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# Fourth Quarter 2011 Conference Call

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# Forward-Looking Statements

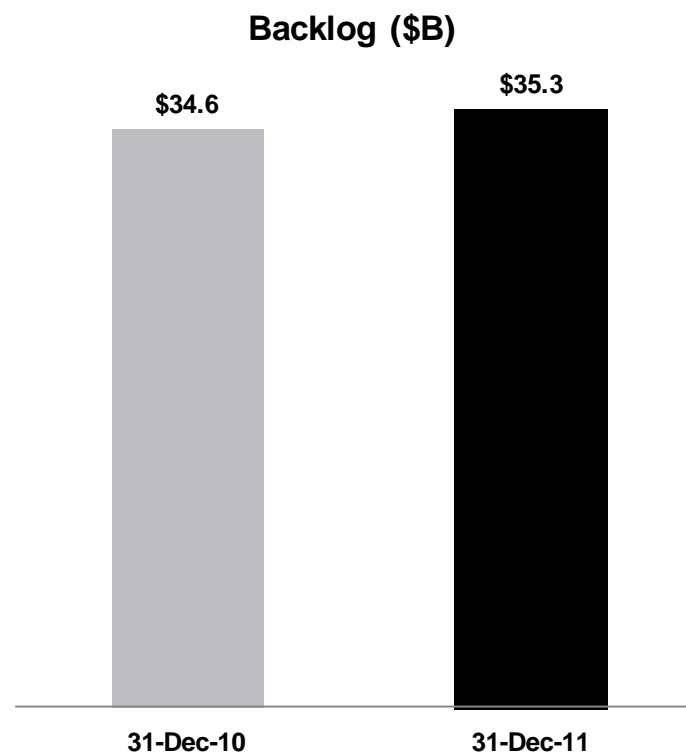
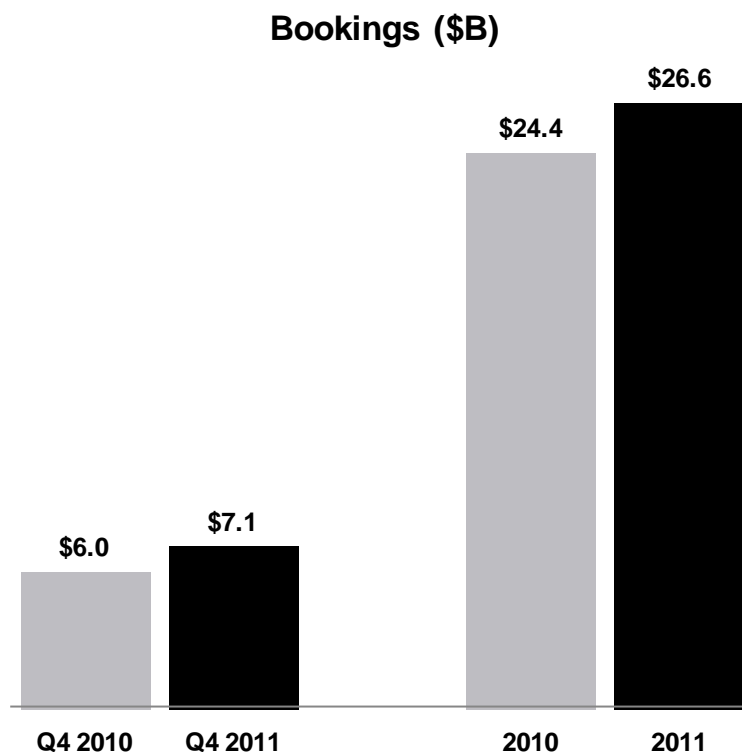
This presentation contains forward-looking statements, including information regarding the Company's financial outlook, future plans, objectives, business prospects and anticipated financial performance. These forward-looking statements are not statements of historical facts and represent only the Company's current expectations regarding such matters. These statements inherently involve a wide range of known and unknown risks and uncertainties. The Company's actual actions and results could differ materially from what is expressed or implied by these statements. Specific factors that could cause such a difference include, but are not limited to: the Company's dependence on the U.S. Government for a significant portion of its business and the risks associated with U.S. Government sales, including changes or shifts in defense spending, uncertain funding of programs, potential termination of contracts, and difficulties in contract performance; the resolution of program terminations; the ability to procure new contracts; the risks of conducting business in foreign countries; the ability to comply with extensive governmental regulation, including import and export policies, the Foreign Corrupt Practices Act, the International Traffic in Arms Regulations, and procurement and other regulations; the impact of competition; the ability to develop products and technologies; the impact of changes in the financial markets and global economic conditions; the risk that actual pension returns, discount rates or other actuarial assumptions are significantly different than the Company's assumptions; the risk of cost overruns, particularly for the Company's fixed-price contracts; dependence on component availability, subcontractor performance and key suppliers; risks of a negative government audit; the use of accounting estimates in the Company's financial statements; risks associated with acquisitions, dispositions, joint ventures and other business arrangements; risks of an impairment of goodwill or other intangible assets; the outcome of contingencies and litigation matters, including government investigations; the ability to recruit and retain qualified personnel; the impact of potential security and cyber threats, and other disruptions; and other factors as may be detailed from time to time in the Company's public announcements and Securities and Exchange Commission filings. The Company undertakes no obligation to make any revisions to the forward-looking statements contained in this presentation or to update them to reflect events or circumstances occurring after the date of this presentation, including any acquisitions, dispositions or other business arrangements that may be announced or closed after such date. This presentation also contains non-GAAP financial measures. A GAAP reconciliation and a discussion of the Company's use of these measures are included in this presentation.

# Fourth Quarter and Full-Year 2011 Highlights

- Fourth quarter 2011 Adjusted EPS of \$1.74, up 12 percent; EPS from continuing operations was \$1.58<sup>(1)</sup>
- Full-year 2011 Adjusted EPS of \$5.90, up 7 percent; full-year 2011 EPS from continuing operations was \$5.28<sup>(1)</sup>
- Strong operating cash flow of \$1.3 billion in the quarter and \$2.2 billion for the year after a \$750 million discretionary pension plan contribution
- Strong bookings of \$7.1 billion in the quarter and \$26.6 billion for the year; book-to-bill of 1.11 in the quarter and 1.07 for the year

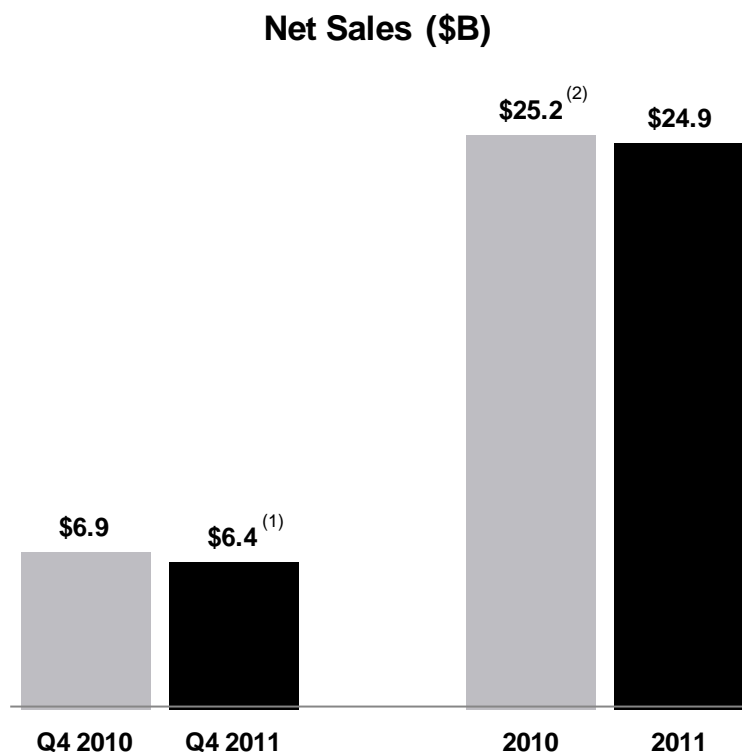
*(1) Adjusted EPS is EPS from continuing operations attributable to Raytheon Company common stockholders and Adjusted Operating Margin is total operating margin, in each case, excluding the impact of the FAS/CAS Adjustment, and from time to time, certain other items. Adjusted EPS and Adjusted Operating Margin are non-GAAP financial measures. See pages 16 and 17 for a reconciliation of these measures and a discussion of why the Company is presenting this information.*

# Total Company Bookings and Backlog



**Strong bookings; book-to-bill of 1.07 for the year**

# Total Company Net Sales



## Fourth Quarter Net Sales (\$M)

|              | Q4 2010        | Q4 2011                      | % Change   |
|--------------|----------------|------------------------------|------------|
| IDS          | \$1,463        | \$1,291                      | -12%       |
| IIS          | 820            | 753                          | -8%        |
| MS           | 1,565          | 1,482                        | -5%        |
| NCS          | 1,310          | 1,137                        | -13%       |
| SAS          | 1,300          | 1,341                        | 3%         |
| TS           | 964            | 886                          | -8%        |
| Corp/Elims   | (537)          | (449)                        | NM         |
| <b>Total</b> | <b>\$6,885</b> | <b>\$6,441<sup>(1)</sup></b> | <b>-6%</b> |

## Full-Year Net Sales (\$M)

|              | 2010                          | 2011            | % Change   |
|--------------|-------------------------------|-----------------|------------|
| IDS          | \$5,470                       | \$4,958         | -9%        |
| IIS          | 2,757 <sup>(2)</sup>          | 3,015           | 9%         |
| MS           | 5,732                         | 5,590           | -2%        |
| NCS          | 4,918                         | 4,497           | -9%        |
| SAS          | 4,830                         | 5,255           | 9%         |
| TS           | 3,472                         | 3,353           | -3%        |
| Corp/Elims   | (1,996)                       | (1,811)         | NM         |
| <b>Total</b> | <b>\$25,183<sup>(2)</sup></b> | <b>\$24,857</b> | <b>-1%</b> |

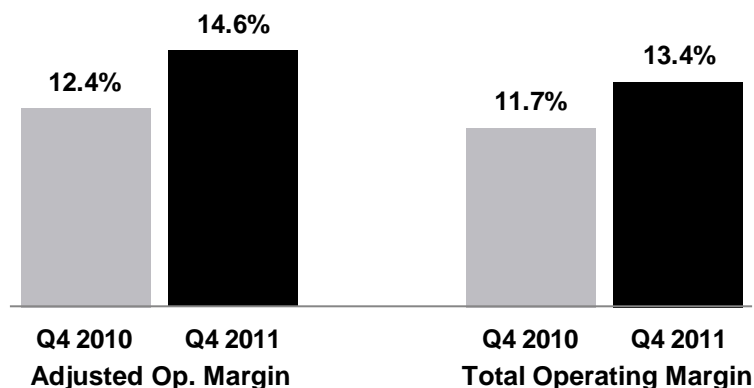
(1) Fourth Quarter 2011 had 5 fewer workdays compared to the year-ago period.

(2) Full-year 2010 net sales were reduced by \$316 million as a result of the UK Border Agency (UKBA) Program Adjustment in the second quarter of 2010.

**Fourth quarter sales impacted by fewer workdays and cost reduction initiatives**

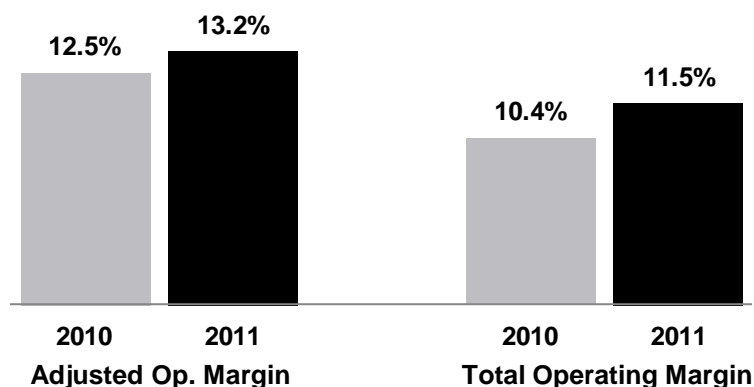
# Total Company Operating Margins<sup>(1)</sup>

## Fourth Quarter



|                                  | Q4 2010      | Q4 2011      | Change  |
|----------------------------------|--------------|--------------|---------|
| IDS                              | 16.3%        | 18.3%        | 200 bps |
| IIS                              | 8.2%         | 9.8%         | 160 bps |
| MS                               | 10.9%        | 14.1%        | 320 bps |
| NCS                              | 15.0%        | 15.4%        | 40 bps  |
| SAS                              | 12.5%        | 16.0%        | 350 bps |
| TS                               | 8.5%         | 9.5%         | 100 bps |
| FAS/CAS Adjustment               | (\$49M)      | (\$83M)      | (\$34M) |
| Corp/Elims                       | (\$63M)      | (\$49M)      | \$14M   |
| <b>Total Operating Margin</b>    | <b>11.7%</b> | <b>13.4%</b> | 170 bps |
| FAS/CAS Adjustment               | 0.7%         | 1.3%         | 60 bps  |
| <b>Adjusted Operating Margin</b> | <b>12.4%</b> | <b>14.6%</b> | 220 bps |

## Full-Year<sup>(2)</sup>



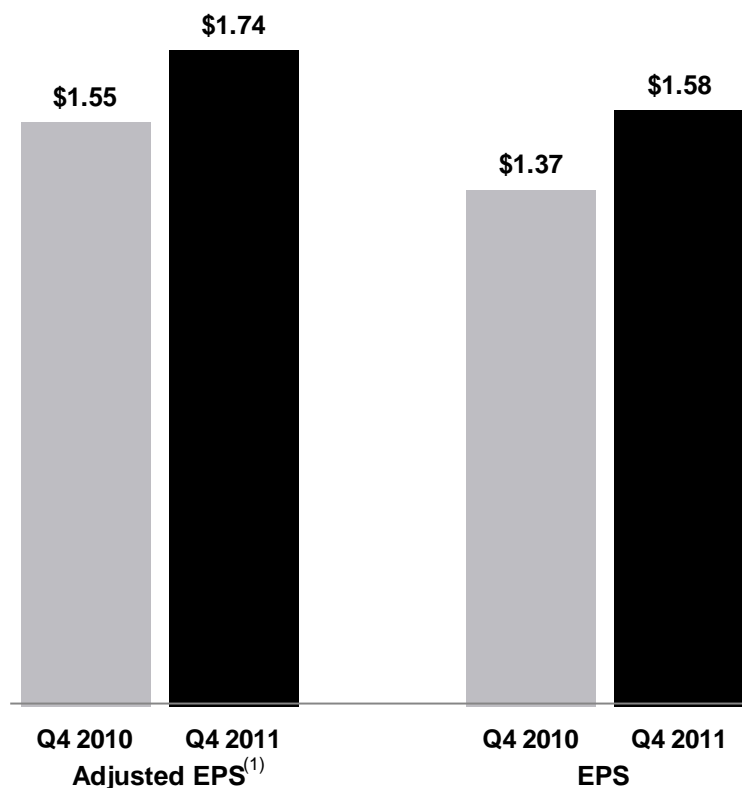
|                                  | 2010         | 2011         | Change    |
|----------------------------------|--------------|--------------|-----------|
| IDS                              | 15.9%        | 16.9%        | 100 bps   |
| IIS                              | -5.7%        | 5.3%         | NM        |
| MS                               | 11.3%        | 12.4%        | 110 bps   |
| NCS                              | 14.1%        | 14.8%        | 70 bps    |
| SAS                              | 14.0%        | 13.6%        | (40) bps  |
| TS                               | 8.6%         | 9.3%         | 70 bps    |
| FAS/CAS Adjustment               | (\$187M)     | (\$337M)     | (\$150M)  |
| Corp/Elims                       | (\$234M)     | (\$190M)     | \$44M     |
| <b>Total Operating Margin</b>    | <b>10.4%</b> | <b>11.5%</b> | 110 bps   |
| UKBA Adjustments                 | 1.4%         | 0.3%         | (110) bps |
| FAS/CAS Adjustment               | 0.7%         | 1.4%         | 70 bps    |
| <b>Adjusted Operating Margin</b> | <b>12.5%</b> | <b>13.2%</b> | 70 bps    |

(1) See page 17 for a reconciliation of Adjusted Operating Margin to total operating margin and 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 UKBA Program Adjustment in full-year 2010 and an \$80 million adjustment to operating income due to the UKBA LOC Adjustment in full-year 2011.

**Strong operational performance**

# Earnings Per Share from Continuing Operations: Fourth Quarter



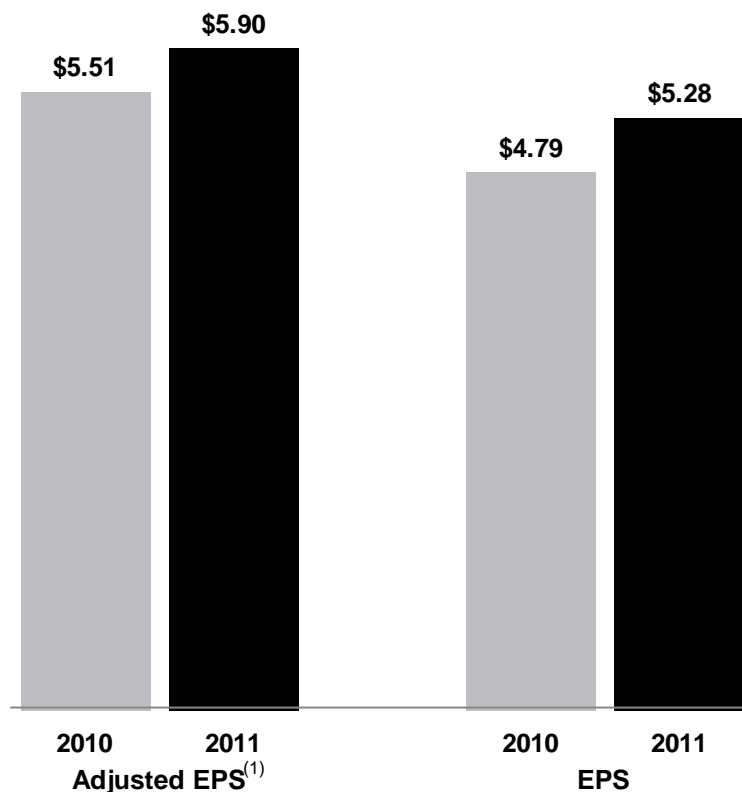
| <b>Adjusted EPS (\$) <sup>(1)</sup></b>  |               |
|--|---------------|
| <b>Fourth Quarter 2010</b>               | <b>\$1.55</b> |
| Operational improvements                 | 0.19          |
| Reduced share count                      | 0.10          |
| Other items, net (primarily tax-related) | (0.11)        |
| <b>Fourth Quarter 2011</b>               | <b>\$1.74</b> |

| <b>EPS (\$)</b>                          |               |
|--|---------------|
| <b>Fourth Quarter 2010</b>               | <b>\$1.37</b> |
| Operational improvements                 | 0.19          |
| Reduced share count                      | 0.10          |
| Other items, net (primarily tax-related) | (0.11)        |
| FAS/CAS Adjustment                       | (0.07)        |
| Q4 debt retirement impact, net           | 0.10          |
| <b>Fourth Quarter 2011</b>               | <b>\$1.58</b> |

(1) See page 16 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.

**Fourth quarter 2011 Adjusted EPS up 12 percent**

# Earnings Per Share from Continuing Operations: Full Year



| <b>Adjusted EPS (\$)<sup>(1)</sup></b>              |               |
|---|---------------|
| <b>Full-Year 2010</b>                               | <b>\$5.51</b> |
| Operational improvements                            | 0.18          |
| Reduced share count                                 | 0.37          |
| Other items, net (primarily tax-related & interest) | (0.16)        |
| <b>Full-Year 2011</b>                               | <b>\$5.90</b> |

| <b>EPS (\$)</b>                                     |               |
|---|---------------|
| <b>Full-Year 2010</b>                               | <b>\$4.79</b> |
| Operational improvements                            | 0.18          |
| Reduced share count                                 | 0.37          |
| Other items, net (primarily tax-related & interest) | (0.16)        |
| FAS/CAS Adjustment                                  | (0.30)        |
| UKBA Adjustments                                    | 0.58          |
| Tax settlements                                     | (0.28)        |
| Q4 2010 early debt retirement impact, net           | 0.10          |
| <b>Full-Year 2011</b>                               | <b>\$5.28</b> |

(1) See page 16 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.

**Full-year 2011 Adjusted EPS up 7 percent**



# 2012 Financial Outlook

|  | 2011 as Reported | 2011 Adjusted for RAAS <sup>(1)</sup> | 2012 Outlook                         |
|--|------------------|---------------------------------------|--------------------------------------|
| <b>Net Sales (\$B)</b>                           | <b>24.9</b>      | <b>24.8</b>                           | <b>24.5 - 25.0</b>                   |
| <b>FAS/CAS Adjustment (\$M)</b>                  | <b>(337)</b>     | <b>(337)</b>                          | <b>(284)</b>                         |
| <b>Interest Expense, Net (\$M)</b>               | <b>(155)</b>     | <b>(157)</b>                          | <b>(190) - (200)</b>                 |
| <b>Diluted Shares (M)</b>                        | <b>354</b>       | <b>354</b>                            | <b>334 - 340</b>                     |
| <b>Effective Tax Rate</b>                        | <b>29.5%</b>     | <b>29.5%</b>                          | <b>~32%<sup>(2)</sup></b>            |
| <b>EPS from Continuing Operations</b>            | <b>\$5.28</b>    | <b>\$5.22</b>                         | <b>\$4.90 - \$5.05<sup>(2)</sup></b> |
| <b>Adjusted EPS<sup>(3)</sup></b>                | <b>\$5.90</b>    | <b>\$5.84</b>                         | <b>\$5.45 - \$5.60<sup>(2)</sup></b> |
| <b>Operating Cash Flow from Cont. Ops. (\$B)</b> | <b>2.2</b>       | <b>2.1</b>                            | <b>1.6 - 1.8</b>                     |

(1) Adjusted to exclude the financial impact of Raytheon Airline Aviation Services (RAAS), the Company's residual turbo-prop commuter aircraft portfolio. In the first quarter of 2012, the Company sold the remaining operating assets at a slight gain and ceased operations of RAAS. Accordingly, the favorable 2011 financial results of RAAS will be reclassified to discontinued operations beginning in the first quarter of 2012.

(2) Impacted by 100 basis points, or \$0.07 per diluted share, due to the expiration of the R&D tax credit in 2011.

(3) 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 excludes the impact of the Q1 2011 UKBA LOC Adjustment and the Q3 2011 favorable tax settlement and interest. Adjusted EPS is a non-GAAP financial measure. See page 16 for more information about the UKBA LOC Adjustment and the favorable tax settlement, a reconciliation of Adjusted EPS to EPS from continuing operations, and a discussion of why the Company is presenting this information.

# 2012 Financial Outlook: By Business

|  | Net Sales (\$B)        | Operating Margins (%) |
|--|------------------------|-----------------------|
| <b>IDS</b>                                     | 4.8 - 5.0              | 15.9 - 16.1%          |
| <b>IIS</b>                                     | 2.9 - 3.1              | 7.5 - 7.7%            |
| <b>MS</b>                                      | 5.5 - 5.7              | 11.9 - 12.1%          |
| <b>NCS</b>                                     | 4.2 - 4.4              | 13.4 - 13.6%          |
| <b>SAS</b>                                     | 5.1 - 5.3              | 13.2 - 13.4%          |
| <b>TS</b>                                      | 3.2 - 3.4              | 7.8 - 8.0%            |
| <b>FAS/CAS Adjustment</b>                      | -                      | (284)                 |
| <b>Corp./Elims.</b>                            | (1.8) - (1.9)          | (\$225M)-(\$235M)     |
| <b>Total Cont. Ops.</b>                        | <b>\$24.5 - \$25.0</b> | <b>10.9 - 11.1%</b>   |
| <b>FAS/CAS Adjustment</b>                      |                        | 1.2%                  |
| <b>Adjusted Operating Margin<sup>(1)</sup></b> |                        | <b>12.1 - 12.3%</b>   |

(1) See page 17 for a reconciliation of Adjusted Operating Margin to total operating margin and a discussion of why the Company is presenting this information.

# 2012 Financial Outlook: By Quarter

|  | 2012 Estimates |         |           |               |                   |
|--|----------------|---------|-----------|---------------|-------------------|
|  | Q1             | Q2      | Q3        | Q4            | Total             |
| <b>Sales</b>   | ~23%           | ~24.5%  | ~25.5%    | ~27%          | \$24.5B - \$25.0B |
| <b>EPS</b>   | ~23%           | ~24%    | ~25.5%    | ~27.5%        | \$4.90 - \$5.05   |
| <b>Operating Cash Flow<br/>from Cont. Ops. (\$M)</b> | (100) - 0      | 0 - 100 | 600 - 700 | 1,100 - 1,200 | \$1.6B - \$1.8B   |

# Pension Impact

| \$ Millions                | Current Projections* |                  |                  |                  |
|----------------------------|----------------------|------------------|------------------|------------------|
|                            | 2011 Actual          | 2012             | 2013             | 2014             |
| <b>P&amp;L Impact</b>      |                      |                  |                  |                  |
| FAS                        | (\$1,086)            | (\$1,144)        | (\$1,076)        | (\$1,003)        |
| CAS                        | (\$749)              | (\$860)          | (\$1,032)        | (\$1,256)        |
| FAS/CAS Adjustment         | (\$337)              | (\$284)          | (\$44)           | \$253            |
| <b>Cash Impact</b>         |                      |                  |                  |                  |
| Gross Funding Required     | (\$1,096)            | (\$1,183)        | (\$1,415)        | (\$1,552)        |
| Discretionary Contribution | (\$750)              | \$0              | \$0              | \$0              |
| <b>Total Contribution</b>  | <b>(\$1,846)</b>     | <b>(\$1,183)</b> | <b>(\$1,415)</b> | <b>(\$1,552)</b> |

\* Current projections for 2012 – 2014 are strictly based on a discount rate of 5.00% for all years and an actual return on assets of -1.3% for the year ending December 31, 2011, an assumed return on assets of 8.75% for all other years and no changes to any other actuarial assumptions or regulatory requirements. The 2013 – 2014 projections reflect CAS Harmonization. Actual results will vary for 2012 – 2014 based upon actual returns, changes in actuarial assumptions, market conditions in effect at the time and other census data and regulatory requirements applicable for each year. Projections include pension and PRB.

# Appendix

# Workdays in Fiscal Reporting Calendar

|                       | Q1 | Q2 | Q3 | Q4 |
|-----------------------|----|----|----|----|
| 2012                  | 64 | 64 | 63 | 58 |
| 2011                  | 64 | 64 | 63 | 57 |
| Increase / (decrease) | 0  | 0  | 0  | 1  |

|                       | Q1 | Q2 | Q3 | Q4  |
|-----------------------|----|----|----|-----|
| 2011                  | 64 | 64 | 63 | 57  |
| 2010                  | 60 | 64 | 63 | 62  |
| Increase / (decrease) | 4  | 0  | 0  | (5) |

# Return on Invested Capital (ROIC) Calculation

| \$ Millions  | 2010            | 2011 as Reported | 2011 Adjusted for RAAS**** |
|--|-----------------|------------------|----------------------------|
| Income from cont. ops.   | \$1,843         | \$1,897          | \$1,878                    |
| FAS/CAS Adjustment, after-tax*                                 | 122             | 219              | 219                        |
| Q2 2010 UKBA Program Adjustment, after-tax**                   | 284             | -                | -                          |
| Favorable tax settlements                                      | (170)           | (60)             | (60)                       |
| Q4 2010 early debt retirement make-whole provision, after tax* | 47              | -                | -                          |
| Q1 2011 UKBA LOC Adjustment, after-tax**                       | -               | 60               | 60                         |
| Net interest expense, after-tax*                               | 72              | 101              | 102                        |
| Lease expense, after-tax*                                      | 67              | 59               | 59                         |
| <b>Return</b>  | <b>\$2,265</b>  | <b>\$2,276</b>   | <b>\$2,258</b>             |
| Net debt***  | (171)           | 289              | 289                        |
| Equity less investment in disc. ops.                           | 9,944           | 9,163            | 9,132                      |
| Lease exp. X 8, plus fin. guarantees                           | 2,890           | 2,766            | 2,762                      |
| Pension & PRB liability, net of tax                            | 3,323           | 3,774            | 3,774                      |
| <b>Invested capital from cont. ops.****</b>                    | <b>\$15,986</b> | <b>\$15,992</b>  | <b>\$15,957</b>            |
| <b>ROIC</b>  | <b>14.2%</b>    | <b>14.2%</b>     | <b>14.2%</b>               |

\* Calculated utilizing the federal statutory rate of 35%

\*\* Calculated utilizing the UK statutory tax rate of 28% in 2010 and 25% in 2011

\*\*\* 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

\*\*\*\*\* Excludes the financial impact of Raytheon Airline Aviation Services (RAAS), the Company's residual turbo-prop commuter aircraft portfolio. In the first quarter of 2012, the Company sold the remaining operating assets at a slight gain and ceased operations of RAAS. Accordingly, the favorable 2011 financial results of RAAS will be reclassified to discontinued operations beginning in the first quarter of 2012.

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 \$60 million after-tax effect of the UKBA LOC Adjustment, as previously disclosed, and the \$60 million impact of the third quarter of 2011 favorable tax settlement. 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 |           | Twelve Months Ended |           | 2012 Guidance    |                   |
|--|--------------------|-----------|---------------------|-----------|------------------|-------------------|
|  | 31-Dec-11          | 31-Dec-10 | 31-Dec-11           | 31-Dec-10 | Low end of range | High end of range |
| Diluted earnings per share from continuing operations attributable to Raytheon Company common stockholders           | \$ 1.58            | \$ 1.37   | \$ 5.28             | \$ 4.79   | \$ 4.90          | \$ 5.05           |
| Per share impact of the FAS/CAS Adjustment (A)   | 0.16               | 0.09      | 0.62                | 0.32      | 0.55             | 0.55              |
| Per share impact of the UK Border Agency (UKBA) Program Adjustment (B)   | -                  | -         | -                   | 0.75      | -                | -                 |
| Per share impact of the UKBA LOC Adjustment (C)  | -                  | -         | 0.17                | -         | -                | -                 |
| Per share impact of the favorable tax settlements (D)  | -                  | -         | (0.17)              | (0.45)    | -                | -                 |
| Per share impact of the early debt retirement make-whole provision (E)   | -                  | 0.13      | -                   | 0.13      | -                | -                 |
| Per share impact of the acceleration of deferred gains related to terminated interest rate swaps on retired debt (F) | -                  | (0.03)    | -                   | (0.03)    | -                | -                 |
| Adjusted EPS (4), (5)  | \$ 1.74            | \$ 1.55   | \$ 5.90             | \$ 5.51   | \$ 5.45          | \$ 5.60           |
| (A) FAS/CAS Adjustment   | \$ 83              | \$ 49     | \$ 337              | \$ 187    | \$ 284           | \$ 284            |
| Tax effect (1)   | (29)               | (17)      | (118)               | (65)      | (99)             | (99)              |
| After-tax impact   | 54                 | 32        | 219                 | 122       | 185              | 185               |
| Diluted shares   | 345.1              | 366.0     | 353.6               | 377.0     | 340.0            | 334.0             |
| Per share impact   | \$ 0.16            | \$ 0.09   | \$ 0.62             | \$ 0.32   | \$ 0.55          | \$ 0.55           |
| (B) UKBA Program Adjustment  | \$ -               | \$ -      | \$ -                | \$ 395    | \$ -             | \$ -              |
| Tax effect (2)   | -                  | -         | -                   | (111)     | -                | -                 |
| After-tax impact   | -                  | -         | -                   | 284       | -                | -                 |
| Diluted shares   | -                  | -         | -                   | 377.0     | -                | -                 |
| Per share impact   | \$ -               | \$ -      | \$ -                | \$ 0.75   | \$ -             | \$ -              |
| (C) UKBA LOC Adjustment  | \$ -               | \$ -      | \$ 80               | \$ -      | \$ -             | \$ -              |
| Tax effect (3)   | -                  | -         | (20)                | -         | -                | -                 |
| After-tax impact   | -                  | -         | 60                  | -         | -                | -                 |
| Diluted shares   | -                  | -         | 353.6               | -         | -                | -                 |
| Per share impact   | \$ -               | \$ -      | \$ 0.17             | \$ -      | \$ -             | \$ -              |
| (D) Favorable tax settlements  | \$ -               | \$ -      | \$ (60)             | \$ (170)  | \$ -             | \$ -              |
| Diluted shares   | -                  | -         | 353.6               | 377.0     | -                | -                 |
| Per share impact   | \$ -               | \$ -      | \$ (0.17)           | \$ (0.45) | \$ -             | \$ -              |
| (E) Early debt retirement make-whole provision   | \$ -               | \$ 73     | \$ -                | \$ 73     | \$ -             | \$ -              |
| Tax effect (1)   | -                  | (26)      | -                   | (26)      | -                | -                 |
| After-tax impact   | -                  | 47        | -                   | 47        | -                | -                 |
| Diluted shares   | -                  | 366.0     | -                   | 377.0     | -                | -                 |
| Per share impact   | \$ -               | \$ 0.13   | \$ -                | \$ 0.13   | \$ -             | \$ -              |
| (F) Acceleration of deferred gains related to terminated interest rate swaps on retired debt                         | \$ -               | \$ (15)   | \$ -                | \$ (15)   | \$ -             | \$ -              |
| Tax effect (1)   | -                  | 5         | -                   | 5         | -                | -                 |
| After-tax impact   | -                  | (10)      | -                   | (10)      | -                | -                 |
| Diluted Shares   | -                  | 366.0     | -                   | 377.0     | -                | -                 |
| Per share impact   | \$ -               | \$ (0.03) | \$ -                | \$ (0.03) | \$ -             | \$ -              |

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

(2) Tax effected at approximately 30.5% blended global tax rate.

(3) Tax effected at approximately 25%.

(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, three and twelve months ended 2010 Adjusted EPS exclude the earnings per share impact of the charges associated with the make-whole provision on the early retirement of debt and the impact of the acceleration of deferred gains related to terminated interest rate swaps on retired debt in 2010. In addition to the FAS/CAS Adjustment, twelve months ended 2011 Adjusted EPS also excludes the per share impact of the UKBA LOC Adjustment, as previously disclosed, while twelve months ended 2010 Adjusted EPS also excludes the per share impact of the UKBA Program Adjustment, as previously disclosed. The UKBA Program Adjustment was 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. The UKBA LOC Adjustment was 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. Twelve months ended 2011 and 2010 Adjusted EPS also excludes the earnings per share impact of favorable tax settlements in the third quarters of 2011 and 2010 as a result of our receipt of final approval from the IRS and the U.S. Congressional Joint Committee on Taxation of the IRS' examination of our tax returns for the 2006-2008 tax years and 1998-2005 tax years, respectively.



# Reconciliation of Non-GAAP Measures in Statement of Operations Information

## Adjusted Income Non-GAAP Reconciliation

(In millions)

|  | Three Months Ended |               | Twelve Months Ended |                 |
|--|--------------------|---------------|---------------------|-----------------|
|  | 31-Dec-11          | 31-Dec-10     | 31-Dec-11           | 31-Dec-10       |
| Income from continuing operations attributable to Raytheon Company common stockholders   | \$ 546             | \$ 499        | \$ 1,867            | \$ 1,804        |
| FAS/CAS Adjustment   | 54                 | 32            | \$ 219              | 122             |
| UKBA Program Adjustment  | -                  | -             | \$ -                | 284             |
| UKBA LOC Adjustment  | -                  | -             | \$ 60               | -               |
| Favorable tax settlements  | -                  | -             | \$ (60)             | (170)           |
| Early debt retirement make-whole provision   | -                  | 47            | \$ -                | 47              |
| Acceleration of deferred gains related to terminated interest rate swaps on retired debt | -                  | (10)          | \$ -                | (10)            |
| Adjusted Income (1), (2)   | <u>\$ 600</u>      | <u>\$ 568</u> | <u>\$ 2,086</u>     | <u>\$ 2,077</u> |

## Adjusted Operating Margin Non-GAAP Reconciliation

|                                    | Three Months Ended |               | Twelve Months Ended |               | 2012 Guidance    |                   |
|------------------------------------|--------------------|---------------|---------------------|---------------|------------------|-------------------|
|                                    | 31-Dec-11          | 31-Dec-10     | 31-Dec-11           | 31-Dec-10     | Low end of range | High end of range |
| Operating Margin                   | 13.4 %             | 11.7 %        | 11.5 %              | 10.4 %        | 10.9 %           | 11.1 %            |
| Impact of the FAS/CAS Adjustment   | 1.3 %              | 0.7 %         | 1.4 %               | 0.7 %         | 1.2 %            | 1.2 %             |
| Impact of UKBA Program Adjustment  | - %                | - %           | - %                 | 1.4 %         | - %              | - %               |
| Impact of the UKBA LOC Adjustment  | - %                | - %           | 0.3 %               | - %           | - %              | - %               |
| Adjusted Operating Margin (1), (3) | <u>14.6 %</u>      | <u>12.4 %</u> | <u>13.2 %</u>       | <u>12.5 %</u> | <u>12.1%</u>     | <u>12.3 %</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, three and twelve months ended 2010 Adjusted Income exclude the earnings per share impact of the charges associated with the make-whole provision on the early retirement of debt and the impact of the acceleration of deferred gains related to terminated interest rate swaps on retired debt in the twelve months ended 2010. In addition to the FAS/CAS Adjustment, twelve months ended 2011 Adjusted Income also excludes the after-tax impact of the UKBA LOC Adjustment, as described above, while twelve months ended 2010 Adjusted Income also excludes the after-tax impact of the UKBA Program Adjustment, as described above. Three months and twelve months ended 2011 and 2010 Adjusted Income also excludes the impact of the favorable tax settlements in the third quarters of 2011 and 2010, as described above.
- (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, twelve months ended 2011 Adjusted Operating Margin also excludes the impact of the UKBA LOC Adjustment, as described above, while twelve months ended 2010 Adjusted Operating Margin also excludes the impact of the UKBA Program Adjustment, as described above.