Textron Annual Report 1977

Building upon past progress,
we must now seek renewal
in people...facilities...
processes...systems...products...
markets...technology...
in everything we do.

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TEXTRON

Highlights

	1977	1976
Sales	$2,802,236,000	$2,627,178,000
Income before income taxes	$ 261,216,000	$ 225,778,000
Net income	$ 136,866,000	$ 121,056,000
Net income per common share	$3.65	$3.23
Dividends paid per common share	$1.40	$1.175
Annual dividend rate at year end	$1.40	$1.20
Net return on sales	4.9%	4.6%
Net return on average common equity	16.4%	16.1%
Employees/64,000		
Plants/177		
Securityholders/91,000		

Contents

Shareholders' Meeting

The 1978 Shareholders' Meeting is scheduled to be held in Providence, Rhode Island, on Wednesday, April 26, at 10:30 in the morning.

Other Reports Available

Copies will be available of the annual report on Form 10-K filed with the Securities and Exchange Commission, Textron's Financial Data Book, and the annual report of Textron's American Research and Development Division. Any of these reports may be obtained by writing to Textron Corporate Relations Department, 40 Westminster Street, Providence, Rhode Island 02903.

Cover:

Sunrise over Providence, Textron's headquarters city, is a graphic symbol of Textron's focus for the year – Progress and Renewal. Textron is cooperating with other private sector companies in projects to revitalize downtown Providence, as noted on page 19 of this report. The silver cover marks the 25th year of the diversified New Textron.

TEXTRON

Textron Inc.
40 Westminster Street
Providence, Rhode Island 02903
(401) 421-2800

Management's Report

Textron's 1977 sales, net income and earnings per share were the highest in its history. Sales increased 7% over 1976, to $2.8 billion. Net income rose 13%, to $136.9 million, and earnings per share reached $3.65, compared to $3.23 in the prior year. The year ended on a strong note, with fourth quarter results establishing a new quarterly record.

Earnings for 1977 were reduced by a decision at year end to extend use of the LIFO (last in, first out) method of inventory valuation to substantially all domestic inventories except those of the Aerospace Group. The expanded use of the LIFO valuation method reduced after-tax earnings for the year by approximately $2.5 million or about seven cents per share, two cents of which was applied to the fourth quarter of 1977 and the balance of which applied retroactively to the first three quarters. The LIFO method increases cost of sales to reflect more nearly the higher current costs resulting from inflation.

Balanced Growth

Textron's balanced diversification contributed to its continued earnings growth. There were substantial earnings increases in four of Textron's five product groups, with only the Aerospace Group reporting lower profits.

Profitability rose as Textron continued its emphasis on performance improvement and asset management. Pretax return on sales rose to 9.3% from 8.6% in 1976, and after tax return increased to 4.9% from 4.6%.

Company-financed research and development expenditures rose again in 1977, to a record $62 million. Spending for new plant and equipment, while below the record level of 1975, reached $70 million for the year.

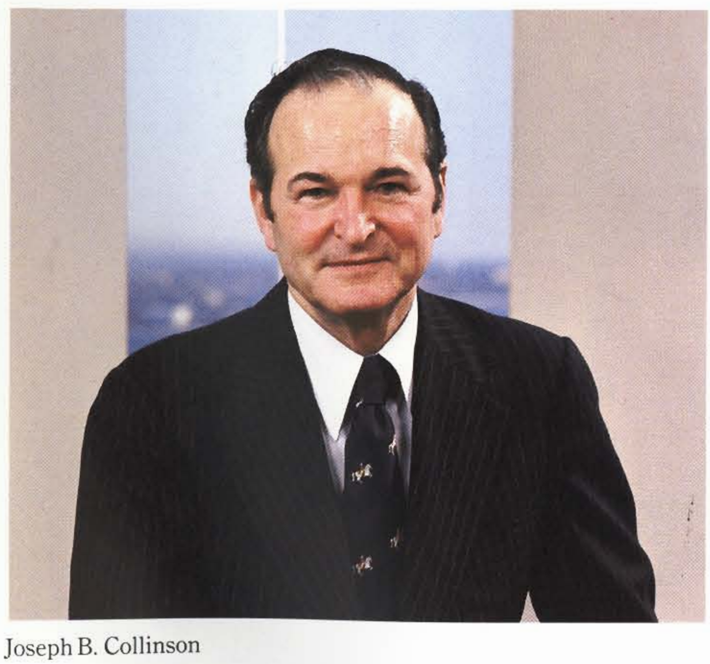
International

International sales increased slightly to $914 million, which represented 33% of Textron's total volume. Reduced shipments of helicopters and machine tools accounted for a decline in exports which was more than offset by an increase in sales from operations outside the United States.

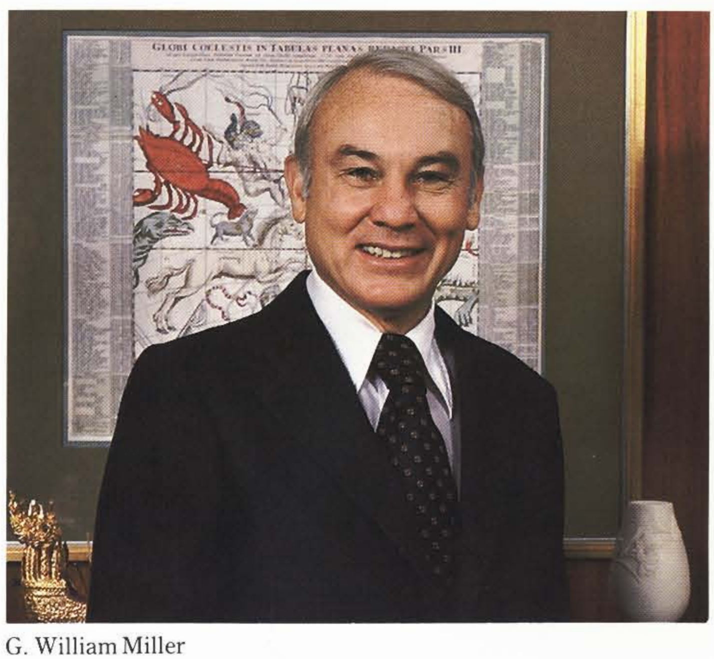
For the year 1977, losses upon translation of non-U.S. currencies into U.S. dollars were $3.1 million after taxes, compared to a net loss of $6.4 million in 1976.

Important Actions

On May 27, the Board of Directors approved the purchase by Textron, over a two and one-half year period, of the approximately 2.7 million shares of Allied Chemical Corporation common stock (or 9.6% of the shares outstanding) owned by Solvay et Cie, of Brussels, Belgium. As of December 31, 1977, Textron owned 823,802 shares consisting of 800,802 shares purchased under this agreement and 23,000 shares purchased in prior years.



Joseph B. Collinson



G. William Miller

Management's Report *(Continued)*

The Allied shares are being acquired as an investment. Allied's involvement in energy, chemicals, fibers and fabricated products complements Textron's own activities, thus adding a new dimension to our existing diversification.

In September, agreement was reached in principle for the sale of Textron's Security Group of insurance companies to Orion Capital Corporation. Consideration consists of $50,000,000 in cash and a $12,500,000 note. Textron also will receive ten-year warrants to purchase 600,000 shares of Orion common stock at $10.50 per share. The sale is expected to be completed during the first quarter of 1978 if approved by the appropriate state insurance commissioners.

In December, two Divisions of Textron's Metal Product Group – Bridgeport Machines of Bridgeport, Connecticut, and Adcock-Shipley, with its principal offices and operations in the United Kingdom – were merged into a single Bridgeport Machines Division, with headquarters in Bridgeport. These two highly successful Divisions will become even stronger by building on compatible products and serving world markets more effectively together.

Retirement of Directors

Two of Textron's Directors – Alistair M. Campbell and Arthur T. Roth – will retire from the Board in the spring of 1978. We wish to acknowledge with thanks and gratitude their years of dedicated service in the interests of Textron shareholders.

Progress and Renewal

Progress and renewal, the theme of this annual report, reflects the thrust of Textron and its divisions during 1977 and our commitment to 1978 and beyond. This challenge has been paraphrased as follows:

"We seek constantly to fashion Textron's renewal for new dimensions of growth. Building upon past progress, we must now seek renewal in people . . . facilities . . . processes . . . systems . . . products . . . markets . . . technology . . . in everything we do."

Strategy for Future

Textron expects to move ahead by using the strategies proven successful in the past. Profit growth will be stressed. Programs for more efficient utilization of assets and cost reductions in all areas will be strengthened further.

Internal profit expansion will build on the quality products and the new marketing programs of Textron Divisions. Through record spending for research and development year after year, our Divisions are positioned to bring onstream a continuing flow of new products. On pages 20 to 22 of this report a number of Division leaders discuss their programs for growth and renewal.

Although internal growth will be accented, we will continue to seek acquisitions compatible with Textron's overall objectives, especially the addition of companies or product lines to supplement existing operations.

Outlook for 1978

Textron's strength, evidenced by the competence and determination of its dedicated and loyal people, should enable the company to achieve superior performance in 1978. If business conditions continue in the relatively favorable course expected, Textron should begin its second 25 years of diversification with another year of record results.

G. William Miller
Chairman

J. B. Collinson
President

February 22, 1978

Management Succession

Textron's Board of Directors on January 25, 1978 elected Joseph B. Collinson as Chairman and Chief Executive Officer and Robert P. Straetz as President and Chief Operating Officer. Mr. Collinson, who has been President, will succeed G. William Miller, who has been nominated by President Carter to serve as Chairman of the Federal Reserve Board. Mr. Straetz has been a Group Vice President.

The promotions of Mr. Collinson and Mr. Straetz will become effective upon Mr. Miller's confirmation by the United States Senate and installation as Federal Reserve Chairman.

Mr. Miller has been Chief Executive Officer of Textron since 1968, and Chairman since 1974. He was President from 1960 to 1974.

Mr. Collinson is Textron's fourth Chief Executive Officer since its founding in 1928. Each Chief Executive Officer has worked closely with his predecessor for a number of years before assuming leadership.

In commenting on the Board's decision, Mr. Miller said, "An important priority during my tenure has been the development of people. As a result, Textron has an experienced management team – one well-prepared to carry on Textron's pattern of superior performance and growth."

Joseph B. Collinson

Mr. Collinson has been President and Chief Operating Officer since 1974. Before that he was Executive Vice President-Finance, from 1965 to 1974, and Executive Vice President-Operations, from 1963 to 1965. He joined Textron as Vice President and Treasurer in 1959 from the Chicago office of the public accounting firm of Arthur Young & Company, where he had been a partner.

Mr. Collinson is a graduate of Ohio State University. He received the Distinguished Alumni Service Award from the University's College of Administrative Science in 1970.

Robert P. Straetz

Mr. Straetz has been with Textron for more than 22 years. He became a Group Vice President in 1974. Prior to becoming a corporate officer, he was President of Textron's Homelite Division for five years. He began his business career as a field salesman with Homelite, rising in the Homelite organization through various marketing positions.

During his presidency from 1969 to 1974, Homelite had substantial growth both in the United States and internationally. Its total sales grew by 103% and operating profits by 115%.

He received a B.S. in chemistry from the University of Chicago in 1942 and before joining Homelite was a research chemist for the Manhattan Project. In 1968 he attended the Harvard Business School Advanced Management Program.

Robert P. Straetz

The Textron Concept and Objectives

Textron, built on the principle of balanced corporate diversification, has established a versatile business organization with a presence in many markets, geographic areas and technologies, and a management style and philosophy that has generated a proven record.

Textron Divisions produce goods and services that are distinctive in design, technology, and value. These, plus motivated people of high standards, are the essential ingredients for achievement of an overall goal of superior performance on a continuing basis.

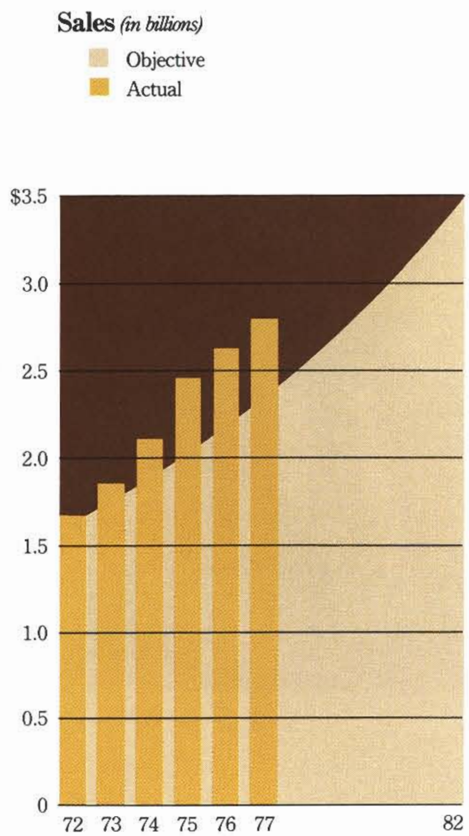
Through more than two dozen Divisions in five Groups – Aerospace, Consumer, Industrial, Metal Product, and Creative Capital – Textron's decentralization of day-to-day operations is coupled with corporate coordination and control to assure consistency of standards and performance. The operating Divisions are provided with the capital and planning assistance to meet demonstrated needs for growth. This business structure combines the enthusiasm and quick response of moderate-sized enterprises with the planning and financial resources available on a consolidated basis.

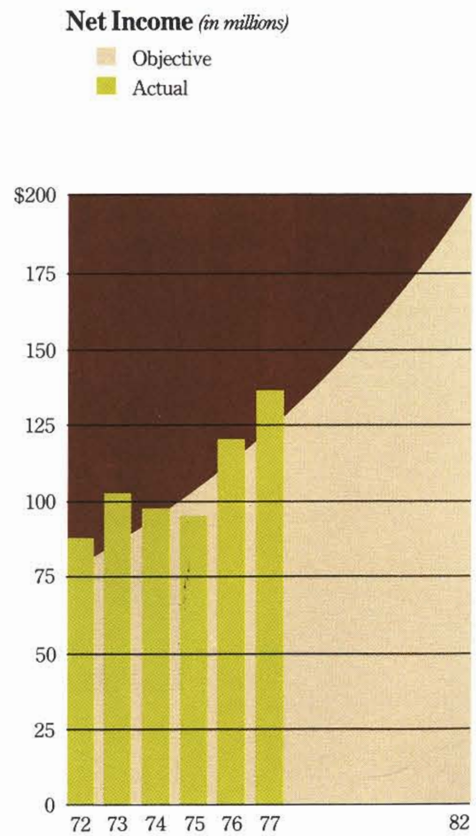
Textron has three important priorities: *People development. Internal profit growth. New initiatives.* Emphasizing these priorities, Textron seeks to accomplish quantitative objectives set in 1972 for the ten-year period ending 1982. These specific targets for compound rates of growth are:

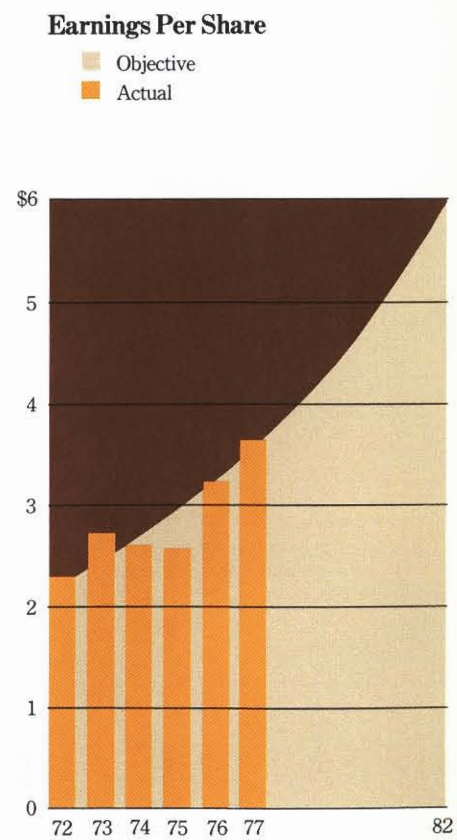
Sales: 8% per year, to $3.5 billion in 1982.
Progress, 1972 to date: 11% to $2.8 billion in 1977.

Net income: 10% per year, to $200 million in 1982.
Progress, 1972 to date: 11% to $137 million in 1977.

Net income per common share: 10% per year, to $6.00 in 1982.
Progress, 1972 to date: 9% to $3.65 in 1977.



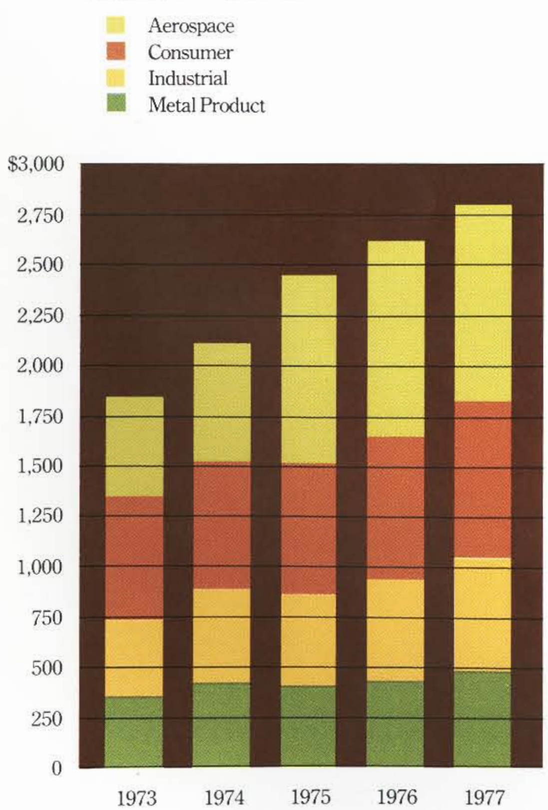




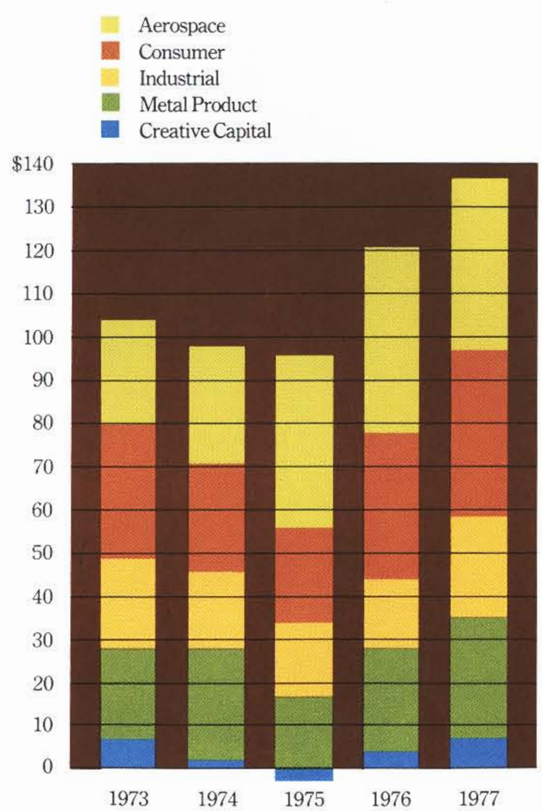
Sales and Income by Product Group
(in millions)

	1977	1976	1975	1974	1973
Sales					
Aerospace	$ 967 (35%)	$ 968 (37%)	$ 933 (38%)	$ 582 (28%)	$ 499 (27%)
Consumer	783 (28%)	714 (27%)	663 (27%)	642 (30%)	614 (33%)
Industrial	568 (20%)	513 (20%)	455 (18%)	470 (22%)	392 (21%)
Metal Product	484 (17%)	432 (16%)	408 (17%)	420 (20%)	353 (19%)
Total	$2,802 (100%)	$2,627 (100%)	$2,459 (100%)	$2,114 (100%)	$1,858 (100%)
Income before income taxes					
Aerospace	$ 71 (27%)	$ 73 (32%)	$ 63 (38%)	$ 45 (26%)	$ 41 (22%)
Consumer	77 (30%)	68 (30%)	44 (26%)	47 (27%)	59 (32%)
Industrial	47 (18%)	35 (16%)	33 (20%)	35 (20%)	38 (20%)
Metal Product	55 (21%)	49 (22%)	38 (22%)	49 (28%)	40 (22%)
Creative Capital	11 (4%)	1 (–%)	[10] ([6%])	[3] ([1%])	8 (4%)
Total	$ 261 (100%)	$ 226 (100%)	$ 168 (100%)	$ 173 (100%)	$ 186 (100%)
Net income					
Aerospace	$ 40 (29%)	$ 43 (36%)	$ 40 (41%)	$ 27 (28%)	$ 24 (23%)
Consumer	39 (28%)	34 (28%)	22 (23%)	25 (25%)	31 (30%)
Industrial	23 (17%)	16 (13%)	17 (18%)	18 (19%)	21 (20%)
Metal Product	28 (21%)	24 (20%)	20 (21%)	26 (27%)	21 (21%)
Creative Capital	7 (5%)	4 (3%)	[3] ([3%])	2 (1%)	7 (6%)
Total	$ 137 (100%)	$ 121 (100%)	$ 96 (100%)	$ 98 (100%)	$ 104 (100%)

Sales By Product Group *(in millions)*



Net Income by Product Group *(in millions)*



Review of the Year

Aerospace

Although Bell Helicopter Textron achieved new records in sales, its net income was down slightly. Combined with a reduction in income for Bell Aerospace Textron, this reduced 1977 earnings for the Aerospace Group. The overall backlog for the Group at year end was approximately $1.4 billion, compared to $1.1 billion in 1976.

Outlook: Approximately level sales and a slight decline in earnings are projected for 1978. For the next five years, operations are expected to remain at this high level. Targets for 1982 are $1 billion in sales, $48 million in net income.

Sales over $500 million

Bell Helicopter Textron – Helicopters

Record sales were attained, but earnings were down slightly from the all-time peak in 1976 because of a change in product mix and higher development costs. Commercial sales continued at high levels, primarily due to energy development activities and increased corporate use of helicopters. A substantial backlog of orders for small and medium commercial helicopters remained at year end. During 1977, U.S. Government, Iranian and other international helicopter sales continued strong.

Deliveries of two new U.S. military models began: The first of 305 AH-1S Cobra anti-armor helicopters was delivered to the Army; the first of 55 AH-1T SeaCobra helicopters, TOW anti-armor missile equipped, was delivered to the Marines.

Initial shipments of the JetRanger III improved performance helicopter were made to commercial customers. An improved LongRanger II will enter the product line in 1978. Prototype testing continued on the ten-place Model 222 – a light, twin turbine commercial helicopter. Certification is due in 1979 and more than 120 purchase options already have been obtained.

Bell Helicopter is negotiating additional foreign military sales agreements with the U.S. Government to provide continued training and logistics programs for Iran, which will carry on into the 1980's. The Bell-Iranian co-production contract is proceeding on schedule.

The 16-passenger Model 214B "BigLifter," shown carrying an oilfield pumping unit, is Bell Helicopter Textron's most powerful single turbine aircraft, providing more lift and speed than any Bell utility helicopter ever manufactured. It can lift payloads of up to 7,000 pounds, including pipe sections, utility towers and construction materials such as concrete and steel girders and beams. The ship has a top speed of 160 miles per hour.

Bell Helicopter Textron –
(Continued)

To provide a base for future growth, Bell continues its substantial spending for research and development and for new plant and equipment. New R & D programs explore the use of composite materials in manufacturing processes, as well as development of a four-bladed rotor. Plant expansion and equipment investments totaled over $7 million in 1977.

Sales over $100 million

Bell Aerospace Textron –
Electronic air defense systems, air cushion vehicles, rocket propulsion systems

Sales and earnings declined as a result of the Defense Department's termination and later reinstatement of Minuteman III production.

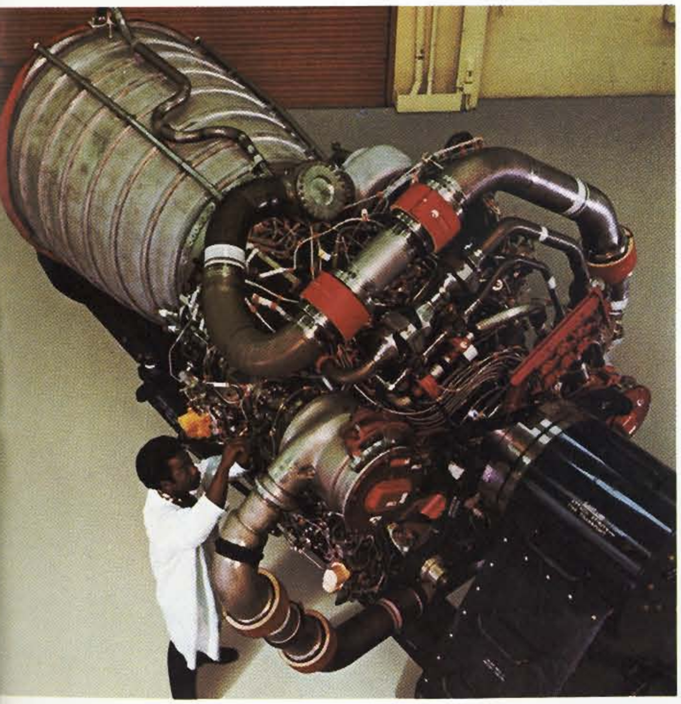
Bell leadership in air cushion vehicles progressed as two LACV-30 craft successfully completed extensive Army/Navy logistics tests for high-speed transport of sea cargo from ship onto shore. The Jeff(B) ACV landing craft, being developed for the Navy, has been launched and is undergoing tests. A joint venture is underway with Halter Marine Services to develop a small surface effect ship. A typical application of such a high performance hull would be the crew boat market, servicing offshore drilling platforms.

The Dalmo Victor backlog in electronic aircraft defense systems doubled during 1977, with sales expected to continue near current high levels through 1980. The ALR-46A digital electronic warning system has been widely accepted by the U.S. Air Force and NATO as a key part of the most advanced airborne defensive electronic systems and will be installed in the new F-16 fighter.

Sales $50-100 million

Hydraulic Research –
Electro-hydraulic servo devices, precision filters

Increased earnings were achieved on a moderate rise in sales across a broad line of servo valves and actuators. Involvement in the Space Shuttle program provided a basis for continuing technical leadership, which is reflected in aircraft and missile programs. Commercial filter products showed significant gains as a result of new applications in the synthetic fiber industry.



The actuators used in the main engine controls of the NASA Space Shuttle are produced by Textron's Hydraulic Research Division. Here, a technician at Rockwell International Corporation's Rocketdyne Division, producer of the engine, checks the HR controls before delivery to NASA's National Space Technology Laboratories. Five Hydraulic Research actuators control valves that regulate propellant flow on each of the shuttle's main engines.

Radiation patterns of a Dalmo Victor "Compass Sail" direction-finder antenna are taken on a movable ground plane by engineers at Dalmo Victor's Final Test Facility in Belmont, California. Compass Sail is one of the newer electronic countermeasure systems that the Dalmo Victor Operations of Bell Aerospace Textron is producing for the U.S. Air Force, for use on first-line combat aircraft such as the F-16, the F-4 and the A-10.

Consumer

With all Divisions reporting increases in sales, the Consumer Group once more produced a significant rise in earnings of 13% over the favorable 1976 results. Homelite was the performance leader and Sheaffer Eaton and Valentine also achieved record earnings.

Outlook: The Group is positioned to take advantage of expanding and changing markets. Growth in sales and earnings should continue to be significant in 1978. Targets for 1982 are $1.2 billion in sales, $78 million in net income.

Sales over $100 million

Homelite – Chain saws, portable construction equipment

Sales and earnings reached new high levels; all product categories showed excellent gains. Volume in chain saws was up substantially. Sales of pumps and generators were strong, the result of upgraded distribution to construction markets; farm and commercial segments also showed growth. A new 4,000 watt, 118 pound portable economy generator that provides power anywhere it is needed was introduced for consumer, sportsman and commercial users. International sales efforts were strengthened. Planned 1978 introductions include an electric chain saw and a gasoline powered string trimmer for grass and weeds.

Talon – Zippers, thread, sewing notions

Sales and earnings rose substantially. International volume improved. There was continued sluggishness in U.S. retail and Canadian markets, which was offset by cost reduction programs to provide a profit increase. The Omni 42 continuous molded fastener was introduced, combining the look of brass with the ease of nylon fastener installation. It can be color matched to any material, and is especially designed for jeans, footwear and recreational products. Expansion of the Mendrisio, Switzerland plant was initiated.

Sales $50–100 million

Gorham – Silverware, pewter, china, crystal, giftware, jewelry, bronze memorials

Sales and earnings rose. Sterling flatware volume reached an all-time high, as did giftware and bronze product sales. Jewelry also showed significant growth; china and crystal achieved higher sales. A new sterling flatware design, "Golden Scroll," was well received.

Polaris E-Z-Go – Snowmobiles, golf cars

Golf car sales and earnings were at all time highs. Snowmobile sales and earnings were lower than in 1976, however, principally because of poor snow conditions which affected snowmobile sales in western states during the first quarter of 1977. Pre-season retail sales of 1978

A new standby generator has been introduced by Homelite to help meet emergency electricity requirements for the home. This lightweight and completely self-contained generator for outdoor installation is available for use with gasoline and natural or liquefied propane gas.

A Parisian selects a Speidel watchband in a gift shop in France. Speidel's French distributorship completed its first full year of operation, as part of the Division's expanded international marketing effort. Speidel's international watchband sales increased 30% over 1976.

Polaris E-Z-Go – *(Continued)*

snowmobile models set a record. The demand for electric golf cars was particularly strong. Engineering improvements on the gasoline car have resulted in quieter, more efficient operation, and hence improved sales.

Sheaffer Eaton – Writing instruments, stationery and paper products

Sales and earnings increased during the second year of consolidation. Sheaffer's Targa, a fashion-oriented line of writing instruments, was launched successfully worldwide and new rolling ball markers will be marketed in Spring 1978. Eaton stationery and its King Tutankhamen jigsaw puzzles sold well. Writing instrument sales continued to grow in international markets. In Europe a specialty program was begun for imprinting ads on products.

Speidel – Watchbands, digital watches, fashion jewelry, men's toiletries

Sales increased, but earnings declined from the record 1976, principally because of introductory expenses in establishing nationwide distribution of the digital watch line and increased cost of labor and material. Speidel watches have continued to gain greater consumer acceptance, and sales increased by 50% over 1976. Demand for Twist-O-Flex and other watchband lines continued strong. Neckchain volume was excellent. "Wristlets," new 14K gold bracelets, were introduced.

Sales under $50 million

Shuron – Eyeglass frames, lenses, optical machinery

Sales were up slightly on increased frame volume; however, earnings were adversely impacted by rising costs and an inventory adjustment on discontinued lens products for export. A "designer" frame collection, successfully introduced under the Elizabeth Arden name, marked Shuron's entry into fashion eyewear.

Valentine (Australia) – Greeting cards, printing

For the second consecutive year, records were set in sales and earnings. Product range and marketing programs were expanded. Upgrading of facilities continued through new construction as well as the purchase of a major new facility for the printing division.

WECO (Germany) – Optical machinery

Sales and earnings increased at WECO. Superior technical features of its machines contributed to a strengthened market position.

Willco (Germany) – Hearing aids

Willco sales and income were approximately equal to those of 1976. Export volume was reduced because of the rising value of the German mark.

Gorham Archive Collection stickpins include sterling silver and gold plate wildlife designs, copies of early Gorham silverware ornaments. This dragonfly stickpin in a woman's jacket lapel catches a new fashion trend, the "stickpin renaissance." The pins can be used to adorn ladies' scarves and men's ties. Gorham introduced the collection in 1977 as part of a broader line of sterling silver, gold and crystal jewelry.

Sheaffer Eaton products combine perfectly for social correspondence. The writing instrument is Sheaffer's marker in the new Targa design, available in both gold and silver, in fountain pen, ball point, and pencil models. The stationery is Eaton's new "Firebird" design. Other coordinated paper products include notepaper, address books, notebooks, At-A-Glance calendars and Duo-Tang portfolios and covers.

Industrial

A favorable automobile and truck market was an important factor in the Industrial Group's attainment of higher levels of sales and earnings. CWC and Burkart Randall turned in excellent performances.

Outlook: Future prospects are bright. Solid growth in sales and even more substantial growth in earnings are expected in 1978. The Group's 1982 targets are $700 million in sales and $35 million in net income.

Sales over $100 million

Burkart Randall – Cushioning, automotive trim and tubular products

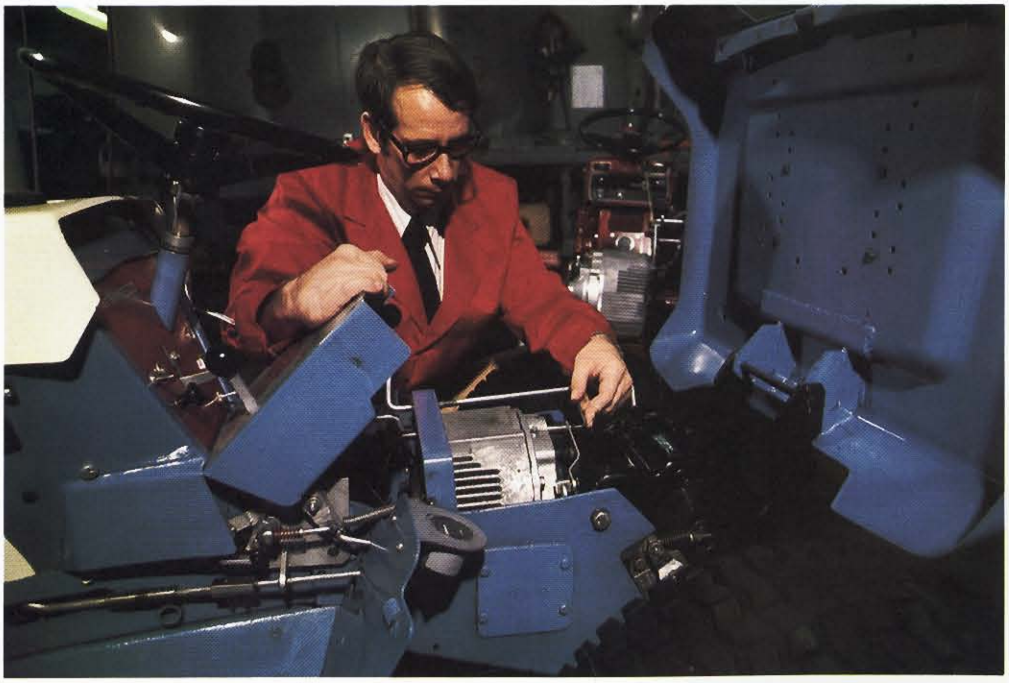
Sales and earnings improved as automobile manufacturers implemented weight reduction programs. Burkart provided foam and synthetic carpet underlays for automotive applications, and Randall substituted aluminum or plastic for heavier parts. The Division continued to be a major supplier to the appliance, furniture and bedding industries. Expenditures for plant and equipment totaled over $3 million in a continuing program of upgrading production facilities.

CWC Castings – Castings for diesel engine blocks, other truck and automotive parts

Sales and earnings increased as product mix and operating efficiencies improved. Volume of castings for diesel engines rose with the upswing in sales of heavy duty trucks and off-the-road equipment. CWC's camshaft sales to U.S. automobile manufacturers have increased and acceptance in the European market is growing. The new market demand has led to expansion of camshaft finishing facilities. Ductile iron capacity was enlarged because of increasing requirements for lighter weight castings in automobiles and trucks.

Fafnir Bearing – Precision ball and roller bearings

Sales and earnings were up. In the U.S., significant improvements were made in aftermarket replacement volume and in sales to manufacturers of both military and commercial aircraft. In the United Kingdom earnings were down because of a depressed aircraft industry. Fafnir's new contaminant resistant extended inner ring bearings gained increasing acceptance in the farm equipment industry. The Economy V-Series housed units, introduced in 1977, incorporated these bearings with increased market success.



Fafnir is preparing to enter a new market through the design and development of a variable speed transmission for lawn and garden tractors. Mounted in a small tractor, the transmission here undergoes a final adjustment by a Fafnir engineer before performance testing. The transmission, now being evaluated by a number of tractor manufacturers, offers infinite speed variations for forward and reverse movement, improved fuel economy compared with conventional drive transmissions, and a smooth, quiet ride.

Sales $50-100 million

Spencer Kellogg – Chemical and oilseed products

Sales and earnings were slightly improved. For the first time chemical products for protective coatings exceeded oilseed products in sales, and chemical production facilities were expanded to meet demand. Sales of a new line of water dispersible resins increased substantially. Less favorable Patterson-Sargent results reflected slow demand for marine coatings and reduced private label sales.

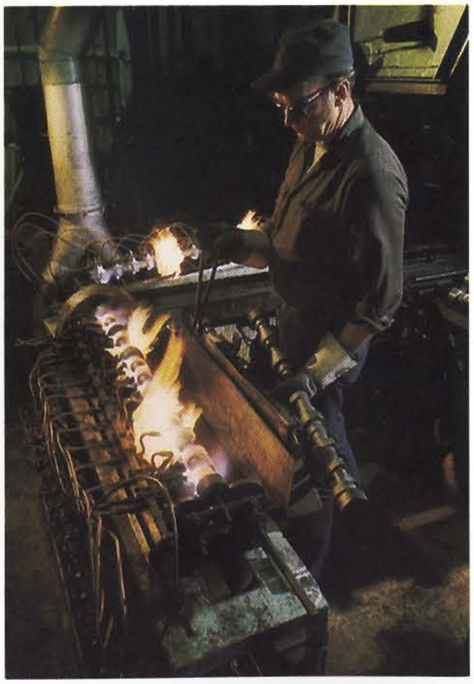
Sales under $50 million

Sprague Meter – Gas meters

Sales increased to a new high; however, earnings were reduced from last year's record level as changes in the gas meter product mix had a major effect – more units were sold for replacement than for new construction and demand was reduced for larger sizes. Results improved for all other product lines: security devices, pressure regulators, and piping system repair devices and service fittings. International sales also increased.

Walker Parkersburg – Underfloor electrical duct, electrical distribution systems, metal buildings

Sales and earnings were about level as nonresidential construction improved only modestly. The Walkertrak Overhead Raceway System, featuring simple plug-in service and substantial cost reductions, was introduced to meet the growing trend toward renovation of commercial buildings. An expanded recruitment program to upgrade the dealer network for pre-engineered buildings began to show positive results.



Camshafts made at CWC Castings are heat treated in a special flame metal hardening process that controls chemical and physical properties. The result is a tough product with excellent wear characteristics. In 1978 CWC will cast camshafts for a number of General Motors Divisions, for American Motors, and for Volvo of Sweden.

Buns of urethane foam 200 feet long are moved by conveyor into a curing area and stacked for storage by an overhead lift at Burkart Randall's Cairo, Illinois plant. The buns, produced by computer-controlled machines, are cut into hundreds of sizes and shapes for use as cushioning in automobiles and furniture.

Metal Product

The Metal Product Group had excellent sales and earnings growth. Bostitch, together with the recently united Bridgeport Machines and Adcock-Shipley Divisions, led the way. Results also were good at Divisions producing fasteners (Camcar and Townsend). Although Waterbury Farrel's 1977 results were lower, as predicted, orders picked up in the Fall, to provide a larger backlog at year end.

In December, the Adcock-Shipley Division was merged into Bridgeport Machines to create a stronger, worldwide, integrated capability in milling machine tools, with compatible products and markets.

Outlook: The Group should continue the upward trend of recent years. Substantial improvements in sales with accompanying gains in earnings are projected for 1978. The Group's goals for 1982 are $700 million in sales and $42 million in net income.

Sales over $100 million

Bostitch – Stapling and nailing equipment

Sales and earnings reached all-time highs, with strength in all principal markets – construction, furniture and automotive. Hundreds of dealers throughout the U.S. were established as construction service centers to broaden the distribution of Bostitch power fastening products, particularly for the small contractors who build 70% of U.S. homes. The Tackler – a light duty tacker – first of a completely new consumer line, was introduced.

Sales $50-100 million

Bridgeport Machines – Vertical and horizontal milling machines

Sales and earnings for both Bridgeport and Adcock-Shipley – merged in December – were at record levels for the year.

The Bridgeport Series I CNC, a small computerized numerical control milling machine, achieved significant volume in its first year, spurred by a trend to electronics in small and medium sized machine shops. Bridgeport's export sales showed good growth after entry into the Japanese market. The Bridgeport Controls plant in Horsham, Pa. was expanded to meet increased demand for numerical controls.

Adcock-Shipley reported improved sales in the United Kingdom and increased penetration of the South American market; however, the European continental market remained static.

High precision saw chain manufactured by the Townsend Division is stress tested for durability and cutting efficiency. Its advanced design in chain profile and construction results in fast, smooth cutting action and maximum service life. Townsend's processes provide consistent quality in sizes to fit all chain saw makes and models, for manufacturers of original equipment and for the domestic and international replacement markets.

The new Jones & Lamson A-Line lathe, recently announced by the Waterbury Farrel Division, can be moved easily on the factory floor without downtime for disassembly, yet can perform the same jobs with greater versatility than larger and costlier units. Eight modular A-Line versions will be available. All can be converted for a variety of different types of numerically controlled operations. A-Line deliveries will begin in June, 1978.

Camcar – Engineered fasteners

Sales and earnings were up substantially on continued strength in the automotive market. The downsizing of automobiles, with resultant reduction in the total automotive fastener market, has spurred more intensive Camcar efforts for special application sales of non-standard, engineered products. An example is the new STRUX fastener that replaces welded studs in automotive and appliance applications.

Townsend – Engineered fasteners

Sales and earnings increased moderately. The product line was further diversified. Wide acceptance by aircraft manufacturers of the CherryMAX patented aerospace blind fastening system resulted in sales which exceeded first-year expectations. The new Fabco Colorfixx fasteners, with plastic molded heads, color-matched to building panels, were specified increasingly by pre-engineered metal building manufacturers. Mass merchandising of Townsend-manufactured saw chain was initiated under the Sabre label and export sales have started.

Waterbury Farrel – Machine tools, rolling mills

Sales and earnings were lower, following the completion in 1976 of major overseas contracts. In the U.S., spending for capital equipment slowed early in the year and then accelerated. By year end there was a substantial rise in new orders, most of which required long production lead time. Introduction of the TNC A-Line, a compact, modular lathe, gave new flexibility to machine users. A $7.2 million order for larger numerical control lathes for automatic production lines was received. A line of high speed headers and new Jones & Lamson optical comparators were introduced late in the year.

Max (Japan – 50% owned) – Stapling and nailing equipment (Sales not consolidated with Textron)

Sales and earnings increased. Effective cost control and continued internal refinement contributed to the improved performance. Export sales, mainly to Far Eastern Markets, were ahead 50%.

The Bostitch Tackler, a new, lightweight stapling tacker designed for do-it-yourself activities, is used here to make an attractive, colorful wall-hanging. Easy to operate and reload, it has a long power handle that makes tacking easier and a square, snub nose that gets into corners too tight for a hammer. The Tackler weighs only 11 ounces, fits comfortably into one's grip.

Camcar's STRUX Clinch Studs are being used in a wide range of assembled parts (left photo), including an automobile bumper guard (exploded view), to replace welds and nut-and-bolt fastening systems. Available in many sizes and metals, STRUX studs are engineered to offer greater strength and reliability than other fasteners, fewer production defects in application, and easier, lower-cost installation.

Creative Capital

The Creative Capital Group had higher earnings, with the improvement attributable to Security Insurance. There were small net earnings decreases at American Research and Development and Textron Financial Corporation. Major announcements in connection with the Group took place in 1977. An investment in Allied Chemical Corporation was announced in May and an agreement for sale of Security Insurance was announced in September.

Outlook: Future prospects for the Group are sound, with an excellent program of new investments and potential portfolio gains at ARD.

American Research and Development – Venture capital

Operating earnings increased, but net income was reduced because of higher tax provisions resulting from the sale of an investment. New investments included one in Collagen Corporation, which will manufacture and market a proprietary medical product for use in the restoration of skin disfigurements through injections. A program was initiated to provide selected ARD portfolio companies with Textron resource assistance.

Textron Financial Corporation – Sales financing

Earnings were slightly below the 1976 performance because of reduced income from sales financing. TFC assists Textron Divisions by providing financing and leasing programs to facilitate the sale of their products. At year end TFC receivables totaled in excess of $50 million, principally from the financing of sales of Bell helicopters. Other important financing included Polaris snowmobiles and E-Z-Go golf cars.

Security Insurance – Fire and casualty insurance

Operations were substantially improved. Net income was $5.6 million compared to $2.1 million in 1976.

Investment

Under provisions of an agreement announced in May, Textron is purchasing in ten equal quarterly installments, subject to certain price limitations, the approximately 2.7 million shares of Allied Chemical Corporation owned by Solvay et Cie of Brussels, representing 9.6% of Allied's shares outstanding. Three installments of 266,934 shares each were purchased during 1977 at an average price of $45.28 per share. As of December 31, 1977, Textron owned 823,802 shares consisting of 800,802 shares purchased under this agreement and 23,000 shares purchased in prior years.

The investment in Allied Chemical adds a new dimension to Textron's balanced diversification. As a substantial shareholder, Textron will benefit from Allied Chemical's involvement in energy (including oil and gas), chemicals, and fibers and fabricated products.

Ionics, Incorporated, a company in which Textron's American Research and Development Division has an investment, designed and constructed the demineralization plant to provide fresh water for the municipality of Corfu on one of the main tourist islands of Greece. Ionics is one of the world's leading producers of water purification and desalination equipment. Here an engineer checks the pipeline leading to special membrane stacks where brackish water is purified by transfer of salts through electrically conductive membranes.

Allied Chemical Corporation, in which Textron has an investment, has a 20% interest in a partnership which is developing two oil fields in the North Sea. Shown above is the Claymore Field platform, which began production in 1977. Claymore and the nearby Piper Field, operated by the same partnership, are expected to yield 400,000 barrels of oil a day when in full production.

International

Textron international sales in 1977 were up slightly from the record level of 1976. The international total was $914 million, approximately 33% of Textron's overall sales. Exports decreased somewhat, but sales from operations outside the U.S. were stronger. Non-U.S. facilities' operating profit (before the effects of currency translation) were $36.6 million, compared to $32.1 million in 1976. After giving effect to currency translation losses, which were lower than in 1976, net income was $13.0 million, compared with $8.8 million in 1976. For additional information, see note 11 to the consolidated financial statements.

Exports

Textron exports from the United States declined; reduced helicopter and machine tool shipments accounted for the drop. Total exports amounted to $542 million, or 59% of Textron's international business, compared with $573 million and 64% in 1976.

Once again Bell Helicopter Textron was the major contributor to exports, although its total of $387 million was a reduction from the previous year's $419 million. The sharpest percentage drop in exports was experienced by Waterbury Farrel as Eastern European rolling mill shipments lessened. All other U.S. Divisions together recorded a net export increase of 14%.

Textron Canada

Sales increased 12% and operating profits before currency translation rose 17% over 1976 in spite of unsettled economic and political conditions in Canada.

There was improved penetration of several market areas in the Western Provinces, while business in Eastern Canada was generally slow. Anti-Inflation Board wage and price regulations relating to productivity gains restricted profit growth. Nevertheless, most Divisions showed higher profits, with Bell Helicopter Textron, Homelite and Sheaffer Eaton leading the way. Bell's sales increased to the petroleum, hydroelectric utility and forestry markets. Homelite's chain saw sales were especially strong.

Textron Atlantic
(Western Europe)

Sales increased 8%; however, operating profit before the effects of currency translation decreased slightly. Net income, reported in dollars, increased due to lower interest charges and a small currency exchange gain in 1977, as opposed to a significant exchange loss in 1976.

Running counter to the overall sluggish economic trend, Bell Helicopter Textron, Adcock-Shipley, Bostitch and WECO increased both sales and operating profits. Adcock-Shipley sales

Following opening of Textron's first Trade Development Office in Athens late in 1977, Textron's Director of Trade Development – Middle East, Harold N. Tune (left), confers with Athanasios Nikitopoulos, Audit Manager – Athens Office, of Arthur Young & Company, Textron's outside auditing firm. The Acropolis is shown in background.

Comparative Results of Non-U.S. Operations *($ U.S. Millions)*

	Sales*		Operating Profit**		Net Income	
	1977	1976	1977	1976	1977	1976
Textron Atlantic (Western Europe)	$160	$148	$10.0	$11.4	$ 2.4	$(3.3)
Textron Canada	66	59	4.2	3.6	.7	2.7
Textron Pacific (Australasia)	52	53	7.4	6.5	1.8	4.6
Other	144	103	25.9	20.2	13.8	9.8
Adjustments/ Eliminations	(2)	(1)	(10.9)	(9.6)	(5.7)	(5.0)
Total	$420	$362	$36.6	$32.1	$13.0	$ 8.8

**Including $48 and $43 million in 1977 and 1976, respectively, of resale of components manufactured in U.S.*

***For purposes of this table, operating profit is defined as profit before interest, effects of currency translation and Federal or national taxes on income.*

Textron Atlantic – *(Continued)*

increased 22% and profits rose substantially as demand by U.K. customers recovered and exports from its operations there were again strong. As part of a five-year expansion program, capacity was added to the Leicester, England facility. Bostitch sales reached record levels but profits grew at a slightly lower rate. WECO results were buoyed by new product introductions.

Fafnir Bearing's and Waterbury Farrel's results were not as good as expected. Fafnir's product mix had a lower content of aircraft bearings. Waterbury Farrel's European machine tool orders were lower, consistent with industry trends. Losses incurred at Talon's German operations somewhat offset gains at that Division's other locations.

Textron Pacific
(Australasia)

Sales were 2% lower than in 1976, but operating income before currency translation rose 14%. Valentine was the major profit growth contributor, with sales up 11% and profits almost double. Results were excellent in all areas of Valentine's activities. Bell Helicopter Textron's decline in government sales more than offset the total sales growth of the other Australian companies. Bell's operating income was behind 1976 results as a contract with the Australian Government was completed. Bostitch and Sheaffer Eaton sales reached all-time highs. Bostitch expanded its lines of staplers and power nailers.

Iran

Textron's total business with Iran continued to grow as the training and logistical support tasks of Bell Helicopter International were expanded. These operations range from the teaching of English to training of mechanics and pilots. Export deliveries on contracts for 528 helicopters were virtually completed in 1977. The helicopter co-production contract with the government of Iran has been started, with manufacturing facilities under construction.

Trade Development Offices

Under a significant new initiative, Textron late in 1977 opened its first Trade Development Office – in Athens, Greece. It is contemplated that three such offices will be established in key trading areas of the world in which market opportunities are especially attractive, yet where Divisions might find it difficult to justify individual territorial coverage. The principal objectives will be to develop Textron export sales from both U.S. and non-U.S. operations by cooperating with current divisional efforts and by creating a vehicle for new initiatives, particularly in developing nations.

Net Assets (Liabilities) Subject to Currency Translation Gains or Losses – Fiscal Year Ended 1977*

Note: *A significant portion of the asset balances apply to inventory positions which, in the event of currency rate changes, impact Textron statements in U.S. dollars over a period of time, depending upon inventory turnover rates and subsequent currency rates.*

Country	Local Currencies (millions)	U.S. Dollar Equivalent**
Australia	A$ 5.0	$ 5.6
Belgium	BFr 152.5	4.3
Britain	£ 7.8	12.9
Canada	C$ 21.7	20.1
France	FFr 27.8	5.7
Italy	Lit 3,228.4	3.6
Mexico	MP 59.6	2.6
Netherlands	Hfl (6.9)	(2.9)
Switzerland	SF 22.6	10.1
West Germany	DM 3.2	1.0

**Fiscal years for all countries except Canada, November 30. Canada is December 31.*

***Determined in accordance with Financial Accounting Standards Board Statement No. 8.*

Bridgeport and Adcock-Shipley milling machines attract prospective customers at the International Machine Tool Exhibition in Hanover, Germany, the largest such show in Europe. The two Textron companies, recently consolidated, demonstrated twelve machines, part of an expanded program to increase penetration of European and other world markets. In the show was a Bridgeport miller, equipped with the new digital readout system designed and manufactured by Bridgeport's Controls Division. It combines optics and electronics for more precise control.

Improving Performance

Energy conservation, in-plant safety and performance improvement programs continued during 1977 as part of Textron's companywide emphasis on internal profit growth. Exchange of technology among Divisions was broadened. Savings produced by these programs contributed significantly to a general improvement in operating profit margins. Operating income as percent of sales was 9.7%, compared with 9.4% in 1976.

Safety Programs

Textron endeavors to maintain a healthy, safe work environment for all employees through programs conducted by Divisions and the Corporate Office. To coordinate these efforts, Divisions sent representatives to a Textron seminar addressed by specialists on occupational safety, environmental protection and insurance.

These programs helped produce an improvement in Textron's overall accident rate for the fourth consecutive year. Eighty certificates were awarded to plants in 21 Divisions for improvement in safety results.

During 1978, Textron will emphasize a continuing campaign for identification of hazardous substances to assure that only materials meeting new safety standards are used in manufacturing processes.

Performance Improvement Program

A constant renewal of ideas from all employees is providing vitality and improved results for Textron's Performance Improvement Program, or PIP.

Ideas are exchanged through a Newsletter and annually through regional meetings of Divisional PIP representatives. Employee suggestions ranged from changes of suppliers to modifications of technical processes. Other improvements resulted from rebuilding rather than replacing machinery, reducing material waste in plastic molding equipment, and converting existing machinery to improve productivity.

PIP's results for cost reduction, better utilization of resources and increased profit in 1977 substantially surpassed divisional objectives for profit improvement. Certificates of Achievement for outstanding contributions were awarded to 110 employees representing 21 Divisions.

Energy

Average energy costs per therm (100,000 BTU) for Textron's U.S. Divisions increased 15% in 1977. However, energy cost avoidance resulted in savings of $6.8 million, 17% of a total energy cost of more than $40 million. Each Division is pursuing comprehensive energy conservation. Savings were made during 1977 through closer controls on energy usage and effective utilization of waste heat from manufacturing processes. Energy management and heightened awareness of conservation possibilities will continue to be stressed.

Technology Exchange

A Technology Exchange Program, initiated in 1976, encourages Divisions with common interests and technologies to exchange ideas and expertise. Four seminars have been held, each hosted by a different Textron Division, on the subjects of powdered metals, plastics and composite materials, microprocessors, and paints and protective coatings. Included were updates by outside experts and discussion of divisional needs.

Large heat exchangers at CWC Castings save energy by utilizing the heat from oil used in manufacturing processes to warm outside air for interior area heating. The CWC exchangers are saving approximately $17,000 a year in energy costs.

Homelite and Burkart Randall engineers discuss results of a joint project to design and manufacture special high strength plastic housings for the Homelite products shown here – the XL series of consumer chain saws, and the new string trimmer for grass and weeds. Burkart Randall produces the molded nylon housings.

Developing People and Communities

People are Textron's greatest resource. To provide the competent, creative people needed for continued growth and success, Divisions conduct their own activities to help individuals develop their fullest potential. In addition, the Corporate Office provides assistance, such as company-wide management training and self-directed career development.

A result of these efforts is reflected in internal progression: of the 915 higher level managers in Textron's Divisions and Corporate Departments, 686 reached their current positions through promotion or internal transfer.

Equal opportunity programs were strengthened through closer review of procedures and performance against goal. Textron's people development activities have been extended to assist employees and their families with personal difficulties that may affect job performance.

Training and Development

Supervisory and foreman training increased in many Divisions, as did assistance provided to individual employees for self-development. In the Corporate Office, a self-appraisal and career development program was introduced. This plan of independent study, complemented by counseling and supervisory support, will be expanded to Divisions.

Corporate-sponsored, two-week management development programs were continued. Participating in 1977 were 196 high potential managers, including 8 representing international operations. The proportion of women and minority attendees increased.

Affirmative Action

Textron's tracking of its equal employment efforts and affirmative action programs, and regular reviews by Textron Directors continued to produce results. Of Textron's 51,600 domestic employees, approximately 6,800, or 13%, are minorities and 17,000, or 33%, women.

Special efforts are being made to increase the number of minority vendors in obtaining contracts with Textron and its Rhode Island Divisions – a program to be expanded throughout the Company.

Jobs for Disadvantaged and Veterans

Responding to President Carter's appeal in June, 1977 to hire Vietnam-era veterans, Textron Divisions pledged 1,334 new jobs as part of HIRE, or Help Through Industry Retraining and Employment. In less than six months Textron achieved more than 50% of its goal. The President also appointed G. William Miller national chairman of HIRE and chairman of National Alliance of Businessmen, a voluntary organization to encourage jobs for the disadvantaged.

Between classes of a Textron two-week management development program, high potential middle managers from the Corporate Office and Divisions chat with Professor Norman Berg (second from right) of Harvard Business School. In the nine years of these programs, conducted by Harvard faculty, Textron employee attendance has reached 630, including 61 international participants.

Awareness Programs

All U.S. Divisions have adopted a program for early identification of potential or actual alcohol-related work problems among employees and their families. Those needing assistance are referred to community agencies for counseling and treatment. The recovery rate compares favorably with those of the most successful programs conducted by other industrial corporations.

Charitable, Educational and Cultural Programs

In 1977, Textron contributed $1,123,728 to charitable and educational organizations through its charitable trust.

Included were contributions matching employee and director gifts to more than 793 educational institutions, totaling $135,430. In 1977, a similar program for matching employee gifts to cultural endeavors was inaugurated.

In addition, Textron continued its educational assistance to employee children by sponsoring 41 Merit Scholarship college students and funding the broadly based Sponsored Scholarship Program, which has assisted 62 additional employee children in college and 10 in vocational and technical schools to date.

Community Involvement

Progress and renewal is a theme of Textron's involvement in the communities in which it operates as well as within the Company itself.

One of the most promising community projects, Adopt-A-School, begun in 1976 at the Speidel Division and expanded in 1977 to Gorham, aims to heighten middle-school student awareness of possible vocational choices through in-plant classroom sessions.

Other special efforts of Textron and its Rhode Island Divisions include affirmative action in employment, minority vending, and financial aid and employee counseling for minority students seeking higher education.

In Providence, its corporate headquarters, Textron is cooperating with other private sector companies to restore the 350-room Biltmore Hotel, a key to revitalizing the downtown center. Textron is investing $1.5 million as part of the total cost of $12.5 million.

Textron is also participating with the City of Providence, and with State and Federal authorities, in planning for the restoration and conversion of the complex of buildings which constitute Providence's Union Station.

Textron Sponsored Scholarship winners Velda and Eddie Garner, daughter and son of a CWC Castings employee, are photographed on the University of Michigan campus at Ann Arbor, where both are students. Under this Textron program children of employees who meet requirements of scholarship and need are awarded grants for educational expenses for up to four years. The program in 1977 gave awards to 40 college students and six vocational/technical students.

As part of an in-house development of future Bostitch department supervisors, this class of employees meets with President Gerald Keltz and Senior Vice President-U.S. Operations Michael Carey, who are at center of table, and other members of management. The program consists of 19 classroom sessions, on-the-job supervisory training and two-week internships as department supervisors.

Progress & Renewal Divisional Comments

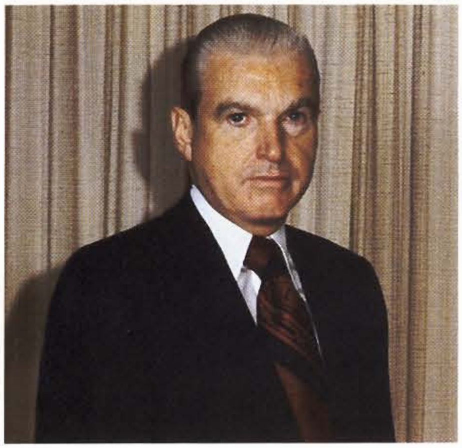
In keeping with this report's progress and renewal theme, Division leaders were asked to comment on how they plan to carry forward the growth of their companies. The quotations selected here are from Divisions that are among those highest in net profit or in return on investment.

Townsend, Harold C. Kornman.

We will continue our record of sales and profit growth by excelling even during business down cycles . . . achieved through a strategy of specialization in manufacturing and marketing engineered fasteners and fastening systems. Our twelve plants, functioning as initiative centers, meet special customer needs and enable us to outperform the competition.

As we develop ever-more sophisticated fastening systems, we will also be flexible . . . to embrace new non-fastener products such as our successful entry into saw chain and production of cutting bits for coal mining machinery, both areas with high growth potential.

Indicative of our growth potential in new products and entry into new markets, our business has doubled in the last five years.



Bell Helicopter Textron, James F. Atkins.

Bell Helicopter Textron has had substantial growth over the past five years. We are now in a period of consolidation before moving on to a new growth curve.

The helicopter industry is young and challenging . . . we foresee greatly expanded markets. Advanced technology will lead the way and make our products more capable and cost effective for our customers in world markets.

To insure continued leadership in the 80's, we are investing substantially in research and development of new products. For example, our new light twin engine Model 222 helicopter will reach the market in 1979. Its speed, comfort and safety will challenge fixed wing aircraft for the short haul corporate transportation mission. We're also developing variations of the 214 "Big Lifter" with twin engine safety and power.

Our organization is young and aggressive . . . our people talented . . . our technology advanced. These will continue as the basis for success.

Speidel, Robert S. Kennedy.

At Speidel we invest in the future . . . rather than celebrate the past. Realistically, we recognize past successes and weaknesses . . . but concentrate our efforts on the future.

We have long been leaders in replacement watchbands with a truly superior product, Twist-O-Flex. Our international expansion, which began in 1973, opens substantial opportunities for this watchband line.

However, future growth will be more broadly based, with a wide range of products capitalizing on the Speidel name and distribution . . . new designs of watchbands . . . digital watches . . . fashion jewelry . . . men's toiletries.

Solid expertise fuels our movement toward new products . . . innovative, in-house design and engineering skills . . . highly automated manufacturing . . . and a distribution system that allows us to move quickly to meet demands.

Bostitch, Gerald H. Keltz.

Bostitch strives to maintain three elements essential for renewal:

- An atmosphere that encourages innovation and internal critique.
- Infusion of new blood, when needed, into key management positions to avoid stagnation.
- Rotation of managers within the organization to sustain enthusiasm.

Maintaining these elements gives Bostitch a fresh management outlook and vibrant enthusiasm which yield tangible results . . . such as the important new stapling and nailing products we have developed and will introduce in 1978 and '79 . . . and new manufacturing methods and processes which will improve productivity.

Well-trained people making needed changes, taking advantage of new opportunities . . . this will hasten our growth and add to the quality of our profits.

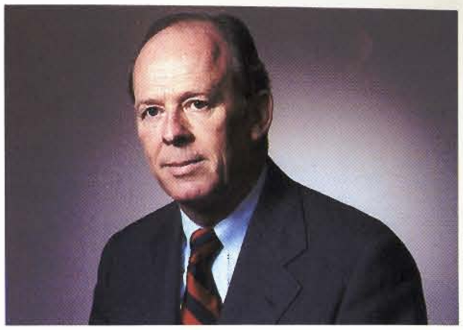
Bridgeport Machines, Joseph E. Clancy.

The new combination of Bridgeport and Adcock-Shipley will be strengthened by building on compatible products and markets. Together, product planning, engineering, manufacturing and sales will be integrated more effectively to serve growing global markets for our quality products.

Bridgeport once produced a single basic, but world famous, machine, the Bridgeport Series I. In the last five years we've developed more products than ever before in our 40-year history . . . one of the most recent being the computerized, numerically controlled Series I CNC which should have years of high sales.

We are well on our way to becoming a major supplier of numerically controlled machinery to the metalworking industry. To keep pace with demand for our N-C models, we doubled capacity at our controls manufacturing plant in Horsham, Pennsylvania. Expansion of one of our Adcock-Shipley U.K. facilities will support more extensive penetration of overseas markets for our horizontal milling machines . . . next will come a plant in Singapore to compete in rapidly expanding Pacific markets.

By continuing to provide the latest technology to small shops and high production operations worldwide, Bridgeport sales should grow significantly in various product sectors – throughout the next decade.



Homelite, Beverly F. Dolan.

Building from our mastery of small, lightweight gasoline engines, we will reach our goal of doubling sales between 1976 and 1982. Our most important product – chain saws – will continue its expansion, spurred by the energy crisis and increasing consumer and professional acceptance of our technically superior products.

From this solid base we will grow even faster by offering a new electric saw . . . by adding portable labor-saving devices such as a string trimmer for grass.

Sensing needs and filling them lets us progress in other areas. We see exciting potential in our new line of standby home generators for emergency use during power failures and in an expanded line of construction equipment . . . all ways to help us remain an industry leader in the future.

Fafnir, Thomas E. Sherer.

For Fafnir, progress and renewal will be supported by a major new facility – our Pulaski, Tennessee, plant – and seeking markets outside the bearing field.

At Pulaski we produce most of our farm equipment bearings . . . and all our V-Series housed units for various industrial applications. No longer does Fafnir bump its head on a capacity ceiling.

As we continue to develop precision and special purpose bearings, we also are renewing our growth by using bearing technology to create machine systems, such as our variable, high-torque, traction drive transmission . . . developed completely in house.

CWC, John M. Kloap.

CWC participates in a solid growth, basic industry, currently experiencing many changes and opportunities.

Our plan is to become an even more important supplier of diesel engine castings for trucks and the heavy, off-the-road and agricultural industries – great growth markets. We also expect to expand our penetration of the automobile castings market, both domestic and international. We now have a major and expanding position in cast camshafts.

Heavy capital investment already in place enables us to grow under conditions which satisfy employee health and safety requirements. We have intensified R & D and identified process improvements which represent important technical advances.

Valentine, D. M. Baird.

We are in several distinctively separate markets . . . each operation a profit center, integrated through an overall management philosophy.

As an Australian company . . . we aim to stay in the forefront of technology, to enable us to compete with imported merchandise and expertise . . . new plant and facilities acquired and constructed during 1977 will help us accomplish this.

To guarantee our market leadership, we will continue to provide products and services of superior quality and effectiveness.

Camcar, Ray H. Carlson.

Our progress will come primarily from developing and marketing new custom-designed fasteners . . . in many cases, patented . . . to meet specific customer needs. Designed to replace less efficient methods, these fasteners will enable us to grow faster than our markets.

Our strategy? More intensive "application engineering" sales . . . Camcar representatives working closely on difficult fastener problems with customers' engineering departments. This strength will be particularly important as our customers' needs change.

We shall continue the practice of industry specialization by involving full-time our engineering/sales experts with the telecommunications and railroad industries.

Talon, Eldon L. Caldwell

Our advanced technology gives us a base to grow through improved zipper products worldwide. For example, the new Omni continuously molded fastener appeals to the apparel industry . . . and positions us to broaden penetration into footwear, handbags, luggage and sports equipment.

With international facilities now better prepared and coordinated, new production strategies will concentrate on expansion in high potential world markets. Key factors are local manufacturing . . . with products and processes centrally controlled, supported by major U.S. production and engineering capabilities . . . and an expanded selling organization.

Talon's progress and renewal programs are geared toward being the best, not necessarily the largest, international supplier of slide fasteners.

Sheaffer Eaton, Burton S. Massie.

We're beginning to reap the benefits of pairing Sheaffer Pen with Eaton Paper . . . a clear case of "renewal" for two old and well known companies. Together we are gaining marketing efficiencies that will produce a growth record greater than either could achieve alone . . . creating a dynamism to generate new products . . . to concentrate on high quality.

More comprehensive merchandising gives new products greater impact . . . our new fashion pen line is the first. Its introduction, featuring style with high quality, has been a great success. This product will be the key to our pen business here and abroad.

On the paper side, we'll progress through new products appropriately designed and priced for broader distribution. Given our present penetration of the U.S. retail market, we foresee good potential.

Sheaffer Eaton will develop the high potential advertising specialty market . . . and plans to help other Textron Consumer Divisions enter this field, too.

Burkart Randall, Lawrence T. Hickey.

Our history is an example of renewal . . . from the original products, saddle girths for horses, and horse collars, we have evolved into a wide range of products for the automotive and other important industries.

Anticipating needs among our most important customers and filling them has been our path to progress. Product change is built into each industry we serve — manufacturers of automobiles, furniture and bedding, clothing and appliances, all growth industries.

When the trend began toward lighter weight and noise reduction in automobiles, we responded with substitutes for heavier materials . . . with sound deadening padding. This led to developing similar synthetic fiber products for other growing industries.

Such diversification . . . plus increased capacity and efficiency in our new North Carolina plant . . . will mean progress and growth equal to that of our many important customers.

Bell Aerospace Textron, William G. Gisel.

Seeking to be flexible and innovative, we are using technology gained from successful programs to develop future products and systems.

In the early 1970's, we extended our expertise in rocket systems to lasers . . . today we have a multi-million dollar backlog. Likewise, our success in passive electronic warning systems for aircraft (alerting pilots to impending enemy attack) led to development of active/passive electronics, which also can jam enemy radar . . . and will be used on important U.S. fighter aircraft.

Bell's progress in an air cushion vehicle development with the Army's LACV-30 lighterage ship is based on our proven Voyageur ACV. Work on a future microwave landing system evolved from Bell's success with automatic landing systems for U.S. aircraft carriers.

Pioneering new fields and products from past successes . . . our formula for future growth.

Financial Review

Financial Position

Textron's financial position remained strong during 1977. Long term debt was 24.5% of total capitalization at year end, compared with 21.3% at the close of 1976. Current assets were approximately 2.5 times current liabilities. Working capital rose again in 1977 – to $734 million. Book value per common share rose to $22.73 at year end, against $20.34 a year before.

At year end there was no short term borrowing domestically from external sources. Textron had borrowings overseas, but cash invested in the U.S. exceeded short term foreign borrowings.

Net interest expense in 1977 was $10 million, compared to $21 million in 1976. This decrease was due substantially to lower short term debt, higher interest income from short term investments, and $3.7 million of interest income attributable to the resolution of a long outstanding tax refund claim.

Inventories

Inventories at the end of 1977 were $29 million above last year's levels, an increase of 5.2% (overall Textron sales rose 6.7%). Inventory turnover, based on cost of sales, increased to 3.7, from 3.6 in 1976.

Financing

In 1977, Textron borrowed $75 million from Metropolitan Life Insurance Company through the issuance of 8% notes due in 1997, which provide for repayment of principal in fifteen equal annual installments, beginning in the sixth year after issuance. This borrowing was taken in two installments: $25 million in March and $50 million in December.

Textron Financial Corporation, an unconsolidated financial subsidiary, also borrowed from Metropolitan Life $25 million in March, 1977, through issuance of 15-year 8½% notes, providing for repayment of principal in ten equal annual installments commencing in the sixth year after issuance.

Research and Development

Expenditures for company-financed research and development activities reached $62 million; once again a record level. A total of 1,850 employees were involved.

Capital Expenditures

Textron spent $70 million for new plant and equipment in 1977, an increase of $11 million over 1976. Major capital expenditure projects in the United States included an office building complex and rotor blade manufacturing equipment center at Bell Helicopter Textron; Burkart-Randall's new Blytheville, Ark. warehouse; an addition to the Bridgeport Controls manufacturing plant at Horsham, Pa.; a new Speidel plant at Smithfield, R.I.; and, Townsend's plant expansions for Saw Chain Products and Cherry Fasteners in Columbia, S.C. and Santa Ana, Cal., respectively.

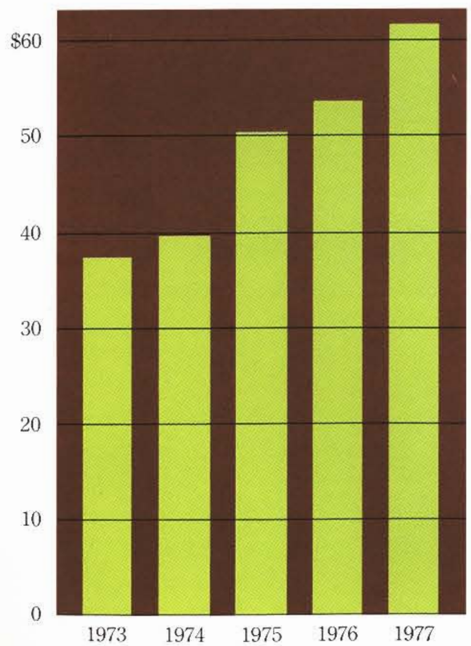
International capital expenditures included an expansion of Adcock-Shipley's Leicester, England production facility and purchase of a factory in Australia for Valentine.

Environmental Expenditures

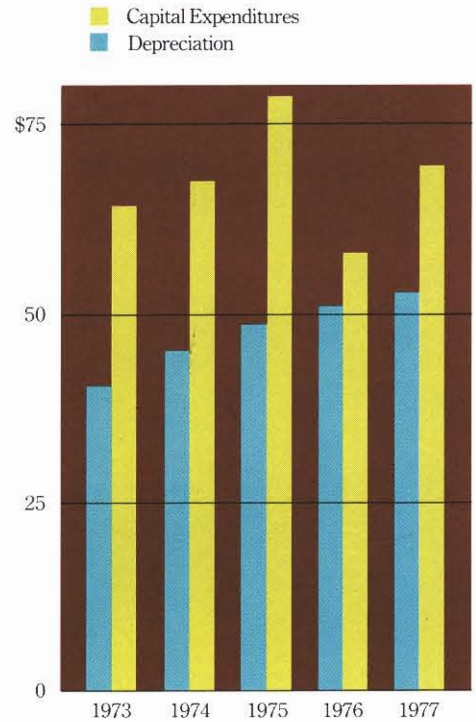
Capital expenditures on environment protection equipment and processes amounted to $1.9 million in 1977. In addition, expenses to comply with current environmental regulations amounted to $2.2 million.

Textron at year end was a party to three administrative or judicial proceedings brought by governmental authorities under federal, state or local laws and regulations covering the discharge of materials into the environment or otherwise relating to environmental protection. In the opinion of Textron, none of these proceedings is material.

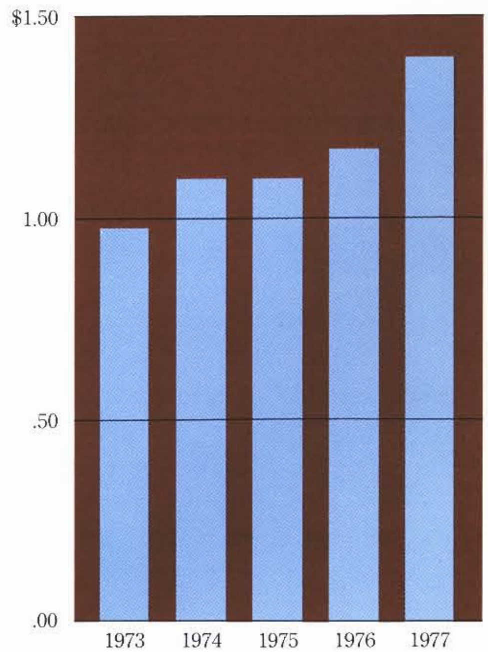
Research & Development *(in millions)*



Capital expenditures vs. depreciation *(in millions)*



Dividends declared per common share



Ten Year Summary

(dollars in thousands except amounts per share)	1977	1976	1975	1974
Operating Results				
Sales	$2,802,236	$2,627,178	$2,459,060	$2,113,754
Cost of sales	2,109,889	1,984,308	1,869,144	1,549,511
Selling and administrative expenses	379,366	348,707	341,911	324,724
Depreciation	53,322	50,998	48,960	45,639
Equity in pretax (income) loss of companies not consolidated	(11,377)	(3,474)	5,506	(3,660)
Operating income	271,036	246,639	193,539	197,540
Interest expense on long term debt	20,324	20,072	23,037	19,053
Interest expense – other	4,734	8,871	10,208	11,622
Interest income	(15,238)	(8,082)	(8,011)	(6,240)
Interest expense – net	9,820	20,861	25,234	24,435
Income before income taxes	261,216	225,778	168,305	173,105
Provision for income taxes	124,350	104,722	72,350	74,937
Net income	$ 136,866	$ 121,056	$ 95,955	$ 98,168
Net income per common share*	$3.65	$3.23	$2.58	$2.62
Dividends declared per common share	$1.40	$1.175	$1.10	$1.10
Average common shares outstanding*	37,511,000	37,463,000	37,271,000	37,453,000
Financial Position at Year-End				
Working capital	$734,028	$624,841	$573,227	$557,178
Property, plant and equipment – net	310,652	298,045	300,273	275,992
Total assets	1,738,271	1,523,135	1,433,334	1,451,019
Long term debt	298,950	227,328	252,866	273,352
Shareholders' equity	921,677	839,283	754,491	697,687
Book value per common share**	22.73	20.34	17.91	16.26
Other Data				
Capital expenditures	$69,566	$58,223	$78,716	$67,642
Depreciation and other non-cash charges	55,797	53,381	53,173	51,708
Research and development expense	61,868	53,874	50,358	39,777
Salaries, wages and employee benefits	1,089,735	961,578	889,999	837,123
Number of employees	64,000	64,000	64,000	68,000
Number of securityholders	91,000	92,000	93,000	96,000

*Based on average shares outstanding during the year, assuming full conversion of preferred stock and exercise of warrants and stock options.
**After giving effect to the liquidation value of Textron's $2.08 preferred stock and conversion of $1.40 preferred stock.

Management Discussion and Analysis of Operations

1977 as compared to 1976

Textron recorded record sales, net income and earnings per share in 1977. There was a sales increase of 7% over 1976 to $2.8 billion. Net income reached $136.9 million, a rise of 13%. Earnings per share increased to $3.65 against $3.23 in 1976.

Earnings for 1977 were reduced by a decision at year end to extend use of the LIFO (last in, first out) method of inventory valuation to substantially all domestic inventories except those of the Aerospace Group. The LIFO method increases cost of sales to reflect more nearly the higher current costs resulting from inflation.

Both sales and earnings of the Aerospace Group declined slightly. At Bell Helicopter Textron, 1977 sales achieved a new record, but earnings were down slightly from the all-time peak in 1976 because of a change in product mix and higher development costs. Commercial sales continued at high levels, primarily due to energy development activities and increased corporate use of helicopters. A substantial backlog of orders for small and medium commercial helicopters remained at year end. During 1977, U.S. Government, Iranian and other international helicopter sales continued strong. At Bell Aerospace Textron (rocket propulsion systems and electronic aircraft systems), sales and earnings declined as a result of the delays in connection with the Minuteman III missile program.

In the Consumer Group, sales increased 10% and earnings

1973	1972	1971	1970	1969	1968
$1,858,402	$1,678,422	$1,603,713	$1,611,851	$1,682,171	$1,725,214
1,328,643	1,209,012	1,171,429	1,200,374	1,241,767	1,291,960
298,263	268,218	245,972	234,026	235,945	229,531
40,895	38,826	39,009	36,394	35,787	33,280
(10,657)	(9,978)	(8,459)	(7,307)	(1,687)	(59)
201,258	172,344	155,762	148,364	170,359	170,502
16,246	12,871	11,305	14,519	10,108	8,348
6,576	3,344	2,533	1,399	2,208	1,722
(7,495)	(5,644)	(2,766)	(4,199)	(1,462)	(1,182)
15,327	10,571	11,072	11,719	10,854	8,888
185,931	161,773	144,690	136,645	159,505	161,614
82,371	73,150	67,270	65,117	81,209	83,666
$ 103,560	$ 88,623	$ 77,420	$ 71,528	$ 78,296	$ 77,948
$2.72	$2.30	$2.03	$1.86	$2.02	$1.98
$ .98	$ .93	$ .90	$ .90	$ .85	$ .75
38,146,000	38,618,000	38,122,000	38,415,000	38,855,000	39,409,000
$468,925	$430,613	$367,312	$379,053	$324,256	$335,196
260,552	242,962	239,365	242,647	232,963	219,827
1,306,866	1,164,577	1,017,277	1,014,832	942,212	959,309
227,757	217,100	151,569	183,952	135,238	145,713
674,869	633,294	569,391	542,089	532,346	521,919
15.29	13.87	12.25	11.37	10.96	10.51
$64,505	$42,769	$36,746	$41,642	$48,623	$47,305
42,177	42,057	41,572	39,965	38,335	37,855
37,540	36,403	33,068	35,647	35,095	32,526
731,901	642,000	603,000	609,000	658,000	621,000
66,000	63,000	63,000	65,000	71,000	74,000
93,000	95,000	96,000	94,000	95,000	91,000

improved by 13%. Homelite (chain saws) was the performance leader and Sheaffer Eaton (writing instruments, stationery) and Valentine (greeting cards, printing, in Australia) also achieved record earnings. At Talon (zippers), sales and earnings rose substantially.

Sales and earnings also rose at Gorham (silverware) and WECO (optical machinery, in Germany). At Speidel (watchbands, digital watches), sales increased, but earnings declined from the record of 1976, principally because of higher operating expenses, including those related to establishing nationwide distribution of the digital watch line.

The Industrial Group improved sales and earnings by 11% and 49%, respectively, primarily because of favorable automotive and truck markets. CWC (truck and heavy engine castings) and Burkart Randall (cushioning and automotive trim) turned in excellent performances. Sales and earnings were up at Fafnir Bearing (ball and roller bearings) and at Spencer Kellogg (chemical and oilseed products).

The Metal Product Group increased sales 12% and net income 14%. Record earnings were reported by both Bridgeport Machines (vertical and horizontal milling machines) and Adcock-Shipley (milling machines). Results also were excellent at Divisions producing stapling equipment (Bostitch) and fasteners (Camcar and Townsend). Bostitch set an all-time sales record, reflecting strength in all principal markets. Although Waterbury Farrel's 1977 results were lower than in 1976, which benefited from major overseas contracts, results were better than originally expected.

The increase in equity in pretax income of unconsolidated subsidiaries is mainly attributed to the improved performance of Security Insurance Company, which continued its recovery from the depressed industry conditions suffered in 1975.

Interest expense net declined substantially as decreased short term debt and increased short term investments more than offset the increase in long term debt.

1976 as compared to 1975

Sales increased 7% to a record level of $2.6 billion. Net income increased 26% to a new high of $121.1 million, equal to $3.23 per share. The earnings gain reflects improved profitability, with net return on sales of 4.6%, up from 3.9% the year before.

The Industrial Group was the largest contributor to Textron's overall sales increase, due principally to the recovery of the automotive and trucking industries. The Group's sales rose 13%; net earnings, however, were 6% below 1975 as Fafnir, whose bearing business is closely tied to the sluggish capital goods industry, experienced lower 1976 operating results. CWC Castings, Burkart Randall, and Sprague Meter performed especially well. The Consumer Group's 1976 sales were 8% higher and its net income increased 56%, as virtually all Divisions reported improved earnings. Talon's results reflected its recovery from depressed 1974-75 conditions. There were also significant earnings increases by Homelite, Speidel, Polaris E-Z-Go and Sheaffer Eaton. The Metal Product Group's sales and income increased 6% and 23%, respectively, due principally to the excellent results by Divisions producing fasteners (Camcar and Townsend) and stapling and nailing equipment (Bostitch). The machine tool Divisions did well, considering the fact that capital equipment markets recovered at a slower pace than the general economy and Waterbury Farrel's shipments on major rolling mill contracts to Eastern European customers phased down. The Aerospace Group's new highs in sales and earnings, up 4% and 8%, respectively, were attributable primarily to Bell Helicopter Textron, as that Division once again set records with improved volume in major market sectors: commerical, U. S. military, Iranian, and other international programs.

The Creative Capital Group returned to a profitable position as a result of sharply improved results at Security Insurance. Underwriting losses at Security were substantially reduced and a program of operating refinements began to produce favorable effects. American Research and Development and Textron Financial both reported higher earnings.

The improvement in equity in pretax income of companies not consolidated (income of $3.5 million in 1976 compared with a loss of $5.5 million in 1975) resulted mainly from improved performance by The Security Corporation, which reduced its underwriting losses and benefited from a program of operating refinements.

Interest expense, net of interest income, decreased 17% from 1975, reflecting the effects of substantial reductions in long term debt and lower short term domestic rates.

The increase in provision for income taxes is principally attributable to a combination of (a) higher income before income taxes as a result of improved operations and (b) the reduced DISC tax benefit as a result of the recently enacted tax changes.

Stock Information—Price Ranges and Dividends Paid

	$2.08 Preferred			$1.40 Preferred			Common		
	High	Low	Dividend	High	Low	Dividend	High	Low	Dividend
1976									
1st quarter	$33⅝	$26⅛	$.52	$26	$19½	$.35	$28½	$20⅛	$.275
2nd quarter	34	28⅝	.52	26	21⅞	.35	29	24⅝	.30
3rd quarter	37¼	32	.52	28⅞	25¼	.35	31⅝	27⅜	.30
4th quarter	34¾	29¾	.52	26¾	23	.35	29¾	24½	.30
1977									
1st quarter	$34⅜	$31⅝	$.52	$27⅛	$22⅞	$.35	$27½	$25	$.35
2nd quarter	33¾	30⅜	.52	26¾	23½	.35	29⅞	25⅝	.35
3rd quarter	33½	30⅛	.52	26⅝	23¼	.35	29⅜	25⅞	.35
4th quarter	32¼	28¼	.52*	24½	21¾	.35*	27½	24	.35*

* *The fourth quarter 1977 dividends were paid January 1, 1978.*

Note: *On February 23, 1978 a quarterly dividend on Common Shares of $.40 was declared, payable April 1, 1978 to holders of record on March 15, 1978.*

Stock Exchanges

Textron stock is traded on the New York, Pacific and Midwest stock exchanges.

Transfer Agent and Registrar

The transfer agent and registrar for Textron common and preferred shares is Rhode Island Hospital Trust National Bank, Providence, Rhode Island 02903.

		$2,627,178
C	2,109,889	1,984,308
Selli	379,366	348,707
Depreciation	53,322	50,998
	2,542,577	2,384,013
	259,659	243,165
Equity in pretax income of companies not consolidated	11,377	3,474
Operating income	271,036	246,639
Interest expense — net	9,820	20,861
Income before income taxes	261,216	225,778
Provision for income taxes	124,350	104,722
Net income	$ 136,866	$ 121,056
Net income per common share*	$3.65	$3.23

*Based on average shares outstanding during the year assuming full conversion of preferred stock and exercise of warrants and stock options.

Textron Inc. Consolidated Statement of Retained Earnings

Years Ended December 31, 1977 and January 1, 1977	1977	1976
	(In thousands of dollars, except per share amounts)	
Balance at beginning of year	$ 674,762	$ 602,795
Net income	136,866	121,056
	811,628	723,851
Cash dividends declared:		
$2.08 preferred stock	6,251	6,252
$1.40 preferred dividend stock	6,113	6,122
Common stock ($1.40 in 1977; $1.175 in 1976)	41,982	35,120
	54,346	47,494
Charges resulting from issuance of treasury shares for company acquired and upon exercise of stock options and warrants	477	1,595
	54,823	49,089
Balance at end of year	$ 756,805	$ 674,762

See notes to financial statements.

Assets

Current assets:		
Cash	[illegible]	[illegible]250
Short term investments, at cost (which approximates market)	191,665	88,965
Accounts receivable (less allowance for losses of $8,103 and $9,512)	402,198	362,754
Inventories:		
Finished goods	207,065	215,107
Work in process (less progress payments of $100,579 and $159,124)	261,810	228,446
Raw materials and supplies	112,989	109,338
	581,864	552,891
Future income tax benefits	27,650	27,300
Prepaid expenses	8,070	8,859
Total current assets	1,221,779	1,053,019
Investments in companies not consolidated, at equity	83,302	76,562
Investment in Allied Chemical Corporation	37,276	–
Investments of ARD	24,182	30,207
Property, plant and equipment, at cost:		
Land and buildings	197,621	187,987
Machinery and equipment	588,816	553,732
	786,437	741,719
Less accumulated depreciation	475,785	443,674
Property, plant and equipment – net	310,652	298,045
Amount paid over value assigned to net assets of companies acquired, less amortization	37,868	40,745
Other assets	23,212	24,557
Total assets	$1,738,271	$1,523,135

See notes to financial statements.

	December 31, 1977	January 1, 1977
	(In thousands of dollars)	

Liabilities and Shareholders' Equity

	December 31, 1977	January 1, 1977
Current liabilities:		
Short term debt	$ 21,687	$ 25,828
Accounts payable	121,638	125,957
Accrued expenses	141,485	131,424
Federal income taxes	49,920	54,211
Current maturities of long term debt	6,471	5,619
Customers' deposits	81,860	45,488
Other current liabilities	51,086	39,651
Dividends payable	13,604	–
Total current liabilities	487,751	428,178
Long term debt	298,950	227,328
Deferred investment tax credits, net of amortization	12,369	11,004
Other liabilities	17,524	17,342
Shareholders' equity:		
Capital stock:		
Preferred stock, 15,000,000 shares authorized:		
$2.08 cumulative convertible preferred stock, Series A (liquidation value $153,333)	72,472	72,475
$1.40 convertible preferred dividend stock, Series B (preferred only as to dividends)	56,774	57,076
Common stock, 25¢ par value (authorized 75,000,000 shares)	7,765	7,759
Capital surplus	68,431	68,133
Retained earnings	756,805	674,762
Unrealized loss on investments	(2,381)	(1,345)
	959,866	878,860
Less common and preferred stock in treasury, at cost	38,189	39,577
Total shareholders' equity	921,677	839,283
Total liabilities and shareholders' equity	$1,738,271	$1,523,135

Textron Inc. Statement of Changes in Shares of Capital Stock

Years Ended December 31, 1977 and January 1, 1977	1977			1976		
	Preferred Stock		Common	Preferred Stock		Common
Shares issued *(in thousands):*	$2.08	$1.40	Stock	$2.08	$1.40	Stock
At beginning of year	3,067	4,831	31,035	3,067	4,831	31,035
Conversion of preferred stock	–	(26)	24	–	–	–
At end of year	3,067	4,805	31,059	3,067	4,831	31,035
Treasury shares *(in thousands):*						
At beginning of year	61	458	1,097	61	458	1,233
Purchases	8	29	–	–	–	–
Issued for acquisition	–	–	–	–	–	(46)
Exercise of stock options	–	–	(89)	–	–	(49)
Exercise of warrants	–	–	(10)	–	–	(41)
At end of year	69	487	998	61	458	1,097
Shares outstanding at end of year *(in thousands)*	2,998	4,318	30,061	3,006	4,373	29,938

Textron Inc. Consolidated Statement of Capital Surplus

Years Ended December 31, 1977 and January 1, 1977	1977	1976
	(In thousands of dollars)	
Balance at beginning of year	$68,133	$67,081
Increase resulting from issuance of common stock for company acquired and from conversion of preferred stock	298	1,052
Balance at end of year	$68,431	$68,133

See notes to financial statements.

Textron Inc. Consolidated Statement of Changes in Financial Position

Years Ended December 31, 1977 and January 1, 1977	1977	1976
	(In thousands of dollars)	
Sources of working capital:		
Net income	$136,866	$121,056
Depreciation and other non-cash charges	55,797	53,381
Foreign exchange losses (gains), non-current	2,439	(659)
Equity in net income of companies not consolidated	(8,328)	(5,039)
Total from operations	186,774	168,739
Long term borrowings	97,263	—
Property, plant and equipment sold	3,853	10,187
Decrease in ARD investments — net	6,025	445
Other	3,690	4,780
	297,605	184,151
Uses of working capital:		
Additions to property, plant and equipment	69,566	58,223
Dividends	54,346	47,494
Investment in Allied Chemical Corporation	37,276	—
Reduction of long term debt	27,230	26,820
	188,418	132,537
Increase in working capital during the year	109,187	51,614
Working capital at beginning of year	624,841	573,227
Working capital at end of year	$734,028	$624,841
Working capital changes — increase (decrease):		
Cash and short term investments	$100,782	$ 83,817
Accounts receivable	39,444	11,034
Inventories	28,973	(7,778)
Future income tax benefits	350	(3,850)
Short term debt and current maturities of long term debt	3,289	29,442
Accounts payable, accrued expenses and dividends payable	(19,346)	(24,702)
Federal income taxes	4,291	(19,344)
Customers' deposits	(36,372)	(19,976)
Other — net	(12,224)	2,971
	$109,187	$ 51,614

See notes to financial statements.

1. Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Textron Inc. and all wholly owned subsidiaries except for an insurance group (see note 13) and a finance company (not a significant subsidiary) and a fifty-percent-owned foreign company, all of which are accounted for on the equity basis. Intercompany transactions of consolidated subsidiaries are eliminated.

At December 31, 1977, the unconsolidated finance company had outstanding indebtedness of $51,650,000, approximately one-half of which is guaranteed by Textron.

Inventories

Inventories aggregating $303,231,000 at December 31, 1977 and $470,367,000 at January 1, 1977, were valued at the lowest of cost (generally first-in, first-out (FIFO) or average), replacement market, or estimated realizable value after allowance for selling and administrative expenses. The remaining inventories, aggregating $278,633,000 at December 31, 1977 and $82,524,000 at January 1, 1977, were valued at cost on the last-in, first-out (LIFO) basis (which was not in excess of market). If such LIFO inventories had been valued on a FIFO basis, they would have been approximately $96,228,000 and $79,796,000 higher at those respective dates.

During 1977, Textron extended the LIFO method of valuing inventories to include substantially all domestic inventories except those of the Aerospace Product Group. This change was made to more closely match current costs against revenues during this period of inflation (see note 10).

Property, Plant and Equipment

The cost of property, plant and equipment is depreciated based on the estimated useful lives of the assets. The range of useful lives of depreciable assets are substantially as follows: Buildings and structures, 20-45 years; and machinery and equipment, 6-14 years. Generally, depreciation on additions of new property, plant and equipment is computed using accelerated methods. Depreciation calculated on this basis amounted to $42,071,000 in 1977 and $39,630,000 in 1976 while the balance was calculated on the straight-line basis. Leasehold improvements are written off over the period of the leases.

Amount Paid Over Value Assigned to Net Assets of Companies Acquired

This amount is being amortized on the straight-line method over periods ranging from 10 to 40 years.

Government Contracts

Contracts currently in progress include firm fixed price, fixed price target incentive, cost plus fixed fee and cost plus incentive fee. Sales are recorded for fixed price contracts as deliveries are made. Sales are recorded on cost plus contracts as work is performed and billed. Costs are accumulated by contract or groups of similar contracts and charged to cost of sales at rates based on periodic reviews of the relationship between the total estimated costs and sales. Provisions are made for prospective losses and anticipated cost overruns, if any, as the facts become known.

Research and Product Development

Research and product development costs are charged to income as incurred. The amounts charged to income in 1977 and 1976 totaled $61,868,000 and $53,874,000, respectively.

Translation of Foreign Currencies

Assets and liabilities representing cash and amounts receivable or payable that are denominated in foreign currencies are translated into United States dollars at rates of exchange in effect at the balance sheet dates.

All other assets and liabilities are generally translated at rates prevailing at dates when acquired or incurred. Income and expenses (other than amounts that relate to assets and liabilities translated at historical rates) are translated at average rates prevailing during the year.

Gains or losses resulting from translation are reflected in income. The pretax effects of translation of foreign currencies included in income resulted in losses of $3,530,000 in 1977 ($3,132,000 after taxes) and $8,442,000 in 1976 ($6,400,000 after taxes).

Income Taxes

Taxes are provided on income in the financial statements regardless of the period in which such income is reflected for tax purposes. As a result, future income tax benefits have been reflected in the balance sheet principally for valuation reserves and accrued expenses which have been deducted from income but are not yet available as tax deductions.

Details of the provision for income taxes are:

	1977	1976
	(In thousands of dollars)	
Federal:		
Current	$ 98,547	$ 84,335
Effects of timing differences	3,250	(350)
	101,797	83,985
State:		
Current	11,491	11,848
Effects of timing differences	450	(50)
	11,941	11,798
Foreign:		
Current	9,690	8,019
Effects of timing differences	922	920
	10,612	8,939
Totals:		
Current	119,728	104,202
Effects of timing differences	4,622	520
	$124,350	$104,722

Total income tax expense was $1,000,000 and $3,700,000 less in 1977 and 1976, respectively, than the amounts computed by applying the Federal income tax rate of 48% to income before income taxes. This reduction was principally the result of (1) tax benefits of $4,300,000 in 1977 and $4,600,000 in 1976 relating to DISC corporations, (2) investment tax credits of $2,800,000 in both 1977 and 1976 and (3) a higher tax rate resulting from provision for state income taxes net of related Federal income tax benefit of $6,300,000 in 1977 and $6,100,000 in 1976. DISC legislation provides for indefinite postponement of income taxes on a portion of DISC earnings, provided such earnings are reinvested in export-related activities. At December 31, 1977, accumulated DISC earnings permanently reinvested in export-related activities amounted to $54,800,000.

Investment tax credits are included in income over the average useful lives of the assets purchased or leased.

Pension Costs

Textron has a number of pension plans covering substantially all employees. The policy is to fund accrued pension costs by contributing to pension funds. The total pension expense charged to income was approximately $39,000,000 and $37,000,000 in 1977 and 1976, respectively, which included amortization of unfunded prior service costs over periods ranging from 10 to 40 years. In the aggregate, at the end of 1977 the market value of fund assets and balance sheet accruals exceeded the actuarially determined present value of all vested benefits. The unfunded past service costs were estimated at $188,000,000 at December 31, 1977.

2. Investment in Allied Chemical Corporation

Under the provisions of an agreement announced in May, 1977, Textron is purchasing in ten equal quarterly installments the approximately 2.7 million shares of Allied Chemical Corporation (representing 9.6% of the shares outstanding) owned by Solvay et Cie of Brussels, Belgium at the average market price in the three months preceding each quarterly installment. Textron need not purchase an installment if the price is above $55.21 per share, and Solvay et Cie need not sell an installment if the price falls below $40.21 per share. At December 31, 1977, Textron owned 823,802 shares ($37,276,000 cost) consisting of 800,802 shares purchased under this agreement and 23,000 shares purchased in prior years. The market value of such shares at December 31, 1977 was $36,453,000 ($28,421,000 at February 15, 1978).

3. American Research and Development

Investments of Textron's American Research and Development Division (ARD) are principally in venture capital businesses which Textron does not manage. Approximately 70% of the December 31, 1977 portfolio cost represents investments in companies which are less than 20% owned.

ARD portfolio values and income are as follows:	1977	1976
	(In thousands of dollars)	
Portfolio cost:		
Balance at beginning of year	$30,207	$30,652
Investment additions	348	3,848
Investment reductions	(6,373)	(4,293)
Balance at end of year	$24,182	$30,207
Portfolio market value at end of year (as determined by management, based on market prices where available)	$41,754	$39,113
Portfolio income:		
Dividends and interest	$ 488	$ 373
Realized gains (net of losses) — cost determined by specific identity	808	404
	$ 1,296	$ 777

4. Short Term Debt and Lines of Credit

The interest rate on the short term debt outstanding at December 31, 1977 ranged from 4.38% to 16.5% (weighted average 6.0%) and at January 1, 1977 ranged from 6% to 15% (weighted average 8.97%). The weighted average interest rate on all short term debt outstanding during the year (actual interest expense divided by average short term debt) was 7.34% for 1977 and 7.85% for 1976. Unused lines of credit under bank agreements, generally subject to cancellation at the banks' option, were approximately $116,186,000 at December 31, 1977 and approximately $102,900,000 at January 1, 1977.

5. Long Term Debt

Exclusive of amounts due within one year, this debt consisted of:	December 31, 1977	January 1, 1977
	(In thousands of dollars)	
8½% Notes due 1980	$ 75,000	$ 75,000
8% Notes due 1983-1997	75,000	–
7¾% Eurodollar Sinking Fund Debentures due 1987	29,000	30,000
7½% Sinking Fund Debentures due 1997	45,250	50,000
6¾% Dutch Guilder Notes due 1978 and 1979	3,128	6,140
5⅞% Sinking Fund Debentures due 1992	34,243	38,312
5% Subordinated Debentures due 1984	4,564	5,012
Other notes (4% to 13.5%)	32,765	22,864
	$298,950	$227,328

The indentures relating to the 5% and 5⅞% Debentures contain restrictions on the payment of cash dividends and acquisition of treasury stock. Under the most restrictive of these provisions, none of the retained earnings was restricted at December 31, 1977 or at January 1, 1977.

Sinking fund requirements for the Debentures are: 7¾% Debentures – $1,200,000, annually 1979-1981 and increasing amounts thereafter; 7½% Debentures – $250,000 in 1979 and $2,500,000, annually 1980-1996; 5⅞% Debentures – $2,242,000 in 1980 and $2,250,000, annually 1981-1991; 5% Debentures – $100,000 and proceeds from warrants quarterly.

At December 31, 1977 the amount of long term debt payable in 1979 is $7,227,000; in 1980, $85,757,000; in 1981, $10,407,000; and in 1982, $17,025,000.

6. Leases

Rental expense applicable primarily to operating leases amounted to $25,662,000 in 1977 and $23,585,000 in 1976. Amounts applicable to capital leases (which were not material) are included in rental expenses. Minimum rentals under noncancelable leases for future years follow:

(In thousands of dollars)	Real Estate	Data Processing Equipment	Automobile, Truck and Other Leases	Total
1978	$ 6,282	$2,989	$1,061	$10,332
1979	4,796	1,725	623	7,144
1980	3,713	754	339	4,806
1981	2,728	634	210	3,572
1982	2,304	351	49	2,704
1983 to expiration	6,349	375	162	6,886
	$26,172	$6,828	$2,444	$35,444

7. Capital Stock

Each share of the $2.08 preferred stock ($23.63 approximate stated value) is convertible into 1.1 shares of common stock and is redeemable by Textron at $50 per share. In the event of involuntary liquidation, the stock is entitled to $50 per share and accrued dividends and in the event of voluntary liquidation, each share is entitled to $50 per share.

Each share of $1.40 preferred dividend stock ($11.82 approximate stated value) is convertible into .9 share of common stock and is redeemable by Textron at $45 per share. In the event of liquidation, holders of each share of $1.40 preferred would receive accrued dividends and thereafter share ratably on a converted basis with holders of common stock, subject to prior rights of the $2.08 preferred stock.

Shares of common stock were reserved at December 31, 1977 as follows:

$2.08 Cumulative Convertible Preferred Stock, Series A	3,373,333
$1.40 Convertible Preferred Dividend Stock, Series B (preferred only as to dividends)	4,324,568
Warrants (exercisable at $10 per share until May 1, 1979 and $11.25 per share thereafter until expiration on May 1, 1984)	127,730
Options granted to employees	570,587
Total common shares reserved	8,396,218

Amounts shown above include shares issuable upon conversion of shares of preferred stock held in the treasury.

8. Stock Options

Under the Stock Option Plan approved by shareholders in 1969, options for a maximum of 1,000,000 shares of common stock may be issued at prices not less than the fair market value at the date of grant. Options cannot be exercised for a period of 24 months after grant and may be made exercisable thereafter in cumulative installments of not more than 35% in each of the third and fourth years of the options and the balance in the fifth year. No option may be exercised later than five years from the date of grant.

At December 31, 1977 options for 357,982 shares (249,545 shares at January 1, 1977) of common stock were exercisable and 263,395 shares (217,135 shares at January 1, 1977) of common stock were available for the granting of future options.

In 1976, options for 10,476 shares were exercised at $16.88 under a separate stock option plan assumed upon the acquisition of The Security Corporation. As at the end of 1977 and 1976, no such options were outstanding.

A summary of shares subject to options under the Textron plan during 1977 and 1976 is shown below:

	Price per Share	Shares
Balance – January 3, 1976	$13.50 to $35.69	916,860
Add: Options granted	24.88 to 29.13	4,500
Deduct: Options exercised	13.94 to 29.69	38,675
Options canceled	16.44 to 34.50	176,325
Balance – January 1, 1977	13.50 to 35.69	706,360
Add: Options granted	26.94 to 27.75	3,500
Deduct: Options exercised	13.94 to 26.25	89,513
Options canceled	16.44 to 35.69	49,760
Balance – December 31, 1977	$13.50 to $29.13	570,587

9. Contingencies

Approximately 11% and 15% of sales (excluding U.S. foreign military sales) for 1977 and 1976, respectively, were made directly or indirectly to the United States Government. Such sales made to the United States Government from 1971 through the first nine months of 1976, are subject to renegotiation. Textron is of the opinion that refunds, if any, for these years will not materially affect its financial position or results of operations.

There are pending against Textron a number of lawsuits and proceedings, including some which purport to be class actions and involve alleged violations of antitrust laws or complain of alleged discrimination employment practices. Several of these suits and proceedings seek unspecified damages and other relief. Although these suits and proceedings are being defended or contested on behalf of Textron, it is not possible at this time for Textron to predict with certainty their outcome or the ultimate effect on Textron. However, on the basis of information presently available, Textron is of the opinion that it is not likely that any such liability, to the extent not provided for through insurance or otherwise, would have a material effect on Textron's consolidated financial position or results of operations.

10. Quarterly Income Statements 1977 and 1976 (Unaudited)

(dollars in millions except amounts per share)

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
	1977(1)	1976	1977(1)	1976	1977(1)	1976 (2)	1977	1976
Sales	$680.5	$649.7	$723.9	$690.0	$681.6	$624.9	$716.2	$662.6
Costs and Expenses:								
Cost of sales	522.1	496.4	549.1	525.6	512.5	468.1	526.2	494.2
Selling and administrative expenses	92.9	88.4	95.5	94.2	92.4	82.1	98.6	84.0
Depreciation	12.8	12.5	13.2	12.8	13.4	13.4	13.9	12.3
	627.8	597.3	657.8	632.6	618.3	563.6	638.7	590.5
	52.7	52.4	66.1	57.4	63.3	61.3	77.5	72.1
Equity in pretax income (loss) of companies not consolidated	2.4	(.3)	2.4	1.6	4.3	1.3	2.3	.9
Operating income	55.1	52.1	68.5	59.0	67.6	62.6	79.8	73.0
Interest expense – net	2.9	5.1	3.9	6.1	.4	5.0	2.6	4.7
Income before income taxes	52.2	47.0	64.6	52.9	67.2	57.6	77.2	68.3
Provision for income taxes	24.1	20.7	30.3	21.9	32.1	30.5	37.8	31.6
Net income	$ 28.1	$ 26.3	$ 34.3	$ 31.0	$ 35.1	$ 27.1	$ 39.4	$ 36.7
Net income per common share*	$.75	$.71	$.91	$.82	$.94	$.73	$ 1.05	$.97

**Based on average shares outstanding during the year assuming full conversion of preferred stock and exercise of warrants and stock options.*

(1) In the fourth quarter of 1977, Textron extended the use of the LIFO method of valuing inventories to substantially all domestic inventories except those of the Aerospace Group to more nearly reflect the higher current costs resulting from inflation. The effect of this change on each of the quarters of 1977 was to reduce net income by approximately $600,000 ($.02 per share). Quarterly results previously reported for 1977 have been restated for this change.

(2) Net income in the third quarter of 1976 was decreased by $3.5 million ($.09 per share) because of retroactive changes in the tax laws with respect to Domestic International Sales Corporations (DISC).

11. Business Segments

(In millions of dollars)

	Business Segments							
	Aerospace							
Year 1977	Helicopters	Other Aerospace Products	Consumer	Industrial	Metal Product	Creative Capital	Adjust. and Elim.	Consolidated
Sales – trade	$817.2	$150.0	$782.9	$567.7	$484.4	$ -0-	$ -0-	$2,802.2
Sales – intersegment	.3	18.7	.1	3.9	5.5	-0-	(28.5)	-0-
Total sales	$817.5	$168.7	$783.0	$571.6	$489.9	$ -0-	$(28.5)	$2,802.2*
Operating profit	$ 67.9	$ 11.1	$ 87.3	$ 54.2	$ 61.8	$ 10.3	$ -0-	$ 292.6
General corporate expenses								21.6
Interest expense – net								9.8
Income before income taxes								$ 261.2
Depreciation	$ 8.7	$ 3.0	$ 16.8	$ 14.1	$ 9.5	$ -0-	$ 1.2	$ 53.3
Capital expenditures	$ 9.0	$ 4.8	$ 21.2	$ 15.7	$ 14.2	$ -0-	$ 4.7	$ 69.6
December 31, 1977								
Operations' assets	$264.4	$ 62.7	$469.0	$242.1	$311.2	$132.5	$ (3.4)	$1,478.5
Corporate assets								259.8
Total assets								$1,738.3

	Geographic Operations						
Year 1977	U.S.	Western Europe	Canada	Australia	Other	Adjust. and Elim.	Consolidated
Sales – trade	$2,393.2	$154.3	$ 58.7	$ 52.4	$143.6	$ -0-	$2,802.2
Sales among geographic areas	47.7	5.5	6.9	-0-	.2	(60.3)	-0-
Total sales	$2,440.9	$159.8	$ 65.6	$ 52.4	$143.8	$(60.3)	$2,802.2*
Operating profit before effects of currency translation	$253.3	$ 10.0	$ 4.2	$ 7.4	$ 25.9	$ (4.7)	$ 296.1
Gain (loss) on currency translation	(.1)	.1	(1.9)	(1.0)	(.6)	-0-	(3.5)
Operating profit after effects of currency translation	$253.2	$ 10.1	$ 2.3	$ 6.4	$ 25.3	$ (4.7)	292.6
General corporate expenses							21.6
Interest expense – net							9.8
Income before income taxes							$ 261.2
U.S. exports		$ 83.9	$ 61.4	$ 9.0	$387.7	$ -0-	$ 542.0
December 31, 1977							
Operations' assets	$1,240.0	$169.9	$ 33.9	$ 45.2	$ 92.7	$(103.2)	$1,478.5
Corporate assets							259.8
Total assets							$1,738.3

**Except for sales (principally from the Aerospace business segments) to the U.S. Government (see note 9) and sales to a foreign government (13%), Textron does not sell more than 10% of its annual volume to any single customer.*

For additional information, refer to the information on the inside of the back cover of this report.

12. Current Replacement Cost (Unaudited)

Replacing items of plant and equipment with assets having equivalent productive capacity usually requires a substantially greater capital investment than was required to purchase the assets which are being replaced. Principally, the additional capital investment required reflects the cumulative impact of inflation on the long-lived nature of such assets.

Inflation also impacts annual production costs. Generally, if annual depreciation and other expenses were based on the current replacement cost of all assets utilized in the production process, the annual production costs would be greater than those reflected under historic or conventional methods used to report the overall result of operations. However, to a great extent over the years, Textron has been able to compensate for cost increases resulting from the impact of inflation through the realization of productivity efficiencies, including cost reductions resulting from replacing plant and equipment with more modern facilities, and, to some extent, by increasing sales prices.

Textron's annual report filed with the Securities and Exchange Commission on Form 10-K (a copy of which is available upon request) contains more specific information with respect to year end 1977 and 1976 replacement cost of inventories and productive capacity (generally buildings, machinery, and equipment), and the approximate effect which replacement cost would have had on the computation of cost of sales and depreciation expense for the years if no consideration were given to possible cost reductions resulting from actual replacement.

13. The Security Corporation

Textron has entered into an agreement in principle to sell all of the outstanding shares of capital stock of Security Insurance Company of Hartford to Orion Capital Corporation for $50,000,000 in cash and a 9%, $12,500,000 subordinated note due in installments over a six-year period. Textron will also receive ten-year warrants to purchase 600,000 shares of Orion common stock at $10.50 per share. The sale is expected to be completed in the first quarter of 1978 if approved by the appropriate state insurance commissioners.

Condensed consolidated financial statements for The Security Corporation and its five casualty insurance subsidiaries follow.

The Security Corporation Financial Statements

Condensed Consolidated Statement of Income	1977	1976
	(In thousands of dollars)	
Premiums earned	$ 97,438	$108,379
Losses and claims expenses	(67,321)	(83,175)
Underwriting expenses	(33,750)	(37,695)
Underwriting losses	(3,633)	(12,491)
Net investment income	9,994	9,605
Income (loss) before income taxes and realized investment gains (losses)	6,361	(2,886)
Income tax (benefit)	333	(4,529)
Income before net realized investment gains (losses)	6,028	1,643
Net realized investment gains (losses) net of income taxes (benefits)	(427)	479
Net income	$ 5,601	$ 2,122

The Security Corporation Financial Statements *(Continued)*

Condensed Consolidated Balance Sheet	1977	December 31, 1976
	(In thousands of dollars)	
Bonds principally at amortized cost (market value of $141,943 and $128,170)	$144,663	$131,056
Equity securities at market (cost of $26,451 and $30,778)	24,330	30,203
Cash	2,186	1,035
Premiums receivable	27,994	27,929
Deferred policy acquisition costs	11,225	10,024
Other assets	11,396	14,399
Total assets	$221,794	$214,646
Losses and claims expenses	$ 96,866	$100,015
Unearned premiums	45,744	42,764
Deferred federal income taxes	7,365	6,505
Other liabilities	16,799	14,907
	166,774	164,191
Shareholder's equity	55,020	50,455
Total liabilities and shareholder's equity	$221,794	$214,646

Condensed Consolidated Statement of Changes in Financial Position	1977	1976
	(In thousands of dollars)	
Funds provided:		
Net income	$ 5,601	$ 2,122
Net changes in non-cash items	816	8,022
Total from operations	6,417	10,144
Participation in assets of associations	3,156	1,804
Proceeds from sale of investments, net of applicable tax	48,305	33,244
	57,878	45,192
Funds used:		
Purchase of investments	56,727	45,710
Net increase (decrease) in cash	$ 1,151	$ (518)

Accounting Policies of The Security Corporation

The financial statements have been prepared on the basis of generally accepted accounting principles. Significant accounting policies are as follows:

Investments

Bonds are carried principally at amortized cost. Equity securities are carried at values adopted by the National Association of Insurance Commissioners which approximate year-end market value. Realized gains and losses on sales of investments, accounted for pursuant to the specific identification method, are reflected in the income statement net of applicable income taxes. Unrealized gains or losses net of applicable deferred income taxes are reflected in shareholders' equity (losses of $2,381,000 at December 31, 1977 and $1,345,000 at December 31, 1976, respectively).

Accounting Policies of The Security Corporation *(Continued)*

Premiums Earned

Substantially all premiums written are earned on a monthly pro rata basis over the policy lives.

Deferred Policy Acquisition Costs

Policy acquisition costs, representing commissions, fees, premium taxes and other underwriting expenses, which are determined to be recoverable, are deferred and amortized over the period of premium recognition. These costs are deducted as incurred for federal income tax purposes and deferred federal income taxes are provided.

Losses and Claims Expenses

Losses and claims and related adjustment expenses are recorded on an incurred basis including an estimate for incurred but not reported losses and reduced by estimated amounts of salvage and subrogation recoverable.

Federal Income Taxes

Security is included in Textron's consolidated Federal income tax return. Federal income tax benefits are recorded since Textron has agreed to reimburse Security for the tax benefits of operating losses and realized investment losses and investment and foreign tax credits, to the extent they are used in the consolidated tax return. Effective income tax rates differ from statutory rates primarily due to the tax exempt interest on certain bonds and the 85% dividends received exclusion. Deferred Federal income taxes are provided for timing differences, principally related to deferred policy acquisition costs, and in 1977, for the accrual of salvage and subrogation estimated to be recoverable.

Report of Certified Public Accountants

ARTHUR YOUNG & COMPANY

277 Park Avenue
New York, N.Y. 10017

The Board of Directors and Shareholders
Textron Inc.

We have examined the accompanying consolidated balance sheets of Textron Inc. at December 31, 1977 and January 1, 1977 and the related consolidated statements of income, retained earnings, capital surplus, changes in shares of capital stock and changes in financial position for the years then ended. Our examinations were 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 December 31, 1977 and January 1, 1977, and the consolidated results of operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis during the period.

February 15, 1978

Arthur Young & Company

Textron Inc.

Board of Directors

Dr. Carlo Bombieri
Chairman
Setemer S.p.A., F.A.T.M.E. S.p.A., Sielte S.p.A.
Rome, Italy

Alistair M. Campbell
Chairman
Sun Life Assurance Company of Canada
Montreal, Canada

Joseph B. Collinson
President
Textron Inc., Providence, R.I.

Edwin J. Ducayet
Chairman, Retired
Bell Helicopter Division of Textron
Fort Worth, Tex.

Paul M. Fye
President
Woods Hole Oceanographic Institution
Woods Hole, Mass.

E. Clayton Gengras
Chairman
Transit, Inc., Hartford, Conn.

Clarence H. Gifford, Jr.
Chairman of the Board
Rhode Island Hospital Trust National Bank
Providence, R.I.

Webb C. Hayes, III
Partner
Baker, Hostetler, Frost & Towers
Washington, D.C.

R. Heath Larry
President
National Association of Manufacturers
Washington, D.C.

G. William Miller
Chairman
Textron Inc., Providence, R.I.

Barbara Scott Preiskel
Senior Vice President and General Attorney
Motion Picture Association of America
New York, N.Y.

Arthur T. Roth
Chairman of the Board
The Bank of Suffolk County
Stony Brook, N.Y.

Jean Head Sisco
Coordinator – Business and Community Affairs
The American University
Washington, D.C.

Directors and Officers on Location

Textron Directors and Officers frequently visit Textron operations and other activities around the world. These photographs were taken during 1977 at various locations and overseas.

In October, 1977, Textron Directors and Officers visited rolling mill installations in Poland and Yugoslavia supplied by the Waterbury Farrel Division. In this photo, Director Jean Head Sisco and Assistant Vice President-International, Andrew J. Beck, are shown in Jesenice, Yugoslavia, inspecting a steel rolling mill at Yugoslav company, UNIS.

Viewing operations of a Waterbury Farrel brass rolling mill at Szopienice, Poland, from the control console are, from right: Textron Group Vice Presidents Egil G. Ruud and Robert P. Straetz, and Textron Vice President and General Counsel Thomas D. Soutter. Stanley G. Fisher, who was President of the Waterbury Farrel Division when the equipment was manufactured, is at left.

Officers

Principal Officers

G. William Miller****
Chairman

Joseph B. Collinson***
President

Erskine N. White, Jr.****
Executive Vice President

Group Officers

Robert S. Ames***
Senior Vice President

Charles F. Chapin***
Group Vice President

Jack C. Crim***
Group Vice President

Charles T. Roelke**
Group Vice President

Egil G. Ruud****
Group Vice President

Robert P. Straetz****
Group Vice President

Other Principal Officers

John B. Henderson***
Senior Vice President

J. Joseph Kruse***
Senior Vice President – Administration

William J. Ledbetter*
Senior Vice President – Finance

Robert H. Charles**
Vice President

Robert S. Eisenhauer***
Vice President – Corporate Relations

Willard R. Gallagher**
Vice President – International

Thomas D. Soutter**
Vice President and General Counsel

Ronald A. VanBrocklyn***
Vice President and Controller

Maurice G. Wilkins, Jr.*
Vice President and Treasurer

Rita Powers****
Secretary

Experience with Textron or its companies: *Less than 5 years **5–10 years ***10–20 years ****Over 20 years

Reviewing design and production techniques for ophthalmic accessories and special parts, at the factory of WECO Division in Dusseldorf, Germany, are (from left) Joseph B. Collinson; Rolf Schneider, Production Manager-WECO; Charles T. Roelke, Textron Group Vice President; G. William Miller; Juergan Rath, Director International Sales-WECO; C. Dieter Beuthien, Managing Director of WECO; and Lutz Gottschald, Chief Engineer-WECO.

Joseph B. Collinson speaks at ceremonies for the opening of a new specialty printing facility of the Valentine Division's Cook & Heathcote operations in Mornington, Victoria, Australia. Textron Group Vice President Robert P. Straetz is at right.

Textron Divisions, Products and Activities

Aerospace

Bell Aerospace TEXTRON

William G. Gisel, *President.* Rocket propulsion systems, rocket propellant tanks, aircraft landing systems, inertial instruments, communication systems, air cushion systems and chemical lasers. *Dalmo Victor Operations,* airborne electronic defense systems, aerospace antennas, electro-optics, rail and transit products, electro-mechanical aircraft accessories. *Bell Technical Operations Corporation,* test range operations.

Bell Helicopter TEXTRON

James F. Atkins, *President.* Military and commercial helicopters and vertical lift aircraft, systems integration for aircraft.

HYDRAULIC RESEARCH TEXTRON

Samuel X. Garcia, *President.* Electro-hydraulic servo valves, propellant valves, servo control systems, fuel system control valves and measurement devices, pressure regulators and vessels, fire suppression systems, filter elements and assemblies for hydraulic, fuel and air systems.

Consumer

GORHAM TEXTRON

Frank E. Grzelecki, *President.* Sterling silver, silver-plated, pewter, and stainless steel flatware; sterling, pewter and silver-plated holloware; giftware; jewelry; fine china and crystal; bronze memorials.

HOMELITE TEXTRON

Beverly F. Dolan, *President.* Chain saws, pumps, generators; *Homelite-Terry* (Canada), chain saws, pumps, generators.

POLARIS E-Z-GO TEXTRON

D.F. Myers, *President.* Polaris snowmobiles and accessories; E-Z-Go golf cars and utility trucks.

SHEAFFER EATON TEXTRON

Burton S. Massie, *Chairman.*
Louis S. Bishop, *President. Sheaffer,* writing instruments, desk sets, writing instrument accessories; *Eaton Paper,* social stationery, At-A-Glance personal record and appointment books, calendars, puzzles, gift accessories, Berkshire typewriter paper and accessories; Camp, packaged stationery and school supplies; Duo-Tang report folders.

SHURON TEXTRON

Richard D. Holbrook, *President.* Eyeglass frames, ophthalmic lenses, optical machinery.

Speidel TEXTRON

Robert S. Kennedy, *President.* Watchbands, identification bracelets, fashion jewelry, including neckchain and gold wristlets, digital watches, British Sterling and Bravura Musk men's toiletries.

Talon TEXTRON

E.L. Caldwell, *President.* Zippers, buttons, snap fasteners, hooks and eyes, thread and other sewing notions.

VALENTINE TEXTRON

D.M. Baird, *Group Managing Director.* (Australia) Greeting cards and related products, security and color printing, business forms, computer and photo-typesetting services.

WECO TEXTRON

C.D. Beuthien, *Managing Director.* (Germany) Optical machinery and equipment for optical workshops, prescription houses and industrial plants.

WILLCO TEXTRON

Joseph A. Mertens, *Managing Director.* (Germany) Hearing instruments.

Industrial

BURKART RANDALL TEXTRON

Lawrence T. Hickey, *President. Burkart,* polyurethane foam, natural and synthetic fiber cushioning and insulating materials; *Randall,* automobile, truck and appliance trim and accessory parts, tubular products, plastic products.

CWC TEXTRON

John M. Kloap, *President.* Grey, alloyed and ductile iron castings for engine blocks, cylinder heads, camshafts, gears, manifolds, housings, transmission cases and other ferrous casting applications.

FAFNIR TEXTRON

Thomas E. Sherer, *President.* Precision ball, roller and sliding bearings and bearing assemblies for original equipment and the replacement market, emphasizing aerospace, business machine, construction, farm equipment and machine tool industries.

Spencer Kellogg TEXTRON

G. William Harrison, *President.* Chemical and oilseed products, raw materials for paints and coatings, adhesives, printing inks and related markets; *Patterson-Sargent,* industrial and marine coatings and private label trade sale coatings.

Sprague TEXTRON

Philip R. Sayre, *President.* Gas meters and pressure regulators, pipe repair devices and service fittings for gas, water and general industrial use, security devices for gas and electric meters.

WALKER PARKERSBURG TEXTRON

Thomas J. Sullivan, *President.* Electrical raceway products and systems; pre-engineered metal buildings.

Metal Product

BOSTITCH TEXTRON

Gerald H. Keltz, *President.* Stapling, nailing and wire-stitching machines and fasteners for industrial fastening, packaging and construction; power-actuated tools and fasteners; office and home staplers, tackers; Bluemark desk-top card files.

Bridgeport TEXTRON

Joseph E. Clancy, *President.* Vertical milling machines, grinders, True-Trace electronic and hydraulic machine tool control systems; *Bridgeport Controls,* numerical control systems for machine tools. *Adcock-Shipley* (United Kingdom), horizontal, vertical and bed type milling machines, plastic components.

CAMCAR TEXTRON

Ray H. Carlson, *President.* Raycarl cold headed metal parts, proprietary and special fasteners for aerospace, automotive and appliance industries.

TOWNSEND TEXTRON

Harold C. Kornman, *President.* Fastening systems, special fasteners and cold formed metal parts for aerospace, automotive, appliance, railroad, coal mining and construction industries; installation tools and automatic fastening machines; saw chain and chain saw accessories.

WATERBURY FARREL TEXTRON

Jan E. Tomczycki, *President.* Waterbury cold heading machines and presses, Sendzimir and other rolling mills, Cleveland hobbing machines, Thompson precision surface grinders; *Jones & Lamson,* numerical control, automatic and other turret lathes, tracer lathes, thread grinders and N/C cylindrical O.D. grinders, optical comparators and Metric Eye automatic electro-optical gauging systems.

Max

Max Company Limited (Japan – 50% owned)
Chikara Hiruta, *President.* Office, home and industrial staplers and staples, pneumatic nailers and staplers, wire stitchers, drafting machines and tables, tackers, packaging tools, agricultural binding equipment.

Creative Capital

ARD TEXTRON

Charles J. Coulter, *President.* American Research and Development makes investments in enterprises covering a wide range of industries and services. Equal emphasis is on both developing enterprises stressing advanced products and proprietary ideas and on larger, more established companies. Current areas of investment include environmental products and services, medical and health sciences, computer-related business, and innovative advanced technological products.

SECURITY TEXTRON

Edward J. Hobbs, *President.* Fire and casualty insurance including commercial multiple peril, automobile, homeowners', fire, liability, workers' compensation, group accident, ocean and inland marine, aviation, and excess and surplus lines insurance.

TFC TEXTRON

Textron Financial Corporation provides sales financing to assist in the sale of some Textron products.

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