

Energy, Environment, Safety & Health 2004 Performance Report



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www.lockheedmartin.com

ENERGY, ENVIRONMENT, SAFETY & HEALTH

President And CEO Message

We developed this “Performance Report” to provide our shareholders, customers, communities and employees with insight into how we protect our environment, natural resources and employees. Lockheed Martin Corporation employs 130,000 of the most talented people around the globe. Our vision is to be the world’s best advanced technology systems integrator, and our employees work hard to make that vision a reality. We strive for excellence in everything we do.

A prime example of our quest for excellence in daily operations is Target Zero, an initiative we implemented in 2004 to enhance the safety of our employees. The objective of Target Zero is to create a workplace where there are no injuries and all employees develop and maintain a “zero accidents” mentality. Annual reduction targets have been set for each business area and performance is reviewed monthly. It is an aggressive program that the executive management team has embraced, because no accidents are acceptable.

Lockheed Martin also is committed to excellence in environmental performance and stewardship. Our environmental performance is strong, with substantial reductions achieved in hazardous waste generation as well as air and greenhouse gas emissions. We also are enhancing environmental excellence in the community through financial contributions and participation in important public/private partnerships. For example, in 2004, the Corporation played a vital role in a partnership that has established the 9,100-acre Potrero Wildlife Area in Riverside County, California.

At Lockheed Martin, our defined purpose is “to achieve Mission Success by attaining total customer satisfaction and meeting all our commitments.” One of those commitments is to environmental excellence. We have come a long way, but there still is more we can do. And that is our commitment to our stakeholders: That we will do all we can to protect our environment, natural resources and employees, not just today, but in the years ahead as well.



Robert J. Stevens
President & Chief Executive Officer

EESH MESSAGE

At Lockheed Martin, we achieve Mission Success through strong values — ethics, excellence, can-do, integrity, people and teamwork. Energy, Environment, Safety & Health (EESH) operating excellence embodies Lockheed Martin's values and provides the direction to help us protect our employees and conserve and protect our natural resources.

Target Zero is a safety and health improvement program launched this year to create a workplace where there are no injuries. The first steps were to develop a series of goals designed to reduce accidents and injuries 50 percent by 2008. To help monitor our progress, an enterprise occupational injury and illness tracking system was implemented. The program has helped direct attention and resources to higher incident operations. As of September, accidents and injuries have been reduced 12 percent and lost time was reduced 40 percent.



Ken Meashey

Environmental management activities have substantially reduced chemical use and emissions from operations. Since 1995, production related hazardous waste has been reduced 67 percent, total toxic release inventory (TRI) reduced 68 percent, TRI air releases, a measure of overall air emissions, has been reduced 93 percent and Class I Ozone Depleting Compounds (ODCs) have virtually been eliminated from our operations. Furthermore, energy use and associated greenhouse gas emissions have been reduced 23 percent and the Corporation currently recycles more than 50 percent of all solid waste generated. Our performance has helped to conserve natural resources, support local communities and improve performance. Looking forward, annual targets have been established to further reduce hazardous waste generation, air and greenhouse gas emissions, and increase the percentage of solid waste recycled.

Management systems provide the means to integrate EESH into operations and achieve continuous improvement. All Lockheed Martin operations implement EESH management systems. The Corporation periodically audits company operations to ensure management system and other EESH requirements are being satisfied.

On the following pages you will see information regarding Lockheed Martin Corporation's EESH Policy, management systems, safety performance and goals, environmental performance and goals, environmental stewardship, and public/private partnerships. If you have any questions after reviewing the information, please contact us.

LEADERSHIP PERSPECTIVES

Operating excellence requires the best efforts from the best people every day. That excellence results in total customer satisfaction and is what makes Lockheed Martin one of the world's best advanced-technology systems integrators. We apply that same level of excellence to EESH performance to ensure that we protect our employees and the environment while adding value to the Corporation and our customers.

— **Christopher E. Kubasik, Executive Vice President and Chief Financial Officer, Lockheed Martin Corporation**

In order for us to maintain our competitive advantage and live our core values, we need to focus on the protection of our employees. We need to have a mindset in which all injuries and accidents are preventable, and we must be steadfast in our commitment to safety, because it is a critical component of operating excellence.

— **Michael F. Camardo, Executive Vice President, Lockheed Martin Information and Technology Services**

Eliminating workplace injuries improves business performance by strengthening productivity and reducing costs associated with lost time away from work. Focusing on safety is simply the right way to do business. All of us should go home from work in the same good health we enjoyed when we arrived.

— **Robert B. Coutts, Executive Vice President, Lockheed Martin Electronic Systems**

Lockheed Martin reaches far beyond compliance, not because we have to, but because we're committed to protecting and preserving the environment. We take a proactive approach to pollution prevention, and we integrate environmental excellence into our daily business operations to ensure that they run efficiently, effectively and within compliance.

— **Ralph D. Heath, Executive Vice President, Lockheed Martin Aeronautics**

Lockheed Martin has implemented a "Target Zero for Safety" initiative, which has renewed our focus on protecting our employees. Our goal is to create a workplace where there are no injuries. This is an ambitious goal but we can achieve it as we provide all of the tools and training that are needed and create a zero injuries mindset.

— **G. Thomas Marsh, Executive Vice President, Lockheed Martin Space Systems**

EESH POLICY

Lockheed Martin's policy is to protect employees and the environment, conserve natural resources, operate in compliance with all applicable requirements, and continuously improve ESH performance and processes. The Corporation's policy is implemented through Functional Procedures that require all companies to:

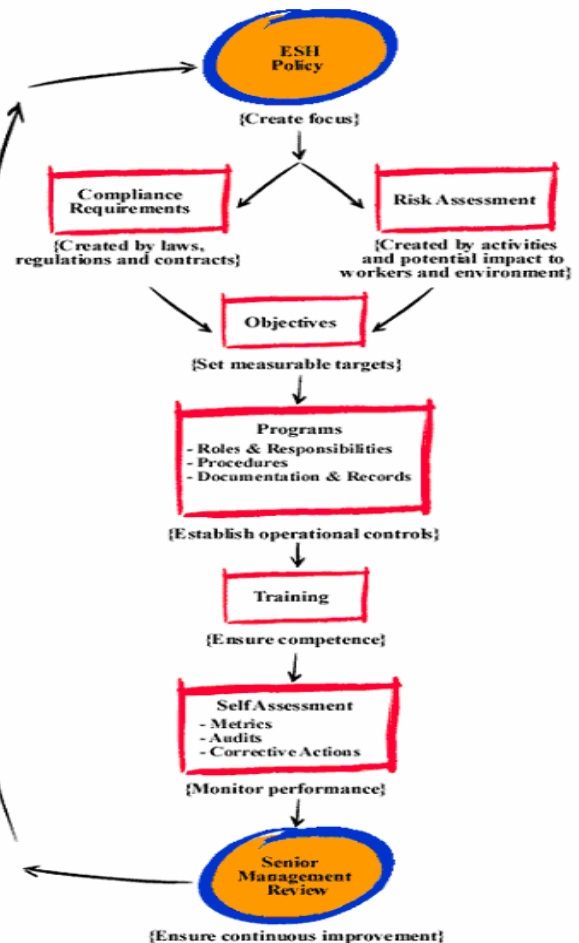


- Include commitments to compliance; protect employees, the environment and local communities; and strive for continuous improvement.
- Include a commitment to establish and meet annual ESH objectives.
- Communicate the policy and procedures along with the ESH objectives to all employees.
- Review the policy and procedures annually, and update or revise as appropriate.

MANAGEMENT SYSTEMS

Lockheed Martin was among the industry pioneers instituting environment, safety and health (ESH) management system requirements for all operations. Those requirements are based on the International Standards Organization (ISO) standards. Although no standards existed to address OSHA requirements at that time, Lockheed Martin incorporated OSHA principles into its management system requirements that exceeded regulatory and existing best management practices. As of 2004, 23 Lockheed Martin companies have obtained ISO 14001 certification and several other companies implemented programs to allow self-certification.

Lockheed Martin's ESH management system consists of eight elements: policy, compliance requirements, risk assessment, objectives and targets, programs, training, self-assessment and senior management review. The requirements provide operating flexibility to business units while ensuring energy, environment, safety and health is integrated into operations and managed similar to other aspects of the company.



Numerous tools have been developed to help assist businesses in implementing all aspects of the management system. One of the more prominent tools is ESHWeb, an enterprise resource to aid in compliance and risk management. The site has more than 8,000 pages of information on regulatory, corporate and voluntary programs as well as several extensive related databases. It contains an electronic regulations retrieval service, Lockheed Martin corporate policies and procedures, training resources, performance data, compliance guidance documents and a personnel directory. ESHWeb continues to be a strong resource for our talented ESH professionals.

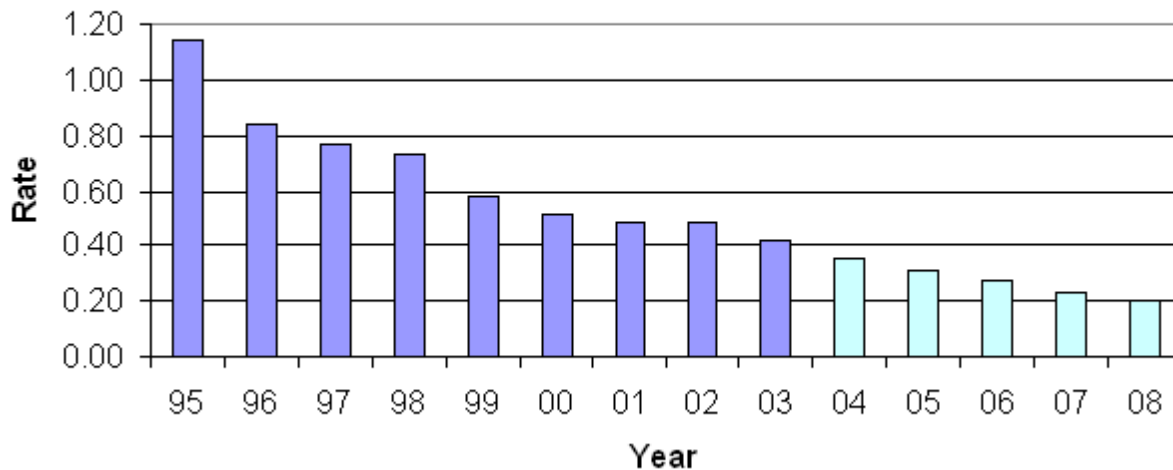
Three enterprise tools have also been launched. The first is Lockheed Martin's Standard Injury and Illness (LMSII) program, designed to track occupational injuries and illnesses. It provides a standard record-keeping and reporting system for most of the Corporation. Second is the Self Assessment Manager (SAM), which provides a site-specific audit protocol based on responses to basic regulatory program questions. And third, an electronic training (e-training) system that provides standard training information for a variety of regulatory and non-regulatory training requirements that can be customized to site specific needs. It is integrated into Lockheed Martin's Learning Management System, a comprehensive enterprise tool designed to monitor employee training requirements. All three tools improve performance and increase efficiency.

SAFETY PERFORMANCE AND GOALS

In its October 2002 issue, Occupational Hazards magazine named Lockheed Martin one of the 17 safest companies to work for in the United States. The list was chosen based on recommendations by industry professionals, recognition by industry associations, participation in programs such as OSHA's Voluntary Protection Programs (VPP), state and local awards, and company philosophy related to safety and health.

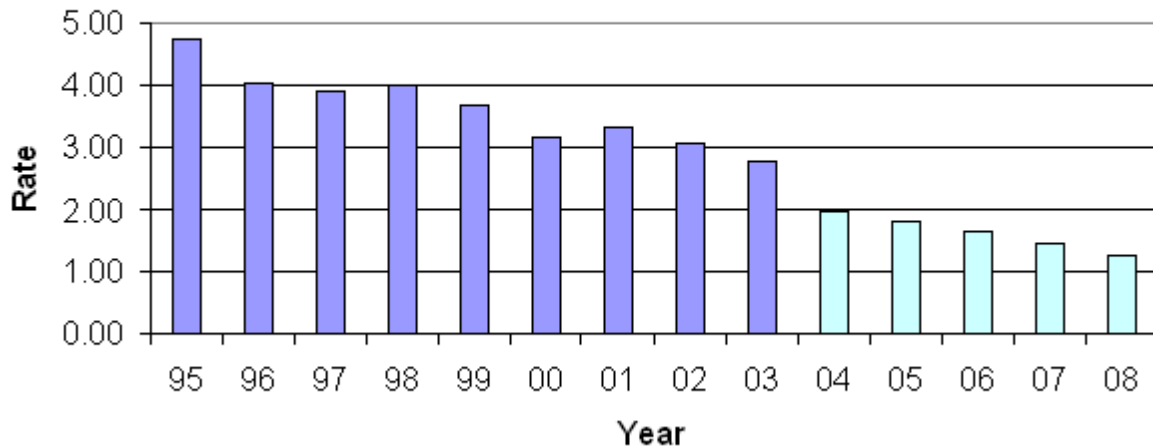
In 2004, Lockheed Martin launched a new corporate initiative, Target Zero, to reduce workplace accident occurrences to zero. Many locations are operating without injuries thanks to a dedicated effort and firm belief that safety is our highest priority. Three performance measures have been established for Target Zero: OSHA Days Away Case Rate (DACR) as well as recordable and severity rates. Historical performance and future goals are shown below.

Days Away Case Rate



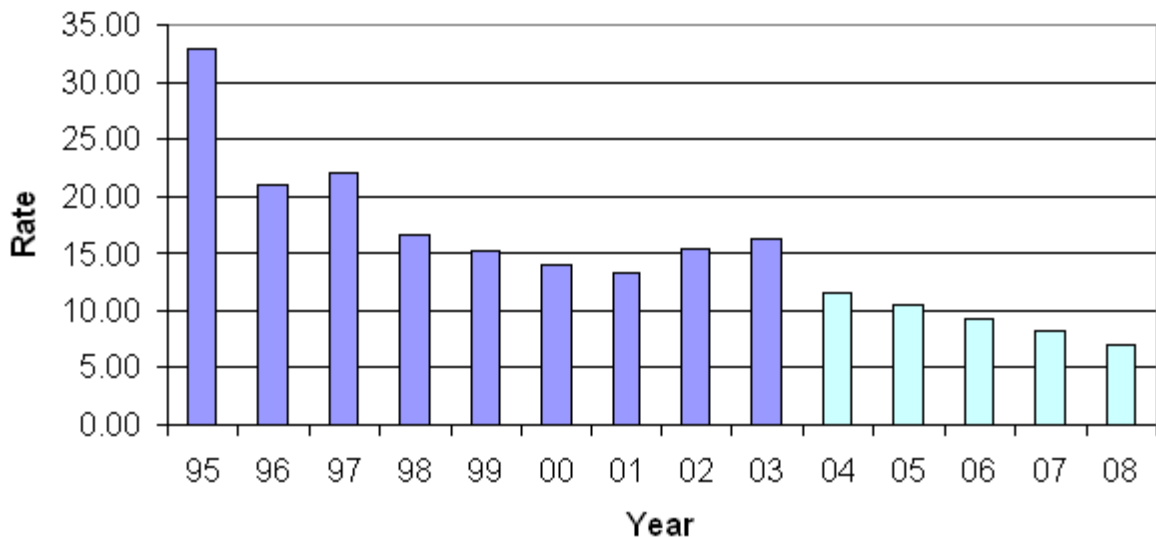
The DACR is determined based on the number of OSHA recordable injury and illness cases involving days away from work per 100 employees. The DACR for employee injuries and illnesses has seen a steady reduction since 1994. In the past nine years, a 67 percent reduction has been achieved from 1.30 in 1994 to .42 in 2003. In 2004, there has been a 25 percent reduction in days away cases through September. Lockheed Martin's goal is to achieve a Days Away Case Rate of 0.2 by 2008.

Recordability Rate



The recordable injury and illness rate is determined based on the number of OSHA recordable injuries and illnesses per 100 employees. The recordable injury and illness rate has seen an overall reduction of 52 percent since 1994. In 2003, we reached a recordable rate of 2.80. In 2004, there has been a 12 percent reduction in days away cases through September. Lockheed Martin's goal is to achieve a recordable injury and illness rate of 1.25 by 2008.

Severity Rate

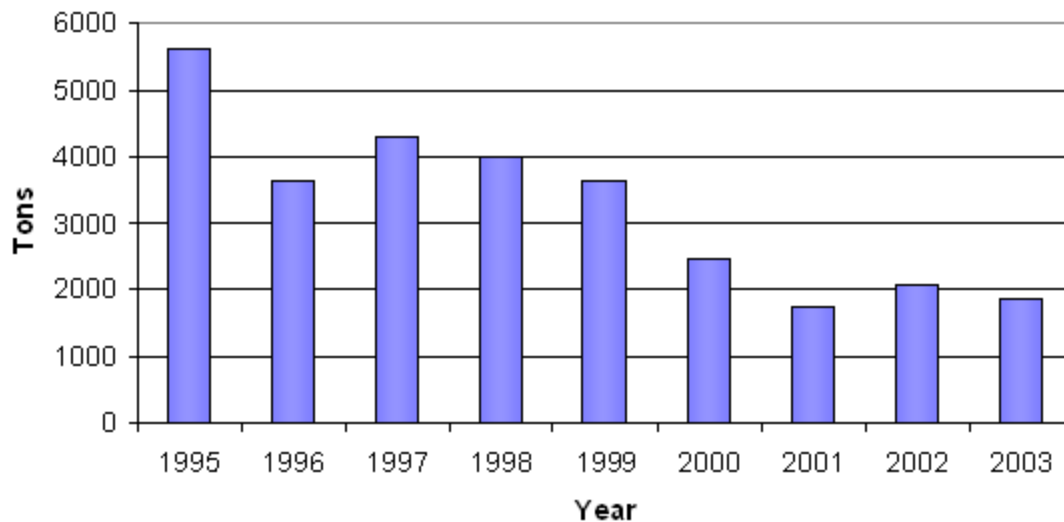


The severity rate is the number of lost workdays resulting from occupational injuries and illnesses per 100 employees. The severity rate for employee injuries and illnesses has seen a 60 percent overall reduction since 1994. In 2003, we reached a severity rate of 16.37. In 2004, there has been a 40 percent reduction in lost days through September. Lockheed Martin's goal is to achieve a severity rate of 7.00 by 2008.

ENVIRONMENTAL PERFORMANCE AND GOALS

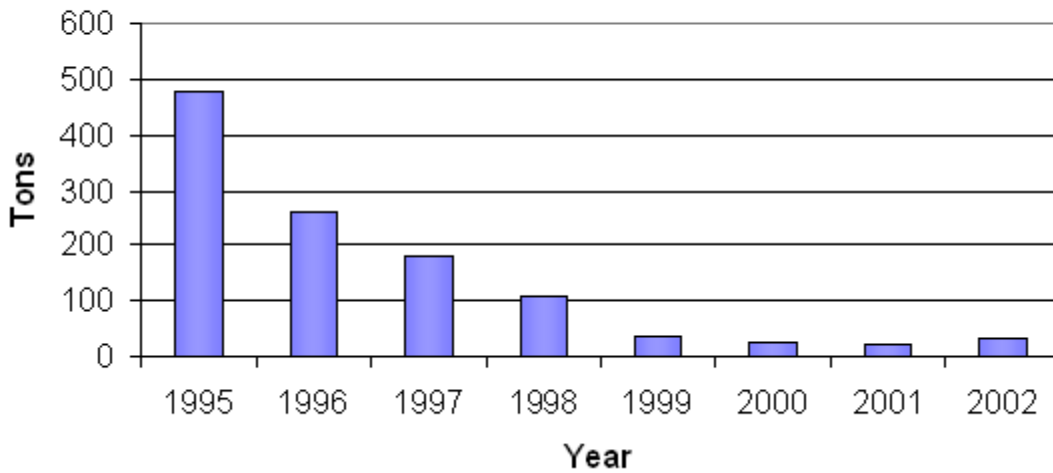
Lockheed Martin's environmental program has focused on reducing, reusing and recycling chemicals used at our manufacturing operations. Specific compounds believed to adversely impact the environment have been eliminated from operations. Some of those compounds include polychlorinated biphenyls (PCBs) and ozone depleting compounds (ODCs). Several Lockheed Martin operating companies have developed hazardous material management programs and cooperatively work with their customers to eliminate chemicals of concern. Considerable effort also has been made toward reducing energy use and greenhouse gas emissions. Overall, our efforts have eliminated hundreds of tons of annual emissions and improved the environment where we operate.

Hazardous Waste Reduction



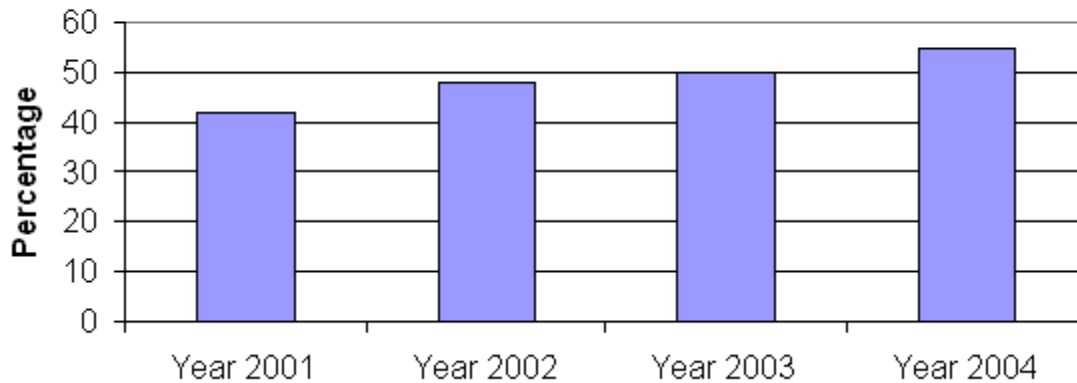
Since 1995, production-related hazardous waste has been reduced 67 percent. That equates to 3,784 tons of hazardous waste annually that no longer requires packaging, transportation, and disposal or incineration. Future efforts will be focused on reducing hazardous material use in production operations.

TRI Emission Reductions



Total chemical releases, as measured by toxic release inventory (TRI) reports, have been reduced 93 percent since 1995. A total of 445 tons of annual releases to our environment have been eliminated. Future efforts are focused on continuing to remove specific chemicals from operations that are recognized as potential hazards to human health and the environment.

Percent Non-Hazardous Solid Waste Recycled



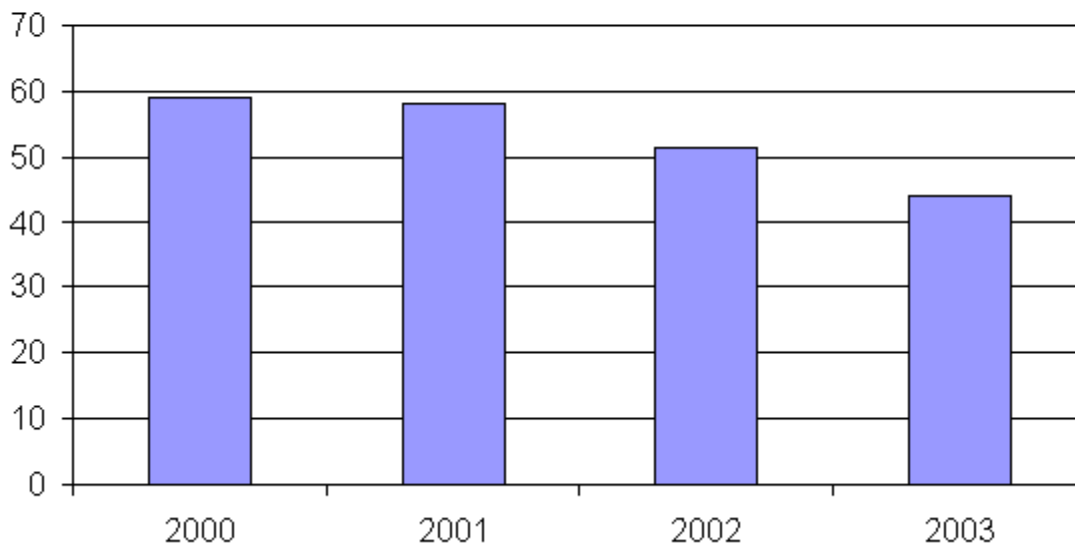
In 2001, Lockheed Martin initiated a non-hazardous solid waste recycling program. As a result:

- In 2002, 42 percent, — an equivalent of 22,000 tons did not go to community landfills.
- In 2003, 48 percent of non-hazardous solid waste an equivalent of 27,000 tons did not go to community landfills— We intend to continually increase the amount of non-hazardous solid waste that we recycle each year

CLIMATE CHANGE

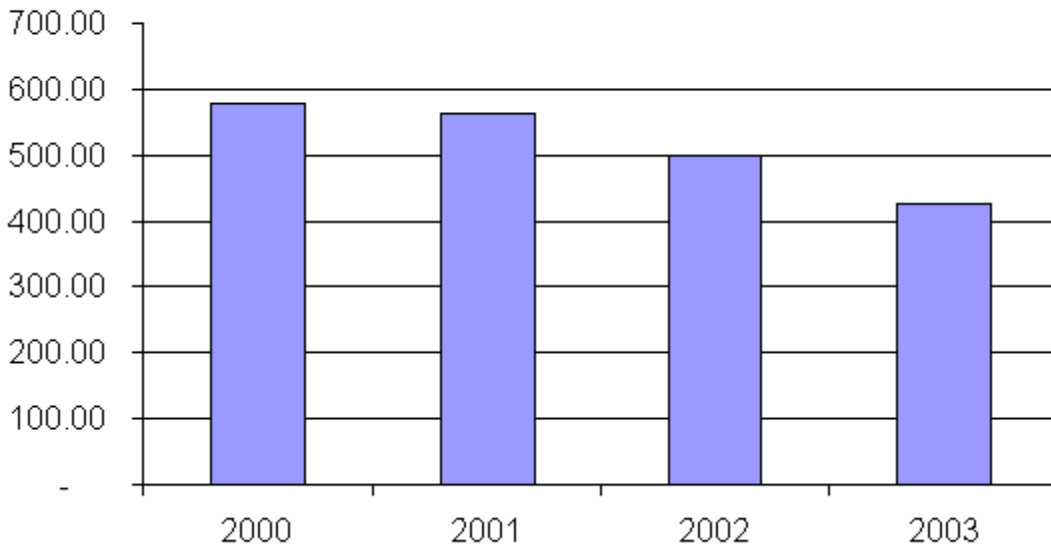
Climate change is an important environmental, economic, and social issue. Over 90 percent of greenhouse gas (GHG) emissions at Lockheed Martin derive from energy use. Accordingly, in 2002 the company established an Energy Program within the corporate EESH organization that sets energy management policy, and tracks progress in improving energy efficiency and reducing greenhouse gas emissions. The Energy Program Manager works closely with ESH and facility operations managers across the corporation to promote energy efficiency through employee education, improved maintenance practices, and capital investments. Through the Energy Program, Lockheed Martin has invested over \$14 million since 2002 in capital improvements specifically targeted at increasing energy efficiency and lowering greenhouse gas emissions at our operating units.

**Estimated Greenhouse Gas Intensity
(Tonnes CO₂ / \$ Million)
(Normalized to Sales)**



Since 2002, Lockheed Martin has been a member of the EPA's Climate Leaders program. Climate Leaders is a voluntary industry-government partnership that encourages companies to develop long-term comprehensive climate change strategies and set GHG emission reduction goals. Lockheed Martin also joined the Business Roundtable's (BRT) Climate RESOLVE in 2003. This program seeks to mobilize resources and expertise of BRT member companies behind the goal of enhanced voluntary action to reduce the greenhouse gas intensity of the U.S. economy. As a member of Climate Leaders and the Climate RESOLVE programs, Lockheed Martin measures greenhouse gas emissions from our operating activities using established EPA protocols. Our GHG emissions are measured using a GHG intensity ratio that compares equivalent CO₂ emissions to dollars of sales. Sales are a productivity estimate that provides a convenient means to standardize GHG measurements across the company's diverse operations. Through Lockheed Martin's energy conservation efforts, GHG emissions intensity ratio has been reduced approximately 25 percent since 2001.

Energy Use Efficiency (MMBTU/\$sales)



Similar to greenhouse gas intensity, a ratio of total energy to dollars of sales is used as a measure of energy efficiency. As operations at Lockheed Martin have grown, energy conservation efforts have maintained total energy use for the corporation relatively constant. Consequently energy intensity (measured as usage per dollar sales) has improved by approximately 30 percent since 2001.

ENVIRONMENTAL STEWARDSHIP

Environmental stewardship is an important part of Lockheed Martin's commitment to communities. Through its Foundation and operating companies, the Corporation supports several initiatives, including:

- The Chesapeake Bay Foundation's inquiry-based environmental education program for public schools in the Mid-Atlantic region.
- The Izaak Walton League of America's Save Our Streams and wetlands programs.
- Environmental Expo at California State University, San Bernardino.
- The Nature Conservancy's Mountains to Marshes program to protect more than 92 million acres of valuable lands and waters worldwide.
- A national teacher-training program at The Keystone Center, where teachers learn how to effectively investigate environmental issues with their students.



Operating Companies Community Programs

- Lockheed Martin Aeronautics Company in Marietta, Ga., contributes to The Georgia Conservancy, an organization dedicated to balancing the demands of social and economic progress with its commitment to protect the environment. The company also contributes to the local chapter of the Air and Waste Management Association and the Clean Air campaign in Georgia.
- Lockheed Martin Systems Integration in Owego, N.Y., actively supports the Waterman Conservation Education. Company volunteers present environmental and safety issues and careers with job shadowing opportunities and a youth apprentice program for local high school students, and through various presentations and events for younger school children.
- Lockheed Martin Information & Technology Services in Cherry Hill, N.J., provides financial and volunteer support to the Woodford Cedar Run Wildlife Refuge, an organization dedicated to preserving Pine Barrens habitats in New Jersey.

Lockheed Martin Environmental Remediation

With heritage operations dating back to the early 20th century, Lockheed Martin has built its success on long-standing innovation and business excellence as well as strategic acquisitions. Some of the operations conducted over the years, even though in compliance with relevant laws at the time, resulted in soil or groundwater contamination. Where remedial actions are warranted, Lockheed Martin has worked aggressively with regulatory agencies and the

community to remedy the impact of the contamination. Some of our accomplishments are summarized below.

Lockheed Martin began remediating a portion of its former Potrero site in Riverside County, Calif., several years ago and is currently conducting a comprehensive environmental investigation to determine if additional remediation is necessary. A portion of the 9100-acre property was used for rocket motor testing in the 1960's and 70's. This site also is the home to threatened and endangered species. The Corporation and The Conservation Fund partnered with Riverside County, the State of California, and the U.S. Fish & Wildlife Service to create a conservation area that is considered the crown jewel of Riverside County's Multiple Species Habitat Conservation Plan. The Corporation sold the property to the State and the County for a reduced price to create the conservation area.

Historical airplane manufacturing operations at the former Burbank, Calif., facility resulted in groundwater contamination in the San Fernando Valley. Working under a Consent Decree with the U.S. EPA, Lockheed Martin, in cooperation with the City of Burbank, constructed a 9,000 per minute water treatment system that now supplies the City with 50 percent of their water requirements. Lockheed Martin also has constructed a similar facility in Glendale, Calif.

The community outreach associated with the remediation efforts at a former operation in Great Neck, N.Y., earned Lockheed Martin the National Association of Environmental Professionals' Award of Excellence. The community relations and technical team also received recognition from the New York League of Conservation Voters for coordination with the New York State Department of Environmental Conservation and the local community in determining the appropriate cleanup plan for the site.

Expanded groundwater investigations by the Florida Department of Environmental Protection (FDEP) around the former American Beryllium Company in Tallevast, Fla., identified groundwater contamination. The contamination is associated with volatile organic compounds that were historically used at the site. Working with local interest groups as well as the FDEP and Manatee County, Lockheed Martin immediately provided public water to all households that used wells for their water supply. A Consent Order was signed between Lockheed Martin and FDEP to fully investigate and remediate the site.

PUBLIC/PRIVATE PARTNERSHIPS

OSHA and EPA have found that traditional approaches to regulating industry have limitations and that public/private partnerships provide a means to achieve better results and satisfy specific needs of all parties. Both agencies have implemented voluntary participation programs that yield performance beyond compliance levels. Lockheed Martin supports the concept of public/private partnerships and participates in these types of programs. As of 2004, six Lockheed Martin businesses have achieved OSHA's Voluntary Protection Programs (VPP) Star certification and 10 are participating in EPA's Performance Track program. In addition, Lockheed Martin Aeronautics negotiated a relationship similar to the OSHA VPP Star program that better addresses the needs of both parties for their operation in Fort Worth, TX.

OSHA Voluntary Protection Program (VPP) sites

- Maritime Systems and Sensors – Manassas, VA
- Maritime Systems and Sensors – Moorestown, NJ
- Maritime Systems and Sensors – Syracuse, NY
- Space Operations – Houston, TX
- Space Systems – Palmdale, CA
- Systems Integration – Owego, NY

EPA's Performance Track (PT) sites

- Aeronautics Company – Marietta, GA
- Maritime Systems and Sensors, Baltimore, MD
- Maritime Systems and Sensors, Syracuse, NY
- Maritime Systems and Sensors, Manassas, VA
- Maritime Systems and Sensors, Moorestown, NJ
- Missiles and Fire Control – Camden, AR
- Missiles and Fire Control – Dallas, TX
- Missiles and Fire Control – Orlando, FL
- Space Systems Company, Littleton, CO
- Systems Integration – Owego, NY

State Programs

- Aeronautics – Fort Worth, TX, with Texas OSHA
- Aeronautics – Palmdale, CA, with Cal/EPA
- Space Systems – Denver, CO, with
- Colorado Environmental Leadership Program
- Maritime Systems and Sensors – Manassas, VA, with Virginia Environmental Excellence Program

PROVIDING COMMUNITY SOLUTIONS

An informed, knowledgeable public is the key to developing remediation programs that have the support of the community.

An essential element of Lockheed Martin's environmental stewardship is keeping communities informed and involved. In addition to being responsive to local concerns, we actively seek to make our neighbors aware of environmental activities in the areas of former Lockheed Martin facilities.

Where we are involved in remediation, we strive to demonstrate our ongoing commitment to the communities and the people who call them home.

For highlights and most recent reports of key remediation projects, please see the Energy, Environment, Safety & Health - Providing Community Solutions page on the Lockheed Martin Web site at www.lockheedmartin.com.

