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Third Quarter 2012 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 due to budgetary constraints, spending cuts resulting from sequestration under the Budget Control Act of 2011, or otherwise, 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.

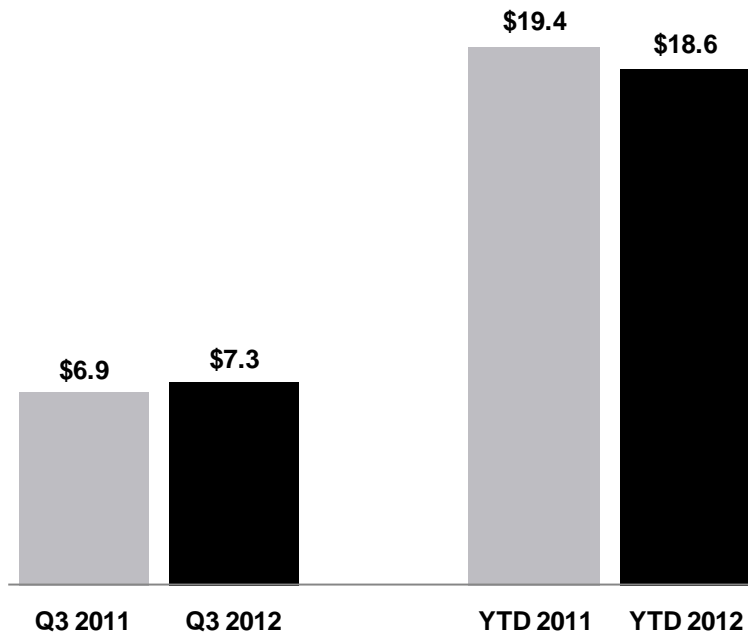
Third Quarter 2012 Highlights

- Strong bookings of \$7.3 billion; book-to-bill of 1.21
- Adjusted EPS⁽¹⁾ of \$1.60, up 15 percent; EPS from continuing operations was \$1.51, up 6 percent
- Adjusted Operating Margin⁽¹⁾ of 13.8 percent, up 80 basis points; reported operating margin of 13.0 percent, up 120 basis points
- Net sales of \$6.0 billion, down 1 percent
- Strong operating cash flow from continuing operations of \$1.1 billion
- Increased full-year 2012 guidance for EPS

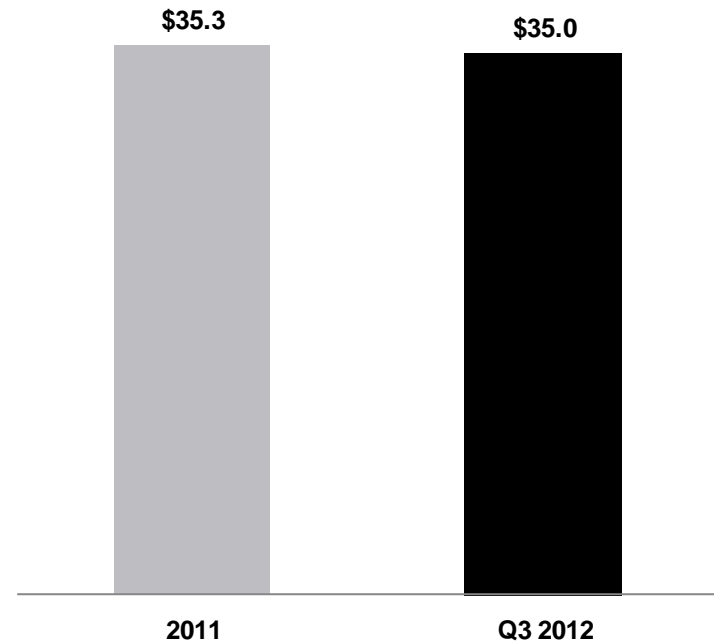
(1) Adjusted EPS is EPS from continuing operations attributable to Raytheon Company common stockholders and Adjusted Operating Margin is total operating margin, in each case, excluding the impact of the FAS/CAS Adjustment, and from time to time, certain other items. Adjusted EPS and Adjusted Operating Margin are non-GAAP financial measures. See pages 13 and 14 for a reconciliation of these measures and a discussion of why the Company is presenting this information.

Total Company Bookings and Backlog

Bookings (\$B)



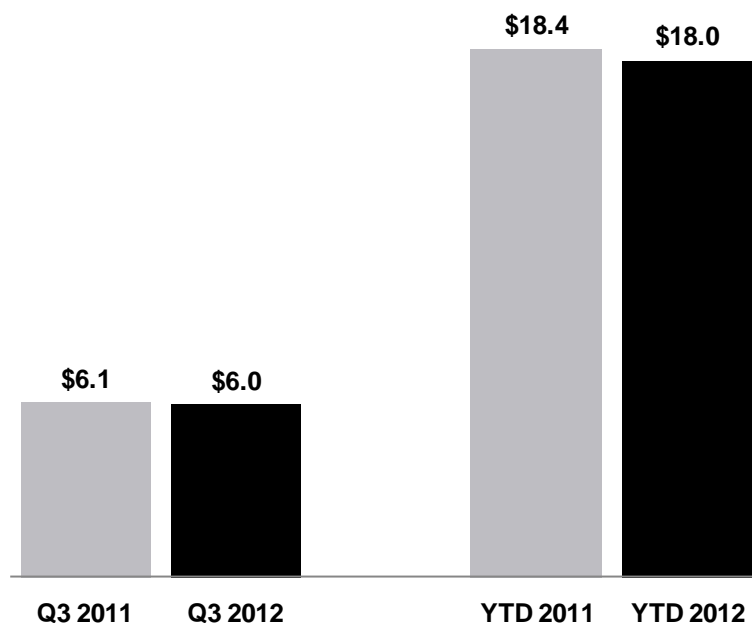
Backlog for Period Ending (\$B)



**Strong bookings in third quarter 2012...
Significant domestic and international opportunities**

Total Company Net Sales

Net Sales (\$B)



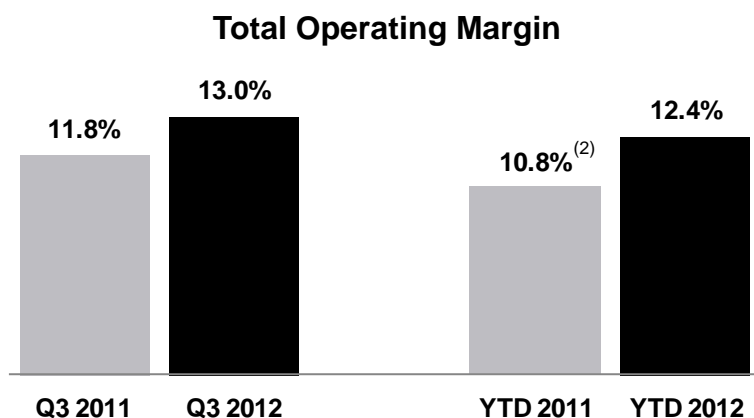
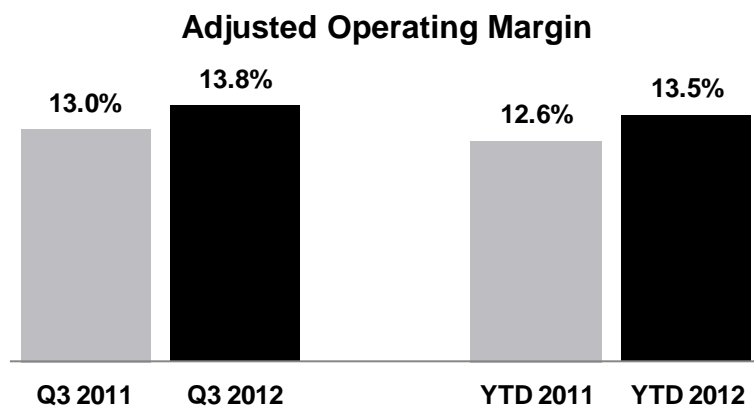
Net Sales (\$M)

	Q3 2011	Q3 2012	% Change
IDS	\$1,176	\$1,275	8%
IIS	760	742	-2%
MS	1,413	1,443	2%
NCS	1,104	963	-13%
SAS	1,305	1,322	1%
TS	817	785	-4%
Corp/Elims	(459)	(485)	NM
Total	\$6,116	\$6,045	-1%

NM = Not Meaningful

Third quarter 2012 sales down slightly from third quarter 2011

Total Company Operating Margins⁽¹⁾



	Q3 2011	Q3 2012	Change
IDS	17.3%	18.8%	150 bps
IIS	7.6%	8.1%	50 bps
MS	12.6%	13.1%	50 bps
NCS	14.7%	13.6%	(110) bps
SAS	13.1%	14.4%	130 bps
TS	9.2%	8.2%	(100) bps
FAS/CAS Adjustment	(\$75M)	(\$47M)	\$28M
Corp/Elims	(\$51M)	(\$41M)	\$10M
Total Operating Margin	11.8%	13.0%	120 bps
FAS/CAS Adjustment	1.2%	0.8%	(40) bps
Adjusted Operating Margin	13.0%	13.8%	80 bps

(1) Adjusted Operating Margin is a non-GAAP financial measure. See page 14 for a reconciliation of this measure and a discussion of why the Company is presenting this information. Amounts may not add due to rounding.

(2) The calculation for year-to-date total operating margin includes an \$80 million adjustment to operating income or 40 basis points to operating margin due to the UKBA LOC Adjustment in Q1 2011.

Continued strong operational performance

Earnings Per Share from Continuing Operations

Adjusted EPS



EPS



Adjusted EPS (\$) ⁽¹⁾

Third Quarter 2011	\$1.39
Operational improvements	0.07
Reduced share count	0.08
Other items, net	0.06
Third Quarter 2012	\$1.60

EPS (\$)

Third Quarter 2011	\$1.42
Operational improvements	0.07
Reduced share count	0.08
Other items, net	0.06
FAS/CAS Adjustment	0.05
2011 Tax settlement	(0.17)
Third Quarter 2012	\$1.51

(1) Adjusted EPS is a non-GAAP financial measure. See page 13 for a reconciliation of this measure and a discussion of why the Company is presenting this information. Numbers may not add due to rounding.

Third quarter 2012 Adjusted EPS up 15 percent

2012 Financial Outlook

	Current	Prior*
Net Sales (\$B)	24.3 - 24.7**	24.5 - 25.0
FAS/CAS Adjustment (\$M)	(252)**	(284)
Interest Expense, Net (\$M)	(190) - (200)	(190) - (200)
Diluted Shares (M)	334 - 335	334 - 335
Effective Tax Rate	~32%	~32%
EPS from Continuing Operations	\$5.36 - \$5.46**	\$5.15 - \$5.30
Adjusted EPS ⁽¹⁾	\$5.85 - \$5.95**	\$5.70 - \$5.85
Operating Cash Flow from Cont. Ops. (\$B)	1.8 - 2.0**	1.7 - 1.9

* As of July 26, 2012

** Denotes changes from prior guidance

(1) Adjusted EPS is a non-GAAP financial measure. See page 13 for a reconciliation of this measure and a discussion of why the Company is presenting this information.

2012 Financial Outlook: By Business

	Current Net Sales (\$B)	Prior* Net Sales (\$B)	Current Operating Margins (%)	Prior* Operating Margins (%)
IDS	5.0 - 5.1**	4.8 - 5.0	18.2 - 18.4%**	17.2 - 17.4%
IIS	3.0 - 3.1**	2.9 - 3.1	7.8 - 8.0%**	7.7 - 7.9%
MS	5.6 - 5.7**	5.5 - 5.7	12.6 - 12.8%**	12.1 - 12.3%
NCS	4.0 - 4.1**	4.2 - 4.4	12.1 - 12.3%**	13.1 - 13.3%
SAS	5.2 - 5.3**	5.1 - 5.3	14.1 - 14.3%**	13.5 - 13.7%
TS	3.2 - 3.3**	3.2 - 3.4	8.3 - 8.5%**	8.0 - 8.2%
FAS/CAS Adjustment Corp./Elims.	- (1.8) - (1.9)	- (1.8) - (1.9)	(252)** (\$205M)-(\$215M)**	(284) (\$215M)-(\$225M)
Total Cont. Ops.	\$24.3 - \$24.7**	\$24.5 - \$25.0	11.8 - 12.0%**	11.3 - 11.5%
FAS/CAS Adjustment			1.0%**	1.2%
Adjusted Operating Margin⁽¹⁾			12.8 - 13.0%**	12.5 - 12.7%

* As of July 26, 2012

** Denotes changes from prior guidance

(1) Adjusted Operating Margin is a non-GAAP financial measure. See page 14 for a reconciliation of this measure and a discussion of why the Company is presenting this information.

2013 FAS/CAS Pension Adjustment (\$M)

2013 Global FAS / CAS Pension Income / (Expense) (\$M)								
Actual 2012 Asset Return	12/31/12 Discount Rate							
	3.50%	3.75%	4.00%	4.25%	4.50%	4.75%	5.00%	5.25%
-5.00%	(542)	(483)	(425)	(369)	(312)	(256)	(200)	(145)
0.00%	(519)	(461)	(404)	(346)	(290)	(234)	(178)	(123)
5.00%	(497)	(438)	(381)	(324)	(267)	(211)	(155)	(100)
8.75%	(480)	(422)	(364)	(307)	(250)	(194)	(138)	(83)
10.00%	(474)	(416)	(358)	(301)	(244)	(188)	(132)	(77)
15.00%	(452)	(394)	(336)	(279)	(223)	(166)	(111)	(56)
20.00%	(429)	(371)	(313)	(256)	(200)	(144)	(88)	(33)

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 U.S. Government Cost Accounting Standards (CAS). This chart indicates the range of possible outcomes for the 2013 FAS/CAS pension adjustment, based upon different discount rates and 2012 asset return rates that will be determined at 12/31/12.

Actual 2013 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%. As noted above, 2013 pension expense will be determined at 12/31/12 using assumptions and based on market conditions in place at that time.

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)

Reconciliation of Non-GAAP Measures in Statement of Operations Information

(In millions, except per share amounts)

	Three Months Ended		Nine Months Ended		2012 Current Guidance		2012 Prior Guidance	
	2012	2011	2012	2011	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	\$ 1.51	\$ 1.42	\$ 4.24	\$ 3.68	\$ 5.36	\$ 5.46	\$ 5.15	\$ 5.30
Per share impact of the FAS/CAS Adjustment (A)	0.09	0.14	0.36	0.46	0.49	0.49	0.55	0.55
Per share impact of the UK Border Agency (UKBA) LOC Adjustment (B)	-	-	-	0.17	-	-	-	-
Per share impact of the favorable tax settlement (C)	-	(0.17)	-	(0.17)	-	-	-	-
Adjusted EPS (3), (4)	<u>\$ 1.60</u>	<u>\$ 1.39</u>	<u>\$ 4.61</u>	<u>\$ 4.13</u>	<u>\$ 5.85</u>	<u>\$ 5.95</u>	<u>\$ 5.70</u>	<u>\$ 5.85</u>
(A) FAS/CAS Adjustment	\$ 47	\$ 75	\$ 188	\$ 254	\$ 252	\$ 252	\$ 284	\$ 284
Tax effect (1)	(16)	(26)	(66)	(89)	(88)	(88)	(99)	(99)
After-tax impact	31	49	122	165	164	164	185	185
Diluted Shares	333.0	351.4	335.4	356.4	335.0	334.0	335.0	334.0
Per share impact	<u>\$ 0.09</u>	<u>\$ 0.14</u>	<u>\$ 0.36</u>	<u>\$ 0.46</u>	<u>\$ 0.49</u>	<u>\$ 0.49</u>	<u>\$ 0.55</u>	<u>\$ 0.55</u>
(B) UKBA LOC Adjustment	\$ -	\$ -	\$ -	\$ 80	\$ -	\$ -	\$ -	\$ -
Tax effect (2)	-	-	-	(21)	-	-	-	-
After-tax impact	-	-	-	59	-	-	-	-
Diluted Shares	-	-	-	356.4	-	-	-	-
Per share impact	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0.17</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
(C) Favorable tax settlement	\$ -	\$ (60)	\$ -	\$ (60)	\$ -	\$ -	\$ -	\$ -
Diluted Shares	-	351.4	-	356.4	-	-	-	-
Per share impact	<u>\$ -</u>	<u>\$ (0.17)</u>	<u>\$ -</u>	<u>\$ (0.17)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

(2) Tax effected at approximately 27% blended global tax rate.

(3) 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.

(4) 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, nine months ended 2011 Adjusted EPS also excludes the impact of the UKBA LOC Adjustment, as previously disclosed. This 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 draw down is now a subject of the ongoing arbitration proceedings related to the UKBA program. Three months and nine months ended 2011 Adjusted EPS also excludes the earnings per share impact of a favorable tax settlement in the third quarter of 2011 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.

Reconciliation of Non-GAAP Measures in Statement of Operations Information

Adjusted Income Non-GAAP Reconciliation

(In millions)

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Income from continuing operations attributable to Raytheon Company common stockholders	\$ 501	\$ 498	\$ 1,423	\$ 1,309
FAS/CAS Adjustment (1)	31	49	122	165
UKBA LOC Adjustment (2)	-	-	-	59
Favorable tax settlement	-	(60)	-	(60)
Adjusted Income (3), (4)	<u>\$ 532</u>	<u>\$ 487</u>	<u>\$ 1,545</u>	<u>\$ 1,473</u>

Adjusted Operating Margin Non-GAAP Reconciliation

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>		<u>2012 Current Guidance</u>		<u>2012 Prior Guidance</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</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	13.0 %	11.8 %	12.4 %	10.8 %	11.8 %	12.0 %	11.3 %
Impact of the FAS/CAS Adjustment	0.8 %	1.2 %	1.0 %	1.4 %	1.0 %	1.0 %	1.2 %	1.2 %
Impact of the UKBA LOC Adjustment	- %	- %	- %	0.4 %	- %	- %	- %	- %
Adjusted Operating Margin (3), (5)	<u>13.8 %</u>	<u>13.0 %</u>	<u>13.5 %</u>	<u>12.6 %</u>	<u>12.8 %</u>	<u>13.0 %</u>	<u>12.5 %</u>	<u>12.7 %</u>

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

(2) Tax effected at approximately 27% blended global tax rate.

(3) 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.

(4) 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, nine months ended 2011 Adjusted Income also excludes the after-tax impact of the UKBA LOC Adjustment, as described on page 13. Three months and nine months ended 2011 Adjusted Income also excludes the impact of the favorable tax settlement in the third quarter of 2011, as described on page 13.

(5) 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, nine months ended 2011 Adjusted Operating Margin also excludes the impact of the UKBA LOC Adjustment, as described on page 13.