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CENTRAL INDEX KEY:	0000936468
STANDARD INDUSTRIAL CLASSIFICATION:	GUIDED MISSILES & SPACE VEHI
IRS NUMBER:	521893632
STATE OF INCORPORATION:	MD
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STATE:	MD
ZIP:	20817
BUSINESS PHONE:	3018976000

MAIL ADDRESS:

STREET 1:	6801 ROCKLEDGE DRIVE
CITY:	BETHESDA
STATE:	MD
ZIP:	20817

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

 Form 10-K

 ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
 THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1996

Commission file number 1-11437

[LOCKHEED MARTIN LOGO]

 LOCKHEED MARTIN CORPORATION
 (Exact name of registrant as specified in its charter)

Maryland	52-1893632
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

 6801 Rockledge Drive, Bethesda, Maryland 20817-1877 (301/897-6000)
 (Address and telephone number of principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class -----	Name of each exchange on which registered -----
Common Stock, \$1 par value	New York Stock Exchange, Inc.

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if the disclosure of delinquent files pursuant to Item 405 or Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K

State the aggregate market value of the voting stock held by non-affiliates of the registrant. Approximately \$17,701,659,740 as of January 31, 1997.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. Common Stock, \$1 par value, 192,888,667 shares outstanding as of January 31, 1997.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Lockheed Martin Corporation's 1996 Annual Report to Shareholders are incorporated by reference in Parts I, II and IV of this Form 10-K.

Portions of Lockheed Martin Corporation's 1997 Definitive Proxy Statement are incorporated by reference in Part III of this Form 10-K.

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PART I

ITEM 1. BUSINESS

GENERAL

Lockheed Martin Corporation ("Lockheed Martin" or the "Corporation") was incorporated in Maryland on August 29, 1994 to effect the combination (the "Combination") of the businesses of Martin Marietta Corporation and Lockheed Corporation. The Combination was consummated on March 15, 1995. Lockheed Martin is a highly diversified global enterprise principally engaged in the conception, research, design, development, manufacture and integration of advanced-technology products and services.

LORAL TRANSACTION

On April 23, 1996, in accordance with the terms of an Agreement and Plan of Merger (the "Loral Merger Agreement") with Loral Corporation ("Loral"), LAC Acquisition Corporation ("LAC"), a wholly-owned subsidiary of Lockheed Martin, purchased approximately 94.5% of the outstanding shares of common stock of Loral for an aggregate consideration of \$38 per share. Immediately thereafter in accordance with the terms of the Loral Merger Agreement, LAC merged with and into Loral (the "Loral Merger"). In the Loral Merger, each remaining share of common stock of Loral not owned by LAC was converted into the right to receive \$38, each outstanding share of common stock of LAC was converted into shares of common stock of Loral, and Loral changed its name to Lockheed Martin Tactical Systems, Inc. ("Tactical Systems"). As a result of
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these transactions, Tactical Systems became a wholly-owned subsidiary of the Corporation.

The Loral Merger Agreement contemplated a series of transactions that resulted in (i) the distribution, to stockholders of Loral immediately prior to the consummation of the Tender Offer, of shares of capital stock in Loral Space & Communications, Ltd. ("Loral SpaceCom"), a newly-formed Bermuda company, which now owns and manages substantially all of Loral's former space and satellite telecommunications interests, including Loral's direct and indirect interests in Globalstar, L.P. and Space Systems/Loral, Inc., and certain other assets of Loral, and (ii) the acquisition by the Corporation of Loral's defense electronics and systems integration businesses.

In connection with the transactions contemplated by the Loral Merger Agreement and the related agreements between the Corporation and Loral, the Corporation acquired shares of preferred stock of Loral SpaceCom that were convertible into approximately 20% of Loral SpaceCom's common stock on a fully diluted basis at the time acquired. The Corporation's ownership of the preferred stock of Loral SpaceCom is subject to certain limitations and restrictions set forth in the terms and conditions of the preferred stock and in agreements between the Corporation and Loral SpaceCom.

BUSINESSES

On January 25, 1996, Lockheed Martin entered into an Agreement and Plans of Merger and Complete Liquidation with certain of its direct and indirect wholly-owned subsidiaries. As a result, on

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January 28, 1996, each of Lockheed Corporation, Lockheed Missiles and Space Company, Inc., Lockheed Sanders, Inc., Martin Marietta Corporation and Martin Marietta Technologies, Inc. were merged with and into Lockheed Martin. In addition, following the Loral Merger, the Corporation consummated an internal reorganization of certain of its operating sectors to integrate the Tactical Systems' businesses acquired from Loral with the pre-existing businesses of the Corporation.

On January 31, 1997, the Corporation entered into a memorandum of understanding (the "Memorandum of Understanding") with Lehman Brothers Holdings, Inc. and a management team led by Frank C. Lanza, Executive Vice President of Lockheed Martin, and Robert V. LaPenta, Corporate Vice President of Lockheed Martin, pursuant to which Lockheed Martin agreed to establish Newco Corporation ("Newco") consisting of certain component- and product-oriented businesses of Lockheed Martin. Under the terms of the Memorandum of Understanding, Lehman Brothers Capital Partners III, L.P. would own 50.1%, the management team would own 15% and the Corporation would retain 34.9% of Newco. The closing of the transaction is subject to a number of conditions, including the execution of a definitive agreement on terms acceptable to the parties. In conjunction with the establishment of Newco, the Corporation again reorganized certain of its operating sectors and now conducts its principal business through five major operating sectors: Space & Strategic Missiles; Electronics; Information & Services (which includes the Corporation's interest in Newco); Aeronautics; and

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Energy & Environment. See "Business - Additional Activities and Business Segment Reporting" on page 10 through page 11.

Space & Strategic Missiles Sector

The Space & Strategic Missiles Sector's activities include the design, development, engineering and production of civil, commercial and military space systems, including: spacecraft, space launch vehicles, manned space systems and their supporting ground systems and services; telecommunications systems and services; strategic fleet ballistic missiles; and defensive missiles.

Major programs of the Space & Strategic Missiles Sector include the Titan family of launch vehicles including the Titan IV expendable launch vehicle, the Trident II submarine launched fleet ballistic missile, the MILSTAR communications satellite, the Atlas expendable launch vehicle, the production of various government and commercial communications and environmental monitoring satellites, and the THAAD ground-based theater air defense system. During 1996, the Space & Strategic Missiles Sector assumed responsibility for the Corporation's manned space systems unit which manufactures the Space Shuttle external tank. The Space & Strategic Missiles Sector is also engaged in a substantial amount of classified activities.

In 1996, the U.S. Air Force awarded the Corporation a contract to develop the next generation missile warning and tracking system called the Space-Based Infrared System (SBIRS). The purpose of the SBIRS program is to provide early detection of a ballistic missile

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attack world-wide. On December 20, 1996, Lockheed Martin was picked by the U.S. Air Force as one of two contractors that will proceed with producing designs for the Evolved Expendable Launch Vehicle (EELV). The Air Force envisions that the EELV will replace existing Delta, Atlas and Titan space launch vehicles for use in launching government and commercial payloads.

Net sales by the Sector represented approximately 29.4% of the Corporation's consolidated net sales in 1996. Net sales to the United States Government, excluding Foreign Military Sales, represented approximately 81% of the Sector's net sales in 1996.

Electronics Sector

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The Electronics Sector's activities primarily relate to the design, development, engineering and production of high performance electronic systems for undersea, shipboard, land-based, airborne-and space-based applications. Major business elements include: Naval Systems; Missiles and Air Defense; Aerospace Systems & Electronics; and Commercial, Civil and Adjacent. The Naval Systems element serves the global market with major lines of business in surface ship and submarine combat systems, missile launching, anti-submarine warfare, and navigation systems. The Missiles and Air Defense element produces anti-armor missiles; indirect fire support weapons systems; smart munitions; and air defense systems. The Aerospace Systems and Electronics element includes system integration capabilities for both fixed wing and rotary wing aircraft; and major lines of electronics subsystems such as: aircraft controls systems; electronic warfare; electro-optic and

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night vision; radar; display; and computers for the military and commercial aerospace market. The Commercial, Civil, and Adjacent element lines of business include positions in growing niche markets such as telecommunications; commercial satellite electronics; mail handling automation systems; transportation; and electronics fabrication.

The Corporation is the prime contractor for the U.S. Navy's AEGIS fleet air defense system, including the Vertical Launch System, and the U.S. Air Force's and Navy's LANTIRN targeting and navigation system, and for the development and production of EH-101 Merlin helicopters for the United Kingdom's Ministry of Defence. In addition, the Sector manufacturers and installs bar code readers and sorters for the U.S. Postal Service, produces the Target Acquisition Designation Sight/Pilot Night Vision Sensor (TADS/PNVS) and test hardware for the U.S. Army's PATRIOT Advanced Capability (PAC-3) missile. In 1997, the Sector anticipates that an increased percentage of its revenues will be derived from sales of the Multiple Launch Rocket System, the U.S. Army's general support fire power system.

In 1996, the Corporation was chosen as one of two competitors for the first phase of the military's Joint Air-to-Surface Standoff Missile (JASSM) development program. JASSM is a conventional standoff weapon that the U.S. Air

Force and U.S. Navy envision replacing the Tri Service Standoff Attack Missile. In addition, the Electronics Sector was recently awarded contracts for the development of the combat system for the U.S. Navy's new attack submarine; the production of the SQQ-89 surface ship Antisubmarine Warfare Combat System;

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and the production of Tray Management Systems for the U.S. Postal Service. Effective January 1, 1997, the Corporation completed the divestiture of the assets of its Armament Systems and Defense Systems businesses to General Dynamics Corporation.

Net sales by the Electronics Sector, including sales by Armament Systems and Defense Systems, represented approximately 24.9% of the Corporation's consolidated net sales in 1996. Net sales to the United States Government, excluding Foreign Military Sales, represented approximately 66.7% of the Sector's net sales in 1996.

Information & Services Sector

The Information & Services Sector is involved in the development, integration and operation of large, complex information systems; engineering, technical and management services for federal customers; transaction processing systems and services for state and local government agencies; commercial information technology outsourcing; manufacture and distribution of computer peripherals, graphics engines and intranet software; and the provision of internal information technology support to the Corporation.

In 1996, NASA awarded the Space Flight Operations Contract to United Space Alliance (USA), a limited liability company owned by Lockheed Martin and The Boeing Company, making USA the single prime contractor for Space Shuttle operations. Through USA, the Sector performs processing services for NASA's space shuttle program. Through its Services Group, the Information & Services Sector provides a wide array of science and engineering, information

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management, operation and maintenance, logistics, assembly and test and installation services to governmental agencies and prime contractors. The Sector produces the Consolidated Automated Support System (CASS), including the U.S. Navy's AN/USM-636 CASS, a comprehensive test platform that provides general purpose analog and digital test capabilities. The Corporation's Access Graphics and certain other businesses, together with CalComp Technology, Inc. (NASDAQ: CLCP), a majority-owned affiliate of Lockheed Martin, are involved in commercial markets for computer graphics, hardware distribution and data storage devices. The Sector is upgrading the U.S. National Air Traffic Control System through replacement of display systems at 20 FAA Control Centers and development of an advanced tower management system. Similar work is under way in the United Kingdom. In addition, the Sector performs a substantial amount of classified work.

In 1996, Lockheed Martin and Intel signed an agreement to jointly develop a new chip that will give desktop computer users real-time, three-dimensional color graphics. The chips are based on Lockheed Martin military training and simulation technology.

Net sales by the Information & Services Sector represented approximately

21.8% of Lockheed Martin's consolidated net sales in 1996. Net sales to the United States Government, excluding Foreign Military Sales, represented approximately 65.8% of the Sector's net sales in 1996.

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Aeronautics Sector

The Aeronautics Sector is involved in the design, development, engineering and production of fighter, bomber, special mission, airlift, antisubmarine warfare, reconnaissance, surveillance and high performance aircraft; systems for military operations; aircraft controls and subsystems; thrust reversers; and aircraft modification and maintenance and logistics support for military and civilian customers.

The Corporation is the prime contractor on the F-16 "Fighting Falcon" fighter aircraft, leads the team responsible for the Air Force's F-22 air superiority fighter program and provides the C-130 series airlift aircraft. In the commercial aircraft business the Sector manufactures thrust reversers for commercial jet engines. The Corporation is also involved in upgrading aircraft, including the U-2 and SR-71 reconnaissance aircraft, the F-117 fighter bomber and earlier model C-130s. Through the Skunk Works, the Aeronautics Sector performs a substantial amount of classified work.

On July 2, 1996, the Corporation entered into a cooperative agreement with NASA to build and demonstrate the prototype X-33 single-stage-to-orbit reusable launch vehicle, the next generation of space shuttle. NASA's funding and the industry team investment provide approximately \$1.0 billion for the X-33 project through 1999. On November 16, 1996, the Corporation was selected as one of two defense contractors to proceed to the concept demonstration phase of the government's Joint Strike Fighter (JSF) Program. Contract tasks include the design, development, construction and flight test of this full-scale demonstration aircraft.

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Net sales by the Aeronautics Sector represented approximately 20.8% of the Corporation's consolidated net sales in 1996. Net sales to the United States Government, excluding Foreign Military Sales, represented approximately 68.4% of the Sector's net sales in 1996.

Energy & Environment Sector

The Energy & Environment Sector is responsible for the Corporation's energy and environmental remediation businesses, including the management of various U.S. Department of Energy (DoE) activities. The Corporation is the largest management and operations contractor within the DoE's system of laboratories and other facilities and manages, among other facilities, the Sandia National Laboratories, the Idaho National Engineering and Environmental Laboratory and the Oak Ridge National Laboratory.

Net sales by the Sector represented less than 1% of the Corporation's consolidated net sales in 1996. Net sales to the United States Government represented approximately 85.1% of the Sector's net sales in 1996.

Additional Activities and Business Segment Reporting

In addition to the above activities, Lockheed Martin has real estate subsidiaries in Florida and Maryland, runs research laboratories and carries on other miscellaneous activities.

In 1996, the Corporation completed its divestiture of Martin Marietta Materials, Inc. ("Materials") in an exchange offer (the "Exchange Offer") pursuant to which Lockheed Martin exchanged

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37,350,000 shares of Materials common stock for 7,913,136 shares of Lockheed Martin common stock.

For business segment reporting in the Corporation's consolidated financial statements, the Space & Strategic Missiles, Electronics, Information & Services and Aeronautics Sectors each comprise reportable business segments. The Energy & Environment Sector, together with the additional activities described in the preceding paragraphs, are reported as Energy, Materials and Other and represents the balance of the Corporation's revenues.

The Corporation's principal executive offices are located at 6801 Rockledge Drive, Bethesda, Maryland 20817. The telephone number of the Corporation is (301) 897-6000.

COMPETITION AND RISK

Lockheed Martin's sales to the U.S. Government, excluding Foreign Military Sales, amounted to approximately 69.6% of net sales for the year ended December 31, 1996. Approximately 12.3% of net sales for fiscal year 1996 were sales to foreign governments and approximately 18.0% of net sales were to commercial customers of which 5.4% were international customers.

Lockheed Martin encounters extensive competition in all of its lines of business with numerous other contractors on the basis of price, technical and managerial capability. The on-going consolidation of the United States defense industry has intensified this competition as competitors are now generally larger and more capable. At the same time, the number of contracts awarded has decreased. In some instances, for example, the ongoing competition

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for the Joint Strike Fighter and the Evolved Expendable Launch Vehicle, winning the competition may be a significant determinant of whether the competitors are able to remain in that line of business. More generally, the aerospace and defense business involves rapidly advancing technologies and is subject to many uncertainties including, but not limited to, those resulting from changes in federal budget priorities, particularly the size and scope of the defense budget, and dependence on Congressional appropriations. Substantial efforts are undertaken continually on a long-term basis in order to maintain existing levels of business.

Approximately 70% of the 1996 sales of the Corporation were made to the United States Government, either as a prime contractor or as a subcontractor, for which there is intense competition. Accordingly, a significant portion of the Corporation's sales are subject to inherent risks, including uncertainty of economic conditions, changes in government policies and requirements that may

reflect rapidly changing military and political developments and the availability of funds. Other characteristics of the industry are complexity of designs, the difficulty of forecasting costs and schedules when bidding on developmental and highly sophisticated technical work and the rapidity with which product lines become obsolete due to technological advances and other factors characteristic of the industry. Due to the intense competition for available government business, the maintenance and/or expansion of government business increasingly requires the Corporation to generate working capital and invest in fixed assets.

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Certain risks inherent in the current defense and aerospace business environment are discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 51 through page 63 of the Corporation's 1996 Annual Report to Shareholders (the "1996 Annual Report").

Earnings may vary materially depending upon the types of long-term government contracts undertaken, the costs incurred in their performance, the achievement of other performance objectives and the stage of performance at which the right to receive fees, particularly under incentive and award fee contracts, is finally determined.

The Corporation's international business involves additional risks, such as exposure to currency fluctuations, offset obligations and changes in foreign economic and political environments. In addition, international transactions frequently involve increased financial and legal risks arising from stringent contractual terms and conditions and widely differing legal systems, customs and mores in foreign countries. The Corporation expects that international sales as a percentage of the overall sales of the Corporation will continue to increase in future years as a result of, among other things, the continuing changes in the United States defense industry.

A portion of Lockheed Martin's business includes classified programs that cannot be specifically discussed, the operating results of which are included in the Corporation's consolidated financial statements. The nature of and business risks associated

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with classified programs do not differ materially from those of the Corporation's other government programs and products.

PATENTS

The Corporation owns numerous patents and patent applications, some of which, together with licenses under patents owned by others, are utilized in its operations. While such patents and licenses are, in the aggregate, important to the operation of the Corporation's business, no existing patent, license or other similar intellectual property right is of such importance that its loss or termination would, in the opinion of management, materially affect the Corporation's business.

RAW MATERIALS AND SEASONALITY

The Corporation has not experienced significant difficulties in its ability to obtain raw materials and other supplies needed in its manufacturing processes, nor does the Corporation expect such difficulties to arise in the

future. No material portion of the business of the Corporation is considered to be seasonal.

GOVERNMENT CONTRACTS AND REGULATIONS

All government contracts and, in general, subcontracts thereunder are subject to termination in whole or in part at the convenience of the United States Government as well as for default. Long-term government contracts and related orders are subject to cancellation if appropriations for subsequent performance periods become unavailable. Lockheed Martin generally would be entitled to

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receive payment for work completed and allowable termination or cancellation costs if any of its government contracts were to be terminated for convenience. Upon termination for convenience of cost-reimbursement-type contracts, the contractor is normally entitled, to the extent of available funding, to reimbursement of allowable costs plus a portion of the fee related to work accomplished. Upon termination for convenience of fixed-price-type contracts, the contractor is normally entitled, to the extent of available funding, to receive the purchase price for delivered items, reimbursement for allowable costs for work in process, and an allowance for profit thereon or adjustment for loss if completion of performance would have resulted in a loss.

In addition to the right of the United States Government to terminate, government contracts are conditioned upon the continuing availability of Congressional appropriations. Congress usually appropriates funds on a fiscal-year basis even though contract performance may extend over many years. Consequently, at the outset of a program, the contract is usually partially funded, and additional funds are normally only appropriated to the contract by Congress in future years.

BACKLOG

Lockheed Martin's total negotiated backlog at December 31, 1996, was approximately \$50.4 billion compared with approximately \$41.1 billion at the end of 1995. The total negotiated backlog of the Sectors at December 31, 1996 was as follows: Space & Strategic Missiles \$19.5 billion, Electronics \$10.9 billion, Information &

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Services, \$6.4 billion and Aeronautics \$13.4 billion. Unlike the other Sectors, the Energy & Environment Sector is not a reportable business segment. The reportable business segment of which Energy & Environment is part, Energy, Materials and Other, had total negotiated backlog at December 31, 1996 of approximately \$167 million. Of this figure, almost all was attributable to the Energy & Environment Sector. These figures are all approximate and include both unfilled firm orders for the Corporation's products for which funding has been both authorized and appropriated by the customer (Congress, in the case of United States Government agencies) and firm orders for which funding has not been appropriated.

Backlog information and comparisons thereof as of different dates may not be accurate indicators of future sales or the ratio of Lockheed Martin's future sales to the United States Government versus its sales to other customers.

Of the Corporation's total 1996 year-end backlog, approximately \$32 billion, or 63%, is not expected to be filled within one year.

ENVIRONMENTAL REGULATION

Lockheed Martin's operations are subject to and affected by a variety of federal, state, and local environmental protection laws and regulations. The Corporation is involved in environmental responses at certain of its facilities and at certain waste disposal sites not currently owned by the Corporation (third-party sites) where the Corporation has been designated a "Potentially

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Responsible Party" (PRP) by the U.S. Environmental Protection Agency (EPA) or by a state agency. At such third-party sites, the EPA or a state agency has identified the site as requiring removal or remedial action under the federal "Superfund" and other related federal or state laws governing the remediation of hazardous materials. Generally, PRPs that are ultimately determined to be "responsible parties" are strictly liable for site clean-ups and usually agree among themselves to share, on an allocated basis, in the costs and expenses for investigation and remediation of the hazardous materials. Under existing environmental laws, however, responsible parties are jointly and severally liable and, therefore, the Corporation is potentially liable for the full cost of funding such remediation. In the unlikely event that the Corporation were required to fund the entire cost of such remediation, the statutory framework provides that the Corporation may pursue rights of contribution from the other PRPs.

At third-party sites, the Corporation continues to pursue a course of action designed to minimize and mitigate its potential liability through assessing the legal basis for its involvement, including an analysis of such factors as (i) the amount and nature of materials disposed of by the Corporation, (ii) the allocation process, if any, used to assign all costs to all involved parties, and (iii) the scope of the response action that is or may reasonably be required. The Corporation also continues to pursue active participation in steering committees, consent orders and other appropriate and available avenues. Management believes that

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this approach should minimize the Corporation's proportionate share of liability at third-party sites where other PRPs share liability.

Although the Corporation's involvement and extent of responsibility varies at each site, management, after an assessment of each site and consultation with environmental experts and counsel, has concluded that the probability is remote that the Corporation's actual or potential liability as a PRP in each or all of these sites, in combination with the Corporation's actual or potential liability for environmental responses at its own facilities, will have a material adverse effect on the Corporation's consolidated financial position or results of operations. While the possibility of insurance coverage is considered in the Corporation's efforts to minimize and mitigate its potential liability, this possibility is not taken into account in management's assessment of whether it is likely that its actual or potential liability will have a material adverse effect on the Corporation's consolidated financial position.

In addition, Lockheed Martin manages various government-owned facilities on behalf of the government. At such facilities, environmental compliance and

remediation costs have historically been the responsibility of the government and the Corporation relied (and continues to rely with respect to past practices) upon government funding to pay such costs. While the government remains responsible for capital costs associated with environmental compliance, responsibility for fines and penalties associated with environmental noncompliance, in certain instances, is being shifted from the government to the contractor with such fines and penalties

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no longer constituting allowable costs under the contracts pursuant to which such facilities are managed.

Management does not believe that adherence to presently applicable environmental regulations at its own facilities or in its contract management capacity at government-owned facilities will have a material adverse effect on Lockheed Martin's consolidated financial position or results of operations. For additional details, see "Legal Proceedings" on page 25 through page 30. See also "Note 14 -- Commitments and Contingencies" of the "Notes to Consolidated Financial Statements" on page 80 through page 81 and "Management's Discussion and Analysis of Financial Condition and Results of Operations, Environmental Matters" on page 62 through page 63 of the 1996 Annual Report.

RESEARCH AND DEVELOPMENT

Lockheed Martin conducts significant research and development activities, both under contract funding and with Independent Research and Development (IR&D) funds. Lockheed Martin expended approximately \$1,042 million in 1996, \$778 million in 1995 and \$813 million in 1994 using IR&D and bid and proposal funds, a substantial portion of which was included in overhead allocable to United States Government contracts.

During fiscal year 1996, the Corporation did not undertake the development of a new product or line of business requiring the investment of a material amount of the Corporation's total assets.

See "Research and Development and Similar Costs" in "Note 1--Summary of Significant Accounting Policies" of the "Notes to

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Consolidated Financial Statements" on page 71 of the 1996 Annual Report.

EMPLOYEES

As of December 31, 1996, Lockheed Martin had approximately 190,000 employees, the majority of whom were located in the United States. The Corporation has a continuing need for many skilled and professional personnel in order to meet contract schedules and obtain new and ongoing orders for its products. Approximately 33,300 of Lockheed Martin's employees are covered by 125 separate collective bargaining agreements with various international and local unions. Management considers employee relations generally to be good and believes that the probability is remote that renegotiating these contracts will have a material adverse effect on its business.

FORWARD LOOKING STATEMENTS - SAFE HARBOR PROVISIONS

This Annual Report on Form 10-K contains statements which, to the extent

that they are not recitations of historical fact, constitute "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). All forward looking statements involve risks and uncertainties. The forward looking statements in this document are intended to be subject to the safe harbor protection provided by Sections 27A of the Securities Act and 21E of the Exchange Act. For a discussion identifying some important factors

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that could cause actual results to vary materially from those anticipated in the forward looking statements, see the Corporation's Securities and Exchange Commission filings, including but not limited to, the discussion of "Competition and Risk" and the discussion of "Government Contracts and Regulations" on pages 11 through 14 and 14 through 15, respectively, of this Annual Report on Form 10-K and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 51 through 63 of the 1996 Annual Report and "Note 1 - Summary of Significant Accounting Policies", "Note 3 - Repositioning of Non-Core Businesses and New Organizational Structure" and "Note 14 - Commitments and Contingencies" of the Notes to Consolidated Financial Statements on pages 70 through 71, pages 72 through 73 and 80 through 81, respectively, of the Audited Consolidated Financial Statements included in the 1996 Annual Report and incorporated by reference into this Annual Report on form 10-K.

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ITEM 2. PROPERTIES

At December 31, 1996, including properties to be utilized by Newco, the Corporation operated in approximately 460 offices, facilities, manufacturing plants, warehouses, service centers, and laboratories throughout the United States and internationally. Of these, the Corporation owned floor space at approximately 77 locations aggregating approximately 46.8 million square feet. The Corporation leased space at approximately 383 of its locations aggregating approximately 26.9 million square feet. Additionally, the Corporation manages and/or occupies various government-owned facilities at Marshall Space Flight Center in Alabama; Livermore, Palmdale, San Diego, Santa Cruz, Sunnyvale and Vandenberg Air Force Base in California; Cape Canaveral Air Force Station and Kennedy Space Center in Florida; Marietta, Georgia; Kauai, Hawaii; Idaho Falls and Scoville, Idaho; the United States Enrichment facilities at Paducah, Kentucky and Piketon, Ohio; the NASA Michoud Assembly Facility near New Orleans, Louisiana; Stennis Space Center in Mississippi; Las Vegas, Nevada; Sandia National Laboratories in New Mexico; Johnson City and Knolls Atomic Power Laboratory at Niskayuna, New York; the Department of Energy facility at Oak Ridge, Tennessee; Houston and Ft. Worth, Texas, among others. The United States Government also furnishes certain equipment and property used by the Corporation.

The Corporation owns a corporate office building located in Bethesda, Maryland in fee simple, and leases corporate office facilities at Westlake Village, California, Bethesda, Maryland, and Arlington (Crystal City), Virginia. In addition, the Corporation

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owns and leases major office and manufacturing facilities for various sectors at

the following locations, and with approximately the indicated square footage:

<TABLE>

<CAPTION>

SECTOR	LOCATION	SQUARE FOOTAGE (M)	
		OWNED	LEASED
<S>	<C>	<C>	<C>
Space & Strategic Missiles	Sunnyvale and Palo Alto, CA	6.5	.7
	Waterton and Littleton, CO	4.0	
	East Windsor, NJ	.7	
	King of Prussia, PA	.9	
Electronics	Camden, AK		1.5
	Orlando, FL	2.2	
	Eagen, MI	.6	
	Nashua, NH	2.5	
	Moorestown, NJ	.9	.2
	Great Neck, NY	1.4	
	Syracuse, NY		1.5
	Owego, NY	1.5	
	Akron, OH	2.6	
	Grand Prarie, TX		2.0
Manassas, VA	1.4		
Information & Services	Goodyear, AZ	1.0	
	San Jose, CA	.5	
	Orlando, FL	1.0	
	Gaithersburg, MD	.5	
	Camden, NJ		.6
	King of Prussia, PA	.5	.6
	Salt Lake City, UT		.5
	Reston, VA		.8
Aeronautics	Ontario, CA		.9
	Palmdale, CA	2.2	
	Marietta, GA	1.9	
	Middle River, MD	1.7	
	Greenville, SC		.7
	Ft. Worth, TX	.2	.2

</TABLE>

The above information excludes facilities associated with the former Defense Systems and Armament Systems business units located in Pittsfield, Massachusetts and Burlington, Vermont which were divested effective as of January 1, 1997.

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Finally, the Corporation owns various large tracts of land which are available for sale or development. The location and approximate size of these large tracts include:

<TABLE>

<CAPTION>

LOCATION

ACREAGE

----- <S>	----- <C>
1. Potrero Creek, CA	9,100
2. Beaumont Gateway, CA	2,800
3. Meridian Test Range, TX	2,784
4. Orlando, FL	2,000
5. Littleton, CO (Deer Creek)	1,000
6. Palmdale Trust, CA	650
7. Austin, TX	600

</TABLE>

A significant portion of the Corporation's activity is related to engineering and research and development, which is not susceptible to productive capacity analysis. In the area of manufacturing, most of the operations are of a job-order nature, rather than an assembly line process, and productive equipment has multiple uses for multiple products.

Management believes that all of the Corporation's major physical facilities are in good condition and are adequate for their intended use.

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ITEM 3. LEGAL PROCEEDINGS

The Corporation is primarily engaged in providing products and services under contracts with the United States Government and, to a lesser degree, under direct foreign sales contracts, some of which are funded by the United States Government. All such contracts are subject to extensive legal and regulatory requirements and, from time to time, agencies of the United States Government investigate whether the Corporation's operations are being conducted in accordance with these requirements. Such investigations could result in administrative, civil or criminal liabilities, including repayments, fines or penalties being imposed upon the Corporation, or could lead to suspension or debarment from future government contracting. The Corporation is also a party to or has its property subject to various other litigation and proceedings, including matters arising under provisions relating to the protection of the environment (collectively, "proceedings").

On June 7, 1990, Boggs, et al. v. Divested Atomic Energy Corporation, et al., was filed against various defendants including Martin Marietta Energy Systems ("MMES"). Plaintiffs' request for class certification was granted and the case is pending in the United States District Court for the Eastern District of Ohio. Plaintiffs seek \$600 million based upon allegations that the defendants discharged hazardous substances into the environment. In the event that any damages are awarded in these proceedings, such damages will be allowable costs under contracts between MMES and the Department of Energy.

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The Corporation's property in Burbank, California (a former aircraft manufacturing facility) is the subject of a 1991 consent decree with the U.S. Environmental Protection Agency ("EPA") which obligates the Corporation to design and construct facilities to monitor, extract and treat groundwater. As is common practice, at the time the Consent Decree was lodged, the EPA filed a suit with the United States District Court for the Central District of California in order to provide that Court with jurisdiction over the Consent Decree. The Corporation intends to file an Answer and Counterclaim in March, 1997 in the EPA's suit asserting indemnity/contribution claims against the government based

upon the government's ownership and operation of the former aircraft manufacturing facility. The same facility is subject to a cleanup and abatement order from the California Regional Water Quality Board which requires site assessment and action to abate groundwater contamination through a combination of groundwater and soil cleanup and treatment. (See "Note 14 -Commitments and Contingencies" of the "Notes to Consolidated Financial Statements" on page 80 through page 81 of the 1996 Annual Report). On August 1, 1996, the Corporation consummated a settlement with a group of 1,350 residents living in the vicinity of the facility. The settlement, valued at approximately \$67 million, resolved, without litigation, claims of personal injury and property damage asserted by the residents and alleged to be related to environmental contamination stemming from historical operations of the former facility. The Corporation settled the matter for business reasons after a lengthy mediation, without any admission of liability, notwithstanding its continuing position that the

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facility does not and has not posed a risk to the community. As the result of publicity surrounding the settlement, the Corporation has been named in two purported federal class action suits and a series of state actions on behalf of over 800 individual residents and former residents of Burbank alleging similar claims of personal injury, property damage and fear of future illnesses. All of these matters have been removed to federal court in Los Angeles and have been proposed to be coordinated under the caption In re Burbank Environmental Litigation. The Corporation believes that it has strong defenses to these claims which it is preparing to assert. As with its remediation activities relating to environmental matters, the Corporation has tendered these matters to its insurance carriers who have provided a defense but are contesting coverage.

Following the filing of the lawsuits against the Corporation in connection with its former Burbank facilities (In re Burbank Environmental Litigation), lawyers from Los Angeles have filed a similar action against the Company in connection with the Corporation's former operations in Redlands, California (Carrillo v. LMC). More lawsuits are expected in the Redlands area, but the Corporation believes the allegations of these actions to be without merit.

As the result of the consummation of the Loral Transaction, subject to certain limited exceptions, the Corporation became responsible for liabilities arising out of legal and environmental proceedings pertaining to the Loral Corporation businesses acquired by the Corporation. On July 7, 1995, Loral Corporation was served

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with a subpoena issued by the United States District Court for the Eastern District of New York seeking documents relating to a number of programs conducted at Loral Corporation's Defense Systems-East (Great Neck, New York) operations. These operations now form a part of the Corporation's Electronics Sector. The Corporation has been provided minimal information concerning the focus of the investigation, but it appears to arise from anonymous complaints provided to the United States Government by employees about testing and quality control matters. The Corporation is unaware of any such issues and is cooperating in the government's continuing investigation of this matter.

By letter dated September 21, 1995, the Corporation informed the Department of Defense Inspector General's Office ("DoD IG") that the Corporation had become aware of certain potential accounting issues which the Corporation was investigating with respect to the LANTIRN program. On February 12, 1996, the

Corporation was served with a DoD IG subpoena seeking documents related to the price proposal submitted in connection with a LANTIRN program contract awarded in 1994. On July 16, 1996, two qui tam complaints against the Corporation were unsealed in the United States District Court for the Middle District of Florida at Orlando. The complaints allege various cost accounting issues on LANTIRN program contracts and seek damages in the amount of \$140 million. The government has not yet made a decision as to whether to intervene in the lawsuit and its investigation is continuing.

On January 23, 1996, a DoD IG subpoena was served on Lockheed Martin Electronics & Missiles seeking documents relating to the

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software development portion of the Paperless LANTIRN Automated Depot ("PLAD") contract. It is believed that the government is investigating allegations that the Corporation's proposal for the PLAD contract was defectively priced.

On January 23, 1996, Lockheed Martin Electronics & Missiles was served with a grand jury subpoena issued by the United States District Court for the Middle District of Florida at Jacksonville seeking documents related to the manufacture and testing of two circuit card assemblies used in the production of the Hellfire I missile for the U.S. Army. On July 24, 1996, a second grand jury subpoena was served on the Corporation related to the same subject matter and the government's investigation of this matter is continuing.

On June 25, 1996, Lockheed Martin Engineering & Science Services was served with a grand jury subpoena issued by the United States District Court for the Southern District of Texas seeking documents related to two former employees of a predecessor company, Lockheed Engineering & Sciences Company (LESC), and apparently pertaining to an investigation of cost accounting issues in connection with NASA service and support contracts. On August 13, 1996, the Corporation was advised that the government's investigation of this matter is expected to continue.

On November 27, 1996, Lockheed Martin Tactical Defense Systems - Great Neck was served with a grand jury subpoena issued by the United States District Court for the Eastern District of New York seeking documents related to tax and financial reporting issues and

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the outsourcing of quality tasks contained in various contract proposals. The Corporation expects this investigation to continue.

On January 23, 1997, Lockheed Martin Electro-Optical Systems was served with a grand jury subpoena issued by the United States District Court for the Central District of Los Angeles seeking documents relating to the accounting treatment of contract payments received from the government. The Corporation expects this investigation to continue.

On February 6, 1997, three former employees of the Corporation were served with subpoenas ad testificandum issued by a federal grand jury in Jackson, Tennessee. The individuals were employees of the Corporation's Armament Systems business which was sold to General Dynamics Corporation effective January 1, 1997. Under the terms of the agreement with General Dynamics, the Corporation retained responsibility for investigations of this type. The Corporation expects this investigation to continue.

The Corporation is involved in various other legal and environmental proceedings arising in the ordinary course of its business, but in the opinion of management and counsel the probability is remote that the outcome of any such litigation or proceedings, whether specifically described above or referred to generally in this paragraph, will have a material adverse effect on the results of the Corporation's operations or its financial position.

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ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of 1996.

ITEM 4(A). EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers of Lockheed Martin Corporation are listed below. There were no family relationships among any of the executive officers and directors of the Corporation. All officers serve at the pleasure of the Board of Directors.

<TABLE>

<CAPTION>

NAME (AGE AT 12/31/96)	POSITIONS AND OFFICES HELD WITH CORPORATION (YEAR ELECTED)	PRINCIPAL OCCUPATION AND BUSINESS EXPERIENCE (PAST FIVE YEARS)
<S> Norman R. Augustine (61)	<C> Chairman of the Board and Chief Executive Officer; Director (1995)	<C> Chairman of the Board of Lockheed Martin Corporation since January 1997 and Chief Executive Officer of Lockheed Martin Corporation since January 1, 1996. President of Lockheed Martin from March 1995 to December 1995. Chairman of the Board of Martin Marietta from 1988 to 1995 and Chief Executive Officer from 1987 to 1995.
Marcus C. Bennett (60)	Executive Vice President and Chief Financial Officer; Director (1995)	Executive Vice President of Lockheed Martin since July 1996; Senior Vice President and Chief Financial Officer of Lockheed Martin Corporation from March 1995 to July 1996. Vice President and Chief Financial Officer of Martin Marietta from 1988 to 1995.
Vance D. Coffman (52)	President and Chief Operating Officer; Director (1996)	Director since January 1996; President since June 1996; Chief Operating Officer since January 1996; Executive Vice President from January to June 1996; President and Chief Operating Officer, Space & Strategic Missiles Sector from March 1995 to December 1995; previously served in Lockheed Corporation as Executive Vice President, from 1992 to 1995; and President of Lockheed Space Systems Division from 1988 to 1992.

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<PAGE>

<TABLE>

<S>

James A. Blackwell,
Jr. (56)

<C>

Sector President
and Chief
Operating Officer
- Aeronautics

<C>

President and Chief Operating Officer,
Aeronautics Sector since March 1995;
previously served in Lockheed
Corporation as Vice President and
President from April 1993 to March 1995,
Lockheed Aeronautical Systems Company;
served as an executive employee of
Lockheed Aeronautical Systems Company
from 1986 until March 1995.

Melvin R. Brashears
(51)

Sector President
and Chief
Operating Officer
- Space &
Strategic
Missiles

President and Chief Operating Officer
Space & Strategic Missiles Sector, since
January 1996; Deputy, Space & Strategic
Missiles Sector from November 1995 to
December 1995; Executive Vice President
of Lockheed Missiles & Space Company,
Inc. from March 1995 - November 1995 and
President of Lockheed Commercial Space
Company; previously served in Lockheed
Corporation as Vice President and
Assistant General Manager, Space Systems
Division, Lockheed Missiles & Space
Company, Inc., from 1992 to 1995;
Director of Advanced Space Programs,
from 1991 to 1992.

Raymond S. Colladay
(53)

President,
Astronautics

President, Astronautics since February
1997; previously Vice President Business
Development & Advanced Programs of
Martin Marietta and the
Corporation, respectively, from May
1993 to February 1997; Vice
President Strategic Defense Systems
of Martin Marietta from December 1990 to

Thomas A. Corcoran
(52)

Sector President
and Chief
Operating Officer
- Electronics

President and Chief Operating Officer,
Electronics Sector since March 1995;
previously served in Martin Marietta
Corporation as President, Electronics
Group, from April 1993 to March
1995; previously served at General
Electric Corporation as Vice
President and General Manager, from
1990 to 1993.

Dain M. Hancock
(55)

President,
Tactical Aircraft
Systems

President, Tactical Aircraft Systems
since March 1995; previously served in
Lockheed Corporation as Vice President
from 1993 to March 1995; and Vice
President and F-16 Program Director,
Lockheed Fort Worth Company, from 1993
to March 1995. From 1966 until 1993 he

was an employee of General Dynamics Corporation.

</TABLE>

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<TABLE>

<S>

K. Michael Henshaw
(50)

<C>

President,
Missiles & Space

<C>

President, Lockheed Martin Missiles & Space since October 1996; Executive Vice President, Lockheed Martin Missiles & Space from July to October, 1996; Vice President, Civil Space and Vice President Business Development, Advanced Programs & Technology of Lockheed Martin Missiles & Space from January to July, 1996; Vice President, Lockheed Martin Earth Observation & Space Science Systems from August 1995 to January 1996; Vice President, Lockheed Martin Earth Remote Sensing Programs from July 1994 to August 1995; Group Vice President of Martin Marietta Corporation from May 1993 to July 1994; Group Vice President of Martin Marietta Advanced Programs & Business Development from April 1991 to May 1993.

John R. Kreik (52)

President,
Sanders

President, Sanders; previously served in Lockheed Corporation as President, Lockheed Sanders, Inc. from 1990 to 1995

Frank C. Lanza (65)

Executive Vice
President;
Director

Executive Vice President of Lockheed Martin Corporation since April 1996 and President and Chief Operating Officer of the Corporation's C/3/I and Systems Integration Sector from April 1996 to February 1997; President and Chief Operating Officer of Loral Corporation from 1981 until its combination with Lockheed Martin in April 1996; member of the Board of the American Defense Preparedness Association and Vice Chairman of the General Partners Committee of Globalstar Limited Partnership.

John S. McLellan
(55)

President,
Aeronautical
Systems

President, Aeronautical Systems since March 1995; previously served in Lockheed Corporation as Vice President and Executive Vice President, Lockheed Aeronautical Systems Company from March 1994 to March 1995; served as President, Lockheed Aircraft Service Company-Ontario from February 1992 to March 1994 and served as its Executive Vice President from April 1989 to February 19

</TABLE>

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<TABLE>

<S> Frank H. Menaker, Jr. (56)	<C> Senior Vice President and General Counsel	<C> Senior Vice President since July 1996; Vice President and General Counsel for Lockheed Martin Corporation March 1995 to July 1996, after having served in the same capacity for Martin Marietta Corporation since 1981.
Albert Narath (63)	Sector President and Chief Operating Officer - Energy & Environment	President and Chief Operating Officer, Energy & Environment Sector, Lockheed Martin Corporation from August 15, 1995 to present; President, Sandia Corporation from April 1989 to August 14, 1995.
Robert E. Rulon (53)	Vice President and Controller	Vice President and Controller since March 1995; previously served in Lockheed Corporation as Vice President and Controller from 1992 to 1995; served as Vice President, Internal Audit from 1990 to 1992.
Walter E. Skowronski (48)	Vice President and Treasurer	Vice President and Treasurer since March 1995; previously served in Lockheed Corporation as Vice President and Treasurer from 1992 to 1995; served as staff Vice President, Investor Relations from 1990 to 1992.
Peter B. Teets (54)	Sector President and Chief Operating Officer - Information & Services	President and Chief Operating Officer, Information & Services Sector since March 1995; previously served in Martin Marietta Corporation as Corporate Vice President (since 1985) and President, Space Group, from 1993 to 1995; served a President, Astronautics Group from 1987 to 1993.

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PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

There were approximately 42,609 holders of record of Lockheed Martin Corporation Common Stock, \$1 par value, as of December 31, 1996. The Corporation's Common Stock is traded on the New York Stock Exchange, Inc. Information concerning stock prices and dividends paid during the past two years is as follows:

<TABLE>

<CAPTION>

Common Dividends Paid and Market Price

Market Pri

Quarter	Dividends Paid		High/Low	
-----	-----		-----	
	1996	1995	1996	
-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
First	.40	N/A	80.875/73.125	5
Second	.40	.35	86.75/73.00	6
Third	.40	.35	91.75/76.25	68
Fourth	.40	.35	96.625/85.25	7
-----	-----	-----	-----	-----
Year	1.60	1.05	96.625/73.00	7

</TABLE>

/*/ The first day that the Corporation's Common Stock was publicly traded was March 16, 1995

ITEM 6. SELECTED FINANCIAL DATA

The information required by this Item 6 is included under the caption "Seven Year Summary" on page 85 of the 1996 Annual Report, and that information is hereby incorporated by reference in this Form 10-K.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information required by this Item 7 is included under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 51 through page 63 of the 1996 Annual Report, and that information is hereby incorporated by reference in this Form 10-K.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item 8 is included under the captions "Report of Ernst & Young LLP, Independent Auditors," "Consolidated Statement of Earnings," "Consolidated Statement of Cash Flows," "Consolidated Balance Sheet," "Consolidated Statement of Stockholders' Equity," and "Notes to Consolidated Financial Statements" on page 65 through page 84 of the Audited Consolidated Financial Statements included in the 1996 Annual Report and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 51 through page 63 of the 1996 Annual Report. This information is hereby incorporated by reference in this Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

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PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information concerning directors required by this Item 10 is included under the caption "Election of Directors" in the Corporation's definitive Proxy Statement to be filed pursuant to Regulation 14A no later than March 25, 1997 (the "1997 Proxy Statement"), and that information is hereby incorporated by reference in this Form 10-K. Information concerning executive officers required by this Item 10 is located under Part I, Item 4(a) on page 31 through page 34 of this Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item 11 is included in the text and tables under the caption "Compensation of Executive Officers" in the 1997 Proxy Statement and that information, except for the information required by Item 402(k) and 402(l) of Regulation S-K, is hereby incorporated by reference in this Form 10-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item 12 is included under the heading "Securities Owned by Management" and "Voting Securities and Record Date" in the 1997 Proxy Statement and that information is hereby incorporated by reference in this Form 10-K.

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ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Corporation is negotiating a Transaction Agreement pursuant to which the Corporation anticipates repositioning certain non-core business units as a new independent company. The transaction contemplates the creation of a new company ("Newco") which will be 50.1% owned by Lehman Brothers Capital Partners III, L.P. or its affiliates, 34.9% by the Corporation, and 15% by a management team lead by Frank C. Lanza who, in addition to his services as a director of the Corporation, serves as one of its executive vice presidents. The Transaction Agreement is being negotiated on an arms-length basis. It is contemplated that Newco will pay the Corporation a total purchase price for the businesses (subject to adjustment in certain circumstances as will be provided in the Transaction Agreement) of \$525 million, consisting of 6,980,000 shares of Newco Class A Common Stock and \$479.835 million in cash. Mr. Lanza will be issued 1,500,000 shares of Class B Common Stock, or 7.5% of the equity securities of Newco, in return for cash consideration of \$7.5 million. A second individual constituting a member of the proposed management team will also be issued 1,500,000 shares of Newco Class B Common stock in return for cash consideration of \$7.5 million. The proposed transaction is subject to a number of conditions, including execution of a definitive agreement and regulatory approvals.

The Corporation has entered into an employment agreement with Mr. Lanza. Under the agreement, during the three-year term of employment beginning on May 1, 1996, Mr. Lanza may, for good cause, give notice that he elects to terminate employment under the agreement. Upon receipt of such notice, or upon termination by the Corporation for other than substantial and serious cause, the agreement requires Lockheed Martin to pay Mr. Lanza a lump sum payment equal to the base salary and annual bonus that would have been paid during the remaining portion of the three-year term of the agreement had he continued to be employed through the full term. As of the date of the mailing of this Proxy Statement, the Corporation is negotiating with Mr. Lanza as to the effect of the proposed transaction under Mr. Lanza's employment agreement if that transaction closes.

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PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

- (a)(1) List of Financial Statements filed as part of the Form 10-K.

Page

The following financial statements of Lockheed Martin Corporation and consolidated subsidiaries, and the related Report of Ernst & Young, Independent Auditors, included in the 1996 Annual Report, are incorporated by reference into Item 8 on page 36 of this Annual Report on Form 10-K. Page numbers refer to the 1996 Annual Report:

Consolidated Statement of Earnings-- December 31, 1996, 1995 and 1994.....	66
Consolidated Statement of Cash Flows-- December 31, 1996, 1995 and 1994.....	67
Consolidated Balance Sheet-- December 31, 1996 and 1995.....	68
Consolidated Statement of Stockholders' Equity-- December 31, 1996, 1995 and 1994.....	69
Notes to Consolidated Financial Statements-- December 31, 1996.....	70-84
Report of Ernst & Young LLP, Independent Auditors.....	65

- (2) List of Financial Statement Schedules filed as part of this Form 10-K.

All schedules have been omitted because they are not applicable, not required, or the information has been otherwise supplied in the financial statements or notes to the financial statements.

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- (b) The following report on Form 8-K was filed during the last quarter of the period covered by this report:

- (1) Lockheed Martin Corporation Current Report on Form 8-K filed with the Securities and Exchange Commission on October 11, 1996.

During the first quarter of 1997, Lockheed Martin Corporation made the following filing on Form 8-K:

- (1) Lockheed Martin Corporation Current Report on Form 8-K filed with the Securities and Exchange Commission on January 21, 1997.

(c) Exhibits

(2) Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession.

- (a) Agreement and Plan of Merger, dated as of January 7, 1996, among the Corporation, LMC Acquisition Corporation and Loral Corporation (incorporated by reference to the Schedule 14D-1 in respect of Loral Corporation filed by the Corporation on January 12, 1996).
- (b) Letter Amendment dated as of April 15, 1996, to the Agreement and Plan of Merger dated as of January 7, 1996, by and among the Corporation, LAC Acquisition Corporation and Loral Corporation (incorporated by reference to Amendment No. 10 to Schedule 14D-1 in respect of Loral Corporation filed by the Corporation with the Commission on April 19, 1996).
- (c) Restructuring, Financing and Distribution Agreement dated as of January 7, 1996, by and among Loral Corporation, Loral Aerospace Holdings, Inc., Loral Aerospace Corp., Loral General Partner Inc., Loral GlobalStar, L.P., Loral GlobalStar Limited, Loral Space & Communications Ltd. and the Corporation (incorporated by reference to the Schedule 14D-1 in respect of Loral Corporation filed by the Corporation with the Commission on January 12, 1996).

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- (d) Letter Amendment dated as of April 15, 1996, to the Restructuring, Financing and Distribution Agreement dated as of January 7, 1996, by and among the Corporation, Loral Corporation, Loral Space & Communications Corporation, Loral Aerospace Holdings, Inc., Loral Aerospace Corp., Loral General Partner Inc., Loral GlobalStar, L.P., Loral GlobalStar Limited and Loral Space & Communications Ltd. (incorporated by reference to Amendment No. 11 to the Schedule 14D-1 in respect of Loral Corporation filed by the Corporation with the Commission on April 22, 1996).

(3)(i) Articles of Incorporation.

- (a) Articles of Amendment and Restatement of Lockheed Martin Corporation (formerly Parent Corporation) filed with the State Department of Assessments and Taxation of the State of Maryland on February 7, 1995 (incorporated by reference to Exhibit 3.1 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with the Commission on February 9, 1995).

(ii) Bylaws

- (a) Copy of the Bylaws of Lockheed Martin Corporation as

amended on January 23, 1997.

- (4) (a) Indenture dated May 16, 1996, between the Corporation, Lockheed Martin Tactical Systems, Inc., and First Trust of Illinois, National Association as Trustee (incorporated by reference to Exhibit 4 of the Corporation's filing on Form 8-K on May 16, 1996).

No other instruments defining the rights of holders of long-term debt are filed since the total amount of securities authorized under any such instrument does not exceed 10% of the total assets of the Corporation on a consolidated basis. The Corporation agrees to furnish a copy of such instruments to the Securities and Exchange Commission upon request.

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- (b) See Exhibits 3.1 and 3.2.
- (10)* (a) Format of the agreements between the Corporation and certain officers to provide for continuity of management in the event of a change in control of the Corporation (incorporated by reference to Exhibit 10.14 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with Commission on February 9, 1995).
- (b) Lockheed Martin Corporation 1995 Omnibus Performance Award Plan (incorporated by reference to Exhibit 10.36 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with the Commission on February 9, 1995).
- (c) Lockheed Martin Corporation Directors Deferred Stock Plan, as amended and restated February 27, 1997.
- (d) Agreement Containing Consent Order, dated December 22, 1994, among the Corporation, Lockheed Corporation, Martin Marietta Corporation and the Federal Trade Commission (incorporated by reference to Exhibit 10.4 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with the Commission on February 9, 1995).
- (e) Reconfiguration Agreement, dated August 29, 1994, among Martin Marietta Corporation, the Corporation and General Electric Company (incorporated by reference to Exhibit 10.2 to Lockheed Martin Corporation's Registration

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Statement on Form S-4 (No. 33-57645) filed with the Commission on February 9, 1995).

- (f) Amendment to the Reconfiguration Agreement, dated November 30, 1994, among Martin Marietta Corporation,

the Corporation and General Electric Company (incorporated by reference to Exhibit 10.3 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with the Commission on February 9, 1995).

- (g) Standstill Agreement, dated April 2, 1993, between Martin Marietta Corporation and General Electric Company (incorporated by reference to Exhibit 10.1 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with the Commission on February 9, 1995).
- (h) Lockheed Martin Corporation Directors Deferred Compensation Plan, as amended and restated February 27, 1997.
- (i) Martin Marietta Corporation Post-Retirement Income Maintenance Plan for Directors, as amended (incorporated by reference to Exhibit 10(iii)(b) to Martin Marietta Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1994).
- (j) Martin Marietta Corporation Financial Counseling Program for directors, officers, company presidents, and other key employees, as amended (incorporated by reference to Exhibit 10.6 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with Commission on February 9, 1995).
- (k) Martin Marietta Corporation Executive Incentive Plan, as amended (incorporated by reference to Exhibit 10.7 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645)

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filed with Commission on February 9, 1995).

- (l) Deferred Compensation and Estate Supplement Plan, as amended (incorporated by reference to Exhibit 10(iii)(e) to Martin Marietta Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1994).
- (m) Martin Marietta Corporation Post-Retirement Death Benefit Plan for Senior Executives, as amended (incorporated by reference to Exhibit 10.9 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with Commission on February 9, 1995).
- (n) Martin Marietta Corporation 1979 Stock Option Plan for Key Employees, as amended (incorporated by reference to Exhibit 10.11 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with Commission on February 9, 1995).
- (o) Martin Marietta Corporation 1984 Stock Option Plan for

Key Employees, as amended (incorporated by reference to Exhibit 10.12 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with Commission on February 9, 1995).

- (p) Martin Marietta Corporation Amended Omnibus Securities Award Plan, as amended March 25, 1993 (incorporated by reference to Exhibit 10.13 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with Commission on February 9, 1995).
- (q) Martin Marietta Corporation Supplemental Excess Retirement Plan, as amended (incorporated by reference to Exhibit 10.15 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with Commission on February 9, 1995).

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- (r) Martin Marietta Corporation Restricted Stock Award Plan, as amended (incorporated by reference to Exhibit 10.16 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with Commission on February 9, 1995).
- (s) Martin Marietta Corporation Long Term Performance Incentive Compensation Plan (incorporated by reference to Exhibit 10(iii)(m) to Martin Marietta Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1994).
- (t) Amended and Restated Martin Marietta Corporation Long-Term Performance Incentive Compensation Plan (incorporated by reference to Exhibit 10(iii)(n) to Martin Marietta Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1994).
- (u) Martin Marietta Corporation Directors' Life Insurance Program (incorporated by reference to Exhibit 10.17 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with Commission on February 9, 1995).
- (v) Martin Marietta Corporation Executive Special Early Retirement Option and Plant Closing Retirement Option Plan (incorporated by reference to Exhibit 10.18 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with Commission on February 9, 1995).
- (w) Martin Marietta Supplementary Pension Plan for Employees of Transferred GE Operations (incorporated by reference to Exhibit 10.19 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with Commission on February 9, 1995).
- (x) Form of Employment Agreement between Martin Marietta Corporation and certain officers (incorporated by reference to Exhibit 10.20 to Lockheed Martin

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Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with the Commission on February 9, 1995).

- (y) Martin Marietta Corporation Deferred Compensation Plan for Selected Officers (incorporated by reference to Exhibit 10.10 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with the Commission on February 9, 1995).
- (z) Lockheed Corporation 1992 Employee Stock Option Program (incorporated by reference to the Registration Statement on Form S-8 (No. 33-49003) of Lockheed Corporation filed with the Commission on September 11, 1992).
- (aa) Amendment to Lockheed Corporation 1992 Employee Stock Option Plan (incorporated by reference to Exhibit 10.22 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with the Commission on February 9, 1995).
- (bb) Lockheed Corporation 1986 Employee Stock Purchase Program, as amended (incorporated by reference to Exhibit 10.23 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with the Commission on February 9, 1995).
- (cc) Lockheed Corporation 1982 Employee Stock Purchase Program, as amended (incorporated by reference to Exhibit 10.24 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with the Commission on February 9, 1995).
- (dd) Incentive Retirement Benefit Plan for Certain Executives of Lockheed Corporation, as amended (incorporated by reference to Exhibit 10.25 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with the Commission on February 9, 1995).
- (ee) Supplemental Retirement Benefit Plan for Certain Transferred Employees of

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Lockheed Corporation, as amended (incorporated by reference to Exhibit 10.26 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with the Commission on February 9, 1995).

- (ff) Supplemental Benefit Plan of Lockheed Corporation, as amended (incorporated by reference to Exhibit 10.27 to Lockheed Martin Corporation's Registration Statement on

Form S-4 (No. 33-57645) filed with the Commission on February 9, 1995).

- (gg) Long-Term Performance Plan of Lockheed Corporation and its Subsidiaries (incorporated by reference to Exhibit 10.28 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with the Commission on February 9, 1995).
- (hh) Lockheed Martin Corporation Supplemental Savings Plan, as amended and restated as of January 1, 1997.
- (ii) Deferred Compensation Plan for Directors of Lockheed Corporation, as amended (incorporated by reference to Exhibit 10.30 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with the Commission on February 9, 1995).
- (jj) Lockheed Corporation Retirement Plan for Directors, as amended (incorporated by reference to Exhibit 10.31 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with the Commission on February 9, 1995).
- (kk) Form of Lockheed Corporation Termination Benefits Agreement effective January 1, 1991 (included in Form 8, Amendment No. 1 to Exhibit 28 of Form 8-K dated November 5, 1990 of Lockheed Corporation and incorporated herein by reference).

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- (ll) Trust Agreement, as amended February 3, 1995, between Lockheed Corporation and First Interstate Bank of California (incorporated by reference to Exhibit 10.33 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with the Commission on February 9, 1995).
- (mm) Lockheed Corporation Directors' Deferred Compensation Plan Trust Agreement, as amended (incorporated by reference to Exhibit 10.34 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with the Commission on February 9, 1995).
- (nn) Trust Agreement, dated December 22, 1994, between Lockheed Corporation and J.P. Morgan California with respect to certain employee benefit plans of Lockheed Corporation (incorporated by reference to Exhibit 10.35 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with the Commission on February 9, 1995).
- (oo) Lockheed Martin Corporation Directors Charitable Award Plan, as amended April 25, 1996.
- (pp) 1983 Stock Option Plan (incorporated by reference from Loral Corporation's 1983 Proxy Statement).

- (qq) Amendment to the 1983 Stock Option Plan (incorporated by reference from Loral Corporation's Form 10-K for the fiscal year ended March 31, 1986, Exhibit 10.11).
- (rr) Amended 1986 Stock Option Plan (incorporated by reference from Loral Corporation's Form 10-Q for the quarter ended June 30, 1988, Exhibit 10.1).
- (ss) Amendment to the 1983 and 1986 Stock Option Plans (incorporated by reference from Loral Corporation's Form 10-K for the fiscal year ended March 31, 1990, Exhibit 10.8).
- (tt) 1991 Amendment to the 1986 Stock Option Plan (incorporated by reference from Loral Corporation's Form 10-K for the fiscal year ended March 31, 1991, Exhibit 10.9).
- (uu) Loral Corporation Incentive Compensation Plan for Senior Executives (incorporated by reference from Loral Corporation's 1994 Proxy Statement).
- (vv) 1994 Stock Option and Incentive Stock Purchase Plan (incorporated by reference from Loral Corporation's 1994 Proxy Statement).
- (ww) Loral Corporation Restricted Stock Purchase Plan (incorporated by reference from Loral Corporation's Form 8-K dated May 13, 1987, Exhibit 10.28).
- (xx) Amendment to the Loral Corporation Restricted Stock Purchase Plan (incorporated by reference from Loral Corporation's Form 10-Q for the quarter ended June 30, 1987, Exhibit 10.2).
- (yy) Restated Employment Agreement between Loral Corporation and Bernard L. Schwartz, dated as of April 1, 1990 (incorporated by reference from Loral Corporation's Form 10-K for the fiscal year ended March 31, 1990, Exhibit 10.11).
- (zz) Extension and Modification Agreement between Loral Corporation and Bernard L. Schwartz dated as of June 14, 1994 (incorporated by reference from Loral Corporation's Form 10-K for the fiscal year ended March 31, 1995, Exhibit 10.11).
- (aaa) Split-dollar life insurance agreement with Bernard L. Schwartz, dated as of March 15, 1990 (incorporated by reference from Loral Corporation's Form 10-K for the fiscal year ended March 31, 1991, Exhibit 10.13).
- (bbb) Split-dollar life insurance agreement with Bernard L. Schwartz, dated as of December 10, 1990 (incorporated by reference from Loral Corporation's Form 10-K for the fiscal year ended March 31, 1991, Exhibit 10.14).
- (ccc) Employment Contract between Loral Corporation and Frank C. Lanza, dated as of April 1, 1987 (incorporated by

reference from Loral Corporation's Form 10-Q for the quarter ender June 30, 1987, Exhibit 10.1 and Form 10-K for the fiscal year ended March 31, 1982, Exhibit 10.11).

- (ddd) Amendment to Employment Contract between Loral Corporation and Frank C. Lanza, dated as of March 31, 1988 (incorporated by reference from Loral Corporation's Form 10-K for the fiscal year ended March 31, 1988, Exhibit 10.19).
- (eee) Amendment to Employment Contract between Loral Corporation and Frank C. Lanza, dated as of March 21, 1990 (incorporated by reference from Loral Corporation's Form 10-K for the fiscal year ended March 31, 1990, Exhibit 10.16).
- (fff) Amendment to Employment Contract between Loral Corporation and Frank C. Lanza, dated as of April 1, 1992 (incorporated by reference from Loral Corporation's Form 10-K for the fiscal year ended March 31, 1992, Exhibit 10.17).
- (ggg) Modification Agreement between Loral corporation and Frank C. Lanza dated as of June 14, 1994 (incorporated by reference from Loral Corporation's Form 10-K for the fiscal year ended March 31, 1995, Exhibit 10.18).
- (hhh) Split-dollar life insurance agreement with Frank C. Lanza, dated as of August 5, 1985 (incorporated by reference from Loral Corporation's Form 10-K for the fiscal year ended March 31, 1991, Exhibit 10.18).
- (iii) Loral Supplemental Executive Retirement Plan (incorporated by reference to Exhibit 99.2 of the Schedule 14D-9 filed by Loral Corporation with the Commission on January 16, 1996).
- (jjj) Loral Corporation Supplemental Bonus Plan (incorporated by reference to Exhibit 99.3 of the Schedule 14D-9 filed by Loral Corporation with the Commission on January 16, 1996).
- (kkk) Loral Corporation Supplemental Severance Program (incorporated by reference to Exhibit 99.4 of the Schedule 14D-9 filed by Loral Corporation with the Commission on January 16, 1996).
- (lll) Form of Employment Protection Agreement between Loral Corporation and Executives of Loral (incorporated by reference to Exhibit 99.5 of the Schedule 14D-9 filed by Loral Corporation with the Commission on January 16, 1996).
- (mmm) Loral Corporation Employment Protection Plan (incorporated by reference to Exhibit 99.6 of the Schedule 14D-9 filed by Loral Corporation with the Commission on January 16, 1996).
- (nnn) Amendment to Lockheed Martin Corporation Supplemental

Excess Retirement Plan.

(ooo) Amendment to Terms of Outstanding Stock Option Relating to Exercise Period for Employees of Divested Business.

(ppp) Lockheed Martin Corporation Post-Retirement Death Benefit Plan for Elected Officers, as amended.

(qqq) Lockheed Martin Corporation Directors Retirement Plan, as amended.

* Exhibits (10)(a) through (10)(c) and 10(h) through 10(qqq) constitute management contracts or compensatory plans or arrangements required to be filed as an Exhibit to this Form pursuant to Item 14(c) of this Report.

(11) Computation of earnings per common share for the years ended December 31, 1996, 1995 and 1994.

(12) Computation of ratio of earnings to fixed charges for the year ended December 31, 1996.

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(13) 1996 Annual Report to Security Holders (including an appendix describing graphic and image material). Those portions of the 1996 Annual Report to Security Holders which are not incorporated by references in this Annual Report in Form 10-K shall not be deemed "filed" as part of this Report.

(21) List of Subsidiaries of Lockheed Martin Corporation.

(23) Consent of Ernst & Young LLP, Independent Auditors (included in this Form 10-K at page 53).

(24) Powers of Attorney.

(27) Financial Data Schedule.

Other material incorporated by reference:

None.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LOCKHEED MARTIN CORPORATION

Date: March 14, 1997

By: /s/ FRANK H. MENAKER, JR.

Frank H. Menaker, Jr.
Senior Vice President
and General Counsel

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURES -----	TITLE -----	DATE ----
/s/Norman R. Augustine* ----- NORMAN R. AUGUSTINE	Chief Executive Officer and Director	February 27, 1997
/s/Marcus C. Bennett* ----- MARCUS C. BENNETT	Executive Vice President, Chief Financial Officer and Director	February 27, 1997
/s/Robert E. Rulon* ----- ROBERT E. RULON	Chief Accounting Officer	February 27, 1997
/s/Lynne V. Cheney* ----- LYNNE V. CHENEY	Director	February 27, 1997
/s/Vance D. Coffman* ----- VANCE D. COFFMAN	Director	February 27, 1997

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SIGNATURES -----	TITLE -----	DATE ----
/s/Houston K. Flournoy* ----- HOUSTON K. FLOURNOY	Director	February 27, 1997
/s/James F. Gibbons* ----- JAMES F. GIBBONS	Director	February 27, 1997
/s/Edward E. Hood, Jr.* ----- EDWARD E. HOOD, JR.	Director	February 27, 1997
/s/Caleb B. Hurtt* ----- CALEB B. HURTT	Director	February 27, 1997
/s/Gwendolyn S. King* ----- GWENDOLYN S. KING	Director	February 27, 1997
/s/Frank C. Lanza* -----	Director	February 27, 1997

FRANK C. LANZA

/s/Vincent N. Marafino*	Director	February 27, 1997
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VINCENT N. MARAFINO

/s/Eugene F. Murphy*	Director	February 27, 1997
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EUGENE F. MURPHY

/s/Allen E. Murray*	Director	February 27, 1997
---------------------	----------	-------------------

ALLEN E. MURRAY

/s/Frank Savage*	Director	February 27, 1997
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FRANK SAVAGE

/s/Daniel M. Tellep*	Director	February 27, 1997
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DANIEL M. TELLEP

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SIGNATURES

TITLE

DATE

/s/Carlisle A.H. Trost* Director February 27, 1997-----
CARLISLE A.H. TROST

/s/James R. Ukropina* Director February 27, 1997

JAMES R. UKROPINA

/s/Douglas C. Yearley* Director February 27, 1997

DOUGLAS C. YEARLEY

*By: /s/ STEPHEN M. PIPER March 14, 1997

(Stephen M. Piper, Attorney-in-fact**)

**By authority of Powers of Attorney filed with this Annual Report on Form 10-K.

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CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Lockheed Martin Corporation of our report dated January 20, 1997 (except Note 3, as to which the date is February 3, 1997), included in the 1996 Annual

Report to Shareholders of Lockheed Martin Corporation.

We also consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement Number 33-58067 of Lockheed Martin Corporation on Form S-3, dated March 14, 1995;
- (2) Registration Statement Numbers: 33-58073, 33-58075, 33-58077, 33-58079, 33-58081, 33-58085, 33-58089 and 33-58097 of Lockheed Martin Corporation on Forms S-8, each dated March 15, 1995;
- (3) Post-Effective Amendment No. 1, dated March 15, 1995 to Registration Statement Number 33-57645 of Lockheed Martin Corporation on Form S-8;
- (4) Registration Statement Number 33-63155 of Lockheed Martin Corporation on Form S-8, dated October 3, 1995;
- (5) Registration Statement Number 33-06255 of Lockheed Martin Corporation on Form S-8, dated June 19, 1996;
- (6) Registration Statement Numbers: 33-06479, 33-06481, 33-06483, 33-06485, 33-06487, 33-06515 and 33-06517 of Lockheed Martin Corporation on Form S-8, each dated June 21, 1996;
- (7) Registration Statement Numbers: 33-20117 and 33-20139 of Lockheed Martin Corporation on Form S-8 each dated January 22, 1997; and
- (8) Post-Effective Amendment No. 1, dated January 22, 1997 to Registration Statement Number 33-58083 on Form S-8.

of our report dated January 20, 1997 (except Note 3, as to which the date is February 3, 1997), with respect to the consolidated financial statements incorporated herein by reference.

ERNST & YOUNG LLP

Washington, D.C.
March 7, 1997

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Exhibit 3(ii)(a)

LOCKHEED MARTIN CORPORATION

B Y- L A W S

Adopted August 26, 1994
 (Amended February 6, 1995)
 (Amended April 27, 1995)
 (Amended September 28, 1995)
 (Amended January 1, 1996)
 (Amended January 7, 1996)
 (Amended April 25, 1996)
 (Amended January 23, 1997)

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 OF
 LOCKHEED MARTIN CORPORATION

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BYLAWS

OF

LOCKHEED MARTIN CORPORATION

(Incorporated under the laws of Maryland, August 26, 1994, and herein referred to as the "Corporation")

ARTICLE I

STOCKHOLDERS

Section 1.01. ANNUAL MEETINGS. The Corporation shall hold an annual meeting of stockholders for the election of directors and the transaction of any business within the powers of the Corporation on such date during the month of April in each year as shall be determined by the Board of Directors, except that the 1995 annual meeting of stockholders shall be held on February 6, 1995. Subject to Article I, Section 1.11 of these Bylaws, any business of the Corporation may be transacted at such annual meeting. Failure to hold an annual meeting at the designated time shall not, however, invalidate the corporate existence or affect otherwise valid corporate acts.

Section 1.02. SPECIAL MEETINGS. At any time in the interval between annual meetings, special meetings of the stockholders may be called by the Chairman of the Board, President, or by the Board of Directors or by the Executive Committee by vote at a meeting or in writing with or without a meeting. Special meetings of stockholders shall also be called by the Secretary of the Corporation on the written request of stockholders entitled to cast at least a majority of all the votes entitled to be cast at the meeting.

Section 1.03. PLACE OF MEETINGS. All meetings of stockholders shall be held at such place within the United States as may be designated in the notice of meeting.

Section 1.04. NOTICE OF MEETINGS. Not less than thirty (30) days nor more than ninety (90) days before the date of every stockholders' meeting, the Secretary shall give to each stockholder entitled to vote at such meeting and each other stockholder entitled to notice of the meeting, written or printed notice stating the time and place of the meeting and, in the case of a special

meeting, the purpose or purposes for which the meeting is called, either by mail or by presenting it to him or her personally or by leaving it at his or her residence or usual place of business. If mailed, such notice shall be deemed to be given when deposited in the United States

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mail addressed to the stockholder at his or her post office address as it appears on the records of the Corporation, with postage thereon prepaid. Notwithstanding the foregoing provision for notice, a waiver of notice in writing, signed by the person or persons entitled to such notice and filed with the records of the meeting, whether before or after the holding thereof, or actual attendance at the meeting in person or by proxy, shall be deemed equivalent to the giving of such notice to such persons. Any meeting of stockholders, annual or special, may adjourn from time to time without further notice to a date not more than one hundred twenty (120) days after the original record date at the same or some other place.

Section 1.05. CONDUCT OF MEETINGS. Each meeting of stockholders shall be conducted in accordance with such rules and procedures as the Board of Directors may determine subject to the requirements of applicable law and the Charter. The Chairman of the Board, or in his or her absence the President, or in their absence the person designated in writing by the Chairman of the Board, or if no person is so designated, then a person designated by the Board of Directors, shall preside as chairman of the meeting; if no person is so designated, then the meeting shall choose a chairman by a majority of all votes cast at a meeting at which a quorum is present. The Secretary or in the absence of the Secretary a person designated by the chairman of the meeting shall act as secretary of the meeting.

Section 1.06. QUORUM. At any meeting of stockholders, the presence in person or by proxy of stockholders entitled to cast a majority of the votes thereat shall constitute a quorum; but this section shall not affect any requirement under statute or under the Charter of the Corporation for the vote necessary for the adoption of any measure. In the absence of a quorum, the stockholders present in person or by proxy, by majority vote and without further notice, may adjourn the meeting from time to time to a date not more than 120 days after the original record date until a quorum shall attend. At any such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally notified.

Section 1.07. VOTES REQUIRED. Unless applicable law or the Charter of the Corporation provides otherwise, at a meeting of stockholders, the vote of a majority of the votes entitled to be cast at a meeting, duly called and at which a quorum is present, shall be required to take or authorize action upon any matter which may properly come before the meeting. Unless the Charter provides for a greater or lesser number of votes per share or limits or denies voting rights, each outstanding share of stock, regardless of class, shall be entitled to one vote on each matter submitted to a vote at a meeting of stockholders; but no share shall be entitled to any vote if any installment payable thereon is overdue and unpaid.

Section 1.08. PROXIES. A stockholder may vote the shares owned of record by him or her either in person or by proxy executed in writing by the stockholder or by his or her duly

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authorized attorney-in-fact. No proxy shall be valid after eleven (11) months

from its date, unless otherwise provided in the proxy. Every proxy shall be in writing, subscribed by the stockholder or his or her duly authorized attorney, and dated, but need not be sealed, witnessed or acknowledged.

Section 1.09. LIST OF STOCKHOLDERS. At each meeting of stockholders, a true and complete list of all stockholders entitled to vote at such meeting, stating the number and class of shares held by each, shall be furnished by the Secretary.

Section 1.10. INSPECTORS OF ELECTION. In advance of any meeting of stockholders, the Board of Directors may appoint Inspectors of Election to act at such meeting or at any adjournment or adjournments thereof. If such Inspectors are not so appointed or fail or refuse to act, the chairman of any such meeting, upon the demand of stockholders present in person or by proxy entitled to cast 25% of all the votes entitled to be cast at the meeting, shall make such appointments.

If there are three (3) or more Inspectors of Election, the decision, act or certificate of a majority shall be effective in all respects as the decision, act or certificate of all. The Inspectors of Election shall determine the number of shares outstanding, the voting power of each, the shares represented at the meeting, the existence of a quorum, the authenticity, validity and effect of proxies; shall receive votes, ballots, assents or consents, hear and determine all challenges and questions in any way arising in connection with the vote, count and tabulate all votes, assents and consents, and determine the result; and do such acts as may be proper to conduct the election and the vote with fairness to all stockholders. On request, the Inspectors shall make a report in writing of any challenge, question or matter determined by them, and shall make and execute a certificate of any fact found by them.

No such Inspector need be a stockholder of the Corporation.

Section 1.11. DIRECTOR NOMINATIONS AND STOCKHOLDER BUSINESS.

(a) Nominations and Stockholder Business at Annual Meetings of

Stockholders. Nominations of persons for election to the Board of Directors of

the Corporation and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders (i) pursuant to the Corporation's notice of meeting, (ii) by or at the direction of the Board of Directors or (iii) by any stockholder of the Corporation who was a stockholder of record at the time of giving of notice provided for in this Section 1.11(a), who is entitled to vote at the meeting and who complied with the notice procedures set forth in this Section 1.11(a).

For nominations or other business to be properly brought before an annual meeting by

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a stockholder pursuant to clause (iii) of paragraph (a) of this Section 1.11, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not less than sixty (60) days nor more than ninety (90) days prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced by more than thirty (30) days or delayed by more than sixty (60) days from such anniversary date,

notice by the stockholder to be timely must be so delivered not earlier than the 90th day prior to such annual meeting and not later than the close of business on the later of the 60th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made. Such stockholder's notice shall set forth (i) as to each person whom the stockholder proposes to nominate for election or reelection as a director, (A) the name, age, business address and residence address of such person, (B) the class and number of shares of capital stock of the Corporation that are beneficially owned by such person, and (C) all other information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A (or any successor provision) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (ii) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (iii) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made, the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner and the class and number of shares of stock of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner.

Notwithstanding anything in this paragraph (a) of this Section 1.11 to the contrary, in the event that Section 2.02 of these Bylaws is amended, altered or repealed so as to increase or decrease the maximum or minimum number of directors and there is no public announcement of such action at least seventy (70) days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Section 1.11(a) shall also be considered timely, but only with respect to nominees for director, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the Corporation.

(b) Director Nominations and Stockholder Business at Special Meetings

of Stockholders. Only such business shall be conducted at a special meeting of

stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting.

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Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of meeting (i) by or at the direction of the Board of Directors or (ii) provided that the Board of Directors has determined that directors shall be elected at such special meeting, by any stockholder of the Corporation who is a stockholder of record at the time of giving of notice provided for in this Section 1.11, who is entitled to vote at the meeting and who complied with the notice procedures set forth in this Section 1.11. In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board, any such stockholder may nominate a person or persons (as the case may be) for election to such position(s) as specified in the Corporation's notice of meeting, if the stockholder's notice required by paragraph (a) of this Section 1.11 shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than

the 90th day prior to such special meeting and not later than the close of business on the later of the 60th day prior to such special meeting or the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting.

(c) General. Only such persons who are nominated in accordance with the

 procedures set forth in this Section 1.11 shall be eligible to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 1.11. The presiding officer of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made in accordance with the procedures set forth in this Section 1.11 and, if any proposed nomination or business is not in compliance with this Section 1.11, to declare that such defective nomination or proposal be disregarded.

For purposes of this Section 1.11, "public announcement" shall mean disclosure in a press release reported by the Dow Jones New Service, Associated Press or comparable news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Sections 13, 14 or 15(d) of the Exchange Act.

Notwithstanding the foregoing provisions of this Section 1.11, a stockholder shall also comply with all applicable requirements of state law and of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 1.11. Nothing in this Section 1.11 shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 (or any successor provision) under the Exchange Act.

ARTICLE II

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BOARD OF DIRECTORS

Section 2.01. POWERS. The business and affairs of the Corporation shall be managed under the direction of its Board of Directors. The Board of Directors may exercise all the powers of the Corporation, except such as are by statute or the Charter or the Bylaws conferred upon or reserved to the stockholders.

Section 2.02. NUMBER OF DIRECTORS. The number of directors of the Corporation shall be not less than four (4) nor more than twenty-five (25). By vote of a majority of the Board of Directors, the number of directors may be increased or decreased, from time to time, within the limits above specified; provided, however, that except as set forth in the Charter of the Corporation, the tenure of office of a director shall not be affected by any decrease in the number of directors so made by the Board.

Section 2.03. ELECTION OF DIRECTORS. Except as set forth in the Charter of the Corporation, the members of the Board of Directors shall be elected each year at the annual meeting of stockholders, and each director shall hold office until the next annual meeting of stockholders held after his or her election and until his or her successor will have been elected and qualified. No person, other than a person granted an exemption from this provision by the Board of Directors, shall be eligible to be elected as a director for a term which

expires after the first annual meeting of stockholders after he or she reaches the age of 70 years.

Section 2.04. CHAIRMAN OF THE BOARD. The Board of Directors shall designate from its membership a Chairman of the Board, who shall preside at all meetings of the stockholders and of the Board of Directors. He may sign with the Secretary or an Assistant Secretary certificates of stock of the Corporation, and he shall perform such other duties as may be prescribed by the Board of Directors.

Section 2.05. VICE CHAIRMAN. The Board of Directors shall designate from its membership no more than two Vice Chairmen of the Board, who shall perform such functions and duties as requested by the Chairman of the Board.

Section 2.06. REMOVAL. Any director or the Board of Directors may be removed from office as a director at any time, but only for cause, by the affirmative vote at a duly called meeting of stockholders of at least 80% of the votes which all holders of the then outstanding shares of capital stock of the Corporation would be entitled to cast at an annual election of directors, voting together as a single class.

Section 2.07. VACANCIES. Vacancies in the Board of Directors, except for vacancies resulting from an increase in the number of directors, shall be filled only by a majority vote of

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the remaining directors then in office, though less than a quorum, except that vacancies resulting from removal from office by a vote of the stockholders may be filled by the stockholders at the same meeting at which such removal occurs. Vacancies resulting from an increase in the number of directors shall be filled only by a majority vote of the Board of Directors. Any director elected to fill a vacancy shall hold office until the next annual meeting of stockholders and until his or her successor will have been elected and qualified.

Section 2.08. REGULAR MEETINGS. After each meeting of stockholders at which a Board of Directors, or any class thereof, shall have been elected, the Board of Directors shall meet as soon as practicable for the purpose of organization and the transaction of other business, at such time and place within or without the State of Maryland as may be designated by the Board of Directors. Other regular meetings of the Board of Directors shall be held on such dates and at such places within or without the State of Maryland as may be designated from time to time by the Board of Directors.

Section 2.09. SPECIAL MEETINGS. Special meetings of the Board of Directors may be called at any time, at any place, and for any purpose by the Chairman of the Board, the President, the Chairman of the Executive Committee, any three (3) directors, or by any officer of the Corporation upon the request of a majority of the Board.

Section 2.10. NOTICE OF MEETINGS. Notice of the place, day, and hour of every regular and special meeting of the Board of Directors shall be given to each director twenty-four (24) hours (or more) before the meeting, by telephoning the notice to such director, or by delivering the notice to him or her personally, or by sending the notice to him or her by telegraph, or by facsimile, or by leaving the notice at his or her residence or usual place of business, or, in the alternative, by mailing such notice three (3) days (or more) before the meeting, postage prepaid, and addressed to him or her at his or her last known post office address, according to the records of the Corporation.

If mailed, such notice shall be deemed to be given when deposited in the United States mail, properly addressed, with postage thereon prepaid. If notice be given by telegram or by facsimile, such notice shall be deemed to be given when the telegram is delivered to the telegraph company or when the facsimile is transmitted. If the notice be given by telephone or by personal delivery, such notice shall be deemed to be given at the time of the communication or delivery. Unless required by these Bylaws or by resolution of the Board of Directors, no notice of any meeting of the Board of Directors need state the business to be transacted thereat. No notice of any meeting of the Board of Directors need be given to any director who attends or to any director who, in a writing executed and filed with the records of the meeting either before or after the holding thereof, waives such notice. Any meeting of the Board of Directors, regular or special, may adjourn from time to time to reconvene at the same or some other place, and no further notice need be given of any such adjourned meeting.

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Section 2.11. PRESENCE AT MEETING. Members of the Board, or of any committee thereof, may participate in a meeting by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other at the same time. Participation in this manner shall constitute presence in person at the meeting.

Section 2.12. PRESIDING OFFICER AND SECRETARY AT MEETINGS. Each meeting of the Board of Directors shall be presided over by the Chairman of the Board of Directors or in his or her absence by the President or if neither is present by such member of the Board of Directors as shall be chosen by the meeting. The Secretary, or in his or her absence an Assistant Secretary, shall act as secretary of the meeting, or if no such officer is present, a secretary of the meeting shall be designated by the person presiding over the meeting.

Section 2.13. QUORUM. At all meetings of the Board of Directors, a majority of the Board of Directors shall constitute a quorum for the transaction of business. Except in cases in which it is by statute, by the Charter, or by the Bylaws otherwise provided, the vote of a majority of such quorum at a duly constituted meeting shall be sufficient to pass any measure. In the absence of a quorum, the directors present by majority vote and without notice other than by announcement may adjourn the meeting from time to time until a quorum shall be present. At any such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally notified.

Section 2.14. COMPENSATION. Directors shall not receive any stated salary for their services as Directors but, by resolution of the Board of Directors, annual retainers, fees and expenses of attendance, if any, may be provided to Directors for attendance at each annual, regular or special meeting of the Board of Directors or of any committee thereof; but nothing contained herein shall be construed to preclude any Director from serving the Corporation in any other capacity and receiving compensation therefor.

Section 2.15. VOTING OF SHARES BY CERTAIN HOLDERS. Notwithstanding any other provision of the Charter of the Corporation or these Bylaws, Title 3, Subtitle 7 of the Corporations and Associations Article of the Annotated Code of Maryland (or any successor statute) shall not apply to any acquisition by General Electric Company of shares of stock of the Corporation.

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ARTICLE III

COMMITTEES

Section 3.01. EXECUTIVE COMMITTEE. The Board of Directors, by resolution adopted by a majority of the Board of Directors, may provide for an Executive Committee of two (2) or more directors. If provision be made for an Executive Committee, the members thereof shall be elected by the Board of Directors to serve at the pleasure of the Board of Directors. Unless a Chairman of the Board shall have been selected by the Board of Directors, the President shall act as chairman thereof. During the intervals between the meetings of the Board of Directors, the Executive Committee shall possess and may exercise such powers in the management of the business and affairs of the Corporation as may be authorized by the Board of Directors, subject to applicable law. All action by the Executive Committee shall be reported to the Board of Directors at its meeting next succeeding such action, and shall be subject to revision and alteration by the Board of Directors. Vacancies in the Executive Committee shall be filled by the Board of Directors.

Section 3.02. FINANCE COMMITTEE. The Board of Directors by resolution adopted by a majority of the Board of Directors may provide for a Finance Committee of three (3) or more directors. If provision is made for a Finance Committee, the members of the Finance Committee shall be elected by the Board of Directors to serve at the pleasure of the Board of Directors. The Board of Directors shall designate from among the membership of the Finance Committee a chairman. During the intervals between the meetings of the Board of Directors, the Finance Committee shall, except when such powers are by statute or the Charter or the Bylaws either reserved to the full Board of Directors or delegated to another committee of the Board of Directors, possess and may exercise all of the powers of the Board of Directors in the management of the financial affairs of the Corporation, including but not limited to establishing bank lines of credit or other short-term borrowing arrangements and investing excess working capital funds on a short-term basis. The Finance Committee will review the financial condition of the Corporation, the financial impact of all benefit plans and all proposed changes to the capital structure of the Corporation, including the incurrence of long-term indebtedness and the issuance of additional equity securities, and will make suitable recommendations to the Board of Directors. It will likewise review on an annual basis the proposed capital expenditure and contributions budgets of the Corporation and make recommendations to the Board of Directors for their adoption. It will monitor the financial impact of all trustee benefit plans sponsored by the Corporation and of any amendments or modifications thereto and will appoint and monitor the performance of the committee(s) responsible for managing the assets and administration of the Corporation's trustee benefit plans. All action by the Finance Committee shall be reported to the Board of Directors at its meeting next succeeding such action and shall be subject to

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revision and alteration by the Board of Directors. Vacancies in the Finance Committee shall be filled by the Board of Directors.

Section 3.03. AUDIT AND ETHICS COMMITTEE. The Board of Directors by resolution adopted by a majority of the Board of Directors shall provide for an Audit and Ethics Committee of three or more directors who are not officers or employees of the Corporation, and who otherwise independent of management and free from any relationship that, in the opinion of the Board of Directors, would interfere with the exercise of the independent judgment of each member as a Committee member. The members of the Audit and Ethics Committee shall be elected

by the Board of Directors to serve at the pleasure of the Board of Directors. The Board of Directors shall designate from among the membership of the Audit and Ethics Committee a chairman. The Audit and Ethics Committee shall, except when such powers are by statute or the Charter or the Bylaws either reserved to the full Board of Directors or delegated to another committee of the Board of Directors, possess and may exercise the powers of the Board of Directors relating to all accounting and auditing matters of this Corporation. The Audit and Ethics Committee shall recommend to the Board of Directors the selection of and monitor the independence of the independent public accountants for this Corporation and prior to the end of the Corporation's fiscal year shall review the scope and timing of the work to be performed and the compensation to be paid to the accountants selected by the Board; review with the Corporation's management and the independent public accountants the financial accounting and reporting principles appropriate for the Corporation, the policies and procedures concerning audits, accounting and financial controls, and any recommendations to improve existing practices, and the qualifications and work of the Corporation's internal auditing staff; review with the Corporation's independent public accountants the results of their audit and their report including any changes in accounting principles and any significant amendments; and shall meet with the Corporation's internal audit department representative to review the plan and scope of work of the internal auditing staff. The Committee shall hold quarterly meetings, and shall separately meet in executive session, with the Corporation's independent public accountants and internal audit department representative to review and resolve all matters of concern presented to the Committee. The Committee shall monitor compliance with the Code of Ethics and Standards of Conduct and shall review and resolve all matters of concern presented to it by the Corporate Ethics Committee or the Corporate Ethics Office. The Committee shall review and monitor the adequacy of the Corporation's policies and procedures, as well as the organizational structure, for ensuring compliance with environmental, health and safety laws and regulations; review, at least annually, the Corporation's record of compliance with any environmental, health and safety laws and regulations and the policies and procedures relating thereto; review with the Corporation's management significant environmental, health and safety litigation and regulatory proceedings in which the Corporation is or may become involved; and review the accounting and financial reporting issues, including the adequacy of disclosure, for all environmental matters. The Committee shall have the power to investigate any matter falling within its jurisdiction, and

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it shall also perform such other functions and exercise such other powers as may be delegated to it from time to time by the Board of Directors. All action by the Audit and Ethics Committee shall be reported to the Board of Directors at its meeting next succeeding such action and shall be subject to revision and alteration by the Board of Directors. Vacancies in the Audit and Ethics Committee shall be filled by the Board of Directors.

Section 3.04(a). COMPENSATION COMMITTEE. The Board of Directors by resolution adopted by a majority of the Board of Directors may provide for a Compensation Committee of three (3) or more directors who are not officers or employees of the Corporation. If provision is made for a Compensation Committee, the members of the Compensation Committee shall be elected by the Board of Directors to serve at the pleasure of the Board of Directors. The Board of Directors shall designate from among the membership of the Compensation Committee a chairman. The Compensation Committee shall recommend to the Board of Directors the compensation to be paid for services of senior elected officers of the Corporation as established by resolution of the Board of Directors from time to time. The Compensation Committee shall have the power to fix the compensation

of all other elected officers and to approve the benefits provided by any bonus, supplemental, and special compensation plans, including pension, insurance, and health plans, but excluding performance-based executive compensation plans, and such powers as are by statute or the Charter or the Bylaws reserved to the full Board of Directors. The Compensation Committee shall also perform such other functions and exercise such other powers as may be delegated to it from time to time by the Board of Directors. All action by the Compensation Committee shall be reported to the Board of Directors at its meeting next succeeding such action and shall be subject to revision and alteration by the Board of Directors. Vacancies in the Compensation Committee shall be filled by the Board of Directors.

Section 3.04(b). STOCK OPTION SUBCOMMITTEE. The Board of Directors by resolution adopted by a majority of the Board of Directors may provide for a Stock Option Subcommittee of three (3) or more directors of the Compensation Committee who meet the qualifications of an independent director under Section 162(m) of the Internal Revenue Code. If provision is made for a Stock Option Subcommittee, the members of the Stock Option Subcommittee shall be elected by the Board of Directors to serve at the pleasure of the Board of Directors. The Board of Directors shall designate from among the membership of the Stock Option Subcommittee a chairman. The Stock Option Subcommittee shall serve as the Stock Option Subcommittee of the Board and shall administer any performance-based executive compensation plan and approve awards granted thereunder. The Stock Option Subcommittee shall also perform such other functions and exercise such other powers as may be delegated to it from time to time by the Board of Directors. All action by the Stock Option Subcommittee shall be reported to the Board of Directors at its meeting next succeeding such action and shall be subject to revision and alteration by the Board of Directors. Vacancies in the Stock Option

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Subcommittee shall be filled by the Board of Directors.

Section 3.05. NOMINATING COMMITTEE. The Board of Directors by resolution adopted by a majority of the Board of Directors may provide for a Nominating Committee of three (3) or more Directors who are not officers or employees of the Corporation. If provision is made for a Nominating Committee, the members of the Nominating Committee shall be elected by the Board of Directors to serve at the pleasure of the Board of Directors. The Board of Directors shall designate from among the membership of the Nominating Committee a committee chairman. The Nominating Committee shall make recommendations to the Board of Directors concerning the fees and compensation for directors, the composition of the Board including its size and the qualifications for membership, and the Nominating Committee shall recommend to the Board of Directors nominees for election to fill any vacancy occurring in the Board and to fill new positions created by an increase in the authorized number of directors of the Corporation. Annually the Nominating Committee shall recommend to the Board of Directors a slate of directors to serve as management's nominees for election by the stockholders at the annual meeting. Vacancies in the Nominating Committee shall be filled by the Board of Directors.

Section 3.06. OTHER COMMITTEES. The Board of Directors may by resolution provide for such other standing or special committees, composed of two (2) or more directors, and discontinue the same at its pleasure. Each such committee shall have such powers and perform such duties, not inconsistent with law, as may be assigned to it by the Board of Directors.

Section 3.07. MEETINGS OF COMMITTEES. Each committee of the Board of

Directors shall fix its own rules of procedure, consistent with the provisions of any rules or resolutions of the Board of Directors governing such committee, and shall meet as provided by such rules or by resolution of the Board of Directors, and it shall also meet at the call of its chairman or any two (2) members of such committee. Unless otherwise provided by such rules or by such resolution, the provisions of the article of these Bylaws entitled the "Board of Directors" relating to the place of holding and notice required of meetings of the Board of Directors shall govern committees of the Board of Directors. A majority of each committee shall constitute a quorum thereof; provided, however, that in the absence of any member of such committee, the members thereof present at any meeting, whether or not they constitute a quorum, may appoint a member of the Board of Directors to act in the place of such absent member. Except in cases in which it is otherwise provided by the rules of such committee or by resolution of the Board of Directors, the vote of a majority of such quorum at a duly constituted meeting shall be sufficient to pass any measure.

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ARTICLE IV

OFFICERS

Section 4.01. EXECUTIVE OFFICERS -- ELECTION AND TERM OF OFFICE. The Executive Officers of the Corporation shall be a Chairman of the Board, a President, such number of Vice Presidents as the Board of Directors may determine, a Secretary and a Treasurer. The Chairman and the President shall be chosen from among the Directors. The Executive Officers shall be elected annually by the Board of Directors at its first meeting following each annual meeting of stockholders and each such officer shall hold office until the corresponding meeting of the Board of Directors in the next year and until his or her successor shall have been duly chosen and qualified or until his or her death or until he or she shall have resigned, or shall have been removed from office in the manner provided in this Article IV. Any vacancy in any of the above offices may be filled for the unexpired portion of the term by the Board of Directors at any regular or special meeting.

Section 4.02. CHAIRMAN OF THE BOARD. The Chairman of the Board shall be the Chief Executive Officer of the Corporation and shall preside at all meetings of the stockholders and of the Board of Directors. Subject to the authority of the Board of Directors, he shall have general charge and supervision of the business and affairs of the Corporation. He shall have the authority to sign and execute in the name of the Corporation all deeds, mortgages, bonds, contracts or other instruments. He shall have the authority to vote stock in other corporations, and he shall perform such other duties of management as may be prescribed by resolution or as otherwise may be assigned to him by the Board of Directors. He shall have the authority to delegate such authorization and power as vested in him by these Bylaws to some other officer or employee or agent of the Corporation as he shall deem appropriate.

Section 4.03. PRESIDENT. The President shall be the Chief Operating Officer of the Corporation. He or she shall have general charge and supervision of the operations of the Corporation and shall have such other powers and duties of management as from time to time may be assigned to him or her by the Board of Directors or the Chief Executive Officer.

Section 4.04. VICE PRESIDENTS. The Corporation shall have one (1) or more Vice Presidents, including Executive and Senior Vice Presidents as appropriate, as elected from time to time by the Board of Directors. The Vice Presidents shall perform such duties as from time to time may be assigned to

them by the President.

Section 4.05. SECRETARY. The Secretary shall attend all meetings of the stockholders and of the Board of Directors and record all votes and minutes or proceedings, in books provided for that purpose; shall see that all notices of such meetings are duly given in

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accordance with the provisions of the Bylaws of the Corporation, or as required by law; may sign certificates of stock of the Corporation with the Chairman of the Board; shall be custodian of the corporate seal; shall see that the corporate seal is affixed to all documents, the execution of which, on behalf of the Corporation, under its seal, is duly authorized, and when so affixed may attest the same; and in general, shall perform all duties incident to the office of a secretary of a corporation, and such other duties as from time to time may be assigned to the Secretary by the Chairman of the Board.

Section 4.06. TREASURER. The Treasurer shall have charge of and be responsible for all funds, securities, receipts and disbursements of the Corporation, and shall deposit, or cause to be deposited, in the name of the Corporation, all monies or other valuable effects in such banks, trust companies, or other depositories as shall, from time to time, be selected by the Board of Directors; and in general, shall render such reports and perform such other duties incident to the office of a treasurer of a corporation, and such other duties as from time to time may be assigned to him or her by the President.

Section 4.07. SUBORDINATE OFFICERS. The subordinate officers shall consist of such assistant officers and agents as may be deemed desirable and as may be appointed by the Chief Executive Officer or the President. Each such subordinate officer shall hold office for such period, have such authority and perform such duties as the Chief Executive Officer or the President may prescribe.

Section 4.08. OTHER OFFICERS AND AGENTS. The Board of Directors may create such other offices and appoint or provide for the appointment of such other officers and agents, attorneys-in-fact and employees as it shall deem necessary, who shall bear such titles, have such authority, receive such compensation, and provide such security for faithful service and hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors.

Section 4.09. WHEN DUTIES OF AN OFFICER MAY BE DELEGATED. In the case of the absence or disability of an officer of the Corporation or for any other reason that may seem sufficient to the Board of Directors, the Board of Directors, or any officer designated by it, may, for the time being, delegate such officer's duties and powers to any other person.

Section 4.10. OFFICERS HOLDING TWO OR MORE OFFICES. Any two (2) of the above mentioned offices, except those of a Vice President, may be held by the same person, but no officer shall execute, acknowledge or verify any instrument in more than one capacity, if such instrument be required by law, by the Charter or by these Bylaws, to be executed, acknowledged or verified by any two (2) or more officers.

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Section 4.11. COMPENSATION. The Board of Directors shall have power to fix the compensation of all officers and employees of the Corporation.

Section 4.12. RESIGNATIONS. Any officer may resign at any time by giving written notice to the Board of Directors or to the President or the Secretary of the Corporation. Any such resignation shall take effect simultaneously with or at any time subsequent to its delivery as shall be specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 4.13. REMOVAL. Any officer of the Corporation may be removed, with or without cause, by the Board of Directors, if such removal is determined in the judgment of the Board of Directors to be in the best interests of the Corporation, and any officer of the Corporation duly appointed by another officer may be removed, with or without cause, by such officer.

ARTICLE V

STOCK

Section 5.01. CERTIFICATES. Each stockholder shall be entitled to a certificate or certificates which shall represent and certify the number and kind of shares of stock owned by him or her in the Corporation. Such certificates shall be signed by the Chairman of the Board and countersigned by the Secretary or an Assistant Secretary, and sealed with the seal of the Corporation or a facsimile of such seal. Stock certificates shall be in such form, not inconsistent with law or with the Charter, as shall be approved by the Board of Directors. When certificates for stock of any class are countersigned by a transfer agent, other than the Corporation or its employee, or by a registrar, other than the Corporation or its employee, any other signature on such certificates may be a facsimile. In case any officer of the Corporation who has signed any certificate ceases to be an officer of the Corporation, whether because of death, resignation or otherwise, before such certificate is issued, the certificate may nevertheless be issued and delivered by the Corporation as if the officer had not ceased to be such officer as of the date of its issue.

Section 5.02. TRANSFER OF SHARES. Shares of stock shall be transferable only on the books of the Corporation only by the holder thereof, in person or by duly authorized attorney, upon the surrender of the certificate representing the shares to be transferred, properly endorsed. The Board of Directors shall have power and authority to make such other rules and regulations concerning the issue, transfer and registration of certificates of stock as it may deem expedient.

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Section 5.03. TRANSFER AGENTS AND REGISTRARS. The Corporation may have one (1) or more transfer agents and one (1) or more registrars of its stock, whose respective duties the Board of Directors may, from time to time, define. No certificate of stock shall be valid until countersigned by a transfer agent, if the Corporation has a transfer agent, or until registered by a registrar, if the Corporation has a registrar. The duties of transfer agent and registrar may be combined.

Section 5.04. STOCK LEDGERS. Original or duplicate stock ledgers, containing the names and addresses of the stockholders of the Corporation and the number of shares of each class held by them respectively, shall be kept at an office or agency of the Corporation in such city or town as may be designated

by the Board of Directors. If no other place is so designated such original or duplicate stock ledgers shall be kept at an office or agency of the Corporation in New York, New York or Bethesda, Maryland.

Section 5.05. RECORD DATES. The Board of Directors is hereby empowered to fix, in advance, a date as the record date for the purpose of determining stockholders entitled to notice of, or to vote at, any meeting of stockholders, or stockholders entitled to receive payment of any dividend or the allotment of any rights, or in order to make a determination of stockholders for any other proper purpose. Such date in any case shall be not more than ninety (90) days and, in case of a meeting of stockholders, not less than thirty (30) days, prior to the date on which the particular action, requiring such determination of stockholders, is to be taken. If a record date is not set and the transfer books are not closed, the record date for the purpose of making any proper determination with respect to stockholders shall be fixed in accordance with applicable law.

Section 5.06. NEW CERTIFICATES. In case any certificate of stock is lost, stolen, mutilated or destroyed, the Board of Directors may authorize the issue of a new certificate in place thereof upon such terms and conditions as it may deem advisable; or the Board of Directors may delegate such power to any officer or officers or agents of the Corporation; but the Board of Directors or such officer or officers, in their discretion, may refuse to issue such new certificate save upon the order of some court having jurisdiction in the premises.

ARTICLE VI

INDEMNIFICATION

Section 6.01. INDEMNIFICATION OF DIRECTORS, OFFICERS, AND EMPLOYEES. The Corporation shall indemnify and hold harmless to the fullest extent permitted by, and under, applicable law as it presently exists and as is further set forth in

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Section 6.02 below or as may hereafter be amended any person who is or was a director, officer or employee of the Corporation or who is or was serving at the request of the Corporation as a director, officer or employee of another corporation or entity (including service with employee benefit plans), who by reason of this status or service in that capacity was, is, or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative, or investigative. Such indemnification shall be against all liability and loss suffered and expenses (including, but not limited to, attorneys' fees, judgments, fines, penalties, and amounts paid in settlement) actually and reasonably incurred by the individual in connection with such proceeding; provided, however, that the Corporation shall not be required to indemnify a person in connection with an action, suit or proceeding initiated by such person unless the action, suit or proceeding was authorized by the Board of Directors of the Corporation.

Section 6.02. STANDARD. Maryland General Corporation Law Section 2-418, on August 29, 1994, provided generally that a corporation may indemnify any individual made a party to a proceeding by reason of service on behalf of the corporation unless it is established that:

(i) The act or omission of the individual was material to the matter giving rise to the proceeding; and

(1) Was committed in bad faith; or

(2) Was the result of active and deliberate dishonesty; or

(ii) The individual actually received an improper personal benefit in money, property, or services; or

(iii) In the case of any criminal proceeding, the individual had reasonable cause to believe that the act or omission was unlawful.

Section 6.03. ADVANCE PAYMENT OF EXPENSES. The Corporation shall pay or reimburse reasonable expenses in advance of a final disposition of the proceeding and without requiring a preliminary determination of the ultimate entitlement to indemnification provided that the individual first provides the Corporation with: (a) a written affirmation of the individual's good faith belief that the individual meets the standard of conduct necessary for indemnification under the laws of the State of Maryland; and (b) a written undertaking by or on behalf of the individual to repay the amount advanced if it shall ultimately be determined that the applicable standard of conduct has not been met.

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Section 6.04. GENERAL. The Board of Directors, by resolution, may authorize the management of the Corporation to act for and on behalf of the Corporation in all matters relating to indemnification within any such limits as may be specified from time to time by the Board of Directors, all consistent with applicable law.

The rights conferred on any person by this Article VI shall not be exclusive of any other rights which such person may have or hereafter acquire under any statute, provision of the Charter of the Corporation, these Bylaws, agreement, vote of the stockholders or disinterested directors or otherwise.

Repeal or modification of this Article VI or the relevant law shall not affect adversely any rights or obligations then existing with respect to any facts then or theretofore existing or any action, suit or proceeding theretofore or thereafter brought or threatened based in whole or in part upon any such facts.

ARTICLE VII

SUNDRY PROVISIONS

Section 7.01. SEAL. The corporate seal of the Corporation shall bear the name of the Corporation and the words "Incorporated 1994 Maryland" and "Corporate Seal."

Section 7.02. VOTING OF STOCK IN OTHER CORPORATIONS. Any shares of stock in other corporations or associations, which may from time to time be held by the Corporation, may be represented and voted at any of the stockholders' meetings thereof by the Chairman or President of the Corporation or by proxy or proxies appointed by the Chairman or President of the Corporation. The Board of Directors or Chairman, however, may by resolution or delegation appoint some

other person or persons to vote such shares, in which case such person or persons shall be entitled to vote such shares upon the production of a certified copy of such resolution or delegation.

Section 7.03. AMENDMENTS. The Board of Directors shall have the exclusive power, at any regular or special meeting thereof, to make and adopt new Bylaws, or to amend, alter, or repeal any Bylaws of the Corporation, provided such revisions are not inconsistent with the Charter or statute.

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C E R T I F I C A T E A S T O B Y L A W S

I, _____, _____ Vice President and Secretary of LOCKHEED MARTIN CORPORATION hereby certify that the foregoing is a true, correct and complete copy of the Bylaws of LOCKHEED MARTIN CORPORATION and that such Bylaws are in full force and effect as of the date of this certificate.

WITNESS my hand and the seal of LOCKHEED MARTIN CORPORATION, this ____ day of _____, 19__.

Vice President and Secretary

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LOCKHEED MARTIN CORPORATION
DIRECTORS DEFERRED STOCK PLAN

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LOCKHEED MARTIN CORPORATION
DIRECTORS DEFERRED STOCK PLAN

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LOCKHEED MARTIN CORPORATION
DIRECTORS DEFERRED STOCK PLAN
March 15, 1995
As Amended February 27, 1997

ARTICLE I

TITLE, PURPOSE AND AUTHORIZED SHARES

This Plan shall be known as "Lockheed Martin Corporation Directors Deferred Stock Plan" and shall become effective on March 15, 1995. The purpose of this Plan is to attract, motivate and retain experienced and knowledgeable directors of the Corporation and to further align their economic interest with the interests of stockholders generally. The total number of shares of Common Stock that may be delivered pursuant to awards under this Plan is 50,000, subject to adjustments contemplated by Section 4.6.

ARTICLE II

DEFINITIONS

Whenever the following terms are used in this Plan they shall have the meaning specified below unless the context clearly indicates to the contrary:

Accounts means a Director's Stock Unit Account and Dividend Equivalent Stock Account.

Average Fair Market Value means the average of the Fair Market Values of a share of Common Stock of the Corporation during the last 10 trading days preceding the applicable date of determination.

Award means the crediting of a Unit or Units under this Plan. Each Award shall be approved by the Board of Directors or a committee appointed by the Board of Directors in accordance with Section 5.1.

Award Date means June 1 of each year, commencing in 1995.

Beneficiary shall have the meaning specified in Section 7.2(b).

Board of Directors or Board means the Board of Directors of the Corporation.

Code means the Internal Revenue Code of 1986, as amended.

Common Stock means shares of Common Stock of the Corporation, par value \$1.00 per share, subject to adjustments made under Section 4.5 or by operation of law.

Corporation means Lockheed Martin Corporation, a Maryland corporation, and its successors and assigns.

Director means a member of the Board of Directors of the Corporation who is eligible to receive compensation in the form of retainer fees for services in such capacity and who is not an officer or employee of the Corporation or any of its subsidiaries.

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Disability means a "permanent and total disability" within the meaning of Section 22(e)(3) of the Code.

Dividend Equivalent means the amount of cash dividends or other cash distributions paid by the Corporation on that number of shares of

Common Stock equivalent to the number of Stock Units then credited to a Director's Stock Unit Account and Dividend Equivalent Stock Account, which amount shall be allocated as additional Stock Units to the Director's Dividend Equivalent Stock Account.

Dividend Equivalent Stock Account means the bookkeeping account maintained by the Corporation on behalf of a Director which is credited with Dividend Equivalents in the form of Stock Units in accordance with Section 4.2.

Effective Date means March 15, 1995.

Exchange Act means the Securities Exchange Act of 1934, as amended from time to time.

Fair Market Value means the closing price of the Stock as reported on the composite tape of New York Stock Exchange issues (or, if the Stock is not so listed or if the principal market on which it is traded is not the New York Stock Exchange, such other reporting system as shall be selected by the Board) on the relevant date, or, if no sale of the Stock is reported for that date, the next preceding day for which there is a reported sale.

Merger means the business combination described in Article I.

Plan means the Lockheed Martin Corporation Directors Deferred Stock Plan.

Stock means Common Stock.

Stock Unit or Unit means a non-voting unit of measurement that is deemed for bookkeeping purposes to be equivalent to an outstanding share of Common Stock of the Corporation and includes fractional units.

Stock Unit Account means the bookkeeping account maintained by the Corporation on behalf of each Director which is credited with Stock Units in accordance with Section 4.1.

ARTICLE III

PARTICIPATION

Each Director shall become a participant in the Plan upon the approval of an Award to the Director.

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ARTICLE IV

DEFERRAL ACCOUNTS

4.1. Stock Unit Account.

The Stock Unit Account of each Director shall be credited on each Award Date with a number of Units determined by dividing \$10,000 by the Average

Fair Market Value of the Common Stock on the Award Date, provided that the Board of Directors previously approved the Award. A Director who is not serving as a director on an Award Date is not eligible for any portion of the Award for the applicable year.

4.2. Dividend Equivalents; Dividend Equivalent Stock Account.

(a) Allocation of Dividend Equivalents. Each Director shall be entitled to receive Dividend Equivalents on the Units credited to his or her Stock Unit Account and Dividend Equivalent Account, whether before or after a termination of service, which Dividend Equivalents shall be credited to the Director's Dividend Equivalent Stock Account in accordance with Section 4.2(b) below.

(b) Dividend Equivalent Stock Account. The Director's Dividend Equivalent Stock Account shall be credited with an additional number of Units determined by dividing the amount of Dividend Equivalents by the Fair Market Value of a share of Common Stock as of each dividend payment date. The Units credited to a Director's Dividend Equivalent Stock Account shall be allocated (for purposes of distribution) in accordance with Section 4.4(b) and shall be subject to adjustment in accordance with Section 4.5.

4.3. Vesting of Stock Unit Account and Dividend Equivalent Stock Account.

The rights of each Director in respect of his or her Stock Unit Account and related Dividend Equivalent Stock Account shall vest immediately on crediting.

4.4. Distribution of Benefits.

(a) Commencement of Benefits Distribution. Subject to the terms of this Section 4.4, each Director shall be entitled to receive a distribution of his or her Accounts upon a termination of service (including but not limited to a retirement or resignation) as a Director of the Corporation. Benefits shall be distributed at the time or times set forth in Section 4.4.

(b) Manner of Distribution. The benefits payable under this Plan shall be distributed to the Director (or, in the event of his or her death, the Director's Beneficiary) in a lump sum, unless the Director elects in writing (on forms provided by the Corporation) by the time specified in Section 4.4(f), to receive a distribution of his or her benefits in respect of such Units in approximately equal annual installments (before giving effect to post-termination crediting of additional Dividend Equivalents before the applicable payment date) for up to five years thereafter. Elections with respect to any Units in the Stock Unit Account shall apply to all Dividend Equivalent Units attributable to those Stock Units, and to all Dividend Equivalent Units attributable to those Dividend Equivalent Units. Subject to Section 4.4(f), installment payments shall commence as of the date benefits become distributable under Section 4.4(a). Notwithstanding the foregoing, if the vested balance remaining in a Director's Stock Unit Account and Dividend Equivalent Stock Account is less than 50 shares, then the remaining balance shall be distributed in shares in a lump sum.

(c) Effect of Death or Disability. Notwithstanding Sections 4.4(a) and (b), if a Director's service as a director terminates by reason of Disability, or a Director or former Director dies, the

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distribution of a Director's Accounts (including remaining Account balances of a former Director) shall be made immediately in a lump sum.

(d) Form of Distribution. Stock Units credited to a Director's Stock Unit Account and Dividend Equivalent Stock Account shall be paid and distributed by means of a distribution of an equivalent whole number of shares of the Common Stock. Fractions shall be accumulated and converted to Units, but any fractional interest in a Unit shall be paid in cash on final distribution. In the event of a termination of service or retirement, a Director may elect, in accordance with the provisions of Section 4.4(f), to have Stock Units credited to the Director's Stock Unit Account and Dividend Share Equivalent Account paid and distributed in the form of cash or a combination of whole shares of Common Stock and cash. Any such election shall be made at times and in the manner specified in Section 4.4(f).

(e) Sub-Accounts. The Administrator shall retain sub-accounts of a Director's Accounts as may be necessary to determine which Units are subject to any distribution elections under Section 4.4(b).

(f) Timing of Elections. A Director may elect an installment distribution as provided in Section 4.4(b) only with respect to Units credited on a June 1 which is at least 12 months following his or her election. Notwithstanding the preceding sentence, a Director's election to receive an installment distribution may be made with respect to Units credited during the Director's first year of service on the Board, within 30 days after the Director commenced service as a Director (but in any event prior to the date on which the Units are credited). In addition, in the event of a termination of service or retirement, at least six months prior to receipt by a Director of any distribution of benefits under the Plan, the Director shall make a written election (on forms to be provided by the Corporation) as to the percentage the Director elects to receive in the form of cash and the percentage the Director elects to receive in the form of whole shares of Common Stock.

4.5. Adjustments in Case of Changes in Common Stock. If there shall occur any recapitalization, stock split (including a stock split in the form of a stock dividend), reverse stock split, merger, combination, consolidation, or other reorganization or any extraordinary non-cash dividend or other extraordinary distribution in respect of the Stock (whether in the form of Stock, other securities, or other property), or any split-up, spin-off, extraordinary redemption, or exchange of outstanding Stock, or there shall occur any other similar corporate transaction or event in respect of the Stock, or a sale of substantially all the assets of the Corporation as an entirety, proportionate and equitable adjustments consistent with the effect of such event on stockholders generally (but without duplication of benefits if Dividend Equivalents are credited) shall be made in the number and type of shares of Common Stock (or other cash, property or securities in respect thereof) reserved, and of Units, under this Plan.

4.6. Corporation's Right to Withhold. The Corporation shall satisfy state or federal income tax withholding obligations, if any, arising upon distribution of a Director's accounts by reducing the number of shares of Common Stock otherwise deliverable to the Director by the appropriate number of shares (based on the Average Fair Market Value) required to satisfy such tax withholding obligation. If the Corporation, for any reason, cannot satisfy the withholding obligation in accordance with the preceding sentence, the Director shall pay or provide for payment in cash of the amount of any taxes which the

Corporation may be required to withhold with respect to the benefits hereunder.

4.7. Limitations on Rights Associated with Units. A Director's Accounts shall be memorandum accounts on the books of the Corporation. The Units credited to a Director's Accounts shall be used solely as a device for the determination of the number of shares of Common Stock to be eventually distributed to such Director in accordance with this Plan. The Units shall not be treated as property or as a trust fund of any kind, although the Corporation shall reserve shares of Common Stock to satisfy its obligations under this Plan. All shares of Common Stock or other amounts attributed to the Units shall be and remain the sole property of the Corporation, and each Director's rights in the Units is limited to the right to receive shares of Common Stock in the future as herein provided. No Director shall be entitled to

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any voting or other stockholder rights with respect to Units granted under this Plan. The number of Units credited under this Section shall be subject to adjustment in accordance with Section 4.5.

4.8. Restrictions on Resale. Stock distributed in respect of those Stock Units that were first credited under Section 4.1 within six months of the distribution (and Dividend Equivalent Account Units credited under Section 4.2 solely in respect thereof) may be legended or otherwise restricted so as to prevent a sale of the Stock within six months of the initial crediting of those Stock Units. Installments shall be deemed payable and paid in the order (i.e., last-in, last-out) of the accrual of the underlying Units.

ARTICLE V

ADMINISTRATION

5.1. Administration. This Plan shall be construed, interpreted and, to the extent required, administered by the Board or a committee appointed by the Board to act on its behalf under this Plan. To the extent that the Plan is administered by a committee of the Board of Directors, the committee shall consist exclusively of "non-employee directors" as that term is defined in Rule 16b-3 ("Rule 16b-3") promulgated by the Securities and Exchange Commission under Section 16 of the Exchange Act. Notwithstanding the foregoing, but subject to Section 6.1 hereof, the Board shall have no discretionary authority with respect to the amount or price of any Award granted under this Plan and no director shall participate in any decision relating solely to his or her benefits (other than approval of the Award). Subject to the foregoing, the Board may resolve any questions and make all other determinations and adjustments required by this Plan, maintain all the necessary records for the administration of this Plan, and provide forms and procedures to facilitate the implementation of this Plan.

5.2. Decisions Final; Delegation; Reliance; and Limitation on Liability. Any determination of the Board or committee made in good faith shall be conclusive. In performing its duties, the Board or the committee shall be entitled to rely on public records and on information, opinions, reports or statements prepared or presented by officers or employees of the Corporation or other experts believed to be reliable and competent. The Board or the committee may delegate ministerial, bookkeeping and other non-discretionary functions to individuals who are officers or employees of the Corporation.

Neither the Corporation nor any member of the Board, nor any other person participating in any determination of any question under this Plan, or in the interpretation, administration or application of this Plan, shall have any liability to any party for any action taken or not taken in good faith under this Plan or for the failure of an Award (or action or payment in respect of an Award) to satisfy Code requirements for realization of intended tax consequences, to qualify for exemption or relief under Rule 16b-3, or to comply with any other law, compliance with which is not required on the part of the Corporation.

ARTICLE VI

PLAN CHANGES AND TERMINATION

6.1. Amendments. The Board of Directors shall have the right to amend this Plan in whole or in part from time to time or may at any time suspend or terminate this Plan; provided, however, that no amendment or termination shall cancel or otherwise adversely affect in any way, without his or her written consent, any Director's rights with respect to Stock Units and Dividend Equivalents credited to his or her Stock Unit Account or Dividend Equivalent Stock Account.

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6.2. Term. This Plan shall continue for a period of 10 years from the Effective Date, but continuance of this Plan is not assumed as a contractual obligation of the Corporation. In the event that the Board of Directors decides to terminate this Plan, it shall notify the Directors of its action in an instrument in writing, and this Plan shall be terminated at the time therein set forth, and all Directors shall be bound thereby.

6.3. Distribution of Shares. If this Plan terminates pursuant to Section 6.2, the distribution of the Accounts of a Director shall be made at the time provided in Section 4.4(a) and in a manner consistent with the elections made pursuant to Sections 4.4(b) and (f), if any.

ARTICLE VII

MISCELLANEOUS

7.1. Limitation on Directors' Rights. Participation in this Plan shall not give any Director the right to continue to serve as a member of the Board or any rights or interests other than as herein provided. No Director shall have any right to any payment or benefit hereunder except to the extent provided in this Plan. This Plan shall create only a contractual obligation on the part of the Corporation as to such amounts and shall not be construed as creating a trust. This Plan, in and of itself, has no assets. Directors shall have only the rights of general unsecured creditors of the Corporation with respect to amounts credited or vested and benefits payable, if any, on their Accounts.

7.2. Beneficiaries.

(a) Beneficiary Designation. Upon forms provided and in accordance with procedures established by the Corporation, each Director may designate in

writing (and change a designation of) the Beneficiary or Beneficiaries (as defined in Section 7.3(b)) that the Director chooses to receive the Common Stock payable under this Plan after his or her death, subject to applicable laws (including any applicable community property and probate laws).

(b) Definition of Beneficiary. A Director's "Beneficiary" or "Beneficiaries" shall be the person or persons, including a trust or trusts, validly designated by the Director or, in the absence of a valid designation, entitled by will or the laws of descent and distribution to receive the Director's benefits under this Plan in the event of the Director's death.

7.3. Benefits Not Assignable; Obligations Binding Upon Successors. Benefits of a Director under this Plan shall not be assignable or transferable and any purported transfer, assignment, pledge or other encumbrance or attachment of any payments or benefits under this Plan, or any interest therein, other than pursuant to Section 7.2, shall not be permitted or recognized. Obligations of the Corporation under this Plan shall be binding upon successors of the Corporation.

7.4. Governing Law; Severability. The validity of this Plan or any of its provisions shall be construed, administered and governed in all respects under and by the laws of the State of Maryland. If any provisions of this instrument shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.

7.5. Compliance With Laws. This Plan and the offer, issuance and delivery of shares of Common Stock and/or the payment and deferral of compensation under this Plan are subject to compliance with all applicable federal and state laws, rules and regulations (including but not limited to state and federal reporting, registration, insider trading and other securities laws) and to such approvals by any listing agency or any regulatory or governmental authority as may, in the opinion of counsel for the Corporation, be necessary or advisable in connection therewith. Any securities delivered under this Plan

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shall be subject to such restrictions, and the person acquiring the securities shall, if requested by the Corporation, provide such assurances and representations to the Corporation as the Corporation may deem necessary or desirable to assure compliance with all applicable legal requirements.

7.6. Plan Construction. It is the intent of the Corporation that this Plan satisfy and be interpreted in a manner that satisfies the applicable requirements of Rule 16b-3 so that Directors will be entitled to the benefits of Rule 16b-3 or other exemptive rules under Section 16 of the Exchange Act and will not be subjected to avoidable liability thereunder. Any contrary interpretation shall be avoided.

7.7. Headings Not Part of Plan. Headings and subheadings in this Plan are inserted for reference only and are not to be considered in the construction of this Plan.

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Exhibit 10(h)

LOCKHEED MARTIN CORPORATION

DIRECTORS DEFERRED COMPENSATION PLAN

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 LOCKHEED MARTIN CORPORATION
 DIRECTORS DEFERRED COMPENSATION PLAN

March 15, 1995
 As Amended December 7, 1995
 As Amended April 24, 1996
 As Amended February 27, 1997

ARTICLE I

PURPOSE

The purpose of this Plan is to give each non-employee Director of Lockheed Martin Corporation the opportunity to be compensated for his or her service as a Director on a deferred basis. The Plan is also intended to establish a method of paying Director's compensation which will aid the Corporation in attracting and retaining as members of the Board persons whose abilities, experience and judgment can contribute to the success of the Corporation. In addition, by providing Directors with the option of accruing earnings based on the performance of Lockheed Martin Common Stock, the Plan is intended to more closely align the economic interests of Directors with the interests of stockholders generally.

ARTICLE II

DEFINITIONS

Whenever the following terms are used in this Plan, they shall have the meaning specified below, unless the context clearly indicates to the contrary:

Account means the bookkeeping account maintained by the Corporation on behalf of a participating Director which is credited with the Director's Deferred Compensation, including investment earnings credited under Section 4.2.

Beneficiary shall have the meaning specified in Section 7.2(b).

Board of Directors or Board means the Board of Directors of the Corporation.

Committee means the Committee appointed to administer this Plan, as provided in Section 6.1 hereof.

Corporation means Lockheed Martin Corporation, a Maryland corporation and its successors.

Deferred Compensation means Director's Fees deferred pursuant to this Plan and investment earnings credited thereto under Section 4.2.

Election Form means the form by which a Director elects to participate in this Plan.

Director means a member of the Board of Directors of the Corporation who is eligible to receive compensation in the form of Director's Fees and who is not an officer or employee of the Corporation or any of its subsidiaries.

Director's Fees means the fees payable to a Director for services as a Director and for services on any Committee of the Board, including the amount of any retainer paid to a non-employee for services as Chairman of the Board, but excluding any amounts credited or stock distributed to a Director under the Lockheed Martin Corporation Directors Deferred Stock Plan.

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Effective Date means the effective date referred to in Section 7.8.

Plan means the Lockheed Martin Corporation Directors Deferred Compensation Plan.

ARTICLE III

PARTICIPATION

3.1 Timing of Deferral Elections. In order to defer Director's fees earned in any calendar year, a Director must make a deferral election by executing and filing an Election Form before the commencement of that calendar year or, in the case of a new Director, before the commencement of the Director's term of office in that calendar year. The deferral election shall specify the manner in which earnings (or losses) on the deferred amount shall accrue in accordance with Section 4.2 below. To the extent that a Director elects that any portion of a deferred amount shall accrue earnings based on the Lockheed Martin Common Stock Investment Option, such an election shall be given effect only if (i) the election is irrevocably made at least six (6) months prior to the effective date of the allocation or (ii) the crediting of the deferred amount to the Lockheed Martin Common Stock Investment Option has been approved by the Board of Directors (or a committee thereof that is comprised of persons specified in Section 6.1). To the extent that a Director makes an election to have Deferred Compensation credited to the Lockheed Martin Common Stock Investment Option which is not in compliance with (i) or (ii) above, the amount elected to be deferred into the Lockheed Martin Common Stock Investment Option shall initially be allocated to the Interest Option until such time as the allocation to the Lockheed Martin Common Stock Investment Option would be in compliance with (i) or (ii) above, at which time the deferred amount shall automatically be reallocated.

3.2 Terms of Deferral Elections. A Director's deferral election for a calendar year shall specify the percentage (which may equal 100%) of the Director's Fees to be earned by the Director for that year which are to be deferred under this Plan. A Director's deferral election shall remain in effect for each subsequent calendar year, unless the Director duly files a revised

Election Form or written revocation of the election before the beginning of the subsequent calendar year. A Director's deferral election shall be irrevocable during any calendar year in which it is in effect.

ARTICLE IV

CREDITING OF ACCOUNTS

4.1 Crediting of Director's Fees. Director's Fees that a Director has elected to defer shall be credited to the Director's Account as of the first day of the month in which the Director's Fees would have been payable to the Director if no deferral election had been made under this Plan. The elected deferral percentage shall apply to all Director's Fees earned by the Director during a calendar year.

4.2 Crediting of Investment Earnings. Subject to the provisions of Section 3.1 above, as of the last day of each month, a Director's Account shall be credited to reflect investment earnings (or loss) for the month, based on the Director's investment selections under this Section 4.2. A Director may elect to have his or her Account credited with investment earnings (or losses) for each month as if the Director's Account balance had been invested in the following:

(a) Interest Option. Interest at a rate equal to one twelfth (1/12) of the annual prime rate as set by Citibank, N.A., New York, New York, on the last day of the preceding month.,

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(b) S&P 500 Option. A return (or loss) equal to that of the published index for the Standard & Poors 500 (with dividends) for the month will accrue.

(c) Lockheed Martin Common Stock Investment Option. Earnings (or losses) shall be credited as if such amount had been invested in Lockheed Martin Common Stock at the published closing price of the Corporation's Common Stock on the New York Stock Exchange on the last trading day preceding the day as to which such amount is deferred (or reallocated) into the Lockheed Martin Common Stock Investment Option; this portion of a Director's Account shall reflect any subsequent appreciation or depreciation in the market value of Lockheed Martin Common Stock based on the published closing price of the stock on the New York Stock Exchange on the last trading day of each month and shall reflect dividends on the stock as if such dividends were reinvested in shares of Lockheed Martin Common Stock.

(d) A combination of (a), (b) and (c).

A Director's initial investment selections must be made by the date that the Director's initial deferral election takes effect. A Director may change his or her investment selections with respect to all amounts credited to the Director's Account, including amounts deferred in prior periods, provided that any such change that would result in an increase or decrease in the portion of the Director's Account allocated to the Lockheed Martin Common Stock Investment Option shall only be effective if it is made pursuant to an irrevocable written election made at least six months following the date of the Director's most recent "opposite way" election with respect to either the Plan or any other plan maintained by Lockheed Martin that provides for Discretionary Transactions (as defined in Rule 16b-3). Subject to the foregoing, a change of investment selections must be made by filing a revised Election Form in advance of the month in which the change is to take effect.

4.3 Account Balance as Measure of Deferred Compensation. The Deferred Compensation payable to a Director (or the Director's Beneficiary) shall be measured by, and shall in no event exceed, the sum of the amounts credited to the Director's Account.

ARTICLE V

PAYMENT OF DEFERRED COMPENSATION

5.1 Manner of Distribution.

(a) Lump sum payments. Subject to the provisions of Section 5.6, a Director's Deferred Compensation shall be paid as a lump sum cash payment equal to the balance credited to the Director's Account on the December 31 that is coincident with or next follows the date of the termination of the Director's status as a Director, unless the Director has elected to receive installment payments in accordance with Section 5.1(b).

(b) Installment payments. A Director may elect to have the Director's Deferred Compensation distributed in annual installments over a maximum period of ten (10) years. The amount of each annual installment shall be determined by dividing the Director's Account balance (or the portion of the Account balance to which the installment election applies) on the December 31 preceding the payment date by the number of years remaining in the elected installment period. A Director's election to receive installment payments with respect to Director's fees deferred in any calendar year must be made on an Election Form duly filed no later than the latest date on which a deferral election may be made for that calendar year under Section 4.1. A Director's installment election shall remain in effect with respect to Director's fees deferred in each subsequent calendar year, unless the Director duly files a revised Election Form before the beginning of the subsequent calendar year. An installment election shall be irrevocable with respect to Director's fees deferred (and allocable investment earnings) in any calendar year for which the installment election is in effect.

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(c) Deferral For Directors Fees Earned in 1996. A Director may elect to have the Director's Deferred Compensation earned during the 1996 calendar year credited and paid as a lump sum under (a) or annual installments under (b) except that payment (or installments, as the case may be) will be made (or commence) on January 1, 1998, or as soon as practicable thereafter regardless of whether the Director has terminated service as a Director.

5.2 Commencement of Payments. Subject to the provisions of Section 5.6 and except as provided in Sections 5.1(c) and 5.4, the payment of Deferred Compensation to a Director shall be made or commence in January of the first calendar year following the year in which the Director ceases to be a Director, whether due to resignation, retirement, disability, death, or otherwise. Installment payments shall continue to be made in January of each succeeding year until all installments have been paid.

5.3 Death Benefits. Subject to the provisions of Section 5.6, in the event that a Director dies before payment of the Director's Deferred Compensation has commenced or been completed, the balance of the Director's Account shall be distributed to the Director's Beneficiary commencing in the January following the date of the Director's death in accordance with the manner of distribution (lump sum or annual installments) elected by the Director for

payments during the Director's lifetime. However, upon good cause shown by a Beneficiary or personal representative of the Director, the Committee, in its sole discretion, may reject a Director's installment election and instead cause the Director's death benefits to be paid in a lump sum.

5.4 Emergency Withdrawals. In the event of an unforeseeable emergency prior to the commencement of distributions or after the commencement of installment payments, the Committee may approve a distribution to a Director (or Beneficiary after the death of a Director) of the part of the Director's Account balance that is reasonably needed to satisfy the emergency need. An Emergency withdrawal will be approved only in a circumstance of severe financial hardship to the Director (or Beneficiary after the death of the Director) resulting from a sudden and unexpected illness or accident of the Director (or Beneficiary, as applicable) or of a dependent of the Director (or Beneficiary, as applicable), loss of property due to casualty, or other similar extraordinary or unforeseeable circumstance arising from events beyond the control of the Director (or Beneficiary, as applicable). The investment earnings credited to the Director's Account shall be determined as if the withdrawal had been debited from the Director's Account on the first day of the month in which the withdrawal occurs.

5.5 Status of Certain Directors. For purposes of Section 5.2, a retired Director who continues to advise the Board of Directors under an Advisory Services Agreement shall be treated as an active Director for the period that he or she continues to serve under such agreement, if the Director so elects on or before April 25, 1996. An election under this Section 5.5 shall not otherwise alter the Director's rights under this plan. Once made, an election under this Section 5.5 shall be irrevocable.

5.6 Corporation's Right to Withhold. There shall be deducted from all payments under this Plan the amount of taxes, if any, required to be withheld under applicable federal or state tax laws. The Directors and their Beneficiaries will be liable for payment of any and all income or other taxes imposed on Deferred Compensation payable under this Plan.

5.7 Section 16 Limitations on Distributions. Notwithstanding anything contained herein to the contrary, no distribution of any portion of a Director's Account credited to the Lockheed Martin Common Stock Investment Option shall be made unless (i) the Board of Directors or Committee has approved the distribution or (ii) at least six months have passed from the date the Director's service on the Board has terminated.

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ARTICLE VI

ADMINISTRATION, AMENDMENT AND TERMINATION

6.1 Administration by Committee. This Plan shall be administered by a Committee consisting of exclusively "non-employee directors" as that term is defined in Rule 16b-3 ("Rule 16b-3") promulgated by the Securities and Exchange Commission under Section 16 of the Securities Exchange Act of 1934 (the "Exchange Act"). The Committee shall act by vote of a majority or by unanimous written consent of its members. The Committee's resolution of any question regarding the interpretation of this Plan shall be subject to review by the Board, and the Board's determination shall be final and binding on all parties.

6.2 Amendment and Termination. This Plan may be amended, modified, or

terminated by the Board at any time, except that no such action shall (without the consent of affected Directors or, if appropriate, their Beneficiaries or personal representatives) adversely affect the rights of Directors or Beneficiaries with respect to compensation earned and deferred under this Plan prior to the date of such amendment, modification, or termination.

ARTICLE VII

MISCELLANEOUS

7.1 Limitation on Directors' Rights. Participation in this Plan shall not give any Director the right to continue to serve as a member of the Board or any rights or interests other than as herein provided. No Director shall have any right to any payment or benefit hereunder except to the extent provided in this Plan. This Plan shall create only a contractual obligation on the part of the Corporation as to such amounts and shall not be construed as creating a trust. The Plan, in and of itself, has no assets. Directors shall have only the rights of general unsecured creditors of the Corporation with respect to amounts credited to or payable from their Accounts.

7.2 Beneficiaries.

(a) Beneficiary Designation. Subject to applicable laws (including any applicable community property and probate laws), each Director may designate in writing the Beneficiary that the Director chooses to receive any payments that become payable after the Director's death, as provided in Section 5.3. A Director's Beneficiary designation shall be made on forms provided and in accordance with procedures established by the Corporation and may be changed by the Director at any time before the Director's death.

(b) Definition of Beneficiary. A Director's "Beneficiary" or "Beneficiaries" shall be the person or persons, including a trust or trusts, validly designated by the Director or, in the absence of a valid designation, entitled by will or the laws of descent and distribution to receive the amounts otherwise payable to the Director under this Plan in the event of the Director's death.

7.3 Rights Not Assignable; Obligations Binding Upon Successors. A Director's rights under this Plan shall not be assignable or transferable and any purported transfer, assignment, pledge or other encumbrance or attachment of any payments or benefits under this Plan, or any interest thereon, other than pursuant to Section 7.2, shall not be permitted or recognized. Obligations of the Corporation under this Plan shall be binding upon successors of the Corporation.

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7.4 Governing Law; Severability. The validity of this Plan or any of its provisions shall be construed, administered, and governed in all respects under and by the laws of the State of Maryland. If any provisions of this instrument shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.

7.5 Annual Statements. The Corporation shall prepare and send a statement to the Director (or to the Director's Beneficiary after the Director's death) showing the balance credited to the Director's Account as of December 31 of each year for which an Account is maintained with respect to the Director.

7.6 Headings Not Part of Plan. Headings and subheadings in this Plan are inserted for reference only and are not to be considered in the construction of this Plan.

7.7 Consent to Plan Terms. By electing to participate in this Plan, a Director shall be deemed conclusively to have accepted and consented to all of the terms of this Plan and to all actions and decisions of the Corporation, Board, or Committee with regard to the Plan. Such terms and consent shall also apply to and be binding upon each Director's Beneficiary or Beneficiaries, personal representatives, and other successors in interest.

7.8 Effective Date. This Plan shall become effective on March 15, 1995.

7.9 Plan Construction. It is the intent of the Corporation that this Plan satisfy and be interpreted in a manner that satisfies the applicable requirements of Rule 16b-3 so that Directors will be entitled to the benefits of Rule 16b-3 or other exemptive rules under Section 16 of the Exchange Act and will not be subjected to avoidable liability thereunder. Any contrary interpretation shall be avoided.

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LOCKHEED MARTIN CORPORATION

 SUPPLEMENTAL SAVINGS PLAN

(Amended and Restated as of January 1, 1997)

ARTICLE I

PURPOSES OF THE PLAN

The purposes of the Lockheed Martin Corporation Supplemental Savings Plan (the "Supplemental Savings Plan") are to provide certain key management employees of Lockheed Martin Corporation and its subsidiaries (the "Company") the opportunity to defer compensation that cannot be contributed under the Lockheed Martin Salaried Savings Program (the "Qualified Savings Plan") because of the limitations of Code section 401(a)(17), 402(g), or 415(c)(1)(A), and to provide those employees with matching credits equal to the matching contributions that would have been made by the Company on their behalf under the Qualified Savings Plan if the amounts deferred had been contributed to the Qualified Savings Plan.

ARTICLE II

DEFINITIONS

Unless the context indicates otherwise, the following words and phrases shall have the meanings hereinafter indicated:

1. ACCOUNT -- The bookkeeping account maintained by the Company for each Participant which is credited with the Participant's Deferred Compensation, Matching Credits, and earnings (or losses) attributable to the Investment Options selected by the Participant, and which is debited to reflect distributions. The portions of a Participant's Account allocated to different Investment Options will be accounted for separately.

2. ACCOUNT BALANCE -- The total amount credited to a Participant's Account at any time, including the portions of the Account allocated to each Investment Option.

3. BENEFICIARY -- The person or persons designated by the Participant as his or her beneficiary under the Qualified Savings Plan.

4. BOARD -- The Board of Directors of Lockheed Martin Corporation.

5. CODE -- The Internal Revenue Code of 1986, as amended.

6. COMMITTEE -- The committee described in Section 1 of Article IX.

7. COMPANY -- Lockheed Martin Corporation and its subsidiaries.

8. COMPANY STOCK INVESTMENT OPTION -- The Investment Option under which the Participant's Account is credited as if invested under the
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investment option in the Qualified Savings Plan for the common stock of the Company.

9. COMPENSATION -- An employee's base salary from the Company, as defined in the Qualified Savings Plan.

10. DEFERRAL AGREEMENT -- The written agreement executed by an Eligible Employee on the form provided by the Company under which the Eligible Employee elects to defer Compensation for a Year.

11. DEFERRED COMPENSATION -- The amount of Compensation deferred and credited to a Participant's Account under the Supplemental Savings Plan for a Year.

12. ELIGIBLE EMPLOYEE -- A salaried employee who is eligible to participate in the Qualified Savings Plan as of the thirtieth (30th) day preceding the last day on which a Deferral Agreement may be made for a Year, and whose annual rate of Compensation equals or exceeds \$150,000 as of November 1 of the Year preceding the Year for which a Deferral Agreement is to take effect, and who satisfies such additional requirements for participation in this

Supplemental Savings Plan as the Committee may from time to time establish. In the exercise of its authority under this provision, the Committee shall limit participation in the Plan to employees whom the Committee believes to be a select group of management or highly compensated employees within the meaning of Title I of the Employee Retirement Income Security Act of 1974, as amended.

13. EXCHANGE ACT -- The Securities Exchange Act of 1934.

14. INVESTMENT OPTION -- A measure of investment return pursuant to which Deferred Compensation credited to a Participant's Account shall be further credited with earnings (or losses). The Investment Options available under this Supplemental Savings Plan shall correspond to the investment options available under the Qualified Savings Plan.

15. MATCHING CREDIT -- Any amount credited to a Participant's Account under Article IV.

16. PARTICIPANT -- An Eligible Employee for whom Compensation has been deferred under this Supplemental Savings Plan; the term shall include a former employee whose Account Balance has not been fully distributed.

17. QUALIFIED SAVINGS PLAN -- The Lockheed Martin Salaried Savings Plan or any successor plan.

18. SECTION 16 PERSON -- A Participant who at the relevant time is subject to the reporting and short-swing liability provisions of Section 16 of the Exchange Act.

19. SUPPLEMENTAL SAVINGS PLAN -- The Lockheed Martin Corporation Supplemental Savings Plan, which was originally adopted by the Board of Directors of Lockheed Corporation, effective January 1, 1984, as the Lockheed
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Corporation Supplemental Savings Plan, and which has been amended and restated (and re-named) pursuant to action of the Board on July 25, 1996.

20. YEAR -- The calendar year.
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ARTICLE III

ELECTION OF DEFERRED AMOUNT

1. Timing of Deferral Elections. An Eligible Employee may elect to

defer Compensation for a Year by executing and delivering to the Company a Deferral Agreement no later than November 30 of the preceding Year. An Eligible Employee's Deferral Agreement shall be irrevocable when delivered to the Company and shall remain irrevocably in effect for all succeeding Years, except that the Deferral Agreement may be modified or revoked with respect to any succeeding year by the Eligible Employee's execution and delivery to the Company of a new or modified Deferral Agreement on or before November 30 of such succeeding Year. Notwithstanding the foregoing, deferral elections for the 1997 Year may be made as late as February 28, 1997, in recognition of the fact that the right to enter

into Deferral Agreements for the 1997 Year has generally been suspended pending the distribution of prospectuses for the Plan, as amended and restated; provided, however, no Deferral Agreement for the 1997 Year shall take effect, or apply to Compensation earned, before the date that the Eligible Employee's Deferral Agreement is executed and delivered to the Company.

2. Amount of Deferred Compensation. Unless an Eligible Employee elects

to make no deferral for a Year, the Eligible Employee's Deferred Compensation for a Year shall equal (i) his or her Compensation from the time when his or her Deferral Agreement takes effect during the Year (as elected under Section 3 of this Article III) until the last day of the Year, multiplied by (ii) the percentage of Compensation that the Eligible Employee has elected to contribute to the Qualified Savings Plan (whether in the form of pre-tax salary reduction contributions, after-tax contributions, or a combination thereof) for that Year. An Eligible Employee who has elected to make a deferral for a Year under this Supplemental Savings Plan shall be precluded from modifying his or her rate of contributions to the Qualified Savings Plan for that Year after the date on which his or her Deferral Agreement for that Year (including any continuing Deferral Agreement) has become irrevocable under Section 1 of this Article III.

3. Time when Deferral Agreement Takes Effect. The Eligible Employee may

elect to have his or her Deferral Agreement take effect after the occurrence of either of the following triggering events:

(a) the Eligible Employee's pre-tax salary reduction contributions under the Qualified Savings Plan for the Year equal the applicable limit under Code section 402(g), or

(b) the Compensation paid to the Eligible Employee for the Year equals the applicable compensation limit under Code section 401(a)(17), or, if earlier, the annual additions (within the meaning of Code section 415(c)(2)) of the Eligible Employee for the Year under the Qualified Savings Plan and any other plan maintained by the Company equal the applicable limit under Code section 415(c)(1)(A).

An Eligible Employee's Deferral Agreement shall first take effect and apply to that portion of Compensation earned by the Eligible Employee for a particular
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payroll period that exceeds the amount at which, or with respect to which, the triggering event occurs.

ARTICLE IV

MATCHING CREDITS

The Company shall credit to the Account of a Participant as Matching Credits the same percentage of the Participant's Deferred Compensation as it would have contributed as matching contributions to the Qualified Savings Plan if the amount of the Participant's Deferred Compensation had been contributed as pre-tax salary reduction or after-tax contributions to the Qualified Savings Plan.

ARTICLE V

CREDITING OF ACCOUNTS

1. Crediting of Deferred Compensation. Deferred Compensation shall be

 credited to a Participant's Account as of the day on which such amount would
 have been credited to the Participant's account under the Qualified Savings Plan
 if the Participant's Deferred Compensation had been contributed as pre-tax
 salary reduction or after-tax contributions to the Qualified Savings Plan.

2. Crediting of Matching Credits. Matching Credits shall be credited to

 a Participant's Account as of the day on which the Deferred Compensation to
 which they relate are credited under Section 1.

3. Crediting of Earnings. Earnings shall be credited to a Participant's

 Account based on the Investment Option or Options to which his or her Account
 has been allocated, beginning with the day as of which any amounts (or any
 reallocation of amounts) are credited to the Participant's Account. Any amount
 distributed from a Participant's Account shall be credited with earnings through
 the day on which the distribution is processed. The manner in which earnings are
 credited under each of the Investment Options shall be determined in the same
 manner as under the Qualified Savings Plan.

4. Selection of Investment Options. The amounts credited to a

 Participant's Account under this Supplemental Savings Plan shall be allocated
 among the Investment Options in the same percentages as the Participant's
 account under the Qualified Savings Plan is allocated among those Investment
 Options. In the event that an Account is maintained for a Participant under this
 Supplemental Savings Plan at a time when an account is no longer maintained for
 the Participant under the Qualified Savings Plan, the Participant may allocate
 and reallocate his or her Account Balance among the Investment Options in
 accordance with the procedures and limitations on allocations and reallocations
 under the Qualified Savings Plan.

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ARTICLE VI

PAYMENT OF BENEFITS

1. General. The Company's liability to pay benefits to a Participant or

 Beneficiary under this Supplemental Savings Plan shall be measured by and shall
 in no event exceed the Participant's Account Balance, which shall be fully
 vested and nonforfeitable at all times. All benefit payments shall be made in
 cash and, except as otherwise provided, shall reduce allocations to the
 Investment Options in the same proportions that the Participant's Account
 Balance is allocated among those Investment Options.

2. Commencement of Payment. The payment of benefits to a Participant

shall commence as soon as administratively feasible following the Participant's termination of employment with the Company and his or her entitlement to commence receiving benefits under the Qualified Savings Plan.

3. Form of Payment. At the time an Eligible Employee first completes a

 Deferral Agreement, he or she shall irrevocably elect the form of payment of his or her Account Balance from among the following options:

- (a) A lump sum.
- (b) Annual payments for a period of 5, 10, 15, or 20 years, as designated by the Participant. The amount of each annual payment shall be determined by dividing the Participant's Account Balance on the date such payment is processed by the number of years remaining in the designated installment period. The installment period may be shortened, in the sole discretion of the Committee, if the Committee at any time determines that the amount of the annual payments that would be made to the Participant during the designated installment period would be too small to justify the maintenance of the Participant's Account and the processing of payments.

4. Prospective Change of Payment Election. The Committee may, in its

 discretion, permit a Participant to modify his or her payment election under Section 3 of this Article VI at the time the Participant enters into a Deferral Agreement for a Year; if accepted, any such modification shall apply to all amounts credited to the Participant's Account under this Supplemental Savings Plan. No such modification will be effective if made within one year of the date of the Participant's termination of employment.

5. Death Benefits. Upon the death of a Participant before a complete

 distribution of his or her Account Balance, the Account Balance will be paid to the Participant's Beneficiary in an immediate lump sum.

6. Acceleration upon Change in Control.

 (a) Notwithstanding any other provision of this Supplemental Savings Plan, the Account Balance of each Participant shall be

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distributed in a single lump sum within fifteen (15) calendar days following a "Change in Control."

(b) For purposes of this Supplemental Savings Plan, a Change in Control shall include and be deemed to occur upon the following events:

- (1) A tender offer or exchange offer is consummated for the ownership of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding voting securities entitled to vote in the election of directors of the Company.

(2) The Company is merged, combined, consolidated, recapitalized or otherwise reorganized with one or more other entities that are not Subsidiaries and, as a result of the merger, combination, consolidation, recapitalization or other reorganization, less than 75% of the outstanding voting securities of the surviving or resulting corporation shall immediately after the event be owned in the aggregate by the stockholders of the Company (directly or indirectly), determined on the basis of record ownership as of the date of determination of holders entitled to vote on the action (or in the absence of a vote, the day immediately prior to the event).

(3) Any person (as this term is used in Sections 3(a)(9) and 13(d)(3) of the Exchange Act, but excluding any person described in and satisfying the conditions of Rule 13d-1(b)(1) thereunder), becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding securities entitled to vote in the election of directors of the Company.

(4) At any time within any period of two years after a tender offer, merger, combination, consolidation, recapitalization, or other reorganization or a contested election, or any combination of these events, the "Incumbent Directors" shall cease to constitute at least a majority of the authorized number of members of the Board. For purposes hereof, "Incumbent Directors" shall mean the persons who were members of the Board immediately before the first of these events and the persons who were elected or nominated as their successors or pursuant to increases in the size of the Board by a vote of at least three-fourths of the Board members who were then Board members (or successors or additional members so elected or nominated).

(5) The stockholders of the Company approve a plan of liquidation and dissolution or the sale or transfer of substantially all of the Company's business and/or assets as an entirety to an entity that is not a Subsidiary.

(c) Notwithstanding the provisions of Section 6(a), if a distribution in accordance with the provisions of Section 6(a) would

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result in a nonexempt transaction under Section 16(b) of the Exchange Act with respect to any Section 16 Person, then the date of distribution to such Section 16 Person shall be delayed until the earliest date upon which the distribution either would not result in a nonexempt transaction or would otherwise not result in liability under Section 16(b) of the Exchange Act.

(d) This Section 6 shall apply only to a Change in Control of Lockheed Martin Corporation and shall not cause immediate payout of an Account Balance in any transaction involving the Company's sale, liquidation, merger, or other disposition of any subsidiary.

(e) The Committee may cancel or modify this Section 6 at any time prior to a Change in Control. In the event of a Change in Control, this Section 6 shall remain in force and effect, and shall not be subject to

cancellation or modification for a period of five years, and any defined term used in Section 6 shall not, for purposes of Section 6, be subject to cancellation or modification during the five year period.

7. Deductibility of Payments. In the event that the payment of benefits

 in accordance with the Participant's election under Section 3 of this Article VI would prevent the Company from claiming an income tax deduction with respect to any portion of the benefits paid, the Committee shall have the right to modify the timing of distributions from the Participant's Account as necessary to maximize the Company's tax deductions. In the exercise of its discretion to adopt a modified distribution schedule, the Committee shall undertake to have distributions made at such times and in such amounts as most closely approximate the Participant's election, consistent with the objective of maximum deductibility for the Company. The Committee shall have no authority to reduce a Participant's Account Balance or to pay aggregate benefits less than the Participant's Account Balance in the event that all or a portion thereof would not be deductible by the Company.

8. Change of Law. Notwithstanding anything to the contrary herein, if

 the Committee determines in good faith, based on consultation with counsel, that the federal income tax treatment or legal status of this Supplemental Savings Plan has or may be adversely affected by a change in the Internal Revenue Code, Title I of the Employee Retirement Income Security Act of 1974, or other applicable law or by an administrative or judicial construction thereof, the Committee may direct that the Accounts of affected Participants or of all Participants be distributed as soon as practicable after such determination is made, to the extent deemed necessary or advisable by the Committee to cure or mitigate the consequences, or possible consequences of, such change in law or interpretation thereof.

9. Tax Withholding. To the extent required by law, the Company shall

 withhold from benefit payments hereunder, or with respect to any amounts credited to a Participant's Account hereunder, any Federal, state, or local income or payroll taxes required to be withheld and shall furnish the recipient and the applicable government agency or agencies with such reports, statements, or information as may be legally required. However, the amount of Deferred Compensation or Matching Credits to be credited to a Participant's
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Account will not be reduced or adjusted by the amount of any tax that the Company is required to withhold with respect thereto.

ARTICLE VII

EXTENT OF PARTICIPANTS' RIGHTS

1. Unfunded Status of Plan. This Supplemental Savings Plan constitutes

 a mere contractual promise by the Company to make payments in the future, and each Participant's rights shall be those of a general, unsecured creditor of the Company. No Participant shall have any beneficial interest in any specific assets that the Company may hold or set aside in connection with this

Supplemental Savings Plan. Notwithstanding the foregoing, to assist the Company in meeting its obligations under this Supplemental Savings Plan, the Company may set aside assets in a trust or trusts described in Revenue Procedure 92-64, 1992-2 C.B. 422 (generally known as a "rabbi trust"), and the Company may direct that its obligations under this Supplemental Savings Plan be satisfied by payments out of such trust or trusts. It is the Company's intention that this Supplemental Savings Plan be unfunded for federal income tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974.

2. Nonalienability of Benefits. A Participant's rights to benefit

payments under this Supplemental Savings Plan shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, or garnishment by creditors of the Participant or the Participant's Beneficiary.

ARTICLE VIII

AMENDMENT OR TERMINATION

1. Amendment. The Board may amend, modify, suspend or discontinue this

Supplemental Savings Plan at any time subject to any shareholder approval that may be required under applicable law, provided, however, that no such amendment shall have the effect of reducing a Participant's Account Balance or postponing the time when a Participant is entitled to receive a distribution of his or her Account Balance.

2. Termination. The Board reserves the right to terminate this

Supplemental Savings Plan at any time and to pay all Participants their Account Balances in a lump sum immediately following such termination or at such time thereafter as the Board may determine; provided, however, that if a distribution in accordance with the provisions of this Section 2 would otherwise result in a nonexempt transaction under Section 16(b) of the Exchange Act, the date of distribution with respect to any Section 16 Person shall be delayed until the earliest date upon which the distribution either would not result in a nonexempt transaction or would otherwise not result in liability under Section 16(b) of the Exchange Act.

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ARTICLE IX

ADMINISTRATION

1. The Committee. This Supplemental Savings Plan shall be administered

by the Compensation Committee of the Board or such other committee of the Board as may be designated by the Board and constituted so as to permit this Supplemental Savings Plan to comply with the requirements of Rule 16b-3 of the Exchange Act. The members of the Committee shall be designated by the Board. A majority of the members of the Committee (but not fewer than two) shall constitute a quorum. The vote of a majority of a quorum or the unanimous written

consent of the Committee shall constitute action by the Committee. The Committee shall have full authority to interpret the Plan, and interpretations of the Plan by the Committee shall be final and binding on all parties.

2. Delegation and Reliance. The Committee may delegate to the officers

 or employees of the Company the authority to execute and deliver those instruments and documents, to do all acts and things, and to take all other steps deemed necessary, advisable or convenient for the effective administration of this Supplemental Savings Plan in accordance with its terms and purpose, except that the Committee may not delegate any authority the delegation of which would cause this Supplemental Savings Plan to fail to satisfy the applicable requirements of Rule 16b-3. In making any determination or in taking or not taking any action under this Supplemental Savings Plan, the Committee may obtain and rely upon the advice of experts, including professional advisors to the Company. No member of the Committee or officer of the Company who is a Participant hereunder may participate in any decision specifically relating to his or her individual rights or benefits under the Supplemental Savings Plan.

3. Exculpation and Indemnity. Neither the Company nor any member of the

 Board or of the Committee, nor any other person participating in any determination of any question under this Supplemental Savings Plan, or in the interpretation, administration or application thereof, shall have any liability to any party for any action taken or not taken in good faith under this Supplemental Savings Plan or for the failure of the Supplemental Savings Plan or any Participant's rights under the Supplemental Savings Plan to achieve intended tax consequences, to qualify for exemption or relief under Section 16 of the Exchange Act and the rules thereunder, or to comply with any other law, compliance with which is not required on the part of the Company.

4. Facility of Payment. If a minor, person declared incompetent, or

 person incapable of handling the disposition of his or her property is entitled to receive a benefit, make an application, or make an election hereunder, the Committee may direct that such benefits be paid to, or such application or election be made by, the guardian, legal representative, or person having the care and custody of such minor, incompetent, or incapable person. Any payment made, application allowed, or election implemented in accordance with this Section shall completely discharge the Company and the Committee from all liability with respect thereto.

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5. Proof of Claims. The Committee may require proof of the death,

 disability, incompetency, minority, or incapacity of any Participant or Beneficiary and of the right of a person to receive any benefit or make any application or election.

6. Claim Procedures. The procedures when a claim under this Plan is

 denied by the Committee are as follows:

(A) The Committee shall:

- (i) notify the claimant within a reasonable time of such denial, setting forth the specific reasons therefor; and
- (ii) afford the claimant a reasonable opportunity

for a review of the decision.

- (B) The notice of such denial shall set forth, in addition to the specific reasons for the denial, the following:
- (i) identification of pertinent provisions of this Plan;
 - (ii) such additional information as may be relevant to the denial of the claim; and
 - (iii) an explanation of the claims review procedure and advice that the claimant may request an opportunity to submit a statement of issues and comments.
- (C) Within sixty days following advice of denial of a claim, upon request made by the claimant, the Committee shall take appropriate steps to review its decision in light of any further information or comments submitted by the claimant. The Committee may hold a hearing at which the claimant may present the basis of any claim for review.
- (D) The Committee shall render a decision within a reasonable time (not to exceed 120 days) after the claimant's request for review and shall advise the claimant in writing of its decision, specifying the reasons and identifying the appropriate provisions of the Plan.

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ARTICLE X

GENERAL AND MISCELLANEOUS PROVISIONS

1. Neither this Supplemental Savings Plan nor a Participant's Deferral Agreement, either singly or collectively, shall in any way obligate the Company to continue the employment of a Participant with the Company, nor does either this Supplemental Savings Plan or a Deferral Agreement limit the right of the Company at any time and for any reason to terminate the Participant's employment. In no event shall this Plan or a Deferral Agreement, either singly or collectively, by their terms or implications constitute an employment contract of any nature whatsoever between the Company and a Participant. In no event shall this Plan or a Plan Agreement, either singly or collectively, by their terms or implications in any way limit the right of the Company to change an Eligible Employee's compensation or other benefits.

2. Any amount credited to a Participant's Account under this Supplemental Savings Plan shall not be treated as compensation for purposes of calculating the amount of a Participant's benefits or contributions under any pension, retirement, or other plan maintained by the Company, except as provided in such other plan.

3. Any written notice to the Company referred to herein shall be made by mailing or delivering such notice to the Company at 6801 Rockledge Drive, Bethesda, Maryland 20817, to the attention of the Vice President, Human

Resources. Any written notice to a Participant shall be made by delivery to the Participant in person, through electronic transmission, or by mailing such notice to the Participant at his or her place of residence or business address.

4. In the event it should become impossible for the Company or the Committee to perform any act required by this Plan, the Company or the Committee may perform such other act as it in good faith determines will most nearly carry out the intent and the purpose of this Supplemental Savings Plan.

5. By electing to become a Participant hereunder, each Eligible Employee shall be deemed conclusively to have accepted and consented to all the terms of this Supplemental Savings Plan and all actions or decisions made by the Company, the Board, or Committee with regard to the Supplemental Savings Plan.

6. The provisions of this Supplemental Savings Plan and the Deferral Agreements hereunder shall be binding upon and inure to the benefit of the Company, its successors, and its assigns, and to the Participants and their heirs, executors, administrators, and legal representatives.

7. A copy of this Supplemental Savings Plan shall be available for inspection by Participants or other persons entitled to benefits under the Plan at reasonable times at the offices of the Company.

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8. The validity of this Supplemental Savings Plan or any of its provisions shall be construed, administered, and governed in all respects under and by the laws of the State of Maryland, except as to matters of federal law. If any provisions of this instrument shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.

9. This Supplemental Savings Plan and its operation, including but not limited to, the mechanics of deferral elections, the issuance of securities, if any, or the payment of cash hereunder is subject to compliance with all applicable federal and state laws, rules and regulations (including but not limited to state and federal insider trading, registration, reporting and other securities laws) and such other approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company, be necessary or advisable in connection therewith.

10. This Supplemental Savings Plan is intended to constitute an "excess benefit plan" within the meaning of Rule 16b-3(b)(2) under the Securities Exchange Act of 1934, and it shall be construed and applied accordingly. It is the intent of the Company that this Supplemental Savings Plan satisfy and be interpreted in a manner, that, in the case of Participants who are or may be Section 16 Persons, satisfies any applicable requirements of Rule 16b-3 of the Exchange Act or other exemptive rules under Section 16 of the Exchange Act and will not subject Section 16 Persons to short-swing profit liability thereunder. If any provision of this Supplemental Savings Plan would otherwise frustrate or conflict with the intent expressed in this Section 10, that provision to the extent possible shall be interpreted and deemed amended so as to avoid such conflict. To the extent of any remaining irreconcilable conflict with this intent, the provision shall be deemed disregarded. Similarly, any action or election by a Section 16 Person with respect to the Supplemental Savings Plan to the extent possible shall be interpreted and deemed amended so as to avoid liability under Section 16 or, if this is not possible, to the extent necessary to avoid liability under Section 16, shall be deemed

ineffective. Notwithstanding anything to the contrary in this Supplemental Savings Plan, the provisions of this Supplemental Savings Plan may at any time be bifurcated by the Board or the Committee in any manner so that certain provisions of this Supplemental Savings Plan are applicable solely to Section 16 Persons. Notwithstanding any other provision of this Supplemental Savings Plan to the contrary, if a distribution which would otherwise occur is prohibited or proposed to be delayed because of the provisions of Section 16 of the Exchange Act or the provisions of the Supplemental Savings Plan designed to ensure compliance with Section 16, the Section 16 Person involved may affirmatively elect in writing to have the distribution occur in any event; provided that the Section 16 Person shall concurrently enter into arrangements satisfactory to the Committee in its sole discretion for the satisfaction of any and all liabilities, costs and expenses arising from this election.

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ARTICLE XI

EFFECTIVE DATE

This amendment and restatement of the Supplemental Savings Plan shall generally become effective on January 1, 1997.

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Exhibit 10(00)

Lockheed Martin Corporation
Directors Charitable Award Plan

Plan Document Amended and Restated
Effective June 1, 1995
Amended April 25, 1996

The Lockheed Martin Corporation Directors Charitable Award Plan ("Plan") was originally adopted effective July 1, 1994 as the Martin Marietta Corporation Directors Charitable Award Plan ("Prior Plan"). Effective March 15, 1995, Lockheed Martin Corporation (the "Corporation") assumed the rights and obligations of Martin Marietta Corporation under the Prior Plan. Effective June 1, 1995, the Corporation adopted the Prior Plan and amended and restated the Prior Plan to make it applicable to members of the Board of Directors of the Corporation.

1. PURPOSE OF THE PLAN

The Plan allows each eligible Director of the Corporation to recommend that the Corporation make a donation of up to \$1,000,000 to the

eligible tax-exempt organization(s) (the "Donee(s)") selected by the Director, with the donation to be made, in the Director's name, in ten equal annual installments, with the first installment to be made as soon as is practicable after the Director's death. The purpose of the Plan is to recognize the interest of the Corporation and its Directors in supporting worthy educational institutions and/or charitable organizations.

2. ELIGIBILITY

All persons serving as Directors of the Corporation as of June 1, 1995, shall be eligible to participate in the Plan. Any Director who joins the Corporation's Board of Directors after that date shall be immediately eligible to participate in the Plan upon election to the Board. Individuals who were Directors of Martin Marietta Corporation on March 15, 1995 are also eligible for benefits under the Plan.

3. AMOUNT AND TIMING OF DONATION

Each eligible Director may choose one organization to receive a Corporation donation of \$1,000,000, or up to five organizations to receive donations aggregating \$1,000,000. Each recommended organization must be designated to

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receive a donation of at least \$100,000. The donation will be made by the Corporation in ten equal annual installments, with the first installment to be made as soon as is practicable after the Director's death, and each later installment to be made at approximately the same time in the following years. If a Director recommends more than one organization to receive a donation, each will receive a prorated portion of each annual installment as follows: Each annual installment payment will be divided among the recommended organizations in the same proportions as the total donation amount has been allocated among the organizations by the Director.

4. DONEES

In order to be eligible to receive a donation, a recommended organization must be a tax-exempt charitable organization or educational institution and must initially, and at the time a donation is to be made, be able to demonstrate receipt of an IRS notice of qualification to receive tax deductible contributions, if requested by the Corporation, and be reviewed and approved by the Directors Charitable Award Plan Committee (the "Committee"). The Committee may disapprove a donation if it determines that a donation to the organization would be detrimental to the best interests of the Corporation. A Director's private foundation is not eligible to receive donations under the Plan. If an organization recommended by a Director ceases to qualify as a Donee, and if the Director does not submit a form to change the recommendation before his or her death, the amount recommended to be donated to the organization will instead be donated to the Director's remaining qualified Donee(s) on a prorata basis. If all of a Director's recommended organizations cease to qualify, the amount will be donated to organizations selected by the Corporation. A Director may not receive any property or economic benefit from an organization as a result of recommending it as a Donee under the Plan;

a violation of this requirement will render the Director's recommendation of the Donee void.

5. RECOMMENDATION OF DONATION

When a Director becomes eligible to participate in the Plan, he or she shall make a written recommendation to the Corporation, on a form approved by the Corporation for this purpose, designating the Donee(s) which he or she intends to

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be the recipient(s) of the Corporation donation to be made on his or her behalf. A Director may revise or revoke any such recommendation prior to his or her death by signing a new recommendation form and submitting it to the Corporation.

A Director may choose to place restrictions on the use of funds he or she recommends to be donated to an organization. The Corporation will advise the Donee of the restrictions, but the Corporation will not be responsible for monitoring the use of the funds by the organization to ensure compliance with the restrictions. However, the Committee may, in its discretion, suspend any remaining donation installments for the organization if it becomes aware that the funds are not being used in a manner which is consistent with the restrictions.

6. VESTING

A Director will become vested in the Plan upon the completion of sixty full months of service as a Director, or if he or she dies, retires or becomes disabled while serving as a Director. Service as a member of the Board of Directors of Lockheed Corporation prior to June 1, 1995 will be counted as vesting service. If a Director terminates Board service before becoming vested (other than on account of death, retirement or disability), no donation will be made on his or her behalf. A Director will be considered to have retired if he or she has attained mandatory retirement age as set forth in the Corporation's By-laws or if he or she terminates service from the Board during April, 1996.

7. FUNDING AND PLAN ASSETS

The Corporation may fund the Plan or it may choose not to fund the Plan. If the Corporation elects to fund the Plan in any manner, neither the Directors (or their heirs or assigns) nor their recommended Donee(s) shall have any rights or interests in any assets of the Corporation identified for such purpose. Nothing contained in the Plan shall create, or be deemed to create, a trust, actual or constructive, for the benefit of a Director or any Donee recommended by a Director to receive a donation, or shall give, or be deemed to give, any Director or recommended Donee any interest in any assets of the Plan or the Corporation. If the Corporation elects to fund the Plan through life insurance policies, a participating Director agrees to

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cooperate and fulfill the enrollment requirements necessary to obtain insurance on his or her life.

8. AMENDMENT OR TERMINATION

The Board of Directors of the Corporation may, at any time, by a majority vote and without the consent of the Directors participating in the Plan, amend, modify, or waive any term of the Plan or suspend, or terminate the Plan for any reason, including, but not limited to, changes in applicable tax laws; provided however, that, subject to Section 4, no such amendment or termination shall, without the consent of the relevant Director or relevant Donee (if the Director has died) eliminate, reduce, or modify the obligation of the Corporation to make contributions on behalf of a Director who prior to the date of the amendment is adopted dies, retires, becomes disabled or has completed sixty full months of service as a Director.

9. ADMINISTRATION

The Plan shall be administered by the Committee. The Committee shall be responsible for executing and delivering documents necessary and appropriate to the administration of the Plan and for making determinations as to the eligibility of Donees. The Board of Directors shall have the authority to interpret the Plan and make determinations as to eligibility of Directors. The determinations of the Committee (or the Board of Directors, as the case may be) on the foregoing matters shall be conclusive and binding on all interested parties.

10. DIRECTORS CHARITABLE AWARD PLAN COMMITTEE

The Directors Charitable Award Plan Committee shall be a committee of four members consisting of the persons who from time to time may be the Corporation's Chief Financial Officer, Treasurer, Secretary, and Vice President, Corporate Communications. The Chief Financial Officer shall act as the Chairperson of the Committee.

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11. GOVERNING LAW

The Plan shall be construed and enforced according to the laws of Maryland, and all provisions thereof shall be administered according to the laws of said state.

12. MISCELLANEOUS PROVISIONS

A Director's rights and interest under the Plan may not be assigned or transferred. The expenses of the Plan will be borne by the Corporation.

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13. CHANGE OF CONTROL

(a) If there is a Change of Control of the Corporation, all Directors participating in the Plan shall immediately become vested. For the purpose of the Plan, the term "Change of Control" shall have the same meaning as is defined for the term in Section 10(b) of the Martin Marietta Corporation Amended Omnibus Securities Award Plan. In the event of a Change of Control other than as a result of the transactions contemplated by the Agreement and Plan of Reorganization among Parent Corporation, Martin Marietta Corporation and Lockheed Corporation dated as of August 29, 1994, the Corporation shall immediately create an irrevocable trust to make the anticipated Plan donations, and shall immediately transfer to the trust sufficient assets (which may include insurance policies) to make all the Plan donations in respect to the individuals who were Directors immediately before the Change of Control. In addition, once a Change of Control occurs, Section 3 and 13 of this Plan may not be amended.

(b) Notwithstanding the foregoing, effective June 1, 1995, the term "Change of Control" shall have the same meaning as is defined for the term in Section 7(b) of the Lockheed Martin Corporation 1995 Omnibus Performance Award Plan.

14. CONSENT

By electing to participate in the Plan, a Director shall be deemed conclusively to have accepted and consented to all the terms of this Plan and all actions or decisions made by the Corporation, the Board, or the Committee with regard to the Plan. Such terms and consent shall also apply to and be binding upon the beneficiaries, distributees, and personal representatives and other successors in interest of each participant.

15. EFFECTIVE DATE

The Plan as amended and restated is effective June 1, 1995. The recommendations of a Director will be effective when he or she completes all of the Plan enrollment requirements (including, if the Plan is funded with insurance, satisfaction of any requirements to qualify for the insurance).

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16. RIGHTS UNDER PRIOR PLAN

The rights of any individual who was a member of the Board of Directors of Martin Marietta Corporation on March 15, 1995 (an "MMC Director") shall be determined solely under this Plan as amended and restated effective June 1, 1995, except that each MMC Director is fully vested as of March 15, 1995 in the Plan's benefits. Any MMC Director shall be entitled to a single benefit attributable to service both as a member of the Board of Directors of Martin Marietta Corporation and of the Corporation. After March 15, 1995, Directors of Martin Marietta Corporation (other than individuals who were Directors on that date) shall not be eligible to participate in the Plan.

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Exhibit 10(nnn)

Amendment to Lockheed Martin Corporation
 Supplemental Excess Retirement Plan

At its meeting held on October 24, 1996, the Board of Directors of Lockheed Martin Corporation adopted the following resolution:

RESOLVED, That the Martin Marietta Corporation Supplemental Excess Retirement Plan be amended as set forth in the amendment attached hereto as Exhibit A;

RESOLVED FURTHER, That the proper officers of the Corporation be and each hereby is authorized to execute and deliver such instruments, agreements, certifications and other documents, and to take all such further actions as such officers shall determine in their sole discretion to be necessary or advisable to effect the intent of the foregoing resolution.

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EXHIBIT A

Amendment to Martin Marietta Corporation
 Supplemental Excess Retirement Plan

The Martin Marietta Corporation Supplemental Excess Retirement Plan hereby is amended as follows:

1. Effective January 28, 1996, the Plan is amended to replace each reference to "Martin Marietta Corporation" with "Lockheed Martin Corporation".

2. Effective January 1, 1996, the following is added as the last sentence of Section 5.2 of the Plan:

Notwithstanding anything herein to the contrary, a Participant who retires under Section 4 of this Plan and Section IV(3) of the Lockheed Martin Retirement Income Plan on or after January 1, 1996 shall be eligible for benefits under this Section.

3. Effective January 1, 1997, the following is added as the last sentence of Sections 5.1, 5.2 and 5.3 of the Plan:

For purposes of calculating benefits under this Section for Participants who retire on or after January 1, 1997, the benefits payable under the Retirement Plan shall be calculated by including incentive compensation payments in Pensionable Earnings during the year earned and not in the following year.

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Exhibit 10(ooo)

Amendment to Terms of Outstanding Stock Options Relating to Exercise Period
 for Employees of Divested Businesses

At its meeting held on September 26, 1996, the Board of Directors of
 Lockheed Martin Corporation adopted the following resolution:

RESOLVED, That effective this date, the terms of the Martin
 Marietta Corporation 1984 Stock Option Plan for Key Employees and the
 award agreements pursuant to which all outstanding stock options
 granted pursuant to the Martin Marietta Corporation Amended Omnibus
 Securities Award Plan; the Lockheed Corporation 1986 Employee Stock
 Purchase Program; the Lockheed Corporation 1992 Employee Stock Option
 Program; and the Lockheed Martin Corporation 1995 Omnibus Performance
 Award Plan were awarded are amended to include the following provision:

"SPECIAL RULE AS TO OPTION EXPIRATION UPON DIVESTMENT OF
 BUSINESS OPERATIONS--

"Divestiture - If the Corporation divests (as defined below)
 all or substantially all of a business operation of the Corporation and
 such divestiture results in the termination of the recipient's
 employment with the Corporation or its Subsidiaries and transfer of
 such employment to the other party to the divestiture, the remaining
 term of options granted under this award agreement which have vested as
 of the effective date of the divestiture ("Effective Date"), if longer
 than (one) 1 year following the Effective Date, shall be reduced to one
 (1) year following Effective Date. Options which have not vested as of
 the Effective Date shall be treated in accordance with provisions of
 this award pertaining to termination of employment. For the purposes of
 this provision, the term "divestiture" shall mean a transaction which
 results in the transfer of control of the business operation divested
 to any person, corporation, association, partnership,

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joint venture or other business entity of which less than 50% of the
 voting stock or other equity interests (in the case of entities other
 than corporations), is owned or controlled, directly or indirectly, by
 the Corporation, one or more of the Corporation's Subsidiaries, or by a
 combination thereof.

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Exhibit 10(ppp)

LOCKHEED MARTIN CORPORATION
 POST-RETIREMENT DEATH BENEFIT
 PLAN FOR ELECTED OFFICERS

(Adopted May 25, 1995)
 (Amended July 25, 1996)

ARTICLE I

PURPOSE OF THE PLAN

The Lockheed Martin Corporation Post-Retirement Death Benefit Plan for Elected Officers is intended to provide a means for attracting and retaining capable individuals as senior executive employees of the Corporation. It is further intended to encourage the Corporation's most talented and experienced executives to remain with the Corporation until retirement age while at the same time enabling the Corporation to provide for the orderly transfer of senior executive responsibility after these executives reach retirement age. The Plan is effective May 25, 1995.

ARTICLE II

DEFINITIONS

Unless the context indicates otherwise, for the purposes of this Plan, the following words and phrases shall have the meanings hereinafter indicated:

1. **BENEFICIARY** -- The person or persons (including a trust or trusts) validly designated by a Participant, on the form provided by the Corporation, to receive the post-retirement death benefit provided under this Plan. In the absence of a valid designation, or if the designated Beneficiary has predeceased the Participant, the Beneficiary shall be the person or persons entitled by will or the laws of descent and distribution to receive the amounts otherwise payable to the Participant under this Plan; a Participant may amend his or her Beneficiary designation at any time before the Participant's death.

2. **BOARD** or **BOARD OF DIRECTORS**-- The Board of Directors of Lockheed Martin Corporation.
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3. **COMPENSATION COMMITTEE** or **COMMITTEE** -- The Compensation Committee of the Board of Directors.

4. **CORPORATION** -- Lockheed Martin Corporation and its subsidiaries.

5. **ELIGIBLE EXECUTIVE** -- An officer of the Corporation who has been elected to that position by the Board of Directors.

6. **EMPLOYEE** -- A person employed by the Corporation on a full-time salaried basis.

7. **PARTICIPANT** -- A former Employee of the Corporation who at the time of Retirement was an Eligible Executive.

8. PLAN -- The Lockheed Martin Corporation Post-Retirement Death Benefit Plan for Elected Officers, as in effect at any time and from time to time.

9. PREDECESSOR PLAN -- A plan sponsored on March 14, 1995 by Martin Marietta Corporation or Lockheed Corporation providing for the payment of a death benefit upon the death of a retired executive.

10. RETIREMENT -- Separation from service from the Corporation that meets the requirements of Article III.

ARTICLE III

ELIGIBILITY

An Employee who is an Eligible Executive at the time of his or her separation from service with the Corporation shall become a Participant in the Plan and eligible for the benefits under the Plan if the Employee satisfies all of the following requirements (or those requirements which have not been expressly waived by the Compensation Committee with respect to an Eligible Executive) at the time of his or her separation from service:

- a) the Eligible Executive's separation from service occurs on or after the Eligible Executive attains age 55;

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- b) the Eligible Executive's separation from service occurs on or before December 31 of the year in which the Eligible Executive attains age 65; and
- c) the separation from service is for any reason other than
 - i) involuntary termination for cause; or
 - ii) to accept full time employment in a comparable position with another employer.

A separation from service with the Corporation that meets all the requirements of this Article III shall be considered Retirement from the Corporation except that separation from employment with the Corporation in order to accept employment with any of its subsidiaries or affiliates shall not constitute Retirement under the terms of the Plan and shall not result in commencement of entitlement to any benefit. Any Employee who at the time of his or her separation from service does not meet all the requirements of this Article III for Retirement shall not be eligible for benefits under this Plan.

ARTICLE IV

TERM AND AMOUNT OF BENEFITS

1. The Plan shall provide a benefit payable upon the death of a Participant subsequent to Retirement in the amount of one hundred fifty percent (150%) of the Participant's annualized base salary for the pay period

immediate prior to his or her Retirement. The amount payable under this Plan shall be reduced by the amount payable under a Predecessor Plan, to the extent the benefit under the Predecessor Plan has not been waived by the Participant.

2. The coverage provided under this Plan shall commence immediately on termination of employment for Retirement and continue during the lifetime of a Participant unless sooner terminated by reason of the circumstances described in the succeeding subsection.

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3. If, following the date on which a Participant becomes a Participant, the Board of Directors reasonably finds that a Participant, without the prior written consent of the Board of Directors, is engaged in the operation or management of a business, whether as owner, controlling stockholder, partner, director, officer, employee, consultant, or otherwise, which at such time is in competition with the Corporation or any of its subsidiaries or affiliates, or has disclosed to unauthorized persons information relative to the business of the Corporation or any of its subsidiaries or affiliates which the Participant shall have had reason to believe is confidential, or shall be found by the Board of Directors to have committed an act during or after the term of the Participant's employment which would have justified the Participant being discharged for cause, all benefits to which such Participant shall otherwise be entitled under this Plan shall terminate. This section shall be uniformly applied to Participants similarly situated.

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ARTICLE V

MANNER OF PAYMENT

1. A written designation of Beneficiary(ies) and contingent Beneficiary(ies) may be made by the Participant in accordance with the procedures established by the Compensation Committee (or its delegates authorized in accordance with Article VIII 2). The Participant may change his or her designation from time to time by written notice made by the Participant or, if applicable, his assignee in accordance with the Compensation Committee's procedures.

2. Benefits under the Plan shall be payable to the Beneficiary or Beneficiaries properly designated by the Participant in accordance with paragraph 1 of Article V. If, at the time of the Participant's death, there is no properly designated Beneficiary as to all or any part of the benefit, or if the designated beneficiary does not survive the Participant, the benefit will be paid at the option of the Compensation Committee to any of the following survivors of the Participant: wife, husband, mother, father, child, or children; or to the executors or administrators of the Participant.

3. Payments to any named Beneficiary or Beneficiaries pursuant to any applicable law to any survivor or survivors of the Participant or to the estate of a Participant, or pursuant to a Beneficiary designation or the terms of this Plan shall completely discharge all liabilities of the Corporation with respect to the amounts so paid.

4. At the written request of the Participant or Beneficiary to

the Compensation Committee, Plan benefits may be paid in (a) lump sum, (b) annual installments over a fixed period of years not to exceed ten years, or (c) such other arrangements as may be agreed upon by the Participant or Beneficiary and the Compensation Committee. The maximum number of annual installments that may be elected will be reduced as is necessary to insure that each annual installment will be at least \$10,000.

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5. Benefits under the Plan shall be paid by the Corporation from its general funds. This Plan constitutes a mere contractual promise by the Corporation to make payments in the future, and each Participant's (or Beneficiary's) rights shall be those of a general, unsecured creditor of the Corporation. No Participant or Beneficiary shall have any beneficial interest in any specific assets that the Corporation may hold or set aside in connection with this Plan.

ARTICLE VI

CHANGE OF CONTROL

1. Within 15 days of a change of control, in full satisfaction of all of its obligations under this Plan, the Corporation shall pay to each Participant in the Plan, a lump sum payment equal to the benefit that would be payable with respect to the Participant upon his or death. Upon payment of these amounts, the Plan shall terminate and no amount shall be payable to or on behalf of any Employee or Eligible Executive who, as of the date of the change of control, had not yet become a Participant by satisfying all the requirements of Article III.

2. For purposes of this Plan, a change in control shall include and be deemed to occur upon the following events:

(a) A tender offer or exchange offer is consummated for the ownership of securities of the Corporation representing 25% or more of the combined voting power of the Corporation's then outstanding voting securities entitled to vote in the election of directors of the Corporation.

(b) The Corporation is merged, combined, consolidated, recapitalized or otherwise reorganized with one or more other entities that are not Subsidiaries and, as a result of the merger, combination, consolidation, recapitalization or other reorganization, less than 75% of the outstanding voting securities of the surviving or resulting corporation shall immediately after the event be owned in the aggregate by the stockholders of the Corporation (directly or indirectly), determined on the basis of record ownership as of the date of determination of holders entitled to vote on the action (or in the absence of a vote, the day immediately prior to the event).

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(c) Any person (as this term is used in Sections 3(a)(9) and 13(d)(3) of the Securities Exchange Act of 1934, but excluding any person described in and satisfying the conditions of Rule 13d-1(b)(1) thereunder), becomes the beneficial owner (as defined in Rule 13d-3 under the Securities Exchange Act of 1934), directly or indirectly, of securities of the Corporation representing 25% or more of the combined voting power of the Corporation's then

outstanding securities entitled to vote in the election of directors of the Corporation.

(d) At any time within any period of two years after a tender offer, merger, combination, consolidation, recapitalization, or other reorganization or a contested election, or any combination of these events, the "Incumbent Directors" shall cease to constitute at least a majority of the authorized number of members of the Board. For purposes hereof, "Incumbent Directors" shall mean the persons who were members of the Board immediately before the first of these events and the persons who were elected or nominated as their successors or pursuant to increases in the size of the Board by a vote of at least three-fourths of the Board members who were then Board members (or successors or additional members so elected or nominated).

(e) The stockholders of the Corporation approve a plan of liquidation and dissolution or the sale or transfer of substantially all of the Corporation's business and/or assets as an entirety to an entity that is not a Subsidiary.

3. This Article VI shall apply only to a change in control of Lockheed Martin Corporation and shall not apply to any transaction involving the Corporation's sale, liquidation, merger, or other disposition of any subsidiary.

4. The Committee may cancel or modify this Article VI at any time prior to a change in control. In the event of a change in control, this Article VI shall remain in force and effect, and shall not be subject to cancellation or modification until such time as all payments have been made in accordance with paragraph 1 of Article VI.

ARTICLE VII

AMENDMENT AND TERMINATION

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The Compensation Committee may from time to time recommend amendments of the Plan to the Board of Directors for their review and approval. The Board of Directors may terminate the Plan or amend the Plan in any respect and at any time; provided however, that no amendment or termination shall have the effect of reducing the death benefit then being paid, or to be paid, on behalf of any Participant. Any Participant may, however, at the Participant's election, by written notice to the Compensation Committee terminate participation in the Plan.

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ARTICLE VIII

ADMINISTRATION

1. This Plan shall be administered by the Compensation Committee or such other committee as may be designated by the Board. The Committee shall have full authority to interpret the Plan, and interpretations of the Plan by the Committee shall be final and binding on all parties.

2. The Committee may delegate to the officers or employees of the Corporation the authority to execute and deliver those instruments and documents, to do all acts and things, and to take all other steps deemed necessary, advisable or convenient for the effective administration of this Plan in accordance with its terms and purpose

3. In making any determination or in taking or not taking any action under this Plan, the Committee may obtain and rely upon the advice of experts, including professional advisors to the Corporation. No member of the Committee or officer of the Corporation who is a Participant thereunder may participate in any decision specifically relating to his or her individual rights or benefits under the Plan.

4. Neither the Corporation nor any member of the Board or of the Committee, nor any other person participating in any determination of any question under this Plan, or in the interpretation, administration or application thereof, shall have any liability to any party for any action taken or not taken in good faith under this Plan.

5. If a minor, person declared incompetent, or person incapable of handling the disposition of his or her property is entitled to receive a benefit, make an application, or make an election thereunder, the Committee may direct that such benefits be paid to, or such application or election be made by, the guardian, legal representative, or person having the care and custody of such minor, incompetent, or incapable person. Any payment made, application allowed, or election implemented in accordance with this section shall completely discharge the Corporation and the Committee from all liability with respect thereto.

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6. The Committee may require proof of the death, disability, incompetence, minority, or incapacity of any Participant or Beneficiary and of the right of a person to receive any benefit or make any application or election.

7. The procedures when a claim under this Plan is denied by the Committee are as follows:

(A) The Committee shall:

(i) notify the claimant within a reasonable time of such denial, setting forth the specific reasons therefor; and

(ii) afford the claimant a reasonable opportunity for a review of the decision.

(B) The notice of such denial shall set forth, in addition to the specific reasons for the denial, the following:

(i) identification of pertinent provisions of this Plan;

(ii) such additional information as may be relevant to the denial of the claim; and

(iii) an explanation of the claims review procedure and advice that the claimant may request an opportunity to submit a statement of issues and comments.

(C) Within sixty days following advice of denial of a claim, upon request made by the claimant, the Committee shall take appropriate steps to review its decision in light of any further information or comments submitted by the claimant. The Committee may hold a hearing at which the claimant may present the basis of any claim for review.

(D) The Committee shall render a decision within a reasonable time (not to exceed 120 days) after the claimant's request for review and shall advise the claimant in writing of its decision, specifying the reasons and identifying the appropriate provisions of the Plan.

ARTICLE VIII

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GENERAL AND MISCELLANEOUS PROVISIONS

1. The maintenance of this Plan by the Corporation shall not in any way obligate the Corporation to continue the employment of an Employee or a Participant with the Corporation; nor does the Plan limit the right of the Corporation at any time and for any reason to terminate an Employee's employment. In no event shall this Plan by its terms or implications constitute an employment contract of any nature whatsoever between the Corporation and an Employee or a Participant.

2. By becoming a Participant thereunder, each Eligible Executive (and his or her Beneficiary) shall be deemed conclusively to have accepted and consented to all of the terms of this Plan and all actions or decisions made by the Corporation, the Board, or Committee with regard to the Plan.

3. The validity of this Plan or any of its provisions shall be construed, administered, and governed in all respects under and by the laws of the State of Maryland, except as to matters of Federal law. If any provisions of this instrument shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.

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Exhibit 10(qqq)

LOCKHEED MARTIN CORPORATION
DIRECTORS RETIREMENT PLAN

May 25, 1995
Amended April 24, 1996

ARTICLE I

PURPOSE

The purpose of this Plan is to provide retirement income to persons who have performed substantial services as non-employee Directors of Lockheed Martin Corporation and thereby to aid the Corporation in attracting and retaining as members of the Board persons whose abilities, experience and judgment can contribute to the success of the Corporation.

ARTICLE II

DEFINITIONS

Whenever the following terms are used in this Plan, they shall have the meaning specified below, unless the context clearly indicates to the contrary:

Beneficiary shall have the meaning specified in Section 6.2(b).

Board of Directors or Board means the Board of Directors of the Corporation.

Committee means the Committee appointed to administer this Plan, as provided in Section 5.1 hereof.

Corporation means Lockheed Martin Corporation, a Maryland corporation and its successors.

Director means a member of the Board of Directors of the Corporation who is eligible to receive compensation in the form of Retainer Fees and who is not an officer or employee of the Corporation or any of its subsidiaries; where indicated by the context, the term Director shall include a retired or former Director.

Effective Date means March 15, 1995.

Plan means the Lockheed Martin Corporation Directors Retirement Plan.

Retainer Fee means the annual fee payable to a Director for service as a Board member, including the value of the amount annually credited to each Director under the Lockheed Martin Corporation Directors Deferred Stock Plan, but not including any fees for services as a member of a committee of the Board.

Retirement Age means the age for mandatory retirement of Directors from Board membership, as specified in the Corporation's by-laws on the date a Director retires, resigns, or otherwise ceases to be a member of the Board.

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ARTICLE III

ELIGIBILITY FOR BENEFITS

3.1 Five-year Service Requirement. Except as provided in Sections

4.1 and 4.6, a Director shall be eligible to receive benefits under this Plan only if the Director has served as a member of the Board for five (5) or more years, and the Director retires, resigns, or otherwise ceases to be a member of the Board after the Effective Date.

3.2 Credited Service. For purposes of Section 3.1 and Article IV, a Director's years of service as a Board member shall be deemed to include all periods in which he or she served as a director of the Corporation, Lockheed Corporation, or Martin Marietta Corporation, including all periods in which he or she served as a director while an employee of one or more of those corporations. A Director shall be credited with a year of service for each twelve (12) month period of Board service; fractional years of service shall not be taken into account under this Plan.

ARTICLE IV

BENEFITS

4.1 Retirement at Retirement Age. If a Director retires from the Board on or after attainment of Retirement Age, the Corporation shall make annual payments to the Director in the amount of the Retainer Fee for life. Such payments shall commence in the January following the year in which the Director retires and shall be made in each successive January ending with the January payment for the calendar year of the Director's death. Upon the approval of the Nominating Committee of the Board, a Director who retires from the Board on or after attainment of Retirement Age, but with less than five (5) years of service on the Board, may be treated as having satisfied the eligibility requirement of Section 3.1. Notwithstanding the foregoing, an initial payment prorated to reflect the number of months remaining in the year shall be made to the Director as soon as practicable following his retirement.

4.2 Resignation before Retirement Age. If a Director retires, resigns, or otherwise ceases to be a member of the Board before attaining Retirement Age, the Corporation shall make annual payments to the Director in the amount of the Retainer Fee for a number of years equal to the number of full years the Director had served on the Board. Such payments shall commence in the January following the year in which the Director ceases to be a member of the Board and shall be made in each successive January until the payments have been completed.

4.3 Death Benefits. Upon the death of an active Director, whether or not such Director has served as a Director for five (5) years, or a retired or former Director entitled to benefits under Section 4.1 or 4.2, the Corporation shall make annual payments to the Director's Beneficiary in the
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amount of the Retainer Fee for a number of years equal to (i) the number of full years the Director had served on the Board, less (ii) the number of years, if any, for which payments were made to the Director under Section 4.1 or 4.2, provided that the number of annual payments to a Director's Beneficiary shall in no event exceed twenty (20). Such payments shall commence in the January following the year of the Director's death and shall be made in each successive January until the payments have been completed.

4.4 Retainer Fee used to Determine Benefits. All benefits payable to or with respect to a Director shall be based upon the amount of the Retainer Fee in effect on the Date the Director retires, resigns, or otherwise ceases to

be a member of the Board.

4.5 Coordination with Predecessor Plans. The payments to a Director or Beneficiary under Section 4.1, 4.2, or 4.3 shall be adjusted to reflect payments made or to be made under the Post-Retirement Income Maintenance Plan for Directors of Martin Marietta Corporation (the "Martin Marietta Plan") and the Lockheed Corporation Retirement Plan for Directors (the "Lockheed Plan") in the following manner:

(a) With respect to any Director who received a lump sum payment under the Martin Marietta Plan, each annual benefit payment under this Plan (commencing with the earliest year in which a benefit is otherwise payable) shall be reduced by an amount equal to the annual retainer fee that was taken into account in determining the amount of the lump sum payment to the Director under the Martin Plan; that reduction shall be made for a number of years equal to the number of years of accrued benefits for which the Director received the lump sum payment under the Martin Plan; thereafter, any benefits payable to the Director or the Director's Beneficiary under this Plan shall be unaffected by this Section 4.5.

(b) With respect to any Director who has accrued the right to receive benefits under the Lockheed Plan and who has not waived that right in favor of the benefits payable under this Plan:

(i) the amount of any annual benefit payment that would be made to the Director or the Director's Beneficiary under this Plan in January of a year shall be reduced by the sum of the monthly benefit payments, if any, made to the Director or the Director's surviving spouse under the Lockheed Plan in the preceding calendar year;

(ii) if a lump sum payment has been made to the Director or the Director's surviving spouse under the Lockheed Plan, each annual benefit payment under this Plan (commencing with the earliest year in which a benefit is otherwise payable) shall be reduced by an amount equal to the annual retainer fee that was taken into account in determining the amount of the lump sum payment under the Lockheed Plan; that reduction shall be made for the number of years equal to the number of years of accrued benefits for which the lump sum payment was made under the Lockheed Plan; thereafter, any benefits payable to the Director or

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the Director's Beneficiary under this Plan shall be unaffected by this Section 4.5; and

(iii) if the benefit payments to the Director or the Director's surviving spouse under the Lockheed Plan will commence later than the date on which benefit payments would otherwise commence to be made to the Director or the Director's Beneficiary under this Plan, payments under this Plan shall commence no earlier than January of the calendar year following the year in which benefit payments will commence under the Lockheed Plan, advanced by one year for each full year that the Director has served on the Board of the Corporation (excluding years of service as a director of Lockheed Corporation).

4.6 Provisions for Directors Retiring during April, 1996. Notwithstanding any other provision of the Plan to the contrary, a Director who

retires from the Board during April, 1996 shall receive annual payments for life in accordance with Section 4.1, regardless of whether the Director has served five years on the Board and regardless of whether the Director has attained age 70 at the time of retirement. The amount of the annual payment shall equal the amount of the Annual Retainer in effect at the time of the Director's retirement as set forth in Section 4.4, except that the annual amount shall be increased from time to time to reflect any increases made in the Annual Retainer payable with respect to Directors on or before the end of the year in which the retired Director attains age 70.

ARTICLE V

ADMINISTRATION, AMENDMENT AND TERMINATION

5.1 Administration by Committee. This Plan shall be administered by a Committee of three consisting of the (i) Chief Financial Officer of the Corporation, (ii) Secretary of the Corporation, and (iii) Treasurer of the Corporation. The Committee shall act by vote or by written consent of a majority of its members. The Committee's resolution of any question regarding the interpretation of this Plan shall be subject to review by the Board, and the Board's determination shall be final and binding on all parties.

5.2 Amendment and Termination. This Plan may be amended, modified, or terminated by the Board at any time, except that no such action shall (without the consent of affected Directors or, if appropriate, their Beneficiaries or personal representatives) adversely affect the rights of Directors or Beneficiaries with respect to benefit rights accrued under this Plan prior to the date of such amendment, modification, or termination.

ARTICLE VI

MISCELLANEOUS

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6.1 Limitation on Directors' Rights. Participation in this Plan shall not give any Director the right to continue to serve as a member of the Board or any rights or interests other than as herein provided. No Director shall have any right to any payment or benefit hereunder except to the extent provided in this Plan. This Plan shall create only a contractual obligation on the part of the Corporation and shall not be construed as creating a trust. The Plan, in and of itself, has no assets. Directors shall have only the rights of general unsecured creditors of the Corporation with respect to benefits payable under this Plan.

6.2 Beneficiaries.

(a) Beneficiary Designation. Subject to applicable laws (including any applicable community property and probate laws), each Director may designate in writing the Beneficiary that the Director chooses to receive any payments that become payable after the Director's death, as provided in Section 4.3. A Director's Beneficiary designation shall be made on forms provided and in accordance with procedures established by the Corporation and may be changed by the Director at any time before the Director's death.

(b) Definition of Beneficiary. A Director's "Beneficiary" or

"Beneficiaries" shall be the person or persons, including a trust or trusts, validly designated by the Director or, in the absence of a valid designation, entitled by will or the laws of descent and distribution to receive the amounts otherwise payable to the Director under this Plan in the event of the Director's death.

6.3 Rights Not Assignable; Obligations Binding Upon Successors. A Director's rights under this Plan shall not be assignable or transferable and any purported transfer, assignment, pledge or other encumbrance or attachment of any payments or benefits under this Plan, or any interest thereon, other than pursuant to Section 6.2, shall not be permitted or recognized. Obligations of the Corporation under this Plan shall be binding upon successors of the Corporation.

6.4 Governing Law; Severability. The validity of this Plan or any of its provisions shall be construed, administered, and governed in all respects under and by the laws of the State of Maryland. If any provisions of this instrument shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.

6.5 Corporation's Right to Withhold. There shall be deducted from all payments under this Plan the amount of taxes, if any, required to be withheld under applicable federal or state tax laws. The Directors and their Beneficiaries will be liable for payment of any and all income or other taxes imposed on benefits payable under this Plan.

6.6 Headings Not Part of Plan. Headings and subheadings in this Plan are inserted for reference only and are not to be considered in the construction of this Plan.

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EXHIBIT 11

LOCKHEED MARTIN CORPORATION
COMPUTATION OF EARNINGS PER COMMON SHARE

<TABLE>
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	Year ended December 31,		
	1996	1995	1994
	-----	-----	-----
	(In millions, except per share d		
	<C>	<C>	<C>
<S> ASSUMING NO DILUTION:			
Average number of common shares outstanding	189.1	189.3	187.0
	=====	=====	=====
Earnings before cumulative effect of change in accounting	\$1,347	\$ 682	\$1,055
Less: Preferred stock dividends	(60)	(60)	(60)

Earnings before cumulative effect of change in accounting applicable to common stock	1,287	622	995
Cumulative effect of change in accounting	-	-	(37)
Net earnings applicable to common stock	\$1,287	\$ 622	\$ 958
Earnings per common share:			
Before cumulative effect of change in accounting	\$ 6.80	\$ 3.28	\$ 5.32
Cumulative effect of change in accounting	-	-	(.20)
	\$ 6.80	\$ 3.28	\$ 5.12

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EXHIBIT 11 - CONTINUED

LOCKHEED MARTIN CORPORATION

COMPUTATION OF EARNINGS PER COMMON SHARE

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	Year ended December 31,		
	1996	1995	1994
	-----	-----	-----
(In millions, except per share d	<C>	<C>	<C>
<S>			
ASSUMING FULL DILUTION:			
Average number of common shares outstanding	189.1	189.3	187.0
Dilutive stock options-based on the treasury stock method using the year-end market prices, if higher than average market price	5.0	5.0	2.4
Assumed conversion of the Convertible Series A Preferred Stock	28.9	28.9	28.9
	-----	-----	-----
	223.0	223.2	218.3
	=====	=====	=====
Earnings before cumulative effect of change in accounting	\$1,347	\$ 682	\$1,055
Cumulative effect of change in accounting	-	-	(37)
Net earnings	\$1,347	\$ 682	\$1,018
	=====	=====	=====
Earnings per common share:			
Before cumulative effect of change in accounting	\$ 6.04	\$ 3.05	\$ 4.83
Cumulative effect of change in accounting	-	-	(.17)
	\$ 6.04	\$ 3.05	\$ 4.66
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EXHIBIT 12

LOCKHEED MARTIN CORPORATION
 COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
 FOR THE YEAR ENDED DECEMBER 31, 1996
 (IN MILLIONS OF DOLLARS, EXCEPT RATIO)

<TABLE>
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	1996

<S>	<C>
EARNINGS:	
Net earnings	\$1,347
Taxes on income	686
Interest expense	700
Amortization of debt premium and discount, net	(1)
Portion of rents representative of an interest factor	123

Adjusted earnings before taxes and fixed charges	\$2,855
	=====
 FIXED CHARGES:	
Interest expense	\$ 700
Amortization of debt premium and discount, net	(1)
Portion of rents representative of an interest factor	123
Capitalized interest	2

Total fixed charges	\$ 824
	=====
RATIO OF EARNINGS TO FIXED CHARGES	3.5
	=====

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EXHIBIT 13

LOCKHEED MARTIN

Annual Report 1996

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50 Financial Section	
86 Corporate Directory	
88 General Information	

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Financial Highlights

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(In millions, except per share data)	19
=====	
<S>	<C>
Net sales	\$26,8

Net earnings	1,3

Earnings per common share, assuming full dilution	6.

Cash dividends per common share	1.

Total assets	29,2

Short-term borrowings	1,1

Current maturities of long-term debt	1

Long-term debt	10,1

Shareholders' equity	6,8

Negotiated backlog	50,4

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See Notes 1, 2, 4, 8, 10 and 14 to the Consolidated Financial Statements.

(a) Amounts include the effects of the April 1996 business combination with Loral Corporation.

(b) Earnings for 1996 include the effects of a nonrecurring pretax gain of \$365 million resulting from divestitures which increased net earnings by \$351 million, or \$1.58 per common share assuming full dilution. The gain was

substantially offset by nonrecurring pretax charges, net of state income tax benefits, of \$307 million, approximately one-half of which related to the Corporation's conservative strategy toward its environmental remediation business, with the remainder related to a number of other corporate actions to improve efficiency, increase competitiveness and focus on core businesses. These charges decreased net earnings by \$209 million, or \$.94 per common share assuming full dilution.

(c) Earnings for 1995 include the effects of pretax charges totaling \$690 million for merger related and consolidation expenses. These charges reduced net earnings by \$436 million, or \$1.96 per common share assuming full dilution.

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M i s s i o n

S u c c e s s

Our commitment to achieve superior performance
and total customer satisfaction
in every goal we set and every task we undertake

The future of spaceflight has a name -- VentureStar./(TM)/ Not only does Lockheed Martin's reusable launch vehicle demonstrator for this program, the X-33, advance the science and technology of space transportation, it's also a bold business solution. By dramatically reducing the cost of getting into space, VentureStar will make it possible for future entrepreneurs to take their ideas to heights never before imagined.

[PHOTOGRAPH OF VENTURESTAR/(TM)/ APPEARS HERE]

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Dear Fellow Shareholder,

Our first full year operating as Lockheed Martin was virtually all that we had hoped. We began the year by announcing our strategic combination with Loral and ended by posting our 13th half-billion-dollar-plus program win of the year. Along the way, we defied the skeptics -- and the odds -- by rapidly restructuring, achieving major efficiencies, and successfully integrating 17 business cultures into a world-class team that, through synergy, achieved a strong track record.

In less than two years, we have moved into the front ranks of the industry's consolidation and put some huge challenges behind us to create a leading diversified global technology company. But perhaps the most meaningful measure is how these successes have translated into increased shareholder value.

Shareholder Value

A good place to start is with the numbers: In 1996 stock in your company rose in value from \$79 to \$91.50 per share, at year end, a 16 percent increase. And if you reinvested the \$1.60 payout of dividends, your annual return was 18 percent. This brings total returns for Lockheed Martin, since it began trading March 16, 1995, to 39 percent -- which stacks up pretty well against Standard & Poor's 500 Stock Index performance of 27 percent for the same period.

We will never rest on our laurels. Our goal is to consistently deliver shareholder returns better than the overall market performance. Our employees are both committed and incentivized to maximize shareholder returns since they own approximately 17 percent of Lockheed Martin's outstanding shares. Add to that, our aggressive stock ownership guidelines for nearly 2,000 individuals in our management ranks; we expect our management team to maintain holdings of two times to five times annual salary, depending on position.

Supporting this market performance, Lockheed Martin's fully diluted earnings in 1996 were \$6.04 per share, versus \$3.05 in 1995. Earnings per share, excluding nonrecurring items in both years, increased 8 percent to \$5.40 in 1996, versus \$5.01 in 1995. Our continued emphasis on strong cash management yielded \$1 billion in free cash flow during 1996, after expending \$244 million of cash payments and \$150 million of capital outlays for our integration and consolidation program. On the sales front, we recorded \$26.9 billion in 1996, compared with \$22.9 billion in 1995. During the year, we brought in nearly \$30 billion in new orders, and at year end, backlog stood at more than \$50 billion -- an impressive number, though we constantly remind ourselves that we need to add \$1 million of new business every four working minutes just to sustain our revenues.

Enhanced

Competitiveness

If our shareholders already have benefited in the near-term from our consolidation activities, so too will our employees and customers over the longer term. Through our increased competitiveness, we have achieved one of the most significant new business win-streaks in the history of our industry, and are now beginning to hire (and re-hire) a substantial number of employees to fill the new jobs that have been created.

In addition, through our consolidation and restructuring actions, Lockheed Martin expects to generate over \$6 billion in savings through 1999, most of which is attributable to the Lockheed and Martin Marietta merger. The real payoff comes after 1999, when all up-front costs have abated, and we expect to sustain approximately \$2.6 billion in annual savings or \$13 billion over every five-year period thereafter -- savings in which both our customers and shareholders will share. The portion that goes to our U.S. government customers, alone, is enough to fund the purchase of 2 Titan IV Centaur rockets, 10 Trident II missiles, 800 Hellfire missiles, 3 C-130Js, 8 F-16s and 100 Army Tactical Missile Systems... all incidentally, Lockheed Martin products!

As noted, the outlook for our employees has brightened, too. We are now hiring at a number of Lockheed Martin operating companies where we won major programs last year -- at least partly due to enhanced competitiveness from our consolidation activities and synergy from our combined strengths and ongoing cost-cutting efforts.

It doesn't take a rocket scientist, although we have lots of them, to figure out that these consolidation activities are a "win-win" for all concerned. But it does, in our case, take a whole lot of talent across every imaginable discipline to make these changes a reality.

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"As we approach the new millennium, virtually every business organization in the world is seeking to reengineer itself..."

Mission Success

From our customers' point of view, a major achievement was our record of continued mission success -- which we define on the opening page of this report. Of 307 measurable events last year, we realized a 93 percent mission success rating, including 7 of 7 Space Shuttle launches, 4 of 4 Peacekeeper launches, 11 of 11 fleet ballistic missile launches, 13 of 13 expendable space launch vehicle flights, and 8 of 8 new spacecraft deployments. Add to that, our mission success in completing, on schedule, installation of LANTIRN pods on F-14 Tomcats to give Navy aircraft new night fighting capabilities; joining without a hitch the major fuselage sections of the first F-22 air dominance fighter, which is on track for its first flight in May; conducting the first flight of the C-130J; successful operation of a new air traffic control center in Taiwan; stunning performance of the Advanced Threat Infrared Countermeasures/Common Missile Warning System during U.S. Army tests; the F-16's five millionth flight hour; completing, with flying colors, a test series on our new super lightweight fuel tank for the Space Shuttle -- and many more.

The key to these and literally thousands of other mission success stories were the countless tasks performed with great dedication by our 190,000 employees. In a year of major consolidation, turmoil and change in the industry, this is an enormous tribute to the talent, commitment -- and concentration -- of the men and women of Lockheed Martin, without whom, none of this would have been possible.

The Strategy That Worked

Behind all the statistics are some important strategic actions we have taken with the objectives of keeping Lockheed Martin on its growth curve and building shareholder value. As we approach the new millennium, virtually every business organization in the world is seeking to reengineer itself to adapt to a changing environment and seek a competitive edge in the emerging global marketplace. But perhaps no industry has had a greater imperative to change than aerospace and defense which, of course, comprises a substantial part of Lockheed Martin's business base.

As is now widely known, the defense industry has been severely impacted by the end of the Cold War. Since the late eighties, the U.S. defense budget has declined significantly, and the procurement portion has virtually collapsed -- falling by more than two-thirds in real terms. Any company looking to the future has had to take at least the basic thrust of Darwin's point seriously that "it is not the strongest of the species that survives, nor the most intelligent, but rather the one most adaptable to change."

Moving aggressively, Lockheed Martin adopted a three-pronged strategy: (1) Build market share in core businesses through investment and acquisitions, and integrate those businesses to maximize efficiencies; (2) Move into adjacent markets through reasonable investment in selected, closely-related businesses; and (3) Shed less well-positioned and non-core businesses through divestiture. In short, reengineer Lockheed Martin --and do it fast.

Putting its stake in the ground early, Lockheed Martin moved aggressively to pick strong partners in complementary businesses and at valuations that, in many cases, were a fraction of those prevailing today. Capping a series of acquisitions and mergers since 1993, Lockheed Martin's strategic combination with Loral, completed in April 1996, was the perfect fit to balance our core businesses and strengthen our competitive position in faster growing markets.

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 "In 1996, we made impressive
 progress on our corporate-wide
 consolidation plans."

Loral's electronics and systems integration businesses represent an especially strong complement to the rest of Lockheed Martin. Electronics not only drives much of the growth in the commercial marketplace but also accounts for 45 percent of the Defense Department acquisition budget -- up from only five percent at the end of World War II. The systems integration area also gives us outstanding growth opportunities -- with an expanding number of civil government and commercial applications. Areas expected to grow in the relatively near term include command, control, communications and intelligence; simulation and training; federal government outsourcing of information systems and services; advanced air traffic control systems; and space-related electronics. The markets served by the former Loral businesses, combined with the synergies and efficiencies created with heritage Lockheed Martin operations, have improved our outlook for long-term top-line and bottom-line growth, as well as cash flow.

=====
 Consolidation on Track

Business combinations, although much publicized, merely assure a position at the starting gate on the fast track of reengineering. The really tough challenge is the timely implementation of consolidation and restructuring activities following a merger or acquisition. Our overarching objectives have been to eliminate duplication, close unneeded facilities, institute best practices, capitalize on economies of scale, generate synergy and, generally, maximize efficiencies. It's a difficult and often painful process -- definitely not for the timid. But it's critical to reducing costs, enhancing competitiveness, accelerating growth and creating more jobs -- all of which ultimately benefit customers, employees, U.S. taxpayers and, of course, our shareholders.

In 1996, we made impressive progress on our corporate-wide consolidation plans. We reorganized three sectors, closed a number of unneeded facilities, relocated and combined some major programs, and unfortunately announced the elimination of a net 1,600 jobs in connection with this reorganization. The latter item was the most difficult, and some critics of our industry used it as an opportunity, once again, to fire superficial charges and slogans like "payoffs for layoffs."

Everyone is of course, entitled to their own opinions. But no one is entitled to their own facts. The facts in this case are that major layoffs in

this industry are driven by declines in the defense budget and would probably have been much greater if not for restructuring actions that, quite literally, let companies like Lockheed Martin grow while budgets shrink. We also did the best we could to cushion the blow for those dedicated and able individuals whose jobs were affected. For example, many employees were offered transfers to other parts of Lockheed Martin where their skills were in demand -- and for those who were laid off, we provided severance packages, job relocation assistance and various other means of support. And, as noted earlier, due to the enhanced competitiveness and synergies realized from consolidation, we have won major new programs and begun hiring, and rehiring, in a number of important areas.

=====
Speaking of Winning...

The synergism (a very descriptive, if sometimes over-used, word from the Greek, sunergos, which means "working together") gained from Lockheed Martin's

Photograph, left to right:

Vance D. Coffman
President and Chief Operating Officer

Norman R. Augustine
Chairman and Chief Executive Officer

Daniel M. Tellep
Chairman (1995-1996) and Director

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17 heritage companies was a salient factor in our 1996 business wins. Of our major competitions last year, we won an extraordinary 68 percent of the programs and 63 percent of the dollars bid. Looking just at the 21 we named as our 1996 "Focus Programs" -- those that have significant strategic value -- we achieved a 65 percent win rate of dollars bid. And in January, we won the first of our 1997 programs, the high-priority Navy/DARPA Arsenal Ship program. A few examples of our key 1996 wins are noteworthy:

[] VentureStar(TM) -- NASA selected Lockheed Martin to build a demonstrator of a completely reusable launch vehicle designed to revolutionize the economics of access to space. Without the aeronautics, space and electronics capabilities brought together in our 1995 merger, we very likely would not have won this program. Our VentureStar concept is coming to life with an all-star team from several operating sectors, working as a 'virtual company,' without respect to organizational boundaries or locations. While the \$1 billion of activities under this cooperative agreement with NASA are reimbursable over its multi-year term, its treatment as a research and development program is such that we do not include these dollars in our year-end 1996 backlog.

[] Joint Strike Fighter -- Lockheed Martin was selected to lead one of two competing teams to develop the next-generation multi-role fighter for the

U.S. Air Force, Navy and Marine Corps, and British Royal Navy. Again, our talented, highly resourceful team prevailed to offer a compelling combination: the best, lowest risk, most affordable design. Contracted activities under this phase of the program are expected to approximate \$720 million, which again are reimbursable but not included in the reported year-end backlog.

- []Space Based Infrared System (SBIRS) -- The Air Force selected Lockheed Martin to lead a team to develop SBIRS, an advanced missile warning and tracking system. Lockheed Martin will provide the satellites, ground stations and systems integration for a total systems solution against the threat of enemy missile attack, whether from ICBMs or Tactical Ballistic Missiles such as the SCUD, which was widely used in the war in the Persian Gulf.
- []Evolved Expendable Launch Vehicle (EELV) -- Lockheed Martin was named one of two competitors for the next phase of the U.S. Air Force's EELV program, a family of lower cost launchers that will eventually replace Delta, Atlas and Titan.
- []Joint Air-to-Surface Standoff Missile (JASSM) -- Lockheed Martin was one of two teams selected to compete in a two-year program to design and develop the JASSM next-generation precision-strike missile for the Air Force and Navy. JASSM will allow pilots to knock out enemy targets with pinpoint accuracy from safe distances.
- []Hanford Management & Integration -- Lockheed Martin is part of a team that will manage activities of the Department of Energy's Hanford Site, a former plutonium production facility in Washington state.
- []Maneuver Control System -- Lockheed Martin will provide the program management and systems integration for a critical part of the Army's futuristic command and control architecture.
- []New Attack Submarine -- Lockheed Martin was awarded a U.S. Navy contract to provide the command, control, communications and intelligence for the New Attack Submarine. Including production options, the potential program value is approximately \$1 billion.

The potential value of all of these programs combined could range from \$100 billion to \$500 billion and these programs are extremely important to our business base, profit and sales growth, as well as to our technological capabilities. We salute the men and women of Lockheed Martin who are working together to apply the best practices from so many proud heritages to make such accomplishments possible.

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From Many...One

Of all the challenges surrounding mergers, acquisitions, consolidation and restructuring, none is, in fact, more difficult, important -- or rewarding -- than integrating

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many heritage cultures into one coherent and dynamic new entity. In forging the new Lockheed Martin from 17 different company traditions, we learned hard-earned lessons, which help account for the synergy supporting our track record this

past year:

First, have a vision and a strategy that everyone can embrace -- Hope is not a strategy.

Second, pick strong, healthy partners and then make synergy happen -- Be first to choose.

Third, act quickly and decisively to minimize disruption -- Uncertainty is often worse than bad news, and it's usually better to be 80 percent correct in time than 100 percent correct too late.

Fourth, organize to gain the power of a big company with the agility of a small one -- Strength with speed is the beginning of efficiency and effectiveness.

Fifth, start at the top and challenge every assumption -- Show that the effort is serious and inclusive.

Sixth, treat diverse corporate cultures as an asset, not an excuse -- Embrace the "best of the best" in both people and practices to make the new culture stronger than the sum of its parts.

Seventh, communicate... communicate... communicate -- With all constituencies, internal and external.

Eighth, keep your eye on the ball -- There is still a business to run: Stock market reports have no asterisks indicating "excused for restructuring".

Ninth, intensify your focus on customer services -- Make the process of change transparent, but the benefits apparent to your customers.

Founded on three fundamental principles -- ethics, mission success and teamwork -- the new Lockheed Martin culture is, in the final analysis, a tribute to a pervasive collegial spirit. Creating Lockheed Martin has, in a sense, been like creating a new company with new policies, procedures, standards, organizations, employee benefits -- but with almost 200,000 employees ready for action on Day 1. In view of this challenge, the Lockheed Martin team was particularly honored when we were chosen one of the world's 100 best managed corporations in Industry Week's 1996 survey.

Finally, related to the subject of managing consolidation and restructuring, in 1996, we continued to implement our carefully prepared long-term management succession plan. Effective January 1, Norm Augustine, who had been serving as vice chairman and CEO, assumed the post of chairman and CEO, replacing Dan Tellep, who retains his seat on the board and will continue to make valuable contributions to the Corporation. Vance Coffman was elected to the position of president and chief operating officer. In addition, Marc Bennett was named executive vice president and chief financial officer, and Frank Menaker was named to the position of senior vice president and general counsel.

=====
Portfolio Shaping

As part of our strategy to exit certain businesses that did not fit well with our long-term direction, we completed, in 1996, the planned divestiture of Martin Marietta Materials (Materials), the nation's second largest producer of crushed rock. Splitting off our 81 percent interest in Materials, we launched an exchange offer that provided a financially-efficient means of distributing approximately 37 million shares of Materials in exchange for approximately 8

million shares of Lockheed Martin common stock, removing \$125 million in Materials' debt from our balance sheet and unlocking new growth opportunities for Materials. Other portfolio shaping during the year included repositioning our CalComp subsidiary and the sale of Lockheed Martin Defense Systems and Lockheed Martin Armament Systems to General Dynamics for \$450 million. This transaction closed in 1997.

Through internal cash generation plus a variety of transactions, including the sale of unneeded real estate, debt was reduced by over \$700 million since the end of April 1996. Future divestitures and strong cash flow from operations should continue to enhance our financial flexibility and firepower.

In February 1997, Lockheed Martin announced the repositioning of certain non-core business units into a new independent company to be jointly owned by Lehman Brothers Capital Partners III, L.P., Lockheed Martin, and a management team

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led by Frank C. Lanza, executive vice president of Lockheed Martin. The business units have nearly 4,900 employees and combined 1996 annual revenues exceeding \$650 million. At closing (which remains subject to a number of contingencies), the transaction is expected to generate in excess of \$400 million in cash proceeds (net of taxes), allowing the Corporation to continue its good progress in reducing debt. The Corporation's retention of a partial interest in this joint venture provides an opportunity to continue building additional shareholder value while at the same time concentrating on our core businesses. In conjunction with this transaction, we realigned the businesses that formerly comprised the C/3/I & Systems Integration Sector among the Corporation's Electronics and Information & Services Sectors.

=====
Growth Markets

We are accelerating our entry into closely related non-defense markets -- very deliberately, though, as we are determined to defy the old pattern of aerospace industry diversification, which was in retrospect largely unblemished by success. Just a few examples give an idea of this opportunity-rich strategy: We have entered the fast-growing information services outsourcing field, and Fieldcrest Cannon last year chose us to provide those services; we are developing, jointly with Intel Corporation, a 3-D chip that will render richer, more life-like graphics for PC users; we are providing wireless communications components for a new Personal Communications Services network, allowing that network to use the existing cable infrastructure; and last year we began to install our E-ZPass electronic toll service on six bridges and tunnels connecting New York and New Jersey, just one of many state and local services programs.

Lockheed Martin has successfully applied its defense and aerospace technologies to new commercial products and services including medical imaging and filmless X-rays; fingerprint recognition technology for the FBI; and graphics boards for Sega's popular arcade games. We are using our technology expertise to develop large commercial and civil infrastructure projects from full turnkey telecommunications systems and space imaging to implementing the nation's largest privatized child support payment system.

Our international business -- especially defense, space, electronics,

systems integration, information and services -- is also important and growing. Today, Lockheed Martin's international business represents about 18 percent of total sales, and we expect it to grow significantly over the next several years. Toward that end, we are actively pursuing strategic alliances with partners on every continent to pool resources, spread risks, enhance market opportunities and apply diverse technology solutions. Examples of this strategy include a partnership with Russian industry to jointly market the Atlas and Proton launch vehicles, and a consortium of Asian companies to develop regional mobile telecommunications services, as well as many other international companies with whom we are teamed on major programs.

=====

A Few Clouds

As successful as 1996 was, a company of our size and breadth seemingly always suffers some disappointments. In our case, these included losing the maritime patrol aircraft competition in the United Kingdom; failing thus far to achieve an intercept in developmental tests of the Theater High Altitude Area Defense (THAAD) system; and losing our initial DarkStar unmanned aerial reconnaissance vehicle during its second test flight. Our contract with the Department of Energy to remediate contaminated waste at the Pit 9 facility in Idaho still faces significant schedule, technical and cost issues.

The good news is that in each of these cases, we learned valuable lessons from the global marketplace to the desolate reaches of the White Sands Missile Test Range, and we are marshalling our resources to remedy the underlying problems.

=====

Looking Ahead

With all that has been accomplished in the past year, it is no time to be complacent: On January 1, 1997, the register of accomplishment went back to zero, and while Lockheed Martin has surged forward in the race to consolidate, integrate, diversify and build shareholder value, we are constantly challenged by formidable competitors, both in the U.S. and abroad.

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 "We believe that there will be significant growth in our commercial markets and that the aerospace and defense industry will continue to consolidate."

We believe that there will be significant growth in our commercial markets and that the aerospace and defense industry will continue to consolidate. We welcome both. With regard to the latter, a few healthy competitors benefit the customer and the country more than a large number of weakened competitors by offering a more efficient, lower cost, stable defense industrial base. And we would rather compete against strong, healthy companies interested, as are we, in the long term, than weak ones worrying only about survival and thereby taking unpredictable risks.

The pending Boeing-McDonnell Douglas and Raytheon-Hughes-Texas Instruments combinations are a clear signal that the state of the industry is still very turbulent. Survival will depend not only on size, but also on speed and competitiveness to capitalize on fast-moving changes in global markets,

technologies, and the geopolitical landscape. Companies that today make up Lockheed Martin were all once much smaller players in a much larger industry -- Davids against Goliaths-- and happily, we haven't lost our slingshot aim should it be needed from time-to-time in the future.

=====
 Ready For the 21st
 =====
 Century

1997 should be another landmark year for Lockheed Martin, with opportunities for winning new business, delivering on our promises to customers, rewarding employees, and producing superior financial returns for our shareholders. We have just about completed our integration efforts. And we are somewhat ahead of our plan for realizing cost savings, synergies and improved competitiveness.

In today's highly demanding marketplace, particularly in the high-tech world, businesses must be brilliant each and every day to survive and thrive. Lockheed Martin is off to a fast start with a solid business base, broad technological capabilities, financial strength, enhanced competitiveness through consolidation and, above all, 190,000 enormously talented employees. Ironically, this greatest of all assets does not even appear on our balance sheet.

Finally, to our customers, our employees and you, our shareholders, we intend to bring an even stronger, faster, better Lockheed Martin into the 21st century -- and to keep going for the gold. And we thank you, once again, for your support in these dynamic but opportunity-laden times.

February 14, 1997

 /s/ Vance D. Coffman
 Vance D. Coffman
 President and Chief Operating Officer

/s/ Norman R. Augustine
 Norman R. Augustine
 Chairman and Chief Executive Officer

/s/ Daniel M. Tellep
 Daniel M. Tellep
 Chairman (1995-1996) and Director

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 Operating Companies

Space & Strategic Missiles

[PHOTO OF MEL BRASHEARS APPEARS HERE]

Mel Brashears
 President and Chief Operating Officer

- - Lockheed Martin
Astronautics
Denver, CO
- - Lockheed Martin
Manned Space Systems
New Orleans, LA
- - Lockheed Martin
Missiles & Space
Sunnyvale, CA
- - Lockheed Martin
Special Programs
Fairfax, VA
- - Lockheed Martin Telecommunications
Sunnyvale, CA

Electronics

[PHOTO OF THOMAS A. CORCORAN APPEARS HERE]

Thomas A. Corcoran
President and Chief Operating Officer

- - Lockheed Martin Advanced Technology Laboratories
Camden, NJ
- - Lockheed Martin Canada
Montreal, Quebec
- - Lockheed Martin
Commercial Electronics
Hudson, NH
- - Lockheed Martin
Control Systems
Johnson City, NY
Fort Wayne, IN
- - Lockheed Martin
Electronics & Missiles
Orlando, Ocala, FL
Troy, AL
Rancho Santa Margarita, CA
- - Lockheed Martin Fairchild
Defense Systems
Syosset, Yonkers, NY
- - Lockheed Martin
Federal Systems
Manassas, VA
Great Neck, NY

- - Lockheed Martin
Federal Systems
Owego, NY
- - Lockheed Martin Government Electronic Systems
Moorestown, NJ
- - Lockheed Martin
IR Imaging Systems
Lexington, MA
- - Lockheed Martin Ocean,
Radar & Sensor Systems
Syracuse, NY
- - Lockheed Martin
Tactical Defense Systems
Eagan, MN
- - Lockheed Martin
Tactical Defense Systems
Akron, OH
- - Lockheed Martin
Vought Systems
Grand Prairie, TX
Camden, AR
- - Sanders
A Lockheed Martin Company
Nashua, NH

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Information & Services

[PHOTO OF PETER B. TEETS APPEARS HERE]

Peter B. Teets
President and Chief Operating Officer

- - Lockheed Martin
Air Traffic Management
Rockville, MD
- - Lockheed Martin
Commercial Systems Group
Orlando, FL
- . Access Graphics
A Lockheed Martin Company
Boulder, CO
- . CalComp Technology
Anaheim, CA*
- . Formtek
A Lockheed Martin Company

Palo Alto, CA

- . Integrated Business Solutions
A Lockheed Martin Company
Orlando, FL

- . MDSI
A Lockheed Martin Company
Reno, NV

- . Real 3D
A Lockheed Martin Company
Orlando, FL

- - Lockheed Martin Enterprise Information Systems
Orlando, FL

*Majority-owned, publicly traded affiliate of
Lockheed Martin Corporation

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- - Lockheed Martin IMS
Teaneck, NJ

- - Lockheed Martin
Information Systems
Orlando, FL

- . Lockheed Martin
Electro-Optical Systems
Pomona, CA

- . Lockheed Martin
Services Group
Cherry Hill, NJ

- . KAPL
A Lockheed Martin Company
Niskayuna, NY

- . Lockheed Martin
Environmental Services
Houston, TX

- . Lockheed Martin Information
Support Services
Falls Church, VA

- . Lockheed Martin
Naval Systems Services
Crystal City, VA

- . Lockheed Martin
Space Mission
Systems & Services

Houston, TX

- . Lockheed Martin Systems
Support & Training Services
Horsham, PA

- . Lockheed Martin
Technical Operations
Sunnyvale, CA

- - Lockheed Martin Systems
Integration Group
Bethesda, MD

- . Lockheed Martin
C2 Integration Systems
Manassas, VA

- . Lockheed Martin
Command & Control Systems
Colorado Springs, CO

- . Lockheed Martin
Federal Systems
Gaithersburg, MD

- . Lockheed Martin
Management & Data Systems
King of Prussia, PA

- . Lockheed Martin
Tactical Defense Systems
Goodyear, AZ

- - Lockheed Martin Western
Development Laboratories
San Jose, CA

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Aeronautics

[PHOTO OF JAMES A. BLACKWELL, JR. APPEARS HERE]

James A. Blackwell, Jr.
President and Chief Operating Officer

- - Lockheed Martin
Tactical Aircraft Systems
Fort Worth, TX

- - Lockheed Martin
Aeronautical Systems
Marietta, GA

- - Lockheed Martin
Skunk Works
Palmdale, CA

- - Lockheed Martin
Aircraft & Logistics Centers
Greenville, SC

. Lockheed Martin
Aeronautics International
Ontario, CA

. Lockheed Martin
Aerostructures
Baltimore, MD

. Lockheed Martin
Aircraft Center
Greenville, SC

. Lockheed Martin
Logistics Management
Arlington, TX

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Energy & Environment

[PHOTO OF ALBERT NARATH APPEARS HERE]

Albert Narath
President and Chief Operating Officer

- - Innovative Ventures Corp.
Oak Ridge, TN

- - Lockheed Martin Advanced
Environmental Systems Inc.
Albuquerque, NM

- - Lockheed Martin Energy
Research Corp.
Oak Ridge, TN

- - Lockheed Martin Energy
Systems Inc.
Oak Ridge, TN

- - Lockheed Martin
Hanford Corp.
Richland, WA

- - Lockheed Martin Idaho
Technologies Company
Idaho Falls, ID

- - Lockheed Martin Nevada
Technologies Inc.
Las Vegas, NV

- - Lockheed Martin Specialty
Components Inc.

Largo, FL

- - Lockheed Martin
Utility Services Inc.
Bethesda, MD
- - Sandia Corporation
A Lockheed Martin Company
Albuquerque, NM
- - Technology Ventures Corp.
Albuquerque, NM

Major Affiliates and
Other Investments

- -- Airport Group International
 - -- Space Imaging Inc.
 - -- United Space Alliance
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Land

From the
Depths of
the Oceans
to the far
Reaches
of Space

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Sea

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Sky

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Space

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Space & Strategic Missiles

The past year was one of monumental achievement in the field of space science, and Lockheed Martin was a leading player. The discovery of possible traces of microscopic fossils in Martian meteor samples collected in Antarctica energized America's space program.

By November 1996, within months of that landmark discovery, Mars Global Surveyor, built by Lockheed Martin Astronautics, was enroute to Mars. The spacecraft will reach Mars in September 1997 to compile a database on Martian atmospheric and surface features. Launched in December 1996, Mars Pathfinder will land on the planet's surface in mid-1997. Lockheed Martin built the entry capsule which will protect Pathfinder on its descent through the Martian atmosphere. Astronautics also is building two spacecraft as part of NASA's Mars Surveyor program that will be launched to Mars in late 1998 and early 1999.

The Space & Strategic Missiles Sector recorded an outstanding number of mission successes in 1996 with its fleet of launch vehicles. In 1996 there were seven Atlas launches serving commercial satellite customers; one Proton launch, the first for the ILS International Launch Services joint venture company with our Russian partners; four Titan launches carrying classified Department of Defense payloads; and the first mission of the Multi-Service Launch System, a reconfigured Minuteman missile the U.S. Air Force will use to launch small payloads.

Lockheed Martin's Atlas family of launchers addresses a wide range of medium payloads at the heart of the commercial business. In April, an Atlas IIA launched the first of the new-generation Inmarsat communications satellites, Inmarsat-3F1, which was built by Lockheed Martin Telecommunications. Also last year, through its contracting affiliate Lockheed Martin Commercial Launch Services, ILS signed up the first commercial customer for the newest Atlas, the IIAR, which is scheduled for the first launch in late 1998. The customer, Space Systems/Loral, has signed up for three firm launches. In April, the first commercial Proton was launched under the auspices of ILS from Baikonur cosmodrome. Carrying a European Astra 1F satellite, the launch was a dramatic symbol of new post-Cold War business relationships.

Just before year's end, the Air Force also selected two of four competing companies, including Lockheed Martin Astronautics, to produce more detailed designs for the new Evolved Expendable Launch Vehicle (EELV) family of more efficient, lower cost launchers. The Air Force expects to select one of the two remaining companies in June 1998 to complete development of the new EELV family of vehicles that are intended to replace the existing Delta, Atlas and Titan space launch vehicles for use in launching a wide range of government and commercial payloads. The potential of this award is in the billions of dollars.

And as an impressive symbol of Lockheed Martin's leadership in the space-based telecommunications arena, three Lockheed Martin telecommunications satellites were launched in September in a span of just five days from three different continents, aboard three different launch vehicles -- an industry record. Two of the satellites were lofted into space aboard Lockheed Martin launch vehicles. One of the satellites, GE-1, built for GE Americom, was the first based on the advanced A2100 satellite bus designed and manufactured by Lockheed Martin Missiles & Space.

Made totally of lightweight composites, the A2100 is modular in design, affording a simplified and more flexible assembly process. As a result, the A2100 can be configured to meet customer needs without costly reengineering. The A2100 offers the most payload power per kilogram of any production satellite and is designed to deliver a solid 15-year mission life. It is the heart of the total system solutions offered by Lockheed Martin Telecommunications in the direct broadcast, mobile telephony, broadband and fixed satellite system markets.

The A2100 will be the satellite for the Asia Cellular Satellite (ACeS) system. When operational in 1999, ACeS will allow users in Southeast Asia, China and India to access voice, facsimile and paging services through hand-held mobile and fixed telephones. ACeS is indicative of the complementary capabilities across the breadth of the Corporation. Aside from providing the satellite, Lockheed Martin

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On September 8 an Atlas IIA launcher and Centaur upper stage lofted into space GE-1, the first A2100 next-generation telecommunications satellite. Lockheed Martin Astronautics manufactured the launcher and upper stage, and Lockheed Martin Missiles & Space built the satellite for GE Americom. The launch and satellite deployment demonstrate the complementary capabilities of Lockheed Martin companies to offer its customers total system solutions.

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In 1996, the U.S. Air Force selected the A2100 satellite bus and a Lockheed Martin-led team to develop the Space Based Infrared System (SBIRS), a next-generation missile warning and tracking system.

offers a turnkey system with launcher, ground infrastructure, tracking and systems engineering. ACeS will be launched on a commercial Proton under the ILS banner.

Advanced satellite production took a bold step forward in 1996 with the completion of the Commercial Satellite Center in Sunnyvale, CA, the world's first facility designed exclusively for assembly, integration and testing of a single commercial satellite product line, the A2100. The vision is for Lockheed Martin to be the primary provider of cost effective commercial satellites in a very competitive global marketplace. The new facility initially will be capable of producing up to eight satellites a year under a fast 18-month delivery cycle, down from the typical 24-month delivery cycle. It is anticipated that Missiles & Space will produce 16 satellites per year at the new Center, each with a 12-month delivery cycle -- the most efficient production in the industry. Among the outstanding features of the new facility is the industry's largest Class 100,000 clean-room -- the size of two football fields. Class 100,000 refers to a standard of purity requiring no more than 100,000 particles in a cubic foot of air and none larger than 80 times smaller than the diameter of a human hair.

In 1996, the U.S. Air Force selected the A2100 satellite bus and a Lockheed Martin-led team to develop the Space Based Infrared System (SBIRS), a next-generation missile warning and tracking system that will provide initial detection of a ballistic missile attack on the U.S., its deployed forces or allies. The initial contract calls for delivery of a system of five geosynchronous satellites, to replace the aging Defense Support Program satellites and ground infrastructure. SBIRS represents the first military application of the A2100 satellite bus and underscores the company's commitment to providing the government with the same advantages commercial customers enjoy. SBIRS also is indicative of the total systems capability inherent in Lockheed Martin, which is responsible for overall systems integration, ground infrastructure and provision of the launch vehicles. The value of the SBIRS initial contract to Lockheed Martin is \$1.8 billion. In a related development last year, the Air Force and industry partners chose Missiles & Space's LM700 commercial satellite bus for the first experimental SBIRS Low-Earth-Orbit satellite, marking the first sale of this commercial space hardware to a government agency.

Leveraging its considerable experience in building spacecraft, Lockheed Martin Missiles & Space last year delivered the first of 21 second-generation Global Positioning System (GPS) satellites and the first of 125 Iridium(R) personal communications spacecraft. GPS IIR will improve the system's performance over the current satellites, fulfilling its mission of providing ever more precise navigation data to any user with a GPS receiver anywhere in the world. Iridium is a personal communications system that will use 66 low-Earth-orbit satellites to provide voice, facsimile, paging, and data capability to customers globally. The system is based on the

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Mars Global Surveyor, built by Lockheed Martin Astronautics, was launched to Mars in November in the continuing exploration of Earth's mysterious neighbor.

Missiles & Space LM700 satellite bus. Initial commercial service is expected to begin in 1998.

Last year NASA's Jet Propulsion Laboratory selected Missiles & Space to join a team that will build, integrate and test the Space Infrared Telescope Facility, a cryogenically-cooled space observatory that will conduct infrared astronomy during a 36-month mission beginning in 2001. In addition, NASA selected Lockheed Martin Astronautics to build the Stardust spacecraft that will

be launched into the comet Wild-2 to collect samples and return them to Earth in 2006. Closer to home, the Global Geospace Science Polar spacecraft was launched last year with its mission to study solar-induced phenomena in the polar regions of the Earth. A significant long-term engineering effort is the International Space Station. In 1996, Missiles & Space began rigorous testing of the solar array E-wing, a new solar array design that will power the facility during its lifetime on orbit.

Lockheed Martin Manned Space Systems successfully completed in 1996 a series of tests on the new Super Lightweight Tank for the Space Shuttle. The tests demonstrated the tank's ability to far exceed the stresses of launch. Made of an advanced aluminum-lithium alloy, the new tank will enhance the Space Shuttle's cargo carrying ability to support building the space station. The first of 25 Super Lightweight Tanks under contract is on schedule for a first flight in December 1997.

In the missile defense arena, the Air Force in November chose a Lockheed Martin Missiles & Space team to develop and demonstrate the Airborne Laser (ABL) weapon system, a proposed boost-phase defense against theater ballistic missiles. During the course of the work the industry team is to demonstrate that the required laser technologies can be integrated onto an airborne platform to shoot down hostile tactical missiles at ranges of hundreds of kilometers.

The U.S. Army and Lockheed Martin Missiles & Space continued their Theater High Altitude Area Defense (THAAD) testing in 1996. Each test has provided valuable data to aid in refining the system's performance. THAAD is the first weapon system designed specifically to defend against theater ballistic missiles using hit-to-kill technology, a technique pioneered and successfully demonstrated by Lockheed Martin -- the only company in the world to have done so. The Air Force completed four successful test flights of the Peacekeeper intercontinental ballistic missile in 1996, with support from Lockheed Martin Astronautics.

1996 was a year of profound discovery and achievement in the field of space science, and Lockheed Martin played a key role in those developments bringing its combined expertise in launch vehicles, spacecraft, satellites and systems integration to bear. Lockheed Martin's significant technology assets, spanning the entire Corporation, will continue to offer customers total system solutions and turnkey operations. []

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 Lockheed Martin Missiles & Space is involved in critical areas of solar array manufacture for the International Space Station. When deployed, the solar arrays will occupy an acre of space. Missiles & Space is integrating thousands of individual silicon cells onto a flexible backing. The station is designed as humanity's first permanent foothold in space.

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Electronics

Lockheed Martin Electronics Sector delivered another strong performance in 1996, winning substantial new business, recording its second consecutive year of backlog growth, and exceeding all financial targets. Electronics' commitment to its vision -- achieving global growth, demonstrating the "values" of a successful contemporary enterprise, and making "the whole greater than the sum of its parts" -- was clearly reflected in several strategic contract awards and major accomplishments during the year.

- -----A Lockheed Martin team led by Electronics & Missiles was selected for the program definition and risk reduction phase of the Joint Air-to-Surface Standoff Missile (JASSM) program, a joint Air Force/Navy initiative to enable military aircraft to defeat advanced air defense systems and well-defended targets. The development and production phase of the program, scheduled to begin in 1998, has a potential value of over \$1 billion.

- -----Lockheed Martin Federal Systems of Manassas, VA, was awarded a contract to provide the command, control, communications and intelligence system for the U.S. Navy's New Attack Submarine, reinforcing the company's role as a leading provider of submarine combat systems. Including production options, the potential program value for the contract is \$1 billion.

- -----Ocean, Radar & Sensor Systems captured contracts totaling more than \$100 million to supply the AN/SQQ-89 undersea warfare combat system to the U.S. Navy. This competitive win represents a return of the company to the forefront of the antisubmarine warfare market and a program with a potential value of \$750 million.

- -----The U.S. Postal Service selected Lockheed Martin Federal Systems of Owego, NY, to provide the Tray Management System to automate large mail facilities in Florida, Louisiana and Texas. The potential value of the Tray Management System program is \$1 billion through the year 2000.

- -----The Electronics Sector restructured its portfolio of companies to maximize its ability to perform more effectively for customers and win new business. The addition of former Loral businesses strengthened Electronics' market positions in several areas, including tactical missiles and electro-optic fire control systems, surface ship and submarine combat systems, and radar systems for defense and civil applications. The assets of two non-strategic business units, with product lines in the area of gun systems and combat vehicles, were sold to General Dynamics Corporation for \$450 million, enabling the sector to focus its attention on the core technologies and markets. This transaction closed in early January 1997.

- -----Electronics implemented an extensive consolidation plan which, when completed in 1998, will result in the closing of four facilities, the elimination of 1.9 million square feet of capacity, and a reduction in operating costs of about \$85 million annually. Restructuring actions initiated in 1995 were completed in 1996 ahead of schedule and with the total anticipated cost savings.

The Electronics & Missiles company continued to leverage its outstanding technology in night vision and precision targeting with the introduction of the LANTIRN system on the F-14 Tomcat. LANTIRN allows the F-14 to conduct carrier-based strike missions against land targets, day or night. In addition,

the first Tomcat LANTIRN pod was delivered a month ahead of schedule and was fielded an unprecedented 223 days after contract award.

A joint venture between Electronics & Missiles and Northrop Grumman was awarded U.S. Army contracts totaling \$164 million to begin production of the Longbow Hellfire Missile System. The Longbow Hellfire is a helicopter-launched, fire-and-forget antiarmor missile guided to its target by an internal millimeter wave radar. Over the life of the program, Longbow has a potential value of \$1 billion. Electronics & Missiles also signed a long-term agreement with Rafael of Haifa, Israel to jointly market the AGM-142/Popeye family of standoff strike missiles to U.S. and international customers. In 1996, the joint venture received its first international order, a contract from the Australian Air Force.

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 Sanders, a Lockheed Martin company, and the Space & Strategic Missiles Sector are jointly developing phased array antennae for Astrolink/(TM)/ satellites. Sanders' Supertile is an array element that offers significant technical, weight and cost advantages over conventional multibeam antennae. When completed, Astrolink will be an interlinked global satellite system designed to meet the growing demands for voice, data and video communications.

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Sanders, a Lockheed Martin company, was selected to provide computer-based mission planning subsystems and its Common Mapping Production System for Israeli Air Force F-15I aircraft. As a teammate and subcontractor to Datamat of Italy, Sanders was chosen to produce and integrate mission planning systems to support Italian Air Force Tornado and AM-X aircraft. The company also is producing the Air Force Mission Support System for the U.S. Air Force to assist aircrews in flight planning, target area tactics, post-flight analysis and other mission tasks.

An industry leader in electronic countermeasures, Sanders continued its successful development of major systems designed to protect military aircraft from hostile threats. The Tri-Service Advanced Threat Infrared Countermeasures/Common Missile Warning System (ATIRCM/CMWS) defeated enemy missiles in a dramatic series of tests at White Sands Missile Range in November. The Integrated Defensive Electronic Countermeasures (IDECM) Radio Frequency Countermeasures (RFCM) program, under development by Sanders for the Navy's F/A-18E/F aircraft, was selected to upgrade the defensive electronics for the U.S. Air Force B-1B. The company also received \$60 million in orders for its Combat Direction Finding System, a Navy shipboard system that detects and tracks hostile radar signals and supports over-the-horizon targeting.

In the commercial arena, Sanders, under an agreement with Lucent Technologies, is providing critical wireless communications components for a new Personal Communications Services (PCS) network being built in Southern California for Cox California Inc. Sanders' PCS-Over-Cable equipment permits the network to use the existing cable TV infrastructure, offering an alternative to costly microwave towers.

Government Electronic Systems solidified its role as a leader in surface

ship combat systems, seaborne radar and total ship systems integration during the year. The company continued its superb performance as prime contractor for the U.S. Navy's AEGIS combat system for cruisers and destroyers. The Congress expressed its approval of the program's performance by authorizing multi-year procurement of AEGIS destroyers, a first for the program that has a total potential contract value of \$4 billion. In the international marketplace, the company delivered a fourth AEGIS system for the Japanese Maritime Self Defense Force in 1996, and is exploring combat systems sales opportunities with Spain, Australia and Turkey.

Government Electronic Systems also leads an industry team that won an important strategic contract to provide the Defense Advanced Research Project Agency and the Navy with an initial

 A leader in electronic countermeasures, Sanders continued its successful development of major systems designed to protect military aircraft from hostile threats.

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design for the Arsenal Ship, a highly-automated floating missile battery featuring stealth technology. The company also created new prospects for synergy and expansion of its role in the surface ship area, assuming responsibility for Lockheed Martin's Vertical Launch System product lines and Marine Systems business.

Lockheed Martin Federal Systems in Manassas, VA, is leading the way in developing advanced high performance space processing systems for Department of Defense, classified, NASA and commercial applications. In December 1996, the first radiation-hardened high performance 32-bit flight computer, produced by Federal Systems, was launched aboard NASA's Mars Pathfinder spacecraft.

Based on its superior design and development of next-generation real-time reconnaissance cameras, Lockheed Martin Fairchild Defense Systems was the Naval Research Laboratories' choice to develop an advanced camera, using the world's largest charge-coupled-device (CCD) detector, a focal plane array that captures the camera's imagery. The CCD is the basis of today's electronic cameras. The Naval Research Laboratories' win further strengthened our position in this high-technology field, leading to Lockheed Martin Fairchild Defense Systems winning the bid to build the state-of-the-art reconnaissance system for the Air Force's Theater Airborne Reconnaissance System.

Lockheed Martin Vought Systems is a leader in advanced defense systems for the U.S. Army and allied forces with the Multiple Launch Rocket System (MLRS). In 1996, Nissan Aerospace of Japan ordered MLRS assembly kits, parts and tooling. The assembled hardware will be delivered to the Japanese Self Defense Force. Norway and Denmark, which first ordered MLRS in 1996, bring the total to 12 allied nations with the highly capable artillery system.

The Army last year chose to upgrade MLRS launchers with a capability to fire extended-range rockets and missiles, including the Army Tactical Missile System (ATACMS), manufactured by Vought Systems. The Army also ordered a longer-range ATACMS, the Block 1A. Vought Systems received a contract to supply ATACMS to Turkey in the first international sale of the system. In another important development, the company successfully launched a modified ATACMS missile from a Vertical Launch System (VLS) canister, demonstrating that the missile can be fired from naval vessels

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 Gallium Arsenide wafers, manufactured by Sanders' Microelectronics Division, are the basis for a variety of commercial and defense electronics products from telecommunications, to medical imagery, to circuits for advanced fighter avionics.

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 The combination of multiple sensors on the Apache Helicopter makes it a versatile, highly survivable, all-weather, day/night antiarmor platform. Manufactured by Lockheed Martin Electronics & Missiles, the Longbow fire control radar, Target Acquisition Designation Sight/Pilot Night Vision Sensor (TADS/PNVS), and Hellfire II/Longbow missiles provide an integrated system that protects pilots at safe ranges and strikes targets with pinpoint accuracy.

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employing VLS. The sea-launched Navy Tactical Missile System is now in development. Vought Systems also introduced a new lightweight launcher for the PAC-3 Missile system in 1996, and is developing the PAC-3 Missiles for the U.S. Army under a \$700 million contract. Initial fielding of the missile is planned for 1999.

Lockheed Martin's broad experience in helicopter avionics and platform integration is demonstrated in the success of the British Royal Navy's EH101 Merlin program. In 1996, the U.K. Ministry of Defence selected Lockheed Martin Aerospace Systems Integration Corp. (ASIC) to provide spare parts and repair services for the Merlin fleet. Lockheed Martin Federal Systems in Owego, NY, through its U.K. subsidiary ASIC, leads an international team and is responsible for delivering 44 Merlin weapon systems with advanced mission avionics for anti-submarine and anti-surface ship warfare capability by 2001.

The Merlin and the U.S. Navy Light Airborne Multi-Purpose System (LAMPS) helicopter programs mark Federal Systems as a premier platform integrator. Through its U.K. company, Lockheed Martin Tactical Systems U.K. Ltd., Federal Systems in Owego is pursuing an advanced airborne surveillance system for the Ministry of Defence called ASTOR.

Federal Systems also will modernize the combat support systems at 93 Air Force bases worldwide under a program with a potential value of more than \$900 million. The Global Combat Support System will use commercial off-the-shelf software as part of the solution to modernize the service's information systems infrastructure.

Testing is underway on software applications being developed by Federal

Systems to modernize the information systems on U.S. Army bases. The goal of the Sustaining Base Information Services (SBIS) contract is to improve such functions as safety, security, finance, personnel and training. Software code development to date has been produced at less than half the standard industry cost. In November, one application of the software, to support training and exercise missions, was installed at Fort Knox, KY, and Fort Drum, NY.

Ocean, Radar & Sensor Systems won strategic contracts to develop the U.S. Navy's surface ship minehunting capability, next-generation surface ship sonar and next-generation remote minehunting reconnaissance for submarines. The

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 The U.K. Merlin Helicopter is a premier anti-submarine and anti-surface ship platform. Lockheed Martin's systems integration gives Merlin its all-weather, high-performance capabilities.

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company continues to support the Seawolf program with the recent award of additional Seawolf electronics systems to the current inventory of BSY-2 Combat System, Ship Control System, and Weapons Storage and Handling Systems. Additional new initiatives included a \$50 million order for the AN/TPS-59 (V)3 tactical ballistic missile radar system, the first system of this type to go into production in the U.S. inventory.

Lockheed Martin Control Systems, a leading producer of electronic flight controls and engine controls for both commercial and military aircraft, as well as control and other electronic systems for the transportation industry, pursued and won new commercial business in 1996. Control Systems and Orion Bus Industries agreed to jointly develop and produce Hybrid Electric Transit Buses for major metropolitan users. Hybrid vehicles produce significantly lower emissions than a conventional vehicle, with greatly improved fuel economy and reduced maintenance. Control Systems will provide drive trains for the new buses, which are expected to enter production in late 1997.

A supplier of systems integration services to the U.S. Navy and prime systems contractor for the Navy's P-3C maritime patrol aircraft, Lockheed Martin Tactical Defense Systems in Eagan, MN, was chosen to modify a P-3C aircraft with the Cooperative Engagement Capability, a system designed to improve the coordination, use and dissemination of real-time data from various fleet sensors. All improvements will make the P-3 Orion, which is flown by 14 nations, a viable worldwide asset to maritime patrol activity well into the 21st century.

Lockheed Martin Canada is leading an industry team to pursue the Canadian Maritime Helicopter Program, designed to provide a successor to the Sea King helicopter. Lockheed Martin Canada also has been the prime systems integrator for the recently delivered Canadian Patrol Frigates. Lockheed Martin Canada also produces a new family of integrated underwater defense and intrusion detection systems.

Overall, the Electronics Sector continued to win in the global marketplace and increase its market share. With a stronger, streamlined portfolio of companies, the demonstrated ability to reduce costs, and an unyielding commitment to ethics, Lockheed Martin Electronics is solidly positioned for a successful future.[_]

Federal Systems also will modernize the combat support systems at 93 Air Force bases worldwide under a program with a potential value of more than \$900 million.

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Information & Services

Several significant accomplishments in 1996 by the Information & Services Sector strengthened and expanded Lockheed Martin's role in its traditional businesses and positioned the Corporation to take advantage of opportunities in rapidly growing commercial information technology and federal, state and local government services businesses. Our strategy is to grow fast and profitably in rapidly-growing markets.

A major achievement in 1996 was the successful transition of Space Shuttle processing operations to United Space Alliance (USA). In an unprecedented step that marks a new government/contractor approach to the management of America's Space Shuttle program, NASA awarded the Space Flight Operations Contract to USA, making the joint venture between Lockheed Martin and The Boeing Company the single prime contractor for Space Shuttle operations. The total contract, valued at approximately \$7 billion over six years, consolidates 12 previous contracts under USA and provides for an additional 16 contracts to be brought under USA management. During 1996, employees of Lockheed Martin Space Operations and its successor, USA, achieved 100 percent mission success by safely launching and landing seven Space Shuttle missions.

In its Commercial Systems business, Information & Services formed a new company, Real 3D, to exploit its real-time, three-dimensional graphics technology. This technology has been developed over three decades of experience providing the military with advanced simulation systems and is protected by more than 40 patents in computer image generation.

Real 3D accomplished a key strategic objective in 1996 when it reached agreement with semiconductor industry leader Intel Corporation to jointly develop a new chip that will give desk-top computer users real-time, three-dimensional color graphics rich in texture detail that is five to ten times better than currently available. The chips are scheduled to go into production in 1997. Real 3D will also bring its real-time 3D graphics technology to the laptop computer market through an alliance with Chips & Technologies, Inc., a leader in laptop computer graphics. In another important development, Real 3D strengthened its ongoing relationship with Sega Enterprises, a world leader in arcade video games. Real 3D completed design and began production of the latest generation chip set for Sega arcade video games and, late in the year, received a new contract from Sega to begin developing even more advanced technology for the arcade video game market.

Information & Services expects a multi-billion-dollar market for 3D graphics technologies by the end of the decade. The worldwide production of 3D graphics chips is forecast to grow to 115 million chips by the year 2000, up from 7.8 million chips in 1996.

Additionally, Information & Services continued to expand its role in the commercial information technology outsourcing business in 1996 as textile maker Fieldcrest Cannon selected Lockheed Martin's Integrated Business Solutions to

operate its extensive information networking, E-Mail and desktop computer operations. As a result of this 10-year outsourcing agreement, Fieldcrest Cannon will be able to lower its information technology costs and improve customer service.

Publicly traded CalComp Technology, Inc. (NASDAQ:CLCP) was created in 1996 with the acquisition by CalComp of Summagraphics Corp., Austin, TX, bringing together companies with complementary technologies and product offerings in the Computer Aided Design and graphics arts markets. CalComp's 1996 operating losses, combined with the consolidation of Summagraphics, demanded restructuring actions late in the year to address cost and competitiveness issues. In addition, the acquisition of new ink-jet technology was announced to enhance CalComp's position as a leading producer of large-format printers, plotters, digitizers, cutters and scanners.

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Lockheed Martin Real 3D has developed arcade graphics boards for Sega Enterprises' popular and fastmoving games. This real-time graphics technology is derived from astronaut training and high-performance mission rehearsal simulators for the Air Force. The next move in the commercial marketplace for Real 3D is in the area of graphic chip sets for personal computers through a partnership with Intel Corporation.

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This modern toll plaza is representative of Lockheed Martin IMS' leadership in electronic toll collection, making the ride for millions of motorists around the country quicker and more comfortable by reducing traffic congestion. Electronic toll collection is indicative of the way Lockheed Martin applies its state-of-the-art systems integration capabilities to a wide range of government and commercial products and services.

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[PHOTO OF DATA CENTER APPEARS HERE]

Lockheed Martin's Integrated Business Solutions provides computer outsourcing services to CVS Corporation and Fieldcrest Cannon. This Data Center in Orlando, Florida, serves as a behind-the-scenes nerve center providing the technology to keep CVS competitive in the marketplace.

Formtek, a leading developer and integrator of enterprise-wide information management systems, received key orders in 1996 from Volvo Truck Corporation in Sweden and Daelim Engineering Company in Korea. In addition, the company was named prime contractor for the Electronic Data Integration and Management initiative at Lockheed Martin's new Commercial Satellite Center in Sunnyvale, CA.

Also in 1996, Lockheed Martin solidified its position as a dynamic systems integrator and supplier of advanced technology systems for the civil/commercial marketplace. Key among these advanced technology systems is air traffic control modernization in the United States and abroad. Addressing the critical need to upgrade aging U.S. air traffic control systems, Lockheed Martin Air Traffic Management delivered a display computer replacement for the Federal Aviation Administration (FAA) and installed display system equipment at the first of 20 FAA en route centers, both 10 months ahead of schedule. In Taiwan, Lockheed Martin's advanced integrated air traffic control system went operational last year, providing en route, terminal and tower service to one of the fastest growing air traffic regions in the world. The company also is completing development of an advanced air traffic control system for the Civil Aviation Authority, United Kingdom, that will handle increased traffic over England and Wales.

Over the next five years, orders for key domestic air traffic control programs are expected to reach \$1.5 billion, and international programs could contribute an additional \$2 billion.

State and local government markets represent a major growth line of business for the Corporation. Lockheed Martin IMS, a premier provider of data processing and systems integration services, serves more than 200 state and municipal clients. A nationally recognized innovator of "intelligent" technologies that are revolutionizing America's highways, IMS was selected in 1996 by the Port Authority of New York and New Jersey to integrate electronic toll systems at six bridges and tunnels used by more than 300,000 motorists daily, including the George Washington Bridge and both Lincoln and Holland tunnels. IMS was also selected to launch the state of Maryland's first electronic toll project on three Baltimore Harbor crossings and the John F. Kennedy

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In 1996, Information Systems was also a leader in simulation and training systems for defense.

Memorial Highway. IMS is working on a total of ten electronic toll projects in eight states.

Aside from its reputation as a pioneer in the intelligent transportation field, IMS is a leader in reengineering human services programs. In a major child support privatization effort in Maryland, IMS was selected to take over the operation of child support enforcement services in the City of Baltimore and Queen Anne's County, Maryland. The state of Florida joined 22 other state, county and municipal jurisdictions around the country who have selected IMS to provide child support enforcement services. The company designs and develops automated child support systems which locate absent parents, collects and

distributes child support payments to millions of families.

Also in 1996, IMS -- in partnership with Citibank -- solidified its position as a leader in electronic benefits transfer (EBT), winning three separate procurements involving 14 states. The Citibank-IMS team was selected to develop systems to distribute food stamps and other public benefits electronically to more than three million recipients in seven Northeastern states -- the largest project of its kind to date. Citibank and IMS are now involved in EBT projects in 26 states and the District of Columbia with more than seven million recipients. With President Clinton's signing of federal welfare reform legislation, Lockheed Martin expects to play an even larger role in 1997 and beyond to assist states in streamlining the administration of human services programs, and in developing and implementing new and creative methods for helping low-income Americans make it on their own.

Another significant technology solution is the Automated Fingerprint Identification System (AFIS), developed by Lockheed Martin Information Systems. In 1996, the FBI selected AFIS as a powerful crime fighting tool. Scheduled to begin full operation in 1998, AFIS is designed to rapidly search a national database of fingerprint sets. More than 50,000 identification verification requests are expected per day from state and local law enforcement agencies. Turnaround time on these requests, which now takes months, can be shortened to 24 hours.

In 1996, Information Systems was also a leader in simulation and training systems for defense. Building upon technology developed for the U.S. Army's Close Combat Tactical Trainer, Information Systems was selected to provide the U.K. Ministry of Defence with high-fidelity simulators, training facilities, and distributed interactive simulation capabilities for the U.K. Combined Arms Tactical Trainer (CATT) program.

In another simulation/training milestone, Lockheed Martin Electro-Optical Systems will supply third-generation Multiple Integrated Laser Engagement System (MILES) training equipment to the U.S. Marine Corps and the Norwegian Army, a program with a potential value of more than \$100 million. This represents the first two procurements of third-generation MILES and demonstrates Electro-Optical Systems as a leader in advanced laser-based tactical engagement simulation.

Lockheed Martin Enterprise Information Systems (EIS) develops internal information systems solutions for the Corporation. EIS has been key to the Lockheed Martin merger process by providing core services such as networks, data center consolidation, telecommunications, distributed computing and geographically distributed system design, application and

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consulting. While continually reducing costs, EIS provides state-of-the-art information systems through its web-based technologies, electronic commerce expertise and common systems and services for the Corporation.

As a result of the strategic combination of Lockheed Martin and Loral and subsequent reorganization actions taken in 1996, Information & Services' federal services business was strengthened. With seven lines of business, 19,000 employees, and annual sales of more than \$1.5 billion, the Information & Services Sector's Services Group establishes Lockheed Martin as an industry leader in providing technical, engineering and management services to federal government customers. The Services Group achieved a strong competitive win rate in 1996 and captured several significant contract awards.

In information support services, Services Group won one of six contracts awarded by the Defense Information Systems Agency in a program to help military and civil agencies upgrade their information systems. Services Group will share in the total \$3 billion of the program. It is also providing information technology support services at the Department of Energy's Hanford Site in Washington state as part of the winning team that was selected in 1996 to perform environmental clean-up activities.

Services Group also provides a wide range of scientific and engineering support services to NASA. In 1996, NASA's Marshall Space Flight Center awarded Services Group a five-year, \$90 million contract for design, engineering, operations and maintenance services at its Mission Operations Support Center in Huntsville, AL. At Johnson Space Center in Houston, NASA's new Mission Control Center, which was designed and developed by Services Group, began full operation in support of the Space Shuttle program in May.

Services Group won several Department of Defense contracts in 1996 as well, including a U.S. Air Force contract to continue its support of the Tethered Aerostat Radar System in Florida and a U.S. Army contract for field range testing and laboratory support at Dugway Proving Ground in Utah.

In the Information & Services Sector's Systems Integration Group, Lockheed Martin Management & Data Systems is capitalizing on its experience in large systems integration in leading a team on a major U.S. Army command and control program. Selected by the Army in 1996, Management & Data Systems will provide program management, software development and systems integration for the Maneuver Control

 The Services Group achieved a strong competitive win rate in 1996 and captured several significant contract awards.

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System Block IV, which gives tactical commanders the automated capability for planning, coordinating and controlling battlefield operations.

Management & Data Systems, in conjunction with Lockheed Martin Telecommunications, has also led the thrust into the mobile satellite telecommunications market, providing the ground infrastructure and overall systems engineering for the Asia Cellular Satellite (ACeS) system serving areas of Southeast Asia. Launch of the system is scheduled for 1999.

Lockheed Martin Command & Control Systems is in an advantageous position for future defense information systems business with its successful work on the U.S. Air Force Theater Battle Management Core Systems program, designed to reengineer three separate systems into a single integrated, open tactical command and control system for battle commanders. In 1996, the Air Force selected Command & Control Systems to provide engineering and technical services at the Cheyenne Mountain Complex in Colorado Springs, a vital part of the nation's missile warning and defense system.

Lockheed Martin C2 Integration Systems in November provided the U.S. Transportation Command with enhanced Global Transportation Network (GTN) software that can track thousands of passenger, cargo and equipment movements, as well as shipment planning, booking and billing. The enhanced GTN was used to

support our forces in Bosnia.

Indicative of Corporate-wide synergies in large systems integration programs, Lockheed Martin Federal Systems is teamed with companies in the Space & Strategic Missiles Sector on the Space Based Infrared System (SBIRS) for the U.S. Air Force, providing the fixed and mobile ground systems for mission data processing, satellite telemetry, tracking and control, and communications.

Two companies -- Lockheed Martin Federal Systems and Lockheed Martin Western Development Laboratories -- were the Air Force's choice in 1996 to provide increased operational capability, reduce costs and upgrade the scheduling and satellite operations systems for the Satellite Control Network. These satellites perform communications, weather, surveillance and special missions for the Defense Department, NATO and NASA. Lockheed Martin will modernize the network, replacing an older, manually intensive system for communicating with satellites using new commercial technologies to reduce operator workload, lower costs and increase efficiency. In addition, we will sustain the system for directing and controlling the satellites until it can be replaced by the newer technology. This work underscores Lockheed Martin's ability to use commercial technologies to increase system performance and reduce costs for its customers. The company has a long record of success, having performed significant design, development and system integration work on the network over the past three decades. []

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 Lockheed Martin Air Traffic Management's New En Route Centre (NERC) represents a major advance in air traffic control technology. Scheduled to be up and running this year, NERC will handle the increased air traffic over England and Wales. With its 200 workstations, the Centre's operations room is the largest in the world devoted to air traffic control.

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 These Satellite Earth Stations in Hawaii are part of a worldwide network providing the communications backbone for all agencies of the Department of Defense. Lockheed Martin Western Development Laboratories provided 24 terminals to form the initial Defense Department SATCOM Network. Designed and tested to ensure reliable operation under extreme climates, the network is meeting the Defense Department's heavy-route satellite communications needs.

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 Aeronautics

With advanced products like the F-22, C-130J, X-33 and F-16, Lockheed Martin's Aeronautics Sector is at work on designs of the future, programs of the future and partnerships of the future. Aeronautics is a leader in each of its core lines of business: tactical aircraft, airlift, maritime patrol/surveillance, reconnaissance/advanced development programs, modification/maintenance/logistics and thrust reversers. That leadership manifested itself dramatically in 1996, as Aeronautics won key competitions, achieved important milestones on existing programs, reached agreement on strategic industry alliances and proceeded with necessary consolidations of its facilities.

Vice President Al Gore announced on July 2 that NASA had chosen VentureStar(TM) as the winner of the X-33 single-stage-to-orbit reusable launch vehicle technology demonstrator program. NASA's funding, combined with an industry team investment, gives the X-33 cooperative agreement a program value exceeding \$1 billion.

In another event of long-ranging significance, then-Secretary of Defense William Perry announced November 16 that the U.S. government had awarded Lockheed Martin one of two concept demonstration contracts for the next-generation Joint Strike Fighter. This innovative weapon system is being developed to replace several different types of tactical aircraft in the U.S. Air Force, U.S. Navy, U.S. Marine Corps and Britain's Royal Navy with approximately 3,000 affordable, lethal, survivable and highly common multirole fighters beginning in 2008. Several other nations have joined the program as observers and others have expressed interest in potential acquisition of the Joint Strike Fighter. Additional international orders could result in eventual production of more than 5,000 aircraft through the years 2050 to 2060. Lockheed Martin views the Joint Strike Fighter program as a top new-business priority.

In the Middle East, the United Arab Emirates selected an advanced variant of the F-16 Fighting Falcon as one of two finalists in its multi-billion-dollar fighter aircraft competition for up to 80 aircraft, which may be decided in early 1997. The United Arab Emirates' decision is an important expression of confidence in the long-term viability of the F-16 and its evolving technology, which continues to meet all customer expectations and needs.

Each of these competitions was a watershed event for Lockheed Martin, for its competitors and for the industry. We are honored to have been selected by our customers. While the Aeronautics Sector positioned itself well for future market leadership through these key selections, it also achieved noteworthy milestones throughout its lines of business.

In the tactical aircraft line of business, the F-22, which will provide air dominance for U.S. forces in the 21st century, is Lockheed Martin's top priority among ongoing programs. Assembly of the first F-22 continued on schedule toward first flight on May 29, 1997. In another important development on the F-22 program, Lockheed Martin and the Air Force adopted recommendations made in December by the F-22 Joint Cost Estimate Team to restructure the Engineering and Manufacturing Development phase of the program within existing budget levels. Lockheed Martin and the Air Force both view this as a positive commitment that will ensure affordability during the production phase while preserving the Initial Operational Capability date of 2004. The F-22's unprecedented integration of next-generation stealth, supercruise engines and advanced avionics will enable U.S. forces to prevent armed conflict or win quickly and decisively with minimal casualties on both sides if combat becomes necessary.

The year also contained good news for the F-16 program, with 39 new aircraft orders, 21 from Egypt and the balance coming from the U.S. Air Force and other nations. These orders, and others that are expected, helps to ensure that production of the F-16 will continue well into the next century.

Entering 1997, we are pursuing F-16 sales in several regions of the world. As the Central European market for western defense systems emerged, Lockheed Martin launched campaigns to win competitions in Poland, the Czech Republic and Hungary as those nations prepare to modernize their air forces.

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The first U.S. Air Force C-130J flew in June and a total of five aircraft were flying in the test program by the end of 1996. Testing has confirmed the superior maneuverability, reliability, cost effectiveness and overall performance of the newest member of the Hercules family of transport aircraft. Manufactured by Lockheed Martin Aeronautical Systems, Hercules aircraft are operated by 64 countries worldwide.

[PHOTOGRAPH OF C-130J APPEARS HERE]

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1996 is the year we recognized the Aeronautics Sector as the home of Lockheed Martin's Fighter Enterprise.

Latin America, meanwhile, holds strong potential for F-16 sales should the U.S. Government decide that its policy interests are served by offering U.S. fighter aircraft there.

In Asia, production of the F-2 for the Japan Air Self Defense Force began. As the principal U.S. subcontractor to Mitsubishi Heavy Industries, Lockheed Martin is building aft fuselages, wing boxes and other major components of the F-2. Japanese government plans call for delivery of 130 F-2s between 1999 and 2011.

With the F-22 air dominance fighter nearing first flight and production, our Joint Strike Fighter configuration proceeding to concept demonstration, the F-16 continuing to attract new sales and with the new programmed depot maintenance and advanced systems upgrade work we secured on the F-117 program, 1996 is the year we recognized the Aeronautics Sector as the home of Lockheed Martin's "Fighter Enterprise."

In the airlift line of business, the C-130J program received orders from the U.S. government for thirteen C-130J aircraft. Sales campaigns for the newest Hercules model were initiated in Norway and Italy with solid prospects for orders in 1997. C-130J backlog stands at 41 aircraft on firm order with options for 63 aircraft.

As an example of our continuing interest in international collaboration, we signed an important agreement with Alenia Aerospazio of Italy to develop and market the C-27J, a derivative of the Alenia G.222 that would incorporate the C-130J's advanced avionics, cockpit displays and propulsion system. We believe there is significant global market potential for this light airlifter but have agreed with Italy that the C-27J program depends first upon an Italian government order for C-130Js in order to move forward.

In maritime patrol/surveillance, the Aeronautics Sector formed an alliance with Northrop Grumman to develop and market an affordable Airborne Early Warning & Control System that could be installed on Lockheed Martin C-130 and P-3 aircraft as well as on Northrop Grumman E-2C Hawkeye aircraft. We already are seeing significant interest in this system and could receive our first orders in 1997.

While we were disappointed that the Orion 2000 was not selected in Britain's Replacement Maritime Patrol Aircraft competition, the configuration offers the same general technology and performance improvements as does the C-130J. Considering that more than 80 percent of the world's maritime patrol and surveillance aircraft are P-3s, we think the long-term prospects for Orion 2000 are significant due to its affordability and capability.

In the reconnaissance/advanced development programs line of business, 1996 was the year in which the famed Skunk Works reasserted itself as the premier advanced design and rapid prototyping organization in the aerospace industry. The Skunk Works is leading the X-33 team and building the two Joint Strike Fighter aircraft specified by the concept demonstration contract. The Skunk Works also designed Lockheed Martin's Joint Air-to-Surface Standoff Missile (JASSM), which was one of two designs the Department of Defense downselected for the next phase of that competition, and launched the DarkStar unmanned reconnaissance vehicle. Despite

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The Department of Defense selected Lockheed Martin in November to receive one of two contracts for the concept demonstration phase of the Joint Strike Fighter, a next-generation multi-role combat aircraft.

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the unfortunate loss of the DarkStar flight test vehicle, the program has recovered solidly as another DarkStar vehicle originally intended for pole testing was modified for flight testing and Congress appropriated funds for two additional DarkStars.

During 1996, the Aeronautics Sector made significant progress in its consolidation efforts. The Skunk Works announced that it would move all of the work done at its Ontario, CA, plant to its Palmdale, CA, facilities in a consolidation that will result in the closure of the Ontario plant in 1998. In additional moves, the Aeronautics Sector announced in October that continuing declines in defense procurement spending had led to the decision to close an aircraft components plant in Charleston, SC. Meanwhile, the Aeronautics Sector said it would establish a Center of Excellence for sheet metal manufacturing in Pinellas County, FL.

Also in October, the Aeronautics Sector announced that it would consolidate several operating companies doing business in the modification/maintenance/logistics and aerostructures lines of business into a unified organization called Lockheed Martin Aircraft & Logistics Centers. The new organization began operating January 1, 1997, with headquarters in Greenville, SC. The consolidation positions the Aeronautics Sector as a stronger, more cost-effective competitor in that business and demonstrates Lockheed Martin's commitment to grow its modification, maintenance and logistics and aerostructures lines of business.

Through Lockheed Martin Aircraft & Logistics Centers, the Aeronautics Sector is pursuing a strategy to support the U.S. government's transition to contracted logistics support and commercialization. This strategy includes winning modification, maintenance and logistics contracts for as many as possible of the aircraft Lockheed Martin originally produced. In 1996, we made significant strides in that direction as our Aircraft Center unit captured contracts for U.S. Navy P-3 and C-9 programmed depot maintenance, and as Logistics Management began leading a major campaign to secure U.S. Air Force C-5 programmed depot maintenance at Kelly Air Force Base in San Antonio. The Air Force is slated to make a decision in July 1997. Additionally, Aeronautics International secured a major C-130 maintenance contract from the Royal Saudi Air Force.

Historic competitive selections, achievement of important program milestones, establishment of long-term domestic and international partnerships, continued implementation of advanced design and manufacturing methods, sensible consolidation of facilities and the strength of the Skunk Works made 1996 an exciting and rewarding year that bodes well for the Aeronautics Sector's continued leadership in its core lines of business well into the 21st century.

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 The F-22 air dominance fighter is a critical U.S. Air Force program. In 1996, major milestones were successfully met in F-22 construction when the wings, forward, mid and aft fuselages were mated. Lockheed Martin Aeronautical Systems and Lockheed Martin Tactical Aircraft Systems are building this highly agile, stealthy fighter which, when deployed, will be vital to deterring armed conflict or winning quickly and decisively with minimal casualties if fighting becomes necessary.

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Energy & Environment

The national laboratories have been aptly described as the jewels in America's scientific crown. Lockheed Martin's Energy & Environment Sector recorded a successful year in managing three of those jewels for the Department of Energy, with the goal of creating a unified, cohesive system of laboratories. As valuable national assets, the Department of Energy labs operated and managed by Lockheed Martin continued to advance the frontiers of science and technology.

Lockheed Martin pursued that aim in 1996 through continued attention to streamlining management, reducing costs and strengthening core missions. In addition, the Energy & Environment Sector last year broadened the cooperation among the three labs; the Idaho National Engineering and Environmental Laboratory, Oak Ridge National Laboratory and Sandia National Laboratories. A

system-of-labs team was created to improve synergies, and integrate operations in such areas as procurement, financial systems, training, environmental management and construction, to name a few. We have made significant progress. For example, the procurement team has already saved more than \$4.5 million on joint software development as the three labs leverage their combined buying power.

Instituting these changes brings the operations of the labs closer to those of a business and it is that approach that will open the way for more opportunities in the commercial marketplace. For example, last year, researchers at Sandia and General Motors worked together to develop an economical way to make durable aluminum engines by spraying a wear-resistant coating onto the cylinder walls. Scientists at Sandia last year also made the world's first working microelectronic device to be fabricated using extreme ultraviolet light. The device, a common building block of all integrated circuits, is hundreds of times smaller than the width of a human hair. A new era in computing is unfolding at Sandia with tests of the teraflops, the fastest supercomputer in the world. How fast is teraflops? It would take someone operating a hand-held calculator about 30,000 years to calculate a problem the teraflops can compute in a second.

At Oak Ridge National Laboratory researchers made significant breakthroughs that may someday lead to night-vision cameras in commercial aircraft and automobiles, similar to the night-vision equipment now used by military aircraft pilots. Through a revolutionary Uncooled Microcantilever Infrared Camera developed at Oak Ridge last year, the cost could be significantly reduced to install such infrared night-vision imaging systems in automobiles, for example, where such cameras would allow drivers to see past oncoming headlight glare and beyond what they can see with headlights. The Department of Energy in 1996 awarded Lockheed Martin two-year extensions to manage and operate Oak Ridge National Laboratory and the Oak Ridge Y-12 plant which is managed by Lockheed Martin Energy Systems.

The Idaho National Engineering and Environmental Laboratory (INEEL) and Lockheed Martin Idaho Technologies, which operates the lab for the Department of Energy, are engaged in some of the most advanced agricultural research in the world. Only a few miles from Yellowstone National Park, the research involves bringing together diverse technologies ranging from the Global Positioning System to artificial intelligence. The goal is precision farming -- the application of advanced technologies integrated into an agricultural system that preserves resources and improves efficiency. By determining how all of the technological tools work together, the INEEL team will build a system that allows farmers to manage their crops better.

With the end of the Cold War, the Department of Energy labs are finding innovative ways to turn weapons technology into useful commercial products, as well as safely store nuclear material. In 1996, the INEEL licensed a new technology that turns a byproduct of nuclear weapons production into harmless rock. The new material is ideal for concrete casks used to store the spent fuel from commercial nuclear reactors.

The Corporation's extensive technological capabilities and experience in environmental remediation were instrumental in the Department of Energy's decision

Scientists at Oak Ridge National Laboratory, with funding from the Department of Energy and National Science Foundation, study the effect of concentrations of carbon dioxide and other so-called greenhouse gases on a forested ecosystem. The research should provide insight, for example, into how changes in climate affect plant photosynthesis, and by extension, food production.

 [PHOTO APPEARS HERE]

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 Micromachines developed at Sandia National Laboratories represent a classic case of technology transfer after the Cold War. First developed as the tiny components of locks to safeguard nuclear weapons, they now are applied to a variety of commercial products. Microscopic gears and drives may be incorporated into automobile airbags or used to power an artificial heart.

 [PHOTO OF MICRO COMPONENTS APPEARS HERE]

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 Energy & Environment enters 1997 with a working system of Department of Energy laboratories that is realizing savings through more efficient, dynamic business management.

 to choose Lockheed Martin Advanced Environmental Systems as a member of one of two teams to remediate the tank farms at the Hanford Site, a former plutonium production facility in Washington state. The team is tasked with cleaning Hanford's vast underground storage tanks under the Tank Waste Remediation System program. Representing the first Department of Energy privatization contract in Washington state, Lockheed Martin Advanced Environmental Systems will prepare the one-time nuclear weapons program facility for a new post-Cold-War mission. On a disappointing note, our contract with the Department of Energy to remediate contaminated waste at the Pit 9 facility in Idaho still faces scheduling delays, as well as significant technical and cost issues.

After 40 years of producing components vital to the nation's nuclear deterrent, Lockheed Martin Specialty Components was selected last year by the Federal Aviation Administration to develop an advanced X-ray machine to automatically detect, within five seconds, a wide range of explosives in airport packages and luggage. Unlike its predecessors, the new system will see luggage contents in three dimensions.

Energy & Environment enters 1997 with a working system of Department of Energy laboratories that is realizing savings through more efficient, dynamic business management. Building on the technological capabilities throughout the Corporation and the labs, Energy & Environment is well positioned to forge new industrial and government partnerships to compete in a rapidly changing marketplace. []

 [PHOTO APPEARS HERE]

 The Holifield Radioactive Ion Beam Facility at Oak Ridge National Laboratory is

probing the secrets of nuclear physics. In August, researchers generated the first beam, preparing the facility for scientists from around the world to conduct experiments.

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Management's Discussion and Analysis
of Financial Condition and
Results of Operations

Lockheed Martin Corporation

Lockheed Martin Corporation (Lockheed Martin or the Corporation) is a highly diversified global enterprise principally engaged in the conception, research, design, development, manufacture and integration of advanced-technology products and services. The following discussion should be read in conjunction with the audited consolidated financial statements included herein.

Business Combination with Loral Corporation

On January 7, 1996, the Corporation entered into an Agreement and Plan of Merger (the Loral Merger Agreement) with Loral Corporation (Loral) pursuant to which the Corporation agreed to purchase all of the issued and outstanding shares of common stock of Loral (together with the associated preferred stock purchase rights) for an aggregate consideration of \$38 per share in cash (the Tender Offer). The Tender Offer was made as part of a series of transactions that resulted in (i) the distribution to Loral stockholders of shares of capital stock in Loral Space & Communications, Ltd. (Loral SpaceCom), a newly-formed company, which now owns and manages substantially all of Loral's former space and satellite telecommunications interests, and (ii) the acquisition by the Corporation of Loral's defense electronics and systems integration businesses (collectively, the Loral Transaction). As a result of the Loral Transaction, Loral changed its name to Lockheed Martin Tactical Systems, Inc. (Tactical Systems) and became a wholly-owned subsidiary of the Corporation. The operations of Tactical Systems have been included in the results of operations of the Corporation from April 1, 1996.

In connection with the Loral Transaction, the Corporation acquired shares of preferred stock of Loral SpaceCom that were convertible into 20 percent of Loral SpaceCom's common stock on a fully diluted basis at the acquisition date. The Corporation's ownership of the preferred stock of Loral SpaceCom is subject to certain limitations and restrictions set forth in the terms and conditions of the preferred stock and in agreements between the Corporation and Loral SpaceCom.

The total purchase price paid with respect to the above transactions, including acquisition costs, was approximately \$7.6 billion. The Loral Transaction has been accounted for using the purchase method of accounting.

The funds for the consummation of the Loral Transaction were provided through the issuance of commercial paper by the Corporation and through borrowings under revolving credit facilities with a syndicate of commercial banks. Approximately \$6.6 billion of commercial paper was issued and approximately \$1 billion was borrowed under the revolving credit facilities to finance the Loral Transaction on the closing date. During the second quarter of 1996, the Corporation issued \$5 billion of debt securities, the net proceeds from which were used to repay the \$1 billion borrowed under the revolving credit facility and to reduce the amount of commercial paper

outstanding.

Repositioning of Non-Core Businesses

On January 31, 1997, the Corporation signed a memorandum of understanding to reposition certain non-core business units as a new independent company (Newco). Under the proposed transaction, Lehman Brothers Capital Partners III, L.P., a merchant banking partnership associated with Lehman Brothers Holdings, will own 50.1 percent of the new company, Lockheed Martin will retain a 34.9 percent equity stake and the new company's management team will own the remaining 15 percent. The business units have approximately 4,900 employees and combined 1996 annual revenues exceeding \$650 million. The proposed transaction is subject to the parties entering into a mutually acceptable definitive purchase agreement, certain regulatory approvals and other customary conditions, and is expected to close during the first half of 1997.

Results of Operations

The Corporation's operating cycle is long-term and involves various types of production contracts and varying production delivery schedules. Accordingly, results of a particular year, or year-to-year comparisons of recorded sales and profits, may not be indicative of future operating results. The following comparative analysis should be viewed in this context.

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Management's Discussion and Analysis
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The Corporation's consolidated results of operations for 1996 include the operations of Tactical Systems from April 1, 1996. On February 3, 1997, concurrent with the announcement of the proposed transaction with Newco, the Corporation announced a new organizational structure which reassigned management responsibility for certain business units. As a result, the Corporation's operations are now divided into five business segments: Space & Strategic Missiles; Electronics; Information & Services; Aeronautics; and Energy, Materials and Other. The operations of Tactical Systems have been reflected, for 1996 segment reporting purposes, in the Information & Services, Electronics, and Energy, Materials and Other segments. Prior year data has been reclassified to conform to the new structure.

The Corporation's consolidated net sales for 1996 were a record \$26.9 billion. Net sales for the year were 18 percent greater than 1995 net sales, which in turn were relatively unchanged compared to 1994 net sales. The 1996 increase principally resulted from the inclusion of the operations of Tactical Systems. This increase more than offset sales decreases in the Aeronautics segment. Sales increases for 1995 in the Space & Strategic Missiles segment and the Information & Services segment were largely offset by sales declines in the Aeronautics segment and the Electronics segment. The U.S. Government remained the Corporation's largest customer, comprising 70 percent of the Corporation's net sales for 1996 compared to 69 percent in

1995 and 72 percent in 1994.

Net Sales

In millions

[GRAPH APPEARS HERE]

(a) Includes the effects of the April, 1996 business combination with Loral Corporation.

The Corporation's operating profit (earnings before interest and taxes) was approximately \$2.7 billion in 1996, which was significantly greater than the \$1.4 billion reported in 1995 and the \$2.0 billion reported in 1994. However, the reported amounts for each of the three years presented included the financial impacts of various nonrecurring events, the details of which are described below. Excluding the effects of these nonrecurring events for each year, operating profit for 1996 would have been approximately 29 percent greater than the 1995 amount, which in turn would have been approximately 14 percent greater than the 1994 amount. A significant portion of the 1996 increase resulted from the inclusion of the operations of Tactical Systems. Additional growth in operating profit in 1996 resulted from increases in the Space & Strategic Missiles and Electronics segments, slightly offset by declines in the Aeronautics segment.

During the third quarter of 1996, the Corporation announced its intention to distribute via an exchange offer its remaining 81 percent interest in Martin Marietta Materials, Inc. (Materials) to its stockholders (the Exchange Offer). Under the terms of the Exchange Offer, the Corporation's stockholders were given the opportunity to exchange each Lockheed Martin common share held for 4.72 common shares of Materials on a tax-free basis. The Exchange Offer expired by its terms on October 18, 1996 and was oversubscribed. On October 23, 1996, approximately 7.9 million shares of the Corporation's common stock were exchanged for the 37.35 million shares of Materials common stock held by the Corporation. Upon the closing of this transaction, the Corporation had no remaining ownership interest in Materials and had reduced its common shares outstanding by approximately four percent. The Corporation recognized a pretax gain of \$365 million related to this exchange in the fourth quarter of 1996.

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Lockheed Martin Corporation

During the fourth quarter of 1996, the Corporation recorded nonrecurring pretax charges, net of state income tax benefits, of \$307 million. Approximately one-half of the charges reflected the financial impacts of a conservative strategy on the part of the Corporation toward its environmental remediation business with regard to current business conditions, existing contractual issues on a Department of Energy (DOE) program and the pursuit of other environmental opportunities. The remaining charges resulted from a number of other corporate actions to improve efficiencies, increase

competitiveness and focus on core businesses.

During the first quarter of 1995, the Corporation recorded a pretax charge of \$165 million for merger related expenses in connection with the formation of Lockheed Martin. During the second quarter of 1995, the Corporation recorded a pretax charge of \$525 million in conjunction with a corporate-wide consolidation plan under which the Corporation would close certain facilities and laboratories and eliminate duplicative field offices in the U.S. and abroad, eliminating up to approximately 12,000 positions. This charge represented the portion of the accrued costs and net realizable value adjustments that were not probable of recovery.

In February 1994, Materials sold through an initial public offering (IPO) approximately 8.8 million shares, or 19 percent of its common stock. A portion of the proceeds from the offering was used to defease in substance certain long-term debt. The Corporation recognized a pretax gain, net of a loss on debt defeasance, of \$118 million from the Materials IPO. During March 1994, the Corporation entered into an Agreement and Plan of Merger with Grumman Corporation (Grumman) which was subsequently terminated by Grumman. In April 1994, the Corporation received \$50 million plus reimbursement of expenses pursuant to the termination provisions of the Agreement and Plan of Merger.

Reported net earnings for 1996 were approximately \$1.3 billion, or \$6.04 per common share assuming full dilution. Both amounts represent increases from the reported 1995 net earnings of \$682 million, or \$3.05 per share, and

Net Earnings

In millions

[GRAPH APPEARS HERE]

(a) Includes the effects of the April, 1996 business combination with Loral Corporation.

(b) Excluding the effects of the Materials exchange, the divestiture of two business units, and the charges associated with the environmental remediation business and other Corporate actions, 1996 net earnings would have been \$1,205 million.

(c) Excluding the effects of the merger related and consolidation charges, 1995 net earnings would have been \$1,118 million.

(d) Excluding the effects of the Materials IPO, the acquisition termination fee, and the change in ESOP accounting, 1994 net earnings would have been \$955 million.

Earnings Per Common Share,
Assuming Full Dilution

In dollars

[GRAPH APPEARS HERE]

(a) Includes the effects of the April, 1996 business combination with Loral Corporation.

(b) Excluding the effects of the Materials exchange, the divestiture of two business units, and the charges associated with the environmental remediation business and other Corporate actions, 1996 net earnings per share would have been \$5.40.

(c) Excluding the effects of the merger related and consolidation charges, 1995 earnings per share would have been \$5.01.

(d) Excluding the effects of the Materials IPO, the acquisition termination fee, and the change in ESOP accounting, 1994 earnings per share would have been \$4.37.

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from the reported 1994 net earnings of \$1.0 billion, or \$4.66 per share. However, the 1996 reported amounts include the after-tax effects of the Materials exchange and the provision for the after-tax effect of the Corporation's divestiture of its Armament Systems and Defense Systems business units which were sold to General Dynamics Corporation (General Dynamics). The latter transaction, which concluded with the Corporation's receipt of \$450 million in cash on January 2, 1997, had no pretax effect on the results of operations for 1996. On a combined basis, the Materials exchange and the divestiture noted above increased net earnings by \$351 million, or \$1.58 per share. The 1996 reported amounts also include the after-tax impact of the nonrecurring charges described above, which decreased net earnings by \$209 million, or \$.94 per share. The 1995 reported amounts include the after-tax effects of the merger related and consolidation charges identified above of \$436 million, or \$1.96 per share. The 1994 reported net earnings include the favorable after-tax effects of the Materials IPO (\$70 million, or \$.32 per share), the Grumman termination fee (\$30 million, or \$.14 per share) and a charge due to the adoption of a change in accounting for ESOPs (\$37 million, or \$.17 per share). Excluding the effects of these nonrecurring items, net earnings for 1996 would have been approximately \$1.2 billion, or \$5.40 per share, representing eight percent increases from the adjusted 1995 amounts of approximately \$1.1 billion, or \$5.01 per share. The 1995 amounts, excluding the effects of the nonrecurring items, were 17 percent and 15 percent greater, respectively, than the adjusted 1994 amounts of \$955 million, or \$4.37 per share.

Dividends per Common Share

In dollars

[GRAPH APPEARS HERE]

The Corporation's debt to capitalization ratio increased from 37 percent at December 31, 1995 to 63 percent at December 31, 1996, with total debt (including short-term borrowings) increasing from \$3.7 billion to \$11.5 billion. As mentioned previously, this increase primarily represents funds borrowed to finance the Loral Transaction. Stockholders' equity increased

from \$6.4 billion at December 31, 1995 to nearly \$6.9 billion at December 31, 1996. The Corporation paid common dividends of \$302 million in 1996, or \$1.60 per common share. The Corporation's backlog of undelivered orders exceeded \$50 billion at the end of 1996.

Industry Considerations

The Corporation's primary lines of business are in high technology systems for aerospace and defense, serving both government and commercial customers. In recent years, domestic and worldwide political and economic developments have strongly affected these markets, requiring significant adaptation by market participants.

Since the mid-1980s, the U.S. defense budget has declined significantly, with the procurement portion falling by more than two thirds in real terms. As a result of this long-term decline in demand, substantial overcapacity existed in the defense/aerospace industry. As with many industries, the response to such long-term declines in demand has been a combination of plant closings, consolidations and other actions that preserve an efficient industrial base. In recent years, the Justice Department and the Federal Trade Commission

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Lockheed Martin Corporation

have approved most defense/aerospace industry business combinations. Lockheed Martin has been at the forefront of the industry's rapid consolidation. Since 1993, the Corporation has made several strategic acquisitions and alliances which affect many facets of its business, including tactical military aircraft production, space launch systems and defense and commercial electronics. These acquisitions are examples of actions that have broadened the Corporation's business portfolio, created opportunities for increased efficiency and cost competitiveness, improved access to new markets and reduced exposure to future defense budget program reductions. In addition, the Corporation has continued to undertake cost reduction efforts throughout its operating units while monitoring and adjusting employment levels consistent with changing business requirements. During 1996, the Corporation's efforts resulted in a number of wins in several significant competitions, including the Joint Strike Fighter, VentureStar(TM), Space Based Infrared System (SBIRS) and Evolved Expendable Launch Vehicle programs, among others.

Currently, the defense/aerospace industry is undergoing another phase of consolidation. In the past few months, The Boeing Company (Boeing) acquired the aerospace and defense businesses of Rockwell International Corporation, and has announced it will combine with McDonnell Douglas Corporation. Also, the Raytheon Company has announced it will acquire the military businesses of GM Hughes Electronics Corporation and Texas Instruments Corporation. The synergies which may result from these business combinations, if approved, could create more formidable competitors within the industry.

The Corporation's executive management and Board of Directors continue to review and monitor the Corporation's strategic plans. These plans include

assessing business combinations and joint ventures with companies engaged in similar or closely related businesses, building market share in core businesses and divesting less well-positioned and non-core businesses. Examples of recent actions include the Loral Transaction, the exchange of the remaining ownership interest in Materials, the divestiture of the Armament Systems and Defense Systems business units, the transition of Space Shuttle processing operations to United Space Alliance (USA), a joint venture with Boeing which has become NASA's prime Space Shuttle operations contractor, and the proposed transaction with Newco. It is important to note that the accounting implications of unconsolidated entities such as Newco and USA are markedly different from those of consolidated entities. The Corporation accounts for these unconsolidated entities under the equity method of accounting. Net sales and earnings from operations for such entities are not included in the consolidated amounts for the Corporation; instead, the Corporation's proportionate share of net earnings or losses from these entities are recorded as other income and expenses.

To date, the Corporation's major programs generally have been well supported, but uncertainty exists over the size and scope of future defense and space budgets and their impact on specific programs. Some of the Corporation's programs have been delayed, curtailed or terminated, and future spending reductions and funding limitations could further impact these programs or have similar effects on other existing or emerging programs.

As a U.S. Government contractor, the Corporation's government contracts and operations are subject to government oversight. The government may investigate and make inquiries of the Corporation's business practices and conduct audits of contract performance and cost accounting. These investigations may lead to claims against the Corporation. Under U.S. Government procurement regulations and practices, an indictment of a government contractor could result in that contractor being fined and/or suspended for a period of time from eligibility for bidding on, or for award of, new government contracts; a conviction could result in debarment for a specified period of time. Although the outcome of such investigations and inquiries cannot be predicted, in the opinion of management there are no claims, audits or investigations pending against the Corporation that are likely to have a material adverse effect on either the Corporation's business or its consolidated financial position or results of operations.

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The Corporation remains exposed to other inherent risks associated with U.S. Government contracting. These risks include technological uncertainties and obsolescence, changes in government policies and dependence on annual Congressional appropriation and allotment of funds.

Progress has been made in expanding the Corporation's presence in related commercial and nondefense markets, most notably in space and telecommunications activities, information management and systems integration. Although these lines of business are not dependent on defense budgets, they share many of the risks associated with the Corporation's

primary businesses, as well as others unique to the commercial marketplace. Such risks include development of competing products, technological feasibility, product obsolescence and the risks inherent in conducting business internationally.

Discussion of Business Segments

The Corporation's operations are divided into five business segments: Space & Strategic Missiles; Electronics; Information & Services; Aeronautics; and Energy, Materials and Other. As previously mentioned, the Corporation recently announced a new organizational structure that combined the Tactical Systems businesses with those of Lockheed Martin and reassigned certain heritage Lockheed Martin business units. The discussion of business segments that follows reflects this new structure. Certain amounts for the prior years have been reclassified to conform with the 1996 presentation.

The following table displays net sales for the Lockheed Martin business segments for each of the three years in the period ended December 31, 1996 which correspond to the segment information presented in Note 15 to the consolidated financial statements.

<TABLE>
<CAPTION>

(In millions)	1996	1995	1994
=====	=====	=====	=====
<S>	<C>	<C>	<C>
Net Sales			
Space & Strategic Missiles	\$ 7,904	\$ 7,813	\$ 7,000
Electronics	6,705	3,357	4,059
Information & Services	5,863	4,173	3,986
Aeronautics	5,596	6,617	7,091
Energy, Materials and Other	807	893	770
	-----	-----	-----
	\$26,875	\$22,853	\$22,906
	=====	=====	=====

</TABLE>

Operating profit by industry segment for each of the three years in the period ended December 31, 1996 is also presented in Note 15 to the consolidated financial statements. The following table displays the pretax impact of the nonrecurring items discussed earlier as reflected in each segment's operating profit for each of the three years presented.

<TABLE>
<CAPTION>

(In millions)	1996	1995	1994
=====	=====	=====	=====
<S>	<C>	<C>	<C>
Nonrecurring Items			
Space & Strategic Missiles	\$ (25)	\$ (263)	\$ --
Electronics	--	(93)	--
Information & Services	(86)	(24)	--
Aeronautics	(46)	(138)	--
Energy, Materials and Other	215	(172)	168
	-----	-----	-----

\$ 58 \$(690) \$ 168

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</TABLE>

The 1996 total in the above table reflects the \$365 million pretax gain from the exchange of Materials, offset by \$307 million of pretax charges relating to the Corporation's environmental remediation business and other corporate actions. The 1995 total reflects the merger related and consolidation expenses, while the 1994 total consists of the \$118 million Materials IPO gain and the receipt of the \$50 million acquisition termination fee from the proposed Grumman acquisition.

The following table depicts operating profit excluding nonrecurring items for each of the three years in the period ended December 31, 1996. The subsequent discussion of significant operating results of each business segment

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Lockheed Martin Corporation

excludes the impact of the nonrecurring items. This discussion should also be read in conjunction with the industry segment information contained in Note 15 to the consolidated financial statements.

<TABLE>

<CAPTION>

(In millions)	1996	1995	1994

<S>	<C>	<C>	<C>
Operating Profit, Excluding Nonrecurring Items			
Space & Strategic Missiles	\$ 998	\$ 726	\$ 495
Electronics	673	317	451
Information & Services	327	291	214
Aeronautics	487	532	511
Energy, Materials and Other	190	201	140

	\$2,675	\$2,067	\$1,811
=====			

</TABLE>

[] Space & Strategic Missiles -- Net sales of the Space & Strategic Missiles segment increased by one percent in 1996 compared to 1995 and by 12 percent in 1995 compared to 1994. Increases in commercial satellite volume and classified program activities in 1996 were largely offset by the timing of Atlas II and Atlas E launches (seven successful launches in 1996 versus twelve in 1995) and from reduced volume on the Trident fleet ballistic missile program. The increase in 1995 compared to 1994 can be attributed primarily to the inclusion for the full year of the former Space Systems Division of General Dynamics, which the Corporation acquired on May 1, 1994. The operations of this unit consisted primarily of the Atlas launch services program, which recorded 12 successful launches in 1995 versus four launches in the eight months of 1994 when the program results were included in the Corporation's results of operations. The 1995 net sales were also favorably

impacted by an increase in activity in various classified programs throughout the segment.

Operating profit for the segment increased by 37 percent in 1996 compared to 1995 and by 47 percent in 1995 compared to 1994. The increase in 1996 was attributable to the increases in commercial satellite volume and classified program activities discussed above, margin expansion from improved cost performance on the Corporation's Titan and Atlas launch vehicle programs and timing of the recognition of award and incentive fees on certain space programs. The 1995 increase was attributable to the inclusion of the Atlas launch services program for the full year, the receipt of a favorable settlement resulting from the termination of the Advanced Solid Rocket Motor program and the inclusion of charges in 1994 related to certain fixed-price programs, including a charge of \$22 million related to the cancellation and final settlement on the Mobile Satellite Antenna subcontract and charges totaling \$43 million related to a military command, control and communication program for a foreign government.

[] Electronics -- Net sales of the Electronics segment doubled in 1996 compared to 1995, due to the inclusion of the operations of certain Tactical Systems companies since April 1, 1996. Excluding the operations of the Tactical Systems companies, 1996 net sales for the segment increased by 12 percent compared to 1995. This increase was principally attributable to volume increases in a variety of government and commercial electronics programs and the inclusion of the operations of the aircraft controls business formerly owned by General Electric Company, which was acquired in the fourth quarter of 1995. Net sales for 1995 decreased by 17 percent compared to 1994 as a result of volume decreases in various programs, particularly in the AEGIS surface ship combat systems program and the AN/BSY-2 submarine combat system program. In addition, the 1995 sales performance represented an expected transition at certain business units from mature production programs into new development programs.

Operating profit for the segment increased by 112 percent in 1996 due to the inclusion of the operations of the Tactical Systems companies discussed above. Excluding the operations of the Tactical Systems companies, operating profit in 1996 for the segment increased by 28 percent compared to 1995. This increase was principally the result of the production volume increases discussed above as well as the inclusion in 1995 of contract charges related to the LANTIRN program close-out. Operating profit in 1995 decreased by

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30 percent compared to 1994, reflecting the sales volume decreases described previously, the negative earnings implications of contract charges related to the LANTIRN program close-out and from investments in new businesses, and substantial completion of subcontract activities on the Patriot and other mature production programs.

[] Information & Services -- Net sales of the Information & Services segment increased by 40 percent in 1996 compared to 1995 due to the inclusion of the

operations of certain Tactical Systems companies since April 1, 1996. Excluding the operations of the Tactical Systems companies, 1996 net sales for the segment were comparable to 1995 levels. Increases in commercial product distribution activities in 1996 were largely offset by the transfer of the Corporation's contracts for Space Shuttle processing operations to USA during 1996, as mentioned above. Net sales for 1995 increased by five percent compared to 1994 due to increases in sales for commercial product manufacturing and distribution activities and in information management activities.

Operating profit for the segment increased by 12 percent in 1996 due to the inclusion of the operations of the Tactical Systems companies discussed above. However, excluding the operations of the Tactical Systems companies, operating profit in 1996 for the segment decreased by 30 percent compared to 1995. This decrease was principally the result of charges taken in the current year related to certain information systems contracts and accounts, and from losses taken at two of the Corporation's subsidiaries. Operating profit in 1995 increased by 36 percent compared to 1994, reflecting increased award fee recognition, the impact of sales volume increases and improvements in margin performance throughout the segment.

- [] Aeronautics -- Net sales of the Aeronautics segment decreased by 15 percent in 1996 compared to 1995, and by seven percent in 1995 compared to 1994. The net sales decreases in both years were principally due to fewer deliveries of F-16 fighter aircraft and C-130 airlift aircraft. Net sales for 1995 reflect the delivery of eight P-3 maritime patrol aircraft to the Republic of Korea. There were no comparable deliveries of P-3 aircraft in 1996 or 1994.

Operating profit decreased by eight percent in 1996 compared to 1995 as a result of the volume decreases discussed above. Operating profit in 1995 increased by four percent compared to 1994 despite the sales decrease for that period, primarily as a result of recognition of earnings related to the P-3 aircraft deliveries, which more than offset the 1995 increase in C-130J development costs, and the inclusion in 1994 of charges taken against earnings in connection with the Pratt & Whitney fan reverser program.

- [] Energy, Materials and Other -- Net sales of this segment decreased by ten percent in 1996 compared to 1995 after increasing by 16 percent in 1995 compared to 1994. The 1996 net sales decrease was principally the result of the divestiture of Materials during the fourth quarter of 1996 as described above. The 1995 increase reflected the January 1995 Materials acquisition of the construction aggregates business of Dravo Corporation as well as the commencement of activities under the Idaho National Engineering and Environmental Laboratory Management and Operations and Pit 9 contracts in the fourth quarter of 1994.

Operating profit for this segment decreased by five percent in 1996 compared to 1995. Losses on certain of the Corporation's environmental programs were largely offset by gains from the sale of a portion of the Corporation's investment portfolio. Operating profit increased by 44 percent in 1995 compared to 1994 due to the inclusion of a full year of activities under the Idaho National Engineering and Environmental Laboratory Management and Operations contract and earnings growth from increased production volume at Materials.

Backlog

Total negotiated backlog of \$50.4 billion at December 31, 1996 included both

unfilled firm orders for the Corporation's products for which funding has been both authorized and appropriated by the customer (Congress, in the case of U.S. Government agencies) and firm orders for which funding has

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Lockheed Martin Corporation

not been appropriated. The following table shows total backlog by segment at the end of each of the last three years:

<TABLE>

<CAPTION>

(In millions)	1996	1995	1994
<S>	<C>	<C>	<C>
Backlog			
Space & Strategic Missiles	\$19,463	\$18,066	\$17,778
Electronics	10,937	5,271	5,061
Information & Services	6,431	3,005	3,174
Aeronautics	13,408	14,775	16,146
Energy, Materials and Other	167	8	73
	\$50,406	\$41,125	\$42,232

</TABLE>

Total Space & Strategic Missiles backlog increased by eight percent in 1996 compared to 1995 and by two percent in 1995 compared to 1994. The increase in 1996 occurred principally from new orders received for Titan, Atlas and Proton launch vehicle services and the SBIRS program. The increase in 1995 occurred principally because of growth in new orders for classified programs.

Negotiated Backlog

In Millions

[GRAPH APPEARS HERE]

(a) Includes the effect of the April, 1996 business combination with Loral Corporation.

In the Electronics segment, total backlog more than doubled in 1996 compared to 1995 due to the addition of the backlog of the Tactical Systems companies acquired in 1996. Excluding the acquired backlog of the Tactical Systems companies, backlog in 1996 for the segment decreased by three percent compared to 1995. This decrease was principally the result of the net effect of close-outs of completed government electronics contracts during the year. Total backlog for 1995 increased by four percent compared to 1994. The primary reasons for the 1995 increase were key new awards for U.K. Apache

helicopter night vision/fire control systems, HYDRA-70 munitions and electronic warfare countermeasures.

Total Information & Services backlog increased by 114 percent in 1996 compared to 1995 due to the addition of the backlog of the Tactical Systems companies acquired in 1996. Excluding the acquired backlog of the Tactical Systems companies, backlog in 1996 for the segment increased by 25 percent compared to 1995. This increase was principally the result of new information management services contract awards. Total backlog for 1995 decreased by five percent compared to 1994, primarily caused by reduced contract volume in the segment's space shuttle processing program. Total backlog for this segment will be negatively impacted in 1997 as a result of the pending divestiture of the business units that will compose Newco.

In the Aeronautics segment, total backlog decreased by nine percent in 1996 compared to 1995 and by eight percent in 1995 compared to 1994. In both years, F-16 fighter aircraft backlog decreased, primarily reflecting deliveries of aircraft exceeding new orders. Decreases in backlog for the F-22 air dominance fighter aircraft program, currently in the development phase, also contributed to the 1996 decrease. In 1995, this decrease was partially offset by the receipt of orders from the United Kingdom and Australia to provide 37 C-130J airlift aircraft, with options for 58 additional aircraft for those two nations and New Zealand. It should be noted that Aeronautics' backlog at December 31, 1996 does not include activity related to the VentureStar(TM) and Joint Strike Fighter program wins due to their unique nature as cooperative research agreements and developmental

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Management's Discussion and Analysis
of Financial Condition and Results of Operations

Continued

prototype activities. These two programs combined would have generated orders of \$1.5 billion in 1996 if reported on an equivalent basis.

Liquidity and Cash Flows

Cash provided by operating activities was approximately \$1.6 billion in 1996, compared with \$1.3 billion and \$1.5 billion of cash provided in 1995 and 1994, respectively. As in the prior years, positive cash flows were derived in large part from operating profits before deducting non-cash charges for depreciation and amortization of property and intangible assets, offset in part by working capital increases. The 1996 and 1995 amounts also include the effect of merger related and consolidation payments of \$244 million and \$208 million, respectively.

Net Cash Provided by Operating
Activities

In Millions

[GRAPH APPEARS HERE]

(a) Includes the effects of the April, 1996 business combination with Loral Corporation.

Cash used for investing activities was approximately \$8.0 billion in 1996, a significant increase from the \$699 million and \$502 million reported in 1995 and 1994, respectively. The Corporation used approximately \$7.3 billion of cash in 1996 to finance the Loral Transaction. Also, additions to property, plant and equipment, net of purchased operations, were 47 percent higher in 1996 compared to 1995, reflecting the inclusion of the capital spending activity of the Tactical Systems business units as well as approximately \$150 million related to the Lockheed Martin integration and consolidation program. The 1995 amount was approximately two percent lower than the comparable 1994 amount. The Corporation continually monitors its capital spending in relation to current and anticipated business needs. Facilities are added, consolidated, modernized or disposed of as business circumstances dictate.

Approximately \$5.7 billion of cash was provided by financing activities during 1996, compared with cash used for financing activities of \$579 million in 1995 and \$718 million in 1994. Approximately \$7.6 billion of indebtedness was incurred in 1996 in connection with the consummation of the Loral Transaction through the issuance of commercial paper by the Corporation and through borrowings under a revolving credit facility which existed at that time. The Corporation subsequently issued \$5 billion of long-term debt securities, the entire amount registered under the Corporation's shelf registration statement which became effective on May 10, 1996, using the net proceeds to repay the \$1 billion borrowed under the credit facility and to reduce the amount of commercial paper outstanding. These debt securities are guaranteed by Tactical Systems. Approximately \$180 million of long-term debt will mature in 1997.

During the second quarter of 1996, the Corporation's Board of Directors terminated the systematic common stock repurchase plan which had been established in 1995 to counter the future dilutive effect of common stock issued by the Corporation under its 1995 Omnibus Performance Award Plan. A separate program authorized in 1995 for the repurchase of up to nine million common shares to counter the dilutive effect of common stock issued under the Corporation's other benefit and compensation programs and for other purposes related to such plans remains in effect. Approximately 2.3 million common shares were repurchased by the Corporation in 1995 for approximately \$150 million; no shares were repurchased in 1996.

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Lockheed Martin Corporation

The Corporation receives advances on certain contracts and uses them to finance the inventories required to complete the contracted work. Approximately \$2.4 billion of advances related to work in process at December 31, 1996 have been received from customers and were recorded as reductions of inventories in the Corporation's consolidated financial statements. In addition, advances of approximately \$2.6 billion at the end of 1996 have been recognized as current liabilities, mostly related to contracts with foreign governments and commercial customers.

Capital Structure and Resources

Long-term debt, including current maturities, increased to approximately \$10.4 billion at the end of 1996 from approximately \$3.7 billion at the end of 1995. Total debt (including short-term borrowings) represented approximately 63 percent of total capitalization at December 31, 1996, compared with 37 percent at December 31, 1995. Most of the Corporation's debt is in the form of publicly issued, fixed-rate Notes Payable and Debentures. Included in long-term debt at December 31, 1996 are \$1.2 billion of debt obligations of the former Loral Corporation. Stockholders' equity grew to nearly \$6.9 billion at December 31, 1996 from approximately \$6.4 billion one year ago. Stockholders' equity activity for 1996 included a reduction of \$750 million in connection with the exchange of the Corporation's common stock for its Materials shares.

During 1996, in contemplation of the Loral Transaction, the Corporation arranged revolving credit facilities of \$10 billion through a syndicate of commercial banks. The credit facilities consisted of a 364-day unsecured revolving credit facility in the amount of \$5 billion (the Short-Term Credit Facility) and a 5-year unsecured revolving credit facility in the amount of \$5 billion (the 5-Year Credit Facility). In connection with the establishment of these credit facilities, the Corporation and Loral each terminated their previously existing revolving credit facilities.

Approximately \$6.6 billion of commercial paper was issued and approximately \$1 billion was borrowed under the 5-Year Credit Facility to finance the Loral Transaction on the closing date. As stated previously, the Corporation issued \$5 billion in debt securities during the second quarter of 1996, the net proceeds from which were used to repay the \$1 billion borrowed under the 5-Year Credit Facility and to reduce the amount of commercial paper outstanding. On July 26, 1996, the Corporation terminated the Short-Term Credit Facility. On December 20, 1996, the Corporation amended its 5-Year Credit Facility to reduce the amount from \$5 billion to \$3.5 billion (the Amended 5-Year Credit Facility). The Corporation also entered into a one-year credit facility in the amount of \$1.5 billion (together, the Credit Facilities).

No borrowings were outstanding under the Credit Facilities at December 31, 1996. However, the Amended 5-Year Credit Facility supports commercial paper borrowings of approximately \$2.4 billion outstanding at December 31, 1996. Of this amount, \$1.25 billion has been classified as long-term debt in the Corporation's consolidated balance sheet based on management's ability and intention to maintain this debt outstanding for at least one year. On January 2, 1997, the Corporation received \$450 million in connection with the sale of its Armament Systems and Defense Systems business units to General Dynamics. The net proceeds were used to further reduce the amount of commercial paper outstanding.

During the third quarter of 1996, the Corporation entered into interest rate swap agreements to fix the interest rates on \$875 million of its commercial paper borrowings. These agreements will mature during 1997. The Corporation is exposed to the risk of nonperformance by the intermediaries to those agreements, though such nonperformance is not anticipated.

The Corporation has entered into standby letter of credit agreements and other arrangements with financial institutions primarily relating to the guarantee of future performance on certain contracts. In connection with the Loral Transaction, the Corporation assumed the obligations of Loral as guarantor under the Revolving Credit Agreement of Globalstar, L.P., an affiliate of Loral SpaceCom, up to a maximum principal amount of \$250

million, subject to the assumption by certain of the Globalstar partners of a portion of the Corporation's obligations as guarantor. At

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Management's Discussion and Analysis
of Financial Condition and Results of Operations

Continued

December 31, 1996, the Corporation had contingent liabilities on outstanding letters of credit, guarantees and other arrangements aggregating approximately \$1.5 billion.

Cash on hand and temporarily invested, internally generated funds, and available financing resources as detailed above are expected to be sufficient to meet the anticipated operating, consolidation and debt service requirements, discretionary investment needs and capital expenditures of the Corporation. Consistent with the Corporation's desire to generate cash to reduce debt, management anticipates that, subject to prevailing financial, market and economic conditions, the Corporation may divest other non-core businesses or surplus properties. The pending transaction with Newco, which management estimates will generate cash in excess of \$400 million, is expected to close during the first half of 1997.

Environmental Matters

As more fully described in Note 14 to the consolidated financial statements, the Corporation entered into a consent decree with the U.S. Environmental Protection Agency (EPA) relating to certain property in Burbank, California, which obligated the Corporation to design and construct facilities to monitor, extract and treat groundwater, and to operate and maintain such facilities for approximately eight years. A second consent decree is being finalized which will obligate the Corporation to fund the continued operation and maintenance of these facilities through the year 2018. The Corporation has also been operating under a cleanup and abatement order from the California Regional Water Quality Control Board affecting its Burbank facilities. This order requires site assessment and action to abate groundwater contamination by a combination of groundwater and soil cleanup and treatment. Anticipated future costs for these projects are estimated to approximate \$200 million.

The Corporation is performing an environmental investigation in Redlands, California under two administrative orders from the California Regional Water Quality Control Board (Santa Ana Region). These orders require assessment of the former Lockheed Propulsion Company (LPC) facilities in Redlands, as well as assessment of a plume of groundwater contamination in the vicinity of the former facilities. Investigation to date has failed to reveal any significant contamination at the former LPC site, and the Corporation contests that it is responsible for the groundwater plume which is not contiguous to the site. Nonetheless, the Corporation is complying with the orders and is working with local water purveyors to assure that public water supplies are maintained.

The Corporation records appropriate financial statement accruals for environmental issues in the period in which liability is established and the

amounts can be reasonably estimated. In addition to the matters with respect to the Burbank property described above, the Corporation has accrued approximately \$340 million at December 31, 1996 for other matters in which an estimate of financial exposure could be determined. Management believes, however, that it is unlikely that any additional liability it may incur for known environmental issues would have a material adverse effect on its consolidated financial position or results of operations.

The Corporation is a party to various proceedings and potential proceedings related to environmental clean-up issues, including matters at various sites where it has been designated a Potentially Responsible Party (PRP) by the EPA or by a state agency. In the event the Corporation is ultimately found to have liability at those sites where it has been designated a PRP, the Corporation anticipates that the actual burden for the costs of remediation will be shared with other liable PRPs. Generally, PRPs that are ultimately determined to be responsible parties are strictly liable for site clean-ups and usually agree among themselves to share, on an allocated basis, the costs and expenses for investigation and remediation of hazardous materials. Under existing environmental laws, however, responsible parties are jointly and severally liable and, therefore, the Corporation is potentially liable for the full cost of funding such remediation. In the

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Lockheed Martin Corporation

unlikely event that the Corporation were required to fund the entire cost of such remediation, the statutory framework provides that the Corporation may pursue rights of contribution from the other PRPs. Among the variables management must assess in evaluating costs associated with these sites are changing cost estimates, continually evolving governmental environmental standards and cost allowability issues. Therefore, the nature of these environmental matters makes it extremely difficult to estimate the timing and amount of any future costs that may be necessary for remedial matters. The Corporation is currently unable to predict the outcome of these matters, inasmuch as the actual costs of remedial actions have not been determined and the allocation of liabilities among parties that ultimately may be found liable remains uncertain.

In 1994, the Corporation was awarded a \$180 million fixed price contract by the DOE for the Phase II design, construction and limited test of remediation facilities, and the Phase III full remediation of waste found in Pit 9, located on the Idaho National Engineering and Environmental Laboratory reservation. The Corporation has incurred and continues to incur significant unanticipated costs and schedule impacts due to complex technical and contractual matters which threaten the viability of the overall Pit 9 program. The Corporation is currently working to identify and quantify the overall effects, including the financial impact, of these matters, and discussions with the DOE are continuing; however, no resolution of these technical and contractual matters has been achieved to date. Upon completion of the Corporation's investigation into the circumstances which gave rise to these schedule, technical and cost issues, the Corporation will provide the DOE an appropriate request for equitable adjustment. The total amount of such request for equitable adjustment has not yet been determined.

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Lockheed Martin Corporation

The Corporation's Responsibility
for Financial Reporting

The management of Lockheed Martin Corporation prepared and is responsible for the consolidated financial statements and all related financial information contained in this report. The consolidated financial statements, which include amounts based on estimates and judgments, have been prepared in accordance with generally accepted accounting principles applied on a consistent basis.

The Corporation maintains a system of internal accounting controls designed and intended to provide reasonable assurance that assets are safeguarded, transactions are properly executed and recorded in accordance with management's authorization, and accountability for assets is maintained. An environment that establishes an appropriate level of control consciousness is maintained and monitored and includes examinations by an internal audit staff and by the independent auditors in connection with their annual audit.

The Corporation's management recognizes its responsibility to foster a strong ethical climate. Management has issued written policy statements which document the Corporation's business code of ethics. The importance of ethical behavior is regularly communicated to all employees through the distribution of written codes of ethics and standards of business conduct and through ongoing education and review programs designed to create a strong compliance environment.

The Audit and Ethics Committee of the Board of Directors is composed of eight outside directors. This Committee meets periodically with the independent auditors, internal auditors and management to review their activities.

The consolidated financial statements have been audited by Ernst & Young LLP, independent auditors, whose report follows.

/s/ Marcus C. Bennett

/s/ Robert E. Rulon

Marcus C. Bennett

Robert E. Rulon

Executive Vice President and
Chief Financial Officer

Vice President and Controller

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Lockheed Martin Corporation

Report of Ernst & Young LLP,
Independent Auditors

Board of Directors and Stockholders
Lockheed Martin Corporation

We have audited the accompanying consolidated balance sheet of Lockheed Martin Corporation as of December 31, 1996 and 1995, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lockheed Martin Corporation at December 31, 1996 and 1995, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles.

The Corporation changed its method of accounting for Employee Stock Ownership Plans effective January 1, 1994 as discussed in Note 1 to the consolidated financial statements.

/s/ Ernst & Young LLP

Washington, D.C.

January 20, 1997, except for Note 3,
as to which the date is February 3, 1997

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Consolidated Statement
of Earnings

Lockheed Martin Corporation

<TABLE>

<CAPTION>

	Year
(In millions, except per share data)	1996
<S>	<C>
Net sales	\$26,875
Costs and expenses:	
Cost of sales	24,594
Merger related and consolidation expenses	--
Earnings from operations	2,281
Other income and expenses, net	452

Interest expense	2,733
	700
Earnings before income taxes and cumulative effect of change in accounting	2,033
Income tax expense	686
Earnings before cumulative effect of change in accounting	1,347
Cumulative effect of change in accounting	--
Net earnings	\$ 1,347
Earnings per common share:	
Assuming no dilution:	
Before cumulative effect of change in accounting	\$ 6.80
Cumulative effect of change in accounting	--
	\$ 6.80
Assuming full dilution:	
Before cumulative effect of change in accounting	\$ 6.04
Cumulative effect of change in accounting	--
	\$ 6.04

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

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Lockheed Martin Corporation

Consolidated Statement

of Cash Flows

<TABLE>
<CAPTION>

(In millions)	1996
<S>	<C>
Operating Activities	
Earnings before cumulative effect of change in accounting	\$ 1,347
Adjustments to reconcile earnings to net cash provided by operating activities:	
Merger related and consolidation -- expenses	--
-- payments	(244)
Depreciation and amortization	732
Amortization of intangible assets	465
Deferred federal income taxes	(251)

Materials transactions	(365)
Changes in operating assets and liabilities:	
Receivables	(328)
Inventories	(125)
Customer advances and amounts in excess of costs incurred	544
Other	(139)

Net cash provided by operating activities	1,636

Investing Activities	
Additions to properties, net of purchased operations	(737)
Loral transaction	(7,344)
Other acquisition, investment and divestiture activities	(35)
Net proceeds -- Materials public offering	--
Other	87

Net cash used for investing activities	(8,029)

Financing Activities	
Increases (decreases) in short-term borrowings, net	1,110
Increases in long-term debt	7,000
Repayments and extinguishments of long-term debt	(2,105)
Issuances of common stock	97
Purchases of common stock	--
Dividends on common stock	(302)
Dividends on preferred stock	(60)

Net cash provided by (used for) financing activities	5,740

Net (decrease) increase in cash and cash equivalents	(653)
Cash and cash equivalents at beginning of year	653

Cash and cash equivalents at end of year	\$ --
=====	

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

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LOCKHEED MARTIN CORPORATION

Consolidated Balance Sheet

<TABLE>
<CAPTION>

(In millions)

<S>
Assets

Current assets:

Cash and cash equivalents
 Receivables
 Inventories
 Deferred income taxes
 Other current assets

 Total current assets

Property, plant and equipment

Intangible assets related to contracts and programs acquired
 Cost in excess of net assets acquired
 Other assets

 Liabilities and Stockholders' Equity

Current liabilities:

Accounts payable
 Customer advances and amounts in excess of costs incurred
 Salaries, benefits and payroll taxes
 Income taxes
 Short-term borrowings
 Current maturities of long-term debt
 Other current liabilities

 Total current liabilities

Long-term debt

Post-retirement benefit liabilities
 Other liabilities

Stockholders' equity:

Series A preferred stock, \$50 liquidation preference per share
 Common stock, \$1 par value per share
 Additional paid-in capital
 Retained earnings
 Unearned ESOP shares

 Total stockholders' equity

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

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Lockheed Martin Corporation

Consolidated Statement of

Stockholders' Equity

<TABLE>

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Additional

(In millions)	Preferred Stock	Common Stock	Paid-in Capital	Reta Earn
<S>	<C>	<C>	<C>	<C>
Balance at December 31, 1993	\$ 1,000	\$ 198	\$ 689	\$ 3
Earnings before cumulative effect of change in accounting	--	--	--	1
Cumulative effect of change in accounting	--	--	--	
Dividends declared on preferred stock (\$3.00 per share)	--	--	--	
Dividends declared on common stock (\$1.14 per share)	--	--	--	
Stock awards and options, and ESOP activity	--	1	45	
Balance at December 31, 1994	1,000	199	734	4
Net earnings	--	--	--	
Dividends declared on preferred stock (\$3.00 per share)	--	--	--	
Dividends declared on common stock (\$1.34 per share)	--	--	--	
Repurchases of common stock	--	(2)	(148)	
Stock awards and options, and ESOP activity	--	2	97	
Balance at December 31, 1995	1,000	199	683	4
Net earnings	--	--	--	1
Dividends declared on preferred stock (\$3.00 per share)	--	--	--	
Dividends declared on common stock (\$1.60 per share)	--	--	--	
Stock awards and options, and ESOP activity	--	2	151	
Stock exchanged for Materials shares	--	(8)	(742)	
Balance at December 31, 1996	\$1,000	\$193	\$ 92	\$5

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

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Notes to Consolidated Financial Statements
December 31, 1996

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 Note 1 -- Summary of Significant
 Accounting Policies

[] Organization -- Lockheed Martin Corporation (Lockheed Martin or the
 Corporation) is engaged in the design, manufacture, integration and operation

of a broad array of products and services ranging from aircraft, spacecraft and launch vehicles to energy management, missiles, electronics, and information systems. The Corporation serves customers in both domestic and international defense and civilian markets, with its principal customers being agencies of the U.S. Government.

[]Basis of consolidation and use of estimates -- The consolidated financial statements include the accounts of wholly-owned and majority-owned subsidiaries. All material intercompany balances and transactions have been eliminated in consolidation. The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions, in particular estimates of anticipated contract costs and revenues utilized in the earnings recognition process, that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

[]Classifications -- Receivables and inventories are primarily attributable to long-term contracts or programs in progress for which the related operating cycles are longer than one year. In accordance with industry practice, these items are included in current assets.

Certain amounts for the prior years have been reclassified to conform with the 1996 presentation.

[]Cash and cash equivalents -- Cash and cash equivalents are net of outstanding checks that are funded daily as presented for payment. Cash equivalents are generally comprised of highly liquid instruments with maturities of three months or less when purchased. Due to the short maturity of these instruments, carrying value on the Corporation's consolidated balance sheet approximates fair value.

[]Inventories -- Inventories are stated at the lower of cost or estimated net realizable value. Costs on long-term contracts and programs in progress represent recoverable costs incurred for production, allocable operating overhead, and, where appropriate, research and development and general and administrative expenses, less amounts attributed to cost of sales. Pursuant to contract provisions, agencies of the U.S. Government and other customers have title to, or a security interest in, certain inventories as a result of progress payments and advances. General and administrative expenses related to commercial products and services provided essentially under commercial terms and conditions are expensed as incurred. Costs of other product and supply inventories are principally determined by the first-in, first-out or average cost methods.

[]Property, plant and equipment -- Property, plant and equipment are carried principally at cost. Depreciation is provided on plant and equipment generally using accelerated methods of depreciation during the first half of the estimated useful lives of the assets; thereafter, straight-line depreciation generally is used. Estimated useful lives generally range from 8 years to 40 years for buildings and 2 years to 20 years for machinery and equipment.

[]Intangible assets -- Intangible assets related to contracts and programs acquired are amortized over the estimated periods of benefit (15 years or less) and are displayed on the consolidated balance sheet net of accumulated amortization of \$505 million and \$400 million at December 31, 1996 and 1995, respectively. Cost in excess of net assets acquired (goodwill) is amortized ratably over appropriate periods, primarily 40 years, and is displayed on the consolidated balance sheet net of accumulated amortization of \$617 million

and \$438 million at December 31, 1996 and 1995, respectively. The carrying values of intangible assets are reviewed if the facts and circumstances indicate potential impairment of their carrying value, and any impairment determined is recorded in the current period.

[]Environmental matters -- The Corporation records a liability for environmental matters when it is probable that a liability has been incurred and the amount can be reasonably estimated. A substantial portion of these costs are expected to be reflected in sales and cost of sales pursuant to U.S. Government agreement or regulation. At the time a liability is recorded for future environmental costs, an asset is recorded for estimated future recovery considered probable through the pricing of products and services to agencies of the U.S. Government. The portion of those costs expected to be allocated to commercial business is reflected in costs and expenses at the time the liability is established.

[]Sales and earnings -- Sales and anticipated profits under long-term fixed-price production contracts are recorded on a percentage of completion basis, generally using units of delivery as the measurement basis for effort accomplished. Estimated contract profits are taken into earnings in proportion to recorded sales. Sales under certain long-term fixed-price contracts which, among other things, provide for the delivery of minimal quantities or require a significant amount of development effort in relation to total contract value, are recorded using the percentage of completion cost-to-cost method of accounting where sales and profits are recorded based on the ratio of costs incurred to estimated total costs at completion.

Sales under cost-reimbursement-type contracts are recorded as costs are incurred. Applicable estimated profits are included in earnings in the proportion that incurred costs bear to total estimated costs. Sales of products and services provided essentially under commercial terms and conditions are recorded upon shipment or completion of specified tasks.

Amounts representing contract change orders, claims or other items are included in sales only when they can be reliably estimated and realization is probable. Incentives or penalties and awards applicable to performance on contracts are considered in estimating sales and profit rates, and are recorded when there is

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Lockheed Martin Corporation

sufficient information to assess anticipated contract performance. Incentive provisions which increase or decrease earnings based solely on a single significant event are generally not recognized until the event occurs.

When adjustments in contract value or estimated costs are determined, any changes from prior estimates are reflected in earnings in the current period. Anticipated losses on contracts or programs in progress are charged to earnings when identified.

[]Research and development and similar costs -- Corporation-sponsored research and development costs primarily include research and development and bid and proposal effort related to government products and services. Except for certain arrangements described below, these costs are generally included as part of the general and administrative costs that are allocated among all contracts and programs in progress under U.S. Government contractual arrangements. Corporation-sponsored product development costs not otherwise

allocable are charged to expense when incurred. Under certain arrangements in which a customer shares in product development costs, the Corporation's portion of such unreimbursed costs is expensed as incurred. Customer-sponsored research and development costs incurred pursuant to contracts are accounted for as contract costs.

[] Derivative financial instruments -- The Corporation uses derivative financial instruments to manage its exposure to fluctuations in interest rates and foreign exchange rates. The Corporation designates its interest rate swap agreements as hedges of specific debt instruments and recognizes the interest differentials as adjustments to interest expense over the terms of the related debt obligations. Forward exchange contracts are also designated as qualifying hedges of firm commitments or specific anticipated transactions. Gains and losses on these contracts are recognized in income when the hedged transactions occur. At December 31, 1996, the amounts of forward exchange contracts outstanding, as well as the amounts of gains and losses recorded during the year, were not material. The Corporation does not hold or issue financial instruments for trading purposes.

[] Earnings per common share -- Earnings per common share were based on the weighted average number of common shares outstanding during the year. Earnings per common share, assuming no dilution, were computed based on net earnings less the dividend requirement for preferred stock. The weighted average number of common shares outstanding, assuming no dilution, was approximately 189.1 million in 1996, 189.3 million in 1995 and 187.0 million in 1994.

Earnings per common share, assuming full dilution, were computed assuming that the average number of common shares was increased by the conversion of preferred stock. The weighted average number of common shares outstanding, assuming full dilution, was approximately 223.0 million in 1996, 223.2 million in 1995 and 218.3 million in 1994.

[] Accounting Changes -- Effective January 1, 1996, the Corporation adopted Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." SFAS No. 121 requires that certain long-lived assets to be held and used be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Additionally, SFAS No. 121 requires that certain long-lived assets to be disposed of be reported at the lower of carrying amount or fair value less costs to sell. The impact of the adoption of this standard was not material to the Corporation's consolidated earnings or financial position.

Also in 1996, the Corporation adopted SFAS No. 123, "Accounting for Stock-Based Compensation." SFAS No. 123 allows companies to continue to measure compensation cost for stock-based employee compensation plans using the intrinsic value method of accounting as prescribed in Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. The Corporation has elected to continue its APB Opinion No. 25 accounting treatment for stock-based compensation, and has adopted the provisions of SFAS No. 123 requiring disclosure of the pro forma effect on net earnings and earnings per share as if compensation cost had been recognized based upon the estimated fair value at the date of grant for options awarded.

The Corporation elected to adopt, effective January 1, 1994, the American Institute of Certified Public Accountants Statement of Position (SOP) No. 93-6, "Employers' Accounting for Employee Stock Ownership Plans," to account for its Employee Stock Ownership Plans (ESOPs). SOP No. 93-6

requires that unallocated common shares held by an ESOP trust be considered outstanding for voting and other Corporate purposes, but excluded from weighted average outstanding shares in calculating earnings per share. Adoption of this accounting method resulted in a cumulative effect adjustment which reduced net earnings for 1994 by \$37 million, or \$.17 per common share assuming full dilution. For 1996, 1995 and 1994, the weighted average unallocated ESOP shares excluded in calculating earnings per share totalled approximately 9.1 million, 10.3 million and 11.5 million common shares, respectively.

Note 2 -- Business Combination
with Loral Corporation

On January 7, 1996, the Corporation and its wholly-owned subsidiary, LAC Acquisition Corporation (LAC), entered into an Agreement and Plan of Merger (the Loral Merger Agreement) with Loral Corporation (Loral) pursuant to which LAC agreed to purchase all of the issued and outstanding shares of common stock of Loral (together with the associated preferred stock purchase rights) for an aggregate consideration of \$38 per share in cash (the Tender Offer). The Tender Offer was made as part of a series of transactions that resulted in (i) the distribution to stockholders of Loral immediately prior to the consummation of the Tender Offer of

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Notes to Consolidated Financial Statements

Continued

shares of capital stock in Loral Space & Communications, Ltd. (Loral SpaceCom), a newly-formed company, which now owns and manages substantially all of Loral's former space and satellite telecommunications interests, and (ii) the acquisition by the Corporation of Loral's defense electronics and systems integration businesses (collectively, the Loral Transaction).

In accordance with the terms of the Tender Offer and the Loral Merger Agreement, on April 23, 1996, LAC purchased approximately 94.5 percent of the outstanding shares of common stock of Loral. Subsequent to the consummation of the Tender Offer, on April 29, 1996, LAC merged with and into Loral and each remaining share of common stock of Loral not owned by LAC was converted into the right to receive \$38. Each outstanding share of common stock of LAC was converted into shares of common stock of Loral, and Loral changed its name to Lockheed Martin Tactical Systems, Inc. (Tactical Systems). As a result of these transactions, Tactical Systems became a wholly-owned subsidiary of the Corporation. The operations of Tactical Systems have been included in the results of operations of the Corporation from April 1, 1996.

In connection with the above transactions, the Corporation acquired shares of preferred stock of Loral SpaceCom that were convertible into 20 percent of Loral SpaceCom's common stock on a fully diluted basis at the acquisition date. The Corporation's ownership of the preferred stock of Loral SpaceCom is subject to certain limitations and restrictions set forth in the terms and conditions of the preferred stock and in agreements between the Corporation and Loral SpaceCom.

The total purchase price paid with respect to the above transactions, including acquisition costs, was approximately \$7.6 billion. The Loral Transaction has been accounted for using the purchase method of accounting.

Purchase accounting adjustments have been recorded to allocate the purchase price to assets acquired and liabilities assumed based on fair values at the date of acquisition. A summary of assets acquired and liabilities assumed follows:

<TABLE>
<CAPTION>

(In millions)	
<S>	<C>
Working capital, excluding cash acquired	\$ (805)
Property, plant and equipment	1,073
Intangible assets related to contracts and programs acquired	440
Cost in excess of net assets acquired	8,045
Other assets	1,110
Long-term debt	(1,857)
Post-retirement benefit liabilities	(464)
Other liabilities	(198)
Net investment	7,344
Cash acquired	277
Total cost of acquisition	\$ 7,621

</TABLE>

The following unaudited pro forma combined earnings data presents the results of operations of the Corporation and Tactical Systems for the years ended December 31, 1996 and 1995, as if the Loral Transaction had been consummated as of the beginning of the periods presented. This pro forma combined earnings data does not purport to be indicative of results of operations that would have resulted if the Loral Transaction had occurred on the applicable dates indicated above. Moreover, this data is not intended to be indicative of future results of operations.

<TABLE>
<CAPTION>

(In millions, except per share data)	1996	1995
<S>	<C>	<C>
Pro forma net sales	\$28,235	\$28,859
Pro forma net earnings	1,356	572
Pro forma earnings per common share:		
Assuming no dilution	6.85	2.71
Assuming full dilution	6.08	2.56

</TABLE>

The funds for the consummation of the Loral Transaction were provided through the issuance of commercial paper by the Corporation and through borrowings under revolving credit facilities with a syndicate of commercial banks. These credit facilities consisted of a 364-day unsecured revolving credit facility in the amount of \$5 billion (the Short-Term Credit Facility) and a 5-year unsecured revolving credit facility in the amount of \$5 billion (the 5-Year Credit Facility). In connection with the establishment of these credit facilities, the Corporation and Loral each terminated their previously existing revolving credit facilities. Approximately \$6.6 billion of

commercial paper was issued and approximately \$1 billion was borrowed under the 5-Year Credit Facility to finance the Loral Transaction on the closing date. During the second quarter of 1996, the Corporation issued \$5 billion of debt securities. The net proceeds from the sale of the debt securities were used to repay the \$1 billion borrowed under the 5-Year Credit Facility and to reduce the amount of commercial paper outstanding. On July 26, 1996, the Corporation terminated the Short-Term Credit Facility. The Corporation amended its 5-Year Credit Facility on December 20, 1996. (See Note 8.)

 Note 3 -- Repositioning of Non-Core Businesses and New Organizational Structure

On January 31, 1997, the Corporation entered into a memorandum of understanding under which certain of its non-core business units will be repositioned as a new independent company. These business units, which are primarily composed of high-technology, product-oriented companies, contributed approximately 2% of the Corporation's 1996 consolidated net sales. The Corporation will retain a 34.9% interest in the new company.

The proposed transaction is subject to the parties entering into a mutually acceptable definitive purchase agreement, regulatory approvals, and other customary conditions, and is expected to close during the first half of 1997.

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On February 3, 1997, concurrent with the announcement of this transaction, the Corporation announced a new organizational structure which reassigned management responsibility for certain business units. As a result, the Corporation's operations are now divided into five business segments. The operations of Tactical Systems have been reflected, for 1996 segment reporting purposes, in the Electronics, Information & Services, and Energy, Materials and Other segments. The segment data displayed in Note 15 has been presented in accordance with the new structure, and prior year data has been reclassified to conform to the new presentation.

 Note 4 -- Restructuring and Other Charges

During the fourth quarter of 1996, the Corporation recorded nonrecurring pretax charges, net of state income tax benefits, of \$307 million, which decreased net earnings by \$209 million, or \$.94 per common share assuming full dilution. Approximately one-half of the charges reflected the financial impacts of a conservative strategy on the part of the Corporation toward its environmental remediation business with regard to current business conditions, existing contractual issues on a Department of Energy (DOE) program, and the pursuit of other environmental opportunities. The remaining charges resulted from a number of other corporate actions to improve efficiencies, increase competitiveness and focus on core businesses.

During the first quarter of 1995, the Corporation recorded a pretax charge of \$165 million for merger related expenses in connection with the formation of Lockheed Martin. During the second quarter of 1995, the Corporation recorded a pretax charge of \$525 million in conjunction with a corporate-wide consolidation plan under which the Corporation would close

certain facilities and laboratories and eliminate duplicative field offices in the U.S. and abroad, eliminating up to approximately 12,000 positions. The charge represented the portion of the accrued costs and net realizable value adjustments that were not probable of recovery. The after-tax effect of these charges was \$436 million, or \$1.96 per common share assuming full dilution. As of December 31, 1996, cumulative merger related and consolidation payments were approximately \$452 million, which primarily relate to the formation of the Corporation, the elimination of positions and the closure of foreign and domestic offices and facilities.

During 1996, the Corporation incurred costs anticipated in the 1995 consolidation plan which had not met the requirements for accrual earlier. These costs include relocation of personnel and programs, retraining, process re-engineering and certain capital expenditures, among others. Management estimates that, consistent with the original 1995 consolidation plan, \$750 million of such costs will be incurred in the future, and currently anticipates that the remaining consolidation actions will be substantially completed by the end of 1998.

Under existing U.S. Government regulations, certain costs incurred for consolidation actions that can be demonstrated to result in savings in excess of the cost to implement can be deferred and amortized for government contracting purposes and included as allowable costs in future pricing of the Corporation's products and services. Included in other assets at December 31, 1996 is approximately \$250 million of deferred costs that will be reflected in future sales and cost of sales.

 Note 5 -- Receivables

Receivables consisted of the following components:

<TABLE>
 <CAPTION>

(In millions)	1996	1995
=====		
<S>	<C>	<C>
U.S. Government:		
Amounts billed	\$1,012	\$ 925
Unbilled costs and accrued profits	2,317	1,622
Commercial and foreign governments:		
Amounts billed	875	654
Unbilled costs and accrued profits, primarily related to commercial contracts	795	675
	\$4,999	\$3,876
=====		

</TABLE>

Unbilled costs and accrued profits consisted primarily of revenues on long-term contracts that had been recognized for accounting purposes but not yet billed to customers. Approximately \$360 million of the December 31, 1996 unbilled costs and accrued profits are not expected to be billed within one year.

 Note 6 -- Inventories

Inventories consisted of the following components:

<TABLE>
<CAPTION>

(In millions)	1996	1995
<S>	<C>	<C>
Work in process, primarily related to long-term contracts and programs in progress	\$4,456	\$3,752
Less customer advances and progress payments	(2,446)	(1,772)
	2,010	1,980
Other inventories	1,043	855
	\$3,053	\$2,835

</TABLE>

Inventories at December 31, 1996 included unamortized deferred costs of approximately \$360 million which are anticipated to be recovered through future contracts. Customer advances and progress payments applied above were those where the customer has title to, or a security interest in, inventories identified with the related contracts. Other customer advances were classified as current liabilities. Also included in 1996 inventories above were approximately \$370 million of costs which are not expected to be recovered within one year.

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An analysis of general and administrative costs, including research and development costs, included in work in process inventories follows:

<TABLE>
<CAPTION>

(In millions)	1996	1995	1994
<S>	<C>	<C>	<C>
Beginning of year	\$ 431	\$ 480	\$ 499
Incurred during the year	2,154	1,704	1,761
Charged to costs and expenses during the year:			
Research and development	(784)	(548)	(659)
Other general and administrative	(1,341)	(1,205)	(1,121)
End of year	\$ 460	\$ 431	\$ 480

</TABLE>

In addition, included in costs and expenses in 1996, 1995 and 1994 were general and administrative costs, including research and development costs, of approximately \$574 million, \$320 million and \$223 million, respectively, incurred by commercial business units or programs.

 Note 7 -- Property, Plant and Equipment

Property, plant and equipment consisted of the following components:

<TABLE>
 <CAPTION>

(In millions)	1996	1995
<S>	<C>	<C>
Land	\$ 248	\$ 362
Buildings	2,876	2,463
Machinery and equipment	5,328	5,329
	8,452	8,154
Less accumulated depreciation and amortization	(4,731)	(5,020)
	\$3,721	\$3,134

</TABLE>

 Note 8 -- Debt

Long-term debt consisted of the following components:

<TABLE>
 <CAPTION>

Type (Maturity Dates) (In millions)	Range of Interest Rates	1996	1995
<S>	<C>	<C>	<C>
Notes Payable (1997-2022)	5.7-9.4%	\$ 5,547	\$2,172
Debentures (2003-2036)	7.0-9.1%	3,156	828
Commercial Paper	5.6-7.3%	1,250	--
ESOP obligations (1997-2004)	8.3-8.4%	324	355
Payment obligations assumed from General Electric	5.0%	--	303
Other obligations	6.0-11.4%	91	74
		10,368	3,732
Less current maturities		(180)	(722)
		\$10,188	\$3,010

</TABLE>

During the second quarter of 1996, the Corporation issued \$5 billion of long-term fixed rate debt securities, the entire amount registered under the Corporation's shelf registration statement which became effective on May 10, 1996. These Notes and Debentures range in maturity from two years to 40 years, with interest rates ranging from between 6.55% and 7.75%. The registered holders of \$300 million of 40 year Debentures may elect, between

March 1 and April 1, 2008, to have each of their Debentures repaid by the Corporation on May 1, 2008. The debt securities are guaranteed by Tactical Systems (see Note 17).

In February 1996, the Corporation entered into interest rate hedging agreements to offset a portion of its exposure to rising interest rates related to the anticipated long-term financings. These agreements were closed in the second quarter of 1996 in connection with the Corporation's issuance of its long-term debt securities. The Corporation realized a gain of approximately \$150 million on the closing of these agreements, which has been deferred and is being amortized and recognized as an adjustment to interest expense over the terms of the related debt obligations.

At the effective date of the Loral Transaction, the Corporation assumed approximately \$1.9 billion of debt obligations of the former Loral Corporation.

Included in Debentures are \$103 million of 7% obligations (\$175 million at face value) which were originally sold at approximately 54% of their principal amount. These debentures, which are redeemable in whole or in part at the Corporation's option at 100% of their face value, have an effective yield of 13.25%.

A leveraged ESOP incorporated into the savings plan for heritage Lockheed Corporation (Lockheed) employees borrowed \$500 million through a private placement of notes in 1989 (see Note 12). These notes are being repaid in quarterly installments over terms ending in 2004. The ESOP note agreement stipulates

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that, in the event that the ratings assigned to the Corporation's long-term senior unsecured debt are below investment grade, holders of the notes may require the Corporation to purchase the notes and pay accrued interest. These notes are obligations of the ESOP but are guaranteed by the Corporation and included as debt on the Corporation's consolidated balance sheet.

On December 20, 1996, the Corporation amended its 5-Year Credit Facility to reduce its amount from \$5 billion to \$3.5 billion (the Amended 5-Year Credit Facility). The Corporation also entered into a one year credit facility in the amount of \$1.5 billion (collectively, the Credit Facilities). Borrowings under the Credit Facilities would be unsecured and bear interest, at the Corporation's option, at rates based on the Eurodollar rate or a bank Base Rate (as defined). Each bank's obligation to make loans under the Credit Facilities is subject to, among other things, compliance by the Corporation with various representations, warranties, covenants and agreements, including, but not limited to, covenants limiting the ability of the Corporation and certain of its subsidiaries to encumber their assets and a covenant not to exceed a maximum leverage ratio.

No borrowings were outstanding under the Credit Facilities at December 31, 1996. However, the Amended 5-Year Credit Facility supports commercial paper borrowings of approximately \$2.4 billion outstanding at December 31, 1996, of which approximately \$1.25 billion has been classified as long-term debt in the Corporation's consolidated balance sheet based on management's ability and intention to maintain this debt outstanding for at least one

year. During the third quarter of 1996, the Corporation entered into interest rate swap agreements to fix the interest rates on \$875 million of its commercial paper borrowings. These agreements will mature during 1997. The effects of these interest rate swap agreements are recorded periodically as an adjustment to interest expense related to commercial paper borrowings. The Corporation is exposed to the risk of nonperformance by the intermediaries to these agreements, though such nonperformance is not anticipated.

Excluding commercial paper classified as long term, the Corporation's long-term debt maturities for the five years following December 31, 1996, are: \$180 million in 1997; \$875 million in 1998; \$850 million in 1999; \$44 million in 2000; \$799 million in 2001; and \$6,370 million thereafter.

Certain of the Corporation's other financing agreements contain restrictive covenants relating to debt, limitations on encumbrances, and sale and lease-back transactions, and provisions which relate to certain changes in control.

SFAS No. 107, "Disclosures about Fair Value of Financial Instruments," and SFAS No. 119, "Disclosure about Derivative Financial Instruments and Fair Value of Financial Instruments," require the disclosure of the fair value of financial instruments, including assets and liabilities recognized and not recognized on the consolidated balance sheet, for which it is practicable to estimate fair value. Unless otherwise indicated elsewhere in the notes to the consolidated financial statements, the carrying value of the Corporation's financial instruments approximates fair value. The estimated fair values of the Corporation's long-term debt instruments at December 31, 1996, aggregated approximately \$10.7 billion, compared with a carrying amount of approximately \$10.4 billion on the consolidated balance sheet. The fair values were estimated based on quoted market prices for those instruments publicly traded. For privately placed debt, the fair values were estimated based on the quoted market prices for similar issues, or on current rates offered to the Corporation for debt of the same remaining maturities.

Interest payments were \$655 million in 1996, \$275 million in 1995 and \$276 million in 1994.

Note 9 -- Income Taxes

The provision for federal and foreign income taxes consisted of the following components:

<TABLE>
<CAPTION>

(In millions)	1996	1995	1994
=====	=====	=====	=====
<S>	<C>	<C>	<C>
Federal income taxes:			
Current	\$914	\$510	\$538
Deferred	(251)	(116)	73
-----	-----	-----	-----
Total federal income taxes	663	394	611
Foreign income taxes	23	13	9
-----	-----	-----	-----
Total income taxes provided	\$686	\$407	\$620
=====	=====	=====	=====

</TABLE>

Net provisions for state income taxes are included in general and administrative expenses, which are primarily allocable to government contracts. Such state income taxes were \$45 million for 1996, \$86 million for 1995 and \$50 million for 1994.

The Corporation's effective income tax rate varied from the statutory federal income tax rate because of the following tax differences:

<TABLE>
<CAPTION>

	1996	1995	1994
<S>	<C>	<C>	<C>
Statutory federal tax rate	35.0%	35.0%	35.0%
Increase (reduction) in tax rate from:			
Nondeductible amortization	4.2	3.2	2.1
Revisions to prior years' estimated liabilities	(1.6)	(3.4)	(.9)
Divestitures	(5.6)	--	--
Other, net	1.8	2.6	.8
	-----	-----	-----
	33.8%	37.4%	37.0%

</TABLE>

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The primary components of the Corporation's federal deferred income tax assets and liabilities at December 31 were as follows:

<TABLE>
<CAPTION>

(In millions)	1996	1995
<S>	<C>	<C>
Deferred tax assets related to:		
Accumulated post-retirement benefit obligations	\$ 700	\$ 554
Accrued compensation and benefits	333	223
Merger related and consolidation reserves	217	168
Contract accounting methods	619	165
Other	180	137
	-----	-----
	2,049	1,247
Deferred tax liabilities related to:		
Intangible assets	486	365
Prepaid pension asset	297	89
Property, plant and equipment	178	213
	-----	-----

	961	667

Net deferred tax assets	\$1,088	\$ 580
=====		

</TABLE>

Federal and foreign income tax payments, net of refunds received, were \$1.1 billion in 1996, \$223 million in 1995 and \$502 million in 1994.

 Note 10 -- Other Income and Expenses

Other income and expenses, net, consisted of the following components:

<TABLE>

<CAPTION>

(In millions)	1996	1995	1994

<S>	<C>	<C>	<C>
Royalty income	\$ 47	\$64	\$ 59
Interest income	60	33	34
Materials transactions	365	--	118
Acquisition termination fee	--	--	50
Other	(20)	(2)	(61)

	\$452	\$95	\$200
=====			

</TABLE>

During the third quarter of 1996, the Corporation announced its intention to distribute via an exchange offer its remaining 81 percent interest in Martin Marietta Materials, Inc. (Materials) to its stockholders (the Exchange Offer). Under the terms of the Exchange Offer, the Corporation's stockholders were given the opportunity to exchange each Lockheed Martin common share held for 4.72 common shares of Materials on a tax-free basis. The Exchange Offer expired by its terms on October 18, 1996 and was oversubscribed. On October 23, 1996, approximately 7.9 million shares of the Corporation's common stock were exchanged for the 37.35 million shares of Materials common stock held by the Corporation. Upon the closing of this transaction, the Corporation had no remaining ownership interest in Materials and had reduced its common shares outstanding by approximately 4 percent. This fourth quarter, 1996 exchange was accounted for at fair value, resulting in the reduction of the Corporation's stockholders' equity by \$750 million and the recognition of a pretax gain of \$365 million.

In November, 1996, the Corporation announced the proposed divestiture of two of its business units, Defense Systems and Armament Systems. This transaction, which concluded with the Corporation's receipt of \$450 million in cash on January 2, 1997, had no pretax effect on the results of operations for 1996. At December 31, 1996, \$450 million, representing the net assets of the two business units, is included in other current assets.

On a combined basis, the Materials exchange and divestiture noted above increased net earnings by \$351 million, or \$1.58 per common share assuming full dilution.

In February 1994, Materials sold through an initial public offering (IPO) approximately 8.8 million shares, or 19% of its common stock. A portion of the proceeds from the offering was used to defease in substance certain

long-term debt. The Corporation recognized a pretax gain, net of a loss on debt defeasance, of \$118 million from the Materials IPO. The net after-tax gain from these transactions was \$70 million, or \$.32 per common share assuming full dilution.

During March 1994, the Corporation entered into an Agreement and Plan of Merger with Grumman Corporation (Grumman) which was subsequently terminated by Grumman. In April 1994, the Corporation received \$50 million plus reimbursement of expenses pursuant to the termination provisions of the Agreement and Plan of Merger. The Corporation recorded an after-tax gain of \$30 million, or \$.14 per common share assuming full dilution.

 Note 11 -- Stockholders' Equity and Related Items

[]Capital structure -- The authorized capital of the Corporation is composed of 750 million shares of common stock (192.7 million shares issued), 50 million shares of series preferred stock (no shares issued), and 20 million shares of Series A preferred stock (20 million shares issued). Approximately 70 million common shares have been reserved for issuance under benefit and incentive plans.

The Series A preferred stock has a par value of \$1 per share (liquidation preference of \$50 per share). The Corporation issued all of the authorized and outstanding shares of Series A preferred stock to General Electric Company (GE) in 1993 in connection with the acquisition of the GE Aerospace businesses. Dividends are cumulative and paid at an annual rate of \$3.00 per share, or 6%. The shares held by GE are currently convertible into approximately 13% of the shares of the Corporation's common stock after giving effect to such conversion, have an aggregate liquidation preference of \$1 billion, and are nonvoting except in special circumstances.

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Accordingly, 29 million common shares have been reserved for this potential conversion. In April 1998 and thereafter, the Corporation will be entitled to redeem, at its option, any or all shares of the Series A preferred stock for either cash or common stock. The Series A preferred stock is held under a Standstill Agreement which, among other things, imposes certain limitations on either the increase or disposal of GE's interest in voting securities of the Corporation, on GE's solicitation of proxies and stockholder proposals, on GE's voting of its shares and on GE's ability to place or remove members of the Corporation's Board of Directors. In addition, the Standstill Agreement requires the Corporation to recommend to its stockholders the election of two persons designated by GE to serve as directors of the Corporation.

During the second quarter of 1996, the Corporation's Board of Directors terminated the systematic common stock repurchase plan which had been established in 1995 to counter the future dilutive effect of common stock issued by the Corporation under its 1995 Omnibus Performance Award Plan. A separate program authorized in 1995 for the repurchase of up to nine million common shares to counter the dilutive effect of common stock issued under the Corporation's other benefit and compensation programs and for other purposes related to such plans remains in effect. Approximately 2.3 million common shares were repurchased by the Corporation in 1995 under these programs; no shares were repurchased in 1996.

[] Stock option and award plans -- On March 15, 1995, the stockholders approved the Lockheed Martin 1995 Omnibus Performance Award Plan (Omnibus Plan). Under the Omnibus Plan, employees of the Corporation may be granted stock-based incentive awards, including options to purchase common stock, stock appreciation rights, restricted stock or other stock-based incentive awards. Employees may also be granted cash-based incentive awards, such as performance units. These awards may be granted either individually or in combination with other awards. The Omnibus Plan requires that options to purchase common stock have an exercise price of not less than 100% of the market value of the underlying stock on the date of grant. The number of shares of Lockheed Martin common stock currently authorized to be issued in respect of awards under the Omnibus Plan is 12 million shares. The Omnibus Plan does not impose any minimum vesting periods on options or other awards. The maximum term of an option or any other award is ten years. The Omnibus Plan allows the Corporation to provide for financing of purchases, subject to certain conditions, by interest-bearing notes payable to the Corporation.

Prior to the merger of Lockheed and Martin Marietta Corporation (Martin Marietta) in 1995 (the Business Combination), Lockheed and Martin Marietta had also utilized share-based and cash-based incentive award plans. The Agreement and Plan of Reorganization relating to the Business Combination provided for each outstanding stock option, stock appreciation right and other stock-based incentive award to be converted into a similar instrument of Lockheed Martin upon consummation of the Business Combination. Effective with the adoption of the Omnibus Plan, no further grants of share-based or cash-based incentive awards have been or will be made under any of Lockheed's or Martin Marietta's prior plans. Accordingly, shares available for grant under these prior plans were removed from registration in 1995.

The following table summarizes the stock option activity of the Corporation's plans during 1994, 1995 and 1996:

<TABLE>
<CAPTION>

	Number of Shares (In thousands)		Weighted Average Exercise Price
	Available for Grant	Options Outstanding	
<S>	<C>	<C>	<C>
December 31, 1993	3,784	8,469	\$29.57
Additions	2,119	--	--
Granted	(2,403)	2,397	\$42.65
Exercised	--	(1,463)	\$27.10
Terminated	152	(159)	\$38.04
December 31, 1994	3,652	9,244	\$33.21
Additions	12,000	--	--
Granted	(2,228)	2,228	\$59.38
Removed from registration	(3,674)	--	--
Exercised	--	(1,943)	\$30.47
Terminated	81	(109)	\$51.63
December 31, 1995	9,831	9,420	\$39.74
Granted	(2,649)	2,649	\$75.04
Exercised	--	(2,241)	\$32.65
Terminated	141	(170)	\$63.32

December 31, 1996	7,323	9,658	\$50.65
-------------------	-------	-------	---------

</TABLE>

Approximately 5.2 million, 6.5 million and 5.7 million outstanding options were exercisable at December 31, 1994, 1995 and 1996, respectively.

Information regarding options outstanding at December 31, 1996 follows (number of options in thousands):

<TABLE>

<CAPTION>

Range of Exercise Prices	Number of Options	Options Outstanding	
		Weighted Average Exercise Price	Weighted Av Remaining Cont Life
<S>	<C>	<C>	<C>
Less than \$39.99	3,408	\$30.79	5 year
\$40.00 - \$59.99	3,676	\$51.98	8 year
Greater than \$60.00	2,574	\$75.06	9 year
Total	9,658	\$50.65	7 year

</TABLE>

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All stock-based incentive awards granted in 1996 and 1995 under the Omnibus Plan were stock options which have 10 year terms and vest over a two year service period. Exercise prices of options awarded in both years were equal to the market price of the stock on the date of grant. Pro forma information regarding net earnings and earnings per share as required by SFAS No. 123 has been determined as if the Corporation had accounted for its employee stock options under the fair value method. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for 1996 and 1995, respectively: risk-free interest rates of 5.58% and 6.64%; dividend yield of 1.70%; volatility factors related to the expected market price of the Corporation's common stock of .186 and .216; and weighted-average expected option life of five years. The weighted average fair values of options granted during 1996 and 1995 were \$17.24 and \$16.09, respectively.

For purposes of pro forma disclosures, the options' estimated fair values are amortized to expense over the options' vesting periods. Therefore, the pro forma results for 1995 presented below include only 50% of the total pro forma expense for options awarded in that year. The Corporation's pro forma information follows:

<TABLE>

<CAPTION>

(In millions, except per share data)	1996	1995
--------------------------------------	------	------

<S>	<C>	<C>
Pro forma net earnings	\$1,322	\$ 671
Pro forma earnings per common share:		
Assuming no dilution	6.67	3.23
Assuming full dilution	5.93	3.01

</TABLE>

Note 12 -- Post-Retirement Benefit Plans

The Corporation maintains separate plans for post-retirement benefits for its employees based on their association with the former heritage companies of Lockheed and Martin Marietta, and with Tactical Systems.

Defined Contribution Plans

The Corporation maintains a number of defined contribution plans which cover substantially all employees, the most significant of which are the 401(k) plans for salaried employees (the Salaried Plans) and hourly employees (the Hourly Plans). Under the provisions of these 401(k) plans, employees' eligible contributions are matched by the Corporation at established rates. The Corporation's matching obligations were \$202 million in 1996, \$180 million in 1995, and \$192 million in 1994. Matching obligations for 1996 include contributions related to employees of Tactical Systems since the date of acquisition.

The Salaried Plan for heritage Lockheed employees includes an ESOP which purchased 17.4 million shares of the Corporation's common stock with the proceeds from a \$500 million note issue which is guaranteed by the Corporation (see Note 8). A portion of the Corporation's match consisted of the Corporation's common stock (50% through June 30, 1995, and 100% thereafter), which was partially fulfilled with stock released from the ESOP at approximately 1.2 million shares per year based upon the debt repayment schedule through the year 2004, with the remainder being fulfilled through purchases of common stock from terminating participants or in the open market. Interest incurred on the ESOP debt totaled \$29 million, \$31 million and \$33 million in 1996, 1995 and 1994, respectively. Dividends received by the ESOP with respect to unallocated shares held are used for debt service. The ESOP held approximately 21 million issued shares of the Corporation's common stock at December 31, 1996, of which approximately 12 million were allocated and 9 million were unallocated. The fair value of the unallocated ESOP shares at December 31, 1996 was approximately \$800 million. Effective January 1, 1997, heritage Martin Marietta salaried employees became eligible to participate in this plan.

The Hourly Plans for heritage Lockheed employees include non-leveraged ESOPs. The Corporation's match to these plans were made through cash contributions to the ESOP trusts which were used, in part, to purchase common stock from terminating participants and in the open market for allocation to participant accounts. These ESOP trusts held approximately 2 million issued and outstanding shares of common stock at December 31, 1996.

Dividends paid to the salaried and hourly ESOP trusts on the allocated shares are paid annually by the ESOP trusts to the participants based upon the number of shares allocated to each participant.

Defined Benefit Plans

Most employees are covered by contributory or noncontributory defined benefit pension plans. Benefits for salaried plans are generally based on average compensation and years of service, while those for hourly plans are generally based on negotiated benefits and years of service. Substantially all benefits are paid from funds previously contributed to trustees. The Corporation's funding policy is to make contributions that are consistent with U.S. Government cost allowability and Internal Revenue Service deductibility requirements, subject to the full-funding limits of the Employee Retirement Income Security Act of 1974 (ERISA). When any funded plan exceeds the full-funding limits of ERISA, no contribution is made to that plan.

The net pension cost related to the Corporation's defined benefit plans included the following components:

<TABLE> <CAPTION> (In millions)	1996	1995	1994
<S>	<C>	<C>	<C>
Service cost--benefits earned during the year	\$ 463	\$ 342	\$ 429
Interest cost	1,050	881	828
Net amortization and other components	889	1,534	(1,067)
Actual return on assets	(2,243)	(2,571)	65
Net pension cost	\$ 159	\$ 186	\$ 255

</TABLE>

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Lockheed Martin Corporation

The following table sets forth the defined benefit plans' funded status and amounts recognized in the Corporation's consolidated balance sheet:

<TABLE> <CAPTION> (In millions)	1996	1995
<S>	<C>	<C>
Plan assets at fair value	\$18,402	\$13,813
Actuarial present value of benefit obligations:		
Vested	\$13,486	\$10,684
Non-vested	236	115
Accumulated benefit obligation	13,722	10,799
Effect of projected future salary increases	1,694	1,589
Projected benefit obligation (PBO)	15,416	12,388
Plan assets greater than PBO	2,986	1,425

Reconciling items:

Unrecognized net asset existing at the date of initial application of SFAS No. 87	(196)	(287)
Unrecognized prior-service cost	461	499
Unrecognized gain	(2,484)	(1,381)

Prepaid pension asset	\$ 767	\$ 256

</TABLE>

The increases in the fair value of plan assets, the PBO and the prepaid pension asset are primarily related to the inclusion of the defined benefit plans of Tactical Systems in 1996. The fair value of plan assets also increased due to favorable investment returns in 1996.

At December 31, 1996, approximately 56 percent of the plan assets were equity securities with the remainder primarily being fixed income securities and cash equivalents. Actuarial determinations were based on various assumptions displayed in the following table. Net pension costs in 1996, 1995 and 1994 were based on assumptions in effect at the end of the respective preceding year. Benefit obligations as of each year-end were based on assumptions in effect as of those dates.

<TABLE>

<CAPTION>

	1996	1995	1994

<S>	<C>	<C>	<C>
Assumptions:			
Discount rates	7.8%	7.5%	8.2-8.5%
Rates of increase in future compensation levels	6.0	6.0	5.5-6.0
Expected long-term rate of return on assets	9.0	8.8	8.0-8.8

</TABLE>

Retiree Medical And Life Insurance Plans

Certain health care and life insurance benefits are provided to eligible retirees by the Corporation. These benefits are paid by the Corporation or funded through several trusts.

The net periodic post-retirement benefit cost included the following components:

<TABLE>

<CAPTION>

(In millions)	1996	1995	1994

<S>	<C>	<C>	<C>
Service cost--benefits earned during the year	\$ 40	\$ 34	\$ 54
Interest cost	181	177	164
Net amortization and other components	13	44	(29)
Actual return on assets	(73)	(82)	(3)
Curtailement gain	(15)	--	(21)

Net post-retirement cost	\$146	\$173	\$165

</TABLE>

The Corporation has made contributions to trusts (including Voluntary Employees' Beneficiary Association (VEBA) trusts and 401(h) accounts) established to pay future medical benefits to eligible retirees and dependents.

The following table sets forth the post-retirement benefit plans' obligations and funded status as of December 31:

<TABLE>

<CAPTION>

(In millions)	1996	1995
<S>	<C>	<C>
Plan assets at fair value	\$ 736	\$ 590
Actuarial present value of benefit obligations:		
Active employees, eligible to retire	\$ 334	\$ 344
Active employees, not eligible to retire	454	428
Former employees	1,819	1,504
Accumulated post-retirement benefit obligation (APBO)	2,607	2,276
Assets less than APBO	1,871	1,686
Unrecognized prior service cost	--	16
Unrecognized gain	206	93
Post-retirement benefit unfunded liability	\$2,077	\$1,795

</TABLE>

Actuarial determinations were based on various assumptions displayed in the following table. Net retiree medical costs for 1996, 1995 and 1994 were based on assumptions in effect at the end of the respective preceding years. Benefit obligations as of the end of each year reflect assumptions in effect as of those dates.

<TABLE>

<CAPTION>

	1996	1995	1994
<S>	<C>	<C>	<C>
Assumptions:			
Discount rates	7.8%	7.5%	8.2-8.5%
Expected long-term rate of return on assets	9.0	8.8	8.0-8.8

</TABLE>

The medical trend rates used in measuring the APBO were 7.5% in 1996 and 8% in 1995, and were assumed to gradually decrease to 4.5% by the year 2004. An increase of one percentage point in the assumed medical trend rates would result in an

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Notes to Consolidated Financial Statements

Continued

increase in the APBO of approximately 7.6% at December 31, 1996, and a 1996 post-retirement benefit cost increase of approximately 8.1%. The Corporation believes that the cost containment features it has previously adopted and the funding approaches underway will allow it to effectively manage its retiree medical expenses, but it will continue to monitor the costs of retiree medical benefits and may further modify the plans if circumstances warrant.

Note 13 -- Leases

Total rental expense under operating leases, net of immaterial amounts of sublease rentals and contingent rentals, were \$320 million, \$236 million and \$265 million for 1996, 1995 and 1994, respectively.

Future minimum lease commitments at December 31, 1996, for all operating leases that have a remaining term of more than one year were approximately \$1.1 billion (\$254 million in 1997, \$207 million in 1998, \$174 million in 1999, \$124 million in 2000, \$99 million in 2001, and \$264 million in later years). Certain major plant facilities and equipment are furnished by the U.S. Government under short-term or cancelable arrangements.

Note 14 -- Commitments and Contingencies

The Corporation or its subsidiaries are parties to or have property subject to litigation and other proceedings, including matters arising under provisions relating to the protection of the environment. In the opinion of management and counsel, the probability is remote that the outcome of these matters will have a material adverse effect on the results of the Corporation's operations or its financial position. These matters include the following items:

- [] Environmental matters -- In 1991, the Corporation entered into a consent decree with the U.S. Environmental Protection Agency (EPA) relating to certain property in Burbank, California, which obligated the Corporation to design and construct facilities to monitor, extract, and treat groundwater, and to operate and maintain such facilities for approximately eight years. A second consent decree is being finalized which will obligate the Corporation to fund the continued operation and maintenance of these facilities through the year 2018. The Corporation estimates that expenditures required to comply with the consent decrees over their remaining terms will be approximately \$110 million.

The Corporation has also been operating under a cleanup and abatement order from the California Regional Water Quality Control Board affecting its facilities in Burbank, California. This order requires site assessment and action to abate groundwater contamination by a combination of groundwater and soil cleanup and treatment. Based on experience derived from initial remediation activities, the Corporation estimates the anticipated costs of these actions in excess of the requirements under the EPA consent decree to approximate \$90 million over the remaining term of the project.

In addition, the Corporation is involved in other proceedings and potential proceedings relating to environmental matters, including disposal of hazardous wastes and soil and water contamination. The extent of the

Corporation's financial exposure cannot in all cases be reasonably estimated at this time. A liability of approximately \$340 million for those cases in which an estimate of financial exposure can be determined has been recorded.

Under an agreement with the U.S. Government, the Burbank groundwater treatment and soil remediation expenditures referenced above are being allocated to the Corporation's operations as general and administrative costs and, under existing government regulations, these and other environmental expenditures related to U.S. Government business, after deducting any recoveries from insurance or other responsible parties, are allowable in establishing the prices of the Corporation's products and services. As a result, a substantial portion of the expenditures will be reflected in the Corporation's sales and cost of sales pursuant to U.S. Government agreement or regulation. The Corporation has recorded an asset for the portion of these costs that are probable of future recovery in pricing of the Corporation's products and services for U.S. Government business. The portion that is expected to be allocated to commercial business has been reflected in cost of sales. The recorded amounts do not reflect the possible future recovery of portions of the environmental costs through insurance policy coverage or from other potentially responsible parties, which the Corporation is pursuing as required by agreement and U.S. Government regulation. Any such recoveries, when received, would reduce the Corporation's liability as well as the allocated amounts to be included in the Corporation's U.S. Government sales and cost of sales.

[]Waste remediation contract -- In 1994, the Corporation was awarded a \$180 million fixed price contract by the DOE for the Phase II design, construction and limited test of remediation facilities, and the Phase III full remediation of waste found in Pit 9, located on the Idaho National Engineering and Environmental Laboratory reservation. The Corporation has incurred and continues to incur significant unanticipated costs and schedule impacts due to complex technical and contractual matters which threaten the viability of the overall Pit 9 program. The Corporation is currently working to identify and quantify the overall effects, including the financial impact, of these matters, and discussions with the DOE are continuing; however, to date no resolution of these technical and contractual matters has been achieved. Upon completion of the Corporation's investigation into the circumstances which gave rise to these schedule, technical and cost issues, the Corporation will provide the DOE an appropriate request for equitable adjustment. The total amount of such request for equitable adjustment has not yet been determined.

[]Letters of credit and other matters -- The Corporation has entered into standby letter of credit agreements and other arrangements with financial institutions primarily relating to the guarantee of future performance on certain contracts. In connection with the Loral Transaction, the Corporation assumed the

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Lockheed Martin Corporation

obligations of Loral as guarantor under the Revolving Credit Agreement of Globalstar, L.P., an affiliate of Loral SpaceCom, up to a maximum principal amount of \$250 million, subject to the assumption by certain of the Globalstar partners of a portion of the Corporation's obligations as guarantor. At December 31, 1996, the Corporation had contingent liabilities on outstanding letters of credit, guarantees, and other arrangements

<S>	<C>	<C>	<C>
Net sales			
Space & Strategic Missiles	\$ 7,904	\$ 7,813	\$ 7,000
Electronics	6,705	3,357	4,059
Information & Services	5,863	4,173	3,986
Aeronautics	5,596	6,617	7,091
Energy, Materials and Other	807	893	770
	-----	-----	-----
	\$26,875	\$22,853	\$22,906
	-----	-----	-----
Operating profit			
Space & Strategic Missiles	\$ 973	\$ 463	\$ 495
Electronics	673	224	451
Information & Services	241	267	214
Aeronautics	441	394	511
Energy, Materials and Other	405	29	308
	-----	-----	-----
	\$2,733	\$1,377	\$1,979
	-----	-----	-----
Depreciation and amortization			
Space & Strategic Missiles	\$188	\$206	\$218
Electronics	239	122	136
Information & Services	121	69	79
Aeronautics	126	142	126
Energy, Materials and Other	58	66	79
	-----	-----	-----
	\$732	\$605	\$638
	-----	-----	-----
Amortization of intangible assets			
Space & Strategic Missiles	\$ 52	\$ 56	\$ 61
Electronics	209	85	69
Information & Services	124	57	45
Aeronautics	79	89	89
Energy, Materials and Other	1	9	15
	-----	-----	-----
	\$465	\$296	\$279
	-----	-----	-----

</TABLE>

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<PAGE>

Notes to Consolidated Financial Statements

Continued

<TABLE>

<CAPTION>

(In millions)	1996	1995	1994
	-----	-----	-----
<S>	<C>	<C>	<C>
Expenditures for property, plant and equipment			
Space & Strategic Missiles	\$264	\$165	\$175

Electronics	213	100	102
Information & Services	104	63	66
Aeronautics	75	58	96
Energy, Materials and Other	81	114	70
	-----	-----	-----
	\$737	\$500	\$509
	-----	-----	-----
Identifiable assets			
Space & Strategic Missiles	\$ 3,758	\$ 3,750	\$ 4,222
Electronics	11,363	3,869	3,386
Information & Services	6,111	2,679	2,375
Aeronautics	4,201	3,827	4,316
Energy, Materials and Other	3,824	3,433	3,680
	-----	-----	-----
	\$29,257	\$17,558	\$17,979
	-----	-----	-----

</TABLE>

<TABLE>

<CAPTION>

Net Sales By Customer Category

(In millions)	1996	1995	1994
	-----	-----	-----
<S>	<C>	<C>	<C>
U.S. Government/(a)/			
Space & Strategic Missiles	\$ 6,401	\$ 6,315	\$ 5,815
Electronics	4,469	2,282	2,793
Information & Services	3,860	2,731	2,834
Aeronautics	3,830	4,274	4,970
Energy, Materials and Other	154	168	152
	-----	-----	-----
	\$18,714	\$15,770	\$16,564
	-----	-----	-----
Foreign governments			
Space & Strategic Missiles	\$ 38	\$ 112	\$ 290
Electronics	1,668	832	1,035
Information & Services	140	77	157
Aeronautics	1,466	1,966	1,958
Energy, Materials and Other	--	--	--
	-----	-----	-----
	\$3,312	\$2,987	\$3,440
	-----	-----	-----
Commercial			
Space & Strategic Missiles	\$1,465	\$1,386	\$ 837
Electronics	568	259	212
Information & Services	1,863	1,349	1,072
Aeronautics	300	377	163
Energy, Materials and Other	653	725	618
	-----	-----	-----
	\$4,849	\$4,096	\$2,902
	-----	-----	-----

</TABLE>

/(a)/ Sales made to foreign governments through the U.S. Government are included in sales to foreign governments.

Export sales were \$4.7 billion, \$3.7 billion and \$3.6 billion in 1996, 1995 and 1994, respectively.

 Note 16 -- Summary of Quarterly

Information (Unaudited)

<TABLE>
 <CAPTION>

(In millions, except per share data)	1996 Quarters			
	First	Second/(a)/	Third/(a)/	Fourth/(a)/(b)/
<S>	<C>	<C>	<C>	<C>
Net sales	\$5,109	\$7,076	\$7,028	\$7,662
Earnings from operations	472	693	675	441
Net earnings	272	299	311	465
Earnings per common share, assuming full dilution	1.22	1.33	1.38	2.11

</TABLE>

<TABLE>
 <CAPTION>

(In millions, except per share data)	1995 Quarters			
	First/(c)/	Second/(c)/	Third	Fourth
<S>	<C>	<C>	<C>	<C>
Net sales	\$5,644	\$5,606	\$5,551	\$6,052
Earnings (loss) from operations	290	(55)	510	537
Net earnings (loss)	137	(53)	287	311
Earnings (loss) per common share, assuming full dilution	.62	(d)	1.29	1.38

</TABLE>

/(a)/ Net sales and earnings for the second, third and fourth quarters of 1996 include the operations of Tactical Systems (see Note 2).

/(b)/ Earnings for the fourth quarter of 1996 include the effects of certain nonrecurring items (see Notes 4 and 10).

/(c)/ Earnings for the first and second quarters of 1995 include the effects of merger related and consolidation expenses (see Note 4).

/(d)/ Loss per common share, assuming full dilution, of \$.24 has not been presented above as such amount was anti-dilutive when compared to the loss per common share, assuming no dilution, of \$.36.

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Lockheed Martin Corporation

Note 17 -- Summarized Consolidating Financial Information

The \$5 billion of debt obligations issued by the Corporation in the second quarter of 1996 are fully and unconditionally guaranteed by Tactical Systems. Pursuant to SEC disclosure requirements, summarized consolidating financial information follows:

<TABLE>
<CAPTION>

(In millions)	Lockheed Martin/(a)/	Tactical Systems/(b)/	Gua En
<S>	<C>	<C>	<C>
Earnings Data			

For the year ended December 31, 1996			
Net sales	\$19,066	\$ 303	
Earnings from operations	1,728	52	
Net earnings	1,347	308	

For the year ended December 31, 1995			
Net sales	\$19,516	\$ --	
Earnings from operations	1,060	--	
Net earnings	682	--	

For the year ended December 31, 1994			
Net sales	\$19,857	\$ --	
Earnings from operations	1,569	--	
Net earnings	1,018	--	
=====			
Cash Flows Data			

For the year ended December 31, 1996			
Net cash provided by (used for):			
Operating activities	\$ 931	\$ 353	
Investing activities	(7,737)	(90)	
Financing activities	6,101	(257)	

Net (decrease) increase in cash and cash equivalents	(705)	6	
Cash and cash equivalents:			
Beginning of year	640	--	

End of year	\$ (65)	\$ 6	

For the year ended December 31, 1995			
Net cash provided by (used for):			
Operating activities	\$1,067	\$ --	
Investing activities	(370)	--	
Financing activities	(678)	--	

Net increase (decrease) in cash and cash equivalents	19	--
Cash and cash equivalents:		
Beginning of year	621	--

End of year	\$ 640	\$ --

For the year ended December 31, 1994		
Net cash provided by (used for):		
Operating activities	\$1,409	\$ --
Investing activities	(349)	--
Financing activities	(762)	--

Net increase (decrease) in cash and cash equivalents	298	--
Cash and cash equivalents:		
Beginning of year	323	--

End of year	\$ 621	\$ --
=====		

</TABLE>

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Notes to Consolidated Financial Statements

Lockheed Martin Corporation

Continued

<TABLE>

<CAPTION>

(In millions)		Lockheed Martin/(a)/	Tactical Systems/(b)/
=====			
<S>	<C>	<C>	<C>
Balance Sheet Data			

As of December 31, 1996			
Current assets	--Public	\$6,754	\$ 603
	--Affiliated/(c)/	79	28
Noncurrent assets	--Public	10,198	1,347
	--Affiliated/(c)/	7,873	8,806
Current liabilities	--Public	5,962	135
	--Affiliated/(c)/	333	28
Long-term debt		8,972	1,204
Other noncurrent liabilities	--Public	2,781	857
Equity		6,856	8,560

As of December 31, 1995			
Current assets	--Public	\$6,992	\$ --
	--Affiliated/(c)/	262	--
Noncurrent assets	--Public	8,236	--
	--Affiliated/(c)/	1,541	--
Current liabilities	--Public	4,453	--
	--Affiliated/(c)/	448	--
Long-term debt		2,880	--

Other noncurrent liabilities--Public	2,817	--
Equity	6,433	--

</TABLE>

//(a)/ Data is related to the parent company only.

//(b)/ Data is related to Tactical Systems, Inc. only and pertains to operations from April 1, 1996.

//(c)/ Amounts represent activity with Lockheed Martin affiliated companies.

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<PAGE>

Lockheed Martin Corporation

Consolidated Financial Data

Seven Year Summary

<TABLE>
<CAPTION>

(In millions, except per share data)	1996	1995	1994	
<S>	<C>	<C>	<C>	<
Operating Results				
Net sales	\$26,875	\$22,853	\$22,906	\$
Costs and expenses	24,594	21,571	21,127	

Earnings from operations	2,281	1,282	1,779	
Other income and expenses, net	452	95	200	

Interest expense	2,733	1,377	1,979	
	700	288	304	

Earnings before income taxes and cumulative effect of changes in accounting	2,033	1,089	1,675	
Income tax expense	686	407	620	

Earnings before cumulative effect of changes in accounting	1,347	682	1,055	
Cumulative effect of changes in accounting	--	--	(37)	

Net earnings (loss)	\$ 1,347	\$ 682	\$ 1,018	\$
=====				
Per Common Share				
Assuming no dilution:				
Before cumulative effect of changes in accounting	\$ 6.80	\$ 3.28	\$ 5.32	\$
Cumulative effect of changes in accounting	--	--	(.20)	

	\$ 6.80	\$ 3.28	\$ 5.12	\$

=====				
Assuming full dilution:				
Before cumulative effect of changes				
in accounting	\$ 6.04	\$ 3.05	\$ 4.83	\$
Cumulative effect of changes				
in accounting	--	--	(.17)	

	\$ 6.04	\$ 3.05	\$ 4.66	\$
=====				
Cash Dividends	\$ 1.60	\$ 1.34	\$ 1.14	\$
=====				
Condensed Balance Sheet Data				
Current assets	\$ 9,940	\$ 8,208	\$ 8,143	\$
Property, plant and equipment	3,721	3,134	3,455	
Intangible assets related to contracts				
and programs acquired	1,767	1,553	1,696	
Cost in excess of net assets acquired	10,394	2,794	2,831	
Other assets	3,435	1,869	1,854	

Total	\$29,257	\$17,558	\$17,979	\$
=====				
Current liabilities--other	\$ 7,414	\$ 4,462	\$ 5,177	\$
Short-term borrowings	1,110	--	--	
Current maturities of long-term debt	180	722	285	
Long-term debt	10,188	3,010	3,594	
Post-retirement benefit liabilities	2,077	1,795	1,859	
Other liabilities	1,432	1,136	978	
Stockholders' equity	6,856	6,433	6,086	

Total	\$29,257	\$17,558	\$17,979	\$
=====				
Common Shares Outstanding at Year End	192.7	198.6	199.1	
=====				

</TABLE>

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Corporate Directory

(As of February 1, 1997)

Board of Directors

Norman R. Augustine
Chairman and Chief Executive Officer,
Lockheed Martin Corporation

Marcus C. Bennett
Executive Vice President and
Chief Financial Officer,
Lockheed Martin Corporation

Lynne V. Cheney
Senior Fellow for Public Policy Research,
American Enterprise Institute

Vance D. Coffman
President and Chief Operating Officer,
Lockheed Martin Corporation

Houston I. Flournoy
Special Assistant to the President, Governmental Affairs,
University of Southern California

James F. Gibbons
Professor of Electrical Engineering,
Stanford University

Edward E. Hood, Jr.
Retired Vice Chairman,
General Electric Company

Caleb B. Hurtt
Retired President and
Chief Operating Officer,
Martin Marietta Corporation

Gwendolyn S. King
Senior Vice President,
Corporate and Public Affairs,
PECO Energy Company

Frank C. Lanza
Executive Vice President,
Lockheed Martin Corporation

Vincent N. Marafino
Retired Executive Vice President,
Lockheed Martin Corporation

Eugene F. Murphy
President and Chief Executive Officer,
GE Aircraft Engines

Allen E. Murray
Retired Chairman
and Chief Executive Officer,
Mobil Corporation

Frank Savage
Chairman, Alliance Capital
Management International

Bernard L. Schwartz
Chairman and Chief Executive Officer,
Loral Space & Communications Ltd.

Daniel M. Tellep
Retired Chairman and
Chief Executive Officer,
Lockheed Martin Corporation

Carlisle A. H. Trost
Retired Chief of Naval Operations

James R. Ukropina
Partner, O'Melveny & Myers

Douglas C. Yearley
Chairman, President and
Chief Executive Officer,
Phelps Dodge Corporation

Committees

Audit and Ethics Committee
Mr. Hood, Chairman.
Meses. Cheney and King, Messrs. Flournoy,
Marafino, Tellep, Trost and Ukropina

Compensation Committee
Mr. Murray, Chairman.
Messrs. Gibbons, Hood, Murphy, Schwartz,
Trost and Yearley

Executive Committee
Mr. Augustine, Chairman.
Messrs. Hood, Marafino, Murray, Tellep,
Ukropina and Yearley

Finance Committee
Mr. Ukropina, Chairman.
Mrs. King and Messrs. Hurtt, Marafino, Savage,
Schwartz, Tellep and Yearley

Nominating Committee
Mr. Murphy, Chairman.
Mrs. Cheney and Messrs. Flournoy, Gibbons, Hurtt,
Murray and Savage

Stock Option Subcommittee
Mr. Murray, Chairman.
Messrs. Gibbons, Hood, Trost and Yearley

Officers

Dean O. Allen
Vice President

Joseph D. Antinucci
Vice President

Norman R. Augustine
Chairman and Chief Executive Officer

William F. Ballhaus, Jr.
Vice President

Marcus C. Bennett
Executive Vice President and
Chief Financial Officer

James A. Blackwell, Jr.
Vice President and President and
Chief Operating Officer,
Aeronautics Sector

Harold T. Bowling
Vice President

Melvin R. Brashears
Vice President and President and
Chief Operating Officer,
Space & Strategic Missiles Sector

William B. Bullock
Vice President

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Michael F. Camardo
Vice President

Joseph R. Cleveland
Vice President

Vance D. Coffman
President and Chief Operating Officer

Raymond S. Colladay
Vice President

Thomas A. Corcoran
Vice President and President and
Chief Operating Officer,
Electronics Sector

Robert B. Corlett
Vice President

Robert B. Coutts
Vice President

Peter DeMayo
Vice President

Philip J. Duke
Vice President

John F. Egan
Vice President

Ronald R. Finkbiner
Vice President

Jack S. Gordon
Vice President

John Hallal
Vice President

Dain M. Hancock
Vice President

Alfred G. Hansen
Vice President

K. Michael Henshaw
Vice President

Arthur E. Johnson
Vice President

John R. Kreick
Vice President

Robert V. LaPenta
Vice President

Frank C. Lanza
Executive Vice President

Gary P. Mann
Vice President

John F. Manuel
Vice President

Carol R. Marshall
Vice President

Russell T. McFall
Vice President

Janet L. McGregor
Vice President

John S. McLellan
Vice President

Frank H. Menaker, Jr.
Senior Vice President and General Counsel

John E. Montague
Vice President

Jay A. Musselman
Vice President

Albert Narath
Vice President and President and
Chief Operating Officer,
Energy & Environment Sector

Gerald T. Oppliger

Vice President

David S. Osterhout
Vice President

Daniel W. Patterson
Vice President

Stephen Pavlosky
Vice President

Susan M. Pearce
Vice President

Robert J. Polutchko
Vice President

John B. Ramsey
Vice President

Robert E. Rulon
Vice President and Controller

Walter E. Skowronski
Vice President and Treasurer

Michael A. Smith
Vice President

William R. Sorenson
Vice President

John V. Sponyoe
Vice President

Kenneth R. Swimm
Vice President

Peter B. Teets
Vice President and President and
Chief Operating Officer,
Information & Services Sector

Joseph T. Threston
Vice President

Robert E. Tokerud
Vice President

Robert H. Trice, Jr.
Vice President

Lillian M. Trippett
Vice President, Corporate Secretary
and Associate General Counsel

Leonard L. Victorino
Vice President

William T. Vinson

Vice President and Chief Counsel

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Lockheed Martin Corporation

General Information

As of December 31, 1996, there were approximately 42,609 holders of record of Lockheed Martin common stock and 192,746,026 shares outstanding.

<TABLE>
<CAPTION>

Common Stock Prices (New York Stock Exchange-composite transactions)

(In dollars)	High	Low	Close
<S>	<C>	<C>	<C>
1996 Quarters			
1st	80 7/8	73 1/8	75 7/8
2nd	86 3/4	73	84
3rd	91 3/4	76 1/4	90 1/8
4th	96 5/8	85 1/4	91 1/2
1995 Quarters			
1st*	54 3/8	50 1/4	52 7/8
2nd	64 7/8	50	63 1/8
3rd	68 1/8	59 3/8	67 1/8
4th	79 1/2	63	79

<CAPTION>

</TABLE>

*March 16, 1995-March 31, 1995, reflecting the completion of the merger March 15, 1995.

Transfer Agent & Registrar

First Chicago Trust Company of New York
P. O. Box 2536, Suite 4694
Jersey City, New Jersey 07303-2536
Telephone: 1-800-519-3111

Dividend Reinvestment Plan

Lockheed Martin's Dividend Reinvestment and Stock Purchase Plan offers

stockholders an opportunity to purchase additional shares through automatic dividend reinvestment and/or voluntary cash investments. For more information, contact our transfer agent, First Chicago Trust Company of New York at 1-800-519-3111.

Independent Auditors

Ernst & Young LLP
1225 Connecticut Avenue, N.W.
Washington, D.C. 20036

Common Stock

Stock symbol: LMT
Listed: New York

Annual Report on Form 10-K

Stockholders may obtain, without charge, a copy of Lockheed Martin's Annual Report on Form 10-K, as filed with the Securities and Exchange Commission for the year ended December 31, 1996 by writing to:

Lockheed Martin Investor Relations
6801 Rockledge Drive
Bethesda, MD 20817

For accessing the Lockheed Martin homepage on the Internet use the Uniform Resource Locator: <http://www.shareholder.com/lmt>.

Updates on earnings, dividends and company news are available by calling Lockheed Martin Shareholder Direct at 1-800-LMT-9758, 24 hours a day, seven days a week.

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<PAGE>

Principal photography by Eric Schulzinger. Designed and produced by Taylor & Ives, Inc., NYC.

This Annual Report contains statements which, to the extent that they are not recitations of historical fact, constitute "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All forward looking statements involve risks and uncertainties. The forward looking statements in this document are intended to be subject to the safe harbor protection provided by Sections 27A and 21E. For a discussion identifying some important factors that could cause actual results to differ materially from those anticipated in the forward looking statements, see the Corporation's Securities and Exchange Commission filings including, but not limited to, the discussion of "Competition and Risk" and the discussion of "Government Contracts and Regulations" on pages 11 through 14 and pages 14 through 15, respectively, of the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1996 (Form 10-K); "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 51 through 63 of this Annual Report and "Note 1--Summary of Significant Accounting Policies", "Note 3--Repositioning of Non-Core Businesses and New

Organizational Structure" and "Note 14--Commitments and Contingencies" of the Notes to Consolidated Financial Statements on pages 70 through 71, 72 through 73 and 80 through 81, respectively, of the Audited Consolidated Financial Statements included in this Annual Report and incorporated by reference into the Form 10-K.

Setting the Standard

Lockheed Martin's Code of Ethics and Business Conduct is called "Setting the Standard." We aim to set the standard for ethical business conduct through these six guiding ethical principles and values:

Honesty: to be truthful in all our endeavors; to be honest and forthright with one another and with our customers, communities, suppliers, and shareholders.

Integrity: to say what we mean, to deliver what we promise, and to stand for what is right.

Respect: to treat one another with dignity and fairness, appreciating the diversity of our workforce and the uniqueness of each employee.

Trust: to build confidence through teamwork and open, candid communication.

Responsibility: to speak up - without fear of retribution - and report concerns in the work place, including violations of laws, regulations and company policies, and seek clarification and guidance whenever there is doubt.

Citizenship: to obey all the laws of the United States and the other countries in which we do business and to do our part to make the communities in which we live better.

Shareholders desiring to read "Setting the Standard, Lockheed Martin's Code of Ethics and Business Conduct" or obtain additional information about the Corporation's ethics program may visit the Lockheed Martin Home Page on the World Wide Web: <http://www.lmco.com> or write to the Corporation care of Carol R. Marshall, Vice President, Ethics and Business Conduct, P.O. Box 34143, Bethesda, MD 20827-0143. E-mail: Corporate.Ethics@lmco.com
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[ARTWORK APPEARS HERE]

LOCKHEED MARTIN [LOGO APPEARS HERE]

Lockheed Martin Corporation
6801 Rockledge Drive
Bethesda, MD 20817
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APPENDIX TO THE EDGAR VERSION OF THE 1996 ANNUAL REPORT TO
SECURITY HOLDERS FILED PURSUANT TO RULE 304 OF REGULATION S-T

This appendix is being filed pursuant to Rule 304 of Regulation S-K and represents Lockheed Martin Corporation's good faith effort to fairly and

accurately describe certain graphic and image material that is included in the paper version of the 1996 Annual Report to Shareholders (the "1996 Annual Report") but has been omitted from the EDGAR version.

A description of the pictures omitted from the 1996 Annual Report in its EDGAR format follows. Generally, the omitted pictures are described in the associated captions and represent products produced by Lockheed Martin Corporation which are products produced by Lockheed Martin Corporation which are discussed at various locations in the text of the document. In some instances, the pictures are of officers, directors and employees of the Corporation or of persons using the Corporation's products. The pictures are included primarily to add visual interest to the 1996 Annual Report and are neither individually nor in the aggregate material to an understanding of the Report.

The 1996 Annual Report in its EDGAR format also omits certain graphic material. This material is also described fully in the text. A description of the omitted graphic material follows:

Page 52 - The omitted graph sets forth in columnar format net sales, in millions of dollars, for the years 1994, 1995 and 1996 and corresponds to the textual description of net sales.

Page 53 - The graph omitted at the top of the page sets forth in columnar format net earnings, in millions of dollars, for the years 1994, 1995, and 1996 as well as including a column pertaining to 1994 to which footnote (a) relates and a column pertaining to 1995 to which footnote (b) relates. The graph corresponds to the textual description of net earnings.

Page 53 - The graph omitted at the bottom of the page sets forth in columnar format earnings per common share, assuming full dilution, in dollars, for the years 1994, 1995 and 1996 and includes a column pertaining to 1994 to which footnote (a) relates and a column pertaining to 1995 to which footnote (b) relates. The graph corresponds to the textual description of earnings per common share.

Page 54 - The omitted graph sets forth in columnar format dividends per common share for each of 1994, 1995 and 1996.

Page 59 - The omitted graph sets forth in columnar format negotiated backlog, in millions of dollars, for the years 1994, 1995 and 1996 and corresponds to the textual description of negotiated backlog.

Page 60 - The omitted graph sets forth in columnar format net cash provided by operating activities in each of 1996 (including the effects of the Loral Transaction), 1995 and 1994 and follows the associated textual discussion.

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<TYPE>EX-21

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EXHIBIT 21

LIST OF SUBSIDIARIES OF
LOCKHEED MARTIN CORPORATION

<TABLE>
<CAPTION>

Name of Subsidiary -----	State or Country of Incorporation -----	Percentage of Securities Owned -----
<S>	<C>	<C>
Lockheed Martin Tactical Systems, Inc.	New York	100%
LC Acquiring Corp.	Delaware	100%
Lockheed Martin Federal Systems, Inc.	Delaware	100%
Lockheed Martin Vought Systems Corporation	Delaware	100%
Lockheed Martin Aerospace Corp.	Delaware	100%
Lockheed Martin Aerospace Holdings, Inc.	Delaware	100%
Lockheed Martin Fairchild Corp.	Delaware	100%

</TABLE>

Lockheed Martin Corporation has a number of other subsidiaries, but all of them, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary. Accordingly, the names of the particular subsidiaries are omitted.

</TEXT>
</DOCUMENT>
<DOCUMENT>
<TYPE>EX-24
<SEQUENCE>15
<DESCRIPTION>EXHIBIT 24
<TEXT>

<PAGE>

EXHIBIT 24

POWER OF ATTORNEY

LOCKHEED MARTIN CORPORATION

The undersigned hereby constitutes Frank H. Menaker, Jr. and Stephen M. Piper, and each of them, jointly and severally, his or her lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, including, but not limited to, that listed below, in connection with the preparation, execution and filing with the Securities and Exchange Commission (hereinafter referred to as the "Commission"), under the Securities Exchange Act of 1934 of an Annual Report on Form 10-K of Lockheed Martin Corporation ("Lockheed Martin") and any amendments thereto for Lockheed Martin's fiscal year ended December 31, 1996 with exhibits thereto, including, but not limited to, Lockheed Martin's Audited Consolidated Financial Statements as of December 31, 1996 and 1995 and for each of the three years in the period ended December 31, 1996 and Management's Discussion and Analysis of Financial Condition and Results of Operations for Lockheed Martin's fiscal year ended December 31, 1996, and other documents in connection therewith (collectively, the "Form 10-K"), and all matters required by the Commission in connection with the Form 10-K, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said

attorney's-in-fact and agents, and each of them, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ Norman R. Augustine

February 27, 1997

 Norman R. Augustine
 Chief Executive Officer and Director
 <PAGE>

POWER OF ATTORNEY

LOCKHEED MARTIN CORPORATION

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/s/ Marcus C. Bennett

February 27, 1997

 Marcus C. Bennett
 Executive Vice President, Chief Financial Officer and Director

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POWER OF ATTORNEY

LOCKHEED MARTIN CORPORATION

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/s/ Robert E. Rulon

February 27, 1997

 Robert E. Rulon
 Chief Accounting Officer

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POWER OF ATTORNEY

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/s/ Lynne V. Cheney

February 27, 1997

 Lynne V. Cheney

Director

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POWER OF ATTORNEY

LOCKHEED MARTIN CORPORATION

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/s/ Vance D. Coffman

February 27, 1997

Vance D. Coffman
Director

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POWER OF ATTORNEY

LOCKHEED MARTIN CORPORATION

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/s/ Houston I. Flournoy

February 27, 1997

Houston I. Flournoy
Director

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POWER OF ATTORNEY

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/s/ James F. Gibbons

February 27, 1997

James F. Gibbons
Director

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/s/ Edward E. Hood, Jr.

February 27, 1997

Edward E. Hood, Jr.
Director

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POWER OF ATTORNEY

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/s/ Caleb B. Hurtt

February 27, 1997

Caleb B. Hurtt
Director

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POWER OF ATTORNEY

LOCKHEED MARTIN CORPORATION

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/s/ Gwendolyn S. King

February 27, 1997

Gwendolyn S. King
Director

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POWER OF ATTORNEY

LOCKHEED MARTIN CORPORATION

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/s/ Frank C. Lanza

February 27, 1997

 Frank C. Lanza
 Director

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POWER OF ATTORNEY

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/s/ Vincent N. Marafino

February 27, 1997

Vincent N. Marafino
Director

<PAGE>

POWER OF ATTORNEY

LOCKHEED MARTIN CORPORATION

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/s/ Eugene F. Murphy

February 27, 1997

Eugene F. Murphy
Director

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POWER OF ATTORNEY

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/s/ Allen E. Murray

February 27, 1997

Allen E. Murray
Director

<PAGE>

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/s/ Frank Savage

February 27, 1997

 Frank Savage
 Director

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/s/ Daniel M. Tellep

February 27, 1997

 Daniel M. Tellep
 Director

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POWER OF ATTORNEY

LOCKHEED MARTIN CORPORATION

The undersigned hereby constitutes Frank H. Menaker, Jr. and Stephen M. Piper, and each of them, jointly and severally, his or her lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, including, but not limited to, that listed below, in connection with the preparation, execution and filing with the Securities and Exchange Commission (hereinafter referred to as the "Commission"), under the Securities Exchange Act of 1934 of an Annual Report on Form 10-K of Lockheed Martin Corporation ("Lockheed Martin") and any amendments thereto for Lockheed Martin's fiscal year ended December 31, 1996 with exhibits thereto, including, but not limited to, Lockheed Martin's Audited Consolidated Financial Statements as of

December 31, 1996 and 1995 and for each of the three years in the period ended December 31, 1996 and Management's Discussion and Analysis of Financial Condition and Results of Operations for Lockheed Martin's fiscal year ended December 31, 1996, and other documents in connection therewith (collectively, the "Form 10-K"), and all matters required by the Commission in connection with the Form 10-K, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorney's-in-fact and agents, and each of them, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ Carlisle A. H. Trost

February 27, 1997

 Carlisle A. H. Trost
 Director

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/s/ James R. Ukropina

February 27, 1997

 James R. Ukropina
 Director

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/s/ Douglas C. Yearley

February 27, 1997

Douglas C. Yearley
Director

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The schedule contains summary financial information extracted from the consolidated balance sheet and consolidated statement of earnings and is qualified in its entirety by reference to such financial statements.

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-----END PRIVACY-ENHANCED MESSAGE-----