

# Dear Fellow Shareholders,

Raytheon had another strong year in 2009 — results that build on our past success and strengthen the foundation on which we will strive to be even better in the future.

I believe that our accomplishments in 2009, as well as during the last several years, are rooted in Raytheon's Vision, Strategy, Goals and Values (VSGVs). Our VSGVs are reflected in our focus on the customer, in our technology and innovation leadership, in our commitment to execution, and in the positive spirit of our employees as measured by our employee opinion survey. By generating world-class ideas and putting these ideas into action, we seek to provide our men and women in uniform and others with the systems and services they need to be safe and to succeed, and to enable the success of all of our stakeholders around the world.

In a challenging environment for many businesses, we had the right strategic focus, the right processes and the right talent in place to meet our customers' needs, to grow, and to build on our reputation for corporate responsibility. This focus is reflected in our strong results for 2009 — in a book-to-bill ratio greater than one and a year-end backlog of \$37 billion, which bodes well for the future. For the year, we had a 7 percent increase in sales — and international sales, including foreign military sales, represented 21 percent of the total. International bookings were also strong, representing 30 percent of total bookings. Earnings per share from continuing operations were up 24 percent, cash flow was robust, and we continued to improve our return on invested capital (ROIC), by 10 percent from 2008 to 2009.

The company maintains a strong focus on program execution and the prudent management of capital and investments. This focus maximizes operating income and cash, and continues to improve ROIC. It allows us to pursue a capital deployment strategy that balances funding for growing our business, pension stability and returning cash to our shareholders through dividend payments and share repurchases — repurchases that totaled 25.8 million shares for \$1.2 billion in 2009.

## Diverse Portfolio Aligned With Global Customer Needs

Our portfolio is strong, broad-based and aligned with our customers' priorities, both in the United States and around the world.

One example of this alignment is in Missile Defense, where the U.S. administration has identified our Standard Missile-3 and X-Band Radar as critical elements in missile defense systems for the United States and its allies. Other countries, too, have confirmed their need for world-class capabilities. In air and missile defense in 2009, Raytheon received Foreign Military Sales contract awards totaling \$1.1 billion to fund new production of the combat-proven Patriot Air and Missile Defense System.

We are seeing strong support, domestically and internationally, in another key strategic area: our Intelligence, Surveillance and Reconnaissance work, particularly in the classified arena.

In Homeland Security, Raytheon's engineers meld the world's finest sensor, command and control and communications systems into innovative Homeland Security technology solutions that protect people on continents around the world. We focus our strengths on some of the world's most urgent needs in border security, identity management, Cybersecurity, aviation security and critical infrastructure protection. Our team crafts customer requirements into tested and proven solutions to address some of the world's most compelling needs.

Our training solutions span commercial, civilian government and military, both domestically and worldwide. We are providing training support to every active U.S. soldier through a contract with the U.S. Army, to every Federal Aviation Administration air traffic controller, and to every NASA astronaut. We are seeing increased demand in the international training marketplace, a growth opportunity.

2009 was a year in which the growing importance of Cybersecurity was clear. Raytheon's Cybersecurity solutions are setting new standards in this emerging marketplace, capabilities that have been enhanced through a series of acquisitions these last few years in insider threat software, vulnerability assessments and information operations, and infrastructure protection, engineering, research and analysis. In 2009, we acquired BBN Technologies, a leader in technology development with expertise spanning speech and language processing, privacy and security systems, networking, data mining, distributed systems and surveillance systems; and in early 2010, Raytheon Australia acquired business assets owned by Compucat Research Pty Ltd to enhance Raytheon's ability to meet the future information security needs of the Australian intelligence community.

This focus on expanding our portfolio with key technologies and personnel — and integrating acquisitions with our core competencies — has secured our position as a world-leading expert in Cybersecurity products and services. As our world becomes ever more dependent on the electronic systems that support and protect us, our leadership is positioned to provide a strategic benefit for years to come.

As we step back and look at the company's strategies and capabilities, they are well aligned with our customers' needs. Our innovative technologies are used across platforms, both new and already in-service, a position that gives us, and our customers, considerable flexibility. We are able to both forward-fit and backward-fit our solutions to enhance our customers' capabilities. And, we are well positioned to support our customers as their needs evolve today and in the future.



### World-Class Talent and Technology

As we focus on customer success, it is essential that we retain, attract and develop world-class talent. We are doing so, and we were honored to have been named to *Fortune*® Magazine's 2009 list of the Top 25 Companies for Leaders in North America, reinforcing our efforts in all aspects of leadership development.

We are committed to treating employees with respect, to leveraging our diversity efforts as a competitive advantage, and to continuing our leadership in diversity. For the fifth consecutive year, the company achieved a score of 100 percent on the Human Rights Campaign® Corporate Equality Index, recognizing our achievements in creating an inclusive and open environment.

### Securing the STEM Talent Pipeline

We also believe it is important to continue to demonstrate leadership in helping secure the science, technology, engineering and mathematics (STEM) pipeline for the future. In 2009, Raytheon's MathMovesU® program achieved several milestones in our efforts to inspire students to develop and sustain an interest in math and science: We opened the *Sum of all Thrills*™ interactive experience at *Epcot*® at the *Walt Disney World*® Resort, which enables students of all ages to custom-design their own virtual ride using mathematical tools and then experience the ride in a robotic simulator; we demonstrated the STEM Education Model, a simulation and modeling tool that we gifted to the Business-Higher Education Forum for use by researchers, policymakers and educators to explore ways to strengthen STEM outcomes; and we served as the title sponsor of the MATHCOUNTS® National Competition, hosting 228 of the nation's top middle school math students in a competition that was every bit as intense as a sports playoff game.

Equally gratifying was the tremendous turnout of Raytheon volunteers in support of 180 MathMovesU-related events throughout the year, events that reached more than 50,000 students and an equal number of parents and teachers. Our community efforts have never been stronger.

### Corporate Responsibility

Corporate responsibility is reflected in the things we stand for as a company — in, for example, our sound corporate governance framework and our innovative ethics education initiatives. In 2009, we built on our established engagement around ethics education by introducing the "Ethics Checkpoint" decision-making tool.

Corporate responsibility means valuing people, providing our employees with a healthy and safe work environment. Raytheon's *Mission:Health* program offers comprehensive health and wellness services and resources to employees and their families. Our workplace safety activities are guided by one overriding goal: to achieve an injury-free workplace.

Our 2009 injury rates were the lowest ever achieved at Raytheon, but we will not be satisfied until we reach our ultimate goal of zero injuries.

Corporate responsibility means sustainability: our commitment to future generations to protect our environment and conserve natural resources. Sustainability takes many forms at Raytheon including eliminating waste, recycling, conserving energy, reducing greenhouse gas emissions and developing environmental solutions. In early 2010, Raytheon received for the third year in a row the U.S. Environmental Protection Agency's/Department of Energy's ENERGY STAR® Sustained Excellence Award, the highest honor given to ENERGY STAR partners. In 2009, energy consumption declined on an absolute basis by almost 3 percent, and it has declined 13 percent since 2002. When measured on a "per dollar revenue" basis, the company reduced its energy use by 10 percent in 2009 and by 38 percent since 2002. This is a journey and every step forward is a step that matters. To this end, the front portion of our Annual Report is considerably shorter this year and therefore more eco-friendly. I would invite you to visit [Raytheon.com](http://Raytheon.com) to learn more about our systems and services.

### Vision, Strategy, Goals and Values

All that we strive to accomplish in the year ahead starts with our VSGVs. This is the foundation of our commitment to the safety and success of our men and women in uniform and all of our customers around the world. This is also the foundation for our focus on the success of our shareholders, employees, communities, and all of our stakeholders.

Our Vision is "to be the most admired defense and aerospace systems supplier through world-class people and technology." Our company is 88 years young. We know that we are involved in something larger than ourselves, and you have our commitment that the entire Raytheon team — now 75,000 strong — will work our hardest to continue to earn your confidence.

A proud member of the Raytheon team for 38 years,

William H. Swanson  
Chairman and Chief Executive Officer

March 2010

