UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 29, 2015

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _______ to ______

Commission File Number 1-13699

RAYTHEON COMPANY
(Exact name of Registrant as Specified in its Charter)

Delaware	95-1778500
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

870 Winter Street, Waltham, Massachusetts 02451
(Address of Principal Executive Offices) (Zip Code)

(781) 522-3000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒		Accelerated filer	☐
Non-accelerated filer	☐	(Do not check if a smaller reporting company)	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Number of shares of common stock outstanding as of April 20, 2015 was 305,142,000.

RAYTHEON COMPANY

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Cautionary Note Regarding Forward-Looking Statements

This Form 10-Q contains forward-looking statements within the meaning of federal securities laws, including information regarding our financial outlook, future plans, objectives, business prospects, trends and anticipated financial performance including with respect to our liquidity and capital resources, capital expenditures, our cash tax payments and tax reserves, our pension expense and funding, the impact of new accounting pronouncements, our unrecognized tax benefits, the outcome of legal and administrative proceedings, claims, investigations, and commitments and contingencies and the anticipated timing of the closing of the transactions involving Raytheon Cyber Products and Websense. You can identify these statements by the fact that they include words such as “will,” “believe,” “anticipate,” “expect,” “estimate,” “intend,” “plan,” or variations of these words or similar expressions. These forward-looking statements are not statements of historical facts and represent only our current expectations regarding such matters. These statements inherently involve a wide range of known and unknown risks and uncertainties. Our 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, those set forth under Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2014 and other important factors disclosed previously and from time to time in our other filings with the Securities and Exchange Commission (SEC). Given these factors, as well as other variables that may affect our operating results, you should not rely on forward-looking statements, assume that past financial performance will be a reliable indicator of future performance nor use historical trends to anticipate results or trends in future periods. We expressly disclaim any obligation or intention to provide updates to the forward-looking statements and the estimates and assumptions associated with them.

PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

RAYTHEON COMPANY

CONSOLIDATED BALANCE SHEETS

(In millions, except per share amounts)	(Unaudited) Mar 29, 2015	Dec 31, 2014
Assets		
Current assets		
Cash and cash equivalents	**$ 2,906**	$ 3,222
Short-term investments	**1,234**	1,497
Contracts in process, net	**5,223**	4,985
Inventories	**506**	414
Prepaid expenses and other current assets	**372**	174
Total current assets	**10,241**	10,292
Property, plant and equipment, net	**1,906**	1,935
Goodwill	**13,060**	13,061
Other assets, net	**2,591**	2,612
Total assets	**$ 27,798**	$ 27,900
Liabilities and Equity		
Current liabilities		
Advance payments and billings in excess of costs incurred	**$ 1,944**	$ 2,284
Accounts payable	**1,141**	1,250
Accrued employee compensation	**905**	1,059
Accrued income taxes	**346**	31
Other accrued expenses	**1,299**	1,306
Total current liabilities	**5,635**	5,930
Accrued retiree benefits and other long-term liabilities	**6,926**	6,919
Long-term debt	**5,331**	5,330
Commitments and contingencies (Note 8)		
Equity		
Raytheon Company stockholders' equity		
Common stock, par value, $0.01 per share, 1,450 shares authorized, 306 and 307 shares outstanding at March 29, 2015 and December 31, 2014, respectively.	**3**	3
Additional paid-in capital	**1,040**	1,309
Accumulated other comprehensive loss	**(7,353)**	(7,458)
Retained earnings	**16,017**	15,671
Total Raytheon Company stockholders' equity	**9,707**	9,525
Noncontrolling interests in subsidiaries	**199**	196
Total equity	**9,906**	9,721
Total liabilities and equity	**$ 27,798**	$ 27,900

The accompanying notes are an integral part of the unaudited consolidated financial statements.

RAYTHEON COMPANY

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended	
(In millions, except per share amounts)	**Mar 29, 2015**	Mar 30, 2014
Net sales		
Products	**$ 4,387**	$ 4,565
Services	**901**	943
Total net sales	**5,288**	5,508
Operating expenses		
Cost of sales—products	**3,096**	3,391
Cost of sales—services	**737**	770
General and administrative expenses	**615**	559
Total operating expenses	**4,448**	4,720
Operating income	**840**	788
Non-operating (income) expense, net		
Interest expense	**58**	51
Interest income	**(4)**	(3)
Other (income) expense, net	**(2)**	—
Total non-operating (income) expense, net	**52**	48
Income from continuing operations before taxes	**788**	740
Federal and foreign income taxes	**234**	147
Income from continuing operations	**554**	593
Income (loss) from discontinued operations, net of tax	**—**	7
Net income	**554**	600
Less: Net income attributable to noncontrolling interests in subsidiaries	**3**	4
Net income attributable to Raytheon Company	**$ 551**	$ 596
Basic earnings (loss) per share attributable to Raytheon Company common stockholders:		
Income from continuing operations	**$ 1.79**	$ 1.87
Income (loss) from discontinued operations, net of tax	**—**	0.02
Net income	**1.79**	1.89
Diluted earnings (loss) per share attributable to Raytheon Company common stockholders:		
Income from continuing operations	**$ 1.78**	$ 1.87
Income (loss) from discontinued operations, net of tax	**—**	0.02
Net income	**1.79**	1.89
Amounts attributable to Raytheon Company common stockholders:		
Income from continuing operations	**$ 551**	$ 589
Income (loss) from discontinued operations, net of tax	**—**	7
Net income	**$ 551**	$ 596

The accompanying notes are an integral part of the unaudited consolidated financial statements.

RAYTHEON COMPANY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Three Months Ended	
(In millions)	**Mar 29, 2015**	Mar 30, 2014
Net income	**$ 554**	$ 600
Other comprehensive income (loss), before tax:		
Foreign exchange translation	**(69)**	6
Cash flow hedges and interest rate locks	**(7)**	(1)
Unrealized gains (losses) on investments and other, net	**(6)**	—
Pension and other employee benefit plans, net:		
Amortization of prior service cost (credit) included in net periodic cost	**2**	2
Amortization of net actuarial loss included in net income	**283**	222
Pension and other employee benefit plans, net	**285**	224
Other comprehensive income (loss), before tax	**203**	229
Income tax benefit (expense) related to items of other comprehensive income (loss)	**(98)**	(78)
Other comprehensive income (loss), net of tax	**105**	151
Total comprehensive income (loss)	**659**	751
Less: Comprehensive income (loss) attributable to noncontrolling interests in subsidiaries	**3**	4
Comprehensive income (loss) attributable to Raytheon Company	**$ 656**	$ 747

The accompanying notes are an integral part of the unaudited consolidated financial statements.

RAYTHEON COMPANY

CONSOLIDATED STATEMENTS OF EQUITY (UNAUDITED)

Three Months Ended March 29, 2015 and March 30, 2014 (in millions)	Common stock	Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Total Raytheon Company stockholders' equity	Noncontrolling interests in subsidiaries	Total equity
Balance at December 31, 2014	$ 3	$ 1,309	$ (7,458)	$ 15,671	$ 9,525	$ 196	$ 9,721
Net income				**551**	**551**	**3**	**554**
Other comprehensive income (loss), net of tax			**105**		**105**		**105**
Dividends declared				**(205)**	**(205)**		**(205)**
Common stock plans activity		**71**			**71**		**71**
Share repurchases		**(340)**			**(340)**		**(340)**
Balance at March 29, 2015	**$ 3**	**$ 1,040**	**$ (7,353)**	**$ 16,017**	**$ 9,707**	**$ 199**	**$ 9,906**
Balance at December 31, 2013	$ 3	$ 1,972	$ (5,113)	$ 14,173	$ 11,035	$ 162	$ 11,197
Net income				596	596	4	600
Other comprehensive income (loss), net of tax			151		151		151
Dividends declared				(187)	(187)		(187)
Distributions and other activity related to noncontrolling interests					—	(1)	(1)
Common stock plans activity		53			53		53
Share repurchases		(230)			(230)		(230)
Balance at March 30, 2014	$ 3	$ 1,795	$ (4,962)	$ 14,582	$ 11,418	$ 165	$ 11,583

The accompanying notes are an integral part of the unaudited consolidated financial statements.

RAYTHEON COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Three Months Ended	
(In millions)	**Mar 29, 2015**	Mar 30, 2014
Cash flows from operating activities		
Net income	**$ 554**	$ 600
(Income) loss from discontinued operations, net of tax	**—**	(7)
Income from continuing operations	**554**	593
Adjustments to reconcile to net cash provided by (used in) operating activities from continuing operations, net of the effect of acquisitions and divestitures		
Depreciation and amortization	**107**	107
Stock-based compensation	**51**	38
Deferred income taxes	**(94)**	(31)
Tax benefit from stock-based awards	**(18)**	(11)
Changes in assets and liabilities		
Contracts in process, net and advance payments and billings in excess of costs incurred	**(586)**	(77)
Inventories	**(93)**	—
Prepaid expenses and other current assets	**(190)**	(51)
Accounts payable	**(112)**	(100)
Income taxes receivable/payable	**326**	224
Accrued employee compensation	**(157)**	(201)
Other accrued expenses	**8**	5
Other long-term liabilities	**(5)**	(12)
Accrued retiree benefits	**267**	180
Other, net	**(3)**	(5)
Net cash provided by (used in) operating activities from continuing operations	**55**	659
Net cash provided by (used in) operating activities from discontinued operations	**1**	12
Net cash provided by (used in) operating activities	**56**	671
Cash flows from investing activities		
Additions to property, plant and equipment	**(55)**	(39)
Proceeds from sales of property, plant and equipment	**4**	—
Additions to capitalized internal use software	**(13)**	(12)
Purchases of short-term investments	**(148)**	(1,345)
Sales of short-term investments	**135**	457
Maturities of short-term investments	**250**	400
Payments for purchases of acquired companies, net of cash received	**(6)**	—
Other	**(31)**	—
Net cash provided by (used in) investing activities	**136**	(539)
Cash flows from financing activities		
Dividends paid	**(186)**	(174)
Repurchases of common stock under share repurchase programs	**(300)**	(200)
Repurchases of common stock to satisfy tax withholding obligations	**(40)**	(30)
Proceeds from exercise of stock options	**—**	1
Tax benefit from stock-based awards	**18**	11
Net cash provided by (used in) financing activities	**(508)**	(392)
Net increase (decrease) in cash and cash equivalents	**(316)**	(260)
Cash and cash equivalents at beginning of the year	**3,222**	3,296
Cash and cash equivalents at end of period	**$ 2,906**	$ 3,036

The accompanying notes are an integral part of the unaudited consolidated financial statements.

RAYTHEON COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1: Basis of Presentation

We prepared the accompanying unaudited consolidated financial statements of Raytheon Company and all wholly-owned, majority-owned or otherwise controlled subsidiaries on the same basis as our annual audited financial statements. We condensed or omitted certain information and footnote disclosures normally included in our annual audited financial statements, which we prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP). Our quarterly financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2014. As used in this report, the terms “we,” “us,” “our,” “Raytheon” and the “Company” mean Raytheon Company and its subsidiaries, unless the context indicates another meaning.

In the opinion of management, our financial statements reflect all adjustments, which are of a normal recurring nature, necessary for presentation of financial statements for interim periods in accordance with GAAP and with the instructions to Form 10-Q in Article 10 of Securities and Exchange Commission (SEC) Regulation S-X. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions about future events that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of our financial statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates, and any such differences may be material to our financial statements.

Note 2: Changes in Estimates under Percentage of Completion Contract Accounting

We have a Company-wide standard and disciplined quarterly Estimate at Completion (EAC) process in which management reviews the progress and performance of our contracts. As part of this process, management reviews information including, but not limited to, any outstanding key contract matters, progress towards completion and the related program schedule, identified risks and opportunities, and the related changes in estimates of revenues and costs. The risks and opportunities include management's judgment about the ability and cost to achieve the schedule (e.g., the number and type of milestone events), technical requirements (e.g., a newly-developed product versus a mature product), and other contract requirements. Management must make assumptions and estimates regarding labor productivity and availability, the complexity of the work to be performed, the availability of materials, the length of time to complete the contract (e.g., to estimate increases in wages and prices for materials and related support cost allocations), performance by our subcontractors, the availability and timing of funding from our customer, and overhead cost rates, among other variables. These estimates also include the estimated cost of satisfying our industrial cooperation agreements, sometimes referred to as offset obligations, required under certain contracts. Based on this analysis, any quarterly adjustments to net sales, cost of sales, and the related impact to operating income are recognized as necessary in the period they become known. These adjustments may result from positive program performance, and may result in an increase in operating income during the performance of individual contracts, if we determine we will be successful in mitigating risks surrounding the technical, schedule, and cost aspects of those contracts or in realizing related opportunities. Likewise, these adjustments may result in a decrease in operating income if we determine we will not be successful in mitigating these risks or in realizing related opportunities. Changes in estimates of net sales, cost of sales, and the related impact to operating income are recognized quarterly on a cumulative catch-up basis, which recognizes in the current period the cumulative effect of the changes on current and prior periods based on a contract's percentage of completion. A significant change in one or more of these estimates could affect the profitability of one or more of our contracts. When estimates of total costs to be incurred on a contract exceed total estimates of revenue to be earned, a provision for the entire loss on the contract is recognized in the period the loss is determined.

Net EAC adjustments had the following impact on our operating results:

	Three Months Ended	
(In millions, except per share amounts)	**Mar 29, 2015**	Mar 30, 2014
Operating income	**$ 121**	$ 122
Income from continuing operations attributable to Raytheon Company	**79**	79
Diluted earnings per share (EPS) from continuing operations attributable to Raytheon Company	**$ 0.26**	$ 0.25

Note 3: eBorders Settlement

On March 27, 2015, Raytheon Systems Limited (RSL) reached a settlement with the UK Home Office concluding the parties' dispute regarding the UK Home Office's July 2010 termination of RSL's eBorders contract within our Intelligence, Information and Services (IIS) segment. The settlement includes a cash payment from the UK Home Office to RSL of £150 million (approximately $226 million) for the resolution of all claims and counterclaims of both parties related to the matter. After certain expenses and derecognition of the outstanding receivables, IIS recorded $181 million in operating income, through a reduction in cost of sales, in the first quarter of 2015. The £150 million receivable for the settlement amount was recorded in prepaid expenses and other current assets in our consolidated balance sheet at March 29, 2015 and the cash payment was received in the second quarter of 2015.

Note 4: Inventories

Inventories consisted of the following:

(In millions)	**Mar 29, 2015**	Dec 31, 2014
Materials and purchased parts	**$ 61**	$ 70
Work in process	**429**	326
Finished goods	**16**	18
Total	**$ 506**	$ 414

We capitalize costs incurred in advance of contract award or funding in inventories if we determine that contract award or funding is probable. To the extent these are precontract costs, start-up costs have been excluded. We included capitalized precontract costs and other deferred costs of $186 million and $126 million in inventories as work in process at March 29, 2015 and December 31, 2014, respectively.

Note 5: Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2014-09 Revenue from Contracts with Customers (Topic 606) which will replace numerous requirements in U.S. GAAP, including industry-specific requirements, and provide companies with a single revenue recognition model for recognizing revenue from contracts with customers. The core principle of the new standard is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard will be effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. For Raytheon, the standard will be effective in the first quarter of 2017. The two permitted transition methods under the new standard are the full retrospective method, in which case the standard would be applied to each prior reporting period presented, or the modified retrospective method, in which case the cumulative effect of applying the standard would be recognized at the date of initial application. We have not yet selected a transition method. We are currently evaluating the potential changes from this ASU to our future financial reporting and disclosures. However, the FASB currently is contemplating changes to the new standard and its effective date, which could impact Raytheon's evaluation. Under the new standard, we expect to continue using the cost-to-cost percentage of completion method to recognize revenue for most of our long-term contracts.

Other new pronouncements issued but not effective until after March 29, 2015 are not expected to have a material impact on our financial position, results of operations or liquidity.

Note 6: Acquisitions

In pursuing our business strategies, we acquire and make investments in certain businesses that meet strategic and financial criteria.

As previously announced, on April 19, 2015, we entered into a definitive agreement to acquire Websense, Inc., from Vista Equity Partners for approximately $1.9 billion, net of cash received, and exclusive of retention payments. Websense is a leader in advanced threat protection and data theft prevention across web, email, cloud and endpoint infrastructure. The parties also agreed to combine Websense with Raytheon Cyber Products, a business unit of our IIS segment, to create a new cybersecurity company. In addition, Vista Equity Partners agreed to purchase from Raytheon a 19.7% interest in the new company for approximately $335 million. The expected net cash outflow of these transactions is approximately $1.57 billion, which we intend to fund using existing cash and cash equivalents on hand. We expect these transactions to close in the second quarter of 2015, subject to satisfaction of customary closing conditions, including regulatory filings.

A rollforward of our goodwill by segment is as follows:

(In millions)		Integrated Defense Systems		Intelligence, Information and Services		Missile Systems		Space and Airborne Systems		Total
Balance at December 31, 2014	$	1,797	$	3,008	$	4,150	$	4,106	$	13,061
Increase for acquisitions[(1)]		**—**		**—**		**4**		**—**		**4**
Effect of foreign exchange rates and other		**(4)**		**(1)**		**—**		**—**		**(5)**
Balance at March 29, 2015	**$**	**1,793**	**$**	**3,007**	**$**	**4,154**	**$**	**4,106**	**$**	**13,060**

(1) During the first quarter of 2015, we acquired Sensintel, Incorporated.

Note 7: Derivatives and Other Financial Instruments

Derivatives—Our primary market exposures are to foreign exchange rates and interest rates, and we use certain derivative financial instruments to help manage these exposures. We execute these instruments with financial institutions that we judge to be credit-worthy, and the majority of our foreign currency forward contracts are denominated in currencies of major industrial countries. We do not hold or issue derivative financial instruments for trading or speculative purposes.

The fair value of asset derivatives included in other assets, net and liability derivatives included in other accrued expenses in our consolidated balance sheets related to foreign currency contracts were $16 million and $41 million, respectively at March 29, 2015 and $7 million and $24 million, respectively at December 31, 2014.

We use foreign currency forward contracts to fix the functional currency value of specific commitments, payments and receipts. The aggregate notional amount of the outstanding foreign currency forward contracts was $847 million and $926 million at March 29, 2015 and December 31, 2014, respectively. The net notional exposure of these contracts was approximately $35 million and $57 million at March 29, 2015 and December 31, 2014, respectively.

Our foreign currency forward contracts contain off-set or netting provisions to mitigate credit risk in the event of counterparty default, including payment default and cross default. At both March 29, 2015 and December 31, 2014, the fair value of our counterparty default exposure was less than $1 million and spread across numerous highly rated counterparties.

There were no interest rate swaps outstanding at March 29, 2015 or December 31, 2014.

Other Financial Instruments—We invest in marketable securities in accordance with our short-term investment policy and cash management strategy. These marketable securities are classified as available-for-sale and are recorded at fair value as short-term investments in our consolidated balance sheets. These investments are deemed Level 2 assets under the fair value hierarchy at March 29, 2015 and December 31, 2014, as their fair value is determined under a market approach using valuation models that utilize observable inputs, including maturity date, issue date, settlements date, and current rates. At March 29, 2015 and December 31, 2014, we had short-term investments of $1,234 million and $1,497 million, respectively, consisting of highly rated bank certificates of deposit with a minimum long-term debt rating of A or A2 and a minimum short-term debt rating of A-1 and P-1. As of March 29, 2015, our short-term investments had an average maturity of approximately four months. The amortized cost of these securities closely approximated their fair value at March 29, 2015 and December 31, 2014. There were no securities deemed to have other than temporary declines in value for the first quarter of 2015. In the first quarter of 2015, we recorded unrealized gains on short-term investments of less than $1 million, net of tax, in AOCL. In the first quarter of 2014, we recorded unrealized gains on short-term investments of less than $1 million, net of tax, in AOCL. In the first quarter of 2015, we recorded sales of short-term investments of $135 million, which resulted in losses of less than $1 million recorded in other (income) expense, net. In the first quarter of 2014, we recorded sales of short-term investments of $457 million, which resulted in gains of less than $1 million recorded in other (income) expense, net. For purposes of computing realized gains and losses on available-for-sale securities, we determine cost on a specific identification basis.

In addition to the financial instruments discussed above, we hold other financial instruments, including cash and cash equivalents, notes receivable and debt. The carrying amounts for cash and cash equivalents and notes receivable approximated their fair values. The carrying value of long-term debt was recorded at amortized cost. The estimated fair value of long-term debt was determined based on quoted prices in inactive markets, which falls within Level 2 of the fair value hierarchy. The carrying value and estimated fair value of long-term debt were as follows:

(In millions)		**Mar 29, 2015**		Dec 31, 2014
Carrying value of long-term debt	**$**	**5,331**	$	5,330
Fair value of long-term debt		**6,040**		5,936

In addition, we did not have any transfers of assets or liabilities between levels of the fair value hierarchy during the first quarter of 2015.

Note 8: Commitments and Contingencies

Environmental Matters—We are involved in various stages of investigation and cleanup related to remediation of various environmental sites. Our estimate of the liability of total environmental remediation costs includes the use of a discount rate and takes into account that a portion of these costs is eligible for future recovery through the pricing of our products and services to the U.S. Government. We consider such recovery probable based on government contracting regulations and our long history of receiving reimbursement for such costs, and accordingly have recorded the estimated future recovery of these costs from the U.S. Government within contracts in process, net in our consolidated balance sheets. Our estimates regarding remediation costs to be incurred were as follows:

(In millions, except percentages)	Mar 29, 2015	Dec 31, 2014
Total remediation costs—undiscounted	**$ 204**	$ 202
Weighted average discount rate	**5.5%**	5.5%
Total remediation costs—discounted	**$ 139**	$ 131
Recoverable portion	**85**	80

We also lease certain government-owned properties and generally are not liable for remediation of preexisting environmental contamination at these sites. As a result, we generally do not provide for these costs in our consolidated financial statements.

Due to the complexity of environmental laws and regulations, the varying costs and effectiveness of alternative cleanup methods and technologies, the uncertainty of insurance coverage and the unresolved extent of our responsibility, it is difficult to determine the ultimate outcome of environmental matters. However, we do not expect any additional liability to have a material adverse effect on our financial position, results of operations or liquidity.

Financing Arrangements and Other—We issue guarantees and banks and surety companies issue, on our behalf, letters of credit and surety bonds to meet various bid, performance, warranty, retention and advance payment obligations of us or our affiliates. These instruments expire on various dates through 2023. Additional guarantees of project performance for which there is no stated value also remain outstanding. The stated values outstanding consisted of the following:

(In millions)	Mar 29, 2015	Dec 31, 2014
Guarantees	**$ 303**	$ 266
Letters of credit	**1,823**	1,938
Surety bonds	**298**	298

Included in guarantees and letters of credit described above were $233 million and $166 million, respectively, at March 29, 2015, and $196 million and $244 million, respectively, at December 31, 2014, related to our joint venture in Thales-Raytheon Systems Co. Ltd. (TRS). We provide these guarantees and letters of credit to TRS and other affiliates to assist these entities in obtaining financing on more favorable terms, making bids on contracts and performing their contractual obligations. While we expect these entities to satisfy their loans, and meet their project performance and other contractual obligations, their failure to do so may result in a future obligation to us. We periodically evaluate the risk of TRS and other affiliates failing to meet their obligations described above. At March 29, 2015, we believe the risk that TRS and other affiliates will not be able to meet their obligations is minimal for the foreseeable future based on their current financial condition. All obligations were current at March 29, 2015. At March 29, 2015 and December 31, 2014, we had an estimated liability of $7 million and $9 million, respectively, related to these guarantees and letters of credit.

The TRS joint venture agreement was amended on June 10, 2014 to allow for termination of the joint venture by either party every three years based on the scheduled date for the designation of a successor Chief Executive Officer for the joint venture which would next occur in 2016. Termination terms and related payments are subject to negotiation between Thales S.A. and Raytheon, but generally would include a net payment due for undistributed earnings of the joint venture companies since inception and a net payment based on the relative fair value of those companies excluding Air Command Systems International S.A.S. As a result, any final future termination amounts cannot be determined precisely at this time and could be different from those amounts recorded to date. However, if the joint venture were terminated as of March 29, 2015, we believe the termination payment we would be required to make based on a standard valuation approach, would not be material. If a termination liability exceeds $50 million, the agreement allows the paying side to elect to make payments, inclusive of interest, in equal installments over five years to settle the liability.

We have entered into industrial cooperation agreements, sometimes referred to as offset agreements, as a condition to obtaining orders for our products and services from certain customers in foreign countries. At March 29, 2015, the aggregate amount of our offset agreements had an outstanding notional value of approximately $5 billion. These agreements are designed to return economic value to the foreign country by requiring us to engage in activities supporting local defense or commercial industries, promoting a balance of trade, developing in-country technology capabilities, or addressing other local development priorities. Offset agreements may be satisfied through activities that do not require a direct cash payment, including transferring technology, providing manufacturing, training and other consulting support to in-country projects, and the purchase by third parties (e.g., our vendors) of supplies from in-country vendors. These agreements may also be satisfied through our use of cash for activities such as subcontracting with local partners, purchasing supplies from in-country vendors, providing financial support for in-country projects, and making investments in local ventures. Such activities may also vary by country depending upon requirements as dictated by their governments. We typically do not commit to offset agreements until orders for our products or services are definitive. The amounts ultimately applied against our offset agreements are based on negotiations with the customers and typically require cash outlays that represent only a fraction of the notional value in the offset agreements. Offset programs usually extend over several or more years and may provide for penalties in the event we fail to perform in accordance with offset requirements. We have historically not been required to pay any such penalties.

As a U.S. Government contractor, we are subject to many levels of audit and investigation by the U.S. Government relating to our contract performance and compliance with applicable rules and regulations. Agencies that oversee contract performance include: the Defense Contract Audit Agency, the Defense Contract Management Agency, the Inspector General of the Department of Defense and other departments and agencies, the Government Accountability Office, the Department of Justice and Congressional Committees. From time to time, these and other agencies investigate or conduct audits to determine whether our operations are being conducted in accordance with applicable requirements. Such investigations and audits could result in administrative, civil or criminal liabilities, including repayments, fines or penalties being imposed upon us, the suspension of government export licenses or the suspension or debarment from future U.S. Government contracting. U.S. Government investigations often take years to complete and many result in no adverse action against us. Our final allowable incurred costs for each year are also subject to audit and have from time to time resulted in disputes between us and the U.S. Government with litigation resulting at the Court of Federal Claims (COFC) or the Armed Services Board of Contract Appeals (ASBCA) or their related courts of appeals. In addition, the Department of Justice has, from time to time, convened grand juries to investigate possible irregularities by us. We also provide products and services to customers outside of the U.S. and those sales are subject to local government laws, regulations, and procurement policies and practices. Our compliance with such local government regulations or any applicable U.S. Government regulations (e.g., the Foreign Corrupt Practices Act and the International Traffic in Arms Regulations) may also be investigated or audited. Other than as specifically disclosed herein, we do not expect these audits, investigations or disputes to have a material effect on our financial position, results of operations or liquidity, either individually or in the aggregate.

On June 29, 2012 and July 13, 2012, we received a contracting officer's final decision (COFD) for 2004 and 2005 incurred costs at our Space and Airborne Systems (SAS) segment. The COFDs demand a total payment of $241 million for costs, interest and penalties associated with several issues, the largest of which relates to specific research and development and capital projects undertaken by SAS between 2000 and 2005. To date, no COFDs have been provided for 2000 to 2003 periods at SAS on these issues. The Government alleges that the costs incurred on the projects should have been charged directly to U.S. Government contracts rather than through indirect rates and that these costs should not be recoverable. We strongly disagree with the Government's position. We have requested a deferment of the payment and in February and May 2013, we filed complaints in the U.S. COFC challenging the 2004 and 2005 COFDs, respectively. Due to the inherent uncertainties of litigation, we cannot estimate a range of potential loss. We believe that we appropriately charged the disputed costs based on government accounting standards and applicable precedent and properly disclosed our approach to the Government. We also believe that in many cases, the statute of limitations has run on the issues. Based upon the foregoing, we do not expect the results of the COFDs to have a material impact on our financial position, results of operations or liquidity.

In addition, various other claims and legal proceedings generally incidental to the normal course of business are pending or threatened against, or initiated by, us. We do not expect any of these proceedings to result in any additional liability or gains that would materially affect our financial position, results of operations or liquidity. In connection with certain of our legal matters, we may be entitled to insurance recovery for qualified legal costs. We do not expect any insurance recovery to have a material impact on the financial exposure that could result from these matters.

Product Warranty—We provide for product warranties in conjunction with certain product sales for which we recognize revenue upon delivery.

Activity related to product warranty accruals was as follows:

(In millions)	Three Months Ended Mar 29, 2015	Three Months Ended Mar 30, 2014
Beginning balance	**$ 32**	$ 30
Provisions for warranties	**2**	—
Warranty services provided	**(1)**	(1)
Ending balance	**$ 33**	$ 29

We account for warranty provision costs incurred under our long-term contracts using the cost-to-cost measure of progress as contracts costs, as the estimation of these costs is integral in determining the price of the related long-term contracts. The table above excludes these costs.

Note 9: Stockholders' Equity

The changes in shares of our common stock outstanding were as follows:

(In millions)	Three Months Ended Mar 29, 2015	Three Months Ended Mar 30, 2014
Beginning balance	**307.3**	314.5
Stock plans activity	**1.8**	0.6
Share repurchases	**(3.2)**	(2.3)
Ending balance	**305.9**	312.8

In November 2013, our Board of Directors authorized the repurchase of up to $2.0 billion of our outstanding common stock. At March 29, 2015, we had approximately $1.2 billion available under this repurchase program. Share repurchases will take place from time to time at management's discretion depending on market conditions.

Share repurchases also include shares surrendered by employees to satisfy tax withholding obligations in connection with restricted stock, restricted stock units and stock option awards issued to employees.

Our share repurchases were as follows:

	Three Months Ended			
(In millions)	**Mar 29, 2015**		Mar 30, 2014	
	$	**Shares**	$	Shares
Shares repurchased under our share repurchase programs	**$ 300**	**2.8**	$ 200	2.1
Shares repurchased to satisfy tax withholding obligations	**40**	**0.4**	30	0.2
Total share repurchases	**$ 340**	**3.2**	$ 230	2.3

In March 2015, our Board of Directors authorized an 11% increase to our annual dividend payout rate from $2.42 to $2.68 per share. Our Board of Directors also declared dividends of $0.67 per share during the first quarter of 2015, compared to dividends of $0.605 per share during the first quarter of 2014. Dividends are subject to quarterly approval by our Board of Directors.

Earnings Per Share (EPS)

We compute basic and diluted EPS using actual income from continuing operations attributable to Raytheon Company common stockholders, income (loss) from discontinued operations attributable to Raytheon Company common stockholders, net income attributable to Raytheon Company, and our actual weighted-average shares and participating securities outstanding rather than the numbers presented within our unaudited consolidated financial statements, which are rounded to the nearest million. As a result, it may not be possible to recalculate EPS as presented in our unaudited consolidated financial statements. Furthermore, it may not be possible to recalculate EPS attributable to Raytheon Company common stockholders by adjusting EPS from continuing operations by EPS from discontinued operations.

We include all unvested stock awards that contain non-forfeitable rights to dividends or dividend equivalents, whether paid or unpaid, in the number of shares outstanding in our basic and diluted EPS calculations. As a result, we have included all of our outstanding unvested restricted stock awards, and unvested restricted stock units and Long-Term Performance Plan (LTPP) awards that meet the retirement eligible criteria, in our calculation of basic and diluted EPS. We disclose EPS for common stock and unvested share-based payment awards, and separately disclose distributed and undistributed earnings. Distributed earnings represent common stock dividends and dividends earned on unvested share-based payment awards of retirement eligible employees. Undistributed earnings represent earnings that were available for distribution but were not distributed. Common stock and unvested share-based payment awards earn dividends equally.

EPS from continuing operations attributable to Raytheon Company common stockholders and unvested share-based payment awards was as follows:

	Three Months Ended	
	Mar 29, 2015	Mar 30, 2014
Basic EPS attributable to Raytheon Company common stockholders:		
Distributed earnings	**$ 0.67**	$ 0.59
Undistributed earnings	**1.12**	1.28
Total	**$ 1.79**	$ 1.87
Diluted EPS attributable to Raytheon Company common stockholders:		
Distributed earnings	**$ 0.67**	$ 0.59
Undistributed earnings	**1.11**	1.28
Total	**$ 1.78**	$ 1.87

Basic and diluted EPS from discontinued operations attributable to Raytheon Company common stockholders and unvested share-based payment awards was earnings of less than $0.01 and earnings of $0.02 for the first quarters of 2015 and 2014, respectively.

Income attributable to participating securities was as follows:

	Three Months Ended	
(In millions)	**Mar 29, 2015**	Mar 30, 2014
Income from continuing operations attributable to participating securities	**$ 11**	$ 11
Income (loss) from discontinued operations, net of tax attributable to participating securities(1)	**—**	—
Net income attributable to participating securities	**$ 11**	$ 11

(1) Income (loss) from discontinued operations, net of tax attributable to participating securities was earnings of less than $1 million for the first quarter of 2015 and the first quarter of 2014.

The weighted-average shares outstanding for basic and diluted EPS were as follows:

	Three Months Ended	
(In millions)	**Mar 29, 2015**	Mar 30, 2014
Shares for basic EPS (including 5.7 and 6.0 participating securities for the three months ended March 29, 2015 and March 30, 2014, respectively.)	**308.2**	315.0
Dilutive effect of stock options and LTPP	**0.4**	0.8
Shares for diluted EPS	**308.6**	315.8

There were no stock options with exercise prices greater than the average market price (anti-dilutive) that were excluded from our calculation of diluted EPS for the first quarters of 2015 and 2014. There were no stock options outstanding at March 29, 2015 nor included in the calculation of EPS (dilutive) in the first quarter of 2015, compared to less than 1 million in the first quarter of 2014.

Stock-based Compensation Plans

Restricted stock activity for the first quarter of 2015 was as follows:

(In millions)	Number of Shares
Outstanding unvested at December 31, 2014	4.5
Granted	**1.2**
Forfeited	**(0.1)**
Outstanding unvested at March 29, 2015	**5.6**

During the first quarters of 2015 and 2014, we issued 0.8 million and 0.7 million shares, respectively, of our common stock in connection with the vesting of our 2012–2014 and 2011–2013 LTPP awards. During the same periods, we also granted our 2015–2017 and 2014–2016 LTPP awards with an aggregate target award of 0.2 million and 0.3 million shares, respectively, for each period.

The performance goals for the 2015–2017 LTPP award are independent of each other and based on three metrics, as defined in the award agreements: return on invested capital (ROIC), weighted at 50%; total shareholder return (TSR) relative to a peer group, weighted at 25%; and cumulative free cash flow from continuing operations (CFCF), weighted at 25%. The ultimate award, which is determined at the end of the three-year cycle, can range from zero to 200% of the target award and includes dividend equivalents, which are not included in the aggregate target award numbers.

During the first quarter of 2015, as part of our annual Restricted Stock Program, we awarded 0.2 million restricted stock units (RSUs) to retirement-eligible employees. These awards vest over a specified period of time as determined by the Management Development and Compensation Committee of our Board of Directors and are compensatory in nature. The RSUs continue to vest, but do not accelerate, on the scheduled vesting dates into retirement subject to the employee's compliance with certain post-employment covenants. Due to the continued vesting provisions of the RSUs into retirement, the Company recognized all of the stock compensation expense associated with the RSUs in the first quarter of 2015, approximately $22 million pretax.

Other Comprehensive Income (Loss)

Other comprehensive income (loss) includes foreign exchange translation adjustments, gains and losses on derivative instruments qualified as cash flow hedges, unrealized gains (losses) on investments, and gains and losses associated with pension and other postretirement benefits. The computation of other comprehensive income (loss) and its components are presented in the consolidated statements of comprehensive income.

Other comprehensive income (loss) consisted of the following activity during the first three months of 2015 and 2014:

(In millions)	Foreign exchange translation	Cash flow hedges and interest rate locks	Unrealized gains (losses) on investments and other, net	Pension and other employee benefit plans, net	Total
Balance at December 31, 2014	$ (3)	$ (14)	$ (9)	$ (7,432)	$ (7,458)
Before tax amount	**(69)**	**(7)**	**(6)**	**285**	**203**
Tax (expense) or benefit	**—**	**2**	**—**	**(100)**	**(98)**
Net of tax amount	**(69)**	**(5)**	**(6)**	**185**	**105**
Balance at March 29, 2015	**$ (72)**	**$ (19)**	**$ (15)**	**$ (7,247)**	**$ (7,353)**
Balance at December 31, 2013	$ 47	$ (8)	$ (9)	$ (5,143)	$ (5,113)
Before tax amount	6	(1)	—	224	229
Tax (expense) or benefit	—	1	—	(79)	(78)
Net of tax amount	6	—	—	145	151
Balance at March 30, 2014	$ 53	$ (8)	$ (9)	$ (4,998)	$ (4,962)

Material amounts reclassified out of accumulated other comprehensive loss (AOCL) were related to amortization of net actuarial loss associated with our pension and other employee benefit plans, and were $283 million and $222 million before tax in the first quarters of 2015 and 2014, respectively. This component of AOCL is included in the calculation of net periodic benefit expense (income) (see "Note 10: Pension and Other Employee Benefits" for additional details).

The defined benefit pension and other employee benefit plans is shown net of tax benefits of $3,905 million and $4,005 million at March 29, 2015 and December 31, 2014, respectively. The cash flow hedges and interest rate locks are shown net of tax benefits of $10 million and $8 million at March 29, 2015 and December 31, 2014, respectively. The unrealized gains (losses) on investments and other are shown net of tax benefits of $2 million at March 29, 2015 and December 31, 2014. We expect approximately $7 million of after-tax net unrealized losses on our cash flow hedges at March 29, 2015 to be reclassified into earnings at then-current values over the next twelve months as the underlying hedged transactions occur.

Note 10: Pension and Other Employee Benefits

We have pension plans covering the majority of our employees, including certain employees in foreign countries (Pension Benefits). Our primary pension obligations relate to our domestic IRS qualified pension plans. We also provide certain health care and life insurance benefits to retired employees and to eligible employees upon retirement through other postretirement benefit plans (Other Benefits).

We also sponsor nonqualified defined benefit and defined contribution plans to provide benefits in excess of qualified plan limits. We have set aside certain assets in a separate trust, which we expect to be used to pay for trust obligations. The fair value of marketable securities held in trust, which are considered Level 1 assets under the fair value hierarchy, consisted of the following:

(In millions)	**Mar 29, 2015**	Dec 31, 2014
Marketable securities held in trust	**$ 527**	$ 519

Included in marketable securities held in trust in the table above was $334 million and $328 million at March 29, 2015 and December 31, 2014, respectively, related to the nonqualified defined contribution plans. The liabilities related to the nonqualified defined contribution plans were $332 million and $327 million at March 29, 2015 and December 31, 2014, respectively.

The components of net periodic pension expense (income) were as follows:

	Three Months Ended	
(In millions)	**Mar 29, 2015**	Mar 30, 2014
Service cost	**$ 130**	$ 117
Interest cost	**261**	281
Expected return on plan assets	**(384)**	(401)
Amounts reflected in net funded status	**7**	(3)
Amortization of prior service cost included in net periodic pension expense	**2**	2
Amortization of net actuarial loss included in net income	**282**	222
Amounts reclassified during the year	**$ 284**	$ 224
Net periodic pension expense (income)	**$ 291**	$ 221

Net periodic pension expense (income) includes income of $(1) million and $(2) million from foreign Pension Benefits plans in the first quarters of 2015 and 2014, respectively.

The components of net periodic postretirement expense (income) related to our Other Benefits were as follows:

	Three Months Ended	
(In millions)	**Mar 29, 2015**	Mar 30, 2014
Service cost	**$ 2**	$ 1
Interest cost	**7**	9
Expected return on plan assets	**(7)**	(8)
Amounts reflected in net funded status	**2**	2
Amortization of net actuarial loss included in net income	**1**	—
Amounts reclassified during the year	**$ 1**	$ —
Net periodic postretirement expense (income)	**$ 3**	$ 2

Long-term pension and other postretirement benefit plan liabilities were as follows:

(In millions)	Mar 29, 2015	Dec 31, 2014
Long-term pension liabilities	**$ 6,341**	$ 6,359
Long-term other postretirement benefit plan liabilities	**350**	352
Total long-term pension and other postretirement benefit plan liabilities	**$ 6,691**	$ 6,711

We made the following contributions to our pension and other postretirement benefit plans:

	Three Months Ended	
(In millions)	Mar 29, 2015	Mar 30, 2014
Required pension contributions	**$ 22**	$ 39
Other postretirement benefit contributions	**5**	4

We did not make any discretionary contributions to our pension plans during the first quarters of 2015 and 2014; however, we periodically evaluate whether to make discretionary contributions.

Note 11: Income Taxes

We are subject to income taxes in the U.S. and numerous foreign jurisdictions. We have participated in the IRS Compliance Assurance Process (CAP) program since 2011. We continue to participate in the CAP program for the 2013, 2014 and 2015 tax years. All IRS examinations of our tax years prior to 2013 are now closed. We are also under audit by multiple state and foreign tax authorities.

We believe that our income tax reserves are adequate; however, amounts asserted by taxing authorities could be greater or less than amounts accrued and reflected in our consolidated balance sheets. Accordingly, we may record adjustments to the amounts for federal, foreign and state tax-related liabilities in the future as we revise estimates or we settle or otherwise resolve the underlying matters. In the ordinary course of business, we may take new positions that could increase or decrease our unrecognized tax benefits in future periods.

The balance of our unrecognized tax benefits, exclusive of interest, was $101 million and $104 million at March 29, 2015 and December 31, 2014, respectively, and $110 million and $118 million at March 30, 2014 and December 31, 2013, respectively, the majority of which would affect our earnings if recognized. There were no significant changes in the balance during the first quarters of 2015 and 2014.

Note 12: Business Segment Reporting

Our reportable segments, organized based on capabilities and technologies, are: Integrated Defense Systems; Intelligence, Information and Services; Missile Systems; and Space and Airborne Systems. Segment total net sales and operating income generally include intersegment sales and profit recorded at cost plus a specified fee, which may differ from what the selling entity would be able to obtain on sales to external customers. Corporate and Eliminations includes corporate expenses and intersegment sales and profit eliminations. Corporate expenses represent unallocated costs and certain other corporate costs not considered part of management's evaluation of reportable segment operating performance.

Segment financial results were as follows:

	Three Months Ended	
Total Net Sales (in millions)	Mar 29, 2015	Mar 30, 2014
Integrated Defense Systems	**$ 1,433**	$ 1,481
Intelligence, Information and Services	**1,393**	1,450
Missile Systems	**1,473**	1,574
Space and Airborne Systems	**1,358**	1,398
Corporate and Eliminations	**(369)**	(395)
Total	**$ 5,288**	$ 5,508

Intersegment Sales (in millions)	Three Months Ended **Mar 29, 2015**	Mar 30, 2014
Integrated Defense Systems	**$ 20**	$ 30
Intelligence, Information and Services	**185**	200
Missile Systems	**33**	31
Space and Airborne Systems	**131**	134
Total	**$ 369**	$ 395

Operating Income (in millions)	Three Months Ended **Mar 29, 2015**	Mar 30, 2014
Integrated Defense Systems	**$ 195**	$ 226
Intelligence, Information and Services	**285**	125
Missile Systems	**207**	208
Space and Airborne Systems	**173**	190
FAS/CAS Adjustment	**49**	87
Corporate and Eliminations	**(69)**	(48)
Total	**$ 840**	$ 788

The FAS/CAS Adjustment, which is reported as a separate line in our segment results above, represents the difference between our pension and other postretirement benefit (PRB) expense or income under FAS in accordance with GAAP and our pension and PRB expense under CAS. The components of our FAS/CAS Adjustment were as follows:

(In millions)	Three Months Ended **Mar 29, 2015**	Mar 30, 2014
FAS/CAS Pension Adjustment	**$ 48**	$ 86
FAS/CAS PRB Adjustment	**1**	1
FAS/CAS Adjustment	**$ 49**	$ 87

The components of total operating income related to Corporate and Eliminations were as follows:

(In millions)	Three Months Ended **Mar 29, 2015**	Mar 30, 2014
Intersegment profit eliminations	**$ (35)**	$ (39)
Corporate	**(34)**	(9)
Total	**$ (69)**	$ (48)

Intersegment Operating Income (in millions)	Three Months Ended **Mar 29, 2015**	Mar 30, 2014
Integrated Defense Systems	**$ 1**	$ 2
Intelligence, Information and Services	**18**	20
Missile Systems	**4**	3
Space and Airborne Systems	**12**	14
Total	**$ 35**	$ 39

Total assets for each of our business segments were as follows:

Total Assets (in millions)	**Mar 29, 2015**	Dec 31, 2014
Integrated Defense Systems	**$ 4,140**	$ 4,128
Intelligence, Information and Services	**4,474**	4,243
Missile Systems	**6,375**	6,223
Space and Airborne Systems	**6,468**	6,414
Corporate	**6,341**	6,892
Total	**$ 27,798**	$ 27,900

With respect to the unaudited consolidated financial information of Raytheon Company for the three months ended March 29, 2015 and March 30, 2014, PricewaterhouseCoopers LLP (PricewaterhouseCoopers) reported that it has applied limited procedures in accordance with professional standards for a review of such information. Its report dated April 23, 2015, appearing below, states that the firm did not audit and does not express an opinion on that unaudited consolidated financial information. Accordingly, the degree of reliance on its report on such information should be restricted in light of the limited nature of the review procedures applied. PricewaterhouseCoopers is not subject to the liability provisions of Section 11 of the Securities Act of 1933 (Securities Act) for its report on the unaudited consolidated financial information because that report is not a “report” or a “part” of a registration statement prepared or certified by PricewaterhouseCoopers within the meaning of Sections 7 and 11 of the Securities Act.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Raytheon Company:

We have reviewed the accompanying consolidated balance sheet of Raytheon Company and its subsidiaries as of March 29, 2015, and the related consolidated statements of operations, of comprehensive income, and of equity for the three-month periods ended March 29, 2015 and March 30, 2014 and the consolidated statements of cash flows for the three-month periods ended March 29, 2015 and March 30, 2014. This interim financial information is the responsibility of the Company’s management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated interim financial information for it to be in conformity with accounting principles generally accepted in the United States of America.

We previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2014, and the related consolidated statements of operations, of comprehensive income, of equity, and of cash flows for the year then ended (not presented herein), and in our report dated February 11, 2015, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet information as of December 31, 2014, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Boston, Massachusetts
April 23, 2015

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We develop technologically advanced and integrated products, services and solutions in our core markets: sensing; effects; command, control, communications and intelligence (C3I); and mission support, as well as cyber and information security. We serve both domestic and international customers, as both a prime contractor and subcontractor on a broad portfolio of defense and related programs primarily for government customers.

We operate in four business segments: Integrated Defense Systems (IDS); Intelligence, Information and Services (IIS); Missile Systems (MS); and Space and Airborne Systems (SAS). For a more detailed description of our segments, see "Business Segments" within Item 1 of our Annual Report on Form 10-K for the year ended December 31, 2014.

The following discussion should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2014 and our unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q.

CONSOLIDATED RESULTS OF OPERATIONS

As described in our Cautionary Note Regarding Forward-Looking Statements on page 3 of this Form 10-Q, our interim period results of operations and period-to-period comparisons of such results, particularly at a segment level, may not be indicative of our future operating results. Additionally, we use a fiscal calendar, which may cause the number of work days in the current and comparable prior interim period to differ and could affect period-to-period comparisons. The following discussions of comparative results among periods, including the discussion of segment results, should be viewed in this context.

As described in "Note 1: Basis of Presentation" within Item 1 of this Form 10-Q, we prepared the accompanying unaudited consolidated financial statements of Raytheon Company on the same basis as our annual audited consolidated financial statements.

Total Net Sales

The composition of external net sales by products and services for each segment for the first quarter of 2015 was relatively consistent with the year ended December 31, 2014, which was approximately the following:

External Net Sales by Products and Services (% of segment total external net sales)

	IDS	IIS	MS	SAS
Products	90%	50%	95%	90%
Services	10%	50%	5%	10%

	Three Months Ended		% of Total Net Sales	
(In millions, except percentages)	**Mar 29, 2015**	Mar 30, 2014	**Mar 29, 2015**	Mar 30, 2014
Net sales				
Products	**$ 4,387**	$ 4,565	**83.0%**	82.9%
Services	**901**	943	**17.0%**	17.1%
Total net sales	**$ 5,288**	$ 5,508	**100.0%**	100.0%

Total Net Sales - First Quarter of 2015 vs. First Quarter of 2014—The decrease in total net sales of $220 million in the first quarter of 2015 compared to the first quarter of 2014 was primarily due to lower external net sales of $103 million at MS and $42 million at IIS. The decrease in external net sales at MS was primarily due to lower net sales on the Tomahawk program driven principally by planned declines in production, lower net sales on the Standard Missile-3 (SM-3®) program primarily due to the planned transition from development to production, and lower net sales driven primarily by net changes in EAC adjustments on various land weapon systems contracts as described below in Segment Results. The decrease in external net sales at MS was partially offset by higher net sales on the Tube-launched, Optically-tracked, Wireless-guided (TOW) missile program driven by planned increases in production. The decrease in external net sales at IIS was primarily due to lower net sales on training programs supporting the U.S. Army's Warfighter FOCUS activities due to a decrease in customer-determined activity levels, partially offset by higher net sales on cybersecurity and special missions programs, primarily driven by the fourth quarter of 2014 acquisition of Raytheon Blackbird Technologies (RBT). The remaining change in external net sales at IIS was spread across numerous programs with no individual or common significant driver.

Products and Services Net Sales - First Quarter of 2015 vs. First Quarter of 2014—The decrease in products net sales of $178 million in the first quarter of 2015 compared to the first quarter of 2014 was primarily due to lower external products net sales of $96 million at MS. The decrease in external products net sales at MS was driven principally by the programs described above. Services net sales in the first quarter of 2015 were relatively consistent with the first quarter of 2014.

Sales to Major Customers - First Quarter of 2015 vs. First Quarter of 2014—The following is a breakdown of net sales to major customers:

	Three Months Ended		% of Total Net Sales	
(In millions, except percentages)	**Mar 29, 2015**	Mar 30, 2014	**Mar 29, 2015**	Mar 30, 2014
Sales to the U.S. Government[1]	**$ 3,750**	$ 3,989	**71%**	72%
Sales to the U.S. Department of Defense[1]	**3,516**	3,763	**66%**	68%
Total international sales[2]	**1,485**	1,469	**28%**	27%
Foreign direct commercial sales[1]	**804**	805	**15%**	15%
Foreign military sales through the U.S. Government	**681**	664	**13%**	12%

(1) Excludes foreign military sales through the U.S. Government.
(2) Includes foreign military sales through the U.S. Government. Due to rounding, the total international sales percentage may not equal the sum of the percentages for foreign direct commercial sales and foreign military sales through the U.S. Government.

Total Cost of Sales

Cost of sales, for both products and services, consists of labor, materials and subcontractors costs, as well as related allocated costs. For each of our contracts, we manage the nature and amount of direct costs at the contract level, and manage indirect costs through cost pools as required by government accounting regulations. The estimate of the actual amount of direct and indirect costs forms the basis for estimating our total costs at completion of the contract.

	Three Months Ended		% of Total Net Sales	
(In millions, except percentages)	**Mar 29, 2015**	Mar 30, 2014	**Mar 29, 2015**	Mar 30, 2014
Cost of sales				
Products	**$ 3,096**	$ 3,391	**58.5%**	61.6%
Services	**737**	770	**13.9%**	14.0%
Total cost of sales	**$ 3,833**	$ 4,161	**72.5%**	75.5%

Total Cost of Sales - First Quarter of 2015 vs. First Quarter of 2014—The decrease in total cost of sales of $328 million in the first quarter of 2015 compared to the first quarter of 2014 was primarily due to lower external cost of sales of $212 million at IIS and $107 million at MS. The decrease in external cost of sales at IIS was driven principally by a $181 million impact from the eBorders settlement. On March 27, 2015, Raytheon Systems Limited (RSL) reached a settlement with the UK Home Office concluding the parties' dispute regarding the UK Home Office's July 2010 termination of RSL's eBorders contract within our IIS segment. The settlement includes a cash payment from the UK Home Office to RSL of £150 million (approximately $226 million) for the resolution of all claims and counterclaims of both parties related to the matter. After certain expenses and derecognition of the outstanding receivables, IIS recorded $181 million in operating income, through a reduction in cost of sales, in the first quarter of 2015. The decrease in external cost of sales at MS was driven principally by the activity on the programs described above in Total Net Sales.

Products and Services Cost of Sales - First Quarter of 2015 vs. First Quarter of 2014—The decrease in products cost of sales of $295 million in the first quarter of 2015 compared to the first quarter of 2014 was primarily due to lower external products cost of sales of $227 million at IIS, principally driven by a $181 million impact from the eBorders settlement. Services cost of sales in the first quarter of 2015 were relatively consistent with the first quarter of 2014.

General and Administrative Expenses

(In millions, except percentages)	Three Months Ended Mar 29, 2015	Three Months Ended Mar 30, 2014	% of Total Net Sales Mar 29, 2015	% of Total Net Sales Mar 30, 2014
Administrative and selling expenses	**$ 473**	$ 448	**8.9%**	8.1%
Research and development expenses	**142**	111	**2.7%**	2.0%
Total general and administrative expenses	**$ 615**	$ 559	**11.6%**	10.1%

The increase in administrative and selling expenses of $25 million in the first quarter of 2015 compared to the first quarter of 2014 was primarily due to $22 million of stock compensation expense associated with restricted stock units (RSUs) issued in the first quarter of 2015 as described below in Segment Results beginning on page 26.

Included in administrative and selling expenses is the provision for state income taxes, which generally can be recovered through the pricing of products and services to the U.S. Government. Net state income taxes allocated to our contracts were $15 million and $13 million in the first quarters of 2015 and 2014, respectively.

The increase in research and development expenses of $31 million in the first quarter of 2015 compared to the first quarter of 2014 was primarily due to higher independent research and development activity, principally at SAS related to advanced capabilities.

Total Operating Expenses

(In millions, except percentages)	Three Months Ended Mar 29, 2015	Three Months Ended Mar 30, 2014
Total operating expenses	**$ 4,448**	$ 4,720
% of Total Net Sales	**84.1%**	85.7%

The decrease in total operating expenses of $272 million in the first quarter of 2015 compared to the first quarter of 2014 was primarily due to the decrease in cost of sales of $328 million, the primary drivers of which are described above in Total Cost of Sales.

Operating Income

(In millions, except percentages)	Three Months Ended Mar 29, 2015	Three Months Ended Mar 30, 2014
Operating income	**$ 840**	$ 788
% of Total Net Sales	**15.9%**	14.3%

The increase in operating income of $52 million in the first quarter of 2015 compared to the first quarter of 2014 was due to the decrease in total operating expenses of $272 million, the primary drivers of which are described above in Total Operating Expenses, partially offset by the decrease in total net sales of $220 million, the primary drivers of which are described above in Total Net Sales.

Total Non-Operating (Income) Expense, Net

(In millions)	Three Months Ended Mar 29, 2015	Three Months Ended Mar 30, 2014
Non-operating (income) expense, net		
Interest expense	**$ 58**	$ 51
Interest income	**(4)**	(3)
Other (income) expense, net	**(2)**	—
Total non-operating (income) expense, net	**$ 52**	$ 48

The increase in total non-operating (income) expense, net of $4 million in the first quarter of 2015 compared to the first quarter of 2014 was primarily due to $7 million of higher interest expense in the first quarter of 2015, principally driven by the issuance of $600 million of fixed-rate long-term debt in the fourth quarter of 2014.

Federal and Foreign Income Taxes

	Three Months Ended	
(In millions, except percentages)	**Mar 29, 2015**	Mar 30, 2014
Federal and foreign income taxes	**$ 234**	$ 147
Effective tax rate	**29.7%**	19.9%

Our effective tax rate in the first quarter of 2015 was 29.7% compared to 19.9% in the first quarter of 2014. The increase of 9.8% was primarily due to the tax benefit on a foreign dividend that was recognized in the first quarter of 2014 which decreased our effective tax rate for the first quarter of 2014 by approximately 10.8%. The remaining change of 1.0% is composed of various items which individually or collectively are not significant.

Our effective tax rate in the first quarter of 2015 was 5.3% lower than the statutory federal rate primarily due to the domestic manufacturing deduction which decreased the rate by 3.3%, and a change in the mix of jurisdictional income as a result of the eBorders settlement which decreased the rate by 1.3%. The remaining decrease of 0.7% is composed of various items which individually or collectively are not significant.

Our effective tax rate in the first quarter of 2014 was 15.1% lower than the statutory federal rate primarily due to the tax benefit on a foreign dividend, which decreased the rate by approximately 10.8%, the domestic manufacturing deduction which decreased the rate by 2.7% and tax settlements which decreased the rate by 1.0%. The remaining decrease of 0.6% is composed of various items which individually or collectively are not significant.

Income from Continuing Operations

	Three Months Ended	
(In millions)	**Mar 29, 2015**	Mar 30, 2014
Income from continuing operations	**$ 554**	$ 593

The decrease in income from continuing operations of $39 million in the first quarter of 2015 compared to the first quarter of 2014 was primarily due to an increase in federal and foreign income taxes of $87 million, related primarily to the change in the effective tax rate described above in Federal and Foreign Income Taxes, partially offset by an increase of $52 million in operating income, the primary drivers of which are described above in Operating Income.

Net Income

	Three Months Ended	
(In millions)	**Mar 29, 2015**	Mar 30, 2014
Net income	**$ 554**	$ 600

The decrease in net income of $46 million in the first quarter of 2015 compared to the first quarter of 2014 was primarily due to the $39 million decrease in income from continuing operations, the primary drivers of which are described above in Income from Continuing Operations.

Diluted Earnings per Share (EPS) from Continuing Operations Attributable to Raytheon Company Common Stockholders

	Three Months Ended	
(In millions, except per share amounts)	**Mar 29, 2015**	Mar 30, 2014
Income from continuing operations attributable to Raytheon Company	**$ 551**	$ 589
Diluted weighted-average shares outstanding	**308.6**	315.8
Diluted EPS from continuing operations attributable to Raytheon Company	**$ 1.78**	$ 1.87

The decrease in diluted EPS from continuing operations attributable to Raytheon Company common stockholders of $0.09 in the first quarter of 2015 compared to the first quarter of 2014 was primarily due to the decrease in income from continuing operations described above, partially offset by a decrease in weighted-average shares outstanding, which was affected by the common stock share activity shown in the table below.

Our common stock share activity was as follows:

	Three Months Ended	
(In millions)	**Mar 29, 2015**	Mar 30, 2014
Beginning balance	**307.3**	314.5
Stock plans activity	**1.8**	0.6
Share repurchases	**(3.2)**	(2.3)
Ending balance	**305.9**	312.8

Diluted Earnings (Loss) per Share from Discontinued Operations Attributable to Raytheon Company Common Stockholders

Diluted earnings (loss) per share from discontinued operations attributable to Raytheon Company common stockholders was earnings of less than $0.01 and earnings of $0.02 for the first quarters of 2015 and 2014, respectively.

Diluted EPS Attributable to Raytheon Company Common Stockholders

	Three Months Ended	
(In millions, except per share amounts)	**Mar 29, 2015**	Mar 30, 2014
Net income attributable to Raytheon Company	**$ 551**	$ 596
Diluted weighted-average shares outstanding	**308.6**	315.8
Diluted EPS attributable to Raytheon Company	**$ 1.79**	$ 1.89

The decrease in diluted EPS attributable to Raytheon Company common stockholders of $0.10 in the first quarter of 2015 compared to the first quarter of 2014 was primarily due to the $0.09 decrease in diluted EPS from continuing operations attributable to Raytheon Company common stockholders described above.

Adjusted EPS

Adjusted EPS was as follows:

	Three Months Ended	
	Mar 29, 2015	Mar 30, 2014
Diluted EPS from continuing operations attributable to Raytheon Company common stockholders	**$ 1.78**	$ 1.87
Per share impact of FAS/CAS Adjustment	**(0.10)**	(0.18)
Per share impact of eBorders settlement	**(0.42)**	—
Per share impact of the tax benefit of foreign dividend	**—**	(0.25)
Adjusted EPS	**$ 1.26**	$ 1.43

Adjusted EPS is diluted EPS from continuing operations attributable to Raytheon Company common stockholders excluding the EPS impact of the FAS/CAS Adjustment, tax effected at the federal statutory rate of 35%, and from time to time, certain other items. In addition to the FAS/CAS Adjustment, the first quarter of 2015 Adjusted EPS also excludes the EPS impact of the eBorders settlement as described above in Total Cost of Sales, tax effected at the 27.7% blended global tax rate. In addition to the FAS/CAS Adjustment, the first quarter of 2014 Adjusted EPS also excludes the EPS impact of the tax benefit related to a foreign dividend. In the first quarter of 2014, a foreign subsidiary authorized and completed a transaction which resulted in a taxable dividend of approximately $115 million and generated a net tax benefit of approximately $80 million. We are providing Adjusted EPS because management uses it for the purpose of evaluating and forecasting our financial performance and believes that it provides additional insight into our underlying business performance. We believe it allows 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 other postretirement benefit costs and to better compare our operating performance to others in the industry on that same basis. Adjusted EPS is not a measure of financial performance under GAAP and should be considered supplemental to and not a substitute for financial performance in accordance with GAAP. Adjusted EPS may not be defined and calculated by other companies in the same manner and the amounts presented may not recalculate directly due to rounding.

SEGMENT RESULTS

We report our results in the following segments: Integrated Defense Systems (IDS); Intelligence, Information and Services (IIS); Missile Systems (MS); and Space and Airborne Systems (SAS). The following provides some context for viewing our segment performance through the eyes of management.

Given the nature of our business, bookings, total net sales, and operating income (and the related operating margin percentage), which we disclose and discuss at the segment level, are most relevant to an understanding of management’s view of our segment performance, and often these measures have significant interrelated effects, as described below. In addition, we disclose and discuss backlog, which represents future sales that we expect to recognize over the remaining contract period, which is generally several years. We also disclose total operating expenses and the components of total operating expenses within our segment disclosures.

Bookings—We disclose the amount of bookings and notable contract awards for each segment. Bookings generally represent the dollar value of new contracts awarded to us during the reporting period and include firm orders for which funding has not been appropriated. We believe bookings are an important measure of future performance and are an indicator of potential future changes in total net sales, because we cannot record revenues under a new contract without first having a booking in the current or a preceding period.

Bookings are impacted by the timing and amounts of awards in a given period, which are subject to numerous factors, including the desired capability by the customer and urgency of customer needs; fiscal constraints placed on customer budgets; political uncertainty; the timing of customer negotiations; the timing of governmental approvals and notifications; and the timing of option exercises or increases in scope. In addition, due to these factors, quarterly bookings tend to fluctuate from period to period, particularly on a segment basis. As a result, we believe comparing bookings on a quarterly basis or for periods less than one year is less meaningful than for longer periods and that shorter term changes in bookings may not necessarily indicate a material trend.

	Three Months Ended	
Bookings (in millions)	**Mar 29, 2015**	Mar 30, 2014
Integrated Defense Systems	**$ 1,483**	$ 1,180
Intelligence, Information and Services	**952**	1,011
Missile Systems	**1,405**	1,083
Space and Airborne Systems	**631**	1,019
Total	**$ 4,471**	$ 4,293

Included in bookings were international bookings of $1,505 million and $1,683 million in the first quarters of 2015 and 2014, respectively, which included foreign military bookings through the U.S. Government. International bookings amounted to 34% and 39% of total bookings in the first quarters of 2015 and 2014, respectively.

We record bookings for not-to-exceed contract awards (e.g. undefinitized contract awards, binding letter agreements) based on reasonable estimates of expected contract definitization, which will generally not be less than 75% of the award. We subsequently adjust bookings to reflect the actual amounts definitized, or, when prior to definitization, when facts and circumstances indicate that our previously estimated amounts are no longer reasonable. The timing of awards that may cover multiple fiscal years influences the size of bookings in each year. Bookings exclude unexercised contract options and potential orders under ordering-type contracts (e.g., indefinite delivery/indefinite quantity (IDIQ) type contracts), and are reduced for contract cancellations and terminations of bookings recognized in the current year. We reflect contract cancellations and terminations from prior year bookings, as well as the impact of changes in foreign exchange rates, directly as an adjustment to backlog in the period in which the cancellation or termination occurs and the impact is determinable.

Backlog—We disclose period-ending backlog for each segment. Backlog represents the dollar value of firm orders for which work has not been performed. Backlog generally increases with bookings and generally converts into sales as we incur costs under the related contractual commitments. Therefore, we discuss changes in backlog, including any significant cancellations, for each of our segments, as we believe such discussion provides an understanding of the awarded but not executed portions of our contracts.

Backlog (in millions)	Funded Backlog		Total Backlog	
	Mar 29, 2015	Dec 31, 2014	**Mar 29, 2015**	Dec 31, 2014
Integrated Defense Systems	**$ 9,174**	$ 8,939	**$ 11,462**	$ 11,495
Intelligence, Information and Services	**2,849**	2,902	**5,510**	5,877
Missile Systems	**7,302**	6,992	**9,191**	9,269
Space and Airborne Systems	**4,398**	4,259	**6,322**	6,930
Total	**$ 23,723**	$ 23,092	**$ 32,485**	$ 33,571

Total backlog includes both funded backlog (firm orders for which funding is authorized, appropriated and contractually obligated by the customer for which work has not been performed) and unfunded backlog (firm orders for which funding has not been appropriated and/or contractually obligated by the customer for which work has not been performed). Revenue is generally not recognized on backlog until funded. Backlog excludes unexercised contract options and potential orders under ordering-type contracts (e.g., IDIQ). Both funded and unfunded backlog are affected by changes in foreign exchange rates.

Total Net Sales—We generally express changes in total net sales in terms of volume. Volume generally refers to increases or decreases in revenues related to varying amounts of total operating expenses, which are comprised of cost of sales and general and administrative expenses, which include administrative and selling expenses (including bid and proposal costs) and research and development expenses, incurred on individual contracts (i.e., from performance against contractual commitments on our bookings related to engineering, production or service activity). Therefore, we discuss volume changes attributable principally to individual programs unless there is a discrete event (e.g., a major contract termination, natural disaster or major labor strike), or some other unusual item that has a material effect on changes in a segment's volume for a reported period. Due to the nature of our contracts, the amount of costs incurred and related revenues will naturally fluctuate over the lives of the contracts. As a result, in any reporting period, the changes in volume on numerous contracts are likely to be due to normal fluctuations in our engineering, production or service activities.

Total net sales by segment were as follows:

Total Net Sales (in millions)	Three Months Ended	
	Mar 29, 2015	Mar 30, 2014
Integrated Defense Systems	**$ 1,433**	$ 1,481
Intelligence, Information and Services	**1,393**	1,450
Missile Systems	**1,473**	1,574
Space and Airborne Systems	**1,358**	1,398
Corporate and Eliminations	**(369)**	(395)
Total	**$ 5,288**	$ 5,508

Total Operating Expenses—We generally disclose operating expenses for each segment in terms of the following: 1) cost of sales—labor; 2) cost of sales—materials and subcontractors; and 3) other costs of sales and other operating expenses. Included in cost of sales—labor is the incurred direct labor associated with the performance of contracts in the current period and any applicable overhead and fringe costs. Included in cost of sales—materials and subcontractors is the incurred direct materials, subcontractor costs (which could include effort performed by other Raytheon segments or locations), and applicable overhead allocations in the current period. Included in other cost of sales and other operating expenses is other direct costs not captured in labor or material and subcontractor costs, such as precontract costs previously deferred, costs previously deferred into inventory on contracts using commercial or units of delivery accounting, applicable overhead allocations, general and administrative expenses, which include administrative and selling expenses (including bid and proposal costs) and research and development expenses, other direct costs (such as ancillary services and travel expenses) and adjustments for loss contracts.

Operating Income (and the related operating margin percentage)—We generally express changes in segment operating income in terms of volume, net changes in EAC adjustments or changes in contract mix and other program performance.

The impact of changes in volume on operating income excludes the impact of net EAC adjustments and the impact of changes in contract mix and other program performance and is calculated based on changes in costs on individual programs at an overall margin for the segment.

Changes in net EAC adjustments typically relate to the current period impact of revisions to total estimated revenues and costs at completion. These changes reflect improved or deteriorated operating performance or award fee rates. We have a Company-wide standard and disciplined quarterly EAC process in which management reviews the progress and performance of our contracts. As part of this process, management reviews information including, but not limited to, any outstanding key contract matters, progress towards completion and the related program schedule, identified risks and opportunities, and the related changes in estimates of revenues and costs. The risks and opportunities include management's judgment about the ability and cost to achieve the schedule (e.g., the number and type of milestone events), technical requirements (e.g., a newly-developed product versus a mature product), and other contract requirements. Management must make assumptions and estimates regarding labor productivity and availability, the complexity of the work to be performed, the availability of materials, the length of time to complete the contract (e.g., to estimate increases in wages and prices for materials and related support cost allocations), performance by our subcontractors, the availability and timing of funding from our customer, and overhead cost rates, among other variables. These estimates also include the estimated cost of satisfying our industrial cooperation agreements, sometimes referred to as offset obligations, required under certain contracts. Based on this analysis, any quarterly adjustments to net sales, cost of sales, and the related impact to operating income are recognized as necessary in the period they become known. These adjustments may result from positive program performance, and may result in an increase in operating income during the performance of individual contracts, if we determine we will be successful in mitigating risks surrounding the technical, schedule, and cost aspects of those contracts or in realizing related opportunities. Likewise, these adjustments may result in a decrease in operating income if we determine we will not be successful in mitigating these risks or in realizing related opportunities. Changes in estimates of net sales, cost of sales, and the related impact to operating income are recognized quarterly on a cumulative catch-up basis, which recognizes in the current period the cumulative effect of the changes on current and prior periods based on a contract's percentage of completion. A significant change in one or more of these estimates could affect the profitability of one or more of our contracts. Given that we have over 15,000 individual contracts and the types and complexity of the assumptions and estimates we must make on an on-going basis, as discussed above, we have both favorable and unfavorable EAC adjustments. We had the following aggregate EAC adjustments for the periods presented:

	Three Months Ended	
EAC Adjustments (in millions)	**Mar 29, 2015**	Mar 30, 2014
Gross favorable	**$ 181**	$ 251
Gross unfavorable	**(60)**	(129)
Total net EAC adjustments	**$ 121**	$ 122

Included in net EAC adjustments in the first quarter of 2015 was a $25 million favorable resolution of a contractual issue at MS as discussed below. There were no significant individual EAC adjustments in the first quarter of 2014.

Net EAC adjustments in the first quarter of 2015 were relatively consistent with the first quarter of 2014.

Changes in contract mix and other program performance refer to changes in operating margin due to a change in the relative volume of contracts with higher or lower fee rates such that the overall average margin rate for the segment changes and other drivers of program performance, including margin rate increases or decreases due to EAC adjustments in prior periods. A higher or lower expected fee rate at the initial award of a contract typically correlates to the contract's risk profile, which is often specifically driven by the type of customer and related procurement regulations, the type of contract (e.g., fixed price vs. cost plus), the maturity of the product or service, and the scope of work. Changes in contract mix and other performance also include all other items which are not related to volume or EAC adjustments.

Because each segment has thousands of contracts in any reporting period, changes in operating income and margin are likely to be due to normal changes in volume, net EAC adjustments, and contract mix and other performance on many contracts with no single change, or series of related changes, materially driving a segment's change in operating income or operating margin percentage.

Operating income by segment was as follows:

Operating Income (in millions)	Three Months Ended	
	Mar 29, 2015	Mar 30, 2014
Integrated Defense Systems	**$ 195**	$ 226
Intelligence, Information and Services	**285**	125
Missile Systems	**207**	208
Space and Airborne Systems	**173**	190
FAS/CAS Adjustment	**49**	87
Corporate and Eliminations	**(69)**	(48)
Total	**$ 840**	$ 788

Integrated Defense Systems

(In millions, except percentages)	Three Months Ended		
	Mar 29, 2015	Mar 30, 2014	% Change
Total Net Sales	**$ 1,433**	$ 1,481	(3.2)%
Total Operating Expenses			
Cost of sales—labor	**492**	548	(10.2)%
Cost of sales—materials and subcontractors	**536**	466	15.0 %
Other cost of sales and other operating expenses	**210**	241	(12.9)%
Total Operating Expenses	**1,238**	1,255	(1.4)%
Operating Income	**$ 195**	$ 226	(13.7)%
Operating Margin	**13.6%**	15.3%	

Change in Operating Income (in millions)	Three Months Ended Mar 29, 2015 Versus Three Months Ended Mar 30, 2014
Volume	**$ (3)**
Net change in EAC adjustments	**14**
Mix and other performance	**(42)**
Total Change in Operating Income	**$ (31)**

(In millions, except percentages)	Three Months Ended		
	Mar 29, 2015	Mar 30, 2014	% Change
Bookings	**$ 1,483**	$ 1,180	25.7%

Total Net Sales—The decrease in total net sales of $48 million in the first quarter of 2015 compared to the first quarter of 2014 included lower net sales of $102 million from the scheduled completion of certain production phases on two Patriot programs for international customers, $71 million of higher net sales from an international Patriot program awarded in the fourth quarter of 2014 and $56 million of higher net sales from an international air and missile defense system program awarded in the fourth quarter of 2013. The remaining change in total net sales was spread across numerous programs with no individual or common significant driver.

Total Operating Expenses—The decrease in total operating expenses of $17 million in the first quarter of 2015 compared to the first quarter of 2014 was primarily due to a decrease in labor costs of $56 million and a decrease in other cost of sales and other operating expenses of $31 million, partially offset by an increase in materials and subcontractors costs of $70 million. The decrease in labor costs was primarily due to integrated air and missile defense programs, which was principally driven by program requirements on Patriot programs for domestic customers. The decrease in other cost of sales and other operating expenses was primarily due to a change in previously deferred precontract costs based on a contract award in the prior period. The increase in materials and subcontractors costs was primarily due to the activity on the international air and missile defense system program awarded in the fourth quarter of 2013 and the international Patriot program awarded in the fourth quarter of 2014 described above in Total Net Sales.

Operating Income and Margin—The decrease in operating income of $31 million in the first quarter of 2015 compared to the first quarter of 2014 was primarily due to a change in mix and other performance of $42 million. The change in mix and other performance was principally driven by lower net sales on the Patriot programs for international customers described above in Total Net Sales. The decrease in operating margin in the first quarter of 2015 compared to the first quarter of 2014 was primarily due to the change in mix and other performance.

Backlog and Bookings—Backlog was $11,462 million at March 29, 2015 compared to $11,495 million at December 31, 2014. Bookings increased by $303 million in the first quarter of 2015 compared to the first quarter of 2014. In the first quarter of 2015, IDS booked $769 million to provide advanced Patriot air and missile defense capability for the Republic of Korea. IDS also booked $213 million to provide Patriot engineering services support for U.S. and international customers and $103 million on the Wide Area Augmentation System (WAAS) program for the Federal Aviation Administration (FAA). In the first quarter of 2014, IDS booked $515 million to provide advanced Patriot air and missile defense capability for Kuwait. IDS also booked $98 million to provide Patriot engineering services support for U.S. and international customers.

Intelligence, Information and Services

	Three Months Ended		
(In millions, except percentages)	**Mar 29, 2015**	Mar 30, 2014	% Change
Total Net Sales	**$ 1,393**	$ 1,450	(3.9)%
Total Operating Expenses			
Cost of sales—labor	**572**	557	2.7 %
Cost of sales—materials and subcontractors	**538**	584	(7.9)%
Other cost of sales and other operating expenses	**(2)**	184	(101.1)%
Total Operating Expenses	**1,108**	1,325	(16.4)%
Operating Income	**$ 285**	$ 125	128.0 %
Operating Margin	**20.5%**	8.6%	

Change in Operating Income (in millions)	Three Months Ended Mar 29, 2015 Versus Three Months Ended Mar 30, 2014
Volume	**$ (1)**
Net change in EAC adjustments	**(1)**
Mix and other performance	**162**
Total Change in Operating Income	**$ 160**

	Three Months Ended		
(In millions, except percentages)	**Mar 29, 2015**	Mar 30, 2014	% Change
Bookings	**$ 952**	$ 1,011	(5.8)%

Total Net Sales—The decrease in total net sales of $57 million in the first quarter of 2015 compared to the first quarter of 2014 was primarily due to lower net sales of $50 million on training programs supporting the U.S. Army's Warfighter FOCUS activities due to a decrease in customer-determined activity levels, partially offset by higher net sales of $30 million on cybersecurity and special missions programs, primarily driven by the fourth quarter of 2014 acquisition of RBT. The remaining change in total net sales was spread across numerous programs with no individual or common significant driver.

Total Operating Expenses—The decrease in total operating expenses of $217 million in the first quarter of 2015 compared to the first quarter of 2014 was primarily due to a decrease in other cost of sales and other operating expenses of $186 million driven principally by the $181 million impact from the eBorders settlement as described in Consolidated Results of Operations beginning on page 21, and a decrease in materials and subcontractors costs of $46 million driven principally by the activity on the training programs supporting the U.S. Army's Warfighter FOCUS activities described above in Total Net Sales.

Operating Income and Margin—The increase in operating income of $160 million and the related increase in operating margin in the first quarter of 2015 compared to the first quarter of 2014 was primarily due to the change in mix and other performance of $162 million, principally driven by the $181 million impact from the eBorders settlement. The remaining change in mix and other performance in the first quarter of 2015 compared to the first quarter of 2014 was primarily due to activity of $7 million on the U.S. Army’s Warfighter FOCUS program driven principally by an award fee received in the first quarter of 2014, and $3

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million of acquisition-related costs for RBT. Operating income was reduced by approximately $6 million for certain cybersecurity-related acquisition costs and investments in the first quarters of 2015 and 2014.

Backlog and Bookings—Backlog was $5,510 million at March 29, 2015 compared to $5,877 million at December 31, 2014. The decrease in backlog of $367 million or 6% at March 29, 2015 compared to December 31, 2014 was primarily due to sales in excess of bookings in the first quarter of 2015, driven principally by the Warfighter FOCUS program and the Joint Polar Satellite System (JPSS) program for NASA. Bookings decreased by $59 million in the first quarter of 2015 compared to the first quarter of 2014. In the first quarter of 2015, IIS booked $551 million on a number of classified contracts. In the first quarter of 2014, IIS booked $111 million on the JPSS program for NASA. IIS also booked $59 million on domestic training programs and $45 million on foreign training programs in support of Warfighter FOCUS activities, and $535 million on a number of classified contracts, including a $195 million award for international cyber.

Missile Systems

(In millions, except percentages)	Three Months Ended **Mar 29, 2015**	Mar 30, 2014	% Change
Total Net Sales	**$ 1,473**	$ 1,574	(6.4)%
Total Operating Expenses			
Cost of sales—labor	**480**	497	(3.4)%
Cost of sales—materials and subcontractors	**627**	656	(4.4)%
Other cost of sales and other operating expenses	**159**	213	(25.4)%
Total Operating Expenses	**1,266**	1,366	(7.3)%
Operating Income	**$ 207**	$ 208	(0.5)%
Operating Margin	**14.1%**	13.2%	

Change in Operating Income (in millions)	Three Months Ended Mar 29, 2015 Versus Three Months Ended Mar 30, 2014
Volume	**$ (13)**
Net change in EAC adjustments	**4**
Mix and other performance	**8**
Total Change in Operating Income	**$ (1)**

(In millions, except percentages)	Three Months Ended **Mar 29, 2015**	Mar 30, 2014	% Change
Bookings	**$ 1,405**	$ 1,083	29.7%

Total Net Sales—The decrease in total net sales of $101 million in the first quarter of 2015 compared to the first quarter of 2014 was primarily due to $30 million of lower net sales on the Tomahawk program driven principally by planned declines in production, $29 million of lower net sales on the Standard Missile-3 (SM-3®) program primarily due to the planned transition from development to production, and $26 million of lower net sales driven primarily by net changes in EAC adjustments on various land weapon systems contracts as described below in Operating Income and Margin. The decrease was partially offset by $32 million of higher net sales on the Tube-launched, Optically-tracked, Wireless-guided (TOW) missile program driven by planned increases in production.

Total Operating Expenses—The decrease in total operating expenses of $100 million in the first quarter of 2015 compared to the first quarter of 2014 was primarily due to a decrease in other cost of sales and other operating expenses of $54 million, driven principally by a $25 million favorable resolution of a contractual issue, with the remaining change spread across numerous programs with no individual or common significant driver.

Operating Income and Margin—Operating income in the first quarter of 2015 was relatively consistent with the first quarter of 2014. Included in the net change in EAC adjustments was a $25 million favorable resolution of a contractual issue in the first quarter of 2015 and a decrease in estimated labor and materials costs to fulfill requirements on various land weapons system contracts in the first quarter of 2014. The increase in operating margin in the first quarter of 2015 compared to the first quarter of 2014 was primarily due to a change in mix and other performance, which was spread across numerous programs with no individual or common significant driver, and the net change in EAC adjustments.

Backlog and Bookings—Backlog was $9,191 million at March 29, 2015 compared to $9,269 million at December 31, 2014. Bookings increased by $322 million in the first quarter of 2015 compared to the first quarter of 2014. In the first quarter of 2015, MS booked $539 million for Advanced Medium-Range Air-to-Air Missiles (AMRAAM®) for the U.S. Air Force, U.S. Navy and international customers, $231 million for Tomahawk for the U.S. Navy, $110 million for Standard Missile-6 (SM-6™) for the U.S. Navy, and $92 million for Miniature Air-Launch Decoy (MALD®) for the U.S. Air Force. In the first quarter of 2014, MS booked $479 million for SM-3™ for the Missile Defense Agency, $164 million for Paveway™ for international customers, and $86 million for Maverick missiles for international customers.

Space and Airborne Systems

(In millions, except percentages)	Three Months Ended Mar 29, 2015	Mar 30, 2014	% Change
Total Net Sales	**$ 1,358**	$ 1,398	(2.9)%
Total Operating Expenses			
Cost of sales—labor	**545**	548	(0.5)%
Cost of sales—materials and subcontractors	**427**	463	(7.8)%
Other cost of sales and other operating expenses	**213**	197	8.1 %
Total Operating Expenses	**1,185**	1,208	(1.9)%
Operating Income	**$ 173**	$ 190	(8.9)%
Operating Margin	**12.7%**	13.6%	

Change in Operating Income (in millions)	Three Months Ended Mar 29, 2015 Versus Three Months Ended Mar 30, 2014
Volume	**$ (4)**
Net change in EAC adjustments	**(18)**
Mix and other performance	**5**
Total Change in Operating Income	**$ (17)**

(In millions, except percentages)	Three Months Ended Mar 29, 2015	Mar 30, 2014	% Change
Bookings	**$ 631**	$ 1,019	(38.1)%

Total Net Sales—Total net sales in the first quarter of 2015 decreased by $40 million compared to the first quarter of 2014. Included in the change in total net sales were lower net sales of $24 million on certain secure communication systems programs driven by reduced program requirements, and higher net sales of $45 million on classified programs. The remaining change in total net sales was spread across numerous programs with no individual or common significant driver.

Total Operating Expenses—The decrease in total operating expenses of $23 million in the first quarter of 2015 compared to the first quarter of 2014 was primarily due to a decrease in materials and subcontractors costs of $36 million, partially offset by an increase in other costs of sales and other operating expenses of $16 million. The decrease in materials and subcontractors costs was spread across numerous programs with no individual or common significant driver. The increase in other cost of sales and other operating expenses was principally driven by higher general and administrative expenses of $20 million driven primarily by higher independent research and development activity related to advanced capabilities.

Operating Income and Margin—The decrease in operating income of $17 million and the related decrease in operating margin in the first quarter of 2015 compared to the first quarter of 2014 was primarily due to a net change in EAC adjustments of $18 million principally driven by labor and material production efficiencies on two international tactical radar systems programs in the first quarter of 2014. Included in mix and other performance in the first quarters of 2015 and 2014 were $9 million and $10 million, respectively, of acquisition-related costs.

Backlog and Bookings—Backlog was $6,322 million at March 29, 2015 compared to $6,930 million at December 31, 2014. The decrease in backlog of $608 million or 9% at March 29, 2015 compared to December 31, 2014 was primarily due to sales in excess of bookings in the first quarter of 2015, principally within our Intelligence, Surveillance, and Reconnaissance Systems and the Tactical Airborne Systems product lines. Bookings decreased by $388 million in the first quarter of 2015 compared to the first quarter of 2014. In the first quarter of 2015, SAS booked $210 million on a number of classified contracts. In the first quarter of 2014, SAS booked $116 million to provide radar components for an international customer and $81

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million for software enhancements for the Active Electronically Scanned Array (AESA) radars for the U.S. Air Force. SAS also booked $216 million on a number of classified contracts.

FAS/CAS Adjustment

The FAS/CAS Adjustment represents the difference between our pension and other postretirement benefit (PRB) expense or income under Financial Accounting Standards (FAS) requirements under GAAP and our pension and PRB expense under U.S. Government cost accounting standards (CAS). The results of each segment only include pension and PRB expense under CAS that we generally recover through the pricing of our products and services to the U.S. Government.

The components of the FAS/CAS Adjustment were as follows:

	Three Months Ended	
(In millions)	**Mar 29, 2015**	Mar 30, 2014
FAS/CAS Pension Adjustment	**$ 48**	$ 86
FAS/CAS PRB Adjustment	**1**	1
FAS/CAS Adjustment	**$ 49**	$ 87

The components of the FAS/CAS Pension Adjustment were as follows:

	Three Months Ended	
(In millions)	**Mar 29, 2015**	Mar 30, 2014
FAS (expense)	**$ (291)**	$ (221)
CAS expense	**339**	307
FAS/CAS Pension Adjustment	**$ 48**	$ 86

The change in our FAS/CAS Pension Adjustment of $38 million in the first quarter of 2015 compared to the first quarter of 2014 was driven by a $70 million increase in our FAS expense offset by a $32 million increase in our CAS expense. The increase in our FAS expense in the first quarter of 2015 was primarily due to the lower discount rate at December 31, 2014 compared to the discount rate as of December 31, 2013 and the decrease in our long-term return on assets (ROA) assumptions as described in our Annual Report on Form 10-K for the year ended December 31, 2014. The increase in our CAS expense in the first quarter of 2015 was primarily due to the CAS Harmonization phased transition to the use of a discount rate based on high quality corporate bonds, consistent with the Pension Protection Act of 2006, to measure liabilities in determining the CAS pension expense. This was partially offset by a decrease in CAS expense as a result of the passage of the Highway and Transportation Funding Act of 2014. The change in the discount rate used to measure liabilities for purposes of determining CAS pension expense has been included in our contracts through our overhead forward pricing rates.

Our FAS/CAS PRB Adjustment was $1 million of income in the first quarters of 2015 and 2014, respectively.

Corporate and Eliminations

Corporate and Eliminations includes corporate expenses and intersegment sales and profit eliminations. Corporate expenses represent unallocated costs and certain other corporate costs not considered part of management's evaluation of reportable segment operating performance.

The components of total net sales and operating income related to Corporate and Eliminations were as follows:

	Three Months Ended	
Total Net Sales (in millions)	**Mar 29, 2015**	Mar 30, 2014
Intersegment sales eliminations	**$ 369**	$ 395
Corporate	**—**	—
Total	**$ 369**	$ 395

Operating Income (in millions)	Three Months Ended Mar 29, 2015	Mar 30, 2014
Intersegment profit eliminations	**$ (35)**	$ (39)
Corporate	**(34)**	(9)
Total	**$ (69)**	$ (48)

The decrease in operating income related to Corporate of $25 million in the first quarter of 2015 compared to first quarter of 2014 was primarily due to $18 million of Corporate stock compensation expense associated with the restricted stock units (RSUs) awarded in the first quarter of 2015 as part of our annual Restricted Stock Program. We awarded 0.2 million RSUs in the first quarter of 2015, to retiree-eligible employees. These awards vest over a specified period of time as determined by the Management Development and Compensation Committee of our Board of Directors and are compensatory in nature. The RSUs continue to vest, but do not accelerate, on the scheduled vesting dates into retirement subject to the employee's compliance with certain post-employment covenants. Due to the continued vesting provisions of the RSUs into retirement, the Company recognized all of the stock compensation expense associated with the RSUs in the first quarter of 2015 rather than over the vesting period of the awards.

FINANCIAL CONDITION AND LIQUIDITY

Overview

We pursue a capital deployment strategy that balances funding for growing our business, including working capital, capital expenditures, acquisitions and research and development; prudently managing our balance sheet, including debt repayments and pension contributions; and returning cash to our shareholders, including dividend payments and share repurchases, as outlined below. Our need for, cost of and access to funds are dependent on future operating results, as well as other external conditions. We currently expect that cash and cash equivalents, available-for-sale securities, cash flow from operations and other available financing resources will be sufficient to meet anticipated operating, capital expenditure, investment, debt service and other financing requirements during the next twelve months and for the foreseeable future.

In addition, the following table highlights selected measures of our liquidity and capital resources at March 29, 2015 and December 31, 2014:

(In millions)	**Mar 29, 2015**	Dec 31, 2014
Cash and cash equivalents	**$ 2,906**	$ 3,222
Short-term investments	**1,234**	1,497
Working capital	**4,606**	4,362
Amount available under credit facilities	**1,398**	1,398

Operating Activities

(In millions)	Three Months Ended Mar 29, 2015	Mar 30, 2014
Net cash provided by (used in) operating activities from continuing operations	**$ 55**	$ 659
Net cash provided by (used in) operating activities	**56**	671

The decrease in net cash provided by operating activities from continuing operations of $604 million in the first quarter of 2015 compared to the first quarter of 2014, was primarily due to customer advances and tax refunds received in the first quarter of 2014.

Pension Plan Contributions—We made the following contributions to our pension and other postretirement benefit plans during the first quarters of 2015 and 2014:

(In millions)	Three Months Ended Mar 29, 2015	Mar 30, 2014
Required pension contributions	**$ 22**	$ 39
Other postretirement benefit contributions	**5**	4

Tax Payments and Refunds—We made (received) the following net tax payments (refunds) during the first quarters of 2015 and 2014:

	Three Months Ended	
(In millions)	**Mar 29, 2015**	Mar 30, 2014
Federal	**$ (7)**	$ (130)
Foreign	**2**	4
State	**11**	4

We expect full-year net federal, foreign and state tax payments to be approximately $1,289 million in 2015.

Interest Payments—We made interest payments on our outstanding debt of $33 million in the first quarters of 2015 and 2014.

Investing Activities

	Three Months Ended	
(In millions)	**Mar 29, 2015**	Mar 30, 2014
Net cash provided by (used in) investing activities	**$ 136**	$ (539)

The change in net cash provided by (used in) investing activities of $675 million in the first quarter of 2015 compared to the first quarter of 2014 was primarily due to the short-term investments activity as described below.

Additions to Property, Plant and Equipment and Capitalized Internal Use Software—Additions to property, plant and equipment and capitalized internal use software were as follows:

	Three Months Ended	
(In millions)	**Mar 29, 2015**	Mar 30, 2014
Additions to property, plant and equipment	**$ 55**	$ 39
Additions to capitalized internal use software	**13**	12

We expect our property, plant and equipment and internal use software expenditures to be between approximately $410–$470 million and $50–$70 million, respectively, in 2015, consistent with the anticipated needs of our business and for specific investments including capital assets and facility improvements.

Short-term Investments Activity—We invest in marketable securities in accordance with our short-term investment policy and cash management strategy. These marketable securities are classified as available-for-sale and are recorded at fair value as short-term investments in our consolidated balance sheets. Activity related to short-term investments was as follows:

	Three Months Ended	
(In millions)	**Mar 29, 2015**	Mar 30, 2014
Purchases of short-term investments	**$ (148)**	$ (1,345)
Sales of short-term investments	**135**	457
Maturities of short-term investments	**250**	400

Acquisitions—In pursuing our business strategies, we acquire and make investments in certain businesses that meet strategic and financial criteria.

As previously announced, on April 19, 2015, we entered into a definitive agreement to acquire Websense, Inc., from Vista Equity Partners for approximately $1.9 billion, net of cash received, and exclusive of retention payments. Websense is a leader in advanced threat protection and data theft prevention across web, email, cloud and endpoint infrastructure. The parties also agreed to combine Websense with Raytheon Cyber Products, a business unit of our IIS segment, to create a new cybersecurity company. In addition, Vista Equity Partners agreed to purchase from Raytheon a 19.7% interest in the new company for approximately $335 million. The expected net cash outflow of these transactions is approximately $1.57 billion, which we intend to fund using existing cash and cash equivalents on hand. We expect these transactions to close in the second quarter of 2015, subject to satisfaction of customary closing conditions, including regulatory filings.

Financing Activities

	Three Months Ended	
(In millions)	**Mar 29, 2015**	Mar 30, 2014
Net cash provided by (used in) financing activities	**$ (508)**	$ (392)

We have used cash provided by operating activities, and proceeds from the issuance of new debt as our primary sources for the repayment of debt, payment of dividends, pension contributions and the repurchase of our common stock. The change in net cash used in financing activities of $116 million in the first quarter of 2015 compared to the first quarter of 2014 was primarily due to our share repurchases as described below.

Share Repurchases—In November 2013, our Board of Directors authorized the repurchase of up to $2.0 billion of our outstanding common stock. At March 29, 2015, we had approximately $1.2 billion available under this repurchase program. Share repurchases will take place from time to time at management's discretion depending on market conditions.

Share repurchases also include shares surrendered by employees to satisfy tax withholding obligations in connection with restricted stock, restricted stock units and stock option awards issued to employees.

Our share repurchases were as follows:

	Three Months Ended			
(In millions)	**Mar 29, 2015**		Mar 30, 2014	
	$	**Shares**	$	Shares
Shares repurchased under our share repurchase programs	**$ 300**	**2.8**	$ 200	2.1
Shares repurchased to satisfy tax withholding obligations	**40**	**0.4**	30	0.2
Total share repurchases	**$ 340**	**3.2**	$ 230	2.3

In May 2010, our shareholders approved the Raytheon 2010 Stock Plan. Under the plan, we may grant restricted stock awards, restricted stock units, stock grants, stock options and stock appreciation rights.

Cash Dividends—Our Board of Directors authorized the following cash dividends:

	Three Months Ended	
(In millions, except per share amounts)	**Mar 29, 2015**	Mar 30, 2014
Cash dividends declared per share	**$ 0.670**	$ 0.605
Total dividends paid	**186**	174

In March 2015, our Board of Directors authorized an 11% increase to our annual dividend payout rate from $2.42 to $2.68 per share. Dividends are subject to quarterly approval by our Board of Directors.

CAPITAL RESOURCES

Total debt was $5.3 billion at March 29, 2015 and December 31, 2014. Our outstanding debt bears contractual interest at fixed interest rates ranging from 2.5% to 7.2% and matures at various dates from 2018 through 2044.

Cash and Cash Equivalents and Short-term Investments—Cash and cash equivalents and short-term investments were $4.1 billion and $4.7 billion at March 29, 2015 and December 31, 2014, respectively. We may invest in U.S. Treasuries; AAA/Aaa rated money market funds; certificates of deposit, time deposits and commercial paper of banks with a minimum long-term debt rating of A or A2 and minimum short-term debt rating of A-1 and P-1; and commercial paper of corporations with a minimum long-term debt rating of A- or A3 and minimum short-term debt rating of A-2 and P-2. Cash and cash equivalents and short-term investments balances held at our foreign subsidiaries were approximately $675 million and $715 million at March 29, 2015 and December 31, 2014, respectively. Earnings from our foreign subsidiaries are currently deemed to be indefinitely reinvested. We do not expect such reinvestment to affect our liquidity and capital resources, and we continuously evaluate our liquidity needs and ability to meet global cash requirements as a part of our overall capital deployment strategy. Factors that affect our global capital deployment strategy include anticipated cash flows, the ability to repatriate cash in a tax efficient manner, funding requirements for operations and investment activities, acquisitions and divestitures, and capital market conditions.

Credit Facilities—In December 2011, we entered into a $1.4 billion revolving credit facility maturing in 2016. Under the $1.4 billion credit facility, we can borrow, issue letters of credit, and backstop commercial paper. Borrowings under this facility bear interest at various rate options, including LIBOR plus a margin based on our credit ratings. Based on our credit ratings at March 29, 2015, borrowings would generally bear interest at LIBOR plus 79.5 basis points. The credit facility is comprised of commitments from approximately 25 separate highly rated lenders, each committing no more than 10% of the facility. As of March 29, 2015 and December 31, 2014, there were no borrowings outstanding under this credit facility. However, we had $2 million of outstanding letters of credit at March 29, 2015 and December 31, 2014, which effectively reduced our borrowing capacity under this credit facility by that amount.

Under the $1.4 billion credit facility we must comply with certain covenants, including a ratio of total debt to total capitalization of no more than 60%. We were in compliance with the credit facility covenants during the three months ended March 29, 2015 and full-year 2014. Our ratio of total debt to total capitalization, as those terms are defined in the credit facility, was 35.5% at March 29, 2015. We are providing this ratio as this metric is used by our lenders to monitor our leverage and is also a threshold that limits our ability to utilize this facility.

Credit Ratings—Three major corporate debt rating organizations, Fitch Ratings (Fitch), Moody's Investors Service (Moody's) and Standard & Poor's (S&P), assign ratings to our short-term and long-term debt. The following chart reflects the current ratings assigned by each of these agencies as of March 29, 2015 to our short and long-term senior unsecured debt:

	Short-Term	Long-Term Senior Debt		
Rating Agency	Debt Rating	Rating	Outlook	Date of Last Action
Fitch	F2	A -	Stable	September 2008
Moody’s	P-2	A3	Stable	October 2011
S&P	A-1	A	Stable	May 2014

Shelf Registrations—We have an effective shelf registration with the SEC, filed in January 2013, which covers the registration of debt securities, common stock, preferred stock and warrants.

COMMITMENTS AND CONTINGENCIES

Environmental Matters—We are involved in various stages of investigation and cleanup related to remediation of various environmental sites. Our estimate of the liability of total environmental remediation costs includes the use of a discount rate and takes into account that a portion of these costs is eligible for future recovery through the pricing of our products and services to the U.S. Government. We consider such recovery probable based on government contracting regulations and our long history of receiving reimbursement for such costs, and accordingly have recorded the estimated future recovery of these costs from the U.S. Government within contracts in process, net in our consolidated balance sheets. Our estimates regarding remediation costs to be incurred were as follows:

(In millions, except percentages)	**Mar 29, 2015**	Dec 31, 2014
Total remediation costs—undiscounted	**$ 204**	$ 202
Weighted average discount rate	**5.5%**	5.5%
Total remediation costs—discounted	**$ 139**	$ 131
Recoverable portion	**85**	80

We also lease certain government-owned properties and generally are not liable for remediation of preexisting environmental contamination at these sites. As a result, we generally do not provide for these costs in our consolidated financial statements.

Due to the complexity of environmental laws and regulations, the varying costs and effectiveness of alternative cleanup methods and technologies, the uncertainty of insurance coverage and the unresolved extent of our responsibility, it is difficult to determine the ultimate outcome of environmental matters. However, we do not expect any additional liability to have a material adverse effect on our financial position, results of operations or liquidity.

Financing Arrangements and Other—We issue guarantees and banks and surety companies issue, on our behalf, letters of credit and surety bonds to meet various bid, performance, warranty, retention and advance payment obligations of us or our affiliates. These instruments expire on various dates through 2023. Additional guarantees of project performance for which there is no stated value also remain outstanding. The stated values outstanding consisted of the following:

(In millions)	Mar 29, 2015	Dec 31, 2014
Guarantees	**$ 303**	$ 266
Letters of credit	**1,823**	1,938
Surety bonds	**298**	298

Included in guarantees and letters of credit described above were $233 million and $166 million, respectively, at March 29, 2015, and $196 million and $244 million, respectively, at December 31, 2014, related to our joint venture in Thales-Raytheon Systems Co. Ltd. (TRS). We provide these guarantees and letters of credit to TRS and other affiliates to assist these entities in obtaining financing on more favorable terms, making bids on contracts and performing their contractual obligations. While we expect these entities to satisfy their loans, and meet their project performance and other contractual obligations, their failure to do so may result in a future obligation to us. We periodically evaluate the risk of TRS and other affiliates failing to meet their obligations described above. At March 29, 2015, we believe the risk that TRS and other affiliates will not be able to meet their obligations is minimal for the foreseeable future based on their current financial condition. All obligations were current at March 29, 2015. At March 29, 2015 and December 31, 2014, we had an estimated liability of $7 million and $9 million, respectively, related to these guarantees and letters of credit.

The TRS joint venture agreement was amended on June 10, 2014 to allow for termination of the joint venture by either party every three years based on the scheduled date for the designation of a successor Chief Executive Officer for the joint venture which would next occur in 2016. Termination terms and related payments are subject to negotiation between Thales S.A. and Raytheon, but generally would include a net payment due for undistributed earnings of the joint venture companies since inception and a net payment based on the relative fair value of those companies excluding Air Command Systems International S.A.S. As a result, any final future termination amounts cannot be determined precisely at this time and could be different from those amounts recorded to date. However, if the joint venture were terminated as of March 29, 2015, we believe the termination payment we would be required to make based on a standard valuation approach, would not be material. If a termination liability exceeds $50 million, the agreement allows the paying side to elect to make payments, inclusive of interest, in equal installments over five years to settle the liability.

We have entered into industrial cooperation agreements, sometimes referred to as offset agreements, as a condition to obtaining orders for our products and services from certain customers in foreign countries. At March 29, 2015, the aggregate amount of our offset agreements had an outstanding notional value of approximately $5 billion. These agreements are designed to return economic value to the foreign country by requiring us to engage in activities supporting local defense or commercial industries, promoting a balance of trade, developing in-country technology capabilities, or addressing other local development priorities. Offset agreements may be satisfied through activities that do not require a direct cash payment, including transferring technology, providing manufacturing, training and other consulting support to in-country projects, and the purchase by third parties (e.g., our vendors) of supplies from in-country vendors. These agreements may also be satisfied through our use of cash for activities such as subcontracting with local partners, purchasing supplies from in-country vendors, providing financial support for in-country projects, and making investments in local ventures. Such activities may also vary by country depending upon requirements as dictated by their governments. We typically do not commit to offset agreements until orders for our products or services are definitive. The amounts ultimately applied against our offset agreements are based on negotiations with the customers and typically require cash outlays that represent only a fraction of the notional value in the offset agreements. Offset programs usually extend over several or more years and may provide for penalties in the event we fail to perform in accordance with offset requirements. We have historically not been required to pay any such penalties.

As a U.S. Government contractor, we are subject to many levels of audit and investigation by the U.S. Government relating to our contract performance and compliance with applicable rules and regulations. Agencies that oversee contract performance include: the Defense Contract Audit Agency, the Defense Contract Management Agency, the Inspector General of the Department of Defense and other departments and agencies, the Government Accountability Office, the Department of Justice and Congressional Committees. From time to time, these and other agencies investigate or conduct audits to determine whether our operations are being conducted in accordance with applicable requirements. Such investigations and audits could result in administrative, civil or criminal liabilities, including repayments, fines or penalties being imposed upon us, the suspension of government export licenses or the suspension or debarment from future U.S. Government contracting. U.S. Government investigations often take years to complete and many result in no adverse action against us. Our final allowable incurred costs for each year are also subject to audit and have from time to time resulted in disputes between us and the U.S. Government with litigation resulting at the Court of Federal Claims (COFC) or the Armed Services Board of Contract Appeals (ASBCA) or their related courts of appeals. In addition, the Department of Justice has, from time to time, convened grand juries to investigate possible irregularities by us. We also provide products and services to customers outside of the U.S. and those sales are subject to local government laws, regulations, and procurement policies and practices. Our compliance with such local government regulations or any applicable U.S. Government regulations (e.g., the Foreign Corrupt Practices Act and the International Traffic in Arms Regulations) may also be investigated or audited. Other than as specifically disclosed herein, we do not expect these audits, investigations or disputes to have a material effect on our financial position, results of operations or liquidity, either individually or in the aggregate.

On June 29, 2012 and July 13, 2012, we received a contracting officer's final decision (COFD) for 2004 and 2005 incurred costs at our Space and Airborne Systems (SAS) segment. The COFDs demand a total payment of $241 million for costs, interest and penalties associated with several issues, the largest of which relates to specific research and development and capital projects undertaken by SAS between 2000 and 2005. To date, no COFDs have been provided for 2000 to 2003 periods at SAS on these issues. The Government alleges that the costs incurred on the projects should have been charged directly to U.S. Government contracts rather than through indirect rates and that these costs should not be recoverable. We strongly disagree with the Government's position. We have requested a deferment of the payment and in February and May 2013, we filed complaints in the U.S. COFC challenging the 2004 and 2005 COFDs, respectively. Due to the inherent uncertainties of litigation, we cannot estimate a range of potential loss. We believe that we appropriately charged the disputed costs based on government accounting standards and applicable precedent and properly disclosed our approach to the Government. We also believe that in many cases, the statute of limitations has run on the issues. Based upon the foregoing, we do not expect the results of the COFDs to have a material impact on our financial position, results of operations or liquidity.

In addition, various other claims and legal proceedings generally incidental to the normal course of business are pending or threatened against, or initiated by, us. We do not expect any of these proceedings to result in any additional liability or gains that would materially affect our financial position, results of operations or liquidity. In connection with certain of our legal matters, we may be entitled to insurance recovery for qualified legal costs. We do not expect any insurance recovery to have a material impact on the financial exposure that could result from these matters.

Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2014-09 Revenue from Contracts with Customers (Topic 606) which will replace numerous requirements in U.S. GAAP, including industry-specific requirements, and provide companies with a single revenue recognition model for recognizing revenue from contracts with customers. The core principle of the new standard is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard will be effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. For Raytheon, the standard will be effective in the first quarter of 2017. The two permitted transition methods under the new standard are the full retrospective method, in which case the standard would be applied to each prior reporting period presented, or the modified retrospective method, in which case the cumulative effect of applying the standard would be recognized at the date of initial application. We have not yet selected a transition method. We are currently evaluating the potential changes from this ASU to our future financial reporting and disclosures. However, the FASB currently is contemplating changes to the new standard and its effective date, which could impact Raytheon's evaluation. Under the new standard, we expect to continue using the cost-to-cost percentage of completion method to recognize revenue for most of our long-term contracts.

Other new pronouncements issued but not effective until after March 29, 2015 are not expected to have a material impact on our financial position, results of operations or liquidity.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our primary market exposures are to interest rates and foreign exchange rates.

We generally supplement our working capital requirements with a combination of variable-rate short-term and fixed-rate long-term financing. We enter into foreign currency forward contracts with commercial banks to fix the foreign currency exchange rates on specific commitments and payments to vendors and customer receipts. We may enter into interest rate swap agreements with commercial and investment banks to manage interest rates associated with our financing arrangements. The market-risk sensitive instruments we use for hedging are entered into with commercial and investment banks and are directly related to a particular asset, liability or transaction for which a firm commitment is in place.

The following tables provide information as of March 29, 2015 and December 31, 2014 about our market risk exposure associated with changing interest rates. For long-term debt obligations, the table presents principal cash flows by maturity date and average interest rates related to outstanding obligations. There were no interest rate swaps outstanding at March 29, 2015 or December 31, 2014.

As of March 29, 2015
Principal Payments and Interest Rate Detail by Contractual Maturity Dates
(In millions, except percentages)

Long-Term Debt	2015	2016	2017	2018	2019	Thereafter	Total	Fair Value
Fixed-rate debt	**$ —**	**$ —**	**$ —**	**$ 591**	**$ —**	**$ 4,792**	**$ 5,383**	**$ 6,040**
Average interest rate	**—**	**—**	**—**	**6.549%**	**—**	**4.017%**	**4.295%**	

As of December 31, 2014
Principal Payments and Interest Rate Detail by Contractual Maturity Dates
(In millions, except percentages)

Long-Term Debt	2015	2016	2017	2018	2019	Thereafter	Total	Fair Value
Fixed-rate debt	$ —	$ —	$ —	$ 591	$ —	$ 4,792	$ 5,383	$ 5,936
Average interest rate	—	—	—	6.549%	—	4.017%	4.295%	

In addition, the aggregate notional amount of the outstanding foreign currency forward contracts was $847 million and $926 million at March 29, 2015 and December 31, 2014, respectively. The net notional exposure of these contracts was approximately $35 million and $57 million at March 29, 2015 and December 31, 2014, respectively.

For foreign currency forward contracts designated and qualifying for hedge accounting, we record the effective portion of the gain or loss on the derivative in accumulated other comprehensive loss, net of tax, and reclassify it into earnings in the same period or periods during which the hedged revenue or cost of sales transaction affects earnings. Unrealized gains of $16 million and $7 million were included in other assets, net, and unrealized losses of $41 million and $24 million were included in other accrued expenses at March 29, 2015 and December 31, 2014, respectively.

Realized gains and losses resulting from these cash flow hedges offset the foreign currency exchange gains and losses on the underlying assets or liabilities being hedged. We believe our exposure due to changes in foreign currency rates is not material due to our hedging policy.

At March 29, 2015, we had short-term investments with a fair value of $1,234 million, which are classified as available-for-sale and consist of highly rated bank certificates of deposit with a minimum long-term debt rating of A or A2 and a minimum short-term debt rating of A-1 and P-1. Our exposure due to changes in interest rates is not material due to the nature and amount of our short-term investments (i.e., high quality certificates of deposit which had an average maturity of four months).

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Management conducted an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a–15(e) and 15d–15(e) of the Securities Exchange Act of 1934) as of March 29, 2015.

Conclusion of Evaluation—Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of March 29, 2015 were effective.

Inherent Limitations on Effectiveness of Controls—In designing and evaluating our disclosure controls and procedures, management recognizes that any controls, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected.

Changes in Internal Control Over Financial Reporting—There were no changes in our internal control over financial reporting during the first quarter of 2015 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We primarily engage in providing products and services under contracts with the U.S. Government and, to a lesser degree, under direct foreign sales contracts, some of which the U.S. Government funds. As a U.S. Government contractor, we are subject to many levels of audit and investigation by the U.S. Government relating to our contract performance and compliance with applicable rules and regulations. Agencies that oversee contract performance include: the Defense Contract Audit Agency, the Defense Contract Management Agency, the Inspector General of the Department of Defense and other departments and agencies, the Government Accountability Office, the Department of Justice and Congressional Committees. From time to time, these and other agencies investigate or conduct audits to determine whether our operations are being conducted in accordance with applicable requirements. Such investigations and audits could result in administrative, civil or criminal liabilities, including repayments, fines or penalties being imposed upon us, the suspension of government export licenses or the suspension or debarment from future U.S. Government contracting. U.S. Government investigations often take years to complete and many result in no adverse action against us. Our final allowable incurred costs for each year are also subject to audit and have from time to time resulted in disputes between us and the U.S. Government with litigation resulting at the Court of Federal Claims (COFC) or the Armed Services Board of Contract Appeals (ASBCA) or their related courts of appeals. In addition, the Department of Justice has, from time to time, convened grand juries to investigate possible irregularities by us. We also provide products and services to customers outside of the U.S. and those sales are subject to local government laws, regulations, and procurement policies and practices. Our compliance with such local government regulations or any applicable U.S. Government regulations (e.g., the Foreign Corrupt Practices Act and the International Traffic in Arms Regulations) may also be investigated or audited. Other than as specifically disclosed in this Form 10-Q, we do not expect these audits, investigations or disputes to have a material effect on our financial position, results of operations or liquidity, either individually or in the aggregate.

On August 18, 2010, the U.K. Border Agency (UKBA) initiated arbitration proceedings in the London Court of International Arbitration against Raytheon Systems Limited (RSL) in connection with the parties' dispute with respect to the UKBA's termination of RSL for cause on a program. The UKBA claimed that RSL had failed to perform on certain key milestones and other matters and that the UKBA was entitled to recovery of certain losses incurred and previous payments made to RSL. The UKBA submitted total net claims in the arbitration of approximately £302 million (approximately $450 million based on foreign exchange rates as of March 29, 2015). RSL submitted in the arbitration its defenses to the UKBA claim as well as substantial counterclaims in the amount of approximately £500 million (approximately $745 million based on foreign exchange rates as of March 29, 2015) against the UKBA for the collection of receivables, damages and interest. Arbitration hearings commenced in late 2012 and were completed in 2013.

On August 15, 2014, RSL received a decision from the Tribunal that the UKBA had unlawfully terminated RSL for default and had therefore repudiated the eBorders contract with RSL. The Tribunal awarded RSL approximately £185 million (approximately $276 million based on foreign exchange rates as of March 29, 2015) as payment for capabilities delivered, damages and other monetary relief. The Tribunal reserved ruling on costs and on the quantification of interest payable to RSL for a later date.

On September 15, 2014, the UKBA filed a challenge to the award in the London High Court. On February 17, 2015, a High Court judge issued a decision upholding the challenge in part and ordering that the dispute be resolved by a new tribunal. RSL filed an appeal. On March 27, 2015, RSL reached a settlement with the UK Home Office concluding the parties' dispute regarding the UK Home Office's July 2010 termination of RSL's eBorders contract. The settlement includes a cash payment from the UK Home Office to RSL of £150 million (approximately $226 million) for the resolution of all claims and counterclaims of both parties related to the matter. After certain expenses and derecognition of the outstanding receivables, we recorded $181 million in operating income, through a reduction in cost of sales, in the first quarter of 2015. The £150 million receivable for the settlement amount was recorded in prepaid expenses and other current assets on our consolidated balance sheet at March 29, 2015 and the cash payment was received in the second quarter of 2015.

Additional information regarding arbitration with the UKBA is contained in "Note 3: eBorders Settlement" within Part I, Item 1 and “Consolidated Results of Operations” within Part I, Item 2 of this Form 10-Q.

In addition, various other claims and legal proceedings generally incidental to the normal course of business are pending or threatened against us. We do not expect these proceedings to result in any additional liability that would materially affect our financial position, results of operations or liquidity.

ITEM 1A. RISK FACTORS

You should carefully review and consider the information regarding certain factors which could materially affect our business, financial condition or future results set forth under Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2014. There have been no material changes from the factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2014, although we may disclose changes to such factors or disclose additional factors from time to time in our future filings with the Securities and Exchange Commission.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan	Approximate Dollar Value (in billions) of Shares that May Yet Be Purchased Under the Plan (2)
January (January 1, 2015 - January 25, 2015)	655	$ 107.40	—	$ 1.5
February (January 26, 2015 - February 22, 2015)	162	106.50	—	1.5
March (February 23, 2015 - March 29, 2015)	2,779,604	108.00	2,777,949	1.2
Total	2,780,421	$ 108.00	2,777,949	

(1) Includes shares purchased related to activity under our stock plans. Such activity during the first quarter of 2015 includes the surrender by employees of 2,472 shares to satisfy income tax withholding obligations in connection with the vesting of restricted stock issued to employees.

(2) In November 2013, our Board of Directors authorized the repurchase of up to $2.0 billion of our outstanding common stock. Share repurchases will take place from time to time at management’s discretion depending on market conditions.

ITEM 6. EXHIBITS

The following list of exhibits includes exhibits submitted with this Form 10-Q as filed with the Securities and Exchange Commission and those incorporated by reference to other filings.

10.1	Agreement dated January 15, 2015 by and between Raytheon Company and Jay B. Stephens*
15	PricewaterhouseCoopers LLP Awareness Letter.*
31.1	Certification of Thomas A. Kennedy pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of Anthony F. O'Brien pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of Thomas A. Kennedy pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
32.2	Certification of Anthony F. O'Brien pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
101	The following materials from Raytheon Company's Quarterly Report on Form 10-Q for the quarter ended March 29, 2015, formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Equity, (v) Consolidated Statements of Cash Flows, and (vi) Notes to Consolidated Financial Statements.*

* filed electronically herewith

** furnished and not filed herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

RAYTHEON COMPANY

By: /s/ Michael J. Wood

Michael J. Wood

Vice President, Controller and Chief Accounting Officer

Principal Accounting Officer

April 23, 2015

Exhibit 10.1

Raytheon

Thomas A. Kennedy
Chairman and CEO
781.522.6400 business
781.522.6401 fax
tkennedy1@raytheon.com

Raytheon Company
870 Winter Street
Waltham, Massachusetts
02451 USA

January 15, 2015

Jay B. Stephens

Re: Transition Agreement

Dear Jay:

This Transition Agreement ("Agreement") confirms the understandings we have reached with respect to your retirement from employment with Raytheon Company.

1. Retirement Date: Your separation date from Raytheon will be June 30, 2015, with your retirement commencing July 1, 2015. During the period of employment from April 1, 2015 to June 30, 2015 you may continue to participate in professional related organizations of which you are a member with reasonable expenses provided by the Company to support such meeting activities.

2. Results Based Incentive ("RBI") Bonuses: You will receive an RBI payment for 2014 of $1,300,000. The payment will be made at the normal timeframe in 2015 that payment is made to all eligible employees. You will receive an RBI payment for 2015 of $800,000 to be paid June 30, 2015.

3. Restricted Stock Awards: You will be granted Restricted Stock Units with a value of $1,000,000, awarded in March 2015 in conjunction with the Company's annual Restricted Stock Grants, subject to approval by the Raytheon Board of Directors. The Award of such Restricted Stock Units shall be subject to the terms of related Restricted Stock Unit Award Agreements and shall vest on the third anniversary of the award.

Treatment of your unvested restricted share awards will be according with the provisions of the Plan under which they were granted and the Grant Agreements. Restricted Shares, on which the restrictions have not lapsed as of the separation date, will be forfeited as of that date. In lieu thereof, subject to approval by the Board of Directors, a grant of new Restricted Stock Units of the same number of shares will be effective upon retirement with your commitment to support the General Counsel and Secretary leadership transition, acceptance of this Agreement, and the terms of the attached Restricted Stock Unit Agreement (Exhibit A). These Restricted Stock Units will vest in equal portions over two years in accordance with and subject to the terms and conditions of the attached Restricted Stock Unit Agreement.

4. LTPP Stock Units: Payout (if earned) will be based on the performance achieved for the three year cycle pursuant to the terms of the LTPP Plan. As of the date of this document, you have awards at target of 57,739 shares of restricted stock units awarded under the following LTPP Programs and prorated to June 30, 2015:

Plan Year	Target Shares	Prorata target shares based on months	Payable in February
2012-2014	24,140	36/36 mths = **24,140** shares	2015
2013-2015	20,619	30/36 mths = **17,183** shares	2016
2014-2016	12,980	18/36 mths = **6,490** shares	2017

5. Senior Executive Life Insurance: Reductions to life insurance coverage began on December 1, 2011 (the first day of the month following your 65th birthday), with subsequent reductions occurring every December thereafter until 2016, when a final capped benefit of $600,000 is reached.

6. Other Benefits: In addition to Senior Executive Life Insurance coverage, you are eligible for company sponsored retiree life insurance in the amount of $2,000. You are also eligible to receive a maximum of $12,000 per year for 3 years ($36,000) following retirement for financial services. A detailed retirement portfolio will be prepared for you to explain both your pension payout options and your healthcare options in retirement. The Human Resource organization is prepared to walk you through the detail and assist you with your transition of benefits.

7. Paid Time Off: You will be paid any accrued but unused PTO as of your separation date.

8. Advisory Services: Between the dates of July 1, 2015 and December 31, 2015, at mutually agreed times, you will be available up to three days a month to provide Advisory Services on behalf of Raytheon Company at no additional compensation . Assignment of any Advisory Service responsibilities will be at the direction of the Raytheon Company Chief Executive Officer, with reasonable expenses and first class air travel provided by the Company to support any Advisory Service responsibilities.

9. General Release: You agree to execute the General Release attached hereto.

10. Legal Proceedings: You agree that you will cooperate fully with the Company, regarding existing and future legal or administrative proceedings or asserted claims relating to events which occurred during your employment in which Raytheon is a party, and as to which you might in the Company's view have personal knowledge, including without limitation the execution of affidavits or other documents providing information requested by Raytheon Company.

11. Security Clearance: In the course of your employment at Raytheon, you may have come into possession of or exposure to matters due to your security clearance. The Company reminds you that disclosure of any information which came to you as a result of your security clearance, including work product, company plans and other matters, shall not be discussed or revealed in any way, except if required to do so pursuant to a proceeding instituted by an appropriate government agency or at the request of an authorized company agent. The Company shall continue to hold your DOD collateral TS security clearance as appropriate or until it is otherwise transferred to an appropriate sponsor.

12. Confidential and Proprietary Information: You agree to keep all confidential and proprietary information of the Company, its subsidiaries and affiliated companies, including joint venture partners, strictly confidential except to the extent disclosure is required by law or court order, and except to the extent that such confidential and proprietary information has become public through no fault of your own.

13. Ethics Compliance: You hereby represent and warrant that, to the best of your knowledge, you have complied in full with all Raytheon Company policies related to ethics, and have disclosed to the Company all matters which were required to be disclosed by said policies.

14. Confidentiality of This Agreement: Except as otherwise required by law or regulation, you agree to keep the terms and conditions of this Agreement confidential and will not disclose the terms hereof to anyone, except to immediate family members, tax accountants, lawyers, financial advisors, the Internal Revenue Service or any other taxing authority and/or others who have a reasonable need to know the terms hereof.

15. Insider Information: In the course of your responsibilities, you may constitute an "insider" for securities law purposes. We would like to remind you that any financial plan, program, estimate or

matter not readily available to the general public shall be kept in strictest confidence and may not be disclosed or discussed.

16. Non-Disparagement Agreement: You and Raytheon Company mutually agree not to disparage one another. Raytheon, its officers, directors and employees, and you shall have the right to make truthful responses to any charges, accusations or allegations, and no such response shall be considered a breach of this non-disparagement agreement.

17. Governing Law and Arbitration: This Agreement shall be governed by and construed and enforced in accordance with the laws of Massachusetts. Any dispute arising under this Agreement shall be settled exclusively through arbitration. Such arbitration shall be conducted in accordance with the rules of the American Arbitration Association before a single arbitrator in the city to be determined by mutual agreement. The decision of the arbitrator shall be final and binding on both parties. Judgment may be entered on the award of the arbitrator in any court having proper jurisdiction.

You understand that, if you elect to revoke the Release attached hereto within seven (7) days after its execution, this Letter Agreement shall be null and void and each party will have all rights and obligations afforded them under the law as if this Letter Agreement had not been signed by the parties and as if the Release had never been signed by you. You agree, in the event of revocation of the Release, to immediately return any consideration received in support of said Release.

This Agreement shall be binding upon and inure to the benefit of you and Raytheon Company and each of your respective successors and assigns.

This Agreement sets forth the entire agreement and understandings of the parties and supersedes all previous discussions, commitments or agreements.

If you have any questions about this Agreement, please contact me.

Sincerely,

/s/ Thomas A. Kennedy
Thomas A. Kennedy
Date: January 17, 2015

GENERAL RELEASE

I agree to accept the benefits and payments set forth in the Transition Agreement dated, January 15, 2015, as full satisfaction in all respects of any and all obligations of any kind which might otherwise be due me from Raytheon Company. I hereby specifically waive, remise, release and forever discharge Raytheon Company, its affiliates, subsidiaries, directors, officers, employees, agents and successors (hereinafter referred to as "Raytheon") from all manner of claims, liabilities, demands and causes of action, know or unknown, fixed or contingent, which I may have or claim to have against Raytheon as a result of my employment and the termination thereof, and do hereby covenant not to file or commence a lawsuit against Raytheon to assert any such claims. I understand that this General Release encompasses all claims arising under federal, state or local law, including but not limited to claims arising under any theory of wrongful discharge. This General Release is binding upon my successors, heirs, executors and administrators, but does not waive any rights or claims unrelated to this Agreement or my employment with Raytheon Company, and which occur subsequent to the date of my separation from Raytheon Company and the date this General Release is executed.

I have read carefully and fully understand all the provisions of this General Release. I understand that I may consult with an attorney before executing this General Release. I acknowledge that this General Release sets forth the entire agreement between me and Raytheon with respect to additional consideration being provided to me and that I have not relied upon any representation or statement, written or oral, not set forth in this document.

/s/ Jay B. Stephens
(Signature)

Date: January 15, 2015

Exhibit A

RAYTHEON 2010 STOCK PLAN

RESTRICTED STOCK UNIT AWARD AGREEMENT

This Restricted Stock Unit Award Agreement, dated as of **June 30, 2015** (the "Award Date") is between Raytheon Company (the "Company"), and **Jay B. Stephens,** an employee of the Company or one of its Affiliates ("you").

1. **Award of Units**

The Company hereby awards you the number of restricted stock units ("Units") set forth below, with respect to its common stock, par value $0.01 per share (the "Stock"), subject to the terms and conditions of the Raytheon 2010 Stock Plan (the "Plan") and the vesting and other provisions of this Agreement. Subject to the provisions hereof, each Unit represents the right to receive one share of Stock (a "Share") plus additional cash payments in lieu of dividends as described in Section 6 below.

Total Number of Restricted Units (the "Award"): **16,527**	Vesting Date/ # Units
Vesting Schedule: (Each period from the Award Date until the Vesting Date is a "Restriction Period".)	• June 30, 2016 8,264 • June 30, 2017 8,263

2. **Acceptance of Award**

This Award is not effective or enforceable until you properly acknowledge your acceptance of the Award by returning an executed copy of this Award Agreement to Executive Compensation as instructed below no later than July 30, 2015. If you do not properly acknowledge your acceptance of this Award Agreement on or before July 30, 2015, this Award will be forfeited.

Acceptance of this Award Agreement must be made only by you personally or by a person acting pursuant to a power of attorney in the event of your inability to acknowledge your acceptance due to your disability or deployment in the Armed Forces (and not by your estate, your spouse or any other person). If you desire to accept this Award, you must acknowledge your acceptance and receipt of this Award Agreement by signing and returning a copy of it to: Raytheon Company, Executive Compensation, Attention: Nicole Wilson, 870 Winter Street. Waltham, MA 02451, in the enclosed self-addressed stamped envelope.

Assuming prompt and proper acknowledgement of your acceptance of this Award Agreement as described above, this Award will be effective as of the Award Date. Acceptance of this Award Agreement constitutes your consent to any action taken under the Plan consistent with its terms with respect to this Award and your agreement to be bound by the restrictions contained in Exhibit A attached hereto ("Post-Employment Conduct").

3. **Vesting of Units on Continued Service**

Subject to Sections 4, 5, and 8E below, if you are continuously employed by the Company or an Affiliate from the Award Date until the Vesting Date noted above, the Units associated with that Vesting Date shall vest and the restrictions on those Units shall lapse.

4. **Effect of Termination of Employment**

Notwithstanding anything herein to the contrary, if (i) on the Award Date you have attained at least the age of sixty (60) and have completed at least ten (10) years of service and (ii) you cease to be an employee of the Company or an Affiliate for any reason, other than for Cause, after the Award Date but prior to the end of the Restriction Period, you will continue to vest in your Units and receive dividend equivalents (as provided in Section 6 below) per the Vesting Schedule, as if you remained employed by the Company or an Affiliate until the end of the Restriction

Period.

5. **Effect of Death, Medical Leave of Absence, Disability or Change in Control.**
Notwithstanding anything above to the contrary, the Units shall vest and restrictions on the Units shall lapse as follows:

a) immediately upon your death;

b) in accordance with the Vesting Schedule in the event of (i) a Medical Leave of Absence of at least one year or (ii) Disability; or

c) immediately upon a Change in Control.

6. **Payment; Dividend Equivalents**
The Company shall deliver to you evidence of ownership of the net number of Shares equal to the number of vested Units reduced by the number of Shares previously accelerated to pay taxes, if any, and the number of Shares necessary to satisfy tax withholding obligations, both as described in Section 8E below, as soon as practicable after the Vesting Date applicable to the Units or, if earlier, on your death or on any Change in Control which is a change of ownership or effective control of the Company or a change of ownership of a substantial portion of its assets, in each case, for purposes of Section 409A of the Code. For the avoidance of doubt, after a Change in Control occurs, such Units shall be considered vested and not subject to forfeiture hereunder. During any Restriction Period, unless otherwise forfeited, you shall be entitled to receive a cash payment in lieu of dividends on the number of Shares the Units covered by this Award represent, when, if and to the extent that the Board has approved a dividend for all Company common shareholders during any Restriction Period.

7. **Post-Employment Conduct**

Except where prohibited by law, by accepting this Award, you agree to the Post-Employment Conduct restrictions contained in Exhibit A to this Award Agreement.

8. **Other Provisions**

A. No Guaranty of Future Awards. This Award does not guarantee you the right to or expectation of future Awards under the Plan or any future plan adopted by the Company.

B. No Rights as Shareholder. You shall not be considered a shareholder of the Company with respect to the Units until Shares are issued to you in payment of the Units. Therefore, you have no right to vote the Units or to receive dividends with respect to such Units except as provided in Section 6 above.

C. No Rights to Continued Employment; Recipient Obligations. This Award shall not be deemed to create a contract or other promise of continued employment with the Company or an Affiliate and shall not in any way prohibit or restrict the ability of the Company or an Affiliate to terminate your employment at any time for any reason. This Award Agreement provides for certain obligations on your part following the cessation of your employment with the Company or an Affiliate and shall not, by implication or otherwise, affect in any way your obligations to the Company or an Affiliate during the term of your employment by the Company or an Affiliate, whether pursuant to written agreements between the Company and you, the provisions of applicable Company policies that may be adopted from time to time or applicable law or regulation.

D. Restrictions on Transfer of Units. Until the vesting of, and lapse of the restrictions applicable to, any Units and the delivery of Shares in payment therefor, Units may not be sold, transferred, pledged, exchanged, hypothecated or disposed of by you and shall not be subject to execution, attachment or similar process.

E. Taxes. Taxes may be assessed and/or withheld as required by law at applicable United States federal, state and/or other tax rates (under the laws of the jurisdictions in which you reside or that may otherwise be applicable to you) with respect to Units, issuance of Shares and cash in lieu of dividends. The Company will accelerate the vesting and payment of Units to pay your Federal Insurance Contributions Act (FICA) tax on Units, the income tax withholding that results from payment of your FICA tax, and your additional FICA tax and income tax withholding attributable to the pyramiding of FICA tax and income tax withholding due to the foregoing payments.

F. Clawback. If you are an elected officer, in addition to any other remedies available to the Company (but subject to applicable law), if the Board determines that it is appropriate, the Company may recover (in whole or in part) any payment made pursuant to this Award where: (1) the payment was predicated upon achieving certain financial results that were subsequently the subject of a restatement of Company financial statements filed with the Securities and Exchange Commission; (2) the Board determines that you engaged in knowing or intentional fraudulent or illegal conduct that caused or substantially caused the need for the restatement; and (3) a lower payment would have been made to you pursuant to the Award based upon the restated financial results. In any such instance, the Company will, to the extent practicable, seek to recover from you the amount by which the payment pursuant to the Award for the relevant period exceeded the lower payment that would have been made based on the restated financial results. The Company's right of recovery applies to both the vested and unvested portion of the Award.

G. Compliance with Section 409A of the Code. Notwithstanding anything in this Agreement to the contrary, to the extent that this Agreement constitutes a nonqualified deferred compensation plan to which Code Section 409A applies, the administration of this Award (including time and manner of payments under it) shall comply with Section 409A.

H. Plan. All terms and conditions of the Plan are incorporated herein by reference and constitute an integral part hereof. Any capitalized terms used but not defined herein shall have the meanings ascribed to them in the Plan.

I. Notices. Notices required or permitted hereunder shall be in writing and shall be delivered personally or by mail, postage prepaid, addressed to Raytheon Company, 870 Winter Street, Waltham, Massachusetts 02451, Attention: Senior Vice President, Human Resources, and to you at your address as shown on the Company's payroll records.

J. Entire Agreement; Successors and Assigns. The Plan and this Award Agreement constitute the entire agreement governing the terms of the Award to you. The Award Agreement shall inure to the benefit of the Company's successors and assigns and may be assigned by the Company without your consent.

K. Governing Law. This Award Agreement shall be governed by the law of the Commonwealth of Massachusetts, without regard to its provisions governing conflicts of law.

Your acceptance of this Award constitutes your agreement to the terms of this Restricted Stock Unit Award Agreement.

RAYTHEON COMPANY

____

Thomas A. Kennedy
Chief Executive Officer

(Please complete, sign and return by mail.)

Acknowledged by:

Signature	Date
Print Name	Employee ID

Exhibit A

Post-Employment Conduct

The Post Employment Conduct Restrictions (the "Restrictions") attached as Exhibit A to the Restricted Stock Unit Award Agreement (the "Award Agreement") with an Award Date of **June 30, 2015** are agreed to in consideration of, among other things, the grant of restricted stock units to **Jay B. Stephens** ("you"), under the Award Agreement pursuant to the Raytheon 20 I 0 Stock Plan (the "Plan"). Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Award Agreement or the Plan. The following terms as used herein shall mean:

Authorized Company Representative means the Company's Chief Executive Officer acting upon the advice and recommendation of the Company's General Counsel;

Restricted Activity means any activity (A) in which you contribute your knowledge, directly or indirectly, in whole or in part, as an employee, consultant, agent or director or any other similar capacity that, in any such case, involves or relates to products, services or solutions of a Restricted Business that, directly or indirectly, compete with those of the Company; or (B) that may require or involve disclosure of trade secrets, proprietary or confidential information; and

Restricted Business means any business enterprise that operates in one or more of the same markets as the Company including, but not limited to, the following companies: Alliant Techsystems Inc., BAE Systems Inc., The Boeing Company, EADS, Exelis Inc., General Dynamics Company, the Harris Company, Honeywell International Inc., L-3 Communications Company, Lockheed Martin Corporation, MBDA Incorporated, Northrop Grumman Company, Rockwell Collins, Inc., SAIC, Thales, United Technologies Company.

By accepting the Award, you agree as follows:

1. Consideration and Acknowledgement. You acknowledge and agree that the benefits and compensation opportunities being made available to you under the Award Agreement are in addition to the benefits and compensation opportunities that otherwise are or would be available to you in connection with your employment by the Company or an Affiliate and that the continued vesting of the Award under Sections 4 and 5 of the Award Agreement is expressly made contingent upon your agreements with the Company set forth in these Restrictions. You acknowledge that the scope and duration of the Restrictions are necessary to be effective and are fair and reasonable in light of the value of the benefits and compensation opportunities being made available to you under the Award Agreement. You further acknowledge and agree that as a result of the positions you hold with the Company and the access to and extensive knowledge of the Company's confidential or proprietary information, employees, suppliers and customers, the Restrictions are reasonably required for the protection of the Company's legitimate business interests.

2. Restrictions.

(a) Covenant Not To Compete - Without the prior written consent of an Authorized Company Representative, you agree that during any Restriction Period following cessation of employment you will not engage in any Restricted Activity for any: (i) Restricted Business; (ii) entity directly or indirectly controlling, controlled by, or under common control with a Restricted Business; and (iii) successor to all or part of the business of any Restricted Business as a result of a merger, reorganization, consolidation, spin-off, split-up, acquisition, divestiture, or similar transaction.

(b) Non-Solicit - Without the prior written consent of an Authorized Company Representative, you agree that during any Restriction Period following cessation of employment you will not (i) interfere with any contractual relationship between the Company or an Affiliate and any customer of, supplier or distributor to, or manufacturer for the Company or an Affiliate to the detriment of the Company or an Affiliate or (ii) induce or attempt to induce any person who is an employee of the Company or an Affiliate to perform work or services for any entity other than the Company or an Affiliate.

(c) Protection of Confidential and Proprietary Information - You agree to keep all confidential and proprietary information of the Company and its Affiliates, including joint venture partners, strictly confidential except to the extent disclosure is required by law or court order, and except to the extent that such confidential and proprietary information has become public through no fault of your own.

(d) Cooperation in Litigation and Investigations - Following the date on which you cease to be an employee of the Company or an Affiliate, you agree, to the extent reasonably requested, to cooperate with the Company in any pending or future litigation (including alternative dispute resolution proceedings) or investigations in which the Company or Affiliates is a party or is required or requested to provide testimony and regarding which, as a result of your employment with the Company or an Affiliate, you reasonably could be expected to have knowledge or information relevant to the litigation or investigation. Notwithstanding any other provision of these Restrictions, nothing in these Restrictions shall affect your obligation to cooperate with any governmental inquiry or investigation or to give truthful testimony in court.

3. Annual Validation of Compliance. You acknowledge and agree that you shall confirm in writing to the Company, prior to each annual vesting date provided in Section 1 of the Award Agreement, your compliance with the restrictions set forth in Section 2 hereof. **Failure to provide such annual written confirmation may result in the forfeiture of any unvested Units.**

4. Result of Breach of Section 2 or Section 3. In the event that you breach any of the covenants or agreements in Section 2 or Section 3 hereof, to the extent your Units have not fully vested, all of your remaining rights, title or interest in the Award and any dividend equivalents with respect thereto, shall cease.

5. Invalidity; Unenforceability. It is the desire and intent of the parties that the provisions of these Restrictions shall be enforced to the fullest extent permissible. Accordingly, if any particular provision of these Restrictions is adjudicated to be invalid or unenforceable, the Award Agreement shall be deemed amended to delete the portion adjudicated to be invalid or unenforceable, such deletion to apply only with respect to the operation of this provision in the particular jurisdiction in which such adjudication is made.

These Restrictions are effective as of the acceptance by you of the Award of Units under this Award Agreement and is not contingent on the vesting of your Units.

Exhibit 15

Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Commissioners:

We are aware that our report dated April 23, 2015 on our review of interim financial information of Raytheon Company and its subsidiaries (the "Company") for the three-month periods ended March 29, 2015 and March 30, 2014 and included in the Company's Quarterly Report on Form 10-Q for the quarter ended March 29, 2015 is incorporated by reference in its Registration Statements on Form S-3 (File Nos. 333-186221; 333-71974; 333-58474; 333-82529; and 333-44321) and Form S-8 (File Nos. 333-124690; 333-56117; 333-52536; 333-64168; 333-45629; and 333-168415).

Very truly yours,

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Boston, Massachusetts
April 23, 2015

Exhibit 31.1

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Thomas A. Kennedy, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Raytheon Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: April 23, 2015

/s/ Thomas A. Kennedy

Thomas A. Kennedy
Chairman and Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Anthony F. O'Brien, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Raytheon Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 23, 2015

/s/ Anthony F. O'Brien

Anthony F. O'Brien
Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Raytheon Company (the "Company") on Form 10-Q for the period ended March 29, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas A. Kennedy, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Thomas A. Kennedy

Thomas A. Kennedy
Chairman and Chief Executive Officer

April 23, 2015

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Raytheon Company (the “Company”) on Form 10-Q for the period ended March 29, 2015 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Anthony F. O'Brien, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Anthony F. O'Brien

Anthony F. O'Brien
Vice President and Chief Financial Officer

April 23, 2015

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.