

# Lockheed Martin Reports Third Quarter 2002 Earnings Per Share From Continuing Operations Of \$0.66

*\* Generates \$1.1 Billion of Free Cash Flow in the Third Quarter*

## PRNewswire

- \* Increases 2002 Free Cash Flow Guidance to at Least \$1.5 Billion And Improves the Two-Year Guidance to at Least \$2.2 Billion
- \* Expects Sales of Approximately \$26.0 Billion in 2002 and Reaffirms 2003 Guidance of \$27.0 - \$28.0 Billion
- \* Projects Outlook for 2002 Earnings Per Share from Continuing Operations to Reach Higher End of the \$2.50 - \$2.55 Range And Provides Guidance for 2003 Earnings Per Share of \$2.75 - \$2.85 Before Possible Pension Impacts

BETHESDA, Md., Oct. 25 [/PRNewswire-FirstCall/](#) -- Lockheed Martin Corporation today reported third quarter 2002 earnings from continuing operations of \$0.66 per diluted share, compared to a third quarter 2001 loss from continuing operations of \$0.20 per diluted share. Third quarter 2001 results were reduced by \$0.63 per share for the effects of certain nonrecurring and unusual items. There were no nonrecurring and unusual items in the third quarter of 2002. After adjusting last year's results for the impact of adopting SFAS No. 142 and excluding the nonrecurring and unusual items, third quarter 2001 earnings per share from continuing operations would have been \$0.59. Including discontinued operations, the Corporation reported net earnings of \$0.64 in the third quarter of 2002 versus net earnings of \$0.50 per share in the third quarter of 2001.

Net sales for the third quarter of 2002 were \$6.5 billion, a five percent increase over the third quarter 2001 sales of \$6.2 billion. Year-to-date sales increased by 13 percent to \$18.8 billion. Forecasted sales for the year 2002 are now expected to be approximately \$26.0 billion as compared to the prior guidance range of between \$25.4 - \$26.0 billion. Forecasted sales for the year 2003 were reaffirmed between \$27.0 - \$28.0 billion.

The Corporation generated \$1.1 billion in free cash flow in the third quarter of 2002 and \$2.4 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 \$1.5 billion from at least \$1.3 billion for the year 2002 and to at least \$2.2 billion from at least \$2.0 billion over the two-year period 2002 - 2003.

"In the third quarter, we are pleased with solid results in both the operational and financial areas," said Chairman and Chief Executive Officer Vance Coffman. "We continue to achieve mission success and customer satisfaction in all of our business areas as demonstrated by the successful inaugural launch of the Atlas V, completion of test events on precision guided munitions and sustained progress on the F/A-22 and F-35 programs. Additionally, our cash flow continues to improve the Corporation's financial strength and flexibility."

## CONSOLIDATED RESULTS

	3rd Quarter		Year-to-Date	
	2002	2001	2002	2001
GAAP Earnings (Loss) Per Share				
Continuing Operations	\$0.66	(\$0.20)	\$1.94	\$0.44
Discontinued Operations	(0.02)	0.70	(0.06)	0.63
Net Earnings Per Share	\$0.64	\$0.50	\$1.88	\$1.07
Adjusted Earnings Per Share				
Continuing Operations -- GAAP	\$0.66	(\$0.20)	\$1.94	\$0.44
Less: Benefit of R&D tax credit	0.00	0.00	(0.20)	0.00
Nonrecurring and Unusual Items in Continuing				

Operations	0.00	0.63	0.00	0.62	
Add: Impact of SFAS 142 adoption		N/A	0.16	N/A	0.43
Adjusted Earnings from Continuing Operations	\$0.66	\$0.59	\$1.74	\$1.49	

The Corporation expects its 2002 earnings per share from continuing operations outlook to reach the higher end of the \$2.50 - \$2.55 range, excluding nonrecurring and unusual items. The 2002 earnings projection excludes the one-time impact of a research and development (R&D) tax credit claim benefit of \$0.20 per share and is based, among other factors, upon an assumed tax rate of approximately 31 percent. Prior guidance for earnings per share from continuing operations of \$2.75 - \$2.85 in 2003 is subject to possible pension plan assumption changes. The 2003 earnings projections assume an effective tax rate of approximately 32 percent.

As previously disclosed, GAAP earnings are impacted by pension (SFAS 87) and retiree medical (SFAS 106) benefit plans. This is particularly true with pension benefits, where SFAS 87 income or expense calculations are sensitive to changes in various key economic assumptions and workforce demographics.

Based on the current market performance and our preliminary analysis, the Corporation anticipates that the discount rate and the long-term rate of return on plan assets that will be used for the 2003 SFAS 87 pension expense calculation may be lower. The pension plan assumptions in our existing 2003 guidance include a discount rate of 7.25%, expected long-term rate of return on plan assets of 9.5% and an assumed 2002 return on plan assets of approximately 5%. The existing guidance for retirement plan expense (SFAS 106 and SFAS 87) in 2003 is \$200 million to \$300 million. The retiree medical element (SFAS 106) of that guidance is an expense of approximately \$150 million to \$200 million and is not expected to change materially. The SFAS 87 pension expense in that guidance is approximately \$50 million to \$100 million.

The discount rate assumption, the long-term rate of return assumption and the actual return on plan assets that will be used for calculating the 2003 SFAS 87 pension expense will be finalized at year-end consistent with the Corporation's pension plan measurement date. The actual year-to-date return on plan assets through September 30, 2002 was negative.

The following is provided to assist with the analysis of the potential incremental impact to the Corporation's existing guidance for 2003 SFAS 87 pension expense of approximately \$50 million to \$100 million:

- \* Lowering the discount rate by 25 basis points would increase 2003 SFAS 87 pension expense by approximately \$40 million to \$50 million.
- \* Lowering the long-term rate of return on assets by 25 basis points would increase 2003 SFAS 87 pension expense by approximately \$55 million to \$65 million.
- \* Each 100 basis point decline in the actual return on plan assets, compared to the 2002 assumed rate of return of approximately 5%, would increase 2003 SFAS 87 pension expense by approximately \$10 million.

SFAS 87 determines pension income or expense for GAAP financial reporting purposes but not the funding requirements for the pension plans, which are subject to Cost Accounting Standards as well as Internal Revenue Service (IRS) minimum funding calculations. Additionally, since pension funding is an allowable cost under federal acquisition regulations, a majority of the Corporation's pension funding is recoverable on government contracts. However, to the extent that IRS funding requirements exceed those allowable in a given year, any excess would be recoverable in subsequent years. Due to its recoverability, the impact of increased funding requirements is not expected to materially affect cash flow in 2003 and has been reflected in the Corporation's improved free cash flow guidance.

The balance sheet is expected to be adjusted at year-end in accordance with SFAS 87 to record a minimum pension liability. This adjustment would be a non-cash reduction of equity, would not impact earnings and would be reversible should market performance improve and interest rates increase at the end of 2003. Assuming there is no significant change in interest rates or equity market performance for the remainder of the year, we anticipate that the after-tax adjustment to

equity would be in the range of \$1 billion to \$2 billion.

Consistent with our prior practice, updated earnings and cash flow guidance for 2003 and our initial 2004 guidance will be provided in January 2003.

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

##### Continuing Operations

Net sales for the third quarter of 2002 were \$6.5 billion, a five percent increase over third quarter 2001 sales of \$6.2 billion. Net sales for the nine months ended September 30, 2002 were \$18.8 billion, a 13 percent increase over the \$16.7 billion sales recorded in the comparable 2001 period.

Earnings from continuing operations for the third quarter of 2002 were \$300 million, or \$0.66 per share, compared to a loss from continuing operations of \$87 million, or \$0.20 per share, reported in the third quarter of 2001. There were no nonrecurring and unusual items recorded in the third quarter of 2002. Earnings from continuing operations for the third quarter of 2001 included the after-tax impact of three nonrecurring and unusual items which decreased third quarter 2001 earnings from continuing operations by \$274 million, or \$0.63 per share.

Earnings from continuing operations for the nine months ended September 30, 2002 were \$875 million, or \$1.94 per share, which included the one-time impact of a settlement of an R&D tax credit claim which increased 2002 earnings from continuing operations by \$90 million, or \$0.20 per share. Earnings from continuing operations for the nine months ended September 30, 2001 were \$189 million, or \$0.44 per share. The combination of all nonrecurring and unusual items decreased earnings from continuing operations for the nine months ended September 30, 2001 by \$267 million, or \$0.62 per share.

Interest expense of \$147 million and \$440 million for the quarter and nine months ended September 30, 2002, respectively, was lower by \$25 million and \$109 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 January 11, 2002 the Corporation completed the sale of its Mobile Communications business and on October 11, 2002 completed the sale of an 81% equity interest in COMSAT International. Agreements are in place to sell the remaining discontinued operations business -- World Systems and Lockheed Martin Intersputnik. The pending sales are subject to regulatory and customary closing conditions. No gains or losses are expected to be recognized on these sales.

The Corporation reported a loss from discontinued operations of \$10 million, or \$0.02 per share in the third quarter of 2002 as compared to earnings from discontinued operations of \$300 million, or \$0.70 per share in the comparable 2001 period. For the nine months ended September 30, 2002, the loss from discontinued operations was \$28 million or \$0.06 per share, as compared to earnings from discontinued operations of \$273 million, or \$0.63 per share in the comparable 2001 period. Both periods of 2001 were favorably impacted by an after-tax gain of \$309 million from the sale of Lockheed Martin IMS Corporation.

##### Net Earnings

For the third quarters of 2002 and 2001, the Corporation's net earnings were \$290 million or \$0.64 per share and \$213 million or \$0.50 per share, respectively. For the nine month periods, the net earnings were \$847 million or \$1.88 per share in 2002 and \$462 million or \$1.07 per share for 2001.

#### SEGMENT RESULTS

To enhance the comparability and discussion of continuing operations, the Corporation 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 have 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)

	3rd Quarter		Year-to-Date	
	2002	2001	2002	2001
Net Sales	\$2,253	\$2,237	\$6,586	\$6,282
EBIT	\$248	\$246	\$702	\$698
Margin	11.0%	11.0%	10.7%	11.1%

Net sales for the Systems Integration segment increased by one percent and five percent for the quarter and nine months ended September 30, 2002, respectively, from the comparable 2001 periods. For the quarter, increased sales in the segment's Command, Control, Communication, Computers and Intelligence (C4I) line of business were partially offset by lower sales in the segment's remaining lines of business. For the nine months, volume increases in the segment's Missiles & Fire Control, and C4I lines of business 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 increased slightly from the respective periods of the prior year. In both periods increased EBIT at Missiles & Fire Control and C4I were offset by declines at Owego and Naval Electronics and Surveillance Systems. Year-to-date margins were reduced by the decline in volume on mature production programs and by higher volume on development programs.

Space Systems  
(\$ millions)

	3rd Quarter		Year-to-Date	
	2002	2001	2002	2001
Net Sales	\$1,843	\$1,793	\$5,496	\$5,023
EBIT	\$126	\$128	\$370	\$442
Nonrecurring & unusual items	0	0	0	(111)
Adjusted EBIT	\$126	\$128	\$370	\$331
Adjusted Margin	6.8%	7.1%	6.7%	6.6%

Net sales for the Space Systems segment increased by three percent and by nine percent for the quarter and nine months ended September 30, 2002, respectively, from the comparable 2001 periods. For the quarter the increases in the segment's commercial space line of business more than offset declines in the segment's government space line of business. The increase in commercial space is primarily attributable to higher commercial satellite deliveries. The decrease in government space is mainly due to declines in volume on government launch vehicle programs (Titan) and ground systems activities partially offset by higher volumes on government satellite programs.

The increase in net sales for the nine months ended September 30, 2002 resulted from higher volumes in both commercial space and government space. The increase in commercial space is primarily attributable to higher commercial satellite deliveries and increased launch vehicle activities, with seven commercial launches during the nine-month period of 2002 compared to five during the comparable 2001 period. In government space, increases in government satellite programs and ground systems activities more than offset declines in volume on government launch vehicle programs.

Adjusted EBIT (excluding nonrecurring and unusual items) decreased two percent and increased 12 percent for the quarter and nine months ended September 30, 2002, respectively, from the comparable 2001 periods. Commercial space decreased quarter over quarter due primarily to the lower profitability of the three commercial launches this quarter as compared to the two launches in the respective 2001 period. EBIT also included the adverse effects of adjustments of \$25 million in 2002 and \$45 million in 2001 recorded to reflect the continued industry-wide oversupply and further

deterioration of pricing in the commercial launch market. In government space, EBIT increases due to the higher volume on government satellite programs more than offset the declines resulting from the decreased volume on government launch vehicle programs.

The increase in adjusted EBIT for the nine months ended September 30, 2002 is primarily attributable to reduced losses in commercial space that more than offset lower EBIT in government space. Commercial satellite losses declined in 2002 as operating performance improved. In the first quarter of 2001, a \$40 million loss provision was recorded on certain commercial satellite contracts. Financial performance on commercial launch vehicles continues to deteriorate including charges of \$60 million (net of a favorable contract adjustment of \$20 million) recorded in 2002 for market and pricing pressures compared to \$85 million in 2001. The 2002 year-to-date decrease in government space is primarily due to the reduced volume on government launch vehicle programs partially offset by increases on government satellite programs and ground systems activities.

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

Aeronautics  
(\$ millions)

	3rd Quarter		Year-to-Date	
	2002	2001	2002	2001
Net Sales	\$1,668	\$1,449	\$4,549	\$3,362
EBIT	\$126	\$125	\$360	\$308
Margin	7.6%	8.6%	7.9%	9.2%

Net sales for the Aeronautics segment increased by 15 percent and 35 percent for the quarter and nine months ended September 2002, respectively, from the comparable 2001 periods. The increase in sales for both periods is the result of initial ramp-up of F-35 Joint Strike Fighter System Development & Demonstration activities and higher volume on F/A-22 Low Rate Initial Production (LRIP) as well as higher volume of development activities on the F-16 and C-5 programs. In the quarter, sales increases were partially offset by four fewer C-130J deliveries while for the nine month period sales were increased by the delivery of one additional C-130J in 2002 over the comparable 2001 period.

EBIT for the quarter and year-to-date periods in 2002 increased by one percent and 17 percent, respectively, from the comparable 2001 periods. These increases are primarily due to the higher volume on the programs described above partially offset by a \$15 million charge related to performance issues on an aircraft modification contract. Margins were lower due to increased development activities on F-35, F-16 and C-5 aircraft programs, the ramp-up of F/A-22 LRIP and the previously mentioned performance issue. The comparative margins for the quarter were also affected by having one C-130J delivery in 2002 compared to five deliveries in 2001. C-130J deliveries do not impact EBIT due to the previously disclosed suspension of earnings recognition on the program.

Technology Services  
(\$ millions)

	3rd Quarter		Year-to-Date	
	2002	2001	2002	2001
Net Sales	\$776	\$734	\$2,157	\$1,972
EBIT	\$48	\$39	\$131	\$109
Margin	6.2%	5.3%	6.1%	5.5%

Net sales for Technology Services increased by six percent and nine percent for the quarter and nine months ended September 30, 2002, respectively, from the comparable 2001 periods. For the quarter and nine months, the increase in sales was primarily attributable to growth in the government information technology and defense lines of business. This growth was partially offset by lower sales in the commercial information technology and NASA lines of business.

EBIT for the segment increased by 23 percent and 20 percent for the quarter and nine months ended September 30, 2002, respectively, from the comparable 2001 periods. In both periods, the EBIT increased mainly due to the higher volume in government information technology and improved

performance in commercial information technology partially offset by lower EBIT on the military aircraft, NASA and energy lines of business.

Corporate and Other  
(\$ millions)

	3rd Quarter		Year-to-Date	
	2002	2001	2002	2001
EBIT (Loss)	\$28	(\$480)	\$13	(\$681)
Nonrecurring & unusual items	0	421	0	521
Impact of SFAS No. 142		0	68	0
Adjusted EBIT	\$28	\$9	\$13	\$45

Adjusted EBIT for the Corporate and Other segment increased by \$19 million for the quarter and decreased by \$32 million for the nine months ended September 30, 2002 from the comparable 2001 periods. For the nine month period, lower interest income and an increase in corporate expenses, primarily in stock-based deferred compensation costs, partially offset by lower losses from certain equity investments accounted for the decline in EBIT. The increase in EBIT for the quarter is primarily the result of a decrease in corporate expenses, mainly in stock-based deferred compensation costs, and by lower losses from certain equity investments.

In 2001, the nonrecurring and unusual items included a charge related to the Corporation's investment in Loral Space & Communications LTD, a charge related to the impairment of the Corporation's investment in Americom Asia- Pacific, and a loss on the early extinguishment of debt. 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.

#### THIRD QUARTER 2002 ACHIEVEMENTS

- \* First Atlas V launch vehicle debuted successfully, delivering Eutelsat Hot Bird 6 satellite into orbit.
- \* Atlas IIAS launch vehicle successfully boosted Hispasat satellite into orbit-62nd consecutive Atlas success.
- \* Selected by the U.S. Postal Service to build and deploy the Automated Package Processing Systems. More than 120 systems could eventually be delivered under contract with a value up to \$550 million.
- \* Turkey joined the F-35 Joint Strike Fighter System Development and Demonstration phase, becoming the seventh international partner.
- \* Space Operations awarded \$314 million contract to support NASA in conducting research, developing products and serving space community in astrobiology and related areas of earth, space and life sciences.
- \* The Kwajalein Range Services (KRS) joint venture, of which we own 49%, was awarded the Kwajalein Range logistics contract -- a key facility to the missile defense program. The potential value to the joint venture is \$2.7 billion over 15 years.
- \* Awarded \$90 million funding increment for continued leadership of Missile Defense National Team's battle management, command and control and communications program.
- \* Awarded \$200 million FBI Technology Refresh program. Five-year program will modernize agency's critical infrastructure.
- \* Received one of two \$75 million U.S. Army contracts to develop and test system architecture and technology that will be core to Army's multibillion Warfighter Information Network-Tactical (WIN-T) program.
- \* F/A-22 successfully completed its first supersonic missile launch. F/A-22 also completed the 1,000th test sortie with over 2,400 test hours.

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

Conference call: Lockheed Martin will webcast the earnings conference call (listen-only mode) at 11 a.m. E.T. on October 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>.

#### 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 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, 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 SEPTEMBER 30, YEAR TO DATE SEPTEMBER 30,

	2002	2001	% Change	2002	2001	% Change
Net Sales	\$6,542	\$6,221	5%	\$18,798	\$16,656	13%
Earnings before Interest and Taxes(2)	\$576	\$58	N/M	\$1,576	\$876	80%
Interest Expense	\$147	\$172	(15)%	\$440	\$549	(20)%

Pre-tax Earnings						
(Loss)	\$429	(\$114)	N/M	\$1,136	\$327	247%

Income Tax Expense						
(Benefit)(3)	\$129	(\$27)	N/M	\$261	\$138	89%

Effective Tax						
Rate(3)	30%	24%		23%	42%	

Earnings (Loss)						
from Continuing						
Operations	\$300	(\$87)	N/M	\$875	\$189	363%

(Loss) Earnings						
from Discontinued						
Operations(4)	(\$10)	\$300	N/M	(\$28)	\$273	N/M

Net Earnings	\$290	\$213	36%	\$847	\$462	83%
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Basic Earnings						
(Loss) Per Share:						
Earnings (Loss)						
from Continuing						
Operations	\$0.67	(\$0.20)	N/M	\$1.97	\$0.45	338%
(Loss) Earnings						
from						
Discontinued						
Operations(4)	(0.02)	0.70	N/M	(0.06)	0.64	N/M
Earnings Per						
Share	\$0.65	\$0.50	30%	\$1.91	\$1.09	75%

Average Basic						
Shares						
Outstanding	448.5	428.0		443.5	425.7	

Diluted Earnings						
(Loss) Per Share:						
Earnings (Loss)						
from Continuing						
Operations	\$0.66	(\$0.20)	N/M	\$1.94	\$0.44	341%
(Loss) Earnings						
from						
Discontinued						
Operations(4)	(0.02)	0.70	N/M	(0.06)	0.63	N/M
Earnings Per						
Share	\$0.64	\$0.50	28%	\$1.88	\$1.07	76%

Average Diluted						
Shares						
Outstanding	455.7	428.0(5)		450.9	430.3	

(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, segment results which follow have been adjusted for the adoption of SFAS No. 142.

(2) Reflects the Corporation's adoption of SFAS No. 145 in 2002, which rescinded SFAS No. 4, "Reporting Gains and Losses from Extinguishment



of Debt." As a result the third quarter 2001 loss on extinguishment of debt, which was previously reported, net of taxes, as an extraordinary item, has been reclassified on a pre-tax basis to other income and expenses, net.

- (3) Income tax expense for the year to date period ended September 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 year to date period.
- (4) On December 7, 2001, the Corporation announced that it would exit its global telecommunications services business. Includes discontinued operations of LMG (World Systems, Mobile Communications, Lockheed Martin Intersputnik, and COMSAT International) and Lockheed Martin IMS Corporation (sold in July 2001).
- (5) Due to antidilution, basic shares are utilized as diluted shares.

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

	QUARTER ENDED SEPTEMBER 30, %			YEAR TO DATE SEPTEMBER 30, %		
	2002	2001	Change	2002	2001	Change
<b>Systems Integration</b>						
Net Sales	\$2,253	\$2,237	1 %	\$6,586	\$6,282	5 %
Segment EBIT	\$248	\$246	1 %	\$702	\$698	1 %
Margins	11.0%	11.0%		10.7%	11.1%	
Depreciation and Amortization	\$52	\$48		\$150	\$145	
<b>Space Systems(2)</b>						
Net Sales	\$1,843	\$1,793	3 %	\$5,496	\$5,023	9 %
Segment EBIT	\$126	\$128	(2) %	\$370	\$442	(16)%
Margins	6.8%	7.1%		6.7%	8.8%	
Depreciation and Amortization	\$29	\$44		\$105	\$117	
<b>Aeronautics</b>						
Net Sales	\$1,668	\$1,449	15 %	\$4,549	\$3,362	35 %
Segment EBIT	\$126	\$125	1 %	\$360	\$308	17 %
Margins	7.6%	8.6%		7.9%	9.2%	
Depreciation and Amortization	\$33	\$33		\$97	\$98	
<b>Technology Services(2)</b>						
Net Sales	\$776	\$734	6 %	\$2,157	\$1,972	9 %
Segment EBIT	\$48	\$39	23 %	\$131	\$109	20 %
Margins	6.2%	5.3%		6.1%	5.5%	
Depreciation and Amortization	\$9	\$9		\$30	\$18	
<b>Corporate and Other (2)(3)</b>						
Segment EBIT	\$28	(\$480)	N/M	\$13	(\$681)	N/M
Impact of SFAS No. 142 adoption	-	\$68		-	\$205	
Depreciation and Amortization	\$8	\$5		\$21	\$17	

- (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 third quarter 2001 had been reported as follows: Systems Integration \$43 million, Space Systems \$9 million, Technology Services \$3 million and Corporate and Other \$5 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.
- (3) Reflects the Corporation's adoption of SFAS No. 145 in 2002, which rescinded SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt." As a result the third quarter 2001 loss on extinguishment of debt, which was previously reported, net of taxes, as an extraordinary item, has been reclassified on a pre-tax basis to other income and expenses, net.

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

	QUARTER ENDED SEPTEMBER 30,			YEAR TO DATE SEPTEMBER 30,		
	2002	2001	% Change	2002	2001	% Change
<b>Systems Integration</b>						
Net Sales	\$2,253	\$2,237	1 %	\$6,586	\$6,282	5 %
Segment EBIT	\$248	\$246	1 %	\$702	\$698	1 %
Margins	11.0%	11.0%		10.7%	11.1%	
Depreciation and Amortization	\$52	\$48		\$150	\$145	
<b>Space Systems</b>						
Net Sales	\$1,843	\$1,793	3 %	\$5,496	\$5,023	9 %
Segment EBIT	\$126	\$128	(2)%	\$370	\$331	12 %
Margins	6.8%	7.1%		6.7%	6.6%	
Depreciation and Amortization	\$29	\$44		\$105	\$117	
<b>Aeronautics</b>						
Net Sales	\$1,668	\$1,449	15 %	\$4,549	\$3,362	35 %
Segment EBIT	\$126	\$125	1 %	\$360	\$308	17 %
Margins	7.6%	8.6%		7.9%	9.2%	
Depreciation and Amortization	\$33	\$33		\$97	\$98	
<b>Technology Services</b>						
Net Sales	\$776	\$734	6 %	\$2,157	\$1,972	9 %
Segment EBIT	\$48	\$39	23 %	\$131	\$109	20 %
Margins	6.2%	5.3%		6.1%	5.5%	
Depreciation and Amortization	\$9	\$9		\$30	\$18	

Corporate and Other							
Segment EBIT	\$28	\$9	211	%	\$13	\$45	(71)%
Depreciation and							
Amortization	\$8	\$5		\$21	\$17		

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

	QUARTER ENDED		YEAR TO DATE	
	SEPTEMBER 30,		SEPTEMBER 30,	
	2002	2001	2002	2001
Earnings (Loss) from Continuing Operations	\$300	(\$87)	\$875	\$189
Nonrecurring and Unusual Items in Continuing Operations				
Loss on Loral Space Investment	-	-	235	-
(Gain) on Sale of Surplus Real Estate	-	-	-	(72)
Loss on Americom Asia-Pacific Investment	-	-	-	65
Loss on Early Extinguishment of Debt 2	-	36	-	36
Net Loss on Divestitures and Other	-	-	3	-
Total	-	274	-	267
Effect of R&D tax credit	-	-	(90)	-
Effect of SFAS No. 142 on 2001 Continuing Operations	-	67	-	183
Adjusted Earnings(1)	\$300	\$254	\$785	\$639
Adjusted Effective Tax Rate	30%	40%	31%	38%
Earnings (Loss) Per Share from Continuing Operations	\$0.66	(\$0.20)	\$1.94	\$0.44
Nonrecurring and Unusual Items in Continuing Operations				
Loss on Loral Space Investment	-	-	0.54	-
(Gain) on Sale of Surplus Real Estate	-	-	-	(0.17)
Loss on Americom Asia-Pacific Investment	-	-	-	0.15
Loss on Early Extinguishment of Debt(2)	-	0.08	-	0.08
Net Loss on Divestitures and Other	-	-	0.01	-
Total	-	0.63	-	0.62
Effect of R&D tax credit	-	-	(0.20)	-
Effect of SFAS No. 142 on 2001 Continuing Operations	-	0.16	-	0.43
Adjusted Earnings Per Share(1)	\$0.66	\$0.59	\$1.74	\$1.49

(1) Excludes nonrecurring and unusual items and adjusts for the adoption of SFAS No. 142 as of January 1, 2001.

(2) Previously reported as an extraordinary item.

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

	QUARTER ENDED SEPTEMBER 30,		YEAR TO DATE SEPTEMBER 30,	
	2002	2001	2002	2001
Adjusted EBIT(1)	\$576	\$547	\$1,576	\$1,491
Adjusted EBIT to Sales Margin	8.8%	8.8%	8.4%	9.0%
Amortization of Contract Intangibles	\$31	\$30	\$94	\$92
Depreciation and Amortization	\$100	\$109	\$309	\$303
Adjusted EBITDA	\$707	\$686	\$1,979	\$1,886

(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.

	SEPTEMBER 30, 2002	DECEMBER 31, 2001
Backlog		
Systems Integration	\$16,789	\$17,027
Space Systems	12,573	12,977
Aeronautics	36,003	36,149
Technology Services	4,741	5,116
Total	\$70,106	\$71,269
Long-Term Debt		
Current maturities	\$763	\$89
Long-Term	6,693	7,422
Total	\$7,456	\$7,511
Cash and Cash Equivalents	\$3,490	\$912
Stockholders' Equity	\$7,700	\$6,443
Total Debt-to-Capital	49.2%	53.8%
Total Debt-to-Capital (net of invested cash)	34.0%	50.6%

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

	SEPTEMBER 30, 2002	DECEMBER 31, 2001
Assets		
Cash and cash equivalents	\$3,490	\$912
Accounts receivable	3,730	4,049
Inventories	2,254	3,140
Assets of businesses held for sale	508	638
Other current assets	1,965	2,039
Total current assets	11,947	10,778
Property, plant and equipment, net	3,153	2,991
Investments in equity securities	1,751	1,884
Goodwill	7,371	7,371
Intangible assets, related to contracts and programs acquired	846	939
Other noncurrent assets	3,851	3,691

Total assets	\$28,919	\$27,654
Liabilities and Stockholders' Equity		
Accounts payable	\$1,107	\$1,419
Customer advances and amounts in excess of costs incurred	5,140	5,002
Other accrued expenses	2,919	2,792
Liabilities of businesses held for sale	328	387
Current maturities of long-term debt	763	89
Total current liabilities	10,257	9,689
Long-term debt	6,693	7,422
Post-retirement and other noncurrent liabilities	4,269	4,100
Stockholders' equity	7,700	6,443
Total liabilities and stockholders' equity	\$28,919	\$27,654

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

NINE MONTHS ENDED SEPTEMBER 30,

	2002	2001
Operating Activities		
Earnings from continuing operations	\$875	\$189
Adjustments to reconcile earnings from continuing operations to net cash provided by operating activities:		
(Loss) earnings from discontinued operations	(28)	273
Depreciation and amortization	403	600
Changes in operating assets and liabilities:		
Receivables	319	289
Inventories	756	446
Accounts payable	(312)	(216)
Customer advances and amounts in excess of costs incurred	138	681
Other	577	(68)
Net cash provided by operating activities	2,728	2,194
Investing Activities		
Expenditures for property, plant and equipment	(396)	(312)
Acquisitions / investments in affiliated companies	(88)	(235)
Proceeds from divestitures of affiliated companies	84	875
Other	55	96
Net cash (used for) provided by investing activities	(345)	424
Financing Activities		
Net decrease in short-term borrowings	-	(12)
Net repayments of long-term debt	(87)	(2,289)
Issuances of common stock	431	123
Common stock dividends	(149)	(144)

Net cash provided by (used for) financing activities	195	(2,322)
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Net increase in cash and cash equivalents	2,578	296
Cash and cash equivalents at beginning of period	912	1,505
Cash and cash equivalents at end of period	\$3,490	\$1,801

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

	QUARTER ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2002	2001	2002	2001
Net cash provided by operating activities - GAAP	\$1,180	\$997	\$2,728	\$2,194
Expenditures for property, plant and equipment	(135)	(119)	(396)	(312)
Proceeds from disposals of property, plant and equipment	30	11	55	96
Income taxes paid on divested businesses	10	-	10	391
Free Cash Flow(1)	\$1,085	\$889	\$2,397	\$2,369

(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 SEPTEMBER 30,		YEAR TO DATE SEPTEMBER 30,	
	2002	2001	2002	2001
Deliveries				
F-16	6	6	16	18
C-130J	1	5	6	5
Launches				
Atlas	2	2	4	3
Proton	1	-	3	2

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