



AIR
LAND
SEA
SPACE
CYBER

Fourth Quarter 2013 Conference Call

January 30, 2014

Dial-in Number
866.953.6858 Domestic
617.399.3482 International
Reservation Number: 34450212

Replay Number
888.286.8010 Domestic
617.801.6888 International
Reservation Number: 95182247

Replay available through February 7, 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 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.

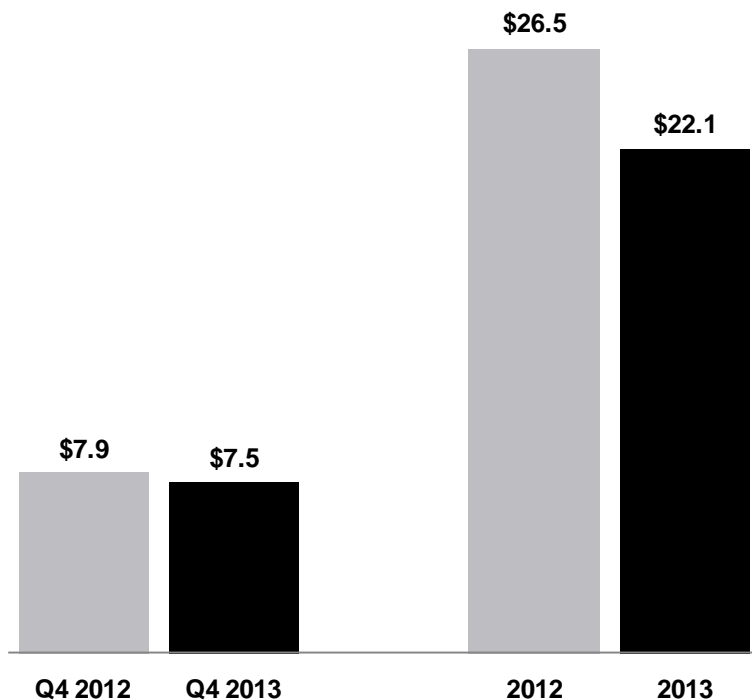
Fourth Quarter and Full-Year 2013 Highlights

- Fourth quarter 2013 net sales of \$5.9 billion; full-year net sales of \$23.7 billion, down 2.9 percent for the year
- Fourth quarter Adjusted Operating Margin⁽¹⁾ of 13.1 percent; full-year Adjusted Operating Margin⁽¹⁾ of 13.4 percent, up 10 basis points for the year
- Fourth quarter reported operating margin of 12.1 percent; full-year reported operating margin of 12.4 percent, up 20 basis points for the year
- Fourth quarter Adjusted EPS⁽¹⁾ of \$1.58; full-year Adjusted EPS⁽¹⁾ of \$6.38, up 1.6 percent for the year
- Fourth quarter EPS from continuing operations of \$1.46; full-year EPS from continuing operations of \$5.96, up 5.5 percent for the year
- Strong operating cash flow from continuing operations of \$1.1 billion in the quarter and \$2.4 billion for the year

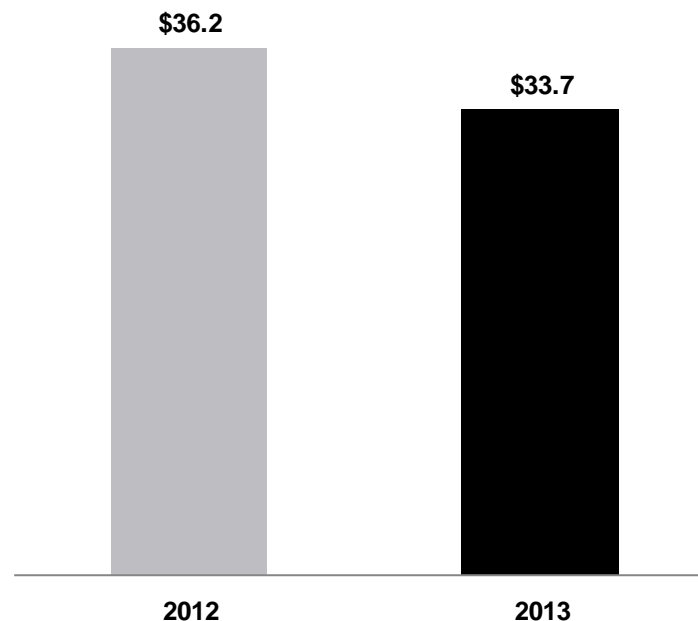
(1) Adjusted EPS is diluted EPS from continuing operations attributable to Raytheon Company common stockholders and Adjusted Operating Margin is total operating margin, in each case, excluding the impact of the FAS/CAS Adjustment, and from time to time, certain other items. Full-year 2013 Adjusted EPS also excluded the \$0.08 impact of the 2012 R&D tax credit. Q4 2012 and full-year 2012 Adjusted EPS amounts also excluded the impact of the early retirement of debt and have been revised to include the favorable \$0.02 and \$0.07 impact, respectively, for the 2012 R&D tax credit. Adjusted EPS and Adjusted Operating Margin are non-GAAP financial measures. See pages 14 and 15 for a reconciliation of these measures and a discussion of why the Company is presenting this information.

Total Company Bookings and Backlog

Bookings (\$B)



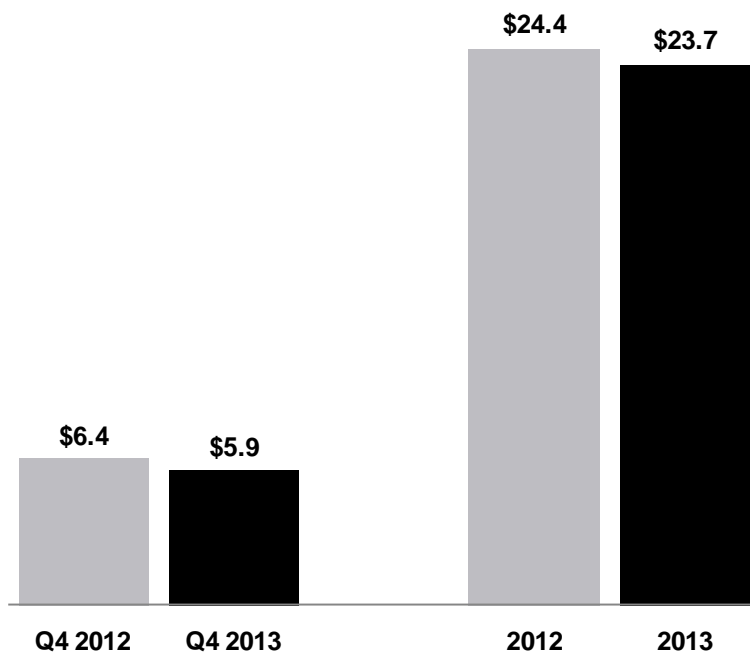
Backlog for Period Ending (\$B)



Book-to-bill of 1.28 in the fourth quarter 2013

Total Company Net Sales

Net Sales (\$B)



Fourth Quarter Net Sales (\$M)

	Q4 2012	Q4 2013	% Change
IDS	\$1,730	\$1,569	-9%
IIS	1,603	1,458	-9%
MS	1,781	1,638	-8%
SAS	1,820	1,613	-11%
Corp/Elims	(495)	(408)	NM
Total	\$6,439	\$5,870	-9%

Full-Year Net Sales (\$M)

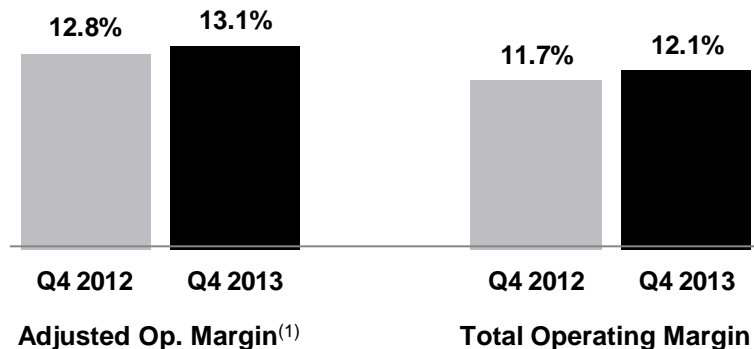
	2012	2013	% Change
IDS	\$6,492	\$6,489	-
IIS	6,335	6,045	-5%
MS	6,639	6,599	-1%
SAS	6,823	6,371	-7%
Corp/Elims	(1,875)	(1,798)	NM
Total	\$24,414	\$23,706	-3%

NM = Not Meaningful

Full-year 2013 sales consistent with expectations

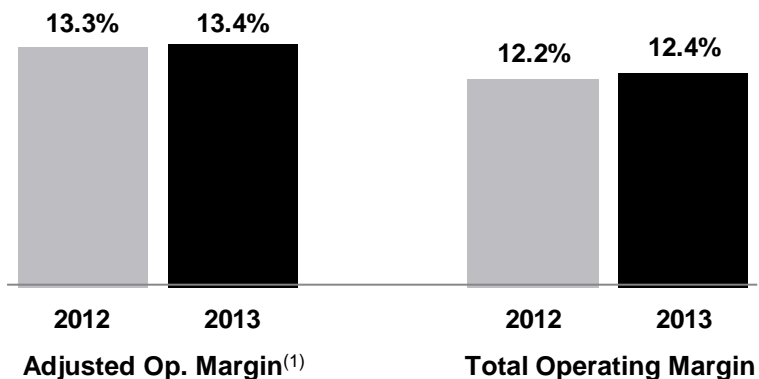
Total Company Operating Margins

Fourth Quarter



	Q4 2012	Q4 2013	Change
IDS	15.1%	15.4%	30 bps
IIS	8.5%	8.3%	(20) bps
MS	11.1%	12.3%	120 bps
SAS	15.5%	15.7%	20 bps
FAS/CAS Adjustment	(\$67M)	(\$60M)	\$7M
Corp/Elims	(\$57M)	(\$47M)	\$10M
Total Operating Margin	11.7%	12.1%	40 bps
FAS/CAS Adjustment	1.0%	1.0%	-
Adjusted Operating Margin⁽¹⁾	12.8%	13.1%	30 bps

Full-Year



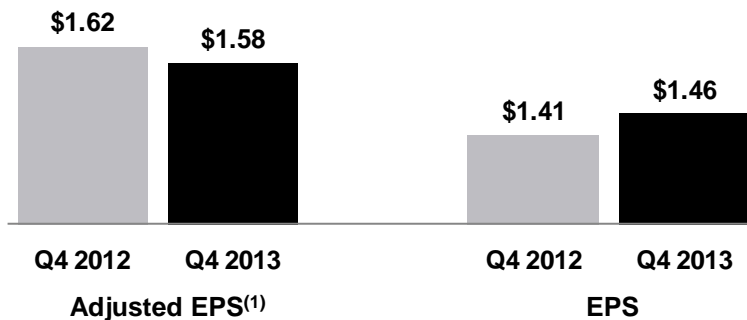
	2012	2013	Change
IDS	16.1%	17.2%	110 bps
IIS	8.5%	8.4%	(10) bps
MS	13.0%	12.6%	(40) bps
SAS	14.5%	14.4%	(10) bps
FAS/CAS Adjustment	(\$255M)	(\$249M)	\$6M
Corp/Elims	(\$188M)	(\$188M)	-
Total Operating Margin	12.2%	12.4%	20 bps
FAS/CAS Adjustment	1.0%	1.1%	10 bps
Adjusted Operating Margin⁽¹⁾	13.3%	13.4%	10 bps

(1) Adjusted Operating Margin is a non-GAAP financial measure. See page 15 for a reconciliation of this measure and a discussion of why the Company is presenting this information. Numbers may not add due to rounding.

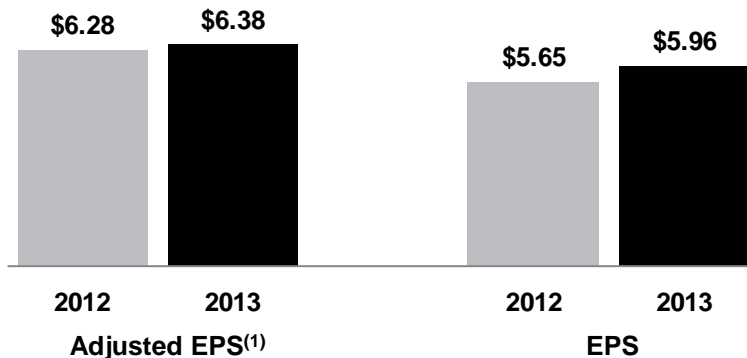
Strong, consistent overall operational performance

Earnings Per Share from Continuing Operations

Fourth Quarter



Full-Year



Adjusted EPS (\$) ⁽¹⁾	Fourth Quarter	Full-Year
Adjusted EPS 2012	\$1.62	\$6.28
Operations (primarily volume)	(0.11)	(0.13)
Reduced share count	0.05	0.19
Other items, net	0.02	0.04
Adjusted EPS 2013	\$1.58	\$6.38

EPS (\$)	Fourth Quarter	Full-Year
EPS from Continuing Operations 2012	\$1.41	\$5.65
Operations (primarily volume)	(0.11)	(0.13)
Reduced share count	0.05	0.19
Other items, net	0.03	0.04
2012 R&D tax credit	-	0.08
2013 R&D tax credit	0.02	0.07
Q4 2012 debt retirement impact, net	0.06	0.06
EPS from Continuing Operations 2013	\$1.46	\$5.96

(1) Adjusted EPS 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. Numbers may not add due to rounding

Solid year in a challenging environment

2014 Financial Outlook

	2013 Actual	2014 Outlook
Net Sales (\$B)	23.7	22.5 - 23.0
FAS/CAS Adjustment (\$M)	(249)	346
Interest Expense, Net (\$M)	(198)	(200) - (210)
Diluted Shares (M)	324	312 - 314
Effective Tax Rate	29.3%	Approx. 28.5%
EPS from Continuing Operations	\$5.96	\$6.74 - \$6.89
Adjusted EPS ⁽¹⁾	\$6.38	\$5.76 - \$5.91
Operating Cash Flow from Cont. Ops. (\$B)	2.4	2.3 - 2.5

(1) Adjusted EPS 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 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)
Total Cont. Ops.	\$22.5 - \$23.0	14.1 - 14.3%
FAS/CAS Adjustment		(1.5%)
Adjusted Operating Margin⁽¹⁾		12.6 - 12.8%

(1) Adjusted Operating Margin is a non-GAAP financial measure. See page 15 for a reconciliation of this measure and a discussion of why the Company is presenting this information.

2014 Financial Outlook: By Quarter

	2014 Estimates				
	Q1	Q2	Q3	Q4	Total
Sales	~24%	~24.5%	~25%	~26.5%	\$22.5B - \$23.0B
EPS	~26%	~23%	~24.5%	~26.5%	\$6.74 - \$6.89
Operating Cash Flow from Cont. Ops. (\$M)	400 - 500	0 - 100	600 - 700	1,200 - 1,300	\$2.3B - \$2.5B

Pension Impact

\$ Millions	Current Projections*			
	2013 Actual	2014	2015	2016
P&L Impact				
FAS	(\$1,250)	(\$892)	(\$733)	(\$488)
CAS	(\$1,001)	(\$1,238)	(\$1,509)	(\$1,800)
FAS/CAS Adjustment	(\$249)	\$346	\$776	\$1,312
Cash Impact				
Gross Funding Required	(\$800)	(\$894)	(\$979)	(\$1,010)
Discretionary Contribution	(\$300)	\$0	\$0	\$0
Total Contribution	(\$1,100)	(\$894)	(\$979)	(\$1,010)

* Current projections for 2014 – 2016 are strictly based on an average discount rate of 5.10% for all years and an actual return on assets of +15% for the year ending December 31, 2013, an assumed return on assets of 8.75% for all other years and no changes to any other actuarial assumptions or regulatory requirements. Actual results will vary for 2014 – 2016 based upon actual returns, changes in actuarial assumptions, market conditions in effect at the time and other census data and regulatory requirements applicable for each year. Projections include pension and PRB.

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		Twelve Months Ended		2014 Guidance	
	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12	Low end of range	High end of range
Diluted EPS from continuing operations attributable to Raytheon Company common stockholders	\$ 1.46	\$ 1.41	\$ 5.96	\$ 5.65	\$ 6.74	\$ 6.89
Per share impact of the FAS/CAS Adjustment (A)	0.12	0.13	0.50	0.50	(0.72)	(0.72)
Per share impact of the early debt retirement make-whole provision (B)	-	0.06	-	0.06	-	-
Per share impact of the 2012 research & development (R&D) tax credit (C)	-	0.02	(0.08)	0.07	-	-
Per share impact of the tax benefit of foreign dividend (D)	-	-	-	-	(0.25)	(0.26)
Adjusted EPS (2), (3)	<u>\$ 1.58</u>	<u>\$ 1.62</u>	<u>\$ 6.38</u>	<u>\$ 6.28</u>	<u>\$ 5.76</u>	<u>\$ 5.91</u>
(A) FAS/CAS Adjustment	\$ 60	\$ 67	\$ 249	\$ 255	\$ (346)	\$ (346)
Tax effect (1)	<u>(21)</u>	<u>(23)</u>	<u>(87)</u>	<u>(89)</u>	<u>121</u>	<u>121</u>
After-tax impact	39	44	162	166	(225)	(225)
Diluted shares	319.6	330.8	324.2	334.2	314.0	312.0
Per share impact	<u>\$ 0.12</u>	<u>\$ 0.13</u>	<u>\$ 0.50</u>	<u>\$ 0.50</u>	<u>\$ (0.72)</u>	<u>\$ (0.72)</u>
(B) Early debt retirement make-whole provision	\$ -	\$ 29	\$ -	\$ 29	\$ -	\$ -
Tax effect (1)	-	<u>(10)</u>	-	<u>(10)</u>	-	-
After-tax impact	-	19	-	19	-	-
Diluted shares	-	330.8	-	334.2	-	-
Per share impact	<u>\$ -</u>	<u>\$ 0.06</u>	<u>\$ -</u>	<u>\$ 0.06</u>	<u>\$ -</u>	<u>\$ -</u>
(C) 2012 R&D tax credit	\$ -	\$ 7	\$ (25)	\$ 25	\$ -	\$ -
Diluted shares	-	330.8	324.2	334.2	-	-
Per share impact	<u>\$ -</u>	<u>\$ 0.02</u>	<u>\$ (0.08)</u>	<u>\$ 0.07</u>	<u>\$ -</u>	<u>\$ -</u>
(D) Tax benefit of foreign dividend	\$ -	\$ -	\$ -	\$ -	\$ (80)	\$ (80)
Diluted shares	-	-	-	-	314.0	312.0
Per share impact	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0.25)</u>	<u>\$ (0.26)</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. Twelve Months Ended 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. Three and twelve months ended 2012 Adjusted EPS also exclude the impact of the charges associated with the make-whole provision on the early retirement of debt and have been revised to include the favorable impact for the 2012 R&D tax credit. Guidance Adjusted EPS excludes the impact of a net tax benefit of approximately \$80 million relating to a dividend that was authorized and paid by a foreign subsidiary in January 2014 as part of our overall capital deployment strategy.

Reconciliation of Non-GAAP Measures in Statement of Operations Information

Adjusted Income Non-GAAP Reconciliation

(In millions)

	Three Months Ended		Twelve Months Ended	
	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12
Income from continuing operations attributable to Raytheon Company common stockholders	\$ 467	\$ 466	\$ 1,932	\$ 1,889
FAS/CAS Adjustment (1)	39	44	162	166
Early debt retirement make-whole provision (1)	-	19	-	19
2012 R&D tax credit	-	7	(25)	25
Adjusted Income (2), (3)	<u>\$ 506</u>	<u>\$ 536</u>	<u>\$ 2,069</u>	<u>\$ 2,099</u>

Adjusted Operating Margin Non-GAAP Reconciliation

	Three Months Ended		Twelve Months Ended		2014 Guidance	
	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12	Low end of range	High end of range
Operating Margin	12.1 %	11.7 %	12.4 %	12.2 %	14.1 %	14.3 %
Impact of the FAS/CAS Adjustment	<u>1.0 %</u>	<u>1.0 %</u>	<u>1.1 %</u>	<u>1.0 %</u>	<u>(1.5) %</u>	<u>(1.5) %</u>
Adjusted Operating Margin (2), (4)	<u>13.1 %</u>	<u>12.8 %</u>	<u>13.4 %</u>	<u>13.3 %</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. Twelve Months Ended 2013 Adjusted Income excludes the R&D tax credit that relates to 2012, as discussed on page 14. Three and Twelve Months Ended 2012 Adjusted Income also excludes the impact of the charges associated with the make-whole provision on the early retirement of debt and have been revised to include the favorable impact for the 2012 R&D tax credit, as discussed on page 14.

(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.