RAYTHEON CO/
Form 10-K
February 24, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2009.

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number 1-13699

RAYTHEON COMPANY

(Exact Name of Registrant as Specified in its Charter)

Delaware	**95-1778500**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

870 Winter Street, Waltham, Massachusetts 02451

(Address of Principal Executive Offices) (Zip Code)

(781) 522-3000

(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $.01 par value	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

The aggregate market value of the voting stock held by non-affiliates of the Registrant as of June 28, 2009, was approximately $16.7 billion.

The number of shares of Common Stock outstanding as of February 16, 2010 was 379,083,000.

Documents incorporated by reference and made a part of this Form 10-K:

Portions of the Registrant s Definitive Proxy Statement for its 2010 Annual Meeting of Stockholders are incorporated by reference in Part III of this Form 10-K.

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PART I

ITEM 1. BUSINESS

General

Raytheon Company, together with its subsidiaries, is a technology and innovation leader specializing in defense, homeland security and other government markets throughout the world. We provide state-of-the-art electronics, mission systems integration and other capabilities in the areas of sensing, effects, and command, control, communications and intelligence systems (C3I), as well as a wide range of mission support services. We serve both domestic and international customers, principally as a prime contractor on a broad portfolio of defense and related programs for government customers.

We were founded in 1922 and have grown internally and through a number of acquisitions. We are incorporated in the state of Delaware. Our principal executive offices are located at 870 Winter Street, Waltham, Massachusetts 02451.

In this section, we describe our business, including our business segments, product lines, customers, operations and other considerations. We also discuss some of our notable initiatives and achievements in 2009, such as certain key contract awards, new product introductions and acquisitions.

Business Segments

We operate in six business segments:

- Integrated Defense Systems;
- Intelligence and Information Systems;
- Missile Systems;
- Network Centric Systems;
- Space and Airborne Systems; and
- Technical Services.

Revenue and other financial information regarding our business segments is set forth on pages 44-57 of this Form 10-K.

Integrated Defense Systems (IDS) IDS, headquartered in Tewksbury, Massachusetts, is a leader in global capabilities integration, providing affordable, integrated solutions to a broad international and domestic customer base. IDS leverages its core domain knowledge and capabilities in sensors, command, control and communication (C3), effects and mission support, to provide integrated naval, air and missile defense and civil security response solutions. Key domestic customers include the U.S. Navy, Army and Air Force, and the U.S. Missile Defense Agency (MDA). Key international customers include Japan, Saudi Arabia, United Arab Emirates (UAE), Taiwan, Australia, Germany, Korea and Finland.

In 2009, IDS, as the prime contractor for the Patriot Air & Missile Defense System, a long-range, high-altitude system designed to defeat advanced threats, provided Patriot Configuration 3 upgrades to the U.S. Army as well as major Patriot System upgrades and sales to international customers, including the UAE and Taiwan. IDS also continued to serve as the prime mission systems integrator for all electronic and combat systems of the Zumwalt Class Destroyer program (DDG 1000), successfully delivering elements of mission systems equipment for the first two ships while receiving the initial award for a third ship. IDS successfully completed a capabilities demonstration with the first flight of the Joint Land Attack Cruise Missile Defense Elevated Netted Sensor (JLENS), a theater-based, advanced sensor system that provides long-endurance, over-the-horizon detection and tracking capabilities required to defeat the threat of cruise missiles.

IDS has the following principal product lines:

Seapower Capability Systems (SCS) SCS is leading the U.S. Navy s Open Architecture initiative, serving as prime contractor of the Navy s newest and most capable mission systems for the Zumwalt class destroyer under the DDG 1000 program. SCS is designing and producing DDG 1000 mission systems equipment, which includes the Total Ship Computing Environment, radar, sonar, associated electronics systems and the software and hardware for these

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systems. These capabilities are planned to be leveraged across the U.S. Navy s family of ships. SCS also provides sensors and effectors for anti-submarine and mine warfare mission areas, advanced combat systems for submarines and amphibious ships, high performance fire control systems for surface combatants and ship integration technologies for domestic and international naval and maritime customers. SCS is the integrator for weapon systems to all U.S. submarines as well as to Australia s Collins class submarines.

National and Theater Security Programs (NTSP) NTSP provides integrated whole-life air and missile defense systems which enable warfighters to sense, detect and engage threats through air and ground-based sensors and command and control systems as well as joint system solutions and intelligence support for air and ballistic missile defense. NTSP produces systems and solutions such as JLENS; Early Warning Radars, including the X-band Family-of-Radars, which enable threat detection, precision tracking, discrimination and classification of ballistic missile threats; and Surface Launched Advanced Medium Range Air to Air Missile (SL-AMRAAM), a state-of-the-art air defense system serving as a key link in a layered approach to air and missile defense. NTSP also provides integrated capabilities in surveillance and multi-domain awareness, knowledge management, decision support and information fusion through a broad range of solutions to detect, identify, track and disseminate actionable information.

Patriot Programs (PP) PP, as the prime contractor, designs, develops and produces the Patriot Air & Missile Defense System, which serves as the foundation of the U.S. Army s integrated air and missile defense against the escalating tactical ballistic missile threat. PP also provides the Patriot system to key international customers. IDS was recently awarded new contracts to build Patriot systems for the UAE and Taiwan, which will serve as the foundation for future capabilities. In addition, PP provides the HAWK XXI system, an advanced air defense system against low- to medium-altitude air threats with advanced fire control and battle management, to international and coalition partners.

Global Business Operations (GBO) GBO consists of a number of related IDS products and operations, including Raytheon Sarcos, Raytheon Solipsys and Raytheon Anschütz, and other international locations. GBO provides a wide spectrum of capabilities, including integrated Command and Control (C2) solutions for the domestic and international defense and homeland security markets, naval system capabilities for military and commercial markets worldwide, netted sensor solutions which efficiently provide a single integrated picture from data provided by many sensors, and Advanced Robotics such as the Exoskeleton Robotic Suit and the Multi-Dimensional Mobile Robot (snake). In Australia, GBO supports combat system design, development and procurement for major international programs such as the Hobart class Air Warfare Destroyer (AWD), and the Collins Class submarine. GBO leverages tools, processes and subject matter expertise developed on major U.S. programs to provide such capabilities to IDS international locations.

Intelligence and Information Systems (IIS) IIS, headquartered in Garland, Texas, is a leading provider of intelligence and information solutions specializing in ground processing, unmanned ground systems, cybersecurity solutions, homeland/civil security and other markets. Approximately half of its business is for classified customers. Other key customers include the U.S. Intelligence Community, U.S. Department of Defense (DoD) agencies, the Federal Bureau of Investigations (FBI), the National Oceanographic and Atmospheric Association (NOAA), and the United Kingdom Home Office.

In 2009, IIS reorganized its business operations to better respond to market shifts and changes in the customer environment. As a result, IIS operates under the six product lines discussed below, serving customers in the following markets: Intelligence, Surveillance and Reconnaissance (ISR), DoD/Civil Space, Intelligence Operations Support, Cybersecurity, Environmental Solutions and Civil Security. IIS continued to perform under key programs including the Distributed Common Ground Systems (DCGS) 10.2 where the company has created and continues to manage a worldwide, network-centric enterprise for real-time information and intelligence sharing for the DoD, Intelligence Community, and Coalition partners; the FBI National Data Exchange in which Raytheon connects federal, state and local law enforcement personnel across numerous jurisdictions; and the United Kingdom e-Borders program where Raytheon is building the largest, most comprehensive visitor management capability in the world. Additionally, IIS continued to strengthen its capabilities in cybersecurity and was awarded numerous contracts in this area from a variety of customers.

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IIS has the following principal product lines:

Mission Operations Solutions (MOS) MOS provides integrated mission support and systems engineering for civil, intelligence and defense agencies, as well as international governments. MOS helps agencies translate technological breakthroughs into innovative mission-critical solutions. Its scalable, secure and integrated business systems are focused on delivering enterprise-wide performance improvement and reliable results. Core competencies include business excellence, mission critical operations, mission systems engineering, enterprise solutions and infrastructure services.

Operational Technologies and Solutions (OTS) OTS provides cutting-edge management and dissemination of massive volumes of intelligence data, as well as intelligence operations support capabilities for Human Intelligence (HUMINT), Open Source Intelligence (OSINT), wireless and close access collection for intelligence, law enforcement and other government agencies. OTS also has strong capabilities in geospatial, geologic and technical analysis and support.

Ground Enterprise Solutions (GES) GES primarily supports classified programs in support of the Intelligence Community. GES capabilities include ground systems for GEOINT and SIGINT systems, large-scale data processing and exploitation, storage architectures and high performance data handling and processing systems.

Defense and Civil Mission Solutions (DCMS) DCMS provides multi-INT ground systems, unmanned systems technology, environmental information management systems and satellite command and control. Additionally, DCMS provide large-scale information processing, information integration and visualization systems for intelligence, satellite and space-based programs for commercial and DoD customers.

Information Security Solutions (ISS) ISS is focused on providing information security solutions and services to government and Fortune 500 customers worldwide. Through ISS, Raytheon combines its legacy information assurance business with three key acquisitions to provide leading cybersecurity offerings, including Active Defense protecting mission critical systems against a wide range of internal and external threats. ISS capabilities are used to counter sophisticated and dangerous advanced persistent threats in the world.

Advanced Programs Advanced Programs is a dynamic, niche organization focused on growing business in next-generation classified systems. It provides innovative solutions that address current complex problems for U.S. intelligence and operational commands.

Missile Systems (MS) MS, headquartered in Tucson, Arizona, is a premier developer and producer of missile systems for the armed forces of the U.S. and other allied nations. Leveraging its key capabilities in advanced airframes, guidance and navigation systems, high-resolution sensors, targeting and netted systems, MS develops and supports a broad range of cutting edge weapon systems, including missiles, smart munitions, close in weapons systems, projectiles, kinetic kill vehicles and directed energy effectors. Key customers include the U.S. Navy, Army, Air Force and Marine Corps, the MDA and the armed forces of more than 40 allied nations.

In 2009, MS continued to demonstrate its missile systems capabilities with several significant test successes and contract awards. The Standard Missile 3 (SM-3) program conducted several successful flight tests and achieved major development milestones during the year. SM-3 is a key element of the U.S. Government s Missile Defense strategy. The Standard Missile 6 (SM-6) extended range anti-air warfare missile program also achieved a number of development milestones, which led to the first low rate initial production (LRIP) award from the U.S. Navy. MS had a number of key international program wins including the selection of the Rolling Airframe Missile (RAM) and Phalanx system by South Korea to equip its new FFX class frigate. MS, through its participation in the NetFires LLC, completed the first moving target test flight of the Non Line-of-Sight-Launch System (NLOS-LS), a modular, networked weapon system for flexible precision fire against moving and stationary targets, taking the missile system closer to completion of the development phase. MS also completed development of the newest variant of the Advanced Medium-Range Air-to-Air Missile (AMRAAM), which will provide the warfighter with the most capable beyond-visual range air-to-air missile ever fielded.

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MS has the following principal product lines:

Naval Weapon Systems (NWS) NWS products and services provide layered defense capability and naval surface fire support for the navies of more than 30 countries, providing highly effective ship defense across multiple platforms. NWS leverages its capabilities to provide forward operating base defense for the U.S. Army, Air Force and Marine Corps. NWS develops, manufactures and supports the Standard Missile family of weapons with capabilities ranging from anti-air warfare to ballistic missile defense. In addition, NWS produces the Phalanx Close-in Weapon System (Afloat and Ashore), RAM, SeaRAM and the Evolved Sea Sparrow/Sparrow family of missiles for ship self-defense against air and surface threats. SeaRAM integrates the RAM into the Phalanx mount and has been installed on the Littoral Combat Ship. Additionally, NWS is expanding its commitment to international cooperative endeavors with our international partners and continues to evolve its products and technologies to encompass the full spectrum of threats, including the protection of land bases and high value infrastructure sites to counter terrorist threats.

Air Warfare Systems (AWS) AWS products and services enable U.S. Armed Forces and its international customers to attack, suppress and destroy air and ground-based targets. Products include the AMRAAM, a state-of-the-art, highly dependable and battle proven air-to-air missile that also has a surface-to-air launch application; Tomahawk Cruise Missile, an advanced surface- or sub-launched cruise missile with loitering and network communication capability; the Joint Standoff Weapon, a family of air-to-ground weapons that employ an integrated GPS/Inertial Navigation system that guides the weapon to the target; the Paveway family of laser and GPS-guided smart bombs; the AIM-9X Sidewinder short range air-to-air missile; miniature air-launched decoy (MALD); the High-speed Anti-Radiation Missile (HARM), the HARM Targeting System; and the Maverick precision strike missile.

Land Combat Land Combat provides precision missiles and projectiles to the U.S. Army and Marine Corps and more than 40 U.S. allies and focuses on accelerating the deployment of precision munitions capability to land combat forces and expanding its mission support capabilities. Land Combat provides the Stinger weapon system for air defense, the Tube-launched, Optically-tracked, Wireless guided (TOW) weapon system, a long-range precision anti-armor/anti-fortification/anti-amphibious landing weapon system; the Javelin a shoulder fired, fire-and-forget anti-tank weapon and Excalibur, a GPS-guided artillery round designed to provide organic indirect precision fire for ground forces. Land Combat is also developing the NLOS LS Precision Attack Missile, a networked weapon system for precise fire against moving and stationary targets, and the Shoulder-Launched Multi-Purpose Assault Weapon (SMAW II) for the U.S. Marine Corps.

Exoatmospheric Kill Vehicle (EKV) EKV focuses on producing the exoatmospheric kill vehicle, which is the intercept component of the Ground Based Interceptor for the Ground-based Midcourse Defense system designed to protect the U.S. against limited ballistic missile attacks and is part of the Ballistic Missile Defense System (BMDS). The EKV consists of a multi-spectral sensor in a flight package, used to detect, discriminate and destroy incoming warheads carrying weapons of mass destruction.

Other MS product lines include Advanced Missiles and Unmanned Systems (AM & US) and Advanced Security and Directed Energy Systems (AS & DES). AM & US focuses on the development and early introduction of next generation end-to-end system solutions supporting the Air Warfare Systems, Naval Warfare Systems and Land Combat product lines, as well as leading our entry into Unmanned Systems. AS & DES pursues opportunities in the missile defense and directed energy markets, including the development of new missile defense solutions, National Aeronautics and Space Administration (NASA)/space applications, Information Operations/Information Assurance (IO/IA), modeling/simulation and discrimination capabilities, high power microwave and high energy laser systems.

Network Centric Systems (NCS) NCS, headquartered in McKinney, Texas, is a leading provider of net-centric mission solutions for government and civil customers. NCS leverages its capabilities in networking, command and control, and communications to develop and produce solutions for customers including the U.S. Army, Air Force, Navy and Marine Corps and other government customers, as well as numerous international customers.

In 2009, NCS had several key initiatives in certain focus markets, including U.S. Army modernization, international and domestic homeland security, civil communications and transportation solutions. NCS was awarded the India

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Geosynchronous Augmented Navigation System (GAGAN) contract to provide the world s most advanced transportation air navigation system. This award follows the 2008 award of the Joint Precision Approach and Landing System (JPALS) contract for the U.S. Navy, solidifying NCS position as a leader in Satellite Based Augmentation Systems (SBAS). NCS was awarded an open road tolling project with the State of Florida, one of the largest of such projects in the U.S. NCS also worked closely with the U.S. Army to tailor battlefield sensor, communications, command and control, and netted-lethality solutions developed for the Future Combat Systems (FCS) program for deployment into other current force platforms such as the Stryker and Abrams, as well as planning for the future Ground Combat Vehicle under the U.S. Army s Brigade Combat Team (BCT) Modernization initiative. NCS also demonstrated MAINGATE, a Defense Advanced Research Agency (DARPA) program, which integrates legacy and future combat radios into a single network and positions NCS as the backbone communications provider for future tactical networks. In 2009, NCS acquired BBN Technologies Corp. and related entities. Raytheon BBN Technologies, is a strategic research partner with the DoD and a provider of critical solutions for national defense and security missions such as the Wireless Network After Next (WNaN) program to develop scalable, adaptive, ad hoc networks that use very inexpensive yet flexible software radios and include Disruption Tolerant Networking (DTN) technologies that allow the nodes to store packets temporarily during link outages. Raytheon BBN Technologies also provides Boomerang, a deployed sniper detection system that provides real-time target directions to combat teams.

NCS has the following principal product lines:

Combat Systems (CS) CS provides integrated ground-based surveillance and target engagement solutions designed to provide a significant advantage to the U.S. Army and Marine Corps warfighters. CS develops advanced ground sensor capabilities for the U.S. Army s BCT Modernization program such as the Mast Mounted Sensor (MMS) and the Multi-Function Radio Frequency System (MFRFS). CS also developed the Active Protection System (APS) which destroys rocket-propelled grenades or anti-tank missiles targeting combat vehicles. In addition, CS provides the Long Range Advanced Scout Surveillance System (LRAS3), a long-range multi-sensor system which provides the ability to detect, identify and geo-locate distant targets, and is now networked to enable multi-sensor improved accuracy. Other CS systems include the Integrated Target Acquisition System (ITAS) which increases target detection, acquisition, recognition and engagement ranges and HTI 2nd Generation FLIR (Horizontal Technology Integration Forward Looking Infrared) systems which provide the host vehicle the capability to detect, recognize, acquire and engage targets at extended ranges.

Integrated Communications Systems (ICS) ICS offers wireless, high-bandwidth and transformational communication solutions for every DoD agency, and for civil and international customers. These solutions enable connectivity for Net-centric Operations (NCO) and the Global Information Grid (GIG) and provide mission assurance to customers with satellite, point-to-point and networked communications services that are effective on land, sea, undersea, air and space. Solutions include the Enhanced Position Location Reporting System (EPLRS), an integrated networking system that provides robust, high-speed battlefield communications for warfighters; the Secure Mobile Anti-Jam Reliable Tactical Terminal (SMART-T), a low-cost, extremely high frequency (EHF) satellite terminal that provides robust, low probability-of-detection, jam-resistant, multi-channel communications in support of the field commander; and the U.S. Navy Multi-band Terminal (NMT), a single terminal for the U.S. Navy s next generation satellite communications. ICS also includes Raytheon BBN Technologies and its advanced networking and cybersecurity technologies and capabilities.

Command and Control Systems (C2S) C2S develops, delivers and supports domestic and international military and civil customers, including the Federal Aviation Administration (FAA), Department of Transportation and DoD, with integrated networked command and control (C2) systems encompassing ground, air, space and security systems. Command and Control systems are designed to securely capture, present and tailor actionable knowledge in real-time to meet the needs of decision makers (e.g. military commander, air traffic controller, border patrol) to minimize information overload and enable rapid decisions. C2S ground, air and space capabilities include integrated communications, navigation, surveillance, air traffic management and open road tolling systems. C2S products include the U.S. Army s Advanced Field Artillery Tactical Data System (AFATDS) and Joint Automated Deep Operations Coordination System (JADOCS), which provide for the command and control of battlefield weapons, effects and operations. C2S also is continuing to develop advanced airspace management capabilities with the FAA

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certified Wide Area Augmentation System (WAAS), Japan s Multifunction Transport Satellite-based Augmentation System (MSAS) and India s GAGAN to improve airspace design flexibility and efficiency by removing route dependency on ground-based navigational aids. C2S is developing open road tolling systems for both the Florida Turnpike Toll System and the Texas Department of Transportation. Additionally, C2S is developing and implementing the Perimeter Intrusion Detection System (PIDS) at four airports under the Port Authority of New York and New Jersey, and executing programs for Middle East-based commercial, oil, gas and petrochemical companies to improve security of their most critical infrastructure.

Thales-Raytheon Systems, LLC (TRS) TRS is a joint venture between Thales Group and Raytheon. TRS combines the two companies capabilities in Air Command and Control Systems (ACCS), Air Operations Centers, Battlefield Weapon Locating Radars and Military Air Surveillance Radars to provide cost-effective solutions for military air operations centers and joint operations centers. Solutions include the Firefinder Weapon Locating Radar system for the U.S. Army and international customers, the U.S. Battle Control System (BCS), a next-generation air sovereignty command and control system, and the NATO ACCS.

Operations and Precision Components (OPC) OPC provides a broad range of imaging capabilities, including next-generation X-ray, visible, infrared, and millimeter wave focal plane arrays for thermal imaging, earth remote sensing and astronomy applications, as well as precision optical and electronic solutions, electronic hardware and software products that enhance the interoperability of communications systems, through its Raytheon Vision Systems and ELCAN products. OPC also designs and manufactures strategic precision mechanical and electronic components and provides related services through its Raytheon Precision Manufacturing products. Customers include the DoD, NASA and international customers.

Space and Airborne Systems (SAS) SAS, headquartered in El Segundo, California, is a leader in the design and development of integrated systems and solutions for advanced missions, including traditional and non-traditional intelligence, surveillance and reconnaissance (ISR), precision engagement, unmanned aerial operations and space. Leveraging advanced concepts, state-of-the-art technologies and mission systems knowledge, SAS provides electro-optical/infrared sensors, airborne radars for surveillance and fire control applications, lasers, precision guidance systems, processors, electronic warfare systems and space-qualified systems for civil and military applications. Key customers include the U.S. Navy, Air Force and Army, as well as classified and international customers.

In 2009, SAS secured a prime development contract to equip the U.S. Navy s P-8A Poseidon with the Advanced Airborne Sensor, the follow-on to the Littoral Surveillance Radar System. SAS also won a key contract in electronic warfare from the U.S. Navy for a technology maturation study of next-generation jammer capability to replace the current ALQ-99 jamming system on the EA-18G Growler aircraft. In the international market, SAS was awarded a contract to supply APG-63 fire control radars and support equipment for the Japan Air Self-Defense Force and a Swiss Air Force contract to provide Advanced Targeting Forward Looking Infrared (ATFLIR) pod systems and spares. Under a contract award from DARPA, SAS will develop ultra-lightweight active electronically scanned array (AESA) radar to equip an experimental Integrated Sensor Is Structure airship. Additionally, SAS had successful launches and clear images with sharp spectral information from the Advanced Responsive Tactically Effective Military Imaging Sensor (ARTEMIS) aboard U.S. Air Force s TacSat-3 satellite, from the Mini-RF sensor aboard NASA s Lunar Reconnaissance Orbiter (LRO) and a successful September launch of two Space Tracking and Surveillance System payloads aboard a Delta II rocket. In March, SAS shipped the NASA Aerosol Polarimetry Sensor for integration with the Glory spacecraft.

SAS has the following principal product lines:

Tactical Airborne Systems (TAS) TAS designs and manufactures cost-effective, high-performance air dominance solutions for tactical and strategic platforms, delivering trusted, actionable information and mission assurance. TAS provides sensors and integrated avionics systems using advanced fire control radars, electronic warfare and processor technologies to customers including the U.S. Navy, Air Force and Marine Corps and foreign governments. TAS produces radars using either mechanically scanned or AESA antennas for the U.S. Air Force s F-15 and B-2 aircraft and for the U.S. Navy s F/A-18 and EA-18G aircraft. TAS also provides electronic technology capabilities for aircraft and

shipboard self-protection systems to counter threats while enhancing platform and force

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survivability including advanced towed decoys, radar warning receivers, jammers and integrated electronic warfare systems. In addition, TAS advanced airborne processors form the basis of the mission computer/signal processing systems in the F-16, F-22 and F-35 aircraft.

Intelligence, Surveillance and Reconnaissance Systems (ISRS) ISRS designs and manufactures sensor, surveillance and targeting solutions that enable actionable information for strike, persistent surveillance and special mission applications. ISRS provides maritime and overland surveillance radars, terrain following/terrain avoidance radars and electro-optical/infrared sensors to customers including every branch in the DoD, the Department of Homeland Security (DHS) and foreign governments. The ISRS portfolio includes the APY-10 radar for the U.S. Navy s Multi-Mission Maritime Aircraft, the AAS-44(V) forward looking infrared sensor for the U.S. Navy s H-60 helicopters, the Multi-spectral Targeting System for the U.S. Air Force s Predator unmanned aerial system (UAS) and the ASQ-228 ATFLIR targeting pod for the F/A-18 Hornet and Super Hornets. ISRS also provides the Enhanced Integrated Sensor Suite for the Global Hawk UAS, which enables the Global Hawk to scan large geographic areas and produce outstanding high-resolution reconnaissance imagery. In addition, ISRS provides integrated solutions for all tiers of airborne intelligence, surveillance and reconnaissance systems, including the dual mode Synthetic Aperture Radar/Moving Target Indicator sensor for the ASTOR program for the U.K. Ministry of Defence, which enables high-resolution images and the monitoring of hostile forces.

Space Systems (SS) SS designs and manufactures space and space-qualified sensor payloads for large national programs and develops innovative solutions for emerging intelligence, defense and civil space applications. SS provides electro-optical, infrared, radio frequency and laser space-based sensors to customers including branches of the DoD, MDA, NASA, classified customers and foreign governments. Its non-classified programs include the Visible Infrared Imager Radiometer Suite, which will provide advanced imaging and radiometric capabilities onboard the National Polar-orbiting Operational Environmental Satellite System, and ARTEMIS, a sophisticated hyperspectral imaging sensor for the U.S. Air Force Research Laboratory (AFRL).

Other SAS product lines include Advanced Concepts and Technologies (ACT) and Integrated Technology Programs (ITP). ACT conducts internal research and development for SAS and contract research and development for customers, including AFRL and DARPA. ITP provides a wide range of state-of-the-art product families and engineering services in support of the DoD s recent efforts to transform the capabilities and structure of the U.S. Armed Forces, including a variety of sophisticated GPS systems and anti-jam solutions for many customers, including the U.S. Air Force and Navy.

Technical Services (TS) TS, headquartered in Reston, Virginia, provides a full spectrum of technical, scientific and professional services to defense, federal, international and commercial customers worldwide. It specializes in training, logistics, engineering services, product support and operational support services. TS provides solutions for mission support, homeland security, space, civil aviation, counterproliferation and counterterrorism markets. Key customers include all branches of the U.S. Armed Forces, as well as the DHS, NASA, FAA, Department of Energy, Defense Threat Reduction Agency (DTRA) and international governments.

In 2009, TS continued to expand its Global Training Solutions capabilities and offerings domestically and internationally. During the first contract year, the TS-led Air Traffic Control Optimum Training Solution (ATCOTS) program trained more than 5,000 FAA air traffic controllers. As a key supplier to the Metrix Consortium, Raytheon also began Early Training Transformation for the U.K. Ministry of Defence as the prelude to the Defence Training Rationalisation program, a program to transform specialist training across the U.K. military. In addition, the TS-led Warfighter Field Operations Customer Support (FOCUS) activities have been providing integrated training and training support, primarily to the U.S. Army, at numerous locations around the world for nearly two years.

TS has the following principal product lines:

Integrated Support Solutions (ISS) ISS supports systems and products from design to deployment, providing outsourced services to the mission support, civil aviation, homeland security and threat reduction markets. ISS offers a range of capabilities including engineering

services, field support, integrated logistics support, training,

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maintenance, installation and integration services for U.S. and international government customers and contractors. ISS also specializes in installation, maintenance and upgrades of Raytheon products at customer facilities. As part of this effort, ISS provides support to NASA s Neutral Buoyancy Lab and Space Vehicle Mockup Facility at the Johnson Space Center and also works with DTRA on international counterproliferation and counterterrorism programs in the former Soviet Union.

Customized Engineering & Depot Support (CEDS) CEDS provides a broad spectrum of engineering and limited-production services. CEDS provides Capability Maturity Model Integration for Development (CMMI-DEV®) Maturity Level 3 capability for all engineering functions. For the V-22 Osprey aircraft program, CEDS manages the Systems Integration Lab, leads the software support activity, performs updates to operational flight profile software and provides mission planning software and training devices. CEDS also provides integration and field support for the Shared Reconnaissance Pod, which enables real-time, high-resolution imaging for F/A-18E/F air crews and air operation commanders. CEDS provides upgrades and integration services to a number of air platforms, including the A-10, the HH-60, the B-52 and the F-16, and ground-based platforms, including radars and tanks. CEDS also provides full life-cycle support for air, sea and land-based electronics and weapons. CEDS also provides Mission Support to Canada s military across numerous platforms, including the Phalanx Close-In Weapon System, the SPS-49 Air Defense Radar and the APG-73 Radar.

Warfighter FOCUS The TS-led Warrior Training Alliance (WTA) operates the Warfighter FOCUS activities and provides integrated operational training support, primarily to the U.S. Army. TS is leading a team of subcontractors on this 10-year program which is composed of various contracts for education, virtual and live training, including operational training for domestic and foreign locations, most of which are individually bid and awarded. The WTA provides integrated turnkey, life-cycle training services and support worldwide. Work performed by the WTA includes: support for training exercises and operations; maintenance for all training and range systems; curriculum development and instruction; management oversight and administration for contractor activities; and supply support for all government-owned property and material.

Raytheon Professional Services (RPS) RPS excels at designing, implementing and managing highly complex training solutions that align an organization s employees, customers and partners. Using systems engineering practices, RPS applies commercial solutions, processes, tools and training experts to make its training programs available anytime, anywhere. This enables RPS clients to scale competencies and resources to meet the geographic, cultural and regulatory demands of their distributed enterprise. RPS helps leading companies in numerous countries rethink the way training is delivered internally. RPS clients include General Motors Corporation, NASA and the FAA.

Raytheon Polar Services Raytheon Polar Services is the prime operations and logistics contractor to the National Science Foundation to support scientific research and maintain a geopolitical presence in Antarctica. It provides core business applications, information security processes and oversight in accordance with stringent federal guidelines.

International Subsidiaries We conduct the operations and activities of our business segments in certain countries through international subsidiaries, including Raytheon Systems Limited (RSL) for the U.K., Raytheon Australia and Raytheon Canada Limited (RCL). RSL designs, develops and manufactures advanced systems for network-enabled operations, safety critical control functions and precision systems for the U.K. Ministry of Defence, U.K. Home Office and commercial air traffic control organizations. Programs include e-Borders, an advanced border control and security program (with IIS), the Airborne Standoff Radar (ASTOR), a world-class ground surveillance capability (with SAS) and the Joint Effects Tactical Targeting System (JETTS) (with NCS). Raytheon Australia is a Mission Support and mission systems integration provider to the Australian Government. Programs include the Air Warfare Destroyer contract to design, develop and procure the combat system for the new Hobart Class destroyers (with IDS). Raytheon Australia also manages the entire operations and maintenance requirements of the Canberra Deep Space Communication Complex and provides design, integration and lifecycle operations and maintenance services for the Royal Australian Defense Force s aerospace capability (with TS). RCL provides persistent surveillance radar for air traffic management systems (primarily with NCS).

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Sales to the U.S. Government

Our total net sales to the U.S. Government were $22.0 billion in 2009, $20.2 billion in 2008 and $18.3 billion in 2007, representing 88%, 87% and 86% of total net sales in 2009, 2008 and 2007, respectively. Included in U.S. Government sales were foreign military sales through the U.S. Government of $2.8 billion, $1.8 billion and $1.5 billion in 2009, 2008 and 2007, respectively. Our principal U.S. Government customer is the DoD; other U.S. Government customers include the Departments of Homeland Security, Justice, State and Energy, Intelligence Community agencies, NASA and the FAA.

U.S. Government Contracts and Regulation

We act as a prime contractor or major subcontractor for numerous U.S. Government programs. As a result, we are subject to extensive regulations and requirements of the U.S. Government agencies and entities which govern these programs, including with respect to the award, administration and performance of contracts under such programs. We are also subject to certain unique business risks associated with U.S. Government program funding and appropriations and government contracts and with supplying technologically-advanced, cutting edge defense-related products and services to the U.S. Government.

U.S. Government contracts generally are subject to the Federal Acquisition Regulation (FAR), which sets forth policies, procedures and requirements for the acquisition of goods and services by the U.S. Government, agency-specific regulations that implement or supplement FAR, such as the DoD s Defense Federal Acquisition Regulation Supplement (DFARS) and other applicable laws and regulations. These regulations impose a broad range of requirements, many of which are unique to government contracting, including various procurement, import and export, security, contract pricing and cost, contract termination and adjustment, and audit requirements. A contractor s failure to comply with these regulations and requirements could result in reductions to the value of contracts, contract modifications or termination, and the assessment of penalties and fines and lead to suspension or debarment, for cause, from government contracting or subcontracting for a period of time. In addition, government contractors are also subject to routine audits and investigations by U.S. Government agencies such as the Defense Contract Audit Agency (DCAA). These agencies review a contractor s performance under its contracts, cost structure and compliance with applicable laws, regulations and standards. The DCAA also reviews the adequacy of and a contractor s compliance with its internal control systems and policies, including the contractor s purchasing, property, estimating, compensation and management information systems. For a discussion of certain risks associated with compliance with U.S. Government contract regulations and requirements, see Item 1A Risk Factors of this Form 10-K.

U.S. Government contracts include both cost reimbursement and fixed price contracts. Cost reimbursement contracts, subject to a contract-ceiling amount in certain cases, provide for the reimbursement of allowable costs plus the payment of a fee. These contracts fall into three basic types: (i) cost plus fixed fee contracts which provide for the payment of a fixed fee irrespective of the final cost of performance, (ii) cost plus incentive fee contracts which provide for increases or decreases in the fee, within specified limits, based upon actual results as compared to contractual targets relating to such factors as cost, performance and delivery schedule, and (iii) cost plus award fee contracts which provide for the payment of an award fee determined at the discretion of the customer based upon the performance of the contractor against pre-established criteria. Under cost reimbursement type contracts, the contractor is reimbursed periodically for allowable costs and is paid a portion of the fee based on contract progress. Some costs incident to performing contracts have been made partially or wholly unallowable for reimbursement by statute, FAR or other regulation. Examples of such costs include charitable contributions, certain merger and acquisition costs, lobbying costs, interest expense and certain litigation defense costs.

Fixed-price contracts are either firm fixed-price contracts or fixed-price incentive contracts. Under firm fixed-price contracts, the contractor agrees to perform a specific scope of work for a fixed price and as a result, benefits from cost savings and carries the burden of cost overruns. Under fixed-price incentive contracts, the contractor shares with the government savings accrued from contracts performed for less than target costs and costs incurred in excess of targets up to a negotiated ceiling price (which is higher than the target cost) and carries the entire burden of costs exceeding the negotiated ceiling price. Accordingly, under such incentive contracts, the contractor s profit may also be adjusted up or down depending upon whether specified performance objectives are met. Under firm fixed-price and fixed-price incentive type contracts, the

contractor usually receives either milestone payments equaling up to 90% of the contract price or monthly progress payments from the government generally in amounts equaling 80% of costs incurred under

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government contracts. The remaining amount, including profits or incentive fees, is billed upon delivery and acceptance of end items under the contract. For a discussion of certain risks associated with fixed price and cost reimbursement contracts, see Item 1A Risk Factors of this Form 10-K.

U.S. Government contracts generally also permit the government to terminate the contract, in whole or in part, without prior notice, at the government s convenience or for default based on performance. If a contract is terminated for convenience, the contractor is generally entitled to payments for its allowable costs and will receive some allowance for profit on the work performed. If a contract is terminated for default, the contractor is generally entitled to payments for its work that has been accepted by the government. The U.S. Government s right to terminate its contracts has not had a material adverse effect upon our operations or financial condition. For a discussion of the risks associated with the U.S. Government s right to terminate its contracts, see Item 1A Risk Factors of this Form 10-K.

U.S. Government programs generally are implemented by the award of individual contracts and subcontracts. Congress generally appropriates funds on a fiscal year basis even though a program may extend across several fiscal years. Consequently, programs are often only partially funded initially and additional funds are committed only as Congress makes further appropriations. The contracts and subcontracts under a program generally are subject to termination for convenience or adjustment if appropriations for such programs are not available or change. The U.S. Government is required to equitably adjust a contract price for additions or reductions in scope or other changes ordered by it. For a discussion of the risks associated with program funding and appropriations, see Item 1A Risk Factors and Overview within Item 7 of this Form 10-K. In addition, because we are engaged in supplying technologically-advanced, cutting edge defense-related products and services to the U.S. Government, we are subject to certain business risks, some of which are specific to our industry. These risks include: the cost of obtaining and retaining trained and skilled employees; the uncertainty and instability of prices for raw materials and supplies; the problems associated with advanced designs, which may result in unforeseen technological difficulties and cost overruns; and the intense competition and the constant necessity for improvement in facilities and personnel training. Our sales to the U.S. Government may be affected by changes in procurement policies, budget considerations, changing concepts of national defense, political developments abroad and other factors. See Item 1A Risk Factors and Overview within Item 7 of this Form 10-K for a more detailed discussion of these and other related risks.

We are also involved in U.S. Government programs, principally through our IIS and SAS business segments, which are classified by the U.S. Government and cannot be specifically described in this Form 10-K. The operating results of these classified programs are included in our consolidated financial statements. The business risks and considerations associated with these classified programs generally do not differ materially from those of our other U.S. Government programs and products. Total classified sales were 13%, 12% and 13% of total net sales in 2009, 2008 and 2007, respectively.

We are subject to government regulations and contract requirements which may differ from U.S. Government regulation with respect to our sales to non-U.S. customers. See International Sales below for more information regarding our sales outside of the U.S. and Item 1A Risk Factors for a discussion of the risks associated with international sales.

See Sales to the U.S. Government on page 9 of this Form 10-K for information regarding the percentage of our revenues generated from sales to the U.S. Government.

International Sales

Our sales to customers outside the U.S. were $5.3 billion or 21% of total net sales in 2009, $4.6 billion or 20% of total net sales in 2008, and $4.2 billion or 20% of total net sales in 2007. Included in sales to customers outside the U.S. were foreign military sales through the U.S.

Government of $2.8 billion, $1.8 billion and $1.5 billion, in 2009, 2008 and 2007, respectively. International sales were principally in the fields of air defense systems, missile systems, airborne radars, naval systems, air traffic control systems, missile defense systems, electronic equipment, computer software and systems, homeland security solutions, personnel training, equipment maintenance and microwave communication and other products and services permitted under the International Traffic in Arms Regulations (ITAR). Generally, we finance our foreign subsidiary working capital requirements in the applicable countries. Sales and income from international

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operations and investments are subject to U.S. Government laws, regulations and policies, including the ITAR and the Foreign Corrupt Practices Act and the export laws and regulations described below, as well as foreign government laws, regulations and procurement policies and practices, which may differ from U.S. Government regulation, including import-export control, investments, exchange controls, repatriation of earnings and requirements to expend a portion of program funds in-country. In addition, embargoes, international hostilities and changes in currency values can also impact our international sales. Exchange restrictions imposed by various countries could restrict the transfer of funds between countries and between Raytheon and its subsidiaries. We have acted to protect ourselves against most undue risks through insurance, foreign exchange contracts, contract provisions, government guarantees and/or progress payments. See revenues derived from external customers and long-lived assets by geographical area set forth in Note 16: Business Segment Reporting within Item 8 of this Form 10-K.

In connection with certain foreign sales, we utilize the services of sales representatives who are paid commissions in return for services rendered.

The export from the U.S. of many of our products may require the issuance of a license by either the U.S. Department of State under the Arms Export Control Act of 1976 (formerly the Foreign Military Sales Act) and its implementing regulations under the ITAR, the U.S. Department of Commerce under the Export Administration Act and its implementing regulations as kept in force by the International Emergency Economic Powers Act of 1977 (IEEPA), and/or the U.S. Department of the Treasury under IEEPA or the Trading with the Enemy Act of 1917. Such licenses may be denied for reasons of U.S. national security or foreign policy. In the case of certain exports of defense equipment and services, the Department of State must notify Congress at least 15-60 days (depending on the identity of the importing country that will utilize the equipment and services) prior to authorizing such exports. During that time, Congress may take action to block or delay a proposed export by joint resolution which is subject to Presidential veto.

Additional information regarding the risks associated with our international business is contained in Item 1A Risk Factors of this Form 10-K.

Backlog

Our backlog of orders was $36.9 billion at December 31, 2009 and $38.9 billion at December 31, 2008. The 2009 amount includes backlog of approximately $30.3 billion from the U.S. Government compared with $33.0 billion at the end of 2008. Approximately $5.6 billion and $0.6 billion of the 2009 backlog amount represents direct foreign government backlog and non-government foreign backlog, respectively. Approximately $18.5 billion of the 2009 year-end backlog is not expected to be filled during the following twelve months. These amounts include both funded backlog (unfilled orders for which funding is authorized, appropriated and contractually obligated by the customer) and unfunded backlog (firm orders for which funding has not been appropriated or obligated to us). For additional information related to backlog figures, see Segment Results within Item 7 of this Form 10-K.

Research and Development

We conduct extensive research and development activities to continually enhance our existing products and services and develop new products and services to meet our customers changing needs and requirements and address new market opportunities. During 2009, we expended $565 million on research and development efforts compared with $517 million in 2008 and $502 million in 2007. These expenditures principally have been for product development for the U.S. Government, including bid and proposal efforts related to U.S. Government programs. We also conduct funded research and development activities under U.S. Government contracts which are included in net sales. For additional information related to our research and development activities, see Note 1: Summary of Significant Accounting Policies within Item 8 of this Form 10-K.

Raw Materials, Suppliers and Seasonality

We are dependent upon the delivery of materials by suppliers and the assembly of major components and subsystems by subcontractors used in our products. Some products require relatively scarce raw materials. In addition, we must comply with specific procurement requirements which may, in effect, limit the suppliers and subcontractors we may utilize. In some instances, for a variety of reasons, we are dependent on sole-source suppliers. We enter into long-term or volume purchase agreements with certain suppliers and take other actions to ensure the availability of needed materials,

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components and subsystems. We generally have not experienced material difficulties in procuring the necessary raw materials, components and other supplies for our products.

In recent years, our revenues in the second half of the year have generally exceeded revenues in the first half. The timing of U.S. Government awards, the availability of U.S. Government funding and product deliveries are among the factors affecting the periods in which revenues are recorded. We expect this trend to continue in 2010.

Competition

We directly participate in most major areas of development in the defense and government electronics, space, information technology and technical services and support markets. Technical superiority, reputation, price, past performance, delivery schedules, financing and reliability are among the principal competitive factors considered by customers in these markets. We compete worldwide with a number of U.S. and international companies in these markets, some of which may have more extensive or more specialized engineering, manufacturing and marketing capabilities than we do in some areas. The on-going consolidation of the U.S. and global defense, space and aerospace industries continues to intensify competition and has reduced the number of principal prime contractors in the U.S. As a result of this consolidation, we frequently partner on various programs with our major suppliers, some of whom are, from time to time, competitors on other programs. In addition, projected U.S. defense spending levels for periods beyond the near-term are uncertain and difficult to predict. Changes in U.S. defense spending may potentially limit certain future market opportunities. See Item 1A Risk Factors and Overview within Item 7 of this Form 10-K for a more detailed discussion of these and other related risks.

Patents and Licenses

We own an intellectual property portfolio which includes many United States and foreign patents, as well as unpatented know-how, data, software, trademarks and copyrights, all of which contribute to the preservation of our competitive position in the market. In certain instances, we have augmented our technology base by licensing the proprietary intellectual property of others. We also license our intellectual property to others. While our intellectual property rights in the aggregate are important to the operation of Raytheon, we do not believe that any existing patent, license or other intellectual property right is of such importance that its loss or termination would have a material adverse effect on our business, taken as a whole.

Employment

As of December 31, 2009, we had approximately 75,000 employees. Approximately 7% of our employees are unionized. We consider our union-management relationships to be generally satisfactory.

Environmental Regulation

Our operations are subject to and affected by a variety of federal, state and local environmental protection laws and regulations. We have provided for the estimated cost to complete remediation where we have determined that it is probable that we will incur such costs in the future to address the environmental impact at current or formerly owned operating facilities or at sites where we have been named a Potentially Responsible Party (PRP) by the Environmental Protection Agency (EPA) or similarly designated by other environmental agencies. It is difficult to estimate the timing and ultimate amount of environmental cleanup costs to be incurred in the future due to the uncertainties regarding the extent of the required cleanup, the discovery and application of innovative remediation technologies, and the status of the law, regulations and their interpretations.

In order to assess the potential impact on our consolidated financial statements, we estimate the possible remediation costs that we could reasonably incur. Such estimates take into consideration the professional judgment of our environmental professionals and, in most cases, consultations with outside environmental specialists.

If we are ultimately found to have liability at those sites where we have been designated a PRP, we expect that the actual costs of remediation will be shared with other liable PRPs. Generally, PRPs that are ultimately determined to be responsible parties are strictly liable for site clean-up and usually agree among themselves to share, on an allocated basis, the costs and expenses for investigation and remediation of hazardous materials. Under existing environmental laws, however, responsible parties may be jointly and severally liable and, therefore, potentially liable for the full cost of

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funding such remediation. In the unlikely event that we are required to fund the entire cost of such remediation, the statutory framework provides that we may pursue rights of contribution from the other PRPs. The amounts we record do not reflect the unlikely event that we would be required to fund the entire cost of such remediation, nor do they reflect the possibility that we may recover some of these environmental costs from insurance policies or from other PRPs, because neither manner of recovery is deemed probable. However, a portion of these costs are eligible for future recovery through the pricing of our products and services to the U.S. Government.

We manage various government-owned facilities on behalf of the U.S. Government. At such facilities, environmental compliance and remediation costs have historically been primarily the responsibility of the government and we relied (and continue to rely with respect to past practices) upon government funding to pay such costs. While the government remains responsible for capital and operating costs associated with environmental compliance, responsibility for fines and penalties associated with environmental noncompliance are typically borne by either the government or the contractor, depending on the contract and the relevant facts. Fines and penalties are unallowable costs under the contracts pursuant to which such facilities are managed.

Most of the laws governing environmental matters include criminal provisions. If we were convicted of a criminal violation of certain federal environmental statutes, including the Federal Clean Air Act and the Clean Water Act, the facility or facilities involved in the violation would be placed by the EPA on the Excluded Parties List maintained by the Government Services Administration. The listing would continue until the EPA concluded that the cause of the violation had been cured. Listed facilities cannot be used in performing any U.S. Government contract awarded during any period of listing by the EPA.

Additional information regarding the effect of compliance with environmental protection requirements and the resolution of environmental claims against Raytheon and its operations is contained in Item 1A Risk Factors, Item 3 Legal Proceedings, Commitments and Contingencies within Item 7 and Note 11: Commitments and Contingencies within Item 8 of this Form 10-K.

Available Information

Our Internet address is www.raytheon.com. The content on our website is available for informational purposes only. You should not rely upon such content for investment purposes and such content is not incorporated by reference into this Form 10-K.

We make available free of charge on or through our Internet website under the heading Investor Relations, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission. We also make available on or through our website copies of our key corporate governance documents, including our Governance Principles, Certificate of Incorporation, By-laws and charters for the Audit Committee, Management Development and Compensation Committee, Governance and Nominating Committee and Public Affairs Committee of the Board of Directors and our code of ethics entitled Standards of Business Ethics and Conduct . Stockholders may request free copies of these documents from our Investor Relations Department by writing to Raytheon Company, Investor Relations, 870 Winter Street, Waltham, MA 02451, or by calling (781) 522-5123 or by sending an email request to invest@raytheon.com.

ITEM 1A. RISK FACTORS

This Form 10-K and the information we are incorporating by reference contain forward-looking statements within the meaning of federal securities laws, including information regarding our 2010 financial outlook, future plans, objectives, business prospects, trends and anticipated financial performance including with respect to our liquidity and capital resources, our pension expense and funding, our unrecognized tax benefits and the outcome of legal proceedings, claims, investigations, commitments and contingencies, as well as information regarding domestic and international defense spending and budgets. You can identify these statements by the fact that they include words such as will, believe, anticipate, expect, estimate, intend, plan, or variations of these words, or similar expressions. These forward-looking statements a statements of historical facts and represent only our current expectations regarding such

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matters. These statements inherently involve a wide range of known and unknown uncertainties. Our 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, those set forth below and other important factors disclosed previously and from time to time in our other filings with the Securities and Exchange Commission. Given these factors, as well as other variables that may affect our operating results, you should not rely on forward-looking statements, assume that past financial performance will be a reliable indicator of future performance, nor use historical trends to anticipate results or trends in future periods. We expressly disclaim any obligation or intention to provide updates to the forward-looking statements and the estimates and assumptions associated with them.

We depend on the U.S. Government for a substantial portion of our business and changes in government defense spending could have consequences on our financial position, results of operations and business.

In 2009, U.S. Government sales accounted for approximately 88% of our total net sales. U.S. Government sales included foreign military sales through the U.S. Government of $2.8 billion in 2009. Our revenues from the U.S. Government largely result from contracts awarded to us under various U.S. Government programs, primarily defense-related programs with the Department of Defense (DoD), as well as a broad range of programs with the Department of Homeland Security, the Intelligence Community and other departments and agencies. The funding of our programs is subject to the overall U.S. Government budget and appropriation decisions and processes which are driven by numerous factors, including geo-political events and macroeconomic conditions, and are beyond our control. The overall level of U.S. defense spending has increased in recent years for numerous reasons, including increases in funding of operations in Iraq and Afghanistan and the DoD s modernization initiatives. Looking forward, we expect overall defense spending to increase in the near term, albeit at lower rates than in recent years. However, projected defense spending levels are uncertain and become increasingly difficult to predict for periods beyond the near-term due to numerous factors, including the external threat environment, funding for on-going operations in Iraq and Afghanistan, future priorities of the Administration and the overall health of the U.S. and world economies and the state of governmental finances.

Significant changes in defense spending could have long-term consequences for our size and structure. In addition, changes in government priorities and requirements could impact the funding, or the timing of funding, of our programs which could negatively impact our results of operations and financial condition.