

Fourth Quarter Earnings

January 28, 2010

Dial In Number

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Replay Number

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Air

Land

Sea

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Replay available through February 5, 2010

Forward-Looking Statements

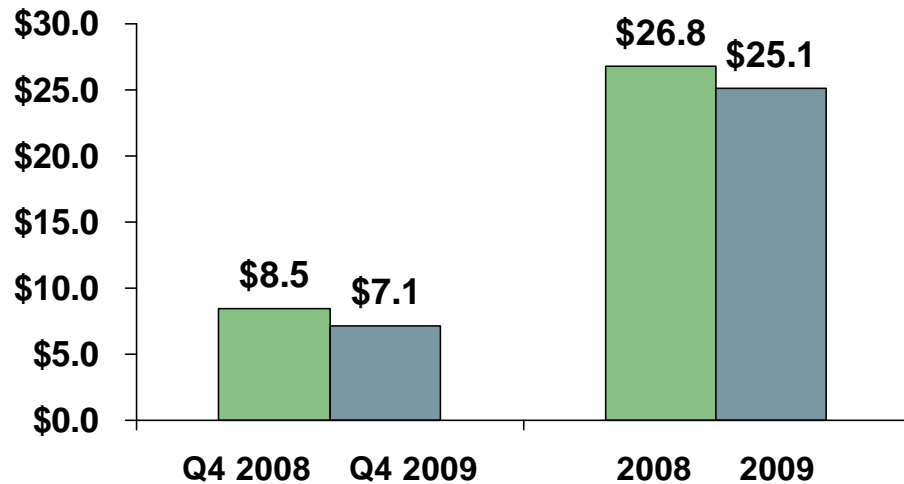
This presentation contains forward-looking statements, including information regarding the Company's 2010 financial outlook, future plans, objectives, business prospects and anticipated financial performance. These forward-looking statements are not statements of historical facts and represent only the 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 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 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 2009 Highlights

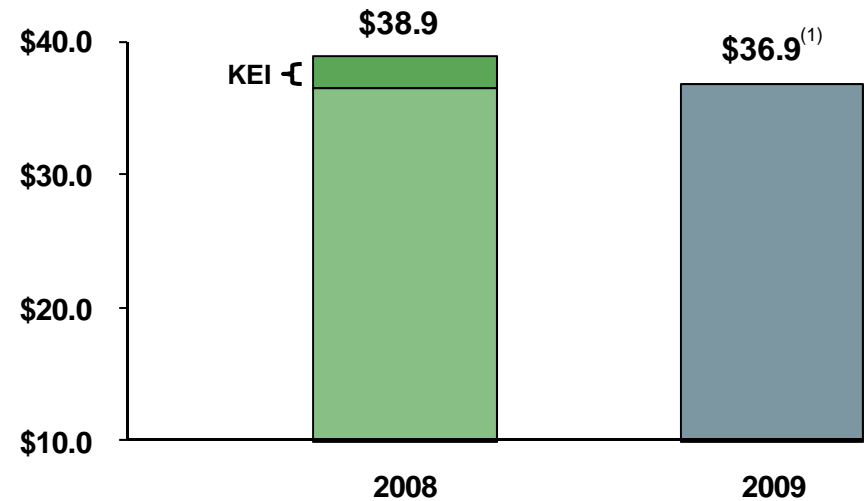
- Solid bookings of \$7.1 billion in the quarter and \$25.1 billion for the year
- Delivered strong sales growth of 10 percent in the quarter and 7 percent for the year
- Fourth quarter diluted earnings per share (EPS) from continuing operations of \$1.30, up 29 percent; full-year 2009 EPS from continuing operations of \$4.89, up 24 percent
- Strong operating cash flow of \$1.1 billion in the quarter and \$2.7 billion for the year
- Reaffirming guidance for continued growth in 2010

Total Company Bookings and Backlog

Bookings (\$B)



Backlog (\$B)

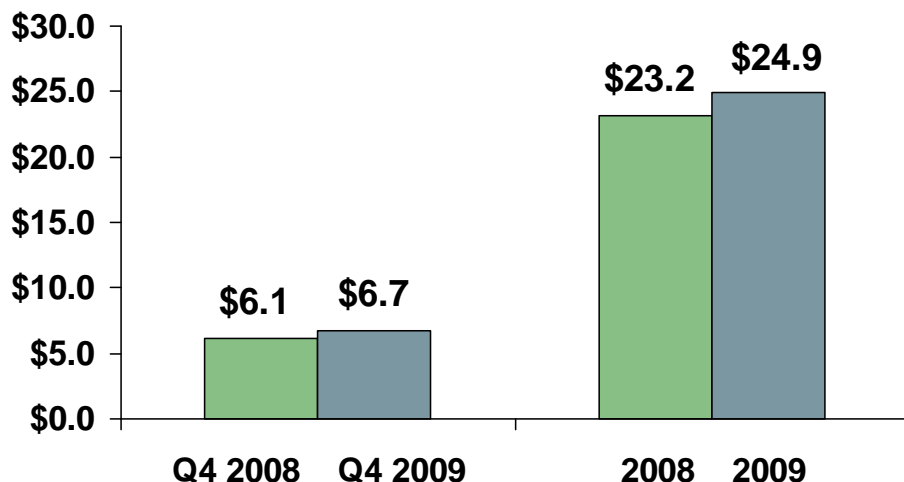


⁽¹⁾ Due to a change in Missile Defense Agency priorities, on June 10, 2009 the Kinetic Energy Interceptor program was terminated for convenience, resulting in a \$2.4 billion reduction of the Company's backlog at the end of the second quarter 2009.

**Solid bookings in the fourth quarter and full-year 2009;
book-to-bill greater than 1 in both periods**

Total Company Net Sales

Net Sales (\$B)



Fourth Quarter Net Sales (\$M)

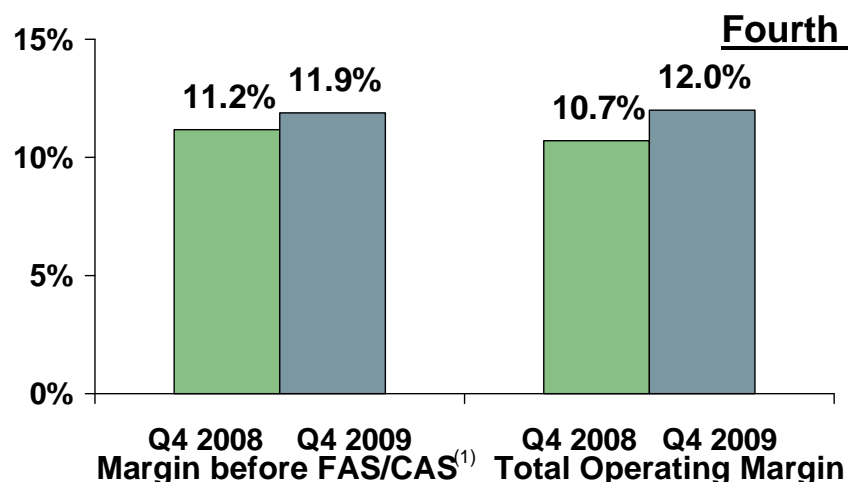
	<u>Q4 2008</u>	<u>Q4 2009</u>	<u>% Change</u>
IDS	1,423	1,541	8%
IIS	810	803	-1%
MS	1,366	1,413	3%
NCS	1,125	1,259	12%
SAS	1,166	1,266	9%
TS	744	888	19%
Corp./Elims.	(548)	(503)	NM
Total	6,086	6,667	10%

Full-Year Net Sales (\$M)

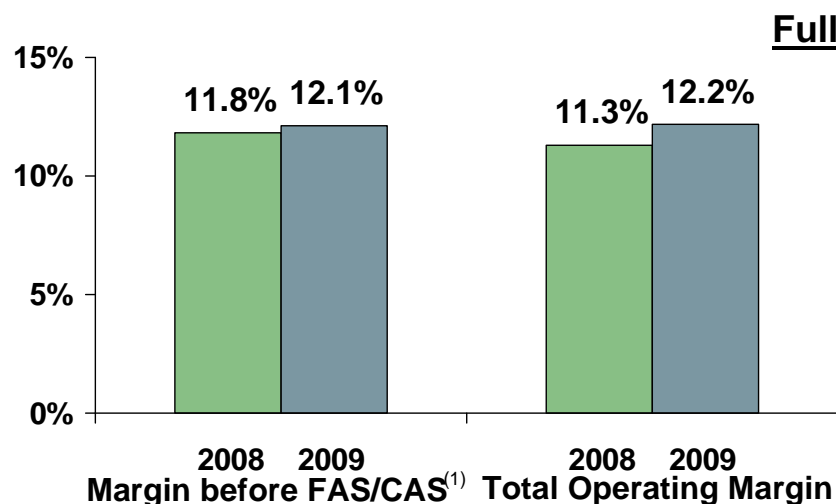
	<u>2008</u>	<u>2009</u>	<u>% Change</u>
IDS	5,148	5,525	7%
IIS	3,132	3,204	2%
MS	5,408	5,561	3%
NCS	4,510	4,822	7%
SAS	4,280	4,582	7%
TS	2,601	3,161	22%
Corp./Elims.	(1,905)	(1,974)	NM
Total	23,174	24,881	7%

Strong sales growth in both the quarter and full-year

Total Company Operating Margins



	Q4 2008	Q4 2009	Net Change
IDS	17.1%	16.2%	(90) bps
IIS	8.3%	8.0%	(30) bps
MS	10.4%	10.9%	50 bps
NCS	13.2%	13.4%	20 bps
SAS	14.3%	13.7%	(60) bps
RTSC	6.6%	6.5%	(10) bps
Corp and Elims	-\$134M	-\$74M	\$60M
Margin before FAS/CAS⁽¹⁾	11.2%	11.9%	70 bps
FAS/CAS Pension Adjustment	-0.5%	0.1%	60 bps
Total Operating Margin	10.7%	12.0%	130 bps

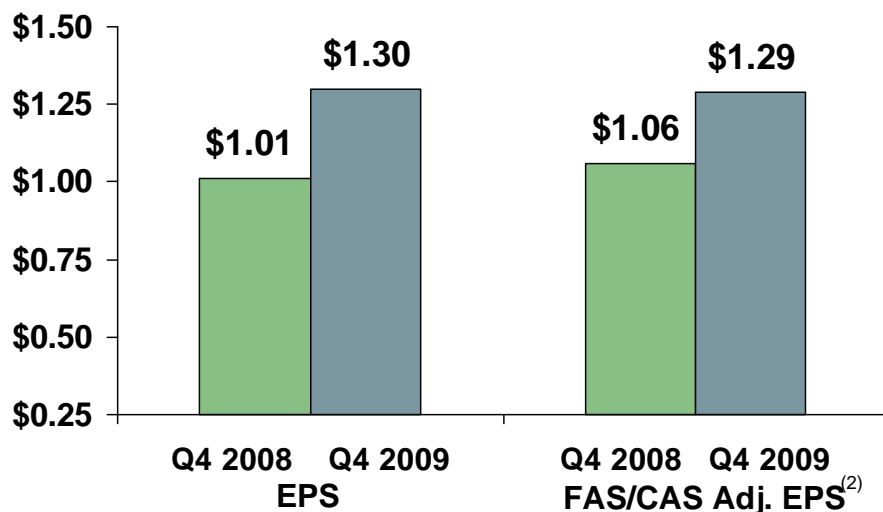


	2008	2009	Net Change
IDS	16.9%	15.5%	(140) bps
IIS	8.1%	8.1%	-
MS	10.8%	10.9%	10 bps
NCS	12.7%	14.0%	130 bps
SAS	13.3%	14.1%	80 bps
RTSC	6.7%	6.8%	10 bps
Corp and Elims	-\$282M	-\$243M	\$39M
Margin before FAS/CAS⁽¹⁾	11.8%	12.1%	30 bps
FAS/CAS Pension Adjustment	-0.5%	0.1%	60 bps
Total Operating Margin	11.3%	12.2%	90 bps

(1) Margin before FAS/CAS is defined as total operating margin excluding the margin impact of the FAS/CAS pension adjustment. Margin before FAS/CAS is a non-GAAP financial measure and may not be defined and calculated by other companies in the same manner. See page 16 for a reconciliation of Margin before FAS/CAS to total operating margin

Strong operational performance

Earnings Per Share from Continuing Operations: Fourth Quarter



EPS (\$)

Fourth Quarter 2008	\$1.01
Operational improvements	0.05
Reduced share count	0.09
2008 CAS pension adjustment	0.11 ⁽¹⁾
FAS/CAS pension adjustment	0.06
Other items, net	<u>(0.02)</u>
Fourth Quarter 2009	\$1.30

FAS/CAS Adjusted EPS (\$)⁽²⁾

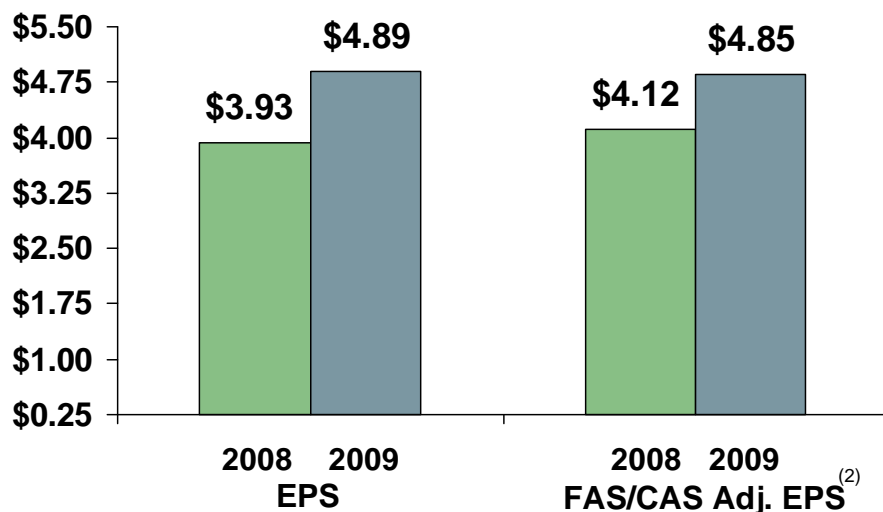
Fourth Quarter 2008	\$1.06
Operational improvements	0.05
Reduced share count	0.09
2008 CAS pension adjustment	0.11 ⁽¹⁾
Other items, net	<u>(0.02)</u>
Fourth Quarter 2009	\$1.29

(1) \$45 million (\$69 million pretax) adjustment due to the impact of pension investment returns on existing contracts in 2008.

(2) FAS/CAS Adjusted EPS is defined as EPS from continuing operations attributable to Raytheon Company common stockholders excluding the earnings per share impact of the FAS/CAS pension adjustment. FAS/CAS Adjusted EPS is a non-GAAP financial measure and may not be defined and calculated by other companies in the same manner. See page 16 for a reconciliation of FAS/CAS Adjusted EPS to EPS from continuing operations.

Fourth quarter 2009 EPS was up 29%

Earnings Per Share from Continuing Operations: Full-Year



EPS (\$)

Full-Year 2008	\$3.93
Operational improvements	0.28
Reduced share count	0.35
2008 CAS pension adjustment	0.11 ⁽¹⁾
FAS/CAS pension adjustment	0.23
Other items, net	(0.01)
Full-Year 2009	\$4.89

FAS/CAS Adjusted EPS (\$)⁽²⁾

Full-Year 2008	\$4.12
Operational improvements	0.28
Reduced share count	0.35
2008 CAS pension adjustment	0.11 ⁽¹⁾
Other items, net	(0.01)
Full-Year 2009	\$4.85

(1) \$45 million (\$69 million pretax) adjustment due to the impact of pension investment returns on existing contracts in 2008.

(2) FAS/CAS Adjusted EPS is defined as EPS from continuing operations attributable to Raytheon Company common stockholders excluding the earnings per share impact of the FAS/CAS pension adjustment. FAS/CAS Adjusted EPS is a non-GAAP financial measure and may not be defined and calculated by other companies in the same manner. See page 16 for a reconciliation of FAS/CAS Adjusted EPS to EPS from continuing operations.

Full-year 2009 EPS was up 24%

2010 Financial Outlook

	2009A	2010 Outlook	
		Current	Prior*
Net Sales (\$B)	24.9	25.9 - 26.4	25.9 - 26.4
FAS/CAS Pension Inc./ (Exp.) (\$M)	27	(220)**	(228)
Interest Expense, Net (\$M)	(109)	(95) - (110)**	(90) - (105)
Diluted Shares (M)	395.7	377 - 382	377 - 382
Effective Tax Rate	32.5%	~31.5%	~31.5%
EPS from Continuing Operations	\$4.89	\$4.75 - \$4.90	\$4.75 - \$4.90
FAS/CAS Adjusted EPS ⁽¹⁾	\$4.85	\$5.13 - \$5.28**	\$5.16 - \$5.31
Operating Cash Flow from Cont. Ops. (\$B)	2.7	2.0 - 2.2	2.0 - 2.2
ROIC (%) ⁽¹⁾	12.2	12.2 - 12.6	Not Provided

* As of October 22, 2009

** Denotes changes from prior guidance

- (1) FAS/CAS Adjusted EPS is defined as EPS from continuing operations attributable to Raytheon Company common stockholders excluding the earnings per share impact of the FAS/CAS pension adjustment. The statutory tax rate of 35.0% was used to calculate the after-tax impact of the current FAS/CAS pension adjustment. The effective tax rate of 31.5% was used to calculate the after-tax impact of the prior FAS/CAS pension adjustment. FAS/CAS Adjusted EPS and ROIC are non-GAAP financial measures and may not be defined and calculated by other companies in the same manner. See page 16 for a reconciliation of FAS/CAS Adjusted EPS to EPS from continuing operations attributable to Raytheon Company common stockholders and page 15 for a calculation of ROIC.

**Continued, solid growth in sales
and FAS/CAS Adjusted EPS**

2010 Financial Outlook: By Business

	<u>Sales (\$B)</u>	<u>Operating Margins (%)</u>
IDS	5.7 - 5.9	15.5 - 15.7%
IIS	3.2 - 3.4	8.5 - 8.7%
MS	5.6 - 5.8	10.8 - 11.0%
NCS	5.1 - 5.3	13.0 - 13.2%
SAS	4.6 - 4.8	13.8 - 14.0%
TS	3.3 - 3.5	6.7 - 6.9%
Corp. and Elims.	(1.9) - (2.0)	(\$250M)-(\$275M)
Subtotal	\$25.9 - \$26.4	11.8 - 12.0%
FAS/CAS Expense	-	-0.9%
Total Cont. Ops.	\$25.9 - \$26.4	10.9 - 11.1%

Continued sales growth and solid margins

2010 Financial Outlook: By Quarter

	2010 Estimates				
	Q1	Q2	Q3	Q4	Total
Sales	~23%	~24%	~25%	~28%	\$25.9B - \$26.4B
EPS	~21.5%	~23.5%	~24.5%	~30.5%	\$4.75 - \$4.90
Operating Cash Flow from Cont. Ops. (\$M)	100 - 150	250 - 300	300 - 350	1,350 - 1,400	\$2.0B - \$2.2B

Pension Impact

\$ millions

	<u>2009</u>	<u>2010</u>	Prior Assumption (10/22/09)
<u>P&L Impact</u>	<u>Actual</u>	<u>Current Assumption*</u>	<u>Prior Assumption (10/22/09)</u>
FAS	(\$646)	(\$861)	(\$903)
CAS	(673)	(641)	(675)
FAS/CAS Pension Inc./ (Exp.)	\$27	(\$220)	(\$228)
 <u>Cash Impact</u>			
Gross Funding Required	(\$1,115)	(\$1,140)	(\$1,186)

* Denotes change from prior guidance. Current assumption for 2010 is based on a discount rate of 6.25%, an actual return on assets of 17% for the year ending December 31, 2009, and an assumed long-term return on assets of 8.75%.

Appendix

Workdays in Fiscal Reporting Calendar

	Q1	Q2	Q3	Q4
2010	60	64	63	62
2009	<u>61</u>	<u>64</u>	<u>63</u>	<u>61</u>
Increase / (decrease)	(1)	0	0	1

	Q1	Q2	Q3	Q4
2009	61	64	63	61
2008	<u>63</u>	<u>64</u>	<u>63</u>	<u>60</u>
Increase / (decrease)	(2)	0	0	1

Return on Invested Capital (ROIC) Calculation

\$ millions

	2008	2009	Outlook 2010E
Income from cont. ops.	\$1,698	\$1,977	} Combined
FAS/CAS pension adjustment, after-tax*	80	(18)	
Net interest expense, after-tax*	42	71	
Lease expense, after-tax*	66	66	
Return	\$1,886	\$2,096	\$2,155-2,200
Net debt**	(169)	(132)	} Combined
Equity less investment in disc. ops.	10,920	9,560	
Lease exp. X 8, plus fin. guarantees	2,728	2,815	
Minimum pension liability/ASC 715	3,550	5,007	
Invested capital from cont. ops.***	\$17,029	\$17,250	\$17,700-17,500
ROIC	11.1%	12.2%	12.2-12.6%

* Calculated utilizing the federal statutory rate of 35.0%

** 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

The Company defines Return on Invested Capital (ROIC) as income from continuing operations excluding the after-tax affect of the FAS/CAS pension adjustment 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 impact of the new accounting standard for employers' accounting for defined benefit pension and other postretirement plans. 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 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

FAS/CAS Adjusted EPS Non-GAAP Reconciliation

	Fourth Quarter		Full Year		2010 Guidance	
	2009	2008	2009	2008	Low end of range	High end of range
	Diluted earnings per share from continuing operations attributable to Raytheon Company common stockholders	\$ 1.30	\$ 1.01 *	\$ 4.89	\$ 3.93 *	\$ 4.75
Less: Per share impact of the FAS/CAS Pension Adjustment**	0.01	(0.05)	0.04	(0.19)	(0.38)	(0.38)
FAS/CAS Adjusted EPS ***	<u>\$ 1.29</u>	<u>\$ 1.06</u>	<u>\$ 4.85</u>	<u>\$ 4.12</u>	<u>\$ 5.13</u>	<u>\$ 5.28</u>
** FAS/CAS Pension Adjustment	\$ 6	\$ (30)	\$ 27	\$ (123)	\$ (220)	\$ (220)
Tax affect (at 35.0% federal statutory rate)	(2)	10	(9)	43	77	77
After-tax FAS/CAS Pension Adjustment	4	(20)	18	(80)	(143)	(143)
Diluted Shares	388.4	416.4	395.7	426.5	382.0	377.0
Per share impact of the FAS/CAS Pension Adjustment	<u>\$ 0.01</u>	<u>\$ (0.05)</u>	<u>\$ 0.04</u>	<u>\$ (0.19)</u>	<u>\$ (0.38)</u>	<u>\$ (0.38)</u>

* Fourth quarter and full-year 2008 EPS from continuing operations includes the \$45 million (\$69 million pretax) unfavorable adjustment due to the impact of pension investment returns on existing contracts in 2008.

Total Operating Income and Margin before FAS/CAS Non-GAAP Reconciliation

	Fourth Quarter				Full Year				2010 Initial Guidance	
	2009		2008		2009		2008		Low end of range	High end of range
	Total Net Sales	\$ 6,667	\$ 6,086	\$ 24,881	\$ 23,174					
Total Operating Income and Margin	800	653	3,042	2,620	12.0%	10.7%	12.2%	11.3%	10.9%	11.1%
Less: FAS/CAS Pension Adjustment and Margin Impact	6	(30)	27	(123)	0.1%	(0.5) %	0.1%	(0.5) %	(0.9) %	(0.9) %
Total Operating Income and Margin before FAS/CAS***	<u>\$ 794</u>	<u>\$ 683</u>	<u>\$ 3,015</u>	<u>\$ 2,743</u>	<u>11.9%</u>	<u>11.2%</u>	<u>12.1%</u>	<u>11.8%</u>	<u>11.8%</u>	<u>12.0%</u>

*** 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. FAS/CAS Adjusted EPS is defined as EPS from continuing operations attributable to Raytheon Company common stockholders excluding the earnings per share impact of the FAS/CAS pension adjustment. Operating income and Margin before FAS/CAS is defined as total operating income and total operating margin excluding the margin impact of the FAS/CAS pension adjustment. We are providing these measures, which exclude the impact of the FAS/CAS pension adjustment, because management uses them for the purposes of evaluating and forecasting the Company's financial performance and we believe it allows 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 costs and to better compare our operating performance to others in the industry on that same basis.