SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-Q

/X/ Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended April 4, 1999

/ / 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.)

141 SPRING STREET, LEXINGTON, MASSACHUSETTS	02421
(Address of Principal Executive Offices)	(Zip Code)

(781) 862-6600
(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 x No

Number of shares of common stock outstanding as of April 4, 1999: 336,128,000, consisting of 100,968,000 shares of Class A common stock and 235,160,000 shares of Class B common stock.

RAYTHEON COMPANY

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

RAYTHEON COMPANY

BALANCE SHEETS

	(Unaudited) April 4, 1999	Dec. 31, 1998
	(In millions)	
ASSETS		
Current assets		
Cash and cash equivalents	$ 58	$ 421
Accounts receivable, less allowance for doubtful accounts	885	618
Contracts in process	5,098	4,842
Inventories	1,831	1,711
Deferred federal and foreign income taxes	755	809
Prepaid expenses and other current assets	256	236
Total current assets	8,883	8,637
Property, plant, and equipment, net	2,257	2,275
Goodwill, net of accumulated amortization	14,334	14,431
Other assets, net	2,777	2,596
Total assets	$28,251	$27,939
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Notes payable and current portion of long-term debt	$ 1,671	$ 827
Advance payments, less contracts in process	811	865
Accounts payable	1,816	2,091
Accrued salaries and wages	597	703
Other accrued expenses	1,969	2,194
Total current liabilities	6,864	6,680
Accrued retiree benefits and other long-term liabilities	1,702	1,679
Deferred federal and foreign income taxes	587	561
Long-term debt	8,161	8,163
Stockholders' equity	10,937	10,856
Total liabilities and stockholders' equity	$28,251	$27,939

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

RAYTHEON COMPANY
STATEMENTS OF INCOME (Unaudited)

	Three Months Ended April 4, 1999	Three Months Ended March 29, 1998
	(In millions except per share amounts)	
Net sales	$4,903	$4,574
Cost of sales	3,870	3,558
Administrative and selling expenses	342	346
Research and development expenses	111	144
Total operating expenses	4,323	4,048
Operating income	580	526
Interest expense, net	177	171
Other expense (income), net	6	(3)
Non-operating expense, net	183	168
Income before taxes	397	358
Federal and foreign income taxes	156	143
Income before accounting change	241	215
Cumulative effect of change in accounting principle, net of tax	53	--
Net income	$ 188	$ 215
Earnings per common share before accounting change		
Basic	$ 0.72	$ 0.63
Diluted	$ 0.71	$ 0.63
Earnings per common share		
Basic	$ 0.56	$ 0.63
Diluted	$ 0.55	$ 0.63
Dividends declared per common share	$ 0.20	$ 0.20

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

RAYTHEON COMPANY

STATEMENTS OF CASH FLOWS (Unaudited)

	Three Months Ended April 4, 1999	Three Months Ended March 29, 1998
	(In millions)	
Cash flows from operating activities		
Net income	$ 188	$ 215
Adjustments to reconcile net income to net cash used in operating activities, net of the effect of acquisitions and divestitures		
Depreciation and amortization	178	196
Sale of receivables	422	282
Increase in accounts receivable	(689)	(349)
Increase in contracts in process	(254)	(344)
Increase in inventories	(119)	(230)
Decrease in current deferred federal and foreign income taxes	54	97
Increase in prepaid expenses and other current assets	(20)	(10)
(Decrease) increase in advance payments	(53)	23
(Decrease) increase in accounts payable	(274)	19
Decrease in accrued expenses	(307)	(383)
Other adjustments, net	(38)	(90)
Net cash used in operating activities	(912)	(574)
Cash flows from investing activities		
Expenditures for property, plant, and equipment	(141)	(115)
(Increase) decrease in other assets	(34)	3
Payment for purchase of acquired companies	--	(42)
Proceeds from sales of operating units and investments	--	19
Net cash used in investing activities	(175)	(135)
Cash flows from financing activities		
Dividends	(67)	(68)
Increase (decrease) in short-term debt	844	(748)
(Decrease) increase in long-term debt	(2)	1,584
Purchase of treasury shares	(82)	(56)
Proceeds under common stock plans	31	33
Net cash provided by financing activities	724	745
Net (decrease) increase in cash and cash equivalents	(363)	36
Cash and cash equivalents at beginning of year	421	296
Cash and cash equivalents at end of period	$ 58	$ 332

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

RAYTHEON COMPANY

NOTES TO FINANCIAL STATEMENTS (Unaudited)

1. Basis of Presentation

The accompanying unaudited financial statements of Raytheon Company (the "Company") have been prepared on substantially the same basis as the Company's annual consolidated financial statements. These interim unaudited financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 1998. The information furnished has been prepared from the accounts without audit. In the opinion of management, these financial statements reflect all adjustments, which are of a normal recurring nature, necessary for a fair presentation of the financial statements for the interim periods. Certain prior year amounts have been reclassified to conform with the current year presentation.

2. Restructuring

During the first quarter of 1999, the Company's activity related to previously announced restructuring initiatives at Raytheon Systems Company (RSC) and Raytheon Engineers & Constructors (RE&C) was as follows:

	RSC	RE&C
	(In millions except employee data)	
Accrued liability at December 31, 1998	$563	$ 66
Costs incurred		
Severance and other employee related costs	32	4
Facility closure and related costs	48	4
	80	8
Accrued liability at April 4, 1999	$483	$ 58
Cash expenditures	$ 80	$ 8
Number of employee terminations due to restructuring actions during the first quarter of 1999	800	100

The Company also incurred $25 million of capital expenditures and period expenses during the first quarter of 1999 related to RSC restructuring initiatives.

3. Business Segment Reporting

The Company operates in three major business areas: Electronics, both defense and commercial, Engineering and Construction, and Aircraft. The Company completed a reorganization of certain business segments within Total Electronics to better align the operations with customer needs and to eliminate management redundancy. Segment financial results were as follows:

	Sales Three Months Ended April 4, 1999 (In millions)	Sales Three Months Ended March 29, 1998 (In millions)
Defense Systems	$1,258	$1,178
Sensors and Electronic Systems	748	641
Command, Control, Communication, and Information Systems	905	871
Aircraft Integration Systems, Training and Services, Commercial Electronics, and Other	800	881
Total Electronics	3,711	3,571
Engineering and Construction	692	544
Aircraft	500	459
Total	$4,903	$4,574

	Operating Income Three Months Ended April 4, 1999 (In millions)	Operating Income Three Months Ended March 29, 1998 (In millions)
Defense Systems	$ 219	$ 176
Sensors and Electronic Systems	126	105
Command, Control, Communication, and Information Systems	103	85
Aircraft Integration Systems, Training and Services, Commercial Electronics, and Other	69	93
Total Electronics	517	459
Engineering and Construction	31	33
Aircraft	32	34
Total	$ 580	$ 526

	Identifiable Assets April 4, 1999	Dec. 31, 1998
	(In millions)	
Defense Systems	$ 2,446	$ 2,286
Sensors and Electronic Systems	1,886	1,823
Command, Control, Communication, and Information Systems	1,691	1,624
Aircraft Integration Systems, Training and Services, Commercial Electronics, and Other	2,035	1,993
Unallocated Electronics Items	13,175	13,067
Total Electronics	21,233	20,793
Engineering and Construction	1,485	1,478
Aircraft	2,671	2,356
Corporate	2,862	3,312
Total	$28,251	$27,939

4. Inventories

Inventories consisted of the following at:

	April 4, 1999	Dec. 31, 1998
	(In millions)	
Inventories		
Finished goods	$ 288	$ 317
Work in process	1,122	1,037
Materials and purchased parts	570	507
Excess of current cost over LIFO values	(149)	(150)
Total inventories	$1,831	$1,711

5. Special Purpose Entities

In connection with the sale of receivables, the following special purpose entities have been established as of April 4, 1999, Raytheon Receivables, Inc., Raytheon Aircraft Receivables Corporation, and Raytheon Engineers & Constructors Receivables Corporation.

6. Stockholders' Equity

Stockholders' equity consisted of the following at:

	April 4, 1999	Dec. 31, 1998
	(In millions)	
Preferred stock, no outstanding shares	$ --	$ --
Class A common stock, outstanding shares	1	1
Class B common stock, outstanding shares	2	2
Additional paid-in capital	6,307	6,272
Accumulated other comprehensive income	(42)	(50)
Treasury stock	(339)	(257)
Retained earnings	5,008	4,888
Total stockholders' equity	$10,937	$10,856
Common stock outstanding	336.1	336.8

During the first quarter of 1999, outstanding shares were reduced by the repurchase of 1.5 million shares offset by an increase of 0.8 million shares due to common stock plan activity.

Share information used to calculate earnings per share (EPS) is as follows:

	Three Months Ended April 4, 1999 (In thousands)	Three Months Ended March 29, 1998 (In thousands)
Average common shares outstanding for basic EPS	336,354	338,550
Dilutive effect of stock options and restricted stock	3,871	4,698
Average common shares outstanding for diluted EPS	340,225	343,248

Options to purchase 6.5 million and 0.3 million shares of common stock for the three months ended April 4, 1999 and March 29, 1998 respectively did not affect the computation of diluted EPS. The exercise prices for these options were greater than the average market price of the Company's common stock during the respective periods.

The components of other comprehensive income for the Company generally include foreign currency translation adjustments, minimum pension liability adjustments and unrealized gains and losses on marketable securities classified as available-for-sale. The computation of comprehensive income is as follows:

	Three Months Ended April 4, 1999 (In millions)	Three Months Ended March 29, 1998 (In millions)
Net income	$188	$215
Other comprehensive income	8	(16)
Total comprehensive income	$196	$199

7. Change in Accounting Principle

Effective January 1, 1999, the Company adopted the American Institute of Certified Public Accountants Statement of Position 98-5, Reporting on the Costs of Start-Up Activities (SOP 98-5). This accounting standard requires that certain start-up and pre-contract award costs be expensed as incurred. During the first quarter of 1999, the Company recorded a charge of $53 million or $0.16 per diluted share, reflecting the initial application of SOP 98-5 and the cumulative effect of the change in accounting principle as of January 1, 1999.

8. Subsequent Events

On May 11, 1999 the Company filed a Registration Statement on Form S-4 to register $250 million of 6.00% debentures due in 2010 and $550 million of 6.40% debentures due in 2018 (collectively, the "Exchange Debentures"). These debentures will be offered in exchange for the $800 million in debentures that the Company placed privately in December 1998 (the "Original Debentures") and are substantially identical to the Original Debentures. The Company will not receive any cash proceeds from the issuance of the Exchange Debentures.

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

Consolidated Results of Operations

Net sales for the first quarter of 1999 were $4.9 billion, an increase of 7 percent versus $4.6 billion for the same period in 1998. Sales to the U.S. Department of Defense were 49 percent of sales for the first quarter of 1999 versus 47 percent of sales for the first quarter of 1998. Total first quarter 1999 and 1998 sales to the U.S. government, including foreign military sales, were 66 percent of sales. Total international sales, including foreign military sales, were 27 percent of sales for the first quarter of 1999 versus 25 percent of sales for the first quarter of 1998.

Gross margin for the first quarter of 1999 was $1,033 million or 21.1 percent of sales versus $1,016 million or 22.2 percent for the first quarter of 1998. The decrease in margin as a percent of sales was primarily attributable to the sales mix at Aircraft and a change in estimate on certain contracts in the third quarter of 1998 at Engineering and Construction. The margins within Total Electronics were relatively unchanged year over year.

Administrative and selling expenses were $342 million or 7.0 percent of sales for the first quarter of 1999 versus $346 million or 7.6 percent of sales for the first quarter of 1998. The decrease in administrative and selling expenses as a percent of sales was due primarily to increased efficiencies as a result of restructuring initiatives at Raytheon Systems Company (RSC).

Research and development expenses decreased to $111 million or 2.3 percent of sales for the first quarter of 1999 versus $144 million or 3.1 percent of sales for the first quarter of 1998. The decrease in research and development expenses was due primarily to the elimination of duplicate research and development processes within RSC and a change in the timing of expenditures during the year.

Operating income was $580 million or 11.8 percent of sales for the first quarter of 1999 versus $526 million or 11.5 percent of sales for the first quarter of 1998. The changes in operating income by segment are discussed below.

Interest expense, net for the first quarter of 1999 was $177 million compared to $171 million for the first quarter of 1998.

Other expense, net for the first quarter of 1999 was $6 million versus other income, net of $3 million for the first quarter of 1998.

The effective tax rate was 39.3 percent for the first quarter of 1999 versus 39.9 percent for the first quarter of 1998. The effective tax rate reflects primarily the United States statutory rate of 35 percent reduced by foreign sales corporation tax credits and research and development tax credits applicable to certain government contracts, increased by non-deductible amortization of goodwill.

Effective January 1, 1999, the Company adopted the American Institute of Certified Public Accountants Statement of Position 98-5, Reporting on the Costs of Start-Up Activities (SOP 98-5). This accounting standard requires that certain start-up and pre-contract award costs be expensed as incurred. During the first quarter of 1999, the Company recorded a charge of $53 million or $0.16 per diluted share, reflecting the initial application of SOP 98-5 and the cumulative effect of the change in accounting principle as of January 1, 1999.

Income before accounting change was $241 million for the first quarter of 1999, or $0.71 per diluted share on 340.2 million average shares outstanding versus net income of $215 million for the first quarter of 1998, or $0.63 per diluted share on 343.2 million average shares outstanding. Net income for the first quarter of 1999 was $188 million, or $0.55 per diluted share.

Total employment was approximately 107,200 at April 4, 1999, approximately 108,200 at December 31, 1998 and approximately 118,200 at March 29, 1998. The decrease from the prior quarter and prior year is primarily a result of the continuing restructuring initiatives at RSC and Raytheon Engineers & Constructors (RE&C).

The Electronics businesses reported first quarter 1999 sales of $3.7 billion, an increase of 4 percent compared with the same period a year ago and operating income of $517 million, a 13 percent increase compared with the same period a year ago. Operating margin was 13.9 percent for the first quarter of 1999 versus 12.9 percent for the first quarter of 1998. The increase in operating income as a percent of sales was primarily a result of decreases in selling and administrative expenses and research and development expenses made in conjunction with the restructuring initiatives at RSC.

RE&C reported first quarter 1999 sales of $692 million, an increase of 27 percent compared with the same period a year ago. The increase in sales was due to increased project work in the power, government, and infrastructure markets. Operating income was $31 million, compared with $33 million for the same period a year ago. Operating margin was 4.5 percent for the first quarter of 1999, compared to 6.1 percent for the first quarter of 1998, and up as expected from 3.3 percent for the fourth quarter of 1998. The decrease in margin was a result of the change in estimate on certain contracts as announced in the third quarter of 1998.

Raytheon Aircraft reported first quarter 1999 sales of $500 million, an increase of 9 percent compared with the same period a year ago and operating income of $32 million, a 6 percent decrease compared with the same period a year ago. The decline in operating margin was due to increased research and development expenses for two new aircraft, the Premier I and Horizon. Also contributing to the decrease in margin as a percent of sales was the sale of the Raytheon Aircraft Montek subsidiary in the fourth quarter of 1998.

Backlog consisted of the following at:

	April 4, 1999	Dec. 31, 1998 (In millions)	March 29, 1998
Electronics	$17,641	$17,648	$16,495
Engineering and Construction	3,833	3,888	2,697
Aircraft	2,196	2,133	1,929
Total backlog	$23,670	$23,669	$21,121
U.S. government backlog included above	$13,605	$14,622	$12,566

During the third quarter of 1998, the Company changed its method of reporting backlog at certain locations in order to provide a consistent method of reporting across and within the Company's businesses. Backlog includes the full value of contract awards when received, excluding awards and options expected in future periods. Prior to the change, contract values which were awarded but incrementally funded were excluded from reported backlog for some parts of the business. The one-time impact of this change was a $1.1 billion increase to Electronics backlog and a $0.9 billion increase to Engineering and Construction backlog, related principally to U.S. government contracts. Prior periods have not been restated for this change.

Financial Condition and Liquidity

Net cash used by operating activities for the first quarter of 1999 was $912 million versus $574 million for the first quarter of 1998. The increase was due principally to increased working capital requirements in the Electronics businesses as a result of increased sales volume, costs associated with restructuring activities, delayed customer billings related to system conversions, and an increase in inventory at Raytheon Aircraft for the Premier I and Horizon aircraft. During the first quarter of 1999, the Company incurred $88 million of restructuring and exit costs and $25 million of other expenditures related to restructuring and consolidation activities at RSC and RE&C combined.

Net cash used in investing activities was $175 million in the first quarter of 1999 versus $135 million in the first quarter of 1998. Capital expenditures were $141 million for the first three months of 1999 versus $115 million for the first three months of 1998. Capital expenditures including facilities consolidation for the full year 1999 are expected to be approximately $550 million.

The Company merged with the defense business of Hughes Electronics Corporation (Hughes Defense) in December 1997. Pursuant to the terms of the merger agreement, which requires an adjustment based on net assets, the final purchase price for Hughes Defense has not been determined. While the Company expects a reduction in purchase price from the original terms of the agreement, the amount, timing, and effect on the Company's financial position are uncertain.

Dividends paid to stockholders in the first quarter of 1999 were $67 million versus $68 million in the first quarter of 1998. The quarterly dividend rate was $0.20 per share for both the first quarter of 1999 and the first quarter of 1998.

Outstanding shares were reduced by the repurchase of 1.5 million shares for $82 million during the first three months of 1999 and 0.9 million shares for $56 million during the same period a year ago.

In March 1999, the Board of Directors authorized the repurchase of up to six million shares of the Company's Class A and Class B common stock over the next three years.

Total debt was $9.8 billion, $9.0 billion, and $10.9 billion at April 4, 1999, December 31, 1998, and March 29, 1998, respectively. Total debt, as a percentage of total capital, was 47.3 percent, 45.3 percent, and 50.8 percent at April 4, 1999, December 31, 1998, and March 29, 1998, respectively.

On May 11, 1999 the Company filed a Registration Statement on Form S-4 to register $250 million of 6.00% debentures due in 2010 and $550 million of 6.40% debentures due in 2018 (collectively, the "Exchange Debentures"). These debentures will be offered in exchange for the $800 million in debentures that the Company placed privately in December 1998 (the "Original Debentures") and are substantially identical to the Original Debentures. The Company will not receive any cash proceeds from the issuance of the Exchange Debentures.

Lines of credit with certain commercial banks exist as standby facilities to support the issuance of commercial paper by the Company. The lines of credit were $4.1 billion and $4.4 billion at April 4, 1999 and December 31, 1998, respectively. At April 4, 1999 and December 31, 1998, there were no borrowings under these lines of credit. Given the present state of the financial markets and economic conditions, the Company does not currently anticipate making future borrowings under the lines of credit.

The Company's need for, cost of, and access to funds are dependent on future operating results, as well as conditions external to the Company. The Company believes that its cash position will be sufficient to maintain investment grade credit ratings and its sources of and access to capital markets are adequate to support current operations.

The following discussion covers quantitative and qualitative disclosures about the Company's market risk. The Company's primary market exposures are to interest rates and foreign exchange rates.

The Company meets its working capital requirements with a combination of variable rate short-term and fixed rate long-term financing. The Company enters into interest rate swap agreements with commercial banks primarily to reduce the impact of changes in interest rates on short-term financing arrangements. The Company also enters into foreign exchange contracts with commercial banks to minimize fluctuations in the value of payments to international vendors and the value of foreign currency denominated receipts. The market-risk sensitive instruments used by the Company for hedging are entered into with commercial banks and are directly related to a particular asset, liability, or transaction for which a firm commitment is in place.

Financial instruments held by the Company which are subject to interest rate risk include notes payable, commercial paper, long-term debt, long-term receivables, investments, and interest rate swap agreements. The aggregate hypothetical loss in earnings for one month of those financial instruments held by the Company at April 4, 1999 which are subject to interest rate risk resulting from a hypothetical increase in interest rates of 10 percent is not material. The hypothetical loss was determined by calculating the aggregate impact of a one-month increase of 10 percent in the interest rate of each variable rate financial instrument held by the Company at April 4, 1999 which is subject to interest rate risk. Fixed rate financial instruments were not evaluated, as the risk exposure is not material.

Year 2000 Date Conversion

The Year 2000 problem concerns the inability of information systems to recognize properly and process date-sensitive information beyond January 1, 2000.

In January 1998, the Company initiated a formal comprehensive enterprise-wide program to identify and to resolve Year 2000 related issues. The scope of the program includes the investigation of all Company functions and products and all internally used hardware and software systems, including embedded systems in what are not traditionally considered information technology systems. The program has developed standard processes and an internal service center in support of Year 2000 readiness. The Company is following an eight-step risk management process grouped into two major phases, detection (planning and awareness, inventory, triage, and detailed assessment) and correction (resolution, test planning, test execution, and deployment).

The Company has identified eight system types that could have risk as follows: application, infrastructure, test equipment, engineering computing, manufacturing, delivered product, facilities, and supply chain. The completion of several large acquisitions in recent years through which the Company inherited a large number of systems, products, and facilities adds to the complexity of this task. As the Company continues to acquire new businesses, these businesses must then be brought into the program.

The detection phase of the program is currently estimated to be 99 percent complete based on the tasks to be completed. On the basis of expected total cost, the detection phase is 95 percent complete. The remaining work in this phase is expected to be complete by the middle of 1999. The work in the detection phase has involved all eight system types, including delivered product and supply chain.

The Company has made substantial progress in the corrective action phase of the program, with 94 percent of the tasks in this phase completed. On the basis of expected total cost, the corrective action phase is 60 percent complete. The Company expects to complete correction activities during the third quarter of 1999. The Company has instituted and is executing a formal audit program to assess the state of readiness. Also, the Company is assessing the risk of supplier readiness, and in selected cases will review the preparedness of individual suppliers for Year 2000.

When the corrective action phase of the program is completed the Company expects to have developed contingency plans, augmenting existing disaster recovery plans and sourcing strategies for identified risks.

Since January 1998, the Company has spent approximately $89 million on the Year 2000 program, $20 million on the detection phase, and $69 million on the corrective action phase. Prior to 1998, expenditures on the program were insignificant. Total cost at completion of the program is currently estimated to be $136 million. Of the total $136 million estimated costs, $21 million relates to the detection phase and $115 million is for correction. All costs, except for long-lived assets, are expensed as incurred. These costs include employees, inside and outside consultants and services, system replacements, and other equipment requirements. The Company has employed consultants in an advisory capacity, primarily in the detection phase. Total estimated costs of the Year 2000 program are predominantly internal. Although a number of minor information technology projects have been deferred as a result of the priority given to the Year 2000 program, no significant projects which would materially affect the Company's financial position or results of operations have been delayed.

The Company currently expects to resolve all Year 2000 issues for internally used hardware and software systems by the end of 1999; however, there can be no assurances as to the ultimate success of the program. The Company continues to assess its exposure attributable to external factors, including uncertainties regarding the ability of critical suppliers to avoid Year 2000 related service and delivery interruptions. While the Company has no reason to conclude that any specific supplier represents a significant Year 2000 risk, it is currently unable to conclude that all of its critical suppliers will successfully resolve all Year 2000 issues on a timely basis. The Company is considering various contingency plans for problems that may result from a critical supplier's inability to successfully resolve its Year 2000 issues. A "reasonably likely worst case" scenario of Year 2000 risks for the Company could include isolated interruption of deliveries from critical suppliers, increased manufacturing costs until the problems are resolved, delayed product shipments, lost revenues, lower cash receipts, and certain product liability issues. The Company is unable to quantify the potential effect of these items which could have a material adverse effect on its financial position or results of operations should some combination of these events come to pass.

Accounting Standards

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS No. 133). This accounting standard, which is effective for all fiscal quarters of fiscal years beginning after June 15, 1999, requires that all derivatives be recognized as either assets or liabilities at estimated fair value. The adoption of SFAS No. 133 is not expected to have a material effect on the Company's financial position or results of operations.

Forward-Looking Statements

Statements which are not historical facts contained in this report are forward-looking statements under the provisions of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties. These risks include, in addition to the specific uncertainties referenced in this report, the effect of worldwide political and market conditions, the impact of competitive products and pricing, the timing of awards and contracts, particularly international contracts, and risks inherent with large long-term fixed price contracts. Further information regarding the factors that could cause actual results to differ materially from projected results can be found in "Item 1-Business" in Raytheon's Annual Report on Form 10-K for the year ended December 31, 1998.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

10.1 Letter of Agreement between Raytheon Company and Daniel P. Burnham.

10.2 Letter of Agreement between Raytheon Company and Franklyn A. Caine.

27 Financial Data Schedule (filed only electronically with the Securities and Exchange Commission).

(b) Reports on Form 8-K

None

SIGNATURE

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 (Registrant)

By: /s/ Michele C. Heid
Michele C. Heid
Vice President and
Corporate Controller
(Chief Accounting Officer)

May 19, 1999

EXHIBIT LIST

No.	EXHIBIT
10.1	Letter of Agreement between Raytheon Company and Daniel P. Burnham.
10.2	Letter of Agreement between Raytheon Company and Franklyn A. Caine.
27	Financial Data Schedule (filed only electronically with the Securities and Exchange Commission).

EXHIBIT 10.1

RAYTHEON MOST PRIVATE
PRIVILEGED AND CONFIDENTIAL

June 15, 1998

Mr. Daniel P. Burnham
6 Essex Road
Summit, NJ 07901

Dear Dan:

I am very pleased to confirm below the terms of Raytheon's employment offer as we have discussed. All references to Raytheon stock mean Raytheon Class B shares.

As agreed, the Board will immediately announce your employment as President and Chief Operating Officer as of July 1, 1998, and that you will succeed me as Chief Executive Officer effective December 1, 1998.

Your base salary will be set at an annualized rate of $850,000 which is the rate of pay we discussed for the CEO position.

Your targeted annual incentive will be 200% of base salary as in effect at the beginning of the fiscal year or $1.7 million at your initial base salary. In addition, your target award for 1998 performance will be $1.7 million, with a guaranteed minimum annual incentive payment of $1 million for the year.

The Board of Directors will award you restricted units in sufficient number to replicate the market value of your current award of 60,000 units. Each Raytheon unit will be valued at the fair market value (the average of the high and low trading prices) for Raytheon shares over a 20-day trading period ending June 16, 1998. The value of your current 60,000 units will be determined by using the fair market value for Allied shares over the same 20-day period.

For example, the present value of your 60,000 restricted units at $43.50 totals $2,610,000. This would translate to a Raytheon award of 47,617 units at about $54.8125.

Restrictions on the entire Raytheon award will lapse on the anniversary of your date of hire in the year 2005. You will receive cash dividend equivalents on the units in the amounts and at the times dividends may be declared for all holders of Raytheon shares.

Mr. Daniel P. Burnham
June 15, 1998

To replicate the value of your 100,000 outstanding, in-the-money stock options, with a current value of $663,000, the Board of Directors will award you an estimated additional 12,000 restricted units with restrictions to lapse on the anniversary of the award as follows: 4,800 units in 1999; 3,600 units in 2000; and 3,600 units in 2001.

The value of your in-the-money options will be determined using the fair market value for Allied shares over the 20-day period less the option exercise price times the number of shares. Conversion to Raytheon units will be based on the example above.

Raytheon will replace the present value of your 700,000 stock options through our Long-Term Achievement Plan (LTAP). The Board will award you 328,352 performance units valued at $17,997,000. You will receive cash dividend equivalents on the units in the amounts and at the times dividends may be declared for all holders of Raytheon shares. The units will vest in seven annual increments with the first four increments of a projected 46,906 units each vesting annually in 1999 through 2002.

Beginning in the fifth year, the payment will be based on the achievement of performance goals to be mutually agreed upon between you and the Board. The value of each annual payment will range from a threshold of not less than 80% of the award rising to a maximum of 140% of the award.

As above, the value of your 700,000 option shares will be determined using the fair market value for Allied shares over the 20-day period less the option exercise price times the number of shares. Conversion to Raytheon units will be based on the example on the previous page.

The Board will grant you options to purchase 250,000 shares under the terms of Raytheon's 1995 Stock Option Plan. The full grant will vest on the first anniversary of the date of grant. The Board will review future stock option grants at their regular annual senior management compensation review currently held in June of each year.

You will be eligible to participate in Raytheon's Voluntary Compensation Deferment Plan which provides an opportunity for participants to defer until retirement from 25% to 100% of annual incentive awards and annual salary above $500,000.

You will participate in Raytheon's Salaried Pension Plan with your total benefit fixed at 50% of the average of covered compensation (base salary and cash bonus) for your five highest consecutive years of employment at Raytheon prior to retirement. This benefit is subject to an offset for your estimated primary Social Security benefit and will also be reduced for pension benefits received from any previous employer.

You will receive an additional payment of $15,000 annually to offset ancillary expenses.

You will be eligible to participate in the following employee benefit plans:

- Medical, dental and vision care for you and your covered dependents.

- Senior Executive Life Insurance at the plan maximum of $3 million.

- Accidental Death & Dismemberment Insurance at the plan maximum of $3 million.

- Travel Accident Insurance at the rate of 2 1/2 times your base salary, initially $2,125,000, up to a maximum of $3 million.

- Basic and supplemental Long Term Disability Insurance plans.

- Raytheon's Savings & Investment Plan (a 401[k] plan) with a Company match of 50% on up to 6% of covered pay subject to the IRS statutory limit on employee contributions. The match is scheduled to increase to 4% on January 1, 1999.

- Raytheon's Stock Ownership Plan which provides an annual Company contribution in stock of about 1/2% of eligible pay up to the IRS salary limit of $160,000. This is also a tax qualified plan with payment deferred to retirement.

Raytheon will also provide a Financial and Investment Planning Program, an automobile similar to a Lincoln or Cadillac, and access to Company planes.

Finally, Raytheon will provide a three-year severance agreement as outlined in the attached document. Also attached is a copy of this letter for your formal acceptance.

Mr. Daniel P. Burnham
June 15, 1998

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Similar to all Raytheon employment agreements, this offer is contingent upon:

1. Your meeting the medical requirements for the position as determined by a pre-employment physical examination that will include a drug test to determine the presence of illegal or unauthorized drugs in your system. If you fail to pass the Company's physical examination, including the drug test, our offer of employment will be withdrawn;

2. Your meeting the Company's security standards as imposed by the US Government, including the issuance to you by the US Government of any necessary security clearance within a reasonable time after you begin work.

We would wish to make your relocation as pleasant and painless as possible. To that end, Gail Anderson will work directly with you to arrange the details of your relocation package to fit your particular needs within the framework of our policies. If you wish to take advantage of our Third Party Home Purchase Plan, this will of course be made available to you.

Dan, Tom Phillips, Warren Rudman and Dick Hill join me in offering sincere congratulations as the Board's outstanding candidate for CEO and in an expression of pleasure at your acceptance of our offer. We look forward to your joining the Raytheon team as quickly as possible.

Sincerely,

Dennis J. Picard

Attachments

EXHIBIT 10.2

February 22, 1999

Franklyn A. Caine
60 Cherrybrook Road
Weston, MA 02493

Dear Frank:

It is a sincere pleasure to extend to you the position of Senior Vice President, Chief Financial Officer, for Raytheon Company, reporting to me. Your position will be an officer of the corporation and, along with the compensation outlined below, is subject to election by the Raytheon Board of Directors.

The offer is a base salary of $435,000 annually, residing in Raytheon's Corporate Offices in Lexington, Massachusetts.

Additional elements of compensation will consist of the following:

In CY1999 you will be eligible for the Results Based Incentive Program with a targeted incentive of 70% of base salary. This will not be pro-rated in the first year.

We will authorize 200,000 shares of stock options that vest at 50% each year, over 2 years, under the terms of our stock option program.

We will authorize 50,000 shares of stock options at annual review in July 1999, that vest at 50% each year, over 2 years, under the terms of our stock option program.

You will be eligible to participate in Raytheon's Long Term Achievement Program (LTAP). We will authorize 7,500 restricted units which are vested based on Company performance metrics after the third year of plan participation. In accordance thereafter, you will continue to participate in the Long Term Achievement Program under the terms of the LTAP Program.

You will be provided with a Company automobile under the guidelines of the Company automobile policy.

You are eligible for financial planning and tax preparation.

First class travel.

Company match, pre- and post-tax excess.

Executive life insurance at 4 times base salary.

Your retirement benefit will be calculated using your 26 years of combined service with New Jersey Bell, Exxon Corp, Penn Central, RCA, United Technology, and Wang plus any future Raytheon Service. Your retirement benefit will be provided under the Raytheon Qualified and Supplemental Executive Retirement plans. This will be offset by both social security and any other retirement benefits you receive from previous employers.

You will receive 20 days of paid time off (PTO).

You are eligible to participate in Raytheon's Deferred Bonus Program.

If the Company without cause involuntarily separates you from employment, you will be entitled to a Separation Payment, to be paid in the lump sum of 2 years' compensation (base/bonus). In addition, you shall be entitled to the Separation Payment if as a result of a change of corporate control, you are assigned, without your expressed written consent, to executive duties inconsistent with the position of Chief Financial Officer for Raytheon Company. Inconsistent duties shall include any material diminution of your position, authority, duties or responsibilities as constituted immediately prior to a change in corporate control, or a requirement to be based at any office or location in excess of 50 miles from your office or location immediately prior to a change in control. If the Separation Payment under the terms of this agreement would subject you to excise tax under section 4999 of Internal Revenue Code, then you shall be entitled to receive an additional payment ("gross-up") in an amount equal to the tax imposed.

This offer is contingent upon:

1. Your meeting the medical requirements for the position being offered as determined by a pre-employment physical examination that will include a drug test to determine the presence of illegal or unauthorized drugs in your system. If you fail to pass the Company's physical examination, including the drug test, our offer of employment will be withdrawn.

2. Your meeting the Company's security standards as imposed by the U.S. Government, including the issuance to you by the U.S. Government of any necessary security clearance within a reasonable time after you begin work.

If you accept our offer, the following documents will be required upon reporting for work: proof that you are authorized to work in the USA, a document verifying your identity (i.e., driver's license), and a social security card. See the enclosed I-9 form for appropriate documentation.

We look forward to your accepting our offer of employment. The terms and conditions of your employment are contained in this offer letter and will remain open until February 12, 1999. In addition, as an employee of Raytheon Company, you will be subject to all applicable company policies and procedures.

If you believe any of the terms described in this letter are not consistent with your understanding or if you have any questions, please call Dennis Donovan at 781-860-2685 before accepting this offer. Enclosed is a copy of this letter that provides for your formal acceptance. Please sign and return the duplicate letter in the enclosed envelope.

Very truly yours,

/s/ Daniel P. Burnham
Daniel P. Burnham
President and Chief Executive Officer

cc: D.M. Donovan

Enclosures: Duplicate Offer Letter
Employment Eligibility Verification (Form I-9)

Franklyn A. Caine

I have read and accept this offer and acknowledge receipt of all attachments referred to herein. I expect to report for work on

Signature: /s/ F. A. Caine   Date: 2/22/99

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