

# Lockheed Martin Reports Third Quarter Earnings Per Share Of \$0.49 Vs. Net Loss Of \$1.74 Per Share In 2000

*\* Raises 2001 and 2002 Recurring Earnings Per Share Outlook*

## PRNewswire

\* Increases 2001 Free Cash Flow Guidance to at Least \$2 Billion

\* Improves Net Debt to Capitalization Ratio to 43 Percent

BETHESDA, Md., Oct. 26 [/PRNewswire/](#) -- Lockheed Martin Corporation today reported third quarter 2001 net earnings per diluted share of \$0.49, compared to a third quarter 2000 net loss per diluted share of \$1.74. Third quarter 2001 results were increased by \$35 million, or \$0.08 per share, for the effects of certain nonrecurring and unusual items. Excluding nonrecurring and unusual items, third quarter 2001 net earnings would have been \$0.41 per diluted share. Nonrecurring and unusual items decreased third quarter 2000 results by \$2.02 per diluted share. Excluding the effects of nonrecurring and unusual items, comparable third quarter 2000 earnings per diluted share would have been \$0.28.

The Corporation increased its 2001 earnings per diluted share outlook to approximately a 35 percent increase from the 2000 base of \$1.07 per diluted share, excluding the effects of any nonrecurring and unusual items. Previously, a 30-35 percent increase was projected. The 2001 increase primarily reflects improved operational performance, an increased level of interest income associated with the improvement in free cash flow, and lower interest expense.

Additionally, the Corporation indicated its 2002 earnings per diluted share outlook would increase about 20 percent from the higher 2001 base. The earnings expectations assume an effective tax rate of 40 percent in 2001 and 38 percent in 2002, which are unchanged from prior estimates.

The Corporation also reported it generated approximately \$900 million of free cash flow in the third quarter of 2001 and \$2.4 billion of free cash flow year-to-date. This performance reflects continued working capital improvements across all business areas as well as the receipt of milestone payments related to international F-16 programs of more than \$500 million after subcontractor payments and other disbursements. Year-to-date pretax proceeds from the sale of surplus real estate were approximately \$185 million. No real estate sales were recorded in the third quarter 2001. As a result of the year-to-date positive performance, the Corporation increased its free cash flow outlook from at least \$1 billion to at least \$2 billion for the year 2001 and from at least \$2 billion to approximately \$3 billion for the two-year period 2001 - 2002.

"The improvement in our earnings and cash outlook demonstrates our outstanding program performance, rigorous attention to customer satisfaction, and strong focus on cash flow throughout the Corporation," said Vance Coffman, Chairman and CEO. "In particular, the achievement of critical program milestones, increased benefit from performance based payments, and customer advances have positively impacted free cash flow generation."

The increase in the earnings guidance excludes the effects of nonrecurring and unusual items and any impact from the recently issued FASB standard regarding goodwill and other intangibles. The new FASB standard eliminates the amortization of goodwill and requires an annual review for impairment beginning in 2002. When implemented, the elimination of current goodwill amortization is expected to increase 2002 after-tax earnings by about \$270 million or approximately \$0.60 per diluted share. After the adoption of the standard, the effective tax rate for 2002 is expected to be about 31 percent. Similarly, on a pro forma basis, had the standard been implemented at the beginning of 2001, after-tax results for that year would have increased by a projected \$270 million, or approximately \$0.60 per diluted share. The resulting effective tax rate for 2001 recurring operations would have been a projected 33 percent.

During the third quarter, the Corporation completed the divestiture of IMS Corporation, a wholly-owned subsidiary of Lockheed Martin, for \$825 million in pre-tax proceeds. The Corporation recorded

a nonrecurring and unusual gain of \$309 million, or \$0.71 per share. Associated federal and state tax payments of approximately \$250 million are anticipated in the fourth quarter of 2001.

The Corporation continues to reduce debt. The net debt to capitalization ratio (net debt is defined as total debt less invested cash) was 43 percent at the end of September 2001, down from 54.1 percent at year-end 2000 and 50.5 percent at the end of June 2001. The net debt to capitalization ratio is at its lowest level since the first quarter of 1996. Debt reduction during the third quarter includes the early redemption of \$200 million of 8.125 percent Monthly Income Preferred Securities (MIPS) due in 2025, issued by the Corporation's wholly-owned subsidiary, COMSAT Corporation; prepayment of \$746 million of private placement debt, originally scheduled to mature in November 2002; and the early retirement of \$175 million of 7 percent deep discount debentures due in 2011. Total debt reduction has exceeded \$2.2 billion for 2001 and \$4.2 billion since January 2000.

Net sales for the third quarter of 2001 were \$6.4 billion, up seven percent when compared with third quarter 2000 sales of \$6.0 billion. Adjusting for acquisitions and divestitures, sales increased 13 percent for the comparative quarters. Due to the timing of C-130J deliveries and commercial launches as well as the continuation of historical sales trends in the Systems Integration and Technology Services business areas, sales are expected to increase 7 - 10 percent in the fourth quarter as compared to the third quarter. Sales for the year 2001 are anticipated to be between \$24.2 - \$24.4 billion. Due to the divestiture of IMS, sales will be lower than the previous guidance of \$24.6 - \$24.8 billion. IMS sales were approximately \$565 million in 2000 and \$355 million for seven months in 2001. As previously disclosed, sales for IMS were projected to be approximately \$700 million for the full year 2001.

The Corporation's backlog at the end of the third quarter of 2001 was \$51.5 billion. Backlog at year-end 2000 was \$56.4 billion and \$53.8 billion at the end of June. For the nine months ended September 30, 2001, the Corporation recorded a total of approximately \$13.9 billion in orders including: F-22 production, Greece F-16, Advanced Targeting Pod, MEADS, CVN 77 Aircraft Carrier systems integration, Aegis production, A-10 Precision Engagement weapon systems upgrade, National Airspace System Implementation Support Contract, the FAA Advanced Technology and Oceanic Procedure contract, classified activities, nine new launch services orders, and five new commercial satellite orders. Backlog was reduced by \$1.1 billion as a result of the IMS divestiture in this quarter.

### THIRD QUARTER AND YEAR-TO-DATE DETAILED REVIEW

Net sales for the third quarter of 2001 were \$6.4 billion, an increase of seven percent when compared with third quarter 2000 net sales of \$6.0 billion. Net sales for the nine months ended September 30, 2001 were \$17.4 billion versus \$17.7 billion for the same period of 2000, a decline of two percent. Excluding the effects of acquisitions and divestitures, net sales for the quarter and nine months ended September 30, 2001 would have increased 13 percent and one percent, respectively, from the comparable 2000 periods.

Net earnings for the third quarter of 2001 totaled \$213 million, or \$0.49 per diluted share, as compared to a net loss of \$704 million, or \$1.74 per diluted share, in the comparable 2000 period. Net earnings for the third quarter of 2001 included the after-tax impact of several nonrecurring and unusual items consisting of a \$309 million gain on the divestiture of the Corporation's IMS subsidiary, a \$235 million charge related to the Corporation's investment in Loral Space & Communications LTD (Loral Space), and a \$36 million extraordinary loss related to the early extinguishment of \$175 million of debentures. The combination of these nonrecurring and unusual items increased diluted earnings per share by \$0.08.

The net loss for the third quarter of 2000 included the after-tax impact of several nonrecurring and unusual items. These items included a \$980 million impairment loss on the Aerospace Electronics Systems businesses, a \$180 million gain on the sale of Control Systems, and a net \$19 million loss from portfolio shaping activities. The combination of these nonrecurring and unusual items reduced third quarter 2000 diluted earnings per share by \$2.02.

The Corporation reported net earnings of \$462 million for the 2001 year- to-date period, or \$1.07 per diluted share, compared to a net loss of \$608 million, or \$1.54 per diluted share, for the same period of 2000. In addition to the nonrecurring and unusual items recorded in the third quarter, net earnings for 2001 includes the effect of two nonrecurring and unusual items recorded during the first quarter of this year: a \$72 million gain from the sale of surplus real estate and a \$65 million charge associated with the impairment of the Corporation's investment in Americom Asia-Pacific. The combination of all nonrecurring and unusual items increased net earnings for the nine-month period

ended September 30, 2001 by \$0.10 per diluted share. Nonrecurring and unusual items recorded in 2000 also included a \$91 million charge attributable to recording a reserve related to amounts due from Globalstar Telecommunications Ltd. (Globalstar), a \$21 million favorable adjustment related to a charge recorded in 1998 associated with the shutdown of CalComp Technology, Inc. operations, and \$6 million in net gains associated with portfolio shaping activities. On a combined basis, all nonrecurring and unusual items reduced 2000 net earnings by \$2.24 per diluted share.

Interest expense of \$172 million and \$549 million for the three and nine months ended September 30, 2001, respectively, was \$57 million and \$127 million lower than the comparable periods in 2000 as a result of the reduction in the Corporation's debt portfolio.

Excluding the impact of nonrecurring and unusual items, the effective income tax rate for both the three and nine months ended September 30, 2001 was 40 percent. The comparable effective tax rates for 2000 were 49 percent and 48 percent, respectively.

#### SEGMENT RESULTS:

##### Systems Integration

	\$Millions			
	3rd Quarter		Year-to-Date	
	2001	2000	2001	2000
Net sales	\$2,237	\$2,325	\$6,282	\$6,730
EBIT as reported	\$203	(\$215)	\$570	\$155
Pre-tax impact of nonrecurring and unusual items	\$0	\$455	\$0	\$455
Pro forma EBIT	\$203	\$240	\$570	\$610
Pro forma margin	9.1%	10.3%	9.1%	9.1%

Net sales for the Systems Integration segment declined by four percent and seven percent for the quarter and nine months ended September 30, 2001, respectively, from the comparable 2000 periods. However, excluding the sales attributable to the segment's Aerospace Electronic Systems and Controls Systems businesses, which were divested in the second half of 2000, and the transfer of the Payload Launch Vehicle (PLV) contract to the Space Systems segment at the start of 2001, sales for the third quarter and the nine months ended September 30, 2001 would have increased nine percent and six percent, respectively, from the comparable year-ago periods. The majority of the increase in net sales for the third quarter of 2001 over the comparable 2000 period is attributable to volume increases in the segment's Missiles & Air Defense, Naval Electronic and Surveillance Systems, and C4I product lines. These increases were partially offset by volume declines in the segment's Systems Integration-Owego line of business, which includes electronic platform integration businesses. For the nine months ended September 30, 2001 as compared to the respective 2000 period, the majority of the increase in net sales is attributable to the segment's Missiles & Air Defense product line. Increased net sales in the segment's Naval Electronic and Surveillance Systems product line were more than offset by decreases in the segment's Systems Integration-Owego line of business.

Earnings before interest & taxes excluding nonrecurring and unusual items, (pro forma EBIT) for the segment decreased by 15 percent and seven percent for the quarter and nine months ended September 30, 2001, respectively, from the comparable 2000 periods. Adjusting for the pro forma EBIT attributable to the divested Aerospace Electronic Systems and Controls Systems businesses, as well as the PLV transfer, pro forma EBIT for the quarter and nine months ended September 30, 2001, would have decreased by five percent and increased by three percent, respectively, from the year-ago periods. For the quarter, the pro forma EBIT impact of the volume increases in the segment's Missiles & Air Defense and Naval Electronic and Surveillance Systems product lines were more than offset by the impact associated with the volume declines in the Systems Integration-Owego line of business and the timing of operational performance milestones. For the nine months ended September 30, 2001, the fluctuation in pro forma EBIT is due primarily to the changes in volume and timing as previously mentioned.

In 2000, nonrecurring and unusual items primarily related to the gain on the sale of the segment's Control Systems business and the impairment loss recorded due to the decision to sell the Aerospace Electronics Systems businesses.

##### Space Systems

	\$Millions			
	3rd Quarter		Year-to-Date	

	2001	2000	2001	2000
Net sales	\$1,718	\$1,640	\$4,842	\$5,092
EBIT as reported	\$117	\$113	\$407	\$326
Pre-tax impact of nonrecurring and unusual items	\$0	\$0	(\$111)	(\$17)
Pro forma EBIT	\$117	\$113	\$296	\$309
Pro forma margin	6.8%	6.9%	6.1%	6.1%

Net sales for the Space Systems segment increased by five percent and declined by five percent for the quarter and nine months ended September 30, 2001, respectively, from the comparable 2000 periods. The majority of the third quarter increase from the comparable 2000 period is attributable to increases in volume on ground systems and military and government satellite programs. These increases were largely offset by declines in volume on commercial space activities and government launch vehicle programs. Net sales for the nine months ended September 30, 2001 declined due to volume reductions in commercial space activities and as a result of the absence in 2001 of \$50 million in favorable adjustments recorded on the Titan IV program discussed in more detail below. These decreases were partially offset by increases in volume on ground systems and military and government satellite programs.

Space Systems pro forma EBIT increased by four percent and decreased by four percent for the quarter and nine months ended September 30, 2001, respectively, from the comparable 2000 periods. During the quarter, increased pro forma EBIT associated with a favorable commercial launch vehicle mix comparison between quarters and increased pro forma EBIT on various other space segment activities were partially offset by a \$45 million loss provision taken during the quarter. This loss provision was recorded in connection with a lower of cost or market inventory assessment of the Atlas line of commercial launch vehicles.

For the nine months ended September 30, 2001, the majority of the decrease in pro forma EBIT is attributable to the combined effects of several adjustments recorded in 2001 and 2000 on certain commercial space and government launch vehicle programs. Notably, the aforementioned loss provision taken during the third quarter of 2001 accounted for a \$45 million decline in pro forma EBIT. Pro forma EBIT was also negatively impacted by the absence in 2001 of favorable adjustments recorded in the second quarter of 2000 as a result of improved performance and contract modifications on the Titan IV program, which increased sales and pro forma EBIT by \$50 million. Further contributing to the 2001 decline in pro forma EBIT was a \$40 million loss provision recorded in the second quarter of 2001 as a result of an assessment of the continued market and pricing pressures affecting an earlier generation of commercial launch vehicles. Additional declines in pro forma EBIT resulted from the net impact of a \$40 million loss provision recorded in the first quarter of 2001 on certain commercial satellite contracts related to schedule and technical issues partially offset by the absence in 2001 of a \$35 million adjustment recorded on the Atlas program during the first quarter of 2000. The declines mentioned above partially offset increased pro forma EBIT resulting from improved performance on government launch vehicle programs, the impact of the volume increases on ground systems and military and government satellite programs discussed above, as well as from various other space segment activities.

In both 2001 and 2000, the nonrecurring and unusual items were comprised of gains associated with the sales of surplus real estate.

#### Aeronautical Systems

	\$Millions			
	3rd Quarter		Year-to-Date	
	2001	2000	2001	2000
Net sales	\$1,449	\$1,038	\$3,362	\$3,327
EBIT	\$117	\$77	\$285	\$245
Margin	8.1%	7.4%	8.5%	7.4%

Net sales for the Aeronautics segment increased by 40 percent and by one percent for the quarter and nine months ended September 30, 2001, respectively, from the comparable 2000 periods. During the quarter, the majority of the increase in net sales was attributable to increased development activities related to international F-16 fighter aircraft programs and initial ramp-up on F-22 fighter aircraft production. Additionally, net sales increased as a result of greater volume in support activities for the F-16 and C-130 aircraft as well as on other tactical fighter aircraft programs. The remaining increase in net sales was attributable to a change in the aircraft deliveries

from the comparable 2000 period with six F-16's and five C-130J's delivered in 2001 as contrasted with eight F-16's and four C-130J's delivered in the prior year. For the nine-month period, as with the quarter, the majority of the increase in net sales was attributable to increased development activities related to international F-16 programs and the initial ramp-up on F-22 production. Volume increases in F-16 and C-130 support activities also contributed to the growth in net sales. These increases were partially offset by declines in net sales resulting from 16 fewer F-16 deliveries in 2001, down from the 34 delivered in 2000, and nine fewer C-130J's, down from the 14 delivered in 2000.

Aeronautics EBIT for the quarter and year-to-date periods increased by 52 percent and 16 percent respectively, when compared to the same periods of 2000. The reduction in EBIT from the decline in F-16 deliveries for both the three and nine month periods was more than offset by increased EBIT from F-16 support activities and other Aeronautics programs. The net change in C-130J deliveries did not impact EBIT for the comparative periods due to the previously reported suspension of earnings recognition on the program.

#### Technology Services

	\$Millions			
	3rd Quarter		Year-to-Date	
	2001	2000	2001	2000
Net sales	\$626	\$566	\$1,706	\$1,629
EBIT as reported	\$47	\$18	\$120	\$80
Pre-tax impact of nonrecurring and unusual items	\$0	\$28	\$0	\$34
Pro forma EBIT	\$47	\$46	\$120	\$114
Pro forma margin	7.5%	8.1%	7.0%	7.0%

Net sales of the Technology Services segment increased by 11 percent for the third quarter of 2001 and five percent for the year-to-date period, when compared to the same periods of 2000. However, excluding the sales attributable to Lockheed Martin Energy Technologies and Retech, two business units which were divested in January 2001, net sales would have increased 15 percent quarter-over-quarter and nine percent year-over-year. The increase in net sales for both periods was primarily attributable to volume increases associated with the segment's government information technology and aircraft & logistics programs. This growth was somewhat offset by lower net sales volume associated with the segment's energy-related contracts.

Pro forma EBIT for the segment increased by two percent and five percent for the three and nine months ended September 30, 2001, respectively, from the comparable 2000 periods. Excluding the pro forma EBIT from the divested businesses, pro forma EBIT for the quarter and year-to-date period would have increased three percent and five percent, respectively. The volume increases in the program areas previously discussed accounted for the net increase in pro forma EBIT for both periods.

In 2000, the nonrecurring and unusual items were related to portfolio shaping activities.

#### Global Telecommunications

	\$Millions			
	3rd Quarter		Year-to-Date	
	2001	2000	2001	2000
Net sales	\$291	\$214	\$790	\$498
EBIT as reported	(\$21)	(\$23)	(\$180)	(\$81)
Pre-tax impact of nonrecurring and unusual items	\$0	\$0	\$100	\$0
Pro forma EBIT	(\$21)	(\$23)	(\$80)	(\$81)

Net sales of the Global Telecommunications segment increased by \$77 million and \$292 million for the three and nine months ended September 30, 2001, respectively, from the comparable 2000 periods. The increase for both periods was primarily due to the inclusion of the net sales of COMSAT Corporation (COMSAT) in the Global Telecommunications segment beginning August 1, 2000. The segment's enterprise solutions, satellite services, and systems & technology businesses, which include operations acquired in the COMSAT transaction, on a combined basis accounted for \$74 million and \$340 million of the quarter and nine month period increases, respectively. The increase in net sales for the nine-month period was partially offset by the absence in 2001 of \$65 million in net sales associated with the recognition of revenue on a Proton launch vehicle, which successfully launched the ACeS 1 satellite in the first quarter of 2000.

Global Telecommunications pro forma loss was slightly lower for the quarter and nine month periods ended September 30, 2001 when compared to the same 2000 periods. Increases in satellite services EBIT were offset by losses experienced in enterprise solutions' international operations when comparing the three and nine month periods. Other operational improvements and the absence in 2001 of a \$15 million charge related to information outsourcing contracts recorded in the third quarter of 2000, negated the increase in the amortization of goodwill from the COMSAT acquisition.

The 2001 nonrecurring item represents the charge related to the impairment of the Corporation's investment in Americom Asia-Pacific.

#### Corporate and Other

	\$Millions			
	3rd Quarter 2001	2000	Year-to-Date 2001	2000
Net sales	\$63	\$177	\$373	\$458
EBIT as reported	\$117	\$4	\$169	(\$100)
Pre-tax impact of nonrecurring and unusual items	(\$110)	\$0	(\$110)	\$109
Pro forma EBIT	\$7	\$4	\$59	\$9

Net sales of the Corporate and Other segment decreased by 64 percent and 19 percent, respectively, for the quarter and nine months ended September 30, 2001, from the comparable 2000 periods, primarily as a result of the sale of IMS.

Pro forma EBIT of the Corporate and Other segment increased by \$3 million as compared to the third quarter of 2000 and by \$50 million for the nine months ended September 30, 2001, versus the respective 2000 periods. Adjusting for the pro forma EBIT attributable to the divested IMS business, pro forma EBIT for the quarter and nine months ended September 30, 2001, would have increased by \$16 million and \$34 million, respectively, from the year-ago periods. These increases are primarily the result of increased interest income associated with the Corporation's higher cash balances during 2001 as compared to 2000.

In 2001 the nonrecurring and unusual items included the IMS divestiture, the impairment of the Corporation's investment in Loral Space and other portfolio shaping activities. In 2000, the nonrecurring and unusual items included the charge associated with Globalstar, as well as the favorable adjustment related to a previously recorded charge on the shutdown of CalComp operations.

#### Achievements

- \* Lockheed Martin's employees have generously contributed nearly \$1 million to the Corporation's "American Spirit Fund" in support of the victims of the September 11, 2001 terrorist attacks.
- \* Received Defense Acquisition Board (DAB) approval for the F-22 to enter production and was awarded an \$868 million Low Rate Initial Production (LRIP) contract to complete acquisition of 10 Lot 1 aircraft.
- \* Won a U.S. Air Force competition for the service's Advanced Targeting Pod program, with a potential value of \$843 million.
- \* Received, through the MEADS International joint venture, a \$216 million NATO contract to advance the trinational Medium Extended Air Defense System (MEADS) program to the risk reduction effort phase.
- \* Completed successful X-35B STOVL testing in the Joint Strike Fighter program and submitted the Lockheed Martin team's final JSF proposal.
- \* Titan IV B31 successfully launched a DSP satellite to orbit.
- \* Delivered six F-16 aircraft.
- \* Received Israel's signed Letter of Offer and Acceptance (LOA) for the purchase of 52 additional F-16s, which are expected to be under contract by the end of 2001.
- \* Received a contract for 10 additional F-16 aircraft for Greece.

\* Completed KC-130J tanker testing and delivered five tankers to the U.S. Marine Corps.

\* Completed development testing and evaluation, including paratroop and airdrop tests, of the C-130J-30 airlifter for the U.S. Air Force.

\* The Genesis spacecraft was successfully launched.

Web site: <http://www.lockheedmartin.com>

Conference call: Lockheed Martin will webcast the earnings conference call (listen-only mode) at 11 a.m. E.S.T. on October 26, 2001. A live audio broadcast will be available on the Investor Relations page of the company's web site at <http://www.lockheedmartin.com/investor> or <http://www.streetevents.com/>. An on-demand replay of the webcast will be available following the call and will continue for the following 30 days.

#### SAFE HARBOR

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. 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.

Our actual financial results will likely be different from those projected due to the inherent nature of projections and may be better or worse than projected. Given these uncertainties, you should not rely on forward-looking statements. 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 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 2000 Form 10-K and other more recent filings with the Securities and Exchange Commission (<http://www.sec.gov/>), the following factors could affect our forward-looking statements: our ability to achieve or quantify savings for our customers or ourselves through our 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 both domestically and internationally; changes in government or customer priorities due to program reviews or revisions to strategic objectives (including changes in priorities to respond to recent terrorist threats or to improve homeland protection); difficulties in developing and producing operationally advanced technology systems; the competitive environment; economic business and political conditions domestically and internationally (including economic disruption caused by recent terrorist threats); program performance and the timing of contract payments; the timing and customer acceptance of product deliveries and launches; and the outcome of contingencies (including completion of any acquisitions and divestitures, litigation and environmental remediation efforts). Realization of the value of the Corporation's investments in equity securities (including Astrolink International, LLC, Inmarsat, Ltd., Intelsat, Ltd., Loral Space & Communications, Ltd., and Space Imaging LLC) may be affected by the investee's ability to obtain adequate funding and execute its business plan, general market conditions, industry considerations specific to the investee's business, and/or other factors. The inability of an investee to obtain future funding or successfully execute its business plan could adversely affect our earnings in the periods affected by those events. These are only some of the numerous factors that may affect the forward-looking statements contained in this press release.

LOCKHEED MARTIN CORPORATION  
Consolidated Results  
Preliminary and Unaudited  
(In millions, except per share data and percentages)

QUARTER ENDED SEPTEMBER 30,  
2001    2000    % Change

Net Sales	\$6,384	\$5,960	7 %
Earnings (Loss) before Interest and Taxes	\$580	(\$26)	2,331 %
Interest Expense	\$172	\$229	(25)%
Pre-tax Earnings (Loss)	\$408	(\$255)	260 %
Income Taxes	\$159	\$449	(65)%
Effective Tax Rate	39%	N/M	N/M
Earnings (Loss) Before Extraordinary Item	\$249	(\$704)	135 %
Extraordinary Loss (1)	(\$36)	-	N/M
Net Earnings (Loss)	\$213	(\$704)	130 %
Basic Earnings (Loss) Per Share:			
Earnings (Loss) before Extraordinary Item	\$0.58	(\$1.74)	133 %
Extraordinary Loss (1)	(\$0.08)	-	N/M
Earnings (Loss) Per Share	\$0.50	(\$1.74)	129 %
Average Basic Shares Outstanding	428.0	405.6	
Diluted Earnings (Loss) Per Share:			
Earnings (Loss) before Extraordinary Item	\$0.57	(\$1.74)	133 %
Extraordinary Loss (1)	(\$0.08)	-	N/M
Earnings (Loss) Per Share	\$0.49	(\$1.74)	128 %
Average Diluted Shares Outstanding	433.2	405.6 (2)	

(1) During the third quarter, the Corporation recorded an extraordinary loss associated with the early retirement of \$175 million of 7% deep discount debentures due in 2011.

(2) Due to antidilution, basic shares are utilized as diluted shares.

LOCKHEED MARTIN CORPORATION  
Consolidated Results  
Preliminary and Unaudited  
(In millions, except per share data and percentages)

	YEAR TO DATE SEPTEMBER 30,		
	2001	2000	% Change
Net Sales	\$17,355	\$17,734	(2)%
Earnings (Loss) before Interest and Taxes	\$1,371	\$625	119 %
Interest Expense	\$549	\$676	(19)%
Pre-tax Earnings (Loss)	\$822	(\$51)	1,712 %
Income Taxes	\$324	\$557	(42)%
Effective Tax Rate	39%	N/M	N/M
Earnings (Loss) Before Extraordinary Item	\$498	(\$608)	182 %
Extraordinary Loss (1)	(\$36)	-	N/M
Net Earnings (Loss)	\$462	(\$608)	176 %



Basic Earnings (Loss) Per Share:

Earnings (Loss) before			
Extraordinary Item	\$1.17	(\$1.54)	176 %
Extraordinary Loss (1)	(\$0.08)	-	N/M
Earnings (Loss) Per Share	\$1.09	(\$1.54)	171 %

Average Basic Shares Outstanding 425.7 394.1

Diluted Earnings (Loss) Per Share:

Earnings (Loss) before			
Extraordinary Item	\$1.15	(\$1.54)	175 %
Extraordinary Loss (1)	(\$0.08)	-	N/M
Earnings (Loss) Per Share	\$1.07	(\$1.54)	169 %

Average Diluted Shares Outstanding 430.3 394.1 (2)

(1) During the third quarter, the Corporation recorded an extraordinary loss associated with the early retirement of \$175 million of 7% deep discount debentures due in 2011.

(2) Due to antidilution, basic shares are utilized as diluted shares.

LOCKHEED MARTIN CORPORATION  
Segment Results Including Nonrecurring and Unusual Items  
Preliminary and Unaudited  
(In millions, except percentages)

QUARTER ENDED			YEAR TO DATE		
SEPTEMBER 30,			SEPTEMBER 30,		
2001	2000	%Change	2001	2000	%Change

Systems Integration (1)

Net Sales	\$2,237	\$2,325	(4)%	\$6,282	\$6,730	(7)%
Segment EBIT	\$203	(\$215)	194 %	\$570	\$155	268 %
Margins	9.1%	(9.2%)		9.1%	2.3%	
Amortization of Goodwill and Contract Intangibles	\$54	\$59		\$165	\$195	
Depreciation and Amortization	\$37	\$42		\$108	\$146	

Space Systems

Net Sales	\$1,718	\$1,640	5 %	\$4,842	\$5,092	(5)%
Segment EBIT	\$117	\$113	4 %	\$407	\$326	25 %
Margins	6.8%	6.9%		8.4%	6.4%	
Amortization of Goodwill and Contract Intangibles	\$14	\$14		\$42	\$42	
Depreciation and Amortization	\$39	\$37		\$101	\$104	

Aeronautics

Net Sales	\$1,449	\$1,038	40 %	\$3,362	\$3,327	1 %
Segment EBIT	\$117	\$77	52 %	\$285	\$245	16 %
Margins	8.1%	7.4%		8.5%	7.4%	
Amortization of Goodwill and Contract Intangibles	\$20	\$20		\$60	\$60	
Depreciation and Amortization	\$21	\$22		\$61	\$65	

Technology Services (2)

Net Sales	\$626	\$566	11 %	\$1,706	\$1,629	5 %
Segment EBIT	\$47	\$18	161 %	\$120	\$80	50 %
Margins	7.5%	3.2%		7.0%	4.9%	
Amortization of Goodwill and Contract Intangibles	\$5	\$5		\$13	\$14	
Depreciation and Amortization	\$5	\$3		\$12	\$11	

Global Telecommunications (3)

Net Sales	\$291	\$214	36 %	\$790	\$498	59 %
-----------	-------	-------	------	-------	-------	------

Segment EBIT	(\$21)	(\$23)	N/M %	(\$180)	(\$81)	N/M %
Margins	N/M	N/M		N/M	N/M	
Amortization of Goodwill and Contract Intangibles	\$18	\$15		\$54	\$30	
Depreciation and Amortization	\$19	\$17		\$57	\$28	

Corporate and Other (4)

Net Sales	\$63	\$177	(64)%	\$373	\$458	(19)%
Segment EBIT	\$117	\$4	N/M %	\$169	(\$100)	N/M %
Margins	N/M	N/M		N/M	N/M	
Amortization of Goodwill and Contract Intangibles	\$1	-		\$2	\$1	
Depreciation and Amortization	\$6	\$10		\$23	\$28	

(1) 2000 results include the operations of the Control Systems and Aerospace Electronic Systems businesses, which were divested in September and November of 2000, respectively.

(2) 2000 results include the operations of the LM Energy Technologies and Retech businesses, which were divested in January 2001.

(3) Global Telecommunications reflects the operations of Lockheed Martin Global Telecommunications (LMGT), which includes COMSAT and Integrated Business Solutions (IBS). Prior to the third quarter of 2000, operations of both LMGT and IBS were included in the Corporate and Other business segment.

(4) 2001 results include the operations of IMS Corporation through its divestiture in July 2001.

LOCKHEED MARTIN CORPORATION  
Segment Results Excluding Nonrecurring and Unusual Items  
Preliminary and Unaudited  
(In millions, except percentages)

	QUARTER ENDED			YEAR TO DATE		
	SEPTEMBER 30,	2000	%Change	SEPTEMBER 30,	2000	%Change
Systems Integration (1)						
Net Sales	\$2,237	\$2,325	(4)%	\$6,282	\$6,730	(7)%
Segment EBIT	\$203	\$240	(15)%	\$570	\$610	(7)%
Margins	9.1%	10.3%		9.1%	9.1%	
Amortization of Goodwill and Contract Intangibles	\$54	\$59		\$165	\$195	
Depreciation and Amortization	\$37	\$42		\$108	\$146	
Space Systems						
Net Sales	\$1,718	\$1,640	5 %	\$4,842	\$5,092	(5)%
Segment EBIT	\$117	\$113	4 %	\$296	\$309	(4)%
Margins	6.8%	6.9%		6.1%	6.1%	
Amortization of Goodwill and Contract Intangibles	\$14	\$14		\$42	\$42	
Depreciation and Amortization	\$39	\$37		\$101	\$104	
Aeronautics						
Net Sales	\$1,449	\$1,038	40 %	\$3,362	\$3,327	1 %
Segment EBIT	\$117	\$77	52 %	\$285	\$245	16 %
Margins	8.1%	7.4%		8.5%	7.4%	
Amortization of Goodwill and Contract Intangibles	\$20	\$20		\$60	\$60	
Depreciation and Amortization	\$21	\$22		\$61	\$65	
Technology Services (2)						
Net Sales	\$626	\$566	11 %	\$1,706	\$1,629	5 %
Segment EBIT	\$47	\$46	2 %	\$120	\$114	5 %

Margins	7.5%	8.1%		7.0%	7.0%
Amortization of Goodwill and Contract Intangibles	\$5	\$5		\$13	\$14
Depreciation and Amortization	\$5	\$3		\$12	\$11
Global Telecommunications (3)					
Net Sales	\$291	\$214	36 %	\$790	\$498 59 %
Segment EBIT	(\$21)	(\$23)	N/M %	(\$80)	(\$81) N/M %
Margins	N/M	N/M		N/M	N/M
Amortization of Goodwill and Contract Intangibles	\$18	\$15		\$54	\$30
Depreciation and Amortization	\$19	\$17		\$57	\$28
Corporate and Other (4)					
Net Sales	\$63	\$177	(64)%	\$373	\$458 (19)%
Segment EBIT	\$7	\$4	N/M %	\$59	\$9 N/M %
Margins	N/M	N/M		N/M	N/M
Amortization of Goodwill and Contract Intangibles	\$1	-		\$2	\$1
Depreciation and Amortization	\$6	\$10		\$23	\$28

(1) 2000 results include the operations of the Control Systems and Aerospace Electronic Systems businesses, which were divested in September and November of 2000, respectively.

(2) 2000 results include the operations of the LM Energy Technologies and Retech businesses which were divested in January 2001.

(3) Global Telecommunications reflects the operations of Lockheed Martin Global Telecommunications (LMGT), which includes COMSAT and Integrated Business Solutions (IBS). Prior to the third quarter of 2000, operations of both LMGT and IBS were included in the Corporate and Other business segment.

(4) 2001 results include the operations of IMS Corporation through its divestiture in July 2001.

LOCKHEED MARTIN CORPORATION  
Reconciliation of Pro Forma Net Earnings (1)

Preliminary and Unaudited

(In millions, except per share amounts and percentages)

	QUARTER ENDED		YEAR TO DATE	
	SEPTEMBER 30,		SEPTEMBER 30,	
	2001	2000	2001	2000
Net Earnings (Loss) - As Reported	\$213	(\$704)	\$462	(\$608)
Gain on IMS Divestiture	(309)	-	(309)	-
Loss on Loral Space Investment	235	-	235	-
Gain on Sales of Surplus Real Estate	-	(3)	(72)	(13)
Loss on Americom Asia-Pacific Investment	-	-	65	-
Loss on Early Extinguishment of Debt (Extraordinary Item)	36	-	36	-
Loss on AES Divestiture	-	980	-	980
Tax Gain on Control Systems Divestiture	-	(180)	-	(180)
Loss on Globalstar Guarantee	-	-	-	91
Effect of Reversal of Calcomp Charge	-	-	-	(21)
Net Loss on Divestitures and Other	3	22	3	26
Pro Forma Net Earnings	\$178	\$115	\$420	\$275
Pro Forma Effective Tax Rate	40.0%	49.3%	40.0%	48.0%
Diluted Earnings (Loss) Per Share - As Reported (2)	\$0.49	(\$1.74)	\$1.07	(\$1.54)

Gain on IMS Divestiture	(0.71)	-	(0.72)	-
Loss on Loral Space Investment	0.54	-	0.55	-
Gain on Sales of Surplus Real Estate	-	(0.01)	(0.17)	(0.03)
Loss on Americom Asia-Pacific Investment	-	-	0.15	-
Loss on Early Extinguishment of Debt (Extraordinary Item)	0.08	-	0.08	-
Loss on AES Divestiture	-	2.42	-	2.49
Tax Gain on Control Systems Divestiture	-	(0.44)	-	(0.46)
Loss on Globalstar Guarantee	-	-	-	0.23
Effect of Reversal of Calcomp Charge	-	-	-	(0.05)
Net Loss on Divestitures and Other	0.01	0.05	0.01	0.06
Pro Forma Diluted Earnings Per Share	\$0.41	\$0.28	\$0.97	\$0.70

(1) Excludes nonrecurring and unusual items.

(2) Due to the impact that the issuance of Lockheed Martin shares in the merger with COMSAT had on the weighted average number of shares outstanding used in computing earnings per share, the earnings per share effects of individual transactions may be different for the quarter versus the nine months ended September 30, 2000.

#### LOCKHEED MARTIN CORPORATION

##### Other Financial Information

##### Preliminary and Unaudited

(In millions, except per share amounts and percentages)

	QUARTER ENDED		YEAR TO DATE	
	SEPTEMBER 30,		SEPTEMBER 30,	
	2001	2000	2001	2000
Pro Forma EBIT	\$470	\$457	\$1,250	\$1,206
Pro Forma EBIT to Sales Margin	7.4%	7.7%	7.2%	6.8%
Amortization of Goodwill and Contract Intangibles	\$112	\$113	\$336	\$342
Depreciation and Amortization	\$127	\$131	\$362	\$382
Pro Forma EBITDA	\$709	\$701	\$1,948	\$1,930

	SEPTEMBER 30, 2001	DECEMBER 31, 2000
Backlog		
Systems Integration	\$15,576	\$16,706
Space Systems	13,790	14,976
Aeronautics	17,237	17,570
Technology Services	3,993	4,371
Global Telecommunications	853	1,625
Corporate and Other	6	1,176
Total	\$51,455	\$56,424
Debt		
Long-term (including current maturities)	\$7,716	\$9,947
Short-term	-	\$12
Total	\$7,716	\$9,959
Cash and Cash Equivalents	\$1,801	\$1,505
Stockholders' Equity	\$7,832	\$7,160
Total Debt-to-Capital	49.6%	58.2%
Total Debt-to-Capital (net of invested cash)	43.0%	54.1%

Consolidated Condensed Balance Sheet  
Preliminary and Unaudited  
(In millions)

	SEPTEMBER 30, 2001	DECEMBER 31, 2000
Assets		
Cash and cash equivalents	\$1,801	\$1,505
Accounts receivable	3,785	4,195
Inventories	3,337	3,825
Other current assets	1,585	1,734
 Total current assets	 10,508	 11,259
Property, plant and equipment	3,264	3,446
Goodwill and other intangible assets	9,596	9,943
Other noncurrent assets	5,998	5,701
 Total assets	 \$29,366	 \$30,349
Liabilities and Stockholders' Equity		
Short-term borrowings	\$ -	\$12
Other accrued expenses	9,740	9,281
Current portion of long-term debt	77	882
 Total current liabilities	 9,817	 10,175
Long-term debt	7,639	9,065
Post-retirement and other noncurrent liabilities	4,078	3,949
Stockholders' equity	7,832	7,160
 Total liabilities and stockholders' equity	 \$29,366	 \$30,349

LOCKHEED MARTIN CORPORATION  
Consolidated Condensed Statement of Cash Flows  
Preliminary and Unaudited  
(In millions)

	YEAR TO DATE SEPTEMBER 30, 2001	2000
Operating Activities		
Earnings (loss) before extraordinary item	\$498	\$(608)
Adjustments to reconcile earnings (loss) before extraordinary item to net cash provided by operating activities:		
Depreciation and amortization	698	724
Changes in operating assets and liabilities	998	1,629
 Net cash provided by operating activities	 2,194	 1,745
Investing Activities		
Expenditures for property, plant & equipment	(312)	(283)
Sale of IMS	825	-
Sale of Control Systems	-	510
Sale of shares in Inmarsat	-	164
Other	(89)	(12)
 Net cash provided by investing activities	 424	 379
Financing Activities		
Net decrease in short-term borrowings	(12)	(475)
Net repayments of debt	(2,289)	(40)

Issuance of common stock	123	6
Common stock dividends	(144)	(132)
Net cash used for financing activities	(2,322)	(641)
Net increase in cash and cash equivalents	296	1,483
Cash and cash equivalents at beginning of period	1,505	455
Cash and cash equivalents at end of period	\$1,801	\$1,938

LOCKHEED MARTIN CORPORATION  
Operating Data

	QUARTER ENDED SEPTEMBER 30,		YEAR TO DATE SEPTEMBER 30,	
	2001	2000	2001	2000
Deliveries				
F-16	6	8	18	34
C-130J	5	4	5	14
Launches				
Atlas	2	1	3	6
Proton	-	1	2	3
Athena	1	-	1	-
Titan II	-	1	-	1
Titan IV	1	1	2	2

MAKE YOUR OPINION COUNT - Click Here

<http://tbutton.prnewswire.com/prn/11690X55123105>

SOURCE: Lockheed Martin

Website: <http://www.lockheedmartin.com/>

Company News On-Call: <http://www.prnewswire.com/gh/cnoc/comp/534163.html>

---

<https://news.lockheedmartin.com/2001-10-26-Lockheed-Martin-Reports-Third-Quarter-Earnings-Per-Share-of-0-49-Vs-Net-Loss-of-1-74-Per-Share-in-2000>