Lockheed Martin Reports A 37% Increase In 2001 Pro Forma Earnings Per Share From Continuing Operations To $1.60

PRNewswire

Reported 2001 Earnings Per Share From Continuing Operations of $0.18
Including $1.42 of Nonrecurring and Unusual Losses

Generates Record Free Cash Flow of $2.0 Billion and Reduces Debt
By $2.4 Billion for the Year

Expects 2002 Earnings Per Share From Continuing Operations of $2.45 - $2.50,

With Sales Growth of 5 - 7 Percent

BETHESDA, Md., Jan. 25 /PRNewswire-FirstCall/ -- Lockheed Martin Corporation today reported 2001 earnings from continuing operations of $0.18 per share, compared to a 2000 loss from continuing operations of $0.95 per share. Nonrecurring and unusual items reduced 2001 and 2000 earnings per share from continuing operations by $1.42 and $2.12 respectively. Excluding the aforementioned items, earnings from continuing operations would have been $1.60 per share for 2001 and $1.17 per share for 2000.

The Corporation generated a record $2 billion in free cash flow for the full year after using $368 million of free cash flow in the fourth quarter of 2001. This performance reflects continued working capital improvements driven by inventory reduction as well as a net increase in customer advances. Free cash flow for 2002 is expected to be at least $1 billion and at least $1.6 billion for the two years 2002 and 2003 due to a projected decrease in customer advances, increases in tax payments and reduced proceeds from surplus real estate sales.

The Corporation reduced debt by $2.4 billion for 2001 and $4.4 billion since year-end 1999. The net debt to capitalization ratio (net debt is defined as total debt less invested cash) was 50.6 percent at the end of 2001, down from 54.1 percent at year-end 2000.

"Our achievements in 2001 reflect an unrelenting focus on customer satisfaction, cash generation and debt reduction," said Vance Coffman Lockheed Martin Chairman and CEO. "This strong emphasis produced a record 98 percent mission success rate, a record award fee rating of 95 percent, and a record backlog of more than $70 billion which includes winning the Joint Strike Fighter competition. Our strategy now is transitioning to disciplined growth in our core businesses as we continue to adjust to changing market conditions. At the same time, we will retain our strong commitment to outstanding operational performance, customer satisfaction and the maximization of cash flow."

CONSOLIDATED RESULTS

	4th Quarter		Year Ended	
	2001	2000	2001	2000
GAAP Earnings (Loss) Per Share				
Continuing Operations	($0.34)	$0.50	$0.18	($0.95)
Discontinued Operations	(3.15)	(0.06)	(2.52)	(0.10)
Extraordinary Items	0	(0.23)	(0.08)	(0.24)
Net Earnings (Loss) Per Share	($3.49)	$0.21	($2.42)	($1.29)
Pro Forma Earnings (Loss) Per Share				
Continuing Operations (GAAP)	($0.34)	$0.50	$0.18	($0.95)
Nonrecurring and Unusual				

Items in Continuing Operations	0.89	(0.06)	1.42	2.12
Pro Forma Earnings from Continuing Operations	0.55	0.44	1.60	1.17
Net Operating Loss from Discontinued Operations	(0.06)	(0.06)	(0.14)	(0.10)
Pro Forma Earnings Per Share	$0.49	$0.38	$1.46	$1.07

The Corporation posted a net loss of $2.42 per share in 2001 versus a net loss of $1.29 per share in 2000 including the impact of discontinued operations and extraordinary items. Results in 2001 included a loss of $2.52 per share related to discontinued operations and a charge of $0.08 per share related to early extinguishment of debt. Results for 2000 included a loss from discontinued operations of $0.10 per share and an extraordinary charge of $0.24 per share related to an early extinguishment of debt.

For the fourth quarter of 2001, the Corporation incurred a loss from continuing operations of $0.34 per share, compared to fourth quarter 2000 earnings from continuing operations of $0.50 per share. Fourth quarter 2001 results from continuing operations were reduced by $384 million, or $0.89 per share, for the effects of certain nonrecurring and unusual items primarily associated with the previously disclosed write-down of the Corporation's investment in Astrolink International LLC and charges associated with the exit from the Global Telecommunications services business. Excluding nonrecurring and unusual items, fourth quarter 2001 earnings from continuing operations would have been $0.55 per share compared to $0.44 per share in 2000. Nonrecurring and unusual items increased fourth quarter 2000 results from continuing operations by $27 million, or $0.06 per share.

Including the impact of discontinued operations and an extraordinary item, the Corporation posted a net loss of $3.49 per share in the fourth quarter of 2001 versus net earnings of $0.21 per share in the fourth quarter of 2000. Fourth quarter 2001 results included a discontinued operations loss of $3.15 per share related to the Corporation's exit from the Global Telecommunications services business including a charge of approximately $1.3 billion, or $3.09 per share, for the loss on disposal due principally to goodwill. Fourth quarter 2000 results included a loss from discontinued operations of $0.06 per share and an extraordinary charge of $0.23 per share related to an early extinguishment of debt. As required, previously reported periods have been reclassified to reflect the impact of discontinued operations.

Net sales for both the fourth quarter of 2001 and the fourth quarter of 2000 were $7.3 billion. Adjusting for acquisitions and divestitures, sales increased 3 percent for the comparative quarters. Sales for the year 2001 were $24 billion compared with 2000 sales of $24.5 billion. Adjusting for acquisitions and divestitures, sales were unchanged in 2001 as compared to 2000.

Effective January 1, 2002, the Corporation adopted Statement of Financial Accounting Standards No. 142, "Accounting for Goodwill and Other Intangible Assets". The new FASB standard eliminates the amortization of goodwill and requires an annual review for impairment. The Corporation will not recognize a goodwill impairment charge upon the adoption of FASB No. 142. Had the standard been implemented at the beginning of 2001, after-tax results for that year would have increased by $240 million, or approximately $0.55 per share. The resulting effective tax rate for 2001 recurring operations would have been 32 percent.

The Corporation expects 2002 recurring earnings per share from continuing operations of $2.45 - $2.50 of which 15 -25 percent is estimated in each of the first two quarters. The 2002 earnings projection is based, among other factors, upon an assumed tax rate of 31 percent, an increase of about $240 million after-tax (approximately $0.55 per share) for SFAS 142, and an assumed decline to zero of non-cash retirement plan income compared to $200 million pre-tax income in 2001. The 2002 projection includes approximately $80 million of after-tax non-cash amortization expense of intangibles.

Earnings per share from continuing operations in 2003 are expected to grow around 10 percent from the 2002 base. The earnings projection assumes an effective tax rate of 32 percent in 2003 and a pre-tax non-cash retirement plan expense of approximately $200 to $300 million.

Net sales for the year 2002 are anticipated to be between $25.0 - $25.8 billion of which 15 -25 percent is estimated in each of the first two quarters. Sales for the year 2003 are anticipated to be between $26.4 - $27.4 billion.

The Corporation's backlog at year-end 2001 was a record $71.3 billion compared to the year-end 2000 backlog of $55.1 billion, a 29 percent increase. The Corporation recorded a total of approximately $40.1 billion in orders including nearly $19 billion for the F-35 (Joint Strike Fighter) System Design and Development (SDD) phase.

FOURTH QUARTER AND YEAR 2001 DETAILED REVIEW

Continuing Operations

Net sales for both the fourth quarter of 2001 and 2000 were $7.3 billion. Net sales for the year ended December 31, 2001 were $24 billion versus $24.5 billion for the same period of 2000, a decline of 2 percent. Excluding the effects of acquisitions and divestitures, sales for the quarter would have increased 3 percent, and were unchanged for the year ended December 31, 2001 from the comparable 2000 period.

The loss from continuing operations for the fourth quarter of 2001 was $146 million, or $0.34 per share, compared to income from continuing operations of $214 million, or $0.50 per share in 2000. The loss from continuing operations for the fourth quarter of 2001 included an after-tax nonrecurring and unusual charge of $384 million, or $0.89 per share, related to the write-down of the investment in Astrolink International and associated costs, impairment of certain telecommunications equity investments, severance and facility costs associated with the realigned Global Telecommunications businesses subsequently described. Nonrecurring and unusual items in the fourth quarter of 2000 resulted in a net gain of $27 million.

For 2001, income from continuing operations was $79 million or $0.18 per share compared to a loss for 2000 from continuing operations of $382 million or $0.95 per share. In addition to the nonrecurring and unusual items recorded in the fourth quarter, after-tax earnings from continuing operations for 2001 included: a $235 million charge related to the Corporation's investment in Loral Space & Communications LTD (Loral Space), a $72 million gain from the sale of surplus real estate, a $65 million charge associated with the impairment of the Corporation's investment in Americom Asia-Pacific and a $3 million loss for other activities. The combination of these nonrecurring and unusual items reduced 2001 earnings from continuing operations by $615 million, or $1.42 per share. Nonrecurring and unusual items recorded in 2000 reduced earnings per share from continuing operations by $856 million, or $2.12 per share.

Excluding the impact of the nonrecurring and unusual items, earnings from continuing operations were $694 million or $1.60 per share for 2001 and $474 million or $1.17 per share for the prior year.

Interest expense of $151 million and $700 million for the quarter and year ended December 31, 2001, respectively, was $92 million and $219 million lower than the comparable periods in 2000 as a result of the reduction in the Corporation's debt portfolio.

Exit From Global Telecommunications Services

On December 7, 2001, the Corporation announced its plans to exit the Global Telecommunications services business. The plan included the sale of certain Lockheed Martin Global Telecommunications (LMGT) businesses and the realignment of other LMGT businesses and telecommunications equity investments to other Lockheed Martin business units, as follows:

Businesses held for sale -- Satellite Services (World Systems, Mobile Communications and Lockheed Martin Intersputnik) and Enterprise Solutions - International. These businesses are now reported in discontinued operations. (The sale of Mobile Communications closed January 11, 2002).

Realignments include:

* LMGT's Systems & Technology line of business and COMSAT General telecommunications business to the Space Systems segment.

* LMGT's Enterprise Solutions - US commercial information technology business to the Technology Services segment.

* LMGT's telecommunications equity investments - INTELSAT, Inmarsat, New Skies, N.V., ACeS International, Americom Asia-Pacific and Astrolink International to the Corporate and Other segment.

The operations and costs of disposing the businesses held for sale are reported in discontinued operations. Also as required, the operations of the former Lockheed Martin IMS Corporation, including the gain on its sale, is reported in discontinued operations and amounts reported in earlier periods have been reclassified to reflect these businesses as discontinued operations.

Discontinued Operations

	4th Quarter		Year Ended	
	2001	2000	2001	2000
Discontinued Operations:				
Results of Operations	($0.06)	($0.06)	($0.14)	($0.10)
Loss on Disposal	(3.09)	0	(2.38)	0
Loss Per Share	($3.15)	($0.06)	($2.52)	($0.10)

The losses from discontinued operations were $1.4 billion or $3.15 per share and $30 million or $0.06 per share, for the fourth quarters of 2001 and 2000, respectively. For 2001, the loss from discontinued operations was $1.1 billion or $2.52 per share, and for 2000 was $42 million or $0.10 per share.

In the fourth quarter, the Corporation recorded a nonrecurring and unusual after-tax charge of $1.3 billion or $3.09 per share in discontinued operations as a result of its decision to exit the Global Telecommunications services business. The charge included $1.2 billion for the write-down of goodwill, a $100 million charge for the impairment of assets in the businesses held for sale, and severance and facility costs associated with the exit plan. The 2001 results also include an after-tax gain of $309 million or $0.71 per share from the third quarter 2001 sale of Lockheed Martin IMS Corporation.

The operating results for the businesses reported in discontinued operations were net losses of $26 million or $0.06 per share for the fourth quarter of 2001 and $30 million or $0.06 per share for 2000. For the year-to-date periods, the 2001 operating loss from discontinued operations was $62 million or $0.14 per share and for 2000 was $42 million or $0.10 per share.

The Corporation projects the operating loss from discontinued operations for 2002 to be approximately $0.10 per share. In making this projection, management cannot predict when a potential divestiture will take place or the amount of proceeds that ultimately will be realized. The estimated operating losses will be affected by the timing and sequence of divestitures.

Net Earnings (Loss)

For the fourth quarters of 2001 and 2000, the Corporation's net loss was $1.5 billion or $3.49 per share and net earnings of $89 million or $0.21 per share, respectively. For the year, the net loss was $1 billion or $2.42 per share in 2001 and a net loss of $519 million or $1.29 per share for 2000.

The net results also included extraordinary charges for early retirements of debt of $36 million or $0.08 per share and $95 million or $0.24 per share for 2001 and 2000, respectively.

SEGMENT RESULTS:

Systems Integration
($ millions)

	4th Quarter		Year Ended	
	2001	2000	2001	2000
Net sales	$2,732	$2,917	$9,014	$9,647
EBIT as reported	266	428	836	583
Pre-tax impact of nonrecurring and unusual items	0	(151)	0	304
Pro forma EBIT	$266	$277	$836	$887
Pro forma margin	9.7%	9.5%	9.3%	9.2%

Net sales for the Systems Integration segment declined by 6 percent for the quarter and 7 percent for the year ended December 31, 2001 from the comparable 2000 periods. Sales would have decreased 1 percent for the fourth quarter and increased 4 percent for the year ended December 31, 2001 from the comparable year-ago periods had 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, been excluded from the comparisons. The decrease in sales for the fourth quarter of 2001 is attributable to volume declines in the platform integration and distribution technology lines of business at Owego. These decreases were partially offset by increases in volume in the segment's Naval Electronic and Surveillance Systems and C4I product lines. The increase in sales for the year 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 at Owego.

Earnings before interest & taxes excluding nonrecurring and unusual items (pro forma EBIT) for the segment decreased by 4 percent for the quarter and 6 percent for the year from the comparable 2000 periods. Pro forma EBIT for the quarter would have increased by 9 percent and increased by 6 percent for the year ended December 31, 2001, from the year-ago periods had the divested Aerospace Electronic Systems and Controls Systems businesses, as well as the PLV transfer, been excluded from the comparisons. For the quarter, the fluctuation is primarily attributable to the timing of operational milestones. For the year, the increase was primarily attributable to the changes in volumes previously discussed.

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

Space Systems
($ millions)

	4th Quarter		Year Ended	
	2001	2000	2001	2000
Net sales	$1,813	$2,081	$6,836	$7,339
EBIT as reported	(9)	94	405	401
Pre-tax impact of nonrecurring and unusual items	114	(8)	3	(25)
Pro forma EBIT	$105	$86	$408	$376
Pro forma margin	5.8%	4.1%	6.0%	5.1%

Net sales for the Space Systems segment decreased by 13 percent for the fourth quarter and by 7 percent for the year from the comparable 2000 periods. The fourth quarter decrease in sales from the comparable 2000 period is attributable to a reduced volume in commercial space activities, primarily due to fewer commercial launches and decreased volume on commercial satellites, and lower production activities on government launch vehicles, that were partially offset by increases in volume on government satellite programs and ground systems. The decrease in sales for 2001 was due to volume reductions in commercial space activities, reduced volume of government launch vehicle activity, primarily due to program maturities, and the absence in 2001 of $50 million in favorable adjustments recorded on the Titan IV program. These reductions were partially offset by increases in volume on government satellite programs and ground systems.

Space Systems pro forma EBIT increased by 22 percent for the quarter and by 9 percent for the year from the comparable 2000 periods. For the quarter, pro forma EBIT increased due to the effect of $50 million in favorable contract adjustments on certain launch vehicle contracts and the positive impact of government satellite programs and other space segment activities, which were partially offset by the earnings impact of the volume declines discussed above. Adding to the impact of volume declines in commercial space programs was the net impact of a $61 million loss provision taken during the quarter for market and pricing pressures that was partially offset by the effect of a similar $50 million provision taken in the fourth quarter of 2000.

The 2001 pro forma EBIT increased from 2000 due to the volume increases and improved performance in ground systems, government satellite programs and other space segment activities. These increases were partially offset by losses on commercial launch vehicle business which included $60 million in higher charges for market and pricing pressures when compared to 2000 and a $40 million loss provision recorded in the first quarter of 2001 for certain commercial satellite contracts related to schedule and technical issues. Additionally, pro forma EBIT was negatively impacted by the lower production activities for government launch vehicles.

In both 2001 and 2000, the nonrecurring and unusual items included gains associated with the sales of surplus real estate. Additionally, in the fourth quarter of 2001 the segment recorded a nonrecurring and unusual charge for certain satellite venture obligations, fixed asset impairments, and facility and severance costs associated with the LMGT businesses assigned to the space segment.

Aeronautics
($ millions)

	4th Quarter		Year Ended	
	2001	2000	2001	2000
Net sales	$1,993	$1,558	$5,355	$4,885
EBIT	$131	$98	$416	$343
Margin	6.6%	6.3%	7.8%	7.0%

Net sales for the Aeronautics segment increased by 28 percent for the quarter and by 10 percent for the year from the comparable 2000 periods. The majority of the increase in sales for the quarter was attributable to the delivery of 10 C-130J's in 2001 as contrasted with 6 C-130J deliveries in the prior year. Additionally, sales increased due to a higher volume of F-22 production activities. These increases were partially offset by a decline in other combat aircraft sales. For the year, the majority of the increase in net sales was attributable to F-22 programs, primarily due to the initial ramp up on production, and increased development activities related to international F-16 programs. Volume increases in F-16 and C-130 support activities also contributed to the growth in sales. These increases were partially offset by declines in sales resulting from 17 fewer F-16 deliveries in 2001, down from the 41 delivered in 2000, and 5 fewer C-130J's, down from the 20 delivered in 2000.

Aeronautics EBIT increased by 34 percent for the quarter and 21 percent for the year when compared to the same periods of 2000. For the quarter, the increase in EBIT is primarily the result of continued favorable performance on F-16 and other Aeronautics programs as well as increased volume on F-22 production activities. For the year, the increase in EBIT is due to improved performance on the F-22 program and development activities on international F-16 programs partially offset by a decline in F-16 deliveries. 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)

	4th Quarter		Year Ended	
	2001	2000	2001	2000
Net sales	$791	$780	$2,763	$2,649
EBIT as reported	30	40	130	82
Pre-tax impact of nonrecurring and unusual items	0	0	0	34
Pro forma EBIT	$30	$40	$130	$116
Pro forma margin	3.8%	5.1%	4.7%	4.4%

Net sales for the Technology Services segment increased by 1 percent for the fourth quarter of 2001 and 4 percent for the year when compared to the same periods of 2000. Excluding the sales attributable to Lockheed Martin Energy Technologies and Retech, two business units that were divested in 2000, and the acquisition of OAO Corporation, which was acquired in December of 2001, sales would have increased 2 percent for the quarter and 7 percent for the year. For the quarter, the increase in sales was primarily attributable to a volume increase associated with the segment's government information technology programs that was partially offset by declines in volume on commercial information technology programs. The commercial information technology lines of business were transferred into the segment as part of the LMGT realignment. For the year, the increase in sales is primarily due to increased volume on the segment's government information technology and aircraft and logistics programs. This growth was somewhat offset by lower sales volume associated with the segment's energy-related contracts.

Pro forma EBIT for the segment decreased by 25 percent for the quarter and increased by 12 percent for the year when compared to the same periods of 2000. Absent the earnings from the divested and acquired businesses, pro forma EBIT decreased 27 percent and increased 11 percent for the quarter and year, respectively. For the quarter, the decrease is attributable to a charge associated with the transfer of the commercial information technology line of business which was previously reported under LMGT. The increase in pro forma EBIT for the year is mainly due to the volume increases previously discussed.

Corporate and Other
($ millions)

	4th Quarter	Year Ended

	2001	2000	2001	2000
EBIT as reported	($461)	($47)	($899)	($158)
Pre-tax impact of nonrecurring and unusual items	449	117	915	226
Pro forma EBIT	($12)	$70	$16	$68

Net sales of the Corporate and Other segment were minimal due to the divestiture of IMS, which was treated as a discontinued operation.

Pro forma EBIT for the Corporate and Other segment decreased by $82 million as compared to the fourth quarter of 2000 and by $52 million for the year ended December 31, 2001, versus the respective 2000 period. For the quarter, the decrease is primarily the result of lower interest income and an increase in miscellaneous corporate expenses primarily in stock-based compensation costs. For the year, the decrease results primarily from a decline in equity earnings from investments and an increase in miscellaneous corporate expenses including stock-based compensation costs.

In 2001 the nonrecurring and unusual items included the impairment of the Corporation's investment in Loral Space, the write down of the Corporation's investment in Astrolink and the impairment of other telecommunication equity investments, including Americom Asia-Pacific. In 2000, the nonrecurring and unusual items included the charge associated with Globalstar, the impairment of the ACeS investment, as well as the favorable adjustment related to a previously recorded charge on the shutdown of CalComp operations.

Fourth Quarter 2001

* Awarded Joint Strike Fighter System Development and Demonstration (SDD) contract valued at nearly $19 billion to produce 22 pre-production aircraft.

* Completed acquisition of OAO Corporation.

* Awarded contract valued at $1.3 billion for 52 F-16I aircraft for Israel thereby increasing F-16 backlog to 301 and extending production to end of 2008.

* Received approval for the Joint Air-to-Surface Standoff Missile (JASSM) to enter Low-Rate Initial Production.

* Completed Patriot Advanced Capability-3 (PAC-3) Missile developmental testing.

* Awarded a contract with TRW Space & Electronics for up to $2.7 billion to begin the SDD phase of Advanced Extremely High Frequency Program.

* Delivered 10 C-130J transport aircraft and 6 F-16 fighter aircraft.

* Won contract to design and build the Mars Reconnaissance Orbiter, scheduled for launch in 2005.

* Won two U.S. Postal Service contracts, with a combined value in excess of $100 million, to further speed automated mail processing.

* Delivered to the U.S. Navy the oceanographic research vessel Kilo Moana, the first ship for which a systems integrator, rather than a shipyard, served as prime contractor.

* Launched 1 Atlas IIAS launch vehicle and 1 Titan IVB launch vehicle.

* Completed the RD-180 engine test program for the Atlas V rockets.

* Successfully placed the 2001 Mars Odyssey spacecraft into orbit around Mars.

* Successfully placed the Genesis spacecraft in orbit around the L-1 point between the sun and earth.

Web site: www.lockheedmartin.com

Conference call: Lockheed Martin will webcast the earnings conference call (listen-only mode) at 11 a.m. E.S.T. on January 25, 2002. A live audio broadcast will be available on the Investor Relations page of the company's web site at http://www.lockheedmartin.com/investor . An on-demand replay of the webcast will be available following the call and will continue for 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 "anticipates," "expects," "plans," "projects," "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 the occurrence of subsequent events, changed circumstances or changes in our expectations.

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 acts or to improve homeland security); 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 acts); program performance and the timing of contract payments; the timing and customer acceptance of product deliveries and launches; the level of returns on pension and retirement plans, and the outcome of contingencies (including completion of any acquisitions and divestitures, litigation and environmental remediation efforts). Our ability to monetize assets or businesses placed in discontinued operations will depend upon market and economic conditions, negotiation of acceptable terms with prospective purchasers and other factors, and may require receipt of regulatory or governmental approvals. Realization of the value of the Corporation's investments in equity securities, or related equity earnings for a given period, may be affected by the investee's ability to obtain adequate funding and execute its business plan, general market conditions, industry considerations specific to the investee's business, and/or other factors. 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 DECEMBER 31,		YEAR ENDED DECEMBER 31,	
	2001	2000	2001	2000
Net Sales	$7,334	$7,315	$23,990	$24,541
Earnings (Loss) before Interest and Taxes	($43)	$613	$888	$1,251
Interest Expense	$151	$243	$700	$919
Pre-tax Earnings (Loss)	($194)	$370	$188	$332
Income Tax Expense (Benefit)	($48)	$156	$109	$714
Effective Tax Rate	(25.0)%	42%	58%	N/M

Earnings (Loss) from Continuing Operations before Extraordinary Item	($146)	$214	$79	($382)
Loss from Discontinued Operations (1)	($1,362)	($30)	($1,089)	($42)
Extraordinary Loss (2)	-	($95)	($36)	($95)
Net Earnings (Loss)	($1,508)	$89	($1,046)	($519)
Basic Earnings (Loss) Per Share:				
Earnings (Loss) before Extraordinary Item	($0.34)	$0.51	$0.18	($0.95)
Loss from Discontinued Operations (1)	(3.15)	(0.07)	(2.55)	(0.10)
Extraordinary Loss (2)	-	(0.23)	(0.08)	(0.24)
Earnings (Loss) Per Share	($3.49)	$0.21	($2.45)	($1.29)
Average Basic Shares Outstanding	432.4	421.0	427.4	400.8
Diluted Earnings (Loss) Per Share:				
Earnings (Loss) before Extraordinary Item	($0.34)	$0.50	$0.18	($0.95)
Loss from Discontinued Operations 1	(3.15)	(0.06)	(2.52)	(0.10)
Extraordinary Loss 2	-	(0.23)	(0.08)	(0.24)
Earnings (Loss) Per Share	($3.49)	$0.21	($2.42)	($1.29)
Average Diluted Shares Outstanding	432.4(3)	425.2	432.5	400.8(3)

(1) On December 7, 2001, the Corporation announced that it would exit its global telecommunications services business. Includes discontinued operations of LMGT (Satellite Services - World Systems, Mobile Communications and Lockheed Martin Intersputnik; and Enterprise Solutions - International) and Lockheed Martin IMS Corporation.

(2) During the third quarter of 2001, the Corporation recorded an extraordinary charge associated with the retirement of approximately $175 million of 7% deep discount debentures due in 2011. During the fourth quarter of 2000, the Corporation recorded an extraordinary charge associated with the repurchase of approximately $1.9 billion in principal amount of the debt securities included in the Corporation's November 2000 tender offers.

(3) 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 DECEMBER 31,			YEAR ENDED DECEMBER 31,		
	2001	2000	% Change	2001	2000	% Change
Systems Integration (1)						
Net Sales	$2,732	$2,917	(6)%	$9,014	$9,647	(7)%
Segment EBIT	$266	$428	(38)%	$836	$583	43 %
Margins	9.7%	14.7%		9.3%	6.0%	
Amortization of Goodwill	$42	$29		$170	$193	
Amortization of Contract Intangibles	$13	$21		$50	$52	
Depreciation and Amortization	$41	$37		$149	$183	
Space Systems (2)						
Net Sales	$1,813	$2,081	(13)%	$6,836	$7,339	(7)%
Segment EBIT	($9)	$94	(110)%	$405	$401	1 %

	Q 2001	Q 2000	% Change	Year 2001	Year 2000	% Change
Margins	N/M	4.5%		5.9%	5.5%	
Amortization of Goodwill	$10	$10		$38	$38	
Amortization of Contract Intangibles	$4	$4		$18	$18	
Depreciation and Amortization	$44	$48		$147	$152	
Aeronautics						
Net Sales	$1,993	$1,558	28 %	$5,355	$4,885	10 %
Segment EBIT	$131	$98	34 %	$416	$343	21 %
Margins	6.6%	6.3%		7.8%	7.0%	
Amortization of Contract Intangibles (3)	$21	$21		$81	$81	
Depreciation and Amortization	$23	$23		$84	$88	
Technology Services (2),(4)						
Net Sales	$791	$780	1 %	$2,763	$2,649	4 %
Segment EBIT	$30	$40	(25)%	$130	$82	59 %
Margins	3.8%	5.1%		4.7%	3.1%	
Amortization of Goodwill	$3	$3		$12	$13	
Amortization of Contract Intangibles	$1	$1		$5	$5	
Depreciation and Amortization	$8	$4		$22	$15	
Corporate and Other (2)						
Segment EBIT	($461)	($47)	N/M	($899)	($158)	N/M
Amortization of Goodwill	$6	-		$24	$23	
Depreciation and Amortization	$6	$4		$23	$26	

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

(2) On December 7, 2001, the Corporation announced that it would exit its global telecommunications services business. The Corporation reassigned LMGT's System and Technology line of business, and COMSAT General business with the Space segment, LMGT's Enterprise Solutions - US with the Technology Services segment and LMGT's telecommunications equity investments to the Corporate and Other segment.

(3) Aeronautics amortization of contract intangibles will be $51 million in 2002 following the Corporation's adoption of SFAS No. 142, "Accounting for Goodwill and Other Intangible Assets" on January 1, 2002.

(4) 2000 results include the operations of the LM Energy Technologies and Retech businesses which were divested in January 2001.

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

	QUARTER ENDED DECEMBER 31, 2001	2000	% Change	YEAR ENDED DECEMBER 31, 2001	2000	% Change
Systems Integration (1)						
Net Sales	$2,732	$2,917	(6)%	$9,014	$9,647	(7)%
Segment EBIT	$266	$277	(4)%	$836	$887	(6)%
Margins	9.7%	9.5%		9.3%	9.2%	
Amortization of Goodwill	$42	$29		$170	$193	
Amortization of Contract Intangibles	$13	$21		$50	$52	
Depreciation and Amortization	$41	$37		$149	$183	

Space Systems (2)						
Net Sales	$1,813	$2,081	(13)%	$6,836	$7,339	(7)%
Segment EBIT	$105	$86	22 %	$408	$376	9 %
Margins	5.8%	4.1%		6.0%	5.1%	
Amortization of Goodwill	$10	$10		$38	$38	
Amortization of Contract Intangibles	$4	$4		$18	$18	
Depreciation and Amortization	$44	$48		$147	$152	
Aeronautics						
Net Sales	$1,993	$1,558	28 %	$5,355	$4,885	10 %
Segment EBIT	$131	$98	34 %	$416	$343	21 %
Margins	6.6%	6.3%		7.8%	7.0%	
Amortization of Contract Intangibles (3)	$21	$21		$81	$81	
Depreciation and Amortization	$23	$23		$84	$88	
Technology Services (2),(4)						
Net Sales	$791	$780	1 %	$2,763	$2,649	4 %
Segment EBIT	$30	$40	(25)%	$130	$116	12 %
Margins	3.8%	5.1%		4.7%	4.4%	
Amortization of Goodwill	$3	$3		$12	$13	
Amortization of Contract Intangibles	$1	$1		$5	$5	
Depreciation and Amortization	$8	$4		$22	$15	
Corporate and Other (2)						
Segment EBIT	($12)	$70	N/M	$16	$68	N/M
Amortization of Goodwill	$6	-		$24	$23	
Depreciation and Amortization	$6	$4		$23	$26	

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

(2) On December 7, 2001, the Corporation announced that it would exit its global telecommunications services business. The Corporation reassigned LMGT's System and Technology line of business, and COMSAT General business with the Space segment, LMGT's Enterprise Solutions - US with the Technology Services segment and LMGT's telecommunications equity investments to the Corporate and Other segment.

(3) Aeronautics amortization of contract intangibles will be $51 million in 2002 following the Corporation's adoption of SFAS No. 142, "Accounting for Goodwill and Other Intangible Assets" on January 1, 2002.

(4) 2000 results include the operations of the LM Energy Technologies and Retech businesses which were divested in January 2001.

LOCKHEED MARTIN CORPORATION
Reconciliation of Pro Forma Earnings (1)
Preliminary and Unaudited
(In millions, except per share amounts and percentages)

	QUARTER ENDED DECEMBER 31,		YEAR ENDED DECEMBER 31,	
	2001	2000	2001	2000
Earnings (Loss) from Continuing Operations	($146)	$214	$79	($382)
Nonrecurring and Unusual Items in Continuing Operations				
Loss on Astrolink Investment	267	-	267	-
Loss from exiting from Global				

Telecommunications services business	117	-	117	-
Loss on Loral Space Investment	-	-	235	-
(Gain) on Sales of Surplus Real Estate	-	(6)	(72)	(19)
Loss on Americom Asia-Pacific Investment	-	-	65	-
(Gain) Loss on AES Divestiture	-	(102)	-	878
(Gain) on Control Systems Divestiture	-	-	-	(180)
Loss on ACeS Investment	-	77	-	77
Loss on Globalstar Guarantee	-	-	-	91
Effect of Reversal of Calcomp Charge	-	-	-	(21)
Net Loss on Divestitures and Other	-	4	3	30
Total	384	(27)	615	856
Pro Forma Earnings from Continuing Operations	238	187	694	474
Net Operating Loss from Discontinued Operations (2)	(26)	(30)	(62)	(42)
Pro Forma Earnings (1)	$212	$157	$632	$432
Pro Forma Effective Tax Rate	40%	47%	40%	48%
Earnings (Loss) Per Share from Continuing Operations	($0.34)	$0.50	$0.18	($0.95)
Nonrecurring and Unusual Items in Continuing Operations				
Loss on Astrolink Investment	0.62	-	0.62	-
Loss from exiting from Global Telecommunications services business	0.27	-	0.27	-
Loss on Loral Space Investment	-	-	0.54	-
(Gain) on Sales of Surplus Real Estate	-	(0.01)	(0.17)	(0.05)
Loss on Americom Asia-Pacific Investment	-	-	0.15	-
(Gain) Loss on AES Divestiture	-	(0.24)	-	2.18
(Gain) on Control Systems Divestiture	-	-	-	(0.45)
Loss on ACeS Investment	-	0.18	-	0.19
Loss on Globalstar Guarantee	-	-	-	0.23
Effect of Reversal of Calcomp Charge	-	-	-	(0.05)
Net Loss on Divestitures and Other	-	0.01	0.01	0.07
Total	0.89	(0.06)	1.42	2.12
Pro Forma Earnings Per Share from Continuing Operations	0.55	0.44	1.60	1.17
Net Operating Loss Per Share from Discontinued Operations (2)	(0.06)	(0.06)	(0.14)	(0.10)
Pro Forma Earnings Per Share (1)	$0.49	$0.38	$1.46	$1.07

(1) Excludes nonrecurring and unusual items.

(2) Includes discontinued operations of LMGT (Satellite Services - World Systems, Mobile Communications and Lockheed Martin Intersputnik; and Enterprise Solutions - International) and Lockheed Martin IMS Corporation

LOCKHEED MARTIN CORPORATION
Other Financial Information
Preliminary and Unaudited
(In millions, except per share amounts and percentages)

	QUARTER ENDED DECEMBER 31,	YEAR ENDED DECEMBER 31,

	2001	2000	2001	2000
Pro Forma EBIT	$520	$571	$1,806	$1,790
Pro Forma EBIT to Sales Margin	7.1%	7.8%	7.5%	7.3%
Amortization of Goodwill	$61	$42	$244	$267
Amortization of Contract Intangibles	$39	$47	$154	$156
Depreciation and Amortization	$122	$116	$425	$464
Pro Forma EBITDA	$742	$776	$2,629	$2,677

	DECEMBER 31,	
	2001	2000
Backlog		
Systems Integration	$17,027	$16,706
Space Systems	12,977	15,505
Aeronautics	36,149	17,570
Technology Services	5,116	5,295
Total	$71,269	$55,076
Debt		
Long-term (including current maturities)	$7,511	$9,947
Short-term	-	12
Total	$7,511	$9,959
Cash and Cash Equivalents	$912	$1,505
Stockholders' Equity	$6,443	$7,160
Total Debt-to-Capital	53.8%	58.2%
Total Debt-to-Capital (net of invested cash)	50.6%	54.1%

LOCKHEED MARTIN CORPORATION
Consolidated Condensed Balance Sheet
Preliminary and Unaudited
(In millions)

	DECEMBER 31,	
	2001	2000
Assets		
Cash and cash equivalents	$ 912	$ 1,505
Accounts receivable	4,049	3,986
Inventories	3,136	3,805
Assets held for sale	584	2,325
Other current assets	2,041	1,687
Total current assets	10,722	13,308
Property, plant and equipment	2,991	2,941
Goodwill	7,371	7,479
Other intangible assets	939	1,073
Other noncurrent assets	5,541	5,594
Total assets	$ 27,564	$ 30,395
Liabilities and Stockholders' Equity		
Short-term borrowings	$ -	$ 12
Other accrued expenses	9,132	8,941
Liabilities held for sale	366	467
Current portion of long-term debt	89	882
Total current liabilities	9,587	10,302
Long-term debt	7,422	9,065
Post-retirement and other noncurrent liabilities	4,112	3,868
Stockholders' equity	6,443	7,160
Total liabilities and stockholders' equity	$ 27,564	$ 30,395

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

	YEAR ENDED DECEMBER 31,	
	2001	2000
Operating Activities		
Earnings (loss) from continuing operations before extraordinary item	$79	$(382)
Adjustments to reconcile earnings (loss) from continuing operations before extraordinary item to net cash provided by operating activities:		
Depreciation and amortization	942	968
Discontinued operations	(119)	(81)
Continuing operations	823	887
Other (including discontinued operations)	849	1,453
Net cash provided by continuing and discontinued operations	1,751	1,958
Investing Activities		
Expenditures for property, plant & equipment	(619)	(500)
Discontinued operations	74	58
Continuing operations	(545)	(442)
Sale of IMS	829	-
AES Transaction	-	1,670
Sale of Control Systems	-	510
Sale of shares in Inmarsat	-	164
Other	(71)	(82)
Net cash provided by investing activities	213	1,820
Financing Activities		
Net cash used for financing activities	(2,557)	(2,728)
Net (decrease) increase in cash and cash equivalents	(593)	1,050
Cash and cash equivalents at beginning of period	1,505	455
Cash and cash equivalents at end of period	$912	$1,505

LOCKHEED MARTIN CORPORATION
Reconciliation of Performance Free Cash Flow
Preliminary and Unaudited
(In millions)

	YEAR ENDED DECEMBER 31,	
	2001	2000
Net cash provided by continuing and discontinued operating activities	$1,751	$1,958
Expenditures for property, plant and equipment	(545)	(442)
Proceeds from disposals of property, plant and equipment	140	102
Income taxes paid on divested businesses	655	187
Performance Free Cash Flow	$2,001	$1,805

LOCKHEED MARTIN CORPORATION

Operating Data

	QUARTER ENDED DECEMBER 31,		YEAR ENDED DECEMBER 31,	
	2001	2000	2001	2000
Deliveries				
F-16	6	7	24	41
C-130J	10	6	15	20
Launches				
Atlas	1	2	4	8
Proton	-	3	2	6
Athena	-	-	1	-
Titan II	-	-	-	1
Titan IV	1	-	3	2

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