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 June 28, 1998

/ / 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 June 28, 1998: 338,241,000, consisting of 102,599,000 shares of Class A Common Stock and 235,642,000 shares of Class B Common Stock.

RAYTHEON COMPANY AND SUBSIDIARIES CONSOLIDATED

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

RAYTHEON COMPANY AND SUBSIDIARIES CONSOLIDATED

BALANCE SHEETS

	(Unaudited) June 28, 1998	Dec. 31, 1997
	(In millions)	
ASSETS		
Current assets		
Cash and marketable securities	$ 317	$ 296
Accounts receivable, less allowance for doubtful accounts	886	1,056
Federal and foreign income taxes, including deferred	979	1,244
Contracts in process	5,359	4,661
Inventories	2,031	1,837
Prepaid expenses	129	139
Total current assets	9,701	9,233
Property, plant and equipment, net	2,813	2,891
Other assets, net	16,613	16,474
Total assets	$29,127	$28,598
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Notes payable and current portion of long-term debt	$ 4,430	$ 5,656
Advance payments, less contracts in process	673	525
Accounts payable	1,824	1,845
Accrued salaries and wages	643	680
Accrued expenses	2,948	3,180
Total current liabilities	10,518	11,886
Accrued retiree benefits	1,064	1,095
Federal and foreign income taxes, including deferred	844	786
Long-term debt	5,994	4,406
Stockholders' equity	10,707	10,425
Total liabilities and stockholders' equity	$29,127	$28,598

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

RAYTHEON COMPANY AND SUBSIDIARIES CONSOLIDATED

STATEMENTS OF INCOME (Unaudited)

	Three Months Ended		Six Months Ended	
	June 28, 1998	June 29, 1997	June 28, 1998	June 29, 1997
	(In millions except per share amounts)			
Net sales	$5,078	$3,325	$9,652	$6,224
Cost of sales	3,939	2,570	7,497	4,791
Administrative and selling expenses	372	282	718	542
Research and development expenses	154	91	298	170
Special charge	84	--	84	--
Total operating expenses	4,549	2,943	8,597	5,503
Operating income	529	382	1,055	721
Interest expense	186	74	366	143
Interest and dividend income	(4)	(9)	(12)	(15)
Other (income) expense, net	(99)	3	(102)	1
Non-operating expense, net	83	68	252	129
Income before taxes	446	314	803	592
Federal and foreign income taxes	176	104	319	199
Net income	$ 270	$ 210	$ 484	$ 393
Earnings per common share				
Basic	$0.80	$0.89	$1.43	$1.67
Diluted	$0.79	$0.88	$1.41	$1.65
Dividends declared per common share	$0.20	$0.20	$0.40	$0.40

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

RAYTHEON COMPANY AND SUBSIDIARIES CONSOLIDATED

STATEMENTS OF CASH FLOWS (Unaudited)

	Six Months Ended June 28, 1998	Six Months Ended June 29, 1997
	(In millions)	
Cash flows from operating activities		
Net income	$ 484	$ 393
Adjustments to reconcile net income to net cash used in operating activities, net of the effect of acquired companies		
Depreciation and amortization	393	193
Net gain on sale of operating units	(94)	--
Sale of receivables	554	761
Increase in accounts receivable	(534)	(764)
Increase in contracts in process	(725)	(400)
Increase in inventories	(276)	(118)
(Increase) decrease in long-term receivables	(27)	14
Increase in advance payments	148	17
Increase in accounts payable	15	132
Net change in federal and foreign income taxes	261	33
(Decrease) increase in other current liabilities	(365)	9
Other adjustments, net	(73)	(137)
Net cash (used in) provided by operating activities	(239)	133
Cash flows from investing activities		
Additions to property, plant and equipment	(241)	(201)
Increase in other assets	(22)	(8)
Payments related to the purchase of acquired companies	(86)	(6)
Proceeds from sale of operating units	364	--
Proceeds from sale of other assets	42	--
Other adjustments, net	--	(74)
Net cash provided by (used in) investing activities	57	(289)
Cash flows from financing activities		
Dividends	(136)	(95)
(Decrease) increase in short-term debt	(1,220)	284
Increase (decrease) in long-term debt	1,588	(4)
Purchase of treasury shares	(94)	(18)
Proceeds under common stock plans	45	20
All other, net	--	14
Net cash provided by financing activities	183	201
Effect of foreign exchange rates on cash	--	(2)
Net increase in cash and cash equivalents	1	43
Cash and cash equivalents at beginning of year	296	137
Cash and cash equivalents at end of period	297	180
Marketable securities	20	--
Total cash and marketable securities	$ 317	$ 180

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

RAYTHEON COMPANY AND SUBSIDIARIES CONSOLIDATED

NOTES TO FINANCIAL STATEMENTS (Unaudited)

1. Basis of Presentation

The accompanying unaudited financial statements 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, 1997. 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. Acquisitions

The company acquired the Texas Instruments' defense business (TI Defense) in July 1997 and merged with the defense business of Hughes Electronics Corporation (Hughes Defense) in December 1997. The assets acquired and liabilities assumed in connection with these two transactions have been included in the financial statements based on preliminary estimates of fair value, and may be revised as additional information becomes available. As a result, the financial information included in the company's financial statements is subject to adjustment from subsequent revisions in estimates of fair value, if any are necessary.

3. Restructuring

In January 1998, the company announced plans to reduce the newly formed Raytheon Systems Company (RSC) workforce by 8,700 employees and reduce facility space by approximately 8 million square feet. The company continues to implement previously announced consolidation, integration and cost reductions associated with RSC while reassessing the structure and operations of this business. Through June 28, 1998, RSC employment has been reduced by approximately 3,000 people and more than 2 million square feet have been vacated.

In January 1998, the company also announced plans to reduce the Raytheon Engineers & Constructors (RE&C) workforce by 1,000 employees and close or partially close 16 offices, or approximately 1.1 million square feet. The company is reassessing the structure and operations of this business, while implementing the previously announced cost reduction initiatives. Through June 28, 1998, RE&C employment has been reduced by nearly 900 people and RE&C has vacated more than 700 thousand square feet.

Cash expenditures under the restructuring initiatives outlined above through June 28, 1998 were $11 million for employee severance and related items and $16 million for facility and office closures.

4. Special Purpose Entities

In connection with the sale of receivables noted in the Statement of Cash Flows, the following special purpose entities had been established as of June 28, 1998 and June 29, 1997, in accordance with Statement of Financial Accounting Standards No. 125, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities: Raytheon Aircraft Receivables Corporation and Raytheon Engineers & Constructors Receivables Corporation. Additionally, the following special purpose entities had been established as of June 29, 1997: Raytheon Appliances/Amana Receivables Corporation, Raytheon Commercial Appliances Finance Corporation and Raytheon Commercial Appliances Receivables Corporation.

5. Balance Sheet Details

Certain balance sheet accounts consisted of the following at:

	June 28, 1998	Dec. 31, 1997
	(In millions)	
Inventories		
Finished goods	$ 347	$ 314
Work in process	1,114	1,168
Materials and purchased parts	723	509
Excess of current cost over LIFO values	(153)	(154)
Total inventories	$ 2,031	$ 1,837
Property, plant and equipment		
At cost	$ 5,206	$ 5,250
Accumulated depreciation and amortization	(2,393)	(2,359)
Property, plant and equipment, net	$ 2,813	$ 2,891
Other assets		
Prepaid pension and other noncurrent assets	$ 2,939	$ 2,638
Excess of cost over net assets of acquired companies, net of accumulated amortization	13,674	13,836
Other assets, net	$16,613	$16,474
Stockholders' equity		
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	6,170	6,151
Equity adjustments	(44)	(23)
Retained earnings	4,578	4,294
Total stockholders' equity	$10,707	$10,425

6. Long-term Debt

In March 1998, the company issued $500 million of notes due 2001 which have a coupon rate of 5.95 percent, $450 million of notes due 2005 which have a coupon rate of 6.3 percent, $300 million of notes due 2010 which have a coupon rate of 6.55 percent and $350 million of debentures due 2018 which have a coupon rate of 6.75 percent. The notes due in 2001 and 2005 are not redeemable prior to maturity. The notes due in 2010 and the debentures due in 2018 are redeemable under certain circumstances.

7. Earnings per Share

Basic and diluted earnings per share (EPS) were calculated as follows:

	Three Months Ended June 28, 1998	June 29, 1997	Six Months Ended June 28, 1998	June 29, 1997
Net income (in millions)	$270	$210	$484	$393
Share information (in thousands)				
Average common shares outstanding for basic EPS	338,366	235,709	338,458	235,682
Dilutive effect of stock options and restricted stock	4,772	2,939	4,657	2,918
Average common shares outstanding for diluted EPS	343,138	238,648	343,115	238,600
Basic EPS	$0.80	$0.89	$1.43	$1.67
Diluted EPS	$0.79	$0.88	$1.41	$1.65

Options to purchase 6.1 million and 3.6 million shares of common stock outstanding at June 28, 1998 and June 29, 1997, respectively did not affect the computation of diluted EPS for the three and six months then ended. The exercise prices for these options were greater than the average market price of the company's common stock during the respective periods.

8. Comprehensive Income

The company adopted Statement of Financial Accounting Standards No. 130, Reporting Comprehensive Income (SFAS No. 130), in the first quarter of 1998. SFAS No. 130 established standards for reporting comprehensive income and its components, classified by their nature, in a full set of annual financial statements. 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 follows:

	Three Months Ended		Six Months Ended	
	June 28, 1998	June 29, 1997	June 28, 1998	June 29, 1997
	(In millions)			
Net income	$270	$210	$484	$393
Other comprehensive income	(5)	(2)	(21)	(22)
Total comprehensive income	$265	$208	$463	$371

9. Subsequent Events

In July 1998, the company announced that it had entered into an agreement to acquire AlliedSignal's Communications Systems business for approximately $63 million. Also in July 1998, the company announced that it had entered into an agreement to sell its Raytheon Systems Limited Flight Training business. In August 1998, the company announced that it had entered into an agreement to sell a portion of its Second Generation Ground Based Electro Optics assets and a portion of its Focal Plane Array business. Expected proceeds from these dispositions are approximately $114 million. There can be no assurance that these sales will be consummated.

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

Results of Operations - Second quarter 1998 compared with second quarter 1997

Raytheon Company reported record second quarter 1998 earnings of $270 million, up 29% over 1997, on record sales of $5.1 billion. For the second quarter of 1997, earnings were $210 million on sales of $3.3 billion.

Second quarter 1998 diluted earnings per share were $0.79 based on 343.1 million average shares outstanding. Diluted earnings per share for the second quarter of 1997 were $0.88 based on 238.6 million average shares outstanding. The company issued 102.6 million shares of Class A common stock in December 1997 in connection with the merger with Hughes Defense. Second quarter 1998 earnings, excluding non-recurring items, were $263 million, or $0.77 per diluted share.

The company's second quarter 1998 results included non-recurring items with a net favorable effect of $7 million after tax, or $0.02 per diluted share. These items include an after-tax gain of $61 million, or $0.18 per diluted share, from the sale of the company's commercial laundry business unit, its European-based electronics controls business, and Seiscor Technologies, Inc., a telephone transmission equipment business. The company also recorded a special charge of $54 million after tax, or $0.16 per diluted share. The special charge consisted of $27 million to write-down to estimated realizable value certain assets the company has decided to sell and $27 million as the current estimated asset impairment for a commercial electronics manufacturing operation located in Korea. The company continues to monitor the status of this operation and its impact on the company's commercial electronics business. While the company cannot predict the ultimate outcome of this matter, in the opinion of management, any liability arising from it will not have a material effect on the company's financial position, liquidity or results of operations for the year after giving effect to provisions already recorded.

The electronics businesses reported record second quarter 1998 operating income of $509 million, excluding the special charge, on sales of $3.8 billion. The 1998 results are significant increases over 1997 results primarily due to the acquisition of TI Defense in July 1997 and the merger with Hughes Defense in December 1997. The company continues to implement previously announced consolidation, integration and cost reductions associated with the newly formed Raytheon Systems Company (RSC) while reassessing the structure and operations of this business. To date this year, RSC has reduced its workforce by approximately 3,000 people and vacated more than 2 million square feet.

Raytheon Aircraft reported record second quarter 1998 sales of $639 million, compared with $620 million a year ago, and record operating income of $74 million, an improvement of 21 percent compared with the same period a year ago. The aircraft segment again experienced increased shipments of general aviation aircraft and improved profit margins in all of its turbine aircraft product lines. Raytheon Aircraft's Travel Air fractional ownership program also contributed to the year-to-year improvement.

Raytheon Engineers & Constructors reported second quarter 1998 sales of $618 million, an increase of 9 percent compared with the same period a year ago. Operating income was $30 million, essentially flat compared to the first quarter of 1998, and a 33 percent decrease compared with the same period a year ago. The engineering and construction industry climate continues to be difficult. While revenues increased over the previous year, volume growth, particularly in lump sum turnkey international orders has not progressed as anticipated, resulting in continued margin pressure. The company is reassessing the structure and operations of this business, while implementing previously announced cost reduction initiatives. Through the second quarter of 1998, RE&C has reduced its workforce by nearly 900 people and vacated more than 700 thousand square feet of space.

Sales to the U.S. Department of Defense were $3,193 million or 63 percent of consolidated sales in the second quarter of 1998 versus $1,506 million or 45 percent of consolidated sales in the second quarter of 1997. Total sales to the U.S. government were $3,323 million or 65 percent of consolidated sales in the second quarter of 1998 versus $1,368 million or 41 percent of consolidated sales in the second quarter of 1997. The increase was due principally to the acquisition of TI Defense and the merger with Hughes Defense.

Administrative and selling expenses increased to $372 million in the second quarter of 1998 from $282 million in the second quarter of 1997. The increase was due principally to the acquisition of TI Defense and the merger with Hughes Defense, partially offset by the sale of the company's home appliance, heating and air conditioning and commercial cooking operations in September 1997.

Research and development expenses increased to $154 million in the second quarter of 1998 from $91 million in the first quarter of 1997 due principally to the acquisition of TI Defense and the merger with Hughes Defense.

Operating income was $529 million or 10.4 percent of sales in the second quarter of 1998 versus $382 million or 11.5 percent of sales in the second quarter of 1997. Operating income excluding the special charge was $613 million or 12.1 percent of sales in the second quarter of 1998.

Interest expense in the second quarter of 1998 increased to $186 million from $74 million in the second quarter of 1997 due principally to the higher debt level resulting from the acquisition of TI Defense and the merger with Hughes Defense.

Other income, net in the second quarter of 1998 of $99 million included a $94 million pre-tax gain from divestitures.

Six months 1998 versus six months 1997

For the first six months of 1998, Raytheon's net income was $484 million on sales of $9.7 billion, or $1.41 per diluted share based on 343.1 million average shares outstanding. Net income for the first six months of 1998, excluding non-recurring items, was $477 million, or $1.39 per diluted share. For the first six months of 1997, net income was $393 million on sales of $6.2 billion, or $1.65 per diluted share based on 238.6 million shares outstanding.

Sales to the U.S. Department of Defense were $5,355 million or 55 percent of consolidated sales during the first six months of 1998 versus $2,084 million or 33 percent of consolidated sales during the first six months of 1997. Total sales to the U.S. government were $6,358 million or 66 percent of consolidated sales during the first six months of 1998 versus $2,689 million or 43 percent of consolidated sales during the first six months of 1997. The increase was due principally to the acquisition of TI Defense and the merger with Hughes Defense.

Operating income was $1,055 million or 10.9 percent of sales for the first six months of 1998 versus $721 million or 11.6 percent of sales for the first six months of 1997. Operating income, excluding the special charge, was $1,139 million or 11.8 percent of sales in the second quarter of 1998.

Administrative and selling expenses increased to $718 million for the first six months of 1998 from $542 million for the first six months of 1997 due principally to the acquisition of TI Defense and the merger with Hughes Defense, partially offset by the sale of the company's home appliance, heating and air conditioning and commercial cooking operations in September 1997.

Research and development expenses increased to $298 million for the first six months of 1998 from $170 million for the first six months of 1997 due principally to the acquisition of TI Defense and the merger with Hughes Defense.

Interest expense for the first six months of 1998 increased to $366 million from $143 million for the first six months of 1997 due principally to the higher debt level resulting from the acquisition of TI Defense and the merger with Hughes Defense.

Other income, net for the first six months of 1998 of $102 million included a $94 million pre-tax gain from divestitures.

The effective tax rate of 39.7 percent for the first six months of 1998 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, offset by non-deductible amortization of goodwill.

Total employment was approximately 114,900 at June 28, 1998, approximately 119,200 at December 31, 1997 and approximately 74,200 at June 29, 1997. The increase from June 29, 1997 was due principally to the acquisition of TI Defense and the merger with Hughes Defense.

The company operates in three major business areas: Electronics, both commercial and defense, Engineering and Construction and Aircraft. The business operations within the Electronics segment outlined below were formed in conjunction with the planned consolidation and organization of the company's electronics businesses and the creation of Raytheon Systems Company in December 1997. Certain prior year amounts were reclassified to conform with the current year presentation, including the reclassification of Cedarapids, Inc. from Engineering and Construction to Commercial Electronics.

Segment financial information follows (in millions):

	Sales Three Months Ended June 28, 1998	Sales Three Months Ended June 29, 1997	Segment Income Three Months Ended June 28, 1998	Segment Income Three Months Ended June 29, 1997
Defense Systems	$1,264		$197	
Sensors and Electronic Systems	742		121	
Intelligence, Information and Aircraft Integration Systems	715		80	
Command, Control and Communication Systems, Training, Services, Commercial Electronics and Other	1,100		111	
Total Electronics	3,821	$2,137	509	$276
Engineering and Construction	618	568	30	45
Aircraft	639	620	74	61
Total	$5,078	$3,325	$613	$382

	Sales Six Months Ended June 28, 1998	Sales Six Months Ended June 29, 1997	Segment Income Six Months Ended June 28, 1998	Segment Income Six Months Ended June 29, 1997
Defense Systems	$2,431		$374	
Sensors and Electronic Systems	1,387		222	
Intelligence, Information and Aircraft Integration Systems	1,370		163	
Command, Control and Communication Systems, Training, Services, Commercial Electronics and Other	2,204		209	
Total Electronics	7,392	$4,106	968	$543
Engineering and Construction	1,162	1,064	63	89
Aircraft	1 098	1,054	108	89
Total	$9,652	$6,224	$1,139	$721

Backlog consisted of the following at:

(In millions)	June 28, 1998	Dec. 31, 1997	June 29, 1997
Electronics	$15,625	$16,641	$ 7,581
Engineering and Construction	2,691	2,900	3,288
Aircraft	2,148	1,709	1,607
Total backlog	$20,464	$21,250	$12,476
U.S. government backlog included above	$11,589	$12,547	$ 5,425

Financial Condition and Liquidity

During the first six months of 1998 funds used in operating activities were $239 million, $372 million more than during the first six months of 1997, due principally to increased working capital requirements in support of the electronics businesses and Raytheon Aircraft.

Capital expenditures were $241 million during the first six months of 1998 versus $201 million during the first six months of 1997. Capital expenditures for the full year 1998 are expected to be above the 1997 level due principally to the acquisition of TI Defense and the merger with Hughes Defense.

During the first six months of 1998, the company made payments of $86 million for transaction related expenditures incurred in connection with the acquisition of TI Defense and the merger with Hughes Defense.

During the second quarter of 1998, the company sold its commercial laundry business unit, its European-based electronics controls business, and Seiscor Technologies, Inc., a telephone transmission equipment business. Proceeds from these divestitures were $364 million in cash and $19 million in securities. The company has been divesting non-core assets as part of its strategy to focus and streamline its core businesses.

Dividends declared to stockholders during the first six months of 1998 were $136 million versus $95 million during the first six months of 1997. The quarterly dividend rate was $0.20 per share for the first two quarters of 1998 and the first two quarters of 1997.

During the first six months of 1998, outstanding shares were reduced by the repurchase of 1.6 million shares on the open market at a cost of $94 million.

In February 1995, the Board of Directors authorized the repurchase of up to 12 million shares of the company's common stock and in January 1998, the Board of Directors ratified and reauthorized the repurchase of the remaining 2.5 million shares originally authorized. There have been 9.7 million shares purchased under these authorizations through June 28, 1998. There were 0.2 million shares repurchased under this program during the first six months of 1998.

In January 1998, the Board of Directors authorized the purchase of up to 5 million shares of the company's common stock per year over the next five years to counter the dilution due to the exercise of stock options. There were 1.4 million shares repurchased under this program during the first six months of 1998 to offset 1.4 million shares issued due to the exercise of employee stock options.

Debt, net of cash and marketable securities, was $10,107 million at June 28, 1998 as compared with $9,766 million at December 31, 1997. Net debt, as a percent of capital, was 49 percent at June 28, 1998 as compared with 48 percent at December 31, 1997.

During the first six months of 1998, the company issued $1.6 billion of long-term notes and debentures, reduced the company's short-term borrowings by $1.2 billion and essentially completed the company's previously announced plans to refinance the acquisition of TI Defense and the merger with Hughes Defense.

Lines of credit with certain commercial banks exist as sources of direct borrowing and/or as a standby facility to support the issuance of commercial paper by the company. The lines of credit were $7.4 billion and $9.0 billion at June 28, 1998 and December 31, 1997, respectively. At June 28, 1998, there were no borrowings under these lines of credit. At December 31, 1997, $3.5 billion had been borrowed 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 and its sources of and access to capital markets are adequate to support current operations.

Year 2000 Date Conversion

The company is in the process of conducting a comprehensive review to identify the computer systems that could be affected by the "Year 2000" issue, and is conducting a major enterprise-wide program to resolve the issues. The company continues to evaluate appropriate courses of corrective action. The company has made significant progress to-date in the detection activities, with certain corrective actions underway. The company is also in the process of evaluating potential product-related implications that may result from the "Year 2000" issue. The "Year 2000" issue also creates risk for the company from unforeseen problems from suppliers and vendors with whom the company deals. The company is in the process of contacting its key suppliers and other vendors to determine the possible impact on its business. To address this issue, the company plans to audit the "Year 2000" compliance of selected vendors. While the company presently believes that the "Year 2000" issue will not pose significant operational problems to the company and expects no material impacts, there can be no assurance that the company's program will be successful.

Accounting Standards

In March 1998, the American Institute of Certified Public Accountants (AICPA) issued Statement of Position (SOP) 98-1, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use. This accounting standard, which is effective for fiscal years beginning after December 15, 1998, requires that certain costs incurred in connection with internal-use computer software projects be capitalized. The adoption of SOP 98-1 is not expected to have a material effect on the company's financial position or results of operations.

In April 1998, the AICPA issued Statement of Position 98-5, Reporting on the Costs of Start-Up Activities. This accounting standard, which is effective for fiscal years beginning after December 15, 1998, requires that certain costs of start-up activities and organization costs be expensed as incurred. The adoption of SOP 98-1 is not expected to have a material effect on the company's financial position or results of operations.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 133, Accounting for Derivative Instruments and Hedging Activities. 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 fair value. The effect of adopting SFAS No. 133 on the company's financial position and results of operations has not yet been determined.

On January 1, 1999, eleven participating countries of the European Union will convert to a common currency, the euro, which will become their official currency. National currencies will initially remain legal tender. The company is currently conducting an internal analysis to determine the impact of the euro conversion on its business; however, the euro conversion is not expected to have a material impact on the company's business.

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 and the timing of awards and contracts, particularly international contracts. Further information regarding the factors that could cause actual results to differ materially from projected results can be found in Raytheon's reports filed with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the year ended December 31, 1997.

PART II. OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security-Holders

At the annual meeting of stockholders held on May 27, 1998, the stockholders of the company took the following action:

1. The holders of Class A common stock and Class B common stock, voting together as a single class, elected the following four directors for terms of office expiring at the annual meeting of stockholders in the year 2001:

Name	For	Withhold
John M. Deutch	920,634,913	14,017,062
James N. Land, Jr.	920,638,832	14,013,143
Henrique de Campos Meirelles	919,012,762	15,639,213
Dennis J. Picard	919,241,875	15,410,101

The following directors continued in office after the meeting: Ferdinand Colloredo-Mansfeld, Steven D. Dorfman, Thomas E. Everhart, John R. Galvin, Barbara B. Hauptfuhrer, Richard D. Hill, L. Dennis Kozlowski, Thomas L. Phillips, Warren B. Rudman and Alfred M. Zeien.

2. The holders of Class A common stock and Class B common stock, voting as separate classes, rejected a stockholder proposal which recommended that the company adopt the CERES principles. The Class A vote was 4,624,786 for and 60,461,682 against, with 2,536,296 abstentions and 12,168,929 broker non-votes. The Class B vote was 14,120,038 for and 159,296,345 against, with 7,133,531 abstentions and 13,076,587 broker non-votes.

3. The holders of Class A common stock and Class B common stock, voting as separate classes, rejected a stockholder proposal which recommended that the company prepare a comprehensive report on its foreign military sales. The Class A vote was 2,287,727 for and 61,730,187 against, with 3,599,703 abstentions and 12,174,077 broker non-votes. The Class B vote was 10,377,513 for and 163,643,944 against, with 6,528,456 abstentions and 13,076,587 broker non-votes.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

10.1 Termination, Replacement and Restatement Agreement dated as of May 1, 1998 among Raytheon Company and the Lenders named therein establishing a new Facility R 364-Day Credit Agreement.

10.2 Termination, Replacement and Restatement Agreement dated as of May 1, 1998 among Raytheon Company and the Lenders named therein establishing a new Facility H 364-Day Credit Agreement.

10.3 Agreement dated as of June 15, 1998 between Raytheon Company and Daniel P. Burnham.

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

99 Restated and Amended Financial Data Schedules for the years 1995, 1996, 1997 and 1998 (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/ Peter R. D'Angelo
Peter R. D'Angelo
Executive Vice President and
Chief Financial Officer

August 12, 1998

NO.	EXHIBIT LIST
10.1	Termination, Replacement and Restatement Agreement dated as of May 1, 1998 among Raytheon Company and the Lenders named therein establishing a new Facility R 364-Day Credit Agreement.
10.2	Termination, Replacement and Restatement Agreement dated as of May 1, 1998 among Raytheon Company and the Lenders named therein establishing a new Facility H 364-Day Credit Agreement.
10.3	Agreement dated as of June 15, 1998 between Raytheon Company and Daniel P. Burnham.
27	Financial Data Schedule (filed only electronically with the Securities and Exchange Commission).
99	Restated and Amended Financial Data Schedules for the years 1995, 1996, 1997 and 1998 (filed only electronically with the Securities and Exchange Commission).

EXHIBIT 10.1

TERMINATION, REPLACEMENT AND RESTATEMENT AGREEMENT (this "TRR Agreement") dated as of May 1, 1998, among RAYTHEON COMPANY, a Delaware corporation (the "Borrower"), the financial institutions listed in Annex I hereto under the captions "Continuing Lenders" (the "Continuing Lenders") and "Additional Lenders" (the "Additional Lenders", and together with the Continuing Lenders, the "Lenders"), BANCAMERICA ROBERTSON STEPHENS, as Syndication Agent, CANADIAN IMPERIAL BANK OF COMMERCE and CREDIT SUISSE FIRST BOSTON, as Documentation Agents, and THE CHASE MANHATTAN BANK, a New York banking corporation, as administrative agent (in such capacity, the "Administrative Agent") for the Lenders. Capitalized terms used and not defined herein shall have the meanings assigned to such terms in the New Credit Agreement (as defined below).

WHEREAS, the Borrower, the Continuing Lenders, certain other lenders and the Administrative Agent are parties to an 364-day Credit Agreement dated as of May 2, 1997 (the "Original Credit Agreement");

WHEREAS, the Original Credit Agreement is to be terminated as provided herein; and

WHEREAS, the Continuing Lenders and the Additional Lenders are willing, subject to the terms and conditions of this TRR Agreement, to replace the Original Credit Agreement with a new credit agreement as provided herein.

NOW, THEREFORE, in consideration of the mutual agreements contained in this TRR Agreement and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties hereto hereby agree as follows:

SECTION 1. Replacement and Restatement. Subject to the conditions set forth in Section 3 hereof:

(a) the Original Credit Agreement, including all schedules and exhibits thereto, is hereby terminated, subject to applicable provisions set forth therein as to the survival of certain rights and obligations, and simultaneously replaced by a new credit agreement (the "New Credit Agreement") identical in form and substance to the Original Credit Agreement except as expressly set forth below.

(b) The heading of the New Credit Agreement shall read as follows:

"FACILITY R 364-DAY CREDIT AGREEMENT dated as of May 1, 1998, among RAYTHEON COMPANY, a Delaware corporation (the "Borrower"), the Lenders (as defined in Article I), BANCAMERICA ROBERTSON STEPHENS, as Syndication Agent (in such capacity the "Syndication Agent"), CANADIAN IMPERIAL BANK OF COMMERCE and CREDIT SUISSE FIRST BOSTON, as Documentation Agents (in such capacity, each a "Documentation Agent" and, collectively, the "Documentation Agents"), and THE CHASE MANHATTAN BANK, a New York banking corporation, as administrative agent (in such capacity, the "Administrative Agent") for the Lenders."

and all references to the "Closing Date" in the New Credit Agreement shall be deemed to refer to May 1, 1998.

(c) (i) The definition of "Maturity Date" in Section 1.01 of the New Credit Agreement shall read as follows:

" 'Maturity Date' shall mean April 30, 1999."

(d) All references to the "Hughes Credit Agreements" in the New Credit Agreement shall be deemed to refer to the Hughes Credit Agreements and any replacements and restatements thereof.

(e) Section 3.05 of the New Credit Agreement shall read as follows:

"The Borrower has heretofore furnished to the Lenders its consolidated balance sheet, statement of income and statement of cash flows as of and for the fiscal year ended December 31, 1997, audited by and accompanied by the opinion of Coopers & Lybrand, independent public accountants. Such financial statements present fairly the financial condition and results of operations of the Borrower and its consolidated Subsidiaries as of such date and for such period. Such balance sheet and the notes thereto disclose all material liabilities, direct or contingent, of the Borrower and its consolidated Subsidiaries as of the date thereof. Such financial statements were prepared in accordance with GAAP applied on a consistent basis."

(f) Section 3.06 of the New Credit Agreement shall read as follows:

"There has been no material adverse change in the business, assets, operations or condition, financial or otherwise, of the Borrower and the Subsidiaries, taken as a whole, since December 31, 1997."

(g) The references to "May 2, 1997" in Exhibit A, Exhibit B, Exhibit C, Exhibit D-1, Exhibit D-2, Exhibit D-3 and Exhibit D-4 of the Original Credit Agreement shall be changed to references to "May 1, 1998" in the New Credit Agreement.

(h) Schedule 2.01 to the New Credit Agreement shall be in the form of Schedule 2.01 to this TRR Agreement.

SECTION 2. Representations and Warranties. The Borrower represents and warrants to each of the Lenders that:

(a) This TRR Agreement and the New Credit Agreement have been duly authorized and, in the case of this TRR Agreement, executed and delivered by it and constitute its legal, valid and binding obligations enforceable in accordance with their terms.

(b) The representations and warranties set forth in Article III of the New Credit Agreement, after giving effect to this TRR Agreement, are true and correct in all material respects on the date hereof, with the same effect as if made on the date hereof, except to the extent such representations and warranties expressly relate to an earlier date.

(c) Before and after giving effect to this TRR Agreement, no Default or Event of Default has occurred and is continuing.

SECTION 3. Conditions to Effectiveness. This TRR Agreement shall become effective as of May 1, 1998 (the "Effective Date") upon the occurrence of the following conditions precedent:

(a) The Administrative Agent shall have received counterparts of this TRR Agreement which, when taken together, bear the signatures of all the parties hereto.

(b) The Administrative Agent shall have received, on behalf of itself and the Lenders, a favorable written opinion of counsel to the Borrower, substantially to the effect set forth in Exhibits E and F of the Original Credit Agreement but referring to this TRR Agreement and the New Credit Agreement, (i) dated the date hereof, (ii) addressed to the Administrative Agent and the Lenders, and (iii) covering such other matters relating to this TRR Agreement and the transactions contemplated hereby as the Administrative Agent shall reasonably request, and the Borrower hereby instructs such counsel to deliver such opinion.

(c) All legal matters incident to this TRR Agreement, the New Credit Agreement and the Borrowings and extensions of credit hereunder shall be satisfactory to the Lenders and to Cravath, Swaine & Moore, counsel for the Administrative Agent.

(d) The Administrative Agent shall have received on the date hereof (i) a copy of the certificate or articles of incorporation, including all amendments thereto, of the Borrower, certified as of a recent date by the Secretary of State of the State of Delaware, and a certificate as to the good standing of the Borrower as of a recent date, from such Secretary of State; (ii) a certificate of the Secretary or Assistant Secretary of the Borrower dated the date hereof and certifying (A) that attached thereto is a true and complete copy of the by-laws of the Borrower as in effect on the date hereof and at all times since a date prior to the date of the resolutions described in clause (B) below, (B) that attached thereto is a true and complete copy of resolutions duly adopted by the Board of Directors of the Borrower authorizing this TRR Agreement and the execution, delivery and performance of this TRR Agreement and the borrowings under the New Credit Agreement, and that such resolutions have not been modified, rescinded or amended and are in full force and effect, (C) that the certificate or articles of incorporation of the Borrower have not been amended since the date of the last amendment thereto shown on the certificate of good standing furnished pursuant to clause (i) above, and (D) as to the incumbency and specimen signature of each officer executing this TRR Agreement or any other document delivered in connection herewith on behalf of the Borrower; (iii) a certificate of another officer as to the incumbency and specimen signature of the Secretary or Assistant Secretary executing the certificate pursuant to (ii) above; and (iv) such other documents as the Lenders or Cravath, Swaine & Moore, counsel for the Administrative Agent, may reasonably request.

(e) The Administrative Agent shall have received a certificate, dated the date hereof and signed by a Financial Officer of the Borrower, confirming compliance with the representations and warranties set forth in paragraphs (b) and (c) of Section 2.

(f) The Administrative Agent shall have received all Fees and other amounts due and payable on or prior to the date hereof, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by the Borrower hereunder.

(g) The commitments under the 364-day Credit Agreement dated as of May 2, 1997, among the Borrower, the lenders party thereto, BankAmerica Robertson Stephens, as Syndication Agent, Canadian Imperial Bank of Commerce and Credit Suisse First Boston, as Documentation Agents, and The Chase Manhattan Bank, as administrative agent shall have been terminated and all principal, interest and other amounts outstanding thereunder (including all Fees accrued thereunder to the Closing Date) shall have been paid in full.

SECTION 4. Applicable Law. THIS TRR AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO THE CONFLICTS OF LAW PRINCIPLES THEREOF.

SECTION 5. Original Credit Agreement. Until the occurrence of the Effective Date as provided in Section 3 hereof, the Original Credit Agreement shall continue in full force and effect in accordance with the provisions thereof and the rights and obligations of the parties thereto shall not be affected hereby, and all Fees and interest accruing under the Old Credit Agreement shall continue to accrue at the rates provided for therein.

SECTION 6. Counterparts. This TRR Agreement may be executed in two or more counterparts, each of which shall constitute an original but all of which when taken together shall constitute but one contract.

SECTION 7. Expenses. The Borrower agrees to reimburse the Administrative Agent for its out-of-pocket expenses in connection with this TRR Agreement including the reasonable fees, charges and disbursements of Cravath, Swaine & Moore, counsel for the Administrative Agent.

IN WITNESS WHEREOF, the parties hereto have caused this TRR Agreement to be duly executed by their respective authorized officers as of the day and year first written above.

RAYTHEON COMPANY,

By:
Name: Herbert Deitcher
Title: Senior VP and Treasurer

THE CHASE MANHATTAN BANK,
individually and as
Administrative Agent,

By:
Name:
Title:

EXHIBIT 10.2

TERMINATION, REPLACEMENT AND RESTATEMENT AGREEMENT (this "TRR Agreement") dated as of May 1, 1998, among RAYTHEON COMPANY (formerly HE Holdings, Inc.), a Delaware corporation (the "Borrower"), the financial institutions listed in Annex I hereto under the captions "Continuing Lenders" (the "Continuing Lenders") and "Additional Lenders" (the "Additional Lenders", and together with the Continuing Lenders, the "Lenders"), BANCAMERICA ROBERTSON STEPHENS, as Syndication Agent, CITICORP USA, INC. AND MORGAN GUARANTY TRUST COMPANY OF NEW YORK, as Documentation Agents, and THE CHASEMANHATTAN BANK, a New York banking corporation, as administrative agent for the Lenders. Capitalized terms used and not defined herein shall have the meanings assigned to such terms in the New Credit Agreement (as defined below).

WHEREAS, the Borrower, the Continuing Lenders, certain other lenders and the Administrative Agent are parties to an 364-day Credit Agreement dated as of May 30, 1997 (the "Original Credit Agreement");

WHEREAS, the Original Credit Agreement is to be terminated as provided herein; and

WHEREAS, the Continuing Lenders and the Additional Lenders are willing, subject to the terms and conditions of this TRR Agreement, to replace the Original Credit Agreement with a new credit agreement as provided herein.

NOW, THEREFORE, in consideration of the mutual agreements contained in this TRR Agreement and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties hereto hereby agree as follows:

SECTION 1. Replacement and Restatement. Subject to the conditions set forth in Section 3 hereof:

(a) the Original Credit Agreement, including all schedules and exhibits thereto, is hereby terminated, subject to applicable provisions set forth therein as to the survival of certain rights and obligations, and simultaneously replaced by a new credit agreement (the "New Credit Agreement") identical in form and substance to the Original Credit Agreement except as expressly set forth below.

(b) The heading of the New Credit Agreement shall read as follows:

"FACILITY H 364-DAY CREDIT AGREEMENT dated as of May 1, 1998, among RAYTHEON COMPANY, a Delaware corporation (the "Borrower"), the Lenders (as defined in Article I), BANCAMERICA ROBERTSON STEPHENS, as Syndication Agent, (in such capacity the "Syndication Agent"), CITICORP USA, INC. AND MORGAN GUARANTY TRUST COMPANY OF NEW YORK, as Documentation Agents, (in such capacity, each a "Documentation Agent" and, collectively, the "Documentation Agents" and, THE CHASE MANHATTAN BANK, a New York banking corporation, as administrative agent (in such capacity, the "Administrative Agent") for the Lenders."

and all references to the "Closing Date" in the New Credit Agreement shall be deemed to refer to May 1, 1998.

(c) (i) The definition of "Maturity Date" in Section 1.01 of the New Credit Agreement shall read as follows:

" 'Maturity Date' shall mean April 30, 1999."

(d) All references to the "Raytheon Credit Agreements" in the New Credit Agreement shall be deemed to refer to the Raytheon Credit Agreements and any replacements and restatements thereof.

(e) Section 3.05 of the New Credit Agreement shall read as follows:

"The Borrower has heretofore furnished to the Lenders its consolidated balance sheet, statement of income and statement of cash flows as of and for the fiscal year ended December 31, 1997, audited by and accompanied by the opinion of Coopers & Lybrand, independent public accountants. Such financial statements present fairly the financial condition and results of operations of the Borrower and its consolidated Subsidiaries as of such date and for such period. Such balance sheet and the notes thereto disclose all material liabilities, direct or contingent, of the Borrower and its consolidated Subsidiaries as of the date thereof. Such financial statements were prepared in accordance with GAAP applied on a consistent basis."

(f) Section 3.06 of the New Credit Agreement shall read as follows:

"There has been no material adverse change in the business, assets, operations or condition, financial or otherwise, of the Borrower and the Subsidiaries, taken as a whole, since December 31, 1997."

(g) The references to "May 30, 1997" in Exhibit A, Exhibit B, Exhibit C, Exhibit D-1, Exhibit D-2, Exhibit D-3 and Exhibit D-4 of the Original Credit Agreement shall be changed to references to "May 1, 1998" in the New Credit Agreement.

(h) Schedule 2.01 to the New Credit Agreement shall be in the form of Schedule 2.01 to this TRR Agreement.

SECTION 2. Representations and Warranties. The Borrower represents and warrants to each of the Lenders that:

(a) This TRR Agreement and the New Credit Agreement have been duly authorized and, in the case of this TRR Agreement, executed and delivered by it and constitute its legal, valid and binding obligations enforceable in accordance with their terms.

(b) The representations and warranties set forth in Article III of the New Credit Agreement, after giving effect to this TRR Agreement, are true and correct in all material respects on the date hereof, with the same effect as if made on the date hereof, except to the extent such representations and warranties expressly relate to an earlier date.

(c) Before and after giving effect to this TRR Agreement, no Default or Event of Default has occurred and is continuing.

SECTION 3. Conditions to Effectiveness. This TRR Agreement shall become effective as of May 1, 1998 (the "Effective Date") upon the occurrence of the following conditions precedent:

(a) The Administrative Agent shall have received counterparts of this TRR Agreement which, when taken together, bear the signatures of all the parties hereto.

(b) The Administrative Agent shall have received, on behalf of itself and the Lenders, a favorable written opinion of counsel to the Borrower, substantially to the effect set forth in Exhibits E and F of the Original Credit Agreement but referring to this TRR Agreement and the New Credit Agreement, (i) dated the date hereof, (ii) addressed to the Administrative Agent and the Lenders, and (iii) covering such other matters relating to this TRR Agreement and the transactions contemplated hereby as the Administrative Agent shall reasonably request, and the Borrower hereby instructs such counsel to deliver such opinion.

(c) All legal matters incident to this TRR Agreement, the New Credit Agreement and the Borrowings and extensions of credit hereunder shall be satisfactory to the Lenders and to Cravath, Swaine & Moore, counsel for the Administrative Agent.

(d) The Administrative Agent shall have received on the date hereof (i) a copy of the certificate or articles of incorporation, including all amendments thereto, of the Borrower, certified as of a recent date by the Secretary of State of the State of Delaware, and a certificate as to the good standing of the Borrower as of a recent date, from such Secretary of State; (ii) a certificate of the Secretary or Assistant Secretary of the Borrower dated the date hereof and certifying (A) that attached thereto is a true and complete copy of the by-laws of the Borrower as in effect on the date hereof and at all times since a date prior to the date of the resolutions described in clause (B) below, (B) that attached thereto is a true and complete copy of resolutions duly adopted by the Board of Directors of the Borrower authorizing this TRR Agreement and the execution, delivery and performance of this TRR Agreement and the borrowings under the New Credit Agreement, and that such resolutions have not been modified, rescinded or amended and are in full force and effect, (C) that the certificate or articles of incorporation of the Borrower have not been amended since the date of the last amendment thereto shown on the certificate of good standing furnished pursuant to clause (i) above, and (D) as to the incumbency and specimen signature of each officer executing this TRR Agreement or any other document delivered in connection herewith on behalf of the Borrower; (iii) a certificate of another officer as to the incumbency and specimen signature of the Secretary or Assistant Secretary executing the certificate pursuant to (ii) above; and (iv) such other documents as the Lenders or Cravath, Swaine & Moore, counsel for the Administrative Agent, may reasonably request.

(e) The Administrative Agent shall have received a certificate, dated the date hereof and signed by a Financial Officer of the Borrower, confirming compliance with the representations and warranties set forth in paragraphs (b) and (c) of Section 2.

(f) The Administrative Agent shall have received all Fees and other amounts due and payable on or prior to the date hereof, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by the Borrower hereunder.

(g) The commitments under the 364-day Credit Agreement dated as of May 30, 1997, among the Borrower, the lenders party thereto, BankAmerica Robertson Stephens, as Syndication Agent, Citicorp USA, Inc. and Morgan Guaranty Trust Company of New York, as Documentation Agents, and the Chase Manhattan Bank, as administrative agent shall have been terminated and all principal, interest and other amounts outstanding thereunder (including all Fees accrued thereunder to the Closing Date) shall have been paid in full.

SECTION 4. Applicable Law. THIS TRR AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO THE CONFLICTS OF LAW PRINCIPLES THEREOF.

SECTION 5. Original Credit Agreement. Until the occurrence of the Effective Date as provided in Section 3 hereof, the Original Credit Agreement shall continue in full force and effect in accordance with the provisions thereof and the rights and obligations of the parties thereto shall not be affected hereby, and all Fees and interest accruing under the Old Credit Agreement shall continue to accrue at the rates provided for therein.

SECTION 6. Counterparts. This TRR Agreement may be executed in two or more counterparts, each of which shall constitute an original but all of which when taken together shall constitute but one contract.

SECTION 7. Expenses. The Borrower agrees to reimburse the Administrative Agent for its out-of-pocket expenses in connection with this TRR Agreement including the reasonable fees, charges and disbursements of Cravath, Swaine & Moore, counsel for the Administrative Agent.

IN WITNESS WHEREOF, the parties hereto have caused this TRR Agreement to be duly executed by their respective authorized officers as of the day and year first written above.

RAYTHEON COMPANY,

By:
Name: Herbert Deitcher
Title: Senior VP and Treasurer

THE CHASE MANHATTAN BANK,
individually and as
Administrative Agent,

By:
Name:
Title:

EXHIBIT 10.3

SEVERANCE AGREEMENT

This Severance Agreement ("Agreement") is made and entered into this 15th day of June, 1998, between Raytheon Company, a corporation organized and existing under the laws of the State of Delaware with its Executive Offices in Lexington, Massachusetts ("Company" or "Raytheon"), and Daniel P. Burnham ("the Executive").

1. Employment: The Company has offered to employ the Executive, and the Executive has accepted employment with the Company, commencing July 1, 1998. The Executive is an employee at will of the Company.

2. Severance:

(a) If prior to the completion of a full calendar year of employment with the Company, the Company terminates the employment of the Executive or demotes the Executive for any reason other than: (i) Cause or Disability as defined in Section 3 of this Agreement; or (ii) the death of the Executive, the Company will pay the Executive an amount equal to the sum of: (a) three times the Executive's starting annual base salary; and (b) three times the Executive's target annual cash bonus (the target annual incentive bonus being two hundred percent (200%) of the Executive's starting annual base salary).

(b) If the Company thereafter terminates the employment of the Executive or demotes the Executive for any reason other than: (i) Cause or Disability as defined in Section 3 of this Agreement; or (ii) the death of the Executive, the Company will pay the Executive an amount equal to the sum of: (a) three times the Executive's base salary for the immediately preceding full calendar year; and (b) three times the annual cash bonus received by the Executive for the immediately preceding full calendar year.

The Executive must notify the Company in writing within thirty (30) days after the occurrence of any action, event or circumstance, or any failure to act by the Company, upon which the Executive bases a claim for severance under this Agreement. Failure to notify the Company in writing within such thirty (30) day period will constitute a waiver of the claim, but will not bar or hinder subsequent claims by the Executive arising out of other actions, events, circumstances or failures to act by the Company. The Executive will not receive multiple severance payments under this Agreement, and will be entitled only to one severance payment under Subsection 2(a) or (b), as the case may be.

The severance amounts described above, net of any applicable withholding, will be paid to the Executive in a lump sum within thirty (30) days following the receipt by the Company of the written notice from the Executive; provided, however, that if the parties proceed to arbitration of the claim pursuant to Section 5 of this Agreement, the severance amount awarded by the arbitrators will be paid by the Company within thirty (30) days after the award.

Upon termination of employment, the Executive will remain vested in any and all shares of restricted stock or restricted stock equivalents in which he was vested immediately prior to termination of employment.

3. Definitions:

"Cause" means the Executive's (i) conviction of, or plea of nolo contendere to, a felony; (ii) use of illegal drugs; or (iii) willful misconduct, willful neglect or willful negligence in the performance of his duties, which the Board of Directors reasonably believes has caused demonstrable injury to the Company, monetary or otherwise, including injury to the goodwill and reputation of the Company. The acts or events described in (i) through (iii), above, will constitute Cause only if the Executive is given written notice that the Company intends to terminate the Executive's employment for Cause, which notice will specify the particular acts, events or failures to act which perform the basis for the determination to terminate the employment of the Executive. In the case of a termination for Cause as described in clause (iii) above, the Executive will be given the opportunity within thirty (30) days of the receipt of such notice to meet with the Executive Committee of the Board of Directors to defend such acts, events or failures to act, prior to termination. The Executive's title and authority may be suspended pending such meeting.

The term "Disability" as used in this Agreement means a physical or mental incapacity of the Executive which has prevented him from performing the duties customarily assigned by the Company for a period of not more than sixty (60) days, whether or not consecutive, out of any twelve (12) consecutive months, and which thereafter can reasonably be expected, in the judgment of a physician selected by the Company, to continue.

4. Notices: Any notice, request, demand or other communication hereunder must be in writing and will be deemed to have been duly given when personally delivered to the Corporate Secretary on behalf of the Company or the Executive, as the case may be, or when delivered by certified mail, return receipt requested, at the following addresses:

If to the Company: Senior Vice President - Human Resources
Raytheon Company
141 Spring Street
Lexington MA 02173

If to the Executive: Daniel P. Burnham
6 Essex Road
Summit, NJ 07901

5. Arbitration: Any controversy or dispute between the Company and the Executive arising under or in connection with this Agreement shall be settled by arbitration. Arbitration will be conducted in accordance with the National Rules for the Resolution of Employment Disputes of the American Arbitration Association before a panel of three arbitrators sitting in Boston, Massachusetts. The award of the arbitrators will be final and nonappealable, and judgment may be entered on the award of the arbitrators by any court of competent jurisdiction. All expenses of the arbitration will be borne by the Company, including, without limitation, legal fees and expert witnesses, regardless of the outcome of the arbitration.

6. Section Headings: Sections and other headings contained in this Agreement are for reference only and will not affect in any way the meaning or interpretation of the Agreement.

7. Governing Law: This Agreement is governed by the laws of the Commonwealth of Massachusetts.

8. Enforceability: Should any court of competent jurisdiction issue a final determination affecting any provision of this Agreement, the provision or provisions so affected will be automatically conformed to the determination, and otherwise this Agreement will continue in full force and effect.

IN WITNESS WHEREOF, the Executive and the Company have executed this Agreement as of the date and year first above written.

Raytheon Company	Executive
By: --------------------------	------------------------------
Thomas D. Hyde	

[ARTICLE]	5
[MULTIPLIER]	1,000

[PERIOD-TYPE]	12-MOS	
[FISCAL-YEAR-END]		DEC-31-1995
[PERIOD-END]		DEC-31-1995
[CASH]		208,614
[SECURITIES]		1,670
[RECEIVABLES]		948,843
[ALLOWANCES]		(22,043)
[INVENTORY]		1,502,983
[CURRENT-ASSETS]		5,275,218
[PP&E]		4,115,749
[DEPRECIATION]		(2,531,714)
[TOTAL-ASSETS]		9,840,944
[CURRENT-LIABILITIES]		3,690,423
[BONDS]		1,487,735
[COMMON]		240,690
[PREFERRED-MANDATORY]		0
[PREFERRED]		0
[OTHER-SE]		4,051,274
[TOTAL-LIABILITY-AND-EQUITY]		9,840,944
[SALES]		11,804,174
[TOTAL-REVENUES]		11,804,174
[CGS]		9,159,447
[TOTAL-COSTS]		9,159,447
[OTHER-EXPENSES]		440,581
[LOSS-PROVISION]		0
[INTEREST-EXPENSE]		196,627
[INCOME-PRETAX]		1,191,683
[INCOME-TAX]		399,195
[INCOME-CONTINUING]		0
[DISCONTINUED]		0
[EXTRAORDINARY]		0
[CHANGES]		0
[NET-INCOME]		792,488
[EPS-PRIMARY]		3.25
[EPS-DILUTED]		3.22

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[TEXT]

[ARTICLE]	5
[MULTIPLIER]	1,000

[PERIOD-TYPE]	3-MOS	
[FISCAL-YEAR-END]		DEC-31-1996
[PERIOD-END]		MAR-31-1996
[CASH]		181,495
[SECURITIES]		1,237
[RECEIVABLES]		902,717
[ALLOWANCES]		0
[INVENTORY]		1,623,756
[CURRENT-ASSETS]		5,509,945
[PP&E]		4,171,314
[DEPRECIATION]		2,569,461
[TOTAL-ASSETS]		10,257,887
[CURRENT-LIABILITIES]		4,058,489
[BONDS]		1,487,089
[COMMON]		239,316
[PREFERRED-MANDATORY]		0
[PREFERRED]		0
[OTHER-SE]		4,107,437
[TOTAL-LIABILITY-AND-EQUITY]		10,257,887
[SALES]		2,787,606
[TOTAL-REVENUES]		2,8796063
[CGS]		2,141,289
[TOTAL-COSTS]		2,141,289
[OTHER-EXPENSES]		87,462
[LOSS-PROVISION]		0
[INTEREST-EXPENSE]		54,163
[INCOME-PRETAX]		282,068
[INCOME-TAX]		95,582
[INCOME-CONTINUING]		0
[DISCONTINUED]		0
[EXTRAORDINARY]		0
[CHANGES]		0
[NET-INCOME]		186,486
[EPS-PRIMARY]		.78
[EPS-DILUTED]		.77

[TEXT]
[ARTICLE] 5
[MULTIPLIER] 1,000

[PERIOD-TYPE]	6-MOS	
[FISCAL-YEAR-END]		DEC-31-1996
[PERIOD-END]		JUN-30-1996
[CASH]		211,532
[SECURITIES]		758
[RECEIVABLES]		1,170,523
[ALLOWANCES]		0
[INVENTORY]		1,713,488
[CURRENT-ASSETS]		6,147,470
[PP&E]		4,366,821
[DEPRECIATION]		2,654,136
[TOTAL-ASSETS]		11,620,923
[CURRENT-LIABILITIES]		5,427,048
[BONDS]		1,496,071
[PREFERRED-MANDATORY]		0
[PREFERRED]		0
[COMMON]		236,361
[OTHER-SE]		4,101,186
[TOTAL-LIABILITY-AND-EQUITY]		11,620,923
[SALES]		5,914,385
[TOTAL-REVENUES]		5,914,385
[CGS]		4,576,648
[TOTAL-COSTS]		4,576,648
[OTHER-EXPENSES]		177,464
[LOSS-PROVISION]		0
[INTEREST-EXPENSE]		114,857
[INCOME-PRETAX]		595,925
[INCOME-TAX]		200,042
[INCOME-CONTINUING]		0
[DISCONTINUED]		0
[EXTRAORDINARY]		0
[CHANGES]		0
[NET-INCOME]		395,883
[EPS-PRIMARY]		1.66
[EPS-DILUTED]		1.64

[TEXT]
[ARTICLE] 5
[MULTIPLIER] 1,000

[PERIOD-TYPE]	9-MOS	
[FISCAL-YEAR-END]		DEC-31-1996
[PERIOD-END]		SEP-29-1996
[CASH]		159,834
[SECURITIES]		1,603
[RECEIVABLES]		977,501
[ALLOWANCES]		0
[INVENTORY]		1,765,654
[CURRENT-ASSETS]		6,278,335
[PP&E]		4,446,091
[DEPRECIATION]		2,692,400
[TOTAL-ASSETS]		11,785,748
[CURRENT-LIABILITIES]		5,494,401
[BONDS]		1,493,205
[PREFERRED-MANDATORY]		0
[PREFERRED]		0
[COMMON]		236,036
[OTHER-SE]		4,212,331
[TOTAL-LIABILITY-AND-EQUITY]		11,785,748
[SALES]		8,946,745
[TOTAL-REVENUES]		8,946,745
[CGS]		7,004,735
[TOTAL-COSTS]		7,004,735
[OTHER-EXPENSES]		288,326
[LOSS-PROVISION]		0
[INTEREST-EXPENSE]		185,684
[INCOME-PRETAX]		821,842
[INCOME-TAX]		238,069
[INCOME-CONTINUING]		0
[DISCONTINUED]		0
[EXTRAORDINARY]		0
[CHANGES]		0
[NET-INCOME]		583,773
[EPS-PRIMARY]		2.45
[EPS-DILUTED]		2.43

[TEXT]
[ARTICLE] 5
[LEGEND]
[MULTIPLIER] 1,000

[PERIOD-TYPE]	12-MOS
[FISCAL-YEAR-END]	DEC-31-1996
[PERIOD-END]	DEC-31-1996
[CASH]	137,379
[SECURITIES]	1,442
[RECEIVABLES]	828,975
[ALLOWANCES]	(20,260)
[INVENTORY]	1,590,967
[CURRENT-ASSETS]	5,527,895
[PP&E]	4,490,359
[DEPRECIATION]	(2,688,347)
[TOTAL-ASSETS]	11,198,076
[CURRENT-LIABILITIES]	4,691,833
[BONDS]	1,092,333
[COMMON]	236,250
[PREFERRED-MANDATORY]	0
[PREFERRED]	0
[OTHER-SE]	4,361,760
[TOTAL-LIABILITY-AND-EQUITY]	11,198,076
[SALES]	12,330,538
[TOTAL-REVENUES]	12,330,538
[CGS]	9,753,970
[TOTAL-COSTS]	9,753,970
[OTHER-EXPENSES]	357,271
[LOSS-PROVISION]	0
[INTEREST-EXPENSE]	256,253
[INCOME-PRETAX]	1,083,462
[INCOME-TAX]	322,311
[INCOME-CONTINUING]	0
[DISCONTINUED]	0
[EXTRAORDINARY]	0
[CHANGES]	0
[NET-INCOME]	761,151
[EPS-PRIMARY]	3.22
[EPS-DILUTED]	3.17

[TEXT]
[ARTICLE] 5
[MULTIPLIER] 1,000

[PERIOD-TYPE]	3-MOS	
[FISCAL-YEAR-END]		DEC-31-1997
[PERIOD-END]		MAR-30-1997
[CASH]		121,885
[SECURITIES]		11,658
[RECEIVABLES]		843,926
[ALLOWANCES]		0
[INVENTORY]		1,708,748
[CURRENT-ASSETS]		5,926,068
[PP&E]		4,547,144
[DEPRECIATION]		2,693,866
[TOTAL-ASSETS]		11,496,419
[CURRENT-LIABILITIES]		4,947,469
[BONDS]		1,498,530
[COMMON]		236,287
[PREFERRED-MANDATORY]		0
[PREFERRED]		0
[OTHER-SE]		4,481,400
[TOTAL-LIABILITY-AND-EQUITY]		11,496,419
[SALES]		2,899,148
[TOTAL-REVENUES]		2,899,148
[CGS]		2,220,526
[TOTAL-COSTS]		2,220,526
[OTHER-EXPENSES]		79,075
[LOSS-PROVISION]		0
[INTEREST-EXPENSE]		68,875
[INCOME-PRETAX]		278,366
[INCOME-TAX]		94,956
[INCOME-CONTINUING]		0
[DISCONTINUED]		0
[EXTRAORDINARY]		0
[CHANGES]		0
[NET-INCOME]		183,410
[EPS-PRIMARY]		.78
[EPS-DILUTED]		.77

[TEXT]
[ARTICLE] 5
[MULTIPLIER] 1,000

[PERIOD-TYPE]	6-MOS	
[FISCAL-YEAR-END]		DEC-31-1997
[PERIOD-END]		JUN-29-1997
[CASH]		180,234
[SECURITIES]		1,040
[RECEIVABLES]		811,907
[ALLOWANCES]		0
[INVENTORY]		1,708,915
[CURRENT-ASSETS]		6,177,470
[PP&E]		4,666,848
[DEPRECIATION]		2,743,852
[TOTAL-ASSETS]		11,843,050
[CURRENT-LIABILITIES]		5,136,144
[BONDS]		1,496,634
[COMMON]		236,336
[PREFERRED-MANDATORY]		0
[PREFERRED]		0
[OTHER-SE]		4,641,203
[TOTAL-LIABILITY-AND-EQUITY]		11,843,050
[SALES]		6,223,894
[TOTAL-REVENUES]		6,223,894
[CGS]		4,790,874
[TOTAL-COSTS]		4,790,874
[OTHER-EXPENSES]		169,547
[LOSS-PROVISION]		0
[INTEREST-EXPENSE]		142,783
[INCOME-PRETAX]		592,231
[INCOME-TAX]		199,319
[INCOME-CONTINUING]		0
[DISCONTINUED]		0
[EXTRAORDINARY]		0
[CHANGES]		0
[NET-INCOME]		392,912
[EPS-PRIMARY]		1.66
[EPS-DILUTED]		1.65

[TEXT]

[ARTICLE]	5
[MULTIPLIER]	1,000

[PERIOD-TYPE]	9-MOS	
[FISCAL-YEAR-END]		DEC-31-1997
[PERIOD-END]		SEPT-28-1997
[CASH]		266,633
[SECURITIES]		1,051
[RECEIVABLES]		953,652
[ALLOWANCES]		0
[INVENTORY]		1,652,815
[CURRENT-ASSETS]		6,553,969
[PP&E]		4,928,196
[DEPRECIATION]		2,881,238
[TOTAL-ASSETS]		15,256,152
[CURRENT-LIABILITIES]		5,345,121
[BONDS]		4,386,377
[COMMON]		236,331
[PREFERRED-MANDATORY]		0
[PREFERRED]		0
[OTHER-SE]		4,778,765
[TOTAL-LIABILITY-AND-EQUITY]		15,256,152
[SALES]		9,669,204
[TOTAL-REVENUES]		9,669,204
[CGS]		7,426,576
[TOTAL-COSTS]		7,426,576
[OTHER-EXPENSES]		290,057
[LOSS-PROVISION]		0
[INTEREST-EXPENSE]		262,593
[INCOME-PRETAX]		914,498
[INCOME-TAX]		310,366
[INCOME-CONTINUING]		0
[DISCONTINUED]		0
[EXTRAORDINARY]		0
[CHANGES]		0
[NET-INCOME]		604,132
[EPS-PRIMARY]		2.56
[EPS-DILUTED]		2.53

[ARTICLE]	5	
[MULTIPLIER]	1,000,000	
[PERIOD-TYPE]	12-MOS	
[FISCAL-YEAR-END]		DEC-31-1997
[PERIOD-END]		DEC-31-1997
[CASH]		296
[SECURITIES]		0
[RECEIVABLES]		1,056
[ALLOWANCES]		(22)
[INVENTORY]		1,837
[CURRENT-ASSETS]		9,233
[PP&E]		5,250
[DEPRECIATION]		(2,359)
[TOTAL-ASSETS]		28,598
[CURRENT-LIABILITIES]		11,886
[BONDS]		4,406
[COMMON]		3
[PREFERRED-MANDATORY]		0
[PREFERRED]		0
[OTHER-SE]		10,425
[TOTAL-LIABILITY-AND-EQUITY]		28,598
[SALES]		13,673
[TOTAL-REVENUES]		13,673
[CGS]		10,584
[TOTAL-COSTS]		10,584
[OTHER-EXPENSES]		910
[LOSS-PROVISION]		0
[INTEREST-EXPENSE]		397
[INCOME-PRETAX]		790
[INCOME-TAX]		263
[INCOME-CONTINUING]		0
[DISCONTINUED]		0
[EXTRAORDINARY]		0
[CHANGES]		0
[NET-INCOME]		527
[EPS-PRIMARY]		2.20
[EPS-DILUTED]		2.18

[TEXT]
[ARTICLE] 5
[MULTIPLIER] 1,000,000

[PERIOD-TYPE]	3-MOS	
[FISCAL-YEAR-END]		DEC-31-1998
[PERIOD-END]		MAR-29-1998
[CASH]		312
[SECURITIES]		20
[RECEIVABLES]		1,116
[ALLOWANCES]		0
[INVENTORY]		2,059
[CURRENT-ASSETS]		9,801
[PP&E]		5,376
[DEPRECIATION]		(2,510)
[TOTAL-ASSETS]		29,192
[CURRENT-LIABILITIES]		10,812
[BONDS]		5,990
[COMMON]		3
[PREFERRED-MANDATORY]		0
[PREFERRED]		0
[OTHER-SE]		10,532
[TOTAL-LIABILITY-AND-EQUITY]		29,192
[SALES]		4,574
[TOTAL-REVENUES]		4,574
[CGS]		3,558
[TOTAL-COSTS]		3,558
[OTHER-EXPENSES]		144
[LOSS-PROVISION]		0
[INTEREST-EXPENSE]		179
[INCOME-PRETAX]		358
[INCOME-TAX]		143
[INCOME-CONTINUING]		0
[DISCONTINUED]		0
[EXTRAORDINARY]		0
[CHANGES]		0
[NET-INCOME]		215
[EPS-PRIMARY]		0.63
[EPS-DILUTED]		0.63

5
1,000,000

6-MOS
DEC-31-1998
JUN-28-1998
297
20
886
0
2,031
9,701
5,206
(2,393)
29,127
10,518
5,994
3
0
0
10,704
29,127
9,652
9,652
7,497
7,497
382
0
366
803
319
0
0
0
0
484
1.43
1.41