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textron

ANNUAL REPORT-1960





BOARD OF DIRECTORS

Frederick S. Blackall, Jr.	Emile A. Legros
Alfred Buckley	Kenneth L. Lindsey
Erwin N. Darrin	Royal Little
Harry B. Freeman	George William Miller
Norman B. Frost	Arthur T. Roth
Herman E. Goodman	Gordon Scherck
Robert L. Huffines, Jr.	James J. Sullivan
Rupert C. Thompson, Jr.	

OFFICERS

Rupert C. Thompson, Jr., *Chairman of the Board*
Royal Little, *Chairman of the Executive Committee*
George William Miller, *President*
Joseph B. Collinson, *Vice-President and Treasurer*
Jerome Ottmar, *Vice-President*
Thomas J. Riggs, Jr., *Vice-President*
Robert G. Tabors, *Vice-President*
L. A. Casler, *Vice-President*
George H. Mettler, *Vice-President*
Charles K. Mills, *Vice-President*
Robert R. Thurber, *Vice-President and Secretary*
Robert S. Eisenhower, *Director of Public Relations and Advertising*
Douglas L. Grote, *Controller*
Theodore F. McDonald, *Assistant Treasurer*
G. Richard Westin, *Assistant Treasurer*
Delbert J. Hayden, *Assistant Secretary*
Mary A. Hambly, *Assistant Secretary*
Mary T. Young, *Assistant Secretary*

TRANSFER AGENTS

COMMON STOCK

Rhode Island Hospital Trust Company, Providence, Rhode Island
Morgan Guaranty Trust Company of New York, New York City
Bank of America National Trust and Savings Association, Los Angeles, California

CONVERTIBLE PREFERRED STOCK

Rhode Island Hospital Trust Company, Providence, Rhode Island
The Chase Manhattan Bank, New York City

TRUSTEES

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 City

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

WARRANT AGENT

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

Textron Common Stock is listed on the New York, Pacific Coast and Midwest Exchanges, the Convertible Preferred is listed on the New York and Pacific Coast Exchanges and Textron Warrants are listed on the American Exchange.

FIVE YEAR COMPARISONS

(All dollar figures in thousands except amounts per share.)

	<u>1960</u>	<u>1959</u>	<u>1958</u>	<u>1957</u>	<u>1956</u>
FINANCIAL RESULTS					
Net sales	\$ 383,188	\$ 308,202	\$ 244,227	\$ 254,575	\$ 245,794
Operating profit	26,151	24,221	16,318	14,147	12,006
Income before federal taxes	16,856	17,297*	10,756	8,696	6,503
Net income	14,168	16,643*	10,756	8,696	6,503
Depreciation and other non-cash charges	9,691	9,080	8,581	8,457	7,213
Earnings per common share:					
Based on shares at year end	2.93	3.37*	2.30	2.25	1.58
Based on average shares outstanding	2.89	3.61	2.51	2.25	1.73
Common dividends declared	1.25	1.19	1.00	1.00	1.60
FINANCIAL POSITION AT YEAR END					
Working capital	\$ 94,349	\$ 85,895	\$ 60,700	\$ 47,168	\$ 45,825
Net properties	81,164	70,869	78,265	80,047	82,311
Common stock equity	109,959	107,586	79,251	62,975	58,828
Common stock equity per share	23.53	22.49	18.22	17.99	16.66
OTHER STATISTICS					
Common shares outstanding at end of year	4,672,429	4,783,009	4,349,366	3,500,593	3,530,248
Salaries, wages and other employee benefits	\$ 137,000	\$ 107,000	\$ 78,000	\$ 76,000	\$ 78,000

*Including profit of \$2,373,000 (\$0.50 per share) from sale of Textron Electronics, Inc. stock

HIGHLIGHTS

Based on its present \$450 million annual rate of sales, Textron now ranks among the 100 largest U. S. industrial corporations.



NUMBER OF TEXTRON
EMPLOYEES
29,000



NUMBER OF TEXTRON
PLANTS - 90
in 21 States and Canada



NUMBER OF TEXTRON
SECURITYHOLDERS
50,000

TO THE SECURITYHOLDERS:

February 15, 1961

In 1960 Textron continued its pattern of growth. Results for the year, compared with 1959, were as follows:

	<u>1960</u>	<u>1959</u>
Sales	\$383,188,000	\$308,202,000
Pretax earnings	16,856,000	17,297,000
Federal income taxes.....	2,688,000	654,000
Net income	14,168,000	16,643,000
Earnings per share.....	\$2.93	\$3.37

During its expansion period Textron has had the benefit of tax loss carryovers, so that the tax accrual of \$2.7 million in 1960 was the first significant provision in several years. An important objective of Textron's program has been to maintain per share earnings without any substantial reduction, notwithstanding requirements to pay federal income taxes as a result of using up available loss carryovers. The program involves a three year transition to full tax paying status, with an effective tax rate of 16% in 1960, a rate substantially higher in 1961, and full taxes in 1962.

Operating profits have increased each year during the expansion program. As a result, Textron's net income in 1960 compares favorably with 1959, particularly in view of the \$2.3 million non-recurring profit in 1959 (\$0.50 per share) from sale of Textron Electronics stock and the \$2 million increase in the 1960 provision for federal income taxes.

Results By Product Group

Sales and profits are derived from Textron's five principal product groups, which have been developed over the past eight years to provide greater profits without dependence on any one segment of the economy. To show the resulting balance in sources of income, we are including the sales and operating profits for each Textron product group. Charts setting forth this information for the past five years appear on a subsequent page of this report.

Management

At the annual organization meeting of Textron's Board of Directors on June 29, the following principal officers

were elected: Rupert C. Thompson, Jr., Chairman of the Board and chief executive officer, Royal Little, Chairman of the Executive Committee and George William Miller, President and chief administrative officer.

New Plants and Equipment

Recognizing that continued internal growth requires the most modern and efficient plants and equipment, Textron in 1960 made capital additions costing \$14.1 million, including new plants for the Shuron, Waterbury Farrel and Dorsett Marine divisions.

Acquisitions

For some time Textron has been interested in expanding its defense product group in order to make more important contributions to national security and space programs. The opportunity came with the acquisition on July 1 of the defense operations of Bell Aircraft Corporation. These now comprise Bell Aerospace Corporation, a wholly-owned Textron subsidiary, which operates through three divisions: Bell Aerosystems of Buffalo, New York, designs and produces rocket engines, inertial guidance systems, space components, automatic landing systems, and avionics devices; Bell Helicopter of Fort Worth, Texas, manufactures military and commercial helicopters; and Hydraulic Research and Manufacturing of Burbank, California, develops and produces electro-hydraulic valves and servo control systems.

On May 13, Textron purchased the Weinbrenner company of Milwaukee, Wisconsin, which manufactures work shoes and other special footwear, including official Boy Scout shoes. Later in the year, progress was made in the Company's program to gain greater participation in leisure-time industries by the acquisition on June 10 of Dorsett Marine and on September 16 of E-Z-Go Car. Dorsett is a leading designer and manufacturer of fiber glass pleasure boats and E-Z-Go produces electric golf cars.

All these acquisitions involved payment of \$25.5 million in cash and issuance of 156,568 treasury shares of Textron common stock.

Special Growth Subsidiaries

In order to obtain greater participation in the rapidly expanding electronics industry, Textron in mid-1959 organized Textron Electronics, Inc. to operate as an independent company with a public market for its shares. Textron Electronics now has 12,000 shareholders, and its stock is listed on the American Exchange. Textron owns 2,250,000 TE shares (76% of those outstanding).

TE now has seven operating divisions and sales in 1960 were \$25 million. Textron Electronics operated at a loss in 1960, principally as a result of heavy costs incurred in connection with the development and introduction of new product lines. These expenditures represent an investment for growth and should provide a basis for favorable operating results.

In September 1960 Textron announced the formation of Photek, Inc. to enter the office copying and equipment field, utilizing secret chemical processes for photocopy and thermocopy papers.

Textron Pharmaceuticals, Inc. was organized late in 1960 as a means of entering the ethical and proprietary drug fields, initially through acquisition of existing companies. Early in 1961 Textron Pharmaceuticals purchased The Tilden Company, the oldest ethical drug manufacturing firm in America, founded in 1824.

Employees Stock Savings Plan

In 1960 shareholders approved an Employees Stock Savings Plan under which shares of Textron common stock are purchased in the open market. Eligible employees may contribute up to 10% of base salary. The Company contributes an amount equal to one-half of participants' payments, subject to an overall limit of \$1 million a year. The purpose of the Plan is to assist employees in obtaining a proprietary interest in Textron, thereby gaining an added incentive for profitable operations.

The Plan became effective September 1. During the four months of operation in 1960 participating employees contributed \$174,908 and the Company contributed \$85,237, and 12,379 shares of Textron common stock were purchased at an average of \$21.23 per share.

Financial Position

On November 1, Textron obtained a \$25 million, 15 year term loan from The Prudential Insurance Company of America. Repayments of principal will begin after six

years. The proceeds were used in part to repay \$16 million of short term borrowings incurred to purchase the Bell defense group. The balance was added to working capital, further strengthening Textron's financial position and providing funds for continued expansion.

At the end of 1960 working capital stood at an all time high of \$94.3 million.

In 1959 the Company adopted a policy of purchasing shares of its common stock on the open market to be held for use in acquisitions without creating dilution. At the end of 1960, 313,200 shares of common stock were held in treasury, purchased at an average cost of \$22.43 per share.

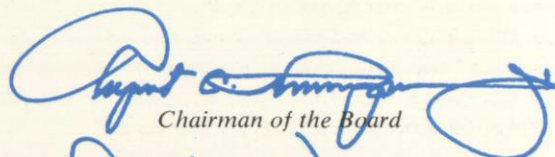
Business Outlook

The index of national production declined 7% in 1960, led by drops in steel production, housing construction and several other important sectors. Most economists are forecasting a continued decline over the short term, probably into the second quarter, with a general improvement in industrial activity during the second half of 1961.

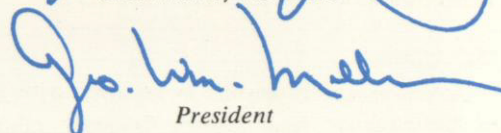
The outlook for Textron in 1961 is good. Internal improvements plus inclusion of newly acquired companies for the full year should make it possible to attain higher sales and operating profits. With sales now running at a \$450 million annual rate, compared with \$383 million in 1960, net income for 1961 should be satisfactory despite increased liability for federal income taxes.

New Pattern for Growth

In carrying out its basic program, Textron has undergone substantial growth. Further growth is planned in order to attain our long-term goal of 20% return on common equity. The next objective is to increase sales to \$600 million within a few years, with a corresponding increase in net earnings. Expansion will continue thereafter. The following pages of this report describe Textron's new pattern for growth and the record of achievement during the past five years.



Robert C. Young
Chairman of the Board

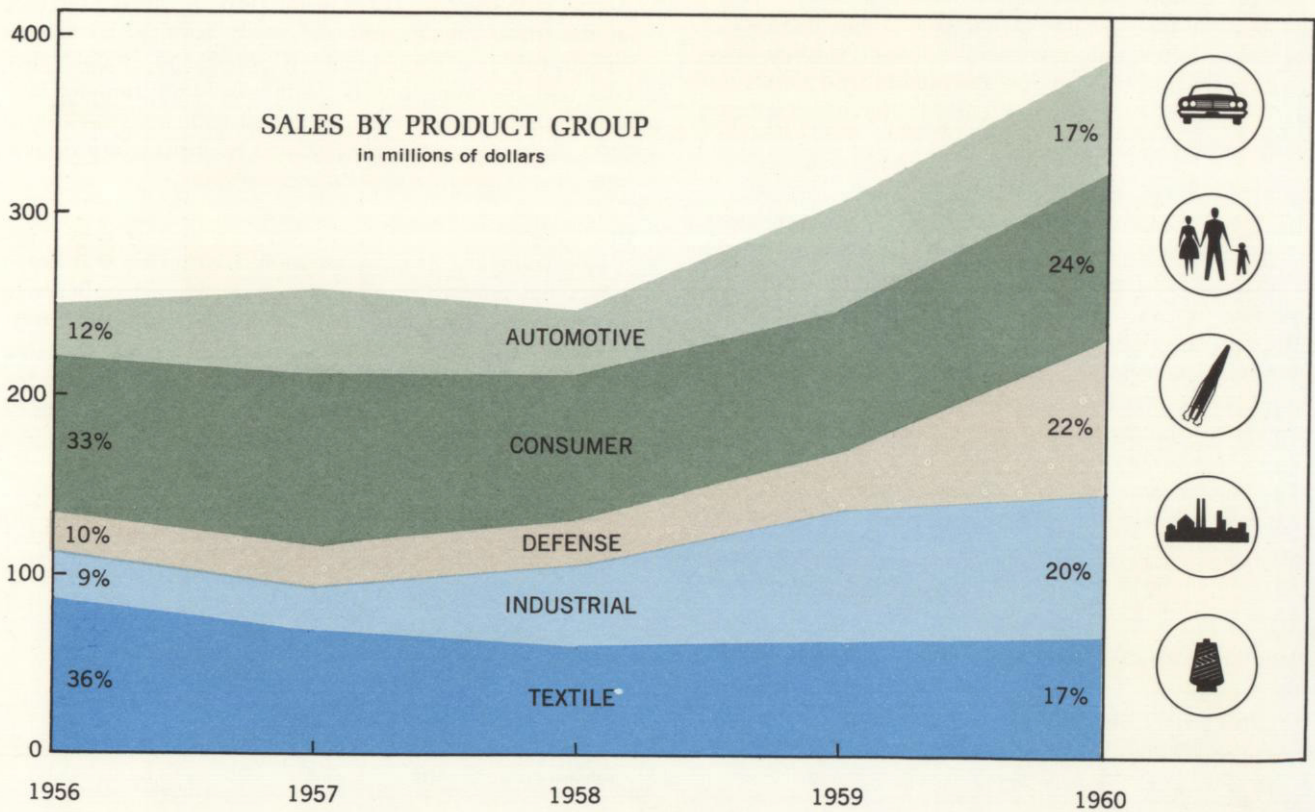


J. W. Mullen
President

NEW PATTERNS FOR GROWTH

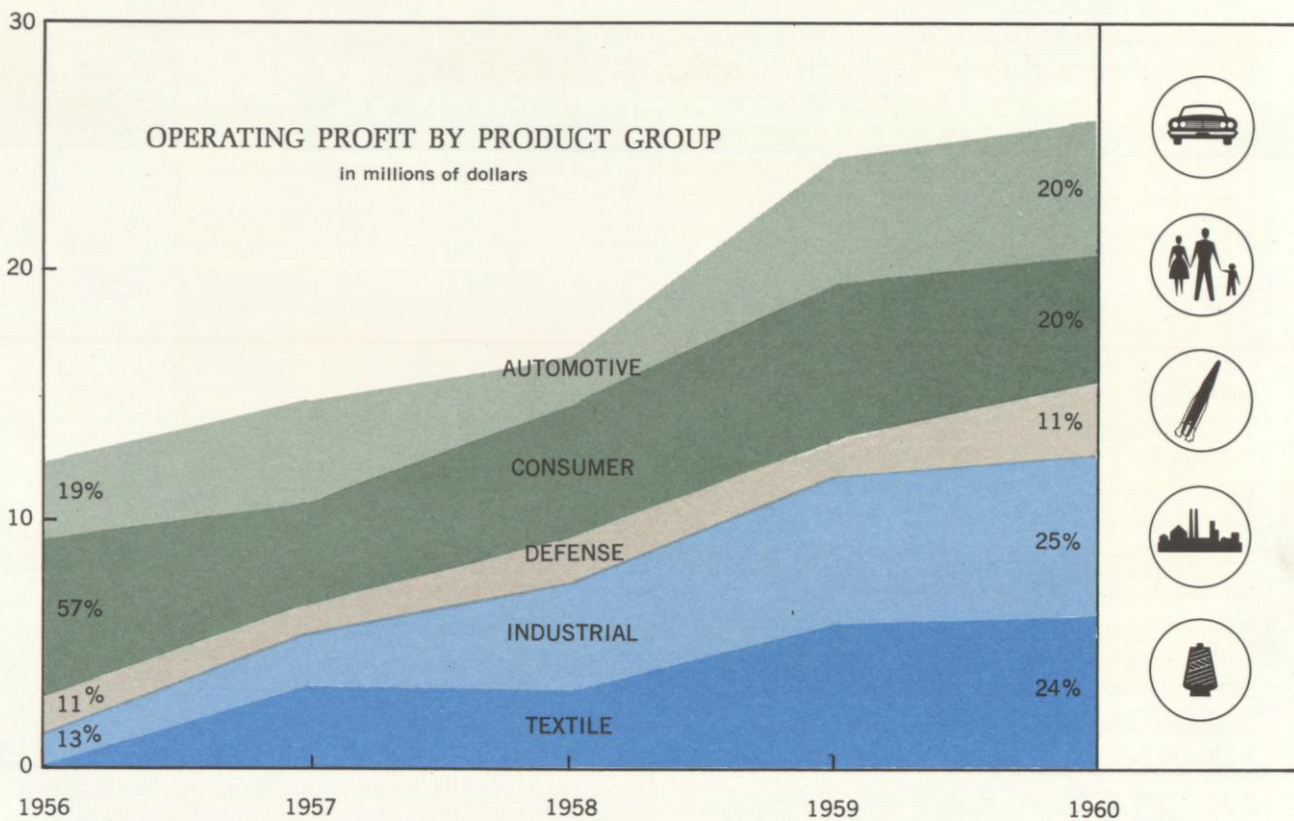
During the past five years Textron has experienced substantial growth, both through internal expansion and through acquisition of other companies. Since 1955, sales have increased 100%, and are now at an annual rate of \$450 million. Pretax earnings have increased 224%, total assets 96%.

The purpose of the expansion program has been to achieve greater and more stable profits, with opportunities for continued growth and enhancement of investment value. The growth pattern has been accomplished by combining three elements:



People, experienced operating managements, skilled employees, backed by . . . *Capital*, the resources to develop full potentials, supported by . . . *Research*, the path to continuing growth and profitability.

In following its growth pattern Textron has expanded into five principal product groups, selected to provide a balance against cycles in any one area of the economy. Within these areas, emphasis has been placed on progressive management, product quality and growth potential. As a result, the Textron companies are among the leaders in their respective fields.





PEOPLE

The most important single factor in Textron's program has been people—people whose combined talents have made it possible to carry out the rapid growth pattern. Thousands of loyal, skillful employees have contributed to successful operations.

In seeking to expand through the acquisition of other companies, Textron's primary concern has been management. Textron has acquired a company only when the management responsible for its successful record has been willing to continue with the business after joining Textron. As a result, each of the Textron companies is managed by experienced executives who have operated the business for many years.

The principal Textron corporate officers either have participated in the expansion program during the past five years or have joined the Company more recently to provide additional depth of experience as Textron grew.

In order to attract and retain the best available management at all levels, Textron provides incentives which are geared to obtaining favorable operating results for shareholders. An Employee Stock Savings Plan was recently adopted with shareholder approval providing for Textron to contribute one-half the amount of participants' contributions in order to assist employees in purchasing Textron stock in the open market. The purpose of this plan is to give employees, as shareholders, added incentive to increase the investment value for all shareholders.

Chairman Rupert C. Thompson, Jr. (right) and President George William Miller.



Vice-Presidents Robert G. Tabors, Thomas J. Riggs, Jr., Jerome Ottmar, Charles K. Mills and Vice-President and Treasurer Joseph B. Collinson (shown left to right).



Controller Douglas L. Grote (center) and Assistant Treasurers G. Richard Westin (left) and Theodore F. McDonald.



Director of Public Relations Robert S. Eisenhower and Vice-Presidents L. A. Casler, Robert R. Thurber and George H. Mettler (shown left to right).

CAPITAL



To help achieve full growth potential, Textron has supplied its companies with the necessary funds for working capital, for modern facilities and for support of research. As world-wide competition has increased and costs have risen, Textron's ability to provide adequate capital and to furnish the most efficient plants and equipment has become increasingly important.

Many companies acquired during the past five years joined Textron in order to have the benefit of greater financial resources which would enable continuation of their own expansion. In some cases, rapid growth had strained the company's own funds. In others, assistance was needed to obtain new production facilities or to finance the development and marketing of new products. In each case, Textron provided the capital.

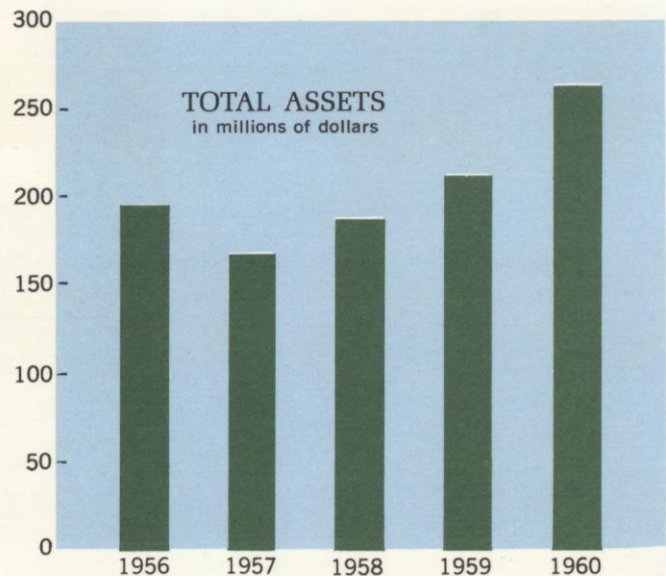
On a continuing basis, Textron places great stress upon proper use of capital in order to obtain the highest return on equity.



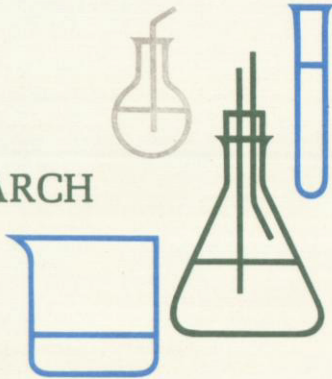
New Shuron Optical plant, Barnwell, S.C., opened in December, manufactures lenses.



Engineering Division, Pittsburgh Steel Foundry.



RESEARCH



To build for the future, Textron has placed increasing emphasis on the role of research, thus keeping pace with the accelerating technological revolution which has resulted in more expenditures for research since World War II than in all previous recorded history.

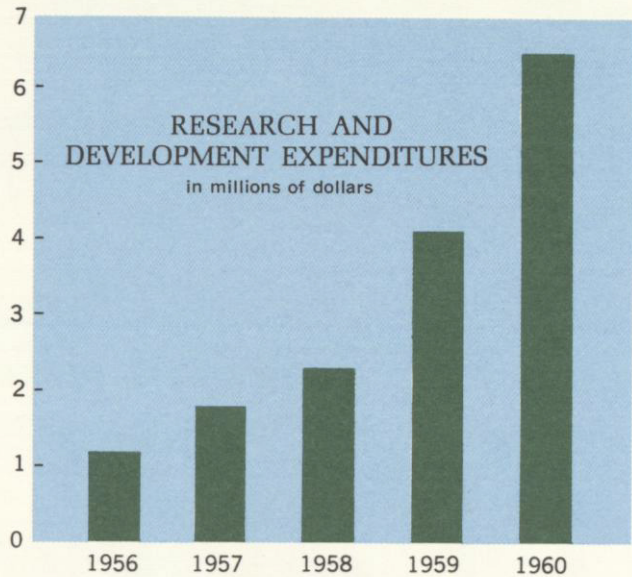
Continuing programs of research and development have kept Textron companies leaders in their fields. New and improved products and processes are the basis for maintaining industry position and the means for opening new markets.

Dalmo Victor continuously carries on electronic research.



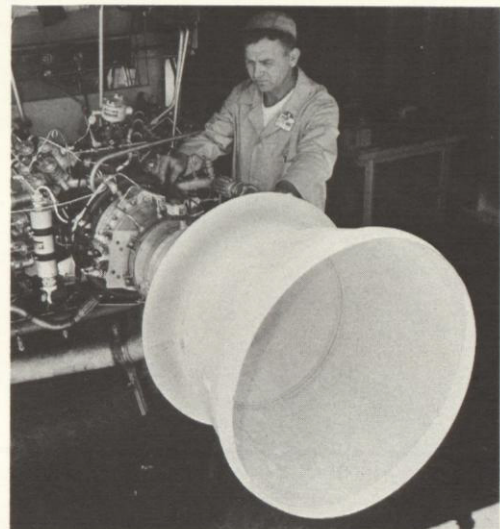
RESEARCH AND DEVELOPMENT EXPENDITURES

in millions of dollars



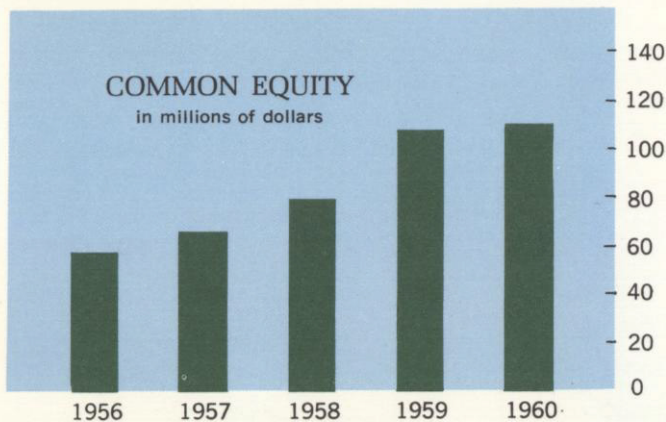
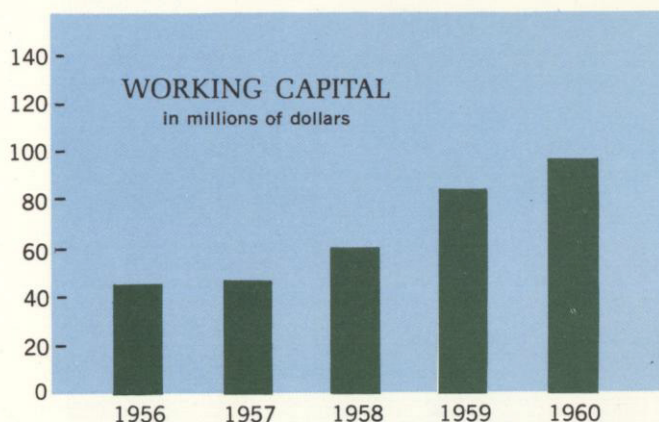
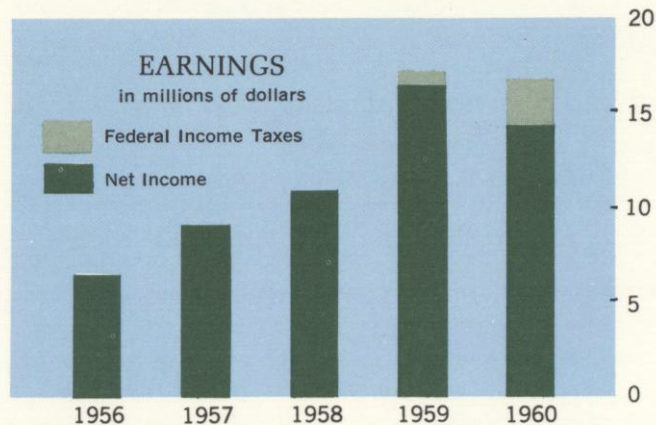
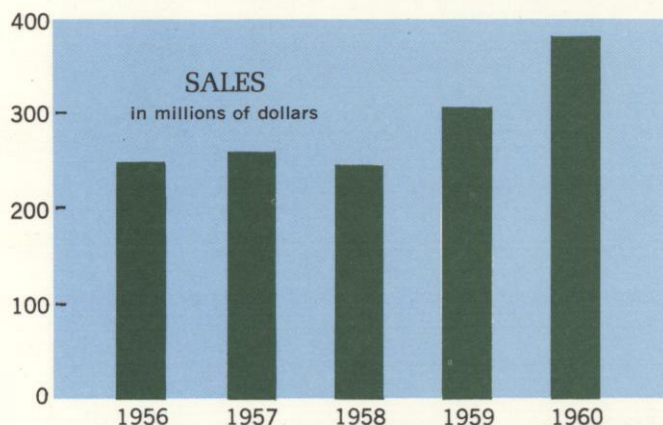
In addition to its own program, each Textron division has available the talents and facilities of two Textron companies engaged primarily in research. Nuclear Metals, the nation's largest commercial metallurgical research organization, does extensive research for the Atomic Energy Commission and is a prime contractor for defense agencies. Nuclear Metals also undertakes projects for industry. Metaflo Research division works almost exclusively on Textron programs, concentrating on advanced techniques for metalworking and cold forming.

First fluorine and hydrogen rocket engine, developed by Bell Aerosystems, opens way for U.S. to double payload of its space vehicles.



RECORD OF GROWTH

The results of Textron's pattern of growth in the past five years are shown in the following charts.



Additional financial strength and stability was provided late in 1960 by means of a \$25 million, fifteen-year term loan from The Prudential Insurance Company of America. Since there are no payments due on this loan for six years, the working capital position of the company was substantially strengthened. The Prudential loan also provided

adequate financing for continued expansion.

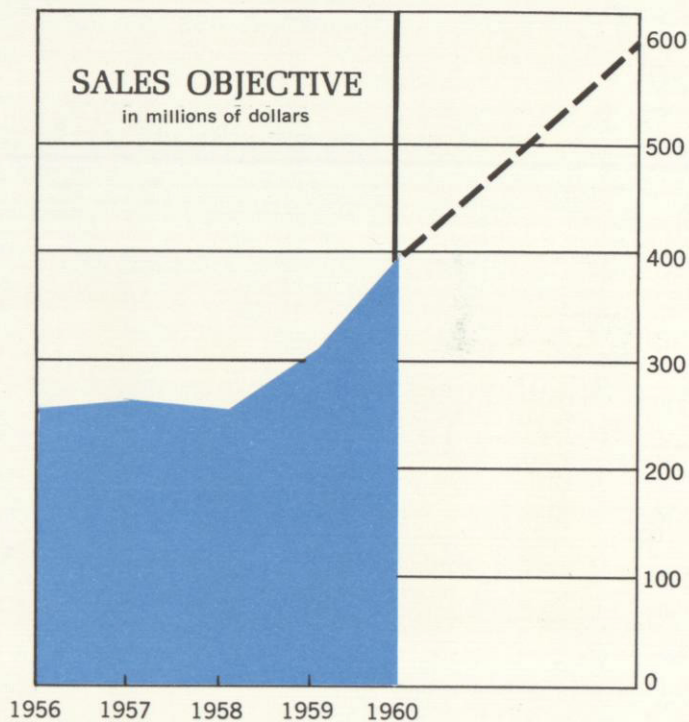
In addition, at the end of 1960, Textron had approximately 313,000 shares of common stock in its treasury available to make acquisitions which require a tax free exchange. By using treasury stock, such acquisitions can be accomplished without dilution from issuance of new Textron common shares.

PLANS FOR THE FUTURE

Textron's primary purpose is to utilize its available skills and capital to produce maximum profits for its shareholders on a continuing basis.

The *Short Term Objective* is to maintain per share earnings without any substantial reduction, notwithstanding requirements to pay federal income taxes as a result of using up available tax loss carryovers. During the expansion period Textron has had the benefit of tax loss carryovers arising principally from the merger with American Woolen and Robbins Mills in 1955. As the loss carryovers are utilized, there will be a three-year transition to full tax paying status, with an effective tax rate of 16% in 1960, a rate substantially higher in 1961, and full taxes in 1962. Operating profits have increased each year during the expansion program, and further refinements together with earnings from newly acquired companies should make it possible to pay higher federal income taxes without a drop in per share earnings.

The *Long Term Objective* is to achieve and maintain after tax earnings equal to 20% of average common equity. In order to accomplish this, further expansion is planned with a goal of \$600 million annual sales and earnings of \$25 million after taxes within the next few years. Much of the increase can come from internal growth, but some acquisitions will probably be necessary in order to round out product groups, to enter promising new fields and to assure attainment of the ultimate goal.

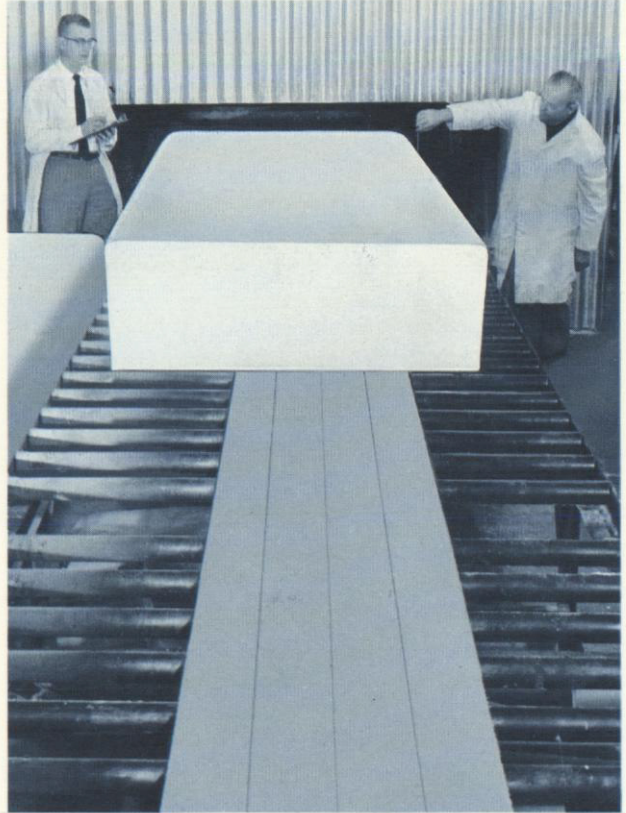


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AUTOMOTIVE PRODUCT GROUP

The automotive industry is one of the most important segments of the American economy. Directly and indirectly it provides jobs for one out of seven American workers. In ten years total dollar sales of automobiles and trucks have increased more than 50%.

Early in its growth program, Textron recognized the importance of participating in the expanding automotive industry. Textron companies in the automotive group now sell a wide variety of parts and material to the major producers. Through research and development these Textron companies are planning new and better products which will assure their continued leadership as quality automotive suppliers. Further growth will come from new products as well as from an increasing population and expanding national economy.



Polyurethane foam is produced at Burkart Manufacturing Company for fabrication into automobile seat cushions.

Burkart — cushioning materials, polyurethane foam... **Camcar** — cold flow metal parts, fasteners... **Campbell, Wyant and Cannon** — engine blocks, cam shafts, brake drums, cast parts... **Federal Industries** — vinyl coated fabrics, vinyl foam... **Randall** — interior trim, door frames, body parts... **Townsend** — fasteners, ball studs, metal parts.

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CONSUMER PRODUCT GROUP

A large number of completely new consumer products have emerged during the mid-twentieth century to provide a gateway to expanding markets. Rising personal income and more leisure time have created new demands with corresponding opportunities.

Many of the consumer products manufactured by Textron companies were non-existent two decades ago. For example, new industries have grown up around the small gasoline engine, and one of the Textron companies has achieved rapid growth with its one-man chain saws, ride-on mowers, motorized go-karts, and other products utilizing such engines. Another Textron company produces fiberglass boats which were unknown but a few years ago, and a third finds an expanding new market for electric golf cars. Demands for the quality bathroom accessories produced by another of Textron's divisions have grown as America has built more and better housing.



1961 model, Dorsett Marine 17-foot fiber glass sport runabout.



Homelite Mower Car, riding rotary lawn mower, has 10 attachments for year 'round use.

Dorsett Marine – fiberglass boats, boat trailers... **Hall-Mack** – bathroom accessories... **Homelite** – chain saws, power lawn mowers, generators, pumps, outboard motors, engines for midget racing karts... **E-Z-Go Car** – electric golf cars... **Randall (Wagner Division)** – cooking ware, styled mail-boxes... **Shuron Optical** – eyeglass frames, lenses, cases, optical machinery... **Terry Industries** (Canada) – chain saws, pumps, generators... **Weinbrenner** – work shoes, special footwear.



World record breaking U.S. Army helicopter, manufactured by Bell Helicopter Company, can carry powerful rockets for battlefield support.

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DEFENSE PRODUCT GROUP

Since World War II national defense has become a basic and an essential industry. The total defense budget is currently running at \$45 billion a year.

As part of its growth pattern, Textron has planned to make its contribution to the national security and space efforts. It has been Textron's goal to develop a defense product group which would represent a percentage of Textron's total business about equal to the percentage which total governmental expendi-

tures are of the total national economy.

The addition of Bell Aerospace, which was acquired July 1, 1960, has successfully rounded out Textron's program in the defense area by completing a balanced and growing defense team qualified to engage in major projects as a prime contractor. The new Textron defense group is supported by the technical abilities and the financial strength of the whole Company.

Bell Aerospace Corporation divisions: **Bell Aerosystems** — rocket engines, inertial guidance, space techniques, automatic landing systems, avionics . . . **Bell Helicopter** — helicopters . . . **Hydraulic Research and Manufacturing** — electro-hydraulic valves and servo control systems . . . **Textron** divisions: **Accessory Products** — valves, pressure regulators, fluid controls . . . **Dalmo Victor** — airborne radar antennae, electro-mechanical components . . . **Nuclear Metals** — nuclear and metallurgical research and prototype production.

Sendzimir mill built at Waterbury Farrel plant for cold rolling of very thin tinplate.

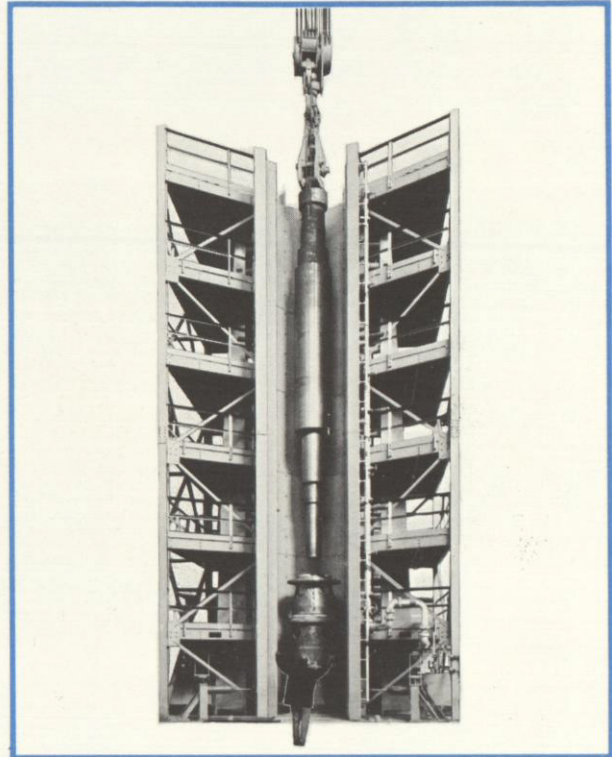


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INDUSTRIAL PRODUCT GROUP

In developing products for industrial uses, Textron companies have concentrated on areas where their unique technical skills afford opportunities for achievement and growth.

The Sendzimir cold rolling mill produced by one of the Textron companies has become internationally known as the finest machine for precision rolling of metals, particularly stainless steel and hard alloys, and has recently been adapted for use in rolling



Dwarfing man in foreground, rotor for electric-power generator is heat treated in Amsler Morton-built quench tower at United States Steel Homestead District Works.

extra-thin tinplate. Leadership has also been achieved in manufacture of aluminum foil mills, cold forming of metal parts, design of modular machine tools, techniques for precision casting, construction of metallurgical furnaces, and design and manufacture of other special machinery and equipment.

The Textron companies continue to develop advanced techniques in order to meet the needs of an expanding industrial economy which must operate with even greater efficiency to compete on a world-wide scale.

Amsler Morton — metallurgical furnaces... **Camcar** — cold flow metal parts, fasteners... **Cleveland Hobbing** — gear hobbing machines, modular machine tools... **Fanner** — chaplets and chills used in casting, electrical line products, plastics products... **Pittsburgh Steel Foundry** — pouring ladles for steel mills, steel castings, aluminum foil mills, heavy machinery... **Precision Methods and Machines** ... rolling mill components, precision machining... **Townsend** — tubular rivets, lock-bolts, fasteners... **Waterbury Farrel** — cold heading machines, Sendzimir and other rolling mills, presses, metalworking machinery.



Looms at Hartwell, Georgia plant of Amerotron weave fabrics from man-made fibers.

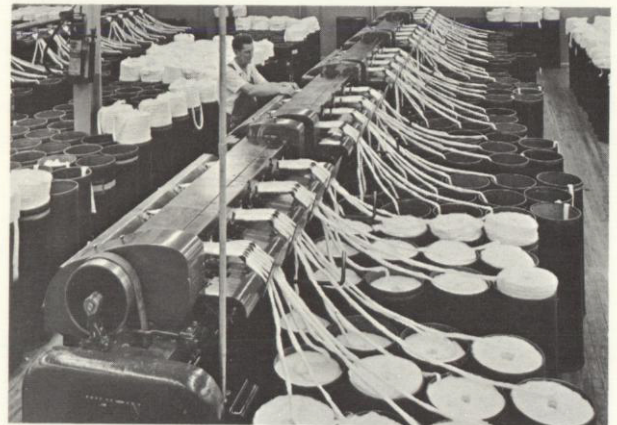
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TEXTILE PRODUCT GROUP

Textron's original business was textiles, and this has provided the basis for one of the most efficient textile companies in the country—Amerotron. All production is in modern air-conditioned, one-story plants utilizing the most efficient machinery available. For example, the woolen mill at Barnwell, South Carolina, built in 1956, is one of the world's finest textile mills.

The product group includes a wide range of fabrics of man-made fibers and fabrics of wool or wool blended with other fibers. A continuous research program is maintained to develop new lightweight fabrics with wash and wear, ease of care and other characteristics required for modern-day apparel and home furnishings.

The combination of careful product selection, leadership in merchandising and distribution, and efficient, low-cost plants has made Amerotron one of the most profitable companies in the textile industry.



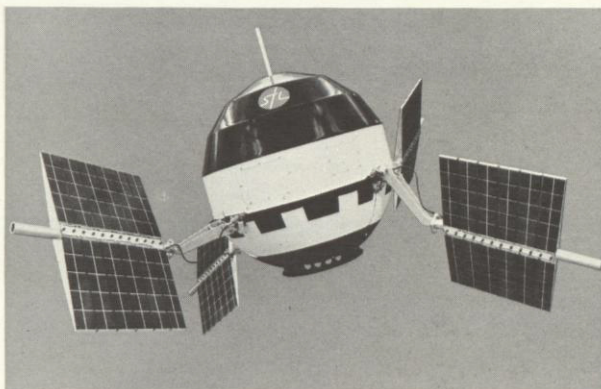
Yarn is produced from man-made fibers at Red Springs, North Carolina plant of Amerotron.

Amerotron Company — fabrics of man-made fibers, wool and fiber blends.

PARTICIPATION IN DYNAMIC GROWTH AREAS

There have been a number of fields which Textron has not been able to enter directly while carrying out its own growth program. For example, electronics became one of the most dynamic growth areas of the 1950's, aided by large research expenditures for military systems. Textron found difficulty in establishing an electronic product group because the high price-earnings ratios of electronic companies made it unattractive to make acquisitions for cash or Textron stock. The solution was to organize Textron Electronics, Inc. to provide an independent company, with a public market for its shares, to acquire and operate businesses in electronics and related fields. Textron Electronics is able to expand by using its own stock to acquire electronics companies. Textron has used a similar technique in two other instances noted below and additional opportunities may arise in the future.

Textron Electronics, Inc.—Organized in mid-1959, the company now has seven divisions with sales of \$25 million in 1960. TE has 12,000 shareholders and its stock is listed on the American Stock Exchange. Textron owns 2,250,000 shares (76% of those outstanding), which are carried on Textron's books for less than \$4 a share. The market price on February 10, was \$9.75 per share.

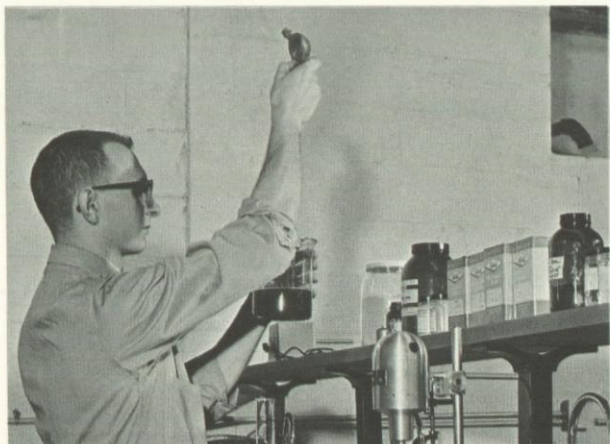


Spectrolab division of Textron Electronics manufactures solar energy converters which power instruments and transmitters of U.S. space satellites such as Pioneer V (shown here). Solar cells are mounted on satellite's paddles.

Photek, Inc.—In September 1960, Textron announced the formation of Photek, Inc. to enter the office copying and equipment field. The initial products—photocopy and thermocopy papers and machines—will be based on secret chemical processes. In the past five years, industry sales of office copying equipment and materials have expanded from \$60 million to \$190 million, and volume is expected to double in the next four to five years.

Textron Pharmaceuticals, Inc.—The company was organized by Textron in August to engage in the ethical and proprietary drug business. It has now acquired its initial operating division—The Tilden Company, the oldest ethical drug manufacturer in the United States, founded in 1824. Tilden is a small company which provides a base for expansion.

Photek research technician prepares chemicals for photocopy paper emulsion test.



Textron Chairman Thompson (left) and Robert E. Grant, President of Textron Pharmaceuticals, examine century old bottle containing early product of The Tilden Company.





CONSOLIDATED

<i>Assets</i>	<i>December 31, 1960</i>	<i>January 2, 1960</i>
Current assets:		
Cash	\$15,099,572	\$11,022,490
United States Government securities, at cost	5,083,156	3,512,061
Accounts receivable (Note B)	49,142,491	32,351,494
Inventories, at lower of cost or market (Note C)	83,147,913	68,028,931
Prepaid and deferred expenses	2,335,727	1,868,432
Other current assets	4,583,426	3,464,822
Total current assets	<u>159,392,285</u>	<u>120,248,230</u>
Notes receivable, due after one year	4,503,336	4,619,510
Investment in Textron Electronics, Inc., at cost, adjusted for equity in income (Note D)	8,650,682	4,029,286
Property, plant and equipment (Note E):		
Land and buildings	38,254,785	37,576,329
Machinery and equipment	88,208,699	74,933,812
Other property	6,826,998	4,407,172
	<u>133,290,482</u>	<u>116,917,313</u>
Less—reserves	52,126,828	46,048,680
	<u>81,163,654</u>	<u>70,868,633</u>
Excess cost of companies acquired, less amortization (Note K)	5,322,345	6,269,750
Unamortized debt discount and expenses	8,623,887	8,898,471
Other assets	4,173,163	3,779,512
	<u>\$271,829,352</u>	<u>\$218,713,392</u>

See notes to financial statements

ED BALANCE SHEET

	<i>December 31, 1960</i>	<i>January 2, 1960</i>
Liabilities and Capital		
Current liabilities:		
Notes payable—banks	\$14,890,000	\$ —
Accounts payable	17,550,207	11,799,318
Accrued expenses and other current liabilities	22,237,586	16,390,989
Federal income taxes	3,467,360	727,884
Current maturities of long-term notes	3,906,038	2,715,554
Amounts payable for companies acquired	1,374,021	2,719,624
Dividends payable	1,618,383	—
Total current liabilities	65,043,595	34,353,369
Long-term notes (Note F):		
Note payable—The Prudential Insurance Company of America	25,000,000	—
Other notes	14,302,302	16,242,253
Debentures—subordinated to all other debt	44,217,417	45,995,287
	83,519,719	62,237,540
Amounts payable for companies acquired, due after one year	3,150,000	4,288,542
Other liabilities	940,607	1,031,474
Total liabilities	152,653,921	101,910,925
Capital stock and surplus:		
Capital stock (Note G):		
\$1.25 convertible preferred:		
Outstanding 368,647 shares	9,216,175	9,216,175
Common:		
Outstanding 4,672,429 shares in 1960 and 4,783,009 shares in 1959 after deducting 313,200 shares and 200,000 shares held in treasury	2,336,215	2,391,504
	11,552,390	11,607,679
Capital surplus (principally paid-in)	66,444,497	71,840,132
Earned surplus (Note F)	41,178,544	33,354,656
Total capital stock and surplus	119,175,431	116,802,467
	\$271,829,352	\$218,713,392



Consolidated Statement of Income

	<u>Years Ending</u>	
	<u>December 31, 1960</u>	<u>January 2, 1960</u>
Net sales	\$383,187,580	\$308,201,637
Cost of sales	309,151,238	246,989,528
Gross profit on sales	74,036,342	61,212,109
Selling, advertising and administrative expenses	47,885,532	36,991,205
Operating profit	<u>26,150,810</u>	<u>24,220,904</u>
 Other income:		
Profit on sale of Textron Electronics, Inc. stock	—	2,373,030
Equity in net income of Textron Electronics, Inc. (Note D)	(776,963)	338,661
Interest income	855,599	937,856
Sundry other income	1,090,038	789,314
	<u>1,168,674</u>	<u>4,438,861</u>
 Other charges:		
Interest expense	5,112,959	4,530,415
Provision for losses related to discontinued operations	1,348,578	3,555,024
Contributions to profit sharing and stock savings plans	1,461,868	1,133,438
Sundry other charges	2,539,778	2,143,289
	<u>10,463,183</u>	<u>11,362,166</u>
Net income before Federal income taxes	16,856,301	17,297,599
Provision for Federal income taxes (Note J)	2,688,000	654,514
Net income	<u>\$14,168,301</u>	<u>\$ 16,643,085</u>

See notes to financial statements



Consolidated Statement of Surplus

Year Ending December 31, 1960

Capital Surplus

Balance at January 2, 1960	\$76,794,713
Excess of cost over par value of 200,000 shares of common stock held in treasury at January 2, 1960	4,954,581
Balance at January 2, 1960, as adjusted	<u>71,840,132</u>
Additions:	
Excess of capital of Dorsett Plastics Corporation and E-Z-Go Car Corporation at January 2, 1960, over par value of treasury common stock issued therefor (Note A)	131,716
Excess of option price over par value of 2,620 shares of common stock issued under Employees' Stock Option Plan	49,140
	<u>72,020,988</u>
Deduction:	
Excess of cost over par value of 269,768 shares of common stock acquired for the treasury	5,576,491
Balance at December 31, 1960	<u><u>\$66,444,497</u></u>

Earned Surplus

Balance at January 2, 1960	\$33,354,656
Earned surplus of Dorsett Plastics Corporation and E-Z-Go Car Corporation at January 2, 1960 (Note A)	38,175
Net income for year	14,168,301
	<u>47,561,132</u>
Dividends declared:	
\$1.25 convertible preferred stock—\$1.25 per share \$ 460,822	
Common stock—\$1.25 per share <u>5,921,766</u>	<u>6,382,588</u>
Balance at December 31, 1960	<u><u>\$41,178,544</u></u>

See notes to financial statements

NOTES TO FINANCIAL STATEMENTS

NOTE A General

During the year Textron acquired the net assets of Albert H. Weinbrenner Company and of the defense business of Bell Aircraft Corporation for \$25,525,000. Net income from these operations has been included in the consolidated statement of income from the dates of acquisition. Textron also acquired Dorsett Plastics Corporation and E-Z-Go Car Corporation in exchange for 156,568 shares of treasury common stock. In accordance with the "pooling of interests" principle of accounting, operating results of these two companies have been included in the consolidated statement of income for the entire year 1960.

On February 17, 1960, the GC Electronics and Schafer Custom Engineering divisions, having a net book value of \$4,995,000, 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 \$2,407,601 and do not include \$10,432,074 collected from banks to which accounts receivable aggregating \$13,097,752 have been assigned. Of the accounts assigned, the banks have assumed the credit risk to the extent of approximately \$9,808,000. Accounts receivable from the United States Government at December 31, 1960 totaled \$8,495,000.

NOTE C Inventories

Cost with regard to inventories aggregating \$73,689,359 has been determined generally on a first-in, first-out (FIFO) or average basis. Cost of other inventories has been determined on a last-in, first-out (LIFO) basis.

NOTE D Textron Electronics, Inc.

At December 31, 1960, Textron owned 2,250,000 shares of the 2,961,093 shares of Textron Electronics stock outstanding. Following is a condensed balance sheet of Textron Electronics, Inc. at December 31, 1960:

Current assets	\$13,360,000
Property, plant and equipment, less reserves	2,320,000
Other assets	488,000
Total assets	<u>\$16,168,000</u>
Current liabilities	\$ 5,485,000
Other liabilities and deferred income	513,000
Capital stock and surplus	10,170,000
Total liabilities and capital	<u>\$16,168,000</u>

The equity in TE's capital stock and surplus applicable to Textron's investment is \$7,728,000. TE's operations for 1960 resulted in a loss of \$1,022,000 of which \$776,963, representing Textron's equity therein, has been deducted from Textron's income for the year.

NOTE E Property, Plant and Equipment

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

	1960	1959
Reserve for depreciation and amortization	\$48,296,360	\$41,861,496
Reserve for loss on sale of properties	2,543,525	2,571,954
Reserve for contingent payments for companies acquired	1,286,943	1,615,230
Total reserves	<u>\$52,126,828</u>	<u>\$46,048,680</u>

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 \$1,286,943 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.

NOTE F Long-Term Notes

This debt, exclusive of amounts due in 1961, consists of the following:

Note payable, The Prudential Insurance Company of America (5 7/8 %) due serially from 1966 to 1975	\$25,000,000
Mortgages on real estate and machinery (4 to 6 %) due serially to 1971	2,118,282
Conditional sales contracts (5 to 6 %) due serially to 1966	1,594,357
Unsecured notes (4 to 6 %) due serially to 1974	10,589,663
Debentures—subordinated to all other debt:	
Fifteen-Year 5% Subordinated Sinking Fund Debentures due February 1, 1970	8,590,517
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
5% Subordinated Debentures due May 1, 1984	30,000,000
	<u>\$83,519,719</u>

The amount payable in 1962 will be \$4,039,000; in 1963 — \$4,036,000; in 1964 — \$4,190,000 and in 1965 — \$4,350,000.

The loan agreement with The Prudential Insurance Company of America, 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 \$8,241,000 was not restricted at December 31, 1960.

NOTE G 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 December 31, 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 December 31, 1960, there were 10,000,000 shares of common stock, 50¢ par value, authorized of which 4,672,429 shares, after deducting 313,200 shares held in the treasury, were outstanding. Shares of common stock reserved were as follows:

For issuance on exercise of stock options	263,899
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 (exercisable at \$25 per share until 1964 and at increasing prices thereafter)	600,000
	<u>1,438,711</u>

NOTE H Option Agreements

At December 31, 1960, options to purchase 263,899 shares of common stock were outstanding under the Employees Stock Option Plan and other option agreements. All options have been granted at option prices which were at or above market prices at date of grant. Transactions during 1960 are summarized below:

	Shares	Price per Share
Shares under option at January 2, 1960	278,750	\$19 to \$30
Options issued	65,644	22.50 to 25
Options cancelled	(77,875)	19 to 30
Options exercised	<u>(2,620)</u>	<u>19 to 20</u>
Shares under option at December 31, 1960	<u>263,899</u>	<u>\$22.50 to \$30</u>

At December 31, 1960, options for 150,685 shares were exercisable at prices ranging from \$25 to \$30 per share. Options covering 6,075 shares expire in 1961 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 (50c per share) is credited to capital surplus and no charges are made to income with respect to the stock options. The granting of future options under the Employees Stock Option Plan was discontinued on September 1, 1960, the effective date of the Employees Stock Savings Plan.

NOTE I 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 were required for 1960.

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 December 31, 1960 was estimated at \$13,400,000. The annual cost is estimated at \$3,000,000, including past service costs.

NOTE J Taxes

The Federal income tax liability of Textron and its subsidiaries is substantially settled for the years prior to 1955. The 1960 provision for Federal income taxes was reduced because of the availability of operating loss carryovers of Textron and certain subsidiaries. At December 31, 1960, subsidiaries of Textron Inc. had unused Federal income tax loss carryovers of approximately \$8,000,000 which are available to offset taxable income in future years.

NOTE K 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 fourteen years. These payments for 1960 amounted to \$594,070 of which \$265,783 was added to excess cost of companies acquired, to be amortized by charges to income over ten years, and \$328,287 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 \$4,600,000 and the aggregate rentals payable under these leases, discounted to December 31, 1960, are approximately \$29,700,000. Under certain leases Textron is also required to pay for insurance, taxes and repairs.

At December 31, 1960, Textron had guaranteed payment of \$5,503,000 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. at December 31, 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. It was not practicable to confirm amounts due from the U. S. government, as to the substantial accuracy of which we satisfied ourselves by means of other auditing procedures.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Textron Inc. at December 31, 1960 and the consolidated results of its 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 15, 1961

THE NEW TEXTRON TRADEMARK

Shown here is the new Textron trademark adopted in January 1961. This distinctive symbol has been designed to express the strength and unity of purpose of Textron and its companies.

Before selecting a new trademark the Company was faced with an important decision: Should the name of Textron be changed or modified more nearly to express its present expanded operations? Independent research among members of the financial community revealed that while the name Textron may too often be identified only with the textile business, it also is generally regarded as a strong, compact, well-known name. Further research failed to produce an acceptable new name available for use in all the states where Textron does business.

After weighing all factors, it was decided to retain the name Textron. At the same time, plans were made for a program of public information and advertising in order to explain the new Textron and its program for continued growth.



PROVIDENCE **textron** RHODE ISLAND