Lockheed Martin Raises 2001 Recurring Earnings Per Share Outlook To A 25 - 30 Percent Increase From 2000 Results Of \$1.07; Expects 2002 Earnings Per Share To Grow About 20 Percent From 2001

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* Generates Record Free Cash Flow of \$1.8 Billion for Full Year; Free Cash Flow for 2001 Expected to be at Least \$800 Million; Free Cash Flow Estimate of at Least \$1.8 Billion For the Two Years 2001 and 2002 Combined

* Reduces Net Debt by \$3.0 Billion for the Year; Net Debt to Capitalization Ratio Stands at 54 Percent

* 2000 Net Earnings Per Share Are \$1.07 Excluding Nonrecurring and Unusual Items, Exceeding Projections; Reports Net Loss of \$1.29 Per Diluted Share

BETHESDA, Md., Jan. 25 /PRNewswire/ -- Lockheed Martin Corporationtoday reported fourth quarter 2000 net earnings per diluted share of \$0.21, compared to fourth quarter 1999 net earnings per diluted share of \$0.76. Fourth quarter 2000 results were reduced by \$68 million, or \$0.17 per share, for the combined effects of an after-tax extraordinary charge of \$95 million, or \$0.23 per share, relating to an early extinguishment of debt, partially offset by an increase to net income of \$27 million, or \$0.06 per share, related to certain other nonrecurring and unusual items. Nonrecurring and unusual items contributed \$0.17 per share to fourth quarter 1999 results. Excluding the aforementioned items, comparable fourth quarter earnings per share would have been \$0.38 for 2000 and \$0.59 for 1999.

For the year 2000, the Corporation reported a net loss per diluted share of \$1.29 compared to net earnings of \$0.99 per diluted share for the year 1999. Nonrecurring and unusual items, including the extraordinary item in 2000 and the cumulative effect of a change in accounting adjustment in 1999, reduced 2000 and 1999 earnings per diluted share by \$2.36 and \$0.51, respectively. Excluding the aforementioned items, comparable diluted earnings per share would have been \$1.07 for 2000 and \$1.50 for 1999.

The Corporation also reported it generated approximately \$265 million of free cash flow in the fourth quarter of 2000 and a record \$1.8 billion for the full year. For the year 2001, Lockheed Martin estimates that it will generate at least \$800 million of free cash flow. For the years 2001 and 2002 combined, the Corporation estimates it will generate at least \$1.8 billion of free cash flow.

"We are delighted with the accomplishments that Lockheed Martin achieved in 2000," said Chairman and Chief Executive Officer Vance Coffman. "We exceeded all financial goals set for 2000 including achieving record orders and backlog, record free cash flow generation, substantial debt reduction and the receipt of fair value for our divestitures. Our mission success record as measured by key operational and development events was an impressive 95 percent, and our customer relationships have been strengthened." He continued, "With the 2000 results as a base, we are on course to continue achieving the Corporation's top four priorities: customer satisfaction, improved performance, cash generation and shareholder value creation."

Sales for the fourth quarter of 2000 were \$7.6 billion, compared with fourth quarter 1999 sales of \$7.0 billion. Sales for the year 2000 were \$25.3 billion, down 1 percent when compared to 1999. Excluding the effects of acquisitions and divestitures, sales for year ended December 31, 2000 would have remained consistent with the year-ago period.

The Corporation's backlog at year-end 2000 was \$56.4 billion compared to the year-end 1999 backlog of \$45.9 billion, a 23 percent increase. The Corporation recorded a total of approximately \$37.0 billion in orders including the Theater High Altitude Area Defense (THAAD); F-16 fighter aircraft for the UAE, Greece, Israel, Korea, Singapore and the U.S. government; 17 new launch services orders for the full complement of launch products including Proton, Atlas, and Athena; three commercial satellite orders; Integrated Weapons Systems for Norwegian

frigates; and 19 C-130J aircraft for the U.S., Italy and Denmark. Excluding the reduction in backlog of \$1.4 billion associated with the divestiture of Control Systems and the Aerospace Electronics Systems businesses, backlog would have increased 26 percent.

During the fourth quarter, the Corporation completed the sale of its Aerospace Electronics Systems for \$1.67 billion in cash, which is expected to result in after-tax proceeds of approximately \$1.28 billion, with the tax payment anticipated in 2001. In connection with the completion of the sale, the Corporation recorded a nonrecurring and unusual adjustment in the fourth quarter of 2000 to reduce the amount of the previously estimated loss on the sale, resulting in an increase to fourth quarter net earnings of \$102 million, or \$0.24 per diluted share. In 2000, the Corporation also completed the sale of its Control Systems business for \$510 million in cash (approximately \$370 million in after-tax proceeds) and concluded its merger with COMSAT Corporation. In January 2001, the Corporation completed the divestiture of Retech Services, Inc. and Lockheed Martin Energy Technologies, Inc. for \$6 million in cash proceeds and \$4 million in other consideration, which will have no significant impact on 2001's earnings outlook. These two entities, along with the Hanford Corporation which was divested in 1999, were involved in the environmental management business.

Additionally, in the fourth quarter, the Corporation recorded a nonrecurring charge for an impairment of its investment in the Asian Cellular Satellite System (ACeS), which reduced net earnings by \$77 million, or \$0.18 per share. ACeS, a geostationary mobile satellite system serving Southeast Asia, was placed in commercial operation in the fourth quarter. As previously announced, the spacecraft has experienced an anomaly that may reduce the overall capacity of the system by about 30 - 35 percent. The adjustment to the Corporation's investment balance was recorded in recognition of the reduced business prospects due to this anomaly as well as overall market conditions.

The Corporation completed a tender offer in the fourth quarter of 2000 in which it purchased approximately \$1.9 billion in principal amount of its outstanding debt. For the year, total debt decreased by approximately \$2 billion reflecting the extinguishment of \$2.4 billion of outstanding debt plus the acquisition of \$400 million of COMSAT debt. Net debt, defined as total debt less invested cash, decreased by approximately \$3.0 billion in 2000. The net debt to capitalization ratio decreased to 54 percent at the end of 2000 compared to 64 percent at the end of 1999.

The Corporation increased its 2001 earnings per share outlook, excluding the effects of any nonrecurring and unusual items, to a 25 - 30 percent increase from the 2000 base of \$1.07 per diluted share. Previously, the Corporation estimated that 2001 earnings would be about \$1.25 per diluted share, a 20 percent increase from the prior 2000 estimate of about \$1.05 per diluted share. The earnings increase reflects lower interest expense, a lower effective tax rate of 40 percent and an assumed smaller decline in retirement plan income (\$25 million) than previously projected. The Corporation estimates the quarterly distribution of diluted earnings per share for 2001 to be approximately 10 - 20 percent for the first quarter, 15 - 25 percent for the second quarter, 20 - 30 percent for the third quarter and 35 - 45 percent for the fourth quarter.

Earnings per diluted share for 2002, excluding nonrecurring and unusual items, are projected to grow around 20 percent from the 2001 base. This projection is based, among other factors, upon an assumed tax rate of 38 percent and an estimated decline in retirement plan income for 2002 of approximately \$50 million.

FOURTH QUARTER AND YEAR-TO-DATE DETAILED REVIEW

Net sales for the fourth quarter of 2000 were \$7.6 billion, compared with fourth quarter 1999 net sales of \$7.0 billion. Excluding the effects of acquisitions and divestitures, net sales would have increased by approximately 10 percent for the quarter ended December 31, 2000 compared to the year-ago period. Net sales for the year ended December 31, 2000 were \$25.3 billion, down 1 percent when compared to the same period in 1999. Excluding the effects of acquisitions and divestitures, sales for year ended December 31, 2000 would have remained consistent with the year-ago period.

Net earnings for the fourth quarter of 2000 totaled \$89 million, or \$0.21 per diluted share, as compared to net earnings of \$293 million, or \$0.76 per diluted share, in the comparable 1999 period. Net earnings for the fourth quarter of 2000 included the after-tax impact of several nonrecurring and unusual items related to the significant issues mentioned earlier: with a \$102 million favorable adjustment on the Aerospace Electronics Systems businesses divestiture, a \$95 million extraordinary charge related to the debt tender offer, and a \$77 million charge associated with the impairment of the ACeS investment. The combination of all the nonrecurring and unusual items decreased fourth quarter 2000 earnings per share by \$0.17. In the comparable 1999 period, after-tax earnings included a \$27 million gain on the sale of the Corporation's remaining interest in L-3 Communications Holdings, Inc. (L-3), a \$21 million gain from the sale of surplus real estate, and an \$18 million gain associated with portfolio shaping activities. The combination of these nonrecurring and unusual items increased fourth quarter 1999 earnings per share by \$0.17.

The Corporation reported a 2000 net loss of \$519 million, or \$1.29 per diluted share, compared to net earnings of \$382 million, or \$0.99 per diluted share, for 1999. In addition to the nonrecurring and unusual items recorded in the

fourth quarter, after-tax earnings for 2000 included a \$980 million impairment loss recorded in the third quarter related to the sale of the Corporation's Aerospace Electronics Systems businesses; a \$91 million charge attributable to recording a reserve related to amounts due from Globalstar Telecommunications Ltd. (Globalstar); a \$21 million favorable adjustment relating to a charge recorded in 1998 associated with the shutdown of CalComp Technology, Inc. (CalComp) operations; \$19 million in net gains associated with sales of surplus real estate, as well as \$30 million in net losses on other portfolio shaping activities. On a combined basis, these items reduced 2000 net earnings by \$2.36 per diluted share.

In addition to the nonrecurring and unusual items recorded in the fourth quarter of 1999, after-tax earnings for 1999 included a \$74 million gain associated with the disposition of a portion of the Corporation's interest in L-3, \$16 million in net gains associated with sales of surplus real estate and \$6 million in gains related to other portfolio shaping activities. Additionally, net earnings for 1999 were reduced by the effects of the Corporation's adoption of the new accounting standard for start-up costs, which resulted in a cumulative effect adjustment of \$355 million, or \$0.93 per diluted share. On a combined basis, these items reduced 1999 net earnings by \$0.51 per diluted share.

SEGMENT RESULTS:

Systems Integration \$Millions						
	4th Qua	rter	Year-to-Date			
2	000	1999	2000	199	99	
Net sales EBIT as reported Pre-tax impact of nonrecurring and	\$2,917 \$42 d	\$2,64 28 \$	12 \$9 236	,647 \$583	\$9,570 \$880	
unusual items \$151 Pro forma EBIT Pro forma margin	\$13 \$27 9.	*	\$13 223 8.4%	\$887 9.2%	\$867 9.1%	

Systems Integration net sales increased by 10 percent and 1 percent for the quarter and year ended December 31, 2000, respectively, from the comparable 1999 periods. For the quarter, net sales increases in the segment's Naval Electronic and Surveillance Systems product line were primarily the result of higher volume on land surveillance systems contracts, AEGIS programs, and increased activity on the new attack submarine program. In the segment's electronic platform integration businesses, increases in the quarter on system solutions activities more than offset declines in distribution technology programs. Fourth quarter 2000 increases in the segment's Missiles & Air Defense product lines over the comparable 1999 period were mainly due to higher volume on certain tactical missile programs and increased sales on the THAAD program as a result of that program's movement into engineering, manufacturing, and development, which more than offset declines in volume on certain fire control & sensor contracts.

For the year ended December 31, 2000 compared to 1999, the net sales increases in the segment's Naval Electronic and Surveillance Systems, Missiles & Air Defense product lines, and electronic platform integration activities offset volume declines in radar electronics programs, primarily related to the segment's divestiture of its Aerospace Electronics Systems businesses.

Excluding the effects of divestitures of the segment's Aerospace Electronics Systems and Control Systems businesses, net sales would have increased by 21 percent and 6 percent for the quarter and year ended December 31, 2000, respectively, from the comparable 1999 periods.

Systems Integration earnings before interest and taxes (EBIT), excluding nonrecurring and unusual items (pro forma EBIT), increased by 24 percent and 2 percent for the quarter and year ended December 31, 2000, respectively, from the comparable 1999 periods. The EBIT impact of the increases in volume on Naval Electronic and Surveillance Systems programs and electronic platform integration activities discussed above, coupled with improved performance on certain electronic platform integration contracts, accounted for the majority of the fourth quarter 2000 increase. The remainder of the fourth quarter increase is primarily due to the impact of increases in volume on certain tactical missile programs.

For the year ended December 31, 2000, the previously mentioned volume increases in the segment's Naval Electronic and Surveillance Systems product line and electronic platform integration activities accounted for the majority of the increase in proforma EBIT from the comparable 1999 period. The remainder of the increase in proforma EBIT for 2000 is mainly attributable to the absence in 2000 of \$15 million in charges related to the THAAD program incurred in 1999.

In 2000, nonrecurring and unusual items primarily related to the net impact of the loss related to the divestiture of the Aerospace Electronics Systems businesses, partially offset by the gain on the sale of the segment's Control

Systems business. In 1999, nonrecurring and unusual items related to the sale of surplus real estate.

Space Systems

\$Millions						
	4th Quarte	er	Year-to-Da	te		
2	2000	1999 20	000 1	999		
Net sales	\$2,035	\$1,812	\$7,127	\$7,209		
EBIT as reported	\$90	\$225	\$416	\$561		
Pre-tax impact of						
nonrecurring an unusual items	ıa \$8	\$22	\$25	\$21		
Pro forma EBIT	\$82	\$203	\$391	\$540		
Pro forma margir	1 4.0°	% 11.29	% 5.59	% 7.5%		

Net sales of the Space Systems segment increased by 12 percent and decreased by 1 percent for the quarter and year ended December 31, 2000, respectively, from the comparable 1999 periods. Fourth quarter net sales increased primarily due to a higher volume of commercial space activities. These increases were partially offset by volume declines in military, civil, and classified satellite activities. Net sales for the year ended December 31, 2000 decreased from the comparable 1999 period due to volume declines in military, civil, and classified satellite activities, as well as an overall decrease in ground systems activities. These decreases were partially offset by an increase in volume related to commercial space activities. The remainder of the year-to-date variance in net sales primarily relates to decreased volume in government launch vehicle programs, partially offset by the favorable impact of previously recorded adjustments on the Titan IV program that are discussed in a subsequent paragraph.

Space Systems pro forma EBIT decreased by 60 percent in the fourth quarter of 2000 from the comparable 1999 period. The majority of this decrease was due to approximately \$50 million in charges taken on the Atlas program due to market and pricing pressures and approximately \$40 million attributable to a decline in Atlas launch vehicle profitability from the fourth quarter of 1999. The remainder of the fourth quarter 2000 decrease was primarily attributable to the absence in 2000 of an incentive fee recorded on a commercial satellite contract during the fourth quarter of 1999 and the EBIT impact of the previously mentioned volume declines in military, civil, and classified satellite activities.

For the year ended December 31, 2000, pro forma EBIT decreased by 28 percent as compared with the same period in 1999, with the majority of the decrease attributable to the continued market and pricing pressures on commercial space programs, increased investment in advanced launch vehicles and reduced EBIT on commercial satellites. Further reducing 2000 pro forma EBIT was the impact of volume declines on military, civil, and classified satellite programs discussed previously. Offsetting these declines were increases attributable to the effects of adjustments on the Titan IV launch vehicle program related to performance issues that negatively impacted 1999 EBIT and contract modifications which positively impacted 2000 EBIT. The combined positive impact of these adjustments was partially mitigated by the impact of the year-to-date volume declines in government launch vehicle programs.

In the fourth quarters of both 2000 and 1999, the nonrecurring and unusual items included gains associated with the sales of surplus real estate. For the year ended December 31, 2000, the nonrecurring and unusual items included gains associated with the sales of surplus real estate. In 1999, the nonrecurring and unusual items included gains attributable to the sales of surplus real estate partially offset by losses associated with portfolio shaping activities.

Aeronautics

\$Millions					
	4th Quarter		Year-to-[Date	
	2000	1999	2000	1999	
Net sales EBIT	\$1,558 \$98	\$1,519 \$96	\$4,885 \$343	\$5,499 \$247	
Margin	6.3%	6.3%	7.0%	4.5%	

Aeronautics' net sales increased by 3 percent and decreased by 11 percent for the quarter and year ended December 31, 2000, respectively, from the comparable 1999 periods. During the fourth quarter of 2000, increases in net sales related to the UAE F-16 contract more than offset anticipated reductions in scheduled deliveries on other F-16 fighter aircraft programs and C-130J airlift aircraft from the comparable 1999 period. The decrease in net sales for the year ended December 31, 2000 from the respective 1999 period is primarily attributable to the anticipated declines in F-16 and C-130J aircraft deliveries. These decreases more than offset increases in net sales related to the F-22 fighter aircraft program.

Aeronautics' EBIT increased by 2 percent and 39 percent for the quarter and year ended December 31, 2000,

respectively, from the comparable 1999 periods. The fourth quarter increase is mainly attributable to increases in F-16 spares and support programs partially offset by the decline in aircraft deliveries discussed in the preceding paragraph. The year-to-date increase is primarily due to the absence in 2000 of a negative adjustment recorded during the second quarter of 1999 that resulted from changes in estimates on the C- 130J program due to cost growth and a reduction in production rates. The increase resulting from the absence in 2000 of this charge was partially offset by the effects of the decline in F-16 aircraft deliveries discussed previously.

es				
\$N	lillions			
4th Quarter		Year-to-Date		
00 19	99 20	000 1	999	
\$689	\$692	\$2,318	\$2,261	
\$46	\$40	\$126	\$137	
\$0	\$0	(\$34)	\$0	
\$46	\$40	\$160	\$137	
6.7%	5.8%	6.99	6.1%	
	\$M kth Quarter 00 19 \$689 \$46 \$0 \$46	\$Millions kth Quarter 00 1999 20 \$689 \$692 \$46 \$40 \$0 \$0 \$46 \$40	\$Millions Ith Quarter Year-to-Da 00 1999 2000 1 \$689 \$692 \$2,318 \$46 \$40 \$126 \$0 \$0 (\$34) \$46 \$40 \$160	

Net sales of the Technology Services segment remained consistent for the quarter ended December 31, 2000 with the respective 1999 period. Fourth quarter 2000 increases in certain government services contracts, primarily the Consolidated Space Operations Contract, were offset by declines in volume on aircraft maintenance and logistics contracts and certain defense and science energy services contracts due to program completions. The increase in year- to-date net sales was primarily attributable to a net increase over the comparable 1999 period in volume on various federal technology services, partially offset by volume declines on certain defense and science energy services contracts due to program completions.

Technology Services pro forma EBIT increased by approximately 15 percent and 17 percent for the quarter and year ended December 31, 2000, respectively, over the comparable 1999 periods. Both the quarterly and year-ended pro forma EBIT increases are attributable to the impact of the increased volume on certain government services contracts discussed in the preceding paragraph. These increases were partially offset by declines in volume on certain defense and science energy services contracts due to program completions. In 2000, the nonrecurring and unusual items were related to portfolio shaping activities.

Global Telecommunications						
\$Millions						
,	4th Quarter			e		
20	000 19	99 20	00 19	99		
Net sales	\$268	\$129	\$766	\$389		
Loss as reported	(\$134)	(\$22)	(\$215)	(\$97)		
Pre-tax impact of						
nonrecurring and	k					
unusual items	(\$117)	\$0	(\$117)	\$0		
Pro forma loss	(\$17)	(\$22)	(\$98)	(\$97)		
Pro forma margin	(6.3%)	(17.1%	(12.8	(24.9%)		

Net sales of the Global Telecommunications segment increased during both the quarter and year ended December 31, 2000, respectively, over the comparable 1999 periods. Fourth-quarter net sales increased as a result of the Corporation's consummation of the merger with COMSAT and the inclusion of COMSAT's consolidated operations into the segment's results beginning August 1, 2000. The remainder of the fourth-quarter increase was primarily attributable to increased volume on systems and technology programs. Consistent with the quarter, the increase for the year is primarily attributable to the inclusion of COMSAT's consolidated operations into the segment's results. The majority of the remaining increase in net sales was associated with the recognition of revenue on a Proton launch vehicle, which successfully launched the ACeS 1 satellite in the first quarter of 2000. Increased volume related to systems and technology programs also contributed to the remaining year-to-date increase in net sales.

Global Telecommunications pro forma loss decreased during the quarter and increased slightly for the year ended December 31, 2000 from the respective 1999 periods. The fourth quarter 2000 loss decreased mainly due to reduced operating expenses at Lockheed Martin Global Telecommunications (LMGT) Headquarters as a result of synergies realized through the merger with COMSAT. The benefits of these reduced operating expenses were partially offset by the negative impact of performance issues on an information outsourcing contract. The majority of the decrease for the year ended December 31, 2000 over the comparable 1999 period is due to pricing pressures and the impact of negative adjustments related to performance on certain information outsourcing programs. These decreases were partially offset by the reduced operating expenses at LMGT resulting from the

previously mentioned synergies realized through the merger with COMSAT and the impact of increased volume on network systems and technology programs discussed in the preceding paragraph. In 2000, the nonrecurring and unusual items related to the ACeS investment impairment charge recorded in the fourth guarter.

Corporate and Ot	ner					
\$Millions						
	4th Quarter		Year-to-Date			
2	000	1999 2	000 1	999		
Net sales	\$128	\$188	\$586	\$602		
EBIT as reported	\$52	\$126	(\$48)	\$281		
Pre-tax impact of						
nonrecurring and						
unusual items	\$0	\$67	(\$109)	\$215		
Pro forma EBIT	\$52	\$59	\$61	\$66		

Net sales of the Corporate and Other segment decreased by 32 percent and 3 percent for the quarter and year ended December 31, 2000, respectively, over the comparable 1999 periods. The fourth quarter net sales decrease was mainly attributable to volume declines in the segment's properties line of business and on state and municipal services programs. The decline in net sales for the year is attributable to reduced volume in the segment's properties line of business and the absence in 2000 of sales attributable to the Corporation's commercial graphics company, Real 3D, which was divested in the fourth quarter of 1999. The decreases in the segment more than offset increased volume on state and municipal services programs.

Corporate and Other pro forma EBIT decreased for the fourth quarter and the year ended December 31, 2000 over the respective 1999 periods. Fourth- quarter decreases were primarily due to the fluctuations discussed in the preceding paragraph and e-commerce start-up costs which more than offset increased interest income. The majority of the decrease in pro forma EBIT for the year ended December 31, 2000 over the comparable 1999 period is due to aforementioned e-commerce start-up costs and the absence in 2000 of a favorable adjustment recorded by the segment's Communications Industry Services line of business in the first quarter of 1999. The decreases in the segment were partially offset by increases in interest income and by the absence in 2000 of losses associated with Real 3D and the impact of the higher volume on state and municipal services programs discussed previously.

For the year ended December 31, 2000, the nonrecurring and unusual items included the charge associated with Globalstar, as well as the favorable adjustment related to a previously recorded charge for the shutdown of CalComp's operations. Nonrecurring and unusual items recorded in 1999 included gains on the sales of the Corporation's holdings in L-3 stock and certain portfolio shaping activities recorded in the fourth quarter of that year.

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