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# Textron Analyst / Investor Meeting




February 9, 2010

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# Doug Wilburne

## *VP Investor Relations*

**Welcome**




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# Forward-Looking Information

Certain statements in today's discussion will be forward-looking statements, including those that discuss strategies, goals, outlook or other non-historical matters; or project revenues, income, returns or other financial measures. These forward-looking statements speak only as of the date on which they are made, and we undertake no obligation to update or revise any forward-looking statements.

These forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those contained in the statements, including the risks and uncertainties set forth under our full disclosure located at the end of this presentation and included in our SEC filings.

Today's discussion also includes adjusted EPS and other information that constitute non-GAAP financial measures pursuant to the SEC's Regulation G. This information should be considered together with a presentation of the most directly comparable financial measures calculated and presented in accordance with GAAP and a reconciliation of the differences between them, which are included on the company's website at www.Textron.com as a means of complying with the company's disclosure obligations under the SEC's Regulation G, as well as the SEC's Regulation FD.

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# Agenda

- Scott Donnelly, President & CEO
  - Textron Strategic Review
- Jack Pelton, Chairman, President & CEO, Cessna Aircraft
  - Cessna Strategic Review
- Scott Hall, President, Industrial Segment
  - Industrial Strategic Review
- Warren Lyons, President, Textron Financial
  - Finance Strategic Review
- Fred Strader, President & CEO, Textron Systems
  - Textron Systems Strategic Review
- John Garrison, President & CEO, Bell Helicopter
  - Bell Strategic Review
- Frank Connor, EVP & CFO
  - Textron Strategic Financial Outlook
- Scott Donnelly, President & CEO
  - Summary
- Q&A

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# Scott Donnelly
*President & CEO*

## Textron Inc.
## Strategic Business Review




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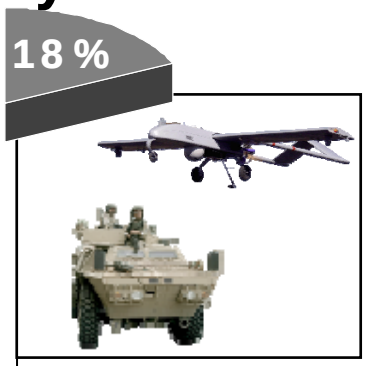
# Textron – *Leading Branded Businesses*

## 2009 Revenue: $10.5 Billion

### Bell


Bell Helicopter

### Textron Systems




Textron Systems
AAI
Overwatch
TMLS
Lycoming

### Cessna


Cessna Aircraft

### Industrial


E-Z-GO
Greenlee
Jacobsen
Kautex

### Finance


Textron Financial

**Strong businesses, innovative products, excellent long-term growth prospects**

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# Moving Forward

## 2009

- Year of Challenges
  - Financial crisis
  - Commercial volumes down
  - Political climate
- Tough actions to right size business
- Continued investment for future growth

## 2010

- Focus on moving forward
- Modest economic expansion
- Drive margin as volumes return
- Continue liquidation progress
- Further strengthening capital structure
- Growth trajectory

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# Finance Segment Strategic Priorities

- Orderly liquidation
  - Maximize cash generation
  - Preserve value
- Proper compensation incentives in place
- 2009 demonstrates our ability to manage successfully
- Captive-only to support our products

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# Cessna Strategic Priorities

- Product development
  - New and refreshed
- Manufacturing cost
- Customer service extension
- Non-US market development

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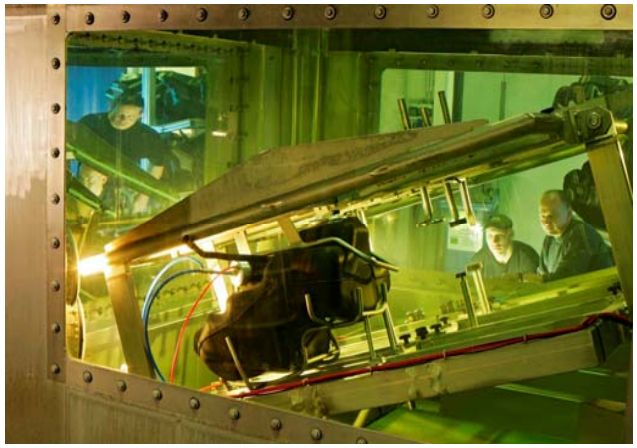
# Industrial Strategic Priorities

- Product development
  - Speed to market
- Manufacturing cost
- New areas for growth
- Distribution channels



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# Textron Systems Strategic Priorities

- International opportunities
  - ASV, SFW, UAS
- Unmanned systems growth
  - Commercial opportunities
- Ground station / intelligence fusion

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# Bell Strategic Priorities

- Commercial product development
- Military product ramp-up & performance enhancement
- Manufacturing cost
- Customer service support

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# Jack Pelton

*Chairman, President & CEO*

## Cessna Aircraft Company




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# Cessna Aircraft Company

## *$3.3 Billion (2009 Revenue)*

65 % **Citations**

4 % **Piston Aircraft**

6 % **Caravan**

1 % **Pre-owned Aircraft**

18 % **Parts, Service & Other**

6 % **CitationAir**

**Sustaining a Leadership Position Through Customer Satisfaction, New Products and Services**

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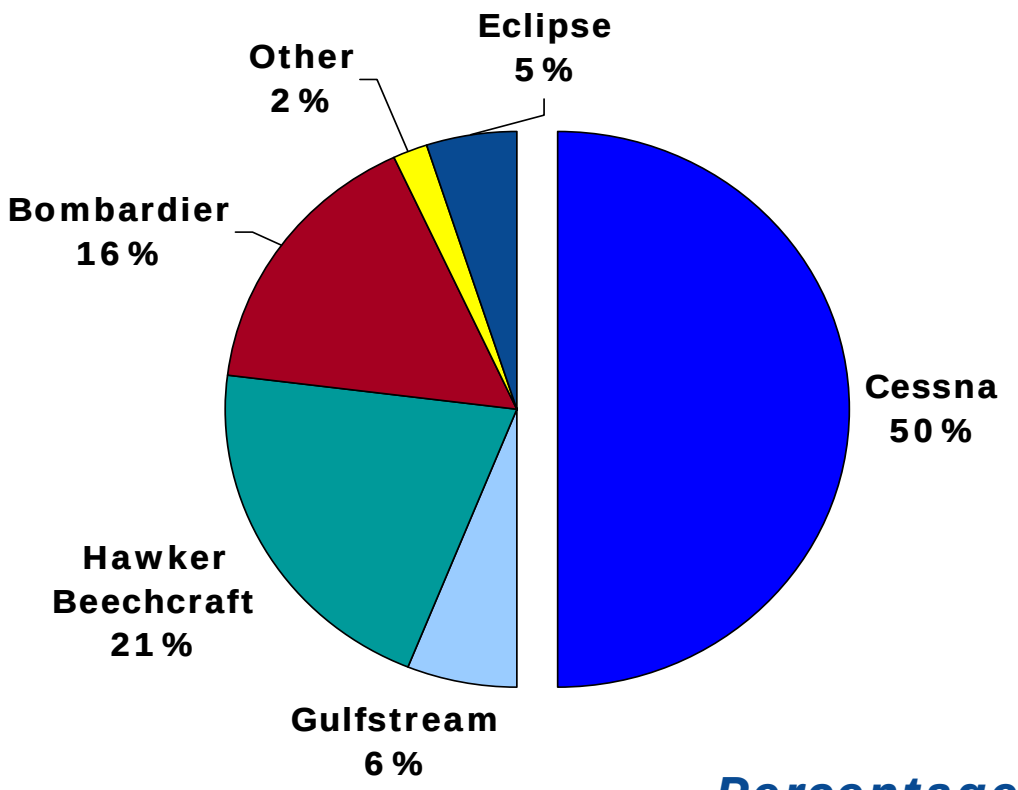
# Industry Leadership

## *New Shipments 2001-2009F*




- **Customer-focused new product development**
- **Continuous improvement in quality, reliability, service and support**
- **Proven value propositions**
- **Brand strength supported by the largest, loyal customer base in general aviation**

***Percentage Jets Shipped Light and Midsize, 2001 – 2009F***

**Source:** GAMA and Cessna estimates

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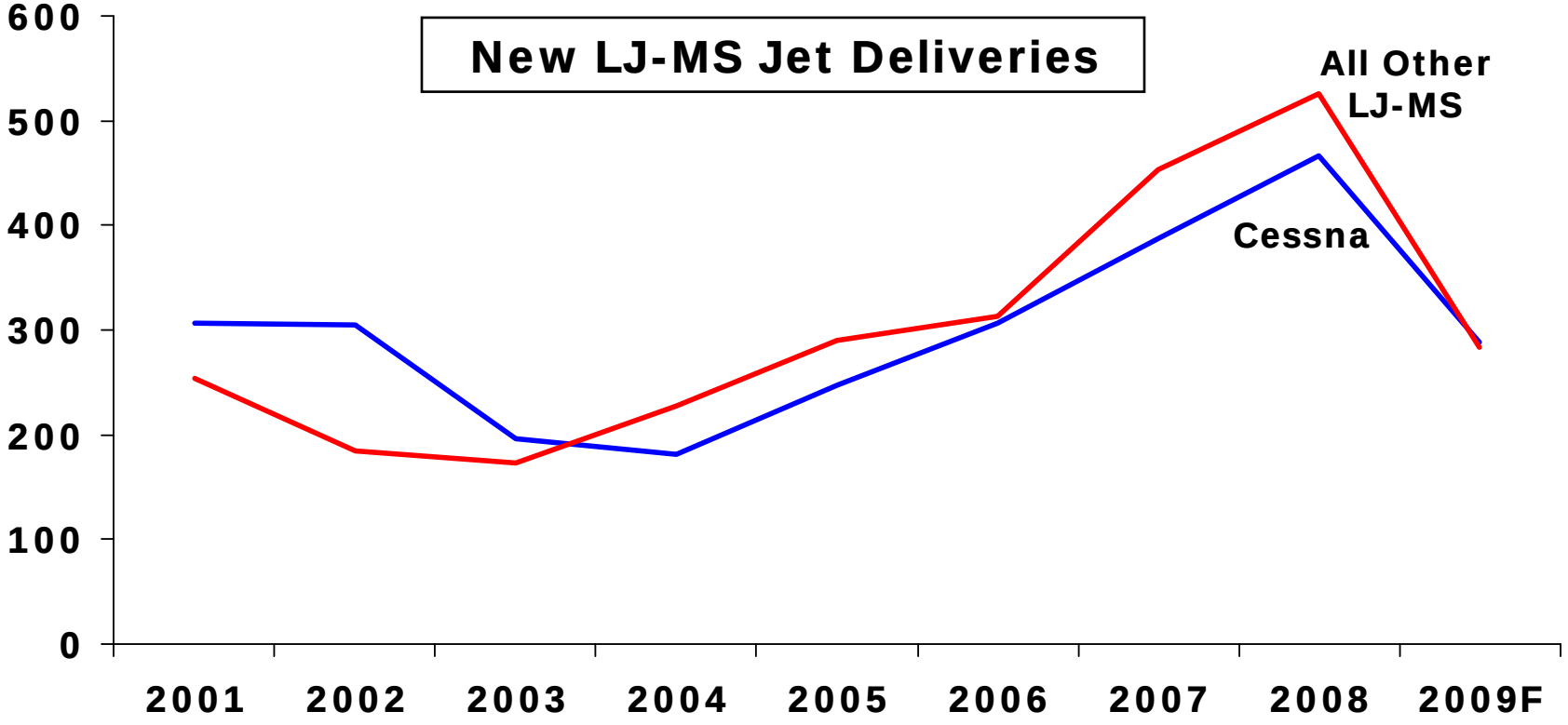
# Current Business Jet Cycle

## *Unprecedented in Severity*




- Cessna new business jet deliveries down less than segment
- Cessna pre-owned newer model available for sale (AFS) up less than segment
- Cessna pre-owned pricing better than average

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# Cessna Aircraft Company

## *Actual and Guidance ($M)*

| | 2009 Actual | 2010 Forecast |
|---|---|---|
| Revenue | $3,320 | ~$3,000 |
| Citation Jets | 289 | ~225 |
| Margin | 6.0% | 0.5% - 2.5% |

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# Cessna Aircraft Company

## *Actions Taken to Date*

- Reduced workforce by >8,000 (~50%)
- Exited 566,000 s.f. of facilities in 2009
  - Plans in place to consolidate another 315,000 s.f.
- Restructuring expenses
  - Booked ~$170M in 2009
  - Forecasting ~$25M in 2010
- Seven week total company furlough in addition to longer for specific model assembly lines

**Cessna Reacted to Downturn Quickly**

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# Cessna Aircraft Company

## *Actions to be Taken*

- Transition work rapidly for more optimal footprint, specifically Columbus, GA (240,000 s.f.)
- Improve recurring and non-recurring cost profiles to become '*the*' long-term cost leader within general aviation
  - Cost-out teams established by existing product line
  - Aggressively attacking direct and indirect costs
  - Target-cost approach used on all new products
- Work with supply partners to become more efficient and cost effective
  - Year-over-year material cost reduction goals established
- Facility consolidations maximize utilization and leverage existing lower cost sites
  - Initial thrust defined specific moves to Mexico
  - Longer-term consideration, "everything is on the table"

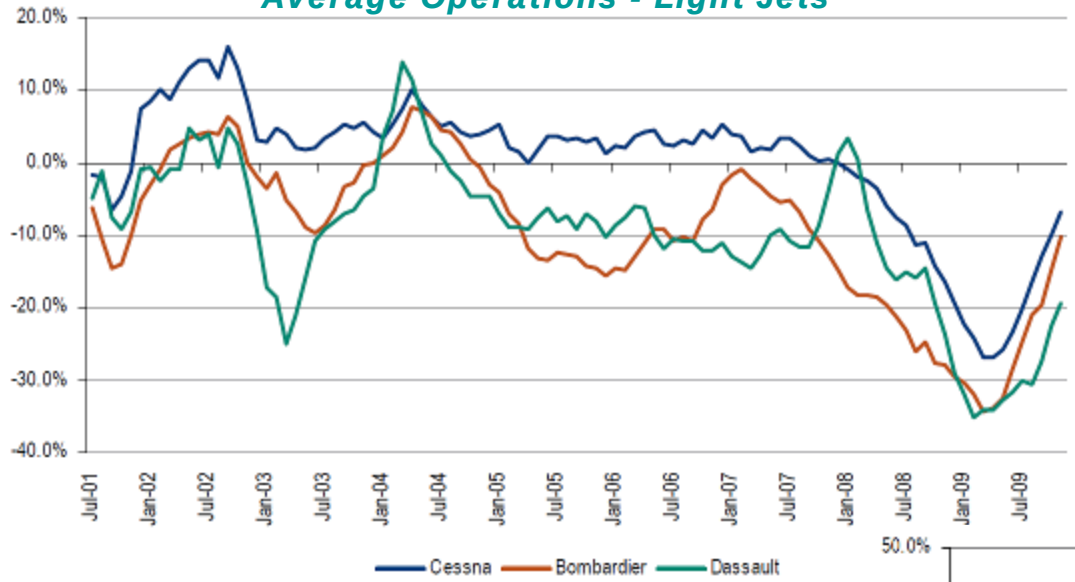
**Improving Global Competitiveness,**
**Returning to Double-digit Margins**

# Aircraft Usage Is Recovering

## *Fleet Activity (Cycles)*

***Y/Y % Change in 3M Rolling***

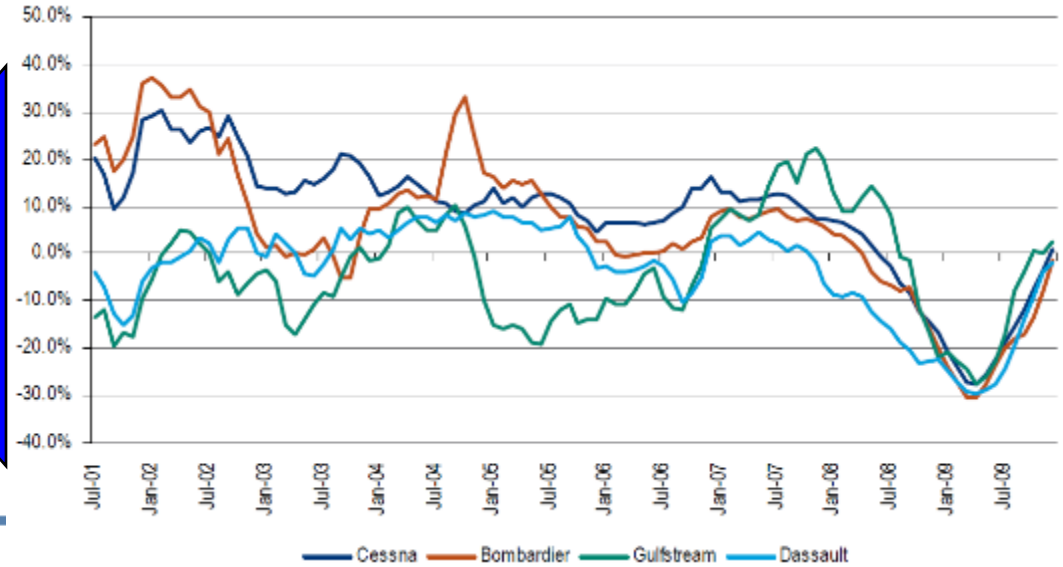
***Average Operations - Light Jets***




Cessna leads competitors in Light jets

***Y/Y % Change in 3M Rolling***

***Average Operations - Midsize Jets***




Cessna second only to Gulfstream in Midsize jets

**Source:** BofA Merrill Lynch (22 January 2010)

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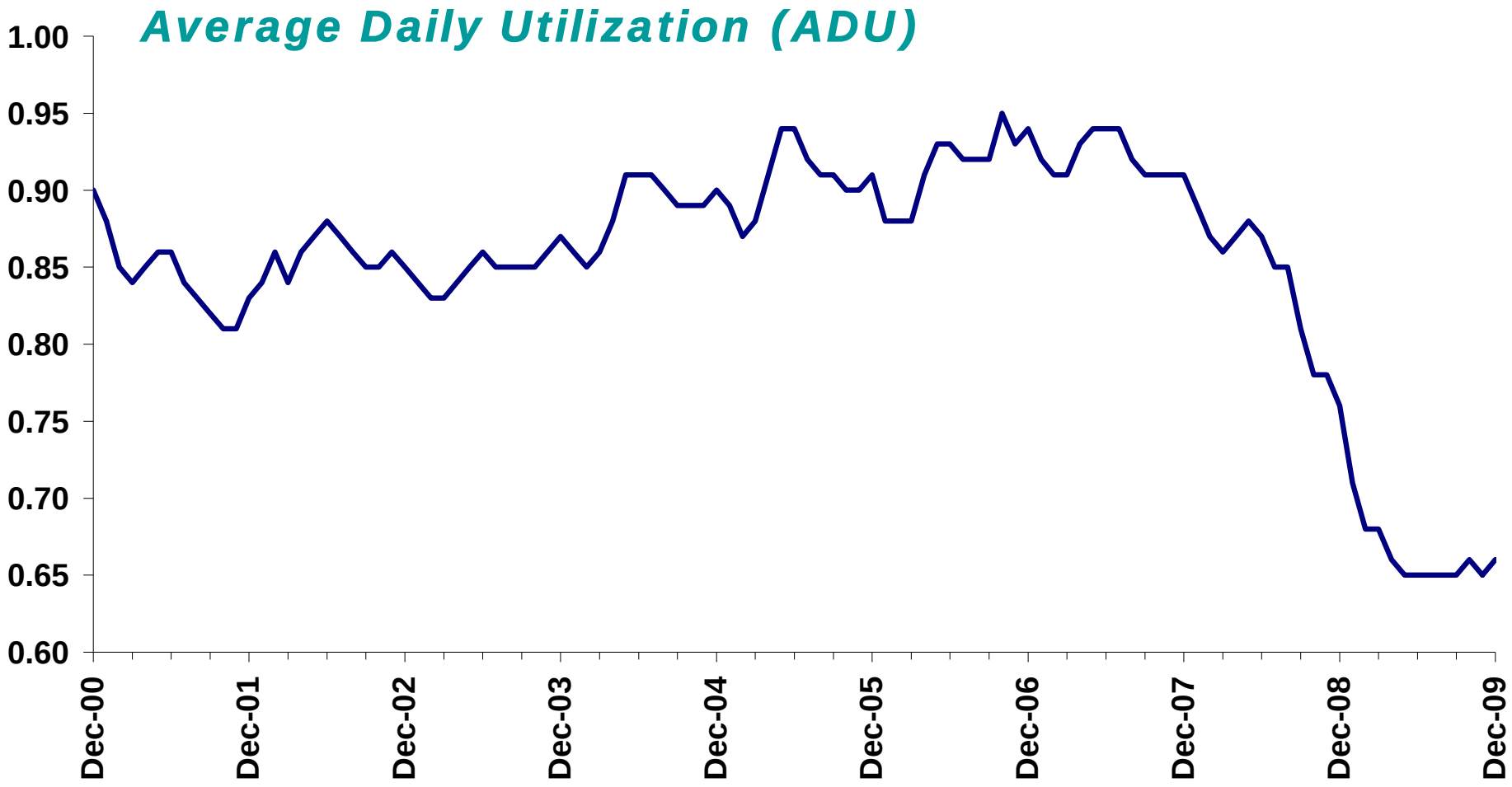
# Aircraft Usage Is Recovering




**Encouraged by Stability May 2009 Through December 2009, Utilization Should Increase Moving Forward in 2010**

**Source:** Cessna estimates

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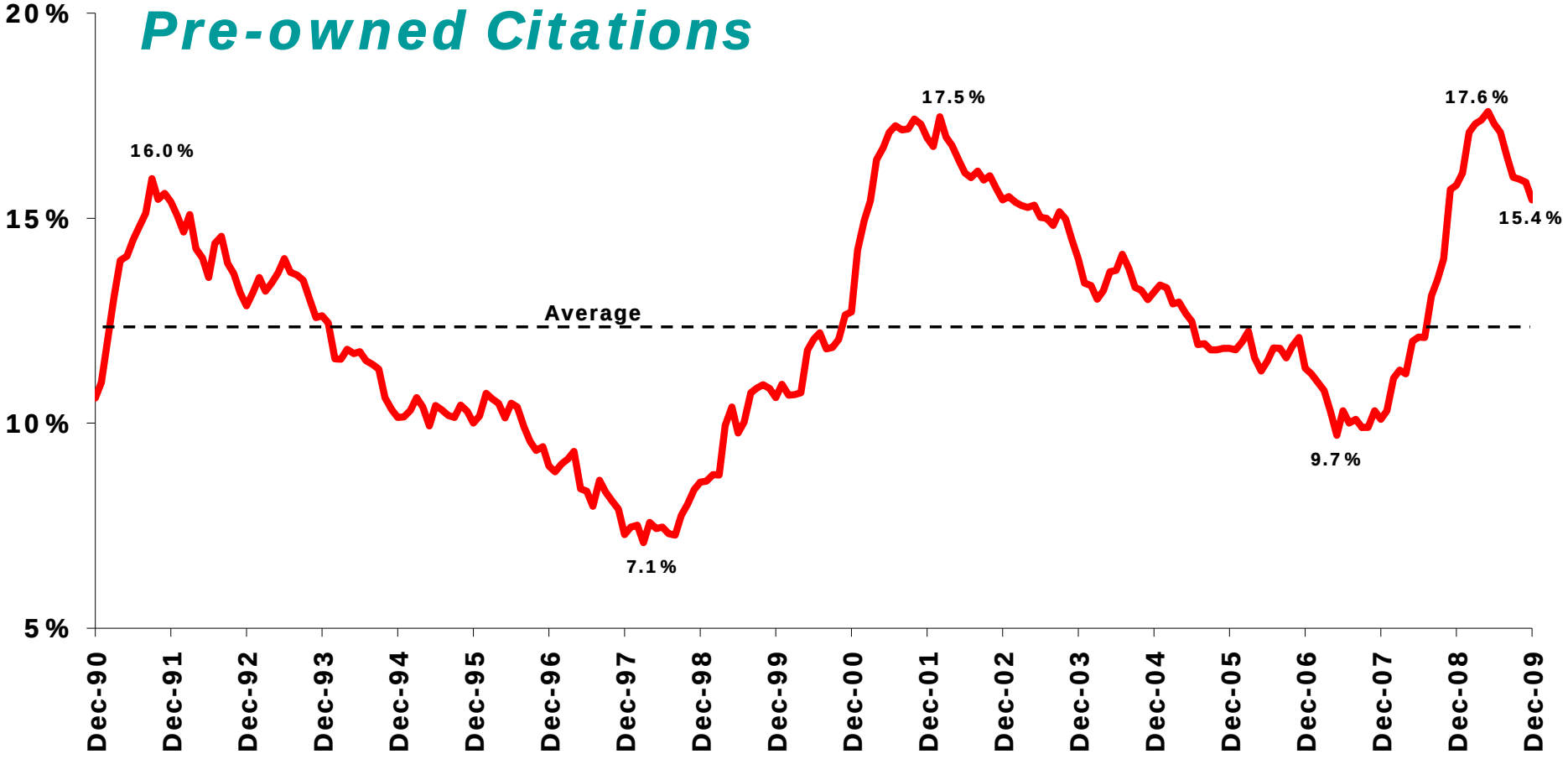
# Available for Sale % Declining

## *Pre-owned Citations*




**Pre-owned Citations AFS Lower for Seventh Month to 15.4%, Citations AFS % of Fleet Lower than HBC, BBD and ERJ**

**Source:** Cessna, AMSTAT, JPMorgan

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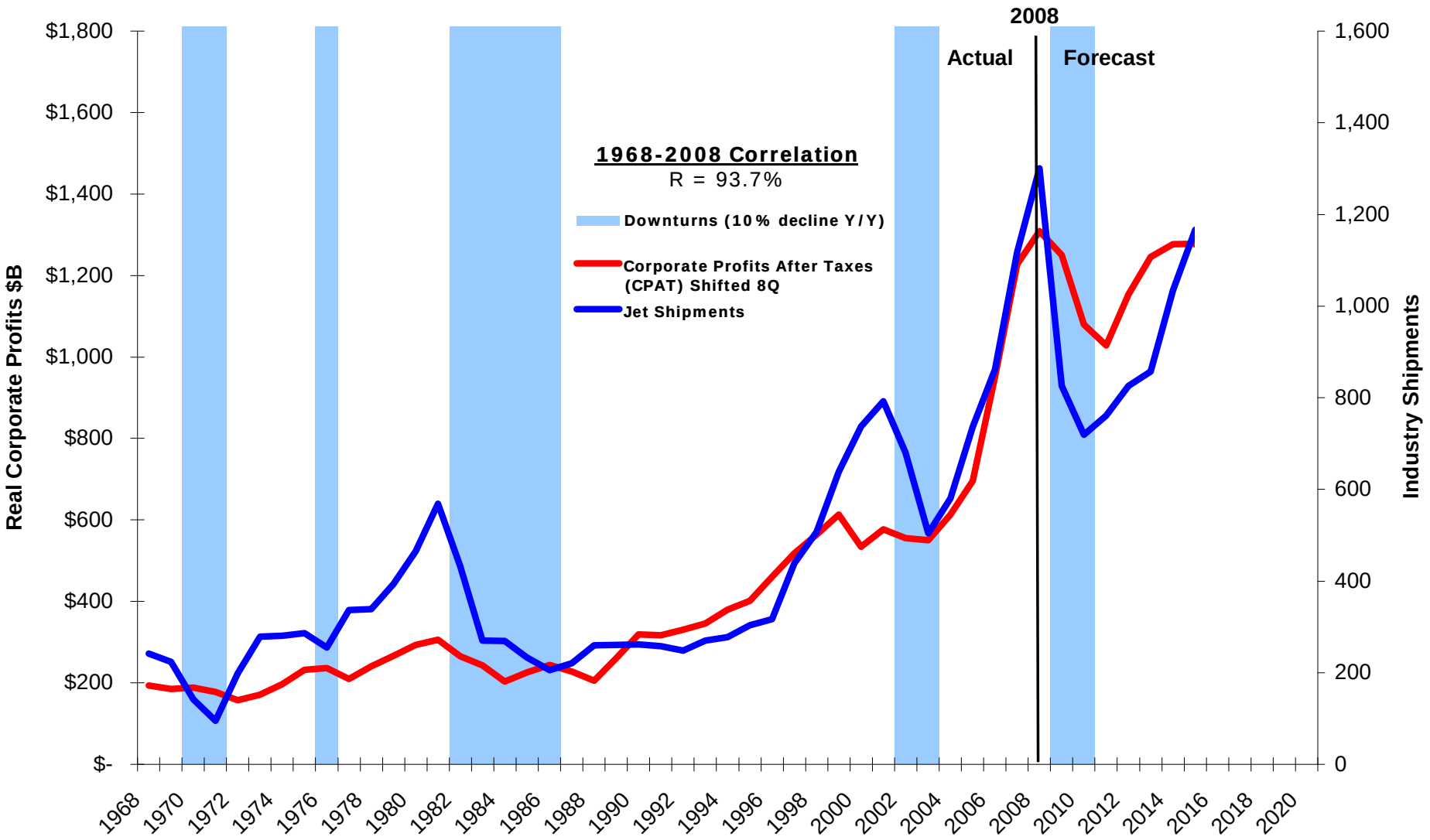
# Industry Outlook

## *Business Jet Industry Shipments*




Downturn defined by units decreasing > 10% year-over-year. Average downturn lasted 2.8 years with 42% total decline in units.

**Source:** Global Insight, Cessna estimates

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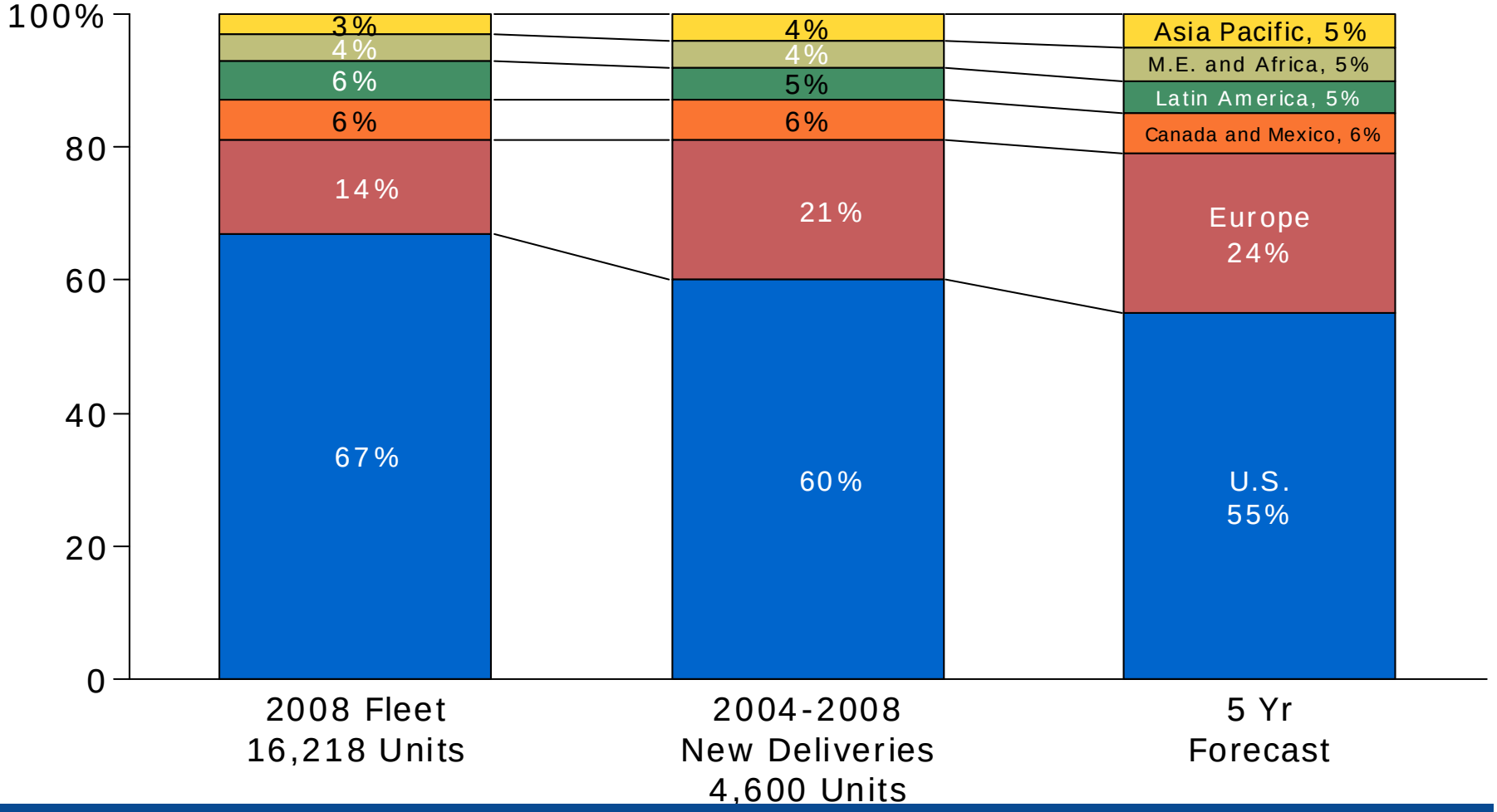
# Industry Outlook

## *Business Jet Global Fleet*




**Higher International Deliveries Continue to be Forecasted**

**Source:** Cessna analysis

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# Investing in New Products

## *Engineering a Better Business*

- Committed to leading every segment in which we participate
- Aggressively investing in a sustainable long-term leadership position in light and midsize segments
  - Block point changes and new models
- Designing for customer satisfaction, quality and reliability, competitive cost structure, manufacturability, and serviceability
- Improving product planning processes by:
  - Improving planning decision efficiency
  - Increasing design productivity
  - Reducing time to segment entry
  - Proactively removing entry-into-service delays

**Customer-focused Competitively-advantaged Future Products**

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# Investing in New Products

## *Citation CJ4*

- Final certification expected in February
- Second production aircraft off assembly line and in production flight test
- First customer delivery on schedule
- Performance improved over announcement
  - 5% takeoff improvement
  - Improved time to climb, direct to FL450
  - Max speed increased by 18 ktas
  - Max range improved >8% to 2,002 nm

| | |
|---|---|
| Price: | $8.75M |
| Backlog: | >150 units |
| FAA Cert: | Feb 09 |
| EASA Cert: | 2H10 |
| Deliveries: | 2Q10 |

**Cessna Will Continue to Invest in New Aircraft, Creating Tools for Success of Business Aviation Customers**

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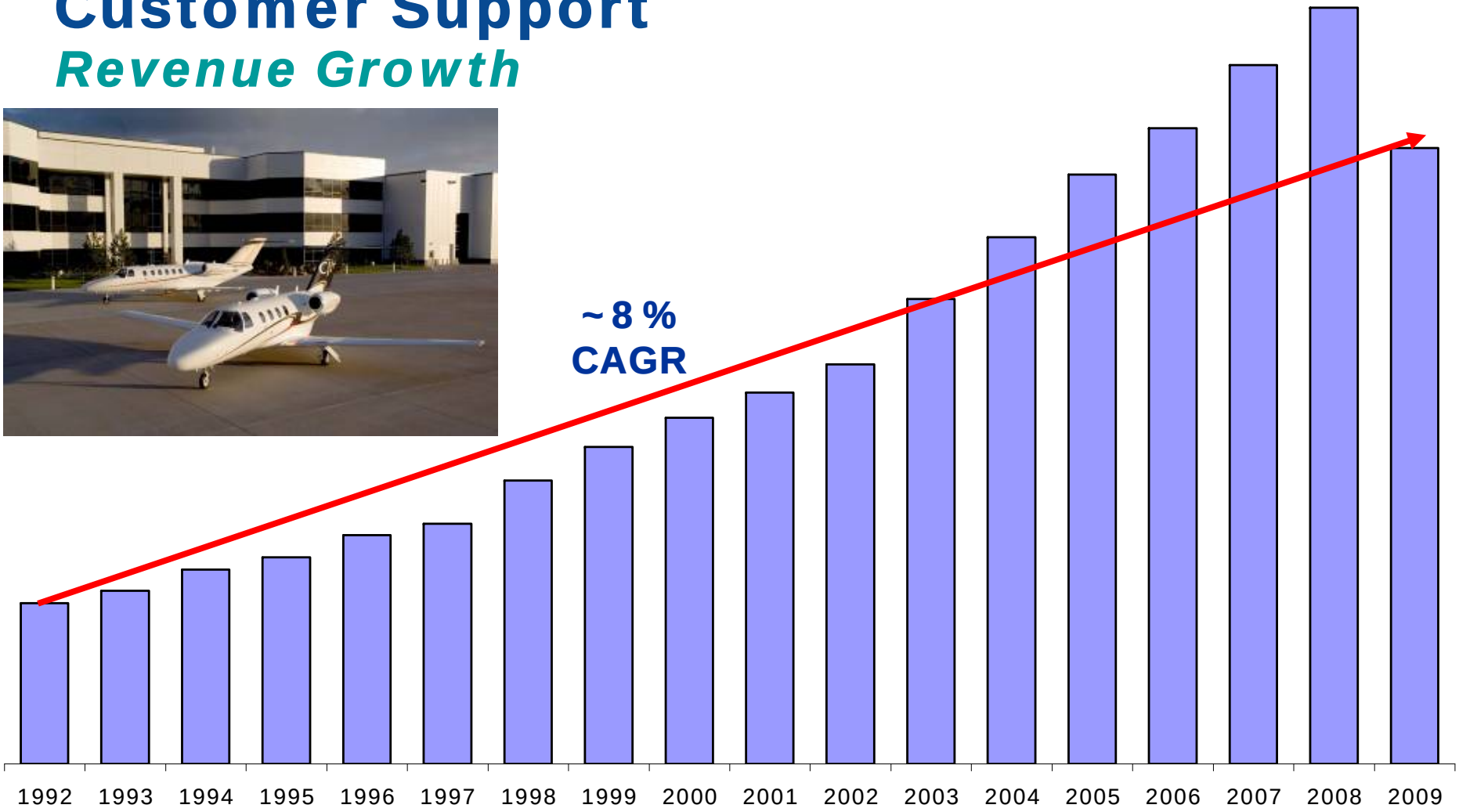
# Customer Support

## *Revenue Growth*






**Delivering Exceptional Customer Support at Attractive Margins**

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# Customer Support

## *Differentiating on Cessna Support*

- Citation service expansion
  - New Mesa Citation Service Center
  - Adding Valencia, Spain
  - Expanding Greensboro
- Evaluating additional alternatives to take service to customers
- Dallas Airmotive engine crew and shop co-located at Wichita Citation Service Center
- Authorized service facilities (ASF)
  - Added seven international Citation ASF in 2008 and three in 2009
- Parts distribution centers added to Paris (October 2009) and Singapore (January 2010), partnering with Bell in Amsterdam to further enhance distribution to European operators

**Expanding Global Support**

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# Customer Support

## *ServiceDirect*

- **Air Response Team (ART) dedicated aircraft**
  - **Transport aircraft on ground (AOG) parts**
  - **Transport technicians to grounded aircraft**
  - **Provide alternative lift in AOG situations**
  - **186 missions (175 successful)**
- **Mobile service units (MSU)**
  - **Brings service to the customer's location**
  - **Four locations in 2008**
  - **Planning to expand by eleven in 2010**


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# Summary

- Strong long-term industry outlook, pace of change subject to many factors
- Early signs of stability in utilization, pre-owned inventory and pricing
- Increasing customer satisfaction in new ways remains a Cessna passion
- Cessna continues to invest in the development of new and improved products and services
- Improving business processes to significantly enhance cost-competitive profile

**Cessna's Best Days Are Still Ahead,**
**Cessna Will Emerge From Cycle More Competitive**

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Cessna
A Textron Company

# Q&A

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# Scott Hall
*President*

## Industrial Segment




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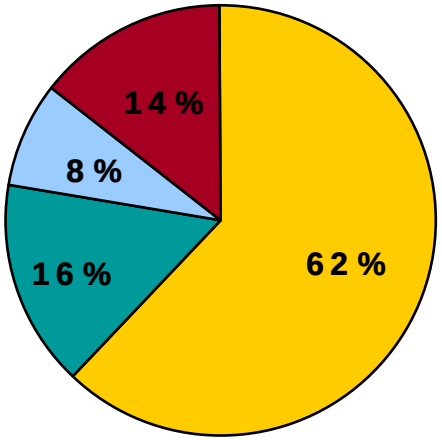
# Industrial




**2009 Revenue**




| | 2007 | 2008 | 2009 | 2010F |
|---|---|---|---|---|
| Revenue | $2.8B | $2.9B | $2.1B | ~$2.2B |
| NOP Margin | 6.1% | 2.3% | 1.3% | ~3-4% |

Headcount reduced ~875 from Sept-08 to Dec-09

Restructuring charges totaled $110M

**Positive profits and cash flow in 2009 despite volumes down 28%**

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# E-Z-GO Strategic Outlook

## 2009 Highlights

- Shingo Prize recipient – Enterprise Level
- E-Z-GO named top 10 plant in *Industry Week*'s Best Plants Competition


## Industry Context

- Demand flat for the golf industry and projected to recover slowly in the next 2-3 years

## Business Priorities

- Drive demand of RXV and new TXT 48 golf cars as well as golf-focused maintenance vehicles
- Strengthen sales to consumer, commercial and government customers
- Grow revenue in service, parts and accessories
- Expand presence in foreign markets
- Leverage RXV platform to adjacent segments

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# Jacobsen Strategic Outlook

## 2009 Highlights

- Launched Eclipse Riding Greens Mower


## Industry Context

- Demand significantly impacted by economic conditions, slight recovery expected in 2010; 2-3 years before reaching GDP rates
- "Duct tape and baling wire" fixes no longer sufficient; courses will need to invest in new equipment and/or service existing fleet

## Business Priorities

- Continue leading the industry in environmentally friendly hybrid-electric equipment
- Invest in new products - Eclipse Fairway Mower
- Strengthen distribution network

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# Greenlee Strategic Outlook

## 2009 Highlights

- Won hand tool account at Lowe's
  - 1,700 additional distribution points

## Industry Context

- Non-residential construction experienced significant contraction in 2009
- Expect further contraction in 2010
- Recovery beginning in 2011 with expansion in North America and Europe in 2012

## Business Priorities

- Decrease product development cycle time, driving speed to market
- Differentiation through improved logistics and material excellence
- Focus on enhanced total cost productivity model for contractor customer

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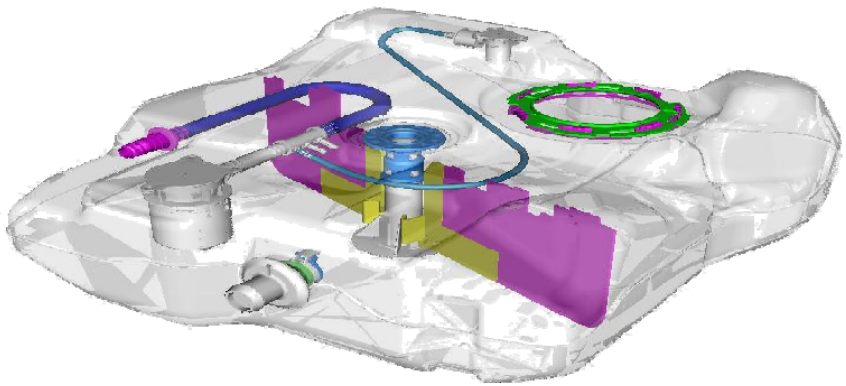
# Kautex Strategic Outlook

## 2009 Highlights

- Kautex volume down 24% in 2009
- Profitable despite significant drop in business
- Reduced fixed costs by ~25%



## Industry Context

- Global automotive production declined 14% in 2009
- Expected to grow by 9% in 2010
  - North America 24%
  - Japan/Korea 12%
  - Europe 0%
  - Greater China 5%

## Business Priorities

- Continued ramp of new platforms
- Sustain cost structure as volumes return to drive improved contribution margins
- Capture business in high growth geographies
- Continue new product development

Source: CSM Auto Forecast

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# Summary

- Focused on cost and productivity improvement actions
- Operating leverage as volumes return
- Driving new product development
- Growing into new markets

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# Q&A


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# Warren Lyons
## *President & CEO*

## Finance Segment




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# Finance Segment Update

- **Objectives – 2009 - 2013**
  - Liquidate all non-captive receivables
  - Convert 85% of receivables liquidated into cash
  - Reduce expenses in line with the reduction in receivables
  - Retain sufficient capital to support the captive business on an ongoing basis

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# Finance Segment

- Progress to date – Liquidations
  - $3.8 billion reduction achieved in 2009
    - $2.3 billion in distribution finance
    - $479 million in asset based lending
  - $325 million additional reduction in January
    - Includes one portfolio sale for $200 million
    - 2010 liquidations should follow normal seasonal patterns
    - Current run rate supports 2010 objectives

50% of five year goal achieved

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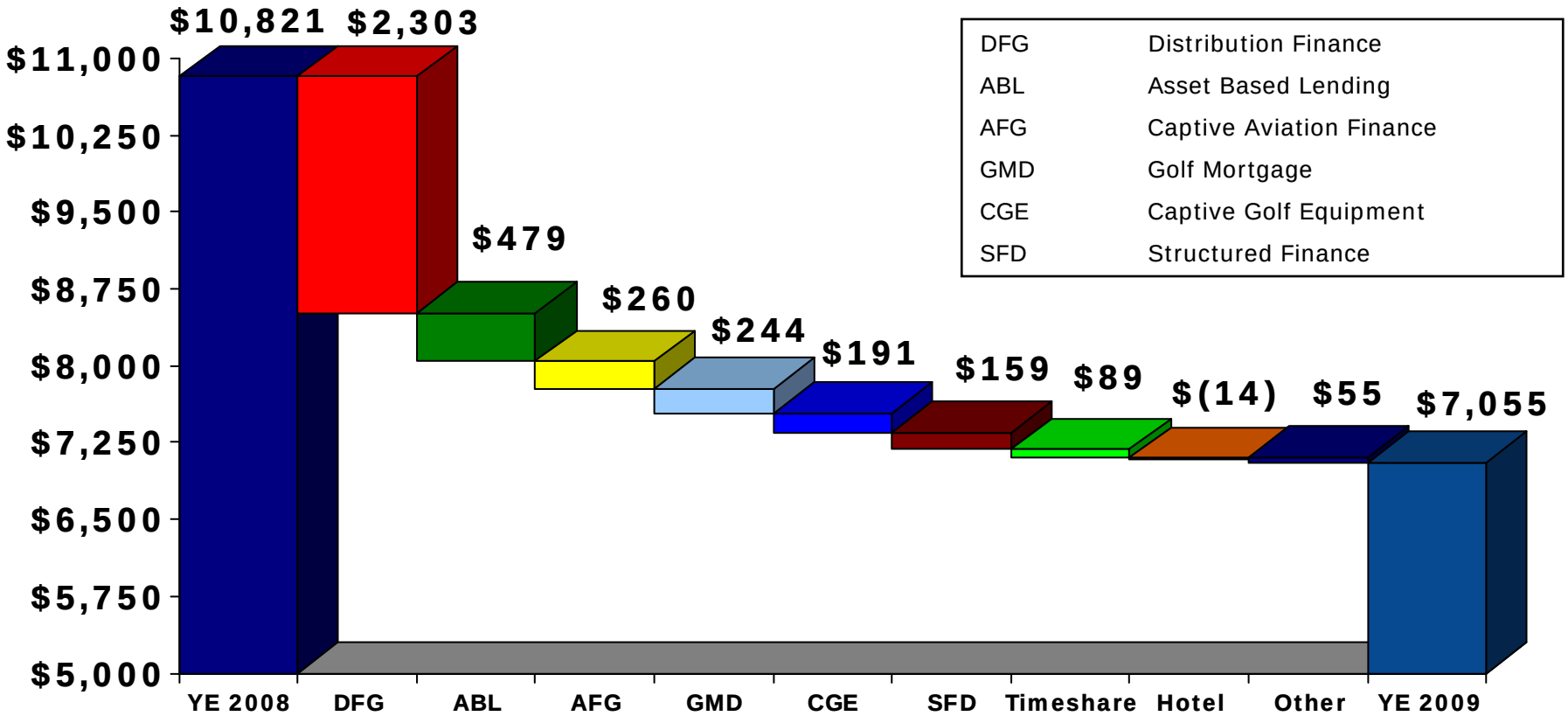
# Portfolio Liquidation of $3.8 Billion in 2009

($, Millions)

## Managed Receivables



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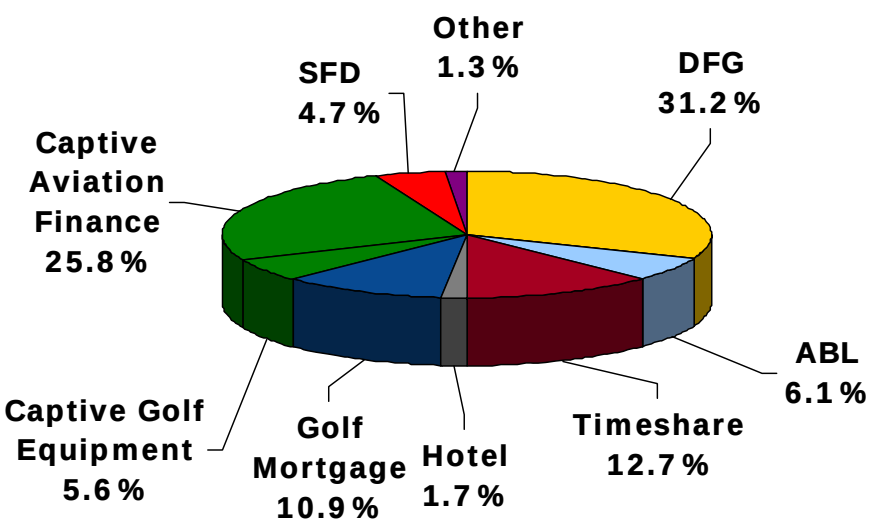
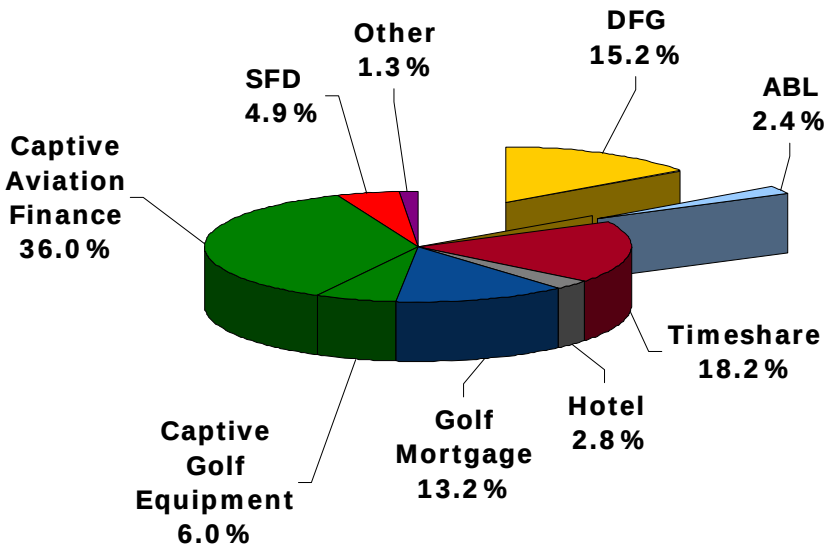
# Portfolio Mix

## 2008




**$ 10.8B**

## 2009




**$ 7.0B**

The portfolio mix has changed significantly in the past year

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# Finance Segment

- **Efforts in 2010 will continue across all asset classes**
  - **$1.4 billion remains in distribution finance and asset based lending areas**
  - **Reductions in golf mortgage and timeshare will represent a larger % of the total this year**

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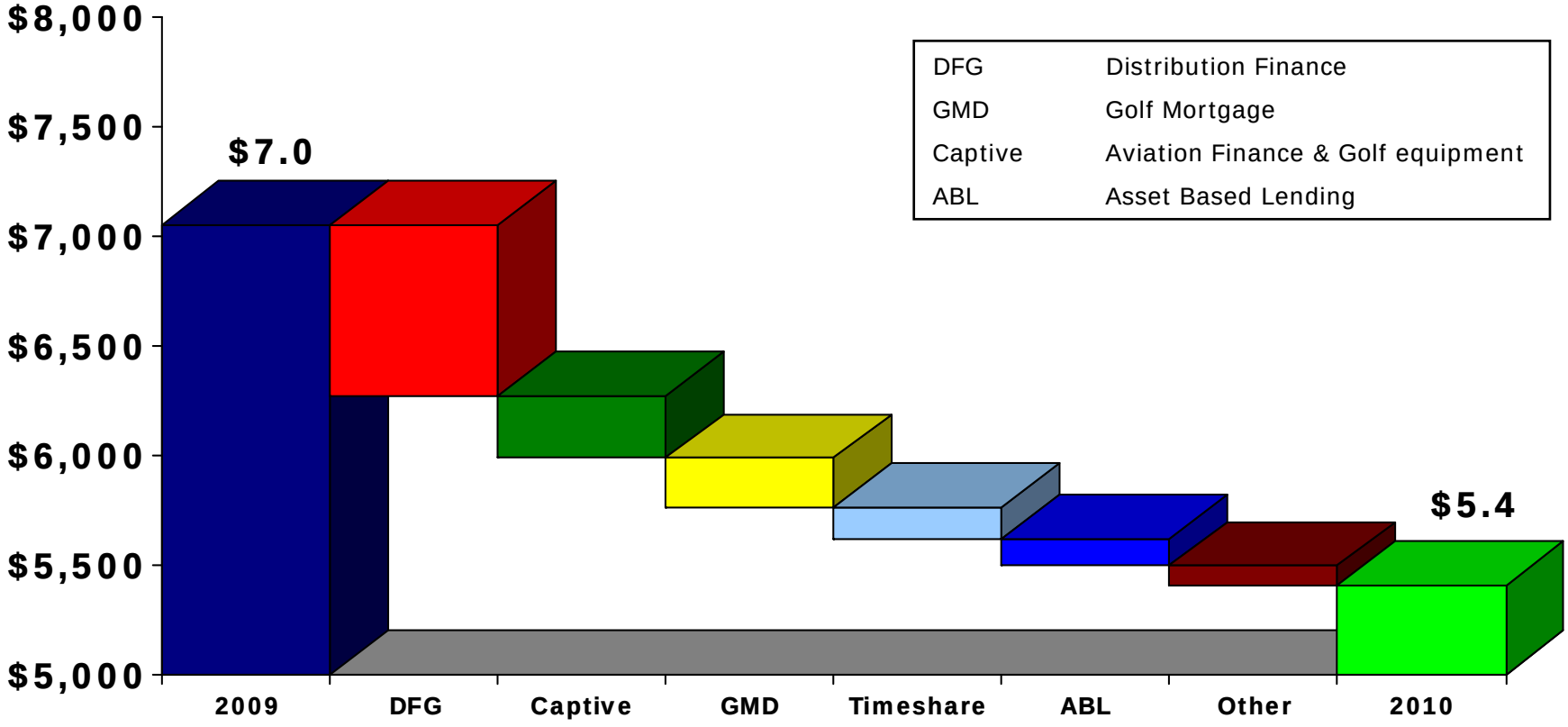
# Portfolio Liquidation Forecast of $1.6 Billion in 2010

($, Millions)

## Managed Receivables



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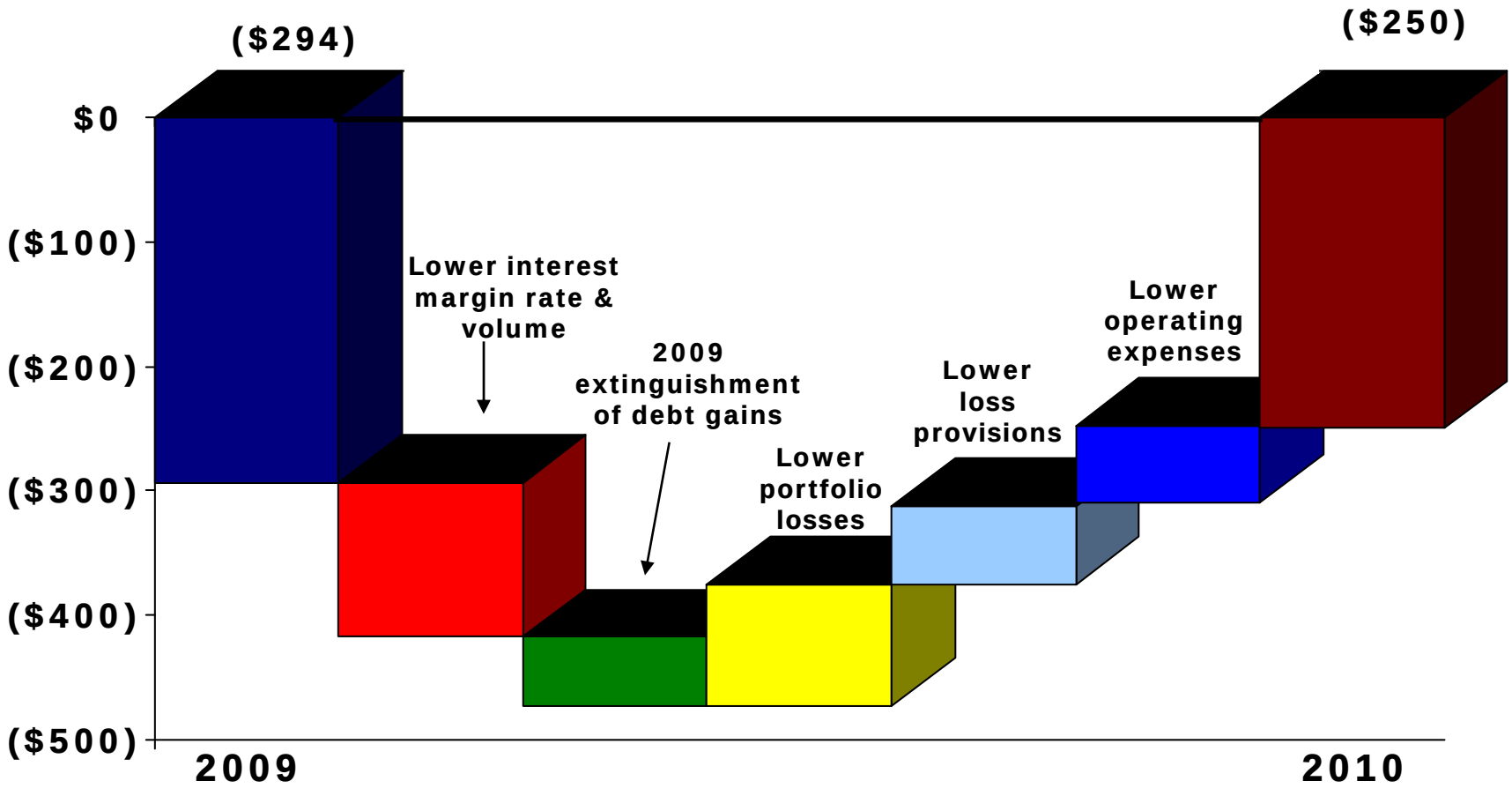
# Finance 2010 Forecast NOP Waterfall

($, Millions)



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# Finance Segment

- Progress to-date – cash conversion
  - TFC achieved a cash conversion rate of 94% in 2009
  - Conversion rate will decrease to mid 80s in 2010
    - » Disposition of timeshare and golf mortgages are a larger percentage of the total
    - » Opportunities to liquidate will probably require higher discounts

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# Finance Segment

- **Progress to-date – expense reduction**
  - **In 2009 headcount was reduced by 54%**
  - **5 offices closed**
  - **5 of 8 technology platforms eliminated**

25% expense reduction projected for 2010

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# Finance Segment

- **Progress to date – equity capital retention**
  - **Year end equity capital was $843 million**
  - **Reserves have been strengthened**
    - **Loss reserves were increased $150 million**
    - **Total reserves, including the mark-to market, remain relatively constant at $526 million on lower receivables**
    - **Cash flow to Textron was positive**

| | |
|---|---|
| Dividends paid to Textron | $349 |
| Capital contribution from Textron | (310) |
| Net equity cash to Textron | $ 39 |

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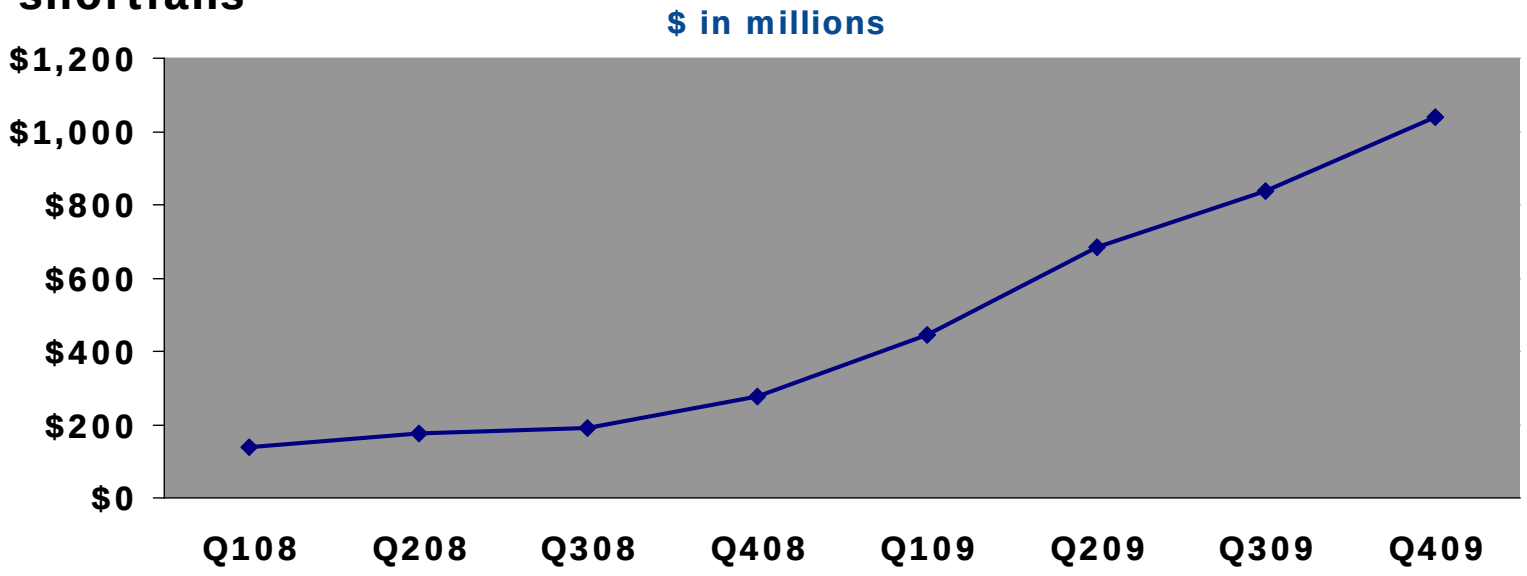
# Finance Segment

## Non Accrual Summary

- Workout management is primary focus
- 18 accounts represent 72% of the total
- Each of these accounts is backed with collateral
- Established reserves provide 1.5X coverage or more on collateral shortfalls



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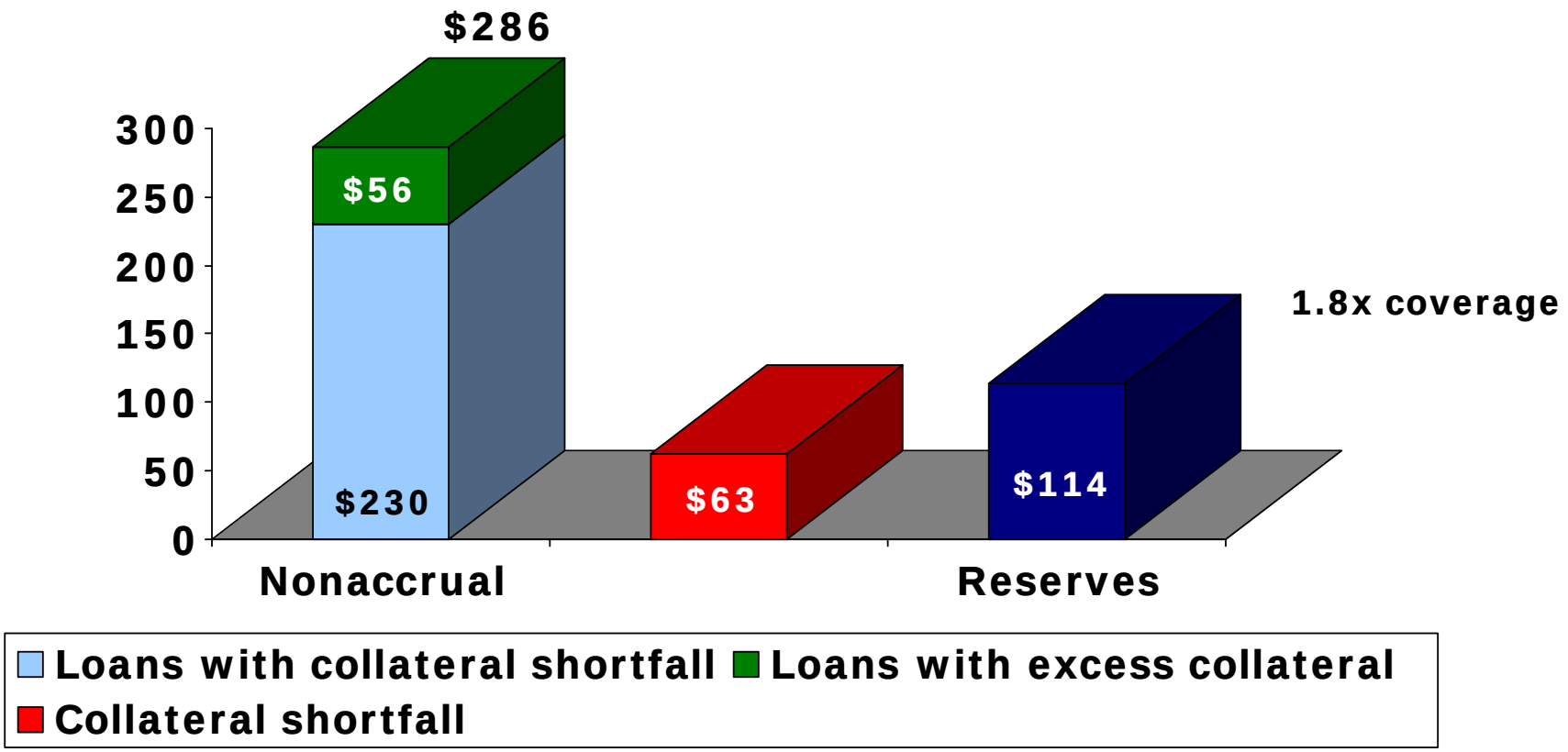
# Aircraft Finance Group

($, Millions)



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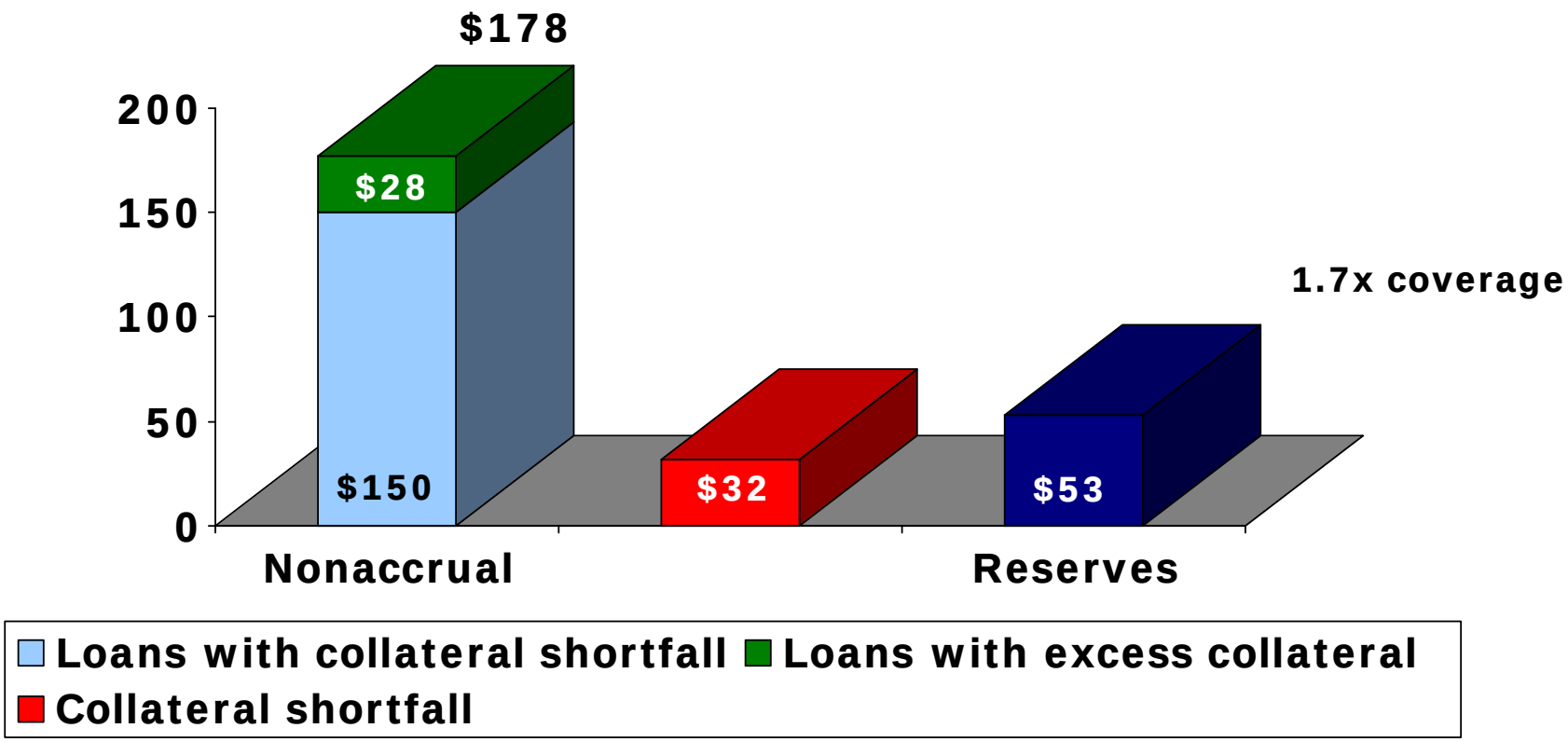
# Golf Mortgage

($, Millions)



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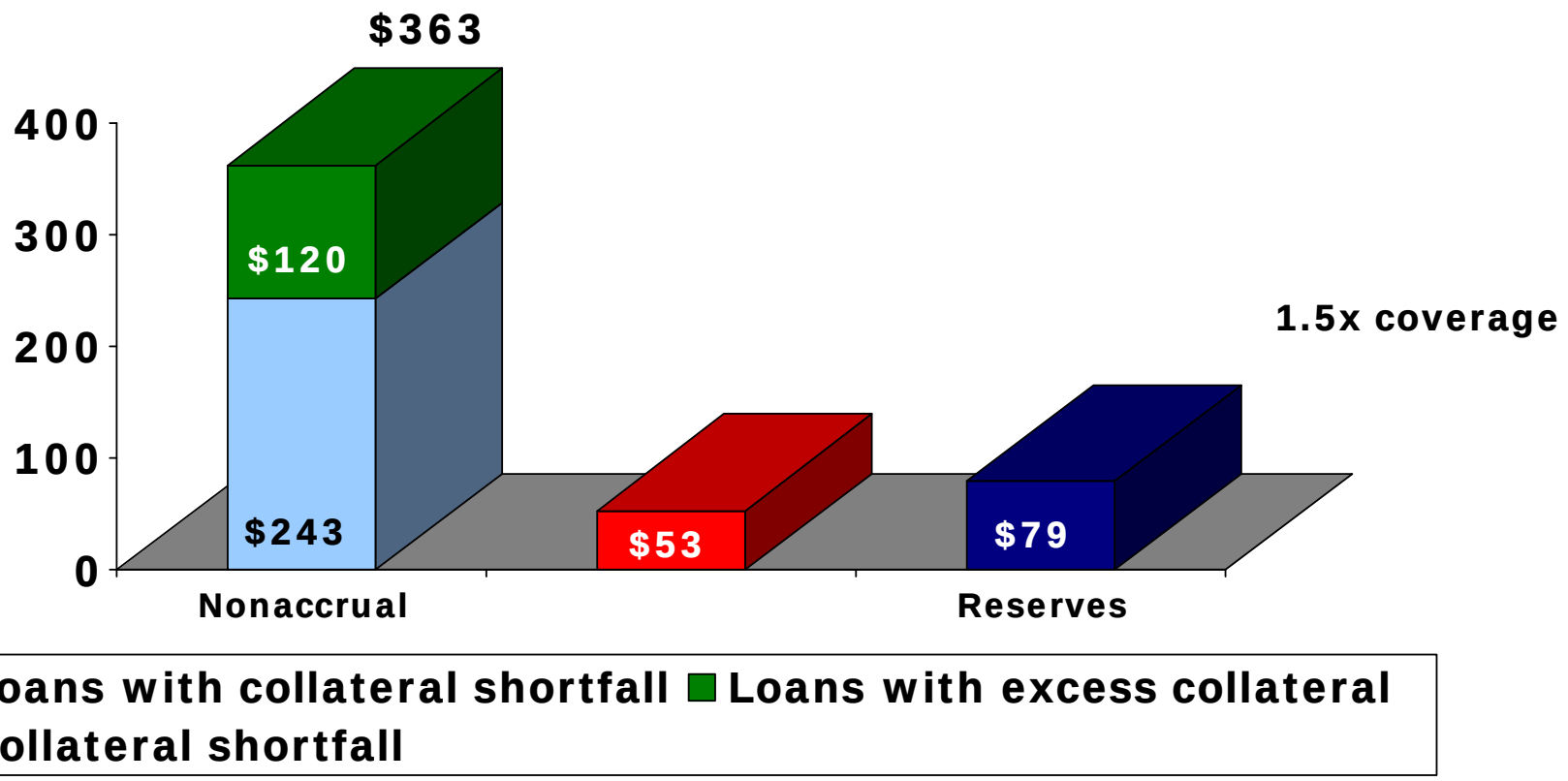
# Timeshare

($, Millions)



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# Captive Finance

- Captive finance segment had a mixed year in 2009
  - » Operating losses in captive reflect a significant increase in loan loss reserves
  - » The overall decrease in used aircraft prices increased losses and increased non accruals
  - » New financing sources were obtained
    - ExIm $500M
    - EDC $170M

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# Framework of TFC Liquidation Model

## Capital Adequacy – 2010 to 2013 ($, billions)

| | | |
|---|---|---|
| **2010** | | |
| Beginning Equity | $0.8 | |
| Beginning Reserves (incls. Mark-to-mkt adj.) | 0.5 | |
| Adjusted Equity | $1.3 | a |
| **2010 to 2013** | | |
| Net Interest Margin | $0.5 | |
| Operating Expenses | (0.4) | |
| Tax Benefit | 0.2 | |
| | $0.3 | b |
| **2013** | | |
| Year-end Equity to Support Captive | $0.3 | c |
| **"Excess" Capital to Absorb Losses** | **$1.3** | =a+b-c |

Capital adequate to support non-captive loss-to-liquidation ratio of up to 32.5% for 2010 to 2013
(2009 Actual Loss-to-Liquidation Ratio – 12.4%)

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# Finance Segment

## *Q & A*

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# Fred Strader

***President & CEO***

## Textron Systems




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# Overview – Textron Systems

- Strong performance in 2009
- Well positioned products
- New products entering production cycle
- Developing product synergies across businesses
- Continued strong operational performance

| | 2009 Actual | 2010 Forecast |
|---|---|---|
| Revenue | $1,899 | ~$2,000 |
| Margin | 12.6% | 11.0% - 12.0% |

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# Environment

- Quadrennial Defense Review

  Critical enablers that match Textron Systems' capabilities:

  – Intelligence, Surveillance, Reconnaissance (ISR)
  – Counter IED
  – Mobility in complex terrain
  – Intelligence fusion
  – Special Operations Forces
  – Countering weapons of mass destruction

- President's Budget:
  – Current fight oriented
    » But Afghanistan vs Iraq
  – More resets/upgrades, fewer new starts
  – Unmanned Aircraft Systems expansion in Combat Aviation Brigades

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# Textron Systems: $1.9 Billion *(2009 Revenue)*

## AAI

Unmanned Systems

Test & Training Systems

Logistics & Technical Services

## TEXTRON Marine & Land Systems

Tactical Wheeled Vehicles

Marine Craft

## TEXTRON Defense Systems

Sensors & Surveillance

Smart Weapons

Protection Systems

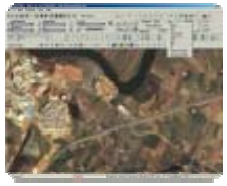
## LYCOMING
A Textron Company

Reciprocating Aircraft Engines & Parts

Cylinders & Parts

## OVERWATCH

Multi-source Intelligence Framework Solutions



Geospatial Analysis Solutions

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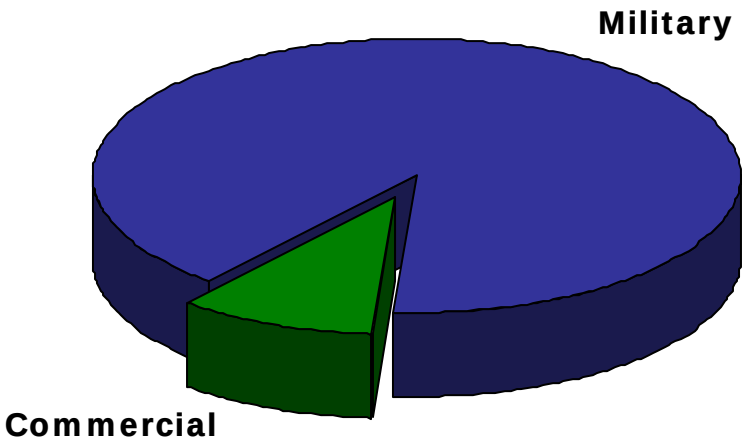
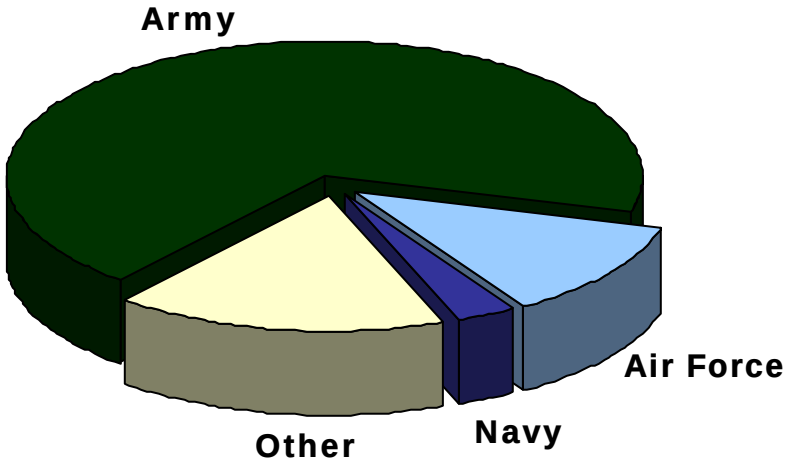
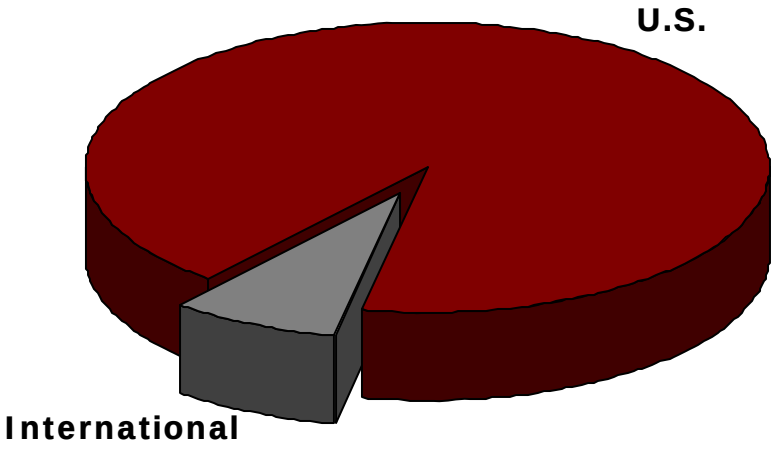
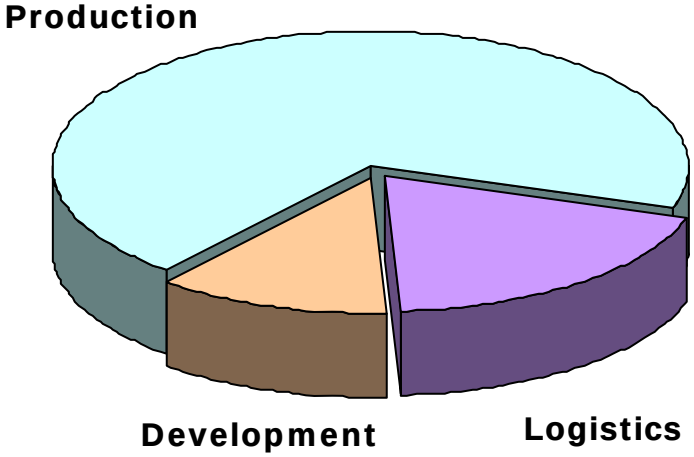
# 2009 Revenue Perspectives



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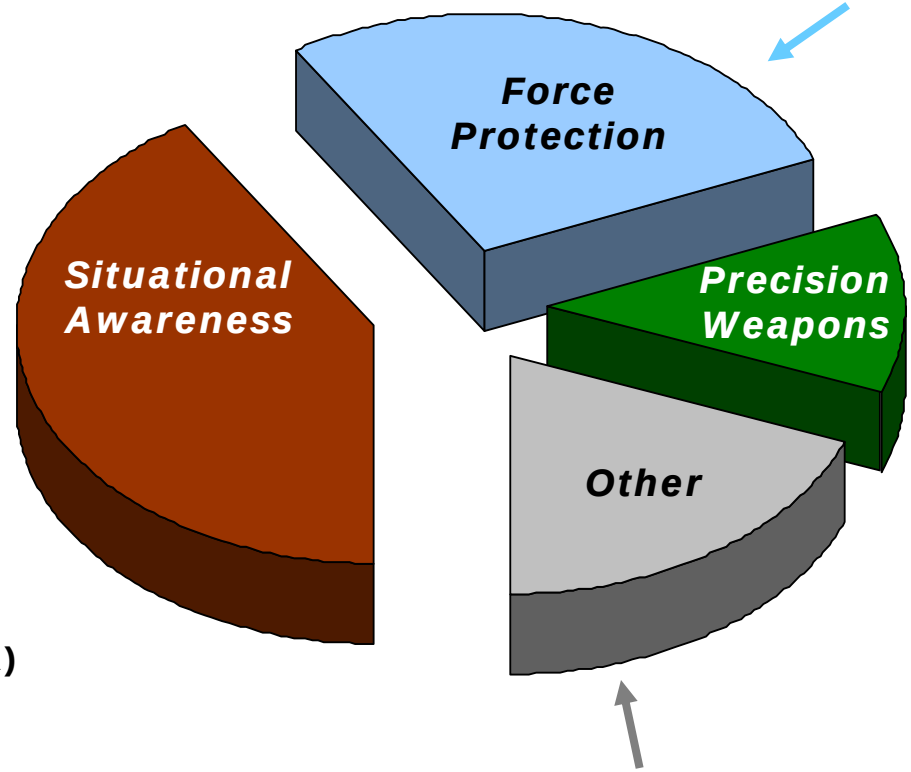
# Strategic Focus




- Highly Mobile and Protected Vehicles

- Intelligent and Precision Targeted Weapons

- Intelligence, Surveillance, Reconnaissance (ISR)
- Sensors
- Sensor Fusion
- Intel. Analysis

- Lycoming
- Test & Training Equipment
- Marine
- Logistics Services

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# Situational Awareness Video

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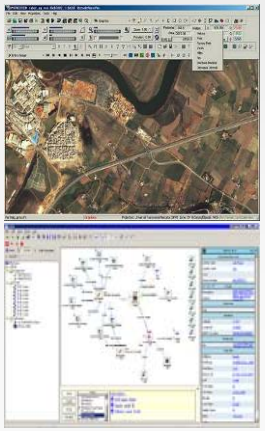
# Situational Awareness

## *Current Fight*

**Battlespace Awareness & Intelligence Software**



**One System® Remote Video Terminal (OSRVT)**

**Shadow®**

**One System® Ground Control Station (GCS)**

**Unattended Ground Sensors**

**Tactical-UGS**

**Urban-UGS**

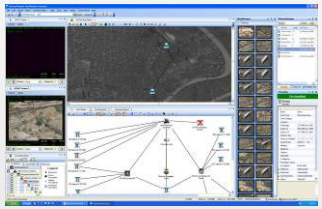
## *Emerging*

**Aerosonde**

**Next Generation Universal GCS**

**Manned-unmanned teaming**

**Unmanned Surface Vessel**



**Multi-Source Intelligence**


**New UAS Technology**

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# Shadow Program Highlights

- Exceptional performance
- Highest availability of any Army aviation asset in theater (>96%)
- Tech insertion, significant upgrades
- Emerging International sales
- Manned-Unmanned teaming technology installed in helicopters
- AAI and Overwatch co-developed Image Exploitation workstation

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# Force Protection Video

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# Force Protection

## *M1117 Armored Security Vehicle*

## *M1200 Armored Knight*

- Highly mobile & survivable vehicle
- Strong Performance in-theater
- Continued high Operational Readiness Rate

## *International*

Armor Personnel Carrier (APC) & M1117

Mobile Survivable Vehicle (MSV)

- Broad interest
- Significant potential
- Variants

## *Emerging Products*

TRAPS
Tactical Rocket Propelled Grenade Protection System

Protection Suite in Armored Vehicles

PDCue Sniper Detection

Crew Protection

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# ASV / Knight Program Highlights

- Over 2,450 ASVs and Knights delivered to the US Army
- Producing 48 per month
- 53 Consecutive Months of on time performance
- Provide Support and Spares

- Reset / Recap key area of focus as Iraq war draws down
- Strong player in International competitions

**International / Reset / New Products drive TMLS growth**

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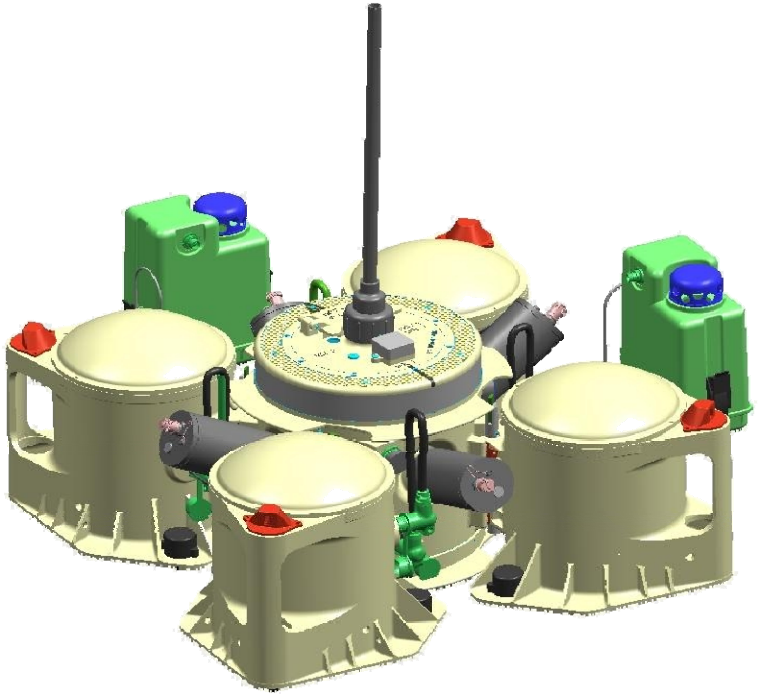
# Precision Weapons Video



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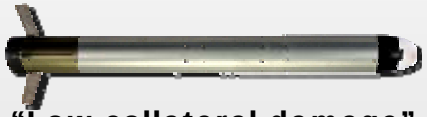
# Precision Weapons

## *Air-to-Ground Weapons*

Sensor Fuzed Weapon (SFW)

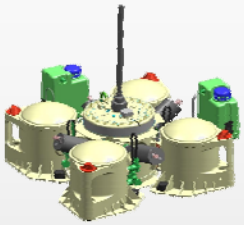
Clean Area Weapon (CLAW)



"Low collateral damage" SharpShooter

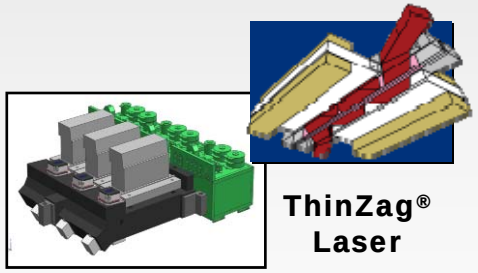
## *Networked Ground Systems*

Spider



Scorpion Intelligent Munitions System (IMS)

## *Directed Energy Weapons*



ThinZag® Laser

Potential DEW Platforms

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# SFW Program Highlights

- Demonstrated exceptional combat performance in OIF
- Approximately 5,000 Sensor Fuzed Weapons delivered to the USAF
- Only weapon in US inventory to meet the new DoD policy on cluster munitions for unexploded ordnance
- International Orders:
  - Oman
  - Turkey
  - United Arab Emirates
  - Other significant orders pending
- Unique capability and technology transferred to new products

**Future revenue driven by international sales**

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# Summary

- Well aligned with key defense trends
- Challenges, but significant upside opportunities
  - Leveraging capabilities across all of Textron Systems and Textron provides additional growth
- Continued focus on execution

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TEXTRON Systems

# Q&A

**Textron Systems in action**

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# John Garrison
*President & CEO*

## Bell Helicopter




February 9, 2010

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# Overview – Bell Helicopter

- Strong performance in 2009
  - Record cash generation, backlog
- Continued execution in 2010
- Continued investment
- Balanced, growing business
- Well positioned products and services
- Improved operational performance

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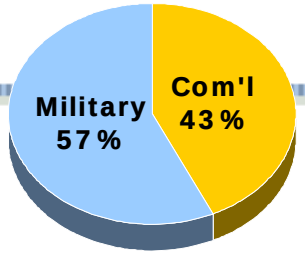
# Bell Helicopter

## *$2.8 Billion (2009 Revenues)*




### Com'l Aircraft

***~$672 Million; 24%***

**206L4**
**407**
**412**
**429**

***Installed Base: 10,500***

### Military Aircraft

***~$1,099 Million; 39%***

**V-22 - Osprey**
**AH-1Z - Super Cobra**
**UH-1Y - Yankee**
**OH-58D - Kiowa**
**TH-67 - Trainer**

***Installed Base: 2,500***

### Customer Support

***~$1,071 Million; 37%***

**Spares**
**Accessories**
**Completions**
**Repair & Overhaul**
**Training Academy**
**Field Services**
**Depot Maintenance**
**Electronic Logbook**

***Installed Base: 13,000***

**Growing Balanced Business**

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# Government Product Line

**V-22 Osprey**

**UH-1Y Huey**

**AH-1Z Super Cobra**

**OH-58D Kiowa Warrior**

**TH-67 Creek II**

**High Demand … High Operational Tempo**

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# Commercial Product Line

206L4

407

429

412

**Addresses 80% of Market Sales Opportunities**

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# Major 2009 Accomplishments

- Improving performance
  - Record NOP / cash flow despite 6-week work stoppage
  - Military – 20 month 100% on-time deliveries (90 aircraft)
  - Commercial – stable business in soft market
  - Operational – Mexico facility launch, Mirabel restructuring
- V-22 and H-1 deployment
- 429 certification and delivery

**Strong Return on Investment**

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# Competitive Landscape / Industry Outlook

- **Military**
  - Stable President's Budget / DoD funding of rotary wing
  - Bell products well positioned
  - Potential upside with international sales opportunities
- **Commercial**
  - Market stabilizing in 2010, expect growth in 2011/2012
  - Positioned to gain share – 429 / modernize current products
- **Customer Service and Support**
  - Continued investment in sustaining leadership position

**Improving Competitive Position**

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# Bell Helicopter Strategic Priorities


- Grow our balanced business
- Differentiate our products and services
- Enhance global responsiveness and competitiveness
- Execution excellence

**Focused on Customer's Missions**

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# 2010 Business Focus

- **Military**
  - **V-22 / H-1 ramp generates 20%+ YOY growth**
  - **AH-1Z OPEVAL approval anticipated in Q3**
- **Commercial**
  - **429 production ramp-up**
  - **New and modernized product development**
- **Support & Service**
  - **Integrated offerings**
- **Operational Excellence**

**Growth Accelerating in 2010**

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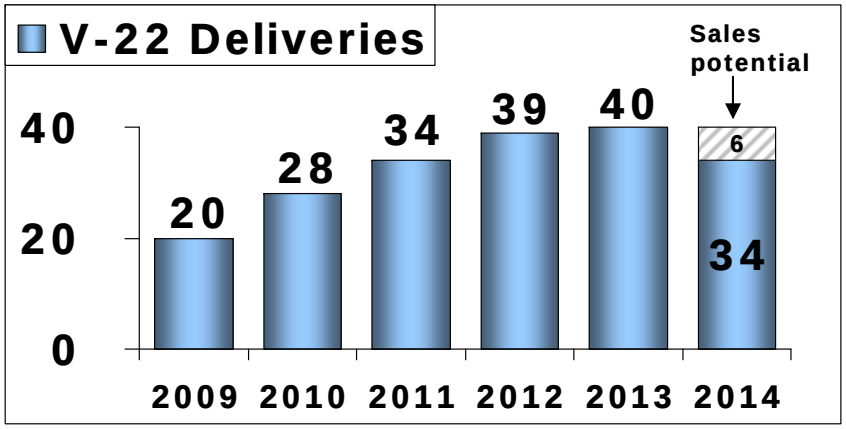
# V-22 Program Highlights

- Strong Performance in-theater
  - Iraq and Afghanistan
  - Air Force Special Operations
- Over 70,000 total flight hours
- 30 Consecutive Months of 100% of V-22s (45 aircraft) delivered on time or early to contract
- Foreign Military Sales potential
- Addressing reliability, availability and maintainability




**Stability of the Multi-year Contract Through 2014**

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# V-22 Osprey Video

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# Humanitarian Relief Mission in Haiti

**V-22 First Humanitarian Relief Mission**

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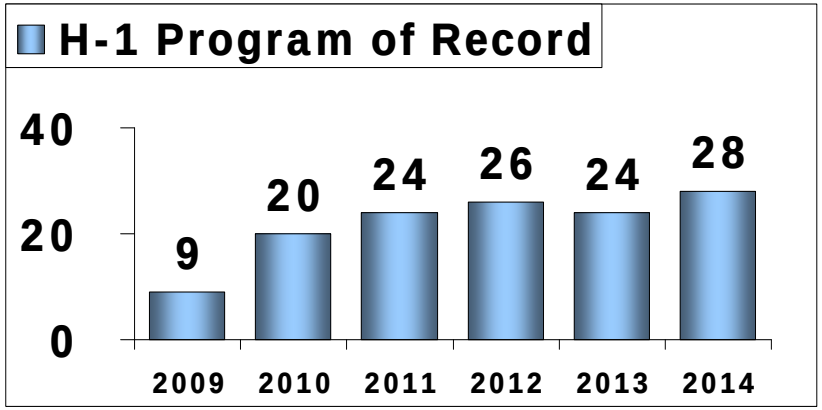
# H-1 Program Highlights

- All 2009 H-1 aircraft delivered more than 30-days ahead of contract
- Production ramp from 9 to 20 units
- Expect Full Rate Production decision for AH-1Z in 4th Qtr 2010
- UH-1Y exceptional performance in-theater
- 84% logistics commonality
- AH-1Z – widest array of ordinance for any attack helicopter
  - OPEVAL III Mar-Jul 2010




**Right Rotorcraft for Current Conflicts**

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# OH-58D Program Highlights

- Diverse mission capabilities
- Over 1.55 Million flight hours. Over 550,000 combat flight hours
- Highest fleet readiness of any deployed rotorcraft
- Upgrade potential to support Army's 2020 Life Support effort
- Safety Enhancement Program
  - 100% on-time delivery for 60 months

**150 KW's will be in Theatre by 1st Qtr 2010**

**Highest OPTEMPO of all Deployed Rotorcraft**

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# Commercial Program Highlights

**429**

- **Broad market opportunity – global, multi-mission**
- **Best-in-class performance**
- **2 delivered; potential to ramp to ~70 per year**

**412**

- **Recognized dependability, reliability and best value**
- **Continued steady sales**



**Addressing Customer Missions**

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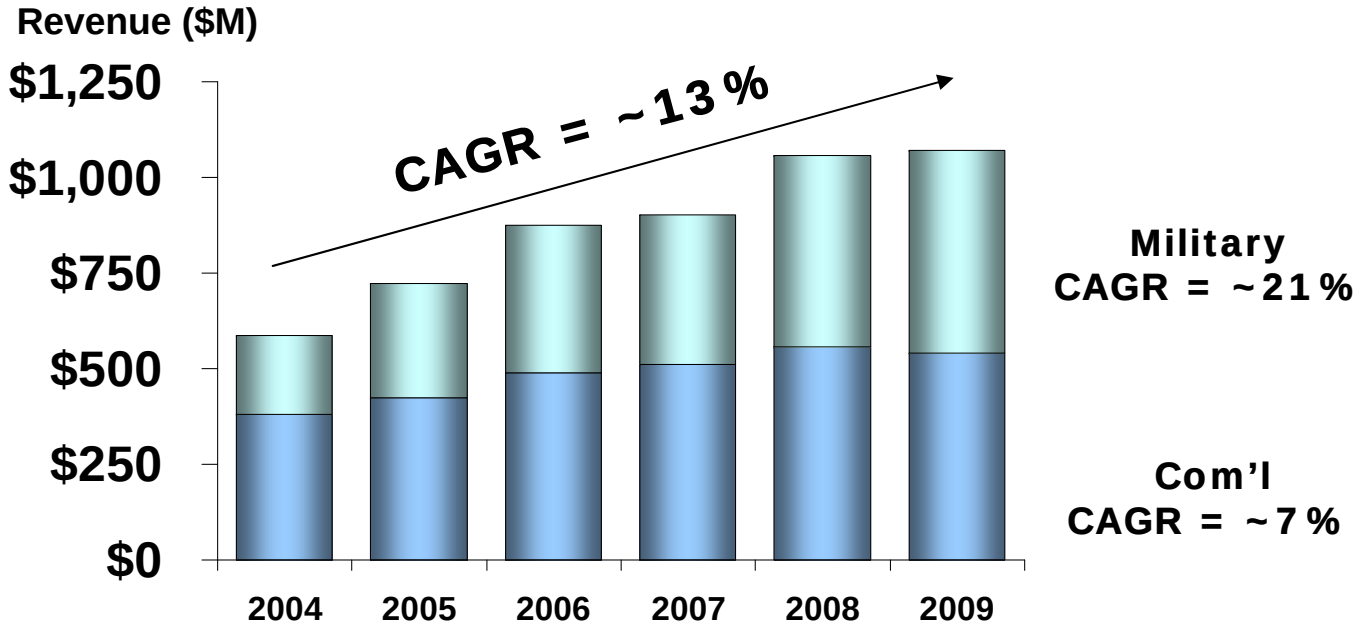
# Customer Support and Service Growth




- Expect moderate growth in 2010
- Expanding integrated solutions offerings
- Global expansion opportunities

**Foundational Element of Bell's Business**

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# Manufacturing Operations Transformation

- **Military**
  - **Executing capacity expansion/improvement plans**
    - » **V-22 lead /span time reductions 64 to 29 months**
    - » **H-1 lead/span time reductions 54 to 34 months**
  - **Significant manufacturing hours reduction**
    - » **32%-67% over various programs**
- **Commercial**
  - **Realized business efficiency improvements**
    - » **Maintained unit cost structure in downturn**
    - » **Averted inventory build-up**
  - **Commenced production in Mexico**

**Investment Driving Results**

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# 2010 vs. 2009 Margin Drivers

| | 2009 Actual | 2010 Forecast |
|---|---|---|
| Revenue | $2,842 | ~$3,300 |
| Commercial Deliveries | 153 | ~150 |
| Margin | 10.70% | 10.0% - 10.5% |

- Revenue growth with delivery mix changes
  - Higher percentage USG sales
  - Product ramp-ups
- Increasing investment in the business to drive growth
  - New product and services R&D
- Continued aggressive cost management actions

**Maintaining Double-digit NOP Margin with Significant Ongoing Investment**

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# Growth Drivers

- Military
  - Production Program Ramp Up (V-22 / H-1)
  - Potential V-22 Phase II Performance Based Logistics
- Commercial
  - 429 Production Ramp
  - Continued investment in new and modernized product lines
  - Capture share as market recovers
- International growth opportunities
- Expanded service offerings with integrated solutions

**Growing the Balanced Business**

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# Summary

- Attractive markets with strong mission and global balance
- Growing business with differentiated products and services
- Renewed focus and investment in commercial business
- Driving operational excellence / maintaining double digit NOP margins while investing in the business

**Delivering Consistent Performance**

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Bell Helicopter
A Textron Company

# Q&A

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# Frank Connor

*EVP & CFO*

## Textron Inc.
## Strategic Financial Outlook




**February 9, 2010**

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# 2009 Financial Results – Manufacturing Businesses

($, millions)

| | 2008 | 2009 | % Change |
|---|---|---|---|
| Revenue | $13,287 | $10,139 | (24%) |
| NOP | $1,501 | $769 | (49%) |
| Margin | 11.3% | 7.6% | |

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# 2009 Financial Results – Manufacturing Businesses

($, millions)

| | 2008 | 2009 | Change |
|---|---|---|---|
| Inventory | $3,093 | $2,273 | ($820) |
| Net Cash from Operating Activities of Continuing Operations | $407 | $738 | 81% |
| Mfg Free Cash Flow | $362 | $424 | 17% |

***Focus on cash produced desired results***

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# Restructuring
## ($, millions)

| Restructuring Expense | |
|---|---|
| 2008 | $ 64 |
| 2009 | $237 |
| 2010F | ~$30 |

| Headcount Reductions | |
|---|---|
| 2008 | ~1,900 |
| 2009 | ~8,500 |
| 2010 | ~ 350 |

| Restructuring Cash | |
|---|---|
| 2008 | $ 7 |
| 2009 | $144 |
| 2010F | ~$50 |

**Facility Closures through 2010**

- Closing or consolidating 23 facilities
  - 9 at Cessna and
  - 8 in the Industrial segment

***Positioned to realize significant contribution margins as volumes return to our businesses***

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# Investing in Market Leadership and Future Growth

($, Millions)

| | 2009 | 2010E |
|---|---|---|
| R&D | $438 | $450 |
| % of Mfg Sales | 4.3% | 4.2% |
| | | |
| CapEx | $238 | $320 |
| Depreciation | $318 | $325 |

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# Pension
## *Assumptions/Update*

| | 2010 |
|---|---|
| Pension Expense | $155M |
| B/(W) 2009 | ($62M) |
| EPS Headwind | ($0.17) |
| Discount Rate | 6.25% |
| Long-term rate of return | 8.50% |

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# 2010 Interest Expense

($, millions)

| | Average Balance Sheet Amount | Estimated 2010 Expense |
|---|---|---|
| Term Debt | $1,791 | $104 |
| Convertible | $488 | $60 |
| Credit Facility Borrowing | $1,167 | $15 |
| Miscellaneous | $112 | $6 |
| Subtotal | $3,558 | $185 |
| TFC Intercompany Borrowing | ($570) | ( $40) |
| Interest, Net | | $145 |

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# Net Debt Reduction

($, millions)

| | 2008 | 2009 | B/(W) |
|---|---|---|---|
| Cash | $ 547 | $ 1,892 | $ 1,345 |
| TFC Managed Debt | 9,455 | 5,698 | 3,757 |
| TXT Debt | 2,569 | 3,584 | (1,015) |
| Non-Debt Liabilities (COLI) | 411 | - | 411 |
| Total Debt | 12,435 | 9,282 | 3,153 |
| Net Debt | $ 11,888 | $ 7,390 | $ 4,498 |

- Raised capital to enhance liquidity and extend duration of capital structure
  - $600 million term debt
  - $600 million convertible
  - $250 million common equity
- Repurchased $1.3 billion of debt
- Also paid down $2.3 billion of securitized debt
- 2010 expected to be less than $6 billion

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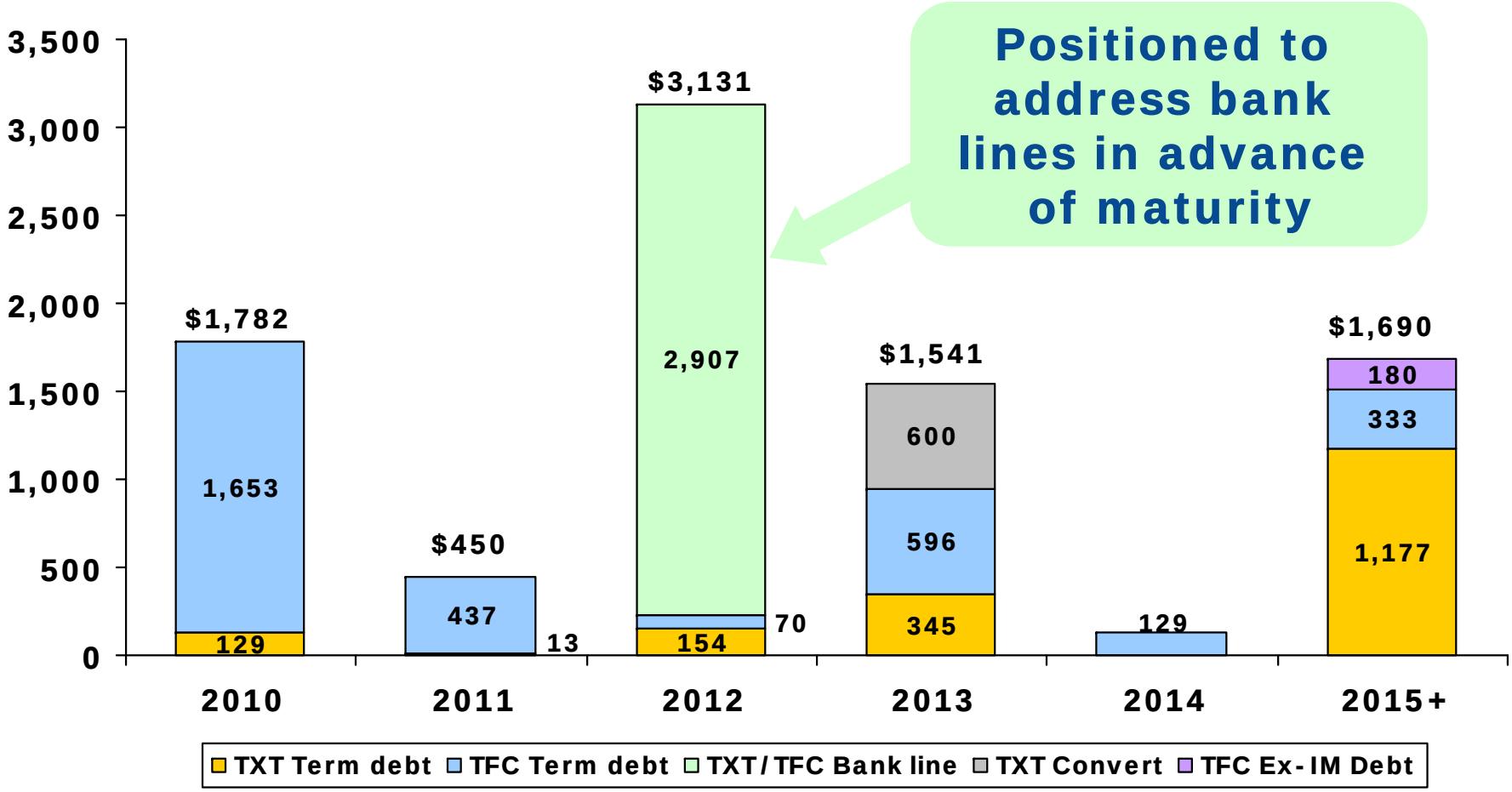
# Debt Maturity

## as of December 2009 ($, millions)




*Excludes ~ $590M of securitized debt at TFC, primarily Aviation Finance*

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# Outlook – FY 2010

| | |
|---|---|
| EPS from Continuing Operations | $0.24-$0.44 |
| Special Charges (~$30M, pre-tax) | ~$0.06 |
| EPS from Continuing Operations Excluding Special Charges | $0.30-$0.50 |
| Manufacturing Free Cash Flow | $500M to $550M |

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# Scott Donnelly

*President & CEO*

## Wrap-up




February 9, 2010

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# Textron Priorities

- Accelerate: increase our velocity
- Simplify: minimize bureaucracy & “process”
- Empower: our people
  - Foster and empower people who do things differently
- Share: talent and resources
  - Move talent through the enterprise
- Reinvent: innovate our products
  - New applications for products, new markets

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# Summary

- Strong brands, solid team
- Drive new product development and innovation to support growth as markets return
- Focus on working capital to improve returns and cash flow generation
- Accelerate execution and advance operational performance
- Continue to strengthen capital structure consistent with solid investment grade rating
- Resume earnings growth in 2011

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# Question and Answer Session




February 9, 2010

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# Forward-Looking Information

Certain statements in this presentation and other oral and written statements made by us from time to time are forward-looking statements, including those that discuss strategies, goals, outlook or other non-historical matters, or project revenues, income, returns or other financial measures. These forward-looking statements speak only as of the date on which they are made, and we undertake no obligation to update or revise any forward-looking statements. These forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those contained in the statements, including the risk factors contained in our Annual Report on Form 10-K , our Quarterly Reports on Form 10-Q and the following: (a) changes in worldwide economic and political conditions that impact demand for our products, interest rates and foreign exchange rates; (b) the interruption of production at our facilities or our customers or suppliers; (c) performance issues with key suppliers, subcontractors and business partners; (d) our ability to perform as anticipated and to control costs under contracts with the U.S. Government; (e) the U.S. Government's ability to unilaterally modify or terminate its contracts with us for the U.S. Government's convenience or for our failure to perform, to change applicable procurement and accounting policies, and, under certain circumstances, to suspend or debar us as a contractor eligible to receive future contract awards; (f) changing priorities or reductions in the U.S. Government defense budget, including those related to Operation Iraqi Freedom, Operation Enduring Freedom and the Overseas Contingency Operations; (g) changes in national or international funding priorities, U.S. and foreign military budget constraints and determinations, and government policies on the export and import of military and commercial products; (h) legislative or regulatory actions impacting our operations or demand for our products; (i) the ability to control costs and successful implementation of various cost-reduction programs; (j) the timing of new product launches and certifications of new aircraft products; (k) the occurrence of slowdowns or downturns in customer markets in which our products are sold or supplied or in which our Finance segment holds receivables; (l) changes in aircraft delivery schedules or cancellation or deferrals of orders; (m) the impact of changes in tax legislation; (n) the extent to which we are able to pass raw material price increases through to customers or offset such price increases by reducing other costs; (o) our ability to offset, through cost reductions, pricing pressure brought by original equipment manufacturer customers; (p) our ability to realize full value of receivables; (q) the availability and cost of insurance; (r) increases in pension expenses and other postretirement employee costs; (s) our Finance segment's ability to maintain portfolio credit quality; (t) Textron Financial Corporation's ("TFC") ability to maintain certain minimum levels of financial performance required under its committed bank lines of credit and under Textron's support agreement with TFC; (u) our Finance segment's access to financing, including securitizations, at competitive rates; (v) our ability to successfully exit from TFC's commercial finance business, other than the captive finance business, including effecting an orderly liquidation or sale of certain TFC portfolios and businesses; (w) uncertainty in estimating market value of TFC's receivables held for sale and reserves for TFC's receivables to be retained; (x) uncertainty in estimating contingent liabilities and establishing reserves to address such contingencies; (y) risks and uncertainties related to acquisitions and dispositions, including difficulties or unanticipated expenses in connection with the consummation of acquisitions or dispositions, the disruption of current plans and operations, or the failure to achieve anticipated synergies and opportunities; (z) the efficacy of research and development investments to develop new products; (aa) the launching of significant new products or programs which could result in unanticipated expenses; (bb) bankruptcy or other financial problems at major suppliers or customers that could cause disruptions in our supply chain or difficulty in collecting amounts owed by such customers; (cc) difficult conditions in the financial markets which may adversely impact our customers' ability to fund or finance purchases of our products; and (dd) continued volatility in the economy resulting in a prolonged downturn in the markets in which we do business.

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# Appendix

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# Textron Cash Summary

*as of December 2009 ($, millions)*

| | 2009 FY |
|---|---|
| Beginning Cash Balance Total Textron | $547 |
| TFC Receivables Liquidation | 3,768 |
| Manufacturing Free Cash Flow (Use) | 424 |
| Equity / Convertible Offering | 775 |
| Unsecured Debt Issuance | 595 |
| Bank Line Draw | 2,907 |
| Commercial Paper Repayments | (1,612) |
| Non-securitized Debt Payments | (2,930) |
| Securitization Debt Payments | (2,338) |
| ExIm Borrowings | 179 |
| Repayment of company owned life insurance advance | (412) |
| HR Textron Sale | 291 |
| Common Dividends | (21) |
| Misc. Cash Outflows / Repossessed Assets / Charge-offs | (281) |
| Ending Cash Balance Total Textron | $1,892 |

**Substantial improvement in cash balances**