



AIR  
LAND  
SEA  
SPACE  
CYBER

# First Quarter 2014 Conference Call

April 24, 2014

Dial In Number  
866.953.6857 Domestic  
617.399.3481 International  
Reservation Number: 30392089

Replay Number  
888.286.8010 Domestic  
617.801.6888 International  
Reservation Number: 46214664

Replay available through May 2, 2014

# 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 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 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.

# First Quarter 2014 Highlights

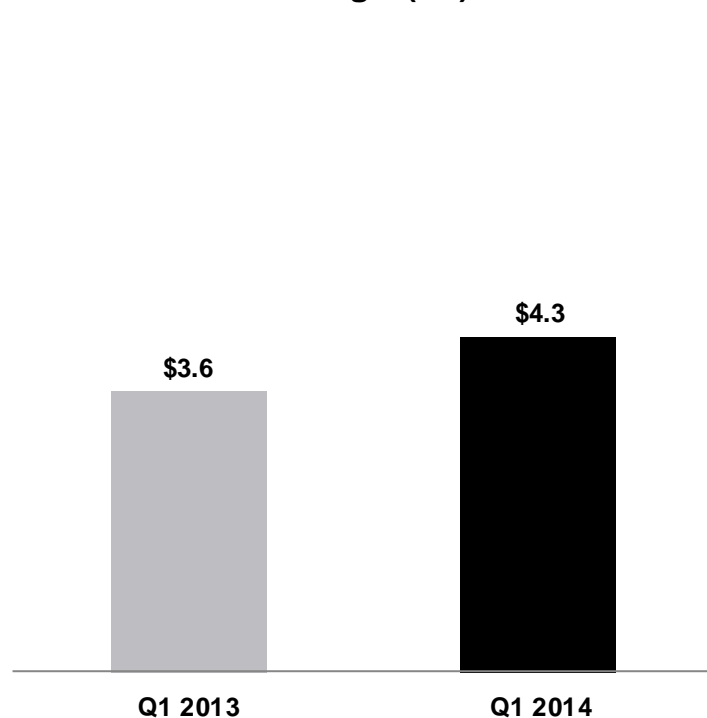
---

- EPS from continuing operations of \$1.87; Adjusted EPS<sup>(1)</sup> of \$1.43
- Reported operating margin of 14.3 percent; Adjusted Operating Margin<sup>(1)</sup> of 12.7 percent
- Net sales of \$5.5 billion
- Strong operating cash flow from continuing operations of \$659 million
- As previously announced, increased annual dividend by 10 percent to \$2.42 per share

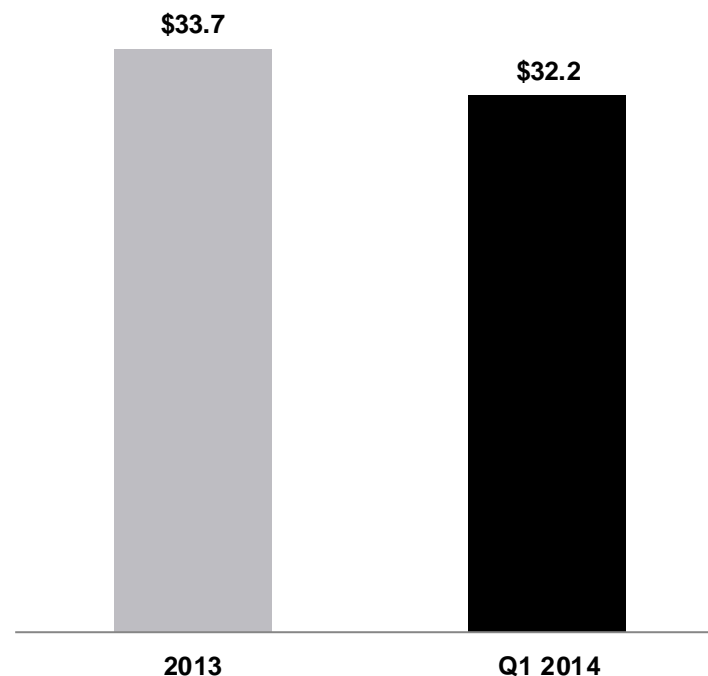
*(1) Adjusted EPS is EPS from continuing operations attributable to Raytheon Company common stockholders and Adjusted Operating Margin is total operating margin, in each case, excluding the impact of the FAS/CAS Adjustment, and from time to time, certain other items. First quarter 2014 Adjusted EPS excluded the \$0.25 favorable tax impact of approximately \$80 million resulting from cash repatriation in the first quarter 2014. Q1 2013 Adjusted EPS also excludes the impact of the research and development (R&D) tax credit that relates to 2012. Adjusted EPS and Adjusted Operating Margin are non-GAAP financial measures. See pages 13 and 14 for a reconciliation of these measures and a discussion of why the Company is presenting this information.*

# Total Company Bookings and Backlog

Bookings (\$B)

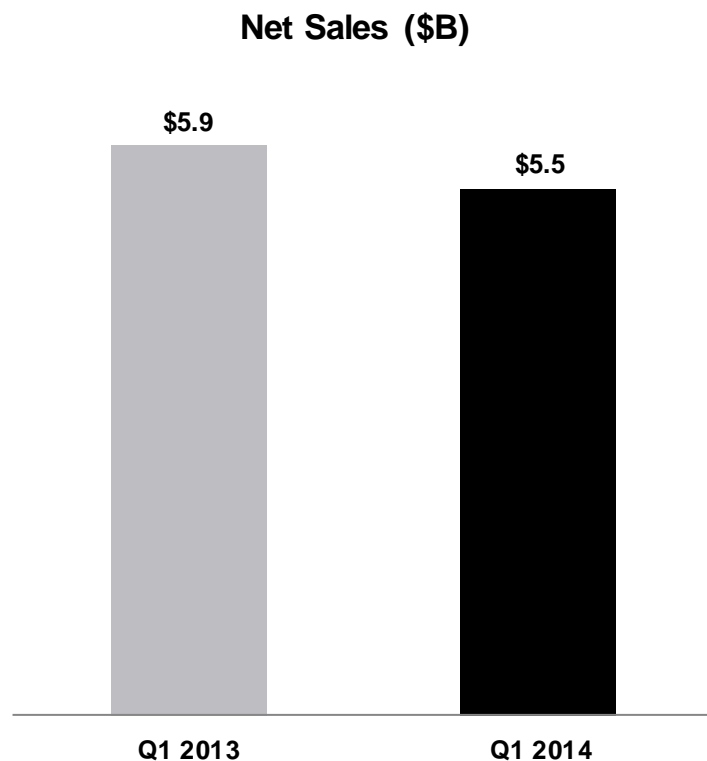


Backlog for Period Ending (\$B)



**Book-to-bill of 0.98 on a trailing four quarter basis**

# Total Company Net Sales



## Net Sales (\$M)

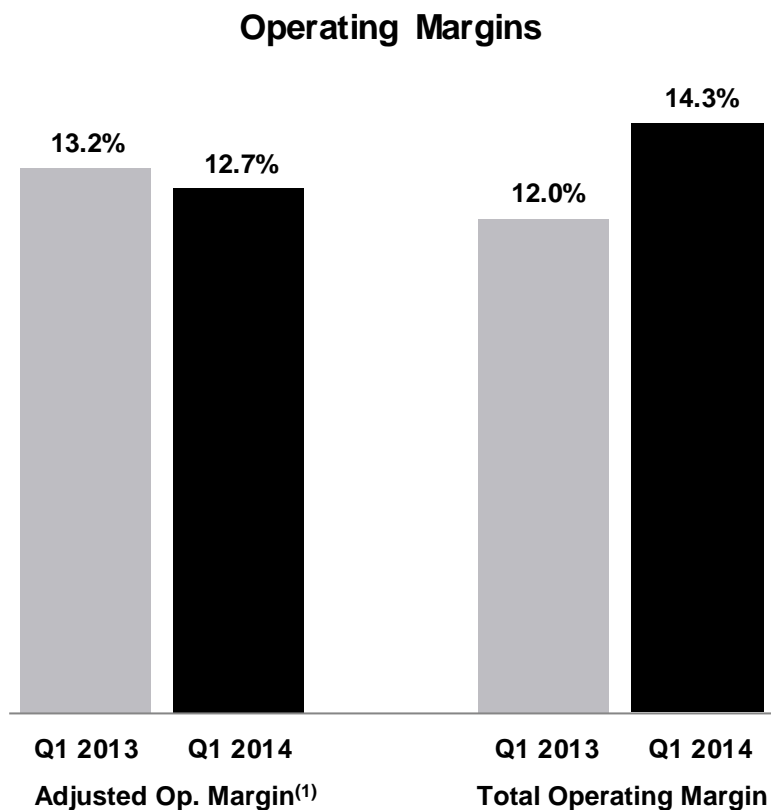
	Q1 2013	Q1 2014	% Change
<b>IDS</b>	\$1,596	\$1,481	-7%
<b>IIS</b>	1,521	1,450	-5%
<b>MS</b>	1,636	1,574	-4%
<b>SAS</b>	1,582	1,398 *	-12% *
<b>Corp/Elims</b>	(456)	(395) *	NM
<b>Total</b>	<b>\$5,879</b>	<b>\$5,508</b>	<b>-6%</b>
<b>Workdays</b>	<b>63</b>	<b>62</b>	

\* Reflects \$68 million of reduced intersegment sales at SAS. Excluding the impact of intersegment sales, SAS external sales are down 8 percent.

*NM = Not Meaningful*

**Q1 2014 total sales consistent with guidance**

# Total Company Operating Margins

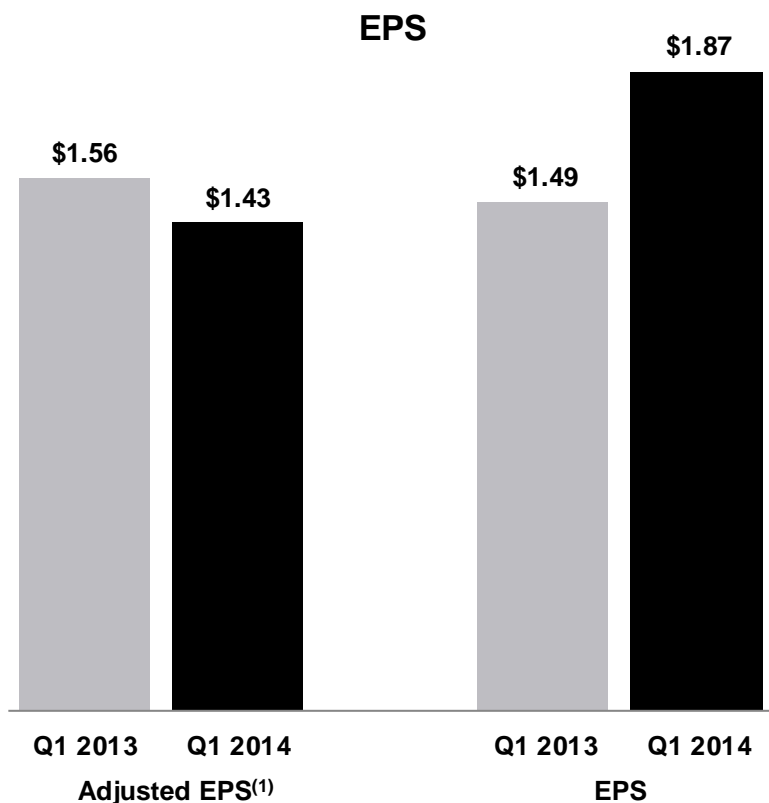


	Q1 2013	Q1 2014	Change
<b>IDS</b>	16.4%	15.3%	(110) bps
<b>IIS</b>	8.2%	8.6%	40 bps
<b>MS</b>	13.1%	13.2%	10 bps
<b>SAS</b>	14.3%	13.6%	(70) bps
<b>FAS/CAS Adjustment</b>	(\$71M)	\$87M	\$158M
<b>Corp/Elims</b>	(\$50M)	(\$48M)	\$2M
<b>Total Operating Margin</b>	<b>12.0%</b>	<b>14.3%</b>	230 bps
<b>FAS/CAS Adjustment</b>	1.2%	(1.6)%	(280) bps
<b>Adjusted Operating Margin<sup>(1)</sup></b>	<b>13.2%</b>	<b>12.7%</b>	(50) bps

(1) Adjusted Operating Margin 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. Amounts may not add due to rounding.

**Solid overall operational performance**

# Earnings Per Share from Continuing Operations



Adjusted EPS (\$) <sup>(1)</sup>	
<b>First Quarter 2013</b>	<b>\$1.56</b>
Operations	(0.16)
Reduced share count	0.05
<b>First Quarter 2014</b>	<b>\$1.43</b>

EPS (\$)	
<b>First Quarter 2013</b>	<b>\$1.49</b>
Operations	(0.16)
Reduced share count	0.05
FAS/CAS Adjustment	0.32
2012 R&D tax credit	(0.08)
Tax benefit from cash repatriation	0.25
<b>First Quarter 2014</b>	<b>\$1.87</b>

(1) Adjusted EPS is a non-GAAP financial measure. See page 13 for a reconciliation of this measure and a discussion of why the Company is presenting this information. Numbers may not add due to rounding.

**Q1 2014 EPS exceeded guidance**

# 2014 Financial Outlook

	Outlook
Net Sales (\$B)	22.5 - 23.0
FAS/CAS Adjustment (\$M)	346
Interest Expense, Net (\$M)	(200) - (210)
Diluted Shares (M)	312 - 314
Effective Tax Rate	Approx. 28.5%
EPS from Continuing Operations	\$6.74 - \$6.89
Adjusted EPS <sup>(1)</sup>	\$5.76 - \$5.91
Operating Cash Flow from Cont. Ops. (\$B)	2.3 - 2.5

(1) Adjusted EPS is a non-GAAP financial measure. See page 13 for a reconciliation of this measure and a discussion of why the Company is presenting this information.



# 2014 Financial Outlook: By Business

	Net Sales (\$B)	Operating Margins (%)
IDS	6.3 - 6.5	16.4 - 16.6%
IIS	5.7 - 5.9	8.1 - 8.3%
MS	6.1 - 6.3	12.4 - 12.6%
SAS	5.9 - 6.1	13.3 - 13.5%
FAS/CAS Adjustment	-	346
Corp./Elims.	(1.7) - (1.8)	(\$250M) - (\$260M)
<b>Total Cont. Ops.</b>	<b>\$22.5 - \$23.0</b>	<b>14.1 - 14.3%</b>
<b>FAS/CAS Adjustment</b>		<b>(1.5%)</b>
<b>Adjusted Operating Margin<sup>(1)</sup></b>		<b>12.6 - 12.8%</b>

(1) Adjusted Operating Margin 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.

# 2014 Financial Outlook: By Quarter

	2014 Estimates			
	Q2	Q3	Q4	Total
<b>Sales</b>	~24.5%	~25%	~26.5%	\$22.5B - \$23.0B
<b>EPS</b>	~21.5%	~24.5%	~26.5%	\$6.74 - \$6.89
<b>Operating Cash Flow from Cont. Ops. (\$M)</b>	(50) - 50	600 - 700	1,050 - 1,150	\$2.3B - \$2.5B

# 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		2014 Guidance	
	30-Mar-14	31-Mar-13	Low end of range	High end of range
	Diluted EPS from continuing operations attributable to Raytheon Company common stockholders	\$ 1.87	\$ 1.49	\$ 6.74
Per share impact of the FAS/CAS Adjustment (A)	(0.18)	0.14	(0.72)	(0.72)
Per share impact of the tax benefit of cash repatriation (B)	(0.25)	-	(0.25)	(0.26)
Per share impact of the 2012 research & development (R&D) tax credit (C)	-	(0.08)	-	-
Adjusted EPS (2), (3)	<u>\$ 1.43</u>	<u>\$ 1.56</u>	<u>\$ 5.76</u>	<u>\$ 5.91</u>
(A) FAS/CAS Adjustment	\$ (87)	\$ 71	\$ (346)	\$ (346)
Tax effect (1)	30	(25)	121	121
After-tax impact	(57)	46	(225)	(225)
Diluted shares	315.8	328.2	314.0	312.0
Per share impact	<u>\$ (0.18)</u>	<u>\$ 0.14</u>	<u>\$ (0.72)</u>	<u>\$ (0.72)</u>
(B) Tax benefit of cash repatriation	\$ (80)	\$ -	\$ (80)	\$ (80)
Diluted shares	315.8	-	314.0	312.0
Per share impact	<u>\$ (0.25)</u>	<u>\$ -</u>	<u>\$ (0.25)</u>	<u>\$ (0.26)</u>
(C) 2012 R&D tax credit	\$ -	\$ (25)	\$ -	\$ -
Diluted shares	-	328.2	-	-
Per share impact	<u>\$ -</u>	<u>\$ (0.08)</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. First quarter 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. First quarter 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)

	<u>Three Months Ended</u>	
	<u>30-Mar-14</u>	<u>31-Mar-13</u>
Income from continuing operations attributable to Raytheon Company common stockholders	\$ 589	\$ 490
FAS/CAS Adjustment (1)	(57)	46
Tax benefit of cash repatriation	(80)	-
2012 R&D tax credit	-	(25)
Adjusted Income (2), (3)	<u>\$ 452</u>	<u>\$ 511</u>

## Adjusted Operating Margin Non-GAAP Reconciliation

	<u>Three Months Ended</u>		<u>2014 Guidance</u>	
	<u>30-Mar-14</u>	<u>31-Mar-13</u>	<u>Low end of range</u>	<u>High end of range</u>
Operating Margin	14.3 %	12.0 %	14.1 %	14.3 %
Impact of the FAS/CAS Adjustment	(1.6) %	1.2 %	(1.5) %	(1.5) %
Adjusted Operating Margin (2), (4)	<u>12.7 %</u>	<u>13.2 %</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. First quarter 2014 Adjusted Income also excludes the impact of the net tax benefit, as discussed on page 13. First quarter 2013 Adjusted Income also excludes the R&D tax credit that relates to 2012, as discussed on page 13.

(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.