quarter of 2004 and \$324 million in the first quarter of 2003, for scheduled repayments of debt maturities. Also during the first quarter of 2003, we repaid \$300 million of debt in advance of its maturity and retired other high cost debt. We used \$13 million of cash in 2003 for debt repayment costs to complete these transactions. Interest rates on the debt we retired early was 7.875%.

Share dividends and repurchases—Shareholders were paid dividends of \$98 million in the first quarter of 2004 compared to \$54 million in the first quarter of 2003. We paid a dividend of \$0.22 per share in the first quarter of 2004 compared to \$0.12 per share in the first quarter of 2003.

We have a share repurchase program in place for the repurchase of up to 43 million shares of our common stock from time-to-time at management's discretion. At March 31, 2004, a total of 31.3 million shares may be repurchased in the future under the program. We did not repurchase any of our common shares in the first quarter of 2004; however, cash was used to opportunistically repurchase 6.3 million of our common shares for \$279 million in the first quarter of 2003.

CAPITAL RESOURCES

At March 31, 2004, our total long-term debt amounted to \$6.2 billion, unchanged from December 31, 2003. Our long-term debt is mainly in the form of publicly issued notes and debentures. The majority of our long-term debt bears interest at fixed rates while \$1.0 billion of convertible debentures has a floating interest rate based on LIBOR. During the first three months of 2004, we improved our debt-to-total capital ratio from

Lockheed Martin Corporation
Management's Discussion and Analysis of Financial Condition
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48% at December 31, 2003 to 47% at March 31, 2004. We held cash and cash equivalents of approximately \$2.1 billion at March 31, 2004.

Our stockholders' equity amounted to \$7.0 billion at March 31, 2004, an increase of about \$270 million from December 31, 2003. Net earnings and stock plan activities more than offset our payment of dividends.

At March 31, 2004, we had in place a \$1.5 billion revolving credit facility; no borrowings were outstanding. This credit facility will expire in November 2006.

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

Cash and cash equivalents, cash flow from operations and other available financing resources, are expected to be sufficient to meet anticipated operating, capital expenditure, dividend and debt service requirements, as well as acquisitions, share repurchases and other discretionary investment needs, projected over the next three years. Consistent with our goal to generate cash to reduce debt and invest in our core businesses, we expect that, depending on prevailing financial, market and economic conditions, we will continue to explore the sale of non-core businesses, passive equity investments and surplus real estate.

In January 2004, Intelsat announced its intention to conduct an initial public offering of its shares in an amount up to \$500 million, and that it expected the offering to occur on or before June 30, 2004. Intelsat recently filed materials with the Securities and Exchange Commission indicating that it intends to proceed with the initial public offering. If the initial public offering price and subsequent market price for Intelsat's common stock were to be below the carrying value of our investment, we would need to evaluate whether a charge to earnings should be recorded in a future period to reflect the then current market value of our Intelsat shares.

Realization and valuation of our other investments in equity securities may be affected by an investee's ability to obtain adequate funding, including through public and private sales of its debt and equity securities, and execute its business plans, as well as by general market conditions, industry considerations specific to the investee's business, and/or other factors. The inability of an investee to obtain future funding or successfully execute its business plan could adversely affect our earnings in the periods affected by those events.

Lockheed Martin Corporation
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PENDING ACQUISITION OF THE TITAN CORPORATION

In September 2003, we announced that we had entered into a definitive agreement to acquire The Titan Corporation. Under the terms of the merger agreement, stockholders of Titan could elect to receive \$22 in cash for each share of Titan common stock, an amount of Lockheed Martin common stock based on an exchange rate, or a combination of cash and stock. In April 2004, the Corporation and Titan amended the merger agreement. Under the terms of the amended agreement, Titan stockholders will receive \$20 in cash for each Titan share owned, or a total of approximately \$1.7 billion. In addition, we will assume approximately \$600 million of Titan's long-term debt.

Lockheed Martin and Titan have been conducting reviews of whether payments were made, or items of value were provided, by consultants for Titan or its subsidiaries to foreign officials in violation of the Foreign Corrupt Practices Act (FCPA). These internal reviews are substantially complete. The Securities and Exchange Commission (SEC) also commenced an investigation into whether payments involving Titan's international consultants were made in violation of applicable law. In addition, the U.S. Department of Justice (DoJ) initiated a criminal inquiry into this matter. As part of their reviews, Lockheed Martin, Titan, the SEC and the DoJ have been evaluating Titan's internal controls relating to these matters.

The merger agreement also has been amended to provide that, as a condition to the closing of the transaction, Titan must obtain written confirmation that the DoJ considers its investigation of these allegations resolved and does not intend to pursue any claims against Titan, or Titan must have entered into a plea agreement with the DoJ and completed the sentencing process. Upon satisfaction of this condition in accordance with the amended merger agreement, Lockheed Martin has agreed that the facts surrounding these allegations and the related proceedings, costs and expenses will not constitute a material adverse effect on Titan.

Titan has agreed that it will not enter into any agreement with the U.S. Government to resolve the investigation and allegations without Lockheed Martin's written consent, which cannot be unreasonably withheld or delayed. It will not be considered unreasonable if Lockheed Martin withholds its consent in a situation in which 1) the aggregate fines, penalties or settlement payable by Titan or any of its affiliates are materially adverse in relation to Titan's consolidated financial condition, assets or stockholders' equity, or 2) the agreements, consent decrees or settlements impose significant adverse restrictions or limitations on the business or operations of Titan or any of its affiliates.

The acquisition remains subject to approval by Titan stockholders and satisfaction of other closing conditions. In light of the amendments to the merger agreement, the special meeting of Titan stockholders to vote on the proposed merger is expected to be held on or after June 7, 2004. The revised merger agreement provides that if the merger is not completed on or before June 25, 2004, either Lockheed Martin or Titan may terminate the merger agreement, provided that the party seeking to terminate the agreement is not then

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in material breach of its obligations under the merger agreement in a manner that has contributed to the failure to complete the merger by such date. Under certain limited circumstances, the date may be extended to a date as late as September 24, 2004. We plan to finance the acquisition of Titan principally using existing cash and cash equivalents.

ADVANCES TO RUSSIAN MANUFACTURERS

Lockheed-Khrunichev-Energia International, Inc. (LKEI), a joint venture we have with two Russian government-owned space firms, has exclusive rights to market launches of commercial, non-Russian-origin space payloads on the Proton family of rockets from a launch site in Kazakhstan. Commercial Atlas and Proton launch services are marketed around the world through International Launch Services (ILS), a joint venture between Lockheed Martin and LKEI. We consolidate the results of operations of LKEI and ILS into our financial statements based on our controlling financial interest. Contracts for launch services usually require substantial advances from the customer before the launch. Advances received from customers for Proton launch services not yet provided totaled \$304 million at March 31, 2004 and \$250 million at December 31, 2003, and were included as a liability on our balance sheet in the caption "Customer advances and amounts in excess of costs incurred."

A sizable percentage of the advances we receive from customers for Proton launch services are sent to Khrunichev State Research and Production Space Center (Khrunichev), the manufacturer of the launch vehicle and provider of the related launch services in Russia. If a contracted launch service is not provided, a sizeable percentage of the related advance would have to be refunded to the customer. In addition, we have previously sent advances to Khrunichev that are covered by an arrangement to reduce future launch payments from us to Khrunichev, contingent on the receipt of new orders as well as a minimum number of actual launches each year. The advances sent to Khrunichev are included on our balance sheet in inventories. Total payments to Khrunichev included in inventories at March 31, 2004 and December 31, 2003, net of reserves, were \$325 million and \$327 million, respectively. Our ability to realize these amounts may be affected by the continuing overcapacity in the launch vehicle market, Khrunichev's ability to provide the launch services and the political environment in Russia. Through March 2004, launch services through LKEI and ILS have been provided according to contract terms.

We have entered into an agreement with RD AMROSS, a joint venture of the Pratt & Whitney division of United Technologies Corporation and the Russian firm NPO Energomash, for the purchase, subject to certain conditions, of RD-180 booster engines for use in our Atlas launch vehicles. Terms of the agreement call for payments to be made to RD AMROSS upon the achievement of certain milestones in the manufacturing process. Inventories included \$64 million of payments made under this agreement for engines not yet delivered at March 31, 2004, and \$57 million at December 31, 2003.

Item 3. Quantitative and Qualitative Disclosure of Market Risk

Our main exposure to market risk relates to interest rates and, to a lesser extent, foreign currency exchange rates. Our financial instruments that are subject to interest rate risk principally include long-term debt. Our long-term debt obligations, other than the \$1.0 billion in convertible debentures issued in 2003, are generally not callable until maturity. We sometimes use interest rate swaps to manage our exposure to fixed and variable interest rates. At March 31, 2004, the fair value of the interest rate swap agreement outstanding was not material.

We use forward foreign exchange contracts to manage our exposure to fluctuations in foreign exchange rates. These contracts are designated as qualifying hedges of the cash flows associated with firm commitments or specific anticipated transactions, and related gains and losses on the contracts, to the extent they are effective hedges, are recognized in income when the hedged transaction occurs. To the extent the hedges are ineffective, gains and losses on the contracts are recognized currently. At March 31, 2004, the fair value of forward exchange contracts outstanding, as well as the amounts of gains and losses recorded during the year then ended, were not material. We do not hold or issue derivative financial instruments for trading purposes.

Item 4. Controls and Procedures

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

At March 31, 2004, we performed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures. The evaluation was performed with the participation of senior management of each business segment and key Corporate functions, and under the supervision of the CEO and CFO. Based on the evaluation, our management, including the CEO and CFO, concluded that our disclosure controls and procedures were effective.

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

FORWARD-LOOKING STATEMENTS

Statements in this Form 10-Q that are “forward-looking statements” are based on Lockheed Martin’s current expectations and assumptions. The words “believe,” “estimate,” “anticipate,” “project,” “intend,” “expect,” “plan,” “outlook,” “forecast” and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to risks and uncertainties. Actual results could differ materially because of factors such as: the availability of government funding domestically and internationally; changes in government and customer priorities and requirements (including changes to respond to terrorist threats and improve homeland security); the impact of continued hostilities in Iraq on funding for existing defense programs; the award or termination of contracts; difficulties in developing and producing operationally advanced technology systems; the timing and customer acceptance of product deliveries; performance issues with key suppliers, subcontractors and customers; cost reduction and productivity efforts; financial market and other changes that may impact pension plan assumptions; charges from any future impairment reviews that may result in the recognition of losses and a reduction in the book value of investments, goodwill or other long-term assets; the future impact of proposed tax or employment benefit legislation; the completion and integration of proposed acquisitions or divestitures; the outcome of legal proceedings and other contingencies (including lawsuits, government investigations and environmental remediation efforts); the competitive environment for defense and information technology products and services; and economic, business and political conditions domestically and internationally.

Readers are cautioned not to place undue reliance on forward-looking statements which speak only as of the date of this Form 10-Q. We undertake no obligation to update any forward-looking statements to reflect subsequent events, actual results or changes in our expectations after the date of this Form 10-Q. The forward-looking statements in this document are intended to be subject to the safe harbor protection provided by Sections 27A of the Securities Act and 21E of the Exchange Act.

These are only some of the factors that may affect the forward-looking statements contained in this Form 10-Q. For further information regarding risks and uncertainties associated with our business, please, see the Corporation’s Securities and Exchange Commission filings including, but not limited to, the discussions of “Government Contracts and Regulations” and “Risk Factors and Forward-Looking Statements” on pages 20 through 21 and pages 23 through 30, respectively, of the Corporation’s Annual Report on Form 10-K for the fiscal year ended December 31, 2003; “Note 3—Pending Acquisition of The Titan Corporation,” “Note 5—Postretirement Benefit Plans” and “Note 6—Contingencies” of the Notes to Unaudited Condensed Consolidated Financial Statements on pages 8 through 9, pages 10 through 11, and pages 11 through 13, respectively, of this Form 10-Q; “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on pages 18 through 27 of this Form 10-Q; and Part II—Item 1, “Legal Proceedings” on page 31 of this Form 10-Q.

Lockheed Martin Corporation

Item 1. Legal Proceedings

The Corporation is a party to or has property subject to litigation and other proceedings, including matters arising under provisions relating to the protection of the environment, as described in “Note 6—Contingencies” of the Notes to Unaudited Condensed Consolidated Financial Statements in this Form 10-Q, and in the Corporation’s 2003 Annual Report on Form 10-K (Form 10-K), or arising in the ordinary course of business. In the opinion of management and in-house counsel, the probability is remote that the outcome of any such litigation or other proceedings will have a material adverse effect on the Corporation’s results of operations or financial position.

The Corporation is primarily engaged in providing products and services under contracts with the U.S. Government and, to a lesser degree, under direct foreign sales contracts, some of which are funded by the U.S. Government. These contracts are subject to extensive legal and regulatory requirements and, from time to time, agencies of the U.S. Government investigate whether the Corporation’s operations are being conducted in accordance with these requirements. U.S. Government investigations of the Corporation, whether relating to these contracts or conducted for other reasons, could result in administrative, civil or criminal liabilities, including repayments, fines or penalties being imposed upon the Corporation, or could lead to suspension or debarment from future U.S. Government contracting. U.S. Government investigations often take years to complete and many result in no adverse action against the Corporation. For the U.S. Government investigations described in the Corporation’s Form 10-K, it is too early for Lockheed Martin to determine whether adverse decisions relating to these investigations could ultimately have a material adverse effect on its results of operations or financial position.

We are subject to federal and state requirements for protection of the environment, including those for discharge of hazardous materials and remediation of contaminated sites. As a result, we are a party to or have our property subject to various other lawsuits or proceedings involving environmental protection matters. Due in part to their complexity and pervasiveness, such requirements have resulted in our being involved with related legal proceedings, claims and remediation obligations. The extent of our financial exposure cannot in all cases be reasonably estimated at this time. For information regarding these matters, including current estimates of the amounts that we believe are required for remediation or clean-up to the extent estimable, see “Note 6—Contingencies” on pages 11 through 13 of this Form 10-Q.

Lockheed Martin Corporation

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

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

The Corporation held its Annual Meeting of Stockholders on April 22, 2004. Of the 447,515,309 shares outstanding and entitled to vote, 398,502,647 shares were represented at the meeting, or an 89% quorum. During the meeting, the stockholders:

- Elected the following fourteen individuals to the Board of Directors to serve as directors until the Annual Meeting of Stockholders in 2005 and until their successors have been duly elected and qualified:

	<u>Votes Cast For</u>	<u>Votes Withheld</u>
E. C. “Pete” Aldridge, Jr.	377,136,221	21,366,426
Nolan D. Archibald	377,139,332	21,363,315
Norman R. Augustine	330,298,500	68,204,147
Marcus C. Bennett	377,536,657	20,965,990
Vance D. Coffman	377,880,809	20,621,838
Gwendolyn S. King	376,837,164	21,665,483
Douglas H. McCorkindale	379,476,040	19,026,607
Eugene F. Murphy	377,063,536	21,439,111
Joseph W. Ralston	329,789,665	68,712,982
Frank Savage	305,077,421	93,425,226
Anne Stevens	370,419,050	28,083,597
Robert J. Stevens	378,137,997	20,364,650
James R. Ukropina	370,891,634	27,611,013
Douglas C. Yearley	377,065,690	21,436,957

- Ratified the appointment of Ernst & Young LLP as the independent auditors to audit the Corporation’s books, records and accounts for the year ended December 31, 2004. There were 373,392,973 votes for the appointment, 20,193,003 votes against the appointment, and 4,916,671 abstentions.

Lockheed Martin Corporation

- Rejected a stockholder proposal which recommended that the Corporation furnish stockholders with an annual listing of employees and other persons acting on behalf of the Corporation (e.g., consultants) who have served in any governmental capacity in the previous five years. There were 9,196,888 votes for the proposal, 323,535,178 votes against the proposal, 21,260,147 abstentions and 44,510,434 broker non-votes.
- Rejected a stockholder proposal which recommended that the Board of Directors submit the adoption, maintenance or extension of any poison pill to a stockholder vote. There were 91,214,789 votes for the proposal, 256,743,044 votes against the proposal, 5,540,496 abstentions and 45,004,318 broker non-votes.
- Rejected a stockholder proposal which recommended that the Board of Directors and its Audit Committee adopt a policy stating that the public accounting firm retained by the Corporation will perform only “audit” and “audit-related” work for the Corporation and not perform services generating “tax fees” and “all other fees” as categorized under the U.S. Securities and Exchange Commission regulations. There were 35,117,656 votes for the proposal, 312,462,570 votes against the proposal, 6,421,079 abstentions and 44,501,342 broker non-votes.
- Rejected a stockholder proposal which recommended that the Board of Directors review and, if necessary, amend and amplify the Corporation’s code of conduct and statements of ethical criteria for military production-related contract bids, awards and contract execution, and report the results on this process to stockholders within six months of the annual meeting. There were 13,382,399 votes for the proposal, 317,132,262 votes against the proposal, 23,477,453 abstentions and 44,510,533 broker non-votes.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit 10.1	Lockheed Martin Corporation Deferred Management Incentive Compensation Plan, as amended on April 22, 2004
Exhibit 10.2	Form of the Lockheed Martin Corporation Long-Term Incentive Performance Award Agreement
Exhibit 12	Lockheed Martin Corporation Computation of Ratio of Earnings to Fixed Charges for the three months ended March 31, 2004
Exhibit 15	Acknowledgment of Independent Accountants
Exhibit 31.1	Rule 13a-14(a) Certification of Vance D. Coffman
Exhibit 31.2	Rule 13a-14(a) Certification of Christopher E. Kubasik
Exhibit 32.1	Certification of Vance D. Coffman Pursuant to 18 U.S.C. Section 1350
Exhibit 32.2	Certification of Christopher E. Kubasik Pursuant to 18 U.S.C. Section 1350

(b) Reports on Form 8-K filed in the first quarter of 2004.

1. Current report on Form 8-K filed on January 27, 2004.

The Corporation furnished its financial results for year ended December 31, 2003.

2. Current report on Form 8-K filed on February 13, 2004.

The Corporation disclosed an investigation by the Securities and Exchange Commission relating to the payments by The Titan Corporation to international consultants.

3. Current report on Form 8-K filed on March 1, 2004.

The Corporation disclosed that its Chairman and Chief Executive Officer Vance D. Coffman will retire effective August 6, 2004, and that President and Chief Operating Officer Robert J. Stevens will be Dr. Coffman's successor as Chief Executive Officer.

4. Current report on Form 8-K filed on March 3, 2004.

The Corporation disclosed that a presentation by Robert J. Stevens, President and Chief Operating Officer will be webcast on March 3, 2004, and topics Mr. Stevens was expected to discuss.

5. Current report on Form 8-K filed on March 10, 2004.

The Corporation provided updated Unaudited Pro Forma Combined Financial Information and supplemented information included in the Corporation's registration statements on Form S-4 relating to the proposed acquisition of The Titan Corporation.

6. Current report on Form 8-K filed on March 12, 2004.

The Corporation disclosed that The Titan Corporation had agreed to delay until Monday, April 12, 2004, the vote of its stockholders on the pending merger with Lockheed Martin.

(c) Reports on Form 8-K filed subsequent to the first quarter of 2004.

1. Current report on Form 8-K filed on April 7, 2004.

The Corporation disclosed that it had entered into an amendment to the merger agreement with The Titan Corporation.

2. Current report on Form 8-K filed on April 27, 2004.

The Corporation furnished its financial results for quarter ended March 31, 2004.

Lockheed Martin Corporation

SIGNATURES

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

Lockheed Martin Corporation

(Registrant)

Date: May 5, 2004

by: /s/ Rajeev Bhalla

Rajeev Bhalla
Vice President and Controller
(Chief Accounting Officer)

**LOCKHEED MARTIN CORPORATION
DEFERRED MANAGEMENT INCENTIVE
COMPENSATION PLAN**

(Adopted July 27, 1995)
As Amended August 1, 1998
As Amended Effective January 1, 1999
As Amended June 28, 2001
As Amended December 6, 2001
As Amended October 1, 2002
[As Amended April 22, 2004]

ARTICLE I

PURPOSES OF THE PLAN

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

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

ARTICLE II

DEFINITIONS

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

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

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

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

the first calendar year in the Performance Period for which the Long Term Incentive Award is effective with respect to an Eligible Employee.

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

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

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

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

8. **COMPANY**—Lockheed Martin Corporation and its subsidiaries.

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

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

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

12. **DEFERRAL PLAN**—The Lockheed Martin Corporation Deferred Management Incentive Compensation Plan, adopted by the Board on July 27, 1995, and as amended from time to time.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE III

ELECTION OF DEFERRED AMOUNT

1. Timing of Deferral Elections.

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

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

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

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

(a) a dollar amount which is at least \$5,000 and is an even multiple of \$1,000,

(b) the greater of \$5,000 or a designated percentage of the Eligible Employee's Incentive Compensation or Long Term Incentive Award payment (adjusted to the next highest multiple of \$1,000),

(c) the excess of the Eligible Employee's Incentive Compensation or Long Term Incentive Award payment over a dollar amount specified by the Eligible Employee (which must be an even multiple of \$1,000), or

(d) all of the Eligible Employee's Incentive Compensation or Long Term Incentive Award payment.

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

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

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

5. **Company Deferrals.** Pursuant to the terms of the Long Term Incentive Awards, 50% of the amount payable at the end of the Performance Period will be automatically deferred until the second anniversary of the last day of the Performance Period with respect to a particular award. The Company may establish an account for Company Deferrals under the Company Stock Investment Option of this Deferral Plan. However, the terms governing the Company Deferrals will be governed for the two year period of deferral by the terms of the award agreement entered into under the Omnibus Plan or the IPA Plan with respect to the Long Term Incentive Award and not by this Deferral Plan except to the extent the award agreement expressly refers to the terms of this Deferral Plan. Notwithstanding the foregoing, if the Participant elects to defer the Company Deferrals beyond the second anniversary of the end of the Performance Period, the deferrals will be treated as made under this Deferral Plan for the period following the second anniversary of the end of the Performance Period.

ARTICLE IV

CREDITING OF ACCOUNTS

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

2. Crediting of Earnings and Reallocations.

(a) **General Rules.**

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

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

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

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

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

(c) **Company Stock Investment Option.**

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

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

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

(iv) If any portion of a Participant's Account is reallocated in accordance with paragraph 6 (or paragraph 5 prior to October 1, 2004) of this Article IV from the Company Stock Investment Option to the Interest Option, the reallocation shall be credited to the Interest Option as if the Company's Common Stock had been bought or sold at the published closing price of the Company's Common Stock on the Trading Day on which the reallocation is effective, or if the reallocation is effective as

of the day that is not a Trading Day, the Trading Day which immediately precedes the effective date of the reallocation.

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

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

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

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

after September 15, 2004, and any such election made during September 2004 will be valued and take effect as of September 30, 2004.

5. One-Time Reallocation Right.

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

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

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

ARTICLE V

PAYMENT OF BENEFITS

1. General.

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

(b) **Cash Only Payment.** With respect to benefit payments made on a Payment Date which is on or before September 30, 2004, all such benefit payments shall be made in accordance with the terms of this Deferral Plan as in effect on such date in cash and, except as otherwise provided under such terms, shall reduce allocations to the Interest Option and the Company Stock Investment Option in the same proportions that the Participant's Account Balance is allocated between those investment options at the end of the month preceding the date of distribution. Notwithstanding the foregoing, no amount of Deferred Compensation shall be distributed to a Section 16 Person under this Deferral Plan which is attributable to the Stock Investment Option unless such amount was allocated to the Participant's Account in accordance with Section 1 of Article 4 at least six months prior to the date of distribution

or no portion of such amount was allocated to the Company Stock Investment Option in the six months prior to distribution.

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

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

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

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

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

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

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

(A) A lump sum.

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

prior to such payment by the number of installment payments then remaining in the designated installment period. The installment period may be shortened, in the sole discretion of the Committee, if the Committee at any time determines that the amount of the annual payments that would be made to the Participant during the designated installment period would be too small to justify the maintenance of the Participant's Account and the processing of payments.

4. Prospective Change of Payment Elections.

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

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

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

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

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

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

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

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 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.

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.

ARTICLE VII

AMENDMENT OR TERMINATION

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

2. **Termination.** The Board reserves the right to terminate this Plan at any time and to pay all Participants their Account Balances in a lump sum immediately following such termination or at such time thereafter as the Board may determine; provided, however, that if a distribution in accordance with the provisions of this Section 2 would otherwise result in a nonexempt short-swing transaction under Section 16(b) of the Exchange Act, the date of distribution with respect to any Section 16 Person shall be delayed until the earliest date upon which the distribution either would not result in a nonexempt short-swing transaction or would otherwise not result in liability under Section 16(b) of the Exchange Act.

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

ARTICLE VIII

ADMINISTRATION

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

2. **Delegation and Reliance.** The Committee may delegate to the officers or employees of the Company the authority to execute and deliver those instruments and documents, to do all acts and things, and to take all other steps deemed necessary, advisable or convenient for the effective administration of this Deferral Plan in accordance with its terms and purpose, except that the Committee may not delegate any authority the delegation of which would cause this Deferral Plan to fail to satisfy the applicable requirements of Rule 16b-3. In making any determination or in taking or not taking any action under this Deferral Plan, the Committee may obtain and rely upon the advice of experts, including professional advisors to the Company. No member of the Committee or officer of the Company who is a Participant hereunder may participate in any decision specifically relating to his or her individual rights or benefits under the Deferral Plan.

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

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

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

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

ARTICLE IX

GENERAL AND MISCELLANEOUS PROVISIONS

1. 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. 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. 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. 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. 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. 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. 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. 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. This Deferral Plan and its operation, including but not limited to, the mechanics of deferral elections, the issuance of securities,

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

10. 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. 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. 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. 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. 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.

**Form of the Lockheed Martin Corporation
Long-Term Incentive Performance Award Agreement**

Lockheed Martin Corporation
6801 Rockledge Drive, Bethesda, MD 20817
Telephone 301-897-6000

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

[Date]

«Name»
«Street»
«City», «State» «Zip»

Re: Lockheed Martin Corporation 2003 Incentive Performance Award Plan: **Long-Term Incentive Performance Award (insert years] Performance Period)**

Dear «Call_By_Name»:

On behalf of the Stock Option Subcommittee (the "Subcommittee") of the Board of Directors of Lockheed Martin Corporation, I am pleased to announce that you have been granted a Long-Term Incentive Performance Award under the Corporation's 2003 Incentive Performance Award Plan (the "Plan"). The purpose of this letter is to serve as the Award Agreement under such Plan and to set forth your Target Award as well as the terms and conditions to the payment of your Target Award. Additional terms and conditions are set forth in the Plan and in the Prospectus relating to the Plan of which the Plan document and this Award Agreement are a part. You should retain the Prospectus and the attached copy of the Plan in your records.

PLEASE NOTE THAT, FOR THIS AWARD TO BE EFFECTIVE, YOU MUST PROMPTLY SIGN AND RETURN A COPY OF THIS AWARD AGREEMENT.

The following points explain in summary fashion how the Award granted to you under this Award Agreement shall be calculated and paid. These summary points are subject to the terms and conditions of this Award Agreement and to the Plan.

- You have been granted a Target Award in the amount of «Target». Your actual Award may be larger or smaller than your Target Award (from \$0 to «Target_x_2»), depending on the Corporation's performance as measured by its relative ranking of Total Stockholder Return to Total Stockholder Return of the companies that comprise the Standard & Poor's 500 Index.

- You must (as a general rule) remain employed by the Corporation through [date] to receive a payment of any portion of your actual Award.
- If you remain so employed through [date], you shall be fully vested in 50% of your Award. The amount payable at this time depends upon the Corporation's performance relative to the performance of other corporations which comprise the Standard & Poor's 500 Index. You may elect to receive this portion of your Award in cash, or you may make an irrevocable election to defer the payment of this portion of your Award to a later date (in accordance with rules set by the Subcommittee).
- You must (as a general rule) remain employed by the Corporation until [date] to receive a payment of the remaining 50% of your Award. During the period between [date] and [date], your Award shall be treated as if it had been invested in the Corporation's common stock.
- On [date], you will become eligible to receive the remaining 50% portion of your Award (as adjusted to track the performance of the Corporation's common stock) in cash, or you may make an irrevocable election to defer the payment of this portion of your Award to a later date (in accordance with rules set by the Subcommittee).

The remainder of this letter sets forth your actual Award Agreement.

Any terms used in this letter which have a special meaning either shall be defined in this letter for your convenience, or capitalized terms which are not defined in this letter are defined in the Plan. The term "Target Award" as used in this Award Agreement refers only to the Target Award awarded to you under this Award Agreement and the term "Award" refers only to the Long Term Incentive Performance Award set forth in this Award Agreement. References to the "Corporation" include Lockheed Martin Corporation and its subsidiaries.

Section 1. **Target Award.** Your Target Award for your Performance Period under this Award Agreement shall be «Target».

Section 2. **Performance Period.** Your Performance Period under this Award Agreement shall start on [date] and shall end on [date].

Section 3. Peer Performance Group.

3.1. **General; the Peer Performance Group.** The percentage of your Target Award which you shall be eligible to receive shall depend, in part, on the Corporation's relative ranking of its Total Stockholder Return (as defined in the Plan) for your Performance Period to the Total Stockholder Return for such Period for the corporations which comprise the Standard & Poor's 500 Index at the beginning of the Performance Period. The Corporation shall be included as a member of the Peer Performance Group. The Corporation's Total Stockholder Return will be based on the performance of its common stock, par value \$1.00. The Total Stockholder Return of each corporation that is taken into account in computing the Peer Performance Group Total Stockholder Return will be based on the equity security of the relevant corporation that is used in computing the Standard & Poor's 500 Index.

3.2. **Total Stockholder Return.** The Subcommittee after the end of your Performance Period shall compute the Total Stockholder Return for the Corporation for such Period and shall compute and rank the Total Stockholder Return for each corporation in the Peer Performance Group. Each corporation's Total Stockholder Return shall be ranked among the Total Stockholder Return for each other corporation in the Peer Performance Group on a percentile basis. Each such Total Shareholder Return shall be computed from data available to the public, and the ranking shall be made using generally accepted analytical procedures. The Total Stockholder Return for the Corporation and for each corporation in the Peer Performance Group shall be rounded to the nearest hundredth of a percent based on the standard convention for rounding.

3.3. Percentage Level of Target Award.

(a) **General.** At the end of your Performance Period, the Subcommittee shall multiply your Target Award by the Percentage Level of Target Award as determined under Section 3.3(b). The result of such multiplication shall be referred to in this Award Agreement as your "Potential Award".

(b) **Percentage Level of Target Award.** Your Percentage Level of Target Award shall (subject to Section 3.3(c)) be determined under this Section 3.3(b) based on the percentile ranking of the Corporation in the Peer Performance Group based on the Corporation's Total Stockholder Return for your Performance Period under the following chart—

<u>Band</u>	<u>Percentile Ranking</u>	<u>Percentage Level Of Target Award</u>
One	85th or higher	200%
Two	75th	150%
Three	60th	100%
Four	50th	70%
Five	40th	25%
Six	Below 40th	0%

(c) **Percentage Level of Target Award Interpolation.** If the Corporation's Total Stockholder Return puts the Corporation over the listed Percentile Ranking for the applicable Band (other than Band One or Band Six) in Section 3.3(b), your Percentage Level of Target Award under Section 3.3(b) shall be calculated in the following steps—

(1) the Subcommittee as the first step shall determine the amount by which the Corporation's Percentile Ranking exceeds the listed Percentile Ranking in the applicable Band (rounded to the nearest whole number based on the standard convention for rounding to the nearest whole number),

2) the Subcommittee as step (2) shall divide the number from step (1) by ten (10) or, if the Band is Band Three, by fifteen (15) and the resulting quotient shall be expressed as a percentage (rounded to the nearest whole number based on the standard convention for rounding to the nearest whole number), which percentage shall be referred to as the "Applicable Percentage",

(3) the Subcommittee as step (3) shall multiply the Applicable Percentage by fifty (50), if the applicable Band is Band Two or Band Three, or by thirty (30), if the applicable Band is Band Four, or by forty-five (45), if the applicable band is Band Five,

(4) the Subcommittee as step (4) shall round the number from step (3) to the nearest whole number based on the standard convention for rounding to the nearest whole number, and

(5) the Subcommittee as step (5) shall determine your actual Percentage Level of Target Award by adding the number from step (4) as so rounded to the Percentage Level specified in the applicable Band under Section 3.3(b).

Section 4. **Potential Award.**

4.1. **Employment Requirement.**

(a) **General Rule.** In order to be eligible to receive payment of any portion of your Potential Award as determined under Section 3.3(a), you must remain actively employed by the Corporation through the last day of the Performance Period. If your employment as an Employee terminates for any reason whatsoever during your Performance Period, you shall forfeit your right to receive all or any part of your Potential Award.

(b) **Exceptions.** Notwithstanding Section 4.1(a), if the Subcommittee determines

(1) that your employment as an Employee terminated as a result of your death, "Divestiture", "Disability" or "Retirement" or

(2) that the Corporation terminated your employment involuntarily as a result of a layoff,

you shall forfeit a fraction of your Potential Award. The numerator of such fraction shall equal the number of days remaining in your Performance Period after the date that the Subcommittee determines that your employment as an Employee terminated, and the denominator shall equal the total number of days in your Performance Period. The Subcommittee shall have complete and absolute discretion to make the determinations called for under this Section 4.1(b), and all such determinations shall be binding on you and on any person who claims all or any part of your Potential Award on your behalf as well as on the Corporation.

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

(1) Your employment as an Employee shall be treated as terminating because of a Disability if you are eligible for a benefit under the Corporation's long term disability plan in which you participate;

(2) Your employment as an Employee shall be treated as terminating as a result of Divestiture if the Corporation divests all or substantially all of a business operation of the Corporation and such divestiture results in the termination of your employment with the Corporation and a transfer of such employment to the other party in the divestiture. A divestiture shall mean a transaction which results in the transfer of control of the business operation to any person, corporation, association, partnership, joint venture or other business entity of which

less than 50% of the voting stock or other equity interests are owned or controlled by the Corporation; and

(3) Your employment as an Employee shall be treated as terminating because of Retirement if (a) you participate in a retirement plan maintained by the Corporation, and your employment terminates on or after the date on which you satisfy the plan's age and service requirements for receiving an early retirement benefit under the plan or (b) if you do not participate in a retirement plan maintained by the Corporation, your employment terminates after you reach age 55 and have completed five years of service.

4.2. Payment Rules.

(a) **General Rule.** If you are eligible to receive your Potential Award under Section 4.1(a), your Potential Award shall be divided into two equal parts, one of which shall be fully vested and, at your election, shall be either paid in cash to you or deferred in accordance with Section 4.2(e). The other portion of your Potential Award shall remain subject to forfeiture and shall be governed under the provisions of Section 4.2(c).

(b) **Current Part.** You shall have the right to receive 50% of your Potential Award currently in cash as soon as practicable after the date as of which the Subcommittee certifies in writing (for purposes of Section 162(m) of the Code) that your Target Award has become a Potential Award for your Performance Period.

(c) **Deferred, Forfeitable Part.**

(1) **Deferral and Forfeiture.** If you are eligible to receive your Potential Award under Section 4.1(a), the payment of the remaining 50% of your Potential Award shall be deferred until after [date]. You shall forfeit your right to the payment of that part of your Potential Award if your employment as an active Employee terminates for any reason on or before [date].

(2) **Phantom Stock Account.** The Subcommittee shall establish a bookkeeping account (a "Phantom Stock Account") on your behalf under this Section 4.2(c)(2) and shall credit such account with a number of units equal to the number of whole shares (and any fractional share) of the Corporation's common stock which could have been purchased by the part of your Potential Award described in Section 4.2(c)(1) at the closing price for a share of the Corporation's common stock as reported on the New York Stock Exchange for the last trading day of the Performance Period, subject to the Subcommittee's certification in writing (for purposes of Section

162(m) of the Code) that your Target Award has become a Potential Award for your Performance Period. Thereafter the Subcommittee shall make such credits or debits to the units previously credited to such account as the Subcommittee deems appropriate in light of any transaction described in Section 7(a) of the Plan (such as a stock split or stock dividend) or any dividends paid on the Corporation's common stock, which dividends shall increase the number of units credited to such account as if such dividends had been reinvested in the Corporation's common stock at the closing price of a share of the Corporation's common stock as reported on The New York Stock Exchange for the last trading day of the quarter in which such dividend is declared by the Board of Directors.

(3) **Payment.** Unless you forfeit your right to the remaining 50% of your Potential Award described in this Section 4.2(c), you shall have the right to receive the payment of the value of your Phantom Stock Account as determined as of [date] or to defer payment in accordance with Section 4.2(e). The amount payable under this Section 4.2(c) shall be determined by multiplying the number of units representing shares of phantom stock credited to your account under Section 4.2(c)(2) by the closing price for a share of the Corporation's common stock as reported on the New York Stock Exchange for [date] or, if it is not a trading day, on the last trading day before [date], and rounding such product to the nearest whole number based on the standard convention of rounding to the nearest whole number.

(4) **Special Payment Rule For Certain Terminated Employees.** Notwithstanding Section 4.2(c)(1), if your employment terminates after the close of your Performance Period but prior to [date] and the Subcommittee determines that your employment terminated under circumstances which would have made you eligible to receive at least a part of your Potential Award under Section 4.1(b), then the remaining 50% portion of your Potential Award described in this Section 4.2(c) shall be paid to you or, in the event of your death, to your designated beneficiary, in cash as soon as practicable following your termination. The amount payable under this Section 4.2(c)(4) shall be determined by multiplying the number of units representing shares of phantom stock credited to your account under Section 4.2(c)(2) on the date your termination becomes effective by the closing price for a share of the Corporation's common stock as reported on the New York Stock Exchange for the date on which your termination becomes effective, or if it is not a trading day, on the last trading day before that date, and rounding such product to the nearest whole number based on the standard convention of rounding to the nearest whole number. In the event of your death and you do not have a properly completed beneficiary designation form on file with the

Office of the Corporate Secretary, your payment will be made to your estate.

(4) **No Shareholder Rights.** Units credited to your Phantom Stock Account are bookkeeping entries only and do not entitle you to any shares of the Corporation's common stock or to any voting or other rights associated with shares of such stock.

(d) **Special Rule.** If you terminate employment during the Performance Period but are eligible to receive a portion of your Potential Award as a result of an exception under Section 4.1(b), payment of such portion of your Potential Award shall be in full satisfaction of all rights you have under this Award Agreement; in such circumstances, you will not be eligible for a payment under Section 4.2(c) and no other amounts will be payable on your behalf. The portion of your Potential Award to which you have a right to receive under Section 4.1(b) shall be paid to you or, in the event of your death, to your designated beneficiary for the Award, in cash as soon as practicable after the date as of which the Subcommittee certifies in writing (for purposes of Section 162(m) of the Code) that your Target Award has become a Potential Award for your Performance Period. In the event of your death and you do not have a properly completed beneficiary designation form on file with the Office of the Corporate Secretary, your payment will be made to your estate.

(e) **Further Deferral.** You will be given an opportunity to elect to defer any amounts payable under Sections 4.2(b) and 4.2(d) of this Award Agreement and to further defer any amounts payable under Sections 4.2(c)(3) and 4.2(c)(4). Such election shall be irrevocable, shall be made in accordance with the terms of the Lockheed Martin Corporation Deferred Management Incentive Compensation Plan and shall be subject to such additional terms and conditions as are set by the Subcommittee. A deferral election form and the terms and conditions for any deferral shall be furnished to you in due course.

4.3. **Cutback.** Any payment called for under Section 4.2(b) will be reduced to the extent that such payment together with payments attributable to any other Cash-Based Awards that are granted during [year] as Performance Based Awards exceeds \$5,000,000 and, further, any credit of phantom shares called for under Section 4.2(c)(2) shall be reduced to the extent that the number of phantom shares credited to you together with the number of shares of Stock and Share Units in respect of Share-Based Awards that are granted to you during [year] as Performance Based Awards exceeds 1,000,000. To the extent that any payment called for under Section 4.2(b) would exceed the \$5,000,000 limit and therefore must be reduced, the amount in excess of \$5,000,000, shall be deferred and credited as phantom shares under Section 4.2(c) unless such crediting would result in the crediting of phantom shares that would otherwise be prohibited by this Section 4.3. To the extent that any crediting called for under Section 4.2(b) would exceed

the 1,000,000 limit and therefore must be reduced, the units in excess of 1,000,000, shall not be credited and shall instead be paid in cash under Section 4.2(b) unless such payment would result in a payment that would otherwise be prohibited by this Section 4.3.

4.4. **Withholding.** Any payment made in respect of your Award will be subject to income tax withholding at the minimum rate prescribed by law. You may owe taxes in addition to the amount withheld and may request tax be withheld at a greater rate.

Section 5. **No Assignment; General Creditor Status.** You shall have no right to assign any interest you might have in all or any part of the Target Award or Potential Award which has been granted to you under this Award Agreement and any attempt to do so shall be null and void and shall have no force or effect whatsoever. Furthermore, all payments called for under this Award Agreement to you shall be made in cash from the Corporation's general assets, and your right to payment from the Corporation's general assets shall be the same as the right of a general and unsecured creditor of the Corporation.

Section 6. **Plan.** This Award Agreement shall be subject to all of the terms and conditions set forth in the Plan.

Section 7. **Change in Control.**

7.1. **Change in Control During Performance Period.** If during your Performance Period, a Change in Control (as defined in Section 7(c) of the Plan) occurs, your Performance Period will terminate. Notwithstanding any deferral election or term of this Award Agreement to the contrary, a pro rata portion of your Award will be paid to you within 15 days of the Change in Control. The prorated portion will be the sum of (i) the result obtained by first multiplying your Target Award by the Peer Performance Group Percentage Level calculated under Section 3.3(b), but determined as of the last day of the year immediately preceding the Change in Control, and then further multiplying that product by a fraction, the numerator of which is the number of whole calendar years of your Performance Period that were completed prior to the Change in Control and the denominator of which is three; and (ii) the product of your Target Award and a fraction, the numerator of which is the number of days preceding the Change in Control that occur in the calendar year in which the Change in Control occurs and the denominator of which is 1095.

7.2. **Change in Control After Performance Period.** If a Change in Control occurs after the end of your Performance Period but before [date], notwithstanding any deferral election or term of this Award Agreement to the contrary, the remaining 50% of your Potential Award described in Section 4.2(c) will be paid to you within 15 days of the Change in Control. The amount payable shall be determined by multiplying the number of units representing shares of phantom stock credited to your account under Section 4.2(c)(2) by the closing price for a share of the Corporation's common stock as reported on the New York Stock Exchange for the date on which the Change in Control occurs, or if it is not a trading day, on the last trading day before that date, and rounding such

product to the nearest whole number based on the standard convention of rounding to the nearest whole number.

7.3. **Special Rule.** Notwithstanding Section 7.1 or Section 7.2, if a payment in accordance with those provisions would result in a nonexempt short-swing transaction under Section 16(b) of the Securities Exchange Act of 1934, then the date of distribution to you shall be delayed until the earliest date upon which the distribution either would not result in a nonexempt short-swing transaction or would otherwise not result in liability under Section 16(b) of the Securities Exchange Act of 1934.

Section 8. **Amendment and Termination.** As provided in Section 9 of the Plan, the Board of Directors may at any time amend, suspend or discontinue the Plan and the Subcommittee may at any time amend this Award Agreement. Notwithstanding the foregoing, no such action by the Board of Directors or the Subcommittee shall affect this Award Agreement or the Award made hereunder in any manner adverse to you without your written consent.

Section 9. **No Right to an Award.** Your status as an Employee shall not be construed as a commitment that any one or more awards shall be made under the Plan to you or to Employees generally. Your status as a Participant shall not entitle you to any additional award.

Section 10. **No Assurance of Employment.** Nothing contained in the Plan or in this Award Agreement shall confer upon you any right to continue in the employ or other service of the Corporation or constitute any contract (of employment or otherwise) or limit in any way the right of the Corporation to change your compensation or other benefits or to terminate your employment with or without cause.

Section 11. **Conflict.** In the event of a conflict between this Award Agreement and the Plan, the Plan document shall control.

Section 12. **Execution.** You must execute one copy of this Award Agreement and return it to the Office of the Vice President of Compensation and Benefits (Mail Point 123) as soon as possible as a condition to the Award becoming effective. Your execution of this Award Agreement constitutes your consent to an acceptance of any action taken under the Plan consistent with its terms with respect to your Award. If you execute and return this Award Agreement promptly, your Award shall be effective as of [date]. A pre-addressed envelope has been enclosed for your convenience to return with a copy of this Award Agreement, as acknowledged by you below.

Sincerely,

Edward S. Taft
Sr. Vice President, Human Resources

Enclosures

ACKNOWLEDGEMENT:

Signature

Date

Print or type name

Lockheed Martin Corporation
Computation of Ratio of Earnings to Fixed Charges
For the Three Months Ended March 31, 2004
(In millions, except ratio)

Earnings	
Earnings before income taxes	\$ 428
Interest expense	108
Losses (undistributed earnings) of 50% and less than 50% owned companies, net	(8)
Portion of rents representative of an interest factor	12
Amortization of debt premium and discount, net	(1)
	<u> </u>
Adjusted earnings from continuing operations before income taxes	\$ 539
	<u> </u>
Fixed Charges	
Interest expense	\$ 108
Portion of rents representative of an interest factor	12
Amortization of debt premium and discount, net	(1)
Capitalized interest	—
	<u> </u>
Total fixed charges	\$ 119
	<u> </u>
Ratio of Earnings to Fixed Charges	4.5
	<u> </u>

Acknowledgement of Independent Accountants

April 30, 2004

Board of Directors
Lockheed Martin Corporation

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

- (1) Registration Statement Number 33-58067 on Form S-3, dated March 14, 1995;
- (2) Registration Statement Numbers: 33-58073, 33-58075, 33-58077, 33-58079, 33-58081, 33-58085 and 33-58097 on Form S-8, each dated March 15, 1995;
- (3) Post-Effective Amendment No. 1 on Form S-8 to the Registration Statement (Form S-4 No. 33-57645), dated March 15, 1995;
- (4) Registration Statement Number 33-63155 on Form S-8, dated October 3, 1995;
- (5) Post-Effective Amendment No. 1 on Form S-8 to the Registration Statement Number 33-58083, dated January 22, 1997;
- (6) Registration Statement Numbers: 333-20117 and 333-20139 on Form S-8, each dated January 22, 1997;
- (7) Registration Statement Number 333-27309 on Form S-8, dated May 16, 1997;
- (8) Registration Statement Number 333-37069 on Form S-8, dated October 2, 1997;
- (9) Registration Statement Number 333-40997 on Form S-8, dated November 25, 1997;
- (10) Registration Statement Number 333-58069 on Form S-8, dated June 30, 1998;
- (11) Registration Statement Number 333-69295 on Form S-8, dated December 18, 1998;
- (12) Registration Statement Number 333-92197 on Form S-8, dated December 6, 1999;
- (13) Registration Statement Number 333-92363 on Form S-8, dated December 8, 1999;

- (14) Post-Effective Amendments No. 2 and 3 on Form S-8 to the Registration Statement Number 333-78279, each dated August 3, 2000;
- (15) Registration Statement Number 333-43048 on Form S-3, dated August 4, 2000;
- (16) Registration Statement Number 333-56926 on Form S-8, dated March 12, 2001;
- (17) Registration Statement Number 333-84154 on Form S-8, dated March 12, 2002;
- (18) Registration Statement Number 333-105118 on Form S-8, dated May 9, 2003;
- (19) Post-Effective Amendment No. 1 to Registration Statement Number 333-108333 on Form S-3, dated January 13, 2004;
- (20) Registration Statement Number 333-110625 on Form S-4, dated February 9, 2004;
- (21) Registration Statement Number 333-113769 on Form S-8, dated March 19, 2004;
- (22) Registration Statement Number 333-113770 on Form S-8, dated March 19, 2004;
- (23) Registration Statement Number 333-113771 on Form S-8, dated March 19, 2004;
- (24) Registration Statement Number 333-113772 on Form S-8, dated March 19, 2004;
- (25) Registration Statement Number 333-113773 on Form S-8, dated March 19, 2004; and

of our report dated April 30, 2004, relating to the unaudited condensed consolidated interim financial statements of Lockheed Martin Corporation that is included in its Form 10-Q for the quarter ended March 31, 2004.

/s/ Ernst & Young LLP

McLean, Virginia
April 30, 2004

I, Vance D. Coffman, Chairman and Chief Executive Officer, certify that:

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

Date: May 5, 2004

/s/ VANCE D. COFFMAN

Vance D. Coffman
Chairman and Chief Executive Officer

I, Christopher E. Kubasik, Senior Vice President and Chief Financial Officer, certify that:

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

Date: May 5, 2004

/s/ CHRISTOPHER E. KUBASIK

Christopher E. Kubasik
Senior Vice President and Chief Financial Officer

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

In connection with the Quarterly Report of Lockheed Martin Corporation (the "Corporation") on Form 10-Q for the period ended March 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Vance D. Coffman, Chairman and Chief Executive Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

/s/ VANCE D. COFFMAN

Vance D. Coffman
Chairman and Chief Executive Officer
May 5, 2004

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

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

In connection with the Quarterly Report of Lockheed Martin Corporation (the "Corporation") on Form 10-Q for the period ended March 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christopher E. Kubasik, Senior Vice President and Chief Financial Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

/s/ CHRISTOPHER E. KUBASIK

Christopher E. Kubasik
Senior Vice President and Chief Financial Officer
May 5, 2004

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