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Third Quarter 2014 Conference Call

October 23, 2014

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Forward-Looking Statements

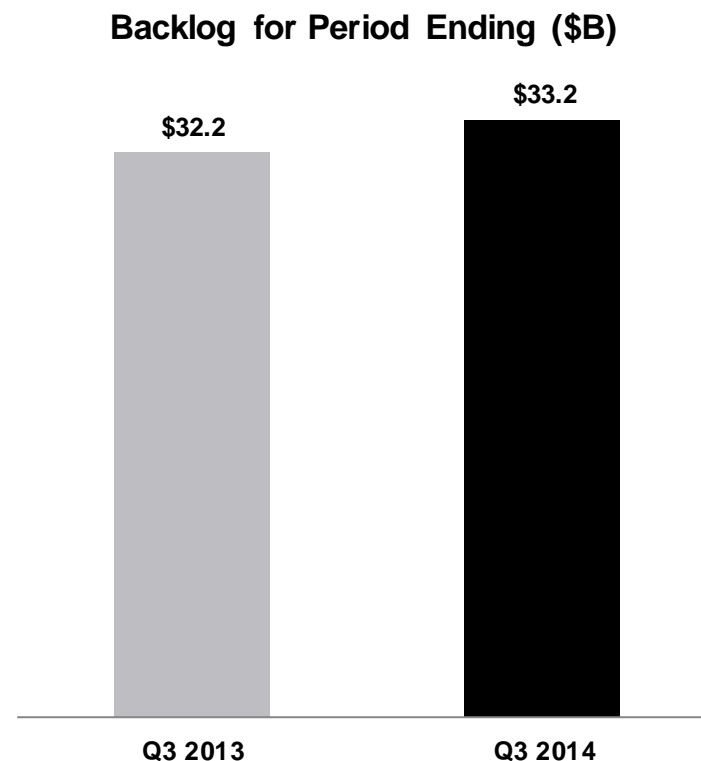
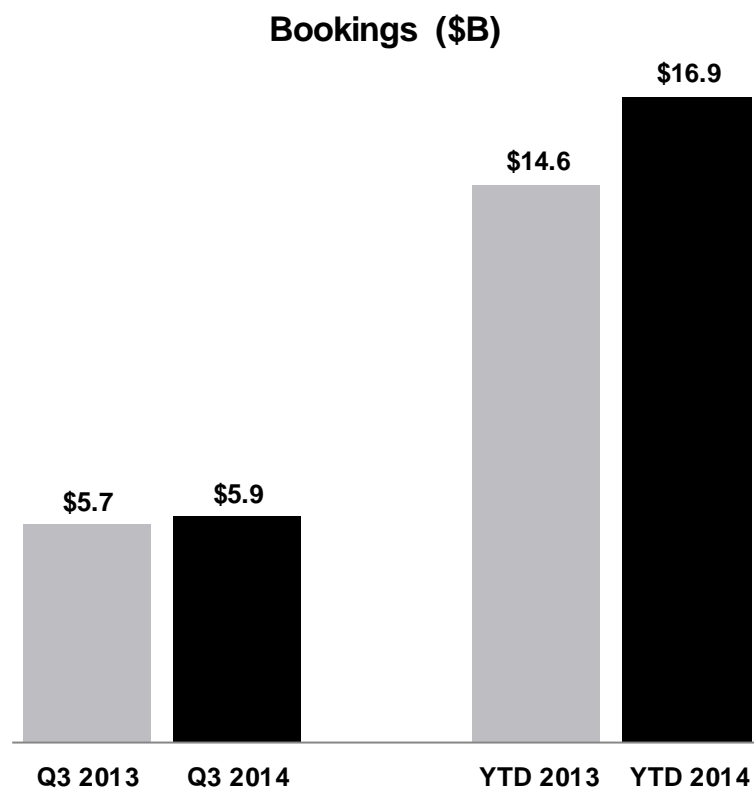
This presentation contains forward-looking statements, including information regarding the Company's financial outlook, future plans, objectives, business prospects and anticipated financial performance. These forward-looking statements are not statements of historical facts and represent only the Company's 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 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 unpredictability of timing of international bookings; the ability to comply with extensive governmental regulation and obtain approvals, including import and export policies, the Foreign Corrupt Practices Act, the International Traffic in Arms Regulations, industrial cooperation agreement obligations, 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 and partner 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 2014 Highlights

- Strong bookings of \$5.9 billion; book-to-bill of 1.07
- Net sales of \$5.5 billion
- Reported operating margin of 13.9 percent; Adjusted Operating Margin⁽¹⁾ of 13.2 percent
- EPS from continuing operations of \$1.65; Adjusted EPS⁽¹⁾ of \$1.57
- Solid operating cash flow from continuing operations of \$423 million in third quarter 2014 and \$1.2 billion year-to-date 2014

(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 15 and 16 for a reconciliation of these measures and a discussion of why the Company is presenting this information.

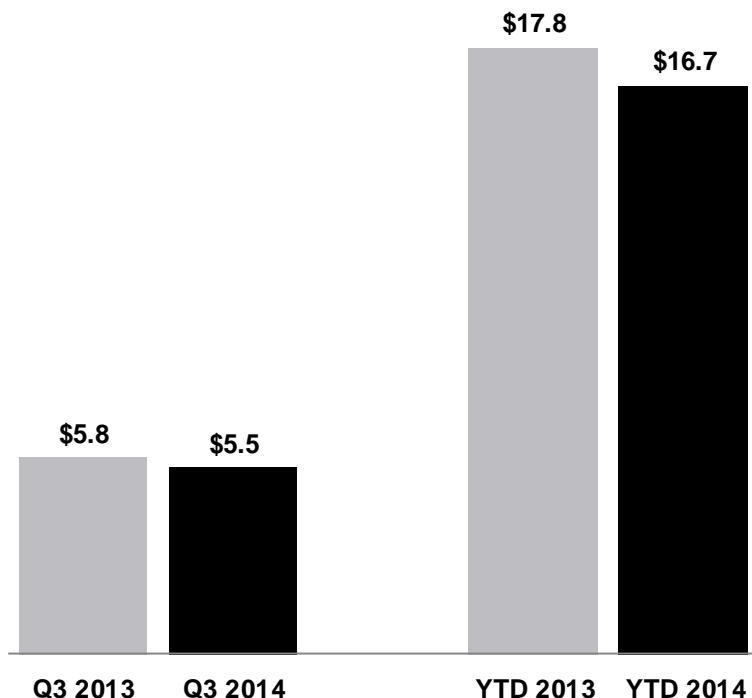
Total Company Bookings and Backlog



**Book-to-bill of 1.07 in Q3 2014 and
1.08 on a trailing four quarter basis**

Total Company Net Sales

Net Sales (\$B)



Net Sales (\$M)

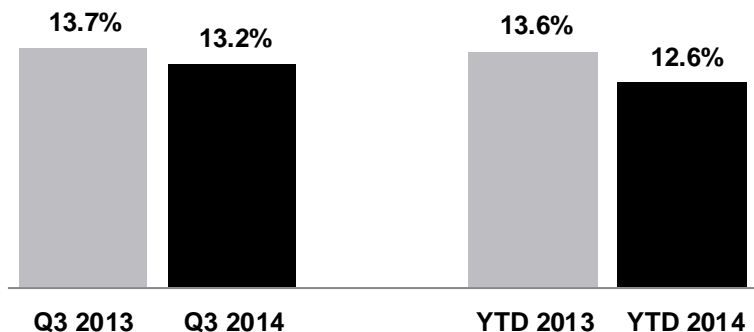
	Q3 2013	Q3 2014	% Change
IDS	\$1,603	\$1,428	-11%
IIS	1,496	1,478	-1%
MS	1,635	1,477	-10%
SAS	1,556	1,509	-3%
Corp/Elims	(448)	(418)	NM
Total	\$5,842	\$5,474	-6%

NM = Not Meaningful

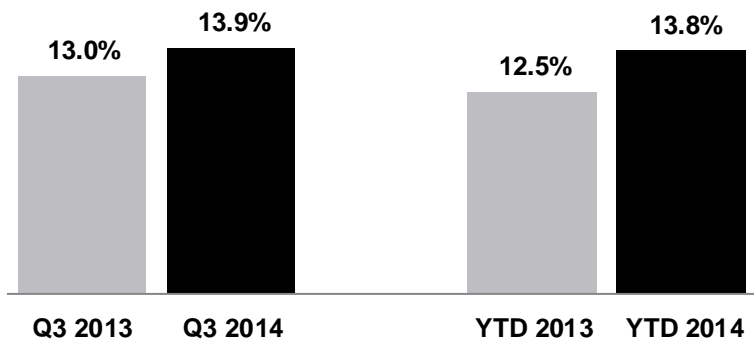
30 percent of Q3 2014 sales from international customers

Total Company Operating Margins

Adjusted Operating Margin⁽¹⁾



Total Operating Margin



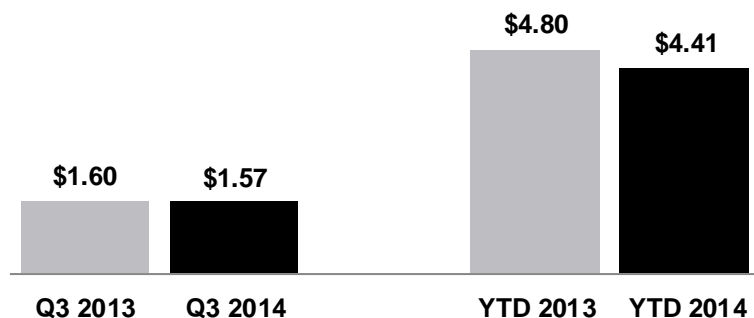
	Q3 2013	Q3 2014	Change
IDS	17.8%	16.1%	(170) bps
IIS	9.0%	8.5%	(50) bps
MS	12.4%	12.9%	50 bps
SAS	14.4%	15.7%	130 bps
FAS/CAS Adjustment	(\$46M)	\$42M	\$88M
Corp/Elims	(\$43M)	(\$61M)	(\$18M)
Total Operating Margin	13.0%	13.9%	90 bps
FAS/CAS Adjustment	0.8%	(0.8)%	(160) bps
Adjusted Operating Margin⁽¹⁾	13.7%	13.2%	(50) bps

(1) Adjusted Operating Margin is a non-GAAP financial measure. See page 16 for a reconciliation of this measure and a discussion of why the Company is presenting this information. Numbers may not add due to rounding.

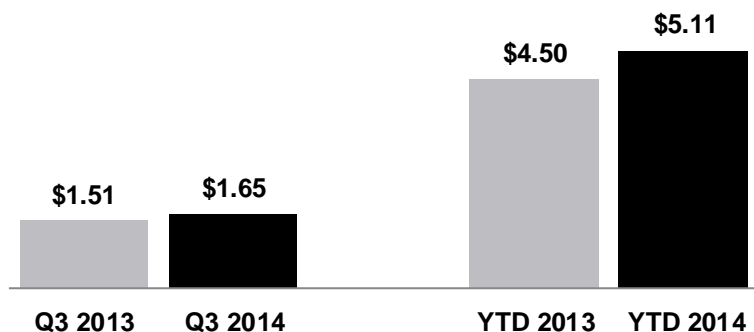
Strong overall margin performance

Earnings Per Share from Continuing Operations

Adjusted EPS⁽¹⁾



EPS



Adjusted EPS (\$) ⁽¹⁾

Third Quarter 2013	\$1.60
Operations	(0.17)
Reduced share count	0.06
Other items, net (primarily tax-related)	0.04
HATFA tax rate impact	0.03
Third Quarter 2014	\$1.57

EPS (\$)

Third Quarter 2013	\$1.51
Operations	(0.17)
Reduced share count	0.06
Other items, net (primarily tax-related)	0.04
HATFA tax rate impact	0.03
FAS/CAS Adjustment *	0.18
Third Quarter 2014	\$1.65

* Includes \$0.09 which is comprised of an \$0.11 unfavorable impact due to lower CAS expense related to the HATFA partially offset by a \$0.02 favorable impact for other actuarial updates, both of which are retroactive year-to-date amounts that were recorded in the third quarter 2014 and were tax effected at the 35% federal statutory tax rate. The HATFA tax rate impact of \$0.03 is shown separately above.

(1) Adjusted EPS is a non-GAAP financial measure. See page 15 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 Q3 2014 EPS

2014 Financial Outlook

	Current**	Prior*
Net Sales (\$B)	22.7 - 23.0	22.5 - 23.0
FAS/CAS Adjustment (\$M)	287 ⁽¹⁾	346
Interest Expense, Net (\$M)	(200) - (205)	(200) - (210)
Diluted Shares (M)	312 - 313	312 - 314
Effective Tax Rate	Approx. 27.5%	Approx. 28.5%
Adjusted EPS ^{(2),(3)}	\$5.91 - \$6.01	\$5.76 - \$5.91
EPS from Continuing Operations ⁽³⁾	\$6.77 - \$6.87	\$6.74 - \$6.89
Operating Cash Flow from Cont. Ops. (\$M)	2,150 - 2,350	2,300 - 2,500

* As of July 24, 2014

** Denotes changes from prior guidance

(1) Pension funding stabilization as part of the HATFA and other actuarial updates had a net unfavorable impact on the FAS/CAS Adjustment of \$59 million for full-year 2014 (of which \$44 million year-to-date was retroactively recorded in third quarter 2014 and an estimated unfavorable impact of \$15 million is expected to be recorded in fourth quarter 2014).

(2) Adjusted EPS is a non-GAAP financial measure. See page 15 for a reconciliation of this measure and a discussion of why the Company is presenting this information.

(3) See page 9 for a detailed reconciliation on the change in EPS Outlook for full-year 2014

Change in 2014 EPS Outlook

	Adjusted ⁽¹⁾	GAAP	
Prior outlook*	\$5.76 - \$5.91	\$6.74 - \$6.89	
Highway & Transportation Funding Act of 2014 (HATFA)			
FAS/CAS impact ⁽²⁾	-	(0.14)	
Tax rate impact ⁽³⁾	<u>0.05</u>	<u>0.05</u>	
Net HATFA impact	0.05	(0.09)	
Pension actuarial update impact on FAS/CAS ⁽²⁾	-	0.02	
Other tax rate improvements ⁽⁴⁾	<u>0.05</u>	<u>0.05</u>	
Current outlook	\$5.91 - \$6.01	\$6.77 - \$6.87	

\$0.10 improvement from lower tax rate

(\$0.12) impact from FAS/CAS

* As of July 24, 2014

(1) Adjusted EPS is a non-GAAP financial measure. See page 15 for a reconciliation of this measure and a discussion of why the Company is presenting this information.

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

(3) The enactment of the HATFA resulted in an additional tax benefit driven by the domestic manufacturing deduction.

(4) The improvement relates to revised tax estimates realized as a result of the 2013 tax filing.

2014 Financial Outlook: By Business

	Current Net Sales (\$B)	Prior* Net Sales (\$B)	Current** Operating Margins (%)	Prior* Operating Margins (%)
IDS	6.2 - 6.4	6.2 - 6.4	15.7 - 15.8%	16.0 - 16.2%
IIS	5.8 - 5.9 **	5.7 - 5.9	8.3 - 8.4%	8.2 - 8.4%
MS	6.3 - 6.4 **	6.2 - 6.4	12.8 - 12.9%	12.7 - 12.9%
SAS	6.0 - 6.1 **	5.9 - 6.1	13.6 - 13.7%	13.3 - 13.5%
FAS/CAS Adjustment	-	-	287	346
Corp./Elims.	(1.7) - (1.8)	(1.7) - (1.8)	(\$235M) - (\$245M)	(\$250M) - (\$260M)
Total Cont. Ops.	\$22.7 - \$23.0 **	\$22.5 - \$23.0	14.0 - 14.1%	14.1 - 14.3%
FAS/CAS Adjustment			(1.3%)	(1.5%)
Adjusted Operating Margin⁽¹⁾			12.7 - 12.8%	12.6 - 12.8%

* As of July 24, 2014

** Denotes changes from prior guidance

(1) Adjusted Operating Margin is a non-GAAP financial measure. See page 16 for a reconciliation of this measure and a discussion of why the Company is presenting this information.

2015 FAS/CAS Pension Adjustment (\$M)

2015 Global FAS / CAS Pension Income / (Expense) (\$M)									
Actual 2014 Asset Return	12/31/14 Discount Rate								
	3.50%	3.75%	4.00%	4.25%	4.50%	4.75%	5.00%	5.25%	5.50%
-5.00%	(95)	(34)	26	84	141	197	253	306	361
0.00%	(1)	57	115	172	229	286	342	398	454
5.00%	87	145	204	264	322	379	436	492	548
8.75%	154	215	275	333	391	449	506	562	618
10.00%	178	239	299	357	415	472	529	586	641
15.00%	274	333	392	451	509	566	623	679	735

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 2015 FAS/CAS pension adjustment, based upon different discount rates and 2014 asset return rates that will be determined at 12/31/14.

Actual 2015 results are not necessarily limited to the above scenarios nor the above factors of discount rate and actual asset return (e.g. results will also reflect any potential changes in census data, etc.). The range of outcomes above is also based on our current, long-term return on asset (ROA) assumption of 8.75%. As noted above, 2015 pension expense will be determined at 12/31/14 using assumptions and based on market conditions in place at that time.

Pension & PRB Impact

\$ Millions	Net Cash Impact Comparison*		
	2015	2016	2017
<i>October 2014 Outlook (Reflecting HATFA)</i>			
CAS Recovery	\$1,355	\$1,466	\$1,555
Pension & PRB Funding Required	(\$356)	(\$142)	(\$522)
Net Cash Flow (Pre-Tax)	\$999	\$1,324	\$1,033
<i>January 2014 Outlook</i>			
CAS Recovery	\$1,509	\$1,800	
Pension & PRB Funding Required	(\$979)	(\$1,010)	
Net Cash Flow (Pre-Tax)	\$530	\$790	

* Assumptions

October outlook reflects the Highway and Transportation Funding Act of 2014 (HATFA)
 Approximate HATFA discount rates: 6.2% for 2015, 6.0% for 2016 and 5.8% for 2017
 8.75% assumed return on assets for all years

Actual results will vary based upon actual asset returns, interest rates, changes in actuarial assumptions, and other census data and regulatory requirements applicable for each year.

Actual discount rates and asset returns will be determined at December 31, 2014. However, changes in discount rates are not expected to materially change CAS or funding due to the HATFA.

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		Nine Months Ended		2014 Current Guidance		2014 Prior Guidance	
	28-Sep-14	29-Sep-13	28-Sep-14	29-Sep-13	Low end of range	High end of range	Low end of range	High end of range
Diluted EPS from continuing operations attributable to Raytheon Company common stockholders	\$ 1.65	\$ 1.51	\$ 5.11	\$ 4.50	\$ 6.77	\$ 6.87	\$ 6.74	\$ 6.89
Per share impact of the FAS/CAS Adjustment (A)	(0.09)	0.09	(0.45)	0.38	(0.60)	(0.60)	(0.72)	(0.72)
Per share impact of the tax benefit of cash repatriation (B)	-	-	(0.26)	-	(0.26)	(0.26)	(0.25)	(0.26)
Per share impact of the 2012 research & development (R&D) tax credit (C)	-	-	-	(0.08)	-	-	-	-
Adjusted EPS (2), (3)	<u>\$ 1.57</u>	<u>\$ 1.60</u>	<u>\$ 4.41</u>	<u>\$ 4.80</u>	<u>\$ 5.91</u>	<u>\$ 6.01</u>	<u>\$ 5.76</u>	<u>\$ 5.91</u>
(A) FAS/CAS Adjustment	\$ (42)	\$ 46	\$ (216)	\$ 189	\$ (287)	\$ (287)	\$ (346)	\$ (346)
Tax effect (1)	15	(16)	76	(66)	100	100	121	121
After-tax impact	(27)	30	(140)	123	(187)	(187)	(225)	(225)
Diluted shares	311.4	323.3	313.6	325.7	313.0	312.0	314.0	312.0
Per share impact	<u>\$ (0.09)</u>	<u>\$ 0.09</u>	<u>\$ (0.45)</u>	<u>\$ 0.38</u>	<u>\$ (0.60)</u>	<u>\$ (0.60)</u>	<u>\$ (0.72)</u>	<u>\$ (0.72)</u>
(B) Tax benefit of cash repatriation	\$ -	\$ -	\$ (80)	\$ -	\$ (80)	\$ (80)	\$ (80)	\$ (80)
Diluted shares	-	-	313.6	-	313.0	312.0	314.0	312.0
Per share impact	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0.26)</u>	<u>\$ -</u>	<u>\$ (0.26)</u>	<u>\$ (0.26)</u>	<u>\$ (0.25)</u>	<u>\$ (0.26)</u>
(C) 2012 R&D tax credit	\$ -	\$ -	\$ -	\$ (25)	\$ -	\$ -	\$ -	\$ -
Diluted shares	-	-	-	325.7	-	-	-	-
Per share impact	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0.08)</u>	<u>\$ -</u>	<u>\$ -</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. Nine 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. Nine 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		Nine Months Ended	
	28-Sep-14	29-Sep-13	28-Sep-14	29-Sep-13
Income from continuing operations attributable to Raytheon Company common stockholders	\$ 515	\$ 487	\$ 1,603	\$ 1,465
FAS/CAS Adjustment (1)	(27)	30	(140)	123
Tax benefit of cash repatriation	-	-	(80)	-
2012 R&D tax credit	-	-	-	(25)
Adjusted Income (2), (3)	<u>\$ 488</u>	<u>\$ 517</u>	<u>\$ 1,383</u>	<u>\$ 1,563</u>

Adjusted Operating Margin Non-GAAP Reconciliation

	Three Months Ended		Nine Months Ended		2014 Current Guidance		2014 Prior Guidance	
	28-Sep-14	29-Sep-13	28-Sep-14	29-Sep-13	Low end of range	High end of range	Low end of range	High end of range
Operating Margin	13.9 %	13.0 %	13.8 %	12.5 %	14.0 %	14.1 %	14.1 %	14.3 %
Impact of the FAS/CAS Adjustment	(0.8) %	0.8 %	(1.3) %	1.1 %	(1.3) %	(1.3) %	(1.5) %	(1.5) %
Adjusted Operating Margin (2), (4)	<u>13.2 %</u>	<u>13.7 %</u>	<u>12.6 %</u>	<u>13.6 %</u>	<u>12.7%</u>	<u>12.8%</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. Nine Months Ended 2014 Adjusted Income excludes the impact of the net tax benefit, as discussed on page 14. Nine Months Ended 2013 Adjusted Income excludes the R&D tax credit that relates to 2012, as discussed on page 14.

(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.