

Fourth Quarter Earnings

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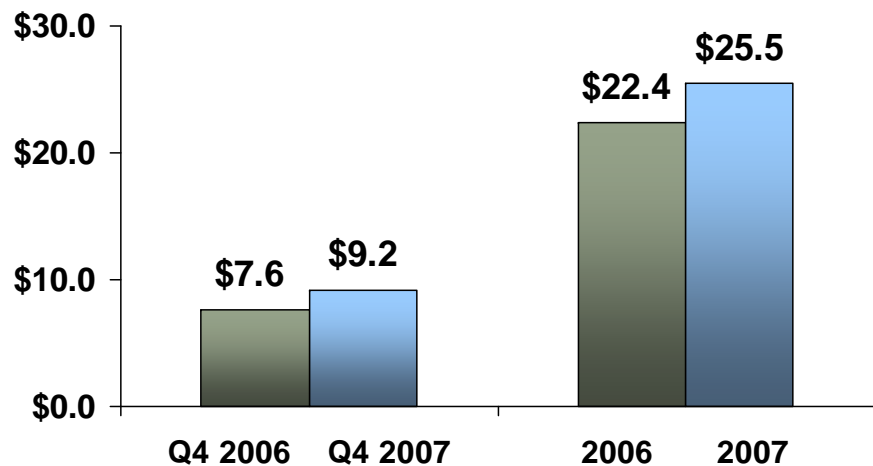
Q4 and Full-Year 2007 Highlights

- Record bookings of \$9.2 billion in quarter and \$25.5 billion for year; record backlog of \$36.6 billion
- Sales of \$6.0 billion in quarter and \$21.3 billion for year, both up 8 percent
- Operating income of \$646 million in quarter, up 17 percent; \$2.3 billion for year, up 20 percent
- Earnings per share (EPS) from continuing operations of \$1.45 in quarter and \$3.80 for year
 - Adjusted EPS from continuing operations of \$0.96 in quarter and \$3.31 for year, both up 26 percent ⁽¹⁾
- Repurchased 5.4 million shares for \$341 million in quarter; 28.7 million shares for \$1.6 billion for year
- Increases full-year 2008 guidance

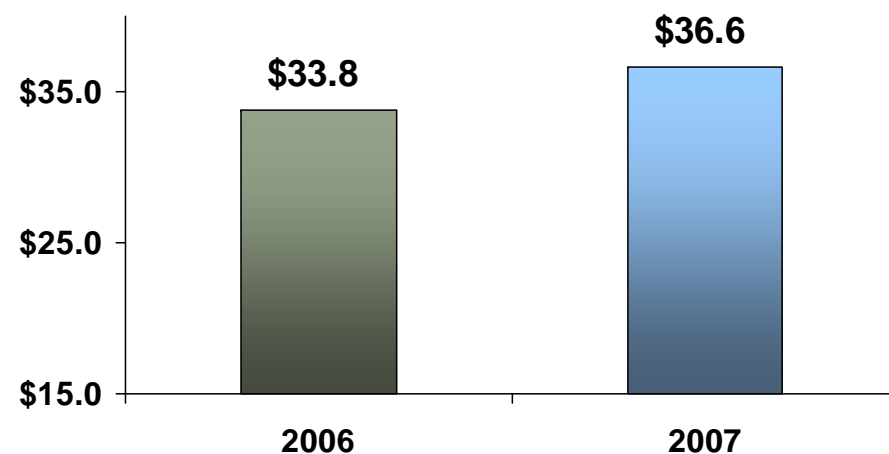
⁽¹⁾ Adjusted EPS from continuing operations is EPS from continuing operations excluding tax-related benefits of \$0.49 (\$214 million) in Q4 '07 and \$0.49 (\$219 million) in full-year 2007. Adjusted EPS from continuing operations is a non-GAAP financial measure. Please see page 14 for a reconciliation of this measure to EPS from continuing operations under GAAP and a discussion of why the Company is presenting this information.

Total Company Bookings and Backlog

Bookings (\$B)



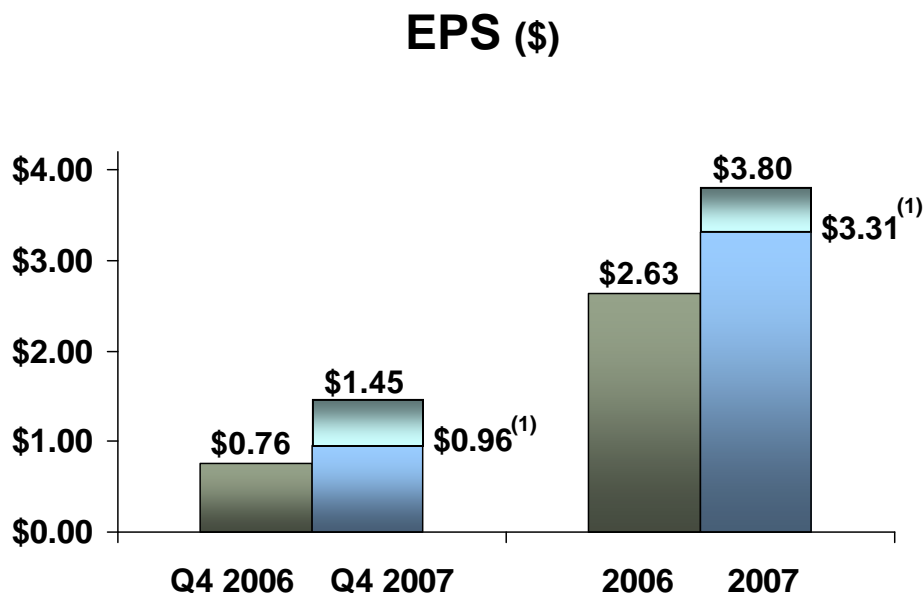
Backlog (\$B)



Bookings up \$1.6 billion in Q4 2007, up \$3.1 billion in 2007

2007... record bookings and backlog

Earnings Per Share from Continuing Operations



Q4 2007 Adjusted EPS from continuing operations was \$0.96⁽¹⁾ versus \$0.76 in Q4 2006

Fourth Quarter

Fourth Quarter 2006 EPS	\$0.76
Operational improvements	\$0.11
• Growth	\$0.08
• Margin improvements	\$0.03
Other items (interest, pension)	<u>\$0.09</u>
Adjusted EPS⁽¹⁾	\$0.96
Tax-related benefits	<u>\$0.49</u>
Fourth Quarter 2007 EPS	\$1.45

Full-Year

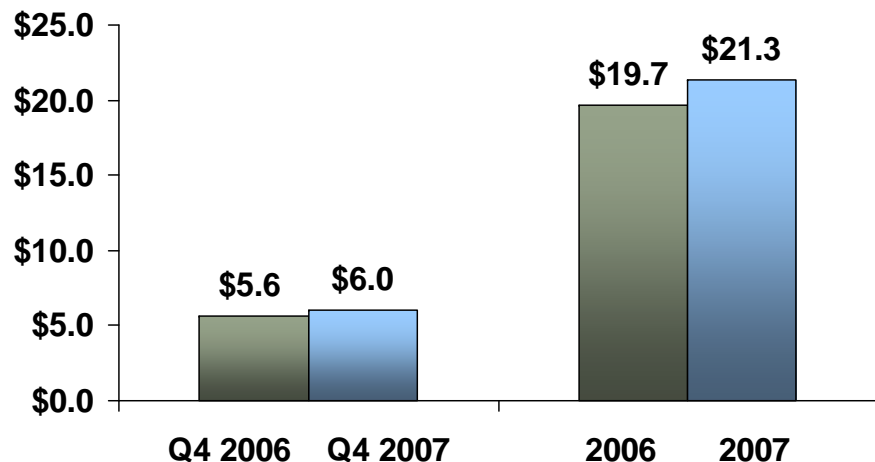
Full-Year 2006 EPS	\$2.63
Operational improvements	\$0.42
• Growth	\$0.28
• Margin improvements	\$0.14
Other items (interest, pension)	<u>\$0.26</u>
Adjusted EPS⁽¹⁾	\$3.31
Tax-related benefits	<u>\$0.49</u>
Full-Year 2007 EPS	\$3.80

⁽¹⁾ Adjusted EPS from continuing operations is EPS from continuing operations excluding tax-related benefits of \$0.49 (\$214 million) in Q4 '07 and \$0.49 (\$219 million) in full-year 2007. Adjusted EPS from continuing operations is a non-GAAP financial measure. Please see page 14 for a reconciliation of this measure to EPS from continuing operations under GAAP and a discussion of why the Company is presenting this information.

Strong core earnings growth in 2007

Total Company Sales

Sales (\$B)



All businesses contributed to sales growth of 8 percent in Q4 2007

Fourth Quarter (\$M)

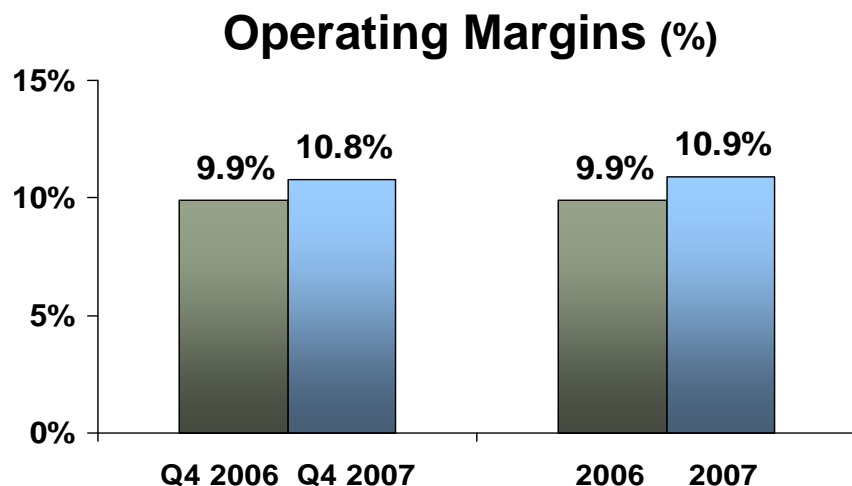
	<u>Q4 2006</u>	<u>Q4 2007</u>	<u>% Change</u>
IDS	1,189	1,290	8%
IIS	690	808	17%
MS	1,316	1,362	3%
NCS	1,011	1,147	13%
SAS	1,175	1,243	6%
RTSC	639	643	1%
Corp/Elims	(459)	(493)	NM
Total	5,561	6,000	8%

Full-Year (\$M)

	<u>2006</u>	<u>2007</u>	<u>% Change</u>
IDS	4,220	4,695	11%
IIS	2,560	2,742	7%
MS	4,503	4,993	11%
NCS	3,561	4,164	17%
SAS	4,319	4,288	-1%
RTSC	2,153	2,174	1%
Corp/Elims	(1,609)	(1,755)	NM
Total	19,707	21,301	8%

Solid organic growth

Total Company Operating Margins



Strong performance in Q4 2007 primarily driven by IDS, MS and SAS

Fourth Quarter (%)

	Q4 2006	Q4 2007	Net Change
IDS	15.9%	16.4%	50 bps
IIS	9.1%	8.2%	(90) bps
MS	10.5%	10.9%	40 bps
NCS	11.6%	11.1%	(50) bps
SAS	13.5%	14.2%	70 bps
RTSC	7.8%	7.3%	(50) bps
Corp and Elims	-\$72M	-\$63M	\$9M
Subtotal	11.6%	11.9%	30 bps
FAS/CAS Inc Adj	-1.7%	-1.1%	60 bps
Total	9.9%	10.8%	90 bps

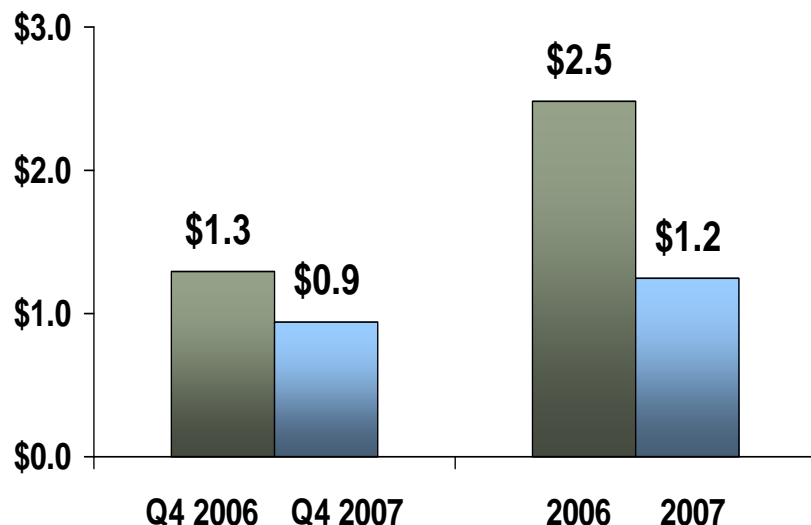
Full-Year (%)

	2006	2007	Net Change
IDS	16.4%	17.6%	120 bps
IIS	9.1%	9.0%	(10) bps
MS	10.6%	10.8%	20 bps
NCS	10.6%	12.2%	160 bps
SAS	14.0%	13.1%	(90) bps
RTSC	7.1%	6.4%	(70) bps
Corp and Elims	-\$234M	-\$235M	-\$1M
Subtotal	11.7%	12.1%	40 bps
FAS/CAS Inc Adj	-1.8%	-1.2%	60 bps
Total	9.9%	10.9%	100 bps

Total Company operating margins up 100 bps in 2007

Operating Cash Flow from Continuing Operations

Operating Cash Flow (\$B)



Fourth Quarter (\$M)

Fourth Qtr. 2006 Op. CF from Cont. Ops.	\$1,293
Tax refunds	381
Discretionary pension contribution	(500)
Timing of customer advances/other	(233)
Fourth Qtr. 2007 Op. CF from Cont. Ops.	\$ 941

Full-Year (\$M)

Full-Year 2006 Op. CF from Cont. Ops.	\$2,477
Tax refunds	381
Tax payments (\$631M related to sale of RAC)	(740)
Discretionary pension contributions	(700)
Timing of customer advances/other	(169)
Full-Year 2007 Op CF from Cont. Ops.	\$1,249

Excellent cash generation and strong balance sheet

2008 Financial Outlook Update

	<u>Current*</u>	<u>Prior (10/25/07)</u>
Sales (\$B)	22.4 - 22.9	22.1 - 22.6
FAS/CAS Pension Expense (\$M)	150	<i>Not provided</i>
Interest expense, net (\$M)	45 - 60	<i>Not provided</i>
Diluted Shares (M)	427 - 429	<i>Not provided</i>
EPS from Continuing Operations	\$3.65 - \$3.80	\$3.45 - \$3.65
Operating Cash Flow from Cont. Ops. (\$B)	2.0 - 2.2	1.5 - 1.7
ROIC (%)	9.6 - 10.1	<i>Not provided</i>

* Denotes change from prior guidance

Increased 2008 guidance...strong sales and earnings growth combined with excellent cash generation

2008 Financial Outlook: By Business

	<u>Current Sales (\$B)</u>	<u>Current Operating Margins</u>
IDS	5.0 - 5.2	16.7 - 17.1%
IIS	2.9 - 3.1	8.6 - 9.0%
MS	5.1 - 5.3	10.5 - 10.9%
NCS	4.3 - 4.5	12.0 - 12.5%
SAS	4.1 - 4.3	12.7 - 13.1%
TS	2.2 - 2.4	6.3 - 6.7%
Corp and Elims	<u>(1.7)</u>	<u>(\$250M)-(\$260M)</u>
Subtotal	\$22.4 - \$22.9	11.6 - 11.9%
FAS/CAS Inc Adj	<u>-</u>	<u>-0.7%</u>
Total Cont. Ops	\$22.4 - \$22.9	10.9 - 11.2%

Continued focus on strong sales growth and operational execution

Appendix

2008 Financial Outlook: By Quarter

	2008 Estimates				
	Q1	Q2	Q3	Q4	Total
Sales	~22%	~24%	~25%	~29%	\$22.4B - \$22.9B
EPS	~20%	~23%	~25%	~32%	\$3.65 - \$3.80
Operating Cash Flow from Cont. Ops. (\$M)	(175) - (125)	475 - 525	575 - 625	1,125 - 1,175	\$2.0B - \$2.2B

Return on Invested Capital (ROIC) Calculation

\$ millions

	Actual 2006	Actual 2007	Adjusted ROIC 2007	Outlook 2008E
Income from cont. ops.	\$1,187	\$1,693	} Combined	} Combined
Net interest expense, after-tax*	\$131	\$25		
Lease expense, after-tax*	\$64	\$74		
Return	\$1,382	\$1,792	\$1,573 ⁽¹⁾	\$1,655 - 1,720
Net debt**	\$2,367	\$559	} Combined	} Combined
Equity less investment in disc. ops.	\$9,389	\$11,084		
Lease exp. X 8, plus fin. guarantees	\$2,619	\$2,656		
Minimum pension liability/FAS 158	\$2,292	\$2,292		
Invested capital from cont. ops.***	\$16,667	\$16,591	\$16,591	\$17,300 - 17,100
ROIC	8.3%	10.8%	9.5% ⁽¹⁾	9.6 - 10.1%
* Effective tax rate	33.7%	23.9%		34.1%

** 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

The Company defines 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.

(1) Adjusted ROIC is ROIC excluding tax-related benefits of \$219 million in full-year 2007 from the "Return" amount. Adjusted ROIC is a non-GAAP financial measure. The Company uses Adjusted ROIC to facilitate management's internal comparisons to the Company's historical ROIC results, and to provide greater transparency to investors of supplemental information used by management in its financial and operational decision making, including to evaluate the Company's operating performance.

Adjusted EPS from Continuing Operations **Raytheon**

Non-GAAP Reconciliation

	Three Months Ended		Twelve Months Ended	
	31-Dec-07	31-Dec-06	31-Dec-07	31-Dec-06
Diluted EPS from continuing operations as reported under GAAP	\$ 1.45	\$ 0.76	\$ 3.80	\$ 2.63
Less: Diluted EPS from tax-related benefits	(0.49)	-	(0.49)	-
Adjusted EPS from continuing operations	<u>\$ 0.96</u>	<u>\$ 0.76</u>	<u>\$ 3.31</u>	<u>\$ 2.63</u>

Adjusted EPS from continuing operations is not a measure of financial performance under generally accepted accounting principles (GAAP). It should be considered supplemental to and not a substitute for financial performance in accordance with GAAP. The Company uses Adjusted EPS from continuing operations to facilitate management's internal comparisons to the Company's historical operating results, to competitors' operating results, and to provide greater transparency to investors of supplemental information used by management in its financial and operational decision-making, including management's evaluation of the Company's operating performance. Adjusted EPS from continuing operations excludes tax-related benefits recognized in the fourth quarter of 2007 because the Company believes that such items are not indicative of its core operating results, are not indicative of trends, and do not provide meaningful comparisons with other reporting periods.