Lockheed Martin Reports Second Quarter 2002 Earnings Per Share From Continuing Operations Of $0.78, Which Includes A One-Time Research And Development Tax Credit Of $0.20 Per Share

PRNewswire

* Raises Outlook for Earnings Per Share From Continuing Operations To $2.50 - $2.55 in 2002 and $2.75 - $2.85 in 2003

* Increases Sales Guidance; Expects Range of $25.4 - $26.0 Billion In 2002 and $27.0 - $28.0 Billion in 2003

* Improves Two-Year Combined Free Cash Flow Guidance to at Least $2.0 Billion

BETHESDA, Md., July 18 /PRNewswire-FirstCall/ -- Lockheed Martin Corporation today reported second quarter 2002 earnings from continuing operations of $0.78 per diluted share, compared to second quarter 2001 earnings from continuing operations of $0.34 per diluted share. The Corporation settled a research and development (R&D) tax credit claim for $90 million which increased second quarter 2002 earnings from continuing operations by $0.20 per share. Excluding the impact of the tax credit, second quarter 2002 earnings per share from continuing operations would have been $0.58 compared to $0.49 per share for the second quarter of 2001 after adjusting last year's results for the impact of adopting SFAS No. 142. Including discontinued operations, the Corporation reported net earnings of $0.75 in the second quarter of 2002 versus net earnings of $0.33 per share in the second quarter of 2001. There were no nonrecurring and unusual items in the business segments during the second quarter of 2002 or 2001.

The Corporation increased its 2002 earnings per share from continuing operations outlook to $2.50 - $2.55 from the previous outlook of $2.45 - $2.50. The Corporation estimates the quarterly distribution of earnings per share from continuing operations to be approximately 25 percent for the third quarter and 30 - 35 percent for the fourth quarter. The 2002 earnings projection excludes the one-time impact of the R&D tax credit benefit of $0.20 per share and is based, among other factors, upon an assumed tax rate of 31 percent. The outlook for earnings from continuing operations for 2003 has also been increased and is now expected to be between $2.75 - $2.85 from the previous outlook of $2.70 - $2.75. The 2003 earnings projection assumes an effective tax rate of 32 percent.

The Corporation generated $974 million in free cash flow in the second quarter of 2002 and $1.3 billion of free cash flow year-to-date. Free cash flow is defined as cash provided by operating activities less capital expenditures and excludes any proceeds from, or income tax payments on, divestitures. The Corporation increased its free cash flow outlook to at least $1.3 billion from at least $1.0 billion for the year 2002 and to at least $2.0 billion from at least $1.6 billion over the two-year period 2002 - 2003.

"We continued to build positive momentum during the first half of the year as we met or exceeded our operational and financial performance objectives. As a result, we increased the Corporation's sales, earnings and cash flow outlook," said Chairman and Chief Executive Officer Vance Coffman. "Our focus on providing best value and service to our customers is evidenced by our continued mission success record, higher award fees and overall program performance."

Net sales for the second quarter of 2002 were $6.3 billion, an 11 percent increase over the second quarter 2001 sales of $5.7 billion. Year-to-date sales increased by 17 percent to $12.3 billion. Forecasted sales for the year 2002 have been increased to between $25.4 - $26.0 billion, from the prior outlook of $25.0 - $25.8 billion. Sales distribution is projected to be 23 - 25 percent in the third quarter and 25 - 30 percent in the fourth quarter of the new annual sales forecast. Forecasted sales for the year 2003 have been increased to between $27.0 - $28.0 billion from the prior outlook of

$26.4 - $27.4 billion.

The Corporation's backlog at the end of the second quarter of 2002 was $71.9 billion. Backlog at year-end 2001 was $71.3 billion and was $73.8 billion at the end of the first quarter of 2002. For the six months ended June 30, 2002, the Corporation recorded a total of approximately $13.0 billion in orders including: the U.S. Coast Guard's Deepwater modernization program, two TSA Airport Security contracts, C-5 Reliability Enhancements and Reengining Program (RERP), F-22 Lot 2 production, five new C-130J's, three commercial launch vehicles, the third PAC-3 Low Rate Initial Production (LRIP) order, follow on orders for Fleet Ballistic Missiles and the THAAD program, and various government IT programs.

The net debt to capitalization ratio (net debt is defined as total debt less invested cash) was 40.4 percent at the end of the second quarter, down from 50.6 percent at year-end 2001.

CONSOLIDATED RESULTS

	2nd Quarter		Year-to-Date	
	2002	2001	2002	200
GAAP Earnings (Loss) Per Share				
Continuing Operations	$0.78	$0.34	$1.28	$0.64
Discontinued Operations	(0.03)	(0.01)	(0.04)	(0.06)
Net Earnings Per Share	$0.75	$0.33	$1.24	$0.58
Adjusted Earnings Per Share				
Continuing Operations (GAAP)	$0.78	$0.34	$1.28	$0.64
Less: Benefit of R&D tax credit	(0.20)	0.00	(0.20)	0.00
Nonrecurring and Unusual Items in Continuing Operations	0.00	0.00	0.00	(0.02)
Add: Impact of SFAS 142 adoption	N/A	0.15	N/A	0.27
Adjusted Earnings from Continuing Operations	$0.58	$0.49	$1.08	$0.89

SECOND QUARTER AND YEAR-TO-DATE DETAILED REVIEW

Continuing Operations

Net sales for the second quarter of 2002 were $6.3 billion, an 11 percent increase over second quarter 2001 sales of $5.7 billion. Net sales for the first six months of 2002 were $12.3 billion, a 17 percent increase over the $10.4 billion sales recorded in the comparable 2001 period.

Earnings from continuing operations for the second quarter of 2002 were $351 million, or $0.78 per share, compared to $150 million, or $0.34 per share, reported in the second quarter of 2001. Earnings from continuing operations for the second quarter of 2002 included the one-time impact of an R&D tax credit which increased 2002 earnings from continuing operations by $90 million, or $0.20 per share. There were no other nonrecurring and unusual items recorded in the second quarter of 2002 or 2001.

Earnings from continuing operations for the six months ended June 30, 2002 were $575 million, or $1.28 per share, which included the aforementioned R&D tax credit. Earnings from continuing operations for the six months ended June 30, 2001 were $276 million, or $0.64 per share, and included the after-tax impact of two nonrecurring and unusual items, which increased 2001 earnings from continuing operations by $7 million, or $0.02 per share.

Interest expense of $145 million and $293 million for the quarter and six months ended June 30, 2002, respectively, was lower by $35 million and $84 million than the comparable periods in 2001 primarily as a result of the reduction in the Corporation's debt.

Discontinued Operations

On December 7, 2001, the Corporation announced its plans to sell certain of its Global Telecommunications services businesses and realign the other LMGT businesses and equity investments to other Lockheed Martin business units. The results of operations of the businesses held for sale are reported in discontinued operations. On March 18, 2002, the Corporation announced the sale of its World Systems business and on May 30, 2002 announced the sale of its COMSAT International business. The pending sales are subject to regulatory approval and customary closing conditions, and it is expected that these transactions will be completed by year-end. No gains or losses are expected to be recognized on these sales.

The operating results for the businesses reported in discontinued operations were net losses of $12 million or $0.03 per share for the second quarter of 2002 and $6 million or $0.01 per share for 2001. For the six month periods, the net loss from discontinued operations was $18 million or $0.04 per share for 2002 and $27 million or $0.06 per share for 2001.

Net Earnings

For the second quarters of 2002 and 2001, the Corporation's net earnings were $339 million or $0.75 per share and $144 million or $0.33 per share, respectively. For the six month periods, the net earnings were $557 million or $1.24 per share in 2002 and $249 million or $0.58 per share for 2001.

SEGMENT RESULTS

To enhance the comparability and discussion of the Corporation's continuing operations, the Corporation now reflects all goodwill amortization for periods prior to January 1, 2002 in the Corporate and Other segment since such amortization ceased with the adoption of SFAS No. 142. The effect of extending Aeronautics' contract intangible asset related to the F-16 program is also reflected in the Corporate and Other segment. As a result of these changes, 2001 earnings before interest and taxes (EBIT) for all segments has been adjusted for the adoption of this Statement. In addition, as disclosed in the 2001 Annual Report, retirement plan income (SFAS 87 and SFAS 106) is allocated to the segments and has declined from 2001 due to a decrease in pension income (SFAS 87) which negatively affects margins over comparable periods.

Systems Integration
($ millions)

	2nd Quarter		Year-to-Date	
	2002	2001	2002	2001
Net Sales	$2,245	$2,165	$4,333	$4,045
EBIT	$235	$236	$454	$452
Margin	10.5%	10.9%	10.5%	11.2%

Net sales for the Systems Integration segment increased by four percent and seven percent for the quarter and six months ended June 30, 2002, respectively, from the comparable 2001 periods. The increases for both periods were due primarily to volume increases in the segment's Missiles & Fire Control and Naval Electronics and Surveillance Systems lines of business. These increases were partially offset by lower volume in the segment's Systems Integration-Owego line of business.

EBIT for the quarter and year-to-date periods in 2002 remained unchanged from the respective periods of the prior year. During the second quarter, increased EBIT at Missiles & Fire Control was offset by declines at Owego and Naval Electronics and Surveillance Systems. For the six month period, increases in Missiles & Fire Control were offset by decreases at Owego. While net sales increased in both periods, margins were also reduced by the decline in volume on mature production programs and by higher volume on development programs.

Space Systems
($ millions)

	2nd Quarter		Year-to-Date	
	2002	2001	2002	2001
Net Sales	$1,783	$1,808	$3,653	$3,230
EBIT	$122	$116	$244	$314
Nonrecurring and unusual items	0	0	0	(111)
Adjusted EBIT	$122	$116	$244	$203
Adjusted Margin	6.8%	6.4%	6.7%	6.3%

Net sales for the Space Systems segment declined by one percent for the quarter and increased by 13 percent for the six months ended June 30, 2002, from the comparable 2001 periods. The second quarter decreases in commercial space programs more than offset increases in government space programs. The decrease in commercial space is primarily attributable to a reduction in launch vehicle activities, with one commercial launch in the current quarter compared to three in the second quarter of 2001. The increase in government space is mainly due to higher volumes on government satellite development programs and ground systems activities partially offset by declines in volume on government launch vehicle programs.

The increase in net sales for the six months ended June 30, 2002 resulted from higher volumes in both commercial space programs and government space programs. The increase in commercial space is primarily attributable to higher launch vehicle activities, with four commercial launches in the first six months of 2002 compared to three during the comparable 2001 period. In government space programs, increases in government satellite and ground system activities more than offset declines in volume on government launch vehicle programs.

Adjusted EBIT (excluding nonrecurring and unusual items) increased five percent and 20 percent for the quarter and six months ended June 30, 2002, respectively, from the comparable 2001 periods. For the quarter, commercial space losses declined compared to the prior year primarily due to commercial satellite programs. Reduced volume on government launch vehicle programs and lower margins on government satellite development programs contributed to the decrease in EBIT for government space programs. In both periods, EBIT included the adverse effects of adjustments recorded to reflect the continued industry-wide oversupply and further deterioration of pricing in the commercial launch market. As a result, in the second quarter of 2002 EBIT was reduced by approximately $35 million, net of favorable contract adjustments of $20 million. Adjustments of approximately $40 million were recorded in the comparable 2001 period.

The increase in adjusted EBIT for the six months ended June 30, 2002 is primarily attributable to reduced losses in commercial space that more than offset lower EBIT in government space programs. Commercial satellite losses declined due to the timing of satellite deliveries and the absence of a $40 million loss provision recorded in the first quarter of 2001 on certain commercial satellite contracts. There was also one additional launch in the first six months of 2002 as compared to the respective period in 2001. In each period, comparable adjustments for market and pricing pressures were recorded as a result of the continuing overcapacity in the commercial launch vehicle market. As in the quarter, the 2002 year-to-date decrease in government space is primarily due to the reduced volume on government launch vehicle programs and lower margins on government satellite development programs.

In 2001, the nonrecurring and unusual item was related to the sale of surplus real estate.

Aeronautics
($ millions)

	2nd Quarter		Year-to-Date	
	2002	2001	2002	2001
Net Sales	$1,547	$1,058	$2,881	$1,913
EBIT	$127	$96	$234	$183
Margin	8.2%	9.1%	8.1%	9.6%

Net sales for the Aeronautics segment increased by 46 percent and 51 percent for the quarter and six months ended June 30, 2002, respectively, from the comparable 2001 periods. The increase in sales of both periods is the result of increased deliveries of C-130J's, initial ramp-up of F-35 (Joint Strike Fighter) System Development & Demonstration activities and higher volumes on F-16, F-22 and other combat aircraft programs. In the second quarter 2002, there were three C-130J deliveries as contrasted with no deliveries in the respective 2001 period. On a year-to-date basis, there were five C-130J deliveries compared to no deliveries for the same period in 2001.

EBIT for the quarter and year-to-date periods in 2002 increased by 32 percent and 28 percent, respectively, from the comparable 2001 periods. These increases are primarily attributable to the higher volumes on F-16 and other combat aircraft programs. The increase in C-130J deliveries did not impact EBIT for the comparative periods due to the previously reported suspension of earnings recognition on the program. Margins were lower due to the C-130J deliveries combined with increased volume on F-35 and F-16 aircraft development activities.

Technology Services

($ millions)

	2nd Quarter 2002	2nd Quarter 2001	Year-to-Date 2002	Year-to-Date 2001
Net Sales	$711	$654	$1,381	$1,238
EBIT	$43	$35	$83	$70
Margin	6.0%	5.4%	6.0%	5.7%

Net sales of the Technology Services segment increased by nine percent and 12 percent for the quarter and six months ended June 30, 2002, respectively, from the comparable 2001 periods. For the quarter, the increase in sales was primarily attributable to growth in government information technology and military aircraft lines of business. This growth was partially offset by lower sales in commercial information technology and NASA programs. The year- to-date sales increase is mainly the result of increased volume on government information technology programs. This sales growth was partially offset by declines in commercial information technology and NASA programs.

EBIT for the segment increased by 23 percent and 19 percent for the quarter and six months ended June 30, 2002, respectively, from the comparable 2001 periods. In both periods the EBIT increased mainly due to the higher volume of government information technology programs and improved performance on commercial information technology programs partially offset by lower EBIT on energy related contracts.

Corporate and Other
($ millions)

	2nd Quarter 2002	2nd Quarter 2001	Year-to-Date 2002	Year-to-Date 2001
EBIT / (Loss)	($1)	($58)	($15)	($201)
Nonrecurring and unusual items	0	0	0	100
Impact of SFAS No. 142	0	68	0	137
Adjusted EBIT / (Loss)	($1)	$10	($15)	$36

Adjusted EBIT for the Corporate and Other segment decreased by $11 million and $51 million for the quarter and six months ended June 30, 2002 from the comparable 2001 periods. The decline in EBIT for both the quarter and year- to-date periods is primarily the result of lower interest income and an increase in corporate expenses, primarily in stock-based deferred compensation costs, partially offset by increased equity earnings from investments.

In 2001, the nonrecurring and unusual item represented the impairment of the Corporation's investment in Americom Asia-Pacific. Also the Corporation now reflects all goodwill amortization for periods prior to January 1, 2002 and the effect of extending Aeronautics' contract intangible asset related to the F-16 program (impact of SFAS No. 142) in Corporate and Other's adjusted EBIT to enhance comparability.

SECOND QUARTER 2002 ACHIEVEMENTS

* Lockheed Martin, as co-partner in Integrated Coast Guard Systems, was awarded the U.S. Coast Guard's Deepwater contract with a potential value to the Corporation of $15 billion over 30 years.

* The Federal Aviation Administration awarded Lockheed Martin a contract valued at $1 billion over 10 years for the En Route Automation Modernization (ERAM) program.

* The U.S. Transportation Security Administration (TSA) selected Lockheed Martin for a contract with the potential value of $490 million to upgrade passenger security measures at the nation's airports and a contract with a potential value of $105 million to train airport screeners.

* Successfully launched 1 Proton launch vehicle during the quarter.

* Delivered 5 F-16 and 3 C-130J aircraft during the quarter.

* Received a contract extension from NASA to build External Tanks through the year 2008.

* Received 2 commercial launch vehicle orders during the quarter.

* Denmark, the Netherlands, Norway and Italy formally joined the F-35 Joint Strike Fighter System Development and Demonstration (SDD) phase.

* The U.S. Navy awarded Lockheed Martin a contract, valued at up to $323 million over three years, for continued production of the MK 41 Vertical Launching System.

* Won a $102 million Defense Department contract to operate and maintain the Defense Civilian Personnel Data System.

* Two programs managed by Lockheed Martin - the Theater High Altitude Area Defense (THAAD) system and the Joint Air-to-Surface Standoff Missile (JASSM) -- received the U.S. Defense Department's highest honor for innovative acquisition practices, the David Packard Excellence In Acquisition Award.

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

Conference call: Lockheed Martin will webcast the earnings conference call (listen-only mode) at 3 p.m. E.D.T. on July 18, 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 .

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 2001 Form 10-K and first quarter 2002 Form 10-Q 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 security); difficulties in developing and producing operationally advanced technology systems; the competitive environment; economic business and political conditions domestically and internationally; 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 plan assets, 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(1)
Preliminary and Unaudited
(In millions, except per share data and percentages)

	QUARTER ENDED JUNE 30, 2002	2001	% Change	YEAR TO DATE JUNE 30, 2002	2001	% Change
Net Sales	$6,290	$5,688	11%	$12,256	$10,435	17%
Earnings before Interest and Taxes	$526	$425	24%	$1,000	$818	22%
Interest Expense	$145	$180	(19)%	$293	$377	(22)%
Pre-tax Earnings	$381	$245	56%	$707	$441	60%
Income Tax Expense(2)	$30	$95	(68)%	$132	$165	(20)%
Effective Tax Rate(2)	8%	39%		19%	37%	N/M
Earnings from Continuing Operations	$351	$150	134%	$575	$276	108%
Loss from Discontinued Operations(3)	($12)	($6)	N/M	($18)	($27)	N/M
Net Earnings	$339	$144	135%	$557	$249	124%
Basic Earnings (Loss) Per Share:						
Earnings from Continuing Operations	$0.79	$0.35	126%	$1.30	$0.65	100%
Loss from Discontinued Operations(3)	(0.03)	(0.01)	N/M	(0.04)	(0.06)	N/M
Earnings Per Share	$0.76	$0.34	124%	$1.26	$0.59	114%
Average Basic Shares Outstanding	444.5	425.7		441.0	424.5	
Diluted Earnings (Loss) Per Share:						
Earnings from Continuing Operations	$0.78	$0.34	129%	$1.28	$0.64	100%
Loss from Discontinued Operations(3)	(0.03)	(0.01)	N/M	(0.04)	(0.06)	N/M
Earnings Per Share	$0.75	$0.33	127%	$1.24	$0.58	114%
Average Diluted Shares Outstanding	452.5	430.1		448.6	428.9	

(1) On January 1, 2002, the Corporation adopted SFAS No. 142, "Accounting for Goodwill and Other Intangible Assets," which eliminates the amortization of goodwill. As part of its adoption of SFAS No. 142, the Corporation extended the estimated remaining useful life of Aeronautics' contract intangibles related to the F-16 program from 6 to 10 years. Consolidated results for 2001 are consistent with previous disclosures, however for comparative purposes, the segment results which follow have been adjusted for the adoption of SFAS No. 142.

(2) Income tax expense for the quarter and year to date periods ended June 30, 2002 include the impact of a research & development tax credit benefit of $90 million. Excluding this benefit, the effective tax rate would be 31% for the quarter and year to date periods.

(3) On December 7, 2001, the Corporation announced that it would exit its global telecommunications services business. Includes discontinued operations of LMGT (World Systems, Mobile Communications, Lockheed Martin Intersputnik, and COMSAT International) and Lockheed Martin IMS Corporation (sold in July 2001).

LOCKHEED MARTIN CORPORATION
Segment Results Including Nonrecurring and Unusual Items(1)
Preliminary and Unaudited
(In millions, except percentages)

	QUARTER ENDED JUNE 30,			YEAR TO DATE JUNE 30,		
	2002	2001	% Change	2002	2001	% Change
Systems Integration						
Net Sales	$2,245	$2,165	4%	$4,333	$4,045	7%
Segment EBIT	$235	$236	-%	$454	$452	-%
Margins	10.5%	10.9%		10.5%	11.2%	
Depreciation and Amortization	$50	$48		$98	$97	
Space Systems(2)						
Net Sales	$1,783	$1,808	(1)%	$3,653	$3,230	13%
Segment EBIT	$122	$116	5%	$244	$314	(22)%
Margins	6.8%	6.4%		6.7%	9.7%	
Depreciation and Amortization	$40	$39		$76	$73	
Aeronautics						
Net Sales	$1,547	$1,058	46%	$2,881	$1,913	51%
Segment EBIT	$127	$96	32%	$234	$183	28%
Margins	8.2%	9.1%		8.1%	9.6%	
Depreciation and Amortization	$32	$33		$64	$65	
Technology Services(2)						
Net Sales	$711	$654	9%	$1,381	$1,238	12%
Segment EBIT	$43	$35	23%	$83	$70	19%
Margins	6.0%	5.4%		6.0%	5.7%	
Depreciation and Amortization	$10	$5		$21	$9	
Corporate and Other(2)						
Segment EBIT	($1)	($58)	N/M	($15)	($201)	N/M
Impact of SFAS No. 142 adoption	-	$68		-	$137	
Depreciation and Amortization	$6	$6		$13	$12	

(1) As part of its adoption of SFAS No. 142, the Corporation now reports all goodwill amortization for periods prior to January 1, 2002 in the Corporate and Other Segment. Previously, goodwill amortization for the second quarter 2001 had been reported as follows: Systems Integration $42 million, Space Systems $9 million, Technology Services $3 million and Corporate and Other $7 million. Additionally, the Corporation extended the useful life of Aeronautics' contract intangibles related to the F-16 program from 6 to 10 years. This change reduces Aeronautics' annual amortization of contract intangibles by $30 million, or $7.5 million a quarter. Consistent with the treatment of goodwill, the impact of this contract intangible amortization change is reflected in the Corporate and Other segment for periods prior to January 1, 2002.

(2) On December 7, 2001, the Corporation announced that it would exit its global telecommunications services business. The Corporation reassigned LMGT's Systems and Technology line of business, and COMSAT General business to the Space segment, LMGT's Enterprise Solutions -- US to the Technology Services segment and LMGT's telecommunications equity investments to the Corporate and Other segment. Prior period amounts have been reclassified to conform to the new reporting structure.

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

	QUARTER ENDED JUNE 30,			YEAR TO DATE JUNE 30,		
	2002	2001	% Change	2002	2001	% Change
Systems Integration						
Net Sales	$2,245	$2,165	4%	$4,333	$4,045	7%
Segment EBIT	$235	$236	-%	$454	$452	-%
Margins	10.5%	10.9%		10.5%	11.2%	
Depreciation and Amortization	$50	$48		$98	$97	
Space Systems						
Net Sales	$1,783	$1,808	(1)%	$3,653	$3,230	13%
Segment EBIT	$122	$116	5%	$244	$203	20%
Margins	6.8%	6.4%		6.7%	6.3%	
Depreciation and Amortization	$40	$39		$76	$73	
Aeronautics						
Net Sales	$1,547	$1,058	46%	$2,881	$1,913	51%
Segment EBIT	$127	$96	32%	$234	$183	28%
Margins	8.2%	9.1%		8.1%	9.6%	
Depreciation and Amortization	$32	$33		$64	$65	
Technology Services						
Net Sales	$711	$654	9%	$1,381	$1,238	12%
Segment EBIT	$43	$35	23%	$83	$70	19%
Margins	6.0%	5.4%		6.0%	5.7%	
Depreciation and Amortization	$10	$5		$21	$9	
Corporate and Other						
Segment EBIT	($1)	$10	N/M	($15)	$36	N/M
Depreciation and Amortization	$6	$6		$13	$12	

LOCKHEED MARTIN CORPORATION
Reconciliation of Adjusted Earnings from Continuing Operations(1)
Preliminary and Unaudited
(In millions, except per share amounts and percentages)

	QUARTER ENDED JUNE 30,		YEAR TO DATE JUNE 30,	
	2002	2001	2002	2001
Earnings from Continuing Operations	$351	$150	$575	$276
Nonrecurring and Unusual Items in Continuing Operations				
(Gain) on				

Sales of Surplus Real Estate	-	-	-	(72)
Loss on Americom Asia-Pacific Investment	-	-	-	65
Total	-	-	-	(7)
Effect of R&D tax credit	(90)	-	(90)	-
Effect of SFAS No. 142 on 2001 Continuing Operations	-	63	-	116
Adjusted Earnings(1)	$261	$213	$485	$385
Adjusted Effective Tax Rate	31%	32%	31%	32%
Earnings Per Share from Continuing Operations	$0.78	$0.34	$1.28	$0.64
Nonrecurring and Unusual Items in Continuing Operations				
(Gain) on Sales of Surplus Real Estate	-	-	-	(0.17)
Loss on Americom Asia-Pacific Investment	-	-	-	0.15
Total	-	-	-	(0.02)
Effect of R&D tax credit	(0.20)	-	(0.20)	-
Effect of SFAS No. 142 on 2001 Continuing Operations	-	0.15	-	0.27
Adjusted Earnings Per Share 1	$0.58	$0.49	$1.08	$0.89

(1) Excludes nonrecurring and unusual items and adjusts for the adoption of SFAS No. 142.

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

	QUARTER ENDED JUNE 30,		YEAR TO DATE JUNE 30,	
	2002	2001	2002	2001
Adjusted EBIT(1)	$526	$493	$1,000	$944
Adjusted EBIT to Sales Margin	8.4%	8.7%	8.2%	9.0%
Amortization of Contract Intangibles	$32	$32	$63	$62
Depreciation and Amortization	$106	$99	$209	$194
Adjusted EBITDA	$664	$624	$1,272	$1,200

(1) Excludes nonrecurring and unusual items and adjusts for the adoption of SFAS No. 142. Adjusted results exclude goodwill amortization expense and include the effect of extending the remaining useful life of Aeronautics' contract intangible related to the F-16 program.

	JUNE 30, 2002	DECEMBER 31, 2001
Backlog		
Systems Integration	$17,258	$17,027
Space Systems	12,451	12,977
Aeronautics	37,301	36,149
Technology Services	4,916	5,116
Total	$71,926	$71,269
Long-Term Debt		
Current maturities	$762	$89
Long-Term	6,687	7,422
Total	$7,449	$7,511
Cash and Cash Equivalents	$2,429	$912
Stockholders' Equity	$7,394	$6,443
Total Debt-to-Capital	50.2%	53.8%
Total Debt-to-Capital (net of invested cash)	40.4%	50.6%

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

	JUNE 30, 2002	DECEMBER 31, 2001
Assets		
Cash and cash equivalents	$2,429	$912
Accounts receivable	3,555	4,049
Inventories	3,107	3,140
Assets of businesses held for sale	532	638
Other current assets	2,036	2,039
Total current assets	11,659	10,778
Property, plant and equipment, net	3,017	2,991
Investments in equity securities	1,787	1,884
Goodwill	7,371	7,371
Intangible assets, related to contracts and programs acquired	877	939
Other noncurrent assets	3,620	3,691
Total assets	$28,331	$27,654
Liabilities and Stockholders' Equity		
Accounts payable	$1,149	$1,419
Customer advances and amounts in excess of costs incurred	5,068	5,002
Other accrued expenses	2,779	2,792
Liabilities of businesses held for sale	340	387
Current maturities of long-term debt	762	89
Total current liabilities	10,098	9,689
Long-term debt	6,687	7,422
Post-retirement and other noncurrent liabilities	4,152	4,100
Stockholders' equity	7,394	6,443
Total liabilities and stockholders' equity	$28,331	$27,654

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

	SIX MONTHS ENDED JUNE 30, 2002	2001
Operating Activities		
Earnings from continuing operations	$575	$276
Adjustments to reconcile earnings from continuing operations		

to net cash provided by operating activities:		
Depreciation and amortization	272	393
Changes in operating assets and liabilities:		
Receivables	494	378
Inventories	33	460
Customer advances and amounts in excess of costs incurred	66	72
Other	108	(382)
Net cash provided by operating activities	1,548	1,197
Investing Activities		
Expenditures for property, plant and equipment	(261)	(193)
Acquisitions / investments in affiliated companies	(86)	(172)
Proceeds from divestitures	81	4
Other	25	80
Net cash used for investing activities	(241)	(281)
Financing Activities		
Net decrease in short-term borrowings	-	(12)
Net repayments of long-term debt	(76)	(1,155)
Issuances of common stock	385	64
Common stock dividends	(99)	(96)
Net cash provided by (used for) financing activities	210	(1,199)
Net increase (decrease) in cash and cash equivalents	1,517	(283)
Cash and cash equivalents at beginning of period	912	1,505
Cash and cash equivalents at end of period	$2,429	$1,222

LOCKHEED MARTIN CORPORATION
Reconciliation of Free Cash Flow(1)
Preliminary and Unaudited
(In millions)

	SIX MONTHS ENDED JUNE 30, 2002	2001
Net cash provided by operating activities	$1,548	$1,197
Expenditures for property, plant and equipment	(261)	(193)
Proceeds from disposals of property, plant and equipment	25	85
Income taxes paid on divested businesses	-	391
Free Cash Flow(1)	$1,312	$1,480

(1) Free cash flow is defined as cash provided by operating activities less capital expenditures and excludes any proceeds from, or income tax payments on, divestitures.

LOCKHEED MARTIN CORPORATION
Selected Operating Data

	QUARTER ENDED JUNE 30, 2002	2001	YEAR TO DATE JUNE 30, 2002	2001
Deliveries				
F-16	5	6	10	12
C-130J	3	-	5	-
Launches				

Atlas	-	1	2	1
Proton	1	2	2	2

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