

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, 1997 Commission file number 1-11437

[LOCKHEED MARTIN LOGO]

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 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 \$20,230,000,000 as of January 31, 1998.

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, 194,701,640 shares outstanding as of January 31, 1998.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Lockheed Martin Corporation's 1997 Annual Report to Shareholders are incorporated by reference in Parts I, II and IV of this Form 10-K. Portions of Lockheed Martin Corporation's 1998 Definitive Proxy Statement are incorporated by reference in Part III of this Form 10-K.

PART I

ITEM 1. BUSINESS

GENERAL

Lockheed Martin Corporation ("Lockheed Martin" or the "Corporation") was incorporated in Maryland on August 29, 1994 to effect the combination (the "Combination") of the businesses of Martin Marietta Corporation and Lockheed Corporation. The Combination was consummated on March 15, 1995. Lockheed Martin is a highly diversified global enterprise principally engaged in the conception, research, design, development, manufacture, integration and operation of advanced technology products and services.

NORTHROP GRUMMAN TRANSACTION

On July 2, 1997, Lockheed Martin and Northrop Grumman Corporation ("Northrop Grumman") entered into an Agreement and Plan of Merger which was amended on September 29, 1997 (as so amended, the "Agreement"). The Agreement provides for the merger (the "Merger") of a wholly-owned subsidiary of Lockheed Martin with and into Northrop Grumman, with Northrop Grumman surviving as a wholly-owned subsidiary of Lockheed Martin.

Pursuant to the Agreement, each share of common stock, par value \$1.00 per share, of Northrop Grumman ("Northrop Grumman Common Stock")

outstanding immediately prior to the Effective Time (as defined in the Agreement) of the Merger (other than shares held in Northrop Grumman's treasury) will be converted into the right to receive 1.1923 shares of Lockheed Martin common stock, par value \$1.00 per share ("Lockheed Martin Common Stock"). No fractional shares will be issued and cash, without interest, will be paid in lieu thereof. As of the Effective Time, all shares of Northrop Grumman Common Stock issued and outstanding immediately prior to the Effective Time will no longer be outstanding and will be automatically canceled and retired and will cease to exist. Each holder of a certificate or certificates which immediately prior to the Effective Time represented outstanding shares of Northrop Grumman Common Stock will cease to have any rights with respect thereto, except the right upon surrender of such certificate to (i) receive certificate(s) representing the number of whole shares of Lockheed Martin Common Stock into which such shares of Northrop Grumman Common Stock have been converted and (ii) any cash, without interest, to be paid in lieu of any fractional share of Lockheed Martin Common Stock.

On or about January 24, 1998, Lockheed Martin and Northrop Grumman mailed to their respective stockholders a Joint Proxy Statement/Prospectus relating to special meetings of stockholders of each of Lockheed Martin and Northrop Grumman which were held on

Thursday, February 26, 1998 (the "Special Meetings"). At the Special Meetings, the stockholders of Lockheed Martin approved the issuance of shares of Lockheed Martin Common Stock to the stockholders of Northrop Grumman in connection with the Merger and Northrop Grumman's stockholders approved the Merger. Lockheed Martin's stockholders also approved an unrelated proposal increasing the number of shares of Common Stock authorized by Lockheed Martin's Charter. On March 9, 1998, the Corporation announced that it had been informed by the Department of Justice (DOJ) that the DOJ was fundamentally opposed to the Merger. The Corporation also announced on that date that it had committed to the DOJ not to close the transaction before April 24, 1998, and to develop and submit a proposal to the DOJ by April 8, 1998 designed to address the DOJ's antitrust concerns while preserving the expected benefits and efficiencies of the transaction to the Corporation and its stockholders, customers, employees and suppliers. On March 12, 1998, the DOJ informed the Corporation that it found this commitment unacceptable and demanded that the Corporation agree, at a minimum, to certain substantial divestitures or the DOJ will proceed to court. The DOJ stated that the agency expected a response by March 16, 1998. On March 13, 1998, the Corporation responded to the DOJ by letter and on the morning of March 16, 1998 representatives of the Corporation and representatives of Northrop Grumman met with representatives of the DOJ and Department of Defense (DOD) and discussed the results of the Corporation's efforts to date. The discussion included a description of the magnitude of divestitures that the Corporation is willing to make to resolve the horizontal and organizational conflict of interest issues raised by the DOJ and DOD. In addition, the nature of a consent order that the Corporation would be willing to enter to address the foreclosure issues posited by the DOJ and DOD to arise from the vertical aspects of the combination was described. At the meeting, the Corporation made clear to the Government that the Corporation is continuing to work on its proposal but that the Corporation has not yet found an economically viable way to make divestitures of the scope and magnitude set forth in the DOJ's March 12, 1998 letter as the agency's minimum demand. In the early evening of March 16, 1998, the DOJ sent the Corporation another letter restating the demands of its March 12 letter and demanding an immediate response. The Corporation responded by letter on March 17, 1998 in which the Corporation restated its commitments of March 9 as well as the information conveyed in the meeting of March 16. Later on March 17, the Corporation was informed by a representative of the DOJ that, as a result of the Corporation's failure to agree to the substantial divestitures set forth in the DOJ's March 12 letter as the agency's minimum demand, the DOJ might proceed to court later that day or on March 18, 1998. On March 18, the Corporation was informed by a representative of the DOJ that the agency would not file suit on that date. The representative did not address if or when suit might be filed.

For additional information regarding the Northrop Grumman Transaction, please see the Joint Proxy Statement/Prospectus contained in the Registration Statement on Form S-4 (Reg. No. 333-44671) filed with the Securities and Exchange Commission on January 22, 1998.

BUSINESSES

The Corporation conducts its principal businesses through five major operating sectors: Space & Strategic Missiles; Electronics; Information & Services; Aeronautics; and Energy & Environment. See "Business - Additional Activities and Business Segment Reporting" on page 13.

Space & Strategic Missiles Sector -----

The Space & Strategic Missiles Sector's activities include 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.

Major programs of the Space & Strategic Missiles Sector include the Titan family of launch vehicles including the Titan IV expendable launch vehicle, the Trident II submarine launched fleet ballistic

missile, the MILSTAR communications satellite and the Atlas expendable launch vehicle. In addition, a substantial amount of the Space & Strategic Missiles Sector's activities are classified.

In 1998, the Sector anticipates that an increased amount of its sales will be derived from international launch services using the Proton D-1-e launch vehicle. Lockheed Martin provides the launch services through the Lockheed Khrunichev Energia International, Inc. joint venture with two Russian aerospace companies. Lockheed Martin was one of two companies awarded development contracts for the U.S. Air Force's Evolved Expendable Launch Vehicle (EELV). The Air Force envisions that the EELV will replace existing Delta, Atlas and Titan space launch vehicles for use in launching government and commercial payloads.

Net sales by the Sector represented 29.6% of the Corporation's total net sales in 1997. Net sales to the United States Government, excluding Foreign Military Sales, represented 77.9% of the Sector's net sales in 1997.

Electronics Sector

The Electronics Sector's activities primarily relate to the design, development, engineering and production of high performance electronic systems for undersea, shipboard, land-, airborne- and

space-based applications. Major business elements include: Naval Systems; Missiles and Air Defense; Aerospace Electronics; and Platform Integration. The Naval Systems element serves customers world-wide with major lines of business in surface ship and submarine combat systems, missile launching systems, anti-submarine warfare systems, and navigation systems. The Air Defense and Missiles element produces air defense systems; tactical battlefield missiles; and precision guided weapons and munitions. The Aerospace Electronics element manufactures major electronics subsystems such as: aircraft controls; electronic-warfare; electro-optic and night vision; radar; displays; and computers for the military and commercial aerospace market. The Platform Integration element performs systems integration of mission specific combat suites for both fixed and rotary wing aircraft and postal automation.

The Corporation is the prime contractor for the U.S. Navy's AEGIS fleet air defense system, including the Vertical Launch System, and for the development and integration of the EH-101 Merlin helicopter's anti-submarine warfare system for the United Kingdom's Ministry of Defence. In addition, the Sector is the prime contractor for the Multiple Launch Rocket System, the U.S. Army's general support fire power system, and the U.S. Air Force and Navy LANTIRN targeting and navigation system. The Sector also produces the Target Acquisition

Designation Sight / Pilot Night Vision Sensor. In 1998, the Sector anticipates that an increased percentage of its revenues will be derived from the Army Tactical Missile System.

The Electronics Sector also manufactures and installs bar code readers and sorters for the U.S. Postal Service and international postal services. In 1997, the Sector was awarded 25 domestic and international postal contracts to provide advanced recognition, automation, material handling and information management systems. In addition, the Electronics Sector was awarded contracts for the production of four AEGIS weapon systems for the Spanish Navy and, through the Lockheed Martin/Tenix joint venture, for the development and production of the Jindalee Operational Radar Network, a wide-area surveillance system of over-the-horizon radars in Australia.

Net sales by the Electronics Sector represented 25.2% of the Corporation's total net sales in 1997. Net sales to the United States Government, excluding Foreign Military Sales, represented 68.5% of the Sector's net sales in 1997.

Information & Services Sector

The Information & Services Sector consists of four major lines of business: systems integration and command, control, communications, computer and intelligence (C4I) systems; federal technology services;

state and municipal systems support services; and commercial systems and products. The Sector's activities include the development, integration and operation of large, complex information systems, including satellite command and control systems, simulation and training systems, and nationally critical intelligence systems. The Sector provides federal government, civil and military customers with engineering, scientific, management, technical and information technology support. 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, and telecommunications. Commercial systems businesses include information technology services, computer peripheral products, real-time 3-D graphics products and enterprise data management software. The Sector also provides Lockheed Martin companies with internal information systems support.

Through its Technology Services Group, the Information & Services Sector provides a wide array of science and engineering, information management, operation and maintenance, logistics, assembly and test and installation services to governmental agencies and prime contractors. The Sector is upgrading the U.S. National Air Traffic Control System through replacement of display systems at 20 Federal Aviation Administration (FAA) Air Route Traffic Control Centers. The Sector is currently completing

the New En Route Centre for the United Kingdom. In addition, the Sector performs a substantial amount of classified work. In November 1997, the Corporation divested its Access Graphics business.

In 1997, the Sector was awarded a 10-year contract to provide engineering services in support of the FAA's modernization of the nation's air traffic control system, a contract to provide information systems development and maintenance to the United States Patent and Trademark Office and two contracts to support the Environmental Protection Agency's computing and telecommunications requirements. The United Kingdom National Air Traffic Services selected Sky Solutions Ltd. as preferred bidder for the New Scottish Centre, a major new air traffic control facility to be built at Prestwick, Scotland. Sky Solutions is owned by the Corporation and Bovis Ltd. The Sector is performing contracts under which it provides information technology services and support for commercial and federal government customers, such as the Department of Housing and Urban Development and the Social Security Administration. Lockheed Martin was also selected as the North American Numbering Plan Administrator and signed four Local Number Portability Contracts to develop and operate a system to allow telephone customers to switch local service providers while keeping their existing telephone numbers.

Net sales by the Information & Services Sector represented 23.0% of Lockheed Martin's total net sales in 1997. Net sales to the United States Government, excluding Foreign Military Sales, represented 62.6% of the Sector's net sales in 1997.

Aeronautics Sector

The Aeronautics Sector operates in the following primary lines of business; tactical aircraft, airlift, surveillance/command, maintenance/modification/logistics, reconnaissance and advanced development programs. Programs include the F-22 air-superiority fighter, Joint Strike Fighter, F-16 multirole fighter, C-130J tanker/transport, X-33 reusable launch vehicle technology demonstrator, DarkStar reconnaissance vehicle, Airborne Early Warning & Control systems, Contractor Logistics Support and a variety of maintenance and modification programs for aircraft such as U.S. Navy P-3s and U.S. Air Force KC-10s, as well as the Big Safari modification program for special operations forces. The Aeronautics Sector is composed of four Operating Companies: Aeronautical Systems, Aircraft & Logistics Center, Skunk Works, and Tactical Aircraft Systems.

The Sector's largest programs include serving as the prime contractor on the F-16 "Fighting Falcon" fighter aircraft, leading the team responsible for the Air Force's F-22 air-superiority fighter

program that achieved first flight in 1997 and manufacturing the C-130 series airlift aircraft. The Corporation also provides sustaining engineering, modifications and upgrading for existing aircraft, including the F-117 fighter bomber, the U-2 reconnaissance aircraft, and earlier model C130s. Through the Skunk Works and other operating units, the Aeronautics Sector performs a substantial amount of classified work. The Sector anticipates an increased percentage of its revenues in 1998 will result from the joint Japan/U.S. production of the F-2 aircraft.

In 1997, the Corporation completed a critical design review of the X-33 single-stage-to-orbit reusable launch vehicle technology demonstrator, the next generation of space shuttle, providing go-ahead for assembly of the subscale prototype. The Corporation also began fabrication of two concept demonstration aircraft and entered teaming agreements with Northrop Grumman and British Aerospace in connection with the Joint Strike Fighter (JSF) Program. JSF Program tasks include the design, development, construction and flight test of a full-scale demonstration aircraft. In November 1997, the Sector's thrust reverser business was divested.

Net sales by the Aeronautics Sector represented 21.5% of the Corporation's total net sales in 1997. Net sales to the United States

Government, excluding Foreign Military Sales, represented 48.2% of the Sector's net sales in 1997.

Energy & Environment Sector

The Energy & Environment Sector's activities primarily focus on the management of various U.S. Department of Energy (DOE) facilities, environmental management and remediation, and enrichment services. The Corporation is the largest management and operations contractor within the DOE's system of laboratories, managing energy research and defense programs at, among other facilities, the Sandia National Laboratories, the Idaho National Engineering and Environmental Laboratory and the Oak Ridge National Laboratory. These contractual arrangements provide for the Corporation to be reimbursed for the cost of operations and receive a fee for performing management services. Only the management fees are reflected within Lockheed Martin's net sales and earnings. The Corporation is one of two competitors for the DOE's Tank Waste Remediation System-Privatization program.

Net sales by the Sector represented less than 1% of the Corporation's total net sales in 1997. Net sales to the United States Government represented 81.2% of the Sector's net sales in 1997.

Additional Activities and Business Segment Reporting

In addition to the above activities, Lockheed Martin has real estate subsidiaries in Florida and Maryland; runs research laboratories; owns approximately a 20% interest in Loral Space & Communications, Ltd., a public company; owns approximately a 34% interest in L-3 Communications Corporation, a company formed in 1997 in connection with the repositioning of 10 of the Corporation's business units, is a joint venturer with Boeing in United Space Alliance and carries on other miscellaneous activities.

For business segment reporting in the Corporation's consolidated financial statements, the Space & Strategic Missiles, Electronics, Information & Services and Aeronautics Sectors each comprise reportable business segments. The Energy & Environment Sector, together with the additional activities described in the preceding paragraph, are reported as Energy and Other and represent the balance of the Corporation's revenues.

The Corporation's principal executive offices are located at 6801 Rockledge Drive, Bethesda, Maryland 20817. The telephone number of the Corporation is (301) 897-6000.

COMPETITION AND RISK

Lockheed Martin's sales to the U.S. Government, excluding Foreign Military Sales, amounted to 65.5% of net sales for the year ended December 31, 1997. Sales to foreign governments comprised 17.3% of net sales for fiscal year 1997 and approximately 17.2% of net sales were to commercial customers (of which 21.3% were to international customers).

Lockheed Martin encounters extensive competition in all of its lines of business with numerous other contractors on the basis of price, as well as technical and managerial capability. The on-going consolidation of the United States defense industry has intensified this competition as competitors are now generally larger and more capable. At the same time, the number of contracts awarded has decreased. In some instances, for example, the ongoing competition for the Joint Strike Fighter, winning the competition may be a significant determinant of whether the competitors are able to remain in that line of business. In addition, the decrease in the number of contracts awarded and intensified competition for those contracts that are awarded increasingly requires the Corporation to generate working capital and invest in fixed assets in order to maintain and/or expand its government business.

More generally, the aerospace and defense business involves rapidly advancing technologies and is subject to many uncertainties including, but not limited to, those resulting from changes in federal budget priorities, particularly the size and scope of the defense budget, and dependence on Congressional appropriations. Substantial efforts are undertaken continually on a long-term basis in order to maintain existing levels of business.

Of the 1997 net sales of the Corporation, 65.5% were made to the United States Government, either as a prime contractor or as a subcontractor, for which there is intense competition. Accordingly, a significant portion of the Corporation's 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 defense and aerospace business environment are discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 11 through

Earnings may vary materially depending upon 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.

The Corporation's international business involves additional risks, such as exposure to currency fluctuations, offset obligations and changes in foreign economic and political environments. In addition, international transactions frequently involve increased financial and legal risks arising from stringent contractual terms and conditions and widely differing legal systems, customs and mores in foreign countries. The Corporation expects that international sales as a percentage of the overall sales of the Corporation will continue to increase in future years as a result of, among other things, continuing changes in the United States defense industry.

A portion of Lockheed Martin's business includes classified programs that cannot be specifically discussed, the operating results of which are included in the Corporation's consolidated financial statements. The nature of and business risks associated with

classified programs do not differ materially from those of the Corporation's other government programs and products.

PATENTS

The Corporation owns numerous patents and patent applications, some of which, together with licenses under patents owned by others, are utilized in its operations. While such patents and licenses are, in the aggregate, important to the operation of the Corporation's 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 the Corporation's business.

RAW MATERIALS AND SEASONALITY

While certain of the Corporation's businesses require relatively difficult to obtain raw materials, the Corporation has not experienced significant difficulties in its ability to obtain raw materials and other supplies needed in its manufacturing processes, nor does the Corporation expect such difficulties to arise in the future. No material portion of the business of the Corporation is considered to be seasonal.

GOVERNMENT CONTRACTS AND REGULATIONS

All government contracts and, in general, subcontracts thereunder are subject to termination in whole or in part at the convenience of the United States Government as well as for default. Long-term government contracts and related orders are subject to cancellation if appropriations for subsequent performance periods become unavailable. Lockheed Martin generally would be entitled to receive payment for work completed and allowable termination or cancellation costs if any of its government contracts were to be terminated for convenience. Upon termination for convenience of cost-reimbursement-type contracts, the contractor is normally 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 proportion of the work accomplished prior to the termination for convenience and is determined by negotiation. Upon termination for convenience of fixed-price-type contracts, the contractor is normally 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 thereon or adjustment for loss if completion of performance would have resulted in a loss.

In addition to the right of the United States Government to terminate, government contracts are conditioned upon the continuing

availability of Congressional appropriations. 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 additional funds are normally only appropriated to the contract by Congress in future years.

BACKLOG

Lockheed Martin's total negotiated backlog at December 31, 1997, was \$47.1 billion compared with \$50.4 billion at the end of 1996. A portion of the change in total negotiated backlog between year-end 1996 and 1997 is the impact of divestitures. The total negotiated backlog of the Sectors at December 31, 1997 was as follows: Space & Strategic Missiles - \$16.8 billion, Electronics - \$9.8 billion, Information & Services - \$6.7 billion, and Aeronautics - \$13.5 billion. Unlike the other Sectors, the Energy & Environment Sector is not a reportable business segment. The reportable business segment of which Energy & Environment is part, Energy and Other, had total negotiated backlog at December 31, 1997 of \$0.3 billion. Of this figure, almost all was attributable to the Energy & Environment Sector. These figures are all approximate and include 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 United States Government agencies) and firm orders for which funding has not been appropriated.

Backlog information and comparisons thereof as of different dates may not be accurate indicators of future sales or the ratio of Lockheed Martin's future sales to the United States Government versus its sales to other customers.

Of the Corporation's total 1997 year-end backlog, approximately \$31.6 billion, or 67.1%, is not expected to be filled within one year.

ENVIRONMENTAL REGULATION

Lockheed Martin's operations are subject to and affected by a variety of federal, state, and local environmental protection laws and regulations. The Corporation is involved in environmental responses at certain of its facilities, former facilities and at certain other sites not owned by the Corporation (third-party sites) where the Corporation has been designated a "Potentially Responsible Party" (PRP) by the U.S. Environmental Protection Agency (EPA) or by a state agency. At such third-party sites, the EPA or a state agency has identified the site as requiring removal or 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, 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.

At third-party sites, the Corporation continues to pursue a course of action designed to minimize and mitigate its potential liability through assessing the legal basis for its involvement, including an analysis of such factors as (i) the amount and nature of materials disposed of by the Corporation, (ii) the allocation process, if any, used to assign all costs to all involved parties, and (iii) the scope of the response action that is or may reasonably be required. The Corporation also continues to pursue active participation in steering committees, consent orders and other appropriate and available avenues. Management believes that this approach should minimize the Corporation's proportionate share of liability at third-party sites where other PRPs share liability.

Although the Corporation's involvement and extent of responsibility varies at each site, management, after an assessment of each site and consultation with environmental experts and counsel, has concluded that the probability is remote that the Corporation's actual or potential liability as a PRP in each or all of these sites, in combination with the Corporation's actual or potential liability for environmental responses at its own facilities, will have a material adverse effect on the Corporation's consolidated financial position or results of operations. While the possibility of insurance coverage is considered in the Corporation's efforts to minimize and mitigate its potential liability, this possibility is not taken into account in management's assessment of whether it is likely that its actual or potential liability will have a material adverse effect on the Corporation's consolidated financial position.

In addition, Lockheed Martin manages 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 the Corporation relied (and continues to rely with respect to past practices) upon government funding to pay such costs. While the government remains responsible for capital 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 such fines and penalties no longer constituting allowable costs under the contracts pursuant to which such facilities are managed.

Management does not believe that adherence to presently applicable environmental regulations at its own facilities or in its contract management capacity at government-owned facilities will have a material adverse effect on Lockheed Martin's consolidated financial position or results of operations. For additional details, see "Legal Proceedings" on page 32 through page 41. See also "Note 16 -- Commitments and Contingencies" of the "Notes to Consolidated Financial Statements" on page 41 through page 42 and "Management's Discussion and Analysis of Financial Condition and Results of Operations, Environmental Matters" on page 23 through page 24 of the 1997 Annual Report.

RESEARCH AND DEVELOPMENT

Lockheed Martin conducts significant research and development activities, both under contract funding and with Independent Research and Development (IR&D) funds. Lockheed Martin expended approximately \$1.016 billion in 1997, \$1.042 billion in 1996 and \$778 million in 1995 using IR&D and bid and proposal funds, a substantial portion of

which was included in overhead allocable to United States Government contracts. A significant portion of the increase in amounts expended in 1997 and 1996 as compared to 1995 reflects the Corporation's acquisition of Loral Corporation.

During fiscal year 1997, the Corporation did not undertake the development of a new product or line of business requiring the investment of a material amount of the Corporation's total assets, however, the Corporation's launch investment strategy is requiring increasing investments by the Corporation in the development and 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 32 of the 1997 Annual Report.

EMPLOYEES

As of December 31, 1997, Lockheed Martin had approximately 173,000 employees, the majority of whom were located in the United States. The Corporation has a continuing need for many skilled and professional personnel in order to meet contract schedules and obtain new and ongoing orders for its products. Approximately 33,000 of Lockheed Martin's employees are covered by 120 separate collective

bargaining agreements with various international and local unions. Management considers employee relations generally to be good and believes that the probability is remote that renegotiating these contracts will have a material adverse effect on its business.

YEAR 2000

The Corporation is near completion of a thorough assessment of the effect of Year 2000 issues on its computer systems. The Corporation is also near completion of the development of plans to resolve those issues identified in the assessment. Current plans provide for substantially all of the Corporation's systems to be Year 2000 compliant by the end of 1999. Based on information currently available from the Corporation's internal assessment, management does not believe that the costs associated with Year 2000 activities over the next two years will have a material adverse effect on the Corporation's consolidated results of operations or financial position.

FORWARD LOOKING STATEMENTS - SAFE HARBOR PROVISIONS

This Annual Report on Form 10-K contains or incorporates by reference statements which, to the extent that they are not recitations of historical fact, constitute "forward looking

statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). The words "estimate," "anticipate," "project," "intend," "expect," and similar expressions are intended to identify forward looking statements. All forward looking statements involve risks and uncertainties, including, without limitation, statements and assumptions with respect to future revenues, program performance and cash flows, the outcome of contingencies including litigation and environmental remediation, and anticipated costs of capital investments and planned dispositions. Readers are cautioned not to place undue reliance on these forward looking statements which speak only as of the date of this Annual Report on Form 10-K. The Corporation does 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 Sections 27A of the Securities Act and 21E of the Exchange Act. For a discussion identifying some important factors that could cause actual results to vary materially from those anticipated in the

forward looking statements, see the Corporation's Securities and Exchange Commission filings, including but not limited to, the discussion of "Competition and Risk" and the discussion of "Government Contracts and Regulations" on pages 14 through 17 and 18 through 19 of this Annual Report on Form 10-K, "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 11 through 24 of the 1997 Annual Report, "Note 1 - Summary of Significant Accounting Policies", "Note 2 - Transaction Agreement with Northrop Grumman Corporation", and "Note 16 - Commitments and Contingencies" of the Notes to Consolidated Financial Statements on pages 31 through 32, pages 32 through 33 and 41 through 42, respectively of the Audited Financial Statements included in the 1997 Annual Report.

ITEM 2. PROPERTIES

At December 31, 1997, the Corporation operated in approximately 486 offices, facilities, manufacturing plants, warehouses, service centers, and laboratories throughout the United States and internationally. Of these, the Corporation owned floor space at approximately 70 locations aggregating approximately 44.6 million square feet. The Corporation leased space at approximately 416 of its locations aggregating approximately 25.8 million square feet. Additionally, the Corporation manages and/or occupies various government-owned facilities at Marshall Space Flight Center in Alabama; Livermore, Palmdale, San Diego, Santa Cruz, Sunnyvale and Vandenberg Air Force Base in California; Cape Canaveral Air Force Station and Kennedy Space Center in Florida; Marietta, Georgia; Kauai, Hawaii; Idaho Falls and Scoville, Idaho; the United States Enrichment facilities at Paducah, Kentucky and Piketon, Ohio; the NASA Michoud Assembly Facility near New Orleans, Louisiana; Stennis Space Center in Mississippi; Las Vegas, Nevada; Sandia National Laboratories in New Mexico; Knolls Atomic Power Laboratory at Niskayuna, New York; the Department of Energy facility at Oak Ridge, Tennessee; Houston and Ft. Worth, Texas, among others. The United States Government also furnishes certain equipment and property used by the Corporation.

The Corporation owns a corporate office building located in Bethesda, Maryland in fee simple, and leases corporate office facilities at WestLake Village, California, Bethesda, Maryland, and Arlington (Crystal City), Virginia. In addition, the Corporation owns and leases major office and manufacturing facilities for various sectors at the following locations, and with approximately the indicated square footage:

SECTOR	LOCATION	SQUARE FOOTAGE (In Millions)	
		OWNED	LEASED
Space & Strategic Missiles	Sunnyvale and Palo Alto, CA	6.3	.7
	Waterton and Littleton, CO	4.0	.4
	East Windsor, NJ	.7	
	King of Prussia, PA	.9	
Information & Services	Goodyear, AZ	1.0	
	San Jose, CA	.5	
	Colorado Springs, CO	.3	.2
	Orlando, FL	1.0	.2
	Gaithersburg, MD	.5	
	King of Prussia, PA	.5	.6
Aeronautics	Reston/Fairfax, VA		.9
	Ontario, CA		.9
	Palmdale, CA	2.2	
	Marietta, GA	1.9	
	Greenville, SC		.8
Electronics	Ft. Worth, TX	.8	.2
	Camden, AK		1.5
	Orlando, FL	2.2	.3
	Eagan, MN	.6	
	Nashua, NH	2.5	
	Moorestown, NJ	.9	.2
	Great Neck, NY	1.4	
	Johnson City, NY		.6

Owego, NY	1.5	
Syracuse, NY		1.5
Akron, OH	2.6	
Grand Prairie, TX	.4	2.0
Manassas, VA	1.4	

The above information excludes facilities associated with the former Access Graphics business unit located in Boulder, Colorado which was divested effective as of November 17, 1997, as well as the facilities owned and leased by L-3 Communications Corporation.

Finally, the Corporation owns 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, CA	9100
2.	Beaumont Gateway, CA	2800
3.	Orlando, FL (under option)	2000
4.	Palmdale, CA	650
5.	Austin, TX	600

A significant portion of the Corporation's 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 the Corporation's major physical facilities are in good condition and are adequate for their intended use.

ITEM 3. LEGAL PROCEEDINGS

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

As previously reported, on June 7, 1990, Boggs, et al. v. Divested Atomic Energy Corporation, et al., was filed against various defendants including Lockheed Martin Energy Systems ("LMES"). Plaintiffs' request for class certification was granted

and the case is pending in the United States District Court for the Eastern District of Ohio. Plaintiffs seek \$600 million in compensatory and \$600 million in punitive damages based upon allegations that the defendants discharged hazardous substances into the environment. In the event that any damages are awarded in these proceedings, such damages will be allowable costs under contracts between LMES and the Department of Energy ("DOE").

LMES has received a notice of violation from the Tennessee Department of Environmental Quality relating to alleged violations of state hazardous waste management regulations in connection with the company's operations at the DOE complex at Oak Ridge Tennessee. Although the DOE is the principal operator of this complex, LMES has entered into an arrangement with the DOE by which the company takes direct regulatory responsibility for certain day-to-day activities under the company's control at the K-25 and Y-12 facilities within the complex. The state made an initial penalty demand of just under \$500,000 in connection with the notice of violation, and the company is in negotiation with the state over the content of the notice as well as the amount of the penalty sought.

The District Attorney for Mendocino County, California has notified the Corporation that it has prepared a civil complaint naming the Corporation, M4 Environmental L.P. and a third party for

alleged violations of state and county environmental laws at the Retech facility in Ukiah, California. The Retech operations relate to efforts by Lockheed Martin Advanced Environmental Systems to develop technologies for treating mixed radioactive/hazardous wastes generated by DOE facilities. Although none of the District Attorney's allegations implicate radioactive materials, the allegations cover a broad cross-section of conventional environmental laws, including air and water resources, hazardous materials handling, and storage tank issues, as well as alleged violations of California's unfair business practices statute. Negotiations are at the very earliest stages with the District Attorney's office, and while the potential liability of the Corporation, if any, cannot be estimated at this time it could be in excess of \$100,000.

The Corporation's property in Burbank, California (a former aircraft manufacturing facility) is the subject of a 1991 consent decree with the U.S. Environmental Protection Agency ("EPA") which obligates the Corporation to design and construct facilities to monitor, extract and treat groundwater. A second consent decree is being finalized which will obligate the Corporation to fund the continued operation and maintenance of these facilities through the year 2018. As is common practice, at the time the 1991 consent decree was lodged, the EPA filed a suit with the United States

District Court for the Central District of California in order to provide that Court with jurisdiction over the Consent Decree. The Corporation filed an Answer and Counterclaim in March, 1997, in the EPA's suit asserting indemnity/contribution claims against the Government based upon the Government's ownership and operation of the former aircraft manufacturing facility. The same former facility is subject to a cleanup and abatement order from the California Regional Water Quality Board which requires site assessment and action to abate groundwater contamination through a combination of groundwater and soil cleanup and treatment. (See "Note 16 -Commitments and Contingencies" of the "Notes to Consolidated Financial Statements" on page 41 through page 42 of the 1997 Annual Report). On August 1, 1996, the Corporation consummated a settlement with a group of 1,350 residents living in the vicinity of the former facility. The settlement, valued at approximately \$67 million, resolved, without litigation, claims of personal injury and property damage asserted by the residents and alleged to be related to environmental contamination stemming from historical operations of the former facility. The Corporation settled the matter for business reasons after a lengthy mediation, without any admission of liability, notwithstanding its continuing position that the former facility does not and has not posed a risk to the community. As the result of publicity surrounding the

settlement, the Corporation has been named in two purported federal class action suits and a series of seventeen state actions on behalf of approximately 3,400 individual residents and former residents of Burbank alleging similar claims of personal injury, property damage and fear of future illnesses. As with its remediation activities relating to environmental matters, the Corporation has tendered these matters to its insurance carriers who have provided a defense but are contesting coverage.

Following the filing of the lawsuits against the Corporation in connection with its former aircraft manufacturing facility (In re Burbank Environmental Litigation), five similar "copycat" actions were filed against the Corporation in connection with the Corporation's former operations in Redlands, California (e.g., Carrillo v. LMC). More lawsuits are expected in the Redlands area.

The Corporation previously reported that Lockheed Martin Electro-Optical Systems was served with two grand jury subpoenas issued by the United States District Court for the Central District of California and two Department of Defense Inspector General's ("DOD IG") subpoenas all relating to the accounting treatment of contract payments received from the Government. The United States Attorney's Office for the Central District of California has advised the Corporation that it has closed its criminal investigation. The Government's civil investigation continues.

The Corporation previously reported that Lockheed Martin Electronics and Missiles was served with a DOD IG subpoena in connection with a Government investigation of allegations that the Corporation's proposal for the Paperless LANTIRN Automated Depot contract was defectively priced. The Government has advised the Corporation that this investigation has been closed.

As previously reported, on July 11, 1997, the Corporation was served with a grand jury subpoena issued by the United States District Court for the Western District of Tennessee, seeking documents related to the operation of the Milan Army Ammunition Plant. The Corporation has been informed that the subpoena is a continuation of a kickback investigation initiated in January 1994 and previously reported by the Corporation. The Department of Justice has advised the Corporation that it is no longer pursuing a criminal investigation of the Corporation. The Government's civil investigation of the Corporation continues. The Milan Army Ammunition Plant was operated by the Corporation's Armament Systems business which was sold to General Dynamics Corporation effective January 1, 1997. Under the terms of the agreement with General Dynamics, the Corporation retained responsibility for investigations of this type.

As previously reported, on July 7, 1995, the Corporation was served with a subpoena issued by the United States District Court for the Eastern District of New York seeking documents relating to

a number of programs conducted at Lockheed Martin Tactical Defense Systems - Great Neck. The Corporation has been provided minimal information concerning the focus of the investigation, but it appears to arise from anonymous complaints provided to the United States Government by employees about testing and quality control matters. The Corporation is unaware of any such issues and is cooperating in the Government's continuing investigation of this matter.

As previously reported, by letter dated September 21, 1995, the Corporation informed the DOD IG that the Corporation had become aware of certain potential accounting issues which the Corporation was investigating with respect to the LANTIRN program. Subsequently, the United States Attorney's Office for the Middle District of Florida advised the Corporation that a grand jury is investigating allegations of fraud in connection with certain LANTIRN program contracts. These allegations were first made in qui tam complaints filed against the Corporation and unsealed on July 16, 1996. In connection with its investigation, the Government has served two DOD IG subpoenas on the Corporation and six grand jury subpoenas on employees of the Corporation. The Corporation and its employees have responded to the subpoenas and the Government's investigation continues.

As previously reported, on January 23, 1996, Lockheed Martin Electronics & Missiles was served with a grand jury subpoena issued by the United States District Court for the Middle District of Florida at Jacksonville seeking documents related to the manufacture and testing of two circuit card assemblies used in the production of the Hellfire I missile for the U.S. Army. On July 24, 1996, a second grand jury subpoena was served on the Corporation related to the same subject matter and the Government's investigation of this matter is continuing.

As previously reported, on June 25, 1996, Lockheed Martin Engineering & Science Services was served with a grand jury subpoena issued by the United States District Court for the Southern District of Texas seeking documents related to two former employees of a predecessor company, Lockheed Engineering & Sciences Company (LESC), and pertaining to an investigation of cost accounting issues in connection with NASA service and support contracts. The United States Attorney's office for the Southern District of Texas has advised the Corporation that it has closed its criminal investigation. The Government's civil investigation continues.

As previously reported, on November 27, 1996, Lockheed Martin Tactical Defense Systems - Great Neck was served with a grand jury subpoena issued by the United States District Court for the Eastern

District of New York seeking documents related to tax and financial reporting issues and the outsourcing of quality tasks contained in various contract proposals. The Corporation expects this investigation to continue.

As previously reported, on February 6, 1997, three former employees of the Corporation were served with subpoenas ad testificandum (to testify) issued by a federal grand jury in Jackson, Tennessee. The individuals were employees of the Corporation's Armament Systems business which was sold to General Dynamics Corporation effective January 1, 1997. Under the terms of the agreement with General Dynamics, the Corporation retained responsibility for investigations of this type. The Corporation has cooperated within the Government's investigation.

As previously reported, on August 19, 1997, Lockheed Martin IMS was served with a grand jury subpoena issued by the United States District Court for the District of Columbia seeking documents relating to a procurement of parking meter and other services by the District of Columbia. The Corporation has cooperated with the Government's investigation.

The Corporation is involved in various other legal and environmental proceedings arising in the ordinary course of its business, but in the opinion of management and counsel in the Office of General Counsel of the Corporation the probability is remote that

the outcome of any such litigation or proceedings, whether specifically described above or referred to generally in this paragraph, will have a material adverse effect on the results of the Corporation's operations or its financial position.

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 1997. At a Special Meeting of Stockholders of the Corporation held on February 26, 1998 (the "Special Meeting"), the stockholders of the Corporation approved a proposal (the "Merger Proposal") to issue shares of Lockheed Martin Common Stock to stockholders of Northrop Grumman in connection with the Merger. The vote on the Merger Proposal was as follows:

For ---	Against/Withheld -----	Abstentions/Broker Non-votes -----
154,963,677	1,598,121	13,878,762

At the Special Meeting, the stockholders of the Corporation also approved a proposal (the "Charter Amendment Proposal") to amend the Charter of the Corporation to increase the number of authorized shares of Lockheed Martin Common Stock. The vote on the Charter Amendment Proposal was as follows:

For ---	Against/Withheld -----	Abstentions/Broker Non-votes -----
157,792,462	11,623,307	1,024,791

ITEM 4(a). EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers of Lockheed Martin Corporation are listed below. There were no family relationships among any of the executive officers and directors of the Corporation. All officers serve at the pleasure of the Board of Directors.

Name (Age at 12/31/97)	POSITIONS AND OFFICES HELD WITH CORPORATION (Year Elected)	PRINCIPAL OCCUPATION AND BUSINESS EXPERIENCE (Past Five Years)
Norman R. Augustine (62)	Chairman of the Board; Director (1995)	Chairman of Lockheed Martin since January 1997. Chief Executive Officer of Lockheed Martin from January, 1996 through August 1, 1997. Vice Chairman of Lockheed Martin from April to December 1996. President of Lockheed Martin from March 1995 to June 1996. Previously served as Chairman and Chief Executive Officer of Martin Marietta from 1988 to 1995; and director of Martin Marietta from 1986 to 1995.
Marcus C. Bennett (61)	Executive Vice President and Chief Financial Officer; Director (1995)	Executive Vice President and Chief Financial Officer of Lockheed Martin since July 1996; Senior Vice President and Chief Financial Officer of Lockheed Martin from March 1995 to July 1996. Previously served as Vice President and Chief Financial Officer of Martin Marietta from 1988 to 1995; and director of Martin Marietta from 1993 to 1995.
James A. Blackwell, Jr. (57)	Sector President and Chief Operating Officer - Aeronautics	President and Chief Operating Officer, Aeronautics Sector since March 1995; previously served in Lockheed as 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.

Melvin R. Brashears (52)	Sector President and Chief Operating Officer - Space & Strategic Missiles	President and Chief Operating Officer Space & Strategic Missiles Sector, since January 1996; Deputy, Space & Strategic Missiles Sector from November 1995 to December 1995; Executive Vice President of Lockheed Missiles & Space Company, Inc. from March 1995 to November 1995 and President of Lockheed Commercial Space Company; previously served in Lockheed Corporation as Vice President and Assistant General Manager, Space Systems Division, Lockheed Missiles & Space Company, Inc., from 1992 to 1995; Director of Advanced Space Programs, from 1991 to 1992.
Vance D. Coffman (53)	Chief Executive Officer and Vice Chairman; Director (1996)	Chief Executive Officer and Vice Chairman of Lockheed Martin since August 1997; President of Lockheed Martin 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 in 1988.
Thomas A. Corcoran (53)	Sector President and Chief Operating Officer - Electronics	President and Chief Operating Officer, Electronics Sector since March 1995; 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.
Philip J. Duke (52)	Vice President - Finance	Vice President Finance since July 1996; Chief Financial Officer, Space & Strategic Missiles Sector from March 1995 to July 1996; previously served as Vice President Finance, Martin Marietta from 1994 to 1995; Chief Financial Officer, Electronics Sector of Martin Marietta from 1993 to 1994; and Vice President Business Management of Martin Marietta from 1987 to 1993.

Arthur E. Johnson (51)	Sector President and Chief Operating Officer - Information & Services	President and Chief Operating Officer Information & Services Sector, since August 1997; President, Systems Integration Group from January to August, 1997; President, Lockheed Martin Federal Systems from January 1996 to January 1997; previously served as Vice President, Loral Federal Systems Group of Loral Corporation from 1994 to 1996 and President and Chief Operating Officer of IBM Federal Systems Division from 1992 to 1994.
Todd J. Kallman (41)	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 March 1995 to July 1995; previously served as Vice President Business Management, Lockheed Aeronautical Systems Company from 1994 to 1995; Vice President Finance, Lockheed Aeronautical Systems Company from 1992 to 1994.
Frank H. Menaker, Jr. (57)	Senior Vice President and General Counsel	Senior Vice President since July 1996; Vice President and General Counsel for Lockheed Martin Corporation March 1995 to July 1996, after having served in the same capacity for Martin Marietta Corporation since 1981.
Walter E. Skowronski (49)	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 (46)	Sector President and Chief Operating Officer - Energy & Environment	President and Chief Operating Officer, Energy and Environment Sector, since January 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 (55)

President and Chief
Operating Officer; Director
(1997)

President and Chief Operating Officer of Lockheed Martin since August 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 EQUITY AND RELATED STOCKHOLDER MATTERS

There were approximately 42,433 holders of record of Lockheed Martin Corporation Common Stock, \$1 par value, as of December 31, 1997. The Corporation's 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 Dividends Paid and Market Prices

Quarter -----	Dividends Paid		Market Price	
	1997	1996	High/Low Sales Prices	High/Low Sales Prices
	-----	-----	-----	-----
First	\$.40	\$.40	\$ 92.875/82	\$80.875/73.125
Second	.40	.40	105.25/78.25	86.75/73
Third	.40	.40	113.438/98.375	91.75/76.25
Fourth	.40	.40	108.438/88.125	96.625/85.25
Year	1.60	1.60	113.438/78.25	96.625/73

ITEM 6. SELECTED FINANCIAL DATA

The information required by this Item 6 is included under the caption "Consolidated Financial Data - Eight-Year Summary" on page 45 of the 1997 Annual Report, and that information is hereby 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 11 through page 24 of the 1997 Annual Report, and that information is hereby incorporated by reference in this Form 10-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Corporation does not hold or issue derivative financial instruments for trading purposes. The Corporation uses derivative financial instruments to manage its exposure to fluctuations in interest rates and foreign exchange rates. The aggregate value of derivative financial instruments held or issued by the Corporation is not material to the Corporation nor is the market risk posed. For additional discussion of the Corporation's use of such instruments see "Management's Discussion and Analysis of Financial Condition and Results of Operations, Other Matters" on page 24 of the 1997 Annual Report and "Note 1 - Summary of Significant Accounting Policies, Derivative financial instruments" of the Notes to Consolidated Financial Statements on page 32 of the Audited Financial Statements included in

the 1997 Annual Report, and that information is hereby 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" on page 27 through page 44 of the Audited Consolidated Financial Statements included in the 1997 Annual Report and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 11 through page 24 of the 1997 Annual Report. This information is hereby incorporated by reference in this Form 10-K.

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

Not applicable.

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 the Corporation's definitive Proxy Statement to be filed pursuant to Regulation 14A no later than March 23, 1998 (the "1998 Proxy Statement"), and that information is hereby 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 42 through page 45 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 1998 Proxy Statement and that information, except for the information required by Item 402(k) and 402(l) of Regulation S-K, is hereby 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 1998 Proxy Statement and that information is hereby incorporated by reference in this Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Not applicable.

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.

Page

The following financial statements of Lockheed Martin Corporation and consolidated subsidiaries, included in the 1997 Annual Report, are incorporated by reference into Item 8 on page 48 of this Annual Report on Form 10-K. Page numbers refer to the 1996 Annual Report:

Consolidated Statement of Earnings-- Years ended December 31, 1997, 1996 and 1995	27
Consolidated Statement of Cash Flows-- Years ended December 31, 1997, 1996 and 1995	28
Consolidated Balance Sheet-- December 31, 1997 and 1996	29
Consolidated Statement of Stockholders' Equity-- Years ended December 31, 1997, 1996 and 1995	30
Notes to Consolidated Financial Statements-- Years ended December 31, 1997, 1996 and 1995	31

(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.

The report of Lockheed Martin's independent auditors with respect to the above-referenced financial statements appears on page 26 of the 1997 Annual Report and that report is hereby incorporated by reference in this Form 10-K. The consent of Lockheed Martin's independent auditors appears as Exhibit 23 to 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 November 21, 1997.

During the first quarter of 1998, Lockheed Martin Corporation made the following filing on Form 8-K:

- (1) Lockheed Martin Corporation Current Report on Form 8-K filed with the Securities and Exchange Commission on January 21, 1998.

(c) Exhibits

- (2) Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession.

- (a) Agreement and Plan of Merger, dated as of July 2, 1997 (as amended as of September 27, 1997), by and among the Corporation, Hurricane Sub, Inc. and Northrop Grumman Corporation (incorporated by reference to the Registration Statement on Form S-4 (Reg. No. 333-44671) filed by the Corporation on January 22, 1998).

(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 through January 22, 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).

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) Format of the agreements between the Corporation and certain officers to provide for continuity of management in the event of a change in control of the Corporation (incorporated by reference to Exhibit 10.14 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with Commission on February 9, 1995).
- (b) 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).
- (c) Lockheed Martin Corporation Directors Deferred Stock Plan, as amended February 27, 1997.
- (d) 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).
- (e) Lockheed Martin Corporation Directors Deferred Compensation Plan, as amended February 27, 1997.
- (f) Martin Marietta Corporation Post-Retirement Income Maintenance Plan for Directors, as amended (incorporated by reference to Exhibit 10(iii)(b) to Martin Marietta Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1994).

- (g) Resolutions dated June 27, 1997 relating to Lockheed Martin Corporation Financial Counseling Program for directors, officers, company presidents, and other key employees, as amended.
- (h) Martin Marietta Corporation Executive Incentive Plan, as amended (incorporated by reference to Exhibit 10.7 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with Commission on February 9, 1995).
- (i) Deferred Compensation and Estate Supplement Plan, as amended (incorporated by reference to Exhibit 10(iii) (e) to Martin Marietta Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1994).
- (j) 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).
- (k) Martin Marietta Corporation 1979 Stock Option Plan for Key Employees, as amended (incorporated by reference to Exhibit 10.11 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 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 the Commission on February 9, 1995).

- (m) 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 the Commission on February 9, 1995).
- (n) 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 the Commission on February 9, 1995).
- (o) Martin Marietta Corporation Restricted Stock Award Plan, as amended (incorporated by reference to Exhibit 10.16 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with the Commission on February 9, 1995).

- (p) Martin Marietta Corporation Long Term Performance Incentive Compensation Plan (incorporated by reference to Exhibit 10(iii)(m) to Martin Marietta Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1994).
- (q) Amended and Restated Martin Marietta Corporation Long-Term Performance Incentive Compensation Plan (incorporated by reference to Exhibit 10(iii)(n) to Martin Marietta Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1994).
- (r) 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 the Commission on February 9, 1995).
- (s) 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 the Commission on February 9, 1995).
- (t) 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 the Commission on February 9, 1995).

- (u) Form of Retention Agreement, including Addendum.
- (v) Martin Marietta Corporation Deferred Compensation Plan for Selected Officers, as amended June 27, 1997.
- (w) 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).
- (x) 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).
- (y) 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).
- (z) Lockheed Corporation 1982 Employee Stock Purchase Program, as amended (incorporated by reference to Exhibit 10.24 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with the Commission on February 9, 1995).

- (aa) 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).
- (bb) 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).
- (cc) 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).
- (dd) Long-Term Performance Plan of Lockheed Corporation and its Subsidiaries (incorporated by reference to Exhibit 10.28 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with the Commission on February 9, 1995).
- (ee) Lockheed Martin Corporation Supplemental Savings Plan, as amended and restated effective January 1, 1997.

- (ff) 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).
- (gg) 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).
- (hh) Form of Lockheed Corporation Termination Benefits Agreement effective January 1, 1991 (included in Form 8, Amendment No. 1 to Exhibit 28 of Form 8-K dated November 5, 1990 of Lockheed Corporation and incorporated herein by reference).
- (ii) 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).
- (jj) 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).
- (kk) 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).

- (ll) Lockheed Martin Corporation Directors Charitable Award Plan (incorporated by reference to Exhibit 10(o) to Lockheed Martin Corporation's Annual Report on Form 10-K for the year ended December 31, 1996).
- (mm) 1983 Stock Option Plan (incorporated by reference from Loral Corporation's 1983 Proxy Statement).
- (nn) Amendment to the 1983 Stock Option Plan (incorporated by reference from Loral Corporation's Form 10-K for the fiscal year ended March 31, 1986, Exhibit 10.11).
- (oo) Amended 1986 Stock Option Plan (incorporated by reference from Loral Corporation's Form 10-Q for the quarter ended June 30, 1988, Exhibit 10.1).
- (pp) Amendment to the 1983 and 1986 Stock Option Plans (incorporated by reference from Loral Corporation's Form 10-K for the fiscal year ended March 31, 1990, Exhibit 10.8).
- (qq) 1991 Amendment to the 1986 Stock Option Plan (incorporated by reference from Loral Corporation's Form 10-K for the fiscal year ended March 31, 1991, Exhibit 10.9).
- (rr) Loral Corporation Incentive Compensation Plan for Senior Executives (incorporated

by reference from Loral Corporation's 1994 Proxy Statement).

- (ss) 1994 Stock Option and Incentive Stock Purchase Plan (incorporated by reference from Loral Corporation's 1994 Proxy Statement).
- (tt) Loral Corporation Restricted Stock Purchase Plan (incorporated by reference from Loral Corporation's Form 8-K dated May 13, 1987, Exhibit 10.28).
- (uu) Amendment to the Loral Corporation Restricted Stock Purchase Plan (incorporated by reference from Loral Corporation's Form 10-Q for the quarter ended June 30, 1987, Exhibit 10.2).
- (vv) Restated Employment Agreement between Loral Corporation and Bernard L. Schwartz, dated as of April 1, 1990 (incorporated by reference from Loral Corporation's Form 10-K for the fiscal year ended March 31, 1990, Exhibit 10.11).
- (ww) Extension and Modification Agreement between Loral Corporation and Bernard L. Schwartz dated as of June 14, 1994 (incorporated by reference from Loral Corporation's Form 10-K for the fiscal year ended March 31, 1995, Exhibit 10.11).
- (xx) Split-dollar life insurance agreement with Bernard L. Schwartz, dated as of March 15, 1990 (incorporated by reference from Loral Corporation's Form 10-K for the fiscal year ended March 31, 1991, Exhibit 10.13).
- (yy) Split-dollar life insurance agreement with Bernard L. Schwartz, dated as of

December 10, 1990 (incorporated by reference from Loral Corporation's Form 10-K for the fiscal year ended March 31, 1991, Exhibit 10.14).

(zz) Employment Contract between Loral Corporation and Frank C. Lanza, dated as of April 1, 1987 (incorporated by reference from Loral Corporation's Form 10-Q for the quarter ended June 30, 1987, Exhibit 10.1 and Form 10-K for the fiscal year ended March 31, 1982, Exhibit 10.11).

(aaa) Amendment to Employment Contract between Loral Corporation and Frank C. Lanza, dated as of March 31, 1988 (incorporated by reference from Loral Corporation's Form 10-K for the fiscal year ended March 31, 1988, Exhibit 10.19).

(bbb) Amendment to Employment Contract between Loral Corporation and Frank C. Lanza, dated as of March 21, 1990 (incorporated by reference from Loral Corporation's Form 10-K for the fiscal year ended March 31, 1990, Exhibit 10.16).

(ccc) Amendment to Employment Contract between Loral Corporation and Frank C. Lanza, dated as of April 1, 1992 (incorporated by reference from Loral Corporation's Form 10-K for the fiscal year ended March 31, 1992, Exhibit 10.17).

(ddd) Modification Agreement between Loral Corporation and Frank C. Lanza dated as of June 14, 1994 (incorporated by reference from Loral Corporation's Form 10-K for the fiscal year ended March 31, 1995, Exhibit 10.18).

(eee) Split-dollar life insurance agreement with Frank C. Lanza, dated as of August

5, 1985 (incorporated by reference from Loral Corporation's Form 10-K for the fiscal year ended March 31, 1991, Exhibit 10.18).

- (fff) 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).
- (ggg) Loral Corporation Supplemental Bonus Plan (incorporated by reference to Exhibit 99.3 of the Schedule 14D-9 filed by Loral Corporation with the Commission on January 16, 1996).
- (hhh) Loral Corporation Supplemental Severance Program (incorporated by reference to Exhibit 99.4 of the Schedule 14D-9 filed by Loral Corporation with the Commission on January 16, 1996).
- (iii) Form of Employment Protection Agreement between Loral Corporation and Executives of Loral (incorporated by reference to Exhibit 99.5 of the Schedule 14D-9 filed by Loral Corporation with the Commission on January 16, 1996).
- (jjj) Loral Corporation Employment Protection Plan (incorporated by reference to Exhibit 99.6 of the Schedule 14D-9 filed by Loral Corporation with the Commission on January 16, 1996).
- (kkk) Amendment to Lockheed Martin Corporation Supplemental Excess Retirement Plan (incorporated by reference to Exhibit 10(nnn) of the Corporation's Annual Report in Form 10-K for the year ended December 31, 1996).
- (lll) Amendment to Terms of Outstanding Stock Option Relating to Exercise Period for Employees of Divested Business (incorporated by reference to Exhibit 10(ooo) of the Corporation's Annual Report on Form 10-K for the year ended December 31, 1996).

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

(nnn) Lockheed Martin Corporation Directors Retirement Plan, as amended (incorporated by reference to Exhibit 10 (qqq) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1996).

(ooo) Deferred Performance Payment Plan of Lockheed Martin Corporation Space & Strategic Missiles Sector.

(ppp) Resolutions of Board of Directors of Lockheed Martin Corporation dated June 27, 1997 amending Lockheed Martin Non-Qualified Pension Plans.

* Exhibits (10) (a) through (10) (c) and 10 (e) through 10 (ppp) 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, 1997.

(13) 1997 Annual Report to Security Holders (including an appendix describing graphic and image material). Those portions of the 1997 Annual Report to Security Holders which are not incorporated by reference in this Annual Report on Form 10-K shall not be deemed "filed" as part of this Report.

- (21) List of Subsidiaries of Lockheed Martin Corporation.
- (23) Consent of Ernst & Young LLP.
- (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 18, 1998

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*	Chief Executive	March 18, 1998

VANCE D. COFFMAN	Officer, Vice Chairman and Director	
/s/Marcus C. Bennett*	Executive Vice President,	March 18, 1998

MARCUS C. BENNETT	Chief Financial Officer and Director	
/s/Todd J. Kallman*	Chief Accounting Officer	March 18, 1998

TODD J. KALLMAN		
/s/Norman R. Augustine*	Director	March 18, 1998

NORMAN R. AUGUSTINE		

SIGNATURES	TITLE	DATE
/s/Lynne V. Cheney* ----- LYNNE V. CHENEY	Director	March 18, 1998
/s/Houston K. Flournoy* ----- HOUSTON K. FLOURNOY	Director	March 18, 1998
/s/James F. Gibbons* ----- JAMES F. GIBBONS	Director	March 18, 1998
/s/Edward E. Hood, Jr.* ----- EDWARD E. HOOD, JR.	Director	March 18, 1998
/s/Caleb B. Hurtt* ----- CALEB B. HURTT	Director	March 18, 1998
/s/Gwendolyn S. King* ----- GWENDOLYN S. KING	Director	March 18, 1998
/s/Vincent N. Marafino* ----- VINCENT N. MARAFINO	Director	March 18, 1998
/s/Eugene F. Murphy* ----- EUGENE F. MURPHY	Director	March 18, 1998
/s/Allen E. Murray* ----- Allen E. Murray	Director	March 18, 1998
/s/Frank Savage* ----- FRANK SAVAGE	Director	March 18, 1998
/s/Peter B. Teets ----- PETER B. TEETS	Director	March 18, 1998

SIGNATURES -----	TITLE -----	DATE -----
/s/Daniel M. Tellep* ----- DANIEL M. TELLEP	Director	March 18, 1998
/s/Carlisle A.H. Trost* ----- CARLISLE A.H. TROST	Director	March 18, 1998
/s/James R. Ukropina* ----- JAMES R. UKROPINA	Director	March 18, 1998
/s/Douglas C. Yearley* ----- DOUGLAS C. YEARLEY	Director	March 18, 1998
*By: /s/ STEPHEN M. PIPER ----- (Stephen M. Piper, Attorney-in-fact**)		March 18, 1998

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

L O C K H E E D M A R T I N C O R P O R A T I O N

B Y - L A W S

ADOPTED AUGUST 26, 1994
(AMENDED FEBRUARY 6, 1995)
(AMENDED APRIL 27, 1995)
(AMENDED SEPTEMBER 28, 1995)
(AMENDED JANUARY 1, 1996)
(AMENDED JANUARY 7, 1996)
(AMENDED APRIL 25, 1996)
(AMENDED JANUARY 23, 1997)
(AMENDED SEPTEMBER 25, 1997)
(AMENDED OCTOBER 23, 1997)
(AMENDED JANUARY 22, 1998)

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LOCKHEED MARTIN CORPORATION

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BYLAWS
OF
LOCKHEED MARTIN CORPORATION

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

ARTICLE I
STOCKHOLDERS

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

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

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

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

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

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

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

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

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

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

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

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

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

No such Inspector need be a stockholder of the Corporation.

SECTION 1.11. DIRECTOR NOMINATIONS AND STOCKHOLDER BUSINESS.

(a) Nominations and Stockholder Business at Annual Meetings of

Stockholders. Nominations of persons for election to the Board of Directors of

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

For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (iii) of paragraph (a) of this Section 1.11, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not less than sixty (60) days nor more than ninety (90) days prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced by more than thirty (30) days or delayed by more than sixty (60) days from such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the 90th day prior to such annual meeting and not later than the close of business on the later of the 60th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made. Such stockholder's notice shall set forth (i) as to each person whom the stockholder proposes to nominate for election or reelection as a director, (A) the name, age, business address and residence address of such person, (B) the class and number of shares of capital stock of the Corporation that are beneficially owned by such person, and (C) all other information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A (or any successor provision) under the Securities Exchange Act of 1934, as

amended (the "Exchange Act") (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (ii) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (iii) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made, the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner and the class and number of shares of stock of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner.

Notwithstanding anything in this paragraph (a) of this Section 1.11 to the contrary, in the event that Section 2.02 of these Bylaws is amended, altered or repealed so as to increase or decrease the maximum or minimum number of directors and there is no public announcement of such action at least seventy (70) days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Section 1.11(a) shall also be considered timely, but only with respect to nominees for director, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the Corporation.

(b) Director Nominations and Stockholder Business at Special Meetings of

Stockholders. Only such business shall be conducted at a special meeting of

stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of meeting (i) by or at the direction of the Board of Directors or (ii) provided that the Board of Directors has determined that directors shall be elected at such special meeting, by any stockholder of the Corporation who is a stockholder of record at the time of giving of notice provided for in this Section 1.11, who is entitled to vote at the meeting and who complied with the notice procedures set forth in this Section 1.11. In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board, any such stockholder may nominate a person or persons (as the case may be) for election to such position(s) as specified in the Corporation's notice of meeting, if the stockholder's notice required by paragraph (a) of this Section 1.11 shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the 90th day prior to such special meeting and not later than the close of business on the later of the 60th day prior to such special meeting or the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting.

(c) General. Only such persons who are nominated in accordance with the

procedures set forth in this Section 1.11 shall be eligible to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 1.11. The presiding officer of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made in accordance with the procedures set forth in this Section 1.11 and, if

any proposed nomination or business is not in compliance with this Section 1.11, to declare that such defective nomination or proposal be disregarded.

For purposes of this Section 1.11, "public announcement" shall mean disclosure in a press release reported by the Dow Jones New Service, Associated Press or comparable news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Sections 13, 14 or 15(d) of the Exchange Act.

Notwithstanding the foregoing provisions of this Section 1.11, a stockholder shall also comply with all applicable requirements of state law and of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 1.11. Nothing in this Section 1.11 shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 (or any successor provision) under the Exchange Act.

ARTICLE II

BOARD OF DIRECTORS

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

SECTION 2.02. NUMBER OF DIRECTORS. The number of directors of the Corporation shall be not less than four (4) nor more than twenty-five (25). By vote of a majority of the Board of Directors, the number of directors may be increased or decreased, from time to time, within the limits above specified; provided, however, that except as set forth in the Charter of the Corporation, the tenure of office of a director shall not be affected by any decrease in the number of directors so made by the Board.

SECTION 2.03. ELECTION OF DIRECTORS. Except as set forth in the Charter of the Corporation, the members of the Board of Directors shall be elected each year at the annual meeting of stockholders, and each director shall hold office until the next annual meeting of stockholders held after his or her election and until his or her successor will have been elected and qualified. No person, other than a person granted an exemption from this provision by the Board of Directors, shall be eligible to be elected as a director for a term which expires after the first annual meeting of stockholders after he or she reaches the age of 70 years.

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

SECTION 2.05. VICE CHAIRMEN. The Board of Directors shall designate from its membership no more than two Vice Chairmen of the Board, who shall perform such functions and duties as requested by the Chairman of the Board.

SECTION 2.06. REMOVAL. Any director or the Board of Directors may be removed from office as a director at any time, but only for cause, by the affirmative vote at a duly called meeting of stockholders of at least 80% of the votes which all holders of the then outstanding shares of capital stock of the Corporation would be entitled to cast at an annual election of directors, voting together as a single class.

SECTION 2.07. VACANCIES. Vacancies in the Board of Directors, except for vacancies resulting from an increase in the number of directors, shall be filled only by a majority vote of the remaining directors then in office, though less than a quorum, except that vacancies resulting from removal from office by a vote of the stockholders may be filled by the stockholders at the same meeting at which such removal occurs. Vacancies resulting from an increase in the number of directors shall be filled only by a majority vote of the Board of Directors. Any director elected to fill a vacancy shall hold office until the next annual meeting of stockholders and until his or her successor will have been elected and qualified.

SECTION 2.08. REGULAR MEETINGS. After each meeting of stockholders at which a Board of Directors, or any class thereof, shall have been elected, the Board of Directors shall meet as soon as practicable for the purpose of organization and the transaction of other business, at such time and place within or without the State of Maryland as may be designated by the Board of Directors. Other regular meetings of the Board of Directors shall be held on such dates and at such places within or without the State of Maryland as may be designated from time to time by the Board of Directors.

SECTION 2.09. SPECIAL MEETINGS. Special meetings of the Board of Directors may be called at any time, at any place, and for any purpose by the Chairman of the Board, the Chief Executive Officer, the Chairman of the Executive Committee, any three (3) directors, or by any officer of the Corporation upon the request of a majority of the Board.

SECTION 2.10. NOTICE OF MEETINGS. Notice of the place, day, and hour of every regular and special meeting of the Board of Directors shall be given to each director twenty-four (24) hours (or more) before the meeting, by telephoning the notice to such director, or by delivering the notice to him or her personally, or by sending the notice to him or her by telegraph, or by facsimile, or by leaving the notice at his or her residence or usual place of business, or, in the alternative, by mailing such notice three (3) days (or more) before the meeting, postage prepaid, and addressed to him or her at his or her last known post office address, according to the records of the Corporation. If mailed, such notice shall be deemed to be given when deposited in the United States mail, properly addressed, with postage thereon prepaid. If notice be given by telegram or by facsimile, such notice shall be deemed to be given when the telegram is delivered to the telegraph company or when the facsimile is transmitted. If the notice be given by telephone or by personal delivery, such notice shall be deemed to be given at the time of the communication or delivery.

Unless required by these Bylaws or by resolution of the Board of Directors, no notice of any meeting of the Board of Directors need state the business to be transacted thereat. No notice of any meeting of the Board of Directors need be given to any director who attends or to any director who, in a writing executed and filed with the records of the meeting either before or after the holding thereof, waives such notice. Any meeting of the Board of Directors, regular or special, may adjourn from time to time to reconvene at the same or some other place, and no further notice need be given of any such adjourned meeting.

SECTION 2.11. PRESENCE AT MEETING. Members of the Board, or of any committee thereof, may participate in a meeting by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other at the same time. Participation in this manner shall constitute presence in person at the meeting.

SECTION 2.12. PRESIDING OFFICER AND SECRETARY AT MEETINGS. Each meeting of the Board of Directors shall be presided over by the Chairman of the Board of Directors or in his or her absence by the Chief Executive Officer or if neither is present by such member of the Board of Directors as shall be chosen by the meeting. The Secretary, or in his or her absence an Assistant Secretary, shall act as secretary of the meeting, or if no such officer is present, a secretary of the meeting shall be designated by the person presiding over the meeting.

SECTION 2.13. QUORUM. At all meetings of the Board of Directors, a majority of the Board of Directors shall constitute a quorum for the transaction of business. Except in cases in which it is by statute, by the Charter, or by the Bylaws otherwise provided, the vote of a majority of such quorum at a duly constituted meeting shall be sufficient to pass any measure. In the absence of a quorum, the directors present by majority vote and without notice other than by announcement may adjourn the meeting from time to time until a quorum shall be present. At any such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally notified.

SECTION 2.14. COMPENSATION. Directors shall not receive any stated salary for their services as Directors but, by resolution of the Board of Directors, annual retainers, fees and expenses of attendance, if any, may be provided to Directors for attendance at each annual, regular or special meeting of the Board of Directors or of any committee thereof; but nothing contained herein shall be construed to preclude any Director from serving the Corporation in any other capacity and receiving compensation therefor.

SECTION 2.15. VOTING OF SHARES BY CERTAIN HOLDERS. Notwithstanding any other provision of the Charter of the Corporation or these Bylaws, Title 3, Subtitle 7 of the Corporations and Associations Article of the Annotated Code of Maryland (or any successor statute) shall not apply to any acquisition by General Electric Company of shares of stock of the Corporation.

ARTICLE III

COMMITTEES

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

SECTION 3.02. FINANCE COMMITTEE. The Board of Directors by resolution adopted by a majority of the Board of Directors may provide for a Finance Committee of three (3) or more directors. If provision is made for a Finance Committee, the members of the Finance Committee shall be elected by the Board of Directors to serve at the pleasure of the Board of Directors. The Board of Directors shall designate from among the membership of the Finance Committee a chairman. During the intervals between the meetings of the Board of Directors, the Finance Committee shall, except when such powers are by statute or the Charter or the Bylaws either reserved to the full Board of Directors or delegated to another committee of the Board of Directors, possess and may exercise all of the powers of the Board of Directors in the management of the financial affairs of the Corporation, including but not limited to establishing bank lines of credit or other short-term borrowing arrangements and investing excess working capital funds on a short-term basis. The Finance Committee will review the financial condition of the Corporation, the financial impact of all benefit plans and all proposed changes to the capital structure of the Corporation, including the incurrence of long-term indebtedness and the issuance of additional equity securities, and will make suitable recommendations to the Board of Directors. It will likewise review on an annual basis the proposed capital expenditure and contributions budgets of the Corporation and make recommendations to the Board of Directors for their adoption. It will monitor the financial impact of all trustee benefit plans sponsored by the Corporation and of any amendments or modifications thereto and will monitor the performance of the assets and administration of the Corporation's trustee benefit plans. All action by the Finance Committee shall be reported to the Board of Directors at its meeting next succeeding such action and shall be subject to revision and alteration by the Board of Directors. Vacancies in the Finance Committee shall be filled by the Board of Directors.

SECTION 3.03. AUDIT AND ETHICS COMMITTEE. The Board of Directors by resolution adopted by a majority of the Board of Directors shall provide for an Audit and Ethics Committee of three or more directors who are not officers or employees of the Corporation, and who otherwise independent of management and free from any relationship that, in the opinion of the Board of Directors, would interfere with the exercise of the independent judgment of each member as a Committee member. The members of the Audit and Ethics Committee shall be

elected by the Board of Directors to serve at the pleasure of the Board of Directors. The Board of Directors shall designate from among the membership of the Audit and Ethics Committee a chairman. The Audit and Ethics Committee shall, except when such powers are by statute or the Charter or the Bylaws either reserved to the full Board of Directors or delegated to another committee of the Board of Directors, possess and may exercise the powers of the Board of Directors relating to all accounting and auditing matters of this Corporation. The Audit and Ethics Committee shall recommend to the Board of Directors the selection of and monitor the independence of the independent public accountants for this Corporation and prior to the end of the Corporation's fiscal year shall review the scope and timing of the work to be performed and the compensation to be paid to the accountants selected by the Board; review with the Corporation's management and the independent public accountants the financial accounting and reporting principles appropriate for the Corporation, the policies and procedures concerning audits, accounting and financial controls, and any recommendations to improve existing practices, and the qualifications and work of the Corporation's internal auditing staff; review with the Corporation's independent public accountants the results of their audit and their report including any changes in accounting principles and any significant amendments; and shall meet with the Corporation's internal audit department representative to review the plan and scope of work of the internal auditing staff. The Committee shall hold quarterly meetings, and shall separately meet in executive session, with the Corporation's independent public accountants and internal audit department representative to review and resolve all matters of concern presented to the Committee. The Committee shall monitor compliance with the Code of Ethics and Standards of Conduct and shall review and resolve all matters of concern presented to it by the Corporate Ethics Committee or the Corporate Ethics Office. The Committee shall review and monitor the adequacy of the Corporation's policies and procedures, as well as the organizational structure, for ensuring compliance with environmental, health and safety laws and regulations; review, at least annually, the Corporation's record of compliance with any environmental, health and safety laws and regulations and the policies and procedures relating thereto; review with the Corporation's management significant environmental, health and safety litigation and regulatory proceedings in which the Corporation is or may become involved; and review the accounting and financial reporting issues, including the adequacy of disclosure, for all environmental matters. The Committee shall have the power to investigate any matter falling within its jurisdiction, and it shall also perform such other functions and exercise such other powers as may be delegated to it from time to time by the Board of Directors. All action by the Audit and Ethics Committee shall be reported to the Board of Directors at its meeting next succeeding such action and shall be subject to revision and alteration by the Board of Directors. Vacancies in the Audit and Ethics Committee shall be filled by the Board of Directors.

SECTION 3.04(A). COMPENSATION COMMITTEE. The Board of Directors by resolution adopted by a majority of the Board of Directors may provide for a Compensation Committee of three (3) or more directors who are not officers or employees of the Corporation. If provision is made for a Compensation Committee, the members of the Compensation Committee shall be elected by the Board of Directors to serve at the pleasure of the Board of Directors. The Board of Directors shall designate from among the membership of the Compensation Committee a chairman. The Compensation Committee shall recommend to the Board of Directors the compensation to be paid for services of senior elected officers of the Corporation as established by

resolution of the Board of Directors from time to time. The Compensation Committee shall have the power to fix the compensation of all other elected officers and to approve the benefits provided by any bonus, supplemental, and special compensation plans, including pension, insurance, and health plans, but excluding performance-based executive compensation plans, and such powers as are by statute or the Charter or the Bylaws reserved to the full Board of Directors. The Compensation Committee shall also perform such other functions and exercise such other powers as may be delegated to it from time to time by the Board of Directors. All action by the Compensation Committee shall be reported to the Board of Directors at its meeting next succeeding such action and shall be subject to revision and alteration by the Board of Directors. Vacancies in the Compensation Committee shall be filled by the Board of Directors.

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

SECTION 3.05. NOMINATING COMMITTEE. The Board of Directors by resolution adopted by a majority of the Board of Directors may provide for a Nominating Committee of three (3) or more Directors who are not officers or employees of the Corporation. If provision is made for a Nominating Committee, the members of the Nominating Committee shall be elected by the Board of Directors to serve at the pleasure of the Board of Directors. The Board of Directors shall designate from among the membership of the Nominating Committee a committee chairman. The Nominating Committee shall make recommendations to the Board of Directors concerning the fees and compensation for directors, the composition of the Board including its size and the qualifications for membership, and the Nominating Committee shall recommend to the Board of Directors nominees for election to fill any vacancy occurring in the Board and to fill new positions created by an increase in the authorized number of directors of the Corporation. Annually the Nominating Committee shall recommend to the Board of Directors a slate of directors to serve as management's nominees for election by the stockholders at the annual meeting. Vacancies in the Nominating Committee shall be filled by the Board of Directors.

SECTION 3.06. OTHER COMMITTEES. The Board of Directors may by resolution provide for such other standing or special committees, composed of two (2) or more directors, and

discontinue the same at its pleasure. Each such committee shall have such powers and perform such duties, not inconsistent with law, as may be assigned to it by the Board of Directors.

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

ARTICLE IV

OFFICERS

SECTION 4.01. EXECUTIVE OFFICERS -- ELECTION AND TERM OF OFFICE. The Executive Officers of the Corporation shall be a Chief Executive Officer, a President, such number of Vice Presidents as the Board of Directors may determine, a Secretary and a Treasurer. The Chief Executive Officer and the President shall be chosen from among the Directors. The Executive Officers shall be elected annually by the Board of Directors at its first meeting following each annual meeting of stockholders and each such officer shall hold office until the corresponding meeting of the Board of Directors in the next year and until his or her successor shall have been duly chosen and qualified or until his or her death or until he or she shall have resigned, or shall have been removed from office in the manner provided in this Article IV. Any vacancy in any of the above offices may be filled for the unexpired portion of the term by the Board of Directors at any regular or special meeting.

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

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

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

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

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

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

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

SECTION 4.09. WHEN DUTIES OF AN OFFICER MAY BE DELEGATED. In the case of the absence or disability of an officer of the Corporation or for any other reason that may

seem sufficient to the Board of Directors, the Board of Directors, or any officer designated by it, may, for the time being, delegate such officer's duties and powers to any other person.

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

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

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

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

ARTICLE V

STOCK

SECTION 5.01. CERTIFICATES. Each stockholder shall be entitled to a certificate or certificates which shall represent and certify the number and kind of shares of stock owned by him or her in the Corporation. Such certificates shall be signed by the Chairman of the Board and countersigned by the Secretary or an Assistant Secretary, and sealed with the seal of the Corporation or a facsimile of such seal. Stock certificates shall be in such form, not inconsistent with law or with the Charter, as shall be approved by the Board of Directors. When certificates for stock of any class are countersigned by a transfer agent, other than the Corporation or its employee, or by a registrar, other than the Corporation or its employee, any other signature on such certificates may be a facsimile. In case any officer of the Corporation who has signed any certificate ceases to be an officer of the Corporation, whether because of death, resignation or otherwise, before such certificate is issued, the certificate may nevertheless be issued and delivered by the Corporation as if the officer had not ceased to be such officer as of the date of its issue.

SECTION 5.02. TRANSFER OF SHARES. Shares of stock shall be transferable only on the books of the Corporation only by the holder thereof, in person or by duly authorized attorney, upon the surrender of the certificate representing the shares to be transferred, properly endorsed.

The Board of Directors shall have power and authority to make such other rules and regulations concerning the issue, transfer and registration of certificates of stock as it may deem expedient.

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

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

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

SECTION 5.06. NEW CERTIFICATES. In case any certificate of stock is lost, stolen, mutilated or destroyed, the Board of Directors may authorize the issue of a new certificate in place thereof upon such terms and conditions as it may deem advisable; or the Board of Directors may delegate such power to any officer or officers or agents of the Corporation; but the Board of Directors or such officer or officers, in their discretion, may refuse to issue such new certificate save upon the order of some court having jurisdiction in the premises.

ARTICLE VI

INDEMNIFICATION

SECTION 6.01. INDEMNIFICATION OF DIRECTORS, OFFICERS, AND EMPLOYEES. The Corporation shall indemnify and hold harmless to the fullest extent permitted by, and under, applicable law as it presently exists and as is further set forth in Section 6.02 below or as may hereafter be amended any person who is or was a director, officer or employee of the Corporation or who is or was serving at the request of the Corporation as a director, officer or employee of another corporation or entity (including service with employee benefit plans), who by

reason of this status or service in that capacity was, is, or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative, or investigative. Such indemnification shall be against all liability and loss suffered and expenses (including, but not limited to, attorneys' fees, judgments, fines, penalties, and amounts paid in settlement) actually and reasonably incurred by the individual in connection with such proceeding; provided, however, that the Corporation shall not be required to indemnify a person in connection with an action, suit or proceeding initiated by such person unless the action, suit or proceeding was authorized by the Board of Directors of the Corporation.

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

(i) The act or omission of the individual was material to the matter giving rise to the proceeding; and

(1) Was committed in bad faith; or

(2) Was the result of active and deliberate dishonesty; or

(ii) The individual actually received an improper personal benefit in money, property, or services; or

(iii) In the case of any criminal proceeding, the individual had reasonable cause to believe that the act or omission was unlawful.

SECTION 6.03. ADVANCE PAYMENT OF EXPENSES. The Corporation shall pay or reimburse reasonable expenses in advance of a final disposition of the proceeding and without requiring a preliminary determination of the ultimate entitlement to indemnification provided that the individual first provides the Corporation with: (a) a written affirmation of the individual's good faith belief that the individual meets the standard of conduct necessary for indemnification under the laws of the State of Maryland; and (b) a written undertaking by or on behalf of the individual to repay the amount advanced if it shall ultimately be determined that the applicable standard of conduct has not been met.

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

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

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

ARTICLE VII

SUNDRY PROVISIONS

SECTION 7.01. SEAL. The corporate seal of the Corporation shall bear the name of the Corporation and the words "Incorporated 1994 Maryland" and "Corporate Seal."

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

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

C E R T I F I C A T E A S T O B Y L A W S

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

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

Vice President and Secretary

CORPORATE SEAL

LOCKHEED MARTIN CORPORATION
DIRECTORS DEFERRED STOCK PLAN

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

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.

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.

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. In the event that the Board of Directors decides to terminate this Plan, it shall notify the Directors of its action in an instrument in writing, and this Plan shall be terminated at the time therein set forth, and all Directors shall be bound thereby.

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.

LOCKHEED MARTIN CORPORATION
DIRECTORS DEFERRED COMPENSATION PLAN

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

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.

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

Director means 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.

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.

5.5 Status of Certain Directors. 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.

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

ADMINISTRATION, AMENDMENT AND TERMINATION

6.1 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.

6.2 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 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. 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.

7.2 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.

7.3 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.

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 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.

7.6 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.

7.7 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.

7.8 Effective Date. This Plan shall become effective on March 15, 1995.

7.9 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.

Resolution No. 57

Lockheed Martin Corporation
Board of Directors
May 25, 1995: Amended June 27, 1997

Re: Benefits for Elected Officers (Post-Retirement Death Benefit Plan,
Financial Counseling, Personal Liability Insurance, Accidental Death and
Dismemberment Coverage and Other Incidental Benefits)

RESOLVED, That the Chairman and Chief Executive Officer and the President be and each is hereby authorized, with authority to delegate such authorization, to adopt for the benefit of elected officers of the Corporation a post-retirement death benefit plan paying benefits in the amount of one and one-half times base salary at retirement, except that officers who do not waive their rights to post retirement death benefits under the Martin Marietta Corporation Post Retirement Death Benefit Plan for Senior Executives or the Lockheed Corporation Post Retirement Death Benefit Plan, as appropriate, will not be eligible for the plan.

RESOLVED, That the Chairman and Chief Executive Officer and the President be and each is hereby authorized, with authority to delegate such authorization, to adopt a financial counseling program which provides reimbursement to elected officers and Presidents of Operating Companies of the Corporation for financial counseling up to 3-1/2% of base salary as of the first pay period of the year in which the expense is incurred or \$10,000, whichever is less, and reimbursement to appointed Vice Presidents of \$2,000 annually; provided however, that during 1995, officers and vice presidents who continue to receive reimbursement for similar expenses under existing

Martin Marietta Corporation and Lockheed Corporation programs shall not be eligible to receive reimbursements.

RESOLVED FURTHER, That the Chairman and Chief Executive Officer and the President be and each is hereby authorized, with authority to delegate such authorization, to adopt for the benefit of elected officers (i) personal liability insurance coverage while employed as an officer of \$5,000,000; and (ii) accidental death and dismemberment coverage while employed as an officer of \$1,000,000; and to adopt for elected officers and senior management employees such other incidental benefits and non-cash compensation as is consistent with the presentation made to the Committee on such matters and for which no significant long term liabilities for the Corporation are created.

RESOLVED FURTHER, That the officers of the Corporation be and each hereby is authorized, with the power to delegate such authorization, to execute and deliver such instruments and documents, to do all such other acts and things, and to take all such further steps as are deemed necessary or advisable or convenient or proper in order to fully carry out the intent of the foregoing resolutions.

AMENDED JUNE 27, 1997:

RESOLVED, That effective this date, the Financial Counseling Program for Elected Officers shall be further modified to extend the program for elected officers to allow for participation one year following the year in which the officer's retirement occurs.

RETENTION AGREEMENT

AGREEMENT entered into effective as of November 1, 1997 between Lockheed Martin Corporation (the "Corporation") and [] (the "Executive").

Whereas the Corporation wishes to assure that it retains the continued services of the Executive for the strategically important [] competition, the Corporation and Executive agree as follows:

1. RETENTION PERIOD

This Agreement shall become effective as of November 1, 1997, and shall end on December 31, 2001. The period during which this Agreement is effective shall be known as the "Retention Period."

2. NATURE OF EMPLOYMENT

During the Retention Period the Executive agrees to continue to perform and discharge faithfully his duties as the []. The Executive agrees to devote his full attention to the business of the Corporation and shall not engage in any other business activity whether or not that business activity is pursued for gain, profit or other pecuniary advantage.

3. RETENTION BONUS

In addition to the compensation and benefits otherwise payable to the Executive, the Executive is eligible to receive a Retention Bonus in accordance with the following terms and conditions:

a. Completion of Retention period and [] Win.

Subject to Section 3(d), if the Executive remains employed through the completion of the Retention Period and the Company wins the [] competition, the Executive will receive a lump-sum retention bonus equal to two times Base Salary and Average Bonus. The retention bonus shall be paid as soon as practicable following completion of the Retention Period.

b. Completion of Retention Period and [] Loss.

If the Executive remains employed through the completion of the Retention Period and the Corporation does not win the [] competition, he will receive a lump-sum retention bonus equal to the amount calculated in Section 3(a), reduced by one-third (1/3). The retention bonus shall be paid as soon as practicable following completion of the Retention Period.

c. Termination for Reasons other than Good Cause or Substantial and

Serious Cause. If the Executive dies, becomes disabled or resigns for

reasons other than Good Cause prior to completion of the Retention Period, he (or his estate, if applicable) will receive a lump-sum retention bonus equal to the amount calculated under Section 3(a), reduced by one-third (1/3) and further reduced on a pro-rata basis for each day by which the Executive's death disability or resignation date precedes December 31, 2001. The retention bonus shall be paid as soon as practicable following the Executive's death, disability or resignation.

d. Delay in [] Award. If the [] award decision is delayed beyond

December 31, 2001, a retention bonus calculated under Section 3(b) shall be paid to the Executive as soon as practicable following completion of the Retention Period. If the Company wins the [] competition, an additional amount equal to the difference between the amount paid pursuant to the preceding sentence and the amount payable under Section 3(a) shall be paid as soon as practicable following the award decision. Notwithstanding the foregoing, the Compensation Committee of the Company's Board of Directors may, in its sole discretion, elect to pay such additional amount prior to the receipt of the award decision. Any such payment will be final and not subject to repayment to the Company by the Executive if the Company does not win the [] competition.

e. Termination By Corporation For Substantial and Serious Cause. If,

prior to the completion of the Retention Period, the Executive's employment is terminated by the Corporation for Substantial and Serious Cause, no retention bonus will be payable and no further obligation under this Agreement shall exist on the part of the Corporation (or its Affiliates) to the Executive.

f. Termination By Corporation For Other than Substantial and Serious Cause or Resignation by Executive For Good Cause. If, prior to the

completion of the Retention Period, the Executive's employment is terminated by the Corporation for any reason other than Substantial and Serious Cause or the Executive resigns for Good Cause, the Corporation shall pay to the Executive a retention bonus equal to the retention bonus payable under Section 3a as soon as practicable following the Executive's termination of employment. Additionally, the Corporation may unilaterally terminate this Agreement at any time, in which case the Corporation shall pay to the Executive a retention bonus equal to the retention bonus payable under Section 3a as soon as practicable following the termination of the Agreement.

g. Definitions.

For the purpose of this Section 3,

AVERAGE BONUS shall mean the greater of (i) the average of the Executive's annual bonuses awarded (regardless of when paid) during the three year period ending on December 31, 2001 (or the December 31 preceding or coinciding with his date of termination of employment prior to December 31, 2001) under the Lockheed Martin Corporation Management Incentive Compensation Plan ("MICP"), or (ii) the average of the Executive's annual MICP bonuses awarded (regardless of when paid) during the three year period ending on December 31, 1997.

BASE SALARY shall be the greater of (i) Executive's

Base Salary on December 31, 2001 (or the day immediately preceding his termination of employment prior to such date) or (ii) his Base Salary on December 31, 1997.

GOOD CAUSE shall mean any of the following, if undertaken without the consent of the Executive:

Assignment of duties inconsistent with the position, duties, responsibilities and status of an executive of the Corporation;

Reduction of reporting responsibilities, or titles from those previously held with the Corporation;

Reduction in the amount of the Executive's salary from the salary previously paid to the Executive by the Corporation, or reduction in the Executive's bonus target from the bonus previously targeted for the Executive by the Corporation;

Notwithstanding the foregoing, Good Cause shall not include termination by the Corporation for Substantial and Serious Cause or any act taken by the Corporation in furtherance of its obligations under the Administrative Agreement between the Corporation and the United States Air Force, entered into in June 1995.

SUBSTANTIAL AND SERIOUS CAUSE shall mean the Executive's final conviction of a felony or Federal offense involving fraud, corruption, or moral turpitude; the Executive's engaging in willful fraud or defalcation involving material funds or other assets of the Corporation; or the debarment of the Executive or the Executive engaging in any other offense described in Administrative Agreement between the Corporation and the United States Air Force, entered into in June 1995.

A WIN of the [] competition shall mean an award to the Corporation of any portion of the [] program.

4. DISCLOSURE OF INFORMATION AND INTELLECTUAL PROPERTY

- a. The Executive recognizes and acknowledges that the Corporation's proprietary developments, trade secrets, confidential technical and business data, and sensitive management, financial, business, planning, marketing information, and the like ("Proprietary Information"), are valuable, special and unique assets of the Corporation's business, access to and knowledge of which are essential to the performance of the Executive's duties under this Agreement. The Executive shall not, during or after the Retention Period, in whole or in part, disclose such Proprietary Information to any person, firm, corporation, association or other entity for any reason or purpose whatsoever; nor shall the Executive make use of any such property for his own purposes or for the benefit of any person, firm, corporation or other entity except the Corporation under any circumstance; provided that after the Executive's employment terminates, the restrictions shall not apply to such Proprietary Information which are in the public domain so long as the Executive was not responsible, directly or indirectly, for such Proprietary Information entering the public domain without the Corporation's consent.

- b. The Executive shall disclose promptly and fully to the Corporation all innovations, inventions, works of authorship prepared by him within the scope of his employment, and any other items of intellectual property ("Intellectual Property"), whether or not patentable, copyrightable or registrable, that have been conceived, made or authored by him solely or jointly with others during the period of his employment with the Corporation: (i) which relate to the business or investigations of the Corporation or its affiliates; (ii) which result from any work that the Executive may do for or on behalf of the Corporation; (iii) which result from any Proprietary Information that may have been made available to the Executive; or (iv) that are otherwise made through the use of the Corporation's time, facilities or materials. All such Intellectual Property shall be the sole and exclusive property of

the Corporation. The Executive hereby assigns all of his right, title and interest to such Intellectual Property to the Corporation.

5. COVENANT NOT TO COMPETE

For a period ending twelve months from and after the termination of the Executive's employment during the Retention Period, the Executive shall not engage in any business (whether as an officer, director owner, employee, partner or other direct or indirect participant) competing with that of the Corporation in any area in which the Corporation is conducting any business on the date of such termination of employment. For such period, the Executive shall also not interfere with, disrupt, or attempt to disrupt the relationship, contractual or otherwise, between the Corporation and any customer, supplier or employee of the Corporation.

It is the desire and intent of the parties that the provisions of this shall be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, if any particular portion of this Section 5 shall be adjudicated to be invalid or unenforceable, this Section shall be deemed amended to delete therefrom the portion thus adjudicated to be invalid or unenforceable, such deletion to apply only with respect to the operation of this Section in the particular jurisdiction in which such adjudication is made.

6. NON-WAIVER OF OTHER RIGHTS OR REMEDIES

No actions taken by the Corporation under the terms and conditions of this Agreement shall be deemed to be a waiver of any of its other rights or remedies available at law, in equity or otherwise.

7. ASSUMPTION AND ASSIGNABILITY OF AGREEMENT

The Executive may not delegate, subcontract or otherwise transfer or assign his rights or obligations under this Agreement. The rights and obligations of the Corporation

under this Agreement shall inure to the benefit of and shall be binding upon the successors and assigns of the Corporation.

8. AMENDMENT

This Agreement may not be modified, changed or altered except in writing signed by both the Executive and the Corporation.

9. MEDIATION

The parties shall attempt in good faith to resolve any dispute (other than a dispute under 4 or 5) arising out of or relating to this Agreement promptly by negotiation. Any party may give the other party written notice of any dispute not resolved in the normal course of business. Within 15 days after delivery of the notice, the receiving party shall submit to the other a written response. The notice and the response shall include (i) a statement of each party's position and a summary of arguments supporting that position, and (ii) the name and title of the individual who will represent that party. Within thirty (30) days after delivery of the disputing party's notice, the representatives of both parties shall meet at a mutually acceptable time and place, and thereafter as often as they reasonably deem necessary, to attempt to resolve the dispute. All reasonable requests for information made by one party to the other will be honored. If the dispute has not been resolved by negotiation within sixty (60) days of the disputing party's notice, or if the parties fail to meet within thirty (30) days, the parties shall endeavor to settle the dispute by mediation under CPR Model Mediation Procedure for Business Disputes in effect on the date of this Agreement. The time periods contained in this paragraph may be extended by mutual consent.

10. INJUNCTION

If there is a breach or threatened breach of the provisions of Section 4 or 5, the Corporation shall be entitled to an injunction restraining the Executive from such breach. Nothing herein shall be construed as prohibiting the

Corporation from pursuing any other remedies for such breach or threatened breach. However, nothing herein should be construed as requiring the Corporation to mediate its claims under Section 9 above prior to seeking the injunction.

12. GOVERNING LAW

This Agreement shall be governed in all respects by and in accordance with the laws of the State of Maryland.

13. SEPARABILITY

The invalidity or unenforceability of any portion of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement effective as of November 1, 1997.

LOCKHEED MARTIN CORPORATION

By:

Robert B. Corlett
Vice President
Human Resources

ADDENDUM TO RETENTION AGREEMENT

This Addendum is entered into effective as of November 1, 1997, by and between Lockheed Martin Corporation (the "Corporation") and []. (the "Executive").

Whereas the Corporation and the Executive are parties to a Retention Agreement dated as of November 1, 1997 (the "Agreement"); and

Whereas the Corporation and the Executive wish to clarify the term of the Covenant Not to Compete set forth in Section 5 of the Agreement.

NOW THEREFORE, the Corporation and the Executive agree that the first sentence of Section 5 of the Agreement is revised to read as follows:

For a period ending upon the earlier of (i) the [] award decision or (ii) twelve months from and after the termination of the Executive's employment during the Retention Period, the Executive shall not engage in any business (whether as an officer, director owner, employee, partner or other direct or indirect participant) competing with that of the Corporation in any area in which the Corporation is conducting any business on the date of such termination of employment.

IN WITNESS WHEREOF, the parties have executed this Addendum effective as of November 1, 1997.

LOCKHEED MARTIN CORPORATION

By: _____
Robert B. Corlett
Vice President
Human Resources

Date: December __, 1997

Date: December __, 1997

MARTIN MARIETTA CORPORATION
Deferred Compensation Plan for Selected Officers

Adopted October 27, 1994
AMENDED JUNE 27, 1997

The name of this plan is the Martin Marietta Corporation Deferred Compensation Plan for Selected Officers (the "Plan"). The Plan provides for the deferred payment to selected officers ("Officers") of compensatory obligations that Martin Marietta Corporation (the "Corporation") is expected to accrue by reason of the Corporation's proposed combination with Lockheed Corporation (the "Combination"). This Plan shall take effect only if the Combination is consummated.

A. Background and Purpose. In connection with the Combination, the Board

of Directors of the Corporation (the "Board") has amended certain of its executive compensation plans, including the Amended and Restated Long Term Performance Incentive Compensation Plan and the Deferred Compensation and Estate Supplement Plan. The purpose of the amendments was to modify (and in some cases reduce) the payment obligations that otherwise would have accrued under the terms of those plans by reason of the Combination. Pursuant to the amendments, most of the participants in the plans will receive single sum payments shortly following the date of the Combination, if it is consummated. However, the Board has decided to implement the plan amendments by deferring payment to a participant if immediate payment would (or reasonably might) prevent the Corporation from deducting that payment for Federal income tax purposes. The Board has determined that the deductibility of payments to certain Officers would be jeopardized if made on an immediate basis, and thus that the plan amendments should be implemented by making deferred payments to those Officers. None of the Officers has been given or may hereafter exercise any elective right with respect to the timing of the payments. This Plan sets forth the contractual terms under which the deferred compensation shall be accumulated and paid.

B. Participating Officers and Amounts Deferred. The Officers for whom

deferred compensation will be credited and paid under this Plan shall be those Officers designated by the Board, as evidenced in the records of Board meetings and by written notices to such Officers. The amount of deferred compensation with respect to each Officer shall equal the Corporation's accrued obligations to that Officer under all plans for which the Board has determined that payment on a deferred basis is warranted. The Corporation's accrued obligation to an Officer under each plan shall equal the single sum amount that would have been payable to the Officer under the plan at the time of the Combination if it had not been determined that payment to the Officer under that plan was to be deferred. Any payroll taxes required to be withheld with respect to an Officer's deferred compensation shall be withheld out of other wages payable to that Officer and shall not reduce the amount of that Officer's deferred compensation.

C. Crediting of Accounts. Each participating Officer's deferred

compensation shall be credited to a bookkeeping account (the "Account") maintained in that Officer's name. The Officer's Account shall be credited as of the day on which the deferred amount would have been payable to the Officer if the Officer's payment under the plan had not been deferred. In addition, each Officer's Account shall be credited with interest at a daily rate equivalent to the Federal long-term rate, as determined under section 1274(d) of the Internal Revenue Code of 1986, as amended, applicable to the month in which the deferred compensation is first credited to the Officer's Account. Interest shall be credited for the period commencing with the first day as of which any deferred compensation is credited to the Officer's Account and ending on the day on which actual payment of the deferred compensation is made. Each participating Officer shall at all times have a fully vested and nonforfeitable interest in the deferred compensation and interest credited to his or her Account.

D. Payment of Deferred Compensation. Each participating Officer's Account

balance shall be paid to him or her in a single sum as soon as practicable following the last day of the calendar year in which the Officer ceases to be an officer of the Corporation (and ceases to be an officer of any parent or affiliate of the Corporation) ("Original Payment Date") or at

such later date as is elected by the Officer in accordance with Paragraph G below.

E. Death Benefits. In the event that an Officer dies before his or her

Account balance has been paid, the Account balance shall be paid to the Officer's beneficiary in a single sum as soon as practicable thereafter, unless the Committee determines that payment at that time would jeopardize the deductibility of the payment, in which case payment shall be made no later than February 1 of the year following the year of the Officer's death. For purposes of this paragraph, an Officer's surviving spouse shall be deemed to be the Officer's beneficiary, unless the Officer has notified the Committee in writing prior to his or her death that a different individual, individuals, or other person (including the Officer's estate) is to be treated as the Officer's beneficiary under this Plan. If the Officer is not survived by a spouse or other designated beneficiary, payment shall be made to the Officer's estate.

F. Additional Payments. The payment of deferred compensation under this

Plan is intended to protect the Corporation's right to claim Federal income tax deductions, not to impair the economic position of the Officers for whom the Committee has determined that deferred payments are warranted. Accordingly, if the deferred payments to be made under this Plan cause the economic position of any Officer to be impaired, the Committee shall direct that an additional payment be made to that Officer (or the Officer's beneficiary) which, after taking account of any taxes imposed on that additional payment, shall be sufficient to eliminate that economic impairment. For purposes of this paragraph, the economic position of an Officer shall be deemed to have been impaired by deferral under this Plan if and to the extent that (i) the deferred payment made to that Officer, less any income taxes or other assessments imposed by reason of the inclusion in the Officer's gross income for any year of the amounts paid or deferred hereunder, is less than (ii) the amount the Officer would have accumulated if the amount deferred hereunder had been paid to the Officer at the time of the Combination, and the amount of that payment (less income taxes thereon) had immediately been invested (and remained invested for the Officer's deferral period) in an investment that provided a currently taxable rate of return equal to the crediting rate described in paragraph C. For purposes of clause (ii), it shall

be assumed that the Officer would have been subject to income tax at the highest applicable combined Federal and state rates for all years during the deferral period. Notwithstanding the foregoing, the Corporation's obligation to make additional payments under this Paragraph F shall apply only to the extent the economic position of the Officer is impaired by the decision of the Compensation Committee to defer amounts and shall not apply to the extent of any impairment of the economic position of the Officer as a result of the decision of the Officer to defer payments under Paragraph G below.

G. Deferral of Payments By Officer. An Officer may elect to defer payment

of his Account by executing and delivering to the Corporation a Deferral Agreement no later than the later of (i) July 27, 1997; or (ii) one year prior to the year in which an Officer retires or otherwise terminates employment with the Corporation (or of any parent or affiliate of the Corporation). The Deferral Agreement shall provide for payment to begin on or about (i) the July 15th next following the Original Payment Date; or (ii) the January 15th or July 15th next following the Original Payment Date and attainment of the age designated by the Officer in the Deferral Agreement. The Deferral Agreement shall also provide for election of a form of payment for the Officer's Account from among the following options:

(A) A lump sum; or

(B) Annual payments for a period of years designated by the Officer which shall not exceed fifteen (15). The amount of each annual payment shall be determined by dividing the Officer'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 Officer during the designated installment period would be too small to justify the maintenance of the Officer's Account and the processing of payments. If an Officer dies while actively employed or otherwise before the payment of his or her account has

commenced, payments to the Officer's Beneficiary shall commence on the date payments to the Officer would have commenced, taking account of the Officer's termination of employment (by death or before) and, if applicable, by postponing commencement until after the date the Officer would have attained the commencement age specified by the Officer. Whether the Officer dies before or after the commencement of distributions, payments to the Beneficiary shall be made for the period or remaining period elected by the Officer. Notwithstanding anything herein, the Committee may direct payment of all or a portion of the Officer's Account at a date earlier than the date elected by the Officer for the receipt of payment if the Committee determines in good faith, based on consultation with counsel, that (i) the Officer is suffering from a serious financial emergency caused by circumstances beyond the Officer's control which would cause a hardship to the Officer unless all or a portion of his or her Account was paid; or (ii) a change in, interpretation of, or determination under, the Internal Revenue Code or other applicable law with respect to the Plan will have an adverse effect on the Plan or any Officer.

H. Change in Control. In the event of a change in control of Lockheed

Martin Corporation (the "Combined Company"), each Officer's Account balance shall be paid to the Officer in a lump sum immediately following the change in control, unless prior to the change in control, the Board of Directors of the Combined Company directs otherwise by a vote of three-quarters of the incumbent members of that board. In the event the Board of Directors of the Combined Company directs that the Officers' Account balances not be paid upon the change in control, (i) all deferred compensation under the Plan will be payable under paragraph D of the Plan, and (ii) the Corporation shall immediately establish a trust under terms equivalent to those described in IRS Revenue Procedure 92-64, 1992-2 C.B. 422, and contribute to the trust an amount equal to the sum of all the Account balances then existing under this Plan plus \$500,000. Subject to the rights of the Corporation's creditors, as

described in IRS Revenue Procedure 92-64, all assets of the trust shall be used exclusively to pay benefits under this Plan, except that the additional \$500,000 shall be available to pay legal fees and costs incurred by the Officers if legal or other action is necessary for the Officers to receive payment under this Plan in accordance with paragraph D; any trust assets remaining after payment of all benefits under this Plan shall revert to the Corporation. For the purposes of this Plan, a change in control shall be deemed to occur in the circumstances that would constitute a change in control under the terms of the Lockheed Martin Corporation Omnibus Performance Award Plan, to be implemented by the Combined Company.

I. Nature of Officers' Rights. An Officer's right to payment under this

Plan is not subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, or encumbrance. Amounts payable hereunder shall be paid exclusively from the general assets of the Corporation, and each Officer's rights shall be those of a general, unsecured creditor of the Corporation. The liability of the Corporation hereunder is a mere contractual promise to make benefit payments in the future. Any assets that may be acquired or held by the Corporation in connection with this Plan shall be the sole property of the Corporation, and no Officer shall have any claim against, or beneficial interest in, any specific assets of the Corporation. It is the Corporation'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.

J. Amendment. The Board may amend or modify this Plan at any time,

provided, however, that no amendment shall have the effect of reducing an Officer's Account balance or of impairing an Officer's nonforfeitable right to receive payment of the deferred compensation credited to the Officer's Account. Further, no amendment may alter the formula or method for crediting interest to an Officer's Account, unless the amended formula is not less favorable to the Officer than that previously in effect, or unless the Officer has consented to the amended formula or to an alternative method for crediting investment increments to his or her Account. Further, no amendment may be made to limit the effect of Paragraph G after a change in control, within the meaning of that paragraph, occurs.

K. Administration. This Plan shall be administered by the Committee (or

such other committee or board of the Combined Company as may hereafter be delegated authority to oversee the compensation of the Officers participating hereunder), which shall have full authority to interpret the Plan; interpretations by the Committee shall be final and binding on all parties.

L. Binding Effect. This Plan is intended to represent a binding contract

between the Corporation and each participating Officer, and its terms shall be binding upon the Corporation, its successors, transferees, and assigns, and shall inure to the benefit of the Officers and their heirs, executors, administrators, and legal representatives.

M. Applicable Law. Except as otherwise required by law, this Plan and all

matters arising hereunder shall be governed by the laws of the State of Maryland.

LOCKHEED MARTIN CORPORATION

SUPPLEMENTAL SAVINGS PLAN

(Amended and Restated as of January 1, 1997)

ARTICLE I

PURPOSES OF THE PLAN

The purposes of the Lockheed Martin Corporation Supplemental Savings Plan (the "Supplemental Savings Plan") are to provide certain key management employees of Lockheed Martin Corporation and its subsidiaries (the "Company") the opportunity to defer compensation that cannot be contributed under the Lockheed Martin Salaried Savings Program (the "Qualified Savings Plan") because of the limitations of Code section 401(a)(17), 402(g), or 415(c)(1)(A), and to provide those employees with matching credits equal to the matching contributions that would have been made by the Company on their behalf under the Qualified Savings Plan if the amounts deferred had been contributed to the Qualified Savings Plan.

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, Matching Credits, and earnings (or losses) attributable to the Investment Options selected by the Participant, and which is debited to reflect distributions. 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 time, including the portions of the Account allocated to each Investment Option.

3. BENEFICIARY -- The person or persons designated by the Participant as his or her beneficiary under the Qualified Savings Plan.

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

5. CODE -- The Internal Revenue Code of 1986, as amended.

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

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

8. COMPANY STOCK INVESTMENT OPTION -- The Investment Option under which the Participant's Account is credited as if invested under the investment option in the Qualified Savings Plan for the common stock of the Company.

9. COMPENSATION -- An employee's base salary from the Company, as defined in the Qualified Savings Plan.

10. 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 Compensation for a Year.

11. DEFERRED COMPENSATION -- The amount of Compensation deferred and credited to a Participant's Account under the Supplemental Savings Plan for a Year.

12. ELIGIBLE EMPLOYEE -- A salaried employee who is eligible to participate in the Qualified Savings Plan as of the thirtieth (30th) day preceding the last day on which a Deferral Agreement may be made for a Year, and whose annual rate of Compensation equals or exceeds \$150,000 as of November 1 of the Year preceding the Year for which a Deferral Agreement is to take effect, and who satisfies such additional requirements for

participation in this Supplemental Savings 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. INVESTMENT OPTION -- A measure of investment return pursuant to which Deferred Compensation credited to a Participant's Account shall be further credited with earnings (or losses). The Investment Options available under this Supplemental Savings Plan shall correspond to the investment options available under the Qualified Savings Plan.

15. MATCHING CREDIT -- Any amount credited to a Participant's Account under Article IV.

16. PARTICIPANT -- An Eligible Employee for whom Compensation has been deferred under this Supplemental Savings Plan; the term shall include a former employee whose Account Balance has not been fully distributed.

17. QUALIFIED SAVINGS PLAN -- The Lockheed Martin Salaried Savings Plan or any successor plan.

18. 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 Exchange Act.

19. SUPPLEMENTAL SAVINGS PLAN -- The Lockheed Martin Corporation Supplemental Savings Plan, which was originally adopted by the Board of Directors of Lockheed Corporation, effective January 1, 1984, as the Lockheed Corporation Supplemental Savings Plan, and which has been amended and restated (and re-named) pursuant to action of the Board on July 25, 1996.

20. YEAR -- The calendar year.

ARTICLE III

ELECTION OF DEFERRED AMOUNT

1. Timing of Deferral Elections. An Eligible Employee may elect to defer

Compensation for a Year by executing and delivering to the Company a Deferral Agreement no later than November 30 of the preceding Year. An Eligible Employee's Deferral Agreement shall be irrevocable when delivered to the Company and shall remain irrevocably in effect for all succeeding Years, except that the Deferral Agreement may be modified or revoked with respect to any succeeding year by the Eligible Employee's execution and delivery to the Company of a new or modified Deferral Agreement on or before November 30 of such succeeding Year. Notwithstanding the foregoing, deferral elections for the 1997 Year may be made as late as February 28, 1997, in recognition of the fact that the right to enter into Deferral Agreements for the 1997 Year has generally been suspended pending the distribution of prospectuses for the Plan, as amended and restated; provided, however, no Deferral Agreement for the 1997 Year shall take effect, or apply to Compensation earned, before the date that the Eligible Employee's Deferral Agreement is executed and delivered to the Company.

2. Amount of Deferred Compensation. Unless an Eligible Employee elects to

make no deferral for a Year, the Eligible Employee's Deferred Compensation for a Year shall equal (i) his or her Compensation from the time when his or her Deferral Agreement takes effect during the Year (as elected under Section 3 of this Article III) until the last day of the Year, multiplied by (ii) the percentage of Compensation that the Eligible Employee has elected to contribute to the Qualified Savings Plan (whether in the form of pre-tax salary reduction contributions, after-tax contributions, or a combination thereof) for that Year. An Eligible Employee who has elected to make a deferral for a Year under this Supplemental Savings Plan shall be precluded from modifying his or her rate of contributions to the Qualified Savings Plan for that Year after the date on which his or her Deferral Agreement for that Year (including any continuing Deferral Agreement) has become irrevocable under Section 1 of this Article III.

3. Time when Deferral Agreement Takes Effect. The

Eligible Employee may elect to have his or her Deferral Agreement take effect after the occurrence of either of the following triggering events:

(a) the Eligible Employee's pre-tax salary reduction contributions under the Qualified Savings Plan for the Year equal the applicable limit under Code section 402(g), or

(b) the Compensation paid to the Eligible Employee for the Year equals the applicable compensation limit under Code section 401(a)(17), or, if earlier, the annual additions (within the meaning of Code section 415(c)(2)) of the Eligible Employee for the Year under the Qualified Savings Plan and any other plan maintained by the Company equal the applicable limit under Code section 415(c)(1)(A).

An Eligible Employee's Deferral Agreement shall first take effect and apply to that portion of Compensation earned by the Eligible Employee for a particular payroll period that exceeds the amount at which, or with respect to which, the triggering event occurs.

ARTICLE IV

MATCHING CREDITS

The Company shall credit to the Account of a Participant as Matching Credits the same percentage of the Participant's Deferred Compensation as it would have contributed as matching contributions to the Qualified Savings Plan if the amount of the Participant's Deferred Compensation had been contributed as pre-tax salary reduction or after-tax contributions to the Qualified Savings Plan.

ARTICLE V

CREDITING OF ACCOUNTS

1. Crediting of Deferred Compensation. Deferred Compensation shall be

credited to a Participant's Account as of the day on which such amount would have been credited to the Participant's account under the Qualified Savings Plan if the Participant's Deferred Compensation had been contributed as pre-tax salary reduction or after-tax contributions to the Qualified Savings Plan.

2. Crediting of Matching Credits. Matching Credits shall be credited to a

Participant's Account as of the day on which the Deferred Compensation to which they relate are credited under Section 1.

3. Crediting of Earnings. Earnings shall be credited to a Participant's

Account based on the Investment Option or Options to which his or her Account has been allocated, beginning with the day as of which any amounts (or any reallocation of amounts) are credited to the Participant's Account. Any amount distributed from a Participant's Account shall be credited with earnings through the day on which the distribution is processed. The manner in which earnings are credited under each of the Investment Options shall be determined in the same manner as under the Qualified Savings Plan.

4. Selection of Investment Options. The amounts credited to a Participant's

Account under this Supplemental Savings Plan shall be allocated among the Investment Options in the same percentages as the Participant's account under the Qualified Savings Plan is allocated among those Investment Options. In the event that an Account is maintained for a Participant under this Supplemental Savings Plan at a time when an account is no longer maintained for the Participant under the Qualified Savings Plan, the Participant may allocate and reallocate his or her Account Balance among the Investment Options in accordance with the procedures and limitations on allocations and reallocations under the Qualified Savings Plan.

ARTICLE VI

PAYMENT OF BENEFITS

1. General. The Company's liability to pay benefits to a Participant or

Beneficiary under this Supplemental Savings Plan shall be measured by and shall in no event exceed the Participant's Account Balance, which shall be fully vested and nonforfeitable at all times. All benefit payments shall be made in cash and, except as otherwise provided, shall reduce allocations to the Investment Options in the same proportions that the Participant's Account Balance is allocated among those Investment Options.

2. Commencement of Payment. The payment of benefits to a Participant shall

commence as soon as administratively feasible following the Participant's termination of employment with the Company and his or her entitlement to commence receiving benefits under the Qualified Savings Plan.

3. Form of Payment. At the time an Eligible Employee first completes a

Deferral Agreement, he or she shall irrevocably 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 5, 10, 15, or 20 years, as designated by the Participant. The amount of each annual payment shall be determined by dividing the Participant's Account Balance on the date such payment is processed 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 Election. The Committee

may, in its discretion, permit a Participant to modify his or her payment election under Section 3 of this Article VI at the time the Participant enters into a Deferral Agreement for a Year; if accepted, any such modification shall apply to all amounts credited to the Participant's Account under this Supplemental Savings Plan. No such modification will be effective if made within one year of the date of the Participant's termination of employment.

5. 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 an immediate lump sum.

6. Acceleration upon Change in Control.

(a) Notwithstanding any other provision of this Supplemental Savings 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 Supplemental Savings 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 6(a), if a distribution in accordance with the provisions of Section 6(a) would result in a nonexempt 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

transaction or would otherwise not result in liability under Section 16(b) of the Exchange Act.

(d) This Section 6 shall apply only to a Change in Control of Lockheed Martin Corporation and shall not cause immediate payout of an Account Balance 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 6 at any time prior to a Change in Control. In the event of a Change in Control, this Section 6 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 6 shall not, for purposes of Section 6, be subject to cancellation or modification during the five year period.

7. Deductibility of Payments. In the event that the payment of benefits in

accordance with the Participant's election under Section 3 of this Article VI 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 election, 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.

8. 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 this Supplemental Savings 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.

9. Tax Withholding. To the extent required by law, the Company shall

withhold from benefit payments hereunder, or with respect to any amounts credited to a Participant's Account 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. However, the amount of Deferred Compensation or Matching Credits to be credited to a Participant's Account will not be reduced or adjusted by the amount of any tax that the Company is required to withhold with respect thereto.

ARTICLE VII

EXTENT OF PARTICIPANTS' RIGHTS

1. Unfunded Status of Plan. This Supplemental Savings 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 Supplemental Savings Plan. Notwithstanding the foregoing, to assist the Company in meeting its obligations under this Supplemental Savings Plan, the Company may set aside assets in a trust or trusts described in Revenue Procedure 92-64, 1992-2 C.B. 422 (generally known as a "rabbi trust"), and the Company may direct that its obligations under this Supplemental Savings Plan be satisfied by payments out of such trust or trusts. It is the Company's intention that this Supplemental Savings 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 to benefit payments

under this Supplemental Savings Plan shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, or garnishment by creditors of the Participant or the Participant's Beneficiary.

ARTICLE VIII

AMENDMENT OR TERMINATION

1. Amendment. The Board may amend, modify, suspend or discontinue this

Supplemental Savings 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 or her Account Balance.
2. Termination. The Board reserves the right to terminate this Supplemental

Savings 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 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 transaction or would otherwise not result in liability under Section 16(b) of the Exchange Act.

ARTICLE IX

ADMINISTRATION

1. The Committee. This Supplemental Savings 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 Supplemental Savings Plan to comply with the 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 Supplemental Savings Plan in accordance with its terms and purpose, except that the Committee may not delegate any authority the delegation of which would cause this Supplemental Savings 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 Supplemental Savings 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 Supplemental Savings 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 Supplemental Savings 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 Supplemental Savings Plan or for the failure of the Supplemental Savings Plan or any Participant's rights under the Supplemental Savings 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 X

GENERAL AND MISCELLANEOUS PROVISIONS

1. Neither this Supplemental Savings 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 Supplemental Savings 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 limit the right of the Company to change an Eligible Employee's compensation or other benefits.

2. Any amount credited to a Participant's Account under this Supplemental Savings 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 Supplemental Savings Plan.

5. By electing to become a Participant hereunder,

each Eligible Employee shall be deemed conclusively to have accepted and consented to all the terms of this Supplemental Savings Plan and all actions or decisions made by the Company, the Board, or Committee with regard to the Supplemental Savings Plan.

6. The provisions of this Supplemental Savings 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 Supplemental Savings 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 Supplemental Savings 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 Supplemental Savings 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. This Supplemental Savings Plan is intended to constitute an "excess benefit plan" within the meaning of Rule 16b-3(b)(2) under the Securities Exchange Act of 1934, and it shall be construed and applied accordingly. It is the intent of the Company that this Supplemental Savings 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 Supplemental Savings 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 Supplemental Savings 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 Supplemental Savings Plan, the provisions of this Supplemental Savings Plan may at any time be bifurcated by the Board or the Committee in any manner so that certain provisions of this Supplemental Savings Plan are applicable solely to Section 16 Persons. Notwithstanding any other provision of this Supplemental Savings 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 Supplemental Savings 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.

ARTICLE XI

EFFECTIVE DATE

This amendment and restatement of the Supplemental Savings Plan shall generally become effective on January 1, 1997.

DEFERRED PERFORMANCE PAYMENT PLAN
OF
LOCKHEED MARTIN CORPORATION
SPACE & STRATEGIC MISSILES SECTOR

(Adopted September 26, 1997)

ARTICLE I

PURPOSE OF THE PLAN

The purposes of the Deferred Performance Payment Plan of Lockheed Martin Corporation Space & Strategic Missiles Sector (the "Deferral Plan") are to provide certain key management employees of Lockheed Martin Corporation (the "Company") the opportunity to defer receipt of Performance Plan Payments under the Lockheed Martin Corporation Space and Strategic Missiles Sector Performance Plan for Employees in Key Assignments Essential/Critical to the Success of Sector Consolidation (the "Performance Plan"). Except as expressly provided hereinafter, the provisions of the Performance Plan shall be construed entirely independent of the Deferral Plan.

The Deferral Plan applies solely to Performance Plan Payments and expressly does not apply to any special awards which may be made under any other Lockheed Martin incentive plans.

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 Performance Payment and Interest, and which is debited to reflect distributions and forfeitures.
2. ACCOUNT BALANCE -- The total amount credited to a Participant's Account at any point in time.

3. BENEFICIARY -- The person or persons 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. If the Participant has not designated a Beneficiary, or if the designated Beneficiary has predeceased the Participant, the executor or administrator of the Participant's estate shall be the Beneficiary; a Participant may amend the Beneficiary designation at any time before the Participant's death.

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

5. COMMITTEE -- The Compensation Committee of the Board.

6. COMPANY -- Lockheed Martin Corporation.

7. 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 a portion or all of his or her Performance Plan Award.

8. DEFERRAL PLAN -- This Deferred Performance Payment Plan of Lockheed Martin Corporation Space & Strategic Missiles Sector, adopted by the Board on September 26, 1997.

9. DEFERRED PERFORMANCE PAYMENT -- The amount of the Performance Plan Payment credited to a Participant's Account under the Deferral Plan pursuant to the Participant's Deferral Agreement.

10. ELIGIBLE EMPLOYEE -- An employee of the Company (i) who is a participant in the Deferral Plan and the Lockheed Martin Management Incentive Compensation Plan; (ii) who is also a participant in the Performance Plan; (iii) whose base annual salary rate on November 1, 1997 is at least \$80,000; and (iv) who is employed by the Company on January 1, 1999.

11. INTEREST -- The interest to be credited to a Participant's Account and which shall be at a rate equivalent to the then published rate for computing present value of future benefits at the time cost is assignable under Cost Accounting Standard 415, Deferred Compensation, as determined by the

Secretary of Treasury on a semi-annual basis pursuant to Pub. L. 92-41, 85 Stat. 97.

12. PARTICIPANT -- An Eligible Employee for whom a Performance Plan Payment has been deferred under this Deferral Plan; the term shall include a former employee whose Deferred Compensation has not been fully distributed.

13. PERFORMANCE PLAN -- The Lockheed Martin Corporation Space and Strategic Missiles Sector Performance Plan for Employees in Key Assignments Essential/Critical to the Success of Sector Consolidation.

14. PERFORMANCE PLAN PAYMENT -- The amount that would be payable to the Participant under the Performance Plan.

15. SECTOR -- The Company's Space & Strategic Missiles Sector.

ARTICLE III

ELECTION OF DEFERRED AMOUNT

1. Timing of Deferral Elections. An Eligible Employee may elect to make a

deferral of a portion or all of his or her Performance Plan Payment by executing a Deferral Agreement no later than December 31, 1997. An Eligible Employee's Deferral Agreement shall be irrevocable after the latest date on which it could be made.

2. Amount of Deferral Elections. An Eligible Employee's deferral election

may be stated as (i) a dollar amount which is an even multiple of \$5,000, (ii) a percentage of the Eligible Employee's Performance Plan Payment which is an even multiple of five percent (5%), or (iii) such a dollar amount or percentage based on the portion of the Eligible Employee's Performance Plan Payment in excess of a specified dollar amount. However, unless a minimum amount of \$5,000 would be deferred under the terms of the Eligible Employee's deferral election, no amount will be deferred. Notwithstanding the foregoing, in no event shall a Participant's Deferred Performance Payment exceed one hundred percent (100%) of the Participant's Performance Plan Payment less the maximum amount that was available to the Participant before

January 1, 1999 as an advance against the Performance Plan Payment for relocation expenses or other reasons, whether or not such an advance was made to the Participant. A Deferral Agreement shall be effective only if the Participant is awarded a Performance Plan Payment of at least \$10,000 and the Participant is employed by the Company on January 1, 1999.

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 Performance Payment.

ARTICLE IV

CREDITING OF ACCOUNTS -----

1. Crediting of Deferred Compensation. The Deferred Performance Payment

shall be credited to the Participant's Account within 60 days of January 1, 1999.

2. Crediting of Interest. Interest shall be credited to a Participant's

Account on a monthly basis until the Participant's entire Account Balance has been distributed. For purposes of determining the Interest creditable to a Participant's Account, any distribution made during a month shall be treated as made on the first day of that month.

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 Article V, a Participant's Account Balance shall be paid to him in accordance with the Participant's elections under Sections 2 and 3 and such elections shall be continuing and irrevocable. All benefit payments shall be made in cash.

2. Election for Commencement of Payment. As a part of the Participant's

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. As a part of the Participant's Deferral Agreement, he or she shall elect the form of payment of his 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. 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 before the Participant is eligible to commence receiving retirement benefits under a pension plan maintained by the Company, 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.

5. 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.

6. Withdrawal with Forfeiture. There is one exception to the irrevocability

of payment elections which may be availed of by a Participant or Beneficiary. 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.

7. 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) This Section 7 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.

(d) The Committee may cancel or modify this Section 7 at any time prior to a Change in Control. In the event of a Change in Control, this Section 7 shall remain in force and effect, and shall not be subject to cancellation or modification for a period of five years, and any other provision defining a capital term used in Section 7 shall not, for purposes of Section 7, be subject to cancellation or modification during the five year period.

8. 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.

9. 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.

10. Tax Withholding. To the extent required by law, the Company shall

withhold from benefit payments hereunder, or with respect to any Performance Plan Payment 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 benefit 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 benefit obligations under this Deferral Plan be satisfied by payments out of such trust. 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 Deferred Plan, or any interest therein, other than the designation of a Beneficiary, shall not be permitted or recognized.

ARTICLE VII

AMENDMENT OR TERMINATION

1. Amendment. The Board may amend or modify this Deferral Plan at any time,

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, unless the amended formula is not less favorable to Participants than that previously in effect, or unless affected Participants consent 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.

ARTICLE VIII

ADMINISTRATION

1. This Deferral Plan shall be administered by the Committee, which shall have full authority to interpret the Plan, and interpretations of the Plan by the Committee shall be final and binding on all parties. The Committee may delegate to the Chairman of the Committee, the Chief Executive Officer of the Company, or other officers or employees of the Company the authority to execute and deliver such instruments and documents, to do all such acts and things and to take all such other steps deemed necessary, advisable or convenient for the effective administration of the Plan in accordance with its purpose.

2. 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. Neither the Company nor any member of the Board, 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 or to comply with any other law, compliance with which is not required on the part of the Company.

4. If a minor, person declared incompetent, or person incapable of handling the disposition of his 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. 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. 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 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 a Performance Plan Payment to any Eligible Employee.

2. A Performance Plan Payment 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 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 provision 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. 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.

ARTICLE X

EFFECTIVE DATE

The Deferral Plan shall be applicable to and effective as to Performance Plan Payments payable under the Performance Plan after December 31, 1998.

RESOLUTION NO. 150

Lockheed Martin Corporation
Board of Directors

June 27, 1997

Amendment of Lockheed Martin
Nonqualified Pension Plans

RESOLVED, that the Vice President, Human Resources be and is hereby authorized to amend, effective July 1, 1997, (i) the Lockheed Martin Corporation Supplemental Excess Retirement Plan and the Lockheed Martin Corporation Supplemental Retirement Income Plan to provide a lump sum payment option; and (iii) the Lockheed Martin Corporation Supplemental Excess Retirement Plan, the Lockheed Martin Corporation Supplemental Retirement Income Plan, the Lockheed Martin Corporation Supplementary Pension Plan for Employees of Transferred GE Operations, the Lockheed Martin Corporation Incentive Retirement Benefit Plan for Certain Executives of Lockheed Corporation, Supplemental Retirement Benefit Plan for Certain Transferred Employees of Lockheed Martin Corporation, the Supplemental Benefit Plan of Lockheed Martin Corporation, and the Sanders Supplemental Executive Retirement Plan to reflect the common pension formula contained in the tax-qualified plans effective July 1, 1997 and to otherwise make such nonqualified plans consistent in form and operation with each other.

RESOLVED FURTHER, that the officers of the Corporation be and each hereby is authorized to execute and deliver such documents, and to take all such further actions, as such officers shall determine in their sole discretion to be necessary or advisable to effect the intent of the foregoing resolution.

LOCKHEED MARTIN CORPORATION
 COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
 FOR THE YEAR ENDED DECEMBER 31, 1997
 (IN MILLIONS OF DOLLARS, EXCEPT RATIO)

	1997

EARNINGS:	
Net earnings	\$1,300
Taxes on income	637
Interest expense	842
Amortization of debt premium and discount, net	(3)
Portion of rents representative of an interest factor	86

Adjusted earnings before taxes and fixed charges	\$2,862
	=====
FIXED CHARGES:	
Interest expense	\$ 842
Amortization of debt premium and discount, net	(3)
Portion of rents representative of an interest factor	86
Capitalized interest	5

Total fixed charges	\$ 930
	=====
RATIO OF EARNINGS TO FIXED CHARGES	3.1
	=====

[LOGO OF LOCKHEED MARTIN APPEARS HERE]

Annual Report 1997

[GRAPHIC PRESENTATION OF OCEAN, LAND, SKY AND SPACE PRESENTED HERE.]

Financial Highlights

(In millions, except per share data)	1997/(a)/	1996/(a)/
Net sales	\$28,069	\$26,875
Net earnings	1,300/(c)/	1,347/(d)/
Diluted earnings per share before deemed preferred stock dividend/(b)/	6.09/(c)/	6.09/(d)/
Cash dividends per common share	1.60	1.60
Total assets	28,361	29,540
Short-term borrowings	494	1,110
Current maturities of long-term debt	876	180
Long-term debt	10,528	10,188
Shareholders' equity/(b)/	5,176	6,856
Negotiated backlog	47,059	50,406

(a) Includes the effects of the business combination with Loral Corporation since April 1996.

(b) Earnings per share for 1997 excludes the effects of a deemed preferred stock dividend resulting from a transaction with General Electric Company (GE). 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 earnings applicable to common stock used in the computation of earnings per share. The effect of this deemed dividend was to decrease basic earnings per share by \$9.85, and was antidilutive in the calculation of diluted earnings per share.

(c) Earnings for 1997 include the effects of a tax-free gain of \$311 million, or \$1.46 per diluted share, related to the transaction with GE to redeem the Corporation's Series A preferred stock, and nonrecurring and unusual charges related to the Corporation's decision to exit certain lines of business in the areas of children and family services systems development and environmental remediation, and related to impairments 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 decreased net earnings by \$303 million, or \$1.42 per diluted share.

(d) Earnings for 1996 include the effects of a nonrecurring gain resulting from divestitures which increased net earnings by \$351 million, or \$1.59 per diluted share. The gain was substantially offset by nonrecurring charges related to the Corporation's environmental remediation business, and related to impairments in the values of non-core investments and certain other assets, and costs for facility closings and transfers of programs. These charges decreased net earnings by \$209 million, or \$.94 per diluted share.

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On the Cover:

From the depths of the oceans to the far reaches of space, Lockheed Martin will continue to write new chapters in the chronicle of technological advances. We will enjoy success in the highly competitive global marketplace. Success will depend on the intensity with which we pursue our work and excellence in everything we do. We are proud of our heritage, confident of our present, and excited about our future.

"1997 was the third consecutive year of significant achievements..."

[PHOTO OF VANCE D. COFFMAN, NORMAN R. AUGUSTINE, AND PETER B. TEETS APPEARS
HERE]

Vance D. Coffman
Chief Executive Officer
and Vice Chairman

Norman R. Augustine
Chairman

Peter B. Teets
President and
Chief Operating Officer

Dear Fellow Shareholders

Upon the completion of the merger forming Lockheed Martin Corporation, we set forth five goals for the new corporation:

- - Enhance our position as one of the leaders in the aerospace/defense industry
- - Achieve significant cost reductions to increase margins and improve competitiveness
- - Generate substantial cash flow and deploy cash to enhance shareholder value
- - Produce double-digit earnings per share growth
- - Achieve superior shareholder returns.

1997 was the third consecutive year of significant achievements in meeting each of these goals and fulfilling the promise of Lockheed Martin.

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1

"Mission Success is the 'litmus test' for our systems."

Enhance Aerospace/Defense Leadership --

Lockheed Martin has led the consolidation of the industry, growing net sales to a record \$28 billion in 1997. In an industry as technologically demanding as ours and where the adverse consequences of product failures are substantial, leadership comes not from size, but from performance. Mission Success is the "litmus test" for our systems. Our Mission Success record in 1997 was just short of perfection -- 96 percent of over 600 measurable events (comprising such items as satellite deployments, test flights and missile launches, including development efforts) were successful. For many of our programs, the customers score our performance with award fees. Our award fees in 1997 were representative of leadership performance -- a median of approximately 95 percent of all available award fees were awarded by our customers, and nearly one-third of those award fee ratings were at 100 percent.

On July 3, 1997, the Corporation announced the execution of an \$11.6 billion merger agreement with the Northrop Grumman Corporation. On February 26, 1998, stockholders of Northrop Grumman approved the merger and stockholders of Lockheed Martin approved the issuance of common stock necessary to complete the merger, and closing was targeted for March 17, 1998. On March 9, 1998, the Corporation announced that it had been informed by the Department of Justice (DOJ) that the DOJ was fundamentally opposed to the merger. The Corporation has committed that it will not close on its combination with Northrop Grumman prior to April 24, 1998 and will in the interim attempt to develop and submit a proposal responding to the DOJ's antitrust concerns while preserving the benefits of the merger. As we went to press, the DOJ had informed the Corporation that it did not find this commitment satisfactory and the matter remained unresolved.

EchoStar III direct-to-home communications satellite gets a successful lift from an Atlas IIAS

[PHOTO OF ECHOSTAR III AND ATLAS IIAS APPEARS HERE]

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2

"The Corporation won more than two-thirds of its competitive bids in 1997."

Longbow Apache is a true around-the-clock, all-weather anti-armor platform

[PHOTO OF LONGBOW APACHE APPEARS HERE]

Achieve significant cost reductions to increase margins and improve competitiveness --

The Corporation achieved significant progress in 1997, and remains ahead of schedule in its consolidation program to reduce annual costs by \$2.6 billion. This progress was manifested in 1997 through the achievement of record operating margins and record win rates on competitive programs. Excluding the effects of nonrecurring and unusual items, our operating margin, based on Earnings Before Interest and Taxes (EBIT), of 10.4 percent was above the 10 percent margin recorded in 1996. Equally important for the future, and a key metric of our improved competitiveness, the Corporation won more than two-thirds of its competitive bids in 1997. This win rate was up from the exemplary 63 percent win rate achieved in 1996.

If consummated, the Northrop Grumman combination will provide further opportunity for cost savings and increased competitiveness. Preliminary analyses have identified an additional \$1 billion in annual steady-state savings expected to be achieved from cost reduction opportunities related to this transaction. The majority of these savings accrue to the government.

Generate substantial cash flow and deploy it to enhance shareholder value --

In 1997, the Corporation generated over \$1.6 billion in cash, consisting of \$900 million in free cash flow from operations and \$750 million in after-tax proceeds from divestitures. While our stated priority entering

The New En Route Center -- modern air traffic management for the United Kingdom

[PHOTO OF THE NEW EN ROUTE CENTER APPEARS HERE]

the year was to use available cash to reduce debt resulting from the Loral transaction, the Corporation was presented a unique opportunity to enhance shareholder value. In November, the Corporation exchanged a subsidiary composed of the Access Graphics and thrust reversers businesses, its investment in Globalstar, and approximately \$1.6 billion in cash for all of the Corporation's convertible preferred stock held by the General Electric Company. This transaction resulted in approximately 29 million equivalent common shares being reacquired. Combined with the Martin Marietta Materials exchange transaction consummated in October 1996, the Corporation retired in excess of 16 percent of its diluted shares outstanding in 1996 and 1997.

Produce double-digit earnings per share growth --

Lockheed Martin's diluted earnings per share over the past three years have been impacted by numerous nonrecurring and unusual items arising out of the Corporation's consolidation and shareholder value initiatives (most notably the negative impact of the deemed preferred stock dividend of \$8.55 per diluted share in 1997) which are described in detail in management's financial discussion and analysis section of this report. Excluding those nonrecurring and unusual items, 1997 diluted earnings per share would have been \$6.05 per share, an 11 percent increase over similarly-adjusted 1996 earnings per share of \$5.44. This earnings per share growth exceeded growth in net sales, which reached a record \$28.1

- -----

"With the fulfillment of major goals we set for ourselves at the time of the

1995 merger... a firm foundation for the future has been established."

billion in 1997 compared with \$26.9 billion in 1996. Earnings per share growth was also achieved despite an 11 percent increase in goodwill and intangible amortization, which rose to \$446 million in 1997 from \$402 million in 1996. This amortization represents an ongoing non-cash expense reflected in the Corporation's results of operations.

Generate superior shareholder returns --

Despite share price performance in 1997 being below overall market averages, we have realized an excellent shareholder return record (based on stock price appreciation plus dividends) since the formation of Lockheed Martin three years ago. Over that period, Lockheed Martin generated a 28 percent compound annual shareholder return, which compares favorably to the 25 percent annual return achieved by our aerospace/defense peer group.

Goals for 1998 and Beyond

With the fulfillment of major goals we set for ourselves at the time of the 1995 merger of Lockheed and Martin Marietta, a firm foundation for the future has been established.

Generating robust cash flows will continue to be an important goal of Lockheed Martin. In fact, we have recently raised the weighting of the cash generation element of the management incentive compensation formula. We recognize cash flow as a key valuation driver and a key to enhancing long-term earnings.

Our goals for 1998 and beyond include our continuing commitment to being a "merchant supplier" and a "merchant buyer" in the world marketplace. This means that our businesses will provide products and services to other companies within Lockheed Martin as well as to other prime contractors and other customers around the world. At the same time, all Lockheed Martin businesses will purchase the products and services they need from the most capable, cost effective suppliers in the world, whether these suppliers are found inside or outside Lockheed Martin.

The Corporation faces an intensely competitive environment in our key businesses, a new set of competitors and global market dynamics in our closely-related target areas of information services and commercial space, along with overall higher standards of shareholder returns.

F-22 Raptor air superiority fighter makes its first flight

[PHOTO OF F-22 RAPTOR APPEARS HERE]

To enhance our position as a world-class company, and in order to meet our goal of superior shareholder returns, we must continually evaluate our processes and implement changes to improve the way we do business, over and above activities designed to achieve consolidation savings. Lockheed Martin is committed to growing shareholder value by improving productivity and efficiencies, and generating additional cash flows through the sharing and implementation of "Best Practices" throughout the Corporation.

We have identified five initiatives, to be launched in 1998, to focus our management processes on the fundamentals of cash flow generation, increased competitiveness, and continual operating margin enhancement. These initiatives can be summarized as follows:

Procurement Leverage --

As a premier high-technology systems provider, the Corporation has historically procured goods and services totaling about 50 percent of net annual sales. The financial and operational benefits from forging stronger relationships with strategic partners, embracing electronic commerce, and working more closely with our suppliers can provide improved returns to our customers and shareholders.

Receivables Reduction --

Lockheed Martin had \$5 billion in receivables at year end 1997, representing opportunities to improve billing and cash collection cycles. It is estimated that a reduction of three days sales outstanding could generate over \$200 million in cash flow to redeploy toward growing shareholder value.

Inventory Management --

Lockheed Martin had over \$3 billion in inventories at year end 1997. It is estimated that a five percent improvement in our inventory turnover rate could generate more than \$150 million in cash flow.

Manufacturing Excellence --

We are installing a "lean thinking" mentality throughout our Corporation to reduce cycle times, improve quality, promote "just in time" manufacturing, and eliminate non-productive assets. At the

Sandia-developed air bags give Mars Pathfinder a soft landing

[PHOTO OF MARS PATHFINDER APPEARS HERE]

- - - - -

"We are confident of our present and excited about our future as we look to the

new challenges ahead."

same time, we are maintaining and enhancing our standards of quality to ensure
relentless focus on future Mission Success.

Employee Development --

In order to drive our productivity gains, we must continue to empower our
employees with the proper tools and incentives. Productivity improvements should
result in meaningful margin improvements. While each productivity step is
important, so also is the strong commitment to develop new technologies and the
systems that bring them to everyday use. Employee development and capability
enhancement make this possible. We continue to invest about \$1 billion annually
in research and development efforts and bid and proposal activities to build
advanced technology capabilities and win new business.

Our employees have done a superlative job in working together as a team
during a period of unprecedented consolidation in our industry. Our unrelenting
drive to become more efficient and productive, and accelerate our growth
outlook, provides a brighter future for our employees, attractive pricing for
our customers, and higher returns for our shareholders.

Before closing, we would like to express our admiration, gratitude and
thanks to Daniel M. Tellep, the first Chairman and Chief Executive Officer of
Lockheed Martin, for his dedicated and exemplary service to the Corporation and
its Board of Directors. Dan has decided not to seek re-election to the Board in
order to spend more time with his family in California.

While we take pride in our history, we have challenged ourselves to improve
upon the past. And while that has been our attitude since we formed Lockheed
Martin on March 15, 1995, we are confident of our present and excited about our
future as we look to the new challenges ahead.

March 12, 1998

/s/ Norman R. Augustine

Norman R. Augustine
Chairman

/s/ Vance D. Coffman

Vance D. Coffman
Chief Executive Officer and Vice Chairman

/s/ Peter B. Teets

Peter B. Teets
President and Chief Operating Officer

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7

1997 Achievements

Space & Strategic Missiles Sector
=====

[PHOTO OF MEL BRASHEARS APPEARS HERE]
Mel Brashears President and Chief Operating Officer

- 100 percent Mission Success on five Titan, eight Atlas, one Athena and three Russian Proton vehicle launches.
- U.S. Air Force awards Lockheed Martin a development contract for the Evolved Expendable Launch Vehicle family of launchers.
- Lockheed Martin builds the External Tanks for eight successful Space Shuttle launches.
- Lockheed Martin completes demonstration tank proof testing for the X-33 in support of the VentureStar(TM) Reusable Launch Vehicle.

Electronics Sector
=====

[PHOTO OF THOMAS A. CORCORAN APPEARS HERE]
Thomas A. Corcoran President and Chief Operating Officer

- U.S. Air Force awards contract to develop and integrate modifications for the A/OA-10 aircraft fleet.
- The Raytheon TI Systems Inc./Lockheed Martin Javelin joint venture receives a contract for full-rate production.
- Lockheed Martin signs a contract to provide a vessel traffic management system to China.
- Lockheed Martin to build "smart" guidance kits for the Wind Corrected Munitions Dispenser.

Information & Services Sector
=====

[PHOTO OF ARTHUR E. JOHNSON APPEARS HERE]
Arthur E. Johnson President and Chief Operating Officer

- 100 percent Mission Success on eight Space Shuttle missions launched by United Space Alliance.
- FAA selects Lockheed Martin to modernize the nation's air traffic control system, including assistance to the FAA's upgrade of computer and control systems.
- The U.K. National Air Traffic Services selects Sky Solutions Ltd. as preferred bidder for the New Scottish Centre, a new air traffic control facility. Sky Solutions is owned by Lockheed Martin and Bovis Ltd.
- The U.S. Patent and Trademark Office awards Lockheed Martin contract for information systems development and maintenance.

Aeronautics Sector
=====

[PHOTO OF JAMES A. BLACKWELL, JR. APPEARS HERE]
James A. Blackwell, Jr. President and Chief Operating Officer

- F-22 aircraft rollout April 9 and first flight September 7.
- U.S. and international customers order 42 C-130J Hercules aircraft in 1997, bringing total orders and options to 145 aircraft.
- Singapore makes follow-on order for 12 F-16 aircraft; Lockheed Martin co-produces and delivers total of 117 Fighting Falcons in 1997.
- Joint Strike Fighter: Teaming agreements with Northrop Grumman and British Aerospace; start component production for two X-35 concept demonstrators;

Energy & Environment Sector
=====

[PHOTO OF ROBERT J. STEVENS APPEARS HERE]
Robert J. Stevens President and Chief Operating Officer

- Industry Week magazine names the Paducah Gaseous Diffusion Plant as a Top 10 Best Plant in America.

- - Sandia receives Department of Energy award for delivering a 500 percent return on investment and saving \$106.3 million by turning Tritium Research Laboratory into a chemical/radiation detection research facility.
- - Lockheed Martin employees at Idaho National Engineering and Environmental Laboratory, Oak Ridge Energy Systems and

[Space & Strategic Missiles Sector, continued]

- 100 percent Mission Success on 54 commercial, four civil and four military satellites, all manufactured by Lockheed Martin, including the first A2100 bus completed at the Corporation's new Commercial Satellite Center.
- Lockheed Martin and Russia's Intersputnik International Organization of Space Communications form a joint venture called Lockheed Martin Intersputnik to provide international telecommunications services.
- Lockheed Martin supports NASA's Mars Pathfinder, Mars Global Surveyor and Cassini planetary missions.
- Lockheed Martin assists with the successful second Hubble Space Telescope servicing mission.
- Lockheed Martin conducts 15 successful land- and sea-launched strategic and tactical missile flights.
- United Missile Defense Company is formed to strengthen National Missile Defense bid.

[Electronics Sector, continued]

- Lockheed Martin wins 25 domestic and international postal contracts to provide advanced recognition, automation, material handling and information management systems.
- The Lockheed Martin-Tenix joint venture to manage to completion the Jindalee Operational Radar Network in Australia.
- Spanish Ministry of Defense selects the AEGIS combat system for its F-100 frigates.
- Lockheed Martin Federal Systems-Owego attains highest rating of a company's software development capability from the Carnegie Mellon Software Engineering Institute, joining only two other companies worldwide rated at Level 5.
- A Lockheed Martin-Northrop Grumman joint venture is formed to produce Longbow Apache anti-armor missiles and missile launchers for U.S. Army.
- Ballistic Missile Defense Organization and U.S. Army conduct two successful test flights of the Patriot Advanced Capability (PAC-3) Missile.

[Information & Services Sector, continued]

- The Census Bureau selects Lockheed Martin to develop and install document imaging system to capture information from forms used for the Year 2000 Census.
- U.S. Air Force Space Command's 50th Space Wing selects Lockheed Martin for satellite operations, operations support, plus maintenance and training.
- The Environmental Protection Agency awards Lockheed Martin contracts to support the agency's computing and telecommunications requirements.
- The New York State Metropolitan Transportation Authority selects Lockheed Martin to outsource its information technology initiatives.
- Lockheed Martin becomes the North American Numbering Plan Administrator; signs Local Number Portability contracts serving phone carriers in 24 states. Local number portability allows customers to keep existing telephone numbers if they switch local service providers.
- Lockheed Martin wins Phase I of Consolidated Space Operations Contract.

[Aeronautics Sector, continued]

- successful Interim Program Review confirming we're on schedule, within budget, with robust design.
- Successful X-33 Critical Design Review, providing go-ahead to complete fabrication and assembly of subscale prototype. Linear Aerospike SR-71 Experiment validates propulsion configurations.
- Lockheed Martin and Alenia Aerospazio announce launch of C-27J medium airlifter.
- Lockheed Martin-Northrop Grumman team joins Australia's Transfield Defence (now Tenix) to compete for Wedgetail airborne early warning and control program.
- Deliver first operational Block 30 EC-130H Compass Call electronic warfare aircraft.
- Successful transition of Big Safari maintenance and modification work from Ontario plant to Palmdale; close Ontario plant as part of facilities consolidations.
- Receive U.S. Air Force contract to develop technologies/concepts for a military spaceplane.
- Aircraft & Logistics Centers begin operating January 1 following consolidation of four units into a single operating company; capture contracts totaling over \$1.25 billion in 1997.

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Hanford are honored with Vice President Gore's "Hammer Award".

- - NASA thanks Sandia for its role in the Pathfinder mission to Mars, including design and test of airbags that protected equipment during landing.
- - The Joint Program Office for Unmanned Ground Vehicles selects Lockheed Martin to provide robotic systems for bomb detection.
- - Sandia and eight universities will pilot the FAA's new Center of Excellence for air worthiness assurance.
- - Oak Ridge Energy Systems delivers "hospital-in-a-box" prototype to the Army and Air Force.
- - The U.S. Environmental Protection Agency accepts Sandia's application to open the Waste Isolation Pilot Project to store transuranic wastes.
- - Department of Energy selects Lockheed Martin to eliminate solid propellant, rocket motor cases and missile canisters from former Soviet ICBMs.

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Financial Section

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Eight Year Summary

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Management's Discussion and Analysis of
Financial Condition and Results of Operations

Lockheed Martin Corporation (Lockheed Martin or the Corporation) is a highly diversified global enterprise principally engaged in the conception, research, design, development, manufacture and integration of advanced-technology products and services. The following discussion should be read in conjunction with the audited consolidated financial statements included herein.

=====
Transaction Agreement with
Northrop Grumman Corporation

On July 3, 1997, the Corporation and Northrop Grumman Corporation (Northrop Grumman) announced that they had entered into an Agreement and Plan of Merger (the Merger Agreement) to combine the companies in a transaction with a total estimated value at the announcement date of approximately \$11.6 billion, including Northrop Grumman debt to be assumed by the Corporation of approximately \$3.1 billion (the Merger). Under the terms of the Merger Agreement, which was approved by the respective Boards of Directors of the Corporation and Northrop Grumman, Northrop Grumman stockholders will receive 1.1923 shares of Lockheed Martin common stock for each share of Northrop Grumman common stock. On February 26, 1998, the stockholders of the Corporation approved the issuance of shares of Lockheed Martin common stock in connection with the Merger. In addition, the Corporation's stockholders approved an amendment to Lockheed Martin's charter to increase the number of authorized shares of Lockheed Martin common stock from 750 million to 1.5 billion. Also on February 26, 1998, the stockholders of Northrop Grumman approved the Merger Agreement pursuant to which Northrop Grumman is to become a wholly-owned subsidiary of Lockheed Martin.

On March 9, 1998, the Corporation announced that it had been informed by the Department of Justice (DOJ) that the DOJ was fundamentally opposed to the Merger. The Corporation also announced on that date that it had committed to the DOJ not to close the transaction before April 24, 1998, and to develop and submit a proposal to the DOJ by April 8, 1998 designed to address the DOJ's antitrust concerns while preserving the expected benefits and efficiencies of the transaction to the Corporation and its stockholders, customers, employees and suppliers. On March 12, 1998, the DOJ informed the Corporation that it found this commitment unacceptable and demanded that the Corporation agree to certain substantial divestitures or the DOJ will proceed to court. The DOJ stated that they expected a response by March 16, 1998.

The transaction will be accounted for using the purchase method of accounting. Concurrent with the consummation of the Merger, the Corporation will increase the amount of its one-year revolving credit facility from \$1.5 billion to \$2.5 billion. The operations of Northrop Grumman are expected to be reported in the Electronics, Information & Services, Aeronautics, and Energy and Other segments.

=====
Transaction Agreement with
General Electric Company

On November 3, 1997, the Corporation announced a definitive agreement with General Electric Company (GE) under which Lockheed Martin would exchange the stock of a newly formed subsidiary, LMT Sub, for all of the Lockheed Martin Series A preferred stock held by GE and certain subsidiaries of GE (the GE Transaction). The Series A preferred stock, which was originally issued to GE in connection with the acquisition of GE's aerospace businesses in 1993, was convertible into approximately 29 million shares of Lockheed Martin common stock with a market value of approximately \$2.8 billion at the date of the announcement of the GE Transaction.

In accordance with the agreement, on November 17, 1997, Lockheed Martin exchanged all of the outstanding capital stock of LMT Sub for all of the outstanding Series A preferred stock held by GE and certain subsidiaries of GE. LMT Sub was composed of two non-core commercial business units which contributed approximately five percent

of the Corporation's 1997 net sales, Lockheed Martin's investment in a telecommunications partnership, and approximately \$1.6 billion in cash. The cash included in the exchange was initially financed through the issuance of commercial paper. On November 20, 1997, \$1.4 billion was refinanced pursuant to a note, due November 17, 2002 and bearing interest at 6.04%, from Lockheed Martin to LMT Sub. The remainder is expected to be refinanced with a note from Lockheed Martin to LMT Sub on substantially similar terms following final determination of the closing net worth of the businesses exchanged.

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, or \$1.46 per diluted share, during the fourth quarter. For purposes of determining net earnings applicable to common stock used in the computation of earnings 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 earnings per share calculations, but did not impact reported 1997 net earnings. The effect of this deemed dividend decreased basic earnings per share by \$9.85, and was antidilutive in the calculation of diluted earnings per share.

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Other Acquisitions and Divestitures

In April 1996, the Corporation purchased all of the issued and outstanding shares of common stock of Loral Corporation (Loral) for an aggregate consideration of \$38 per share in cash. The purchase involved a series of transactions that resulted in (i) the distribution to stockholders of Loral, immediately prior to the consummation of the purchase, of shares of capital stock in Loral Space & Communications, Ltd. (Loral SpaceCom), a newly-formed company, which now owns and manages substantially all of Loral's former space and satellite telecommunications interests, and in which the Corporation acquired shares of preferred stock that were convertible into 20 percent of Loral SpaceCom's common stock on a diluted basis at the date of acquisition, and (ii) the acquisition by the Corporation of Loral's defense electronics and systems integration businesses (collectively, the Loral Transaction). With regard to the Loral Transaction, the total purchase price paid, including acquisition costs, was approximately \$7.6 billion. The Loral Transaction was accounted for using the purchase method of accounting. In connection with the Loral Transaction, Loral changed its name to Lockheed Martin Tactical Systems, Inc. (Tactical Systems), which became a wholly-owned subsidiary of the Corporation. The operations of Tactical Systems have been included in the results of operations of the Corporation from April 1, 1996. Effective June 30, 1997, Tactical Systems was merged with and into the Corporation.

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, in which the Corporation retained a 34.9 percent ownership interest at closing. These business units, primarily composed of high-technology, product-oriented companies, contributed approximately two percent of the Corporation's net sales during the three month period ended March 31, 1997. The transaction, which closed on April 30, 1997 with an effective date of March 30, 1997, did not have a material impact on the Corporation's earnings.

During 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 (the Exchange Offer). Under the terms of the Exchange Offer, the Corporation's stockholders were given the opportunity to exchange each Lockheed Martin common share held for 4.72 common shares of Materials on a tax-free basis. The Exchange Offer

expired by its terms on October 18, 1996 and was oversubscribed. On October 23, 1996, approximately 7.9 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 November 1996, the Corporation announced the proposed divestiture of two of its business units, Armament Systems and Defense Systems, to General Dynamics Corporation (General Dynamics). This transaction, which concluded with the Corporation's receipt of \$450 million in cash on January 2, 1997, had no pretax effect on the results of operations for 1996 or 1997. At December 31, 1996, \$450 million, representing the net assets of the two business units, was included in other current assets.

On a combined basis, the Materials exchange and the Armament Systems and Defense Systems divestiture noted above increased 1996 net earnings by \$351 million, or \$1.59 per diluted share.

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Results of Operations

The Corporation's operating cycle is long-term and involves various types of production contracts with varying production delivery schedules. Accordingly, 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.

The Corporation's consolidated net sales for 1997 were a record \$28.1 billion. Net sales for the year were four percent greater than 1996 net sales, which in turn were 18 percent greater than 1995 net sales. Sales increases for 1997 in the Space & Strategic Missiles, Aeronautics and Information & Services segments, as well as the inclusion of the operations of Tactical Systems for a full year, more than offset the reduction of sales due to divested operations. The 1996 increase principally resulted from the inclusion of the operations of Tactical Systems from April 1, 1996, which more than offset sales decreases in the Aeronautics segment. The U.S. Government remained the Corporation's largest customer, comprising 66 percent of the Corporation's net sales for 1997 compared to 70 percent in 1996 and 69 percent in 1995.

The Corporation's operating profit (earnings before interest and taxes) was approximately \$2.8 billion in 1997, a two percent increase from the \$2.7 billion reported in 1996. Operating profit for 1996 was significantly greater than the \$1.4 billion reported in 1995. However, the reported amounts for each of the three years presented included the financial impacts of various nonrecurring and unusual items, the details of which are described below. Excluding the effects of these nonrecurring and unusual items for each year, operating profit for 1997 would have been approximately nine percent greater than the 1996 amount, which in turn would have been approximately 29 percent greater than the 1995 amount. 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. A significant portion of the 1996 increase resulted from the inclusion of the operations of Tactical Systems. Additional growth in

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Net Sales

In millions

[BAR GRAPH APPEARS HERE]

(a) Includes the effects of the business combination with Loral Corporation since April 1996.

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

operating profit in 1996 resulted from increases in the Space & Strategic Missiles and Electronics segments, slightly offset by declines in the Aeronautics segment.

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 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 1996 charges. 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 impairments in the values of various non-core investments and certain other assets in keeping with the Corporation's continued focus on core operations.

Operating profit in 1996 included the gain on the Materials exchange discussed previously. In addition, during the fourth quarter of 1996, the Corporation recorded nonrecurring pretax charges, net of state income tax benefits, of \$307 million. Approximately one-half of the charges reflected the estimated effects of terminating a 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 impairments 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 Tactical Systems in the Electronics, Information & Services, and Energy and Other segments.

During the first quarter of 1995, the Corporation recorded a pretax charge of \$165 million for merger related expenses in connection with the formation of Lockheed Martin. During the second quarter of 1995, the Corporation recorded a pretax charge of \$525 million in conjunction with a corporate-wide consolidation plan under which the Corporation would close certain facilities and laboratories and eliminate duplicative field offices in the U.S. and abroad, eliminating up to approximately 12,000 positions. This charge represented the portion of the accrued costs and net realizable value adjustments that were not probable of recovery.

Reported net earnings for 1997 were \$1.30 billion, which was approximately three percent lower than the net earnings reported in 1996. Reported 1996 net earnings of

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Net Earnings

In millions

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(a) Includes the effects of the business combination with Loral Corporation since April 1996.

(b) Excluding the effects of the gain on the transaction with GE, and the charges relating to certain lines of business in the areas of children and family services systems development and environmental remediation, and impairments in values for certain assets, 1997 net earnings would have been \$1,292 million.

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

(d) Excluding the effects of the merger related and consolidation charges, 1995 net earnings would have been \$1,118 million.

\$1.35 billion were significantly greater than the 1995 net earnings of \$682 million. The 1997 reported amount includes the Corporation's tax-free gain of \$311 million, or \$1.46 per diluted share, resulting from the GE Transaction, and the after-tax effects of the nonrecurring and unusual charges described above, which decreased net earnings by \$303 million, or \$1.42 per diluted share. 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, the Materials exchange and the divestiture noted above increased 1996 net earnings by \$351 million, or \$1.59 per diluted share. The 1996 reported amounts also include the after-tax impact of the nonrecurring charges described above, which decreased net earnings by \$209 million, or \$.94 per diluted share. The 1995 reported amounts include the after-tax effects of the merger related and consolidation charges identified above of \$436 million, or \$1.97 per diluted share. Excluding the effects of these nonrecurring and unusual items, net earnings for 1997 would have been slightly more than \$1.29 billion, representing a seven percent increase from the adjusted 1996 net earnings of approximately \$1.20 billion. The adjusted 1996 net earnings amount would have been eight percent higher than the adjusted 1995 net earnings amount of approximately \$1.12 billion.

All earnings per share amounts have been computed in accordance with Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings per Share." Prior year amounts computed under the new standard do not differ significantly from amounts computed under previous guidance. For purposes of determining net earnings applicable to common stock used in the computation of earnings 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 in accordance with the requirements of the Emerging Issues Task Force's Issue D-42. This deemed dividend had a significant impact on the earnings per share calculations, but did not impact reported 1997 net earnings. The effect of this deemed dividend decreased basic earnings per share by \$9.85 and diluted earnings per share by \$8.55. Accordingly, the 1997 diluted loss per share is not presented on the Consolidated Statement of Earnings as the calculated amount was antidilutive as compared to the calculated basic loss per share of \$3.12. Basic and diluted earnings per share amounts reported were \$6.80 and \$6.09 for 1996, and \$3.28 and \$3.09 for 1995, respectively.

The Corporation's reported 1997, 1996, and 1995 diluted earnings per share before the deemed preferred stock dividend were \$6.09, \$6.09, and \$3.09, respectively. Excluding the effects of the nonrecurring and unusual items described above, diluted earnings per share before the deemed preferred stock dividend for 1997, 1996, and 1995 would have been \$6.05, \$5.44, and \$5.06, respectively.

The Corporation's debt to capitalization ratio increased from 63 percent at December 31, 1996 to just under 70 percent at December 31, 1997. Total debt (including short-term

 Diluted Earnings Per Share Before
 Deemed Preferred Stock Dividend

In dollars

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- (a) Includes the effects of the business combination with Loral Corporation since April 1996.
- (b) Excludes the effects of a deemed preferred stock dividend in determining net earnings applicable to common stock in the computation of earnings per share which resulted from the GE Transaction. The effect of this deemed dividend was to decrease basic earnings per share by \$9.85, and was antidilutive relative to diluted earnings per share.
- (c) Excluding the effects of the gain on the transaction with GE, and the charges related to certain lines of business in the areas of children and family services systems development and environmental remediation, and impairments in values for certain assets, 1997 diluted earnings per share would have been \$6.05.
- (d) Excluding the effects of the Materials exchange, the divestiture of two business units, and the charges associated with the environmental remediation business, impairments in values for certain assets, and other costs, 1996 diluted earnings per share would have been \$5.44.
- (e) Excluding the effects of the merger related and consolidation charges, 1995 diluted earnings per share would have been \$5.06.

borrowings) at December 31, 1997 increased to \$11.9 billion from \$11.5 billion at December 31, 1996 while stockholders' equity decreased to \$5.2 billion at December 31, 1997 from nearly \$6.9 billion at December 31, 1996. These changes principally resulted from the increase in long-term debt and the redemption of the Series A preferred stock in connection with the GE Transaction. The Corporation paid common dividends of \$299 million in 1997, or \$1.60 per common share.

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Industry Considerations

The Corporation's primary lines of business are in high 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.

Reductions in the Federal defense budget for research, development, test and evaluation, and procurement over the last several years have caused continued pressures on participants in the aerospace and defense industry to consolidate in order to maintain critical mass and achieve production economies. The Corporation has been at the forefront of the consolidation within the industry, as evidenced by the acquisitions of the aerospace businesses of GE, the Fort Worth and Space Systems divisions of General Dynamics, the defense electronics and systems integration businesses of Loral, and the pending acquisition of Northrop Grumman. These transactions, combined with other strategic acquisitions and alliances, have broadened the Corporation's business portfolio, created opportunities for increased efficiency and cost competitiveness, improved access to new markets and reduced the impact of exposure to specific defense budget reductions.

The pending acquisition of Northrop Grumman is the latest action taken by the Corporation to solidify its position in the aerospace and defense industry. Northrop Grumman operates principally in the electronics, aircraft and information technology segments of the defense industry as a designer, systems integrator and manufacturer of military surveillance and combat aircraft, defense electronics and systems, airspace management systems, information systems, marine systems, precision weapons, space systems, and commercial and military aerostructures. Northrop Grumman itself has been an active participant in the consolidation of the industry through its acquisitions of Vought Corporation, the defense electronics businesses of Westinghouse Corporation, and Logicon Corporation. The acquisition of Northrop Grumman, if consummated, will strengthen the Corporation's business portfolio in several key areas and broaden its product lines and range of technologies.

In addition to the acquisition actions noted above, the Corporation's management has been active in identifying and divesting its less well-positioned and non-core businesses. Such actions include the exchange of the remaining ownership interest in Materials, the divestiture of the Armament Systems and Defense Systems businesses to General Dynamics, the repositioning of non-core businesses as L-3 Communications Corporation, and the exchange of non-core businesses and cash for GE's preferred stock holdings in the Corporation. In addition, the Corporation transferred its Space Shuttle processing operations to United Space Alliance (USA), a joint venture with The Boeing Company which has become NASA's prime Space Shuttle operations contractor. These actions have helped the

Dividends Per Common Share

In dollars

[BAR GRAPH APPEARS HERE]

Corporation's management focus its attention on core competencies. The Corporation's management and Board of Directors will continue to periodically review the Corporation's strategic plans, which include the possibility of further acquisitions and divestitures, joint ventures and other new business relationships with aerospace and defense companies.

Recently, the U.S. Department of Defense delivered to Congress a proposed budget for fiscal year 1999 that increases weapons procurement by eight percent over last year's level, ending a 12-year period of decline. Also, the Department of Defense proposed a five-year budget that would ultimately exceed the \$60 billion target in procurement endorsed in the government's Quadrennial Defense Review. This target is considered the minimum necessary to adequately modernize aging ships, aircraft and other equipment. The potential end to the decline in defense budgets, combined with a trend toward outsourcing of information technology functions by federal, state, and local governments and an increase in civil and commercial space activity, may result in an improved industry market environment in future periods.

The Corporation continued to achieve an excellent mission success record during 1997, with a 96 percent success rating out of 640 events such as test flights, rocket firings, missile launches and satellite deployments. In the new business competition arena, the Corporation won more than two-thirds of its competitions based on dollars bid, which was above its 1996 performance. To date, the Corporation's major programs generally have been well supported, but uncertainty exists over the size and scope of future defense and space budgets and their impact on specific programs. Some of the Corporation's programs have been delayed, curtailed or terminated, and future spending reductions and funding limitations could further impact these programs or have similar effects on other existing or emerging programs.

As a U.S. Government contractor, the Corporation's government contracts and operations are subject to 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 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. 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 or financial position.

The Corporation remains exposed to other inherent risks associated with U.S. Government contracting. These risks include technological uncertainties and obsolescence, changes in government policies and dependence on annual Congressional appropriation and allotment of funds.

Progress has been made in expanding the Corporation's 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, product obsolescence and the risks inherent in conducting business internationally. The Corporation has advanced funds to a foreign subcontractor for the manufacture of launch vehicles and related launch services. At December 31, 1997, such advances totaled approximately \$450 million and were included in inventories.

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

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Discussion of Business Segments

The Corporation's operations are divided into five business segments: Space & Strategic Missiles; Electronics; Information & Services; Aeronautics; and Energy and Other. Certain amounts for prior years have been reclassified to conform with the 1997 presentation.

The following table displays net sales for the Lockheed Martin business segments for each of the three years in the period ended December 31, 1997, which correspond to the segment information presented in Note 17 to the consolidated financial statements.

(In millions)	1997	1996	1995
=====			
Net Sales			
Space & Strategic Missiles	\$ 8,303	\$ 7,904	\$ 7,813
Electronics	7,069	6,675	3,357
Information & Services	6,468	5,893	4,173
Aeronautics	6,045	5,596	6,617
Energy and Other	184	807	893

	\$28,069	\$26,875	\$22,853
=====			

Operating profit by industry segment for each of the three years in the period ended December 31, 1997, 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)	1997	1996	1995
=====			
Operating Profit			
Space & Strategic Missiles	\$1,053	\$ 973	\$ 463
Electronics	594	673	224
Information & Services	163	290	267
Aeronautics	612	441	394
Energy and Other	357	356	29

	\$2,779	\$2,733	\$1,377
=====			

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

(In millions)	1997	1996	1995
=====			
Nonrecurring and Unusual Items:			
Consolidated Effects			
Gain on GE Transaction	\$ 311	\$ --	\$ --
Gain on Materials exchange	--	365	--
Nonrecurring and unusual charges	(457)	(307)	--
Merger related and consolidation expenses	--	--	(690)

	\$ (146)	\$ 58	\$ (690)

Segment Effects			
Space & Strategic Missiles	\$ (87)	\$ (25)	\$ (263)
Electronics	(69)	--	(93)
Information & Services	(163)	(86)	(24)
Aeronautics	(44)	(46)	(138)
Energy and Other	217	215	(172)

	\$ (146)	\$ 58	\$ (690)
=====			

In an effort to make the following discussion of significant operating results of each business segment more understandable, the impact of these nonrecurring and unusual items discussed earlier have been excluded.

=====
Space & Strategic Missiles

Net sales of the Space & Strategic Missiles segment increased by five percent in 1997 compared to 1996 and by one percent in 1997 compared to 1995. The 1997 increase was the result of greater Proton D-1-e launch services volume as well as an increase in revenue from commercial satellite programs. Increases in commercial satellite systems volume and classified program activities in 1996 compared to 1995 were largely offset by the timing of Atlas II and Atlas E

launches (seven successful launches in 1996 versus 12 in 1995) and from reduced volume on the Trident fleet ballistic missile program.

Operating profit for the segment increased by 14 percent in 1997 compared to 1996 and by 37 percent in 1996 compared to 1995. The 1997 increase resulted from an increase in the profitability of Atlas launches combined with

the increase in Proton D-1-e launch activity mentioned above. The increase in 1996 was attributable to the increases in commercial satellite volume and classified program activities discussed above, margin expansion from improved cost performance on the Corporation's Titan and Atlas launch vehicle programs and timing of the recognition of award and incentive fees on certain space programs.

=====
 Electronics

Net sales of the Electronics segment increased by six percent in 1997 compared to 1996 after having doubled in 1996 compared to 1995. The 1997 net sales amount reflects the inclusion of a full year of the operations of certain Tactical Systems companies versus nine months in 1996. However, this increase is offset by the divestiture of the Corporation's Armament Systems and Defense Systems businesses to General Dynamics at the beginning of 1997. Adjusting the results of operations to reflect these companies on a comparable basis, net sales in 1997 would have decreased by two percent compared to 1996. The 1996 net sales amount reflected the inclusion of the operations of certain Tactical Systems companies since April 1, 1996. Excluding the operations of the Tactical Systems companies, 1996 net sales for the segment would have increased by 12 percent compared to 1995. This increase was principally attributable to volume increases in a variety of government and commercial electronics programs and the inclusion of the operations of the aircraft controls business formerly owned by GE, which was acquired in the fourth quarter of 1995.

Operating profit for the segment in 1997 was comparable to 1996 after having increased by 112 percent in 1996 compared to 1995. As was the case with net sales, 1997 operating profit reflects the inclusion of a full year of operations of certain Tactical Systems companies and does not include the operations of the businesses divested to General Dynamics, while the 1996 operating profit reflects the inclusion of the operations of the Tactical Systems companies since April 1, 1996. Adjusting the results of operations to reflect the Tactical Systems companies and the businesses divested to General Dynamics on a comparable basis, operating profit for the segment would have decreased by seven percent in 1997 compared to 1996 and would have increased by 28 percent in 1996 compared to 1995. The net decrease in 1997 was primarily the result of investments in new programs, while the 1996 increase was principally the result of the production volume increases discussed above as well as the inclusion in 1995 of contract charges related to the LANTIRN program close-out.

=====
 Information & Services

Net sales of the Information & Services segment increased by 10 percent in 1997 compared to 1996, and by 41 percent in 1996 compared to 1995. The 1997 net sales increase reflected an increase in sales volume related to commercial products, systems integration programs and information systems programs. The inclusion of a full year of the operations of certain Tactical Systems companies in 1997 versus nine months in 1996 was offset by the effect of the absence of the L-3 operations and the Corporation's Space Shuttle processing operations. The 1996 increase is principally due to the inclusion of the operations of certain Tactical Systems companies since April 1, 1996. Excluding the operations of those businesses, 1996 net sales would have been comparable to 1995 levels. Increases in commercial product distribution activities in 1996 were largely offset by the transfer of the Corporation's contracts for Space Shuttle processing operations to USA as mentioned previously. The operations of the Access Graphics business unit, which was divested in the GE Transaction, generated approximately 19 percent of the segment's net sales in 1997.

Operating profit for the segment decreased by 13 percent in 1997 compared to 1996 after having increased by 29 percent in 1996 compared to 1995. However, adjusting the results of operations to reflect the companies divested in the L-3 transaction and the Tactical Systems companies on a comparable basis, operating profit in 1997 would have decreased by six percent compared to 1996 while operating profit in 1996 would have decreased by 30 percent compared

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

to 1995. The 1997 decrease was caused primarily by unfavorable performance in the operations of a majority-owned subsidiary and by charges recorded in the Corporation's graphics technology line of business. The 1996 decrease from 1995 was principally the result of charges taken in 1996 related to certain information systems contracts and accounts, and from losses experienced at two of the Corporation's commercial subsidiaries.

=====
 Aeronautics

Net sales of the Aeronautics segment increased by eight percent in 1997 compared to 1996 after decreasing by 15 percent in 1996 compared to 1995. The 1997 increase principally resulted from increased deliveries of F-16 fighter aircraft. The net sales decrease in 1996 was principally due to fewer deliveries of both F-16 fighter and C-130 airlift aircraft.

Operating profit increased by 35 percent in 1997 compared to 1996 after decreasing by eight percent in 1996 compared to 1995. The increase in 1997 resulted from the greater number of F-16 aircraft deliveries previously mentioned, completion of significant flight performance milestone events and margin improvements on the C-130 program, and increased margins in the manufacture of thrust reversers. The Corporation's thrust reverser business was divested in the GE transaction during the fourth quarter of 1997. The 1996 operating profit decrease compared to 1995 was principally the result of the volume decreases discussed previously.

=====
 Energy and Other

Net sales of this segment decreased significantly in 1997 compared to 1996, and by 10 percent in 1996 compared to 1995. The net sales decreases for both periods were principally the result of the divestiture of Materials during the fourth quarter of 1996.

Operating profit for this segment was relatively unchanged in 1997 compared to 1996 after having decreased by 30 percent in 1996 compared to 1995. Improvement in the Corporation's performance on certain environmental programs coupled with gains related to dispositions of miscellaneous Corporate investments essentially offset the absence of the results of operations of Materials which was divested in 1996. The net decrease in 1996 compared to 1995 principally resulted from losses on certain environmental programs.

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 Backlog

Total negotiated backlog of \$47.1 billion at December 31, 1997 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)	1997	1996	1995
Backlog			
Space & Strategic Missiles	\$16,834	\$19,463	\$18,066
Electronics	9,849	10,650	5,271
Information & Services	6,674	6,718	3,005
Aeronautics	13,456	13,408	14,775
Energy and Other	246	167	8
	\$47,059	\$50,406	\$41,125

 Negotiated Backlog

In millions

[BAR GRAPH APPEARS HERE]

(a) Includes the effects of the business combination with Loral Corporation since April 1996.

Total Space & Strategic Missiles backlog decreased by 14 percent in 1997 compared to 1996 after having increased by eight percent in 1996 compared to 1995. 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. The increase in 1996 occurred principally from new orders received for Titan, Atlas and Proton launch vehicle services and the SBIRS program.

In the Electronics segment, total backlog decreased by eight percent in 1997 compared to 1996 after more than doubling in 1996 compared to 1995. The 1997 decrease was caused by the absence of backlog related to the businesses that were divested to General Dynamics during 1997. The 1996 increase was due to the addition of the backlog of the Tactical Systems companies acquired in 1996. Excluding the acquired backlog of the Tactical Systems companies, backlog in 1996 for the segment would have decreased by three percent compared to 1995. This decrease was principally the result of the net effect of close-outs of completed government electronics contracts during the year.

Total Information & Services backlog decreased slightly in 1997 compared to 1996, and increased by 124 percent in 1996 compared to 1995. The decrease in 1997 resulted from the absence of backlog related to the companies that were divested to L-3 during 1997. If the 1996 end of year backlog of L-3 is excluded, backlog in 1997 would have increased by eight percent compared to 1996, principally because of new orders generated in a number of the segment's information technology businesses. The significant 1996 increase was due to the addition of the backlog of the Tactical Systems companies acquired in 1996. Excluding the acquired backlog of the Tactical Systems companies, backlog in 1996 for the segment would have increased by 25 percent compared to 1995. This increase was principally the result of new information management services contract awards.

In the Aeronautics segment, total backlog increased slightly in 1997 compared to 1996 and decreased by nine percent in 1996 compared to 1995. In 1997, the segment's C-130 airlift aircraft backlog increased due to the receipt of new orders. These new orders offset a reduction in F-16 fighter aircraft backlog and the divestiture of the segment's thrust reverser program backlog to GE during 1997. In 1996, F-16 aircraft backlog decreased, primarily reflecting deliveries of aircraft exceeding new orders. Decreases in backlog for the F-22 air-superiority fighter aircraft program, currently in the development phase, also contributed to the 1996 decrease.

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Liquidity and Cash Flows

Cash provided by operating activities was approximately \$1.2 billion in 1997, compared with \$1.6 billion and \$1.3 billion of cash provided in 1996 and 1995, respectively. As in the prior years, positive cash flows were derived in large part from operating profits before deducting non-cash charges for depreciation and amortization of property and intangible assets, offset in part by working capital increases. Cash provided by operating activities also includes the effect of merger related and consolidation payments of \$68 million in 1997, \$244 million in 1996, and \$208 million in 1995.

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Net Cash Provided by Operating
Activities

In millions

[BAR GRAPH APPEARS HERE]

(a) Includes the effects of the business combination with Loral Corporation since April 1996.

Cash provided by investing activities was \$185 million in 1997, compared with \$8.0 billion and \$699 million used for investing activities in 1996 and 1995, respectively. The disposition of the Armament Systems and Defense Systems businesses to General Dynamics and divestiture of the L-3 businesses more than offset additions to property, plant and equipment in 1997. The Corporation used approximately \$7.3 billion of cash in 1996 to finance the Loral Transaction. Property, plant and equipment additions in 1996 were 47 percent higher compared to 1995, reflecting the inclusion of the capital spending activity of the Tactical Systems business units as well as approximately \$150 million related to the Lockheed Martin integration and consolidation program. The Corporation continually monitors its capital spending in relation to current and anticipated business needs. Facilities are added, consolidated, modernized or disposed of as business circumstances dictate.

Approximately \$1.4 billion of cash was used for financing activities during 1997, compared with cash provided by financing activities of \$5.7 billion in 1996 and cash used for financing activities of \$579 million in 1995. During 1997, the Corporation decreased its short-term borrowings significantly, while long-term debt increased primarily due to the financing of the GE Transaction, which resulted in the redemption of the Corporation's preferred stock. Approximately \$7.6 billion of indebtedness was incurred in 1996 in connection with the consummation of the Loral Transaction. Approximately \$876 million of long-term debt will mature in 1998.

The Corporation receives advances on certain contracts and uses them to finance the inventories required to complete the contracted work. Approximately \$2.8 billion of advances related to work in process at December 31, 1997 have been received from customers and were recorded as reductions of inventories in the Corporation's consolidated balance sheet. In addition, advances of approximately \$3.6 billion at the end of 1997 have been recognized as current liabilities, mostly related to contracts with foreign governments and commercial customers.

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Capital Structure and Resources

Total debt, including short-term borrowings, increased to approximately \$11.9 billion at the end of 1997 from approximately \$11.5 billion at the end of 1996. The net decrease in short-term borrowings of \$866 million and the repayment of \$219 million of long-term debt were more than offset by borrowings incurred to finance the GE Transaction. Most of the Corporation's long-term debt is in the form of publicly issued, fixed-rate Notes and Debentures. Stockholders' equity decreased to approximately \$5.2 billion at December 31, 1997 from a balance of nearly \$6.9 billion one year ago. Stockholders' equity activity for 1997 included a reduction of approximately \$2.8 billion in connection with the redemption of the preferred stock previously held by GE. Consequently, the Corporation's total debt to capitalization ratio (including short-term borrowings) increased from 63 percent at December 31, 1996 to nearly 70 percent at December 31, 1997.

At the end of 1997, the Corporation had a 4-year revolving credit facility in the amount of \$3.5 billion and a one-year revolving credit facility in the amount of \$1.5 billion (collectively, the Credit Facilities). No borrowings were outstanding under the Credit Facilities at December 31, 1997. However, the Credit Facilities support commercial paper borrowings of approximately \$1.5 billion outstanding at December 31, 1997. Of this amount, \$1.0 billion 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.

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, 1997, the Corporation had contingent liabilities on outstanding letters of credit, guarantees and other arrangements aggregating approximately \$1.2 billion.

Cash on hand and temporarily invested, internally generated funds, and available financing resources as detailed above are expected to be sufficient to meet the anticipated

operating, consolidation and debt service requirements, discretionary investment needs and capital expenditures of the Corporation. Consistent with the Corporation's desire to generate cash to reduce debt, management anticipates that, subject to prevailing financial, market and economic conditions, the Corporation may divest other non-core businesses or surplus properties.

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Environmental Matters

As more fully described in Note 16 to the consolidated financial statements, the Corporation entered into a consent decree with the U.S. Environmental Protection Agency (EPA) relating to certain property in Burbank, California, which obligated the Corporation to design and construct facilities to monitor, extract and treat groundwater, and to operate and maintain such facilities for approximately eight years. A second consent decree is being finalized which will obligate 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 Burbank facilities. This order requires site assessment and action to abate groundwater contamination by a combination of groundwater and soil cleanup and treatment. Anticipated future costs for these projects are estimated to approximate \$170 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 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 property and the Redlands property described above, the Corporation has accrued approximately \$260 million at December 31, 1997 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.

The Corporation is a party to various 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 matters. The Corporation is currently unable to predict the outcome of these matters, inasmuch as the actual costs of remedial actions have not been determined and the allocation of liabilities among parties that ultimately may be found liable remains uncertain.

In 1994, the Corporation was awarded a \$180 million fixed price contract by the U.S. Department of Energy (DOE) for the Phase II design, construction and limited test of remediation facilities, and the Phase III full remediation of waste found in Pit 9, located on the Idaho National Engineering and Environmental Laboratory reservation. The Corporation has incurred significant unanticipated costs and scheduling issues due to complex technical and contractual matters which threaten the viability of the overall Pit 9 program. Management completed its investigation to identify and quantify the overall effect of these matters, and summarized its findings in a request for equitable adjustment (REA) which was delivered to the DOE on March 31, 1997. The provisions of the REA include, but are not limited to, the recovery of a portion of unanticipated costs incurred by the Corporation and the restructuring of the contract to provide for a more equitable sharing of the risks associated with the Pit 9 project. To better focus the Corporation's management resources on resolving these issues, the management and reporting structure of the Pit 9 program were changed in September 1997; however, the Corporation has been unsuccessful in reaching any agreements with the DOE on cost recovery or other contract restructuring matters. As a result, the Corporation has reduced work activities at the Pit 9 site, is awaiting technical direction from the DOE, and is in the process of preparing a certifiable claim.

On February 27, 1998, the Corporation received a cure notice alleging that certain actions taken by the Corporation are conditions endangering performance of the Pit 9 contract. The notice advised that, unless these conditions are cured within 30 days, the contract may be terminated for default. The Corporation believes that termination for default is neither permissible under the Pit 9 contract nor warranted under the circumstances and is preparing its response.

=====
Other Matters

The Corporation is nearing completion of its assessments of the computer systems affected by the Year 2000 issue, and completion of the development of plans to resolve the issues identified in the assessments. These plans provide for systems to be Year 2000 compliant by the end of 1999. Based on information currently available from the work performed, management does not expect that the amounts to be expensed for Year 2000 activities over the next two years will have a material impact on the Corporation's consolidated results of operations or financial position.

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, 1997, 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's Responsibility
for Financial Reporting

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.

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

/s/ Marcus C. Bennett

Marcus C. Bennett
Executive Vice President and
Chief Financial Officer

/s/ Todd J. Kallman

Todd J. Kallman
Vice President and Controller

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Report of Ernst & Young LLP,
Independent Auditors

Board of Directors and Stockholders
Lockheed Martin Corporation

We have audited the accompanying consolidated balance sheet of Lockheed Martin Corporation as of December 31, 1997 and 1996, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1997. 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, 1997 and 1996, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles.

/s/ ERNST & YOUNG LLP

Washington, D.C.

January 19, 1998, except for Note 2 and
the next to the last paragraph of Note 16,
as to which the date is March 12, 1998

Lockheed Martin Corporation

=====
 Consolidated Statement of Earnings

Year ended December 31,

(In millions, except per share data)	1997	1996	1995
=====			
Net sales	\$28,069	\$26,875	\$22,853
Costs and expenses:			
Cost of sales	25,772	24,594	20,881
Merger related and consolidation expenses	--	--	690

Earnings from operations	2,297	2,281	1,282
Other income and expenses, net	482	452	95

	2,779	2,733	1,377
Interest expense	842	700	288

Earnings before income taxes	1,937	2,033	1,089
Income tax expense	637	686	407

Net earnings	\$ 1,300	\$ 1,347	\$ 682
=====			
Basic earnings (loss) per common share:*			
Before deemed preferred stock dividend	\$ 6.73	\$ 6.80	\$ 3.28
Deemed preferred stock dividend	(9.85)	--	--

(Loss) earnings per share	\$ (3.12)	\$ 6.80	\$ 3.28
=====			
Diluted earnings (loss) per common share:*			
Before deemed preferred stock dividend	\$ 6.09	\$ 6.09	\$ 3.09
Deemed preferred stock dividend	(8.55)	--	--

(Loss) earnings per share	**	\$ 6.09	\$ 3.09
=====			

* 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 earnings applicable to common stock, the deemed preferred stock dividend was deducted from 1997 net earnings.

**Antidilutive.

See accompanying Notes to Consolidated Financial Statements.

Lockheed Martin Corporation

Consolidated Statement of Cash Flows

(In millions)	Year ended December 31,		
	1997	1996	1995
Operating Activities			
Net earnings	\$ 1,300	\$ 1,347	\$ 682
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Merger related and consolidation--expenses	--	--	690
--payments	(68)	(244)	(208)
Depreciation and amortization	606	732	605
Amortization of intangible assets	446	402	230
Deferred federal income taxes	155	(251)	(116)
GE Transaction	(311)	--	--
Materials transaction	--	(365)	--
Changes in operating assets and liabilities:			
Receivables	(572)	(328)	(394)
Inventories	(687)	(125)	430
Customer advances and amounts in excess of costs incurred	1,048	544	(294)
Salaries, benefits and payroll taxes	53	265	(132)
Income taxes	(560)	(158)	206
Other	(202)	(183)	(407)
Net cash provided by operating activities	1,208	1,636	1,292
Investing Activities			
Additions to properties, net of purchased operations	(750)	(737)	(500)
Loral Transaction	--	(7,344)	--
Divestiture of L-3 companies	464	--	--
Divestiture of Armament Systems and Defense Systems	450	--	--
Other acquisition, investment and divestiture activities	(24)	(35)	(294)
Other	45	87	95
Net cash provided by (used for) investing activities	185	(8,029)	(699)
Financing Activities			
Net (decrease) increase in short-term borrowings	(866)	1,110	(14)
Increases in long-term debt	1,505	7,000	125
Repayments and extinguishments of long-term debt	(219)	(2,105)	(287)
Issuances of common stock	110	97	61
Purchases of common stock	--	--	(150)
Dividends on common stock	(299)	(302)	(254)
Dividends on preferred stock	(53)	(60)	(60)
Redemption of preferred stock	(1,571)	--	--
Net cash (used for) provided by financing activities	(1,393)	5,740	(579)
Net (decrease) increase in cash and cash equivalents	--	(653)	14
Cash and cash equivalents at beginning of year	--	653	639
Cash and cash equivalents at end of year	\$ --	\$ --	\$ 653

See accompanying Notes to Consolidated Financial Statements.

Lockheed Martin Corporation

Consolidated Balance Sheet

	December 31,	
(In millions)	1997	1996
<hr/>		
Assets		
Current assets:		
Receivables	\$ 5,009	\$ 4,999
Inventories	3,144	2,953
Deferred income taxes	1,256	1,356
Other current assets	696	1,038
<hr/>		
Total current assets	10,105	10,346
Property, plant and equipment	3,669	3,721
Intangible assets related to contracts and programs acquired	1,566	1,767
Cost in excess of net assets acquired	9,856	10,394
Other assets	3,165	3,312
<hr/>		
	\$28,361	\$29,540
<hr/>		
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,234	\$ 1,294
Customer advances and amounts in excess of costs incurred	3,644	2,600
Salaries, benefits and payroll taxes	924	991
Income taxes	364	925
Short-term borrowings	494	1,110
Current maturities of long-term debt	876	180
Other current liabilities	1,653	1,572
<hr/>		
Total current liabilities	9,189	8,672
Long-term debt	10,528	10,188
Post-retirement benefit liabilities	1,982	2,077
Other liabilities	1,486	1,747
<hr/>		
Stockholders' equity:		
Series A preferred stock	--	1,000
Common stock, \$1 par value per share	194	193
Additional paid-in capital	25	92
Retained earnings	5,173	5,823
Unearned ESOP shares	(216)	(252)
<hr/>		
Total stockholders' equity	5,176	6,856
<hr/>		
	\$28,361	\$29,540
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See accompanying Notes to Consolidated Financial Statements.

Lockheed Martin Corporation

Consolidated Statement of Stockholders' Equity

(In millions)	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Unearned ESOP Shares	Total Stockholders' Equity
Balance at December 31, 1994	\$ 1,000	\$ 199	\$ 734	\$ 4,470	\$ (317)	\$ 6,086
Net earnings	--	--	--	682	--	682
Dividends declared on preferred stock (\$3.00 per share)	--	--	--	(60)	--	(60)
Dividends declared on common stock (\$1.34 per share)	--	--	--	(254)	--	(254)
Repurchases of common stock	--	(2)	(148)	--	--	(150)
Stock awards and options, and ESOP activity	--	2	97	--	30	129
Balance at December 31, 1995	1,000	199	683	4,838	(287)	6,433
Net earnings	--	--	--	1,347	--	1,347
Dividends declared on preferred stock (\$3.00 per share)	--	--	--	(60)	--	(60)
Dividends declared on common stock (\$1.60 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
Dividends declared on preferred stock (\$2.65 per share)	--	--	--	(53)	--	(53)
Dividends declared on common stock (\$1.60 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

See accompanying Notes to Consolidated Financial Statements.

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Notes to Consolidated Financial Statements
December 31, 1997
=====Note 1 - Summary of Significant
Accounting Policies

Organization - Lockheed Martin Corporation (Lockheed Martin or the Corporation) is engaged in the design, manufacture, integration and operation of a broad array of products and services ranging from aircraft, spacecraft and launch vehicles to missiles, electronics, information systems and energy management. The Corporation serves customers in both domestic and international defense and civilian 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. Material 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, in particular 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.

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 the prior years have been reclassified to conform with the 1997 presentation.

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 other customers have title to, or a security interest in, certain inventories as a result of progress payments and advances. 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 of depreciation 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 \$651 million and \$505 million at December 31, 1997 and 1996, 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 \$881 million and \$617 million at December 31, 1997 and 1996, respectively. The carrying values of intangible assets are reviewed if 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 undiscounted cash flows of the related business operations to the appropriate carrying values.

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 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 costs and expenses 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. The Corporation designates interest rate swap agreements as hedges of specific debt instruments and recognizes the interest differentials as adjustments to interest expense over the terms of the related debt obligations. There were no interest rate swap agreements outstanding at December 31, 1997. Forward exchange contracts are also 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, 1997, 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 financial instruments for trading purposes.

Accounting changes - Effective December 31, 1997, the Corporation adopted Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings Per Share", which established new standards for computing and disclosing earnings per share. The Statement requires dual presentation of "basic" and "diluted" earnings per share, each as defined therein, which replace primary and fully diluted earnings per share, respectively, required under previous guidance. In accordance with SFAS No. 128, all earnings per share amounts included in this annual report have been restated to conform to the provisions of the new standard and required disclosures have been made (see Note 6).

Effective January 1, 1997, the Corporation adopted the American Institute of Certified Public Accountants' Statement of Position (SOP) No. 96-1, "Environmental Remediation Liabilities." SOP No. 96-1 provides authoritative guidance on certain accounting issues relative to the recognition, measurement, display and disclosure of environmental remediation liabilities. The impact of the adoption of this SOP was not material to the Corporation's consolidated results of operations, financial position or disclosures.

Effective January 1, 1996, the Corporation adopted SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." SFAS No. 121 requires that certain long-lived assets to be held and used be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Additionally, SFAS No. 121 requires that certain long-lived assets to be disposed of be reported at the lower of carrying amount or fair value less costs to sell. The impact of the adoption of this standard was not material to the Corporation's consolidated results of operations or financial position.

Also in 1996, the Corporation adopted SFAS No. 123, "Accounting for Stock-Based Compensation." SFAS No. 123 allows companies to continue to measure compensation cost for stock-based employee compensation plans using the intrinsic value method of accounting as prescribed in Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. The Corporation has elected to continue its APB Opinion No. 25 accounting treatment for stock-based compensation, and has adopted the provisions of SFAS No. 123 requiring 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.

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

On July 3, 1997, the Corporation and Northrop Grumman Corporation (Northrop Grumman) announced that they had entered into an Agreement and Plan of Merger (the Merger Agreement) to combine the companies in a transaction with a total estimated value at the announcement date of approximately \$11.6 billion, including Northrop Grumman debt to be assumed by the

Corporation of approximately \$3.1 billion (the Merger). Under the terms of the Merger Agreement, which was approved by the respective Boards of Directors of the Corporation and Northrop Grumman, Northrop Grumman stockholders will receive 1.1923 shares of Lockheed Martin common stock for each share of Northrop Grumman common stock. On February 26, 1998, the stockholders of the Corporation approved the issuance of shares of Lockheed Martin common stock in connection with the Merger. In addition, the Corporation's stockholders approved an amendment to Lockheed Martin's charter to increase the number of authorized shares of Lockheed Martin common stock from 750 million to 1.5 billion. Also on February 26, 1998, the stockholders of Northrop Grumman approved the Merger Agreement pursuant to which Northrop Grumman is to become a wholly-owned subsidiary of Lockheed Martin.

On March 9, 1998, the Corporation announced that it had been informed by the Department of Justice (DOJ) that the DOJ was fundamentally opposed to the Merger. The Corporation also announced on that date that it had committed to the DOJ not to close the transaction before April 24, 1998, and to develop and submit a proposal to the DOJ by April 8, 1998 designed to address the DOJ's antitrust concerns while preserving the expected benefits and efficiencies of the transaction to the Corporation and its stockholders, customers, employees and suppliers. On March 12, 1998, the DOJ informed the Corporation that it found this commitment unacceptable and demanded that the Corporation agree to certain substantial divestitures or the DOJ will proceed to court. The DOJ stated that they expected a response by March 16, 1998.

The transaction will be accounted for using the purchase method of accounting. Concurrent with the consummation of the Merger, the Corporation will increase the amount of its one-year revolving credit facility from \$1.5 billion to \$2.5 billion.

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 Note 3 - Transaction Agreement with

General Electric Company

On November 3, 1997, the Corporation announced a definitive agreement with General Electric Company (GE) under which Lockheed Martin would exchange the stock of a newly formed subsidiary, LMT Sub, for all of the Lockheed Martin Series A preferred stock held by GE and certain subsidiaries of GE (the GE Transaction). The Series A preferred stock, which was originally issued to GE in connection with the acquisition of GE's aerospace businesses in 1993, was convertible into approximately 29 million shares of Lockheed Martin common stock with a market value of approximately \$2.8 billion at the date of the announcement of the GE Transaction.

In accordance with the agreement, on November 17, 1997, Lockheed Martin exchanged all of the outstanding capital stock of LMT Sub for all of the outstanding Series A preferred stock held by GE and certain subsidiaries of GE. LMT Sub was composed of two non-core commercial business units which contributed approximately five percent of the Corporation's 1997 net sales, Lockheed Martin's investment in a telecommunications partnership, and approximately \$1.6 billion in cash (the fair value of the non-cash net assets exchanged was approximately \$1.2 billion). The cash included in the exchange was initially financed through the issuance of commercial paper. On November 20, 1997, \$1.4 billion was refinanced pursuant to a note, due November 17, 2002 and bearing interest at 6.04%, from Lockheed Martin to LMT Sub. The remainder is expected to be refinanced with a note from Lockheed Martin to LMT Sub on substantially similar terms following final determination of the closing net worth of the businesses exchanged.

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, or \$1.46 per diluted share, during the fourth quarter. For purposes of determining net earnings applicable to common stock used in the computation of earnings 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 earnings per share calculations, but did not impact reported 1997 net earnings. The effect of this deemed dividend decreased basic earnings per share by \$9.85, and was antidilutive in the calculation of diluted earnings per share.

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 Note 4 - Other Acquisitions and Divestitures

In April 1996, the Corporation purchased all of the issued and outstanding shares of common stock of Loral Corporation (Loral) for an aggregate consideration of \$38 per share in cash. The purchase involved a series of transactions that resulted in (i) the distribution to stockholders of Loral, immediately prior to the consummation of the purchase, of shares of capital stock in Loral Space & Communications, Ltd. (Loral SpaceCom), a newly-formed company, which now owns and manages substantially all of Loral's former space and satellite telecommunications interests, and in which the Corporation acquired shares of preferred stock that were convertible into 20 percent of Loral SpaceCom's common stock on a diluted basis at the date of acquisition, and (ii) the acquisition by the Corporation of Loral's defense electronics and systems integration businesses (collectively, the Loral Transaction). With

regard to the Loral Transaction, the total purchase price paid, including acquisition costs, was approximately \$7.6 billion. The Loral Transaction was accounted for using the purchase

method of accounting. In connection with the Loral Transaction, Loral changed its name to Lockheed Martin Tactical Systems, Inc. (Tactical Systems), which became a wholly-owned subsidiary of the Corporation. The operations of Tactical Systems have been included in the results of operations of the Corporation from April 1, 1996. Effective June 30, 1997, Tactical Systems was merged with and into the Corporation.

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, in which the Corporation retained a 34.9 percent ownership interest at closing. These business units, primarily composed of high-technology, product-oriented companies, contributed approximately two percent of the Corporation's net sales during the three month period ended March 31, 1997. The transaction, which closed on April 30, 1997 with an effective date of March 30, 1997, did not have a material impact on the Corporation's earnings.

During 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 (the Exchange Offer). Under the terms of the Exchange Offer, the Corporation's stockholders were given the opportunity to exchange each Lockheed Martin common share held for 4.72 common shares of Materials on a tax-free basis. The Exchange Offer expired by its terms on October 18, 1996 and was oversubscribed. On October 23, 1996, approximately 7.9 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 on January 2, 1997, had no pretax effect on the results of operations for 1997 or 1996. At December 31, 1996, \$450 million, representing the net assets of the two business units, was included in other current assets.

On a combined basis, the Materials exchange and the Armament Systems and Defense Systems divestiture noted above increased 1996 net earnings by \$351 million, or \$1.59 per diluted share.

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Note 5 - Restructuring and Other Charges

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, or \$1.42 per diluted share. 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 1996 charges. 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 impairments in the values of various non-core investments and certain other assets in keeping with the Corporation's continued focus on core operations.

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, or \$.94 per diluted share. 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 impairments 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 Tactical Systems in the Electronics, Information & Services, and Energy and Other segments.

During the first quarter of 1995, the Corporation recorded a pretax charge of \$165 million from merger related expenses in connection with the formation of Lockheed Martin. During the second quarter of 1995, the Corporation recorded a pretax charge of \$525 million in conjunction with a corporate-wide consolidation plan under which the Corporation would close certain facilities and laboratories and eliminate duplicative field offices in the U.S. and abroad, eliminating up to approximately 12,000 positions. The charge represented the portion of the accrued costs and net

realizable value adjustments that were not probable of recovery. The after-tax effect of these charges was \$436 million, or \$1.97 per diluted share. As of December 31, 1997, cumulative merger related and consolidation payments were approximately \$1.0 billion, which primarily relate to the formation of the Corporation, the elimination of positions and the closure of foreign and domestic offices and facilities.

During 1997 and 1996, the Corporation incurred costs anticipated in the 1995 consolidation plan which 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. Management estimates that, consistent with the original 1995 consolidation plan, approximately \$400 million of such costs will be incurred in the future, and currently anticipates that the remaining consolidation actions will be substantially completed by the end of 1998.

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, 1997 is approximately \$330 million of deferred costs that will be amortized and recognized in future sales and cost of sales.

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 Note 6 - Earnings Per Share

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 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 were also computed based on net earnings less the deemed preferred stock dividend resulting from the GE Transaction. For this calculation, the weighted average number of common shares outstanding was increased by the assumed conversion of preferred stock to the date of redemption, and by the dilutive effect of stock options based on the treasury stock method.

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

(In millions, except per share data)	1997	1996	1995
=====			
Net earnings applicable to common stock			
Net earnings	\$ 1,300	\$1,347	\$ 682
Dividends on preferred stock	(53)	(60)	(60)

	1,247	1,287	622
Deemed preferred stock dividend	(1,826)	--	--

Net (loss) earnings applicable to common stock for basic earnings per share	(579)	1,287	622
Dividends on preferred stock	53	60	60

Net (loss) earnings applicable to common stock for diluted earnings per share	\$ (526)	\$1,347	\$ 682
=====			
Average common shares outstanding			
Average number of common shares outstanding for basic earnings per share	185.3	189.1	189.3
Assumed conversion of the Series A preferred stock	25.3	28.9	28.9
Dilutive stock options--based on the treasury stock method	2.9	3.3	2.8

Average number of common shares outstanding for diluted earnings per share	213.5	221.3	221.0
=====			
Basic earnings per share			
Net earnings	\$ 7.02	\$7.12	\$3.60
Dividends on preferred stock	(.29)	(.32)	(.32)

	6.73	6.80	3.28
Deemed preferred stock dividend	(9.85)	--	--

(Loss) earnings per share	\$ (3.12)	\$6.80	\$3.28
=====			
Diluted earnings per share			
Net earnings	\$ 6.09	\$6.09	\$3.09
Deemed preferred stock dividend	(8.55)	--	--

(Loss) earnings per share	*	\$6.09	\$3.09
=====			

*Antidilutive.

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Note 7 - Receivables

Receivables consisted of the following components:

(In millions)	1997	1996
===== U.S. Government:		
Amounts billed	\$ 958	\$1,012
Unbilled costs and accrued profits	2,233	2,197
Commercial and foreign governments:		
Amounts billed	675	875
Unbilled costs and accrued profits, primarily related to commercial contracts	1,143	915

	\$5,009	\$4,999
=====		

Notes to Consolidated Financial Statements . Continued

Unbilled costs and accrued profits consisted primarily of revenues on long-term contracts that had been recognized for accounting purposes but not yet billed to customers. Approximately \$410 million of the December 31, 1997 unbilled costs and accrued profits are not expected to be billed within one year.

Note 8 - Inventories

Inventories consisted of the following components:

(In millions)	1997	1996
Work in process, primarily related to long-term contracts and programs in progress	\$ 5,155	\$ 4,356
Less customer advances and progress payments	(2,805)	(2,446)
	2,350	1,910
Other inventories	794	1,043
	\$ 3,144	\$ 2,953

Customer advances and progress payments presented above were those where the customer has title to, or a security interest in, inventories identified with the related contracts. Other customer advances were classified as current liabilities. Included in 1997 work in process above were advances to a foreign subcontractor of approximately \$450 million for the manufacture of launch vehicles and related launch services. Approximately \$634 million of costs included in 1997 inventories are not expected to be recovered within one year.

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

(In millions)	1997	1996	1995
Beginning of year	\$ 460	\$ 431	\$ 480
Incurred during the year	2,245	2,154	1,704
Charged to costs and expenses during the year:			
Research and development	(788)	(784)	(548)
Other general and administrative	(1,384)	(1,341)	(1,205)
End of year	\$ 533	\$ 460	\$ 431

In addition, included in costs and expenses in 1997, 1996 and 1995 were general and administrative costs, including research and development costs, of approximately \$539 million, \$574 million and \$320 million, respectively, incurred by commercial business units or programs.

Note 9 - Property, Plant and Equipment

Property, plant and equipment consisted of the following components:

(In millions)	1997	1996
Land	\$ 285	\$ 313
Buildings	3,013	2,876
Machinery and equipment	5,346	5,263
	8,644	8,452
Less accumulated depreciation and amortization	(4,975)	(4,731)
	\$ 3,669	\$ 3,721

Note 10 - Debt

Long-term debt consisted of the following components:

Type (Maturity Dates) (In millions)	Range of Interest Rates	1997	1996
Notes (1998-2022)	5.9- 9.4%	\$ 6,840	\$ 5,547

Debentures (2002-2036)	7.0- 9.1%	3,158	3,156
Commercial Paper	5.8- 6.4%	1,000	1,250
ESOP obligations (1998-2004)	8.3- 8.4%	292	324
Other obligations	1.0-12.7%	114	91

		11,404	10,368
Less current maturities		(876)	(180)

		\$10,528	\$10,188
=====			

During the fourth quarter of 1997, the Corporation issued a note to LMT Sub, a wholly-owned subsidiary of GE, totaling \$1.4 billion to refinance a portion of the commercial paper issued to finance the cash requirements for the GE Transaction. The note, which bears interest at 6.04%, is due in 2002. The agreements relating to the GE Transaction require that, so long as the aggregate principal amount of the note to LMT Sub exceeds \$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.

During the second quarter of 1996, the Corporation issued \$5 billion of long-term fixed rate debt securities, the entire amount registered under the Corporation's shelf registration statement which became effective on May 10, 1996. These Notes and Debentures range in maturity from two years to 40 years, with interest rates ranging from between 6.55% and 7.75%. The registered holders of \$300 million of 40 year Debentures may elect, between March 1 and April 1, 2008, to have each of their Debentures repaid by the Corporation on May 1, 2008.

In February 1996, the Corporation entered into interest rate hedging agreements to offset a portion of its exposure to rising interest rates related to the anticipated long-term financings. These agreements were closed in the second quarter of 1996 in connection with the Corporation's issuance of its long-term debt securities. The Corporation realized a gain of approximately \$150 million on the closing of these agreements, which has been deferred and is being amortized and recognized as an adjustment to interest expense over the terms of the related debt obligations.

Included in Debentures are \$108 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 ESOP incorporated into the Corporation's 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 1997, the Corporation had a 4-year revolving credit facility in the amount of \$3.5 billion and a one-year revolving credit facility in the amount of \$1.5 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, 1997. However, the Credit Facilities support commercial paper borrowings of approximately \$1.5 billion outstanding at December 31, 1997, of which approximately \$1.0 billion 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. During the third quarter of 1996, the Corporation entered into interest rate swap agreements to fix the interest rates on \$875 million of its commercial paper borrowings. These agreements matured during 1997. The effects of these interest rate swap agreements were recorded periodically as an adjustment to interest expense related to commercial paper borrowings.

Excluding commercial paper classified as long-term, the Corporation's long-term debt maturities for the five years following December 31, 1997 are: \$876 million in 1998; \$857 million in 1999; \$57 million in 2000; \$802 million in 2001; \$1,496 million in 2002; and \$6,316 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, 1997, aggregated approximately \$12.0 billion, compared with a carrying amount of approximately \$11.4 billion on the consolidated balance sheet. 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 \$815 million in 1997, \$655 million in 1996 and \$275 million in 1995.

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 Note 11 - Income Taxes

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

(In millions)	1997	1996	1995
Federal income taxes:			
Current	\$448	\$ 914	\$ 510
Deferred	155	(251)	(116)

Total federal income taxes	603	663	394
Foreign income taxes	34	23	13

Total income taxes provided	\$637	\$ 686	\$ 407
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Notes to Consolidated Financial Statements . Continued

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 \$62 million for 1997, \$45 million for 1996 and \$86 million for 1995.

The Corporation's effective income tax rate varied from the statutory federal income tax rate because of the following tax differences:

	1997	1996	1995
Statutory federal tax rate	35.0%	35.0%	35.0
Increase (reduction) in tax rate from:			
Nondeductible amortization	4.9	4.2	3.2
Revisions to prior years' estimated liabilities	(5.7)	(1.6)	(3.4)
Divestitures	(2.4)	(5.6)	--
Other, net	1.1	1.8	2.6
	32.9%	33.8%	37.4%

The primary components of the Corporation's federal deferred income tax assets and liabilities at December 31 were as follows:

(In millions)	1997	1996
Deferred tax assets related to:		
Accumulated post-retirement benefit obligations	\$ 698	\$ 700
Accrued compensation and benefits	258	333
Merger related and consolidation reserves	83	217
Contract accounting methods	669	619
Other	116	180
	1,824	2,049
Deferred tax liabilities related to:		
Intangible assets	437	486
Prepaid pension asset	259	297
Property, plant and equipment	132	178
	828	961
Net deferred tax assets	\$ 996	\$ 1,088

At December 31, 1997 and 1996, other liabilities included net long-term deferred tax liabilities of \$260 million and \$268 million, respectively.

Federal and foreign income tax payments, net of refunds received, were \$986 million in 1997, \$1.1 billion in 1996 and \$223 million in 1995.

Note 12 - Other Income and Expenses, Net

Other income and expenses, net, consisted of the following components:

(In millions)	1997	1996	1995
Royalty income	\$ 52	\$ 47	\$ 64
Interest income	40	60	33
GE Transaction	311	--	--
Materials transaction	--	365	--
Equity in earnings (losses) of affiliates	48	(28)	(15)
Other	31	8	13
	\$482	\$452	\$ 95

Note 13 - Stockholders' Equity and Related Items

Capital Structure - At December 31, 1997, the authorized capital of the Corporation was composed of 750 million shares of common stock (194.4 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). Approximately 70 million common shares have been reserved for issuance under benefit and incentive plans.

The Series A preferred stock, which was redeemed in November, 1997 in connection with the GE Transaction, had a par value of \$1 per share (liquidation preference of \$50 per share). The Corporation issued all of the authorized shares of Series A preferred stock to GE in 1993 in connection with the acquisition of the GE Aerospace businesses. Dividends were cumulative and paid at an annual rate of \$3.00 per share, or 6%.

During the second quarter of 1996, the Corporation's Board of Directors terminated the systematic common stock repurchase plan which had been established in 1995 to counter the future dilutive effect of common stock issued by the Corporation under its 1995 Omnibus Performance Award Plan. A separate program authorized in 1995 for the repurchase of up to nine million common shares to counter the dilutive effect of common stock issued under the Corporation's other benefit and compensation programs and for other purposes related to such plans remains in effect. Approximately 2.3 million common shares were repurchased by the Corporation in 1995 under these programs; no shares were repurchased in 1997 or 1996.

Stock option and award plans - On March 15, 1995, the stockholders approved the Lockheed Martin 1995 Omnibus Performance Award Plan (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

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Lockheed Martin Corporation

of the market value of the underlying stock on the date of grant. The number of shares of Lockheed Martin common stock authorized to be issued in respect of awards under the Omnibus Plan at December 31, 1997 was 12 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, 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 1995, 1996 and 1997:

	Number of Shares (In thousands)		Weighted Average Exercise Price
	Available for Grant	Options Outstanding	
December 31, 1994	3,652	9,244	\$33.21
Additions	12,000	--	--
Granted	(2,228)	2,228	59.38
Removed from registration	(3,674)	--	--
Exercised	--	(1,943)	30.47
Terminated	81	(109)	51.63
December 31, 1995	9,831	9,420	39.74
Granted	(2,649)	2,649	75.04
Exercised	--	(2,241)	32.65
Terminated	141	(170)	63.32
December 31, 1996	7,323	9,658	50.65
Granted	(2,898)	2,898	91.20
Exercised	--	(1,762)	41.72
Terminated	327	(358)	81.67
December 31, 1997	4,752	10,436	\$62.36

Approximately 6.5 million, 5.7 million and 6.5 million outstanding options were exercisable at December 31, 1997, 1996 and 1995, respectively.

Information regarding options outstanding at December 31, 1997 follows (number of options in thousands):

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Number of Options	Weighted Average Exercise Price
Less than \$40.00	2,455	\$30.97	4.2 years	2,455	\$30.97
\$40.00 - \$59.99	2,942	52.24	6.9 years	2,942	52.24
\$60.00 - \$80.00	2,359	74.87	8.1 years	1,141	74.90
Greater than \$80.00	2,680	91.21	9.0 years	10	91.83
Total	10,436	\$62.36	7.1 years	6,548	\$48.27

All stock-based incentive awards granted in 1997, 1996 and 1995 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 determined 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 a Black-Scholes option pricing model with the following weighted-average assumptions for 1997, 1996 and 1995, respectively: risk-free interest rates of 6.36%, 5.58% and 6.64%; dividend yields of 1.5%, 1.7% and 1.7%; volatility factors related to the expected market price of the Corporation's common stock of .163, .186 and .216; and a weighted average expected option life of five years. The weighted average fair values of options granted during 1997, 1996 and 1995 were \$21.87, \$17.24 and \$16.09, respectively.

For purposes of pro forma disclosures, the options' estimated fair values are amortized to expense over the options' vesting periods. Therefore, the pro forma results for 1995 presented below include only 50 percent of the total pro

forma expense for options awarded in that year. The Corporation's pro forma information follows:

(In millions, except per share data)	1997	1996	1995
Pro forma net earnings	\$1,267	\$1,322	\$ 671
Pro forma earnings per share before deemed preferred stock dividend:			
Basic	\$ 6.55	\$ 6.67	\$3.23
Diluted	\$ 5.93	\$ 5.97	\$3.04

Note 14 - Post-Retirement Benefit Plans

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 \$212 million in 1997, \$202 million in 1996, and \$180 million in 1995.

The Lockheed Martin Corporation Salaried Savings Plan includes an ESOP which purchased 17.4 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 1.2 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 \$26 million, \$29 million and \$31 million in 1997, 1996 and 1995, respectively. Dividends received by the ESOP with respect to unallocated shares held are used for debt service. The ESOP held approximately 20.2 million issued shares of the Corporation's common stock at December 31, 1997, of which approximately 12.7 million were allocated and 7.5 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 1997, 1996 and 1995, the weighted average unallocated ESOP shares excluded in calculating earnings per share totaled approximately 7.9 million, 9.1 million and 10.3 million common shares, respectively. The fair value of the unallocated ESOP shares at December 31, 1997 was approximately \$740 million.

Certain plans for hourly employees include non-leveraged ESOPs. The Corporation's match to these plans were 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 1.7 million issued and outstanding shares of common stock at December 31, 1997.

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 Plans

Most employees are covered by contributory or noncontributory defined benefit pension plans. Benefits for salaried plans are generally based on average compensation and years of service, while those for hourly plans are generally based on negotiated benefits and years of service. Substantially all benefits are paid from funds previously contributed to trustees. The Corporation's funding policy is to make contributions that are consistent with U.S. Government cost allowability and Internal Revenue Service deductibility requirements, subject to the full-funding limits of the Employee Retirement Income Security Act of 1974 (ERISA). When any funded plan exceeds the full-funding limits of ERISA, no contribution is made to that plan.

The net pension cost related to the Corporation's defined benefit plans included the following components:

(In millions)	1997	1996	1995
Service cost--benefits earned during the year	\$ 444	\$ 463	\$ 342
Interest cost	1,163	1,050	881
Net amortization and other components	1,751	889	1,534
Actual return on assets	(3,329)	(2,243)	(2,571)
Net pension cost	\$ 29	\$ 159	\$ 186

The following table sets forth the defined benefit plans' funded status and amounts recognized in the Corporation's consolidated balance sheet:

(In millions)	1997	1996
Plan assets at fair value	\$ 20,642	\$ 18,402
Actuarial present value of benefit obligations:		
Vested	\$ 14,179	\$ 13,486
Non-vested	265	236
Accumulated benefit obligation	14,444	13,722
Effect of projected future salary increases	1,882	1,694

Projected benefit obligation (PBO)	16,326	15,416
Plan assets greater than PBO	4,316	2,986
Reconciling items:		
Unrecognized net asset existing at the date of initial application of SFAS No. 87	(106)	(196)
Unrecognized prior-service cost	456	461
Unrecognized gain	(3,738)	(2,484)
Prepaid pension asset	\$ 928	\$ 767

At December 31, 1997, approximately 56 percent of the plan assets were equity securities, with the remainder primarily being fixed income securities and cash equivalents. Actuarial determinations were based on various assumptions displayed in the following table. Net pension costs in 1996 and 1995 were based on assumptions in effect at the end of the respective preceding year. Effective

October 1, 1997, the Corporation changed its expected long-term rate of return on assets. This change in estimate decreased pension cost by approximately \$70 million. Benefit obligations as of each year-end were based on assumptions in effect as of those dates.

	1997	1996	1995
Assumptions:			
Discount rates	7.5%	7.8%	7.5%
Rates of increase in future compensation levels	6.0	6.0	6.0
Expected long-term rate of return on assets	9.5	9.0	8.8

Retiree Medical and Life Insurance Plans

Certain health care and life insurance benefits are provided to eligible retirees by the Corporation. These benefits are paid by the Corporation or funded through several trusts.

The net periodic post-retirement benefit cost included the following components:

(In millions)	1997	1996	1995
Service cost--benefits earned during the year	\$ 39	\$ 40	\$ 34
Interest cost	191	181	177
Net amortization and other components	38	13	44
Actual return on assets	(117)	(73)	(82)
Curtailement gain	--	(15)	--
Net post-retirement cost	\$ 151	\$146	\$173

The Corporation has made contributions to trusts (including Voluntary Employees' Beneficiary Association (VEBA) trusts and 401(h) accounts) established to pay future medical benefits to eligible retirees and dependents.

The following table sets forth the post-retirement benefit plans' obligations and funded status as of December 31:

(In millions)	1997	1996
Plan assets at fair value	\$ 895	\$ 736
Actuarial present value of benefit obligations:		
Active employees, eligible to retire	\$ 350	\$ 334
Active employees, not eligible to retire	462	454
Former employees	1,714	1,819
Accumulated post-retirement benefit obligation (APBO)	2,526	2,607
Assets less than APBO	1,631	1,871
Unrecognized gain	351	206
Post-retirement benefit unfunded liability	\$1,982	\$2,077

At December 31, 1997, approximately 46 percent of these plans' assets were equity securities, with the remainder primarily being fixed income securities and cash equivalents. Actuarial determinations were based on various assumptions displayed in the following table. Net retiree medical costs for 1997, 1996 and 1995 were based on assumptions in effect at the end of the respective preceding years. Benefit obligations as of the end of each year reflect assumptions in effect as of those dates.

	1997	1996	1995
Assumptions:			
Discount rates	7.5%	7.8%	7.5%
Expected long-term rate of return on assets	9.5	9.0	8.8

The medical trend rates used in measuring the APBO were 7.0% in 1997 and 7.5% in 1996, and were assumed to gradually decrease to 4.5% by the year 2004. An increase of one percentage point in the assumed medical trend rates would result in an increase in the APBO of approximately 6.5% at December 31, 1997, and a 1997 post-retirement benefit cost increase of approximately 8.5%. The medical trend rate for 1998 is 6.7%. The Corporation believes that the cost containment features it has previously adopted and the funding approaches underway will allow it to effectively manage its retiree medical expenses, but

it will continue to monitor the costs of retiree medical benefits and may further modify the plans if circumstances warrant.

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Note 15 - Leases

Total rental expense under operating leases, net of immaterial amounts of sublease rentals and contingent rentals, were \$295 million, \$320 million and \$236 million for 1997, 1996 and 1995, respectively.

Future minimum lease commitments at December 31, 1997 for all operating leases that have a remaining term of more than one year were approximately \$989 million (\$237 million in 1998, \$187 million in 1999, \$141 million in 2000, \$110 million in 2001, \$81 million in 2002, and \$233 million in later years). Certain major plant facilities and equipment are furnished by the U.S. Government under short-term or cancelable arrangements.

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

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

The Corporation is responding to three administrative orders issued by the Regional Board in connection with the Corporation's former Lockheed Propulsion Company facilities in Redlands, California. Under the orders, the Corporation is investigating the impact and potential remediation of regional groundwater contamination by perchlorates and chlorinated solvents. The Regional Board has approved the Corporation's plan to maintain public water supplies with respect to chlorinated solvents during this work, and the Corporation is negotiating with local water purveyors to implement this plan, as well as to address water supply concerns relative to perchlorate contamination. The Corporation estimates that expenditures required to implement work currently approved will be approximately \$110 million.

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

Under an agreement with the U.S. Government, the Burbank groundwater treatment and soil remediation expenditures referenced above are being allocated to the Corporation's operations as general and administrative costs and, under existing government regulations, these and other environmental expenditures related to U.S. Government business, after deducting any recoveries from insurance or other 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. The Corporation has recorded an asset for the portion of these costs that are probable of future recovery in pricing of the Corporation's products and services for U.S. Government business. The portion that is expected to be allocated to commercial business has been reflected in cost of sales. The recorded amounts do not reflect the possible future recovery of portions of the environmental costs through insurance policy coverage or from other potentially responsible parties, which the Corporation is pursuing as required by agreement and U.S. Government regulation. Any such recoveries, when received, would reduce the Corporation's liability as well as the allocated amounts to be included in the Corporation's U.S. Government sales and cost of sales.

Waste remediation contract - In 1994, the Corporation was awarded a \$180 million fixed price contract by the U.S. Department of Energy (DOE) for the Phase II design, construction and limited test of remediation facilities, and the Phase III full remediation of waste found in Pit 9, located on the Idaho National Engineering and Environmental Laboratory reservation. The Corporation has incurred significant unanticipated costs and scheduling issues due to complex technical and contractual matters which threaten the viability of the overall Pit 9 program. Management completed its investigation to identify and quantify the overall effect of these matters, and summarized its findings in a request for equitable adjustment (REA) which was delivered to the DOE on March 31, 1997. The provisions of the REA include, but are not limited to, the recovery of a portion of unanticipated costs incurred by the Corporation and the restructuring of the contract to provide for a more equitable sharing of the risks associated with the Pit 9 project. To better focus the Corporation's management resources on resolving these issues, the management and reporting structure of the Pit 9 program were changed in September 1997; however, the Corporation has been unsuccessful in reaching any agreements with the DOE on cost recovery or other contract restructuring matters. As a result, the Corporation has reduced work activities at the Pit 9 site, is awaiting technical direction from the DOE, and is in the process of preparing a certifiable claim.

On February 27, 1998, the Corporation received a cure notice alleging that certain actions taken by the Corporation are conditions endangering performance of the Pit 9 contract. The notice advised that, unless these conditions are cured within 30 days, the contract may be terminated for default. The Corporation believes that termination for default is neither permissible under the Pit 9 contract nor warranted under the circumstances and is preparing its response.

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, 1997, the Corporation had contingent liabilities on outstanding letters of credit, guarantees, and other arrangements aggregating approximately \$1.2 billion.

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 Note 17 - Information on
 Industry Segments and Major Customers

The Corporation operates in four principal business segments: Space & Strategic Missiles, Electronics, Information & Services, and Aeronautics. All other activities of the Corporation fall within the Energy and Other segment.

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.

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; electro-optic and night-vision; radar; displays; and systems integration of mission specific combat suites. Major commercial product lines include satellite electronics and mail handling automation systems.

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; manufacture of computer peripherals, real-time 3-D graphics products and enterprise data management software; and the provision of internal information technology support to the Corporation.

Aeronautics - Engaged in the following primary lines of business: tactical aircraft, airlift, surveillance/command, maintenance/modification/logistics, reconnaissance and advanced development programs. Major programs include the F-22 air-superiority fighter, Joint Strike Fighter, F-16 multi-role fighter, C-130J tanker/transport, X-33 reusable launch vehicle technology demonstrator, DarkStar reconnaissance vehicle, Airborne Early Warning & Control systems, Contractor Logistics Support, and various maintenance and modification programs.

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, and has investments in other businesses. Through October 1996, the Corporation provided construction aggregates and specialty chemical products to commercial and civil customers through its Materials subsidiary.

Selected Financial Data by Business Segment

(In millions)	1997	1996	1995
=====			
Net sales			
Space & Strategic Missiles	\$ 8,303	\$ 7,904	\$ 7,813
Electronics	7,069	6,675	3,357
Information & Services	6,468	5,893	4,173
Aeronautics	6,045	5,596	6,617
Energy and Other	184	807	893
	-----	-----	-----
	\$28,069	\$26,875	\$22,853
=====			
Operating profit			
Space & Strategic Missiles	\$1,053	\$ 973	\$ 463
Electronics	594	673	224
Information & Services	163	290	267
Aeronautics	612	441	394
Energy and Other	357	356	29
	-----	-----	-----
	\$2,779	\$2,733	\$1,377
=====			
Depreciation and amortization			
Space & Strategic Missiles	\$177	\$188	\$206
Electronics	214	239	122
Information & Services	112	121	69
Aeronautics	88	126	142
Energy and Other	15	58	66
	-----	-----	-----
	\$606	\$732	\$605
=====			
Amortization of intangible assets			
Space & Strategic Missiles	\$ 29	\$ 29	\$ 37
Electronics	228	199	64
Information & Services	107	92	47
Aeronautics	80	80	80

Energy and Other	2	2	2
	\$446	\$402	\$230
=====			
Expenditures for property, plant and equipment			
Space & Strategic Missiles	\$293	\$264	\$165
Electronics	189	213	100
Information & Services	137	104	63
Aeronautics	104	75	58
Energy and Other	27	81	114
	\$750	\$737	\$500
=====			
Identifiable assets			
Space & Strategic Missiles	\$ 4,599	\$ 3,758	\$ 3,750
Electronics	10,619	11,363	3,869
Information & Services	5,150	6,111	2,679
Aeronautics	3,757	4,201	3,827
Energy and Other	4,236	4,107	3,433
	\$28,361	\$29,540	\$17,558
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Notes to Consolidated Financial Statements . Continued

Net Sales by Customer Category

(In millions)	1997	1996	1995
U.S. Government			
Space & Strategic Missiles	\$ 6,472	\$ 6,401	\$ 6,315
Electronics	4,844	4,451	2,266
Information & Services	4,050	3,878	2,747
Aeronautics	2,912	3,830	4,274
Energy and Other	118	154	168
	\$18,396	\$18,714	\$15,770
Foreign governments/(a)/(b)/			
Space & Strategic Missiles	\$ 94	\$ 38	\$ 112
Electronics	1,695	1,656	832
Information & Services	246	152	77
Aeronautics	2,826	1,466	1,966
Energy and Other	--	--	--
	\$4,861	\$3,312	\$2,987
Commercial/(b)/			
Space & Strategic Missiles	\$1,737	\$1,465	\$1,386
Electronics	530	568	259
Information & Services	2,172	1,863	1,349
Aeronautics	307	300	377
Energy and Other	66	653	725
	\$4,812	\$4,849	\$4,096

(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 \$5.9 billion, \$4.7 billion and \$3.7 billion in 1997, 1996 and 1995, respectively.

Note 18 - Summary of Quarterly Information (Unaudited)

(In millions, except per share data)	1997 Quarters			
	First	Second	Third	Fourth/(a)/
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 per share before deemed preferred stock dividend	1.35	1.42	1.51	1.83/(b)/
1996 Quarters				
(In millions, except per share data)	First/(c)/	Second	Third	Fourth/(d)/
Net sales	\$5,109	\$7,076	\$7,028	\$7,662
Earnings from operations	472	693	675	441
Net earnings	272	299	311	465
Diluted earnings per share	1.23	1.34	1.40	2.14

(a) Earnings for the fourth quarter of 1997 include the effects of certain nonrecurring and unusual items, including a tax-free gain of \$311 million, or \$1.53 per diluted share, and after tax charges of \$303 million, or \$1.49 per diluted share (see Notes 3 and 5). The Corporation also changed its expected long-term rate of return on benefit plan assets effective October 1, 1997, which decreased pension cost (see Note 14).

(b) Earnings per share for 1997 excludes the effects of a deemed preferred stock dividend resulting from the transaction with GE. 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 earnings applicable to common stock used in the computation of earnings per share. The effect of this deemed dividend was to decrease basic earnings per share by \$9.79, and was antidilutive in the calculation of diluted earnings per share.

(c) Net sales and earnings for the first quarter of 1996 do not include the operations of Tactical Systems, as its operations have been included in the results of operations of the Corporation from April 1, 1996 (see Note 4).

(d) Earnings for the fourth quarter of 1996 include the effects of certain nonrecurring items, including an after tax gain of \$351 million, or \$1.62 per diluted share, and after tax charges of \$209 million, or \$.97 per

diluted share (see Notes 4 and 5).

Lockheed Martin Corporation

Consolidated Financial Data - Eight Year Summary

(In millions, except per share data)	1997	1996	1995	1994	1993	1992	1991	1990
Operating Results								
Net sales	\$ 28,069	\$ 26,875	\$ 22,853	\$ 22,906	\$ 22,397	\$ 16,030	\$ 15,871	\$ 16,089
Costs and expenses	25,772	24,594	21,571	21,127	20,857	14,891	14,767	15,178
Earnings from operations	2,297	2,281	1,282	1,779	1,540	1,139	1,104	911
Other income and expenses, net	482	452	95	200	44	42	(49)	34
Interest expense	2,779	2,733	1,377	1,979	1,584	1,181	1,055	945
	842	700	288	304	278	177	176	180
Earnings before income taxes and cumulative effect of changes in accounting	1,937	2,033	1,089	1,675	1,306	1,004	879	765
Income tax expense	637	686	407	620	477	355	261	161
Earnings before cumulative effect of changes in accounting	1,300	1,347	682	1,055	829	649	618	604
Cumulative effect of changes in accounting	--	--	--	(37)	--	(1,010)	--	--
Net earnings (loss)	\$ 1,300	\$ 1,347	\$ 682	\$ 1,018	\$ 829	\$ (361)	\$ 618	\$ 604
Earnings (Loss) Per Common Share								
Basic:								
Before deemed preferred stock dividend and cumulative effect of changes in accounting	\$ 6.73	\$ 6.80	\$ 3.28	\$ 5.32	\$ 3.99	\$ 3.31	\$ 3.05	\$ 2.97
Deemed preferred stock dividend	(9.85)	--	--	--	--	--	--	--
Cumulative effect of changes in accounting	--	--	--	(.20)	--	(5.15)	--	--
	\$ (3.12)	\$ 6.80	\$ 3.28	\$ 5.12	\$ 3.99	\$ (1.84)	\$ 3.05	\$ 2.97
Diluted:								
Before deemed preferred stock dividend and cumulative effect of changes in accounting	\$ 6.09	\$ 6.09	\$ 3.09	\$ 4.85	\$ 3.77	\$ 3.30	\$ 3.04	\$ 2.97
Deemed preferred stock dividend	(8.55)	--	--	--	--	--	--	--
Cumulative effect of changes in accounting	--	--	--	(.17)	--	(5.14)	--	--
	* \$ 6.09	\$ 6.09	\$ 3.09	\$ 4.68	\$ 3.77	\$ (1.84)	\$ 3.04	\$ 2.97
Cash dividends	\$ 1.60	\$ 1.60	\$ 1.34	\$ 1.14	\$ 1.09	\$ 1.04	\$.98	\$.90
Condensed Balance Sheet Data								
Current assets	\$ 10,105	\$ 10,346	\$ 8,208	\$ 8,143	\$ 6,961	\$ 5,157	\$ 5,553	\$ 5,442
Property, plant and equipment	3,669	3,721	3,134	3,455	3,643	3,139	3,155	3,200
Intangible assets related to contracts and programs acquired	1,566	1,767	1,553	1,696	1,832	42	52	59
Costs in excess of net assets acquired	9,856	10,394	2,794	2,831	2,697	841	864	882
Other assets	3,165	3,312	1,869	1,854	1,949	1,648	895	883
Total	\$ 28,361	\$ 29,540	\$ 17,558	\$ 17,979	\$ 17,082	\$ 10,827	\$ 10,519	\$ 10,466
Short-term borrowings	\$ 494	\$ 1,110	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Current maturities of long-term debt	876	180	722	285	346	327	298	30
Other current liabilities	7,819	7,382	4,462	5,177	4,690	3,176	3,833	4,235
Long-term debt	10,528	10,188	3,010	3,594	4,026	1,803	1,997	2,392
Post-retirement benefit liabilities	1,982	2,077	1,795	1,859	1,848	1,579	54	--
Other liabilities	1,486	1,747	1,136	978	971	460	112	38
Stockholders' equity	5,176	6,856	6,433	6,086	5,201	3,482	4,225	3,771
Total	\$ 28,361	\$ 29,540	\$ 17,558	\$ 17,979	\$ 17,082	\$ 10,827	\$ 10,519	\$ 10,466
Common Shares Outstanding at Year End	194.4	192.7	198.6	199.1	197.9	194.1	201.4	200.7

*Antidilutive.

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Corporate Directors
(As of March 12, 1998)

Board of Directors

Norman R. Augustine
Chairman of the Board
Lockheed Martin Corporation

Marcus C. Bennett
Executive Vice President and Chief
Financial Officer
Lockheed Martin Corporation

Lynne V. Cheney
Senior Fellow for Public Policy Research
American Enterprise Institute

Vance D. Coffman
Chief Executive Officer and
Vice Chairman
Lockheed Martin Corporation

Houston I. Flournoy
Special Assistant to the President,
Governmental Affairs
University of Southern California

James F. Gibbons
Reid Weaver Dennis Professor
of Electrical Engineering
Stanford University

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General Electric Company

Caleb B. Hurtt
Retired President and
Chief Operating Officer
Martin Marietta Corporation

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Retired Senior Vice President,
Corporate and Public Affairs
PECO Energy Company

Vincent N. Marafino
Retired Executive Vice President
Lockheed Martin Corporation

Eugene F. Murphy
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Executive Officer
General Electric Company

Allen E. Murray
Retired Chairman and
Chief Executive Officer
Mobil Corporation

Frank Savage
Chairman
Alliance Capital Management
International

Peter B. Teets
President and Chief Operating Officer
Lockheed Martin Corporation

Daniel M. Tellep
Retired Chairman of the Board and
Chief Executive Officer
Lockheed Martin Corporation

Carlisle A. H. Trost
Retired Chief of Naval Operations

James R. Ukropina
Partner
O'Melveny & Myers

Douglas C. Yearley
Chairman, President and Chief
Executive Officer
Phelps Dodge Corporation

Committees

Audit and Ethics Committee
Mr. Hood, Chairman
Mmes. Cheney and King, Messrs.
Flournoy, Marafino, Tellep, Trost
and Ukropina

Compensation Committee
Mr. Murray, Chairman
Messrs. Gibbons, Hood, Murphy,
Trost and Yearley

Executive Committee
Mr. Augustine, Chairman
Messrs. Coffman, Hood, Marafino,
Murray, Tellep, Ukropina and Yearley

Finance Committee
Mr. Ukropina, Chairman
Mrs. King and Messrs. Hurtt,
Marafino, Savage, Tellep and Yearley

Nominating Committee
Mr. Murphy, Chairman
Mrs. Cheney and Messrs. Flournoy,
Gibbons, Hurtt, Murray and Savage

Stock Option Subcommittee
Mr. Murray, Chairman
Messrs. Gibbons, Hood, Trost
and Yearley

Lockheed Martin Corporation

Officers	Brian D. Dailey Vice President
Joseph D. Antinucci Vice President	Peter DeMayo Vice President
William F. Ballhaus, Jr. Vice President	Terrance M. Drabant Vice President
Marcus C. Bennett Executive Vice President and Chief Financial Officer	Philip J. Duke Vice President
James F. Berry Vice President	Jack S. Gordon Vice President
James A. Blackwell, Jr. Vice President and President and Chief Operating Officer, Aeronautics Sector	John Hallal Vice President Dain M. Hancock Vice President
Melvin R. Brashears Vice President and President and Chief Operating Officer, Space & Strategic Missiles Sector	Alfred G. Hansen Vice President
William B. Bullock Vice President	Marcus C. Hansen Vice President
Michael F. Camardo Vice President	K. Michael Henshaw Vice President
Joseph R. Cleveland Vice President	Arthur E. Johnson Vice President and President and Chief Operating Officer, Information & Services Sector
Vance D. Coffman Chief Executive Officer and Vice Chairman	Todd J. Kallman Vice President and Controller
Raymond S. Colladay Vice President	Gary P. Mann Vice President
Thomas A. Corcoran Vice President and President and Chief Operating Officer, Electronics Sector	John F. Manuel Vice President G. Thomas Marsh Vice President
Robert B. Coutts Vice President	Carol R. Marshall Vice President Russell T. McFall Vice President Janet L. McGregor Vice President Frank H. Menaker, Jr. Senior Vice President and General Counsel John E. Montague Vice President
Albert Narath Vice President	
David S. Osterhout Vice President	
Daniel W. Patterson Vice President	
Susan M. Pearce Vice President	
Terry F. Powell Vice President	
John B. Ramsey Vice President	
Walter E. Skowronski Vice President and Treasurer	
Albert E. Smith Vice President	
Michael A. Smith Vice President	

John V. Sponyoe
Vice President

Robert J. Stevens
Vice President and President and
Chief Operating Officer,
Energy & Environment Sector

Peter B. Teets
President and Chief Operating Officer

Robert H. Trice, Jr.
Vice President

Lillian M. Trippett
Vice President, Corporate Secretary and
Associate General Counsel

Anthony Van Schaick
Vice President

Leonard L. Victorino
Vice President

William T. Vinson
Vice President and Chief Counsel

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General Information

As of December 31, 1997, there were approximately 41,071 holders of record of Lockheed Martin common stock and 194,416,938 shares outstanding.

Common Stock Prices (New York Stock Exchange--composite transactions)

(In dollars)	High	Low	Close
=====			
1997 Quarters			
1st	92 7/8	82	84
2nd	105 1/4	78 1/4	103 9/16
3rd	113 7/16	98 3/8	106 5/8
4th	108 7/16	88 1/8	98 1/2
=====			

=====			
1996 Quarters			
1st	80 7/8	73 1/8	75 7/8
2nd	86 3/4	73	84
3rd	91 3/4	76 1/4	90 1/8
4th	96 5/8	85 1/4	91 1/2
=====			

Transfer Agent & Registrar

First Chicago Trust Company of New York
P. O. Box 2536, Suite 4694
Jersey City, New Jersey 07303-2536
Telephone: 1-800-519-3111

Dividend Reinvestment Plan

Lockheed Martin's Dividend Reinvestment and Stock Purchase Plan offers stockholders an opportunity to purchase additional shares through automatic dividend reinvestment and/or voluntary cash investments. For more information, contact our transfer agent, First Chicago Trust Company of New York at 1-800-519-3111.

Independent Auditors

Ernst & Young LLP
1225 Connecticut Avenue, N.W.
Washington, D.C. 20036

Common Stock

Stock symbol: LMT
Listed: New York Stock Exchange

Annual Report on Form 10-K

Stockholders may obtain, without charge, a copy of Lockheed Martin's Annual Report on Form 10-K, as filed with the Securities and Exchange Commission for the year ended December 31, 1997 by writing to:

Lockheed Martin Investor Relations
6801 Rockledge Drive
Bethesda, MD 20817

For accessing the Lockheed Martin homepage on the Internet use the Uniform Resource Locator: <http://www.shareholder.com/lmt>.

Updates on earnings, dividends and company news are available by calling Lockheed Martin Shareholder Direct at 1-800-LMT-9758, 24 hours a day, seven days a week.

Setting the Standard

Lockheed Martin's Code of Ethics and Business Conduct is called "Setting the Standard." We aim to set the standard for ethical business conduct through these six guiding ethical principles.

Honesty: to be truthful in all our endeavors; to be honest and forthright with one another and with our customers, communities, suppliers, and shareholders.

Integrity: to say what we mean, to deliver what we promise, and to stand for what is right.

Respect: to treat one another with dignity and fairness, appreciating the diversity of our workforce and the uniqueness of each employee.

Trust: to build confidence through teamwork and open, candid communication.

Responsibility: to speak up--without fear of retribution--and report concerns in the work place, including violations of laws, regulations and company policies, and seek clarification and guidance whenever there is doubt.

Citizenship: to obey all the laws of the United States and the other countries in which we do business and to do our part to make the communities in which we live better.

Shareholders desiring to read "Setting the Standard, Lockheed Martin's Code of Ethics and Business Conduct" or obtain additional information about the Corporation's ethics program may visit the Lockheed Martin homepage on the World Wide Web: <http://www.lmco.com> or write to the Corporation care of Carol R. Marshall, Vice President, Ethics and Business Conduct, P.O. Box 34143, Bethesda, MD 20827-0143. E-mail: Corporate.Ethics@lmco.com

This Annual Report contains statements which, to the extent that they are not recitations of historical fact, constitute "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). The words "estimate," "anticipate," "project," "intend," "expect," and similar expressions are intended to identify forward looking statements. All forward looking statements involve risks and uncertainties, including, without limitation, statements and assumptions with respect to future revenues, program performance and cash flows, the outcome of contingencies including litigation and environmental remediation, and anticipated costs of capital investments and planned dispositions. Readers are cautioned not to place undue reliance on these forward looking statements which speak only as of the date of this Annual Report. The Corporation does not undertake any obligation to publicly release any revisions to these forward looking statements to reflect events, circumstances or changes in expectations after the date of this Annual Report, or to reflect the occurrence of unanticipated events. The forward looking statements in this document are intended to be subject to the safe harbor protection provided by Sections 27A of the Securities Act and 21E of the Exchange Act. For a discussion identifying some important factors that could cause actual results to vary materially from those anticipated in the forward looking statements, see the Corporation's Securities and Exchange Commission filings including, but not limited to, the discussion of "Competition and Risk" and the discussion of "Government Contracts and Regulations" on pages 14 through 17 and pages 18 through 19, respectively, of the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 (Form 10-K); "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 11 through 24 of this Annual Report, and "Note 1--Summary of Significant Accounting Policies," "Note 2--Transaction Agreement with Northrop Grumman Corporation" and "Note 16--Commitments and Contingencies" of the Notes to Consolidated Financial Statements on pages 31 through 32, 32 through 33 and 41 through 42, respectively, of the Audited Consolidated Financial Statements included in this Annual Report and incorporated by reference into the Form 10-K.

[LOGO OF LOCKHEED MARTIN APPEARS HERE]

Lockheed Martin Corporation
6801 Rockledge Drive
Bethesda, MD 20817

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APPENDIX TO THE EDGAR VERSION OF THE 1997 ANNUAL REPORT TO
SECURITY HOLDERS FILED PURSUANT TO RULE 304 OF REGULATION S-T

This appendix is being filed pursuant to Rule 304 of Regulation S-K and represents Lockheed Martin Corporation's good faith effort to fairly and accurately describe certain graphic and image material that is included in the paper version of the 1997 Annual Report to Shareholders (the "1997 Annual Report") but has been omitted from the EDGAR version.

A description of the pictures omitted from the 1997 Annual Report in its EDGAR format follows. Generally, the omitted pictures are described in the associated captions and represent products produced by Lockheed Martin Corporation which are discussed at various locations in the text of the document. In some instances, the pictures are of officers, directors and employees of the Corporation or of persons using the Corporation's products. The pictures are included primarily to add visual interest to the 1997 Annual Report and are neither individually nor in the aggregate material to an understanding of the Report.

The 1997 Annual Report in its EDGAR format also omits certain graphic material. This material is also described fully in the text. A description of the omitted graphic material follows:

Page 13 -- The omitted graph sets forth in columnar format net sales, in millions of dollars, for the years 1997, 1996 and 1995 and corresponds to the textual description of net sales.

Page 14 -- The graph omitted at the top of the page sets forth in columnar format net earnings, in millions of dollars, for the years 1997, 1996, and 1995. The graph corresponds to the textual description of net earnings.

Page 15 -- The graph omitted at the bottom of the page sets forth in columnar format earnings per common share, assuming full dilution, before deemed preferred stock dividend in dollars, for the years 1997, 1996 and 1995. The graph corresponds to the textual description of earnings per common share.

Page 16 -- The omitted graph sets forth in columnar format dividends per common share for each of 1997, 1996 and 1995.

Page 20 -- The omitted graph sets forth in columnar format negotiated backlog, in millions of dollars, for the years 1997, 1996 and 1995 and corresponds to the textual description of negotiated backlog.

Page 21 -- The omitted graph sets forth in columnar format net cash provided by operating activities in each of 1997, 1996 and 1995 and follows the associated textual discussion.

LIST OF SUBSIDIARIES OF
LOCKHEED MARTIN CORPORATION

Name of Subsidiary -----	State or Country of Incorporation -----	Percentage of Securities Owned -----
Lockheed Martin Federal Systems, Inc.	Delaware	100%

Lockheed Martin Corporation has a number of other subsidiaries, but all of them, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary. Accordingly, the names of the particular subsidiaries are omitted.

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 19, 1998, except for Note 2 and the next to the last paragraph of Note 16, as to which the date is March 12, 1998, included in the 1997 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, dated March 15, 1995 to Registration Statement Number 33-57645 of Lockheed Martin Corporation on Form S-8;
- (4) Registration Statement Number 33-63155 of Lockheed Martin Corporation on Form S-8, dated October 3, 1995;
- (5) Registration Statement Number 33-06255 of Lockheed Martin Corporation on Form S-8, dated June 19, 1996;
- (6) Registration Statement Numbers: 33-06479, 33-06481, 33-06483, 33-06485, 33-06487, 33-06515 and 33-06517 of Lockheed Martin Corporation on Form S-8, each dated June 21, 1996;
- (7) Registration Statement Numbers: 333-20117 and 333-20139 of Lockheed Martin Corporation on Form S-8, each dated January 22, 1997;
- (8) Post-Effective Amendment No. 1, dated January 22, 1997 to Registration Statement Number 333-58083 on Form S-8;
- (9) Registration Statement Number 333-27309 of Lockheed Martin Corporation on Form S-8, dated May 16, 1997;
- (10) Registration Statement Number 333-37069 of Lockheed Martin Corporation on Form S-8, dated October 2, 1997;
- (11) Registration Statement Number 333-40997 of Lockheed Martin Corporation on Form S-8, dated November 25, 1997; and
- (12) Registration Statement Number 333-44671 of Lockheed Martin Corporation on Form S-4, dated January 22, 1998

of our report dated January 19, 1998, except for Note 2 and the next to the last paragraph of Note 16, as to which the date is March 12, 1998, with respect to the consolidated financial statements incorporated herein by reference.

/s/ Ernst & Young LLP

Washington, D.C.
March 16, 1998

POWER OF ATTORNEY

LOCKHEED MARTIN CORPORATION

The undersigned hereby constitutes Frank H. Menaker, Jr. and Stephen M. Piper, 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, in connection with the preparation, execution and filing with the Securities and Exchange Commission (hereinafter referred to as the "Commission"), under the Securities Exchange Act of 1934 of an Annual Report on Form 10-K of Lockheed Martin Corporation ("Lockheed Martin") and any amendments thereto for Lockheed Martin's fiscal year ended December 31, 1997 with exhibits thereto, including, but not limited to, Lockheed Martin's Audited Consolidated Financial Statements as of December 31, 1997 and 1996 and for each of the three years in the period ended December 31, 1997 and Management's Discussion and Analysis of Financial Condition and Results of Operations for Lockheed Martin's fiscal year ended December 31, 1997, and other documents in connection therewith (collectively, the "Form 10-K"), and all matters required by the Commission in connection with the 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 26, 1998

Vance D. Coffman
Chief Executive Officer and Director

POWER OF ATTORNEY

LOCKHEED MARTIN CORPORATION

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/s/ MARCUS C. BENNETT February 26, 1998

Marcus C. Bennett
Executive Vice President, Chief Financial Officer and Director

POWER OF ATTORNEY

LOCKHEED MARTIN CORPORATION

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/s/TODD J. KALLMAN February 26, 1998

Todd J. Kallman
Chief Accounting Officer

POWER OF ATTORNEY

LOCKHEED MARTIN CORPORATION

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/s/ NORMAN R. AUGUSTINE

February 26, 1998

Norman R. Augustine
Director

POWER OF ATTORNEY

LOCKHEED MARTIN CORPORATION

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/s/ LYNNE V. CHENEY

February 26, 1998

Lynne V. Cheney
Director

POWER OF ATTORNEY

LOCKHEED MARTIN CORPORATION

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/s/ HOUSTON I. FLOURNOY February 26, 1998

Houston I. Flournoy
Director

POWER OF ATTORNEY

LOCKHEED MARTIN CORPORATION

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/s/ JAMES F. GIBBONS

February 26, 1998

James F. Gibbons
Director

POWER OF ATTORNEY

LOCKHEED MARTIN CORPORATION

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/s/ EDWARD E. HOOD, JR.

February 26, 1998

Edward E. Hood, Jr.
Director

POWER OF ATTORNEY

LOCKHEED MARTIN CORPORATION

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/s/ CALEB B. HURTT

February 26, 1998

Caleb B. Hurtt
Director

POWER OF ATTORNEY

LOCKHEED MARTIN CORPORATION

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/s/GWENDOLYN S. KING

February 26, 1998

Gwendolyn S. King
Director

POWER OF ATTORNEY

LOCKHEED MARTIN CORPORATION

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/s/VINCENT N. MARAFINO

February 26, 1998

Vincent N. Marafino
Director

POWER OF ATTORNEY

LOCKHEED MARTIN CORPORATION

The undersigned hereby constitutes Frank H. Menaker, Jr. and Stephen M. Piper, 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, in connection with the preparation, execution and filing with the Securities and Exchange Commission (hereinafter referred to as the "Commission"), under the Securities Exchange Act of 1934 of an Annual Report on Form 10-K of Lockheed Martin Corporation ("Lockheed Martin") and any amendments thereto for Lockheed Martin's fiscal year ended December 31, 1997 with exhibits thereto, including, but not limited to, Lockheed Martin's Audited Consolidated Financial Statements as of December 31, 1997 and 1996 and for each of the three years in the period ended December 31, 1997 and Management's Discussion and Analysis of Financial Condition and Results of Operations for Lockheed Martin's fiscal year ended December 31, 1997, and other documents in connection therewith (collectively, the "Form 10-K"), and all matters required by the Commission in connection with the 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/EUGENE F. MURPHY

February 26, 1998

Eugene F. Murphy
Director

POWER OF ATTORNEY

LOCKHEED MARTIN CORPORATION

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/s/ALLEN E. MURRAY

February 26, 1998

Allen E. Murray
Director

POWER OF ATTORNEY

LOCKHEED MARTIN CORPORATION

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/s/FRANK SAVAGE

February 26, 1998

Frank Savage
Director

POWER OF ATTORNEY

LOCKHEED MARTIN CORPORATION

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/s/DANIEL M. TELLEP

February 26, 1998

Daniel M. Tellep
Director

POWER OF ATTORNEY

LOCKHEED MARTIN CORPORATION

The undersigned hereby constitutes Frank H. Menaker, Jr. and Stephen M. Piper, 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, in connection with the preparation, execution and filing with the Securities and Exchange Commission (hereinafter referred to as the "Commission"), under the Securities Exchange Act of 1934 of an Annual Report on Form 10-K of Lockheed Martin Corporation ("Lockheed Martin") and any amendments thereto for Lockheed Martin's fiscal year ended December 31, 1997 with exhibits thereto, including, but not limited to, Lockheed Martin's Audited Consolidated Financial Statements as of December 31, 1997 and 1996 and for each of the three years in the period ended December 31, 1997 and Management's Discussion and Analysis of Financial Condition and Results of Operations for Lockheed Martin's fiscal year ended December 31, 1997, and other documents in connection therewith (collectively, the "Form 10-K"), and all matters required by the Commission in connection with the 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/PETER B. TEETS

February 26, 1998

Peter B. Teets
Director

POWER OF ATTORNEY

LOCKHEED MARTIN CORPORATION

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/s/CARLISLE A. H. TROST February 26, 1998

Carlisle A. H. Trost
Director

POWER OF ATTORNEY

LOCKHEED MARTIN CORPORATION

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/s/JAMES R. UKROPINA

February 26, 1998

James R. Ukropina
Director

POWER OF ATTORNEY

LOCKHEED MARTIN CORPORATION

The undersigned hereby constitutes Frank H. Menaker, Jr. and Stephen M. Piper, 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, in connection with the preparation, execution and filing with the Securities and Exchange Commission (hereinafter referred to as the "Commission"), under the Securities Exchange Act of 1934 of an Annual Report on Form 10-K of Lockheed Martin Corporation ("Lockheed Martin") and any amendments thereto for Lockheed Martin's fiscal year ended December 31, 1997 with exhibits thereto, including, but not limited to, Lockheed Martin's Audited Consolidated Financial Statements as of December 31, 1997 and 1996 and for each of the three years in the period ended December 31, 1997 and Management's Discussion and Analysis of Financial Condition and Results of Operations for Lockheed Martin's fiscal year ended December 31, 1997, and other documents in connection therewith (collectively, the "Form 10-K"), and all matters required by the Commission in connection with the 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/DOUGLAS C. YEARLEY

February 26, 1998

Douglas C. Yearley
Director

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-31-1997	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	
	(3.12)	
	(2.46)	

See "Note 6 -- Earnings Per Share" on page 35 of the 1997 Annual Report incorporated by reference in Lockheed Martin's Annual Report on Form 10-K for the year ended December 31, 1997.

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-31-1996	DEC-31-1996
		0
	0	
	4,999	
	0	
	2,953	
	10,346	
		8,452
	4,731	
	29,540	
	8,672	
		10,188
	0	
		1,000
		193
		5,663
29,540		
		26,875
	26,875	
		24,594
	24,594	
	452	
	0	
	700	
	2,033	
		686
	1,347	
	0	
	0	
		0
	1,347	
	6.80	
	6.09	

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-31-1995	DEC-31-1995
		653
	0	
	3,876	
	0	
	2,835	
	8,208	8,154
	5,020	
	17,558	
5,184		3,010
0		
	1,000	
		199
	5,234	
17,558		
		22,853
	22,853	
		20,881
	21,571	
	95	
	0	
	288	
	1,089	
		407
	682	
	0	
	0	
		0
	682	
	3.28	
	3.09	

RESTATED FINANCIAL DATA SCHEDULE - REFLECTS RESTATEMENT OF DILUTED EARNINGS PER SHARE FOR THE PERIOD.

1,000,000

3-MOS	
DEC-31-1996	MAR-31-1996
	156
	0
4,130	0
	2,862
8,020	8,147
	5,031
	17,682
5,229	
	3,003
0	
	1,000
	199
	5,457
17,682	
	5,109
5,109	
	4,637
	4,637
	30
	0
71	
	431
	159
272	
	0
	0
	0
	272
	1.35
	1.23

RESTATED FINANCIAL DATA SCHEDULE - REFLECTS RESTATEMENT OF DILUTED EARNINGS PER SHARE FOR THE PERIOD.

1,000,000

6-MOS	
DEC-31-1996	JUN-30-1996
	390
	0
	5,428
	0
	3,057
10,238	
	9,842
	5,531
	30,328
8,319	
	11,086
0	
	1,000
	199
	5,713
30,328	
	12,185
12,185	
	11,020
	31
	0
260	
	936
	365
571	
	0
	0
	0
	571
	2.85
	2.57

RESTATE FINANCIAL DATA SCHEDULE - REFLECTS RESTATEMENT OF DILUTED EARNINGS PER SHARE FOR THE PERIOD.

1,000,000

9-MOS	
DEC-31-1996	SEP-30-1996
	323
	0
	5,221
	0
	3,101
10,193	9,976
	5,654
8,044	30,269
	11,076
0	1,000
	201
30,269	5,988
	19,213
19,213	17,373
	17,373
	92
	0
486	
1,446	564
882	
	0
	0
	0
	882
	4.40
	3.97

RESTATED FINANCIAL DATA SCHEDULE - REFLECTS RESTATEMENT OF DILUTED EARNINGS PER SHARE FOR THE PERIOD.

1,000,000

3-MOS	
DEC-31-1997	MAR-31-1997
	0
	0
	5,242
	0
	3,411
10,055	
	8,538
	4,835
	29,367
9,141	
	9,889
0	
	1,000
	193
	5,899
29,367	
	6,674
6,674	
	6,018
	6,018
	21
	0
201	
	476
	186
290	
	0
	0
	0
	290
	1.49
	1.35

RESTATED FINANCIAL DATA SCHEDULE - REFLECTS RESTATEMENT OF DILUTED EARNINGS PER SHARE FOR THE PERIOD.

1,000,000

6-MOS	
DEC-31-1997	JUN-30-1997
	0
	0
	5,411
	0
	3,673
10,551	
	8,612
	5,005
	29,398
9,473	
	9,376
0	
	1,000
	193
	6,137
29,398	
	13,572
13,572	
	12,279
	12,279
	73
	0
402	
	964
	366
598	
	0
	0
	0
	598
	3.08
	2.77

RESTATED FINANCIAL DATA SCHEDULE - REFLECTS RESTATEMENT OF DILUTED EARNINGS PER SHARE FOR THE PERIOD.

1,000,000

9-MOS		
	DEC-31-1997	
	SEP-30-1997	110
		0
	5,119	
		0
	4,104	
	10,800	8,653
	5,043	
	29,577	
9,426		9,388
0		1,000
		194
		6,460
29,577		20,191
	20,191	18,221
		18,221
		143
		0
	615	
	1,498	
		569
929		0
		0
		0
		929
		4.78
		4.28