Raytheon

Customer Success Is Our Mission

First Quarter Earnings

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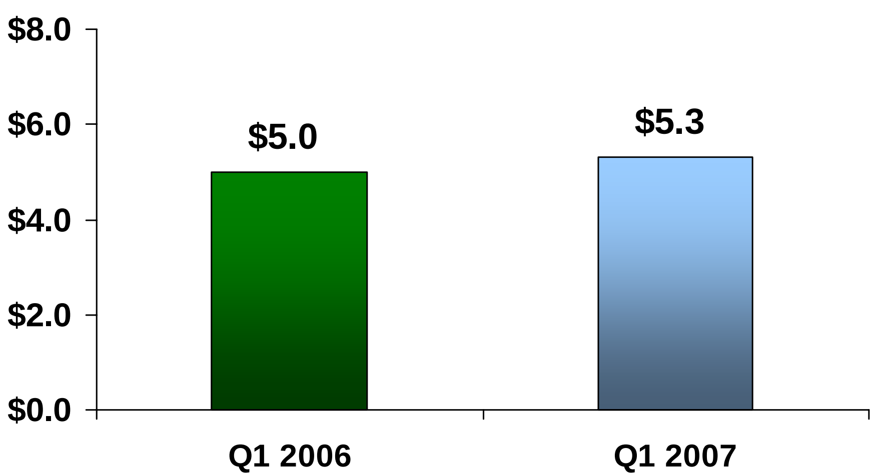
Q1 2007 Highlights

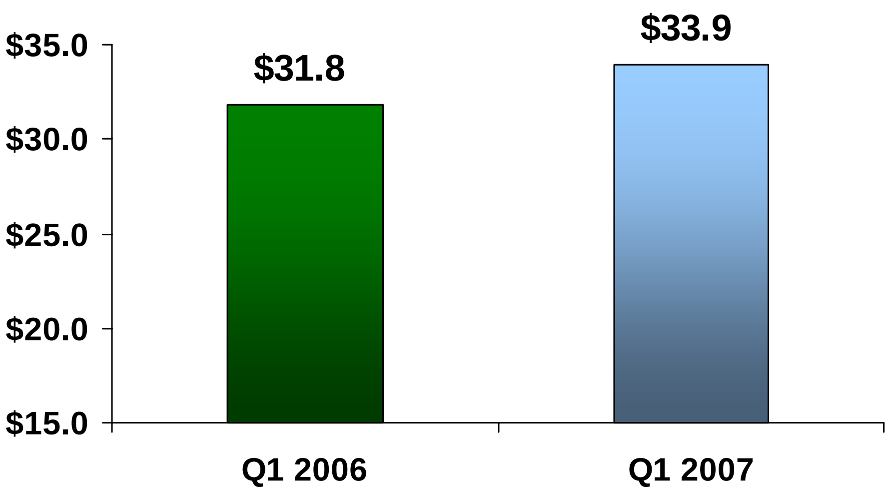
- Solid bookings of $5.3 billion; record backlog of $33.9 billion
- Net sales of $4.9 billion, up 6 percent
- Operating income from continuing operations of $510 million, up 18 percent
- EPS from continuing operations of $0.69, up 13 percent
- Repurchased 5.1 million shares for $275 million
- Increased annual dividend 6 percent, from $0.96 to $1.02
- Long-term senior unsecured credit rating upgraded to Baa1 by Moody's
- Sale of Raytheon Aircraft Company completed after the first quarter close for $3.3 billion.

Bookings and Backlog

Bookings ($B)



Backlog ($B)



Solid bookings increase at IDS, IIS, and TS

Record backlog at IDS, MS, and NCS

Solid bookings in Q1 2007; ended quarter with record backlog

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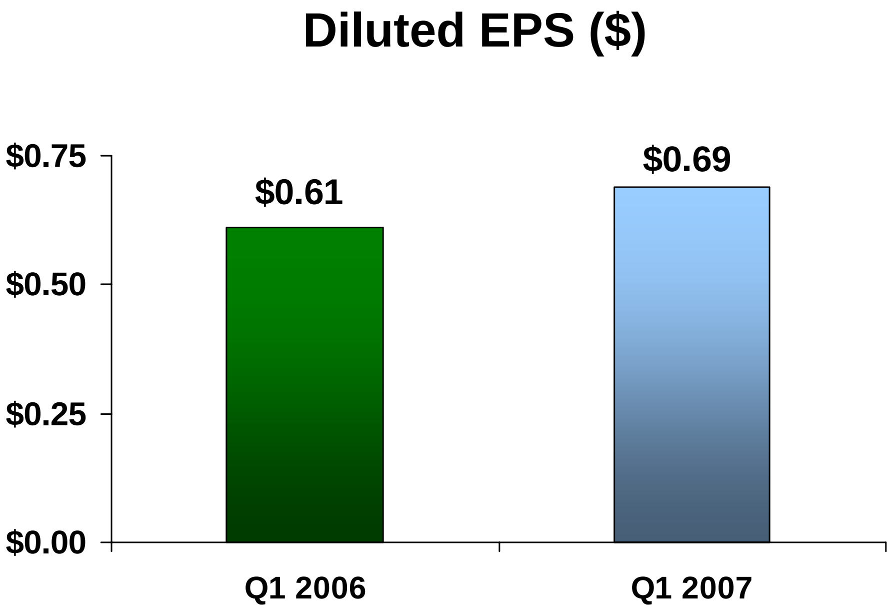
Earnings Per Share from Continuing Operations



<u>First Quarter</u>

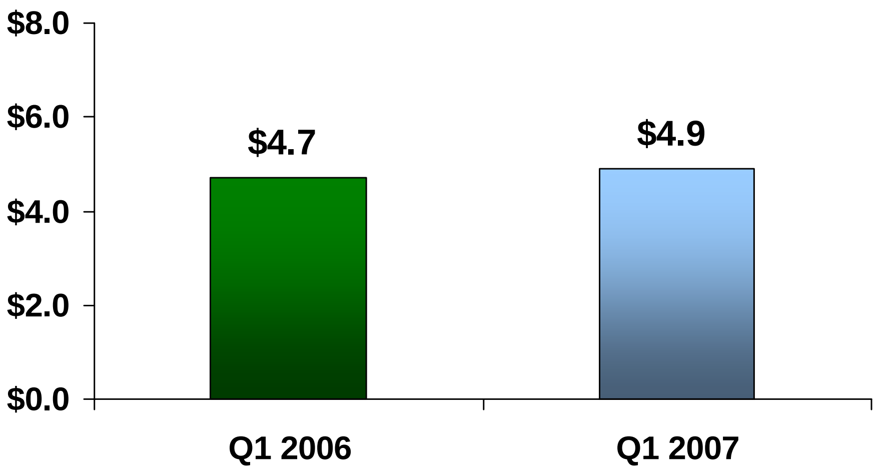
First Quarter 2006 EPS		**$0.61**
Operational improvements		$0.08
• Growth	$0.04	
• Performance	$0.04	
First Quarter 2007 EPS		**$0.69**

Q1 2007 diluted EPS increase was primarily driven by improved performance at IDS, MS, and NCS

Q1 2007 EPS increased by 13 percent

Total Company Sales

Sales ($B)



First Quarter Sales ($M)

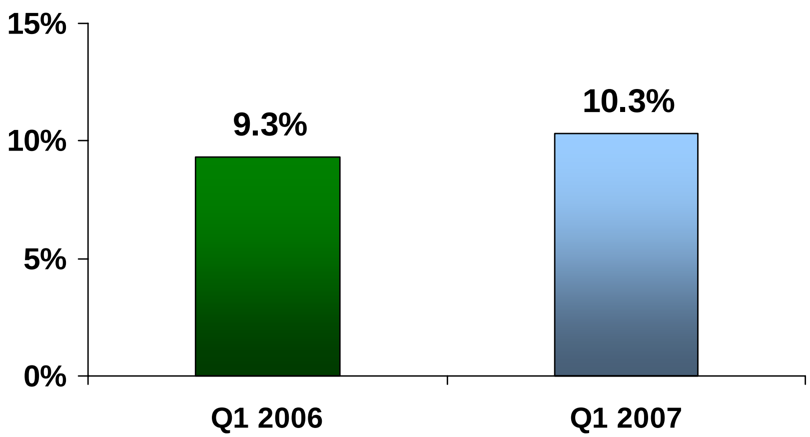
	Q1 2006	Q1 2007	% Change
IDS	963	1,092	13%
IIS	611	588	-4%
MS	989	1,140	15%
NCS	791	929	17%
SAS	1,018	964	-5%
TS	450	426	-5%
Other	190	181	-5%
Corp/Elims	(352)	(392)	NM
Total	**4,660**	**4,928**	**6%**

Q1 2007 sales growth was primarily driven by IDS, MS, and NCS

Total Company sales up 6 percent in Q1 2007

Operating Margins

Operating Margins (%)



First Quarter Operating Margin/Dollars

	Q1 2006	Q1 2007	Net Change
IDS	16.4%	18.2%	180 bps
IIS	9.0%	9.4%	40 bps
MS	11.1%	10.5%	(60) bps
NCS	10.6%	12.6%	200 bps
SAS	14.2%	13.4%	(80) bps
TS	6.9%	4.9%	(200) bps
Other	-6.8%	-4.4%	240 bps
Corp and Elims	-$52M	-$61M	-$9M
FAS/CAS Inc Adj	-$85M	-$62M	$23M
Total Cont. Ops	**9.3%**	**10.3%**	**100 bps**
Defense*	**12.4%**	**12.8%**	**40 bps**

Operating margins up in Q1 2007 primarily driven by strong performance at IDS and NCS

*** After eliminations of intercompany operating profit**

Operating margins up 100 bps in Q1 2007

2007 Financial Outlook

Bookings ($B)	21.0 - 22.0
Sales ($B)	21.4 - 21.9
FAS/CAS Pension Expense ($M)	270
Interest expense, net ($M)	65 - 80
Diluted Shares (M)	446 - 448
EPS from Continuing Operations	$2.85 - $3.00
Operating Cash Flow from Cont. Ops. ($B)	1.5 - 1.7
ROIC (%)	8.2 - 8.7

The Company reaffirms its full-year 2007 outlook

2007 Financial Outlook: By Business

	Sales ($B)	Current Operating Margins/Dollars	Prior ** Operating Margins/Dollars
IDS	4.5-4.7	16.3-16.7%*	15.4-15.8%
IIS	2.6-2.8	9.1-9.5%	9.1-9.5%
MS	4.6-4.8	10.5-10.9%	10.5-10.9%
NCS	3.7-3.9	10.6-11.0%	10.6-11.0%
SAS	4.5-4.7	13.4-13.8%	13.4-13.8%
TS	2.1-2.3	7.2-7.6%	7.2-7.6%
Other	0.7-0.8	(30M)-(40M)	(30M)-(40M)
Corp and Elims	(1.8)	(250M)-(260M)	(250M)-(260M)
Subtotal	$21.4-$21.9	11.1-11.4%*	10.9-11.2%
FAS/CAS Inc Adj		-1.2%	-1.2%
Total Cont. Ops	**$21.4-$21.9**	**9.9-10.2%***	**9.7-10.0%**
Defense after elims	**$20.6-$21.1**	**12.1-12.4%***	**11.9-12.2%**

**** Denotes change from prior guidance***
***** As of February 1, 2007***

Continued focus on performance

Summary

- Continued focus on customers and program execution
- Solid financial structure
- Innovation and technology, meeting our customers needs and enhancing shareholder value
- Solid position in our core markets....outstanding knowledge and technical leadership….creating new opportunities

Well positioned for today….and tomorrow…committed to results

Appendix

2007 Financial Outlook: By Quarter

$ Millions except EPS

	Q2	Q3	Q4	Total
Sales	**24%**	**25%**	**28%**	**$21.4B - $21.9B**
EPS	**19 - 22%**	**24 - 27%**	**28 - 31%**	**$2.85 - $3.00**
Operating Cash Flow from Cont. Ops.	**$150 - $200**	**$650 - $700**	**$1.1B - $1.2B**	**$1.5B - $1.7B**

Note: Adjusted to reflect first quarter 2007 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	**$1,400 - 1,465**
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	**8.2 - 8.7%**

* Effective tax rate 34.2%

** 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 adopting 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.