



Financial Outlook

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Acting Chief Financial Officer

Raytheon

Customer Success Is Our Mission

Forward-Looking Statements

INVESTOR CONFERENCE 2005

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 products and 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; the effect of regulatory actions and market conditions, particularly in relation to the general aviation, commuter and fractional aircraft businesses; cost growth risks inherent with large long-term fixed price contracts; conflicts with other investors and business risks 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, 2004 and quarterly reports on Form 10-Q, copies of which may be obtained at the Company's website www.raytheon.com.

Financial Summary – The Past Two Years

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- **Capabilities and performance driving growth across the portfolio...**
 - Backlog has grown more than 25%
 - Sales growth of 20%

- **Intense focus on execution and performance**
 - G&D margin expansion has more than offset restructuring recovery benefits
 - Significant improvement in margin at Raytheon Aircraft

- **Excellent cash generation and management**
 - Cash conversion averaging 110%
 - Reduced net debt by \$3B
 - Strong balance sheet debt to cap at 30%
 - Increased dividend by 10%
 - Repurchased \$435M in stock common stock
 - Discretionary pension contributions of \$200M

- **Enhanced internal controls and processes**
 - EAC, earned value, gate process, monthly operating reviews etc.

Relentless Focus On Performance ... Driving Shareholder Value

Total Company Financial Outlook

INVESTOR CONFERENCE *2005*

	<u>2005F</u>	<u>2006F</u>
Bookings	\$24.5B - \$25.0B	\$22.0B - \$23.0B
Sales	\$21.6B - \$22.1B	\$23.1B - \$23.6B
FAS/CAS Pension Adjustment Expense	\$465M	\$362M
Interest expense, net	\$265M - \$275M	\$250M - \$260M
Diluted Shares	453M*	451M
GAAP EPS from Cont. Ops	\$2.00 - \$2.05	\$2.40 - \$2.50
Continuing Ops/ Total Free Cash Flow	\$1.6B - \$1.8B	\$1.2B - \$1.4B
Operating Cash Flow	\$2.1B - \$2.3B	\$1.7B - \$1.9B
ROIC	6.5 - 6.8%	7.7 - 8.1%

* Denotes change from prior guidance

2006 ... Another Strong Year For Raytheon

Cash Flow Outlook

\$ Millions

INVESTOR CONFERENCE *2005*

	<u>2005F</u>	<u>2006F</u>
Income from continuing operations	\$0.9B - \$0.95B	\$1.0B - \$1.1B
Depreciation & amortization	440 - 460	450 - 470
Working Capital	100 - 150	-
Discretionary pension funding	(200)	(200)
Non cash tax expense	420 - 440	120 - 140
FAS/CAS income adjustment	465	362
Other	<u>(15) - 0</u>	<u>(15) - 15</u>
Operating cash flow	\$2.1B - \$2.3B	\$1.7B - \$1.9B
Capital & internal software spending	<u>(500) - (450)</u>	<u>(530) - (480)</u>
Free cash flow	\$1.6B - \$1.8B	\$1.2B - \$1.4B

Continued Strong Cash Generation

2005 Cash Deployment Plan and Status*

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Growing the Business

Debt Reduction

Pension Contribution

Dividend Increase

Share Repurchase

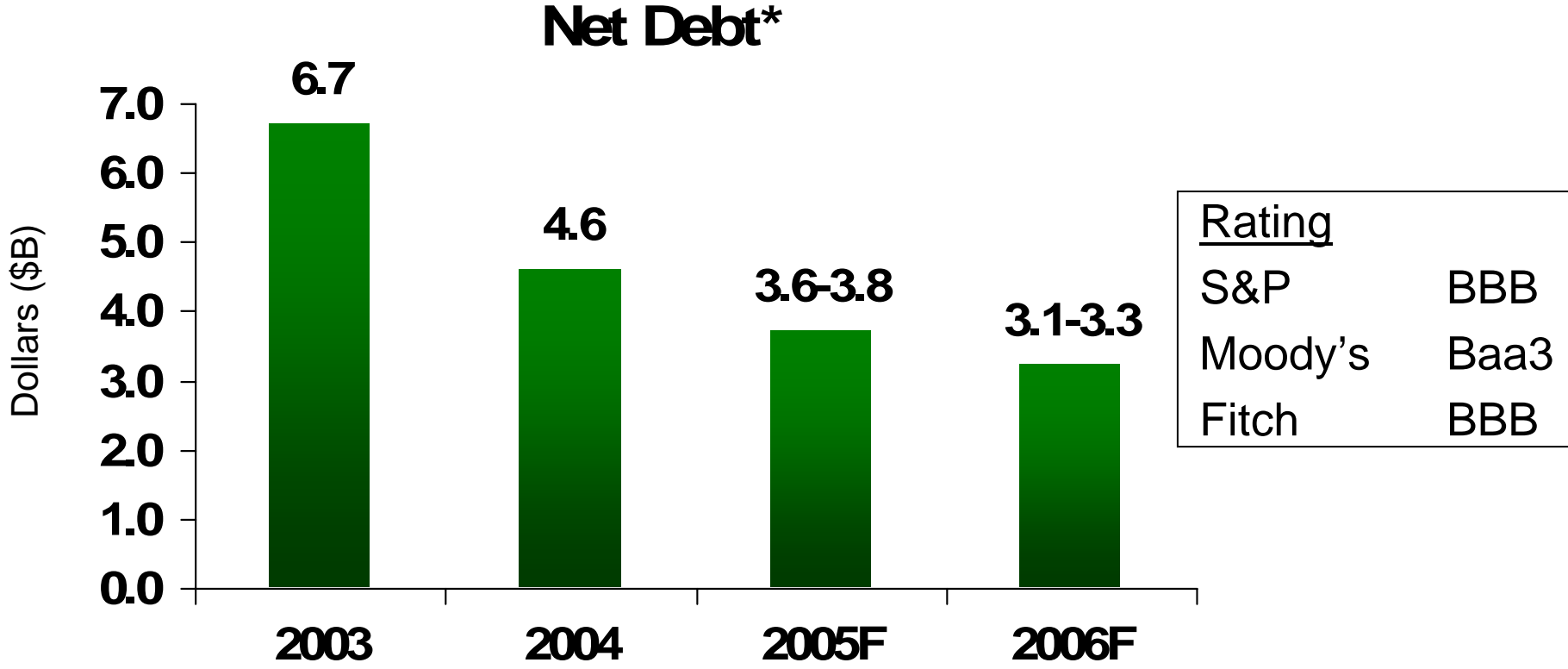
- Invest in disruptive, sustaining, and expanding technology to drive growth
- Continue to deleverage approx. \$676M in '05 and \$400M in '06. Profile of BBB+
- Contributed additional \$200M in 2005 and will contribute additional \$200M in 2006
- Increased annual dividend to \$0.88/share in Q1 '05 (10% increase)
- As of Nov'30 repurchased \$435 million of our \$700 million authorization

A Balanced Approach To Cash Deployment

Strong Balance Sheet

\$ Billions

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Rating	
S&P	BBB
Moody's	Baa3
Fitch	BBB

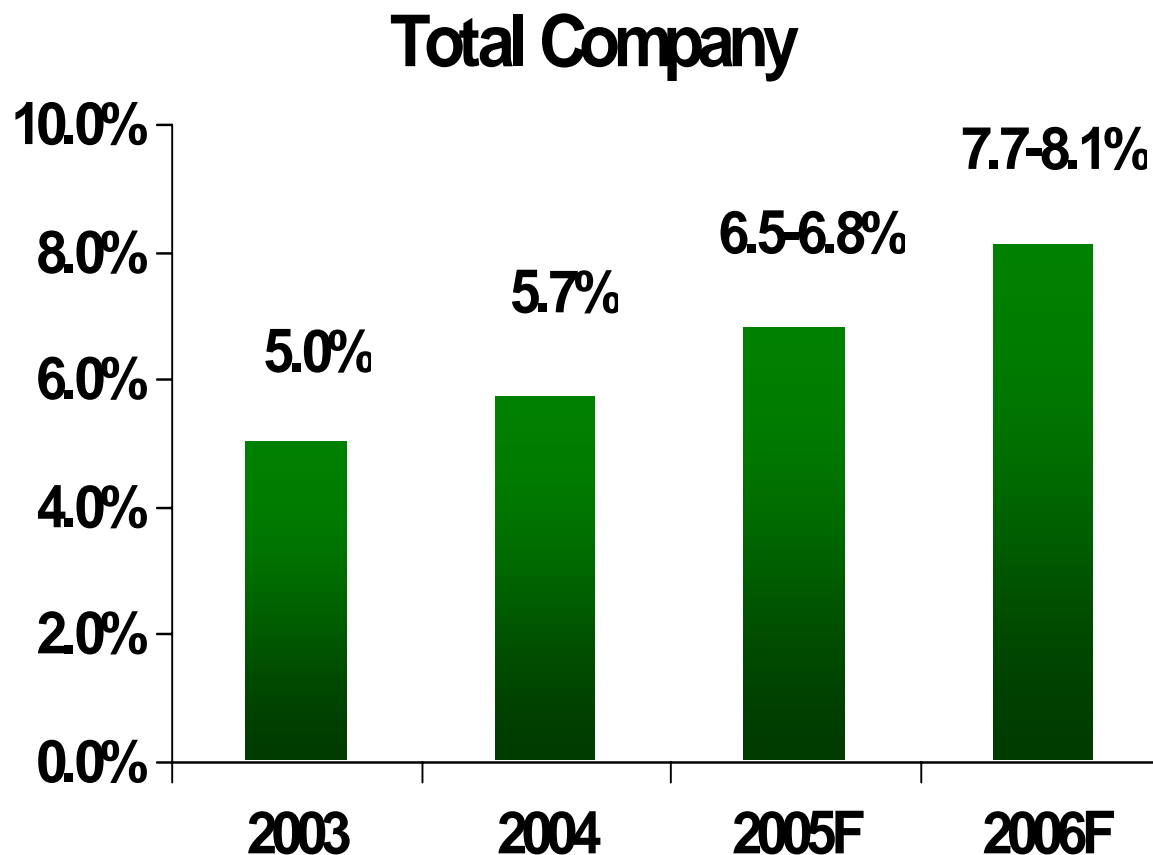
Debt to Cap.Ratio:	2003	2004	2005F	2006F
	45%	33%	~30%	~27%

Target ... BBB+

*Net Debt equals debt less cash

Return On Invested Capital

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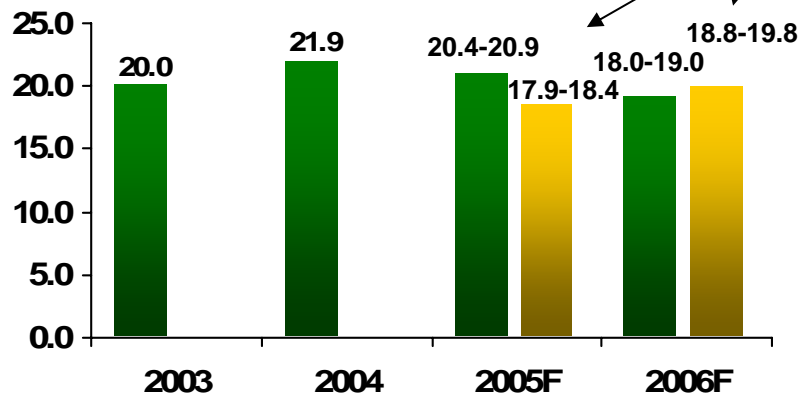
A Key Metric Driving Shareholder Value

Government and Defense Summary

\$ Billions

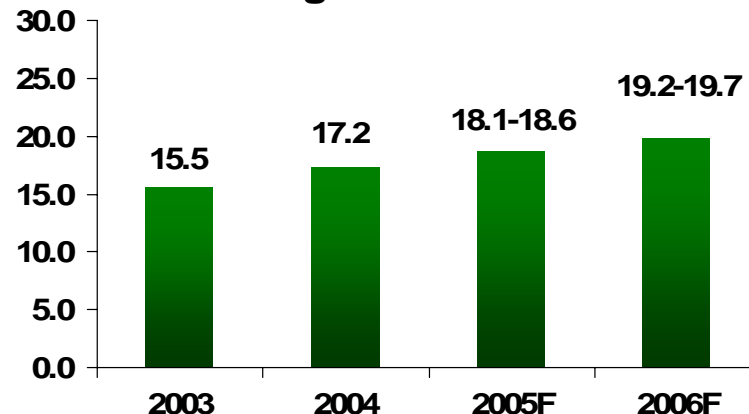
Normalized*

Solid Bookings

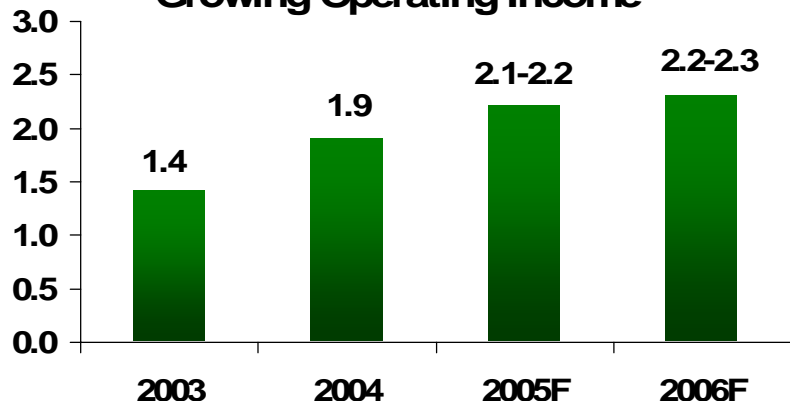


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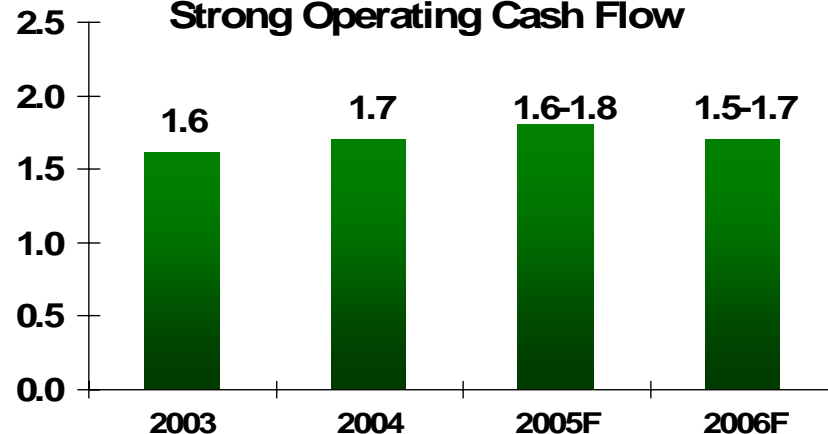
Strong Sales Growth



Growing Operating Income



Strong Operating Cash Flow



Continued Growth... Delivering Value

*Normalized for two large multiyear awards received in 2005

Government & Defense Bookings and Sales

\$ Billions

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International Bookings & Sales



Business Mix

- Fixed Price 50% - Cost Type 50%
- 15% Classified
- CRAD Bookings 05/06 \$1B/yr
- Direct Foreign 2/3; FMS 1/3 of foreign sales
- Growing MSI going forward
- Largest program (DDX systems integration) in '06 represents 4% of our portfolio
- 70% of '06 sales are in current backlog

The Right Business Mix For Value Creation

2006 Financial Outlook: By Business

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	<u>2005F</u> <u>Sales (\$B)</u>	<u>2006F</u> <u>Sales (\$B)</u>	<u>2005F</u> <u>Op. Margin</u>	<u>2006F</u> <u>Op. Margin</u>
IDS	3.6-3.8	4.0-4.2	13.9-14.4%	13.9-14.4%
IIS	2.4-2.6	2.6-2.8	8.9-9.3%	9.1-9.5%
MS	4.0-4.2	4.2-4.4	10.0-10.4%	10.2-10.6%
NCS	3.1-3.3	3.2-3.4	9.9-10.3%	10.2-10.6%
SAS	4.1-4.3	4.2-4.4	14.0-14.5%	13.3-13.7%
RTSC	1.9-2.1	2.0-2.1	7.0-7.5%	7.0-7.5%
RAC	2.6-2.8	3.0-3.2	130M-140M	160M-170M
Other	0.7-0.8	0.7-0.8	(70M)-(80M)	(40M)-(50M)
Corp and Elims	<u>(1.5B)</u>	<u>(1.6B)</u>	<u>(165M)-(175M)</u>	<u>(195M)-(210M)</u>
Subtotal	\$21.6B-\$22.1B	\$23.1B-\$23.6B	9.7-9.9%	9.7-9.9%
FAS/CAS Inc Adj			<u>-2.1%</u>	<u>-1.5%</u>
Total Cont. Ops	\$21.6B-\$22.1B	\$23.1B-\$23.6B	7.6-7.8%	8.2-8.4%
G&D After elims	\$18.1B-\$18.6B	\$19.2B-\$19.7B	11.5-11.7%	11.5-11.7%

Strong Growth With Strong Margins

Summary

INVESTOR CONFERENCE *2005*

- Intense focus on execution...part of our DNA
- Process based culture... continuous improvement
- Strong governance
- Strong profitable growth going forward... solid position in our core markets...and expanding
- Well positioned portfolio – platform agnostic – capability focused
- Excellent cash generation... balance deployment
- ROIC focus and improvement
- Growing international markets
- Communication and transparency... listening to our shareholders

Providing Customer Solutions And Delivering Shareholder Value

Appendix

Non-GAAP Financial Measures

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Free cash flow is a “non-GAAP” financial measure under SEC regulations. The Company defines free cash flow as operating cash flow less capital spending and internal use software spending. Our definition may differ from similarly titled measures used by others. The Company uses free cash flow to facilitate management's internal comparisons to the Company's historical operating results and to competitors' operating results and as an element of management incentive compensation. The Company believes disclosure of free cash flow performance provides investors greater transparency with respect to information used by management in its financial and operational decision making. 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.

Return on Invested Capital Calculation

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Net Income (Cont'g Ops)	\$535	\$661	} Combined	} Combined
Net Interest Expense (After Tax*)	342	283		
Lease Expense (After Tax*) x .33	63	74		
Return	\$940	\$1,018	\$1,145-\$1,170	\$1,320-\$1,365
Net Debt**	\$7,239	\$5,664	} Combined	} Combined
Equity**	9,016	9,857		
Lease expense x 8, plus Financial Guarantees* *	2,427	2,465		
Invested Capital	\$18,682	\$17,986	\$17,500-\$17,300	\$17,100-\$16,900
ROIC	5.0%	5.7%	6.5% - 6.8%	7.7% - 8.1%
*Effective Tax Rate	29.8%	24.1%	34.3%	33.2%

** 2 point average

Note : 2004 Excludes Shareholder Settlement

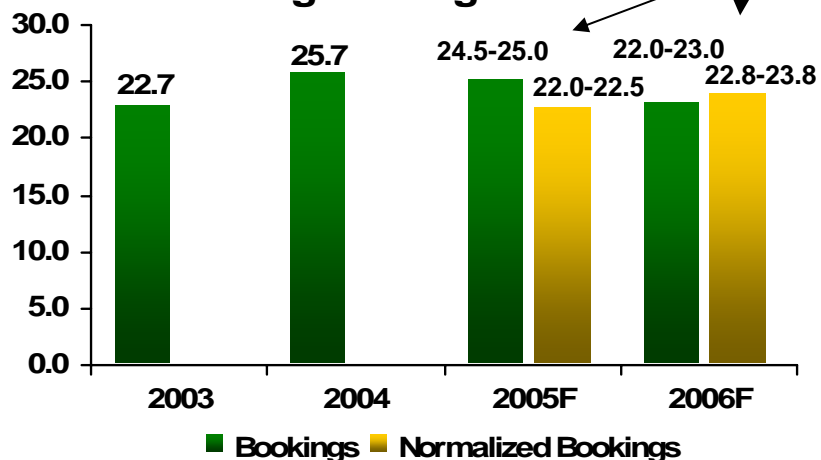
We define Return on Invested Capital (ROIC) as net income plus after-tax net interest expense plus one-third of lease expense (estimate of interest portion of lease expense), divided by average invested capital after capitalizing operating leases (lease expense times a multiplier of 8) and adding financial guarantees. ROIC is not a measure of financial performance under generally accepted accounting principles (GAAP), and may not be defined and calculated by other companies in the same manner. ROIC should not be considered the sole indicator of company performance. Management uses ROIC to ensure efficient and effective use of capital.

Total Company - Summary

\$ Billions

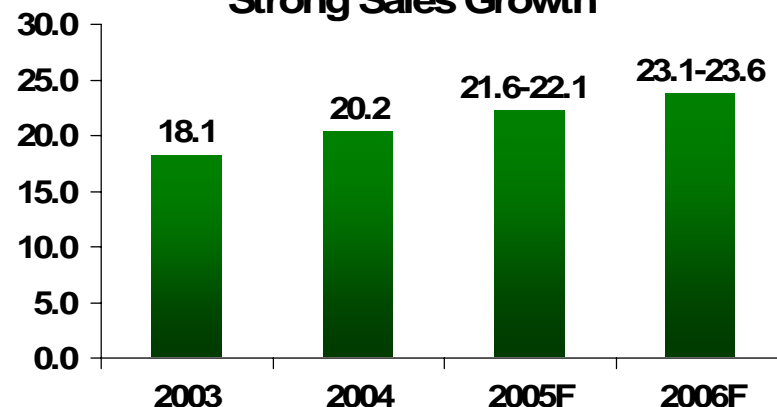
Normalized*

Strong Bookings

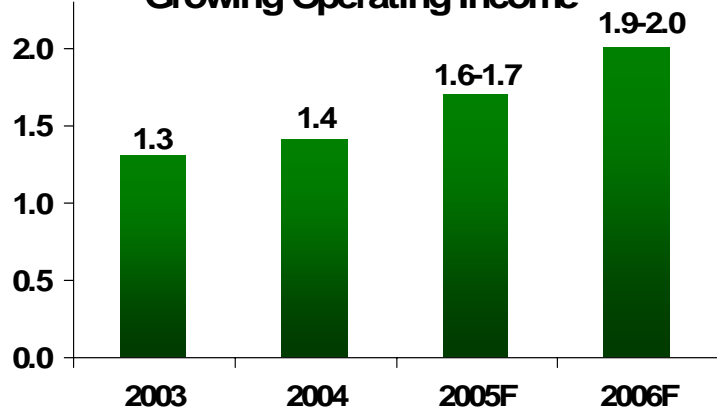


INVESTOR CONFERENCE 2005

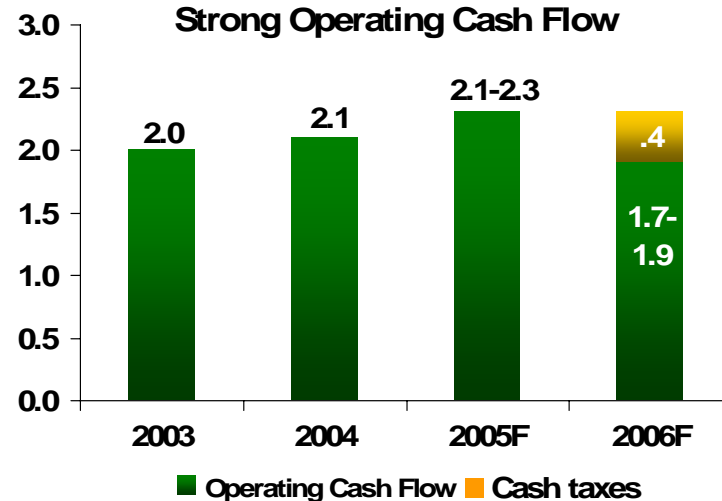
Strong Sales Growth



Growing Operating Income



Strong Operating Cash Flow



A Performance Culture...Delivering Value To Our Shareholders

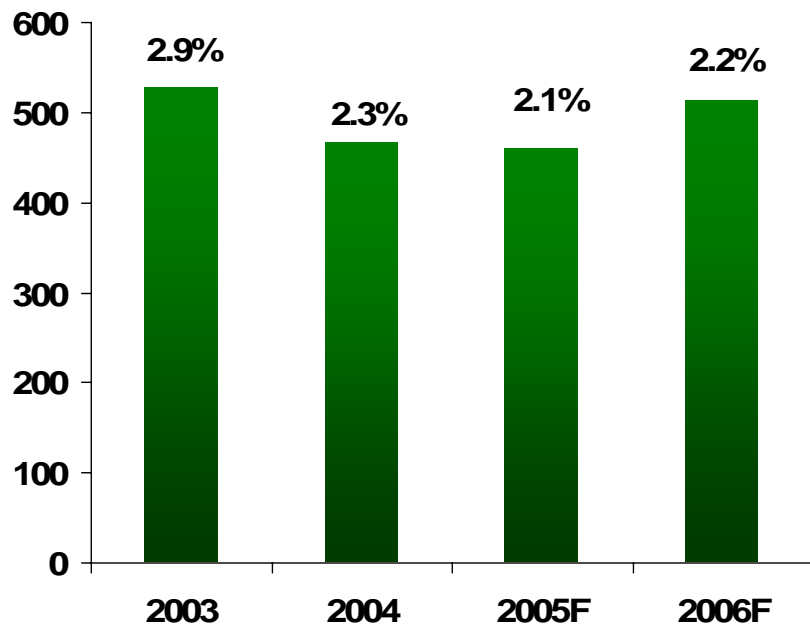
*Normalize for two of our large multiyear awards we received in 2005

Investing in the Future

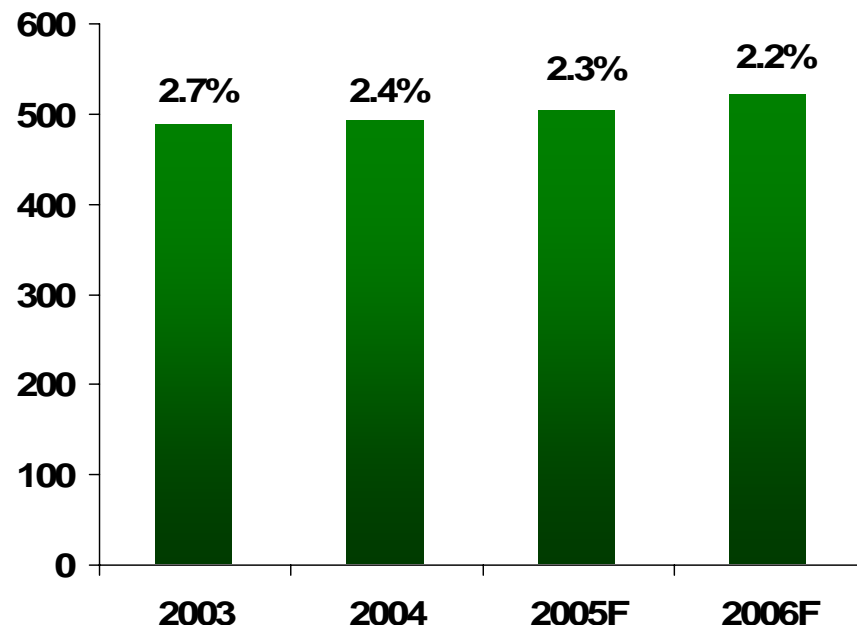
\$ Millions

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Capital* (% of Sales)



R&D (% of Sales)



*Includes Internal Use Software

Prudent Cash Management ... Focused On The Future

Total Company Pension Expense (\$M)

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	<u>2005F</u>	<u>2006F</u>
FAS	(\$813)	(\$844)
CAS	<u>(348)</u>	<u>(482)</u>
Income Adjustment	(465)	(362)
EPS impact of FAS/CAS pension	(\$0.68)	(\$0.54)
CAS recovery	348	482
Funding required	(316)	(437)
Anticipated discretionary funding	(200)	(200)

2006 FAS/CAS Pension Adjustment (\$M)

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<u>Estimated Discount Rate*</u>	<u>Estimated Return*</u>			
	<u>0.00%</u>	<u>5.00%</u>	<u>8.75%</u>	<u>15.00%</u>
4.75%	601	575	556	523
5.25%	500	477	455	422
5.75%	407	381	Current assumption 362	329
6.25%	321	295	275	243

* Pension expense for 2006 is based upon discount rates as of 12/31/2005 and asset returns for the calendar year 2005. 2006 pension expense will be updated at year end 2005, once actual discount rates and asset returns for 2005 are determined.

Note: The purpose of this chart is to indicate the range of outcomes of the 2006 FAS/CAS pension adjustment based upon the 2005 discount rate and return on assets. Actual results not necessarily limited to above scenerios. Does not include any effects from pension reform.

2006 Financial Outlook: By Quarter

INVESTOR CONFERENCE *2005*

(\$ Millions except EPS)

	2006 Estimates				
	Q1	Q2	Q3	Q4	Total
Sales	22%	24%	25%	29%	\$23.1B - \$23.6B
EPS	18 - 20%	21 - 26%	24 - 29%	31 - 33%	\$2.40 - \$2.50
Operating Cash Flow	(\$425) - (\$375)	\$350 - \$400	\$650 - \$700	\$1.1B - \$1.2B	\$1.7B - \$1.9B



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Missile Defense Center
Woburn, MA

Dec. 1, 2005

Raytheon

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