
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2003 Commission file number 1-11437

LOCKHEED MARTIN CORPORATION

(Exact name of registrant as specified in its charter)

MARYLAND
(State or other jurisdiction of
incorporation or organization)

52-1893632
(I.R.S. Employer
Identification Number)

6801 ROCKLEDGE DRIVE, BETHESDA, MD

20817

(Address of principal executive officers)

(Zip Code)

(301) 897-6000

(Registrant's telephone number, including area code)

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

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

Class	Outstanding as of April 30, 2003
<u>Common stock, \$1 par value</u>	<u>450,098,028</u>

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Unaudited Condensed Consolidated Statement of Earnings**

	Three Months Ended March 31,	
	2003	2002
	<i>(In millions, except per share data)</i>	
Net sales	\$ 7,059	\$ 5,966
Cost of sales	6,587	5,528
Earnings from operations	472	438
Other income and expenses, net	33	36
	505	474
Interest expense	140	148
Earnings from continuing operations before income taxes	365	326
Income tax expense	115	102
Earnings from continuing operations	250	224
Discontinued operations	—	(6)
Net earnings	\$ 250	\$ 218
Earnings (loss) per common share		
Basic:		
Continuing operations	\$ 0.56	\$ 0.51
Discontinued operations	—	(0.01)
	\$ 0.56	\$ 0.50
Diluted:		
Continuing operations	\$ 0.55	\$ 0.50
Discontinued operations	—	(0.01)
	\$ 0.55	\$ 0.49
Cash dividends declared per common share	\$ 0.12	\$ 0.11

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

Lockheed Martin Corporation
Unaudited Condensed Consolidated Statement of Cash Flows

	Three Months Ended March	
	2003	2002
	31,	
	(In millions)	
Operating Activities:		
Net earnings	\$ 250	\$ 218
Adjustments to reconcile earnings to net cash provided by operating activities:		
Depreciation and amortization of property, plant and equipment	108	103
Amortization of contract intangibles	31	31
Changes in operating assets and liabilities:		
Receivables	(143)	108
Inventories	181	(9)
Accounts payable	(16)	(248)
Customer advances and amounts in excess of costs incurred	(16)	(13)
Other	149	238
Net cash provided by operating activities	<u>544</u>	<u>428</u>
Investing Activities:		
Expenditures for property, plant and equipment	(78)	(105)
Acquisitions / investments in affiliated companies	(159)	(78)
Proceeds from divestitures of affiliated companies	—	100
Other	5	15
Net cash used for investing activities	<u>(232)</u>	<u>(68)</u>
Financing Activities:		
Repayments related to long-term debt	(637)	(58)
Repurchases of common stock	(279)	—
Issuances of common stock	10	201
Common stock dividends	(54)	(48)
Net cash (used for) provided by financing activities	<u>(960)</u>	<u>95</u>
Net (decrease) increase in cash and cash equivalents	(648)	455
Cash and cash equivalents at beginning of period	2,738	912
Cash and cash equivalents at end of period	<u>\$ 2,090</u>	<u>\$ 1,367</u>

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

Lockheed Martin Corporation
Unaudited Condensed Consolidated Balance Sheet

	March 31, 2003	December 31, 2002
	<i>(In millions)</i>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,090	\$ 2,738
Receivables	3,798	3,655
Inventories	2,067	2,250
Deferred income taxes	1,281	1,277
Other current assets	658	706
Total current assets	9,894	10,626
Property, plant and equipment, net	3,254	3,258
Investments in equity securities	1,029	1,009
Intangible assets related to contracts and programs acquired	791	814
Goodwill	7,380	7,380
Other assets	2,667	2,671
	\$ 25,015	\$ 25,758
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,086	\$ 1,102
Customer advances and amounts in excess of costs incurred	4,526	4,542
Salaries, benefits and payroll taxes	1,117	1,272
Income taxes	179	107
Current maturities of long-term debt	607	1,365
Other current liabilities	1,398	1,433
Total current liabilities	8,913	9,821
Long-term debt	6,201	6,217
Post-retirement benefit liabilities	1,532	1,480
Pension liabilities	741	651
Other liabilities	1,789	1,724
Stockholders' equity:		
Common stock, \$1 par value per share	450	455
Additional paid-in capital	2,573	2,796
Retained earnings	4,458	4,262
Unearned ESOP shares	(42)	(50)
Accumulated other comprehensive loss	(1,600)	(1,598)
Total stockholders' equity	5,839	5,865
	\$ 25,015	\$ 25,758

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

Lockheed Martin Corporation
Notes To Unaudited Condensed Consolidated Financial Statements
March 31, 2003

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 2002 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, 2003 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 2003 presentation.

NOTE 2 – STOCK-BASED COMPENSATION

The Corporation measures compensation cost for stock-based compensation plans using the intrinsic value method of accounting as prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. The Corporation has adopted those provisions of Statement of Financial Accounting Standards (FAS) No. 123, "Accounting for Stock-Based Compensation" and FAS 148, "Accounting for Stock-Based Compensation – Transition and Disclosure," which require disclosure of the pro forma effects on net earnings and earnings per share as if compensation cost had been recognized based upon the fair value-based method at the date of grant for options awarded.

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

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

	Three Months Ended	
	2003	March 31,
		2002
	<i>(In millions, except per share data)</i>	
Net earnings:		
As reported	\$ 250	\$ 218
Fair value-based compensation cost, net of taxes	(14)	(16)
Pro forma net earnings	<u>\$ 236</u>	<u>\$ 202</u>
Basic earnings per share:		
As reported	\$ 0.56	\$ 0.50
Pro forma	0.53	0.46
Diluted earnings per share:		
As reported	\$ 0.55	\$ 0.49
Pro forma	0.52	0.45

NOTE 3 – EARNINGS PER SHARE

Basic and diluted earnings per share were computed based on net earnings. The weighted average number of common shares outstanding during the period was used in the calculation of basic earnings 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 per share.

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

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

	Three Months Ended March 31,	
	2003	2002
	(In millions, except per share data)	
Net earnings:		
Earnings from continuing operations	\$ 250	\$ 224
Discontinued operations – results of operations	—	(6)
	\$ 250	\$ 218
Average common shares outstanding:		
Average number of common shares outstanding for basic computations	448.8	437.4
Dilutive stock options – based on the treasury stock method	3.7	7.3
	452.5	444.7
Earnings (loss) per common share:		
Basic:		
Continuing operations	\$ 0.56	\$ 0.51
Discontinued operations	—	(0.01)
	\$ 0.56	\$ 0.50
Diluted:		
Continuing operations	\$ 0.55	\$ 0.50
Discontinued operations	—	(0.01)
	\$ 0.55	\$ 0.49

NOTE 4 – INVENTORIES

	March 31, 2003	December 31, 2002
	(In millions)	
Work in process, primarily related to long-term contracts and programs in progress	\$ 5,487	\$ 5,627
Work in process, commercial launch vehicles	589	594
Less customer advances and progress payments	(4,221)	(4,272)
	1,855	1,949
Other inventories	212	301
	\$ 2,067	\$ 2,250

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

Commercial launch vehicle inventories included amounts advanced to Khrunichev State Research and Production Space Center (Khrunichev), the Russian manufacturer of Proton launch vehicles and provider of related launch services, of \$347 million and \$391 million at March 31, 2003 and December 31, 2002, respectively. In addition, commercial launch vehicle inventories included amounts advanced to RD AMROSS, a joint venture between Pratt & Whitney and NPO Energomash, of \$53 million and \$61 million at March 31, 2003 and December 31, 2002, respectively, for the development and purchase, subject to certain conditions, of RD-180 booster engines used for Atlas launch vehicles.

NOTE 5 – 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, financial position or cash flows. 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 continues to negotiate with local water purveyors to implement this plan, as well as to address water supply concerns relative to perchlorate contamination. The Corporation is also coordinating with the U.S. Air Force, which is working with the aerospace and defense industry to conduct preliminary studies of the potential health effects of perchlorate exposure in connection with several sites across the country, including the Redlands site. The results of these studies are intended to assist state and federal regulators in setting appropriate action levels for perchlorates in groundwater. In January 2002, the State of California reduced its provisional standard for perchlorate concentration in water from 18 parts per billion (ppb) to 4 ppb, a move that neither industry nor the Air Force believes is supported by the current studies.

Although this provisional standard does not create any legally enforceable requirements for the Corporation at this time, the Corporation has developed a preliminary remediation plan that would meet the provisional standard if it were to become final. Because this plan entails a long lead-time for implementation, the Corporation has begun implementing this plan and has recognized the increased costs that are associated with the plan. The consolidated balance sheet at March 31, 2003 includes a liability of approximately \$185 million representing the Corporation's estimate of the remaining expenditures necessary to implement the remediation and other work at the site over the next 30 years. As at other sites, the Corporation is pursuing claims against other

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

potentially responsible parties (PRPs), including the U.S. Government, for contribution to site clean-up costs.

The Corporation has been conducting remediation activities to address soil and groundwater contamination by chlorinated solvents at its former operations in Great Neck, New York which it acquired as part of its acquisition of Loral Corporation in 1996. This work is being done pursuant to a series of orders and agreements with the New York State Department of Environmental Conservation beginning with a 1991 administrative order entered by Unisys Tactical Defense Systems, a predecessor company at the site. The remediation work associated with this site includes work performed on the site itself, as well as implementation of an off-site interim remedial measure intended to address an off-site plume of groundwater contamination that was found to be moving more rapidly than originally anticipated. Total projected future costs for the site are estimated to be approximately \$70 million through 2025. This amount is included as a liability in the consolidated balance sheet at March 31, 2003. As at other sites, the Corporation is pursuing claims against other PRPs, including the U.S. Government, for contribution to site clean-up costs.

Since 1990, the Corporation has been responding to various consent decrees and orders relating to soil and regional groundwater contamination in the San Fernando Valley associated with the Corporation's former operations in Burbank and Glendale, California. Among other things, these consent decrees and orders obligate the Corporation to construct and fund the operations of soil and groundwater treatment facilities in Burbank and Glendale, California through 2018 and 2012, respectively; however, responsibility for the long-term operation of these facilities has been assumed by the respective localities. The Corporation has been successful in limiting its financial responsibility for these activities to date to its pro rata share as a result of litigation and settlements with other PRPs. In addition, under an agreement reached with the U.S. Government in 2000, the Corporation will continue to be reimbursed in an amount equal to approximately 50% of future expenditures for certain remediation activities by the U.S. Government in its capacity as a PRP under the Comprehensive Environmental Response, Compensation and Liability Act. The Corporation has recorded a liability of approximately \$60 million representing its estimate of the total expenditures required over the remaining terms of the consent decrees and orders described above, net of the effects of the agreement.

The Corporation is involved in proceedings and potential proceedings relating to environmental matters at other facilities, including disposal of hazardous wastes and soil and water contamination. The extent of the Corporation's financial exposure cannot in all cases be reasonably determined at this time. In addition to the amounts with respect to the Redlands, Great Neck, Burbank and Glendale sites described above, a liability of approximately \$130 million for the other properties (including current operating facilities and certain facilities operated in prior years) in which an estimate of financial exposure can be determined has been recorded.

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

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

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

Waste remediation contract—In 1994, the Corporation was awarded a \$180 million fixed-price contract by the U.S. Department of Energy (DoE) for 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 it sought to remedy through submission of a request for equitable adjustment. To date, the Corporation has been unsuccessful 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. As a result, the Corporation filed a lawsuit against the DoE in the Court of Federal Claims seeking to overturn the default termination and recover its costs, which are included in inventories. Also in 1998, the management contractor, also at the DoE's direction, filed suit against the Corporation in the United States District Court for the District of Idaho seeking, among other things, recovery of approximately \$54 million previously paid to the Corporation under the Pit 9 contract. The Corporation counterclaimed seeking to overturn the default termination and recover its costs. The Corporation is defending this action which is set for trial in August 2003.

In 2001, the Court of Federal Claims granted the DoE's motion to dismiss the Corporation's complaint, finding that there was no privity of contract between the Corporation and the United States sufficient to provide the Court with jurisdiction over the dispute. On September 30, 2002, the U.S. Court of Appeals for the Federal Circuit affirmed the decision of the Court of Federal Claims. The Corporation did not appeal the decision further and will continue to seek resolution of the Pit 9 dispute through non-litigation means while preparing for trial in the Idaho proceeding.

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

NOTE 6 – INFORMATION ON BUSINESS SEGMENTS

The Corporation operates in four principal business segments: Systems Integration, Aeronautics, Space Systems and Technology Services. In the following tables of financial data, the total of the operating results of the principal business segments is reconciled to the corresponding consolidated amount. With respect to the caption “Operating profit,” the reconciling item “Unallocated Corporate (expense) income, net” includes the FAS/CAS adjustment related to pensions (see discussion below), earnings and losses from equity investments (mainly telecommunications), interest income, costs for stock-based award programs, items not considered part of management’s evaluation of segment operating performance, and Corporate costs not allocated to the operating segments as well as other miscellaneous Corporate activities. For financial statement captions other than “Operating profit,” all activities other than those pertaining to the principal business segments are included on a line item entitled “Other.”

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

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

	Three Months Ended March 31,	
	2003	2002
	(In millions)	
Selected Financial Data by Business Segment		
<u>Net sales</u>		
Systems Integration	\$ 2,203	\$ 2,088
Aeronautics	2,088	1,334
Space Systems	2,078	1,870
Technology Services	687	670
	<hr/>	<hr/>
Total business segments	7,056	5,962
Other	3	4
	<hr/>	<hr/>
	\$ 7,059	\$ 5,966
	<hr/>	<hr/>
<u>Operating profit</u>		
Systems Integration	\$ 209	\$ 207
Aeronautics	145	92
Space Systems	150	112
Technology Services	48	37
	<hr/>	<hr/>
Total business segments	552	448
Unallocated Corporate (expense) income, net ^(a)	(47)	26
	<hr/>	<hr/>
	\$ 505	\$ 474
	<hr/>	<hr/>
<u>Intersegment revenue ^(b)</u>		
Systems Integration	\$ 107	\$ 59
Aeronautics	9	7
Space Systems	31	15
Technology Services	215	188
	<hr/>	<hr/>
Total business segments	362	269
Other	18	32
	<hr/>	<hr/>
	\$ 380	\$ 301
	<hr/>	<hr/>

(a) Unallocated Corporate (expense) income, net includes the following:

	Three Months Ended March 31,	
	2003	2002
	(In millions)	
FAS/CAS adjustment	\$ (72)	\$ 50
Other	25	(24)
	<hr/>	<hr/>
	\$ (47)	\$ 26
	<hr/>	<hr/>

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

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

	March 31, 2003	December 31, 2002
<i>(In millions)</i>		
Selected Financial Data by Business Segment		
<u>Customer advances and amounts in excess of costs incurred</u>		
Systems Integration	\$ 982	\$ 836
Aeronautics	2,128	2,408
Space Systems	1,395	1,275
Technology Services	21	19
	<u>4,526</u>	<u>4,538</u>
Total business segments	4,526	4,538
Other	—	4
	<u>\$ 4,526</u>	<u>\$ 4,542</u>

NOTE 7 – OTHER

As of the end of 2002, the global telecommunications services businesses identified for divestiture in 2001 had been sold, except for Lockheed Martin Intersputnik (LMI). The Corporation reached an agreement to sell LMI in the third quarter of 2002; however, in April 2003, the agreement was terminated. The Corporation is continuing to treat LMI as a discontinued operation, as it is still holding and actively marketing the business for sale. The operating results of LMI had no impact on the statement of earnings for the first quarter of 2003. LMI was carried at estimated fair value less cost to sell at March 31, 2003, and its assets and liabilities, which represented less than 1% of the Corporation's consolidated assets and liabilities, respectively, were included in the balance sheet in other current assets and other current liabilities. Changes in the estimated fair value of LMI will be recorded in the future if appropriate.

In 2003, the Corporation issued irrevocable redemption notices to the trustees for two issuances of callable debentures totaling \$450 million. This amount was included in current maturities of long-term debt on the Corporation's balance sheet at December 31, 2002. One notice was for \$300 million of 7.875% debentures due on March 15, 2003, which were repaid on March 15, 2003. The second notice was for \$150 million of 7.75% debentures due on April 15, 2003, which were repaid on April 15, 2003. The \$150 million of 7.75% debentures was included in current maturities of long-term debt on the balance sheet at March 31, 2003. The Corporation recorded a loss, net of state income tax benefits, of \$19 million in other income and expenses related to the early repayment of the \$450 million of debt. The loss reduced net earnings for the quarter ended March 31, 2003 by \$13 million (\$0.03 per diluted share).

In December 2002, the Corporation recorded a charge, net of state income tax benefits, of \$163 million related to its investment in Space Imaging, LLC and its guarantee of up to \$150 million of Space Imaging's borrowings under a credit facility. At December 31, 2002, the Corporation's balance sheet included \$150 million in current maturities of long-term debt representing the estimated obligation under the guarantee.

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

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

The components of comprehensive income for the three months ended March 31, 2003 and 2002 consisted of the following:

	Three Months Ended March 31,	
	2003	2002
	(In millions)	
Net earnings	\$ 250	\$ 218
Other comprehensive income (loss):		
Net unrealized gain (loss) from available-for-sale investments	14	(31)
Other	(16)	(21)
	(2)	(52)
Comprehensive income	\$ 248	\$ 166

The Corporation's total interest payments were \$36 million and \$39 million for the three months ended March 31, 2003 and 2002, respectively.

The Corporation made net federal and foreign income tax payments of \$31 million, and received net federal and foreign income tax refunds of \$26 million, for the three months ended March 31, 2003 and 2002, respectively.

As disclosed in its 2002 Annual Report on Form 10-K, on a combined basis, the Corporation's investments in Intelsat, Space Imaging, United Space Alliance and Americom Asia-Pacific accounted for the majority of its total equity method investments at December 31, 2002 and equity earnings (losses) recorded for the year then ended. Summarized statement of operations information for these investees for the period ended March 31, 2003 on a combined basis is as follows: net sales—\$687 million; net earnings—\$72 million.

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

**Lockheed Martin Corporation
March 31, 2003**

Lockheed Martin Corporation is involved in the conception, research, design, development, manufacture, integration and operation of advanced technology systems, products and services. As a lead systems integrator, our products and services range from aircraft, spacecraft and launch vehicles to missiles, electronics and information systems. We have customers in both domestic and international defense and commercial markets. Our principal customers are agencies of the U.S. Government. Our main areas of focus are in the defense, space, homeland security, and government/civil information technology markets. The following discussion should be read along with our 2002 Annual Report on Form 10-K filed with the Securities and Exchange Commission, and with the unaudited condensed consolidated financial statements included in this Form 10-Q.

RESULTS OF OPERATIONS

Consolidated Results of Operations

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

Continuing Operations

Net sales for the first quarter of 2003 were \$7.1 billion, an 18% increase over the first quarter 2002 sales of \$6.0 billion. Sales increased in all business segments during the quarter ended March 31, 2003 from the comparable 2002 period.

Operating profit (earnings before interest and taxes) for the first quarter of 2003 was \$505 million, an increase of 7% from the \$474 million recorded in the comparable 2002 period. Operating profit increased in all four business segments during the quarter ended March 31, 2003 from the comparable 2002 period.

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

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

	Operating profit (loss)	Net earnings (loss)	Earnings (loss) per diluted share
<i>(In millions, except per share data)</i>			
Quarter ended March 31, 2003			
Loss on early repayment of debt ⁽¹⁾	\$ (19)	\$ (13)	\$ (0.03)
Gain on partial reversal of Space Imaging, LLC guarantee ⁽²⁾	19	13	0.03
	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0.00</u>
Quarter ended March 31, 2002			
None	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

⁽¹⁾ In the first quarter of 2003, we recognized a loss of \$19 million associated with our decision to call and prepay \$300 million of 7.875% debentures originally due 2023 and \$150 million of 7.75% debentures also originally due 2023.

⁽²⁾ In the first quarter of 2003, we recognized a gain on the partial reversal of the \$150 million fourth quarter 2002 charge related to the guarantee of our share of Space Imaging, LLC's credit facility. On March 31, 2003, we paid \$130 million when Space Imaging's borrowings under the credit facility came due. The difference of \$20 million (\$19 million after state tax), which represented the unutilized portion of the guarantee, was reversed and the guarantee eliminated.

Interest expense for the first quarter of 2003 was \$140 million, \$8 million lower than the comparable period in 2002 primarily as a result of the reduction in our long-term debt.

Our effective income tax rates for the quarters ended March 31, 2003 and 2002 were 31.5% and 31.3%, respectively. The effective rates for both periods were lower than the statutory rate of 35% primarily due to tax benefits related to export sales and the realization of tax savings initiatives.

Earnings from continuing operations for the first quarter of 2003 were \$250 million (\$0.55 per diluted share) compared to \$224 million (\$0.50 per diluted share) reported in the first quarter of 2002.

Discontinued Operations

During 2003, the telecommunications services business held for sale (LMI) had no impact on our earnings. In the first quarter of 2002, the loss from discontinued operations was \$6 million (\$0.01 per diluted share).

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Net Earnings

For the first quarter of 2003 and 2002, our net earnings were \$250 million (\$0.55 per diluted share) and \$218 million (\$0.49 per diluted share), respectively.

Discussion of Business Segments

We operate in four principal business segments: Systems Integration, Aeronautics, Space Systems and Technology Services. The Aeronautics and Space Systems segments generally include fewer programs that have much larger sales and operating results than programs included in the other segments. Therefore, due to the large number of comparatively smaller programs in the Systems Integration and Technology Services segments, the discussions of the results of operations of these business segments generally focus on lines of business within the segments. The following tables of financial information and related discussions of the results of operations of our business segments are consistent with the presentation of segment information in Note 6 to the financial statements in this Form 10-Q.

Systems Integration

Systems Integration's operating results included the following:

	Three Months Ended	
	March 31,	
	2003	2002
	<i>(In millions, except percentages)</i>	
Net sales	\$2,203	\$2,088
Operating profit	\$ 209	\$ 207
Margin	9.5%	9.9%

Net sales for Systems Integration increased by 6% for the quarter ended March 31, 2003 from the comparable 2002 period. Sales increased in all of the segment's lines of business by approximately: \$75 million at Command, Control, Communication, Computers and Intelligence (C4I), primarily due to information superiority programs; \$25 million at Naval Electronics & Surveillance Systems (NE&SS), mainly on undersea programs; and the remainder related to Systems Integration-Owego, primarily due to distribution technology programs and Missiles & Fire Control (M&FC), mainly in air defense programs.

Segment operating profit increased by 1% for the quarter ended March 31, 2003 when compared to 2002. Operating profit increases at M&FC, primarily in tactical missile programs, and C4I, mainly in information superiority programs, totaling about \$10 million on a combined basis, were partially offset by a decline at Systems Integration-Owego. The segment's 2003 margin of 9.5% was lower than the 9.9% realized in 2002 due to a

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decline in volume on mature production programs (at Owego) and higher volume on development programs (at C4I and NE&SS).

Aeronautics

Aeronautics' operating results included the following:

	Three Months Ended March 31,	
	2003	2002
	<i>(In millions, except percentages)</i>	
Net sales	\$2,088	\$ 1,334
Operating profit	\$ 145	\$ 92
Margin	6.9%	6.9%

Net sales for Aeronautics increased by 57% for the quarter ended March 31, 2003 from the comparable 2002 period. Sales increased by about \$375 million on the F-35 Joint Strike Fighter program and by about \$100 million on the F/A-22 program due to higher volume. Additional development and support activities on international F-16 programs accounted for approximately \$150 million of the sales increase. Sales also increased by about \$100 million due to higher volume on the C-130J program in the current quarter compared to the first quarter of 2002.

Segment operating profit increased by 58% for the quarter ended March 31, 2003 from the comparable 2002 period. The increase was primarily due to the higher volume on the programs described above, mainly combat aircraft programs which accounted for about \$50 million of the increase. The increase in C-130J deliveries did not impact operating profit due to the previously disclosed suspension of earnings recognition on the program.

Space Systems

Space Systems' operating results included the following:

	Three Months Ended March 31,	
	2003	2002
	<i>(In millions, except percentages)</i>	
Net sales	\$2,078	\$ 1,870
Operating profit	\$ 150	\$ 112
Margin	7.2%	6.0%

Net sales for Space Systems increased by 11% in the first quarter of 2003 from the comparable 2002 period. The increase is due to increased sales of about \$275 million in the

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government space line of business related to higher volume that more than offset a \$75 million decline in the commercial space line of business. The increase in government space was mainly due to volume increases of about \$150 million in ground systems activities, with the remainder primarily due to government satellite programs. The decrease in commercial space was driven by a nearly \$200 million decline in sales resulting from fewer commercial launches partially offset by increased sales of approximately \$125 million from one additional commercial satellite delivery.

Segment operating profit increased 34% for the quarter ended March 31, 2003 from the comparable 2002 period. The quarter-to-quarter change was due to an approximate \$75 million increase in operating profit in the government space line of business that more than offset a \$30 million decline in the commercial space line of business. Improved performance and higher volumes in government space resulted in a quarter-over-quarter increase in operating profit of \$50 million related to government satellite programs and ground systems activities, with the remainder mainly due to the Titan launch vehicle program. The operating loss from commercial launch vehicles was higher by about \$50 million primarily due to the effect of profitable launches in the prior year. Partially offsetting the higher losses in commercial launch vehicles was a \$25 million current quarter improvement in commercial satellite activities over the first quarter of 2002.

Technology Services

Technology Services' operating results included the following:

	Three Months Ended	
	March 31,	
	2003	2002
	<i>(In millions, except percentages)</i>	
Net sales	\$ 687	\$ 670
Operating profit	\$ 48	\$ 37
Margin	7.0%	5.5%

Net sales for Technology Services increased by 3% in the first quarter of 2003 from the comparable 2002 period. The growth in sales was primarily attributable to higher volume in the military aircraft and defense lines of business that resulted in a \$50 million increase in current quarter sales over the comparable 2002 period. This growth was partially offset by a combined decrease of \$35 million due to lower sales in commercial information technology programs and the NASA line of business.

Segment operating profit increased by 30% for the quarter ended March 31, 2003 from the comparable 2002 period. Operating profit increased mainly due to improved performance in information technology.

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Unallocated Corporate (Expense) Income, Net

The following table shows the components of unallocated Corporate (expense) income, net (for a discussion of the FAS/CAS adjustment and other types of items included in unallocated Corporate (expense) income, see Note 6 to the financial statements in this Form 10-Q):

	Three Months Ended March 31,	
	2003	2002
	<i>(In millions)</i>	
FAS/CAS adjustment	\$ (72)	\$ 50
Other	25	(24)
	<u>\$ (47)</u>	<u>\$ 26</u>

The following table shows the CAS funding that is included as expense in the segments' operating results, the related FAS (expense) income, and the FAS/CAS adjustment:

	Three Months Ended March 31,	
	2003	2002
	<i>(In millions)</i>	
FAS 87 (expense) income	\$ (108)	\$ 32
CAS funding and expense	(36)	(18)
	<u>\$ (72)</u>	<u>\$ 50</u>

The quarter-to-quarter change in the FAS/CAS adjustment is due to our reporting FAS pension expense in 2003 versus FAS pension income in the prior year. We disclosed in our 2002 Form 10-K that we were projecting a substantial amount of pension expense, as well as a substantial increase in CAS funding, for 2003. The amounts of FAS 87 expense and CAS funding recorded in the first quarter of 2003 represent about 20% to 25% of the total amounts we expect to record for the full year. We are currently projecting that both the FAS 87 expense and CAS funding for 2004 will increase substantially over 2003 levels, though the actual amounts will not be finalized until the end of 2003 and will depend on current market conditions as well as our judgments in selecting assumptions based on future market trends, changes in interest rates and equity market performance.

The quarter-to-quarter change in "Other" unallocated corporate (expense) income, net is primarily due to the impact of the decrease in our stock price, which lowered our stock-based award programs' deferred liabilities.

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LIQUIDITY AND CAPITAL RESOURCES

During the quarter ended March 31, 2003, \$544 million of cash was provided by operating activities, compared to \$428 million during the comparable 2002 period. Each period includes the impact of earnings from continuing operations, adjusted for non-cash depreciation and amortization, and changes in operating assets and liabilities.

Net cash used for investing activities during the quarter ended March 31, 2003 was \$232 million as compared to \$68 million used during the comparable 2002 period. Investing activities for 2003 included a \$130 million payment related to the Space Imaging guarantee (see related discussion below) and a \$23 million payment related to the 2001 acquisition of OAO Corporation consistent with the related contract. Additions to property, plant and equipment amounted to \$78 million in 2003. These outflows more than offset the proceeds from property dispositions. Investing activities for 2002 included \$113 million in proceeds from the March 2002 sale of COMSAT Mobile Communications and property dispositions, offset by a \$76 million payment related to the 2001 acquisition of OAO Corporation. Additions to property, plant and equipment amounted to \$105 million in 2002.

Net cash used for financing activities during the quarter ended March 31, 2003 was \$960 million as compared to \$95 million provided by financing during the comparable 2002 period. The 2003 amount included \$324 million for scheduled debt repayments, \$313 million in debt prepayments and an associated prepayment premium (see related discussion below), \$279 million for the repurchase of 6.3 million shares of common stock and \$54 million in dividend payments. These outflows more than offset proceeds of \$10 million from the issuance of common stock, primarily from the exercise of employee stock options. The 2002 amount included \$201 million in proceeds from the issuance of common stock, primarily from the exercise of employee stock options, partially offset by \$58 million in net debt repayments and \$48 million in dividend payments.

Total debt decreased by \$774 million during the quarter ended March 31, 2003 from approximately \$7.6 billion at December 31, 2002. This decrease was mainly attributable to the prepayment of debt, scheduled payments of debt maturities as well as the resolution of our guarantee of Space Imaging, LLC's credit facility (see related discussion below). Total stockholders' equity was \$5.8 billion at March 31, 2003, a decrease of \$26 million from the December 31, 2002 balance. This decrease resulted from stock repurchases of \$279 million, dividend payments of \$54 million and other comprehensive losses of \$2 million, partially offset by net earnings of \$250 million and employee stock option and ESOP activities of \$59 million. Our ratio of debt-to-total capitalization improved from the 56 percent reported at December 31, 2002 to 54 percent at March 31, 2003. At March 31, 2003, we held cash and cash equivalents of approximately \$2.1 billion. In the first quarter of 2003, Fitch Ratings upgraded our long-term debt rating to BBB+ with a stable outlook.

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In 2003, we issued irrevocable redemption notices to the trustees for two issuances of callable debentures totaling \$450 million. This amount was included in current maturities of long-term debt on our balance sheet at December 31, 2002. One notice was for \$300 million of 7.875% debentures due on March 15, 2023, which we repaid on March 15, 2003. The second notice was for \$150 million of 7.75% debentures due on April 15, 2023, which we repaid on April 15, 2003. We included the \$150 million of 7.75% debentures in current maturities of long-term debt on our balance sheet at March 31, 2003. We recorded a loss, net of state income tax benefits, of \$19 million in other income and expenses related to the early repayment of the \$450 million of debt. The loss reduced first quarter 2003 net earnings by \$13 million (\$0.03 per diluted share).

In December 2002, we recorded a charge, net of state income tax benefits, of \$163 million related to our investment in Space Imaging, LLC and our guarantee of up to \$150 million of Space Imaging's borrowings under a credit facility that matured on March 30, 2003. At December 31, 2002, we increased current maturities of long-term debt by \$150 million representing our estimated obligation under the guarantee. On March 31, 2003, we paid \$130 million to acquire Space Imaging's outstanding borrowings under Space Imaging's credit facility, and the guarantee was eliminated. We therefore reversed, net of state income taxes, approximately \$19 million of the charge recorded in December 2002, representing the unutilized portion of the credit facility covered by our guarantee. This gain increased first quarter 2003 net earnings by \$13 million (\$0.03 per diluted share).

At March 31, 2003, we had in place a \$1.5 billion revolving credit facility; no borrowings were outstanding. This credit facility will expire in November 2006.

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

Cash and cash equivalents, internally generated cash flow from operations and other available financing resources, including those described above, are expected to be sufficient to meet anticipated operating, capital expenditure and debt service requirements, as well as discretionary investment needs, during the next twelve months. Consistent with our desire to generate cash to reduce debt and invest in our core businesses, we expect that, depending on prevailing financial, market and economic conditions, we will continue to explore the sale of non-core businesses, passive equity investments and surplus real estate.

Realization of our investments in equity securities may be affected by an investee's ability to obtain adequate funding and execute its business plans, general market conditions, industry considerations specific to the investee's business, and/or other

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factors. The inability of an investee to obtain future funding or successfully execute its business plan could adversely affect our earnings in the periods affected by those events.

ADVANCES TO RUSSIAN MANUFACTURERS

In 1992, we entered into a joint venture with two Russian government-owned space firms to form Lockheed-Khrunichev-Energia International, Inc. (LKEI). We own 51% of LKEI. LKEI has exclusive rights to market launches of commercial, non-Russian-origin space payloads on the Proton family of rockets from a launch site in Kazakhstan. In 1995, another joint venture was formed, International Launch Services (ILS), with Lockheed Martin and LKEI each holding a 50% ownership. ILS was formed to market commercial Atlas and Proton launch services around the world. We consolidate the results of operations of LKEI and ILS into our financial statements. Contracts for launch services usually require substantial advances from the customer before the launch. Advances received from customers for Proton launch services not yet provided totaled \$374 million at March 31, 2003 and \$412 million at December 31, 2002, and were included as a liability on our balance sheet in the caption customer advances and amounts in excess of costs incurred.

A sizable percentage of the advances we receive from customers for Proton launch services are sent to Khrunichev State Research and Production Space Center (Khrunichev), the manufacturer of the launch vehicle and provider of the related launch services in Russia. If a contracted launch service is not provided, a sizeable percentage of the related advance would have to be refunded to the customer. In addition, we have previously sent advances to Khrunichev that are covered by an arrangement to reduce future launch payments from us to Khrunichev, contingent on the receipt of new orders as well as a minimum number of actual launches each year. The advances sent to Khrunichev are included on our balance sheet in inventories. Total payments to Khrunichev included in inventories at March 31, 2003 and December 31, 2002, net of reserves recorded in the fourth quarter of 2002, were \$347 million and \$391 million, respectively. Our ability to realize these amounts may be affected by the continuing overcapacity in the launch vehicle market, Khrunichev's ability to provide the launch services and the political environment in Russia. Through the end of March 2003, launch services through LKEI and ILS have been provided according to contract terms.

We have entered into an agreement with RD AMROSS, a joint venture of the Pratt & Whitney division of United Technologies Corporation and the Russian firm NPO Energomash, for the development and purchase, subject to certain conditions, of RD-180 booster engines for use in our Atlas launch vehicles. Terms of the agreement call for payments to be made to RD AMROSS upon the achievement of certain milestones in the development and manufacturing processes. Approximately \$53 million of payments made under this agreement for engines not yet delivered were included in inventories at March 31, 2003 (\$61 million at December 31, 2002).

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OTHER MATTERS

As of the end of 2002, the global telecommunications services businesses identified for divestiture in 2001 had been sold, except for Lockheed Martin Intersputnik (LMI). We reached an agreement to sell LMI in the third quarter of 2002; however, in April 2003, the agreement was terminated. We are continuing to treat LMI as a discontinued operation, as we are still holding and actively marketing the business for sale. The operating results of LMI had no impact on the statement of earnings for the first quarter of 2003. LMI was carried at estimated fair value less cost to sell at March 31, 2003, and its assets and liabilities, which represented less than 1% of our consolidated assets and liabilities, respectively, were included in our balance sheet in other current assets and other current liabilities. Changes in the estimated fair value of LMI will be recorded in the future if appropriate.

We provide products and services to NASA, including the Space Shuttle program, mainly through our Space Systems and Technology Services business segments. Work for NASA accounted for approximately 6% of our consolidated net sales in 2002, of which about one-half was related to the Space Shuttle program. We also have a 50% equity interest in United Space Alliance, LLC which provides ground processing and other operational services to the Space Shuttle program. We are continuing to work with NASA and others in the investigation of the tragic accident in February 2003 involving the Space Shuttle Columbia. We do not expect that the effects of this accident will have a material impact on our results of operations, financial position or cash flows for 2003. Pending completion of the investigation, it is too early to determine whether the accident will affect our business operations beyond 2003.

As described in Note 5 to the financial statements, we are continuing to pursue recovery of a significant portion of the unanticipated costs we incurred for a \$180 million fixed-price contract with the U.S. Department of Energy (DoE) for the remediation of waste found in Pit 9. We have been unsuccessful to date in reaching agreement with the DoE on cost recovery or other contract restructuring matters. In 1998, the management contractor for the project, a wholly-owned subsidiary of ours, at the DoE's direction, terminated the Pit 9 contract for default. We sued the DoE in the U.S. Court of Federal Claims seeking to overturn the default termination and to recover our costs. The management contractor, at the DoE's direction, sued us in the U.S. District Court in Idaho seeking, among other things, recovery of about \$54 million previously paid to us under the contract. We filed counterclaims, again seeking to overturn the default termination and recover our costs. In 2001, the Court of Federal Claims dismissed our lawsuit against the DoE, finding that we lacked privity of contract with the DoE. On September 30, 2002, the U.S. Court of Appeals for the Federal Circuit affirmed the dismissal. We did not appeal the decision further and will continue to seek resolution of the Pit 9 dispute through non-litigation means while pursuing our remedies in the Idaho proceeding, which is set for trial in August 2003.

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Item 3. Quantitative and Qualitative Disclosure of Market Risk

Our main exposure to market risk relates to interest rates and, to a lesser extent, foreign currency exchange rates. Our financial instruments that are subject to interest rate risk principally include fixed-rate long-term debt. Our long-term debt obligations are generally not callable until maturity. We sometimes use interest rate swaps to manage our exposure to fixed and variable interest rates. At the end of the first quarter of 2003, we had agreements in place to swap fixed interest rates on approximately \$720 million of our long-term debt for variable interest rates based on LIBOR. The interest rate swap agreements are designated as effective hedges of the fair value of the underlying fixed-rate debt instruments. At March 31, 2003, the fair values of interest rate swap agreements outstanding were not material. The amounts of gains and losses from changes in the fair values of the swap agreements were entirely offset by those from changes in the fair value of the associated debt obligations. The interest rate swaps create a market exposure to changes in the LIBOR rate. To the extent that the LIBOR index on which the swaps are based increases or decreases by 1%, our interest expense would increase or decrease by \$7 million on a pretax basis. Changes in swap rates would affect the market value of the agreements, but those changes in value would be offset by changes in value of the underlying debt obligations. A 1% rise in swap rates from those prevailing at March 31, 2003 would result in a decrease in market value of approximately \$9 million. A 1% decline would increase the market value by a like amount.

We use forward foreign exchange contracts to manage our exposure to fluctuations in foreign exchange rates. These contracts are designated as qualifying hedges of the cash flows associated with firm commitments or specific anticipated transactions, and related gains and losses on the contracts, to the extent they are effective hedges, are recognized in income when the hedged transaction occurs. To the extent the hedges are ineffective, gains and losses on the contracts are recognized currently. At March 31, 2003, the fair value of forward exchange contracts outstanding, as well as the amounts of gains and losses recorded during the quarter then ended, were not material. We do not hold or issue derivative financial instruments for trading purposes.

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Item 4. Controls and Procedures

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

Within 90 days prior to the date of this report, we performed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures. The evaluation was performed with the participation of senior management of each business segment and key Corporate functions, and under the supervision of the CEO and CFO. Based on the evaluation, our management, including the CEO and CFO, concluded that our disclosure controls and procedures were effective. There have been no significant changes in our internal controls or in other factors that could significantly affect internal controls after the date we completed the evaluation.

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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 the Securities Act of 1933 and the Securities Exchange Act of 1934. The words “believe,” “estimate,” “anticipate,” “project,” “intend,” “expect,” “plan,” “outlook,” “forecast” and similar expressions are intended to identify forward-looking statements. Numerous factors, including potentially the following factors, could affect the Corporation’s forward-looking statements and actual performance: the ability to obtain or the timing of obtaining future government awards; the availability of government funding and customer requirements both domestically and internationally; changes in government or customer priorities due to program reviews or revisions to strategic objectives (including changes in priorities in response to Operation Iraqi Freedom and terrorist threats, or to improve homeland security); difficulties in developing and producing operationally advanced technology systems; the level of returns on pension and retirement plan assets; the competitive environment; economic, business and political conditions both domestically and internationally; program performance and the timing of contract payments (including the ability to perform fixed-price contracts within estimated costs and considering subcontractor performance); the timing and customer acceptance of product deliveries and launches; the termination of programs or contracts for convenience by customers; the ability to achieve savings through cost-cutting and other financial management programs; government import and export policies; the ability to procure insurance to cover operational and contractual risks, including launch and satellite failures, on commercially reasonable terms; and the outcome of contingencies (including completion of acquisitions and divestitures, litigation and environmental remediation efforts).

Realization of the value of the Corporation’s investments in equity securities, or related equity earnings for a given period, may be affected by an investee’s ability to obtain adequate funding and execute its business plan, general market conditions, industry considerations specific to the investee’s business, and/or other factors.

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 discussions of “Government Contracts and Regulations” and “Risk Factors and Forward-Looking Statements” on pages 19 through 20 and pages 23 through 28, respectively, of the Corporation’s Annual Report on Form 10-K for the fiscal year ended

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December 31, 2002; “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on pages 17 through 26 of this Form 10-Q; and “Note 5 – Contingencies” and “Note 7 – Other” of the Notes to Unaudited Condensed Consolidated Financial Statements on pages 10 through 12 and pages 15 through 16, respectively, of this Form 10-Q; and Part II – Item 1, “Legal Proceedings” on pages 31 through 32 of this Form 10-Q.

PART II. OTHER INFORMATION

Lockheed Martin Corporation

Item 1. Legal Proceedings

The Corporation is a party to or has property subject to litigation and other proceedings, including matters arising under provisions relating to the protection of the environment, as described in “Note 5 – Contingencies” of the Notes to Unaudited Condensed Consolidated Financial Statements in this Form 10-Q, and in the Corporation’s 2002 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 position.

We are subject to federal and state requirements for protection of the environment, including those for discharge of hazardous materials and remediation of contaminated sites. As a result, we are a party to or have our property subject to various other lawsuits or proceedings involving environmental protection matters. Due in part to their complexity and pervasiveness, such requirements have resulted in our being involved with related legal proceedings, claims and remediation obligations. The extent of our financial exposure cannot in all cases be reasonably estimated at this time. For information regarding these matters, including current estimates of the amounts that we believe are required for remediation or clean-up to the extent estimable, see Note 5 - Contingencies on page 10 through page 12 and “Other Matters” in Management’s Discussion and Analysis of Results of Operations and Financial Condition on page 26 of this Form 10-Q.

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

As previously reported, a consolidated third amended complaint was filed against the Corporation and certain of its officers and directors in the United States District Court for

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the Central District of California, In re Lockheed Martin Corp. Securities Litigation. On March 26, 2003, the court dismissed with prejudice the complaint against the Corporation and all individual defendants in that lawsuit. Plaintiffs have filed an appeal with the United States Court of Appeals for the Ninth Circuit.

As previously reported, a federal grand jury was investigating whether hazardous waste was properly stored and handled at the Paducah Gaseous Diffusion Plant in Paducah, Kentucky. On March 19, 2003, the Department of Justice advised the Corporation that the investigation has been closed.

As previously reported, in a lawsuit filed against the Corporation in the United States District Court for the Northern District of California, Space Systems/Loral alleged our series 3000, 4000, 5000, 7000 and A2100 satellites infringed a Space Systems/Loral patent. On March 19, 2003, the court granted the Corporation's motion for summary judgment ruling that the Space Systems/Loral patent was invalid.

As previously reported, the SEC has been investigating the disclosures regarding the regulatory approval of the proposed merger between the Corporation and Northrop Grumman, which was announced in 1997 and terminated in 1998. On May 1, 2003, the SEC advised the Corporation that the investigation was closed.

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

At the Annual Meeting of Stockholders on April 24, 2003, the stockholders of Lockheed Martin Corporation:

Elected the following thirteen individuals to the Board of Directors to serve as directors until the Annual Meeting of Stockholders in 2004 and until their successors have been duly elected and qualified:

	<u>Votes Cast For</u>	<u>Votes Withheld</u>
Nolan D. Archibald	384,288,940	17,922,248
Norman R. Augustine	332,179,565	70,031,623
Marcus C. Bennett	395,328,550	6,882,638
Vance D. Coffman	394,139,272	8,071,916
Gwendolyn S. King	385,794,837	16,416,351
Douglas H. McCorkindale	395,630,985	6,580,203
Eugene F. Murphy	385,886,625	16,324,563
Joseph W. Ralston	395,232,472	6,978,716
Frank Savage	288,008,255	114,202,933
Anne Stevens	385,742,375	16,468,813
Robert J. Stevens	395,638,914	6,572,274
James R. Ukropina	385,915,658	16,295,530
Douglas C. Yearley	385,987,392	16,223,796

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- Adopted management’s proposal to approve the Lockheed Martin Corporation 2003 Incentive Performance Award Plan. There were 289,107,231 votes for the proposal, 108,930,964 votes against the proposal and 4,172,993 abstentions.
- Rejected a stockholder proposal that recommended that the Corporation furnish stockholders with an annual listing of employees and other persons acting on behalf of the Corporation (e.g., consultants) who have served in any governmental capacity in the previous five years. There were 9,416,124 votes for the proposal, 329,397,530 votes against the proposal, 15,246,379 abstentions and 48,151,155 broker non-votes.
- Rejected a stockholder proposal that recommended that the Board of Directors redeem any poison pill previously issued (if applicable) and not adopt or extend any poison pill unless such adoption or extension has been submitted to a shareholder vote. There were 156,699,943 votes for the proposal, 193,172,304 votes against the proposal, 4,305,360 abstentions and 48,033,581 broker non-votes.
- Rejected a stockholder proposal that recommended that the Board of Directors provide within six months of the annual meeting, a comprehensive report on the Corporation’s foreign sales of weapons-related products and services, including offset agreements. There were 11,290,282 votes for the proposal, 326,826,521 votes against the proposal, 15,843,235 abstentions and 48,251,150 broker non-votes.
- Rejected a stockholder proposal that recommended that the Board of Directors adopt a policy stating that the public accounting firm retained by the Corporation to provide audit services, or any affiliated company, should not also be retained to provide any management consulting services to the Corporation. There were 38,839,439 votes for the proposal, 310,846,342 votes against the proposal, 4,374,255 abstentions and 48,151,152 broker non-votes.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit 3	Bylaws of Lockheed Martin Corporation, as amended
	Amended Section 3.02 of the Bylaws to change the name of the Finance Committee to the “Strategic Affairs and Finance Committee” and revise its functions accordingly
Exhibit 10.1	Lockheed Martin Corporation 2003 Incentive Performance Award Plan (incorporated by reference to the Corporation’s 2003 Annual Proxy filed with the Securities and Exchange Commission on Schedule 14A on March 14, 2003)

Lockheed Martin Corporation

Exhibit 12	Lockheed Martin Corporation Computation of Ratio of Earnings to Fixed Charges for the three months ended March 31, 2003
Exhibit 99.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 99.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K filed in the first quarter of 2003.

1. Current report on Form 8-K filed on January 16, 2003.

The Corporation filed information concerning the change in reporting of its business segments.

(c) Reports on Form 8-K filed subsequent to the first quarter of 2003.

1. Current report on Form 8-K filed on April 22, 2003.

The Corporation furnished information contained in its press release dated April 22, 2003 related to the Corporation's financial results for quarter ended March 31, 2003.

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 8, 2003

by: /s/ Rajeev Bhalla
Rajeev Bhalla
Vice President and Controller
(Chief Accounting Officer)

Lockheed Martin Corporation

CERTIFICATION

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

1. I have reviewed this quarterly report on Form 10-Q of Lockheed Martin Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

Lockheed Martin Corporation

6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with respect to significant deficiencies and material weaknesses.

Date: May 7, 2003

/s/ Vance D. Coffman
Vance D. Coffman
Chairman and Chief Executive Officer

Lockheed Martin Corporation

CERTIFICATION

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

1. I have reviewed this quarterly report on Form 10-Q of Lockheed Martin Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

Lockheed Martin Corporation

6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with respect to significant deficiencies and material weaknesses.

Date: May 7, 2003

/s/ Christopher E. Kubasik
Christopher E. Kubasik
Senior Vice President and Chief Financial Officer

LOCKHEED MARTIN CORPORATION

BY-LAWS

Adopted August 26, 1994
(Amended February 6, 1995)
(Amended April 27, 1995)
(Amended September 28, 1995)
(Amended January 1, 1996)
(Amended January 7, 1996)
(Amended April 25, 1996)
(Amended January 23, 1997)
(Amended September 25, 1997)
(Amended October 23, 1997)
(Amended January 22, 1998)
(Amended June 26, 1998)
(Amended July 23, 1998)
(Amended April 22, 1999)
(Amended October 28, 1999)
(Amended February 24, 2000)
(Amended June 14, 2000)
(Amended April 24, 2003)

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**BYLAWS
OF
LOCKHEED MARTIN CORPORATION**

(Incorporated under the laws of Maryland, August 26, 1994, and herein referred to as the "Corporation")

**ARTICLE I
STOCKHOLDERS**

Section 1.01. ANNUAL MEETINGS. The Corporation shall hold an annual meeting of stockholders for the election of directors and the transaction of any business within the powers of the Corporation at such date during the month of April in each year as shall be determined by the Board of Directors. Subject to Article I, Section 1.11 of these Bylaws, any business of the Corporation may be transacted at such annual meeting. Failure to hold an annual meeting at the designated time shall not, however, invalidate the corporate existence or affect otherwise valid corporate acts.

Section 1.02. SPECIAL MEETINGS. At any time in the interval between annual meetings, special meetings of the stockholders may be called by the Chairman of the Board, Chief Executive Officer, or by the Board of Directors or by the Executive Committee by vote at a meeting or in writing with or without a meeting. Special meetings of stockholders shall also be called by the Secretary of the Corporation on the written request of stockholders entitled to cast at least a majority of all the votes entitled to be cast at the meeting.

Section 1.03. PLACE OF MEETINGS. All meetings of stockholders shall be held at such place within the United States as may be designated in the notice of meeting.

Section 1.04. NOTICE OF MEETINGS. Not less than thirty (30) days nor more than ninety (90) days before the date of every stockholders' meeting, the Secretary shall give to each stockholder entitled to vote at such meeting and each other stockholder entitled to notice of the meeting, written or printed notice stating the time and place of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, either by mail or by presenting it to him or her personally or by leaving it at his or her residence or usual place of business. If mailed, such notice shall be deemed to be given when deposited in the United States mail addressed to the stockholder at his or her post office address as it appears on the records of the Corporation, with postage thereon prepaid. Notwithstanding the foregoing provision for notice, a waiver of notice in writing, signed by the person or persons entitled to such notice and filed with the records of the meeting, whether before or after the holding thereof, or actual attendance at the meeting in person or by proxy, shall be deemed equivalent to the giving of such notice to such

persons. Any meeting of stockholders, annual or special, may adjourn from time to time without further notice to a date not more than one hundred twenty (120) days after the original record date at the same or some other place.

Section 1.05. CONDUCT OF MEETINGS. Each meeting of stockholders shall be conducted in accordance with such rules and procedures as the Board of Directors may determine subject to the requirements of applicable law and the Charter. The Chairman of the Board, or in his or her absence the Chief Executive Officer, or in their absence the person designated in writing by the Chairman of the Board, or if no person is so designated, then a person designated by the Board of Directors, shall preside as chairman of the meeting; if no person is so designated, then the meeting shall choose a chairman by a majority of all votes cast at a meeting at which a quorum is present. The Secretary or in the absence of the Secretary a person designated by the chairman of the meeting shall act as secretary of the meeting.

Section 1.06. QUORUM. At any meeting of stockholders, the presence in person or by proxy of stockholders entitled to cast a majority of the votes thereat shall constitute a quorum; but this section shall not affect any requirement under statute or under the Charter of the Corporation for the vote necessary for the adoption of any measure. In the absence of a quorum, the stockholders present in person or by proxy, by majority vote and without further notice, may adjourn the meeting from time to time to a date not more than 120 days after the original record date until a quorum shall attend. At any such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally notified.

Section 1.07. VOTES REQUIRED. Unless applicable law or the Charter of the Corporation provides otherwise, at a meeting of stockholders, the vote of a majority of the votes entitled to be cast at a meeting, duly called and at which a quorum is present, shall be required to take or authorize action upon any matter which may properly come before the meeting. Unless the Charter provides for a greater or lesser number of votes per share or limits or denies voting rights, each outstanding share of stock, regardless of class, shall be entitled to one vote on each matter submitted to a vote at a meeting of stockholders; but no share shall be entitled to any vote if any installment payable thereon is overdue and unpaid.

Section 1.08. PROXIES. A stockholder may vote shares of the Corporation's capital stock that are entitled to be voted and are owned of record by such stockholder either in person or by proxy in any manner permitted by Section 2-507 of the Maryland General Corporation Law, as in effect from time to time. No proxy shall be valid more than eleven (11) months after its date, unless otherwise provided in the proxy.

Section 1.09. LIST OF STOCKHOLDERS. At each meeting of stockholders, a true and complete list of all stockholders entitled to vote at such meeting, stating the number and class of shares held by each, shall be furnished by the Secretary.

Section 1.10. INSPECTORS OF ELECTION. In advance of any meeting of stockholders, the Board of Directors may appoint Inspectors of Election to act at such meeting or at

any adjournment or adjournments thereof. If such Inspectors are not so appointed or fail or refuse to act, the chairman of any such meeting, upon the demand of stockholders present in person or by proxy entitled to cast 25% of all the votes entitled to be cast at the meeting, shall make such appointments.

If there are three (3) or more Inspectors of Election, the decision, act or certificate of a majority shall be effective in all respects as the decision, act or certificate of all. The Inspectors of Election shall determine the number of shares outstanding, the voting power of each, the shares represented at the meeting, the existence of a quorum, the authenticity, validity and effect of proxies; shall receive votes, ballots, assents or consents, hear and determine all challenges and questions in any way arising in connection with the vote, count and tabulate all votes, assents and consents, and determine the result; and do such acts as may be proper to conduct the election and the vote with fairness to all stockholders. On request, the Inspectors shall make a report in writing of any challenge, question or matter determined by them, and shall make and execute a certificate of any fact found by them.

No such Inspector need be a stockholder of the Corporation.

Section 1.11. DIRECTOR NOMINATIONS AND STOCKHOLDER BUSINESS.

(a) Nominations and Stockholder Business at Annual Meetings of Stockholders. Nominations of persons for election to the Board of Directors of the Corporation and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders (i) pursuant to the Corporation's notice of meeting, (ii) by or at the direction of the Board of Directors or (iii) by any stockholder of the Corporation who was a stockholder of record at the time of giving of notice provided for in this Section 1.11(a), who is entitled to vote at the meeting and who complied with the notice procedures set forth in this Section 1.11(a).

For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (iii) of paragraph (a) of this Section 1.11, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not less than ninety (90) days nor more than one-hundred twenty (120) days prior to the first anniversary of the date of mailing of the notice for the preceding year's annual meeting; provided, however, that in the event that the date of mailing of the notice for the annual meeting is advanced or delayed by more than thirty (30) days from the anniversary date of mailing of the notice for the preceding year's annual meeting, notice by the stockholder to be timely must be so delivered not earlier than the one-hundred twentieth (120th) day prior to the date of mailing of the notice for such annual meeting and not later than the close of business on the later of the ninetieth (90th) day prior to the date of mailing of the notice for such annual meeting or the tenth (10th) day following the day on which public announcement of the date of mailing of the notice for such meeting is first made. Such stockholder's notice shall set forth (i) as to each person whom the stockholder proposes to nominate for election or reelection as a director, (A) the name, age, business address and residence address of such person, (B) the class and number of shares of capital stock of the Corporation that are beneficially owned by such person, and (C) all other information

relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A (or any successor provision) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (ii) as to any other business that the stockholder proposes to bring before the meeting, a description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder (including any anticipated benefit to the stockholder therefrom) and of each beneficial owner, if any, on whose behalf the proposal is made; and (iii) as to the stockholder giving the notice and each beneficial owner, if any, on whose behalf the nomination or proposal is made, (x) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner and (y) the class and number of shares of stock of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner.

Notwithstanding anything in this paragraph (a) of this Section 1.11 to the contrary, in the event that Section 2.02 of these Bylaws is amended, altered or repealed so as to increase or decrease the maximum or minimum number of directors and there is no public announcement of such action at least one-hundred (100) days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Section 1.11(a) shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the tenth (10th) day following the day on which such public announcement is first made by the Corporation.

(b) Director Nominations and Stockholder Business at Special Meetings of Stockholders. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected (i) pursuant to the Corporation's notice of meeting, (ii) by or at the direction of the Board of Directors or (iii) provided that the Board of Directors has determined that directors shall be elected at such special meeting, by any stockholder of the Corporation who is a stockholder of record at the time of giving of notice provided for in this Section 1.11, who is entitled to vote at the meeting and who complied with the notice procedures set forth in this Section 1.11. In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board, any such stockholder may nominate a person or persons (as the case may be) for election to such position(s) as specified in the Corporation's notice of meeting, if the stockholder's notice required by paragraph (a) of this Section 1.11 shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the one-hundred twentieth (120th) day prior to such special meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such special meeting or the tenth (10th) day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting.

(c) General. Only such persons who are nominated in accordance with the procedures set forth in this Section 1.11 and Article II, Section 2.04 shall be eligible to serve as directors

and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 1.11. The chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this Section 1.11 and, if any proposed nomination or business is not in compliance with this Section 1.11, to declare that such defective nomination or proposal be disregarded.

For purposes of this Section 1.11, (a) the “date of mailing of the notice” shall mean the date of the proxy statement for the solicitation of proxies for election of directors and (b) “public announcement” shall mean disclosure (i) in a press release reported by the Dow Jones New Service, Associated Press or comparable news service or (ii) in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Sections 13, 14 or 15(d) of the Exchange Act.

Notwithstanding the foregoing provisions of this Section 1.11, a stockholder shall also comply with all applicable requirements of state law and of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 1.11. Nothing in this Section 1.11 shall be deemed to affect any rights of stockholders to request inclusion of proposals, nor the right of the Corporation to omit a proposal from, in the Corporation’s proxy statement pursuant to Rule 14a-8 (or any successor provision) under the Exchange Act.

ARTICLE II

BOARD OF DIRECTORS

Section 2.01. POWERS. The business and affairs of the Corporation shall be managed under the direction of its Board of Directors. The Board of Directors may exercise all the powers of the Corporation, except such as are by statute or the Charter or the Bylaws conferred upon or reserved to the stockholders.

Section 2.02. NUMBER OF DIRECTORS. The number of directors of the Corporation shall be not less than twelve (12) nor more than twenty-five (25). By vote of a majority of the Board of Directors, the number of directors may be increased or decreased, from time to time, within the limits above specified; provided, however, that except as set forth in the Charter of the Corporation, the tenure of office of a director shall not be affected by any decrease in the number of directors so made by the Board.

Section 2.03. ELECTION OF DIRECTORS. Except as set forth in the Charter of the Corporation, the members of the Board of Directors shall be elected each year at the annual meeting of stockholders, and each director shall hold office until the next annual meeting of stockholders held after his or her election and until his or her successor will have been elected and qualified. No person, other than a person granted an exemption from this provision by the Board of Directors,

shall be eligible to be elected as a director for a term which expires after the first annual meeting of stockholders after he or she reaches the age of 70 years.

Section 2.04. CHAIRMAN OF THE BOARD. The Board of Directors shall designate from its membership a Chairman of the Board, who shall preside at all meetings of the stockholders and of the Board of Directors. He may sign with the Secretary or an Assistant Secretary certificates of stock of the Corporation, and he shall perform such other duties as may be prescribed by the Board of Directors.

Section 2.05. REMOVAL. Any director or the Board of Directors may be removed from office as a director at any time, but only for cause, by the affirmative vote at a duly called meeting of stockholders of at least 80% of the votes which all holders of the then outstanding shares of capital stock of the Corporation would be entitled to cast at an annual election of directors, voting together as a single class.

Section 2.06. VACANCIES. Vacancies in the Board of Directors, except for vacancies resulting from an increase in the number of directors, shall be filled only by a majority vote of the remaining directors then in office, though less than a quorum, except that vacancies resulting from removal from office by a vote of the stockholders may be filled by the stockholders at the same meeting at which such removal occurs. Vacancies resulting from an increase in the number of directors shall be filled only by a majority vote of the Board of Directors. Any director elected to fill a vacancy shall hold office until the next annual meeting of stockholders and until his or her successor will have been elected and qualified.

Section 2.07. REGULAR MEETINGS. After each meeting of stockholders at which a Board of Directors, or any class thereof, shall have been elected, the Board of Directors shall meet as soon as practicable for the purpose of organization and the transaction of other business, at such time and place within or without the State of Maryland as may be designated by the Board of Directors. Other regular meetings of the Board of Directors shall be held on such dates and at such places within or without the State of Maryland as may be designated from time to time by the Board of Directors.

Section 2.08. SPECIAL MEETINGS. Special meetings of the Board of Directors may be called at any time, at any place, and for any purpose by the Chairman of the Board, the Chief Executive Officer, the Chairman of the Executive Committee, any three (3) directors, or by any officer of the Corporation upon the request of a majority of the Board.

Section 2.09. NOTICE OF MEETINGS. Notice of the place, day, and hour of every regular and special meeting of the Board of Directors shall be given to each director twenty-four (24) hours (or more) before the meeting, by telephoning the notice to such director, or by delivering the notice to him or her personally, or by sending the notice to him or her by telegraph, or by facsimile, or by leaving the notice at his or her residence or usual place of business, or, in the alternative, by mailing such notice three (3) days (or more) before the meeting, postage prepaid, and addressed to him or her at his or her last known post office address, according to the records of the Corporation. If mailed, such notice shall be deemed to be given when deposited in the United States mail, properly addressed, with postage thereon prepaid. If notice be given by

telegram or by facsimile, such notice shall be deemed to be given when the telegram is delivered to the telegraph company or when the facsimile is transmitted. If the notice be given by telephone or by personal delivery, such notice shall be deemed to be given at the time of the communication or delivery. Unless required by these Bylaws or by resolution of the Board of Directors, no notice of any meeting of the Board of Directors need state the business to be transacted thereat. No notice of any meeting of the Board of Directors need be given to any director who attends or to any director who, in a writing executed and filed with the records of the meeting either before or after the holding thereof, waives such notice. Any meeting of the Board of Directors, regular or special, may adjourn from time to time to reconvene at the same or some other place, and no further notice need be given of any such adjourned meeting.

Section 2.10. PRESENCE AT MEETING. Members of the Board, or of any committee thereof, may participate in a meeting by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other at the same time. Participation in this manner shall constitute presence in person at the meeting.

Section 2.11. PRESIDING OFFICER AND SECRETARY AT MEETINGS. Each meeting of the Board of Directors shall be presided over by the Chairman of the Board of Directors or in his or her absence by the Chief Executive Officer or if neither is present by such member of the Board of Directors as shall be chosen by the meeting. The Secretary, or in his or her absence an Assistant Secretary, shall act as secretary of the meeting, or if no such officer is present, a secretary of the meeting shall be designated by the person presiding over the meeting.

Section 2.12. QUORUM. At all meetings of the Board of Directors, a majority of the Board of Directors shall constitute a quorum for the transaction of business. Except in cases in which it is by statute, by the Charter, or by the Bylaws otherwise provided, the vote of a majority of such quorum at a duly constituted meeting shall be sufficient to pass any measure. In the absence of a quorum, the directors present by majority vote and without notice other than by announcement may adjourn the meeting from time to time until a quorum shall be present. At any such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally notified.

Section 2.13. COMPENSATION. Directors shall not receive any stated salary for their services as Directors but, by resolution of the Board of Directors, annual retainers, fees and expenses of attendance, if any, may be provided to Directors for attendance at each annual, regular or special meeting of the Board of Directors or of any committee thereof; but nothing contained herein shall be construed to preclude any Director from serving the Corporation in any other capacity and receiving compensation therefor.

Section 2.14. VOTING OF SHARES BY CERTAIN HOLDERS. Notwithstanding any other provision of the Charter of the Corporation or these Bylaws, Title 3, Subtitle 7 of the Corporations and Associations Article of the Annotated Code of Maryland (or any successor statute) shall not apply to any acquisition by any person of shares of stock of the Corporation. This section may be repealed, in whole or in part, at any time, whether before or after an acquisition of

control shares and, upon such repeal, may, to the extent provided by any successor bylaw, apply to any prior or subsequent control share acquisition.

ARTICLE III
COMMITTEES

Section 3.01. EXECUTIVE COMMITTEE. The Board of Directors, by resolution adopted by a majority of the Board of Directors, may provide for an Executive Committee of two (2) or more directors. If provision be made for an Executive Committee, the members thereof shall be elected by the Board of Directors to serve at the pleasure of the Board of Directors. During the intervals between the meetings of the Board of Directors, the Executive Committee shall possess and may exercise such powers in the management of the business and affairs of the Corporation as may be authorized by the Board of Directors, subject to applicable law. All action by the Executive Committee shall be reported to the Board of Directors at its meeting next succeeding such action, and shall be subject to revision and alteration by the Board of Directors. Vacancies in the Executive Committee shall be filled by the Board of Directors.

Section 3.02. STRATEGIC AFFAIRS AND FINANCE COMMITTEE. The Board of Directors by resolution adopted by a majority of the Board of Directors may provide for a Strategic Affairs and Finance Committee (the "Committee") of three (3) or more directors. If provision is made for a Committee, the members of the Committee shall be elected by and serve at the pleasure of the Board of Directors. The Board of Directors shall designate a chairman from among the membership of the Committee. The Committee shall have responsibility for reviewing and recommending to the Board of Directors management's long-term strategy for the Corporation, which shall include the allocation of corporate resources. The Committee will review and recommend to the Board of Directors certain strategic decisions regarding exit from existing lines of business and entry into new lines of business, acquisitions, joint ventures, investments or dispositions of businesses and assets, and the financing of related transactions. The Committee will review the allocation of corporate resources recommended by management, including the relationship of activities and allocations with the long-term business objectives and strategic plans of the Corporation. The Committee will review the financial condition of the Corporation, the status of all benefit plans and proposed changes to the capital structure of the Corporation, including the incurrence of indebtedness and the issuance of additional equity securities, and will make related recommendations to the Board of Directors for adoption. It will also review on an annual basis the proposed capital expenditure and contributions budgets of the Corporation and make recommendations to the Board of Directors for their adoption. The Committee shall, except when such powers are by statute, the Charter or the Bylaws either reserved to the Board of Directors or delegated to another committee of the Board of Directors, possess all of the powers of the Board of Directors in the management of the strategic and financial affairs of the Corporation. All action by the Committee shall be reported to the Board of Directors at its meeting next succeeding such action and shall be subject to revision and alteration by the Board of Directors. Vacancies on the Committee shall be filled by the Board of Directors.

Section 3.03. AUDIT AND ETHICS COMMITTEE. The Board of Directors by resolution adopted by a majority of the Board of Directors shall provide for an Audit and Ethics Committee of three or more directors who are not officers or employees of the Corporation, who are free from any relationship that, in the opinion of the Board of Directors, would interfere with the exercise of the independent judgment of each member as a Committee member, and who otherwise meet financial experience requirements as interpreted by the Board of Directors. The members of the Audit and Ethics Committee shall be elected by the Board of Directors to serve at the pleasure of the Board of Directors. The Board of Directors shall designate from among the membership of the Audit and Ethics Committee a chairman. The Audit and Ethics Committee shall, except when such powers are by statute or this charter or the Bylaws either reserved to the full Board of Directors or delegated to another committee of the Board of Directors, possess and may exercise the powers of the Board of Directors relating to all accounting and auditing matters of this Corporation. The Audit and Ethics Committee shall:

- recommend to the Board of Directors the selection, retention or termination of the independent auditors, who will be ultimately accountable to the Board of Directors and the Audit and Ethics Committee of the Corporation;
- ensure that the independent auditors submit on a periodic basis to the Audit and Ethics Committee a formal written statement delineating all relationships between the independent auditor and the Corporation, be responsible for actively engaging in a dialogue with the independent auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditors, and be responsible for recommending that the Board of Directors take appropriate action in response to the independent auditors' report to satisfy itself of the independent auditors' independence;
- prior to the end of the Corporation's fiscal year shall review the scope and timing of the work to be performed and the compensation to be paid to the independent auditors selected by the Board;
- review with the Corporation's management and the independent auditors the financial accounting and reporting principles appropriate for the Corporation, the policies and procedures concerning audits, accounting and financial controls, and any recommendations to improve existing practices, and the qualifications and work of the Corporation's internal audit staff;
- require that the independent auditors advise the Audit and Ethics Committee through its Chair and the Corporation's management of any matters identified during reviews of interim quarterly financial statements which are required to be communicated to the Audit and Ethics Committee by the independent auditors under auditing standards generally accepted in the United States, and that the independent auditors provide such communication prior to the related quarterly press release or, if not practicable, prior to filing the related Form 10-Q;
- review with management and the independent auditors the financial statements to be included in the Corporation's Annual Report on Form 10-K, including the independent auditors' judgment about the quality, not just acceptability, of accounting principles, the reasonableness of significant judgments, and the clarity of the disclosures in the financial statements; and

- review with the independent auditors the results of their annual audit, their report and any other matters required to be communicated to the Audit and Ethics Committee by the independent auditors under auditing standards generally accepted in the United States.

The Audit and Ethics Committee shall also:

- review the scope of the internal audit staff's work plan for the year and, as appropriate, review significant findings and management's actions to address these findings;
- monitor compliance with the Code of Ethics and Standards of Conduct, and review and resolve all matters of concern presented to it by the Corporate Ethics Committee or the Corporate Ethics Office;
- review and monitor on a periodic basis the adequacy of the Corporation's policies and procedures with respect to environmental, health and safety laws and regulations, including the Corporation's record of compliance with such laws and regulations; and
- review with the General Counsel the status of pending claims, litigation and other legal matters on a periodic basis.

The Audit and Ethics Committee shall have the power to investigate any matter falling within its jurisdiction, and it shall also perform such other functions and exercise such other powers as may be delegated to it from time to time by the Board of Directors. The Audit and Ethics Committee shall hold four meetings each year, and shall separately meet in executive session with the Corporation's independent auditors and internal audit department representative. The Audit and Ethics Committee shall review and reassess the Audit and Ethics Committee charter at least annually and make recommendations to the Board of Directors, as appropriate. All action by the Audit and Ethics Committee shall be reported to the Board of Directors at its next meeting succeeding such action and shall be subject to revision and alteration by the Board of Directors. Vacancies in the Audit and Ethics Committee shall be filled by the Board of Directors. While the Audit and Ethics Committee has the responsibilities and powers set forth in this charter, it is not the duty of the Audit and Ethics Committee to plan or conduct audits or to determine that the Corporation's financial statements are complete and accurate and are in accordance with accounting principles generally accepted in the United States. This is the responsibility of management and the independent auditors. Nor is it the duty of the Audit and Ethics Committee to conduct investigations, to resolve disagreements, if any, between management and the independent auditors, or to assure compliance with laws and regulations and the Corporation's Code of Ethics and Business Conduct.

Section 3.04(a). MANAGEMENT DEVELOPMENT AND COMPENSATION COMMITTEE. The Board of Directors by resolution adopted by a majority of the Board of Directors may provide for a Management Development and Compensation Committee of three (3) or more directors who are not officers or employees of the Corporation. If provision is made for a

Management Development and Compensation Committee, the members of the Management and Development Compensation Committee shall be elected by the Board of Directors to serve at the pleasure of the Board of Directors. The Board of Directors shall designate from among the membership of the Management Development and Compensation Committee a chairman. The Management Development and Compensation Committee shall consider proposed candidates for senior officer positions and their development plans and recommend to the Board of Directors the compensation to be paid for services of senior elected officers of the Corporation as established by resolution of the Board of Directors from time to time. The Management Development and Compensation Committee shall appraise the performance of management and have the power to fix the compensation of all other elected officers and to approve the benefits provided by any bonus, supplemental, and special compensation plans, including pension, insurance, and health plans, but excluding performance-based executive compensation plans, and such powers as are by statute or the Charter or the Bylaws reserved to the full Board of Directors. The Management Development and Compensation Committee shall also perform such other functions and exercise such other powers as may be delegated to it from time to time by the Board of Directors. All action by the Management Development and Compensation Committee shall be reported to the Board of Directors at its meeting next succeeding such action and shall be subject to revision and alteration by the Board of Directors. Vacancies in the Management Development and Compensation Committee shall be filled by the Board of Directors.

Section 3.04(b). STOCK OPTION SUBCOMMITTEE. The Board of Directors by resolution adopted by a majority of the Board of Directors may provide for a Stock Option Subcommittee of three (3) or more directors of the Compensation Committee who meet the qualifications of an independent director under Section 162(m) of the Internal Revenue Code. If provision is made for a Stock Option Subcommittee, the members of the Stock Option Subcommittee shall be elected by the Board of Directors to serve at the pleasure of the Board of Directors. The Board of Directors shall designate from among the membership of the Stock Option Subcommittee a chairman. The Stock Option Subcommittee shall serve as the Stock Option Subcommittee of the Board and shall administer any performance-based executive compensation plan and approve awards granted thereunder. The Stock Option Subcommittee shall also perform such other functions and exercise such other powers as may be delegated to it from time to time by the Board of Directors. All action by the Stock Option Subcommittee shall be reported to the Board of Directors at its meeting next succeeding such action and shall be subject to revision and alteration by the Board of Directors. Vacancies in the Stock Option Subcommittee shall be filled by the Board of Directors.

Section 3.05. NOMINATING AND CORPORATE GOVERNANCE COMMITTEE. The Board of Directors by resolution adopted by a majority of the Board of Directors may provide for a Nominating and Corporate Governance Committee of three (3) or more Directors who are not officers or employees of the Corporation. If provision is made for a Nominating and Corporate Governance Committee, the members of the Nominating and Corporate Governance Committee shall be elected by the Board of Directors to serve at the pleasure of the Board of Directors. The Board of Directors shall designate from among the membership of the Nominating and Corporate Governance Committee a committee chairman. The Nominating and Corporate Governance Committee shall make recommendations to the Board of Directors concerning the fees and

compensation for directors, the composition of the Board including its size and the qualifications for membership, and chairpersons and members for appointment to the Board Committees. The Nominating and Corporate Governance Committee will recommend to the Board the role of the Board in the corporate governance process. The Nominating and Corporate Governance Committee shall recommend to the Board of Directors nominees for election to fill any vacancy occurring in the Board and to fill new positions created by an increase in the authorized number of directors of the Corporation. Annually the Nominating and Corporate Governance Committee shall recommend to the Board of Directors a slate of directors to serve as management's nominees for election by the stockholders at the annual meeting. Vacancies in the Nominating and Corporate Governance Committee shall be filled by the Board of Directors.

Section 3.06. OTHER COMMITTEES. The Board of Directors may by resolution provide for such other standing or special committees, composed of two (2) or more directors, and discontinue the same at its pleasure. Each such committee shall have such powers and perform such duties, not inconsistent with law, as may be assigned to it by the Board of Directors.

Section 3.07. MEETINGS OF COMMITTEES. Each committee of the Board of Directors shall fix its own rules of procedure, consistent with the provisions of any rules or resolutions of the Board of Directors governing such committee, and shall meet as provided by such rules or by resolution of the Board of Directors, and it shall also meet at the call of its chairman or any two (2) members of such committee. Unless otherwise provided by such rules or by such resolution, the provisions of the article of these Bylaws entitled the "Board of Directors" relating to the place of holding and notice required of meetings of the Board of Directors shall govern committees of the Board of Directors. A majority of each committee shall constitute a quorum thereof; provided, however, that in the absence of any member of such committee, the members thereof present at any meeting, whether or not they constitute a quorum, may appoint a member of the Board of Directors to act in the place of such absent member. Except in cases in which it is otherwise provided by the rules of such committee or by resolution of the Board of Directors, the vote of a majority of such quorum at a duly constituted meeting shall be sufficient to pass any measure.

ARTICLE IV

OFFICERS

Section 4.01. EXECUTIVE OFFICERS – ELECTION AND TERM OF OFFICE. The Executive Officers of the Corporation shall be a Chairman of the Board, who shall also be the Chief Executive Officer, a President, such number of Vice Presidents as the Board of Directors may determine, a Secretary and a Treasurer. The Chairman and Chief Executive Officer and the President shall be chosen from among the Directors. The Executive Officers shall be elected annually by the Board of Directors at its first meeting following each annual meeting of stockholders and each such officer shall hold office until the corresponding meeting of the Board of Directors in the next year and until his or her successor shall have been duly chosen and qualified or until his or her death or until he or she shall have resigned, or shall have been removed from office in the manner provided

in this Article IV. Any vacancy in any of the above offices may be filled for the unexpired portion of the term by the Board of Directors at any regular or special meeting.

Section 4.02. CHAIRMAN OF THE BOARD. The Chairman of the Board shall be the Chief Executive Officer of the Corporation and shall preside at all meetings of the stockholders and of the Board of Directors. He shall serve as a member of the Executive Committee and, in the absence of the Chairman of the Executive Committee, preside at all meetings of the Executive Committee. Subject to the authority of the Board of Directors, he shall have general charge and supervision of the business and affairs of the Corporation. He shall have the authority to sign and execute in the name of the Corporation all deeds, mortgages, bonds, contracts or other instruments. He shall have the authority to vote stock in other corporations, and he shall perform such other duties of management as may be prescribed by resolution or as otherwise may be assigned to him by the Board of Directors. He shall have the authority to delegate such authorization and power as vested in him by these Bylaws to some other officer or employee or agent of the Corporation as he shall deem appropriate.

Section 4.03. PRESIDENT. The President shall be the Chief Operating Officer of the Corporation. He or she shall have general charge and supervision of the operations of the Corporation and shall have such other powers and duties of management as from time to time may be assigned to him or her by the Board of Directors or the Chief Executive Officer.

Section 4.04. VICE PRESIDENTS. The Corporation shall have one (1) or more Vice Presidents, including Executive and Senior Vice Presidents as appropriate, as elected from time to time by the Board of Directors. The Vice Presidents shall perform such duties as from time to time may be assigned to them by the President.

Section 4.05. SECRETARY. The Secretary shall attend all meetings of the stockholders and of the Board of Directors and record all votes and minutes or proceedings, in books provided for that purpose; shall see that all notices of such meetings are duly given in accordance with the provisions of the Bylaws of the Corporation, or as required by law; may sign certificates of stock of the Corporation with the Chairman of the Board; shall be custodian of the corporate seal; shall see that the corporate seal is affixed to all documents, the execution of which, on behalf of the Corporation, under its seal, is duly authorized, and when so affixed may attest the same; and in general, shall perform all duties incident to the office of a secretary of a corporation, and such other duties as from time to time may be assigned to the Secretary by the Chairman of the Board.

Section 4.06. TREASURER. The Treasurer shall have charge of and be responsible for all funds, securities, receipts and disbursements of the Corporation, and shall deposit, or cause to be deposited, in the name of the Corporation, all monies or other valuable effects in such banks, trust companies, or other depositories as shall, from time to time, be selected by the Board of Directors; and in general, shall render such reports and perform such other duties incident to the office of a treasurer of a corporation, and such other duties as from time to time may be assigned to him or her by the President.

Section 4.07. SUBORDINATE OFFICERS. The subordinate officers shall consist of such assistant officers and agents as may be deemed desirable and as may be appointed by the Chief Executive Officer or the President. Each such subordinate officer shall hold office for such period, have such authority and perform such duties as the Chief Executive Officer or the President may prescribe.

Section 4.08. OTHER OFFICERS AND AGENTS. The Board of Directors may create such other offices and appoint or provide for the appointment of such other officers and agents, attorneys-in-fact and employees as it shall deem necessary, who shall bear such titles, have such authority, receive such compensation, and provide such security for faithful service and hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors.

Section 4.09. WHEN DUTIES OF AN OFFICER MAY BE DELEGATED. In the case of the absence or disability of an officer of the Corporation or for any other reason that may seem sufficient to the Board of Directors, the Board of Directors, or any officer designated by it, may, for the time being, delegate such officer's duties and powers to any other person.

Section 4.10. OFFICERS HOLDING TWO OR MORE OFFICES. Any two (2) of the above mentioned offices, except those of a Vice President, may be held by the same person, but no officer shall execute, acknowledge or verify any instrument in more than one capacity, if such instrument be required by law, by the Charter or by these Bylaws, to be executed, acknowledged or verified by any two (2) or more officers.

Section 4.11. COMPENSATION. The Board of Directors shall have power to fix the compensation of all officers and employees of the Corporation.

Section 4.12. RESIGNATIONS. Any officer may resign at any time by giving written notice to the Board of Directors or to the Chief Executive Officer or the Secretary of the Corporation. Any such resignation shall take effect simultaneously with or at any time subsequent to its delivery as shall be specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 4.13. REMOVAL. Any officer of the Corporation may be removed, with or without cause, by the Board of Directors, if such removal is determined in the judgment of the Board of Directors to be in the best interests of the Corporation, and any officer of the Corporation duly appointed by another officer may be removed, with or without cause, by such officer.

ARTICLE V

STOCK

Section 5.01. CERTIFICATES. Each stockholder shall be entitled to a certificate or certificates which shall represent and certify the number and kind of shares of stock owned by him

or her in the Corporation. Such certificates shall be signed by the Chairman of the Board and countersigned by the Secretary or an Assistant Secretary, and sealed with the seal of the Corporation or a facsimile of such seal. Stock certificates shall be in such form, not inconsistent with law or with the Charter, as shall be approved by the Board of Directors. When certificates for stock of any class are countersigned by a transfer agent, other than the Corporation or its employee, or by a registrar, other than the Corporation or its employee, any other signature on such certificates may be a facsimile. In case any officer of the Corporation who has signed any certificate ceases to be an officer of the Corporation, whether because of death, resignation or otherwise, before such certificate is issued, the certificate may nevertheless be issued and delivered by the Corporation as if the officer had not ceased to be such officer as of the date of its issue.

Section 5.02. TRANSFER OF SHARES. Shares of stock shall be transferable only on the books of the Corporation only by the holder thereof, in person or by duly authorized attorney, upon the surrender of the certificate representing the shares to be transferred, properly endorsed. The Board of Directors shall have power and authority to make such other rules and regulations concerning the issue, transfer and registration of certificates of stock as it may deem expedient.

Section 5.03. TRANSFER AGENTS AND REGISTRARS. The Corporation may have one (1) or more transfer agents and one (1) or more registrars of its stock, whose respective duties the Board of Directors may, from time to time, define. No certificate of stock shall be valid until countersigned by a transfer agent, if the Corporation has a transfer agent, or until registered by a registrar, if the Corporation has a registrar. The duties of transfer agent and registrar may be combined.

Section 5.04. STOCK LEDGERS. Original or duplicate stock ledgers, containing the names and addresses of the stockholders of the Corporation and the number of shares of each class held by them respectively, shall be kept at an office or agency of the Corporation in such city or town as may be designated by the Board of Directors. If no other place is so designated such original or duplicate stock ledgers shall be kept at an office or agency of the Corporation in New York, New York or Bethesda, Maryland.

Section 5.05. RECORD DATES. The Board of Directors is hereby empowered to fix, in advance, a date as the record date for the purpose of determining stockholders entitled to notice of, or to vote at, any meeting of stockholders, or stockholders entitled to receive payment of any dividend or the allotment of any rights, or in order to make a determination of stockholders for any other proper purpose. Such date in any case shall be not more than ninety (90) days and, in case of a meeting of stockholders, not less than thirty (30) days, prior to the date on which the particular action, requiring such determination of stockholders, is to be taken. If a record date is not set and the transfer books are not closed, the record date for the purpose of making any proper determination with respect to stockholders shall be fixed in accordance with applicable law.

Section 5.06. NEW CERTIFICATES. In case any certificate of stock is lost, stolen, mutilated or destroyed, the Board of Directors may authorize the issue of a new certificate in place thereof upon such terms and conditions as it may deem advisable; or the Board of Directors may delegate such power to any officer or officers or agents of the Corporation; but the Board of

Directors or such officer or officers, in their discretion, may refuse to issue such new certificate save upon the order of some court having jurisdiction in the premises.

ARTICLE VI INDEMNIFICATION

Section 6.01. INDEMNIFICATION OF DIRECTORS, OFFICERS, AND EMPLOYEES. The Corporation shall indemnify and hold harmless to the fullest extent permitted by, and under, applicable law as it presently exists and as is further set forth in Section 6.02 below or as may hereafter be amended any person who is or was a director, officer or employee of the Corporation or who is or was serving at the request of the Corporation as a director, officer or employee of another corporation or entity (including service with employee benefit plans), who by reason of this status or service in that capacity was, is, or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative, or investigative. Such indemnification shall be against all liability and loss suffered and expenses (including, but not limited to, attorneys' fees, judgments, fines, penalties, and amounts paid in settlement) actually and reasonably incurred by the individual in connection with such proceeding; provided, however, that the Corporation shall not be required to indemnify a person in connection with an action, suit or proceeding initiated by such person unless the action, suit or proceeding was authorized by the Board of Directors of the Corporation.

Section 6.02. STANDARD. Maryland General Corporation Law Section 2-418, on August 29, 1994, provided generally that a corporation may indemnify any individual made a party to a proceeding by reason of service on behalf of the corporation unless it is established that:

- (i) The act or omission of the individual was material to the matter giving rise to the proceeding; and
 - (1) Was committed in bad faith; or
 - (2) Was the result of active and deliberate dishonesty; or
- (ii) The individual actually received an improper personal benefit in money, property, or services; or
- (iii) In the case of any criminal proceeding, the individual had reasonable cause to believe that the act or omission was unlawful.

Section 6.03. ADVANCE PAYMENT OF EXPENSES. The Corporation shall pay or reimburse reasonable expenses in advance of a final disposition of the proceeding and without requiring a preliminary determination of the ultimate entitlement to indemnification provided that the individual first provides the Corporation with: (a) a written affirmation of the individual's good faith belief that the individual meets the standard of conduct necessary for indemnification under the laws of the State of Maryland; and (b) a written undertaking by or on behalf of the individual to

repay the amount advanced if it shall ultimately be determined that the applicable standard of conduct has not been met.

Section 6.04. GENERAL. The Board of Directors, by resolution, may authorize the management of the Corporation to act for and on behalf of the Corporation in all matters relating to indemnification within any such limits as may be specified from time to time by the Board of Directors, all consistent with applicable law.

The rights conferred on any person by this Article VI shall not be exclusive of any other rights which such person may have or hereafter acquire under any statute, provision of the Charter of the Corporation, these Bylaws, agreement, vote of the stockholders or disinterested directors or otherwise.

Repeal or modification of this Article VI or the relevant law shall not affect adversely any rights or obligations then existing with respect to any facts then or theretofore existing or any action, suit or proceeding theretofore or thereafter brought or threatened based in whole or in part upon any such facts.

ARTICLE VII SUNDRY PROVISIONS

Section 7.01. SEAL. The corporate seal of the Corporation shall bear the name of the Corporation and the words “Incorporated 1994 Maryland” and “Corporate Seal.”

Section 7.02. VOTING OF STOCK IN OTHER CORPORATIONS. Any shares of stock in other corporations or associations, which may from time to time be held by the Corporation, may be represented and voted at any of the stockholders’ meetings thereof by the Chairman or President of the Corporation or by proxy or proxies appointed by the Chairman or President of the Corporation. The Board of Directors or Chairman, however, may by resolution or delegation appoint some other person or persons to vote such shares, in which case such person or persons shall be entitled to vote such shares upon the production of a certified copy of such resolution or delegation.

Section 7.03. AMENDMENTS. The Board of Directors shall have the exclusive power, at any regular or special meeting thereof, to make and adopt new Bylaws, or to amend, alter, or repeal any Bylaws of the Corporation, provided such revisions are not inconsistent with the Charter or statute.

Lockheed Martin Corporation
Computation of Ratio of Earnings to Fixed Charges
For the Three Months Ended March 31, 2003
(In millions, except ratio)

Earnings	
Earnings from continuing operations before income taxes	\$ 365
Interest expense	140
Losses (undistributed earnings) of 50% and less than 50% owned companies, net	(21)
Portion of rents representative of an interest factor	11
Amortization of debt premium and discount, net	—
	<hr/>
Adjusted earnings from continuing operations before income taxes	\$ 495
	<hr/>
Fixed Charges	
Interest expense	\$ 140
Portion of rents representative of an interest factor	11
Amortization of debt premium and discount, net	—
Capitalized interest	—
	<hr/>
Total fixed charges	\$ 151
	<hr/>
Ratio of Earnings to Fixed Charges	3.3
	<hr/>

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Lockheed Martin Corporation (the "Corporation") on Form 10-Q for the period ended March 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Vance D. Coffman, Chairman and Chief Executive Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

/s/ Vance D. Coffman

Vance D. Coffman
Chairman and Chief Executive Officer
May 7, 2003

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

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Lockheed Martin Corporation (the "Corporation") on Form 10-Q for the period ended March 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christopher E. Kubasik, Senior Vice President and Chief Financial Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

/s/ Christopher E. Kubasik

Christopher E. Kubasik
Senior Vice President and Chief Financial Officer
May 7, 2003

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