



## News Release

### **Textron Announces Plan to Exit All Non-Captive Financial Businesses; Revises Fourth Quarter Financial Outlook and Expands Restructuring Program**

**Providence, RI - December 22, 2008** - Textron Inc. (NYSE:TXT) today announced that its Board of Directors has approved a plan to exit all of Textron Financial Corporation's (TFC) commercial finance business through a combination of orderly liquidation and selected sales, other than that portion of the business supporting the financing of customer purchases of Textron-manufactured products.

The company previously indicated that TFC would be exiting its Asset Based Lending and Structured Capital segments, as well as several additional product lines, representing about \$2 billion in managed receivables. The revised plan now applies to approximately \$7.9 billion of TFC's \$11.4 billion managed receivable portfolio.

The company has also extended the revolving period for its \$550 million aircraft finance securitization facility, so that it will remain available through December 2009 to finance new receivables as existing receivables are repaid.

Textron Chairman, President and CEO Lewis B. Campbell commented, "Executing this new strategic direction for TFC is expected to significantly enhance our long-term liquidity position in light of continuing disruption and instability in the capital markets."

Approximately \$3.5 billion of the liquidating receivables are now designated for sale or transfer, of which about \$1.3 billion are securitized receivables managed by TFC and \$2.2 billion are owned assets classified as held for sale. Accordingly, Textron will record an approximate \$250 - \$300 million pre-tax fourth quarter, mark-to-market adjustment against owned assets held for sale, as noted above. Because the exit plan also creates a change in investment status of TFC's Canadian subsidiary, the company will also recognize non-cash tax charges of about \$31 million. These adjustments are in addition to the previously announced \$169 million non-cash, pre-tax impairment charge to eliminate TFC's goodwill.

Also, as a result of continued market stress and the impact of the exit plan, Textron intends to increase TFC's reserves in the quarter, which is expected to result in a fourth quarter pre-tax segment loss in Finance of about \$130 million.

Segment profit (loss) is an important measure used for evaluating performance and for decision-making purposes. The measurement for the Finance segment excludes restructuring charges and certain other charges, such as initial mark-to-market adjustments upon the change in investment classification and goodwill impairment charges.

In order to remain compliant with its support obligations to TFC, Textron plans to make an approximate \$600 million capital contribution to TFC during the fourth quarter of 2008. This amount is based on the additional losses and charges described above and is in lieu of the estimated \$200 million the company previously indicated it would contribute in the first quarter of 2009. The contribution will not result in any increase in the consolidated amount of Textron and TFC debt outstanding.

#### **Continued Economic Weakness Impacting Outlook**

Campbell added, "Continued weakening in economic conditions is also impacting customers of our manufacturing segments, especially at Cessna and Industrial, although we expect that better performance at Bell and Defense & Intelligence will partially offset the weakness." As a result, Textron now expects fourth quarter manufacturing segment profit to be \$300 - \$330 million, compared to the company's previous expectation of about \$400 million.

Textron will also record a foreign tax credit benefit of about \$30 million, primarily in conjunction with foreign cash repatriated during the quarter to improve liquidity.

Given the further decline in economic activity, the company has expanded its previously announced overhead cost reduction and productivity improvement plan and now expects restructuring charges of about \$65 million to be recorded in the fourth quarter 2008 with expected cost savings of about \$100 million in 2009. The program, along with other volume-related reductions in workforce, eliminates approximately 2,200 positions worldwide. Approximately \$20 million of the restructuring costs are non-cash, relating primarily to asset impairment charges for facilities to be closed. The company anticipates that further headcount reductions and

other actions could lead to additional restructuring costs beyond those incurred in 2008.

Textron is now expecting a fourth quarter GAAP loss in the range of \$0.91 to \$0.81 per share. Excluding the TFC mark-to-market adjustment and tax impact of the change in TFC's Canadian investment status, TFC goodwill impairment and Textron restructuring charges, the company expects fourth quarter 2008 adjusted earnings from continuing operations will be between \$0.30 and \$0.40 per share, compared to its previous estimate of \$0.80 to \$0.90. (See attached GAAP Reconciliation Schedule.)

Campbell continued, "In concert with the exit of our non-captive financial business and restructuring activities, managers across Textron are aggressively reducing our cost structure and working capital requirements while simultaneously preserving key competitive advantages that drive revenue growth. Our manufacturing businesses continue to generate positive cash flow and I am confident that our team is executing with discipline and dedication to ensure that we are acting aggressively within the current unprecedented market environment."

"Looking ahead to 2009, we continue to believe that losses at TFC will be manageable. While we expect manufacturing revenues will be down next year, we believe our cost reduction plans will contribute to our operating performance as we focus to offset the impact of slowing demand," Campbell concluded.

### 2008 Year-End Earnings Release

Textron will release financial results for its fiscal year ending January 3, 2009 on Thursday, January 29, 2009.

The company will also host a conference call at 9:00 a.m. Eastern time on January 29, 2009 to discuss results and the company's outlook. The call will be available via webcast at [www.textron.com](http://www.textron.com) or by direct dial at (800) 288-8975 in the U.S. or (612) 332-0418 outside of the U.S. (request the Textron Earnings Call).

In addition, the call will be recorded and available for playback beginning at 12:30 p.m. Eastern time on Thursday, January 29, 2009 by dialing (320) 365-3844; Access Code: 896349.

### About Textron Inc.

Textron Inc. is a \$12.6 billion multi-industry company operating in 28 countries with approximately 42,000 employees. The company leverages its global network of aircraft, defense and intelligence, industrial and finance businesses to provide customers with innovative solutions and services. Textron is known around the world for its powerful brands such as Bell Helicopter, Cessna Aircraft Company, Jacobsen, Kautex, Lycoming, E-Z-GO, Greenlee, Textron Systems and Textron Financial Corporation. More information is available at [www.textron.com](http://www.textron.com).

### Forward-Looking Information

Certain statements in this press release 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 most recent Quarterly Report 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 Global War on Terrorism; (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 defense operations; (i) the ability to control costs and successful implementation of various cost-reduction programs, including the enterprise-wide restructuring program; (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 where Textron Financial Corporation (TFC) offers financing; (l) changes in aircraft delivery schedules or cancellation 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) TFC's ability to maintain portfolio credit quality and certain minimum levels of financial performance required under its committed credit facilities and under Textron's support agreement with TFC; (t) TFC's access to financing, including securitizations, at competitive rates; (u) 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; (v) uncertainty in estimating market value of TFC's receivables held for sale and reserves for TFC's receivables to be retained; (w) uncertainty in estimating contingent liabilities and establishing reserves to address such contingencies; (x) 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; (y) the efficacy of research and development investments to develop new products; (z) the launching of significant new products or programs which could result in unanticipated expenses; (aa) 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; and (bb) continued volatility and further deterioration of the capital markets.

**Textron Inc.**  
**GAAP to Non-GAAP Reconciliation**  
**Fourth Quarter 2008 Earnings (Loss) Per Share Outlook**

<b>Earnings per share from continuing operations - Non-GAAP*</b>	<b>\$0.30 - \$0.40</b>
Mark-to-market adjustment and tax impact of change in investment status at TFC**	(0.92)
Goodwill impairment at TFC	(0.67)
Restructuring charges	(0.17)
<b>Loss per share from continuing operations - GAAP*</b>	<b>(\$1.46) - (\$1.36)</b>
Discontinued operations earnings per share	0.55
<b>Loss per share - GAAP</b>	<b>(\$0.91) - (\$0.81)</b>

*\*Based upon internal projections of estimated performance for the current quarter ending January 3, 2009; actual performance may differ from these projections.*

*\*\*Includes the midpoint of estimated range of \$250 - \$300 million for the initial mark-to-market adjustment upon the change in investment classification of owned assets held for sale at TFC.*

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