Raytheon

Fourth Quarter 2017 Conference Call

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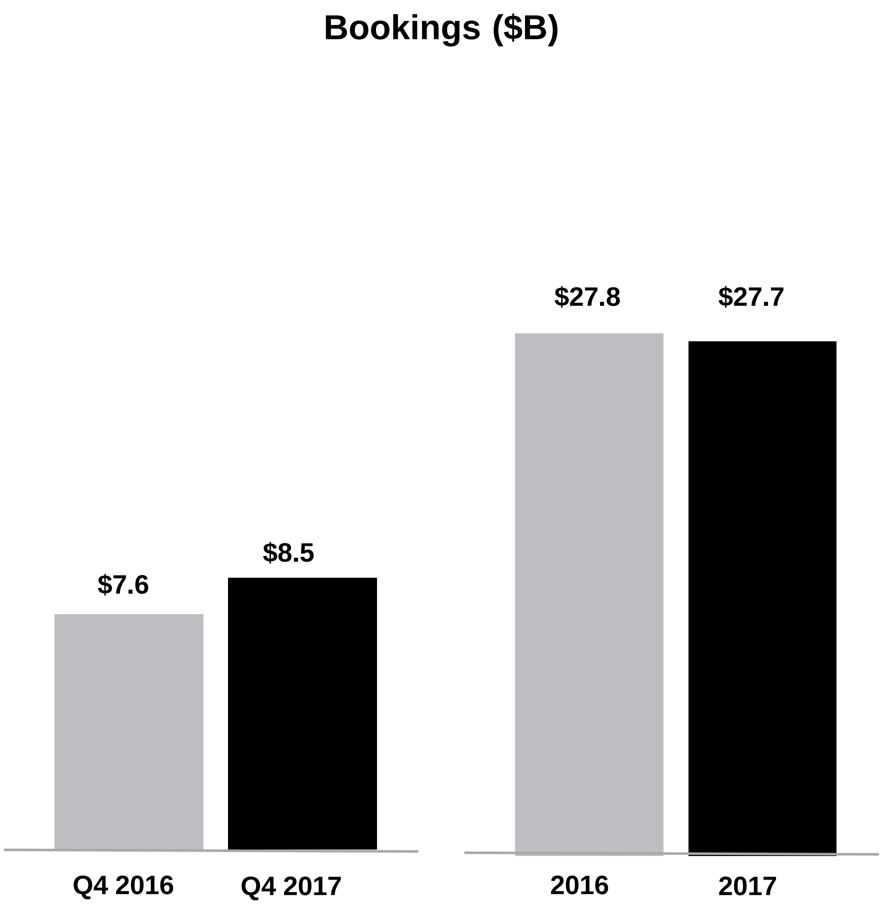
Forward-Looking Statements

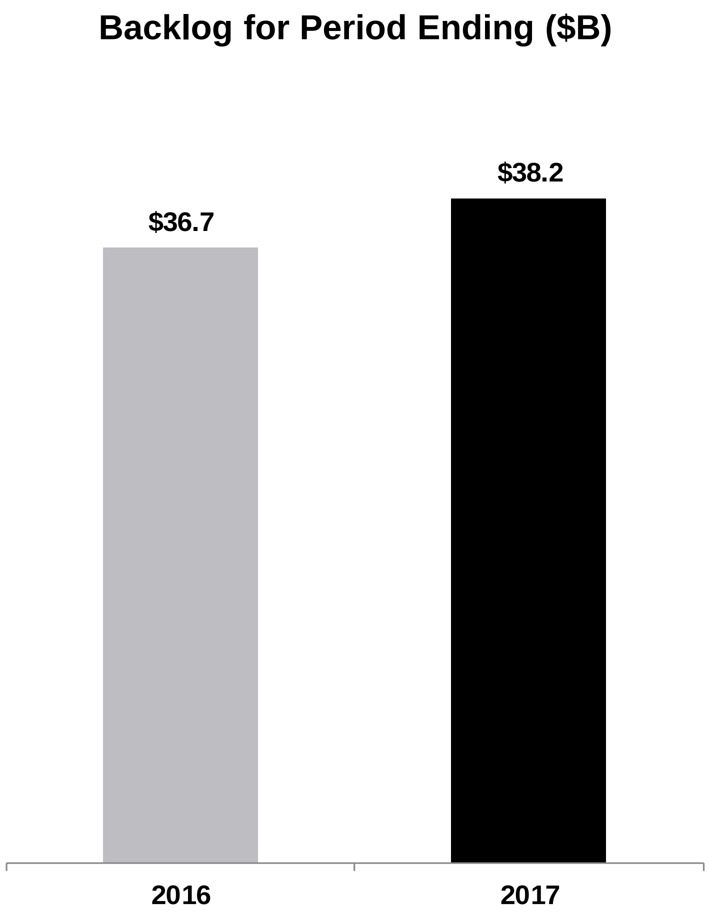
This presentation contains forward-looking statements, including information regarding the Company's financial outlook, future plans, objectives, business prospects and anticipated financial performance. These forward-looking statements are not statements of historical facts and represent only the Company's 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 due to budgetary constraints, spending cuts resulting from sequestration, a government shutdown, or otherwise, uncertain funding of programs, potential termination of contracts and performance under undefinitized contract awards; 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, 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; the ability to obtain timely U.S. government approvals for international contracts; 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, including with respect to the provisional impact of the Tax Cuts and Jobs Act of 2017; 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.

Fourth Quarter and Full-Year 2017 Highlights

- Strong bookings of $8.5 billion in the quarter and $27.7 billion for the year; book-to-bill ratio of 1.26 for the quarter and 1.09 for the year
- Fourth quarter net sales of $6.8 billion, up 8.0 percent; full-year net sales of $25.3 billion, up 5.1 percent for the year
- Strong operating cash flow from continuing operations of $1.6 billion in the quarter and $2.7 billion for the year, after a $1.0 billion pretax discretionary pension plan contribution in the fourth quarter, which was not in prior guidance
- Fourth quarter EPS from continuing operations of $1.35 and full-year EPS from continuing operations of $6.94; both periods included an unfavorable $0.59 impact from the enactment of the Tax Cuts and Jobs Act of 2017 and $0.09 impact from the discretionary pension plan contribution

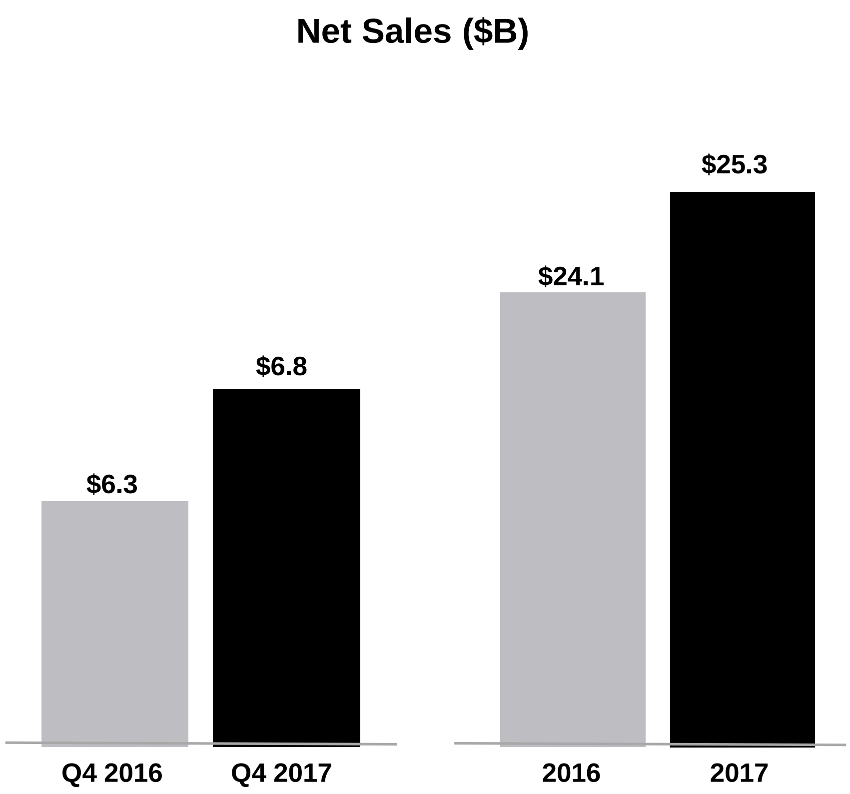
Total Company Bookings and Backlog





Book-to-bill ratio of 1.26 in Q4 and 1.09 for the full-year

Total Company Net Sales



Fourth Quarter Net Sales ($M)

	Q4 2016	Q4 2017	% Change
IDS	$1,460	$1,553	6%
IIS	1,516	1,572	4%
MS	1,897	2,185	15%
SAS	1,600	1,670	4%
Forcepoint™	143	156	9%
Eliminations	(324)	(346)	NM
Total Business Segment	**$6,292**	**$6,790**	**8%**
Deferred Revenue Adjustment	**($13)**	**($7)**	**NM**
Total	**$6,279**	**$6,783**	**8%**

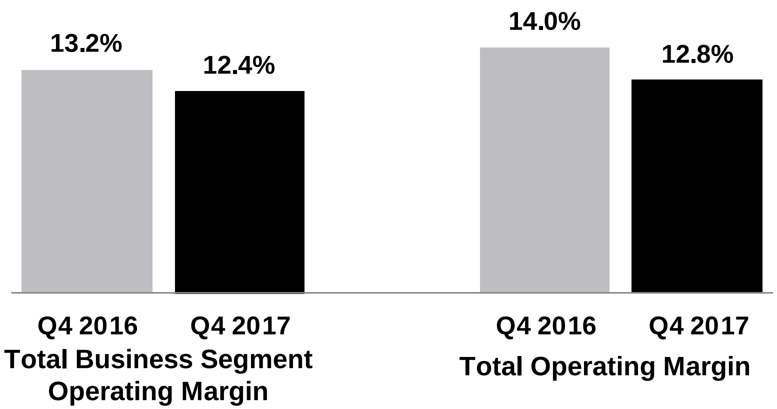
Full-Year Net Sales ($M)

	2016	2017	% Change
IDS	$5,529	$5,804	5%
IIS	6,169	6,177	-
MS	7,096	7,787	10%
SAS	6,182	6,430	4%
Forcepoint	586	608	4%
Eliminations	(1,361)	(1,423)	NM
Total Business Segment	**$24,201**	**$25,383**	**5%**
Deferred Revenue Adjustment	**($77)**	**($35)**	**NM**
Total	**$24,124**	**$25,348**	**5%**

NM = Not Meaningful

Strong full-year sales growth in 2017

Total Company Operating Margins – Q4



	Q4 2016	Q4 2017	Change
IDS	16.3%	15.9%	(40) bps
IIS	7.9%	7.4%	(50) bps
MS	13.8%	12.7%	(110) bps
SAS	13.8%	14.5%	70 bps
Forcepoint	14.7%	-5.1%	NM
Eliminations	($33M)	($35M)	($2M)
Total Business Segment Operating Margin	**13.2%**	**12.4%**	(80) bps
Deferred Revenue Adjustment	($13M)	($7M)	$6M
Amortization of Acquired Intangibles	($30M)	($30M)	-
FAS/CAS Adjustment	$117M	$95M	($22M)
Corporate	($22M)	($29M)	($7M)
Total Operating Margin	**14.0%**	**12.8%**	(120) bps

NM = Not Meaningful

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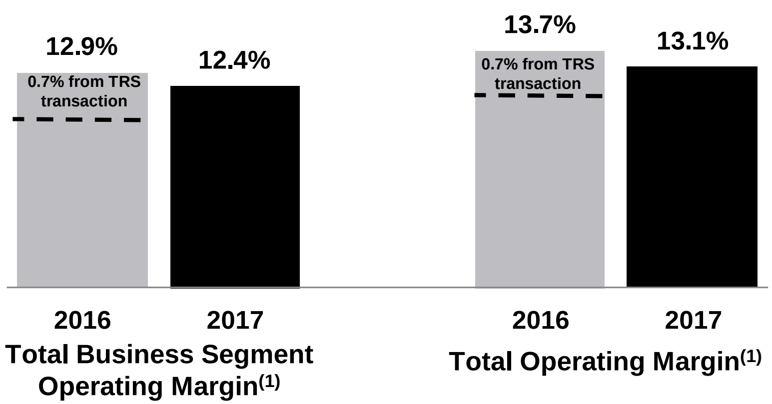
Total Company Operating Margins – Full-Year

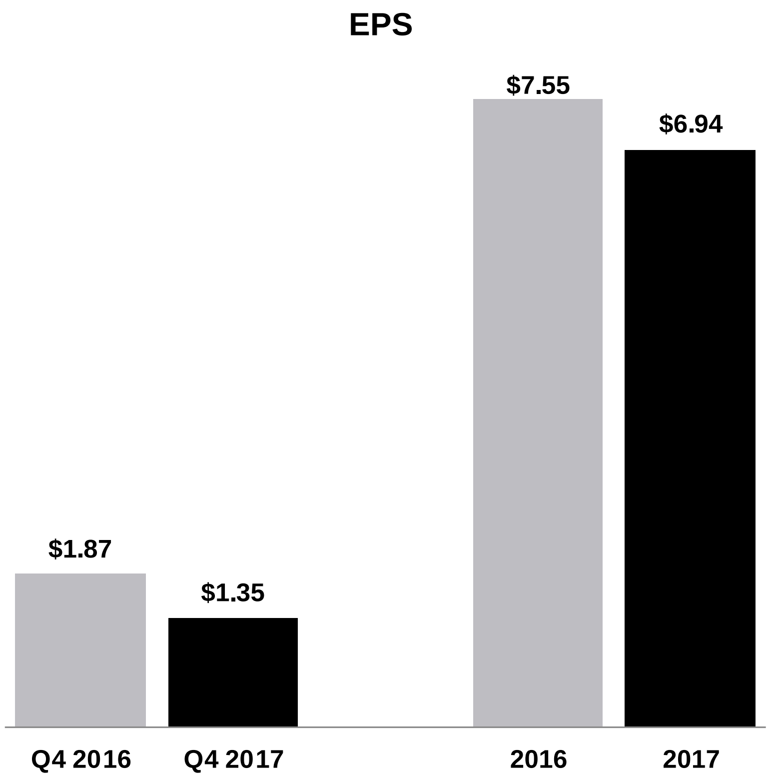


	2016	2017	Change
IDS[(1)]	17.6%	16.1%	(150) bps
IIS	7.6%	7.4%	(20) bps
MS	13.0%	13.0%	-
SAS	13.1%	13.4%	30 bps
Forcepoint	15.4%	5.4%	NM
Eliminations	($142M)	($148M)	($6M)
Total Business Segment Operating Margin[(1)]	**12.9%**	**12.4%**	(50) bps
Deferred Revenue Adjustment	($77M)	($35M)	$42M
Amortization of Acquired Intangibles	($121M)	($125M)	($4M)
FAS/CAS Adjustment	$435M	$390M	($45M)
Corporate	($57M)	($59M)	($2M)
Total Operating Margin[(1)]	**13.7%**	**13.1%**	(60) bps

NM = Not Meaningful

(1) 2016 operating margin includes the $158 million tax-free gain from the second quarter ThalesRaytheonSystems (TRS) transaction, which had an approximate 70 basis points (0.7%) impact on total margin, and an approximate 290 basis points (2.9%) impact on IDS operating margin.

Earnings Per Share from Continuing Operations



EPS ($)	Fourth Quarter	Full-Year
EPS from Continuing Operations 2016	**$1.87**	**$7.55**
Operations	0.03	0.44
Reduced share count	0.03	0.13
FAS/CAS Adjustment	(0.05)	(0.08)
Interest	0.03	0.08
Q2 2016 TRS transaction	-	(0.53)
Q2 2017 Early retirement of debt	-	(0.09)
2017 Tax reform	(0.59)	(0.59)
Tax impact discretionary pension contribution(1)	(0.05)	(0.05)
Other items, net	0.08	0.08
EPS from Continuing Operations 2017	**$1.35**	**$6.94**

(1) Tax-related unfavorable impact for the fourth quarter discretionary pension plan contribution (2017: $0.09 vs. 2016: $0.04).

Solid operational performance

2018 Financial Outlook

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	2017 Actuals		2018
	As Reported	New Standard(1)	Outlook(1)
Net Sales ($B)	**25.3**	**25.3**	**26.4 - 26.9**
Deferred Revenue Adjustment ($M)(2)	**(35)**	**(35)**	**(10)**
Amortization of Acquired Intangibles ($M)(2)	**(125)**	**(125)**	**(118)**
FAS/CAS Adjustment ($M)	**390**	***n/a***	***n/a***
FAS/CAS Operating Adjustment ($M)	***n/a***	**1,303**	**1,416**
Other Pension Expense, non-operating ($M)	***n/a***	**(913)**	**(958)**
Interest Expense, Net ($M)	**(184)**	**(184)**	**(180) - (185)**
Diluted Shares (M)	**291**	**291**	**287 - 289**
Effective Tax Rate(3)	**35.8%**	**35.8%**	**~19.0%**
EPS from Continuing Operations(3)	**$6.94**	**$6.94**	**$9.55 - $9.75**
Operating Cash Flow from Cont. Ops. ($B)	**2.7**	**2.7**	**3.6 - 4.0**

(1) *Effective January 1, 2018, the company adopted the new retirement benefit standard, Accounting Standards Update 2017-17. The 2017 Actuals - New Standard and the 2018 Outlook above reflect this change.*

(2) *Deferred Revenue Adjustment and Amortization of 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.*

(3) *2017 & 2018 effective tax rate reflect the enactment of the Tax Cuts and Jobs Act of 2017. 2017 was impacted unfavorably by a provisional amount of approximately $171 million, which had an impact to the 2017 rate of 5.5% and an EPS impact of $0.59.*

n/a = Not Applicable

2018 Financial Outlook: By Business

	2017 Actuals - As Reported		2017 Actuals - New Standard[1]		2018 Outlook[1]	
	Net Sales ($B)	Operating Margins (%)	Net Sales ($B)	Operating Margins (%)	Net Sales ($B)	Operating Margins (%)
IDS	5.8	16.1%	5.8	16.1%	5.9 - 6.1	16.4 - 16.6%
IIS	6.2	7.4%	6.2	7.4%	6.1 - 6.3	7.6 - 7.8%
MS	7.8	13.0%	7.8	13.0%	8.4 - 8.6	13.1 - 13.3%
SAS	6.4	13.4%	6.4	13.4%	6.5 - 6.7	12.3 - 12.5%
Forcepoint	0.6	5.4%	0.6	5.4%	>$650M	6.0 - 8.0%
Eliminations	(1.4)	(148M)	(1.4)	(148M)	(1.4) - (1.5)	($145M) - ($150M)
Total business segment	**25.4**	**12.4%**	**25.4**	**12.4%**	**26.4 - 26.9**	**12.5 - 12.7%**
Deferred Revenue Adjustment	(35M)	(35M)	(35M)	(35M)	(10M)	(10M)
Amortization of Acquired Intangibles	-	(125M)	-	(125M)	-	(118M)
FAS/CAS Adjustment	-	390M	-	*n/a*	-	*n/a*
FAS/CAS Operating Adjustment		*n/a*		1,303M	-	1,416M
Corporate	-	(59M)	-	(59M)	-	($75M) - ($80M)
Total	**25.3**	**13.1%**	**25.3**	**16.7%**	**26.4 - 26.9**	**17.1 - 17.3%**

Amounts may not add due to rounding.

(1) Effective January 1, 2018, the Company adopted the new retirement benefit standard, Accounting Standards Update 2017-07. The 2017 Actuals - New Standard and the 2018 Outlook above reflect this change.

n/a = Not Applicable

2018 Financial Outlook

	Outlook	
	Q1 2018	2018
Sales ($M)	**6,095 - 6,220**	**26,400 - 26,900**
EPS from Continuing Operations	**$1.96 - $2.01**	**$9.55 - $9.75**
Operating Cash Flow from Continuing Operations ($M)	**0 - 200**	**3,600 - 4,000**

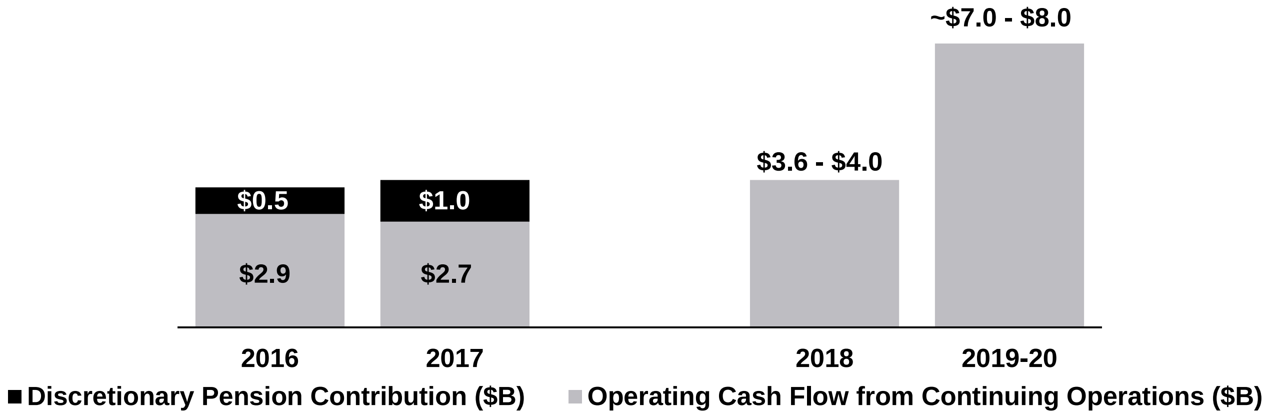
Long Term Operating Cash Outlook

Outlook

~$11 - $12 billion Cumulative Operating Cash Flow
for the Years 2018 to 2020

2018
Outlook
$3.6 - $4.0 billion

Outlook for
2019 and 2020 Cumulative
~$7.0 - 8.0 billion



Strong operating cash flow outlook

Pension Impact

$ Millions		Current Projections*		
P&L Impact	**2017 Actual**	**2018**	**2019**	**2020**
Presentation under OLD retirement benefit standard:				
FAS Expense	**($1,392)**	**($1,472)**	**($1,251)**	**($989)**
CAS Recovery	**$1,782**	**$1,930**	**$1,906**	**$1,859**
FAS/CAS Adjustment	**$390**	**$458**	**$655**	**$870**
Presentation under NEW retirement benefit standard:				
Service Cost	**($479)**	**($514)**	**($480)**	**($449)**
CAS Recovery	**$1,782**	**$1,930**	**$1,906**	**$1,859**
FAS/CAS Operating Adjustment	**$1,303**	**$1,416**	**$1,426**	**$1,410**
Other Pension Expense, non-operating	**($913)**	**($958)**	**($771)**	**($540)**
Total	**$390**	**$458**	**$655**	**$870**
Gross Funding Before CAS Recovery				
Gross Funding Required	**($642)**	**($963)**	**($884)**	**($804)**
Discretionary Contribution	**($1,000)**	**$0**	**$0**	**$0**
Total Contribution	**($1,642)**	**($963)**	**($884)**	**($804)**

* Current projections include pension and PRB for 2018 – 2020 and are strictly based on an average FAS discount rate of 3.7% for all years and an actual return on assets of 15% for the year ending December 31, 2017, an assumed return on assets of 7.5% for all other years and no changes to any other actuarial assumptions or regulatory requirements. CAS recovery and funding requirements are based on the discount rates under the Bipartisan Budget Act of 2015, which are approximately 5.6% for 2018, 5.4% for 2019 and 5.3% for 2020.

Actual results will vary for 2018 – 2020 based upon discount rate, asset returns, long-term return on asset (ROA) assumption, changes in actuarial assumptions, demographic and regulatory requirements applicable for each year. A 25 basis point increase from our current average U.S. Plan discount rate of 3.7% would increase the FAS/CAS Operating Adjustment in 2019 by $20M and decrease Other Pension Expense by $60M. A 25 basis point decrease from our current average U.S. Plan discount rate of 3.7% would decrease the FAS/CAS Operating Adjustment in 2019 by $20M and increase Other Pension Expense by $60M.

Amounts presented under the old retirement benefit standard for 2018 – 2020 are “non-GAAP” financial measures which are not prepared in accordance with Generally Accepted Accounting Principles (“GAAP”) and are not a substitute for GAAP financial measures. We believe these non-GAAP measures provide investors with a reasonable mechanism to compare the effect of the new retirement benefit standard on the current pension impact projections.

Acquisition Accounting Adjustments Outlook[1]

($M)	2018	2019	2020
Deferred Revenue Adjustment	$10	$2	$0
Amortization of Acquired Intangibles[2]	$118	$105	$79
Total Acquisition Accounting Adjustments	$128	$107	$79

(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 business segments.

(2) Amortization of acquired intangible assets is based on the pattern in which economic benefits of intangible assets are being utilized.

Appendix

Workdays in Fiscal Reporting Calendar

	Q1	Q2	Q3	Q4
2018	64	64	63	58
2017	64	64	62	58
Increase / (decrease)	0	0	1	0

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