

MISSION:

A WORLD OF INNOVATION

Second Quarter 2014 Conference Call

July 24, 2014

Dial In Number
866.953.6856 Domestic
617.399.3480 International
Reservation Number: 60911455

Replay Number
888.286.8010 Domestic
617.801.6888 International
Reservation Number: 53639150

Replay available through August 1, 2014



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 amended Budget Control Act of 2011, a government shutdown, 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.

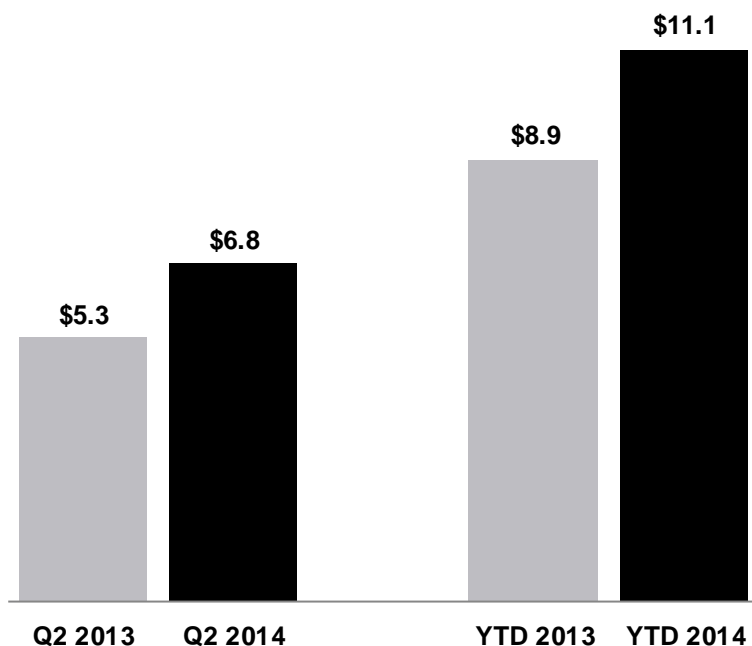
Second Quarter 2014 Highlights

- Strong bookings of \$6.8 billion; book-to-bill of 1.19
- Net sales of \$5.7 billion
- Reported operating margin of 13.3 percent; Adjusted Operating Margin⁽¹⁾ of 11.8 percent
- EPS from continuing operations of \$1.59; Adjusted EPS⁽¹⁾ of \$1.41
- Solid operating cash flow from continuing operations of \$153 million

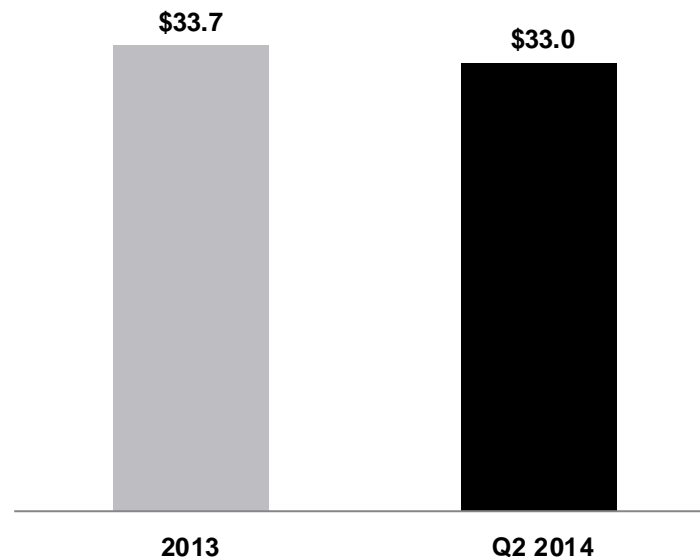
(1) Adjusted EPS is EPS from continuing operations attributable to Raytheon Company common stockholders and Adjusted Operating Margin is total operating margin, in each case, excluding the impact of the FAS/CAS Adjustment, and from time to time, certain other items. Adjusted EPS and Adjusted Operating 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)



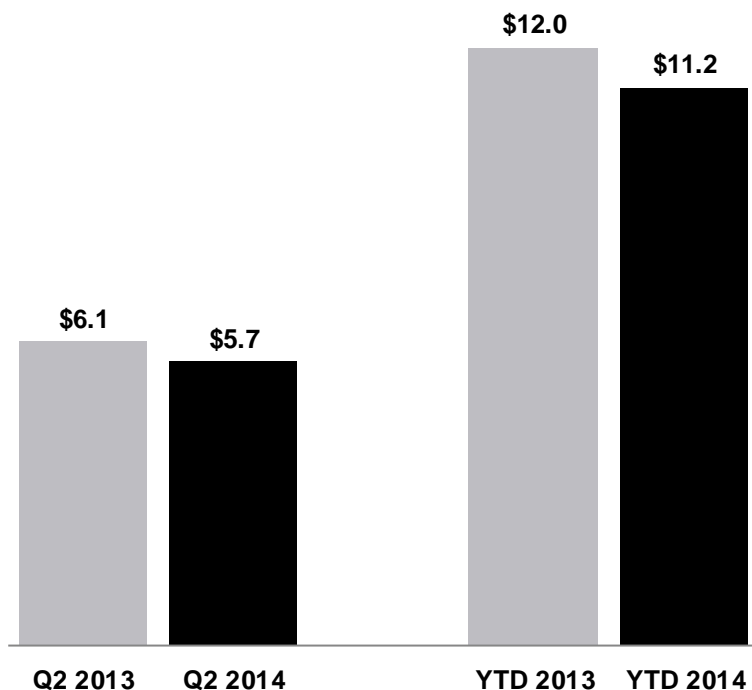
Backlog for Period Ending (\$B)



Book-to-bill of 1.19 in Q2 2014 and 1.06 on a trailing four quarter basis

Total Company Net Sales

Net Sales (\$B)



Net Sales (\$M)

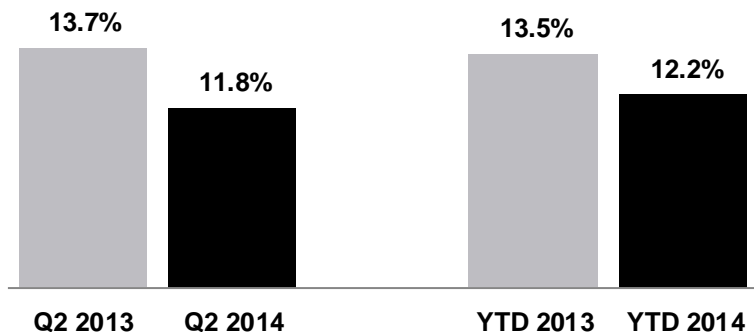
	Q2 2013	Q2 2014	% Change
IDS	\$1,721	\$1,549	-10%
IIS	1,570	1,518	-3%
MS	1,690	1,539	-9%
SAS	1,620	1,505	-7%
Corp/Elims	(486)	(410)	NM
Total	\$6,115	\$5,701	-7%

NM = Not Meaningful

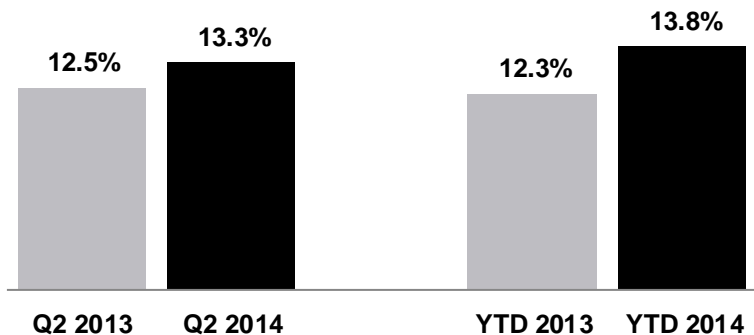
29 percent of Q2 2014 sales from international customers

Total Company Operating Margins

Adjusted Operating Margin⁽¹⁾



Total Operating Margin

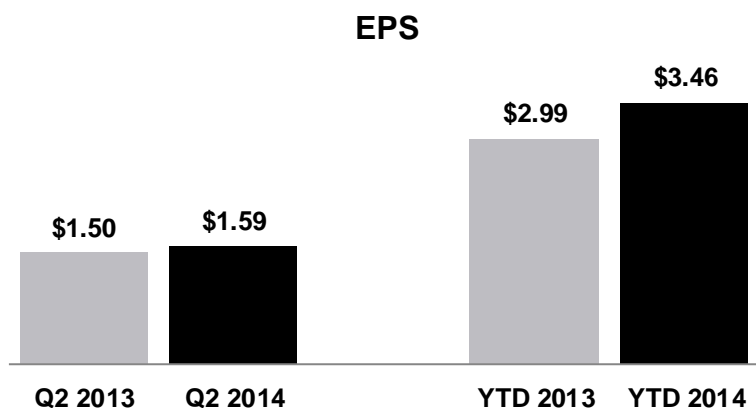
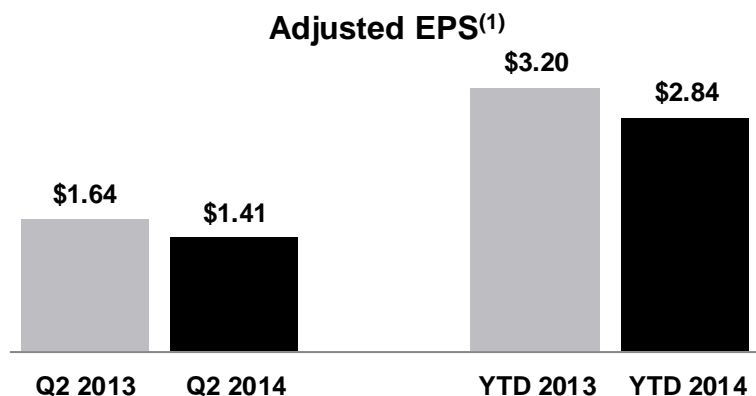


	Q2 2013	Q2 2014	Change
IDS	18.9%	14.1%	(480) bps
IIS	8.3%	8.4%	10 bps
MS	12.6%	12.3%	(30) bps
SAS	13.3%	13.4%	10 bps
FAS/CAS Adjustment	(\$72M)	\$87M	\$159M
Corp/Elims	(\$48M)	(\$66M)	(\$18M)
Total Operating Margin	12.5%	13.3%	80 bps
FAS/CAS Adjustment	1.2%	(1.5)%	(270) bps
Adjusted Operating Margin⁽¹⁾	13.7%	11.8%	(190) 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. Numbers may not add due to rounding.

Continued solid overall margin performance

Earnings Per Share from Continuing Operations



Adjusted EPS (\$)⁽¹⁾	
Second Quarter 2013	\$1.64
Operations	(0.34)
Reduced share count	0.05
Other items, net (primarily tax-related)	0.06
Second Quarter 2014	\$1.41

EPS (\$)	
Second Quarter 2013	\$1.50
Operations	(0.34)
Reduced share count	0.05
Other items, net (primarily tax-related)	0.06
FAS/CAS Adjustment	0.32
Second Quarter 2014	\$1.59

(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.

Solid Q2 2014 EPS

2014 Financial Outlook

	Outlook
Net Sales (\$B)	22.5 - 23.0
FAS/CAS Adjustment (\$M)	346
Interest Expense, Net (\$M)	(200) - (210)
Diluted Shares (M)	312 - 314
Effective Tax Rate	Approx. 28.5%
EPS from Continuing Operations	\$6.74 - \$6.89
Adjusted EPS⁽¹⁾	\$5.76 - \$5.91
Operating Cash Flow from Cont. Ops. (\$B)	2.3 - 2.5

(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.

Note: The 2014 financial outlook does not reflect the effects of either the potential extension of the R&D tax credit or the potential enactment of pension funding stabilization as part of the extension of the Highway Trust Fund.

2014 Financial Outlook: By Business

	Current Net Sales (\$B)	Prior* Net Sales (\$B)	Current Operating Margins (%)	Prior* Operating Margins (%)
IDS	6.2 - 6.4**	6.3 - 6.5	16.0 - 16.2%**	16.4 - 16.6%
IIS	5.7 - 5.9	5.7 - 5.9	8.2 - 8.4% **	8.1 - 8.3%
MS	6.2 - 6.4**	6.1 - 6.3	12.7 - 12.9%**	12.4 - 12.6%
SAS	5.9 - 6.1	5.9 - 6.1	13.3 - 13.5%	13.3 - 13.5%
FAS/CAS Adjustment	-	-	346	346
Corp./Elims.	(1.7) - (1.8)	(1.7) - (1.8)	(\$250M) - (\$260M)	(\$250M) - (\$260M)
Total Cont. Ops.	\$22.5 - \$23.0	\$22.5 - \$23.0	14.1 - 14.3%	14.1 - 14.3%
FAS/CAS Adjustment			(1.5%)	(1.5%)
Adjusted Operating Margin⁽¹⁾			12.6 - 12.8%	12.6 - 12.8%

* As of Apr 24, 2014

** 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.

2014 Financial Outlook: By Quarter

	2014 Estimates		
	Q3	Q4	Total
Sales (\$M)	\$5,520 - \$5,630	\$5,780 - \$6,150	\$22.5 - \$23.0B
EPS	\$1.53 - \$1.60	\$1.75 - \$1.83	\$6.74 - \$6.89
Operating Cash Flow from Cont. Ops. (\$M)	450 - 550	1,050 - 1,150	\$2.3B - \$2.5B

Appendix

Workdays in Fiscal Reporting Calendar

	Q1	Q2	Q3	Q4
2014	62	64	63	60
2013	63	64	63	59
Increase / (decrease)	(1)	0	0	1

	Q1	Q2	Q3	Q4
2013	63	64	63	59
2012	64	64	63	58
Increase / (decrease)	(1)	0	0	1

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		2014 Guidance	
	29-Jun-14	30-Jun-13	29-Jun-14	30-Jun-13	Low end of range	High end of range
Diluted EPS from continuing operations attributable to Raytheon Company common stockholders	\$ 1.59	\$ 1.50	\$ 3.46	\$ 2.99	\$ 6.74	\$ 6.89
Per share impact of the FAS/CAS Adjustment (A)	(0.18)	0.14	(0.36)	0.28	(0.72)	(0.72)
Per share impact of the tax benefit of cash repatriation (B)	-	-	(0.25)	-	(0.25)	(0.26)
Per share impact of the 2012 research & development (R&D) tax credit (C)	-	-	-	(0.08)	-	-
Adjusted EPS (2), (3)	<u>\$ 1.41</u>	<u>\$ 1.64</u>	<u>\$ 2.84</u>	<u>\$ 3.20</u>	<u>\$ 5.76</u>	<u>\$ 5.91</u>
(A) FAS/CAS Adjustment	\$ (87)	\$ 72	\$ (174)	\$ 143	\$ (346)	\$ (346)
Tax effect (1)	31	(25)	61	(50)	121	121
After-tax impact	(56)	47	(113)	93	(225)	(225)
Diluted shares	313.5	325.6	314.6	326.9	314.0	312.0
Per share impact	<u>\$ (0.18)</u>	<u>\$ 0.14</u>	<u>\$ (0.36)</u>	<u>\$ 0.28</u>	<u>\$ (0.72)</u>	<u>\$ (0.72)</u>
(B) Tax benefit of cash repatriation	\$ -	\$ -	\$ (80)	\$ -	\$ (80)	\$ (80)
Diluted shares	-	-	314.6	-	314.0	312.0
Per share impact	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0.25)</u>	<u>\$ -</u>	<u>\$ (0.25)</u>	<u>\$ (0.26)</u>
(C) 2012 R&D tax credit	\$ -	\$ -	\$ -	\$ (25)	\$ -	\$ -
Diluted shares	-	-	-	326.9	-	-
Per share impact	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0.08)</u>	<u>\$ -</u>	<u>\$ -</u>

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

(2) 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 postretirement benefit (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.

(3) Adjusted EPS is diluted EPS 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. Six Months Ended 2014 Adjusted EPS excludes the favorable tax impact of approximately \$80 million resulting from cash repatriation in connection with a transaction with a foreign subsidiary in January 2014. Six Months Ended 2013 Adjusted EPS excludes the earnings per share impact of an R&D tax credit that relates to 2012. In January 2013, Congress approved legislation that included the extension of the R&D tax credit. The legislation retroactively reinstated the R&D tax credit for 2012 and extended it through December 31, 2013. As a result, we recorded the 2012 benefit in the first quarter of 2013.

Reconciliation of Non-GAAP Measures in Statement of Operations Information

Adjusted Income Non-GAAP Reconciliation

(In millions)

	Three Months Ended		Six Months Ended	
	29-Jun-14	30-Jun-13	29-Jun-14	30-Jun-13
Income from continuing operations attributable to Raytheon Company common stockholders	\$ 499	\$ 488	\$ 1,088	\$ 978
FAS/CAS Adjustment (1)	(56)	47	(113)	93
Tax benefit of cash repatriation	-	-	(80)	-
2012 R&D tax credit	-	-	-	(25)
Adjusted Income (2), (3)	<u>\$ 443</u>	<u>\$ 535</u>	<u>\$ 895</u>	<u>\$ 1,046</u>

Adjusted Operating Margin Non-GAAP Reconciliation

	Three Months Ended		Six Months Ended		2014 Guidance	
	29-Jun-14	30-Jun-13	29-Jun-14	30-Jun-13	Low end of range	High end of range
Operating Margin	13.3 %	12.5 %	13.8 %	12.3 %	14.1 %	14.3 %
Impact of the FAS/CAS Adjustment	(1.5) %	1.2 %	(1.6) %	1.2 %	(1.5) %	(1.5) %
Adjusted Operating Margin (2), (4)	<u>11.8 %</u>	<u>13.7 %</u>	<u>12.2 %</u>	<u>13.5 %</u>	<u>12.6%</u>	<u>12.8%</u>

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

(2) 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 postretirement benefit (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.

(3) 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. Six Months Ended 2013 Adjusted Income excludes the R&D tax credit that relates to 2012, as discussed on page 13. Six Months Ended 2014 Adjusted Income also excludes the impact of the net tax benefit, as discussed on page 13.

(4) 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.