

LOCKHEED MARTIN CORP
Form 8-K
June 27, 2003

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of Earliest Event Reported) June 27, 2003

LOCKHEED MARTIN CORPORATION

(Exact name of registrant as specified in its charter)

Maryland

1-11437

52-1893632

(State or other jurisdiction of Incorporation)

(Commission File Number)

(IRS Employer

Identification No.)

6801 Rockledge Drive, Bethesda, Maryland

20817

(Address of principal executive offices)

(Zip Code)

(301) 897-6000

(Registrant's telephone number, including area code)

Not Applicable

(Former name or address, if changed since last report)

Item 5. Other Events

We are filing this Form 8-K to report the formation of Integrated Systems and Solutions (ISS), a new business segment. ISS was formed by combining two existing Lockheed Martin operating companies—Mission Systems (which was previously reported in the Systems Integration business segment) and Management & Data Systems (which was previously reported in the Space Systems business segment), along with our Advanced Concepts organization. This new business segment will leverage our existing and emerging capabilities to address customers' growing needs for integrated, network-centric solutions. With the formation of ISS, the Systems Integration business segment has been renamed Electronic Systems. The Aeronautics and Technology Services business segments were unaffected by these changes.

The Corporation now operates in five principal business segments. Following is a brief description of the activities of each business segment:

Electronic Systems Engaged in the design, development, integration and production of high performance systems for undersea, shipboard, land, and airborne applications. Major product lines include missiles and fire control systems; air and theater missile defense systems; surface ship and submarine combat systems; anti-submarine and undersea warfare systems; avionics and ground combat vehicle integration; radars; platform integration services; homeland security systems; surveillance and reconnaissance systems; advanced aviation management, security and information technology solutions; simulation and training systems; and postal automation systems.

Aeronautics Engaged in design, research and development, systems integration, production and support of advanced military aircraft and related technologies. Its customers include the military services of the United States and allied countries throughout the world. Major products and programs include the F-16 multi-role fighter, F/A-22 air dominance and strike fighter, F-35 Joint Strike Fighter, Japanese F-2 combat aircraft, Korean T-50 advanced trainer, C-130 and C-130J tactical airlift aircraft, C-5 strategic airlift aircraft, and support for the F-117 stealth fighter and special mission and reconnaissance aircraft (e.g., Big Safari modifications, the P-3 Orion, S-3 Viking and U-2).

Space Systems Engaged in the design, development, engineering and production of satellites, missile defense systems and launch services. The satellite product line includes both government and commercial satellites. Missile defense systems include airborne and missile defense technologies and fleet ballistic missiles. Launch services include launches on Titan IV, Atlas and Proton launch vehicles, and also include the Space Shuttle's external tank. In addition, the segment has investments in joint ventures that are principally engaged in businesses that complement and enhance other activities of the segment.

Technology Services Engaged in a wide array of information management, engineering, scientific and logistic services to federal agencies and other customers. Major product lines include complete life-cycle software support; information systems development; information assurance and enterprise integration for the U.S. Department of Defense, civil government agencies and commercial customers; aircraft and engine maintenance and modification services; management, operation, maintenance, training, and logistics support for military, homeland security and civilian systems; launch, mission, and analysis services for military, classified and commercial satellites; engineering, science and information services for NASA; and research, development, engineering and science in support of nuclear weapons stewardship and naval reactor programs.

Integrated Systems and Solutions Engaged in the design, development, integration and management of network-centric solutions supporting the intelligence, surveillance and reconnaissance activities of the U.S. Department of Defense and other federal agencies. Focal point for the Corporation in providing an interconnected set of capabilities for gathering, processing, storing and delivery of on-demand information for mission management, modeling, and simulation. Also includes the capabilities to develop, test and demonstrate advanced collaborative operational concepts with our customers.

In the following tables of selected financial data by business segment, the total of the operating results of the principal business segments is reconciled to the corresponding consolidated amount. With respect to the caption Operating profit, the reconciling item Unallocated corporate (expense) income, net includes the FAS/CAS adjustment related to pensions, earnings and losses from equity investments (mainly telecommunications), interest income, costs for stock-based award programs, items not considered part of management's evaluation of segment operating performance, and Corporate costs not allocated to the operating segments as well as other miscellaneous Corporate activities. For financial statement captions other than Operating profit, all activities other than those pertaining to the principal business segments are included on a line item entitled Other.

The following segment information has been reclassified from amounts previously reported to reflect our new business segment. Accordingly, there has been no change in the operating results reported for our business segments or in total for the Corporation.

Selected Financial Data by Business Segment*(Unaudited)*

| | Three Months | | | |
|--|----------------------|---------------|---------------------|---------------|
| | Ended | | Year Ended | |
| | March 31, | | December 31, | |
| | 2003 | 2002 | 2002 | 2001 |
| | <i>(In millions)</i> | | | |
| Net sales | | | | |
| Electronic Systems | \$ 1,981 | \$ 1,874 | \$ 8,685 | \$ 8,079 |
| Aeronautics | 2,088 | 1,334 | 6,471 | 5,355 |
| Space Systems | 1,528 | 1,389 | 5,287 | 5,040 |
| Technology Services | 687 | 670 | 3,104 | 2,763 |
| Integrated Systems & Solutions | 772 | 695 | 3,015 | 2,731 |
| | 7,056 | 5,962 | 26,562 | 23,968 |
| Operating segments | | | | |
| Other | 3 | 4 | 16 | 22 |
| | 7,059 | 5,966 | 26,578 | 23,990 |
| Operating profit | | | | |
| Electronic Systems | \$ 183 | \$ 191 | \$ 875 | \$ 816 |
| Aeronautics | 145 | 92 | 448 | 329 |
| Space Systems | 104 | 78 | 279 | 243 |
| Technology Services | 48 | 37 | 177 | 114 |
| Integrated Systems & Solutions | 72 | 50 | 241 | 207 |
| | 552 | 448 | 2,020 | 1,709 |
| Segment operating profit | | | | |
| Unallocated corporate (expense) income, net ^(a) | (47) | 26 | (862) | (602) |
| FAS 142 adoption impact | | | | (274) |
| | (47) | 26 | (862) | (876) |
| Reconciling items subtotal | | | | |
| | \$ 505 | \$ 474 | \$ 1,158 | \$ 833 |
| Margins | | | | |
| Electronic Systems | 9.2% | 10.2% | 10.1% | 10.1% |
| Aeronautics | 6.9% | 6.9% | 6.9% | 6.1% |
| Space Systems | 6.8% | 5.6% | 5.3% | 4.8% |
| Technology Services | 7.0% | 5.5% | 5.7% | 4.1% |
| Integrated Systems & Solutions | 9.3% | 7.2% | 8.0% | 7.6% |
| Total operating segments | 7.8% | 7.5% | 7.6% | 7.1% |

^(a) See notes 2, 6, 8 and 9 to the consolidated financial statements included in our 2002 Annual Report on Form 10-K for information on the unusual items included in Unallocated corporate (expense) income, net for years ended December 31, 2002 and 2001.

Selected Financial Data by Business Segment (continued)*(Unaudited)*

| | Three Months Ended | | Year Ended | |
|--|--------------------|------------------|------------------|------------------|
| | March 31, | | December 31, | |
| | 2003 | 2002 | 2002 | 2001 |
| <i>(In millions)</i> | | | | |
| <u>Depreciation and amortization of property, plant and equipment</u> | | | | |
| Electronic Systems | \$ 37 | \$ 34 | \$ 153 | \$ 142 |
| Aeronautics | 21 | 20 | 74 | 84 |
| Space Systems | 27 | 26 | 108 | 123 |
| Technology Services | 11 | 9 | 36 | 22 |
| Integrated Systems & Solutions | 7 | 7 | 34 | 31 |
| Operating segments | 103 | 96 | 405 | 402 |
| Other | 5 | 7 | 28 | 23 |
| Total | \$ 108 | \$ 103 | \$ 433 | \$ 425 |
| <u>Amortization of intangible assets other than goodwill</u> | | | | |
| Electronic Systems | \$ 12 | \$ 12 | \$ 49 | \$ 47 |
| Aeronautics | 12 | 12 | 50 | 51 |
| Space Systems | 2 | 2 | 7 | 8 |
| Technology Services | 2 | 2 | 7 | 5 |
| Integrated Systems & Solutions | 3 | 3 | 12 | 13 |
| Operating segments | 31 | 31 | 125 | 124 |
| Other | | | | 30 |
| Total | \$ 31 | \$ 31 | \$ 125 | \$ 154 |
| <i>(In millions)</i> | | | | |
| <u>Backlog</u> | | | | |
| Electronic Systems | \$ 16,018 | \$ 15,500 | \$ 16,034 | \$ 15,333 |
| Aeronautics | 38,415 | 38,502 | 35,477 | 36,149 |
| Space Systems | 12,160 | 11,061 | 10,701 | 11,001 |
| Technology Services | 4,412 | 5,070 | 4,617 | 5,116 |
| Integrated Systems & Solutions | 3,580 | 3,714 | 3,556 | 3,670 |
| Total | \$ 74,585 | \$ 73,847 | \$ 70,385 | \$ 71,269 |

Selected Financial Data by Business Segment (continued)*(Unaudited)*

| | March 31, | | December 31, | |
|--------------------------------------|------------------|------------------|------------------|------------------|
| | 2003 | 2002 | 2002 | 2001 |
| (In millions) | | | | |
| Assets | | | | |
| Electronic Systems | \$ 8,645 | \$ 8,618 | \$ 8,697 | \$ 8,685 |
| Aeronautics | 2,858 | 2,921 | 2,835 | 3,017 |
| Space Systems | 3,120 | 3,953 | 3,147 | 3,952 |
| Technology Services | 1,725 | 1,963 | 1,634 | 1,911 |
| Integrated Systems & Solutions | 2,085 | 2,176 | 2,070 | 2,183 |
| | 18,433 | 19,631 | 18,383 | 19,748 |
| Operating segments | | | | |
| Other | 6,582 | 8,148 | 7,375 | 7,906 |
| | \$ 25,015 | \$ 27,779 | \$ 25,758 | \$ 27,654 |
| Goodwill | | | | |
| Electronic Systems | \$ 5,075 | \$ 5,075 | \$ 5,075 | \$ 5,075 |
| Space Systems | 453 | 453 | 453 | 453 |
| Technology Services | 541 | 532 | 541 | 532 |
| Integrated Systems & Solutions | 1,311 | 1,311 | 1,311 | 1,311 |
| | \$ 7,380 | \$ 7,371 | \$ 7,380 | \$ 7,371 |
| Customer advances and amounts | | | | |
| in excess of costs incurred | | | | |
| Electronic Systems | \$ 953 | \$ 910 | \$ 816 | \$ 766 |
| Aeronautics | 2,128 | 2,325 | 2,408 | 2,406 |
| Space Systems | 1,352 | 1,631 | 1,238 | 1,701 |
| Technology Services | 21 | 4 | 19 | 15 |
| Integrated Systems & Solutions | 72 | 119 | 57 | 114 |
| | 4,526 | 4,989 | 4,538 | 5,002 |
| Operating segments | | | | |
| Other | | | 4 | |
| | \$ 4,526 | \$ 4,989 | \$ 4,542 | \$ 5,002 |

Selected Financial Data by Business Segment (continued)*(Unaudited)*

| | Quarter Ended | | | |
|--|----------------------|-----------------------|------------------|-------------------|
| | December 31, 2002 | September 30, 2002 | June 30, 2002 | March 31, 2002 |
| | <i>(In millions)</i> | | | |
| Net sales | | | | |
| Electronic Systems | \$ 2,729 | \$ 2,045 | \$ 2,037 | \$ 1,874 |
| Aeronautics | 1,922 | 1,668 | 1,547 | 1,334 |
| Space Systems | 1,313 | 1,342 | 1,243 | 1,389 |
| Technology Services | 947 | 776 | 711 | 670 |
| Integrated Systems & Solutions | 863 | 709 | 748 | 695 |
| Operating segments | 7,774 | 6,540 | 6,286 | 5,962 |
| Other | 6 | 2 | 4 | 4 |
| Total | \$ 7,780 | \$ 6,542 | \$ 6,290 | \$ 5,966 |
| Operating profit | | | | |
| Electronic Systems | \$ 276 | \$ 212 | \$ 196 | \$ 191 |
| Aeronautics | 139 | 107 | 110 | 92 |
| Space Systems | 66 | 71 | 64 | 78 |
| Technology Services | 55 | 44 | 41 | 37 |
| Integrated Systems & Solutions | 56 | 61 | 74 | 50 |
| Segment operating profit | 592 | 495 | 485 | 448 |
| Unallocated corporate (expense) income, net ^(a) | (1,010) | 81 | 41 | 26 |
| Total | \$ (418) | \$ 576 | \$ 526 | \$ 474 |
| Margins | | | | |
| Electronic Systems | 10.1% | 10.4% | 9.6% | 10.2% |
| Aeronautics | 7.2% | 6.4% | 7.1% | 6.9% |
| Space Systems | 5.0% | 5.3% | 5.1% | 5.6% |
| Technology Services | 5.8% | 5.7% | 5.8% | 5.5% |
| Integrated Systems & Solutions | 6.5% | 8.6% | 9.9% | 7.2% |
| Total operating segments | 7.6% | 7.6% | 7.7% | 7.5% |

^(a) See notes 6, 8 and 9 to the consolidated financial statements included in our 2002 Annual Report on Form 10-K for information on the unusual items included in Unallocated corporate (expense) income, net.

Selected Financial Data by Business Segment (continued)*(Unaudited)*

| | Quarter Ended | | | |
|--|----------------------|-----------------------|------------------|-------------------|
| | December 31, 2002 | September 30, 2002 | June 30, 2002 | March 31, 2002 |
| | <i>(In millions)</i> | | | |
| <u>Depreciation and amortization of property, plant and equipment</u> | | | | |
| Electronic Systems | \$ 44 | \$ 38 | \$ 37 | \$ 34 |
| Aeronautics | 14 | 21 | 19 | 20 |
| Space Systems | 33 | 19 | 30 | 26 |
| Technology Services | 11 | 8 | 8 | 9 |
| Integrated Systems & Solutions | 15 | 6 | 6 | 7 |
| Operating segments | 117 | 92 | 100 | 96 |
| Other | 7 | 8 | 6 | 7 |
| Total | \$ 124 | \$ 100 | \$ 106 | \$ 103 |
| <u>Amortization of intangible assets other than goodwill</u> | | | | |
| Electronic Systems | \$ 12 | \$ 13 | \$ 12 | \$ 12 |
| Aeronautics | 13 | 12 | 13 | 12 |
| Space Systems | 1 | 2 | 2 | 2 |
| Technology Services | 2 | 1 | 2 | 2 |
| Integrated Systems & Solutions | 3 | 3 | 3 | 3 |
| Total | \$ 31 | \$ 31 | \$ 32 | \$ 31 |
| | December 31, 2002 | September 30, 2002 | June 30, 2002 | March 31, 2002 |
| | <i>(In millions)</i> | | | |
| <u>Assets</u> | | | | |
| Electronic Systems | \$ 8,697 | \$ 8,635 | \$ 8,550 | \$ 8,618 |
| Aeronautics | 2,835 | 2,752 | 2,915 | 2,921 |
| Space Systems | 3,147 | 3,256 | 3,743 | 3,953 |
| Technology Services | 1,634 | 1,811 | 1,881 | 1,963 |
| Integrated Systems & Solutions | 2,070 | 2,049 | 2,050 | 2,176 |
| Operating segments | 18,383 | 18,503 | 19,139 | 19,631 |
| Other | 7,375 | 10,416 | 9,192 | 8,148 |
| Total | \$ 25,758 | \$ 28,919 | \$ 28,331 | \$ 27,779 |

Selected Financial Data by Business Segment (continued)*(Unaudited)*

| | December 31, 2002 | September 30, 2002 | June 30, 2002 | March 31, 2002 |
|--|----------------------|-----------------------|------------------|-------------------|
| <i>(In millions)</i> | | | | |
| Goodwill | | | | |
| Electronic Systems | \$ 5,075 | \$ 5,075 | \$ 5,075 | \$ 5,075 |
| Space Systems | 453 | 453 | 453 | 453 |
| Technology Services | 541 | 532 | 532 | 532 |
| Integrated Systems & Solutions | 1,311 | 1,311 | 1,311 | 1,311 |
| Total | \$ 7,380 | \$ 7,371 | \$ 7,371 | \$ 7,371 |
| Customer advances and amounts in excess of costs incurred | | | | |
| Electronic Systems | \$ 816 | \$ 822 | \$ 863 | \$ 910 |
| Aeronautics | 2,408 | 2,785 | 2,494 | 2,325 |
| Space Systems | 1,238 | 1,398 | 1,586 | 1,631 |
| Technology Services | 19 | 4 | 2 | 4 |
| Integrated Systems & Solutions | 57 | 131 | 123 | 119 |
| Operating segments | 4,538 | 5,140 | 5,068 | 4,989 |
| Other | 4 | | | |
| Total | \$ 4,542 | \$ 5,140 | \$ 5,068 | \$ 4,989 |

Item 7. Financial Statements and Exhibits

(c) Exhibits

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|---|
| 99.1 | Lockheed Martin Corporation's Press Release dated June 27, 2003 |
| 99.2 | Lockheed Martin Corporation's Investor Relations Website Charts |

Item 9. Regulation FD Disclosure and Results of Operations and Financial Condition

The following information is being furnished under Item 12 of Form 8-K, Results of Operations and Financial Condition, and is included under this Item 9 in accordance with SEC Release No. 33-8216 (March 27, 2003).

On June 27, 2003, Lockheed Martin Corporation announced the formation of a new business segment. The press release is furnished as Exhibit 99.1 to this Form and is incorporated herein by reference.

In connection with its press release announcing the formation of the new business segment, Lockheed Martin Corporation will post certain charts on its Investor Relations Website providing a breakdown of the Corporation's previously disclosed forecast of sales and operating profit among the Corporation's five segments, including the newly formed ISS segment. The website charts are furnished under Item 9 as Exhibit 99.2 to this Form and are incorporated herein by reference.

LOCKHEED MARTIN CORPORATION

SIGNATURES

Pursuant to the requirements 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

(Registrant)

Date: June 27, 2003

By: /s/ RAJEEV BHALLA

Rajeev Bhalla

Vice President and Controller

(Chief Accounting Officer)