

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2002

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)

(301) 897-6000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES 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, 2002

Common stock, \$1 par value

456,079,806

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FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 2002

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- Exhibit 10.4 Lockheed Martin Corporation Directors Deferred Stock Plan, as amended effective October 24, 2002
- Exhibit 12 Computation of Ratio of Earnings to Fixed Charges
- Exhibit 99.1 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- Exhibit 99.2 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Part I. Financial Information

Item 1. Financial Statements

Lockheed Martin Corporation
Unaudited Condensed Consolidated Statement of Earnings

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
	-----	-----	-----	-----
	(In millions, except per share data)			
Net sales	\$ 6,542	\$ 6,221	\$ 18,798	\$ 16,656
Cost of sales	5,989	5,783	17,324	15,469
	-----	-----	-----	-----
Earnings from operations	553	438	1,474	1,187
Other income (expense), net	23	(380)	102	(311)
	-----	-----	-----	-----
Interest expense	576	58	1,576	876
	147	172	440	549
	-----	-----	-----	-----
Earnings (loss) from continuing operations before income taxes	429	(114)	1,136	327
Income tax expense (benefit)	129	(27)	261	138
	-----	-----	-----	-----
Earnings (loss) from continuing operations	300	(87)	875	189
(Loss) earnings from discontinued operations	(10)	300	(28)	273
	-----	-----	-----	-----
Net earnings	\$ 290	\$ 213	\$ 847	\$ 462
	=====	=====	=====	=====
Earnings (loss) per common share:				

Basic:				
Continuing operations	\$ 0.67	\$ (0.20)	\$ 1.97	\$ 0.45
Discontinued operations	(0.02)	0.70	(0.06)	0.64
	-----	-----	-----	-----
	\$ 0.65	\$ 0.50	\$ 1.91	\$ 1.09
	=====	=====	=====	=====
Diluted:				
Continuing operations	\$ 0.66	\$ (0.20)	\$ 1.94	\$ 0.44
Discontinued operations	(0.02)	0.70	(0.06)	0.63
	-----	-----	-----	-----
	\$ 0.64	\$ 0.50	\$ 1.88	\$ 1.07
	=====	=====	=====	=====
Cash dividends declared per common share	\$ 0.11	\$ 0.11	\$ 0.33	\$ 0.33
	=====	=====	=====	=====

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

Lockheed Martin Corporation
Unaudited Condensed Consolidated Statement of Cash Flows

	Nine Months Ended September 30,	
	2002	2001
	-----	-----
	(In millions)	
Operating Activities:		
Earnings from continuing operations	\$ 875	\$ 189
Adjustments to reconcile earnings from continuing operations to net cash provided by operating activities:		
(Loss) earnings from discontinued operations	(28)	273
Depreciation and amortization	403	600
Changes in operating assets and liabilities:		
Receivables	319	289
Inventories	756	446
Accounts payable	(312)	(216)
Customer advances and amounts in excess of costs incurred	138	681
Other	577	(68)
	-----	-----
Net cash provided by operating activities	2,728	2,194
	-----	-----
Investing Activities:		
Expenditures for property, plant and equipment	(396)	(312)
Acquisitions / investments in affiliated companies	(88)	(235)
Sale of Lockheed Martin IMS Corporation	--	825
Proceeds from other divestitures	84	50
Other	55	96
	-----	-----
Net cash (used for) provided by investing activities	(345)	424
	-----	-----
Financing Activities:		
Net decrease in short-term borrowings	--	(12)
Net repayments related to long-term debt	(87)	(2,289)
Issuances of common stock	431	123
Common stock dividends	(149)	(144)
	-----	-----
Net cash provided by (used for) financing activities	195	(2,322)
	-----	-----
Net increase in cash and cash equivalents	2,578	296
Cash and cash equivalents at beginning of period	912	1,505
	-----	-----
Cash and cash equivalents at end of period	\$ 3,490	\$ 1,801
	=====	=====

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

Lockheed Martin Corporation
Condensed Consolidated Balance Sheet

	(Unaudited) September 30, 2002	December 31, 2001
	-----	-----
	(In millions)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,490	\$ 912
Receivables	3,730	4,049
Inventories	2,254	3,140
Deferred income taxes	1,524	1,566
Assets of businesses held for sale	508	638
Other current assets	441	473
	-----	-----
Total current assets	11,947	10,778
	-----	-----
Property, plant and equipment	3,153	2,991
Investments in equity securities	1,751	1,884
Intangible assets related to contracts and programs acquired	846	939
Goodwill	7,371	7,371
Prepaid pension cost	2,230	2,081
Other assets	1,621	1,610
	-----	-----
	\$ 28,919	\$ 27,654
	=====	=====
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,107	\$ 1,419
Customer advances and amounts in excess of costs incurred	5,140	5,002
Salaries, benefits and payroll taxes	1,146	1,100
Income taxes	228	63
Current maturities of long-term debt	763	89
Liabilities of businesses held for sale	328	387
Other current liabilities	1,545	1,629
	-----	-----
Total current liabilities	10,257	9,689
	-----	-----
Long-term debt	6,693	7,422
Post-retirement benefit liabilities	1,572	1,565
Deferred income taxes	950	992
Other liabilities	1,747	1,543
Stockholders' equity:		
Common stock, \$1 par value per share	455	441
Additional paid-in capital	2,799	2,142
Retained earnings	4,659	3,961
Unearned ESOP shares	(58)	(84)
Accumulated other comprehensive loss	(155)	(17)
	-----	-----
Total stockholders' equity	7,700	6,443
	-----	-----
	\$ 28,919	\$ 27,654
	=====	=====

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

Lockheed Martin Corporation
Notes to Unaudited Condensed Consolidated Financial Statements
September 30, 2002

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Lockheed Martin Corporation (Lockheed Martin or the Corporation) has continued to follow the accounting policies (including its critical accounting policies) set forth in the consolidated financial statements included in its 2001 Annual Report on Form 10-K filed with the Securities and Exchange Commission, except for the adoption of Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets," effective January 1, 2002, as discussed in "Note 3 - Adoption of New Accounting Standard." 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 nine months ended September 30, 2002 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 2002 presentation.

NOTE 2 - EXIT FROM THE GLOBAL TELECOMMUNICATIONS SERVICES BUSINESS

In December 2001, the Corporation announced the exit from its global telecommunications services business. As a result of this action, the Global Telecommunications segment is no longer reported as a separate business segment.

The former Global Telecommunications segment businesses retained by the Corporation include the Systems & Technology line of business and the COMSAT General telecommunications business unit, which were realigned within the Space Systems segment, and Enterprise Solutions-U.S., which was realigned within the Technology Services segment. Telecommunications equity investments, including Intelsat, Ltd. (Intelsat), Inmarsat Ventures plc, New Skies Satellites, N.V. (New Skies), ACeS International, Ltd., Americom Asia-Pacific, LLC and other ventures, are now reported as part of the Corporate and Other segment.

The Corporation adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," effective January 1, 2001. Accordingly, the results of operations of the businesses held for sale as part of the exit from the telecommunications services business are reported as discontinued operations, net of income taxes, in the Corporation's consolidated statements of operations for all periods presented, and excluded from business segment information. Similarly, their assets and liabilities are separately identified in the consolidated balance sheet as being held for sale. The businesses held for sale at September 30, 2002 are recorded at estimated fair value less cost to sell. Any changes in the estimated fair value will be recorded in future periods as appropriate.

The following telecommunications businesses are classified as held for sale at September 30, 2002:

- . Satellite Services businesses - COMSAT World Systems (World Systems) and Lockheed Martin Intersputnik (LMI). The Corporation reached agreements to sell World Systems and LMI in the first and third quarters of 2002, respectively. These transactions are subject to regulatory approvals and other closing conditions.

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

- . COMSAT International - provides telecommunications network services in Latin America, primarily Argentina and Brazil. The Corporation completed the sale of an 81 percent ownership interest in COMSAT International in October 2002. The transaction is not expected to have a material impact on the Corporation's consolidated results of operations or financial position.

In the first quarter of 2002, the Corporation completed the sale of COMSAT Mobile Communications. The transaction did not have a material impact on the Corporation's consolidated results of operations or financial position.

In addition, the Corporation completed the sale of Lockheed Martin IMS Corporation (IMS) in August 2001, resulting in a net gain of \$309 million. This gain, as well as the results of IMS' operations for the quarter and nine months ended September 30, 2001, have been classified as discontinued operations in accordance with SFAS No. 144.

NOTE 3 - ADOPTION OF NEW ACCOUNTING STANDARD

The Corporation adopted SFAS No. 142, "Goodwill and Other Intangible Assets," as of January 1, 2002. Among other things, the Statement prohibits the amortization of goodwill and sets forth a new methodology for periodically assessing and, if warranted, recording impairment of goodwill. The \$7.4 billion of goodwill included on the Corporation's consolidated balance sheet is recorded in the Systems Integration, Space Systems and Technology Services segments. There is no goodwill in the Aeronautics segment. In connection with the guidance in SFAS No. 142, the Corporation evaluated the operating units within the Systems Integration and Space Systems segments and determined the reporting units within the segments based on similarities of the economic characteristics of their lines of business. The Technology Services segment was determined to be a separate reporting unit.

The Corporation completed the initial step of the goodwill impairment test required by the new rules and concluded that no adjustment to the balance of goodwill at the date of adoption was required. In addition, the Corporation reassessed the estimated remaining useful lives of other intangible assets as part of its adoption of the Statement. As a result of that review, the estimated remaining useful life of the intangible asset related to the F-16 fighter aircraft program has been extended from six to ten years, effective January 1, 2002. The critical factors in making this determination included the existing backlog for F-16 deliveries which extends production beyond the original anticipated life, and the Corporation's outlook for potential new orders for the F-16 during the next ten years. This change is expected to decrease annual amortization expense associated with that intangible asset by approximately \$30 million on a pretax basis, or approximately \$8 million per quarter. The following table provides a reconciliation of reported earnings from continuing operations and related per share amounts for the quarter and nine months ended September 30, 2001 to adjusted amounts which exclude the effects of goodwill amortization and reflect the change in amortization related to the F-16 program for those periods.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
	----	----	----	----
	(In millions, except per share data)			
Earnings (loss) from continuing operations:				
As reported	\$ 300	\$ (87)	\$ 875	\$ 189
Impact of:				
Goodwill amortization	--	62	--	168
Contract value amortization	--	5	--	15
	-----	-----	-----	-----
Adjusted	\$ 300	\$ (20)	\$ 875	\$ 372
	=====	=====	=====	=====
Diluted earnings (loss) per share from continuing operations:				
As reported	\$ 0.66	\$ (0.20)	\$ 1.94	\$ 0.44
Impact of:				
Goodwill amortization	--	0.14	--	0.38
Contract value amortization	--	0.02	--	0.05
	-----	-----	-----	-----
Adjusted	\$ 0.66	\$ (0.04)	\$ 1.94	\$ 0.87
	=====	=====	=====	=====

Intangible assets related to contracts and programs acquired are displayed in the unaudited condensed consolidated balance sheet net of accumulated amortization of \$1,333 million and \$1,239 million at September 30, 2002 and December 31, 2001, respectively. Amortization expense related to these intangible assets was \$31 million and \$94 million for the quarter and nine months ended September 30, 2002, respectively, and \$38 million and \$115 million for the quarter and nine months ended September 30, 2001, respectively.

NOTE 4 - EARNINGS PER SHARE

Basic and diluted earnings per share were computed based on net earnings. The weighted average number of common shares outstanding during the period was used in the calculation of basic earnings per share, and this number of shares was increased by the dilutive effect of stock options based on the treasury stock method in the calculation of diluted earnings per share.

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

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

	Three Months Ended September 30, 2002 2001 -----		Nine Months Ended September 30, 2002 2001 -----	
	(In millions, except per share data)			
Net earnings:				
Earnings (loss) from continuing operations	\$ 300	\$ (87)	\$ 875	\$ 189
Discontinued operations:				
Results of operations from discontinued businesses	(10)	(9)	(28)	(36)
Gain on sale of IMS	--	309	--	309
	-----	-----	-----	-----
Net earnings for basic and diluted computations	\$ 290	\$ 213	\$ 847	\$ 462
	=====	=====	=====	=====
Average common shares outstanding:				
Average number of common shares outstanding for basic computations				
	448.5	428.0	443.5	425.7
Dilutive stock options				
	7.2	--/(a)/	7.4	4.6
	-----	-----	-----	-----
Average number of common shares outstanding for diluted computations				
	455.7	428.0	450.9	430.3
	=====	=====	=====	=====
Earnings (loss) per share:				
Basic:				
Continuing operations				
	\$ 0.67	\$(0.20)	\$ 1.97	\$ 0.45
Discontinued operations:				
Results of operations from discontinued businesses	(0.02)	(0.02)	(0.06)	(0.08)
Gain on sale of IMS	--	0.72	--	0.72
	-----	-----	-----	-----
	\$ 0.65	\$ 0.50	\$ 1.91	\$ 1.09
	=====	=====	=====	=====
Diluted:				
Continuing operations				
	\$ 0.66	\$(0.20)	\$ 1.94	\$ 0.44
Discontinued operations:				
Results of operations from discontinued businesses	(0.02)	(0.02)	(0.06)	(0.08)
Gain on sale of IMS	--	0.72	--	0.71
	-----	-----	-----	-----
	\$ 0.64	\$ 0.50	\$ 1.88	\$ 1.07
	=====	=====	=====	=====

/(a)/ The average number of common shares used in the calculation of the diluted loss per share from continuing operations has not been adjusted for the effects of 5.2 million dilutive stock options, as such adjustment would have been antidilutive.

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

NOTE 5 - INVENTORIES

	September 30, 2002 ----	December 31, 2001 ----
(In millions)		
Work in process, commercial launch vehicles	\$ 807	\$ 1,205
Work in process, primarily related to other long-term contracts and programs in progress	4,870	4,279
Less customer advances and progress payments	(3,928)	(2,931)
	-----	-----
	1,749	2,553
Other inventories	505	587
	-----	-----
	\$ 2,254	\$ 3,140
	=====	=====

In the third quarter of 2002, approximately \$130 million of work in process inventory related to commercial launch vehicles was reclassified to property, plant and equipment. These assets, which are related to the Corporation's Atlas V program, include the Atlas Space Operations Center, the vehicle integration facility and certain related ground equipment for the program. The reclassification was made in connection with the completion of the facilities and the initial operational status of the Atlas V program. The assets are being depreciated over a period of 10 years.

Commercial launch vehicle inventories include amounts advanced to Khrunichev State Research and Production Space Center, a Russian manufacturer, of \$589 million and \$672 million at September 30, 2002 and December 31, 2001, respectively, for the manufacture of Proton launch vehicles and related launch services. In addition, commercial launch vehicle inventories include amounts advanced to RD AMROSS, a joint venture between Pratt & Whitney and NPO Energomash, of \$44 million and \$58 million at September 30, 2002 and December 31, 2001, respectively, for the development and purchase, subject to certain conditions, of RD-180 booster engines used for Atlas launch vehicles.

NOTE 6 - CONTINGENCIES

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

Environmental matters - The Corporation is responding to three administrative orders issued by the California Regional Water Quality Control Board (the Regional Board) in connection with the Corporation's former Lockheed Propulsion Company facilities in Redlands, California. Under the orders, the Corporation is investigating the impact and potential remediation of regional groundwater contamination by perchlorates and chlorinated solvents. The Regional Board has approved the Corporation's plan to maintain public water supplies with respect to chlorinated solvents during this investigation, and the Corporation continues to negotiate with local water purveyors to implement this plan, as well as to address water supply concerns relative to perchlorate contamination. The Corporation is also coordinating with the U.S. Air Force, which is working with the aerospace and defense industry to conduct preliminary studies of the

potential health effects of perchlorate exposure in connection with several sites across the country, including the Redlands site. The results of these studies are intended to assist state and federal regulators in setting appropriate action levels for perchlorates in groundwater. In January 2002, the State of California reduced its provisional standard for perchlorate concentration in water from 18 parts per billion (ppb) to four ppb, a move that neither industry nor the Air Force believes is supported by the current studies.

Although this provisional standard does not create any legally enforceable requirements for the Corporation at this time, the Corporation has developed a preliminary remediation plan that would meet the provisional standard if it were to become final. Because this plan entails a long lead-time for implementation, the Corporation has elected to begin implementing this plan and recognize the increased costs that are associated with the plan. The consolidated balance sheet at September 30, 2002 includes a liability of approximately \$185 million representing the Corporation's estimate of the remaining expenditures necessary to implement the remediation and other work at the site over the next 30 years. This amount represents an approximate \$100 million increase in the liability since December 31, 2001. As at other sites, the Corporation is pursuing claims against other potentially responsible parties, including the U. S. Government, for contribution to site cleanup costs.

Since 1990, the Corporation has been responding to various consent decrees and orders relating to soil and regional groundwater contamination in the San Fernando Valley associated with the Corporation's former operations in Burbank, California. Among other things, these consent decrees and orders obligate the Corporation to construct and fund the operations of soil and groundwater treatment facilities in Burbank and Glendale, California through 2018 and 2012, respectively; however, responsibility for the long-term operation of these facilities was assumed by the respective localities in 2001. The Corporation has been successful in limiting its financial responsibility for these activities to date to its pro rata share as a result of litigation and settlements with other potentially responsible parties. In addition, under an agreement reached with the U.S. Government in 2000, the Corporation will continue to be reimbursed in an amount equal to approximately 50 percent of future expenditures for certain remediation activities by the U.S. Government in its capacity as a potentially responsible party under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA). The Corporation has recorded a liability of approximately \$60 million representing its estimate of the total expenditures required over the remaining terms of the consent decrees and orders described above, net of the effects of the agreement.

The Corporation has been conducting remediation activities to address soil and groundwater contamination by chlorinated solvents at its former operations in Great Neck, New York which it acquired as part of its acquisition of Loral Corporation in 1996. This work is being done pursuant to a series of orders and agreements with the New York State Department of Environmental Conservation beginning with a 1991 administrative order entered by Unisys Tactical Defense Systems, a predecessor company at the site. Until now, all of the remediation work associated with this site has been performed on the site itself, but in the third quarter of 2002, the Corporation entered into negotiations with the state of New York to implement an off-site interim remedial measure intended to address an off-site plume of groundwater contamination that was found to be moving more rapidly than originally anticipated. This has led to an increase of approximately \$40 million in the projected future costs for the site. Total projected future costs are now estimated to be approximately \$60 million through 2025. This amount is included in the consolidated balance sheet at September 30, 2002. As at other sites, the Corporation is pursuing claims against other potentially responsible parties, including the United States, for contribution to site cleanup costs.

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

The Corporation is involved in proceedings and potential proceedings relating to environmental matters at other facilities, including disposal of hazardous wastes and soil and water contamination. The extent of the Corporation's financial exposure cannot in all cases be reasonably determined at this time. In addition to the amounts with respect to the Redlands, Burbank, Glendale and Great Neck sites described above, a liability of approximately \$155 million for the other properties (including current operating facilities and certain facilities operated in prior years) in which an estimate of financial exposure can be determined has been recorded.

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

At September 30, 2002 and December 31, 2001, the aggregate amount of liabilities recorded relative to environmental matters was \$460 million and \$300 million, respectively. The Corporation has recorded an asset for the portion of environmental costs that are probable of future recovery in pricing of the Corporation's products and services for U.S. Government business. The portion that is expected to be allocated to commercial business has been reflected in cost of sales. The recorded amounts do not reflect the possible future recoveries of portions of the environmental costs through insurance policy coverage or from other 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 allocated amounts to be included in the Corporation's U.S. Government sales and cost of sales.

Waste remediation contract - In 1994, the Corporation was awarded a \$180 million fixed-price contract by the U.S. Department of Energy (DoE) for remediation of waste found in Pit 9, located on the Idaho National Engineering and Environmental Laboratory reservation. The Corporation incurred significant unanticipated costs and scheduling issues due to complex technical and contractual matters, which it sought to remedy through submission of a request for equitable adjustment. To date, the Corporation has been unsuccessful in reaching any agreements with the DoE on cost recovery or other contract restructuring matters. In 1998, the management contractor for the project, a wholly-owned subsidiary of the Corporation, at the DoE's direction, terminated the Pit 9 contract for default. As a result, the Corporation filed a lawsuit against the DoE in the Court of Federal Claims challenging and seeking to overturn the default termination and recover its costs, which are included in inventories. Also in 1998, the management contractor, also at the DoE's direction, filed suit against the Corporation in the United States District Court for the District of Idaho seeking, among other things, recovery of approximately \$54 million previously paid to the Corporation under the Pit 9 contract. The Corporation counterclaimed seeking to overturn the default termination and recover its costs. The Corporation is defending this action in which discovery has been pending since August 1999.

In 2001, the DoE filed a motion for summary judgment seeking to dismiss the Corporation's complaint on jurisdictional grounds, which the Court of Federal Claims granted, finding that there was no privity of contract between the Corporation and the United States sufficient to provide the Court with jurisdiction over the dispute. On September 30, 2002, the U.S. Court of Appeals for the Federal Circuit affirmed the decision of the Court of Federal Claims. The Corporation does not plan further appeal and will pursue its remedies in its counterclaims in the district court

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

action. The Corporation continues to seek resolution of the Pit 9 dispute through non-litigation means.

NOTE 7 - INFORMATION ON BUSINESS SEGMENTS

The Corporation operates in the following four principal business segments: Systems Integration, Space Systems, Aeronautics and Technology Services. All other activities fall within the Corporate and Other segment.

As discussed more fully in "Note 3 - Adoption of New Accounting Standard," the Corporation adopted SFAS No. 142 as of January 1, 2002. As a result of the adoption, goodwill is no longer being amortized and the estimated remaining useful life of a contract intangible related to the F-16 program was extended. In connection with its adoption of SFAS No. 142, amortization expense related to goodwill and the impact of the change in the estimated remaining useful life of the F-16 intangible asset is now reflected in the Corporate and Other segment for all periods prior to January 1, 2002 to provide management with consistent financial information on which to base its evaluation of the performance of the Corporation's business segments.

Financial data for the nine months ended September 30, 2001 have been reclassified to reflect the elimination of the Corporation's Global Telecommunications segment as discussed more fully in "Note 2 - Exit From the Global Telecommunications Services Business" and to reflect the adoption of SFAS No. 142.

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

Three Months Ended September 30, 2002	September 30, 2001	Nine Months Ended September 30, 2002	September 30, 2001
----	----	----	----

(In millions)

Selected Financial Data by Business Segment

Net sales

Systems Integration	\$ 2,253	\$ 2,237	\$ 6,586	\$ 6,282
Space Systems	1,843	1,793	5,496	5,023
Aeronautics	1,668	1,449	4,549	3,362
Technology Services	776	734	2,157	1,972
Corporate and Other	2	8	10	17
	-----	-----	-----	-----
	\$ 6,542	\$ 6,221	\$ 18,798	\$ 16,656
	=====	=====	=====	=====

Operating profit (loss)/(a)/

Systems Integration	\$ 248	\$ 246	\$ 702	\$ 698
Space Systems	126	128	370	442
Aeronautics	126	125	360	308
Technology Services	48	39	131	109
Corporate and Other	28	(480)	13	(681)
	-----	-----	-----	-----
	\$ 576	\$ 58	\$ 1,576	\$ 876
	=====	=====	=====	=====

Intersegment sales/(b)/

Systems Integration	\$ 82	\$ 61	\$ 213	\$ 171
Space Systems	22	17	62	57
Aeronautics	8	12	21	40
Technology Services	154	194	526	541
Corporate and Other	18	40	57	111
	-----	-----	-----	-----
	\$ 284	\$ 324	\$ 879	\$ 920
	=====	=====	=====	=====

September 30, 2002	December 31, 2001
----	----

(In millions)

Customer advances and amounts in excess of

costs incurred

Systems Integration	\$ 869	\$ 797
Space Systems	1,482	1,784
Aeronautics	2,785	2,406
Technology Services	4	15
	-----	-----
	\$ 5,140	\$ 5,002
	=====	=====

(a) With respect to the adoption of SFAS No. 142, amounts previously included in segment operating results for the quarter and nine months ended September 30, 2001, respectively, were as follows: Systems Integration - \$43 million and \$128 million; Space Systems - \$9 million and \$28 million; Aeronautics - \$8 million and \$23 million; Technology Services - \$3 million and \$9 million; and Corporate and Other - \$5 million and \$17 million.

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

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

NOTE 8 - OTHER

In the second quarter of 2002, the Corporation settled a research and development (R&D) tax credit claim and received a refund of \$117 million for the years 1982 through 1988. The settlement was recorded as a reduction of the Corporation's second quarter income tax expense, and increased earnings from continuing operations for the nine months ended September 30, 2002 by \$90 million (\$0.20 per diluted share).

The Corporation received net federal and foreign income tax refunds, including the R&D tax credit refund discussed above, of \$121 million for the nine months ended September 30, 2002, and made federal and foreign income tax payments, net of refunds received, of \$345 million for the same period in 2001.

The Corporation's total interest payments were \$332 million and \$450 million for the nine months ended September 30, 2002 and 2001, respectively.

The components of comprehensive income for the three month and nine month periods ended September 30, 2002 and 2001 consisted of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
	----	----	----	----
	(In millions)			
Net earnings	\$ 290	\$ 213	\$ 847	\$ 462
Other comprehensive (loss) income:				
Net foreign currency translation adjustments	(3)	(17)	(35)	(26)
Net unrealized (loss) gain from available-for-sale investments, primarily Loral Space and New Skies	(27)	11	(104)	(35)
Reclassification adjustment due to realization of loss on Loral Space investment	--	151	--	151
Net unrealized (loss) gain from hedging activities	(16)	1	1	6
	-----	-----	-----	-----
	(46)	146	(138)	96
	-----	-----	-----	-----
Comprehensive income	\$ 244	\$ 359	\$ 709	\$ 558
	=====	=====	=====	=====

In October 2002, the Corporation announced that a new share repurchase authority had been authorized which provides for the repurchase of up to 23 million shares of its common stock from time-to-time if market and business conditions warrant. Under the authority, management has discretion to determine whether to purchase shares, the number and price of shares to be repurchased, and the timing of any repurchases. The authority replaced a prior repurchase plan which had been authorized in 1995.

New accounting pronouncements adopted - In April 2002, the Financial Accounting Standards Board issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." Among other things, the Statement generally prohibits the classification of gains or losses from the early extinguishment of debt as extraordinary items, and therefore rescinds the previous requirement to do so. Gains and losses from prior early debt extinguishments are required to be reclassified. The Statement is not required to be implemented until 2003, though earlier application is encouraged. In the third

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

quarter of 2002, the Corporation elected to adopt the Statement and, accordingly, reclassified the \$36 million extraordinary item recognized in the third quarter of 2001 related to the redemption of approximately \$117 million of 7% debentures (\$175 million at face value) due in 2011. As a result of the reclassification, the loss on the redemption, net of state income tax benefits, of \$55 million was included in other income and expenses for the quarter and nine month periods ended September 30, 2001, and the related income tax benefit of \$19 million was included in income tax expense for those periods.

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

Lockheed Martin Corporation
Management's Discussion and Analysis of Financial Condition
and Results of Operations
September 30, 2002

Lockheed Martin Corporation (Lockheed Martin or the Corporation) is engaged in the conception, research, design, development, manufacture, integration and operation of advanced technology systems, products and services. The Corporation serves customers in both domestic and international defense and commercial markets, with its principal customers being agencies of the U.S. Government. The following discussion should be read in conjunction with the Corporation's 2001 Annual Report on Form 10-K filed with the Securities and Exchange Commission, and with the unaudited condensed consolidated financial statements included in this Form 10-Q.

EXIT FROM THE GLOBAL TELECOMMUNICATIONS SERVICES BUSINESS

In December 2001, the Corporation announced the exit from its global telecommunications services business. As a result of this action, the Global Telecommunications segment is no longer reported as a separate business segment. As discussed in "Note 2 - Exit From the Global Telecommunications Services Business," certain of the former Global Telecommunications segment's businesses have been realigned with other business segments, certain other businesses have been classified as held for sale or have been sold, and investments held by the former segment are now reported as part of the Corporate and Other segment.

In accordance with Statement of Financial Accounting Standards (SFAS) No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the results of operations of the businesses classified as held for sale, including Lockheed Martin IMS Corporation (IMS) which was sold in August 2001, are reported as discontinued operations in the Corporation's consolidated financial statements. As discussed in Note 2, the Corporation has entered into agreements for the proposed sale of COMSAT World Systems (World Systems) and Lockheed Martin Intersputnik (LMI). The Corporation expects to complete the World Systems transaction by the end of 2002 and the LMI transaction in mid-2003, subject to receipt of regulatory approvals and satisfaction of other closing conditions. As previously reported, the Corporation received a letter from Intelsat, Ltd. (Intelsat) in July 2002 stating that Intelsat has the right, but has not yet elected, to terminate the agreement to acquire World Systems based on the allegation that a bankruptcy filing by WorldCom, a World Systems' customer, among other things, has had or reasonably is expected to have a material adverse effect on the World Systems' business. The Corporation disagrees with Intelsat's statement that the bankruptcy filing gives Intelsat the right to terminate the agreement and has responded accordingly. Consummation of the World Systems and LMI transactions is not expected to have a material impact on the Corporation's consolidated results of operations or financial position. The Corporation has either sold or has agreements in place to sell all of the businesses classified as held for sale and included in discontinued operations. The businesses held for sale at September 30, 2002 are recorded at estimated fair value less cost to sell. Any changes in the estimated fair value will be recorded in future periods as appropriate.

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

RESULTS OF OPERATIONS

Consolidated Results of Operations

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

Continuing Operations

The Corporation's consolidated net sales for the third quarter of 2002 were \$6.5 billion, an increase of five percent over third quarter 2001 sales of \$6.2 billion. Sales for the nine months ended September 30, 2002 were \$18.8 billion, a 13 percent increase over the \$16.7 billion sales recorded in the comparable 2001 period. Sales increased in all business segments except Corporate and Other during both the quarter and nine-months ended September 30, 2002 from the comparable 2001 periods.

The Corporation's operating profit (earnings before interest and taxes) for the third quarter of 2002 was \$576 million, an increase of \$518 million from the \$58 million recorded in the comparable 2001 period before adjusting for the adoption of SFAS No. 142. The Corporation's operating profit for the nine months ended September 30, 2002 was \$1.6 billion, an increase of 80 percent from the \$876 million recorded in the comparable 2001 period before adjusting for the adoption of SFAS No. 142 and the effects of nonrecurring and unusual items recorded in the prior-year period.

Effective January 1, 2002, the Corporation adopted SFAS No. 142, as discussed more fully in "Note 3 - Adoption of New Accounting Standard." The Corporation completed the initial step of the goodwill impairment test required by the new rules and concluded that no adjustment to the balance of goodwill at the date of adoption was required. In addition, the Corporation reassessed the estimated remaining useful lives of other intangible assets as part of its adoption of the Statement. As a result of that review, the estimated remaining useful life of the intangible asset related to the F-16 fighter aircraft program has been extended from six to ten years, effective January 1, 2002. The critical factors in making this determination included the existing backlog for F-16 deliveries which extends production beyond the original anticipated life, and the Corporation's outlook for potential new orders for the F-16 during the next ten years. With respect to new orders, it is expected that the F-16 will continue to be the dominant fighter aircraft available for many countries in the international market until the F-35 Joint Strike Fighter is available. As a result of the adoption, amortization expense associated with goodwill and certain other intangibles was lower for the quarter and nine month periods ended September 30, 2002 by approximately \$68 million and \$205 million, respectively, as compared to the same periods in the prior year.

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

There were no nonrecurring and unusual items in the business segments for the quarter or nine months ended September 30, 2002. Continuing operations for the quarter and nine months ended September 30, 2001 included the impact of several nonrecurring and unusual items, as follows:

	Operating profit (loss)	Net earnings (loss)	Earnings (loss) per diluted share
(In millions, except per share data)			
Quarter ended September 30, 2002			
None	\$ --	\$ --	\$ --
Quarter ended September 30, 2001			
Write-down of investment in Loral Space /(1)/	\$(361)	\$(235)	\$ (0.54)
Loss on early repayment of debt /(2)/	(55)	(36)	(0.08)
Divestitures and other portfolio shaping activities	(5)	(3)	(0.01)
	\$(421)	\$(274)	\$ (0.63)
	=====	=====	=====
Nine months September 30, 2002			
None	\$ --	\$ --	\$ --
Nine months ended September 30, 2001			
Write-down of investment in Loral Space /(1)/	\$(361)	\$(235)	\$ (0.55)
Sale of surplus real estate /(3)/	111	72	0.17
Impairment charge related to Americom Asia-Pacific /(4)/	(100)	(65)	(0.15)
Loss on early repayment of debt /(2)/	(55)	(36)	(0.08)
Divestitures and other portfolio shaping activities	(5)	(3)	(0.01)
	\$(410)	\$(267)	\$ (0.62)
	=====	=====	=====

/(1)/ In the third quarter of 2001, the Corporation recorded a charge related to its investment in Loral Space & Communications Ltd. (Loral Space). The charge was recorded due to an other than temporary decline in the value of the investment.

/(2)/ Also in the third quarter of 2001, the Corporation redeemed approximately \$117 million of 7% debentures (\$175 million at face value) due in 2011 which were originally sold at approximately 54 percent of their principal amount. The debentures were redeemed at face value, resulting in a loss on the early repayment of the debt.

/(3)/ In the first quarter of 2001, the Corporation recognized a gain related to the Space Systems segment's sale of certain property in Sunnyvale, California for approximately \$185 million in cash.

/(4)/ Also during the first quarter of 2001, the Corporation recorded a charge related to impairment of its investment in Americom Asia-Pacific, LLC, a joint venture in which it holds a 50 percent interest. The charge was recorded due to an other than temporary decline in the value of the Corporation's investment.

Adjusting operating profit for the three and nine month periods ended September 30, 2001 for the impact of adopting SFAS No. 142 as discussed above and excluding nonrecurring and unusual items, the operating profit for these periods would have been \$547 million and \$1.5 billion, respectively, compared to \$576 million and \$1.6 billion recorded in the comparable 2002 periods. As adjusted, this reflects increases in operating profit of five percent and seven percent for the quarter and nine month periods ended September 30, 2002 over the respective 2001

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

periods. The operating profit increase between the quarterly periods was primarily driven by increases in the Technology Services and Corporate and Other segments, as operating profit in the other segments remained essentially flat. For the nine months ended September 30, 2002, as compared to the respective 2001 period, operating profit increased in all segments except Corporate and Other.

Interest expense of \$147 million and \$440 million for the three and nine months ended September 30, 2002, respectively, was lower by \$25 million and \$109 million than the comparable periods in 2001 primarily as a result of the reduction in the Corporation's debt.

The effective income tax rates for the quarter and year-to-date periods ended September 30, 2002 were 30 percent and 23 percent, respectively. The year-to-date rate included a benefit related to the settlement of a research and development (R&D) tax credit claim which decreased 2002 income tax expense by \$90 million. Excluding the benefit of this R&D tax credit, the effective income tax rate for the nine months ended September 30, 2002 would have been 31 percent. The effective income tax rates for the quarter and year-to-date periods ended September 30, 2001 were 24 percent and 42 percent, respectively. These rates include income tax benefits associated with the losses from nonrecurring and unusual items incurred in the quarter and nine months ended September 30, 2001. The effective tax rate for the nine-month period in 2002 (after adjusting for the R&D tax credit) was lower than the rate in the comparable 2001 period primarily due to the fact that non-deductible goodwill was amortized in 2001 for financial accounting purposes, but not in 2002 in accordance with SFAS No. 142. In addition, because of the proportionally lower base of earnings in 2001 versus 2002, the non-deductible goodwill had a greater impact on the effective tax rate in the 2001 period. The effective rate for 2002 was lower than the statutory rate of 35% primarily due to tax benefits related to export sales and the realization of tax savings initiatives.

Earnings from continuing operations for the third quarter of 2002 were \$300 million (\$0.66 per diluted share) compared to a loss from continuing operations of \$87 million (\$0.20 per diluted share) reported in the third quarter of 2001. The loss from continuing operations for the third quarter of 2001 included the after-tax impact of three nonrecurring and unusual items which decreased third quarter 2001 earnings from continuing operations by \$274 million (\$0.63 per diluted share). Excluding such items and adjusting for the adoption of SFAS No. 142 as discussed above, earnings from continuing operations for the third quarter of 2001 would have been \$254 million (\$0.59 per diluted share).

Earnings from continuing operations for the nine months ended September 30, 2002 were \$875 million (\$1.94 per diluted share), which included the one-time impact of the R&D tax credit that increased 2002 earnings from continuing operations by \$90 million (\$0.20 per diluted share). Excluding the R&D tax credit, earnings from continuing operations in the nine months ended September 30, 2002 were \$785 million (\$1.74 per diluted share). Earnings from continuing operations for the nine months ended September 30, 2001 were \$189 million (\$0.44 per diluted share) and included the after-tax impact of several nonrecurring and unusual items, which decreased 2001 earnings from continuing operations by \$267 million (\$0.62 per diluted share). Excluding such items and adjusting for the adoption of SFAS No. 142, earnings from continuing operations for the nine months ended September 30, 2001 would have been \$639 million (\$1.49 per diluted share).

Lockheed Martin Corporation
Management's Discussion and Analysis of Financial Condition
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Discontinued Operations

The Corporation reported a loss from discontinued operations of \$10 million (\$0.02 per diluted share) in the third quarter of 2002 as compared to earnings from discontinued operations of \$300 million (\$0.70 per diluted share) in the comparable 2001 period. For the nine months ended September 30, 2002, the loss from discontinued operations was \$28 million (\$0.06 per diluted share), as compared to earnings from discontinued operations of \$273 million (\$0.63 per diluted share) in the comparable 2001 period. Both periods of 2001 were favorably impacted by an after-tax gain of \$309 million from the sale of Lockheed Martin IMS Corporation.

Net Earnings

The Corporation reported net earnings of \$290 million (\$0.64 per diluted share) and \$213 million (\$0.50 diluted per share) for the quarters ended September 30, 2002 and 2001, respectively. For the nine-month periods, net earnings were \$847 million (\$1.88 per diluted share) for 2002 and \$462 million (\$1.07 per diluted share) for 2001. Excluding the effects of the R&D tax credit discussed previously, net earnings for the nine months ended September 30, 2002 would have been \$757 million (\$1.68 per diluted share). Excluding the effects of the nonrecurring and unusual items recorded in 2001, adjusting for the adoption of SFAS No. 142, and excluding the after-tax gain on the sale of IMS, net earnings for the three and nine months ended September 30, 2001 would have been \$259 million (\$0.60 per diluted share) and \$644 million (\$1.50 per diluted share), respectively.

Discussion of Business Segments

The Corporation operates in four principal business segments: Systems Integration, Space Systems, Aeronautics, and Technology Services. All other activities fall within the Corporate and Other segment. The following table of financial information and related discussions of the results of operations of the Corporation's business segments correspond to the presentation of segment information in "Note 7 - Information on Business Segments" included in this Form 10-Q, including the financial data in the tables under the headings "Net sales" and "Operating profit (loss)."

The following table displays the impact of the nonrecurring and unusual items presented earlier on each segment's operating profit (loss) for each of the periods presented:

	Three Months Ended September 30, 2002		Nine Months Ended September 30, 2002	
	2002	2001	2002	2001
	----	----	----	----
	(In millions)			
Nonrecurring and unusual items - profit (loss):				
Systems Integration	\$ --	\$ --	\$ --	\$ --
Space Systems	--	--	--	111
Aeronautics	--	--	--	--
Technology Services	--	--	--	--
Corporate and Other	--	(421)	--	(521)
	-----	-----	-----	-----
	\$ --	\$ (421)	\$ --	\$ (410)
	=====	=====	=====	=====

Lockheed Martin Corporation
Management's Discussion and Analysis of Financial Condition
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In order to make the following discussion of operating results of each business segment more understandable, the effects of these nonrecurring and unusual items have been excluded. The Space Systems and Aeronautics segments generally include fewer programs that are substantially larger in terms of sales and operating results than those included in the other segments. Accordingly, due to the large number of comparatively smaller programs in the Systems Integration and Technology Services segments, the discussions of the results of operations of these business segments generally focus on lines of business within the segments.

Systems Integration

Net sales for the Systems Integration segment were \$2.3 billion and \$6.6 billion for the quarter and nine months ended September 30, 2002, respectively, representing increases of one percent and five percent from sales recorded in the comparable 2001 periods. For the third quarter, an increase in sales of approximately \$110 million in the segment's Command, Control, Communications, Computers and Intelligence (C4I) line of business, primarily as a result of higher volume on certain information superiority programs, was partially offset by a combined decrease of approximately \$95 million in the segment's other lines of business. For the nine months ended September 30, 2002, sales increased by approximately \$250 million in the segment's Missiles & Fire Control line of business, mainly due to higher volume on certain tactical missile programs and the Theater High Altitude Area Defense (THAAD) program, and by approximately \$115 million in the segment's C4I line of business as a result of higher volume on certain information superiority programs. These increases were partially offset by an approximate \$100 million decrease in platform integration activities in the segment's Systems Integration-Owego line of business.

Operating profit for the segment increased by \$2 million and \$4 million for the quarter and nine months ended September 30, 2002, respectively, from the \$246 million and \$698 million recorded in comparable 2001 periods. In both periods of 2002, as compared to the respective 2001 periods, increased operating profit at Missiles & Fire Control on certain tactical missile programs and increases at C4I on certain information superiority programs were offset by decreased operating profit on platform integration activities and distribution technologies at Systems Integration-Owego and on certain marine and undersea programs at Naval Electronics and Surveillance Systems. The segment's 2002 margin of 10.7 percent was lower than the 11.1 percent realized in 2001 due to a decline in volume on mature production programs and by higher volume on development programs.

Space Systems

Net sales for the Space Systems segment were \$1.8 billion and \$5.5 billion for the quarter and nine months ended September 30, 2002, respectively, representing increases of three percent and nine percent from the sales recorded in the comparable 2001 periods. For the third quarter, increases in the segment's commercial space line of business more than offset declines in the segment's government space line of business. The approximate \$100 million increase in commercial space is primarily attributable to more commercial satellite deliveries. The approximate \$50 million decrease in government space is mainly due to declines in volume on government launch vehicle programs (Titan) and ground systems activities partially offset by higher volume on government satellite programs.

The increase in net sales for the nine months ended September 30, 2002 resulted from higher volumes in both commercial space and government space. The approximate \$290 million

Lockheed Martin Corporation
Management's Discussion and Analysis of Financial Condition
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increase in commercial space is primarily attributable to more commercial satellite deliveries and to increased launch vehicle activities, with seven commercial launches during the nine-month period of 2002 compared to five during the comparable 2001 period. In government space, increases totaling approximately \$310 million from government satellite and ground system activities more than offset a decline in volume of approximately \$115 million on government launch vehicle programs.

Space Systems operating profit was \$126 million and \$370 million for the quarter and nine months ended September 30, 2002, respectively, representing a decline of two percent and an increase of 12 percent over the operating profit recorded in the comparable 2001 periods. Commercial space operating profit decreased by approximately \$40 million quarter-over-quarter due primarily to the lower profitability of the three commercial launches this quarter as compared to the two launches in the respective 2001 period. Operating profit also included the adverse effects of adjustments of \$25 million in 2002 and \$45 million in 2001 recorded to reflect the continued industry-wide oversupply and further deterioration of pricing in the commercial launch vehicle market. In government space, operating profit increases of approximately \$45 million due to the higher volume of government satellite programs more than offset an approximate \$10 million decline resulting from lower volume on government launch vehicle programs.

The increase in operating profit for the nine months ended September 30, 2002 is primarily attributable to reduced losses in commercial space that more than offset lower operating profit in government space programs. Commercial satellite losses declined by approximately \$70 million as operating performance improved and satellite deliveries increased. In the first quarter of 2001, the Corporation recorded a \$40 million loss provision on certain commercial satellite contracts. Financial performance on commercial launch vehicle activities continues to deteriorate, resulting in a net decrease in operating profit of approximately \$20 million between the comparative nine-month periods. This reduction in commercial launch vehicle results of operations included charges of approximately \$60 million, net of favorable contract adjustments of \$20 million, recorded in 2002 for market and pricing pressures compared to \$85 million in 2001. The 2002 year-to-date decrease of approximately \$10 million in government space is primarily due to the reduced volume on government launch vehicle programs partially offset by increases in government satellite programs and ground system activities.

Aeronautics

Net sales for the Aeronautics segment were \$1.7 billion and \$4.5 billion for the quarter and nine months ended September 30, 2002, respectively, representing increases of 15 percent and 35 percent from the sales recorded in the comparable 2001 periods. For the third quarter, increases in sales of approximately \$250 million were attributable to the initial ramp-up of F-35 Joint Strike Fighter System Development & Demonstration (SDD) activities and approximately \$135 million were attributable to higher volume on the F/A-22 program, mainly Low Rate Initial Production (LRIP) activities. These increases were partially offset by an approximate \$215 million decline in sales due to fewer C-130J deliveries and lower volume on other aeronautics programs. There was one C-130J delivery in third quarter 2002 compared to five deliveries in the respective 2001 period. The remainder of the increase for the quarter was primarily due to higher volume of development activities on certain F-16 and C-5 programs. As in the quarter, the majority of the increase in sales for the nine-month period resulted from the initial ramp-up of F-35 Joint Strike Fighter SDD activities and higher volume on the F/A-22 program which, on a combined basis, contributed approximately \$820 million to the increase over the comparable 2001 period. Additionally, sales increased by approximately \$190 million due to an increase in C-130J program

Lockheed Martin Corporation
Management's Discussion and Analysis of Financial Condition
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deliveries and other activities. There were six C-130J deliveries in 2002 compared to five deliveries for the same period in 2001. The remainder of the increase for the nine-month period was primarily attributable to an increase in volume on F-16 and C-5 development programs.

Operating profit for the quarter and year-to-date periods in 2002 was \$126 million and \$360 million, respectively, representing increases of one percent and 17 percent from the operating profit recorded in the comparable 2001 periods. These increases are primarily due to the higher volume on the programs described in the discussion of sales, partially offset by an approximate \$15 million charge recorded in the third quarter of 2002 related to performance issues on an aircraft modification contract. The change in C-130J deliveries did not impact operating profit for the comparative periods due to the previously reported suspension of earnings recognition on the program. The comparison of the third quarter 2002 margin of 7.6 percent to the third quarter 2001 margin of 8.6 percent as well as those for the nine-month periods of 7.9 percent in 2002 versus 9.2 percent in 2001, were impacted by increased development activities on F-35, F-16 and C-5 aircraft programs, the ramp-up of F/A-22 LRIP and the previously mentioned performance issue. Margins for the third quarter periods were also impacted by the reduction in C-130J deliveries mentioned in the sales discussion above.

Technology Services

Net sales of the Technology Services segment were \$776 million and \$2.2 billion for the quarter and nine months ended September 30, 2002, respectively, representing increases of six percent and nine percent from the sales recorded in the comparable 2001 periods. The increase in sales for the quarter was primarily attributable to higher volume in the segment's government information technology and defense lines of business of approximately \$85 million and \$35 million, respectively. The growth in these lines of business was partially offset by declines totaling approximately \$80 million on commercial information technology and NASA programs. For the nine-month period, as with the quarter, higher volume in the government information technology and defense lines of business of approximately \$255 million and \$60 million, respectively, accounted for the majority of the increase in sales over the comparable nine-month period in 2001. The growth in these lines of business was partially offset by declines totaling approximately \$125 million for the year on commercial information technology and NASA programs.

Operating profit for the segment was \$48 million and \$131 million for the quarter and nine months ended September 30, 2002, respectively, representing increases of 23 percent and 20 percent from operating profit recorded in the comparable 2001 periods. In both periods the operating profit increased mainly due to the higher volume of government information technology programs and improved performance on commercial information technology programs, partially offset by lower operating profit on the military aircraft, NASA and energy lines of business.

Corporate and Other

Operating profit for the Corporate and Other segment increased by \$19 million for the quarter and decreased by \$32 million for the nine months ended September 30, 2002 from the \$9 million and \$45 million, respectively, recorded in the comparable 2001 periods. These results exclude amortization of \$68 million and \$205 million from the quarter and nine months ended September 30, 2001 results relating to the adoption of SFAS No. 142 discussed previously. The increase in operating profit for the quarter is primarily the result of a decrease in corporate expenses, mainly in stock-based deferred compensation costs, and by lower noncash losses from certain equity

Lockheed Martin Corporation
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investments. For the nine-month period, lower interest income and an increase in corporate expenses, primarily in stock-based deferred compensation costs, partially offset by lower noncash losses from certain equity investments, accounted for the decline in operating profit.

LIQUIDITY AND CAPITAL RESOURCES

During the nine months ended September 30, 2002, \$2.7 billion of cash was provided by operating activities, compared to \$2.2 billion during the comparable 2001 period. Each period includes the impact of earnings from continuing operations, adjusted for non-cash depreciation and amortization, changes in operating assets and liabilities, and significant advances received on international F-16 fighter aircraft contracts (net of payments to subcontractors and other disbursements). The 2002 amount also includes the receipt from the settlement of the R&D tax credit claim. The 2001 amount includes pretax proceeds from sales of surplus real estate and a cash distribution received from Intelsat, Ltd. (Intelsat) in the second quarter of 2001. These increases were partially offset by income tax payments made in 2001 related to divestiture activities in 2000.

Net cash used for investing activities during the nine months ended September 30, 2002 was \$345 million as compared to \$424 million provided by investing activities during the comparable 2001 period. The 2002 amount includes \$396 million for additions to property, plant and equipment. This outflow was partially offset by net proceeds of \$51 million, consisting primarily of proceeds from the March 2002 sale of COMSAT Mobile Communications and proceeds from property dispositions offset by payments related to the 2001 acquisition of OAO Corporation. The 2001 amount included \$825 million received from the divestiture of IMS and approximately \$96 million received from property dispositions. These inflows were partially offset by \$312 million used for additions to property, plant and equipment, as well as \$185 million in other investing activities including additional equity investments in Astrolink International, LLC and Intelsat of approximately \$140 million and \$30 million, respectively.

Net cash provided by financing activities during the nine months ended September 30, 2002 was \$195 million as compared to \$2.3 billion used during the comparable 2001 period. The 2002 amount includes \$431 million in proceeds from the issuance of common stock, primarily from the exercise of employee stock options, partially offset by \$149 million in dividend payments and \$87 million in net debt repayments. The 2001 amount includes approximately \$2.3 billion in net debt repayments and \$144 million in dividend payments, partially offset by \$123 million in proceeds from the issuance of common stock, primarily from the exercise of employee stock options.

Total debt decreased by approximately \$55 million during the nine months ended September 30, 2002 from approximately \$7.5 billion at December 31, 2001. This decrease was mainly attributable to the payment of debt maturities. The Corporation's long-term debt is primarily in the form of publicly issued, fixed-rate notes and debentures. At September 30, 2002, the Corporation held cash and cash equivalents of approximately \$3.5 billion. Total stockholders' equity was \$7.7 billion at September 30, 2002, an increase of \$1.3 billion from the December 31, 2001 balance. This increase resulted from net earnings of \$847 million and employee stock option and ESOP activities of \$697 million, partially offset by dividend payments of \$149 million and other comprehensive losses of \$138 million. The Corporation's ratio of debt to total capitalization decreased from the 54 percent reported at December 31, 2001 to 49 percent at September 30, 2002. The Corporation expects that it could record an adjustment at December 31, 2002 related to certain of its pension plans which would reduce stockholders' equity by approximately \$1 billion to \$2 billion, thereby impacting the ratio of debt to total capitalization discussed above. Such adjustment is not expected to impact compliance with the Corporation's debt covenants. See further discussion under the caption "Employee Benefit Plans."

Lockheed Martin Corporation
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At September 30, 2002, the Corporation had in place revolving credit facilities of \$1.0 billion and \$1.5 billion; no borrowings were outstanding. In October 2002, the Corporation terminated the \$1.0 billion credit facility. The \$1.5 billion credit facility will expire in November 2006.

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 changes in 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, including those described above, are expected to be sufficient to meet anticipated operating, capital expenditure and debt service requirements, and discretionary investment needs, during the next twelve months.

The Corporation continues to guarantee up to \$150 million in borrowings of Space Imaging LLC (Space Imaging), a joint venture in which it holds a 46 percent ownership interest. The amount of borrowings outstanding as of September 30, 2002 for which Lockheed Martin was guarantor was approximately \$140 million. These borrowings mature on March 31, 2003. The Corporation's investment in Space Imaging is accounted for under the equity method of accounting. At September 30, 2002, the Corporation's investment in and receivables due from Space Imaging amounted to approximately \$50 million. Space Imaging is pursuing its business plan, including assessments relative to future investment in replacement satellites and related funding requirements. To execute its current business plan and fund future replacement satellites, Space Imaging will likely need to obtain long-term commitments and funding from the U.S. Government for purchases of commercial satellite imagery, as well as commitments for additional investment or funding, none of which are committed at present. In light of current market conditions, it is uncertain as to whether Space Imaging will be successful in attracting the necessary additional funding. If the long-term commitments and additional investment or funding do not materialize, the Corporation could be required to fund all or part of its obligation under the guarantee and record a charge to earnings to the extent that any amounts invested, advanced or paid under the guarantee are not realizable.

The Corporation has minority investments in the equity securities of several companies, including Intelsat, Inmarsat Ventures plc (Inmarsat), Loral Space & Communications, Ltd. and New Skies Satellites, N.V. For a description of the Corporation's investments in equity securities, including other investments not referenced, see "Note 9 - Investments in Equity Securities" to the Corporation's 2001 Annual Report on Form 10-K.

The Corporation's ability to realize the value of its investments in equity securities may be affected by the investee's ability to successfully execute its business plan, general market conditions, industry considerations specific to the investee's business, and/or other factors. The Corporation's investments in equity securities are concentrated in the satellite services and telecommunications sectors. The satellite services sector is subject to the effects of the increasing availability of satellite capacity and competition from other forms of telecommunications services, including fiber optic cable and other wireless communication technologies. These factors could adversely affect the market value of the underlying equity securities, which in turn could impact the Corporation's earnings.

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

In 2000, Congress passed the Open-market Reorganization for the Betterment of International Telecommunications Act (the ORBIT Act) that, among other measures, established deadlines for completion of the initial public offerings by Intelsat and Inmarsat. Under the ORBIT Act, Intelsat and Inmarsat were required to complete their initial public offerings by December 31, 2002. However, Inmarsat may petition the Federal Communications Commission (FCC) for an extension until June 30, 2003 pursuant to an amendment passed in 2001 and, in October 2002, the President signed into law legislation to extend the deadline for Intelsat to complete its initial public offering to December 31, 2003, or June 30, 2004 if approved by the FCC. If those deadlines are not met, the FCC may limit access by U.S. users to the satellite capacity of the privatized entities for certain services. If this were to occur, the value of the Corporation's investment in those entities could be adversely affected. Current trends and market conditions in the telecommunications industry, including recent bankruptcy filings by some carriers, as well as trends in the securities markets, may make it difficult for Intelsat or Inmarsat to complete their initial public offerings by the prescribed ORBIT Act deadlines. The Corporation's investments in Intelsat and Inmarsat were \$1.26 billion and \$270 million, respectively, at September 30, 2002.

EMPLOYEE BENEFIT PLANS

As disclosed in its 2001 Annual Report on Form 10-K, the Corporation's earnings will continue to be affected positively or negatively by the level of income or expense related to its employee benefit plans, including qualified defined benefit plans and retiree medical and life insurance plans. This is particularly true with income or expense associated with qualified defined benefit plans (pension plans), as the related calculations are sensitive to changes in various key economic assumptions and workforce demographics. Based on actuarial assumptions and projected rates of return on plan assets used as of December 31, 2001, the Corporation anticipated that its income related to employee benefit plans would decline substantially in 2002 and result in a net expense in 2003.

Based on the current market performance and its preliminary analysis, the Corporation projects that the discount rate and long-term rate of return on plan asset assumptions to be used for year-end 2002 reporting purposes may be lower than those used at the end of 2001. These assumptions are used in calculating the subsequent year's pension plan expense. The assumptions used at the end of 2001 included a discount rate of 7.25% and an expected long-term rate of return on plan assets of 9.5%. In addition, the difference between the actual return on plan assets for a given year and the assumed rate of return may also affect the subsequent year's pension plan expense. The Corporation had assumed a 2002 return on plan assets of approximately 5%; however, the actual year-to-date return on plan assets through September 30, 2002 was negative. The discount rate assumption, the long-term rate of return assumption and the actual return on plan assets that will be used for calculating pension plan expense for 2003 will be finalized at the end of the year consistent with the Corporation's pension plan measurement date.

With respect to the Corporation's pension plans, the following analysis reflects the potential incremental impact of changes in the respective plan assumptions and experience:

- . Lowering the discount rate by 25 basis points would increase 2003 pension expense by approximately \$40 million to \$50 million.
- . Lowering the long-term rate of return on assets by 25 basis points would increase 2003 pension expense by approximately \$55 million to \$65 million.

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

Each 100 basis point decline in the 2002 actual return on plan assets, compared to the assumed rate of return, would increase 2003 pension expense by approximately \$10 million.

The balance sheet is expected to be adjusted at December 31, 2002 due to the recording of a minimum liability adjustment related to certain of the Corporation's pension plans. The adjustment is calculated on a plan-by-plan basis, and is determined by comparing the accumulated benefit obligation to the related fair value of the plan assets in accordance with SFAS No. 87, "Employers' Accounting for Pensions." The adjustment would be recorded as a reduction of stockholders' equity. Assuming there is no change in interest rates or equity market performance for the remainder of the year, the Corporation estimates that the after-tax impact of the adjustment on stockholders' equity would be in the range of \$1 billion to \$2 billion.

ADVANCES TO RUSSIAN MANUFACTURERS

In 1992, the Corporation entered into a joint venture with two Russian government-owned space firms to form Lockheed-Khrunichev-Energia International, Inc. (LKEI). Lockheed Martin owns 51 percent of LKEI. LKEI has exclusive rights to market launches of commercial, non-Russian-origin space payloads on the Proton family of rockets from a launch site in Kazakhstan. In 1995, another joint venture was formed, International Launch Services (ILS), with the Corporation and LKEI each holding a 50 percent ownership. ILS was formed to market commercial Atlas and Proton launch services worldwide. The Corporation consolidates the results of operations of LKEI and ILS into its financial statements. Contracts for Proton launch services typically provide for substantial advances from the customer prior to launch, and a sizable percentage of these advances are forwarded to Khrunichev State Research and Production Space Center (Khrunichev), the manufacturer in Russia, to provide for the manufacture of the related launch vehicle. If the contracted launch services could not be provided, a sizeable percentage of such advances would be required to be refunded to each customer.

At September 30, 2002, \$429 million related to launches not yet provided was included in the caption "customer advances and amounts in excess of costs incurred" on the consolidated balance sheet. Also at that date, \$589 million of payments to Khrunichev were reflected on the balance sheet in inventories, of which \$340 million related to launches currently under contract and \$249 million related to launches not under contract. Lockheed Martin and Khrunichev originally anticipated the inventory related to launches not under contract would be assigned to future launch vehicle orders over a period of not more than three years. However, due to the reduction in demand for commercial launch vehicles and continuing overcapacity in the launch vehicle market, the Corporation and Khrunichev are evaluating the impact of a longer period over which to sell the inventory related to launch vehicles not under contract. The Corporation's ability to realize such amounts may also be affected by Khrunichev's ability to provide the related launch services and the political environment in Russia. Through September 30, 2002, launch services provided through LKEI and ILS have been in accordance with contract terms.

The Corporation has entered into an agreement with RD AMROSS, a joint venture of the Pratt & Whitney division of United Technologies Corporation and the Russian firm NPO Energomash, for the development and purchase, subject to certain conditions, of RD-180 booster engines for use in the Corporation's Atlas launch vehicles. Terms of the agreement call for payments to be made to RD AMROSS upon the achievement of certain milestones in the development and manufacturing processes. Approximately \$44 million of payments made under this agreement for engines not yet delivered were included in the Corporation's inventories at September 30, 2002.

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

OTHER MATTERS

The Technology Services segment has a business unit which provides services to the government of Argentina. At September 30, 2002, the Corporation had investments in and advances to the business unit totaling approximately \$60 million. With regard to this business unit, the Corporation does not expect that the current economic situation in Argentina, including the devaluation of the Argentine peso, will have a material impact on the Corporation's results of operations, cash flows or financial position.

As more fully described in "Note 6 - Contingencies," 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 agreement with the DoE on cost recovery or other contract restructuring matters. In 1998, the management contractor for the project, a wholly-owned subsidiary of the Corporation, at the DoE's direction, terminated the Pit 9 contract for default and filed suit against the Corporation in the United States District Court for the District of Idaho seeking recovery of approximately \$54 million previously paid to the Corporation under the contract. The Corporation counterclaimed seeking to overturn the default termination and recover its costs. In 2001, the DoE filed a motion for summary judgment seeking to dismiss the Corporation's complaint on jurisdictional grounds, which the Court of Federal Claims granted, finding that there was no privity of contract between the Corporation and the United States sufficient to provide the Court with jurisdiction over the dispute. On September 30, 2002, the U.S. Court of Appeals for the Federal Circuit affirmed the decision of the Court of Federal Claims. The Corporation does not plan further appeal and will pursue its remedies in its counterclaims in the district court action. The Corporation continues to seek resolution of the Pit 9 dispute through non-litigation means.

Item 3. Quantitative and Qualitative Disclosure of Market Risk

Lockheed Martin Corporation Quantitative and Qualitative Disclosure of Market Risk

The Corporation's primary exposure to market risk relates to interest rates and, to a lesser extent, foreign currency exchange rates. The Corporation's financial instruments which are subject to interest rate risk principally include commercial paper and fixed-rate long-term debt. At September 30, 2002, the Corporation had no commercial paper outstanding. The Corporation's long-term debt obligations are generally not callable until maturity. The Corporation uses interest rate swaps to manage its exposure to fixed and variable interest rates. At the end of the third quarter of 2002, the Corporation had agreements in place to swap fixed interest rates on approximately \$920 million of its long-term debt for variable interest rates based on LIBOR. The interest rate swap agreements are designated as effective hedges of the fair value of the underlying fixed-rate debt instruments. At September 30, 2002, the fair values of interest rate swap agreements outstanding totaled approximately \$27 million. The amounts of gains and losses from changes in the fair values of the swap agreements were entirely offset by those from changes in the fair value of the associated debt obligations. The interest rate swaps create a market exposure to changes in the LIBOR rate. To the extent that the LIBOR index upon which the swaps are based increases or decreases by 1%, the Corporation's interest expense would increase or decrease by \$9 million on a pretax basis. Changes in swap rates would affect the market value of the agreements, but such changes in value would be offset by changes in value of the underlying debt obligations. A 1% rise in swap rates from those prevailing at September 30, 2002 would result in a decrease in market value of approximately \$13 million. A 1% decline would increase the market value by a like amount.

The Corporation uses forward foreign exchange contracts to manage its exposure to fluctuations in foreign exchange rates. These contracts are designated as qualifying hedges of the cash flows associated with firm commitments or specific anticipated transactions, and related gains and losses on the contracts, to the extent they are effective hedges, are recognized in income when the hedged transaction occurs. To the extent the hedges are ineffective, gains and losses on the contracts are recognized currently. At September 30, 2002, the fair value of forward exchange contracts outstanding, as well as the amounts of gains and losses recorded during the quarter and nine month periods then ended, were not material. The Corporation does not hold or issue derivative financial instruments for trading purposes.

Item 4. Controls and Procedures

Lockheed Martin Corporation Controls and Procedures

Within 90 days prior to the date of this report, the Corporation performed an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures. Disclosure controls and procedures help to ensure that the financial and non-financial information required to be disclosed in the Corporation's periodic filings with the Securities and Exchange Commission is recorded, processed, summarized and reported timely. The evaluation was performed with the participation of senior management of each business segment and key Corporate functions, and under the supervision of the Chief Executive Officer (CEO) and Chief Financial Officer (CFO). Based on the evaluation, the Corporation's management, including the CEO and CFO, concluded that the Corporation's disclosure controls and procedures were effective. There have been no significant changes in the Corporation's internal accounting controls or in other factors that could adversely affect internal accounting controls subsequent to the date of the evaluation.

Lockheed Martin Corporation
Forward-Looking Statements

This Form 10-Q contains statements which, to the extent that they are not recitations of historical fact, constitute forward-looking statements within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934. The words "believe," "estimate," "anticipate," "project," "intend," "expect," "plan," "outlook," "forecast" and similar expressions are intended to identify forward-looking statements. Numerous factors, including potentially the following factors, could affect the Corporation's forward-looking statements and actual performance: the ability to achieve savings through cost-cutting and other financial management programs; the level of returns on pension and retirement plan assets; the ability to obtain or the timing of obtaining future government awards; the availability of government funding and customer requirements both domestically and internationally; changes in government or customer priorities due to program reviews or revisions to strategic objectives (including changes in priorities to respond to terrorist threats or to improve homeland security); the termination of programs or contracts for convenience by customers; difficulties in developing and producing operationally advanced technology systems; launch failures and potential problems that might result, including potential loss of future or existing orders; the ability to procure insurance to cover operational and contractual risks, including launch and satellite failures, on commercially reasonable terms; the competitive environment (including continued pricing pressures associated with commercial satellites and launch services); economic business and political conditions both domestically and internationally; government import and export policies; program performance and the timing of contract payments (including the ability to perform fixed-price contracts within estimated costs, subcontractor performance, and the timing of product deliveries and customer acceptance); and the outcome of contingencies (including completion of acquisitions and divestitures, litigation and environmental remediation efforts). The Corporation's ability to monetize assets or businesses placed in discontinued operations will depend upon market and economic conditions, negotiation of acceptable terms with prospective purchasers and other factors, and may require receipt of regulatory or governmental approvals. Realization of the value of the Corporation's investments in equity securities, or related equity earnings for a given period, may be affected by the investee's ability to obtain adequate funding and execute its business plan, general market conditions, industry considerations specific to the investee's business, and/or other factors. Readers are cautioned not to place undue reliance on these forward-looking statements which speak only as of the date of this Form 10-Q. The Corporation does not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events, circumstances or changes in expectations after the date of this Form 10-Q, or to reflect the occurrence of unanticipated events. The forward-looking statements in this document are intended to be subject to the safe harbor protection provided by Sections 27A of the Securities Act and 21E of the Exchange Act.

For a discussion identifying some important factors that could cause actual results to vary materially from those anticipated in the forward-looking statements, see the Corporation's Securities and Exchange Commission filings including, but not limited to, the discussions of "Competition and Risk," "Government Contracts and Regulations," and "Industry Considerations" on pages 11 through 12, pages 13 through 14 and pages 28 through 31, respectively, of the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2001 (Form 10-K); "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 18 through 30 of this Form 10-Q; "Note 2 - Exit From the Global Telecommunications Services Business," "Note 3 - Adoption of New Accounting Standard" and "Note 6 - Contingencies" of the Notes to Unaudited Condensed Consolidated Financial Statements on pages 7 through 8, pages 8 through 9 and pages 11 through 14, respectively, of this Form 10-Q; and Part II - Item 1, "Legal Proceedings" on page 34 of this Form 10-Q.

Part II. Other Information

Lockheed Martin Corporation 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, as described in "Note 6 - Contingencies" of the Notes to Unaudited Condensed Consolidated Financial Statements in this Form 10-Q, and in the Corporation's 2001 Annual Report on Form 10-K (Form 10-K), or arising in the ordinary course of business. In the opinion of management, the probability is remote that the outcome of any such litigation or other proceedings will have a material adverse effect on the Corporation's results of operations or financial position.

The Corporation is primarily engaged in providing products and services under contracts with the U.S. Government and, to a lesser degree, under direct foreign sales contracts, some of which are funded by the U.S. Government. These contracts are subject to extensive legal and regulatory requirements and, from time to time, agencies of the U.S. Government investigate whether the Corporation's operations are being conducted in accordance with these requirements. U.S. Government investigations of the Corporation, whether relating to these contracts or conducted for other reasons, could result in administrative, civil or criminal liabilities, including repayments, fines or penalties being imposed upon the Corporation, or could lead to suspension or debarment from future U.S. Government contracting. U.S. Government investigations often take years to complete and many result in no adverse action against the Corporation. For the U.S. Government investigations described in the Corporation's Form 10-K, it is too early for Lockheed Martin to determine whether adverse decisions relating to these investigations could ultimately have a material adverse effect on its results of operations or financial position.

As previously reported, two shareholder class-action complaints have been filed against the Corporation and certain of its officers and directors in the United States District Court for the Central District of California. They are captioned "In re Lockheed Martin Corp. Securities Litigation" and "Kops et al. v. Lockheed Martin et al." In the Securities Litigation proceeding, the district court granted our motion to dismiss the second amended complaint on July 22, 2002. The plaintiffs filed a third amended complaint on September 12, 2002, and we filed a motion to dismiss that complaint on October 28, 2002.

In the Kops proceeding, the district court granted part and denied part of our motion to dismiss the second amended complaint on November 1, 2002. The court dismissed, with leave to amend, the allegation that we publicly announced false or misleading expectations about anticipated results in a variety of areas, including the sale of F-16 aircraft to a foreign government in 1999, expected deliveries of C-130J aircraft in 1999 and earnings projections. The court dismissed, without leave to amend, the allegations that we made false statements regarding the expected number of satellite launches in 1999. The court denied our motion regarding the allegations that we falsely claimed the sale of six C-130J aircraft to the Air Force and improperly recognized revenue from that sale. We intend to defend these actions vigorously.

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

Lockheed Martin Corporation
Other Information (continued)

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

1. Exhibit 10.1 Lockheed Martin Corporation Deferred Management Incentive Compensation Plan, as amended effective October 1, 2002.
2. Exhibit 10.2 Lockheed Martin Corporation Directors Equity Plan, as amended effective October 24, 2002.
3. Exhibit 10.3 Lockheed Martin Corporation Directors Deferred Compensation Plan, as amended effective October 24, 2002.
4. Exhibit 10.4 Lockheed Martin Corporation Directors Deferred Stock Plan, as amended effective October 24, 2002.
5. Exhibit 12. Lockheed Martin Corporation Computation of Ratio of Earnings to Fixed Charges for the nine months ended September 30, 2002.
6. Exhibit 99.1 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
7. Exhibit 99.2 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K filed in the third quarter of 2002.

1. Current report on Form 8-K filed on August 20, 2002.

Item 5. Other Events

The Corporation filed information regarding two internal corporate policy statements pertaining to international consultants and procedures under the Foreign Corrupt Practices Act.

Item 7. Financial Statements and Exhibits

Lockheed Martin Corporation Policy Statement No. CPS-704 (International Consultants), as amended.

Lockheed Martin Corporation Policy Statement No. CPS-730 (Compliance with the Foreign Corrupt Practices Act), as amended.

2. Current report on Form 8-K filed on August 8, 2002.

Item 5. Other Events

The Corporation filed CEO and CFO sworn statements required by the Securities and Exchange Commission Order No. 4-460.

Lockheed Martin Corporation
Other Information (continued)

Item 7. Financial Statements and Exhibits

Statement under oath of principal executive officer
regarding facts and circumstances relating to Exchange Act
filings dated August 8, 2002.

Statement under oath of principal financial officer
regarding fact and circumstances relating to Exchange Act
filings dated August 8, 2002.

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 8, 2002

by: /s/ Rajeev Bhalla

Rajeev Bhalla
Vice President and Controller
(Chief Accounting Officer)

LOCKHEED MARTIN CORPORATION

CERTIFICATION

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

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

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 8, 2002

/s/ Vance D. Coffman

Vance D. Coffman
Chairman and Chief Executive Officer

LOCKHEED MARTIN CORPORATION

CERTIFICATION

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

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

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 8, 2002

/s/ Christopher E. Kubasik

Christopher E. Kubasik
Senior Vice President and Chief Financial
Officer

LOCKHEED MARTIN CORPORATION
DEFERRED MANAGEMENT INCENTIVE
COMPENSATION PLAN

(Adopted July 27, 1995)
As Amended August 1, 1998
As Amended Effective January 1, 1999
As Amended June 28, 2001
As Amended December 6, 2001
As Amended October 1, 2002

ARTICLE I

PURPOSES OF THE PLAN

The purposes of the Lockheed Martin Corporation Deferred Management Incentive Compensation Plan (the "Deferral Plan") are to provide certain key management employees of Lockheed Martin Corporation and its subsidiaries (the "Company") the opportunity to defer receipt of Incentive Compensation awards under the Lockheed Martin Corporation Management Incentive Compensation Plan (the "MICP") and Long Term Incentive Award payments under the Lockheed Martin Corporation 1995 Omnibus Performance Award Plan (the "Omnibus Plan"). Providing this opportunity to defer income under the Deferral Plan will encourage key employees to maintain a financial interest in the Company's performance. Except as expressly provided hereinafter, the provisions of this Deferral Plan and the MICP shall be construed and applied independently of each other.

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

ARTICLE II

DEFINITIONS

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

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

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

3. AWARD YEAR -- As to Incentive Compensation, the calendar year with respect to which an Eligible Employee is awarded Incentive Compensation; as to a Long Term Incentive Award payment, the first calendar year in the Performance Period for which the Long Term Incentive Award is effective with respect to an Eligible Employee.

4. BENEFICIARY -- The person or persons (including a trust or trusts) validly designated by a Participant, on the form provided by the Company, to receive distributions of the Participant's Account Balance, if any, upon the Participant's death. In the absence of a valid designation, or if the designated Beneficiary has predeceased the Participant, the Beneficiary shall be the person or persons entitled by will or the laws of descent and distribution to receive the amounts otherwise payable to the Participant under this Deferral Plan; a Participant may amend his or her Beneficiary designation at any time before the Participant's death.

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

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

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

8. COMPANY DEFERRALS -- The amount deferred by the Company, and not at the election of the Participant, for the two-year period following the end of a Performance Period for a Long Term Incentive Award.

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

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

11. DEFERRAL PLAN -- The Lockheed Martin Corporation Deferred Management Incentive Compensation Plan, adopted by the Board on July 27, 1995, and as amended from time to time.

12. DEFERRED COMPENSATION -- The amount of Incentive Compensation credited to a Participant's Account under the Deferral Plan and the amount of any Long Term Incentive Award payment credited to a Participant's Account under the Deferral Plan (other than Company Deferrals).

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

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

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

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

17. LONG TERM INCENTIVE AWARD -- A long term incentive award granted to an employee under the Omnibus Plan.

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

19. OMNIBUS PLAN -- The Lockheed Martin Corporation 1995 Omnibus Performance Award Plan.

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

21. PAYMENT DATE -- As to any Participant, the January 15 or July 15 on or about on which payment to the Participant is to begin in accordance with the Participant's election made pursuant to Section 2 or 4 of Article V.

22. PERFORMANCE PERIOD -- The period set forth in a Long Term Incentive Award over which the Company's performance is measured by reference to total stockholder return to determine whether any payment will be made under such Long Term Incentive Award.

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

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

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

ARTICLE III

ELECTION OF DEFERRED AMOUNT

1. Timing of Deferral Elections.

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

(b) Long Term Incentive Awards. An Eligible Employee may elect to defer a Long Term Incentive Award payment by executing and delivering to the Company a Deferral Agreement no later than October 31 of that Award Year provided that any election by a Section 16 Person shall be subject to the provisions of Section 4 of Article IV.

(c) Irrevocability of Elections. An Eligible Employee's Deferral Agreement shall be irrevocable when delivered to the Company. Each Deferral Agreement shall apply only to amounts deferred in that Award Year and a separate Deferral Agreement must be completed for each Award Year for which an Eligible Employee defers Incentive Compensation or a Long Term Incentive Award.

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

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

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

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

(d) all of the Eligible Employee's Incentive Compensation or Long Term Incentive Award payment.

An Eligible Employee's deferral election shall be effective only if the Participant is awarded, in the case of Incentive Compensation, at least \$10,000 of Incentive Compensation for that Award Year, or in the case of Long Term Incentive Award, at least \$10,000 is payable to the Participant in cash at the conclusion of the Performance Period applicable to a Long Term Incentive Award payment. In addition, in the case of a deferral election under paragraph (c) of this Section 2, an Eligible Employee's deferral election shall be effective only if the resulting excess amount is at least \$5,000.

3. Effect of Taxes on Deferred Compensation. The amount that would otherwise be deferred and credited to an Eligible Employee's Account will be reduced by the amount of any tax that the Company is required to withhold with respect to the Deferred Compensation. The reduction for taxes

shall be made proportionately out of amounts otherwise allocable to the Interest Option and the Company Stock Investment Option.

4. Multiple Awards. In the case of an Eligible Employee who receives more than one Long Term Incentive Award with respect to the same Performance Period, the elections made by the Eligible Employee under this Article III as well as under Articles V and VI for the first Long Term Incentive Award granted to the Eligible Employee with respect to a Performance Period shall be deemed to be the elections made by that Eligible Employee for any other Long Term Incentive Awards granted to that Eligible Employee with respect to that same Performance Period.

5. Company Deferrals. Pursuant to the terms of the Long Term Incentive Awards, 50% of the amount payable at the end of the Performance Period will be automatically deferred until the second anniversary of the last day of the Performance Period with respect to a particular award. The Company may establish an account for Company Deferrals under the Company Stock Investment Option of this Deferral Plan. However, the terms governing the Company Deferrals will be governed for the two year period of deferral by the terms of the award agreement entered into under the Omnibus Plan with respect to the Long Term Incentive Award and not by this Deferral Plan. Notwithstanding the foregoing, if the Participant elects to defer the Company Deferrals beyond the second anniversary of the end of the Performance Period, the deferrals will be treated as made under this Deferral Plan for the period following the second anniversary of the end of the Performance Period.

ARTICLE IV

CREDITING OF ACCOUNTS

1. Crediting of Deferred Compensation. Incentive Compensation or a Long Term Incentive Award payment that has been deferred hereunder shall be credited to a Participant's Account as of the day on which the Incentive Compensation would have been paid or the Long Term Incentive Award payment would have made to the Participant if no Deferral Agreement had been made. Company Deferrals shall be credited as of the last day of the Performance Period.

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

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

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

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

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

4. Special Rules for Section 16 Persons. Notwithstanding the foregoing, an election by a Section 16 Person to have Deferred Compensation allocated to the Company Stock Investment Option shall be given effect only if irrevocably made at least six months prior to the effective date of the allocation. If a Section 16 Person's Deferral Agreement for an Award Year is entered into less than six months prior to the date that Deferred Compensation is credited for that Award Year, and if he or she has elected to have any portion of the Deferred Compensation for that Award Year allocated to the Company Stock Investment Option, that portion shall initially be allocated to the Interest Option and shall be reallocated and credited to the Company Stock Investment Option as of the first day of the seventh month following the month in which the Deferral Agreement was made. An Eligible Employee who first becomes a Section 16 Person after his or her Deferral Agreement has been entered into for an Award Year shall be subject to the requirements of this Section 4, except that such an Eligible Employee shall be permitted, within ten business days after becoming a Section 16 Person, to make irrevocable modified investment elections for that Award Year; any allocations to the Company Stock Investment Option on behalf of such a Section 16 Person shall be deferred until the first day of the seventh month following the month in which the Eligible Employee's modified election is made (or, if later, the first day of the seventh month following the month in which the election period expires without a modified election having been made).

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

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

ARTICLE V

PAYMENT OF BENEFITS

1. General. The Company's liability to pay benefits to a Participant or Beneficiary under this Deferral Plan shall be measured by and shall in no event exceed the Participant's Account Balance. Except as otherwise provided in this Deferral Plan (including but not limited to Section 5 of Article III with respect to Company Deferrals), a Participant's Account Balance shall be paid to him in accordance with the Participant's elections under Sections 2 and 3 of this Article, and such elections shall be continuing and irrevocable. All benefit payments shall be made in cash and, except as otherwise provided, shall reduce allocations to the Interest Option and the Company Stock Investment Option in the same proportions that the Participant's Account Balance is allocated between those investment options at the end of the month preceding the date of distribution. Notwithstanding the foregoing, no amount shall be distributed to a Section 16 Person under this Deferral Plan unless the amount was allocated to the Participant's Account at least six months prior to the date of distribution or no portion of the amount was allocated to the Company Stock Investment Option.

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

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

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

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

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

(a) Payment Election Changes. Notwithstanding anything to the contrary in Sections 1 through 4 of this Article V, a Participant may make an election with respect to the commencement of payment (from among the options set forth in Section 2(A), (B), or (C) above) and form of payment (from among the options set forth in Section 3(A) or (B) above) of his or her entire Account Balance, or with respect to specific Award Years, by executing and delivering to the Company an election form on or after October 1, 2002 in such form as prescribed by the Company. If a Participant has different payment options in effect with respect to his or her Account Balance, the Company shall maintain sub-

accounts for the Participant to determine the amounts subject to each payment election; however, no election or modification of an election will be accepted if it would require the Company to maintain more than five sub-accounts within the Participant's Account in order to make payments in accordance with the Participant's elections.

In the event a Participant does not make a valid election with respect to the commencement of payment and form of benefit for an Award Year commencing on or after October 1, 2002, the Participant will be deemed to have elected that payment of benefits with respect to that Award Year be made in a lump sum on or about the January 15th or July 15th next following the date of the Participant's termination of employment.

A Participant's election with respect to an Award Year (including a "deemed election" in accordance with the preceding paragraph) shall remain in effect unless and until such election is modified by a subsequent election in accordance with the second preceding paragraph above.

To constitute a valid election, an election made after October 1, 2002 must be executed and delivered to the Company (i) at least six months before the date the first payment would be due under the Participant's previous election and (ii) in a different calendar year than the date the first payment would be due under the Participant's previous election. In the event an election fails to satisfy the provisions set forth in this paragraph, such election shall be void.

No election will be considered valid to the extent the election would (i) result in a payment being made within six months of the date of the election or (ii) result in a payment in the same calendar year as the date of the election. In the event an election fails to satisfy the provisions set forth in this paragraph, the first payment under the election will be delayed until the first January 15 or July 15 that is both (i) at least six months after the date of the election and (ii) in a calendar year after the date of the election.

A Participant may not make or modify an election with respect to commencement of payment or form of payment after the date a Participant terminates employment.

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

6. Acceleration Upon Conflict of Interest. Notwithstanding a Participant's payment elections under Sections 2 and 3, if following a Participant's termination of employment with the Company, the Participant takes a position (or accepts a position) with a governmental entity, agency, or instrumentality and that employer has determined or indicated that the Participant's continued participation in the Plan may constitute a conflict of interest precluding the Participant from continuing in his position (or from accepting an offered position) with that employer or subjecting the Participant to penalty, sanction, or otherwise limiting the Participant's responsibilities for that employer, except as

provided in Section 5 of Article III with respect to Company Deferrals, then the Participant's Account Balance shall be distributed to him or her in a lump sum as soon as practical following the later of (i) the date on which the Participant commences employment with the government employer; or (ii) the date on which it is determined that the conflict of interest may exist.

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

8. Early Distributions in Special Circumstances. Notwithstanding a Participant's payment elections under Sections 2 and 3 of this Article V, a Participant or Beneficiary may request an earlier distribution in the following limited circumstances (except as provided in Section 5 of Article III with respect to Company Deferrals):

(a) Hardship Distributions. Subject to the last sentence of this Section 8(a) with respect to Section 16 Persons, the Committee shall have the power and discretion at any time to approve a payment to a Participant if the Committee determines that the Participant is suffering from a serious financial emergency caused by circumstances beyond the Participant's control which would cause a hardship to the Participant unless such payment were made. Any such hardship payment will be in a lump sum and will not exceed the lesser of (i) the amount necessary to satisfy the financial emergency (taking account of the income tax liability associated with the distribution), or (ii) the Participant's Account Balance. In the event that a Section 16 Person seeks a hardship withdrawal under this Section 8(a), the distribution will be made first out of the portion of the Participant's Account, if any, allocated to the Interest Option; if the hardship distribution cannot be satisfied in full out of amounts allocated to the Interest Option, no distribution will be made from the portion of the Participant's Account allocated to the Company Stock Investment Option until the seventh month following the month in which the Participant's application under this Section 8(a) was made, which application shall be irrevocable when made.

(b) Withdrawal with Forfeiture. A Participant may elect at any time to withdraw ninety percent (90%) of the amount credited to the Participant's Account. If such a withdrawal is made, the remaining ten percent (10%) of the Participant's Account shall be permanently forfeited, and the Participant will be prohibited from deferring any amount under the Deferral Plan for the Award Year in which the withdrawal is received (or the first Award Year in which any portion of the withdrawal is received). In the event that a Section 16 Person seeks a withdrawal under this Section 8(b), any portion of the Section 16 Person's Account allocated to the Company Stock Investment Option will not be subject to distribution or forfeiture until the seventh month following the month in which the Participant's election under this Section 8(b) was made, which election shall be irrevocable when made; any portion of the Section 16 Person's Account allocated to the Interest Option will be subject to immediate distribution and forfeiture; the ten

percent forfeiture shall be separately applied to each such portion of the Section 16 Person's Account at the time of distribution.

(c) Death or Disability. In the event that a Participant dies or becomes permanently disabled before the Participant's entire Account Balance has been distributed, the Committee, in its sole discretion, may modify the timing of distributions from the Participant's Account, including the commencement date and number of distributions, if it concludes that such modification is necessary to relieve the financial burdens of the Participant or Beneficiary.

9. Acceleration upon Change in Control.

(a) Notwithstanding any other provision of the Deferral Plan, except as provided in Section 5 of Article III with respect to Company Deferrals, the Account Balance of each Participant shall be distributed in a single lump sum within fifteen (15) calendar days following a "Change in Control."

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

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

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

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

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

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

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

(c) Notwithstanding the provisions of Section 9(a), if a distribution in accordance with the provisions of Section 9(a) would result in a nonexempt short-swing transaction under Section 16(b) of the Exchange Act with respect to any Section 16 Person, then the date of distribution to such Section 16 Person shall be delayed until the earliest date upon which the distribution either would not result in a nonexempt short-swing transaction or would otherwise not result in liability under Section 16(b) of the Exchange Act.

(d) This Section 9 shall apply only to a Change in Control of Lockheed Martin Corporation and shall not cause immediate payout of Deferred Compensation in any transaction involving the Company's sale, liquidation, merger, or other disposition of any subsidiary.

(e) The Committee may cancel or modify this Section 9 at any time prior to a Change in Control. In the event of a Change in Control, this Section 9 shall remain in force and effect, and shall not be subject to cancellation or modification for a period of five years, and any defined term used in Section 9 shall not, for purposes of Section 9, be subject to cancellation or modification during the five year period.

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

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

12. Tax Withholding. To the extent required by law, the Company shall withhold from benefit payments hereunder, or with respect to any Incentive Compensation or Long Term Incentive

Award payment deferred hereunder, any Federal, state, or local income or payroll taxes required to be withheld and shall furnish the recipient and the applicable government agency or agencies with such reports, statements, or information as may be legally required.

ARTICLE VI

EXTENT OF PARTICIPANTS' RIGHTS

1. Unfunded Status of Plan. This Deferral Plan constitutes a mere contractual promise by the Company to make payments in the future, and each Participant's rights shall be those of a general, unsecured creditor of the Company. No Participant shall have any beneficial interest in any specific assets that the Company may hold or set aside in connection with this Deferral Plan. Notwithstanding the foregoing, to assist the Company in meeting its obligations under this Deferral Plan, the Company may set aside assets in a trust described in Revenue Procedure 92-64, 1992-2 C.B. 422, and the Company may direct that its obligations under this Deferral Plan be satisfied by payments out of such trust. The assets of any such trust will remain subject to the claims of the general creditors of the Company. It is the Company's intention that the Deferral Plan be unfunded for Federal income tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974.

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

ARTICLE VII

AMENDMENT OR TERMINATION

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

2. Termination. The Board reserves the right to terminate this Plan at any time and to pay all Participants their Account Balances in a lump sum immediately following such termination or at such time thereafter as the Board may determine; provided, however, that if a distribution in accordance with the provisions of this Section 2 would otherwise result in a nonexempt short-swing transaction under Section 16(b) of the Exchange Act, the date of distribution with respect to any Section 16 Person shall be delayed until the earliest date upon which the distribution either would not result in a nonexempt short-swing transaction or would otherwise not result in liability under Section 16(b) of the Exchange Act.

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

ARTICLE VIII

ADMINISTRATION

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

2. Delegation and Reliance. The Committee may delegate to the officers or employees of the Company the authority to execute and deliver those instruments and documents, to do all acts and things, and to take all other steps deemed necessary, advisable or convenient for the effective administration of this Deferral Plan in accordance with its terms and purpose, except that the Committee may not delegate any authority the delegation of which would cause this Deferral Plan to fail to satisfy the applicable requirements of Rule 16b-3. In making any determination or in taking or not taking any action under this Deferral Plan, the Committee may obtain and rely upon the advice of experts, including professional advisors to the Company. No member of the Committee or officer of the Company who is a Participant hereunder may participate in any decision specifically relating to his or her individual rights or benefits under the Deferral Plan.

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

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

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

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

- (A) The Committee shall:
 - (i) notify the claimant within a reasonable time of such denial, setting forth the specific reasons therefore; and
 - (ii) afford the claimant a reasonable opportunity for a review of the decision.
- (B) The notice of such denial shall set forth, in addition to the specific reasons for the denial, the following:
 - (i) identification of pertinent provisions of this Deferral Plan;
 - (ii) such additional information as may be relevant to the denial of the claim; and
 - (iii) an explanation of the claims review procedure and advice that the claimant may request an opportunity to submit a statement of issues and comments.
- (C) Within sixty days following advice of denial of a claim, upon request made by the claimant, the Committee shall take appropriate steps to review its decision in light of any further information or comments submitted by the claimant. The Committee may hold a hearing at which the claimant may present the basis of any claim for review.
- (D) The Committee shall render a decision within a reasonable time (not to exceed 120 days) after the claimant's request for review and shall advise the claimant in writing of its decision, specifying the reasons and identifying the appropriate provisions of the Deferral Plan.

ARTICLE IX

GENERAL AND MISCELLANEOUS PROVISIONS

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

2. Neither Incentive Compensation nor Long Term Incentive Award payments deferred under this Deferral Plan shall be treated as compensation for purposes of calculating the amount of a Participant's benefits or contributions under any pension, retirement, or other plan maintained by the Company, except as provided in such other plan.

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

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

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

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

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

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

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

10. It is the intent of the Company that this Deferral Plan satisfy and be interpreted in a manner, that, in the case of Participants who are or may be Section 16 Persons, satisfies any applicable requirements of Rule 16b-3 of the Exchange Act or other exemptive rules under Section 16 of the Exchange Act and will not subject Section 16 Persons to short-swing profit liability thereunder. If any provision of this Deferral Plan would otherwise frustrate or conflict with the intent expressed in this Section 10, that provision to the extent possible shall be interpreted and deemed amended so as to avoid such conflict. To the extent of any remaining irreconcilable conflict with this intent, the provision shall be deemed disregarded. Similarly, any action or election by a Section 16 Person with respect to the Deferral Plan to the extent possible shall be interpreted and deemed amended so as to avoid liability under Section 16 or, if this is not possible, to the extent necessary to avoid liability under Section 16, shall be deemed ineffective. Notwithstanding anything to the contrary in this Deferral Plan, the provisions of this Deferral Plan may at any time be bifurcated by the Board or the Committee in any manner so that certain provisions of this Deferral Plan are applicable solely to Section 16 Persons. Notwithstanding any other provision of this Deferral Plan to the contrary, if a distribution which would otherwise occur is prohibited or proposed to be delayed because of the provisions of Section 16 of the Exchange Act or the provisions of the Deferral Plan designed to ensure compliance with Section 16, the Section 16 Person involved may affirmatively elect in writing to have the distribution occur in any event; provided that the Section 16 Person shall concurrently enter into arrangements satisfactory to the Committee in its sole discretion for the satisfaction of any and all liabilities, costs and expenses arising from this election.

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

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

ARTICLE X

EFFECTIVE DATE AND SHAREHOLDER APPROVAL

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

This Deferral Plan has been amended and restated effective as of the dates stated on the first page hereof.

LOCKHEED MARTIN CORPORATION

Terry F. Powell
Senior Vice President, Human Resources

WITNESS:

LOCKHEED MARTIN CORPORATION
DIRECTORS EQUITY PLAN

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LOCKHEED MARTIN CORPORATION

DIRECTORS EQUITY PLAN

May 1, 1999
As Amended May 1, 2000
As Amended Effective January 1, 2002
As Amended Effective October 24, 2002

ARTICLE I

TITLE, PURPOSE AND AUTHORIZED SHARES

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

ARTICLE II

DEFINITIONS

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

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

Award means an award granted pursuant to Section 3.1.

Award Date means May 1 of each year, commencing in 1999, 2000 or 2001 (or if May 1 falls on a weekend or holiday, the next following business day) and January 15 of each year, commencing in 2002 and years thereafter (or if January 15 falls on a weekend or holiday, the next following business day).

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

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

Change in Control means:

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

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

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

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

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

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

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

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

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

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

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

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

Effective Date means May 1, 1999, or such later date as is specified in an amendment or in the Plan.

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

Fair Market Value means in the case of a Stock Unit the closing price of the Stock as reported on the composite tape of the New York Stock Exchange issues on the relevant date, or, if no sale of Stock is reported for that date, the next preceding day for which there is a reported sale and in the case of an Option shall mean the fair market value of an option to buy Stock granted on the relevant day as determined using the Black Scholes option pricing methodology.

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

Plan means the Lockheed Martin Corporation Directors Equity Plan.

Retirement means retirement from the Corporation pursuant to Section 2.03 of the Corporation's By-Laws at the expiration of a Director's term.

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

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

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

ARTICLE III

PARTICIPATION

3.1. Award. Effective January 15, 2002, and on each Award Date thereafter during the term of this Plan, each Director shall be granted, in the form elected by the Director pursuant to Section 3.2, one of the following Awards:

- (a) For Award Dates occurring in 2002 and thereafter during the term of this Plan, Units with a Fair Market Value of \$75,000 credited to the Director's Stock Unit Account;
- (b) For Award Dates occurring in 2002 and thereafter during the term of this Plan, Units credited to the Director's Stock Unit Account with a Fair Market Value of \$37,500 and Options to purchase shares of Stock with a Fair Market Value of \$37,500; or
- (c) For Award Dates occurring in 2002 and thereafter during the term of this Plan, Options to purchase shares of Stock with a Fair Market Value of \$75,000.
- (d) In the case of any Director who is not serving as a Director on the Award Date but becomes a Director following the immediately succeeding annual meeting of the Corporation, the Award granted to the Director on May 1 will be two-thirds (2/3) of the amount of the form elected by the Director pursuant to Section 3.1(a), (b), or (c). Awards made upon the filling of a vacancy in the Board of Directors at any other time of the year will be similarly prorated to reflect the portion of the year during which the individual serves as a Director.
- (e) In the case of a Director who will attain age 70 on or before the annual meeting following an Award Date and who will retire from the Board of Directors at that annual meeting, the award to be made to that Director will be one-third (1/3) of the amount of the form elected by the Director pursuant to Section 3.1(a), (b), or (c).

For purposes of this Section 3.1, Fair Market Value shall be determined on the Award Date.

3.2. Election. Prior to the Award Date, a Director must file an election form, as provided by the Corporation, with the Secretary of the Corporation specifying the form of the Award the Director elects to receive pursuant to Section 3.1. A Director's election shall remain in effect for Awards made in each subsequent calendar year, unless the Director files a revised election form or written revocation of the election with the Secretary of the Corporation before January 15 of the following year. A Director's election shall be irrevocable after the Award for a particular year is made. Notwithstanding the preceding sentences of Section 3.2, in a Director's first year of service on the Board, an election shall be valid if it is filed within 30 days after the Director commenced service as a Director (but in any event prior to the date on which the Units are credited).

ARTICLE IV

STOCK UNITS

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

4.2. Dividend Equivalents; Dividend Equivalent Stock Account.

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

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

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

4.4. Distribution of Benefits.

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

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

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

distribution as to the percentage the Director elects to receive in the form of cash and the percentage the Director elects to receive in whole shares of Common Stock.

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

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

(f) Timing of Elections. A Director may change any election as to the manner of distribution and file a new election choosing a lump sum or installment payments with respect to all of the Director's Accounts or with respect to one or more specific Awards, by executing and delivering to the Company an election (on such form as prescribed by the Company) within the time periods described in Section 4.4(f). An election must be made prior to the Director's termination of service as a Director and (i) at least six months before the date the first payment would be due and (ii) in a calendar year prior to the calendar year in which the first payment would be due. In the event an election fails to satisfy the terms of this Section 4.4(f), such election shall be void and payment of a Director's Award shall commence under the Director's previous valid election or, if none exists, shall be made in a lump sum.

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

ARTICLE V

STOCK OPTIONS

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

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

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

5.3. Vesting; Term of Options; limitations on exercisability. Options shall become exercisable on the day following the first anniversary of the date the Options are granted and, subject to Section 5.3, shall expire on the tenth anniversary of the date the Options are granted. Notwithstanding the provisions of this Section 5.3, upon a Change in Control or in the event a Director's service as director

terminates by reason of such Director's Retirement, death or Disability, all options shall become exercisable, except that no Option will be exercisable prior to the the six month anniversary of the granting of the Options to the Director.

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

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

ARTICLE VI

ADMINISTRATION

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

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

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

ARTICLE VII

PLAN CHANGES AND TERMINATION

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

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

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

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

ARTICLE VIII

MISCELLANEOUS

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

8.2. Beneficiaries.

(a) Beneficiary Designation. Upon forms provided and in accordance with procedures established by the Corporation, each Director may designate in writing (and change a designation of) the Beneficiary or Beneficiaries (as defined in Section 8.2(b)) that the Director chooses to

receive the Common Stock payable under this Plan after his or her death, subject to applicable laws (including any applicable community property and probate laws).

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

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

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

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

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

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

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

LOCKHEED MARTIN CORPORATION
DIRECTORS DEFERRED COMPENSATION PLAN

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LOCKHEED MARTIN CORPORATION
DIRECTORS DEFERRED COMPENSATION PLAN

March 15, 1995
As Amended December 7, 1995
As Amended April 24, 1996
As Amended February 27, 1997
As Amended December 3, 1998
As Amended February 24, 1999
As Amended October 24, 2002

ARTICLE I

PURPOSE

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

ARTICLE II

DEFINITIONS

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

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

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

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

Committee means the Committee appointed to administer this Plan, as provided in Section 7.1 hereof.

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

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

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

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

Director's Fees means the cash fees payable to a Director for services as a Director and for services on any Committee of the Board, including the amount of any retainer paid to a non-employee for services as Chairman of the Board.

Effective Date means the effective date referred to in Section 8.8.

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

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

Plan means the Lockheed Martin Corporation Directors Deferred Compensation Plan.

ARTICLE III

PARTICIPATION

3.1 Timing of Deferral Elections. In order to defer Director's fees earned in any calendar year, a Director must make a deferral election by executing and filing an Election Form before the commencement of that calendar year. In the case of a new Director, an election to defer Director's fees must be filed within 30 days after the commencement of the Director's term of office and shall apply only to fees for services after the date of such election. The deferral election shall specify the manner in which earnings (or losses) on the deferred amount shall accrue in accordance with Section 4.2 below. To the extent that a Director elects that any portion of a deferred amount shall accrue earnings based on the Lockheed Martin Common Stock Investment Option, such an election shall be given effect only if (i) the election is irrevocably made at least six (6) months prior to the effective date of the allocation or (ii) the crediting of the deferred amount to the Lockheed Martin Common Stock Investment Option has been approved by the Board of Directors (or a committee thereof that is comprised of persons specified in Section 7.1). To the extent that a Director makes an election to have Deferred Compensation credited to the Lockheed Martin Common Stock Investment Option which is not in compliance with (i) or (ii) above, the amount elected to be deferred into the Lockheed Martin Common Stock Investment Option shall initially be allocated to the Interest Option until such time as the allocation to the Lockheed Martin Common Stock Investment Option would be in compliance with (i) or (ii) above, at which time the deferred amount shall automatically be reallocated.

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

ARTICLE IV

CREDITING OF ACCOUNTS

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

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

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

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

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

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

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

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

ARTICLE V

PAYMENT OF DEFERRED COMPENSATION

5.1 Manner of Distribution.

(a) Lump sum payments. Subject to the provisions of Section 5.6, a Director's Deferred Compensation shall be paid as a lump sum cash payment equal to the balance credited to the Director's Account on or about January 15th of the calendar year that next follows the date of the termination of the Director's status as a Director, unless the Director has elected to receive installment payments in accordance with Section 5.1(b).

(b) Installment payments. A Director may elect to have the Director's Deferred Compensation distributed in annual installments commencing on or about January 15th of the calendar year that next follows the date of the termination of the Director's status as a Director and continuing over a maximum period of ten (10) years. The amount of each annual installment shall be determined by dividing the Director's Account balance (or the portion of the Account balance to which the installment election applies) on the December 31 preceding the payment date by the number of years remaining in the elected installment period.

(c) Deferral For Directors Fees Earned in 1996. A Director may elect to have the Director's Deferred Compensation earned during the 1996 calendar year credited and paid as a lump sum under (a) or annual installments under (b) except that payment (or installments, as the case may be) will be made (or commence) on January 1, 1998, or as soon as practicable thereafter regardless of whether the Director has terminated service as a Director.

(d) Timing of Elections. A Director may change any election as to the manner of distribution and file a new election choosing a lump sum or installment payments with respect to the payment of the Director's entire Account, or with respect to fees deferred for specific years or with respect to the specific benefits available under Article VI, by executing an election (on a form prescribed by the Company) within the time periods described in this Section 5.1(d). An election must be made prior to the Director's termination of service as a director and (i) at least six months before the date the first payment would be due and (ii) in a calendar year prior to the calendar year in which the first payment would be due. In the event an election fails to satisfy the terms of this Section 5.1(d), such election shall be void and payment shall commence under the Director's previous valid election or, if none exists, shall be paid in a lump sum.

5.2 Commencement of Payments. Subject to the provisions of Section 5.6 and except as provided in Sections 5.1(c) and 5.4, the payment of Deferred Compensation to a Director shall be made or commence on or about January 15th of the first calendar year following the year in which the Director ceases to be a Director, whether due to resignation, retirement, disability, death, or otherwise. Installment payments shall continue to be made in January of each succeeding year until all installments have been paid.

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

5.4 Emergency Withdrawals. In the event of an unforeseeable emergency prior to the commencement of distributions or after the commencement of installment payments, the Committee may approve a distribution to a Director (or Beneficiary after the death of a Director) of the part of the Director's Account balance that is reasonably needed to satisfy the emergency need. An Emergency withdrawal will be approved only in a circumstance of severe financial hardship to the Director (or Beneficiary after the death of the Director) resulting from a sudden and unexpected illness or accident of the Director (or Beneficiary, as applicable) or of a dependent of the Director (or Beneficiary, as applicable), loss of property due to casualty, or other similar extraordinary or unforeseeable circumstance

arising from events beyond the control of the Director (or Beneficiary, as applicable). The investment earnings credited to the Director's Account shall be determined as if the withdrawal had been debited from the Director's Account on the first day of the month in which the withdrawal occurs.

5.5 Status of Certain Directors.

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

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

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

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

ARTICLE VI

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

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

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

ARTICLE VII

ADMINISTRATION, AMENDMENT AND TERMINATION

7.1 Administration by Committee. This Plan shall be administered by a Committee consisting of exclusively "non-employee directors" as that term is defined in Rule 16b-3 ("Rule 16b-3") promulgated by the Securities and Exchange Commission under Section 16 of the Securities Exchange Act of 1934 (the "Exchange Act"). The Committee shall act by vote of a majority or by unanimous written consent of its members. The Committee's resolution of any question regarding the interpretation of this Plan shall be subject to review by the Board, and the Board's determination shall be final and binding on all parties.

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

ARTICLE VIII

MISCELLANEOUS

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

8.2 Beneficiaries.

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

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

8.3 Rights Not Assignable; Obligations Binding Upon Successors. A Director's rights under this Plan shall not be assignable or transferable and any purported transfer, assignment, pledge or other encumbrance or attachment of any payments or benefits under this Plan, or any interest thereon, other

than pursuant to Section 7.2, shall not be permitted or recognized. Obligations of the Corporation under this Plan shall be binding upon successors of the Corporation.

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

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

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

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

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

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

LOCKHEED MARTIN CORPORATION
DIRECTORS DEFERRED STOCK PLAN

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LOCKHEED MARTIN CORPORATION
DIRECTORS DEFERRED STOCK PLAN

March 15, 1995
As Amended February 27, 1997
As Amended February 24, 1999
As Amended October 24, 2002

ARTICLE I

TITLE, PURPOSE AND AUTHORIZED SHARES

This Plan shall be known as "Lockheed Martin Corporation Directors Deferred Stock Plan" and shall become effective on March 15, 1995. The purpose of this Plan is to attract, motivate and retain experienced and knowledgeable directors of the Corporation and to further align their economic interest with the interests of stockholders generally. The total number of shares of Common Stock that may be delivered pursuant to awards under this Plan is 50,000, subject to adjustments contemplated by Section 4.6. Effective May 1, 1999, the Plan is frozen. Other than Dividend Equivalents relating to Units credited to Directors' Stock Unit Accounts prior to May 1, 1999, no further Awards shall be made under this Plan on or after May 1, 1999. As of October 24, 2002, this Plan is amended to provide directors greater flexibility in making elections as to the form in which Awards are paid and to lengthen the maximum period of installment payouts from five years to ten years.

ARTICLE II

DEFINITIONS

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

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

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

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

Award Date means June 1 of each year, commencing in 1995.

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

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

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

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

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

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

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

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

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

Effective Date means March 15, 1995.

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

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

Merger means the business combination described in Article I.

Plan means the Lockheed Martin Corporation Directors Deferred Stock Plan.

Stock means Common Stock.

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

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

ARTICLE III

PARTICIPATION

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

ARTICLE IV

DEFERRAL ACCOUNTS

4.1. Stock Unit Account.

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

4.2. Dividend Equivalents; Dividend Equivalent Stock Account.

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

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

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

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

4.4. Distribution of Benefits.

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

(b) Manner of Distribution. The benefits payable under this Plan shall be distributed to the Director (or, in the event of his or her death, the Director's Beneficiary) in a lump sum, unless the Director elects in writing (on forms provided by the Corporation) by the time specified in Section 4.4(f), to receive a distribution of his or her benefits in respect of such Units in approximately equal annual installments (before giving effect to post-termination crediting of additional Dividend Equivalents before the applicable payment date) for up to ten years thereafter. Elections with respect to any Units in the Stock Unit Account shall apply to all Dividend Equivalent Units attributable to those Stock Units, and to all Dividend Equivalent Units attributable to those Dividend Equivalent Units. Subject to Section 4.4(f), installment payments shall commence as of the date benefits become distributable under Section 4.4(a). Notwithstanding the foregoing, if the vested balance remaining in a Director's Stock Unit Account and Dividend Equivalent Stock Account is less than 50 shares, then the remaining balance shall be distributed in shares in a lump sum.

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

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

Account paid and distributed in the form of cash or a combination of whole shares of Common Stock and cash. Any such election shall be made at times and in the manner specified in Section 4.4(f).

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

(f) Timing of Elections. A Director may change any election as to the manner of distribution and file a new election choosing a lump sum or installment payments as provided in Section 4.4(b), with respect to all of the Director's Accounts or with respect to one or more specific Awards, by executing and delivering to the Company an election (on such form as prescribed by the Company) within the time periods described in this Section 4.4(f). An election must be made prior to the Director's termination of service as a director and (i) at least six months before the date the first payment would be due and (ii) in a calendar year prior to the calendar year in which the first payment would be due. In the event an election fails to satisfy the terms of this Section 4.4(f), such election shall be void and payment of a Director's Award shall commence under the Director's previous valid election or, if none exists, in a lump sum. In addition, in the event of a termination of service or retirement, at least six months prior to receipt by a Director of any distribution of benefits under the Plan, the Director shall make a written election (on forms to be provided by the Corporation) as to the percentage the Director elects to receive in the form of cash and the percentage the Director elects to receive in the form of whole shares of Common Stock.

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

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

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

number of Units credited under this Section shall be subject to adjustment in accordance with Section 4.5.

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

ARTICLE V

ADMINISTRATION

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

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

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

ARTICLE VI

PLAN CHANGES AND TERMINATION

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

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

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

ARTICLE VII

MISCELLANEOUS

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

7.2. Beneficiaries.

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

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

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

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

7.5. Compliance With Laws. This Plan and the offer, issuance and delivery of shares of Common Stock and/or the payment and deferral of compensation under this Plan are subject to

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

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

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

Lockheed Martin Corporation
 Computation of Ratio of Earnings to Fixed Charges
 For the Nine Months Ended September 30, 2002
 (In millions, except ratio)

Earnings	
Earnings from continuing operations before income taxes	\$ 1,136
Interest expense	443
Losses and undistributed earnings of 50% and less than 50% owned companies, net	(21)
Portion of rents representative of an interest factor	29
Amortization of debt premium and discount, net	2

Adjusted earnings from continuing operations before income taxes	\$ 1,589
	=====
Fixed Charges	
Interest expense	\$ 443
Portion of rents representative of an interest factor	29
Amortization of debt premium and discount, net	2
Capitalized interest	--

Total fixed charges	\$ 474
	=====
Ratio of Earnings to Fixed Charges	3.4
	=====

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

In connection with the Quarterly Report of Lockheed Martin Corporation (the "Corporation") on Form 10-Q for the period ended September 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Vance D. Coffman, Chairman and Chief Executive Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Corporation.

/s/ Vance D. Coffman
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Vance D. Coffman
Chairman and Chief Executive Officer
November 8, 2002

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

In connection with the Quarterly Report of Lockheed Martin Corporation (the "Corporation") on Form 10-Q for the period ended September 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christopher E. Kubasik, Senior Vice President and Chief Financial Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Corporation.

/s/ Christopher E. Kubasik

Christopher E. Kubasik
Senior Vice President and Chief Financial Officer
November 8, 2002