

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

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

FOR QUARTER ENDED SEPTEMBER 30, 1998 COMMISSION FILE NUMBER 1-11437

LOCKHEED MARTIN CORPORATION

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

MARYLAND 52-1893632

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

6801 ROCKLEDGE DRIVE, BETHESDA, MD 20817

(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES) (ZIP CODE)

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

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

YES X NO

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

CLASS OUTSTANDING AS OF OCTOBER 15, 1998

COMMON STOCK, \$1 PAR VALUE 196,256,267

LOCKHEED MARTIN CORPORATION
FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 1998

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LOCKHEED MARTIN CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF EARNINGS
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1998	1997	1998	1997
(In millions, except per share data)				
Net sales	\$6,349	\$6,619	\$19,086	\$20,191
Cost of sales	5,653	5,942	17,135	18,221
	-----	-----	-----	-----
Earnings from operations	696	677	1,951	1,970
Other income and expenses, net	34	70	105	143
	-----	-----	-----	-----
Interest expense	730	747	2,056	2,113
	221	213	655	615
	-----	-----	-----	-----
Earnings before income taxes	509	534	1,401	1,498
Income tax expense	191	203	525	569
	-----	-----	-----	-----
Net earnings	\$ 318	\$ 331	\$ 876	\$ 929
	=====	=====	=====	=====
Earnings per common share:				
Basic	\$ 1.69	\$ 1.70	\$ 4.67	\$ 4.78
	=====	=====	=====	=====
Diluted	\$ 1.67	\$ 1.51	\$ 4.61	\$ 4.28
	=====	=====	=====	=====
Cash dividends declared per common share	\$.40	\$.40	\$ 1.20	\$ 1.20
	=====	=====	=====	=====

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

LOCKHEED MARTIN CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

Nine Months Ended
September 30,
1998 1997

(In millions)

CASH FLOWS FROM OPERATING ACTIVITIES:

Net earnings	\$ 876	\$ 929
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	744	780
Changes in operating assets and liabilities	(913)	(1,478)
	-----	-----
Net cash provided by operating activities	707	231
	-----	-----

CASH FLOWS FROM INVESTING ACTIVITIES:

Additions to properties, net of purchased operations	(477)	(535)
Divestiture of L-3 Companies	--	464
Divestiture of Armament Systems and Defense Systems	--	450
Other acquisition, investment and divestiture activities	127	(70)
	-----	-----
Net cash (used for) provided by investing activities	(350)	309
	-----	-----

CASH FLOWS FROM FINANCING ACTIVITIES:

Net increase (decrease) in short-term borrowings	699	(98)
Net repayments related to long-term debt	(651)	(133)
Issuances of common stock	58	71
Common stock dividends	(229)	(225)
Preferred stock dividends	--	(45)
Final settlement for redemption of preferred stock	(51)	--
	-----	-----
Net cash used for financing activities	(174)	(430)
	-----	-----
Net increase in cash and cash equivalents	183	110
Cash and cash equivalents at beginning of period	--	--
	-----	-----
Cash and cash equivalents at end of period	\$ 183	\$ 110
	=====	=====

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

LOCKHEED MARTIN CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEET
(UNAUDITED)

	September 30, 1998	December 31, 1997
	-----	-----
	(In millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 183	\$ --
Receivables	5,127	5,009
Inventories	4,340	3,144
Deferred income taxes	1,196	1,256
Other current assets	768	696
	-----	-----
Total current assets	11,614	10,105
Property, plant and equipment	3,608	3,669
Intangible assets related to contracts and programs acquired	1,461	1,566
Cost in excess of net assets acquired	9,664	9,856
Other assets	3,415	3,165
	-----	-----
	\$29,762	\$28,361
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,077	\$ 1,234
Customer advances and amounts in excess of costs incurred	4,308	3,644
Salaries, benefits and payroll taxes	931	924
Income taxes	661	364
Short-term borrowings	1,193	494
Current maturities of long-term debt	579	876
Other current liabilities	1,373	1,653
	-----	-----
Total current liabilities	10,122	9,189
Long-term debt	10,183	10,528
Post-retirement benefit liabilities	1,958	1,982
Other liabilities	1,491	1,486
Stockholders' equity:		
Common stock, \$1 par value per share	195	194
Additional paid-in capital	194	25
Retained earnings	5,812	5,173
Unearned ESOP shares	(193)	(216)
	-----	-----
Total stockholders' equity	6,008	5,176
	-----	-----
	\$29,762	\$28,361
	=====	=====

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

LOCKHEED MARTIN CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 1998
(UNAUDITED)

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles 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 filed with the Securities and Exchange Commission on March 19, 1998 in its 1997 Annual Report on Form 10-K. 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 and nine months ended September 30, 1998 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 1998 presentation.

NOTE 2 - TRANSACTION AGREEMENT WITH COMSAT CORPORATION

On September 20, 1998, the Corporation and Comsat Corporation (Comsat) announced that they had entered into an Agreement and Plan of Merger (the Merger Agreement) to combine the companies in a two-phase transaction with a total estimated value of approximately \$2.7 billion (the Merger). The Merger Agreement has been approved by the respective Boards of Directors of the Corporation and Comsat. In connection with the first phase of this transaction, the Corporation commenced a cash tender offer (the Tender Offer) on September 25, 1998, to purchase up to 49 percent of the outstanding shares of common stock of Comsat on the date of the purchase at a price of \$45.50 per share, with an estimated value of \$1.3 billion. The second phase of the transaction, which will result in consummation of the Merger, will be accomplished by an exchange of 0.5 shares of Lockheed Martin common stock for each share of Comsat common stock at an estimated value of \$1.4 billion.

The consummation of the Tender Offer is subject to, among other things, the approval of the Merger by the stockholders of Comsat and certain regulatory approvals. This first phase of the transaction is expected to close in the first half of 1999 and, upon closing, the Corporation will account for its investment in Comsat under the equity method of accounting. Consummation of the Merger is subject to, among other things, the enactment of legislation necessary to allow Lockheed Martin to acquire the remaining shares of Comsat common stock and certain additional regulatory approvals. The Merger is expected to be completed by the end of 1999 and, upon consummation, will be accounted for under the purchase method of accounting. If the Tender Offer is consummated but the necessary legislation is not enacted or the additional regulatory approvals are not obtained, each as required for consummation of the Merger, the Corporation will not be able to achieve all of its objectives with respect to the Comsat transaction and will be unable to exercise control over Comsat.

NOTE 3 - EARNINGS PER SHARE

Effective December 31, 1997, the Corporation adopted Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings Per Share." Accordingly, all prior period earnings per share data presented have been restated to conform to the provisions of the new standard.

In November 1997, Lockheed Martin exchanged all of the outstanding capital stock of its wholly-owned subsidiary, LMT Sub, for all of the outstanding Series A preferred stock held by General Electric Company (GE) and certain subsidiaries of GE. The Series A preferred stock, which was originally issued to GE in connection with the acquisition of GE's aerospace businesses in 1993, was convertible into approximately

LOCKHEED MARTIN CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)
(UNAUDITED)

29 million shares of Lockheed Martin common stock. LMT Sub was composed of two non-core commercial business units which contributed approximately five percent of the Corporation's 1997 net sales, Lockheed Martin's investment in a telecommunications partnership, and approximately \$1.6 billion in cash, which was initially financed through the issuance of commercial paper; however, \$1.4 billion was subsequently refinanced with a note, due November 17, 2002 and bearing interest at 6.04%, from Lockheed Martin to LMT Sub. During the second quarter of 1998, the final determination of the closing net worth of the businesses exchanged was completed, resulting in a payment of \$51 million from the Corporation to MRA Systems, Inc. (formerly LMT Sub). This final settlement payment did not impact the gain previously recorded on the transaction. Subsequently, the remainder of the cash included in the transaction was refinanced with a note for \$210 million, due November 17, 2002 and bearing interest at 5.73%, from Lockheed Martin to MRA Systems, Inc.

Basic earnings per share were computed based on net earnings, less the dividend requirement for preferred stock for the 1997 periods. The weighted average number of common shares outstanding during the period was used in this calculation. Diluted earnings per share were computed based on net earnings, and the weighted average number of common shares outstanding was increased, for this calculation, by the dilutive effect of stock options based on the treasury stock method and, for the 1997 periods, by the assumed conversion of preferred stock.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1998	1997	1998	1997

(In millions, except per share data)				
Net earnings applicable to common stock:				

Net earnings	\$ 318	\$ 331	\$ 876	\$ 929
Dividends on preferred stock	-	(15)	-	(45)
	-----	-----	-----	-----
Net earnings applicable to common stock for basic earnings per share	318	316	876	884
Dividends on preferred stock	-	15	-	45
	-----	-----	-----	-----
Net earnings applicable to common stock for diluted earnings per share	\$ 318	\$ 331	\$ 876	\$ 929
	=====	=====	=====	=====
Average common shares outstanding:				

Average number of common shares outstanding for basic earnings per share	188.6	185.9	187.7	184.9
Assumed conversion of the Series A preferred stock	-	28.9	-	28.9
Dilutive stock options based on the treasury stock method	2.0	2.8	2.4	3.1
	-----	-----	-----	-----
Average number of common shares outstanding for diluted earnings per share	190.6	217.6	190.1	216.9
	=====	=====	=====	=====

LOCKHEED MARTIN CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1998	1997	1998	1997
	(In millions, except per share data)			
Basic earnings per share:				

Net earnings	\$1.69	\$1.78	\$4.67	\$5.02
Dividends on preferred stock	-	(.08)	-	(.24)
	-----	-----	-----	-----
Earnings per share	\$1.69	\$1.70	\$4.67	\$4.78
	=====	=====	=====	=====
Diluted earnings per share:				

Net earnings	\$1.67	\$1.51	\$4.61	\$4.28
	=====	=====	=====	=====

On October 22, 1998, the Board of Directors of the Corporation authorized a two-for-one split of the Corporation's common stock. The stock split will be in the form of a stock dividend; therefore, stockholders of record on December 1, 1998, will receive one additional share for each share of the Corporation's common stock held. The new shares will be issued on December 31, 1998. Subsequent to the consummation of the stock split, all references to shares of common stock and per share amounts will be restated to reflect the stock split. This will result in modification of the exchange ratio contemplated by the Merger Agreement between the Corporation and Comsat from 0.5 shares of Lockheed Martin common stock for each share of Comsat common stock, as previously announced, to one share of Lockheed Martin common stock for each share of Comsat common stock.

In addition, the Corporation's Board of Directors approved an increase to the cash dividend per share of common stock to \$.44 per share, or \$1.76 annually, on a pre-stock split basis. The increased dividend will be effective for dividends declared beginning in the fourth quarter of 1998.

NOTE 4 - INVENTORIES

	September 30, 1998	December 31, 1997
	(In millions)	
Work in process, primarily related to long-term contracts and programs in progress	\$ 6,230	\$ 5,155
Less customer advances and progress payments	(2,496)	(2,805)
	-----	-----
Other inventories	3,734	2,350
	606	794
	-----	-----
	\$ 4,340	\$ 3,144
	=====	=====

Included in work in process are approximately \$725 million and \$490 million of advances as of September 30, 1998 and December 31, 1997, respectively, to foreign subcontractors, Khrunichev Enterprise and R D AMROSS, a joint venture between Pratt & Whitney and NPO Energomash, for the manufacture of launch vehicles and related launch services.

LOCKHEED MARTIN CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)
(UNAUDITED)

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 or financial position. These matters include the following items:

Environmental matters -- In 1991, the Corporation entered into a consent decree with the U.S. Environmental Protection Agency (EPA) relating to certain property in Burbank, California, which obligated the Corporation to design and construct facilities to monitor, extract, and treat groundwater, and to operate and maintain such facilities for approximately eight years. The Corporation has now entered a follow-on consent decree with the EPA which obligates the Corporation to fund the continued operation and maintenance of these facilities through the year 2018. The Corporation estimates that expenditures required to comply with the consent decrees over their remaining terms will be approximately \$110 million.

The Corporation has also been operating under a cleanup and abatement order from the California Regional Water Quality Control Board (the Regional Board) affecting its facilities in Burbank, California. This order requires site assessment and action to abate groundwater contamination by a combination of groundwater and soil cleanup and treatment. Based on experience derived from initial remediation activities, the Corporation estimates the anticipated costs of these actions in excess of the requirements under the EPA consent decrees to approximate \$60 million over the remaining term of the project.

The Corporation is responding to three administrative orders issued by 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 work, and the Corporation is negotiating with local water purveyors to implement this plan, as well as to address water supply concerns relative to perchlorate contamination. The Corporation estimates that expenditures required to implement work currently approved will be approximately \$110 million. Finally, the Corporation is coordinating with the U.S. Air Force, which is conducting preliminary studies of the potential health effects of exposure to perchlorates in connection with several sites across the country, including the Redlands site. The results of these studies will determine the extent of the Corporation's clean-up obligation, if any, with respect to perchlorates.

In addition, the Corporation is involved in other proceedings and potential proceedings relating to environmental matters, including disposal of hazardous wastes and soil and water contamination. The extent of the Corporation's financial exposure cannot in all cases be reasonably estimated at this time. A liability of approximately \$260 million for those cases in which an estimate of financial exposure can be determined has been recorded.

Under an agreement with the U.S. Government, the Burbank groundwater treatment and soil remediation expenditures referenced above are being allocated to the Corporation's operations as general and administrative costs and, under existing government regulations, these and other environmental expenditures related to U.S. Government business, after deducting any recoveries from insurance or other potentially

LOCKHEED MARTIN CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)
(UNAUDITED)

responsible parties, are allowable in establishing the prices of the Corporation's products and services. As a result, a substantial portion of the expenditures are being reflected in the Corporation's sales and cost of sales pursuant to U.S. Government agreement or regulation. Though the Defense Contract Audit Agency has questioned certain elements of the Corporation's practices with respect to the aforementioned agreement, no formal action has been initiated, and it is management's opinion that the treatment of these environmental costs is appropriate and consistent with the terms of such agreement. The Corporation has recorded an asset for the portion of environmental costs that are probable of future recovery in pricing of the Corporation's products and services for U.S. Government business. The portion that is expected to be allocated to commercial business has been reflected in cost of sales. The recorded amounts do not reflect the possible future recovery of portions of the environmental costs through insurance policy coverage or from other potentially responsible parties, which the Corporation is pursuing as required by agreement and U.S. Government regulation. Any such recoveries, when received, would reduce the Corporation's liability as well as the allocated amounts to be included in the Corporation's U.S. Government sales and cost of sales.

Waste remediation contract -- In 1994, the Corporation was awarded a \$180 million fixed price contract by the U.S. Department of Energy (DOE) for the Phase II design, construction and limited test of remediation facilities, and the Phase III full remediation of waste found in Pit 9, located on the Idaho National Engineering and Environmental Laboratory reservation. The Corporation has incurred significant unanticipated costs and scheduling issues due to complex technical and contractual matters which threaten the viability of the overall Pit 9 program. Management completed its investigation to identify and quantify the overall effect of these matters, and summarized its findings in a request for equitable adjustment (REA) which was delivered to the DOE on March 31, 1997. The provisions of the REA included, but were not limited to, the recovery of a portion of unanticipated costs incurred by the Corporation and the restructuring of the contract to provide for a more equitable sharing of the risks associated with the Pit 9 project. The Corporation wrote a series of letters to the DOE seeking technical direction, including an accurate inventory of the Pit 9 contents. No direction was provided. To better focus the Corporation's management resources on resolving these issues, the management and reporting structure of the Pit 9 program were changed in September 1997; however, the Corporation has been unsuccessful in reaching any agreements with the DOE on cost recovery or other contract restructuring matters. Starting in May 1997, the Corporation reduced work activities at the Pit 9 site.

On February 27, 1998, the Corporation received a cure notice alleging that certain actions taken by the Corporation were conditions endangering performance of the Pit 9 contract. The notice advised that, unless these conditions were cured within 30 days, the contract might be terminated for default. The Corporation believed (and continues to believe) that termination for default was neither permissible under the Pit 9 contract nor warranted under the circumstances and, on April 13, 1998, submitted its reply to the cure notice setting forth its rationale for these positions. On June 1, 1998, despite the Corporation's reply, the DOE, through Lockheed Martin Idaho Technologies Company (LMITCO), its management contractor, terminated the Pit 9 contract for default. On that same date, the Corporation filed a lawsuit against the DOE in the U.S. Court of Federal Claims in Washington, D.C., challenging and seeking to overturn the default termination. The Government has not yet responded to the suit. Additionally, on July 21, 1998, the Corporation withdrew the REA previously submitted to the DOE in March 1997 and replaced it with a certified REA. This action resulted from the DOE's dissatisfaction with the uncertified nature of the original REA. The certified REA is similar in substance to the REA previously submitted, but its certification, based upon more detailed factual and contractual analysis, raises its status to that of a formal claim. It is anticipated that the DOE will require several months to consider this certified REA. On August 11, 1998, LMITCO, at the DOE's direction, filed suit against the Corporation in U.S. Federal District Court in Boise, Idaho, seeking recovery of approximately \$54 million previously paid by LMITCO to the Corporation under the Pit 9 contract. The

LOCKHEED MARTIN CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)
(UNAUDITED)

Corporation intends to resist this action while continuing to pursue its certified REA. The parties in both lawsuits have obtained extensions of time to file their respective responses to complaints included therein; such responses are expected to be filed during the fourth quarter of 1998. The Corporation continues to assert its position in the litigation while continuing efforts to resolve the dispute through non-litigation means.

NOTE 6 - OTHER

On July 3, 1997, the Corporation and Northrop Grumman Corporation (Northrop Grumman) announced that they had entered into an Agreement and Plan of Merger (the Merger Agreement) to combine the companies (the Merger). Under the terms of the Merger Agreement, which was approved by the respective Boards of Directors of the Corporation and Northrop Grumman, Northrop Grumman would become a wholly-owned subsidiary of Lockheed Martin. The Merger Agreement provided for its termination, and therefore termination of the Merger, by action of the Board of Directors of either the Corporation or Northrop Grumman if the Merger had not been consummated by March 31, 1998. In July 1998, the Board of Directors of Lockheed Martin terminated the Merger Agreement, thereby terminating the Merger.

In March 1997, the Corporation executed a definitive agreement valued at approximately \$525 million to reposition 10 non-core business units as a new independent company, L-3 Communications Corporation (L-3), in which the Corporation retained a 34.9 percent ownership interest at closing. These business units, primarily composed of high-technology, product-oriented companies, contributed approximately two percent of the Corporation's net sales during the three month period ended March 31, 1997. The transaction, which closed on April 30, 1997 with an effective date of March 30, 1997, did not have a material impact on the Corporation's earnings. During May 1998, L-3 completed an Initial Public Offering resulting in the issuance of an additional 6.9 million shares of its common stock to the public. This transaction resulted in a reduction in the Corporation's ownership to approximately 25 percent, and the recognition of a pretax gain of \$18 million in other income and expenses. The gain increased net earnings by \$12 million, or \$.06 per diluted share.

In September 1998, the Corporation recorded an adjustment in the Space & Strategic Missiles segment which resulted from a significant improvement in the Atlas II launch vehicle program related to the retirement of program and technical risk based upon a current evaluation of the program's historical performance. This change in estimate increased pretax earnings by \$120 million, net of state income taxes, and increased net earnings by \$78 million, or \$.41 per diluted share.

Commercial paper borrowings of approximately \$2.2 billion were outstanding at September 30, 1998. Of this amount, \$1 billion has been classified as long-term debt in the Corporation's condensed consolidated balance sheet based on management's ability and intention to maintain this debt outstanding for at least one year. During May 1998, the Corporation increased the amount of its short-term revolving credit facility, which matures on May 28, 1999, from \$1.5 billion to \$2.5 billion. The Corporation's long-term revolving credit facility in the amount of \$3.5 billion, which matures on December 20, 2001, remains unchanged.

The Corporation's total interest payments were \$550 million and \$498 million for the nine months ended September 30, 1998 and 1997, respectively.

The Corporation's federal and foreign income tax payments, net of refunds received, were \$155 million and \$909 million for the nine months ended September 30, 1998 and 1997, respectively.

LOCKHEED MARTIN CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)
(UNAUDITED)

Effective January 1, 1998, the Corporation adopted SFAS No. 130, "Reporting Comprehensive Income." SFAS No. 130 establishes new rules for reporting and disclosure of comprehensive income, which is composed of net earnings and certain items of other comprehensive income as defined in the Statement, for all periods presented; however, the adoption of SFAS No. 130 had no impact on the Corporation's net earnings or stockholders' equity. The components of other comprehensive income, both individually and in the aggregate, were not material for the three month and nine month periods ended September 30, 1998 and 1997.

In June 1997, the Financial Accounting Standards Board (FASB) issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." SFAS No. 131 establishes standards for the way in which publicly-held companies report financial and descriptive information about their operating segments in financial statements for both interim and annual periods. The Statement also requires additional disclosures with respect to products and services, geographic areas of operation and major customers. The Statement is effective for fiscal years beginning after December 15, 1997; however, application is not required for interim periods in 1998. The adoption of SFAS No. 131 will have no impact on the number or composition of the Corporation's reported business segments, or on its consolidated results of operations, cash flows or financial position, but is expected to increase the level of disclosure of segment information.

In March 1998, the American Institute of Certified Public Accountants (AICPA) issued Statement of Position (SOP) No. 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." The SOP is effective for fiscal years beginning after December 15, 1998, and will require the capitalization of certain costs incurred in connection with developing or obtaining software for internal use after the date of adoption. The Corporation is in the process of analyzing and assessing the impact of this SOP, and plans to adopt effective January 1, 1999. Although the adoption of this SOP is expected to affect the timing of future cash flows under contracts with the U.S. Government, management does not currently expect its adoption will have a material effect on the Corporation's consolidated results of operations, cash flows or financial position.

In April 1998, the AICPA issued SOP No. 98-5, "Reporting on the Costs of Start-Up Activities." SOP No. 98-5 provides authoritative guidance on accounting and financial reporting related to costs of start-up activities. This SOP requires that, at the effective date of adoption, costs of start-up activities previously capitalized be expensed and reported as a cumulative effect of a change in accounting principle, and further requires that such costs subsequent to adoption be expensed as incurred. SOP No. 98-5 is effective for fiscal years beginning after December 15, 1998. Management currently estimates that the amount of the after-tax cumulative effect adjustment to be recognized upon the adoption of the SOP will be between \$300 million and \$400 million. The Corporation is continuing to analyze and assess the timing of the adoption and its impact on the Corporation's consolidated results of operations and financial position.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 provides authoritative guidance on accounting and financial reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives), and for hedging activities. The Statement requires the recognition of all derivatives as either assets or liabilities in the consolidated balance sheet, and the periodic measurement of those instruments at fair value. The classification of gains and losses resulting from changes in the fair values of derivatives is dependent on the intended use of the derivative and its resulting designation, as further defined in the Statement. SFAS No. 133 requires adoption no later than January 1, 2000, but early adoption is allowed, and initial application must be as of the beginning of a fiscal quarter. Additionally, the Statement

LOCKHEED MARTIN CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)
(UNAUDITED)

cannot be applied retroactively to prior periods. At adoption, existing hedging relationships must be designated anew and documented pursuant to the provisions of the Statement. The Corporation is currently analyzing and assessing the impact that the adoption of SFAS No.133 is expected to have on its consolidated results of operations, cash flows and financial position.

LOCKHEED MARTIN CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

TRANSACTION AGREEMENT WITH COMSAT CORPORATION

On September 20, 1998, the Corporation and Comsat Corporation (Comsat) announced that they had entered into an Agreement and Plan of Merger (the Merger Agreement) to combine the companies in a two-phase transaction with a total estimated value of approximately \$2.7 billion (the Merger). The Merger Agreement has been approved by the respective Boards of Directors of the Corporation and Comsat. In connection with the first phase of this transaction, the Corporation commenced a cash tender offer (the Tender Offer) on September 25, 1998, to purchase up to 49 percent of the outstanding shares of common stock of Comsat on the date of purchase at a price of \$45.50 per share, with an estimated value of \$1.3 billion. The second phase of the transaction, which will result in consummation of the Merger, will be accomplished by an exchange of 0.5 shares of Lockheed Martin common stock for each share of Comsat common stock at an estimated value of \$1.4 billion.

The consummation of the Tender Offer is subject to, among other things, the approval of the Merger by the stockholders of Comsat and certain regulatory approvals. This first phase of the transaction is expected to close in the first half of 1999 and, upon closing, the Corporation will account for its investment in Comsat under the equity method of accounting. Consummation of the Merger is subject to, among other things, the enactment of legislation necessary to allow Lockheed Martin to acquire the remaining shares of Comsat common stock and certain additional regulatory approvals. The Merger is expected to be completed by the end of 1999 and, upon consummation, will be accounted for under the purchase method of accounting. If the Tender Offer is consummated but the necessary legislation is not enacted or the additional regulatory approvals are not obtained, each as required for consummation of the Merger, the Corporation will not be able to achieve all of its objectives with respect to the Comsat transaction and will be unable to exercise control over Comsat.

FORMATION OF GLOBAL TELECOMMUNICATIONS SUBSIDIARY

On August 11, 1998, the Corporation announced the formation of Lockheed Martin Global Telecommunications, Inc. (Global Telecommunications), a wholly-owned subsidiary of the Corporation. Global Telecommunications will combine several existing joint ventures and elements of the Corporation under a dedicated management team focused on capturing a greater portion of the worldwide network services market. In its announcement, the Corporation indicated that the following operations will be included in Global Telecommunications: Lockheed Martin Intersputnik, Ltd., a strategic venture with Moscow-based Intersputnik that is scheduled to deploy its first satellite in 1999; Astrolink TM International Ltd., a strategic venture that will provide global interactive multimedia services using next-generation broadband satellite technology; Communications Systems, which markets commercial satellite communications systems capabilities; the elements of Lockheed Martin Management & Data Systems and Lockheed Martin Western Development Laboratories that provide commercial communications capabilities; and Satco (Asia), LLC, a joint venture with GE Americom that is scheduled to launch a satellite next year that will serve broadcasters in the Asia-Pacific region. Additionally, the Corporation intends to include in Global Telecommunications the operations of Comsat upon consummation of the Tender Offer and the Merger.

TRANSACTION AGREEMENT WITH GENERAL ELECTRIC COMPANY

In November 1997, Lockheed Martin exchanged all of the outstanding capital stock of its wholly-owned subsidiary, LMT Sub, for all of the outstanding Series A preferred stock held by General Electric Company (GE) and certain subsidiaries of GE. The Series A preferred stock, which was originally issued to GE in

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connection with the acquisition of GE's aerospace businesses in 1993, was convertible into approximately 29 million shares of Lockheed Martin common stock. LMT Sub was composed of two non-core commercial business units which contributed approximately five percent of the Corporation's 1997 net sales, Lockheed Martin's investment in a telecommunications partnership, and approximately \$1.6 billion in cash, which was initially financed through the issuance of commercial paper; however, \$1.4 billion was subsequently refinanced with a note, due November 17, 2002 and bearing interest at 6.04%, from Lockheed Martin to LMT Sub. During the second quarter of 1998, the final determination of the closing net worth of the businesses exchanged was completed, resulting in a payment of \$51 million from the Corporation to MRA Systems, Inc. (formerly LMT Sub). This final settlement payment did not impact the gain previously recorded on the transaction. Subsequently, the remainder of the cash included in the transaction was refinanced with a note for \$210 million, due November 17, 2002 and bearing interest at 5.73%, from Lockheed Martin to MRA Systems, Inc.

The debt incurred to finance the GE Transaction resulted in an increase in the Corporation's leverage ratio. In anticipation of this increase, Lockheed Martin negotiated an increase in the leverage ratio permitted under its credit facilities, which support its outstanding commercial paper borrowings, in order to permit the GE Transaction to take place. As the issuance of the Corporation's common stock contemplated in connection with the Northrop Grumman transaction was expected to reduce the leverage ratio, this negotiated increase was temporary, expiring on June 30, 1998. Following the termination of the Northrop Grumman merger agreement, Lockheed Martin has negotiated a further amendment to the leverage restrictions under its credit facilities so as to be in compliance with these restrictions subsequent to June 30, 1998.

RESULTS OF OPERATIONS

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

Consolidated net sales for the third quarter of 1998 were \$6.3 billion, a four percent decrease from the \$6.6 billion recorded for the comparable period in 1997. Consolidated net sales for the nine months ended September 30, 1998 were \$19.1 billion, a five percent decrease from the \$20.2 billion reported for the same period in 1997. The 1997 results include the operations of two non-core commercial businesses divested to General Electric Company in November 1997, the operations of L-3 Communications Corporation (L-3), which was repositioned as an independent company effective March 30, 1997, and the operations of the Corporation's Commercial Electronics business unit which was divested in the first quarter of 1998. Excluding the effects of these divested operations, net sales both for the quarter and for the nine months ended September 30, 1998 would have increased by three percent over comparable 1997 results. The Corporation's operating profit (earnings before interest and taxes) for the third quarter of 1998 was \$730 million as compared to \$747 million for the comparable 1997 period. The Corporation's operating profit for the nine months ended September 30, 1998 was \$2.06 billion as compared to \$2.11 billion for the comparable 1997 period. Excluding the impact of the divested operations described above, operating profit both for the quarter and for the nine months ended September 30, 1998 would have remained consistent with the comparable 1997 amounts.

Net earnings for the third quarter of 1998 were \$318 million, a four percent decrease from reported third quarter 1997 net earnings of \$331 million. The Corporation's diluted earnings per share reported for the

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third quarter of 1998 was \$1.67, an 11 percent increase from third quarter 1997 diluted earnings per share of \$1.51. Net earnings for the nine months ended September 30, 1998 were \$876 million, a six percent decrease from reported net earnings of \$929 million for the comparable 1997 period. The Corporation's diluted earnings per share for the nine months ended September 30, 1998 was \$4.61, an eight percent increase from the comparable 1997 diluted earnings per share of \$4.28. The 1998 earnings per share amounts reflect the impact of the fourth quarter 1997 redemption of the Corporation's Series A preferred stock formerly held by GE. The effective income tax rate for the third quarter and nine months ended September 30, 1998 was 37.5 percent as compared to 38 percent for the third quarter and nine months ended September 30, 1997. The effective rates for each period were higher than the statutory corporate federal income tax rate principally due to the nondeductibility for tax purposes of certain costs in excess of net assets acquired associated with previous acquisition activities.

The Corporation's backlog of undelivered orders was approximately \$43.9 billion at September 30, 1998, versus \$47.1 billion reported at December 31, 1997. The Corporation received orders for approximately \$17.1 billion in new and follow-on business, which were more than offset by sales during the first nine months of 1998.

The following table displays third quarter and year-to-date net sales and operating profit for the Corporation's business segments.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1998	1997	1998	1997

(In millions)				
Net Sales:				
Space & Strategic Missiles	\$1,714	\$1,944	\$ 5,626	\$ 5,828
Electronics	1,708	1,699	5,176	5,192
Information & Services	1,237	1,631	3,731	4,958
Aeronautics	1,638	1,294	4,370	4,100
Energy and Other	52	51	183	113
	-----	-----	-----	-----
	\$6,349	\$6,619	\$19,086	\$20,191
	=====	=====	=====	=====
Operating Profit:				
Space & Strategic Missiles	\$ 261	\$ 310	\$ 762	\$ 874
Electronics	226	169	549	435
Information & Services	39	46	165	224
Aeronautics	171	152	474	439
Energy and Other	33	70	106	141
	-----	-----	-----	-----
	\$ 730	\$ 747	\$ 2,056	\$ 2,113
	=====	=====	=====	=====

Effective January 1, 1998, management responsibility for United Space Alliance, a limited liability company owned by the Corporation and The Boeing Company, was reassigned from the Information & Services segment to the Space & Strategic Missiles segment. Management reporting of certain other activities was also reassigned among the Space & Strategic Missiles, Electronics, and Energy and Other segments. Consequently, 1997 operating profit amounts for these segments have been restated to conform with the 1998 presentation.

Net sales of the Space & Strategic Missiles segment decreased by 12 percent and three percent for the quarter and nine months ended September 30, 1998, respectively, from the comparable 1997 periods. These decreases were primarily attributable to reduced launch vehicle activities in the third quarter versus the prior

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year period as well as a decrease in Trident fleet ballistic missile program activities. These factors also contributed to the decrease in operating profit of 16 percent and 13 percent for the quarter and nine months ended September 30, 1998, respectively, from the comparable 1997 periods. However, these decreases were partially offset by an adjustment recorded in the third quarter of 1998 totaling \$120 million, net of state income taxes, which resulted from a significant improvement in the Atlas II launch vehicle program related to the retirement of program and technical risk based upon a current evaluation of the program's historical performance.

Net sales of the Electronics segment remained relatively consistent for the quarter and nine months ended September 30, 1998 as compared to the same periods in 1997. Excluding the net sales of the Commercial Electronics business unit divested in the first quarter of 1998, net sales for the quarter and nine months ended September 30, 1998 would have increased by four percent and three percent, respectively, from the comparable 1997 amounts. These increases were principally the result of increased production deliveries of postal systems equipment. Operating profit for the quarter and nine months ended September 30, 1998 increased significantly as compared to the respective 1997 amounts, primarily due to performance improvements across many of the segment's programs. In addition, third quarter 1998 operating profit was impacted by a favorable arbitration resolution.

Net sales of the Information & Services segment for the quarter and nine months ended September 30, 1998 decreased by 24 percent and 25 percent, respectively, from the comparable 1997 periods. Excluding the 1997 net sales of the non-core businesses divested to L-3 and GE, net sales for the third quarter 1998 would have decreased by three percent as compared to the same period in 1997. Net sales for the nine months ended September 30, 1998, excluding the net sales of the divested businesses, would have remained relatively stable in comparison to the comparable 1997 period. Sales volume increases in certain technology services programs and welfare and family services programs were offset by reduced activities resulting from maturing programs in both 1998 periods. Operating profit for the quarter and nine months ended September 30, 1998 decreased by 15 percent and 26 percent from the comparable 1997 periods, respectively. These percentage decreases would have remained relatively consistent after excluding the 1997 operating profit from divested entities. These decreases primarily resulted from adverse performance in the segment's commercial product lines.

Net sales of the Aeronautics segment for the third quarter of 1998 increased significantly from the comparable 1997 period due principally to increases in deliveries of F-16 fighter aircraft and C-130 airlift aircraft. Net sales for the nine months ended September 30, 1998 increased by seven percent as compared to the same 1997 period as a result of the aforementioned third quarter 1998 sales activity. In addition, the 1997 net sales amounts include the operations of the segment's Aerostructures business unit which was divested to GE during the fourth quarter of 1997. Operating profit for the third quarter and nine months ended September 30, 1998 increased by 13 percent and eight percent, respectively, as compared to the same periods in 1997. Excluding the operations of the Aerostructures business unit, operating profit would have increased by 27 percent and 17 percent for the third quarter and nine months ended September 30, 1998, respectively. These increases were principally due to the increase in aircraft deliveries noted above.

Net sales of the Energy and Other segment for the third quarter of 1998 increased slightly as compared to 1997. Net sales for the nine months ended September 30, 1998 increased significantly from the comparable 1997 period due to an increase in environmental systems activities. Operating profit for the third quarter and nine months ended September 30, 1998 decreased significantly from the comparable 1997 periods due to the recognition of a gain in the third quarter of 1997 from the sale of a portion of the Corporation's real estate portfolio. In 1994, the Corporation was awarded a \$180 million fixed price contract by the U.S. Department

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of Energy (DOE) for the Phase II design, construction and limited test of remediation facilities, and the Phase III full remediation of waste found in Pit 9, located on the Idaho National Engineering and Environmental Laboratory reservation. The Corporation has incurred significant unanticipated costs and scheduling issues due to complex technical and contractual matters which threaten the viability of the overall Pit 9 program. Management completed its investigation to identify and quantify the overall effect of these matters, and summarized its findings in a request for equitable adjustment (REA) which was delivered to the DOE on March 31, 1997. The provisions of the REA included, but were not limited to, the recovery of a portion of unanticipated costs incurred by the Corporation and the restructuring of the contract to provide for a more equitable sharing of the risks associated with the Pit 9 project. The Corporation wrote a series of letters to the DOE seeking technical direction, including an accurate inventory of the Pit 9 contents. No direction was provided. To better focus the Corporation's management resources on resolving these issues, the management and reporting structure of the Pit 9 program were changed in September 1997; however, the Corporation has been unsuccessful in reaching any agreements with the DOE on cost recovery or other contract restructuring matters. Starting in May 1997, the Corporation reduced work activities at the Pit 9 site.

On February 27, 1998, the Corporation received a cure notice alleging that certain actions taken by the Corporation were conditions endangering performance of the Pit 9 contract. The notice advised that, unless these conditions were cured within 30 days, the contract might be terminated for default. The Corporation believed (and continues to believe) that termination for default was neither permissible under the Pit 9 contract nor warranted under the circumstances and, on April 13, 1998, submitted its reply to the cure notice setting forth its rationale for these positions. On June 1, 1998, despite the Corporation's reply, the DOE, through Lockheed Martin Idaho Technologies Company (LMITCO), its management contractor, terminated the Pit 9 contract for default. On that same date, the Corporation filed a lawsuit against the DOE in the U.S. Court of Federal Claims in Washington, D.C., challenging and seeking to overturn the default termination. The Government has not yet responded to the suit. Additionally, on July 21, 1998, the Corporation withdrew the REA previously submitted to the DOE in March 1997 and replaced it with a certified REA. This action resulted from the DOE's dissatisfaction with the uncertified nature of the original REA. The certified REA is similar in substance to the REA previously submitted, but its certification, based upon more detailed factual and contractual analysis, raises its status to that of a formal claim. It is anticipated that the DOE will require several months to consider this certified REA. On August 11, 1998, LMITCO, at the DOE's direction, filed suit against the Corporation in U.S. Federal District Court in Boise, Idaho, seeking recovery of approximately \$54 million previously paid by LMITCO to the Corporation under the Pit 9 contract. The Corporation intends to resist this action while continuing to pursue its certified REA. The parties in both lawsuits have obtained extensions of time to file their respective responses to complaints included therein; such responses are expected to be filed during the fourth quarter of 1998. The Corporation continues to assert its position in the litigation while continuing efforts to resolve the dispute through non-litigation means.

LIQUIDITY AND CAPITAL RESOURCES

During the first nine months of 1998, \$707 million of cash was provided by operating activities, compared to \$231 million during the comparable 1997 period. This fluctuation resulted principally from decreased working capital requirements. Net cash used for investing activities for the nine months ended September 30, 1998 was \$350 million as compared to \$309 million provided by investing activities during the corresponding 1997 period. The 1997 amount included the receipt of \$450 million from General Dynamics Corporation related to the sale of the Corporation's Armament Systems and Defense Systems operations and \$464 million from the divestiture of the L-3 operations. The remaining difference between

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the periods relates to other acquisition and divestiture activities. Net cash used by financing activities was \$174 million during the nine months ended September 30, 1998 versus \$430 million used for financing activities in the comparable 1997 period. The fluctuation between periods was primarily due to a \$48 million increase, net of noncash acquisition activities, in the Corporation's total debt position during 1998 versus a \$231 million net decrease in total debt during the comparable 1997 period.

Commercial paper borrowings of approximately \$2.2 billion were outstanding at September 30, 1998. Of this amount, \$1 billion has been classified as long-term debt in the Corporation's condensed consolidated balance sheet based on management's ability and intention to maintain this debt outstanding for at least one year. During May 1998, the Corporation increased the amount of its short-term revolving credit facility, which matures on May 28, 1999, from \$1.5 billion to \$2.5 billion. The Corporation's long-term revolving credit facility in the amount of \$3.5 billion, which matures on December 20, 2001, remains unchanged. The \$699 million increase in short-term borrowings was utilized to finance working capital requirements. Total debt, including short-term borrowings, amounted to approximately 67 percent of total capitalization at September 30, 1998, a reduction from the nearly 70 percent reported at December 31, 1997. The increase in stockholders' equity for the nine months ended September 30, 1998 resulted from net earnings for the period and employee stock option, ESOP and other stock activities, offset by dividends totaling \$229 million.

On October 22, 1998, the Board of Directors of the Corporation authorized a two-for-one split of the Corporation's common stock. The stock split will be in the form of a stock dividend; therefore, stockholders of record on December 1, 1998, will receive one additional share for each share of the Corporation's common stock held. The new shares will be issued on December 31, 1998. Subsequent to the consummation of the stock split, all references to shares of common stock and per share amounts will be restated to reflect the stock split. This will result in modification of the exchange ratio contemplated by the Merger Agreement between the Corporation and Comsat from 0.5 shares of Lockheed Martin common stock for each share of Comsat common stock, as previously announced, to one share of Lockheed Martin common stock for each share of Comsat common stock.

In addition, the Corporation's Board of Directors approved an increase to the cash dividend per share of common stock to \$.44 per share, or \$1.76 annually, on a pre-stock split basis. The increased dividend will be effective for dividends declared beginning in the fourth quarter of 1998.

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

Cash on hand and temporarily invested, internally generated funds and available financing resources are expected to be sufficient to meet anticipated operating and debt service requirements and discretionary investment needs. Consistent with the Corporation's desire to generate cash to invest in its core businesses and reduce debt, management anticipates that, subject to prevailing financial, market and economic conditions, the Corporation may continue to divest certain non-core businesses, passive equity investments and surplus properties.

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YEAR 2000 ISSUES

Like most companies, Lockheed Martin is affected by Year 2000 issues. Accordingly, all of the Corporation's business units are actively involved in its Year 2000 Compliance Program (the Program). This Program has been designed to minimize risk to the Corporation's business units and its customers using a standard six-phase industry approach. The six phases include: Awareness, Assessment, Renovation, Validation, Implementation and Post-Implementation. The Corporation has completed its assessments which address both internal and external (customer products and deliverables) systems. In many of the Corporation's business units, renovation work is well underway and validation testing has begun relative to internal systems. In the area of customer products and deliverables, numerous contracts have been reviewed and customers notified if Year 2000 issues were identified. Renovation of these products, where requested and funded by the customer, is in process or planned.

Lockheed Martin has developed a plan to achieve its overall goal of Year 2000 readiness in advance of the century change. During 1998, much of the renovation and validation testing will be completed, and 1999 will be used to address late availability of vendor or government furnished equipment, planned replacement systems and overflow validation testing. Based on information available at this time, management believes that the costs to implement the Program will not have a material impact on the Corporation's consolidated results of operations, cash flows or financial position in any period. Such costs are allowable in establishing prices for the Corporation's products and services under contracts with the U.S. Government, and therefore are being reflected in the Corporation's sales and cost of sales.

The costs to implement and the time frame contemplated by the Program are based on management's best estimates, which were derived utilizing numerous assumptions related to future events, including each vendor's ability to modify proprietary software, unanticipated issues identified in the ongoing compliance review, and other similar uncertainties. There can be no guarantee that these estimates of costs or timing, or that the objectives of the Program, will be achieved. However, the Corporation continues to monitor activities related to the Program through program reviews and internal audits designed to ensure Year 2000 readiness, and management currently believes that activities to date are consistent with the Program's design. Contingency and crisis plans are being prepared and will be implemented if necessary.

In addition, as part of the Program, formal communication with the Corporation's suppliers, customers and other support services has been initiated. Interfaces to external suppliers and customers (including banks and U.S. Government customers) have been included in assessments and validation testing. Also, certain systems utilized by the Corporation include embedded vendor products for which responsibility for Year 2000 compliance rests with the respective vendor. The Corporation does not have control over these third parties and, as a result, cannot currently estimate to what extent future operating results may be adversely affected by the failure of these third parties to successfully address their Year 2000 issues. However, the Corporation's Program includes actions designed to identify and minimize any third party exposures and management believes that, based on third party exposures identified to date, Program activities are consistent with its design.

OTHER MATTERS

On October 27, 1998, CalComp Technology, Inc. (CalComp), a majority-owned public subsidiary of the Corporation, made a decision to divest certain of its nonstrategic businesses. As a result of this decision, CalComp has announced that it will recognize a non-cash charge approximating \$60 million in the fourth quarter of 1998 to reduce the carrying value of the net assets of these businesses to their fair value. CalComp

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also has announced that it is evaluating the business strategy for its continuing operations, and currently expects to record non-cash charges of approximately \$30 million to \$35 million in the fourth quarter of 1998 related to the impairment of certain long-lived assets. These charges will be reflected in the Corporation's consolidated financial statements in the fourth quarter.

The Corporation has been reviewing its relationship with CalComp. This review, which has not been completed, has included assessments of CalComp's business strategy and proposed operating plans, CalComp's role in the Corporation's overall business strategy, and the Corporation's role as the primary source of financing for CalComp's operations. If, upon completion of this review, the Corporation should adopt a plan to terminate its role as a funding source or otherwise reduce its involvement with CalComp, significant charges in addition to those described in the preceding paragraph would likely be recognized by the Corporation in its consolidated financial statements at the time of plan adoption. These charges, which could range from \$60 million to \$100 million based on the preliminary data available, would be associated with the value of the Corporation's investment and estimated costs related to the specific actions required by the plan.

The Corporation is currently engaged in its normal long-term business planning process, and, as such, all major lines of business and related strategies are being evaluated. The Launch Vehicle line of business includes the existing commercial Atlas, Athena and Air Force Titan products; the development of a new family of Evolved Expendable Launch Vehicles (EELV); and providing launch services through Lockheed Krunichev Energia International, Inc. and R D AMROSS, a joint venture between Pratt & Whitney and NPO Energomash. This particular business strategy review includes an evaluation of marketing strategy, international economic and political risk and an assessment of the impact of the recent Air Force EELV launch services award on the Corporation's investment in this line of business. Financial effects, if any, which result from this review will be addressed in the fourth quarter of 1998.

FORWARD LOOKING STATEMENTS

This Form 10-Q contains statements which, to the extent that they are not recitations of historical fact, constitute "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). The words "estimate," "anticipate," "project," "intend," "expect," and similar expressions are intended to identify forward looking statements. All forward looking statements involve risks and uncertainties, including, without limitation, statements and assumptions with respect to future revenues, program performance and cash flows; the outcome of contingencies including litigation and environmental remediation; and anticipated costs of capital investments and planned dispositions. Readers are cautioned not to place undue reliance on these forward looking statements which speak only as of the date of this Form 10-Q. The Corporation does not undertake any obligation to publicly release any revisions to these forward looking statements to reflect events, circumstances or changes in expectations after the date of this Form 10-Q, or to reflect the occurrence of unanticipated events. The forward looking statements in this document are intended to be subject to the safe harbor protection provided by Sections 27A of the Securities Act and 21E of the Exchange Act. For a discussion identifying some important factors that could cause actual results to vary materially from those anticipated in the forward looking statements, see the Corporation's Securities and Exchange Commission filings including, but not limited to, the discussion of "Competition and Risk" and the discussion of "Government Contracts and Regulations" on pages 14 through 17 and pages 18 through 19, respectively, of the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 (Form 10-K); "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 11 through 24 of the 1997 Annual Report, and "Note 1 - Summary of Significant Accounting Policies" and "Note 16 - Commitments and Contingencies" of the Notes to the

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Consolidated Financial Statements on pages 31 through 32 and pages 41 through 42, respectively, of the Audited Consolidated Financial Statements included in the 1997 Annual Report and incorporated by reference into the Form 10-K; and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 14 through 22 of this Form 10-Q, and "Note 2 - Transaction Agreement with Comsat Corporation," "Note 3 - Earnings Per Share," "Note 5 - Contingencies" and "Note 6 - Other" of the Notes to Unaudited Condensed Consolidated Financial Statements on page 6, pages 6 through 8, pages 9 through 11 and pages 11 through 13, respectively, of the Unaudited Condensed Consolidated Financial Statements included in this Form 10-Q.

LOCKHEED MARTIN CORPORATION
PART II - OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

The Corporation is primarily engaged in providing products and services under contracts with the United States Government and, to a lesser degree, under direct foreign sales contracts, some of which are funded by the United States Government. All such contracts are subject to extensive legal and regulatory requirements and, from time to time, agencies of the United States Government investigate whether the Corporation's operations are being conducted in accordance with these requirements. United States Government investigations of the Corporation, whether relating to these Government 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 United States Government contracting. The Corporation is also a party to or has its property subject to various other litigation and proceedings, including matters arising under provisions relating to the protection of the environment (collectively, proceedings).

The Corporation has previously reported a continuing United States Government investigation into allegations of fraud related to the obtaining and performance of certain LANTIRN program contracts. These allegations were first made in qui tam complaints filed against the Corporation and unsealed on July 16, 1996. In connection with its investigation, in September 1998, the United States Government served 10 employees with grand jury subpoenas issued by the United States District Court for the Middle District of Florida. The Corporation is cooperating in the investigation.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

1. Exhibit 3 Bylaws of Lockheed Martin Corporation, as amended.
2. Exhibit 10(a) Agreement and Plan of Merger, dated as of September 18, 1998, among Lockheed Martin Corporation, Deneb Corporation and COMSAT Corporation, incorporated by reference from the Schedule 14D-1 filed by the Corporation on September 25, 1998, in respect of the Common Stock of COMSAT Corporation.
3. Exhibit 10(b) Registration Rights Agreement, dated as of September 18, 1998, between COMSAT Corporation and Lockheed Martin Corporation, incorporated by reference from the Schedule 14D-1 filed by the Corporation on September 25, 1998, in respect of the Common Stock of COMSAT Corporation.
4. Exhibit 10(c) Shareholders Agreement, dated as of September 18, 1998, between COMSAT Corporation and Lockheed Martin Corporation, incorporated by reference from the Schedule 14D-1 filed by the Corporation on September 25, 1998, in respect of the Common Stock of COMSAT Corporation.
5. Exhibit 10(d) Carrier Acquisition Agreement, dated as of September 18, 1998, by and among COMSAT Corporation, Lockheed Martin Corporation, Regulus, LLC and COMSAT Government Systems, Inc., incorporated by reference from the Schedule 14D-1 filed by the Corporation on September 25, 1998, in respect of the Common Stock of COMSAT Corporation.

LOCKHEED MARTIN CORPORATION
PART II - OTHER INFORMATION (continued)

6. Exhibit 10(e) Confidentiality Agreements, dated August 5, 1997, between COMSAT Corporation and Lockheed Martin Corporation, incorporated by reference from the Schedule 14D-1 filed by the Corporation on September 25, 1998, in respect of the Common Stock of COMSAT Corporation.
7. Exhibit 10(f) Offer to Purchase, dated September 25, 1998, incorporated by reference from the Schedule 14D-1 filed by the Corporation on September 25, 1998, in respect of the Common Stock of COMSAT Corporation.
8. Exhibit 10(g) Form of Long-Term Incentive Performance Award Agreement.
9. Exhibit 12. Lockheed Martin Corporation Computation of Ratio of Earnings to Fixed Charges for the nine months ended September 30, 1998.
10. Exhibit 27. Financial Data Schedule for the nine months ended September 30, 1998.

(b) Reports on Form 8-K filed in the third quarter of 1998.

1. Current report on Form 8-K filed on July 17, 1998.

Item 5. Other Events

On July 17, 1998, the registrant filed information concerning the termination of the Agreement and Plan of Merger dated July 2, 1997 among the registrant, a wholly-owned subsidiary of the registrant and Northrop Grumman Corporation.

2. Current report on Form 8-K filed on September 21, 1998 (as amended by a Form 8-K/A filed on September 25, 1998).

Item 5. Other Events

The registrant filed information concerning an Agreement and Plan of Merger dated as of September 18, 1998 among the registrant, Deneb Corporation (a wholly-owned subsidiary of the registrant) and Comsat Corporation.

(c) Reports on Form 8-K filed subsequent to the third quarter of 1998.

1. Current report on Form 8-K filed on October 27, 1998.

Item 5. Other Events

The registrant filed information concerning its declaration of a two-for-one stock split of the Corporation's common stock in the form of a stock dividend and the related impact of the stock split on the exchange ratio contemplated in the Corporation's transaction with Comsat Corporation.

Item 7. Financial Statements and Exhibits

- Lockheed Martin Corporation Press Release dated October 22, 1998.

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: November 2, 1998

by: /s/ Todd J. Kallman

Todd J. Kallman
Vice President and Controller
(Chief Accounting Officer)

ByLaws of Lockheed Martin Corporation

Adopted August 26, 1994
(Amended February 6, 1995)
(Amended April 27, 1995)
(Amended September 28, 1995)
(Amended January 1, 1996)
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2.0 BYLAWS

(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 on 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, President, 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 preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced or delayed by more than thirty (30) days from such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the one-hundred twentieth (120th) day prior to such annual meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such annual meeting or the tenth (10th) day following the day on which public announcement of the date of 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, 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 brief 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 and the beneficial owner, if any, on whose

behalf the proposal is made; and (iii) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made, the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner and 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 director, 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 pursuant to the Corporation's notice of meeting (i) by or at the direction of the Board of Directors or (ii) 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 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 presiding officer 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 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, "public announcement" shall mean disclosure in a press

release reported by the Dow Jones New Service, Associated Press or comparable news service or 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 in the Corporation's proxy statement pursuant to Rule 14a-8 (or any successor provision) under the Exchange Act.

ARTICLE II: BOARD OF DIRECTORS

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 four (4) 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 Assistance 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. VICE CHAIRMEN. The Board of Directors shall designate from its membership no more than two Vice Chairmen of the Board, who shall perform such functions and duties as requested by the Chairman of the Board.

Section 2.06. 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 2.07. 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 2.08. 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 2.09. 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 2.10. 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 2.11. 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 2.12. 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 2.13. 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 2.14. 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 2.15. 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 General Electric Company of shares of stock of the Corporation.

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. FINANCE COMMITTEE. The Board of Directors by resolution adopted by a majority of the Board of Directors may provide for a Finance Committee of three (3) or more directors. If provision is made for a Finance Committee, the members of the Finance 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 Finance Committee a chairman. During the intervals between the meetings of the Board of Directors, the Finance

Committee shall, except when such powers are by statute or the 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 all of the powers of the Board of Directors in the management of the financial affairs of the Corporation, including but not limited to establishing bank lines of credit or other short-term borrowing arrangements and investing excess working capital funds on a short-term basis. The Finance Committee will review the financial condition of the Corporation, the financial impact of all benefit plans and all proposed changes to the capital structure of the Corporation, including the incurrence of long-term indebtedness and the issuance of additional equity securities, and will make suitable recommendations to the Board of Directors. It will likewise 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. It will monitor the financial impact of all trustee benefit plans sponsored by the Corporation and of any amendments or modifications thereto and will monitor the performance of the assets and administration of the Corporation's trustee benefit plans. All action by the Finance 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 Finance 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, and who otherwise independent of management and 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. 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 the 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 of and monitor the independence of the independent public accountants for this Corporation and 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 accountants selected by the Board; review with the Corporation's management and the independent public accountants 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 auditing staff; review with the Corporation's independent public accountants the results of their audit and their report including any changes in accounting principles and any significant amendments; and shall meet with the Corporation's internal audit department representative to review the plan and scope of work of the internal auditing staff. The Committee shall hold quarterly meetings, and shall separately meet in executive session, with the Corporation's independent public accountants and internal audit department representative to review and resolve all matters of concern presented to the Committee. The Committee shall monitor compliance with the Code of Ethics and Standards of Conduct and shall review and resolve all matters of concern presented to it by the Corporate Ethics Committee or the Corporate Ethics Office. The Committee shall review and monitor the

adequacy of the Corporation's policies and procedures, as well as the organizational structure, for ensuring compliance with environmental, health and safety laws and regulations; review, at least annually, the Corporation's record of compliance with any environmental, health and safety laws and regulations and the policies and procedures relating thereto; review with the Corporation's management significant environmental, health and safety litigation and regulatory proceedings in which the Corporation is or may become involved; and review the accounting and financial reporting issues, including the adequacy of disclosure, for all environmental matters. The 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. All action by the Audit and Ethics 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 Audit and Ethics Committee shall be filled by the Board of Directors.

Section 3.04(a). COMPENSATION COMMITTEE. The Board of Directors by resolution adopted by a majority of the Board of Directors may provide for a Compensation Committee of three (3) or more directors who are not officers or employees of the Corporation. If provision is made for a Compensation Committee, the members of the 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 Compensation Committee a chairman. The Compensation Committee shall 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 Compensation Committee shall 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 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 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 Compensation Committee shall be filled by the Board of Directors.

Section 3.04. 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 COMMITTEE. The Board of Directors by resolution adopted by a majority of the Board of Directors may provide for a Nominating Committee of three (3) or more Directors who are not officers or employees of the Corporation. If provision is made for a Nominating Committee, the members of the Nominating 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 Committee a committee chairman. The Nominating 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 the Nominating 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 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 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. 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.

3.0 CERTIFICATE AS TO BYLAWS

I, _____, Vice President and Secretary of LOCKHEED MARTIN CORPORATION hereby certify that the foregoing is a true, correct and complete copy of the Bylaws of LOCKHEED MARTIN CORPORATION and that such Bylaws are in full force and effect as of the date of this certificate.

WITNESS my hand and the seal of LOCKHEED MARTIN CORPORATION, this _____ day of _____, 19____.

Vice President and Secretary

CORPORATE SEAL

4.0 AMENDMENTS

April 27, 1995. Section 3.02 revised, amending the Finance Committee Charter to include review of financial condition of the Corporation.

April 27, 1995. Section 3.03 revised, amending the Audit & Ethics Committee Charter to include compliance with health and safety laws and regulations.

September 28, 1995. Section 3.02 revised, amending the Finance Committee Charter to clarify the Committee's responsibilities relative to the Corporation's trustee benefit plans.

January 1, 1996. Section 2.04 revised, amending Article II, Board of Directors, and Article IV, Officers, relating to the responsibilities of the Chairman of the Board and the President.

January 7, 1996. Section 2.02 revised, amending Article II, Number of Directors, increasing the total number of directors from 24 to 25.

April 25, 1996 Section 2.03 revised, amended by striking "on or before March 15, 1996."

April 25, 1996 Section 2.05 revised, adding new Section "Vice Chairmen" and renumbering the succeeding sections accordingly.

January 23, 1997 Sections 4.01, 4.02 and 4.03 revised, aligning officers and management responsibility. Section 1.02 revised, amending requirements for calling Special Meetings.

September 25, 1997 Article I, II, III and IV amended to clarify responsibilities of the Chief Executive Officer.

October 23, 1997 Section 3.02 amended to delete reference to Benefit Plan Committee.

January 22, 1998 Section 1.08 amended to authorize proxy voting by any form of electronic transmission as permitted by Maryland General Corporation Law.

June 26, 1998 Sections 3.01, 4.01 and 4.02 amended to clarify responsibilities of the Chairman of the Board and Chief Executive Officer.

July 23, 1998 Section 1.11 amended to change the period of time a stockholder can introduce a proposal.

[LOCKHEED MARTIN CORPORATION STATIONERY]

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

[[insert date]]

- - - - -
- - - - -
- - - - -

Re: Lockheed Martin Corporation 1995 Omnibus Performance Award
Plan: Long-Term Incentive Performance Award ([insert date]

Performance Period)

Dear _____:

On behalf of the Stock Option Subcommittee (the "Subcommittee") of the Board of Directors of Lockheed Martin Corporation, I am pleased to announce that you have been granted a Long-Term Incentive Performance Award under the Corporation's 1995 Omnibus Performance Award Plan (the "Plan"). The purpose of this letter is to serve as the Award Agreement under such Plan and to set forth your Target Award as well as the terms and conditions to the payment of your Target Award. Additional terms and conditions are set forth in the Plan and in the Prospectus relating to the Plan of which the Plan document and this Award Agreement are a part. You should retain the Prospectus and the attached copy of the Plan in your records.

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

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

- . You have been granted a Target Award in the amount of \$_____. Your actual Award may be larger or smaller than your Target Award (from \$0 to \$_____), depending on the Corporation's performance as measured by

its relative ranking of Total Stockholder Return to Total Stockholder Return of the companies that comprise the Standard & Poor's 500 Index.

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

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

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

Section 1. Target Award. Your Target Award for your Performance

Period under this Award Agreement shall be [\$xxx,xxx.xx].

Section 2. Performance Period. Your Performance Period under this

Award Agreement shall start on [insert date] and shall end on [insert date].

Section 3. Peer Performance Group.

3.1. General; the Peer Performance Group. The percentage of your

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

3.2. Total Stockholder Return. The Subcommittee after the end of

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

3.3. Percentage Level of Target Award.

(a) General. At the end of your Performance Period, the Subcommittee

shall multiply your Target Award by the Percentage Level of Target Award as determined under Section 3.3(b). The result of such multiplication shall be referred to in this Award Agreement as your "Potential Award".

(b) Percentage Level of Target Award. Your Percentage Level of

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

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

(c) Percentage Level of Target Award Interpolation. If the

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

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

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

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

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

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

Section 4. Potential Award.

4.1. Employment Requirement.

(a) General Rule. In order to be eligible to receive payment of any

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

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

determines

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

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

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

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

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

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

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

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

4.2. Payment Rules.

(a) General Rule. If you are eligible to receive your Potential Award

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

(b) Current Part. You shall have the right to receive 50% of your

Potential Award currently in cash as soon as practicable after the date as of which the Subcommittee certifies in writing (for purposes of Section 162(m) of the Code) that your Target Award has become a Potential Award for your Performance Period.

(c) Deferred, Forfeitable Part.

(1) Deferral and Forfeiture. If you are eligible to receive your

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

(2) Phantom Stock Account. The Subcommittee shall establish a

bookkeeping account (a "Phantom Stock Account") on your behalf under this Section 4.2(c)(2) and shall credit such account with a number of units equal to the number of whole shares (and any fractional share) of the Corporation's common stock which could have been purchased by the part of your Potential Award described in Section 4.2(c)(1) at the closing price for a share of the Corporation's common stock as reported on the New York Stock Exchange for the last trading day of the Performance Period, subject to the Subcommittee's certification in writing (for purposes of Section 162(m) of the Code) that your

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

(3) Payment. Unless you forfeit your right to the remaining 50% of

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

(4) Special Payment Rule For Certain Terminated Employees.

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

(5) No Shareholder Rights. Units credited to your Phantom Stock

Account are bookkeeping entries only and do not entitle you to any shares of the Corporation's common stock or to any voting or other rights associated with shares of such stock.

(d) Special Rule. If you terminate employment during the Performance

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

(e) Further Deferral. You will be given an opportunity to elect to

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

4.3. Cutback. Any payment called for under Section 4.2(b) will be

reduced to the extent that such payment together with payments attributable to any other Cash-Based Awards that are granted during 1999 as Performance Based Awards exceeds \$3,000,000 and, further, any credit of phantom shares called for under Section 4.2(c)(2) shall be reduced to the extent that the number of phantom shares credited to you together with the number of shares of Stock and Share Units in respect of Share-Based Awards that are granted to you during 1999 as Performance Based Awards exceeds 500,000. To the extent that any payment called for under Section 4.2(b) would exceed the \$3,000,000 limit and therefore must be reduced, the amount in excess of \$3,000,000, shall be deferred and credited as phantom shares under Section 4.2(c) unless such crediting would result in the crediting of phantom shares that would otherwise be prohibited by this Section 4.3. To the extent that any crediting called for under Section 4.2(b) would exceed the 500,000 limit and therefore must be reduced, the units in excess of 500,000, shall not be credited and shall instead be paid in cash under Section 4.2(b) unless such payment would result in a payment that would otherwise be prohibited by this Section 4.3.

4.4. Withholding. Any payment made in respect of your Award will be

subject to income tax withholding at the minimum rate prescribed by law. You may owe taxes in addition to the amount withheld and may request tax be withheld at a greater rate.

Section 5. No Assignment; General Creditor Status. You shall have no

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

Section 6. Plan. This Award Agreement shall be subject to all of the

terms and conditions set forth in the Plan.

Section 7. Change in Control.

7.1. Change in Control During Performance Period. If during your

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

7.2. Change in Control After Performance Period. If a Change in

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

7.3. Special Rule. Notwithstanding Section 7.1 or Section 7.2, if a

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

Section 8. Amendment and Termination. As provided in Section 9 of

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

Section 9. No Right to an Award. Your status as an Employee shall

not be construed as a commitment that any one or more awards shall be made under the Plan to you or to Employees generally. Your status as a Participant shall not entitle you to any additional award.

Section 10. No Assurance of Employment. Nothing contained in the

Plan or in this Award Agreement shall confer upon you any right to continue in the employ or other service of the Corporation or constitute any contract (of employment or otherwise) or limit in any way the right of the Corporation to change your compensation or other benefits or to terminate your employment with or without cause.

Section 11. Conflict. In the event of a conflict between this Award

Agreement and the Plan, the Plan document shall control.

Section 12. Execution. You must execute one copy of this Award

Agreement and return it to the Office of the Vice President and Corporate Secretary (Mail Point 207) as soon as possible as a condition to the Award becoming effective. Your execution of this Award Agreement constitutes your consent to an acceptance of any action taken under the Plan consistent with its terms with respect to your Award. If you execute and return this Award Agreement promptly, your Award shall be effective as of January 1, 1999. A pre-addressed envelope has been enclosed for your convenience to return with a copy of this Award Agreement, as acknowledged by you below.

Sincerely,

Enclosures

ACKNOWLEDGEMENT:

Signature

Date

Print or type name

EXHIBIT 12

LOCKHEED MARTIN CORPORATION
 COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1998
 (In millions, except ratio)

EARNINGS	
Earnings from continuing operations before income taxes	\$1,401
Interest expense	655
Amortization of debt premium and discount, net	(3)
Portion of rents representative of an interest factor	39
Losses and undistributed earnings of less than 50% owned companies, net	(12)

Adjusted earnings from continuing operations before income taxes	\$2,080
	=====
FIXED CHARGES	
Interest expense	\$ 655
Amortization of debt premium and discount, net	(3)
Portion of rents representative of an interest factor	39
Capitalized interest	7

Total fixed charges	\$ 698
	=====
RATIO OF EARNINGS TO FIXED CHARGES	3.0X
	=====

The schedule contains summary financial information extracted from the consolidated balance sheet and consolidated statement of earnings and is qualified in its entirety by reference to such financial statements.

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9-MOS	DEC-31-1998	
	JAN-01-1998	
	SEP-30-1998	183
		0
		5,127
		0
		4,340
		11,614
		8,804
		5,196
		29,762
		10,122
		0
		10,183
		0
		195
		5,813
29,762		19,086
		19,086
		17,135
		17,135
		105
		0
		655
		1,401
		525
		876
		0
		0
		0
		876
		4.67
		4.61