

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

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

FOR QUARTER ENDED March 31, 2000 COMMISSION FILE NUMBER 1-11437

LOCKHEED MARTIN CORPORATION

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

MARYLAND 52-1893632

(STATE OR OTHER JURISDICTION OF (I.R.S. EMPLOYER
INCORPORATION OR ORGANIZATION) IDENTIFICATION NUMBER)

6801 ROCKLEDGE DRIVE, BETHESDA, MD 20817

(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES) (ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE (301) 897-6000

INDICATE BY CHECK MARK WHETHER THE REGISTRANT (1) HAS FILED ALL REPORTS REQUIRED
TO BE FILED BY SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 DURING
THE PRECEDING 12 MONTHS (OR FOR SUCH SHORTER PERIOD THAT THE REGISTRANT WAS
REQUIRED TO FILE SUCH REPORTS), AND (2) HAS BEEN SUBJECT TO SUCH FILING
REQUIREMENTS FOR THE PAST 90 DAYS.

YES X NO

INDICATE THE NUMBER OF SHARES OUTSTANDING OF EACH OF THE ISSUER'S CLASSES OF
COMMON STOCK, AS OF THE LATEST PRACTICABLE DATE.

CLASS OUTSTANDING AS OF April 30, 2000

COMMON STOCK, \$1 PAR VALUE 400,252,924

LOCKHEED MARTIN CORPORATION
FORM 10-Q
FOR THE QUARTER ENDED MARCH 31, 2000

INDEX

	Page No. -----
Part I. Financial Information	
Item 1. Financial Statements	
Unaudited Condensed Consolidated Statement of Operations- Three Months Ended March 31, 2000 and 1999	3
Unaudited Condensed Consolidated Statement of Cash Flows- Three Months Ended March 31, 2000 and 1999	4
Unaudited Condensed Consolidated Balance Sheet- March 31, 2000 and December 31, 1999	5
Notes to Unaudited Condensed Consolidated Financial Statements	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	14
Item 3. Quantitative and Qualitative Disclosure of Market Risk (included in Item 2. under the caption "Other Matters")	
Part II. Other Information	
Item 1. Legal Proceedings.....	25
Item 4. Submission of Matters to a Vote of Security Holders....	26
Item 6. Exhibits and Reports on Form 8-K.....	27
Signatures.....	29
Exhibit 10 Lockheed Martin Corporation Directors Equity Plan, as amended May 1, 2000	
Exhibit 12 Computation of Ratio of Earnings to Fixed Charges	
Exhibit 27 Financial Data Schedule	

Lockheed Martin Corporation
Unaudited Condensed Consolidated Statement of Operations

	Three Months Ended March 31,	
	2000	1999
	-----	-----
	(In millions, except per share data)	
Net sales	\$5,562	\$6,188
Cost of sales	5,249	5,701
	-----	-----
Earnings from operations	313	487
Other income and expenses, net	13	129
	-----	-----
	326	616
Interest expense	227	192
	-----	-----
Earnings before income taxes and cumulative effect of change in accounting	99	424
Income tax expense	45	156
	-----	-----
Earnings before cumulative effect of change in accounting	54	268
Cumulative effect of change in accounting	--	(355)
	-----	-----
Net earnings (loss)	\$ 54	\$ (87)
	=====	=====
Earnings (loss) per common share:		

Basic:		
Before cumulative effect of change in accounting	\$.14	\$.70
Cumulative effect of change in accounting	--	(.93)
	-----	-----
	\$.14	\$ (.23)
	=====	=====
Diluted:		
Before cumulative effect of change in accounting	\$.14	\$.70
Cumulative effect of change in accounting	--	(.93)
	-----	-----
	\$.14	\$ (.23)
	=====	=====
Cash dividends declared per common share	\$.11	\$.22
	=====	=====

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

Lockheed Martin Corporation
Unaudited Condensed Consolidated Statement of Cash Flows

	Three Months Ended March 31,	
	2000	1999
	-----	-----
	(In millions)	
Operating Activities:		
Earnings before cumulative effect of change in accounting	\$ 54	\$ 268
Adjustments to reconcile earnings to net cash provided by operating activities:		
Depreciation and amortization	231	230
Changes in operating assets and liabilities	197	(651)
	-----	-----
Net cash provided by (used for) operating activities	482	(153)
	-----	-----
Investing Activities:		
Expenditures for property, plant and equipment	(84)	(131)
Sale of shares in L-3 Communications	--	182
Other	(30)	--
	-----	-----
Net cash (used for) provided by investing activities	(114)	51
	-----	-----
Financing Activities:		
Net (decrease) increase in short-term borrowings	(234)	120
Net repayments related to long-term debt	(13)	(181)
Issuances of common stock	1	8
Common stock dividends	(44)	(87)
	-----	-----
Net cash used for financing activities	(290)	(140)
	-----	-----
Net increase (decrease) in cash and cash equivalents	78	(242)
Cash and cash equivalents at beginning of period	455	285
	-----	-----
Cash and cash equivalents at end of period	\$ 533	\$ 43
	=====	=====

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements

Lockheed Martin Corporation
Unaudited Condensed Consolidated Balance Sheet

	March 31, 2000	December 31, 1999
----- (In millions) -----		
Assets		
Current assets:		
Cash and cash equivalents	\$ 533	\$ 455
Receivables	4,332	4,348
Inventories	3,782	4,051
Deferred income taxes	1,192	1,237
Other current assets	620	605
	-----	-----
Total current assets	10,459	10,696
Property, plant and equipment	3,586	3,634
Investments in equity securities	2,295	2,210
Intangible assets related to contracts and programs acquired	1,220	1,259
Cost in excess of net assets acquired	9,095	9,162
Other assets	2,948	3,051
	-----	-----
	\$29,603	\$30,012
	=====	=====
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 930	\$ 1,228
Customer advances and amounts in excess of costs incurred	4,419	4,655
Salaries, benefits and payroll taxes	936	941
Income taxes	40	51
Short-term borrowings	241	475
Current maturities of long-term debt	52	52
Other current liabilities	1,679	1,410
	-----	-----
Total current liabilities	8,297	8,812
Long-term debt	11,411	11,427
Post-retirement benefit liabilities	1,807	1,805
Other liabilities	1,613	1,607
Stockholders' equity:		
Common stock, \$1 par value per share	400	398
Additional paid-in capital	266	222
Retained earnings	5,911	5,901
Unearned ESOP shares	(142)	(150)
Accumulated other comprehensive income (loss)	40	(10)
	-----	-----
Total stockholders' equity	6,475	6,361
	-----	-----
	\$29,603	\$30,012
	=====	=====

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

Lockheed Martin Corporation
Notes to Unaudited Condensed Consolidated Financial Statements
March 31, 2000

NOTE 1 -- BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Lockheed Martin Corporation (Lockheed Martin or the Corporation) has continued to follow the accounting policies set forth in the consolidated financial statements included in its 1999 Annual Report on Form 10-K filed with the Securities and Exchange Commission. In the opinion of management, the interim financial information provided herein reflects all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of the results of operations for the interim periods. The results of operations for the three months ended March 31, 2000 are not necessarily indicative of results to be expected for the full year. Certain amounts presented for prior periods have been reclassified to conform with the 2000 presentation.

NOTE 2 -- TRANSACTION AGREEMENT WITH COMSAT CORPORATION

In September 1998, the Corporation and COMSAT Corporation (COMSAT) announced that they had entered into an Agreement and Plan of Merger (the Merger Agreement) to combine the companies in a two-phase transaction with a total estimated value of approximately \$2.7 billion at the date of the announcement (the Merger). Subsequent to obtaining all regulatory approvals necessary for the first phase of the transaction and approval of the Merger by the stockholders of COMSAT, the Corporation completed a cash tender offer (the Tender Offer) on September 18, 1999. The total value of this phase of the transaction was \$1.2 billion, and such amount is included in investments in equity securities in the Unaudited Condensed Consolidated Balance Sheet at March 31, 2000. The Corporation accounts for its 49 percent investment in COMSAT under the equity method of accounting.

The second phase of the transaction, which will result in consummation of the Merger, is to be accomplished by an exchange of one share of Lockheed Martin common stock for each remaining share of COMSAT common stock. Federal legislation to remove existing restrictions on ownership of COMSAT voting stock was signed into law on March 17, 2000. In connection with actions necessary to consummate the second phase of the transaction, the Corporation filed separate notification and report forms under the Hart-Scott-Rodino Antitrust Improvement Act (HSR Act) with the Federal Trade Commission (FTC) and the U.S. Department of Justice (DOJ) in the first quarter of 2000 regarding the Corporation's acquisition of minority interests in two businesses held by COMSAT. On April 22, 2000, the waiting period under the HSR Act with respect to these acquisitions expired.

The Corporation must also obtain certain regulatory approvals from the Federal Communications Commission (FCC) before the Merger can occur. On March 23, 2000, the Corporation and COMSAT filed applications with the FCC seeking authority for the transfer of control of various FCC authorizations held by COMSAT to a wholly-owned subsidiary of Lockheed Martin. The period for submission of opposition and other comments (and responses thereto) currently is scheduled to end on May 26, 2000. There is no set time frame for the FCC to issue its decision following receipt of comments and there is no assurance as to the timing or whether the FCC will provide the requisite approvals. If the Merger is not completed on or before September 18, 2000, under the terms of the Merger Agreement, Lockheed Martin or COMSAT could terminate the Merger Agreement or elect not to exercise this

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

right, or both parties could agree to extend this date. If consummated, the Merger will be accounted for under the purchase method of accounting. In addition, the Corporation intends to combine the operations of Lockheed Martin Global Telecommunications and COMSAT. If the Merger is not consummated, the Corporation will not be able to achieve all of its objectives with respect to the COMSAT transaction and will be unable to exercise control over COMSAT.

NOTE 3 --EARNINGS PER SHARE

Basic and diluted earnings (loss) per share were computed based on net earnings (loss). The weighted average number of common shares outstanding during the period was used in the calculation of basic earnings (loss) per share, and this number of shares was increased by the dilutive effect of stock options based on the treasury stock method in the calculation of diluted earnings (loss) per share.

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

	Three Months Ended March 31,	
	2000	1999
	-----	-----
	(In millions, except per share data)	
Net earnings (loss) for basic and diluted earnings per share: -----		
Earnings before cumulative effect of change in accounting	\$ 54	\$ 268
Cumulative effect of change in accounting	--	(355)
	-----	-----
Net earnings (loss)	<u>\$ 54</u>	<u>\$ (87)</u>
Average common shares outstanding: -----		
Average number of common shares outstanding for basic computations	387.1	380.3
Dilutive stock options based on the treasury stock method	.4	2.3
	-----	-----
Average number of common shares outstanding for diluted computations	<u>387.5</u>	<u>382.6</u>
Earnings (loss) per common share: -----		
Basic:		
Before cumulative effect of change in accounting	\$.14	\$.70
Cumulative effect of change in accounting	--	(.93)
	-----	-----
	<u>\$.14</u>	<u>\$ (.23)</u>
Diluted:		
Before cumulative effect of change in accounting	\$.14	\$.70
Cumulative effect of change in accounting	--	(.93)
	-----	-----
	<u>\$.14</u>	<u>\$ (.23)</u>

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

NOTE 4 -- INVENTORIES

	March 31, 2000 -----	December 31, 1999 -----
(In millions)		
Work in process, commercial launch vehicles	\$ 1,437	\$ 1,514
Work in process, primarily related to other long-term contracts and programs in progress	3,769	3,879
Less customer advances and progress payments	(1,846)	(1,848)
	-----	-----
	3,360	3,545
Other inventories	422	506
	-----	-----
	\$ 3,782	\$ 4,051
	=====	=====

Commercial launch vehicle inventories at March 31, 2000 and December 31, 1999 included amounts advanced to Russian manufacturers, Khrunichev State Research and Production Space Center and RD AMROSS, a joint venture between Pratt & Whitney and NPO Energomash, of approximately \$895 million and \$903 million, respectively, for the manufacture of launch vehicles and related launch services. Work in process inventories related to commercial launch vehicles also included costs for launch vehicles, both under contract and not under contract, including unamortized deferred costs related to the commercial Atlas and the Evolved Expendable Launch Vehicle (Atlas V) programs.

Work in process inventories related to other long-term contracts and programs in progress included unamortized deferred costs for aircraft not under contract related to the Corporation's C-130J program. Such unamortized deferred costs at March 31, 2000 and December 31, 1999 were \$124 million and \$150 million, respectively.

NOTE 5 -- COMMITMENTS AND CONTINGENCIES

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

Environmental matters - The Corporation is responding to three administrative orders issued by the California Regional Water Quality Control Board (the Regional Board) in connection with the Corporation's former Lockheed Propulsion Company facilities in Redlands, California. Under the orders, the Corporation is investigating the impact and potential remediation of regional groundwater contamination by perchlorates and chlorinated solvents. The Regional Board has approved the Corporation's plan to maintain public water supplies with respect to chlorinated solvents during this investigation, and the Corporation is negotiating with local water purveyors to implement this plan, as well as to address water supply concerns relative to perchlorate contamination. The Corporation estimates that expenditures required to implement work currently approved will be approximately \$140 million. The Corporation is also coordinating with the U.S. Air Force, which is conducting preliminary studies of the potential

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

health effects of exposure to perchlorates in connection with several sites across the country, including the Redlands site. The results of these studies indicate that current efforts with water purveyors regarding perchlorate issues are appropriate; however, the Corporation currently cannot project the extent of its ultimate clean-up obligation, if any, with respect to perchlorates.

The Corporation entered into a consent decree with the U.S. Environmental Protection Agency (EPA) in 1991 relating to certain property in Burbank, California, which obligated the Corporation to design and construct facilities to monitor, extract and treat groundwater, and to operate and maintain such facilities for approximately eight years. The Corporation entered into a follow-on consent decree in 1998 which obligates the Corporation to fund the continued operation and maintenance of these facilities through the year 2018; however, the responsibility for the actual operations of these facilities will be assumed by the city of Burbank late in 2000. The Corporation has also been operating under a cleanup and abatement order from the Regional Board affecting its facilities and former facilities in Burbank, California. This order requires site assessment and action to abate groundwater contamination by a combination of groundwater and soil cleanup and treatment. Also as a result of its former operations at the Burbank facilities, the Corporation is participating as one of several parties under administrative orders from the EPA to design, build and operate a groundwater treatment system in Glendale, California as part of the San Fernando Superfund site that includes Burbank. The city of Glendale is ultimately expected to assume responsibility for the operations of the Glendale treatment plant. Under an agreement reached with the U.S. Government and filed with the U.S. District Court in January 2000 (the Agreement), the Corporation was reimbursed approximately \$100 million in the first quarter of 2000 for past expenditures for certain remediation activities related to the Burbank and Glendale properties. Also under the Agreement, an amount equal to approximately 50 percent of future expenditures for certain remediation activities will be reimbursed by the U.S. Government as a responsible party under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA). The Corporation estimates that total expenditures required over the remaining terms of the consent decrees and the Regional Board order related to the Burbank property, and the administrative orders related to the city of Glendale, net of the effects of the Agreement, will be approximately \$50 million.

The Corporation is involved in other proceedings and potential proceedings relating to environmental matters, including disposal of hazardous wastes and soil and water contamination. The extent of the Corporation's financial exposure cannot in all cases be reasonably estimated at this time. In addition to the amounts with respect to the Redlands and Burbank properties and the city of Glendale described above, a liability of approximately \$200 million for the other cases in which an estimate of financial exposure can be determined has been recorded.

Under an agreement with the U.S. Government in 1990, the Burbank groundwater treatment and soil remediation expenditures referenced above are being allocated to the Corporation's operations as general and administrative costs and, under existing government regulations, these and other environmental expenditures related to U.S. Government business, after deducting any recoveries from insurance or other potentially responsible parties, are allowable in establishing the prices of the Corporation's products and services. As a result, a substantial portion of the expenditures are being reflected in the Corporation's sales and cost of sales pursuant to U.S. Government agreement or regulation. Although the Defense Contract Audit Agency has questioned certain elements of the Corporation's practices with respect to the aforementioned agreement, it is management's opinion that the treatment of these environmental costs is appropriate and consistent with the terms of such agreement. Currently, Lockheed Martin is in

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

discussions with the U.S. Government regarding the Corporation's October 4, 1999 request for the issuance of a final decision regarding the propriety of the Corporation's U.S. Government accounting practices for the treatment of environmental costs.

The Corporation has recorded an asset for the portion of environmental costs that are probable of future recovery in pricing of the Corporation's products and services for U.S. Government business. The portion that is expected to be allocated to commercial business has been reflected in cost of sales. The recorded amounts do not reflect the possible future recovery of portions of the environmental costs through insurance policy coverage or from other potentially responsible parties, which the Corporation is pursuing as required by agreement and U.S. Government regulation. Any such recoveries, when received, would reduce the allocated amounts to be included in the Corporation's U.S. Government sales and cost of sales.

Waste remediation contract - In 1994, the Corporation was awarded a \$180 million fixed price contract by the U.S. Department of Energy (DOE) for the Phase II design, construction and limited test of remediation facilities, and the Phase III full remediation of waste found in Pit 9, located on the Idaho National Engineering and Environmental Laboratory reservation. The Corporation incurred significant unanticipated costs and scheduling issues due to complex technical and contractual matters which threatened the viability of the overall Pit 9 program. Based on an investigation by management to identify and quantify the overall effect of these matters, the Corporation submitted a request for equitable adjustment (REA) to the DOE in March 1997 that sought, among other things, the recovery of a portion of unanticipated costs incurred by the Corporation and the restructuring of the contract to provide for a more equitable sharing of the risks associated with the Pit 9 project. The Corporation has been unsuccessful in reaching any agreements with the DOE on cost recovery or other contract restructuring matters.

In June 1998, the DOE, through Lockheed Martin Idaho Technologies Company (LMITCO), its management contractor, terminated the Pit 9 contract for default. On the same date, the Corporation filed a lawsuit against the DOE in the U.S. Court of Federal Claims in Washington, D.C., challenging and seeking to overturn the default termination. In addition, in July 1998, the Corporation withdrew the REA previously submitted to the DOE and replaced it with a certified REA. The certified REA is similar in substance to the REA previously submitted, but its certification, based upon more detailed factual and contractual analysis, raises its status to that of a formal claim. In August 1998, LMITCO, at the DOE's direction, filed suit against the Corporation in U.S. District Court in Boise, Idaho, seeking, among other things, recovery of approximately \$54 million previously paid by LMITCO to the Corporation under the Pit 9 contract. The Corporation is defending this action while continuing to pursue its certified REA. Discovery has been ongoing since August 2, 1999. In October 1999, the U.S. Court of Federal Claims stayed the DOE's motion to dismiss the Corporation's lawsuit, finding that the Court has jurisdiction. The Court ordered discovery to commence and gave leave to the DOE to convert its motion to dismiss to a motion for summary judgment if supported by discovery. The Corporation continues to assert its position in the litigation while continuing its efforts to resolve the dispute through non-litigation means.

NOTE 6 -- INFORMATION ON BUSINESS SEGMENTS

The Corporation implemented a new organizational structure, effective October 1, 1999, that realigns its core lines of business into four principal business segments. The four principal business segments include Systems Integration, Space Systems, Aeronautical Systems and

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

Technology Services. All other activities of the Corporation fall within the Corporate and Other segment. Additionally, the Corporation announced on April 24, 2000 the reassignment of the Management & Data Systems business unit from the Systems Integration segment to the Space Systems segment. Prior period amounts have been adjusted to conform with the above changes in organizational structure.

	Three Months Ended March 31,	
	2000	1999
	-----	-----
Selected Financial Data by Business Segment (In millions)		
Net sales		

Systems Integration	\$2,099	\$2,264
Space Systems	1,644	1,858
Aeronautical Systems	1,036	1,420
Technology Services	464	448
Corporate and Other	319	198
	-----	-----
	\$5,562	\$6,188
	=====	=====
Operating profit (loss)		

Systems Integration	\$ 171	\$ 170
Space Systems	82	162
Aeronautical Systems	79	164
Technology Services	26	32
Corporate and Other	(32)	88
	-----	-----
	\$ 326	\$ 616
	=====	=====
Intersegment revenue(a)		

Systems Integration	\$ 111	\$ 121
Space Systems	27	26
Aeronautical Systems	18	21
Technology Services	166	152
Corporate and Other	15	15
	-----	-----
	\$ 337	\$ 335
	=====	=====

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

NOTE 7 -- OTHER

In February 2000, the Corporation and Loral Space & Communications Ltd. (Loral Space) filed certain notices under the HSR Act with the FTC and the DOJ in connection with the Corporation's plan to convert its 45.9 million shares of Loral Space Series A Preferred Stock (the Preferred Stock) into an equal number of shares of Loral Space common stock. Effective March 31, 2000, the Corporation exercised its right to convert the Preferred Stock. Its ownership of 45.9 million shares of Loral Space common stock represents an approximate 16 percent interest in Loral Space, or 13 percent on a diluted basis. Subsequent to conversion, the Corporation began accounting for its investment as an available-for-sale investment. Accordingly, as of March 31, 2000, the investment in Loral Space was adjusted to reflect its current market value, and an

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

unrealized gain, net of income taxes, of approximately \$54 million was included in stockholders' equity as a component of other comprehensive income.

Also in February 2000, the Corporation and Loral Space entered into an agreement which will facilitate the Corporation's ability to divest its interest in Loral Space, but in no case earlier than mid-May 2000. In connection with this agreement, in April 2000, Loral Space filed a registration statement with the Securities and Exchange Commission to register for sale the common shares owned by the Corporation. Loral Space has advised the Corporation that such registration statement will become effective in May 2000.

In February 1999, the Corporation sold 4.5 million of its shares in L-3 Communications Holdings, Inc. (L-3) as part of a secondary public offering by L-3. This transaction resulted in a reduction in the Corporation's ownership to approximately seven percent and the recognition of a pretax gain of \$114 million which is reflected in other income and expenses. The gain increased net earnings by \$74 million, or \$.19 per diluted share. After this transaction was consummated, the Corporation began accounting for its remaining investment in L-3 as an available-for-sale investment. Accordingly, as of March 31, 1999, the investment in L-3 was adjusted to reflect its current market value, and an unrealized gain, net of income taxes, of approximately \$42 million was included in stockholders' equity as a component of other comprehensive income. In October 1999, the Corporation sold its remaining interest in L-3 and reclassified to net earnings \$30 million of unrealized gains previously recorded as comprehensive income.

The components of comprehensive income for the three months ended March 31, 2000 and 1999 consisted of the following:

	Three Months Ended March 31,	
	2000	1999
	-----	-----
	(In millions)	
Net earnings (loss)	\$ 54	\$ (87)
Other comprehensive income:		
Net foreign currency translation adjustments	--	7
Net unrealized gain	50	42
	-----	-----
	50	49
	-----	-----
Comprehensive income	\$ 104	\$ (38)
	=====	=====

In the fourth quarter of 1998, the Corporation recorded a nonrecurring and unusual pretax charge, net of state income tax benefits, of \$233 million related to actions surrounding the decision to fund a timely non-bankruptcy shutdown of the business of CalComp Technology, Inc. (CalComp), a majority-owned subsidiary. Approximately 10 percent of the original charge was reversed in 1999. As of March 31, 2000, CalComp had, among other actions, consummated sales of substantially all of its assets, terminated substantially all of its work force, and initiated the corporate dissolution process under the applicable state statutes and, for its foreign subsidiaries, foreign government statutes. While uncertainty remains concerning the resolution of matters in dispute or litigation, management believes that the remaining amount recorded is adequate to provide for resolution of these matters and to complete the dissolution process.

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

The Corporation's total interest payments were \$94 million and \$99 million for the three months ended March 31, 2000 and 1999, respectively.

The Corporation received net federal and foreign income tax refunds of \$25 million and made net federal and foreign income tax payments of \$63 million in the three months ended March 31, 2000 and 1999, respectively.

New accounting pronouncements adopted -- Effective January 1, 1999, the Corporation adopted the American Institute of Certified Public Accountants' Statement of Position (SOP) No. 98-5, "Reporting on the Costs of Start-Up Activities." This SOP requires that, at the effective date of adoption, costs of start-up activities previously capitalized be expensed and reported as a cumulative effect of a change in accounting principle, and further requires that such costs subsequent to adoption be expensed as incurred. The adoption of SOP No. 98-5 resulted in the recognition of a cumulative effect adjustment which reduced net earnings for the first quarter of 1999 by \$355 million, or \$.93 per diluted share. The cumulative effect adjustment was recorded net of income tax benefits of \$227 million, and was primarily composed of approximately \$560 million of costs which were included in inventories as of December 31, 1998.

New accounting pronouncement to be adopted -- In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 requires the recognition of all derivatives as either assets or liabilities in the Consolidated Balance Sheet, and the periodic measurement of those instruments at fair value. The classification of gains and losses resulting from changes in the fair values of derivatives is dependent on the intended use of the derivative and its resulting designation. In general, these provisions of the Statement could result in a greater degree of income statement volatility than current accounting practice. At adoption, existing hedging relationships must be designated anew and documented pursuant to the provisions of the Statement. The Corporation does not intend to adopt SFAS No. 133, as amended, prior to the required date of January 1, 2001. The Corporation is continuing its process of analyzing and assessing the impact that the adoption of SFAS No. 133 is expected to have on its consolidated results of operations, cash flows and financial position, but has not yet reached any conclusions.

NOTE 8 -- SUBSEQUENT EVENT

On April 27, 2000, the Corporation announced that it had reached a definitive agreement to sell Lockheed Martin Control Systems to BAE SYSTEMS North America for \$510 million in cash. Consummation of the transaction is conditioned upon regulatory review under the HSR Act and other antitrust laws, and by the Committee on Foreign Investment in the U.S. under the Defense Production Act of 1950. If consummated, this transaction is expected to close in the second or third quarter of 2000 and result in a pretax gain of \$300 million to \$350 million, or \$150 million to \$200 million on an after-tax basis.

Lockheed Martin Corporation
Management's Discussion and Analysis of Financial Condition
and Results of Operations
March 31, 2000

STRATEGIC AND ORGANIZATIONAL REVIEW

In September 1999, Lockheed Martin announced the results to date of its strategic and organizational review that began in June 1999. As a result of this review, the Corporation has implemented a new organizational structure (as more fully described in "Note 6 -- Information on Business Segments" of the Notes to Unaudited Condensed Consolidated Financial Statements), and announced plans to evaluate the repositioning of certain businesses to maximize their value and growth potential and the divestiture of certain non-core business units.

The Corporation is continuing to evaluate alternatives relative to maximizing the value of two business units that serve the commercial information technology markets, including Lockheed Martin's internal information technology needs. These units have been identified by management as having high growth potential, but are distinct from the Corporation's core business segments. The Corporation may seek to maximize the value of these business units through strategic partnerships or joint ventures, or by accessing public equity markets, although the outcome of those efforts cannot be predicted.

In connection with its decision to evaluate the divestiture of certain non-core business units, the Corporation announced on April 27, 2000 that it had reached a definitive agreement to sell Lockheed Martin Control Systems (Control Systems) to BAE SYSTEMS North America for \$510 million in cash. Consummation of the transaction is conditioned upon regulatory review under the Hart-Scott-Rodino Antitrust Improvement Act (HSR Act) and other antitrust laws, and by the Committee on Foreign Investment in the U.S. under the Defense Production Act of 1950. If consummated, this transaction is expected to close in the second or third quarter of 2000 and result in a pretax gain of \$300 million to \$350 million, or \$150 million to \$200 million on an after tax basis. The transaction is also expected to generate net proceeds of \$325 million to \$375 million after related transaction costs and tax payments.

The Corporation is continuing its evaluation of the divestiture, subject to appropriate valuation, negotiation and approval, of certain other business units in the aerospace electronics, environmental management, and state and local government services lines of business. On a combined basis, net sales in the first quarter of 2000 related to Control Systems and the other business units being evaluated for divestiture totaled \$367 million. Based on preliminary data, including Control Systems and assuming that the remaining potential divestiture transactions are approved by the Corporation's Board of Directors and ultimately consummated in the future, management estimates that the potential one-time effects, if combined, could result in a net loss on disposition of approximately \$850 million, primarily non-cash. However, the potential net proceeds from these transactions, if consummated, could also generate in excess of \$1.5 billion in cash, after transaction costs and associated tax payments, that will be used to reduce debt. Financial effects that may result, if any, would be recorded when the transactions are consummated or when losses can be estimated. Other than the Control Systems transaction discussed above, management cannot predict the timing of the potential divestitures, the amount of proceeds that may ultimately be realized or whether any or all of the potential transactions will take place.

In a further development related to the strategic and organizational review, the Corporation announced in January 2000 its plans to streamline the Aeronautical Systems and Space Systems segments. These plans provide for the consolidation of multiple business units into one focused company in each segment, and the integration of certain operational and administrative activities

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

within each segment. Management expects these actions to result in future cost savings for the Corporation.

In line with our continuing efforts to strategically align the Corporation's businesses and core competencies, the Corporation announced on April 24, 2000 the reassignment of the Management & Data Systems business unit from the Systems Integration segment to the Space Systems segment. This move is intended to enable the Corporation to take advantage of synergies within Space Systems to meet the needs of its Department of Defense and intelligence community customers.

On an ongoing basis, the Corporation will continue to explore the sale of various investment holdings and surplus real estate, review its businesses to identify ways to improve organizational effectiveness and performance, and clarify and focus on its core business strategy.

TRANSACTION AGREEMENT WITH COMSAT CORPORATION

In September 1998, the Corporation and COMSAT Corporation (COMSAT) announced that they had entered into an Agreement and Plan of Merger (the Merger Agreement) to combine the companies in a two-phase transaction with a total estimated value of approximately \$2.7 billion at the date of the announcement (the Merger). Subsequent to obtaining all regulatory approvals necessary for the first phase of the transaction and approval of the Merger by the stockholders of COMSAT, the Corporation completed a cash tender offer (the Tender Offer) on September 18, 1999. The total value of this phase of the transaction was \$1.2 billion, and such amount is included in investments in equity securities in the Unaudited Condensed Consolidated Balance Sheet at March 31, 2000. The Corporation accounts for its 49 percent investment in COMSAT under the equity method of accounting.

The second phase of the transaction, which will result in consummation of the Merger, is to be accomplished by an exchange of one share of Lockheed Martin common stock for each remaining share of COMSAT common stock. Federal legislation to remove existing restrictions on ownership of COMSAT voting stock was signed into law on March 17, 2000. In connection with actions necessary to consummate the second phase of the transaction, the Corporation filed separate notification and report forms under the HSR Act with the Federal Trade Commission (FTC) and the U.S. Department of Justice (DOJ) in the first quarter of 2000 regarding the Corporation's acquisition of minority interests in two businesses held by COMSAT. On April 22, 2000, the waiting period under the HSR Act with respect to these acquisitions expired.

The Corporation must also obtain certain regulatory approvals from the Federal Communications Commission (FCC) before the Merger can occur. On March 23, 2000, the Corporation and COMSAT filed applications with the FCC seeking authority for the transfer of control of various FCC authorizations held by COMSAT to a wholly-owned subsidiary of Lockheed Martin. The period for submission of opposition and other comments (and responses thereto) currently is scheduled to end on May 26, 2000. There is no set time frame for the FCC to issue its decision following receipt of comments and there is no assurance as to the timing or whether the FCC will provide the requisite approvals. If the Merger is not completed on or before September 18, 2000, under the terms of the Merger Agreement, Lockheed Martin or COMSAT could terminate the Merger Agreement or both parties could agree to extend this date. If consummated, the Merger will be

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

accounted for under the purchase method of accounting. If the Merger is not consummated, the Corporation will not be able to achieve all of its objectives with respect to the COMSAT transaction and will be unable to exercise control over COMSAT.

The market value of the Corporation's investment in COMSAT at March 31, 2000 was approximately \$535 million based on the closing price of its shares on the New York Stock Exchange on that date. The price of COMSAT's common stock is closely aligned with the price of Lockheed Martin's common stock and may not reflect the price at which COMSAT's common stock might trade absent the Merger Agreement.

The Corporation intends to combine the operations of Lockheed Martin Global Telecommunications (LMGT) and COMSAT upon consummation of the Merger. Given the substantial investment necessary for the growth of the global telecommunications services business, support from strategic partners for LMGT may be sought and public equity markets may be accessed to raise capital, although the Corporation cannot predict the outcome of these efforts.

RESULTS OF OPERATIONS

Consolidated Results of Operations

The Corporation's operating cycle is long-term and involves many types of production contracts with varying production delivery schedules. Accordingly, results of a particular quarter, or quarter-to-quarter comparisons of recorded sales and profits, may not be indicative of future operating results. The following comparative analysis should be viewed in this context.

The Corporation's consolidated net sales for the first quarter of 2000 were \$5.6 billion, a decrease of ten percent from the \$6.2 billion recorded for the comparable period in 1999. The net sales increases in the Technology Services and Corporate and Other segments were more than offset by decreases in the remaining segments. The Corporation's operating profit (earnings before interest and taxes) for the first quarter 2000 was approximately \$326 million, a decrease of 47 percent from the \$616 million recorded in the comparable 1999 period. The reported amounts for the two years presented include the financial impacts of various nonrecurring and unusual items, the details of which are described below. Excluding the effects of these nonrecurring and unusual items for each year, operating profit for first quarter 2000 would have decreased by 37 percent compared to first quarter 1999. Operating profit in all segments, except Systems Integration, declined in the first quarter of 2000 as compared to the first quarter of 1999. For a more detailed discussion of the operating results of the business segments, see "Discussion of Business Segments" below.

Operating profit in the first quarter of 2000 included the effects of nonrecurring and unusual items which on a combined basis, net of state income taxes, increased operating profit by \$10 million. These items included a net gain of \$16 million associated with the sale of surplus real estate and losses of \$6 million associated with other portfolio shaping actions. Operating profit in the first quarter of 1999 included the effect of a nonrecurring and unusual item which, net of state income taxes, increased operating profit by \$114 million. This item resulted from the sale of 4.5 million shares of stock in L-3 Communications Holdings, Inc. (L-3) in a secondary offering of L-3's common stock.

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

The Corporation's reported net earnings for the first quarter of 2000 were \$54 million as compared to the first quarter 1999 net loss of \$87 million. The combined after-tax effects of the first quarter of 2000 nonrecurring and unusual items discussed above included \$10 million related to net gains on the sale of surplus real estate and \$4 million in losses associated with other portfolio shaping actions. On a combined basis, these nonrecurring and unusual items increased first quarter 2000 net earnings by \$6 million, or \$.02 per diluted share. The after-tax effects of the nonrecurring and unusual items in the first quarter of 1999 discussed above included \$74 million related to the gain on the sale of the Corporation's remaining interest in L-3. Nonrecurring and unusual items for 1999 also included the effects of the Corporation's adoption of Statement of Position No. 98-5, "Reporting on the Costs of Start-Up Activities," effective January 1, 1999, which resulted in the recognition of a cumulative effect adjustment that reduced net earnings by \$355 million. On a combined basis, these nonrecurring and unusual items decreased first quarter 1999 net earnings by \$281 million, or \$.74 per diluted share.

The Corporation reported diluted earnings (loss) per share of \$.14 and \$(.23) for the first quarter of 2000 and 1999, respectively. If the nonrecurring and unusual items described above were excluded from the calculation of earnings per share, diluted earnings per share for the first quarter of 2000 and 1999 would have been \$.12 and \$.51, respectively.

The Corporation's backlog of undelivered orders was approximately \$46.6 billion at March 31, 2000 as compared to \$45.9 billion reported at December 31, 1999. The Corporation received orders for approximately \$6.3 billion in new and follow-on business during the first quarter of 2000 that were substantially offset by sales during the period. Significant new orders received during the quarter principally related to a \$1.3 billion Israeli F-16 fighter aircraft contract award and an order for two Italian C-130J airlift aircraft. However, several significant orders received by the Corporation are not included in the first quarter 2000 ending backlog. These include the F-16 fighter aircraft orders for the United Arab Emirates (UAE) and Greece, worth approximately \$6.4 billion and \$1.6 billion, respectively, as well as two recently announced U.S. C-130J airlift aircraft orders. The aforementioned orders are expected to be recorded later in 2000, pending various governmental approvals.

In connection with the UAE's order for F-16 fighter aircraft discussed above, the Corporation is in the process of establishing a letter of credit related to advance payments to be received under the contract. The Corporation expects the letter of credit to be in place in the second quarter of 2000.

Discussion of Business Segments

As discussed previously, the Corporation has implemented a new organizational structure, effective October 1, 1999, that realigns its core lines of business into four principal business segments. The four principal business segments are Systems Integration, Space Systems, Aeronautical Systems, and Technology Services. All other activities of the Corporation fall within the Corporate and Other segment. Additionally, the Corporation announced on April 24, 2000 the reassignment of the Management & Data Systems business unit from the Systems Integration segment to the Space Systems segment. The following discussion of the results of operations of the Corporation's business segments reflects the new organizational structure based on information in "Note 6 -- Information on Business Segments" of the Notes to Unaudited

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

Condensed Consolidated Financial Statements included in this Form 10-Q, including the financial data in the tables under the headings "Net sales" and "Operating profit (loss)."

In addition, the following table displays the pretax impact of the nonrecurring and unusual items discussed earlier and the related effects on each segment's operating profit (loss) for each of the two periods presented:

	Three Months Ended March 31,	
	2000	1999
	-----	-----
	(In millions)	
Nonrecurring and Unusual Items Profit (Loss):		
Consolidated Effects		
Sales of surplus real estate	\$ 16	\$ --
Divestitures and other portfolio shaping items	(6)	--
Sale of remaining interest in L-3	--	114
	-----	-----
	\$ 10	\$114
	=====	=====
Segment Effects		
Systems Integration	\$ --	\$ --
Space Systems	17	--
Aeronautical Systems	--	--
Technology Services	(6)	--
Corporate and Other	(1)	114
	-----	-----
	\$ 10	\$114
	=====	=====

In an effort to make the following discussion of significant operating results of each business segment more understandable, the effects of these nonrecurring and unusual items discussed earlier have been excluded. The Space Systems and Aeronautical Systems segments generally include programs that are substantially larger in terms of sales and operating results than those included in the other segments. Accordingly, due to the significant number of smaller programs in the Systems Integration and Technology Services segments, the impacts of performance by individual programs typically are not as material to these segments' overall results of operations.

Systems Integration

Net sales of the Systems Integration segment decreased by seven percent in first quarter 2000 compared to the first quarter 1999. Approximately 55 percent of the decrease in 2000 was attributable to reduced volume in postal systems activities. Net sales also decreased \$55 million due to a decline in volume on the segment's aerospace electronic systems businesses. The remaining decrease is primarily attributable to timing of revenue related to tactical training systems in the United Kingdom.

Operating profit for the segment increased by one percent in the first quarter of 2000 compared to the same period in 1999. The first quarter 2000 increase is mainly attributable to the absence in 2000 of \$35 million in charges related to the Theater High Altitude Area Defense (THAAD) missile program incurred in the first quarter of 1999. These charges included a \$15 million performance penalty for the failure to intercept the target during a test firing as well as a \$20 million provision for further potential exposure related to this program. These increases were

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

partially offset by an approximate \$34 million decrease related to the volume declines in postal systems and aerospace electronics activities discussed in the preceding paragraph as well declines in certain missile defense programs due to performance issues.

Space Systems

Net sales of the Space Systems segment decreased by 12 percent in the first quarter of 2000 compared to the first quarter 1999. Approximately 67 percent of the 2000 decline in sales was attributable to a reduction in launch vehicle activity. Declines in the Proton commercial launch vehicle program were due to the timing of launches, which more than offset increases in the Atlas commercial launch vehicle program. A decline in volume related to military satellites, classified programs, and reconnaissance system activities, partially offset by increased activities in commercial satellites, contributed another \$60 million to the current year decline.

Operating profit for the segment decreased by 60 percent in the first quarter of 2000 from the comparable 1999 period. Approximately 45 percent of the segment's 2000 operating profit decrease resulted from lower volume in military satellites and classified activities as well as decreased commercial satellite performance. Additionally, approximately \$35 million of the decrease was due to market and pricing pressures related to the Atlas program. An adjustment related to a more conservative assessment of future program performance on the Titan IV program and expensing of start-up costs associated with the EELV program, offset by increases in Atlas launch volume, comprised the remainder of the first quarter 2000 decline.

Aeronautical Systems

Net sales of the Aeronautical Systems segment decreased by 27 percent in the first quarter of 2000 from the comparable period in 1999. An approximate 50 percent reduction in sales and deliveries of F-16 fighter aircraft and C-130J airlift aircraft accounted for approximately \$380 million of the current year decline in net sales. Reduction in sales on other tactical aircraft programs comprised the remainder of the first quarter 2000 decline.

Operating profit for the segment decreased by 52 percent in the first quarter of 2000 from the comparable 1999 period. Approximately 50 percent of the 2000 decline in operating profit was attributable to the Corporation's fourth quarter 1999 decision not to record profit on C-130J airlift aircraft deliveries, as a result of changes in estimates due to cost growth and reduced production rates, until further favorable progress occurs in terms of orders and cost. The aforementioned reductions in F-16 fighter aircraft deliveries and declines in volume on other tactical aircraft programs contributed approximately \$35 million to the decrease in first quarter 2000 operating profit, with the remainder of the decrease caused by reduced activities on various other military aircraft programs.

Technology Services

Net sales of the Technology Services segment increased by four percent in the first quarter of 2000 from the comparable 1999 period. Approximately \$15 million of the increase in the first quarter 2000 net sales resulted from increased volume on various federal technology services programs, primarily the Consolidated Space Operations Contract. Increased net sales in the segment's aircraft maintenance and logistics lines of business were offset by a decline in volume on certain energy related contracts due to program maturity.

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

Operating profit for the segment remained consistent in the first quarter of 2000 from the first quarter of 1999. In the first quarter of 2000, an increase of approximately \$8 million in operating profits on various federal technology services programs as well as from the segment's aircraft maintenance and logistics lines of business was entirely offset by lower profit on certain energy-related contracts and the effects of the divestiture of Lockheed Martin Hanford Company in the fourth quarter of 1999.

Corporate and Other

Net sales of the Corporate and Other segment increased by 61 percent in the first quarter of 2000 compared to the first quarter of 1999. Approximately 70 percent of the 2000 increase in net sales is attributable to the operations of LMGT and was primarily associated with the recognition of revenue on a Proton launch vehicle, which successfully launched the ACeS 1 satellite in the first quarter of 2000. Additionally, increased volume related to state and municipal services and information technology outsourcing programs contributed approximately \$30 million to the first quarter increase in net sales, with the remainder of the increase due to certain international services activities. The absence in 2000 of sales attributable to Lockheed Martin Information Management Systems' Communications Industry Services line of business and the Corporation's commercial graphics company, Real 3D, which were divested in the fourth quarter of 1999, had negligible effects on the change in first quarter 2000 net sales.

Operating profit for the first quarter 2000 decreased \$5 million from the comparable 1999 period. Operating profit for 2000 was adversely affected by approximately \$15 million of negative adjustments, primarily related to performance on an information technology-outsourcing contract and a state and municipal services contract. These decreases were partially offset by lower start-up and other operating expenses for LMGT. The absence in first quarter 2000 of losses associated with the Real 3D operating unit were offset by the absence in the first quarter 2000 of a favorable adjustment recorded by the segment's Communications Industry Services line of business in the first quarter of 1999.

LIQUIDITY AND CAPITAL RESOURCES

During the first quarter of 2000, \$482 million of cash was provided by operating activities, compared to \$153 million used for operating activities during the first quarter of 1999. This fluctuation was primarily attributable to accelerated payments received in the first quarter of 2000 on certain aircraft and space systems programs as a result of exceeding performance expectations, and reimbursements in connection with the remediation agreement related to the Burbank and Glendale properties discussed in "Note 5-- Commitments and Contingencies." Net cash used for investing activities during the first quarter of 2000 was \$114 million as compared to \$51 million provided by investing activities during the first quarter of 1999. The 2000 amount includes approximately \$84 million in cash used for additions to property, plant and equipment and approximately \$30 million of net cash used for additional investments in Astrolink International, LLC and other acquisition and divestiture activities. The 1999 amount includes the receipt of \$182 million of proceeds from the sale of L-3 common stock mentioned previously, which was partially offset by \$131 million used for additions to property, plant and equipment. Net cash used for financing activities in the first quarter of 2000 was \$290 million as compared to \$140 million during first quarter 1999. The variance between periods was primarily due to an approximate \$250 million decrease in the Corporation's total debt position, net of acquired debt,

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

during the first quarter of 2000 versus a decrease in total debt of \$61 million during the first quarter of 1999.

Total debt, including short-term borrowings, decreased by approximately \$250 million during the first quarter of 2000 from approximately \$12 billion at December 31, 1999. This decrease was primarily attributable to net repayments of short-term debt of approximately \$234 million. The Corporation's long-term debt is primarily in the form of publicly issued, fixed-rate notes and debentures. At the end of the first quarter of 2000, the Corporation held cash and cash equivalents of \$533 million, a portion of which were used to pay down its commercial paper borrowings in April 2000. Total stockholders' equity was \$6.5 billion at March 31, 2000, an increase of approximately \$114 million from the December 31, 1999 balance. This increase resulted from 2000 net earnings of \$54 million, employee stock option and ESOP activities of \$54 million, and other comprehensive income of \$50 million, partially offset by payment of dividends of \$44 million. As a result of the above factors, the Corporation's debt to total capitalization ratio decreased from 65 percent at December 31, 1999 to 64 percent at March 31, 2000.

Commercial paper borrowings outstanding at March 31, 2000 were approximately \$241 million and are supported by a short-term revolving credit facility in the amount of \$1 billion which expires on May 28, 2000, and a long-term revolving credit facility in the amount of \$3.5 billion which expires on December 20, 2001. No borrowings were outstanding under these credit facilities at March 31, 2000. Following the Corporation's issuance of \$3 billion in long-term debt securities in the fourth quarter of 1999 and based on a current assessment of its available financial resources, the Corporation has determined not to renew its \$1 billion short-term revolving credit facility and may terminate this credit facility in advance of its expiration. The Corporation will establish a letter of credit related to the sale of F-16 fighter aircraft to the UAE discussed previously.

In March 2000, the Corporation filed a shelf registration with the Securities and Exchange Commission to provide for the issuance of up to \$1 billion in debt securities. The registration statement was declared effective on April 14, 2000. Were the Corporation to issue debt securities under this shelf registration, it would expect to use the net proceeds for general corporate purposes. These purposes may include repayment of debt, working capital needs, capital expenditures, acquisitions and any other general corporate purpose.

The Corporation actively seeks to finance its business in a manner that preserves financial flexibility while minimizing borrowing costs to the extent practicable. The Corporation's management continually reviews the changing financial, market and economic conditions to manage the types, amounts and maturities of the Corporation's indebtedness. Periodically, the Corporation may refinance existing indebtedness, vary its mix of variable rate and fixed rate debt, or seek alternative financing sources for its cash and operational needs.

Cash and cash equivalents including temporary investments, internally generated cash flow from operations and other available financing resources are expected to be sufficient to meet anticipated operating, capital expenditure and debt service requirements and discretionary investment needs during the next twelve months. Consistent with the Corporation's desire to generate cash to reduce debt and invest in its core businesses, management anticipates that, subject to prevailing financial, market and economic conditions, the Corporation may continue to divest certain non-core businesses, passive equity investments and surplus properties.

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

In February 2000, the Corporation and Loral Space & Communications Ltd. (Loral Space) filed certain notices under the HSR Act with the FTC and the DOJ in connection with the Corporation's plan to convert its 45.9 million shares of Loral Space Series A Preferred Stock (the Preferred Stock) into an equal number of shares of Loral Space common stock. Effective March 31, 2000, the Corporation exercised its right to convert the Preferred Stock. Its ownership of 45.9 million shares of Loral Space common stock represents an approximate 16 percent interest in Loral Space, or 13 percent on a diluted basis.

Also in February 2000, the Corporation and Loral Space entered into an agreement which will facilitate the Corporation's ability to divest its interest in Loral Space, but in no case earlier than mid-May 2000. In connection with this agreement, in April 2000, Loral Space filed a registration statement with the Securities and Exchange Commission to register for possible sale the common shares owned by the Corporation. Loral Space has advised the Corporation that such registration statement will become effective in May 2000. The Corporation expects to divest its shares of Loral Space; however, the timing of such divestitures and the related amount of cash received will depend on market conditions.

OTHER MATTERS

The Corporation's primary exposure to market risk relates to interest rates and foreign currency exchange rates. Financial instruments held by the Corporation which are subject to interest rate risk principally include variable rate commercial paper and fixed rate long-term debt. The Corporation's long-term debt obligations are generally not callable until maturity. The Corporation may use interest rate swaps to manage its exposure to fluctuations in interest rates; however, there were no such agreements outstanding at March 31, 2000. Based on its portfolio of variable rate short-term debt and fixed rate long-term debt outstanding at March 31, 2000, the Corporation's exposure to interest rate risk is not material.

The Corporation uses forward exchange contracts to manage its exposure to fluctuations in foreign exchange rates. These contracts are designated as qualifying hedges of firm commitments or specific anticipated transactions, and related gains and losses on the contracts are recognized in income when the hedged transaction occurs. At March 31, 2000, the amounts of forward exchange contracts outstanding, as well as the amounts of gains and losses recorded during the first quarter of 2000, were not material. Based on the above, the Corporation's exposure to foreign currency exchange risk is not material. The Corporation does not hold or issue derivative financial instruments for trading purposes.

As more fully described in "Note 5 - Commitments and Contingencies" of the Notes to Unaudited Condensed Consolidated Financial Statements, the Corporation is continuing to pursue recovery of a significant portion of the unanticipated costs incurred in connection with the \$180 million fixed price contract with the U.S. Department of Energy (DOE) for the remediation of waste found in Pit 9. The Corporation has been unsuccessful to date in reaching any agreements with the DOE on cost recovery or other contract restructuring matters. In 1998, the management contractor for the project, a wholly-owned subsidiary of the Corporation, at the DOE's direction, terminated the Pit 9 contract for default. At the same time, the Corporation filed a lawsuit seeking to overturn the default termination. Subsequently, the Corporation took actions to raise the status of its request for equitable adjustment to a formal claim. Also in 1998, the management contractor, again at the DOE's direction, filed suit against the Corporation seeking recovery of approximately \$54 million previously paid to the Corporation under the Pit 9

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

contract. The Corporation is defending this action in which discovery has been pending since August 1999. In October 1999, the U.S. Court of Federal Claims stayed the DOE's motion to dismiss the Corporation's lawsuit, finding that the Court has jurisdiction. The Court ordered discovery to commence and gave leave to the DOE to convert its motion to dismiss to a motion for summary judgment if supported by discovery. The Corporation continues to assert its position in the litigation while continuing its efforts to resolve the dispute through non-litigation means.

As more fully described in Management's Discussion and Analysis in Lockheed Martin's 1999 Annual Report on Form 10-K, the Corporation is involved in two joint ventures with Russian government-owned space firms. The operations of these joint ventures include marketing Proton launch services, which are subject to a U.S.-imposed quota on the number of Russian launches of U.S. built satellites into certain orbits. The majority of customer advances received for Proton launch vehicle services is forwarded to a launch vehicle manufacturer in Russia. Significant portions of these advances would be required to be refunded to customers if launch services were not provided within the contracted time frame. At March 31, 2000, approximately \$698 million related to launches not yet provided was included in customer advances and amounts in excess of costs incurred, and approximately \$851 million of payments to the Russian manufacturer for launches not yet provided was included in inventories. At March 31, 2000, no portion of the customer advances was associated with launches in excess of the quota, and approximately \$254 million of the \$851 million of payments to the aforementioned Russian manufacturer were associated with launches in excess of the number currently allowed under the quota. Through March 31, 2000, launch services provided through these joint ventures have been in accordance with contract terms. With respect to the quota, the Corporation's ability to achieve certain of its business objectives related to launch services, satellite manufacture and telecommunications market penetration could be impaired if the limit on the number of launches imposed by the quota is not raised or eliminated. Management is working to achieve a favorable resolution to raise or eliminate the limitation on the number of Russian launches covered by the quota.

Also as more fully described in Management's Discussion and Analysis in its Form 10-K, the Corporation is involved in agreements with RD AMROSS, a Russian manufacturer of booster engines, for the development and purchase, subject to certain conditions, of up to 101 RD-180 booster engines for use in two models of the Corporation's Atlas launch vehicles. Terms of the agreements call for payments to be made to RD AMROSS upon the achievement of certain milestones in the development and manufacturing processes. Included in inventories at March 31, 2000 and December 31, 1999 were payments made under these agreements of approximately \$44 million and \$55 million, respectively.

FORWARD LOOKING STATEMENTS

This Form 10-Q contains statements which, to the extent that they are not recitations of historical fact, constitute "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). The words "estimate," "anticipate," "project," "intend," "expect," and similar expressions are intended to identify forward looking statements. All forward looking statements involve risks and uncertainties, including, without limitation, statements and assumptions with respect to future revenues, program performance and cash flows, the outcome of contingencies including litigation and environmental remediation, and

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

anticipated costs of capital investments and planned dispositions. Our operations are necessarily subject to various risks and uncertainties and, therefore, actual outcomes are dependent upon many factors, including, without limitation, our successful performance of internal plans and reorganization efforts; the timely outcome of agency actions required in order to consummate the transaction with COMSAT; government customers' budgetary constraints and the timing of awards and contracts; customer changes in short-range and long-range plans; domestic and international competition in the defense, space and commercial areas; continued development and acceptance of new products; timing and customer acceptance of product delivery and launches; product performance; performance issues with the U.S. Government, key suppliers and subcontractors; government import and export policies; termination of government contracts; the outcome of political and legal processes; the outcome of contingencies, including completion of acquisitions and divestitures, litigation and environmental remediation; legal, financial, and governmental risks related to international transactions and global needs for military and commercial aircraft and electronic systems and support; as well as other economic, political and technological risks and uncertainties. Readers are cautioned not to place undue reliance on these forward looking statements which speak only as of the date of this Form 10-Q. The Corporation does not undertake any obligation to publicly release any revisions to these forward looking statements to reflect events, circumstances or changes in expectations after the date of this Form 10-Q, or to reflect the occurrence of unanticipated events. The forward looking statements in this document are intended to be subject to the safe harbor protection provided by Sections 27A of the Securities Act and 21E of the Exchange Act.

For a discussion identifying some important factors that could cause actual results to vary materially from those anticipated in the forward looking statements, see the Corporation's Securities and Exchange Commission filings including, but not limited to, the discussion of the "Transaction Agreement with COMSAT Corporation", the discussion of "Competition and Risk" and the discussion of "Government Contracts and Regulations" on pages 3 through 6, pages 23 through 26 and pages 26 through 28, respectively, of the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1999 (Form 10-K); "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 14 through 24 of this Form 10-Q; and "Note 2 -- Transaction Agreement with COMSAT Corporation," "Note 5 -- Commitments and Contingencies," "Note 7 -- Other" and "Note 8 -- Subsequent Event" of the Notes to Unaudited Condensed Consolidated Financial Statements on pages 6 through 7, pages 8 through 10, pages 11 through 13 and page 13, respectively, of the Unaudited Condensed Consolidated Financial Statements included in this Form 10-Q.

Lockheed Martin Corporation
Part II - Other Information

Item 1. Legal Proceedings

The Corporation is a party to or has property subject to litigation and other proceedings, including matters arising under provisions relating to the protection of the environment, both as specifically described below and in the Corporation's 1999 Annual Report on Form 10-K (Form 10-K), or arising in the ordinary course of business. In the opinion of management, the probability is remote that the outcome of any such litigation or other proceedings will have a material adverse effect on the Corporation's results of operations or financial position.

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

The following describes new matters not previously disclosed as well as developments of previously reported matters that have occurred since filing of the Corporation's Form 10-K. See the "Legal Proceedings" section of the Form 10-K for a description of previously reported matters.

On February 1, 2000, the Corporation received notice that the U.S. Environmental Protection Agency (EPA) had filed a civil enforcement action alleging violations of the federal Toxic Substances Control Act (TSCA) at the Idaho National Engineering and Environmental Laboratory. The complaint, which seeks a civil penalty of approximately \$188 thousand, alleges that Lockheed Martin Idaho Technologies Company (a wholly-owned subsidiary of the Corporation) violated provisions of the PCB (polychlorinated biphenyl) Regulations promulgated by the EPA and TSCA. The Corporation is negotiating this matter with the EPA.

The Corporation has been cited by the California South Coast Air Quality Management District (SCAQMD) for allegedly mishandling asbestos-containing demolition debris at the Corporation's former aircraft manufacturing facilities in Burbank, California. In a letter dated February 10, 2000, the SCAQMD offered to settle the Notices of Violation in exchange for a civil penalty of \$315 thousand. The Corporation's demolition contractor, who was responsible for the work, was also cited and has agreed to honor its contractual indemnity to the Corporation for any penalty ultimately assessed by the SCAQMD.

Lockheed Martin Corporation
Part II - Other Information (continued)

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

At the Annual Meeting of Stockholders on April 27, 2000, the stockholders of Lockheed Martin Corporation:

- . Elected the following individuals to the Board of Directors to serve as directors until the Annual Meeting of Stockholders in 2001 and until their successors have been duly elected and qualified:

	Votes Cast For	Votes Withheld
Norman R. Augustine	341,556,635	15,412,144
Marcus C. Bennett	342,362,606	14,606,173
Lynne V. Cheney	342,984,894	13,983,885
Vance D. Coffman	339,050,523	17,918,256
James F. Gibbons	343,486,720	13,482,059
Edward E. Hood, Jr.	343,133,851	13,834,928
Caleb B. Hurtt	343,130,265	13,838,514
Gwendolyn S. King	343,006,583	13,962,196
Eugene F. Murphy	343,307,443	13,661,336
Frank Savage	333,363,362	23,605,417
James R. Ukropina	343,367,707	13,601,072
Douglas C. Yearley	343,388,069	13,580,710

- . Ratified the appointment of Ernst & Young LLP, independent auditors, to audit the consolidated financial statements of the Corporation as of and for the fiscal year ending December 31, 2000. There were 350,675,809 votes for the appointment, 4,233,773 votes against the appointment, and 2,059,197 abstentions.
- . Ratified a proposal to re-approve performance-based goals under the Lockheed Martin Corporation 1995 Omnibus Performance Award Plan. There were 334,706,822 votes for the proposal, 18,670,567 votes against the proposal, and 3,591,390 abstentions.
- . Rejected a stockholder proposal which recommended that the Board of Directors take necessary actions to ensure that future outside directors not serve for more than six years. There were 21,886,313 votes for the proposal, 284,940,927 votes against the proposal, 4,613,833 abstentions and 45,527,706 non-votes.
- . Rejected a stockholder proposal which recommended that the Board of Directors establish a committee to research and develop criteria for the bidding, acceptance and implementation of military contracts, and to report the results of its study to shareholders at the 2001 Annual Meeting of Stockholders. There were 15,628,573 votes for the proposal, 275,908,898 votes against the proposal, 19,903,602 abstentions and 45,527,706 non-votes.

Lockheed Martin Corporation
Part II - Other Information (continued)

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

1. Exhibit 10. Lockheed Martin Corporation Directors Equity Plan, as amended May 1, 2000.
2. Exhibit 12. Lockheed Martin Corporation Computation of Ratio of Earnings to Fixed Charges for the three months ended March 31, 2000.
3. Exhibit 27. Financial Data Schedule for the three months ended March 31, 2000.

(b) Reports on Form 8-K filed in the first quarter of 2000.

1. Current report on Form 8-K filed on January 31, 2000.

Item 5. Other Events

The Corporation filed information contained in its press releases dated January 27, 2000 and January 28, 2000. The January 27, 2000 press release relates to the Corporation's decision to streamline certain activities in two business areas. The January 28, 2000 press release relates to the Corporation's financial performance for fiscal year ended December 31, 1999 and a reduction in its dividend rate.

Item 7. Financial Statements and Exhibits

Lockheed Martin Corporation Press Release dated January 27, 2000.

Lockheed Martin Corporation Press Release dated January 28, 2000.

(c) Reports on Form 8-K filed subsequent to the first quarter of 2000.

1. Current report on Form 8-K filed on April 4, 2000.

Item 5. Other Events

The Corporation filed information contained in its press release dated March 10, 2000 regarding the passage of Congressional legislation related to the proposed merger with COMSAT Corporation.

Item 7. Financial Statements and Exhibits

Lockheed Martin Corporation Press Release dated March 10, 2000.

2. Current report on Form 8-K filed on April 5, 2000.

Item 5. Other Events

Lockheed Martin Corporation
Part II - Other Information (continued)

The Corporation filed information contained in its press release dated April 3, 2000 which announces the selection of Louis R. Hughes as President and Chief Operating Officer, effective April 27, 2000.

Item 7. Financial Statements and Exhibits

Lockheed Martin Press Release dated April 3, 2000.

3. Current report on Form 8-K filed on April 28, 1999.

Item 5. Other Events

The Corporation filed information contained in its press release dated April 25, 2000 concerning its results of operations for the quarter ended March 31, 2000.

Item 7. Financial Statements and Exhibits

Lockheed Martin Corporation Press Release dated April 25, 2000.

LOCKHEED MARTIN CORPORATION

SIGNATURES

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

LOCKHEED MARTIN CORPORATION

(Registrant)

Date: May 5, 2000

by: /s/Christopher E. Kubasik

Christopher E. Kubasik
Vice President and Controller
(Chief Accounting Officer)

DIRECTORS EQUITY PLAN
As Amended May 1, 2000

TABLE OF CONTENTS

ARTICLE I

TITLE, PURPOSE AND AUTHORIZED SHARES

ARTICLE II

DEFINITIONS

ARTICLE III

PARTICIPATION

3.1. Award.....A-3
3.2. Election.....A-3

ARTICLE IV

STOCK UNITS

4.1. Stock Unit Account.....A-3
4.2. Dividend Equivalents; Dividend Equivalent Stock Account.....A-3
4.3. Vesting of Stock Unit Account and Dividend Equivalent Stock Account..A-3
4.4. Distribution of Benefits.....A-4
4.5. Limitations on Rights Associated with Units.....A-4

ARTICLE V

STOCK OPTIONS

5.1. Exercise Price.....A-5
5.2. Non-transferability of Options.....A-5
5.3. Vesting; Term of Options.....A-5
5.4. Payment of Exercise Price.....A-5
5.5. Rights as Stockholder.....A-5

ARTICLE VI

ADMINISTRATION

6.1. Administration.....A-5
6.2. Decisions Final; Delegation; Reliance; and Limitation on Liability...A-5

ARTICLE VII

PLAN CHANGES AND TERMINATION

7.1. Adjustments upon Changes in Common Stock.....A-6
7.2. Amendments.....A-6
7.3. Term.....A-6
7.4. Distribution of Shares.....A-6

ARTICLE VIII

MISCELLANEOUS

8.1. Limitation on Directors' Rights.....A-6
8.2. Beneficiaries.....A-6
8.3. Corporation's Right to Withhold.....A-6
8.4. Benefits Not Assignable; Obligations Binding Upon Successors.....A-7
8.5. Governing Law; Severability.....A-7
8.6. Compliance With Laws.....A-7
8.7. Plan Construction.....A-7
8.8. Headings Not Part of Plan.....A-7

LOCKHEED MARTIN CORPORATION

DIRECTORS EQUITY PLAN

May 1, 1999
As Amended May 1, 2000

ARTICLE I
TITLE, PURPOSE AND AUTHORIZED SHARES

This Plan shall be known as "Lockheed Martin Corporation Directors Equity Plan" and shall become effective on May 1, 1999. The purpose of this Plan is to attract, motivate and retain experienced and knowledgeable directors for the Corporation and to further align their economic interests with the interests of stockholders generally. The total number of shares of Common Stock that may be delivered pursuant to awards under this Plan is 1,000,000, subject to adjustments contemplated by Section 7.1. Shares of Common Stock subject to an Option terminating or expiring for any reason prior to its exercise, and Units and Dividend Equivalents that are forfeited pursuant to the Plan, shall be available for Awards to be granted during the term of the Plan.

ARTICLE II
DEFINITIONS

The following terms shall have the meaning specified below unless the context clearly indicates otherwise:

Accounts means a Director's Stock Unit Account and Dividend Equivalent Stock Account.

Award means an award granted pursuant to Section 3.1.

Award Date means May 1 of each year, commencing in 1999 (or if May 1 falls on a weekend or holiday, the next following business day).

Beneficiary shall have the meaning specified in Section 8.2(b).

Board of Directors or Board means the Board of Directors of the Corporation.

Change in Control means:

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

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

3) Any person (as this term is used in Sections 3(a)(9) and 13(d)(3) of the Exchange Act, but excluding any person described in and satisfying the conditions of Rule 13d-1(b) (1) thereunder), becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Corporation

representing 25% or more of the combined voting power of the Corporation's then outstanding securities entitled to vote in the election of directors of the Corporation.

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

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

Code means the Internal Revenue Code of 1986, as amended.

Common Stock or Stock means shares of Common Stock of the Corporation, par value \$1.00 per share, subject to adjustments made under Section 7.1 or by operation of law.

Corporation means Lockheed Martin Corporation, a Maryland corporation, and its successors and assigns.

Director means a member of the Board of Directors of the Corporation who is not an officer or employee of the Corporation or any of its subsidiaries.

Disability means a "permanent and total disability" within the meaning of Section 22(e)(3) of the Code.

Dividend Equivalent means the amount of cash dividends or other cash distributions that would have been paid by the Corporation on Stock Units then credited to a Director's Stock Unit Account had those Stock Units been shares of common stock.

Dividend Equivalent Stock Account means the bookkeeping account maintained by the Corporation on behalf of a Director which is credited with Dividend Equivalents in the form of Stock Units in accordance with Section 4.2.

Effective Date means May 1, 1999.

Exchange Act means the Securities Exchange Act of 1934, as amended from time to time.

Fair Market Value means in the case of a Stock Unit the closing price of the Stock as reported on the composite tape of New York Stock Exchange issues on the relevant date, or, if no sale of Stock is reported for that date, the next preceding day for which there is a reported sale and in the case of an Option shall mean the fair market value of an option to buy Stock granted on the relevant day as determined using the Black Scholes option pricing methodology.

Option means a Nonqualified Stock Option to purchase shares of Common Stock with the terms and conditions as described in Article V.

Plan means the Lockheed Martin Corporation Directors Equity Plan.

Retirement means retirement from the Corporation at the expiration of a Director's term.

Stock Unit or Unit means a non-voting unit of measurement that is deemed for bookkeeping purposes to be equivalent to an outstanding share of Common Stock of the Corporation.

Stock Unit Account means the bookkeeping account maintained by the Corporation on behalf of each Director which is credited with Stock Units in accordance with Section 4.1.

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

ARTICLE III PARTICIPATION

3.1. Award. Commencing on May 1, 2000, and on each Award Date thereafter during the term of this Plan, each Director shall be granted, in the form elected by the Director pursuant to Section 3.2, one of the following Awards:

- (a) Units with a Fair Market Value of \$60,000 credited to the

Director's Stock Unit Account;
- (b) Units credited to the Director's Stock Unit Account with a Fair Market Value of \$30,000 and Options to purchase shares

of Stock with a Fair Market Value of \$30,000; or

- (c) Options to purchase shares of Stock with a Fair Market Value of \$60,000.

For purposes of this Section 3.1, Fair Market Value shall be determined on the Award Date.

3.2. Election. Prior to the Corporation's Annual Meeting of Stockholders or, in the case of a new Director, before the commencement of the Director's term of office, a Director must file an election form, as provided by the Corporation, with the Secretary of the Corporation specifying the form of the Award the Director elects to receive pursuant to Section 3.1. A Director's election shall remain in effect for Awards made in each subsequent calendar year, unless the Director files a revised election form or written revocation of the election with the Secretary of the Corporation before the subsequent Annual Meeting of Stockholders. A Director's election shall be irrevocable after the Award for a particular year is made.

ARTICLE IV STOCK UNITS

4.1. Stock Unit Account. If a Director elects the Award described in either Section 3.1(a) or 3.1(b), the Stock Unit Account of such Director shall be credited on the Award Date with either (i) Units determined pursuant to Section 3.1(a) or (ii) Units determined pursuant to Section 3.1(b).

4.2. Dividend Equivalents; Dividend Equivalent Stock Account.

(a) Allocation of Dividend Equivalents. Each Director shall be entitled to receive Dividend Equivalents on the Units credited to his or her Stock Unit Account and Dividend Equivalent Stock Account, both before and after a termination of service. The Dividend Equivalents shall be credited to the Director's Dividend Equivalent Stock Account in accordance with Section 4.2(b) below.

(b) Dividend Equivalent Stock Account. The Director's Dividend Equivalent Stock Account shall be credited with an additional number of Units determined by dividing the amount of Dividend Equivalents by the Fair Market Value of a share of Common Stock as of the date on which the dividend is paid. The Units credited to a

Director's Dividend Equivalent Stock Account shall be allocated (for purposes of distribution) in accordance with Section 4.4(b) and shall be subject to adjustment in accordance with Section 7.1.

4.3. Vesting of Stock Unit Account and Dividend Equivalent Stock Account. A Director's Units held in his or her Stock Unit Account shall vest on the first anniversary of the Award Date for such Units. A Director's Units held in his or her Dividend Equivalent Stock Account shall vest when the underlying Units in the Stock Unit Account vest. If a Director's service as a Director terminates for any reason, all nonvested Units and related Dividend Equivalents shall be forfeited. Notwithstanding the provisions of this Section 4.3, all nonvested Units and related Dividend Equivalents granted to a Director shall vest upon a Change in Control or in the event of such Director's Retirement, death or Disability.

4.4. Distribution of Benefits.

(a) Commencement of Benefits Distribution. Subject to the terms of Section 4.3 and this Section 4.4, each Director shall be entitled to receive a distribution of his or her Accounts upon a termination of service (including but not limited to a retirement or resignation) as a director of the Corporation. Benefits shall be distributed at the time or times set forth in this Section 4.4.

(b) Manner of Distribution. The benefits payable under this Section shall be distributed to the Director in a lump sum, unless the Director elects in writing (on forms provided by the Corporation) on or before the Award Date on which the Units are granted to receive a distribution of benefits in approximately equal annual installments for up to ten years. Elections with respect to any Units in the Stock Unit Account shall apply to all Dividend Equivalent Units attributable to those Stock Units, and to all Dividend Equivalent Units. Installment payments shall commence as of the date the Accounts become distributable under Section 4.4(a). The amount of each installment shall be equal to (i) the Fair Market Value of the Units allocated to Director's Stock Unit Account and Dividend Equivalent Account, on the day immediately preceding the date of payment, divided by (ii) the number of installments yet to be paid. Notwithstanding the foregoing, if the vested balance remaining in a Director's Stock Unit Account and Dividend Equivalent Stock Account is less than 50 Units, then the remaining balance shall be distributed in a lump sum in the form of cash or Stock, as previously elected by the Director. In the event of a Change in Control or a Director's termination of services as a result of death or Disability, either prior to or after the Director has terminated service, the benefits payable under this Section shall be distributed in a lump sum in cash.

(c) Form of Distribution. Stock Units shall be paid and distributed by means of a distribution of (i) an equivalent whole number of shares of Common Stock or (ii) cash in an amount equal to the Fair Market Value of an equivalent number of shares of Common Stock as of the business day immediately preceding the distribution. Any fractional interest in a Unit shall be paid in cash on final distribution. In the event of a termination of service, a Director may elect to have Stock Units credited to the Director's Stock Unit Account and Dividend Equivalent Stock Account paid and distributed in the form of cash or a combination of whole shares of Common Stock and cash by making a written election (on forms provided by the Corporation) at least six months prior to receipt by a Director of any distribution as to the percentage the Director elects to receive in the form of cash and the percentage the Director elects to receive in whole shares of Common Stock.

(d) Sub-Accounts. The Administrator shall retain sub-accounts of a Director's Accounts as may be necessary to determine which Units are subject to any distribution elections under Section 4.4(b).

(e) Limitations of Distributions. Notwithstanding anything herein to the contrary, no Units may be distributed prior to the six month anniversary of the crediting of such Units to the Director's Stock Unit Account.

4.5. Limitations on Rights Associated with Units. A Director's Accounts shall be memorandum accounts on the books of the Corporation. The Units credited to a Director's Accounts shall be used solely as a device for the determination of the number of shares of Common Stock to be distributed to such Director in accordance with this Plan. The Units shall not be treated as property or as a trust fund of any kind, and shall not create a security interest in any property although the Corporation shall reserve shares of Common Stock to satisfy its obligations under this Plan. All shares of Common Stock or other amounts attributed to the Units shall be and

remain the sole property of the Corporation, and each Director's rights in the Units is limited to the right to receive shares of Common Stock or cash in the future, in accordance with the Plan. No Director shall be entitled to any voting or other stockholder rights with respect to Units granted under this Plan. The number of Units credited under this Article shall be subject to adjustment in accordance with Section 7.1.

ARTICLE V
STOCK OPTIONS

All Options granted pursuant to the Plan shall be subject to the following terms and conditions:

5.1. Exercise Price. The exercise price of an Option shall be equal to 100% of the Fair Market Value of the Stock on the day of the grant of the Option.

5.2. Non-transferability of Options. Options shall not be assignable nor transferable by the Director otherwise than by bequest or by the laws of descent. Options shall be exercisable during the Director's lifetime only by the Director or by his or her guardian or legal representative. The designation of a Beneficiary is not a prohibited transfer.

5.3. Vesting; Term of Options. Options shall become exercisable on the day following the first anniversary of the date the Options are granted and, subject to Section 5.3, shall expire on the tenth anniversary of the date the Options are granted. Notwithstanding the provisions of this Section 5.3, upon a Change in Control or in the event a Director's service as director terminates by reason of such Director's Retirement, death or Disability, all options shall become exercisable.

5.4. Payment of Exercise Price. The Option's exercise price shall be paid in cash at the time of exercise, except that in lieu of all or part of the cash, the Director may tender Stock to the Corporation having a Fair Market Value equal to the exercise price, (less any cash paid). The Fair Market Value of tendered Stock shall be determined as of the close of the business day immediately preceding the day on which the Options are exercised.

5.5 Rights as Stockholder. A Director shall have no rights as a Common Stockholder with respect to any unissued shares of Common Stock covered by an Option until the date the Director exercises the Options and becomes the holder of record of those shares of Common Stock. Except as provided in Section 7.1, no adjustment or other provision shall be made for dividends or other stockholder rights.

ARTICLE VI
ADMINISTRATION

6.1. Administration. This Plan shall be self-executing and operated as a formula plan. To the extent necessary for the operation of the Plan, it shall be construed, interpreted and administered by the Board or a committee appointed by the Board to act on its behalf under this Plan. Notwithstanding the foregoing, but subject to Section 7.2 hereof, the Board shall have no discretionary authority with respect to the amount or price of any Award granted under this Plan and no Director shall participate in any decision relating solely to his or her benefits (other than approval of the Award).

6.2. Decisions Final; Delegation; Reliance; and Limitation on Liability. Any determination of the Board or committee made in good faith shall be conclusive. In performing its duties, the Board or the committee shall be entitled to rely on public records and on information, opinions, reports or statements prepared or presented by officers or employees of the Corporation or other experts believed to be reliable and competent. The Board or the committee may delegate ministerial, bookkeeping and other non-discretionary functions to individuals who are officers or employees of the Corporation.

Neither the Corporation nor any member of the Board, nor any other person participating in any determination of any question under this Plan, or in the interpretation, administration or application of this Plan, shall have any liability to any party for any action taken or not taken in good faith under this Plan or for the failure of an Award (or action or payment in respect of an Award) to satisfy Code requirements for realization of intended tax consequences, to qualify for exemption or relief under Rule 16b-3, or to comply with any other law, compliance with which is not required by the Corporation.

ARTICLE VII
PLAN CHANGES AND TERMINATION

7.1. Adjustments upon Changes in Common Stock. Upon the Corporation's recapitalization, stock split (including a stock split in the form of a stock dividend), reverse stock split, merger, combination, consolidation, or other reorganization or any extraordinary dividend or other extraordinary distribution in respect of the Stock (whether in the form of cash, Stock or other property), or any split-up, spin-off, extraordinary redemption, or exchange of outstanding Stock, or there shall occur any other similar corporate transaction or event in respect of the Stock, or a sale of substantially all the assets of the Corporation as an entirety, the Committee shall make a proportionate and equitable adjustment consistent with the effect of any such event on stockholders generally (but without duplication if Dividend Equivalents are credited) in the maximum number of shares of Common Stock reserved under the Plan, in the number of Units granted under the Plan, and in the number, kind and exercise price of Options granted under the Plan to prevent dilution or enlargement of the rights of Directors under the Plan and outstanding Options.

7.2. Amendments. The Board of Directors shall have the right to amend this Plan in whole or in part or to suspend or terminate this Plan. No amendment, suspension, or termination, however, may cancel or otherwise adversely affect in any way, without written consent, any Director's rights with respect to (i) Stock Units and Dividend Equivalents credited to his or her Stock Unit Account or Dividend Equivalent Stock Account or (ii) Options awarded prior to the effective date of the amendment, suspension or termination.

7.3. Term. This Plan shall remain in effect for a period of 10 years from the Effective Date, but continuance of this Plan is not a contractual obligation of the Corporation. In the event that the Board of Directors decides to terminate this Plan, it shall notify the Directors of its action in writing, and this Plan shall be terminated at the time set by the Board of Directors.

7.4. Distribution of Shares. If this Plan terminates pursuant to Section 7.2, the distribution of the Accounts of a Director shall be made at the time provided in Section 4.4 and in a manner consistent with the elections made pursuant to Section 4.4 if any.

ARTICLE VIII
MISCELLANEOUS

8.1. Limitation on Directors' Rights. Participation in this Plan shall not give any Director the right to continue to serve as a member of the Board or any rights or interests other than as provided in this Plan. No Director shall have any right to any payment or benefit except to the extent provided in this Plan. This Plan shall create only a contractual obligation of the Corporation to provide the benefits described in the Plan and shall not be construed as creating a trust. This Plan has no assets. Directors shall only have rights as general unsecured creditors of the Corporation for any amounts credited or vested and benefits payable under this Plan.

8.2. Beneficiaries.

(a) Beneficiary Designation. Upon forms provided and in accordance with procedures established by the Corporation, each Director may designate in writing (and change a designation of) the Beneficiary or Beneficiaries (as defined in Section 8.2(b)) that the Director chooses to receive the Common Stock payable under this Plan after his or her death, subject to applicable laws (including any applicable community property and probate laws).

(b) Definition of Beneficiary. A Director's "Beneficiary" or "Beneficiaries" shall be the person or persons, including a trust or trusts, validly designated by the Director or, in the absence of a valid designation, entitled by will or the laws of descent and distribution to receive the Director's benefits under this Plan in the event of the Director's death.

8.3. Corporation's Right to Withhold. The Corporation shall satisfy state or federal income tax withholding obligations, if any, arising upon distribution of a Director's Account or of shares of Stock upon the exercise of Options by reducing the number of shares of Common Stock otherwise deliverable to the Director by the

appropriate number of shares (based on the Fair Market Value on the day immediately preceding the payment) required to satisfy such tax withholding obligation. If the Corporation, for any reason, cannot satisfy the withholding obligation in accordance with the preceding sentence, the Director shall pay or provide for payment in cash of the amount of any taxes which the Corporation may be required to withhold with respect to the benefits hereunder.

8.4. Benefits Not Assignable; Obligations Binding Upon Successors. Benefits of a Director under this Plan shall not be assignable or transferable and any purported transfer, assignment, pledge or other encumbrance or attachment of any payments or benefits under this Plan, or any interest therein, other than pursuant to Section 8.2, shall not be permitted or recognized. Obligations of the Corporation under this Plan shall be binding upon successors of the Corporation.

8.5. Governing Law; Severability. The validity of this Plan or any of its provisions shall be construed, administered and governed in all respects under and by the laws of the State of Maryland. If any provisions of this instrument shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.

8.6. Compliance With Laws. This Plan and the offer, issuance and delivery of shares of Common Stock and/or the payment and deferral of compensation under this Plan are subject to compliance with all applicable federal and state laws, rules and regulations (including but not limited to state and federal reporting, registration, insider trading and other securities laws) and to such approvals by any listing agency or any regulatory or governmental authority as may, in the opinion of counsel for the Corporation, be necessary or advisable in connection therewith. Any securities delivered under this Plan shall be subject to such restrictions, and the person acquiring the securities shall, if requested by the Corporation, provide such assurances and representations to the Corporation as the Corporation may deem necessary or desirable to assure compliance with all applicable legal requirements.

8.7. Plan Construction. It is the intent of the Corporation that this Plan satisfy and be interpreted in a manner that satisfies the applicable requirements of Rule 16b-3 so that Directors will be entitled to the benefits of Rule 16b-3 or other exemptive rules under Section 16 of the Exchange Act and will not be subjected to liability thereunder. Any contrary interpretation shall be avoided.

8.8. Headings Not Part of Plan. Headings and subheadings in this Plan are inserted for reference only and are not to be considered in the construction of this Plan.

Lockheed Martin Corporation
Computation of Ratio of Earnings to Fixed Charges
for the Three Months Ended March 31, 2000
(In millions, except ratio)

Earnings	
Earnings from continuing operations before income taxes	\$ 99
Interest expense	227
Amortization of debt premium and discount, net	--
Portion of rents representative of an interest factor	17
Losses and undistributed earnings of 50% and less than 50% owned companies, net	19

Adjusted earnings from continuing operations before income taxes	\$362
	=====
Fixed Charges	
Interest expense	\$227
Amortization of debt premium and discount, net	--
Portion of rents representative of an interest factor	17
Capitalized interest	--

Total fixed charges	\$244
	=====
Ratio of Earnings to Fixed Charges	1.5
	=====

The schedule contains summary financial information extracted from the Consolidated Balance Sheet and Consolidated Statement of Operations and is qualified in its entirety by reference to such financial statements.

1,000,000

YEAR	DEC-31-2000	JAN-01-2000	MAR-31-2000
			533
		0	
		4,332	
		0	
		3,782	
	10,459		8,958
		5,372	
	29,603		
	8,297		11,411
	0		0
			400
		6,075	
29,603			5,562
	5,562		5,249
		5,249	
		13	
		0	
	227		
		99	
		45	
	54		
		0	
		0	
			0
		54	
		.14	
		.14	