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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

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

For the fiscal year ended December 31, 1999 Commission file number 1-11437

LOCKHEED MARTIN CORPORATION
(Exact name of registrant as specified in its charter)

Maryland	52-1893632
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

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

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes [x] No [ ]

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

State the aggregate market value of the voting stock held by non-affiliates of the registrant. Approximately $7.36 billion as of January 31, 2000.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. Common Stock, $1 par value, 398,164,999 shares outstanding as of January 31, 2000.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Lockheed Martin Corporation's 1999 Annual Report to Shareholders are incorporated by reference in Parts I and II of this Form 10-K.

Portions of Lockheed Martin Corporation's 2000 Definitive Proxy Statement are incorporated by reference in Part III of this Form 10-K.

PART I

ITEM 1. BUSINESS

General

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

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

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

Transaction Agreement with COMSAT Corporation

In September 1998, we entered into an agreement with COMSAT Corporation (COMSAT) to combine the business of COMSAT with the business of one of our subsidiaries in a two-phase transaction (Merger Agreement) with an estimated value for COMSAT's stockholders of approximately $2.7 billion as of the date of the Merger Agreement. The Merger Agreement was approved by Lockheed Martin's and COMSAT's Boards of Directors.

In connection with the first phase of this transaction, we completed a cash tender offer (Tender Offer) on September 18, 1999, at which time we accepted for payment approximately 26 million shares of COMSAT common stock, representing approximately 49 percent of the outstanding common stock of COMSAT, for $45.50 a share pursuant to the terms of the Merger Agreement. The total value of this phase of the transaction was $1.2 billion, and such amount is included in investments in equity securities in the December 31, 1999 financial statements.

The consummation of the Tender Offer was subject to, among other things, the approval of the second phase of the transaction (Merger) by the stockholders of COMSAT and certain regulatory approvals, including approval by the Federal Communications Commission (FCC) and antitrust clearance by the Department of Justice (DOJ). On August 20, 1999, the stockholders of COMSAT approved the Merger at COMSAT's annual stockholders meeting. On September 15, 1999, the FCC issued an order allowing us to merge a COMSAT common carrier subsidiary into one of our subsidiaries. The order also designated the subsidiary as an "authorized carrier" under the Communications Satellite Act of 1962 (Satellite Act), thereby allowing the subsidiary to acquire and hold up to 49 percent of COMSAT's common stock. On

September 16, 1999, the DOJ, whose analysis included consideration of both phases of the proposed transaction, stated that it did not intend to move to enjoin consummation of the proposed transaction. We account for our 49 percent investment in COMSAT under the equity method of accounting.

On September 17, 1999, PanAmSat Corporation (PanAmSat) filed pleadings in the United States District Court of Appeals for the District of Columbia Circuit (Court) seeking a review of the FCC order described above. Lockheed Martin and COMSAT intervened in the matters before the Court in support of the FCC. PanAmSat characterizes the FCC's order as arbitrary, capricious or otherwise contrary to law on a number of grounds including allegations that the FCC has permitted us to take de facto control of COMSAT in violation of the Communications Act of 1934 and the Satellite Act, that the Satellite Act never intended for a single authorized carrier to hold such a large block of COMSAT's common stock and that the FCC erred or violated its own rules in issuing the order. We believe that PanAmSat's appeal is without merit and we intend to continue our support of the actions taken by the FCC.

The second phase of the transaction, which will result in consummation of a merger of COMSAT with another of our subsidiaries, is to be accomplished by an exchange of one share of our common stock for each remaining share of COMSAT common stock. Consummation of the Merger remains contingent upon the satisfaction of certain conditions, including the enactment of federal legislation necessary to remove existing restrictions that prohibit anyone from owning more than 50% of COMSAT's outstanding common stock. Legislation necessary to remove these restrictions cleared the U.S. Senate on July 1, 1999. On November 10, 1999, the U.S. House of Representatives also passed legislation that, if adopted into law, would remove these restrictions.

There are substantial differences between the two bills, and significant issues raised by the House bill in particular which, if not resolved satisfactorily, would likely have a Significant Adverse Effect on COMSAT (as defined in the Merger Agreement). We hope these issues will be favorably resolved in conference. In early 2000, sponsors of the two different bills announced a compromise agreement that, if adopted, would address many of the issues raised by the House bill. It is now expected that legislation that reflects the compromise agreement will be enacted before May 2000. There is no assurance that legislation will be passed, that it will be passed in this time frame, or that any legislation that does become law would not have an adverse effect on COMSAT's business. If Congress enacts legislation that we determine in good faith, after consultation with COMSAT, would reasonably be expected to have a Significant Adverse Effect on COMSAT, we would have the right to elect not to complete the Merger.

Before the Merger can occur, we must file Hart-Scott-Rodino notification and report forms with the Federal Trade Commission and the DOJ regarding our acquisition of minority interests in two businesses held by COMSAT. In addition, following the passage of legislation, we must submit, and the FCC must approve, an application for authorization to transfer control of COMSAT to us before the Merger may occur. The precise nature of the FCC approval requirement will, however, depend upon the details of any legislation enacted by Congress.

We do not know when or if Congress will adopt satellite reform legislation, or whether any legislation that is adopted will permit the completion of the Merger or whether the necessary governmental approvals will be obtained. If the Merger is not completed on or before September

18, 2000, under the terms of the Merger Agreement, COMSAT or we could terminate the Merger Agreement, or elect not to exercise this right and extend this date. If consummated, the Merger will be accounted for under the purchase method of accounting. If the Merger is not consummated, we will not be able to achieve all of our objectives with respect to the COMSAT transaction and will be unable to exercise control over COMSAT.

In August 1998, we formed Lockheed Martin Global Telecommunications, Inc., a wholly-owned subsidiary (LMGT), to focus on expanding our presence in the global telecommunications services market. Subsequently, we transferred various assets, including investments in several existing joint ventures from some of our other business areas to LMGT. The transfer was effective in January 1999. A second transfer of additional assets occurred later in 1999. If the COMSAT transaction is consummated, we intend to combine COMSAT's operations with those of LMGT. Whether or not the COMSAT transaction is consummated, given the substantial investments necessary for the growth of the global telecommunications services business, LMGT may seek strategic partners and may also seek to access the public markets to raise capital. There can be no assurance that LMGT will be successful in these endeavors.

Business Segments

We operate through four principal business segments:

- Systems Integration -- Includes missiles and fire control, naval electronics and surveillance systems, platform integration, aerospace electronics, control systems, and command, control, communications, computers and intelligence (C4I) lines of business;

- Space Systems -- Includes space launch, commercial and government satellites, and strategic missiles lines of business;

- Aeronautical Systems -- Includes tactical aircraft, airlift, and aeronautical research and development lines of business; and

- Technology Services - Includes federal technology services line of business.

All other operations are grouped in "Corporate and Other," which includes LMGT (which has operational responsibility for our investment in COMSAT) and certain other joint ventures and businesses. "Corporate and Other" also includes three lines of businesses identified as possible candidates for strategic alliances or divestiture.

Comparative segment revenues, profits and related financial information for 1999, 1998, and 1997 are provided in the table entitled "Selected Financial Data by Business Segment" in "Note 17-Information on Industry Segments and Major Customers" on pages 62-63 of our 1999 Annual Report to Shareholders.

Systems Integration

Our Systems Integration segment is comprised of multiple operating units, engaged mainly in U.S. defense work. Systems Integration's core businesses are missiles and fire control; naval electronics and surveillance systems; electronics platform integration; aerospace electronics; control systems; and command, control, communications, computers and intelligence (C4I) systems. Major products and capabilities include anti-armor, air-to-surface and surface-to-surface missiles; air and theater missile defense systems; electro-optical and fire control systems; surface ship and submarine combat systems; anti-submarine and undersea warfare systems; avionics and ground combat vehicle integration; command and control (C2) systems for naval, airborne and ground applications; simulation and training systems; logistics management; government and commercial information technology systems; intelligence, surveillance and reconnaissance systems; air traffic control systems; postal automation systems; land, sea and air-based radars; and electronic warfare systems. Portions of the segment's activities involve classified programs for the U.S. Government.

In 1999, the segment's net sales represented 42.9% of our net sales.

The Missiles and Fire Control business produces air and missile defense systems, tactical battlefield missiles and precision guided weapons and munitions. The Naval Electronics and Surveillance Systems business provides products and services, including shipboard electronics integration, surface ship and submarine combat systems, sensors and missile launching systems. The Electronics Platform Integration business performs systems integration of mission specific combat suites in areas including anti-submarine warfare, electronic warfare, surveillance and reconnaissance, and postal automation. The C4I (Command, Control, Communications, Computers and Intelligence) business provides intelligence, reconnaissance and surveillance systems; federal information management solutions such as automated fingerprint identification systems; and simulation and training systems and services. The C4I business also includes Air Traffic Management which develops and integrates advanced air traffic control systems, including area, terminal, and tower automation, radar and flight data processing, and system infrastructure development; and implements advanced capabilities for communications, navigation and surveillance/air traffic management.

In September 1999 and January 2000, we identified several operations within the segment as candidates for potential divestiture. These include the:

- Aerospace Electronics business, and

- Control Systems business.

Major new business wins during 1999 included training systems for the C-130 and F-16, two of the world's most widely used military aircraft; the ground systems portion of a major classified program; and the Tactical Tomahawk Weapon Control System for U.S. Navy surface and undersea combatants. Enhancing our stature as an international business partner, we were part of a multinational team selected by the governments of the United States, Germany and Italy to develop the Medium Extended Air Defense System (MEADS). Other significant international programs initiated during 1999 include a frigate upgrade program for the Royal Australian Navy; sales of radars and maritime traffic management systems to customers in Europe, Asia and Africa; and a postal automation program in the United Kingdom, marking further expansion of a business in a fast-growing market to which we have transferred core skills. Examples of our ability to effectively transfer skills to an adjacent market with growth potential include our selection in 1999 by General Motors Corporation to provide information management services for three of the auto manufacturer's organizations and an order from New York City Transit for 125 Hybrid Electric Vehicles.

During 1999, Systems Integration companies also received follow-on orders for established programs including the U.S. Navy's AEGIS weapon control system; the Army Tactical Missile System (ATACMS); the Multiple Launch Rocket System (MLRS); the Low Altitude Navigation and Targeting Infrared System for Night (LANTIRN) system, used aboard U.S. and international aircraft; and the Navy's SH-60R multi-mission helicopters.

In support of the United States' air and missile defense initiatives, we demonstrated the feasibility of hit-to-kill technology during 1999 with two successful test flights of the Theater High Altitude Area Defense (THAAD) system. In addition, we had two intercepts of target warheads by the Patriot Advanced Capability-3 (PAC-3) Missile. Other significant program milestones during 1999 included the first powered flight of the Joint Air-to-Surface Standoff Missile (JASSM), under development by the U.S. Air Force, the U.S. Navy and international customers; completion of the Display System Replacement program for the U.S. Federal Aviation Administration; and delivery of the Integrated Automated Fingerprint Identification System to the Federal Bureau of Investigation. In addition, Systems Integration businesses continued to document their software development capabilities via independent assessments under the Carnegie Mellon Software Engineering Institute (SEI) Capability Maturity Model (CMM). At December 31, 1999, four Systems Integration businesses were assessed at Level 5, the highest rating possible. This earned us more Level 5 assessments than any other company and four out of only 12 earned by the more than 1,200 companies assessed through 1999.

The segment is heavily dependent on both military and civilian agencies as a customer. In 1999, U.S. Government customers accounted for over three-quarters of the segment's total net sales.

Space Systems

In January 2000, we announced that the Space Systems segment was consolidated into one operating unit named the Lockheed Martin Space Systems Company, with headquarters in

Denver, Colorado. Reporting to the Space Systems Company are operations in Sunnyvale, California, Denver, Colorado and New Orleans, Louisiana as well as operating units such as Special Programs, International Launch Services (ILS) and Commercial Space Systems. The segment conducts most of its business through its Denver Operations, Sunnyvale Operations and Michoud Operations units. A substantial portion of the segment's activities involves classified programs for the U.S. Government.

In 1999, the segment's total net sales represented 22.8% of our net sales.

The segment's Denver Operations unit designs, develops, manufactures and integrates advanced technology systems for space and defense. Principal products include the Titan and Atlas family of launch vehicles. Through our joint venture with two Russian aerospace companies, (which joint venture is consolidated in our financial statements), we also provide Proton rocket launch vehicle services. In July 1999, we signed a memorandum of agreement with our Russian partner, Khrunichev State Research and Production Space Center, that granted us and our subsidiary, ILS, exclusive rights to market the new Russian-built Angara launch vehicle that is currently in development. During 1999, there was an industry-wide slowdown of new launch orders and delays in launches due to several launch failures, including failures involving our Titan IV and Proton launch vehicles as well as failures of third party launch vehicles.

The segment's Sunnyvale Operations unit designs, develops, manufactures and integrates strategic missiles and spacecraft for communications, Earth observation, scientific and navigation missions for military and civilian government agencies and commercial customers. Principal products include the Trident II submarine-launched fleet ballistic missile, the A2100 commercial communications satellite and the MILSTAR defense communications satellites. The unit also plays a role in the National Aeronautics & Space Administration's (NASA) International Space Station program and markets and sells communications spacecraft to commercial telecommunications customers, including some customers in which we have an ownership interest.

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

Space Imaging LLC (of which we and Raytheon Company together own more than half) is a supplier of satellite images, satellite imaging access, and related products and services. Space Imaging launched the world's first one-meter resolution, commercial imaging satellite, called the IKONOS satellite, in September 1999. The spacecraft and the Athena launch vehicle used to launch the IKONOS satellite were built by the segment's Sunnyvale and Denver Operation units.

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

The segment is heavily dependent on both military and civilian agencies of the U.S. Government as customers. In 1999, U.S. Government customers accounted for over four-fifths of the segment's net sales.

Aeronautical Systems

In January 2000, we announced that the Aeronautical Systems segment was consolidated into one operating unit named the Lockheed Martin Aeronautics Company, with headquarters in Fort Worth, Texas. The new company announced its management team in March 2000. The company will include operations in Fort Worth, Texas (Tactical Aircraft Systems); Marietta, Georgia (Aeronautical Systems); Palmdale, California (Skunk Works); and plants in Clarksburg, West Virginia; Johnstown, Pennsylvania; Meridian, Mississippi; and Pinellas, Florida. The segment includes tactical aircraft, airlift, and aeronautical research and development lines of business. Portions of the segment's activities involve classified programs for the U.S. Government, particularly at Skunk Works.

In 1999, the segment's net sales represented 21.5% of our total net sales. The segment is involved in numerous large defense programs including:

- F-22 air-superiority fighter - has significantly improved capabilities over current U.S. Air Force aircraft;

- F-16 multi-role fighter - presently the world's premier, low-cost multi-role fighter;

- Joint Strike Fighter - currently in the concept demonstration phase potentially leading to the next generation, multi-role fighter and has the potential to be the largest tactical aircraft program in the U.S., and perhaps the world;

- C-130J transport - latest generation of C-130 Hercules tactical transport aircraft; and

- X-33 reusable launch vehicle - a subscale demonstrator flight vehicle which eventually may lead to development of a commercial reusable launch vehicle program.

We are the team leader for the F-22 air-superiority fighter aircraft program. The F-22 is the latest generation of fighter aircraft and continues to proceed through its engineering and manufacturing development phase, meeting or exceeding all key performance parameters. In 1999, the F-22 met the test criteria set by the Department of Defense (DoD) resulting in full contract award for the second lot of Production Representative Test Vehicles (6 aircraft) and long lead procurement authorization for Production Lot 1 (10 aircraft). In 2000, the F-22 must complete stringent DoD test criteria prior to full contract award for Production Lot 1 (10 aircraft) and long lead award for Lot 2 (16 aircraft). During 1999, the F-22 program received significant Congressional focus as a potential target for reduction or extension of its funding so that its funds could be used to pay for other programs. Although the F-22 program remains a high priority for the DOD and the armed services, it is likely that the program will continue to have Congressional focus during 2000.

We are the prime contractor on the F-16 "Fighting Falcon" tactical fighter aircraft and continue to provide upgrades for the U.S. Air Force and our international customers. To date, over four thousand of these aircraft have been sold. During 1999, Israel selected us for more than 50 F-16s (with an option to order 60 more aircraft) and Greece also selected us for more than 50 F-16s. The Israel contract was signed in January 2000 and we expect the Greece contract to be signed in the near future. In 1998, the United Arab Emirates (UAE) selected our new "Block 60" F-16 as it's advanced fighter aircraft, and extensive contract negotiations continued throughout 1999. In March 2000, we signed a multi-billion dollar contract and we now have to go through the U.S. Government review process including license approval, interagency review, and Congressional notification and approval.

For the next generation Joint Strike Fighter, various branches of the U.S. military and other countries' militaries are working together on a set of requirements that should allow a near-common design for this aircraft. In 1999, we completed various design reviews of our Joint Strike Fighter. We also continued to fabricate two concept demonstration aircraft. In 2000, we anticipate that flight tests of the concept demonstration aircraft will be made. We are one of the two remaining competitors for the program down-select award, which currently is planned to be made in 2001.

The C-130J is an advanced technology tactical transport aircraft offering improved performance and reliability and reduced operating and support cost over prior C-130 models. The "J" model incorporates state-of-the-art cockpits and avionics, a more powerful and efficient propulsion system and numerous manufacturing innovations into a proven, mission-tested airframe. In 1999, we delivered 30 C-130J aircraft. In the second quarter of 1999, we recognized cost growth on the C-130J program that resulted in reduced expectations about the profitability for the program.

Since 1996, we have been working with NASA to develop the X-33, a subscale technology demonstrator of a reusable launch vehicle. In 1998, we completed the final design review of the X-33. After a failure of a composite liquid hydrogen (LH2) tank in November 1999, we adjusted our plan to allow for the manufacture of a metallic LH2 tank so that the expected rollout of the X-33 flight vehicle is early 2002, with an expected first flight in mid-2002. We will then decide whether to proceed with the development of a full-scale, commercial reusable launch vehicle program.

We also are involved in other programs such as the joint Japan/U.S. production of the F-2 aircraft and provide sustaining engineering, modifications and upgrades for existing aircraft, including the U-2 reconnaissance aircraft, and earlier model C-130s. In 1999, under our Total Systems Performance Responsibility (TSPR) contract with the U.S. Air Force, a new logistics support system for the F-117A was created that includes the role of sustainment, integration, modification, depot support and system upgrades.

The segment is dependent on the U.S. military, NASA and international governments as customers. In 1999, U.S. Government customers accounted for over half of the segment's net sales.

Technology Services

The Technology Services segment provides a wide array of management, engineering, scientific, logistic, and information services to government agencies. Principal customers include the DoD, Department of Energy (DoE), NASA, Federal Aviation Administration, and other agencies of the federal government. The segment provides its services through eight operating units. Three of these are engaged in work for the DoE that is performed under contracts where we receive a fee for performing management services and are reimbursed for the cost of operations (known as "Government Owned Contractor Operated"). Only the fee is recorded in our net sales.

In 1999, the segment's net sales of $2.3 billion (not including intercompany sales) represented 8.9% of our total net sales. In addition, the segment had $0.6 billion of intercompany revenue from value-added services to other components of Lockheed Martin. Also, the segment's energy units had an additional $4.0 billion in Government Owned Contractor Operated activity not reported as sales. Including these amounts, the segment's total equivalent sales were $6.9 billion in 1999.

Space Operations provides engineering, science, information services at eight NASA centers, and other government and commercial locations across the country. Core competencies include mission operations, flight hardware and payload development and integration, satellite operations, propulsion testing, engineering and technical support for life sciences, and software design and development. In 1999, Space Operations phased in the $3.4 billion Consolidated Space Operations Contract, a major initiative that is expected to save NASA billions of dollars through productivity improvements in the agency's space operations.

Aircraft and Logistics Centers provides aircraft maintenance and modification services and contractor logistics support for defense and commercial customers around the world. Its core competencies include government-privatization projects in the U.S. and overseas, depot-level and field maintenance services, aircraft avionics upgrades, engineering support, engine maintenance and overhaul services, customer site support, and logistic services. The unit operates and manages international aircraft depots and manufacturing facilities in Saudi Arabia and Argentina and is responsible for managing a joint venture in China for aircraft maintenance engineering. In 1999, it established a government-privatization partnership with Tinker Air

Force Base that won a $2.6 billion contract to operate the Kelly Aviation Center.

Systems Support and Training Services provides a wide range of professional and technical support services. Services for the DoD include operation, maintenance, logistics, and engineering services for weapons systems and training ranges; instructor services and flight-simulator engineering support for aircrew training; and assembly, installation, integration, upgrade, and repair services for a variety of computer, communications, command and control, radar, target, and surveillance systems. Support for the FAA's National Airspace System includes logistic and engineering services. The unit also performs environmental research and analysis for the Environmental Protection Agency (EPA). In 1999, it began work on the billion-dollar Rapid Response program, under which we provide support to ensure that critical defense systems maintain full functionality.

Technical Operations performs a complete set of space and space-related services for DoD, classified, and other federal agencies and commercial customers. These services include requirement analysis, architecture trade studies, systems integration, operation and maintenance, sustainment, system enhancement, and life-cycle support. They are performed in the functional areas of space launches, space missions, and information analysis. In 1999, Technical Operations supported well over half of the U.S. government's satellites, including those associated with several national systems critical to the nation's security.

Information Support Services provides a full spectrum of information technology support to federal, state, and local government agencies. Principal customers include the Social Security Administration, Patent and Trademark Office, EPA, and the Departments of Defense, Energy, Justice, and Health and Human Services. Specific types of information technology support include software design, development, and maintenance, e-commerce, telecommunications, supercomputing, network management, data center operations, seat management, information technology outsourcing, and information security. Among its current programs, Information Support Services is developing the system architecture for the Health Care Financing Administration.

Knolls Atomic Power Laboratory designs nuclear reactors for the U.S. Navy. It also supports the existing fleet of nuclear powered ships and trains the Navy personnel who operate those ships.

Sandia National Laboratories supports the stewardship of the U.S. nuclear weapon stockpile, developing sophisticated research and technology in the areas of engineering sciences, materials, and processes; pulsed power; microelectronics and photonics; and computational and information sciences.

Energy Programs manages and operates facilities supporting the nuclear energy defense programs of both the United States and the United Kingdom. At the DoE's Y-12 plant in Oak Ridge, Tennessee, Energy Programs supports the remanufacture of weapon components for the U.S. nuclear stockpile, the stewardship of materials associated with the stockpile, and the modernization of the complex. In 1999, Energy Programs formed a joint venture with two British firms that was awarded a $3.5 billion contract to manage the Atomic Weapons Establishment for the United Kingdom Ministry of Defense. In connection with our September 1999 announcement to focus more on core businesses, Energy Programs divested a subsidiary that held an environmental management prime contract at the DoE's Hanford facility in 1999. The segment also has two other businesses identified as candidates for divestiture.

The segment is heavily dependent on both military and civilian agencies as a customer. In 1999, U.S. Government customers accounted for nine-tenths of the segment's total net sales.

Corporate and Other

The Corporate and Other segment includes LMGT (which has operational responsibility for our 49% investment in COMSAT) and certain other joint ventures and businesses, including Lockheed Martin IMS Corporation, Enterprise Information Systems, and Integrated Business Solutions. In 1999, the segment's net sales represented 3.9% of our total net sales.

COMSAT is a publicly traded entity and discloses its financial information separately from us. If the COMSAT Merger is consummated, we intend to combine COMSAT's operations with those of LMGT. The following briefly summarizes the latest developments in LMGT's most significant projects:

ASTROLINK International LLC provides a worldwide, digital Ka-band geosynchronus satellite system focusing on the high-growth area of broadband data services, carrying traffic for Internet, intranet, extranet, multimedia and corporate data networks. In April 1999, LMGT committed to a total investment of $420 million in ASTROLINK for an approximate 45% ownership interest. Concurrent with LMGT's investment commitment, TRW Inc. and Telespazio

SpA. (a wholly owned subsidiary of Telecom Italia) each committed to invest $250 million in ASTROLINK. In December 1999, Liberty Media Corporation committed to invest $425 million, which diluted our ownership interest to approximately 31%.

We have a 33% equity investment in ACeS International Limited which plans to deliver voice, fascimile and Internet services through hand-held mobile and fixed terminals in the Asia-Pacific region. The ground infrastructure for providing ACeS service to customers has been completed. A Garuda 1 satellite was launched in February 2000 and is being moved into geosynchronus orbit. Commercial operations are expected to begin in the third quarter of 2000.

We have a 50% investment in Americom Asia-Pacific, LLC, a joint venture with GE American Communications, Inc. that is scheduled to launch a satellite in the fourth quarter of 2000 to serve broadcasters in the Asia-Pacific region. As of December 31, 1999, the sole asset of the joint venture is the GE-1A satellite, currently in the final stages of construction by Lockheed Martin Commercial Space Systems.

Lockheed Martin Intersputnik, Ltd is a strategic venture principally owned by us with the Moscow-based Intersputnik International Organization of Space Communications as our minority partner. It deployed its first satellite in the fourth quarter of 1999 and commercial operations are expected to begin in the first quarter of 2000.

The segment also includes three businesses that have been identified by management as having high growth potential, but are distinct from our core business segments. These units will require additional capital and expertise to fully maximize their value, and we may seek support through strategic partnerships or joint ventures, by accessing public equity markets, or by divestiture. The outcome of those efforts cannot be predicted. These units are:

- Lockheed Martin IMS - serves state and local government services markets;

- Enterprise Information Systems - provides internal information technology services; and

- Integrated Business Solutions - provides commercial information technology outsourcing services.

We also run research laboratories, own real estate and conduct other miscellaneous activities. We have approximately a 13.5% fully diluted interest (in the form of convertible preferred stock) in Loral Space & Communications Ltd. In February 2000, Lockheed Martin and Loral Space each filed certain notices under the Hart-Scott-Rodino Antitrust Improvement Act (HSR Act) with the FTC and the DOJ to convert 45.9 million shares of Loral Space convertible preferred stock to an equal number of shares of Loral Space common stock. We will be able to convert the convertible preferred stock following the expiration of the HSR Act waiting period on March 5, 2000, unless such period is extended by a request from the FTC for additional information. Also in February 2000, Lockheed Martin and Loral Space entered into an agreement that would facilitate our ability to divest our interest in Loral Space, but in no case earlier than mid-May 2000.

Patents

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

Raw Materials and Seasonality

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

Competition and Risk

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

During the past year, competition in some markets has intensified. For example, the Space Systems segment has experienced increased competition, particularly in its launch vehicles and commercial satellite businesses.

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

U.S. Government programs are also subject to uncertain future funding levels, which can result in the extension or termination of programs. Our business is also highly sensitive to changes in national and international priorities and U.S. Government budgets. For most of the last decade, we have been adversely impacted by U.S. Government budgetary and policy constraints that led to fewer available contracts. The Clinton administration has requested increased budgets for the U.S. military in the Year 2000. There can be no assurance, however, that these announced plans will result in increased hardware or services procurements or increased research and development spending, or that we would win any contracts funded by any budgetary increases.

In 1999, approximately 70% of our net sales were made to the U.S. Government, either as a prime contractor or as a subcontractor; approximately 20% of our net sales were made to other types of government entities; and approximately 10% of our net sales were made to commercial customers (mainly launch services, satellites and information technology services). Accordingly, a substantial portion of our sales are subject to inherent risks, including uncertainty of economic conditions, changes in government policies and requirements that may reflect rapidly changing military and political developments and the availability of funds. Other characteristics of the industry are complexity of designs, the difficulty of forecasting costs and schedules when bidding on developmental and highly sophisticated technical work, and the rapidity with which product lines become obsolete due to technological advances and other factors characteristic of the industry. Certain risks inherent in the current aerospace and defense business environment are discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 21 through page 37 of our 1999 Annual Report to Shareholders.

At December 31, 1999, our backlog was approximately split evenly between cost reimbursement and fixed-price-type contracts. Cost-reimbursement-type contracts generally have lower profit margins than fixed-price-type contracts. Production contracts are mainly fixed-price-type contracts and developmental contracts are nearly all cost reimbursement contracts. Earnings may vary materially depending on the types of long-term government contracts undertaken, the costs incurred in their performance, the achievement of other performance objectives and the stage of performance at which the right to receive fees, particularly under incentive and award fee contracts, is finally determined.

Our international business (mainly foreign military sales to various governments in Europe, Asia and Middle East) tends to have more risk than our domestic business due to the greater potential for changes in foreign economic and political environments. Our business is also highly sensitive to changes in foreign national priorities and government budgets. International transactions frequently involve increased financial and legal risks arising from stringent contractual terms and conditions and the widely differing legal systems and customs in foreign countries.

Government Contracts and Regulations

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

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

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

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

A portion of our business is classified by the government and cannot be specifically described. The operating results of these classified programs are included in our consolidated financial statements. The business risks associated with classified programs do not differ materially from those of our other government programs and products.

Backlog

At December 31, 1999, our total negotiated backlog was $45.9 billion compared with $45.3 billion at the end of 1998. The total negotiated backlog of the sectors at December 31, 1999, was as follows: Systems Integration - $15.2 billion, Space Systems - $14.8 billion, Aeronautical Systems - $9.0 billion, Technology Services - $4.4 billion, and Corporate and Other - $2.5 billion. Of our total 1999 year-end backlog, approximately $28.2 billion, or 61.4%, is not expected to be filled within one year. At December 31, 1999, our backlog was approximately split evenly between cost reimbursement and fixed-price-type contracts.

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

Environmental Regulation

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

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

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

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

Description of Certain Environmental Matters

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

We entered into a consent decree with the EPA in 1991 relating to certain property in Burbank, California, which obligated us to design and construct facilities to monitor, extract and treat groundwater, and to operate and maintain such facilities for approximately eight years. We entered into a follow-on consent decree in 1998 which obligates us to fund the continued operation and maintenance of these facilities through the year 2018, although responsibility for actual operation of the facilities is to be assumed by the City of Burbank in late 2000. We have also been operating under a cleanup and abatement order from the Regional Board affecting our facilities and former facilities in Burbank, California. This order requires site assessment and action to abate groundwater contamination by a combination of groundwater and soil cleanup and treatment. As a result of our operations in Burbank, we are also one of several parties who are under administrative orders from the EPA to design, build, and operate a groundwater treatment system in Glendale, California as part of the same San Fernando Valley Superfund site that includes Burbank. Like the Burbank treatment plant, the city of Glendale is expected to ultimately assume operational responsibility for the Glendale treatment plant. We estimate that total expenditures required over the remaining terms of the EPA and Regional Board consent decrees and administrative orders for Burbank and Glendale will be approximately $100 million. Under an agreement reached with the U.S. Government and filed with the U.S. District Court in January 2000, an amount equal to approximately 50% of these future expenditures will be reimbursed by the U.S. Government as a responsible party under the Comprehensive Environmental Response, Compensation and Liability Act.

We are involved in other proceedings and potential proceedings relating to environmental matters, including disposal of hazardous wastes and soil and water contamination. The extent of our financial exposure cannot in all cases be reasonably estimated at this time. In addition to the amounts with respect to the Redlands, Burbank and Glendale properties described above, a liability of approximately $200 million for the other cases in which an estimate of financial exposure can be determined has been recorded.

Under an agreement with the U.S. Government in 1990, the Burbank groundwater treatment and soil remediation expenditures referenced above are being allocated to our operations as general and administrative costs and, under existing government regulations, these and other environmental expenditures related to U.S. Government business, after deducting any recoveries from insurance or other potentially responsible parties, are allowable in establishing the prices of our products and services. As a result, a substantial portion of the expenditures is being reflected in our sales and cost of sales pursuant to U.S. Government agreement or regulation. Although the Defense Contract Audit Agency has questioned certain elements of our practices with respect to the aforementioned agreement, it is management's opinion that the treatment of these environmental costs is appropriate and consistent with the terms of such agreement. On October 4, 1999, we filed a certified claim with the Defense Corporate Executive (DCE) and requested from the DCE the issuance of a final decision regarding the propriety of our U.S. Government accounting practices for the treatment of environmental costs. A final decision is expected to be issued by March 31, 2000. We have recorded an asset for the portion of environmental costs that are probable of future recovery in pricing of our products and services for U.S. Government business. The portion that is expected to be allocated to commercial business has been reflected in cost of sales. The recorded amounts do not reflect the possible future recovery of portions of the environmental costs through insurance policy coverage or from other PRPs, which we are pursuing as required by agreement and U.S. Government regulation. Any such recoveries, when received, would reduce allocated amounts to be included in our U.S. Government sales and cost of sales. For additional details, see "Note 16 -- Commitments and Contingencies" of the "Notes to Consolidated Financial Statements" on page 59 through page 61 and "Management's Discussion and Analysis of Financial Condition and Results of Operations, Environmental Matters" on page 36 through page 37 of the 1999 Annual Report to Shareholders.

Research and Development

We conduct research and development activities under customer contract funding and with Independent Research and Development (IR&D) funds. IR&D efforts consist of projects involving basic research, applied research, development, and systems and other concept formulation studies. In 1999, we spent approximately $1.1 billion of IR&D and bid and proposal funds, a substantial portion of which was included in general and administrative costs allocable to U.S. Government contracts.

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

See "Research and development and similar costs" in "Note 1-- Summary of Significant Accounting Policies" of the "Notes to Consolidated Financial Statements" on page 46 of the 1999 Annual Report to Shareholders.

Employees

At December 31, 1999, we had approximately 147,000 employees, the majority of whom were located in the United States. We have a continuing need for numerous skilled and professional personnel to meet contract schedules and obtain new and ongoing orders for our products. Approximately one-fifth of our employees is covered by over a hundred separate collective bargaining agreements with various international and local unions. Management considers employee relations generally to be good.

Forward-Looking Statements - Safe Harbor Provisions

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

All forward-looking statements involve risks, uncertainties and factors, including statements and assumptions with respect to future revenues, program performance and cash flows, the outcome of contingencies including litigation and environmental remediation, and anticipated costs of capital investments and planned dispositions. These risks, uncertainties and factors include: the ability to achieve or quantify savings for our customers or ourselves as a result of our reorganization efforts, including the recently announced business area streamlining and staff reductions, or in our global cost-cutting program; our ability to grow earnings and generate cash flow in accordance with our beliefs; difficulties during space launches; the ability to obtain or the timing of obtaining future government awards; the availability of government funding and customer requirements; economic conditions, competitive environment, international business and political conditions, timing of awards and contracts; timing and customer acceptance of product delivery and launches; the outcome of contingencies, including completion of any acquisitions and divestitures, litigation and environmental remediation, program performance, and our ability to consummate the COMSAT transaction. These are only some of the numerous factors which may affect the forward-looking statements in this Annual Report on Form 10-K.

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

For a discussion identifying some important factors that could cause actual results to vary materially from those anticipated in the forward-looking statements, see our SEC filings, including but not limited to, the discussion of "Competition and Risk" and "Government Contracts and Regulations" of this Annual Report on Form 10-K, "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 21 through page 37 of the 1999 Annual Report to Shareholders, "Note 1 - Summary of Significant Accounting

Policies," "Note 2 - Transaction Agreement with Comsat Corporation," and "Note 16 - Commitments and Contingencies" of the Notes to Consolidated Financial Statements on page 44 through page 48, and page 59 through page 61, respectively, of the Audited Financial Statements included in the 1999 Annual Report to Shareholders.

ITEM 2. PROPERTIES

At December 31, 1999, we operated in 442 offices, facilities, manufacturing plants, warehouses, service centers and laboratories throughout the United States and internationally. Of these, we owned floor space at 62 locations aggregating approximately 41.0 million square feet and we leased space at 380 locations aggregating approximately 24.5 million square feet. At December 31, 1999, we managed and/or occupied various major government-owned facilities. The U.S. Government also furnishes certain equipment used by us.

At December 31, 1999, our core operating units had major operations at the following locations:

- Systems Integration - - Camden, Arkansas; Goodyear, Arizona; San Jose, California; Colorado Springs, Colorado; Orlando, Florida; Gaithersburg and Rockville, Maryland; Eagan, Minnesota; Manchester, Merrimack and Nashua, New Hampshire; Moorestown/Mt. Laurel, New Jersey; Johnson City, Owego, Yonkers, Syosset and Syracuse, New York; Akron, Ohio; King of Prussia, Pennsylvania; Grand Prairie, Texas; Manassas, Reston and Fairfax, Virginia.

- Space Systems - - Sunnyvale and Palo Alto, California; Waterton and Littleton Colorado; and Newtown, Pennsylvania;

. Aeronautical Systems - - Palmdale, California; Marietta, Georgia; and Fort Worth, Texas;

. Technology Services - - Livermore, California; Cherry Hill, New Jersey; Albuquerque, New Mexico; Greenville, South Carolina; Oak Ridge, Tennessee; San Antonio, Texas and

. Corporate and Other - - Orlando, Florida; Bethesda and Rockville, Maryland; Teaneck, New Jersey; and Arlington (Crystal City), Virginia.

At December 31, 1999, a summary of our floor space by core operating unit consisted of:

(Square feet in millions)

	Leased	Owned	Gov't Owned	Total
Systems Integration	13.2	18.5	0.2	31.9
Space Systems	2.0	12.0	5.1	19.1
Aeronautical Systems	1.0	4.5	15.0	20.5
Technology Services	5.5	0.1	34.8	40.4
Corporate & Other*	2.8	5.9	0.0	8.7
Total	24.5	41.0	55.1	120.6

(* includes owned discontinued operations square footage of 3.9 million square feet located primarily in Burbank, California and Great Neck, New York)

At December 31, 1999, we owned various large tracts of land which are available for sale or development. The location and approximate size of these tracts include:

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

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

ITEM 3. LEGAL PROCEEDINGS

We are parties or have property subject to litigation and other proceedings, including matters arising under provisions relating to the protection of the environment, both as specifically described below or arising in the ordinary course of our business. In the opinion of management, the probability is remote that the outcome of any such litigation or other proceedings, will have a material adverse effect on our results of operations or financial position.

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

The following describes previously reported matters (including one reopened government investigation), including any developments of these matters. There were no new matters in the fourth quarter of 1999.

Since January 14, 1999, six class action complaints have been filed against the Corporation and certain of its officers and directors. These six actions have been consolidated into two actions, both pending in the United States District Court for the Central District of California. The complaints allege that the defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 in that they or persons they controlled allegedly (a) employed devices, schemes and artifices to defraud; (b) made untrue statements of material facts or omitted to state material facts necessary in order to make statements, in light of the circumstances under which they were made, not misleading; or (c) engaged in acts, practices and a course of business that operated as a fraud or deceit upon class members in connection with their purchases of our common stock. According to the complaints, class members were damaged as, in reliance on the integrity of the market, they paid artificially inflated prices for our stock. Plaintiffs seek judgments awarding (a) damages and costs; (b) equitable or injunctive relief, including the imposition of a constructive trust upon defendants' alleged insider-trading proceeds; and (c) other just and proper relief.

The first three actions, filed by plaintiffs Yousefi, Edmonds and Kretchmeyer, allege claims on behalf of a putative class of shareholders who purchased stock between August 13, 1998 and December 23, 1998. The defendants in these actions are Lockheed Martin, Vance D. Coffman, Marcus C. Bennett, James A. Blackwell, Jr., Thomas A. Corcoran, Vincent N. Marafino and Norman R. Augustine. These actions were consolidated under the caption In re Lockheed Martin Corp. Securities Litigation, CV 99-00372 LGB. The lead plaintiffs filed a consolidated amended complaint on November 30, 1999.

The second three actions, filed by plaintiffs Kops, Shenker and Kensington Capital Corp., allege claims on behalf of a putative class of shareholders who purchased Lockheed Martin stock between January 28, 1999 and June 9, 1999. The defendants in these actions are Lockheed Martin, Vance D. Coffman, Marcus C. Bennett, Philip J. Duke, and Thomas A. Corcoran. These actions were consolidated under the caption Kops v. Lockheed Martin Corporation et. al., CV 99-6171 LGB. It is anticipated that the plaintiffs will file a consolidated amended complaint. We will move to dismiss all complaints at the appropriate time. We believe that the complaints' allegations are without merit and intend to vigorously defend these actions.

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

On June 1, 1998, the DOE, through Lockheed Martin Idaho Technologies Company (LMITCO), its management contractor, terminated the Pit 9 contract for default. On that same date, we filed a lawsuit against the DOE in the U.S. Court of Federal Claims in Washington, D.C., challenging and seeking to overturn the default termination. In addition, on July 21, 1998, we withdrew the REA previously submitted to the DOE and replaced it with a certified REA. The certified REA is similar in substance to the REA previously submitted, but its certification, based upon more detailed factual and contractual analysis, raises its status to that of a formal claim. On August 11, 1998, LMITCO, at the DOE's direction, filed suit against us in the U.S. District Court in Idaho, seeking, among other things, recovery of approximately $54 million previously paid by LMITCO to us under the Pit 9 contract. We are defending this action while continuing to pursue our certified REA. Discovery has been ongoing since August 2, 1999. In the U.S. Court of Federal Claims, on October 1, 1999, the Court stayed DOE's Motion to Dismiss our lawsuit, finding that the Court has jurisdiction. The Court ordered discovery to commence and gave leave to the DOE to convert its motion to dismiss to a motion for summary judgment if supported by discovery. We continue to assert our position in the litigation while continuing our efforts to resolve the dispute through non-litigation means.

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

On February 21, 2000, we were served with a grand jury subpoena issued by the United States District Court for the Southern District of Texas in Houston seeking documents related to cost accounting issues in connection with NASA service and support contracts performed by Lockheed Engineering & Sciences Company and its successors, Lockheed Martin Engineering & Sciences Services and Lockheed Martin Space Operations. We have been advised that the United States Attorney's Office for the Southern District of Texas has reopened the investigation, after previously having advised us in 1997, that the grand jury investigation was closed.

We have been served, along with a number of our current and former employees, with grand jury subpoenas issued by the U.S. District Court for the Middle District of Florida and subpoenas issued by the Department of Defense Inspector General relating to the LANTIRN program. The U.S. Attorney's Office for the Middle District of Florida has advised us that the grand jury is investigating allegations of fraud in connection with certain LANTIRN program contracts. These allegations, in part, were first made in qui tam complaints filed against us and unsealed on July 16, 1996. We are cooperating with the government's continuing investigation of this matter.

Lockheed Martin Technical Operations Company, our wholly-owned subsidiary, and certain of its current and former employees, were served with grand jury subpoenas issued by the

United States District Court for the District of Colorado seeking documents relating to efforts to obtain and to perform a contract with the U.S. Air Force for space operations, maintenance and support services. We are cooperating with the government's continuing investigation of this matter.

On March 15, 1999, Lockheed Martin Fairchild Systems was served with a grand jury subpoena issued by the United States District Court for the Southern District of New York. The subpoena seeks documents related to quality assurance requirements for the production of a radar warning receiver by Loral Electronic Defense Systems. We acquired Loral Electronic Defense Systems in April 1996. We are cooperating with the government's investigation of this matter.

On July 15, 1999, Lockheed Martin Sanders was served with a grand jury subpoena issued by the United States District Court for the Central District of California. The subpoena seeks documents relating to the 1990 international sale of area defense radar systems by the predecessor of Lockheed Martin Sanders and the compensation of an international sales consultant in connection with that sale. We are cooperating with the government's continuing investigation of this matter.

For the past few years, we have been in litigation with residents in the Redlands and Burbank areas regarding allegations of personal injury, property damage, and other tort claims arising from our alleged contribution to contamination of groundwater. With regard to the claims in Burbank, the first of possibly several trials relating to liability is expected to commence in state court in Los Angeles during the third quarter of 2000. With regard to claims in the Redlands matter, on April 22, 1999, the San Bernardino Superior Court in California issued a procedural order in one of the filed cases, certifying a medical monitoring class as well as a punitive damages class. No ruling has been made yet on the merits, and the first trial on the merits in Redlands is not expected until the third quarter of 2001. With regard to all of these matters, we believe that the allegations are without merit and we will continue to defend them.

We are subject to federal and state requirements for protection of the environment, including those for discharge of hazardous materials and remediation of contaminated sites. As a result, we are a party to or have our property subject to various other lawsuits or proceedings involving environmental protection matters. Due in part to their complexity and pervasiveness, such requirements have resulted in us being involved with related legal proceedings, claims and remediation obligations. See "Item 1. Business - Environmental Regulation."

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

No matters were submitted to a vote of security holders during the fourth quarter of 1999.

ITEM 4(a). EXECUTIVE OFFICERS OF THE REGISTRANT

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

Name (Age at 12/31/99)	Positions and Offices Held	Principal Occupation and Business Experience (Past Five Years)
Vance D. Coffman (55)	Chairman of the Board, Chief Executive Officer and President	Chairman of the Board since April 1998, Chief Executive Officer since August 1997, and President since October 1999; Vice Chairman of the Board from August 1997 to April 1998; Board member since 1996; President from June 1996 to July 1997 and Chief Operating Officer from January 1996 to July 1997; Executive Vice President from January to June 1996; President and Chief Operating Officer, Space & Strategic Missiles Sector from March 1995 to December 1995; previously served as Executive Vice President of Lockheed from 1992 to 1995; and President of Lockheed Space Systems Division from 1988 to 1992.

Michael F. Camardo (57)	Executive Vice President - Technology Services	Executive Vice President - Technology Services since October 1999; President, Lockheed Martin Technology Services Group from March 1995 through September 1999; President, Martin Marietta Services Group from April 1993 to March 1995.
Robert B. Coutts (49)	Executive Vice President - Systems Integration	Executive Vice President - Systems Integration since October 1999; President and Chief Operating Officer, Electronics Sector from October 1998 through September 1999; President, Lockheed Martin Government Electronics Systems from January 1997 until September 1998; President Lockheed Martin Aero and Naval Systems from September 1994 to December 1996; previously served as Vice President, Sourcing for the Martin Marietta Corporation.
Philip J. Duke (54)	Executive Vice President - Shared Services	Executive Vice President- Shared Services since October 1999; Vice President and Chief Financial Officer from February 1999 through September 1999; Vice President Finance from July 1996 to January 1999; Vice President Finance, Space & Strategic Missiles Sector from March 1995 to July 1996; previously served as Vice President Finance, Martin Marietta from 1994 to 1995.

Dain M. Hancock (58)	Executive Vice President - Aeronautical Systems	Executive Vice President - Aeronautical Systems since November 1999 and President of the Lockheed Martin Aeronautics Company since January 2000; President of Lockheed Martin Tactical Aircraft Systems from March 1995 to November 1999; Vice President of Lockheed Corporation from March 1993 to March 1995.
Arthur E. Johnson (52)	Vice President - Strategic Development	Vice President - Strategic Development since October 1999; President and Chief Operating Officer, Information & Services Sector from August 1997 through September 1999; President, Lockheed Martin Systems Integration Group from January 1997 to August 1997; President, Lockheed Martin Federal Systems Group from January 1996 to January 1997; and President, Loral Federal Systems Group from January 1994 to January 1996.
Christopher E. Kubasik (38)	Vice President and Controller	Vice President and Controller since November 1999; prior to joining Lockheed Martin, with Ernst & Young LLP since 1983, partner since 1996.
Frank H. Menaker, Jr. (59)	Senior Vice President and General Counsel	Senior Vice President and General Counsel since July 1996; Vice President and General Counsel for Lockheed Martin Corporation from March 1995 to July 1996, having served in the same capacity for Martin Marietta Corporation from 1981 until March 1995.

Janet L. McGregor (45)	Vice President and Treasurer	Vice President and Treasurer since May 1999; Vice President-Finance for Electronics Sector from August 1996 to May 1999; Vice President and Assistant Treasurer from March 1995 to August 1996; previously served as Treasurer of Martin Marietta Corporation from 1992 until March 1995.
Albert E. Smith (50)	Executive Vice President - Space Systems	Executive Vice President - Space Systems since October 1999 and President of Lockheed Martin Space Systems Company since January 2000; President, Lockheed Martin Missiles & Space from June through September 1999; President, Lockheed Martin Aerospace Electronic Systems from December 1998 to June 1999; President, Sanders, a Lockheed Martin Company, from February to December 1998; President, Harris Corporation, a supplier of electronic components, from April 1996 to February 1998; Executive Vice President, Lockheed Martin Missiles & Space from January 1996 to April 1996; Vice President and Assistant General Manager-Commercial, Lockheed Martin Space Systems Division from 1993 to January 1996.

John V. Sponyoe (60)	Chief Executive Officer of Lockheed Martin Global Telecommunications	Chief Executive Officer of Lockheed Martin Global Telecommunications since August 1998; President of Lockheed Martin's Electronics Platform Integration (EPI) Group from April 1997 to August 1998; Corporate Vice President, from January 1997 to present; President, Federal Systems Owego from 1994 until April 1997.
Robert J. Stevens (48)	Executive Vice President - Finance and Chief Financial Officer	Executive Vice President and Chief Financial Officer since October 1999; Vice President of Strategic Development from November 1998 through September 1999; President and Chief Operating Officer, Energy & Environment Sector from January 1998 to June 1999; President, Air Traffic Management Division from June 1996 through January 1998; Executive Vice President and Senior Vice President and Chief Financial Officer of Air Traffic Management from December 1993; previously served as an executive employee of Loral Corporation from August 1987.

PART II

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

At January 31, 2000, we had approximately 398,164,999 holders of record of our Common Stock, $1 par value. In January 2000, we announced that we reduced our dividend rate to $0.11 per quarter. The decreased dividend will be effective for dividends declared in the first quarter of 2000. Our Common Stock is traded on the New York Stock Exchange, Inc. Information concerning stock prices and dividends paid during the past two years is as follows:

Common Stock -- Dividends Paid and Market Prices

Quarter	Dividends Paid 1999	Dividends Paid 1998	Market Prices (High-Low) 1999	Market Prices (High-Low) 1998
First	$0.22	$0.20	$ 43 - 34.63	$58.94 - $48.75
Second	0.22	0.20	46 - 33.75	58.50 - 49.97
Third	0.22	0.20	39.94 - 30.19	54.25 - 43.63
Fourth	0.22	0.22	33.38 - 16.38	56.75 - 41.00
Year	$0.88	$0.82	46 - 16.38	58.94 - 41.00

ITEM 6. SELECTED FINANCIAL DATA

The information required by this Item 6 is included under the caption "Consolidated Financial Data- Ten-Year Summary" on page 64 through page 65 of the 1999 Annual Report to Shareholders, and that information is incorporated by reference in this Form 10-K.

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

The information required by this Item 7 is included under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 21 through page 37 of the 1999 Annual Report to Shareholders, and that information is incorporated by reference in this Form 10-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Corporation's primary exposure to market risk relates to interest rates and foreign currency exchange rates. Financial instruments held by the Corporation which are subject to interest rate risk principally include variable rate commercial paper and fixed rate long-term debt. The Corporation's long-term debt obligations are generally not callable until maturity. The Corporation may use interest rate swaps to manage its exposure to fluctuations in interest rates; however, there were no such agreements outstanding at December 31, 1999. Based on its portfolio of variable rate short-term debt and fixed rate long-term debt outstanding at December 31, 1999, the Corporation's exposure to interest rate risk is not material.

The Corporation uses forward exchange contracts to manage its exposure to fluctuations in foreign exchange rates. These contracts are designated as qualifying hedges of firm commitments or specific anticipated transactions, and related gains and losses on the contracts are recognized in income when the hedged transaction occurs. At December 31, 1999, the amounts of forward exchange contracts outstanding, as well as the amounts of gains and losses recorded during the year, were not material. Based on the above, the Corporation's exposure to foreign currency exchange risk is not material. The Corporation does not hold or issue derivative financial instruments for trading purposes.

For additional discussion of derivative financial instruments, see "Management's Discussion and Analysis of Financial Condition and Results of Operations, Other Matters" on page 37 of the 1999 Annual Report to Shareholders, and "Derivative financial instruments" and "New accounting pronouncements to be adopted" in "Note 1 - Summary of Significant Accounting Policies" of the "Notes to Consolidated Financial Statements" on page

46 and page 47 of the Audited Financial Statements included in the 1999 Annual Report to Shareholders, and that information is incorporated by reference in this Form 10-K.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item 8 is included under the captions "Report of Ernst & Young LLP, Independent Auditors," "Consolidated Statement of Earnings," "Consolidated Statement of Cash Flows," "Consolidated Balance Sheet," "Consolidated Statement of Stockholders' Equity" and "Notes to Consolidated Financial Statements" in the Audited Consolidated Financial Statements included on page 39 through page 63 of the 1999 Annual Report to Shareholders. This information is incorporated by reference in this Form 10-K.

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information concerning directors required by this Item 10 is included under the caption "Election of Directors" in our definitive Proxy Statement to be filed pursuant to Regulation 14A no later than March 2000 (the "2000 Proxy Statement"), and that information is incorporated by reference in this Form 10-K. Information concerning executive officers required by this Item 10 is located under Part I, Item 4(a) of this Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item 11 is included in the text and tables under the caption "Compensation of Executive Officers" in the 2000 Proxy Statement and that information, except for the information required by Item 402(k) and 402(l) of Regulation S-K, is incorporated by reference in this Form 10-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item 12 is included under the headings "Security Ownership of Certain Beneficial Owners," "Securities Owned by Directors, Nominees and Named Executive Officers" and "Voting Securities and Record Date" in the 2000 Proxy Statement, and that information is incorporated by reference in this Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.

PART IV

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

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

The following financial statements of Lockheed Martin Corporation and consolidated subsidiaries, included in the 1999 Annual Report to Shareholders, are incorporated by reference into Item 8 of this Annual Report on Form 10-K. Page numbers refer to the 1999 Annual Report to Shareholders:

(2) List of Financial Statement Schedules filed as part of this Form 10-K. All schedules have been omitted because they are not applicable, not required, or the information has been otherwise supplied in the financial statements or notes to the financial statements.

(3) Ernst & Young LLP

The report of Lockheed Martin's independent auditors with respect to the above-referenced financial statements appears on page 39 of the 1999 Annual Report to Shareholders and that report is incorporated by reference in this Form 10-K. The consent of Lockheed Martin's independent auditors appears as Exhibit 23 of this Annual Report on Form 10-K.

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

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

(2) Lockheed Martin Corporation Current Report on Form 8-K filed with the Securities and Exchange Commission on October 27, 1999.

(3) Lockheed Martin Corporation Current Report on Form 8-K filed with the Securities and Exchange Commission on October 29, 1999, as amended November 2, 1999.

(4) Lockheed Martin Corporation Current Report on Form 8-K filed with the Securities and Exchange Commission on November 22, 1999.

During the first quarter of 2000 (up until this report was filed), Lockheed Martin Corporation made the following filings on Form 8-K:

(1) Lockheed Martin Corporation Current Report on Form 8-K filed with the Securities and Exchange Commission on January 27, 2000.

(c) Exhibits

(3)(i) Articles of Incorporation.

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

(ii) Bylaws

(a) Copy of the Bylaws of Lockheed Martin Corporation as last amended on February 24, 2000.

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

(b) Form of Indenture between the Corporation and U.S. Bank Trust National Association as Trustee (incorporated by reference to Exhibit 4(a) of the Corporation's filing on Form S-3 (No. 333-71409) on January 29, 1999).

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

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

(10)* (a) Lockheed Martin Corporation 1995 Omnibus Performance Award Plan (incorporated by reference to Exhibit 10.36 to Lockheed Martin Corporation's Registration Statement on

Form S-4 (No. 33-57645) filed with the Commission on February 9, 1995).

(b) Lockheed Martin Corporation Directors Deferred Stock Plan, as amended (incorporated by reference to Exhibit 10(b) to Lockheed Martin Corporation's Annual Report on Form 10-K for the year ended December 31, 1998).

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

(d) Lockheed Martin Corporation Directors Deferred Compensation Plan, as amended (incorporated by reference to Exhibit 10(d) to Lockheed Martin Corporation's Annual Report on Form 10-K for the year ended December 31, 1998).

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

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

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

(h) Martin Marietta Corporation Amended Omnibus Securities Award Plan, as amended March 25, 1993 (incorporated by reference to Exhibit 10.13 to Lockheed Martin Corporation's Registration Statement on Form S-4

(No. 33-57645) filed with Commission on February 9, 1995).

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

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

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

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

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

(n) Martin Marietta Corporation Deferred Compensation Plan for Selected Officers, as amended (incorporated by reference to Exhibit 10(v) to Lockheed Martin Corporation's Annual Report on Form 10-K for the year ended December 31, 1997).

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

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

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

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

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

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

(u) Lockheed Martin Corporation Supplemental Savings Plan, as amended and restated (incorporated by reference to Exhibit 10(ee) to Lockheed Martin Corporation's Annual

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

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

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

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

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

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

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

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

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

(dd) Amendment to Terms of Outstanding Stock Option Relating to Exercise Period for Employees of Divested Business.

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

(ff) Lockheed Martin Corporation Directors Retirement Plan, as amended (incorporated by reference to Exhibit 10(ff) to Lockheed Martin Corporation's Annual Report on Form 10-K for the year ended December 31, 1998).

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

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

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

(jj) Lockheed Martin Corporation Directors Equity Plan (incorporated by reference to Exhibit 10(jj) to Lockheed Martin Corporation's Annual Report on Form 10-K for the year ended December 31, 1998).

(kk) Lockheed Martin Corporation Management Incentive Compensation Plan (incorporated by reference to Exhibit 10(ll) to Lockheed Martin Corporation's Annual Report on Form 10-K for the year ended December 31, 1998).

(ll) Lockheed Martin Corporation Deferred Management Incentive Compensation Plan (incorporated by reference to Exhibit 10(ll) to Lockheed Martin Corporation's Annual Report on Form 10-K for the year ended December 31, 1998).

(mm) Lockheed Martin Corporation Divested Business Deferred Management Incentive Compensation Plan.

(nn) Form of Release, Noncompete and Confidentiality Agreement for Mr. Blackwell.

(oo) Form of Professional Services Agreement for Mr. Blackwell.

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

(12) Computation of ratio of earnings to fixed charges for the year ended December 31, 1999.

(13) Portions of Lockheed Martin Corporation 1999 Annual Report to Shareholders incorporated by reference in this Annual Report on Form 10-K.

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

(24) Powers of Attorney.

(27) Financial Data Schedule.

Other material incorporated by reference:

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LOCKHEED MARTIN CORPORATION

Date: March 9, 2000

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

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

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

SIGNATURES	TITLE	DATE
/s/ Vance D. Coffman* VANCE D. COFFMAN	Chairman, Chief Executive Officer and President	March 9, 2000
/s/ Robert J. Stevens* ROBERT J. STEVENS	Executive Vice President and Chief Financial Officer	March 9, 2000

/s/ Christopher E. Kubasik*	Vice President and Controller	March 9, 2000
CHRISTOPHER E. KUBASIK	(Chief Accounting Officer)	
/s/ Norman R. Augustine*	Director	March 9, 2000
NORMAN R. AUGUSTINE		
/s/ Marcus C. Bennett*	Director	March 9, 2000
MARCUS C. BENNETT		
/s/ Lynne V. Cheney*	Director	March 9, 2000
LYNNE V. CHENEY		
/s/ Houston I. Flournoy*	Director	March 9, 2000
HOUSTON I. FLOURNOY		
/s/ James F. Gibbons*	Director	March 9, 2000
JAMES F. GIBBONS		
/s/ Edward E. Hood, Jr.*	Director	March 9, 2000
EDWARD E. HOOD, JR.		

SIGNATURES	TITLE	DATE
/s/ Caleb B. Hurtt* CALEB B. HURTT	Director	March 9, 2000
/s/ Gwendolyn S. King* GWENDOLYN S. KING	Director	March 9, 2000
/s/ Eugene F. Murphy* EUGENE F. MURPHY	Director	March 9, 2000
/s/ Frank Savage* FRANK SAVAGE	Director	March 9, 2000
CARLISLE A.H. TROST	Director	
/s/ James R. Ukropina* JAMES R. UKROPINA	Director	March 9, 2000

SIGNATURES	TITLE	DATE
/s/ Douglas C. Yearley* DOUGLAS C. YEARLEY	Director	March 9, 2000

*By: /s/ Broc Romanek (Broc Romanek, Attorney-in-fact**) March 9, 2000

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

Exhibit (3)(iii)

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

B Y- L A W S

Adopted August 26, 1994
(Amended February 6, 1995)
(Amended April 27, 1995)
(Amended September 28, 1995)
(Amended January 1, 1996)
(Amended January 7, 1996)
(Amended April 25, 1996)
(Amended January 23, 1997)
(Amended September 25, 1997)
(Amended October 23, 1997)
(Amended January 22, 1998)
(Amended June 26, 1998)
(Amended July 23, 1998)
(Amended April 22, 1999)
(Amended October 28, 1999)
(Amended February 24, 2000)

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OF

LOCKHEED MARTIN CORPORATION

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

ARTICLE I

STOCKHOLDERS

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

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

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

Section 1.04. NOTICE OF MEETINGS. Not less than thirty (30) days nor more than ninety (90) days before the date of every stockholders' meeting, the Secretary shall give to each stockholder entitled to vote at such meeting and each other stockholder entitled to notice of the meeting, written or printed notice stating the time and place of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, either by mail or by presenting it to him or her personally or by leaving it at his or her residence or usual place of business. If mailed, such notice shall be deemed to be given when deposited in the United States mail addressed to the stockholder at his or her post office address as it appears on the records of the Corporation, with postage thereon prepaid. Notwithstanding the foregoing provision for notice, a waiver of notice in writing, signed by the person or persons entitled to such notice and filed with the records of the meeting, whether before or after the holding thereof, or actual attendance at the meeting in person or by proxy, shall be deemed equivalent to the giving of such notice to such persons. Any meeting of stockholders, annual or special, may adjourn from time to time without further notice to a date not more than one hundred twenty (120) days after the original record date at the same or some other place.

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

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

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

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

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

Section 1.10. INSPECTORS OF ELECTION. In advance of any meeting of stockholders, the Board of Directors may appoint Inspectors of Election to act at such meeting or at any adjournment or adjournments thereof. If such Inspectors are not so appointed or fail or refuse to act, the chairman of any such meeting, upon the demand of stockholders present in person or by proxy entitled to cast 25% of all the votes entitled to be cast at the meeting, shall make such appointments.

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

No such Inspector need be a stockholder of the Corporation.

Section 1.11. DIRECTOR NOMINATIONS AND STOCKHOLDER BUSINESS.

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

For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (iii) of paragraph (a) of this Section 1.11, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not less than ninety (90) days nor more than one-hundred twenty (120) days prior to the first anniversary of the date of mailing of the notice for the preceding year's annual meeting; provided, however, that in the event that the date of mailing of the notice for the annual meeting is advanced or delayed by more than thirty (30) days from the anniversary date of mailing of the notice for the preceding year's annual meeting, notice by the stockholder to be timely must be so delivered not earlier than the one-hundred twentieth (120th) day prior to the date of mailing of the notice for such annual meeting and not later than the close of business on the later of the ninetieth (90th) day prior to the date of mailing of the notice for such annual meeting or the tenth (10th) day following the day on which public announcement of the date of mailing of the notice for such meeting is first made. Such stockholder's notice shall set forth (i) as to each person whom the stockholder proposes to nominate for election or reelection as a director, (A) the name, age, business address and residence address of such person, (B) the class and number of shares of capital stock of the Corporation that are beneficially owned by such person, and (C) all other information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A (or any successor provision) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (ii) as to any other business that the stockholder proposes to bring before the meeting, a description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder (including any anticipated benefit to the stockholder therefrom) and of each beneficial owner, if any, on whose behalf the proposal is made; and (iii) as to the stockholder giving the notice and each beneficial owner, if any, on whose behalf the nomination or proposal is made, (x) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner and (y) the class and number of shares of stock of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner.

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

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

(c) General. Only such persons who are nominated in accordance with the procedures set forth in this Section 1.11 and Article II, Section 2.04 shall be eligible to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 1.11. The chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this Section 1.11 and, if any proposed nomination or business is not in compliance with this Section 1.11, to declare that such defective nomination or proposal be disregarded.

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

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

ARTICLE II

BOARD OF DIRECTORS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE III

COMMITTEES

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

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

Section 3.03. AUDIT AND ETHICS COMMITTEE. The Board of Directors by resolution adopted by a majority of the Board of Directors shall provide for an Audit and Ethics Committee of three or more directors who are not officers or employees of the Corporation, and who otherwise independent of management and free from any relationship that, in the opinion of the Board of Directors, would interfere with the exercise of the independent judgment of each member as a Committee member. The members of the Audit and Ethics Committee shall be elected by the Board of Directors to serve at the pleasure of the Board of Directors. The Board of Directors shall designate from among the membership of the Audit and Ethics Committee a chairman. The Audit and Ethics Committee shall, except when such powers are by statute or the Charter or the Bylaws either reserved to the full Board of Directors or delegated to another committee of the Board of Directors, possess and may exercise the powers of the Board of Directors relating to all accounting and auditing matters of this Corporation. The Audit and Ethics Committee shall recommend to the Board of Directors the selection of and monitor the independence of the independent public accountants for this Corporation and prior to the end of the Corporation's fiscal year shall review the scope and timing of the work to be performed and the compensation to be paid to the accountants selected by the Board; review with the Corporation's management and the independent public accountants the financial accounting and reporting principles appropriate for the Corporation, the policies and procedures concerning audits, accounting and financial controls, and any recommendations to improve existing practices, and the qualifications and work of the Corporation's internal auditing staff; review with the Corporation's independent public accountants the results of their audit and their report including any changes in accounting principles and any significant amendments; and shall meet with the Corporation's internal audit department representative to review the plan and scope of work of the internal auditing staff. The Committee shall hold quarterly meetings, and shall separately meet in executive session, with the Corporation's independent public accountants and internal audit department representative to review and resolve all matters of concern presented to the Committee. The Committee shall monitor compliance with the Code of Ethics and Standards of Conduct and shall review and resolve all matters of concern presented to it by the Corporate Ethics Committee or the Corporate Ethics Office. The Committee shall review and monitor the adequacy of the Corporation's policies and procedures, as well as the organizational structure, for ensuring compliance with environmental, health and safety laws and regulations; review, at least annually, the Corporation's record of compliance with any environmental, health and safety laws and regulations and the policies and procedures relating thereto; review with the Corporation's management significant environmental, health and safety litigation and regulatory proceedings in which the Corporation is or may become involved; and review the accounting and financial reporting issues, including the adequacy of disclosure, for all environmental matters. The Committee shall have the power to investigate any matter falling within its jurisdiction, and it shall also perform such other functions and exercise such other powers as may be delegated to it from time to time by the Board of Directors. All action by the Audit and Ethics Committee shall be reported to the Board of Directors at its meeting next succeeding such action and shall be subject to revision and alteration by the Board of Directors. Vacancies in the Audit and Ethics Committee shall be filled by the Board of Directors.

Section 3.04(a). MANAGEMENT DEVELOPMENT AND COMPENSATION COMMITTEE. The Board of Directors by resolution adopted by a majority of the Board of Directors may provide for a Management Development and Compensation Committee of three (3) or more directors who are not officers or employees of the Corporation. If provision is made for a Management Development and Compensation Committee, the members of the Management and Development Compensation Committee shall be elected by the Board of Directors to serve at the pleasure of the Board of Directors. The Board of Directors shall designate from among the membership of the Management Development and Compensation Committee a chairman. The Management Development and Compensation Committee shall consider proposed candidates for senior officer positions and their development plans and recommend to the Board of Directors the compensation to be paid for services of senior elected officers of the Corporation as established by resolution of the Board of Directors from time to time. The Management Development and Compensation Committee shall appraise the performance of management and have the power to fix the compensation of all other elected officers and to approve the benefits provided by any bonus, supplemental, and special compensation plans, including pension, insurance, and health plans, but excluding performance-based executive compensation plans, and such powers as are by statute or the Charter or the Bylaws reserved to the full Board of Directors. The Management Development and Compensation Committee shall also perform such other functions and exercise such other powers as may be delegated to it from time to time by the Board of Directors. All action by the Management Development and Compensation Committee shall be reported to the Board of Directors at its meeting next succeeding such action and shall be subject to revision and alteration by the Board of Directors. Vacancies in the Management Development and Compensation Committee shall be filled by the Board of Directors.

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

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

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

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

ARTICLE IV

OFFICERS

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

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

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

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

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

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

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

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

Section 4.09. WHEN DUTIES OF AN OFFICER MAY BE DELEGATED. In the case of the absence or disability of an officer of the Corporation or for any other reason that may seem sufficient to the Board of Directors, the Board of Directors, or any officer designated by it, may, for the time being, delegate such officer's duties and powers to any other person.

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

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

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

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

ARTICLE V

STOCK

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

Section 5.02. TRANSFER OF SHARES. Shares of stock shall be transferable only on the books of the Corporation only by the holder thereof, in person or by duly authorized attorney, upon the surrender of the certificate representing the shares to be transferred, properly endorsed. The Board of Directors shall have power and authority to make such other rules and regulations concerning the issue, transfer and registration of certificates of stock as it may deem expedient.

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

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

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

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

ARTICLE VI

INDEMNIFICATION

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

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

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

(1) Was committed in bad faith; or

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

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

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

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

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

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

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

ARTICLE VII

SUNDRY PROVISIONS

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

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

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

10(dd) Amendment to Terms of Outstanding Stock Option Relating to Exercise

Period for Employees of Divested Business.

Exhibit 10(dd)

December 20, 1999

THIS LETTER CONSTITUTES PART OF A PROSPECTUS
COVERING SECURITIES THAT HAVE BEEN REGISTERED UNDER
THE SECURITIES ACT OF 1933, AS AMENDED

RE: Lockheed Martin Corporation 1995 Omnibus Performance Award Plan ("Plan")

Dear Optionee:

Effective December 2, 1999, the Stock Option Subcommittee of the Board of Directors of Lockheed Martin Corporation (the "Corporation") has amended the terms of your outstanding Lockheed Martin stock options previously granted under the referenced Plan. The amendments provide that:

- If you die, the expiration date of your outstanding options will be unaffected and will expire at the end of their remaining term. This amends the duration of the exercise period for your beneficiaries from three years following your death to the end of your options' remaining term.

- If you are divested from the Corporation as defined in your outstanding Plan award agreements, the vesting schedule of your outstanding options will be unaffected by the divestiture and your outstanding options will expire on the fifth anniversary of the effective date of the divestiture, or the original expiration date, whichever occurs first. This amends the duration of the exercise period following divestiture from one year to five years (but in no case longer than the original term), and provides for continued vesting of your options following divestiture (previously, unvested options at the time of the divestiture were forfeited). The provision concerning your rights upon voluntary or involuntary termination (other than layoff) has also been amended but the amendments are technical and do not change the meaning of the provision.

The full text of the amendments (including non-substantive technical changes) as implemented in the award letters previously issued to you follow:

SPECIAL RULES AS TO EXPIRATION AND FORFEITURE

Death - Options will expire at the end of their remaining term.

Resignation, Lay-Off or Termination for Cause - If you resign or otherwise terminate, whether voluntarily or by action of the Corporation and in the latter case whether with or without "cause," unvested Options will be forfeited upon your termination. Vested Options will expire at the end of their remaining term or 186 calendar days following your resignation or termination, whichever is shorter. If you are laid off, your options will be unaffected, and will vest and be exercisable until the end of their remaining term, in accordance with the terms of the Plan.

Divestiture - If the Corporation divests (as defined below) all or substantially all of a business operation of the Corporation and such divestiture results in the termination of the recipient's employment with the Corporation or its subsidiaries and transfer of such employment to the other party to the divestiture, the special rules in this paragraph will apply. Your service with the other party to the divestiture will be treated as service with the Corporation and you will continue to vest in your unvested options while employed by that party as though you had remained in the employ of the Corporation. Following a divestiture, your vested options will be exercisable until the first to occur of (i) the fifth anniversary of the effective date of the divestiture; or (ii) the original expiration date ("Divestiture Expiration Date"). If you die following divestiture but prior to the Divestiture Expiration Date, all unvested options will immediately vest as of the date of death and be exercisable by your beneficiary until the Divestiture Expiration Date. For the purposes of this provision, the term "divestiture" shall mean a transaction which results in the transfer of control of the business operation divested to any person, corporation, association, partnership, joint venture or other business entity of which less than 50% of the voting stock or other equity interests (in the case of entities other than corporations), is owned or controlled directly or indirectly, by the Corporation, one or more of the Corporation's subsidiaries or by a combination thereof.

This letter is intended to notify each holder of options under the Plan that the amendments have been fully implemented on a prospective basis as of December 2, 1999 and will apply to divestitures and deaths occurring after that date. Except for the amendments, which serve as an extension of the exercise periods under circumstances of divestiture or death from those previously authorized, each option remains in full force and effect in accordance with its terms in effect prior to the amendments. The amendments do not apply at this time to Section 16 Insiders.

If you have questions regarding the amendments, please address them to ____, or me.

Very truly yours,

/s/ Lillian M. Trippett

Exhibit 10(mm)

This Document Constitutes Part of a Prospectus Covering Securities that have been Registered under the Securities Act of 1933

LOCKHEED MARTIN CORPORATION
DIVESTED BUSINESS DEFERRED MANAGEMENT INCENTIVE COMPENSATION PLAN

(Adopted December 2, 1999)

ARTICLE I

PURPOSES OF THE PLAN

The purposes of the Lockheed Martin Corporation Divested Business Deferred Management Incentive Compensation Plan (the "DBDMICP") are to provide certain key management employees who have deferred amounts under the Deferred Management Incentive Compensation Plan ("DMICP") and who are employed in a business unit of Lockheed Martin Corporation (the "Company") that has been identified as a possible candidate for divestiture the opportunity to defer receipt of DMICP accounts that would otherwise become payable following a divestiture. Except as expressly provided hereinafter, the provisions of this DBDMICP and the DMICP shall be construed and applied independently of each other.

The DBDMICP applies solely to amounts that have been deferred under the DMICP and expressly does not apply to any special awards which may be made under any of the Company's other incentive plans, except and to the extent specifically provided under the terms of such other incentive plans and the relevant awards.

ARTICLE II

DEFINITIONS

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

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

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

3. BENEFICIARY -- Unless a Participant designates otherwise on a form provided by the Company which is on file with the Company before the Participant's death, the same person or persons (including a trust or trusts) validly designated by a Participant under the DMICP to receive distributions of the Participant's DMICP account balance, if any, upon the Participant's death. In the absence of a valid designation, or if the designated Beneficiary fails to survive the Participant, the Beneficiary shall be the Participant's estate. A Participant may amend his or her Beneficiary designation at any

time by filing another Beneficiary designation with the Company before the Participant's death.

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

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

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

7. 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.

8. 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 his or her DMICP account balance under this DBDMICP.

9. DEFERRED COMPENSATION -- The amount credited to a Participant's Account under the DBDMICP.

10 DIVESTITURE - A transaction which results in (i) the transfer of control of the business unit divested to any person, corporation, association, partnership, joint venture or other business entity of which less than 50% of the voting stock or other equity interests (in the case of entities other than corporations), is owned or controlled, directly or indirectly, by the Company, one or more of the Company's subsidiaries or a combination thereof, (ii) the Eligible Employee's employment continuing with such divested business unit or being transferred from the Company to the other party to the Divestiture; and (iii) the other party does not assume the liability for the outstanding account balances in the DMICP of the Eligible Employees employed by the business operation divested.

11. DIVESTITURE CANDIDATES - The business units of the Corporation that have been identified as possible candidates for divestiture and whose employees have been identified as eligible for this DBDMICP by the Vice President, Human Resources.

12. DMICP -- The Lockheed Martin Corporation Deferred Management Incentive Compensation Plan, adopted by the Board on July 27, 1995, as subsequently amended.

13. ELIGIBLE EMPLOYEE -- An employee of the Company who is a participant in the DMICP, who is employed by a Divestiture Candidate and who has satisfied such additional requirements for participation in this DBDMICP 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. INTEREST OPTION -- The investment option under which earnings will be credited to a Participant's Account based on the interest rate applicable under Cost Accounting Standard 415, Deferred Compensation.

16. PARTICIPANT -- An Eligible Employee who has elected to defer his or her account under this DBDMICP and for whom such account has been deferred under this DBDMICP.

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

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

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

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

ARTICLE III

ELECTION OF DEFERRED AMOUNT

1. Timing of Deferral Elections. An Eligible Employee may elect to defer his or her account balances in the DMICP under this DBDMICP by executing and delivering to the Company a Deferral Agreement during a period of time as designated by the Vice President, Human Resources as the election period applicable to Eligible Employees of a particular Divestiture Candidate, provided that any election by a Section 16 Person shall be subject to the provisions of Section 4 of Article IV. An Eligible Employee's Deferral Agreement shall be irrevocable when delivered to the Company.

2. Amount of Deferral Elections. An Eligible Employee's deferral election under this DBDMICP will apply to the entire balance of such Eligible Employee's DMICP account.

ARTICLE IV

CREDITING OF ACCOUNTS

1. Crediting of Deferred Compensation. A Participant's account balance in the DMICP that has been deferred under this DBDMICP in accordance with Article III shall be credited to a Participant's Account as of the day on which such balance would have been paid to the Participant if no Deferral Agreement had been made.

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

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

(b) Company Stock Investment Option: The portion of a Participant's Account allocated to the Company Stock Investment Option shall be credited as if such amount had been invested in the Company's Common Stock at the published closing price of the Company's Common Stock on the last Trading Day preceding the day as of which Deferred Compensation (or any reallocation under Section 4 or 5 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 DBDMICP, a Participant's investment selections under this DBDMICP shall be the same as his or her selections under the DMICP, so that any amounts credited to the Company Stock Investment Option under the DMICP shall be credited to Company Stock Investment Option under this DBDMICP and any amounts credited to the Interest Option under the DMICP shall be credited the Interest Option under this DBDMICP. A Participant's investment selections shall be irrevocable with respect to amounts deferred, and no subsequent reallocations shall be made except in accordance with Article IV, Section 5.

4. Special Rules for Section 16 Persons. Notwithstanding any other provision in this DBDMICP, no amount shall be distributed to a Section 16 Person under this DBDMICP 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 Participant's Account was allocated to the Company Stock Investment Option.

5. 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 a Divestiture in a business unit in which a Participant is employed or the Participant's death, the Participant or Beneficiary, as applicable, may elect irrevocably at any time after the Divestiture or the Participant's death and before the commencement of benefit payments to have the portion of the Participant's Account that is allocated to the Company Stock Investment Option reallocated to the Interest Option. A reallocation under this Section 5 shall take effect as of the first day of the month following the month in which an executed reallocation election is delivered to the Company, but in the case of a Section 16 Person not earlier than the first day of the seventh month following the month in which the reallocation election is delivered to the Company.

ARTICLE V

PAYMENT OF BENEFITS

1. General. The Company's liability to pay benefits to a Participant or Beneficiary under this DBDMICP shall be measured by and shall in no event exceed the Participant's Account Balance. Except as otherwise provided in this DBDMICP, 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.

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 first anniversary of the closing of a Divestiture which results in the Participant's termination of employment with the Company.

(B) Payment to begin on or about the January 15th or July 15th next following the second anniversary of the closing of a Divestiture which results in the Participant's termination of employment with the Company.

(C) Payment to begin on or about the January 15th or July 15th next following the third anniversary of the closing of a Divestiture which results in the Participant's termination of employment with the Company.

(D) Payment to begin on or about the January 15th or July 15th next following the fourth anniversary of the closing of a Divestiture which results in the Participant's termination of employment with the Company.

(E) Payment to begin on or about the January 15th or July 15th next following the fifth anniversary of the closing of a Divestiture which results in the Participant's termination of employment with the Company.

The time for commencement of payment elected by a Participant shall apply to amounts deferred under the DBDMICP notwithstanding any election made by the Participant for commencement of payments under the DMICP.

3. Election for Form of Payment. The form of payments applicable to a Participant's Account Balance shall be the form of payment elected by the Participant under the DMICP. Such payment shall begin at the time elected by the Participant under Article V, Section 2 and the form of payment will be governed by Article V, Section 3. In the case of an installment payment election, 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. Lack of Effect if Employment is Not Terminated Due to a Divestiture or Liability for DMICP Accounts is Assumed by Another Party. Notwithstanding an Eligible Employee's payment elections under Sections 2 and 3, if the employment of an Eligible Employee who makes an election under Article III is not transferred to the other party in a Divestiture for which the election was made or the other party to a divestiture assumes the liability for the outstanding account balances in the DMICP of the Eligible Employees employed by the business operation divested, the Eligible Employee's election under Article II will be null and void and his or her account balance under the DMICP shall continue to be governed by the terms of the DMICP.

5. Death Benefits. Upon the death of a Participant before a complete distribution of his or her Account Balance, the Account Balance will be paid to the Participant's Beneficiary in accordance with the payment elections applicable to the Participant. If a Participant dies before the payment of benefits has commenced, payments to the Beneficiary shall commence on the date payments to the Participant would have commenced under Article V. Whether the Participant dies before or after the commencement of distributions, payments to the Beneficiary shall be made for the period or remaining period elected by the Participant.

6. 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:

(a) Hardship Distributions. Subject to the last sentence of this Section 6(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 6(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 such amount was credited to the Participant's Account.

(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. In the event that a Section 16 Person seeks a withdrawal under this Section 6(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 such amount was credited to the Participant's Account, 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.

7. Acceleration upon Change in Control.

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

(b) For purposes of this DBDMICP, 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 7(a), if a distribution in accordance with the provisions of Section 7(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 7 shall apply only to a Change in Control of Lockheed Martin Corporation and shall not cause immediate payout of Deferred Compensation in any transaction involving the Company's sale, liquidation, merger, or other disposition of any subsidiary.

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

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

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

10. Tax Withholding. To the extent required by law, the Company shall withhold from benefit payments hereunder, or with respect to any Deferred Compensation 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 DBDMICP 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 DBDMICP. Notwithstanding the foregoing, to assist the Company in meeting its obligations under this DBDMICP, 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 DBDMICP be satisfied by payments out of such trust. The assets of any such trust will remain subject to the claims of the general creditors of the Company. It is the Company's intention that the Plan be unfunded for Federal income tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended.

2. Nonalienability of Benefits. A Participant's rights under this DBDMICP shall not be assignable or transferable and any purported transfer, assignment, pledge or other encumbrance or attachment of any payments or benefits under this DBDMICP, 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 DBDMICP 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 DBDMICP 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 DBDMICP if such entity agrees pursuant to a binding written agreement to assume all of the obligations of the Company under this DBDMICP with respect to such Participant.

ARTICLE VIII

ADMINISTRATION

1. The Committee. This DBDMICP 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 DBDMICP 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 DBDMICP, and interpretations of the DBDMICP 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 DBDMICP in accordance with its terms and purpose, except that the Committee may not delegate any authority the delegation of which would cause this DBDMICP 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 DBDMICP, 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 DBDMICP.

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 DBDMICP, 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 DBDMICP or for the failure of the DBDMICP or any Participant's rights under the DBDMICP 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 DBDMICP is denied by the Committee are as follows:

(A) The Committee shall:

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

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

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

  (i) identification of pertinent provisions of this DBDMICP;

  (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 DBDMICP.

ARTICLE IX

GENERAL AND MISCELLANEOUS PROVISIONS

1. Neither this DBDMICP 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 DBDMICP 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 DBDMICP 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 DBDMICP or a Deferral Agreement, either singly or collectively, by their terms or implications in any way obligate the Company to award compensation to any Eligible Employee, whether or not the Eligible Employee is a Participant in the DBDMICP, nor in any other way limit the right of the Company to change an Eligible Employee's compensation or other benefits.

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

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

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

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 DBDMICP and all actions or decisions made by the Company, the Board, or Committee with regard to the DBDMICP.

6. The provisions of this DBDMICP 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 DBDMICP shall be available for inspection by Participants or other persons entitled to benefits under the DBDMICP at reasonable times at the offices of the Company.

8. The validity of this DBDMICP 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 DBDMICP 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 DBDMICP 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 DBDMICP 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 DBDMICP 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 DBDMICP, the provisions of this DBDMICP may at any time be bifurcated by the Board or the Committee in any manner so that certain provisions of this DBDMICP are applicable solely to Section 16 Persons. Notwithstanding any other provision of this DBDMICP 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 DBDMICP 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. 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 compensation deferred under this DBDMICP by all Eligible Employees exceed $250,000,000.

ARTICLE X

EFFECTIVE DATE

This DBDMICP was adopted pursuant to a resolution of the Board on December 2, 1999 and became effective on such date.

RELEASE AND CONFIDENTIALITY AGREEMENT

Lockheed Martin Corporation (the "Corporation") and I, James A. Blackwell, voluntarily enter into this Release, Noncompete and Confidentiality Agreement ("Release") and agree as follows:

Benefit Payable. In exchange for the Enhanced Termination Benefits as described in the Letter, originally dated ___, from ____, Vice President, Human Resources, and the terms of which are incorporated herein by reference, on my own behalf and on behalf of my successors, assigns and representatives, I hereby irrevocably and unconditionally release any and all Claims, as described below, that I may now have against the Released Parties listed below. I agree that the Enhanced Termination Benefits, including but not limited to the extension of my termination date from November 30, 1999 to January 31, 2000, the $200,000 relocation allowance and the consulting arrangement, are greater in value than any benefit to which I am otherwise entitled.

Covenant Not to Compete. I acknowledge that upon receipt of full payment of all amounts due ($1,918,800.00) under the Retention Agreement between me and the Corporation dated November 1, 1997 ("Retention Agreement") payable on or about February 1, 2000, I am fully bound by the terms of the Covenant Not to Compete Provision set forth in Section 5 of the Retention Agreement, which reasonably restricts my employment and business opportunities through January 31, 2001. In consideration for the lump sum payment in the amount of $288,000, payable on or about February 1, 2000 (which amount represents the collective consideration for this Covenant Not to Compete as well as payment for services rendered, if any, by me pursuant to a two-year consulting arrangement, set forth in a separate agreement between me and the Corporation), I agree to extend the Covenant Not to Compete obligation, set forth in Section 5 of the Retention Agreement, for another 12 month period beyond its current expiration date of January 31, 2001. Therefore, for a period extending from February 1, 2001 through January 31, 2002, I shall not engage in any business (whether as an officer, director, owner, employee, partner or other direct or indirect participant) competing with that of the Corporation in any area in which the Corporation is conducting any business on the date of my termination. For such period, I shall also not interfere with, disrupt, or attempt to disrupt the relationship, contractual or otherwise, between the Corporation and any customer, supplier or employee of the Corporation.

It is the desire and intent of the parties that the provisions of this Covenant Not to Compete shall be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, if any particular portion of this Covenant Not to Compete is adjudicated to be invalid or unenforceable, this Covenant Not to Compete shall be deemed amended to delete therefrom the portion thus adjudicated to be invalid or unenforceable, such deletion to apply only with respect to the operation of this provision in the particular jurisdiction in which such adjudication is made.

Claims Not Released. I agree that I will not receive any severance benefits in connection with my termination under any corporate severance plan or policy. By this agreement, I am not releasing any rights to benefits I may have under the Retention Agreement or rights to benefits under any of the Corporation's other benefit programs.

Claims Released. Subject only to the exception noted in the previous paragraph, I agree to waive and fully release any and all claims of any nature whatsoever (known and unknown) ("Claims") that I may now have or have had against the Corporation, its affiliates, subsidiaries, fiduciaries and the directors, officers, employees, shareholders and agents of any of the foregoing ("Released Parties"). These Claims released include, but are not limited to, claims that in any way relate to my employment with the Corporation or the termination of that employment, and any claims for monetary damages, wages or other personal remedy sought in any legal proceeding or charge filed with any court, federal, state or local agency either by me or by a person claiming to act on my behalf or in my interest.

I understand that the Claims I am releasing might have arisen under many different local, state and federal statutes, regulations, case law and/or common law doctrines. By this agreement, I specifically, but without limitation, agree to release all of the Released Parties from Claims under any corporate severance plan or policy; the WARN Act (which requires that advance notice be given of certain workforce reductions); Title VII of the Civil Rights Act of 1964, as amended (which prohibits discrimination based on race, color, national origin, religion, or sex); the Civil Rights Act of 1866 (which prohibits discrimination based on race or color); the Age Discrimination in Employment Act and the Older Worker Benefit Protection Act (which prohibit discrimination based upon age); the Americans with Disabilities Act and Sections 503 and 504 of the Rehabilitation Act of 1972 (which prohibit discrimination based upon disability); the Equal Pay Act (which prohibits paying men and women unequal pay for equal work); or any other local, state or federal statutes prohibiting discrimination or retaliation on these or any other grounds or otherwise governing the employment relationship. The Released Claims also include any Claims against the Released Parties relating to defamation, invasion of privacy, infliction of emotional distress, or any other Claim based upon any theory of personal injury or breach of express or implied contract or covenant of good faith and fair dealing. I warrant that I have not assigned or transferred any Claims described in this Release to any third parties.

California provision. This release extends to all Claims that I may now have, even claims unknown at this time, and is an express waiver by me of the protection of Section 1542 of the Civil Code of California or any other similar provision under any other state's laws. Section 1542 of the Civil Code states:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known to him must have materially affected his settlement with the debtor." (For the purposes of this Release of Claims, the employee would be considered the "creditor" and the Corporation would be considered the "debtor").

Continuing obligation of nondisclosure, confidentiality and other restrictions. Throughout the duration of my employment with the Corporation, I have had access to and may have generated a substantial amount of information that is proprietary and confidential to the Corporation. Additionally, I may have had access to certain third-party proprietary information that had been provided in confidence to the Corporation. In consideration of my employment by the Corporation, I have undertaken an obligation, both during and following my employment, not to use or disclose to others, any Proprietary Information, except as authorized by the Corporation. "Proprietary Information" means any information of the Corporation or of others which has come into the Corporation's or my possession, custody or knowledge in the course of my employment that has independent economic value as a result of its not being generally known to the public and is the subject of reasonable means to preserve the confidentiality of the information. Proprietary Information includes (without limitation) information, whether written or otherwise, regarding the Corporation's earnings, expenses, marketing information, cost estimates, forecasts, bid and proposal data, financial data, trade secrets, products, procedures, inventions, systems or designs, manufacturing or research processes, material sources, equipment sources, customers and prospective customers, business plans, strategies, buying practices and procedures, prospective and executed contracts and other business arrangements or business prospects, except to the extent such information becomes readily available to the general public lawfully and without breach of a confidential, contractual, or fiduciary duty. By signing this Release, I acknowledge and agree that I have a continuing obligation to not use or disclose Proprietary Information. Further, all materials to which I have had access, or which were furnished or otherwise made available to me in connection with the services performed for the Corporation shall be and remain the property of the Corporation. All such materials, documents and information, including any Proprietary Information and all reproductions thereof shall be returned by me promptly to the Corporation.

I further agree that, for a period of 12 months from the date of this Release, I will not make any slanderous or libelous public statements, whether oral or written, regarding the Corporation, its stockholders, directors, officers, employees, agents, technology, or products. For the purposes of this Release, the term "public statement" shall include any communication to any person with the exception of internal communications to officials of the Corporation made by me in the course of the performance of my duties as an employee or consultant of the Corporation.

I understand and agree that the existence and terms of this Release shall be maintained in strict confidence. I agree that I shall not disclose the existence or terms of this Release to any other person except my spouse, members of my immediate family, my legal and financial advisors in connection with tax returns and estate planning and as otherwise required by law. Any disclosure of the existence or terms of this Release by any of the aforesaid persons shall be deemed to be an unauthorized disclosure by me and a violation of this Release.

I agree that if at any time I violate any provision of this Release, including but not limited to these confidentiality provisions, the Corporation shall immediately cease payment of any of the Enhanced Termination Benefits (including termination of any existing consultant agreement) and pursue any other remedies available to the Corporation, including injunctive or other equitable relief. The Corporation cannot necessarily be reasonably or adequately compensated in money damages in an action at law in the event I breach my obligations under this Release, because such obligations are of a unique, special and personal character and of peculiar value to the Corporation. The parties acknowledge and agree that this confidentiality provision shall not affect my obligations to cooperate with any U.S. government investigation or to respond truthfully to any lawful governmental inquiry or to give truthful testimony in court.

Other provisions. The parties agree that this Release prohibits my ability to pursue any Claims or charges against the Released Parties seeking monetary relief or other remedies for myself and/or as a representative on behalf of others. This agreement does not affect my ability to cooperate with any future ethics, legal or other investigations, whether conducted by the Corporation or any governmental agencies.

A determination by a court or arbitrator that any provision of this Release is invalid, illegal or unenforceable shall not affect the validity, legality or enforceability of any other provision of this Release.

Excepting only the Retention Agreement, this document contains all of the agreements between me and the Corporation relating to my termination of employment, and supersedes any prior agreements or representations between us as to the subjects covered herein. This Release may be modified, supplemented or superseded only in a written document signed by both parties.

This Release shall be governed by and construed in accordance with the laws of the State of Maryland, without giving effect to the conflict of law provisions thereof.

By signing below, in addition to releasing all Claims described herein, I acknowledge that:

a) I have been advised to consult with an attorney prior to signing this Release;

b) I have been given at least 21 days to consider the actual terms of this Release. I understand that I must deliver this signed Release to the Corporation in the care of ____, Vice President, Human Resources, whose office is located at the following address: 6801 Rockledge Drive, Bethesda, MD 20817, or send this Release certified mail, return receipt requested, to Lockheed Martin Corporation, Attention: ____, Vice President, Human Resources at the same address so that it is received by the Corporation on or before ______.

c) I understand that I may revoke this Release within seven (7) calendar days from the date of signing, in which case this Release shall be null and void and of no force and effect on the Corporation or me. I further understand and acknowledge that to be effective, the revocation must be in writing and either personally delivered to the Corporation to the Corporation in the care of ____, Vice President, Human Resources, whose office is located at the following address: 6801 Rockledge Drive, Bethesda, MD 20817, or sent via certified mail, return receipt requested, to Lockheed Martin Corporation, Attention: _____, Vice President, Human Resources at the same address so that it is received by the Corporation in by 5:00 p.m. on or before the seventh (7th) calendar day after I sign this Release. If I revoke this Release, I understand and agree that my effective termination date shall be ____ or the date of my revocation, whichever date is sooner.

d) I have read this Release, and I am fully aware of the legal effects of the Release. I have chosen to execute the Release freely, without reliance upon any promises or representations made by the Corporation other than those contained in this Release and the Letter.

Dear _____:

The purpose of this letter ("Letter") is to set forth options concerning your termination of employment from Lockheed Martin Corporation (the "Corporation"). This Letter reflects terms that you and I have negotiated since the date of my original letter to you on November 22, 1999. Several drafts of this Letter have been delivered to you and revised during this negotiation process. The letter delivered to you on November 22nd set forth two proposals and included a Release and Confidentiality Agreement for your review and consideration. This Letter also sets forth an option requiring the Release, Noncompete and Confidentiality Agreement, the form of which has also been the subject of our negotiations and is substantially similar to the original form attached to the November 22nd letter with the addition of a negotiated covenant not to compete provision. Other than establishing a calendar year 2000 payment date in the event you elect the Enhanced Termination Benefits, this Letter does not affect the terms of the Retention Agreement between you and the Corporation, dated November 1, 1997 ("Retention Agreement"), the terms of which survive any other agreements between you and the Corporation.

As I notified you earlier this month, your termination date was initially scheduled for November 30, 1999. However, as initially set forth in my November 22nd letter to you, in order to give you at least 21 calendar days from November 22, 1999 to review and consider the terms of the Release, Noncompete and Confidentiality Agreement ("Release"), you were notified that you would be placed on vacation leave status on December 1, 1999 until December 13, 1999 in lieu of the November 30th termination date. If you elect the Enhanced Termination Benefits described in Part I of this Letter, you will receive the benefits described in Part I and Part II of this Letter, and your termination date will be extended to January 31, 2000. If you forego the Enhanced Termination Benefits, you will receive the benefits described in Part II of this Letter, and your termination date will be on the date you notify me of your decision to forego the Enhanced Termination Benefit option, or on December 13, 1999, whichever date is sooner. You must inform me of your choice on or before December 13, 1999.

Part I
- ------
The Corporation offers you the following termination benefits ("Enhanced Termination Benefits") in consideration for signing the Release, a copy of which is attached to this Letter. You have 21 calendar days to consider this offer, which expires on December 13, 1999. To be eligible for the Enhanced Termination Benefit you must sign and deliver the Release to my office by close of business on December 13, 1999. You may sign and return the Release earlier at your option. Provided you timely deliver the signed Release to my office and further provided you do not revoke the Release within the 7-day revocation period, the Corporation will provide the following Enhanced Termination Benefits:

. Extension of Termination Date -- In lieu of your previously scheduled termination date of November 30, 1999, you will be placed on vacation pay status from December 1, 1999 through January 31, 2000. You will receive holiday pay rather than vacation pay for the Corporation's designated holidays during this period.

On January 31, 2000, your employment will be terminated. This will enable you to retire from active service on February 1, 2000, provided you submit the necessary retirement paperwork prior to January 31, 2000.

Stock option vesting rules are governed by the Lockheed Martin Corporation 1995 Omnibus Performance Award Plan and the Award Agreement issued to you. Under the Award Agreement, your vested options will continue to be exercisable for the duration of their term. By remaining on the payroll through January 31, 2000 and retiring effective February 1, 2000, this would allow your unvested options to continue to vest on the schedule contained in your Award Agreement, and once vested will be exercisable for the duration of their term. With this extension of your termination date, under the Award Agreement, the last increment of your 1998 grant should vest on January 22, 2000. Under the Award Agreement, your retirement from active service on February 1, 2000, will vest you in the first 50% of your 1999 grant and the remaining 50% of your 1999 grant will vest on February 1, 2001.

The extension of your termination date will impact the timing of the payment of the amount due ($1,918,800.00) under the Retention Agreement between you and the Corporation, dated November 1, 1997. This payment will be made on or about February 1, 2000. In the event that you do not elect the Enhanced Termination Benefits, this payment shall be made no later than December 13, 1999. You have acknowledged that the payment of $1,918,800.00 under the Retention Agreement was properly calculated pursuant to Section 3a of that agreement.

. Consulting and Noncompete Agreement. The Corporation will pay you a lump sum in the amount of $288,000, payable on or about February 1, 2000 as collective consideration for 1) Covenant not to Compete obligation in the Release which extends the noncompete obligation set forth in your Retention Agreement by an additional 12 months (through January 31, 2002) and 2) services to be rendered, if any, up to 48 days per year during a two-year consulting arrangement with an effective date of February 1, 2000. Although the specific terms of the consulting arrangement will be set forth in a Consultant Agreement to be signed by both parties, generally it will require that you provide up to 48 days of consulting work per year for two years (from 2-1-00 through 1-31-02). Days worked in excess of 48 per year will be compensated at $3,000 per day. For purposes of calculating the 48 days per year under the agreement, each year will begin on February 1st of 2000 and 2001, respectively. The Corporation will not be allowed to terminate the consulting agreement unless you are in default under its terms or if the agreement terminates due to unlawful conduct. The consulting agreement will also include appropriate, but reasonable restrictions on your ability to terminate the agreement prior to its expiration on January 31, 2002. The noncompete obligation in the Release will survive its entire term, through January 31, 2002, regardless of any termination of the consulting agreement.

- Moving Allowance. The Corporation will pay you a lump sum of $200,000, which represents the agreed upon estimate of the cost of relocating outside of Maryland, increased to include estimated taxes. This payment will be made on or about February 1, 2000.

- MICP Award. In connection with your Management Incentive Compensation Plan (MICP) participation for plan year 1999, we will recommend to the Management Development & Compensation Committee of the Board of Directors (hereafter "MD&C Committee") an individual target rating of no less than 1.0 for the 1999 plan year. However, as you know, the determination regarding payment and amount of MICP awards is within the discretion of the MD&C Committee and is governed by the terms of the MICP plan document. The individual target rating is only one of the factors considered by the MD&C Committee in determining the amount of any MICP award. You will not be eligible for MICP participation in plan year 2000.

- Financial Counseling/Tax Preparation. If you retire on February 1, 2000, you will be eligible for reimbursement of up to $10,000 for covered financial counseling and tax preparation expenses incurred in calendar year 2001. In lieu of reimbursement for actual expenses, the Corporation will pay you $10,000 in a lump sum, less applicable tax withholdings. This payment will be made on or about February 1, 2000. (If you do not elect the Enhanced Termination Benefits, then you will only be eligible for this benefit for expenses incurred in 1999 and 2000. The Financial Counseling / Tax Preparation benefit for 1999 and 2000 is described in Part II of this Letter.)

- Personal Umbrella Liability Policy ($5 million). The current policy will be paid through November 30, 2000. As a retired Officer, you will be eligible to continue this policy on an individual basis by paying the annual premium. Seabury L. Smith, the Corporation's insurance broker for this coverage, will contact you prior to the December 1, 2000, renewal to offer continuation of coverage.

- Country Club Membership. You may maintain your membership at the ________ Country Club, which was initially purchased by the Corporation. The Corporation will not be responsible for paying any past or future dues or fees associated with your club membership.

- Cellular Telephones. The Corporation will give you the cellular telephones currently in your possession, which were initially purchased by the Corporation and provided for your business use. The Corporation will not be responsible for paying for your cellular telephone service or air time associated with cellular calls unless the air time expense is submitted and approved as a reimbursable business expense incurred on behalf of the Corporation during the remainder of your employment or during the term of your consulting agreement.

- __Laptop Computer.__ The Corporation will give you the IBM Thinkpad Laptop computer currently in your possession, which was initially purchased by the Corporation and provided for your business use.

- __Fax Machine.__ The Corporation will give you the Canon FAX-B360IF fax machine currently in your possession, which was initially purchased by the Corporation and provided for your business use.

- __Executive Physical Exam.__ You will be eligible to receive the Corporation's standard executive physical exam during the calendar year 2000, at the Corporation's expense.

Part II
The following benefits are also available to you upon termination. These benefits are not conditioned upon signing and returning the Release:

- __LTIP Awards.__ You will be eligible for prorated amounts for the 1999 through 2000 and 1999 through 2001 LTIP performance periods based upon your termination date of December 13, 1999. The prorated payment will be based on 12 months of participation in each of the performance periods (13 months of participation in each of the performance periods, if you elect the Enhanced Termination Benefits) and the payout level authorized for each performance period. Your LTIP Awards, if any, will be payable at the same time LTIP Awards are paid to other eligible employees.

- __Financial Counseling/Tax Preparation.__ You will be eligible for reimbursement of up to $10,000 per year for covered financial counseling and tax preparation expenses incurred in calendar years 1999 (to the extent not already reimbursed to date) and 2000. In lieu of reimbursement for actual expenses, the Corporation will pay you 1) $10,000, less any amounts already reimbursed for calendar year 1999 in a lump sum, less applicable withholding taxes, and 2) $10,000 in a lump sum, less applicable tax withholdings, for calendar year 2000. If you elect the Enhanced Termination Benefits, this payment will be made on or about February 1, 2000. If you do not elect the Enhanced Termination Benefits, this lump sum payment will be made no later than five (5) days after either December 13, 1999 or the date upon which you notify me of your election, whichever day is sooner.

- Life Insurance. Any life insurance elected by you under FlexOptions may be converted to an individual policy in accordance with the terms of the governing insurance policy.

- __Elected Officer Post-Retirement Death Benefit.__ As a retired Officer of the Corporation, you will have a death benefit equal to 1 1/2 times your annual base salary.

- __Deferred MICP.__ Amounts deferred under the Lockheed Martin Corporation Deferred Management Incentive Compensation Plan will be paid out in accordance with the terms of your existing distribution elections. If your distribution elections either defer payment for more than six months past your termination date or provide for a payout over a period of more than six months, you may elect prior to the commencement of payments (but after termination of employment) to transfer the portion allocated to the Company Stock Investment Option to the Interest Option. The transfer will be effective on the first day of the seventh month after your election.

- **Supplemental Savings Plan.** Amounts deferred under the Lockheed Martin Corporation Supplemental Savings Plan will be paid out in accordance with your existing payout elections.

- **Severance Payments.** You will not be eligible for severance benefits under any program or plan offered by the Corporation to its employees who are laid off as a result of a reduction in force, including the Severance Benefit Plan for Eligible Salaried Employees, the benefits described in CPS 528 or any other severance benefit program.

- **Vacation.** All accrued but unused vacation will be paid in a lump sum following termination of employment. Vacation pay will be calculated according to your base salary rate as of November 30, 1999.

For the purposes of this Letter, the term "Corporation" includes the Corporation and its affiliates as well as the predecessors of the Corporation and its affiliates. The terms of this Letter shall be governed by and construed in accordance with the laws of the State of Maryland and the conflict of law provisions of Maryland law which might apply the laws of another jurisdiction will not be applicable.

You will be responsible for any income tax liabilities associated with the termination benefits described in this Letter. With the exception of the relocation costs described in Part I of the Letter, none of the benefits include a tax gross up feature. The Corporation will comply with all tax law requirements, including requirements governing tax withholdings and income reporting.

This Letter is not intended as a summary plan description or plan document for any of the benefit plans referenced herein. If there is any conflict between this Letter and the official plan documents, the official plan documents (including your award agreements) will govern.

Exhibit 10(oo)

PROFESSIONAL SERVICES AGREEMENT

This Professional Services Agreement is made and entered into effective as of February 1, 2000 by and between Lockheed Martin Corporation, a Maryland corporation, located at 6801 Rockledge Drive, Bethesda, Maryland 20817 (hereinafter "LMC") and James A. Blackwell, Jr. located at ______ (hereinafter "CONTRACTOR").

WITNESSETH:

That in consideration of the promises and mutual obligations hereinafter set forth, the parties hereto agree as follows:

1. SERVICES BY CONTRACTOR

   A. CONTRACTOR shall provide historical background information, factual and management assistance, guidance and counsel to the Aeronautical Systems Business Area Executive Vice President on matters involving operation of the Business Area (the "Services") on an as needed, on call basis.

   B. CONTRACTOR'S primary contact with LMC shall be _____ ______ referred to hereafter as the Agreement Monitor.

2. TERM

   The term of this Agreement shall commence on February 1, 2000 and end on January 31, 2002. Upon mutual agreement of the parties, this Agreement may be extended beyond January 31, 2002.

3. COMPENSATION FOR SERVICES

   A. CONTRACTOR shall be compensated for the Services to be performed hereunder by payment of $288,000 on or about February 1, 2000. This amount represents the collective consideration for the Covenant Not to Compete set forth in the Release, Noncompete and Confidentiality Agreement signed by CONTRACTOR in December 10, 1999, as well as payment for Services rendered, if any, by CONTRACTOR under this Agreement. CONTRACTOR shall provide up to 48 days of consulting work per year for two years (from 2-1-00 through 1-31-02). Days worked in excess of 48 per year will be compensated at $3,000 per day. For purposes of calculating the 48 days per year under the agreement, each year will begin on February 1st of 2000 and 2001, respectively.

   B. LMC shall provide the CONTRACTOR notice, either written or oral, at least five (5) days in advance of any meeting LMC wishes the CONTRACTOR to attend or other Services LMC wishes CONTRACTOR to provide. CONTRACTOR shall advise LMC promptly whether he is able to attend such meeting or render such Services within the times requested by LMC.

C. With prior approval of the Agreement Monitor, LMC shall reimburse CONTRACTOR for reasonable and actual travel expenses (at locations other than CONTRACTOR'S office), including expenditures for hotels, meals, first class air or rail fare, taxis, car rental, mileage for use of personal automobile, parking and toll fees, telephone and incidentals.

D. The total fee and expenses to be paid under this Agreement shall not exceed $400,000.00.

4. PAYMENT AND INVOICE

A. CONTRACTOR'S invoice shall identify the Services performed during the period covered by such invoice and be forwarded to: LMC Corporation, 6801 Rockledge Drive, Bethesda, Maryland 20817, Attn.: ______. Invoices should be issued on at least a quarterly basis notwithstanding the fact that the services have already been paid for by virtue of the front end payment made on or about February 1, 2000. Each invoice should sufficiently describe the Services rendered during the period covered by the invoice, the days of performance, and the total number of days worked to date under this Agreement. With each invoice, CONTRACTOR must submit an "Activity Report", Form No. ___ (Blank Copy attached hereto), for the period covered by the invoice.

B. In the event sums are due for any days worked in excess of 48 days per year, LMC agrees to make payment within 30 days of receipt and approval of a proper invoice reflecting these Services. For invoices claiming reimbursement for expenses, CONTRACTOR is required to attach original receipts (for expenses exceeding $25.00) for such expenditures in a form satisfactory to LMC. If original receipts are not furnished, CONTRACTOR payment shall be subject to Federal, state, or local taxes.

5. INDEPENDENT CONTRACTOR RELATIONSHIP

CONTRACTOR is an independent contractor in all its operations and activities hereunder. CONTRACTOR and LMC agree that CONTRACTOR will render Services according to CONTRACTOR'S own methods and is subject to LMC's control only with regard to the CONTRACTOR'S final product or result. LMC shall not exercise direct control or supervision over the means that CONTRACTOR uses to accomplish CONTRACTOR'S work. The employees used by CONTRACTOR to perform Work under this Agreement shall be CONTRACTOR'S employees exclusively without any relation whatsoever to

LMC. The parties understand and agree that CONTRACTOR is not an employee of LMC.

6. CONFLICT OF INTEREST

   A. CONTRACTOR shall not engage in any activity which presents a conflict of interest in the line of his relationship with LMC.

   B. CONTRACTOR hereby acknowledges receipt of a copy of the LMC Corporation Code of Ethics and Business Conduct and, by executing this Agreement, CONTRACTOR agrees that CONTRACTOR and all employees providing Services under this Agreement will strictly comply with the provisions of the code in the performance of the Services hereunder.

7. NON-DISLCOSURE OF PROPRIETARY OR CONFIDENTIAL INFORMATION

   A. CONTRACTOR agrees not to disclose to others, either during or subsequent to the term of this Agreement, any LMC information, knowledge, or data which CONTRACTOR may receive, or have access to, or which may otherwise be disclosed to CONTRACTOR, proprietary or confidential information as further defined herein. "Proprietary or Confidential Information" as used herein means any information of LMC or of others which has come into the LMC's or CONTRACTOR'S possession, custody or knowledge in the course of performing Services under this Agreement that has independent economic value as a result of its not being generally known to the public and is the subject of reasonable means to preserve the confidentiality of the information. Proprietary or Confidential Information includes (without limitation) information, whether written or otherwise, regarding LMC's earnings, expenses, marketing information, cost estimates, forecasts, bid and proposal data, financial data, trade secrets, products, procedures, inventions, systems or designs, manufacturing or research processes, material sources, equipment sources, customers and prospective customers, business plans, strategies, buying practices and procedures, prospective and executed contracts and other business arrangements or business prospects, except to the extent such information becomes readily available to the general public lawfully and without breach of a confidential, contractual, or fiduciary duty. CONTRACTOR acknowledges and agrees that he has a continuing obligation to not use or disclose Proprietary or Confidential Information.

   B. CONTRACTOR agrees that Proprietary or Confidential Information shall be used solely for the purpose of performing the Services required under this Agreement, and further agrees that except as may strictly be required by CONTRACTOR'S obligations under this Agreement, CONTRACTOR shall not reproduce, nor allow any third party to use or reproduce, any Proprietary or Confidential Information or any documents or other material containing Proprietary or Confidential Information.

C. All materials to which CONTRACTOR had access, or which were furnished or otherwise made available to CONTRACTOR in connection with the Services performed hereunder, shall be and remain the property of LMC. Upon expiration or termination of this Agreement, or upon request of LMC, CONTRACTOR shall return to LMC all such materials, documents and information, including any Proprietary or Confidential information and all reproductions thereof, then in CONTRACTOR'S possession or control, and CONTRACTOR in connection with this Agreement in accordance with specific instructions issued by LMC to CONTRACTOR and shall comply with any instructions within five (5) days of receipt thereof.

CONTRACTOR'S obligations of confidentiality under this Agreement shall survive termination or expiration of this Agreement.

8. LIABILITY

A. LMC shall not be liable to CONTRACTOR for any loss, injury, damage, expense or any liability whatsoever arising out of, or in connection with, the performance of the Services required by this Agreement.

B. Each party shall be responsible to the other for any costs or expenses including attorneys' fees, all expenses of litigation and/or settlement, and court costs, arising from the default of such party, its officers, employees, agents, suppliers, or subcontractors at any tier, in the performance of any of its obligations under this Agreement.

9. GOVERNING LAW

This Agreement shall be governed by, subject to, and construed according to the laws of the State of Maryland excluding its choice of law rules. CONTRACTOR shall comply with all applicable Federal, state and local laws, orders and regulations, as well as with all LMC policies, operating instructions, rules and regulations applicable to the performance of this Agreement.

10. TERMINATION

A. LMC may not unilaterally terminate this Agreement unless 1) Section 10.C of this Agreement applies, or 2) CONTRACTOR is in default as described in Section 16 of this Agreement.

B. CONTRACTOR may not terminate this Agreement without LMC's advance written consent. LMC will not unreasonably withhold its written consent if CONTRACTOR'S reason for termination is due to CONTRACTOR'S desire to accept employment that is not otherwise in violation of CONTRACTOR'S Covenant Not to Compete obligations (as set forth in the Retention Agreement dated November 1, 1997 and the Release, Noncompete and Confidentiality Agreement, dated December 10, 1999) and which makes him unavailable or unable to provide the Services called for in this Agreement.

C. This Agreement shall terminate immediately and all payments due shall be forfeited if, in rendering Services hereunder, improper payments are made, unlawful conduct is engaged in, or any part of the fee or expenses payable under this Agreement is used for an illegal purpose.

D. In the event this Agreement is terminated under any provision herein, CONTRACTOR shall not be required to repay any of the consideration already paid under the Agreement to date. The termination of this Agreement shall have no effect whatsoever on the CONTRACTOR'S continuing obligations under the Covenants Not to Compete referenced above, which shall survive this Agreement and shall not expire until January 31, 2002.

11. SEVERABILITY

If any provision of this Agreement shall be held illegal or unenforceable, the remainder of the Agreement or the application of any other provisions to the parties shall not be affected thereby.

12. ACCESS TO CLASSIFIED INFORMATION

Performance of this Agreement requires access to classified information involving National Security up to and including SCI and Top Secret. If access is required, CONTRACTOR shall furnish the LMC Security Department with all data required to obtain or verify a personal security clearance with access to such Classified Information. Under no circumstances shall CONTRACTOR perform service(s) involving access to classified information until CONTRACTOR'S security clearance has been obtained or verified by LMC.

13. ACCEPTANCE OF CONTRACT/TERMS AND CONDITIONS

A. With the exception of 1) the Retention Agreement between CONTRACTOR and LMC dated November 1, 1997, 2) the letter from ____ to CONTRACTOR dated December 10, 1999 setting forth enhanced termination benefits, and 3) the Release, Noncompete and Confidentiality

Agreement signed by CONTRACTOR on December 10, 1999, this Agreement integrates, merges, and supersedes any prior offers, negotiations, and agreements concerning the subject matter hereof and constitutes the entire agreement between the Parties.

B. CONTRACTOR'S acknowledgment, acceptance of payment, or commencement of performance, shall constitute CONTRACTOR'S unqualified acceptance of this Agreement.

C. Additional or differing terms or conditions proposed by CONTRACTOR or included in CONTRACTOR'S acknowledgment hereof are hereby objected to by LMC and have no effect unless accepted in writing by LMC.

14. ASSIGNMENT

Any assignment of CONTRACTOR'S contract rights or delegation of duties shall be void, unless prior written consent is given by LMC. However, CONTRACTOR may assign rights to be paid amounts due, or to become due, to a financing institution if LMC is promptly furnished a signed copy of such assignment reasonably in advance of the due date for payment of any such amounts. Amounts assigned to an assignee shall be subject to setoffs or recoupment for any present or future claims of LMC against CONTRACTOR. LMC shall have the right to make settlements and/or adjustments in price with CONTRACTOR without notice to the assignee.

15. CONTRACT DIRECTION

A. Only the LMC Procurement Representative has authority to make changes in or amendments to this Agreement. Such changes or amendments must be in writing.

B. Except as otherwise provided herein, all notices to be furnished by the CONTRACTOR shall be sent to the LMC Procurement Representative.

16. DEFAULT

A. LMC, by written notice, may terminate this Agreement for default, in whole or in part, if CONTRACTOR fails to comply with any of the terms of this Agreement, fails to make progress as to endanger performance of this Agreement, or fails to provide adequate assurance of future performance. CONTRACTOR shall have ten (10) days (or such longer period as LMC may authorize in writing) to cure any such failure after receipt of notice from LMC.

B. LMC shall not be liable for any Services not accepted; however, LMC may require CONTRACTOR to deliver to LMC any supplies and materials, manufacturing materials, and manufacturing drawings that CONTRACTOR has specifically produced or acquired for the terminated portion of this Agreement. LMC and CONTRACTOR shall agree on the amount of payment for these other deliverables.

C. CONTRACTOR shall continue all Services not terminated.

17. DISPUTES

All disputes under this Agreement which are not disposed of by mutual agreement may be decided by recourse to an action at law or in equity. Until final resolution of any dispute hereunder, CONTRACTOR shall diligently proceed with the performance of this Agreement as directed by LMC.

18. GRATUITIES/KICKBACKS

No gratuities (in the form of entertainment, gifts or otherwise) or kickbacks shall be offered or given by CONTRACTOR, to any employee of LMC with a view toward securing favorable treatment as a supplier.

19. INSURANCE/ENTRY ON LMC'S PROPERTY

In the event that CONTRACTOR, its employees, agents, or subcontractors enter LMC'S or its customer's premises for any reason in connection with this Agreement, CONTRACTOR, its subcontractors and lower-tier subcontractors, shall procure and maintain worker's compensation, comprehensive general liability, bodily injury and property damage insurance in reasonable amounts, and such other insurance as LMC may require and shall comply with all site requirements. CONTRACTOR shall indemnify and hold harmless LMC, its officers, employees, and agents from any losses, costs, claims, causes of action, damages, liabilities, and expenses, including attorneys' fees, all expenses of litigation and/or settlement, and court costs, by reason of property damage or personal injury to any person caused in whole or part by the actions or omissions of CONTRACTOR, its officers, employees, agents, suppliers, or subcontractors at any tier. CONTRACTOR shall provide LMC thirty days advance written notice prior to the effective date of any cancellation or change in the term or coverage of any of CONTRACTOR'S required insurance. If requested, CONTRACTOR shall send a "Certificate of Insurance" showing CONTRACTOR'S compliance with these requirements. CONTRACTOR shall name LMC as an additional insured for the duration of this Agreement. Insurance maintained pursuant to this clause shall be considered primary as respects the interest of LMC and is not contributory with any insurance which LMC may carry.

20. INTELLECTUAL PROPERTY

A. CONTRACTOR agrees that LMC shall be the owner of all inventions, technology, designs, works of authorship, mask works, technical information, computer software, business information and other information conceived, developed or otherwise generated in the performance of this Agreement by or on behalf of CONTRACTOR. CONTRACTOR hereby assigns and agrees to assign all right title and interest in the foregoing to LMC, including without limitation all copyrights, patent rights and other intellectual property rights therein and further agrees to execute, at LMC'S request and expense, all documentation necessary to perfect title therein in LMC. CONTRACTOR agrees that it will maintain and disclose to LMC written records of, and otherwise provide LMC with full access to, the subject matter covered by this and that all such subject matter will be deemed information of LMC and subject to the protection provisions of the clause entitled "Information of LMC." CONTRACTOR agrees to assist LMC, at LMC'S request and expense, in every reasonable way, in obtaining, maintaining, and enforcing patent and other intellectual property protection on the subject matter covered by this Clause.

B. CONTRACTOR warrants that the Services performed and delivered under this Agreement will not infringe or otherwise violate the intellectual property rights of any third party in the United States or any foreign country. CONTRACTOR agrees to defend, indemnity and hold harmless LMC and its customers from and against any claims, damages, losses costs and expenses, including reasonable attorney's fees, arising out of any action by a third party that is based upon a claim that the Services performed or delivered under this Agreement infringes or otherwise violates the intellectual property rights of any person or entity.

21. RELEASE OF INFORMATION

Except as required by law, no public release of any information, or confirmation or denial of same, with respect to this Agreement or the subject matter hereof, will be made by CONTRACTOR without the prior written approval of LMC.

22. TIMELY PERFORMANCE

A. CONTRACTOR'S timely performance is a critical element of this Agreement.

B. If CONTRACTOR becomes aware of difficulty in performing the Services, CONTRACTOR shall timely notify LMC, in writing, giving pertinent details. This notification shall not change any delivery schedule.

23. WAIVER, APPROVAL, AND REMEDIES

A. Failure by LMC to enforce any of the provision(s) of this Agreement shall not be construed as a waiver of the requirement(s) of such provision(s), or as a waiver of the right of LMC thereafter to enforce each and every such provision(s).

B. LMC'S approval of documents shall not relieve CONTRACTOR from complying with any requirements of this Agreement.

C. The rights and remedies of LMC in this Agreement are cumulative and in addition to any other rights and remedies provided by law or in equity.

24. AMENDMENTS AND NOTICE

A. Sole authority to make changes in or amendments to this Agreement on behalf of LMC rests with a LMC Central Procurement Administrator, and no direction from such Administrator shall be valid unless in writing.

B. All notices by LMC or CONTRACTOR shall be given in writing by mail or fax to the following locations:

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first above written.

Exhibit 12

LOCKHEED MARTIN CORPORATION
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
FOR THE YEAR ENDED DECEMBER 31, 1999
(In millions, except ratio)

Earnings:	
Earnings from continuing operations before income taxes	$1,200
Interest expense	809
Amortization of debt premium and discount, net	(4)
Portion of rents representative of an interest factor	75
Losses and undistributed earnings of 50% and less than 50% owned companies, net	31
Adjusted earnings from continuing operations before income taxes	$2,111
Fixed Charges:	
Interest expense	$ 809
Capitalized interest	10
Amortization of debt premium and discount, net	(4)
Portion of rents representative of an interest factor	75
Total fixed charges	$ 890
Ratio of Earnings to Fixed Charges	2.4

FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS
December 31, 1999

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

Strategic and Organizational Review

In September 1999, Lockheed Martin announced the results to date of its strategic and organizational review that began in June 1999. As a result of this review, the Corporation has implemented a new organizational structure (as more fully described in Note 17 of the Notes to Consolidated Financial Statements, "Information on Industry Segments and Major Customers"), and announced plans to evaluate the repositioning of certain businesses to maximize their value and growth potential and the divestiture of certain non-core business units.

The Corporation is continuing to evaluate alternatives relative to maximizing the value of two business units that serve the commercial information technology markets, including Lockheed Martin's internal information technology needs. These units have been identified by management as having high growth potential, but are distinct from the Corporation's core business segments. The Corporation may seek to maximize the value of these business units through strategic partnerships or joint ventures, or by accessing public equity markets, although the outcome of those efforts cannot be predicted. Management has decided to evaluate for divestiture, subject to appropriate valuation, negotiation and approval, a third business unit originally identified for evaluation relative to maximizing its value. This business unit serves state and local government services markets.

The Corporation is also continuing its evaluation of the divestiture, subject to appropriate valuation, negotiation and approval, of certain business units in the aerospace electronics, control systems and environmental management lines of business. On a combined basis, net sales in 1999 related to the business units being evaluated for divestiture, including the business unit in the state and local government services market described above, totaled $1.9 billion. The divestiture of one business unit in the environmental management line of business was consummated in December 1999, the impact of which was not material to the Corporation's net earnings. Relative to all other business units identified for potential divestiture, based on preliminary data, and assuming that the potential divestiture transactions are approved by the Board and ultimately consummated in the future, management estimates that the potential one-time effects, if combined, could result in a net loss on disposition of approximately $850 million, primarily non-cash. However, the potential proceeds from these transactions, if consummated, could also generate in excess of $1.5 billion in cash, after transaction costs and associated tax payments, that will be used to repay debt. Financial effects that may result, if any, would be recorded when the transactions are consummated or when losses can be estimated. Management cannot predict the timing of the potential divestitures, the amount of proceeds that may ultimately be realized or whether any or all of the potential transactions will take place.

In a further development related to the strategic and organizational review, the Corporation announced in January 2000 its plans to streamline the Aeronautical Systems and Space Systems segments. These plans provide for the consolidation of multiple business units into one focused company in each segment, and the integration of certain operational and administrative activities within each segment. Management expects these actions to result in future cost savings for the Corporation.

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

Transaction Agreement with COMSAT Corporation

In September 1998, the Corporation and COMSAT Corporation (COMSAT) announced that they had entered into an agreement (the Merger Agreement) to combine the companies in a two-phase transaction (the Merger). In connection with the first phase of this transaction, the Corporation completed a cash tender offer (the Tender Offer) on September 18, 1999, after satisfaction of all conditions to its closing. As a result, the Corporation now owns approximately 49 percent of the outstanding common stock of COMSAT and accounts for its investment under the equity method of accounting. The total value of this first phase of the transaction was $1.2 billion, and such amount is included in investments in equity securities in the December 31, 1999 Consolidated Balance Sheet.

The second phase of the transaction, which will result in consummation of the Merger, is to be accomplished by an exchange of one share of Lockheed Martin common stock for each remaining share of COMSAT common stock. Consummation of the Merger remains contingent upon the satisfaction of certain conditions, including the enactment of federal legislation necessary to remove existing restrictions on the ownership of COMSAT voting stock. Legislation necessary to remove these restrictions cleared the U.S. Senate on July 1, 1999. On November 10, 1999, the U.S. House of Representatives (the House) also passed legislation which, if adopted into law, would remove these restrictions. There are substantial differences between the two bills, and significant issues raised by the House bill in particular which, if not resolved satisfactorily, would likely have a Significant Adverse Effect on COMSAT (as defined in the Merger Agreement). The Corporation hopes these issues will be favorably resolved.

In early 2000, sponsors of the two different bills announced a compromise agreement that, if adopted, would resolve many of the issues raised by the House bill. It is now expected that legislation that reflects the compromise agreement will be enacted before May 2000. There is no assurance that this legislation will be passed or passed in this time frame, or that any legislation that does become law would not have an adverse effect on COMSAT's business. If Congress enacts legislation that the Corporation determines in good faith, after consultation with COMSAT, would reasonably be expected to have a Significant Adverse Effect on COMSAT's business, the Corporation would have the right to elect not to complete the Merger.

Before the Merger can occur, the Corporation must file separate notification and report forms under the Hart Scott-Rodino Antitrust Improvement Act (HSR Act) with the Federal Trade Commission (FTC) and the U.S. Department of Justice (DOJ) regarding its acquisition of minority interests in two businesses held by COMSAT. In addition, following the passage of legislation, the Federal Communications Commission (FCC) must approve the Merger. The precise nature of the FCC approval requirement will, however, depend upon the details of the final legislation enacted by Congress. There is no assurance as to the timing or whether the FTC, DOJ or FCC will provide the requisite approvals. If the Merger is not completed on or before September 18, 2000, under the terms of the Merger Agreement, Lockheed Martin or COMSAT could terminate the Merger Agreement or elect not to exercise this right, or both parties could agree to extend this date. If consummated, the Merger will be accounted for under the purchase method of accounting. If the Merger is not consummated, the Corporation will not be able to achieve all of its objectives with respect to the COMSAT transaction and will be unable to exercise control over COMSAT.

The market value of the Corporation's investment in COMSAT at December 31, 1999 was approximately $515 million based on the closing price of its shares on the New York Stock Exchange on that date. As noted previously, completion of the Merger will require the exchange of one share of the Corporation's common stock for each remaining share of COMSAT's common stock. As a result, the price of COMSAT's common stock is closely aligned with the price of Lockheed Martin's common stock and may not reflect the price at which COMSAT's common stock might trade absent the Merger Agreement.

Formation of Lockheed Martin Global Telecommunications

Effective January 1, 1999, investments in several existing joint ventures and certain operating elements of the Corporation were combined with Lockheed Martin Global Telecommunications, Inc. (Global Telecommunications), a wholly-owned subsidiary of the Corporation focused on capturing a greater portion of the worldwide telecommunications services market. The Corporation intends to combine the operations of Global Telecommunications and

COMSAT upon consummation of the Merger. Given the substantial investment necessary for the growth of the global telecommunications services business, support from strategic partners for Global Telecommunications may be sought and public equity markets may be accessed to raise capital, although the Corporation cannot predict the outcome of these efforts.

Divestiture Activities

In March 1997, the Corporation repositioned 10 of its non-core business units as a new independent company, L-3 Communications Holdings, Inc. (L-3), in which the Corporation retained an approximate 35 percent ownership interest at closing. The Corporation's ownership percentage was reduced to approximately 25 percent in the second quarter of 1998 as a result of an initial public offering of L-3's common stock. In 1999, the Corporation sold its remaining shares of L-3 in two separate transactions. On a combined basis, these transactions increased 1999 pretax earnings by $155 million, and increased net earnings by $101 million, or $.26 per diluted share.

In September 1999, the Corporation sold its interest in Airport Group International Holdings, LLC which resulted in a pretax gain of $33 million. In October 1999, the Corporation exited its commercial 3D graphics business through a series of transactions which resulted in the sale of its interest in Real 3D, Inc., a majority-owned subsidiary, and a pretax gain of $33 million. On a combined basis, these transactions increased net earnings by $43 million, or $.11 per diluted share.

In November 1997, Lockheed Martin exchanged all of the outstanding capital stock of a wholly-owned subsidiary for all of the outstanding Series A preferred stock held by General Electric Company (GE) and certain subsidiaries of GE (the GE Transaction). The Series A preferred stock was convertible into approximately 58 million shares of Lockheed Martin common stock. The Lockheed Martin subsidiary was composed of two non-core commercial business units which contributed approximately five percent of the Corporation's 1997 net sales, Lockheed Martin's investment in a telecommunications partnership and approximately $1.6 billion in cash. The GE Transaction was accounted for at fair value, and resulted in the reduction of the Corporation's stockholders' equity by $2.8 billion and the recognition of a tax-free gain of approximately $311 million in other income and expenses. Also see the discussion under the caption "Results of Operations" regarding the impact of the GE Transaction on the computation of 1997 earnings per share. In 1998 and 1997, in connection with the GE Transaction, the Corporation issued notes to a wholly-owned subsidiary of GE for $210 million, bearing interest at 5.73%, and $1.4 billion, bearing interest at 6.04%, respectively. The notes are due November 17, 2002.

Industry Considerations

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

The U.S. aerospace and defense industry has experienced years of declining budgets for research, development, test and evaluation, and procurement. After over a decade of continuous declines in the U.S. defense budget, the portion of the Federal budget devoted to defense is at one of its lowest levels in modern history. In addition, worldwide defense budgets have been declining with a focus on operational readiness and personnel issues at the expense of acquisition programs, with modernization becoming increasingly popular over acquisition. Consequently, an increasing portion of expenditures for defense is used for upgrading and modernizing existing equipment rather than acquisition of new equipment. Such trends in defense spending have created risks associated with demand and timing of orders relative to certain of the Corporation's existing programs. For example, the Corporation has not received the level of orders anticipated for the C-130J airlift aircraft program which has resulted in lower than expected production levels. The Corporation is continuing to focus its efforts on new orders from foreign and domestic customers, though it cannot predict the outcome of these efforts.

The industry participants have reacted to shrinking defense budgets by combining to maintain critical mass and attempting to achieve significant cost savings. The U.S. Government had been supportive of industry consolidation activities through 1997, and the Corporation had been at the forefront of these activities. Through its own consolidation activities, the Corporation has been able to pass along savings to its customers, principally the U.S. Department of Defense (DOD). With the more recent decline of significant domestic industry consolidation, major aerospace companies continue to focus on cost savings and efficiency improvements, as well as generation of cash to repay debt incurred during this period of consolidation.

Ongoing consolidation continues within the European aerospace industry resulting in fewer but larger and more capable competitors, potentially resulting in an environment where there could be less demand for products from U.S. companies. Such an environment could affect opportunities for European partnerships and sales potential for U.S. products outside the U.S.

There are signs that the continuing decline in the defense budget may have ended, with proposals being made for modest increases in the next several years. The Corporation's broad mix of programs and capabilities makes it a likely beneficiary of any increased defense spending. However, there are risks associated with certain of the programs for which the Corporation is competing which will be the primary recipients of significant future U.S. Government spending. These programs are very large and likely to be well-funded, but may only involve one prime contractor. For example, the Corporation is involved in the competition for the Joint Strike Fighter (JSF) tactical aircraft program. Because of the magnitude of this program, being unsuccessful in the competition would be significant to any of the competitors' future fighter aircraft operations. Additionally, the JSF program and other large, highly visible programs, such as the Corporation's F-22 tactical fighter program, frequently receive substantial Congressional focus as potential targets for reductions and/or extensions of their funding to pay for other programs. However, the JSF and F-22 programs remain a high priority for the DOD and the armed services, as well as for the Corporation.

As a government contractor, the Corporation is subject to U.S. Government oversight. The government may investigate and make inquiries of the Corporation's business practices and conduct audits of contract performance and cost accounting. Depending on the results of these investigations, the government may make claims against the Corporation. Under U.S. Government procurement regulations and practices, an indictment of a government contractor could result in that contractor being fined and/or suspended for a period of time from eligibility for bidding on, or for award of, new government contracts. A conviction could result in debarment for a specified period of time. Similar government oversight exists in most other countries where the Corporation conducts business. Although the outcome of such investigations and inquiries cannot be predicted, in the opinion of management, there are no claims, audits or investigations pending against the Corporation that are likely to have a material adverse effect on the Corporation's business or its consolidated results of operations, cash flows or financial position.

The Corporation remains exposed to other inherent risks associated with U.S. Government contracting, including technological uncertainties and obsolescence, changes in government policies and dependence on annual Congressional appropriation and allotment of funds. Many of the Corporation's programs involve development and application of state-of-the-art technology aimed at achieving challenging goals. As a result, setbacks and failures can occur. It is important for the Corporation to resolve performance issues related to such programs in a timely manner to achieve success on these programs.

The Corporation also conducts business in related commercial and non-defense markets. Although these lines of business are not dependent on defense budgets, they share many of the risks associated with the Corporation's defense businesses, as well as other risks unique to the commercial marketplace. Such risks include development of competing products, technological feasibility and product obsolescence.

Industry-wide, the launch vehicle industry experienced a reduction in demand in 1999 primarily reflecting start-up issues for certain satellite systems with which the Corporation was not involved, delays in completing certain satellite systems due to over-capacity of transponders in some regional areas, and launch vehicle failures experienced by the Corporation and its competitors during the past two years. These issues have also resulted in delays for commercial satellite orders, which are expected to continue into 2000. The Corporation has addressed issues associated with prior failures of its Titan and Proton launch vehicles, which have been returned to flight status. The above factors related to reductions in launch vehicle orders have resulted in pricing pressures due to increased competition in the launch vehicle industry. The Corporation has established cost objectives related to its launch vehicle programs intended to allow it to continue to compete in this market while maintaining its focus on successful launches, though it cannot predict the outcome of these efforts.

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

In 1992, the Corporation entered into a joint venture with two Russian government-owned space firms to form Lockheed-Khrunichev-Energia International, Inc. (LKEI). Lockheed Martin owns 51 percent of LKEI and consolidates the operations of LKEI into its financial statements. LKEI has exclusive rights to market launches of commercial, non-Russian-origin space payloads on the Proton rocket from a launch site in Kazakhstan. In 1995, another joint venture was formed, International Launch Services (ILS), with the Corporation and LKEI each holding 50 percent ownership. ILS was formed to market commercial Atlas and Proton launch services worldwide. Contracts for Proton launch services typically require substantial advances from the customer in advance of launch, and a sizable percentage of these advances are forwarded to Khrunichev State Research and Production Space Center (Khrunichev), the manufacturer in Russia, to provide for the manufacture of the related launch vehicle. Significant portions of such advances would be required to be refunded to each customer if launch services were not successfully provided within the contracted time frame. At December 31, 1999, approximately $724 million related to launches not yet provided was included in customer advances and amounts in excess of costs incurred, and approximately $848 million of payments to Khrunichev for launches not yet provided was included in inventories. Through year end 1999, launch services provided through LKEI and ILS have been in accordance with contract terms.

An additional risk exists related to launch vehicle services in Russia. Under a trade agreement in effect since September 1993 between the United States and Russia, as amended most recently in July 1999, the number of Russian launches of U.S. built satellites into geosynchronous and geosynchronous transfer orbit is limited to twenty from trade agreement inception through the year 2000. Officials of the U.S. Government have stated that this limit will not be raised until Russia takes satisfactory action to resolve missile technology proliferation concerns. This limit, if not raised or eliminated, could impair the Corporation's ability to achieve certain of its business objectives related to launch services, satellite manufacture and telecommunications market penetration. At December 31, 1999, no portion of customer advances was associated with launches in excess of the quota, and approximately $245 million of the $848 million of payments to Khrunichev disclosed in the prior paragraph were associated with launches in excess of the number currently allowed under the quota. The Corporation determines amounts related to launches in excess of the quota taking into account the number of launches currently allowed under the quota (twenty at December 31, 1999, as discussed above), and without regard to the quota's current expiration date of December 31, 2000. Management is working to achieve a favorable resolution to raise or eliminate the limitation on the number of Russian launches covered by the quota.

The Corporation has entered into agreements with RD AMROSS, a joint venture of the Pratt & Whitney division of United Technologies Corporation and the Russian firm NPO Energomash, for the development and purchase, subject to certain conditions, of up to 101 RD-180 booster engines for use in two models of the Corporation's Atlas launch vehicle. Terms of the agreements call for payments to be made to RD AMROSS upon the achievement of certain milestones in the development and manufacturing processes. Approximately $55 million of payments made under these agreements were included in the Corporation's inventories at December 31, 1999.

[BAR GRAPH]

Net Sales
(In millions)

'97	'98	'99
$28,069	$26,266	$25,530

Results of Operations

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

The Corporation's consolidated net sales for 1999 were $25.5 billion, a decrease of three percent compared to 1998. Net sales during 1998 were $26.3 billion, a decrease of six percent compared to 1997. The net sales decrease in the Space Systems segment in 1999 more than offset increases in the remaining business segments. In 1998, slight increases in net sales in the Systems Integration and Aeronautical Systems segments compared to 1997 were more than offset by decreases in the other business segments. The U.S. Government remained the Corporation's largest customer, comprising approximately 71 percent of the Corporation's net sales for 1999 compared to 70 percent in 1998 and 66 percent in 1997.

The Corporation's operating profit (earnings before interest and taxes) for 1999 was approximately $2.0 billion, a decrease of 20 percent compared to 1998. Operating profit for 1998 was approximately $2.5 billion, a decrease of nine percent compared to 1997. The reported amounts for the three years presented include the financial impacts of various nonrecurring and unusual items, the details of which are described below. Excluding the effects of these nonrecurring and unusual items for each year, operating profit for 1999 would have decreased by 34 percent compared to 1998, and would have decreased by five percent for 1998 compared to 1997. For 1999 compared to 1998, decreases in operating profit at the Space Systems and Aeronautical Systems segments more than offset the slight increase in operating profit at the Systems Integration and Technology Services segments. For 1998 compared to 1997, increases in operating profit at the Aeronautical Systems and Systems Integration segments were more than offset by reductions in operating profit in the remaining segments. For a more detailed discussion of the operating results of the business segments, see "Discussion of Business Segments" below.

Operating profit in 1999 included the effects of nonrecurring and unusual items which on a combined basis, net of state income taxes, increased operating profit by $249 million. These items included a $155 million gain related to the sale of the Corporation's remaining interest in L-3, a $57 million gain associated with the sale of surplus real estate, and a net gain of $37 million associated with the sale of non-core businesses and investments and other portfolio shaping actions.

Operating profit in 1998 included the effects of nonrecurring and unusual items which on a combined basis, net of state income taxes, decreased operating profit by $162 million. These items included a $233 million charge related to the timely non-bankruptcy shutdown of CalComp Technology, Inc. (CalComp), a majority-owned subsidiary of the Corporation. The Corporation's decision to finance the shutdown of CalComp resulted in a charge related to the impairment of assets and estimated costs required to

[BAR GRAPH]

Net Earnings (In millions)		
'97	'98	'99
$1,300	$1,001	$382
$1,234(a)	$1,137(b)	$575(c)

(a) Excluding the effects of the gain on the transaction with GE, the charges relating to the decision to exit certain lines of business and to impairment in values for certain assets, and gains from sales of surplus real estate and other portfolio shaping items, 1997 net earnings would have been $1,234 million.

(b) Excluding the effects of the charge related to CalComp, and gains from sales of surplus real estate and other portfolio shaping items, 1998 net earnings would have been $1,137 million.

(c) Excluding the effects of gains from the sale of the Corporation's interest in L-3 and sales of surplus real estate, a net gain from sales of non-core businesses and investments and other portfolio shaping items, and the cumulative effect adjustment related to start-up costs, 1999 net earnings would have been $575 million.

accomplish the shutdown of CalComp's operations. The remaining 1998 nonrecurring and unusual items included net gains of $18 million related to the initial public offering of L-3's stock, $35 million associated with gains on sales of surplus real estate, and $18 million associated with other portfolio shaping actions.

Operating profit for 1997 also included the effects of nonrecurring and unusual items which on a combined basis, net of state income taxes, decreased operating profit by $58 million. These items included the $311 million tax-free gain resulting from the GE Transaction, and charges totaling $457 million recorded in the fourth quarter of 1997 related to the Corporation's decision to exit certain lines of business and to the impairment in the values of various non-core investments and certain other assets. In addition, 1997 included nonrecurring and unusual items related to a $19 million gain associated with the sale of surplus real estate and a net gain of $69 million associated with the sale of non-core businesses and investments and other portfolio shaping actions.

The Corporation's reported net earnings for 1999 were $382 million, a decrease of 62 percent compared to 1998. Reported net earnings for 1998 were $1.0 billion, a decrease of 23 percent compared to the reported 1997 net earnings of $1.3 billion. The 1999 reported amount includes the combined after-tax effects of the nonrecurring and

[BAR GRAPH]

Diluted Earnings (Loss) Per Share (In dollars)		
'97	'98	'99
$(1.56)(a)	$2.63	$ .99
$ 2.87 (b)	$2.99(c)	$1.50(d)

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

(b) Excluding the effects of the deemed preferred stock dividend, the gain on the transaction with GE, the charges relating to the decision to exit certain lines of business and to impairment in values for certain assets, and gains from sales of surplus real estate and other portfolio shaping items, and including the dilutive effects of preferred stock conversion and stock options, 1997 diluted earnings per share would have been $2.87.

(c) Excluding the effects of the charge related to CalComp, and gains from sales of surplus real estate and other portfolio shaping items, 1998 diluted earnings per share would have been $2.99.

(d) Excluding the effects of gains from the sale of the Corporation's interest in L-3 and sales of surplus real estate, a net gain from sales of non-core businesses and investments and other portfolio shaping items, and the cumulative effect adjustment related to start-up costs, 1999 diluted earnings per share would have been $1.50.

unusual items discussed above of $162 million, including $101 million related to the gain on the sale of the Corporation's remaining interest in L-3, $37 million associated with gains on the sale of surplus real estate, and a $24 million net gain associated with the sale of non-core businesses and investments and other portfolio shaping actions. Nonrecurring and unusual items for 1999 also include the effects of the Corporation's adoption of Statement of Position No. 98-5, "Reporting on the Costs of Start-Up Activities," effective January 1, 1999, which resulted in the recognition of a cumulative effect adjustment that reduced 1999 net earnings by $355 million. On a combined basis, these nonrecurring and unusual items decreased 1999 net earnings by $193 million, or $.51 per diluted share. The after-tax effects of the nonrecurring and unusual items in 1998 discussed above included $183 million related to the charge for CalComp, $12 million related to a gain on the initial public offering of L-3's stock, $23 million associated with gains on the sale of surplus real estate, and a gain of $12 million associated with the sale of non-core businesses and investments and other portfolio shaping actions. On a combined basis, these items decreased 1998 net earnings by $136 million, or $.36 per diluted share. The after-tax effects of the nonrecurring and unusual items in 1997 discussed above included the $311 million tax-free gain resulting from the GE Transaction, $303 million related to the charges recorded in the fourth quarter, $12 million associated with a gain on the sale of surplus real estate, and a net gain of $46 million associated with other portfolio shaping actions. On a combined basis, these items increased 1997 net earnings by $66 million, or $.15 per diluted share.

The Corporation reported diluted earnings (loss) per share of $.99, $2.63, and $(1.56) for 1999, 1998, and 1997, respectively. For the purposes of determining the 1997 net loss applicable to common stock used in the calculation of earnings per share, the excess fair value of the assets transferred to GE over the carrying value of the preferred stock (approximately $1.8 billion) was treated as a deemed preferred stock dividend and deducted from 1997 net earnings. This deemed dividend had a significant impact on the 1997 loss per share calculations, but did not impact reported 1997 net earnings. The effect of this deemed dividend was to reduce basic and diluted earnings per share amounts by $4.93. If the nonrecurring and unusual items described above were excluded from the calculation of earnings per share, and, for 1997, if the dilutive effects of preferred stock conversion and stock options were factored into the diluted earnings per share calculation, diluted earnings per share for 1999, 1998 and 1997 would have been $1.50, $2.99 and $2.87, respectively.

Discussion of Business Segments

In September 1999, the Corporation announced the results of the strategic and organizational review that began in June 1999. As a result of this review, the Corporation has implemented a new organizational structure, effective October 1, 1999, that realigns its core lines of business into four principal business segments. The four principal business segments are Systems Integration, Space Systems, Aeronautical Systems, and Technology Services. All other activities of the Corporation fall within the Corporate and Other segment. Prior period amounts have been adjusted to conform with the new organizational structure.

The following table displays net sales for the Lockheed Martin business segments for 1999, 1998 and 1997, which correspond to the segment information presented in Note 17 of the Notes to Consolidated Financial Statements:

(In millions)	1999	1998	1997
Net Sales			
Systems Integration	$10,954	$10,895	$10,853
Space Systems	5,825	7,039	7,931
Aeronautical Systems	5,499	5,459	5,319
Technology Services	2,261	1,935	1,989
Corporate and Other	991	938	1,977
	$25,530	$26,266	$28,069

Operating profit (loss) by industry segment for 1999, 1998 and 1997, including the effects of the nonrecurring and unusual items discussed previously, is displayed in the table below. This information also corresponds to the segment information presented in Note 17 of the Notes to Consolidated Financial Statements.

(In millions)	1999	1998	1997
Operating Profit (Loss)			
Systems Integration	$ 967	$ 949	$ 843
Space Systems	474	954	1,090
Aeronautical Systems	247	649	561
Technology Services	137	135	187
Corporate and Other	184	(165)	98
	$ 2,009	$ 2,522	$ 2,779

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

(In millions)	1999	1998	1997
Nonrecurring and Unusual Items-- Profit (Loss):			
Consolidated Effects			
Sale of remaining interest in L-3	$ 155	$ --	$ --
Sales of surplus real estate	57	35	19
Divestitures and other portfolio shaping items	37	18	69
Initial public offering of L-3	--	18	--
Charge for shutdown of CalComp	--	(233)	--
GE Transaction	--	--	311
Charges for exit from businesses and impairment of assets	--	--	(457)
	$ 249	$(162)	$ (58)
Segment Effects			
Systems Integration	$ 13	$ 4	$ (65)
Space Systems	21	--	(60)
Aeronautical Systems	--	--	(31)
Technology Services	--	--	(12)
Corporate and Other	215	(166)	110
	$ 249	$(162)	$ (58)

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

Systems Integration

Net sales of the Systems Integration segment increased by one percent in 1999 compared to 1998, and also increased by one percent in 1998 compared to 1997. The increase in 1999 was comprised of an $80 million increase in volume on tactical training systems and a $65 million increase in postal systems activities. These increases were partially offset by a decrease of $100 million in classified activities and space electronics programs. The remaining increase is primarily attributable to increased electronics activities in the United Kingdom. The 1998 increase resulted from an increase in production deliveries of postal systems equipment of $180 million and a $170 million increase in volume on surface ship systems. These increases were partially offset by a $215 million decrease in fire control systems, air defense systems and defense information systems program activities. An additional $70 million decrease related to the absence in 1998 of sales associated with the segment's Commercial Electronics business, which was divested early in 1998. The remaining decrease is attributable to a decline in volume on various other systems integration activities.

Operating profit for the segment increased by one percent in 1999 compared to 1998, and increased by four percent in 1998 compared to 1997. The 1999 increase is comprised of a $50 million increase related to the tactical training systems and postal systems volume increases discussed in the preceding paragraph as well as improved performance on missile and fire control programs. These increases were partially offset by a $15 million penalty on the Theater High Altitude Area Defense (THAAD) program booked in the second quarter and the absence in 1999 of a $16 million favorable arbitration resolution recorded in 1998. The remaining decrease relates to the decline in volume on various other systems integration activities. The increase in operating profit in 1998 compared to 1997 was comprised of $45 million in improved margins on naval electronics programs, a $15 million increase from deliveries of control systems, approximately $20 million related to volume increase in postal systems activities and $16 million from the previously mentioned favorable arbitration resolution. These increases were partially offset by a $32 million decrease in air defense systems, an $11 million decrease in operating profit on fire control systems and, to a lesser extent, other volume decreases that impacted net sales.

Space Systems

Net sales of the Space Systems segment decreased by 17 percent in 1999 compared to 1998, and decreased by 11 percent in 1998 compared to 1997. Almost half of the segment's 1999 net sales decrease resulted from volume decreases on military satellite programs and classified activities. Net sales were also reduced by a $185 million decrease in commercial and civil satellite activities as a result of the maturity of certain programs and lower market demand. Net sales were further reduced by a $50 million decrease from 1998 in launch vehicle activities. In addition, during the second quarter of 1999, the segment recorded a $90 million negative adjustment related to the Titan IV program which included the effects of changes in estimates for award and incentive fees resulting from the launch failure on April 30, 1999, as well as a more conservative assessment of future program performance. The remaining decrease is related to a decline in volume on various other space systems activities. The segment's 1998 net sales activity was adversely impacted by a decrease in commercial launch vehicle activity resulting from delays in the availability of commercial satellites due primarily to supplier issues. This reduction accounted for approximately 20 percent of the 1998 decrease and was mainly attributable to the Atlas and Proton commercial launch vehicles. The 1998 net sales further decreased by $165 million due to a reduction in volume on the Trident fleet ballistic missile program and $85 million due to a reduction in commercial and civil satellite activities. Approximately 40 percent of the remaining decrease was due to additional reductions in 1998 net sales relating to a net decrease in military satellite programs and classified activities, with the remainder due to various other space systems activities.

Operating profit for the segment decreased by 53 percent in 1999 compared to 1998, and decreased by 17 percent in 1998 compared to 1997. A contributing factor to the decrease in the segment's operating profit in 1999 compared to 1998 was the impact of a third quarter 1998 favorable adjustment of approximately $120 million, net of state income taxes, which resulted from a significant improvement in the Atlas program related to the retirement of technical and program risk based upon an evaluation of historical performance. In addition, 1999 operating profit was adversely affected by the impact of the $90 million Titan IV program adjustment discussed above. Operating profit in 1999 was also adversely impacted by increased period costs (principally start-up costs) related to launch vehicle investments which accounted for approximately 15 percent of the decrease, by a reduction in Trident fleet ballistic missile activities that reduced operating profit by approximately $30 million, and by a launch vehicle contract cancellation which resulted in a charge of $30 million. The remainder of the decrease is attributable to the decline in sales related to military satellite and classified activities discussed above as well as a reduction in commercial satellite activities. The 1998 decrease resulted from the same issues that impacted net sales, as discussed above, with the Trident fleet ballistic missile program and classified activities accounting for approximately 75 percent of the total decrease. In addition, $75 million of the decrease was attributable to reductions in commercial launch vehicle activities, and $30 million related to a decline in commercial and civil satellite activities. These decreases were partially offset by the previously discussed $120 million favorable Atlas program adjustment and $15 million contributed by enhanced performance on the military satellite programs. The remaining decrease was due to reduced operating profit related to various other activities of the segment.

Aeronautical Systems

Net sales of the Aeronautical Systems segment increased by one percent in 1999 compared to 1998, and increased by three percent in 1998 compared to 1997. The 1999 increase was comprised of $715 million in increased sales related to C-130J airlift aircraft program activities offset by a $717 million decrease in F-16 sales and deliveries. The remaining increase was attributable to increased sales on various other aircraft programs. The 1998 net sales increase was primarily due to $116 million in increased volume related to F-16 fighter aircraft. Activities related to the F-22 program and other tactical aircraft programs accounted for the remaining increase in sales.

Operating profit for the segment decreased by 62 percent in 1999 compared to 1998 after increasing 10 percent during 1998 compared to 1997. The 1999 decrease principally reflects adjustments during the second quarter that resulted from changes in estimates in the C-130J program due to cost growth and a reduction in production rates, based on a current evaluation of the program's performance. This adjustment negatively impacted operating profit by $210 million. Additionally, until further favorable progress occurs in terms of orders and cost, the Corporation does not intend to record profit on future deliveries of the aircraft, and will reduce production levels over time from 16 to 8 aircraft per year. Of the remaining decrease, $80 million resulted from reduced F-16 deliveries, with the remaining decrease due to volume decreases on various other aircraft programs. Operating profit increased during 1998 by $60 million as a result of increased F-16 aircraft deliveries and the absence of approximately $60 million in C-130J development costs incurred in 1997. These increases were partially offset by approximately $30 million related to a decrease in operating profit on the F-22 program, as well as decreases associated with various other military aircraft programs.

Technology Services

Net sales of the Technology Services segment increased by 17 percent in 1999 compared to 1998 after having decreased three percent in 1998 compared to 1997. The increase in 1999 net sales is mainly the result of an approximate $300 million increase in volume on the Consolidated Space Operations Contract, which was awarded in September 1998. The 1998 decrease was primarily attributable to the absence in 1998 of approximately $240 million in sales related to the segment's Aerostructures business unit, which was divested in November 1997 as part of the GE Transaction. Excluding the effect of this divestiture, 1998 net sales would have increased by 11 percent. This increase resulted mainly from $110 million in higher sales volume related to the aircraft maintenance and logistics lines of business and a $70 million increase in certain technology services programs.

Operating profit for the segment increased by one percent in 1999 compared to 1998 after having decreased 32 percent in 1998 compared to 1997. The increase in 1999 operating profit is attributable to the Consolidated Space Operations Contract as well as increases related to improved performance in the segment's aircraft maintenance and logistics lines of business, partially offset by decreases attributable to the timing of award fees on certain energy-related contracts. The operating profit decrease for 1998 was primarily attributable to the absence in 1998 of $62 million in operating profit related to the segment's Aerostructures business unit, as discussed above. Excluding the effect of this divestiture, the 1998 operating profit would have only decreased by one percent due to performance issues related to certain of the segment's aircraft maintenance and logistics contracts and the absence in 1998 of profit associated with a Space Station contract, which was canceled in 1997.

Corporate and Other

Net sales of the Corporate and Other segment increased by six percent in 1999 compared to 1998 after having decreased 53 percent in 1998 compared to 1997. The 1999 increases of $75 million in the information technology outsourcing business, $65 million in state and municipal services, and $75 million in Global Telecommunications programs more than offset the absence in 1999 of the $155 million net sales of the CalComp subsidiary during 1998. The majority of this segment's 1998 decrease is due to the absence in 1998 of $1.2 billion in net sales of the segment's Access Graphics business unit which was divested in the fourth quarter of 1997. In addition, approximately 13 percent of the decrease is due to the absence in 1998 of net sales resulting from the Corporation's repositioning of 10 business units to form L-3 effective in March 1997. Excluding the impact of these divestitures, the segment's net sales for 1998 would have increased 62 percent compared to 1997. Approximately $155 million of this increase resulted from higher sales volume on state and municipal programs, with the remainder primarily due to increases in net sales related to various information technology outsourcing programs.

Operating profit for this segment decreased by $32 million in 1999 compared to 1998 after having increased by $13 million in 1998 compared to 1997. The decrease in 1999 reflects $103 million in operating losses on Global Telecommunications partially offset by the absence of the 1998 operating losses of $70 million on CalComp and Real 3D. Adjusting the 1997 results for the effects of Access Graphics and L-3 divestitures discussed in the preceding paragraph, on a comparable basis, operating profit for 1998 would have decreased by $13 million. The operating profit decrease from 1997 to 1998 resulted from unfavorable performance in the segment's commercial products businesses, primarily CalComp, partially offset by increases related to state and municipal programs and information technology outsourcing programs.

[BAR GRAPH]

Negotiated Backlog
(In millions)

'97	'98	'99
$47,059	$45,345	$45,913

Backlog

Total negotiated backlog of $45.9 billion at December 31, 1999 included both unfilled firm orders for the Corporation's products for which funding has been authorized and appropriated by the customer (Congress, in the case of U.S. Government agencies) and firm orders for which funding has not been appropriated.

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

(In millions)	1999	1998	1997
Backlog			
Systems Integration	$15,220	$14,025	$14,126
Space Systems	14,749	15,829	16,380
Aeronautical Systems	9,003	10,265	13,019
Technology Services	4,399	3,503	2,107
Corporate and Other	2,542	1,723	1,427
	$45,913	$45,345	$47,059

Total Systems Integration backlog increased by nine percent in 1999 compared to 1998, after having decreased by one percent in 1998 compared to 1997. Approximately one half of the 1999 increase was comprised of new orders for missile systems, with the remaining increase primarily attributable to increased orders for various platform integration activities and increased surface ship system awards. During 1998, backlog decreased due to a reduction of orders for missile systems and increased deliveries related to air traffic control programs. These decreases were partially offset by increased orders for certain radar electronics and surface ship systems.

Total Space Systems backlog decreased by seven percent in 1999 compared to 1998, and decreased by three percent in 1998 compared to 1997. The decrease in 1999 was mainly attributable to a significant decrease in launch vehicle backlog as a result of decreases in new orders as well as a decrease in backlog associated with military satellites and classified activities. Approximately one half of these decreases were offset by new orders for commercial and civil satellites. The decrease in 1998 resulted principally from a decrease in backlog on military and classified satellite programs in addition to decreases related to contract modifications to the Titan IV program. These reductions were partially offset by increased orders on commercial launch vehicle and satellite programs. During 1998, the Corporation entered into an agreement with the U.S. Government that provides $500 million of funding to develop the Evolved Expendable Launch Vehicle. The Corporation will use its best efforts to design a prototype to comply with the launch capability requirements included in the agreement. Since this agreement does not constitute a procurement contract, funding has been excluded from backlog for 1998 and 1999.

Total Aeronautical Systems backlog decreased by 12 percent in 1999 compared to 1998, and decreased by 21 percent in 1998 compared to 1997. The decline in 1999 backlog was comprised of approximately equal decreases on the F-16 tactical fighter program and C-130J airlift aircraft program related to the timing of new orders and sales recorded during 1999. An increase in orders associated with the F-22 tactical fighter program offset approximately one-third of the aforementioned decreases. In January 2000, the Corporation received orders from the government of Israel for F-16 fighter aircraft in an agreement estimated to be worth approximately $1.5 billion. During 1998, the government of the United Arab Emirates (UAE) selected the Corporation's F-16 as its advanced fighter aircraft. In March 2000, an agreement was reached for the sale of 80 F-16 fighter aircraft with an estimated value of $6.4 billion, pending various government approvals. The segment's 1998 backlog was impacted by a significant decrease in new order activity from the prior year, principally related to the decrease in backlog on F-16 tactical fighter programs due to the timing of new orders. An additional decrease resulted from decreases in backlog on the C-130J airlift aircraft and F-22 tactical fighter programs.

Total Technology Services backlog increased by 26 percent in 1999 compared to 1998, after having increased significantly, over 66 percent, in 1998 compared to 1997. The increase in 1999 was attributable to the booking of new orders associated with the 1999 award of an aircraft engine maintenance contract by the United States Air Force which was partially offset by sales on existing information management service contracts. The increase from 1997 to 1998 is primarily attributed to the 1998 award of the Consolidated Space Operations Contract by the National Aeronautics and Space Administration, and increases related to the receipt of new information management services contracts.

Total Corporate and Other backlog increased by 48 percent in 1999 compared to 1998, and increased by 21 percent in 1998 compared to 1997. Slightly more than one half of the 1999 increase was primarily due to new orders on information outsourcing contracts with the remainder of the increase reflecting new orders associated with the Corporation's Global Telecommunications line of business. The 1998 increase was mainly attributable to an increase on various information services and state and municipal services programs.

[BAR GRAPH]

Net Cash Provided By Operating Activities (In millions)

'97	'98	'99
$1,208	$2,031	$1,077

Liquidity and Cash Flows

Operating Activities

Operating activities provided $1.1 billion in cash during 1999, compared to $2.0 billion and $1.2 billion provided in 1998 and 1997, respectively. The significant decrease in cash provided by operations during 1999 compared to 1998 resulted from the decrease in earnings before cumulative effect of change in accounting between the periods and increased working capital requirements. The significant increase in cash provided by operations during 1998 compared to 1997 was a result of improved operating cash flow and reduced net federal income tax payment activity.

Investing Activities

The Corporation used $1.6 billion in cash for investing activities during 1999, compared to $455 million used during 1998 and $185 million provided during 1997. For the three years presented, cash used for additions to property, plant and equipment declined four percent in 1999 after a seven percent decrease in 1998. During 1999, $1.2 billion was used to acquire the Corporation's 49 percent interest in COMSAT, as discussed previously, which was the primary reason for the increase in the use of cash in 1999 compared to 1998. Also in 1999, $263 million of cash was provided related to the sale of the Corporation's remaining interest in L-3, which was partially offset by $103 million of cash used for additional investments in Astrolink International, LLC and other acquisition and divestiture activities. During 1998, $134 million of net cash was provided by divestiture and acquisition activities. In 1997, cash was principally provided by the disposition of the Armament Systems and Defense Systems businesses and the repositioning of 10 business units to form L-3 in March 1997.

Financing Activities

Financing activities provided $731 million in cash during 1999, compared to $1.3 billion used during 1998 and $1.4 billion used during 1997. The $2.0 billion increase in cash provided by financing activities in 1999 as compared to the cash used during 1998 reflects the Corporation's issuance of $3.0 billion in long-term debt securities in the fourth quarter of 1999, partially offset by repayments of long-term debt totaling $1.1 billion and a net decrease of $868 million in short-term borrowings outstanding. The debt issuance, which represented the entire amount registered under its previously filed shelf registration statement, included Notes and Debentures ranging in maturity from six years to 30 years, with interest rates ranging from 7.95% to 8.5%. The proceeds from the debt issuance were used for general corporate purposes, including the repayment of commercial paper and borrowings under the Corporation's short-term and long-term credit facilities. During 1998, operating activities generated significantly more cash, which allowed the Corporation to reduce its total debt by more than $1.0 billion. During 1997, the Corporation also was able to decrease its short-term borrowings significantly, while long-term debt was increased to finance the GE Transaction. Approximately $52 million of long-term debt will mature in 2000.

The Corporation paid dividends of $345 million in 1999 compared to $310 million and $299 million during 1998 and 1997, respectively. During the first quarter of 2000, the Corporation's Board of Directors approved management's recommendation to reduce the quarterly cash dividend per common share from $.22 per share, or $.88 annually, to $.11 per share, or $.44 annually. The decreased dividend will be effective for dividends declared in the first quarter of 2000.

Other

The Corporation receives advances on certain contracts to finance inventories. At December 31, 1999, approximately $1.85 billion in advances and progress payments related to work in process were received from customers and recorded as a reduction to inventories in the Corporation's Consolidated Balance Sheet. Also at December 31, 1999, approximately $486 million of customer advances and progress payments were recorded in receivables as an offset to unbilled costs and accrued profits. Approximately $4.7 billion of customer advances and amounts in excess of costs incurred, which are typically from foreign governments and commercial customers, are included in current liabilities at the end of 1999.

Capital Structure and Resources

Total debt, including short-term borrowings, increased by $1.1 billion during 1999 from approximately $10.9 billion at December 31, 1998. This increase was comprised of the issuance of $3.0 billion in long-term debt securities, offset by repayments of long-term debt of $1.1 billion and net repayments of short-term debt of $868 million. The Corporation's long-term debt is primarily in the form of publicly issued, fixed-rate notes and debentures. At year-end 1999, the Corporation held cash and cash equivalents of $455 million which were used to pay down its commercial paper borrowings in January 2000. Total stockholders' equity was $6.4 billion at December 31, 1999, an increase of approximately $224 million from the December 31, 1998 balance. This increase resulted from 1999 net earnings of $382 million and employee stock option and ESOP activities of $189 million, partially offset by the payment of dividends of $345 million. As a result of the above factors, the Corporation's debt to total capitalization ratio increased from 64 percent at December 31, 1998 to 65 percent at December 31, 1999.

At the end of 1999, the Corporation had in place a short-term revolving credit facility in the amount of $1.0 billion which matures on May 26, 2000, and a long-term revolving credit facility in the amount of $3.5 billion, which matures on December 20, 2001 (collectively, the Credit Facilities). No borrowings were outstanding under these facilities at December 31, 1999. The Credit Facilities support commercial paper borrowings of approximately $475 million outstanding at December 31, 1999, all of which are classified as short-term borrowings.

The Corporation has entered into standby letter of credit agreements and other arrangements with financial institutions primarily relating to the guarantee of future performance on certain contracts. At December 31, 1999, the Corporation had contingent liabilities on outstanding letters of credit, guarantees and other arrangements aggregating approximately $1.1 billion.

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

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

In February 2000, the Corporation and Loral Space & Communications Ltd. (Loral Space) filed certain notices under the HSR Act with the FTC and the DOJ in connection with the Corporation's plan to convert its 45.9 million shares of Loral Space Series A Preferred Stock (the Preferred Stock) into an equal number of shares of Loral Space common stock. The Corporation will be able to convert the Preferred Stock following expiration on March 5, 2000 of the waiting period required by the HSR Act, unless such period is extended by a request from the FTC for additional information. Also in February 2000, the Corporation and Loral Space entered into an agreement which will facilitate the Corporation's ability to divest its interest in Loral Space, but in no case earlier than mid-May 2000.

Year 2000 Issues

Lockheed Martin completed its Year 2000 Compliance Program (the Program). The Program was designed to minimize risk to the Corporation's business units and its customers in advance of the century change using a standard six-phase industry approach. The six phases included: Awareness, Assessment, Renovation, Validation, Implementation and Post-Implementation. The Corporation experienced no significant Year 2000-related issues with respect to its internal information technology (IT), its external IT systems or its non-IT systems. Based on information currently available, the Corporation is not aware of any continued exposure to issues associated with the century change.

The Corporation incurred total costs of approximately $75 million to complete the Program which included internal costs as well as costs for outside consulting services, but did not include estimated costs for system replacements which were not accelerated due to Year 2000 issues. The costs incurred for the Program are allowable in establishing prices for the Corporation's products and services under contracts with the U.S. Government. Therefore, a substantial portion of these costs is being reflected in the Corporation's sales and cost of sales. The total costs incurred were not material to the Corporation's consolidated results of operations, cash flows or financial position for any prior period. The Corporation anticipates no material expenditures relating to Year 2000 issues subsequent to December 31, 1999.

Environmental Matters

As more fully described in Note 16 of the Notes to Consolidated Financial Statements, the Corporation is responding to three administrative orders issued by the California Regional Water Quality Control Board (the Regional Board) in connection with its facilities in Redlands, California. The Corporation estimates that expenditures required to implement work currently approved by the Regional Board related to the Redlands facilities will be approximately $140 million. Also in connection with its Redlands facilities, the Corporation is coordinating with the U.S. Air Force, which is conducting studies of the potential health effects of exposure to perchlorates, a regional groundwater contaminant. The results of these studies indicate that the Corporation's current efforts with water purveyors regarding perchlorate issues are appropriate; however, the Corporation currently cannot project the extent of its ultimate clean-up obligation, if any, with respect to perchlorates. The Corporation has also entered into two consent decrees with the U.S. Environmental Protection Agency (EPA) relating to certain property in Burbank, California, and is operating under a clean-up and abatement order from the Regional Board regarding its Burbank facilities. In addition, the Corporation is one of several parties responding to administrative orders from the EPA regarding the city of Glendale, California. The Corporation estimates that total expenditures required over the remaining terms of the consent decrees and the Regional Board order related to the Burbank property, and the administrative orders related to the city of Glendale, will be approximately $100 million.

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

The Corporation records appropriate financial statement accruals for environmental issues in the period in which it is probable that a liability has been incurred and the amounts can be reasonably estimated. In addition to the matters with respect to the Redlands and Burbank properties and the city of Glendale described above, the Corporation has accrued approximately $200 million at December 31, 1999 for other matters in which an estimate of financial exposure could be determined. Management believes, however, that it is unlikely that any additional liability the Corporation may incur for known environmental issues would have a material adverse effect on its consolidated results of operations or financial position.

Also as more fully described in Note 16 to the Notes to Consolidated Financial Statements, the Corporation is continuing to pursue recovery of a significant portion of the unanticipated costs incurred in connection with the $180 million fixed price contract with the U.S. Department of Energy (DOE) for the remediation of waste found in Pit 9. The Corporation has been unsuccessful to date in reaching any agreements with the DOE on cost recovery or other contract restructuring matters. In 1998, the management contractor for the project, a wholly-owned subsidiary of the Corporation, at the DOE's direction, terminated the Pit 9 contract for default. At the same time, the Corporation filed a lawsuit seeking to overturn the default termination. Subsequently, the Corporation took actions to raise the status of its request for equitable adjustment to a formal claim. Also in 1998, the management contractor, again at the DOE's direction, filed suit against the Corporation seeking recovery of approximately $54 million previously paid to the Corporation under the Pit 9 contract. The Corporation is defending this action in which discovery has been pending since August 2, 1999. On October 1, 1999, the U.S. Court of Federal Claims stayed the DOE's motion to dismiss the Corporation's lawsuit, finding that the Court has jurisdiction. The Court ordered discovery to commence and gave leave to the DOE to convert its motion to dismiss to a motion for summary judgment if supported by discovery. The Corporation continues to assert its position in the litigation while continuing its efforts to resolve the dispute through non-litigation means.

Other Matters

The Corporation's primary exposure to market risk relates to interest rates and foreign currency exchange rates. Financial instruments held by the Corporation which are subject to interest rate risk principally include variable rate commercial paper and fixed rate long-term debt. The Corporation's long-term debt obligations are generally not callable until maturity. The Corporation may use interest rate swaps to manage its exposure to fluctuations in interest rates; however, there were no such agreements outstanding at December 31, 1999. Based on its portfolio of variable rate short-term debt and fixed rate long-term debt outstanding at December 31, 1999, the Corporation's exposure to interest rate risk is not material.

The Corporation uses forward exchange contracts to manage its exposure to fluctuations in foreign exchange rates. These contracts are designated as qualifying hedges of firm commitments or specific anticipated transactions, and related gains and losses on the contracts are recognized in income when the hedged transaction occurs. At December 31, 1999, the amounts of forward exchange contracts outstanding, as well as the amounts of gains and losses recorded during the year, were not material. Based on the above, the Corporation's exposure to foreign currency exchange risk is not material. The Corporation does not hold or issue derivative financial instruments for trading purposes.

As described more fully in Note 1 of the Notes to Consolidated Financial Statements, the Corporation does not intend to adopt Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," prior to the current required date of January 1, 2001. The Statement will require the recognition of all derivatives as either assets or liabilities in the Consolidated Balance Sheet, and the periodic measurement of those instruments at fair value. The classification of gains and losses resulting from changes in the fair values of derivatives is dependent on the intended use of the derivative and its resulting designation. In general, these provisions of the Statement could result in a greater degree of income statement volatility than current accounting practice. The Corporation is continuing its process of analyzing and assessing the impact that the adoption of SFAS No. 133 is expected to have on its consolidated results of operations, cash flows and financial position, but has not yet reached any conclusions.

The management of Lockheed Martin Corporation prepared and is responsible for the consolidated financial statements and all related financial information contained in this report. The consolidated financial statements, which include amounts based on estimates and judgments, have been prepared in accordance with accounting principles generally accepted in the United States applied on a consistent basis after consideration of the Corporation's adoption of the provisions of the American Institute of Certified Public Accountants' Statement of Position No. 98-5, "Reporting on the Costs of Start-Up Activities" as discussed in Note 1 of the Notes to Consolidated Financial Statements.

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

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

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

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

/s/ Robert J. Stevens

Robert J. Stevens
Executive Vice President--Finance and Chief Financial Officer

/s/Christopher E. Kubasik

Christopher E. Kubasik
Vice President and Controller

Board of Directors and Stockholders
Lockheed Martin Corporation

We have audited the accompanying consolidated balance sheet of Lockheed Martin Corporation as of December 31, 1999 and 1998, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lockheed Martin Corporation at December 31, 1999 and 1998, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 1 of the Notes to Consolidated Financial Statements, in 1999 the Corporation adopted the provisions of the American Institute of Certified Public Accountants' Statement of Position No. 98-5, "Reporting on the Costs of Start-Up Activities."

/s/ Ernst & Young LLP

Washington, D.C.
January 21, 2000

(In millions, except per share data)	Year ended December 31, 1999	1998	1997
Net sales	$25,530	$26,266	$28,069
Cost of sales	23,865	23,914	25,772
Earnings from operations	1,665	2,352	2,297
Other income and expenses, net	344	170	482
	2,009	2,522	2,779
Interest expense	809	861	842
Earnings before income taxes and cumulative effect of change in accounting	1,200	1,661	1,937
Income tax expense	463	660	637
Earnings before cumulative effect of change in accounting	737	1,001	1,300
Cumulative effect of change in accounting	(355)	--	--
Net earnings	$ 382	$ 1,001	$ 1,300
Earnings (loss) per common share:*			
Basic:			
Before cumulative effect of change in accounting	$ 1.93	$ 2.66	$ (1.56)
Cumulative effect of change in accounting	(.93)	--	--
	$ 1.00	$ 2.66	$ (1.56)
Diluted:			
Before cumulative effect of change in accounting	$ 1.92	$ 2.63	$ (1.56)
Cumulative effect of change in accounting	(.93)	--	--
	$ .99	$ 2.63	$ (1.56)

* As more fully described in Notes 3 and 5, in 1997 the Corporation reacquired all of its outstanding Series A preferred stock resulting in a deemed dividend of $1,826 million. For purposes of computing net loss applicable to common stock for basic and diluted loss per share, the deemed preferred stock dividend was deducted from 1997 net earnings.

See accompanying Notes to Consolidated Financial Statements.

(In millions)	1999	1998	1997
	Year ended December 31,		
Operating Activities			
Earnings before cumulative effect of change in accounting	$ 737	$ 1,001	$ 1,300
Adjustments to reconcile earnings to net cash provided by operating activities:			
Depreciation and amortization	529	569	606
Amortization of intangible assets	440	436	446
Deferred federal income taxes	293	203	155
GE Transaction	--	--	(311)
Changes in operating assets and liabilities:			
Receivables	130	809	(572)
Inventories	(404)	(1,183)	(687)
Customer advances and amounts in excess of costs incurred	313	329	1,048
Income taxes	(284)	189	(560)
Other	(677)	(322)	(217)
Net cash provided by operating activities	1,077	2,031	1,208
Investing Activities			
Expenditures for property, plant and equipment	(669)	(697)	(750)
Consummation of COMSAT Tender Offer	(1,203)	--	--
Sale of remaining interest in L-3	263	--	--
Divestiture of L-3 companies	--	--	464
Divestiture of Armament Systems and Defense Systems	--	--	450
Other acquisition and divestiture activities	(103)	134	12
Other	74	108	9
Net cash (used for) provided by investing activities	(1,638)	(455)	185
Financing Activities			
Net decrease in short-term borrowings	(868)	(151)	(866)
Increases in long-term debt	2,994	266	1,505
Repayments and extinguishments of long-term debt	(1,067)	(1,136)	(219)
Issuances of common stock	17	91	110
Dividends on common stock	(345)	(310)	(299)
Dividends on preferred stock	--	--	(53)
Redemption of preferred stock	--	(51)	(1,571)
Net cash provided by (used for) financing activities	731	(1,291)	(1,393)
Net increase in cash and cash equivalents	170	285	--
Cash and cash equivalents at beginning of year	285	--	--
Cash and cash equivalents at end of year	$ 455	$ 285	$ --

See accompanying Notes to Consolidated Financial Statements.

(In millions)	December 31, 1999	1998
Assets		
Current assets:		
Cash and cash equivalents	$ 455	$ 285
Receivables	4,348	4,178
Inventories	4,051	4,293
Deferred income taxes	1,237	1,109
Other current assets	605	746
Total current assets	10,696	10,611
Property, plant and equipment	3,634	3,513
Investments in equity securities	2,210	948
Intangible assets related to contracts and programs acquired	1,259	1,418
Cost in excess of net assets acquired	9,162	9,521
Other assets	3,051	2,733
	$30,012	$ 28,744
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 1,228	$ 1,382
Customer advances and amounts in excess of costs incurred	4,655	4,012
Salaries, benefits and payroll taxes	941	842
Income taxes	51	553
Short-term borrowings	475	1,043
Current maturities of long-term debt	52	886
Other current liabilities	1,410	1,549
Total current liabilities	8,812	10,267
Long-term debt	11,427	8,957
Post-retirement benefit liabilities	1,805	1,903
Other liabilities	1,607	1,480
Stockholders' equity:		
Common stock, $1 par value per share	398	393
Additional paid-in capital	222	70
Retained earnings	5,901	5,864
Unearned ESOP shares	(150)	(182)
Accumulated other comprehensive income (loss)	(10)	(8)
Total stockholders' equity	6,361	6,137
	$30,012	$ 28,744

See accompanying Notes to Consolidated Financial Statements.

(In millions, except per share data)	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Unearned ESOP Shares	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Comprehensive Income
Balance at December 31, 1996	$ 1,000	$ 193	$ 92	$ 5,823	$(252)	$ --	$ 6,856	
Net earnings	--	--	--	1,300	--	--	1,300	$1,300
Dividends declared on preferred stock ($2.65 per share)	--	--	--	(53)	--	--	(53)	--
Dividends declared on common stock ($.80 per share)	--	--	--	(299)	--	--	(299)	--
Stock awards and options, and ESOP activity	--	1	161	--	36	--	198	--
Redemption of preferred stock	(1,000)	--	(228)	(1,598)	--	--	(2,826)	--
Balance at December 31, 1997	--	194	25	5,173	(216)	--	5,176	$1,300
Net earnings	--	--	--	1,001	--	--	1,001	$1,001
Dividends declared on common stock ($.82 per share)	--	--	--	(310)	--	--	(310)	--
Stock awards and options, and ESOP activity	--	2	204	--	34	--	240	--
Stock issued for acquisitions	--	--	38	--	--	--	38	--
Other comprehensive income (loss)	--	--	--	--	--	(8)	(8)	(8)
Two-for-one stock split	--	197	(197)	--	--	--	--	--
Balance at December 31, 1998	--	393	70	5,864	(182)	(8)	6,137	$ 993
Net earnings	--	--	--	382	--	--	382	$ 382
Dividends declared on common stock ($.88 per share)	--	--	--	(345)	--	--	(345)	--
Stock awards and options, and ESOP activity	--	5	152	--	32	--	189	--
Other comprehensive income (loss)	--	--	--	--	--	(2)	(2)	(2)
Balance at December 31, 1999	$ --	$ 398	$ 222	$ 5,901	$(150)	$(10)	$ 6,361	$ 380

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 1999

Note 1--Summary of Significant Accounting Policies

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

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

Common stock split--On December 31, 1998, the Corporation effected a two-for-one split of the Corporation's common stock in the form of a stock dividend. All references to shares of common stock and per share amounts in periods prior to December 1998 were restated to reflect the stock split.

Classifications--Receivables and inventories are primarily attributable to long-term contracts or programs in progress for which the related operating cycles are longer than one year. In accordance with industry practice, these items are included in current assets. Certain amounts for prior years have been reclassified to conform with the 1999 presentation.

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

Receivables--Receivables consist of amounts billed and currently due from customers, and include unbilled costs and accrued profits primarily related to revenues on long-term contracts that have been recognized for accounting purposes but not yet billed to customers. As such revenues are recognized, appropriate amounts of customer advances and progress payments are reflected as an offset to the related accounts receivable balance.

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

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

40 years for buildings and 2 years to 20 years for machinery and equipment.

Investments in equity securities--Investments in equity securities include the Corporation's ownership interests in affiliated companies accounted for under the equity method of accounting. Under this method of accounting, which generally applies to investments that represent a 20 percent to 50 percent ownership of the equity securities of the investees, the Corporation's share of the earnings of the affiliated companies is included in other income and expenses. The Corporation recognizes currently gains or losses arising from issuances of stock by wholly-owned or majority-owned subsidiaries, or by equity method investees. These gains or losses are also included in other income and expenses. Investments in equity securities also include the Corporation's ownership interests in companies in which its investment represents less than 20 percent. These investments are generally accounted for under the cost method of accounting.

Intangible assets--Intangible assets related to contracts and programs acquired are amortized over the estimated periods of benefit (15 years or less) and are displayed on the Consolidated Balance Sheet net of accumulated amortization of $958 million and $800 million at December 31, 1999 and 1998, respectively. Cost in excess of net assets acquired (goodwill) is amortized ratably over appropriate periods, primarily 40 years, and is displayed on the Consolidated Balance Sheet net of accumulated amortization of $1,373 million and $1,103 million at December 31, 1999 and 1998, respectively. The carrying values of intangible assets, as well as other long-lived assets, are reviewed for impairment if changes in the facts and circumstances indicate potential impairment of their carrying values. Any impairment determined is recorded in the current period and is measured by comparing the discounted cash flows of the related business operations to the appropriate carrying values.

Customer advances and amounts in excess of costs incurred--The Corporation receives advances and progress payments from customers in excess of costs incurred on certain contracts, including contracts with agencies of the U.S. Government. Such advances and progress payments, other than those reflected as an offset to accounts receivable or inventories as discussed above, are classified as current liabilities.

Environmental matters--The Corporation records a liability for environmental matters when it is probable that a liability has been incurred and the amount can be reasonably estimated. A substantial portion of these costs are expected to be reflected in sales and cost of sales pursuant to U.S. Government agreement or regulation. At the time a liability is recorded for future environmental costs, an asset is recorded for estimated future recovery considered probable through the pricing of products and services to agencies of the U.S. Government. The portion of those costs expected to be allocated to commercial business is reflected in cost of sales at the time the liability is established.

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

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

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

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

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

Derivative financial instruments--The Corporation may use derivative financial instruments to manage its exposure to fluctuations in interest rates and foreign exchange rates. Forward exchange contracts are designated as qualifying hedges of firm commitments or specific anticipated transactions. Gains and losses on these contracts are recognized in income when the hedged transactions occur. At December 31, 1999, the amounts of forward exchange contracts outstanding, as well as the amounts of gains and losses recorded during the year, were not material. The Corporation does not hold or issue derivative financial instruments for trading purposes.

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

Comprehensive income--Comprehensive income for the Corporation consists primarily of net earnings, foreign currency translation adjustments and unrealized gains and losses on available-for-sale securities. At December 31, 1999 and 1998, the accumulated balances of other comprehensive income related to foreign currency translation adjustments were insignificant. Prior to 1998, such adjustments were recorded in other liabilities and were also insignificant. In October 1999, the Corporation sold its remaining interest in L-3 Communications Holdings, Inc. (L-3) (see Note 3), and reclassified to net earnings $30 million of unrealized gains previously recorded as comprehensive income.

New accounting pronouncements adopted--Effective January 1, 1999, the Corporation adopted the American Institute of Certified Public Accountants' (AICPA) Statement of Position (SOP) No. 98-5, "Reporting on the Costs of

Start-Up Activities." This SOP requires that, at the effective date of adoption, costs of start-up activities previously capitalized be expensed and reported as a cumulative effect of a change in accounting principle, and further requires that such costs subsequent to adoption be expensed as incurred. The adoption of SOP No. 98-5 resulted in the recognition of a cumulative effect adjustment which reduced net earnings for the year ended December 31, 1999 by $355 million, or $.93 per diluted share. The cumulative effect adjustment was recorded net of income tax benefits of $227 million, and was primarily composed of approximately $560 million of costs which were included in inventories as of December 31, 1998.

Effective January 1, 1999, the Corporation adopted the AICPA's SOP No. 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." This SOP, which requires the capitalization of certain costs incurred in connection with developing or obtaining software for internal use, affects the future cash flows under contracts with the U.S. Government. However, the impact of the adoption of SOP No. 98-1 was not material to the Corporation's consolidated results of operations, cash flows or financial position.

New accounting pronouncement to be adopted--In June 1998, the Financial Accounting Standards Board (FASB) issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 requires the recognition of all derivatives as either assets or liabilities in the Consolidated Balance Sheet, and the periodic measurement of those instruments at fair value. The classification of gains and losses resulting from changes in the fair values of derivatives is dependent on the intended use of the derivative and its resulting designation. In general, these provisions of the Statement could result in a greater degree of income statement volatility than current accounting practice. At adoption, existing hedging relationships must be designated anew and documented pursuant to the provisions of the Statement. The Corporation does not intend to adopt SFAS No. 133, as amended, prior to the required date of January 1, 2001. The Corporation is continuing its process of analyzing and assessing the impact that the adoption of SFAS No. 133 is expected to have on its consolidated results of operations, cash flows and financial position, but has not yet reached any conclusions.

Note 2--Transaction Agreement with COMSAT Corporation

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

In connection with the first phase of this transaction, subsequent to obtaining all necessary regulatory approvals and approval of the Merger by the stockholders of COMSAT, the Corporation completed a cash tender offer (the Tender Offer) on September 18, 1999. On that date, the Corporation accepted for payment approximately 26 million shares of COMSAT common stock, representing approximately 49 percent of the outstanding common stock of COMSAT, for $45.50 a share pursuant to the terms of the Merger Agreement. The total value of this phase of the transaction was $1.2 billion, and such amount is included in investments in equity securities in the December 31, 1999 Consolidated Balance Sheet. The Corporation accounts for its 49 percent investment in COMSAT under the equity method of accounting.

The second phase of the transaction, which will result in consummation of the Merger, is to be accomplished by an exchange of one share of Lockheed Martin common stock for each remaining share of COMSAT common stock. Consummation of the Merger remains contingent upon the satisfaction of certain conditions, including the enactment of federal legislation necessary to remove existing restrictions on ownership of COMSAT voting stock. Legislation necessary to remove these restrictions cleared the U.S. Senate on July 1, 1999. On November 10, 1999, the U.S. House of Representatives (the House) also passed legislation which, if adopted into law, would remove these restrictions. There are substantial differences between the two bills, and significant issues raised by the House bill in particular which, if not resolved satisfactorily, would likely have a Significant Adverse Effect on COMSAT (as defined in the Merger Agreement). The Corporation hopes these issues will be favorably resolved.

In early 2000, sponsors of the two different bills announced a compromise agreement that, if adopted, would resolve many of the issues raised by the House bill. It is now expected that legislation that reflects the compromise agreement will be enacted before May 2000. There is no assurance that this legislation will be passed or passed in this time frame, or that any legislation that does become law would not have an adverse effect on COMSAT's business. If Congress enacts legislation that the Corporation determines in good faith, after consultation with COMSAT, would reasonably be expected to have a Significant Adverse Effect on COMSAT's business, the Corporation would have the right to elect not to complete the Merger.

Before the Merger can occur, the Corporation must file separate notification and report forms under the Hart Scott-Rodino Antitrust Improvement Act with the Federal Trade Commission (FTC) and the U.S. Department of Justice (DOJ) regarding its acquisition of minority interests in two businesses held by COMSAT. In addition, following the passage of legislation, the Federal Communications Commission (FCC) must approve the Merger. The precise nature of the FCC approval requirement will, however, depend upon the details of the final legislation enacted by Congress. There is no assurance as to the timing or whether the FTC, DOJ or FCC will provide the requisite approvals. If the Merger is not completed on or before September 18, 2000, under the terms of the Merger Agreement, Lockheed Martin or COMSAT could terminate the Merger Agreement or elect not to exercise this right, or both parties could agree to extend this date. If consummated, the Merger will be accounted for under the purchase method of accounting. If the Merger is not consummated, the Corporation will not be able to achieve all of its objectives with respect to the COMSAT transaction and will be unable to exercise control over COMSAT.

Effective January 1, 1999, investments in several existing joint ventures and elements of the Corporation were combined with Lockheed Martin Global Telecommunications, Inc. (Global Telecommunications), a wholly-owned subsidiary of the Corporation focused on capturing a greater portion of the worldwide telecommunications services market. The Corporation intends to combine the operations of Global Telecommunications and COMSAT upon consummation of the Merger noted above.

Note 3--Divestiture Activities

The Corporation executed a definitive agreement in March 1997 to reposition 10 of its non-core business units as a new independent company, L-3, in which the Corporation retained an approximate 35 percent ownership interest at closing. The transaction did not have a material impact on the Corporation's 1997 earnings. During May 1998, L-3 completed an initial public offering resulting in the issuance of an additional 6.9 million shares of its common stock to the public. This transaction resulted in a reduction in the Corporation's ownership to approximately 25 percent and the recognition of a pretax gain of $18 million. The gain increased net earnings by $12 million, or $.03 per diluted share. In February 1999, the Corporation sold 4.5 million of its shares in L-3 as part of a secondary public offering by L-3. This transaction resulted in a reduction in the Corporation's ownership to approximately seven percent and the recognition of a pretax gain of $114 million. The gain increased net earnings by $74 million, or $.19 per diluted share. After this transaction was consummated, the Corporation began accounting for its remaining investment in L-3 as an available-for-sale investment. In October 1999, the Corporation sold its remaining interest in L-3. This transaction resulted in the recognition of a pretax gain of $41 million which increased net earnings by $27 million, or $.07 per diluted share.

In September 1999, the Corporation sold its interest in Airport Group International Holdings, LLC which resulted in a pretax gain of $33 million. In October 1999, the Corporation exited its commercial 3D graphics business through consummation of a series of transactions which resulted in the sale of its interest in Real 3D, Inc., a majority-owned subsidiary, and a pretax gain of $33 million. On a combined basis, these transactions increased net earnings by $43 million, or $.11 per diluted share.

In November 1997, the Corporation exchanged all of the outstanding capital stock of a wholly-owned subsidiary, LMT Sub, for all of the outstanding Series A preferred stock held by General Electric Company (the GE Transaction). LMT Sub was composed of two non-core commercial business units which contributed approximately five percent of the Corporation's 1997 net sales, Lockheed Martin's investment in a telecommunications partnership, and approximately $1.6 billion in cash, of which $1.4 billion was subsequently refinanced with a 6.04% note, due November 17, 2002, from Lockheed Martin to LMT Sub. The fair value of the non-cash net assets exchanged was approximately $1.2 billion. During the second quarter of 1998, the final determination of the closing net worth of the businesses exchanged was completed, resulting in a payment of $51 million from the Corporation to MRA Systems, Inc. (formerly LMT Sub). Subsequently, the remainder of the cash included in the transaction was refinanced with a 5.73% note for $210 million, due November 17, 2002, from Lockheed Martin to MRA Systems, Inc.

The GE Transaction was accounted for at fair value, and resulted in the reduction of the Corporation's stockholders' equity by $2.8 billion and the recognition of a tax-free gain of approximately $311 million during the fourth quarter of 1997. The final settlement payment in 1998 did not impact the gain previously recorded on the transaction. For purposes of determining net loss applicable to common stock used in the computation of loss per share for 1997, the excess of the fair value of the consideration transferred to GE (approximately $2.8 billion) over the carrying value of the Series A preferred stock ($1.0 billion) was treated as a deemed preferred stock dividend and deducted from 1997 net earnings in accordance with the requirements of the Emerging Issues Task Force's Issue D-42. This deemed dividend had a significant impact on the loss per share calculations, but did not impact reported 1997 net earnings. The effect of this deemed dividend was to reduce the basic and diluted loss per share amounts by $4.93.

Note 4--Restructuring and Other Charges

In the fourth quarter of 1998, the Corporation recorded a nonrecurring and unusual pretax charge, net of state income tax benefits, of $233 million related to actions surrounding the decision to fund a timely non-bankruptcy shutdown of the business of CalComp Technology, Inc. (CalComp), a majority-owned subsidiary. The pretax charge reflected the effects of impairment related to goodwill of approximately $75 million; writedowns of approximately $73 million to reflect other assets at estimated recoverable values; estimated severance and other costs related to employees of approximately $25 million; estimated costs related to warranty obligations, and purchase and other commitments of approximately $37 million; and other estimated exit costs, primarily related to facilities, of approximately $23 million. This charge decreased net earnings by $183 million, or $.48 per diluted share.

As of December 31, 1999, CalComp had, among other actions, consummated sales of substantially all of its assets, terminated substantially all of its work force, and initiated the corporate dissolution process under the applicable state statutes and, for its foreign subsidiaries, foreign government statutes. The financial impacts of these actions were less than anticipated in the Corporation's plans and estimates and, in the fourth quarter of 1999, the Corporation reversed approximately 10 percent of the original pretax charge recorded in 1998. While uncertainty remains concerning the resolution of matters in dispute or litigation, management believes that the remaining amount recorded is adequate to provide for resolution of these matters and to complete the dissolution process.

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

During the fourth quarter of 1996, the Corporation recorded nonrecurring pretax charges, net of state income tax benefits, of $307 million, which decreased net earnings by $209 million. Approximately one-half of the charges reflected the estimated effects of terminating a business relationship formed to provide environmental remediation services to government and commercial customers worldwide, and the initial estimated effects related to management's decision to exit a certain environmental remediation line of business. Charges of approximately $85 million were identified in connection with an evaluation of the Corporation's future strategic focus, and reflected impairment in the values of non-core investments and certain other assets which were other than temporary in nature. The remaining charges of approximately $75 million pertained to costs for facility closings and transfers of programs related to the Corporation's acquisition of Loral Corporation in April 1996 (the Loral Transaction).

As of December 31, 1999, initiatives undertaken as part of the 1997 and 1996 charges relating to the Corporation's reviews of non-core investments and certain other assets which resulted in impairment in values of those assets, facility closings and transfers of programs resulting from the consummation of the Loral Transaction, and the termination of a business relationship formed to provide environmental remediation services, which in total represented approximately 75 percent of the amounts originally recorded, have been completed consistent with the Corporation's original plans and estimates. Actions contemplated as part of the Corporation's exit from a certain environmental remediation line of business and a fixed price systems development line of business in the area of children and family services have not been completed. In 1999, the Corporation recorded an additional charge of approximately $40 million related to the exit from these lines of business. During 1998 and 1997, the effects on the Corporation's net earnings of adjustments associated with these charges were not material. The amounts recorded in the Consolidated Balance Sheet at December 31, 1999 related to these actions are, in the opinion of management, adequate to complete the remaining initiatives originally contemplated in the 1997 and 1996 charges.

During 1995, the Corporation recorded pretax charges of $690 million from merger related expenses in connection with the formation of Lockheed Martin and the related corporate-wide consolidation plan. The charges represented the portion of the accrued costs and net realizable value adjustments that were not probable of recovery. In addition, the Corporation has incurred costs through the end of 1999 which were anticipated in the 1995 consolidation plan but had not met the requirements for accrual earlier. These costs include relocation of personnel and programs, retraining, process re-engineering and certain capital expenditures, among others. As of December 31, 1999, cumulative merger related and consolidation payments were approximately $1.2 billion. Consistent with the original 1995 consolidation plan, consolidation actions were substantially completed by December 31, 1999.

Under existing U.S. Government regulations, certain costs incurred for consolidation actions that can be demonstrated to result in savings in excess of the cost to implement can be deferred and amortized for government contracting purposes and included as allowable costs in future pricing of the Corporation's products and services. Included in the Consolidated Balance Sheet at December 31, 1999 is approximately $375 million of deferred costs that will be recognized in future sales and cost of sales.

Note 5--Earnings Per Share

Basic and diluted earnings per share for 1999 and 1998 are computed based on net earnings. For these years, the weighted average number of common shares outstanding during each year was used in the calculation of basic earnings per share, and this number of shares was increased by the effects of dilutive stock options based on the treasury stock method in the calculation of diluted earnings per share. Basic loss per share for 1997 was computed based on net earnings, less the dividend requirement for preferred stock to the date of redemption, and less the deemed preferred stock dividend resulting from the November 1997 GE Transaction representing the excess of the fair value of the consideration transferred to GE (approximately $2.8 billion) over the carrying value of the Lockheed Martin preferred stock redeemed ($1.0 billion). The weighted average number of common shares outstanding during the year was used in this calculation. The diluted loss per share for 1997 was computed in the same manner as basic loss per share, as adjustments related to the assumed conversion of the preferred stock (50.6 million common shares) and the related dividend requirement for the preferred stock to the date of redemption ($53 million), and the dilutive effect of stock options (5.8 million common shares), were not made since they would have had antidilutive effects.

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

(In millions, except per share data)	1999	1998	1997
Net earnings (loss) applicable to common stock:			
Earnings before cumulative effect of change in accounting	$ 737	$1,001	$ 1,300
Cumulative effect of change in accounting	(355)	--	--
Net earnings	382	1,001	1,300
Dividends on preferred stock	--	--	(53)
Deemed preferred stock dividend	--	--	(1,826)
Net earnings (loss) applicable to common stock for basic and diluted computations	$ 382	$1,001	$ (579)
Average common shares outstanding:			
Average number of common shares outstanding for basic computations	382.3	376.5	370.6
Dilutive stock options--based on the treasury stock method	1.8	4.6	--
Average number of common shares outstanding for diluted computations	384.1	381.1	370.6
Earnings (loss) per share:			
Basic:			
Before cumulative effect of change in accounting	$ 1.93	$ 2.66	$ (1.56)
Cumulative effect of change in accounting	(.93)	--	--
	$ 1.00	$ 2.66	$ (1.56)
Diluted:			
Before cumulative effect of change in accounting	$ 1.92	$ 2.63	$ (1.56)
Cumulative effect of change in accounting	(.93)	--	--
	$ .99	$ 2.63	$ (1.56)

Note 6--Receivables

(In millions)	1999	1998
U.S. Government:		
Amounts billed	$ 927	$ 987
Unbilled costs and accrued profits	2,300	2,440
Less customer advances and progress payments	(395)	(491)
Commercial and foreign governments:		
Amounts billed	644	635
Unbilled costs and accrued profits, primarily related to commercial contracts	963	638
Less customer advances and progress payments	(91)	(31)
	$4,348	$4,178

Approximately $385 million of the December 31, 1999 unbilled costs and accrued profits are not expected to be recovered within one year.

Note 7--Inventories

(In millions)	1999	1998
Work in process, commercial launch vehicles	$1,514	$1,326
Work in process, primarily related to other long-term contracts and programs in progress	3,879	4,872
Less customer advances and progress payments	(1,848)	(2,499)
	3,545	3,699
Other inventories	506	594
	$ 4,051	$ 4,293

Work in process inventories related to commercial launch vehicles included costs for launch vehicles, both under contract and not under contract, including unamortized deferred costs related to the commercial Atlas and the Evolved Expendable Launch Vehicle (Atlas V) programs. Work in process inventories related to other long-term contracts and programs included approximately $150 million of unamortized deferred costs at December 31, 1999 for aircraft not under contract related to the Corporation's C-130J program.

Included in 1999 and 1998 commercial launch vehicle inventories were amounts advanced to Russian manufacturers, Khrunichev State Research and Production Space Center and RD AMROSS, a joint venture between Pratt & Whitney and NPO Energomash, of approximately $903 million and $840 million, respectively, for the manufacture of launch vehicles and related launch services.

Approximately $1.5 billion of costs included in 1999 inventories, including approximately $652 million advanced to the Russian manufacturers, are not expected to be recovered within one year.

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

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

(In millions)	1999	1998	1997
Beginning of year	$ 693	$ 533	$ 460
Incurred during the year	2,354	2,469	2,245
Charged to cost of sales during the year:			
Research and development	(822)	(864)	(788)
Other general and administrative	(1,732)	(1,445)	(1,384)
End of year	$ 493	$ 693	$ 533

In addition, included in cost of sales in 1999, 1998 and 1997 were general and administrative costs, including research and development costs, of approximately $509 million, $490 million and $539 million, respectively, incurred by commercial business units or programs.

Note 8--Property, Plant and Equipment

(In millions)	1999	1998
Land	$ 218	$ 235
Buildings	3,027	2,979
Machinery and equipment	5,662	5,459
	8,907	8,673
Less accumulated depreciation and amortization	(5,273)	(5,160)
	$ 3,634	$ 3,513

Note 9--Investments in Equity Securities

(In millions)	1999	1998
Equity method investments:		
COMSAT Corporation	$ 1,188	$ --
ACeS International, Ltd.	163	162
Astrolink International, LLC	148	--
Americom Asia-Pacific, LLC	114	105
Space Imaging LLC	86	99
L-3 Communications Holdings, Inc.	--	77
Other	72	85
	1,771	528
Cost method investments:		
Loral Space & Communications Ltd.	393	393
Other	46	27
	439	420
	$ 2,210	$ 948

At December 31, 1999, the carrying value of the Corporation's 49 percent investment in COMSAT exceeded the Corporation's share of COMSAT's net assets by approximately $900 million, and this amount is being amortized ratably over 30 years. The Corporation also has commitments to provide funding to Astrolink International, LLC totaling approximately $270 million at December 31, 1999.

The estimated fair value of the Corporation's investment in Loral Space & Communications Ltd., which consists of 45.9 million shares of Loral Space Series A Preferred Stock, was $750 million at December 31, 1999.

Note 10--Debt

Type (Maturity Dates) (In millions, except interest rate data)	Range of Interest Rates	1999	1998
Notes (2000-2022)	5.7 - 9.4%	$ 6,778	$6,014
Debentures (2011-2036)	7.0 - 9.1%	4,407	3,160
Commercial paper	5.4 - 6.0%	--	300
ESOP obligations (2000-2004)	8.4%	217	256
Other obligations (2000-2016)	1.0 -12.7%	77	113
		11,479	9,843
Less current maturities		(52)	(886)
		$11,427	$8,957

During the fourth quarter of 1999, the Corporation issued $3.0 billion of long-term fixed rate debt securities, the entire amount registered under its previously filed shelf registration statement. These Notes and Debentures range in maturity from six years to 30 years, with interest rates ranging from 7.95% to 8.5%.

As of December 31, 1999, the Corporation had $1.3 billion of notes outstanding which had been issued to a wholly-owned subsidiary of GE in connection with the GE Transaction. The notes are due November 17, 2002 and bear interest at a rate of approximately 6%. The agreements relating to these notes require that, so long as the aggregate principal amount of the notes exceeds $1.0 billion, the Corporation will recommend to its stockholders the election of one person designated by GE to serve as a director of the Corporation.

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

Included in Debentures are $112 million of 7% obligations ($175 million at face value) which were originally sold at approximately 54 percent of their principal amount.

These Debentures, which are redeemable in whole or in part at the Corporation's option at 100 percent of their face value, have an effective yield of 13.25%.

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

At the end of 1999, the Corporation had a long-term revolving credit facility, which matures on December 20, 2001, in the amount of $3.5 billion, and a short-term revolving credit facility, which matures on May 26, 2000, in the amount of $1.0 billion (collectively, the Credit Facilities). Borrowings under the Credit Facilities would be unsecured and bear interest, at the Corporation's option, at rates based on the Eurodollar rate or a bank Base Rate (as defined). Each bank's obligation to make loans under the Credit Facilities is subject to, among other things, compliance by the Corporation with various representations, warranties, covenants and agreements, including, but not limited to, covenants limiting the ability of the Corporation and certain of its subsidiaries to encumber their assets and a covenant not to exceed a maximum leverage ratio. There were no borrowings outstanding under the Credit Facilities at December 31, 1999.

The Credit Facilities support commercial paper borrowings of approximately $475 million and $1.3 billion outstanding at December 31, 1999 and 1998, respectively, of which $300 million was classified as long-term debt in the Corporation's Consolidated Balance Sheet at December 31, 1998 based on management's ability and intention to maintain that amount of debt outstanding for at least one year. The weighted average interest rates for commercial paper outstanding at December 31, 1999 and 1998 were 6.6% and 5.8%, respectively.

The Corporation's long-term debt maturities for the five years following December 31, 1999 are: $52 million in 2000; $816 million in 2001; $1,336 million in 2002; $858 million in 2003; $828 million in 2004; and $7,589 million thereafter.

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

The estimated fair values of the Corporation's long-term debt instruments at December 31, 1999, aggregated approximately $10.9 billion, compared with a carrying amount of approximately $11.5 billion. The fair values were estimated based on quoted market prices for those instruments publicly traded. For privately placed debt, the fair values were estimated based on the quoted market prices for similar issues, or on current rates offered to the Corporation for debt with similar remaining maturities. Unless otherwise indicated elsewhere in the Notes to Consolidated Financial Statements, the carrying values of the Corporation's other financial instruments approximate their fair values.

Interest payments were $790 million in 1999, $856 million in 1998 and $815 million in 1997.

Note 11--Income Taxes

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

(In millions)	1999	1998	1997
Federal income taxes:			
Current	$136	$432	$448
Deferred	293	203	155
Total federal income taxes	429	635	603
Foreign income taxes	34	25	34
Total income taxes provided	$463	$660	$637

Net provisions for state income taxes are included in general and administrative expenses, which are primarily allocable to government contracts. Such state income taxes were $22 million for 1999, $70 million for 1998 and $62 million for 1997.

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

	1999	1998	1997
Statutory federal tax rate	35.0%	35.0%	35.0%
Increase (reduction) in tax rate from:			
Nondeductible amortization	7.6	5.5	4.9
Revisions to prior years' estimated liabilities	(6.0)	(2.4)	(5.7)
Divestitures	--	1.1	(2.4)
Other, net	2.0	.5	1.1
	38.6%	39.7%	32.9%

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

(In millions)	1999	1998
Deferred tax assets related to:		
Accumulated post-retirement benefit obligations	$ 632	$ 666
Contract accounting methods	587	635
Accrued compensation and benefits	248	181
Other	165	240
	1,632	1,722
Deferred tax liabilities related to:		
Intangible assets	436	444
Prepaid pension asset	383	338
Property, plant and equipment	93	147
	912	929
Net deferred tax assets	$ 720	$ 793

At December 31, 1999 and 1998, other liabilities included net long-term deferred tax liabilities of $517 million and $316 million, respectively.

Federal and foreign income tax payments, net of refunds received, were $530 million in 1999, $228 million in 1998 and $986 million in 1997.

Note 12--Other Income and Expenses, Net

(In millions)	1999	1998	1997
Equity in earnings of equity investees	$ 18	$ 39	$ 48
Interest income	33	38	40
Sales of surplus real estate	57	35	19
Royalty income	17	19	52
Sale of remaining interest in L-3	155	--	--
Sale of Airport Group International	33	--	--
Real 3D disposition	33	--	--
GE Transaction	--	--	311
Other portfolio shaping activities	(9)	18	69
Other	7	21	(57)
	$ 344	$ 170	$ 482

Note 13--Stockholders' Equity and Related Items

Capital structure--At December 31, 1999, the authorized capital of the Corporation was composed of 1.5 billion shares of common stock (approximately 398 million shares issued), 50 million shares of series preferred stock (no shares issued), and 20 million shares of Series A preferred stock (no shares outstanding).

In 1995, the Corporation's Board of Directors authorized a common stock repurchase plan for the repurchase of up to 18 million common shares to counter the dilutive effect of common stock issued under certain of the Corporation's benefit and compensation programs and for other purposes related to such plans. No shares were repurchased in 1999, 1998 or 1997 under this plan.

Stock option and award plans--In March 1995, the stockholders approved the Lockheed Martin 1995 Omnibus Performance Award Plan (the Omnibus Plan). Under the Omnibus Plan, employees of the Corporation may be granted stock-based incentive awards, including options to purchase common stock, stock appreciation rights, restricted stock or other stock-based incentive awards. Employees may also be granted cash-based incentive awards, such as performance units. These awards may be granted either individually or in combination with other awards. The Omnibus Plan requires that options to purchase common stock have an exercise price of not less than 100 percent of the market value of the underlying stock on the date of grant. The number of shares of Lockheed Martin common stock reserved for issuance under the Omnibus Plan at December 31, 1999 was 38 million shares. The Omnibus Plan does not impose any minimum vesting periods on options or other awards. The maximum term of an option or any other award is 10 years. The Omnibus Plan allows the Corporation to provide for financing of purchases of its common stock, subject to certain conditions, by interest-bearing notes payable to the Corporation.

In December 1999, 175,000 shares of restricted common stock were awarded under the Omnibus Plan to certain senior executives of the Corporation. The shares were recorded based on the market value of the Corporation's common stock on the date of the award. The award requires the recipients to pay the $1 par value of each share of stock and provides for payment to be made in cash or in the form of a recourse note to the Corporation. Recipients are entitled to cash dividends and to vote their respective shares, but are prohibited from selling or transferring shares prior to vesting. One-third of the restricted shares will vest in two years from the date of grant, with the remainder vesting four years from the grant date. The impact of these awards was not material to stockholders' equity or compensation expense in 1999.

The following table summarizes employee stock option and restricted stock activity related to the Corporation's plans during 1997, 1998 and 1999:

	Number of Shares (In thousands)		Weighted Average Exercise Price
	Available for Grant	Options Outstanding	
December 31, 1996	14,646	19,316	$ 25.33
Granted	(5,796)	5,796	45.60
Exercised	--	(3,519)	20.86
Terminated	654	(716)	40.84
December 31, 1997	9,504	20,877	31.18
Additions	17,000	--	--
Granted	(5,090)	5,090	52.06
Exercised	--	(2,697)	24.70
Terminated	220	(223)	49.03
December 31, 1998	21,634	23,047	36.38
Granted	(5,444)	5,444	37.01
Exercised	--	(656)	19.76
Terminated	565	(567)	42.51
	16,755	27,268	36.78
Restricted stock awards	(175)	--	--
December 31, 1999	16,580	27,268	$36.78

Approximately 19.7 million, 15.5 million and 13.0 million outstanding options were exercisable by employees at December 31, 1999, 1998 and 1997, respectively.

Information regarding options outstanding at December 31, 1999 follows (number of options in thousands):

Range of Exercise Prices	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Options Outstanding:			
Less than $20.00	3,328	$15.82	2.7
$20.00-$29.99	4,922	26.33	4.9
$30.00-$39.99	9,220	37.19	8.3
$40.00-$50.00	4,980	45.53	7.0
Greater than $50.00	4,818	52.09	9.0
	27,268	$36.78	6.9
Options Exercisable:			
Less than $20.00	3,328	$15.82	
$20.00-$29.99	4,922	26.33	
$30.00-$39.99	4,006	37.42	
$40.00-$50.00	4,975	45.53	
Greater than $50.00	2,454	52.11	
	19,685	$34.87	

All stock options granted in 1999, 1998 and 1997 under the Omnibus Plan have 10 year terms and vest over a two year service period. Exercise prices of options awarded in those years were equal to the market price of the stock on the date of grant. Pro forma information regarding net earnings and earnings per share as required by SFAS No. 123 has been prepared as if the Corporation had accounted for its employee stock options under the fair value method. The fair value for these options was estimated at the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions for 1999, 1998 and 1997, respectively: risk-free interest rates of 4.64 percent, 5.39 percent and 6.36 percent; dividend yields of 2.4 percent, 1.9 percent and 1.5 percent; volatility factors related to the expected market price of the Corporation's common stock of .247, .174 and .163; and a weighted average expected option life of five years. The weighted average fair values of options granted during 1999, 1998 and 1997 were $8.53, $10.96 and $10.94, respectively.

For purposes of pro forma disclosures, the options' estimated fair values are amortized to expense over the options' vesting periods. The Corporation's pro forma information follows:

(In millions, except per share data)	1999	1998	1997
Pro forma net earnings	$ 351	$ 965	$1,267
Pro forma earnings (loss) per share:			
Basic	$ .92	$2.56	$(1.65)
Diluted	$ .91	$2.53	$(1.65)

Note 14--Post-Retirement Benefit Plans

Defined contribution plans--The Corporation maintains a number of defined contribution plans which cover substantially all employees, the most significant of which are the 401(k) plans for salaried employees and hourly employees. Under the provisions of these 401(k) plans, employees' eligible contributions are matched by the Corporation at established rates. The Corporation's matching obligations were $222 million in 1999, $226 million in 1998 and $212 million in 1997.

The Lockheed Martin Corporation Salaried Savings Plan includes an ESOP which purchased 34.8 million shares of the Corporation's common stock with the proceeds from a $500 million note issue which is guaranteed by the Corporation. The Corporation's match consisted of shares of its common stock, which was partially fulfilled with stock released from the ESOP at approximately 2.4 million shares per year based upon the debt repayment schedule through the year 2004, with the remainder being fulfilled through purchases of common stock from terminating participants or in the open market, or through newly issued shares from the Corporation. Interest incurred on the ESOP debt totaled $20 million, $23 million and $26 million in 1999, 1998 and 1997, respectively. Dividends received by the ESOP with respect to unallocated shares held are used for debt service. The ESOP held approximately 42.6 million issued shares of the Corporation's common stock at December 31, 1999, of which approximately 32.2 million were allocated and 10.4 million were unallocated. Unallocated common shares held by the ESOP are considered outstanding for voting and other Corporate purposes, but excluded from weighted average outstanding shares in calculating earnings per share. For 1999, 1998 and 1997, the weighted average unallocated ESOP shares excluded in calculating earnings per share totaled approximately 11.3 million, 13.6 million and 15.8 million common shares, respectively. The fair value of the unallocated ESOP shares at December 31, 1999 was approximately $228 million.

Certain plans for hourly employees include non-leveraged ESOPs. The Corporation's match to these plans was made through cash contributions to the ESOP trusts which were used, in part, to purchase common stock from terminating participants and in the open market for allocation to participant accounts. These ESOP trusts held approximately 3.7 million issued and outstanding shares of common stock at December 31, 1999.

Dividends paid to the salaried and hourly ESOP trusts on the allocated shares are paid annually by the ESOP trusts to the participants based upon the number of shares allocated to each participant.

Defined benefit pension plans, and retiree medical and life insurance plans--Most employees are covered by defined benefit pension plans, and certain health care and life insurance benefits are provided to eligible retirees by the Corporation. The Corporation has made contributions to trusts (including Voluntary Employees' Beneficiary Association trusts and 401(h) accounts, the assets of which will be used to pay expenses of certain retiree medical plans) established to pay future benefits to eligible retirees and dependents. Benefit obligations as of the end of each year reflect assumptions in effect as of those dates. Net pension and net retiree medical costs for 1999 and 1998 were based on assumptions in effect at the end of the respective preceding years. Effective October 1997, the Corporation changed its expected long-term rate of return on assets related to its defined benefit pension and retiree medical plans.

The following provides a reconciliation of benefit obligations, plan assets and funded status of the plans:

	Defined Benefit Pension Plans		Retiree Medical and Life Insurance Plans	
(In millions)	1999	1998	1999	1998
Change in Benefit Obligations				
Benefit obligations at beginning of year	$ 18,146	$ 16,326	$ 2,685	$ 2,526
Service cost	564	491	43	40
Interest cost	1,245	1,197	177	178
Benefits paid	(1,110)	(1,117)	(208)	(210)
Amendments	77	259	3	(72)
Divestitures	--	(9)	--	(11)
Actuarial (gains) losses	(852)	995	(23)	205
Participants' contributions	3	4	29	29
Benefit obligations at end of year	$ 18,073	$ 18,146	$ 2,706	$ 2,685
Change in Plan Assets				
Fair value of plan assets at beginning of year	$ 22,811	$ 20,642	$ 1,002	$ 895
Actual return on plan assets	3,211	3,140	116	86
Corporation's contributions	149	152	118	120
Benefits paid	(1,110)	(1,117)	(124)	(128)
Participants' contributions	3	4	29	29
Divestitures	--	(10)	--	--
Fair value of plan assets at end of year	$ 25,064	$ 22,811	$ 1,141	$ 1,002
Funded (unfunded) status of the plans	$ 6,991	$ 4,665	$ (1,565)	$ (1,683)
Unrecognized net actuarial gain	(6,240)	(4,142)	(191)	(156)
Unrecognized prior service cost	659	651	(49)	(64)
Unrecognized transition asset	(13)	(17)	--	--
Prepaid (accrued) benefit cost	$ 1,397	$ 1,157	$ (1,805)	$ (1,903)

The net pension cost and the net post-retirement benefit cost related to the Corporation's plans include the following components:

(In millions)	1999	1998	1997
Defined Benefit Pension Plans			
Service cost	$ 564	$ 491	$ 444
Interest cost	1,245	1,197	1,163
Expected return on plan assets	(1,920)	(1,715)	(1,542)
Amortization of prior service cost	69	58	54
Recognized net actuarial (gains) losses	(43)	(22)	--
Amortization of transition asset	(4)	(89)	(90)
Net pension (income) cost	$ (89)	$ (80)	$ 29
Retiree Medical and Life Insurance Plans			
Service cost	$ 43	$ 40	$ 39
Interest cost	177	178	191
Expected return on plan assets	(90)	(79)	(64)
Amortization of prior service cost	(12)	(6)	(6)
Recognized net actuarial gains	(8)	(15)	(9)
Net post-retirement cost	$ 110	$ 118	$ 151

The following actuarial assumptions were used to determine the benefit obligations and the net costs related to the Corporation's defined benefit pension and post-retirement benefit plans, as appropriate:

	1999	1998	1997
Discount rates	7.75%	7.0%	7.5%
Expected long-term rates of return on assets	9.5	9.5	9.5
Rates of increase in future compensation levels	5.5	5.5	6.0

The medical trend rates used in measuring the post-retirement benefit obligation were 6.0 percent in 1999 and 6.7 percent in 1998, and were assumed to gradually decrease to 4.5 percent by the year 2004. An increase or decrease of one percentage point in the assumed medical trend rates would result in a change in the benefit obligation of approximately 4.6 percent and (3.6) percent, respectively, at December 31, 1999, and a change in the 1999 post-retirement service cost plus interest cost of approximately 7.2 percent and (5.8) percent, respectively. The medical trend rate for 2000 is 7.8 percent.

Note 15--Leases

Total rental expense under operating leases, net of immaterial amounts of sublease rentals and contingent rentals, was $287 million, $285 million and $295 million for 1999, 1998 and 1997, respectively.

Future minimum lease commitments at December 31, 1999 for all operating leases that have a remaining term of more than one year were approximately $1,013 million ($247 million in 2000, $200 million in 2001, $156 million in 2002, $112 million in 2003, $89 million in 2004, and $209 million in later years). Certain major plant facilities and equipment are furnished by the U.S. Government under short-term or cancelable arrangements.

Note 16--Commitments and Contingencies

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

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

The Corporation entered into a consent decree with the U.S. Environmental Protection Agency (EPA) in 1991 relating to certain property in Burbank, California, which obligated the Corporation to design and construct facilities to monitor, extract and treat groundwater, and to operate and maintain such facilities for approximately eight years. The Corporation entered into a follow-on consent decree in 1998 which obligates the Corporation to fund the continued operation and maintenance of these facilities through the year 2018; however, the responsibility for the actual operations of these facilities will be assumed by the city of Burbank late in 2000. The Corporation has also been operating under a cleanup and abatement order from the Regional Board affecting its facilities and former facilities in Burbank, California. This order requires site assessment and action to abate groundwater contamination by a combination of groundwater and soil cleanup and treatment. Also as a result of its former operations at the Burbank facilities, the Corporation is participating as one of several parties under administrative orders from the EPA to design, build and operate a groundwater treatment system in Glendale, California as part of the San Fernando Superfund site that includes Burbank. The city of Glendale is expected to assume responsibility for the actual operations of the Glendale treatment plant. The Corporation estimates that total expenditures required over the remaining terms of the consent decrees and the Regional Board order related to the Burbank property, and the administrative orders related to the city of Glendale, will be approximately $100 million. Under an agreement reached with the U.S. Government and filed with the U.S. District Court in January 2000, an amount equal to approximately 50 percent of these future expenditures will be reimbursed by the U.S. Government as a responsible party under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA).

The Corporation is involved in other proceedings and potential proceedings relating to environmental matters, including disposal of hazardous wastes and soil and water contamination. The extent of the Corporation's financial exposure cannot in all cases be reasonably estimated at this time. In addition to the amounts with respect to the Redlands and Burbank properties and the city of Glendale described above, a liability of approximately $200 million for the other cases in which an estimate of financial exposure can be determined has been recorded.

Under an agreement with the U.S. Government in 1990, the Burbank groundwater treatment and soil remediation expenditures referenced above are being allocated to the Corporation's operations as general and administrative costs and, under existing government regulations, these and other environmental expenditures related to U.S. Government business, after deducting any recoveries from insurance or other potentially responsible parties, are allowable in establishing the prices of the Corporation's products and services. As a result, a substantial portion of the expenditures are being reflected in the Corporation's sales and cost of sales pursuant to U.S. Government agreement or regulation. Although the Defense Contract Audit Agency has questioned certain elements of the Corporation's practices with respect to the aforementioned agreement, it is management's opinion that the treatment of these environmental costs is appropriate and consistent with the terms of such agreement. On October 4, 1999, the Corporation requested the issuance of a final decision regarding the propriety of the Corporation's U.S. Government accounting practices for the treatment of environmental costs. A final decision is expected to be issued by March 31, 2000. The Corporation has recorded an asset for the portion of environmental costs that are probable of future recovery in pricing of the Corporation's products and services for U.S. Government business. The portion that is expected to be allocated to commercial business has been reflected in cost of sales. The recorded amounts do not reflect the possible future recovery of portions of the environmental costs through insurance policy coverage or from other potentially responsible parties, which the Corporation is pursuing as required by agreement and U.S. Government regulation. Any such recoveries, when received, would reduce the allocated amounts to be included in the Corporation's U.S. Government sales and cost of sales.

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

On June 1, 1998, the DOE, through Lockheed Martin Idaho Technologies Company (LMITCO), its management contractor, terminated the Pit 9 contract for default. On that same date, the Corporation filed a lawsuit against the DOE in the U.S. Court of Federal Claims in Washington, D.C., challenging and seeking to overturn the default termination. In addition, on July 21, 1998, the Corporation withdrew the REA previously submitted to the DOE and replaced it with a certified REA. The certified REA is similar in substance to the REA previously submitted, but its certification, based upon more detailed factual and contractual analysis, raises its status to that of a formal claim. On August 11, 1998, LMITCO, at the DOE's direction, filed suit against the Corporation in U.S. District Court in Boise, Idaho, seeking, among other things, recovery of approximately $54 million previously paid by LMITCO to the Corporation under the Pit 9 contract. The Corporation is defending this action while continuing to pursue its certified REA. Discovery has been ongoing since August 2, 1999. On October 1, 1999, the U.S. Court of Federal Claims stayed the DOE's motion to dismiss the Corporation's lawsuit, finding that the Court has jurisdiction. The Court ordered discovery to commence and gave leave to the DOE to convert its motion to dismiss to a motion for summary judgment if supported by discovery. The Corporation continues to assert its position in the litigation while continuing its efforts to resolve the dispute through non-litigation means.

Letters of credit and other matters--The Corporation has entered into standby letter of credit agreements and other arrangements with financial institutions primarily relating to the guarantee of future performance on certain contracts. At December 31, 1999, the Corporation had contingent liabilities on outstanding letters of credit, guarantees, and other arrangements aggregating approximately $1.1 billion.

Note 17--Information on Industry Segments and Major Customers

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

Transactions between segments are generally negotiated and accounted for under terms and conditions that are similar to other government and commercial contracts; however, these intercompany transactions are eliminated in consolidation. Other accounting policies of the business segments are the same as those described in "Note 1--Summary of Significant Accounting Policies."

Systems Integration--Engaged in the design, development, integration and production of high performance electronic systems for undersea, shipboard, land, and airborne applications. Major product lines include missiles and fire control systems; air and theater missile defense systems; surface ship and submarine combat systems; anti-submarine and undersea warfare systems; avionics and ground combat vehicle integration; platform integration systems; command, control, communications, computers and intelligence (C4I) systems for naval, airborne and ground applications; surveillance and reconnaissance systems; air traffic control systems; and postal automation systems.

Space Systems--Engaged in the design, development, engineering and production of civil, commercial and military space systems. Major product lines include spacecraft, space launch vehicles, manned space systems and their supporting ground systems and services; and strategic fleet ballistic missiles. In addition to its consolidated business units, the segment has investments in joint ventures that are principally engaged in businesses which complement and enhance other activities of the segment.

Aeronautical Systems--Engaged in design, research and development, and production of tactical aircraft, surveillance/ command systems, reconnaissance systems, platform systems integration and advanced development programs. Major programs include the F-22 air-superiority fighter, the Joint Strike Fighter, the F-16 multi-role fighter, the C-130J airlift aircraft, the X-33 reusable launch vehicle technology demonstrator, and Airborne Early Warning & Control systems programs.

Technology Services--Provides a wide array of management, engineering, scientific, logistic and information services to federal agencies and other customers. Major product lines include engineering, science and information services for NASA; aircraft maintenance and modification services; operation, maintenance, training, and logistics support for military and civilian systems; launch, mission, and analysis services for military, classified and commercial satellites; research, development, engineering and science in support of nuclear weapons stewardship and naval reactor programs.

Corporate and Other--Includes commercial information technology and state and local government services lines of business. Also includes Global Telecommunications, a wholly-owned subsidiary of the Corporation, which was formed effective January 1, 1999 from the combination of investments in several existing joint ventures and certain other elements of the Corporation. Such investments were transferred from the Systems Integration and Space Systems segments. The prior period amounts related to these joint ventures and elements transferred were not material to the respective segments, and therefore, segment information in prior periods was not restated to conform with the 1999 presentation. In addition, this segment includes the Corporation's investment in COMSAT and certain other joint ventures and businesses.

Selected Financial Data by Business Segment

(In millions)	1999	1998	1997
Net sales			
Systems Integration	$10,954	$10,895	$10,853
Space Systems	5,825	7,039	7,931
Aeronautical Systems	5,499	5,459	5,319
Technology Services	2,261	1,935	1,989
Corporate and Other	991	938	1,977
	$25,530	$26,266	$28,069
Operating profit (loss)			
Systems Integration	$ 967	$ 949	$ 843
Space Systems	474	954	1,090
Aeronautical Systems	247	649	561
Technology Services	137	135	187
Corporate and Other	184	(165)	98
	$ 2,009	$ 2,522	$ 2,779
Intersegment revenue			
Systems Integration	$ 636	$ 692	$ 548
Space Systems	101	44	35
Aeronautical Systems	88	60	73
Technology Services	641	507	445
Corporate and Other	67	46	96
	$ 1,533	$ 1,349	$ 1,197
Depreciation and amortization			
Systems Integration	$ 242	$ 269	$ 282
Space Systems	146	160	177
Aeronautical Systems	82	74	81
Technology Services	14	12	16
Corporate and Other	45	54	50
	$ 529	$ 569	$ 606

(In millions)	1999	1998	1997
Amortization of intangible assets			

	1999	1998	1997
Systems Integration	$ 304	$ 304	$ 308
Space Systems	29	29	29
Aeronautical Systems	80	80	80
Technology Services	18	18	17
Corporate and Other	9	5	12
	$ 440	$ 436	$ 446
Nonrecurring and unusual items--profit (loss)			
Systems Integration	$ 13	$ 4	$ (65)
Space Systems	21	--	(60)
Aeronautical Systems	--	--	(31)
Technology Services	--	--	(12)
Corporate and Other	215	(166)	110
	$ 249	$ (162)	$ (58)
Expenditures for property, plant and equipment			
Systems Integration	$ 237	$ 220	$ 256
Space Systems	113	271	293
Aeronautical Systems	123	100	72
Technology Services	24	25	43
Corporate and Other	172	81	86
	$ 669	$ 697	$ 750
Investments in equity method investees			
Systems Integration	$ 26	$ 19	$ 4
Space Systems	101	115	121
Aeronautical Systems	5	--	--
Technology Services	19	20	29
Corporate and Other	1,620	374	63
	$ 1,771	$ 528	$ 217
Assets/(a)/			
Systems Integration	$13,252	$13,435	$13,968
Space Systems	5,017	5,228	4,599
Aeronautical Systems	3,206	3,593	3,507
Technology Services	1,484	1,421	1,284
Corporate and Other	7,053	5,067	5,003
	$30,012	$28,744	$28,361

(a) The Corporation has no significant long-lived assets located in foreign countries.

Net Sales by Customer Category

(In millions)	1999	1998	1997
U.S. Government			
Systems Integration	$ 8,349	$ 8,295	$ 8,228
Space Systems	4,722	5,589	6,100
Aeronautical Systems	2,979	2,706	2,541
Technology Services	2,033	1,718	1,518
Corporate and Other	15	--	9
	$18,098	$18,308	$18,396

(In millions)	1999	1998	1997
Foreign governments/(a)/(b)/			
Systems Integration	$ 2,167	$ 2,157	$ 1,930
Space Systems	146	37	94
Aeronautical Systems	2,501	2,721	2,737
Technology Services	106	97	100
Corporate and Other	--	1	--
	$ 4,920	$ 5,013	$ 4,861
Commercial/(b)/			
Systems Integration	$ 438	$ 443	$ 695
Space Systems	957	1,413	1,737
Aeronautical Systems	19	32	41
Technology Services	122	120	371
Corporate and Other	976	937	1,968
	$ 2,512	$ 2,945	$ 4,812

(a) Sales made to foreign governments through the U.S. Government are included in the foreign governments category above.

(b) Export sales, included in the foreign governments and commercial categories above, were approximately $5.7 billion, $6.1 billion and $5.9 billion in 1999, 1998 and 1997, respectively.

Note 18--Summary of Quarterly Information (Unaudited)

(In millions, except per share data)	1999 Quarters First/(a)/	Second/(b)/	Third/(c)/	Fourth/(d)/
Net sales	$6,188	$6,203	$6,157	$6,982
Earnings from operations	487	131	488	559
Earnings (loss) before cumulative effect of change in accounting	268	(41)	217	293
Net (loss) earnings	(87)	(41)	217	293
Diluted earnings (loss) per share before cumulative effect of change in accounting	.70	(.11)	.57	.76
Diluted (loss) earnings per share	(.23)	(.11)	.57	.76

(In millions, except per share data)	1998 Quarters First	Second/(e)/	Third/(f)/	Fourth/(g)/
Net sales	$6,217	$6,520	$6,349	$7,180
Earnings from operations	618	638	696	400
Net earnings	269	289	318	125
Diluted earnings per share	.71	.76	.83	.33

(a) Net loss for the first quarter of 1999 includes a nonrecurring and unusual gain from the Corporation's sale of 4.5 million of its shares of L-3 as part of a secondary public offering by L-3. The gain favorably impacted the net loss by $74 million, or $.19 per diluted share. Net loss also includes the effect of the Corporation's adoption of SOP No. 98-5 pertaining to the costs of start-up activities which resulted in the recognition of a cumulative effect adjustment that negatively impacted the net loss by $355 million, or $.93 per diluted share.

(b) Net loss for the second quarter of 1999 includes the effects of negative adjustments related to changes in estimate on the C-130J airlift aircraft program due to cost growth and a reduction in production rates, based on a current evaluation of the program's performance. These adjustments, net of state income tax benefits, negatively impacted (loss) earnings before income taxes and cumulative effect of change in accounting by $197 million, and increased the net loss by $128 million, or $.33 per diluted share. Net loss for the second quarter also includes the effects of negative adjustments related to changes in estimate on the Titan IV program due to reduced award and incentive fees resulting from the Titan IV launch failure on April 30, 1999 as well as a more conservative assessment of future program performance. These adjustments, net of state income tax benefits, negatively impacted (loss) earnings before income taxes and cumulative effect of change in accounting by $84 million, and increased the net loss by $54 million, or $.14 per diluted share. Also, net earnings for the second quarter of 1999 include a nonrecurring and unusual item related to portfolio shaping activities which increased the net loss by $12 million, or $.03 per diluted share.

(c) Net earnings for the third quarter of 1999 include nonrecurring and unusual items related to gains from the sale of surplus real estate and a net gain associated with sales of various non-core businesses and investments and other portfolio shaping items. On a combined basis, these nonrecurring and unusual items increased net earnings by $34 million, or $.09 per diluted share.

(d) Net earnings for the fourth quarter of 1999 include a nonrecurring and unusual gain from the Corporation's sale of its remaining interest in L-3, which increased net earnings by $27 million, or $.07 per diluted share. Net earnings for the fourth quarter of 1999 also include nonrecurring and unusual gains related to the Corporation's sale of surplus real estate, and a net gain associated with sales of various non-core businesses and investments and other portfolio shaping items. On a combined basis, these items increased net earnings by $39 million, or $.10 per diluted share.

(e) Net earnings for the second quarter of 1998 include a nonrecurring and unusual gain related to the initial public offering of L-3's stock. This gain increased net earnings by $12 million, or $.03 per diluted share.

(f) Net earnings for the third quarter of 1998 include an adjustment resulting from significant improvement in the Atlas launch vehicle program based upon a current evaluation of the program's historical performance. This change in estimate, net of state income taxes, increased pretax earnings by $120 million and increased net earnings by $78 million, or $.21 per diluted share. Net earnings for the third quarter of 1998 include a nonrecurring and unusual gain related to the Corporation's portfolio shaping actions which increased net earnings by $12 million, or $.03 per diluted share.

(g) Net earnings for the fourth quarter of 1998 include an adjustment resulting from the impact of the restructure of a commercial satellite program which increased net earnings by approximately $32 million, or $.08 per diluted share. Net earnings for the fourth quarter of 1998 include the effects of a nonrecurring and unusual after-tax charge of $183 million, or $.48 per diluted share, related to CalComp, a majority-owned subsidiary of the Corporation (see Note 4), and a nonrecurring and unusual gain related to the Corporation's sale of surplus real estate which increased net income by $23 million, or $.06 per diluted share.

CONSOLIDATED FINANCIAL DATA--TEN YEAR SUMMARY/(a)/

(In millions, except per share data)	1999/(b)/	1998/(c)/	1997/(d)/
Operating Results			
Net sales	$ 25,530	$ 26,266	$ 28,069
Costs and expenses	23,865	23,914	25,772
Earnings from operations	1,665	2,352	2,297
Other income and expenses, net	344	170	482
	2,009	2,522	2,779
Interest expense	809	861	842
Earnings before income taxes and cumulative effect of changes in accounting	1,200	1,661	1,937
Income tax expense	463	660	637
Earnings before cumulative effect of changes in accounting	737	1,001	1,300
Cumulative effect of changes in accounting	(355)	--	--
Net earnings (loss)	$ 382	$ 1,001	$ 1,300
Earnings (Loss) Per Common Share			
Basic:			
Before cumulative effect of changes in accounting	$ 1.93	$ 2.66	$ (1.56)
Cumulative effect of changes in accounting	(.93)	--	--
	$ 1.00	$ 2.66	$ (1.56)
Diluted:			
Before cumulative effect of changes in accounting	$ 1.92	$ 2.63	$ (1.56)
Cumulative effect of changes in accounting	(.93)	--	--
	$ .99	$ 2.63	$ (1.56)
Cash dividends	$ .88	$ .82	$ .80
Condensed Balance Sheet Data			
Current assets	$ 10,696	$ 10,611	$ 10,105
Property, plant and equipment	3,634	3,513	3,669
Intangible assets related to contracts and programs acquired	1,259	1,418	1,566
Cost in excess of net assets acquired	9,162	9,521	9,856
Other assets	5,261	3,681	3,165
Total	$ 30,012	$ 28,744	$ 28,361
Short-term borrowings	$ 475	$ 1,043	$ 494
Current maturities of long-term debt	52	886	876
Other current liabilities	8,285	8,338	7,819
Long-term debt	11,427	8,957	10,528
Post-retirement benefit liabilities	1,805	1,903	1,993
Other liabilities	1,607	1,480	1,475
Stockholders' equity	6,361	6,137	5,176
Total	$ 30,012	$ 28,744	$ 28,361
Common Shares Outstanding at Year End	397.8	393.3	388.8

Notes to Ten Year Summary

(a) The Corporation was formed in 1995 from the combination of Lockheed Corporation and Martin Marietta Corporation. All financial information prior to 1995 was derived from the financial statements of those companies under the pooling of interests method of accounting.

(b) Includes the effects of nonrecurring and unusual items which, on a combined basis, increased pretax earnings by $249 million, $162 million after tax, or $.42 per diluted share. Also includes a cumulative effect adjustment relating to the adoption of SOP No. 98-5 regarding costs for start-up activities which resulted in a nonrecurring and unusual charge that reduced net earnings by $355 million, or $.93 per diluted share.

(c) Includes the effects of nonrecurring and unusual items which, on a combined basis, decreased pretax earnings by $162 million, $136 million after tax, or $.36 per diluted share.

(d) Includes the effects of a nonrecurring and unusual tax-free gain of $311 million and the aggregate effects of other nonrecurring and unusual items which decreased pretax earnings by $369 million, $245 million after tax. On a combined basis, these items decreased diluted loss per share by $.15. Loss per share also includes the effects of the deemed preferred stock dividend resulting from the GE Transaction which reduced the basic and diluted per share amounts by $4.93.

1996/(e)/	1995/(f)/	1994/(g)/	1993/(h)/	1992/(i)/	1991	1990
$ 26,875	$ 22,853	$ 22,906	$ 22,397	$ 16,030	$ 15,871	$ 16,089
24,594	21,571	21,127	20,857	14,891	14,767	15,178
2,281	1,282	1,779	1,540	1,139	1,104	911
452	95	200	44	42	(49)	34
2,733	1,377	1,979	1,584	1,181	1,055	945
700	288	304	278	177	176	180
2,033	1,089	1,675	1,306	1,004	879	765
686	407	620	477	355	261	161
1,347	682	1,055	829	649	618	604
--	--	(37)	--	(1,010)	--	--
$ 1,347	$ 682	$ 1,018	$ 829	$ (361)	$ 618	$ 604
$ 3.40	$ 1.64	$ 2.66	$ 2.00	$ 1.66	$ 1.53	$ 1.48
--	--	(.10)	--	(2.58)	--	--
$ 3.40	$ 1.64	$ 2.56	$ 2.00	$ (.92)	$ 1.53	$ 1.48
$ 3.04	$ 1.54	$ 2.43	$ 1.88	$ 1.65	$ 1.52	$ 1.48
--	--	(.09)	--	(2.57)	--	--
$ 3.04	$ 1.54	$ 2.34	$ 1.88	$ (.92)	$ 1.52	$ 1.48
$ .80	$ .67	$ .57	$ .55	$ .52	$ .49	$ .45
$ 10,346	$ 8,208	$ 8,143	$ 6,961	$ 5,157	$ 5,553	$ 5,442
3,721	3,134	3,455	3,643	3,139	3,155	3,200
1,767	1,553	1,696	1,832	42	52	59
10,394	2,794	2,831	2,697	841	864	882
3,312	1,869	1,854	1,949	1,648	895	883
$ 29,540	$ 17,558	$ 17,979	$ 17,082	$ 10,827	$ 10,519	$ 10,466
$ 1,110	$ --	$ --	$ --	$ --	$ --	$ --
180	722	285	346	327	298	30
7,382	4,462	5,177	4,690	3,176	3,833	4,235
10,188	3,010	3,594	4,026	1,803	1,997	2,392
2,077	1,795	1,859	1,848	1,579	54	--
1,747	1,136	978	971	460	112	38
6,856	6,433	6,086	5,201	3,482	4,225	3,771
$ 29,540	$ 17,558	$ 17,979	$ 17,082	$ 10,827	$ 10,519	$ 10,466
385.5	397.2	398.3	395.8	388.1	402.7	401.4

(e) Reflects the business combination with Loral Corporation effective April 1996. Includes the effects of a nonrecurring and unusual pretax gain of $365 million, $351 million after tax, and nonrecurring and unusual pretax charges of $307 million, $209 million after tax which, on a combined basis, increased diluted earnings per share by $.32.

(f) Includes the effects of nonrecurring and unusual charges for merger related and consolidation expenses totaling $690 million, $436 million after tax, or $.99 per diluted share.

(g) Reflects the acquisition of General Dynamics Space Systems Division effective May 1994.

(h) Reflects the acquisition of General Dynamics Fort Worth Division effective February 1993 and the acquisition of GE Aerospace effective April 1993.

(i) Reflects the Corporation's adoption of SFAS No. 106, "Employers' Accounting for Post-retirement Benefits Other Than Pensions" and SFAS No. 112, "Employers' Accounting for Postemployment Benefits."

Exhibit 23

CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Lockheed Martin Corporation of our report dated January 21, 2000, included in the 1999 Annual Report to Shareholders of Lockheed Martin Corporation.

We also consent to the incorporation by reference in the following Registration Statements of Lockheed Martin Corporation:

(1) Registration Statement Number 33-58067 on Form S-3, dated March 14, 1995;

(2) Registration Statement Numbers: 33-58073, 33-58075, 33-58077, 33-58079, 33-58081, 33-58085, 33-58089 and 33-58097 on Form S-8, each dated March 15, 1995;

(3) Post-Effective Amendment No. 1 on Form S-8 to the Registration Statement (Form S-4 No. 33-57645), dated March 15, 1995;

(4) Registration Statement Number 33-63155 on Form S-8, dated October 3, 1995;

(5) Post-Effective Amendment No. 1 on Form S-8 to the Registration Statement Number 33-58083, dated January 22, 1997;

(6) Registration Statement Number 333-06255 on Form S-8, dated June 19, 1996;

(7) Registration Statement Numbers: 333-20117 and 333-20139 on Form S-8, each dated January 22, 1997;

(8) Registration Statement Number 333-27309 on Form S-8, dated May 16, 1997;

(9) Registration Statement Number 333-37069 on Form S-8, dated October 2, 1997;

(10) Registration Statement Number 333-40997 on Form S-8, dated November 25, 1997;

(11) Registration Statement Number 333-58069 on Form S-8, dated June 30, 1998;

(12) Post-Effective Amendment No. 1 on Form S-8 to the Registration Statement Numbers: 333-06479, 333-06481, 333-06483, 333-06487, 333-06515 and 333-06517, each dated June 30, 1998;

(13) Registration Statement Number 333-69295 on Form S-8, dated December 18, 1998;

(14) Registration Statement Number 333-92197 on Form S-8, dated December 6, 1999; and

(15) Registration Statement Numbers 333-92363 and 333-92321 on Form S-8, each dated December 8, 1999

of our report dated January 21, 2000, with respect to the consolidated financial statements of Lockheed Martin Corporation incorporated by reference in the Annual Report (Form 10-K) for the year ended December 31, 1999.

Washington, D.C.
March 7, 2000

Exhibit 24

POWER OF ATTORNEY

LOCKHEED MARTIN CORPORATION

The undersigned hereby constitutes Marian S. Block and Broc Romanek, and each of them, jointly and severally, his or her lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, including, but not limited to, that listed below, to execute and file, or cause to be filed, with exhibits thereto and other documents in connection therewith, the Lockheed Martin Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 1999 ("Form 10-K"), with the Securities and Exchange Commission ("Commission") under the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and amendments thereto and all matters required by the Commission in connection with such Form 10-K, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, and each of them, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ Vance D. Coffman February 24, 2000

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Vance D. Coffman
Chairman, Chief Executive Officer and
President

POWER OF ATTORNEY

LOCKHEED MARTIN CORPORATION

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/s/ Norman R. Augustine February 24, 2000
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Norman R. Augustine
Director

POWER OF ATTORNEY

LOCKHEED MARTIN CORPORATION

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/s/ Marcus C. Bennett February 24, 2000

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Marcus C. Bennett
Director

POWER OF ATTORNEY

LOCKHEED MARTIN CORPORATION

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/s/ Lynne V. Cheney February 24, 2000

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Lynne V. Cheney
Director

POWER OF ATTORNEY

LOCKHEED MARTIN CORPORATION

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/s/ Houston I. Flournoy March 3, 2000

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Houston I. Flournoy
Director

POWER OF ATTORNEY

LOCKHEED MARTIN CORPORATION

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/s/ James F. Gibbons February 24, 2000

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James F. Gibbons
Director

POWER OF ATTORNEY

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/s/ Edward E. Hood, Jr. February 24, 2000

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Edward E. Hood, Jr.
Director

POWER OF ATTORNEY

LOCKHEED MARTIN CORPORATION

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/s/ Caleb B. Hurtt February 24, 2000

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Caleb B. Hurtt
Director

POWER OF ATTORNEY

LOCKHEED MARTIN CORPORATION

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/s/ Gwendolyn S. King   February 24, 2000

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Gwendolyn S. King
Director

POWER OF ATTORNEY

LOCKHEED MARTIN CORPORATION

The undersigned hereby constitutes Marian S. Block and Broc Romanek, and each of them, jointly and severally, his or her lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, including, but not limited to, that listed below, to execute and file, or cause to be filed, with exhibits thereto and other documents in connection therewith, the Lockheed Martin Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 1999 ("Form 10-K"), with the Securities and Exchange Commission ("Commission") under the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and amendments thereto and all matters required by the Commission in connection with such Form 10-K, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, and each of them, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ Eugene F. Murphy February 24, 2000

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Eugene F. Murphy
Director

POWER OF ATTORNEY

LOCKHEED MARTIN CORPORATION

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/s/ Frank Savage   February 24, 2000

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Frank Savage
Director

POWER OF ATTORNEY

LOCKHEED MARTIN CORPORATION

The undersigned hereby constitutes Marian S. Block and Broc Romanek, and each of them, jointly and severally, his or her lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, including, but not limited to, that listed below, to execute and file, or cause to be filed, with exhibits thereto and other documents in connection therewith, the Lockheed Martin Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 1999 ("Form 10-K"), with the Securities and Exchange Commission ("Commission") under the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and amendments thereto and all matters required by the Commission in connection with such Form 10-K, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, and each of them, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ James R. Ukropina   February 24, 2000

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James R. Ukropina
Director

POWER OF ATTORNEY

LOCKHEED MARTIN CORPORATION

The undersigned hereby constitutes Marian S. Block and Broc Romanek, and each of them, jointly and severally, his or her lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, including, but not limited to, that listed below, to execute and file, or cause to be filed, with exhibits thereto and other documents in connection therewith, the Lockheed Martin Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 1999 ("Form 10-K"), with the Securities and Exchange Commission ("Commission") under the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and amendments thereto and all matters required by the Commission in connection with such Form 10-K, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, and each of them, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ Douglas C. Yearley　　　　February 24, 2000

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Douglas C. Yearley
Director

POWER OF ATTORNEY

LOCKHEED MARTIN CORPORATION

The undersigned hereby constitutes Marian S. Block and Broc Romanek, and each of them, jointly and severally, his or her lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, including, but not limited to, that listed below, to execute and file, or cause to be filed, with exhibits thereto and other documents in connection therewith, the Lockheed Martin Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 1999 ("Form 10-K"), with the Securities and Exchange Commission ("Commission") under the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and amendments thereto and all matters required by the Commission in connection with such Form 10-K, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, and each of them, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ Robert J. Stevens   March 1, 2000

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Robert J. Stevens
Executive Vice President-Finance and
Chief Financial Officer

POWER OF ATTORNEY

LOCKHEED MARTIN CORPORATION

The undersigned hereby constitutes Marian S. Block and Broc Romanek, and each of them, jointly and severally, his or her lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, including, but not limited to, that listed below, to execute and file, or cause to be filed, with exhibits thereto and other documents in connection therewith, the Lockheed Martin Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 1999 ("Form 10-K"), with the Securities and Exchange Commission ("Commission") under the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and amendments thereto and all matters required by the Commission in connection with such Form 10-K, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, and each of them, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ Christopher E. Kubasik February 29, 2000

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Christopher E. Kubasik
Vice President and Controller

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1,000,000

YEAR
DEC-31-1999
JAN-01-1999
DEC-31-1999
455
0
4,348
0
4,051
10,696
8,907
5,273
30,012
8,812
11,427
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5,963
30,012
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25,530
23,865
23,865
344
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809
1,200
463
737
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(355)
382
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