

BUSINESS DIV. OF
CORPORATION INC.

textron

1964 Annual Report





PROVIDENCE, RHODE ISLAND

Directors

- John E. Bierwirth *Chairman of the Board, National Distillers and Chemical Corporation, New York City*
- Frederic C. Church *Chairman of the Board, Boit, Dalton & Church Inc., Insurance, Boston, Mass.*
- Georges F. Doriot *President, American Research and Development Corporation, Boston, Mass.*
- Henry C. Flower, Jr. *Retired Vice-Chairman, J. Walter Thompson Company, New York City*
- Harry B. Freeman *Chairman of the Board, Rhode Island Hospital Trust Company, Providence, R. I.*
- Norman B. Frost *Frost & Towers, Attorneys, Washington, D. C.*
- Herman E. Goodman *President, The Franklin Corporation, New York City*
- Robert L. Huffines, Jr. *Chairman of the Board, Defiance Industries, Inc., Defiance, Ohio*
- G. William Miller *President, Textron Inc., Providence, R. I.*
- Arthur T. Roth *Chairman of the Board, Franklin National Bank, Mineola, N. Y.*
- Rupert C. Thompson, Jr. *Chairman of the Board, Textron Inc., Providence, R. I.*

Officers

- Rupert C. Thompson, Jr. *Chairman of the Board and Chief Executive Officer*
- G. William Miller *President and Chief Administrative Officer*
- Joseph B. Collinson *Executive Vice President — Operations*
- Harvey Gaylord *Executive Vice President — Operations*
- Jerome Ottmar *Executive Vice President — Operations*
- Thomas J. Riggs, Jr. *Group Vice President — Operations*
- L. A. Casler *Vice President — Acquisitions*
- Robert S. Eisenhauer *Vice President — Public Relations and Advertising*
- Robert E. Grant *Vice President — Operations*
- Thomas M. Leonard *Vice President — Operations*
- Thomas C. Musgrave, Jr. *Vice President*
- Robert R. Thurber *Vice President and Secretary*
- Douglas L. Grote *Treasurer*
- Theodore F. McDonald *Controller*
- G. Richard Westin *Assistant Treasurer*
- Charles F. Chapin *Assistant Treasurer*
- Thomas M. Curtin *Assistant Secretary*
- Edward O. Handy, Jr. *Assistant Secretary*
- M. A. Hambly *Assistant Secretary*

• Cover photo:
Magnified 50 times, a
Cherrylock fastener manufactured
by Textron's Townsend Division
is examined for accuracy on
the screen of an optical
comparator, a product of
Textron's Jones & Lamson
company. Cherry fasteners are
used extensively in the aircraft
and missile industries. Their
production includes the use of
heading machines and thread
rollers made by Textron's
Waterbury Farrel Division.



The five principal officers of
Textron are photographed on
an inspection trip to Bell
Helicopter's production
facilities: From left, Messrs.
Gaylord, Ottmar, Miller,
Thompson and Collinson.

MESSAGE TO SECURITYHOLDERS:

Textron sales and earnings continued to move forward in 1964. Both reached new high levels, furthering the record of growth. Sales and net income rose approximately 22 per cent over 1963.

The sales increase was generated chiefly through internal growth. Of the rise in volume 60 per cent came from greater sales of divisions which were part of Textron before January 1, 1964.

The higher earnings resulted from the sales expansion, the continuing effects of Textron's refinement program and, of course, the satisfactory year experienced by the general economy. The increase was achieved despite the dampening effects of the fourth quarter labor stoppages in the automotive industry.

Earnings per common share rose 19 per cent even with an increase during the year of 183,594 in the number of common shares outstanding. The increase in shares to a large extent resulted from the exercise of Textron warrants prior to a rise in May 1964 of \$5 per share in the price at which they may be used to purchase common stock. The redemption in February of the remaining convertible debentures and some conversion of preferred stock also added to the outstanding common.

It is management's opinion that there will be no significant increase in common shares from the remaining 487,240 warrants until 1969, when the exercise price again rises. It is expected that there will be a steady but moderate conversion of the 184,505 remaining shares of preferred stock over the next few years.

In mid-December Textron offered to exchange shares of its common stock for shares of its 75 per cent-owned subsidiary, Textron Electronics, Inc. By the expiration of the exchange offer on February 12, 1965, shares tendered for exchange had raised Textron's interest in Textron Electronics to over 97 per cent.

In February one of the oldest manufacturers of machine tools—Jones & Lamson Machine Company—was purchased. It is being operated in conjunction with and under the direction of Waterbury Farrel Division to give Textron a broader line of metalworking equipment.

Speidel Corporation, the leading manufacturer of watchbands, was acquired in May. Beginning in 1965, Speidel is expected to be an important contributor to Textron earnings.

Highlights

	1964	1963
Sales	\$720,206,000	\$587,048,000
Pretax income	44,085,000	32,247,000
Net income	22,085,000	18,047,000
Earnings per share	\$4.08	\$3.42
Common shares outstanding	5,349,548	5,165,954

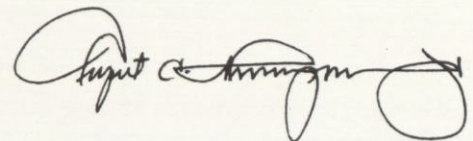
The housewares products of Randall Division were expanded with purchase of two manufacturers of steel furniture for the home. Ledeen, Inc., a producer of hydraulic-pneumatic control systems, was acquired as a unit of Hydraulic Research and Manufacturing.

Two acquisitions in Europe added to Textron's growing international operations: Progres Jones & Lamson, a leading Belgian machine tool manufacturer, and Trebel-Werk, a West German producer of industrial balancing machines.

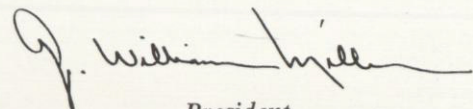
As the U.S. economy moves ahead in this 48th month of the present period of business expansion, it appears that, barring a general economic downturn, Textron should continue to meet its objectives for expansion in sales and earnings. Its already healthy sales base is being supplemented by continued growth from within and by acquisitions which meet Textron's standards.

The flow of new products described later in this report will assist in further sales expansion, and the continuing refinement program should result in conversion of higher sales into increased earnings. Added to this will be efforts to achieve increasingly higher standards of management at both divisional and corporate levels.

The prospects are good for continued improvement in rate of return on shareholders' investment—Textron's primary objective.



Chairman



President

February 15, 1965

FINANCIAL REVIEW

Sales and Earnings

Sales in 1964 increased for the sixth straight year and at \$720 million are approximately three times the 1958 volume. Over the same period net sales per common share increased from \$56 to \$135.

Income, both before and after taxes, was at a new high level. Earnings per common share increased 19 per cent over 1963.

Dividends

Textron's continuing growth in profits has permitted a steady increase in dividends in line with management's policy of paying out from 40 to 50 per cent of established (at least two years) after-tax earnings. During 1964, dividends of \$1.60 a common share were declared, compared with \$1.40 in the preceding year.

Taxes

The amount charged against earnings for estimated Federal income taxes resulted in an effective rate of approximately 50 per cent in 1964 compared with 44 per cent in 1963.

Cash Flow

The combination of net income plus depreciation and other non-cash charges resulted in a cash flow from operations of \$35 million. This reflects an increase of \$6 million over 1963.

Long Term Notes

During 1964 Textron completed the retirement of the 5 per cent Convertible Subordinated Debentures due January 1, 1971. On May 15 a \$32 million, five-year term loan was obtained at 4¾ per cent from a group of major banks. The funds were used to retire short term bank borrowings resulting principally from the purchase of Jones & Lamson and Speidel. Long term notes of slightly less than \$58 million at the year end remained conservative in relation to total shareholders' equity of \$166 million.

Capitalization

At January 2, 1965 there were 5,349,548 Textron common shares outstanding, after deducting 214,199 shares held in the treasury. This represents an increase of 183,594 shares over the 5,165,954 outstanding at the close of 1963. The increase in the outstanding shares was attributable to conversions of the \$1.25 convertible preferred stock, conversions of convertible debentures, exercise of Textron warrants, exercise of employees' stock options and issuance of treasury shares for businesses acquired. These gross additions were partially offset by an increase in the shares held for the treasury. Total common stock equity increased to \$161 million, or \$30.15 per common share, compared with \$146 million, or \$28.18 per share, in 1963.

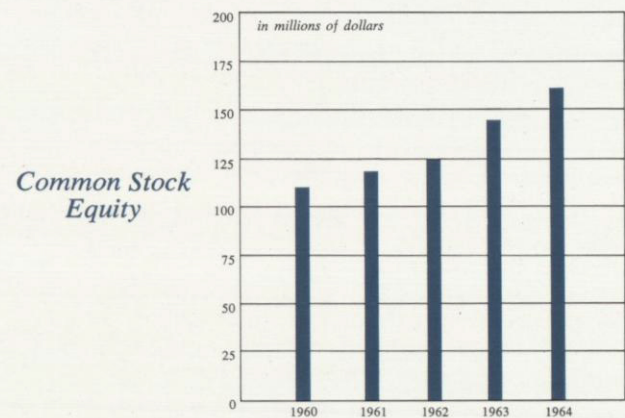
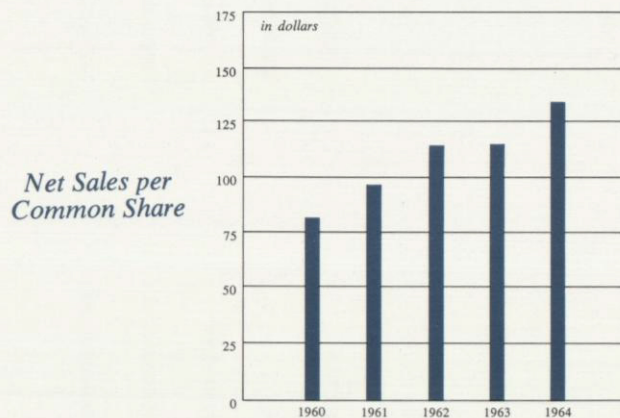
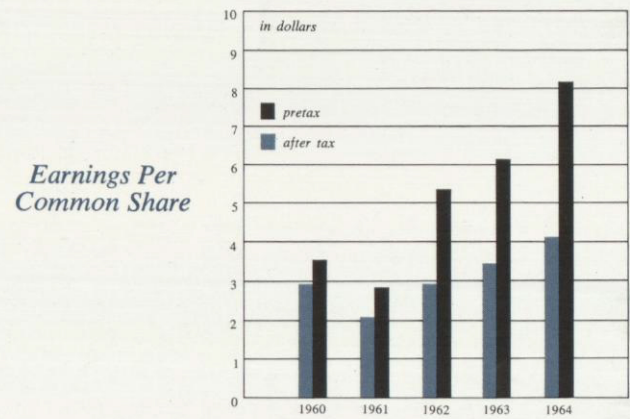
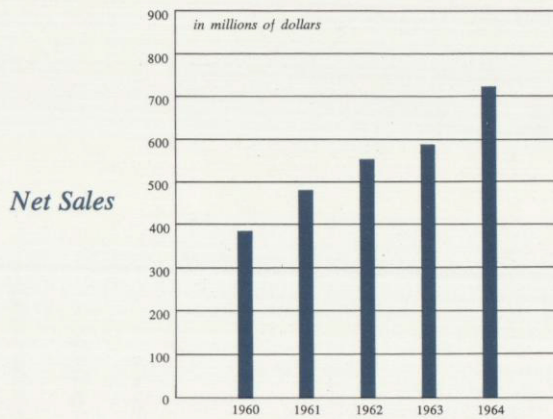
Employees Stock Savings Plan

The Textron Employees Stock Savings Plan assists employees in obtaining an ownership interest in Textron, thus providing an added incentive for profitable operation. Eligible employees may contribute up to 10 per cent of base salary and Textron will add an amount equal to one-half of participants' payments. All funds, including dividends, are invested in Textron common stock. During 1964 a total of 104,781 shares were purchased in the open market for a total of \$4,811,000. At the end of 1964 there were 322,740 shares held by the Trustee of the plan, representing 6 per cent of the outstanding Textron shares.

Textron Electronics, Inc.

Textron, through its exchange offer for stock of its subsidiary, Textron Electronics, Inc. early in 1965 increased its interest in Textron Electronics to over 97 per cent. The exchange was on the basis of one share of Textron common stock for nine shares of Textron Electronics stock.

Textron Electronics had sales of \$23,843,000 in 1964, compared with \$26,834,000 in 1963. It had a loss of \$207,000 compared with a profit of \$964,000 or \$.32 per share in 1963. The loss for the year was due primarily to the decision to establish in 1964 reserves to provide for costs and expenses incident to the consolidation and reorganization of two divisions.



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

<i>Financial Results</i>	1964	1963	1962	1961	1960
Net sales	\$ 720,206	\$ 587,048	\$ 549,493	\$ 473,120	\$ 383,188
Income before Federal taxes	44,085	32,247	26,672	14,445	16,856
Net income	22,085	18,047	14,772	10,545	14,168
Depreciation and other non-cash charges	13,307	11,137	12,400	12,142	9,691
Earnings per common share	4.08	3.42	2.96	2.06	2.93
Dividends declared per common share	1.60	1.40	1.25	1.25	1.25

<i>Financial Position at Year End</i>	1964	1963	1962	1961	1960
Working capital	\$ 124,735	\$ 105,229	\$ 109,046	\$ 114,461	\$ 94,349
Long term notes	57,911	35,555	73,056	89,826	83,520
Net properties	78,129	62,711	76,368	84,808	81,164
Common stock equity	161,306	145,557	125,069	118,429	109,959
Common stock equity per share	30.15	28.18	25.83	24.15	23.53

<i>Other Statistics</i>	1964	1963	1962	1961	1960
Common shares outstanding at year end	5,349,548	5,165,954	4,841,592	4,903,736	4,672,429
Salaries, wages and employee benefits	\$ 257,000	\$ 228,000	\$ 210,000	\$ 180,500	\$ 137,000

PERFORMANCE IMPROVEMENT

A principal effort of Textron's management in 1964 was directed toward the continuing refinement program — seeking ways to improve operations so as to achieve a higher return on shareholders' investment. The accomplishments of this program to date are indicated on the accompanying charts.

The elements of the refinement program include: specific projects of the company-wide Performance Improvement Program; consolidation of certain divisions to gain efficiency in production or marketing; expansion of capital expenditures to reduce costs and provide facilities for new products; improvement in financial controls at the divisional level; and the institution of programs to improve paperwork efficiency. New manufacturing efficiencies and product developments are treated in special sections later in this report.

Divisional Projects Completed

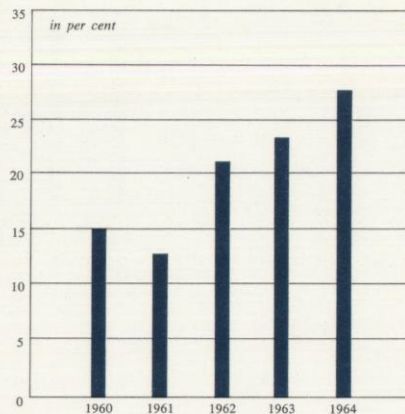
The Performance Improvement Program begun in mid-1962 has resulted in the establishment of hundreds of individual projects at the divisional level. Many have been completed, with substantial annual savings. These projects include new production techniques, improved purchasing procedures, more efficient marketing for particular products, and better inventory control. Under this continuing program divisions constantly examine their operations for ways in which to do things better and formalize these ideas into projects with specific objectives and timetables for accomplishment. The pace of the program has increased each year, with a substantial rise in the volume of projects assigned for 1965.

As part of the Performance Improvement Program, there has been a wide increase in divisional awareness of the need for individual action against waste. This has resulted in an expansion of programs of employee suggestion, work simplification and value engineering.

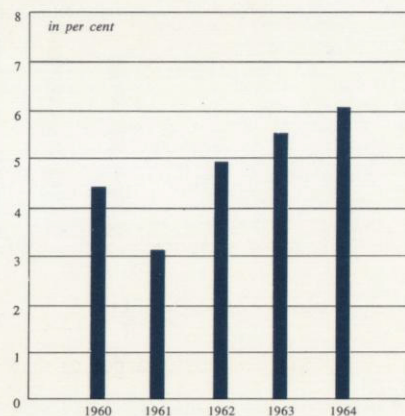
Consolidations and Refinements

A physical consolidation, in Parkersburg, West Virginia, of two newly-acquired companies created the new Walker/Parkersburg Division, utilizing excess plant capacity. A different type of consolidation — in the marketing and financial areas — also proved effective when sales and accounting functions of the newly-acquired Jones & Lamson Company were merged into these activities at Waterbury Farrel.

*Return on
Common Equity
(Pretax)*



*Return on Sales
(Pretax)*



To improve the tools available to divisional executives for better control of their operations, new or improved cost accounting systems were installed in eight Textron companies during 1964. Data processing also was expanded, with new computers installed or planned for installation in seven divisions. In other instances arrangements have been made for smaller divisions to use the computer capabilities of larger Textron companies.

A broad new refinement project, the Group Capacity Program, was begun during 1964. This project seeks out savings possible by control of indirect labor costs. Seven divisions started these work measurement programs in 1964 and extension to all segments of Textron will take place in 1965 and 1966. Although the program is new, substantial results have already been obtained.



CONSOLIDATED STATEMENT OF INCOME

	<u>Year Ended</u>	
	<i>January 2, 1965</i>	<i>December 28, 1963</i>
Net sales	\$720,205,997	\$587,048,476
Cost of sales	583,422,294	477,523,731
Gross profit on sales	136,783,703	109,524,745
Selling, advertising and administrative expenses	89,911,790	76,215,972
Operating profit	46,871,913	33,308,773
Other charges or (income):		
Interest expense	3,493,683	4,104,235
Equity in net loss (income) of Textron Electronics, Inc.	154,682	(721,386)
Sundry other charges or (income) — net	(861,795)	(2,321,557)
	2,786,570	1,061,292
Income before Federal income taxes	44,085,343	32,247,481
Provision for Federal income taxes	22,000,000	14,200,000
Net income	<u>\$ 22,085,343</u>	<u>\$ 18,047,481</u>

See notes to financial statements

textron INC. CONSOLIDATED

ASSETS	<i>January 2, 1965</i>	<i>December 28, 1963</i>
Current assets:		
Cash	\$ 15,605,963	\$ 16,341,403
Accounts receivable (less allowances of \$2,180,263 in 1964)	88,295,990	74,422,820
Inventories, at lower of cost or market	125,901,552	107,720,579
Prepaid expenses	2,397,497	1,940,745
Total current assets	<u>232,201,002</u>	<u>200,425,547</u>
Notes receivable, due after one year	1,248,087	2,092,735
Investment in Textron Electronics, Inc., at cost, \$9,090,000, adjusted for equity in income	9,628,982	9,783,664
Other investment, at cost	—	3,364,000
Property, plant and equipment, at cost:		
Land and buildings	30,227,420	26,292,552
Machinery and equipment	97,329,612	80,346,423
Other property	12,698,021	9,042,468
	<u>140,255,053</u>	<u>115,681,443</u>
Less accumulated depreciation and amortization	62,125,828	52,970,349
	<u>78,129,225</u>	<u>62,711,094</u>
Unamortized debt discount and expenses	6,181,625	7,296,044
Other assets (including patents, at cost less amortization)	10,709,290	3,208,719
	<u>\$338,098,211</u>	<u>\$288,881,803</u>

See notes to financial statements

BALANCE SHEET

LIABILITIES AND SHAREHOLDERS' EQUITY	<i>January 2, 1965</i>	<i>December 28, 1963</i>
Current liabilities:		
Notes payable	\$ —	\$ 10,330,000
Accounts payable	29,289,706	24,370,411
Accrued expenses and other current liabilities	49,082,347	37,591,694
Federal income taxes	24,336,509	20,136,659
Current maturities of long term notes	4,757,441	846,299
Dividends payable	—	1,921,880
Total current liabilities	107,466,003	95,196,943
Long term notes	57,910,870	35,555,300
Other liabilities	4,765,517	4,014,848
Unamortized net excess of equity in companies acquired over cost	2,037,611	1,742,105
Shareholders' equity:		
Capital stock:		
\$1.25 convertible preferred	4,612,625	6,815,200
Common, par value 50¢ per share	2,674,774	2,582,977
Capital surplus	81,215,780	78,862,639
Earned surplus	77,415,031	64,111,791
Total shareholders' equity	165,918,210	152,372,607
	\$338,098,211	\$288,881,803



INC. CONSOLIDATED STATEMENT OF SURPLUS

Year Ended January 2, 1965

CAPITAL SURPLUS

Balance at December 28, 1963			\$78,862,639
Additions:			
Capital in excess of par value of shares issued upon:	<i>Common Shares</i>	<i>Amount</i>	
Conversion of 5% debentures — \$1,883,100	48,589	\$1,801,551	
Conversion of \$1.25 preferred stock — 88,103 shares	94,716	2,141,583	
Exercise of employees' stock options	31,294	773,803	
Exercise of warrants	109,860	2,691,820	
Acquisition of businesses	44,020	1,308,998	8,717,755
			<u>87,580,394</u>
Deduction—excess cost over par value of 144,885 shares of common stock acquired for treasury			<u>6,364,614</u>
Balance at January 2, 1965			<u>\$81,215,780</u>

EARNED SURPLUS

Balance at December 28, 1963	\$64,111,791
Net income for the year	<u>22,085,343</u>
Dividends declared:	86,197,134
\$1.25 convertible preferred stock	\$ 270,665
Common stock — \$1.60 per share	<u>8,511,438</u>
Balance at January 2, 1965	<u>\$77,415,031</u>

See notes to financial statements

AUDITORS' REPORT

ARTHUR YOUNG & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

165 BROADWAY
NEW YORK, N. Y.

The Board of Directors and Shareholders
Textron Inc.

We have examined the accompanying consolidated balance sheet of Textron Inc. at January 2, 1965 and the related consolidated statements of income and surplus for the 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. at January 2, 1965 and the consolidated results of operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

February 15, 1965

Arthur Young & Company

NOTES TO FINANCIAL STATEMENTS

General

During the year Textron acquired the net assets of Speidel Corporation, Jones & Lamson Machine Company and certain other businesses for an aggregate of \$34,100,000 in cash and 44,020 shares of common stock. Net income from these operations has been included in the statement of income from the dates of acquisition.

At January 2, 1965, Textron held 2,250,000 shares (75%) of the 3,006,262 outstanding shares of Textron Electronics. At that date, Textron's carrying value of the investment in Textron Electronics was greater than the equity in the net assets as shown on the latter's books by \$1,079,763. Pursuant to an exchange offer, holders of approximately 670,000 shares of Textron Electronics common stock tendered their shares for exchange in 1965 for approximately 74,000 shares of Textron common stock, which will increase Textron's ownership to over 97 per cent.

Inventories

Cost with regard to inventories aggregating \$106,000,000 has been determined generally on a first-in, first-out or average basis. Cost of other inventories, totaling \$19,900,000, has been determined on a last-in, first-out basis. The classifications of inventories were as follows:

Raw materials and supplies	\$ 28,595,484
Work in process (less progress payments of \$29,258,737)	57,474,101
Finished goods	39,831,967
	<u>\$125,901,552</u>

Long Term Notes

This debt, exclusive of amounts due in 1965, consists of the following:

Notes payable to banks (4¾%) due serially to 1969	\$28,000,000
5% Subordinated Debentures due May 1, 1984	26,570,000
Miscellaneous notes (4½ to 6½%) due serially to 1974	3,340,870
	<u>\$57,910,870</u>

The amount payable in 1966 is \$9,476,000; in 1967 — \$9,038,000; in 1968 — \$8,901,000; in 1969 — \$4,900,000. The indenture relating to the subordinated debentures

contains certain restrictions on payments for cash dividends and the purchase, redemption or retirement of stock. At January 2, 1965, approximately \$51,000,000 of surplus was not restricted.

Capital Stock

The \$1.25 Convertible Preferred Stock is entitled to cumulative dividends and has no par value. There were 184,505 shares authorized and outstanding at January 2, 1965. 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 1.0785 shares of common stock for each share of preferred stock. One million shares of \$5 Preference Stock, cumulative, no par value, is authorized but no shares have been issued. At January 2, 1965, 10,000,000 shares of common stock, 50¢ par value, were authorized of which 5,349,548 shares, after deducting 214,199 shares held in the treasury, were outstanding. Shares of common stock reserved for conversion and exercise of options and warrants were as follows:

\$1.25 Convertible Preferred Stock	198,989
Options granted to officers and employees	65,560
Warrants (exercisable at \$30 per share until May 1, 1969 with \$5 price increases each five years until expiration in 1984)	487,240
	<u>751,789</u>

At December 28, 1963, 97,154 shares of common stock were reserved for stock options. During the year ended January 2, 1965, 31,294 shares were issued upon exercise of options and options on 300 shares were cancelled, leaving 65,560 shares (at prices of \$22.50 to \$25.00 per share) subject to option at January 2, 1965. All options were exercisable at January 2, 1965 and expire at various dates to March 16, 1966. No shares are reserved for the granting of future options.

Leases

Annual rentals payable under long term leases are approximately \$5,600,000 and the aggregate rentals payable under these leases, discounted to January 2, 1965, are approximately \$34,000,000. Under certain leases Textron is also required to pay insurance, taxes and repairs.

TRANSFER AGENTS

Common Stock

Rhode Island Hospital Trust Company,
Providence, Rhode Island

Morgan Guaranty Trust Company of New York,
New York City

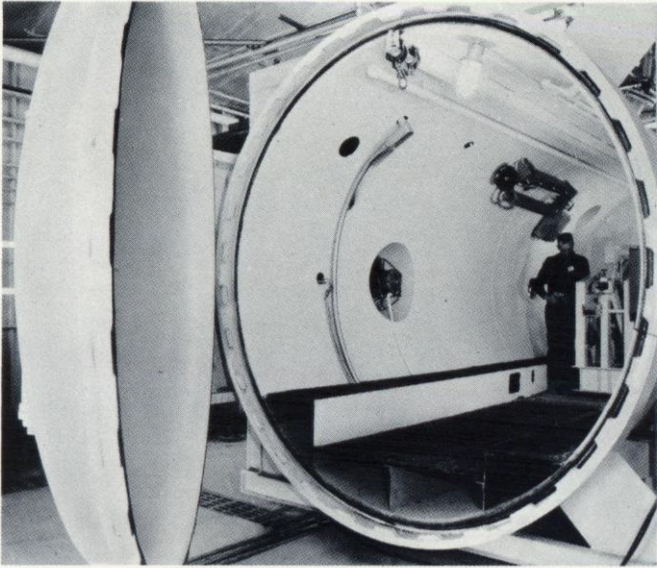
Bank of America National Trust and Savings Association,
Los Angeles, California

Convertible Preferred Stock

Rhode Island Hospital Trust Company,
Providence, Rhode Island

The Chase Manhattan Bank,
New York City

Bank of America National Trust and Savings Association,
Los Angeles, California



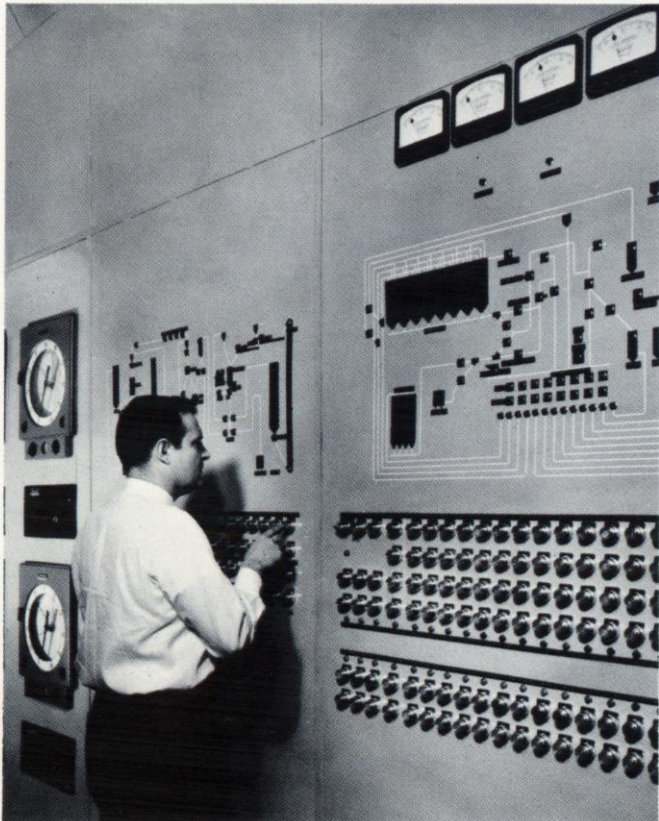
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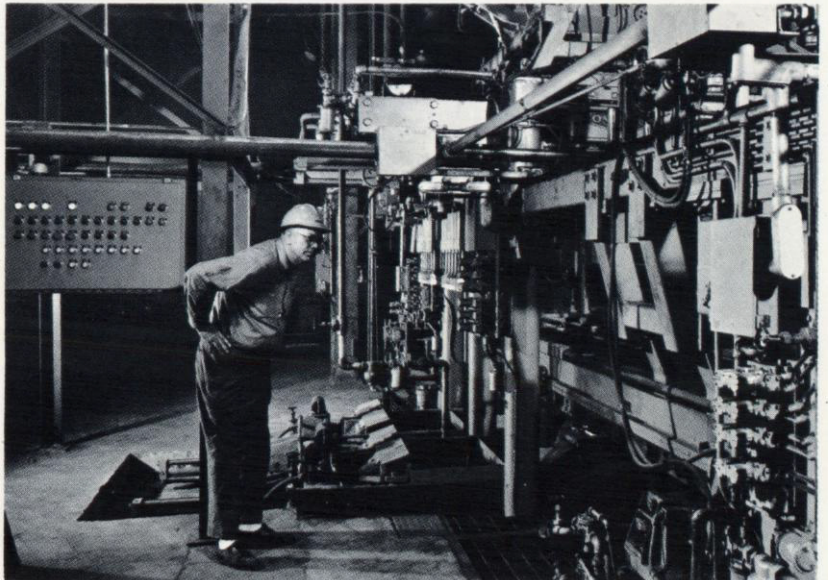
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(1) Rocket test chamber is part of new altitude simulation facility at Bell Aerosystems — (2) Terry Industries' new plant near Montreal—(3) New Braintree, Massachusetts factory of Townsend's Tubular Rivet and Stud division—(4) Control panel of newly-automated Beacon corn mill, regulating six floors of production—(5) Fanner's high pressure, fully automatic sand molding machine.

NEW MANUFACTURING PLANT AND EQUIPMENT

Textron in 1964 made additional progress in upgrading manufacturing operations, both through new plant construction and through new production equipment. Some of the new installations added capacity for expanding markets; others provided ways of making present products more efficiently.

New plant and machinery acquired during 1964, either by purchase or lease, cost \$21 million, the fourth consecutive year of increase in capital expenditures.

New Facilities for 1965

Ground was broken in 1964 for three new plants scheduled to begin production in 1965. They included facilities for Weinbrenner at Merrill, Wisconsin, to produce dress shoes; for Burkart at Cairo, Illinois, a high capacity new urethane foam facility; and for Shuron/Continental, a new headquarters building and engineering and frame facility in Rochester, New York.

During 1964 a major project got underway with the start of construction of a new automatic cam shaft casting line at Campbell, Wyant and Cannon's main plant in Muskegon, Michigan. The project, scheduled to be completed this Spring, is the first element of a three-year upgrading program for Campbell, Wyant and Cannon.

Three New Plants

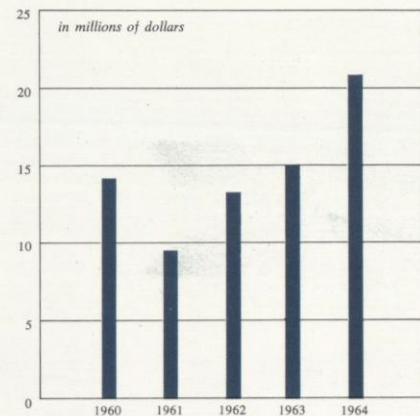
Completely new plant facilities were opened during the year for Terry Industries in Montreal, Tubular Rivet & Stud unit of Townsend in Braintree, Massachusetts, and Caroline Farms in Dobson, North Carolina.

Additions to present plants included a 25 per cent increase in production space for Speidel in Providence, a major enlargement of the Beacon corn mill in Kansas City, and new capacity added to Fanner's plastics unit in Cleveland. Shuron/Continental expanded its Indianapolis plant to provide additional space for bifocal lens production.

Along with these new factories, Textron completed major upgrading of equipment and production processes at several divisions. Examples include a fully automatic sand and mold production system at Fanner's malleable foundry, an automated production line for meter diaphragms at Sprague Meter's Philadelphia plant and a conveyORIZED paint dipping and baking installation at the main Sprague plant in Bridgeport, Connecticut.

Two other manufacturing improvements begun during 1964 were Hall-Mack's 1,000-ton-capacity die

Capital Expenditures



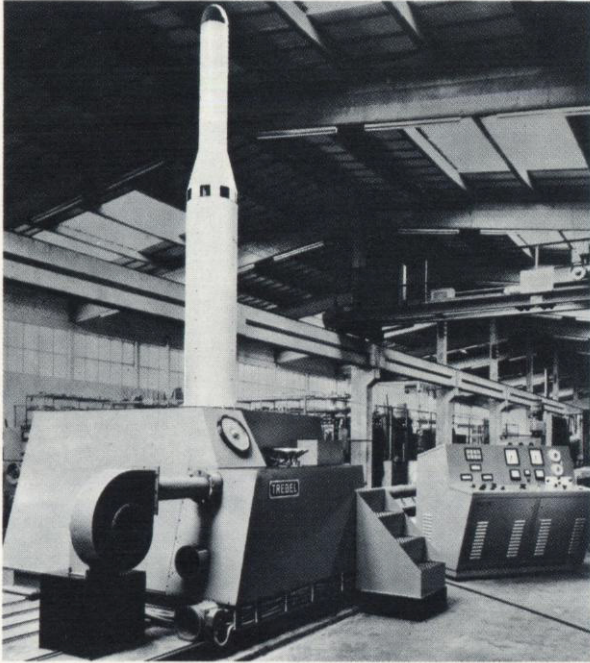
casting machine, largest west of the Mississippi, and new facilities at Pittsburgh Steel Foundry and Machine for manufacture of railroad car frames.

Research Laboratories Expanded

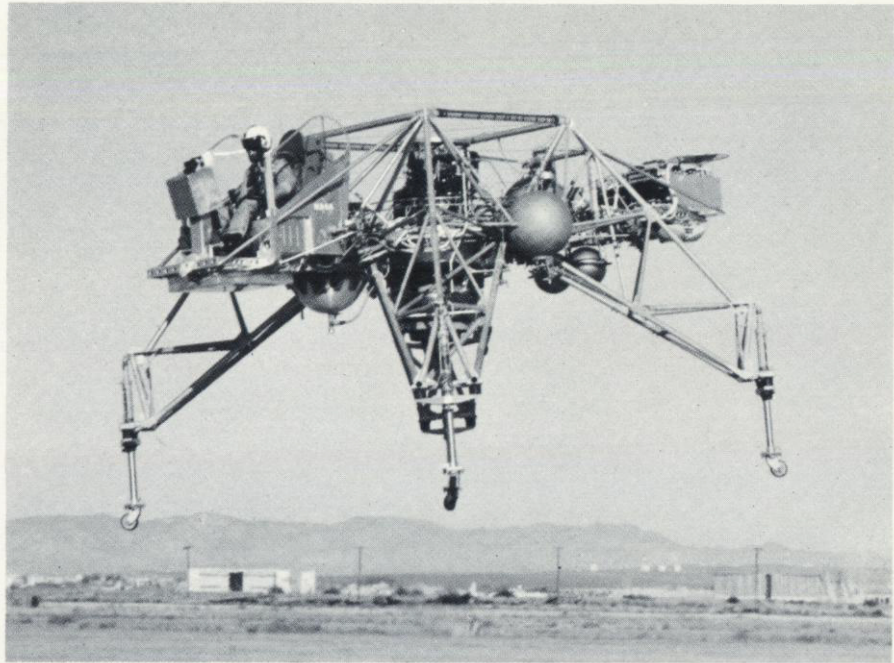
New research and engineering facilities were added at several divisions. Bell Helicopter moved into a 50,000 square foot laboratory for advanced research in rotary wing aircraft. Two new research units were opened by Bell Aerosystems: a 75,000 square foot engineering-administration building and an environmental test facility of 21,000 square feet to provide dust-free laboratories and supporting areas for the development and testing of highly-precise inertial guidance systems and components. Bell also is adding an additional 4,000 feet of "clean room" space for fabricating positive expulsion tanks and assembly of rocket engines for Project Apollo.

Homelite late in 1964 opened a complete new engine, pump and generator test facility. It includes 8 instrumented dynamometer rooms, 18 soundproof life test cells and installations for pump and generator testing under various environmental conditions.

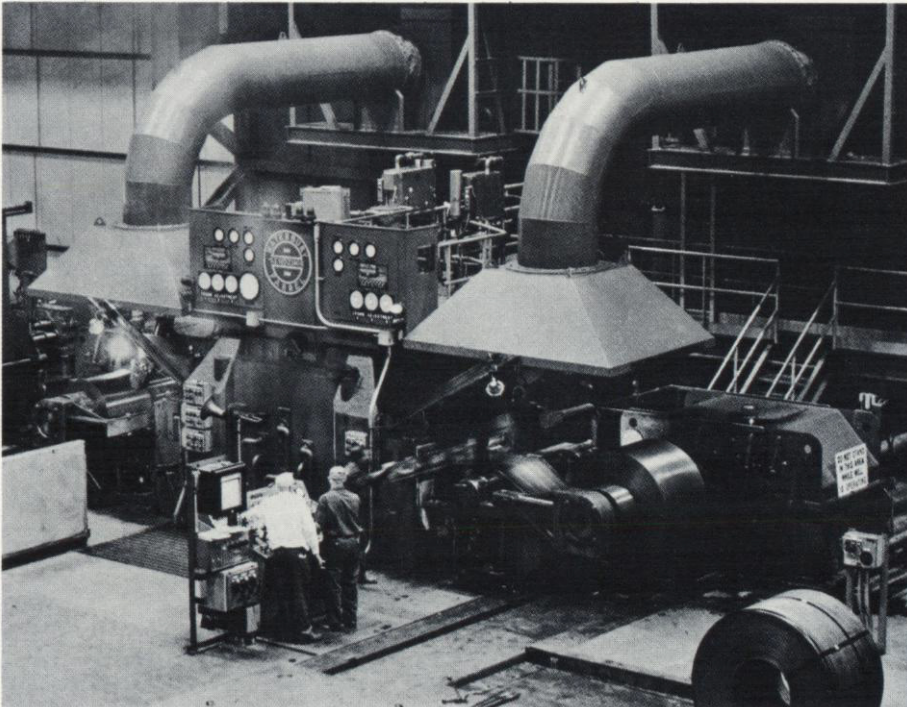
Accessory Products' laboratory was expanded and Aetna Bearing completed a new "clean room" for assembly and inspection of precision bearings. During 1965 Spencer Kellogg will begin expanded operations in a pilot plant addition to its main research center, for testing of new chemical products.



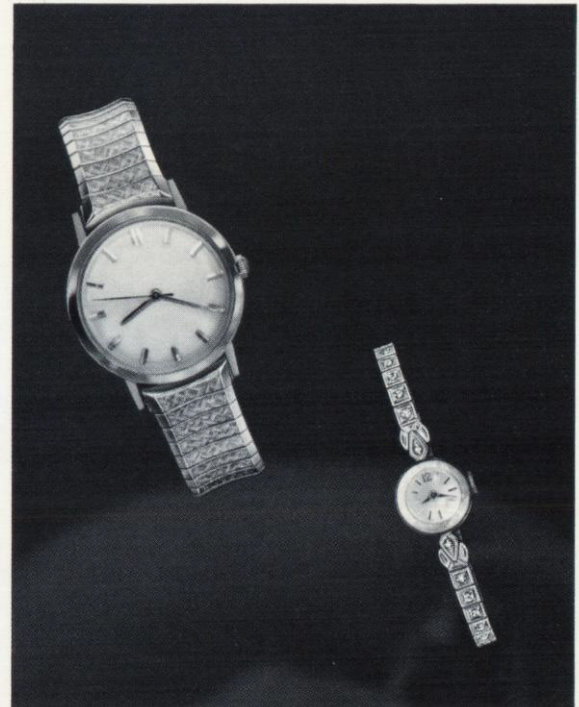
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(1) Trebel balancing machine shown testing a missile model, is a product of West German company acquired by MB Electronics in 1964 — (2) Bell Lunar Landing Research Vehicle makes first flight at NASA Flight Research Center — (3) Waterbury Farrel has installed largest Sendzimir Mill in Western Hemisphere at Sharon Steel Corporation — (4) New Speidel watchband models are rugged Fairway, for men and sparkling lady's bracelet, Queen of Diamonds.

PRODUCT DEVELOPMENT

Textron's emphasis on research and development during the last few years showed its effect with the introduction in 1964 of more than two dozen major new products. Improvement of existing products continued, and a number of lines with good growth potential were added through acquisition of both domestic and foreign companies.

Expenditures for company-financed research and development continued to rise, reaching a level of about \$10 million during 1964.

A large percentage of the new Textron products are items of high technology—requiring unusual engineering or manufacturing know-how or special production equipment.

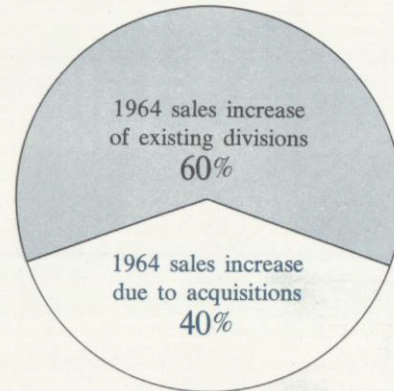
Among the most important Textron product additions in 1964 were the following:

Agrochemical Product Group

- New urethane resins — made by Spencer Kellogg for use in fabricated metal and wood products.
- Gelatinized corn products — produced in Beacon's newly-automated corn processing plant. Demand for this product is increasing rapidly in the food industry.

Consumer Product Group

- A new family of Homelite power tools — resulting from re-design of the company's compact gasoline engine, reducing motor weight by one-third. The powerful little motor not only is ideal for chain saws but brings complete portability to many other tools.
- Discreet — a new Shuron/Continental line of feminine eyewear frames, one of the most successful new product introductions in the optical industry in recent years. Shuron/Continental in 1965 is marketing a completely re-styled line of sunglasses.
- Mulligans — a line of Weinbrenner golf shoes. Mulligans have highly flexible soles and special vulcanized cleat bases. Weinbrenner also has introduced Parliament, a new, high quality line of men's dress shoes.
- Expansion of Speidel's famous Twist-O-Flex metal watchband line — with new models designed to give a custom-made look with any watch. Speidel in 1964 embarked on a new marketing strategy, aimed at customer specification of Speidel bands on new watches.
- Aqua-Relle — a polyvinyl acrylic house paint, introduced by Vita-Var.



Internal Growth

Divisions acquired before January 1, 1964 furnished 60 per cent of Textron's sales growth during the year.

- Tubular metal furniture — in new Durham and Pennant lines acquired in 1964.

Defense Product Group

- First helicopter to exceed 200 knots (about 230 miles per hour) — built by Bell Helicopter.
- Door hinge rotor — a new Bell concept which is simpler in design and greatly improves helicopter performance. The new rotor unit will become standard on production UH-1 Iroquois for the Army and Marines in mid-1965. The Iroquois in 1964 continued its fine record of performance in Viet Nam combat. (In December the Army awarded Bell a \$98 million contract for 1966 production of 720 more Iroquois.)
- Rigid rotor helicopter — an experimental high speed Bell development with high lift capability.
- Gemini-Apollo (moon project) — program developments of Textron companies include the Bell Aerosystems Agena engine which will propel the Gemini

A Good Year for Agena Engine

Bell Aerosystems' famed Agena rocket engine continued its record as the United States' most reliable space propulsion system. During 1964, it gave Ranger 7 its tremendous boost from earth orbit to the moon and powered the Mariner flight now heading toward Mars.

The Agena has a record of 170 successful starts and restarts in space during the past five years with but one failure. Besides increased production of current Agena engines for such projects as Gemini, Bell anticipates additional requirements for advanced space applications.

(Product Development, continued)

target vehicle; Bell's Lunar Landing Research Vehicle now being used to train astronauts in moon landing techniques; Bell's ascent rocket engine for the Lunar Excursion Module (LEM) to lift astronauts off the moon in the first step of a journey back to earth; Apollo vehicle positive expulsion tanks which force fuel into rocket engines in space; and Dalmo Victor's LEM antenna which will be used for communication with the earth during lunar operations.

- Air cushion vehicles, which skim a few feet above land or water supported by an air cushion forced downward by ducted fans — Bell Aerosystems maintained its U.S. leadership through successful evaluation programs for the Navy's 22½ ton, 80 mile per hour Hydroskimmer and the company-financed 1½ ton Carabao. Bell announced that in August 1965 Bell/Westland SR.N5 models will begin the nation's first air cushion vehicle passenger service, between San Francisco and Oakland.
- X-22A vertical takeoff and landing (VTOL) tri-service research plane — moved into final assembly at Bell Aerosystems, is scheduled for 1965 flight tests.
- Supersonic aircraft flight control system — Hydrologic, developed by Hydraulic Research and Manufacturing, detects control system failure.
- Radar homing and warning system for F111 (TFX) fighter-bomber — Dalmo Victor completed design and began production.
- Automatic test equipment for diesel locomotives — a Dalmo Victor development.
- SATAN precision tracking system for satellites — constructed by Dalmo Victor, was delivered to a number of overseas installations.
- Largest autoclave in the United States — built by

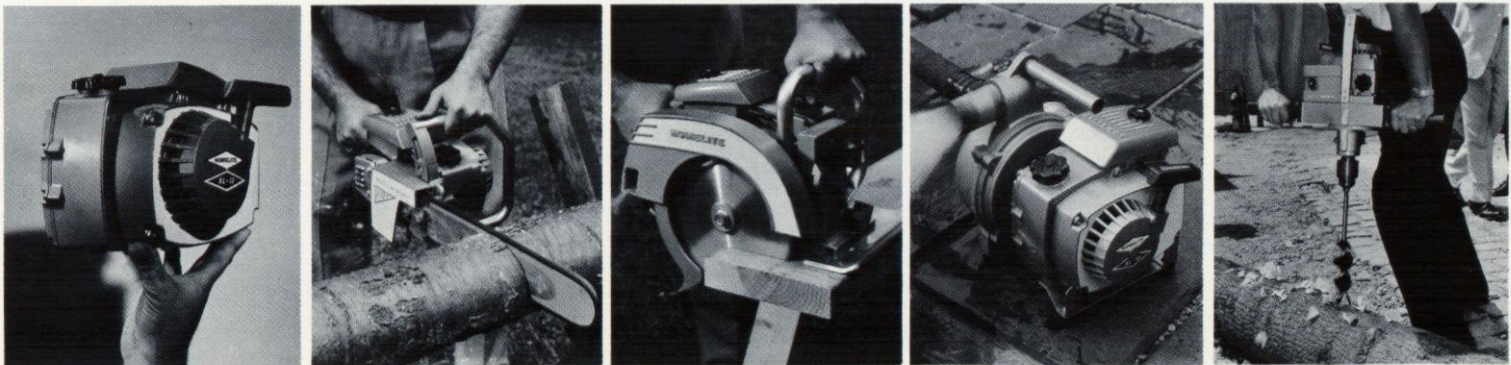
Accessory Products for pressure lamination at North American Aviation's Tulsa plant.

Industrial Product Group

- New gas safety devices — introduced by Sprague Meter. They include an automatic gas shutoff safety valve and a service pressure regulator.
- Largest oil well drilling brake ever built by Parkersburg division — now being marketed for offshore use.
- Bonded cushions of synthetic fibers — developed by Burkart for the quilting industry.
- Industrial balancing machines — manufactured by MB/Trebel, a West German division of MB Electronics acquired during 1964.

Metal Product Group

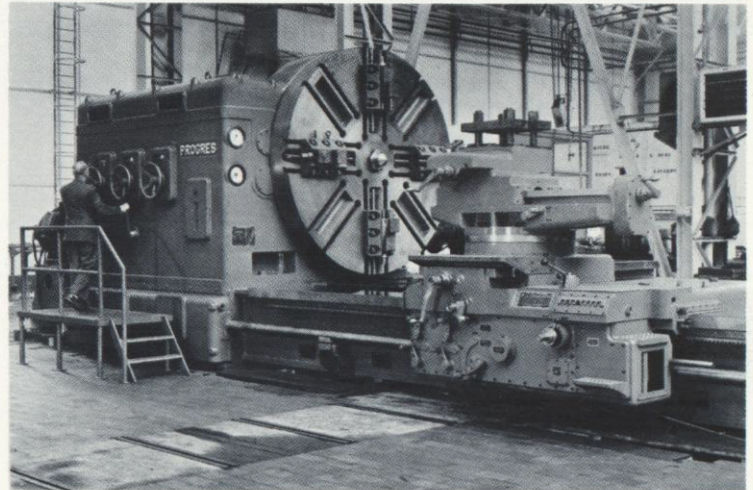
- World's first production steel foil rolling mill — being built for United States Steel Corporation by Pittsburgh Steel Foundry and Machine; will roll steel thinner than tissue paper.
- Largest Sendzimir mill built in Western Hemisphere — installed by Waterbury Farrel Division at Sharon Steel Corporation for rolling of low carbon steel. An example of increasing use of the famous Sendzimir mill for high production rolling.
- Line of large engine lathes — manufactured by Progres, Waterbury Farrel's new Belgian operation.
- Hot forging machine built by Waterbury Farrel for Ford Motor Company's high speed production of gear blanks — the first U.S. machine of this type.
- New and larger automatic turret lathe with solid state controls — developed by Jones & Lamson.
- Smaller, heavy duty optical comparator — the Jones & Lamson Epic 14.



New family of Homelite lightweight equipment using re-designed compact gasoline engine shown at far left, includes (left to right) chain saw, circular saw, pump and drill. (Popular Science photos)



Swiss Guards watch Pope Paul VI prepare to take off in history's first papal flight by helicopter. Ship is an Agusta 204B made by Bell Helicopter licensee in Italy.



Heavy duty lathe, one of largest built, shows product capability of Progres Jones & Lamson, a new Textron company in Belgium.

INTERNATIONAL

For the first time in a Textron annual report, a section is being devoted to international operations. Textron's activities are expanding outside the United States in three areas:

1. Through increased export of products manufactured in United States plants.
2. Through increase in the number of license agreements for manufacture of Textron products abroad.
3. Through acquisitions abroad in industries which complement Textron's domestic operations.

Textron foreign sales, by export or foreign manufacture, in 1964 rose 25 per cent over 1963, to \$39.5 million, or approximately 5 per cent of total sales.

Twenty-seven divisions shared in this business, with eleven having foreign sales of more than \$1 million. The largest export dollar volume was in helicopters, chain saws, machine tools and metal fabricating machinery.

Royalties from international license agreements increased approximately 11 per cent in 1964. Seven divisions received license income totaling \$892,000. License arrangements were expanded into new countries by nine Textron companies, which should result in increases in international royalty payments during 1965.

Because of the importance of their sales abroad over a period of time, Bell Helicopter and Homelite have the most comprehensive international marketing organiza-

tions of the Textron companies. Homelite has 20 people devoting full time to international marketing. Bell's overseas sales are divided into three regions, with approximately 55 dealer representatives located throughout the Free World. The West German government has been evaluating the Bell UH-1D helicopter for its military services through Bell's office in Bonn.

Acquisition of companies abroad also has expanded international operations. In August Trebel Werk, a West German manufacturer of balancing machines sold in more than 50 countries, was acquired by MB Electronics.

Early in 1965 Textron acquired control of its largest foreign operation so far, Progres Jones & Lamson, a Belgian machine tool manufacturer. Textron, which previously owned 19 per cent of the outstanding shares of Progres, acquired additional stock to bring its total to over 90 per cent. Progres' manufacturing plant of approximately 250,000 square feet, is located in Lot, a Brussels suburb. Founded in 1891, the company has 500 employees.

Products of Progres are sold in all major countries of Europe. They include lathes of Progres design, small grinders and, under license, Jones & Lamson turret lathes and Cri-Dan pipe threading machines. In addition to its own line of products, Progres will manufacture and sell in the Common Market and other countries the machine tool lines of Textron divisions in the United States.



AGROCHEMICAL PRODUCT GROUP — 13% of 1964 Sales

Spencer Kellogg — chemical products, linseed oil and other oilseed products.
Beacon — Beacon and Professional Feeds — poultry and livestock feeds, corn milling products.
Caroline Farms — feed and poultry products.

CONSUMER PRODUCT GROUP — 16% of 1964 Sales



Dorsett Marine — fiberglass boats.
GC Electronics — electronic parts, components and communications equipment.
Hall-Mack — bathroom accessories.
Homelite — chain saws, power lawn mowers, generators, pumps, outboard motors, E-Z-Go electric golf cars.
Terry Industries (Canada) — chain saws, pumps, generators, portable space heaters.
Randall (Wagner Division) — cast aluminum and cast iron cooking ware, styled mail-boxes, tubular furniture.
Shuron/Continental — eyeglass frames, lenses, cases, optical machinery.
Speidel — wristwatch bands, identification bracelets, jewelry chain.
Vita-Var — paints and varnishes.
Weinbrenner — work shoes, men's dress shoes, golf shoes, hunting boots, special footwear.

DEFENSE PRODUCT GROUP — 35% of 1964 Sales



Accessory Products — valves, pressure regulators, fluid controls, heat exchange equipment.
Bell Aerosystems — rocket engines, VTOL aircraft, air cushion vehicles, inertial guidance, automatic landing systems, other avionic devices.
Bell Helicopter — helicopters.
Dalmo Victor — radar antennae, sonar, magnetic detection and microwave systems, electronic test equipment.
Hydraulic Research and Manufacturing — electro-hydraulic valves and servo control systems, hydraulic-pneumatic control systems, high performance filters.
Nuclear Metals — Nuclear and metallurgical research and prototype production.
Spectrolab — electro-optics, semi-conductor devices.

INDUSTRIAL PRODUCT GROUP — 20% of 1964 Sales



Aetna Bearing — ball and roller bearings.
Burkart — cushioning materials, polyurethane foam.
Campbell, Wyant and Cannon — gray iron castings for engine blocks, camshafts, brake drums and parts.
Electronic Research — frequency control products.
Fanner — chaplets and chills used in casting, electrical line products, service fittings for utilities, malleable iron hardware, plastic products.
MB Electronics — environmental test systems, balancing machines, electronic instrumentation.
Parkersburg — pumps, brakes and other equipment for the oil production industry.
Randall — automobile and appliance trim, automobile door frames and body parts.
Sprague — gas meters and regulators, marine fittings.
Walker/Parkersburg — underfloor electrical distribution systems, pre-engineered metal buildings.



METAL PRODUCT GROUP — 16% of 1964 Sales

Camcar — cold flow metal parts, fasteners.
Pittsburgh Steel Foundry and Machine — heavy duty rolling mills and auxiliary equipment, aluminum and steel foil mills, metallurgical furnaces, steel castings.
Precision Methods and Machines — rolling mill components, precision machining.
Townsend — special fasteners for aerospace, automotive, home appliance and construction industries; fastening tools; automatic fastening machines.
Waterbury Farrel — Waterbury cold heading machines, Sendzimir and other rolling mills, presses, Cleveland hobbing machines.
Jones & Lamson — turret lathes, grinders, optical comparators.
Progres Jones & Lamson (Belgium) — lathes, small grinders, pipe threading machines.

Textron Employees 37,000 / Plants 124 / Securityholders 55,000



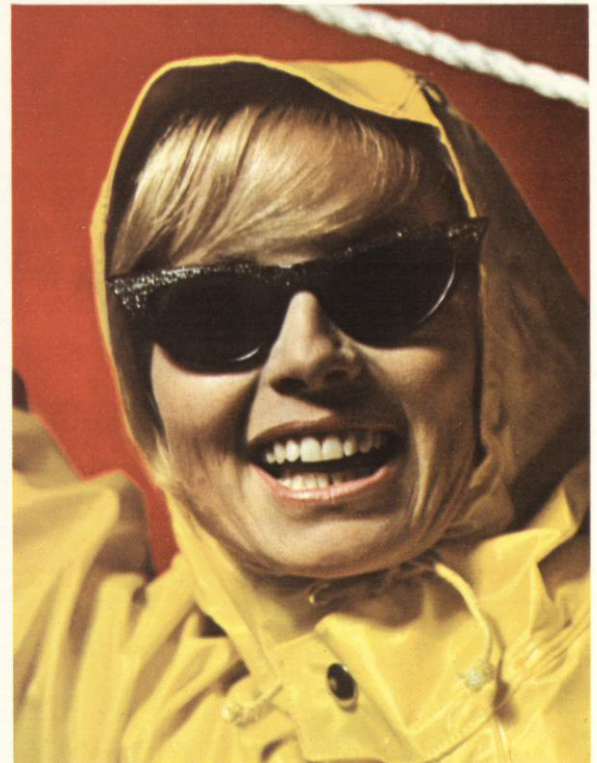
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TEXTRON PRODUCT ADVANCES

(1) a Dalmo Victor automatic satellite tracking antenna at Johannesburg, South Africa, one of the first such systems being installed by NASA throughout the world. — (2) Bell research ship which, with auxiliary jet engines, became first helicopter to exceed 200 knot speed. (3) Pittsburgh Steel Foundry and Machine has installed a line of seven high-speed aluminum foil mills at Anaconda's Terre Haute, Indiana plant. — (4) Shuron's new sunglasses style, The Bev, has flattering eye shape.

PROVIDENCE **textron** RHODE ISLAND