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## Second Quarter 2012 Conference Call

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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, 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.**

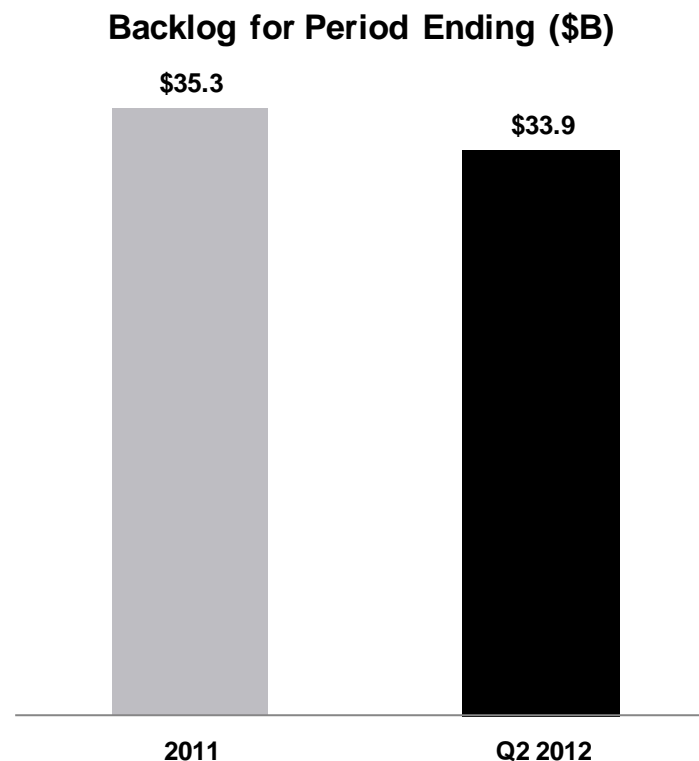
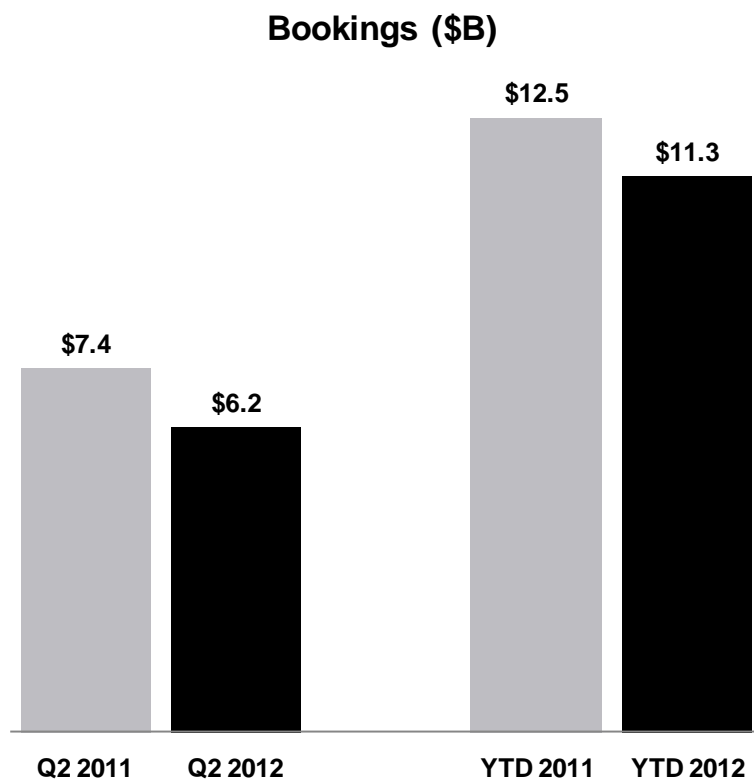
# Second Quarter 2012 Highlights

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- Adjusted EPS of \$1.55, up 13 percent; EPS from continuing operations was \$1.41<sup>(1)</sup>, up 18 percent
- Adjusted Operating Margin of 13.6 percent, up 130 basis points; reported operating margin of 12.4 percent<sup>(1)</sup>, up 160 basis points
- Bookings of \$6.2 billion; net sales of \$6.0 billion, down 3 percent
- Increased full-year 2012 guidance for EPS and operating cash flow from continuing operations

*(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. 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.*

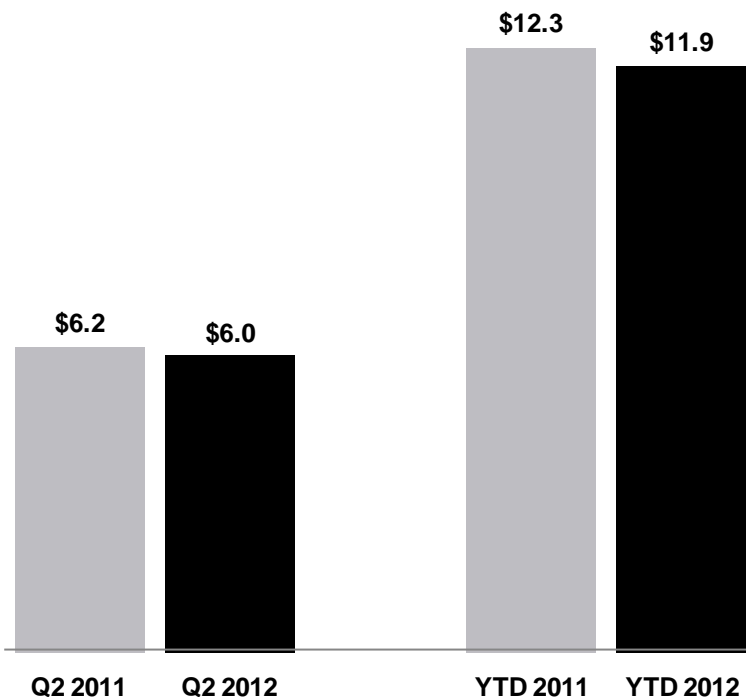
# Total Company Bookings and Backlog



**Solid overall bookings in second quarter 2012**

# Total Company Net Sales

Net Sales (\$B)



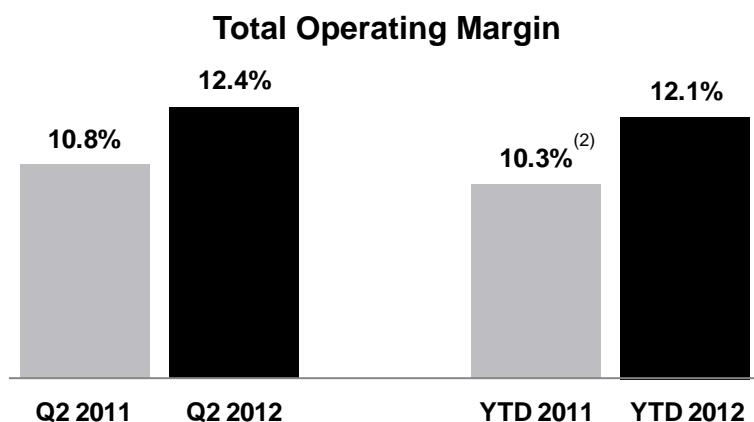
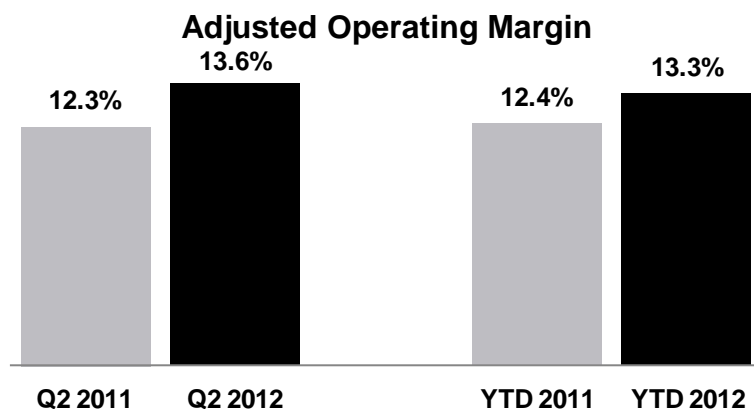
Net Sales (\$M)

	Q2 2011	Q2 2012	% Change
IDS	\$1,272	\$1,221	-4%
IIS	752	751	-
MS	1,366	1,355	-1%
NCS	1,135	962	-15%
SAS	1,344	1,377	2%
TS	851	821	-4%
Corp/Elims	(519)	(495)	NM
<b>Total</b>	<b>\$6,201</b>	<b>\$5,992</b>	<b>-3%</b>

*NM = Not Meaningful*

**Second quarter 2012 sales in-line with expectations**

# Total Company Operating Margins<sup>(1)</sup>



	Q2 2011	Q2 2012	Change
<b>IDS</b>	16.0%	19.3%	330 bps
<b>IIS</b>	7.3%	8.1%	80 bps
<b>MS</b>	11.1%	12.5%	140 bps
<b>NCS</b>	15.0%	12.8%	(220) bps
<b>SAS</b>	13.1% <sup>(3)</sup>	14.8%	170 bps
<b>TS</b>	8.5%	9.1%	60 bps
<b>FAS/CAS Adjustment</b>	(\$90M)	(\$71M)	\$19M
<b>Corp/Elims</b>	(\$67M)	(\$55M)	\$12M
<b>Total Operating Margin</b>	<b>10.8%</b>	<b>12.4%</b>	160 bps
<b>FAS/CAS Adjustment</b>	1.5%	1.2%	(30) bps
<b>Adjusted Operating Margin</b>	<b>12.3%</b>	<b>13.6%</b>	130 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.

(2) The calculation for year-to-date total operating margin includes an \$80 million adjustment to operating income or 60 basis points to operating margin due to the UKBA LOC Adjustment in Q1 2011.

(3) Includes acquisition related costs of \$10 million or 70 basis points for Applied Signal Technology, Inc.

**Continued strong operational performance**

# Earnings Per Share from Continuing Operations



<b>Adjusted EPS (\$) <sup>(1)</sup></b>	
<b>Second Quarter 2011</b>	<b>\$1.37</b>
Operational improvements	0.12
Reduced share count	0.10
Other items, net (primarily tax-related)	(0.03)
<b>Second Quarter 2012</b>	<b>\$1.55</b>

<b>EPS (\$)</b>	
<b>Second Quarter 2011</b>	<b>\$1.20</b>
Operational improvements	0.12
Reduced share count	0.10
Other items, net (primarily tax-related)	(0.03)
FAS/CAS Adjustment	0.02
<b>Second Quarter 2012</b>	<b>\$1.41</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.

**Second quarter 2012 Adjusted EPS up 13 percent**

# 2012 Financial Outlook

	Current	Prior*
Net Sales (\$B)	24.5 - 25.0	24.5 - 25.0
FAS/CAS Adjustment (\$M)	(284)	(284)
Interest Expense, Net (\$M)	(190) - (200)	(190) - (200)
Diluted Shares (M)	334 - 335**	334 - 336
Effective Tax Rate	~32%	~32%
EPS from Continuing Operations	\$5.15 - \$5.30**	\$5.00 - \$5.15
Adjusted EPS <sup>(1)</sup>	\$5.70 - \$5.85**	\$5.55 - \$5.70
Operating Cash Flow from Cont. Ops. (\$B)	1.7 - 1.9**	1.6 - 1.8

\* As of April 26, 2012

\*\* Denotes changes from prior guidance

(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.



# 2012 Financial Outlook: By Business

	Net Sales (\$B)	Current Operating Margins (%)	Prior* Operating Margins (%)
<b>IDS</b>	4.8 - 5.0	17.2 - 17.4%**	16.5 - 16.7%
<b>IIS</b>	2.9 - 3.1	7.7 - 7.9%	7.7 - 7.9%
<b>MS</b>	5.5 - 5.7	12.1 - 12.3%	12.1 - 12.3%
<b>NCS</b>	4.2 - 4.4	13.1 - 13.3%	13.1 - 13.3%
<b>SAS</b>	5.1 - 5.3	13.5 - 13.7%**	13.2 - 13.4%
<b>TS</b>	3.2 - 3.4	8.0 - 8.2%	8.0 - 8.2%
<b>FAS/CAS Adjustment</b>	-	(284)	(284)
<b>Corp./Elims.</b>	(1.8) - (1.9)	(\$215M)-(\$225M)	(\$215M)-(\$225M)
<b>Total Cont. Ops.</b>	<b>\$24.5 - \$25.0</b>	<b>11.3 - 11.5%**</b>	<b>11.1 - 11.3%</b>
<b>FAS/CAS Adjustment</b>		1.2%	1.2%
<b>Adjusted Operating Margin<sup>(1)</sup></b>		<b>12.5 - 12.7%**</b>	<b>12.3 - 12.5%</b>

\* As of April 26, 2012

\*\* Denotes changes from prior guidance

(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.

# 2012 Financial Outlook: By Quarter

	2012 Estimates		
	Q3	Q4	Total
<b>Sales</b>	<b>~25.0%</b>	<b>~27.0%</b>	<b>\$24.5B - \$25.0B</b>
<b>EPS</b>	<b>~23.5%</b>	<b>~24.0%</b>	<b>\$5.15 - \$5.30</b>
<b>Operating Cash Flow from Cont. Ops. (\$M)</b>	<b>600 - 700</b>	<b>1,300 - 1,400</b>	<b>\$1.7B - \$1.9B</b>

# Appendix

# Workdays in Fiscal Reporting Calendar

	Q1	Q2	Q3	Q4
2012	64	64	63	58
2011	64	64	63	57
Increase / (decrease)	0	0	0	1

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

# Reconciliation of Non-GAAP Measures in Statement of Operations Information

## Adjusted EPS Non-GAAP Reconciliation

(In millions, except per share amounts)

	Three Months Ended		Six Months Ended		2012 Current Guidance		2012 Prior Guidance	
	2012	2011	2012	2011	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	\$ 1.41	\$ 1.20	\$ 2.74	\$ 2.26	\$ 5.15	\$ 5.30	\$ 5.00	\$ 5.15
Per share impact of the FAS/CAS Adjustment (A)	0.14	0.16	0.27	0.32	0.55	0.55	0.55	0.55
Per share impact of the UK Border Agency (UKBA) LOC Adjustment (B)	-	-	-	0.16	-	-	-	-
Adjusted EPS (3), (4)	<u>\$ 1.55</u>	<u>\$ 1.37</u>	<u>\$ 3.01</u>	<u>\$ 2.74</u>	<u>\$ 5.70</u>	<u>\$ 5.85</u>	<u>\$ 5.55</u>	<u>\$ 5.70</u>
<b>(A) FAS/CAS Adjustment</b>	<b>\$ 71</b>	<b>\$ 90</b>	<b>\$ 141</b>	<b>\$ 179</b>	<b>\$ 284</b>	<b>\$ 284</b>	<b>\$ 284</b>	<b>\$ 284</b>
Tax effect (1)	(25)	(32)	(49)	(63)	(99)	(99)	(99)	(99)
After-tax impact	46	58	92	116	185	185	185	185
Diluted Shares	334.4	357.1	336.5	358.9	335.0	334.0	336.0	334.0
Per share impact	<u>\$ 0.14</u>	<u>\$ 0.16</u>	<u>\$ 0.27</u>	<u>\$ 0.32</u>	<u>\$ 0.55</u>	<u>\$ 0.55</u>	<u>\$ 0.55</u>	<u>\$ 0.55</u>
<b>(B) UKBA LOC Adjustment</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 80</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Tax effect (2)	-	-	-	(23)	-	-	-	-
After-tax impact	-	-	-	57	-	-	-	-
Diluted Shares	-	-	-	358.9	-	-	-	-
Per share impact	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0.16</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

(2) Tax effected at approximately 29% blended global tax rate.

(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, as previously disclosed. This adjustment was 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.

# Reconciliation of Non-GAAP Measures in Statement of Operations Information

## Adjusted Income Non-GAAP Reconciliation

(In millions)

	Three Months Ended		Six Months Ended	
	2012	2011	2012	2011
Income from continuing operations attributable to Raytheon Company common stockholders	\$ 472	\$ 430	\$ 922	\$ 811
FAS/CAS Adjustment (1)	46	58	92	116
UKBA LOC Adjustment (2)	-	-	-	57
Adjusted Income (3), (4)	<u>\$ 518</u>	<u>\$ 488</u>	<u>\$ 1,014</u>	<u>\$ 984</u>

## Adjusted Operating Margin Non-GAAP Reconciliation

	Three Months Ended		Six Months Ended		2012 Current Guidance		2012 Prior Guidance	
	2012	2011	2012	2011	Low end of range	High end of range	Low end of range	High end of range
	Operating Margin	12.4 %	10.8 %	12.1 %	10.3 %	11.3 %	11.5 %	11.1 %
Impact of the FAS/CAS Adjustment	1.2 %	1.5 %	1.2 %	1.5 %	1.2 %	1.2 %	1.2 %	1.2 %
Impact of the UKBA LOC Adjustment	- %	- %	- %	0.7 %	- %	- %	- %	- %
Adjusted Operating Margin (3), (5)	<u>13.6 %</u>	<u>12.3 %</u>	<u>13.3 %</u>	<u>12.4 %</u>	<u>12.5%</u>	<u>12.7 %</u>	<u>12.3%</u>	<u>12.5 %</u>

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

(2) Tax effected at approximately 29% blended global tax rate.

(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 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.

(5) 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.