

Raytheon Company
Ed Pliner, Chief Financial Officer

Smith Barney
18th Annual Global Industrial
Manufacturing Conference

March 8, 2005

Forward Looking Statements

This presentation contains forward-looking statements and projections. The Company cautions readers that such forward-looking statements are based on assumptions that the Company believes are reasonable, but are subject to a wide range of risks, and actual results may differ materially. The Company expressly disclaims any current intention to provide updates to forward-looking statements, and the estimates and assumptions associated with them, after the date of this presentation. Important factors that could cause actual results to differ include, but are not limited to: the ability to obtain or the timing of obtaining future government awards; the availability of government funding; changes in government or customer priorities due to program reviews or revisions to strategic objectives; difficulties in developing and producing operationally advanced technology systems; termination of government contracts; program performance, including resolution of claims; timing of contract payments; the performance of critical subcontractors; government import and export policies and other government regulations; the ultimate resolution of contingencies and legal matters, including government investigations and a securities class action lawsuit related to the sale of our former engineering and construction business; the ultimate resolution of insurance coverage for the class action shareholder and derivative lawsuits against the Company; the effect of market conditions, particularly in relation to the general aviation, commuter and fractional aircraft markets; cost growth risks inherent with large long-term fixed price contracts; conflicts with other investors in joint ventures and less than wholly-owned businesses; and risks associated with our former engineering and construction business related to outstanding letters of credit, surety bonds, guarantees and similar agreements and the resolution of claims and litigation. Further information regarding the factors that could cause actual results to differ materially from the projected results can be found in the Company's filings with the Securities and Exchange Commission, including the Company's Annual Report on Form 10-K for the year ended December 31, 2003 and quarterly reports on Form 10-Q, copies of which may be obtained at the Company's website www.raytheon.com.

An Industry Leader

- **\$20B business focused on defense technology. An industry leader in:**
 - Defense and government electronics
 - Space
 - Information technology
 - Technical services
- **Including \$2.4B of sales by Raytheon Aircraft, a leader in business and special mission aircraft**
- **Raytheon provides integrated mission systems to meet the critical defense and non-defense needs of its customers**



Raytheon's Strategy

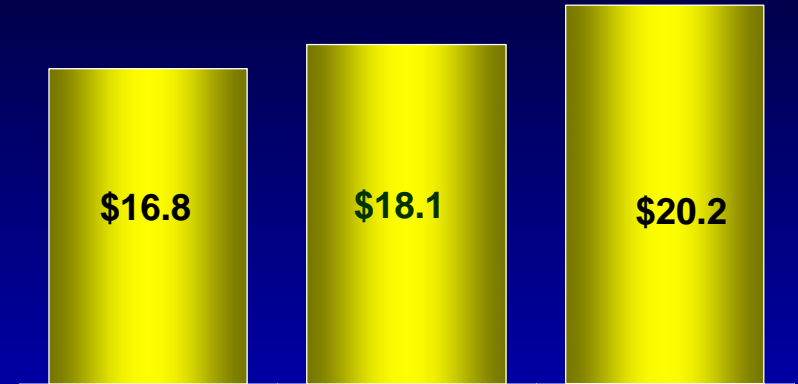
- **Grow our position in core defense markets through a focus on key strategic pursuits, mission support, technology and Mission Assurance.**
- **Use the Strategic Business Areas to leverage domain knowledge of core defense markets — across the company — to achieve growth and to expand our Mission Systems Integration opportunities.**
- **Return Beechcraft® and Hawker® brands to a preeminent position.**
- **Be a Customer Focused company based on:**
 - **Performance – Promises made, promises kept.**
 - **Relationships – Listen, anticipate, respond and follow through with our Customers, partners and each other.**
 - **Solutions – Develop and provide superior Customer solutions working as One Company.**

Our Strategy Is Working . . .



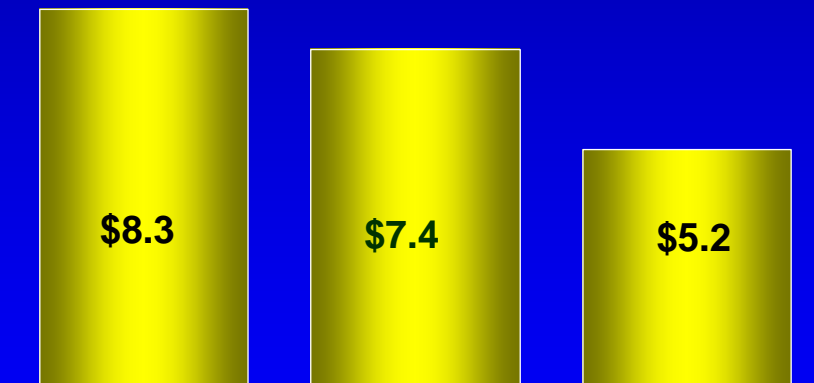
2002 2003 2004

Record orders of \$25.7B



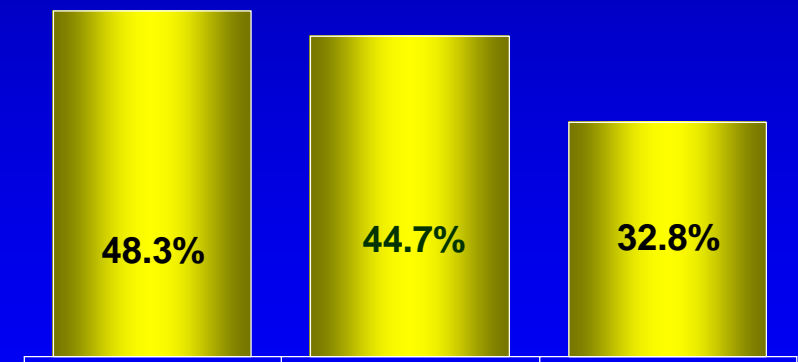
2002 2003 2004

Strong sales growth



2002 2003 2004

Over \$3B in debt reduction



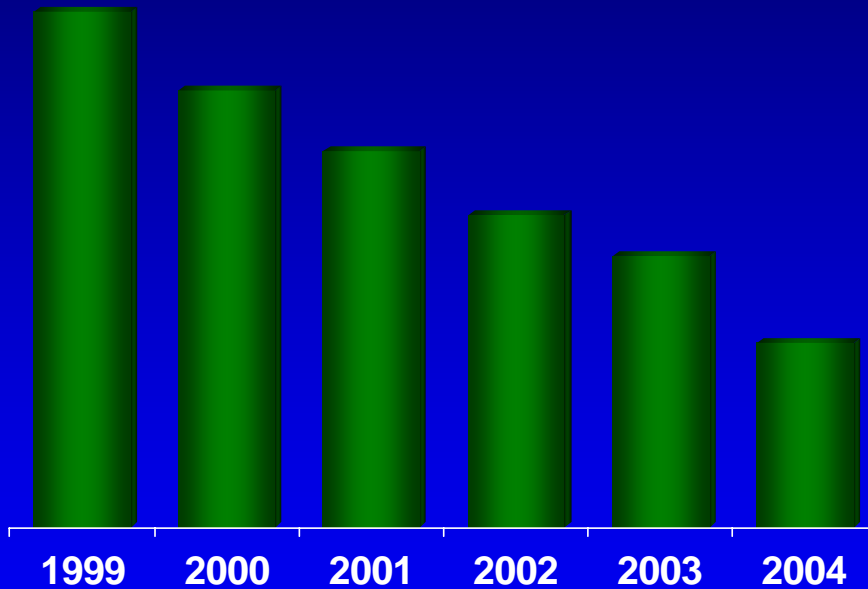
2002 2003 2004

Lowest debt to cap ratio since 1994

Using Performance to Drive Growth and Strengthen Balance Sheet

Capital Deployment

Significant Debt Reduction Since 1999



- Debt - Continue reduction at approx \$500M/yr over the next three years. Profile of BBB+
- Pension - Continue additional \$200M in 2005/2006
- Dividends – Increase by 10% to \$.88/share
- Share Repurchase - \$700M over 18-24 months
- Invest in Growing the Business

A Strategic Balanced Approach

2005 Guidance

	<u>2004</u>	<u>2005</u>
Bookings	\$25.7B	\$22.5B-\$23.5B
Revenue	\$20.2B	\$21.5B-\$22.0B
Operating Margin	6.9%	7.3%-7.5%
GAAP EPS	\$0.99	\$1.80-\$1.90
Continuing Ops Free Cash Flow	\$1.5B	\$1.2B-\$1.4B

A Strong 2004...Positioned Well for 2005!

Non-GAAP Financial Measure

Free cash flow, which the Company defines as operating cash flow less capital spending and internal use software spending, is considered a "non-GAAP" financial measure under SEC guidelines.

(\$ Millions)

	<u>2005F</u>	<u>2004</u>
Free cash flow		
Operating cash flow	\$ 1,700-1,850	\$ 1,876
Less: Capital spending	\$ (375)-(350)	\$ (361)
Internal use software spending	\$ (125)-(100)	\$ (103)
Free cash flow	<u>\$ 1,200-1,400</u>	<u>\$ 1,412</u>
Plus: Discontinued operations	\$ 20-25	\$ 43
Free cash flow from continuing operations	<u>\$ 1,220-1,425</u>	<u>\$ 1,455</u>

While this information may be useful in evaluating the Company, it should be considered supplemental to and not as a substitute for financial information prepared in accordance with generally accepted accounting principles.

A group of five diverse professionals (three men and two women) are posed in a technical facility. One man is standing on a yellow staircase, while the others are on the ground level. They are dressed in a mix of business casual and professional attire. The background features large yellow and blue industrial equipment, with a sign that partially reads "RADAR".

Raytheon

Customer Success Is Our Mission