

Raytheon Company
 Corporate Communications
 141 Spring Street
 Lexington, MA 02421
<http://www.raytheon.com>

News release

FOR IMMEDIATE RELEASE

Contact:
 David Polk
 781.860.2386

Raytheon reports first quarter EPS from continuing operations of \$0.28; Income from continuing operations up 21 percent

LEXINGTON, Mass., (April 18, 2001) - Raytheon Company (NYSE: RTNA, RTNB) today reported sales of \$4.0 billion for the first quarter of 2001, a slight decline from \$4.2 billion in sales in the first quarter a year ago. Income from continuing operations was \$97 million, or \$0.28 per diluted share, compared with \$80 million, or \$0.24 per diluted share, in last year's first quarter. Backlog at the end of the quarter was \$25.9 billion, up \$1.4 billion over the course of the last year.

Sales were down due to the impact of divestitures and a decline in aircraft shipments. Stronger profits in the company's defense electronics businesses pushed income from continuing operations up 21 percent from last year. Cash outflow from operations was \$573 million in the quarter, compared with \$520 million a year ago. Excluding the effects of discontinued operations, cash outflow from Raytheon's core businesses was \$530 million, a significant improvement from \$706 million in the first quarter of 2000. Cash flow at the company is usually negative in the first calendar quarter. Net debt at the end of the quarter was \$9.6 billion, compared with \$10.0 billion at the end of the first quarter 2000.

"The improvement in earnings and operating cash flow from continuing operations year-over-year is the latest demonstration that we're making real progress in transforming the company," said Raytheon's Chairman and Chief Executive Officer Daniel P. Burnham. "The performance within defense electronics was particularly strong, contributing to higher margins relative to both last year and to our plan."

Including the impact of discontinued operations the company posted a net loss in the first quarter of \$124 million, or \$0.36 per diluted share, versus a net loss of \$181 million, or \$0.54 per diluted share, in the first quarter of 2000.

Electronic Systems

Electronic Systems (ES) reported first quarter sales of \$1.9 billion, up slightly compared with last year, after adjusting for the fourth quarter 2000 divestiture of the optical systems business. Operating income was \$234 million, up 28 percent from \$183 million in the first quarter of 2000, continuing the margin improvement that began in 2000. ES had backlog of \$11.7 billion at the end of the quarter.

During the quarter, ES was awarded a \$119 million contract from the U.S. Navy for Standard Missile 2 production. The business also had a successful flight test of a Standard Missile 3 (SM-3) as part of the Navy's Theater Wide Ballistic Missile Defense program. SM-3 is designed to intercept an incoming theater ballistic missile outside the earth's atmosphere.

Command, Control, Communication and Information Systems

Command, Control, Communication and Information Systems (C3I) had first quarter sales of \$855 million, up 4 percent after adjusting for the February 2000 divestiture of the flight simulation business. Operating income in the quarter was \$84 million, up 22 percent from \$69 million last year. The increase was driven by lower business development expenses and higher contract margins. C3I had backlog of \$5.3 billion at the end of the quarter.

During the quarter, C3I announced that its Standard Terminal Automation Replacement System (STARS) is ready for test and deployment, and that plans to produce and field the full STARS are on schedule. STARS, the next generation of air traffic control systems, is the largest and one of the most critical pieces

of the Federal Aviation Administration's (FAA) attempt to modernize the National Airspace System for the 21st century.

Technical Services

Technical Services (TS) reported sales of \$479 million for the first quarter, up 20 percent after adjusting for the February 2000 divestiture of the flight simulation business. Operating income was \$37 million, up 37 percent from \$27 million in the first quarter of 2000. The business had backlog of \$2.0 billion at the end of the quarter.

During the quarter, TS was selected to provide information technology services to NASA's Langley Research Center under the U.S. General Services Administration's Federal Technology Service Millennia contract. The task order is valued at \$183 million and includes a one year base period and seven one year options.

Aircraft Integration Systems

Aircraft Integration Systems (AIS) had sales of \$264 million for the quarter, compared with \$298 million a year ago. Operating income in the quarter was \$13 million, off slightly from \$15 million in the first quarter of 2000. The decrease in sales was due primarily to lower bookings in 2000 and delays in new 2001 programs. AIS had backlog of \$2.0 billion at the end of the quarter.

Commercial Electronics

Commercial Electronics reported sales of \$121 million for the quarter, compared with \$174 million in the first quarter last year. The decrease in sales is due to the divestiture of the Recreational Marine business during the first quarter of 2001, combined with a favorable settlement on a commercial training contract during the first quarter of 2000. The business posted an operating loss of \$6 million for the quarter, compared with operating income of \$20 million a year ago. The decrease in income was driven by the favorable settlement in commercial training last year, approximately \$6 million in new technology investments, and lower volume at the RF Components unit, primarily due to reduced industry-wide demand for cellular handset components.

Raytheon Aircraft Company

Raytheon Aircraft Company (RAC) reported sales of \$637 million, compared with \$815 million for the first quarter of 2000. RAC had a first quarter operating loss of \$4 million, compared with operating income of \$30 million in the first quarter of 2000. RAC shipped 92 aircraft in the quarter, compared with 137 a year ago. Operating income was down primarily due to lower volume and a contract cost adjustment on a fixed price T-6A military trainer option (Lot 8) that was exercised earlier than the company had expected. Lot 8 is the last outstanding T-6A fixed-price purchase option. The business had backlog of \$4.3 billion at the end of the quarter.

On March 23, RAC's Premier I entry-level business jet won FAA certification. RAC expects to deliver 36 of the jets this year and has orders for more than 300 of the \$5.3 million jets.

Raytheon has agreed to divest a majority stake in Raytheon Aerospace Company, a subsidiary of RAC, to Veritas Capital Inc. Raytheon will receive \$153 million in cash at closing, which is expected in the second quarter of 2001. In addition to the cash, Raytheon will retain \$47 million in receivables and \$70 million in preferred and common equity in the Mississippi-based aviation support and logistics business. The impact of the divestiture on net debt is expected to be approximately \$200 million this year.

As previously announced, RAC plans a workforce reduction in administrative and managerial staff in its Kansas operations. The action is a precautionary move to help the business stay ahead of a downturn in the economy.

Discontinued Operations

The company recorded a first quarter charge to discontinued operations of \$325 million pretax, or \$0.61 per diluted share, which reflects the company's current best estimate, based on information provided by Washington Group International (WGI), of the cost to complete two Massachusetts construction projects on which WGI defaulted and Raytheon has performance guarantees. As previously announced, Raytheon expects consolidated operating cash flow to be affected by the full amount of the charge over the next four to six quarters. The company's outlook for earnings from continuing operations is not affected by the charge. The total first quarter loss from discontinued operations was \$221 million after-tax, or \$0.64 per diluted share.

With headquarters in Lexington, Mass., Raytheon Company is a global technology leader in defense, government and commercial electronics, and business and special mission aircraft.

Forward-Looking Statements

Certain statements made in this release contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 regarding the company's future plans, objectives, and expected performance. Specifically, statements that are not historical facts, including statements accompanied by words such as "believe," "expect," "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, particularly the ability to contain cost growth; the ultimate resolution of contingencies and legal matters; the ability to realize anticipated cost efficiencies; timely development and certification of new aircraft; the effect of market conditions, particularly in relation to the general aviation and commuter aircraft markets; the impact on recourse obligations of RAC due to changes in the collateral values of financed aircraft, particularly commuter aircraft; the ability to finance ongoing operations at attractive rates; government customers' budgetary constraints; government import and export policies; termination of government contracts; financial and governmental risks related to international transactions; delays and uncertainties regarding the timing of the award of international programs; the integration of acquisitions; the impact of competitive products and pricing; and risks associated with the continuing project obligations and retained assets and liabilities of Raytheon Engineers & Constructors, including the final determination by the company of the required expenditures to complete the two Massachusetts construction projects, the confirmation of the actual physical progress completed at the time of WGI's abandonment of those projects, the impacts associated with the re-mobilization of the projects and WGI's compliance with its contractual obligations and cooperation with Duke Fluor Daniel, the contractor hired by Raytheon to complete the two projects, in Duke Fluor Daniel's assumption of the construction activities, 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 Securities and Exchange Commission, including "Item 1-Business" in the company's Annual Report on Form 10-K for the year ended December 31, 2000.

Conference Call on First Quarter 2001 Financial Results

There will be a live webcast of Raytheon's earnings teleconference on www.raytheon.com beginning at 9 a.m. ET on April 19 to review the company's first quarter results. Financial analysts may participate in the call and the question and answer session that follows the review. A Real Audio player or Windows Media (TM) player is required to access the webcast.

A replay of the conference will be run from Noon ET April 19 through Noon April 23. The replay number is 800-633-8284 for U.S. callers and 858-812-6440 for international callers. The reservation number for the replay is 18526505.

Attachment A

Raytheon Company
 Financial Information
 First Quarter 2001

(In millions, except per share amounts)

	Three Months Ended	
	01-Apr-01	02-Apr-00
Net sales	\$ 3,968	\$ 4,231
Cost of sales	3,232	3,481
Administrative and selling expenses	294	311
Research and development expenses	126	123
Total operating expenses	3,652	3,915
Operating income	316	316
Interest expense, net	180	180
Other income, net	(30)	(5)
Non-operating expense, net	150	175
Income from continuing operations before taxes	166	141
Federal and foreign income taxes	69	61
Income from continuing operations	97	80
Discontinued operations		
Loss from discontinued operations, net of tax	-	(70)
Loss on disposal of discontinued operations, net of tax	(221)	(191)
	(221)	(261)
Net loss	\$ (124)	\$ (181)
Earnings per share from continuing operations		
Basic	\$ 0.29	\$ 0.24
Diluted	\$ 0.28	\$ 0.24
Loss per share from discontinued operations		
Basic	\$ (0.65)	\$ (0.77)
Diluted	\$ (0.64)	\$ (0.77)
Loss per share		
Basic	\$ (0.36)	\$ (0.54)
Diluted	\$ (0.36)	\$ (0.54)
Average shares outstanding		
Basic	340.0	338.3
Diluted	345.1	338.7

Attachment B

Raytheon Company
Segment Information
First Quarter 2001

(In millions)	Net Sales		Operating Income		Operating Income As a Percent of Sales	
	Three Months Ended 1-Apr-01	2-Apr-00	Three Months Ended 1-Apr-01	2-Apr-00	Three Months Ended 1-Apr-01	2-Apr-00
Electronic Systems Command, Control, Communication and Information Systems	\$1,864	\$1,878	\$234	\$183	12.6%	9.7%
Technical Services	855	846	84	69	9.8%	8.2%
Aircraft Integration Systems	479	421	37	27	7.7%	6.4%
Commercial Electronics	264	298	13	15	4.9%	5.0%
Aircraft	121	174	(6)	20	-5.0%	11.5%
Corporate and Eliminations	637	815	(4)	30	-0.6%	3.7%
	(252)	(201)	(42)	(28)		
	-----	-----	-----	-----		
Total	\$3,968	\$4,231	\$316	\$316	8.0%	7.5%

Note: Corporate and Eliminations includes certain company-wide activities that have not been attributed to a particular segment and intercompany eliminations.

Attachment D

Raytheon Company
Preliminary Financial Information
First Quarter 2001

(In millions)

Balance sheets

	----- 01-Apr-01 -----	----- 31-Dec-00 -----	----- 02-Apr-00 -----
Assets			
Cash and cash equivalents	\$ 483	\$ 871	\$ 181
Accounts receivable	447	505	834
Contracts in process	3,951	4,061	4,448
Inventories	2,218	1,908	1,935
Deferred federal and foreign income taxes	533	476	430
Prepaid expenses and other current assets	156	178	232
Net assets from discontinued operations	-	14	127
	-----	-----	-----
Total current assets	7,788	8,013	8,187
Property, plant and equipment, net	2,498	2,491	2,451
Goodwill, net	13,182	13,281	13,562
Other assets, net	3,059	2,992	2,802
	-----	-----	-----
Total assets	\$26,527 =====	\$26,777 =====	\$27,002 =====
Liabilities and Stockholders' Equity			
Notes payable and current portion of long-term debt	\$ 1,185	\$ 877	\$ 1,109
Advance payments, less contracts in process	941	1,135	993
Accounts payable	969	1,099	1,114
Accrued salaries and wages	545	549	575
Other accrued expenses	1,029	1,205	1,582
Net liabilities from discontinued operations	281	-	-
	-----	-----	-----
Total current liabilities	4,950	4,865	5,373
Accrued retiree benefits and other long-term liabilities	1,271	1,262	1,348
Deferred federal and foreign income taxes	748	773	507
Long-term debt	8,858	9,054	9,042
Stockholders' equity	10,700	10,823	10,732
	-----	-----	-----
Total liabilities and stockholders' equity	\$26,527 =====	\$26,777 =====	\$27,002 =====
Debt-to-capital ratio			
	----- 01-Apr-01 -----	----- 31-Dec-00 -----	----- 02-Apr-00 -----
Debt	\$ 10,043	\$ 9,931	\$10,151
Capital	20,743	20,754	20,883
	-----	-----	-----
Debt-to-capital ratio	48.4%	47.9%	48.6%
	=====	=====	=====

Attachment E

Raytheon Company
Preliminary Cash Flow Information
First Quarter 2001(In millions)
Cash flow information

	Three Months Ended	
	01-Apr-01	02-Apr-00
Income from continuing operations	\$ 97	\$ 80
Depreciation	72	67
Amortization	105	104
Working capital	(702)	(713)
Capital spending	(103)	(113)
Internal use software spending	(35)	(31)
Discontinued operations	(43)	186
Other	36	(100)
	-----	-----
Subtotal - operating cash flow	(573)	(520)
Net activity in financing receivables	28	4
Divestitures	111	160
Dividends	(68)	(68)
Other	2	(7)
	-----	-----
Change in net debt	\$ (500)	\$(431)
	=====	=====
Restructuring amounts included in operating cash flow above	----- \$ 16	----- \$ 88
	=====	=====

Segment operating cash flow information

	Three Months Ended	
	01-Apr-01	02-Apr-00
Electronic Systems	\$ 77	\$ (44)
Command, Control, Communication and Information Systems	(158)	(150)
Technical Services	(29)	(38)
Aircraft Integration Systems	(112)	15
Commercial Electronics	(12)	56
Aircraft	(242)	(341)
Discontinued operations	(43)	186
Other	(54)	(204)
	-----	-----
	\$ (573)	\$ (520)
	=====	=====