




Third Quarter 2017 Conference Call

October 26, 2017



Dial In Number
877.280.4957 Domestic
857.244.7314 International
Reservation Number: 32664483

Replay Number
888.286.8010 Domestic
617.801.6888 International
Reservation Number: 66774108

Replay available through Nov. 3, 2017

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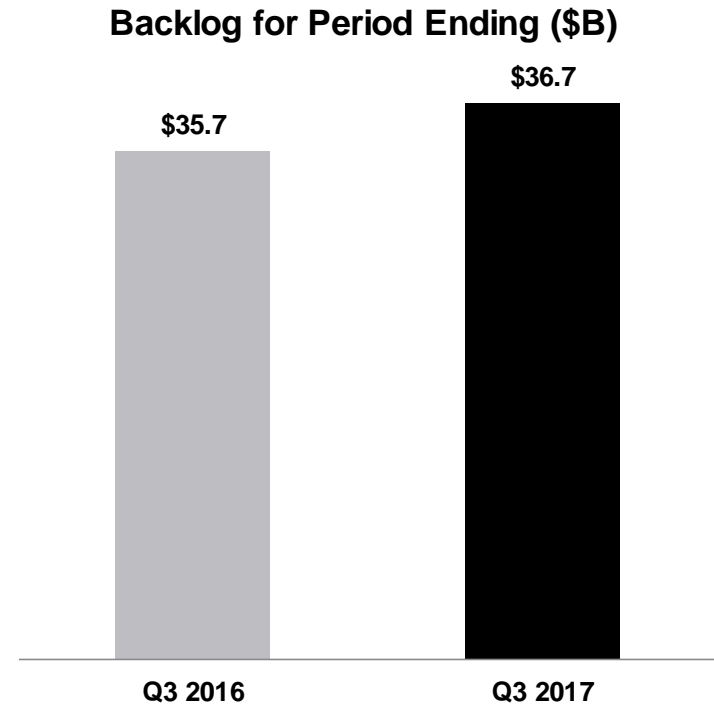
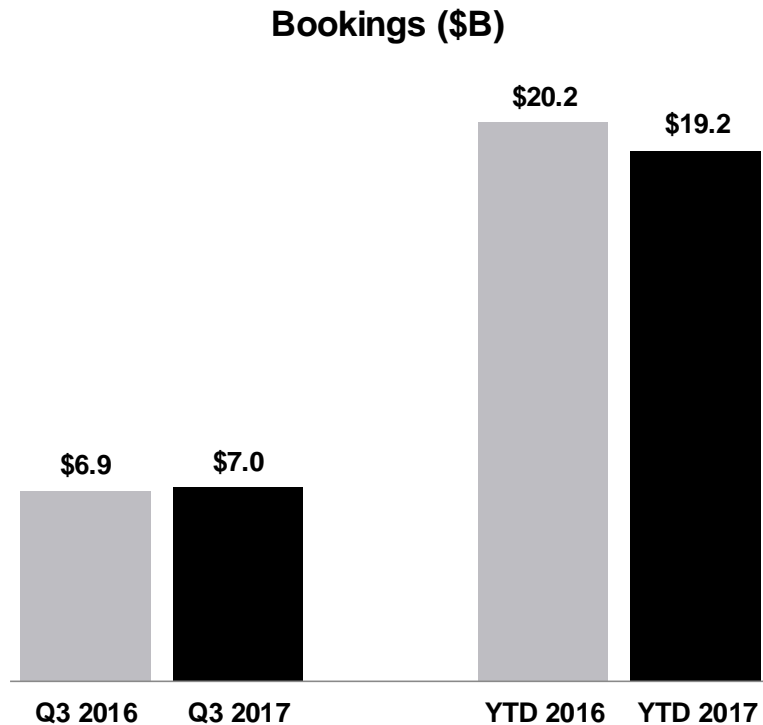
Forward-Looking Statements

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, a government shutdown, or otherwise, uncertain funding of programs and potential termination of contracts; 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 export and import requirements such as the International Traffic in Arms Regulations and the Export Administration Regulations, anti-bribery and anti-corruption requirements including the Foreign Corrupt Practices Act, industrial cooperation agreement obligations, and procurement and other regulations; changes in government procurement practices; the impact of competition; the ability to develop products and technologies, and the impact of associated investments and costs; the ability to recruit and retain qualified personnel; the impact of potential security and cyber threats, and other disruptions; the risk that actual pension returns, discount rates or other actuarial assumptions, including the long-term return on asset assumption, are significantly different than the Company's current 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; risks associated with acquisitions, investments, dispositions, joint ventures and other business arrangements; the ability to grow in the government and commercial cybersecurity markets; risks of an impairment of goodwill or other intangible assets; the impact of financial markets and global economic conditions; the use of accounting estimates in the Company's financial statements; the outcome of contingencies and litigation matters, including government investigations; the risk of environmental liabilities; 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 release and the attachments or to update them to reflect events or circumstances occurring after the date of this release, including any acquisitions, dispositions or other business arrangements that may be announced or closed after such date.

Third Quarter 2017 Highlights

- Bookings of \$7.0 billion; backlog of \$36.7 billion
- Net sales of \$6.3 billion, up 4.5 percent
- EPS from continuing operations of \$1.97
- Operating cash flow from continuing operations of \$382 million
- Updated full-year 2017 guidance

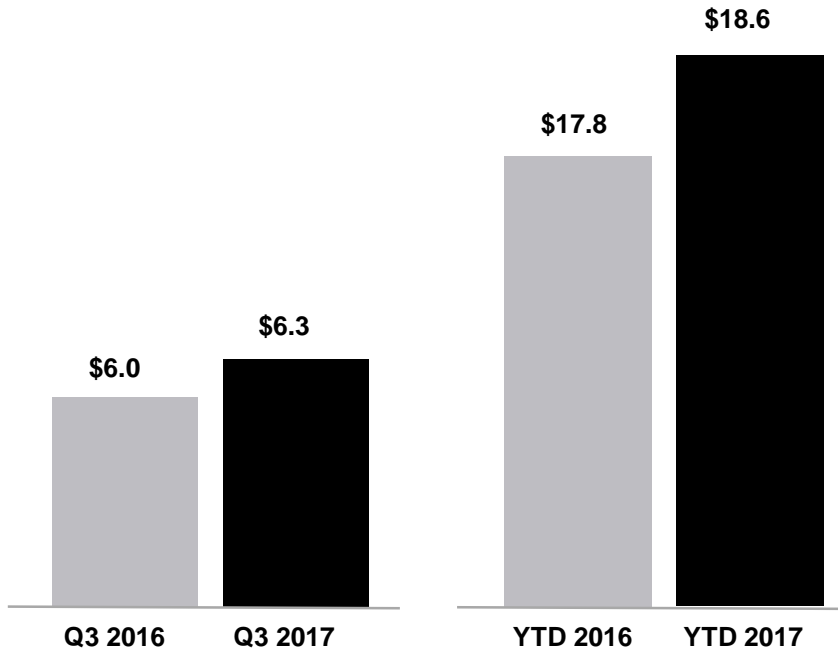
Total Company Bookings and Backlog



Book-to-bill ratio of 1.11 in Q3 2017

Total Company Net Sales

Net Sales (\$B)



Net Sales (\$M)

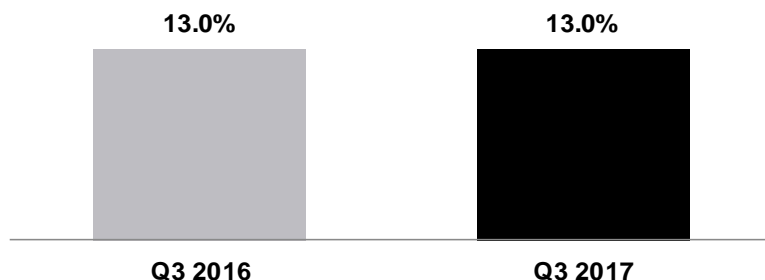
	Q3 2016	Q3 2017	% Change
IDS	\$1,334	\$1,391	4%
IIS	1,534	1,543	1%
MS	1,770	1,945	10%
SAS	1,590	1,597	-
Forcepoint™	167	170	2%
Eliminations	(364)	(355)	NM
Total Business Segment	6,031	6,291	4%
Deferred Revenue Adjustment	(17)	(7)	NM
Total	\$6,014	\$6,284	4%

NM = Not Meaningful

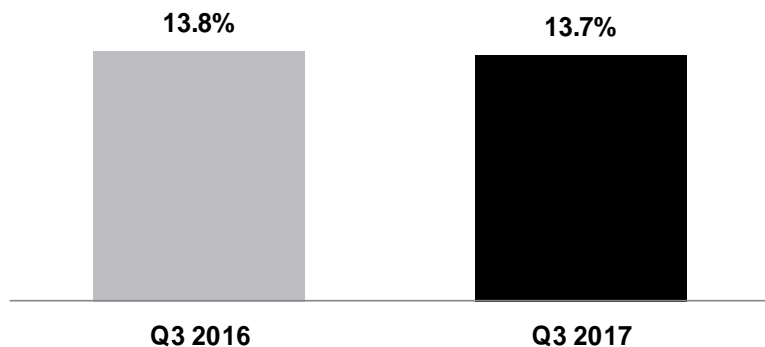
Solid sales growth

Total Company Operating Margins

Total Business Segment Operating Margin



Total Operating Margin

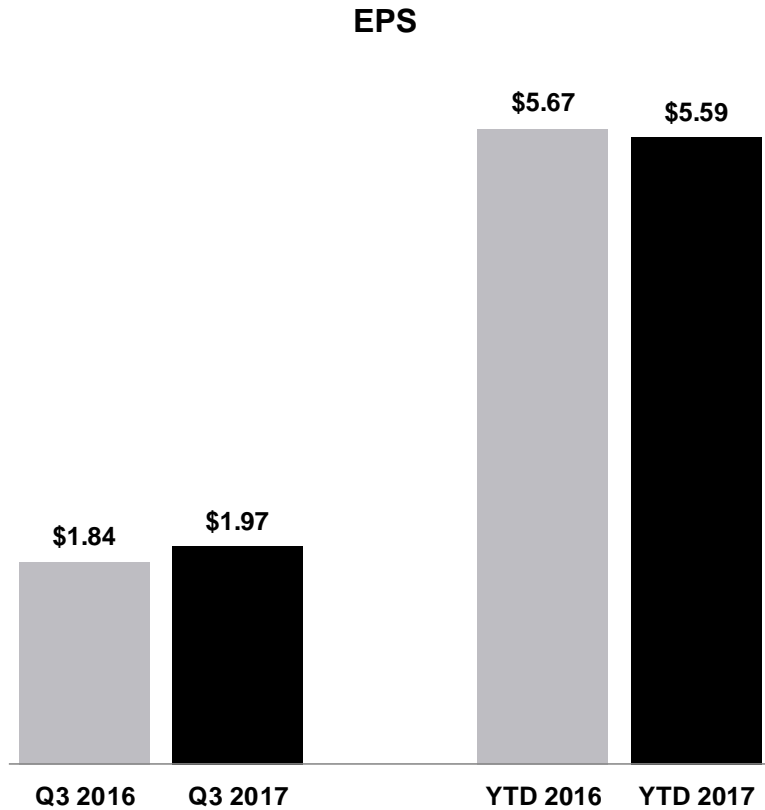


	Q3 2016	Q3 2017	Change
IDS	15.8%	16.6%	80 bps
IIS	8.0%	7.3%	(70) bps
MS	13.3%	14.4%	110 bps
SAS	13.5%	13.3%	(20) bps
Forcepoint	24.6%	13.5%	NM
Eliminations	(\$42M)	(\$39M)	\$3M
Total Business Segment Operating Margin	13.0%	13.0%	-
Deferred Revenue Adjustment	(\$17M)	(\$7M)	\$10M
Amortization of Acquired Intangibles	(\$29M)	(\$32M)	(\$3M)
FAS/CAS Adjustment	\$104M	\$78M	(\$26M)
Corporate	(\$11M)	-	\$11M
Total Operating Margin	13.8%	13.7%	(10) bps

NM = Not Meaningful

Strong operational performance

Earnings Per Share from Continuing Operations



EPS (\$)	
Third Quarter 2016	\$1.84
Operations	0.12
Reduced share count	0.03
FAS/CAS Adjustment	(0.05)
All other	0.03
Third Quarter 2017	\$1.97

Operating performance drove strong Q3 2017 EPS

2017 Financial Outlook

	Current	Prior*
Net Sales (\$B)	25.3 - 25.6**	25.1 - 25.6
Deferred Revenue Adjustment (\$M) ⁽¹⁾	(33)	(33)
Amortization of Acquired Intangibles (\$M) ⁽¹⁾	(127)	(127)
FAS/CAS Adjustment (\$M) ⁽²⁾	389**	428
Interest Expense, Net (\$M)	(185) - (190)**	(196) - (201)
Diluted Shares (M)	~292	~292
Effective Tax Rate	~30.0%**	~30.5%
EPS from Continuing Operations	\$7.45 - \$7.55**	\$7.35 - \$7.50
Operating Cash Flow from Cont. Ops. (\$B)	2.8 - 3.1	2.8 - 3.1

* As of July 27, 2017

** Denotes changes from prior guidance

(1) Deferred Revenue Adjustment and Amortization of Acquired Intangibles represent the unfavorable impact of the acquisition accounting adjustments to record acquired deferred revenue at fair value and the amortization of acquired intangible assets, respectively, for all of the business segments.

(2) The full-year 2017 FAS/CAS Adjustment reflects a \$39 million (\$0.09 per share) reduction, of which \$26 million (\$0.06 per share) was recorded in Q3 2017 and \$13 million (\$0.03 per share) is expected to be recorded in Q4 2017. This is due to the annual update in Q3 2017 of the actuarial estimates for pension and other postretirement benefit plans.

2017 Financial Outlook: By Business

	Current Net Sales (\$B)	Prior* Net Sales (\$B)	Current Operating Margins (%)	Prior* Operating Margins (%)
IDS	5.8 - 5.9 **	5.7 - 5.9	15.9 - 16.0% **	15.5 - 15.7%
IIS	6.1 - 6.2 **	6.0 - 6.2	7.5 - 7.6% **	7.4 - 7.6%
MS	7.8 - 7.9 **	7.7 - 7.9	13.2 - 13.3% **	13.1 - 13.3%
SAS	6.4 - 6.5 **	6.3 - 6.5	13.1 - 13.2% **	13.1 - 13.3%
Forcepoint	0.6	0.6	7.0 - 8.0% **	10.0 - 11.0%
Eliminations	(1.4) - (1.5)	(1.4) - (1.5)	(\$145M) - (\$150M)	(\$145M) - (\$150M)
Total business segment	25.3 - 25.6 **	25.1 - 25.6	12.5 - 12.6% **	12.4 - 12.6%
Deferred Revenue Adjustment	(33M)	(33M)	(33M)	(33M)
Amortization of Acquired Intangibles	-	-	(127M)	(127M)
FAS/CAS Adjustment⁽¹⁾	-	-	389M **	428M
Corporate	-	-	(\$50M) - (\$55M) **	(\$65M) - (\$70M)
Total	25.3 - 25.6 **	25.1 - 25.6	13.2 - 13.3% **	13.2 - 13.4%

* As of July 27, 2017

** Change from prior guidance

(1) The full-year 2017 FAS/CAS Adjustment reflects a \$39 million (\$0.09 per share) reduction, of which \$26 million (\$0.06 per share) was recorded in Q3 2017 and \$13 million (\$0.03 per share) is expected to be recorded in Q4 2017. This is due to the annual update in Q3 2017 of the actuarial estimates for pension and other postretirement benefit plans.

2017 Financial Outlook

	Outlook	
	Q4 2017	2017
Sales (\$M)	6,735 - 7,035	25,300 - 25,600
EPS from Continuing Operations	\$1.86 - \$1.96	\$7.45 - \$7.55
Operating Cash Flow from Continuing Operations (\$M)	1,677 - 1,977	2,800 - 3,100

2018 Combined FAS/CAS Adjustment

2018 Combined FAS / CAS Income / (Expense) (\$M)							
Actual 2017 Asset Return	12/31/17 Discount Rate						
	3.25%	3.50%	3.75%	4.00%	4.25%	4.50%	4.75%
0.00%	(41)	46	128	208	283	356	425
5.00%	39	126	209	288	364	437	505
7.50%	79	166	248	328	404	476	546
10.00%	120	207	290	369	445	518	586
15.00%	201	288	371	450	524	594	659
20.00%	287	374	457	534	606	674	737

The combined FAS/CAS adjustment represents the difference between the pension and postretirement benefit costs required to be recognized under Financial Accounting Standards under U.S. GAAP (FAS) and the pension and postretirement costs recorded under U.S. Government Cost Accounting Standards (CAS). This chart indicates the range of possible outcomes for the 2018 combined FAS/CAS adjustment, based upon different discount rates and 2017 asset return rates that will be determined at 12/31/17.

Note that beginning in 2018 our adoption of the new FAS retirement benefits standard will result in the combined FAS/CAS adjustment shown above being split between operating income and non-operating expense.

Actual 2018 results are not limited to the above scenarios nor the above factors of discount rate and actual asset return (e.g. results will also reflect any potential changes in census data, etc.). The range of outcomes above is also based on our current, long-term return on asset (ROA) assumption of 7.50%, which could change depending upon future capital market assumptions and the related asset allocation. As noted above, 2018 amounts will be determined at 12/31/17 using assumptions and based on market conditions in place at that time.

Appendix

Workdays in Fiscal Reporting Calendar

	Q1	Q2	Q3	Q4
2017	64	64	62	58
2016	65	64	63	57
Increase / (decrease)	(1)	0	(1)	1

	Q1	Q2	Q3	Q4
2016	65	64	63	57
2015	61	64	63	61
Increase / (decrease)	4	0	0	(4)