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# For Immediate Release

# **Raytheon Reports Third Quarter 2013 Results**

- Adjusted EPS<sup>1</sup> of \$1.60 compared to \$1.62 in third quarter 2012; EPS from continuing operations of \$1.51 consistent with \$1.51 in third quarter 2012
- Adjusted Operating Margin<sup>1</sup> of 13.7 percent and reported operating margin of 13.0 percent, consistent with third quarter 2012
- Third quarter net sales of \$5.8 billion, down 3 percent; year-to-date net sales down less than 1 percent
- Solid operating cash flow from continuing operations of \$895 million
- Increased full-year 2013 guidance for net sales, EPS and operating cash flow from continuing operations

WALTHAM, Mass., (October 24, 2013) - Raytheon Company (NYSE: RTN) announced third quarter 2013 Adjusted EPS<sup>1</sup> of \$1.60 per diluted share compared to \$1.62 per diluted share in the third quarter 2012. EPS from continuing operations was \$1.51 in both third quarters 2013 and 2012. The third quarter 2012 Adjusted EPS<sup>1</sup> has been revised to include the favorable \$0.02 impact for the 2012 research and development (R&D) tax credit approved by Congress in January 2013. In addition, the third quarter 2013 and the third quarter 2012 Adjusted EPS<sup>1</sup> each excluded an unfavorable FAS/CAS Adjustment of \$0.09.

"While the overall economic environment has been challenging, Raytheon's solid third quarter performance reflects our continued focus on the fundamentals," said William H. Swanson, Raytheon's Chairman and CEO. "Our company has continued to perform well by providing affordable solutions and advanced technology that meet our customers' current and future needs."

Net sales for the third guarter 2013 were \$5,842 million compared to \$6,045 million in the third guarter 2012.

<sup>&</sup>lt;sup>1</sup> Adjusted EPS is diluted EPS from continuing operations attributable to Raytheon Company common stockholders and Adjusted Operating Margin is total operating margin, in each case, excluding the after-tax impact of the FAS/CAS Adjustment, and from time to time, certain other items. In addition, the Q3 2012 Adjusted EPS amount has been revised to include the favorable \$0.02 impact for the research and development (R&D) tax credit, approved by Congress in January 2013, that relates to 2012. Adjusted EPS and Adjusted Operating Margin are non-GAAP financial measures. See attachment F for a reconciliation of these measures and a discussion of why the Company is presenting this information.

Operating cash flow from continuing operations for the third quarter 2013 was \$895 million compared to \$1,111 million for the third quarter 2012. The change in operating cash flow from continuing operations in the third quarter 2013 compared to the third quarter 2012 was primarily due to the timing of required pension contributions.

In the third quarter 2013, the Company repurchased 2.9 million shares of common stock for \$225 million as part of its previously announced share repurchase program. Year-to-date 2013, the Company has repurchased 10.5 million shares of common stock for \$675 million.

The Company ended the third quarter 2013 with \$836 million of net debt. Net debt is defined as total debt less cash and cash equivalents and short-term investments.

## **Summary Financial Results**

	3rd Q	uarter		%	Nine N	%	
(\$ in millions, except per share data)	 2013		2012	Change	2013	2012	Change
Net Sales	\$ 5,842	\$	6,045	-3.4%	\$17,836	\$17,975	-0.8%
Income from Continuing Operations attributable to Raytheon Company	\$ 487	\$	501	-2.8%	\$ 1,465	\$ 1,423	3.0%
Adjusted Income*	\$ 517	\$	538	-3.9%	\$ 1,563	\$ 1,563	-
EPS from Continuing Operations	\$ 1.51	\$	1.51	-	\$ 4.50	\$ 4.24	6.1%
Adjusted EPS*	\$ 1.60	\$	1.62	-1.2%	\$ 4.80	\$ 4.66	3.0%
Operating Cash Flow from Continuing Operations	\$ 895	\$	1,111		\$ 1,276	\$ 963	
Workdays in Fiscal Reporting Calendar	63		63		190	191	

<sup>\*</sup> Adjusted Income is income from continuing operations attributable to Raytheon Company common stockholders and Adjusted EPS is diluted EPS from continuing operations attributable to Raytheon Company common stockholders, in each case, excluding the after-tax impact of the FAS/CAS Adjustment and, from time to time, certain other items. In addition to the FAS/CAS Adjustment, Nine Months 2013 Adjusted EPS excludes the \$0.08 impact of the 2012 R&D tax credit. In addition, the Q3 2012 and Nine Months 2012 Adjusted EPS amounts have been revised to include the favorable \$0.02 and \$0.05 impact, respectively, for the 2012 R&D tax credit. Adjusted Income and Adjusted EPS are non-GAAP financial measures. See attachment F for a reconciliation of these measures and a discussion of why the Company is presenting this information.

#### **Bookings and Backlog**

#### **Bookings**

(\$ in millions)	3rd Q	Nine Months			
	2013	2012	2013	2012	
Bookings	\$ 5,685	\$ 7,293	\$ 14,615	\$ 18,612	

## **Backlog**

(\$ in millions)	Period Ending								
	Q3 2013	Q3 2012	2012						
Backlog	\$ 32,235	\$ 35,015	\$ 36,181						
Funded Backlog	22,144	22,886	24,047						

The Company had bookings of \$5.7 billion in the third quarter 2013 and ended the third quarter 2013 with a backlog of \$32.2 billion. The Company had a book-to-bill ratio of .97 in the third quarter 2013.

## Outlook

The Company has updated its financial outlook for 2013 and increased guidance for net sales, EPS and operating cash flow from continuing operations. The 2013 outlook reflects the Company's current expectations from the effects of sequestration under the Budget Control Act (BCA) of 2011 and the recent government shutdown. Charts containing additional information on the Company's 2013 outlook are available on the Company's website at www.raytheon.com/ir.

#### 2013 Financial Outlook

	Current	Prior (7/25/13)
Net Sales (\$B)	23.6 - 23.8*	23.5 - 23.7
FAS/CAS Adjustment (\$M)	(255)*	(286)
Interest Expense, net (\$M)	(200) - (205)*	(200) - (210)
Diluted Shares (M)	Approx. 324*	323 - 324
Effective Tax Rate	Approx. 29%	Approx. 29%
EPS from Continuing Operations	\$5.67 - \$5.77*	\$5.51 - \$5.61
Adjusted EPS**	\$6.10 - \$6.20*	\$6.00 - \$6.10
Operating Cash Flow from Continuing Operations (\$B)	2.2 - 2.4*	2.1 - 2.3

<sup>\*</sup> Denotes change from prior guidance.

## **Segment Results**

The Company's reportable segments are: Integrated Defense Systems (IDS), Intelligence, Information and Services (IIS), Missile Systems (MS), and Space and Airborne Systems (SAS).

## **Integrated Defense Systems**

	3rd Q	uarte	er		Nine Months							
(\$ in millions)	2013		2012	% Change		2013		2012	% Change			
Net Sales	\$ 1,603	\$	1,610	-	\$	4,920	\$	4,762	3%			
Operating Income	\$ 286	\$	278	3%	\$	874	\$	785	11%			
Operating Margin	17.8%		17.3%			17.8%		16.5%				

Integrated Defense Systems (IDS) had third quarter 2013 net sales of \$1,603 million compared to \$1,610 million in the third quarter 2012. IDS recorded \$286 million of operating income compared to \$278 million in the third quarter 2012. The increase in operating income was primarily driven by international programs.

During the quarter, IDS booked \$353 million on the Aegis weapon system for the U.S. Navy and \$84 million on an international radar contract.

As previously announced on October 10, 2013, IDS was awarded \$386 million for the Engineering and Manufacturing Development (EMD) phase of the Air and Missile Defense Radar (AMDR) for the U.S. Navy and

<sup>\*\*</sup> Adjusted EPS is diluted EPS from continuing operations attributable to Raytheon Company common stockholders, excluding the aftertax impact of the FAS/CAS Adjustment and, from time to time, certain other items. In addition to the FAS/CAS Adjustment, 2013 Adjusted EPS guidance also excludes the impact of the 2012 R&D tax credit. See attachment F for a reconciliation of this measure and a discussion of why the Company is presenting this information.

includes options which could bring the cumulative value of this contract to \$1.6 billion. This award was protested on October 22, 2013.

## Intelligence, Information and Services

	3rd Q	uarte	er					
(\$ in millions)	2013		2012	% Change		2013	2012	% Change
Net Sales	\$ 1,496	\$	1,547	-3%	\$	4,587	\$ 4,732	-3%
Operating Income	\$ 134	\$	126	6%	\$	389	\$ 400	-3%
Operating Margin	9.0%		8.1%			8.5%	8.5%	

Intelligence, Information and Services (IIS) had third quarter 2013 net sales of \$1,496 million compared to \$1,547 million in the third quarter 2012. The change in net sales was primarily due to lower volume on classified and training programs. IIS recorded \$134 million of operating income compared to \$126 million in the third quarter 2012. The increase in operating income was primarily due to improved program performance.

During the quarter, IIS booked \$253 million to design, develop and deliver technical training for a commercial customer, \$162 million on a contract to provide intelligence, surveillance and reconnaissance (ISR) support to the U.S. Air Force, \$145 million on domestic training programs and \$85 million on foreign training programs in support of Warfighter FOCUS activities, and \$87 million for a ground control system program for the U.S. Air Force. IIS also booked \$417 million on a number of classified contracts.

## **Missile Systems**

(\$ in millions)	2013	2012	% Change		2013	2012	% Change
Net Sales	\$ 1,635	\$ 1,677	-3%	\$	4,961	\$ 4,858	2%
Operating Income	\$ 202	\$ 233	-13%	\$	629	\$ 663	-5%
Operating Margin	12.4%	13.9%			12.7%	13.6%	

Missile Systems (MS) had third quarter 2013 net sales of \$1,635 million compared to \$1,677 million in the third quarter 2012. The change in net sales was primarily driven by lower sales on U.S. Army sensor programs. MS recorded \$202 million of operating income compared to \$233 million in the third quarter 2012. The change in operating income was primarily due to a change in contract mix.

During the quarter, MS booked \$312 million for Standard Missile-3 (SM-3) for the Missile Defense Agency (MDA), \$232 million for AIM-9X Sidewinder short range air-to-air missiles for the U.S. Navy, U.S. Air Force and international customers, \$222 million for Standard Missile-6 (SM-6) for the U.S. Navy, and \$177 million for Phalanx Weapon Systems for the U.S. Navy and international customers.

## **Space and Airborne Systems**

	3rd Q	uarte	er	Nine Months						
(\$ in millions)	2013		2012	% Change		2013		2012	% Change	
Net Sales	\$ 1,556	\$	1,678	-7%	\$	4,758	\$	5,003	-5%	
Operating Income	\$ 224	\$	236	-5%	\$	667	\$	705	-5%	
Operating Margin	14.4%		14.1%			14.0%		14.1%		

Space and Airborne Systems (SAS) had third quarter 2013 net sales of \$1,556 million compared to \$1,678 million in the third quarter 2012. The change in net sales was primarily due to lower volume on intelligence, surveillance and reconnaissance systems programs and on classified programs. SAS recorded \$224 million of operating income compared to \$236 million in the third quarter 2012. The change in operating income was primarily due to lower volume.

During the quarter, SAS booked \$271 million to develop the Next Generation Jammer (NGJ) for the U.S. Navy, an award which is currently under protest. SAS also booked \$170 million on the Joint Polar Satellite System (JPSS) program for NASA and \$164 million on a number of classified contracts.

## **About Raytheon**

Raytheon Company, with 2012 sales of \$24 billion and 68,000 employees worldwide, is a technology and innovation leader specializing in defense, security and civil markets throughout the world. With a history of innovation spanning 91 years, Raytheon provides state-of-the-art electronics, mission systems integration and other capabilities in the areas of sensing; effects; and command, control, communications and intelligence systems, as well as a broad range of mission support services. Raytheon is headquartered in Waltham, Mass. For more about Raytheon, visit us at <a href="https://www.raytheon.com">www.raytheon.com</a> and follow us on Twitter <a href="mailto:@raytheon">@raytheon</a>.

## Conference Call on the Third Quarter 2013 Financial Results

Raytheon's financial results conference call will be held on Thursday, October 24, 2013 at 9 a.m. ET. Participants will include William H. Swanson, Chairman and CEO; David C. Wajsgras, senior vice president and CFO; and other Company executives.

The dial-in number for the conference call will be (866) 510-0712 in the U.S. or (617) 597-5380 outside of the U.S. The conference call will also be audiocast on the Internet at <a href="www.raytheon.com/ir">www.raytheon.com/ir</a>. Individuals may listen to the call and download charts that will be used during the call. These charts will be available for printing prior to the call.

Interested parties are encouraged to check the website ahead of time to ensure their computers are configured for the audio stream. Instructions for obtaining the free required downloadable software are posted on the site.

## **Disclosure Regarding Forward-looking Statements**

This release and the attachments contain forward-looking statements, including information regarding the Company's financial outlook, future plans, objectives, business prospects and anticipated financial performance. These forward-looking statements are not statements of historical facts and represent only the Company's current expectations regarding such matters. These statements inherently involve a wide range of known and unknown risks and uncertainties. The Company's actual actions and results could differ materially from what is expressed or implied by these statements. Specific factors that could cause such a difference include, but are not limited to: the Company's dependence on the U.S. Government for a significant portion of its business and the risks associated with U.S. Government sales, including changes or shifts in defense spending due to budgetary constraints, spending cuts resulting from sequestration under the Budget Control Act of 2011, a government shutdown, or otherwise, uncertain funding of programs, potential termination of contracts, and difficulties in contract performance; the resolution of program terminations; the ability to procure new contracts; the risks of conducting business in foreign countries; the ability to comply with extensive governmental regulation, including import and export policies, the Foreign Corrupt Practices Act, the International Traffic in Arms Regulations, and procurement and other regulations; the impact of competition; the ability to develop products and technologies; the impact of changes in the financial markets and global economic conditions; the risk that actual pension returns, discount rates or other actuarial assumptions are significantly different than the Company's assumptions; the risk of cost overruns, particularly for the Company's fixed-price contracts; dependence on component availability, subcontractor performance and key suppliers; risks of a negative government audit; the use of accounting estimates in the Company's financial statements; risks associated with acquisitions, dispositions, joint ventures and other business arrangements; risks of an impairment of goodwill or other intangible assets; the outcome of contingencies and litigation matters, including government investigations; the ability to recruit and retain qualified personnel; the impact of potential security and cyber threats, and other disruptions; and other factors as may be detailed from time to time in the Company's public announcements and Securities and Exchange Commission filings. The Company undertakes no obligation to make any revisions to the forwardlooking statements contained in this release and the attachments or to update them to reflect events or circumstances occurring after the date of this release, including any acquisitions, dispositions or other business arrangements that may be announced or closed after such date. This release and the attachments also contain non-GAAP financial measures. A GAAP reconciliation and a discussion of the Company's use of these measures are included in this release or the attachments.

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Attachment A Raytheon Company Preliminary Statement of Operations Information Third Quarter 2013

(In millions, except per share amounts)	-	Three Mor	nths Er	nded		Nine Mon	ths Ended		
	29-	Sep-13	30-	Sep-12	29	-Sep-13	30	-Sep-12	
Net sales Operating expenses	\$	5,842	\$	6,045	\$	17,836	\$	17,975	
Cost of sales		4,534		4,689		13,892		14,000	
Administrative and selling expenses		387		389		1,215		1,198	
Research and development expenses		164		181		500		543	
Total operating expenses		5,085		5,259		15,607		15,741	
Operating income		757		786		2,229		2,234	
Non-operating (income) expense, net									
Interest expense		53		49		159		149	
Interest income		(3)		(3)		(9)		(6)	
Other (income) expense, net Total non-operating (income) expense, net		(5) 45		(5) 41		(9) 141		(10) 133	
Income from continuing operations before taxes		712		745		2,088		2,101	
- '									
Federal and foreign income taxes		221 491		237 508		1 480		1,433	
Income from continuing operations Income (loss) from discontinued operations, net of tax		491		(1)		1,480		(4)	
						4 400			
Net income Less: Net income (loss) attributable to noncontrolling		493		507		1,480		1,429	
interests in subsidiaries		4		7		15		10	
Net income attributable to Raytheon Company	\$	489	\$	500	\$	1,465	\$	1,419	
Basic earnings (loss) per share attributable to Raytheon Company common stockholders:									
Income from continuing operations	\$	1.51	\$	1.51	\$	4.51	\$	4.26	
Income (loss) from discontinued operations, net of tax		_		_		_		(0.01)	
Net income		1.52		1.51		4.51		4.25	
Diluted earnings (loss) per share attributable to Raytheon Company common stockholders:									
Income from continuing operations	\$	1.51	\$	1.51	\$	4.50	\$	4.24	
Income (loss) from discontinued operations, net of tax				4.50		4.50		(0.01)	
Net income		1.51		1.50		4.50		4.23	
Amounts attributable to Raytheon Company common stockholders:									
Income from continuing operations	\$	487	\$	501	\$	1,465	\$	1,423	
Income (loss) from discontinued operations, net of tax Net income	\$	489	\$	(1) 500	\$	1,465	\$	(4) 1,419	
	<u>Ψ</u>	100	<del>-</del>		<u>Ψ</u>	1,100	<u>*</u>	., 110	
Average shares outstanding		202.5		000.0		0040		0040	
Basic Diluted		322.5 323.3		332.0 333.0		324.9 325.7		334.3 335.4	
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(In millions, except percentages)	T	Net S hree Mor			•	erating ee Mon			Operating Income As a Percent of Net Sales <sup>(1)</sup> Three Months Ended			
	29-	Sep-13	30-	Sep-12	29-Sep-13		30-Sep-12		29-Sep-13	30-Sep-12		
Integrated Defense Systems	\$	1,603	\$	1,610	\$	286	\$	278	17.8%	17.3%		
Intelligence, Information and Services		1,496		1,547		134		126	9.0%	8.1%		
Missile Systems		1,635		1,677		202		233	12.4%	13.9%		
Space and Airborne Systems		1,556		1,678		224		236	14.4%	14.1%		
FAS/CAS Adjustment		_		_		(46)		(47)				
Corporate and Eliminations		(448)		(467)		(43)		(40)				
Total	\$	5,842	\$	6,045	\$	757	\$	786	13.0%	13.0%		

<sup>(1)</sup> These amounts are revised to reflect our April 1, 2013 segment consolidation.

									Operating	g Income	
		Net S	ales	(1)	(	Operating	Inco	ne <sup>(1)</sup>	As a Percent of	of Net Sales (1)	
(In millions, except percentages)		Nine Mon	ths E	Ended	1	Nine Mont	hs E	nded	Nine Months Ended		
	29	-Sep-13	30	-Sep-12	29	29-Sep-13		Sep-12	29-Sep-13	30-Sep-12	
Integrated Defense Systems	\$	4,920	\$	4,762	\$	874	\$	785	17.8%	16.5%	
Intelligence, Information and Services		4,587		4,732		389		400	8.5%	8.5%	
Missile Systems		4,961		4,858		629		663	12.7%	13.6%	
Space and Airborne Systems		4,758		5,003		667		705	14.0%	14.1%	
FAS/CAS Adjustment		_		_		(189)		(188)			
Corporate and Eliminations		(1,390)		(1,380)		(141)		(131)			
Total	\$	17,836	\$	17,975	\$	2,229	\$	2,234	12.5%	12.4%	

<sup>(1)</sup> These amounts are revised to reflect our April 1, 2013 segment consolidation.

Attachment C Raytheon Company Other Preliminary Information Third Quarter 2013

(In millions)	Funded Backlog <sup>(1)</sup> Total Backlog <sup>(1)</sup>
	29-Sep-13 31-Dec-12 29-Sep-13 31-Dec-12
Integrated Defense Systems	\$ 7,985 \$ 9,188 \$ 9,573 \$ 11,656
Intelligence, Information and Services	2,689 2,848 5,888 6,409
Missile Systems	7,119 7,535 9,619 10,676
Space and Airborne Systems	4,351 4,476 7,155 7,440
Total	<u>\$ 22,144</u> <u>\$ 24,047</u> <u>\$ 32,235</u> <u>\$ 36,181</u>
(1) These amounts are revised to reflect our April 1, 2013 segment consolidation.	
	Bookings Bookings
	Three Months Ended Nine Months Ended
	29-Sep-13 30-Sep-12 29-Sep-13 30-Sep-12
Total Bookings	\$ 5,685 \$ 7,293 \$ 14,615 \$ 18,612

Attachment D Raytheon Company Preliminary Balance Sheet Information Third Quarter 2013

# (In millions)

	29-Sep-13	31-Dec-12		
Assets				
Current assets				
Cash and cash equivalents	\$ 2,942	\$ 3,188		
Short-term investments	955	856		
Contracts in process, net	5,248	4,543		
Inventories	405	381		
Deferred taxes	75	96		
Prepaid expenses and other current assets	127	182		
Total current assets	9,752	9,246		
Property, plant and equipment, net	1,907	1,986		
Deferred taxes	1,106	1,367		
Goodwill	12,765	12,756		
Other assets, net	1,248	1,331		
Total assets	\$ 26,778	\$ 26,686		
Liabilities and Equity				
Current liabilities				
Advance payments and billings in excess of costs incurred	\$ 2,232	\$ 2,398		
Accounts payable	1,143	1,348		
Accrued employee compensation	1,153	1,014		
Other accrued expenses	1,311	1,142		
Total current liabilities	5,839	5,902		
Accrued retiree benefits and other long-term liabilities	7,194	7,854		
Deferred taxes	1	9		
Long-term debt	4,733	4,731		
Equity				
Raytheon Company stockholders' equity				
Common stock	3	3		
Additional paid-in capital	2,335	2,928		
Accumulated other comprehensive loss	(7,314)	(7,788)		
Retained earnings	13,817	12,883		
Total Raytheon Company stockholders' equity	8,841	8,026		
Noncontrolling interests in subsidiaries	170	164		
Total equity	9,011	8,190		
Total liabilities and equity	\$ 26,778	\$ 26,686		

(In millions) Three Months				nded	Nine Months Ended					
	29-Sep-13		30-Sep-12		29	-Sep-13	30-	Sep-12		
Net income	\$	493	\$	507	\$	1,480	\$	1,429		
Loss (income) from discontinued operations, net of tax		(2)		1				4		
Income from continuing operations		491		508		1,480		1,433		
Depreciation		76		80		227		238		
Amortization		35		33		105		103		
Working capital (excluding pension and income taxes)*		265		432		(1,017)		(911)		
Other long-term liabilities		(5)		(12)		(16)		(38)		
Pension and other postretirement benefit plans		(71)		179		175		120		
Other, net		104		(109)		322		18		
Net operating cash flow from continuing operations	\$	895	\$	1,111	\$	1,276	\$	963		
Supplemental Cash Flow Information										
Capital spending	\$	(60)	\$	(67)	\$	(165)	\$	(204)		
Internal use software spending		(13)		(14)		(34)		(60)		
Acquisitions		_		(7)		(14)		(7)		
Purchases of short-term investments		(100)		(125)		(939)		(831)		
Sales of short-term investments		_		_		325		150		
Maturities of short-term investments		156		75		518		75		
Dividends		(177)		(165)		(520)		(478)		
Repurchases of common stock		(225)		(125)		(675)		(725)		

<sup>\*</sup> Working capital (excluding pension and income taxes) is a summation of changes in: contracts in process, net and advance payments and billings in excess of costs incurred, inventories, prepaid expenses and other current assets, accounts payable, accrued employee compensation, and other accrued expenses from the Consolidated Statements of Cash Flows.

#### Adjusted EPS Non-GAAP Reconciliation

(In millions, except per share amounts)								2013 Current Guidance		2013 Prior Guidan			nce																																																				
	7	Three Mor	nths E	Ended	Nine Months Ended		Low end		Low end		Low end		Low end		Low end		Low end		Low end		Low end		Low end		Low end		Low end		Low end		Low end		Low end		Low end		Hi	gh end	Lov	v end	Hiç	gh end																							
	29-	-Sep-13	30	-Sep-12	29-Sep-13 30-Sep-12		)-Sep-12	of range		of range		of range		of range		of range		of range		of range		of range		of range		of range		of range		of range		of range		of range		of range		of range		of range		of range		of range		of range		of range		of range		of range		of range		of range		of range		of	range	of r	ange	of	range
Diluted EPS from continuing operations attributable to									_																																																								
Raytheon Company common stockholders	\$	1.51	\$	1.51	\$	4.50	\$	4.24	\$	5.67	\$	5.77	\$	5.51	\$	5.61																																																	
Per share impact of the FAS/CAS Adjustment (A)		0.09		0.09		0.38		0.36		0.51		0.51		0.57		0.58																																																	
Per share impact of the 2012 research and development																																																																	
(R&D) tax credit (B)		_		0.02		(80.0)		0.05		(80.0)		(80.0)	(	(80.0		(80.0)																																																	
Adjusted EPS (2), (3)	\$	1.60	\$	1.62	\$	4.80	\$	4.66	\$	6.10	\$	6.20	\$	6.00	\$	6.10																																																	
(A) FAS/CAS Adjustment	\$	46	\$	47	\$	189	\$	188	\$	255	\$	255	\$	286	\$	286																																																	
Tax effect (1)		(16)		(16)		(66)		(66)		(89)		(89)		(100)		(100)																																																	
After-tax impact		30		31		123		122		166		166		186		186																																																	
Diluted shares		323.3		333.0		325.7		335.4		324.0		324.0	3	24.0		323.0																																																	
Per share impact	\$	0.09	\$	0.09	\$	0.38	\$	0.36	\$	0.51	\$	0.51	\$	0.57	\$	0.58																																																	
(B) 2012 R&D tax credit	\$	_	\$	6	\$	(25)	\$	18	\$	(25)	\$	(25)	\$	(25)	\$	(25)																																																	
Diluted shares		_		333.0		325.7		335.4		324.0		324.0	3	24.0		323.0																																																	
Per share impact	\$		\$	0.02	\$	(80.0)	\$	0.05	\$	(80.0)	\$	(80.0)	\$ (	(80.0	\$	(80.0)																																																	

#### Adjusted Income Non-GAAP Reconciliation

(In millions)

	1	hree Mor	nths Ei	nded	Nine Months Ended					
	29-Sep-13		Sep-13 30-Sep-12		29-Sep-13		30	-Sep-12		
Income from continuing operations attributable to Raytheon Company common stockholders	\$	487	\$	501	\$	1,465	\$	1,423		
FAS/CAS Adjustment (1)		30		31		123		122		
2012 R&D tax credit				6		(25)		18		
Adjusted Income (2), (4)	\$	517	\$	538	\$	1,563	\$	1,563		

## Adjusted Operating Margin Non-GAAP Reconciliation

				2013					
			Current Guidance				Prior Guidance		
	Three Mon	ths Ended	Nine Mont	hs Ended	Low end High end		Low end	High end	
	29-Sep-13	30-Sep-12	29-Sep-13	30-Sep-12	of range	of range	of range	of range	
Operating Margin	13.0%	13.0%	12.5%	12.4%	12.0%	12.1%	11.7%	11.8%	
FAS/CAS Adjustment	0.8%	0.8%	1.1%	1.0%	1.1%	1.1%	1.2%	1.2%	
Adjusted Operating Margin (2), (5)	13.7%	13.8%	13.6%	13.5%	13.1%	13.2%	12.9%	13.0%	

- (1) Tax effected at 35% federal statutory tax rate.
- (2) These amounts are not measures of financial performance under U.S. generally accepted accounting principles (GAAP). They should be considered supplemental to and not a substitute for financial performance in accordance with GAAP and may not be defined and calculated by other companies in the same manner. These amounts exclude the FAS/CAS Adjustment and, from time to time, certain other items. We are providing these measures because management uses them for the purposes of evaluating and forecasting the Company's financial performance and believes that they provide additional insights into the Company's underlying business performance. We also believe that they allow investors to benefit from being able to assess our operating performance in the context of how our principal customer, the U.S. Government, allows us to recover pension and postretirement benefit (PRB) costs and to better compare our operating performance to others in the industry on that same basis. Amounts may not recalculate directly due to rounding.
- (3) Adjusted EPS is diluted EPS from continuing operations attributable to Raytheon Company common stockholders excluding the EPS impact of the FAS/CAS Adjustment and, from time to time, certain other items. Nine Months Ended 2013 Adjusted EPS also excludes the earnings per share impact of an R&D tax credit that relates to 2012. In addition, the Q3 2012 and Nine Months Ended 2012 Adjusted EPS amounts have been revised to include the favorable impact for the 2012 R&D tax credit. In January 2013, Congress approved legislation that included the extension of the R&D tax credit. The legislation retroactively reinstated the R&D tax credit for 2012 and extended it through December 31, 2013. As a result, we recorded the 2012 benefit in the first quarter of 2013.
- (4) Adjusted Income is income from continuing operations attributable to Raytheon Company common stockholders excluding the after-tax impact of the FAS/CAS Adjustment and, from time to time, certain other items. Nine Months Ended 2013 Adjusted Income also excludes the R&D tax credit that relates to 2012, as discussed above. Q3 2012 and Nine Months Ended 2012 Adjusted Income also includes the 2012 R&D tax credit as discussed above.
- (5) Adjusted Operating Margin is defined as total operating margin excluding the margin impact of the FAS/CAS Adjustment and, from time to time, certain other items.