

Third Quarter Earnings

October 23, 2008

Dial In Number

866.770.7051 Domestic

617.213.8064 International

Replay Number

888.286.8010 Domestic

617.801.6888 International

Reservation Number: 33162605

Air

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Innovation. In all domains.

Available through October 30, 2008

Forward-Looking Statements

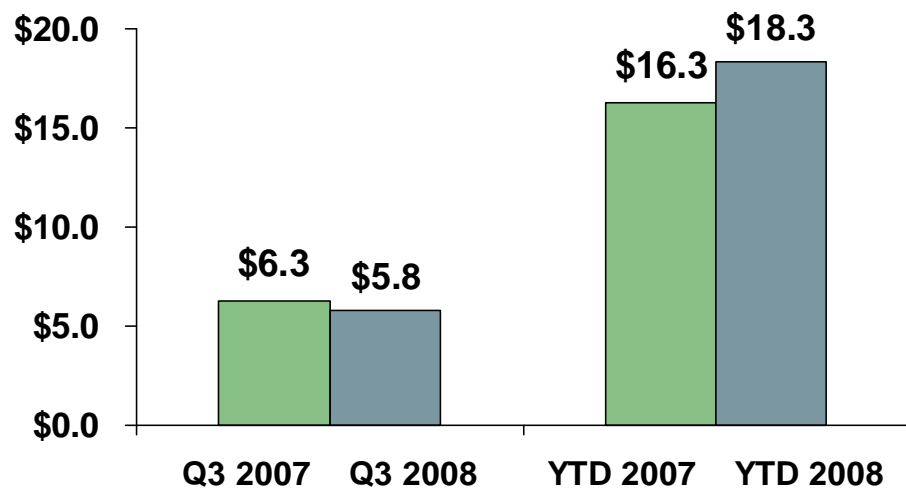
This presentation contains forward-looking statements, including information regarding the Company's 2008 and 2009 financial outlook, future plans, objectives, business prospects and anticipated financial performance. These forward-looking statements are not statements of historical facts and represent 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 impact of the current downturn in the financial markets; 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.

Q3 2008 Highlights

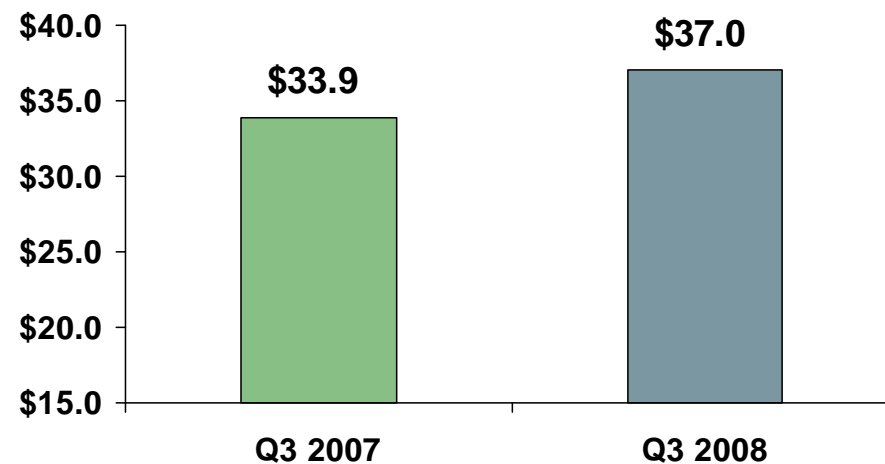
- Sales of \$5.9 billion, up 12 percent
- Operating income of \$680 million, up 19 percent
- Earnings per share (EPS) from continuing operations of \$1.01, up 17 percent
- Strong bookings of \$5.8 billion; backlog of \$37.0 billion
- Increased 2008 guidance for sales, EPS, and ROIC
- Credit rating upgraded to A- by Standard & Poor's and Fitch
- Announced new \$2.0 billion share repurchase plan

Total Company Bookings and Backlog

Bookings (\$B)



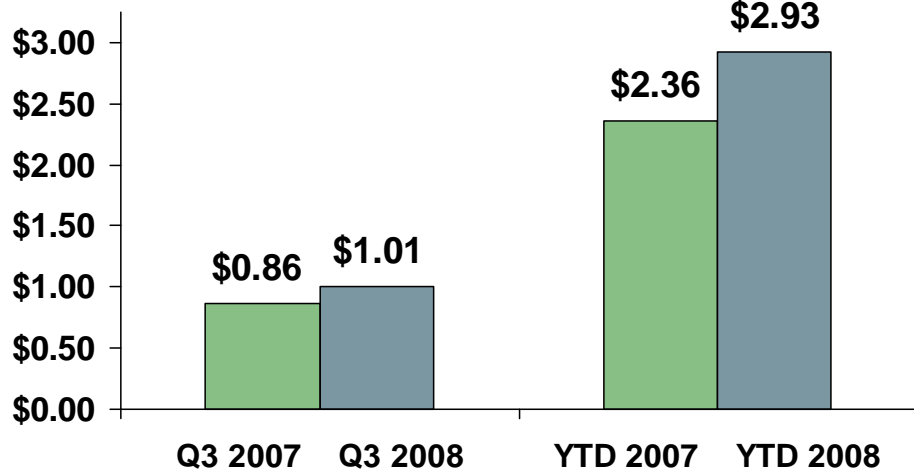
Backlog (\$B)



Strong bookings in Q3 2008; ended the quarter with a \$37.0B backlog

Earnings Per Share from Continuing Operations

Diluted EPS (\$)

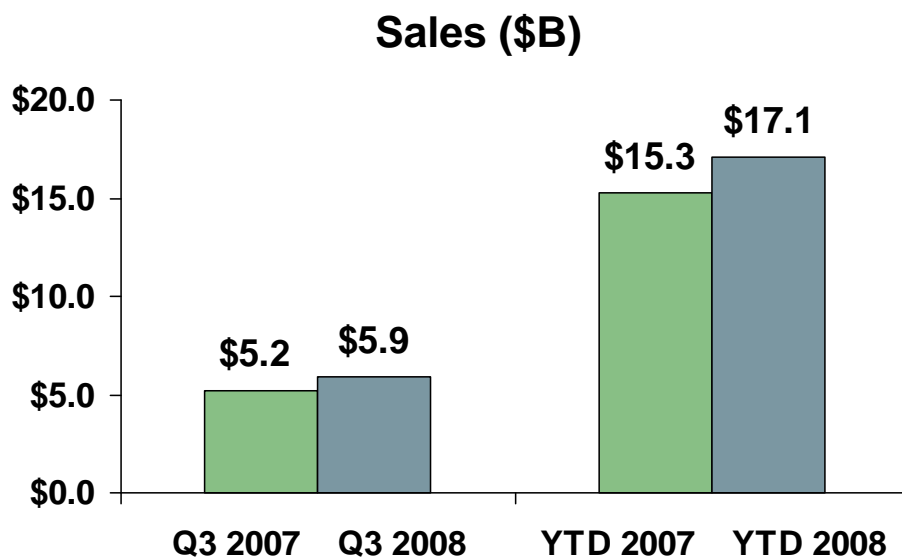


Third Quarter

Third Quarter 2007 EPS	\$0.86
Operational improvements	0.10
Lower pension expense	0.06
Other items, net	(0.01)
Third Quarter 2008 EPS	\$1.01

EPS increased by 17 percent in Q3 2008

Total Company Sales



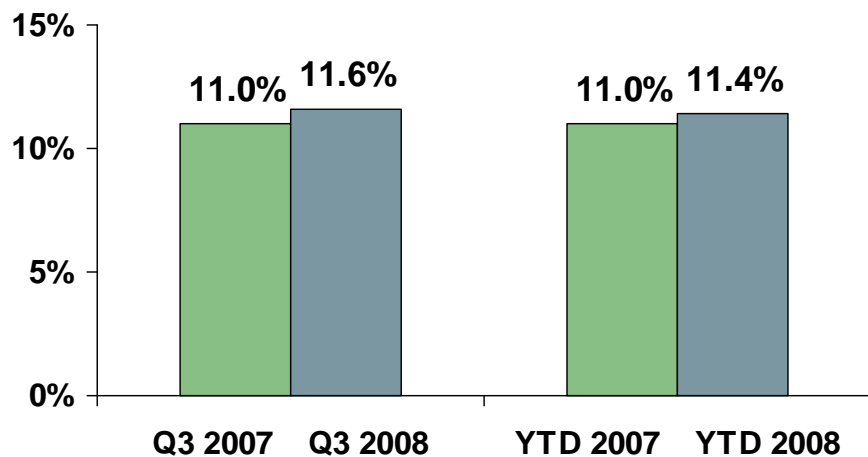
Third Quarter Sales (\$M)

	Q3 2007	Q3 2008	% Change
IDS	1,147	1,276	11%
IIS	680	801	18%
MS	1,247	1,351	8%
NCS	1,036	1,145	11%
SAS	1,016	1,092	7%
TS	554	689	24%
Corp/Elims	(461)	(490)	NM
Total	5,219	5,864	12%

Strong sales growth across the Company; up 12 percent in Q3 2008

Total Company Operating Margins

Operating Margins (%)



Third Quarter Operating Margins (%)

	<u>Q3 2007</u>	<u>Q3 2008</u>	<u>Net Change</u>
IDS	18.0%	16.1%	(190) bps
IIS	9.4%	8.4%	(100) bps
MS	11.1%	10.7%	(40) bps
NCS	11.9%	12.5%	60 bps
SAS	11.9%	13.5%	160 bps
TS	6.7%	6.5%	(20) bps
Corp and Elims	(\$51M)	(\$47M)	\$4M
Subtotal	12.2%	12.0%	(20) bps
FAS/CAS Inc Adj	(1.2)%	(0.4)%	80 bps
Total	11.0%	11.6%	60 bps

Operating margins remain strong

2008 Financial Outlook

	<u>Current</u>	<u>Prior**</u>
Sales (\$B)	22.9 - 23.2*	22.6 - 23.1
FAS/CAS Pension Inc./(Exp.) (\$M)	(125)*	(150)
Interest Inc./(Exp.), net (\$M)	(50) - (55)*	(40) - (55)
Diluted Shares (M)	426 - 428	426 - 428
EPS from Continuing Operations	\$3.95 - \$4.00*	\$3.80 - \$3.95
Operating Cash Flow from Cont. Ops. (\$B)	2.2 - 2.4	2.2 - 2.4
ROIC (%)	10.3 - 10.5*	9.9 - 10.4

* Denotes changes from prior guidance

** As of July 24, 2008

**Strong sales and earnings growth combined with
excellent cash generation**

2008 Financial Outlook: By Business

	<u>Current Sales (\$B)</u>	<u>Prior* Sales (\$B)</u>	<u>Current Op. Margins</u>	<u>Prior* Op. Margins</u>
IDS	5.1 - 5.2	5.0 - 5.2	16.9 - 17.1%	16.7 - 17.1%
IIS	3.0 - 3.1	2.9 - 3.1	8.6 - 8.7%	8.6 - 9.0%
MS	5.3 - 5.4	5.1 - 5.3	10.7 - 10.9%	10.5 - 10.9%
NCS	4.5 - 4.6	4.4 - 4.6	12.1 - 12.3%	12.0 - 12.5%
SAS	4.3 - 4.4	4.1 - 4.3	12.9 - 13.1%	12.7 - 13.1%
TS	2.4 - 2.5	2.3 - 2.5	6.5 - 6.7%	6.3 - 6.7%
Corp and Elims	<u>(1.7) - (1.8)</u>	<u>(1.7)</u>	<u>(\$225M)-(\$235M)</u>	<u>(\$235M)-(\$245M)</u>
Subtotal	\$22.9 - \$23.2	\$22.6 - \$23.1	11.9 - 12.0%	11.7 - 12.0%
FAS/CAS Inc Adj	<u>-</u>	<u>-</u>	<u>-0.5%</u>	<u>-0.7%</u>
Total Cont. Ops	\$22.9 - \$23.2	\$22.6 - \$23.1	11.4 - 11.5%	11.0 - 11.3%

* As of July 24, 2008

Continue to focus on strong sales growth and operational execution

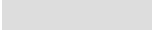
2009 Financial Outlook

	<u>2008E</u>	<u>2009E</u>
Sales (\$B)	22.9 - 23.2	24.3 - 24.8
FAS/CAS Pension Inc./(Exp.) (\$M)	(125)	77
EPS from Continuing Operations	\$3.95 - \$4.00	\$4.45 - \$4.60
Operating Cash Flow from Cont. Ops. (\$B)	2.2 - 2.4	2.2 - 2.4

Continued solid performance

2009 FAS/CAS Pension Adjustment (\$M)

2009 FAS / CAS Pension Income/(Expense) (\$M)							
Actual 2008 Asset Return	Discount Rate						
	6.50%	6.75%	7.0%	7.25%	7.5%	7.75%	8.0%
-25.0%	(39)	3	45	87	129	171	212
-20.0%	(69)	(26)	16	58	100	142	183
-15.0%	(92)	(49)	(7)	35	77	119	161
-10.0%	(65)	(22)	20	62	104	146	188
-5.0%	(38)	4	51	89	131	173	215
0.0%	(47)	1	38	80	122	164	206
8.75%	(32)	10	53	95	137	179	221

 Current assumption

The purpose of this chart is to indicate the range of outcomes for the 2009 FAS/CAS pension adjustment, including international pension, based upon different discount rates and 2008 asset return rates that will be determined at 12/31/08. Actual 2009 results are not necessarily limited to the above scenarios nor the above factors (i.e. changes in census data). The range of outcomes above is also based on our current, long-term return on asset (ROA) assumption of 8.75%. A 25 basis point change in this long-term ROA assumption would change FAS/CAS expense by \$30-35M. As noted above, 2009 pension expense will be determined at 12/31/2008 using assumptions and based on market conditions in place at that time.

Pension Expense

\$ Millions

	2008 Forecast	2009 Current Assumption
<u>P&L Impact</u>		
FAS	(526)	(457)
CAS	(401)	(534)
FAS/CAS Pension Inc./ (Exp.)	(125)	77
 <u>Cash Impact</u>		
Funding Required	(518)	(612)

Note: 2009 pension income assumes a discount rate of 7.5% and an assumed return on assets of -15% for the year ending December 31, 2008

Appendix

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)
<hr/>				
2009	61	64	63	61

Return on Invested Capital (ROIC) Calculation

\$ millions

	Outlook 2008E
Income from cont. ops.	} Combined
Net interest expense, after-tax*	
Lease expense, after-tax*	
Return	\$1,780 - 1,800
Net debt**	} Combined
Equity less investment in disc. ops.	
Lease exp. X 8, plus fin. guarantees	
SFAS No. 158 impact	
Invested capital from cont. ops.***	\$17,100 - 17,300
ROIC	10.3 - 10.5%

* Effective tax rate

~33.5%

** 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 impact of Statement of Financial Accounting Standards No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans (SFAS No. 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.