

# RAYTHEON COMPANY

## CONSOLIDATED BALANCE SHEETS

(In millions, except per share amount) December 31:

	2018	2017
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 3,608	\$ 3,103
Short-term investments	—	297
Receivables, net	1,648	1,324
Contract assets	5,594	5,247
Inventories	758	594
Prepaid expenses and other current assets	528	761
Total current assets	12,136	11,326
Property, plant and equipment, net	2,840	2,439
Goodwill	14,864	14,871
Other assets, net	2,024	2,224
Total assets	\$31,864	\$30,860
<b>Liabilities, Redeemable Noncontrolling Interest and Equity</b>		
Current liabilities		
Commercial paper	\$ 300	\$ 300
Contract liabilities	3,309	2,927
Accounts payable	1,964	1,519
Accrued employee compensation	1,509	1,342
Other current liabilities	1,206	1,260
Total current liabilities	8,288	7,348
Accrued retiree benefits and other long-term liabilities	6,938	8,287
Long-term debt	4,755	4,750
Commitments and contingencies (Note 10)		
Redeemable noncontrolling interest (Note 11)	411	512
<b>Equity</b>		
Raytheon Company stockholders' equity		
Common stock, par value, \$0.01 per share, 1,450 shares authorized, 282 and 288 shares outstanding at December 31, 2018 and 2017, respectively	3	3
Additional paid-in capital	—	—
Accumulated other comprehensive loss	(8,618)	(7,935)
Retained earnings	20,087	17,895
Total Raytheon Company stockholders' equity	11,472	9,963
Noncontrolling interests in subsidiaries	—	—
Total equity	11,472	9,963
Total liabilities, redeemable noncontrolling interest and equity	\$31,864	\$30,860

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

**RAYTHEON COMPANY**
**CONSOLIDATED STATEMENTS OF OPERATIONS**

(In millions, except per share amounts) Years Ended December 31:	2018	2017	2016
Net sales			
Products	\$ 22,633	\$ 21,416	\$ 20,309
Services	4,425	3,932	3,815
Total net sales	27,058	25,348	24,124
Operating expenses			
Cost of sales—products	16,108	15,252	14,462
Cost of sales—services	3,465	3,088	3,045
General and administrative expenses	2,947	2,777	2,721
Total operating expenses	22,520	21,117	20,228
Operating income	4,538	4,231	3,896
Non-operating (income) expense, net			
Retirement benefits non-service expense	1,230	913	601
Interest expense	184	205	232
Interest income	(31)	(21)	(16)
Other (income) expense, net	8	21	(6)
Total non-operating (income) expense, net	1,391	1,118	811
Income from continuing operations before taxes	3,147	3,113	3,085
Federal and foreign income taxes	264	1,114	873
Income from continuing operations	2,883	1,999	2,212
Income (loss) from discontinued operations, net of tax	(1)	2	1
Net income	2,882	2,001	2,213
Less: Net income (loss) attributable to noncontrolling interests in subsidiaries	(27)	(23)	(31)
Net income attributable to Raytheon Company	\$ 2,909	\$ 2,024	\$ 2,244
Basic earnings per share attributable to Raytheon Company common stockholders:			
Income from continuing operations	\$ 10.16	\$ 6.95	\$ 7.55
Income (loss) from discontinued operations, net of tax	—	0.01	—
Net income	10.16	6.96	7.56
Diluted earnings per share attributable to Raytheon Company common stockholders:			
Income from continuing operations	\$ 10.15	\$ 6.94	\$ 7.55
Income (loss) from discontinued operations, net of tax	—	0.01	—
Net income	10.15	6.95	7.55
Amounts attributable to Raytheon Company common stockholders:			
Income from continuing operations	\$ 2,910	\$ 2,022	\$ 2,243
Income (loss) from discontinued operations, net of tax	(1)	2	1
Net income	\$ 2,909	\$ 2,024	\$ 2,244

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

**RAYTHEON COMPANY**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In millions) Years Ended December 31:	2018	2017	2016
Cash flows from operating activities			
Net income	\$ 2,882	\$ 2,001	\$ 2,213
(Income) loss from discontinued operations, net of tax	1	(2)	(1)
Income from continuing operations	2,883	1,999	2,212
Adjustments to reconcile to net cash provided by (used in) operating activities from continuing operations, net of the effect of acquisitions and divestitures			
Depreciation and amortization	568	550	515
Stock-based compensation	165	173	151
Gain on sale of equity method investment	—	—	(158)
Loss on repayment of long-term debt	—	39	—
Deferred income taxes	(24)	252	133
Changes in assets and liabilities			
Receivables, net	(327)	(157)	18
Contract assets and contract liabilities	28	88	(645)
Inventories	(166)	14	(10)
Prepaid expenses and other current assets	73	204	205
Income taxes receivable/payable	174	(193)	(185)
Accounts payable	406	(94)	152
Accrued employee compensation	165	111	77
Other current liabilities	(108)	106	(41)
Accrued retiree benefits	(421)	(250)	419
Other, net	12	(95)	9
Net cash provided by (used in) operating activities from continuing operations	3,428	2,747	2,852
Net cash provided by (used in) operating activities from discontinued operations	—	(2)	—
Net cash provided by (used in) operating activities	3,428	2,745	2,852
Cash flows from investing activities			
Additions to property, plant and equipment	(763)	(543)	(561)
Proceeds from sales of property, plant and equipment	2	46	34
Additions to capitalized internal use software	(58)	(68)	(64)
Purchases of short-term investments	—	(696)	(472)
Maturities of short-term investments	309	517	1,184
Payments for purchases of acquired companies, net of cash received	—	(93)	(57)
Proceeds from sale of business, net of transaction costs	11	—	—
Other	(22)	20	(11)
Net cash provided by (used in) investing activities	(521)	(817)	53
Cash flows from financing activities			
Dividends paid	(975)	(910)	(850)
Net borrowings (payments) on commercial paper	—	300	—
Repayments of long-term debt	—	(591)	—
Loss on repayment of long-term debt	—	(38)	—
Repurchases of common stock under share repurchase programs	(1,325)	(800)	(900)
Repurchases of common stock to satisfy tax withholding obligations	(93)	(85)	(96)
Acquisition of noncontrolling interest in RCCS LLC	—	—	(90)
Contribution from noncontrolling interest in Forcepoint	—	8	11
Other	(5)	—	(5)
Net cash provided by (used in) financing activities	(2,398)	(2,116)	(1,930)
Net increase (decrease) in cash, cash equivalents and restricted cash	509	(188)	975
Cash, cash equivalents and restricted cash at beginning of year	3,115	3,303	2,328
Cash, cash equivalents and restricted cash at end of year	\$ 3,624	\$ 3,115	\$ 3,303

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