Raytheon

Customer Success Is Our Mission

Second Quarter Earnings

July 29, 2010

Dial In Number
866.543.6405 Domestic
617.213.8897 International

Replay Number
888.286.8010 Domestic
617.801.6888 International
Reservation Number: 84678234

Replay available through August 5, 2010

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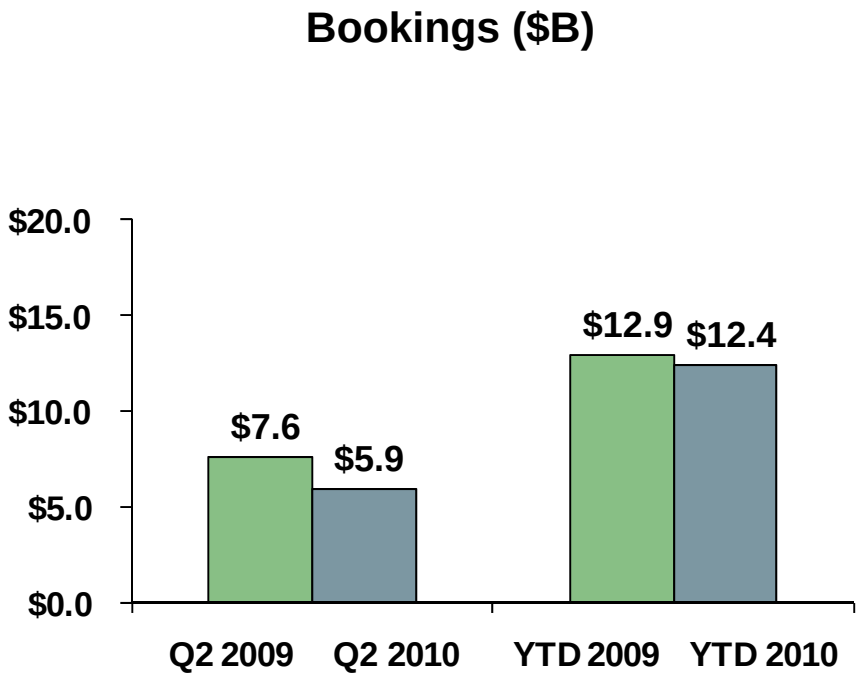
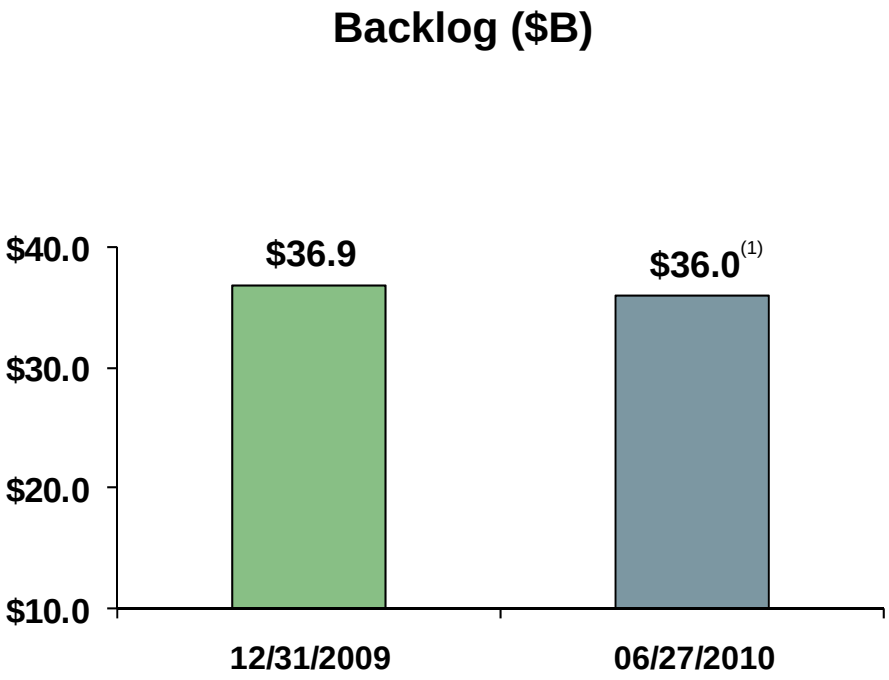
Second Quarter 2010

- Net sales of $6.0 billion[1]
- Adjusted EPS of $1.36, up 11 percent; reported EPS from continuing operations was $0.56[1]
- Adjusted operating margin of 12.6 percent, up 30 basis points; reported operating margin was 5.8 percent[1]
- Solid operating cash flow from continuing operations of $400 million

(1) A termination notice on a UK Border Agency program reduced second quarter 2010 net sales by $316 million, income from continuing operations before taxes by $395 million and EPS by $0.71 per share. 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 and the UK Border Agency program termination adjustment. Adjusted Operating Margin is defined as total operating margin excluding the margin impact of the FAS/CAS pension adjustment and the UK Border Agency program termination adjustment. Adjusted EPS and Adjusted Operating Margin are non-GAAP financial measures. See page 14 for a reconciliation of these measures and a discussion of why the Company is presenting this information.

Total Company Bookings and Backlog



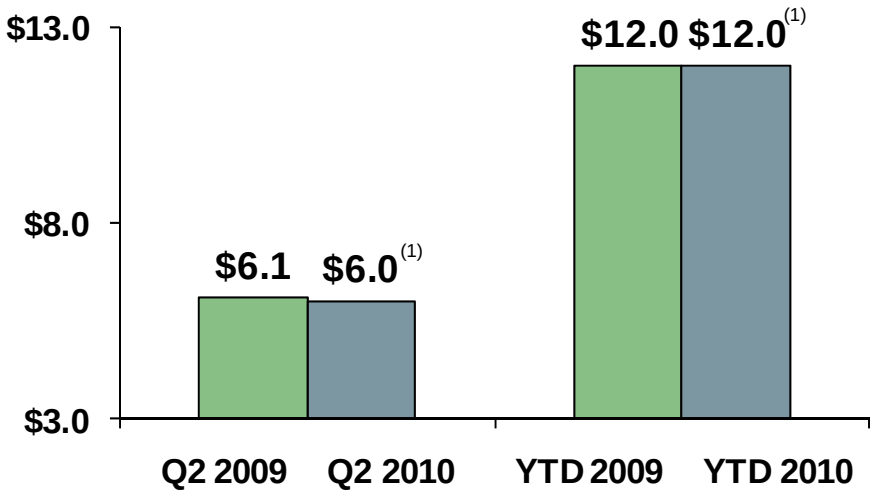


(1) *Backlog was reduced by a net $556 million as a result of the UK Border Agency program termination.*

Year-to-date book to bill greater than 1

Total Company Net Sales

Net Sales ($B)



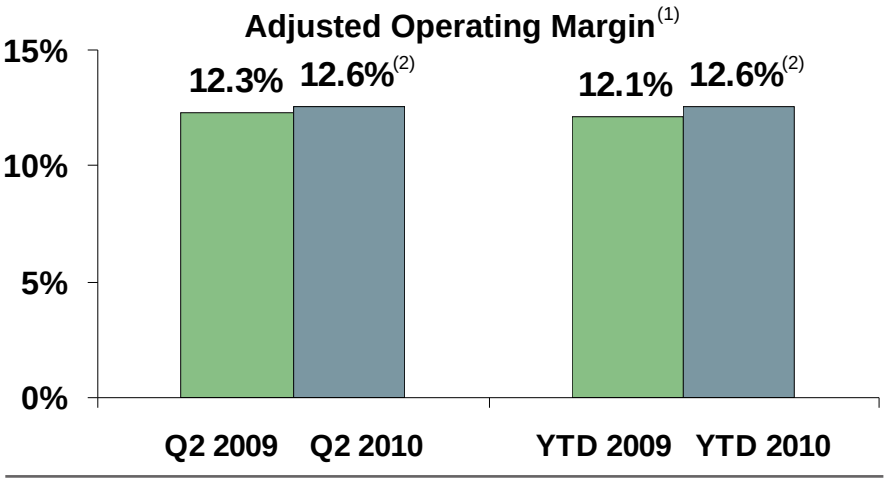
Second Quarter Net Sales ($M)

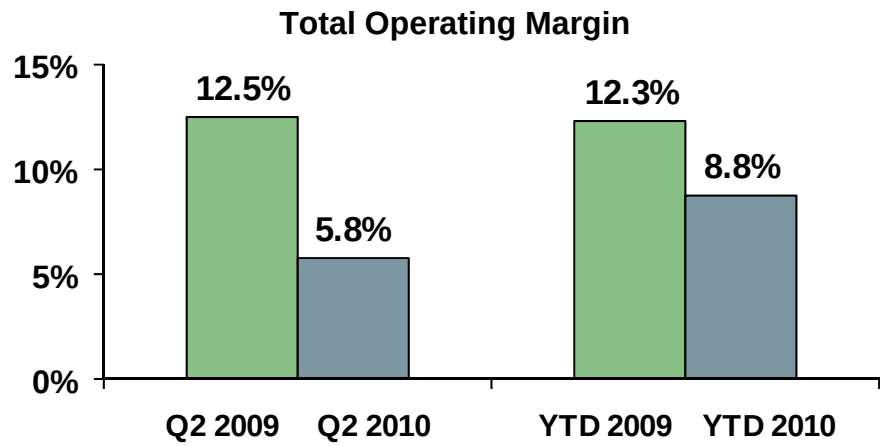
	Q2 2009	Q2 2010	% Change
IDS	$1,335	$1,352	1%
IIS	812	472 (1)	-42%
MS	1,384	1,415	2%
NCS	1,197	1,205	1%
SAS	1,136	1,197	5%
TS	780	834	7%
Corp/Elims	(519)	(502)	-3%
Total	**$6,125**	**$5,973** (1)	**-2%**

(1) *Net sales were reduced by $316 million as a result of the UK Border Agency program termination.*

Strong portfolio of programs

Total Company Operating Margins



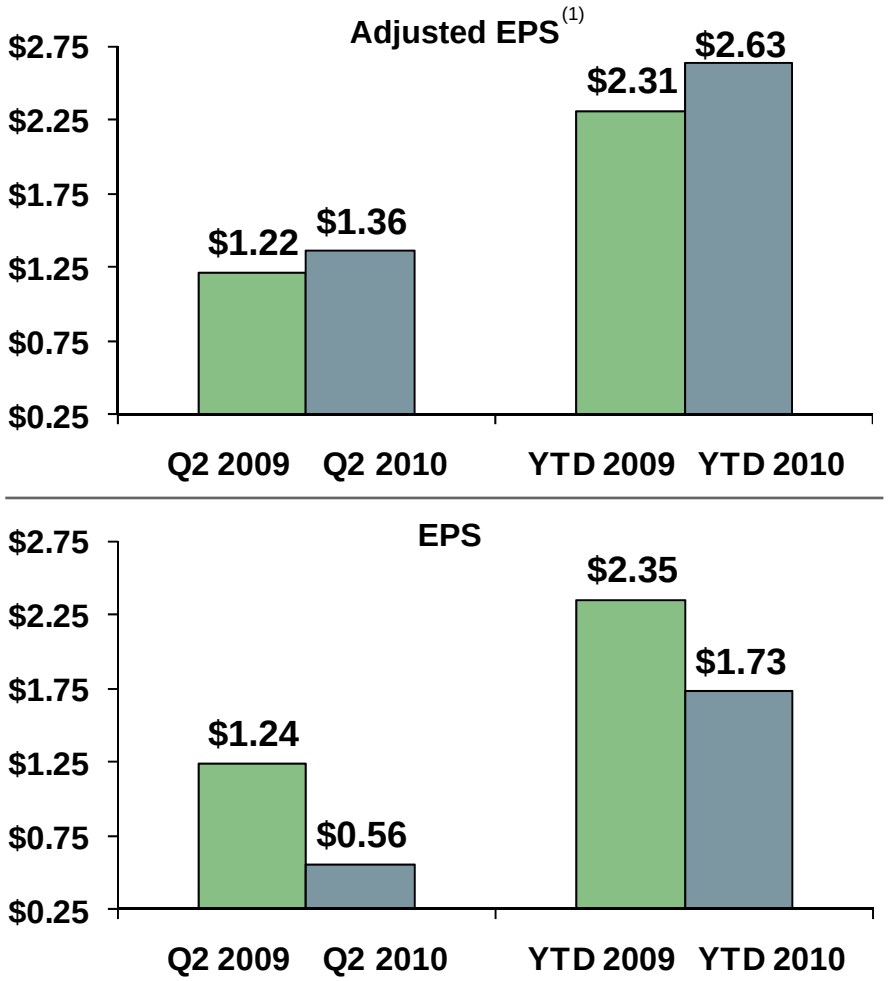


	Q2 2009	Q2 2010	Net Change
IDS	15.4%	16.3%	90 bps
IIS	8.1%	-69.7%(2)	NM
MS	10.6%	11.6%	100 bps
NCS	14.2%	13.8%	(40) bps
SAS	15.4%	14.3%	(110) bps
TS	6.8%	8.8%	200 bps
FAS/CAS Pension Adjustment	$11M	-$55M	($66M)
Corp and Elims	-$62M	-$66M	($4M)
Total Operating Margin	**12.5%**	**5.8%**	**(670) bps**
UK Border Agency Program Termination Adj.	-	5.9%	590 bps
FAS/CAS Pension Adjustment	-0.2%	0.9%	110 bps
Adjusted Operating Margin(1)	**12.3%**	**12.6%(2)**	**30 bps**

(1) See page 14 for a reconciliation of Adjusted Operating Margin to total operating margin and a discussion of why the Company is presenting this information.
(2) The calculation for operating margin includes a $316 million adjustment to net sales and a $395 million adjustment to operating income due to the UK Border Agency program termination.

Adjusted Operating Margin up 30 bps in Q2, up 50 bps year-to-date

Earnings Per Share from Continuing Operations



Adjusted EPS ($)(1)	
Second Quarter 2009	**$1.22**
Operational improvements	0.08
Reduced share count	0.05
Other items, net	0.01
Second Quarter 2010	**$1.36**

EPS ($)	
Second Quarter 2009	**$1.24**
Operational improvements	0.08
Reduced share count	0.05
FAS/CAS pension adjustment	(0.11)
UK Border Agency program term. adj.	(0.71)
Other items, net	0.01
Second Quarter 2010	**$0.56**

(1) See page 14 for a reconciliation of Adjusted EPS to EPS from continuing operations attributable to Raytheon Company common stockholders and a discussion of why the Company is presenting this information.

Adjusted EPS increased by 11% in Q2 and by 14% YTD

2010 Financial Outlook

	2009 Actual	2010 Outlook Current	2010 Outlook Prior*
Net Sales ($B)	24.9	25.6 - 26.1**	25.9 - 26.4
FAS/CAS Pension Inc./(Exp.) ($M)	27	(220)	(220)
Interest Expense, Net ($M)	(109)	(95) - (110)	(95) - (110)
Diluted Shares (M)	395.7	377 - 382	377 - 382
Effective Tax Rate	32.5%	~31.5%	~31.5%
EPS from Continuing Operations	$4.89	$4.00 - $4.15**	$4.75 - $4.90
Adjusted EPS(1)	$4.85	$5.13 - $5.28	$5.13 - $5.28
Operating Cash Flow from Cont. Ops. ($B)	2.7	2.0 - 2.2	2.0 - 2.2
ROIC (%)(1)	12.2	12.2 - 12.6	12.2 - 12.6

*** As of April 22, 2010**
**** Denotes changes from prior guidance**

(1) Adjusted EPS is defined as EPS from continuing operations attributable to Raytheon Company common stockholders excluding the EPS impact of the FAS/CAS pension adjustment and the UK Border Agency program termination adjustment. ROIC excludes the impact of the UK Border Agency program termination adjustment. Adjusted EPS and ROIC are non-GAAP financial measures. See page 14 for a reconciliation of Adjusted EPS to EPS from continuing operations and page 13 for a calculation of ROIC and discussions of why the Company is presenting this information.

Continued growth in Adjusted EPS

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2010 Financial Outlook: By Business

	Current Net Sales ($B)	Prior* Net Sales ($B)	Current Op. Margins	Prior* Op. Margins
IDS	5.7 - 5.9	5.7 - 5.9	15.5 - 15.7%	15.5 - 15.7%
IIS	2.8 - 3.0**	3.2 - 3.4	(5.3) - (5.5)%**	8.5 - 8.7%
MS	5.6 - 5.8	5.6 - 5.8	10.8 - 11.0%	10.8 - 11.0%
NCS	5.1 - 5.3	5.1 - 5.3	13.2 - 13.4%**	13.0 - 13.2%
SAS	4.6 - 4.8	4.6 - 4.8	13.8 - 14.0%	13.8 - 14.0%
TS	3.4 - 3.6**	3.3 - 3.5	7.1 - 7.3%**	6.7 - 6.9%
FAS/CAS Expense	-	-	($220)	($220)
Corp./Elims.	(1.9) - (2.0)	(1.9) - (2.0)	($250M) - ($275M)	($250M) - ($275M)
Total Cont. Ops.	$25.6 - $26.1**	$25.9 - $26.4	9.4 - 9.6%**	10.9 - 11.1%
UK Border Agency Program Termination Adjustment			1.5%**	-
FAS/CAS Expense			0.9%	0.9%
Adjusted Operating Margin			**11.8 - 12.0%**	**11.8 - 12.0%**

* *As of April 22, 2010*

** *Denotes change from prior guidance*

Continued sales growth and solid margins

2010 Financial Outlook: By Quarter

	2010 Estimates		
	Q3	Q4	Total
Sales	~24.5%	~29.0%	$25.6B - $26.1B
EPS	~26.5%	~31.5%	$4.00 - $4.15
Operating Cash Flow from Cont. Ops. ($M)	100 - 200	1,200 - 1,300	$2.0B - $2.2B

Appendix

Workdays in Fiscal Reporting Calendar

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

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Return on Invested Capital (ROIC) Calculation

$ millions

	2009	Outlook 2010E
Income from cont. ops.	$1,977	Combined
FAS/CAS pension adjustment, after-tax*	(18)	
UK Border Agency program termination, after-tax**	-	
Net interest expense, after-tax*	71	
Lease expense, after-tax*	66	
Return	**$2,096**	**$2,155-2,200**
Net debt***	(132)	Combined
Equity less investment in disc. ops.	9,560	
Lease exp. X 8, plus fin. guarantees	2,815	
Minimum pension liability/ASC 715	5,007	
Invested capital from cont. ops.**	**$17,250**	**$17,700-17,500**
ROIC	**12.2%**	**12.2-12.6%**

* Calculated utilizing the federal statutory rate of 35%
** Calculated utilizing the UK statutory tax rate of 28%
*** 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 effect of the FAS/CAS pension adjustment and the after-tax effect of the UK Border Agency program termination 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 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

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Adjusted EPS Non-GAAP Reconciliation

(In millions, except per share amounts)

	Three Months Ended		Six Months Ended		2010 Current Guidance		2010 Prior Guidance	
	2010	2009	2010	2009	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	$ 0.56	$ 1.24	$ 1.73	$ 2.35	$ 4.00	$ 4.15	$ 4.75	$ 4.90
Less: Per share impact of the FAS/CAS Pension Adjustment (A)	(0.09)	0.02	(0.18)	0.04	(0.38)	(0.38)	(0.38)	(0.38)
Less: Per share impact of United Kingdom (UK) Border Agency program termination (B)	(0.71)	-	(0.72)	-	(0.75)	(0.75)	-	-
Adjusted EPS (1)	$ 1.36	$ 1.22	$ 2.63	$ 2.31	$ 5.13	$ 5.28	$ 5.13	$ 5.28
(A) FAS/CAS Pension Adjustment	$ (55)	$ 11	$ (108)	$ 22	$ (220)	$ (220)	$ (220)	$ (220)
Tax effect (at 35% federal statutory rate)	19	(4)	38	(8)	77	77	77	77
After-tax impact	(36)	7	(70)	14	(143)	(143)	(143)	(143)
Diluted Shares	383.1	397.3	383.7	400.6	382.0	377.0	382.0	377.0
Per share impact (2)	$ (0.09)	$ 0.02	$ (0.18)	$ 0.04	$ (0.38)	$ (0.38)	$ (0.38)	$ (0.38)
(B) UK Border Agency program termination	$ (395)	$ -	$ (395)	$ -	$ (395)	$ (395)	$ -	$ -
Tax effect (actual at 30.6% blended global tax rate and guidance at 28% UK statutory rate)	121	-	121	-	111	111	-	-
After-tax adjustment	(274)	-	(274)	-	(284)	(284)	-	-
Diluted Shares	383.1	397.3	383.7	400.6	382.0	377.0	382.0	377.0
Per share impact (2)	$ (0.71)	$ -	$ (0.72)	$ -	$ (0.75)	$ (0.75)	$ -	$ -

Adjusted Income from Continuing Operations attributable to Raytheon Company common stockholders Non-GAAP Reconciliation

	Three Months Ended		Six Months Ended	
	2010	2009	2010	2009
Income from Continuing Operations attributable to Raytheon Company common stockholders	$ 212	$ 492	$ 665	$ 941
FAS/CAS Pension Adjustment (Tax effected at 35% federal statutory rate)	36	(7)	70	(14)
UK Border Agency program termination (Tax effected at 30.6% blended global tax rate)	274	-	274	-
Adjusted Income (1)	$ 522	$ 485	$ 1,009	$ 927

Adjusted operating margin Non-GAAP Reconciliation

(In millions, except per share amounts)

	Three Months Ended		Six Months Ended		2010 Current Guidance	
	2010	2009	2010	2009	Low end of range	High end of range
Operating margin	5.8 %	12.5 %	8.8 %	12.3 %	9.4 %	9.6 %
Less: Impact of the FAS/CAS Pension Adjustment	(0.9) %	0.2 %	(0.9) %	0.2 %	(0.9) %	(0.9) %
Less: Impact of UK Border Agency program termination	(5.9) %	0.0 %	(2.9) %	0.0 %	(1.5) %	(1.5) %
Adjusted operating margin (1)	12.6 %	12.3 %	12.6 %	12.1 %	11.8 %	12.0 %

(1) 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. We are providing these measures 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 and excluding significant unusual items.

Adjusted EPS is defined as diluted EPS from continuing operations attributable to Raytheon Company common stockholders excluding the EPS impact of the FAS/CAS pension adjustment and the UK Border Agency program termination. Adjusted operating margin is defined as total operating margin excluding the margin impact of the FAS/CAS pension adjustment and the UK Border Agency program termination. Adjusted Income from continuing operations attributable to Raytheon Company common stockholders is defined as income from continuing operations attributable to Raytheon Company common stockholders excluding the after-tax impact of the FAS/CAS pension adjustment and the after-tax impact of the UK Border Agency program termination.

(2) Amounts may not recalculate directly do to rounding.