

# Third Quarter Earnings

October 22, 2009

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# Forward-Looking Statements

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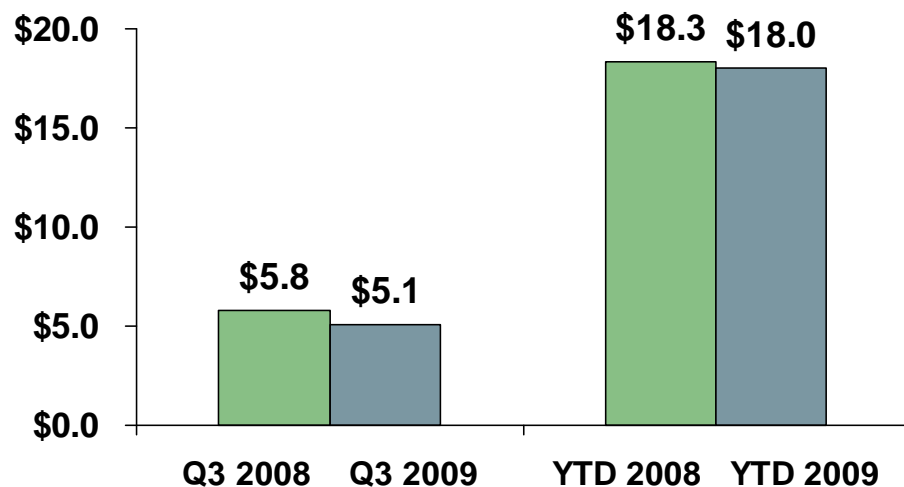
# Third Quarter 2009 Highlights

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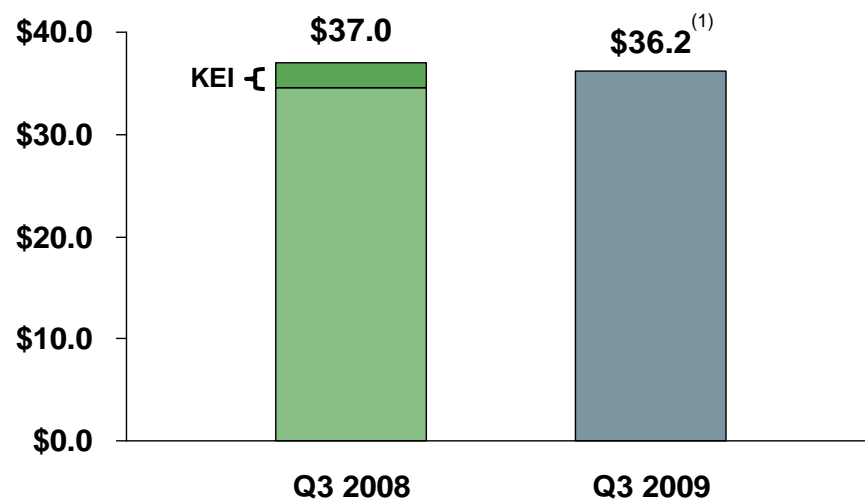
- Net sales of \$6.2 billion, up 6 percent
- Income from continuing operations of \$499 million, up 14 percent
- Earnings per share (EPS) from continuing operations of \$1.25, up 24 percent
- Strong operating cash flow from continuing operations of \$749 million
- Increased full-year 2009 guidance for EPS and return on invested capital (ROIC)

# Total Company Bookings and Backlog

**Bookings (\$B)**



**Backlog (\$B)**

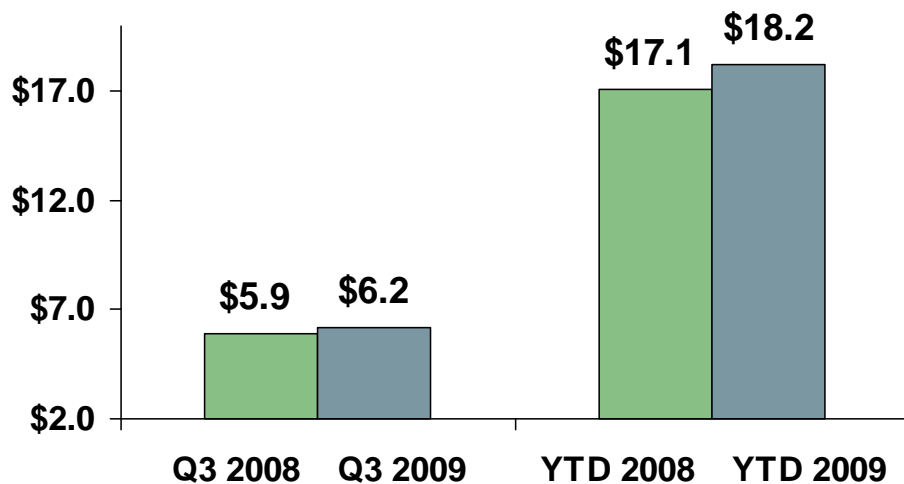


<sup>(1)</sup> Due to a change in Missile Defense Agency priorities, on June 10, 2009 the Kinetic Energy Interceptor program was terminated for convenience, resulting in a \$2.4 billion reduction of the Company's backlog at the end of the second quarter 2009.

**Solid bookings of \$5.1B**

# Total Company Net Sales

**Net Sales (\$B)**



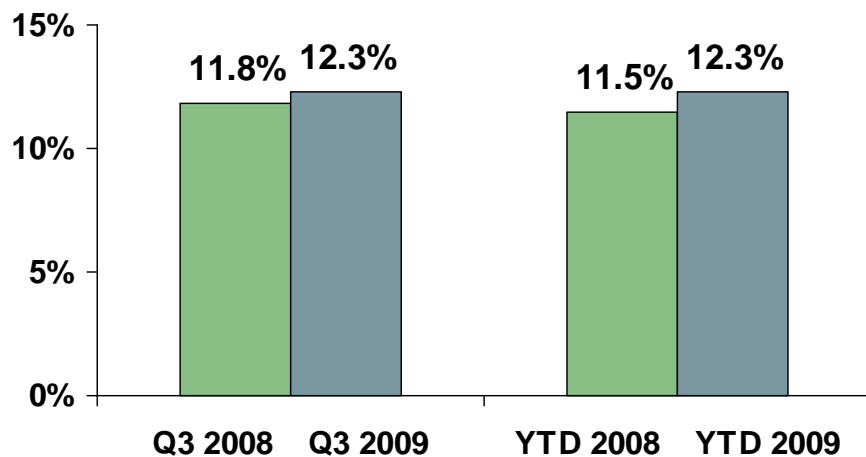
**Net Sales (\$M)**

Q3	2008	2009	% Change
IDS	\$1,276	\$1,387	9%
IIS	801	805	-
MS	1,360	1,396	3%
NCS	1,145	1,212	6%
SAS	1,065	1,134	6%
TS	689	797	16%
Corp./Elims.	(472)	(526)	NM
<b>Q3 Total</b>	<b>\$5,864</b>	<b>\$6,205</b>	<b>6%</b>
<b>Year-to-date</b>	<b>\$17,088</b>	<b>\$18,214</b>	<b>7%</b>

**Diverse portfolio driving continued growth**

# Total Company Operating Margins

**Operating Margins (%)**

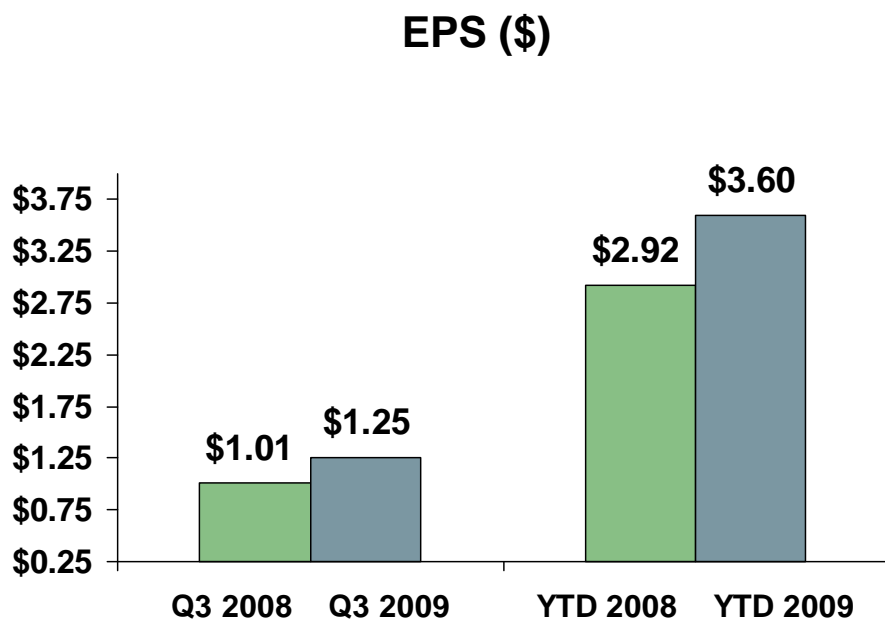


**Third Quarter Operating Margins (%)**

	<u>Q3 2008</u>	<u>Q3 2009</u>	<u>Net Change</u>
<b>IDS</b>	16.1%	15.6%	(50) bps
<b>IIS</b>	8.4%	8.4%	0 bps
<b>MS</b>	10.7%	10.4%	(30) bps
<b>NCS</b>	13.3%	14.2%	90 bps
<b>SAS</b>	13.5%	14.0%	50 bps
<b>TS</b>	6.5%	7.5%	100 bps
<b>Corp./Elims.</b>	(\$43M)	(\$55M)	(\$12M)
<b>Subtotal</b>	<b>12.2%</b>	<b>12.3%</b>	<b>10 bps</b>
<b>FAS/CAS Pension Adj.</b>	(0.4)%	0.0%	40 bps
<b>Total</b>	<b>11.8%</b>	<b>12.3%</b>	<b>50 bps</b>

**Strong operating margin performance**

# Earnings Per Share from Continuing Operations



<b>Third Quarter 2008 EPS</b>	<b>\$1.01</b>
Operational improvements	0.08
Reduced share count	0.09
FAS/CAS pension adjustment	0.04
Other items, net	<u>0.03</u>
<b>Third Quarter 2009 EPS</b>	<b>\$1.25</b>

**EPS increased by 24 percent in Q3 2009**

# 2009 Financial Outlook

	<u>Current</u>	<u>Prior*</u>
<b>Net Sales (\$B)</b>	<b>24.7 - 25.0**</b>	<b>24.5 - 25.0</b>
<b>FAS/CAS Pension Inc. (\$M)</b>	<b>29**</b>	<b>47</b>
<b>Interest Inc./(Exp.), net (\$M)</b>	<b>(105) - (115)</b>	<b>(105) - (115)</b>
<b>Diluted Shares (M)</b>	<b>397 - 400**</b>	<b>398 - 401</b>
<b>Effective Tax Rate</b>	<b>~33%</b>	<b>~33%</b>
<b>EPS from Continuing Operations</b>	<b>\$4.70 - \$4.80**</b>	<b>\$4.60 - \$4.75</b>
<b>FAS/CAS Adjusted EPS<sup>(1)</sup></b>	<b>\$4.65 - \$4.75**</b>	<b>\$4.52 - \$4.67</b>
<b>Operating Cash Flow from Cont. Ops. (\$B)</b>	<b>2.2 - 2.4</b>	<b>2.2 - 2.4</b>
<b>ROIC (%)<sup>(1)</sup></b>	<b>11.5 - 11.8**</b>	<b>11.2 - 11.7</b>

\* As of July 23, 2009

\*\* Denotes changes from prior guidance

(1) FAS/CAS Adjusted EPS is defined as EPS from continuing operations excluding the earnings per share impact of the FAS/CAS pension adjustment. FAS/CAS Adjusted EPS and ROIC are non-GAAP financial measures and may not be defined and calculated by other companies in the same manner. See page 13 for a reconciliation of FAS/CAS Adjusted EPS to EPS from continuing operations and page 16 for a calculation of ROIC.

**Increased full-year guidance for EPS and ROIC**



# 2009 Financial Outlook: By Business

	<b>Current</b> <b>Net Sales (\$B)</b>	<b>Prior*</b> <b>Net Sales (\$B)</b>	<b>Current</b> <b>Op. Margins</b>	<b>Prior*</b> <b>Op. Margins</b>
<b>IDS</b>	5.5 - 5.7	5.5 - 5.7	15.3 - 15.5%	15.3 - 15.5%
<b>IIS</b>	3.1 - 3.3	3.1 - 3.3	8.2 - 8.4%**	8.4 - 8.6%
<b>MS</b>	5.5 - 5.7	5.5 - 5.7	10.6 - 10.8%	10.6 - 10.8%
<b>NCS</b>	4.7 - 4.8**	4.6 - 4.8	13.6 - 13.8%**	12.8 - 13.0%
<b>SAS</b>	4.4 - 4.5**	4.3 - 4.5	13.6 - 13.8%**	13.4 - 13.6%
<b>TS</b>	3.0 - 3.1**	2.8 - 3.0	6.5 - 6.7%	6.5 - 6.7%
<b>Corp./Elims.</b>	(1.9)	(1.9)	(\$240M)-(\$250M)	(\$240M)-(\$250M)
<b>Subtotal</b>	\$24.7 - \$25.0**	\$24.5 - \$25.0	11.8 - 12.0%**	11.7 - 11.9%
<b>FAS/CAS Income</b>	-	-	0.1%**	0.2%
<b>Total Cont. Ops.</b>	<b>\$24.7 - \$25.0**</b>	<b>\$24.5 - \$25.0</b>	<b>11.9 - 12.1%</b>	<b>11.9 - 12.1%</b>

\* As of July 23, 2009

\*\* Denotes change from prior guidance

**Continued operational excellence**

# 2010 Initial Financial Outlook

	<u>2009E</u>	<u>2010E</u>
<b>Net Sales (\$B)</b>	<b>24.7 - 25.0</b>	<b>25.9 - 26.4</b>
<b>FAS/CAS Pension Inc./ (Exp.) (\$M)</b>	<b>29</b>	<b>(228)</b>
<b>Interest Inc./ (Exp.), net (\$M)</b>	<b>(105) - (115)</b>	<b>(90) - (105)</b>
<b>Diluted Shares (M)</b>	<b>397 - 400</b>	<b>377 - 382</b>
<b>Effective Tax Rate</b>	<b>~33%</b>	<b>~31.5%</b>
<b>EPS from Continuing Operations</b>	<b>\$4.70 - \$4.80</b>	<b>\$4.75 - \$4.90</b>
<b>FAS/CAS Adjusted EPS<sup>(1)</sup></b>	<b>\$4.65 - \$4.75</b>	<b>\$5.16 - \$5.31</b>
<b>Operating Cash Flow from Cont. Ops. (\$B)</b>	<b>2.2 - 2.4</b>	<b>2.0 - 2.2</b>

(1) FAS/CAS Adjusted EPS is defined as EPS from continuing operations excluding the earnings per share impact of the FAS/CAS pension adjustment. FAS/CAS Adjusted EPS is a non-GAAP financial measure and may not be defined and calculated by other companies in the same manner. See page 13 for a reconciliation of FAS/CAS Adjusted EPS to EPS from continuing operations.

**Solid sales growth of 4 – 6 percent;  
Strong FAS/CAS Adjusted EPS growth of 10 – 13 percent**

# 2010 FAS/CAS Pension Adjustment (\$M)

2010 FAS / CAS Pension Income/(Expense) (\$M)							
Actual 2009 Asset Return	Discount Rate						
	5.50%	5.75%	6.00%	6.25%	6.50%	6.75%	7.00%
0.00%	(332)	(283)	(234)	(185)	(137)	(89)	(41)
5.00%	(353)	(304)	(255)	(206)	(158)	(109)	(61)
8.75%	(369)	(320)	(271)	(222)	(173)	(125)	(77)
10.0%	(375)	(326)	(277)	(228)	(179)	(131)	(83)
15.0%	(372)	(323)	(274)	(225)	(176)	(128)	(80)
20.0%	(352)	(303)	(254)	(205)	(156)	(108)	(60)

Current assumption

The FAS/CAS pension adjustment represents the difference between the pension costs required to be recognized under Financial Accounting Standards under U.S. GAAP (FAS) and the pension cost recorded under government Cost Accounting Standards (CAS). This chart indicates the range of possible outcomes for the 2010 FAS/CAS pension adjustment, including international pension, based upon different discount rates and 2009 asset return rates that will be determined at 12/31/09. Actual 2010 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, 2010 pension expense will be determined at 12/31/2009 using assumptions and based on market conditions in place at that time.

# Pension Expense

*\$ Millions*

	<b>2009 Forecast</b>	<b>2010 Current Assumption</b>
<b><u>P&amp;L Impact</u></b>		
<b>FAS</b>	<b>(645)</b>	<b>(903)</b>
<b>CAS</b>	<b>(674)</b>	<b>(675)</b>
<b>FAS/CAS Pension Inc./ (Exp.)</b>	<b>29</b>	<b>(228)</b>
<b><u>Cash Impact</u></b>		
<b>Gross Funding Required</b>	<b>(1,109)</b>	<b>(1,186)</b>

Note: 2010 pension income assumes a discount rate of 6.25% and an assumed return on assets of 10.0% for the year ending December 31, 2009

# FAS/CAS Adjusted EPS

	3rd Quarter		Nine Months		Actual 2008	Outlook 2009	Outlook 2010
	2008	2009	2008	2009			
EPS from Cont. Ops.	\$1.01	\$1.25	\$2.92	\$3.60	\$4.04 <sup>(1)</sup>	\$4.70 - \$4.80	\$4.75 - \$4.90
FAS/CAS Pension Adj.	\$0.04	\$0.00	\$0.14	(\$0.04)	\$0.19	(\$0.05)	\$0.41
<b>FAS/CAS Adjusted EPS<sup>(2)</sup></b>	<b>\$1.05</b>	<b>\$1.25</b>	<b>\$3.06</b>	<b>\$3.56</b>	<b>\$4.23</b>	<b>\$4.65 - \$4.75</b>	<b>\$5.16 - \$5.31</b>

(1) 2008 EPS from continuing operations excludes the \$45 million (\$69 million pretax) or \$0.11 per diluted share unfavorable adjustment due to the impact of pension investment returns on existing contracts.

(2) FAS/CAS Adjusted EPS is defined as EPS from continuing operations excluding the earnings per share impact of the FAS/CAS pension adjustment. FAS/CAS Adjusted EPS is a non-GAAP financial measure and may not be defined and calculated by other companies in the same manner.

# Appendix

# Workdays in Fiscal Reporting Calendar

	Q1	Q2	Q3	Q4
2009	61	64	63	61
2008	<u>63</u>	<u>64</u>	<u>63</u>	<u>60</u>
Increase/(decrease)	(2)	0	0	1
<hr/>				
2010	60	64	63	62

# Return on Invested Capital (ROIC) Calculation

*In millions, except percentages*

	Outlook 2009E
Income from cont. ops.	} Combined
Net interest expense, after-tax*	
Lease expense, after-tax*	
<b>Return</b>	<b>\$2,030 - \$2,070</b>
Net debt**	} Combined
Equity less investment in disc. ops.	
Lease exp. X 8, plus fin. guarantees	
Minimum pension liability	
<b>Invested capital from cont. ops.***</b>	<b>\$17,700 - \$17,500</b>
<b>ROIC</b>	<b>11.5% - 11.8%</b>

\* Effective tax rate

~33%

\*\* Net debt is defined as total debt less cash and cash equivalents and 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. 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.