

# First Quarter Earnings

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# Forward-Looking Statements

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**This presentation contains forward-looking statements, including information regarding the Company's 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: the Company's dependence on the U.S. government for a significant portion of its business and the risks associated with 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; risks associated with acquisitions, dispositions, joint ventures and other business arrangements; risks of an impairment of goodwill or other intangible assets; the outcome of contingencies and litigation matters, including government investigations; the ability to recruit and retain qualified personnel; the impact of potential security threats and other disruptions; and other factors as may be detailed from time to time in the Company's public announcements and Securities and Exchange Commission filings. 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, including any acquisitions, dispositions or other business arrangements that may be announced or closed after such date. 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.**

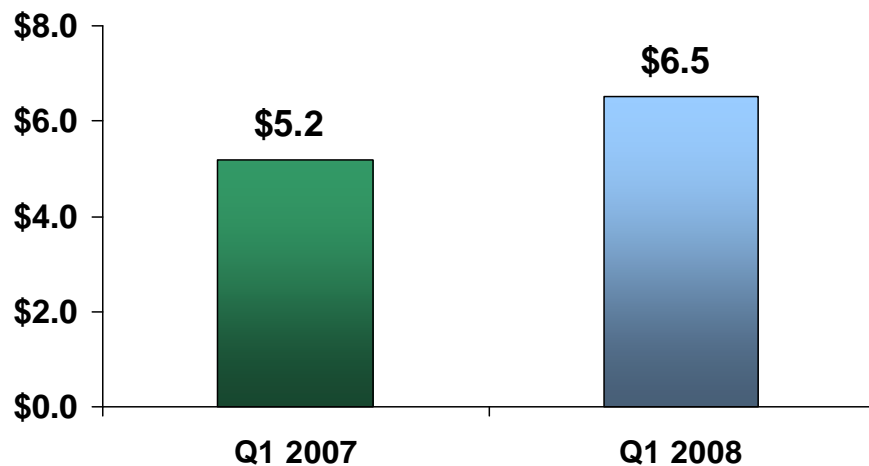
## Q1 2008 Highlights

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- Solid bookings of \$6.5 billion; record backlog of \$37.7 billion
- Sales of \$5.4 billion, up 11 percent
- Operating income of \$608 million, up 17 percent
- Earnings per share (EPS) from continuing operations of \$0.93, up 31 percent
- Repurchased 5.5 million shares for \$340 million
- Increased annual dividend 10 percent, from \$1.02 to \$1.12, as previously announced

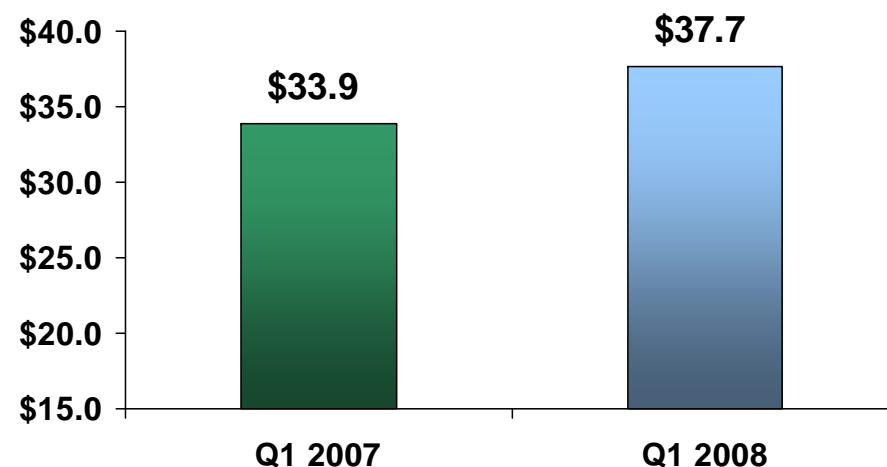
# Total Company Bookings and Backlog

**Bookings (\$B)**



*Solid bookings increase at IIS, MS, and NCS*

**Backlog (\$B)**

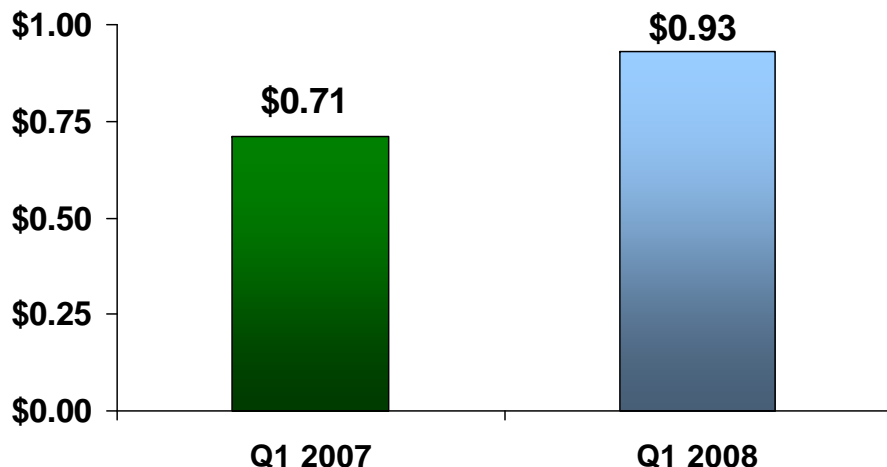


*Record backlog at IDS, IIS, MS, and NCS*

**Solid bookings in Q1 2008; ended quarter with record backlog**

# Earnings Per Share from Continuing Operations

**Diluted EPS (\$)**



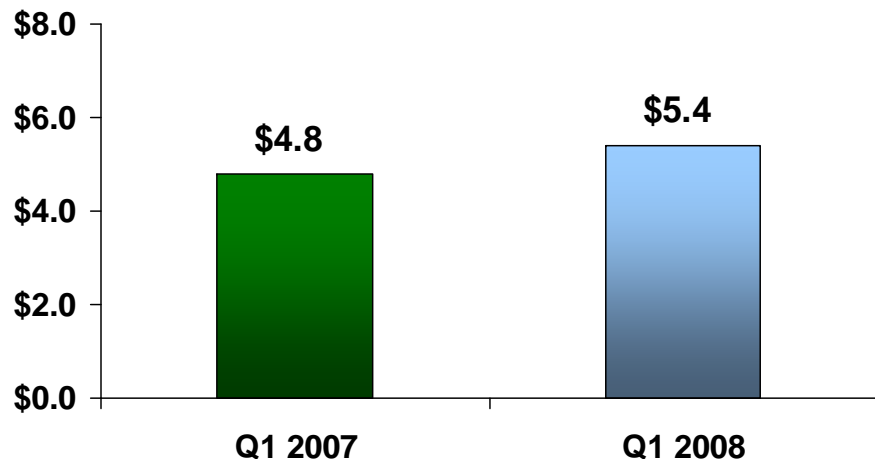
**First Quarter**

<b>First Quarter 2007 EPS</b>	<b>\$0.71</b>
Increased sales volume	\$0.10
Lower pension expense	\$0.04
Reduced share count	\$0.04
Lower interest expense, net	\$0.03
Other items, net	<u>\$0.01</u>
<b>First Quarter 2008 EPS</b>	<b>\$0.93</b>

**EPS increased by 31 percent in Q1 2008**

# Total Company Sales

**Sales (\$B)**



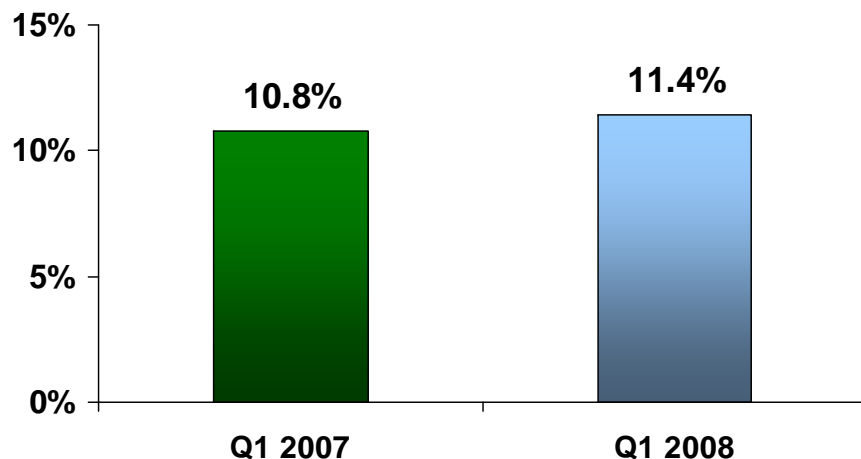
**First Quarter Sales (\$M)**

	<u>Q1 2007</u>	<u>Q1 2008</u>	<u>% Change</u>
<b>IDS</b>	1,092	1,192	9%
<b>IIS</b>	588	692	18%
<b>MS</b>	1,140	1,311	15%
<b>NCS</b>	929	1,067	15%
<b>SAS</b>	964	995	3%
<b>TS</b>	463	521	13%
<b>Corp/Elims</b>	(372)	(424)	NM
<b>Total</b>	<b>4,804</b>	<b>5,354</b>	<b>11%</b>

**Total Company sales up 11 percent in Q1 2008**

# Total Company Operating Margins

**Operating Margins (%)**



**First Quarter Operating Margins (%)**

	Q1 2007	Q1 2008	Net Change
IDS	18.2%	17.7%	(50) bps
IIS	9.4%	7.5%	(190) bps
MS	10.5%	10.5%	0 bps
NCS	12.6%	11.5%	(110) bps
SAS	13.4%	12.2%	(120) bps
TS	5.0%	6.7%	170 bps
Corp and Elims	(\$60M)	(\$38M)	\$22M
<b>Subtotal</b>	<b>12.1%</b>	<b>12.0%</b>	<b>(10) bps</b>
FAS/CAS Inc Adj	(1.3)%	(0.6)%	70 bps
<b>Total</b>	<b>10.8%</b>	<b>11.4%</b>	<b>60 bps</b>

**Operating margins up 60 bps in Q1 2008**

# 2008 Financial Outlook: By Business

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

**Continue to focus on strong sales growth and operational execution**

# 2008 Financial Outlook

<b>Sales (\$B)</b>	<b>22.4 - 22.9</b>
<b>FAS/CAS Pension Expense (\$M)</b>	<b>150</b>
<b>Interest expense, net (\$M)</b>	<b>45 - 60</b>
<b>Diluted Shares (M)</b>	<b>427 - 429</b>
<b>EPS from Continuing Operations</b>	<b>\$3.65 - \$3.80</b>
<b>Operating Cash Flow from Cont. Ops. (\$B)</b>	<b>2.0 - 2.2</b>
<b>ROIC (%)</b>	<b>9.6 - 10.1</b>

**Continue to expect strong sales and earnings growth combined with excellent cash generation**

# Appendix

# 2008 Financial Outlook: By Quarter

	Current 2008 Estimates			
	Q2	Q3	Q4	Total
<b>Sales</b>	~24%	~25%	~27%	\$22.4B - \$22.9B
<b>EPS</b>	~22%	~25%	~29%	\$3.65 - \$3.80
<b>Operating Cash Flow from Cont. Ops. (\$M)</b>	350 - 400	575 - 625	1,050 - 1,100	\$2.0B - \$2.2B

# Workdays in Fiscal Reporting Calendar

	Q1	Q2	Q3	Q4
2008	63	64	63	60
2007	<u>59</u>	<u>64</u>	<u>63</u>	<u>63</u>
Delta	4	0	0	(3)

# Return on Invested Capital (ROIC) Calculation

\$ millions

	Outlook 2008E
Income from cont. ops.	} Combined
Net interest expense, after-tax*	
Lease expense, after-tax*	
<b>Return</b>	<b>\$1,655 - 1,720</b>
Net debt**	} Combined
Equity less investment in disc. ops.	
Lease exp. X 8, plus fin. guarantees	
Minimum pension liability/FAS 158	
<b>Invested capital from cont. ops.***</b>	<b>\$17,300 - 17,100</b>
<b>ROIC</b>	<b>9.6 - 10.1%</b>

\* Effective tax rate

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 efficiency and effectiveness of its use of capital and as an element of management compensation.