Lockheed Martin Corporation

2009 Annual Report

F-35 Lightning II: The Backbone of Next Generation Tactical Aviation for America and its Allies

2009 FINANCIAL HIGHLIGHTS[a]

(In millions, except per share data)	**2009**	2008	2007
Net sales	**$45,189**	$42,731	$41,862
Operating profit from business segments	**5,155**	4,970	4,691
Consolidated operating profit	**4,466**	5,131	4,527
Net earnings	**3,024**	3,217	3,033
Earnings per diluted share	**7.78**	7.86	7.10
Average diluted common shares outstanding	**388.9**	409.4	427.1
Net cash provided by operating activities	**$ 3,173**	$ 4,421	$ 4,238
Cash dividends per common share	**2.34**	1.83	1.47
Cash, cash equivalents and short-term investments	**2,737**	2,229	2,981
Total assets	**35,111**	33,439	28,926
Total debt	**5,052**	3,805	4,407
Stockholders' equity	**4,129**	2,865	9,805
Common shares outstanding at year-end	**373**	393	409
Debt-to-total-capital ratio	**55%**	57%	31%
Return on invested capital[b]	**19.9%**	21.7%	21.4%

NOTES:

(a) *For additional information, including a discussion of matters affecting the comparability of the information presented*

Dear Fellow Stockholders,

In the past year the men and women of Lockheed Martin, through their commitment to excellence, delivered solid results and helped our customers achieve some of their most critical missions.

In 2009, our sales of $45.2 billion represented a 6 percent increase over 2008, and we generated $3.2 billion in operating cash after

We also repurchased 24.9 million shares of our common stock and paid dividends of $908 million during the year, marking the seventh consecutive year that we increased our dividend payment by more than 10 percent.

We made great progress on programs that represent the future of global security, including the critical Joint Strike Fighter/ F-35 and the Littoral Combat Ship (LCS) programs. Our second LCS, *USS Fort Worth*, is more than 30 percent complete and is being built on time and on cost. And in November, we completed a successful first flight of the first optimized Conventional Take-Off and Landing version of the F-35 Lightning II.

We also made important advancements in cyber security, one of the top priorities for our company as well as for every business, government agency, and citizen worldwide. In November, we opened our NexGen Cyber Innovation and Technology Center, a world-class research and development laboratory in which we can collaborate with our partners and customers to stay ahead of those who would attack critical IT infrastructures.

In other notable program achievements in 2009 we:

- Completed the critical design review for the Airborne and Maritime/Fixed Station Joint Tactical Radio Systems (AMF JTRS), an advanced tactical wireless radio system for the U.S. Army, Air Force, and Navy;

- Completed the critical design review for the Next Generation Identification System, clearing the way for further progress on the FBI's new advanced-biometrics system;

- Flew the Advanced Composite Cargo Aircraft for the first time, demonstrating that composite technology has the potential to reduce production costs as well as extend aircraft life;

- Launched the last in a series of eight modernized Global Positioning System (GPS) IIR satellites, known worldwide for serving the navigation needs of both military and civilian users;

- Conducted reliability tests on the latest production lot of the Joint Air-to-Surface Standoff Missile – in which we exceeded program performance requirements – and completed the sixth flight demonstration test of the Extended Range variant of the missile, which was successful in every test;

- Conducted the 130th consecutive successful launch since 1989 of our Trident II D-5 fleet ballistic missile, a record unmatched by any other large ballistic missile or space launch vehicle.

While we can point proudly to what we accomplished in 2009, we were disappointed by the capping of F-22 production at 187 aircraft, termination of the VH-71 Presidential Helicopter program and the cancellation of the Multiple Kill Vehicle (MKV), the Transformational Communications Satellite (TSAT) and its ground segment (TSAT Mission Operations System). These setbacks, driven largely by shifting customer priorities and requirements, presented real challenges to the business and drove layoffs of 4,150 employees in 2009.

During the year, we also demonstrated our long-standing commitment to leadership development with the opening of our Center for Leadership Excellence on our Headquarters campus in Bethesda, Md. Recognizing our progressive stance in this arena, *Fortune Magazine* named Lockheed Martin among the top 25 companies for leaders in 2009.

We continue to be extremely proud of our employees, not only for their skills and capabilities, but also for their character and integrity. As in years past, our employees continued to show extraordinary generosity, both in the time they devote to their communities and in their financial contributions. Collectively, in 2009, our employees volunteered 1.4 million hours of service in their communities and gave more than $22 million to charitable causes of their choice. Combined with the Corporation's philanthropic donations of $24 million, Lockheed Martin provided powerful support to worthy causes around the world.

Looking Ahead in 2010

We have opened this year with a firm resolve to keep Lockheed Martin on a steady path to financial vitality, agility in the marketplace, and an unyielding standard of performance excellence.

Along with our industry peers, we face significant challenges in 2010. Our customers are asking us to do more, and do it more affordably, as they experience greater fiscal pressure and growing mission requirements. We have responded by putting strategies in place to meet their needs, enhance our competitiveness, and sustain growth.

Consequently, our goals for 2010 are clear:

- Contain program costs;
- Shorten cycle times;
- Drive innovation and flexibility into our products; and
- Deliver on our commitments.

To help meet these goals and further strengthen our business, we have made organizational and executive management changes.

Among those changes, we appointed Christopher E. Kubasik as President and Chief Operating Officer. Chris brings a broad range of skills and experience to the job, having served previously as our Chief Financial Officer and as Executive Vice President of the Electronic Systems business area. He understands our customers' changing environment and will lead our operations with an uncompromising commitment to perform on all programs.

We appointed Marillyn A. Hewson to succeed Chris as Executive Vice President of Electronic Systems. With a 26-year record of distinguished achievement at Lockheed Martin, Marillyn brings outstanding leadership and deep

The Global Sec rit Mission

Every day the men and women of Lockheed Martin are reminded of the vital importance of the work they do in support of our customers' global security mission. We are increasingly called upon to apply innovation, technology, and talent to the emerging and complex threats we all face in the new reality of the global security environment. We support governments in humanitarian and peacekeeping operations, the efficient delivery of services to their citizens, and in their efforts to build the institutional mechanisms that promote stability, peace, and economic development.

The Lockheed Martin team never loses

Corporate Directory

(As of February 25, 2010)

Board of Directors

E. C. "Pete" Aldridge Jr.
Former Under Secretary
of Defense

Nolan D. Archibald
Chairman, President and
Chief Executive Officer
The Black & Decker
Corporation

David B. Burritt
Vice President and
Chief Financial Officer
Caterpillar Inc.

James O. Ellis Jr.
President and
Chief Executive Officer
Institute of Nuclear Power
Operations

Gwendolyn S. King
President
Podium Prose
(A Washington, D.C. – based
Speaker's Bureau)

James M. Loy
Senior Counselor
The Cohen Group

Douglas H. McCorkindale
Retired Chairman
Gannett Co., Inc.

Joseph W. Ralston
Vice Chairman
The Cohen Group

Frank Savage
Chief Executive Officer
Savage Holdings LLC

James M. Schneider
Chairman
Horizon Bank, SSB

Anne Stevens
Former Chief Executive
Officer
Carpenter Technology
Corporation

Robert J. Stevens
Chairman and
Chief Executive Officer
Lockheed Martin Corporation

James R. Ukropina
Chief Executive Officer
Directions LLC
(A Management and
Consulting Firm)

Executive Officers

Mark R. Bostic
Acting Vice President and
Controller

James B. Comey
Senior Vice President and
General Counsel

Linda R. Gooden
Executive Vice President
Information Systems &
Global Services

Ralph D. Heath
Executive Vice President
Aeronautics

Marillyn A. Hewson
Executive Vice President
Electronic Systems

Christopher E. Kubasik
President and
Chief Operating Officer

Joanne M. Maguire
Executive Vice President
Space Systems

John C. McCarthy
Vice President and Treasurer

Robert J. Stevens
Chairman and
Chief Executive Officer

Bruce L. Tanner
Executive Vice President and
Chief Financial Officer

United States
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

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

For the fiscal year ended December 31, 2009

Commission file number 1-11437

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

Mar land	**52-1893632**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

6801 Rockledge Dri e, Bethesda, Mar land 20817-1877 (301/897-6000)
(Address and telephone number of principal executive offices)

Sec rities registered p rs ant to Section 12(b) of the Act:

Title of Each Class	**Name of each e change on hich registered**
Common Stock, $1 par value	New York Stock Exchange

Sec rities registered p rs ant to Section 12(g) of the Act: None

LOCKHEED MARTIN CORPORATION

FORM 10-K
For the Fiscal Year Ended December 31, 2009

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PART I

ITEM 1. BUSINESS

General

Lockheed Martin Corporation is a global security company that is principally engaged in the research, design, development, manufacture, integration, and sustainment of advanced technology systems and products. We also provide a broad range of management, engineering, technical, scientific, logistic, and information services. We serve both domestic and international customers with products and services that have defense, civil, and commercial applications, with our principal customers being agencies of the U.S. Government. We were formed in 1995 by combining the businesses of Lockheed Corporation and Martin Marietta Corporation. We are a Maryland corporation.

In 2009, 85% of our net sales were made to the U.S. Government, either as a prime contractor or as a subcontractor. Each of our business segments is heavily dependent on sales to the U.S. Government. Our U.S. Government sales were made to both Department of Defense (DoD) and non-DoD agencies. Sales to foreign governments (including foreign military sales funded, in whole or in part, by the U.S. Government) amounted to 13% of net sales in 2009, while 2% of our net sales were made to commercial and other customers.

Our principal executive offices are located at 6801 Rockledge Drive, Bethesda, Maryland 20817-1877. Our telephone

Our customers include the military services and various government agencies of the United States and allied countries around the world. In 2009, U.S. Government customers accounted for approximately 83% of the segment's net sales.

Combat Aircraft

Our Combat Aircraft business designs, develops, produces, and provides systems support for fighter aircraft. Our major fighter aircraft programs include:

- The F-35 Lightning II Joint Strike Fighter – international multi-role, stealth fighter;
- The F-22 Raptor – air dominance and multi-mission stealth fighter; and
- The F-16 Fighting Falcon – low-cost, combat-proven, international multi-role fighter.

The F-35 program continued work on development and Low Rate Initial Production (LRIP) aircraft during 2009. Given the size of the F-35 program, we anticipate that there will be a number of studies released related to the program schedule and production quantities as part of the normal DoD, Congressional, and international partners' oversight and budgeting process. Production of the F-22 will be completed in 2012, with on-going modernization and sustainment activities continuing thereafter. We continue to produce F-16 aircraft for foreign governments under both foreign military and direct commercial sales.

Air Mobility

In Air Mobility, we design, develop, produce, and provide full system support and sustainment of tactical and strategic airlift aircraft. Our major programs include production, support, and sustainment of the C-130J Super Hercules, upgrade and support of the legacy C-130 Hercules worldwide fleet, support of the existing C-5A/B/C Galaxy fleet, and modification of Galaxy aircraft to the modernized C-5M Super Galaxy configuration.

Other Aeronautics Programs (Including Advanced Research and Development)

We are involved in advanced development programs incorporating innovative design and rapid prototype applications. Our Advanced Development Programs (ADP) organization, known as the Skunk Works, is focused on future systems including unmanned aerial vehicles and next generation capabilities for long-range strike, intelligence, surveillance, reconnaissance/battle space awareness, and air mobility. We continue to explore technology advancement and insertion in existing aircraft, such as the F-35, F-22, F-16, and C-130. We also are involved in numerous network enabled activities that allow separate systems to work together to increase effectiveness, and continue to invest in new technologies to maintain and enhance competitiveness in military aircraft design and development.

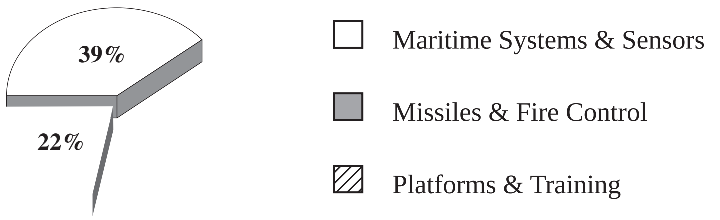
Global Sustainment

As part of each of our Aeronautics lines of business, we provide a full range of logistics support, sustaining engineering, aviation upgrades, modifications, and maintenance, repair, and overhaul (MRO) for all of our lines of aircraft, including the F-35, the F-22, the F-16, the C-130, the C-5, the P-3 Orion maritime patrol aircraft, and the U-2 Dragon Lady high-altitude reconnaissance aircraft. As the original equipment manufacturer for numerous platforms, we are focused on expanding our global sustainment services, which is an increasingly important portion of the Aeronautics business.

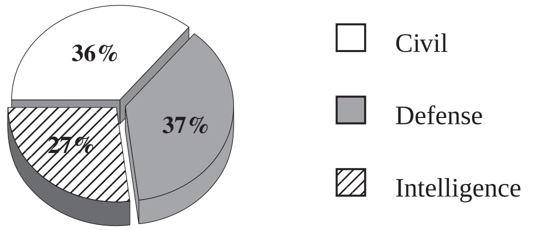
Electronic S stems

Our Electronic Systems segment manages complex programs and designs, develops, and integrates hardware and software solutions to ensure the mission readiness of armed forces and government agencies worldwide. Major lines of business include: air and missile defense; tactical missiles; weapon fire control systems; surface ship and submarine combat systems, anti-submarine and undersea warfare systems; land, sea-based, and airborne radars; surveillance and reconnaissance systems; simulation and training systems; and integrated logistics and sustainment services.

In 2009, net sales of $12.2 billion at Electronic Systems represented 27% of our total net sales. Electronic Systems has three principal lines of business, and the percentage each contributed to its 2009 net sales was:



In 2009, net sales of $12.1 billion at IS&GS represented 27% of our total net sales. IS&GS has three principal lines of business and the percentage that each contributed to its 2009 net sales was:



In 2009, U.S. Government customers accounted for approximately 94% of the segment's total net sales.

Satellites

Our Satellites business designs, develops, manufactures, and integrates advanced technology satellite systems for government and commercial applications. We are responsible for various classified systems and services in support of vital national security systems. Its core programs include the Space-Based Infrared System (SBIRS) program, which provides the nation with enhanced worldwide detection and tracking capabilities; the Mobile User Objective System (MUOS), which is a next-generation narrow band satellite communication system for the U.S. Navy; the Advanced Extremely High Frequency (AEHF) system, which is the DoD’s next generation of highly secure communications satellites; and the Global Positioning Satellite III (GPS III) system, which is the next generation of global positioning satellites.

Strategic & Defensive Missile Systems

Strategic & Defensive Missile Systems includes missile defense technologies and systems, and fleet ballistic missiles. We have been the sole supplier of strategic fleet ballistic missiles to the U.S. Navy since 1955. The Trident II D5 is the only current submarine-launched intercontinental ballistic missile in production in the United States. Under the targets and countermeasures program, we manage missile defense targets hardware and software for the Missile Defense Agency (MDA), providing realistic test environments for the system being developed by the MDA to defend against all classes of ballistic missiles.

Space Transportation Systems

Space Transportation Systems includes portions of the next generation human space flight system. We lead an industry believe that any existing patent, license, or other intellectual property right is of such importance that its loss or termination would have a material adverse effect on our business taken as a whole.

Raw Materials and Seasonality

Aspects of our business require relatively scarce raw materials. We historically have been successful in obtaining the raw materials and other supplies needed in our manufacturing processes. We seek to manage raw materials supply risk through long-term contracts and by maintaining a stock of key materials in inventory.

Aluminum and titanium are important raw materials used in certain of our Aeronautics and Space Systems programs. Long-term agreements have helped enable a continued supply of aluminum and titanium. Carbon fiber is an important ingredient in the composite material that is used in our Aeronautics programs, such as the F-35. Nicalon fiber also is a key material used on the F-22 aircraft. One type of carbon fiber and the nicalon fiber that we use are currently only available from single-source suppliers. Aluminum lithium, which we use for F-16 structural components, also is currently only available from limited sources. We have been advised by some suppliers that pricing and the timing of availability of

Backlog

At December 31, 2009, our total negotiated backlog was $78.0 billion compared with $80.9 billion at the end of 2008. Of our total 2009 year-end backlog, approximately $46.0 billion, or 59%, is not expected to be filled within one year. In April 2009, the DoD terminated for convenience two of our significant programs: the VH-71 Presidential Helicopter Replacement program, and the TSAT Mission Operations System (TMOS) contract, representing the ground support infrastructure for the TSAT program. These contract terminations reduced our negotiated backlog by approximately $2.6 billion.

Our backlog includes both funded (unfilled firm orders for our products and services for which funding has been both

O r e isting U.S. Go ernment contracts are s bject to contin ed appropriations b Congress and ma be terminated or dela ed if f t re f nding is not made a ailable. Red ced f nding for defense proc rement and research and de elopment programs co ld res lt in terminated or dela ed contracts and ad ersel affect o r abilit to gro or maintain o r sales and profitabilit .

We rely heavily upon sales to the U.S. Government including both DoD and non-DoD agencies, obtaining 85% of our sales from U.S. Government customers in 2009. Future sales from orders placed under our existing U.S. Government contracts are conditioned upon the continuing availability of Congressional appropriations. Congress usually appropriates funds on a fiscal-year basis even though contract performance may extend over many years.

recover is subject to the U.S. Government's having appropriated sufficient funds to cover the termination costs. As funds are typically appropriated on a fiscal-year basis and as the costs of a termination for convenience may exceed the costs of continuing a program in a given fiscal year, many on-going programs do not have sufficient funds appropriated to cover the termination costs were the government to terminate them for convenience. The U.S. Government is not required to appropriate additional funding under these circumstances.

A termination arising out of our default may expose us to liability and have a material adverse effect on our ability to compete for future contracts and orders. In addition, on those contracts for which we are teamed with others and are not the prime contractor, the U.S. Government could terminate a prime contract under which we are a subcontractor, notwithstanding the quality of our services as a subcontractor.

In addition, our U.S. Government contracts typically span one or more base years and multiple option years. The U.S. Government generally has the right to not exercise option periods and may not exercise an option period if the agency is not satisfied with our performance on the contract.

O r b siness co ld be ad ersel affected b a negati e a dit b the U.S. Go ernment.

U.S. Government agencies, including the Defense Contract Audit Agency and various agency Inspectors General, routinely audit and investigate government contractors. These agencies review a contractor's performance under its contracts, cost structure, and compliance with applicable laws, regulations, and standards. The U.S. Government also reviews the adequacy of, and a contractor's compliance with, its internal control systems and policies, including the contractor's management, purchasing, property, estimating, compensation, accounting, and information systems. Any costs found to be misclassified may be subject to repayment. If an audit or investigation uncovers improper or illegal activities, we may be subject to civil or criminal penalties and administrative sanctions, including termination of contracts, forfeiture of profits, suspension of payments, fines, and suspension or prohibition from doing business with the U.S. Government. In addition, we could suffer serious reputational harm if allegations of impropriety were made against us.

The nat re of o r b siness in ol es significant risks and ncertainties that ma not be co ered b indemnit or ins rance.

Elements of our business provide products and services where insurance or indemnification may not be available, including:

- Designing, developing, integrating, producing, sustaining, and supporting products using:
  - advanced and unproven technologies;
  - explosive or other inherently dangerous components;
  - systems such as spacecraft, satellites, intelligence systems, and homeland security applications that operate in extreme, high demand, or high risk conditions;
- Designing, developing, integrating, producing, sustaining, and supporting products to collect, archive, retrieve, fuse, distribute, and analyze various types of information;
- Deploying employees in countries with unstable or competing governments, in areas subject to peacekeeping or humanitarian missions, in areas of armed conflict, at military installations, or accompanying armed forces in the field; and
- Training others to operate or repair advanced technology products or provide security or other homeland security-related services.

Failure of some of these products and services could result in extensive loss of life or property damage. Sometimes these products and services are controversial and our role in providing them could subject us to criticism or harm our reputation. Certain products and services may raise questions with respect to issues of civil liberties, intellectual property, trespass, conversion, and similar concepts. The legal obligations of those working with developing technologies and the resulting products and services may raise issues of first impression, and the legal decisions that do deal with these questions may differ from jurisdiction to jurisdiction on a global basis.

Indemnification by the U.S. Government to cover potential claims or liabilities resulting from a failure of technologies developed and deployed may be available in some instances for our defense businesses, but may not be available for homeland security purposes. In addition, there are some instances where the U.S. Government could provide indemnification under applicable law, but elects not to do so. Although we maintain insurance for some business risks, it is not possible to obtain coverage to protect against all operational risks and liabilities. We generally seek, and in certain cases have obtained, limitation of potential liabilities related to the sale and use of our homeland security products and services through

Because judgments and estimates are required, materially different amounts could be recorded if we used different assumptions or if the underlying circumstances were to change. Changes in underlying assumptions, circumstances, or estimates may affect adversely our future period financial performance. For additional information on accounting policies and internal controls we have in place for recognizing sales and profits, see our discussion under Management's Discussion and Analysis of Financial Condition and Results of Operations – "Critical Accounting Policies – Contract Accounting / Revenue Recognition" beginning on page 31 and "Controls and Procedures" beginning on page 53, and "Sales and earnings" in Note 1 – Significant Accounting Policies on page 62 of this Form 10-K.

Ne acco nting standards co ld res lt in changes to o r methods of q antif ing and recording acco nting transactions, and co ld affect o r financial res lts and financial position.

Changes to GAAP arise from new and revised standards, interpretations, and other guidance issued by the Financial Accounting Standards Board, the SEC, and others. In addition, the U.S. Government may issue new or revised Cost Accounting Standards or Cost Principles. The effects of such changes may include prescribing an accounting method where none had been previously specified, prescribing a single acceptable method of accounting from among several acceptable methods that currently exist, or revoking the acceptability of a current method and replacing it with an entirely different method, among others. Changes may result in unanticipated effects on our results of operations or other financial measures.

The le el of ret rns on postretirement benefit plan assets and changes in the act arial ass mptions sed co ld affect o r earnings and cash flo s in f t re periods.

Our earnings may be positively or negatively impacted by the amount of expense we record for our postretirement benefit plans. This is particularly true with expense for our defined benefit pension plans. GAAP requires that we calculate expense for the plans using actuarial valuations. These valuations are based on assumptions that we make relating to financial market and other economic conditions. Changes in key economic indicators can result in changes in the assumptions we use. The key year-end assumptions used to estimate pension expense for the following year are the discount rate, the expected long-term rate of return on plan assets, and the rate of increase in future compensation levels. Our benefit plan expense and plan funding requirements also may be affected by our actual return on plan assets, and by legislation and other government regulatory actions. For a discussion regarding how our financial statements may be affected by benefit plan accounting policies, see Management's Discussion and Analysis of Financial Condition and Results of Operations – "Critical Accounting Policies – Postretirement Benefit Plans" beginning on page 33 and Note 10 – Postretirement Benefit Plans beginning on page 74 of this Form 10-K.

International sales and s ppliers ma pose potentiall greater risks.

Our international business may pose greater risks than our domestic business due to the potential for greater volatility in foreign economic and political environments. In addition, international procurement rules and regulations, contract laws and regulations, and contractual terms are different from those in the United States, imposing additional risks on us. In return, the greater risks of our international business are often accompanied by the potential to earn higher profits than from our domestic business. Our international business also is highly sensitive to changes in foreign national priorities and government budgets, which may be further impacted by global economic conditions. Sales of military products are affected by defense budgets (both in the U.S. and abroad) and U.S. foreign policy.

Sales of our products and services internationally are subject to U.S. and local government regulations and procurement policies and practices including regulations relating to import-export control. Violations of export control rules could result in suspension of our ability to export items from one or more business units or the entire Corporation. Depending on the scope of the suspension, this could have a material effect on our ability to perform certain international contracts. There also are U.S. and international regulations relating to investments, exchange controls, taxation, and repatriation of earnings, as well as currency, political, and economic risks. We also frequently team with international subcontractors and suppliers who are exposed to similar risks.

In international sales, we face substantial competition from both domestic manufacturers and foreign manufacturers whose governments sometimes provide research and development assistance, marketing subsidies, and other assistance for their products.

Some international customers require contractors to comply with industrial cooperation regulations and enter into industrial cooperation agreements, sometimes referred to as offset agreements. Offset agreements may require in-country purchases, manufacturing, and financial support projects as a condition to obtaining orders or other arrangements. Offset agreements generally extend over several years and may provide for penalties in the event we fail to perform in accordance with offset requirements. See “Contractual Commitments and Off-Balance Sheet Arrangements” in Management’s Discussion and Analysis of Financial Condition and Results of Operations beginning on page 49 of this Form 10-K.

If e fail to manage acq isitions, di estit res, and other transactions s ccessf ll , o r financial res lts, b siness, and f t re prospects co ld be harmed.

In pursuing our business strategy, we routinely conduct discussions, evaluate targets, and enter into agreements regarding possible investments, acquisitions, joint ventures, and divestitures. As part of our business strategy, we seek to identify acquisition opportunities that will expand or complement our existing products and services, or customer base, at attractive valuations. We often compete with others for the same opportunities. To be successful, we must conduct due diligence to identify valuation issues and potential loss contingencies, negotiate transaction terms, complete and close complex transactions, and manage post-closing matters (*e.g.*, integrate acquired companies and employees, realize anticipated operating synergies, and improve margins) efficiently and effectively. Investment, acquisition, joint venture, and divestiture transactions often require substantial management resources and have the potential to divert our attention from our existing business.

If we are not successful in identifying and closing these transactions, we may not be able to maintain a competitive

Most of the laws governing environmental matters include criminal provisions. If we were to be convicted of a violation of the Federal Clean Air Act or the Clean Water Act, the facility or facilities involved in the violation could be placed by the EPA on the “Excluded Parties List” maintained by the General Services Administration. The listing would continue until the EPA concluded that the cause of the violation had been cured. Listed facilities cannot be used in performing any U.S. Government contract while so listed by the EPA.

We have incurred and will likely continue to incur liabilities under various federal and state statutes for the cleanup of pollutants previously released into the environment. The extent of our financial exposure cannot in all cases be reasonably

ITEM 2. PROPERTIES

At December 31, 2009, we operated in 572 locations (including offices, manufacturing plants, warehouses, service centers, laboratories, and other facilities) throughout the United States and internationally. Of these, we owned 44 locations aggregating approximately 30 million square feet, and leased space at 528 locations aggregating approximately 27 million square feet. We also manage or occupy various government-owned facilities. The government provides use of its facilities under various terms. The U.S. Government also furnishes equipment that we use in some of our businesses.

At December 31, 2009, our business segments occupied facilities at the following major locations that housed in excess of 500,000 square feet of floor space:

- **Aerona tics—**Palmdale, California; Marietta, Georgia; Greenville, South Carolina; and Fort Worth and San Antonio, Texas.
- **Electronic S stems—**Camden, Arkansas; Orlando, Florida; Baltimore, Maryland; Eagan, Minnesota; Moorestown/Mt. Laurel, New Jersey; Albuquerque, New Mexico; Owego and Syracuse, New York; Akron, Ohio; Grand Prairie, Texas; and Manassas, Virginia.
- **Information S stems & Global Ser ices—**Goodyear, Arizona; San Jose and Sunnyvale, California; Colorado Springs and Denver, Colorado; Gaithersburg and Rockville, Maryland and other locations within the Washington, D.C. metropolitan area; Valley Forge, Pennsylvania; and Houston, Texas.
- **Space S stems—**Sunnyvale, California and Denver, Colorado.
- **Corporate acti ities—**Bethesda, Maryland.

The following is a summary of our floor space by business segment at December 31, 2009:

(Square feet in millions)	*Leased*	*Owned*	*Government-Owned*	*Total*
Aeronautics	3.7	5.2	15.2	24.1
Electronic Systems	11.1	10.3	6.3	27.7
Information Systems and Global Services	9.3	2.8	—	12.1
Space Systems	1.7	8.6	.9	11.2
Corporate activities	.8	2.9	—	3.7
Total	26.6	29.8	22.4	78.8

Some of our owned properties, primarily classified under Corporate activities, are leased to third parties. A portion of our activity is related to engineering and research and development, which is not susceptible to productive capacity analysis. In the area of manufacturing, most of the operations are of a job-order nature, rather than an assembly line process, and productive equipment has multiple uses for multiple products. Management believes that all of our major physical facilities are in good condition and are adequate for their intended use.

ITEM 3. LEGAL PROCEEDINGS

We are a party to or have property subject to litigation and other proceedings, including matters arising under provisions relating to the protection of the environment. We believe the probability is remote that the outcome of these matters will have a material adverse effect on the Corporation as a whole. The results of legal proceedings, however, cannot be predicted with certainty. These matters include the proceedings summarized in Note 13 – Legal Proceedings, Commitments and Contingencies beginning on page 84 of this Form 10-K.

From time-to-time, agencies of the U.S. Government investigate whether our operations are being conducted in accordance with applicable regulatory requirements. U.S. Government investigations of us, whether relating to government contracts or conducted for other reasons, could result in administrative, civil, or criminal liabilities, including repayments, regarding these matters, including current estimates of the amounts that we believe are required for remediation or clean-up to the extent estimable, see “Critical Accounting Policies – Environmental Matters” in Management’s Discussion and Analysis of Financial Condition and Results of Operations beginning on page 35, and in Note 13 – Legal Proceedings, Commitments and Contingencies beginning on page 84 of this Form 10-K.

Like many other industrial companies in recent years, we are a defendant in lawsuits alleging personal injury as a result of exposure to asbestos integrated into our premises and certain historical products. We have never mined or produced asbestos and no longer incorporate it in any currently manufactured products. We have been successful in having a substantial number of these claims dismissed without payment. The remaining resolved claims have settled for amounts that are not material individually or in the aggregate. A substantial majority of the asbestos-related claims have been covered by insurance or other forms of indemnity. Based on the information currently available, we do not believe that resolution of these asbestos-related matters will have a material adverse effect upon the Corporation.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of 2009.

ITEM 4(a). EXECUTIVE OFFICERS OF THE REGISTRANT

Our executive officers are listed below, as well as information concerning their age at December 31, 2009, positions and offices held with the Corporation, and principal occupation and business experience over the past five years. There were no family relationships among any of our executive officers and directors. All officers serve at the pleasure of the Board of Directors.

Mark R. Bostic (53), Acting Vice President and Controller (Chief Acco nting Officer)

Mr. Bostic has served as Acting Vice President and Controller and Chief Accounting Officer since August 2009, and as Vice President of Accounting since February 2006. He previously served as Vice President – Assistant Controller (Acting) from July 2005 to January 2006 and Director, Corporate Accounting from April 2001 to June 2005.

James B. Come (49), Senior Vice President and General Co nsel

Mr. Comey has served as Senior Vice President and General Counsel since October 2005. He previously served as Deputy Attorney General of the United States from 2003 to 2005.

Linda R. Gooden (56), E ec ti e Vice President Information S stems & Global Ser ices

Ms. Gooden has served as Executive Vice President – Information Systems & Global Services since January 2007. She previously served as Deputy Executive Vice President – Information & Technology Services from October 2006 to December 2006, and President, Lockheed Martin Information Technology from September 1997 to December 2006.

Ralph D. Heath (61), E ec ti e Vice President Aerona tics

Mr. Heath has served as Executive Vice President – Aeronautics since January 2005.

Marill n A. He son (56), E ec ti e Vice President Electronic S stems

Ms. Hewson has served as Executive Vice President – Electronic Systems since January 2010. She previously served as President, Systems Integration – Owego from September 2008 to December 2009; Executive Vice President – Global Sustainment for Aeronautics from March 2007 to August 2008; President, Lockheed Martin Logistics Services from January 2007 to February 2007; and President and General Manager, Kelly Aviation Center, LP from August 2004 to December 2006.

Christopher E. K basik (48), President and Chief Operating Officer

Mr. Kubasik has served as President and Chief Operating Officer since January 2010. He previously served as Executive Vice President – Electronic Systems from September 2007 to December 2009, and as Chief Financial Officer from February 2001 to August 2007.

Joanne M. Mag ire (55), E ec ti e Vice President   Space S stems

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

At January 31, 2010, we had 37,713 holders of record of our common stock, par value $1 per share. Our common stock is traded on the New York Stock Exchange (NYSE) under the symbol LMT. Information concerning the stock prices based

Issuer Purchases of Equity Securities

The following table provides information about our repurchases of common stock during the three-month period ended December 31, 2009.

Period	*Total Number of Shares Purchased*	*Average Price Paid Per Share*	*Total Number of Shares Purchased as Part of Publicly Announced Program* [(a)]	*Maximum Number of Shares That May Yet Be Purchased Under the Program* [(b)]
October (September 28, 2009 – October 25, 2009)	1,347,500	$73.61	1,347,500	34,076,804
November (October 26, 2009 – November 29, 2009)	2,886,346	73.19	2,886,346	31,190,458
December (November 30, 2009 – December 31, 2009)	2,324,334	76.80	2,324,334	28,866,124

(a) We repurchased a total of 6,558,180 shares of our common stock during the quarter ended December 31, 2009 under a share repurchase program that we announced in October 2002.

(b) Our Board of Directors has approved a share repurchase program for the repurchase of up to 178.0 million shares of our common stock from time-to-time, including 20.0 million shares authorized for repurchase by our Board of Directors in September 2009. Under the program, management has discretion to determine the number and price of the shares to be repurchased, and the timing of any repurchases, in compliance with applicable law and regulation. As of December 31, 2009, we had repurchased a total of 149.2 million shares under the program.

(c) The maximum number of shares of stock that may be subject to stock options, SARs, RSAs, and RSUs granted or issued under the IPA Plan in any calendar year is 1.6% of the Corporation's outstanding shares of stock on December 31 of the calendar year immediately preceding the date of grant of the award, calculated in a manner consistent with the method used for calculating outstanding shares for reporting in the Annual Report.

(d) Employees may defer Management Incentive Compensation Plan ("MICP") and Long-Term Incentive Performance ("LTIP") amounts earned and payable to them to the Deferred Management Incentive Compensation Plan ("DMICP"). At the election of the employee, deferred amounts are credited as phantom stock units at the closing price of our stock on the date the deferral is effective. Amounts equal to our dividend are credited as stock units at the time we pay a dividend. Following termination of employment, a number of shares of stock equal to the number of stock units credited to the employee's DMICP account are distributed to the employee. There is no discount or value transfer on the stock distributed. As a result, the phantom stock units also were not considered in calculating the total weighted average exercise price in the table.

ITEM 6. SELECTED FINANCIAL DATA

Consolidated Financial Data – Five Year Summary

(In millions, except per share data and ratios)	**2009** (a)	2008 (b)	2007 (c)	2006 (d)	2005 (e)
OPERATING RESULTS					
Net Sales	**$ 45,189**	$ 42,731	$ 41,862	$ 39,620	$ 37,213
Cost of Sales	**(40,965)**	(38,082)	(37,628)	(36,186)	(34,676)
	4,224	4,649	4,234	3,434	2,537
Other Income (Expense), Net	**242**	482	293	336	316
Operating Profit	**4,466**	5,131	4,527	3,770	2,853
Interest Expense	**(305)**	(341)	(352)	(361)	(370)
Other Non-Operating Income (Expense), Net	**123**	(88)	193	183	133
Earnings Before Income Taxes	**4,284**	4,702	4,368	3,592	2,616
Income Tax Expense	**(1,260)**	(1,485)	(1,335)	(1,063)	(791)
Net Earnings	**$ 3,024**	$ 3,217	$ 3,033	$ 2,529	$ 1,825
EARNINGS PER COMMON SHARE					
Basic	**$ 7.86**	$ 8.05	$ 7.29	$ 5.91	$ 4.15
Diluted	**$ 7.78**	$ 7.86	$ 7.10	$ 5.80	$ 4.10
CASH DIVIDENDS PER COMMON SHARE	**$ 2.34**	$ 1.83	$ 1.47	$ 1.25	$ 1.05
CONDENSED BALANCE SHEET DATA					
Cash and Cash Equivalents	**$ 2,391**	$ 2,168	$ 2,648	$ 1,912	$ 2,244
Other Current Assets	**10,086**	8,515	8,292	8,252	8,285
Property, Plant and Equipment, Net	**4,520**	4,488	4,320	4,056	3,924
Goodwill	**9,948**	9,526	9,387	9,250	8,447
Other Assets	**8,166**	8,742	4,279	4,761	4,844
	$ 35,111	$ 33,439	$ 28,926	$ 28,231	$ 27,744
Current Maturities of Long-Term Debt	**$**	$ 242	$ 104	$ 34	$ 202
Other Current Liabilities	**10,703**	10,300	9,933	9,661	9,340
Long-Term Debt, Net	**5,052**	3,563	4,303	4,405	4,784
Accrued Pension Liabilities	**10,823**	12,004	1,192	3,025	2,097
Other Postretirement Benefit Liabilities	**1,308**	1,386	928	1,496	1,277
Other Liabilities	**3,096**	3,079	2,661	2,726	2,177
Stockholders' Equity	**4,129**	2,865	9,805	6,884	7,867
Total	**$ 35,111**	$ 33,439	$ 28,926	$ 28,231	$ 27,744
COMMON SHARES AT YEAR-END	**373**	393	409	421	432
CASH FLOW DATA					
Cash Provided by Operating Activities	**$ 3,173**	$ 4,421	$ 4,238	$ 3,765	$ 3,204
Cash Used for Investing Activities	**(1,518)**	(907)	(1,205)	(1,655)	(499)
Cash Used for Financing Activities	**(1,476)**	(3,938)	(2,300)	(2,460)	(1,511)
RETURN ON INVESTED CAPITAL (f)	**19.9%**	21.7%	21.4%	19.2%	14.5%
NEGOTIATED BACKLOG	**$ 78,006**	$ 80,914	$ 76,660	$ 75,905	$ 74,825

Notes to Fi e Year S mmar

(a) Includes a reduction in income tax expense of $69 million ($0.18 per share) resulting from the closure of Internal Revenue Service examinations for the years 2005-2007 and for the year 2008.

(b) Includes the effects of items not considered in the assessment of the operating performance of our business segments (see the section, "Results of Operations – Unallocated Corporate Income (Expense), Net" in Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A)) which increased operating profit by $193 million, $126 million after tax ($0.31 per share).

(d) Includes the effects of items not considered in the assessment of the operating performance of our business segments which increased operating profit by $230 million, $150 million after tax ($0.34 per share). Also includes a charge of $16 million, $11 million after tax ($0.03 per share), in other non-operating income (expense), net for a debt exchange, and a reduction in income tax expense of $62 million ($0.14 per share) resulting from a tax benefit related to claims we filed for additional extraterritorial income exclusion tax benefits. On a combined basis, these items increased net earnings by $201 million after tax ($0.45 per share).

(e) Includes the effects of items not considered in the assessment of the operating performance of our business segments which, on a combined basis, increased operating profit by $173 million, $113 million after tax ($0.25 per share).

(f) We define return on invested capital (ROIC) as net earnings plus after-tax interest expense divided by average invested capital (stockholders' equity plus total debt), after adjusting stockholders' equity by adding back adjustments related to postretirement benefit plans. We believe that reporting ROIC provides investors with greater visibility into how effectively we use the capital invested in our operations. We use ROIC as one of the inputs in our evaluation of multi-year investment decisions and as a long-term performance measure, and also use it as a factor in evaluating management performance under certain of our incentive compensation plans. ROIC is not a measure of financial performance under generally accepted accounting principles, and may not be defined and calculated by other companies in the same manner. ROIC should not be considered in isolation or as an alternative to net earnings as an indicator of performance. We calculate ROIC as follows:

(In millions)	**2009**	2008	2007	2006	2005
Net earnings	**$ 3,024**	$ 3,217	$ 3,033	$ 2,529	$ 1,825
Interest expense (multiplied by 65%) [1]	**198**	222	229	235	241
Return	**$ 3,222**	$ 3,439	$ 3,262	$ 2,764	$ 2,066
Average debt [2, 5]	**$ 4,054**	$ 4,346	$ 4,416	$ 4,727	$ 5,077
Average equity [3, 5]	**3,155**	8,236	7,661	7,686	7,590
Average benefit plan adjustments [4, 5]	**8,960**	3,256	3,171	2,006	1,545
Average invested capital	**$16,169**	$15,838	$15,248	$14,419	$14,212
Return on invested capital	**19.9%**	21.7%	21.4%	19.2%	14.5%

1 Represents after-tax interest expense utilizing the federal statutory rate of 35%. Interest expense is added back to net earnings as it represents the return to debt holders. Debt is included as a component of average invested capital.

2 Debt consists of long-term debt, including current maturities of long-term debt, and short-term borrowings (if any).

3 Equity includes non-cash adjustments, primarily related to benefit plan adjustments as discussed in Note 4 below.

4 Average benefit plan adjustments reflect the cumulative value of entries identified in our Statement of Stockholders' Equity related to adjustments to recognize the funded status of our benefit plans. The total of annual benefit plan adjustments to equity were: 2009 = $495 million; 2008 = $(7,253) million; 2007 = $1,706 million; 2006 = $(1,883) million; and 2005 = $(105) million. As these entries are recorded in the fourth quarter, the value added back to our average equity in a given year is the cumulative impact of all prior year entries plus 20% of the current year entry value. The cumulative impact of benefit plan adjustments through December 31, 2004 was $(1,524) million.

5 Yearly averages are calculated using balances at the start of the year and at the end of each quarter.

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Financial Section Roadmap

The financial section of our Form 10-K includes management’s discussion and analysis, our consolidated financial statements, the notes to those financial statements and a five year summary of financial information. We have prepared the following summary, or “roadmap,” to assist in your review of the financial section. It is designed to give you an overview of our Company and summarize some of the more important activities and events that occurred during 2009.

O r B siness

Lockheed Martin is a global security company that principally is engaged in the research, design, development, manufacture, integration, and sustainment of advanced technology systems and products. We provide a broad range of management, engineering, technical, scientific, logistic, and information services. We serve both domestic and international customers with products and services that have defense, civil, and commercial applications, with our principal customers being agencies of the U.S. Government. Net sales to our U.S Government customer accounted for 85% of our total net sales in 2009 (84% in 2008 and 2007), either as a prime contractor or as a subcontractor. Our U.S. Government sales were made to both Department of Defense (DoD) and non-DoD agencies. Of the remaining 15% of net sales in 2009, approximately 13%

Highlights

The financial section of our Form 10-K describes our ongoing operations, including discussions about particular lines of year 2010, of 3.4%. Current estimates for the budget for fiscal year 2012 and beyond indicate that these will be about one percent real growth above the rate of inflation.

On December 19, 2009, Congress completed action on the last of the fiscal year 2010 appropriations bills. With very few exceptions, our key programs were well supported in the appropriations bills. As we expected, Congress did not reverse the decisions to complete the F-22 Raptor program after delivery of 187 aircraft, cancel the VH-71 Presidential Helicopter (VH-71) program, terminate the Multiple Kill Vehicle (MKV) program, and cancel the Transformational Satellite (TSAT) program. In June 2009, we received notification that the VH-71 contract was terminated for convenience. We also received notification in June that the TSAT Mission Operations System (TMOS) contract, representing the ground support infrastructure for the TSAT program, was terminated for convenience. Funding for the additional four F-22 Raptor aircraft the U.S. Navy, Air Force, and Marine Corps, and international partners. We view this program as a significant element of a broader U.S. effort to build the capacity of alliance partners throughout the world. In the areas of space-based intelligence and information superiority, we have leadership positions on programs such as the Global Positioning Satellite program, Mobile User Objective System, the Advanced Extremely High Frequency system, the Space-Based Infrared System-High, and classified programs.

Our products are represented in almost every aspect of land, sea, air, and space-based missile defense, including the Aegis Weapon System program, the Patriot Advanced Capability missile program, the Terminal High Altitude Area Defense system, and the Medium Extended Air Defense System. We continue to perform on contracts to develop and deliver essential munitions, missile, and other systems, such as Hellfire, Guided Multiple Launch Rocket Systems, and EQ-36 radar systems, to our warfighters. We are bringing our systems integration expertise, as well as our existing advanced technology products and services, into adjacent military product lines, such as the Littoral Combat Ship and the Joint Light Tactical Vehicle programs. We also have unmanned systems capabilities, including air, ground, and underwater systems.

In the area of command, control, communications, computers, intelligence, surveillance, and reconnaissance (C4ISR) on our business from the Administration’s stated policy of returning certain work to U.S. Government employees, known as “in-sourcing”. We believe that there will be continued demand by federal and civil government agencies for upgrading and investing in new information technology systems and solutions. As a result, we continue to focus our resources in support of infrastructure modernization that allows for interoperability and communication across agencies.

Our recent experiences with non-DoD agencies have reinforced our strategy of becoming the world’s premier global security company. We have seen the global security environment becoming much more complex and dynamic. The very definition of security has continued to change. Over and above traditional military preparedness, we have seen and been a part of further expansion into more effective counter-terrorism and intelligence capabilities, international cooperation activities requiring more interoperable systems, and humanitarian, peacekeeping, and operational stabilization initiatives.

Consistent with our DoD business, more affordable logistics and sustainment, a more expansive use of information technology and knowledge-based solutions, and improved levels of network and cybersecurity all appear to be priorities in

We have entered into various joint ventures, teaming agreements, and other business arrangements to help support our portfolio of products and services in many of our lines of business, and their activities are closely aligned with our operations. For example, we have a 50% equity interest in United Launch Alliance, L.L.C. (ULA), which provides the production, engineering, test, and launch operations associated with U.S. Government launches on Atlas and Delta launch vehicles.

In some cases, we form joint ventures with one or more other contractors for the purpose of pursuing a bid for a particular contract and, if successful, the joint venture serves as the prime contractor under that contract. In those instances, the work under contract is sometimes performed by subcontractors to the joint venture including, but not limited to, the joint venture investors. We attempt to limit our exposure under these arrangements to our investment in the joint venture, which is typically not material, and to the performance of our obligations under the subcontract. While we may in some cases guarantee contractual performance by the joint venture, we are usually cross-indemnified by the other joint venture participants to the extent of their contractual performance obligations.

We remain committed to growth in our sales to international customers. We conduct business with foreign governments

Accounting for Design, Development, and Production Contracts

For long-term, fixed-price DD&P contracts that, among other factors, require us to provide a number of similar items produced in a stable production environment, we record sales on a percentage of completion basis using units-of-delivery as the basis to measure progress toward completing the contract. For example, we use this method of revenue recognition on our C-130J tactical transport aircraft program and Multiple Launch Rocket System program. For certain other long-term, fixed-price DD&P contracts that, along with other factors, require us to deliver minimal quantities over a longer period of time or to perform a substantial level of development effort in comparison to the total value of the contract, sales are recorded when we achieve performance milestones or using the cost-to-cost method to measure progress toward completion. Under the cost-to-cost method of accounting, we recognize sales based on the ratio of costs incurred to our estimate of total costs at completion. As an example, we use this methodology for our Aegis Weapon System program.

In some instances, long-term production programs may require a significant level of development and/or a low rate of initial production in their early phases, but will ultimately require delivery of increased quantities in later, full-rate production stages. In those cases, the revenue recognition methodology may change from the cost-to-cost method to the units-of-delivery method as new contracts for different phases of a program are received after considering, among other factors, program and production stability. As we incur costs under cost-reimbursement-type contracts, we record sales and an estimated profit. Cost-reimbursement-type contracts include time and materials and other level-of-effort-type contracts. Examples of this type of revenue recognition include the F-35 Lightning II Joint Strike Fighter development and low-rate initial production contracts, and the THAAD missile defense program. Most of our long-term contracts are denominated in U.S. dollars, including contracts for sales of military products and services to foreign governments conducted through the U.S. Government (*i.e.,* foreign military sales).

As a general rule, we recognize sales and profits earlier in a production cycle when we use the cost-to-cost and milestone methods of percentage of completion accounting than when we use the units-of-delivery method. In addition, our profits and margins may vary materially depending on the types of long-term contracts undertaken, the costs incurred in their performance, the achievement of other performance objectives, and the stage of performance at which the right to receive fees, particularly under award and incentive fee contracts, is finally determined.

are the discount rate and the expected long-term rate of return on plan assets for all postretirement benefit plans; the rates of increase in future compensation levels for our defined benefit pension plans; and the health care cost trend rates for our retiree medical plans. We use judgment in reassessing these assumptions each year because we have to consider past and current market conditions, and make judgments about future market trends. We also have to consider factors like the timing and amounts of expected contributions to the plans and benefit payments to plan participants.

The discount rate we select impacts both the calculation of the benefit obligation at the end of the year and the calculation of net postretirement benefit plan cost in the subsequent year. The difference between the long-term rate of return on plan assets assumption we select and the actual return on plan assets in any given year affects both the funded status of our benefit plans and the calculation of net postretirement benefit plan cost in subsequent years.

We evaluate several data points in order to arrive at an appropriate discount rate. These items include results from cash flow models, quoted rates from long-term bond indices, and changes in long-term bond rates over the past year. As part of our evaluation, we calculate the approximate average yields on securities that were selected to match our projected quoted prices for identical or similar instruments in inactive markets; or amounts derived from valuation models where all significant inputs are based on active markets that can be observed (*e.g.*, fixed income debt securities). For still other investments, values may be derived from valuation models where one or more of the significant inputs into the model cannot

Results of Operations

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

Net Sales
(In billions)

Interest expense for 2009 was $305 million, or $36 million lower than 2008. The decrease mainly was driven by the August 2008 redemption of our $1.0 billion of floating rate convertible debentures, partially offset by increases resulting from the fourth quarter 2009 issuance of $1.5 billion of long-term notes and the first quarter 2008 issuance of $500 million of long-term notes. Interest expense for 2008 was $341 million, or $11 million lower than 2007. The decrease was primarily attributable to the August 2008 redemption of the floating rate convertible debentures, partially offset by an increase due the first quarter 2008 issuance of $500 million of long-term notes.

Other non-operating income (expense), net was income of $123 million in 2009 compared to expense of $88 million in 2008. The increase primarily was due to net unrealized gains on marketable securities held in a Rabbi Trust to fund certain non-qualified employee benefit obligations partially offset by lower interest income on invested cash balances. Other non-operating income (expense), net was expense of $88 million in 2008 compared to income of $193 million in 2007. The decrease in 2008 primarily was due to net unrealized losses on marketable securities held to fund certain non-qualified employee benefit obligations and lower interest income on invested cash balances.

Our effective income tax rates were 29.4% for 2009, 31.6% for 2008, and 30.6% for 2007. These rates were lower than the statutory rate of 35% for all periods due to tax benefits for U.S. manufacturing activities, dividends related to our employee stock ownership plans, and the research and development tax credit. In addition, the rate for 2009 reflected a tax benefit of $69 million arising from the resolution of IRS examinations of the 2005 to 2007 and 2008 tax years and an additional tax benefit from the partial elimination of a valuation allowance previously provided against certain foreign company deferred tax assets arising from carryforwards of unused tax benefits. The rate for 2007 reflected a tax benefit of $59 million arising from the closure of the IRS examination of the 2003 and 2004 tax years.

We reported net earnings of $3.0 billion ($7.78 per share) in 2009, $3.2 billion ($7.86 per share) in 2008, and $3.0 billion ($7.10 per share) in 2007. Both net earnings and earnings per share were affected by the factors discussed above. In addition, earnings per share has benefitted from the significant number of shares repurchased under our share repurchase program. The effect of those repurchases has been partially offset by common stock issued under our stock-based compensation and defined contribution plans.

Discussion of Business Segments

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

The Aeronautics segment generally includes fewer programs that have much larger sales and operating results than programs included in the other segments. Due to the large number of comparatively smaller programs in the remaining segments, the discussion of the results of operations of those business segments focuses on lines of business within the segment rather than on specific programs. The following tables of financial information and related discussion of the results of operations of our business segments are consistent with the presentation of segment information in Note 4 to the financial statements. We have a number of programs that are classified by the U.S. Government and cannot be specifically described. The operating results of these classified programs are included in our consolidated and business segment results, and are subjected to the same oversight and internal controls as our other programs.

Our Aeronautics business segment is engaged in the research, design, development, manufacture, integration, sustainment, support, and upgrade of advanced military aircraft, including combat and air mobility aircraft, unmanned air vehicles, and related technologies. Key Combat Aircraft programs include the F-35 Lightning II, F-16 Fighting Falcon, and F-22 Raptor fighter aircraft. The F-35 has completed the eighth year of development and has entered low rate initial production (LRIP). We expect the first deliveries under the LRIP program to begin in 2010 which, together with other program activities, will result in an increase in sales over 2009 levels. We continue to produce F-16 aircraft for foreign customers, delivering a total of 31 F-16s in 2009 worldwide. We are currently projecting that F-16 sales will decline in 2010 over 2009 levels due to lower deliveries. Aeronautics has been producing F-22s since 1997. As noted previously, the U.S Government has decided to discontinue production of the F-22 after delivery of the 187 aircraft on order, which we expect will occur in early 2012. Key Air Mobility programs include the C-130J Super Hercules and the C-5M Super Galaxy. We are expecting to ramp up production and increase deliveries of C-130J aircraft in 2010, having delivered 16 in 2009. In addition to aircraft production, Aeronautics provides logistics support, sustainment, and upgrade modification services for its aircraft. Sales at Aeronautics are expected to grow overall in 2010 primarily due to the projected increase in F-35 production activities.

Our Electronic Systems business segment manages complex programs and designs, develops, and integrates hardware and software solutions to ensure the mission readiness of armed forces and government agencies worldwide. With such a broad portfolio of products and services, many of its activities involve a combination of both development and production contracts with varying delivery schedules. This business segment has continued to expand its core competencies as a systems integrator both domestically and internationally. Some of its more significant programs, including the Terminal High Altitude Area Defense (THAAD) system, the Aegis Weapon System, and the Littoral Combat Ship program, demonstrate the diverse products and services Electronic Systems provides.

Our IS&GS business segment combines a full range of information competencies with a global delivery capability. The segment provides full life-cycle support and expertise in the areas of software and systems engineering, including capabilities in space, air, and ground systems. It provides logistics, mission operation support, peacekeeping, and nation-building services for a wide variety of defense and civil government agencies in the U.S. and abroad. IS&GS' key programs and activities include the En-Route Automation Modernization (ERAM) program, the Joint Tactical Radio System (JTRS) program, the Decennial Response Integration System (DRIS 2010) program, and a number of task order vehicles (indefinite delivery, indefinite quantity (IDIQ) contracts) across each of its lines of business.

Backlog decreased in 2009 compared to 2008 due to the U.S. Government's exercise of the termination for convenience clause on the VH-71 Presidential Helicopter Program at P&T, which resulted in a $985 million reduction in orders. This decline more than offset increased orders on integrated defense technology and tactical system programs at MS2, air defense programs at M&FC, and simulation and training activities at P&T. The increase in backlog during 2008 compared to 2007 resulted primarily from increased orders on surface naval warfare programs at MS2 and on tactical missile programs at M&FC. These increases partially were offset by declines in orders on integrated defense technology and tactical systems programs at MS2.

Backlog decreased in 2009 compared to 2008 due to the U.S. Government's exercise of the termination for convenience

Unallocated Corporate Income (E pense), Net

The following table shows the components of unallocated Corporate income (expense), net.

Liquidity and Cash Flows

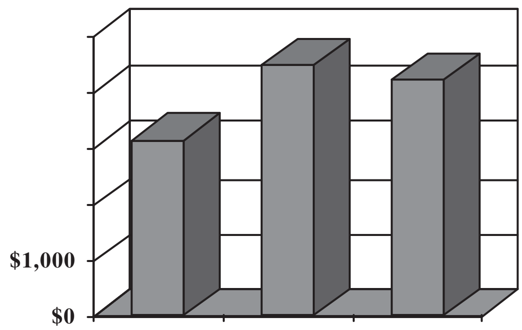
Our access to capital resources that provide liquidity has not been materially affected by the adverse changes in economic and market conditions over the past two years. We continually monitor changes in such conditions so that we can timely respond to any related developments. We have generated strong operating cash flows, which have been the primary source of funding for our operations, debt service and repayments, capital expenditures, share repurchases, dividends, acquisitions, required retirement plan funding, and certain other discretionary funding needs. We have accessed the capital markets on limited occasions, as needed and when opportunistic, including the issuance of debt securities totaling $1.5 billion in 2009 and $500 million in 2008.

We expect our cash from operations to continue to be sufficient to support our operations and anticipated capital expenditures. We have financing resources available (see discussion under Capital Resources) to fund potential cash outflows that are less predictable or more discretionary. We have access to the credit markets, if needed, for liquidity or general corporate purposes, including letters of credit to support customer advance payments and for other trade finance purposes (*e.g.*

working capital and higher net tax payments of $103 million compared to 2007. The decline in operating working capital primarily was due to an increase in inventories on Combat Aircraft programs at Aeronautics and a decrease in customer advances and amounts in excess of costs incurred on various programs in the Missiles & Fire Control line of business at Electronic Systems.

Net Cash Pro ided b Operating Acti ities

(In millions)



maturities. In 2008, we paid a total of $1.0 billion representing the principal amount of our floating rate convertible debentures that were delivered for conversion or otherwise redeemed (see Note 9). We also paid another $103 million during 2008 related to other repayments of long-term debt based on scheduled maturities, compared to $32 million in debt repayments in 2007.

Capital Structure and Resources

At December 31, 2009, we held cash and cash equivalents of approximately $2.4 billion and short-term investments of $346 million. Our long-term debt, net of unamortized discounts, amounted to $5.1 billion. As of the end of 2009, our long-term debt bears interest at fixed rates and mainly is in the form of publicly-issued notes and debentures.

In November 2009, we issued a total of $1.5 billion of long-term notes in a registered public offering (see Note 9), $900 million of which are due in 2019 and have a fixed coupon interest rate of 4.25%, and $600 million of which are due in 2039 and have a fixed coupon interest rate of 5.50%.

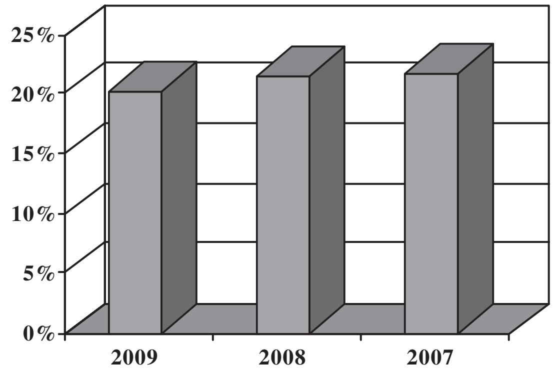
In 2008, we issued $500 million of long-term notes in a registered public offering (see Note 9) that are due in 2013 and have a fixed coupon rate of 4.12%. In August 2008, all of our $1.0 billion of floating rate convertible debentures were delivered for conversion or otherwise redeemed, and we issued 5.0 million shares of our common stock to satisfy the related conversion obligations of $571 million in excess of the principal amount (see Note 9).

Our stockholders' equity amounted to $4.1 billion at December 31, 2009, an increase of $1.3 billion from December 31, 2008. The increase primarily was due to net earnings of $3.0 billion; the annual remeasurement of the funded status of our postretirement benefit plans at December 31 (see Note 10), which decreased the accumulated other comprehensive loss by $495 million; and employee stock activity of $445 million. These increases partially were offset by the repurchase of 24.9 million common shares for $1.9 billion and payment of $908 million of dividends during the year. As we repurchase our common shares, we reduce common stock for the $1 of par value of the shares repurchased, with the remainder of the purchase price over par value recorded as a reduction of additional paid-in capital. Due to the volume of repurchases made under our share repurchase program, additional paid-in capital was reduced to zero, with the remainder of the excess of purchase price over par value of $1.4 billion recorded as a reduction of retained earnings.

Our debt-to-total capital ratio was 55% at December 31, 2009, down from 57% at December 31, 2008. The decrease from 2008 to 2009 primarily was attributable to the increase in stockholders' equity discussed above, which was partially offset by the issuance of long-term notes in November 2009. Our debt-to-total capital ratio was 57% for 2008 compared to 31% in 2007. This increase from 2007 to 2008 primarily was attributable to the decrease in stockholders' equity through the remeasurement of the postretirement benefit plans which increased the accumulated other comprehensive loss by $7.25 billion, the repurchase of 29 million common shares for $2.9 billion, and payment of $737 million of dividends during 2008. These decreases partially were offset by net earnings of $3.2a reductionmade

ROIC is not a measure of financial performance under U.S. generally accepted accounting principles, and may not be defined and calculated by other companies in the same manner. ROIC should not be considered in isolation or as an alternative to net earnings as an indicator of performance. See Consolidated Financial Data – Five Year Summary on page 24 of this Form 10-K for additional information concerning how we calculate ROIC.

Ret rn on In ested Capital Ratio



At December 31, 2009, we had in place a $1.5 billion revolving credit facility with a group of banks, which expires in June 2012. There were no borrowings outstanding under the facility at December 31, 2009. Borrowings under the credit facility would be unsecured and bear interest at rates based, at our option, on the Eurodollar rate or a bank defined Base Rate. Each bank's obligation to make loans under the credit facility is subject to, among other things, our compliance with various representations, warranties and covenants, including covenants limiting our ability and the ability of certain of our subsidiaries to encumber our assets, and a covenant not to exceed a maximum leverage ratio. The leverage ratio covenant excludes the adjustments recognized in stockholders' equity related to our postretirement benefit plans.

We have agreements in place with banking institutions to provide for the issuance of commercial paper. There were no commercial paper borrowings outstanding at December 31, 2009. If we were to issue commercial paper, the borrowings would be supported by the $1.5 billion revolving credit facility.

We have an effective shelf registration statement on Form S-3 on file with the Securities and Exchange Commission to provide for the issuance of an indeterminate amount of debt securities. As described above, we issued $1.5 billion of long-term notes under this shelf registration in November 2009 for general corporate purposes.

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

Contractual Commitments and Off-Balance Sheet Arrangements

At December 31, 2009, we had contractual commitments to repay debt, make payments under operating leases, settle obligations related to agreements to purchase goods and services, and settle tax and other liabilities. Capital lease obligations were negligible. Payments due under these obligations and commitments are as follows:

		Payments Due By Period			
(In millions)	*Total*	*Less Than 1 Year*	*Years 2 and 3*	*Years 4 and 5*	*After 5 Years*
Long-term debt [(a)]	$ 5,403	$ —	$ —	$ 650	$ 4,753
Interest payments	5,817	338	677	626	4,176
Other liabilities	2,253	494	460	232	1,067
Operating lease obligations	1,459	314	494	296	355
Purchase obligations:					
Operating activities	21,049	11,932	7,672	1,380	65
Capital expenditures	230	169	61	—	—
Total contractual cash obligations	$36,211	$13,247	$9,364	$3,184	$10,416

(a) The total amount of long-term debt excludes the unamortized discount of $351 million (see Note 9).

funding to ULA during 2009. In 2008, we and Boeing each received a $100 million dividend payment. Prior to distribution of that dividend, we, Boeing and ULA entered into an agreement whereby, if ULA does not have sufficient cash resources and/or credit capacity to make payments under the inventory supply agreement it has with Boeing, both we and Boeing would provide to ULA, in the form of an additional capital contribution, the level of funding required for ULA to make such payments. Such capital contributions would not exceed the aggregate amount of the dividends we received through June 1, 2009, which totaled $122 million. We currently believe that ULA will have sufficient operating cash flows and credit capacity to meet its obligations such that we would not be required to make a contribution under this agreement.

In addition, both we and Boeing have cross-indemnified ULA related to certain financial support arrangements (*e.g.*, letters of credit, surety bonds, or foreign exchange contracts provided by either party) and guarantees by us and Boeing of the performance and financial obligations of ULA under certain launch service contracts. We believe ULA will be able to fully perform its obligations, as it has done through December 31, 2009, and that it will not be necessary to make payments under the cross-indemnities.

We have entered into standby letter of credit agreements and other arrangements with financial institutions and customers mainly relating to advances received from customers and/or the guarantee of future performance on some of our contracts. In some cases, we may also guarantee the contractual performance of third parties such as joint venture partners. At December 31, 2009, we had the following outstanding letters of credit, surety bonds, and guarantees:

Commitment Expiration By Period

to price changes and changes in interest rates. Changes in the value of the Rabbi Trust are recognized on our Statement of Earnings in other non-operating income (expense), net. During the year ended December 31, 2009, we recorded earnings totaling $110 million related to the increase in the value of the Rabbi Trust assets. We also contributed $171 million to the Rabbi Trust in 2009. A portion of the liabilities associated with the deferred compensation plans supported by the Rabbi Trust is also impacted by changes in the market price of our common stock and certain market indices. Changes in the value of the deferred compensation liabilities are recognized on our Statement of Earnings in unallocated Corporate costs. The current portion of the deferred compensation plan liabilities is on our Balance Sheet in salaries, benefits, and payroll taxes, and the non-current portion of the liability is on our Balance Sheet in other liabilities. The resulting change in the value of the liabilities has the effect of partially offsetting the impact of changes in the value of the Rabbi Trust. During the year ended December 31, 2009, we recorded expense of $45 million related to the increase in the value of the deferred compensation liabilities.

Recent Accounting Pronouncements

There are a number of new accounting pronouncements and interpretations that are not effective until after December 31, 2009 and may impact our financial statements and disclosures. See Note 1 under the caption “Recent accounting pronouncements” for more information.

Controls and Procedures

We maintain disclosure controls and procedures, including internal control over financial reporting, which are designed

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Management's Report on the Financial Statements and Internal Control Over Financial Reporting

The management of Lockheed Martin is responsible for the consolidated financial statements and all related financial information contained in this Annual Report on Form 10-K. The consolidated financial statements, which include amounts based on estimates and judgments, have been prepared in accordance with accounting principles generally accepted in the United States. Management believes the consolidated financial statements fairly present, in all material respects, the financial condition, results of operations and cash flows of the Corporation. The consolidated financial statements have been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report included herein.

The management of Lockheed Martin is also responsible for establishing and maintaining an adequate system of internal control over financial reporting of the Corporation (as defined by the Securities Exchange Act of 1934). This system is designed to provide reasonable assurance, based on an appropriate cost-benefit relationship, that assets are safeguarded and transactions are properly executed and recorded. An environment that provides for an appropriate level of control consciousness is maintained through a comprehensive program of management testing to identify and correct deficiencies, examinations by our internal auditors, and audits by the Defense Contract Audit Agency for compliance with federal government rules and regulations applicable to contracts with the U.S. Government.

Management conducted an evaluation of the effectiveness of the Corporation's system of internal control over financial reporting based on the framework in *Internal Control – Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Corporation's system of internal control over financial reporting was effective as of December 31, 2009. Ernst & Young LLP also assessed the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2009, as stated in their report included on page 55.

Essential to the Corporation's internal control system is management's dedication to the highest standards of integrity, ethics, and social responsibility. To support these standards, management has issued *Setting the Standard*, our Code of Ethics and Business Conduct (the Code). The Code provides for a telephone help line that employees can use to confidentially or anonymously communicate to the Corporation's ethics office complaints or concerns about accounting, internal control, or auditing matters. These matters are forwarded directly to the Audit Committee of the Corporation's Board of Directors.

The Audit Committee, which is composed of six directors who are not members of management, has oversight responsibility for the Corporation's financial reporting process, and the audits of the consolidated financial statements and internal control over financial reporting. Both the independent auditors and the internal auditors meet periodically with members of the Audit Committee, with or without management representatives present. The Audit Committee recommended, and the Board of Directors approved, that the audited consolidated financial statements be included in the Corporation's Annual Report on Form 10-K for filing with the Securities and Exchange Commission.

[redacted]utive Officer

[redacted]

BRUCE L. TANNER
Executive Vice President and Chief Financial Officer

Report of Ernst & Young LLP, Independent Registered Public Accounting Firm, Regarding Internal Control Over Financial Reporting

Board of Directors and Stockholders
Lockheed Martin Corporation

We have audited Lockheed Martin Corporation's internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Lockheed Martin Corporation's management is responsible

Report of Ernst & Young LLP, Independent Registered Public Accounting Firm, on the Audited Consolidated Financial Statements

Board of Directors and Stockholders
Lockheed Martin Corporation

We have audited the accompanying consolidated balance sheets of Lockheed Martin Corporation as of December 31, 2009 and 2008, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2009. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lockheed Martin Corporation at December 31, 2009 and 2008, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2009, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Lockheed Martin Corporation's internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 25, 2010 expressed an unqualified opinion thereon.

[redacted]

Baltimore, Maryland
February 25, 2010

Lockheed Martin Corporation
Consolidated Statement of Earnings

(In millions, except per share data)	*Year ended December 31,* ***2009***	*2008*	*2007*
Net Sales			
Products	**$ 36,336**	$ 34,809	$ 35,267
Services	**8,853**	7,922	6,595
	45,189	42,731	41,862
Cost of Sales			
Products	**(32,301)**	(30,874)	(31,479)
Services	**(7,993)**	(7,147)	(5,874)
Unallocated Corporate Costs	**(671)**	(61)	(275)
	(40,965)	(38,082)	(37,628)
	4,224	4,649	4,234
Other Income (Expense), Net	**242**	482	293
Operating Profit	**4,466**	5,131	4,527
Interest Expense	**(305)**	(341)	(352)
Other Non-operating Income (Expense), Net	**123**	(88)	193
Earnings Before Income Taxes	**4,284**	4,702	4,368

Lockheed Martin Corporation
Consolidated Balance Sheet

(In millions, except per share data)	*December 31,* **2009**	*2008*
Assets		
Current Assets		

Lockheed Martin Corporation
Consolidated Statement of Cash Flows

(In millions)	*Year ended December 31,* ***2009***	*2008*	*2007*
Operating Activities			
Net earnings	**$ 3,024**	$ 3,217	$ 3,033
Adjustments to reconcile net earnings to Net Cash Provided by Operating Activities			
Depreciation and amortization of plant and equipment	**750**	727	666
Amortization of purchased intangibles	**104**	118	153
Stock-based compensation	**154**	155	149
Excess tax benefits on stock-based compensation	**(21)**	(92)	(124)
Deferred income taxes	**542**	72	110
Contributions related to our qualified defined benefit plans	**(1,482)**	(109)	(335)
Changes in operating assets and liabilities:			
Receivables	**(719)**	(333)	(324)
Inventories	**(233)**	(183)	(57)
Accounts payable	**(21)**	(141)	(66)
Customer advances and amounts in excess of costs incurred	**482**	313	394
Other	**593**	677	639
Net cash provided by operating activities	**3,173**	4,421	4,238
Investing Activities			
Expenditures for property, plant and equipment	**(852)**	(926)	(940)
Acquisitions of businesses / investments in affiliates	**(435)**	(233)	(337)
Net proceeds from (payments for) short-term investment transactions	**(279)**	272	48
Other	**48**	(20)	24
Net cash used for investing activities	**(1,518)**	(907)	(1,205)
Financing Activities			
Repurchases of common stock	**(1,851)**	(2,931)	(2,127)
Issuances of common stock and related amounts	**40**	250	350
Excess tax benefits on stock-based compensation	**21**	92	124
Common stock dividends	**(908)**	(737)	(615)
Issuance of long-term debt, net of related costs	**1,464**	491	—
Repayments of long-term debt	**(242)**	(1,103)	(32)
Net cash used for financing activities	**(1,476)**	(3,938)	(2,300)
Effect of exchange rate changes on cash and cash equivalents	**44**	(56)	3
Net increase (decrease) in cash and cash equivalents	**223**	(480)	736
Cash and cash equivalents at beginning of year	**2,168**	2,648	1,912
Cash and Cash Equivalents at end of year	**$ 2,391**	$ 2,168	$ 2,648

See accompanying Notes to Consolidated Financial Statements.

Lockheed Martin Corporation
Consolidated Statement of Stockholders' Equity

(In millions, except per share data)	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	*Compre-hensive Income (Loss)*
Balance at December 31, 2006	$421	$ 755	$ 9,269	$(3,561)	$ 6,884	
Net earnings	—	—	3,033	—	3,033	$ 3,033
Common stock dividends declared ($1.47 per share)	—	—	(615)	—	(615)	—
Repurchases of common stock	(22)	(1,634)	(471)	—	(2,127)	—
Stock-based awards and ESOP activity	10	879	—	—	889	—
Adoption of accounting pronouncement related to uncertain income tax positions	—	—	31	—	31	—
Other comprehensive income (loss):						
Postretirement benefit plans:						
Unrecognized amounts in 2007, net of tax of $840 million	—	—	—	1,527	1,527	1,527
Reclassification adjustment for recognition of prior period amounts, net of tax of $98 million	—	—	—	179	179	179
Other, net of tax of $7 million	—	—	—	4	4	4
Balance at December 31, 2007	409	—	11,247	(1,851)	9,805	$ 4,743
Net earnings	—	—	3,217	—	3,217	$ 3,217
Common stock dividends declared ($1.83 per share)	—	—	(737)	—	(737)	—
Repurchases of common stock	(29)	(796)	(2,106)	—	(2,931)	—
Stock-based awards and ESOP activity	8	738	—	—	746	—
Conversion of debentures	5	58	—	—	63	—
Other comprehensive income (loss):						
Postretirement benefit plans:						
Unrecognized amounts in 2008, net of tax						

Note 1 – Significant Accounting Policies

Organi ation – Lockheed Martin Corporation is a global security company engaged in the research, design, development, manufacture, integration, operation, and sustainment of advanced technology systems and products, and provides a broad range of management, engineering, technical, scientific, logistic, and information services. As a systems integrator, our products and services range from electronics and information systems, including integrated net-centric solutions, to missiles, aircraft, and spacecraft. We serve both domestic and international customers with products and services that have defense, civil, and commercial applications, with our principal customers being agencies of the U.S. Government.

Basis of consolidation and classifications – Our consolidated financial statements include the accounts of subsidiaries we control and other entities where we are the primary beneficiary. We eliminate intercompany balances and transactions in consolidation. Our receivables, inventories, customer advances, and certain amounts in other current liabilities are primarily attributable to long-term contracts or programs in progress for which the related operating cycles are longer than one year. In accordance with industry practice, we include these items in Current Assets and Current Liabilities. We have reclassified certain amounts for prior years to conform to the 2009 presentation.

We have evaluated subsequent events through the time of filing this Form 10-K with the United States Securities and Exchange Commission (SEC) on February 25, 2010. No material subsequent events have occurred since December 31, 2009 that required recognition or disclosure in these financial statements.

Use of estimates – We prepare our consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP). In doing so, we are required to make estimates and assumptions, including estimates of anticipated contract costs and revenues utilized in the earnings recognition process, that affect the reported amounts in the financial statements and accompanying notes. Due to the size and nature of many of our programs, the estimation of total revenues and cost at completion is subject to a wide range of variables, including assumptions for schedule and technical issues. Our actual results may differ from those estimates.

Cash and cash eq i alents – Cash equivalents include highly liquid instruments with original maturities of 90 days or less.

Recei ables – Receivables include amounts billed and currently due from customers, and unbilled costs and accrued profits primarily related to revenues on long-term contracts that have been recognized for accounting purposes but not yet billed to customers. As we recognize those revenues, we reflect appropriate amounts of customer advances, performance-based payments, and progress payments as an offset to the related receivables balance.

In entories – We record inventories at the lower of cost or estimated net realizable value. Costs on long-term contracts and programs in progress represent recoverable costs incurred for production or contract-specific facilities and equipment, allocable operating overhead, advances to suppliers and, in the case of contracts with the U.S. Government, research and development and general and administrative expenses. Pursuant to contract provisions, agencies of the U.S. Government and certain other customers have title to, or a security interest in, inventories related to such contracts as a result of advances, performance-based payments, and progress payments. We reflect those advances and payments as an offset against the related inventory balances. We expense general and administrative costs related to products and services provided essentially under commercial terms and conditions as incurred. We determine the costs of other product and supply inventories by the first-in first-out or average cost methods.

Propert , plant and eq ipment – We include property, plant, and equipment on our Balance Sheet principally at cost. We provide for depreciation and amortization on plant and equipment generally using accelerated methods during the first half of the estimated useful lives of the assets, and the straight-line method thereafter. The estimated useful lives of our plant and equipment generally range from 10 to 40 years for buildings and five to 15 years for machinery and equipment.

Good ill – We evaluate goodwill for potential impairment annually on October 1, or if impairment indicators are present. Our evaluation includes comparing the fair value of a reporting unit, using a discounted cash flow methodology, to its carrying value including goodwill recorded by the reporting unit. If the carrying value exceeds the fair value, we measure impairment by comparing the derived fair value of goodwill to its carrying value, and any impairment determined is recorded in the current period. We define reporting units at the business segment level or one level below the business segment.

P rchased intangibles – We amortize on a straight-line basis intangible assets acquired as part of business combinations over their estimated useful lives unless their useful lives are determined to be indefinite. For material business combinations, the amounts we record related to purchased intangibles are determined from independent valuations. Our purchased intangibles primarily relate to contracts and programs acquired and customer relationships, which are amortized over periods of 10 years or less, and trade names that have indefinite lives. As of December 31, 2009 and 2008, purchased intangibles totaled $311 million and $355 million, net of accumulated amortization of $2,203 million and $2,098 million. Amortization expense related to these intangible assets was $104 million in 2009, $118 million in 2008, and $153 million in 2007. We estimate amortization expense will be $103 million in 2010, $93 million in 2011, $36 million in 2012, $27 million in 2013, and $7 million in 2014. The unamortized balance of purchased intangibles at December 31, 2009 included $41 million of intangibles with indefinite lives.

Capitali ed soft are – We capitalize certain direct costs associated with the development of internal-use software. Expenditures are included in operating activities on our Statement of Cash Flows. The amounts capitalized are included in other assets on our Balance Sheet and amortized on a straight-line basis over the estimated useful life of the resulting

We record revenue under contracts for services other than those associated with DD&P activities either as services are performed or when a contractually required event has occurred, depending on the contract. The majority of our service contracts is in our Information Systems & Global Services segment. We record revenue under such services contracts on a straight-line basis over the period of contract performance, unless evidence suggests that the revenue is earned or the obligations are fulfilled in a different pattern. Costs we incur under these services contracts are expensed as incurred, except that we capitalize and recognize initial “set-up” costs over the life of the agreement. Award and incentive fees related to our performance on services contracts are recognized when they are fixed or determinable, which is typically on the date the amount is communicated to us by the customer.

Research and de elopment and similar costs – Except for certain arrangements described below, we account for independent research and development costs as part of the general and administrative costs that are allocated among all of our contracts and programs in progress under U.S. Government contractual arrangements. Costs for product development initiatives we sponsor that are not otherwise allocable are charged to expense when incurred. Under some arrangements in

Deri ati e financial instr ments – We use derivative financial instruments to manage our exposure to fluctuations in foreign currency exchange rates. Foreign currency exchange contracts are entered into to manage the foreign currency exchange rate risk of forecasted foreign currency denominated cash receipts and cash payments. The majority of our foreign currency exchange contracts are designated as cash flow hedges. We may also use derivative financial instruments to manage our exposure to changes in interest rates. Our financial instruments that are subject to interest rate risk principally include fixed rate long-term debt. We do not hold or issue derivative financial instruments for trading or speculative purposes.

We record derivatives at their fair value. The classification of gains and losses resulting from changes in the fair values of derivatives is dependent on our intended use of the derivative and its resulting designation. Adjustments to reflect changes in fair values of derivatives attributable to the effective portion of hedges that we consider highly effective hedges are either reflected in earnings and largely offset by corresponding adjustments to the hedged items, or reflected net of income taxes in accumulated other comprehensive income (loss) until the hedged transaction is recognized in earnings. Changes in the fair value of the derivatives that are attributable to the ineffective portion of the hedges, or of derivatives that are not considered to be highly effective hedges, if any, are immediately recognized in earnings. The aggregate notional amount of the outstanding foreign currency exchange contracts at December 31, 2009 and 2008 was $1.9 billion and $1.4 billion. There were no interest rate derivatives outstanding at December 31, 2009 and 2008.

The effect of our derivative instruments on the Statement of Earnings for the years ended December 31, 2009, 2008, and 2007 was not material. The fair values of our derivative assets as of December 31, 2009 and 2008 were $21 million and $100 million and were recorded in other current assets. The fair values of our derivative liabilities as of December 31, 2009 and 2008 were $23 million and $48 million and were recorded in other current liabilities. These amounts were not material to our financial statements. See Note 15 for further discussion on the fair value measurements related to our derivative instruments.

Stock-based compensation – We recognize compensation cost related to all share-based payments (stock options, restricted stock awards, and restricted stock units) based on their estimated fair value at the date of grant.

Income ta es – We periodically assess our tax filing exposures related to periods that are open to examination. Based on the latest available information, we evaluate tax positions to determine whether the position will more likely than not be sustained upon examination by the Internal Revenue Service (IRS). If we determine that the tax position is more likely than not to be sustained, we record the largest amount of benefit that is more likely than not to be realized when the tax position is settled. If we cannot reach that determination, no benefit is recorded. We record interest and penalties related to income taxes as a component of income tax expense in our consolidated financial statements.

Comprehensi e income (loss) – Comprehensive income (loss) and its components are presented on the Statement of Stockholders' Equity.

Accumulated other comprehensive income (loss) consisted of the following:

(In millions)	***2009***	*2008*
Postretirement benefit plan adjustments	**$(8,564)**	$(9,059)

In December 2008, the FASB issued an accounting standard that requires additional disclosures about assets held in defined benefit pension plans and other postretirement plans (see Note 10). The accounting standard requires us to disclose the fair value of each major category of plan assets, the level within the fair value hierarchy that each major category of plan assets falls, and reconcile the beginning and ending balances of plan assets with fair values measured using significant unobservable inputs (Level 3 in the hierarchy). We adopted the provisions of the standard beginning with our 2009 annual consolidated financial statements.

In 2009, we adopted accounting standards issued by the FASB related to the following topics, none of which had a material effect on our financial statements:

- Accounting and disclosures for subsequent events;
- Determining fair value when the volume and level of activity for an asset or liability have significantly decreased and identifying transactions that are not orderly;
- Recognition and presentation of other-than-temporary impairments;
- Fair value disclosures related to certain non-financial assets and liabilities;
- Determining whether instruments granted in share-based payment transactions are participating securities;
- Revised accounting rules related to business combinations; and
- Increased disclosures related to derivative financial instruments (see “Derivative financial instruments” section above).

Effective January 1, 2007, we adopted a FASB interpretation that sets forth consistent rules for accounting for uncertain income tax positions in accordance with GAAP (see Note 8). The cumulative effect of applying the provisions of this

The calculations of basic and diluted earnings per share are as follows:

(In millions, except per share data)	***2009***	*2008*	*2007*
Net earnings for basic and dil ted comp tations	**$3,024**	$3,217	$3,033
Weighted a erage common shares o tstanding			
Average number of common shares outstanding for basic computations	**384.8**	399.7	416.0
Dilutive stock options, restricted stock and convertible securities	**4.1**	9.7	11.1
Average number of common shares outstanding for diluted computations	**388.9**	409.4	427.1
Earnings per common share			
Basic	**$ 7.86**	$ 8.05	$ 7.29
Diluted	**$ 7.78**	$ 7.86	$ 7.10

Stock options to purchase 11.2 million and 3.5 million shares of common stock outstanding at December 31, 2009 and 2008 had exercise prices that were in excess of the average market price of our common stock at the respective dates. As such, we did not include these stock options in our calculation of diluted earnings per share, as their effect would have been anti-dilutive. No stock options to purchase common stock outstanding at December 31, 2007 had exercise prices that were in excess of the average market price of our common stock at December 31, 2007.

As of August 15, 2008, all of our $1.0 billion of floating rate convertible debentures had been delivered for conversion or were redeemed. Upon conversion of the debentures, we paid cash for the principal amount of the debentures relative to our conversion obligations, and satisfied the conversion obligations in excess of the principal amount by issuing 5.0 million shares of our common stock (see Note 9). The accounting standard for earnings per share required an assumption that shares would be used to pay the conversion obligations in excess of the accreted principal amount and that those shares would be included in our calculation of weighted average common shares outstanding for the diluted earnings per share computation up to the date the convertible securities were converted. The number of shares included in the computation for the year ended December 31, 2007 did not have a material impact on earnings per share.

Note 3 – Other Income (Expense), Net

The components of other income (expense), net included the following:

(In millions)	***2009***	*2008*	*2007*
Included in operating profit			
Equity in net earnings of equity investees	**$282**	$289	$203
Loss on sale of foreign subsidiary	**(24)**	—	—
Gain on sale of ownership interests in LKEI and ILS		108	—
Earnings from elimination of reserves associated with various land sales		85	—
Gain on sale of Comsat International		—	25
Gain on sales of land		—	25
Reversal of legal reserves due to settlement		—	21
Other activities, net	**(16)**	—	19
	$242	$482	$293

See Note 14 for a discussion of certain transactions included in the table above.

Other non-operating income (expense), net consisted of gains (losses) on investments held in the Rabbi Trust and interest income associated with our cash, cash equivalents, and short-term investments.

Note 4 – Information on Business Segments

We operate in four principal business segments: Aeronautics, Electronic Systems, Information Systems & Global Services, and Space Systems. We organize our business segments based on the nature of the products and services offered. In the following tables of financial data, the total of the operating results of these business segments is reconciled, as appropriate, to the corresponding consolidated amount. With respect to the caption “Operating profit,” the reconciling item “Unallocated Corporate income (expense), net” includes the FAS/CAS pension adjustment (see discussion below), costs for certain stock-based compensation programs (including stock-based compensation costs for stock options and restricted stock as discussed in Note 12), 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. Since the activities of the investees in which certain business segments hold equity interests are closely aligned with the operations of those segments, the equity earnings (losses) from those investees are included in the operating profit of the respective segments. For financial data other than operating profit where amounts are reconciled to consolidated totals, all activities other than those pertaining to the principal business segments are included in “Corporate activities.”

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

Transactions between segments are generally negotiated and accounted for under terms and conditions similar to other government and commercial contracts. These intercompany transactions are eliminated in consolidation and for purposes of the presentation of net sales in the related table that follows. Other accounting policies of the business segments are the same as those described in Note 1.

The following is a brief description of the activities of the principal business segments:

- **Aerona tics –** Engaged in the research, design, development, manufacture, integration, sustainment, support, and upgrade of advanced military aircraft, including combat and air mobility aircraft, unmanned air vehicles, and related technologies. Major products and programs include design, development, production and sustainment of the F-35 international multi-role, stealth fighter; the F-22 air dominance and multi-mission stealth fighter; the F-16 international multi-role fighter; the C-130J tactical transport aircraft; the C-5M strategic airlifter modernization program; and support for the P-3 maritime patrol aircraft and the U-2 high-altitude reconnaissance aircraft. The Skunk Works advanced development organization provides next generation innovative system solutions using rapid prototype applications and advanced technologies.

- **Electronic S stems –** Engaged in managing complex programs and designs, develops, and integrates hardware and software solutions to ensure the mission readiness of armed forces and government agencies worldwide. Global security solutions include advanced sensors, decision systems, and weapons for air-, land-, and sea-based platforms. The segment integrates land vehicles, ships, and fixed- and rotary-wing aircraft. Major lines of business include air and missile defense; tactical missiles; weapon fire control systems; surface ship and submarine combat systems; anti-submarine and undersea warfare systems; land, sea-based, and airborne radars; surveillance and reconnaissance systems; simulation and training systems; and integrated logistics and sustainment services. Electronic Systems also manages and operates the Sandia National Laboratories for the U.S. Department of Energy and is part of the consortium that manages the United Kingdom’s Atomic Weapons Establishment.

- **Information S stems & Global Ser ices –** Engaged in providing federal services, Information Technology (IT) solutions, and advanced technology expertise across a broad spectrum of applications and customers. Information Systems & Global Services provides a full life-cycle support and highly specialized talent in the areas of software and systems engineering, including capabilities in space, air and ground systems, and also provides logistics, mission operation support, peacekeeping, and nation-building services for a wide variety of defense and civil government agencies in the U.S. and abroad.

- **Space S stems –** Engaged in the design, research and development, engineering, and production of satellites, strategic and defensive missile systems, and space transportation systems. The Satellite product line includes both government and commercial satellites. Strategic & Defensive Missile Systems includes missile defense technologies and systems and fleet ballistic missiles. Space Transportation Systems includes portions of the next generation human space flight system.

Selected Financial Data b B siness Segment

(In millions)	***2009***	*2008*	*2007*
Net sales			
Aeronautics	**$12,201**	$11,473	$12,303
Electronic Systems	**12,204**	11,620	11,143
Information Systems & Global Services	**12,130**	11,611	10,213
Space Systems	**8,654**	8,027	8,203
Total	**$45,189**	$42,731	$41,862
Operating profit (a)			
Aeronautics	**$ 1,577**	$ 1,433	$ 1,476
Electronic Systems	**1,595**	1,508	1,410
Information Systems & Global Services	**1,011**	1,076	949
Space Systems	**972**	953	856
Total business segments	**5,155**	4,970	4,691
Unallocated Corporate income (expense), net (b)	**(689)**	161	(164)
Operating profit	**$ 4,466**	$ 5,131	$ 4,527
Intersegment re en e			
Aeronautics	**$ 210**	$ 147	$ 147
Electronic Systems	**791**	625	595
Information Systems & Global Services	**994**	937	1,054
Space Systems	**122**	203	150
Total	**$ 2,117**	$ 1,912	$ 1,946
Depreciation and amorti ation of plant and eq ipment			
Aeronautics	**$ 198**	$ 190	$ 181
Electronic Systems	**242**	252	227
Information Systems & Global Services	**69**	66	68
Space Systems	**182**	166	136
Total business segments	**691**	674	612
Corporate activities	**59**	53	54
Total	**$ 750**	$ 727	$ 666
Amorti ation of p rchased intangibles			
Aeronautics	**$ 50**	$ 50	$ 50
Electronic Systems	**11**	10	27
Information Systems & Global Services	**41**	44	55
Space Systems	**2**	5	9
Total business segments	**104**	109	141
Corporate activities		9	12
Total	**$ 104**	$ 118	$ 153
E pendit res for propert , plant and eq ipment			
Aeronautics	**$ 248**	$ 227	$ 235
Electronic Systems	**264**	267	327
Information Systems & Global Services	**54**	80	75
Space Systems	**210**	231	228
Total business segments	**776**	805	865
Corporate activities	**76**	121	75
Total	**$ 852**	$ 926	$ 940

Selected Financial Data b B siness Segment (contin ed)

(In millions)	***2009***	*2008*	*2007*
Assets [c]			
Aeronautics	**$ 4,356**	$ 3,521	$ 3,014
Electronic Systems	**9,106**	8,515	8,500
Information Systems & Global Services	**7,457**	7,593	7,477
Space Systems	**3,097**	2,908	2,977
Total business segments	**24,016**	22,537	21,968
Corporate activities [d]	**11,095**	10,902	6,958
Total	**$35,111**	$33,439	$28,926
Good ill			
Aeronautics	**$ 148**	$ 148	$ 148
Electronic Systems	**4,970**	4,573	4,518
Information Systems & Global Services	**4,337**	4,334	4,265
Space Systems	**493**	471	456
Total	**$ 9,948**	$ 9,526	$ 9,387
C stomer ad ances and amo nts in e cess of costs inc rred			
Aeronautics	**$ 2,389**	$ 2,132	$ 1,833
Electronic Systems	**2,281**	2,002	1,801
Information Systems & Global Services			

Selected Financial Data b B siness Segment (contin ed)

Net Sales b C stomer Categor

(In millions)	***2009***	*2008*	*2007*
U.S. Go ernment			
Aeronautics	**$10,151**	$ 9,268	$ 9,597
Electronic Systems	**8,494**	8,247	8,196
Information Systems & Global Services	**11,364**	10,850	9,591
Space Systems	**8,405**	7,685	7,681
Total	**$38,414**	$36,050	$35,065
Foreign go ernments [(a)] [(b)]			
Aeronautics	**$ 1,990**	$ 2,043	$ 2,531
Electronic Systems	**3,314**	3,039	2,672
Information Systems & Global Services	**510**	390	284
Space Systems	**27**	15	13
Total	**$ 5,841**	$ 5,487	$ 5,500
Commercial and Other [(b)]			
Aeronautics	**$ 60**	$ 162	$ 175
Electronic Systems	**396**	334	275
Information Systems & Global Services	**256**	371	338
Space Systems	**222**	327	509
Total	**$ 934**	$ 1,194	$ 1,297
	$45,189	$42,731	$41,862

(a) Sales made to foreign governments through the U.S. Government, or “foreign military sales,” are included in the “Foreign governments” category.

(b) International sales, including export sales reflected in the “Foreign governments” and “Commercial and Other” categories, were $6.5 billion in 2009, $5.9 billion in 2008, and $6.3 billion in 2007.

Note 5 – Receivables

Receivables consisted of the following components:

(In millions)	***2009***	*2008*
U.S. Government		
Amounts billed	**$1,648**	$1,698
Unbilled costs and accrued profits	**2,718**	2,590
Less: customer advances and progress payments	**(486)**	(471)
	3,880	3,817
Foreign governments and commercial		
Amounts billed	**598**	487
Unbilled costs and accrued profits	**1,811**	1,127
Less: customer advances	**(228)**	(135)
	2,181	1,479
	$6,061	$5,296

We expect to bill substantially all of the December 31, 2009 unbilled costs and accrued profits during 2010.

Note 6 – Inventories

Inventories consisted of the following components:

(In millions)	***2009***	*2008*
Work-in-process, primarily related to long-term contracts and programs in progress	**$ 5,565**	$ 4,631
Less: customer advances and progress payments	**(3,941)**	(3,396)
	1,624	1,235
Other inventories	**559**	667
	$ 2,183	$ 1,902

Our reconciliation of income tax expense computed using the U.S. federal statutory income tax rate of 35% to actual income tax expense is as follows:

(In millions)	***2009***	*2008*	*2007*
Income tax expense at the U.S. federal statutory tax rate	**$1,499**	$1,646	$1,528
Reduction in tax expense:			
U.S. production activity benefit	**(39)**		

We have recorded liabilities for unrecognized tax benefits related to permanent and temporary tax adjustments that, exclusive of interest, totaled $217 million and $250 million at December 31, 2009 and 2008. The change in the liabilities resulted from the following:

In November 2009, we issued a total of $1.5 billion of long-term notes in a registered public offering, $900 million of which are due in 2019 and have a fixed coupon interest rate of 4.25%. The remaining $600 million of long-term notes are due in 2039 and have a fixed coupon interest rate of 5.50%. In March 2008, we issued $500 million of long-term notes in a registered public offering. These notes are due in 2013 and have a fixed coupon interest rate of 4.12%.

On June 26, 2008, our Board of Directors authorized and we announced the planned redemption of any and all of our $1.0 billion in original principal amount of floating rate convertible debentures that remained outstanding on August 15, 2008. As of August 15, 2008, all of the debentures had been delivered for conversion or were redeemed. The aggregate amount paid in cash subsequent to conversion of the debentures was $1.0 billion, representing the principal amount of the debentures relative to our conversion obligations, which was equal to the original principal amount of the debentures. In addition, the conversion rate for the debentures from the time of our announcement in June 2008 through August 15, 2008 was 13.7998 shares of common stock for each $1,000 in original principal amount of debentures, equating to a conversion price of $72.46. The conversion obligations in excess of the principal amount, computed based on the closing price of our common stock over the cash settlement averaging period as defined in the indenture, totaled $571 million, and resulted in the issuance of 5.0 million shares of our common stock. The issuance of the common shares for the conversion obligations was recognized in stockholders' equity as a $5 million increase to common stock and a corresponding decrease to additional paid-in capital. Also, deferred tax liabilities of $69 million attributable to interest deductions associated with the debentures have been credited to additional paid-in capital due to their conversion.

At December 31, 2009 and 2008, we had in place a $1.5 billion revolving credit facility with a group of banks, which expires in June 2012. There were no borrowings outstanding under the facility at December 31, 2009 and 2008. Borrowings under the credit facility would be unsecured and bear interest at rates based, at our option, on the Eurodollar rate or a bank defined Base Rate. Each bank's obligation to make loans under the credit facility is subject to, among other things, our compliance with various representations, warranties and covenants, including covenants limiting our ability and certain of our subsidiaries to encumber assets and a covenant not to exceed a maximum leverage ratio.

We have agreements in place with banking institutions to provide for the issuance of commercial paper. There were no commercial paper borrowings outstanding at December 31, 2009 and 2008. If we were to issue commercial paper, the borrowings would be supported by the $1.5 billion revolving credit facility.

Our scheduled long-term debt maturities following December 31, 2009 are: $0 million in 2010, 2011, and 2012; $650 million in 2013; $0 million in 2014; and $4,753 million thereafter. These amounts do not include the remaining $351 million of unamortized discount as of December 31, 2009.

Interest payments were $286 million in 2009, $320 million in 2008, and $327 million in 2007.

Note 10 – Postretirement Benefit Plans

Defined Contrib tion Plans

We maintain a number of defined contribution plans, most with 401(k) features that cover substantially all of our employees. Under the provisions of our 401(k) plans, most employees' eligible contributions are matched at rates specified in the plan documents. Our contributions were $364 million in 2009, $351 million in 2008, and $327 million in 2007, the majority of which were funded in our common stock.

Our Salaried Savings Plan is a defined contribution plan with a 401(k) feature that includes an Employee Stock Ownership Plan (ESOP) Fund. Our matching contributions to the Salaried Savings Plan have been fulfilled through newly issued shares or purchases of common stock from participant account balance reallocations. At December 31, 2009, the Salaried Savings Plan held 60.3 million issued and outstanding shares of our common stock, all of which were allocated to participant accounts.

Certain plans for hourly employees include an ESOP Fund. In one such plan, the match is made, generally at the election of the participant, in either our common stock or cash that may be invested at the participant's direction in one of the plan's other investment options. Contributions to these plans were made with newly issued shares to the Hourly ESOP Fund or through cash contributed to the trust for the Hourly ESOP Fund. Any contributions that participants directed to be invested in our common stock were used b0(stfne)-338Rvm0(billion3ching)-33 k from

Defined Benefit Pension Plans and Retiree Medical and Life Ins rance Plans

Most of our employees hired on or before December 31, 2005 are covered by qualified defined benefit pension plans, and we provide certain health care and life insurance benefits to eligible retirees. We also sponsor nonqualified defined benefit pension plans to provide for benefits in excess of qualified plan limits. Non-union represented employees hired on or after January 1, 2006 do not participate in our qualified defined benefit pension plans, but are eligible to participate in our qualified defined contribution plan in addition to our other retirement savings plans. They also have the ability to participate in our retiree medical plans, but we do not subsidize the cost of their participation in those plans as we do with employees hired before January 1, 2006. We have made contributions to trusts established to pay future benefits to eligible retirees and dependents (including Voluntary Employees' Beneficiary Association trusts and 401(h) accounts, the assets of which will be

The accumulated benefit obligation for all qualified defined benefit pension plans was $29.0 billion and $26.9 billion at December 31, 2009 and 2008.

For qualified defined benefit pension plans in which the accumulated benefit obligation (ABO) was in excess of the fair value of the plans' assets, the projected benefit obligation, ABO, and fair value of the plans' assets are presented below.

(In millions)	***2009***	*2008*
Projected benefit obligation	**$32,689**	$30,292
Accumulated benefit obligation	**28,920**	26,814
Fair value of plan assets	**21,866**	18,288

The following provides a reconciliation of benefit obligations and the unfunded status related to our nonqualified defined benefit pension plans. We have set aside certain assets totaling $328 million and $161 million as of December 31, 2009 and 2008 in a Rabbi Trust which we expect to be used to pay obligations under our nonqualified plans. In accordance with GAAP, those assets may not be used to offset the amount of the benefit obligation similar to the qualified defined benefit pension and retiree medical and life insurance plans in the table above.

	Nonqualified Defined Benefit Pension Plans	
(In millions)	**2009**	2008
Change in benefit obligations		
Benefit obligations at beginning of year	**$ 647**	$ 610
Service cost	**15**	13
Interest cost	**39**	38
Benefits paid	**(50)**	(57)
Actuarial losses (gains)	**86**	43
Benefit obligations at end of year	**$ 737**	$ 647
Unfunded status of the plans (recognized in other liabilities)	**$ (737)**	$ (647)

The unrecognized net actuarial losses at December 31, 2009 and 2008 were $372 million and $309 million, and the unrecognized prior service costs were not material. The expense associated with these plans totaled $76 million in 2009, $71 million in 2008, and $73 million in 2007. We also sponsor a small number of other postemployment plans and foreign benefit plans. The aggregate liability for the other postemployment plans was $70 million and $74 million as of

The following postretirement benefit plan amounts were included as adjustments to other comprehensive income (loss), *Actuarial Assumptions*

The actuarial assumptions used to determine the benefit obligations at December 31, 2009 and 2008 related to our postretirement benefit plans were as follows:

	Benefit Obligation Assumptions	
	2009	*2008*
Discount rate	**5.875%**	6.125%
Rate of increase in future compensation levels	**5.000**	5.000

The decrease in the discount rate from December 31, 2008 to December 31, 2009 resulted in an increase in the projected benefit obligations of our qualified defined benefit pension plans at December 31, 2009 of approximately $1.0 billion.

The actuarial assumptions used to determine the net expense related to our postretirement benefit plans in 2009, 2008, and 2007 were as follows:

	Postretirement Benefit Plan

The following benefit payments and receipts, which reflect expected future service, are expected to be paid or received. The payments for the retiree medical and life insurance plans are shown net of estimated employee contributions for the respective years but are not shown net of the anticipated subsidy receipts.

		Retiree Medical and Life Insurance Plans	
(In millions)	*Qualified Pension Benefits*	*Payments*	*Subsidy Receipts* [(a)]
2010	$ 1,640	$ 260	$ 30
2011	1,710	270	40
2012	1,780	280	40
2013	1,860	280	40
2014	1,950	290	50
Years 2015 – 2019	11,260	1,370	230

(a) Amounts represent subsidy payments expected to be received under the Medicare Prescription Drug, Improvement, and Modernization Act of 2003. Under that law, the U.S. Government makes subsidy payments to eligible employers to offset the cost of prescription drug benefits provided to plan participants. During 2009 and 2008, we received $36 million and $41 million in subsidy payments.

Plan Assets

In estment policies and strategies – Lockheed Martin Investment Management Company (LMIMCo), our whifee),0

Fair value of plan assets Beginning in 2009, the rules related to accounting for postretirement benefit plans under GAAP require certain fair value disclosures related to postretirement benefit plan assets, even though those assets are not included on our Balance Sheet. The following table presents the fair value of the assets of our qualified defined benefit pension plans and retiree medical and life insurance plans by asset category and their level within the fair value hierarchy as of December 31, 2009. See Note 15 for the description of each level within the fair value hierarchy.

(In millions)	Level 1	Level 2	Level 3

Stock-Based Compensation Plans

We had two stock-based compensation plans in place at December 31, 2009: the Lockheed Martin Amended and Restated 2003 Incentive Performance Award Plan (the Award Plan) and the Lockheed Martin Directors Equity Plan (the Directors Plan). Under the Award Plan, we have the right to grant key employees stock-based incentive awards, including options to purchase common stock, stock appreciation rights, restricted stock, or stock units. Employees also may receive cash-based incentive awards. We evaluate the types and mix of stock-based incentive awards on an ongoing basis and may vary the mix based on our overall strategy regarding compensation.

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

We generally recognize compensation cost for stock options ratably over the three-year vesting period for active, non-retirement eligible employees. For active, retirement-eligible employees (i.e., those who have attained age 55 with five years of service), we generally recognize expense over the initial one-year vesting period. When an option holder becomes retirement eligible, we accelerate the recognition of any expense not previously recognized for options held for at least one year. We use the Black-Scholes option pricing model to estimate the fair value of stock options. We record restricted stock awards (RSAs) and restricted stock units (RSUs) issued under the Award Plan based on the market value of our common stock on the date of the award. We recognize the related compensation expense over the vesting period. Employees who are granted RSAs receive the restricted shares and the related cash dividends. They may vote their shares, but may not sell or transfer shares prior to vesting. The RSAs generally vest over three to five years from the grant date. Employees who are granted RSUs also receive dividend-equivalent cash payments; however, the shares are not issued and the employees have no voting rights until the RSUs vest, generally three years from the date of the award. Otherwise, the accounting treatment for RSUs is similar to the accounting for RSAs.

2009 Acti it

Stock Options

The following table summarizes stock option activity during 2009:

	Number of Stock Options *(In thousands)*	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life *(In years)*	Aggregate Intrinsic Value *(In millions)*

Summary of 2009 Activity

As of December 31, 2009, we had $159 million of unrecognized compensation cost related to nonvested stock options, RSUs, and RSAs. We expect that cost to be recognized over a weighted average period of 1.6 years. We received cash from the exercise of stock options totaling $40 million, $248 million, and $350 million during 2009, 2008, and 2007. In addition, we realized tax benefits of $56 million, $111 million, and $133 million from stock-based compensation activities during 2009, 2008, and 2007. We classified $21 million, $92 million, and $124 million of those benefits as a financing cash inflow with a corresponding operating cash outflow in the Statement of Cash Flows. The remainder is classified as cash from operations.

Note 13 – Legal Proceedings, Commitments, and Contingencies

We are a party to or have property subject to litigation and other proceedings, including matters arising under provisions relating to the protection of the environment. We believe the probability is remote that the outcome of these matters will have a material adverse effect on the Corporation as a whole. We cannot predict the outcome of legal proceedings with certainty. These matters include the following items that have been previously reported.

Legal Proceedings

On June 24, 2009, the U.K. Ministry of Defence (MoD) sent us a letter alleging that we were in default on the "Soothsayer" contract under which we were providing electronic warfare equipment to the British military. The total value of the contract is UK £144 million, of which UK £39 million has been paid to date (representing approximately US $233 million and US $63 million, based on the exchange rate as of December 31, 2009). The MoD has demanded repayment of amounts paid under the contract, liquidated damages of UK £2 million (representing approximately US $3 million based on the exchange rate as of December 31, 2009), interest on those amounts, and has reserved the right to collect any excess future re-procurement costs. We dispute the MoD's position. Following an unsuccessful mediation effort in October 2009, we served notice of arbitration on the MoD pursuant to the contract terms. We plan to seek damages for wrongful termination of the contract (including costs incurred but not paid).

On April 24, 2009, we filed a declaratory judgment action against the N.Y. Metropolitan Transportation Authority and its Capital Construction Company (collectively, the MTA) asking the U.S. District Court for the Southern District of N.Y. to find that the MTA is in material breach of our agreement based on the MTA's failure to provide access to sites where work must be performed and the customer-furnished equipment necessary to complete the contract. The contract provides for the design and installation of an integrated electronic security system for the MTA and has a total value of $323 million, of which $241 million has been paid to date. The MTA filed an answer and counterclaim on May 26, 2009, alleging that we breached the contract, and subsequently terminated the contract for alleged default. The MTA is seeking monetary damages and other relief under the contract, including the cost to complete the contract and potential re-procurement costs. We dispute the MTA's allegations and are defending against them. On July 2, 2009, the sureties under the performance bond that we posted for the contract filed their own declaratory judgment action seeking to be excused from performing for the MTA (noting that they were unable to conclude that we were in material default under the contract) or, in the alternative, seeking indemnification from us. On July 7, 2009, we filed an amended complaint against the MTA adding claims for wrongful termination and for breach of contract damages (including costs incurred but not paid). The MTA has filed an amended counterclaim. Discovery is proceeding in the action.

On November 30, 2007, the Department of Justice (DoJ) filed a complaint in partial intervention in a lawsuit filed under the qui tam provisions of the Civil False Claims Act in the U.S. District Court for the Northern District of Texas, United States ex rel. Becker and Spencer v. Lockheed Martin Corporation et al., alleging that we should have known that a subcontractor falsified and inflated invoices submitted to us that were passed through to the government. We dispute the allegations and are defending against them.

On February 22, 2007, we received a subpoena issued by a grand jury in the United States District Court for the District of Columbia. The subpoena requests documents related to our participation in a competition conducted in 2004-2005 by the to represent a class of purportedly similarly situated participants and beneficiaries in our Salaried Savings Plan and the Hourly Savings Plan (the Plans). Plaintiffs allege that we or LMIMCo caused the Plans to pay expenses that were higher than reasonable by, among other actions, permitting service providers of the Plans to engage in revenue sharing, paying investment management fees for the company stock funds, and causing the company stock funds to hold cash for liquidity, thus reducing the return on those funds. The plaintiffs further allege that we or LMIMCo failed to disclose information appropriately relating to the fees associated with managing the Plans. In August 2008, plaintiffs filed an amended complaint, adding allegations that we or LMIMCo breached fiduciary duties under ERISA by providing inadequate disclosures with respect to the Stable Value Fund offered under our 401(k) plans. In April 2009, the Judge dismissed the plaintiffs' claims that were based on revenue sharing but let stand the claims about the company stock funds, the Stable Value Fund, and the overall fees paid by the plans. The Judge also certified a class for each plan for the claims concerning the Stable Value Fund and the overall fees paid by the plans. We are appealing that order. We dispute the allegations and are defending against them.

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

On August 28, 2003, the DoJ filed complaints in partial intervention in two lawsuits filed under the qui tam provisions of the Civil False Claims Act in the United States District Court for the Western District of Kentucky, United States ex rel. Natural Resources Defense Council, et al., v. Lockheed Martin Corporation, et al., and United States ex rel. John D. Tillson v. Lockheed Martin Energy Systems, Inc., et al. The DoJ alleges that we committed violations of the Resource Conservation and Recovery Act at the Paducah Gaseous Diffusion Plant by not properly handling, storing, and transporting hazardous waste and that we violated the False Claims Act by misleading Department of Energy officials and state regulators about the nature and extent of environmental noncompliance at the plant. We dispute the allegations and are defending against them.

As described in the "Environmental Matters" discussion below, 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 property subject to various other lawsuits or proceedings involving environmental matters and remediation obligations.

We have been in litigation with certain residents of Redlands, California since 1997 before the California Superior Court for San Bernardino County regarding allegations of personal injury, property damage, and other tort claims on behalf of individuals arising from our alleged contribution to regional groundwater contamination. On July 11, 2006, the California Court of Appeal dismissed the plaintiffs' punitive damages claim. On September 23, 2008, the trial court dismissed the remaining first tier plaintiffs, ending the first round of individual trials; the California Court of Appeal affirmed this dismissal, and the California Supreme Court denied plaintiffs' petition for review in January 2010. The parties are now working with the trial court to establish the procedures for the litigation of the next round of individual plaintiffs, and pre-trial proceedings are now underway.

En ironmental Matters

We are involved in environmental proceedings and potential proceedings relating to soil and groundwater contamination, disposal of hazardous waste, and other environmental matters at several of our current or former facilities, or

At December 31, 2009 and 2008, the aggregate amount of liabilities recorded relative to environmental matters was

In addition, both we and Boeing have cross-indemnified ULA related to certain financial support arrangements (*e.g.*, letters of credit, surety bonds, or foreign exchange contracts provided by either party) and guarantees by us and Boeing of the

Contracts for Proton launch services usually required substantial advances from the customer prior to launch which were included as a liability on our Balance Sheet in customer advances and amounts in excess of costs incurred. Under the sale agreement, we were responsible to refund advances to certain customers if launch services were not provided and ILS did not refund the advances. Due to this continuing involvement with those customers of ILS, many of the risks related to this business had not been transferred and we had not recognized this transaction as a divestiture for financial reporting purposes.

In 2008, in connection with the deferred gain we had recorded upon the sale of our interests in LKEI and ILS, Khrunichev provided the remaining launch services for which we had potential responsibility to refund advances, such that

The fair value hierarchy established in the standard prioritizes the inputs used in valuation techniques into three levels as follows:

- Level 1 – Observable inputs – quoted prices in active markets for identical assets and liabilities;
- Level 2 – Observable inputs other than quoted prices in active markets for identical assets and liabilities – includes quoted prices for similar instruments, quoted prices for identical or similar instruments in inactive markets, and amounts derived from valuation models where all significant inputs are observable in active markets; and
- Level 3 – Unobservable inputs – includes amounts derived from valuation models where one or more significant inputs are unobservable and require us to develop relevant assumptions. At December 31, 2009, we have no assets or liabilities measured and recorded at fair value on our Balance Sheet on a recurring basis that are categorized as Level 3, or that were transferred in or out of the Level 3 category during 2009.

The following table presents assets and liabilities measured and recorded at fair value on our Balance Sheet on a recurring basis and their level within the fair value hierarchy as of December 31, 2009:

(In millions)	Level 1	Level 2	Balance as of December 31, 2009
Assets			
Equity securities [a]	$ 89	$ —	$ 89
Mutual funds [a]	428	—	428
U.S. Government securities [b]	—	412	412
Corporate debt securities [b]	—	80	80
U.S. Government-sponsored enterprise securities [b]	—	60	60
Other securities [b]	—	34	34
Derivative assets [c]	—	21	21
Total assets	$517	$ 607	$1,124
Derivative liabilities [c]	—	23	23
Net assets	$517	$ 584	$1,101

(a) Equity securities and interests in mutual funds are valued using quoted market prices.

(b) U.S. Government securities, corporate debt securities, U.S.Equity securitie3ses.

review, the Board of Directors authorized amendments to the Corporation’s bylaws and authorized indemnification agreements for directors.

Amendment of Bylaws. On February 25, 2010, our Board of Directors amended the Corporation’s bylaws. The amendments replace Article VI of the bylaws in its entirety, which governs the Corporation’s indemnification of any director, officer, or employee of the Corporation who is made a party or is threatened to be made a party to any threatened, pending or completed action, suit, or proceeding, whether civil, criminal, administrative or investigative (each, a “covered person”).

The amendments clarify the indemnification rights of covered persons and the Corporation’s indemnification obligations, and establish procedures for indemnification and the advancement of expenses in connection with a proceeding involving a covered person. More specifically, new Section 6.01 clarifies the circumstances under which a covered person is entitled to be indemnified by the Corporation. New Section 6.02 makes clear that the Corporation’s obligation to advance expenses to a covered person terminates if the covered person pleads guilty to, or is convicted of, a criminal offense and the conviction becomes final and no longer appealable. New Section 6.03: (i) establishes procedures by which a covered person is to notify the Corporation of events for which he or she may seek indemnification from the Corporation; (ii) provides for the assumption by the Corporation of the defense of a covered person and establishes a covered person’s right to employ his or her own counsel; and (iii) provides that, as a condition to the rights and benefits available to a covered person under Article VI, if the Corporation makes a payment to a covered person, the Corporation will be subrogated to the extent of such payment to the covered person’s right to recover. New Section 6.04 clarifies that the rights to indemnification conferred by Article VI of the bylaws: (i) vest in a covered person upon commencement of his or her service, (ii) continue after he or she has ceased to serve in a covered capacity in respect of any action or failure to act during the course of such service, and (iii) inure to the benefit of a covered person’s heirs, executors, administrators, conservators and guardians. In addition, new Section 6.04 clarifies that repeal or modification of Article VI of the bylaws or the relevant provisions of applicable law, including the Maryland General Corporation Law, will not affect adversely any rights to indemnification or advancement of expenses pursuant to Article VI prior to such repeal or modification, whether or not a proceeding was pending at the time of such repeal or modification, or any obligations then existing, in respect of any actions taken or failure to take action, any

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information concerning directors required by Item 401 of Regulation S-K is included under the caption "Election of Directors" in our definitive Proxy Statement to be filed pursuant to Regulation 14A (the 2010 Proxy Statement), and that information is incorporated by reference in this Form 10-K. Information concerning executive officers required by Item 401 of Regulation S-K is located under Part I, Item 4(a) of this Form 10-K. The information required by Item 405 of Regulation S-K is included under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" in the 2010 Proxy Statement, and that information is incorporated by reference in this Form 10-K. The information required by Items 407(c)(3), (d)(4) and (d)(5) of Regulation S-K is included under the captions "Corporate Governance – Stockholder Nominees" and "Committees of the Board of Directors – Audit Committee" in the 2010 Proxy Statement, and that information is incorporated by reference in this Form 10-K.

We have had a written code of ethics in place since our formation in 1995. *Setting the Standard*, our Code of Ethics and Business Conduct, applies to all our employees, including our principal executive officer, principal financial officer, and principal accounting officer and controller, and to members of our Board of Directors. A copy of our Code of Ethics and Business Conduct is available on our investor relations website: www.lockheedmartin.com/investor. Printed copies of our Code of Ethics and Business Conduct may be obtained, without charge, by contacting Investor Relations, Lockheed Martin Corporation, 6801 Rockledge Drive, Bethesda, Maryland 20817. We are required to disclose any change to, or waiver from, our Code of Ethics and Business Conduct for our Chief Executive Officer and senior financial officers. We use our website to disseminate this disclosure as permitted by applicable SEC rules. In 2008, we revised our Code of Ethics and Business Conduct and posted it on our website.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 402 of Regulation S-K is included in the text and tables under the captions "Executive Compensation" and "Director's Compensation" in the 2010 Proxy Statement and that information is incorporated by reference in this Form 10-K. The information required by Items 407(e)(4) and (e)(5) of Regulation S-K is included under the captions "Executive Compensation – Compensation Committee Interlocks and Insider Participation" and "Executive Compensation – Compensation Committee Report" in the 2010 Proxy Statement, and that information is furnished by incorporation by reference in this Form 10-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item 12 is included under the headings "Securities Owned by Directors, Nominees and Named Executive Officers" and "Security Ownership of Certain Beneficial Owners" in the 2010 Proxy Statement, and that information is incorporated by reference in this Form 10-K. The information required by this Item 12 related to our equity

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a)(1) List of financial statements filed as part of this Form 10-K.

The following financial statements of Lockheed Martin Corporation and consolidated subsidiaries are included in Item 8 of this Form 10-K at the page numbers referenced below:

The report of Lockheed Martin Corporation's independent registered public accounting firm with respect to internal control over financial reporting and their report on the above-referenced financial statements appear on pages 55 and 56 of this Form 10-K. Their consent appears as Exhibit 23 of this Form 10-K.

(2) List of financial statement schedules filed as part of this Form 10-K.

All schedules have been omitted because they are not applicable, not required, or the information has been otherwise supplied in the financial statements or notes to the financial statements.

(3) Exhibits.

3.1 Charter of Lockheed Martin Corporation (incorporated by reference to Exhibit 3.1 to Lockheed Martin Corporation's Current Report on Form 8-K filed with the SEC on June 26, 2008).

3.2 Bylaws of Lockheed Martin Corporation, as amended and restated effective February 25, 2010.

4.1 Indenture, dated May 16, 1996, among Lockheed Martin Corporation, Lockheed Martin Tactical Systems, Inc. and First Trust of Illinois, National Association as Trustee (incorporated by reference to Exhibit 4.A to Lockheed Martin Corporation's Current Report on Form 8-K filed with the SEC on May 20, 1996).

4.2 Indenture, dated as of August 30, 2006, between Lockheed Martin Corporation and The Bank of New York (incorporated by reference to Exhibit 99.1 to Lockheed Martin Corporation's Current Report on Form 8-K filed with the SEC on August 31, 2006).

4.3 Indenture, dated as of March 11, 2008, between Lockheed Martin Corporation and The Bank of New York (incorporated by reference to Exhibit 4.1 to Lockheed Martin Corporation's Current Report on Form 8-K filed with the SEC on March 12, 2008).

See also Exhibits 3.1 and 3.2.

No instruments defining the rights of holders of long-term debt that is not registered are filed because the total amount of securities authorized under any such instrument does not exceed 10% of the total assets of Lockheed Martin Corporation on a consolidated basis. Lockheed Martin Corporation agrees to furnish a copy of such instruments to the SEC upon request.

10.1 Lockheed Martin Corporation Directors Deferred Stock Plan, as amended (incorporated by reference to Exhibit 10.4 to Lockheed Martin Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002).

10.2 Lockheed Martin Corporation Directors Deferred Compensation Plan, as amended (incorporated by reference to Exhibit 10.2 to Lockheed Martin Corporation's Annual Report on Form 10-K for the year ended December 31, 2008).

10.3 Resolutions relating to Lockheed Martin Corporation Financial Counseling Program and personal liability and accidental death and dismemberment benefits for officers and company presidents, (incorporated by reference to Exhibit 10(g) to Lockheed Martin Corporation's Annual Report on Form 10-K for the year ended December 31, 1997).

10.4 Martin Marietta Corporation Postretirement Death Benefit Plan for Senior Executives, as amended January 1, 1995 (incorporated by reference to Exhibit 10.9 to Lockheed Martin Corporation's Registration Statement on Form S-4 (File No. 033-57645) filed with the SEC on February 9, 1995), and as further amended September 26, 10.20 Form of Stock Option Award Agreement under the Lockheed Martin Corporation 2003 Incentive Performance Award Plan (incorporated by reference to Exhibit 10.3 to Lockheed Martin Corporation’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2004).

10.21 Form of Restricted Stock Award Agreement under the Lockheed Martin Corporation 2003 Incentive Performance Award Plan (incorporated by reference to Exhibit 10.4 to Lockheed Martin Corporation’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2004).

10.22 Lockheed Martin Supplemental Retirement Plan, as amended (incorporated by reference to Exhibit 10.22 to Lockheed Martin Corporation’s Annual Report on Form 10-K for the year ended December 31, 2008).

10.23 Form of the Lockheed Martin Corporation Long-Term Incentive Performance Award Agreement (2007-2009 Performance Period) under the Lockheed Martin Corporation 2003 Incentive Performance Award Plan (incorporated by reference to Exhibit 10.30 of Lockheed Martin Corporation’s Annual Report on Form 10-K for the year ended December 31, 2006).

10.24 Joint Venture Master Agreement, dated as of May 2, 2005, by and among Lockheed Martin Corporation, The Boeing Company and United Launch Alliance, L,L,C, (incorporated by reference to Exhibit 10.2 to Lockheed Martin Corporation’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2005).

10.25 Lockheed Martin Corporation Nonqualified Capital Accumulation Plan, as amended (incorporated by reference to Exhibit 10.25 to Lockheed Martin Corporation’s Annual Report on Form 10-K for the year ended December 31, 2008).

10.26 Long-Term Performance Award Amendment (applicable to the 2002-2004, 2004-2006 and 2005-2007 performance periods) (incorporated by reference to Exhibit 10.6 to Lockheed Martin Corporation’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2005).

10.27 Form of the Lockheed Martin Corporation Long-Term Incentive Performance Award Agreement (2004-2006 performance period) under the Lockheed Martin Corporation 2003 Incentive Performance Award Plan (incorporated by reference to Exhibit 10.2 to Lockheed Martin Corporation’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2004).

10.28 Form of Lockheed Martin Corporation Long-Term Incentive Performance Award Agreement (2006-2008 performance period) under the Lockheed Martin Corporation 2003 Incentive Performance Award Plan (incorporated by reference to Exhibit 99.4 of Lockheed Martin Corporation’s Current Report on Form 8-K filed with the SEC on February 2, 2006).

10.29 Forms of Long-Term Incentive Performance Award Agreements (2008-2010 performance period), Forms of Stock Option Award Agreements and Forms of Restricted Stock Unit Award Agreements under the Lockheed Martin Corporation 2003 Incentive Performance Award Plan (incorporated by reference to Exhibit 10.39 to Lockheed Martin Corporation’s Annual Report on Form 10-K for the year ended December 31, 2007).

10.30 Lockheed Martin Corporation Severance Benefit Plan For Certain Management Employees, as amended (incorporated by reference to Exhibit 10.7 to Lockheed Martin Corporation’s Quarterly Report on Form 10-Q for the quarter ended June 29, 2008).

10.31 Lockheed Martin Corporation 2009 Directors Equity Plan (incorporated by reference to Appendix E to Lockheed Martin Corporation’s Definitive Proxy Statement on schedule 14A filed with the SEC on March 14, 2008).

10.32 Forms of Long-Term Incentive Performance Award Agreements (2009-2011 performance period), Forms of Stock Option Award Agreements and Forms of Restricted Stock Unit Award Agreements under the Lockheed Martin Corporation 2003 Incentive Performance Award Plan (incorporated by reference to Exhibit 10.32 to Lockheed Martin Corporation’s Annual Report on Form 10-K for the year ended December 31, 2008).

10.33 Forms of Long-Term Incentive Performance Award Agreements (2010-2012 performance period), Forms of Stock Option Award Agreements and Forms of Restricted Stock Unit Award Agreements under the Lockheed Martin Corporation 2003 Incentive Performance Award Plan.

10.34 Form of Indemnification Agreement.

10.35 Restricted Stock Unit Agreement for Robert J. Stevens, dated February 1, 2006, as amended by resolutions of the Management Development and Compensation Committee of the Board of Directors adopted on January 27, 2010.

12 Computation of ratio of earnings to fixed charges for the year ended December 31, 2009.

23 Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.

24 Powers of Attorney.

31.1	Rule 13a-14(a) Certification of Robert J. Stevens.
31.2	Rule 13a-14(a) Certification of Bruce L. Tanner.
32.1	Certification Pursuant to 18 U.S.C. Section 1350 of Robert J. Stevens.
32.2	Certification Pursuant to 18 U.S.C. Section 1350 of Bruce L. Tanner.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

LOCKHEED MARTIN CORPORATION

[redacted]

MARK R. BOSTIC
Acting Vice President and Controller
(Chief Accounting Officer)

Date: February 25, 2010

Pursuant to the requirements of the Securities Exchange Act of 1934, this Form 10-K has been signed below by the following persons on behalf of the registrant and in the capabilities and on the dates indicated.

Signatures	***Title***	***Date***
/s/ Robert J. Stevens* ROBERT J. STEVENS	Chairman, Chief Executive Officer, and Director	February 25, 2010
/s/ Christopher E. Kubasik CHRISTOPHER E. KUBASIK	President and Chief Operating Officer	February 25, 2010
/s/ Bruce L. Tanner BRUCE L. TANNER	Executive Vice President and Chief Financial Officer	February 25, 2010
E.C. "PETE" ALDRIDGE JR.	Director	February 25, 2010
/s/ Nolan D. Archibald* NOLAN D. ARCHIBALD	Director	February 25, 2010
/s/ David B. Burritt* DAVID B. BURRITT	Director	February 25, 2010
/s/ James O. Ellis Jr.* JAMES O. ELLIS JR.	Director	February 25, 2010
/s/ Gwendolyn S. King* GWENDOLYN S. KING	Director	February 25, 2010
/s/ James M. Loy* JAMES M. LOY	Director	February 25, 2010
/s/ Douglas H. McCorkindale* DOUGLAS H. MCCORKINDALE	Director	February 25, 2010
/s/ Joseph W. Ralston* JOSEPH W. RALSTON	Director	February 25, 2010
/s/ Frank Savage* FRANK SAVAGE	Director	February 25, 2010
/s/ James M. Schneider* JAMES M. SCHNEIDER	Director	February 25, 2010
/s/ Anne Stevens* ANNE STEVENS	Director	February 25, 2010
/s/ James R. Ukropina* JAMES R. UKROPINA	Director	February 25, 2010

*By: [redacted] February 25, 2010

([redacted]**)

** By authority of Powers of Attorney filed with this Annual Report on Form 10-K.

** By authority of Powers of Attorney filed with this Annual Report on Form 10-K.

E hibit 31.1

I, Robert J. Stevens, Chairman and Chief Executive Officer, certify that:

1. I have reviewed this annual report on Form 10-K of Lockheed Martin Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

[redacted]utive Officer

Date: February 25, 2010

E hibit 32.1

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

In connection with the Annual Report of Lockheed Martin Corporation (the “Corporation”) on Form 10-K for the period ended December 31, 2009 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Robert J. Stevens, 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 results of operations of the Corporation.

[redacted]utive Officer

Date: February 25, 2010

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.

E hibit 32.2

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

In connection with the Annual Report of Lockheed Martin Corporation (the "Corporation") on Form 10-K for the period ended December 31, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Bruce L. Tanner, Executive Vice President and Chief Financial Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

[redacted]

BRUCE L. TANNER
Executive Vice President and Chief Financial Officer

Date: February 25, 2010

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.

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GENERAL INFORMATION

December 31, 2009

As of December 31, 2009, there were 37,795 holders of record of Lockheed Martin common stock and 375,460,342 shares outstanding.

TRANSFER AGENT & REGISTRAR
Computershare Trust Company, N.A.
Shareholder Services
P.O. Box 43078
Providence, Rhode Island 02940-3078
Telephone: 1-877-498-8861
TDD for the hearing impaired: 1-800-952-9245
Internet: http://www.computershare.com/investor

DIVIDEND REINVESTMENT PLAN

Lockheed Martin Corporation
6801 Rockledge Drive
Bethesda, MD 20817
www.lockheedmartin.com