

Third Quarter Earnings

October 25, 2007

Dial In Number
866.800.8651 Domestic
617.614.2704 International

Replay Number
888.286.8010 Domestic
617.801.6888 International
Reservation Number: 93534802

Available through October 31, 2007

Forward-Looking Statements

This presentation contains forward-looking statements, including information regarding the Company's 2007 and 2008 financial outlook, future plans, objectives, business prospects and anticipated financial performance. These forward-looking statements are not statements of historical facts and represent only the Company's current expectations regarding such matters. These statements inherently involve a wide range of known and unknown risks and uncertainties. The Company's actual actions and results could differ materially from what is expressed or implied by these statements. Specific factors that could cause such a difference include, but are not limited to: risks associated with the Company's U.S. government sales, including changes or shifts in defense spending, uncertain funding of programs, potential termination of contracts, and difficulties in contract performance; the ability to procure new contracts; the risks of conducting business in foreign countries; the ability to comply with extensive governmental regulation, including import and export policies and procurement and other regulations; the impact of competition; the ability to develop products and technologies; the risk of cost overruns, particularly for the Company's fixed-price contracts; dependence on component availability, subcontractor performance and key suppliers; risks of a negative government audit; the use of accounting estimates in the Company's financial statements; potential further charges relating to Flight Options; risks associated with the Company's sale of Flight Options; risks associated with the commuter and fractional ownership aircraft markets; the outcome of contingencies and litigation matters, including government investigations; the ability to recruit and retain qualified personnel; risks associated with acquisitions, joint ventures and other business arrangements; the impact of changes in the Company's credit ratings; and other factors as may be detailed from time to time in the Company's public announcements and Securities and Exchange Commission filings. In addition, these statements do not give effect to the potential impact of any acquisitions, divestitures or business combinations that may be announced or closed after the date hereof. The Company undertakes no obligation to make any revisions to the forward-looking statements contained in this presentation or to update them to reflect events or circumstances occurring after the date of this presentation. This presentation also contains non-GAAP financial measures. A GAAP reconciliation and a discussion of the Company's use of these measures are included in this presentation.

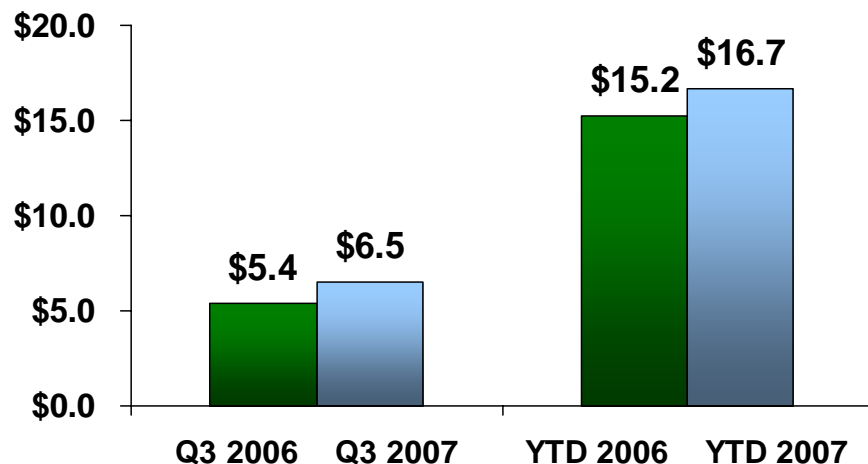
Q3 2007 Highlights

- Strong bookings of \$6.5 billion; backlog of \$33.9 billion
- Net sales of \$5.4 billion, up 8 percent
- EPS from continuing operations of \$0.69, up 17 percent
 - \$0.86 excluding Flight Options⁽¹⁾
- Announces agreement to sell Flight Options LLC
- 8.6 million shares repurchased for \$500 million in the quarter; 23.3 million shares repurchased for \$1.3 billion year-to-date
- Announces new \$2.0 billion share repurchase plan

(1) EPS from continuing operations excluding Flight Options is a non-GAAP financial measure. See page 12 for a reconciliation of this measure to EPS from continuing operations under GAAP and a discussion of why the Company is presenting this information.

Bookings and Backlog

Bookings (\$B)



Backlog (\$B)

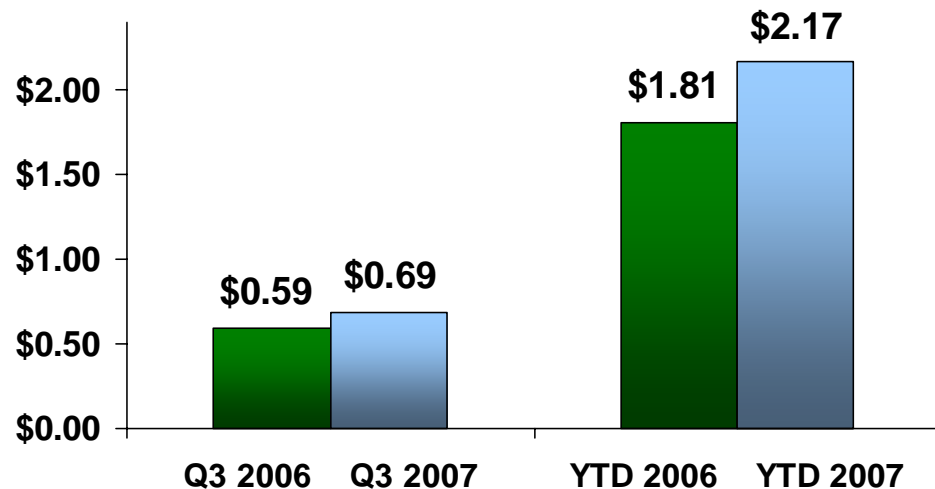


Bookings increase primarily driven by IDS and IIS. Record backlog at IDS and NCS.

Bookings and backlog continue to remain strong

Earnings Per Share from Continuing Operations

Diluted EPS (\$)



Third Quarter

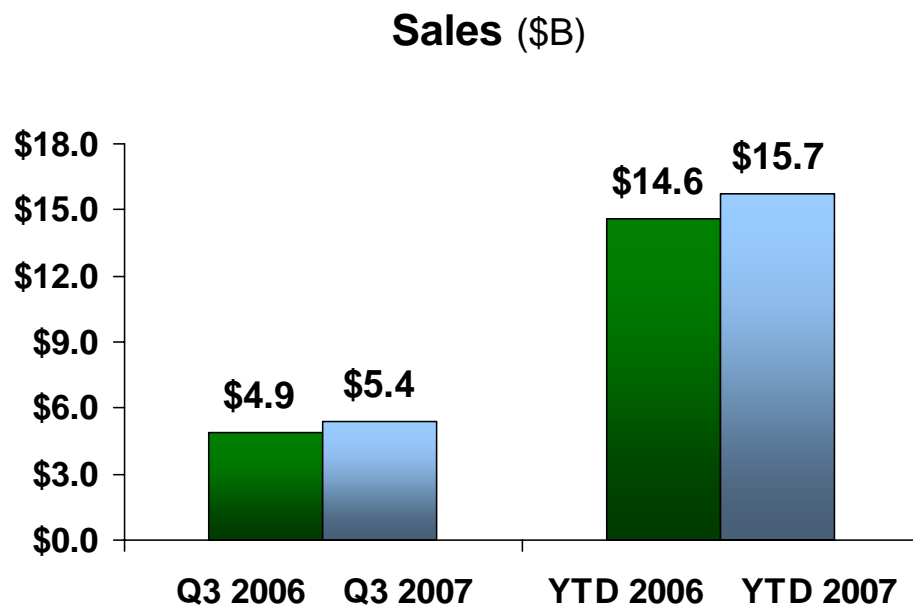
Third Quarter 2006 EPS	\$0.59
Operational improvements	\$0.12
• Growth	\$0.07
• Performance	\$0.05
Lower net interest expense	\$0.08
Pension expense	\$0.03
All other	\$0.03
• <i>Flight Options impairment</i>	(\$0.16)
Third Quarter 2007 EPS	\$0.69

Q3 2007 diluted EPS from continuing operations excluding Flight Options was \$0.86 versus \$0.61 in Q3 2006 ⁽¹⁾

(1) EPS from continuing operations excluding Flight Options is a non-GAAP financial measure. See page 12 for a reconciliation of this measure to EPS from continuing operations under GAAP and a discussion of why the Company is presenting this information.

Improved performance at IDS, MS and NCS combined with lower net interest and pension expense

Total Company Sales



Third Quarter Sales (\$M)

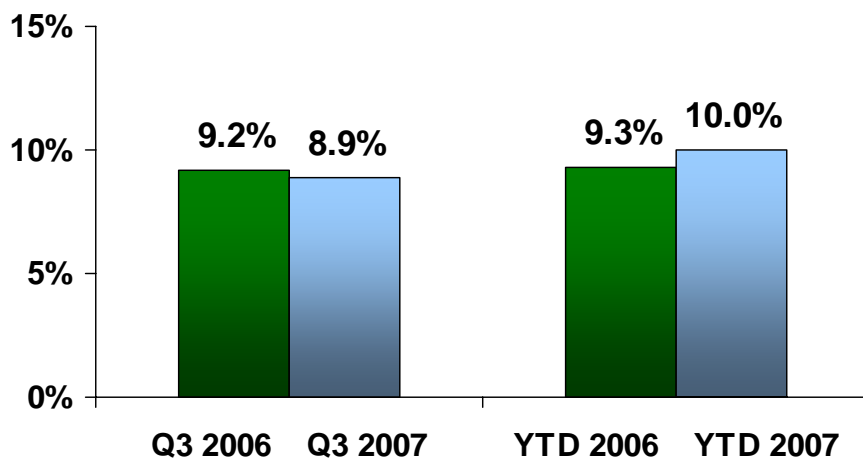
	<u>Q3 2006</u>	<u>Q3 2007</u>	<u>% Change</u>
IDS	1,030	1,147	11%
IIS	626	680	9%
MS	1,081	1,247	15%
NCS	879	1,036	18%
SAS	1,069	1,016	(5%)
TS	500	513	3%
Other	190	191	1%
Corp/Elims	(439)	(475)	NM
Total	4,936	5,355	8%

Q3 2007 sales growth led by IDS, MS and NCS

Sales up 8 percent in Q3 2007

Operating Margins

Operating Margins (%)



Third Quarter Operating Margin/Dollars

	Q3 2006	Q3 2007	Net Change
IDS	16.2%	18.0%	180 bps
IIS	9.3%	9.4%	10 bps
MS	10.1%	11.1%	100 bps
NCS	9.9%	11.9%	200 bps
SAS	13.8%	11.9%	(190) bps
TS	7.0%	6.6%	(40) bps
Other	-5.3%	-50.3% ⁽¹⁾	NM
Corp and Elims	-\$48M	-\$47M	\$1M
FAS/CAS Inc Adj	-\$90M	-\$67M	\$23M
Total Cont. Ops	9.2%	8.9% ⁽¹⁾	(30) bps
Total Cont. Ops ⁽²⁾ (excl Flight Options)	9.8%	11.0%	120 bps
Defense ⁽³⁾	11.9%	12.5%	60 bps

Operating margins up in Q3 2007 at IDS, MS and NCS

- (1) Includes pre-tax impairment charges in the Flight Options business of \$84 million or \$0.16 per diluted share.
- (2) Margins from continuing operations excluding Flight Options is a non-GAAP financial measure. See page 12 for a reconciliation of this measure to margins from continuing operations under GAAP, and a discussion of why the Company is presenting this information.
- (3) After eliminations of intercompany operating profit.

Defense operating margins up 60 bps in Q3 2007

2007 Financial Outlook Update

	<u>Current</u> ⁽¹⁾	<u>Prior</u> ⁽¹⁾
Bookings (\$B)	21.4 - 22.4	21.4 - 22.4
Sales (\$B)	20.8 - 21.3	20.8 - 21.3
FAS/CAS Pension Expense (\$M)	260	270
Interest expense, net (\$M)	30 - 45	45 - 60
Diluted Shares (M)	446 - 448	446 - 448
EPS from Continuing Operations	\$3.05 - \$3.20	\$3.05 - \$3.20
Operating Cash Flow from Cont. Ops. (\$B) ⁽²⁾	0.9 - 1.1	0.9 - 1.1
ROIC (%)	8.6 - 9.1	8.6 - 9.1

(1) Reflects Flight Options as a discontinued operation for full-year 2007

(2) Includes cash tax payments of approximately \$630 million, resulting from the gain on the Raytheon Aircraft sale

Full-year outlook continues to be strong

2007 Financial Outlook: By Business

	<u>Current Sales (\$B)</u>	<u>Prior ⁽¹⁾ Sales (\$B)</u>	<u>Current Operating Margins/Dollars</u>	<u>Prior ⁽¹⁾ Operating Margins/Dollars</u>
IDS	4.5-4.7	4.5-4.7	17.3-17.7%	17.3-17.7%
IIS	2.6-2.8	2.6-2.8	9.1-9.5%	9.1-9.5%
MS	4.7-4.9 ⁽²⁾	4.6-4.8	10.5-10.9%	10.5-10.9%
NCS	3.9-4.1 ⁽²⁾	3.8-4.0	12.0-12.5%	12.0-12.5%
SAS	4.1-4.3 ⁽²⁾	4.3-4.5	12.6-13.0% ⁽²⁾	13.4-13.8%
TS	2.1-2.3	2.1-2.3	6.2-6.6%	6.2-6.6%
Other ⁽³⁾	-----	-----	-----	-----
Corp and Elims	<u>(1.7)</u>	<u>(1.7)</u>	<u>(250M)-(260M)</u>	<u>(250M)-(260M)</u>
Subtotal	\$20.8-\$21.3	\$20.8-\$21.3	11.8-12.1%	11.8-12.1%
FAS/CAS Inc Adj			<u>-1.2%</u>	<u>-1.2%</u>
Total Cont. Ops	\$20.8-\$21.3	\$20.8-\$21.3	10.6-10.9%	10.6-10.9%

(1) Reflects Flight Options as a discontinued operation for full-year 2007

(2) Denotes change from prior guidance

(3) With the anticipated sale of Flight Options in Q4 2007, the "Other" business is expected to be realigned for the full-year 2007 as follows: Flight Options moves to discontinued operations; Raytheon Professional Services (RPS) moves to TS; Commuter portfolio moves to Corporate

Strong growth with continued focus on performance

Appendix

Return on Invested Capital (ROIC) Calculation

\$ millions

	<u>Outlook 2007E</u>
Income from cont. ops.	} Combined
Net interest expense, after-tax ⁽¹⁾	
Lease expense, after-tax ⁽¹⁾	
Return	\$1,450 - 1,515
Net debt ⁽²⁾	} Combined
Equity less investment in disc. ops.	
Lease exp. X 8, plus fin. guarantees	
Minimum pension liability/FAS 158	
Invested capital from cont. ops. ⁽³⁾	\$16,885 - 16,685
ROIC	8.6 - 9.1%

(1) Effective tax rate

33.9%

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

(3) 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.

Financial Information

Excluding Flight Options Non-GAAP Reconciliation

\$ millions, except per share data

	Three Months Ended		Nine Months Ended	
	23-Sep-07	24-Sep-06	23-Sep-07	24-Sep-06
Net sales as reported under GAAP	\$ 5,355	\$ 4,936	\$ 15,702	\$ 14,569
Less: Flight Options	(136)	(137)	(401)	(423)
Net sales excluding Flight Options*	\$ 5,219	\$ 4,799	\$ 15,301	\$ 14,146
	Three Months Ended		Nine Months Ended	
	23-Sep-07	24-Sep-06	23-Sep-07	24-Sep-06
Operating income as reported under GAAP	\$ 477	\$ 456	\$ 1,575	\$ 1,350
Add Back: Flight Options, including a Q3 2007 pretax impairment charge of \$84 million	95	12	107	41
Operating income excluding Flight Options*	\$ 572	\$ 468	\$ 1,682	\$ 1,391
	Three Months Ended		Nine Months Ended	
	23-Sep-07	24-Sep-06	23-Sep-07	24-Sep-06
Operating margin as reported under GAAP	8.9%	9.2%	10.0%	9.3%
Operating margin excluding Flight Options*	11.0%	9.8%	11.0%	9.8%
	Three Months Ended		Nine Months Ended	
	23-Sep-07	24-Sep-06	23-Sep-07	24-Sep-06
Income from continuing operations as reported under GAAP	\$ 304	\$ 267	\$ 974	\$ 815
Add Back: Flight Options, including a Q3 2007 after-tax impairment charge of \$69 million	76	7	85	28
Income from continuing operations excluding Flight Options*	\$ 380	\$ 274	\$ 1,059	\$ 843
	Three Months Ended		Nine Months Ended	
	23-Sep-07	24-Sep-06	23-Sep-07	24-Sep-06
Diluted EPS from continuing operations as reported under GAAP	\$ 0.69	\$ 0.59	\$ 2.17	\$ 1.81
Add Back: Loss per share of Flight Options, including a Q3 2007 after-tax impairment charge of \$0.16	0.17	0.02	0.19	0.06
Diluted EPS from continuing operations excluding Flight Options*	\$ 0.86	\$ 0.61	\$ 2.36	\$ 1.87

* These amounts are not measures of financial performance under generally accepted accounting principles (GAAP). They should be considered supplemental to and not a substitute for financial performance in accordance with GAAP. We are providing these non-GAAP measures to provide insight on how we expect continuing operations to appear when Flight Options is reported as a discontinued operation in the fourth quarter 2007.