Raytheon

Customer Success Is Our Mission

Second Quarter Earnings

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Q2 2007 Highlights

- EPS from continuing operations of $0.79, up 30 percent
- Net sales of $5.4 billion, up 9 percent
- Solid bookings of $5.0 billion; backlog of $33.3 billion
- Increases full-year guidance for EPS, bookings and ROIC
- Sale of Raytheon Aircraft Company completed, resulting in after-tax net proceeds of $2.4 billion
- Early redemption of $1.0 billion of debt, as previously announced
- Repurchased 9.6 million shares for $526 million

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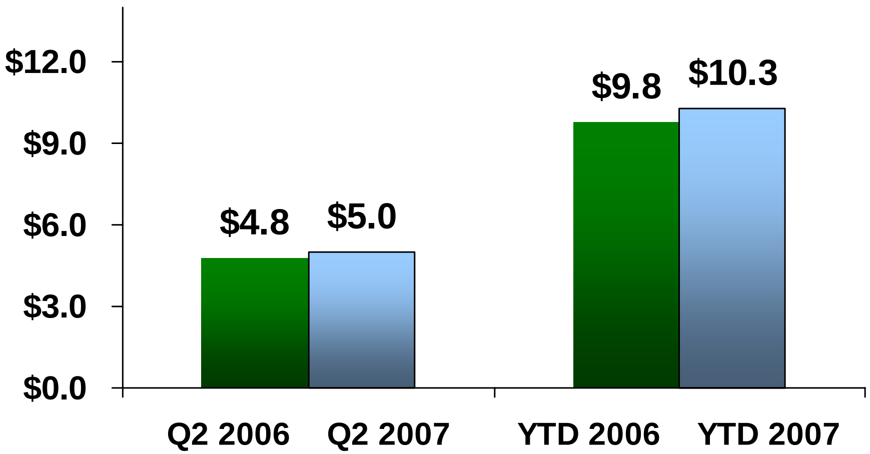
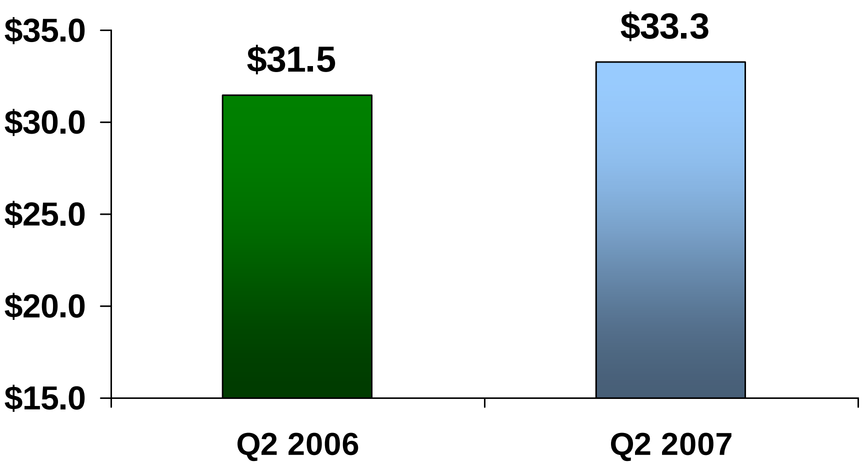
Bookings and Backlog

Bookings ($B)



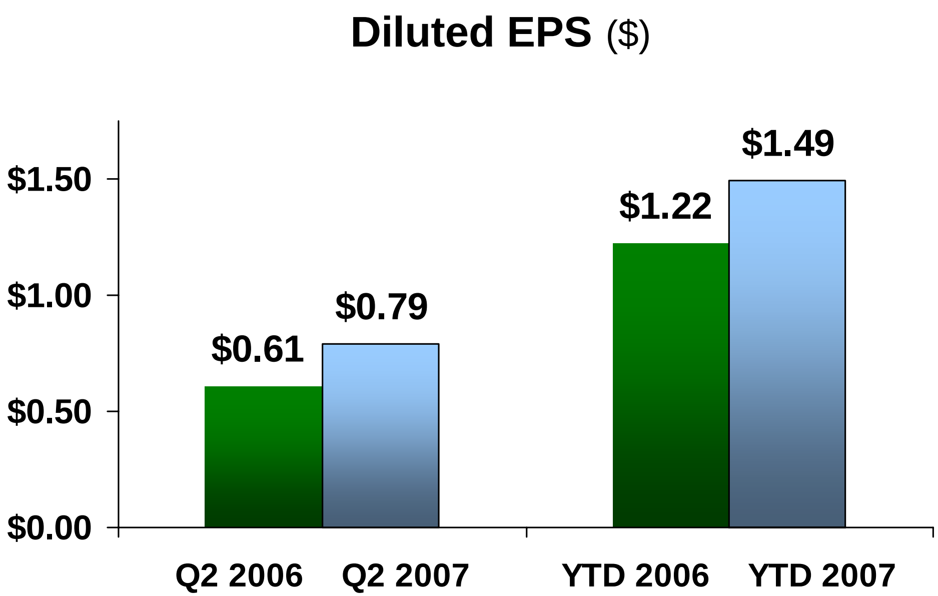
Backlog ($B)



Bookings increase primarily driven by IDS and NCS. Backlog increase primarily driven by NCS and MS.

Bookings and backlog continue to remain strong

Earnings Per Share from Continuing Operations



Second Quarter

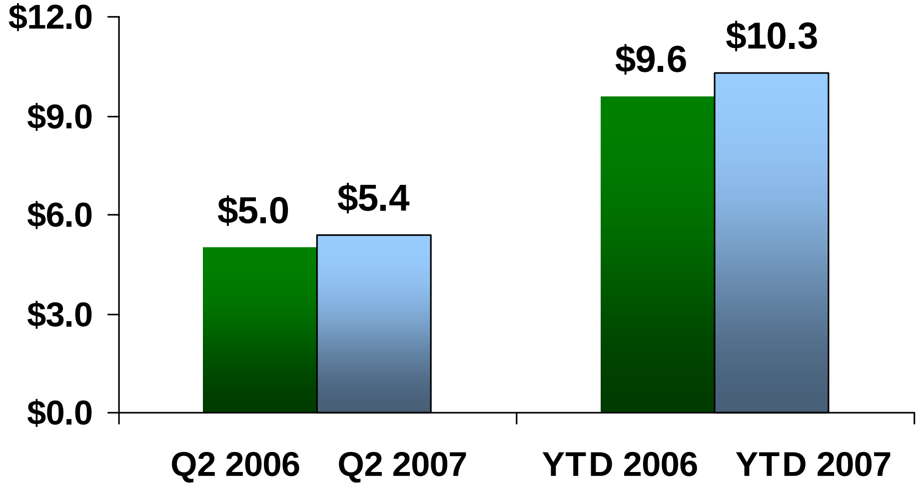
Second Quarter 2006 EPS		**$0.61**
Operational improvements		$0.14
• Growth	$0.07	
• Performance	$0.07	
Lower net interest expense		$0.08
Pension expense		$0.05
Debt buyback		($0.09)
Second Quarter 2007 EPS		**$0.79**

Q2 2007 diluted EPS increase was primarily driven by improved performance at IDS, MS and NCS combined with lower net interest expense and a reduction in pension expense

Q2 2007 EPS increased by 30 percent

Total Company Sales

Sales ($B)



Second Quarter Sales ($M)

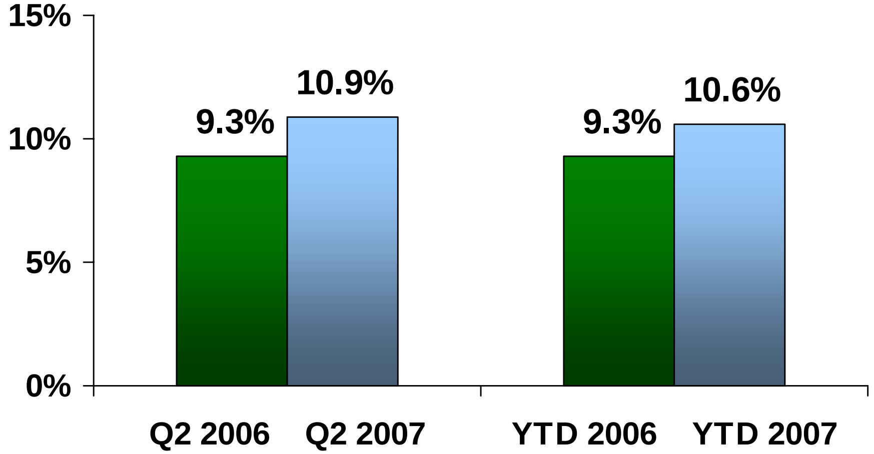
	Q2 2006	Q2 2007	% Change
IDS	1,038	1,166	12%
IIS	633	666	5%
MS	1,117	1,244	11%
NCS	880	1,052	20%
SAS	1,057	1,065	1%
TS	466	473	2%
Other	202	217	7%
Corp/Elims	(420)	(464)	NM
Total	**4,973**	**5,419**	**9%**

Q2 2007 sales growth in all businesses, led by IDS, MS and NCS

Sales up 9 percent in Q2 2007

Operating Margins

Operating Margins (%)



Second Quarter Operating Margin/Dollars

	Q2 2006	Q2 2007	Net Change
IDS	17.1%	18.2%	110 bps
IIS	9.2%	9.5%	30 bps
MS	10.9%	10.8%	(10) bps
NCS	10.3%	13.2%	290 bps
SAS	14.4%	12.5%	(190) bps
TS	6.4%	6.1%	(30) bps
Other	-5.0%	0.5%	550 bps
Corp and Elims	-$63M	-$60M	$3M
FAS/CAS Inc Adj	-$96M	-$63M	$33M
Total Cont. Ops	**9.3%**	**10.9%**	**160 bps**
Defense*	**12.5%**	**12.8%**	**30 bps**

Operating margins up in Q2 2007 primarily driven by strong performance at NCS and IDS

*** After eliminations of intercompany operating profit**

Operating margins up 160 bps in Q2 2007

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2007 Financial Outlook Update

	Current	Prior**
Bookings ($B)	22.0 - 23.0*	21.0 - 22.0
Sales ($B)	21.4 - 21.9	21.4 - 21.9
FAS/CAS Pension Expense ($M)	270	270
Interest expense, net ($M)	45 - 60*	65 - 80
Diluted Shares (M)	446 - 448	446 - 448
EPS from Continuing Operations	$3.05 - $3.20*	$2.85 - $3.00
Operating Cash Flow from Cont. Ops. ($B)	0.9 - 1.1*(1)	1.5 - 1.7
ROIC (%)	8.6 - 9.1*	8.2 - 8.7

(1) Includes cash tax payments of approximately $630 million, resulting from the sale of Raytheon Aircraft

** Denotes change from prior guidance*

*** As of April 25, 2007*

Increased full-year guidance for EPS, bookings and ROIC

EPS from Continuing Operations Outlook Update

2007 Full Year	
Prior Guidance	**$2.85 - $3.00**
Operational Improvements	$0.13
Interest expense, net	$0.03
Other items	$0.04
Current Guidance	**$3.05 - $3.20**

Strong operating performance driving increase to EPS guidance

2007 Financial Outlook: By Business

	Current Sales ($B)	Prior** Sales ($B)	Current Operating Margins/Dollars	Prior ** Operating Margins/Dollars
IDS	4.5-4.7	4.5-4.7	17.3-17.7%*	16.3-16.7%
IIS	2.6-2.8	2.6-2.8	9.1-9.5%	9.1-9.5%
MS	4.6-4.8	4.6-4.8	10.5-10.9%	10.5-10.9%
NCS	3.8-4.0*	3.7-3.9	12.0-12.5%*	10.6-11.0%
SAS	4.3-4.5*	4.5-4.7	13.4-13.8%	13.4-13.8%
TS	2.1-2.3	2.1-2.3	6.2-6.6%*	7.2-7.6%
Other	0.7-0.8	0.7-0.8	(30M)-(40M)	(30M)-(40M)
Corp and Elims	(1.8)	(1.8)	(250M)-(260M)	(250M)-(260M)
Subtotal	$21.4-$21.9	$21.4-$21.9	11.4-11.7%*	11.1-11.4%
FAS/CAS Inc Adj			-1.2%	-1.2%
Total Cont. Ops	**$21.4-$21.9**	**$21.4-$21.9**	**10.2-10.5%***	**9.9-10.2%**
Defense after elims	**$20.6-$21.1**	**$20.6-$21.1**	**12.4-12.7%***	**12.1-12.4%**

Denotes change from prior guidance
***** As of April 25, 2007***

Continued focus on performance

Appendix

2007 Financial Outlook: By Quarter

$ Millions except EPS

	Q3	Q4	Total
Sales	**25%**	**28%**	**$21.4B - $21.9B**
EPS	**22 - 25%**	**28 - 31%**	**$3.05 - $3.20**
Operating Cash Flow from Cont. Ops.	**$400 - $450**	**$0.9B - $1.1B**	**$0.9B - $1.1B**[1]

1 Includes cash tax payments of approximately $630 million resulting from the sale of Raytheon Aircraft

Note: Adjusted to reflect Q2 2007 YTD results

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Return on Invested Capital (ROIC) Calculation

$ Millions

	Outlook 2007E
Income from cont. ops. Net interest expense, after-tax* Lease expense, after-tax*	Combined
Return	**$1,470 - 1,535**
Net debt** Equity less investment in disc. ops. Lease exp. X 8, plus fin. guarantees Minimum pension liability/FAS 158	Combined
Invested capital from cont. ops.* **	**$17,050 - 16,850**
ROIC	**8.6 - 9.1%**

* Effective tax rate	33.9%

** Net debt is defined as total debt less cash and cash equivalents & is calculated using a 2 point average

*** Calculated using a 2 point average

We define Return on Invested Capital (ROIC) as income from continuing operations plus after-tax net interest expense plus one-third of operating lease expense after-tax (estimate of interest portion of operating lease expense) divided by average invested capital after capitalizing operating leases (operating lease expense times a multiplier of 8), adding financial guarantees less net investment in Discontinued Operations, and adding back the cumulative minimum pension liability/impact of FAS 158. 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 be considered supplemental to and not a substitute for financial information prepared in accordance with GAAP. The Company uses ROIC as a measure of the efficiency and effectiveness of its use of capital and as an element of management compensation.