

First Quarter Earnings

April 28, 2011

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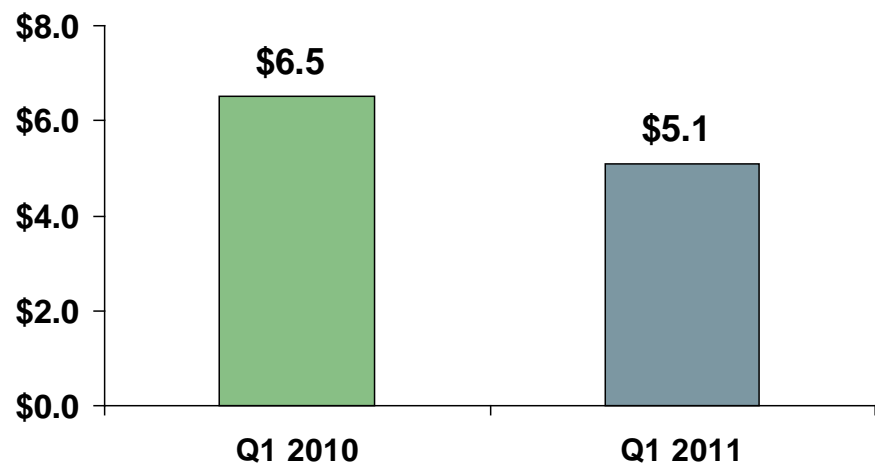
First Quarter 2011 Highlights

- Adjusted EPS of \$1.38, up 10 percent; EPS from continuing operations of \$1.06⁽¹⁾
- Adjusted operating margin of 12.5 percent, up 10 basis points; reported operating margin of 9.7 percent⁽¹⁾
- Net sales of \$6.1 billion
- As previously announced, increased annual dividend rate by 15 percent to \$1.72 per share

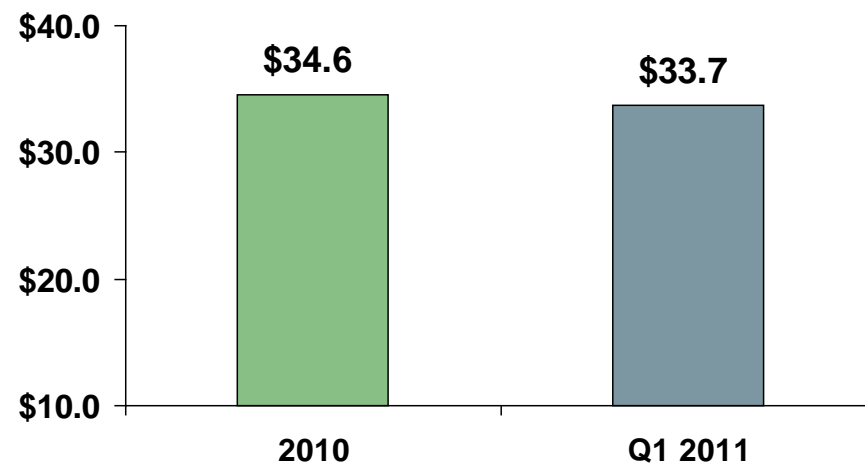
(1) Adjusted EPS is EPS from continuing operations attributable to Raytheon Company common stockholders excluding the EPS impact of the FAS/CAS Adjustment and, from time to time, certain other items. Adjusted Operating Margin is total operating margin excluding the margin impact of the FAS/CAS Adjustment, and from time to time, certain other items. See page 14 for a discussion of the FAS/CAS Adjustment, which represents the combination of the FAS/CAS Pension Adjustment and FAS/CAS PRB Adjustment. Q1 2011 Adjusted EPS and Adjusted Operating Margin also exclude the impact of the adjustment related to the UK Border Agency letters of credit (UKBA LOC Adjustment). The impact of the UKBA LOC Adjustment reduced first quarter 2011 income from continuing operations \$80 million pretax (\$56 million after-tax) and EPS by \$0.16 per share. Adjusted EPS and Adjusted Operating Margin are non-GAAP financial measures. See page 14 for more information on the UKBA LOC Adjustment, a reconciliation of these measures and a discussion of why the Company is presenting this information.

Total Company Bookings and Backlog

Bookings (\$B)



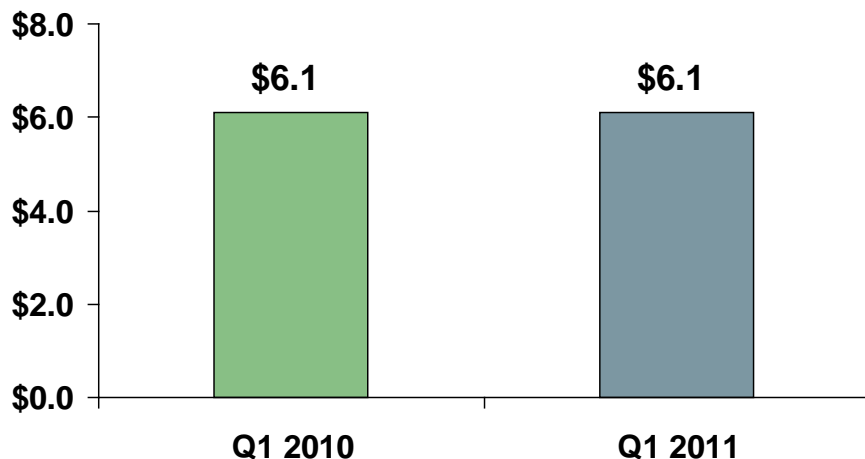
Backlog for Period Ending (\$B)



28 percent of first quarter bookings were international

Total Company Net Sales

Net Sales (\$B)

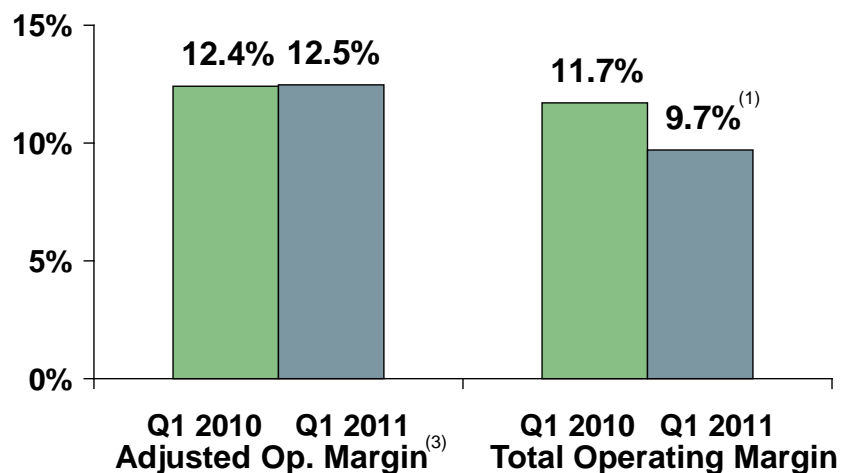


Net Sales (\$M)

	<u>Q1 2010</u>	<u>Q1 2011</u>	<u>% Change</u>
IDS	\$1,336	\$1,219	-9%
IIS	730	750	3%
MS	1,361	1,329	-2%
NCS	1,176	1,121	-5%
SAS	1,095	1,265	16%
TS	801	799	-
Corp/Elims	(446)	(421)	NM
Total	<u>\$6,053</u>	<u>\$6,062</u>	-
Workdays	60	64	

Solid sales performance in first quarter

Total Company Operating Margins



	Q1 2010	Q1 2011	Net Change
IDS	15.6%	15.8%	20 bps
IIS	6.6%	-3.7% ⁽¹⁾	NM
MS	11.5%	11.7%	20 bps
NCS	13.9%	14.3%	40 bps
SAS	14.2%	12.3% ⁽²⁾	(190) bps
TS	8.4%	10.1%	170 bps
FAS/CAS Adjustment	-\$42M	-\$89M	(\$47M)
Corp and Elims	-\$48M	-\$37M	\$11M
Total Operating Margin	11.7%	9.7%⁽¹⁾	(200) bps
UKBA LOC Adjustment	-	1.3%	130 bps
FAS/CAS Adjustment	0.7%	1.5%	80 bps
Adjusted Operating Margin⁽³⁾	12.4%	12.5%	10 bps

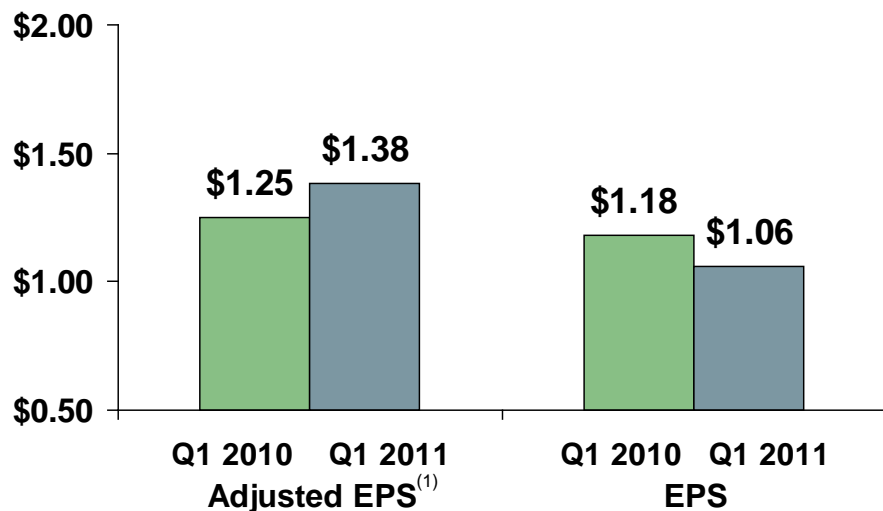
(1) The calculation for operating margin includes an \$80 million adjustment to operating income due to the UKBA LOC Adjustment. Excluding this adjustment, IIS' margins would have increased 30 basis points over Q1 2010.

(2) Includes acquisition-related costs of \$13 million or 100 basis points for Applied Signal Technology, Inc.

(3) 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.

Adjusted Operating Margin up year-over-year

Earnings Per Share from Continuing Operations



Adjusted EPS (\$)⁽¹⁾

First Quarter 2010	\$1.25
Operational improvements	0.02
Reduced share count	0.08
Other items, net	<u>0.03</u>
First Quarter 2011	\$1.38

EPS (\$)

First Quarter 2010	\$1.18
Operational improvements	0.02
Reduced share count	0.08
Other items, net	0.03
UKBA LOC Adjustment	(0.16)
FAS/CAS Adjustment	<u>(0.09)</u>
First Quarter 2011	\$1.06

(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.

First quarter 2011 Adjusted EPS up 10 percent

2011 Financial Outlook

	<u>Current</u>	<u>Prior*</u>
Net Sales (\$B)	25.5 - 26.3	25.5 - 26.3
FAS/CAS Adjustment (\$M) ⁽¹⁾	(365) ^{**}	(367)
Interest Expense, Net (\$M)	(155) - (165)	(155) - (165)
Diluted Shares (M)	353 - 359	353 - 359
Effective Tax Rate	~30.5%	~30.5%
EPS from Continuing Operations	\$4.67 - \$4.82 ^{**}	\$4.83 - \$4.98
Adjusted EPS ⁽²⁾	\$5.50 - \$5.65	\$5.50 - \$5.65
Operating Cash Flow from Cont. Ops. (\$B)	2.0 - 2.2	2.0 - 2.2
ROIC (%) ⁽¹⁾	13.1 - 13.6 ^{**}	13.4 - 13.9

* As of January 27, 2011

** Denotes changes from prior guidance

(1) As previously reported in the Company's 2010 Form 10-K, beginning in 2011, the Company began treating for management reporting purposes the FAS/CAS PRB Adjustment consistent with the FAS/CAS Pension Adjustment. See page 14 for a discussion of the FAS/CAS Adjustment, which represents the combination of the FAS/CAS Pension Adjustment and the FAS/CAS PRB Adjustment. This change is now reflected in the current 2011 outlook for the FAS/CAS Adjustment & ROIC. ROIC is a non-GAAP financial measure. For more information on the calculation and the Company's use of ROIC, see page 13.

(2) Adjusted EPS is EPS from continuing operations attributable to Raytheon Company common stockholders excluding the EPS impact of the FAS/CAS adjustment and, from time to time, certain other items. 2011 Adjusted EPS also excludes the impact of the UKBA LOC Adjustment. Adjusted EPS is a non-GAAP financial measure. See page 14 for more information about the UKBA LOC Adjustment, a reconciliation of Adjusted EPS to EPS from continuing operations and a discussion of why the Company is presenting this information.

Reaffirms 2011 outlook for net sales, Adjusted EPS, & operating cash flow from continuing operations

2011 Financial Outlook: By Business

	<u>Sales (\$B)</u>	<u>Current Op. Margins (%)</u>	<u>Prior * Op. Margins (%)</u>
IDS	5.1 - 5.3	16.2 - 16.4%	16.2 - 16.4%
IIS	3.0 - 3.2	5.0 - 5.2% **	7.5 - 7.7%
MS	5.9 - 6.1	11.1 - 11.3%	11.1 - 11.3%
NCS	4.9 - 5.1	13.6 - 13.8%	13.6 - 13.8%
SAS	4.9 - 5.1	13.3 - 13.5%	13.3 - 13.5%
TS	3.5 - 3.7	7.6 - 7.8%	7.6 - 7.8%
FAS/CAS Adjustment	-	(365)	(367)
Corp./Elims.	<u>(2.0) - (2.1)</u>	<u>(\$260M)-(\$285M)</u>	<u>(\$260M)-(\$285M)</u>
Total Cont. Ops.	\$25.5 - \$26.3	10.3 - 10.5% **	10.6 - 10.8%
UKBA LOC Adjustment		0.3% **	-
FAS/CAS Adjustment		1.4%	1.4%
Adjusted Operating Margin⁽¹⁾		12.0 - 12.2%	12.0 - 12.2%

* As of January 27, 2011

** Change from prior guidance to reflect the impact of the UKBA LOC Adjustment

(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.

2011 Financial Outlook: By Quarter

	2011 Estimates			
	Q2	Q3	Q4	Total
Sales	~23.5%	~25%	~28.5%	\$25.5B - \$26.3B
EPS	~23%	~25%	~30%	\$4.67 - \$4.82
Operating Cash Flow from Cont. Ops. (\$M)	0 - 200	625 - 725	1,300 - 1,400	\$2.0B - \$2.2B

Appendix

Workdays in Fiscal Reporting Calendar

	Q1	Q2	Q3	Q4
2011	64	64	63	57
2010	<u>60</u>	<u>64</u>	<u>63</u>	<u>62</u>
Increase / (decrease)	4	0	0	(5)

Return on Invested Capital (ROIC) Calculation

\$ millions

	2010	2011 Outlook
Income from cont. ops.	\$1,843	} Combined
FAS/CAS Adjustment, after-tax*	122	
Q2 2010 UK Border Agency program adjustment, after-tax**	284	
Q3 2010 favorable tax settlement	(170)	
2010 early debt retirement make-whole provision, after-tax*	47	
Net interest expense, after-tax*	72	
Lease expense, after-tax*	67	
Return	\$2,265	\$2,165-2,215
Net debt***	(171)	} Combined
Equity less investment in disc. ops.	9,944	
Lease exp. X 8, plus fin. guarantees	2,890	
Pension & PRB liability, net of tax	3,323	
Invested capital from cont. ops.****	\$15,986	\$16,530-16,330
ROIC	14.2%	13.1-13.6%

* 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

As previously reported in the Company's 2010 Form 10-K, beginning in 2011, in order to more clearly show each business' underlying operational performance, the Company began treating for management reporting purposes the difference between our postretirement benefits (PRB) expense or income under FAS and our PRB expense under CAS (FAS/CAS PRB Adjustment) consistent with the FAS/CAS Pension Adjustment. The FAS/CAS Adjustment, as shown above, represents the combination of the FAS/CAS Pension Adjustment and FAS/CAS PRB Adjustment. The ROIC definition and calculation have been prepared to reflect this change. We define ROIC as income from continuing operations excluding the after-tax effect of the FAS/CAS Adjustment and, from time to time, certain other items, 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 liability for defined benefit pension and PRB plans, net of tax. 2011 ROIC also excludes from income from continuing operations the \$58 million after-tax effect of the UKBA LOC Adjustment. This adjustment is based on the UKBA's decision to draw down on the previously disclosed letters of credit provided by Raytheon Systems Limited (RSL). The determination of the validity of the draw down is now a subject of the ongoing arbitration proceedings related to the UKBA program. 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 the 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*

Adjusted EPS Non-GAAP Reconciliation

(In millions, except per share amounts)

	First Quarter		2011 Guidance	
	2011	2010	Low end of range	High end of range
	Diluted earnings per share from continuing operations attributable to Raytheon Company common	\$ 1.06	\$ 1.18	\$ 4.67
Per share impact of the FAS/CAS Adjustment (A)	0.16	0.07	0.66	0.67
Per share impact of the UKBA LOC Adjustment (B)	0.16	-	0.16	0.16
Adjusted EPS (3), (4)	<u>\$ 1.38</u>	<u>\$ 1.25</u>	<u>\$ 5.50</u>	<u>\$ 5.65</u>
(A) FAS/CAS Adjustment	\$ 89	\$ 42	\$ 365	\$ 365
Tax effect (1)	(31)	(15)	(128)	(128)
After-tax impact	58	27	237	237
Diluted Shares	360.8	384.4	359.0	353.0
Per share impact	<u>\$ 0.16</u>	<u>\$ 0.07</u>	<u>\$ 0.66</u>	<u>\$ 0.67</u>
(B) UKBA LOC Adjustment	\$ 80	\$ -	\$ 80	\$ 80
Tax effect (2)	(24)	-	(22)	(22)
After-tax impact	56	-	58	58
Diluted Shares	360.8	-	359.0	353.0
Per share impact	<u>\$ 0.16</u>	<u>\$ -</u>	<u>\$ 0.16</u>	<u>\$ 0.16</u>

Adjusted Income Non-GAAP Reconciliation

(In millions)

	First Quarter	
	2011	2010
Income from continuing operations attributable to Raytheon common stockholders	\$ 383	\$ 453
FAS/CAS Adjustment	58	27
UKBA LOC Adjustment	56	-
Adjusted Income (3), (5)	<u>\$ 497</u>	<u>\$ 480</u>

Adjusted Operating Margin Non-GAAP Reconciliation

	First Quarter		2011 Guidance	
	2011	2010	Low end of range	High end of range
Operating Margin	9.7 %	11.7 %	10.3 %	10.5 %
Impact of the FAS/CAS Adjustment	1.5 %	0.7 %	1.4 %	1.4 %
Impact of the UKBA LOC Adjustment	1.3 %	- %	0.3 %	0.3 %
Adjusted Operating Margin (3), (6)	<u>12.5 %</u>	<u>12.4 %</u>	<u>12.0 %</u>	<u>12.2 %</u>

* As previously reported in the Company's 2010 Annual Report on Form 10-K, beginning in 2011, in order to more clearly show each business' underlying operational performance, we began treating for management reporting purposes the difference between our postretirement benefits (PRB) expense or income under FAS and our PRB expense under CAS (FAS/CAS PRB Adjustment) consistent with the FAS/CAS Pension Adjustment. The FAS/CAS Adjustment, as shown above, represents the combination of the FAS/CAS Pension Adjustment and FAS/CAS PRB Adjustment. This Preliminary Non-GAAP financial measures information has been prepared to reflect this change.

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

(2) Tax effected at approximately 30% blended global tax rate. Guidance tax effected at 27%.

(3) 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 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.

(4) Adjusted EPS is diluted EPS from continuing operations attributable to Raytheon Company common stockholders excluding the EPS impact of the FAS/CAS Adjustment and, from time to time, certain other items. In addition to the FAS/CAS Adjustment, first quarter 2011 Adjusted EPS also excludes the impact of the UKBA LOC Adjustment. This adjustment is based on the UKBA's decision to draw down on the previously disclosed letters of credit provided by Raytheon Systems Limited (RSL). The determination of the validity of the drawdown is now a subject of the ongoing arbitration proceedings related to the UK Border Agency program.

(5) 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. In addition to the FAS/CAS Adjustment, first quarter 2011 Adjusted Income also excludes the after-tax impact of the UKBA LOC Adjustment, as described above.

(6) 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. In addition to the FAS/CAS Adjustment, first quarter 2011 Adjusted Operating Margin also excludes the impact of the UKBA LOC Adjustment, as described above.