

# News release



## Raytheon Reports First Quarter Earnings of \$0.24 Per Share From Continuing Operations

### Operating Cash Flow Up Year-over-year and Better Than Plan

LEXINGTON, Mass., April 19 /PRNewswire/ -- Raytheon Company (NYSE: RTNA, RTNB) today reported first quarter 2000 sales from continuing operations of \$4.2 billion, off slightly from \$4.3 billion in the first quarter 1999 due to divestitures. The company had income from continuing operations of \$80 million, or \$0.24 per diluted share, versus \$240 million, or \$0.71 per diluted share, in the first quarter 1999.

Raytheon Engineers & Constructors (RE&C) contributed a \$70 million loss from operations in the quarter, primarily due to additional losses on one large fixed-price international program. Additionally, Raytheon recorded a loss on the sale of RE&C to Morrison Knudsen Corporation of \$191 million. The total loss from RE&C as a discontinued operation in the first quarter was \$0.77 per diluted share. Including the impact of discontinued operations the company recorded a net loss of \$181 million for the quarter, compared with net income of \$205 million in the first quarter 1999.

Reporting RE&C as discontinued represents a \$0.20 per share adjustment in Raytheon's full-year earnings projections for continuing operations. Accordingly, the company now projects full-year diluted earnings per share of \$1.40-\$1.55.

Raytheon's total backlog in continuing operations at the end of the quarter was \$24.6 billion, compared with \$20.1 billion at the end of the 1999 first quarter. New bookings for continuing operations during the quarter totaled \$4.3 billion.

Cash outflow from operations was \$518 million for the quarter, a smaller outflow than planned and an improvement of \$478 million over the same period last year. Net debt at the end of the 2000 first quarter was \$10.0 billion, compared with \$9.8 billion at the end of the first quarter 1999.

"On balance, earnings from continuing operations met expectations," said Daniel P. Burnham, Raytheon chairman and chief executive officer. "This was an important first step in repositioning the company for 2001 and beyond."

### Electronic Systems

Electronic Systems, formerly Defense Systems and Sensors and Electronic Systems, reported sales of \$1.9 billion in the first quarter 2000, compared with \$2.0 billion in the 1999 first quarter. Volume was down for missiles and missile defense systems, as expected. The business had operating income of \$183 million in the quarter versus \$346 million a year ago. Contributors to the decline in operating income included lower volume, adverse mix and certain positive non-recurring items in 1999.

Electronic Systems had backlog of \$11.0 billion at the end of the first

quarter 2000, compared with \$9.4 billion at the end of the first quarter 1999.

#### Command, Control, Communication and Information Systems

Command, Control, Communication and Information Systems (C3I) had sales of \$846 million in the first quarter, compared with \$962 million in sales last year. Sales were lower in the quarter, but are expected to be up overall for the year. Operating income for the unit was \$69 million compared with \$121 million in the first quarter of 1999. Operating income was down primarily due to lower volume, higher business development expenses and certain prior year, positive non-recurring items.

C3I had backlog of \$4.8 billion at the end of the quarter, versus \$5.1 billion at the end of the first quarter of 1999.

#### Technical Services

Technical Services (TS), formerly Training & Services, recorded first quarter sales of \$421 million, versus \$449 million in the first quarter of 1999. Operating income for the unit was \$27 million for the period, compared with \$29 million in the first quarter of 1999. The sale of the flight simulator business had an unfavorable impact on both sales and operating income compared with the prior year first quarter.

TS had backlog at the end of the first quarter totaling \$1.9 billion, compared with \$1.6 billion a year ago.

#### Aircraft Integration Systems

Aircraft Integration Systems (AIS) reported sales of \$298 million for the first quarter of 2000, compared with sales of \$295 million for the first quarter of 1999. AIS had first quarter 2000 operating income of \$15 million, compared with \$42 million in the 1999 first quarter. Operating income was down due to contract settlements and termination payments in 1999, as well as other positive non-recurring items.

AIS had backlog of \$2.3 billion at the end of the first quarter 2000, compared with \$1.1 billion at the end of the 1999 first quarter, reflecting the Airborne Standoff Radar (ASTOR) contract, which was finalized in the fourth quarter of 1999.

#### Commercial Electronics

Raytheon's Commercial Electronics businesses (CE) had sales of \$174 million in the first quarter, compared with first quarter 1999 sales of \$220 million. The decrease in sales was due to the divestiture of Cedarapids Inc. in the third quarter of 1999. CE had operating income of \$20 million in the first quarter, compared with \$11 million for the same period last year. Operating income was bolstered by a favorable settlement on a commercial training contract, consistent with the plan for the quarter.

CE had backlog of \$0.6 billion at the end of the first quarter, versus \$0.5 billion at the end of the 1999 first quarter.

#### Raytheon Aircraft Company

Raytheon Aircraft Company (RAC) recorded first quarter 2000 sales of \$815 million, up 30 percent from the 1999 period. Operating income for RAC fell 47 percent to \$30 million in the first quarter 2000. Aircraft shipments in the quarter were up 44 units year-over-year, including recovery of 16 of the 19 planes that slipped in the fourth quarter of 1999. RAC's results were affected by higher production costs, startup costs associated with the launch of SAP, higher fuel costs at Raytheon Travel Air and narrower spreads on customer financing due to higher interest rates.

RAC had backlog of \$4.1 billion at the end of the first quarter, compared with \$2.5 billion at the end of the first quarter of 1999.

Raytheon Company is a global technology leader that provides products and services in the areas of commercial and defense electronics and business and special mission aircraft. Raytheon has operations throughout the United States

and serves customers in 80 countries.

This news release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act concerning the company's financial results, future plans, objectives, expected performance and potential new business awards. Specifically, statements in this release that are not historical facts, including statements accompanied by words such as "believe," "expect," "anticipate," "estimate," "intend, or "plan" are intended to identify forward-looking statements and convey the uncertainty of future events or outcomes.

The company cautions readers that any such forward-looking statements are based on assumptions that the company believes are reasonable, but are subject to a wide-range of risks, and, actual results may differ materially. Important factors that could cause actual results to differ include but are not limited to: differences in anticipated and actual program results; risks inherent with large long-term fixed price contracts; the ability to realize anticipated cost efficiencies; the ability to contain cost growth, particularly at RAC; the ability to finance ongoing operations at attractive rates; the effect of market conditions; and the impact of competitive products and pricing, among other things. Further information regarding the factors that could cause actual results to differ materially from projected results can be found in the company's reports filed with the SEC, including "Item 1 - Business" in Raytheon's most recent Form 10-K, and this press release should be read in conjunction with cautionary statements contained therein.

Raytheon Company  
Financial Information  
First Quarter 2000

| (In millions, except per share amounts)                 | Three Months Ended |           |
|---------------------------------------------------------|--------------------|-----------|
|                                                         | 02-Apr-00          | 04-Apr-99 |
| Net sales                                               | \$ 4,231           | \$ 4,336  |
| Cost of sales                                           | 3,451              | 3,341     |
| Administrative and selling expenses                     | 341                | 305       |
| Research and development expenses                       | 123                | 111       |
| Total operating expenses                                | 3,915              | 3,757     |
| Operating income                                        | 316                | 579       |
| Interest expense, net                                   | 180                | 175       |
| Other (income) expense, net                             | (5)                | 9         |
| Non-operating expense, net                              | 175                | 184       |
| Income from continuing operations before taxes          | 141                | 395       |
| Federal and foreign income taxes                        | 61                 | 155       |
| Income from continuing operations                       | 80                 | 240       |
| Discontinued operations                                 |                    |           |
| Income (loss) from discontinued operations, net of tax  | (70)               | 18        |
| Loss on disposal of discontinued operations, net of tax | (191)              | --        |
|                                                         | (261)              | 18        |
| Income (loss) before accounting change                  | (181)              | 258       |

|                                                                 |           |         |
|-----------------------------------------------------------------|-----------|---------|
| Cumulative effect of change in accounting principle, net of tax | --        | 53      |
| Net income (loss)                                               | \$ (181)  | \$ 205  |
| Earnings per share from continuing operations                   |           |         |
| Basic                                                           | \$ 0.24   | \$ 0.71 |
| Diluted                                                         | \$ 0.24   | \$ 0.71 |
| Earnings (loss) per share from discontinued operations          |           |         |
| Basic                                                           | \$ (0.77) | \$ 0.05 |
| Diluted                                                         | \$ (0.77) | \$ 0.05 |
| Earnings (loss) per share before accounting change              |           |         |
| Basic                                                           | \$ (0.54) | \$ 0.77 |
| Diluted                                                         | \$ (0.54) | \$ 0.76 |
| Earnings (loss) per share                                       |           |         |
| Basic                                                           | \$ (0.54) | \$ 0.61 |
| Diluted                                                         | \$ (0.54) | \$ 0.60 |
| Average shares outstanding                                      |           |         |
| Basic                                                           | 338.3     | 336.4   |
| Diluted                                                         | 338.7     | 340.2   |

#### Attachment B

Raytheon Company  
Segment Information  
First Quarter 2000

| (In millions)                                           | Net Sales          |             | Operating Income   |             | Operating Income      |             |
|---------------------------------------------------------|--------------------|-------------|--------------------|-------------|-----------------------|-------------|
|                                                         |                    |             |                    |             | As a Percent of Sales |             |
|                                                         | Three Months Ended |             | Three Months Ended |             | Three Months Ended    |             |
|                                                         | 02-Apr 2000        | 04-Apr 1999 | 02-Apr 2000        | 04-Apr 1999 | 02-Apr 2000           | 04-Apr 1999 |
| Electronic Systems                                      | \$ 1,878           | \$ 2,010    | \$ 183             | \$ 346      | 9.7%                  | 17.2%       |
| Command, Control, Communication and Information Systems | 846                | 962         | 69                 | 121         | 8.2%                  | 12.6%       |
| Technical Services                                      | 421                | 449         | 27                 | 29          | 6.4%                  | 6.5%        |
| Aircraft Integration Systems                            | 298                | 295         | 15                 | 42          | 5.0%                  | 14.2%       |
| Commercial Electronics                                  | 174                | 220         | 20                 | 11          | 11.5%                 | 5.0%        |
| Aircraft                                                | 815                | 626         | 30                 | 57          | 3.7%                  | 9.1%        |
| Corporate and Eliminations                              | (201)              | (226)       | (28)               | (27)        |                       |             |
| Total                                                   | \$ 4,231           | \$ 4,336    | \$ 316             | \$ 579      | 7.5%                  | 13.4%       |

Note: Certain prior year amounts were reclassified to conform to the current year presentation including the combination of the Defense Systems and Sensors and Electronic Systems segments into Electronic Systems, the break-out of previously aggregated segments, and the addition of Corporate and Eliminations. Corporate and Eliminations

includes certain company-wide activities that have not been attributed to a particular segment and intercompany eliminations. In addition, the Engineering and Construction segment was discontinued.

#### Attachment C

Raytheon Company  
Other Information  
First Quarter 2000

(In millions, except total employees and aircraft shipments)

|                                                            | Backlog   |           |
|------------------------------------------------------------|-----------|-----------|
|                                                            | 02-Apr-00 | 04-Apr-99 |
| Electronic Systems                                         | \$10,953  | \$ 9,361  |
| Command, Control, Communication<br>and Information Systems | 4,764     | 5,058     |
| Technical Services                                         | 1,913     | 1,634     |
| Aircraft Integration Systems                               | 2,262     | 1,119     |
| Commercial Electronics                                     | 603       | 469       |
| Aircraft                                                   | 4,143     | 2,450     |
|                                                            | \$24,638  | \$20,091  |
| U.S. government backlog included above                     | \$15,512  | \$12,464  |

|                 | Total Employees |           |
|-----------------|-----------------|-----------|
|                 | 02-Apr-00       | 04-Apr-99 |
| Total employees | 94,200          | 98,600    |

|                          | Aircraft Shipments (Units) |           |
|--------------------------|----------------------------|-----------|
|                          | Three Months Ended         |           |
|                          | 02-Apr-00                  | 04-Apr-99 |
| Hawker                   | 15                         | 13        |
| Beechjet (Commercial)    | 13                         | 11        |
| King Air                 | 50                         | 28        |
| 1900D Commuter           | 12                         | 9         |
| Pistons                  | 40                         | 32        |
| T-6A                     | 7                          | --        |
| Total aircraft shipments | 137                        | 93        |

#### Attachment D

Raytheon Company  
Preliminary Financial Information  
First Quarter 2000

(In millions)

| Balance sheets            | 02-Apr-00 31-Dec-99 04-Apr-99 |        |       |
|---------------------------|-------------------------------|--------|-------|
| Assets                    |                               |        |       |
| Cash and cash equivalents | \$ 153                        | \$ 230 | \$ 58 |

|                                           |       |       |       |
|-------------------------------------------|-------|-------|-------|
| Accounts receivable                       | 862   | 819   | 836   |
| Contracts in process                      | 4,448 | 4,348 | 4,267 |
| Inventories                               | 1,935 | 1,950 | 2,017 |
| Deferred federal and foreign income taxes | 430   | 490   | 778   |
| Prepaid expenses and other current assets | 232   | 192   | 252   |
| Net assets from discontinued operations   | 127   | 551   | 500   |
| Total current assets                      | 8,187 | 8,580 | 8,708 |

|                                    |          |          |          |
|------------------------------------|----------|----------|----------|
| Property, plant and equipment, net | 2,451    | 2,387    | 2,222    |
| Goodwill, net                      | 13,562   | 13,596   | 13,851   |
| Other assets, net                  | 2,802    | 2,704    | 2,756    |
| Total assets                       | \$27,002 | \$27,267 | \$27,537 |

#### Liabilities and Stockholders' Equity

|                                                     |          |          |          |
|-----------------------------------------------------|----------|----------|----------|
| Notes payable and current portion of long-term debt | \$ 1,109 | \$ 2,471 | \$ 1,669 |
| Advance payments, less contracts in process         | 993      | 1,245    | 816      |
| Accounts payable                                    | 1,114    | 1,182    | 1,340    |
| Accrued salaries and wages                          | 575      | 497      | 547      |
| Other accrued expenses                              | 1,582    | 1,716    | 1,908    |
| Total current liabilities                           | 5,373    | 7,111    | 6,280    |

|                                                          |          |          |          |
|----------------------------------------------------------|----------|----------|----------|
| Accrued retiree benefits and other long-term liabilities | 1,348    | 1,411    | 1,676    |
| Deferred federal and foreign income taxes                | 507      | 488      | 525      |
| Long-term debt                                           | 9,042    | 7,298    | 8,161    |
| Stockholders' equity                                     | 10,732   | 10,959   | 10,895   |
| Total liabilities and stockholders' equity               | \$27,002 | \$27,267 | \$27,537 |

#### Debt-to-capital ratio

02-Apr-00 31-Dec-99 04-Apr-99

|                       |          |          |          |
|-----------------------|----------|----------|----------|
| Debt                  | \$10,151 | \$ 9,769 | \$ 9,830 |
| Capital               | 20,883   | 20,728   | 20,725   |
| Debt-to-capital ratio | 48.6%    | 47.1%    | 47.4%    |

#### Attachment E

Raytheon Company  
Preliminary Cash Flow Information  
First Quarter 2000

(In millions)

#### Cash flow information

Three Months Ended  
02-Apr-00 04-Apr-99

|                                   |       |         |
|-----------------------------------|-------|---------|
| Income from continuing operations | \$ 80 | \$ 187  |
| Depreciation                      | 67    | 72      |
| Amortization                      | 104   | 100     |
| Working capital                   | (719) | (1,221) |
| Capital spending                  | (140) | (81)    |
| Discontinued operations           | 164   | (57)    |

|                                       |          |            |
|---------------------------------------|----------|------------|
| Other                                 | (74)     | 4          |
| Subtotal - operating cash flow        | (518)    | (996)      |
| Net activity in financing receivables | 4        | (57)       |
| Divestitures                          | 160      | --         |
| Dividends                             | (68)     | (67)       |
| Share repurchase                      | --       | (82)       |
| Other                                 | (37)     | (3)        |
| Change in net debt                    | \$ (459) | \$ (1,205) |

|                                                             |       |        |
|-------------------------------------------------------------|-------|--------|
| Restructuring amounts included in operating cash flow above | \$ 88 | \$ 105 |
|-------------------------------------------------------------|-------|--------|

Segment operating cash flow information

Three Months Ended  
02-Apr-00 04-Apr-99

|                                                            |          |          |
|------------------------------------------------------------|----------|----------|
| Electronic Systems                                         | \$ (44)  | \$ (283) |
| Command, Control, Communication<br>and Information Systems | (178)    | (139)    |
| Technical Services                                         | (37)     | (34)     |
| Aircraft Integration Systems                               | 15       | (77)     |
| Commercial Electronics                                     | 56       | (12)     |
| Aircraft                                                   | (341)    | (304)    |
| Discontinued operations                                    | 164      | (57)     |
| Other                                                      | (153)    | (90)     |
|                                                            | \$ (518) | \$ (996) |

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SOURCE Raytheon Company

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