March 22, 1999

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

Form 10-K

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

For the fiscal year ended December 31, 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 incorporation or organization)	(I.R.S. Employer Identification No.)

6801 Rockledge Drive, Bethesda, Maryland 20817-1877 (301/897-6000)
(Address and telephone number of principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of each exchange on which registered
Common Stock, $1 par value	New York Stock Exchange, Inc.

Securities registered pursuant to Section 12(g) of the Act: None

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, and (2) has been subject to such filing requirements for the past 90 days. Yes [x] No [ ]

Indicate by check mark if the disclosure of delinquent filers pursuant to Item 405 or Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K [ ]

State the aggregate market value of the voting stock held by non-affiliates of the registrant. Approximately $14.5 billion as of January 31, 1999.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. Common Stock, $1 par value, 393,414,606 shares outstanding as of January 31, 1999.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Lockheed Martin Corporation's 1998 Annual Report to Shareholders are incorporated by reference in Parts I and II of this Form 10-K.

Portions of Lockheed Martin Corporation's 1999 Definitive Proxy Statement are incorporated by reference in Part III of this Form 10-K.

PART I

ITEM 1. BUSINESS

General

Lockheed Martin Corporation (the "Corporation," which also may be referred to as "we," "us," or "our") is a highly diversified global enterprise that principally researches, designs, develops, manufactures and integrates advanced technology products and services. In March 1995, we were formed by combining the businesses of Martin Marietta Corporation ("Martin Marietta") and Lockheed Corporation ("Lockheed"). We are a Maryland corporation.

Throughout this Form 10-K, we "incorporate by reference" information from parts of other documents filed with the Securities and Exchange Commission ("SEC"). The SEC allows us to disclose important information by referring to it in this manner and you should review such information.

Our principal executive offices are located at 6801 Rockledge Drive, Bethesda, Maryland 20817. Our telephone number is (301) 897-6000. Our home page on the Internet is www.lockheedmartin.com. You can learn more about us by reviewing our SEC filings on that web site. We are making our web site content available for your information only. It should not be relied upon for investment purposes, nor is it incorporated by reference into this Form 10-K.

Transaction Agreement with COMSAT Corporation

In September 1998, we entered into an agreement with COMSAT Corporation ("COMSAT") to combine COMSAT with one of our subsidiaries in a two-phase transaction with

an estimated value for COMSAT of approximately $2.7 billion as of that date. In the first phase of this transaction, acting through a subsidiary, we commenced a cash tender offer to purchase up to 49% of the outstanding shares of COMSAT common stock at $45.50 per share, subject to certain adjustments.

Subject to the terms of the agreement, the tender offer will be extended for periods of up to 60 days until at least the earlier of (i) September 18, 1999 or (ii) satisfaction of certain conditions to closing, including (1) the condition that at least one-third of the outstanding shares of COMSAT common stock be validly tendered (and not withdrawn), (2) the approval of the merger by the COMSAT stockholders and (3) receipt of certain regulatory approvals, including Federal Communications Commission ("FCC") approval for us to purchase more than 10% of COMSAT's outstanding shares, and antitrust clearance by the Department of Justice. Currently, the tender offer expires on May 3, 1999. Until we complete the merger, we will account for the COMSAT investment resulting from the tender offer under the equity method of accounting.

The second phase of the transaction is the completion of the merger through the exchange of one share of our common stock for each share of COMSAT common stock not purchased in the tender offer. COMSAT shareholders are voting on the proposed merger at COMSAT's annual meeting of stockholders scheduled for June 18, 1999. We will account for our merger with COMSAT under the purchase method of accounting. Consummation of the merger is subject to, among other things, the closing of the tender offer, the enactment of federal legislation necessary to allow us to acquire the remaining COMSAT shares and certain additional regulatory approvals. The speed at which the legislative process progresses will affect the timing of the second phase of the transaction. If the first phase tender offer is consummated and if the necessary legislation is not enacted or the additional

regulatory approvals are not obtained, we will not be able to consummate the merger nor will we be able to control COMSAT.

Current FCC regulations do not allow a company that is not an "FCC authorized common carrier" to purchase more than 10% of COMSAT. We have filed an application with the FCC for our acquisition subsidiary to acquire a COMSAT common carrier subsidiary through a merger and for FCC designation of that subsidiary as an FCC authorized common carrier allowed to purchase up to 49% of COMSAT. On January 21, 1999, the Chairman of the House Committee on Commerce and the Chairman of the Senate Subcommittee on Communications sent a letter to the FCC urging it not to take any action to permit any company to purchase more than 10% of COMSAT prior to Congress amending the Communications Satellite Act of 1962 that would involve privatization of Intelstat and lifting ownership limits on COMSAT.

If the FCC does not proceed with its review of our filings related to the tender offer or does not otherwise proceed on the schedule that we anticipate, we may not be able to complete the tender offer by September 18, 1999. If the tender offer is not completed by this date, under the terms of the merger agreement, any of the parties may terminate the merger agreement. The parties may elect not to do this or elect to amend the merger agreement so that the merger can be completed at a date later than September 18, 1999. In addition, if Congress does not make progress on satellite reform legislation, even if the tender offer is completed, the merger may not occur in 1999. On the other hand, if Congress timely acts on the legislation, the merger may occur in 1999.

In August 1998, we formed Lockheed Martin Global Telecommunications, Inc., a wholly-owned subsidiary ("LMGT"), to focus on expanding our presence in the global telecommunications services market. Subsequently, we transferred certain investments in

joint ventures and business units from some of our sectors to LMGT. The transfer was effective in January 1999. If the COMSAT transaction is consummated, we intend to combine COMSAT's operations with LMGT's operations.

Business Segments

We operate through five business sectors:

- Space & Strategic Missiles sector -- designs, develops, manufactures and integrates space systems, including spacecraft, space launch vehicles, manned space systems and their supporting ground systems and services; strategic fleet ballistic missiles; and defensive missiles;
- Electronics sector -- designs, develops, manufactures and integrates high performance electronic systems for undersea, shipboard, land, airborne and space-based applications;
- Aeronautics sector -- designs, develops, manufactures and integrates airlift, tactical and reconnaissance aircraft as well as surveillance/command, maintenance/modification/logistics and other development programs;
- Information & Services sector designs, develops, integrates and operates large, complex information systems which include command and control, intelligence, simulation and training and air traffic management; and provides state and local government transaction processing, commercial information technology services and performs a broad range of engineering, science and technology services for federal government customers; and
- Energy & Environment sector conducts and operates nuclear operations management, nuclear materials management and technology-driven remediation programs.

For business segment reporting in our consolidated financial statements, the Space & Strategic Missiles, Electronics, Aeronautics and Information & Services sectors each comprise reportable business segments. The Energy & Environment sector and our other activities are reported as Energy and Other.

Comparative segment revenues, profits and related financial information for 1998, 1997 and 1996 are provided in the table entitled "Selected Financial Data by Business Segment" in "Note 17 - Information on Industry Segments and Major Customers" on page 44 of our 1998 Annual Report to Shareholders.

Space & Strategic Missiles Sector

Our Space & Strategic Missiles sector conducts most of its business through its Astronautics, Missiles & Space and Michoud Space Systems companies. A substantial portion of the sector's activities involves classified programs for the U.S. Government. In 1998, the sector's net sales represented 28.4% of our total net sales.

The sector's Astronautics company designs, develops, manufactures and integrates advanced technology systems for space and defense. Principal products include the Titan and Atlas family of launch vehicles. Through our joint venture with two Russian aerospace companies, (which joint venture is consolidated in our financial statements), we also provide Proton rocket launch vehicle services. In 1998, we experienced postponements of some Proton launches of commercial satellites due to delays in payload deliveries. In 1998, the U.S. Air Force awarded us a contract modification to complete the production of Titan IV space launch vehicles and provide launch services through 2002. In August 1998, Titan II and IV booster launches were delayed

following the failure of a mission. In early 1999, the U.S. Air Force, after extensive analysis, announced that the Titan launch vehicles may return to operational status. In addition, in 1998, we received separate agreements from the U.S Air Force to develop the Evolved Expendable Launch Vehicle ("EELV") and to provide launch services for nine U.S. Government missions using an EELV to be named "Atlas V."

The sector's Missiles & Space company designs, develops, manufactures and integrates strategic missiles and spacecraft for communications, Earth observation, scientific and navigation missions for military and civilian government agencies and commercial customers. Principal products include the Trident II submarine-launched fleet ballistic missile and MILSTAR defense communications satellites. The company also plays a role in the National Aeronautics & Space Administration's ("NASA") international Space Station program. Through its Commercial Space Systems unit, the company markets and sells communications spacecraft to commercial telecommunications customers, including some customers in which we have an ownership interest.

During 1998, the Missiles & Space company's Theater High Altitude Area Defense ("THAAD") system failed to achieve an intercept of a ballistic target during testing. In response to this flight failure, we agreed with the U.S. Army to a contract modification providing for cost sharing in the event a pre-determined number of direct hits is not achieved during 1999.

In 1998, the Missiles & Space company discovered a manufacturing defect in traveling wave tube amplifiers (TWTAs), which are satellite components made by another company, following observed failures of TWTAs in some of its orbiting satellites. The investigation and resolution of the defect led to a decision to ground and repair five satellites, including one

already shipped and awaiting launch. The delay moved the expected launch dates of some of these satellites from 1998 to 1999.

The sector's Michoud Space Systems company manufactures the Super Lightweight Tank, the latest iteration of the Space Shuttle External Tank for NASA. This company also designs, develops and manufactures, for us and commercial customers, large aluminum and composite structures (including fuel tanks for space vehicles), cryogenic propellant feed systems and thermal protection systems for cryogenic structures. Currently, Michoud is developing the X-33 liquid oxygen tanks and main propellant feed system.

Space Imaging, LP, which we principally own with Raytheon Company, collects and distributes a wide variety of satellite- and aerially-derived digital Earth information products. In 1999, we expect Space Imaging to launch an advanced commercial imaging satellite built by the sector's Missiles & Space company. In 1998, during testing, this satellite's gyroscopic components showed an unacceptably short on-orbit lifetime prediction. To undertake the steps necessary to restore the expected life of the satellite, the first satellite launch was delayed from late 1998 into 1999.

During 1998, we reassigned management responsibility for the United Space Alliance, LLC, which we jointly own with The Boeing Company, from the Information & Services sector to this sector. United Space Alliance is responsible for the day-to-day operation and management of the Space Shuttle fleet for NASA. It also performs the modification, testing and checkout operations required to prepare space shuttles for launch.

The sector is heavily dependent on both military and civilian agencies of the U.S. Government as customers. In 1998, U.S. Government customers accounted for over three-quarters of the sector's net sales.

Electronics Sector

Our Electronics sector is comprised of numerous business units, engaged mainly in U.S. defense work. Major product lines include surface ship and submarine combat systems; anti-submarine warfare systems; air defense systems; tactical battlefield missiles; engine controls; radar and fire control systems; electronic warfare systems; electro-optic and night vision systems; displays; systems integration of mission specific combat suites; and postal automation systems. The sector's major lines of business include: Naval Electronics and Surveillance Systems; Missiles and Fire Control; Aerospace Electronics; and Platform Integration. The sector also has a Control Systems business. A portion of the sector's activities involve classified programs for the U.S. Government. In 1998, the sector's net sales represented 28.0% of our total net sales.

Naval Electronics and Surveillance Systems provides products and services, including shipboard electronics integration, surface ship and submarine combat systems, sensors and missile launching systems. Missiles and Fire Control produces air defense systems, tactical battlefield missiles and precision guided weapons and munitions. Aerospace Electronics manufactures major electronics subsystems such as: information warfare and countermeasures systems, surveillance and reconnaissance systems and space electronics products. Platform Integration performs systems integration of mission specific combat suites in areas including anti-submarine warfare, electronic warfare, surveillance and reconnaissance, and postal automation. Control Systems produces flight and engine controls, space vehicle power and control systems, hybrid diesel electronic propulsion

systems and electronics for the rail transportation industry.

In 1998, we continued our role as a major supplier of shipboard combat systems for surface combatants for the U.S. Navy. We are the prime contractor for the U.S. Navy's AEGIS fleet air defense system and, in 1998, the U.S. Navy awarded us two new AEGIS contracts: one for future AEGIS program computer development and one to produce multiple AEGIS weapon systems.

In 1998, we enhanced our stature as an international business partner through leadership or membership on teams selected to execute defense programs for countries in Europe and Asia, and Australia. These programs involve the development and deployment of advanced electronic systems on airborne-, naval- and land-based platforms. In 1998, several international joint development groups selected us to participate in their programs.

In 1998, the Electronics and Aeronautics sectors worked together to enter the air-launched cruise missile market with a contract to develop and build the Joint Air-to-Surface Standoff Missile ("JASSM") system for the U.S. Air Force and Navy. In April 1998, our wholly-owned subsidiary, Lockheed Martin Integrated Systems, Inc. ("LMIS"), was awarded a contract to complete JASSM's Program Definition and Risk Reduction phase. In November 1998, LMIS executed the contract for engineering and manufacturing development in a 40-month program. Production on the missile is expected to begin in early 2001.

The sector continues to selectively pursue non-defense business opportunities where it can utilize its technical and large-scale integration capabilities. Our postal business -- under which we provide material handling systems and equipment to sort mail, technology for bar code

reading, and address and handwriting recognition systems to the U.S. Postal Service and international customers -- continues to grow. In 1998, our postal business obtained contracts from postal agencies in the U.S. and Australia, and we acquired three companies that manufacture and market high-speed processing systems, bar code readers and sorters.

The sector is heavily dependent on the U.S. military as a customer. In 1998, U.S. Government customers accounted for over two-thirds of the sector's net sales.

Aeronautics Sector

Our Aeronautics sector conducts its business through four operating companies: Aeronautical Systems, Aircraft & Logistics Centers, Skunk Works and Tactical Aircraft Systems. A portion of the sector's activities involve classified programs for the U.S. Government, particularly at Skunk Works. In 1998, the sector's net sales represented 22.8% of our total net sales.

The sector is involved in large defense programs including:

- F-22 air-superiority fighter -- that has significantly improved capabilities over current U.S. Air Force aircraft;
- F-16 multi-role fighter -- presently the world's premier, low-cost multi-role fighter;
- Joint Strike Fighter -- currently in the concept demonstration phase potentially leading to the next generation, multi-role fighter and has the potential to be the largest tactical aircraft program in the U.S., and perhaps the world;
- C-130J transport -- latest generation of C-130 Hercules tactical transport aircraft; and
- X-33 reusable launch vehicle -- a subscale demonstrator flight vehicle which eventually may

lead to development of a commercial reusable launch vehicle program.

We are the team leader for the F-22 air superiority fighter aircraft program. The F-22 is the latest generation of fighter aircraft and continues to proceed through its engineering and manufacturing development phase, meeting or exceeding all key performance parameters. In 1998, the F-22 met the flight test criteria set by the Department of Defense, allowing them to award us an initial contract for the first two production aircraft -- termed Production Representative Test Vehicles -- and for long lead procurement for Production Lot 1 (consisting of six aircraft). The Lot 1 production contract award is anticipated to occur in late 1999.

We are the prime contractor on the F-16 "Fighting Falcon" tactical fighter aircraft and continue to provide upgrades for the U.S Air Force and our international customers. To date, we have sold over four thousand of these aircraft. In 1998, the United Arab Emirates selected our new "Block 60" F-16 as its advanced fighter aircraft, and we are working to sign a multi-billion dollar contract during 1999.

For the next generation Joint Strike Fighter, various branches of the U.S. military and other countries' militaries are working together on a set of requirements that should allow a near-common design. In 1998, we completed the basic aerodynamic design of our Joint Strike Fighter concept and completed various design reviews. We also continued to fabricate two concept demonstration aircraft. In 2000, we anticipate that flight tests of the concept demonstration aircraft will be made. We are one of the two remaining competitors for the program down-select award, which currently is planned to be made in 2001.

The C-130J is an advanced technology tactical transport aircraft offering improved performance and reliability and reduced operating and support cost over prior C-130 models. The "J" model incorporates state-of-the-art cockpits and avionics, a more powerful and efficient propulsion system and numerous manufacturing innovations into a proven, mission-tested airframe. In 1998, we received Federal Aviation Administration ("FAA") certification for the C-130J and made nineteen deliveries. As a result of the later than expected FAA certification due to ice removal and final acceptance issues, we were unable to complete all of the deliveries planned for 1998. We intend to resolve the 1998 delivery issues and expect to meet our customers' current schedules in 1999.

Since 1996, we have been working with NASA to develop the X-33, a subscale technology demonstrator of a reusable launch vehicle. In 1998, we completed the final design review of the X-33. In 1999, we expect to complete major milestones pertaining to vehicle assembly and integration leading to the anticipated roll-out and first flight of a subscale prototype in 2000. We will then decide whether to proceed with the development of a full-scale, commercial reusable launch vehicle program.

We also provide sustaining engineering, modifications and upgrades for existing aircraft, including the F-117 fighter, the U-2 reconnaissance aircraft, and earlier model C130s and are involved in other programs such as the joint Japan/U.S. production of the F-2 aircraft.

The sector is dependent on the U.S. military, NASA and international governments as customers. In 1998, U.S. Government customers accounted for approximately one-half of the sector's net sales.

Information & Services Sector

Our Information & Services sector provides government and commercial customers with engineering, scientific, management, technical and information technology systems and services through numerous business units. The sector's four primary lines of business are: (i) systems integration and command, control, communications, computer and intelligence ("C4I") systems; (ii) federal technology services; (iii) state and municipal systems support services; and (iv) commercial information technology services. A portion of the sector's activities involves classified programs for the U.S. Government. The sector also provides internal information system support to the Corporation and its affiliates. In 1998, the sector's net sales represented approximately 19.8% of our total net sales.

Through the sector's systems integration and C4I line of business, in 1998, we continued to upgrade the U.S. National Air Traffic Control System through a contract to replace display systems at 20 FAA Air Route Traffic Control Centers. In December 1998, Seattle became the first center to begin operations with the new system. In 1998, we expanded our international business. For example, we obtained contracts to provide air traffic control for two airports in China and to design and implement an automated system for the United Kingdom census. In addition, we entered into a joint venture in Poland to provide information technology services in Poland and Eastern Europe.

Through the sectors' federal technology services line of business, we provide a wide array of scientific and engineering, information management, operation and maintenance, logistics, assembly and test and installation services to governmental agencies and prime contractors. In 1998, NASA awarded us the Consolidated Space Operations Contract to consolidate mission and

data services operations at five of NASA's major centers. This is a multi-billion dollar, five-year contract, with an option for five more years. In addition, the U.S. Army awarded us, along with two other contractors, a contract with the potential for revenue of $1.5 billion for the Rapid Response to Critical System Requirement program to ensure that critical systems maintain full functionality and operability.

Services to state and local government customers include systems development, integration and operational support in the areas of welfare reform, municipal services, children and family services, transportation, information resource management and integrated technology solutions. In late 1998, we enhanced our stop light and radar photo enforcement business through an acquisition. In December 1998, we agreed, subject to regulatory processes, to divest our communications industry services business, which serves as the North American Numbering Plan administrator and as the local number portability administrator for the U.S. and Canada.

We continue to focus on our commercial information technology services. In 1998, we won an information technology services contract from Policy Management Systems Corporation for support related to insurance industry software systems and automation, administration and information services. In the fourth quarter of 1998, we notified CalComp Technology, Inc. ("CalComp"), our majority-owned public subsidiary, that we would not increase existing credit to support CalComp's ongoing operations. Subsequently, we agreed to provide financing, subject to certain conditions, for a plan providing for the timely non-bankruptcy shutdown of CalComp's business. In 1999, we may explore exiting other non-core commercial product operations.

The sector is dependent on the military and civilian agencies of the U.S. Government as customers. In 1998, U.S. Government customers accounted for nearly three-quarters of the sector's net sales.

Energy & Environment Sector

Our Energy & Environment sector, consisting of nine principal operating companies, is in three lines of business: nuclear operations management for the DOE, nuclear materials management for the Department of Energy ("DOE") and technology-driven remediation programs. Under most of the sector's contracts, we receive a fee for performing management services and are reimbursed for the cost of operations. Only the fee we receive is recorded in our net sales and earnings. In 1998, the sector's net sales represented less than 1% of our total net sales.

As one of the largest management and operations contractors for the DOE, we manage defense, energy research and environmental programs. We manage the DOE's Y-12 facility in Oak Ridge, Tennessee and part of DOE's Nevada Test Site as part of its defense program area. In 1998, we received notification of DOE's intention to extend the Y-12 contract to mid-2001 and, in 1999, we received a three-year extension for a nuclear waste management subcontract at DOE's Hanford, Washington site. In May 1999, our management contract for uranium enrichment at a former DOE site (now privatized under the United States Enrichment Corporation) will expire. In addition, we manage the laboratories at Sandia National Laboratories, Oak Ridge National Laboratory and Idaho National Engineering and Environmental Laboratory. In 1998, the DOE extended our Sandia contract for another five years. In 1999, the Oak Ridge and Idaho National Engineering management contracts will undergo competition for a new contract. We have decided not to bid on the Idaho National Engineering contract and have decided to not independently bid on

the Oak Ridge contract, but we may consider other options. For a discussion relating to pending litigation involving Pit 9 located on the Idaho National Engineering and Environmental Laboratory reservation, see "Item 3. Legal Proceedings."

The sector is heavily dependent on the DOE, and to a much lesser extent, the Department of Defense ("DOD"), as customers. In 1998, U.S. Government customers accounted for approximately three-quarters of the sector's net sales.

Additional Activities

In August 1998, we formed LMGT to expand our presence in the global telecommunications services market. Effective in January 1999, we transferred the following operations from other sectors to LMGT:

- our assets and liabilities relating to telecommunication activities of the Missiles & Space company, Lockheed Martin Management & Data Systems and Lockheed Martin Western Development Laboratories that are engaged in programs such as ASIA Cellular Satellite ("ACeS"), Ellipso, and Astrolink /TM/;
- our investment in Lockheed Martin Intersputnik, Ltd., a strategic venture principally owned by us and, and to a lesser extent, owned by Moscow-based Intersputnik International Organization of Space Communications, that is scheduled to deploy its first satellite in 1999;
- our 50% investment in Americom Asia-Pacific, LLC, a joint venture with GE American Communications, Inc. that is scheduled to launch a satellite in 1999 that will serve broadcasters in the Asia-Pacific region; and
- our 30% equity investment in ACeS, recently reincorporated as ACeS International Limited, which is to deliver mobile voice and data communications

services beginning in late 1999 in the Asia-Pacific region.

If the COMSAT tender offer and the merger are consummated, we intend to combine COMSAT's operations with LMGT's operations.

We also run research laboratories, own real estate and conduct other miscellaneous activities. We have approximately a diluted 14% interest (in the form of convertible preferred stock) in Loral Space & Communications, Ltd. We are considering monetizing or divesting this interest in 1999, if market conditions permit and we obtain any necessary Loral agreement. In February 1999, we reduced our ownership interest in L-3 Communications Corporation from approximately 25% to 7%.

Patents

We own numerous patents and patent applications, some of which, together with licenses under patents owned by others, are utilized in our operations. Although these patents and licenses are, in the aggregate, important to the operation of our business, no existing patent, license or other similar intellectual property right is of such importance that its loss or termination would, in the opinion of management, materially affect our business.

Raw Materials and Seasonality

Although certain aspects of our business require relatively scarce raw materials, we have not experienced difficulty in our ability to obtain raw materials and other supplies needed in our manufacturing processes, nor do we expect this to be an issue in the future. No material portion of our business is considered to be seasonal.

Competition and Risk

We compete with numerous other contractors on the basis of price, as well as technical and managerial capability. Our ability to successfully compete for and retain such business is highly dependent on technical excellence, management proficiency, strategic alliances, cost-effective performance and the ability to recruit and retain key personnel.

On-going consolidation of the U.S. and global defense and space industries continues to intensify competition. Consolidation among U.S. defense, space and aerospace companies has resulted in a reduction of the number of principal prime contractors for the DOD and NASA. As a result of this consolidation, we frequently partner on various programs with our major suppliers, some of whom are, from time to time, our competitors on other programs. We are required to generate working capital and invest in fixed assets to maintain and expand our government business. Winning the competition for a contract is often the determinant of whether a competitor is able to remain in that line of business.

U.S. Government programs are also subject to uncertain future funding levels, which can result in the extension or termination of programs. Our business is also highly sensitive to changes in national and international priorities and U.S. Government budgets. For most of this decade, we have been adversely impacted by U.S. Government budgetary and policy constraints which led to fewer available contracts. Recently, the Clinton administration announced plans to obtain increased budgets for the U.S. military. There can be no assurance, however, that these announced plans will result in increased hardware or services procurements; increased research and development spending; or that we would win any contracts funded by any budgetary increases.

In 1998, 70% of our net sales were made to the U.S. Government, either as a prime contractor or as a subcontractor. Accordingly, a substantial portion of our sales are subject to inherent risks, including uncertainty of economic conditions, changes in government policies and requirements that may reflect rapidly changing military and political developments and the availability of funds. Other characteristics of the industry are complexity of designs, the difficulty of forecasting costs and schedules when bidding on developmental and highly sophisticated technical work, and the rapidity with which product lines become obsolete due to technological advances and other factors characteristic of the industry. Certain risks inherent in the current aerospace and defense business environment are discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 15 through page 25 of our 1998 Annual Report to Shareholders.

During the past few years, a growing percentage of our business has been in developmental programs under cost-reimbursement-type contracts, which generally have lower profit margins than fixed-price-type contracts. Earnings may vary materially depending on the types of long-term government contracts undertaken, the costs incurred in their performance, the achievement of other performance objectives and the stage of performance at which the right to receive fees, particularly under incentive and award fee contracts, is finally determined.

Our international business, which has been growing, tends to have more risk than our domestic business due to the greater potential for changes in foreign economic and political environments. Our business is also highly sensitive to changes in foreign national priorities and government budgets. International transactions frequently involve increased financial and legal risks arising from stringent contractual terms and conditions and the widely differing legal systems and customs in foreign countries.

Government Contracts and Regulations

Our businesses are heavily regulated in most of our markets. We deal with numerous U.S. Government agencies and entities, including all of the branches of the U.S. military and NASA. Similar government authorities exist in our international markets.

The U.S. Government, and other governments, may terminate any of our government contracts and, in general, subcontracts at their convenience as well as for default on performance. If any of our government contracts were to be terminated for convenience, we generally would be entitled to receive payment for work completed and allowable termination or cancellation costs.

Upon termination for convenience of a fixed-price type contract, we normally are entitled, to the extent of available funding, to receive the purchase price for delivered items, reimbursement for allowable costs for work-in-process and an allowance for profit on the contract or adjustment for loss if completion of performance would have resulted in a loss. Upon termination for convenience of a cost-reimbursement type contract, we normally are entitled, to the extent of available funding, to reimbursement of allowable costs plus a portion of the fee. The amount of the fee recovered, if any, is related to the portion of the work accomplished prior to termination and is determined by negotiation.

U.S. Government contracts also are conditioned upon the continuing availability of Congressional appropriations. Long-term government contracts and related orders are subject to cancellation if appropriations for subsequent performance periods become unavailable. Congress usually appropriates funds on a fiscal-year basis even though contract performance may extend over many years. Consequently, at the outset of a program, the contract is usually partially funded and Congress annually determines if additional funds are appropriated to the contract.

A portion of our business is classified by the government and cannot be specifically described. The operating results of these classified programs are included in our consolidated financial statements. The business risks

associated with classified programs do not differ materially from those of our other government programs and products.

Backlog

At December 31, 1998, our total negotiated backlog was $45.3 billion compared with $47.1 billion at the end of 1997. The total negotiated backlog of the sectors at December 31, 1998, was as follows: Space & Strategic Missiles -- $16.1 billion, Electronics -- $10.6 billion, Aeronautics -- $10.6 billion and Information & Services -- $7.8 billion. At December 31, 1998, the Energy & Environment sector contributed almost all of the total negotiated backlog of $226 million for the reportable business segment of which it is a part, Energy and Other. Of our total 1998 year-end backlog, approximately $26.8 billion, or 59.2%, is not expected to be filled within one year.

These amounts are all approximate and include both unfilled firm orders for our products for which funding has been both authorized and appropriated by the customer (Congress in the case of U.S. Government agencies) and firm orders for which funding has not been appropriated.

Environmental Regulation

Our operations are subject to and affected by a variety of federal, state and local environmental protection laws and regulations. We are involved in environmental responses at our facilities, former facilities and at third-party sites not owned by us where we have been designated a "Potentially Responsible Party" ("PRP") by the U.S. Environmental Protection Agency ("EPA") or by a state agency.

At these third-party sites, the EPA or a state agency has identified the site as requiring remedial action under the federal "Superfund" and other related federal or state laws governing the remediation of hazardous materials. Generally, PRPs that are ultimately determined to be "responsible parties" are strictly liable for site clean-ups and usually agree among themselves to share, on an allocated basis, in the costs and expenses for investigation and remediation of the hazardous materials. Under existing environmental laws, however, responsible parties are jointly and severally liable and, therefore, we are potentially liable to government environmental agencies for the full cost of funding such remediation. In the unlikely event that we were required to fund the entire cost of such remediation, the statutory framework provides that we may pursue rights of contribution from the other PRPs.

At third-party sites, we continue to pursue a course of action designed to minimize and mitigate our potential liability through assessing the legal basis for our involvement, including an analysis of such factors as (i) the amount and nature of materials disposed of by us, (ii) the allocation process, if any, used to assign costs to all involved parties, and (iii) the scope of the response action that is or may reasonably be required. We also continue to pursue active participation in steering committees, consent orders and other appropriate and available avenues.

Management believes that this approach should minimize our proportionate share of liability at third-party sites where other PRPs share liability.

In addition, we manage various government-owned facilities on behalf of the government. At such facilities, environmental compliance and remediation costs have historically been the responsibility of the government and we relied (and continue to rely with respect to past practices) upon government funding to pay such costs. While the government remains responsible for capital and operating costs associated with environmental compliance, responsibility for fines and penalties associated with environmental noncompliance, in certain instances, is being shifted from the government to the contractor with fines and penalties no longer constituting allowable costs under the contracts pursuant to which such facilities are managed.

Description of Certain Environmental Matters

In 1991, we entered into a consent decree with the EPA relating to our former Lockheed Aeronautical Systems Company facilities in Burbank, California, which obligated us to design and construct facilities to monitor, extract and treat groundwater contaminated with chlorinated solvents released from regional industry, and to operate and maintain such facilities for approximately eight years. In 1998, we entered into a follow-on consent decree which obligates us to fund the continued operation and maintenance of these facilities through the year 2018. We have also been operating under a cleanup and abatement order from the California Regional Water Quality Control Board ("Regional Board") relating to our former Burbank facilities. This order requires site assessment and action to abate groundwater contamination by a combination of groundwater and soil cleanup and treatment. We estimate that total expenditures required over

the remaining terms of the consent decrees and the Regional Board order will be approximately $110 million.

We are responding to various administrative orders issued by the Regional Board in connection with our former Lockheed Propulsion Company facilities in Redlands, California. Under the orders, we are investigating the impact and potential remediation of regional groundwater contamination by perchlorates and chlorinated solvents. The Regional Board has approved our plan to maintain public water supplies with respect to chlorinated solvents during this work, and we are negotiating with local water purveyors to implement this plan, as well as to address water supply concerns relative to perchlorate contamination. We estimate that expenditures required to implement work currently approved will be approximately $110 million. We also are 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 preliminary studies indicate that our current efforts with water purveyors regarding perchlorate issues are appropriate, but it is not yet possible to project the extent of our ultimate perchlorates clean-up obligation, if any.

Under an agreement with the U.S. Government, the Burbank groundwater treatment and soil remediation expenditures referenced above are being allocated to our operations as general and administrative costs and, under existing government regulations, these and other environmental expenditures related to U.S. Government business, after deducting any recoveries from insurance or other PRPs, are allowable in establishing the prices of our products and services. As a result, a substantial portion of the expenditures are being reflected in our sales and cost of sales pursuant to U.S. Government agreement or regulation. Although the Defense

Contract Audit Agency has questioned certain elements of our practices with respect to the agreement with the U.S. Government, 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. We have recorded an asset for the portion of environmental costs that are probable of future recovery in the pricing of our products and services for U.S. Government business. The portion that is expected to be allocated to commercial business has been reflected in the 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 PRPs, which we are pursuing as required by agreement and U.S. Government regulation. Any such recoveries, when received, would reduce our liability as well as the allocated amounts to be included in our U.S. Government sales and cost of sales.

The extent of the our financial exposure relating to environmental matters cannot in all cases be reasonably estimated at this time. A liability of approximately $460 million, including the aggregate $220 million estimate for matters related to our former Redlands and Burbank facilities noted above, for those cases in which an estimate of financial exposure can be determined has been recorded. Because of the regulatory complexities and risk of unidentified contaminated sites and circumstances, the potential exists for environmental remediation costs to be materially different from the estimated costs accrued for identified contaminated sites. In addition, our involvement and extent of responsibility varies at each site. After an assessment of each site and consultation with environmental experts and counsel, management has concluded that the probability is remote that our actual or potential liability as a PRP in each or all of these sites, in combination with our actual or potential liability for environmental responses at our own facilities or in our contract management capacity at government-owned facilities, will have a material

adverse effect on our consolidated results of operations or financial position. For additional details, see "Note 16 -- Commitments and Contingencies" of the "Notes to Consolidated Financial Statements" on page 42 through page 43 and "Management's Discussion and Analysis of Financial Condition and Results of Operations, Environmental Matters" on page 24 through page 25 of the 1998 Annual Report to Shareholders.

Research and Development

We conduct research and development activities under customer contract funding and with Independent Research and Development ("IR&D") funds. IR&D efforts consist of projects involving basic research, applied research, development, and systems and other concept formulation studies. In 1998, we spent approximately $1.1 billion of IR&D and bid and proposal funds, a substantial portion of which was included in general and administrative costs allocable to U.S. Government contracts.

During 1998, we did not undertake the development of a new product or line of business requiring the investment of a material amount of our total assets. Effective January 1999, we transferred certain businesses to LMGT. Our launch services business, however, is requiring increasing investments in the development or improvement of launch vehicles.

See "Research and development and similar costs" in "Note 1-- Summary of Significant Accounting Policies" of the "Notes to Consolidated Financial Statements" on page 33 of the 1998 Annual Report to Shareholders.

Employees

At December 31, 1998, we had approximately 165,000 employees, the majority of whom

were located in the United States. We have a continuing need for numerous skilled and professional personnel to meet contract schedules and obtain new and ongoing orders for our products. Approximately one-fifth of our employees are covered by over a hundred separate collective bargaining agreements with various international and local unions. Management considers employee relations generally to be good.

Forward-looking Statements - Safe Harbor Provisions

This report contains, is based on or incorporates by reference statements which constitute "forward-looking statements" within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934. The words "believe," "estimate," "anticipate," "project," "intend," "expect" and similar expressions are intended to identify forward-looking statements.

All forward-looking statements involve risks and uncertainties, including 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. Our operations are necessarily subject to various risks and uncertainties; actual outcomes are dependent upon many factors, including, without limitation, our successful performance of internal plans; the successful resolution of our Year 2000 issues; government customers' budgetary restraints; customer changes in short-range and long-range plans; domestic and international competition in the defense, space and commercial areas; product performance; continued development and acceptance of new products; performance issues with key suppliers and subcontractors; government import and export policies; termination of government contracts; the outcome of political and legal processes; legal, financial, and governmental risks related to international transactions and global needs for

military and commercial aircraft and electronic systems and support; as well as other economic, political and technological risks and uncertainties.

Readers are cautioned not to place undue reliance on these forward-looking statements which speak only as of the date of this Annual Report on Form 10-K. We do not undertake any obligation to publicly release any revisions to forward-looking statements to reflect events or circumstances or changes in expectations after the date of this Annual Report on Form 10-K or to reflect the occurrence of unanticipated events. The forward-looking statements in (or incorporated by reference in) this document are intended to be subject to the safe harbor protection provided by the federal securities laws.

For a discussion identifying some important factors that could cause actual results to vary materially from those anticipated in the forward-looking statements, see our SEC filings, including but not limited to, the discussion of "Competition and Risk" and "Government Contracts and Regulations" on page 19 through page 21 and page 21 through page 23 of this Annual Report on Form 10-K, "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 15 through page 25 of the 1998 Annual Report to Shareholders, "Note 1 - Summary of Significant Accounting Policies", "Note 2 - Transaction Agreement with COMSAT Corporation," and "Note 16 - Commitments and Contingencies" of the Notes to Consolidated Financial Statements on page 32 through page 34, page 34 and page 42 through page 43, respectively, of the Audited Financial Statements included in the 1998 Annual Report to Shareholders.

ITEM 2. PROPERTIES

At December 31, 1998, we operated in 445 offices, facilities, manufacturing plants,

warehouses, service centers and laboratories throughout the United States and internationally. Of these, we owned floor space at 64 locations aggregating approximately 41.4 million square feet and we leased space at 381 locations aggregating approximately 24.9 million square feet. At December 31, 1998, we managed and/or occupied various major government-owned facilities The U.S. Government also furnishes certain equipment used by us.

At December 31, 1998, our sectors had major operations at the following locations:

- Space and Strategic Missiles -- Sunnyvale/Palo Alto, California; Waterton/Littleton, Colorado; and Newtown and King of Prussia, Pennsylvania;

- Electronics -- Camden, Arkansas; Orlando, Florida; Lexington, Massachusetts; Eagan, Minnesota; Nashua, New Hampshire; Moorestown/Mt. Laurel, New Jersey; Johnson City, Owego, Yonkers, Syosset and Syracuse, New York; Akron, Ohio; Grand Prairie, Texas; Manassas, Virginia and Ontario, Canada;

- Aeronautics -- Palmdale, California; Marietta, Georgia; Greenville, South Carolina; and Fort Worth, Texas;

- Information & Services -- Goodyear, Arizona; San Jose, California; Colorado Springs, Colorado; Orlando, Florida; Gaithersburg, Maryland; King of Prussia, Pennsylvania; Houston, Texas; and Reston/Fairfax, Virginia;

- Energy & Environment -- Livermore, California; Idaho Falls, Idaho; Las Vegas, Nevada; Albuquerque, New Mexico; Oak Ridge, Tennessee; and Richland, Washington; and

- Corporate -- Bethesda, Maryland; Westlake Village, California and Arlington (Crystal City), Virginia.

At December 31, 1998, a summary of our floor space by sector consisted of:
(square feet in millions)

	Leased	Owned	Gov't Owned	Total
Space & Strategic Missiles	2.2	12.0	5.1	19.3
Electronics	10.1	16.0	0.2	26.3
Aeronautics	2.2	4.5	15.0	21.7
Information & Services	8.2	4.2	0.0	12.4
Energy & Environment	0.8	0.1	34.8	35.7
Corporate & Other*	1.4	4.6	0.0	6.0
Total	24.9	41.4	55.1	121.4

(* includes owned/leased discontinued operations square footage of 2.7 million square feet located primarily in Burbank, California)

At December 31, 1998, we owned various large tracts of land which are available for sale or development. The location and approximate size of these large tracts include:

	LOCATION	ACREAGE
1.	Potrero Creek, California	9,100
2.	Beaumont, California	2,800
3.	Palmdale, California	650
4.	Austin, Texas	250

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

ITEM 3. LEGAL PROCEEDINGS

We are parties or have property subject to litigation and other proceedings, including matters arising under provisions relating to the protection of the environment, both as specifically

described below or arising in the ordinary course of our business. In the opinion of management, the probability is remote that the outcome of any such litigation or other proceedings, will have a material adverse effect on our results of operations or financial position.

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

New Matters

On January 14, 1999, Mohammad Yousefi and David Kane filed a lawsuit against us and six of our officers and directors (Vance D. Coffman, Marcus C. Bennett, James A. Blackwell, Jr., Thomas A. Corcoran, Vincent N. Marafino and Norman R. Augustine)("Yousefi complaint"). The complaint contains class action allegations and states that it is filed on behalf of the named plaintiffs as well as on behalf of purchasers of our common stock between August 13, 1998 and December 23, 1998. The complaint alleges that the defendants violated Sections 10(b) and 20(a)

of the Securities Exchange Act of 1934 in that they or persons they controlled allegedly (a) employed devices, schemes and artifices to defraud; (b) made untrue statements of material facts or omitted to state material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading; or (c) engaged in acts, practices and a course of business that operated as a fraud or deceit upon class members in connection with their purchases of our common stock. The complaint further alleges that the statutory safe harbor provided for forward-looking statements does not apply to any of the allegedly false forward-looking statements. According to the complaint, class members were damaged as, in reliance on the integrity of the market, they paid artificially inflated prices for our stock. Plaintiffs seek a judgment awarding (a) damages and costs; (b) equitable or injunctive relief, including the imposition of a constructive trust upon defendants' alleged insider-trading proceeds; and (c) other just and proper relief. We believe that the allegations are without merit and will defend this and any related actions.

As is common with private securities class action litigation, we and the same persons in the Yousefi complaint, have been named as defendants in additional, multiple actions purportedly brought on behalf of our shareholders, which were filed subsequent to the Yousefi complaint. These additional actions assert substantially the same claims made in the Yousefi complaint. We anticipate that additional related actions could be filed. We also expect that the multiple actions will be consolidated and that the court will appoint as lead plaintiff the member or members of the purported plaintiff class that the court determines to be most capable of adequately representing the interests of class members.

Previously Reported Matters

In 1994, the DOE awarded our subsidiary, Lockheed Martin Advanced Environmental Systems, Inc. ("LMAES"), a $180 million fixed price contract at the Idaho National Engineering and Environmental Laboratory ("INEEL") 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 INEEL reservation. At the time the contract was definitized, Lockheed Martin Idaho Technologies Company ("LMITCO"), another of our subsidiaries, was the INEEL management contractor.

As we performed under the contract, we incurred unanticipated costs and scheduling issues due to complex technical and contractual matters which threatened the viability of the overall Pit 9 program. On March 31, 1997, based on an investigation by management to identify and quantify the overall effect of these matters, we submitted a request for equitable adjustment ("REA") to the DOE that sought, among other things, the recovery of a portion of unanticipated costs incurred by us. We also sought to restructure the contract to provide for a more equitable sharing of the risks associated with the Pit 9 project. We were unsuccessful in reaching any agreements with the DOE on cost recovery or other contract restructuring matters. Starting in May 1997, we reduced work activities at the Pit 9 site while awaiting technical direction from the DOE.

On June 1, 1998, the DOE directed LMITCO to terminate the Pit 9 contract for default. On that same date, we filed a lawsuit against the DOE in the U.S. Court of Federal Claims in Washington, D.C., challenging and seeking to overturn the default termination. In addition, on July 21, 1998, we withdrew the REA previously submitted to the DOE in March 1997 and

replaced it with a certified REA. The certified REA is similar in substance to the REA previously submitted, but its certification, based upon more detailed factual and contractual analysis, raises its status to that of a formal claim. On August 11, 1998, LMITCO, at the DOE's direction, filed suit against us in U.S. District Court in Idaho, seeking recovery of approximately $54 million previously paid by LMITCO to us under the Pit 9 contract. We intend to defend this action while continuing to pursue our certified REA. On January 26, 1999, the U.S. District Court in Idaho granted our motion and stayed the Idaho proceeding until resolution of the motion to dismiss our lawsuit in the Court of Federal Claims, or until August 2, 1999. We continue to assert our position in the litigation while continuing our efforts to resolve the dispute through non-litigation means.

Since July 1995, we have been served with grand jury subpoenas issued by the U.S. District Court for the Eastern District of New York seeking documents related to the performance of various government contracts by the former Unisys Corporation Defense Systems facility at Great Neck, New York. We acquired the facility when we acquired Loral Corporation in April 1996. Loral Corporation acquired the facility from Unisys Corporation. We are cooperating with the U.S. Government's continuing investigation of this matter.

We have been served, along with various of our current and former employees, with grand jury subpoenas issued by the U.S. District Court for the Middle District of Florida and subpoenas issued by the Department of Defense Inspector General relating to the LANTIRN program. The U.S. Attorney's Office for the Middle District of Florida has advised us that the grand jury is investigating allegations of fraud in connection with certain LANTIRN program contracts. These allegations, in part, were first made in qui tam complaints filed against us and

unsealed on July 16, 1996. We are cooperating with the U.S. Government's continuing investigation of this matter.

Lockheed Martin Technical Operations Company, our wholly-owned subsidiary, and certain of its current and former employees were served with grand jury subpoenas issued by the United States District Court for the District of Colorado seeking documents relating to efforts to obtain and to perform a contract with the U.S. Air Force for space operations, maintenance and support services. We are cooperating with the U.S. Government's continuing investigation of this matter.

We understand that the U.S. Government's investigations have been closed relating to (i) former employees of our Armament Systems business in Milan, Tennessee and (ii) procurement of parking meter and other services by the District of Columbia from Lockheed Martin IMS Corporation.

We are a party to or have our property subject to various other litigation and proceedings involving matters arising under provisions relating to the protection of the environment. We are subject to federal and state requirements for protection of the environment, including those for discharge of hazardous materials and remediation of contaminated sites. Due in part to their complexity and pervasiveness, such requirements have resulted in us being involved with related legal proceedings, claims and remediation obligations. For a discussion of these matters, see "Item 1. Business Environmental Regulation."

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

No matters were submitted to a vote of security holders during the fourth quarter of 1998.

ITEM 4(a). EXECUTIVE OFFICERS OF THE REGISTRANT

Our executive officers are listed below. There were no family relationships among any of our executive officers and directors. All officers serve at the pleasure of the Board of Directors.

Name (Age at 12/31/98)	Positions and Offices Held	Principal Occupation and Business Experience (Past Five Years)
Vance D. Coffman (54)	Chairman of the Board and Chief Executive Officer	Chairman of the Board since April 1998 and Chief Executive Officer since August 1997; Vice Chairman of the Board from August 1997 to April 1998; Board member since 1996; President from June 1996 to July 1997 and Chief Operating Officer from January 1996 to July 1997; Executive Vice President from January to June 1996; President and Chief Operating Officer, Space & Strategic Missiles Sector from March 1995 to December 1995; previously served as Executive Vice President of Lockheed from 1992 to 1995; and President of Lockheed Space Systems Division from 1988 to 1992.
James A. Blackwell, Jr. (58)	Vice President; President and Chief Operating Officer Aeronautics Sector	President and Chief Operating Officer, Aeronautics Sector since March 1995; previously served at Lockheed Corporation as Corporate Vice President and President from 1993 to 1995 of Lockheed Aeronautical Systems Company; served as an executive employee of Lockheed Aeronautical Systems Company from 1986 until 1995.
Thomas A. Corcoran (54)	Vice President; President and Chief Operating Officer Space & Strategic Missiles Sector	President and Chief Operating Officer, Space & Strategic Missiles Sector since October 1998; President and Chief Operating Officer, Electronics Sector from March 1995 to September 1998; previously served in Martin Marietta Corporation as President, Electronics Group, from 1993 to 1995; previously served at General Electric Corporation as Vice President and General Manager, from 1990 to 1993.

Robert B. Coutts (48)	Vice President; President and Chief Operating Officer Electronics Sector	President and Chief Operating Officer, Electronics Sector since October 1998; President, Lockheed Martin Government Electronics Systems from January 1997 until September 1998; President Lockheed Martin Aero and Naval Systems from September 1994 to December 1996; previously served as Vice President, Sourcing for the Martin Marietta Corporation.
Philip J. Duke (53)	Vice President and Chief Financial Officer	Vice President and Chief Financial Officer since February 1999; Vice President Finance from July 1996 to January 1999; Vice President Finance, Space & Strategic Missiles Sector from March 1995 to July 1996; previously served as Vice President Finance, Martin Marietta from 1994 to 1995; Vice President Finance, Electronics Sector of Martin Marietta from 1993 to 1994; and Vice President Business Management of Martin Marietta Corporation from 1987 to 1993.
Arthur E. Johnson (51)	Vice President; President and Chief Operating Officer - Information & Services Sector	President and Chief Operating Officer, Information & Services Sector since August 1997; President, Lockheed Martin Systems Integration Group from January 1997 to August 1997; President, Lockheed Martin Federal Systems Group from January 1996 to January 1997; and President, Loral Federal Systems Group from January 1994 to January 1996.
Todd J. Kallman (42)	Vice President and Controller	Vice President and Controller since August 1997; Vice President Finance, Aeronautics Sector from July 1995 to August 1997; Vice President Business Management, Lockheed Martin Aeronautical Systems Company from June 1994 to July 1995; Vice President Finance, Lockheed Aeronautical Systems Company from 1992 to 1994.
Frank H. Menaker, Jr. (58)	Senior Vice President and General Counsel	Senior Vice President since July 1996; Vice President and General Counsel for Lockheed Martin Corporation from March 1995 to July 1996, having served in the same capacity for Martin Marietta Corporation since 1981.
Walter E. Skowronski (50)	Vice President and Treasurer	Vice President and Treasurer since March 1995; previously served in Lockheed Corporation as Vice President and Treasurer from 1992 to 1995; served as staff Vice President, Investor Relations from 1990 to 1992.

Robert J. Stevens (47)	Vice President; President and Chief Operating Officer - Energy & Environment Sector; Vice President of Strategic Development	President and Chief Operating Officer, Energy & Environment Sector since January 1998; Vice President of Strategic Development since November 1998; President, Air Traffic Management Division from June 1996 through January 1998; Executive Vice President and Senior Vice President and Chief Financial Officer of Air Traffic Management from December 1993; previously served as an executive employee of Loral Corporation from August 1987.
Peter B.Teets (56)	President and Chief Operating Officer; Director	President and Chief Operating Officer since August 1997; Board member since July 1997; President and Chief Operating Officer, Lockheed Martin Information & Services Sector from March 1995 to July 1997; previously served as Corporate Vice President of Martin Marietta from 1985 to 1995, President of Martin Marietta Space Group from 1993 to 1995, and President of Martin Marietta Astronautics Group from 1987 to 1993.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

At December 31, 1998, we had approximately 39,533 holders of record of our Common Stock, $1 par value. In October 1998, our Board of Directors approved a two-for-one split of our Common Stock in the form of a stock dividend for holders of record on December 1, 1998. The new shares were issued on December 31, 1998. Unless otherwise indicated, all references to shares of Common Stock and per share amounts reflect the stock split. Our Common Stock is traded on

the New York Stock Exchange, Inc. Information concerning stock prices and dividends paid during the past two years is as follows:

Common Stock -- Dividends Paid and Market Prices

Quarter	Dividends Paid		Market Prices (HighLow)	
	1998	1997	1998	1997
First	$0.20	$0.20	$58.938 - $48.750	$46.438 - $41.000
Second	0.20	0.20	58.500 - 49.969	52.625 - 39.125
Third	0.20	0.20	54.250 - 43.625	56.719 - 49.188
Fourth	0.22	0.20	56.750 - 41.000	54.219 - 44.063
Year	$0.82	$0.80	58.938- 41.000	56.719- 39.125

ITEM 6. SELECTED FINANCIAL DATA

The information required by this Item 6 is included under the caption "Consolidated Financial Data -- Nine-Year Summary" on page 46 through page 47 of the 1998 Annual Report to Shareholders, and that information is incorporated by reference in this Form 10-K.

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

The information required by this Item 7 is included under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 15 through page 25 of the 1998 Annual Report to Shareholders, and that information is incorporated by reference in this Form 10-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We do not hold or issue derivative financial instruments for trading purposes. We may use derivative financial instruments to manage our exposure to fluctuations in foreign exchange rates. The aggregate value of derivative financial instruments held or issued by us is not material to us nor

is the market risk posed. For additional discussion of our use of such instruments, see "Management's Discussion and Analysis of Financial Condition and Results of Operations, Other Matters" on page 25 of the 1998 Annual Report to Shareholders, and "Derivative financial instruments" and "New accounting pronouncements to be adopted" in "Note 1 - Summary of Significant Accounting Policies" of the "Notes to Consolidated Financial Statements" on page 33 and page 33 through page 34, respectively, of the Audited Financial Statements included in the 1998 Annual Report to Shareholders, and that information is incorporated by reference in this Form 10-K.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item 8 is included under the captions "Consolidated Statement of Earnings," "Consolidated Statement of Cash Flows," "Consolidated Balance Sheet," "Consolidated Statement of Stockholders' Equity" and "Notes to Consolidated Financial Statements" in the Audited Consolidated Financial Statements included on page 27 through page 45 of the 1998 Annual Report to Shareholders and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 15 through page 25 of the 1998 Annual Report to Shareholders. This information is incorporated by reference in this Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information concerning directors required by this Item 10 is included under the caption "Election of Directors" in our definitive Proxy Statement to be filed pursuant to Regulation 14A no later than March 1999 (the "1999 Proxy Statement"), and that information is incorporated by reference in this Form 10-K. Information concerning executive officers required by this Item 10 is located under Part I, Item 4(a) on page 39 through page 41 of this Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item 11 is included in the text and tables under the caption "Compensation of Executive Officers" in the 1999 Proxy Statement and that information, except for the information required by Item 402(k) and 402(l) of Regulation S-K, is incorporated by reference in this Form 10-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item 12 is included under the headings "Security Ownership of Certain Beneficial Owners," "Securities Owned by Directors, Nominees and Named Executive Officers" and "Voting Securities and Record Date" in the 1999 Proxy Statement, and that information is incorporated by reference in this Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a)(1) List of Financial Statements filed as part of the Form 10-K.

The following financial statements of Lockheed Martin Corporation and consolidated subsidiaries, included in the 1998 Annual Report to Shareholders, are incorporated by reference into Item 8 on page 43 of this Annual Report on Form 10-K. Page numbers refer to the 1998 Annual Report to Shareholders:

	Page
Consolidated Statement of Earnings-- Years ended December 31, 1998, 1997, and 1996	28
Consolidated Statement of Cash Flows-- Years ended December 31, 1998, 1997 and 1996	29
Consolidated Balance Sheet-- December 31, 1998 and 1997	30
Consolidated Statement of Stockholders' Equity-- Years ended December 31, 1998, 1997 and 1996	31
Notes to Consolidated Financial Statements-- December 31, 1998	32-45

(2) List of Financial Statement Schedules filed as part of this Form 10-K.

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

(3) Ernst & Young LLP

The report of Lockheed Martin's independent auditors with respect to the above-referenced financial statements appears on page 27 of the 1998 Annual Report to Shareholders and that report is incorporated by reference in this Form 10-K. The consent of Lockheed Martin's independent auditors appears as Exhibit 23 of this Annual Report on Form 10-K.

(b) The following reports on Form 8-K were filed during the last quarter of the period covered by this report:

(1) Lockheed Martin Corporation Current Report on Form 8-K filed with the Securities and Exchange Commission on October 22, 1998.

(2) Lockheed Martin Corporation Current Report on Form 8-K filed with the Securities and Exchange Commission on November 17, 1998.

(3) Lockheed Martin Corporation Current Report on Form 8-K filed with the Securities and Exchange Commission on December 31, 1998.

During the first quarter of 1999 (up until this report was filed), Lockheed Martin Corporation made the following filings on Form 8-K:

(1) Lockheed Martin Corporation Current Report on Form 8-K filed with the Securities and Exchange Commission on January 19, 1999.

(2) Lockheed Martin Corporation Current Report on Form 8-K filed with the Securities and Exchange Commission on January 28, 1999.

(3) Lockheed Martin Corporation Current Report on Form 8-K filed with the Securities and Exchange Commission on February 10, 1999.

(4) Lockheed Martin Corporation Current Report on Form 8-K filed with the Securities and Exchange Commission on February 16, 1999.

(c) Exhibits

(3)(i) Articles of Incorporation.

(a) Articles of Amendment and Restatement of Lockheed Martin Corporation (formerly Parent Corporation) filed with the State Department of Assessments and Taxation of the State of Maryland on February 7, 1995 (incorporated by reference to Exhibit 3.1 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with the Commission on February 9, 1995).

(ii) Bylaws

(a) Copy of the Bylaws of Lockheed Martin Corporation as amended on April 25, 1996 (incorporated by reference to Exhibit 1 to the Corporation's Annual Report on Form 10-Q for the quarter ended September 30, 1998).

(4) (a) Indenture dated May 16, 1996, between the Corporation, Lockheed Martin Tactical Systems, Inc., and First Trust of Illinois, National Association as Trustee (incorporated by reference to Exhibit 4 of the Corporation's filing on Form 8-K on May 16, 1996).

(b) Form of Indenture between the Corporation and U.S. Bank Trust National Association as Trustee (incorporated by

reference to Exhibit 4(a) of the Corporation's filing on Form S-3 (No. 333-71409) on January 29, 1999).

No other instruments defining the rights of holders of long-term debt are filed since the total amount of securities authorized under any such instrument does not exceed 10% of the total assets of the Corporation on a consolidated basis. The Corporation agrees to furnish a copy of such instruments to the Securities and Exchange Commission upon request.

(b) See Exhibits 3(i) and 3(ii).

(10)* (a) Lockheed Martin Corporation 1995 Omnibus Performance Award Plan (incorporated by reference to Exhibit 10.36 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with the Commission on February 9, 1995).

(b) Lockheed Martin Corporation Directors Deferred Stock Plan, as amended.

(c) Agreement Containing Consent Order, dated December 22, 1994, among the Corporation, Lockheed Corporation, Martin Marietta Corporation and the Federal Trade Commission (incorporated by reference to Exhibit 10.4 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with the Commission on February 9, 1995).

(d) Lockheed Martin Corporation Directors Deferred Compensation Plan, as amended.

(e) Resolutions relating to Lockheed Martin Corporation Financial Counseling Program for directors, officers, company presidents, and other key employees, as amended (incorporated by reference to Exhibit 10(e) to Lockheed Martin Corporation's Annual Report on Form 10-K for the year ended December 31, 1997).

(f) Martin Marietta Corporation Post-Retirement Death Benefit Plan for Senior Executives, as amended (incorporated by reference to Exhibit 10.9 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with Commission on February 9, 1995).

(g) Martin Marietta Corporation 1984 Stock Option Plan for Key Employees, as amended (incorporated by reference to Exhibit 10.12 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with Commission on February 9, 1995).

(h) Martin Marietta Corporation Amended Omnibus Securities Award Plan, as amended March 25, 1993 (incorporated by reference to Exhibit 10.13 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with Commission on February 9, 1995).

(i) Martin Marietta Corporation Supplemental Excess Retirement Plan, as amended (incorporated by reference to Exhibit 10.15 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with Commission on February 9, 1995).

(j) Martin Marietta Corporation Supplemental Excess Retirement Plan, as amended (incorporated by reference to Exhibit 10.15 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-51645) filed with the Commission on February 19, 1995).

(k) Martin Marietta Corporation Directors' Life Insurance Program (incorporated by reference to Exhibit 10.17 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with Commission on February 9, 1995).

(l) Martin Marietta Corporation Executive Special Early Retirement Option and Plant Closing Retirement Option Plan (incorporated by reference to Exhibit 10.18 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with Commission on February 9, 1995).

(m) Martin Marietta Supplementary Pension Plan for Employees of Transferred GE Operations (incorporated by reference to Exhibit 10.19 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with Commission on February 9, 1995).

(n) Martin Marietta Corporation Deferred Compensation Plan for Selected Officers, as amended (incorporated by reference to Exhibit 10(v) to Lockheed Martin

Corporation's Annual Report on Form 10-K for the year ended December 31, 1997).

(o) Lockheed Corporation 1992 Employee Stock Option Program (incorporated by reference to the Registration Statement on Form S-8 (No. 33-49003) of Lockheed Corporation filed with the Commission on September 11, 1992).

(p) Amendment to Lockheed Corporation 1992 Employee Stock Option Plan (incorporated by reference to Exhibit 10.22 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with the Commission on February 9, 1995).

(q) Lockheed Corporation 1986 Employee Stock Purchase Program, as amended (incorporated by reference to Exhibit 10.23 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with the Commission on February 9, 1995).

(r) Incentive Retirement Benefit Plan for Certain Executives of Lockheed Corporation, as amended (incorporated by reference to Exhibit 10.25 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with the Commission on February 9, 1995).

(s) Supplemental Retirement Benefit Plan for Certain Transferred Employees of Lockheed Corporation, as amended (incorporated by reference to Exhibit 10.26 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with the Commission on February 9, 1995).

(t) Supplemental Benefit Plan of Lockheed Corporation, as amended (incorporated by reference to Exhibit 10.27 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with the Commission on February 9, 1995).

(u) Lockheed Martin Corporation Supplemental Savings Plan, as amended and restated (incorporated by reference to Exhibit 10(ee) to Lockheed Martin Corporation's Annual Report on Form 10-K for the year ended December 31, 1997).

(v) Deferred Compensation Plan for Directors of Lockheed Corporation, as amended (incorporated by reference to Exhibit 10.30 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with the Commission on February 9, 1995).

(w) Lockheed Corporation Retirement Plan for Directors, as amended (incorporated by reference to Exhibit 10.31 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with the Commission on February 9, 1995).

(x) Trust Agreement, as amended February 3, 1995, between Lockheed Corporation and First Interstate Bank of California (incorporated by reference to Exhibit 10.33 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with the Commission on February 9, 1995).

(y) Lockheed Corporation Directors' Deferred Compensation Plan Trust Agreement, as amended (incorporated by reference to Exhibit 10.34 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with the Commission on February 9, 1995).

(z) Trust Agreement, dated December 22, 1994, between Lockheed Corporation and J.P. Morgan California with respect to certain employee benefit plans of Lockheed Corporation (incorporated by reference to Exhibit 10.35 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with the Commission on February 9, 1995).

(aa) Lockheed Martin Corporation Directors Charitable Award Plan (incorporated by reference to Exhibit 10(oo) to Lockheed Martin Corporation's Annual Report on Form 10-K for the year ended December 31, 1996).

(bb) Loral Supplemental Executive Retirement Plan (incorporated by reference to Exhibit 99.2 of the Schedule 14D-9 filed by Loral Corporation with the Commission on January 16, 1996).

(cc) Amendment to Lockheed Martin Corporation Supplemental Excess Retirement Plan(incorporated by reference to Exhibit 10(nnn) to Lockheed Martin Corporation's Annual Report on Form 10-K for the year ended December 31, 1996).

(dd) Amendment to Terms of Outstanding Stock Option Relating to Exercise Period for Employees of Divested Business(incorporated by reference to Exhibit 10(ooo) to Lockheed Martin Corporation's Annual Report on Form 10-K for the year ended December 31, 1996).

(ee) Lockheed Martin Corporation Post-Retirement Death Benefit Plan for Elected Officers, as amended(incorporated by reference to Exhibit 10(ppp) to Lockheed Martin Corporation's Annual Report on Form 10-K for the year ended December 31, 1996).

(ff) Lockheed Martin Corporation Directors Retirement Plan, as amended.

(gg) Deferred Performance Payment Plan of Lockheed Martin Corporation Space & Strategic Missiles Sector(incorporated by reference to Exhibit 10(ooo) to Lockheed Martin Corporation's Annual Report on Form 10-K for the year ended December 31, 1997).

(hh) Resolutions of Board of Directors of Lockheed Martin Corporation dated June 27, 1997 amending Lockheed Martin Non-Qualified Pension Plans (incorporated by reference to Exhibit 10(ppp) to Lockheed Martin Corporation's Annual Report on Form 10-K for the year ended December 31, 1997).

(ii) Form of Retention Agreement, including Addendum (incorporated by reference to Exhibit 10(u) to Lockheed Martin Corporation's Annual Report on Form 10-K for the year ended December 31, 1997).

(jj) Lockheed Martin Corporation Directors Equity Plan.

(kk) Lockheed Martin Corporation Management Incentive Compensation Plan

(ll) Lockheed Martin Corporation Deferred Management Incentive Compensation Plan

* Exhibits (10)(a) through (10)(ll) constitute management contracts or compensatory plans or arrangements required to be filed as an Exhibit to this Form pursuant to Item 14(c) of this Report.

(12) Computation of ratio of earnings to fixed charges for the year ended December 31, 1998.

(13) Portions of Lockheed Martin Corporation's 1998 Annual Report to Shareholders incorporated by reference in this Annual Report on Form 10-K.

(23) Consent of Ernst & Young LLP, Independent Auditors for Lockheed Martin Corporation.

(24) Powers of Attorney.

(27) Financial Data Schedule.

Other material incorporated by reference:

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

Date: March 22, 1999

By: /s/ FRANK H. MENAKER, JR.

Frank H. Menaker, Jr.
Senior Vice President
and General Counsel

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURES	TITLE	DATE
/s/Vance D. Coffman* VANCE D. COFFMAN	Chairman and Chief Executive Officer	March 22, 1999
/s/Philip J. Duke* PHILIP J. DUKE	Vice President and Chief Financial Officer	March 22, 1999
/s/Todd J. Kallman* TODD J. KALLMAN	Vice President and Chief Accounting Officer	March 22, 1999
/s/Norman R. Augustine* NORMAN R. AUGUSTINE	Director	March 22, 1999
/s/Marcus C. Bennett* MARCUS C. BENNETT	Director	March 22, 1999
/s/Lynne V. Cheney* LYNNE V. CHENEY	Director	March 22, 1999

SIGNATURES	TITLE	DATE
/s/Houston I. Flournoy* HOUSTON I. FLOURNOY	Director	March 22, 1999
/s/James F. Gibbons* JAMES F. GIBBONS	Director	March 22, 1999
/s/Edward E. Hood, Jr.* EDWARD E. HOOD, JR.	Director	March 22, 1999
/s/Caleb B. Hurtt* CALEB B. HURTT	Director	March 22, 1999
/s/Gwendolyn S. King* GWENDOLYN S. KING	Director	March 22, 1999
/s/Vincent N. Marafino* VINCENT N. MARAFINO	Director	March 22, 1999
/s/Eugene F. Murphy* EUGENE F. MURPHY	Director	March 22, 1999
/s/Allen E. Murray* Allen E. Murray	Director	March 22, 1999
/s/Frank Savage* FRANK SAVAGE	Director	March 22, 1999
/s/Peter B. Teets* PETER B. TEETS	Director	March 22, 1999
/s/Carlisle A.H. Trost* CARLISLE A.H. TROST	Director	March 22, 1999
/s/James R. Ukropina* JAMES R. UKROPINA	Director	March 22, 1999
/s/Douglas C. Yearley* DOUGLAS C. YEARLEY	Director	March 22, 1999

*By: /s/MARIAN S. BLOCK March 22, 1999

(Marian S. Block, Attorney-in-fact**)

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

(c) Exhibits

(10)(b) Lockheed Martin Corporation Directors Deferred Stock Plan, as amended.

LOCKHEED MARTIN CORPORATION
DIRECTORS DEFERRED STOCK PLAN

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LOCKHEED MARTIN CORPORATION

DIRECTORS DEFERRED STOCK PLAN
MARCH 15, 1995
AS AMENDED FEBRUARY 27, 1997
AS AMENDED FEBRUARY 24, 1999

ARTICLE I

TITLE, PURPOSE AND AUTHORIZED SHARES

This Plan shall be known as "Lockheed Martin Corporation Directors Deferred Stock Plan" and shall become effective on March 15, 1995. The purpose of this Plan is to attract, motivate and retain experienced and knowledgeable directors of the Corporation and to further align their economic interest with the interests of stockholders generally. The total number of shares of Common Stock that may be delivered pursuant to awards under this Plan is 50,000, subject to adjustments contemplated by Section 4.6. Effective May 1, 1999, the Plan is frozen. Other than Dividend Equivalents relating to Units credited to Directors' Stock Unit Accounts prior to May 1, 1999, no further Awards shall be made under this Plan on or after May 1, 1999.

ARTICLE II

DEFINITIONS

Whenever the following terms are used in this Plan they shall have the meaning specified below unless the context clearly indicates to the contrary:

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

Average Fair Market Value means the average of the Fair Market Values of a share of Common Stock of the Corporation during the last 10 trading days preceding the applicable date of determination.

Award means the crediting of a Unit or Units under this Plan. Each Award shall be approved by the Board of Directors or a committee appointed by the Board of Directors in accordance with Section 5.1.

Award Date means June 1 of each year, commencing in 1995. The last Award Date shall be June 1, 1998.

Beneficiary shall have the meaning specified in Section 7.2(b).

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

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

Common Stock means shares of Common Stock of the Corporation, par value $1.00 per share, subject to adjustments made under Section 4.5 or by operation of law.

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

Director means a member of the Board of Directors of the Corporation who is eligible to receive compensation in the form of retainer fees for services in such capacity and who is not an officer or employee of the Corporation or any of its subsidiaries.

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

Dividend Equivalent means the amount of cash dividends or other cash distributions paid by the Corporation on that number of shares of Common Stock equivalent to the number of Stock. Units then credited to a Director's Stock Unit Account and Dividend Equivalent Stock Account, which amount shall be allocated as additional Stock Units to the Director's Dividend Equivalent Stock Account.

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

Effective Date means March 15, 1995.

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

Fair Market Value means the closing price of the Stock as reported on the composite tape of New York Stock Exchange issues (or, if the Stock is not so listed or if the principal market on which it is traded is not the New York Stock Exchange, such other reporting system as shall be selected by the Board) on the relevant date, or, if no sale of the Stock is reported for that date, the next preceding day for which there is a reported sale.

Merger means the business combination described in Article I.

Plan means the Lockheed Martin Corporation Directors Deferred Stock Plan.

Stock means Common Stock.

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

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

ARTICLE III

PARTICIPATION

Each Director shall become a participant in the Plan upon the approval of an Award to the Director.

ARTICLE IV

DEFERRAL ACCOUNTS

4.1. Stock Unit Account.

The Stock Unit Account of each Director shall be credited on each Award Date with a number of Units determined by dividing $10,000 by the Average Fair Market Value of the Common Stock on the Award Date, provided that the Board of Directors previously approved the Award. A Director who is not serving as a director on an Award Date is not eligible for any portion of the Award for the applicable year.

4.2. Dividend Equivalents; Dividend Equivalent Stock Account.

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

(b) Dividend Equivalent Stock Account. The Director's Dividend Equivalent Stock Account shall be credited with an additional number of Units determined by dividing the amount of Dividend Equivalents by the Fair Market Value of a share of Common Stock as of each dividend payment date. The Units credited to a Director's Dividend Equivalent Stock Account shall be allocated (for purposes of distribution) in accordance with Section 4.4(b) and shall be subject to adjustment in accordance with Section 4.5.

4.3. Vesting of Stock Unit Account and Dividend Equivalent Stock Account.

The rights of each Director in respect of his or her Stock Unit Account and related Dividend Equivalent Stock Account shall vest immediately on crediting.

4.4. Distribution of Benefits.

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

(b) Manner of Distribution. The benefits payable under this Plan shall be distributed to the Director (or, in the event of his or her death, the Director's Beneficiary) in a lump sum, unless the Director elects in writing (on forms provided by the Corporation) by the time specified in Section 4.4(f), to receive a distribution of his or her benefits in respect of such Units in approximately equal annual installments (before

giving effect to post-termination crediting of additional Dividend Equivalents before the applicable payment date) for up to five years thereafter. Elections with respect to any Units in the Stock Unit Account shall apply to all Dividend Equivalent Units attributable to those Stock Units, and to all Dividend Equivalent Units attributable to those Dividend Equivalent Units. Subject to Section 4.4(f), installment payments shall commence as of the date benefits become distributable under Section 4.4(a). Notwithstanding the foregoing, if the vested balance remaining in a Director's Stock Unit Account and Dividend Equivalent Stock Account is less than 50 shares, then the remaining balance shall be distributed in shares in a lump sum.

(c) Effect of Death or Disability. Notwithstanding Sections 4.4(a) and (b), if a Director's service as a director terminates by reason of Disability, or a Director or former Director dies, the distribution of a Director's Accounts (including remaining Account balances of a former Director) shall be made immediately in a lump sum.

(d) Form of Distribution. Stock Units credited to a Director's Stock Unit Account and Dividend Equivalent Stock Account shall be paid and distributed by means of a distribution of an equivalent whole number of shares of the Common Stock. Fractions shall be accumulated and converted to Units, but any fractional interest in a Unit shall be paid in cash on final distribution. In the event of a termination of service or retirement, a Director may elect, in accordance with the provisions of Section 4.4(f), to have Stock Units credited to the Director's Stock Unit Account and Dividend Share Equivalent Account paid and distributed in the form of cash or a combination of whole shares of Common Stock and cash. Any such election shall be made at times and in the manner specified in Section 4.4(f).

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

(f) Timing of Elections. A Director may elect an installment distribution as provided in Section 4.4(b) only with respect to Units credited on a June 1 which is at least 12 months following his or her election. Notwithstanding the preceding sentence, a Director's election to receive an installment distribution may be made with respect to Units credited during the Director's first year of service on the Board, within 30 days after the Director commenced service as a Director (but in any event prior to the date on which the Units are credited). In addition, in the event of a termination of service or retirement, at least six months prior to receipt by a Director of any distribution of benefits under the Plan, the Director shall make a written election (on forms to be provided by the Corporation) as to the percentage the Director elects to receive in the form of cash and the percentage the Director elects to receive in the form of whole shares of Common Stock.

4.5. Adjustments in Case of Changes in Common Stock. If there shall occur any recapitalization, stock split (including a stock split in the form of a stock dividend), reverse stock split, merger, combination, consolidation, or other reorganization or any

extraordinary non-cash dividend or other extraordinary distribution in respect of the Stock (whether in the form of Stock, other securities, or other property), or any split-up, spin-off, extraordinary redemption, or exchange of outstanding Stock, or there shall occur any other similar corporate transaction or event in respect of the Stock, or a sale of substantially all the assets of the Corporation as an entirety, proportionate and equitable adjustments consistent with the effect of such event on stockholders generally (but without duplication of benefits if Dividend Equivalents are credited) shall be made in the number and type of shares of Common Stock (or other cash, property or securities in respect thereof) reserved, and of Units, under this Plan.

4.6. Corporation's Right to Withhold. The Corporation shall satisfy state or federal income tax withholding obligations, if any, arising upon distribution of a Director's accounts by reducing the number of shares of Common Stock otherwise deliverable to the Director by the appropriate number of shares (based on the Average Fair Market Value) required to satisfy such tax withholding obligation. If the Corporation, for any reason, cannot satisfy the withholding obligation in accordance with the preceding sentence, the Director shall pay or provide for payment in cash of the amount of any taxes which the Corporation may be required to withhold with respect to the benefits hereunder.

4.7. Limitations on Rights Associated with Units. A Director's Accounts shall be memorandum accounts on the books of the Corporation. The Units credited to a Director's Accounts shall be used solely as a device for the determination of the number of shares of Common Stock to be eventually distributed to such Director in accordance with this Plan. The Units shall not be treated as property or as a trust fund of any kind, although the Corporation shall reserve shares of Common Stock to satisfy its obligations under this Plan. All shares of Common Stock or other amounts attributed to the Units shall be and remain the sole property of the Corporation, and each Director's rights in the Units is limited to the right to receive shares of Common Stock in the future as herein provided. No Director shall be entitled to any voting or other stockholder rights with respect to Units granted under this Plan. The number of Units credited under this Section shall be subject to adjustment in accordance with Section 4.5.

4.8. Restrictions on Resale. Stock distributed in respect of those Stock Units that were first credited under Section 4.1 within six months of the distribution (and Dividend Equivalent Account Units credited under Section 4.2 solely in respect thereof) may be legended or otherwise restricted so as to prevent a sale of the Stock within six months of the initial crediting of those Stock Units. Installments shall be deemed payable and paid in the order (i.e., last-in, last-out) of the accrual of the underlying Units.

ARTICLE V

ADMINISTRATION

5.1. Administration. This Plan shall be construed, interpreted and, to the extent required, administered by the Board or a committee appointed by the Board to act on its

behalf under this Plan. To the extent that the Plan is administered by a committee of the Board of Directors, the committee shall consist exclusively of "non-employee directors" as that term is defined in Rule 16b-3 ("Rule 16b-3") promulgated by the Securities and Exchange Commission under Section 16 of the Exchange Act. Notwithstanding the foregoing, but subject to Section 6.1 hereof, the Board shall have no discretionary authority with respect to the amount or price of any Award granted under this Plan and no director shall participate in any decision relating solely to his or her benefits (other than approval of the Award). Subject to the foregoing, the Board may resolve any questions and make all other determinations and adjustments required by this Plan, maintain all the necessary records for the administration of this Plan, and provide forms and procedures to facilitate the implementation of this Plan.

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

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

ARTICLE VI

PLAN CHANGES AND TERMINATION

6.1. Amendments. The Board of Directors shall have the right to amend this Plan in whole or in part from time to time or may at any time suspend or terminate this Plan; provided, however, that no amendment or termination shall cancel or otherwise adversely affect in any way, without his or her written consent, any Director's rights with respect to Stock Units and Dividend Equivalents credited to his or her Stock Unit Account or Dividend Equivalent Stock Account

6.2. Term. This Plan shall continue for a period of 10 years from the Effective Date, but continuance of this Plan is not assumed as a contractual obligation of the Corporation. Effective May 1, 1999, the Plan is frozen. Other than Dividend Equivalents relating to Units credited to Directors' Stock Unit Accounts prior to May 1, 1999, no further Awards shall be made under this Plan on or after May 1, 1999. Benefits under the Plan shall continue to be paid in accordance with Section 4.4 on or after May 1, 1999. When all benefits under the Plan have been paid, the Plan shall be terminated.

6.3. Distribution of Shares. If this Plan terminates pursuant to Section 6.2, the distribution of the Accounts of a Director shall be made at the time provided in Section 4.4(a) and in a manner consistent with the elections made pursuant to Sections 4.4(b) and (f), if any.

ARTICLE VII

MISCELLANEOUS

7.1. Limitation on Directors' Rights. Participation in this Plan shall not give any Director the right to continue to serve as a member of the Board or any rights or interests other than as herein provided. No Director shall have any right to any payment or benefit hereunder except to the extent provided in this Plan. This Plan shall create only a contractual obligation on the part of the Corporation as to such amounts and shall not be construed as creating a trust. This Plan, in and of itself, has no assets. Directors shall have only the rights of general unsecured creditors of the Corporation with respect to amounts credited or vested and benefits payable, if any, on their Accounts.

7.2. Beneficiaries.

(a) Beneficiary Designation. Upon forms provided and in accordance with procedures established by the Corporation, each Director may designate in writing (and change a designation of) the Beneficiary or Beneficiaries (as defined in Section 7.3(b)) that the Director chooses to receive the Common Stock payable under this Plan after his or her death, subject to applicable laws (including any applicable community property and probate laws).

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

7.3. Benefits Not Assignable; Obligations Binding Upon Successors. Benefits of a Director under this Plan shall not be assignable or transferable and any purported transfer, assignment, pledge or other encumbrance or attachment of any payments or benefits under this Plan, or any interest therein, other than pursuant to Section 7.2, shall

not be permitted or recognized. Obligations of the Corporation under this Plan shall be binding upon successors of the Corporation.

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

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

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

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

(10)(d) Lockheed Martin Corporation Directors Deferred
Compensation Plan, as amended

LOCKHEED MARTIN CORPORATION
DIRECTORS DEFERRED COMPENSATION PLAN

MARCH 15, 1995
AS AMENDED DECEMBER 7, 1995
AS AMENDED APRIL 24, 1996
AS AMENDED FEBRUARY 27, 1997
AS AMENDED DECEMBER 3, 1998
AS AMENDED FEBRUARY 24, 1999

ARTICLE I

PURPOSE

The purpose of this Plan is to give each non-employee Director of Lockheed Martin Corporation the opportunity to be compensated for his or her service as a Director on a deferred basis. The Plan is also intended to establish a method of paying Director's compensation which will aid the Corporation in attracting and retaining as members of the Board persons whose abilities, experience and judgment can contribute to the success of the Corporation. In addition, by providing Directors with the option of accruing earnings based on the performance of Lockheed Martin Common Stock, the Plan is intended to more closely align the economic interests of Directors with the interests of stockholders generally.

ARTICLE II

DEFINITIONS

Whenever the following terms are used in this Plan, they shall have the meaning specified below, unless the context clearly indicates to the contrary:

Account means the bookkeeping account maintained by the Corporation on behalf of a participating Director which is credited with the Director's Deferred Compensation, including investment earnings credited under Section 4.2.

Beneficiary shall have the meaning specified in Section 7.2(b).

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

Committee means the Committee appointed to administer this Plan, as provided in Section 6.1 hereof.

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

Deferred Compensation means Director's Fees deferred pursuant to this Plan and investment earnings credited thereto under Section 4.2. Deferred Compensation also includes

the Lump Sum Retirement Benefit deferred pursuant to this Plan and investment earnings credited thereto under Section 4.2.

Election Form means the form by which a Director elects to participate in this Plan.

Director means, except as provided in Section 5.5(b), a member of the Board of Directors of the Corporation who is eligible to receive compensation in the form of Director's Fees and who is not an officer or employee of the Corporation or any of its subsidiaries.

Director's Fees means the fees payable to a Director for services as a Director and for services on any Committee of the Board, including the amount of any retainer paid to a non-employee for services as Chairman of the Board, but excluding any amounts credited or stock distributed to a Director under the Lockheed Martin Corporation Directors Deferred Stock Plan.

Effective Date means the effective date referred to in Section 7.8.

Lump Sum Death Benefit means the actuarial value of the $100,000 death benefit provided to Directors prior to May 1, 1999.

Lump Sum Retirement Benefit means the value of the benefit earned under the Lockheed Martin Corporation Directors Retirement Plan as determined upon termination of that plan effective May 1, 1999.

Plan means the Lockheed Martin Corporation Directors Deferred Compensation Plan.

ARTICLE III

PARTICIPATION

3.1 Timing of Deferral Elections. In order to defer Director's fees earned in any calendar year, a Director must make a deferral election by executing and filing an Election Form before the commencement of that calendar year or, in the case of a new Director, before the commencement of the Director's term of office in that calendar year. The deferral election shall specify the manner in which earnings (or losses) on the deferred amount shall accrue in accordance with Section 4.2 below. To the extent that a Director elects that any portion of a deferred amount shall accrue earnings based on the Lockheed Martin Common Stock Investment Option, such an election shall be given effect only if (i) the election is irrevocably made at least six (6) months prior to the effective date of the allocation or (ii) the crediting of the deferred amount to the Lockheed Martin Common Stock Investment Option has been approved by the Board of Directors (or a committee thereof that is comprised of persons specified in Section 6.1). To the extent that a Director makes an election to have Deferred Compensation credited to the Lockheed Martin Common Stock Investment Option which is not in compliance with (i) or (ii) above, the amount elected to be deferred into the Lockheed Martin Common Stock Investment Option shall initially be allocated to the Interest Option until such time as the allocation to the

Lockheed Martin Common Stock Investment Option would be in compliance with (i) or (ii) above, at which time the deferred amount shall automatically be reallocated.

3.2 Terms of Deferral Elections. A Director's deferral election for a calendar year shall specify the percentage (which may equal 100%) of the Director's Fees to be earned by the Director for that year which are to be deferred under this Plan. A Director's deferral election shall remain in effect for each subsequent calendar year, unless the Director duly files a revised Election Form or written revocation of the election before the beginning of the subsequent calendar year. A Director's deferral election shall be irrevocable during any calendar year in which it is in effect.

ARTICLE IV

CREDITING OF ACCOUNTS

4.1 Crediting of Director's Fees. Director's Fees that a Director has elected to defer shall be credited to the Director's Account as of the first day of the month in which the Director's Fees would have been payable to the Director if no deferral election had been made under this Plan. The elected deferral percentage shall apply to all Director's Fees earned by the Director during a calendar year.

4.2 Crediting of Investment Earnings. Subject to the provisions of Section 3.1 above, as of the last day of each month, a Director's Account shall be credited to reflect investment earnings (or loss) for the month, based on the Director's investment selections under this Section 4.2. A Director may elect to have his or her Account credited with investment earnings (or losses) for each month as if the Director's Account balance had been invested in the following:

(a) Interest Option. Interest at a rate equal to one twelfth (1/12) of the annual prime rate as set by Citibank, N.A., New York, New York, on the last day of the preceding month.,

(b) S&P 500 Option. A return (or loss) equal to that of the published index for the Standard & Poors 500 (with dividends) for the month will accrue.

(c) Lockheed Martin Common Stock Investment Option. Earnings (or losses) shall be credited as if such amount had been invested in Lockheed Martin Common Stock at the published closing price of the Corporation's Common Stock on the New York Stock Exchange on the last trading day preceding the day as to which such amount is deferred (or reallocated) into the Lockheed Martin Common Stock Investment Option; this portion of a Director's Account shall reflect any subsequent appreciation or depreciation in the market value of Lockheed Martin Common Stock based on the published closing price of the stock on the New York Stock Exchange on the last trading day of each month and shall reflect dividends on the stock as if such dividends were reinvested in shares of Lockheed Martin Common Stock.

(d) A combination of (a), (b) and (c).

A Director's initial investment selections must be made by the date that the Director's initial deferral election takes effect. A Director may change his or her investment selections with respect to all amounts credited to the Director's Account, including amounts deferred in prior periods, provided that any such change that would result in an increase or decrease in the portion of the Director's Account allocated to the Lockheed Martin Common Stock Investment Option shall only be effective if it is made pursuant to an irrevocable written election made at least six months following the date of the Director's most recent "opposite way" election with respect to either the Plan or any other plan maintained by Lockheed Martin that provides for Discretionary Transactions (as defined in Rule 16b-3). Subject to the foregoing, a change of investment selections must be made by filing a revised Election Form in advance of the month in which the change is to take effect.

4.3 Account Balance as Measure of Deferred Compensation. The Deferred Compensation payable to a Director (or the Director's Beneficiary) shall be measured by, and shall in no event exceed, the sum of the amounts credited to the Director's Account.

ARTICLE V

PAYMENT OF DEFERRED COMPENSATION

5.1 Manner of Distribution.

(a) Lump sum payments. Subject to the provisions of Section 5.6, a Director's Deferred Compensation shall be paid as a lump sum cash payment equal to the balance credited to the Director's Account on the December 31 that is coincident with or next follows the date of the termination of the Director's status as a Director, unless the Director has elected to receive installment payments in accordance with Section 5.1(b).

(b) Installment payments. A Director may elect to have the Director's Deferred Compensation distributed in annual installments over a maximum period of ten (10) years. The amount of each annual installment shall be determined by dividing the Director's Account balance (or the portion of the Account balance to which the installment election applies) on the December 31 preceding the payment date by the number of years remaining in the elected installment period. A Director's election to receive installment payments with respect to Director's fees deferred in any calendar year must be made on an Election Form duly filed no later than the latest date on which a deferral election may be made for that calendar year under Section 4.1. A Director's installment election shall remain in effect with respect to Director's fees deferred in each subsequent calendar year, unless the Director duly files a revised Election Form before the beginning of the subsequent calendar year. An installment election shall be irrevocable with respect to Director's fees deferred (and allocable investment earnings) in any calendar year for which the installment election is in effect.

(c) Deferral For Directors Fees Earned in 1996. A Director may elect to have the Director's Deferred Compensation earned during the 1996 calendar year credited and paid as a lump sum under (a) or annual installments under (b) except that payment (or installments, as the

case may be) will be made (or commence) on January 1, 1998, or as soon as practicable thereafter regardless of whether the Director has terminated service as a Director.

5.2 Commencement of Payments. Subject to the provisions of Section 5.6 and except as provided in Sections 5.1(c) and 5.4, the payment of Deferred Compensation to a Director shall be made or commence in January of the first calendar year following the year in which the Director ceases to be a Director, whether due to resignation, retirement, disability, death, or otherwise. Installment payments shall continue to be made in January of each succeeding year until all installments have been paid.

5.3 Death Benefits. Subject to the provisions of Section 5.6, in the event that a Director dies before payment of the Director's Deferred Compensation has commenced or been completed, the balance of the Director's Account shall be distributed to the Director's Beneficiary commencing in the January following the date of the Director's death in accordance with the manner of distribution (lump sum or annual installments) elected by the Director for payments during the Director's lifetime. However, upon good cause shown by a Beneficiary or personal representative of the Director, the Committee, in its sole discretion, may reject a Director's installment election and instead cause the Director's death benefits to be paid in a lump sum.

5.4 Emergency Withdrawals. In the event of an unforeseeable emergency prior to the commencement of distributions or after the commencement of installment payments, the Committee may approve a distribution to a Director (or Beneficiary after the death of a Director) of the part of the Director's Account balance that is reasonably needed to satisfy the emergency need. An Emergency withdrawal will be approved only in a circumstance of severe financial hardship to the Director (or Beneficiary after the death of the Director) resulting from a sudden and unexpected illness or accident of the Director (or Beneficiary, as applicable) or of a dependent of the Director (or Beneficiary, as applicable), loss of property due to casualty, or other similar extraordinary or unforeseeable circumstance arising from events beyond the control of the Director (or Beneficiary, as applicable). The investment earnings credited to the Director's Account shall be determined as if the withdrawal had been debited from the Director's Account on the first day of the month in which the withdrawal occurs.

Status of Certain Directors.

(a) For purposes of Section 5.2, a retired Director who continues to advise the Board of Directors under an Advisory Services Agreement shall be treated as an active Director for the period that he or she continues to serve under such agreement, if the Director so elects on or before April 25, 1996. An election under this Section 5.5 shall not otherwise alter the Director's rights under this plan. Once made, an election under this Section 5.5 shall be irrevocable.

(b) For the purposes of Article VI, a member of the Board of Directors who is not eligible for Director's Fees but who is eligible for a Lump Sum Retirement Benefit shall be eligible to defer such compensation pursuant to this Plan.

5.6 Corporation's Right to Withhold. There shall be deducted from all payments under this Plan the amount of taxes, if any, required to be withheld under applicable federal or state tax laws. The Directors and their Beneficiaries will be liable for payment of any and all income or other taxes imposed on Deferred Compensation payable under this Plan.

5.7 Section 16 Limitations on Distributions. Notwithstanding anything contained herein to the contrary, no distribution of any portion of a Director's Account credited to the Lockheed Martin Common Stock Investment Option shall be made unless (I) the Board of Directors or Committee has approved the distribution or (ii) at least six months have passed from the date the Director's service on the Board has terminated.

ARTICLE VI

SPECIAL RULES FOR LUMP SUM RETIREMENT BENEFIT AND LUMP SUM DEATH BENEFIT

6.1 Deferral of Lump Sum Benefits. The Lump Sum Retirement Benefit and the Lump Sum Death Benefit for each Director shall be credited to that Director's Account as of May 1, 1999. Subject to the provisions of Section 3.1 above, the Director's investment selections for deferred Director's Fees shall be the investment selection for a Director's Lump Sum Retirement Benefit and Lump Sum Death Benefit and as of the last day of each month, a Director's Account shall be credited to reflect investment earnings (or loss) for the month, based on the Director's investment selections under Section 4.2.

6.2 Payment of Lump Sum Benefits. The Lump Sum Retirement Benefit and the Lump Sum Death Benefit shall be distributed as part of a Director's Deferred Compensation in accordance with Article V. Subject to Section 5.7, a Director may also elect to receive the Lump Sum Death Benefit and the Lump Sum Retirement Benefit in a single lump sum payable on or about May 1, 2000 so long as prior to May 1, 1999, the Director makes an irrevocable written election to receive the lump sum payment. Any lump sum payment made pursuant to this Section 6.2 shall include amounts credited as investment earnings with respect to the Lump Sum Retirement Benefit for the period from May 1, 1999 until April 30, 2000. Notwithstanding anything herein to the contrary, no portion of a Director's Lump Sum Retirement Benefit may be paid prior to May 1, 2000.

ARTICLE VII

ADMINISTRATION, AMENDMENT AND TERMINATION

7.1 Administration by Committee. This Plan shall be administered by a Committee consisting of exclusively "non-employee directors" as that term is defined in Rule 16b-3 ("Rule 16b-3") promulgated by the Securities and Exchange Commission under Section 16 of the Securities Exchange Act of 1934 (the "Exchange Act"). The Committee shall act by vote of a majority or by unanimous written consent of its members. The Committee's resolution of any

question regarding the interpretation of this Plan shall be subject to review by the Board, and the Board's determination shall be final and binding on all parties.

7.2 Amendment and Termination. This Plan may be amended, modified, or terminated by the Board at any time, except that no such action shall (without the consent of affected Directors or, if appropriate, their Beneficiaries or personal representatives) adversely affect the rights of Directors or Beneficiaries with respect to compensation earned and deferred under this Plan prior to the date of such amendment, modification, or termination.

ARTICLE VIII

MISCELLANEOUS

8.1 Limitation on Directors' Rights. Participation in this Plan shall not give any Director the right to continue to serve as a member of the Board or any rights or interests other than as herein provided. No Director shall have any right to any payment or benefit hereunder except to the extent provided in this Plan. This Plan shall create only a contractual obligation on the part of the Corporation as to such amounts and shall not be construed as creating a trust. The Plan, in and of itself, has no assets. Directors shall have only the rights of general unsecured creditors of the Corporation with respect to amounts credited to or payable from their Accounts.

8.2 Beneficiaries.

(a) Beneficiary Designation. Subject to applicable laws (including any applicable community property and probate laws), each Director may designate in writing the Beneficiary that the Director chooses to receive any payments that become payable after the Director's death, as provided in Section 5.3. A Director's Beneficiary designation shall be made on forms provided and in accordance with procedures established by the Corporation and may be changed by the Director at any time before the Director's death.

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

8.3 Rights Not Assignable; Obligations Binding Upon Successors. A Director's rights under this Plan shall not be assignable or transferable and any purported transfer, assignment, pledge or other encumbrance or attachment of any payments or benefits under this Plan, or any interest thereon, other than pursuant to Section 7.2, shall not be permitted or recognized. Obligations of the Corporation under this Plan shall be binding upon successors of the Corporation.

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

8.5 Annual Statements. The Corporation shall prepare and send a statement to the Director (or to the Director's Beneficiary after the Director's death) showing the balance credited to the Director's Account as of December 31 of each year for which an Account is maintained with respect to the Director.

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

8.7 Consent to Plan Terms. By electing to participate in this Plan, a Director shall be deemed conclusively to have accepted and consented to all of the terms of this Plan and to all actions and decisions of the Corporation, Board, or Committee with regard to the Plan. Such terms and consent shall also apply to and be binding upon each Director's Beneficiary or Beneficiaries, personal representatives, and other successors in interest.

8.8 Effective Date. This Plan shall became effective on March 15, 1995.

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

(10)(ff) Lockheed Martin Corporation Directors Retirement Plan.

LOCKHEED MARTIN CORPORATION
DIRECTORS RETIREMENT PLAN

May 25, 1995
Amended April 24, 1996
Amended December 3, 1998

ARTICLE I

PURPOSE

The purpose of this Plan is to provide retirement income to persons who have performed substantial services as non-employee Directors of Lockheed Martin Corporation and thereby to aid the Corporation in attracting and retaining as members of the Board persons whose abilities, experience and judgment can contribute to the success of the Corporation.

ARTICLE II

DEFINITIONS

Whenever the following terms are used in this Plan, they shall have the meaning specified below, unless the context clearly indicates to the contrary:

BENEFICIARY shall have the meaning specified in Section 6.2(b).

BOARD OF DIRECTORS or BOARD means the Board of Directors of the Corporation.

COMMITTEE means the Committee appointed to administer this Plan, as provided in Section 5.1 hereof.

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

DIRECTOR means a member of the Board of Directors of the Corporation who is eligible to receive compensation in the form of Retainer Fees and who is not an officer or employee of the Corporation or any of its subsidiaries; where indicated by the context, the term Director shall include a retired or former Director.

EFFECTIVE DATE means March 15, 1995.

PLAN means the Lockheed Martin Corporation Directors Retirement Plan.

RETAINER FEE means the annual fee payable to a Director for service as a Board member, including the value of the amount annually credited to each Director under the Lockheed Martin Corporation Directors Deferred Stock Plan, but not including any fees for services as a member of a committee of the Board.

RETIREMENT AGE means the age for mandatory retirement of Directors from Board membership, as specified in the Corporation's by-laws on the date a Director retires, resigns, or otherwise ceases to be a member of the Board.

ARTICLE III

ELIGIBILITY FOR BENEFITS

3.1 FIVE-YEAR SERVICE REQUIREMENT. Except as provided in Sections 4.1 and 4.6, a Director shall be eligible to receive benefits under this Plan only if the Director has served as a member of the Board for five (5) or more years, and the Director retires, resigns, or otherwise ceases to be a member of the Board after the Effective Date.

3.2 CREDITED SERVICE. For purposes of Section 3.1 and Article IV, a Director's years of service as a Board member shall be deemed to include all periods in which he or she served as a director of the Corporation, Lockheed Corporation, or Martin Marietta Corporation, including all periods in which he or she served as a director while an employee of one or more of those corporations. A Director shall be credited with a year of service for each twelve (12) month period of Board service; fractional years of service shall not be taken into account under this Plan.

ARTICLE IV

BENEFITS

4.1 RETIREMENT AT RETIREMENT AGE. If a Director retires from the Board on or after attainment of Retirement Age, the Corporation shall make annual payments to the Director in the amount of the Retainer Fee for life. Such payments shall commence in the January following the year in which the Director retires and shall be made in each successive January ending with the January payment for the calendar year of the Director's death. Upon the approval of the Nominating Committee of the Board, a Director who retires from the Board on or after attainment of Retirement Age, but with less than five (5) years of service on the Board, may be treated as having satisfied the eligibility requirement of Section 3.1. Notwithstanding the foregoing, an initial payment prorated to reflect the number of months remaining in the year shall be made to the Director as soon as practicable following his retirement.

4.2 RESIGNATION BEFORE RETIREMENT AGE. If a Director retires, resigns, or otherwise ceases to be a member of the Board before attaining Retirement Age, the Corporation shall make annual payments to the Director in the amount of the Retainer Fee for a number of years equal to the number of full years the Director had served on the Board. Such payments shall commence in the January following the year in which the Director ceases to be a member of the Board and shall be made in each successive January until the payments have been completed.

4.3 DEATH BENEFITS. Upon the death of an active Director, whether or not such Director has served as a Director for five (5) years, or a retired or former Director entitled to benefits under Section 4.1 or 4.2, the Corporation shall make annual payments to the Director's Beneficiary in the amount of the Retainer Fee for a number of years equal to (i) the number of full years the Director had served on the Board, less (ii) the number of years, if any, for which payments were made to the Director under Section 4.1 or 4.2, provided that the number of annual payments to a Director's Beneficiary shall in no event exceed twenty (20). Such payments shall commence in the January following the year of the Director's death and shall be made in each successive January until the payments have been completed.

4.4 RETAINER FEE USED TO DETERMINE BENEFITS. All benefits payable to or with respect to a Director shall be based upon the amount of the Retainer Fee in effect on the Date the Director retires, resigns, or otherwise ceases to be a member of the Board.

4.5 COORDINATION WITH PREDECESSOR PLANS. The payments to a Director or Beneficiary under Section 4.1, 4.2, or 4.3 shall be adjusted to reflect payments made or to be made under the Post-Retirement Income Maintenance Plan for Directors of Martin Marietta Corporation (the "Martin Marietta Plan") and the Lockheed Corporation Retirement Plan for Directors (the "Lockheed Plan") in the following manner:

(a) With respect to any Director who received a lump sum payment under the Martin Marietta Plan, each annual benefit payment under this Plan (commencing with the earliest year in which a benefit is otherwise payable) shall be reduced by an amount equal to the annual retainer fee that was taken into account in determining the amount of the lump sum payment to the Director under the Martin Plan; that reduction shall be made for a number of years equal to the number of years of accrued benefits for which the Director received the lump sum payment under the Martin Plan; thereafter, any benefits payable to the Director or the Director's Beneficiary under this Plan shall be unaffected by this Section 4.5.

(b) With respect to any Director who has accrued the right to receive benefits under the Lockheed Plan and who has not waived that right in favor of the benefits payable under this Plan:

(i) the amount of any annual benefit payment that would be made to the Director or the Director's Beneficiary under this Plan in January of a year shall be reduced by the sum of the monthly benefit payments, if any, made to the Director or the Director's surviving spouse under the Lockheed Plan in the preceding calendar year;

(ii) if a lump sum payment has been made to the Director or the Director's surviving spouse under the Lockheed Plan, each annual benefit payment under this Plan (commencing with the earliest year in which a benefit is otherwise payable) shall be reduced by an amount equal to the annual retainer fee that was taken into account in determining the amount of the lump sum payment under the Lockheed Plan; that reduction shall be made for the number of years equal to the number of years of accrued benefits for which the lump sum payment was made under the Lockheed Plan; thereafter, any benefits payable to the Director or the Director's Beneficiary under this Plan shall be unaffected by this Section 4.5; and

(iii) if the benefit payments to the Director or the Director's surviving spouse under the Lockheed Plan will commence later than the date on which benefit payments would otherwise commence to be made to the Director or the Director's Beneficiary under this Plan, payments under this Plan shall commence no earlier than January of the calendar year following the year in which benefit payments will commence under the Lockheed Plan, advanced by one year for each full year that the Director has served on the Board of the Corporation (excluding years of service as a director of Lockheed Corporation).

4.6 PROVISIONS FOR DIRECTORS RETIRING DURING APRIL, 1996. Notwithstanding any other provision of the Plan to the contrary, a Director who retires from the Board during April, 1996 shall receive annual payments for life in accordance with Section 4.1, regardless of whether the Director has served five years on the Board and regardless of whether the Director has attained age 70 at the time of retirement. The amount of the annual payment shall equal the amount of the Annual Retainer in effect at the time of the Director's retirement as set forth in Section 4.4, except that the annual amount shall be increased from time to time to reflect any increases made in the Annual Retainer payable with respect to Directors on or before the end of the year in which the retired Director attains age 70.

ARTICLE V

ADMINISTRATION, AMENDMENT AND TERMINATION

5.1 ADMINISTRATION BY COMMITTEE. This Plan shall be administered by a Committee of three consisting of the (i) Chief Financial Officer of the Corporation, (ii) Secretary of the Corporation, and (iii) Treasurer of the Corporation. The Committee shall act by vote or by written consent of a majority of its members. The Committee's resolution of any question regarding the interpretation of this Plan shall be subject to review by the Board, and the Board's determination shall be final and binding on all parties.

5.2 AMENDMENT AND TERMINATION. This Plan may be amended, modified, or terminated by the Board at any time, except that no such action shall (without the consent of affected Directors or, if appropriate, their Beneficiaries or personal representatives) adversely affect the rights of Directors or Beneficiaries with respect to benefit rights accrued under this Plan prior to the date of such amendment, modification, or termination.

(a) Effective May 1, 1999, the Plan is terminated with respect to any Director who is not receiving benefits under the Plan at that time and no further benefits will be paid under the Plan for such Directors (or their Beneficiaries). Benefits shall continue to be payable in accordance with the terms of the Plan as in effect prior to May 1, 1999 for any Director or Beneficiary who is receiving benefits under the Plan on that date.

(b) The Committee shall determine the present value of the benefit rights accrued under the Plan by each Active Director as of May 1, 1999 and the amount determined by the Committee for each Active Director shall be credited to that Active Director's Account in the Lockheed Martin Corporation Deferred Compensation Plan for Directors as of that date. For the purposes of this Section 5.2, an Active Director is any Director who has not retired prior to April 1, 1999 including any Director who is an officer or employee of the Corporation at that time.

(c) The Committee shall determine the benefit rights accrued by each Active Director based on the payments the Active Director would have received following the Active Director's retirement under Section 4.1 of the Plan, had the Plan not been terminated; provided however that the Committee shall provide each such Director with an opportunity to elect whether the benefit rights accrued by the Active Director under the Plan shall be calculated by using the anticipated payments that would be made to the Director based (i) solely on the Director's whole years of service under the Plan, assuming the Director continued as a Director until retirement age; or (ii) solely on his or her life expectancy at retirement age. In either case, the determination shall be subject to the reduction required by Section 4.5(a) of the Plan and a reduction of $13,000 (determined on a present value basis) for each projected year of service after 1998. In addition, for the purposes of determining the Director's benefit rights, the Retainer Fee will be assumed to increase at a rate of 3% per year.

(d) In determining the present value of the benefit rights accrued under the Plan as determined under paragraph (c), a discount rate of 8.5% will be used for the period prior to the date on which the Active Director would otherwise be eligible to retire under the Plan and a discount rate of 5.1% shall be used for periods after the date on which the Active Director would otherwise be eligible to retire.

ARTICLE VI

MISCELLANEOUS

6.1 LIMITATION ON DIRECTORS' RIGHTS. Participation in this Plan shall not give any Director the right to continue to serve as a member of the Board or any rights or interests other than as herein provided. No Director shall have any right to any payment or benefit hereunder except to the extent provided in this Plan. This Plan shall create only a contractual obligation on the part of the Corporation and shall not be construed as creating a trust. The Plan, in and of itself, has no assets. Directors shall have only the rights of general unsecured creditors of the Corporation with respect to benefits payable under this Plan.

6.2 BENEFICIARIES.

(a) BENEFICIARY DESIGNATION. Subject to applicable laws (including any applicable community property and probate laws), each Director may designate in writing the Beneficiary that the Director chooses to receive any payments that become payable after the Director's death, as provided in Section 4.3. A Director's Beneficiary designation shall be made on forms provided and in accordance with procedures established by the Corporation and may be changed by the Director at any time before the Director's death.

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

6.3 RIGHTS NOT ASSIGNABLE; OBLIGATIONS BINDING UPON SUCCESSORS. A Director's rights under this Plan shall not be assignable or transferable and any purported transfer, assignment, pledge or other encumbrance or attachment of any payments or benefits under this Plan, or any interest thereon, other than pursuant to Section 6.2, shall not be permitted or recognized. Obligations of the Corporation under this Plan shall be binding upon successors of the Corporation.

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

6.5 CORPORATION'S RIGHT TO WITHHOLD. There shall be deducted from all payments under this Plan the amount of taxes, if any, required to be withheld under applicable federal or state tax laws. The Directors and their Beneficiaries will be liable for payment of any and all income or other taxes imposed on benefits payable under this Plan.

6.6 HEADINGS NOT PART OF PLAN. Headings and subheadings in this Plan are inserted for reference only and are not to be considered in the construction of this Plan.

(10)(jj) Lockheed Martin Corporation Directors Equity Plan.

LOCKHEED MARTIN CORPORATION
DIRECTORS EQUITY PLAN

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LOCKHEED MARTIN CORPORATION

DIRECTORS EQUITY PLAN

MAY 1, 1999

ARTICLE I
TITLE, PURPOSE AND AUTHORIZED SHARES

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

ARTICLE II
DEFINITIONS

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

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

Award means an award granted pursuant to Section 3.1.

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

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

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

Change in Control means:

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

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

3) Any person (as this term is used in Sections 3(a)(9) and 13(d)(3) of the Exchange Act, but excluding any person described in and satisfying the conditions of Rule 13d-1(b) (1) thereunder), becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Corporation representing 25% or more of the combined voting power of the Corporation's then outstanding securities entitled to vote in the election of directors of the Corporation.

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

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

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

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

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

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

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

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

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

Effective Date means May 1, 1999.

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

Fair Market Value means the closing price of the Stock as reported on the composite tape of New York Stock Exchange issues on the relevant date, or, if no sale of Stock is reported for that date, the next preceding day for which there is a reported sale.

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

Plan means the Lockheed Martin Corporation Directors Equity Plan.

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

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

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

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

ARTICLE III
PARTICIPATION

3.1. Award. Commencing on May 1, 1999, and on each Award Date thereafter during the term of this Plan, each Director shall be granted, in the form elected by the Director pursuant to Section 3.2, one of the following Awards:

(a) 1,200 Units credited to the Director's Stock Unit Account;

(b) 600 Units credited to the Director's Stock Unit Account and Options to purchase 1,800 shares of Stock; or

(c) Options to purchase 3,600 shares of Stock.

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

ARTICLE IV
STOCK UNITS

4.1. Stock Unit Account. If a Director elects the Award described in either Section 3.1(a) or 3.1(b), the Stock Unit Account of such Director shall be credited on the Award Date with either (i) 1,200 Units pursuant to Section 3.1(a) or (ii) 600 Units pursuant to Section 3.1(b).

4.2. Dividend Equivalents; Dividend Equivalent Stock Account.

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

(b) Dividend Equivalent Stock Account. The Director's Dividend Equivalent Stock Account shall be credited with an additional number of Units determined by dividing the amount of Dividend Equivalents by the Fair Market Value of a share of Common Stock as of the date on which the dividend is paid. The Units credited to a Director's Dividend Equivalent Stock Account shall be allocated (for purposes of distribution) in accordance with Section 4.4(b) and shall be subject to adjustment in accordance with Section 7.1.

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

4.4. Distribution of Benefits.

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

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

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

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

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

4.5. Limitations on Rights Associated with Units. A Director's Accounts shall be memorandum accounts on the books of the Corporation. The Units credited to a Director's Accounts shall be used solely as a device for the determination of the number of shares of Common Stock to be distributed to such Director in accordance with this Plan. The Units shall not be treated as property or as a trust fund of any kind, and shall not create a security interest in any property although the Corporation shall reserve shares of Common Stock to satisfy its obligations under this Plan. All shares of Common Stock or other amounts attributed to the Units shall be and remain the sole property of the Corporation, and each Director's rights in the Units is limited to the right to receive shares of Common Stock or cash in the future, in accordance with the Plan. No Director shall be entitled to any voting or other stockholder rights with respect to Units granted under this Plan. The number of Units credited under this Article shall be subject to adjustment in accordance with Section 7.1.

4.6.

ARTICLE V
STOCK OPTIONS

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

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

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

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

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

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

ARTICLE VI
ADMINISTRATION

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

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

ministerial, bookkeeping and other non-discretionary functions to individuals who are officers or employees of the Corporation.

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

ARTICLE VII
PLAN CHANGES AND TERMINATION

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

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

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

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

ARTICLE VIII
MISCELLANEOUS

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

8.2. Beneficiaries.

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

(b) Definition of Beneficiary. A Director's "Beneficiary" or "Beneficiaries" shall be the person or persons, including a trust or trusts, validly designated by the Director or, in the absence of a valid designation, entitled by

will or the laws of descent and distribution to receive the Director's benefits under this Plan in the event of the Director's death.

8.3. Corporation's Right to Withhold. The Corporation shall satisfy state or federal income tax withholding obligations, if any, arising upon distribution of a Director's Account or of shares of Stock upon the exercise of Options by reducing the number of shares of Common Stock otherwise deliverable to the Director by the appropriate number of shares (based on the Fair Market Value on the day immediately preceding the payment) required to satisfy such tax withholding obligation. If the Corporation, for any reason, cannot satisfy the withholding obligation in accordance with the preceding sentence, the Director shall pay or provide for payment in cash of the amount of any taxes which the Corporation may be required to withhold with respect to the benefits hereunder.

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

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

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

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

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

10(kk) Lockheed Martin Corporation Management Incentive Compensation Plan

LOCKHEED MARTIN CORPORATION

MANAGEMENT INCENTIVE COMPENSATION PLAN

Approved July 27, 1995

Amended September 24, 1998

ARTICLE I

PURPOSE OF THE PLAN

This plan is established to provide a further incentive to selected employees to promote the success of Lockheed Martin Corporation by providing an opportunity to receive additional compensation for above average performance measured against individual and business unit goals. The Plan is intended to achieve the following:

1. Improved cost effectiveness.

2. Stimulate employees to work individually and as teams to meet objectives and goals consistent with enhancing shareholder values.

3. Facilitate the Company's ability to retain qualified employees and to attract top executive talent.

ARTICLE II

STANDARD OF CONDUCT AND PERFORMANCE EXPECTATION

1. It is expected that the business and individual goals and objectives established for this Plan will be accomplished in accordance with the Corporation's policy on ethical conduct in business with the Government and all other customers. It is a prerequisite before any award can be considered that a participant will have acted in accordance with the Lockheed Martin Corporation Code of Ethics and Business Conduct and fostered an atmosphere to encourage all employees acting under the participants' supervision to perform their duties in accordance with the highest ethical standards. Ethical behavior is imperative. Thus, in achieving one's goals, their individual commitment and adherence to the Corporation's ethical standards will be considered paramount in determining awards under this Plan.

2. Plan participants whose individual performance is determined to be less than acceptable are not eligible to receive incentive awards.

ARTICLE III

DEFINITIONS

1. PLAN -- This Lockheed Martin Corporation Management Incentive Compensation Plan (MICP).

2. BOARD OF DIRECTORS -- The Board of Directors of the Company.

3. COMMITTEE -- The Compensation Committee of the Board of Directors as from time to time appointed or constituted by the Board of Directors.

4. COMPANY -- Lockheed Martin Corporation and its Subsidiaries.

5. EMPLOYEE -- Any person who is employed by the Company and who is paid a salary as distinguished from an hourly wage. The term shall be deemed to include any person who was employed by the Company during all or any part of the year with respect to which an appropriation is made to the Plan by the Board of Directors but shall not include any employee who, during any part of such year, was represented by a collective bargaining agent.

6. PARTICIPANT -- Any Employee selected to participate in the Plan in accordance with its terms.

7. ANNUAL SALARY -- The regular base salary of a Participant during a fiscal year of the Company, determined by multiplying by 52 the Participant's weekly base salary rate effective during the first full pay period in December preceding the year of payment, but excluding any incentive compensation, commissions, over-time payments, payments under work-week plan, indirect payments, retroactive payments not affecting the base salary or applicable to the current year, and any other payments of compensation of any kind.

ARTICLE IV

ELIGIBILITY FOR PARTICIPATION

Those Employees who through their efforts are able to contribute significantly to the success of the Company in any given calendar year will be considered eligible for selection for participation in the Plan with respect to that year. Participants are selected each plan year based on recommendations by the sector presidents or corporate function heads and have received the endorsement of the executive office. Those eligible shall include all Employees considered by the Committee to be key Employees of the Company. No member of the Committee shall be eligible for participation in the plan.

INCENTIVE COMPENSATION PAYMENTS

1. CALCULATION OF PAYMENTS -- Incentive compensation payments to Participants shall be calculated in accordance with the formula and procedures set forth in Exhibit A hereto. All such payments shall be in cash.

2. INDIVIDUAL PERFORMANCE FACTORS - The Individual Performance Factors of Participants, as provided in Exhibit A shall be determined by the sector president or corporate function head and approved by the executive office. The performance factors of the Chairman of the Board and the President of Lockheed Martin Corporation shall be determined by the Committee and the Committee shall review the Individual Performance Ratings of other Participants who are elected officers of the Company. The Committee may at the request of any member of the Committee review the performance ratings of any other Participant or groups of Participants. The Committee may make adjustments in any such performance factors as it considers appropriate.

3. COMPANY AND CORPORATE FACTORS - The company factors and corporate factors, as provided for in Exhibit A, shall be determined by the executive office and shall thereafter be reviewed with and be subject to the approval of the Committee. The Committee may make adjustments in any such factor as it considers appropriate. The executive office shall, as soon as feasible in each year, review with the Committee the company and corporate objectives which may relate to the determination of such company and corporate factors.

4. RECOMMENDATION BY THE COMMITTEE.

   A. As early as feasible after the end of each year in respect of which incentive compensation payments are to be made, the Committee shall establish an incentive fund which shall be equal to a percentage, to be determined by the Committee at that time, to the Company's pretax earnings for the year in which incentive compensation payments are to be made. For purposes of the Plan, pretax earnings shall (i) consist of pretax earnings from operations; (ii) shall not include any earnings attributable to extraordinary items as determined by generally accepted accounting principles; and (iii) shall be computed prior to the deduction of incentive compensation payments to be paid under the Plan.

   B. To the extent that the aggregate of all proposed payments of incentive compensation to all Participants as determined by the application of the formula set forth in Exhibit A (subject to any adjustments made by the Committee under Paragraph 2 or 3 above) exceeds the amount of the incentive fund as determined under Paragraph 4.A. above, all proposed payments of incentive compensation to Participants shall be reduced on a prorata basis.

   C. If the Company's pretax earnings, as defined in Paragraph 4A, are less than the aggregate of all proposed payments of incentive compensation (as determined by the application of the formula set forth in Exhibit A subject to 2 or 3 above), the Committee may, in its discretion, establish an incentive fund without regard to the pretax earnings guideline of Paragraph 4A. If the Committee does so,

Paragraph 4B shall not apply and the Committee's recommendation to the Board of Directors shall both state that the pretax earnings guideline would be exceeded and set forth the reasons the Committee believes that the proposed incentive compensation payments should nevertheless be made.

D. The Committee will recommend to the Board of Directors the authorization of an appropriation to the Plan by the Company for distribution to Participants in an amount equal to the incentive fund as computed pursuant to the provisions of this Paragraph 4.

5. APPROPRIATIONS TO THE PLAN - The Board of Directors may, notwithstanding any provision of the Plan, make adjustments in any proposed incentive compensation payment under the Plan, and subject to any such adjustments, the Board of Directors will appropriate to the Plan the amount as recommended by the Committee for distribution to the Participants; provided that, the Board of Directors may appropriate an amount which is less than the amount recommended by the Committee in which event all proposed payments of incentive compensation to Participants shall be reduced on a prorata basis.

6. METHOD OF PAYMENT - The amount so determined for each Participant with respect to each calendar year shall be paid to such Participant in full or on a deferred basis as determined by the Committee. Such determination as to deferred payments shall be governed by the Committee's judgement as to the time of payment best serving the interests of the Company. Deferred payments shall be made pursuant to such terms and conditions, as may be determined or provided for the by the Committee, only to Participants who continue in the employ of the Company or are retired under a retirement plan approved by the Board of Directors, or to the estates of, or beneficiaries designated by, Participants who shall have died while in such employ or after such retirement. In the event of termination of employment by a Participant for any reason other than such retirement or death, then such participant or his estate or his beneficiary or beneficiaries, shall after such termination receive a distribution or distributions of any amounts deferred by the Committee, if any, the amount (not in excess of the unpaid deferred payments) and time of which shall be determined or provided for by the Committee. Participants may also elect to defer payments to the extend provided in the Lockheed Martin Corporation Deferred Management Incentive Plan.

7. RIGHTS OF PARTICIPANTS - All payments are subject to the discretion of the Board of Directors. No Participant shall have any right to require the Board of Directors to make any appropriation to the Plan for any calendar year, nor shall any Participant have any vested interest or property right in any share in any amounts which may be appropriated to the Plan. Payments made under the Plan and distributed to Participants shall not be recoverable from the Participant by the Company.

ARTICLE VI

ADMINISTRATION

The Plan shall be administered under the direction of the Committee. The Committee shall have the right to construe the Plan, to interpret any provision thereof, to make rules and regulations relating to the Plan, and to determine any factual question arising in connection with the Plan's operation after such investigation or hearing as the Committee may deem appropriate. Any decision made by the Committee under the provisions of this Article shall be conclusive and binding on all parties concerned. The Committee may delegate to the officers or employees of the Company the authority to execute and deliver those instruments and documents, to do all acts and things, and to take all other steps deemed necessary, advisable or convenient for the effective administration of this MICP Plan in accordance with its terms and purpose.

ARTICLE VII

AMENDMENT OR TERMINATION OF PLAN

The Board of Directors shall have the right to terminate or amend this Plan at any time and to discontinue further appropriations thereto.

ARTICLE VIII

EFFECTIVE DATE

The Plan shall be effective with respect to the operations of the Company for the year 1995 and the years subsequent thereto. A participant who receives an award from this Plan is no longer eligible for any incentive compensation payment from any similar plan which may have been administered by the Lockheed Corporation or the Martin Marietta Corporation.

EXHIBIT A

CALCULATION OF MANAGEMENT INCENTIVE COMPENSATION PAYMENTS

A. AWARD FORMULA

1. Incentive compensation payments will be calculated by multiplying the Participant's Annual Salary by the applicable "target" of the Participant's position (as defined in B), and that result will then be multiplied by the Individual Performance Factor (as defined in C). The resulting award will be increased or decreased proportionately based on the appropriate Organizational Factor (as defined in D).

2. Partial awards for Participants who terminate employment during a Plan Year may be recommended for consideration based on the following:

Termination Method	MICP Award
Voluntary	May be considered for a pro-rated award if on active status December 1 of the Plan Year with a minimum of six (6) full months as an active Plan Participant during the Plan Year.
Lay Off	May be pro-rated based on the conditions of the case at the discretion of the Sector President (or Major Corporate Function Head) with a minimum of (6) full months as an active Plan Participant during the Plan Year.
Retirement	May be considered for a pro-rated award with a minimum of (6) full months as an active Participant during the Plan Year if Participant goes directly into retirement status upon termination.

3. Pro-rated awards may be recommended for individuals who become Participants subsequent to the beginning of a Plan Year, and have a minimum of (6) full months as active Participants during the Plan Year.

   Any deviation requires Corporate Salary Board approval.

4. Recommended awards for Participants whose MICP target levels change during the Plan Year will be pro-rated (based on old versus new target level), if the new target level is in effect for less than (9) months during the Plan Year.

   Any deviation requires Sector President or Corporate Executive Office review and approval as appropriate.

5. The aggregate of all Participant's Incentive Awards determined under items C and D below will be recommended to the Committee for its consideration.

6. Any calculation of incentive awards under this exhibit shall be subject to the provisions of the Plan and in the event of any conflict between the terms or application of this Exhibit A and the Plan, the Plan shall prevail.

B. TARGET LEVELS

Target levels are based on the level of importance and responsibility of the position in the organization as determined by the sector president and/or major corporate function head subject to approval by the executive office.

Position	Target
Chief Executive Officer	100%
President	75%
Exec. VP. Sector Pres.	65%
Other Elected Officers	55%
	50%
	45%
Other Eligible Positions	40%
	30%
	20%
	15%

C. INDIVIDUAL PERFORMANCE FACTORS

Individual performance factors are normally in increments of 0.05 and will have the following definitions:

Factor	Definition
1.20 - 1.30	Performance vastly superior to expectations and peers within the organization.
1.05 - 1.15	Consistently exceeds expected performance.
1.00	Consistently meets all requirements and expectations.
0.80 - 0.90	Performance meets most, but not all job requirements and expectations.
0.60 - 0.70	Performance meets some objectives, but overall performance below expected levels.
0.00	Performance fails to meet job requirements.

D. ORGANIZATIONAL PERFORMANCE FACTORS

1. Specific objectives will be established by the executive office and the rating will depend on the assessment of the quality of performance by each operating unit, or the corporate staff in accomplishing the objectives based on the following schedule:

1.50	Far exceeded organizational objectives in all categories.
1.30	On balance, exceeded high performance expectations in most categories.
1.00	Achieved all objectives or on balance met high performance expectations.
0.75	Met most objectives. Overall performance was good, but not as high as possible or expected.
0.50	Met few objectives, but overall performance not as good as possible or expected.
0.0	Did not achieve sufficient overall performance level.

2. Intermediate organizational ratings, as deemed appropriate by the executive office for results achieved, may be assigned in increments of 0.05.

3. Weighting of organizational performance factors may be applied, as deemed appropriate by the Executive Office.

10(ll) Lockheed Martin Corporation Deferred Management Incentive
Compensation Plan

LOCKHEED MARTIN CORPORATION

DEFERRED MANAGEMENT INCENTIVE

COMPENSATION PLAN

(Adopted July 27, 1995)
As Amended August 1, 1998

ARTICLE I

PURPOSES OF THE PLAN

The purposes of the Lockheed Martin Corporation Deferred Management Incentive Compensation Plan (the "Deferral Plan") are to provide certain key management employees of Lockheed Martin Corporation and its subsidiaries (the "Company") the opportunity to defer receipt of Incentive Compensation awards under the Lockheed Martin Corporation Management Incentive Compensation Plan (the "MICP") and to encourage key employees to maintain a financial interest in the Company's performance. Except as expressly provided hereinafter, the provisions of this Deferral Plan and the MICP shall be construed and applied independently of each other.

The Deferral Plan applies solely to MICP awards and expressly does not apply to any special awards which may be made under any of the Company's other incentive plans, except and to the extent specifically provided under the terms of such other incentive plans and the relevant awards.

ARTICLE II

DEFINITIONS

Unless the context indicates otherwise, the following words and phrases shall have the meanings hereinafter indicated:

1. ACCOUNT -- The bookkeeping account maintained by the Company for each Participant which is credited with the Participant's Deferred Compensation and earnings (or losses) attributable to the investment options selected by the Participant, and which is debited to reflect distributions and forfeitures; the portions of a Participant's Account allocated to different investment options will be accounted for separately.

2. ACCOUNT BALANCE -- The total amount credited to a Participant's Account at any point in time, including the portions of the Account allocated to each investment option.

3. AWARD YEAR -- The calendar year with respect to which an Eligible Employee is awarded Incentive Compensation.

4. BENEFICIARY -- The person or persons (including a trust or trusts) validly designated by a Participant, on the form provided by the Company, to receive distributions of the Participant's Account Balance, if any, upon the Participant's death. In the absence of a valid designation, or if the designated Beneficiary has predeceased the Participant, the Beneficiary shall be the person or persons entitled by will or the laws of descent and

distribution to receive the amounts otherwise payable to the Participant under this Deferral Plan; a Participant may amend his or her Beneficiary designation at any time before the Participant's death.

5. BOARD -- The Board of Directors of Lockheed Martin Corporation.

6. COMMITTEE -- The committee described in Section 1 of Article VIII.

7. COMPANY -- Lockheed Martin Corporation and its subsidiaries.

8. COMPANY STOCK INVESTMENT OPTION -- The investment option under which the amount credited to a Participant's Account will be based on the market value and investment return of the Company's Common Stock.

9. DEFERRAL AGREEMENT -- The written agreement executed by an Eligible Employee on the form provided by the Company under which the Eligible Employee elects to defer Incentive Compensation for an Award Year.

10. DEFERRAL PLAN -- The Lockheed Martin Corporation Deferred Management Incentive Compensation Plan, adopted by the Board on July 27, 1995.

11. DEFERRED COMPENSATION -- The amount of Incentive Compensation credited to a Participant's Account under the Deferral Plan for an Award Year.

12. ELIGIBLE EMPLOYEE -- An employee of the Company who is a participant in the MICP and who has satisfied such additional requirements for participation in this Deferral Plan as the Committee may from time to time establish. In the exercise of its authority under this provision, the Committee shall limit participation in the Plan to employees whom the Committee believes to be a select group of management or highly compensated employees within the meaning of Title I of the Employee Retirement Income Security Act of 1974, as amended.

13. EXCHANGE ACT -- The Securities Exchange Act of 1934.

14. INCENTIVE COMPENSATION -- The MICP amount granted to an employee for an Award Year.

15. INTEREST OPTION -- The investment option under which earnings will be credited to a Participant's Account based on the interest rate applicable under Cost Accounting Standard 415, Deferred Compensation.

16. MICP -- The Lockheed Martin Corporation Management Incentive Compensation Plan.

17. PARTICIPANT -- An Eligible Employee for whom Incentive Compensation has been deferred for one or more years under this Deferral Plan; the term shall include a former employee whose Deferred Compensation has not been fully distributed.

18. PAYMENT DATE -- Means, as to any Participant, the January 15 or July 15 on or about on which payment to the Participant is to begin in accordance with the Participant's election made pursuant to Section 2 of Article V.

19. SECTION 16 PERSON -- A Participant who at the relevant time is subject to the reporting and short-swing liability provisions of Section 16 of the Securities Exchange Act of 1934.

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

21. TRADING DAY -- A day upon which transactions with respect to Company Common Stock are reported in the consolidated transaction reporting system.

ARTICLE III

ELECTION OF DEFERRED AMOUNT

1. Timing of Deferral Elections. An Eligible Employee may elect to defer Incentive Compensation for an Award Year by executing and delivering to the Company a Deferral Agreement no later than October 15 of the Award Year or such other date established by the Committee for an Award Year that is not later than October 31 of that Award Year, provided that any election by a Section 16 Person shall be subject to the provisions of Section 4 of Article IV. An employee who first qualifies as an Eligible Employee after September 15 of an Award Year may elect to defer Incentive Compensation for that Award Year by entering into a Deferral Agreement up to thirty (30) days after the date on which such employee first becomes a participant in the MICP. An Eligible Employee's Deferral Agreement shall be irrevocable when delivered to the Company. Each Deferral Agreement shall apply only to amounts deferred in that Award Year and a separate Deferral Agreement must be completed for each Award Year for which an Eligible Employee defers Incentive Compensation.

2. Amount of Deferral Elections. An Eligible Employee's deferral election may be stated as:

(a) a dollar amount which is at least $5,000 and is an even multiple of $1,000,

(b) the greater of $5,000 or a designated percentage of the Eligible Employee's Incentive Compensation (adjusted to the next highest multiple of $1,000),

(c) the excess of the Eligible Employee's Incentive Compensation over a dollar amount specified by the Eligible Employee (which must be an even multiple of $1,000), or

(d) all of the Eligible Employee's Incentive Compensation.

An Eligible Employee's deferral election shall be effective only if the Participant is awarded at least $10,000 of Incentive Compensation for that Award Year, and, in the case of a deferral election under paragraph (c) of this Section 2, only if the resulting excess amount is at least $5,000.

3. Effect of Taxes on Deferred Compensation. The amount that would otherwise be deferred and credited to an Eligible Employee's Account will be reduced by the amount of any tax that the Company is required to withhold with respect to the Deferred Compensation. The reduction for taxes shall be made proportionately out of amounts otherwise allocable to the Interest Option and the Company Stock Investment Option.

ARTICLE IV

CREDITING OF ACCOUNTS

1. Crediting of Deferred Compensation. Incentive Compensation that has been deferred hereunder shall be credited to a Participant's Account as of the day on which the Incentive Compensation would have been paid to the Participant if no Deferral Agreement had been made.

2. Crediting of Earnings. Earnings shall be credited to a Participant's Account based on the investment option or options to which the Account has been allocated, beginning with the day as of which Deferred Compensation (or any reallocation under Section 4, 5, or 6 of Article IV) is credited to the Participant's Account. Any amount distributed from a Participant's Account shall be credited with earnings through the last day of the month preceding the month in which a distribution is to be made pursuant to the Participant's election as set forth in Article V. The earnings credited under each of the investment options shall be determined as follows:

(a) Interest Option: The portion of a Participant's Account allocated to the Interest Option shall be credited with interest, compounded monthly, at a rate equivalent to the then published rate for computing the present value of future benefits at the time cost is assignable under Cost Accounting Standard 415, Deferred Compensation, as determined by the Secretary of the Treasury on a semi-annual basis pursuant to Pub. L. 92-41, 85 Stat. 97.

(b) Company Stock Investment Option: The portion of a Participant's Account allocated to the Company Stock Investment Option shall be credited as if such amount had been invested in the Company's Common Stock at the published closing price of the Company's Common Stock on the last Trading Day preceding the day as of which Deferred Compensation (or any reallocation under Section 4, 5, or 6 of Article IV) is credited to the Participant's Account; this portion of the Participant's Account Balance shall reflect any subsequent appreciation or depreciation in the market value of the Company's Common Stock based on the closing price of the stock on the New York Stock Exchange on the last Trading Day of each month and shall reflect dividends on the Company's Common Stock as if such dividends had been reinvested in the Company's Common Stock.

(c) Interest Crediting For Late Payments: Notwithstanding the investment option to which a Participant's Account has been allocated, in the event payment does not commence by the last day of the month in which the Payment Date occurs, earnings shall be credited on the Participant's entire Account from the last day of the month preceding the Payment Date to the last day of the month preceding the actual commencement of payment at the rate set forth under Section 2(a) of this Article IV. Interest credited under this Section 2(c) of this Article IV shall be paid on the date payment under the Plan first commences.

3. Selection of Investment Options. Except as otherwise provided in this Deferral Plan, a Participant's investment selections shall be made as part of his or her Deferral Agreement for an Award Year and shall be irrevocable with respect to amounts deferred for that Award Year, and no subsequent reallocations shall be made. At the time of entering into a Deferral Agreement for any subsequent Award Year, a Participant shall select the investment options for the Deferred Compensation to be credited to the Participant's Account for that Award Year. A Participant's allocations between investment options shall be subject to such minimum allocations as the Committee may establish.

4. Special Rules for Section 16 Persons. Notwithstanding the foregoing, an election by a Section 16 Person to have Deferred Compensation allocated to the Company Stock Investment Option shall be given effect only if irrevocably made at least six months prior to the effective date of the allocation. If a Section 16 Person's Deferral Agreement for an Award Year is entered into less than six months prior to the date that Deferred Compensation is credited for that Award Year, and if he or she has elected to have any portion of the Deferred Compensation for that Award Year allocated to the Company Stock Investment Option, that portion shall initially be allocated to the Interest Option and shall be reallocated and credited to the Company Stock Investment Option as of the first day of the seventh month following the month in which the Deferral Agreement was made. An Eligible Employee who first becomes a Section 16 Person after his or her Deferral Agreement has been entered into for an Award Year shall be subject to the requirements of this Section 4, except that such an Eligible Employee shall be permitted, within ten business days after becoming a Section 16 Person, to make irrevocable modified investment elections for that Award Year; any allocations to the

Company Stock Investment Option on behalf of such a Section 16 Person shall be deferred until the first day of the seventh month following the month in which the Eligible Employee's modified election is made (or, if later, the first day of the seventh month following the month in which the election period expires without a modified election having been made).

5. Reallocations to Company Stock Investment Option. Each Eligible Employee for whom an account is maintained under the Deferred Management Incentive Compensation Plan of Lockheed Corporation and its Subsidiaries (the "Lockheed Plan") will be given a one-time opportunity during calendar year 1996 to make an irrevocable election to have all or a portion of that account balance credited to the Eligible Employee's Account under this Deferral Plan and reallocated to the Company Stock Investment Option. That reallocation shall be credited to the Participant's Account under this Deferral Plan as of the first day of the month following the last month in which such elections are permitted, but in the case of a Section 16 Person not earlier than the first day of the seventh month after the month in which the election is delivered to the Company. If such a reallocation is made, the Eligible Employee's right to receive benefits under the Lockheed Plan will be reduced accordingly, and the Company will be released from liability under the Lockheed Plan for the amount reallocated. Although the terms of this Deferral Plan shall generally apply to any amount so reallocated, the Eligible Employee's irrevocable payment elections under the Lockheed Plan will continue to apply to the reallocated amount.

6. Reallocations to Interest Option. If benefit payments to a Participant or Beneficiary are to be paid or commenced to be paid over a period that extends more than six months after the date of the Participant's termination of employment with the Company or death, the Participant or Beneficiary, as applicable, may elect irrevocably at any time after the Participant's termination of employment or death and before the commencement of benefit payments to have the portion of the Participant's Account that is allocated to the Company Stock Investment Option reallocated to the Interest Option. A reallocation under this Section 5 shall take effect as of the first day of the month following the month in which an executed reallocation election is delivered to the Company, but in the case of a Section 16 Person not earlier than the first day of the seventh month following the month in which the reallocation election is delivered to the Company.

ARTICLE V

PAYMENT OF BENEFITS

1. General. The Company's liability to pay benefits to a Participant or Beneficiary under this Deferral Plan shall be measured by and shall in no event exceed the Participant's Account Balance. Except as otherwise provided in this Deferral Plan, a Participant's Account Balance shall be paid to him in accordance with the Participant's elections under Sections 2 and 3 of this Article, and such elections shall be continuing and irrevocable. All benefit payments shall be made in cash and, except as otherwise provided, shall reduce allocations to the Interest Option and the Company Stock Investment Option in the same proportions that the Participant's Account Balance is allocated between those investment options at the end of the month preceding the date of distribution. Notwithstanding the foregoing, no amount shall be distributed to a Section 16 Person under this Deferral Plan unless the amount was allocated to the Participant's Account at least six months prior to the date of distribution or no portion of the amount was allocated to the Company Stock Investment Option.

2. Election for Commencement of Payment. At the time a Participant first completes a Deferral Agreement, he or she shall elect from among the following options governing the date on which the payment of benefits shall commence:

(A) Payment to begin on or about the January 15th or July 15th next following the date of the Participant's termination of employment with the Company for any reason.

(B) Payment to begin on or about January 15th of the year next following the year in which the Participant terminates employment with the Company for any reason.

(C) Payment to begin on or about the January 15th or July 15th next following the date on which the Participant has both terminated employment with the Company for any reason and attained the age designated by the Participant in the Deferral Agreement.

3. Election for Form of Payment. At the time a Participant first completes a Deferral Agreement, he or she shall elect the form of payment of his or her Account Balance from among the following options:

(A) A lump sum.

(B) Annual payments for a period of years designated by the Participant which shall not exceed fifteen (15). The amount of each annual payment shall be determined by dividing the Participant's Account Balance at the end of the month prior to such payment by the number of years remaining in the designated installment period. The installment period may be shortened, in the sole discretion of the Committee, if the Committee at any time determines that the amount of the annual payments that would be made to the Participant during the designated installment period would be too small to justify the maintenance of the Participant's Account and the processing of payments.

4. Prospective Change of Payment Elections. At the time of entering into a Deferral Agreement for an Award Year, a Participant may modify his payment elections under Sections 2 and 3 with respect to the portion of his or her Account allocable to the amounts to be deferred for that Award Year and subsequent Award Years. If a Participant has different payment elections in effect, the Company shall maintain sub-accounts for the Participant to determine the amounts subject to each payment election; no modification of payment elections will be accepted if it would require the Company to maintain more than five (5) sub-accounts within the Participant's Account in order to make payments in accordance with the Participant's elections.

5. Acceleration upon Early Termination. Notwithstanding a Participant's payment elections under Sections 2 and 3, if the Participant terminates employment with the Company other than by reason of layoff, death or disability and before the Participant is eligible to commence receiving retirement benefits under a pension plan maintained by the Company (or before the Participant has attained age 55 if the Participant does not participate in such a pension plan), the Participant's Account Balance shall be distributed to him or her in a lump sum on or about the January 15th or July 15th next following the date of the Participant's termination of employment with the Company.

6. Death Benefits. Upon the death of a Participant before a complete distribution of his or her Account Balance, the Account Balance will be paid to the Participant's Beneficiary in accordance with the payment elections applicable to the Participant. If a Participant dies while actively employed or otherwise before the payment of benefits has commenced, payments to the Beneficiary shall commence on the date payments to the Participant would have commenced, taking account of the Participant's termination of employment (by death or before) and, if applicable, by postponing commencement until after the date the Participant would have attained the commencement age specified by the Participant. Whether the Participant dies before or after the commencement of distributions, payments to the Beneficiary shall be made for the period or remaining period elected by the Participant.

7. <u>Early Distributions in Special Circumstances.</u> Notwithstanding a Participant's payment elections under Sections 2 and 3 of this Article V, a Participant or Beneficiary may request an earlier distribution in the following limited circumstances:

(a) <u>Hardship Distributions.</u> Subject to the last sentence of this Section 7(a) with respect to Section 16 Persons, the Committee shall have the power and discretion at any time to approve a payment to a Participant if the Committee determines that the Participant is suffering from a serious financial emergency caused by circumstances beyond the Participant's control which would cause a hardship to the Participant unless such payment were made. Any such hardship payment will be in a lump sum and will not exceed the lesser of (i) the amount necessary to satisfy the financial emergency (taking account of the income tax liability associated with the distribution), or (ii) the Participant's Account Balance. In the event that a Section 16 Person seeks a hardship withdrawal under this Section 7(a), the distribution will be made first out of the portion of the Participant's Account, if any, allocated to the Interest Option; if the hardship distribution cannot be satisfied in full out of amounts allocated to the Interest Option, no distribution will be made from the portion of the Participant's Account allocated to the Company Stock Investment Option until the seventh month following the month in which the Participant's application under this Section 7(a) was made, which application shall be irrevocable when made.

(b) <u>Withdrawal with Forfeiture.</u> A Participant may elect at any time to withdraw ninety percent (90%) of the amount credited to the Participant's Account. If such a withdrawal is made, the remaining ten percent (10%) of the Participant's Account shall be permanently forfeited, and the Participant will be prohibited from deferring any amount under the Deferral Plan for the Award Year in which the withdrawal is received (or the first Award Year in which any portion of the withdrawal is received). In the event that a Section 16 Person seeks a withdrawal under this Section 7(b), any portion of the Section 16 Person's Account allocated to the Company Stock Investment Option will not be subject to distribution or forfeiture until the seventh month following the month in which the Participant's election under this Section 7(b) was made, which election shall be irrevocable when made; any portion of the Section 16 Person's Account allocated to the Interest Option will be subject to immediate distribution and forfeiture; the ten percent forfeiture shall be separately applied to each such portion of the Section 16 Person's Account at the time of distribution.

(c) <u>Death or Disability.</u> In the event that a Participant dies or becomes permanently disabled before the Participant's entire Account Balance has been distributed, the Committee, in its sole discretion, may modify the timing of distributions from the Participant's Account, including the commencement date and number

of distributions, if it concludes that such modification is necessary to relieve the financial burdens of the Participant or Beneficiary.

8. Acceleration upon Change in Control.

(a) Notwithstanding any other provision of the Deferral Plan, the Account Balance of each Participant shall be distributed in a single lump sum within fifteen (15) calendar days following a "Change in Control."

(b) For purposes of this Deferral Plan, a Change in Control shall include and be deemed to occur upon the following events:

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

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

(3) Any person (as this term is used in Sections 3(a)(9) and 13(d)(3) of the Exchange Act, but excluding any person described in and satisfying the conditions of Rule 13d-1(b)(1) thereunder), becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding securities entitled to vote in the election of directors of the Company.

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

the Board by a vote of at least three-fourths of the Board members who were then Board members (or successors or additional members so elected or nominated).

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

(c) Notwithstanding the provisions of Section 8(a), if a distribution in accordance with the provisions of Section 8(a) would result in a nonexempt short-swing transaction under Section 16(b) of the Exchange Act with respect to any Section 16 Person, then the date of distribution to such Section 16 Person 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 Exchange Act.

(d) This Section 8 shall apply only to a Change in Control of Lockheed Martin Corporation and shall not cause immediate payout of Deferred Compensation in any transaction involving the Company's sale, liquidation, merger, or other disposition of any subsidiary.

(e) The Committee may cancel or modify this Section 8 at any time prior to a Change in Control. In the event of a Change in Control, this Section 8 shall remain in force and effect, and shall not be subject to cancellation or modification for a period of five years, and any defined term used in Section 8 shall not, for purposes of Section 8, be subject to cancellation or modification during the five year period.

9. Deductibility of Payments. In the event that the payment of benefits in accordance with the Participant's elections under Sections 2 and 3 would prevent the Company from claiming an income tax deduction with respect to any portion of the benefits paid, the Committee shall have the right to modify the timing of distributions from the Participant's Account as necessary to maximize the Company's tax deductions. In the exercise of its discretion to adopt a modified distribution schedule, the Committee shall undertake to have distributions made at such times and in such amounts as most closely approximate the Participant's elections, consistent with the objective of maximum deductibility for the Company. The Committee shall have no authority to reduce a Participant's Account Balance or to pay aggregate benefits less than the Participant's Account Balance in the event that all or a portion thereof would not be deductible by the Company.

10. Change of Law. Notwithstanding anything to the contrary herein, if the Committee determines in good faith, based on consultation with counsel, that the federal income tax treatment or legal status of the Plan has or may be adversely affected by a change in the Internal Revenue Code, Title I of the Employee Retirement Income Security Act of 1974, or other applicable law or by an administrative or judicial construction thereof, the Committee may direct that the Accounts of affected Participants or of all Participants be distributed as soon as practicable after such determination is made, to the extent deemed necessary or advisable by the Committee to cure or mitigate the consequences, or possible consequences of, such change in law or interpretation thereof.

11. Tax Withholding. To the extent required by law, the Company shall withhold from benefit payments hereunder, or with respect to any Incentive Compensation deferred hereunder, any Federal, state, or local income or payroll taxes required to be withheld and shall furnish the recipient and the applicable government agency or agencies with such reports, statements, or information as may be legally required.

ARTICLE VI

EXTENT OF PARTICIPANTS' RIGHTS

1. Unfunded Status of Plan. This Deferral Plan constitutes a mere contractual promise by the Company to make payments in the future, and each Participant's rights shall be those of a general, unsecured creditor of the Company. No Participant shall have any beneficial interest in any specific assets that the Company may hold or set aside in connection with this Deferral Plan. Notwithstanding the foregoing, to assist the Company in meeting its obligations under this Deferral Plan, the Company may set aside assets in a trust described in Revenue Procedure 92-64, 1964-2 C.B. 44, and the Company may direct that its obligations under this Deferral Plan be satisfied by payments out of such trust. The assets of any such trust will remain subject to the claims of the general creditors of the Company. It is the Company's intention that the Plan be unfunded for Federal income tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974.

2. Nonalienability of Benefits. A Participant's rights under this Deferral Plan shall not be assignable or transferable and any purported transfer, assignment, pledge or other encumbrance or attachment of any payments or benefits under this Deferral Plan, or any interest therein shall not be permitted or recognized, other than the designation of, or passage of payment rights to, a Beneficiary.

ARTICLE VII

AMENDMENT OR TERMINATION

1. Amendment. The Board may amend, modify, suspend or discontinue this Deferral Plan at any time subject to any shareholder approval that may be required under applicable law, provided, however, that no such amendment shall have the effect of reducing a Participant's Account Balance or postponing the time when a Participant is entitled to receive a distribution of his Account Balance. Further, no amendment may alter the formula for crediting interest to Participants' Accounts with respect to amounts for which deferral elections have previously been made, unless the amended formula is not less favorable to Participants than that previously in effect, or unless each affected Participant consents to such change.

2. Termination. The Board reserves the right to terminate this Plan at any time and to pay all Participants their Account Balances in a lump sum immediately following such termination or at such time thereafter as the Board may determine; provided, however, that if a distribution in accordance with the provisions of this Section 2 would otherwise result in a nonexempt short-swing transaction under Section 16(b) of the Exchange Act, the date of distribution with respect to any Section 16 Person 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 Exchange Act.

3. Transfer of Liability. The Board reserves the right to transfer to another entity all of the obligations of Company with respect to a Participant under this Plan if such entity agrees pursuant to a binding written agreement to assume all of the obligations of the Company under this Plan with respect to such Participant.

ARTICLE VIII

ADMINISTRATION

1. The Committee. This Deferral Plan shall be administered by the Compensation Committee of the Board or such other committee of the Board as may be designated by the Board and constituted so as to permit this Deferral Plan to comply with the disinterested administration requirements of Rule 16b-3 of the Exchange Act. The members of the Committee shall be designated by the Board. A majority of the members of the Committee (but not fewer than two) shall constitute a quorum. The vote of a majority of a quorum or the unanimous written consent of the Committee shall constitute action by the Committee. The Committee shall have full authority to interpret the Plan, and interpretations of the Plan by the Committee shall be final and binding on all parties.

2. Delegation and Reliance. The Committee may delegate to the officers or employees of the Company the authority to execute and deliver those instruments and documents, to do all acts and things, and to take all other steps deemed necessary, advisable or convenient for the effective administration of this Deferral Plan in accordance with its terms and purpose,

except that the Committee may not delegate any authority the delegation of which would cause this Deferral Plan to fail to satisfy the applicable requirements of Rule 16b-3. In making any determination or in taking or not taking any action under this Deferral Plan, the Committee may obtain and rely upon the advice of experts, including professional advisors to the Company. No member of the Committee or officer of the Company who is a Participant hereunder may participate in any decision specifically relating to his or her individual rights or benefits under the Deferral Plan.

3. Exculpation and Indemnity. Neither the Company nor any member of the Board or of the Committee, nor any other person participating in any determination of any question under this Deferral Plan, or in the interpretation, administration or application thereof, shall have any liability to any party for any action taken or not taken in good faith under this Deferral Plan or for the failure of the Deferral Plan or any Participant's rights under the Deferral Plan to achieve intended tax consequences, to qualify for exemption or relief under Section 16 of the Exchange Act and the rules thereunder, or to comply with any other law, compliance with which is not required on the part of the Company.

4. Facility of Payment. If a minor, person declared incompetent, or person incapable of handling the disposition of his or her property is entitled to receive a benefit, make an application, or make an election hereunder, the Committee may direct that such benefits be paid to, or such application or election be made by, the guardian, legal representative, or person having the care and custody of such minor, incompetent, or incapable person. Any payment made, application allowed, or election implemented in accordance with this Section shall completely discharge the Company and the Committee from all liability with respect thereto.

5. Proof of Claims. The Committee may require proof of the death, disability, incompetency, minority, or incapacity of any Participant or Beneficiary and of the right of a person to receive any benefit or make any application or election.

6. Claim Procedures. The procedures when a claim under this Plan is denied by the Committee are as follows:

(A) The Committee shall:

(i) notify the claimant within a reasonable time of such denial, setting forth the specific reasons therefor; and

(ii) afford the claimant a reasonable opportunity for a review of the decision.

(B) The notice of such denial shall set forth, in addition to the specific reasons for the denial, the following:

(i) identification of pertinent provisions of this Plan;

(ii) such additional information as may be relevant to the denial of the claim; and

(iii) an explanation of the claims review procedure and advice that the claimant may request an opportunity to submit a statement of issues and comments.

(C) Within sixty days following advice of denial of a claim, upon request made by the claimant, the Committee shall take appropriate steps to review its decision in light of any further information or comments submitted by the claimant. The Committee may hold a hearing at which the claimant may present the basis of any claim for review.

(D) The Committee shall render a decision within a reasonable time (not to exceed 120 days) after the claimant's request for review and shall advise the claimant in writing of its decision, specifying the reasons and identifying the appropriate provisions of the Plan.

ARTICLE IX

GENERAL AND MISCELLANEOUS PROVISIONS

1. Neither this Deferral Plan nor a Participant's Deferral Agreement, either singly or collectively, shall in any way obligate the Company to continue the employment of a Participant with the Company, nor does either this Deferral Plan or a Deferral Agreement limit the right of the Company at any time and for any reason to terminate the Participant's employment. In no event shall this Plan or a Deferral Agreement, either singly or collectively, by their terms or implications constitute an employment contract of any nature whatsoever between the Company and a Participant. In no event shall this Plan or a Plan Agreement, either singly or collectively, by their terms or implications in any way obligate the Company to award Incentive Compensation to any Eligible Employee for any Award Year, whether or not the Eligible Employee is a Participant in the Deferral Plan for that Award Year, nor in any other way limit the right of the Company to change an Eligible Employee's compensation or other benefits.

2. Incentive Compensation deferred under this Deferral Plan shall not be treated as compensation for purposes of calculating the amount of a Participant's benefits or contributions under any pension, retirement, or other plan maintained by the Company, except as provided in such other plan.

3. Any written notice to the Company referred to herein shall be made by mailing or delivering such notice to the Company at 6801 Rockledge Drive, Bethesda, Maryland 20817, to the attention of the Vice President, Human Resources. Any written notice to a Participant shall be made by delivery to the Participant in person, through electronic transmission, or by mailing such

notice to the Participant at his or her place of residence or business address.

4. In the event it should become impossible for the Company or the Committee to perform any act required by this Plan, the Company or the Committee may perform such other act as it in good faith determines will most nearly carry out the intent and the purpose of this Deferral Plan.

5. By electing to become a Participant hereunder, each Eligible Employee shall be deemed conclusively to have accepted and consented to all of the terms of this Deferral Plan and all actions or decisions made by the Company, the Board, or Committee with regard to the Deferral Plan.

6. The provisions of this Deferral Plan and the Deferral Agreements hereunder shall be binding upon and inure to the benefit of the Company, its successors, and its assigns, and to the Participants and their heirs, executors, administrators, and legal representatives.

7. A copy of this Deferral Plan shall be available for inspection by Participants or other persons entitled to benefits under the Plan at reasonable times at the offices of the Company.

8. The validity of this Deferral Plan or any of its provisions shall be construed, administered, and governed in all respects under and by the laws of the State of Maryland, except as to matters of Federal law. If any provisions of this instrument shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.

9. This Deferral Plan and its operation, including but not limited to, the mechanics of deferral elections, the issuance of securities, if any, or the payment of cash hereunder is subject to compliance with all applicable federal and state laws, rules and regulations (including but not limited to state and federal insider trading, registration, reporting and other securities laws) and such other approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company, be necessary or advisable in connection therewith.

10. It is the intent of the Company that this Deferral Plan satisfy and be interpreted in a manner, that, in the case of Participants who are or may be Section 16 Persons, satisfies any applicable requirements of Rule 16b-3 of the Exchange Act or other exemptive rules under Section 16 of the Exchange Act and will not subject Section 16 Persons to short-swing profit liability thereunder. If any provision of this Deferral Plan would otherwise frustrate or conflict with the intent expressed in this Section 10, that provision to the extent possible shall be interpreted and deemed amended so as to avoid such conflict. To the extent of any remaining irreconcilable conflict with this intent, the provision shall be deemed disregarded. Similarly, any action or election by a Section 16 Person with respect to the Deferral Plan to the extent possible shall be interpreted and deemed amended so as to avoid liability under Section 16 or, if this is not possible, to the extent necessary to avoid liability under Section 16, shall be deemed ineffective. Notwithstanding anything to the contrary in this Deferral Plan, the provisions of this Deferral Plan may at any time be bifurcated by the

Board or the Committee in any manner so that certain provisions of this Deferral Plan are applicable solely to Section 16 Persons. Notwithstanding any other provision of this Deferral Plan to the contrary, if a distribution which would otherwise occur is prohibited or proposed to be delayed because of the provisions of Section 16 of the Exchange Act or the provisions of the Deferral Plan designed to ensure compliance with Section 16, the Section 16 Person involved may affirmatively elect in writing to have the distribution occur in any event; provided that the Section 16 Person shall concurrently enter into arrangements satisfactory to the Committee in its sole discretion for the satisfaction of any and all liabilities, costs and expenses arising from this election.

11. Notwithstanding any other provision of this Deferral Plan, each Eligible Employee who is a Section 16 Person and has entered into a Deferral Agreement prior to the initial distribution of a prospectus relating to this Deferral Plan shall be entitled, during a ten-business-day period following the initial distribution of that prospectus, to make an irrevocable election to (i) receive a distribution of all or any portion of his or her Account Balance attributable to Deferred Compensation for the 1995 Award Year during the seventh month following the month of the election, or (ii) reallocate all or any part of his or her Account Balance attributable to Deferred Compensation for the 1995 Award Year to a different investment option as of the end of the sixth month following the month of the election.

12. At no time shall the aggregate Account Balances of all Participants to the extent allocated to the Company Stock Investment Option exceed an amount equal to the then fair market value of 5,000,000 shares of the Company's Common Stock, nor shall the cumulative amount of Incentive Compensation deferred under this Deferral Plan by all Eligible Employees for all Award Years exceed $250,000,000.

ARTICLE X

EFFECTIVE DATE AND SHAREHOLDER APPROVAL

This Deferral Plan was adopted by the Board on July 27, 1995 and became effective upon adoption to awards of Incentive Compensation for the Company's fiscal year ending December 31, 1995 and subsequent fiscal years; provided, however, that with respect to Section 16 Persons, the availability of the Company Stock Investment Option is conditioned upon the approval of this Deferral Plan by the stockholders of Lockheed Martin Corporation. In the event that this Deferral Plan is not approved by the stockholders, then Section 16 Persons shall not be entitled to have Deferred Compensation allocated to the Company Stock Investment Option; any prior elections by Section 16 Persons to have allocations made to the Company Stock Investment Option shall retroactively be deemed ineffective, and the Account Balances of those Section 16 Persons shall be restated as if all of their Deferred Compensation had been allocated to the Interest Option at all times.

(12) Computation of ratio of earnings to fixed charges for the year ended December 31, 1998.

Exhibit 12

Lockheed Martin Corporation
Computation of Ratio of Earnings to Fixed Charges
for the Year Ended December 31, 1998
(In millions, except ratio)

	1998
EARNINGS:	
Earnings from continuing operations before income taxes	$ 1,661
Interest expense	861
Amortization of debt premium and discount, net	(4)
Portion of rents representative of an interest factor	50
Losses and undistributed earnings of 50% and less than 50% owned companies, net	(8)
Adjusted earnings from continuing operations before income taxes	$ 2,560
FIXED CHARGES:	
Interest expense	$ 861
Capitalized interest	10
Amortization of debt premium and discount, net	(4)
Portion of rents representative of an interest factor	50
Total fixed charges	$ 917
RATIO OF EARNINGS TO FIXED CHARGES	2.8

(13) Portions of Lockheed Martin Corporation's 1998 Annual Report to Shareholders incorporated by reference in this Annual Report on Form 10-K.

FINANCIAL SECTION

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Lockheed Martin Corporation (Lockheed Martin or the Corporation) is engaged in the conception, research, design, development, manufacture, integration and operation of advanced technology systems, products and services. The Corporation serves customers in both domestic and international defense and commercial markets, with its principal customers being agencies of the U.S. Government. The following discussion should be read in conjunction with the audited consolidated financial statements included herein.

Common Stock Split

In October 1998, the Board of Directors of the Corporation authorized a two-for-one split of the Corporation's common stock in the form of a stock dividend which was effected on December 31, 1998. In the following discussion, all references to shares of common stock and per share amounts have been restated to reflect the stock split.

Transaction Agreement with COMSAT Corporation

In September 1998, the Corporation and COMSAT Corporation (COMSAT) announced that they had entered into an agreement to combine the companies in a two-phase transaction with a total estimated value of approximately $2.7 billion at the date of the announcement (the Merger). In connection with the first phase of this transaction, the Corporation commenced a cash tender offer (the Tender Offer) to purchase up to 49 percent, subject to certain adjustments, 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 $1.2 billion. Under the Merger agreement, the Tender Offer will be extended for periods of up to 60 days until the earlier of (i) September 18, 1999, or (ii) satisfaction of certain conditions to closing. 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, including approval by the Federal Communications Commission (FCC). The stockholders of COMSAT are expected to vote on the proposed Merger at COMSAT's annual meeting of stockholders on June 18, 1999. Upon completion of this phase of the transaction, the Corporation will account for its investment in COMSAT under the equity method of accounting. The second phase of the transaction, which will result in consummation of the Merger, will be accomplished by an exchange of one share of Lockheed Martin common stock for each share of COMSAT common stock. 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, including anti-trust clearance by the Department of Justice. The Merger will be accounted for under the purchase method of accounting.

The Corporation is not currently designated by the FCC as an "authorized common carrier," and as such is prohibited from owning more than 10 percent of COMSAT. The Corporation has filed an application with the FCC to be designated an "authorized common carrier" and to purchase up to 49 percent of COMSAT. On January 21, 1999, the Chairman of the House Committee on Commerce and the Chairman of the Senate Subcommittee on Communications sent a letter to the FCC urging the FCC not to take any action to permit any company to purchase more than 10 percent of COMSAT prior to Congress adopting satellite industry reform legislation. If the FCC were to delay or slow its review of the Corporation's filings with respect to the Tender Offer, and if Congress does not make rapid progress on satellite industry reform legislation, the Tender Offer may not be consummated by September 18, 1999. If this occurs, either party may terminate the Merger Agreement or both parties may elect to amend the Merger Agreement to extend this date. If the FCC's review is not delayed or slowed and the Tender Offer is consummated, but the legislative process relative to satellite industry reform legislation moves slowly, the Merger is unlikely to occur in 1999.

Acquisitions and Divestitures

In November 1997, Lockheed Martin exchanged all of the outstanding capital stock of a wholly-owned subsidiary for all of the outstanding Series A preferred stock held by General Electric Company (GE) and certain subsidiaries of GE (the GE Transaction). The Series A preferred stock was convertible into approximately 58 million shares of Lockheed Martin common stock. The Lockheed Martin subsidiary 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. The GE Transaction was accounted for at fair value, and resulted in the reduction of the Corporation's stockholders' equity by $2.8 billion and the recognition of a tax-free gain of approximately $311 million in other income and expenses. Also see the discussion under the caption "Results of Operations" regarding the impact of the GE Transaction on the computation of 1997 earnings per share. In 1998 and 1997, in connection with the GE Transaction, the Corporation issued notes to a wholly-owned subsidiary of GE for $210 million, bearing interest at 5.73%, and $1.4 billion, bearing interest at 6.04%, respectively. The notes are due November 17, 2002.

In July 1997, the Corporation and Northrop Grumman Corporation (Northrop Grumman) announced that they had entered into an agreement to combine the companies whereby Northrop Grumman would become a wholly-owned subsidiary of Lockheed Martin. The proposed merger with Northrop Grumman was terminated by the Board of Directors of Lockheed Martin in July 1998.

In March 1997, the Corporation executed a definitive agreement valued at approximately $525 million to reposition ten non-core business units as a new independent company, L-3 Communications Corporation (L-3), in which the Corporation retained an approximate 35 percent ownership interest at closing. These business units contributed approximately two percent of the Corporation's net sales during the three month period ended March 31, 1997. The transaction, which closed in April 1997 with an effective date of March 30, 1997, did not have a material impact on the Corporation's earnings. The Corporation's ownership percentage was reduced to approximately 25 percent in the second quarter of 1998 as a result of an initial public offering of L-3's common stock. In the first quarter of 1999, the Corporation's ownership percentage was further reduced to approximately 7 percent as a result of a secondary offering of L-3's common stock which included 4.5 million shares previously owned by the Corporation. The 1998 transaction increased net earnings by $12 million, and the 1999 transaction is estimated to increase first quarter 1999 net earnings by an amount between $75 million and $85 million.

During the third quarter of 1996, the Corporation announced its intention to distribute via an exchange offer its interest in Martin Marietta Materials, Inc. (Materials) to its stockholders. In October 1996, the exchange was consummated, subsequent to which the Corporation had no remaining ownership interest in Materials. The transaction was accounted for at fair value, resulting in a reduction in the Corporation's stockholders' equity of $750 million and the recognition of a pretax gain of $365 million in other income and expenses.

In November 1996, the Corporation announced the proposed divestiture of two of its business units, Armament Systems and Defense Systems. This transaction, which concluded with the Corporation's receipt of $450 million in cash in January 1997, had no pretax effect on the results of operations for 1997 or 1996.

On a combined basis, the Materials exchange and the Armament Systems and Defense Systems divestiture noted above increased 1996 net earnings by $351 million.

In April 1996, the Corporation consummated its business combination with Loral Corporation (Loral) for a total purchase price, including acquisition costs, of approximately $7.6 billion (the Loral Transaction). In addition to the acquisition of Loral's defense electronics and systems integration businesses, the Loral Transaction resulted in the Corporation acquiring shares of preferred stock of Loral Space & Communications, Ltd. (Loral SpaceCom), a newly-formed company, which were convertible into 20 percent of Loral SpaceCom's common stock on a diluted basis at the date of acquisition. The operations of the businesses acquired in connection with the Loral Transaction have been included in the results of operations of the Corporation since April 1996.

Formation of Lockheed Martin Global Telecommunications

In August 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 investments in several existing joint ventures and certain elements of the Corporation under a dedicated management team focused on capturing a greater portion of the worldwide telecommunications services market. Effective January 1, 1999, the following operations and investments became a part of 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; the elements of Lockheed Martin Missiles & Space, Lockheed Martin Management & Data Systems and Lockheed Martin Western Development Laboratories that provide commercial communications capabilities; the Corporation's investment in Americom Asia Pacific, LLC, a joint venture with GE Americom that is scheduled to launch a satellite in 1999 that will serve broadcasters in the Asia-Pacific region; and the Corporation's investment in ACeS International Limited, a joint venture that will provide cellular telephone communications in regions of Asia. Additionally, the Corporation intends to combine the operations of Global Telecommunications and COMSAT upon consummation of the Tender Offer and the Merger.

Results of Operations

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

[BAR CHART APPEARS HERE]

Net Sales
(In millions)

'96/(a)/	$26,875
'97	$28,069
'98	$26,266

(a) Reflects the business combination with Loral Corporation since April 1996.

The Corporation's consolidated net sales for 1998 were $26.3 billion, a decrease of six percent compared to 1997. Net sales during 1997 were $28.1 billion, an increase of four percent compared to 1996. Excluding the impact of the operations of divested entities, which are discussed below, net sales for 1998 would have remained relatively consistent with 1997, and would have increased by five percent for 1997 compared to 1996. The sales decrease in the Space & Strategic Missiles segment in 1998 would have been offset by sales increases for the other business segments, after adjusting for divestiture activities. Sales increases in 1997 in the Space & Strategic Missiles, Aeronautics and Information & Services segments, as well as the inclusion of the operations of the businesses acquired in connection with the Loral Transaction

for a full year in 1997 versus nine months in 1996, more than offset the reduction in sales due to divested operations. The U.S. Government remained the Corporation's largest customer, comprising approximately 70 percent of the Corporation's net sales for 1998 compared to 66 percent in 1997 and 70 percent in 1996.

The Corporation's operating profit (earnings before interest and taxes) for 1998 was approximately $2.5 billion, a decrease of nine percent compared to 1997. Operating profit for 1997 was $2.8 billion, a two percent increase compared to 1996. The reported amounts for the three years presented include the financial impacts of various nonrecurring and unusual items, the details of which are

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described below. Excluding the effects of these nonrecurring and unusual items for each year, operating profit for 1998 would have decreased by six percent compared to 1997, and would have increased by nine percent in 1997 compared to 1996. For 1998 compared to 1997, decreases in operating profit at the Space & Strategic Missiles and Information & Services segments more than offset the increase in operating profit at the Electronics segment. For 1997 compared to 1996, increases in operating profits at the Space & Strategic Missiles and Aeronautics segments more than offset a reduction in operating profit at the Information & Services segment. For a more detailed discussion of the operating results of the business segments, see "Discussion of Business Segments" below.

Operating profit in 1998 included the effects of a nonrecurring and unusual pretax charge, net of state income tax benefits, totaling $233 million related to CalComp Technology, Inc. (CalComp), a majority-owned subsidiary of the Corporation. In the fourth quarter of 1998, the Corporation decided that it would not increase existing credit for CalComp to support ongoing operations, and agreed to provide financing, subject to certain conditions, for a plan providing for the timely non-bankruptcy shutdown of CalComp's business. The above actions resulted in a charge related to the impairment of assets and estimated costs required to accomplish the shutdown of CalComp's operations.

[BAR GRAPH APPEARS HERE]

Net Earnings
(In millions)

'96/(b)/	$1,347
'96/(a)//(b)/	$1,205
'97	$1,300
'97/(c)/	$1,292
'98	$1,001
'98/(d)/	$1,184

(a) Excluding the effects of the Materials exchange, the divestiture of two business units, and the charges associated with the environmental remediation business, impairment in values for certain assets, and other costs, 1996 net earnings would have been $1,205 million.

(b) Reflects the business combination with Loral Corporation since April 1996.

(c) Excluding the effects of the gain on the transaction with GE, and the charges related to the Corporation's decision to exit certain lines of business and impairment in values for certain assets, 1997 net earnings would have been $1,292 million.

(d) Excluding the effects of a nonrecurring and unusual charge related to CalComp, 1998 net earnings would have been $1,184 million.

[BAR GRAPH APPEARS HERE]

Diluted Earnings (Loss) Per Share
(In dollars)

'96/(b)/	$ 3.04
'96/(a)//(b)/	$ 2.72
'97/(c)/	$(1.56)
'97/(d)/	$ 3.02
'98	$ 2.63
'98/(e)/	$ 3.11

(a) Excluding the effects of the Materials exchange, the divestiture of two business units, and the charges associated with the environmental remediation business, impairment in values for certain assets, and other costs, 1996 diluted earnings per share would have been $2.72.

(b) Reflects the business combination with Loral Corporation since April 1996.

(c) Includes the effects of a deemed preferred stock dividend in determining net loss applicable to common stock in the computation of loss per share which resulted from the GE Transaction. The effect of this deemed dividend was to reduce the diluted per share amount by $4.93.

(d) Excluding the effects of the deemed preferred stock dividend, the gain on the transaction with GE, and the charges related to the Corporation's decision to exit certain lines of business and impairment in values for certain assets, and including the dilutive effects of preferred stock conversion and stock options, 1997 diluted earnings per share would have been $3.02.

(e) Excluding the effects of a nonrecurring and unusual charge related to CalComp, 1998 diluted earnings per share would have been $3.11.

During the fourth quarter of 1997, in addition to recording the tax-free gain resulting from the GE Transaction, the Corporation recorded nonrecurring and unusual pretax charges, net of state income tax benefits, totaling $457 million. These charges related to the Corporation's decision to exit certain

lines of business and related to impairment in the values of various non-core investments and certain other assets.

Operating profit in 1996 included the gain on the Materials exchange. In addition, during the fourth quarter of 1996, the Corporation recorded nonrecurring pretax charges, net of state income tax benefits, of $307 million. These charges related to the Corporation's environmental remediation business, and related to impairment in the values of non-core investments and certain other assets, and costs for facility closings and transfers of programs.

The Corporation's reported net earnings for 1998 were $1.0 billion, a decrease of 23 percent compared to 1997. Reported net earnings for 1997 were $1.30 billion, a decrease of three percent compared to the reported 1996 net earnings of $1.35 billion. The 1998 reported amount includes the after-tax effect of the CalComp nonrecurring and unusual charge, which decreased net earnings by $183 million, or $.48 per diluted share. The 1997 reported amount includes the tax-free gain resulting from the GE Transaction of $311 million, and the after-tax effects of the nonrecurring and unusual charges described above of $303 million which, on a combined basis, decreased the 1997 diluted loss per share by $.02. The 1996 reported amounts include the after-tax effects of the Materials exchange and the provision for the after-tax effect of the Corporation's divestiture of its Armament Systems and Defense Systems business units. On a combined basis, these transactions increased 1996 net earnings by $351 million. The 1996 reported amounts also include the after-tax impact of the nonrecurring charges described above, which decreased net earnings by $209 million. These nonrecurring and unusual items increased 1996 diluted earnings per share by $.32 on a combined basis. Excluding the effects of these nonrecurring and unusual items, net earnings for 1998, 1997 and 1996 would have been approximately $1.18 billion, $1.29 billion and $1.20 billion, respectively.

The Corporation reported diluted earnings (loss) per share of $2.63, $(1.56) and $3.04 for 1998, 1997 and 1996, respectively. For purposes of determining 1997 net loss applicable to common stock used in the computation of loss per share, the excess fair value of assets transferred to GE over the carrying value of the preferred stock (approximately $1.8 billion) was treated as a deemed preferred stock dividend and deducted from 1997 net earnings. This deemed dividend had a significant impact on the 1997 loss per share calculations, but did not impact reported 1997 net earnings. The effect of this deemed dividend was to reduce the basic and diluted per share amounts by $4.93. If the nonrecurring and unusual items described above were excluded from the calculation of earnings per share and, for 1997, if the dilutive effects of preferred stock conversion and stock options were factored into the diluted earnings per share calculation, diluted earnings per share for 1998, 1997 and 1996 would have been $3.11, $3.02 and $2.72, respectively.

[BAR GRAPH APPEARS HERE]

'96	$0.80
'97	$0.80
'98	$0.82

Dividends Per Common Share (In dollars)

The Corporation's debt to capitalization ratio improved from 70 percent at year-end 1997 to 64 percent at December 31, 1998. Total debt (including short-term borrowings) at December 31, 1998 decreased to $10.9 billion from $11.9 billion at year-end 1997. Total stockholders' equity increased to $6.1 billion at December 31, 1998 from $5.2 billion at year-end 1997. The Corporation paid dividends of $310 million in 1998, or $.82 per common share.

Industry Considerations

The Corporation's primary lines of business are in advanced technology systems for aerospace and defense, serving both government and commercial customers. In recent years, domestic and worldwide political and economic developments have strongly affected these markets, requiring significant adaptation by market participants.

The U.S. aerospace and defense industry has experienced years of declining budgets for research, development, test and evaluation, and procurement. Currently, after 14 years of continuous declines in the U.S. defense budget, expenditures (after adjusting for inflation) are at their lowest point since before World War II. The portion of the Federal budget devoted to defense is at its lowest percentage in modern history. The industry participants' reaction to the shrinking budgets has been to combine to maintain critical mass and achieve significant cost savings.

The U.S. Government had been supportive of industry consolidation activities through 1997, and the Corporation had been at the forefront of these activities. Through its own consolidation activities, the Corporation has been able to pass along savings to its customers, principally the U.S. Department of Defense. Though new consolidation activities among the large U.S. aerospace and defense companies have declined recently, the much anticipated consolidation of the European defense industry may be starting. In January 1999, British Aerospace P.L.C. announced that it intends to purchase the Marconi Electronics unit of General Electric Company P.L.C. of Great Britain.

With the decline of significant domestic industry consolidation, major aerospace companies will need to focus on cost savings and efficiency improvements. The Corporation has already focused on cutting costs, raising productivity, and capitalizing on synergies and best practices which should improve its competitiveness in the future.

There are now signs that the continuing declines in the defense budget may have ended, with proposals being made for modest increases in the next several years. The Corporation's broad mix of programs and capabilities makes it a

likely beneficiary of increased defense spending.

As a government contractor, the Corporation is subject to U.S. Government oversight. The government may investigate and make inquiries of the Corporation's business practices and conduct audits of contract performance and cost accounting. These investigations may lead to claims against the Corporation. Under U.S. Government procurement regulations and practices, an indictment of a government contractor could result in that contractor being fined and/or

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suspended for a period of time from eligibility for bidding on, or for award of, new government contracts. A conviction could result in debarment for a specified period of time. Similar government oversight exists in most other countries where the Corporation conducts business. Although the outcome of such investigations and inquiries cannot be predicted, in the opinion of management, there are no claims, audits or investigations pending against the Corporation that are likely to have a material adverse effect on the Corporation's business or its consolidated results of operations, cash flows or financial position.

The Corporation remains exposed to other inherent risks associated with U.S. Government contracting, including technological uncertainties and obsolescence, changes in government policies and dependence on annual Congressional appropriation and allotment of funds. Many of the Corporation's programs involve development and application of state-of-the-art technology aimed at achieving challenging goals. As a result, setbacks and failures can occur. In 1998, for example, the Corporation experienced difficulties related to its Theater High Altitude Area Defense (THAAD) system and commercial space programs. It is important for the Corporation to resolve the related performance issues to achieve success on these programs.

The Corporation continues to focus on expanding its presence in related commercial and non-defense markets, most notably in space and telecommunications activities, information management and systems integration. Although these lines of business are not dependent on defense budgets, they share many of the risks associated with the Corporation's primary businesses, as well as others unique to the commercial marketplace. Such risks include development of competing products, technological feasibility and product obsolescence. The telecommunications market is expected to double over the next five years. Although the Corporation has limited experience and sales in this market as of the end of 1998, the Corporation hopes to apply its technological capabilities and the benefits of the merger with COMSAT, if consummated, to meet the increasing demand for broadband, Internet and virtual network services.

In connection with expanding its portfolio of offered products and services in commercial space and telecommunications activities, the Corporation has entered into various joint venture, teaming and other business arrangements, including some with foreign partners. The conduct of international business introduces other risks into the Corporation's operations, including fluctuating economic conditions, fluctuations in relative currency values and the potential for unanticipated cost increases and timing issues resulting from the deterioration of political relations.

In 1992, the Corporation entered into a joint venture with two Russian government-owned space firms to form Lockheed-Khrunichev-Energia International, Inc. (LKEI). Lockheed Martin owns 51% of LKEI and consolidates the operations of LKEI into its financial statements. LKEI has exclusive rights to market launches of commercial, non-Russian-origin payloads to space on the Proton rocket from a launch site in Kazakhstan. In 1995, another joint venture was formed, International Launch Services (ILS), with the Corporation and LKEI each holding 50 percent ownership. ILS was formed to market commercial Atlas and Proton launch services worldwide. Contracts for Proton launch services typically require substantial advances from the customer in advance of launch, and a sizable percentage of these advances are forwarded to Khrunichev State Research and Production Space Center (Khrunichev), the manufacturer in Russia, to provide for the manufacture of the related launch vehicle. Significant portions of such advances would be required to be refunded to each customer if launch services were not successfully provided within the contracted time frame. At December 31, 1998, approximately $990 million related to launches not yet provided was included in customer advances and amounts in excess of costs incurred, and approximately $740 million of payments to Khrunichev for launches not yet provided was included in inventories. Through year end 1998, launch services provided through LKEI and ILS have been in accordance with contract terms.

An additional risk exists related to launch vehicle services in Russia. Under a trade agreement in effect since September 1993 between the United States and Russia, the number of Russian launches of U.S. built satellites into geosynchronous and geosynchronous transfer orbit is limited to fifteen from trade agreement inception through the year 2000. Officials of the U.S. Government have stated that this limit will not be raised until Russia takes satisfactory action to resolve missile technology proliferation concerns. This limit, if not raised or eliminated, could impair the Corporation's ability to achieve certain of its business objectives related to launch services, satellite manufacture and telecommunications market penetration. At December 31, 1998, approximately $375 million of the $990 million of customer advances and approximately $280 million of the $740 million of payments to Khrunichev disclosed in the prior paragraph are associated with launches in excess of the number currently allowed under the quota. Management is working to achieve a favorable resolution to raise or eliminate the limitation on the number of Russian launches.

The Corporation has entered into agreements with RD AMROSS, a joint venture of the Pratt & Whitney division of United Technologies Corporation and the Russian firm NPO Energomash, for the development and purchase, subject to certain conditions, of up to 101 RD-180 booster engines for use in two models of the Corporation's launch vehicles. Terms of the agreements call for payments to be made to RD AMROSS upon the achievement of certain milestones in the development and manufacturing processes. Approximately $100 million of payments made under these agreements were included in the Corporation's inventories at

December 31, 1998.

Discussion of Business Segments

The Corporation's operations are divided into five business segments: Space & Strategic Missiles; Electronics; Aeronautics; Information & Services; and Energy and Other. 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 and 1996 operating profit amounts for these segments have been restated to conform with the 1998 presentation.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS (Continued)
December 31, 1998

The following table displays net sales for the Lockheed Martin business segments for 1998, 1997 and 1996, which correspond to the segment information presented in Note 17 to the consolidated financial statements:

(In millions)	1998	1997	1996
Net Sales			
Space & Strategic Missiles	$ 7,461	$ 8,303	$ 7,904
Electronics	7,342	7,069	6,675
Aeronautics	5,996	6,045	5,596
Information & Services	5,212	6,468	5,893
Energy and Other	255	184	807
	$26,266	$28,069	$26,875

Operating profit (loss) by industry segment for 1998, 1997 and 1996, including the effects of the nonrecurring and unusual items discussed previously, is displayed in the table below. This information also corresponds to the segment information presented in Note 17 to the consolidated financial statements.

(In millions)	1998	1997	1996
Operating Profit (Loss)			
Space & Strategic Missiles	$ 976	$ 1,096	$ 973
Electronics	733	576	673
Aeronautics	654	612	441
Information & Services	(25)	111	290
Energy and Other	184	384	356
	$ 2,522	$ 2,779	$ 2,733

The following table displays the pretax impact of the nonrecurring and unusual items discussed earlier as reflected in each segment's operating profit (loss) for each of the three years presented:

(In millions)	1998	1997	1996
Nonrecurring and Unusual Items-- (Loss) Profit:			
Consolidated Effects			
Nonrecurring and unusual charges	$(233)	$(457)	$(307)
Gain on GE Transaction	--	311	--
Gain on Materials exchange	--	--	365
	$(233)	$(146)	$ 58
Segment Effects			
Space & Strategic Missiles	$ --	$ (87)	$ (25)
Electronics	--	(69)	--
Aeronautics	--	(44)	(46)
Information & Services	(233)	(163)	(86)
Energy and Other	--	217	215
	$(233)	$(146)	$ 58

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

Space & Strategic Missiles

Net sales of the Space & Strategic Missiles segment decreased by 10 percent in 1998 compared to 1997 and increased by five percent in 1997 compared to 1996. The segment's 1998 net sales activity was adversely impacted by reductions in

Atlas and Proton commercial launch vehicle activities, primarily as a result of delays in availability of commercial satellites due to supplier issues, a reduction in volume on the Trident fleet ballistic missile program, and a decrease in volume in classified program activities. During 1997, increases in Proton launch services volume and additional revenues from commercial satellite programs contributed roughly equally to the segment's growth as compared to 1996.

Operating profit for the segment decreased by 17 percent in 1998 compared to 1997 after having increased by 19 percent for 1997 compared to 1996. The 1998 decrease resulted from the same issues that impacted net sales, as discussed above, as well as from losses and performance related charges totaling approximately $100 million in the commercial space product areas. This decrease was partially offset by a third quarter favorable adjustment of approximately $128 million, which resulted from a significant improvement in the Atlas launch vehicle program related to the retirement of program and technical risk based upon a current evaluation of the program's historical performance, and approximately $50 million related to the favorable impact of the restructure of a commercial satellite program which occurred in the fourth quarter. The 1997 increase resulted equally from improved margins on Atlas launches and the increase in Proton launch activity mentioned previously.

Electronics

The Electronics segment's net sales increased by four percent in 1998 compared to 1997, and by six percent in 1997 compared to 1996. Excluding the operations of the segment's Commercial Electronics unit, which was divested during the first quarter of 1998, net sales in 1998 would have increased by eight percent from 1997. Nearly $200 million of the increase in 1998 resulted from greater production deliveries of postal systems equipment and, to a lesser extent, net sales were favorably impacted by increases in surface ship systems and control systems activities in 1998. Net sales for 1997 included a full year of the operations of certain businesses acquired in connection with the Loral Transaction versus nine months in 1996, offset by the absence of sales in 1997 resulting from the divestiture of the Corporation's Armament Systems and Defense Systems businesses. Adjusting the results of operations to reflect these companies on a comparable basis, 1997 net sales would have decreased by two percent compared to 1996.

Operating profit for the segment increased by 14 percent in 1998 compared to 1997, following a four percent decrease in 1997 compared to 1996. Adjusting the results of operations to reflect the items previously mentioned on a comparable basis, operating profit would have increased by 14 percent in 1998 compared to 1997, and decreased by 10 percent in 1997 compared to 1996. During 1998, operating profit increased primarily due to improved margins on electronic defense systems and, to a lesser extent, the volume increases that impacted net sales as discussed above. During 1997, operating profit decreased as a result of investments in new programs as well as reduced margins for the Commercial Electronics unit.

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Aeronautics

Net sales of the Aeronautics segment decreased by one percent in 1998 compared to 1997, after having increased by eight percent in 1997 compared to 1996. Excluding the operations of the segment's Aerostructures business unit divested to GE during the fourth quarter of 1997, net sales would have increased by three percent during 1998 primarily due to increased volume related to F-16 fighter aircraft and other modification, maintenance and logistic programs. The 1997 increase principally resulted from increased deliveries of F-16 fighter aircraft from the prior year.

Operating profit for the segment remained relatively stable during 1998 compared to 1997, and increased by 35 percent in 1997 compared to 1996. Excluding the operations of the Aerostructures business unit, operating profit would have increased by 10 percent in 1998 compared to 1997, and by 33 percent in 1997 compared to 1996. Operating profit increased during 1998 primarily as a result of increased F-16 aircraft deliveries and improved performance on tactical aircraft programs. During 1997, operating profit increased due to the greater number of F-16 deliveries, and the completion of significant flight performance milestone events and margin improvements on the C-130 program.

Information & Services

Net sales of the Information & Services segment decreased by 19 percent in 1998 compared to 1997, and increased by 10 percent in 1997 compared to 1996. The decrease in 1998 reflects the absence of the results of operations of the segment's Access Graphics business unit, divested to GE in the fourth quarter of 1997, and the operations of L-3, which were divested effective March 30, 1997. Excluding the impact of these divestitures, the segment's net sales for 1998 would have increased by three percent compared to 1997. Approximately $200 million of this increase resulted from higher sales volume in certain technology services programs and welfare and family services programs, partially offset by a reduction in sales due to performance issues in the commercial products businesses. The 1997 net sales increase reflected a $300 million increase in sales volume related to commercial products, system integration programs and information systems programs. The inclusion of a full year of the operations of certain businesses acquired in connection with the Loral Transaction in 1997 versus nine months in 1996 was largely offset by the effect of the absence of L-3 operations and the Corporation's transfer of its Space Shuttle processing operations to United Space Alliance.

Operating profit for the segment decreased by 24 percent in 1998 compared to 1997, and by 27 percent in 1997 compared to 1996. Adjusting the 1997 and 1996 results of operations for the items discussed in the preceding paragraph on a comparable basis, operating profit for 1998 would have decreased by 22 percent compared to 1997, and by 23 percent in 1997 compared to 1996. The operating profit decrease for 1998 resulted from the impact of the performance issues in the commercial products businesses and the timing of recognition of performance improvements in certain systems integration programs in 1997. The 1997 decrease resulted from unfavorable performance in the segment's commercial product businesses, primarily CalComp. As disclosed previously, CalComp is conducting a timely non-bankruptcy shutdown of its operations.

Energy and Other

Net sales of the Energy and Other segment increased by 39 percent in 1998 compared to 1997 after having decreased significantly in 1997 compared to 1996. The 1998 increase primarily reflects additional sales volume in environmental activities. The net sales decrease in 1997 principally resulted from the divestiture of Materials during the fourth quarter of 1996.

Operating profit for this segment increased by 10 percent in 1998 compared to 1997, and by 18 percent in 1997 compared to 1996. In both years, improvements in the Corporation's performance on certain environmental programs were realized, and additional gains were recognized on land sales of $16 million in 1998 compared to 1997 and $20 million in 1997 compared to 1996. Operating profit in 1997 was also negatively impacted by the absence of the results of operations of Materials.

[BAR CHART APPEARS HERE]

'96	$ 50,406
'97	$ 47,059
'98	$ 45,345

Negotiated Backlog (In millions)

Backlog

Total negotiated backlog of $45.3 billion at December 31, 1998 included both unfilled firm orders for the Corporation's products for which funding has been authorized and appropriated by the customer (Congress, in the case of U.S. Government agencies) and firm orders for which funding has not been appropriated.

The following table shows total backlog by segment at the end of each of the last three years:

(In millions)	1998	1997	1996
Backlog			
Space & Strategic Missiles	$16,089	$16,834	$19,463
Electronics	10,646	9,849	10,650
Aeronautics	10,617	13,456	13,408
Information & Services	7,767	6,674	6,718
Energy and Other	226	246	167
	$45,345	$47,059	$50,406

Total Space & Strategic Missiles backlog decreased by four percent in 1998 compared to 1997, after having decreased by 14 percent in 1997 compared to 1996. The decrease in 1998 resulted

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principally from contract modifications to the Titan IV program. During 1998, the Corporation entered into an agreement with the U.S. Government that provides $500 million of funding to develop the Evolved Expendable Launch Vehicle. The Corporation will use its best efforts to design a prototype to comply with the launch capability requirements included in the agreement. Since this agreement does not constitute a procurement contract, funding has been excluded from backlog. The decrease in 1997 resulted principally from a reduction in classified backlog and a finalization of the Corporation's backlog recognition policy for the SBIRS program.

Total Electronics segment backlog increased by eight percent in 1998 compared to 1997, after having decreased by eight percent in 1997 compared to 1996. During 1998, backlog increased primarily as a result of new orders received for various surface ship systems and missile systems activities. The 1997 decrease was caused by absence of backlog related to the Armament Systems and Defense Systems businesses divested during 1997.

Total Aeronautics segment backlog decreased by 21 percent in 1998 compared to 1997 after having increased slightly in 1997 compared to 1996. The segment's 1998 backlog was impacted by a significant decrease in new order activity from the prior year, principally related to the timing of new orders. Specifically, during 1998, the government of the United Arab Emirates selected the Corporation's F-16 as its advanced fighter aircraft. The Corporation is working to secure a definitive contract, estimated to be worth over $5 billion, during 1999. In 1997, new orders for C-130 airlift aircraft were offset by the reduction in F-16 fighter aircraft backlog and the divestiture of the segment's Aerostructures business backlog to GE.

Total Information & Services backlog increased by 16 percent in 1998 compared to 1997, after having decreased slightly in 1997 compared to 1996. The increase from 1997 to 1998 related to the 1998 award to the Corporation of the Consolidated Space Operations Contract by the National Aeronautics and Space Administration, and increases related to the receipt of new information management services contract awards. The decrease in 1997 resulted from the absence of backlog related to the companies that were divested to L-3 during 1997.

[BAR CHART APPEARS HERE]

'96/(a)/	$1,636
'97	$1,208
'98	$2,027

Net Cash Provided By Operating Activities (In millions)

(a) Reflects the business combination with Loral Corporation since April 1996.

Liquidity and Cash Flows

Operating Activities

Operating activities provided $2.0 billion in cash during 1998, compared to $1.2 billion and $1.6 billion provided in 1997 and 1996, respectively. The significant increase in cash provided by operations during 1998 was a result of improved operating cash flow and reduced net Federal income tax payments.

Investing Activities

The Corporation used $455 million in cash for investing activities during 1998, compared to $185 million provided during 1997 and $8.0 billion used during 1996. For the three years presented, the major investments of cash were related to property, plant and equipment additions, which declined 7 percent in 1998 after a 2 percent increase in 1997. During 1998, $134 million of net cash was provided by divestiture and acquisition activities. During 1997, cash was principally provided by the disposition of the Armament Systems and Defense Systems businesses and the divestiture of L-3. During 1996, the Corporation used $7.3 billion of cash to finance the Loral Transaction.

Financing Activities

The Corporation used $1.3 billion in cash for financing activities during 1998, compared to $1.4 billion used during 1997 and $5.7 billion provided during 1996. Because operating activities generated significantly more cash during 1998, the Corporation was able to reduce its total debt by more than $1.0 billion. During 1997, the Corporation also was able to decrease its short-term borrowings significantly, while long-term debt borrowings were increased to finance the GE Transaction. During 1996, $7.6 billion in cash was provided through an increase in indebtedness to finance the Loral Transaction. Approximately $886 million of long-term debt will mature in 1999.

During 1998, the Corporation paid $310 million in common stock dividends, compared to $299 million and $302 million during 1997 and 1996, respectively. During the third quarter of 1998, the Corporation's Board of Directors approved an increase to the cash dividend per share of common stock to $.22 per share, or $.88 annually, on a post stock split basis. The increased dividend was effective for dividends declared in the fourth quarter of 1998.

Other

The Corporation receives advances on certain contracts to finance inventories. At December 31, 1998, approximately $2.5 billion in advances related to work in process were received from customers and recorded as a reduction to inventories in the Corporation's consolidated balance sheet. In addition, customer advances (typically from foreign governments and commercial customers) were approximately $4.0 billion at the end of 1998. The Corporation maintains these amounts as current liabilities.

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Capital Structure and Resources

Total debt, including short-term borrowings, decreased by more than $1.0 billion during 1998 from approximately $11.9 billion at December 31, 1997. This decrease was comprised of net short-term debt repayments of $151 million and the net repayment of long-term debt of $870 million. The Corporation's long-term debt is primarily in the form of publicly issued, fixed-rate Notes and Debentures. At year end 1998, the Corporation held cash and cash equivalents of $285 million, which were used to pay down its commercial paper borrowings in January 1999. Total stockholders' equity was $6.1 billion at December 31, 1998, an increase of nearly $1 billion from the December 31, 1997 balance. This increase principally resulted from 1998 net earnings. Consequently, the Corporation's total debt to capitalization ratio improved from 70 percent at December 31, 1997 to 64 percent at December 31, 1998.

At the end of 1998, the Corporation had in place a short-term revolving credit facility in the amount of $2.5 billion which matures on May 28, 1999, and a long-term revolving credit facility in the amount of $3.5 billion, which matures on December 20, 2001 (collectively, the Credit Facilities). No borrowings were outstanding under the Credit Facilities at December 31, 1998. However, the Credit Facilities support commercial paper borrowings of approximately $1.3 billion outstanding at December 31, 1998. Based on management's ability and intention to maintain this amount of debt outstanding for at least one year, $300 million of this amount has been classified as long-term debt.

The Corporation has entered into standby letter of credit agreements and other arrangements with financial institutions primarily relating to the guarantee of future performance on certain contracts. At December 31, 1998, the Corporation had contingent liabilities on outstanding letters of credit, guarantees and other arrangements aggregating approximately $1.3 billion.

In January 1999, the Corporation filed a shelf registration with the Securities and Exchange Commission to provide for the issuance of up to $2.5 billion in debt securities. The registration statement is expected to be declared effective in the first quarter of 1999.

The Corporation actively seeks to finance its business in a manner that preserves financial flexibility while minimizing borrowing costs to the extent practicable. The Corporation's management continually reviews the changing financial, market and economic conditions to manage the types, amounts and maturities of the Corporation's indebtedness. Periodically, the Corporation may refinance existing indebtedness, vary its mix of variable rate and fixed rate debt and the maturities of that debt, or seek alternative financing sources for its cash and operational needs. As a result of the proposed COMSAT transaction, the Corporation's senior long-term debt rating is currently under review by one rating agency.

Cash and cash equivalents including temporary investments, internally generated cash flow from operations and other available financing resources are expected to be sufficient to meet anticipated operating, capital expenditure and debt service requirements and discretionary investment needs during the next twelve months. Consistent with the Corporation's desire to generate cash to 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.

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). The 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. In the Awareness phase, the problem is defined, risks and magnitude of repairs are communicated, and executive level support and sponsorship is obtained. During the Assessment phase, an inventory of assets that could be impacted by Year 2000 compliance issues is prepared which includes internal information technology (IT) systems (e.g. hardware, program applications, data centers), external IT systems (e.g. customer products and deliverables, interfaces with third parties) and non-IT systems (e.g. facilities, non-IT equipment).

In the Renovation phase, a plan for remediation is developed for each system or product based on its critical nature and risk. Renovation is considered complete when these plans have been implemented and the actual conversion of the hardware, firmware or software has occurred. Renovation of customer products and deliverables, where requested and funded by the customer, is also a part of this phase. The Validation phase involves testing of all renovated systems to ensure that they will operate correctly across and during the new millennium. During the Implementation phase, renovated and validated systems are placed into live production environments. The Post-Implementation phase occurs in the Year 2000. This phase will entail monitoring of systems to ensure Year 2000 compliance and implementing business continuity and contingency plans as considered necessary.

Lockheed Martin's Program was designed to achieve the Corporation's overall

goal of Year 2000 readiness in advance of the century change. The Corporation views Year 2000 awareness as a continuous phase of the Program that has resulted in distribution of news letters, development of internal and external web sites and an internal Year 2000 Awareness Week. During 1998, the Assessment phase was completed. As of December 31, 1998, the Renovation phase was approximately 95 percent complete, and the Validation and Implementation phases were both approximately 80 percent complete. The year 1999 will be used to complete the remaining phases of the Program, as appropriate, which will include addressing late availability of vendor or government furnished equipment, monitoring the status of Year 2000 compliance of vendors and customers (related to both products and readiness), completing planned replacement of systems, and developing contingency and crisis management plans as deemed necessary. Management estimates that the Renovation phase will be completed in the first quarter of 1999, and that both the Validation and Implementation phases will be completed in the second quarter of 1999, with few exceptions that include planned new and contingency implementations.

Management currently estimates that total costs of the Program will be approximately $85 million, 60 percent of which had been expended through December 31, 1998. These costs have not been material to the Corporation's consolidated results of operations, cash flows or financial position for any prior period and, based on information available at this time, are not expected to be material in

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any future period. The remaining costs are expected to be directed primarily toward validation testing and implementation activities. These estimates include internal costs as well as costs for outside consulting services, but do not include estimated costs for system replacements which were not accelerated due to Year 2000 issues. No significant IT projects have been deferred due to Year 2000 efforts. The costs incurred for the Program are allowable in establishing prices for the Corporation's products and services under contracts with the U.S. Government. Therefore, a substantial portion of these costs 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 estimates, which were derived utilizing numerous assumptions related to future events, including each vendor's ability to modify proprietary software, the ability of other third parties (including domestic and foreign customers and suppliers) to successfully address their Year 2000 issues, unanticipated issues identified in executing the Program and other similar uncertainties. While the Corporation expects to resolve all Year 2000 risks without a material adverse impact to its consolidated results of operations, cash flows or financial position, there can be no guarantee that these estimates of costs or timing, or that the objectives of the Program, will be achieved. To mitigate these risks, the Corporation has formal measurement and reporting processes in place. For example, internal auditors meet weekly with Program personnel to review the current status of the Program and related issues, and Program reviews are conducted monthly with each of the Corporation's segments and quarterly at the business unit level. In addition, updates are presented periodically to executive management, the Board of Directors and the Audit and Ethics Committee. The Corporation has obtained additional assurance through the use of internal independent test environments, third party verification of randomly selected renovated and validated applications, and internal audits designed to ensure Year 2000 readiness. Program assessments have been conducted by customers and the Defense Contract Audit Agency throughout the Program. With respect to third parties, the Corporation is aware that a number of its domestic and foreign key suppliers and customers have just recently begun to aggressively address their Year 2000 issues and, therefore, believes there is risk associated with their achieving timely Year 2000 compliance. To mitigate this risk, formal communication with all of our key suppliers and customers (including banks and U.S. Government customers) has been initiated as part of the Program. In response to this communication, the Corporation has received differing levels of information from these third parties to assist in the assessment of their Year 2000 readiness; however, in most cases, the Corporation is unable to verify the accuracy of their responses. Based on information available at this time, management believes that Program activities to date are consistent with the Program's design.

The Corporation is aware that a "reasonably likely worst case" scenario of Year 2000 risks could include isolated interruption of deliveries from critical domestic and foreign suppliers, the inability of critical domestic and foreign customers to conduct business due to disruption of their operations, product liability issues, isolated performance problems with manufacturing or administrative systems, and late availability of embedded vendor products for which responsibility for Year 2000 compliance rests with the respective vendor. The consequences of these issues may include increases in manufacturing and general and administrative expenses until the issues are resolved, lost revenues, lower or delayed cash receipts, and product liability. The Corporation cannot currently quantify the potential effect of these issues on its consolidated results of operations, cash flows or financial position, should some or a combination of these events come to pass. However, based on information available at this time, management believes that activities of the Program designed to mitigate these types of issues are consistent with the Program's design.

The Corporation requires assessments of risk throughout Program execution. Business continuity planning is underway and will continue through 1999 to address risk associated with interruption to key business areas. In connection with these assessments, Lockheed Martin has developed guidelines for when contingency plans are required and a standard template for use in documenting such plans. For example, contingency plans are required for any work that is scheduled to be completed after mid-1999, where there is significant risk of domestic or foreign supplier chain disruption, or for a new system implementation where schedule or technical issues are assessed to be significantly at risk, in which case renovation of legacy systems has been or will be performed. Additionally, while management believes that most of the Corporation's non-IT systems will function without substantial compliance problems, preparation for events that are generally outside the direct control of the Corporation (e.g. loss of power or telecommunication capabilities) have been included as part of crisis management planning. The Corporation's plans include coordination with existing emergency or crisis management teams within our facilities to ensure that scenarios are utilized in training and drills during 1999.

Environmental Matters

As more fully described in Note 16 to the consolidated financial statements, the Corporation has entered into two consent decrees with the U.S. Environmental Protection Agency (EPA) relating to certain property in Burbank, California, and is operating under a cleanup and abatement order from the California Regional Water Quality Control Board (the Regional Board) regarding its Burbank

facilities. The Corporation estimates that total expenditures required over the remaining terms of the consent decrees and the Regional Board order related to the Burbank property will be approximately $110 million. In addition, the Corporation is responding to three administrative orders issued by the Regional Board in connection with its facilities in Redlands, California. The Corporation estimates that expenditures required to implement work currently approved by the Regional Board related to the Redlands facilities will be approximately $110 million. Also in connection with its Redlands facilities, the Corporation is coordinating with the U.S. Air Force, which is conducting studies of the potential health effects of exposure to perchlorates, a regional groundwater contaminant. The results of these studies indicate that the Corporation's current efforts with water purveyors regarding perchlorate issues are appropriate; however, the Corporation currently cannot project the extent of its ultimate clean-up obligation with respect to perchlorates, if any.

The Corporation is a party to various other proceedings and potential proceedings related to environmental clean-up issues, including matters at various sites where it has been designated a Potentially Responsible Party (PRP) by the EPA or by a state agency. In the event the Corporation is ultimately found to have liability at those sites where it has been designated a PRP, the Corporation anticipates that the actual burden for the costs of remediation will be shared with other liable PRPs. Generally, PRPs that are ultimately determined to be responsible parties are strictly liable for site clean-ups and usually agree among themselves to share, on an allocated basis, the costs and expenses for investigation and remediation of hazardous materials. Under existing environmental laws, however, responsible parties are jointly and severally liable and, therefore, the Corporation is potentially liable for the full cost of funding such remediation. In the unlikely event that the Corporation were required to fund the entire cost of such remediation, the statutory framework provides that the Corporation may pursue rights of contribution from the other PRPs. Among the variables management must assess in evaluating costs associated with these sites are changing cost estimates, continually evolving governmental environmental standards and cost allowability issues. Therefore, the nature of these environmental matters makes it extremely difficult to estimate the timing and amount of any future costs that may be necessary for remedial actions.

The Corporation records appropriate financial statement accruals for environmental issues in the period in which it is probable that a liability has been incurred and the amounts can be reasonably estimated. In addition to the matters with respect to the Burbank and Redlands properties described above, the Corporation has accrued approximately $240 million at December 31, 1998 for other matters in which an estimate of financial exposure could be determined. Management believes, however, that it is unlikely that any additional liability the Corporation may incur for known environmental issues would have a material adverse effect on its consolidated results of operations or financial position.

Also as more fully described in Note 16, the Corporation is continuing to pursue recovery of a significant portion of the unanticipated costs incurred in connection with the $180 million fixed price contract with the U.S. Department of Energy (DOE) for the remediation of waste found in Pit 9, located on the Idaho National Engineering and Environmental Laboratory reservation. The Corporation has been unsuccessful to date in reaching any agreements with the DOE on cost recovery or other contract restructuring matters. In June 1998, the DOE, through Lockheed Martin Idaho Technologies Company (LMITCO), the DOE's management contractor on the Pit 9 project, terminated the Pit 9 contract for default. On the same date, the Corporation filed a lawsuit against the DOE in the U.S. Court of Federal Claims challenging and seeking to overturn the default termination. In July 1998, the Corporation withdrew the request for equitable adjustment (REA) it had submitted previously and replaced it with a certified REA. This action raised the status of the REA to a formal claim. In August 1998, LMITCO, at the DOE's direction, filed suit against the Corporation in U.S. District Court in Idaho, seeking recovery of approximately $54 million previously paid by LMITCO to the Corporation under the Pit 9 contract. In January 1999, the U.S. District Court in Idaho granted the Corporation's motion and stayed the Idaho proceeding until resolution of the motion to dismiss the lawsuit in the U.S. Court of Federal Claims, or until August 2, 1999. The Corporation continues to assert its position in the litigation while continuing efforts to resolve the dispute through non-litigation means.

Other Matters

The Corporation uses forward exchange contracts to manage its exposure to fluctuations in foreign exchange rates. These contracts are designated as qualifying hedges of firm commitments or specific anticipated transactions, and related gains and losses on the contracts are recognized in income when the hedged transaction occurs. At December 31, 1998, the amounts of forward exchange contracts outstanding, as well as the amounts of gains and losses recorded during the year, were not material. The Corporation does not hold or issue derivative financial instruments for trading purposes.

The Corporation will adopt the American Institute of Certified Public Accountants' Statement of Position (SOP) No. 98-5, "Reporting on the Costs of Start-Up Activities" effective January 1, 1999. This SOP requires that, at the effective date of adoption, costs of start-up activities previously capitalized, primarily in inventories, 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. Management estimates that the amount of the cumulative effect adjustment to be recognized upon the adoption of SOP No. 98-5, net of income tax benefits of approximately $230 million, will be approximately $350 million.

THE CORPORATION'S RESPONSIBILITY FOR FINANCIAL REPORTING

Lockheed Martin Corporation

The management of Lockheed Martin Corporation prepared and is responsible for the consolidated financial statements and all related financial information contained in this report. The consolidated financial statements, which include amounts based on estimates and judgments, have been prepared in accordance with generally accepted accounting principles applied on a consistent basis.

The Corporation maintains a system of internal accounting controls designed and intended to provide reasonable assurance that assets are safeguarded, transactions are properly executed and recorded in accordance with management's authorization, and accountability for assets is maintained. An environment that establishes an appropriate level of control consciousness is maintained and monitored and includes examinations by an internal audit staff and by the independent auditors in connection with their annual audit.

The Corporation's management recognizes its responsibility to foster a strong ethical climate. Management has issued written policy statements which document the Corporation's business code of ethics. The importance of ethical behavior is regularly communicated to all employees through the distribution of written codes of ethics and standards of business conduct, and through ongoing education and review programs designed to create a strong compliance environment.

The Audit and Ethics Committee of the Board of Directors is composed of eight outside directors. This Committee meets periodically with the independent auditors, internal auditors and management to review their activities. Both the independent auditors and the internal auditors have unrestricted access to meet with members of the Audit and Ethics Committee, with or without management representatives present.

The consolidated financial statements have been audited by Ernst & Young LLP, independent auditors, whose report follows.

/s/ Philip J. Duke

Philip J. Duke
Vice President and Chief Financial Officer

/s/ Todd J. Kallman

Todd J. Kallman
Vice President and Controller

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS   Lockheed Martin Corporation

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Board of Directors and Stockholders
Lockheed Martin Corporation

We have audited the accompanying consolidated balance sheet of Lockheed Martin Corporation as of December 31, 1998 and 1997, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lockheed Martin Corporation at December 31, 1998 and 1997, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

/s/ Ernst & Young LLP

Washington, D.C.

January 22, 1999, except for the
third paragraph of Note 4, as to
which the date is February 11, 1999

CONSOLIDATED STATEMENT OF EARNINGS Lockheed Martin Corporation

(In millions, except per share data)	Year ended December 31, 1998	1997	1996
Net Sales	$ 26,266	$ 28,069	$ 26,875
Cost of sales	23,914	25,772	24,594
Earnings from operations	2,352	2,297	2,281
Other income and expenses, net	170	482	452
	2,522	2,779	2,733
Interest expense	861	842	700
Earnings before income taxes	1,661	1,937	2,033
Income tax expense	660	637	686
Net Earnings	$ 1,001	$ 1,300	$ 1,347
Earnings (Loss) Per Common Share:*			
Basic	$ 2.66	$ (1.56)	$ 3.40
Diluted	$ 2.63	$ (1.56)	$ 3.04

* As more fully described in Notes 3 and 6, in 1997 the Corporation reacquired all of its outstanding Series A preferred stock resulting in a deemed dividend of $1,826 million. For purposes of computing net loss applicable to common stock for basic and diluted loss per share, the deemed preferred stock dividend was deducted from 1997 net earnings.

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS Lockheed Martin Corporation

(In millions)	Year ended December 31, 1998	1997	1996
Operating Activities			
Net earnings	$ 1,001	$ 1,300	$ 1,347
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	569	606	732
Amortization of intangible assets	436	446	402
Deferred federal income taxes	203	155	(251)
GE Transaction	--	(311)	--
Materials transaction	--	--	(365)
Merger related and consolidation payments	--	(68)	(244)
Changes in operating assets and liabilities:			
Receivables	809	(572)	(328)
Inventories	(1,183)	(687)	(125)
Customer advances and amounts in excess of costs incurred	329	1,048	544
Income taxes	189	(560)	(158)
Other	(322)	(149)	82
Net cash provided by operating activities	2,031	1,208	1,636
Investing Activities			
Expenditures for property, plant and equipment	(697)	(750)	(737)
Loral Transaction	--	--	(7,344)
Divestiture of L-3 companies	--	464	--
Divestiture of Armament Systems and Defense Systems	--	450	--
Other acquisition and divestiture activities	134	12	--
Other	108	9	52
Net cash (used for) provided by investing activities	(455)	185	(8,029)
Financing Activities			
Net (decrease) increase in short-term borrowings	(151)	(866)	1,110
Increases in long-term debt	266	1,505	7,000
Repayments and extinguishments of long-term debt	(1,136)	(219)	(2,105)
Issuances of common stock	91	110	97
Dividends on common stock	(310)	(299)	(302)
Dividends on preferred stock	--	(53)	(60)
Redemption of preferred stock	(51)	(1,571)	--
Net cash (used for) provided by financing activities	(1,291)	(1,393)	5,740
Net increase (decrease) in cash and cash equivalents	285	--	(653)
Cash and cash equivalents at beginning of year	--	--	653
Cash and cash equivalents at end of year	$ 285	$ --	$ --

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET Lockheed Martin Corporation

(In millions)	December 31, 1998	1997
Assets		
Current assets:		
Cash and cash equivalents	$ 285	$ --
Receivables	4,178	5,009
Inventories	4,293	3,144
Deferred income taxes	1,109	1,256
Other current assets	746	696
Total current assets	10,611	10,105
Property, plant and equipment	3,513	3,669
Intangible assets related to contracts and programs acquired	1,418	1,566
Cost in excess of net assets acquired	9,521	9,856
Other assets	3,681	3,165
	$ 28,744	$ 28,361
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 1,382	$ 1,234
Customer advances and amounts in excess of costs incurred	4,012	3,644
Salaries, benefits and payroll taxes	842	924
Income taxes	553	364
Short-term borrowings	1,043	494
Current maturities of long-term debt	886	876
Other current liabilities	1,549	1,653
Total current liabilities	10,267	9,189
Long-term debt	8,957	10,528
Post-retirement benefit liabilities	1,903	1,993
Other liabilities	1,480	1,475
Stockholders' equity:		
Common stock, $1 par value per share	393	194
Additional paid-in capital	70	25
Retained earnings	5,856	5,173
Unearned ESOP shares	(182)	(216)
Total stockholders' equity	6,137	5,176
	$ 28,744	$ 28,361

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY Lockheed Martin Corporation

(In millions, except per share data)	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Unearned ESOP Shares	Total Stockholders' Equity	Comprehensive Income
Balance at December 31, 1995	$ 1,000	$ 199	$ 683	$ 4,838	$ (287)	$ 6,433	
Net earnings	--	--	--	1,347	--	1,347	$ 1,347
Dividends declared on preferred stock ($3.00 per share)	--	--	--	(60)	--	(60)	
Dividends declared on common stock ($.80 per share)	--	--	--	(302)	--	(302)	
Stock awards and options, and ESOP activity	--	2	151	--	35	188	
Stock exchanged for Materials shares	--	(8)	(742)	--	--	(750)	
Balance at December 31, 1996	1,000	193	92	5,823	(252)	6,856	
Net earnings	--	--	--	1,300	--	1,300	$ 1,300
Dividends declared on preferred stock ($2.65 per share)	--	--	--	(53)	--	(53)	
Dividends declared on common stock ($.80 per share)	--	--	--	(299)	--	(299)	
Stock awards and options, and ESOP activity	--	1	161	--	36	198	
Redemption of preferred stock	(1,000)	--	(228)	(1,598)	--	(2,826)	
Balance at December 31, 1997	--	194	25	5,173	(216)	5,176	
Net earnings	--	--	--	1,001	--	1,001	$ 1,001
Dividends declared on common stock ($.82 per share)	--	--	--	(310)	--	(310)	--
Stock awards and options, and ESOP activity	--	2	204	--	34	240	--
Stock issued for acquisitions	--	--	38	--	--	38	--
Other comprehensive income	--	--	--	(8)	--	(8)	(8)
Two-for-one stock split	--	197	(197)	--	--	--	--
Balance at December 31, 1998	$ --	$ 393	$ 70	$ 5,856	$ (182)	$ 6,137	$ 993

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 1998

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Note 1--Summary of Significant Accounting Policies

Organization--Lockheed Martin Corporation (Lockheed Martin or the Corporation) is engaged in the conception, research, design, development, manufacture, integration and operation of advanced technology systems, products and services. Its products and services range from aircraft, spacecraft and launch vehicles to missiles, electronics, information systems, telecommunications and energy management. The Corporation serves customers in both domestic and international defense and commercial markets, with its principal customers being agencies of the U.S. Government.

Basis of consolidation and use of estimates--The consolidated financial statements include the accounts of wholly-owned and majority-owned subsidiaries. Intercompany balances and transactions have been eliminated in consolidation. The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions, including estimates of anticipated contract costs and revenues utilized in the earnings recognition process, that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

Common stock split--In October 1998, the Board of Directors of the Corporation authorized a two-for-one split of the Corporation's common stock in the form of a stock dividend. The stock split was effected on December 31, 1998 to stockholders of record at the close of business on December 1, 1998. In the accompanying Consolidated Statement of Earnings and Notes to Consolidated Financial Statements, all references to shares of common stock and per share amounts have been restated to reflect the stock split. In addition, an amount equal to the par value of the shares distributed to effect the stock split has been transferred from additional paid-in capital to common stock.

Classifications--Receivables and inventories are primarily attributable to long-term contracts or programs in progress for which the related operating cycles are longer than one year. In accordance with industry practice, these items are included in current assets. Book overdrafts, which are immaterial, are included in current liabilities. Certain amounts for prior years have been reclassified to conform with the 1998 presentation.

Cash and cash equivalents--Cash and cash equivalents are net of outstanding checks that are funded daily as presented for payment. Cash equivalents are generally comprised of highly liquid instruments with maturities of three months or less when purchased. Due to the short maturity of these instruments, carrying value on the Corporation's consolidated balance sheet approximates fair value.

Receivables--Receivables consist of amounts billed and currently due from customers, and unbilled costs and accrued profits primarily related to revenues on long-term contracts that have been recognized for accounting purposes but not yet billed to customers.

Inventories--Inventories are stated at the lower of cost or estimated net realizable value. Costs on long-term contracts and programs in progress represent recoverable costs incurred for production, allocable operating overhead and, where appropriate, research and development and general and administrative expenses. Pursuant to contract provisions, agencies of the U.S. Government and certain other customers have title to, or a security interest in, inventories related to such contracts as a result of progress payments and advances. Such progress payments and advances are reflected as an offset against the related inventory balances. Other customer advances are classified as current liabilities. General and administrative expenses related to commercial products and services provided essentially under commercial terms and conditions are expensed as incurred. Costs of other product and supply inventories are principally determined by the first-in, first-out or average cost methods.

Property, plant and equipment--Property, plant and equipment are carried principally at cost. Depreciation is provided on plant and equipment generally using accelerated methods during the first half of the estimated useful lives of the assets; thereafter, straight-line depreciation generally is used. Estimated useful lives generally range from 8 years to 40 years for buildings and 2 years to 20 years for machinery and equipment.

Intangible assets--Intangible assets related to contracts and programs acquired are amortized over the estimated periods of benefit (15 years or less) and are displayed on the consolidated balance sheet net of accumulated amortization of $800 million and $651 million at December 31, 1998 and 1997, respectively. Cost in excess of net assets acquired (goodwill) is amortized ratably over appropriate periods, primarily 40 years, and is displayed on the consolidated balance sheet net of accumulated amortization of $1,103 million and $881 million at December 31, 1998 and 1997, respectively. The carrying values of intangible assets, as well as other long-lived assets, are reviewed if, as described in Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," changes in the facts and circumstances indicate potential impairment of their carrying value, and any impairment determined is recorded in the current period. Impairment is measured by comparing the discounted cash flows of the related business operations to the appropriate carrying values.

Investments--Other assets include investments in equity securities of affiliated companies accounted for under the equity method of accounting. Under this method

of accounting, which generally applies to investments that represent a 20 percent to 50 percent ownership of the equity securities of the investees, the Corporation's share of the earnings of the affiliated companies is included in other income and expenses. The Corporation recognizes currently gains or losses arising from issuances of stock by wholly-owned or majority-owned subsidiaries or by equity method investees. These gains or losses are also included in other income and expenses. Other assets also include investments in companies in which the Corporation's ownership interest is less than 20 percent. These investments are generally accounted for under the cost method of accounting. Total investments included in other assets were $948 million and $645 million at December 31, 1998 and 1997, respectively.

Environmental matters--The Corporation records a liability for environmental matters when it is probable that a liability has been incurred and the amount can be reasonably estimated. A

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substantial portion of these costs are expected to be reflected in sales and cost of sales pursuant to U.S. Government agreement or regulation. At the time a liability is recorded for future environmental costs, an asset is recorded for estimated future recovery considered probable through the pricing of products and services to agencies of the U.S. Government. The portion of those costs expected to be allocated to commercial business is reflected in cost of sales at the time the liability is established.

Sales and earnings--Sales and anticipated profits under long-term fixed-price production contracts are recorded on a percentage of completion basis, generally using units of delivery as the measurement basis for effort accomplished. Estimated contract profits are taken into earnings in proportion to recorded sales. Sales under certain long-term fixed-price contracts which, among other things, provide for the delivery of minimal quantities or require a significant amount of development effort in relation to total contract value, are recorded upon achievement of performance milestones or using the cost-to-cost method of accounting where sales and profits are recorded based on the ratio of costs incurred to estimated total costs at completion.

Sales under cost-reimbursement-type contracts are recorded as costs are incurred. Applicable estimated profits are included in earnings in the proportion that incurred costs bear to total estimated costs. Sales of products and services provided essentially under commercial terms and conditions are recorded upon shipment or completion of specified tasks.

Amounts representing contract change orders, claims or other items are included in sales only when they can be reliably estimated and realization is probable. Incentives or penalties and awards applicable to performance on contracts are considered in estimating sales and profit rates, and are recorded when there is sufficient information to assess anticipated contract performance. Incentive provisions which increase or decrease earnings based solely on a single significant event are generally not recognized until the event occurs.

When adjustments in contract value or estimated costs are determined, any changes from prior estimates are reflected in earnings in the current period. Anticipated losses on contracts or programs in progress are charged to earnings when identified.

Research and development and similar costs--Corporation-sponsored research and development costs primarily include research and development and bid and proposal efforts related to government products and services. Except for certain arrangements described below, these costs are generally included as part of the general and administrative costs that are allocated among all contracts and programs in progress under U.S. Government contractual arrangements. Corporation-sponsored product development costs not otherwise allocable are charged to expense when incurred. Under certain arrangements in which a customer shares in product development costs, the Corporation's portion of such unreimbursed costs is expensed as incurred. Customer-sponsored research and development costs incurred pursuant to contracts are accounted for as contract costs.

Derivative financial instruments--The Corporation may use derivative financial instruments to manage its exposure to fluctuations in interest rates and foreign exchange rates. Forward exchange contracts are designated as qualifying hedges of firm commitments or specific anticipated transactions. Gains and losses on these contracts are recognized in income when the hedged transactions occur. At December 31, 1998, the amounts of forward exchange contracts outstanding, as well as the amounts of gains and losses recorded during the year, were not material. The Corporation does not hold or issue derivative financial instruments for trading purposes.

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

New accounting pronouncements adopted--Effective January 1, 1998, the Corporation adopted SFAS No. 130, "Reporting Comprehensive Income." SFAS No. 130 established 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. The adoption of SFAS No. 130 had no impact on the Corporation's net earnings. The Corporation's other comprehensive income consists primarily of foreign currency translation adjustments. In prior years, such adjustments were recorded in other liabilities; however, in 1998, the accumulated balance related to foreign translation adjustments was reclassified to stockholders' equity. The accumulated balance and activity for each year presented were insignificant.

Effective December 31, 1998, the Corporation adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." SFAS No. 131 established 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, and requires additional disclosures with respect to products and services, geographic areas

of operation and major customers. The adoption of SFAS No. 131 had 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 did increase the level of disclosure of segment information (see Note 17).

New accounting pronouncements to be adopted--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 will adopt this SOP 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 expect the adoption will have a material effect on the Corporation's consolidated results of operations, cash flows or financial position.

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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, primarily in inventories, 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. The Corporation will adopt this SOP effective January 1, 1999, and management estimates that the amount of the cumulative effect adjustment to be recognized upon its adoption, net of income tax benefits of approximately $230 million, will be approximately $350 million.

In June 1998, the Financial Accounting Standards Board (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 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.

Note 2--Transaction Agreement with COMSAT Corporation

In September 1998, the Corporation and COMSAT Corporation (COMSAT) announced that they had entered into an Agreement and Plan of Merger (the Merger Agreement) to combine the companies in a two-phase transaction with a total estimated value of approximately $2.7 billion at the date of the announcement (the Merger). 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, subject to certain adjustments, 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 $1.2 billion. Under the Merger Agreement, the Tender Offer will be extended for periods of up to 60 days until the earlier of (i) September 18, 1999, or (ii) satisfaction of certain conditions to closing. The second phase of the transaction, which will result in consummation of the Merger, will be accomplished by an exchange of one share of Lockheed Martin common stock for each share of COMSAT common stock.

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, including approval by the Federal Communications Commission (FCC). The stockholders of COMSAT are expected to vote on the proposed Merger at COMSAT's annual meeting of stockholders on June 18, 1999. 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 including anti-trust clearance by the Department of Justice. The Merger, 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 and the additional regulatory approvals are not obtained, the Corporation will not be able to achieve all of its objectives with respect to the COMSAT transaction and will be unable to exercise control over COMSAT.

The Corporation is not currently designated by the FCC as an "authorized common carrier," and as such is prohibited from owning more than 10 percent of COMSAT. The Corporation has filed an application with the FCC to be designated an "authorized common carrier" and to purchase up to 49 percent of COMSAT. On January 21, 1999, the Chairman of the House Committee on Commerce and the Chairman of the Senate Subcommittee on Communications sent a letter to the FCC urging the FCC not to take any action to permit any company to purchase more than 10 percent of COMSAT prior to Congress adopting satellite industry reform legislation. If the FCC were to delay or slow its review of the Corporation's filings with respect to the Tender Offer, and if Congress does not make rapid progress on satellite industry reform legislation, the Tender Offer may not be consummated by September 18, 1999. If this occurs, either party may terminate the Merger Agreement or both parties may elect to amend the Merger Agreement to extend this date. If the FCC's review is not delayed or slowed and the Tender Offer is consummated, but the legislative process relative to satellite industry reform legislation moves slowly, the Merger is unlikely to occur in 1999.

In August 1998, the Corporation announced the formation of Lockheed Martin Global Telecommunications, Inc. (Global Telecommunications), a wholly-owned subsidiary of the Corporation. Effective January 1, 1999, Global Telecommunications combined investments in several existing joint ventures and

elements of the Corporation under a dedicated management team focused on capturing a greater portion of the worldwide telecommunications services market. The Corporation intends to combine the operations of Global Telecommunications and COMSAT upon consummation of the Tender Offer and the Merger noted above.

Note 3--Transaction Agreement with General Electric Company

In November 1997, the Corporation 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). The Series A preferred stock was convertible into approximately 58 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

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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. The fair value of the non-cash net assets exchanged was approximately $1.2 billion.

The GE Transaction was accounted for at fair value, and resulted in the reduction of the Corporation's stockholders' equity by $2.8 billion and the recognition of a tax-free gain, in other income and expenses, of approximately $311 million during the fourth quarter of 1997. For purposes of determining net loss applicable to common stock used in the computation of loss per share, the excess of the fair value of the consideration transferred to GE (approximately $2.8 billion) over the carrying value of the Series A preferred stock ($1.0 billion) was treated as a deemed preferred stock dividend and deducted from 1997 net earnings in accordance with the requirements of the Emerging Issues Task Force's Issue D-42. This deemed dividend had a significant impact on the loss per share calculations, but did not impact reported 1997 net earnings. The effect of this deemed dividend was to reduce the basic and diluted per share amounts by $4.93.

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 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.

Note 4--Other Acquisitions and Divestitures

In July 1997, the Corporation and Northrop Grumman Corporation (Northrop Grumman) announced that they had entered into an agreement to combine the companies whereby Northrop Grumman would become a wholly-owned subsidiary of Lockheed Martin. The proposed merger with Northrop Grumman was terminated by the Board of Directors of Lockheed Martin in July 1998.

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 an approximate 35 percent ownership interest at closing. These business units 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 $.03 per diluted share. At December 31, 1998 and 1997, the Corporation's investment in L-3 totaled $77 million and $49 million, respectively.

In February 1999, 4.5 million shares previously owned by the Corporation were sold as part of a secondary public offering by L-3. This transaction resulted in a further reduction in the Corporation's ownership to approximately 7.1 percent. Management estimates that the gain recognized on this transaction will increase net earnings for the first quarter of 1999 by an amount between $75 million and $85 million. Subsequent to this transaction, the Corporation's remaining investment in L-3 will be accounted for as an available-for-sale investment, as defined in SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Under SFAS No. 115, investments in available-for-sale securities are adjusted to reflect current market values at each reporting period, with resulting unrealized gains or losses, net of income taxes, reported as a component of other comprehensive income.

During the third quarter of 1996, the Corporation announced its intention to distribute via an exchange offer its 81 percent interest in Martin Marietta Materials, Inc. (Materials) to its stockholders. In October 1996, approximately 15.8 million shares of the Corporation's common stock were exchanged for the 37.35 million shares of Materials common stock held by the Corporation. Upon the closing of this transaction, the Corporation had no remaining ownership interest in Materials and had reduced its common shares outstanding by approximately four percent. This fourth quarter 1996 exchange was accounted for at fair value, resulting in the reduction of the Corporation's stockholders' equity by $750 million and the recognition of a pretax gain of $365 million in other income and expenses.

In November 1996, the Corporation announced the proposed divestiture of two of its business units, Armament Systems and Defense Systems. This transaction, which concluded with the Corporation's receipt of $450 million in cash in January 1997, had no pretax effect on the results of operations for 1997 or 1996.

On a combined basis, the Materials exchange and the Armament Systems and Defense Systems divestiture noted above increased 1996 net earnings by $351 million.

In April 1996, the Corporation consummated its business combination with Loral Corporation (Loral) for a total purchase price, including acquisition costs, of approximately $7.6 billion (the Loral Transaction). In addition to the acquisition of Loral's defense electronics and systems integration businesses, the Loral Transaction resulted in the Corporation acquiring shares of preferred stock of Loral Space & Communications, Ltd. (Loral SpaceCom), a newly-formed company, which were convertible into 20 percent of Loral SpaceCom's common stock on a diluted basis at the date of acquisition. The Corporation's investment in Loral SpaceCom totaled $393 million at December 31, 1998 and 1997, and the fair value at December 31, 1998 was estimated to be approximately $650 million. The Loral Transaction was accounted for using the purchase method of accounting. The businesses acquired in connection with the Loral Transaction have been included in the results of operations of the Corporation since April 1996.

Note 5--Restructuring and Other Charges

During the fourth quarter of 1998, CalComp Technology, Inc. (CalComp), a majority-owned subsidiary of the Corporation, made a decision to divest certain of its businesses and concluded

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an evaluation of its remaining operations. Later in the quarter, the Corporation notified CalComp that it would not increase existing credit for CalComp to support ongoing operations. Subsequently, the Corporation agreed to provide financing, subject to certain conditions, for a plan providing for the timely non-bankruptcy shutdown of CalComp's business. The above actions resulted in the recording of a fourth quarter 1998 nonrecurring and unusual pretax charge, net of state income tax benefits, of $233 million. This charge reduced net earnings by $183 million, or $.48 per diluted share.

The pretax charge reflected the effects of impairment related to goodwill of approximately $75 million; writedowns of approximately $73 million to reflect other assets at estimated recoverable values; estimated severance and other costs related to employees of approximately $25 million; estimated costs related to warranty obligations, and purchase and other commitments of approximately $37 million; and other estimated exit costs, primarily related to facilities, of approximately $23 million.

During the fourth quarter of 1997, the Corporation recorded nonrecurring and unusual pretax charges, net of state income tax benefits, totaling $457 million, which reduced net earnings by $303 million. The charges were identified in connection with the Corporation's review, which concluded in the fourth quarter, of non-strategic lines of business, non-core investments and certain other assets. Approximately $200 million of the pretax charges reflected the estimated effects of exiting non-strategic lines of business, including amounts related to the fixed price systems development line of business in the area of children and family services, and related to increases in estimated exposures relative to the environmental remediation lines of business initially identified in 1996 and for which initial estimates of exposure were provided in the fourth quarter of 1996. These increases in estimated exposures were based on more current information, including deterioration in a partner's financial condition as evidenced by the partner seeking protection under the bankruptcy laws. The remaining charges reflected impairment in the values of various non-core investments and certain other assets in keeping with the Corporation's continued focus on core operations. These charges, in combination with the gain recognized on the GE Transaction (see Note 3), decreased diluted loss per share for 1997 by $.02.

During the fourth quarter of 1996, the Corporation recorded nonrecurring pretax charges, net of state income tax benefits, of $307 million, which decreased net earnings by $209 million. Approximately one-half of the charges reflected the estimated effects of terminating a business relationship formed to provide environmental remediation services to government and commercial customers worldwide, and the initial estimated effects related to management's decision to exit a certain environmental remediation line of business. Charges of approximately $85 million were identified in connection with an evaluation of the Corporation's future strategic focus, and reflected impairment in the values of non-core investments and certain other assets which were other than temporary in nature. The remaining charges of approximately $75 million were related to costs for facility closings and transfers of programs resulting from management's decision to include the operations of the business units acquired in the Loral Transaction in the Electronics, Information & Services, and Energy and Other segments. These charges, combined with the effects of the Materials exchange and the Armament Systems and Defense Systems divestiture (see Note 4), increased diluted earnings per share by $.32.

As of December 31, 1998, initiatives undertaken as part of the 1997 and 1996 charges relating to the Corporation's reviews of non-core investments and certain other assets which resulted in impairment in values of those assets, facility closings and transfers of programs resulting from the consummation of the Loral Transaction, and the termination of a business relationship formed to provide environmental remediation services, which in total represented approximately 75 percent of the amounts originally recorded, have been completed consistent with the Corporation's original plans and estimates. Actions contemplated as part of the Corporation's exit from a certain environmental remediation line of business and a fixed price systems development line of business in the area of children and family services have not been completed. Accordingly, included in liabilities at December 31, 1998 are amounts related to these actions which, in the opinion of management, are adequate to complete the remaining initiatives originally contemplated in the 1997 and 1996 charges. During 1998 and 1997, the effects on the Corporation's net earnings of adjustments associated with these charges were not material.

During 1995, the Corporation recorded pretax charges of $690 million from merger related expenses in connection with the formation of Lockheed Martin and the related corporate-wide consolidation plan. The charges represented the portion of the accrued costs and net realizable value adjustments that were not probable of recovery. In addition, the Corporation has incurred costs through the end of 1998 which were anticipated in the 1995 consolidation plan but had not met the requirements for accrual earlier. These costs include relocation of personnel and programs, retraining, process re-engineering and certain capital expenditures, among others. As of December 31, 1998, cumulative merger related and consolidation payments were approximately $1.1 billion. Consistent with the original 1995 consolidation plan, consolidation actions were substantially completed by December 31, 1998, with only approximately $120 million of such costs remaining to be incurred over the next two years.

Under existing U.S. Government regulations, certain costs incurred for consolidation actions that can be demonstrated to result in savings in excess of

the cost to implement can be deferred and amortized for government contracting purposes and included as allowable costs in future pricing of the Corporation's products and services. Included in other assets at December 31, 1998 is approximately $450 million of deferred costs that will be recognized in future sales and cost of sales.

Note 6--Earnings Per Share

As previously disclosed, all share and per share amounts for prior years have been restated to reflect the Corporation's December 1998 two-for-one stock split in the form of a stock dividend. Basic earnings per share were computed based on net earnings, less the dividend requirement for preferred stock to the date of redemption, and less the deemed preferred stock dividend resulting from the November 1997 GE Transaction representing the excess of the fair value of the consideration transferred to GE (approximately $2.8 billion) over the carrying value of the Lockheed Martin preferred

stock redeemed ($1.0 billion). The weighted average number of common shares outstanding during the year was used in this calculation. Diluted earnings per share for 1998 and 1996 were computed based on net earnings. For these calculations, the weighted average number of common shares outstanding was increased by the dilutive effect of stock options based on the treasury stock method and, for 1996, by the assumed conversion of preferred stock. Diluted loss per share for 1997 was computed in the same manner as basic loss per share, as the adjustments related to the assumed conversion of the preferred stock (50.6 million common shares) and the related dividend requirement for the preferred stock ($53 million) to the date of redemption, and the dilutive effect of stock options (5.8 million common shares), were not made since they would have had antidilutive effects.

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

(In millions, except per share data)	1998	1997	1996
Net earnings applicable to common stock:			
Net earnings	$ 1,001	$ 1,300	$ 1,347
Dividends on preferred stock	--	(53)	(60)
Deemed preferred stock dividend	--	(1,826)	--
Net earnings (loss) applicable to common stock for basic earnings per share	1,001	(579)	1,287
Dividends on preferred stock	--	--	60
Net earnings (loss) applicable to common stock for diluted earnings per share	$ 1,001	$ (579)	$ 1,347
Average common shares outstanding:			
Average number of common shares outstanding for basic earnings per share	376.5	370.6	378.3
Assumed conversion of the Series A preferred stock	--	--	57.9
Dilutive stock options--based on the treasury stock method	4.6	--	6.4
Average number of common shares outstanding for diluted earnings per share	381.1	370.6	442.6
Earnings (loss) per share:			
Basic	$ 2.66	$ (1.56)	$ 3.40
Diluted	$ 2.63	$ (1.56)	$ 3.04

Note 7--Receivables

(In millions)	1998	1997
U.S. Government:		
Amounts billed	$ 987	$ 958
Unbilled costs and accrued profits	1,949	2,233
Commercial and foreign governments:		
Amounts billed	635	675
Unbilled costs and accrued profits, primarily related to commercial contracts	607	1,143
	$ 4,178	$ 5,009

Approximately $345 million of the December 31, 1998 unbilled costs and accrued profits are not expected to be billed within one year.

Note 8--Inventories

(In millions)	1998	1997
Work in process, primarily related to long-term contracts and programs in progress	$ 6,198	$ 5,155
Less customer advances and progress payments	(2,499)	(2,805)
	3,699	2,350
Other inventories	594	794
	$ 4,293	$ 3,144

Included in 1998 and 1997 inventories were amounts advanced to Russian manufacturers, Khrunichev State Research and Production Space Center and RD AMROSS, a joint venture between Pratt & Whitney and NPO Energomash, of approximately $840 million and $490 million, respectively, for the manufacture of launch vehicles and related launch services. Approximately $790 million of costs included in 1998 inventories, which includes approximately $360 million advanced to the Russian manufacturers, are not expected to be recovered within one year.

Included in 1998 inventories were capitalized costs related to start-up activities of approximately $560 million that will be reflected in the cumulative effect adjustment related to the Corporation's adoption, effective January 1, 1999, of SOP No. 98-5.

An analysis of general and administrative costs, including research and development costs, included in work in process inventories follows:

(In millions)	1998	1997	1996
Beginning of year	$ 533	$ 460	$ 431
Incurred during the year	2,469	2,245	2,154
Charged to cost of sales during the year:			
Research and development	(819)	(788)	(784)
Other general and administrative	(1,445)	(1,384)	(1,341)
End of year	$ 738	$ 533	$ 460

In addition, included in cost of sales in 1998, 1997 and 1996 were general and administrative costs, including research and development costs, of approximately $490 million, $539 million and $574 million, respectively, incurred by commercial business units or programs.

Note 9--Property, Plant and Equipment

(In millions)	1998	1997
Land	$ 235	$ 285
Buildings	2,979	3,013
Machinery and equipment	5,459	5,346
	8,673	8,644
Less accumulated depreciation and amortization	(5,160)	(4,975)
	$ 3,513	$ 3,669

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 1998

Note 10--Debt

Type (Maturity Dates) (In millions, except interest rate data)	Range of Interest Rates	1998	1997
Notes (1999-2022)	5.7 - 9.4%	$6,014	$ 6,840
Debentures (2011-2036)	7.0 - 9.1%	3,160	3,158
Commercial paper	5.4 - 6.0%	300	1,000
ESOP obligations (1999-2004)	8.4%	256	292
Other obligations (1999-2017)	1.0 -12.7%	113	114
		9,843	11,404
Less current maturities		(886)	(876)
		$8,957	$10,528

In the second quarter of 1998 and the fourth quarter of 1997, in connection with the GE Transaction, the Corporation issued notes for $210 million, bearing interest at 5.73%, and $1.4 billion, bearing interest at 6.04%, respectively, to a wholly-owned subsidiary of GE. The notes are due November 17, 2002. In December 1998, the Corporation repaid $200 million against the notes. The agreements relating to these notes require that, so long as the aggregate principal amount of the notes exceed $1 billion, the Corporation will recommend to its stockholders the election of one person designated by GE to serve as a director of the Corporation.

The registered holders of $300 million of 40 year Debentures issued in 1996 may elect, between March 1 and April 1, 2008, to have each of their Debentures repaid by the Corporation on May 1, 2008.

Included in Debentures are $110 million of 7% obligations ($175 million at face value) which were originally sold at approximately 54 percent of their principal amount. These Debentures, which are redeemable in whole or in part at the Corporation's option at 100 percent of their face value, have an effective yield of 13.25%.

A leveraged employee stock ownership plan (ESOP) incorporated into the Corporation's salaried savings plan borrowed $500 million through a private placement of notes in 1989. These notes are being repaid in quarterly installments over terms ending in 2004. The ESOP note agreement stipulates that, in the event that the ratings assigned to the Corporation's long-term senior unsecured debt are below investment grade, holders of the notes may require the Corporation to purchase the notes and pay accrued interest. These notes are obligations of the ESOP but are guaranteed by the Corporation and included as debt in the Corporation's consolidated balance sheet.

At the end of 1998, the Corporation had a long-term revolving credit facility, which matures on December 20, 2001, in the amount of $3.5 billion, and a short-term revolving credit facility, which matures on May 28, 1999, in the amount of $2.5 billion (collectively, the Credit Facilities). Borrowings under the Credit Facilities would be unsecured and bear interest, at the Corporation's option, at rates based on the Eurodollar rate or a bank Base Rate (as defined). Each bank's obligation to make loans under the Credit Facilities is subject to, among other things, compliance by the Corporation with various representations, warranties, covenants and agreements, including, but not limited to, covenants limiting the ability of the Corporation and certain of its subsidiaries to encumber their assets and a covenant not to exceed a maximum leverage ratio.

No borrowings were outstanding under the Credit Facilities at December 31, 1998. However, the Credit Facilities support commercial paper borrowings of approximately $1.3 billion outstanding at December 31, 1998, of which $300 million has been classified as long-term debt in the Corporation's consolidated balance sheet based on management's ability and intention to maintain this amount of debt outstanding for at least one year.

Excluding commercial paper classified as long-term, the Corporation's long-term debt maturities for the five years following December 31, 1998 are: $886 million in 1999; $64 million in 2000; $803 million in 2001; $1,506 million in 2002; $858 million in 2003; and $5,426 million thereafter.

Certain of the Corporation's other financing agreements contain restrictive covenants relating to debt, limitations on encumbrances and sale and lease-back transactions, and provisions which relate to certain changes in control.

SFAS No. 107, "Disclosures about Fair Value of Financial Instruments," and SFAS No. 119, "Disclosure about Derivative Financial Instruments and Fair Value of Financial Instruments," require the disclosure of the fair value of financial instruments, including assets and liabilities recognized and not recognized in the consolidated balance sheet, for which it is practicable to estimate fair value. Unless otherwise indicated elsewhere in the notes to the consolidated financial statements, the carrying value of the Corporation's financial instruments approximates fair value. The estimated fair values of the Corporation's long-term debt instruments at December 31, 1998, aggregated

approximately $10.5 billion, compared with a carrying amount of approximately $9.8 billion. The fair values were estimated based on quoted market prices for those instruments publicly traded. For privately placed debt, the fair values were estimated based on the quoted market prices for similar issues, or on current rates offered to the Corporation for debt with similar remaining maturities.

Interest payments were $856 million in 1998, $815 million in 1997 and $655 million in 1996.

Note 11--Income Taxes

The provision for federal and foreign income taxes consisted of the following components:

(In millions)	1998	1997	1996
Federal income taxes:			
Current	$432	$448	$914
Deferred	203	155	(251)
Total federal income taxes	635	603	663
Foreign income taxes	25	34	23
Total income taxes provided	$660	$637	$686

Net provisions for state income taxes are included in general and administrative expenses, which are primarily allocable to government contracts. Such state income taxes were $70 million for 1998, $62 million for 1997 and $45 million for 1996.

The Corporation's effective income tax rate varied from the statutory federal income tax rate because of the following differences:

	1998	1997	1996
Statutory federal tax rate	35.0%	35.0%	35.0%
Increase (reduction) in tax rate from:			
Nondeductible amortization	5.5	4.9	4.2
Revisions to prior years' estimated liabilities	(2.4)	(5.7)	(1.6)
Divestitures	1.1	(2.4)	(5.6)
Other, net	.5	1.1	1.8
	39.7%	32.9%	33.8%

The primary components of the Corporation's federal deferred income tax assets and liabilities at December 31 were as follows:

(In millions)	1998	1997
Deferred tax assets related to:		
Accumulated post-retirement benefit obligations	$ 666	$ 698
Contract accounting methods	635	669
Accrued compensation and benefits	181	258
Other	240	199
	1,722	1,824
Deferred tax liabilities related to:		
Intangible assets	444	437
Prepaid pension asset	338	259
Property, plant and equipment	147	132
	929	828
Net deferred tax assets	$ 793	$ 996

At December 31, 1998 and 1997, other liabilities included net long-term deferred tax liabilities of $316 million and $260 million, respectively.

Federal and foreign income tax payments, net of refunds received, were $228 million in 1998, $986 million in 1997 and $1.1 billion in 1996.

Note 12--Other Income and Expenses, Net

(In millions)	1998	1997	1996
Equity in earnings (losses) of affiliates	$ 39	$ 48	$(28)
Interest income	38	40	60
Gains on land sales	36	20	--
Royalty income	19	52	47
GE Transaction	--	311	--
Materials transaction	--	--	365
Other	38	11	8
	$170	$482	$452

Note 13--Stockholders' Equity and Related Items

Capital structure--At December 31, 1998, the authorized capital of the Corporation was composed of 1.5 billion shares of common stock (approximately 393 million shares issued), 50 million shares of series preferred stock (no shares issued), and 20 million shares of Series A preferred stock (no shares outstanding).

In 1995, the Corporation's Board of Directors authorized a common stock repurchase plan for the repurchase of up to 18 million common shares to counter the dilutive effect of common stock issued under certain of the Corporation's benefit and compensation programs and for other purposes related to such plans. No shares were repurchased in 1998, 1997 or 1996 under this plan.

Stock option and award plans--In March 1995, the stockholders approved the Lockheed Martin 1995 Omnibus Performance Award Plan (the Omnibus Plan). Under the Omnibus Plan, employees of the Corporation may be granted stock-based

incentive awards, including options to purchase common stock, stock appreciation rights, restricted stock or other stock-based incentive awards. Employees may also be granted cash-based incentive awards, such as performance units. These awards may be granted either individually or in combination with other awards. The Omnibus Plan requires that options to purchase common stock have an exercise price of not less than 100 percent of the market value of the underlying stock on the date of grant. The number of shares of Lockheed Martin common stock reserved for issuance under the Omnibus Plan at December 31, 1998 was 39 million shares. The Omnibus Plan does not impose any minimum vesting periods on options or other awards. The maximum term of an option or any other award is 10 years. The Omnibus Plan allows the Corporation to provide for financing of purchases of its common stock, subject to certain conditions, by interest-bearing notes payable to the Corporation.

The following table summarizes the stock option activity of the Corporation's plans during 1996, 1997 and 1998:

	Number of Shares (In thousands)		Weighted Average Exercise Price
	Available for Grant	Options Outstanding	
December 31, 1995	19,662	18,840	$19.87
Granted	(5,298)	5,298	37.52
Exercised	--	(4,482)	16.33
Terminated	282	(340)	31.66
December 31, 1996	14,646	19,316	25.33
Granted	(5,796)	5,796	45.60
Exercised	--	(3,519)	20.86
Terminated	654	(716)	40.84
December 31, 1997	9,504	20,877	31.18
Additions	17,000	--	--
Granted	(5,090)	5,090	52.06
Exercised	--	(2,697)	24.70
Terminated	220	(223)	49.03
December 31, 1998	21,634	23,047	$36.38

Approximately 15.5 million, 13.0 million and 11.4 million outstanding options were exercisable at December 31, 1998, 1997 and 1996, respectively.

Information regarding options outstanding at December 31, 1998 follows (number of options in thousands):

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Number of Options	Weighted Average Exercise Price
Less than $25.00	5,912	$ 17.91	4.1	5,912	$ 17.91
$25.00-$39.99	7,080	34.18	6.8	7,080	34.18
$40.00-$50.00	5,072	45.53	8.0	2,437	45.57
Greater than $50.00	4,983	52.09	10.0	26	53.71
Total	23,047	$ 36.38	7.1	15,455	$ 29.78

All stock-based incentive awards granted in 1998, 1997 and 1996 under the Omnibus Plan were stock options which have 10 year terms, and virtually all of which vest over a two year service period. Exercise prices of options awarded in those years were equal to the market price of the stock on the date of grant. Pro forma information regarding net earnings and earnings per share as required by SFAS No. 123 has been prepared as if the Corporation had accounted for its employee stock options under the fair value method. The fair value for these options was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions for 1998, 1997 and 1996, respectively: risk-free interest rates of 5.39 percent, 6.36 percent and 5.58 percent; dividend yields of 1.9 percent, 1.5 percent and 1.7 percent; volatility factors related to the expected market price of the Corporation's common stock of .174, .163 and .186; and a weighted average expected option life of five years. The weighted average fair values of options granted during 1998, 1997 and 1996 were $10.96, $10.94 and $8.62, respectively.

For purposes of pro forma disclosures, the options' estimated fair values are amortized to expense over the options' vesting periods.

The Corporation's pro forma information follows:

(In millions, except per share data)	1998	1997	1996
Pro forma net earnings	$ 965	$ 1,267	$ 1,322
Pro forma earnings (loss) per share:			
Basic	$ 2.56	$ (1.65)	$ 3.34
Diluted	$ 2.53	$ (1.65)	$ 2.99

Note 14--Post-Retirement Benefit Plans

Effective January 1, 1998, the Corporation adopted SFAS No. 132, "Employers' Disclosures about Pension and Other Post-retirement Benefits." SFAS No. 132 revised disclosure requirements for pension and other post-retirement benefit plans; however, it did not change the measurement or recognition provisions of existing accounting literature. In accordance with SFAS No. 132, prior year disclosures relating to pension and post-retirement benefit plans have been restated for comparative purposes.

Defined Contribution Plans--The Corporation maintains a number of defined contribution plans which cover substantially all employees, the most significant of which are the 401(k) plans for salaried employees and hourly employees. Under the provisions of these 401(k) plans, employees' eligible contributions are matched by the Corporation at established rates. The Corporation's matching obligations were $226 million in 1998, $212 million in 1997 and $202 million in 1996.

The Lockheed Martin Corporation Salaried Savings Plan includes an ESOP which purchased 34.8 million shares of the Corporation's common stock with the proceeds from a $500 million note issue which is guaranteed by the Corporation. The Corporation's match consisted of shares of its common stock, which was partially fulfilled with stock released from the ESOP at approximately 2.4 million shares per year based upon the debt repayment schedule through the year 2004, with the remainder being fulfilled through purchases of common stock from terminating participants or in the open market, or through newly issued shares from the Corporation. Interest incurred on the ESOP debt totaled $23 million, $26 million and $29 million in 1998, 1997 and 1996, respectively. Dividends received by the ESOP with respect to unallocated shares held are used for debt service. The ESOP held approximately 39.8 million issued shares of the Corporation's common stock at December 31, 1998, of which approximately 27.1 million were allocated and 12.7 million were unallocated. Unallocated common shares held by the ESOP are considered outstanding for voting and other

Corporate purposes, but excluded from weighted average outstanding shares in calculating earnings per share. For 1998, 1997 and 1996, the weighted average unallocated ESOP shares excluded in calculating earnings per share totaled approximately 13.6 million, 15.8 million and 18.2 million common shares, respectively. The fair value of the unallocated ESOP shares at December 31, 1998 was approximately $540 million.

Certain plans for hourly employees include non-leveraged ESOPs. The Corporation's match to these plans was made through cash contributions to the ESOP trusts which were used, in part, to purchase common stock from terminating participants and in the open market for allocation to participant accounts. These ESOP trusts held approximately 3.6 million issued and outstanding shares of common stock at December 31, 1998.

Dividends paid to the salaried and hourly ESOP trusts on the allocated shares are paid annually by the ESOP trusts to the participants based upon the number of shares allocated to each participant.

Defined Benefit Pension Plans, and Retiree Medical and Life Insurance Plans--Most employees are covered by defined benefit pension plans, and certain health care and life insurance benefits are provided to eligible retirees by the Corporation. The Corporation has made contributions to trusts (including Voluntary Employees' Beneficiary Association trusts and 401(h) accounts, the assets of which will be used to pay expenses of certain retiree medical plans) established to pay future benefits to eligible retirees and dependents. Benefit obligations as of the end of each year reflect assumptions in effect as of those dates. Net pension and net retiree medical costs for 1998 and 1996 were based on assumptions in effect at the end of the respective preceding years. Effective October 1997, the Corporation changed its expected long-term rate of return on assets related to its defined benefit pension and retiree medical plans.

The following provides a reconciliation of benefit obligations, plan assets and funded status of the plans:

	Defined Benefit Pension Plans		Retiree Medical and Life Insurance Plans	
(In millions)	1998	1997	1998	1997
Change in Benefit Obligations				
Benefit obligations at beginning of year	$ 16,326	$ 15,416	$ 2,526	$ 2,607
Service cost	491	444	40	39
Interest cost	1,197	1,163	178	191
Benefits paid	(1,117)	(1,049)	(210)	(210)
Amendments	259	37	(72)	(5)
Divestitures	(9)	(197)	(11)	(7)
Actuarial losses (gains)	995	507	205	(117)
Participants' contributions	4	5	29	28
Benefit obligations at end of year	$ 18,146	$ 16,326	$ 2,685	$ 2,526
Change in Plan Assets				
Fair value of plan assets at beginning of year	$ 20,642	$ 18,402	$ 895	$ 736
Actual return on plan assets	3,140	3,294	86	112
Corporation's contributions	152	182	120	141
Benefits paid	(1,117)	(1,049)	(128)	(122)
Participants' contributions	4	5	29	28
Divestitures	(10)	(192)	--	--
Fair value of plan assets at end of year	$ 22,811	$ 20,642	$ 1,002	$ 895
Funded (unfunded) status of the plans	$ 4,665	$ 4,316	$ (1,683)	$ (1,631)
Unrecognized net actuarial gain	(4,142)	(3,738)	(156)	(363)
Unrecognized prior service cost	651	456	(64)	1
Unrecognized transition asset	(17)	(106)	--	--
Prepaid (accrued) benefit cost	$ 1,157	$ 928	$ (1,903)	$ (1,993)

The net pension cost and the net post-retirement benefit cost related to the Corporation's plans include the following components:

(In millions)	1998	1997	1996
Defined Benefit Pension Plans			
Service cost	$ 491	$ 444	$ 463
Interest cost	1,197	1,163	1,050
Expected return on plan assets	(1,715)	(1,542)	(1,315)
Amortization of prior service cost	58	54	51
Recognized net actuarial (gains) losses	(22)	--	1
Amortization of transition asset	(89)	(90)	(91)
Net pension (income) cost	$ (80)	$ 29	$ 159
Retiree Medical and Life Insurance Plans			
Service cost	$ 40	$ 39	$ 40
Interest cost	178	191	181

Expected return on plan assets	(79)	(64)	(48)
Amortization of prior service cost	(6)	(6)	(7)
Recognized net actuarial gains	(15)	(9)	(5)
Curtailment gain	--	--	(15)
Net post-retirement cost	$ 118	$ 151	$ 146

The following actuarial assumptions were used to determine the benefit obligations and the net costs related to the Corporation's defined benefit pension and post-retirement benefit plans, as appropriate:

	1998	1997	1996
Discount rates	7.0%	7.5%	7.8%
Expected long-term rates of return on assets	9.5	9.5	9.0
Rates of increase in future compensation levels	5.5	6.0	6.0

The medical trend rates used in measuring the post-retirement benefit obligation were 6.7 percent in 1998 and 7.0 percent in 1997, and were assumed to gradually decrease to 4.5 percent by the year 2004. An increase and decrease of one percentage point in the assumed medical trend rates would result in a change in the benefit obligation of approximately 5.9 percent and (5.2) percent, respectively, at December 31, 1998, and a change in the 1998 post-retirement benefit cost of approximately 8.9 percent and (7.8) percent, respectively. The medical trend rate for 1999 is 6.0 percent.

The change in the discount rate and in the rate of increase in future compensation levels increased the benefit obligation for defined benefit pension plans at December 31, 1998 by approximately $770 million. The change in discount rate increased the benefit obligation for retiree medical plans at December 31, 1998 by approximately $110 million.

Note 15--Leases

Total rental expense under operating leases, net of immaterial amounts of sublease rentals and contingent rentals, were $285 million, $295 million and $320 million for 1998, 1997 and 1996, respectively.

Future minimum lease commitments at December 31, 1998 for all operating leases that have a remaining term of more than one year were approximately $1,148 million ($264 million in 1999, $203 million in 2000, $174 million in 2001, $142 million in 2002, $121 million in 2003, and $244 million in later years). Certain major plant facilities and equipment are furnished by the U.S. Government under short-term or cancelable arrangements.

Note 16--Commitments and Contingencies

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

Environmental matters--The Corporation entered into a consent decree with the U.S. Environmental Protection Agency (EPA) in 1991 relating to certain property in Burbank, California, which obligated the Corporation to design and construct facilities to monitor, extract and treat groundwater, and to operate and maintain such facilities for approximately eight years. The Corporation entered into a follow-on consent decree in 1998 which obligates the Corporation to fund the continued operation and maintenance of these facilities through the year 2018. 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. The Corporation estimates that total expenditures required over the remaining terms of the consent decrees and the Regional Board order will be approximately $110 million.

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. The Corporation is also 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 indicate that current efforts with water purveyors regarding perchlorate issues are appropriate; however, the Corporation currently cannot project the extent of its ultimate clean-up obligation with respect to perchlorates, if any.

The Corporation is involved in other proceedings and potential proceedings relating to environmental matters, including disposal of hazardous wastes and soil and water contamination. The extent of the Corporation's financial exposure cannot in all cases be reasonably estimated at this time. In addition to the amounts with respect to the Burbank and Redlands properties described above, a liability of approximately $240 million for the other cases in which an estimate of financial exposure can be determined has been recorded.

Under an agreement with the U.S. Government, the Burbank groundwater treatment and soil remediation expenditures referenced above are being allocated to the Corporation's operations as general and administrative costs and, under existing government regulations, these and other environmental expenditures related to U.S. Government business, after deducting any recoveries from insurance or other potentially responsible parties, are allowable in establishing the prices of the Corporation's products and services. As a result, a substantial portion of the expenditures are being reflected in the Corporation's sales and cost of sales pursuant to U.S. Government agreement or regulation. Although the Defense Contract Audit Agency has questioned certain elements of the Corporation's practices with respect to the aforementioned agreement, 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 incurred significant unanticipated costs and scheduling issues due to complex technical

and contractual matters which threatened the viability of the overall Pit 9 program. Based on an investigation by management to identify and quantify the overall effect of these matters, the Corporation submitted a request for equitable adjustment (REA) to the DOE on March 31, 1997 that sought, among other things, the recovery of a portion of unanticipated costs incurred by the Corporation and the restructuring of the contract to provide for a more equitable sharing of the risks associated with the Pit 9 project. The Corporation has been unsuccessful in reaching any agreements with the DOE on cost recovery or other contract restructuring matters. Starting in May 1997, the Corporation reduced work activities at the Pit 9 site while awaiting technical direction from the DOE.

On June 1, 1998, 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. In addition, on July 21, 1998, the Corporation withdrew the REA previously submitted to the DOE and replaced it with a certified REA. The certified REA is similar in substance to the REA previously submitted, but its certification, based upon more detailed factual and contractual analysis, raises its status to that of a formal claim. On August 11, 1998, LMITCO, at the DOE's direction, filed suit against the Corporation in U.S. District Court in Boise, Idaho, seeking, among other things, recovery of approximately $54 million previously paid by LMITCO to the Corporation under the Pit 9 contract. The Corporation intends to resist this action while continuing to pursue its certified REA. On January 26, 1999, the U.S. District Court in Idaho granted the Corporation's motion and stayed the Idaho proceeding until resolution of the motion to dismiss the lawsuit in the U.S. Court of Federal Claims, or until August 2, 1999. The Corporation continues to assert its position in the litigation while continuing its efforts to resolve the dispute through non-litigation means.

Letters of credit and other matters--The Corporation has entered into standby letter of credit agreements and other arrangements with financial institutions primarily relating to the guarantee of future performance on certain contracts. At December 31, 1998, the Corporation had contingent liabilities on outstanding letters of credit, guarantees, and other arrangements aggregating approximately $1.3 billion.

Note 17--Information on Industry Segments and Major Customers

The Corporation operates in four principal business segments: Space & Strategic Missiles, Electronics, Aeronautics and Information & Services. All other activities of the Corporation fall within the Energy and Other segment. These segments, which constitute groupings of business units that offer different products and services, are managed separately. Transactions between segments are generally negotiated and accounted for under terms and conditions that are similar to other government and commercial contracts; however, these intercompany transactions are eliminated in consolidation. Other accounting policies of the business segments are the same as those described in Note 1--Summary of Significant Accounting Policies.

Space & Strategic Missiles--Engaged in the design, development, engineering and production of civil, commercial and military space systems, including spacecraft, space launch vehicles, manned space systems and their supporting ground systems and services; telecommunications systems and services; strategic fleet ballistic missiles; and defensive missiles. In addition to its consolidated business units, the segment has significant investments in joint ventures and other unconsolidated companies. These companies are principally engaged in businesses which complement and enhance other activities of the segment.

Electronics--Engaged in the design, development, integration and production of high performance electronic systems for undersea, shipboard, land, airborne and space-based applications. Major defense product lines include surface ship and submarine combat systems; anti-submarine warfare systems; air defense systems; tactical battlefield missiles; aircraft controls; electronic-warfare systems; electro-optic and night-vision systems; radar and fire control systems; displays; and systems integration of mission specific combat suites. Major commercial product lines include postal automation systems, aircraft engine controls and satellite electronics.

Aeronautics--Engaged in the following primary lines of business: tactical aircraft, air mobility, surveillance/command, maintenance/modification/logistics, reconnaissance, platform systems integration and advanced development programs. Major programs include the F-22 air-superiority fighter, Joint Strike Fighter, F-16 multi-role fighter, C-130J tactical transport, X-33 reusable launch vehicle technology demonstrator, Airborne Early Warning & Control systems and various maintenance/modification/logistics programs.

Information & Services--Engaged in the development, integration and operation of large, complex information systems; engineering, technical, and management services for federal customers; transaction processing systems and services for state and local government agencies; commercial information technology services; real-time 3-D graphics technology and enterprise data management software; and the provision of internal information technology support to the Corporation.

Energy and Other--The Corporation manages certain facilities for the DOE. The contractual arrangements provide for the Corporation to be reimbursed for the cost of operations and receive a fee for performing management services. The Corporation reflects only the management fee in its sales and earnings for these government-owned facilities. In addition, while the employees at such facilities are employees of the Corporation, applicable employee benefit plans are separate from the Corporation's plans. The Corporation also provides environmental remediation services to commercial and U.S. Government customers. In addition, this segment includes the Corporation's investments in joint ventures and certain other businesses, including its investments in Loral SpaceCom and L-3 disclosed previously. Through October 1996, the Corporation provided construction aggregates and specialty chemical products to commercial and civil

customers through its Materials subsidiary.

Effective January 1, 1999, the Corporation combined its investments in several existing joint ventures and certain elements of the Corporation to form Global Telecommunications, which will be included in the Energy and Other segment. Such investments were transferred from the Space & Strategic Missiles and Information & Services segments. The formation of Global Telecommunications did not have a material impact on the assets of these segments, nor is it expected to materially impact their future results of operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 1998

Selected Financial Data by Business Segment

(In millions)	1998	1997	1996
Net sales			
Space & Strategic Missiles	$ 7,461	$ 8,303	$ 7,904
Electronics	7,342	7,069	6,675
Aeronautics	5,996	6,045	5,596
Information & Services	5,212	6,468	5,893
Energy and Other	255	184	807
	$ 26,266	$ 28,069	$ 26,875
Operating profit (loss)			
Space & Strategic Missiles	$ 976	$ 1,096	$ 973
Electronics	733	576	673
Aeronautics	654	612	441
Information & Services	(25)	111	290
Energy and Other	184	384	356
	$ 2,522	$ 2,779	$ 2,733
Intersegment revenue			
Space & Strategic Missiles	$ 43	$ 35	$ 43
Electronics	436	440	385
Aeronautics	84	73	51
Information & Services	633	618	553
Energy and Other	40	46	43
	$ 1,236	$ 1,212	$ 1,075
Depreciation and amortization			
Space & Strategic Missiles	$ 160	$ 177	$ 188
Electronics	212	214	239
Aeronautics	80	88	126
Information & Services	96	112	121
Energy and Other	21	15	58
	$ 569	$ 606	$ 732
Amortization of intangible assets			
Space & Strategic Missiles	$ 29	$ 29	$ 29
Electronics	226	228	199
Aeronautics	80	80	80
Information & Services	100	107	92
Energy and Other	1	2	2
	$ 436	$ 446	$ 402
Nonrecurring and unusual items--(loss) profit			
Space & Strategic Missiles	$ --	$ (87)	$ (25)
Electronics	--	(69)	--
Aeronautics	--	(44)	(46)
Information & Services	(233)	(163)	(86)
Energy and Other	--	217	215
	$ (233)	$ (146)	$ 58
Expenditures for property, plant and equipment			
Space & Strategic Missiles	$ 271	$ 293	$ 264
Electronics	185	189	213
Aeronautics	119	104	75
Information & Services	78	137	104
Energy and Other	44	27	81
	$ 697	$ 750	$ 737
Investments in equity method investees			
Space & Strategic Missiles	$ 382	$ 121	$ 123
Electronics	19	4	3
Aeronautics	16	19	17
Information & Services	10	15	8
Energy and Other	101	58	50
	$ 528	$ 217	$ 201
Assets/(a)/			
Space & Strategic Missiles	$ 5,228	$ 4,599	$ 3,758
Electronics	10,355	10,619	11,363
Aeronautics	3,890	3,757	4,201
Information & Services	4,726	5,150	6,111
Energy and Other	4,545	4,236	4,107

	$ 28,744	$ 28,361	$ 29,540

(a) The Corporation has no significant long-lived assets located in foreign countries.

Net Sales by Customer Category

(In millions)	1998	1997	1996
U.S. Government			
Space & Strategic Missiles	$ 6,011	$ 6,472	$ 6,401
Electronics	5,144	4,844	4,451
Aeronautics	3,131	2,912	3,830
Information & Services	3,870	4,050	3,878
Energy and Other	152	118	154
	$18,308	$18,396	$18,714
Foreign governments/(a)//(b)/			
Space & Strategic Missiles	$ 37	$ 94	$ 38
Electronics	1,820	1,695	1,656
Aeronautics	2,807	2,826	1,466
Information & Services	348	246	152
Energy and Other	1	--	--
	$ 5,013	$ 4,861	$ 3,312

Net Sales by Customer Category (continued)

(In millions)	1998	1997	1996
Commercial/(b)/			
Space & Strategic Missiles	$1,413	$1,737	$1,465
Electronics	378	530	568
Aeronautics	58	307	300
Information & Services	994	2,172	1,863
Energy and Other	102	66	653
	$2,945	$4,812	$4,849

(a) Sales made to foreign governments through the U.S. Government are included in the foreign governments category above.

(b) Export sales, included in the foreign governments and commercial categories above, were approximately $6.1 billion, $5.9 billion and $4.7 billion in 1998, 1997 and 1996, respectively.

Note 18--Summary of Quarterly Information (Unaudited)

	1998 Quarters			
(In millions, except per share data)	First	Second	Third/(a)/	Fourth/(b)/
Net sales	$6,217	$6,520	$6,349	$7,180
Earnings from operations	618	638	696	400
Net earnings	269	289	318	125
Diluted earnings per share	.71	.76	.83	.33

	1997 Quarters			
(In millions, except per share data)	First	Second	Third	Fourth/(c)/
Net sales	$6,674	$6,898	$6,619	$7,878
Earnings from operations	656	637	677	327
Net earnings	290	308	331	371
Diluted earnings (loss) per share	.67	.71	.76	(3.92)/(d)/

(a) Earnings for the third quarter of 1998 include an adjustment resulting from significant improvement in the Atlas launch vehicle program 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 $.21 per diluted share.

(b) Earnings for the fourth quarter of 1998 include the effects of a nonrecurring and unusual after-tax charge of $183 million, or $.48 per diluted share, related to CalComp, a majority-owned subsidiary of the Corporation (see Note 5). In addition, fourth quarter results include the impact of the restructure of a commercial satellite program which increased net earnings by approximately $32 million, or $.08 per diluted share.

(c) Earnings for the fourth quarter of 1997 include the effects of certain nonrecurring and unusual items, including a tax-free gain of $311 million and after-tax charges of $303 million, which resulted in a $.02 increase per diluted share (see Notes 3 and 5). The Corporation also changed its expected long-term rate of return on benefit pension plan assets effective October 1997, which decreased pension cost by approximately $70 million.

(d) The diluted loss per share for the fourth quarter of 1997 includes the effects of a deemed preferred stock dividend resulting from the GE Transaction. The excess of the fair value of the consideration transferred to GE (approximately $2.8 billion) over the carrying value of the Series A preferred stock ($1.0 billion) was treated as a deemed preferred stock dividend and deducted from 1997 net earnings in determining net loss applicable to common stock used in the computation of loss per share. The effect of this deemed dividend was to reduce the diluted per share amount by $4.90.

CONSOLIDATED FINANCIAL DATA--NINE YEAR SUMMARY/(a)/

(In millions, except per share data)	1998/(c)/	1997/(d)/
Operating Results		
Net sales	$ 26,266	$ 28,069
Costs and expenses	23,914	25,772
Earnings from operations	2,352	2,297
Other income and expenses, net	170	482
	2,522	2,779
Interest expense	861	842
Earnings before income taxes and cumulative effect of changes in accounting	1,661	1,937
Income tax expense	660	637
Earnings before cumulative effect of changes in accounting	1,001	1,300
Cumulative effect of changes in accounting	--	--
Net earnings (loss)	$ 1,001	$ 1,300
Earnings (Loss) Per Common Share/(b)/		
Basic:		
Before cumulative effect of changes in accounting	$ 2.66	$ (1.56)
Cumulative effect of changes in accounting	--	--
	$ 2.66	$ (1.56)
Diluted:		
Before cumulative effect of changes in accounting	$ 2.63	$ (1.56)
Cumulative effect of changes in accounting	--	--
	$ 2.63	$ (1.56)
Cash dividends/(b)/	$ .82	$ .80
Condensed Balance Sheet Data		
Current assets	$ 10,611	$ 10,105
Property, plant and equipment	3,513	3,669
Intangible assets related to contracts and programs acquired	1,418	1,566
Cost in excess of net assets acquired	9,521	9,856
Other assets	3,681	3,165
Total	$ 28,744	$ 28,361
Short-term borrowings	$ 1,043	$ 494
Current maturities of long-term debt	886	876
Other current liabilities	8,338	7,819
Long-term debt	8,957	10,528
Post-retirement benefit liabilities	1,903	1,993
Other liabilities	1,480	1,475
Stockholders' equity	6,137	5,176
Total	$ 28,744	$ 28,361
Common Shares Outstanding at Year End/(b)/	393.3	388.8

Notes to Nine Year Summary

(a) The Corporation was formed in 1995 from the combination of Lockheed Corporation and Martin Marietta Corporation. All financial information prior to 1995 was derived from the financial statements of those companies under the pooling of interests method of accounting.

(b) All share and per share amounts have been restated to reflect the two-for-one stock split in the form of a stock dividend in December 1998.

(c) Includes the effects of a nonrecurring and unusual pretax charge of $233 million, $183 million after tax, or $.48 per diluted share.

(d) Includes the effects of a tax-free gain of $311 million and the effects of nonrecurring and unusual pretax charges of $457 million, $303 million after tax which, on a combined basis, decreased diluted loss per share by $.02. Loss per share also includes the effects of the deemed preferred stock dividend resulting from the GE Transaction which reduced the basic and diluted per share amounts by $4.93.

Lockheed Martin Corporation

(In millions, except per share data)	1996/(e)/	1995/(f)/	1994/(g)/	1993/(h)/
Operating Results				
Net sales	$ 26,875	$ 22,853	$ 22,906	$ 22,397
Costs and expenses	24,594	21,571	21,127	20,857
Earnings from operations	2,281	1,282	1,779	1,540
Other income and expenses, net	452	95	200	44
	2,733	1,377	1,979	1,584
Interest expense	700	288	304	278
Earnings before income taxes and cumulative effect of changes in accounting	2,033	1,089	1,675	1,306
Income tax expense	686	407	620	477
Earnings before cumulative effect of changes in accounting	1,347	682	1,055	829
Cumulative effect of changes in accounting	--	--	(37)	--
Net earnings (loss)	$ 1,347	$ 682	$ 1,018	$ 829
Earnings (Loss) Per Common Share/(b)/				
Basic:				
Before cumulative effect of changes in accounting	$ 3.40	$ 1.64	$ 2.66	$ 2.00
Cumulative effect of changes in accounting	--	--	(.10)	--
	$ 3.40	$ 1.64	$ 2.56	$ 2.00
Diluted:				
Before cumulative effect of changes in accounting	$ 3.04	$ 1.54	$ 2.43	$ 1.88
Cumulative effect of changes in accounting	--	--	(.09)	--
	$ 3.04	$ 1.54	$ 2.34	$ 1.88
Cash dividends/(b)/	$ .80	$ .67	$ .57	$ .55
Condensed Balance Sheet Data				
Current assets	$ 10,346	$ 8,208	$ 8,143	$ 6,961
Property, plant and equipment	3,721	3,134	3,455	3,643
Intangible assets related to contracts and programs acquired	1,767	1,553	1,696	1,832
Cost in excess of net assets acquired	10,394	2,794	2,831	2,697
Other assets	3,312	1,869	1,854	1,949
Total	$ 29,540	$ 17,558	$ 17,979	$ 17,082
Short-term borrowings	$ 1,110	$ --	$ --	$ --
Current maturities of long-term debt	180	722	285	346
Other current liabilities	7,382	4,462	5,177	4,690
Long-term debt	10,188	3,010	3,594	4,026
Post-retirement benefit liabilities	2,077	1,795	1,859	1,848
Other liabilities	1,747	1,136	978	971
Stockholders' equity	6,856	6,433	6,086	5,201
Total	$ 29,540	$ 17,558	$ 17,979	$ 17,082
Common Shares Outstanding at Year End/(b)/	385.5	397.2	398.3	395.8

(In millions, except per share data)	1992/(i)/	1991	1990
Operating Results			
Net sales	$ 16,030	$ 15,871	$ 16,089
Costs and expenses	14,891	14,767	15,178
Earnings from operations	1,139	1,104	911
Other income and expenses, net	42	(49)	34
	1,181	1,055	945
Interest expense	177	176	180
Earnings before income taxes and cumulative effect of changes in accounting	1,004	879	765
Income tax expense	355	261	161
Earnings before cumulative effect of changes in accounting	649	618	604
Cumulative effect of changes in accounting	(1,010)	--	--
Net earnings (loss)	$ (361)	$ 618	$ 604
Earnings (Loss) Per Common Share/(b)/			
Basic:			
Before cumulative effect of changes in accounting	$ 1.66	$ 1.53	$ 1.48
Cumulative effect of changes in accounting	(2.58)	--	--
	$ (.92)	$ 1.53	$ 1.48
Diluted:			
Before cumulative effect of changes in accounting	$ 1.65	$ 1.52	$ 1.48
Cumulative effect of changes in accounting	(2.57)	--	--
	$ (.92)	$ 1.52	$ 1.48
Cash dividends/(b)/	$ .52	$ .49	$ .45
Condensed Balance Sheet Data			
Current assets	$ 5,157	$ 5,553	$ 5,442
Property, plant and equipment	3,139	3,155	3,200
Intangible assets related to contracts and programs acquired	42	52	59
Cost in excess of net assets acquired	841	864	882
Other assets	1,648	895	883
Total	$ 10,827	$ 10,519	$ 10,466
Short-term borrowings	$ --	$ --	$ --
Current maturities of long-term debt	327	298	30
Other current liabilities	3,176	3,833	4,235
Long-term debt	1,803	1,997	2,392
Post-retirement benefit liabilities	1,579	54	--
Other liabilities	460	112	38
Stockholders' equity	3,482	4,225	3,771
Total	$ 10,827	$ 10,519	$ 10,466
Common Shares Outstanding at Year End/(b)/	388.1	402.7	401.4

(e) Reflects the business combination with Loral Corporation effective April 1996. Includes the effects of a nonrecurring pretax gain of $365 million, $351 million after tax, and nonrecurring pretax charges of $307 million, $209 million after tax which, on a combined basis, increased diluted earnings per share by $.32.

(f) Includes the effects of merger related and consolidation expenses totaling $690 million, $436 million after tax, or $.99 per diluted share.

(g) Reflects the acquisition of General Dynamics Space Systems Division effective May 1994.

(h) Reflects the acquisition of General Dynamics Fort Worth Division effective February 1993 and the acquisition of GE Aerospace effective April 1993.

(i) Reflects the Corporation's adoption of SFAS No. 106, "Employers' Accounting for Post-retirement Benefits Other Than Pensions" and SFAS No. 112, "Employers' Accounting for Postemployment Benefits."

(23) Consent of Ernst & Young LLP, Independent Auditors.

Exhibit 23

CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Lockheed Martin Corporation of our report dated January 22, 1999, except for the third paragraph of Note 4, as to which the date is February 11, 1999, included in the 1998 Annual Report to Shareholders of Lockheed Martin Corporation.

We also consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement Number 33-58067 of Lockheed Martin Corporation on Form S-3, dated March 14, 1995;

(2) Registration Statement Numbers: 33-58073, 33-58075, 33-58077, 33-58079, 33-58081, 33-58085, 33-58089 and 33-58097 of Lockheed Martin Corporation on Form S-8, each dated March 15, 1995;

(3) Post-Effective Amendment No. 1 on Form S-8 to the Registration Statement (Form S-4 No. 33-57645) of Lockheed Martin Corporation, dated March 15, 1995;

(4) Registration Statement Number 33-63155 of Lockheed Martin Corporation on Form S-8, dated October 3, 1995;

(5) Post-Effective Amendment No. 1 on Form S-8 to the Registration Statement Number 33-58083 of Lockheed Martin Corporation, dated January 22, 1997;

(6) Registration Statement Number 333-06255 of Lockheed Martin Corporation on Form S-8, dated June 19, 1996;

(7) Registration Statement Numbers: 333-20117 and 333-20139 of Lockheed Martin Corporation on Form S-8, each dated January 22, 1997;

(8) Registration Statement Number 333-27309 of Lockheed Martin Corporation on Form S-8, dated May 16, 1997;

(9) Registration Statement Number 333-37069 of Lockheed Martin Corporation on Form S-8, dated October 2, 1997;

(10) Registration Statement Number 333-40997 of Lockheed Martin Corporation on Form S-8, dated November 25, 1997;

(11) Registration Statement Number 333-58069 of Lockheed Martin Corporation on Form S-8, dated June 30, 1998;

(12) Post-Effective Amendment No. 1 on Form S-8 to the Registration Statement Numbers: 333-06479, 333-06481, 333-06483, 333-06487, 333-06515 and 333-06517 of Lockheed Martin Corporation, each dated June 30, 1998; and

(13) Registration Statement Number 333-69295 of Lockheed Martin Corporation on Form S-8, dated December 18, 1998

of our report dated January 22, 1999, except for the third paragraph of Note 4, as to which the date is February 11, 1999, with respect to the consolidated financial statements incorporated herein by reference.

/s/ Ernst & Young LLP

Washington, D.C.
March 17, 1999

(24) Powers of Attorney.

POWER OF ATTORNEY

LOCKHEED MARTIN CORPORATION

The undersigned hereby constitutes Marian S. Block and Broc Romanek, and each of them, jointly and severally, his or her lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, including, but not limited to, that listed below, to execute and file, or cause to be filed, with exhibits thereto and other documents in connection therewith, the Lockheed Martin Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 1998 ("Form 10-K"), with the Securities and Exchange Commission ("Commission") under the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and amendments thereto and all matters required by the Commission in connection with such Form 10-K, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorney's-in-fact and agents, and each of them, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ Vance D. Coffman February 25, 1999

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Vance D. Coffman
Chairman and Chief Executive Officer

POWER OF ATTORNEY

LOCKHEED MARTIN CORPORATION

The undersigned hereby constitutes Marian S. Block and Broc Romanek, and each of them, jointly and severally, his or her lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, including, but not limited to, that listed below, to execute and file, or cause to be filed, with exhibits thereto and other documents in connection therewith, the Lockheed Martin Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 1998 ("Form 10-K"), with the Securities and Exchange Commission ("Commission") under the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and amendments thereto and all matters required by the Commission in connection with such Form 10-K, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorney's-in-fact and agents, and each of them, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ Norman R. Augustine February 25, 1999

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Norman R. Augustine
Director

POWER OF ATTORNEY

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/s/ Marcus C. Bennett February 25, 1999

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Marcus C. Bennett
Director

POWER OF ATTORNEY

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/s/ Lynne V. Cheney   February 25, 1999

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Lynne V. Cheney
Director

POWER OF ATTORNEY

LOCKHEED MARTIN CORPORATION

The undersigned hereby constitutes Marian S. Block and Broc Romanek, and each of them, jointly and severally, his or her lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, including, but not limited to, that listed below, to execute and file, or cause to be filed, with exhibits thereto and other documents in connection therewith, the Lockheed Martin Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 1998 ("Form 10-K"), with the Securities and Exchange Commission ("Commission") under the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and amendments thereto and all matters required by the Commission in connection with such Form 10-K, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorney's-in-fact and agents, and each of them, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ Houston I. Flournoy   February 25, 1999

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Houston I. Flournoy
Director

POWER OF ATTORNEY

LOCKHEED MARTIN CORPORATION

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/s/ James F. Gibbons February 25, 1999

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James F. Gibbons
Director

POWER OF ATTORNEY

LOCKHEED MARTIN CORPORATION

The undersigned hereby constitutes Marian S. Block and Broc Romanek, and each of them, jointly and severally, his or her lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, including, but not limited to, that listed below, to execute and file, or cause to be filed, with exhibits thereto and other documents in connection therewith, the Lockheed Martin Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 1998 ("Form 10-K"), with the Securities and Exchange Commission ("Commission") under the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and amendments thereto and all matters required by the Commission in connection with such Form 10-K, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorney's-in-fact and agents, and each of them, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ Edward E. Hood, Jr. February 25, 1999

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Edward E. Hood, Jr.
Director

POWER OF ATTORNEY

LOCKHEED MARTIN CORPORATION

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/s/ Caleb B. Hurtt   February 25, 1999

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Caleb B. Hurtt
Director

POWER OF ATTORNEY

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/s/ Gwendolyn S. King   February 25, 1999

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Gwendolyn S. King
Director

POWER OF ATTORNEY

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/s/ Vincent N. Marafino February 25, 1999

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Vincent N. Marafino
Director

POWER OF ATTORNEY

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/s/ Eugene F. Murphy   February 25, 1999

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Eugene F. Murphy
Director

POWER OF ATTORNEY

LOCKHEED MARTIN CORPORATION

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/s/ Allen E. Murray — February 25, 1999

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Allen E. Murray
Director

POWER OF ATTORNEY

LOCKHEED MARTIN CORPORATION

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/s/ Frank Savage   February 25, 1999

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Frank Savage
Director

POWER OF ATTORNEY

LOCKHEED MARTIN CORPORATION

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/s/ Peter B. Teets February 25, 1999

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Peter B. Teets
President, Chief Operating Officer and Director

POWER OF ATTORNEY

LOCKHEED MARTIN CORPORATION

The undersigned hereby constitutes Marian S. Block and Broc Romanek, and each of them, jointly and severally, his or her lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, including, but not limited to, that listed below, to execute and file, or cause to be filed, with exhibits thereto and other documents in connection therewith, the Lockheed Martin Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 1998 ("Form 10-K"), with the Securities and Exchange Commission ("Commission") under the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and amendments thereto and all matters required by the Commission in connection with such Form 10-K, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorney's-in-fact and agents, and each of them, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ Carlisle A. H. Trost February 25, 1999

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Carlisle A. H. Trost
Director

POWER OF ATTORNEY

LOCKHEED MARTIN CORPORATION

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/s/ James R. Ukropina February 25, 1999

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James R. Ukropina
Director

POWER OF ATTORNEY

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/s/ Douglas C. Yearley   February 25, 1999

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Douglas C. Yearley
Director

POWER OF ATTORNEY

LOCKHEED MARTIN CORPORATION

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/s/ Todd J. Kallman February 25, 1999

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Todd J. Kallman
Chief Accounting Officer

POWER OF ATTORNEY

LOCKHEED MARTIN CORPORATION

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/s/ Philip J. Duke   February 25, 1999

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Philip J. Duke

Vice President and Chief Financial Officer

5

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.

1,000,000

YEAR
DEC-31-1998
JAN-01-1998
DEC-31-1998
285
0
4,178
0
4,293
10,611
8,673
5,160
28,744
10,267
8,957
0
0
393
5,744
28,744
26,266
26,266
23,914
23,914
170
0
861
1,661
660
1,001
0
0
0
1,001
2.66
2.63

THIS RESTATED FINANCIAL DATA SCHEDULE CONTAINS RESTATED 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.

1,000,000

YEAR
DEC-31-1997
JAN-01-1997
DEC-31-1997
0
0
5,009
0
3,144
10,105
8,644
4,975
28,361
9,189
10,528
0
0
194
4,982
28,361
28,069
28,069
25,772
25,772
482
0
842
1,937
637
1,300
0
0
0
1,300
(1.56)
(1.56)

See "Note 6 -- Earnings Per Share" on pages 36 through 37 of the 1998 Annual Report incorporated by reference in Lockheed Martin's Annual Report on Form 10-K for the year ended December 31, 1998.