

Second Quarter Earnings

July 28, 2011

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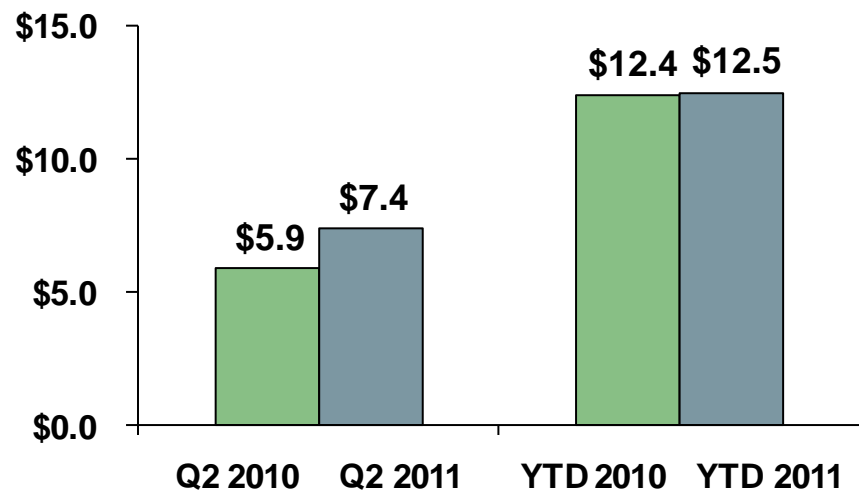
Second Quarter 2011 Highlights

- Strong bookings of \$7.4 billion; book-to-bill of 1.2
- Adjusted EPS of \$1.39; EPS from continuing operations of \$1.23⁽¹⁾
- Adjusted operating margin of 12.4 percent; reported operating margin of 10.9 percent⁽¹⁾
- Net sales of \$6.2 billion
- Updated full-year guidance

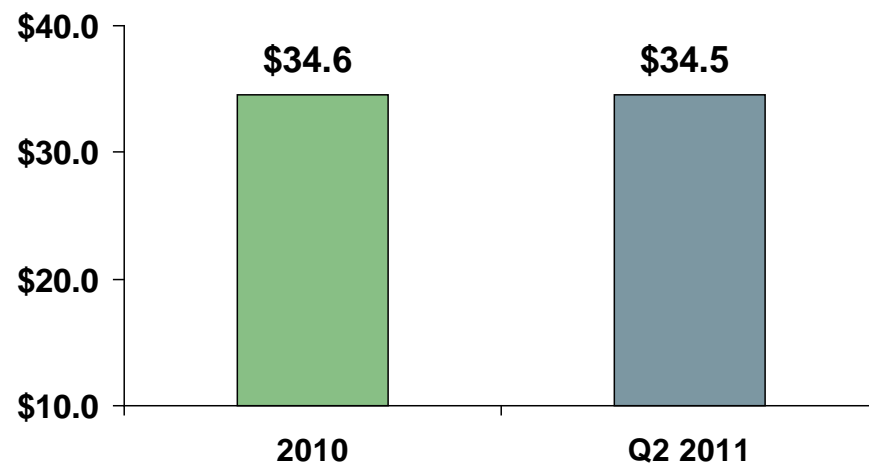
(1) Adjusted EPS is EPS from continuing operations attributable to Raytheon Company common stockholders and Adjusted Operating Margin is total operating margin, in each case, excluding the impact of the FAS/CAS Adjustment, and from time to time, certain other items. Adjusted EPS and Adjusted Operating Margin are non-GAAP financial measures. See pages 14 and 15 for a reconciliation of these measures and a discussion of why the Company is presenting this information.

Total Company Bookings and Backlog

Bookings (\$B)

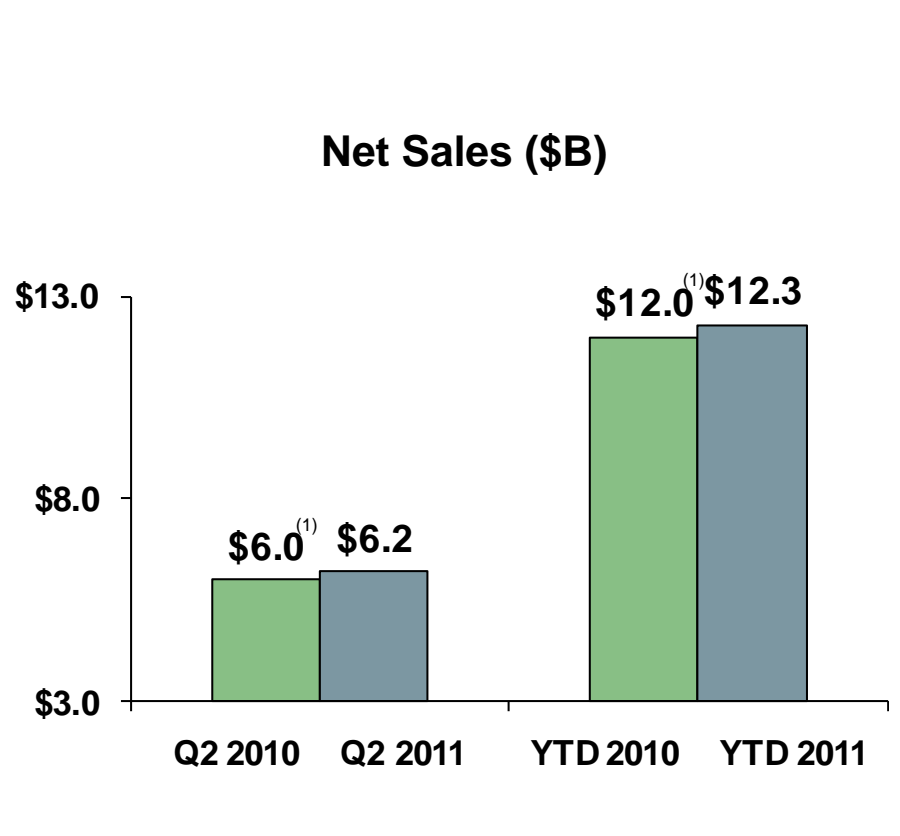


Backlog for Period Ending (\$B)



Strong bookings in the quarter; book-to-bill of 1.2

Total Company Net Sales



Net Sales (\$M)

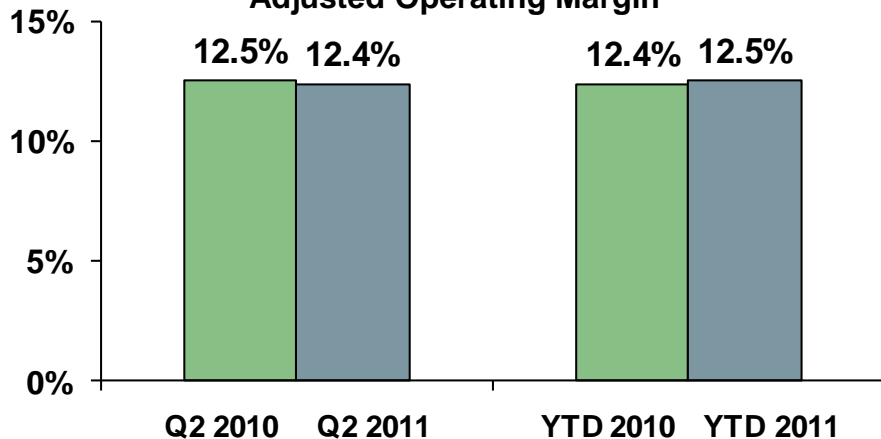
	Q2 2010	Q2 2011	% Change
IDS	\$1,352	\$1,272	-6%
IIS	472 ⁽¹⁾	752	NM
MS	1,415	1,366	-3%
NCS	1,205	1,135	-6%
SAS	1,197	1,344	12%
TS	834	851	2%
Corp/Elims	(502)	(498)	NM
Total	\$5,973⁽¹⁾	\$6,222	4%
Workdays	64	64	

(1) Net sales were reduced by \$316 million as a result of the UK Border Agency program adjustment.

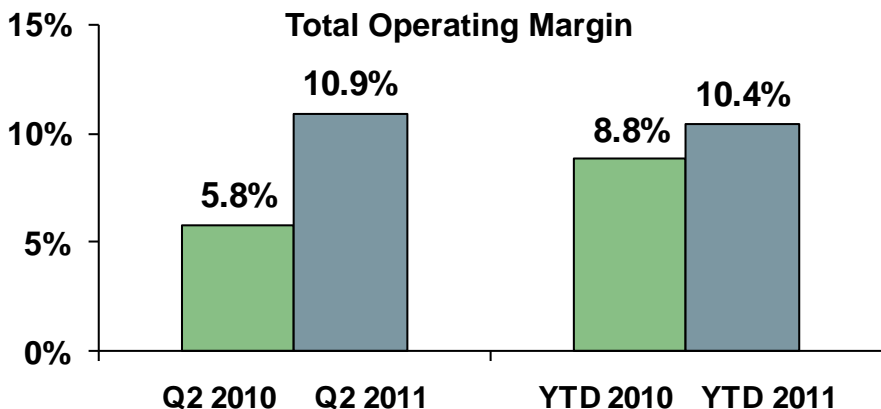
Solid sales performance

Total Company Operating Margins

Adjusted Operating Margin ^{(1), (2)}



Total Operating Margin



	Q2 2010	Q2 2011	Net Change
IDS	16.1%	16.0%	(10) bps
IIS	-69.9% ⁽²⁾	7.3%	NM
MS	11.4%	11.1%	(30) bps
NCS	13.6%	15.0%	140 bps
SAS	14.1%	13.1% ⁽³⁾	(100) bps
TS	8.5%	8.5%	-
FAS/CAS Adjustment	-\$44M	-\$90M	(\$46M)
Corp and Elims	-\$65M	-\$56M	\$9M
Total Operating Margin	5.8%⁽²⁾	10.9%	510 bps
UK Border Agency program adj.	5.9%	-	NM
FAS/CAS Adjustment	0.7%	1.4%	70 bps
Adjusted Operating Margin ⁽¹⁾	12.5%	12.4%	(10) bps

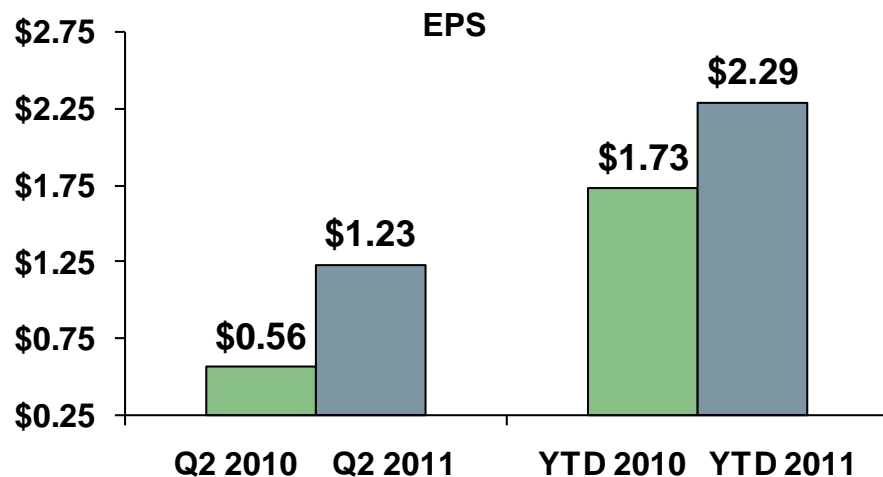
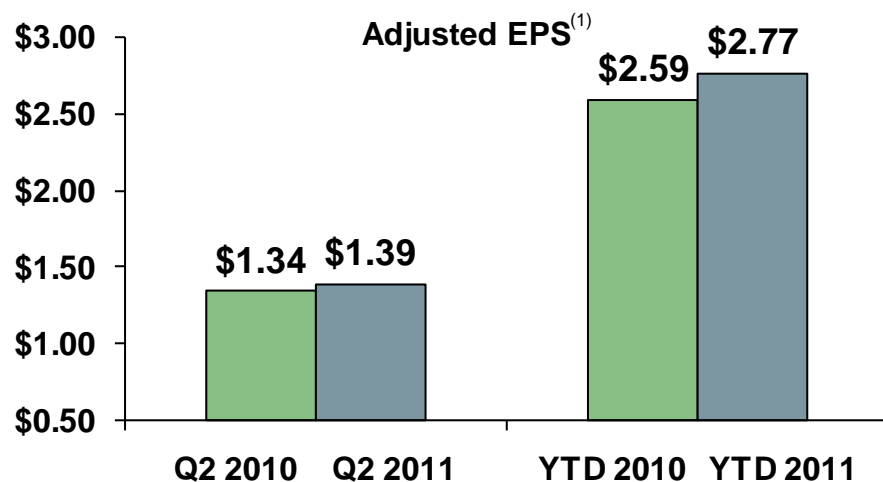
(1) See page 15 for a reconciliation of Adjusted Operating Margin to total operating margin & a discussion of why the Company is presenting this information. Amounts may not add due to rounding.

(2) The calculation for total operating margin includes a \$316 million adjustment to net sales and a \$395 million adjustment to operating income due to the UK Border Agency program adjustment in Q2 2010 and an \$80 million adjustment to operating income due to the UKBA LOC Adjustment in Q1 2011.

(3) Includes acquisition-related costs of \$10 million or 70 basis points for Applied Signal Technology, Inc.

Continued strong operational performance

Earnings Per Share from Continuing Operations



Adjusted EPS (\$) ⁽¹⁾

Second Quarter 2010	\$1.34
Reduced share count	0.09
Other items, net	<u>(0.05)</u>
Second Quarter 2011	\$1.39

EPS (\$) ⁽¹⁾

Second Quarter 2010	\$0.56
Reduced share count	0.09
Other items, net	(0.05)
UK Border Agency program adjustment	0.71
FAS/CAS Adjustment	<u>(0.08)</u>
Second Quarter 2011	\$1.23

(1) See page 14 for a reconciliation of Adjusted EPS to EPS from continuing operations attributable to Raytheon Company common stockholders and a discussion of why the Company is presenting this information. Numbers may not add due to rounding.

Year-over-year growth in Adjusted EPS

2011 Financial Outlook

	<u>Current</u>	<u>Prior*</u>
Net Sales (\$B)	25.5 - 25.9**	25.5 - 26.3
FAS/CAS Adjustment (\$M)	(365)	(365)
Interest Expense, Net (\$M)	(155) - (165)	(155) - (165)
Diluted Shares (M)	353 - 359	353 - 359
Effective Tax Rate	~28.3%**	~30.5%
EPS from Continuing Operations	\$4.82 - \$4.97**	\$4.67 - \$4.82
Adjusted EPS ⁽¹⁾	\$5.50 - \$5.65	\$5.50 - \$5.65
Operating Cash Flow from Cont. Ops. (\$B)	2.1 - 2.3**	2.0 - 2.2
ROIC (%) ⁽¹⁾	13.1 - 13.6	13.1 - 13.6

* As of April 28, 2011

** Denotes changes from prior guidance

(1) Adjusted EPS is EPS from continuing operations attributable to Raytheon Company common stockholders excluding the EPS impact of the FAS/CAS Adjustment and, from time to time, certain other items. In addition to the FAS/CAS Adjustment, Adjusted EPS and ROIC exclude the impact of the UKBA LOC Adjustment and the expected Q3 2011 favorable tax settlement and interest. Adjusted EPS and ROIC are non-GAAP financial measures. See page 14 for more information about the UKBA LOC Adjustment and the expected favorable tax settlement, a reconciliation of Adjusted EPS to EPS from continuing operations, and a discussion of why the Company is presenting this information and see page 13 for a calculation of ROIC and a discussion of why the Company is presenting this information.

Continued solid outlook for the year

2011 Financial Outlook: By Business

	<u>Current</u> (\$B)	<u>Prior *</u> (\$B)	<u>Current</u> Op. Margins (%)	<u>Prior *</u> Op. Margins (%)
IDS	5.1 - 5.2 **	5.1 - 5.3	16.2 - 16.4%	16.2 - 16.4%
IIS	3.0 - 3.2	3.0 - 3.2	5.0 - 5.2%	5.0 - 5.2%
MS	5.9 - 6.0 **	5.9 - 6.1	11.1 - 11.5% **	11.1 - 11.3%
NCS	4.9 - 5.0 **	4.9 - 5.1	13.6 - 14.0% **	13.6 - 13.8%
SAS	4.9 - 5.1	4.9 - 5.1	13.3 - 13.5%	13.3 - 13.5%
TS	3.5 - 3.6 **	3.5 - 3.7	7.6 - 8.1% **	7.6 - 7.8%
FAS/CAS Adjustment	-	-	(365)	(365)
Corp./Elims.	<u>(2.0) - (2.1)</u>	<u>(2.0) - (2.1)</u>	<u>(\$260M)-(\$265M) **</u>	<u>(\$260M)-(\$285M)</u>
Total Cont. Ops.	\$25.5 - \$25.9 **	\$25.5 - \$26.3	10.3 - 10.7% **	10.3 - 10.5%
UKBA LOC Adjustment			0.3%	0.3%
FAS/CAS Adjustment			1.4%	1.4%
Adjusted Operating Margin⁽¹⁾			12.0 - 12.4% **	12.0 - 12.2%

* As of April 28, 2011

** Change from prior guidance

(1) See page 15 for a reconciliation of Adjusted Operating Margin to total operating margin and a discussion of why the Company is presenting this information.

2011 Financial Outlook: By Quarter

	2011 Estimates		
	Q3	Q4	Total
Sales	~24.5%	~28.0%	\$25.5B - \$25.9B
EPS	~26.5%	~27.0%	\$4.82 - \$4.97
Operating Cash Flow from Continuing Operations (\$M)	625 - 725	1,500 - 1,600	\$2.1B - \$2.3B

Appendix

Workdays in Fiscal Reporting Calendar

	Q1	Q2	Q3	Q4
2011	64	64	63	57
2010	<u>60</u>	<u>64</u>	<u>63</u>	<u>62</u>
Increase / (decrease)	4	0	0	(5)

Return on Invested Capital (ROIC) Calculation

\$ millions

	2010	2011 Outlook
Income from cont. ops.	\$1,843	} Combined
FAS/CAS Adjustment, after-tax*	122	
Q2 2010 UK Border Agency program adjustment, after-tax**	284	
Q3 2010 favorable tax settlement	(170)	
2010 early debt retirement make-whole provision, after-tax*	47	
Net interest expense, after-tax*	72	
Lease expense, after-tax*	67	
Return	\$2,265	\$2,165-2,215
Net debt***	(171)	} Combined
Equity less investment in disc. ops.	9,944	
Lease exp. X 8, plus fin. guarantees	2,890	
Pension & PRB liability, net of tax	3,323	
Invested capital from cont. ops.****	\$15,986	\$16,530-16,330
ROIC	14.2%	13.1-13.6%

* Calculated utilizing the federal statutory rate of 35%

** Calculated utilizing the UK statutory tax rate of 28%

*** 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

We define ROIC as income from continuing operations excluding the after-tax effect of the FAS/CAS Adjustment and, from time to time, certain other items, 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 liability for defined benefit pension and PRB plans, net of tax. 2011 ROIC also excludes from income from continuing operations the \$58 million after-tax effect of the UKBA LOC Adjustment, as previously disclosed, and the \$55 million impact of the expected third quarter of 2011 favorable tax settlement and interest. 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.

Reconciliation of Non-GAAP Measures in Statement of Operations Information

Adjusted EPS Non-GAAP Reconciliation

(In millions, except per share amounts)

	Three Months Ended		Six Months Ended		2011 Current Guidance		2011 Prior Guidance	
	2011	2010	2011	2010	Low end of range	High end of range	Low end of range	High end of range
Diluted earnings per share from continuing operations attributable to Raytheon Company common stockholders	\$ 1.23	\$ 0.56	\$ 2.29	\$ 1.73	\$ 4.82	\$ 4.97	\$ 4.67	\$ 4.82
Per share impact of the FAS/CAS Adjustment (A)	0.16	0.08	0.32	0.15	0.66	0.67	0.66	0.67
Per share impact of the UK Border Agency (UKBA) Program Adjustment (B)	-	0.71	-	0.72	-	-	-	-
Per share impact of the UKBA LOC Adjustment (C)	-	-	0.16	-	0.16	0.16	0.16	0.16
Per share impact of the expected favorable tax settlement and interest (D)	-	-	-	-	(0.15)	(0.16)	-	-
Adjusted EPS (4), (5)	<u>\$ 1.39</u>	<u>\$ 1.34</u>	<u>\$ 2.77</u>	<u>\$ 2.59</u>	<u>\$ 5.50</u>	<u>\$ 5.65</u>	<u>\$ 5.50</u>	<u>\$ 5.65</u>
(A) FAS/CAS Adjustment	\$ 90	\$ 44	\$ 179	\$ 86	\$ 365	\$ 365	\$ 365	\$ 365
Tax effect (1)	(32)	(15)	(63)	(30)	(128)	(128)	(128)	(128)
After-tax impact	58	29	116	56	237	237	237	237
Diluted shares	357.1	383.1	358.9	383.7	359.0	353.0	359.0	353.0
Per share impact	<u>\$ 0.16</u>	<u>\$ 0.08</u>	<u>\$ 0.32</u>	<u>\$ 0.15</u>	<u>\$ 0.66</u>	<u>\$ 0.67</u>	<u>\$ 0.66</u>	<u>\$ 0.67</u>
(B) UKBA Program Adjustment	\$ -	\$ 395	\$ -	\$ 395				
Tax effect (2)	-	(121)	-	(121)	-	-	-	-
After-tax impact	-	274	-	274	-	-	-	-
Diluted shares	-	383.1	-	383.7	-	-	-	-
Per share impact	<u>\$ -</u>	<u>\$ 0.71</u>	<u>\$ -</u>	<u>\$ 0.72</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
(C) UKBA LOC Adjustment	\$ -	\$ -	\$ 80	\$ -	\$ 80	\$ 80	\$ 80	\$ 80
Tax effect (3)	-	-	(23)	-	(22)	(22)	(22)	(22)
After-tax impact	-	-	57	-	58	58	58	58
Diluted shares	-	-	358.9	-	359.0	353.0	359.0	353.0
Per share impact	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0.16</u>	<u>\$ -</u>	<u>\$ 0.16</u>	<u>\$ 0.16</u>	<u>\$ 0.16</u>	<u>\$ 0.16</u>
(D) Expected favorable tax settlement and interest	\$ -	\$ -	\$ -	\$ -	\$ (55)	\$ (55)	\$ -	\$ -
Diluted shares	-	-	-	-	359.0	353.0	-	-
Per share impact	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0.15)</u>	<u>\$ (0.16)</u>	<u>\$ -</u>	<u>\$ -</u>

(1) Tax effected at 35% federal statutory tax rate.

(2) Tax effected at approximately 30.6% blended global tax rate.

(3) Tax effected at approximately 29% blended global tax rate. Guidance tax effected at 27%.

(4) These amounts are not measures of financial performance under U.S. generally accepted accounting principles (GAAP). They should be considered supplemental to and not a substitute for financial performance in accordance with GAAP and may not be defined and calculated by other companies in the same manner. These amounts exclude the FAS/CAS Adjustment and, from time to time, certain other items. We are providing these measures because management uses them for the purposes of evaluating and forecasting the Company's financial performance and believes that they provide additional insights into the Company's underlying business performance. We also believe that they allow investors to benefit from being able to assess our operating performance in the context of how our principal customer, the U.S. Government, allows us to recover pension and PRB costs and to better compare our operating performance to others in the industry on that same basis. Amounts may not recalculate directly due to rounding.

(5) Adjusted EPS is diluted EPS from continuing operations attributable to Raytheon Company common stockholders excluding the EPS impact of the FAS/CAS Adjustment and, from time to time, certain other items. In addition to the FAS/CAS Adjustment, six months ended 2011 Adjusted EPS also excludes the per share impact of the UKBA LOC Adjustment, as previously disclosed, while three months ended and six months ended 2010 Adjusted EPS also excludes the per share impact of the UKBA Program Adjustment, as previously disclosed. The UKBA Program Adjustment is based on our adjustment after the UKBA's termination of the UKBA program, to our estimated amount of revenue and costs under the program in the second quarter of 2010, as previously disclosed. The UKBA LOC Adjustment is based on the UKBA's decision to draw down on the previously disclosed letters of credit provided by Raytheon Systems Limited (RSL). The determination of the validity of the drawdown is now a subject of the ongoing arbitration proceedings related to the UKBA program. Current Guidance for 2011 adjusted EPS also excludes the earnings per share impact of an expected third quarter favorable tax settlement as a result of our receipt of final approval from the IRS and the U.S. Congressional Joint Committee on Taxation of our Minimum Tax Refund claim related to the IRS' examination of our tax returns for the 2006-2008 tax years. The impact to guidance of the expected favorable tax settlement includes estimated interest of \$9 million.

Reconciliation of Non-GAAP Measures in Statement of Operations Information

Adjusted Income Non-GAAP Reconciliation

(In millions)

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Income from continuing operations attributable to Raytheon Company common stockholders	\$ 438	\$ 212	\$ 821	\$ 665
FAS/CAS Adjustment	58	29	116	56
UKBA Program Adjustment	-	274	-	274
UKBA LOC Adjustment	-	-	57	-
Adjusted Income (1), (2)	<u>\$ 496</u>	<u>\$ 515</u>	<u>\$ 994</u>	<u>\$ 995</u>

Adjusted Operating Margin Non-GAAP Reconciliation

	<u>Three Months Ended</u>		<u>Six Months Ended</u>		<u>2011 Current Guidance</u>		<u>2011 Prior Guidance</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>Low end of range</u>	<u>High end of range</u>	<u>Low end of range</u>	<u>High end of range</u>
Operating Margin	10.9 %	5.8 %	10.4 %	8.8 %	10.3 %	10.7 %	10.3 %	10.5 %
Impact of the FAS/CAS Adjustment	1.4 %	0.7 %	1.5 %	0.7 %	1.4 %	1.4 %	1.4 %	1.4 %
Impact of UKBA Program Adjustment	- %	5.9 %	- %	2.9 %	- %	- %	- %	- %
Impact of the UKBA LOC Adjustment	- %	- %	0.7 %	- %	0.3 %	0.3 %	0.3 %	0.3 %
Adjusted Operating Margin (1), (3)	<u>12.4 %</u>	<u>12.5 %</u>	<u>12.5 %</u>	<u>12.4 %</u>	<u>12.0 %</u>	<u>12.4 %</u>	<u>12.0 %</u>	<u>12.2 %</u>

(1) These amounts are not measures of financial performance under U.S. generally accepted accounting principles (GAAP). They should be considered supplemental to and not a substitute for financial performance in accordance with GAAP and may not be defined and calculated by other companies in the same manner. These amounts exclude the FAS/CAS Adjustment and, from time to time, certain other items. We are providing these measures because management uses them for the purposes of evaluating and forecasting the Company's financial performance and believes that they provide additional insights into the Company's underlying business performance. We also believe that they allow investors to benefit from being able to assess our operating performance in the context of how our principal customer, the U.S. Government, allows us to recover pension and PRB costs and to better compare our operating performance to others in the industry on that same basis. Amounts may not recalculate directly due to rounding.

(2) Adjusted Income is income from continuing operations attributable to Raytheon Company common stockholders excluding the after-tax impact of the FAS/CAS Adjustment and, from time to time, certain other items. In addition to the FAS/CAS Adjustment, six months ended 2011 Adjusted Income also excludes the after-tax impact of the UKBA LOC Adjustment, as described on page 14, while three months ended and six months ended 2010 Adjusted Income also excludes the after-tax impact of the UKBA Program Adjustment, as described on page 14.

(3) Adjusted Operating Margin is defined as total operating margin excluding the margin impact of the FAS/CAS Adjustment and, from time to time, certain other items. In addition to the FAS/CAS Adjustment, six months ended 2011 Adjusted Operating Margin also excludes the impact of the UKBA LOC Adjustment, as described on page 14, while three months ended and six months ended 2010 Adjusted Operating Margin also excludes the impact of the UKBA Program Adjustment, as described on page 14.