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Fourth Quarter 2014 Conference Call

January 29, 2015

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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.

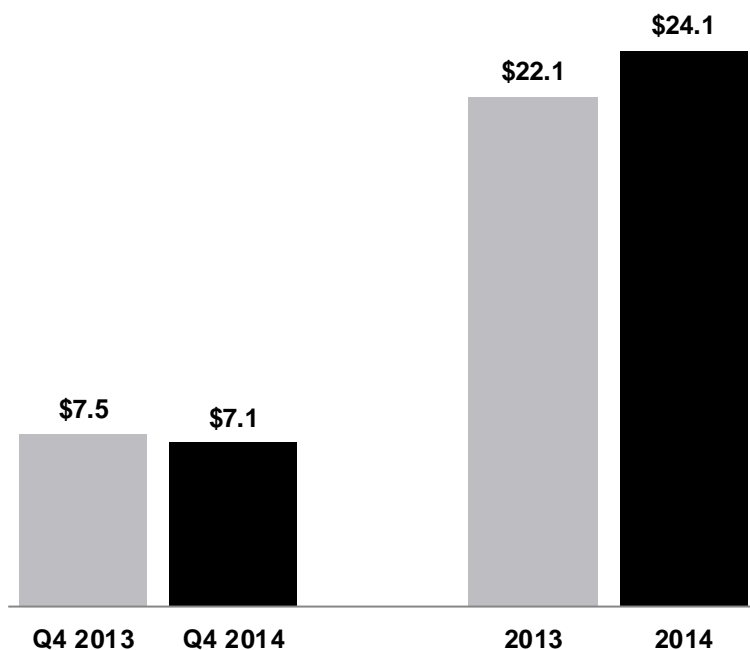
Fourth Quarter and Full-Year 2014 Highlights

- Strong bookings of \$7.1 billion in the quarter and \$24.1 billion for the year; book-to-bill ratio of 1.05 for the year
- Fourth quarter 2014 net sales of \$6.1 billion; full-year net sales of \$22.8 billion
- Fourth quarter EPS from continuing operations of \$1.86; full-year EPS from continuing operations of \$6.97
- Fourth quarter Adjusted EPS⁽¹⁾ of \$1.71; full-year Adjusted EPS⁽¹⁾ of \$6.12
- Strong operating cash flow from continuing operations of \$829 million in the quarter and \$2.1 billion for the year after a \$600 million pretax discretionary pension plan contribution

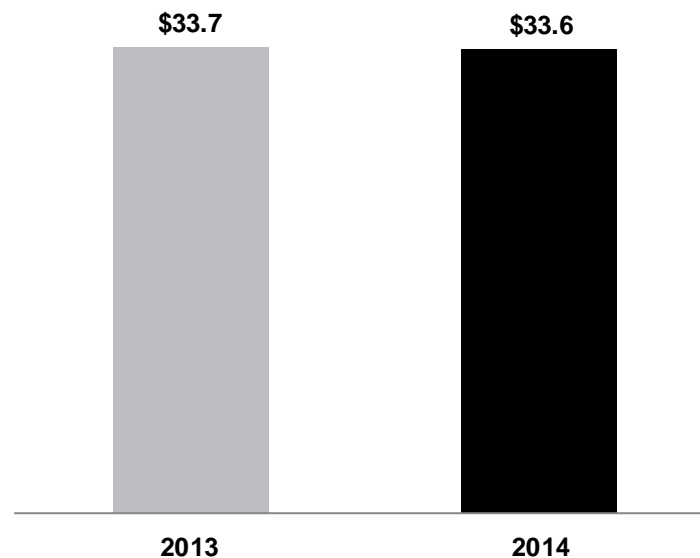
(1) Adjusted EPS is EPS from continuing operations attributable to Raytheon Company common stockholders, excluding the impact of the FAS/CAS Adjustment, and from time to time, certain other items. Adjusted EPS is a non-GAAP financial measure. See page 14 for a reconciliation of this measure and a discussion of why the Company is presenting this information.

Total Company Bookings and Backlog

Bookings (\$B)



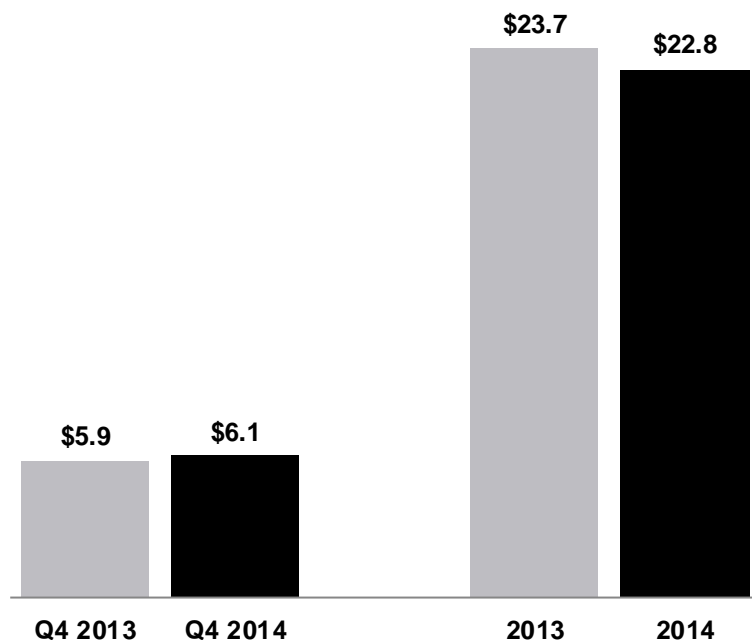
Backlog for Period Ending (\$B)



Book-to-bill ratio of 1.16 in Q4 2014 and 1.05 for full-year 2014

Total Company Net Sales

Net Sales (\$B)



Fourth Quarter Net Sales (\$M)

	Q4 2013	Q4 2014	% Change
IDS	\$1,569	\$1,627	4%
IIS	1,458	1,538	5%
MS	1,638	1,719	5%
SAS	1,613	1,660	3%
Corp/Elims	(408)	(401)	NM
Total	\$5,870	\$6,143	5%

Full-Year Net Sales (\$M)

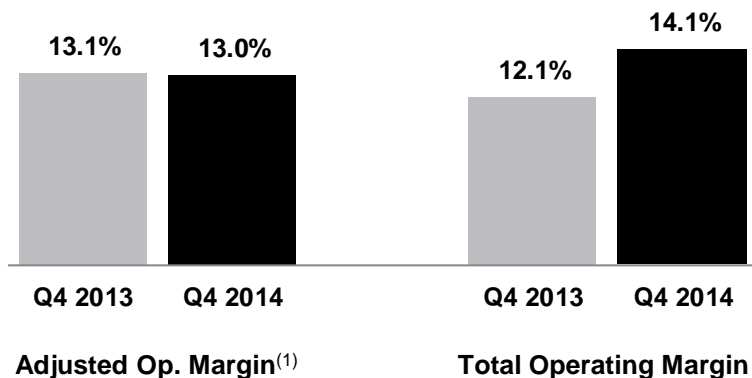
	2013	2014	% Change
IDS	\$6,489	\$6,085	-6%
IIS	6,045	5,984	-1%
MS	6,599	6,309	-4%
SAS	6,371	6,072	-5%
Corp/Elims	(1,798)	(1,624)	NM
Total	\$23,706	\$22,826	-4%

NM = Not Meaningful

Q4 2014 sales up 5 percent

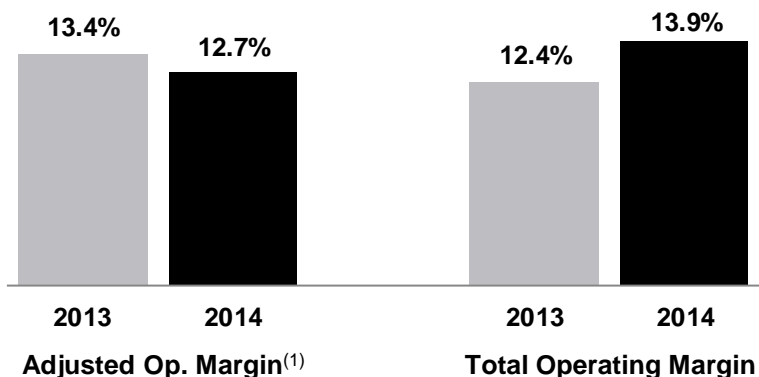
Total Company Operating Margins

Fourth Quarter



	Q4 2013	Q4 2014	Change
IDS	15.4%	18.4%	300 bps
IIS	8.3%	8.5%	20 bps
MS	12.3%	12.3%	-
SAS	15.7%	13.1%	(260) bps
FAS/CAS Adjustment	(\$60M)	\$70M	\$130M
Corp/Elims	(\$47M)	(\$60M)	(\$13M)
Total Operating Margin	12.1%	14.1%	200 bps
FAS/CAS Adjustment	1.0%	-1.1%	(210) bps
Adjusted Operating Margin⁽¹⁾	13.1%	13.0%	(10) bps

Full-Year



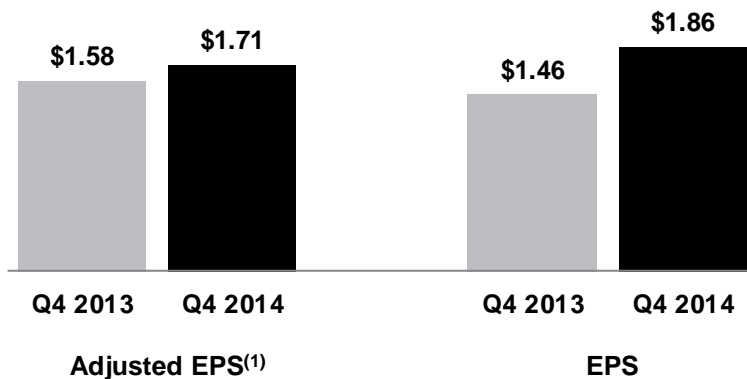
	2013	2014	Change
IDS	17.2%	16.0%	(120) bps
IIS	8.4%	8.5%	10 bps
MS	12.6%	12.7%	10 bps
SAS	14.4%	13.9%	(50) bps
FAS/CAS Adjustment	(\$249M)	\$286M	\$535M
Corp/Elims	(\$188M)	(\$235M)	(\$47M)
Total Operating Margin	12.4%	13.9%	150 bps
FAS/CAS Adjustment	1.1%	-1.3%	(240) bps
Adjusted Operating Margin⁽¹⁾	13.4%	12.7%	(70) bps

(1) Adjusted Operating Margin 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.

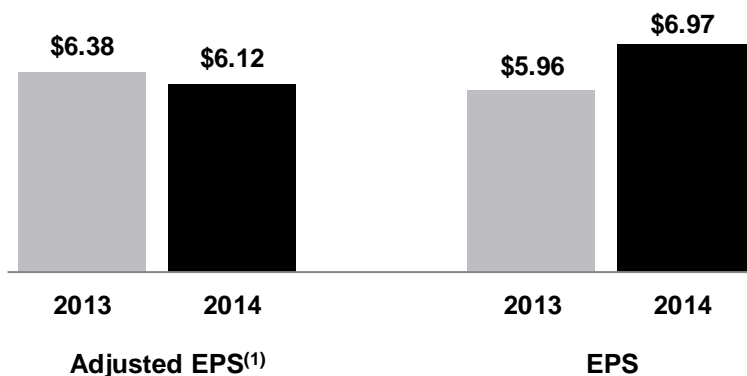
Strong overall operational performance

Earnings Per Share from Continuing Operations

Fourth Quarter



Full-Year



Adjusted EPS (\$) ⁽¹⁾	Fourth Quarter	Full-Year
Adjusted EPS 2013	\$1.58	\$6.38
Operations	0.06	(0.62)
Reduced share count	0.05	0.22
Other items, net (primarily tax-related)	0.02	0.13
Adjusted EPS 2014	\$1.71	\$6.12

EPS (\$)	Fourth Quarter	Full-Year
EPS from Continuing Operations 2013	\$1.46	\$5.96
Operations	0.06	(0.62)
Reduced share count	0.05	0.22
Other items, net (primarily tax-related)	0.02	0.13
FAS/CAS Adjustment	0.27	1.10
2012 R&D tax credit booked in 2013	-	(0.08)
Tax benefit from cash repatriation	-	0.26
EPS from Continuing Operations 2014	\$1.86	\$6.97

(1) Adjusted EPS 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.

Solid Q4 and full-year 2014 EPS

2015 Financial Outlook

	2014 Actual	2015 Outlook
Net Sales (\$B)	22.8	22.3 - 22.8
FAS/CAS Adjustment (\$M)	286	197
Interest Expense, Net (\$M)	(203)	(225) - (235)
Diluted Shares (M)	313	305 - 307
Effective Tax Rate	26.5%	Approx. 27.5%
EPS from Continuing Operations	\$6.97	\$6.20 - \$6.35
Adjusted EPS ⁽¹⁾	\$6.12	\$5.49 - \$5.64
Operating Cash Flow from Cont. Ops. (\$B)	2.1	2.3 - 2.6

(1) Adjusted EPS 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.

2015 Financial Outlook: By Business

	Net Sales (\$B)	Operating Margins (%)
IDS	6.0 - 6.2	15.1 - 15.3%
IIS	5.8 - 6.0	7.4 - 7.6%
MS	6.2 - 6.4	12.8 - 13.0%
SAS	5.6 - 5.8	13.1 - 13.3%
FAS/CAS Adjustment	-	197
Corp./Elims.	(1.5) - (1.6)	(\$220M)-(\$230M)
Total Cont. Ops.	\$22.3 - \$22.8	13.0 - 13.2%
FAS/CAS Adjustment		(0.9%)
Adjusted Operating Margin⁽¹⁾		12.1 - 12.3%

(1) Adjusted Operating Margin 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.

2015 Financial Outlook: By Quarter

	2015 Estimates				
	Q1	Q2	Q3	Q4	Total
Sales (\$M)	5,130 - 5,245	5,350 - 5,470	5,690 - 5,815	6,130 - 6,270	\$22.3 - \$22.8B
EPS	\$1.28 - \$1.32	\$1.64 - \$1.68 ⁽¹⁾	\$1.41 - \$1.45	\$1.87 - \$1.90	\$6.20 - \$6.35
Operating Cash Flow from Cont. Ops. (\$M)	0 - 100	100 - 200	800 - 900	1,300 - 1,400	\$2.3B - \$2.6B

(1) Includes the expected \$0.29 per diluted share impact of an \$88 million tax settlement.

Pension Impact

\$ Millions	Current Projections*			
	2014 Actual	2015	2016	2017
P&L Impact				
FAS	(\$903)	(\$1,177)	(\$1,065)	(\$995)
CAS	(\$1,189)	(\$1,374)	(\$1,485)	(\$1,544)
FAS/CAS Adjustment	\$286	\$197	\$420	\$549
Cash Impact				
Gross Funding Required	(\$670)	(\$360)	(\$145)	(\$690)
Discretionary Contribution	(\$600)	\$0	\$0	\$0
Total Contribution	(\$1,270)	(\$360)	(\$145)	(\$690)

* Current projections for 2015 – 2017 are strictly based on an average FAS discount rate of 4.1% for all years and an actual return on assets of +6% for the year ending December 31, 2014, an assumed return on assets of 8.0% for all other years and no changes to any other actuarial assumptions or regulatory requirements. CAS recovery and funding requirements are based on the discount rates under the Highway and Transportation Funding Act of 2014 (HATFA), which are approximately 6.2% for 2015, 6.0% for 2016 and 5.8% for 2017.

Actual results will vary for 2015 – 2017 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.

A 25 basis point change from our current average U.S. Plan discount rate of 4.1% would impact the FAS/CAS Adjustment in 2016 by \$65M-\$75M.

Actual 2016 results are also dependent on factors other than discount rate as of 12/31/2015, including but not limited to, 2015 asset returns, demographic experience and the long-term return on asset (ROA) assumption.

Appendix

Workdays in Fiscal Reporting Calendar

	Q1	Q2	Q3	Q4
2015	61	64	63	61
2014	62	64	63	60
Increase / (decrease)	(1)	0	0	1

	Q1	Q2	Q3	Q4
2014	62	64	63	60
2013	63	64	63	59
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		Twelve Months Ended		2015 Guidance	
	31-Dec-14	31-Dec-13	31-Dec-14	31-Dec-13	Low end of range	High end of range
Diluted EPS from continuing operations attributable to Raytheon Company common stockholders	\$ 1.86	\$ 1.46	\$ 6.97	\$ 5.96	\$ 6.20	\$ 6.35
Per share impact of the FAS/CAS Adjustment (A)	(0.15)	0.12	(0.60)	0.50	(0.42)	(0.42)
Per share impact of the tax benefit of cash repatriation (B)	-	-	(0.26)	-	-	-
Per share impact of the 2012 research & development (R&D) tax credit (C)	-	-	-	(0.08)	-	-
Per share impact of the IRS tax settlement (D)	-	-	-	-	(0.29)	(0.29)
Adjusted EPS (2), (3)	<u>\$ 1.71</u>	<u>\$ 1.58</u>	<u>\$ 6.12</u>	<u>\$ 6.38</u>	<u>\$ 5.49</u>	<u>\$ 5.64</u>
(A) FAS/CAS Adjustment	\$ (70)	\$ 60	\$ (286)	\$ 249	\$ (197)	\$ (197)
Tax effect (1)	24	(21)	100	(87)	69	69
After-tax impact	(46)	39	(186)	162	(128)	(128)
Diluted shares	309.7	319.6	312.6	324.2	307.0	305.0
Per share impact	<u>\$ (0.15)</u>	<u>\$ 0.12</u>	<u>\$ (0.60)</u>	<u>\$ 0.50</u>	<u>\$ (0.42)</u>	<u>\$ (0.42)</u>
(B) Tax benefit of cash repatriation	\$ -	\$ -	\$ (80)	\$ -	\$ -	\$ -
Diluted shares	-	-	312.6	-	-	-
Per share impact	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0.26)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
(C) 2012 R&D tax credit	\$ -	\$ -	\$ -	\$ (25)	\$ -	\$ -
Diluted shares	-	-	-	324.2	-	-
Per share impact	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0.08)</u>	<u>\$ -</u>	<u>\$ -</u>
(D) IRS tax settlement	\$ -	\$ -	\$ -	\$ -	\$ (88)	\$ (88)
Diluted shares	-	-	-	-	307.0	305.0
Per share impact	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0.29)</u>	<u>\$ (0.29)</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. Twelve 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. Twelve 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. 2015 Guidance Adjusted EPS excludes the earnings per share impact of an IRS tax settlement related to 2014.

Reconciliation of Non-GAAP Measures in Statement of Operations Information

Adjusted Income Non-GAAP Reconciliation

(In millions)

	<u>Three Months Ended</u>		<u>Twelve Months Ended</u>	
	<u>31-Dec-14</u>	<u>31-Dec-13</u>	<u>31-Dec-14</u>	<u>31-Dec-13</u>
Income from continuing operations attributable to Raytheon Company common stockholders	\$ 576	\$ 467	\$ 2,179	\$ 1,932
FAS/CAS Adjustment (1)	(46)	39	(186)	162
Tax benefit of cash repatriation	-	-	(80)	-
2012 R&D tax credit	-	-	-	(25)
Adjusted Income (2), (3)	<u>\$ 530</u>	<u>\$ 506</u>	<u>\$ 1,913</u>	<u>\$ 2,069</u>

Adjusted Operating Margin Non-GAAP Reconciliation

	<u>Three Months Ended</u>		<u>Twelve Months Ended</u>		<u>2015 Guidance</u>	
	<u>31-Dec-14</u>	<u>31-Dec-13</u>	<u>31-Dec-14</u>	<u>31-Dec-13</u>	<u>Low end of range</u>	<u>High end of range</u>
Operating Margin	14.1 %	12.1 %	13.9 %	12.4 %	13.0 %	13.2 %
Impact of the FAS/CAS Adjustment	<u>(1.1) %</u>	<u>1.0 %</u>	<u>(1.3) %</u>	<u>1.1 %</u>	<u>(0.9) %</u>	<u>(0.9) %</u>
Adjusted Operating Margin (2), (4)	<u>13.0 %</u>	<u>13.1 %</u>	<u>12.7 %</u>	<u>13.4 %</u>	<u>12.1%</u>	<u>12.3%</u>

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

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(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. Twelve Months Ended 2014 Adjusted Income excludes the impact of the net tax benefit, as discussed on page 14. Twelve 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.