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# TEXTRON<sup>INC</sup>

# 1958

**31<sup>st</sup>** annual report

# annual report 1958

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This report and the financial statements contained herein are submitted for the general information of the securityholders of this Corporation as such and are not intended to induce, or for use in connection with, any sale or purchase of securities.

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ROBERT R. THURBER  
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DOUGLAS L. GROTE  
*Controller, Assistant Treasurer and  
Assistant Secretary*  
THEODORE F. McDONALD  
*Assistant Treasurer*  
G. RICHARD WESTIN  
*Assistant Treasurer and  
Assistant Secretary*  
CHARLES K. MILLS  
*Assistant Secretary*  
DELBERT J. HAYDEN  
*Assistant Secretary*  
MARY A. HAMBLY  
*Assistant Secretary*  
MARY T. YOUNG  
*Assistant Secretary*

### COUNSEL

EDWARDS & ANGELL  
*Providence, Rhode Island*

### AUDITORS

ARTHUR YOUNG & COMPANY

### TRUSTEE

FIFTEEN-YEAR 5% SUBORDINATED  
SINKING FUND DEBENTURES,  
Due February 1, 1970  
*Old Colony Trust Company, Boston,  
Massachusetts*

### TRUSTEE

5% CONVERTIBLE SUBORDINATED  
DEBENTURES,  
Due January 1, 1971  
*The Hanover Bank, New York, New York*

### REGISTRARS

COMMON AND CONVERTIBLE PREFERRED  
*Industrial National Bank of Providence,  
Providence, Rhode Island*  
*The Hanover Bank, New York, New York*  
*Security-First National Bank,  
Los Angeles, California*

### TRANSFER AGENTS

COMMON AND CONVERTIBLE PREFERRED  
*Rhode Island Hospital Trust Company,  
Providence, Rhode Island*  
*Bank of America National Trust and Savings  
Association, Los Angeles, California*

### COMMON

*Guaranty Trust Company of New York,  
New York, New York*

### CONVERTIBLE PREFERRED

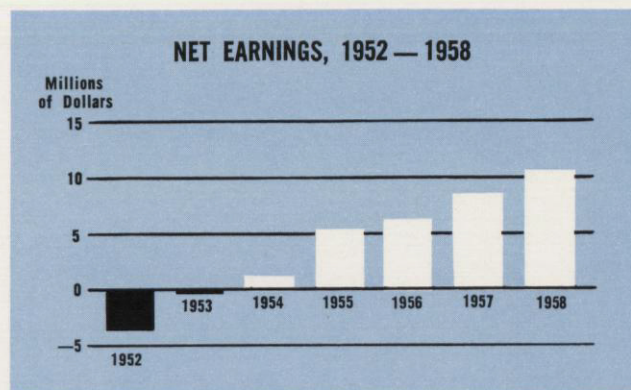
*The Chase Manhattan Bank,  
New York, New York*

### 4% PREFERRED

*Industrial National Bank of Providence,  
Providence, Rhode Island*

## Letter to Securityholders

When the stockholders in 1952 authorized a change in business purposes to permit wide diversification into unrelated, non-textile operations, there was general skepticism regarding the ultimate success of the project. Since then a total of 24 non-textile companies have been purchased and 6 have been disposed of. Today we have 17 major divisions. While we have made several errors in our acquisitions, we now have a fine group of wholly-owned companies, all of which should contribute to future earnings. It was not until 1958, however, that our basic concept of unrelated diversification had its first real test. Under boom conditions most businesses can make money, but what would happen to our program if a depression set in? The recession year of 1958 confirmed the validity of our theory. Although sales dropped 4% to \$244,227,000 from 1957's all-time high of \$254,575,000, earnings increased 24% to \$10,756,000 from \$8,696,000 in the previous year. Earnings in 1958 were equal to \$2.51 per common share, after preferred dividends, based on the average number of shares outstanding, as compared with \$2.25 per common share last year. Reserves of \$4,293,000 were established during the year to take care of all known future costs in connection with discontinued operations, including the S. S. Leilani. We are far from satisfied with the 15.3% pretax return on average common stock book value, but we are making progress toward our long-range objective of 20% earnings after taxes on our equity investment. The following charts indicate graphically the results achieved through non-textile diversification. The first chart gives the percentage of sales represented by non-textiles, starting with zero in 1952 and reaching 75% in 1958. The other chart shows the progress made earnings-wise from a loss of \$3,543,000 in 1952 to record earnings of \$10,756,000 in 1958.



### AMEROTRON

Although it is contrary to our policy to disclose sales and earnings of divisions, we are making an exception in the case of Amerotron. In 1958 Amerotron's sales were \$61,600,000. In spite of last year being a most difficult one for the textile industry as a whole, we showed earnings of \$2,600,000 including a profit at the new Barnwell woolen mill. Our total investment in textiles is represented by the division's \$29,300,000 net worth. While our 8.9% pretax return on investment is substantially below the average rate of return on our present non-textile divisions, it is in line with the performance of the top textile producers and better than that industry's average return on capital for the year. It is apparent, however, that Textron is better off as a result of its diversification than if it had remained exclusively a textile producer.

### DIVISIONAL REPORTS

The securityholders will be interested in our new method of reporting divisional operations. Instead of having the home office prepare a short description of each division, we have asked the president of each company to make a report of accomplishments during the year directly to securityholders. We believe that this innovation will provide a more personal tone.

### ACQUISITIONS AND DISPOSITIONS

On June 7, 1958 we sold all the stock of Coquille Plywood, Inc. at a price approximating our cost. In 1957 Coquille lost \$1,850,000. We still own \$2,775,000 in Oregon timber, primarily Douglas fir, which we plan to sell in the future.

On June 28, 1958 we acquired for \$7,135,000 cash all the assets, liabilities and business of The Waterbury

Farrel Foundry & Machine Company. Waterbury's average pretax earnings for the past 10 years had been \$1,400,000. This business is a valuable addition to our operations.

On August 1, 1958 we sold the assets and business of Kordite, our former polyethylene converting company. With the industry trend toward complete integration, we were faced with the alternatives of a substantial investment for production of required raw materials or a profit squeeze from existing integrated competition. We chose instead to sell Kordite to our principal raw material supplier, National Distillers and Chemical Corporation.

On September 26, 1958 we purchased Shuron Optical Company for \$5,511,000 cash. Shuron's past earnings record, excellent management, well-known brand names, and future prospects make it an outstanding acquisition for our program.

On October 24, 1958 we sold to Almetco, Inc. (a new company owned 50-50 by Olin Mathieson Chemical Corp. and Textron) our two aluminum extrusion businesses at Girard, Ohio, and Nesquehoning, Pa. We believe that this joint venture will become successful after the consolidation of facilities at Nesquehoning, Pa. This new association and the rearrangement of our aluminum door and window plants should make our Textron Metals division profitable.

On October 31, 1958 we took over the business of Precision Methods and Machines Incorporated, for 64,027 shares of our common stock. This company has been a consistent earner and closely supplements the operations of our Waterbury Farrel Foundry & Machine Co.

After taking over the S. S. Leilani from Hawaiian Steamship Company, Limited, in November, 1957, we attempted to continue this ship in the California-Hawaiian run but sustained losses in freight and passenger operations. On December 29th, our wholly-owned subsidiary, Hawaiian Textron, Inc., discontinued operation of the vessel.

#### BALANCE SHEET COMMENTS

Working capital increased \$13,531,000 during the year to an all-time record \$60,700,000. Common stock equity increased \$15,725,000 as a result of retained earnings, acquisitions for common stock and the rights offering to our own shareholders. There were no short-term bank borrowings at year end. Sinking Fund operations purchased 5,872 shares of Series A 4% preferred stock for \$558,000 with \$100 the highest price paid. On Series B 4% preferred stock, 14,681 shares were bought for \$1,211,000

with \$94.50 the maximum price. Sinking Fund debentures of \$1,966,000 principal amount were purchased for \$1,706,000, with \$95.00 the top price.

#### CAPITAL EXPENDITURES

Total value of new plant and equipment, both purchased and leased, during 1958 was \$4,324,000. Authorized but unexpended capital appropriations at the year end were \$1,900,000.

#### STOCKHOLDERS' MEETINGS

The Annual Meeting will be held this year in Providence on Wednesday, May 20 at 10:00 a.m. and a regional meeting will be held for the convenience of securityholders in the Grand Ballroom of the Waldorf Astoria in New York City on Monday, March 9th, at 3:30 p.m. All holders of common and preferred stocks and debentures are cordially invited to attend. As usual, we plan to mail to each securityholder a post-meeting report of the proceedings of both meetings.

#### BUSINESS OUTLOOK

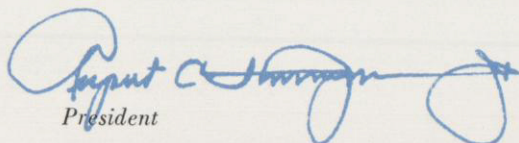
We received many favorable comments for including in last year's annual report eight sets of charts showing comparisons of various indices during the 1949, 1954 and 1958 recessions. This year we have included a similar series of comparisons. These indicate that, while the 1958 recession was sharper than those in previous years, business has recovered more quickly than most economists last spring thought it would. While we do not make predictions regarding Textron's future sales and earnings, any shareholder studying these charts can evaluate for himself future possibilities based on current trends.

Whether or not business improves materially in 1959 over 1958, our earnings should benefit from elimination of major loss divisions from our operations.

With our present sales potential and solid earnings base there is no longer any urgency for further acquisitions. While we will undoubtedly continue to grow through expansion of existing divisions and acquisition of new businesses, major emphasis will be placed upon the refinement of our existing operations through increasing profit margins and accelerating capital turnover to achieve our long range objective of 20% net after taxes on average common equity employed in the business. Based on last year's encouraging results, we are more convinced than ever that such a goal will ultimately be attained.

We thank our many employees, customers, suppliers, financial institutions and securityholders for their continued support.

For the Board of Directors



President

Providence, R. I.

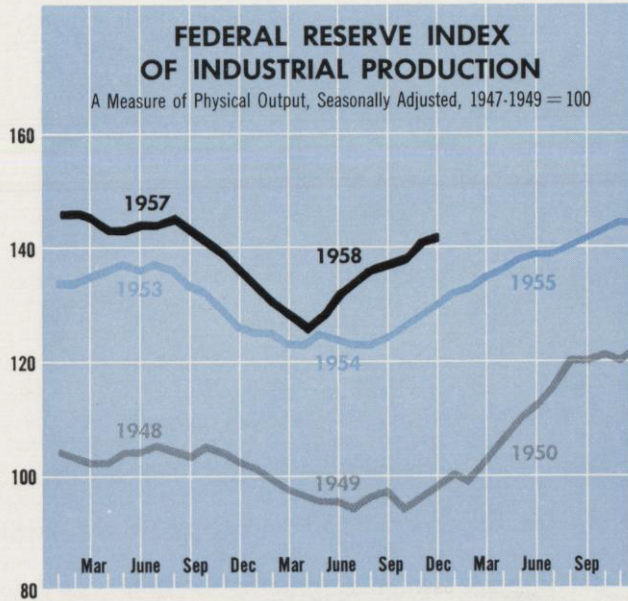


Chairman

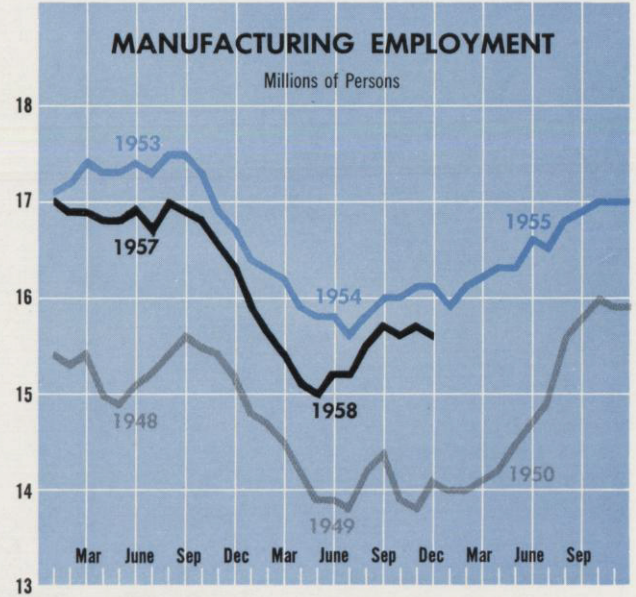
February 16, 1959

# SELECTED COMPARISON

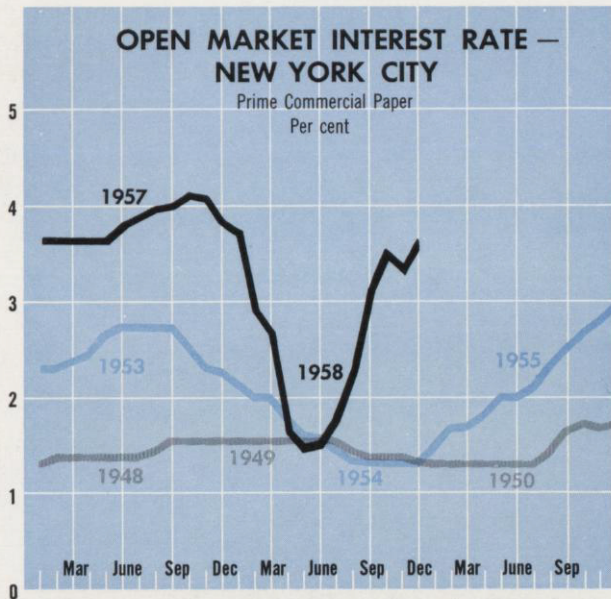
In Relation to Previous Typical



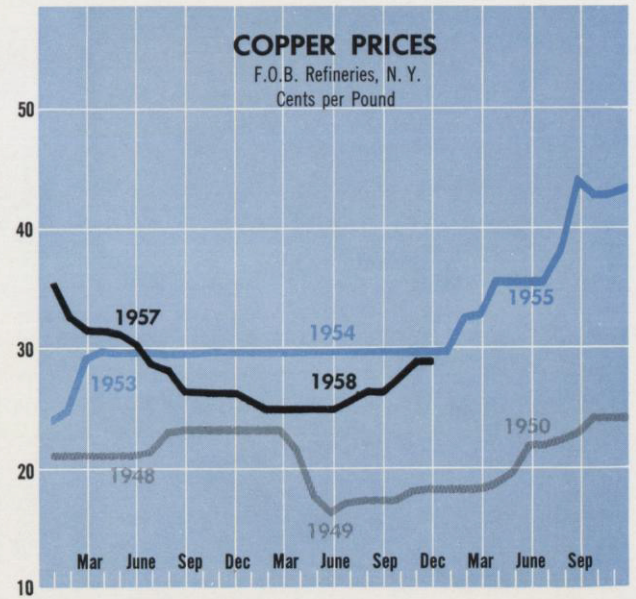
Based upon present trends, this index may recover the ground lost since August 1957 by March 1959. The decline and recovery of last year's recession were more rapid than previously and the curve has not had the usual leveling-off period at the bottom. Since World War I, there were six major recessions of this length: 1920, thirty-three months; 1932, eighty-seven months; 1938, twenty-seven months; 1949, eighteen months; 1954, twenty-two months; and 1958, eighteen months to date. The period stated is the number of months required to return to a former high level.



Comparison of this chart with the F.R.B. Index indicates that we are now approaching the 1957 peak production of goods with 1,300,000 less workers. We have therefore materially increased productivity per man hour since the start of the recession. As a result, there should be no shortage of experienced workers when business starts to rebuild inventories and subsequently increases expenditures for plant modernization and expansion.



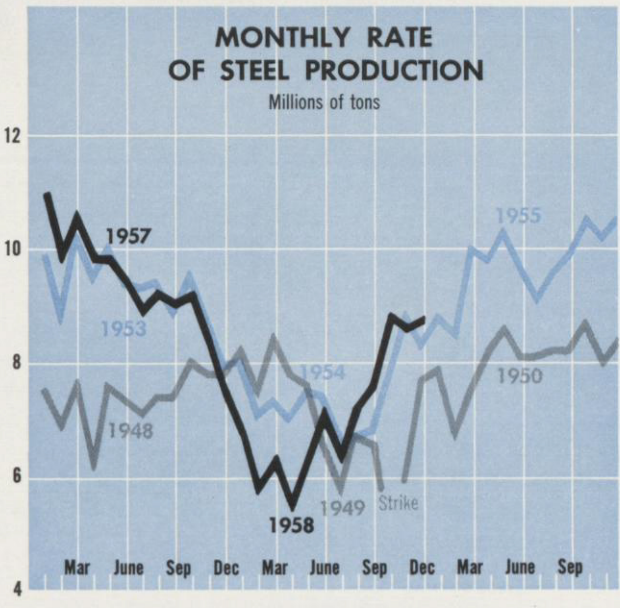
During the past year, prime commercial paper rates have dropped and risen more rapidly than in previous recessions. This sensitive index shows how closely interest rates follow business activity. The F.R.B. Index rose from 126 last April to 128 in May and by June prime commercial paper rates had turned up.



Another sensitive index is the price manufacturers pay for raw materials. This chart of copper prices shows that the rise last May in production activity was followed immediately by greater demand for copper with the first price increase occurring in July. From a low of 25¢ per pound, copper has already recovered to 30¢.

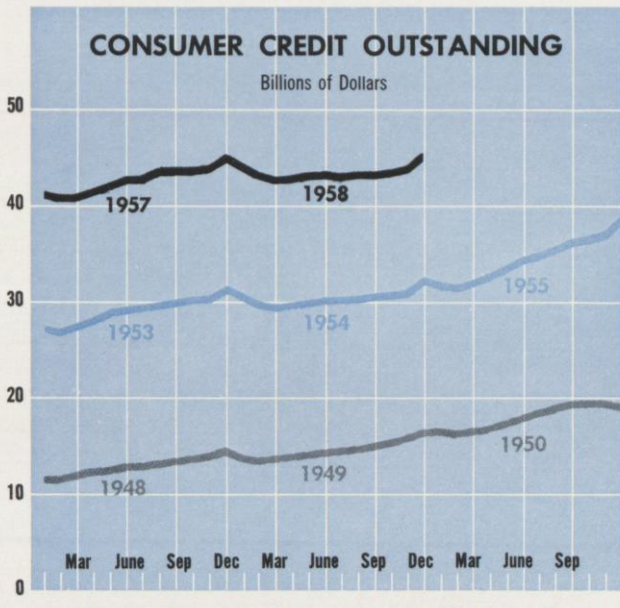
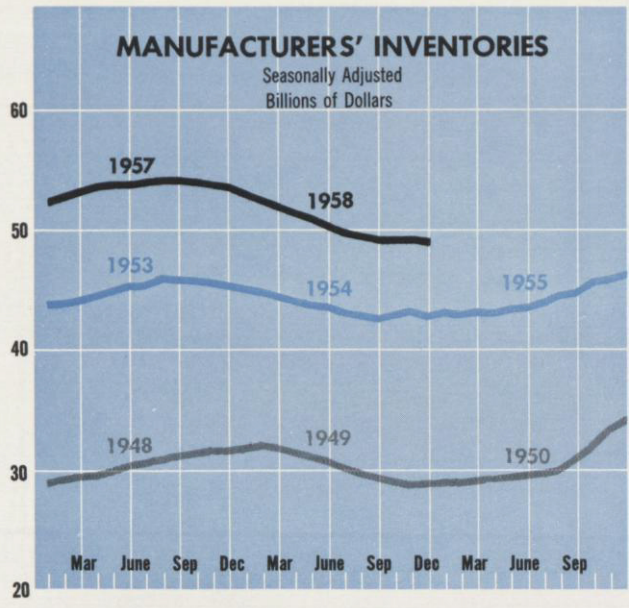
# OF RECENT TRENDS

## Recession and Recovery Periods



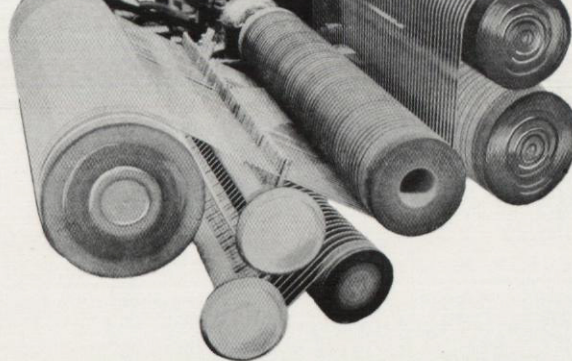
While the drastic drop in automobile production (total cars and trucks, including export) from a peak of 9,188,000 in 1955 to 5,108,000 in 1958 undoubtedly caused many of our problems last year, new housing, as in the other two recession years, was a strong supporting element. The upward trend starting last April in new home building was probably the most potent factor in reversing last year's downward business trend.

During recession periods, most manufacturers and distributors reduce inventories, thereby purchasing less raw material than they are currently selling in finished products. Therefore, raw material manufacturers like steel producers sell less steel and have to curtail. Conversely, when business starts to pick up as it did last May, demand for raw materials increases. With steel, this is indicated by the sharp rise in monthly production from a low of 5,500,000 tons last April to 9,300,000 tons in January.



Inventory liquidation was unusually rapid during this recession—\$5 billion since August 1957 or nearly 10% of total manufacturers' inventories. Should inventory rebuilding start as it did after both previous recessions, there will be a period when more goods are being produced than are being purchased by the ultimate consumer. This extra demand for products tends to encourage management to overexpand capacity.

Future prosperity lies with the ultimate consumer. In addition to rising spendable income and increased savings, consumer credit has an important effect on over-all business. In the last two recessions, the economy received stimuli from increased consumer credit. This was not so in 1957-1958 when the recovery to \$45 billion by year end was the smallest increase since 1943. Following the 1953-1954 recession there was an increase of \$6.4 billion in 1955. A repetition this year could greatly accelerate future business.



## Amerotron Company

Amerotron has completed another successful year in spite of the adverse market conditions that prevailed in textiles during 1958. It is also notable that the profit of this Division in relation to its volume compares favorably with its large competitors.

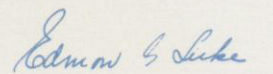
The sales for 1958 were approximately 80% in man-made fibre greige goods produced in its seven modern, well-equipped plants located in North Carolina, South Carolina and Georgia, and about 20% in finished woolen fabrics produced in the new plant at Barnwell, South Carolina.

The greige goods operations include a line of staple and fancy fabrics which are distributed to the converting trade for a wide variety of end uses covering lingerie, blouses, dresses, shirts, curtains, draperies, and novelty fields.

Significantly, Amerotron reaffirmed its pledge to the industry for the third successive year not to exceed a five day (120 hour) week in its greige goods loom production in line with its established policy of maintaining an orderly and judicious balance between production and market demand.

In the second full year of the woolen operation at Barnwell, Amerotron in 1958 increased its dollar sales volume by about 8%, reversed its 1957 losses and turned in an encouraging profit for the year. The Barnwell Plant achieved recognition in 1958 as an established producer of woolen fabrics, with an excellent reputation for quality and service. This plant produces fabrics for piece goods jobbers and manufacturers of sportswear and dresses in popular price ranges, as well as slack and suiting fabrics for the menswear trade, children's coats and suits, and piece goods for over-the-counter. The development and research program at Barnwell will result in many new fabrics and the opening of additional outlets. Particular emphasis is being given to the blending of the newer synthetic fibres with wool.

Much of the success this year in Amerotron is due to a well-coordinated and controlled operation in sales and manufacturing, and the continued maintenance of the mills on a low cost, high efficiency basis.

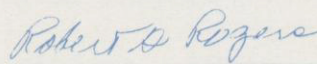
  
Edmon G. Luke, President

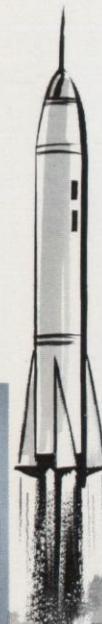
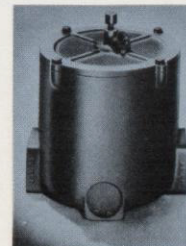
## Accessory Products Co.

We have completed our first full year as a Textron Division with a substantial increase in sales and backlog. Total 1958 sales reflect a 35% increase over 1957 with a corresponding backlog increase of 25%. APCO conducts its business with two distinct engineering and manufacturing groups: the valve and regulator section and the missile systems engineering section. The latter group was formed in late 1957 for the purpose of designing and manufacturing ground support equipment for prime missile manufacturers. High pressure control panels for use with nitrogen, helium, and oxygen were shipped for the Thor, Atlas, and Titan missile projects. A considerable percentage of our current backlog assures the continued success of this endeavor.

The aircraft valve and regulator design group maintained a backlog equivalent to the 1957 closing despite decreases in military aircraft procurement. New business was forthcoming from the jet airliner program. The Boeing 707, Douglas DC8, Convair 800 and 660, and Lockheed Electra will use our mechanical fuel measuring devices, single point refueling valves, and other articles of hydraulic, pneumatic, and fuel systems equipment. This section also designs high pressure regulators and relief valves for the missile program under the trade names of Servo-Loader and Servo-Dome. These products are in use in every missile facility in the U.S.A.

Research and development on a new family of regulators, relief and check valves for natural gas transmission lines is nearly complete. We expect to market these items in late 1959, and this will represent our first departure from the military field since the Company's inception. We plan to progress very slowly in this field as we test the market.

  
Robert G. Rogers, President





## F. Burkart Manufacturing Company

Burkart is a major manufacturer and supplier of cushioning material for the automotive, furniture and mattress industries. The Company's principal products are cotton batting, sisal padding, Burkair (resinated cotton) and polyurethane foam.

Sales are approximately 65% to the automotive industry and 35% to the furniture and mattress industries. In general, sales are made by direct salesman's contact with the customer, although fabricator distributors are used in certain localities.

Advertising is confined to pertinent trade journals covering the industries serviced. Considerable progress has been made and is continuing to be made in the promotion and sale of Burkair and polyurethane, particularly in the automotive and furniture fields.

On January 30, 1959, Burkart acquired a plant in Oakland, California, in order to provide adequate manufacturing facilities for supplying automotive customers on the Pacific Coast. The percentage of automobiles assembled on the West Coast has been steadily increasing, with the figure now about 14%. The new Oakland Plant will therefore enable Burkart to participate in an expanding market. The Company now has eight principal plants strategically located to serve its markets.

*Robert B. Morrow*

Robert B. Morrow, *President*

## Camcar Screw & Mfg. Co.

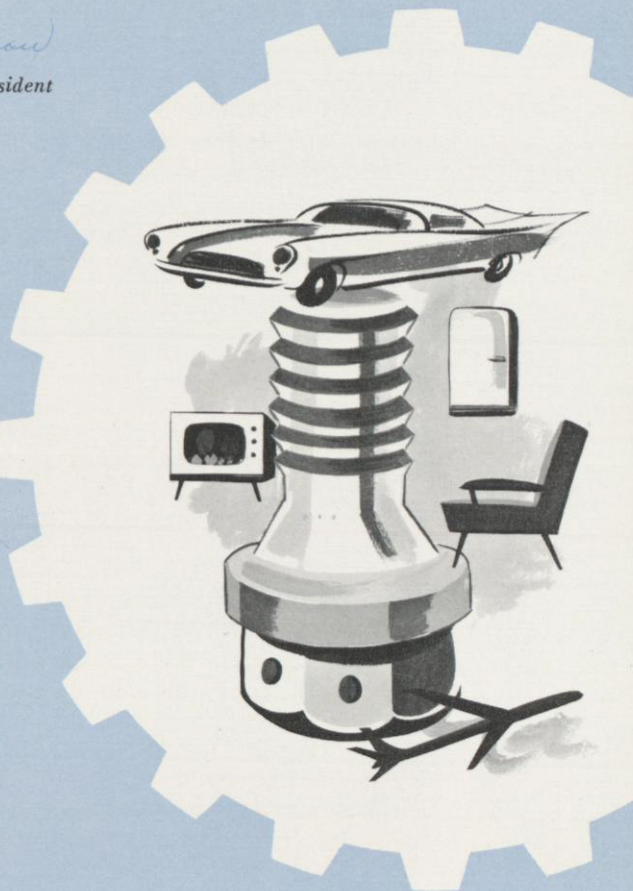
The fastener industry was affected by the general business decline in 1958. About 50% of the metal fasteners and metal parts produced by Camcar are supplied to the automobile industry, which had a 30% drop in production from 1957. Requirements for the appliance industry also fell off. However, Camcar's sales of aircraft and special parts increased in 1958 over 1957.

Currently, we are shipping at about the same rate which prevailed before the 1958 recession. Camcar is also benefiting from more selective selling and upgrading of many of its products, as well as from improved efficiencies, new plants, equipment and automation.

Camcar produces a wide variety of metal parts, screws and fasteners, and is particularly noted for its techniques in manufacturing by the cold-flow process. The Company also produces a large number of special fasteners.

For some time Camcar has supplied titanium parts and fasteners to the aircraft industry, and its research and development department is continuing to work on methods and processes to manufacture such items from new exotic materials for many applications in the aircraft and missile fields, including classified projects.

Camcar has also developed important new production equipment, and its new patented cold-flow machines should enable the Company to add to its sales and profitability in the years to come.



*Robert H. Campbell*

Robert H. Campbell, *President*

## Campbell, Wyant and Cannon Foundry Company

CWC is the nation's largest independent gray iron foundry and produces a wide variety of castings for the automotive, railroad, agricultural implement, refrigeration, marine and other industries. Products of the Company include cylinder blocks and heads, camshafts, gears, crankshafts, cylinder liners, housings of all types, brake drums, turbo castings, oil pans, gear cases and many other castings. Products are made of high quality gray iron and alloyed iron to meet exacting metallurgical specifications of customers. Steel is also produced in small quantities. Castings are sold to almost all the principal producers in the industries served by the Company.

The Company operates six plants, strategically located with respect to both raw materials and customers, and important savings in freight are effected at Muskegon and South Haven by receiving pig iron by water. Sand which is used in great quantities is obtained from the Company's own pits within two miles from the Muskegon plants. The development of the St. Lawrence Seaway has made it possible to serve foreign customers, and we are at present shipping camshaft castings directly to Europe in modest quantities.

Approximately 57% of the business of CWC is for the manufacturers of automobiles and trucks. While the production of automobiles declined approximately 31% in 1958 as compared with 1957 and truck production declined 20%, total sales of CWC declined only 13% during the year.

Good relations were maintained with employees during the year, and constructive collective bargaining agreements for terms of from three to three and one-half years were negotiated with unions representing production employees.

A number of new engines in the truck and diesel field will be introduced in 1959 with a substantial participation in these programs by CWC. The outlook for 1959 generally is encouraging. We continue our efforts to broaden our customer base and thereby lessen the dependence upon any one industry and to develop additional uses for castings. Attention is also being given to the problems arising from the increasing importance of light metals in our industry.



*R. L. Lindland*  
R. L. Lindland, *President*

## Cleveland Hobbing & Machine Co.

Cleveland Hobbing & Machine Co. produces machine tools and automation equipment consisting of single and multiple-spindle Rigidhobbers for high-speed production of gears; Cleveland Profilers, lathes which automatically turn complex internal and external shapes by following a template pattern; and Vertimax, vertical chucking machines, which perform many turning and facing operations. These machines are generally equipped with complete automation of CHM design and manufacture.

Historically, CHM machines have been developed for and sold (almost exclusively) to the automotive industry. After joining Textron in January 1958, a carefully planned expansion program was inaugurated. A new line of metal-turning machines, known as "Modular" machines, was developed based on building block construction, which utilizes interchangeability of components. This design offers a practical approach to solving problems of changeover and obsolescence which have plagued machine-tool users for years. Six headstocks and four beds combine with some thirty components to create over 100 different types of machines for metal-turning purposes, with trademarks such as Modu-Lathe, Modu-Matic, Modu-Trace and Modu-Bore. These new modular machines, designed to meet the high standards of the automotive industry, are also suitable in many other industries because of their flexibility and versatility.

Other new developments include a machine for finishing gear teeth after they are hardened, and a tool mounting and guiding attachment for eliminating chip problems on machine tools.

During 1958 CHM's sales coverage (formerly concentrated in a 300-mile radius of Detroit) was expanded to cover 24 states and nine foreign countries. A licensing arrangement was concluded with Chas. Churchill & Co. Ltd., an outstanding English machine-tool manufacturer, for mutual sales, manufacturing and engineering rights.

Sales of U. S. machine-tool builders in 1958 were 50% below 1957. However, our enlarged domestic and foreign sales coverage and expanded line should enable us to profit by any improvement in economic conditions.

*H. J. Findley*  
H. J. Findley, *President*

## Dalmo Victor Company

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During 1958 the Dalmo Victor Division maintained its position as a leading designer of airborne radar antennae, and at the same time increased sales volume in products other than antennae from 25% to 40% of total sales. Primarily accounting for this increase in diversification are contracts on magnetic detection and sonar equipment, development work on a new aerial refueling concept, volume production on existing refueling components, and parts and sub-assembly manufacture for the Polaris, Bomarc, Atlas, Titan and Sergeant missiles.

As a result of its recognized technical competence and manufacturing skill, Dalmo Victor added its talents as a member of several weapon system teams in keeping with the Defense Department's new procurement concept for development and manufacture of weapon systems encompassing missiles as well as aircraft. Dalmo Victor incorporated, and will use, this team approach as an integral function of the marketing and sales program.

The Electronics Systems Division was established in January to concentrate in the magnetic detection and sonar fields. Its important current contracts make Dalmo Victor a major contributor to the Department of Defense anti-submarine warfare effort.

The opportunity to secure competent scientific personnel, supported by access on a consulting basis to the staff of the Navy Postgraduate School in Monterey, California, resulted in the establishment of the Monterey Engineering Laboratory. This engineering group will engage in theoretical evaluation and research in new areas and initial design concepts to supplement effectively the work at the Belmont plant.

Despite major cutbacks resulting from defense expenditure policies of 1957, Dalmo Victor maintained its sales volume within 5% of the prior year and operating profits were significantly higher. A contributing factor in cost control was an effective variable overhead budgetary system under which the Division achieved essentially 100% performance.

*T. I. Moseley*  
T. I. Moseley, President

## California Technical Industries

A Division of Dalmo Victor

California Technical Industries, a pioneer in the automation of electronic testing, is engaged in electronic research, development and manufacture. The CTI Supertester is now used by the military, major electronic, aircraft and missile manufacturers throughout the world for rapid, accurate quality control. Other high-speed testers are made for checking complex wiring harnesses and a variety of electronic components. CTI automatic test equipment represented 28% of 1958 sales.

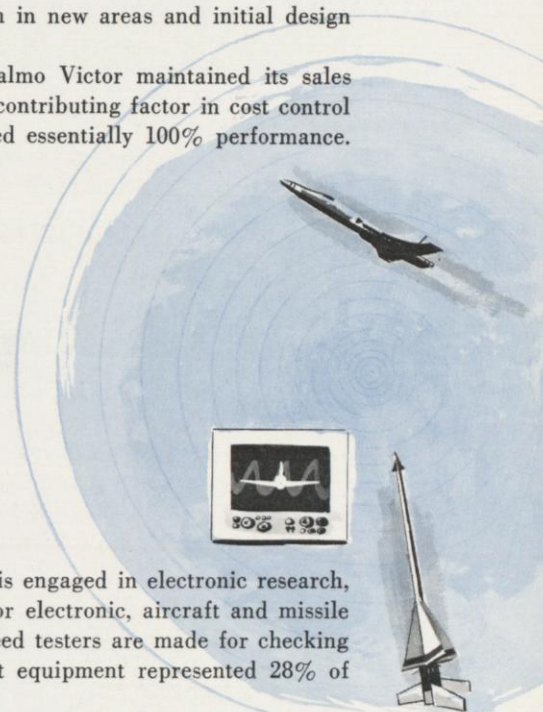
The Radome Boresight-Error Measuring System (27% of total sales) is sold exclusively by CTI. This equipment plays a vital part in eliminating radar-aiming errors in aircraft and missiles caused by the plastic covering over the radar antenna.

Representing 18% of sales, the Three-Axis Flight Simulator and associated test equipment make possible laboratory evaluation of flight-control systems by reproducing motions and flight conditions of high-performance aircraft and missiles. Microwave test equipment, military research and development in infrared, industrial and military electronic contract and subcontract work account for the remaining 27% sales.

Several new products were introduced this year. Among them was the Tape-Programmed Supertester, which was enthusiastically received. With this unit a test program is set up merely by punching coded holes in a one-inch wide paper tape. The tape is fed from the reel into the Supertester, which can completely test a complex electronic system, indicating acceptance or rejection of each test as it goes. Changing the tape is all that is required to test an entirely different system. Users regularly obtain savings of 90% of previous quality control costs.

CTI products are advertised in electronic, aviation and missile trade publications. The proprietary products are sold through manufacturers' representatives in the United States and free countries of the world. Military sales are handled directly.

*John M. Carter*  
John M. Carter, President



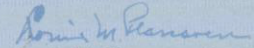


## Federal Industries

Federal Industries, a pioneer in the vinyl coated fabrics industry, is one of the major suppliers to the automotive trade. The fabrics manufactured by Federal are known as "Federan." While other segments of the transportation field, such as airlines, railroads and ships require lesser quantities of coated fabrics than the automotive field, Federal also receives a good share of that business.

Other diversified end uses of vinyl coated fabrics include women's popular priced shoes, ladies' plastic handbags, luggage, wall coverings, and apparel. In 1957 "Federan" was introduced to the women's and children's trades for coats and jackets, and in 1958 enjoyed increased volume and greater acceptance. As part of a general promotional campaign, the well known firm of Raymond Loewy Corporation, leading industrial designers, is employed by Federal to develop new styles and colors. "Federan" materials have been tested by the U. S. Testing Company as well as Parents' Magazine and received their seal of approval.

During 1958, additional equipment and buildings (which were in the process of being built at the time of acquisition by Textron) were completed. These increased and upgraded facilities for manufacturing, shipping and research will enable Federal to diversify still further and to increase its sales in 1959.

  
Louis M. Plansoen, *President*

## General Cement Mfg. Company

Although General Cement, popularly known as "G-C," started 30 years ago as a supplier of liquid cements, it is today a highly diversified company whose activities have outgrown the original corporate name. Since joining Textron, immediate impetus was given to its program of expansion and diversification. There are now 5,000 products in the G-C lines handled as follows:

*General Cement Mfg. Co.* (the founding company) supplies liquid cements, various compounds and chemicals, alignment tools, wire strippers, hardware, and many other products used in the electronics parts industry. The line is sold by radio and electronics parts distributors.

*G-C-Telco* manufactures television antennae and television hardware installations.

*G-C Electronics* supplies carbon resistors used in radio and T.V., and replacement radio auto controls, plastic knobs and other accessories.

*G-C-Walsco* supplies replacement phonograph drives, electronic hardware, tools, punches and other products.

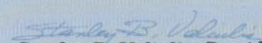
*G-C-American Microphone* makes the American Microphone line used in television broadcasting, movie studios, public address systems and government facilities.

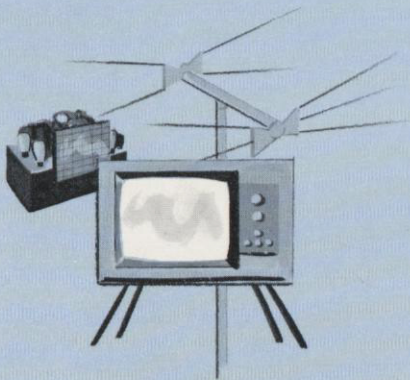
*G-C-Audiotex* handles newly developed products for sale to the Hi-Fi trade. The line will be introduced early this year.

*G-C-Myers* will manufacture Myers drink and malted milk mixers and accessories. These commercial products, used by restaurants, soda fountains and cafeterias, will be introduced in 1959 and sold through restaurant equipment distributors.

*G-C-Nemco-Speedex* sells to automotive parts distributors. Speedex manufactures rear deck auto speakers and accessories. Nemco makes replacement auto antennae.

Research and engineering departments were set up in 1958 to discover the needs of various industries served and to develop new products to meet changing markets.

  
Stanley B. Valiulis, *President*



## Hall-Mack Company

The Hall-Mack Division sales in 1958 were 2½% greater than 1957. This increase was due to a 26% sales increase by its Peat Manufacturing Co. Division, because Hall-Mack's 1958 sales were approximately the same as last year.

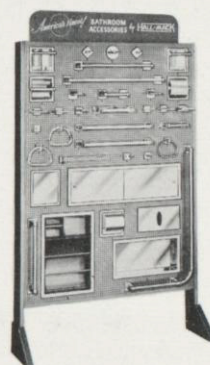
The Hall-Mack products, consisting of bathroom accessories and medicine cabinets, are sold by leading plumbing, tile and hardware dealers throughout the United States, Canada and many other countries. Factory warehouses are maintained at Los Angeles, Chicago and Clifton, New Jersey for the efficient serving of our distributors.

The major portion of Hall-Mack products are used in connection with new residential construction, and normally sales will follow the pattern set by national housing unit starts. Sales during 1958 followed this pattern as they declined during the first six months but showed increases during the last half of the year. This same trend occurred in the sales of all product lines such as medicine cabinets, bathroom specialties and the regular accessory lines of Aristocrome, Coronado and Tempo.

Peat Manufacturing Co. produces aluminum and zinc die castings and injection molded plastic parts for Hall-Mack Company, as well as numerous other manufacturers. Sales to industrial firms accounted for approximately 10% of this Division's business, and have shown a consistent gain throughout the year. Sales gains were due to increased purchases by old customers as well as the addition of a number of new accounts.

During 1958, Hall-Mack introduced a number of new specialty items, among which were a concealed bathroom scale, a shower recess for holding shampoo bottles, and a towel ladder. Development work is continuing on a number of additional bathroom items that will be offered for sale during 1959.

*James L. McDonald*  
James L. McDonald, President



## Homelite

Gasoline-engine-driven chain saws sold to professional loggers, pulp cutters and farmers accounted for the most substantial portion of the Homelite Division's sales in 1958. Portable gasoline-engine-driven pumps, sold to the construction industry, utilities and municipalities ranked next in importance, closely followed by the portable gasoline-engine-driven generators and allied items sold to the same type of trade.

Homelite products are distributed through 64 branch offices that sell and service 2800 dealer outlets. Substantial export sales are made directly to foreign distributors. A continuing advertising and sales promotional campaign is carried on, including use of radio in launching new chain saw models.

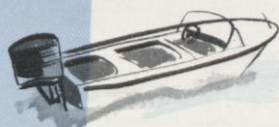
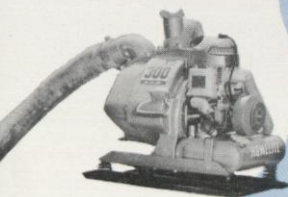
Homelite's new plant in Gastonia, North Carolina, provided greater production economy and permitted the Company to produce the new Homelite ZIP chain saw — the first high-quality chain saw priced below \$170.00. The addition of this new model enabled Homelite to broaden its base and compete for the very considerable market composed of men who use a chain saw for occasional cutting. Three improved production-cutting saws, the 7-19, 7-21, and 8-29 models, were introduced in 1958.

Three new gasoline-engine-driven pumps, the "300" series, were presented during 1958 using the new Homelite Model 8 engine. An electric pruner, introduced early in 1958, was well received and a second production run to meet requirements for winter orchard pruning was completed late in the year. A new power peeler for debarking pulpwood logs in the woods was introduced in October.

Research and development on a ride-on lawn mower has been completed and an initial production run of the first model has been scheduled for the late spring of 1959.

In October 1958 Homelite purchased the manufacturing rights to a marine engine which will go into production during the second half of 1959. This new 50-horsepower outboard engine will be manufactured in the Company's new plant (presently in the process of construction) located in Greer, South Carolina. In addition to the marine engine, production of Homelite pumps and generators will be moved from Port Chester, New York into the Greer plant. The new Homelite marine engine will be of the four-cycle, vertical in-line design for maximum fuel economy and smooth, quiet operation. This will permit Homelite to enter the rapidly growing marine engine market.

*J. A. Abbott*  
J. A. Abbott, President



## CONSOLIDATED

### ASSETS

	January 3, 1959	December 28, 1957
Current assets:		
Cash .....	\$ 7,848,310	\$ 8,872,426
Accounts receivable — net of reserves and advances against pledged receivables (Note B) .....	25,206,148	22,457,602
Inventories, at lower of cost or market .....	56,703,872	52,559,733
Prepaid and deferred expenses .....	1,985,638	1,121,775
Other current assets .....	2,216,183	2,214,903
Total current assets .....	<u>93,960,151</u>	<u>87,226,439</u>
Common shares of The Fanner Manufacturing Company at cost (Company acquired in 1958) .....	—	4,680,583
Notes receivable, due after one year .....	4,451,579	1,399,081
Property, plant and equipment (Note D) .....	132,092,015	128,339,741
Less — Reserves for depreciation and amortization .....	39,963,490	35,089,805
Reserve for loss on sale of properties .....	11,948,541	11,124,467
Reserve for contingent payments for companies acquired .....	1,914,496	2,078,963
Total .....	<u>53,826,527</u>	<u>48,293,235</u>
Property, plant and equipment, net .....	<u>78,265,488</u>	<u>80,046,506</u>
Other assets:		
Excess cost of companies acquired, less amortization (Note I) ..	7,428,585	1,781,210
Unamortized debt discount and expenses .....	800,076	890,623
Deposits with mutual insurance companies .....	167,070	294,080
Sundry other assets .....	2,564,814	1,963,918
Total other assets .....	<u>10,960,545</u>	<u>4,929,831</u>
Total assets .....	<u>\$187,637,763</u>	<u>\$178,282,440</u>

REFERENCE IS MADE TO THE ACCOMPANYING

# AND SUBSIDIARY COMPANIES

## BALANCE SHEET

### LIABILITIES AND CAPITAL

	January 3, 1959	December 28, 1957
Current liabilities:		
Notes payable to banks .....	\$ —	\$ 7,596,500
Current maturities of mortgages, notes and debentures (Note E) .....	3,882,091	4,678,726
Accounts payable .....	11,187,326	9,855,396
Accrued expenses and other current liabilities .....	14,790,281	13,938,040
Amounts payable for companies acquired .....	3,400,795	2,865,463
Dividends payable .....	—	1,123,604
Total current liabilities .....	<u>33,260,493</u>	<u>40,057,729</u>
Mortgages, notes and debentures (Note E):		
Mortgage bonds being liquidated by rental income .....	5,689,886	6,495,491
Mortgages on steamship — (Note C) .....	4,968,488	4,579,416
Purchase money mortgages and conditional sales contracts .....	6,065,428	6,890,951
Unsecured notes — subordinated to all bank debt .....	2,500,000	2,500,000
Other unsecured notes .....	2,803,500	1,949,373
Debentures — subordinated to all other debt .....	31,735,952	34,102,172
Total mortgages, notes and debentures .....	<u>53,763,254</u>	<u>56,517,403</u>
Amounts payable for companies acquired, due after one year .....	5,147,083	755,625
Other liabilities .....	737,003	531,513
Total liabilities .....	<u>92,907,833</u>	<u>97,862,270</u>
Capital stock and surplus:		
Capital stock (Note F):	shares outstanding	
	1958	1957
\$1.25 convertible preferred .....	422,796	422,796
4% preferred — Series A .....	10,227	16,099
4% preferred — Series B .....	39,450	54,131
Common .....	4,349,366	3,531,834
Total capital stock .....	<u>17,712,223</u>	<u>19,358,744</u>
Surplus:		
Paid-in surplus .....	50,181,222	40,750,089
Capital surplus .....	4,323,353	4,323,353
Earned surplus (Note E) .....	22,561,716	16,676,748
Total surplus .....	<u>77,066,291</u>	<u>61,750,190</u>
Less — Treasury stock at cost (In 1958, 588 shares 4% preferred stock — Series B) .....	48,584	688,764
Total capital stock and surplus .....	<u>94,729,930</u>	<u>80,420,170</u>
Total liabilities and capital .....	<u>\$187,637,763</u>	<u>\$178,282,440</u>

## Consolidated Statement of Income

	Years Ending	
	January 3, 1959	December 28, 1957
Net sales .....	\$244,227,468	\$254,575,206
Cost of sales (Note A).....	197,290,535	210,589,940
Gross profit on sales .....	<u>46,936,933</u>	<u>43,985,266</u>
Selling, advertising and administrative expenses .....	30,618,888	29,838,486
Profit from operations .....	<u>16,318,045</u>	<u>14,146,780</u>
Other income:		
Profit on sale of fixed assets.....	1,110,446	—
Interest income .....	280,447	225,622
Sundry other income .....	2,002,684	1,782,371
Total other income .....	<u>3,393,577</u>	<u>2,007,993</u>
Other charges:		
Interest expense .....	3,990,070	4,320,125
Provision for losses and expenses related to discontinued operations (\$4,293,000) less net profit on disposal of operating divisions .....	2,423,000	—
Contributions to profit sharing plans .....	900,245	1,098,288
Provision for doubtful accounts .....	423,565	874,120
Sundry other charges .....	1,218,877	1,166,663
Total other charges .....	<u>8,955,757</u>	<u>7,459,196</u>
Net income (Note K).....	<u>\$ 10,755,865</u>	<u>\$ 8,695,577</u>

Depreciation and amortization charged to costs and expenses amounted to \$8,226,406 in 1958 and \$8,263,181 in 1957.

REFERENCE IS MADE TO THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.



**Consolidated Statement of Surplus**

Years Ending

	January 3, 1959	December 28, 1957
<b>PAID-IN SURPLUS</b>		
Balance at beginning of year .....	\$40,750,089	\$40,340,338
Additions:		
Excess of market value over par value of 427,955 shares of common stock issued in connection with the acquisition of two companies .....	4,680,139	—
Proceeds in excess of par value of 389,577 shares of common stock sold pursuant to July 1958 offering to common stockholders .....	3,362,813	—
Reversal of excess reserve for loss on disposal of properties (Note D) .....	1,090,000	—
Discount on 4% preferred stock purchased for sinking fund (20,553 shares in 1958 and 17,339 shares in 1957) .....	298,181	370,918
Amount resulting from conversion of 1,585 shares of \$1.25 convertible preferred stock .....	—	38,833
Balance at end of year .....	<u>\$50,181,222</u>	<u>\$40,750,089</u>
<b>CAPITAL SURPLUS</b>		
Balance at beginning and at end of year .....	<u>\$ 4,323,353</u>	<u>\$ 4,323,353</u>
<b>EARNED SURPLUS</b>		
Balance at beginning of year .....	\$16,676,748	\$12,307,388
Net income .....	<u>10,755,865</u>	<u>8,695,577</u>
	<u>27,432,613</u>	<u>21,002,965</u>
Dividends declared:		
\$1.25 convertible preferred stock — \$1.25 per share .....	528,509	528,509
4% preferred stock — Series A — \$4.00 per share .....	52,386	63,900
4% preferred stock — Series B — \$4.00 per share .....	183,262	233,433
Common stock — \$1.00 per share .....	4,106,740	3,500,375
Total dividends .....	<u>4,870,897</u>	<u>4,326,217</u>
Balance at end of year (Note E) .....	<u>\$22,561,716</u>	<u>\$16,676,748</u>

**NOTE A General**

All subsidiaries have been included in the consolidated financial statements except two subsidiaries which are not of significance.

During the year, Textron acquired all the outstanding capital stock of Shuron Optical Company, Inc. and the net assets of The Fanner Manufacturing Company, The Waterbury Farrel Foundry and Machine Company and Precision Methods and Machines, Incorporated. The aggregate purchase price for the foregoing companies was \$22,792,247. This amount represents the sum of (a) \$12,646,711 cash, (b) the market value of 427,955 shares of Common Stock issued, (c) the cost of 31,241 shares of treasury Common Stock delivered and (d) the cost of 410,190 shares of Fanner Common Stock which was owned and surrendered by Textron. The businesses acquired during the year are being operated as divisions and the results of their operations have been included in the consolidated income statement only since dates of acquisition.

The portion of the purchase price allocable to the inventories of two companies acquired during the year was \$8,120,917 less than the replacement cost of those inventories. The discount applicable to the portion of the inventories sold prior to the year end amounted to \$3,126,762 and has been applied in reduction of cost of sales in the consolidated income statement.

In June, 1958, all the outstanding capital stock of Coquille Plywood, Inc., a wholly-owned subsidiary, was sold, and in August the assets and business of the Kordite Division were sold.

On October 24, 1958, the inventories and fixed assets related to the aluminum extrusion operations of the Textron Metals Company Division were sold to Almetco, Inc., a 50% owned corporation which is not consolidated.

**NOTE B Accounts Receivable**

Accounts receivable are stated after deducting related reserves for doubtful accounts, discounts and allowances totaling \$1,764,982 and do not include \$8,835,144 collected from banks to which accounts receivable aggregating \$10,079,654 have been assigned. Of the accounts assigned, the banks have assumed the credit risk to the extent of approximately \$8,150,000. Accounts receivable in the amount of \$25,726,620 were not assigned.

**NOTE C S.S. Leilani**

In December, 1958, Hawaiian Textron, Inc., a wholly-owned subsidiary, discontinued operation of the S.S. Leilani. The subsidiary has offered to return the ship to the Government in exchange for cancellation of the two outstanding mortgages having unpaid balances of \$4,968,488, and no further payments of interest and principal on the mortgages are being made. Management expects that the vessel will be either repossessed by the Government in exchange for cancellation of the mortgages or sold to another operator subject to the existing mortgages. The accompanying consolidated income statement includes the operating losses of the subsidiary and a charge of \$2,283,723 to provide for the loss of the subsidiary's equity in the vessel and the estimated carrying charges to date of sale or repossession.

**NOTE D Property, Plant and Equipment**

The gross property, plant and equipment is stated at cost, except that the fixed assets of one division are stated at appraised values which are \$1,914,496 in excess of costs incurred to date. This amount has been credited to "Reserve for contingent payments for companies acquired." Future contingent payments which are based upon earnings, if any, of this division will be charged to this reserve.

# AND SUBSIDIARY COMPANIES

—January 3, 1959

At the beginning of the year there were reserves of \$11,124,467 for losses on sales of properties. During the year the reserves were increased \$2,483,552 by charges to income, principally to provide for the loss of the equity in the S.S. Leilani. Disposition losses, idle plant expenses and other carrying charges aggregating \$569,478 were charged against these reserves in 1958. Substantially all of the properties of the former American Woolen Company have been sold and in 1958 the excess reserve for losses of \$1,090,000 applicable to these properties was restored to paid-in surplus.

Mortgage notes payable and amounts payable under conditional sales contracts aggregating \$18,708,153 are secured by fixed assets having a gross cost of \$58,036,848.

## NOTE E Mortgages, Notes and Debentures

	Due After One Year	Due Within One Year
Mortgage bonds being liquidated by rental income		
5% First Mortgage Bonds due in installments to June 1, 1966.....	\$ 5,689,886	\$ 745,170
Preferred ship mortgages on S.S. Leilani (See Note C).....	4,968,488	—
Purchase money mortgages and conditional sales contracts:		
Mortgages on real estate and machinery (3 to 6%) serial maturities to March 1971 .....	3,457,545	648,795
Obligations for machinery acquired under conditional sales contracts (5 to 6%) serial maturities to April 1968.....	2,607,883	590,386
Unsecured notes (6%) subordinated to all bank debt, due serially from 1962 to 1971 .....	2,500,000	—
Unsecured notes (3 to 6%) serial maturities to 1963.....	2,803,500	744,250
Debentures—subordinated to all other debt:		
5% Convertible Subordinated Debentures due January 1, 1971....	19,600,000	—
Fifteen-year 5% Subordinated Sinking Fund Debentures due February 1, 1970 .....	12,135,952	1,153,490
Total.....	<u>\$53,763,254</u>	<u>\$3,882,091</u>

The payments required on the above indebtedness during the next five years are as follows:  
1959—\$3,882,091; 1960—\$5,143,472; 1961—\$4,089,514; 1962—\$4,267,990; 1963—\$3,736,837.

Certain plants and equipment subject to the lien of the 5% First Mortgage Bonds are leased to others for the period ending June 1, 1966. The lease has been assigned as additional security for the bonds. The lease rental is sufficient to cover principal and interest payments required under the mortgage.

The indentures relating to the 5% Convertible Subordinated Debentures and the Fifteen-year 5% Subordinated Sinking Fund Debentures provide, among other things, for certain restrictions on the payment of cash dividends and the purchase, redemption or retirement of shares of Textron stock. Under the most restrictive provision, the amount of surplus not so restricted at January 3, 1959, was about \$15,000,000.

The 5% Convertible Subordinated Debentures, due January 1, 1971, are convertible into shares of Common Stock at a conversion price of \$24.96 per share until December 31, 1959, and at increasing prices thereafter.

At January 3, 1959, Amwool Financial Corporation, an unconsolidated subsidiary, had bank loans of \$823,300 on which Textron was jointly liable.

## NOTE F Capital Stock

\$1.25 Convertible Preferred Stock (cumulative) no par value, authorized, issued and outstanding 422,796 shares. This stock is entitled in the event of voluntary liquidation or redemption to \$26 per share

and accrued dividends, and in the case of involuntary liquidation to \$25 per share and accrued dividends. It is convertible into Common Stock at a conversion price of \$23.18, which is equivalent to 1.078 shares of Common Stock for each share of Preferred Stock.

4% Preferred Stock (cumulative) par value \$100. Subject to the prior rights of the \$1.25 Convertible Preferred Stock, this stock is entitled to the benefits of sinking funds requiring quarterly deposits aggregating \$353,863, such funds to be used for the purchase of 4% Preferred Stock tendered by holders at prices not in excess of \$100 per share. This stock is callable upon 30 days' notice at \$100 per share and accrued dividends.

Series A—authorized and issued 13,672 shares, held for retirement 3,445 shares,  
outstanding 10,227 shares.

Series B—authorized and issued 47,856 shares, held for retirement 8,406 shares,  
outstanding 39,450 shares.

\$4 Preferred Stock (cumulative) no par value, authorized 108,453 shares, issued—none.

\$5 Preference Stock (cumulative) no par value, authorized 500,000 shares, issued—none.

Common Stock, par value 50¢, authorized 7,500,000 shares, issued and outstanding 4,349,366 shares.

The shares of Common Stock reserved at January 3, 1959, were as follows:

For issuance on exercise of stock options.....	400,000
For conversion of \$1.25 Convertible Preferred Stock.....	455,993
For conversion of 5% Convertible Subordinated Debentures due January 1, 1971 at present conversion price .....	785,256
	1,641,249

**NOTE G Option Agreements**

At January 3, 1959, 400,000 shares of Common Stock were reserved under the Employees Stock Option Plan and other option agreements. The Plan as amended, provides that with respect to all options granted after May 21, 1958, the option price shall be \$25 per share or the market price of Common Stock on the date of grant, whichever is greater. At January 3, 1959, officers and employees held options on 255,735 shares. Details of the outstanding options are as follows:

Granted	Exercisable	Number of Shares	Option Price		Market Price at dates of granting options	
			Per share	Total	Per share	Total
1953	1953-1963	50,000	\$25	\$1,250,000	\$11 <sup>1</sup> / <sub>8</sub>	\$ 556,250
1955	1957-1960	93,240	19 to 25	2,091,170	18 <sup>3</sup> / <sub>8</sub> to 23 <sup>1</sup> / <sub>8</sub>	1,788,943
1956	1958-1961	7,355	25 to 30	210,925	21 <sup>1</sup> / <sub>2</sub> to 27 <sup>1</sup> / <sub>4</sub>	173,226
1956	1958-1966	50,000	25	1,250,000	24 <sup>3</sup> / <sub>4</sub>	1,237,500
1957	1959-1962	1,500	30	45,000	16 <sup>3</sup> / <sub>4</sub>	25,125
1958	1960-1963	53,640	25	1,341,000	14 <sup>5</sup> / <sub>8</sub> to 18 <sup>3</sup> / <sub>8</sub>	885,020
		255,735		\$6,188,095		\$4,666,064

The shares of Common Stock issuable under outstanding options are as follows:

Shares under option at December 28, 1957.....	307,735
Options issued in 1958 .....	53,640
Options cancelled in 1958 .....	(105,640)
Shares under option at January 3, 1959.....	255,735

The shares of Common Stock available at the beginning and at the end of the year for the granting of options under the option plan were 142,265 and 144,265, respectively.

At January 3, 1959, options to purchase 200,595 shares of Common Stock were exercisable. The option price of these shares ranged from \$19 to \$30 per share (\$4,802,095 total), and the market price of these shares at the dates options became exercisable ranged from \$10 to \$18<sup>1</sup>/<sub>4</sub> per share (\$2,586,171 total).

No options were exercised during the year, and no charges have been made against income in respect of any stock options.

**NOTE H Pension and Profit Sharing Plans**

Textron and certain of its consolidated subsidiaries are parties to a non-contributory pension plan to provide eligible employees with retirement and death benefits. Eligible employees include salaried employees of certain divisions and subsidiaries who are exempt from the overtime provisions of the Fair Labor Standards Act of 1938 and certain other salaried employees who became eligible under the plan as previously in effect. The Textron Pension Plan is fully funded and no payments are required for 1958.

Six divisions have separate non-contributory pension plans for the benefit of certain of their divisional employees who are not covered by the Textron Pension Plan. With respect to the divisional plans, the unfunded past service cost at January 3, 1959, was estimated at \$8,176,000. The annual cost is estimated at \$935,000, including past service costs.

Textron has a profit sharing plan which was established in 1951. Employees of divisions and subsidiaries which are included in the plan by action of the Board of Directors are entitled to participate provided that such persons do not receive compensation at more than regular rates for overtime work under the Fair Labor Standards Act of 1938. Three divisions (none of which is included under Textron's Profit Sharing Plan) have separate profit sharing plans for the benefit of their divisional employees.

**NOTE I Contingent Payments for Companies Acquired**

The purchase agreements relating to three companies acquired in prior years provide for additional annual payments based on various percentages of pretax earnings (as defined in the agreements) of the companies acquired. Such contingent payments are required for periods of six to sixteen years. The additional payments required on account of earnings of these divisions for 1958 amounted to \$1,424,627. Of this amount \$1,260,160 was capitalized as "Excess cost of companies acquired" and is being amortized by charges to income over a ten year period, and \$164,467 has been added to net property, plant and equipment by a charge to "Reserve for contingent payments for companies acquired."

During 1958, the purchase agreement covering one company previously acquired was amended to provide for Textron to pay the sellers \$5,000,000 over the next eight years in exchange for cancellation of contingent payments otherwise payable. Under the original purchase agreements, contingent payments based on earnings were required for a period of ten years, of which seven and one-half years remained. The \$5,000,000 was charged to "Excess cost of companies acquired" and is being amortized by charges to income over a ten year period.

**NOTE J Leases**

Annual rentals payable under long-term leases are approximately \$2,500,000. Under certain leases Textron is also required to pay for insurance, taxes and repairs. In 1958, certain machinery and equipment was sold at a profit of \$1,003,163 and leased back for a period of seven years.

**NOTE K Taxes**

The Federal income and excess profits tax liability of Textron and its subsidiaries is substantially settled for the years prior to 1953. Management is of the opinion that there is no material net liability with respect to the open tax years. No provision for Federal income taxes was required with respect to 1958 income due to the availability of operating loss carry-overs.

At January 3, 1959, Textron and its subsidiaries had unused Federal tax loss carry-overs of approximately \$19,400,000, of which \$4,400,000 will expire at the end of 1959, \$5,700,000 at the end of 1960, and \$9,300,000 in the succeeding three years.

## Auditors' Report

### ARTHUR YOUNG & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

165 BROADWAY  
NEW YORK 6

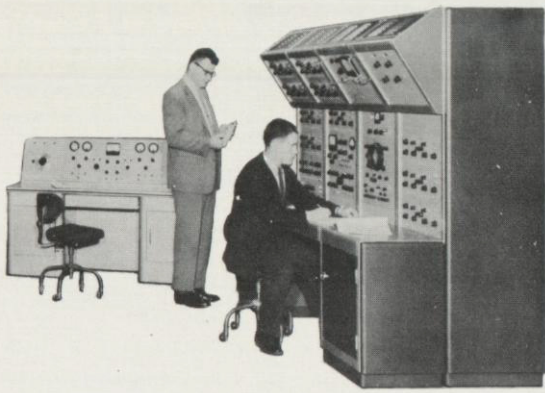
The Board of Directors and Stockholders,  
TEXTRON Inc.:

We have examined the accompanying consolidated balance sheet of Textron Inc. and subsidiary companies at January 3, 1959 and the related consolidated statements of income and surplus for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Textron Inc. and subsidiary companies at January 3, 1959 and the consolidated results of their operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Arthur Young & Company*

February 16, 1959



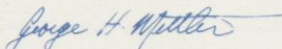
## MB Manufacturing Company

Contrary to the general economic trend, 1958 was one of the best years in the history of MB. Orders booked, up 10% over 1957, were at an all-time high. A major cause for this has been the Company's pioneering and leadership in the development and production of vibration test systems, including advanced types of complex motion testing systems. These are used to "prove out" key components of military missiles, research test vehicles and rocket and satellite vehicles. MB's vibration test equipment is also used for evaluation of critical parts in both military and civilian jet aircraft — including engine parts, electronic gear and structural components.

Activities of the Contract Machining Plant, where new equipment has boosted productivity and cut costs, also contributed substantially to the Company's profit. This plant does specialized machining work and parts fabrication for manufacturers of jet engines and jet airframes. In addition to production of standard parts, the major manufacturers of jet engines are using MB's complete facilities for specialized machining and inspection of experimental and prototype parts. The machining division of MB has grown from a two man operation in 1938 to one of the most complete contract manufacturing facilities in Southern New England.

The year 1958 has also seen a number of significant developments, in terms of products and personnel. Management was expanded and strengthened to provide more flexibility in research and development and aggressive sales activities. Improvements have been made in the field service organization to further the Company's outstanding reputation and distribution channels have been broadened.

Product highlights include the introduction of a miniature velocity pickup, a special type of instrument used in vibration testing, with features heretofore unavailable, and the marketing of two completely new design high-output amplifiers of marked superiority. A long-range program for new products applicable to the acoustical aspect of vibration problems looks promising.

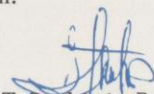
  
George H. Mettler, *President*

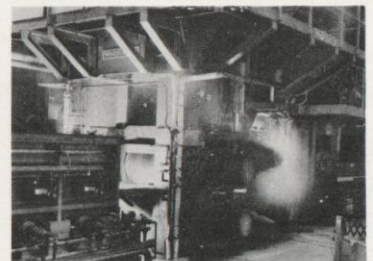
## Precision Methods and Machines

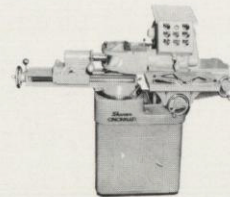
The year 1958 was a good year for sale of the backing assemblies and other component parts which are made by PM & M for Sendzimir cold strip rolling mills. The Sendzimir mill is well known in industry and the backing assemblies are the precise internal parts of the mill housing which support the small work rolls. PM & M is the exclusive manufacturer of these backing assemblies. Although domestic sales of the components fell 43% during the 1958 recession period, foreign sales increased. As a result, total sales of mill components were a few per cent less than the peak year 1957 when sales were twice as high as any previous year.

The Company has started the manufacture of a line of eddy current clutches. These are used for variable speed transmission of mechanical power. The first units built and sold are performing excellently and have surpassed expectations. This field shows great promise for expansion in the immediate future for defense as well as for general industrial application.

In addition to the commercial items, a variety of defense items were manufactured. These items were quite diversified, covering a wide range from radar drive units to components and special fixtures for atomic reactors. PM & M is given preference by defense prime contractors whenever there is difficult and complicated mechanical work that requires thorough comprehension and painstaking execution.

  
T. Sendzimir, *President*





## Shuron Optical Company

Shuron Optical Company manufactures optical spectacle frames and cases in two factories in Rochester, New York, and optical laboratory equipment and ophthalmic single vision lenses in Geneva, New York. The Company also distributes ophthalmic multivision lenses not of its own manufacture.

Spectacle frames represent the largest share of the Company's sales, about two-thirds, while spectacle cases represent the smallest portion, less than 10%. The remaining volume is divided among single vision lenses, multivision lenses and prescription optical laboratory equipment (prescription lens grinding machinery) and export sales.

All Shuron's sales in the United States are made to optical wholesalers who are serviced by eighteen strategically located branch sales offices. These carefully selected wholesalers (about 360) channel Shuron ophthalmic products — frames, lenses and cases — to retail optical dispensers, dispensing ophthalmologists and optometrists who serve the eyeglass wearing public.

Because of its scrupulous regard for the standards of the ophthalmic professions, Shuron limits its national advertising to the institutional promotion of proper visual care, including periodic eye examinations, but its various products are aggressively promoted in direct mail and newspaper advertising aimed at the wholesale and retail elements.

Shuron is today probably the best known ophthalmic trade name in the world. In optical trade channels, Shuron Browline combination metal and plastic frames, Shuron Shelltex frames and Shuron Widesite corrected lenses are widely recognized as standards of excellence in their respective fields.

*Donald F. Southgate*

Donald F. Southgate, *President*

## Textron Metals Company

Textron Metals manufactures and distributes aluminum fabricated products, which include aluminum combination doors and windows, siding, awnings, and prime windows. During the year combination products accounted for 57% of sales, siding 17%, awnings 7%, prime windows 5% and extrusions 14% (now discontinued). All products are manufactured for the building industry, both in the home improvement field and for new construction.

The market for prime windows in the building industry and the trend towards application of aluminum siding and installation of combination doors in new homes is increasing rapidly. Although distribution of prime windows for new residences was started only recently, the product has been well accepted by builders. Combination items, siding and awnings are sold through branch plants and through large distributors, who resell to dealers. Prime products are merchandised through large jobbers and window sales organizations. The advertising and promotional programs have been designed to build the name of Textron Metals, identified by the insignia "TM".

During 1958, the Company concentrated on improving and expanding its product line, streamlining distribution and rearranging manufacturing facilities to achieve low-cost operations. The Company sold its extrusion plants at Nesquehoning, Pennsylvania, and Girard, Ohio, to Almetco, Inc., a new venture jointly owned with Olin Mathieson Chemical Corp. Almetco now supplies Textron Metals with its extrusion requirements. We believe that this association will strengthen Textron Metals and contribute to its program for more effective development and distribution of aluminum products.



*J. C. Montgomery*

J. C. Montgomery, *President*



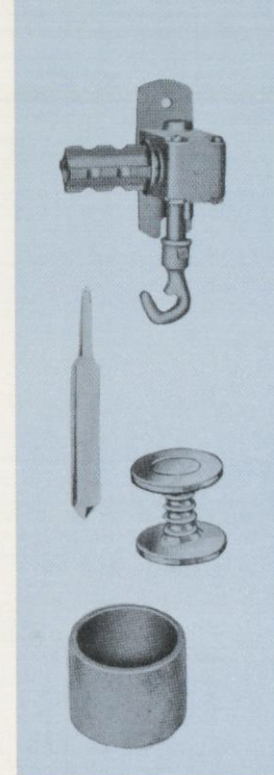
## The Fanner Manufacturing Company

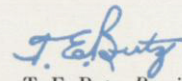
Organized in 1895, Fanner is one of the nation's outstanding manufacturers of chaplets used in foundries to hold cores firmly in place while pouring hollow sand castings found in gasoline and Diesel engines, pumps, radiators, boilers, railroad freight car bolsters, stove burners, machine tools, and thousands of other products containing castings. Fanner is also an important supplier of chills used by iron and steel foundries to more evenly dissipate the heat in the castings. It produces a varied line of hardware items for manufacturers and wholesalers, and supplies malleable iron castings up to 10 pounds each in weight.

An important new product is powerline accessories used in connection with the construction and maintenance of transmission and distribution lines of the electric power industry. These products, used for reinforcing, supporting, and gripping electrical wires and cables, are finding an increasing usage in the fast growing electrical utility industry.

A plastic division has recently been established which produces various types of complex extrusion shapes, profiles, special tubing and protective coatings sold to a broad cross-section of manufacturers and wholesalers.

Canadian Fanner Ltd., of Hamilton, Ontario, manufactures complete lines of chaplets, chills, and powerline accessories for the Canadian market, and supplies a multitude of miscellaneous metal stampings to industry.



  
T. E. Butz, *President*

## The Waterbury Farrel Foundry & Machine Co.


After acquisition by Textron on June 28, 1958, The Waterbury Farrel Foundry & Machine Co. continued to maintain its position as a leading manufacturer of diversified lines of metal-working machinery, including the following principal classifications:

- (A) Cold Heading Machinery, a development pioneered by the Company and sold principally to the industrial fastener industry to manufacture bolts, nuts, screws, rivets, special fasteners and small parts for the automotive, aircraft, communications and appliance trades. In addition, a considerable volume of Cold Heading Machinery is sold directly to manufacturers of fabricated metal products. The use of Cold Headers to cold form metal parts, other than fasteners, was one of the significant developments in metal-working industries this past year.
- (B) Rolling Mills and Rolling Mill Equipment, including the Sendzimir Cold Mill (made exclusively by Waterbury) which has distinguished itself in the field of precision cold rolling.
- (C) Presses, particularly the multiple-plunger type, including both cam and crank eyelet machines and horizontal multiple-station drawing and redrawing machines.
- (D) Wire Drawing Equipment for the drawing of non-ferrous (i.e., brass, copper, aluminum) wire and related accessory equipment.

The Company's foundry produces gray iron castings primarily for use in manufacturing its various lines.

Sales are made directly to industry through a sales and engineering organization which includes branch sales offices in Chicago, Cleveland, Los Angeles and Millburn, New Jersey. Export sales are made directly through the Home Office and by agents abroad. George H. Alexander Machinery Ltd. of Birmingham, England, manufactures under license the Company's lines of Cold Heading Machinery and acts as sales representative in Great Britain and Europe. In France, however, Waterbury is represented by Forges de Vulcain of Paris.



  
A. D. Mitchell, *President*

facilities  
of the **TEXTRON**  
family of business  
enterprises

.....

**ACCESSORY PRODUCTS CO.**

\*1950                      \*\*October 25, 1957

**AMEROTRON COMPANY**

\*October 1, 1954                      \*\*February 24, 1955—At Merger  
(American Woolen Company—Robbins Mills, Inc.—Textron Inc.)

**F. BURKART MANUFACTURING COMPANY**

\*1877                      \*\*September 30, 1953

**CAMCAR SCREW & MFG. CO.**

\*1943                      \*\*September 30, 1955

**CAMPBELL, WYANT AND CANNON  
FOUNDRY COMPANY**

\*1908                      \*\*April 20, 1956

**CLEVELAND HOBBING & MACHINE CO.**

\*1926                      \*\*December 31, 1957

**DALMO VICTOR COMPANY**

\*1921                      \*\*January 8, 1954

**California Technical Industries**

A Division of Dalmo Victor  
\*1946                      \*\*September 10, 1957

**FEDERAL INDUSTRIES**

\*1919                      \*\*August 31, 1956

**GENERAL CEMENT MFG. COMPANY**

\*1929                      \*\*April 2, 1956

**HALL-MACK COMPANY**

\*1921                      \*\*June 29, 1956

**HOMELITE**

\*1926                      \*\*July 8, 1955

**MB MANUFACTURING COMPANY**

\*1938                      \*\*March 25, 1954

**PRECISION METHODS AND MACHINES**

\*1946                      \*\*October 31, 1958

**SHURON OPTICAL COMPANY**

\*1864                      \*\*September 26, 1958

**TEXTRON METALS COMPANY**

\*1948                      \*\*April 2, 1956

**THE FANNER MANUFACTURING COMPANY**

\*1894                      \*\*December 31, 1957

**THE WATERBURY FARREL  
FOUNDRY & MACHINE CO.**

\*1851                      \*\*June 28, 1958

\*Founding Date

\*\*Acquisition Date

For further information regarding products listed in this report, please write to **TEXTRON INC. PUBLIC RELATIONS DEPT., 1407 BROADWAY, NEW YORK 18, N. Y.**

57 Plants

16,000 Employees

38,500 Securityholders

OFFICES AND PLANTS	PRINCIPAL PRODUCTS
*616 W. Whittier Blvd., Whittier, California Whittier, California	Valves and Pneumatic Controls for Aircraft and Missiles
*1407 Broadway, New York 18, N. Y. Barnwell, Honea Path, Williamston (2), Belton—South Carolina • Red Springs, Robbins—North Carolina • Hartwell—Georgia	Textiles-Greige Synthetic Fabrics and Finished Woolens
*4900 N. Second Street, St. Louis 7, Missouri St. Louis (2)—Missouri • Cairo—Illinois • New Orleans—Louisiana • Philadelphia—Pennsylvania • Henderson—North Carolina • Carlisle—Arkansas • Oakland—California	Industrial Batting and Polyurethane Foam
*600 18th Avenue, Rockford, Illinois Belvidere (2), Rockford (2)—Illinois • Rochester—Indiana	Metal Parts and Fasteners
*Muskegon, Michigan Muskegon (4), South Haven, Lansing—Michigan	Gray Iron and Steel Alloy Castings
*1311 Chardon Road, Cleveland 17, Ohio Cleveland—Ohio	Gear Hobbing and other Machine Tooling
*1515 Industrial Way, Belmont, California Belmont—California	Radar Systems, Electro-Mechanisms, Sonar Equipment
*1421 Old County Road, Belmont, California Belmont—California	Electronic Test Equipment for Aviation and Missiles
*Belleville 9, New Jersey Belleville—New Jersey	Vinyl and Chemically Coated Fabrics
*400 South Wyman Street, Rockford, Illinois Rockford—Illinois • Los Angeles—California	Electronic—Radio—TV Parts and Tools—Antennae Novelty Appliances
*1380 West Washington Blvd., Los Angeles 7, California Los Angeles, Norwalk—California	Bathroom Accessories and Fixtures
*70 Riverdale Avenue, E. Port Chester, Connecticut Gastonia—North Carolina • Stamford, East Port Chester—Connecticut • Greer—South Carolina (in construction)	Chain Saws, Generators, Pumps and Forestry Tools
*1060 State Street, New Haven 11, Connecticut New Haven (2)—Connecticut	Vibration and Motion Test Systems, Contract Machining Specialized Parts Fabrication for Jets
*Cumberland Drive, Waterbury, Connecticut Waterbury—Connecticut	Sendzimir Mill Components, Precision Machining
*Geneva, New York Geneva, Rochester (2)—New York	Spectacle Frames, Cases and Lenses, Optical Laboratory Equipment
*39 James Street, Girard, Ohio Port Carbon, Pottsville—Pennsylvania • Minneapolis—Minnesota • Baltimore, Maryland • Chicago—Illinois • Bronx, Buffalo—New York	Aluminum Fabricated Products— Windows, Siding, Awnings, Doors
*Brookside Park, Cleveland 9, Ohio Cleveland (2)—Ohio • Hamilton—Ontario	Foundry Supplies, Industrial Hardware
*453 Bank Street, Waterbury 20, Connecticut Cheshire, Waterbury—Connecticut	Rolling Mills, Bolt and Screw Machinery, Power Presses Wire Drawing Equipment
*Offices	

**TEXTRON** INC.

EXECUTIVE OFFICES: 10 Dorrance Street, Providence 3, Rhode Island

**TEXTRON** INC

PROVIDENCE, RHODE ISLAND



GEARED TO THE NATION'S VITAL INDUSTRIES TODAY AND IN THE FUTURE