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For Immediate Release

Raytheon Reports Solid Third Quarter 2012 Results

- Strong bookings of \$7.3 billion; book-to-bill of 1.21
- Adjusted EPS¹ of \$1.60, up 15 percent; EPS from continuing operations was \$1.51, up 6 percent
- Adjusted Operating Margin¹, of 13.8 percent, up 80 basis points; reported operating margin of 13.0 percent up 120 basis points
- Net sales of \$6.0 billion, down 1 percent
- Strong operating cash flow from continuing operations of \$1.1 billion
- Increased full-year 2012 guidance for EPS

WALTHAM, Mass., (October 25, 2012) - Raytheon Company (NYSE: RTN) announced third quarter 2012 Adjusted EPS¹ of \$1.60 per diluted share compared to \$1.39 per diluted share in the third quarter 2011, up 15 percent. The increase was primarily driven by operational improvements and capital deployment actions. Third quarter 2012 EPS from continuing operations was \$1.51 compared to \$1.42 in the third quarter 2011. Third quarter 2012 included an unfavorable FAS/CAS Adjustment of \$0.09, compared with an unfavorable FAS/CAS Adjustment of \$0.14 in the third quarter 2011. Third quarter 2011 also included a \$0.17 per diluted share favorable tax settlement.

"Raytheon's strong operating performance in the third quarter reflects our continued focus on reducing cost, and increasing productivity," said William H. Swanson, Raytheon's Chairman and CEO. "Our bookings in the quarter were strong, and we have significant opportunities in both domestic and international markets for our innovative technologies and affordable solutions."

¹ Adjusted EPS is EPS from continuing operations attributable to Raytheon Company common stockholders and Adjusted Operating Margin is total operating margin, in each case, excluding the impact of the FAS/CAS Adjustment, and from time to time, certain other items. Q3 2011 Adjusted EPS also excludes the impact of the favorable tax settlement as discussed above. 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.

	 EPS	-	Adjusted EPS*	EPS	Adjusted EPS*		
Q3 2011	\$ 1.42	\$	1.39	\$ 3.68	\$	4.13	
Operational Improvements	0.07		0.07	0.24		0.24	
Reduced Share Count	0.08		0.08	0.27		0.27	
Other Items, net	0.06		0.06	(0.05)		(0.05)	
FAS/CAS Adjustment**	0.05		_	0.10		_	
UKBA LOC Adjustment	_		_	0.17		_	
2011 Tax Settlement	(0.17)		_	(0.17)		_	
Q3 2012	\$ 1.51	\$	1.60	\$ 4.24	\$	4.61	

^{*} Adjusted EPS is a non-GAAP financial measure. See attachment F for a reconciliation of this measure and a discussion of why the Company is presenting this information. Amounts may not add due to rounding.

Net sales for the third quarter 2012 were \$6,045 million, compared to \$6,116 million in the third quarter 2011. The Company reported strong bookings for the third quarter 2012 of \$7,293 million, resulting in a book-to-bill ratio of 1.21. Bookings in the third quarter 2011 were \$6,884 million.

The Company generated strong operating cash flow in the quarter. Operating cash flow from continuing operations for the third quarter 2012 was \$1,111 million compared to \$845 million for the third quarter 2011. The increase in operating cash from continuing operations in the third quarter 2012 was primarily due to the timing of collections and pension contributions, partially offset by higher tax payments.

In the third quarter 2012, the Company repurchased 2.2 million shares of common stock for \$125 million as part of its previously announced share repurchase program. Year-to-date 2012, the Company repurchased 14.1 million shares of common stock for \$725 million.

The Company ended the third quarter 2012 with \$1.0 billion of net debt. Net debt is defined as total debt less cash and cash equivalents and short-term investments.

^{**} Represents the difference between the 3rd quarter 2012 and 3rd quarter 2011 FAS/CAS Adjustments of \$(0.09) and \$(0.14), respectively and the first nine months of 2012 and first nine months of 2011 FAS/CAS Adjustments of \$(0.36) and \$(0.46), respectively.

Summary Financial Results

	3rd C	uarter	%	Nine Mo	onths	%
(\$ in millions, except per share data)	2012	2011	Change	2012	2011	Change
Net Sales	\$ 6,045	\$ 6,116	-1%	\$17,975	\$18,369	-2%
Income from Continuing Operations attributable to Raytheon Company	\$ 501	\$ 498	1%	\$ 1,423	\$ 1,309	9%
Adjusted Income*	\$ 532	\$ 487	9%	\$ 1,545	\$ 1,473	5%
EPS from Continuing Operations	\$ 1.51	\$ 1.42	6%	\$ 4.24	\$ 3.68	15%
Adjusted EPS*	\$ 1.60	\$ 1.39	15%	\$ 4.61	\$ 4.13	12%
Operating Cash Flow from Continuing Operations	\$ 1,111	\$ 845		\$ 963	\$ 816	
Workdays in Fiscal Reporting Calendar	63	63		191	191	

^{*} 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. Q3 2011 Adjusted Income also excludes the favorable tax settlement discussed above. 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	uart	er	Nine Months				
	20			2011	2012	2011			
Bookings	\$	7,293	\$	6,884	\$ 18,612	\$ 19,408			

Backlog

(\$ in millions)	F	Period Endin	ıg
	Q3 2012	2011	Q3 2011
Backlog	\$ 35,015	\$ 35,312	\$ 34,985
Funded Backlog	\$ 22,886	\$ 22,462	\$ 21,734

The Company had bookings of \$7.3 billion in the third quarter 2012 and had a period ending backlog of \$35.0 billion.

Outlook

The Company has updated its full-year 2012 outlook. Charts containing additional information on the Company's 2012 outlook are available on the Company's website at www.raytheon.com/ir.

2012 Financial Outlook

	Current	Prior (7/26/12)
Net Sales (\$B)	24.3 - 24.7*	24.5 - 25.0
FAS/CAS Adjustment (\$M)	(252)*	(284)
Interest Expense, net (\$M)	(190) - (200)	(190) - (200)
Diluted Shares (M)	334 - 335	334 - 335
Effective Tax Rate	~32%	~32%
EPS from Continuing Operations	\$5.36 - \$5.46*	\$5.15 - \$5.30
Adjusted EPS**	\$5.85 - \$5.95*	\$5.70 - \$5.85
Operating Cash Flow from Continuing Operations (\$B)	1.8 - 2.0*	1.7 - 1.9

^{*} Denotes change from prior guidance.

Although it remains uncertain if sequestration under the Budget Control Act (BCA) will be implemented, sequestration could have a significant impact on the U.S. Military, the Aerospace and Defense Industry and Federal spending. Several industry associations estimate that sequestration, if implemented, could have a severe impact on U.S. Aerospace and Defense Industry employment nationwide. We believe that Raytheon's large international market presence, portfolio of programs, technology and focus on high priority areas should help to mitigate some of the potential overall impact.

Segment Results

The Company's reportable segments are: Integrated Defense Systems, Intelligence and Information Systems, Missile Systems, Network Centric Systems, Space and Airborne Systems, and Technical Services.

Integrated Defense Systems

		3rd Q	uarte	er			Nine N			
(\$ in millions)	2012 2011		% Change		2012		2011	% Change		
Net Sales	\$	1,275	\$	1,176	8%	\$ 3,716		\$ 3,667		1%
Operating Income	\$	240	\$	204	18%	\$	692	\$	600	15%
Operating Margin		18.8%		17.3%			18.6%		16.4%	

Integrated Defense Systems (IDS) had third quarter 2012 net sales of \$1,275 million, up 8 percent compared to \$1,176 million in the third quarter 2011. The increase in net sales was primarily due to higher sales on an international Patriot program. IDS recorded \$240 million of operating income compared to \$204 million in the third quarter 2011. The increase in operating income was primarily due to favorable contract mix and higher volume in the third quarter 2012.

During the quarter, IDS booked \$123 million for the Upgraded Early Warning Radar (UEWR) system for the Missile Defense Agency (MDA) and the U.S. Air Force. IDS also booked \$84 million to provide air and missile defense capability for the U.S. Army.

^{**} Adjusted EPS is a non-GAAP financial measure. See attachment F for a reconciliation of this measure and a discussion of why the Company is presenting this information.

Intelligence and Information Systems

	,	3rd Q	uarte	r			Nine N		
(\$ in millions)	2	2012 2011 %		% Change	2012		2011*	% Change	
Net Sales	\$	742	\$	760	-2%	\$	2,257	\$ 2,262	
Operating Income	\$	60	\$	58	3%	\$	183	\$ 85	NM
Operating Margin		8.1%		7.6%			8.1%	3.8%	

^{*} First quarter 2011 included an \$80 million reduction to operating income due to the UKBA LOC Adjustment as described in attachment F. NM - Not Meaningful

Intelligence and Information Systems (IIS) had third quarter 2012 net sales of \$742 million compared to \$760 million in the third quarter 2011. IIS recorded \$60 million of operating income compared to \$58 million in the third quarter 2011.

During the quarter, IIS booked \$170 million on a contract to provide intelligence, surveillance and reconnaissance (ISR) support to the U.S. Air Force. IIS also booked \$559 million on a number of classified contracts.

Missile Systems

	3rd Q	uarte	er		hs			
(\$ in millions)	2012		2011	% Change	2012		2011	% Change
Net Sales \$ 1,443 \$ 1,413	2%	\$ 4,149	\$	4,108	1%			
Operating Income	\$ 189	\$	178	6%	\$ 538	\$	484	11%
Operating Margin	13.1%		12.6%		13.0%		11.8%	

Missile Systems (MS) had third quarter 2012 net sales of \$1,443 million compared to \$1,413 million in the third quarter 2011. The increase in net sales was primarily driven by higher sales on the Standard Missile 3 (SM-3) program. MS recorded \$189 million of operating income compared to \$178 million in the third quarter 2011. The increase in operating income was primarily due to improved program performance.

During the quarter, MS booked \$1,242 million for the production and development of SM-3 for the Missile Defense Agency (MDA). MS also booked \$350 million for the production of Tube-launched, Optically-tracked, Wireless-guided (TOW) missiles for the U.S. Army and Marines, \$101 million for Phalanx weapon systems for the U.S. Navy and an international customer, and \$87 million on Miniature Air-Launch Decoy (MALD®) for the U.S. Air Force.

Network Centric Systems

		3rd Q	uarte	er	Nine Months							
(\$ in millions)	2012 2011		% Change	2012		2011		% Change				
Net Sales	\$	963	\$	1,104	-13%	\$	\$ 2,925		3,360	-13%		
Operating Income	\$	131	\$	162	-19%	\$	370	\$	492	-25%		
Operating Margin		13.6%		14.7%			12.6%		14.6%			

Network Centric Systems (NCS) had third quarter 2012 net sales of \$963 million compared to \$1,104 million in the third quarter 2011. The change in net sales, as expected, was primarily due to lower sales on U.S. Army production programs. NCS recorded \$131 million of operating income compared to \$162 million in the third quarter 2011. The change in operating income was primarily due to a change in contract mix and lower volume in the third quarter 2012.

During the quarter, NCS booked \$70 million on the Family of Advanced Beyond-Line-of-Sight Terminals (FAB-T) program for the U.S. Air Force.

Space and Airborne Systems

	3rd Q	uarte	er	Nine Months					5		
(\$ in millions)	2012		2011	% Change		2012		2011	% Change		
Net Sales	\$ 1,322	\$	1,305	1%	\$	3,956	\$	3,914	1%		
Operating Income	\$ 190	\$	171	11%	\$	567	\$	503	13%		
Operating Margin	14.4%		13.1%			14.3%		12.9%			

Space and Airborne Systems (SAS) had third quarter 2012 net sales of \$1,322 million compared to \$1,305 million in the third quarter 2011. SAS recorded \$190 million of operating income compared to \$171 million in the third quarter 2011. The increase in operating income was primarily due to a change in contract mix and improved program performance.

During the quarter, SAS booked \$105 million for an international sensor program. SAS also booked \$382 million on a number of classified contracts.

Technical Services

	uarte	Nine Months								
(\$ in millions)	2	2012 2011 %		% Change		2012		2011	% Change	
Net Sales	\$	785	\$	817	-4%	\$ 2,408		\$	2,467	-2%
Operating Income	\$	64	\$	75	-15%	\$	\$ 210		228	-8%
Operating Margin		8.2%		9.2%			8.7%		9.2%	

Technical Services (TS) had third quarter 2012 net sales of \$785 million compared to \$817 million in the third quarter 2011. The change in net sales was due to lower net sales on a National Science Foundation (NSF) Polar contract, which was completed in the first quarter 2012. TS recorded operating income of \$64 million compared to \$75 million in the third quarter 2011.

During the quarter, TS booked \$246 million for work on the Air Traffic Control Optimum Training Solution (ATCOTS) contract for the Federal Aviation Administration (FAA). TS also booked \$252 million on domestic training programs and \$137 million on foreign training programs in support of Warfighter FOCUS activities.

About Raytheon

Raytheon Company, with 2011 sales of \$25 billion and 71,000 employees worldwide, is a technology and innovation leader specializing in defense, homeland security and other government markets throughout the world. With a history of innovation spanning 90 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 www.raytheon.com and follow us on Twitter at @raytheon.

Conference Call on the Third Quarter 2012 Financial Results

Raytheon's financial results conference call will be held on Thursday, October 25, 2012 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 www.raytheon.com/ir. 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, 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 forward-looking statements contained in this release and the attachments or to update them to reflect events or circumstances occurring after the date of this release, including any acquisitions, dispositions or other business arrangements that may be announced or closed after such date. 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 2012

(In millions, except per share amounts)	-	Three Mon	iths E	nded		Nine Mon	hs Ended		
	30-	Sep-12	02-	-Oct-11	30	-Sep-12	02	2-Oct-11	
Net sales Operating expenses	\$	6,045	\$	6,116	\$	17,975	\$	18,369	
Cost of sales		4,689		4,815		14,000		14,646	
Administrative and selling expenses		389		426		1,198		1,288	
Research and development expenses		181		153		543		454	
Total operating expenses		5,259		5,394		15,741	_	16,388	
Operating income		786		722		2,234		1,981	
Non-operating (income) expense, net									
Interest expense		49		41		149		127	
Interest income Other (income) expense		(3)		(5)		(6) (10)		(12) 15	
Total non-operating (income) expense, net		(5) 41		<u>14</u> 50		133		130	
Income from continuing operations before taxes		745		672		2,101		1,851	
Federal and foreign income taxes		237		165		668		521	
Income from continuing operations		508		507		1,433		1,330	
Income (loss) from discontinued operations, net of tax		(1)		3		(4)		14	
Net income		507		510		1,429		1,344	
Less: Net income (loss) attributable to noncontrolling interests in subsidiaries		7		9		10		21	
Net income attributable to Raytheon Company	\$	500	\$	501	\$	1,419	\$	1,323	
Basic earnings (loss) per share attributable to Raytheon Company common stockholders: Income from continuing operations Income (loss) from discontinued operations, net of tax	\$	1.51	\$	1.42 0.01	\$	4.26 (0.01)	\$	3.70 0.04	
Net income		1.51		1.43		4.25		3.73	
Diluted earnings (loss) per share attributable to Raytheon Company common stockholders:									
Income from continuing operations	\$	1.51	\$	1.42	\$	4.24	\$	3.68	
Income (loss) from discontinued operations, net of tax				0.01		(0.01)		0.04	
Net income		1.50		1.43		4.23		3.71	
Amounts attributable to Raytheon Company common stockholders:	Φ.	504	Φ.	400	•	4 400	•	4 200	
Income from continuing operations Income (loss) from discontinued operations, net of tax	\$	501 (1)	\$	498 3	\$	1,423	\$	1,309 14	
Net income	\$	500	\$	501	\$	(4) 1,419	\$	1,323	
Average shares outstanding									
Basic		332.0		350.5		334.3		354.3	
Diluted		333.0		351.4		335.4		356.4	

(In millions, except percentages)	Net Sales Three Months Ended			Operating Income Three Months Ended				Operating Income As a Percent of Net Sales Three Months Ended		
	30-	Sep-12	02	-Oct-11	30-5	Sep-12	02-0	Oct-11	30-Sep-12	02-Oct-11
Integrated Defense Systems	\$	1,275	\$	1,176	\$	240	\$	204	18.8%	17.3%
Intelligence and Information Systems		742		760		60		58	8.1%	7.6%
Missile Systems		1,443		1,413		189		178	13.1%	12.6%
Network Centric Systems		963		1,104		131		162	13.6%	14.7%
Space and Airborne Systems		1,322		1,305		190		171	14.4%	13.1%
Technical Services		785		817		64		75	8.2%	9.2%
FAS/CAS Adjustment		_		_		(47)		(75)		
Corporate and Eliminations		(485)		(459)		(41)		(51)		
Total	\$	6,045	\$	6,116	\$	786	\$	722	13.0%	11.8%

	Net Sales			Operating Income				Operating Income As a Percent of Net Sales			
(In millions, except percentages)			inded	•				Nine Months Ended			
	30	-Sep-12	02	2-Oct-11	30-	Sep-12	02	-Oct-11	30-Sep-12	02-Oct-11	
Integrated Defense Systems	\$	3,716	\$	3,667	\$	692	\$	600	18.6%	16.4%	
Intelligence and Information Systems		2,257		2,262		183		85	8.1%	3.8%	
Missile Systems		4,149		4,108		538		484	13.0%	11.8%	
Network Centric Systems		2,925		3,360		370		492	12.6%	14.6%	
Space and Airborne Systems		3,956		3,914		567		503	14.3%	12.9%	
Technical Services		2,408		2,467		210		228	8.7%	9.2%	
FAS/CAS Adjustment		_				(188)		(254)			
Corporate and Eliminations		(1,436)		(1,409)		(138)		(157)			
Total	\$	17,975	\$	18,369	\$	2,234	\$	1,981	12.4%	10.8%	

Attachment C Raytheon Company Other Preliminary Information Third Quarter 2012

(In millions)	Funded	Total Backlog			
	30-Sep-12	31-Dec-11	30-Sep-12	31-Dec-11	
Integrated Defense Systems	\$ 6,757	\$ 7,100	\$ 8,404	\$ 9,766	
Intelligence and Information Systems	1,051	829	4,002	4,366	
Missile Systems	6,436	6,205	9,784	8,570	
Network Centric Systems	3,159	3,267	3,941	4,160	
Space and Airborne Systems	3,553	3,104	6,091	5,864	
Technical Services	1,930	1,957	2,793	2,586	
Total	\$ 22,886	\$ 22,462	\$ 35,015	\$ 35,312	
	Boo	kings	Book	kings	
	Three Mor	nths Ended	Nine Mon	ths Ended	
	30-Sep-12	02-Oct-11	30-Sep-12	02-Oct-11	
Total Bookings	\$ 7,293	\$ 6,884	\$ 18,612	\$ 19,408	

Attachment D Raytheon Company Preliminary Balance Sheet Information Third Quarter 2012

(In millions)

	30-Sep-12	31-Dec-11	
Assets			
Cash and cash equivalents	\$ 3,032	\$ 4,000	
Short-term investments	614	_	
Contracts in process, net	4,789	4,526	
Inventories	482	336	
Deferred taxes	83	221	
Prepaid expenses and other current assets	260_	226	
Total current assets	9,260	9,309	
Property, plant and equipment, net	1,929	2,006	
Deferred taxes	720	657	
Goodwill	12,546	12,544	
Other assets, net	1,242	1,338	
Total assets	\$ 25,697	\$ 25,854	
Liabilities and Equity			
Current liabilities			
Advance payments and billings in excess of costs incurred	\$ 2,169	\$ 2,542	
Accounts payable	1,190	1,507	
Accrued employee compensation	1,130	941	
Other accrued expenses	1,179	1,140	
Total current liabilities	5,668	6,130	
Accrued retiree benefits and other long-term liabilities	6,192	6,774	
Deferred taxes	3	5	
Long-term debt	4,609	4,605	
Equity			
Raytheon Company stockholders' equity			
Common stock	3	3	
Additional paid-in capital	11,900	11,676	
Accumulated other comprehensive loss	(6,506)	(7,001)	
Treasury stock, at cost	(8,913)	(8,153)	
Retained earnings	12,578	11,656	
Total Raytheon Company stockholders' equity	9,062	8,181	
Noncontrolling interests in subsidiaries	163	159	
Total equity	9,225	8,340	
Total liabilities and equity	\$ 25,697	\$ 25,854	

	Three Months Ended				Nine Months Ended			
	30-Sep-12	02-	Oct-11	30-Sep-12		02-	-Oct-11	
Net income	\$ 507	\$	510	\$	1,429	\$	1,344	
Loss (Income) from discontinued operations, net of tax	1		(3)		4		(14)	
Income from continuing operations	508		507		1,433		1,330	
Depreciation	80		79		238		230	
Amortization	33		34		103		98	
Working capital (excluding pension and income taxes)**	432		257		(911)		(873)	
Other long-term liabilities	(12)	(74)		(38)		(55)	
Pension and other postretirement benefits	179		(268)		120		(260)	
Other	(109)	310		18		346	
Net operating cash flow from continuing operations	1,111	_	845		963		816	
Supplemental Cash Flow Information								
Capital spending	(67)	(90)		(204)		(197)	
Internal use software spending	(14)	(24)		(60)		(74)	
Acquisitions	(7)	(1)		(7)		(551)	
Dividends	(165)	(152)		(478)		(440)	
Repurchases of common stock	(125)	(312)		(725)		(937)	

^{**} Working capital (excluding pension and income taxes) is a summation of changes in: contracts in process 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 Statements of Cash Flows.

Adjusted EPS Non-GAAP Reconciliation

(In millions, except per share amounts)						012 Guidance		012 Guidance
(Three Months Ended		Nine Months Ended		Low end	High end	Low end	High end
	2012	2011	2012	2011	of range	of range	of range	of range
Diluted earnings per share from continuing operations								
attributable to Raytheon Company common stockholders	\$ 1.51	\$ 1.42	\$ 4.24	\$ 3.68	\$ 5.36	\$ 5.46	\$ 5.15	\$ 5.30
Per share impact of the FAS/CAS Adjustment (A)	0.09	0.14	0.36	0.46	0.49	0.49	0.55	0.55
Per share impact of the UK Border Agency (UKBA) LOC Adjustment (B)	_	_	_	0.17	_	_	_	_
Per share impact of the favorable tax settlement (C)	_	(0.17)	_	(0.17)		_	_	_
Adjusted EPS (3), (4)	\$ 1.60	\$ 1.39	\$ 4.61	\$ 4.13	\$ 5.85	\$ 5.95	\$ 5.70	\$ 5.85
(A) FAS/CAS Adjustment Tax effect (1)	\$ 47 (16)	\$ 75 (26)	\$ 188 (66)	\$ 254 (89)	\$ 252 (88)	\$ 252 (88)	\$ 284 (99)	\$ 284 (99)
After-tax impact	31	49	122	165	164	164	185	185
Diluted shares	333.0	351.4	335.4	356.4	335.0	334.0	335.0	334.0
Per share impact	\$ 0.09	\$ 0.14	\$ 0.36	\$ 0.46	\$ 0.49	\$ 0.49	\$ 0.55	\$ 0.55
(B) UKBA LOC Adjustment	\$ —	\$ —	\$ —	\$ 80	\$ —	\$ —	\$ —	\$ —
Tax effect (2)				(21)				
After-tax impact				59				
Diluted shares	_	_	_	356.4	_	_	_	_
Per share impact	\$ —	\$ —	\$ —	\$ 0.17	\$ —	\$ —	\$ —	\$ —
(C) Favorable tax settlement	\$ —	\$ (60)	\$ —	\$ (60)	\$ —	\$ —	\$ —	\$ —
Diluted shares		351.4		356.4				
Per share impact	\$ —	\$ (0.17)	\$ —	\$ (0.17)	\$ —	\$ —	\$ —	\$ —

Adjusted Income Non-GAAP Reconciliation

(In millions)

	_TI	ree Mo	nths I	Nine Months Ended		
	2012		2011		2012	2011
Income from continuing operations attributable to Raytheon						
Company common stockholders	\$	501	\$	498	\$1,423	\$1,309
FAS/CAS Adjustment (1)		31		49	122	165
UKBA LOC Adjustment (2)		_		_	_	59
Favorable tax settlement				(60)		(60)_
Adjusted Income (3), (5)	\$	532	\$	487	\$1,545	\$1,473

Adjusted Operating Margin Non-GAAP Reconciliation

					Current (Guidance	Prior Guidance	
	Three Mont	Three Months Ended		Nine Months Ended		High end	Low end	High end
	2012	2011	2012	2011	of range	of range	of range	of range
Operating Margin	13.0%	11.8%	12.4%	10.8%	11.8%	12.0%	11.3%	11.5%
Impact of the FAS/CAS Adjustment	0.8%	1.2%	1.0%	1.4%	1.0%	1.0%	1.2%	1.2%
Impact of the UKBA LOC Adjustment	%	—%	%	0.4%	%	%	%	%
Adjusted Operating Margin (3), (6)	13.8%	13.0%	13.5%	12.6%	12.8%	13.0%	12.5%	12.7%

2012

2012

- (1) Tax effected at 35% federal statutory tax rate.
- (2) Tax effected at approximately 27% blended global tax rate.
- (3) 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 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.
- (4) 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. In addition to the FAS/CAS Adjustment, nine months ended 2011 Adjusted EPS also excludes the impact of the UKBA LOC Adjustment, as previously disclosed. This adjustment was based on the UKBA's decision to draw down on the previously disclosed letters of credit provided by Raytheon Systems Limited (RSL). The determination of the validity of the draw down is now a subject of the ongoing arbitration proceedings related to the UKBA program. Three months and nine months ended 2011 Adjusted EPS also excludes the earnings per share impact of a favorable tax settlement in the third quarter of 2011 as a result of our receipt of final approval from the IRS and the U.S. Congressional Joint Committee on Taxation of the IRS examination of our tax returns for the 2006-2008 tax years.
- (5) 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. In addition to the FAS/CAS Adjustment, nine months ended 2011 Adjusted Income also excludes the after-tax impact of the UKBA LOC Adjustment, as described above. Three months and nine months ended 2011 Adjusted Income also excludes the impact of the favorable tax settlement in the third quarter of 2011, as described above.
- (6) 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. In addition to the FAS/CAS Adjustment, nine months en