

Lockheed Martin Completes Sale Of Aerospace Electronics Systems Businesses For \$1.67 Billion In Cash

Corporation Provides Adjusted Guidance for Systems Integration Business Area; Reaffirms 2000 And Longer-Term EPS Growth Expectations

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Lockheed Martin Corporation announced today that it has completed the sale of its Aerospace Electronics Systems businesses to BAE SYSTEMS North America, Inc., a wholly-owned subsidiary of BAE SYSTEMS plc, Farnborough, England, for \$1.67 billion in cash.

"With this transaction and the earlier sale of the Control Systems business, Lockheed Martin has generated nearly \$2.2 billion in pre-tax non-operating cash during 2000 to reduce debt," said Vance D. Coffman, Lockheed Martin chairman and chief executive officer. "We are well on our way to achieving the goals we set last year when we announced plans to divest selected non-core assets to refocus the Corporation, generate cash and reduce debt. We have improved operational performance, met our financial commitments and will generate at least \$1.5 billion in free cash from continuing operations during 2000, in addition to nearly \$2.2 billion in pre-tax non-operating cash from divestitures. By refining our business portfolio, the divestitures also demonstrate our determination to position Lockheed Martin as a leading systems integrator committed to its core defense and aerospace customers."

Coffman added: "I thank the men and women of the Aerospace Electronics Systems businesses for their contributions to Lockheed Martin and to the U.S. government, commercial and international customers they serve so well."

Sale of the Control Systems business for \$510 million on a pre-tax basis, also to BAE SYSTEMS, was completed in September 2000. Control Systems, the Aerospace Electronics Systems businesses and Lockheed Martin's Hanford Corporation subsidiary, divested in December 1999, were among the operations identified by the Corporation as candidates for potential divestiture following a comprehensive strategic review concluded in September 1999.

The Aerospace Electronics Systems (AES) businesses reported to the Lockheed Martin Systems Integration business area, which designs, develops and integrates complex systems for global defense, civil and commercial markets. Excluding AES for the month of December 2000, Systems Integration revenues in 2000 are expected to be between \$9.6 billion and \$9.7 billion, with margins of approximately 9%. Excluding AES in 2001, Systems Integration revenues are projected to be between \$9 billion and \$9.2 billion, with margins of approximately 9%. The AES divestiture does not change the Corporation's previous earnings outlook for 2000 of about \$1.05 per diluted share, excluding non-recurring and unusual items. Diluted earnings per share in 2001 are expected to increase approximately 20 percent over the 2000 estimate, to about \$1.25. The Corporation's longer-term projection of annual earnings growth of 15% to 25% per diluted share from the 2000 base is also reaffirmed.

AES comprises the Sanders, Fairchild Systems and Space Electronics & Communications businesses with principal facilities in New Hampshire, New York and Virginia. Major AES products include aircraft self-protection systems; tactical surveillance and intelligence systems; reconnaissance and navigation systems; automated mission planning systems; microwave electronics; infrared sensors; and radiation-hardened digital components and systems for space applications. The AES businesses, with approximately 5,000 employees, had net sales for the first nine months of 2000 of approximately \$510 million, excluding intercompany sales. Current backlog for the AES businesses is approximately \$1.2 billion.

The AES transaction was subject to antitrust review in the United States and other jurisdictions. In addition, Lockheed Martin and BAE SYSTEMS voluntarily sought review by the Committee on Foreign Investments in the United States.

Headquartered in Bethesda, Maryland, Lockheed Martin is a global enterprise principally engaged in the research, design, development, manufacture and integration of advanced technology systems, products and services. The Corporation's core businesses are systems integration, space, aeronautics and technology services. Lockheed Martin had 1999 sales surpassing \$25 billion and employs approximately 128,000.

NOTE: Statements in this press release, including the statements relating to projected future financial performance, are considered forward-looking statements under the federal securities laws, including the Private Securities Litigation Reform Act of 1995. Sometimes these statements will contain words such as "believes," "expects," "intends," "plans," "estimates," "outlook," "forecast" and other similar words. These statements are not guarantees of our future performance and are subject to risks, uncertainties and other important factors that could cause our actual performance or achievements to be materially different from those we may project.

As for the forward-looking statements that relate to future financial results and other projections, actual results will be different due to the inherent nature of projections and may be better or worse than projected. Given these uncertainties, you should not place any reliance on these forward-looking statements. These forward-looking statements also represent our estimates and assumptions only as of the date that they were made. We expressly disclaim a duty to provide updates to these forward-looking statements, and the estimates and assumptions associated with them, after the date of this press release to reflect events or circumstances or changes in expectations or the occurrence of anticipated events.

In addition to the factors set forth in our filings with the Securities and Exchange Commission (<http://www.sec.gov/>), the following factors could affect the forward-looking statements: timing and uncertainty related to obtaining regulatory approval of announced divestitures; the ability to achieve or quantify savings for our customers or ourselves through business area streamlining, staff reductions, global cost-cutting program and other financial management programs; the ability to obtain or the timing of obtaining future government awards; the availability of government funding and customer requirements; difficulties in developing and making operational advanced technology systems in space and other business areas; economic conditions; competitive environment; international business and political conditions domestically and internationally; 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 and program performance. These are only some of the numerous factors which may affect the forward-looking statements in this press release.

SOURCE: Lockheed Martin Corporation

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