Annual Investor Conference
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Intelligence and Information Systems

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President

IIS Business Overview

- **Processing solutions for:**
  - **Signal and image intelligence**
  - **Weather/environmental systems**
- **Command and control for air/space platforms**
- **Worldwide operations and maintenance**
- **Information Technology solutions**

- **8,000 employees**
  - **85% have security clearance**

- **Major sites:**
  - **Garland, TX (hdg.)**
  - **Falls Church, Reston, and Springfield, VA**
  - **Aurora, CO**
  - **State College, PA**
  - **Omaha, NE**
  - **Landover and Linthicum, MD**
  - **St. Louis, MO**

- **2002 Revenue: $1.9B**

UltraComm

NPOESS

U-2

Global Hawk Ground Segment

FFEL

Signal Processing

FEDERAL FAMILY EDUCATION LOAN

Superior Intelligence & Information Solutions for Better, Safer World

2002 Revenue Composition - $1.9B

Raytheon

By Business

- Advanced Programs 4%
- Space Systems 11%
- Strategic Imaging Systems 22%
- Remote Systems 13%
- National Systems 21%
- RTN Information Solutions 18%
- Information Management and Dissemination Systems 11%

By Customer

- Proprietary - SS/Other 10%
- NASA 5%
- NIMA 9%
- Army 1%
- Navy/USMC 1%
- Air Force 10%
- Proprietary SIS 16%
- Other US Gov't Agencies 21%
- Proprietary - NS 20%
- Commercial 4%
- International Gov't 3%

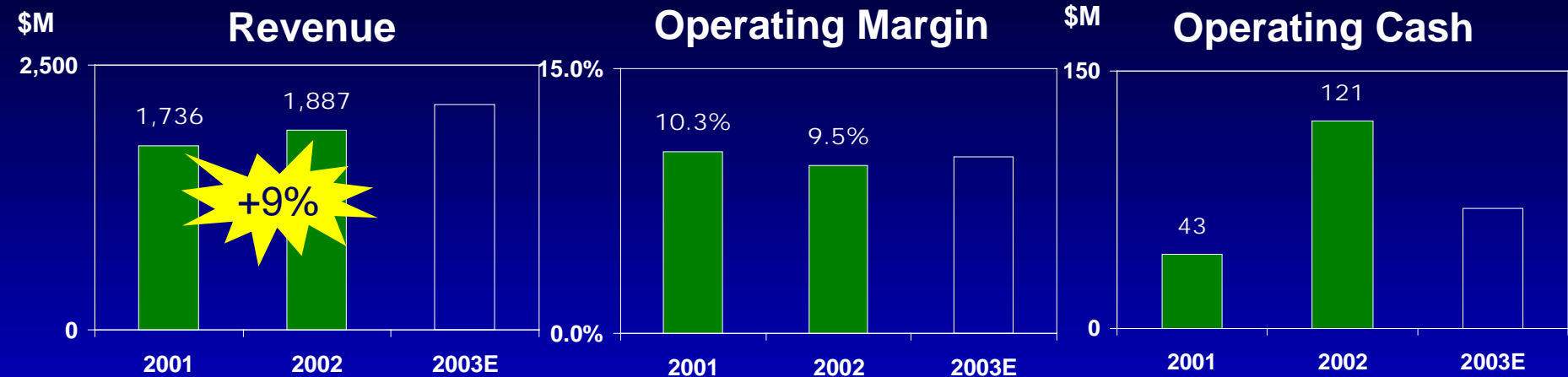## By Geography

- United States 97%
- International 3%
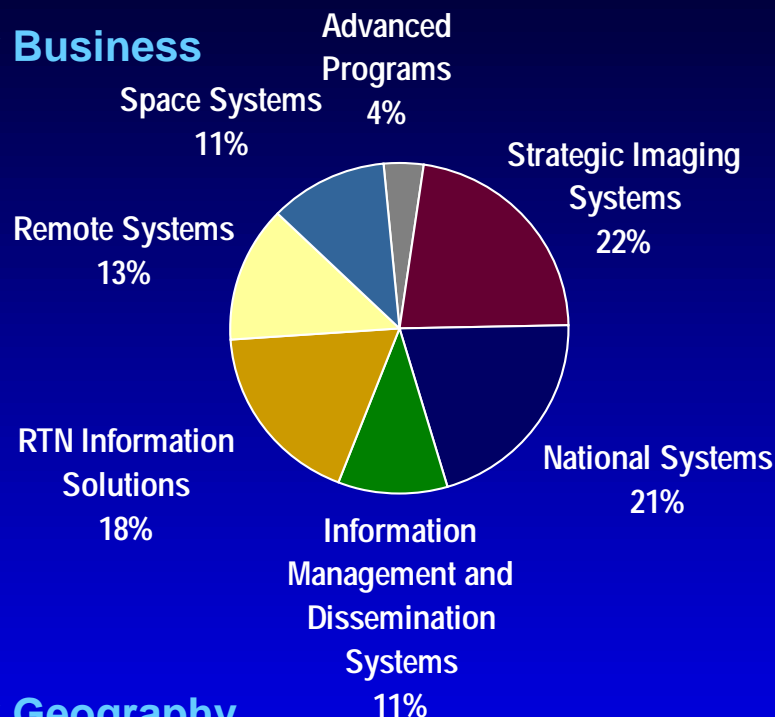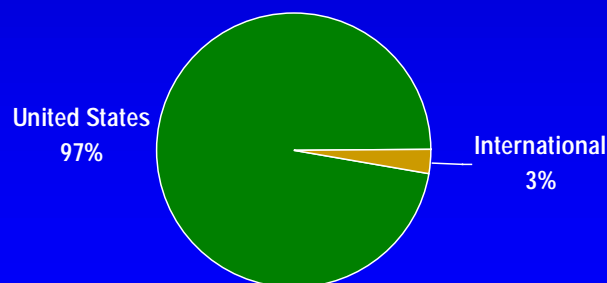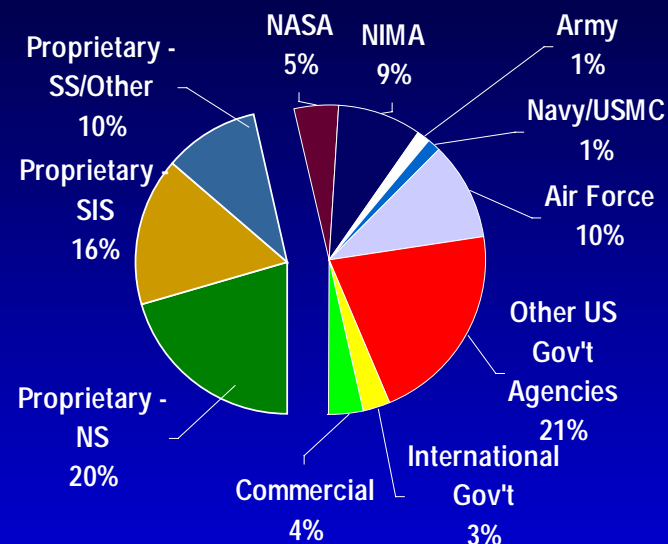
Top 5 Programs (Revenue)

- DIAZ
- Freedom
- ECS
- Viceroy
- U2 CFS

$660M 35%

Diverse Customer Portfolio with Opportunities to Grow

2002 Summary

Revenue ($M)

- 2001: 1,736
- 2002: 1,887 (+9%)
- 2003E

(Y-axis: 0 to 2,500)

Operating Margin

- 2001: 10.3%
- 2002: 9.5%
- 2003E

(Y-axis: 0.0% to 15.0%)

Operating Cash ($M)

- 2001: 43
- 2002: 121
- 2003E

(Y-axis: 0 to 150)

Accomplishments

- **NPOESS ($916M)**
- **Outstanding Customer Performance**
  - **97% Award Fees**
- **Continued Working Capital Improvements**
- **Backlog Increased by 16%**

- **Other Significant 2002 Awards**
  - **GIDI**
  - **Freedom**
  - **DIAZ**
- **Challenges Included the Space Imaging Write-off and Customer Budget Issues**

Successful Year with Major Wins

National Polar-orbiting Operational Environmental Satellite System (NPOESS)

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Description

- **Convergence of the DoD's DMSP and NOAA's POES**
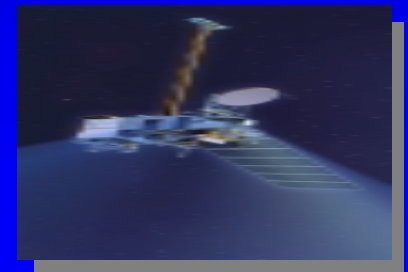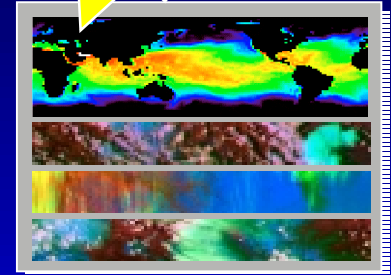- **Collects, Processes, and Disseminates Complex Environmental Data Worldwide**

Customer

- **NPOESS Integrated Program Office, NOC (Prime)**
- **End Users are NOAA, Air Force and Navy**

Contract Information

- **$916 Million through 2011**
- **Contract Type: CPFF/AF/Mission Success Fee (IF)**
- **Additional Potential:**
  - *Post-IOC options up to $511 Million through 2018*

2003E Revenues
$86M

IIS is the Systems Integrator for NPOESS Ground

National Imagery and Signals Intelligence

Description

- **Total systems solutions for multiple assets**
  - Ground systems provider
  - Systems integrator
  - Life Cycle support
- **Real-time processing**

Customers

- **CIA, NRO, NSA, NIMA**

Features

- **High Performance Computing operating on extremely large data sets**
- **Ultra-high total system availability**
- **Massive Databases**
- **Evolutionary Architectures for Multi-Int**
- **Algorithms for processing and exploitation of intelligence**
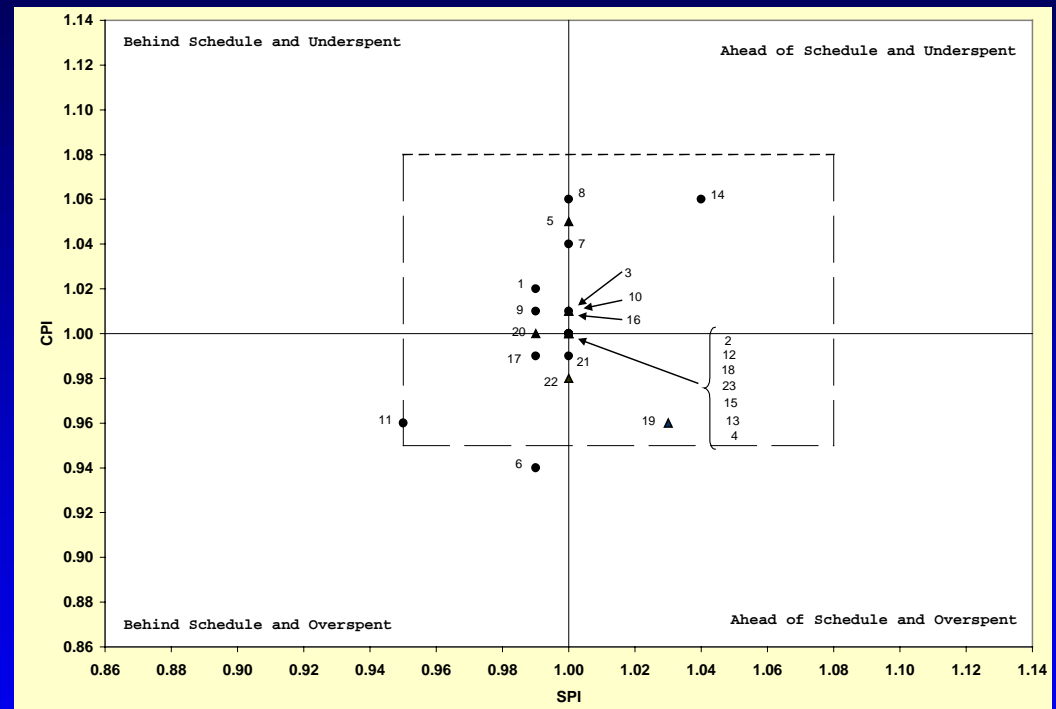
Massive Mission-Critical, Time-Constrained, Intelligence Processing

Program Performance

Aggregate Scores for Major IIS Programs
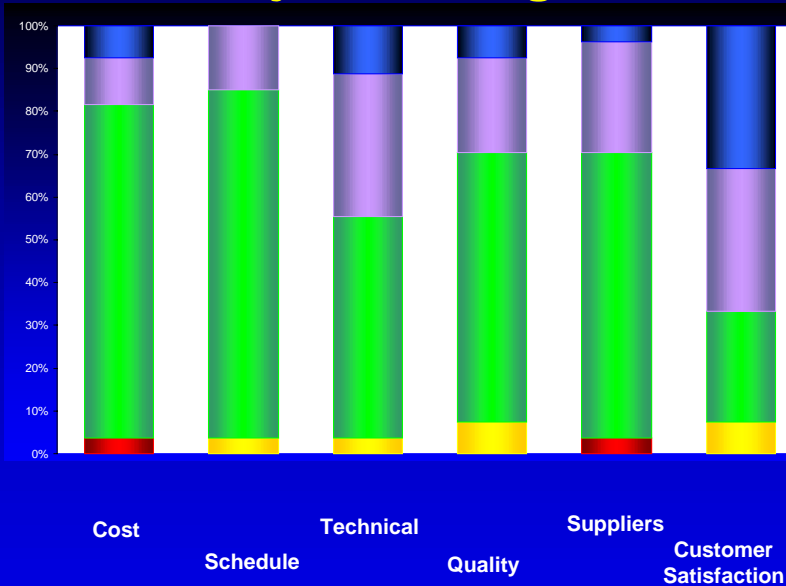
Cost and Schedule

Award Fees Average 97% and Programs are "In the Box"

Generating Growth Through Execution

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Strategic Partnering

- **LMT and NOC(TRW)**
  - **Classified PROCON Program ($900M)**
  - **Raytheon Prime**

- **LMT, SAIC, BAE**
  - **Mission Integration and Development (MIND)**
  - **Raytheon Prime**

- **Boeing**
  - **Satellite Ground Stations for Multiple Systems ($200M+)**

- **NOC (TRW)**
  - **NPOESS Ground Segment ($916M)**
  - **Tactical SIGINT Subsystem for Multiple Platforms ($50M)**

## Productivity and Six Sigma

- **O&M Services**
  - **Six Sigma Engagement with Classified Customer to Reduce Costs by 5%+/year**

- **Software Product Reuse**
  - **Reduced Satellite C&C Development by up to 50%**

- **Engineering Defects were Reduced by 20% in 2001 and 2002 Due to Focus on Early Identification and Correction**

Highly Valued Capabilities

"Six Sigma Saves Lives"

Mapping Technology to Customer Needs

Raytheon

Technology and Solutions

- **Demonstrated Multi-Source ground Stations**

- **ISR Warrior Demonstrating Multi-int Asset Management**

- **Unique, Multi-UAV/UV Control Software**

- **Advanced Sensors and Processing Derived from Simulations and Algorithms**
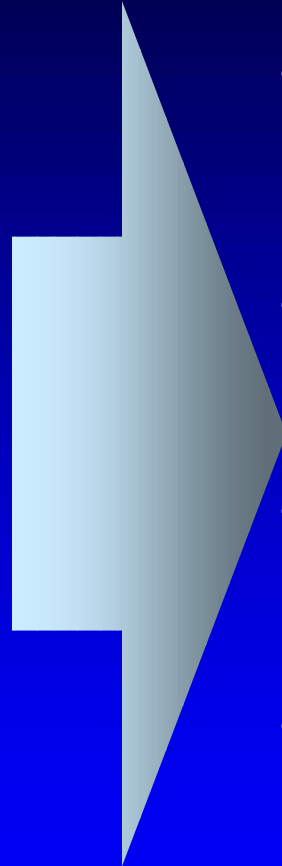
Customer Needs

- **Maximize Knowledge from Diverse Data Sources, Data and Product Dissemination**

- **Integrated, End-to-End Command and Control/Mission Management**

- **Simultaneous Control of Multiple UAVs/UVs Target Dominance**

- **New Sensors for New Phenomenology**

Solutions for Intelligence Community's Most Urgent Needs

2003 Outlook

Raytheon

Revenue
$M

2500		
0		
2001	2002	2003E

+12-14%

Operating Margin

15.0%		
0.0%		
2001	2002	2003E

Up Slightly

Operating Cash
$M

150		
0		
2001	2002	2003E

$70

Growth Drivers

- **PROCON Award**
- **Continued Success with Proprietary Customers**
- **Grow Fed IT Business**
- **System Consolidations – Cost Saving**
- **Challenges: Homeland Security Funding is Up, but Timing Uncertain**

Key Program Pursuits

Bookings Target: $2.2B

- **PROCON**
- **MSMS**
- **U2 CFS**
- **EMD**
- **GEOScout**

$570M 25%

Poised for Continued Growth

2004 Vision

- **Sustain Momentum and Faster-than-Market Growth Outstanding Program Execution, Superior Domain Expertise, and High Customer Relationships**

- **Build Federal IT business into Tier One Supplier**

- **Achieve Double Digit Margins in an 80% Cost Plus Business Driven by Performance and Innovation Contracting Forms**

- **Shape the Market in Multi-INT, Knowledge Discovery, Collaboration, and New Sensor Exploration**

- **Move into More Roles as a Lead Systems Integrator Driven by One Company Initiatives**