

# Raytheon Company First Quarter Earnings

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April 22 , 2003

## **Dial In Number**

**800-299-9630 Domestic**

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**888-286-8010 Domestic**

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# Forward Looking Statements

Certain information included in this presentation, including any information relating to the Company's future plans, objectives, and projected future financial performance, contain or are based on, forward-looking statements within the meaning of the federal securities laws. Specifically, statements that are not historical facts, including statements accompanied by words such as "believe," "expect," "estimate," "intend," or "plan," and variations of these words and similar expressions, are intended to identify forward-looking statements and convey the uncertainty of future events or outcomes. Any such forward-looking statements are based on assumptions that the Company believes are reasonable, but are subject to a wide range of risks, and actual results may differ materially. The Company expressly disclaims any current intention to provide updates to forward-looking statements, and the estimates and assumptions associated with them, after the date of this presentation. Important factors that could cause actual results to differ include, but are not limited to: the ability to obtain or the timing of obtaining future government awards; the availability of government funding; changes in government or customer priorities due to program reviews or revisions to strategic objectives; difficulties in developing and producing operationally advanced technology systems; termination of government contracts; program performance and timing of contract payments; the performance of critical subcontractors; government import and export policies and other government regulations; the ultimate resolution of contingencies and legal matters, including investigations; the effect of market conditions, particularly in relation to the general aviation and commuter aircraft markets; the uncertainty of the timing and amount of net realizable value of Boeing Business Jet-related assets; the timing of project completion and customer acceptance of two Massachusetts construction projects; and the impact of change orders, the recoverability of the Company's claims and the outcome of defending claims asserted against the Company. Further information regarding the factors that could cause actual results to differ materially from the Company's expectations are disclosed in the Company's SEC filings, including "Item 1-Business" of the Company's Annual Report on Form 10-K for the year ended December 31, 2002. This presentation includes certain non-GAAP financial measures as defined under SEC rules. As required by SEC rules, the Company has provided a quantitative reconciliation of each of those measures to the most directly comparable GAAP measure. This reconciliation, along with definitions of non-GAAP terms used by the Company, is included in this presentation.

# Commercial Deliveries

	<u>Q1 02A</u>	<u>Q1 03A</u>	<u>2002A</u>	<u>2003E</u>
<b>Hawker</b>	<b>8</b>	<b>7</b>	<b>44</b>	<b>45</b>
<b>Premier I</b>	<b>6</b>	<b>3</b>	<b>29</b>	<b>49</b>
<b>Beechjet</b>	<b>3</b>	<b>3</b>	<b>17</b>	<b>18</b>
<b>King Air</b>	<b>12</b>	<b>4</b>	<b>67</b>	<b>69</b>
<b>Pistons</b>	<b>14</b>	<b>14</b>	<b>83</b>	<b>77</b>
	<u><b>43</b></u>	<u><b>31</b></u>	<u><b>240</b></u>	<u><b>258</b></u>

# Commuter Status

## 1900 Unit Exposure

	<u>12/31/2001</u>	<u>12/31/2002</u>	<u>3/30/2003</u>
<b>Financed Planes</b>	<b>387</b>	<b>296</b>	<b>268</b>
<b>Planes in Inventory</b>	<b>128</b>	<b>137</b>	<b>136</b>
<b>Total Planes</b>	<b>515</b>	<b>433</b>	<b>404</b>

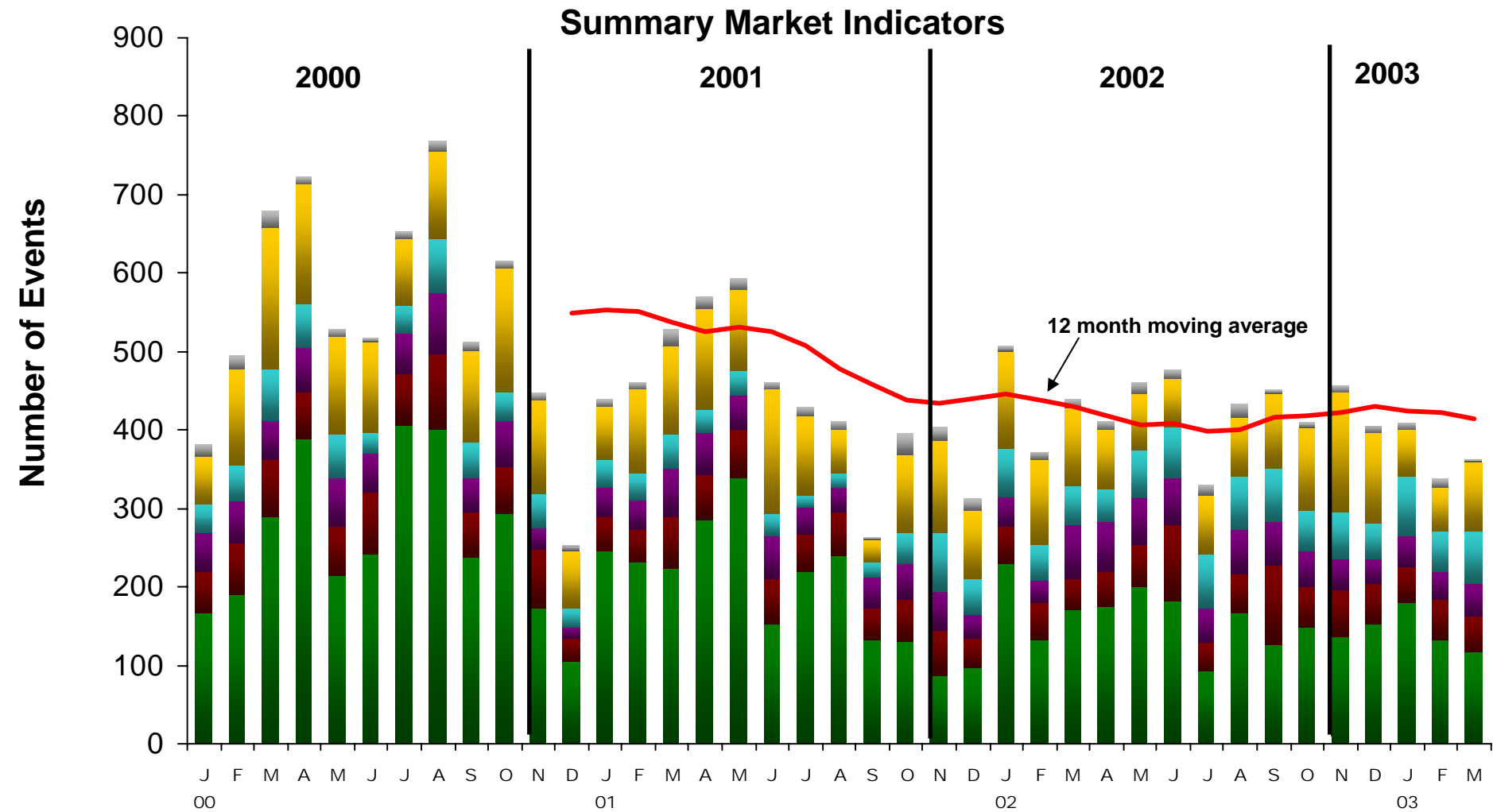
**111 aircraft sold in the past 15 months for cash without recourse**

# Raytheon Company First Quarter Earnings

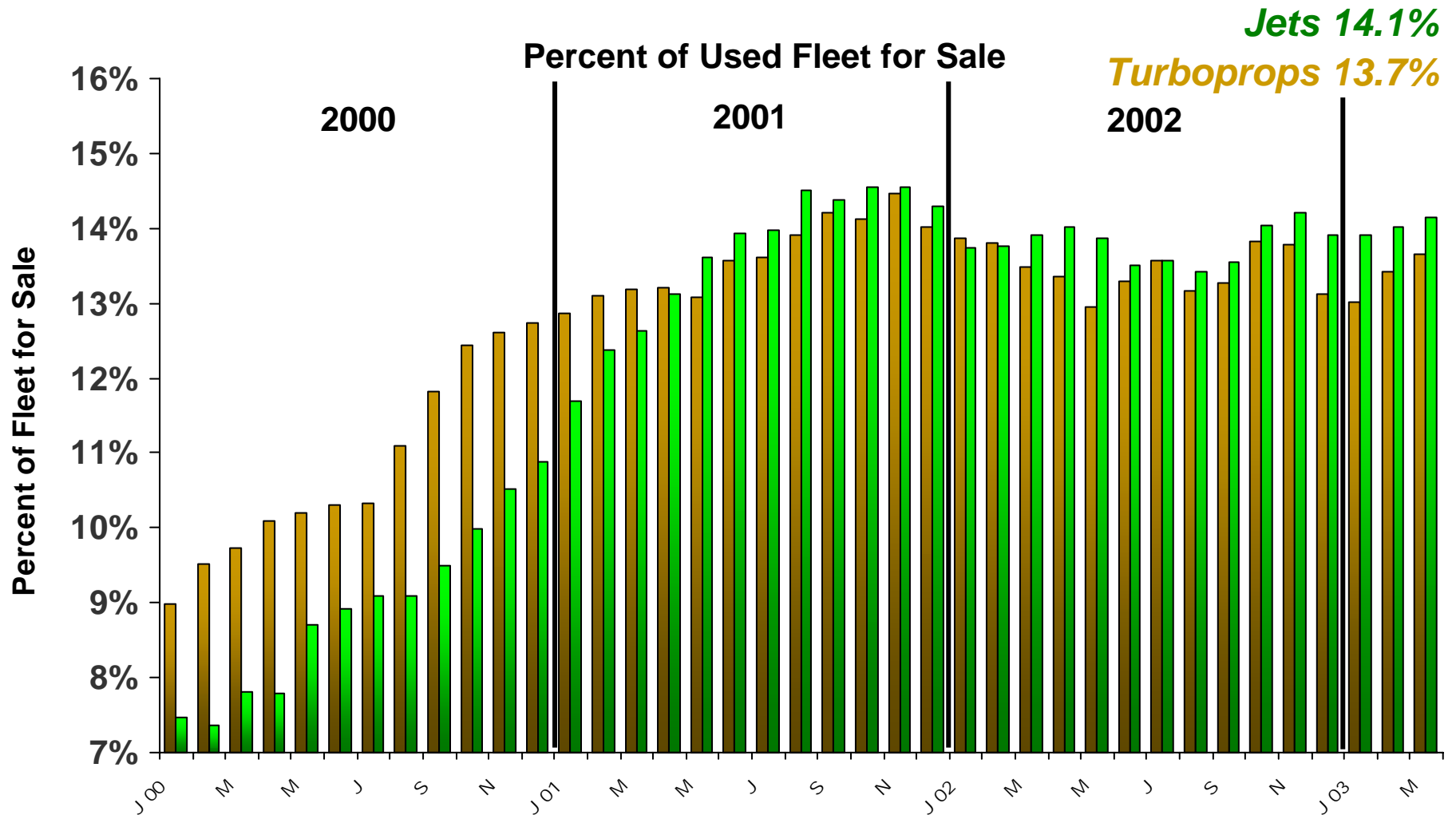
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## Appendix

# RAC: Market Activity Indicators



# Used Aircraft Indicators



# 2003 Financial Outlook

(\$ Millions)

	<u>2003E</u>
<b>Total Sales</b>	<b>6-7%</b>
<b>EPS</b>	<b>\$1.70-\$1.80</b>
<b>Free Cash Flow from Cont. Ops.</b>	<b>\$950-\$1,050 M</b>
<b>Free Cash Flow from Disco. Ops.</b>	<b>(\$290-\$375) M</b>



# 2004 Outlook

## Early Guidance

<b>Defense Revenue</b>	<b>+6-8%</b>
<b>RAC Revenue</b>	<b>flat</b>
<b>EPS w/o Pension (Economic EPS)</b>	<b>+10%</b>
<b>EPS</b>	<b>-5%</b>
<b>Free cash flow</b>	<b>&gt;\$1B</b>

## EPS Walk

<b>2003 EPS</b>	<b>\$1.70-\$1.80</b>
• <b>Defense Businesses</b>	<b>0.19 - 0.24</b>
• <b>RAC</b>	<b>0.00 - 0.05</b>
• <b>Interest Expense</b>	<b>0.10 - 0.15</b>
• <b>Equity Units Dilution</b>	<b>(0.06)</b>
• <b>Tax rate</b>	<b>(0.08)</b>
• <b>Pension...FAS/CAS</b>	<b><u>(0.30)</u></b>
<b>2004 EPS</b>	<b>\$1.60-\$1.70</b>

# Aircraft Financing Receivables

In \$ millions

	<u>GA</u>	<u>Commuters</u>	<u>Total</u>
Aircraft financing receivables at 12/31/2002	\$ 744	\$ 776	\$ 1,520
Loan originations	45	6	51
Principal repayments	(73)	(82)	(155)
Other	(3)	(28)	(31)
Aircraft financing receivables at 3/30/2003	\$ 713	\$ 672	\$ 1,385

# Reconciliation of Non-GAAP Measures

## Reconciliation of Non-GAAP Financial Measures

	Actual - 2002					2003				
	Q1	Q2	Q3	Q4	Total	Q1A	Q2	Q3	Q4	Total
<b>A. Free Cash Flow</b>										
Operating cash flow from continuing operations	\$ (90)	\$ 552	\$ 540	\$ 1,233	\$ 2,235	\$ (435)	-	-	-	-
Capital spending	(85)	(105)	(96)	(172)	(458)	(58)	-	-	-	-
Internal use software spending	(26)	(26)	(42)	(44)	(138)	(21)	-	-	-	-
<b>Free cash flow from continuing operations</b>	<b>\$ (201)</b>	<b>\$ 421</b>	<b>\$ 402</b>	<b>\$ 1,017</b>	<b>\$ 1,639</b>	<b>\$ (514)</b>	-	-	-	-
Discontinued operations	(224)	(259)	(322)	(391)	(1,196)	(305)	-	-	-	-
<b>Free cash flow</b>	<b>\$ (425)</b>	<b>\$ 162</b>	<b>\$ 80</b>	<b>\$ 626</b>	<b>\$ 443</b>	<b>\$ (819)</b>	-	-	-	-
<b>B. Net Debt</b>										
Total Debt	\$ 7,787	\$ 7,821	\$ 6,864	\$ 7,433	-	\$ 8,223	-	-	-	-
Less cash	1,484	1,642	619	544	-	387	-	-	-	-
<b>Net Debt</b>	<b>\$ 6,303</b>	<b>\$ 6,179</b>	<b>\$ 6,245</b>	<b>\$ 6,889</b>	<b>-</b>	<b>\$ 7,836</b>	-	-	-	-
<b>C. Economic EPS or EPS Before Pension Impact</b>										
EPS from continuing operations	\$ 0.37	\$ 0.54	\$ 0.56	\$ 0.38	\$ 1.85	\$ 0.27	-	-	-	-
FAS/CAS pension adjustment	(0.09)	(0.09)	(0.09)	(0.09)	(0.36)	0.05	-	-	-	-
<b>Economic EPS or EPS Before Pension Impact</b>	<b>\$ 0.28</b>	<b>\$ 0.45</b>	<b>\$ 0.47</b>	<b>\$ 0.29</b>	<b>\$ 1.49</b>	<b>\$ 0.32</b>	-	-	-	-

**Definitions:** Free cash flow is defined as operating cash flow less capital spending and internal use software spending.  
Net debt is defined as total debt less cash and cash equivalents.  
Economic EPS is defined as EPS from continuing operations adjusted for the non cash FAS/CAS pension amount.