TEXTRON INC.

32nd Annual Report

32nd Annual Report

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Regional Meeting

A regional meeting will be held in the ballroom of the Astor Hotel, Broadway and 44th Street, N.Y.C. on Monday, March 14 at 3:30 p.m.

Annual Meeting

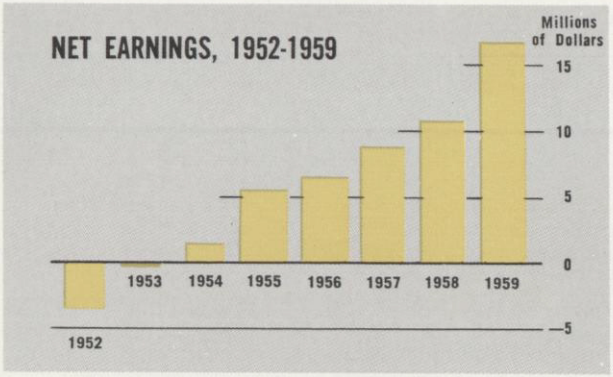
The annual meeting will be held in Providence on May 18 at 10 a.m.

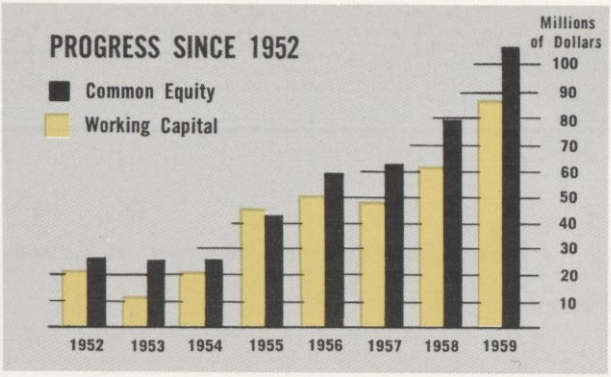
TEXTRON INC. 10 DORRANCE STREET, PROVIDENCE, RHODE ISLAND

for the year ended January 2, 1960

Letter to Securityholders

The year 1959 was one of further progress for the Company in spite of the effects of the prolonged steel strike. Sales, profits and return on net worth were at the highest levels since our program to diversify in unrelated industries was started in 1952. In each of the last seven years, both total earnings and earnings per share of common stock have increased over the previous year. In 1959 sales were $308 million (excluding Textron Electronics) compared with $244 million in 1958. Earnings of $16,643,000 showed an increase of 55% over the $10,756,000 earnings of the previous year. Based on the average number of shares outstanding in each year, earnings per share of common stock amounted to $3.61 compared with $2.51 in 1958. In the last quarter of 1959, reserves of $2,100,000 were charged against earnings to cover losses in connection with the discontinuance of certain operations in our aluminum door and window business. While it is difficult to determine accurately the effect of the steel strike upon our earnings, we estimate that our profits would have been at least $2 million higher if operations in our own and customers' plants had not been seriously disrupted by steel shortages.





AMEROTRON

During 1959 our textile division's sales represented 22% of total sales. The textile industry as a whole showed the best results in both sales and earnings since 1951. Amerotron, with $67,346,000 sales and $5,190,000 pretax earnings, participated in the industrywide improvement and showed a 16% pretax return on our $31,965,000 investment in this division. For several years Amerotron has been an industry leader in adhering strictly to a five-day, 120-hour production week. During 1958 many of the other leading textile companies eliminated Saturday operations and brought production in line with consumption. Last year, however, with demand improving and prices rising, most other mills returned to a six-day schedule, so that, if history repeats itself, the industry can look forward to over-production and lower prices, although it is impossible to state how soon this will occur.

DIVISION REPORTS

Any business depends for its success upon the ability of its management, and therefore we are including in this Annual Report a summary of the experience of the division presidents. We believe that the owners of the business will be interested in learning more about the executive personnel who run these many different operations.

CORPORATE MANAGEMENT

In order to strengthen the over-all supervision of our diversified businesses, four experienced men have recently been added to the top executive group of the Company.

Joseph B. Collinson, formerly a partner of Arthur Young & Company (certified public accountants), was elected vice president and treasurer at the time George William Miller was transferred from vice president and treasurer to vice president and assistant to the president. Mr. Miller is also president of Textron Electronics, Inc.

In order to assist the President and chief administrative officer of the Company in the direct supervision of our operations, three group vice presidents have been added to the organization. Each will have direct line responsibility for the supervision of five or six divisions with aggregate sales of approximately $70 million. Jerome Ottmar was formerly president of M & C Nuclear, Inc. and vice president of Metals & Controls Corporation. Thomas J. Riggs, Jr. formerly operated his own management consulting service in Cleveland, Ohio. Robert G. Tabors was vice president of Baldwin-Lima-Hamilton Corp., and general manager of its Electronics & Instrumentation Division in Waltham, Mass.

The addition of these four new officers greatly strengthens our over-all management group. At the present time there are only 70 persons employed in the Company's corporate office. The rest of the Company's 21,000 people are at the divisional level.

ACQUISITIONS

On March 16 we acquired 88% of the stock of Nuclear Metals, Inc. This company operates metallurgic research and prototype manufacturing operations in Concord, Mass., for the Atomic Energy Commission and industrial companies primarily in the field of atomic energy fuel elements and special metals and materials.

On March 23, 226,000 shares of Townsend Company were acquired, and subsequently an additional 36,000 shares have been purchased, bringing Textron's holdings to 99% of the outstanding stock. Townsend Company operates seven plants in various parts of the country and one in Canada. Its products consist primarily of metal fasteners, rivets, ball studs and stampings.

All the assets, subject to liabilities, of Pittsburgh Steel Foundry Corporation were purchased on May 29. This company produces steel castings for valve manufacturers, railroads and heavy equipment producers. In addition, it designs and builds special heavy machinery and equipment for basic metal industries.

On June 18 the net assets and business of The Randall Company were purchased. Randall supplies the automotive industry with special parts and interior metal trim. Its Wagner Manufacturing Division produces and distributes cast iron and aluminum cooking utensils under the Wagner and Magnalite trade names.

The business of Amsler Morton was purchased on November 11. It designs and installs furnaces, soaking pits and related equipment for the basic steel industry. This company complements our Pittsburgh Steel Foundry operation and therefore both divisions should benefit.

On January 29, 1960, we purchased all the outstanding shares of Terry Industries Limited of Canada. Terry manufactures and distributes products of our Homelite Division in Canada and also does defense contracting.

All of the above companies cost $21,679,000.

TEXTRON ELECTRONICS, INC.

On May 31 we transferred MB Electronics to a subsidiary, Textron Electronics, Inc., in exchange for 2,000,000 shares of Textron Electronics stock. On September 11, Textron Electronics acquired Globe Electronics of Council Bluffs, Iowa, in exchange for 40,000 shares of Textron Electronics stock, plus up to 70,000 additional shares issuable over the next ten years depending upon Globe's future earnings. Globe manufactures and distributes radio equipment for amateur operators. In addition, it was among the first to introduce a so-called citizens band unit for two-way, limited distance communication purposes.

On September 24 Textron sold 500,000 shares of Textron Electronics stock through a rights offering to Textron stockholders. On October 28, Textron Electronics itself sold 100,000 shares to American Research and Development Corporation for $750,000 in cash. On February 17, 1960 Textron transferred to Textron Electronics its

GC Electronics and Schafer Custom Engineering divisions in exchange for 750,000 shares of Textron Electronics stock, bringing Textron's total holdings to 2,250,000 shares which, at the date of this report, are carried on Textron's books for $9,500,000. The Textron Electronics stock was listed on the American Stock Exchange on February 15, 1960, and is presently quoted at about $14 per share.

BALANCE SHEET COMMENTS

Working capital increased $25,195,000 during the year to $85,895,000. This does not include $3,405,000 representing our share of the working capital of Textron Electronics, which is not consolidated. Common stock equity increased $28,345,000 to $107,586,000. There were no short-term bank loans at the year end. Sinking Fund Debentures of 1970 in the principal amount of $1,767,600 were retired through sinking fund operations at a cost of $1,705,600. During the year $13,973,100 principal amount of Convertible Debentures of 1971 were converted into 559,433 shares of common stock. In addition 58,295 shares of common stock were issued upon conversion of 54,149 shares of Convertible Preferred stock. In order to provide stock for possible future acquisitions without dilution, in 1959 the Company purchased 200,000 shares of its common stock at an average cost of $25.27 per share.

At the end of 1959 we cancelled our $30,000,000 line of long-term bank credit which was arranged last May to provide funds for further possible acquisitions in the last half of 1959 and early 1960. The improved financial condition of Textron, including record working capital and excess cash, as well as fewer favorable acquisition opportunities than anticipated, made it unnecessary to borrow.

FEDERAL INCOME TAXES

During 1959 an aggregate of $655,000 in federal income taxes was accrued by consolidated subsidiary companies (excluding Textron Electronics). The parent Company made no provision for income taxes in 1959 because of available tax loss carryovers and because of tax losses on sales of fixed assets which were charged against reserves set up in prior years. The entire tax loss carryover credit of $4.4 million expiring in 1959 was used up. Certain wholly owned subsidiaries had operating losses during the year, which, to the extent not previously reserved, reduced consolidated profits for the year. Such losses will be available as tax loss carryovers in subsequent periods.

Starting in 1960, federal income taxes are being accrued on an over-all basis equivalent to 26% of pretax earnings so as to provide an adequate tax reserve against this year's operations in the event our existing tax loss carryover credit is used up during the year.

STOCKHOLDERS' MEETINGS

The Annual Meeting will be held this year in Providence on May 18 at 10:00 a.m. and a regional meeting will be held for the convenience of many of our securityholders in the ballroom of the Astor Hotel, Broadway and 44th Street, New York City, on Monday, March 14 at 3:30 p.m. *Please note a change in location from the Waldorf-Astoria to the Astor Hotel.* All holders of common and preferred stocks, debentures and warrants are cordially invited.

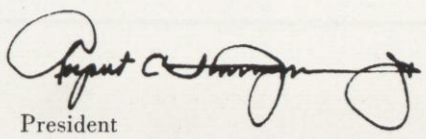
BUSINESS OUTLOOK

The next two pages include eight charts showing comparisons of various indices during the 1949, 1954 and 1958 recessions. These charts, being on a three-year basis in each period, will show the completion of these three cycles and indicate that the recovery from the 1958 low has been completed. A study of these charts shows that the cyclical recurrence of our postwar recessions has been within a 4½ to 5-year period. If the same type of cycle occurs in the future, the bottom of the next recession should be reached in 1963. It is therefore important to realize that there has already been a two year upswing from the bottom of the last recession, which occurred in April 1958. Therefore, within the next twelve months we may be approaching the peak of the current upswing. We are watching closely the so-called early warning indices, and if there are any indications of weakness in these statistics, we will take steps to reduce inventory commitments and long-range expansion programs. It is our belief that it is wiser to reserve our purchasing power for plant modernization programs during recession periods rather than at the peak of a boom.

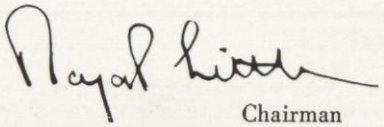
While Textron is in a strong financial position, and therefore could make further acquisitions, there is no urgency to do so, and we will buy additional businesses only if the return on capital investment meets our standard requirements. We feel that present operations will be materially improved through our program for increasing sales and profit margins and accelerating capital turnover. Based on the 17% return on average common stock equity last year, we still have a considerable way to go to achieve our long-term goal of 20% net after taxes on average common equity employed in the business.

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

For the Board of Directors



President

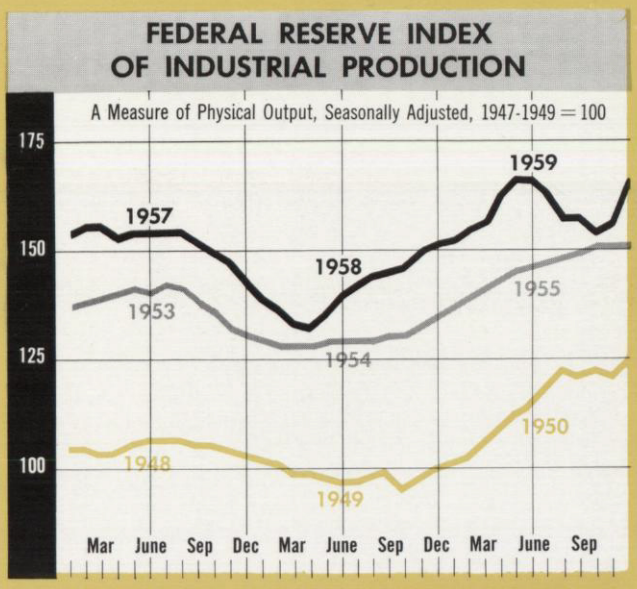


Chairman

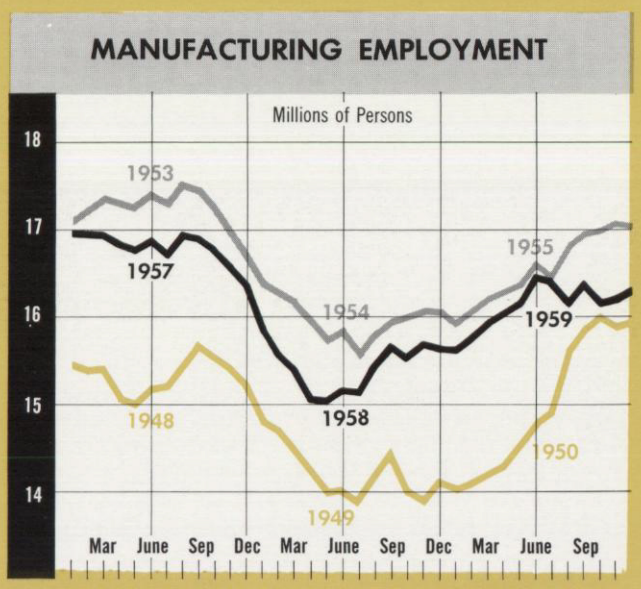
Providence, R. I.

February 18, 1960

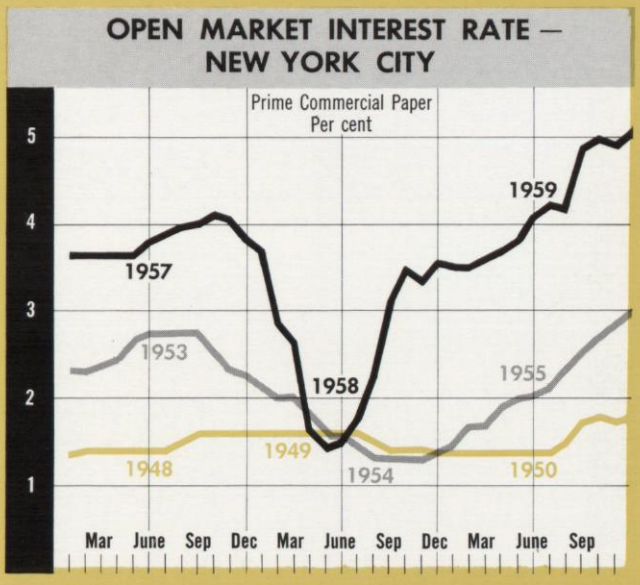
SELECTED COMPARISON OF RECENT



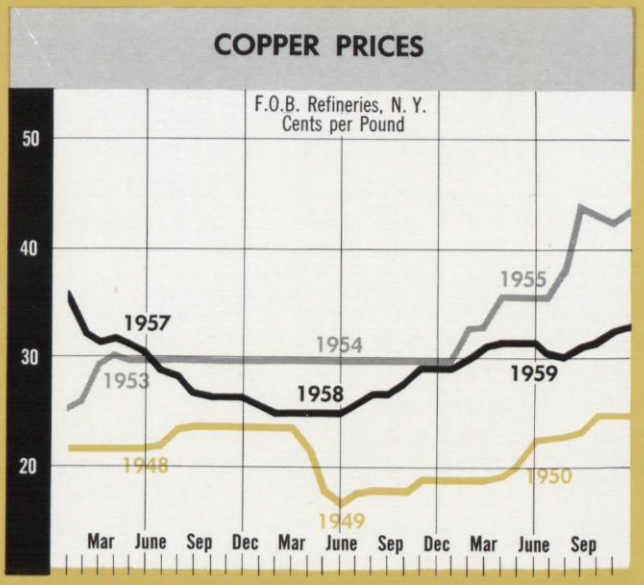
In February 1959, the Federal Reserve Index of Industrial Production had recovered to the level attained prior to the recession. In spite of the effects of the steel strike, this index in December 1959 had recovered to within one point of May and June's all time high. To indicate the long range strength in our over-all economy, industrial production has always achieved new highs after each recession.



The almost steady upward trend of manufacturing employment since the bottom of the recession in April 1958 was interrupted during the latter part of 1959 by the steel strike. It is interesting to note that manufacturing employment during the last recession was consistently below that of the 1953-1955 cycle, although industrial production was at a substantially higher level. A comparison of the manufacturing employment chart with the production index shows the extent to which productivity per man hour has increased.



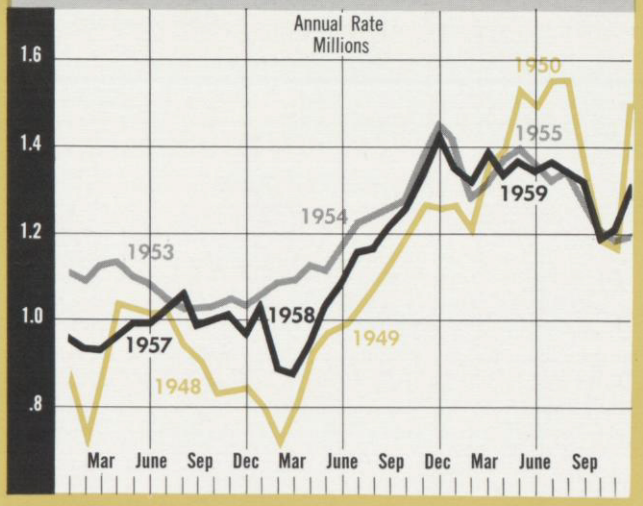
During the last two recessions, interest rates of prime commercial paper have been particularly sensitive to business activity. Coinciding with the pickup in production interest rates have risen steadily throughout 1959. Within the past few weeks, however, there has been marked weakness in this index which reflects a decrease in the demand for money.



The trend of prices paid by manufacturers for raw materials, of which copper is an example, is sensitive to changes in supply and demand. Copper prices have tended to move upward as production has increased, but the current level is still substantially below that of 1955 when consumer goods production, particularly automobiles, was at a record breaking rate.

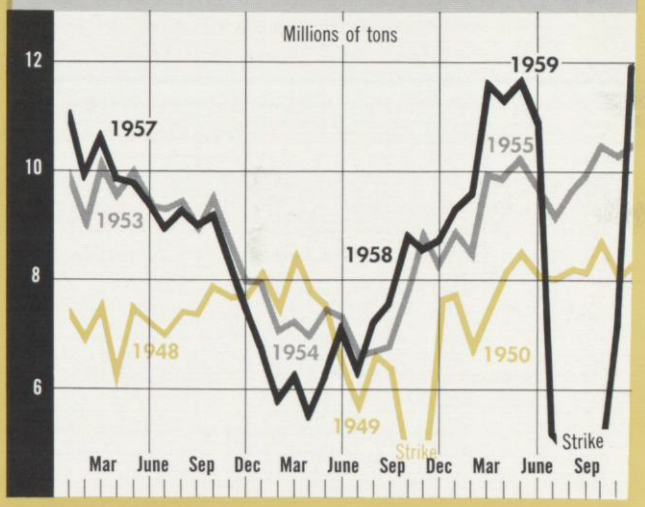
TRENDS in relation to previous typical recession and recovery periods

NEW HOUSING STARTS



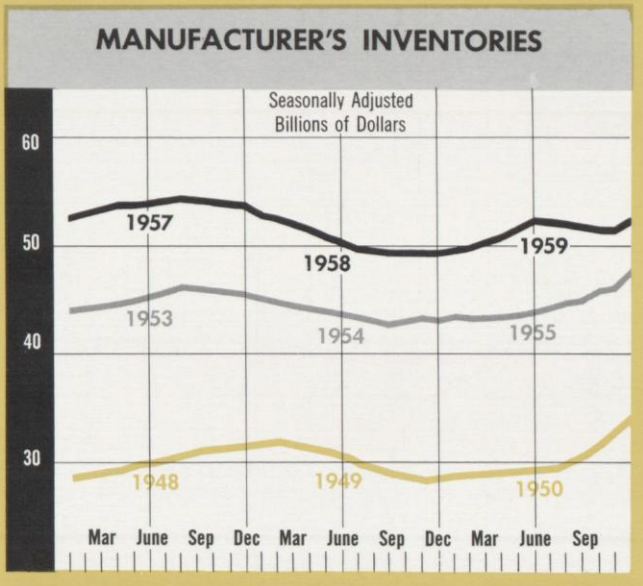
During the past three recessions, new housing starts have given a significant impetus to the economy. Without this high home building activity, the recessions of 1949, 1954 and 1958 would have been far more severe. It is noteworthy that in each of the past recessions, the upward trend of housing starts commenced sooner than the improvement in the Federal Reserve production index.

MONTHLY RATE OF STEEL PRODUCTION



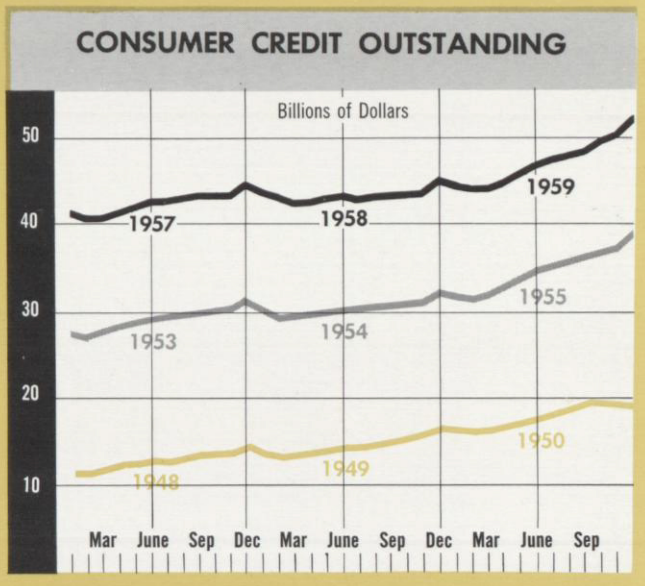
The steel production chart shows a similarity of trends in the last three recessions, but was distorted in the last half of 1959 by the steel strike. This index will probably remain high in the first quarter of 1960 due to inventory rebuilding. It is significant that while the Federal Reserve index of production has continued to set new records, tonnage of steel produced in the thirty months starting January 1957 barely exceeded that of the same period starting January 1953. Steel, therefore, has not held its position as a basic raw material.

MANUFACTURER'S INVENTORIES



While industrial activity increased, starting in May 1958, it was January 1959 before any significant increase in manufacturers' inventories occurred. Business was assisted by inventory rebuilding during 1959 to the extent of $3.1 billion, a figure which would have been substantially higher except for the steel strike.

CONSUMER CREDIT OUTSTANDING



For the first time in any postwar year, there was practically no increase during 1958 in the level of consumer credit. With confidence restored in 1959, consumer credit rose by $7.0 billion, an even larger increase than in the previous record year of 1955. The combined $10 billion increase in consumer credit and manufacturers' inventories helped make 1959 a record year for both sales and earnings.

FOREWORD

PREVIOUSLY the annual reports covering Textron's divisions were devoted primarily to plants, offices, facilities, products and markets. This year we have provided a directory that contains this important data in compact form. For a change of emphasis, we would like you to know more about the men who are responsible for the direct operation of the various divisions.

AMEROTRON COMPANY

Textiles (Greige Goods of Man Made Fibers and Finished Woolens)

After graduation from Rutherford High School in New Jersey, Mr. Luke spent three years in advanced textile vocational studies. He then went through a thorough training period in a New Bedford mill and a New York commission house. As a comparatively young man he was thus equipped with a complete knowledge of the technical aspects of the textile business, as well as basic strategy of greige goods marketing.

For the past 30 years, he was successively connected with some of the leading New England and Southern mills (cotton and man made fibers) as head of Sales and Merchandising.

In 1953 when Textron acquired the Peerless mill in Belton, South Carolina, he became a Vice President of Textron and succeeded to the position as President of Amerotron in October of 1956.

"The textile industry with its many imponderables is a constant challenge. However, at Amerotron by utilizing our excellent capacities of modern and diversified production facilities, technical research and strong sales organization, we face the future confidently."

Edmon G. Luke

Edmon G. Luke, *President*

ACCESSORY PRODUCTS CO.

Valves and Fluid Controls for Aircraft and Missiles

Mr. Rogers has been associated with the aviation industry since graduating from UCLA in 1941. As an Air Force instructor, he taught flying for several years before taking a pilot's position with Pan American Airways. In 1947 he became Sales Manager of Airesearch Manufacturing Company. Two years later he was associated with R. Wittaker Valve Company.

APCO was started late in 1950 by Mr. Rogers in partnership with Mr. Robert L. Maple, now Executive Vice President of this division. Upon joining Textron in October of 1957, Mr. Rogers was named President.

"Commercial Jet aircraft now flying throughout the world are equipped with APCO products. Over half of our current backlog is with the large consoles controlling high pressure gasses for the Atlas, Titan and other missiles. It is expected that these programs will extend well into the future. In the diversification of our products, most major gas companies have ordered and are testing our new line of regulators."

Robert G. Rogers

Robert G. Rogers, *President*

F. BURKART MANUFACTURING COMPANY

Industrial Batting — Padding — Polyurethane Foam

Mr. Morrow was graduated from the Missouri University in Columbia, Mo. School of Commerce and Finance, in 1928, and started his business career with the General Motors Corporation. He later joined Burkart and successively progressed from the Accounting Division to General Production Manager of all the Burkart factories. In January of 1957 he was appointed Executive Vice President and succeeded to the office of President in January of 1959. Practically his entire business career, which now extends over a period of thirty years, has been spent with this company.

"Last year we acquired a plant in Oakland, California, that provides increased manufacturing facilities for automotive customers on the Pacific Coast. The percentage of cars assembled on the West Coast has been steadily increasing and the new plant has enabled us to participate in this market. Within the past few years, we developed "Burkaire," plastic bonded cotton pads, and pioneered and developed "Burkart Foam," urethane, which are rapidly becoming some of the company's most important products in the automotive as well as in the furniture and mattress industries."

Robt. B. Morrow

Robert B. Morrow, *President*

CAMPBELL, WYANT AND CANNON FOUNDRY COMPANY

Gray Iron and Steel Alloy Castings

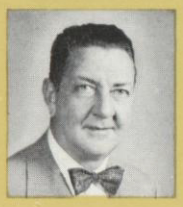
Mr. Lindland received his BA in 1932 and his J.D. in 1935 from the University of Chicago. Prior to joining CWC in 1942, he was a partner in one of the leading law firms in Grand Rapids, Michigan. He became Executive Vice President in 1956 and when Campbell, Wyant was acquired by Textron, he was named President.

"The year 1959 was a significant one for CWC because several new products were responsible for obtaining interesting business for castings, automotive, truck and industrial engines. Our participation in diversified lines, such as industrial engines, locomotive and industrial equipment continues to improve. At the end of 1959, we employed approximately 2700 people as compared with about 2000 the previous year. Efforts to broaden our customer base and thereby diminish the dependence upon any specific industry continue.

Emphasis on new uses for castings and the problems arising from the increasing importance of light metals are prime targets in our over-all management planning."

R. L. Lindland

Richard L. Lindland, *President*



CLEVELAND HOBBING & MACHINE CO.

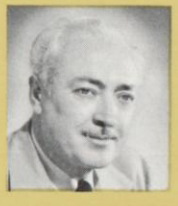
Gear Hobbing and Other Machine Tools

Mr. Findley received his education in electrical and mechanical engineering in Cleveland and has an unusual record as a creator in this field. He has received to date in excess of eighty issued patents for a great variety of electrical and mechanical innovations. For a number of years, he was successively associated with: Cleveland Electric Illuminating Company; Bishop & Babcox Company; Eaton Manufacturing and in 1956 joined the Fanner organization, becoming President of one of its divisions, Cleveland Hobbing & Machine Co. When Textron acquired Fanner in 1958, Mr. Findley continued as President of Cleveland Hobbing & Machine.

"During 1959, we experienced a fine acceptance of our new line of "Modular" machines. These machines represent a substantial step forward in machine design and solved many difficult machining problems. A gear finishing machine operating on an entirely new principle will soon be ready for general distribution. This device will serve any make of turning machine to increase tool life, eliminate chip problems, and increase production."

H. J. Findley

Howard J. Findley, *President*



CAMCAR SCREW & MFG. COMPANY

Metal Parts and Fasteners

Mr. Campbell received his degrees in Accounting and Business Law from De Paul University in Chicago in 1925, and went into the practice of accounting. Thereafter, he was associated with ACF Industries and Joseph P. Ryerson. In 1933, Mr. Campbell established his own selling agency and represented hardware, metal working and related firms. The Camcar Products Company was organized in 1943 for the manufacture of aircraft terminals; and three years later, he formed the Camcar Screw & Mfg. Corporation. Since that period, it pioneered in the conversion of the manufacturing of parts from screw machines, turret lathes and other similar items to automatic, high-speed cold forming equipment. When Camcar joined Textron in 1955, it had achieved a position of leadership in the fastener field and Mr. Campbell was named President.

"In the future years, less emphasis will be placed on the standard fastener product and more on our research in making functional parts automatically and faster than any known process used today."

Bob Campbell

Robert H. Campbell, *President*

DALMO VICTOR COMPANY

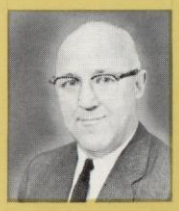
Airborne Radar Antennae, Sonar Hydraulics and Other Electronic Equipment

Mr. Moseley is well known as an inventor having had a pioneering part in the invention of the cigarette lighter, the electric razor, the tape recorder and all sorts of electric flashing devices. A native San Franciscan, he went to Stanford University for advanced work in electrical and mechanical engineering and in 1941 formed Dalmo Victor with himself as President. Their principal products at that point and in subsequent years were airborne radar antennae and in other fields of detection, sonar hydraulics and aerial refueling.

"While continuing the Company's leadership in antenna systems for interceptor and bomber aircraft, our technical personnel have created opportunities for participating during the coming year in communication, ground tracking, missile launching, computer and instrumentation activities. Our development work also reflects the Nation's emphasis on early warning systems and submarine detection devices. The coming year will see a higher proportion of our manpower engaged in these new fields of endeavor."

T. I. Moseley

T. I. Moseley, *President*



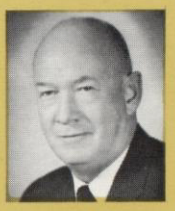
THE FANNER MANUFACTURING COMPANY

Foundry Supplies, Industrial Hardware

Mr. Butz received his Bachelor Degree in Business Administration from Butler University in 1932 and his Bachelor of Law from Indiana Law School in 1936. He also did graduate work at Indiana College. Prior to joining The Fanner Manufacturing Company in 1949, he held various positions with the Standard Oil Company of Indana and Arthur Andersen & Co. (certified public accountants), in their Western offices. He became President of Fanner in 1955.

"Fanner is one of the nation's leading producers of chills and chaplets which are not too well understood in non-technical circles. Briefly, chaplets are used in foundries to hold cores firmly inside hollow castings used by all metal industries; and chills are used by foundries to more evenly dissipate the heat in castings. We also serve the Dominion of Canada through our affiliate there, Canadian Fanner, Ltd., of Hamilton, Ontario, who manufacture a complete line of chaplets, chills and power line accessories for the Canadian market."

T. E. Butz, *President*



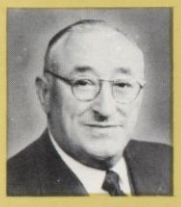
HALL-MACK COMPANY

Bathroom Fixtures and Accessories

After graduating from the University of Notre Dame Commerce College with a BCS in 1930, Mr. McDonald spent several years in the production and selling of fixtures in the Chicago area. He obtained a partnership in Hall-Mack in 1936. His business activity was interrupted in 1943 when he entered the United States Navy as Lieutenant and after his release from Service in 1946, he resumed his position as head of administrative and manufacturing operations. In 1947 when Hall-Mack was incorporated, he was elected Secretary-Treasurer and Director and held the same position in one of its affiliated companies, Peat Manufacturing Corporation (producers and manufacturers of aluminum die casting and injection molded plastics). In 1956, he retained the Presidency of Hall-Mack when it was acquired by Textron.

"Hall-Mack bathroom accessories were selected by the Committee for the American National Exhibition in Moscow last year and were included prominently in the American display as symbolizing part of the gracious way of life in the United States."

James L. McDonald, *President*



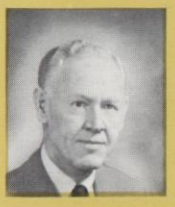
FEDERAL INDUSTRIES

Vinyl and Chemically Coated Fabrics

About forty years ago, Mr. Plansoen started a business known as Federal Leather Company to finish real leather. However, his familiarity with industrial chemistry led him in 1923 into the then infant industry of chemically coated fabrics. He was responsible to a great extent for the research and development of polyvinyl chloride coatings for fabrics which made their debut for much needed war products during the years of 1941 and 1945. He continued as President of Federal when it joined Textron in 1956.

"In the coming year, we plan to introduce "Swade," a new development of plastic vinyl for the garment, upholstery, handbag and shoe markets. Foam vinyl will also be marketed by Federal in areas where foam products have compatible application. This extensive diversification has been enhanced by a marketing campaign that included the procurement of the United States Testing Company's independent laboratory certification on all FEDERAN materials. We have retained the services of a world famous stylist, Raymond Loewy, and his artistic contribution should be fully realized in the near future."

Louis M. Plansoen, *President*



HOMELITE

Chain Saws, Pumps, Generators

Mr. Abbott received his B.S. in Mechanical Engineering in 1923 from the Massachusetts Institute of Technology. In 1931, he joined Homelite as Sales Manager and worked on development of pumps, generators and blowers with Charles H. Ferguson, founder of Homelite. He became President in 1941 and guided the company through World War II, as an important supplier to the Armed Services with efficiency and distinction.

"For the past fifteen years, our Engineering Department developed many new models of chain saws that have given us a position of leadership in this field. Presently we are working on the development of a four cycle outboard motor, driving mower car, karts and kart engines. Our new plant in Greer, South Carolina is providing greater production economy on a number of products. Engineering and testing continues on the new outboard engine which is scheduled for production this year.

In January Terry Machinery Company of Montreal, Canada joined Textron. For many years Terry made and distributed Homelite products in Canada and with this closer association we hope to expand our position in that area."

J. Allan Abbott

GC ELECTRONICS

Electronic-Radio-TV Parts, Novelty Appliances

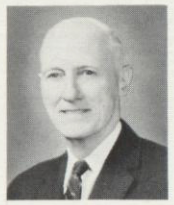
When Mr. Valiulis founded General Cement Mfg. Company in 1930, he was 21 years of age and had just received his degree in Electrical Engineering. This business was started with three items and today it handles over 5,000 products for the electronics and allied industries. Since its inception he has been directly responsible for the general growth and development of this company. Mr. Valiulis was named President of this division when the company joined Textron in 1956.

"Last year we changed our name to GC Electronics because it more accurately describes our present line of products and our future direction. Research and Engineering departments set up several years ago are discovering new needs of various industries served, and developing items to meet the challenge and change of the electronics field. Some of these products are electronic chemicals, carbon resistors, HI-FI, audio systems, antennae, microphones and tools.

As a major supplier for staple as well as unique devices for the electronic and service fields, GC has an excellent chance to grow with the future applications of its products."

Stanley B. Valiulis

Stanley B. Valiulis, *President*



PITTSBURGH STEEL FOUNDRY

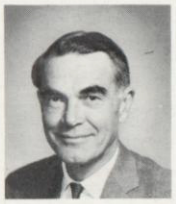
Steel Castings and Heavy Machinery

Mr. Dorsey is a very well known figure in this industry. Since the 1920's, he has been identified with the practical administration of foundry facilities and the application of heavy metals. In 1934, he joined Fort Pitt Steel Casting as President and has been President and General Manager of Pittsburgh Steel Foundry since 1949.

"During 1959, Pittsburgh Steel Foundry designed and manufactured three mills for rolling aluminum foil that included many special design features and machined the largest Sendzimir mill housing ever produced, a rough weight of 85 tons. For those interested in the technical aspect of rolling mills, one of these installations was a 66-foot, four high breakdown mill, capable of rolling strip to a minimum thickness of .012 inches, maximum width of 60 inches, at a speed of 1200 F.D. per minute. Although this technical explanation may not mean much to the layman, it nevertheless is the result of a scrupulous regard on the part of our management to achieve the utmost in standards and aggressively pursue improved methods in the steel foundry business."

T. F. Dorsey

T. F. Dorsey, *President*



NUCLEAR METALS, INC.

Basic Metallurgical and Atomic Research

Mr. Willis was an honor graduate in Physics from Oberlin College in 1925 and did advanced graduate work in physics at Columbia University where he was an Instructor from 1928 to 1931. From then until 1945, when he became Vice President and General Sales Manager of Sperry Gyroscope Company, he acquired varied and valuable experience in electronics, nuclear energy and aeronautics, as a member of the Committee of the National Defense Research and technical director of several leading companies in related fields. In 1957, he became President of NMI, and continued in that position since joining Textron in March of 1959.

"We have completed the first full year of operations in our new laboratory and continued research in the atomic energy field while broadening our activities in the development of new materials required by the aircraft and missile industries. New concepts in the development of nuclear fuel elements will also be explored. In the year ahead, we anticipate increased opportunities to assist other Textron metalworking divisions with our research and product development."

H. Hugh Willis

H. Hugh Willis, *President*

THE RANDALL COMPANY

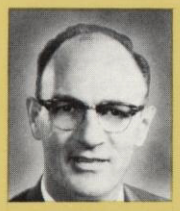
Automotive Body and Truck Parts, Machined Items for Appliance Manufacturers. Also, Cooking Utensils from Wagner Manufacturing (A Subdivision).

Mr. Weaver received his B.S. from Western Reserve University, Cleveland, Ohio, in 1933 as well as a D.D.S., and for several years he was known as Dr. Weaver. However, he joined The Randall Company as Assistant to the President in 1936 and with the acquisition of the Wagner Manufacturing Company in 1952, Mr. Weaver became President of The Randall Company and built it into an outstanding business. He is especially interested in advanced methods of cooperative education; and the Wilmington, Ohio plant of The Randall Company was established in cooperation with Wilmington College, a work study plan whereby several hundred students since 1950 have been able to make money to pay for practically all of their college expenses.

"Since joining Textron in June of 1959, we have opened two new plants to aid us in our program of supplying the automotive industry with more diversified products. Our Wagner Division through an improved advertising policy and emphasizing point of sale aid is expected to stimulate greater interest in its varied lines of cooking utensils."

Maxwell C. Weaver

Maxwell C. Weaver, *President*



SHURON OPTICAL COMPANY

Spectacle Frames, Cases and Lenses, Optical Laboratory Equipment

Mr. Marks attended the University of Cincinnati and Illinois College of Optometry before entering business; and in 1942, he earned his Doctorate in Optometry from the latter college. In 1948, Mr. Marks was awarded an Honorary Degree of Doctor of Ocular Science. He is presently a Fellow of the American Academy of Optometry. In 1953, he joined Shuron as Vice President for Sales, and in May 1956, was named Executive Vice President. He assumed the Presidency January 1, 1960.

"We expect new products for the coming year to account for a substantial increase in our over-all sales. Among these products are several new frames, featuring a line of high-style women's sunglasses and our entry into the important and growing industrial safety lens market. In August of 1960, we plan to start manufacture of multifocal plastic and industrial lenses as well as to augment the regular lens facilities in our new plant in Barnwell, S. C., which will contain approximately 185,000 square feet."

Roy Marks

Roy Marks, *President*

TOWNSEND COMPANY

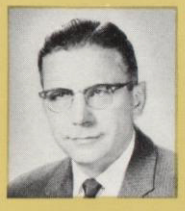
Rivets, Fasteners, Other Metal Parts

Mr. Dickenson was graduated from the University of Toronto in 1924 majoring in mechanical engineering. He then held various engineering positions with some of the leading companies in the Detroit and Cleveland areas and became associated with the Townsend Company as Executive Vice President in 1946. Two years later he was elected President and has been largely responsible for the modernization of its plants and the constructive program of diversification in the fastener industry.

"Although we only recently joined Textron (March 1959) it is rewarding to report the successful introduction of a new cold form door lock rotor for the new Ford models; a new type of aircraft blind rivet complete with installation tools by the Cherry Rivet Division; The Townsend Engineered Products Division is perfecting a new method of criminal identification consisting of a series of tooled containers that are ingeniously adopted to aid an artist's rendition of features. We continue to develop and market new parts by the Sheffco Division for the ever expanding electronics industry."

F. R. Dickenson

Frederick R. Dickenson, *President*



TEXTRON METALS COMPANY

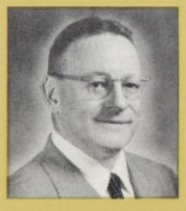
Aluminum Windows, Siding, Awnings and Doors

In 1944, Mr. Kiehl was graduated as a Mechanical Engineer from the Goodyear Industrial University and completed business management courses at Alexander Hamilton Business School in 1952. He held the position of Industrial Engineer with Goodyear Tire & Rubber Company and Manager of Engineering at Bridgewater Machinery & Manufacturing Company. Prior to joining Textron Metals in 1957, as Vice President he was Director of Engineering of F. C. Russell Co. of Cleveland, Ohio. In November of 1959, he was named president of Textron Metals.

"During the past year, we had to contend with many burdensome factors, such as the discontinuance of various plants and the opening of new facilities. Moreover, the aluminum industry as a whole suffered from poor business, overproduction, and price cutting on conventional doors and windows. The new main plant at Pottsville, Pa. is now, however, approaching full production and we hope to overcome the disappointments of the past by changes in our production and design of key items."

A. H. Kiehl

A. H. Kiehl, *President*



THE WATERBURY FARREL FOUNDRY & MACHINE CO.

Machinery, Rolling Mills, Wire Drawing Equipment

From Trinity College in Hartford, Connecticut, where he was graduated in 1924, Mr. Mitchell joined the General Electric Company at Schenectady. After that, he spent seventeen years with the national accounting firm of Peat, Marwick, Mitchell & Company. In 1942, he joined Waterbury Farrel and became the Treasurer in 1954. He succeeded to the Presidency in October of 1956.

"During 1959, developments in the metal working machinery field were extensive both in scope and geographical area. Those in which we participated included the further application of the cold heading process (a new technique in metal forming) to the manufacture of small metal parts and the application of our "drawing press" technique to the manufacture of aluminum cans. Heavy machine expenditures are somewhat behind the general improvement in the economy, but there are indications of a correction in this situation. Greater emphasis on creative planning as well as improved production and supervision will enable us to cope with future industry developments.

A. D. Mitchell

A. Dale Mitchell, *President & Treasurer*

On this page we describe three additional units of Textron which because of the nature, services and scope of their activities, differ administratively from the regular divisions.

AMSLER MORTON COMPANY

Design and Construction of Soaking Pits and Industrial Furnaces

Mr. Eisenschmidt is a graduate of the United States Military Academy at West Point, Class of 1942. He served as a regular army officer for 12 years in various capacities ranging from Signal Company Commander to Staff Advisor to Joint Chiefs of Staff in the Pentagon. Upon his resignation from the Army in 1954, he joined Westinghouse Electric Corporation and spent five years at their Bettis Atomic Power Division. He was Manager of the Nuclear Corp. Dept. and was responsible for the development and fabrication of nuclear fuel for the United States Naval Reactor Program. He joined Textron in September of 1959 and was assigned as President of Amsler Morton Company at the time of its acquisition in November of last year.

"For the coming year, Amsler Morton will undertake a vigorous sales campaign to expand its participation in the large furnace market as the expected capital expansion of the steel industry develops and enter more vigorously into other heating and heat treating markets, particularly in the nonferrous metal fields."

C. R. Eisenschmidt, Jr., *President*

PRECISION METHODS AND MACHINES

Sendzimir Mill Components — Precision Machining

Prior to coming to the United States in 1929, Mr. Sendzimir had a very colorful career as an international metallurgist. After studying at the Lwow Polytechnic in Poland, he founded a wire and nail works in China in the 1920's and ten years later was busily engaged in inventing new methods for the cold reduction of steel. His first experimental Sendzimir mill (named in his honor) was built in 1933 in Dusseldorf, Germany and the second mill was built in Poland. This plant is still in operation today. Since 1947, Mr. Sendzimir has been an American citizen and is credited with having given the steel industry three new outstanding processes.

"At PM & M experimental manufacture of work rolls and intermediate rolls for the Sendzimir mills continues and we are currently engaged in the repair and overhaul of Azimuth drive units for coastal defense. In this field, extremely high quality and dependability is required and PM & M is confident of performance in the face of these exacting governmental standards."

Tadeusz Sendzimir, *President*

SCHAFER CUSTOM ENGINEERING

Electronic Automation

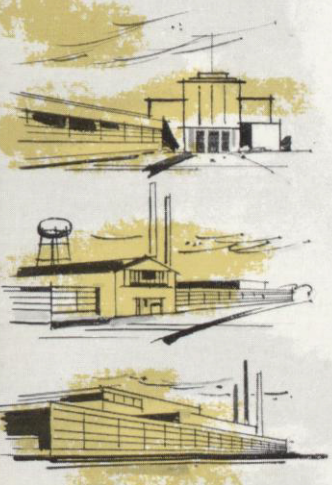
Born in Hammond, Indiana, Mr. Schafer received his schooling and technical training in that city. After a three year tour of duty in the Signal Corps, he worked for local broadcast stations until 1951 in various capacities, including engineering, announcing, program director and management. He then joined NBC in Hollywood in the Engineering Department; and in 1953, formed Schafer Custom Engineering for the purpose of making remote control equipment for the broadcast industry.

"As 1960 begins, so does production of our newest system of program automation. During the coming year, the Schafer automatic commercial spotter will emerge from the development stage into the production stage as will our tape cartridge efforts. The development of automation systems for the broadcast industry and other fields, both domestic and foreign, seems to present a very interesting potential for many years to come."

Paul C. Schafer, *President*

41,000 SECURITYHOLDERS

21,000 EMPLOYEES



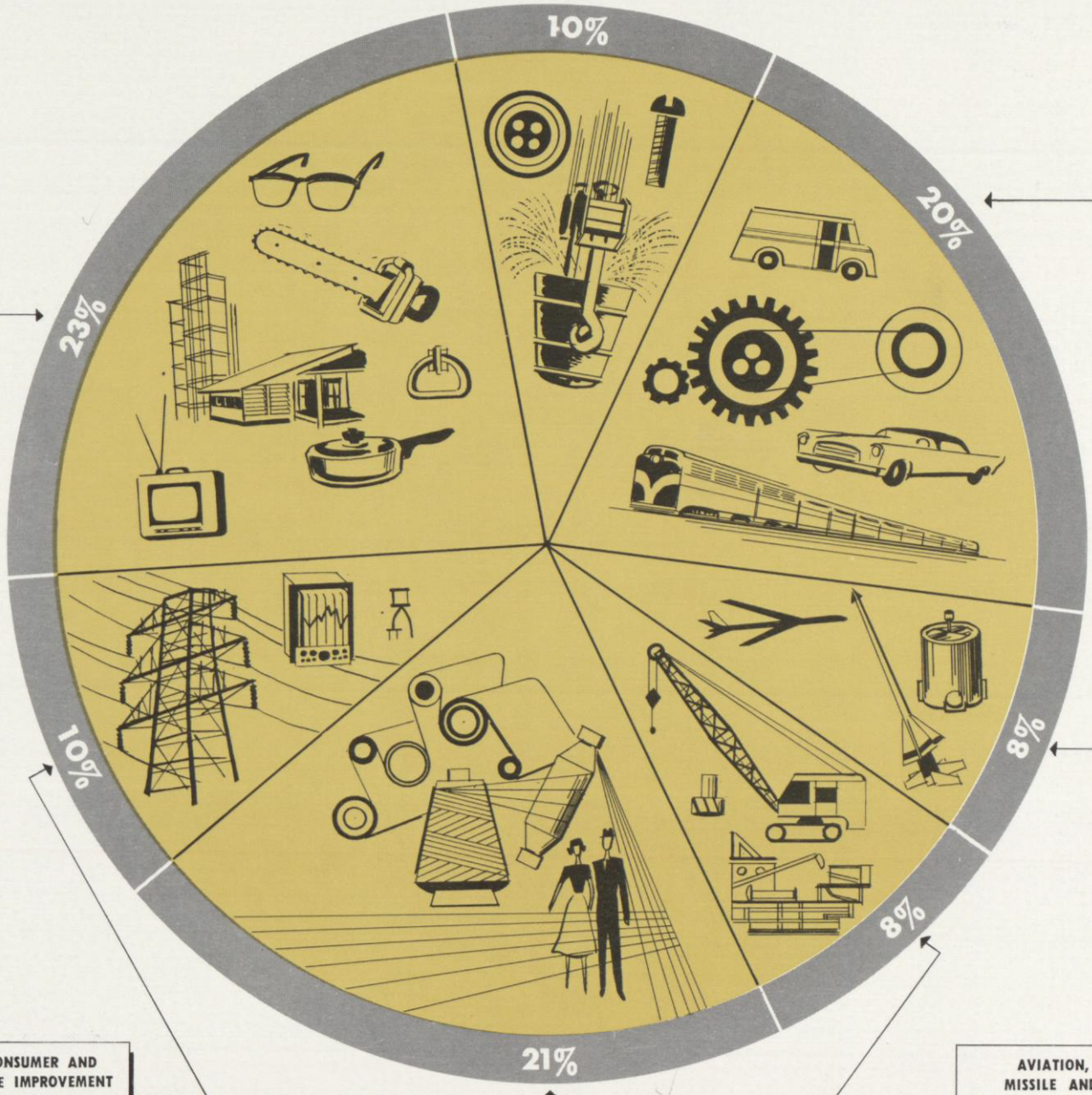
79 PLANTS
(9,267,000 sq. ft.)

This is Textron... diversified... unified

TRADE MARK
APCO
AMEROTRON COMPANY
BURKAIRE
CAMCAR
CWC
CHM
DUMORE COMPANY
TI
FINE FARNER
FEDERAL Industries INC.
GC ELECTRONICS
HALL-MACK®
HOMELITE
TERRY
MB
NMI
Randall
SHURON
TM
Townsend
WATERBURY FARREL
AM
GLOBE ELECTRONICS
MM
schafer

— 1959 SALES —

PRODUCT BREAKDOWN, TEXTRON INC. AND SUBSIDIARIES, INCLUDING TEXTRON ELECTRONICS.



CONSUMER AND HOME IMPROVEMENT PRODUCTS

ELECTRONIC EQUIPMENT CIVILIAN AND DEFENSE

GENERAL INDUSTRIAL METAL PRODUCTS

TEXTILES

PROCESS MACHINERY AND MACHINE TOOLS

AUTOMOTIVE PARTS AND SUPPLIES

AVIATION, MISSILE AND OTHER PRODUCTS

Fold back

For further information regarding companies and products, write to TEXTRON INC., PUBLIC RELATIONS DEPT., 1407 Broadway, New York 18, N. Y.

PRINCIPAL PRODUCTS	MAJOR MARKETS
Valves and Fluid Controls for Aircraft and Missiles	Aircraft and Missile Manufacturers, Armed Forces
Textiles-Greige Synthetic Fabrics and Finished Woolens	Textile Converters, Garment Industry, Piece Goods Jobbers
Industrial Batting, Padding, Upholstery Filling and Polyurethane Foam	Automotive Producers, Furniture and Bedding Manufacturers
Metal Parts and Fasteners	Automotive, Jet Engine, Aircraft, Electronic, Appliance and Metal Working Industries
Gray Iron and Steel Alloy Castings	Automotive, Railroad, Refrigeration and Marine Industries Agricultural Equipment
Gear Hobbing and Other Machine Tools	Automotive Industry
Airborne Radar Antennae and Other Electronic Equipment	Armed Forces, Electronic and Airframe Manufacturers
Electronic Test Equipment for Aviation and Missiles	Aviation and Missile Industries, Defense Agencies
Foundry Supplies, Industrial Hardware	Iron and Steel Foundries, Industrial Hardware and Electrical Utilities
Vinyl and Chemically Coated Fabrics	Automotive Industry, Footwear, Luggage and Handbag Manufacturers, Upholsterers, Wall Covering Users, Jobbers
Electronic, Radio, TV Parts and Tools, Antennae, Microphones	Radio, Television, Electronic, Automotive Parts and Hardware Distributors
Bathroom Accessories and Fixtures	Plumbing, Tile and Hardware Wholesalers and Manufacturers
Chain Saws, Generators, Pumps and Forestry Tools, Outboard Motors	Professional Loggers, Pulp Cutters, Farmers, Construction Industry, Utilities, Municipalities, Railroads, Marine, Armed Services
Pumps, Generators and Electrical Control Systems	Professional Loggers, Pulp Cutters, Farmers, Construction Industry, Utilities, Municipalities, Railroads, Government Contract Work
Vibration and Motion Test Systems, Contract Machining, Specialized Parts Fabrication for Jets	Aircraft, Instrument and Industrial Machinery Manufacturers, Missile and Electronic Equipment Producers
Nuclear and Metallurgical Research and Prototype Production	Metallurgical Research and Development for Leaders of Industry, Atomic Energy Commission
Steel Castings, Heavy Machinery	Basic Steel Industry, Valve Manufacturers and Railroads
Automotive Body and Truck Parts, Items for Appliance Manufacturers, Cooking Utensils (Wagner Manufacturing Company, A Subdivision)	Automobile, Truck and Appliance Manufacturers; Retailers of Cooking Utensils
Spectacle Frames, Cases and Lenses, Optical Laboratory Equipment	Optical Wholesalers
Aluminum Windows, Siding, Doors	New Building and Construction Industry, Contractors, Home Improvement Field
Rivets, Fasteners, Other Metal Parts	Aircraft, Automotive, Construction and Metal Working Industries
Cold Heading Machinery, Rolling Mills, Wire Drawing Equipment, Multiple-Plunger Power Presses	Industrial Fastener Industry, Manufacturers and Processors of Metal and Metal Products
Design and Construction of Soaking Pits and Industrial Furnaces	Steel and Heavy Industry
Radio Transmission, Receiving Equipment and Allied Electronic Items	Sports, Marine and Boating, Farming, Ranching and Industrials
Sendzimir Mill Components, Precision Machining	Metal Working and Heavy Machine Industries, Armed Forces
Electronic Automation, Remote Control Devices for Radio Stations	Radio and Television Industries

DIVISIONS	OFFICES AND PLANTS
ACCESSORY PRODUCTS CO. *1950 **October 25, 1957	*616 W. Whittier Blvd., Whittier, California
AMEROTRON COMPANY *October 1, 1954 **February 24, 1955—At Merger (American Woolen Company—Robbins Mills, Inc.—Textron Inc.)	*1407 Broadway, New York 18, N. Y. Barnwell (Finished Woolens) Honea Path, Williamston (2), Belton—South Carolina • Red Springs, Robbins—North Carolina • Hartwell—Georgia
F. BURKART MANUFACTURING COMPANY *1877 **September 30, 1953	*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
CAMCAR SCREW & MFG. COMPANY *1943 **September 30, 1955	*600 18th Avenue, Rockford, Illinois Belvidere, Rockford (4)—Illinois • Rochester—Indiana
CAMPBELL, WYANT AND CANNON FOUNDRY COMPANY *1908 **April 20, 1956	*Muskegon, Michigan Muskegon (4), South Haven, Lansing—Michigan
CLEVELAND HOBBING & MACHINE CO. *1926 **December 31, 1957	*1311 Chardon Road, Cleveland 17, Ohio
DALMO VICTOR COMPANY *1921 **January 8, 1954	*1515 Industrial Way, Belmont, California
California Technical Industries A Division of Dalmo Victor *1946 **September 10, 1957	*1412 Old County Road, Belmont, California
THE FANNER MANUFACTURING COMPANY *1894 **December 31, 1957	*Brookside Park, Cleveland 9, Ohio Cleveland (2)—Ohio • Hamilton—Ontario
FEDERAL INDUSTRIES *1919 **August 31, 1956	*Belleville 9, New Jersey
GC ELECTRONICS (Formerly General Cement) A Division of Textron Electronics, Inc. *1929 **April 2, 1956	*400 South Wyman Street, Rockford, Illinois Rockford (2)—Illinois • Los Angeles—California
HALL-MACK COMPANY *1921 **June 29, 1956	*1380 West Washington Blvd., Los Angeles 7, California Los Angeles, Norwalk—California
HOMELITE *1926 **July 8, 1955	*70 Riverdale Avenue, E. Port Chester, Connecticut Gastonia—North Carolina • Stamford, East Port Chester—Connecticut Greer—South Carolina
Terry Machinery Company, Ltd. A Division of Homelite *1938 **January 29, 1960	*Montreal, Canada Montreal (2)—Canada
MB ELECTRONICS (Formerly MB Manufacturing) A Division of Textron Electronics, Inc. *1938 **March 25, 1954	*1060 State Street, New Haven 11, Connecticut New Haven (2)—Connecticut
NUCLEAR METALS, INC. *1954 **March 16, 1959	*Concord, Massachusetts
PITTSBURGH STEEL FOUNDRY *1898 **May 29, 1959	*Glassport, Pennsylvania Glassport, McKeesport—Pennsylvania
THE RANDALL COMPANY *1858 **June 18, 1959	*5000 Spring Grove Avenue, Cincinnati, Ohio Cincinnati, Wilmington, New Vienna—Ohio • Flemingsburgh—Kentucky Greensburg, Madison—Indiana • Sidney, Ohio (Wagner Manufacturing Co.)
SHURON OPTICAL COMPANY *1864 **September 26, 1958	*Geneva, New York Geneva, Rochester (2)—New York Barnwell—South Carolina (under construction)
TEXTRON METALS COMPANY *1948 **April 2, 1956	*Pottsville, Pennsylvania Pottsville—Pennsylvania • Minneapolis—Minnesota • Chicago—Illinois
TOWNSEND COMPANY *1816 **March 23, 1959	*Beaver Falls, Pennsylvania Chicago—Illinois • Ellwood City—Pennsylvania • Fairview—New Jersey Girard, Orangeville—Ohio • Plymouth—Michigan • Santa Ana (2)—California Gananoque, Ontario
THE WATERBURY FARREL FOUNDRY & MACHINE CO. *1851 **June 28, 1958	*453 Bank Street, Waterbury 20, Connecticut Cheshire, Waterbury—Connecticut
OTHER TEXTRON UNITS	
AMSLER MORTON COMPANY *1903 **November 11, 1959	*1006 Chamber of Commerce Bldg., Pittsburgh 19, Pennsylvania
GLOBE ELECTRONICS A Division of Textron Electronics, Inc. *1955 **September 11, 1959	*3417 West Broadway, Council Bluffs, Iowa
PRECISION METHODS AND MACHINES *1946 **October 31, 1958	*Cumberland Drive, Waterbury, Connecticut
SCHAFER CUSTOM ENGINEERING A Division of Textron Electronics, Inc. *1956 **May 12, 1959	*235 S. Third Street, Burbank, California

*Founding Date **Acquisition Date

*Offices

TEXTRON INC.

CONSOLIDATED

ASSETS	JANUARY 2, 1960	JANUARY 3, 1959
Current assets:		
Cash	$ 11,022,490	$ 7,848,310
United States Government securities at cost	3,512,061	—
Accounts receivable (Note B)	32,351,494	25,206,148
Inventories, at lower of cost or market (Note C):		
Raw materials and supplies	21,553,938	16,482,017
Work in process and finished goods	46,474,993	40,221,855
Total inventories	68,028,931	56,703,872
Prepaid and deferred expenses	1,868,432	1,985,638
Other current assets	3,464,822	2,216,183
Total current assets	120,248,230	93,960,151
Notes receivable, due after one year	4,619,510	4,451,579
Investment in Textron Electronics, Inc., at cost plus equity in income (Note A)	4,029,286	—
Property, plant and equipment (Note D):		
Land and buildings	37,576,329	42,597,910
Machinery and equipment	74,933,812	73,882,845
Steamship and timber	—	10,717,592
Other property	4,407,172	4,893,668
	116,917,313	132,092,015
Less — reserves	46,048,680	53,826,527
Property, plant and equipment, net	70,868,633	78,265,488
Excess cost of companies acquired, less amortization (Note J)	6,269,750	7,428,585
Unamortized debt discount and expenses (Note E)	8,898,471	800,076
Other assets	3,779,512	2,731,884
Total assets	$218,713,392	$187,637,763

REFERENCE IS MADE TO THI

AND SUBSIDIARY COMPANIES

BALANCE SHEET

LIABILITIES AND CAPITAL	Shares Outstanding 1959	Shares Outstanding 1958	JANUARY 2, 1960	JANUARY 3, 1959
Current liabilities:				
Accounts payable			$ 11,799,318	$ 11,187,326
Accrued expenses and other current liabilities			17,118,873	14,790,281
Current maturities of mortgages, notes and debentures			2,715,554	3,882,091
Amounts payable for companies acquired			2,719,624	3,400,795
Total current liabilities			34,353,369	33,260,493
Mortgages, notes and debentures (Note E):				
Mortgages and notes			16,242,253	22,027,302
Debentures – subordinated to all other debt			45,995,287	31,735,952
Total mortgages, notes and debentures			62,237,540	53,763,254
Amounts payable for companies acquired, due after one year			4,288,542	5,147,083
Other liabilities			1,031,474	737,003
Total liabilities			101,910,925	92,907,833
Capital stock and surplus:				
Capital stock (Note F):				
$1.25 convertible preferred	368,647	422,796	9,216,175	10,569,900
4% preferred	–	49,677	–	4,967,640
Common	4,983,009	4,349,366	2,491,504	2,174,683
Total capital stock			11,707,679	17,712,223
Capital surplus (principally paid-in)			76,794,713	54,504,575
Earned surplus (Note E)			33,354,656	22,561,716
			121,857,048	94,778,514
Less – Treasury stock at cost (in 1959, 200,000 shares of common and in 1958, 588 shares of 4% preferred)			5,054,581	48,584
Total capital stock and surplus			116,802,467	94,729,930
Total liabilities and capital			$218,713,392	$187,637,763

ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TEXTRON INC.

Consolidated Statement of Income

	YEARS ENDING JANUARY 2, 1960	JANUARY 3, 1959
Net sales	$308,201,637	$244,227,468
Cost of sales (Note C)	246,989,528	197,290,535
Gross profit on sales	61,212,109	46,936,933
Selling, advertising and administrative expenses	36,991,205	30,618,888
Profit from operations	24,220,904	16,318,045
Other income:		
Profit on sale of Textron Electronics, Inc. stock	2,373,030	—
Equity in net income of Textron Electronics, Inc.	338,661	—
Profit or (loss) on sale of fixed assets	(402,568)	1,110,446
Interest income	937,856	280,447
Sundry other income	789,314	2,002,684
Total other income	4,036,293	3,393,577
Other charges:		
Interest expense	4,530,415	3,990,070
Provision for losses and expenses related to discontinued operations (less net profit on disposal of operating divisions in 1958)	3,555,024	2,423,000
Contributions to profit sharing plans	1,133,438	900,245
Provision for doubtful accounts	367,196	423,565
Sundry other charges	1,373,525	1,218,877
Total other charges	10,959,598	8,955,757
Net income before Federal income taxes	17,297,599	10,755,865
Provision for Federal income taxes—subsidiary companies (Note I)	654,514	—
Net income	$ 16,643,085	$ 10,755,865

Depreciation and amortization charged to costs and expenses amounted to $8,085,221 in 1959 and $8,226,406 in 1958.

REFERENCE IS MADE TO THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

AND SUBSIDIARY COMPANIES

Consolidated Statement of Surplus

	YEARS ENDING JANUARY 2, 1960	JANUARY 3, 1959
CAPITAL SURPLUS		
Balance at beginning of year	$54,504,575	$45,073,442
Additions:		
Excess of conversion price over par value of 617,728 shares of common stock issued upon conversion of:	-	
5% convertible debentures ($13,973,100)	13,103,064	—
$1.25 preferred stock (54,149 shares)	1,321,763	—
Portion of proceeds from 5% Subordinated Debentures due May 1, 1984 allocated to warrants attached thereto	7,566,041	—
Excess of market value over par value of 427,955 shares of common stock issued for companies acquired	—	4,680,139
Proceeds in excess of par value of 359,577 shares of common stock sold	—	3,362,813
Reversal of excess reserve for loss on disposal of properties	—	1,090,000
Excess of option price over par value of 15,915 shares of common stock issued under Employees' Stock Option Plan	312,093	—
Discount on 4% preferred stock retired through sinking fund operations, less premium on shares called for retirement June 12, 1959	(12,823)	298,181
Balance at end of year	$76,794,713	$54,504,575
EARNED SURPLUS		
Balance at beginning of year	$22,561,716	$16,676,748
Net income	16,643,085	10,755,865
	39,204,801	27,432,613
Dividends declared:		
$1.25 convertible preferred stock — per share, $1.25	495,304	528,509
4% preferred stock — per share, 1959 — $1.00; 1958 — $4.00	49,097	235,648
Common stock — per share, 1959 — $1.19; 1958 — $1.00	5,305,744	4,106,740
Total dividends	5,850,145	4,870,897
Balance at end of year (Note E)	$33,354,656	$22,561,716

REFERENCE IS MADE TO THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TEXTRON INC. *AND SUBSIDIARY COMPANIES*

Notes to Financial Statements — January 2, 1960

NOTE A General

During the year, Textron acquired 99% of the outstanding capital stock of Townsend Company, 88% of the outstanding capital stock of Nuclear Metals, Inc. and the net assets of Pittsburgh Steel Foundry Corporation, The Randall Company and Amsler-Morton Corporation for an aggregate cost of $20,760,500. Net income of these acquisitions has been included in the consolidated statement of income from the dates of acquisition.

On May 31, 1959 the net assets of MB Electronics Division were transferred to Textron Electronics, Inc. in exchange for all (2,000,000 shares) of the then outstanding stock of that company. Subsequently 500,000 shares of this stock were sold by means of a rights offering to Textron stockholders. At January 2, 1960, Textron owned 1,500,000 shares of 2,140,000 shares of Textron Electronics stock outstanding. Because of the substantial minority interest in Textron Electronics, this company is not included in the consolidated financial statements, however, the statement of income includes Textron's equity in its earnings. Condensed financial statements of Textron Electronics are given elsewhere in this annual report.

On February 17, 1960, the GC Electronics and Schafer Custom Engineering divisions, having a net book value of $4,952,000 at January 2, 1960, were transferred to Textron Electronics, Inc. in exchange for 750,000 shares of that company's common stock.

The consolidated financial statements include all significant subsidiaries except Textron Electronics, Inc.

NOTE B Accounts Receivable

Accounts receivable are stated after deducting related reserves for doubtful accounts, discounts and allowances totaling $1,509,478 and do not include $8,638,439 collected from banks to which accounts receivable aggregating $11,509,708 have been assigned. Of the accounts assigned, the banks have assumed the credit risk to the extent of approximately $9,326,000.

NOTE C Inventories

The values allocated to inventories of two companies acquired in 1958 were less than replacement cost. During 1958, $3,126,762 of this discount, representing the portion applicable to inventories sold, was applied in reduction of cost of sales. In 1959 Textron changed its accounting for these inventories and adopted the last-in, first-out method of pricing resulting in a decrease of $4,127,507 in net income from the amount which would have been reported on the basis used in 1958. Cost with regard to other inventories, aggregating $58,157,793, is determined principally on a first-in, first-out basis.

Notes to Financial Statements *(continued)*

NOTE D Property, Plant and Equipment

The reserves provided for property, plant and equipment consist of:

	1959	1958
Reserve for depreciation and amortization	$41,861,496	$39,963,490
Reserve for loss on sale of properties	2,571,954	11,948,541
Reserve for contingent payments for companies acquired	1,615,230	1,914,496
Total reserves	$46,048,680	$53,826,527

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 $1,615,230 in excess of costs incurred to date. This excess has been credited to the reserve for contingent payments for companies acquired. Future contingent payments based upon earnings of this division will be charged to this reserve.

The reserve for loss on sale of properties decreased $9,376,587 during the year due principally to charges in connection with the sale of two plants and the disposal of the S. S. Leilani.

NOTE E Mortgages, Notes and Debentures

This debt, exclusive of amounts due in 1960, consists of the following:

Mortgages on real estate and machinery (4 to 6%) due serially to 1971	$ 2,427,187
Conditional sales contracts (5 to 6%) due serially to 1969	2,309,231
Unsecured notes (4 to 6%) due serially to 1968	6,505,835
Unsecured notes (6%) subordinated to bank debt, due serially from 1962 to 1974	5,000,000
Debentures—subordinated to all other debt:	
5% Convertible Subordinated Debentures due January 1, 1971 (convertible at $31.77 per share of common stock to 1964 and at increasing prices thereafter)	5,626,900
Fifteen-year 5% Subordinated Sinking Fund Debentures due February 1, 1970	10,368,387
5% Subordinated Debentures due May 1, 1984	30,000,000
	$62,237,540

The amount payable in 1961 will be $3,484,730; in 1962—$3,872,872; in 1963—$3,979,231 and in 1964—$4,173,251.

In May, 1959, Textron issued $30,000,000 of 5% Subordinated Debentures due May 1, 1984, with common stock purchase warrants attached, which entitle the holders to purchase a total of 600,000 shares of common stock at $25 per share to May 1, 1964 and at increasing prices thereafter. The proceeds from the sale were allocated between the debentures and the warrants on the basis of market prices at date of issuance. This resulted in debt discount and related financing expenses of $8,891,524 which is being amortized over the life of the debentures.

A bank loan agreement and the indentures relating to the debentures provide, among other things, for certain restrictions on the payment of cash dividends and the purchase, redemption or retirement of stock. Under the most restrictive of these provisions, surplus of approximately $14,000,000 was not restricted at January 2, 1960.

Notes to Financial Statements *(continued)*

NOTE F Capital Stock

The $1.25 Convertible Preferred Stock is cumulative and has no par value. There were 368,647 shares authorized, issued and outstanding at January 2, 1960. The 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 the rate of 1.078 shares of common stock for each share of preferred stock.

A series of 1,000,000 shares of $5 Preference Stock, cumulative, no par value, was authorized but no shares were issued or outstanding.

At January 2, 1960, there were 10,000,000 shares of common stock, 50¢ par value, authorized of which 4,983,009 shares, including 200,000 shares held in the treasury, were issued and outstanding. Shares of common stock reserved were as follows:

For issuance on exercise of stock options	384,085
For conversion of $1.25 Convertible Preferred Stock	397,698
For conversion of 5% Convertible Subordinated Debentures due January 1, 1971	177,114
For issuance on exercise of warrants	600,000
	1,558,897

NOTE G Option Agreements

At January 2, 1960, 384,085 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 market price on the date of grant, whichever is greater. For options granted prior to May 21, 1958, option prices were at or above market prices at date of grant. Transactions under the Plan during 1959 are summarized below:

	Shares	Price per Share
Shares under option at January 3, 1959	255,735	$19 to $30
Options issued	49,230	$25 to $27
Options cancelled	(10,300)	$20 to $30
Options exercised	(15,915)	$19 to $25
Shares under option at January 2, 1960	278,750	$19 to $30

At January 2, 1960, options for 179,110 shares were exercisable at prices ranging from $19 to $30 per share. The shares of common stock reserved for options not yet granted were 144,265 and 105,335 at the beginning and end of the year, respectively. Options covering 72,675 shares expire in 1960 and the balance expire at various dates to 1966. When shares are issued on exercise of options, the excess of the amounts paid for the shares over the par value of the stock (50¢ per share) is credited to capital surplus. No charges are made to income in respect of any stock options.

NOTE H Pension Plans

Textron and certain of its subsidiaries have a non-contributory pension plan to provide certain eligible salaried employees with retirement and death benefits. This plan is fully funded and no payments are required for 1959.

There are separate pension plans for the benefit of certain other employees who are not covered by the Textron Pension Plan. With respect to these plans, the unfunded past service cost at January 2, 1960 was estimated at $13,300,000. The annual cost is estimated at $1,600,000, including past service costs.

Notes to Financial Statements *(continued)*

NOTE I Taxes

The Federal income 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. With the exception of $654,514 accrued on the income of certain subsidiaries, no provision for Federal income taxes was required with respect to 1959 income due to the availability of operating loss carryovers.

At the beginning of 1959, Textron and its subsidiaries had unused Federal income tax loss carryovers of approximately $19,400,000. During 1959, $4,900,000 of the loss carryover was offset against taxable income. Additional tax losses were incurred in connection with sales and abandonments of property for which reserves had been provided in prior years and losses were incurred by certain subsidiaries so that at January 2, 1960 the unused loss carryover was approximately $19,000,000. To the extent not utilized, $5,200,000 of this carryover will expire at the end of 1960, $500,000 at the end of 1961 and $13,300,000 in the succeeding three years.

NOTE J Contingent Payments, Leases and Guarantees

Purchase agreements relating to certain companies acquired in prior years provide for additional annual payments based on earnings of those companies and extend for five to fifteen years. These payments for 1959 amounted to $1,243,884 of which $948,716 was added to excess cost of companies acquired, to be amortized by charges to income over ten years, and $295,168 has been added to net property, plant and equipment by a charge to reserve for contingent payments for companies acquired.

Annual rentals payable under long-term leases are approximately $3,000,000 and the aggregate rentals payable under these leases, discounted to January 2, 1960, are approximately $19,500,000. Under certain leases Textron is also required to pay for insurance, taxes and repairs.

At January 2, 1960, Textron had guaranteed payment of $2,540,000 in connection with bank loans of other companies.

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 2, 1960 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 2, 1960 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 except for the change, which we approve, in pricing inventories referred to in Note C to the financial statements.

Arthur Young & Company

February 17, 1960

TEXTRON ELECTRONICS, INC.

To Textron Securityholders

Textron Electronics was organized in mid-1959 to take over the business of MB Electronics (formerly a Division of Textron) and to acquire other companies in electronics and related fields. It was felt that Textron Electronics, as a separate enterprise, would have an opportunity for greater participation in the rapidly expanding electronics industry.

Distribution of Stock

The first step was to create a public market for Textron Electronics stock. In September, Textron made an offering to its common stockholders of 500,000 TE shares (out of 2,000,000 received in exchange for MB), and the offering was successfully completed with full subscription. This resulted in wide public distribution and gave Textron Electronics more than 12,000 shareholders. In October, Textron Electronics itself sold 100,000 shares of its stock to American Research and Development Corporation for $750,000 in cash, which was added to working capital. The Textron Electronics stock is listed on the American Stock Exchange.

Acquisitions

On September 11, Textron Electronics acquired Globe Electronics of Council Bluffs, Iowa, in exchange for 40,000 shares of TE stock, plus up to 70,000 additional shares issuable over the next ten years depending upon Globe's future earnings. On November 30, the MB Division of Textron Electronics purchased Concor International Corporation, which handles export sales of electronic test equipment. GC Electronics and Schafer Custom Engineering were acquired from Textron on February 17, 1960 in exchange for 750,000 shares of TE common stock. Textron now owns a total of 2,250,000 shares of Textron Electronics stock out of 2,890,000 outstanding.

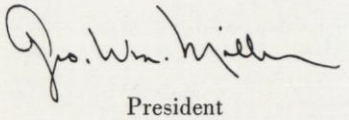
Financial Results

For the last seven months of 1959 following its organization, Textron Electronics had net earnings after taxes of $384,000 on sales of $9,884,000, equal to 18¢ per share on the 2,140,000 shares outstanding at year end. For the full year the Divisions now owned by Textron Electronics (including GC and Schafer) had combined net earnings after taxes of $892,000 on sales of $22,609,000, which is 31¢ per share on the 2,890,000 shares now outstanding. Giving effect to the acquisition of GC Electronics and Schafer, working capital at year end would be $9,444,000 and common stock equity $11,067,000.

Textron Electronics Program

Electronics continues to be one of the most dynamic growth industries. Textron Electronics is in a position to participate in the expanding electronics markets through its present Divisions. In addition, it plans to continue a program of acquiring other electronic businesses in order to develop a wider range of products and services and an even stronger technical position.

For Textron Electronics, Inc.



February 18, 1960 — President

Condensed Balance Sheet—January 2, 1960

	ACTUAL	PRO FORMA*
ASSETS		
Current assets	$7,714,276	$12,934,106
Property, plant and equipment	1,851,615	2,973,114
Less—Reserves for depreciation and amortization	(810,933)	(1,164,645)
Property, plant and equipment—net	1,040,682	1,808,469
Other assets	209,689	310,101
Total assets	$8,964,647	$15,052,676
LIABILITIES AND CAPITAL		
Current liabilities	$2,850,311	$ 3,490,594
Other liabilities and deferred income	—	495,547
Stockholders' equity	6,114,336	11,066,535
Total liabilities and capital	$8,964,647	$15,052,676

*The pro forma balance sheet gives effect as at January 2, 1960 to the acquisition of GC Electronics on February 17, 1960.

MB ELECTRONICS

The complexity of modern missiles and spacecraft has made product testing increasingly important. MB pioneered in the development of electronic vibration test equipment. It also manufactures jet engine parts and performs other precision machining.

In 1959, MB established Propulsion Test Facilities as a separate division to specialize in the design and construction of complete facilities for environmental testing. MB also acquired Concor International Corporation, which handles export sales of electronic test equipment.

As a service to customers, MB offers seminars on complex vibration theory and practice. Development is now going forward on new environmental testing equipment and on techniques for machining radioactive materials.

George H. Mettler

George H. Mettler, President

GLOBE ELECTRONICS

A little over a year ago the Federal Communications Commission set aside the 11-meter radio band as a "citizens band" for wide use by the public. Globe Electronics was one of the first manufacturers of citizens band radio transmitting and receiving equipment. It also produces radio equipment for use by licensed amateur operators.

Citizens band equipment is finding increasing acceptance for commercial, industrial and agricultural applications, as well as for private use in boating and personal communications. The Globe Citizens Broadcaster is participating in this expanding market. New miniaturized products are now in the prototype stage and will be ready for production and marketing within the next few months.

Leo I. Meyerson

Leo I. Meyerson, President

Condensed Statement of Income

	SEVEN MONTHS ENDED JANUARY 2, 1960	PRO FORMA* TWELVE MONTHS ENDED JANUARY 2, 1960
Net sales	$9,884,029	$22,609,084
Cost of sales	7,995,639	17,188,266
Selling, advertising and administrative expenses	1,319,738	3,715,109
Other expenses	30,845	73,299
	9,346,222	20,976,674
Net income before Federal income taxes	537,807	1,632,410
Provision for Federal income taxes	153,575	740,500
Net income	$ 384,232	$ 891,910

*The pro forma statement of income reflects the operating results of all presently owned divisions including GC Electronics.

TEXTRON INC. *AND SUBSIDIARY COMPANIES*

Five Year Comparative Financial Highlights

Financial Results	1959	1958	1957	1956	1955
†Net sales	$ 308,202	$ 244,227	$ 254,575	$ 245,794	$ 191,571
†Net income	$ 16,643	$ 10,756	$ 8,696	$ 6,503	$ 5,497
Earnings per share	$ 3.61	$ 2.51	$ 2.25	$ 1.73	$ 1.69
Common dividends declared	$ 1.19	$ 1.00	$ 1.00	$ 1.60	$ 1.00
Earnings as a percentage of sales	5.4%	4.4%	3.4%	2.6%	2.9%
Return on average common stock equity	17.4%	14.2%	13.0%	10.8%	9.4%
Average common shares outstanding (less treasury shares)	4,454,835	3,985,364	3,504,390	3,235,654	2,549,980
Financial Position at Year End					
†Working capital	$ 85,895	$ 60,700	$ 47,168	$ 45,825	$ 43,651
Current ratio	3.5 to 1	2.8 to 1	2.2 to 1	1.9 to 1	2.1 to 1
†Properties (net after reserves)	$ 70,869	$ 78,265	$ 80,047	$ 82,311	$ 51,893
†Common stock equity	$ 107,586	$ 79,241	$ 62,975	$ 58,828	$ 42,917
Common stock equity per share	$ 22.49	$ 18.22	$ 17.99	$ 16.66	$ 14.82

† In thousands of dollars

Board of Directors

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NORMAN B. FROST
HERMAN E. GOODMAN
ROBERT L. HUFFINES, JR.
EMILE A. LEGROS
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ROYAL LITTLE
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ROBERT R. THURBER

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Chairman of the Board

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Vice President and Assistant to the President

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Vice President

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Vice President and Treasurer

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ROBERT R. THURBER
Vice President and Secretary

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Assistant Vice President and Assistant Secretary

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DELBERT J. HAYDEN
Assistant Secretary

JOHN M. RANDOLPH
Assistant Secretary

MARY A. HAMBLY
Assistant Secretary

MARY T. YOUNG
Assistant Secretary

TRUSTEES

5% SUBORDINATED DEBENTURES,
Due May 1, 1984
Morgan Guaranty Trust Company of New York

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

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

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
Morgan Guaranty Trust Company of New York, New York, New York

CONVERTIBLE PREFERRED
The Chase Manhattan Bank, New York, New York

WARRANT AGENTS

COMMON STOCK PURCHASE WARRANTS,
Expiring May 1, 1984
Morgan Guaranty Trust Company of New York

COUNSEL

EDWARDS & ANGELL
Providence, Rhode Island

AUDITORS

ARTHUR YOUNG & COMPANY

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

The Common Stock is listed on the New York, Pacific Coast and Midwest Stock Exchanges, and the Convertible Preferred is listed on the New York and Pacific Coast Stock Exchanges.

TEXTRON INC. 10 Dorrance Street, Providence 3, Rhode Island