LOCKHEED MARTIN

LOCKHEED MARTIN CORPORATION

2013 Annual Report

2013 FINANCIAL HIGHLIGHTS

(In million , exce e ha e da a)	**2013**	2012	2011
	$45,358	$47,182	$46,499
	5,752	5,583	5,281
C	**4,505**	4,434	4,020
C	**29 50**	2,745	2,667
	29 81	2,745	2,655
C			
C	**9 .04**	8.36	7.85
	9 .13	8.36	7.81
C C	**4.78**	4.15	3.25
A C	**327**	328	340
C C	**$ 2,617**	$ 1,898	$ 3,582
A	**36,188**	38,657	37,908
	6,152	6,308	6,460
	49 18	39	1,001
C	**39**	321	321
C A	**$ 4,546**	$ 1,561	$ 4,253

: C 7. A C 8. A

On the Cover: A

A A 18, 2013 A 22, 2014.

2013 was a year of dynamic change. As the world's leading aerospace and global security company, we embraced that change, continued our record of exceptional performance, and positioned Lockheed Martin for continued success.

We took proactive steps to strengthen our core and international business, drive opportunities in adjacent markets, streamline our cost structure to improve affordability, and deliver innovations that will address our customers' challenges today and tomorrow.

Performance has always been our hallmark, and 2013 was no exception. With our customers grappling with increasing budget uncertainty, our goal was to be an anchor of dependability. We kept our promises, delivered on our commitments and acted with integrity in everything we did. This continued commitment to performance translated into higher operating margins, stronger cash þows and a record backlog. In short, we created value for our stockholders, delivered cutting-edge products for our customers, and positioned Lockheed Martin for the future.

Orlando P. Carvalho, Executive Vice President, Aeronautics; Patrick M. Dewar, Executive Vice President, Lockheed Martin International; Sondra L. Barbour, Executive Vice President, Information Systems & Global Solutions; Richard F. Ambrose, Executive Vice President, Space Systems; Marillyn A. Hewson, Chairman, President and Chief Executive Of ĥ ¯ ϟ

Our continued focus on affordability is helping us adapt to our customers' budget constraints. Costs of the airframe have declined 55 percent from initial production ýghters to those rolling off the production line today. And we're continuing our efforts to decrease costs across the entire program.

Littoral Combat Ship (LCS): Itôs ñfull speed aheadò for the LCS program as the þeet continues to grow. A fast, maneuverable surface combatant, the LCS is a þexible, versatile platform built for today's dynamic global security environment. This operational þexibility means it can take on missions ranging from mine-clearing to anti-submarine and anti-surface warfare, as well as security and humanitarian missions in both coastal and open waters. This year the USS *Freedom* deployed to Southeast Asia and participated in its ýrst Cooperation Aþoat Readiness Training exercise. And USS *Freedom* delivered humanitarian assistance and disaster relief supplies to the Philippines in response to the devastation caused by Typhoon Haiyan. The USS *Fort Worth* completed ýnal contractor trials in San Diego, and in December we launched the *Milwaukee*. Construction of the *Detroit, Little Rock, and Sioux City* is under way.

Missile Defense: Our air and missile defense systems demonstrated an unmatched ability to protect against the full spectrum of 21st century threats — from hostile aircraft to cruise and ballistic missiles. Years ago we pioneered the combat-proven ñhit-to-killò technology that defeats incoming targets and their payloads through force of impact alone. Three of our business segments participated in a ground-breaking Missile Defense Agency test that proved the value of an integrated, layered missile shield. Aegis Ballistic Missile Defense; the Terminal High Altitude Area Defense (THAAD); and the Command, Control, Battle Management and Communications systems worked together to intercept two ballistic missile targets that were launched nearly simultaneously. In addition, the Medium Extended Air Defense System (MEADS), ýring PAC-3 Missiles, intercepted and destroyed two targets attacking simultaneously from opposite directions — an unprecedented feat. These tests proved yet again that the capability and maturity of our portfolio of missile defense systems are unequaled.

We continue to see strong demand for our missile defense systems. In 2013 we signed a $3.9 billion THAAD production contract that includes systems for both the U.S. Army and the United Arab Emirates, and Kuwait became the sixth international customer for the PAC-3 Missile.

Information Technology: On the IT front, we marked major deliveries and strategic international growth in 2013. We delivered new crime-solving capabilities via the FBIôs Next Generation Identiýcation system that improve latent ýngerprint search accuracy to help solve cold cases and advance crime-solving capabilities. We were also awarded a contract to provide the United Kingdomôs Ministry of Justice with Service Integration and Management support to deliver consolidated IT services across the organization's complex, multi-supplier IT environment. And we were selected to design and secure the Active Network Infrastructure for NATOôs new headquarters in Brussels, Belgium.

As industry and government face growing threats from persistent cyber attackers, we have been equally determined in defending against them. For our cyber security customers — and for our own internal networks — we have developed robust threat detection and mitigation processes for safeguarding IT resources and securing vital assets.

Satellites and Space Systems: Our space portfolio marked a number of milestone launches in 2013. In March, the U.S. Air Forceôs second Space Based Infrared System (SBIRS) Geosynchronous Earth Orbit (GEO-2) satellite also launched successfully. SBIRS delivers critical missile warning information that helps protect the U.S. and its allies. The second Mobile User

And with a growing international backlog, we are well positioned with respect to our goal of growing international sales over the next few years to over 20 percent of total revenue.

To accelerate the growth of our international business, in July we announced the formation of Lockheed Martin International, a new organization responsible for growing our global business.

Our path to a more robust global portfolio includes:

Å

innovation is an example of our ability to collaborate across our portfolio to make our systems more relevant and valuable for our customers.

Another arena where we're innovating for growth is sustainability. This continues to be a key priority for us, as we apply innovative solutions to protect the environment, strengthen communities and drive responsible growth. One example of how innovation in sustainability is opening new markets is Ocean

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

LOCKHEED MARTIN CORPORATION

Maryland	**52-1893632**

Lockheed Martin Corporation

Form 10-K
For the Year Ended December 31, 2013

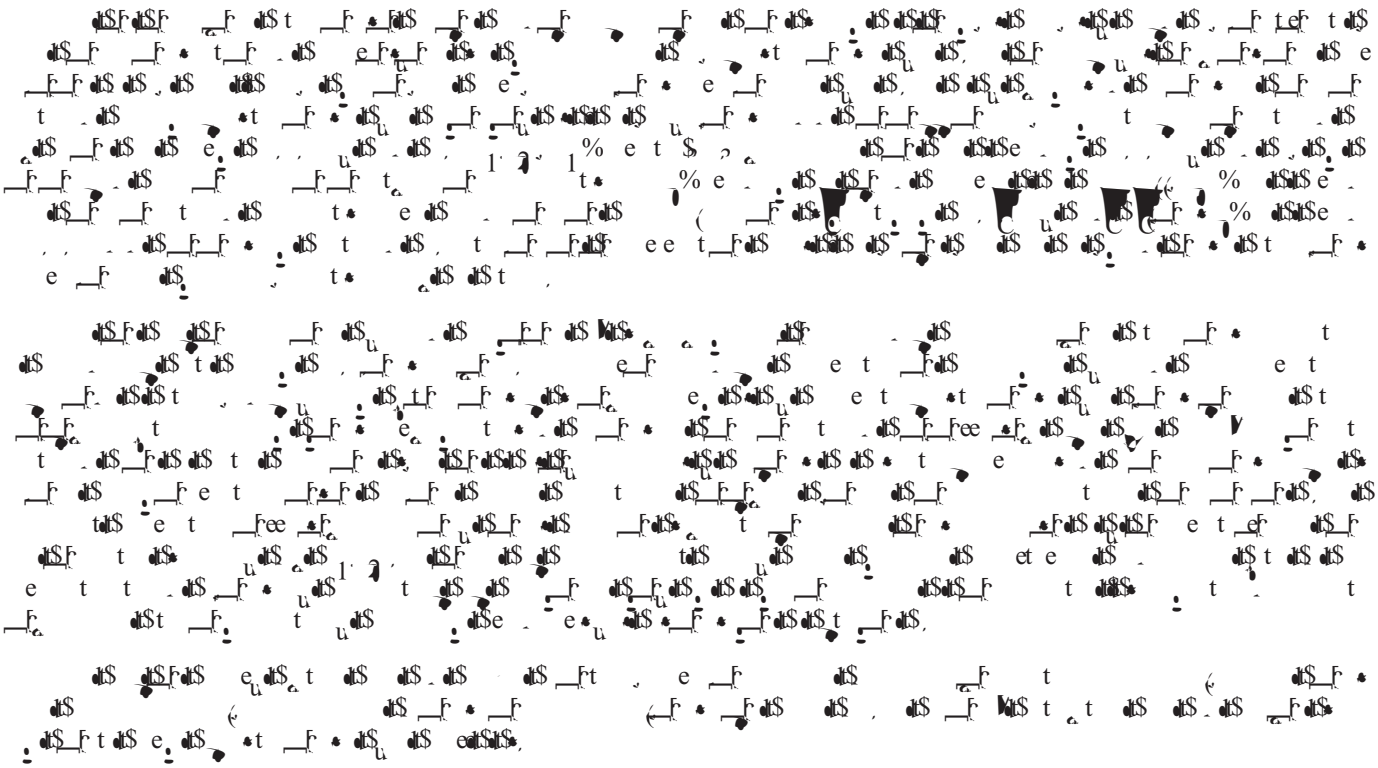
Table of Contents

PART I

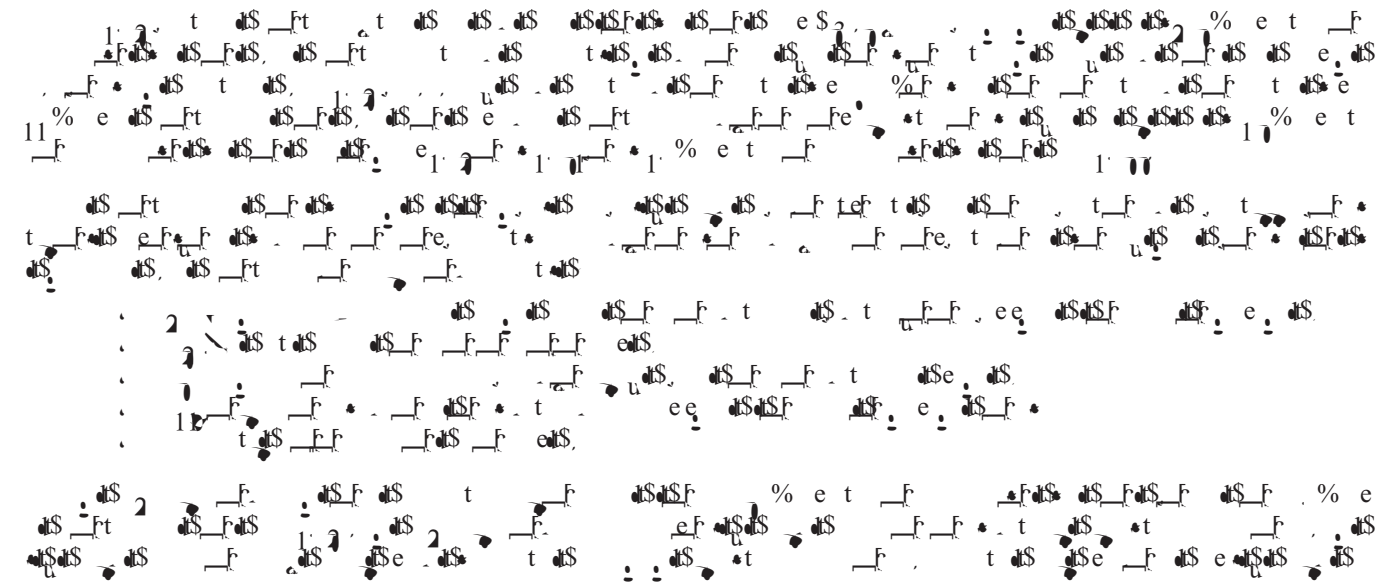
PART I

ITEM 1. Business.

General



Aeronautics



Missiles and Fire Control

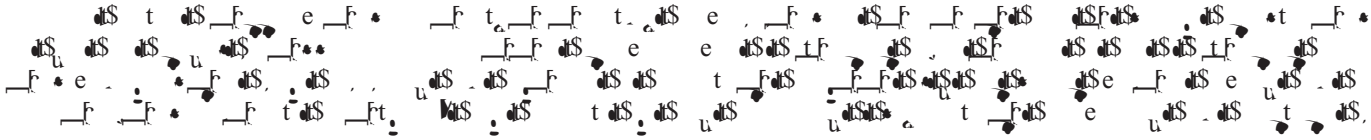
Mission Systems and Training

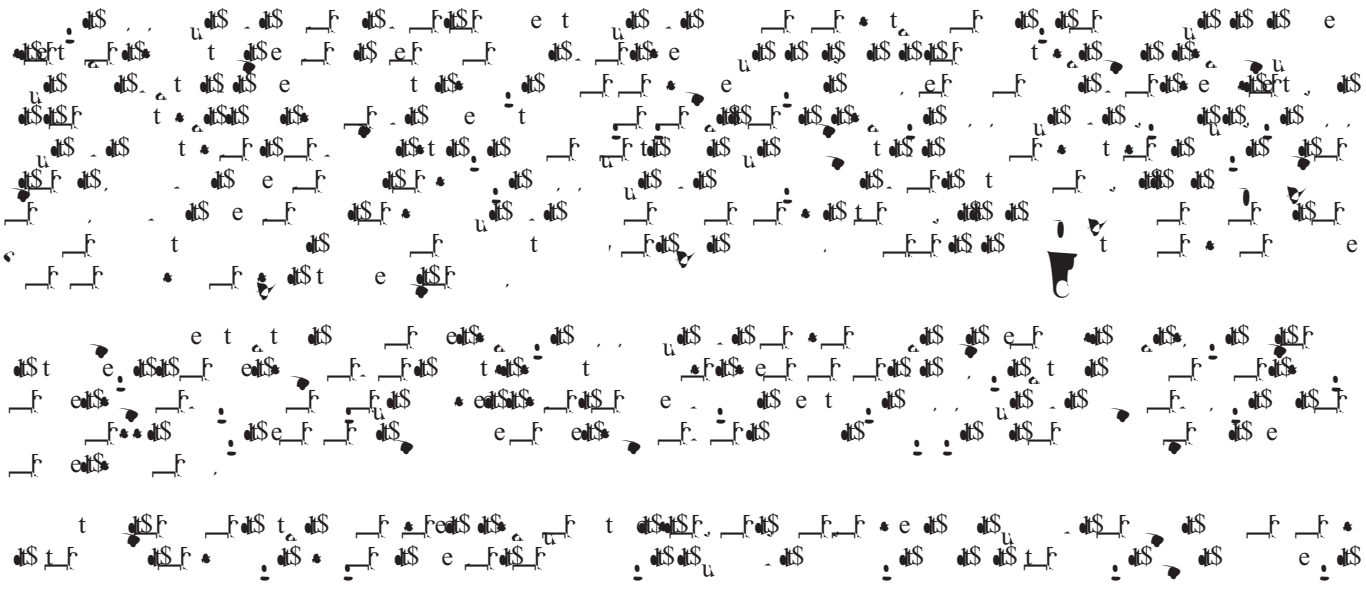
Space Systems

Financial and Other Business Segment Information

Competition

Patents





Available Information

Forward-Looking Statements

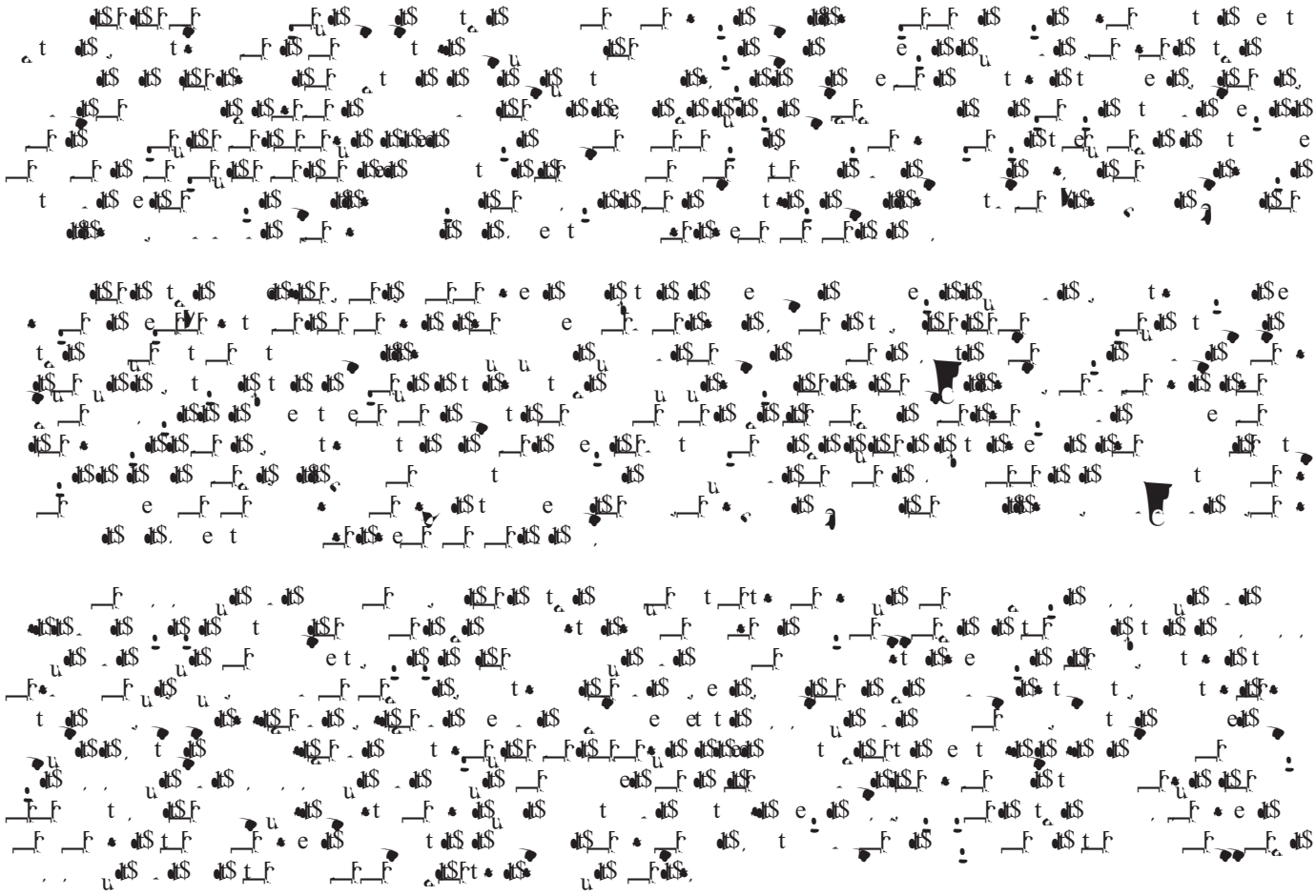
ITEM 1A. Risk Factors.

We depend heavily on contracts with the U.S. Government.

International sales may pose different risks.

Our business could be negatively affected by cyber or other security threats or other disruptions.

ITEM 3. Legal Proceedings.



ITEM 4. Mine Safety Disclosures.

ITEM 4(a). Executive Officers of the Registrant.

Dale P. Bennett (age 57), Executive Vice President – Mission Systems and Training

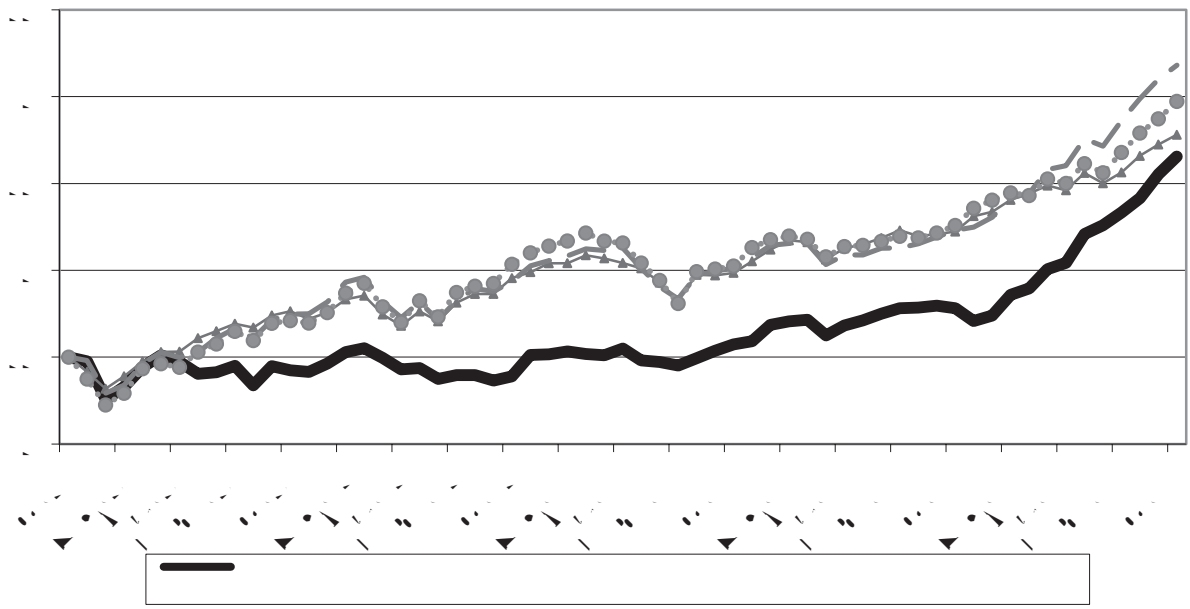
PART II

ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

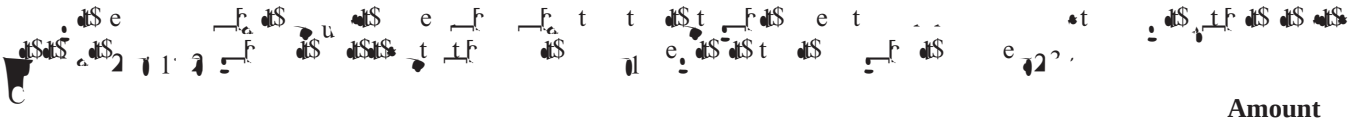
Market, Price, and Dividend Information

	Dividends Paid Per Share		Stock Prices (High-Low)	
Quarter	**2013**	**2012**	**2013**	**2012**
	$1.15	$	**$ 96.59 - $ 85.88**	$ $
	1.15		**109.26 - 94.00**	
	1.15		**131.60 - 105.54**	
	1.33		**149.99 - 121.52**	
	$4.78	$	**$149.99 - $ 85.88**	$ $

Stock Performance Graph



Purchases of Equity Securities



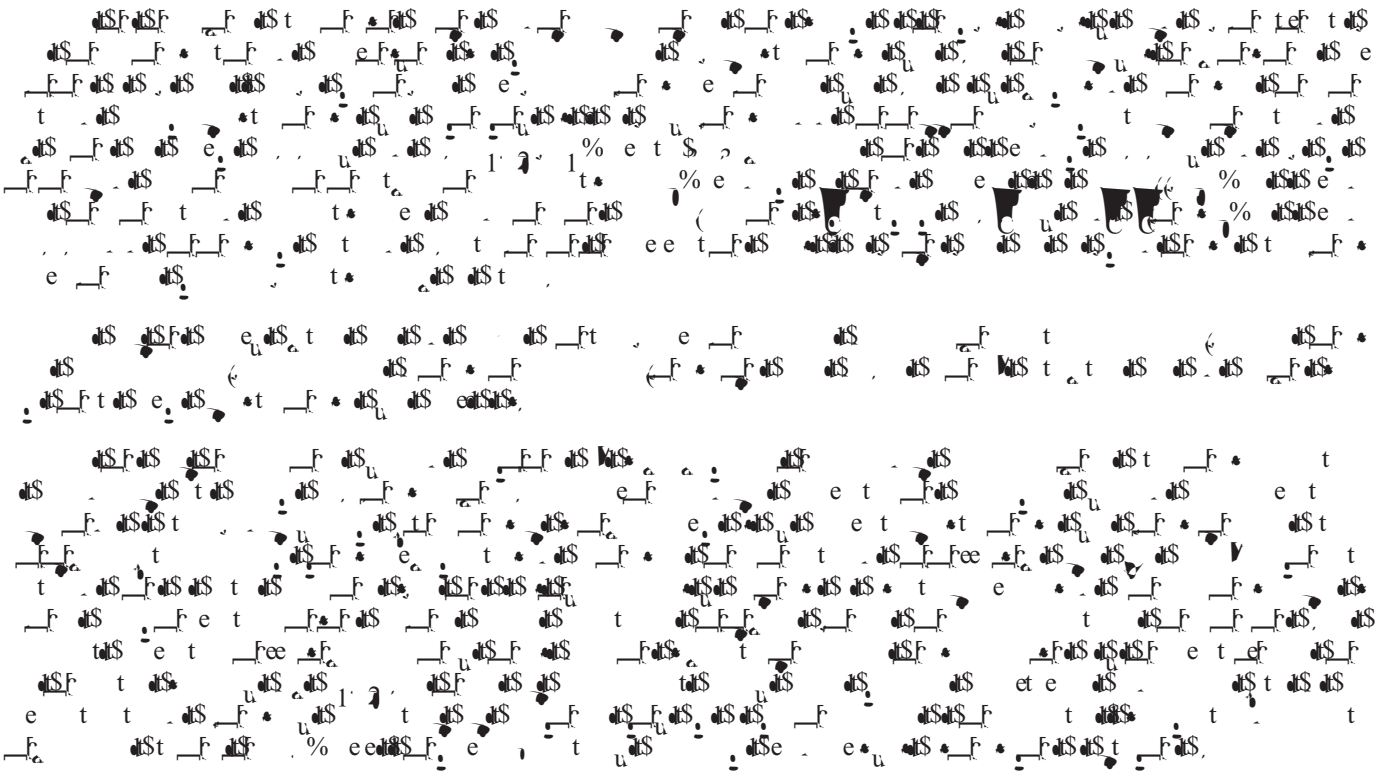
Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Amount Available for Future Share Repurchases Under the Plans or Programs

ITEM 6. Selected Financial Data.

(In millions, except per share data)	2013	2012	2011	2010	2009
Operating results					
	$45,358				
	4,505				
	2,950				
	2,981				
	9.19				
	9.04				
	9.29				
	9.13				
Cash dividends declared per common share	$ 4.78				
Balance sheet					
	$ 2,617				
	13,329				
	10,348				
	36,188				
	11,120				
	6,152				
	31,270				
	4,918				
Common shares at year-end	319				
Cash flow information					
	$ 4,546				
	(1,121)				
	(2,706)				
Backlog	$82,600				

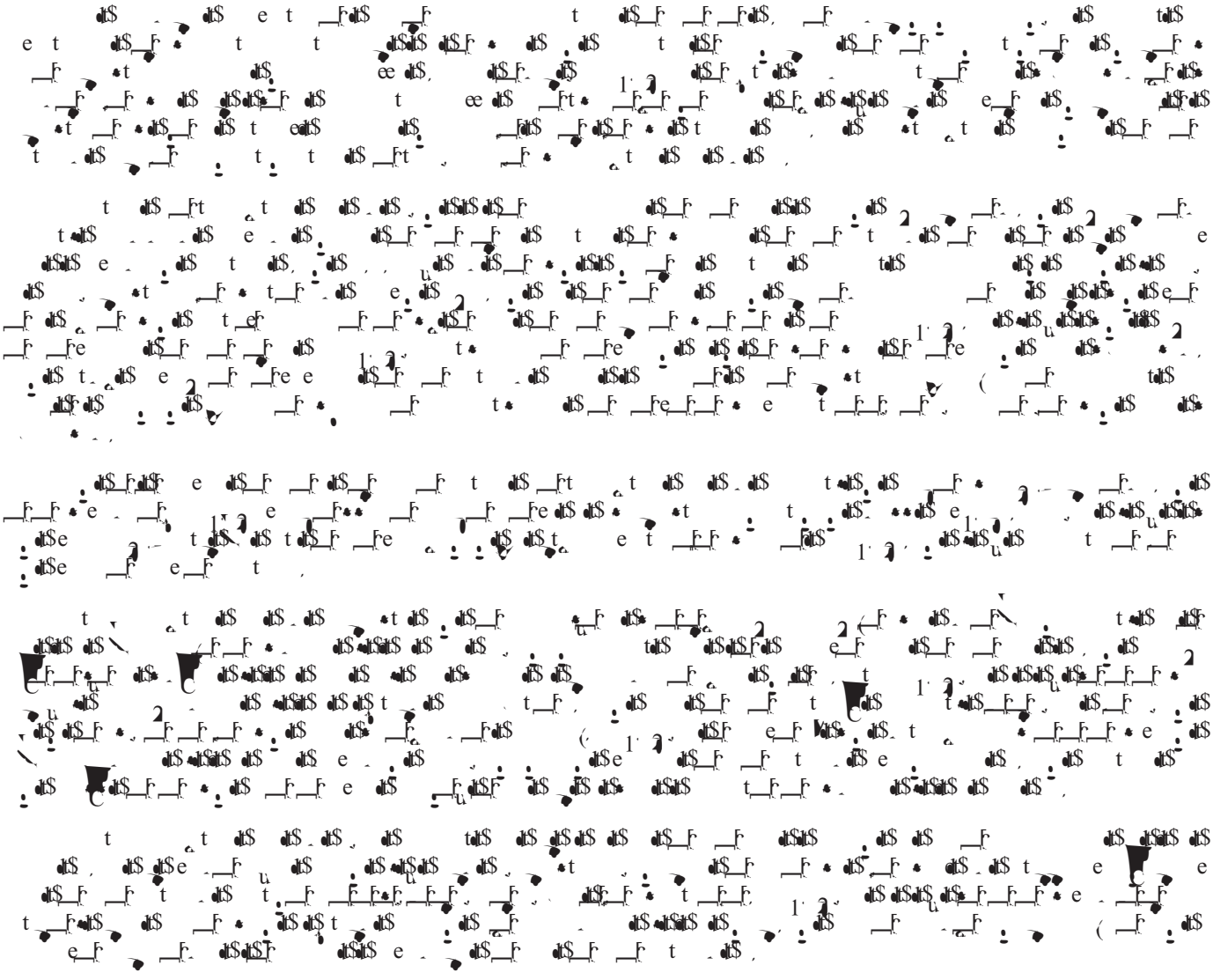
ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Business Overview

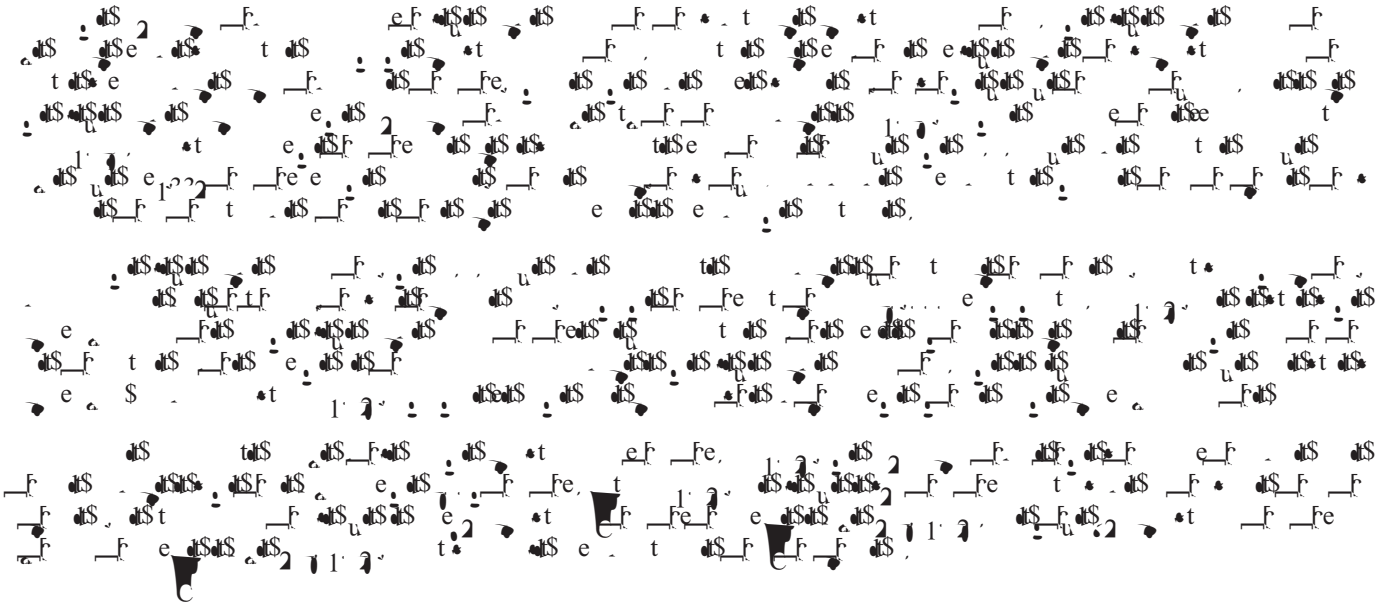


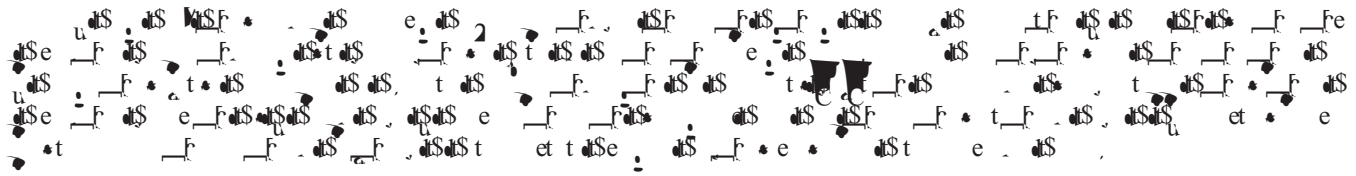
Other Business Considerations

International Business

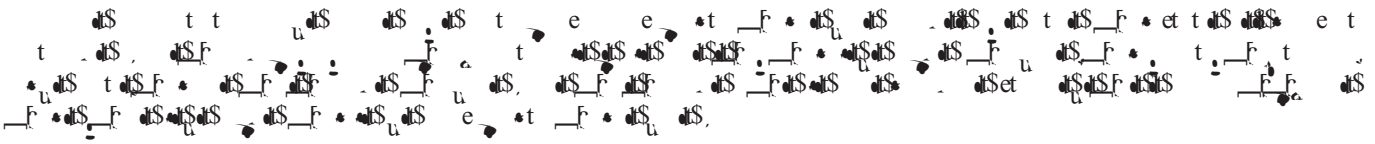


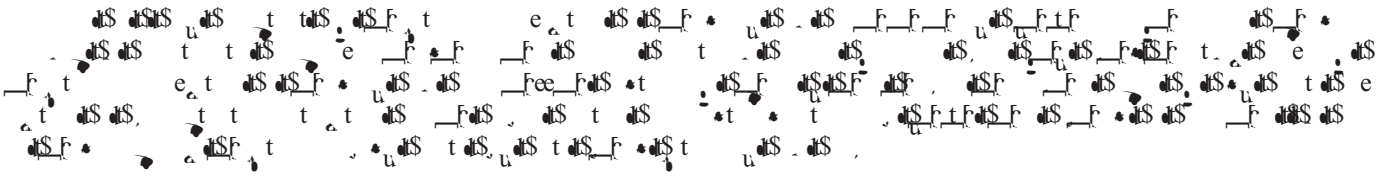
Status of the F-35 Program



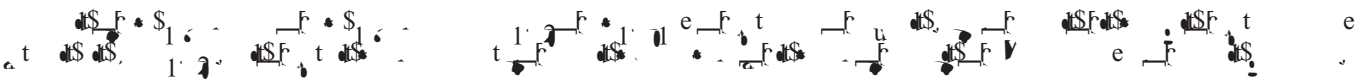


Portfolio Shaping Activities





Acquisitions



Consolidated Results of Operations

	2013	2012	2011
Operating results			
	$ 45,358		
	(41,171)		
	318		
	4,505		
	(350)		
	—		
	(1,205)		
	2,950		
	31		
	$ 2,981		
Diluted earnings (loss) per common share			
	$ 9.04		
	.09		
	$ 9.13		

Net Sales

	2013	2012	2011
Net sales			
	$35,691		
	9,667		
	$45,358		

Services Sales

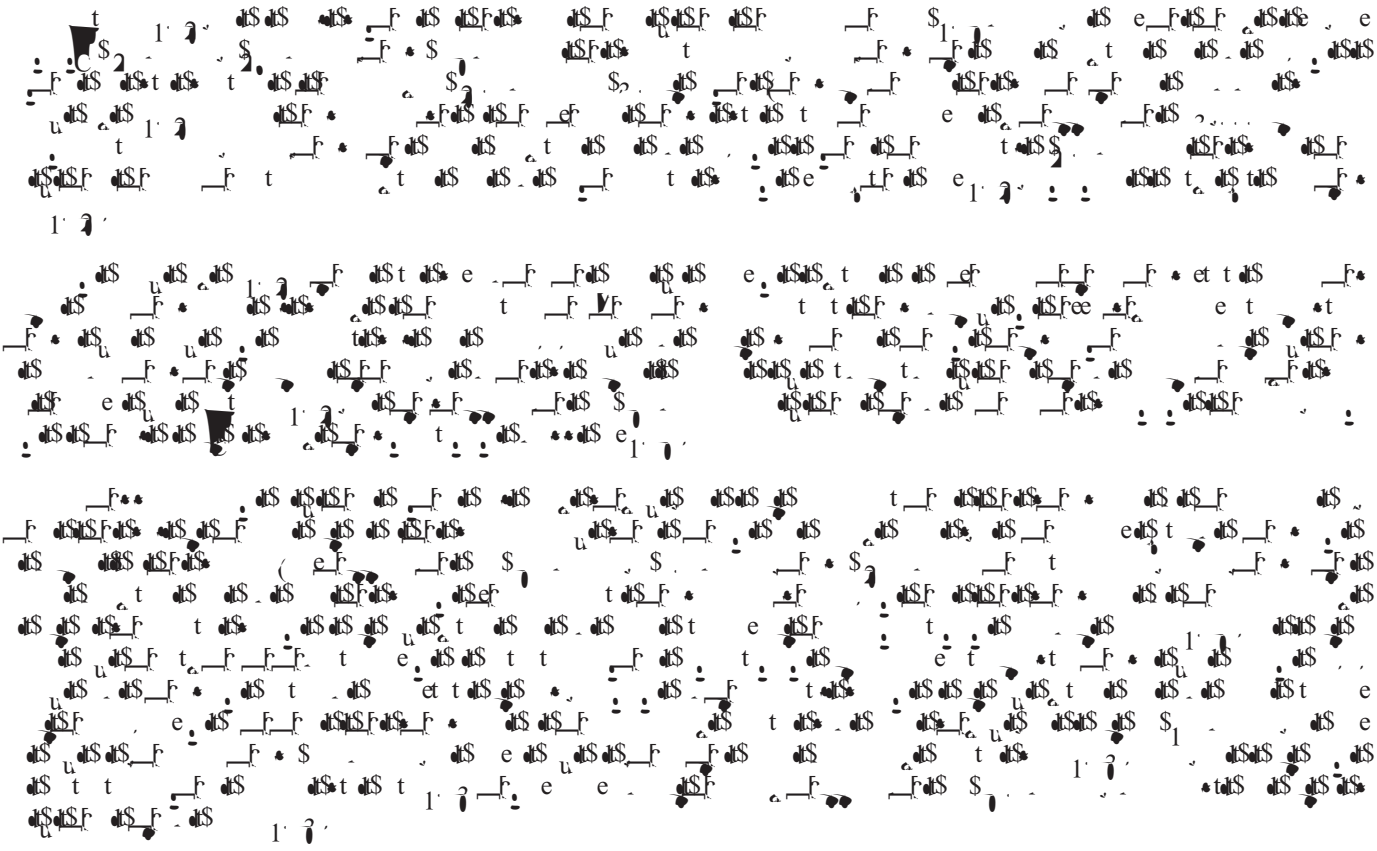
Cost of Sales

	2013	2012	2011
Cost of sales			
	$31,346		
	87.8%		
	8,588		
	88.8%		
	195		
	201		
	841		
	$41,171		

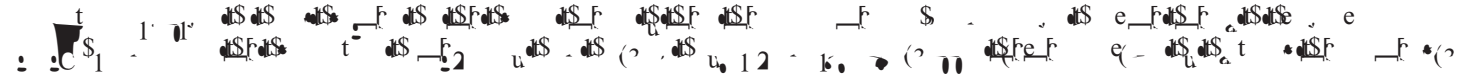
Cost of Products Sales

Restructuring Charges

2013 Actions



2012 and 2011 Actions

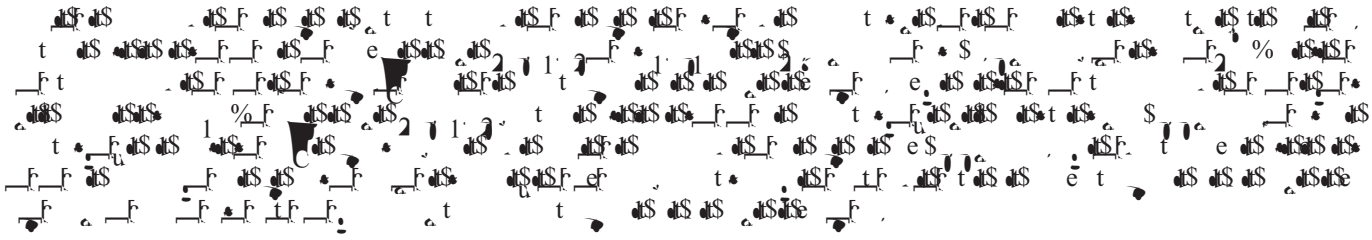


Other Income, Net

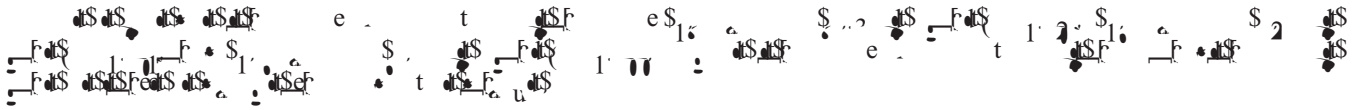
Interest Expense

Other Non-Operating Income (Expense), Net

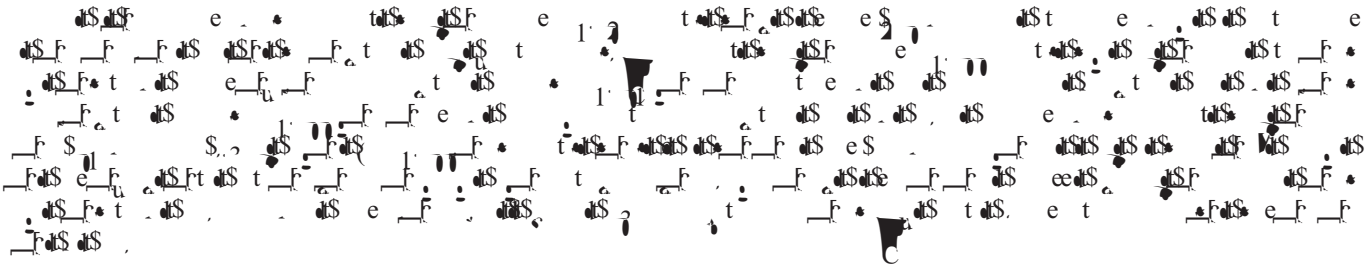
Income Tax Expense



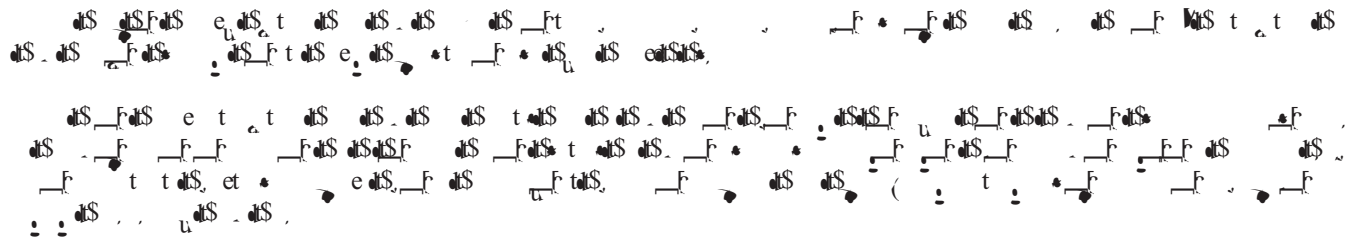
Net Earnings from Continuing Operations

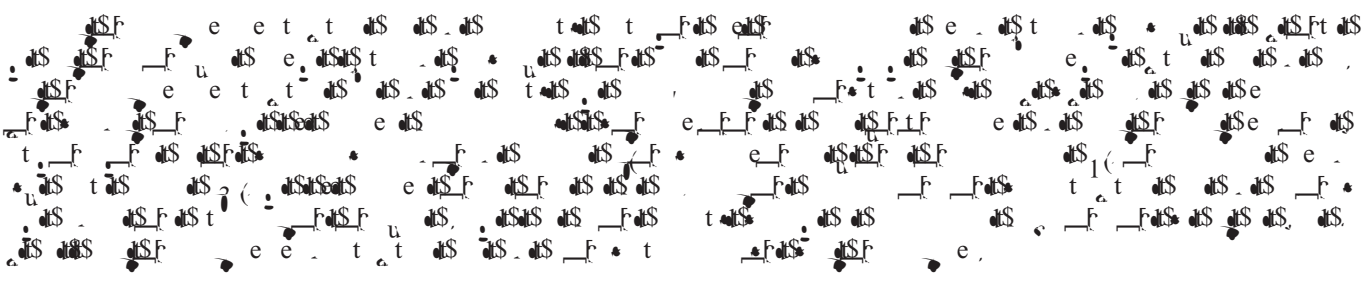


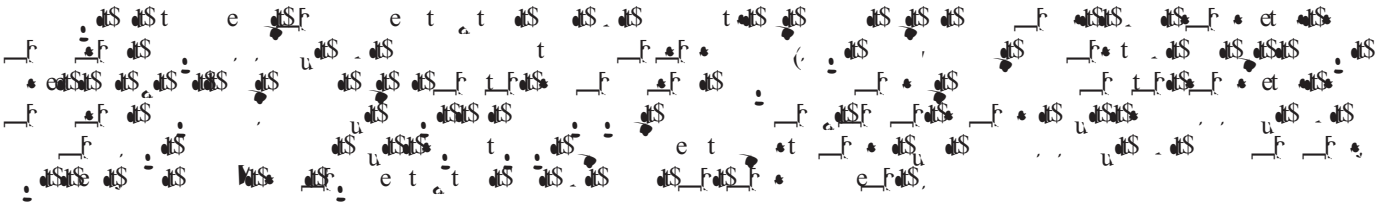
Net Earnings (Loss) from Discontinued Operations



Business Segment Results of Operations







	2013	2012	2011
Net sales			
	$14,123		
	8,367		
	7,757		
	7,153		
	7,958		
	$45,358		
Operating profit			
	$ 1,612		
	759		
	1,431		
	905		
	1,045		
	5,752		
	(1,948)		
	1,466		
	(482)		
	(195)		
	(201)		
	(189)		
	(180)		
	(1,247)		
	$ 4,505		

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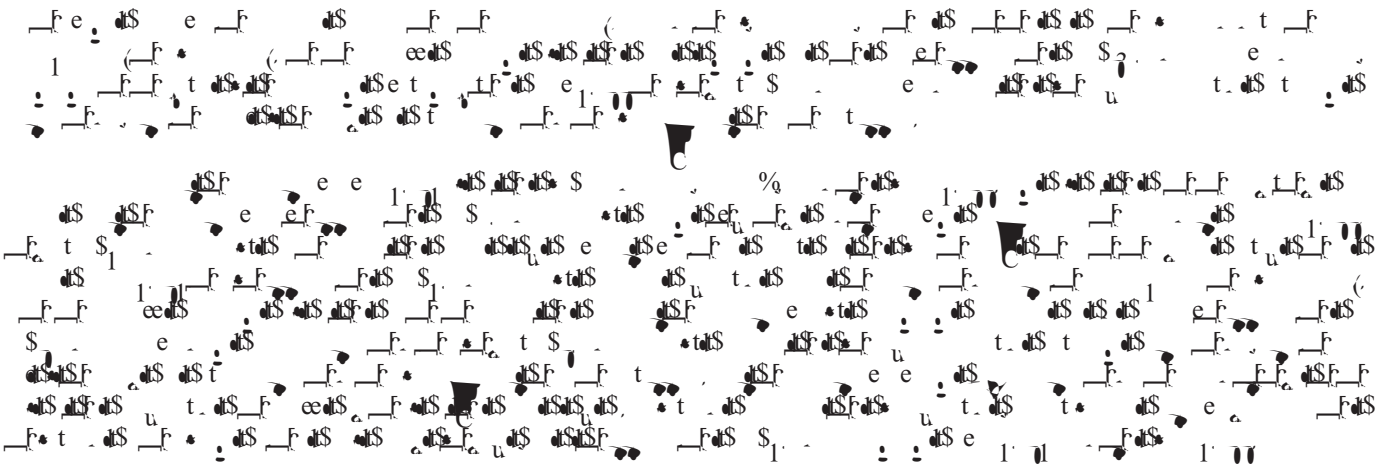
Aeronautics

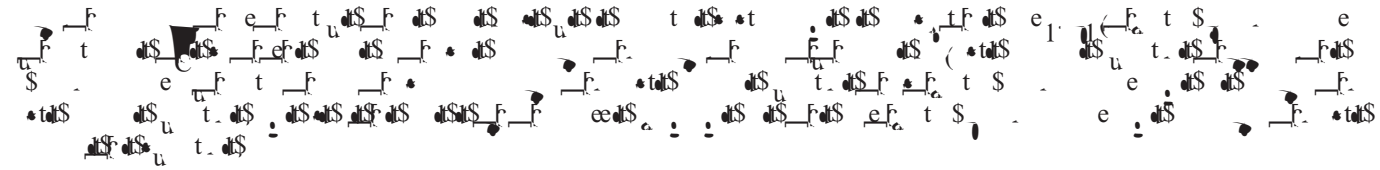
	2013	2012	2011
	$14,123	$	$
	1,612		
	11.4%	%	%
	28,000		

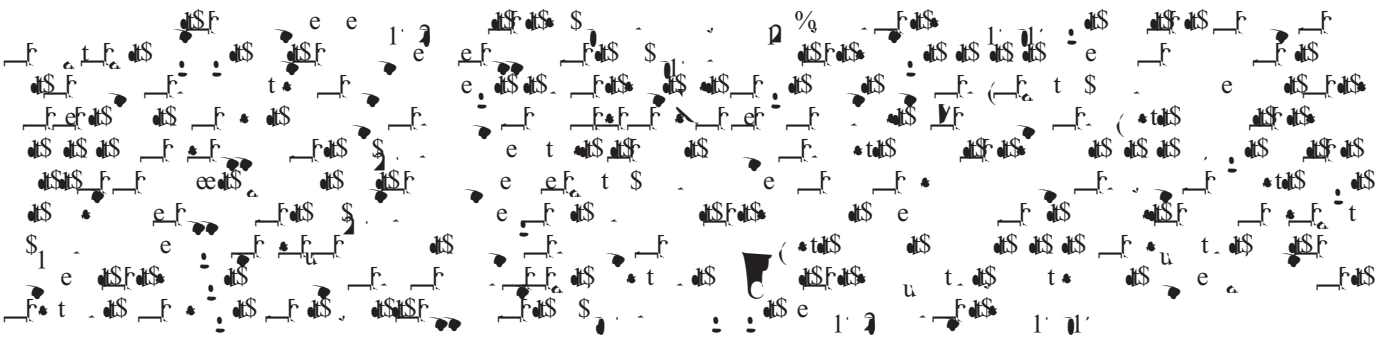
2013 compared to 2012

2012 compared to 2011

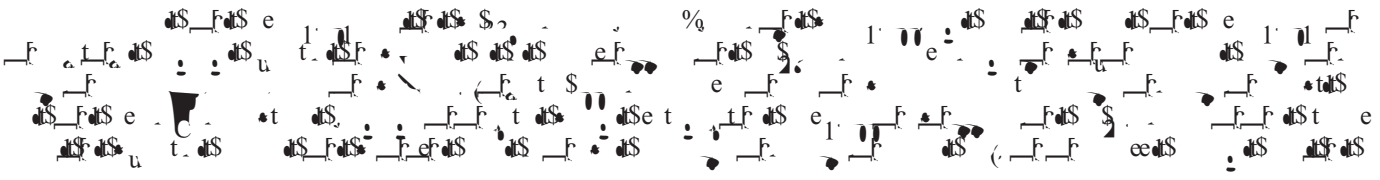


Backlog

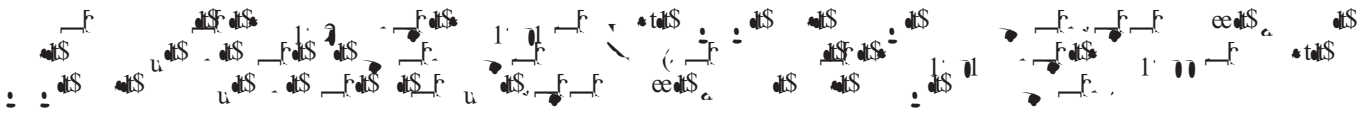




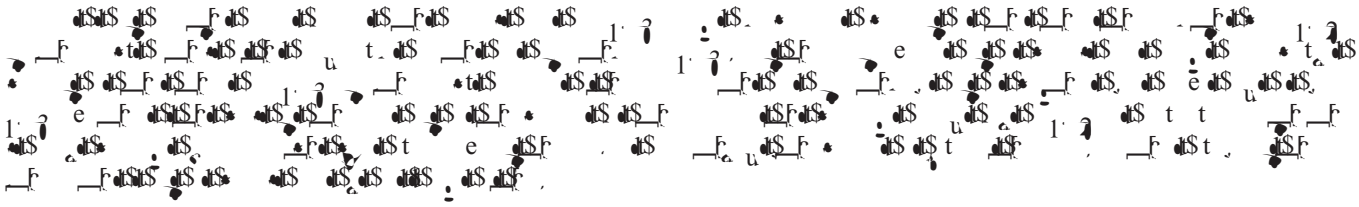
2012 compared to 2011



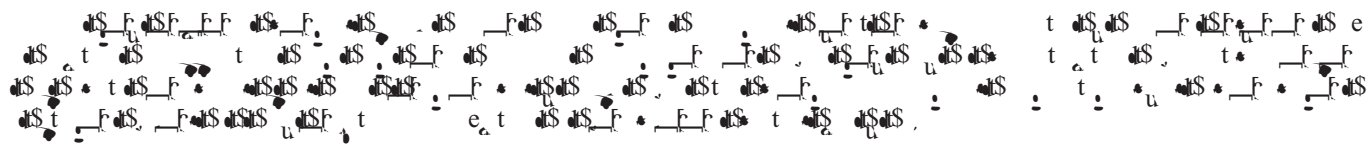
Backlog

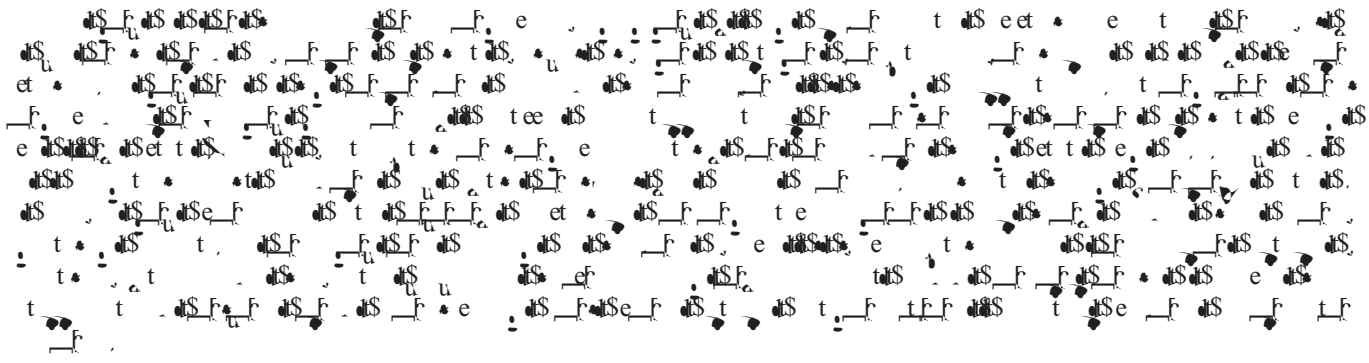


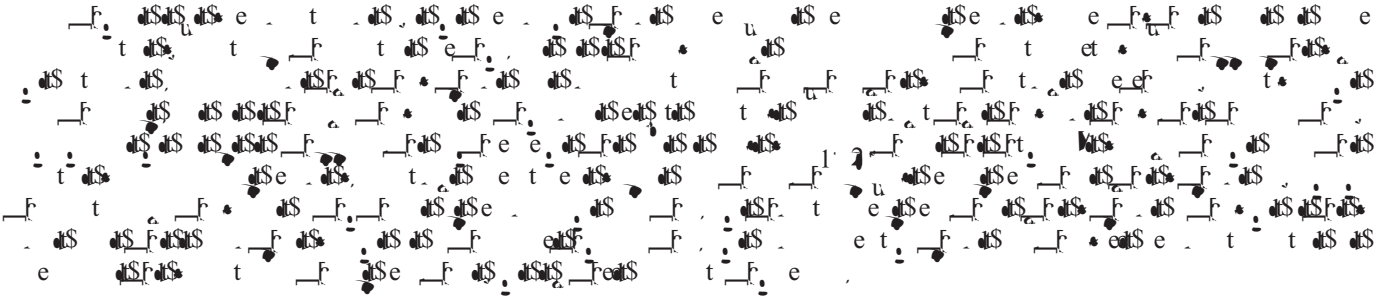
Trends

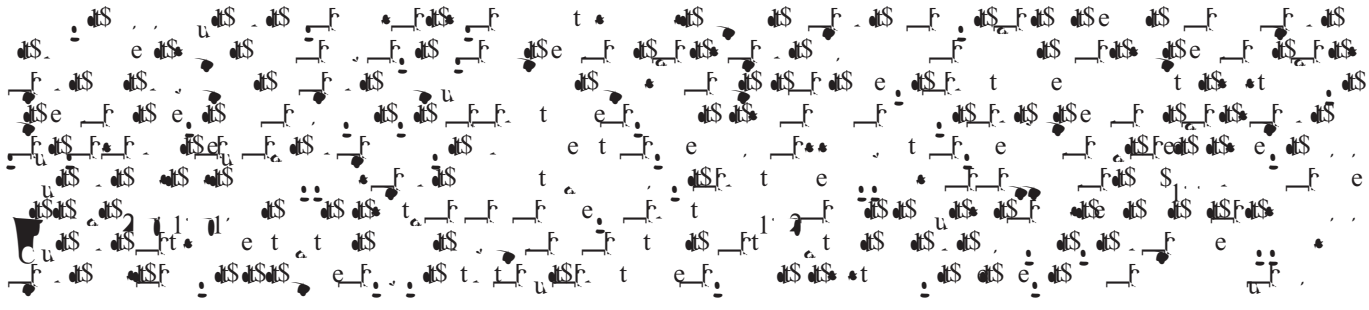


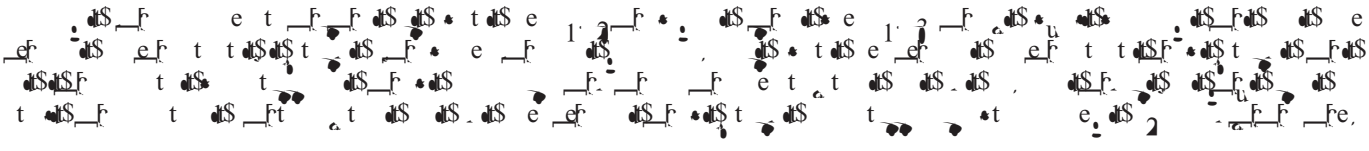
Liquidity and Cash Flows

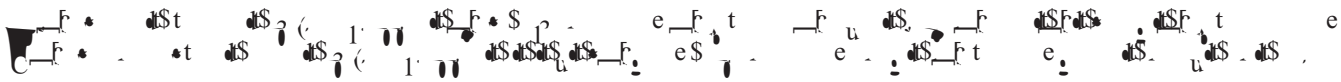






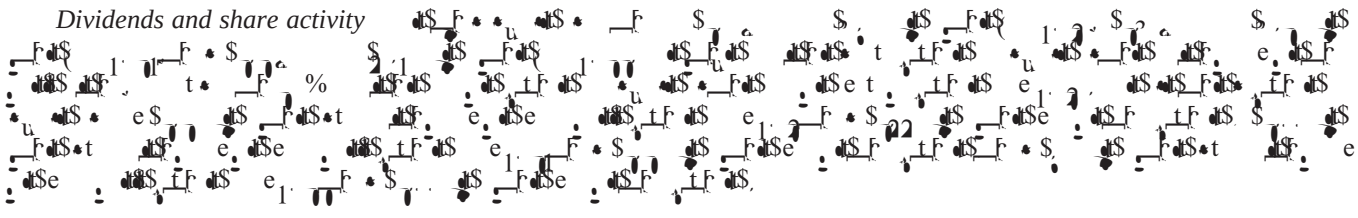


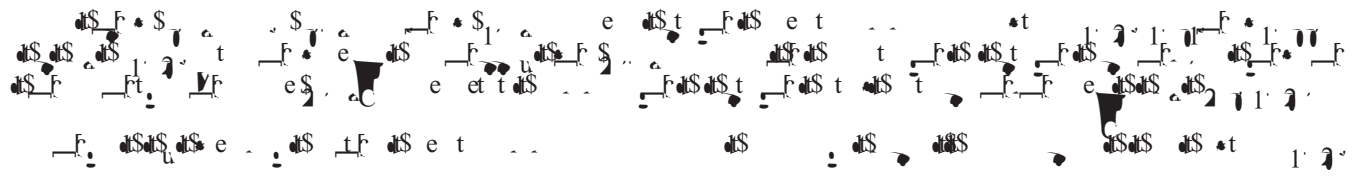




Financing Activities

Dividends and share activity





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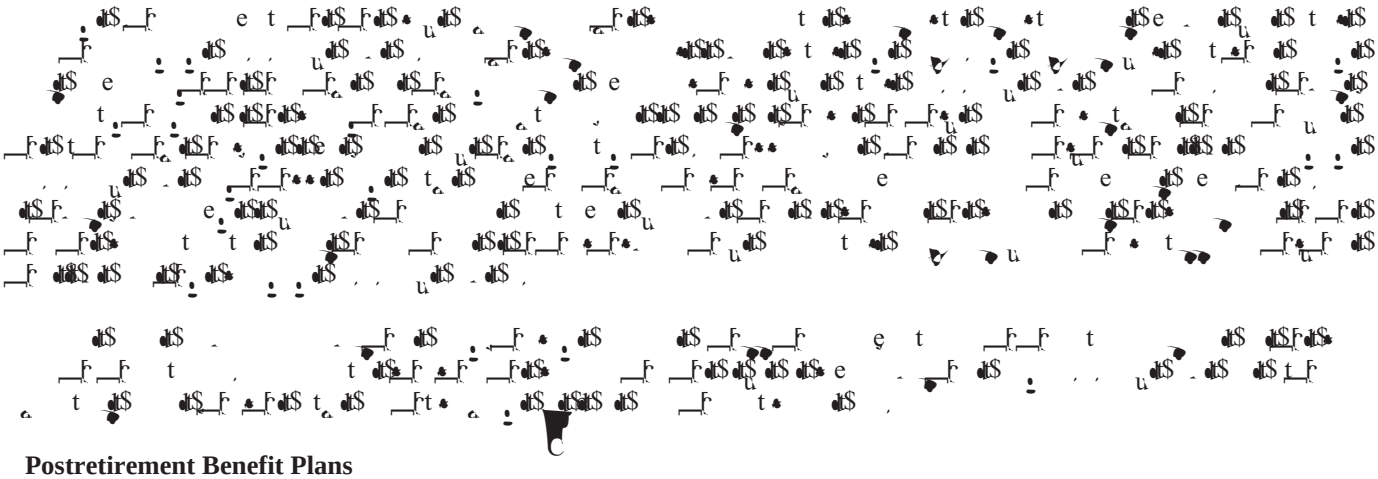
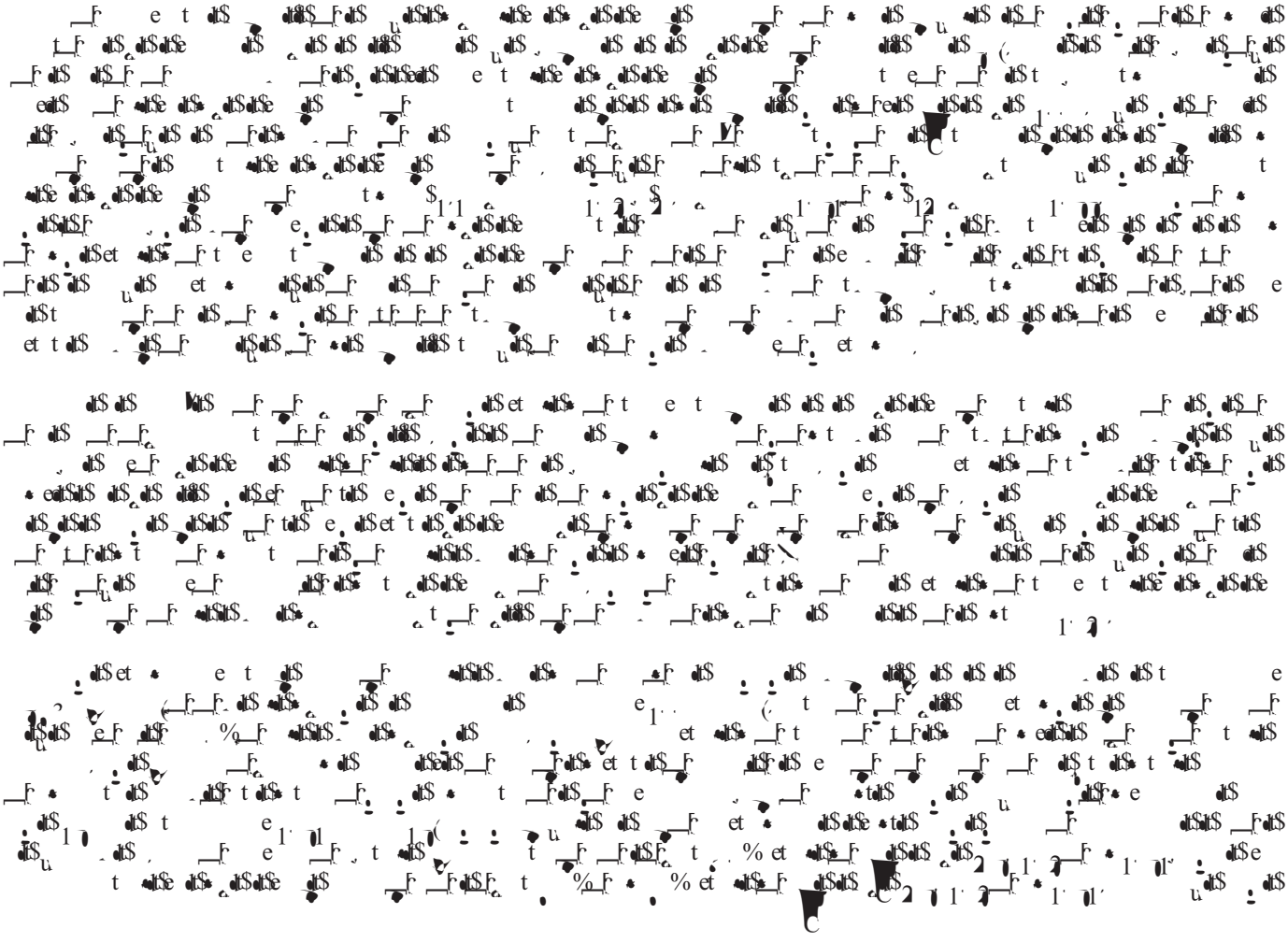
Other Contract Accounting Considerations



Postretirement Benefit Plans

Overview

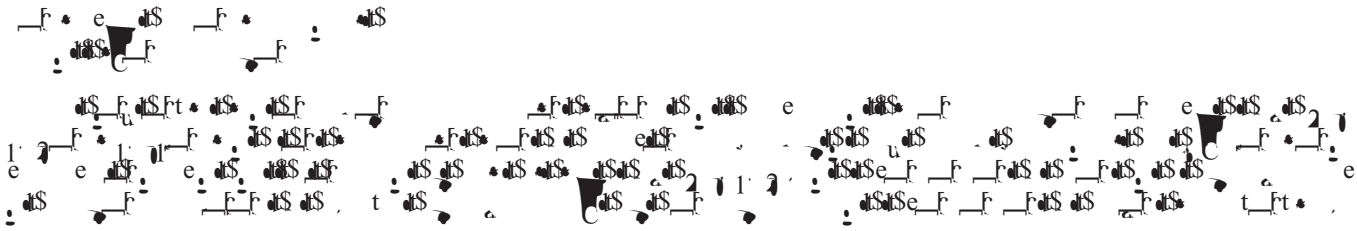


Funding Considerations

[illegible]

ITEM 8. Financial Statements and Supplementary Data.

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



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

	Years Ended December 31,		
	2013	**2012**	**2011**
Net sales			
t	**$ 35,691**	$	$
	9,667		
	45,358		
Cost of sales			
t	**(31,346)**		
	(8,588)		
	(195)		
	(201)		
	(841)		
	(41,171)		
e	**4,187**		
	318		
Operating profit	**4,505**		
	(350)		
	—		
e t	**4,155**		
	(1,205)		
e t	**2,950**		
(e t	**31**		
Net earnings	**$ 2,981**	$	$
Earnings (loss) per common share			
t	**$ 9.19**	$	$
t	**.10**		
C	**$ 9.29**	$	$
t			
t	**$ 9.04**	$	$
t	**.09**		
C	**$ 9.13**	$	$
C			

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

	Years Ended December 31,		
	2013	**2012**	**2011**
	$2,981	$	$
	2,868		
	1,015		
	9		
	3,892		
	$6,873	$	$

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

	December 31,	
	2013	**2012**
Assets		
t		
	$ 2,617	$
	5,834	
	2,977	
	1,088	
t	**813**	
t	**13,329**	
t	**4,706**	
	10,348	
	2,850	
t	**4,955**	
	$36,188	$
Liabilities and stockholders' equity		
t		
t	**$ 1,397**	$
t e t	**6,349**	
e	**1,809**	
t e	**—**	
t	**1,565**	
t	**11,120**	
t	**9,361**	
e	**902**	
	6,152	
t	**3,735**	
	31,270	
t	**319**	
	—	
	14,200	
t	**(9,601)**	(
t	**4,918**	
t	**$36,188**	$

e

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

	Years Ended December 31,		
	2013	**2012**	**2011**
Operating activities			
[illegible]	**$ 2,981**	$ [illegible]	$ [illegible]

Lockheed Martin Corporation
Notes to Consolidated Financial Statements

Note 1 – Significant Accounting Policies

Organization

Basis of presentation

Use of estimates

Sales and earnings

Percentage-of-Completion Method of Accounting

Cash and cash equivalents

Receivables

Inventories

opety,s and equipmens

Customer advances and amounts in excess of cost incurred

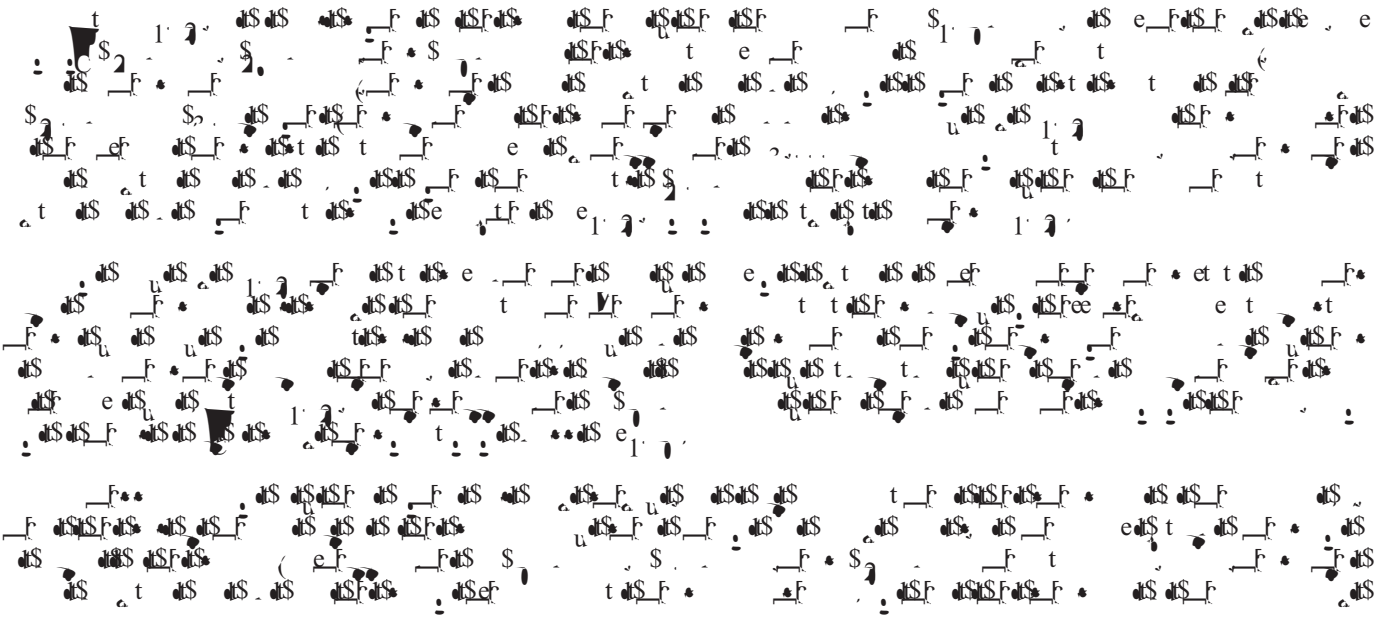
Investments in marketable securities

Equity method investments

Derivative financial instruments

Note 2 – Restructuring Charges

2013 Actions



Note 4 – Information on Business Segments

- **Aeronautics**
- **Information Systems & Global Solutions**
- **Missiles and Fire Control**
- **Mission Systems and Training**

Selected Financial Data by Business Segment

Selected Financial Data by Business Segment (continued)

Net Sales by Customer Category

Selected Financial Data by Business Segment (continued)

	2013	2012
Assets		

Note 6 – Inventories, net

	2013	2012
	$ 7,073	$
	(4,834)	
	2,239	
	738	
	$ 2,977	$

Note 7 – Property, Plant, and Equipment, net

	2013	2012
	$ 99	$
	5,602	
	7,043	
	622	
	13,366	
	(8,660)	
	$ 4,706	$

Note 8 – Income Taxes

	2013	2012	2011
	$1,204	$	$
	3		
	1,207		
	6		
	(8)		
	(2)		
	$1,205	$	$

	2013	2012	2011
	$1,454	$	$
	(100)		
	(96)		
	(77)		
	50		
	—		
	(26)		
	$1,205	$	$

Actuarial Assumptions

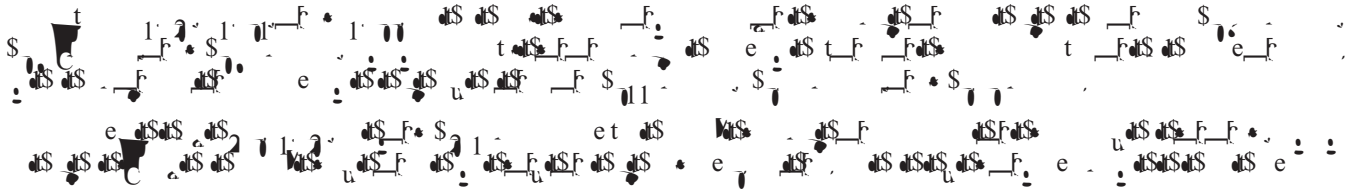
	Qualified Defined Benefit Pension Plans			Retiree Medical and Life Insurance Plans		
	2013	2012	2011	2013	2012	2011
	4.75%	%	%	**4.50%**	%	%
	8.00%	%	%	**8.00%**	%	%
	4.30%	%	%			
				8.75%	%	%
				5.00%	%	%
				2029		

Fair value measurements

	December 31, 2013				December 31, 2012			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	$ 2,176	$ —	$ —	$ 2,176				
	5,274	94	—	5,368				
	4,912	89	7	5,008				
	1,212	4,825	—	6,037				
	—	2,943	43	2,986				
	—	6,553	—	6,553				
	—	1,451						

Valuation techniques

Note 12 – Stock-Based Compensation



[illegible]

Note 14 – Acquisitions and Divestitures

Acquisitions

Divestitures

Note 15 – Fair Value Measurements

	December 31, 2013			December 31, 2012		
	Total	Level 1	Level 2	Total	Level 1	Level 2
	$ 77	$ 77	$ —	$	$	$
	613	613	—			
	238	—	238			
	131	—	131			
	28	—	28			
	23	—	23	1		1

Note 16 – Summary of Quarterly Information (Unaudited)

	2013 Quarters			
	First	**Second**	**Third**	**Fourth**
	$11,070	**$11,408**	**$11,347**	**$11,533**
	1,119	**1,298**	**1,254**	**834**
	761	**859**	**842**	**488**
	—	**—**	**31**	**—**
	761	**859**	**873**	**488**
	2.37	**2.68**	**2.72**	**1.53**
	2.33	**2.64**	**2.66**	**1.50**

	2012 Quarters			
	First	**Second**	**Third**	**Fourth**
	$	$	$	$

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

ITEM 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

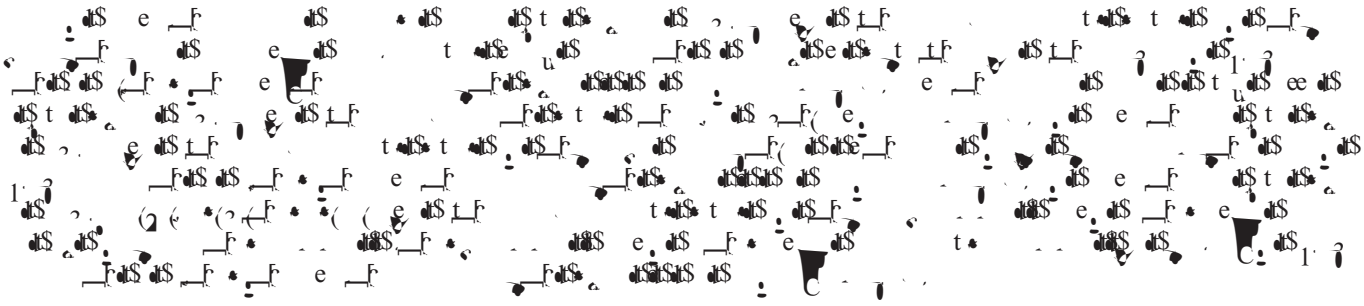
Management's Report on Internal Control Over Financial Reporting

Internal Control–Integrated Framework

Changes in Internal Control Over Financial Reporting

PART III

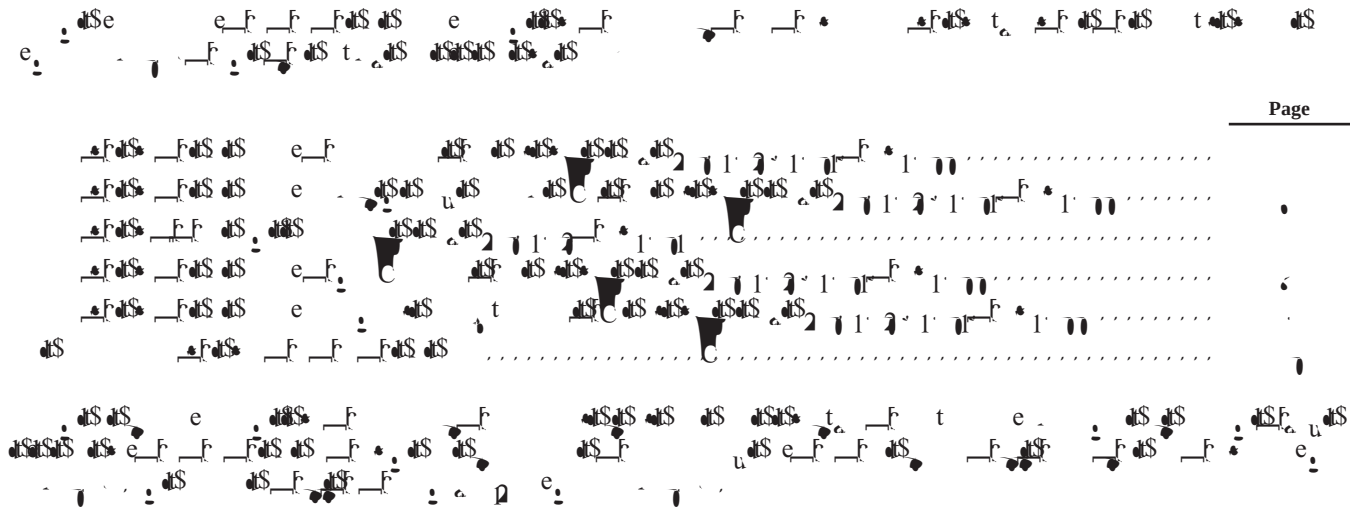
ITEM 10. Directors, Executive Officers and Corporate Governance.

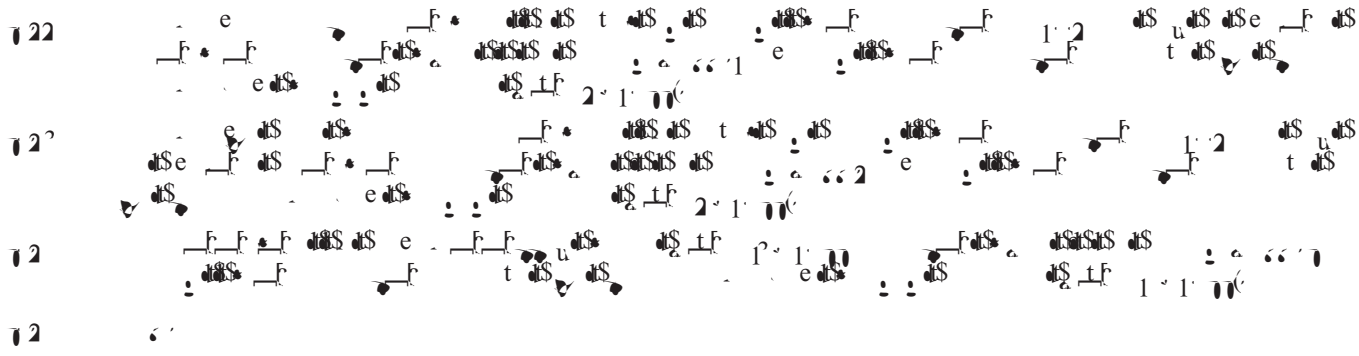


PART IV

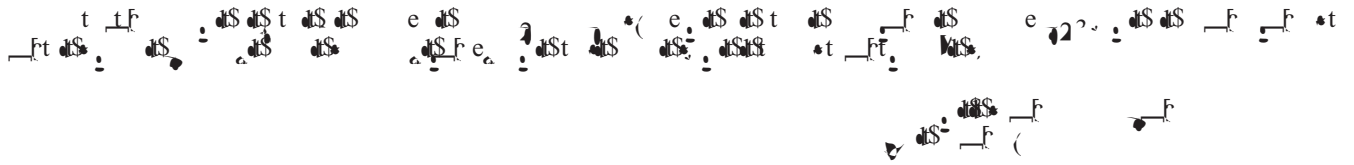
ITEM 15. Exhibits and Financial Statement Schedules.

List of financial statements filed as part of this Form 10-K





SIGNATURES



Signatures	Titles	

Exhibit 31.1

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

Exhibit 31.2

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

Exhibit 32

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

[illegible]

[illegible]

[illegible]

Marillyn A. Hewson

[illegible]

[illegible]

[illegible]

[illegible]

GENERAL INFORMATION

A 31, 2013, 33,550
320,549,871

TRANSFER AGENT & REGISTRAR

C C
. B 30170
C 77842-3170
: 1-877-498-8861
: 1-800-952-9245
: ://

DIVIDEND REINVESTMENT PLAN

C C 1-877-498-8861,
:

INDEPENDENT AUDITORS

&
8484
A 22102

COMMON STOCK

: :
( )

2013 FORM 10-K

2013 10- A . A
C . **In addition, stockholders may obtain a paper copy of any exhibit or a copy of the Form 10-K by writing to:**

C
279
6801 , B , 20817

C /C C 302 C
906 A 31.1, 31.2, 32 2013
10- A C
C C
13, 2013.

: 1-800-568-9758. A
: 1-877-498-8861.

MARTIN