

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

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

FOR QUARTER ENDED September 30, 1999 COMMISSION FILE NUMBER 1-11437

LOCKHEED MARTIN CORPORATION

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

MARYLAND

52-1893632

(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)

(I.R.S. EMPLOYER
IDENTIFICATION NUMBER)

6801 ROCKLEDGE DRIVE, BETHESDA, MD

20817

(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE

(301) 897-6000

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

YES X NO _____

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

CLASS

OUTSTANDING AS OF October 31, 1999

COMMON STOCK, \$1 PAR VALUE

395,952,944

LOCKHEED MARTIN CORPORATION
FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 1999

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Lockheed Martin Corporation
Unaudited Condensed Consolidated Statement of Earnings

	Three Months Ended September 30, 1999		Nine Months Ended September 30, 1998	
	1999	1998	1999	1998
	(In millions, except per share data)			
Net sales	\$6,157	\$6,349	\$18,548	\$19,086
Cost of sales	5,669	5,653	17,442	17,135
	-----	-----	-----	-----
Earnings from operations	488	696	1,106	1,951
Other income and expenses, net	70	34	202	105
	-----	-----	-----	-----
Interest expense	558	730	1,308	2,056
	200	221	583	655
	-----	-----	-----	-----
Earnings before income taxes and cumulative effect of change in accounting	358	509	725	1,401
Income tax expense	141	191	281	525
	-----	-----	-----	-----
Earnings before cumulative effect of change in accounting	217	318	444	876
Cumulative effect of change in accounting	--	--	(355)	--
	-----	-----	-----	-----
Net earnings	\$ 217	\$ 318	\$ 89	\$ 876
	=====	=====	=====	=====
Earnings (loss) per common share:				

Basic:				
Before cumulative effect of change in accounting	\$.57	\$.84	\$ 1.16	\$ 2.33
Cumulative effect of change in accounting	--	--	(.93)	--
	-----	-----	-----	-----
	\$.57	\$.84	\$.23	\$ 2.33
	=====	=====	=====	=====
Diluted:				
Before cumulative effect of change in accounting	\$.57	\$.83	\$ 1.16	\$ 2.30
Cumulative effect of change in accounting	--	--	(.93)	--
	-----	-----	-----	-----
	\$.57	\$.83	\$.23	\$ 2.30
	=====	=====	=====	=====
Cash dividends declared per common share	\$.22	\$.20	\$.66	\$.60
	=====	=====	=====	=====

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

Lockheed Martin Corporation
Unaudited Condensed Consolidated Statement of Cash Flows

	Nine Months Ended September 30,	
	1999	1998
	-----	-----
	(In millions)	
Operating Activities		
Earnings before cumulative effect of change in accounting	\$ 444	\$ 876
Adjustments to reconcile earnings to net cash provided by operating activities:		
Depreciation and amortization	705	744
Changes in operating assets and liabilities	(766)	(913)
	-----	-----
Net cash provided by operating activities	383	707
	-----	-----
Investing Activities		
Expenditures for property, plant and equipment	(442)	(477)
Consummation of COMSAT Tender Offer	(1,197)	--
Sale of shares in L-3 Communications	182	--
Other	(108)	127
	-----	-----
Net cash used for investing activities	(1,565)	(350)
	-----	-----
Financing Activities		
Net increase in short-term borrowings	1,881	699
Net repayments related to long-term debt	(743)	(651)
Issuances of common stock	17	58
Common stock dividends	(258)	(229)
Final settlement for redemption of preferred stock	--	(51)
	-----	-----
Net cash provided by (used for) financing activities	897	(174)
	-----	-----
Net (decrease) increase in cash and cash equivalents	(285)	183
Cash and cash equivalents at beginning of period	285	--
	-----	-----
Cash and cash equivalents at end of period	\$ --	\$ 183
	=====	=====

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

Lockheed Martin Corporation
Unaudited Condensed Consolidated Balance Sheet

	September 30, 1999 -----	December 31, 1998 -----
(In millions)		
Assets		
Current assets:		
Cash and cash equivalents	\$ --	\$ 285
Receivables	4,426	4,178
Inventories	3,939	4,293
Deferred income taxes	1,035	1,109
Other current assets	729	746
	-----	-----
Total current assets	10,129	10,611
Property, plant and equipment	3,565	3,513
Intangible assets related to contracts and programs acquired	1,299	1,418
Cost in excess of net assets acquired	9,230	9,521
Other assets	5,335	3,681
	-----	-----
	\$29,558	\$28,744
	=====	=====
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,365	\$ 1,382
Customer advances and amounts in excess of costs incurred	4,286	4,012
Salaries, benefits and payroll taxes	957	842
Income taxes	74	553
Short-term borrowings	1,223	1,043
Current maturities of long-term debt	347	886
Other current liabilities	1,482	1,549
	-----	-----
Total current liabilities	9,734	10,267
Long-term debt	10,463	8,957
Post-retirement benefit liabilities	1,836	1,903
Other liabilities	1,399	1,480
Stockholders' equity:		
Common stock, \$1 par value per share	394	393
Additional paid-in capital	187	70
Retained earnings	5,695	5,864
Accumulated other comprehensive income (loss)	9	(8)
Unearned ESOP shares	(159)	(182)
	-----	-----
Total stockholders' equity	6,126	6,137
	-----	-----
	\$29,558	\$28,744
	=====	=====

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

Lockheed Martin Corporation
Notes to Unaudited Condensed Consolidated Financial Statements
September 30, 1999

NOTE 1 -- BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Lockheed Martin Corporation (Lockheed Martin or the Corporation) has continued to follow the accounting policies set forth in the consolidated financial statements filed with the Securities and Exchange Commission on March 22, 1999 in its 1998 Annual Report on Form 10-K (Form 10-K). In the opinion of management, the interim financial information provided herein reflects all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of the results of operations for the interim periods. The results of operations for the three months and nine months ended September 30, 1999 are not necessarily indicative of results to be expected for the full year. Certain amounts presented for prior periods have been reclassified to conform with the 1999 presentation.

In October 1998, the Board of Directors of the Corporation authorized a two-for-one split of the Corporation's common stock in the form of a stock dividend. The stock split was effected on December 31, 1998 to stockholders of record at the close of business on December 1, 1998. In the accompanying unaudited condensed consolidated financial statements and related notes, all references to shares of common stock and per share amounts for prior periods have been restated to reflect the stock split.

NOTE 2 -- TRANSACTION AGREEMENT WITH COMSAT CORPORATION

In September 1998, the Corporation and COMSAT Corporation (COMSAT) announced that they had entered into an Agreement and Plan of Merger (the Merger Agreement) to combine the companies in a two-phase transaction with a total estimated value of approximately \$2.7 billion at the date of the announcement (the Merger). The Merger Agreement was approved by the respective Boards of Directors of the Corporation and COMSAT.

In connection with the first phase of this transaction, the Corporation completed a cash tender offer (the Tender Offer) on September 18, 1999, at which time it accepted for payment approximately 26 million shares of COMSAT common stock, representing approximately 49 percent of the outstanding common stock of COMSAT, for \$45.50 a share pursuant to the terms of the Merger Agreement. The total value of this phase of the transaction was \$1.2 billion, and such amount is included in other assets in the September 30, 1999 Unaudited Condensed Consolidated Balance Sheet. The consummation of the Tender Offer was subject to, among other things, the approval of the Merger by the stockholders of COMSAT and certain regulatory approvals, including approval by the Federal Communications Commission (FCC) and antitrust clearance by the Department of Justice (DOJ). On August 20, 1999, the stockholders of COMSAT approved the Merger at COMSAT's annual stockholders meeting. On September 15, 1999, the FCC issued an order allowing Lockheed Martin to effect transfer of control of a COMSAT common carrier subsidiary into a Lockheed Martin subsidiary and to designate such Lockheed Martin subsidiary as an "authorized common carrier" under the 1962 Communications Satellite Act, and allowing such Lockheed Martin subsidiary to acquire and hold up to 49 percent of COMSAT's common stock. On September 16, 1999, the DOJ, whose analysis included consideration of both phases of the proposed Merger, stated that it did not intend to move to enjoin consummation of the proposed Merger. The Corporation will account for its 49 percent investment in COMSAT under the equity method of accounting from October 1, 1999.

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

On September 17, 1999, PanAmSat Corporation filed pleadings in the United States District Court of Appeals for the District of Columbia Circuit (the Court) seeking a review of certain actions taken by the FCC which resulted in the FCC's authorization to proceed with the Tender Offer. The Corporation and COMSAT have each filed pleadings stating their intention to intervene in the matters before the Court.

The second phase of the transaction, which will result in consummation of the Merger, is to be accomplished by an exchange of one share of Lockheed Martin common stock for each remaining share of COMSAT common stock. Consummation of the Merger remains contingent upon the satisfaction of certain conditions, including the enactment of federal legislation necessary to remove existing restrictions on ownership of COMSAT voting stock. Legislation necessary to remove these restrictions cleared the U.S. Senate on July 1, 1999. On November 10, 1999, the U.S. House of Representatives also passed legislation which, if adopted into law, would remove these restrictions. There are substantial differences between the two bills which the Corporation hopes will be resolved in conference. As it is likely that Congress will adjourn in the near future, there is no assurance that this will occur during this legislative session or at all, or that any legislation that does become law would not have an adverse effect on COMSAT's business. There are several features of the legislation that passed the U.S. House of Representatives that, if passed into law, would likely significantly injure COMSAT's business. Although the Corporation anticipates a favorable outcome in conference, if Congress enacts legislation that the Corporation determines in good faith, after consultation with COMSAT, would reasonably be expected to have a Significant Adverse Effect on COMSAT's business (as defined in the Merger Agreement), the Corporation would have the right to elect not to complete the Merger.

Following the passage of legislation, the FCC must approve the Merger. The Merger, upon consummation, will be accounted for under the purchase method of accounting. If the Merger is not completed by September 18, 2000, under the terms of the Merger Agreement, Lockheed Martin or COMSAT could terminate the Merger Agreement or elect not to exercise this right, or both parties could agree to extend this date. If the Merger is not consummated, the Corporation will not be able to achieve all of its objectives with respect to the COMSAT transaction and will be unable to exercise control over COMSAT.

NOTE 3 -- EARNINGS PER SHARE

Basic and diluted earnings per share are computed based on net earnings. The weighted average number of common shares outstanding during the period was used in the calculation of basic earnings per share, and this number of shares was increased by the effects of dilutive stock options based on the treasury stock method in the calculation of diluted earnings per share. As previously disclosed, all share and per share amounts for prior periods have been restated to reflect the Corporation's December 1998 two-for-one stock split in the form of a stock dividend.

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

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

	Three Months Ended September 30, 1999		Nine Months Ended September 30, 1999	
	1998	1998	1998	1998
	(In millions, except per share data)			
Net earnings for basic and diluted computations:				

Earnings before cumulative effect of change in accounting	\$ 217	\$ 318	\$ 444	\$ 876
Cumulative effect of change in accounting	--	--	(355)	--
	-----	-----	-----	-----
Net earnings	\$ 217	\$ 318	\$ 89	\$ 876
	=====	=====	=====	=====
Average common shares outstanding:				

Average number of common shares outstanding for basic computations	382.8	377.1	381.5	375.5
Effects of dilutive stock options based on the treasury stock method	1.9	4.1	2.3	4.7
	-----	-----	-----	-----
Average number of common shares outstanding for diluted computations	384.7	381.2	383.8	380.2
	=====	=====	=====	=====
Earnings (loss) per common share:				

Basic:				
Before cumulative effect of change in accounting	\$.57	\$.84	\$ 1.16	\$ 2.33
Cumulative effect of change in accounting	--	--	(.93)	--
	-----	-----	-----	-----
	\$.57	\$.84	\$.23	\$ 2.33
	=====	=====	=====	=====
Diluted:				
Before cumulative effect of change in accounting	\$.57	\$.83	\$ 1.16	\$ 2.30
Cumulative effect of change in accounting	--	--	(.93)	--
	-----	-----	-----	-----
	\$.57	\$.83	\$.23	\$ 2.30
	=====	=====	=====	=====

NOTE 4 -- INVENTORIES

	September 30, 1999	December 31, 1998
	(In millions)	
Work in process, primarily related to long-term contracts and programs in progress	\$ 5,654	\$ 6,198
Less customer advances and progress payments	(2,141)	(2,499)
	-----	-----
Other inventories	3,513	3,699
	426	594
	-----	-----
	\$ 3,939	\$ 4,293
	=====	=====

Included in inventories at September 30, 1999 and December 31, 1998 were amounts advanced to Russian manufacturers, Khrunichev State Research and Production Space Center and

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

RD AMROSS, a joint venture between Pratt & Whitney and NPO Energomash, of approximately \$855 million and \$840 million, respectively, for the manufacture of launch vehicles and related launch services.

NOTE 5 -- CONTINGENCIES

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

Environmental matters -- The Corporation is responding to three administrative orders issued by the California Regional Water Quality Control Board (the Regional Board) in connection with the Corporation's former Lockheed Propulsion Company facilities in Redlands, California. Under the orders, the Corporation is investigating the impact and potential remediation of regional groundwater contamination by perchlorates and chlorinated solvents. The Regional Board has approved the Corporation's plan to maintain public water supplies with respect to chlorinated solvents during this investigation, and the Corporation is negotiating with local water purveyors to implement this plan, as well as to address water supply concerns relative to perchlorate contamination. The Corporation estimates that expenditures required to implement work currently approved will be approximately \$140 million. The Corporation is also coordinating with the U.S. Air Force, which is conducting preliminary studies of the potential health effects of exposure to perchlorates in connection with several sites across the country, including the Redlands site. The results of these studies indicate that current efforts with water purveyors regarding perchlorate issues are appropriate; however, the Corporation currently cannot project the extent of its ultimate clean-up obligation with respect to perchlorates, if any.

The Corporation entered into a consent decree with the U.S. Environmental Protection Agency (EPA) in 1991 relating to certain property in Burbank, California, which obligated the Corporation to design and construct facilities to monitor, extract and treat groundwater, and to operate and maintain such facilities for approximately eight years. The Corporation entered into a follow-on consent decree in 1998 which obligates the Corporation to fund the continued operation and maintenance of these facilities through the year 2018. The Corporation has also been operating under a cleanup and abatement order from the Regional Board affecting its facilities in Burbank, California. This order requires site assessment and action to abate groundwater contamination by a combination of groundwater and soil cleanup and treatment. The Corporation estimates that total expenditures required over the remaining terms of the consent decrees and the Regional Board order will be approximately \$70 million.

The Corporation is involved in other proceedings and potential proceedings relating to environmental matters, including disposal of hazardous wastes and soil and water contamination. The extent of the Corporation's financial exposure cannot in all cases be reasonably estimated at this time. In addition to the amounts with respect to the Burbank and Redlands properties described above, a liability of approximately \$230 million for the other cases in which an estimate of financial exposure can be determined has been recorded.

Under an agreement with the U.S. Government, the Burbank groundwater treatment and soil remediation expenditures referenced above are being allocated to the Corporation's operations as general and administrative costs and, under existing government regulations, these and other

environmental expenditures related to U.S. Government business, after deducting any recoveries from insurance or other potentially responsible parties, are allowable in establishing the prices of the Corporation's products and services. As a result, a substantial portion of the expenditures are being reflected in the Corporation's sales and cost of sales pursuant to U.S. Government agreement or regulation. Although the Defense Contract Audit Agency has questioned certain elements of the Corporation's practices with respect to the aforementioned agreement, no formal action has been initiated, and it is management's opinion that the treatment of these environmental costs is appropriate and consistent with the terms of such agreement. On October 4, 1999, the Corporation requested the issuance of a final decision regarding the propriety of the Corporation's U.S. Government accounting practices for the treatment of environmental costs. The Corporation has recorded an asset for the portion of environmental costs that are probable of future recovery in pricing of the Corporation's products and services for U.S. Government business. The portion that is expected to be allocated to commercial business has been reflected in cost of sales. The recorded amounts do not reflect the possible future recovery of portions of the environmental costs through insurance policy coverage or from other potentially responsible parties, which the Corporation is pursuing as required by agreement and U.S. Government regulation. Any such recoveries, when received, would reduce the Corporation's liability as well as the allocated amounts to be included in the Corporation's U.S. Government sales and cost of sales.

Waste remediation contract -- In 1994, the Corporation was awarded a \$180 million fixed price contract by the U.S. Department of Energy (DOE) for the Phase II design, construction and limited test of remediation facilities, and the Phase III full remediation of waste found in Pit 9, located on the Idaho National Engineering and Environmental Laboratory reservation. The Corporation incurred significant unanticipated costs and scheduling issues due to complex technical and contractual matters which threatened the viability of the overall Pit 9 program. Based on an investigation by management to identify and quantify the overall effect of these matters, the Corporation submitted a request for equitable adjustment (REA) to the DOE on March 31, 1997 that sought, among other things, the recovery of a portion of unanticipated costs incurred by the Corporation and the restructuring of the contract to provide for a more equitable sharing of the risks associated with the Pit 9 project. The Corporation has been unsuccessful in reaching any agreements with the DOE on cost recovery or other contract restructuring matters. Starting in May 1997, the Corporation reduced work activities at the Pit 9 site while awaiting technical direction from the DOE.

On June 1, 1998, the DOE, through Lockheed Martin Idaho Technologies Company (LMITCO), its management contractor, terminated the Pit 9 contract for default. On that same date, the Corporation filed a lawsuit against the DOE in the U.S. Court of Federal Claims in Washington, D.C., challenging and seeking to overturn the default termination. In addition, on July 21, 1998, the Corporation withdrew the REA previously submitted to the DOE and replaced it with a certified REA. The certified REA is similar in substance to the REA previously submitted, but its certification, based upon more detailed factual and contractual analysis, raises its status to that of a formal claim. On August 11, 1998, LMITCO, at the DOE's direction, filed suit against the Corporation in U.S. District Court in Boise, Idaho, seeking, among other things, recovery of approximately \$54 million previously paid by LMITCO to the Corporation under the Pit 9 contract. The Corporation intends to resist this action while continuing to pursue its certified REA. On January 26, 1999, the U.S. District Court in Idaho granted the Corporation's motion and stayed the Idaho proceeding until resolution of the motion to dismiss the lawsuit in the U.S. Court of Federal Claims, or until August 2, 1999. A status conference was held in the U.S. District Court in Idaho on August 2, 1999, following which the Court ordered discovery to

commence. In the U.S. Court of Federal Claims, on October 1, 1999, the Court stayed the DOE's Motion to Dismiss the Corporation's lawsuit, finding that the Court has jurisdiction. Also, the U.S. Court of Federal Claims ordered discovery to commence and gave leave to the DOE to convert its motion to dismiss to a motion for summary judgment if supported by discovery. The Corporation continues to assert its position in the litigation while continuing its efforts to resolve the dispute through non-litigation means.

NOTE 6 -- INFORMATION ON BUSINESS SEGMENTS

On September 27, 1999, Lockheed Martin announced the results of its strategic and organizational review that began June 9, 1999. As a result of this review, the Corporation has implemented a new organizational structure, effective October 1, 1999, that realigns its core lines of business into four principal business segments. All other activities of the Corporation fall within the Corporate and Other segment. Prior period amounts have been adjusted to conform with the new organizational realignment. Following is a brief description of the activities of each business segment:

- . Systems Integration - Includes missiles and fire controls, naval systems, platform integration, and command, control, communications, computers and intelligence (C4I) lines of business.
- . Space Systems - Includes space launch, commercial and government satellites, and strategic missiles lines of business.
- . Aeronautical Systems - Includes tactical aircraft, airlift, and aeronautical research and development lines of business.
- . Technology Services - Includes federal services, energy programs and aeronautical services lines of business.
- . Corporate and Other - Includes commercial information technology and state and local government services lines of business. Also includes Lockheed Martin Global Telecommunications, Inc., a wholly-owned subsidiary of the Corporation, which was formed effective January 1, 1999 from the combination of investments in several existing joint ventures and certain other elements of the Corporation. Such investments were transferred from the Systems Integration and Space Systems segments. The prior period amounts related to these joint ventures and elements transferred were not material to the respective segments and, therefore, segment information in prior periods was not restated to conform with the 1999 presentation. In addition, this segment includes the Corporation's investment in COMSAT and in certain other joint ventures and businesses.

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

	Three Months Ended September 30, 1999		Nine Months Ended September 30, 1998	
	1999	1998	1999	1998
(In millions)				
Selected Financial Data by Business Segment				
Net sales				
Systems Integration	\$2,708	\$2,511	\$ 7,980	\$ 7,702
Space Systems	1,400	1,614	4,345	5,332
Aeronautical Systems	1,214	1,500	3,980	3,974
Technology Services	584	469	1,569	1,408
Corporate and Other	251	255	674	670
	\$6,157	\$6,349	\$18,548	\$19,086
	=====	=====	=====	=====
Operating profit (loss)				
Systems Integration	\$ 296	\$ 273	\$ 712	\$ 723
Space Systems	101	256	268	750
Aeronautical Systems	105	164	151	471
Technology Services	29	39	97	102
Corporate and Other	27	(2)	80	10
	\$ 558	\$ 730	\$ 1,308	\$ 2,056
	=====	=====	=====	=====
Intersegment revenue(a)				
Systems Integration	\$ 163	\$ 161	\$ 499	\$ 508
Space Systems	22	9	62	35
Aeronautical Systems	25	15	68	43
Technology Services	100	133	401	354
Corporate and Other	8	16	38	45
	\$ 318	\$ 334	\$ 1,068	\$ 985
	=====	=====	=====	=====

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

	September 30, 1999	December 31, 1998
	1999	1998
(In millions)		
Assets		
Systems Integration	\$ 13,320	\$ 13,435
Space Systems	4,773	5,228
Aeronautical Systems	3,261	3,593
Technology Services	1,501	1,421
Corporate and Other	6,703	5,067
	\$ 29,558	\$ 28,744
	=====	=====

NOTE 7 -- OTHER

In June 1999, the Corporation recorded negative adjustments in the Aeronautical Systems segment totaling approximately \$210 million which resulted from changes in estimates on the C-130J airlift aircraft program due to cost growth and a reduction in production rates, based on a current evaluation of the program's performance. These adjustments, net of state income tax

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

benefits, reduced earnings before income taxes and cumulative effect of change in accounting by \$197 million, and decreased net earnings by \$128 million, or \$.33 per diluted share. Also in June 1999, the Corporation recorded negative adjustments in the Space Systems segment totaling approximately \$90 million related to the Titan IV program which included the effects of changes in estimates for award and incentive fees resulting from the Titan IV launch failure on April 30, 1999, as well as a more conservative assessment of future program performance. These adjustments, net of state income tax benefits, reduced earnings before income taxes and cumulative effect of change in accounting by \$84 million, and decreased net earnings by \$54 million, or \$.14 per diluted share.

In February 1999, the Corporation sold 4.5 million of its shares in L-3 Communications Holdings, Inc. (L-3) as part of a secondary public offering by L-3. This transaction resulted in a reduction in the Corporation's ownership to approximately seven percent and the recognition of a pretax gain of \$114 million which is reflected in other income and expenses for the nine months ended September 30, 1999. The gain increased net earnings by \$74 million, or \$.19 per diluted share. After the transaction was consummated, the Corporation began accounting for its remaining investment in L-3 as an available-for-sale investment, as defined in Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Accordingly, as of September 30, 1999, the investment in L-3 has been adjusted to reflect its current market value, and an unrealized gain of \$30 million, which is net of income taxes, was included in stockholders' equity as a component of accumulated other comprehensive income.

The components of comprehensive income for the three months and nine months ended September 30, 1999 consisted of the following:

	Three Months Ended September 30, 1999 -----	Nine Months Ended September 30, 1999 -----
	(In millions)	
Net earnings	\$ 217	\$ 89
Other comprehensive (loss) income:		
Net foreign currency translation adjustments	(9)	(13)
Net unrealized (loss) gain	(15)	30
	----- (24)	----- 17
Comprehensive income	\$ 193 =====	\$ 106 =====

Comprehensive income was \$318 million for the three months ended September 30, 1998 and \$876 million for the nine months ended September 30, 1998, equal to net earnings for the respective periods, as the components of other comprehensive income were not material, individually or in the aggregate, in those periods.

In the fourth quarter of 1998, the Corporation recorded a nonrecurring and unusual pretax charge, net of state income tax benefits, of \$233 million related to actions surrounding the decision to fund a timely non-bankruptcy shutdown of the business of CalComp Technology, Inc. (CalComp), a majority-owned subsidiary. As of September 30, 1999, CalComp had, among other actions, consummated sales of substantially all of its assets, terminated substantially all of its

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

work force, and initiated the corporate dissolution process under the applicable state statutes. The financial impacts of these actions were within the parameters established by the Corporation's plans and estimates. Management expects that the shutdown process, other than the resolution of matters in dispute or litigation, will be substantially completed by the end of 1999 and believes that the remaining amount recorded is adequate to complete the plan.

Commercial paper borrowings of approximately \$3.2 billion were outstanding at September 30, 1999. Of this amount, \$2.0 billion has been classified as long-term debt in the Corporation's Unaudited Condensed Consolidated Balance Sheet based on management's ability and intention to maintain this level of debt outstanding for at least one year. Commercial paper borrowings are supported by a short-term revolving credit facility in the amount of \$1.0 billion which expires on May 28, 2000, and a long-term revolving credit facility in the amount of \$3.5 billion which expires on December 20, 2001. On November 3 and November 9, 1999, the Corporation borrowed \$1.0 billion under the short-term revolving credit facility and \$385 million under the long-term revolving credit facility, respectively. The Corporation will borrow an additional \$1.0 billion under its long-term revolving credit facility on November 15, 1999, and may borrow additional amounts after that date. The proceeds from the above borrowings have been or will be used to repay maturing commercial paper.

The Corporation's total interest payments were \$490 million and \$550 million for the nine months ended September 30, 1999 and 1998, respectively.

The Corporation's federal and foreign income tax payments, net of refunds received, were \$497 million and \$155 million for the nine months ended September 30, 1999 and 1998, respectively.

New accounting pronouncements adopted -- Effective January 1, 1999, the Corporation adopted the American Institute of Certified Public Accountants' (AICPA) Statement of Position (SOP) No. 98-5, "Reporting on the Costs of Start-Up Activities." SOP No. 98-5 provides authoritative guidance on accounting and financial reporting related to costs of start-up activities. This SOP requires that, at the effective date of adoption, costs of start-up activities previously capitalized be expensed and reported as a cumulative effect of a change in accounting principle, and further requires that such costs subsequent to adoption be expensed as incurred. The adoption of SOP No. 98-5 resulted in the recognition of a cumulative effect adjustment which reduced net earnings for the nine months ended September 30, 1999 by \$355 million, or \$.93 per diluted share. The cumulative effect adjustment was recorded net of income tax benefits of \$227 million, and was primarily composed of approximately \$560 million of costs which were included in inventories as of December 31, 1998.

Effective January 1, 1999, the Corporation adopted the AICPA's SOP No. 97-3, "Accounting by Insurance and Other Enterprises for Insurance Related Assessments." SOP No. 97-3 provides authoritative guidance on the recognition, measurement and disclosure of liabilities for guaranty-fund and certain other insurance-related assessments, as well as certain related assets. The impact of the adoption of this SOP was not material to the Corporation's consolidated results of operations, cash flows or financial position.

Also, effective January 1, 1999, the Corporation adopted the AICPA's SOP No. 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." This SOP, which requires the capitalization of certain costs incurred in connection with developing or obtaining software for internal use after the date of adoption, will affect the timing of future cash

flows under contracts with the U.S. Government. However, the impact of the adoption of SOP No. 98-1 was not material to the Corporation's consolidated results of operations, cash flows or financial position.

New accounting pronouncements to be adopted -- In June 1998, the Financial Accounting Standards Board (FASB) issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 provides authoritative guidance on accounting and financial reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives), and for hedging activities. The Statement requires the recognition of all derivatives as either assets or liabilities in the consolidated balance sheet, and the periodic measurement of those instruments at fair value. The classification of gains and losses resulting from changes in the fair values of derivatives is dependent on the intended use of the derivative and its resulting designation, as further defined in the Statement. In June 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133," which deferred the required date of adoption of SFAS No. 133 for one year, to fiscal years beginning after June 15, 2000; however, early adoption is allowed, and initial application must be as of the beginning of a fiscal quarter. Additionally, SFAS No. 133 cannot be applied retroactively to prior periods. At adoption, existing hedging relationships must be designated anew and documented pursuant to the provisions of the Statement. The Corporation is continuing its process of analyzing and assessing the impact that the adoption of SFAS No. 133 is expected to have on its consolidated results of operations, cash flows and financial position, but has not yet reached any conclusions.

NOTE 8 -- SUBSEQUENT EVENTS

In October 1999, the Corporation exited its commercial 3-D graphics business through a series of transactions. The combined effects of these transactions are expected to result in a pretax gain ranging from \$40 million to \$50 million, which will be recognized in the fourth quarter.

Also in October 1999, the Corporation sold its remaining interest in L-3 Communications Holdings, Inc. This transaction is expected to result in a pretax gain of approximately \$35 million to \$45 million, which will be recognized in the fourth quarter.

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TRANSACTION AGREEMENT WITH COMSAT CORPORATION

In September 1998, the Corporation and COMSAT Corporation (COMSAT) announced that they had entered into an agreement (the Merger Agreement) to combine the companies in a two-phase transaction (the Merger). In connection with the first phase of this transaction, the Corporation completed a cash tender offer (the Tender Offer) on September 18, 1999, after satisfaction of all conditions to its closing. As a result, the Corporation now owns approximately 49 percent of the outstanding common stock of COMSAT and will account for its investment under the equity method of accounting from October 1, 1999. The total value of this first phase of the transaction was \$1.2 billion, and such amount is included in other assets in the September 30, 1999 Unaudited Condensed Consolidated Balance Sheet.

On September 17, 1999, PanAmSat Corporation filed pleadings in the United States District Court of Appeals for the District of Columbia Circuit (the Court) seeking a review of certain actions taken by the FCC which resulted in the FCC's authorization to proceed with the Tender Offer. The Corporation and COMSAT have each filed pleadings stating their intention to intervene in the matters before the Court.

The second phase of the transaction, which will result in consummation of the Merger, is to be accomplished by an exchange of one share of Lockheed Martin common stock for each remaining share of COMSAT common stock. Consummation of the Merger remains contingent upon the satisfaction of certain conditions, including the enactment of federal legislation necessary to remove existing restrictions on the ownership of COMSAT voting stock. Legislation necessary to remove these restrictions cleared the U.S. Senate on July 1, 1999. On November 10, 1999, the U.S. House of Representatives also passed legislation which, if adopted into law, would remove these restrictions. There are substantial differences between the two bills which the Corporation hopes will be resolved in conference. As it is likely that Congress will adjourn in the near future, there is no assurance that this will occur during this legislative session or at all, or that any legislation that does become law would not have an adverse effect on COMSAT's business. There are several features of the legislation that passed the U.S. House of Representatives that, if passed into law, would likely significantly injure COMSAT's business. Although the Corporation anticipates a favorable outcome in conference, if Congress enacts legislation that the Corporation determines in good faith, after consultation with COMSAT, would reasonably be expected to have a Significant Adverse Effect on COMSAT's business (as defined in the Merger Agreement), the Corporation would have the right to elect not to complete the Merger.

Following the passage of legislation, the FCC must approve the Merger. The Merger, upon consummation, will be accounted for under the purchase method of accounting. If the Merger is not completed by September 18, 2000, under the terms of the Merger Agreement, Lockheed Martin or COMSAT could terminate the Merger Agreement or elect not to exercise this right, or both parties could agree to extend this date. If the Merger is not consummated, the Corporation will not be able to achieve all of its objectives with respect to the COMSAT transaction and will be unable to exercise control over COMSAT.

STRATEGIC AND ORGANIZATIONAL REVIEW

On September 27, 1999, Lockheed Martin announced the results of the strategic and organizational review that began June 9, 1999. As a result of this review, the Corporation announced plans to realign its businesses effective October 1, 1999 (as more fully described in Note 6, "Information on Business Segments"), and to evaluate the repositioning of certain businesses to maximize their value and growth potential and the divestiture of certain non-core business units.

The Corporation intends to evaluate alternatives relative to maximizing the value of three business units that serve the commercial information technology and state and local government services markets. These units have been identified by management as having high growth

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potential, but are distinct from the Corporation's core business segments. As each of these businesses will require additional capital and expertise to fully maximize their value, the Corporation may seek support through strategic partnerships or joint ventures, or by accessing public equity markets, although the outcome of those efforts cannot be predicted.

The Corporation also intends to evaluate the divestiture, subject to appropriate valuation, negotiation and approval, of certain business units in the aerospace electronics, control systems and environmental management lines of business. Based on preliminary data, and assuming that the potential divestiture transactions are approved by the Board and ultimately consummated in the future, management estimates that the potential one-time effects, if combined, could result in a decrease in the Corporation's net earnings of approximately \$1 billion, primarily non-cash. However, the potential proceeds from these transactions, if consummated, could also generate in excess of \$1 billion in cash, after transaction costs and associated tax payments, that will be used to repay debt. Financial effects that may result, if any, would be recorded when the transactions are consummated or when losses can be estimated. Management cannot predict the timing of the potential divestitures, the amount of proceeds that may be realized or whether any or all of the potential transactions will take place.

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

GLOBAL TELECOMMUNICATIONS SUBSIDIARY

Effective January 1, 1999, investments in several existing joint ventures and certain elements of the Corporation were combined with Lockheed Martin Global Telecommunications, Inc. (Global Telecommunications), a wholly-owned subsidiary of the Corporation focused on capturing a greater portion of the worldwide telecommunications services market. The Corporation intends to combine the operations of Global Telecommunications and COMSAT upon consummation of the Merger. Given the substantial investment necessary for the growth of the global telecommunications services business, support from strategic partners for Global Telecommunications may be sought and public debt or equity markets may be accessed to raise capital, although the Corporation cannot predict the outcome of these efforts.

RESULTS OF OPERATIONS

The Corporation's operating cycle is long-term and involves various types of production contracts and varying production delivery schedules. Accordingly, results of a particular quarter, or quarter-to-quarter comparisons of recorded sales and profits, may not be indicative of future operating results. The following comparative analysis should be viewed in this context. In the following discussion, all references to shares of common stock and per share amounts for prior periods have been restated to reflect the stock split which was effected on December 31, 1998.

Consolidated net sales for the third quarter of 1999 were \$6.2 billion, a three percent decrease from the \$6.3 billion recorded for the comparable period in 1998. Decreases in net sales in the Space Systems and Aeronautical Systems segments more than offset increases in the Systems Integration and Technology Services segments. Consolidated net sales for the nine months ended September 30, 1999 were \$18.5 billion, a three percent decrease from the \$19.1 billion reported for the same period in 1998. A decrease in net sales in the Space Systems segment more than

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offset increases in the remaining significant business segments. The Corporation's operating profit (earnings before interest and taxes) for the third quarter of 1999 was \$558 million versus \$730 million for the comparable 1998 period. This variance resulted from decreases in operating profit in the Space Systems and Aeronautical Systems segments. The Corporation's operating profit for the nine months ended September 30, 1999 was \$1.3 billion, a 36 percent decrease from the \$2.1 billion reported for the comparable 1998 period. As discussed more fully below, during the second quarter of 1999, the Corporation recorded negative adjustments resulting from changes in estimates on the C-130J and Titan IV programs.

The Corporation recorded net earnings for the third quarter of 1999 of \$217 million, or \$.57 per diluted share, as compared to reported third quarter 1998 net earnings of \$318 million, or \$.83 per diluted share. The Corporation's net earnings for the nine months ended September 30, 1999 were \$89 million, or \$.23 per diluted share, as compared to reported net earnings of \$876 million, or \$2.30 per diluted share, for the nine months ended September 30, 1998. Third quarter 1999 net earnings included a pretax gain of \$34 million associated with the sale of the Corporation's interest in Airport Group International as well as a \$24 million pretax gain associated with the sale of certain surplus real estate. The combination of these two items contributed \$35 million to net earnings, or \$.09 per diluted share. No gains or losses related to transactions of a similar nature were included in the comparable 1998 period. In addition to the third quarter 1999 items noted above, pretax earnings for the first nine months of 1999 further included a \$20 million write-down of the Corporation's investment in Iridium LLC and a pretax gain of \$114 million resulting from the sale of 4.5 million shares of stock in L-3 Communications Holdings, Inc. (L-3) in a secondary offering of L-3's common stock. The combination of these four items increased net earnings for the first nine months of 1999 by \$97 million, or \$.25 per diluted share. Also, the Corporation adopted Statement of Position No. 98-5, "Reporting on the Costs of Start-Up Activities," effective January 1, 1999, which resulted in the recognition of a cumulative effect adjustment which reduced net earnings for the nine months ended September 30, 1999 by \$355 million, or \$.93 per diluted share. Pretax earnings for the first nine months of 1998 included a gain of \$18 million related to an initial public offering of L-3's common stock in May 1998. This item contributed \$12 million to net earnings, or \$.03 per diluted share.

The Corporation's backlog of undelivered orders was approximately \$44.2 billion at September 30, 1999, versus \$45.3 billion reported at December 31, 1998. The Corporation received orders for approximately \$17.4 billion in new and follow-on business during the first nine months of 1999 which were more than offset by sales recorded during the period. Significant new orders received during 1999 principally related to various aircraft modification and maintenance, postal systems, technology services and surface ship systems activities.

On September 27, 1999, the Corporation announced the results of the strategic and organizational review that began in June 1999. As a result of this review, the Corporation has implemented a new organizational structure, effective October 1, 1999, that realigns its core lines of business into four principal business segments. The following discussion of the results of operations of the Corporation's business segments reflects the new organizational structure based on information contained in "Note 6 -- Information on Business Segments" of the Notes to Unaudited Condensed Consolidated Financial Statements included in this Form 10-Q, including the financial data in the tables under the headings "Net sales" and "Operating profit (loss)".

The Space Systems and Aeronautical Systems segments generally include programs that are substantially larger in terms of sales and operating results than those included in the other

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segments. Accordingly, due to the significant number of smaller programs in the Systems Integration and Technology Services segments, the impacts of performance by individual programs typically are not as material to these segments' results of operations.

Net sales of the Systems Integration segment for the quarter and nine months ended September 30, 1999 increased by eight percent and four percent, respectively, from the comparable 1998 periods. During the third quarter of 1999, the segment experienced sales volume increases of approximately \$55 million from missiles and fire control activities, \$45 million from tactical training systems, nearly \$40 million from surface ship systems and \$30 million from increased electronics systems activities in the United Kingdom. For the first nine months of 1999 as compared to 1998, the increase in net sales was attributable to nearly \$100 million from surface ship systems, \$90 million from postal program activities and \$90 million from the segment's United Kingdom electronics systems activities. These year-to-date increases were partially offset by reduced volume on a number of the segment's maturing production programs. Operating profit for the quarter ended September 30, 1999 increased by eight percent from the amount reported for the comparable 1998 period as a result of the sales increases in missile and fire control activities and from United Kingdom electronics systems activities discussed above. In addition, during the third quarter of 1999, the U.S. Government announced its decision to advance the Theater High Altitude Area Defense (THAAD) missile program to the engineering and manufacturing development phase as a result of a second consecutive successful intercept. Consequently, the Corporation reversed a \$20 million provision set aside in the first quarter of 1999 for potential failures on future flight tests. This offset the effect of the absence in the third quarter of 1999 of a favorable arbitration settlement the segment experienced during the third quarter of 1998. The increase in third quarter 1999 operating profit over the comparable period of 1998 reduced the decrease in operating profit for the nine months ended September 30, 1999 to two percent as compared to the nine months ended September 30, 1998.

Net sales of the Space Systems segment decreased by 13 percent and 19 percent for the quarter and nine months ended September 30, 1999, respectively, as compared to the same 1998 periods. A majority of the third quarter 1999 decrease resulted from volume decreases in classified activities. The segment also experienced a reduction of approximately \$40 million in commercial and civil satellite activities and volume decreases in military satellite programs of approximately \$25 million. These decreases were somewhat offset by the successful launch of an Atlas launch vehicle during the third quarter of 1999. Nearly half of the year-to-date decrease in net sales resulted from volume decreases in classified activities. The segment was also negatively impacted by reductions in commercial and civil satellite activities of approximately \$175 million and by reduced volume of military satellite programs of approximately \$100 million. The segment completed one less Atlas launch in 1999 as compared to 1998. In addition, during the second quarter of 1999, the segment recorded negative adjustments related to the Titan IV program which included the effects of changes in estimates for award and incentive fees resulting from the Titan IV launch failure on April 30, 1999, as well as a more conservative assessment of future program performance. These adjustments reduced net sales by approximately \$90 million. These decreases were somewhat offset by a \$130 million increase in sales resulting from a greater number of Proton launches in 1999 versus the comparable 1998 period. Operating profit decreased by 61 percent and 64 percent for the quarter and nine months ended September 30, 1999, respectively, as compared to the same 1998 periods. Third quarter 1999 operating profit as compared to the same 1998 quarter decreased by \$20 million related to commercial satellite performance. Also, during the third quarter of 1999, the segment experienced a launch vehicle contract cancellation, resulting in a charge of approximately \$30 million. In addition, operating profit for the third quarter was adversely affected by the decline in classified sales volume discussed above and the expensing of start-up costs relating to launch vehicle investments. These decreases were

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partially offset by a \$24 million gain resulting from the sale of certain surplus property and the restoration in the third quarter of approximately \$20 million of losses previously recorded on a military satellite contract. Operating profit was also favorably impacted by the third quarter Atlas launch mentioned previously. During the third quarter of 1998, the segment recorded an adjustment of \$120 million, net of state income taxes, which resulted from a significant improvement in the Atlas II launch vehicle program related to the retirement of program and technical risk based upon an evaluation of the program's historical performance. The year-to-date decrease resulted from the impact of the Titan IV adjustments of \$90 million and the third quarter 1998 favorable Atlas adjustment of \$120 million discussed above. In addition, operating profit was adversely impacted by approximately \$30 million related to the cancellation of the launch vehicle contract discussed above, a decrease of approximately \$30 million from reduced fleet ballistic missile activities, and a \$20 million write-down of the Corporation's investment in Iridium LLC. Volume decreases in classified activities and the expensing of start-up costs associated with launch vehicle investments accounted for more than half of the remaining variance.

Net sales of the Aeronautical Systems segment for the quarter ended September 30, 1999 decreased by 19 percent as compared to the same 1998 period. Net sales for the nine months ended September 30, 1999 were consistent with the reported 1998 amount. The quarter-to-quarter decrease reflects a \$240 million decrease in overall sales relating to the F-16 product area and a \$50 million decrease in overall net sales associated with the C-130J transport aircraft. For the nine-month period in 1999 compared to the same 1998 period, sales increases from the C-130J program of nearly \$550 million offset decreases in the F-16 product area. Operating profit decreased by 36 percent and 68 percent in the third quarter and nine months ended September 30, 1999, respectively, as compared to the same periods in 1998. A majority of the quarter-to-quarter decrease in operating profit is consistent with the decrease in net sales discussed above, with the remainder resulting from reduced C-130J margins as compared to the prior year. The year-to-date decrease principally reflects negative adjustments recorded during the second quarter of 1999 that resulted from changes in estimates in the C-130J program due to cost growth and a reduction in production rates, based on a current evaluation of the program's performance. These adjustments reduced operating profit by \$210 million. The remaining decrease resulted from reduced F-16 sales volume.

Net sales of the Technology Services segment for the quarter and nine months ended September 30, 1999 increased by 25 percent and 11 percent, respectively, from the comparable 1998 periods. The increases for both the quarter and nine-month periods related principally to recorded net sales of approximately \$85 million and \$190 million, respectively, related to the operations under the Consolidated Space Operations Contract, which was awarded in September 1998. Operating profit for the quarter and nine months ended September 30, 1999 decreased by \$10 million and \$5 million, respectively, from the comparable 1998 periods. The third quarter 1999 decrease resulted from the timing of award fees on certain energy related contracts as well as from the absence of earnings from a contract to manage two uranium enrichment facilities which expired during the second quarter of 1999. The year-to-date decrease principally resulted from the timing of award fees discussed earlier, offset by improved performance in the segment's aircraft maintenance and modification lines of business.

Net sales of the Corporate and Other segment for the quarter and nine months ended September 30, 1999 were consistent with the comparable 1998 amounts. Increases in sales volume of approximately \$30 million for the third quarter and \$85 million for the year-to-date period resulting from information technology programs and state and municipal services contracts were offset by the absence in 1999 of sales recorded by the segment's CalComp subsidiary in the

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third quarter and nine-month period of 1998 of \$35 million and \$115 million, respectively. CalComp has not operated during 1999, consistent with the Corporation's actions in the fourth quarter of 1998 surrounding the decision to fund a timely non-bankruptcy shutdown of CalComp's business. The segment's operating profit for the quarter ended September 30, 1999 included a \$34 million pretax gain resulting from the sale of the Corporation's investment in Airport Group International, which develops and operates airport terminals. This gain, combined with the absence in 1999 of losses from the segment's commercial products businesses during 1998, more than offset operating losses of \$27 million incurred by Global Telecommunications during the third quarter of 1999. Operating profit for the nine months ended September 30, 1999 increased significantly compared to the same period in 1998. Included in operating profit for the nine-month period of 1999 was a \$114 million pretax gain from the sale of L-3 common stock discussed above. The segment's \$34 million gain on the sale of the investment in Airport Group International and the absence in 1999 of losses incurred by the CalComp subsidiary in 1998 were offset by operating losses of \$74 million incurred by Global Telecommunications. As discussed in "Note 7 -- Other" of the Notes to Unaudited Condensed Consolidated Financial Statements, CalComp is continuing its timely non-bankruptcy shutdown and management expects that the shutdown process, other than the resolution of matters in dispute or litigation, will be substantially completed by the end of 1999. In addition, the segment incurred increased costs related to start-up activities on certain municipal services contracts and a write-off of inventory related to a terminated information technology outsourcing program.

LIQUIDITY AND CAPITAL RESOURCES

The decrease in cash provided by operating activities between the first nine months of 1999 and the same period in 1998 is consistent with the corresponding decrease in earnings before cumulative effect of change in accounting principle for the same periods. Net cash used for investing activities during the first nine months of 1999 was \$1.6 billion, compared to \$350 million used during the first nine months of 1998. The 1999 amount includes the payment of approximately \$1.2 billion for the acquisition of 49 percent of COMSAT discussed above, offset by the receipt of \$182 million of proceeds from the sale of L-3 common stock. Net cash provided by financing activities was \$897 million during the first nine months of 1999 versus \$174 million used for financing activities in the comparable 1998 period. The variance between periods was primarily due to a \$1.1 billion increase in the Corporation's total debt during the first nine months of 1999 to initially finance the consummation of the COMSAT Tender Offer.

Commercial paper borrowings of approximately \$3.2 billion were outstanding at September 30, 1999. Of this amount, \$2.0 billion has been classified as long-term debt in the Corporation's Unaudited Condensed Consolidated Balance Sheet based on management's ability and intention to maintain this level of debt outstanding for at least one year. Commercial paper borrowings are supported by a short-term revolving credit facility in the amount of \$1.0 billion which expires on May 28, 2000, and a long-term revolving credit facility in the amount of \$3.5 billion which expires on December 20, 2001. On November 3 and November 9, 1999, the Corporation borrowed \$1.0 billion under the short-term revolving credit facility and \$385 million under the long-term revolving credit facility, respectively. The Corporation will borrow an additional \$1.0 billion under its long-term revolving credit facility on November 15, 1999, and may borrow additional amounts after that date. The proceeds from the above borrowings have been or will be used to repay maturing commercial paper.

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Total debt, including short-term borrowings, amounted to approximately 66 percent of total capitalization at September 30, 1999, a slight increase from 64 percent reported at December 31, 1998. During the first nine months of 1999, total stockholders' equity decreased by \$11 million due to the payment of \$258 million in dividends, offset principally by reported year-to-date net earnings of \$89 million and employee stock option and ESOP activity of \$140 million.

The Corporation ultimately expects to finance a portion of the COMSAT Tender Offer through its disposition of various investment holdings; however, the Tender Offer was initially financed through the issuance of debt obligations, as market conditions and limitations on the Corporation's ability to dispose of such investments did not allow disposition prior to completion of the Tender Offer.

In January 1999, the Corporation filed a shelf registration with the Securities and Exchange Commission to provide for the issuance of up to \$2.5 billion in debt securities. The registration statement was declared effective in the first quarter of 1999. On November 5, 1999, the Corporation announced its intention to issue approximately \$2.0 billion of intermediate and long-term debt securities under this shelf registration. The proceeds from the offering will be used for general corporate purposes, including the repayment of commercial paper. On November 10, 1999, the Corporation entered into agreements with third parties to hedge against interest rate fluctuations relating to a portion of this proposed debt offering, and expects to close such agreements on the date on which the interest rates and other terms related to the debt securities are set.

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

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

YEAR 2000 ISSUES

Like most companies, Lockheed Martin is affected by Year 2000 issues. Accordingly, all of the Corporation's business units are actively involved in its Year 2000 Compliance Program (the Program). The Program has been designed to minimize risk to the Corporation's business units and its customers using a standard six-phase industry approach. The six phases include: Awareness, Assessment, Renovation, Validation, Implementation and Post-Implementation. In the Awareness phase, the problem is defined, risks and magnitude of repairs are communicated, and executive level support and sponsorship is obtained. During the Assessment phase, an inventory of assets that could be impacted by Year 2000 compliance issues is prepared which includes internal information technology (IT) systems (e.g. hardware, program applications, data

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centers), external IT systems (e.g. customer products and deliverables, interfaces with third parties) and non-IT systems (e.g. facilities, non-IT equipment).

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

The Program was designed to achieve the Corporation's overall goal of Year 2000 readiness in advance of the century change. The Corporation views Year 2000 awareness as a continuous phase of the Program that has resulted in distribution of news letters, development of internal and external web sites and an internal Year 2000 Awareness Week. During 1998, the Assessment phase was completed. As of September 30, 1999, the Renovation, Validation and Implementation phases were completed with few exceptions that include planned new and contingency implementations. The remainder of 1999 will be used to address late availability of vendor or government furnished equipment, monitor the status of Year 2000 compliance of vendors and customers (related to both products and readiness), and complete planned replacement of systems and business continuity plans.

Business continuity planning is required to ensure a smooth transition into the Year 2000. The purpose is to identify and mitigate risks that may disrupt the Corporation's operations or its ability to meet commitments. Business continuity teams have been identified, and command centers, call-out procedures and emergency procedures are being established. Each business unit has identified and is focusing business continuity planning on its critical first quarter Year 2000 operations. Lockheed Martin has developed guidelines for when contingency plans are required and a standard template for use in documenting such plans. For example, contingency plans have been developed for any work that is scheduled to be completed after June 1999, and for new system implementations where schedule or technical issues are assessed to be significantly at risk, in which case renovation of legacy systems has been or will be performed. Lockheed Martin has established a moratorium period regarding any changes to its systems and environments from November 30, 1999 through January 15, 2000, the purpose of which is to manage these compliant systems and environments and to mitigate risk associated with major changes or implementations prior to the Year 2000. Additionally, while management believes that most of the Corporation's non-IT systems will function without substantial compliance problems, preparation for events that are generally outside the direct control of the Corporation (e.g. loss of power or telecommunications capabilities) have been included as part of business continuity planning. The Corporation's plans include coordination with existing emergency or crisis management teams within our facilities to ensure that appropriate scenarios are utilized in training and drills during 1999.

Management currently estimates that total costs of the Program will be less than \$80 million, approximately \$70 million of which had been expended through September 30, 1999. These costs have not been material to the Corporation's consolidated results of operations, cash flows or

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financial position for any prior period and, based on information available at this time, are not expected to be material in any future period. The remaining costs are expected to be directed primarily toward business continuity planning activities. These estimates include internal costs as well as costs for outside consulting services, but do not include estimated costs for system replacements which were not accelerated due to Year 2000 issues. No significant IT projects have been deferred due to Year 2000 efforts. The costs incurred for the Program are allowable in establishing prices for the Corporation's products and services under contracts with the U.S. Government. Therefore, a substantial portion of these costs are being reflected in the Corporation's sales and cost of sales.

The costs to implement and the time frame contemplated by the Program are based on management's estimates, which were derived utilizing numerous assumptions related to future events, including each vendor's ability to modify proprietary software, the ability of other third parties (including domestic and foreign customers and suppliers) to successfully address their Year 2000 issues, unanticipated issues identified in executing the Program, and other similar uncertainties. While the Corporation expects to resolve all Year 2000 risks without a material adverse impact to its consolidated results of operations, cash flows or financial position, there can be no guarantee that the objectives of the Program will be achieved. To mitigate this risk, the Corporation has formal measurement and reporting processes in place. For example, internal auditors meet weekly with Program personnel to review the current status of the Program and related issues, and Program reviews are conducted monthly with each of the Corporation's segments and quarterly at the business unit level. In addition, updates are presented periodically to executive management, the Board of Directors and the Audit and Ethics Committee. The Corporation has obtained additional assurance through the use of internal independent test environments, third party verification of randomly selected renovated and validated applications, and internal audits designed to ensure Year 2000 readiness. Program assessments have been conducted by customers and the Defense Contract Audit Agency throughout the Program. With respect to third parties, the Corporation is aware that a number of its domestic and foreign suppliers and customers have just recently begun to aggressively address their Year 2000 issues and, therefore, believes there is risk associated with their achieving timely Year 2000 compliance. To mitigate this risk, formal communication with all of the Corporation's key suppliers and customers (including banks and U.S. Government customers) has been initiated as part of the Program. In response to this communication, the Corporation has received differing levels of information from these third parties to assist in the assessment of their Year 2000 readiness; however, in most cases, the Corporation is unable to verify the accuracy of their responses. Based on information available at this time, management believes that Program activities to date are consistent with the Program's design.

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

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that activities of the Program designed to mitigate these types of issues are consistent with the Program's design.

OTHER MATTERS

As more fully described in Note 5 of the Notes to Unaudited Condensed Consolidated Financial Statements, the Corporation is continuing to pursue recovery of a significant portion of the unanticipated costs incurred in connection with the \$180 million fixed price contract with the U.S. Department of Energy (DOE) for the remediation of waste found in Pit 9. The Corporation has been unsuccessful to date in reaching any agreements with the DOE on cost recovery or other contract restructuring matters. In 1998, the management contractor for the project, a wholly-owned subsidiary of the Corporation, at the DOE's direction, terminated the Pit 9 contract for default. At the same time, the Corporation filed a lawsuit seeking to overturn the default termination. Subsequently, the Corporation took actions to raise the status of its request for equitable adjustment to a formal claim. Also in 1998, the management contractor, again at the DOE's direction, filed suit against the Corporation seeking recovery of approximately \$54 million previously paid to the Corporation under the Pit 9 contract. In January 1999, the U.S. District Court in Idaho granted the Corporation's motion and stayed the Idaho proceeding until resolution of the motion to dismiss the lawsuit in the U.S. Court of Federal Claims, or until August 2, 1999. A status conference was held in the U.S. District Court in Idaho on August 2, 1999, following which the Court ordered discovery to commence. In the U.S. Court of Federal Claims, on October 1, 1999, the Court stayed the DOE's Motion to Dismiss the Corporation's lawsuit, finding that the Court has jurisdiction. Also, the U.S. Court of Federal Claims ordered discovery to commence and gave leave to the DOE to convert its motion to dismiss to a motion for summary judgment if supported by discovery. The Corporation continues to assert its position in the litigation while continuing its efforts to resolve the dispute through non-litigation means.

As more fully described in Management's Discussion and Analysis in Lockheed Martin's 1998 Annual Report on Form 10-K (Form 10-K), the Corporation is involved in two joint ventures with Russian government-owned space firms. The operations of these joint ventures include marketing Proton launch services, which are subject to a U.S. Government-imposed quota on the number of Russian launches of satellites into certain orbits. The majority of customer advances received for Proton launch vehicle services is forwarded to Khrunichev State Research and Production Space Center, a launch vehicle manufacturer in Russia. Significant portions of these advances would be required to be refunded to customers if launch services were not provided within the contracted time frame. Through September 30, 1999, launch services provided through these joint ventures have been in accordance with contract terms.

At September 30, 1999, approximately \$685 million related to launches not yet provided was included in customer advances and amounts in excess of costs incurred (no portion of this amount is related to launches in excess of the quota), and approximately \$800 million of payments to the Russian manufacturer for launches not yet provided was included in inventories (approximately \$220 million of this amount is related to launches in excess of the quota). The amount above related to launches in excess of the quota was determined taking into account the quota increase from 16 to 20 launches approved by the U.S. Government in July 1999, and was determined without regard to the quota's current expiration date of December 31, 2000. Based on management's current estimates as to the number and timing of Proton launches during the remaining period of the quota, planned Proton launches that would be subject to the quota are not expected to exceed the quota's current limitations. There can be no assurance, however, that the

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

number, timing or types of anticipated launches will not change, or that the quota will not be renewed or its expiration date extended. Such changes could impair the Corporation's ability to achieve certain of its business objectives related to launch services, satellite manufacture and telecommunications market penetration. Management is continuing to work toward eliminating any U.S. Government limitation on the number of Russian launches.

Also as more fully described in Management's Discussion and Analysis in its Form 10-K, the Corporation is involved in agreements with RD AMROSS, a Russian manufacturer of booster engines, for the development and purchase, subject to certain conditions, of up to 101 RD-180 booster engines for use in two models of the Corporation's launch vehicles. Terms of the agreements call for payments to be made to RD AMROSS upon the achievement of certain milestones in the development and manufacturing processes. Included in inventories at September 30, 1999 and December 31, 1998 were payments made under these agreements of approximately \$55 million and \$100 million, respectively.

In July 1999, the House of Representatives approved a defense budget that omitted funding for initial production of the F-22 fighter aircraft. In October 1999, Congress approved a defense budget that restored funding for the development of the same number of F-22 aircraft as originally planned. Since the funding approved is for the development of the aircraft and not for initial production, Congress will still need to determine whether to approve funding for initial production at a future date.

FORWARD LOOKING STATEMENTS

This Form 10-Q contains statements which, to the extent that they are not recitations of historical fact, constitute "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). The words "estimate," "anticipate," "project," "intend," "expect," and similar expressions are intended to identify forward looking statements. All forward looking statements involve risks and uncertainties, including, without limitation, statements and assumptions with respect to future revenues, program performance and cash flows, the outcome of contingencies including litigation and environmental remediation, and anticipated costs of capital investments and planned dispositions. The Corporation is necessarily subject to various risks and uncertainties and, therefore, actual outcomes are dependent upon many factors, including, without limitation, our successful performance of internal plans; the outcome of legislation to permit completion of the COMSAT transaction; the successful resolution of our Year 2000 issues; government customers' budgetary constraints; customer changes in short-range and long-range plans; domestic and international competition in the defense, space and commercial areas; product performance; continued development and acceptance of new products; timing of product delivery and launches, including timing issues resulting from Proton launches being placed on hold pending completion of reviews related to recent launch failures; performance issues with key suppliers and subcontractors; government import and export policies; termination of government contracts; the outcome of political and legal processes, including uncertainty regarding the full funding of the F-22 program; the outcome of contingencies including completion of acquisitions and divestitures, litigation and environmental remediation; legal, financial, and governmental risks related to international transactions and global needs for military and commercial aircraft and electronic systems and support; as well as other economic, political and technological risks and uncertainties. Readers are cautioned not to place undue reliance on these forward looking statements which speak only as of the date of this Form 10-Q. The Corporation does not undertake any obligation to publicly

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

release any revisions to these forward looking statements to reflect events, circumstances or changes in expectations after the date of this Form 10-Q, or to reflect the occurrence of unanticipated events. The forward looking statements in this document are intended to be subject to the safe harbor protection provided by Sections 27A of the Securities Act and 21E of the Exchange Act.

For a discussion identifying some important factors that could cause actual results to vary materially from those anticipated in the forward looking statements, see the Corporation's Securities and Exchange Commission filings including, but not limited to, the discussion of "Competition and Risk" and the discussion of "Government Contracts and Regulations" on pages 19 through 21 and pages 21 through 23, respectively, of the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1998 (Form 10-K); "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 15 through 25 of the 1998 Annual Report, and "Note 1 -- Summary of Significant Accounting Policies," "Note 2 -- Transaction Agreement with COMSAT Corporation" and "Note 16 -- Commitments and Contingencies" of the Notes to Consolidated Financial Statements on pages 32 through 34, page 34, and pages 42 through 43, respectively, of the Audited Consolidated Financial Statements included in the 1998 Annual Report and incorporated by reference into the Form 10-K; and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 16 through 27 of this Form 10-Q, and "Note 2 -- Transaction Agreement with COMSAT Corporation," "Note 5 - Contingencies," "Note 7 - Other," and "Note 8 - Subsequent Events" of the Notes to Unaudited Condensed Consolidated Financial Statements on pages 6 through 7, pages 9 through 11, pages 12 through 15, and page 15, respectively, of the Unaudited Condensed Consolidated Financial Statements included in this Form 10-Q.

Lockheed Martin Corporation
Part II - Other Information

Item 1. Legal Proceedings

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

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

The following describes developments of previously reported matters that have occurred since filing of the Corporation's 1998 Annual Report on Form 10-K and its first and second quarter 1999 Quarterly Reports on Form 10-Q. See the "Legal Proceedings" section of those Reports for a description of previously reported matters. There have not been any new matters in the third quarter of 1999.

In 1994, the Corporation was awarded a \$180 million fixed price contract by the U.S. Department of Energy (DOE) for the Phase II design, construction and limited test of remediation facilities, and the Phase III full remediation of waste found in Pit 9, located on the Idaho National Engineering and Environmental Laboratory reservation. The Corporation incurred significant unanticipated costs and scheduling issues due to complex technical and contractual matters which threatened the viability of the overall Pit 9 program. Based on an investigation by management to identify and quantify the overall effect of these matters, the Corporation submitted a request for equitable adjustment (REA) to the DOE on March 31, 1997 that sought, among other things, the recovery of a portion of unanticipated costs incurred by the Corporation and the restructuring of the contract to provide for a more equitable sharing of the risks associated with the Pit 9 project. The Corporation has been unsuccessful in reaching any agreements with the DOE on cost recovery or other contract restructuring matters. Starting in May 1997, the Corporation reduced work activities at the Pit 9 site while awaiting technical direction from the DOE.

On June 1, 1998, the DOE, through Lockheed Martin Idaho Technologies Company (LMITCO), its management contractor, terminated the Pit 9 contract for default. On that same date, the Corporation filed a lawsuit against the DOE in the U.S. Court of Federal Claims in Washington, D.C., challenging and seeking to overturn the default termination. In addition, on July 21, 1998, the Corporation withdrew the REA previously submitted to the DOE and replaced it with a certified REA. The certified REA is similar in substance to the REA previously submitted, but its certification, based upon more detailed factual and contractual analysis, raises

Lockheed Martin Corporation
Part II - Other Information (continued)

its status to that of a formal claim. On August 11, 1998, LMITCO, at the DOE's direction, filed suit against the Corporation in U.S. District Court in Boise, Idaho, seeking, among other things, recovery of approximately \$54 million previously paid by LMITCO to the Corporation under the Pit 9 contract. The Corporation intends to resist this action while continuing to pursue its certified REA. On January 26, 1999, the U.S. District Court in Idaho granted the Corporation's motion and stayed the Idaho proceeding until resolution of the motion to dismiss the lawsuit in the U.S. Court of Federal Claims, or until August 2, 1999. A status conference was held in the U.S. District Court in Idaho on August 2, 1999, following which the Court ordered discovery to commence. In the U.S. Court of Federal Claims, on October 1, 1999, the Court stayed the DOE's Motion to Dismiss the Corporation's lawsuit, finding that the Court has jurisdiction. Also, the U.S. Court of Federal Claims ordered discovery to commence and gave leave to the DOE to convert its motion to dismiss to a motion for summary judgment if supported by discovery. The Corporation continues to assert its position in the litigation while continuing its efforts to resolve the dispute through non-litigation means.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

1. Exhibit 3. Bylaws of Lockheed Martin Corporation, as amended.

In October 1999, the Board of Directors amended several provisions of the Corporation's Bylaws. Among other amendments, the Board revised the Bylaws relating to advance notice requirements for stockholders desiring to bring nominations or other business before a stockholders' meeting. This does not impact the process or timing for stockholder proposals submitted for inclusion in the Corporation's proxy statement under Rule 14a-8 of the Securities Exchange Act of 1934. The Bylaws, as amended, require that stockholders must deliver written notice of nominations or new business proposals to the Secretary of the Corporation at its principal executive office, 6801 Rockledge Drive, Bethesda, Maryland 20817, not less than 90 days nor more than 120 days prior to the anniversary date of the mailing of the notice of the preceding year's annual meeting. The former requirement was not less than 90 days nor more than 120 days prior to the anniversary date of the preceding year's annual meeting. Since the notice of the 1999 Annual Meeting of Stockholders of the Corporation was mailed on March 19, 1999, to be properly brought before the 2000 Meeting, written notice of nominations or other business to be introduced by a stockholder of the Corporation must be received by the Corporate Secretary between the dates of November 24, 1999 and December 24, 1999, inclusive.

In addition, the Bylaws were amended to state, consistent with the Corporation's Charter, that the minimum number of directors would not be less than twelve, and to provide that the Corporation has opted out of the Maryland Control Share Acquisition Act.

2. Exhibit 12. Lockheed Martin Corporation Computation of Ratio of Earnings to Fixed Charges for the nine months ended September 30, 1999.

3. Exhibit 27. Financial Data Schedule for the nine months ended September 30, 1999.

(b) Reports on Form 8-K filed in the third quarter of 1999.

1. Current report on Form 8-K filed on July 22, 1999.

Lockheed Martin Corporation
Part II - Other Information (continued)

Item 5. Other Events

The Corporation filed information contained in its press release dated July 20, 1999 concerning its results of operations for the quarter ended June 30, 1999.

Item 7. Financial Statements and Exhibits

Lockheed Martin Corporation Press Release dated July 20, 1999.

2. Current report on Form 8-K filed on September 7, 1999.

Item 5. Other Events

The Corporation filed information regarding the status of compliance with a request for additional information issued by the Antitrust Division of the Department of Justice in the Hart-Scott Rodino Act antitrust review process as to the Corporation's simultaneous ownership of shares of Loral Space & Communications Ltd. and shares of COMSAT Corporation (COMSAT) following consummation of the tender offer for COMSAT shares.

3. Current report on Form 8-K filed on September 16, 1999.

Item 5. Other Events

The Corporation filed information contained in its press release dated September 15, 1999 which reported on the status of its pending tender offer and merger related to COMSAT, particularly one of the conditions to the tender offer regarding the Federal Communications Commission.

Item 7. Financial Statements and Exhibits

Lockheed Martin Corporation Press Release dated September 15, 1999.

4. Current report on Form 8-K filed on September 16, 1999.

Item 5. Other Events

The Corporation filed information contained in its press release dated September 16, 1999 which reported on the status of its pending tender offer and merger related to COMSAT, particularly one of the conditions to the tender offer regarding the Department of Justice.

Item 7. Financial Statements and Exhibits

Lockheed Martin Corporation Press Release dated September 16, 1999.

5. Current report on Form 8-K filed on September 20, 1999.

Item 5. Other Events

Lockheed Martin Corporation
Part II - Other Information (continued)

The Corporation filed information contained in its press release dated September 18, 1999 which reported on the completion of the Corporation's tender offer for up to 49% of COMSAT.

Item 7. Financial Statements and Exhibits

Lockheed Martin Corporation Press Release dated September 18, 1999.

(c) Reports on Form 8-K filed subsequent to the third quarter of 1999.

1. Current report on Form 8-K filed on October 4, 1999.

Item 5. Other Events

The Corporation filed information contained in its September 27, 1999 announcement of the results of the strategic and organizational review that began June 9, 1999. As a result of this review, the Corporation announced plans to realign its businesses, flatten its management structure, reduce corporate staff, evaluate the divestiture of non-core operations, and enhance financial management processes. The new organizational structure took effect October 1, 1999.

2. Current report on Form 8-K filed on October 27, 1999.

Item 5. Other Events

The Corporation filed information in relation to its September 27, 1999 announcement of the results of the strategic and organizational review that began June 9, 1999. As a result of this review, the Corporation implemented a new organizational structure, effective October 1, 1999, that realigns its core lines of business into four principal business segments. The information filed includes a brief description of the activities of each business segment and unaudited selected financial data by business segment for certain periods which reflect the organizational realignment.

3. Current report on Form 8-K filed on October 29, 1999 (as amended by a Form 8-K/A filed on November 2, 1999).

Item 5. Other Events

The Corporation filed information contained in three press releases, each dated October 29, 1999. The Corporation filed information contained in its first press release concerning its results of operations for the quarter ended September 30, 1999 and financial outlook for the year 2000. The Corporation also filed information contained in its second press release which announced the retirement of Peter B. Teets, the Corporation's President and COO, from the Corporation and his position on the Board of Directors. Effective immediately, Chairman and CEO Vance Coffman will also assume COO duties. The Corporation also filed information contained in its third press release which announced the retirement of James A. "Micky" Blackwell, the Executive Vice President of the

Lockheed Martin Corporation
Part II - Other Information (continued)

Corporation's Aeronautical Systems business area. Dain M. Hancock was announced as his successor.

Item 7. Financial Statements and Exhibits

Three Lockheed Martin Corporation Press Releases, each dated October 29, 1999.

LOCKHEED MARTIN CORPORATION

SIGNATURES

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

LOCKHEED MARTIN CORPORATION

(Registrant)

Date: November 12, 1999

by: /s/Todd J. Kallman

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

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)
(Amended June 26, 1998)
(Amended July 23, 1998)
(Amended April 22, 1999)
(Amended October 28, 1999)

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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 ninety (90) days nor more than one-hundred twenty (120) days prior to the first anniversary of the date of mailing of the notice for the preceding year's annual meeting; provided, however, that in the event that the date of mailing of the notice for the annual meeting is advanced or delayed by more than thirty (30) days from the anniversary date of mailing of the notice for the preceding year's annual meeting, notice by the stockholder to be timely must be so delivered not earlier than the one-hundred twentieth (120th) day prior to the date of mailing of the notice for such annual meeting and not later than the close of business on the later of the ninetieth (90th) day prior to the date of mailing of the notice for such annual meeting or the tenth (10th) day following the day on which public announcement of the date of mailing of the notice for such meeting is first made. Such stockholder's notice shall set forth (i) as to each person whom the stockholder proposes to nominate for election or reelection as a director, (A) the name, age, business address and residence address of such person, (B) the class and number of shares of capital stock of the Corporation that are beneficially owned by such person, and (C) all other information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A (or any successor provision) under the Securities Exchange Act of 1934, as amended (the

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

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

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

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

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

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

procedures set forth in this Section 1.11 and Article II, Section 2.04 shall be eligible to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 1.11. The chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in

accordance with the procedures set forth in this Section 1.11 and, if any proposed nomination or business is not in compliance with this Section 1.11, to declare that such defective nomination or proposal be disregarded.

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

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

ARTICLE II

BOARD OF DIRECTORS

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

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

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

Section 2.04. CHAIRMAN OF THE BOARD. The Board of Directors shall designate from its membership a Chairman of the Board, who shall preside at all meetings of the stockholders and of the Board of Directors. He may sign with the Secretary or an Assistant Secretary certificates

of stock of the Corporation, and he shall perform such other duties as may be prescribed by the Board of Directors.

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

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

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

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

Section 2.09. NOTICE OF MEETINGS. Notice of the place, day, and hour of every regular and special meeting of the Board of Directors shall be given to each director twenty-four (24) hours (or more) before the meeting, by telephoning the notice to such director, or by delivering the notice to him or her personally, or by sending the notice to him or her by telegraph, or by facsimile, or by leaving the notice at his or her residence or usual place of business, or, in the alternative, by mailing such notice three (3) days (or more) before the meeting, postage prepaid, and addressed to him or her at his or her last known post office address, according to the records of the Corporation. If mailed, such notice shall be deemed to be given when deposited in the United States mail, properly addressed, with postage thereon prepaid. If notice be given by telegram or by facsimile, such notice shall be deemed to be given when the telegram is delivered to the telegraph company or when the facsimile is transmitted. If the notice be given by telephone or by personal delivery, such notice shall be deemed to be given at the time of the communication or delivery. Unless required by these Bylaws or by resolution of the Board of Directors, no notice of any meeting of the Board of Directors need state the business to be transacted thereat. No notice of any meeting of the Board of Directors need be given to any director who attends or to any director who, in a writing executed and filed with the records of the meeting either before or after the holding

thereof, waives such notice. Any meeting of the Board of Directors, regular or special, may adjourn from time to time to reconvene at the same or some other place, and no further notice need be given of any such adjourned meeting.

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

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

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

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

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

ARTICLE III

COMMITTEES

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

Section 3.02. 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). MANAGEMENT DEVELOPMENT AND COMPENSATION COMMITTEE. The Board of Directors by resolution adopted by a majority of the Board of Directors may provide for a Management Development and Compensation Committee of three (3) or more directors who are not officers or employees of the Corporation. If provision is made for a Management Development and Compensation Committee, the members of the Management and Development Compensation Committee shall be elected by the Board of Directors to serve at the pleasure of the Board of Directors. The Board of Directors shall designate from among the membership of the Management Development and Compensation Committee a chairman. The Management Development and Compensation Committee shall consider proposed candidates for senior officer positions and their development plans and recommend to the Board of Directors the compensation to be paid for services of senior elected officers of the Corporation as established by resolution of the Board of Directors from time to time. The Management Development and Compensation Committee shall appraise the performance of management and have the power to fix the compensation of all other elected officers and to approve the benefits provided by any bonus,

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

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

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

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

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

ARTICLE IV

OFFICERS

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

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

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

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

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

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

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

Section 4.08. OTHER OFFICERS AND AGENTS. 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 agents of the Corporation; but the Board of Directors or such officer or officers, in their discretion, may refuse to issue such new certificate save upon the order of some court having jurisdiction in the premises.

ARTICLE VI

INDEMNIFICATION

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

with an action, suit or proceeding initiated by such person unless the action, suit or proceeding was authorized by the Board of Directors of the Corporation.

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

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

(1) Was committed in bad faith; or

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

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

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

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

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

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

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

ARTICLE VII

SUNDRY PROVISIONS

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

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

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

Lockheed Martin Corporation
 Computation of Ratio of Earnings to Fixed Charges
 For the Nine Months Ended September 30, 1999
 (In millions, except ratio)

Earnings	
Earnings from continuing operations before income taxes	\$ 725
Interest expense	583
Amortization of debt premium and discount, net	(4)
Portion of rents representative of an interest factor	55
Losses and undistributed earnings of 50% and less than 50% owned companies, net	26

Adjusted earnings from continuing operations before income taxes	\$1,385
	=====
Fixed Charges	
Interest expense	\$ 583
Amortization of debt premium and discount, net	(4)
Portion of rents representative of an interest factor	55
Capitalized interest	10

Total fixed charges	\$ 644
	=====
Ratio of Earnings to Fixed Charges	2.2
	=====

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

1,000,000

9-MOS

	DEC-31-1999	
	JAN-01-1999	
	SEP-30-1999	0
		0
		4,426
		0
		3,939
	10,129	
		8,833
	5,268	
	29,558	
9,734		
		10,463
0		
		0
		394
		5,732
29,558		
		18,548
	18,548	
		17,442
	17,442	
	202	
	0	
	583	
	725	
		281
444		
		0
		0
		(355)
		89
		.23
		.23