

The Power to Grow



Textron Inc. is a \$10 billion multi-industry company with more than 44,000 employees in nearly 40 countries. The company leverages its global network of aircraft, industrial and finance businesses to provide customers with innovative solutions and services. Textron is known around the world for its powerful brands, including Bell Helicopter, Cessna Aircraft, Jacobsen, Kautex, Lycoming, E-Z-GO and Greenlee, among others.

Stock and Contact Information

Stock Exchange Listings

Ticker Symbol – TXT

Common Stock

New York, Chicago and Pacific Stock Exchanges

Preferred Stock (\$2.08 and \$1.40)

New York Stock Exchange

Capital Stock

(as of January 1, 2005)

Common stock: par value \$0.125; 500,000,000 shares authorized; 135,373,000 shares outstanding.

\$2.08 Cumulative Convertible Preferred stock, Series A:
105,000 shares outstanding.

\$1.40 Convertible Preferred Dividend stock, Series B:
50,000 shares outstanding.

Transfer Agent and Registrar

Wachovia Bank, NA

Shareholder Services Group – NC1153

1525 West W.T Harris Blvd., 3C3

Charlotte, NC 28288-1153

Phone: (800) 829-8432

Fax: (704) 590-7618 or (704) 590-7614

E-mail: equityservices@wachovia.com

Web: www.wachovia.com/firstlink

Dividends

Common and Preferred Stock

Record dates: March 12, June 11, September 10 and December 10, 2004.

Payable dates: April 1, July 1, October 1, 2004 and January 3, 2005.

Stock Splits

Record dates: December 17, 1965; August 11, 1967; May 11, 1987 and May 9, 1997.

Distribution dates: January 1, 1966; September 1, 1967; June 1, 1987 and May 30, 1997.

General Information

This Fact Book is one of several sources of information available to Textron Inc. shareholders and the investment community. To receive Annual Reports, 10-K, 10-Q reports and/or press releases, please call (888) TXT-LINE or visit our website at www.textron.com.

Contacts

Investors

Douglas R. Wilburne

Vice President, Investor Relations

dwilburne@textron.com

(401) 457-3606

(401) 457-2220 (fax)

William E. Pitts

Director, Investor Relations

wpitts@textron.com

(401) 457-2502

(401) 457-2220 (fax)

Banks and Rating Agencies

Mary F. Lovejoy

Vice President and Treasurer

mlovejoy@textron.com

(401) 457-6009

(401) 457-3533 (fax)

Media

Susan M. Tardanico

Vice President, Communications

stardanico@textron.com

(401) 457-2394

(401) 457-3598 (fax)

Karen A. Gordon

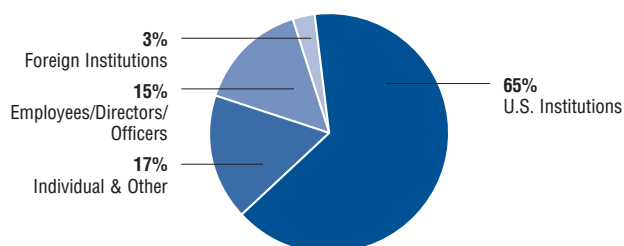
Manager, Media Relations

kgordon@textron.com

(401) 457-2362

(401) 457-3598 (fax)

Share Ownership



Textron is an Equal Opportunity Employer.

Textron

- > www.textron.com
- > NYSE: TXT
- > 2004 Fortune 500 ranking: 194
- > Number of employees: 44,000 – 31 percent are outside the U.S.
- > Number of countries with manufacturing operations: 22

Key Executives



Lewis B. Campbell
Chairman, President and
Chief Executive Officer

Lewis Campbell was named CEO in July 1998 and appointed chairman in February 1999. Campbell served as president and chief operating officer from January 1994 to July 1998, and reassumed the position of president in September 2001. Campbell joined Textron in September 1992 as executive vice president and chief operating officer after a 24-year career at General Motors.



Ted R. French
Executive Vice President and
Chief Financial Officer

Ted French joined Textron as executive vice president and chief financial officer in December 2000. Prior to joining Textron, French served as president, financial services, and chief financial officer for CNH Global N.V., where he spent 11 years. Earlier, he held a variety of positions during his 12-year tenure with Rockwell International.

(Dollars in millions except per share data)

	2004	2003	Change
Revenues	\$10,242	\$ 9,792	5%
International revenues %	41%	38%	–
Segment profit ¹	\$ 903	\$ 771	17%
Less: Special charges ²	\$ (131)	\$ (152)	(14)%
Segment operating income	\$ 772	\$ 619	25%
Income from continuing operations	\$ 373	\$ 292	28%
Total debt – Textron Manufacturing ³	\$ 1,791	\$ 2,027	(12)%
Shareholders' equity	\$ 3,652	\$ 3,690	(1)%
Common Share Data			
Diluted EPS from continuing operations, as adjusted ⁴	\$ 3.35	\$ 2.83	18%
Diluted EPS from continuing operations	\$ 2.66	\$ 2.13	25%
Dividends per share	\$ 1.33	\$ 1.30	2%
Diluted average common shares outstanding (000's)	140,169	137,217	2%
Key Performance Metrics			
ROIC ⁵	10.4%	8.6%	–
Free cash flow ⁶	\$ 752	\$ 494	52%
Debt (net of cash) to total capital – Manufacturing ³	25%	30%	–

Credit Ratings of Textron Manufacturing ³

	Senior Long-Term	Short-Term Commercial Paper
S&P	A-	A-2
Moody's	A3	P-2
Fitch	A-	F-2

¹ Segment profit represents the measurement used by Textron to evaluate performance for decision-making purposes. Segment profit for manufacturing segments does not include interest expense, certain corporate expenses, special charges, and gains and losses from the disposition of significant business units. The measurement for the finance segment includes interest income, interest expense, and distributions on preferred securities of Finance subsidiary trust, and excludes special charges.

² Special charges in 2004 include \$143 million of restructuring expense and a \$12 million gain on the sale of Collins & Aikman ("C&A") common stock. Special charges in 2003 include \$137 million of restructuring expenses and a \$15 million charge for unamortized issuance costs related to the redemption of preferred securities. ³ Textron Manufacturing includes all entities of Textron Inc. other than its finance subsidiaries. ⁴ Excludes special charges as described in footnote 2 and gains on sales of businesses. A reconciliation to diluted EPS from continuing operations is provided on pages 14 and 15. ⁵ Textron's calculation of ROIC is provided on page 16. ⁶ A reconciliation of cash flow from operations to free cash flow is provided on pages 14 and 15.

During the fourth quarter of 2004, Textron reached a final decision to sell the remainder of its InteSys operations. In 2003, Textron sold its small business direct portfolio in the fourth quarter and consummated the sale of its remaining OmniQuip businesses in the third quarter. As a result of these actions, financial results of these businesses, net of taxes, are now reported as discontinued operations. Discontinued operations also reflects a second quarter 2004 gain, net of taxes, from the sale of InteSys' two Brazilian-based joint ventures. The InteSys and OmniQuip businesses were previously reported within the Industrial segment and the small business direct portfolio was previously reported within the Finance segment.

Throughout this Fact Book, amounts are presented "as adjusted," which exclude items recorded in special charges, gains on sale of businesses, the cumulative effect of change in accounting principle and amounts reclassified as discontinued operations. Textron presents its results "as adjusted," before restructuring and other special items, because such items are outside normal business operations, as well as difficult to forecast accurately for specific periods. Such items are either isolated or temporary in nature; therefore, it is helpful to understand results without these items, especially when comparing results for previous periods or forecasting performance in future periods. In addition, Textron uses "as adjusted" results to measure operating performance for management compensation purposes. Any analysis of results before restructuring costs and other special items should be used only in conjunction with data presented in accordance with Generally Accepted Accounting Principles (GAAP). When "as adjusted" amounts are used, reconciliations will be provided in the table or other sections of the Fact Book.



Bell

The Bell segment comprises Bell Helicopter and Textron Systems. Bell Helicopter is a leader in vertical takeoff and landing aircraft for commercial and military applications, and the pioneer of the revolutionary tilt-rotor aircraft. Textron Systems is a provider of advanced technology solutions for the aerospace and defense industries, including Lycoming aircraft engines.



22% Bell's share of Textron 2004 revenues
Bell revenues are comprised of Bell Helicopter (72%) and Textron Systems (28%).

Strategic Steps Forward

- > Operationalize Textron Six Sigma and improve key business processes: Accelerate Lean implementation, integrated supply chain, customer leadership and integrated product development.
- > Successfully complete Operational Evaluation of the V-22 to ensure the future production of the aircraft for the U.S. Marine Corps, Air Force Special Operations Forces and other U.S. Department of Defense and international customers.
- > Successfully complete Operational Evaluation of the AH-1Z attack and UH-1Y utility helicopters. Continue low rate production for the U.S. Marine Corps and introduce these modern aircraft into international markets.
- > Pursue other U.S. Government and foreign military sales opportunities.
- > Strengthen the commercial product line by upgrading existing products, developing derivatives and introducing new models.
- > Accelerate growth in the after-market by offering a broader range of services and expanded coverage.
- > Expand Textron Systems' innovative technology solutions, further enabling combat and homeland security missions.
- > Leverage Textron Systems' key contract wins in unattended ground sensors and intelligent munitions systems with the U.S. Army, Air Force and Marines into a premier position in Precision Engagement.
- > Build on the success of Textron Systems' combat-proven products in the War on Terrorism/Operation Iraqi Freedom to expand sales internationally.

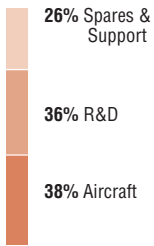
Major Products

Bell Helicopter	Description	First Delivery	Seating Capacity (Including Pilots)	Useful Load (lbs)	Cruising Speed (kts)	Maximum Range (nm)
Light	206B-3 Jet Ranger	1977	5	1,492	115	374
	206L-4 Long Ranger	1992	7	2,141	112	324
	407	1996	7	2,360	133	330
	427	2000	8	2,490	138	390
	429	2007	10	2,700	138	365
Intermediate	430	1996	9-10	3,975	139	353
Medium	412 EP	1981	15	5,044	122	356
	AB139	2004	17	5,511	157	400
	210	2005	15	4,783	130	253
Military	UH-1N Huey	1971	15	3,532	110	230
	OH-58D Kiowa Warrior	1986	2	2,200	114	268
	AH-1W Super Cobra	1986	2	3,830	150	280
	TH-67 Trainer	1993	3	1,321	115	374
	Huey II	1997	15	5,060	106	216
	UH-1Y	2006	12	6,661	158	350
Tiltrotor	AH-1Z	2006	2	5,764	155	380
	Bell Boeing V-22 Osprey	1999	27	23,860	255	750
	BA609	2008	11	5,500	275	750
	Bell Eagle Eye	2008	NM	200	185	800

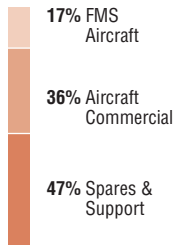
Textron Systems	Description
Armored Security Vehicle (ASV)	The ASV is a 4X4 wheeled armored vehicle that offers exceptional crew protection and selectable fire power for both peace-keeping and combat missions. Because of the outstanding performance in Iraq, the U.S. Army has asked Systems to ramp up to produce 36 vehicles per month.
Sensor Fuzed Weapon (SFW)	This smart air-to-surface munition, combat proven in Operation Iraqi Freedom, can be remotely deployed and successfully engages large numbers of armored vehicles and other mobile targets over a very wide area.
Joint Direct Attack Munition (JDAM) Tail Actuation System (TAS)	The TAS guides Boeing's JDAM to its target flawlessly regardless of weather or environmental conditions. Combat proven in Bosnia, Kosovo, Afghanistan and Iraq, JDAM has a 99% reliability rating.
Unattended Networked Sensors and Munitions	These real-time distributed networked systems autonomously detect, classify, report, engage and defeat threats in urban and rural scenarios.
Landing Craft, Air Cushion (LCAC)	Proven in combat, as well as humanitarian missions, LCAC travels at 50 knots in rough seas while carrying 70 ton payloads. LCAC is the cornerstone of the U.S. amphibious modernization program.
Aircraft Controls	HR Textron actuators and servovalves set aerospace industry standards for reliability and affordability in flight controls, engine controls, power management systems, environmental and fuel controls, and automatic braking systems.
Aircraft Engine	Lycoming is the largest and most complete supplier of reciprocating aircraft engines for general aviation.

Bell Helicopter Sales

U.S. Military

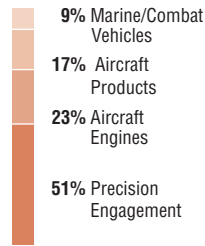


Commercial*

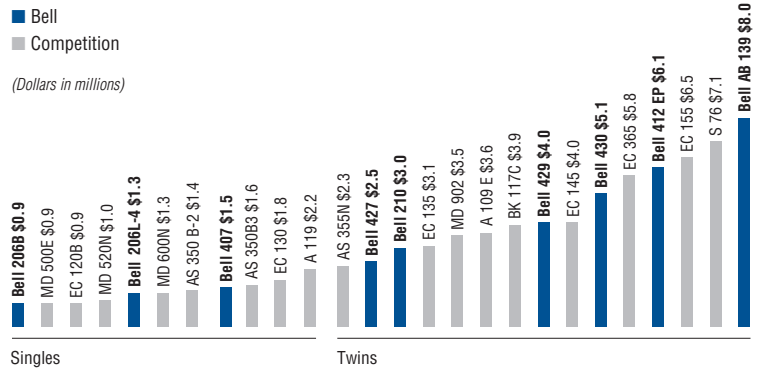


Textron Systems Sales

By Product/Service



Commercial Product Price Points (Bell Helicopter)



* Commercial includes: Civil government 14%, Corporate 33% and Operator 53%.

Fast Facts

Segment

- > Approximate revenues by region: U.S.: 73%, Asia Pacific: 10%, Europe: 5%, Latin America and Mexico: 5% and Canada: 3%. Rest of World: 4%.
- > Service network of more than 180 strategically located customer support facilities worldwide.
- > Bell has approximately 11,000 employees, of which 12% are based outside the U.S.
- > Manufacturing facilities in Ft. Worth and Amarillo, Texas; Bristol, Tennessee; Mirabel, Canada; Wilmington, MA; Santa Clarita and Pacoima, CA; New Orleans, LA and Williamsport, PA.

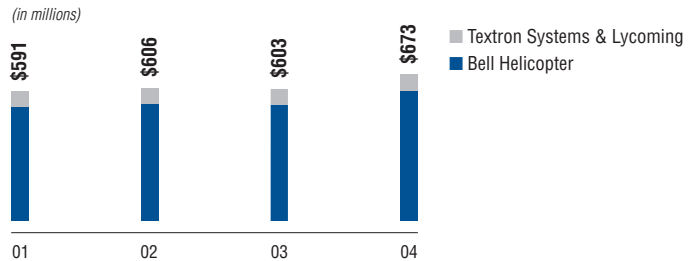
Bell Helicopter

- > More than 12,000 Bell Helicopter aircraft are flying in more than 120 countries. One third of the operating fleet in the world carry the Bell Helicopter name.
- > Ranked #1 in rotorcraft support and service by *Professional Pilot* magazine for 11 consecutive years.

Textron Systems

- > Delivered more than 100,000 Smart Precision Weapons for the US Air Force.
- > Prime contractor for 2 of the 3 first spiral systems for the Army Future Combat Systems (Intelligent Munition System and the FCS Unattended Ground Sensor Systems).
- > More than 150,000 Lycoming engines in operation worldwide.
- > Many commercial air transport and military aircraft include Systems' aircraft actuation components.

Spares and Support



Key Data

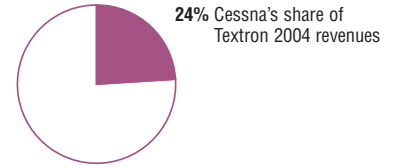
Bell (Dollars in millions)	2004	2003	2002	2001	2000
Bell Helicopter:					
Revenues	\$1,615	\$1,755	\$1,636	\$1,621	\$1,581
Bell total units shipped	148	154	124	160	207
U.S government units shipped	37	49	32	29	46
Commercial/FMS units shipped	111	105	92	131	161
Commercial units shipped	93	94	81	115	140
Foreign military sales units shipped	18	11	11	16	21
Backlog	\$2,843	\$1,438	\$1,231	\$1,001	\$1,516
Bell Segment:					
Revenues	\$2,254	\$2,348	\$2,235	\$2,243	\$2,194
Segment profit ¹	\$ 250	\$ 234	\$ 169	\$ 93	\$ 264
Segment profit margin	11.1%	10.0%	7.6%	4.1%	12.0%
Total assets ²	\$1,674	\$1,496	\$1,556	\$1,588	\$1,396
Capital expenditures	\$ 62	\$ 50	\$ 29	\$ 73	\$ 71
Depreciation	\$ 47	\$ 52	\$ 48	\$ 40	\$ 40
ROIC ^{1,3}	16.9%	14.3%	11.2%	6.3%	18.8%

¹ Segment profit and ROIC represent measurements used by Textron to evaluate performance for decision-making purposes. Segment profit for manufacturing segments does not include interest expense, certain corporate expenses, goodwill amortization, special charges and gains and losses from the disposition of significant business units. ² Certain prior period amounts have been reclassified to conform to the current year presentation. ³ An ROIC calculation worksheet is provided on page 16.



Cessna

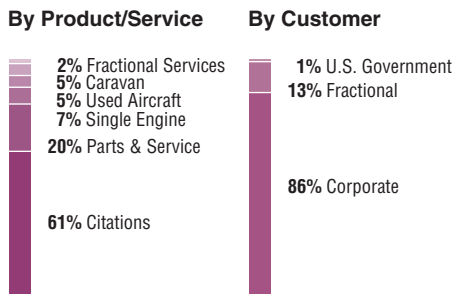
The world's largest manufacturer of light and mid-size business jets, utility turboprops and single-engine piston aircraft. Also includes CitationShares fractional jet business.



Strategic Steps Forward

- > Operationalize Textron Six Sigma and improve key business processes: Accelerate Lean implementation, integrated supply chain, customer leadership and integrated product development.
- > Further extend the Cessna brand into fractional share ownership through expansion of the CitationShares business and sales to other fractional share operators.
- > Continue to strengthen brand image and grow the business through new customer-driven products and services.
- > Maintain leadership in light and mid-size business jets, utility turboprop and single-engine piston aircraft.
- > Provide superior after-market services.

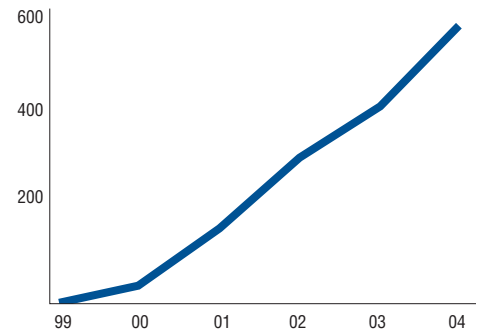
Sales



New Jet Deliveries

2000	CJ1 CJ2 Encore
2004	CJ3 XLS Sovereign
2005	CJ1+
2006	CJ2+ Mustang

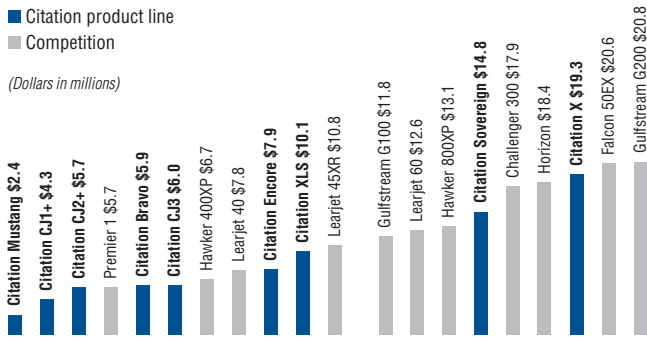
CitationShares Cumulative Fractional Units



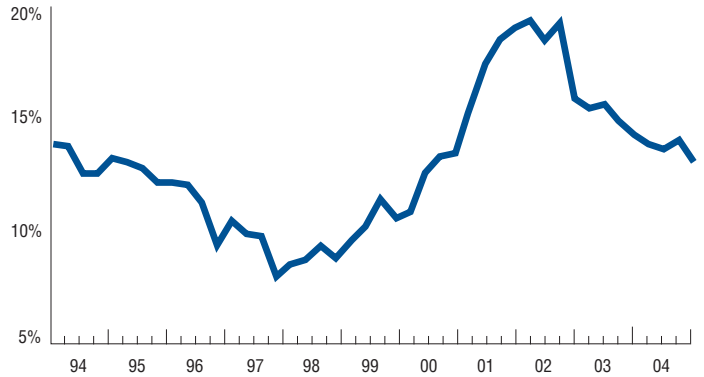
Major Products

Description	First Delivery	Seating Capacity (Including Pilots)	Cruising Speed (kts)	Maximum Range (nm)	Unit Price (in millions)
Business Jets					
Light					
Citation Mustang	2006	6	340	1,300	\$2.4
Citation CJ1+	2005	7	389	1,475	4.3
Citation CJ2+	2006	8	412	1,738	5.7
Citation Bravo	1997	10	402	2,000	5.9
Citation CJ3	2004	8	417	1,900	6.0
Citation Encore	2000	10	427	1,970	7.9
Citation XLS	2004	11	433	2,110	10.1
Mid-Size					
Citation Sovereign	2004	12	460	3,040	14.8
Citation X	1996	11	525	3,390	19.3
Caravan Utility Turboprops					
208 & 208B	1985	Cargo to 14	163-184	855-960	1.7
Single-Engine					
Skyhawk (172 & 172SP)	1997	4	122-124	518-580	0.2
182 Skylane (182 & T182)	1997	4	144-170	820	0.3
Stationair (206 & T206)	1998	6	142-164	713-730	0.4

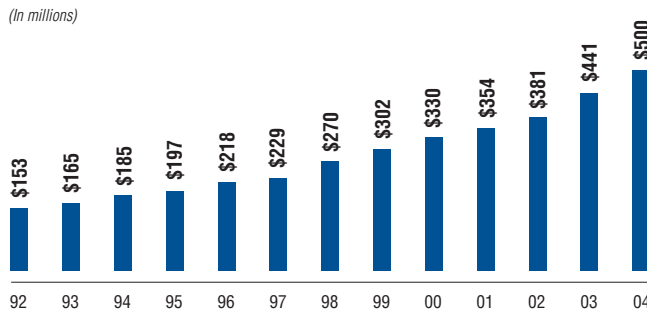
2004 Product Price Points (New Business Jets)



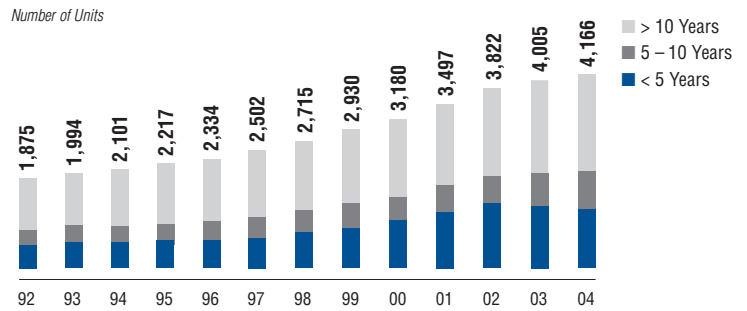
Used Citations for Sale as a Percent of Fleet



Growth in Sales of Parts and Services



Number of Citations in Service by Age Distribution



Fast Facts

- > Approximate revenues by region: U.S.: 77%, Europe: 13%, Latin America and Mexico: 6%. Rest of World: 4%.
- > Cessna Citations are operated in more than 75 countries, representing the largest fleet of business jets in the world.
- > In its 77-year history, Cessna has delivered more than 186,700 aircraft including more than 151,000 single-engine airplanes; more than 1,450 Caravans; more than 2,000 military jets and more than 4,200 Citation business jets. Cessna has delivered 34% more business jets than its closest competitor.
- > Cessna operates 10 Citation Service Centers: 9 at airports across the United States and one at Le Bourget Airport in Paris, France. Authorized Independent Service Centers/Stations are located in more than 16 countries.
- > Cessna has more than 11,000 employees worldwide.
- > Manufacturing facilities in Wichita and Independence, Kansas; and Columbus, Georgia.

Key Data

Cessna

(Dollars in millions)

Units shipped:

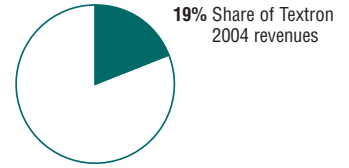
	2004	2003	2002	2001	2000
Business jets	179	197	307	313	254
Caravans	64	57	80	75	92
Single engine	654	588	559	821	912
Backlog, other than CitationShares	\$5,352	\$3,947	\$4,474	\$4,995	\$6,599
Backlog, CitationShares	\$ 497	\$ 454	\$ 524	\$ 186	\$ —
Revenues ¹	\$2,473	\$2,299	\$3,175	\$3,043	\$2,814
Segment profit ²	\$ 267	\$ 199	\$ 376	\$ 344	\$ 300
Segment profit margin	10.8%	8.7%	11.8%	11.3%	10.7%
Total assets ³	\$1,751	\$1,622	\$1,823	\$1,810	\$1,709
Capital expenditures	\$ 98	\$ 99	\$ 92	\$ 111	\$ 98
Depreciation	\$ 71	\$ 75	\$ 78	\$ 88	\$ 80
ROIC ^{2,4}	17.3%	12.6%	23.0%	21.9%	19.2%

¹ Incremental revenues of \$76 million from CitationShares are included in the second half of 2004. ² Segment profit and ROIC represent measurements used by Textron to evaluate performance for decision-making purposes. Segment profit for manufacturing segments does not include interest expense, certain corporate expenses, goodwill amortization, special charges and gains and losses from the disposition of significant business units. ³ Certain prior period amounts have been reclassified to conform to the current year presentation. ⁴ An ROIC calculation worksheet is provided on page 16.



Fastening Systems

Textron Fastening Systems Inc. (TFS) is a premier global provider of value-based fastening and assembly solutions, supplying innovative fastening and assembly products and services to customers around the world. In addition to cutting-edge joining solutions, TFS also provides engineering, supply chain and automated assembly services to optimize customers' operations and reduce in-place costs.



Strategic Steps Forward

- > Operationalize Textron Six Sigma and improve key business processes: Accelerate Lean implementation, integrated supply chain, customer leadership and integrated product development.
- > Invest in new technologies to drive growth in higher-margin product lines.
- > Integrate business support functions and common processes on a regional basis to eliminate redundant activities.
- > Focus efforts on attaining profitable growth.
- > Deploy actionable customer segmentation to target high-value customers and reduce costs to serve lower-value customers.
- > Expand in growth regions.
- > Implement pricing actions to capture full value of TFS offering.
- > Reduce overall cost structure.
- > Leverage integrated supply chain to lower costs and improve global efficiency.

Business Strategy

TFS' business strategy leverages its industry's broadest product and service portfolio. The company is the only worldwide provider of every major category of fastening technology and services. TFS creates value for its customers by custom bundling the specific products and services that help them maximize efficiencies and lower total system costs.

The TFS Full Service Provider (FSP) business model for large OEM customers integrates our full product offering with applications engineering, automation support services and supply chain management services such as vendor managed inventory programs, plant provider programs and global sourcing.

Last year, TFS reorganized to create one unified global business from its previously separate product-line businesses. This significant step was supported by a worldwide branding initiative. The company has migrated to a single global TFS brand from its previous 27 product and business brands.

Products and Services

Threaded Fastening Solutions

TFS offers the broadest line of threaded fasteners available anywhere. Our thread-forming fasteners and patented TORX® and TORX PLUS® drive systems are custom engineered to meet the requirements of customers' demanding applications.

Engineered Components

TFS provides many high quality, cost-efficient engineered components including cold-formed components, sheet extrusions, synergistic assemblies and cage nuts.

Intevia Intelligent Fastening Technology

TFS' breakthrough Intevia intelligent fastening technology enables the next generation of fastening solutions – solutions that are changing the way industries design, assemble and maintain products.

Blind Fastening Solutions

TFS' line of blind fasteners and customized installation tools includes solutions for speed fastening, sealing, structural fastening and threaded inserts.

High Performance Installation Systems

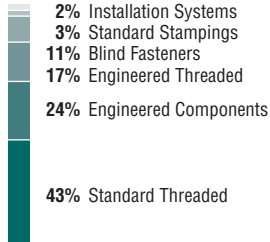
TFS is an industry leader in providing manufacturers and system integrators with solutions that significantly reduce their overall cost of assembly.

Stamped and Formed Metals

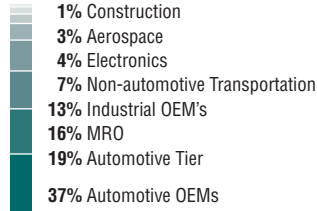
TFS' wide range of stamping and forming capabilities includes roll forming and tube forming, stamping, fineblanking and extrusion metal forming.

Sales

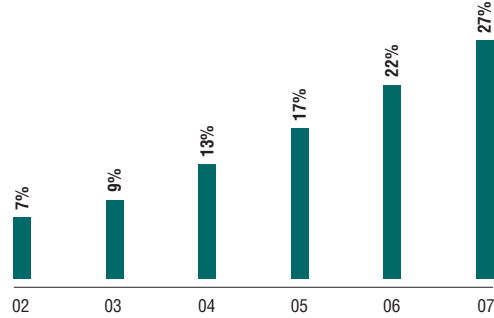
By Product/Service Category



By Sector



New Product Sales as a Percent of Total Sales

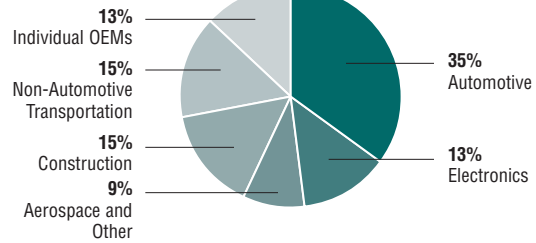


Fast Facts

- > Approximate revenues by region: U.S.: 47%, Europe: 40%, Asia Pacific: 6%, Latin America and Mexico: 4% and Canada: 3%.
- > TFS has more than 40 manufacturing facilities in the following 17 countries: Australia, Austria, Brazil, Canada, China, France, Germany, Italy, Japan, Malaysia, Mexico, Singapore, South Korea, Spain, Taiwan, the United Kingdom and the United States.
- > TFS serves customers in more than 100 countries.
- > TFS has approximately 10,000 employees, of which more than 54% are based outside the U.S.
- > TFS is the only manufacturer in the world providing Intevia Intelligent Fastening Technology.

Target Global Fastener Segments

Total Industry: **\$19 Billion**



Source: Company estimate

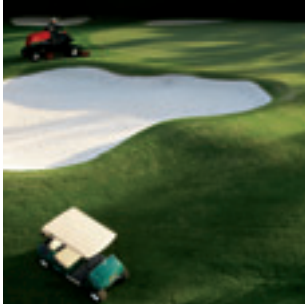
Key Data

Fastening Systems

(Dollars in millions)

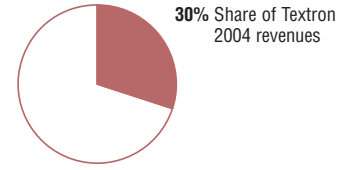
	2004	2003	2002	2001	2000
Revenues	\$1,924	\$1,737	\$1,650	\$1,679	\$1,996
Segment profit ¹	\$ 53	\$ 66	\$ 72	\$ 70	\$ 192
Segment profit margin	2.8%	3.8%	4.4%	4.2%	9.6%
Total assets	\$1,585	\$1,464	\$1,451	\$1,541	\$1,770
Capital expenditures	\$ 52	\$ 34	\$ 43	\$ 61	\$ 108
Depreciation	\$ 73	\$ 76	\$ 70	\$ 78	\$ 82
ROIC ^{1,2}	3.1%	3.7%	3.8%	2.8%	7.3%

¹ Segment profit and ROIC represent measurements used by Textron to evaluate performance for decision-making purposes. Segment profit for manufacturing segments does not include interest expense, certain corporate expenses, goodwill amortization, special charges and gains and losses from the disposition of significant business units. ² An ROIC calculation worksheet is provided on page 17.



Industrial

The Industrial segment comprises five businesses that manufacture and market branded industrial products worldwide.



E-Z-GO – 11% of Segment

Description

E-Z-GO is the world's leading manufacturer of vehicles for golf courses, resort communities and municipalities, as well as commercial and industrial users such as airports and manufacturing facilities. Products include electric-powered and internal combustion-powered golf cars and multi-purpose utility vehicles. With the addition of the 4-wheel drive ST 4x4 in 2003, E-Z-GO expanded its presence in the recreational vehicle category. Includes: *E-Z-GO* and *Cushman*.

Strategic Steps Forward

- > Operationalize Textron Six Sigma and improve key business processes: Accelerate Lean implementation, integrated supply chain, customer leadership and integrated product development.
- > Pursue top-line growth activities, value pricing initiatives and strengthen market presence in non-golf and recreational markets.

Jacobsen – 12% of Segment

Description

Jacobsen offers the world's most comprehensive line of turf-care products for golf courses, resort communities and municipalities, as well as commercial and industrial users and professional lawn-care services. Products include professional turf maintenance equipment and lawn care machinery. Includes: *Jacobsen*, *Ransomes*, *Bob-Cat*, *Brouwer*, *Bunton*, *Ryan* and *Steiner*.

Strategic Steps Forward

- > Operationalize Textron Six Sigma and improve key business processes: Accelerate Lean implementation, integrated supply chain, customer leadership and integrated product development.
- > Create superior customer value utilizing voice of the customer methodologies, segmentation, market focus, product rationalization and distribution performance.

Greenlee – 10% of Segment

Description

Greenlee, a leader in wire and cable installation systems, is the premier source for professional-grade tools and test instruments to the electrical contractor, plumbing and voice/data/video contractor markets, as well as the telecommunications and CATV markets.

Strategic Steps Forward

- > Operationalize Textron Six Sigma and improve key business processes: Accelerate Lean implementation, integrated supply chain, customer leadership and integrated product development.
- > Create unique value proposition based on customer segmentation and Design for Manufacturing.
- > Leverage Greenlee brand to improve our position with major distributors.
- > Introduce new products to complement existing lines.

Kautex – 52% of Segment

Description

Kautex is a leading global supplier of plastic fuel systems, including plastic and metal fuel assemblies. Kautex also supplies automotive clear vision systems (windshield and headlamp cleaning), blow-molded ducting and fluid reservoirs, and other components, such as cooling pipes and acoustic components. The group also includes CWC and Micromatic. CWC manufactures automotive engine camshafts. Micromatic supplies machine tools for precision bore and surface finishing, spline or gear production, or component assembly.

Strategic Steps Forward

- > Operationalize Textron Six Sigma and improve key business processes: Accelerate Lean implementation, integrated supply chain, customer leadership and integrated product development.
- > Maintain leading position in plastic fuel systems by introducing low emission fuel systems and add value through proprietary, innovative components.
- > Continued expansion into the Asian market.
- > Maintain our industry leading position in operational excellence.

Fluid & Power – 15% of Segment

Description

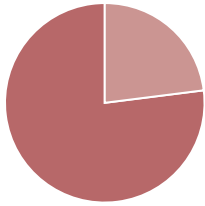
Fluid & Power manufactures a comprehensive product offering of industry leading pumps, gears and gearboxes for multiple applications including oil, mining, defense, polymer extrusion, industrial and many other industries. Includes: *David Brown Guinard Pumps*, *David Brown Union Pumps*, *Maag Pump Systems*, *AB Benzlers*, *Cone Drive* and *David Brown Engineering*.

Strategic Steps Forward

- > Operationalize Textron Six Sigma and improve key business processes: Accelerate Lean implementation, integrated supply chain, customer leadership and integrated product development.
- > Identify and pursue market niches and opportunities in current and adjacent markets.
- > Strengthen position in aftermarket parts and services.
- > Pursue growth opportunities in China.

Sales by Product Line

E-Z-GO

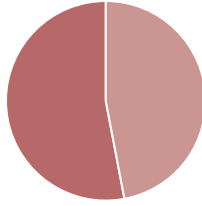


Product Lines:
Golf
Service & Parts
Trail
Commercial
Individual
Industrial

Total Industry: **\$4.7 Billion**

■ Segments Served by E-Z-GO: **\$1.1 Billion**

Jacobsen

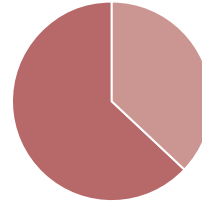


Product Lines:
Golf Turf
Parts
Grass
Municipal
Vehicles

Total Industry: **\$12.3 Billion**

■ Segments Served by Jacobsen: **\$5.8 Billion**

Greenlee

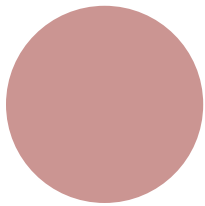


Product Lines:
Holmaking
Termination
Test/Measurement
Connectors
Pulling
Bending
Storage
LP Hydraulics

Total Industry: **\$8.35 Billion**

■ Segments Served by Greenlee: **\$3.1 Billion**

Kautex

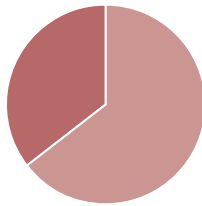


Product Lines:
Fuel Systems
Other Product Lines
Clear Vision Systems
Industrial Products

Total Industry: **\$8.7 Billion**

■ Segments Served by Kautex: **\$8.7 Billion**

Fluid & Power



Product Lines:
Engineered Products
Hydrocarbon Processing
Standard Products
Polymer Systems

Total Industry: **\$11.0 Billion**

■ Segments Served by Fluid & Power: **\$7.1 Billion**

Fast Facts

- > Approximate revenues by region: Europe: 42%, U.S.: 40%, Asia Pacific: 7%, Canada: 4%, Latin America and Mexico: 4%. Rest of World: 3%.
- > Within each business group, non-U.S. revenues account for the following: E-Z-GO (15%); Jacobsen (53%); Kautex (70%); Greenlee (38%); and Textron Fluid & Power (78%).
- > Manufacturing facilities in 11 countries: Australia, Brazil, Canada, France, Germany, Ireland, Italy, Mexico, New Zealand, the United Kingdom and the United States.
- > Textron's Industrial segment has approximately 11,000 employees, of which 60% are based outside the U.S.

Key Data

Industrial

(Dollars in millions)

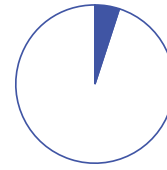
	2004	2003	2002	2001	2000
Industrial, excluding Automotive Trim:¹					
Revenues	\$3,046	\$2,836	\$2,627	\$2,642	\$2,911
Segment profit ²	\$ 194	\$ 150	\$ 169	\$ 205	\$ 346
Segment profit margin	6.4%	5.3%	6.4%	7.8%	11.9%
Total assets	\$2,601	\$2,468	\$2,304	\$2,441	\$2,411
Capital expenditures	\$ 100	\$ 105	\$ 120	\$ 155	\$ 131
Depreciation	\$ 101	\$ 93	\$ 103	\$ 96	\$ 97
ROIC ^{2,3}	7.9%	6.1%	6.1%	6.9%	11.2%
Industrial, including Automotive Trim:¹					
Revenues				\$4,221	\$4,753
Segment profit ²				\$ 289	\$ 513
Segment profit margin				6.8%	10.8%
Total assets				\$2,441	\$3,512
Capital expenditures				\$ 256	\$ 217
Depreciation				\$ 160	\$ 149

¹ Textron's Automotive Trim business was sold in 2001. ² Segment profit and ROIC represent measurements used by Textron to evaluate performance for decision-making purposes. Segment profit for manufacturing segments does not include interest expense, certain corporate expenses, goodwill amortization, special charges and gains and losses from the disposition of significant business units. ³ An ROIC calculation worksheet is provided on page 17.



Textron Financial

Textron Financial is a diversified commercial finance company with core operations in aircraft finance, asset-based lending, distribution finance, golf finance, resort finance and structured capital. Textron Financial also provides financing programs for products manufactured and serviced by Textron Inc.



5% Share of Textron 2004 revenues

Strategic Steps Forward

- > Expand use of Textron Six Sigma to drive process improvements and generate tangible benefits.
- > Grow core business segments where superior product and industry knowledge sustain competitive advantage.
- > Maintain strong portfolio credit quality.
- > Liquidate and divest non-core portfolios and businesses.
- > Continue to support sales financing needs of Textron segments.
- > Accelerate deployment of information technology solutions to improve processes and operating efficiencies.
- > Continue to pursue syndication opportunities to minimize portfolio concentration risk and generate fee income.

Segments

Aircraft Finance

Aircraft Finance provides financing for new and used Cessna business jets, Caravans and piston-engine airplanes, Bell helicopters, and other general aviation aircraft.

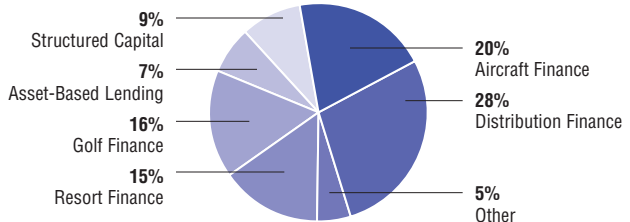
Asset-Based Lending

Asset-Based Lending provides asset-based loans to middle-market companies that manufacture or distribute finished goods, and provides factoring arrangements primarily for freight companies.

Distribution Finance

Distribution Finance offers inventory finance programs for dealers of Textron manufactured products and for dealers of a variety of other household, housing, leisure, agricultural and technology products.

Managed Finance Receivables



Golf Finance

Golf Finance makes mortgage loans for the acquisition and refinancing of golf courses and provides term financing for E-Z-GO golf cars and Jacobsen turf-care equipment.

Resort Finance

Resort Finance extends loans to developers of vacation interval resorts, secured primarily by notes receivable and interval inventory.

Structured Capital

Structured Capital engages in tax-oriented, long-term leases of large-ticket equipment and real estate, primarily with investment grade lessees.

Other Financial Services

Other financial services and products include transaction syndication, equipment appraisal and disposition, and portfolio servicing.

Credit Ratings of Textron Financial

(as of 12/31/04)	Senior Long-Term	Short-Term Commercial Paper
S&P	A-	A2
Moody's	A3	P2
Fitch	A-	F2

2004 Performance of Core and Liquidating Businesses

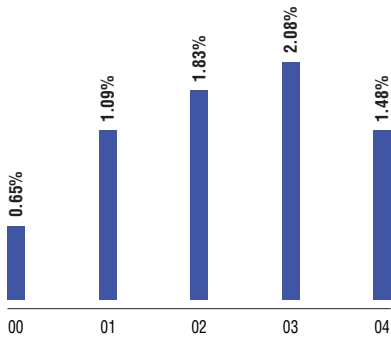
(Dollars in millions)	Owned Finance Receivables	Percent of Owned Receivables	Percent Net Charge-offs	Percent of Nonperforming Assets	Percent of 60+ Delinquency
Core Businesses	\$5,417	93%	75%	73%	84%
Liquidating	420	7%	25%	27%	16%
Total	\$5,837				

Textron Support Agreement

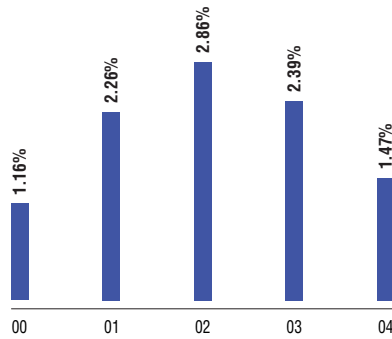
Under a Support Agreement with Textron dated as of May 25, 1994, Textron is required to pay to Textron Financial, quarterly, an amount sufficient to provide that Textron Financial's pre-tax earnings, before extraordinary items and fixed charges (including interest on indebtedness and amortization of debt discount "fixed charges"), will not be less than 125% of the Company's fixed charges. No such payments under the Support Agreement were required for the years ended 2004, 2003, 2002, 2001 or 2000, when Textron

Financial's fixed-charge coverage ratios (as defined) were 189%, 167%, 164%, 173% and 158%, respectively. Textron also has agreed to maintain Textron Financial's consolidated shareholder's equity at an amount no less than \$200 million. Pursuant to the terms of the Support Agreement, Textron is required to directly or indirectly own 100% of Textron Financial's common stock. The Support Agreement also contains a third-party beneficiary provision entitling Textron Financial's lenders to enforce its provisions against Textron.

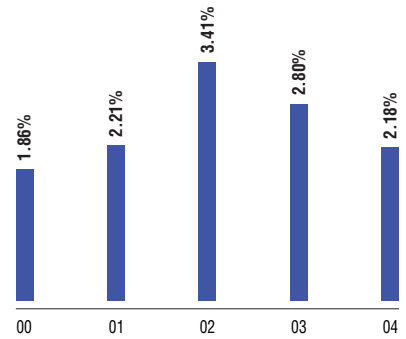
Net Charge-Offs



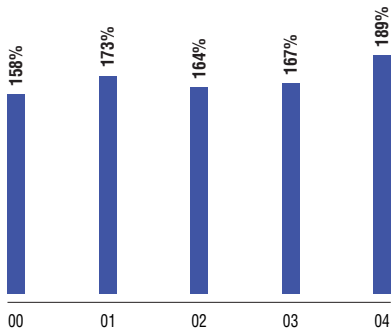
60+ Delinquency



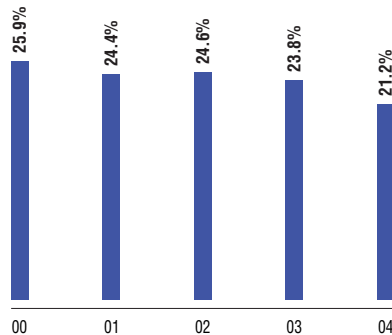
Nonperforming Assets



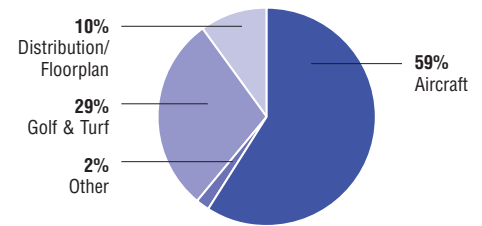
Fixed-Charge Coverage Ratios



Textron-Related Receivables, Percent of Total Managed Receivables



Captive Receivables by Category



Key Data

Textron Financial

(Dollars in millions)

	2004	2003	2002	2001	2000
Owned finance receivables	\$5,837	\$5,135	\$5,534	\$5,252	\$5,589
Managed finance receivables ¹	\$8,135	\$7,525	\$7,963	\$7,584	\$6,914
Managed and serviced finance receivables ²	\$9,268	\$8,771	\$8,970	\$8,965	\$7,965
Return on average equity ³	9.49%	7.86%	7.59%	12.66%	13.12%
Net interest margin ⁴	7.14%	6.92%	6.89%	7.48%	6.17%
Operating efficiency ⁵	47.1%	46.8%	39.8%	36.4%	34.1%
Allowance for losses, % of finance receivables	1.70%	2.32%	2.62%	2.37%	2.07%
Debt to tangible shareholders' equity ⁶	5.53x	5.24x	5.59x	5.62x	6.72x
Revenue	\$ 545	\$ 572	\$ 584	\$ 681	\$ 691
Segment profit ⁷	\$ 139	\$ 122	\$ 118	\$ 203	\$ 202
Segment profit margin	25.5%	21.3%	20.2%	29.8%	29.2%
Total assets ⁸	\$6,738	\$6,333	\$6,383	\$6,084	\$6,131
Capital expenditures	\$ 12	\$ 17	\$ 17	\$ 17	\$ 14
Depreciation on fixed assets	\$ 17	\$ 17	\$ 14	\$ 11	\$ 8
Depreciation on operating leases	\$ 19	\$ 17	\$ 13	\$ 8	\$ 9
ROIC ^{7,9}	8.0%	7.0%	6.6%	12.5%	13.0%

¹ Managed finance receivables are owned receivables and receivables which continue to be serviced, but have been sold in securitizations or similar structures, where substantial risks of ownership have been retained. ² Managed and serviced finance receivables are managed finance receivables plus receivables serviced under third-party portfolio servicing agreements. ³ Return on average equity excludes the cumulative effect of change in accounting principle. ⁴ Represents revenues earned less interest expense on borrowings and operating lease depreciation as a percentage of average net investment. Average net investment includes finance receivables plus operating leases, less deferred taxes on leveraged leases. ⁵ Operating efficiency ratio is selling and administrative expense divided by net interest margin. ⁶ Tangible shareholders' equity excludes accumulated other comprehensive income or loss and goodwill. ⁷ Segment profit and ROIC represent measurements used by Textron to evaluate performance for decision-making purposes. Segment profit for the Finance segment includes distributions on preferred securities of finance subsidiary trust before tax effects and excludes goodwill amortization. ⁸ Excludes assets from discontinued operations in 2002 and 2001 of \$271 million and \$380 million, respectively. ⁹ An ROIC calculation worksheet is provided on page 17.



Vision and Strategy

Textron's vision is to become *the* premier multi-industry company, recognized for our powerful brands, world-class enterprise processes and talented people.

Enterprise Competencies

Our strategy is to create superior shareholder value by building world-class competencies in:

> **Enterprise Management** – building, deploying and leveraging world-class operating capabilities through a focus on customers, people and processes.

> **Portfolio Management** – identifying, selecting, acquiring and integrating the right mix of businesses that will drive higher performance while benefiting from our enterprise management capabilities.

Enterprise Objectives

Successful Customers

Make our customers successful by placing them at the center of everything we do, making them the focus of our people and processes.

Talented People

Promote an energized environment that attracts, retains and develops highly talented, results-driven people who deliver superior products and services.

World-Class Processes

Develop and leverage world-class processes and resources to drive efficiencies, optimize business mix and enhance competitive advantage.

Industry-Leading Performance

Drive rigorous execution of robust, customer-focused plans to deliver superior performance.

2005 Focus Initiatives

Textron Six Sigma

Six Sigma and Lean are known to enhance business results. Textron's approach takes the best of the best elements, providing a common, proven way to solve problems and unlock growth potential. A special 2005 emphasis on the Lean component of Textron Six Sigma is quickly improving the things that matter most to our customers. Textron Six Sigma is fueling success by eliminating waste in our processes, resulting in improved productivity and enhanced customer focus.

Customer Leadership

We are committed to helping each Textron brand prosper with innovative, market-leading solutions and a relentless focus on customer needs. By focusing on key elements of the customer experience, Textron is improving our expertise in segmenting, positioning and pricing, as well as understanding key customer satisfaction and loyalty drivers. The better customers' experience, the more likely they are to recommend & repurchase our products, driving brand loyalty and business results.

Integrated Supply Chain

Success today calls for a dual focus on cost and improvement – reducing the cost to produce a product or service while enhancing quality and speed to meet customer needs. Textron's Integrated Supply Chain discipline harnesses the power of the enterprise to ensure that we partner with the world's best suppliers, supporting our lean factories and our efficiency and quality objectives. That gives Textron competitive advantage and gives our businesses even more opportunities to make our customers happy.

Shared Services

Textron's Shared Services do more than save costs by centralizing and streamlining functions common to every Textron business. They are also valued business partners, and in functional areas like Finance, IT and HR, they are providing innovative new strategies that help our businesses improve quality and efficiency, be more competitive and attract and retain top talent. Shared Services help our businesses stay focused on the highest value customer-oriented activities, giving them the freedom to grow.

Talent Development

At Textron, Talent Development is not only about attracting, developing and retaining passionate and high-achieving people, but also about fostering a sense of ownership and personal accountability. Extending its roots into every corner of the organization, this initiative ensures the right people are in the right jobs, growing their skills and capabilities. With a direct line of sight to our most important goals, our people can stay focused on the most important things every day.

Financial Data 2004-2000¹

(Dollars in millions, except per share amounts)

	2004					2003					2002	2001	2000
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year			
Revenues													
Bell	\$ 507	\$ 587	\$ 570	\$ 590	\$ 2,254	\$ 536	\$ 616	\$ 521	\$ 675	\$ 2,348	\$ 2,235	\$ 2,243	\$ 2,194
Cessna	418	500	699	856	2,473	588	575	516	620	2,299	3,175	3,043	2,814
Fastening Systems	497	494	454	479	1,924	429	447	404	457	1,737	1,650	1,679	1,996
Industrial	781	805	697	763	3,046	690	734	639	773	2,836	2,627	4,221	4,753
Finance	134	137	129	145	545	140	142	136	154	572	584	681	691
Total revenues	\$2,337	\$2,523	\$2,549	\$2,833	\$10,242	\$2,383	\$2,514	\$2,216	\$2,679	\$9,792	\$10,271	\$11,867	\$12,448
Segment operating profit													
Bell	\$ 52	\$ 71	\$ 59	\$ 68	\$ 250	\$ 40	\$ 56	\$ 69	\$ 69	\$ 234	\$ 169	\$ 93	\$ 264
Cessna	22	44	82	119	267	59	66	31	43	199	376	344	300
Fastening Systems	20	24	1	8	53	18	21	10	17	66	72	70	192
Industrial	48	57	42	47	194	37	43	26	44	150	169	289	513
Finance	31	36	28	44	139	23	23	24	52	122	118	203	202
Total segment profit^{2,3}	\$ 173	\$ 232	\$ 212	\$ 286	\$ 903	\$ 177	\$ 209	\$ 160	\$ 225	\$ 771	\$ 904	\$ 999	\$ 1,471
Special charges ^{2,3}	(52)	(17)	(16)	(46)	(131)	(27)	(21)	(41)	(63)	(152)	(131)	(141)	(483)
Segment operating income	\$ 121	\$ 215	\$ 196	\$ 240	\$ 772	\$ 150	\$ 188	\$ 119	\$ 162	\$ 619	\$ 773	\$ 858	\$ 988
Segment profit margins													
Bell	10.3%	12.1%	10.4%	11.5%	11.1%	7.5%	9.1%	13.2%	10.2%	10.0%	7.6%	4.1%	12.0%
Cessna	5.3%	8.8%	11.7%	13.9%	10.8%	10.0%	11.5%	6.0%	6.9%	8.7%	11.8%	11.3%	10.7%
Fastening Systems	4.0%	4.9%	0.2%	1.7%	2.8%	4.2%	4.7%	2.5%	3.7%	3.8%	4.4%	4.2%	9.6%
Industrial	6.1%	7.1%	6.0%	6.2%	6.4%	5.4%	5.9%	4.1%	5.6%	5.3%	6.4%	6.8%	10.8%
Finance	23.1%	26.3%	21.7%	30.3%	25.5%	16.4%	16.2%	17.6%	33.8%	21.3%	20.2%	29.8%	29.2%
Segment profit margin	7.4%	9.2%	8.3%	10.1%	8.8%	7.4%	8.3%	7.2%	8.4%	7.9%	8.8%	8.4%	11.8%
Gain on sale of businesses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15	\$ -	\$ -	\$ -	\$ 15	\$ 25	\$ 342	\$ -
Goodwill amortization	-	-	-	-	-	-	-	-	-	-	-	(86)	(83)
Corporate expenses and other, net	(35)	(36)	(30)	(48)	(149)	(32)	(30)	(19)	(38)	(119)	(114)	(152)	(164)
Interest expense, net	(25)	(25)	(23)	(22)	(95)	(24)	(22)	(26)	(26)	(98)	(108)	(162)	(152)
Income taxes	(20)	(45)	(42)	(48)	(155)	(34)	(41)	(25)	(12)	(112)	(176)	(287)	(295)
Distribution on preferred securities of manufacturing subsidiary trust, net of income taxes	-	-	-	-	-	(6)	(7)	-	-	(13)	(26)	(26)	(26)
Income from continuing operations	\$ 41	\$ 109	\$ 101	\$ 122	\$ 373	\$ 69	\$ 88	\$ 49	\$ 86	\$ 292	\$ 374	\$ 487	\$ 268
EPS from continuing operations – diluted	\$ 0.29	\$ 0.78	\$ 0.72	\$ 0.87	\$ 2.66	\$ 0.50	\$ 0.65	\$ 0.36	\$ 0.62	\$ 2.13	\$ 2.66	\$ 3.40	\$ 1.84
Effective income tax rate	32.8%	29.2%	29.4%	28.2%	29.4%	31.2%	30.1%	33.8%	12.2%	26.9%	30.6%	35.9%	50.1%
Common stock information													
Price range: High	\$58.28	\$59.43	\$65.47	\$74.63	\$ 74.63	\$45.45	\$38.69	\$45.53	\$57.70	\$57.70	\$ 53.17	\$ 59.89	\$ 74.94
Low	\$50.84	\$52.45	\$57.38	\$63.04	\$ 50.84	\$26.85	\$27.46	\$38.07	\$39.45	\$26.85	\$ 32.49	\$ 31.65	\$ 41.44
Dividends declared per share	\$0.325	\$0.325	\$0.325	\$0.350	\$ 1.325	\$0.325	\$0.325	\$0.325	\$0.325	\$ 1.30	\$ 1.30	\$ 1.30	\$ 1.30
Average shares outstanding (in thousands) – diluted ⁴	140,229	140,287	140,618	139,704	140,169	137,059	136,257	136,828	138,326	137,217	140,252	142,937	146,150

Note: In 2001, Textron sold its Automotive Trim business. The sale did not qualify as a discontinued operation and, therefore, Automotive Trim is included in the 2001 and 2000 Industrial segment results in the table above. See table on page 9 for Industrial segment results excluding Automotive Trim.

¹ During the fourth quarter of 2004, Textron reached a final decision to sell the remainder of its InteSys operations. In 2003, Textron sold its small business direct portfolio in the fourth quarter and consummated the sale of its remaining OmniQuip businesses in the third quarter. As a result of these actions, financial results of these businesses, net of taxes, are now reported as discontinued operations. The InteSys and OmniQuip businesses were previously reported within the Industrial segment and the small business direct portfolio was previously reported within the Finance segment. ² Segment profit represents the measurement used by Textron to evaluate performance for decision-making purposes. Segment profit does not include interest expense, certain corporate expenses, special charges and gains from the disposition of significant business units. The measurement for the Finance segment includes interest income, interest expense and distributions on preferred securities of finance subsidiary trust and excludes special charges. Special charges in 2004 include \$143 million in restructuring expenses and a \$12 million gain on the sale of C&A common stock. Special charges in 2003 include \$137 million of restructuring expenses and a \$15 million charge for unamortized issuance costs related to the redemption of preferred securities. Special charges in 2002 include \$93 million in restructuring expenses and a \$38 million write-down of C&A common stock. Special charges in 2001 include \$130 million in restructuring expense, \$9 million in e-business investment charges and \$2 million in other charges. In 2000, special charges included \$350 million in goodwill impairment charges, \$117 million in e-business investment charges and \$16 million in restructuring expenses. ³ Textron adopted SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," effective December 29, 2002. Upon adoption, costs related to restructuring that were previously recorded in segment profit are now included with severance costs, contract termination costs, and asset impairment write-downs in special charges. Costs related to restructuring that were recorded in segment profit in prior periods have been reclassified to special charges to conform to current year presentation. ⁴ Assumes full conversion of outstanding preferred stock and exercise of options.

Selected Financial Statistics 2004–2000

(Dollars in millions, except where noted and stock-related information)

		2004
Income Statement Data	Revenues	\$10,242
	Segment profit	903
	Goodwill amortization	–
	Corporate expenses and other, net	(149)
	Interest expense, net	(95)
	Income taxes	(155)
	Effective tax rate ¹	29.4%
	Distribution on preferred securities of subsidiary trust, net of income taxes	–
	Net income before cumulative effect of change in accounting principle	365
	Income from continuing operations ⁶	\$ 373
	Special charges	131
	Gains on sale of businesses	–
	Tax impact of excluded items	(35)
	Income from continuing operations, as adjusted	\$ 469
EPS Reconciliation	Diluted EPS from continuing operations	\$ 2.66
	Special Charges	0.69
	Net gains on sale of businesses	–
	Diluted EPS from continuing operations, as adjusted	\$ 3.35
Balance Sheet Data – Textron Manufacturing ²	Cash and cash equivalents	\$ 605
	Accounts receivable, net	1,211
	Inventories	1,742
	Property, plant and equipment, net	1,922
	Goodwill and other intangible assets, net	1,483
	Total assets	9,137
	Total debt	1,791
	Total liabilities	6,520
	Shareholders' equity	3,652
Cash Flow Items – Textron Manufacturing	Income from continuing operations	\$ 373
	Earnings of Textron Finance greater than distributions	(23)
	Depreciation	302
	Amortization	5
	Gain on sale of businesses	–
	Special charges	131
	Cash used in acquisitions	(5)
	Net proceeds from sale of businesses	3
	Net change in debt	(345)
	Dividends paid	(135)
	Purchases of Textron common stock	(415)
	Total number of shares purchased (in thousands)	6,396
Free Cash Flow Reconciliation	Net cash provided by operating activities of continuing operations	\$ 973
	After-tax cash used for restructuring activities	67
	Proceeds on sale of property, plant and equipment	46
	Capital expenditures ³	(334)
	Free cash flow	\$ 752
Key Ratios	Segment profit margin	8.8%
	Debt (net of cash) to total capital – Textron Manufacturing ⁴	25%
	S&A % of sales – consolidated	13.5%
	Inventory turns (based on FIFO)	4.3x
	Ratio of income to fixed charges – Textron Manufacturing	4.43x
Stock-Related Information	Stock price at year end	\$ 73.80
	Dividend payout ratio ⁵	50%
	Dividends declared per share	\$ 1.33
Other Statistics	Research and development	\$ 590
	Number of employees at year-end	44,000
	Average revenues per employee (in thousands)	\$ 240

¹ The effective income tax rate for 2003 was 26.9% primarily due to a favorable tax settlement that reduced the rate by 3.2%. In 2000, the effective income tax rate was 50.1% primarily due to the impact of the non-tax deductibility of goodwill written off. ² Before cumulative effect of a change in accounting principle in 2002 and 2000. ³ Certain prior period amounts have been reclassified to conform to the current year presentation. ⁴ Capital expenditures in 2004, 2003 and 2002 include \$44 million, \$26 million and \$23 million, respectively, in capital leases. ⁵ Includes mandatorily redeemable preferred securities as debt. ⁶ Dividend payout ratio: Dividends declared/diluted earnings per share from continuing operations.

2003	2002	2001	2000
\$9,792	\$10,271	\$11,867	\$12,448
771	904	999	1,471
-	-	(86)	(83)
(119)	(114)	(152)	(164)
(98)	(108)	(162)	(152)
(112)	(176)	(287)	(295)
26.9%	30.6%	35.9%	50.1%
(13)	(26)	(26)	(26)
259	364	166	277
292	374	487	268
152	131	141	483
(15)	(25)	(339)	-
(41)	(27)	81	(80)
\$ 388	\$ 453	\$ 370	\$ 671
\$ 2.13	\$ 2.66	\$ 3.40	\$ 1.84
0.79	0.63	0.65	2.75
(0.09)	(0.06)	(1.46)	-
\$ 2.83	\$ 3.23	\$ 2.59	\$ 4.59
\$ 481	\$ 280	\$ 240	\$ 279
1,124	1,147	1,076	1,247
1,503	1,714	1,839	1,929
1,901	1,929	1,969	2,491
1,459	1,399	1,731	1,789
8,838	9,018	9,871	10,430
2,027	2,193	2,415	2,564
6,157	6,632	6,946	7,346
3,690	3,406	3,934	3,994
\$ 292	\$ 374	\$ 487	\$ 268
(4)	(23)	(78)	(41)
302	303	370	355
7	16	74	84
(15)	(25)	(342)	-
146	131	138	483
-	-	(209)	(54)
14	27	695	(9)
(272)	(397)	(85)	342
(222)	(182)	(184)	(189)
(64)	(248)	(47)	(353)
1,951	5,734	738	6,627
\$ 691	\$ 481	\$ 769	\$ 924
54	57	58	-
55	62	82	56
(306)	(298)	(507)	(497)
\$ 494	\$ 302	\$ 402	\$ 483
7.9%	8.8%	8.4%	11.8%
30%	36%	36%	36%
13.1%	12.5%	12.1%	11.0%
4.1x	4.0x	4.5x	4.6x
3.63x	3.61x	3.63x	3.12x
\$57.19	\$ 42.16	\$ 42.40	\$ 46.50
61%	49%	38%	71%
\$ 1.30	\$ 1.30	\$ 1.30	\$ 1.30
\$ 587	\$ 583	\$ 684	\$ 721
42,000	47,000	50,000	68,000
\$ 222	\$ 213	\$ 189	\$ 186

Return on Invested Capital (ROIC)

Total Textron¹

(Dollars in millions)

	2004	2003	2002	2001	2000
ROIC income					
Net income before cumulative effect of change in accounting principle	\$ 365	\$ 259	\$ 364	\$ 166	\$ 277
Special charges	131	152	131	141	483
Gain on sale of businesses ²	—	(15)	(25)	(339)	—
Tax impact of special charges and gains on sale of businesses	(35)	(41)	(27)	81	(80)
Loss (gain) from discontinued operations, net of income taxes	8	33	10	321	(9)
Operating income (loss) from discontinued operations, net of income taxes	2	(5)	(31)	(38)	9
Distribution on preferred securities of subsidiary trusts, net of income taxes	—	13	26	26	26
Amortization of intangible assets, net of income taxes	3	6	7	6	2
Goodwill amortization, net of income taxes	—	—	—	88	90
Interest expense, net of income taxes	60	61	67	101	95
Interest cost on accrued postretirement benefits other than pensions, net of income taxes	25	25	28	31	28
ROIC income	\$ 559	\$ 488	\$ 550	\$ 584	\$ 921
	Average 2004/2003	Average 2003/2002	Average 2002/2001	Average 2001/2000	Average 2000/1999
Invested capital					
Total shareholders' equity	\$ 3,671	\$ 3,548	\$ 3,670	\$ 3,964	\$4,186
Total Textron Manufacturing debt	1,909	1,868	1,823	2,009	1,926
Cash and cash equivalents of Textron Manufacturing	(546)	(386)	(264)	(262)	(237)
Due from Textron Finance	—	—	(255)	(255)	—
Textron Manufacturing – mandatorily redeemable preferred securities	—	243	485	485	484
Accrued postretirement benefits other than pensions, net of income taxes	360	375	387	419	455
Eliminate impact of 4th quarter goodwill impairment	—	—	—	—	163
Eliminate impact of 4th quarter divestitures	—	—	—	179	—
Average invested capital	\$ 5,394	\$ 5,648	\$ 5,846	\$ 6,539	\$6,977
Return on invested capital	10.4%	8.6%	9.4%	8.9%	13.2%

Bell

	2004	2003	2002	2001	2000
ROIC income calculation					
Segment profit	\$ 249.6	\$ 234.2	\$ 168.6	\$ 93.4	\$264.3
Interest component of operating leases ³	4.7	2.9	3.5	3.4	3.3
Corporate charge ⁴	(18.5)	(20.6)	(19.0)	(19.6)	(16.8)
Segment ROIC income before income taxes	\$ 235.8	\$ 216.5	\$ 153.1	\$ 77.2	\$250.8
Income taxes ⁵	(72.1)	(69.1)	(44.0)	(14.0)	(82.4)
Segment ROIC income	\$ 163.7	\$ 147.4	\$ 109.1	\$ 63.2	\$168.4
Average invested capital calculation					
Average segment investment ⁶	\$ 904.0	\$ 994.5	\$ 924.6	\$ 953.8	\$853.9
Operating leases ³	63.2	38.2	47.1	44.9	44.2
Average invested capital	\$ 967.2	\$1,032.7	\$ 971.7	\$ 998.7	\$898.1
Return on invested capital	16.9%	14.3%	11.2%	6.3%	18.8%

Cessna

	2004	2003	2002	2001	2000
ROIC income calculation					
Segment profit	\$ 267.3	\$ 198.5	\$ 376.4	\$ 344.4	\$300.0
Interest component of operating leases ³	13.1	8.4	13.2	11.7	10.9
Corporate charge ⁴	(12.1)	(13.6)	(14.5)	(13.6)	(12.6)
Segment ROIC income before income taxes	\$ 268.3	\$ 193.3	\$ 375.1	\$ 342.5	\$298.3
Income taxes ⁵	(92.7)	(65.9)	(125.3)	(120.9)	(109.5)
Segment ROIC income	\$ 175.6	\$ 127.4	\$ 249.8	\$ 221.6	\$188.8
Average invested capital calculation					
Average segment investment ⁶	\$ 838.8	\$ 897.7	\$ 936.4	\$ 902.7	\$869.2
Operating leases ³	175.5	116.9	147.7	108.8	115.5
Average invested capital	\$1,014.3	\$1,014.6	\$1,084.1	\$1,011.5	\$984.7
Return on invested capital	17.3%	12.6%	23.0%	21.9%	19.2%

Fastening Systems

	2004	2003	2002	2001	2000
ROIC income calculation					
Segment profit	\$ 53.0	\$ 65.6	\$ 72.2	\$ 69.7	\$ 191.7
Interest component of operating leases ³	2.6	0.9	1.9	3.9	1.9
Corporate charge ⁴	(16.5)	(16.5)	(16.8)	(20.1)	(21.6)
Segment ROIC income before income taxes	\$ 39.1	\$ 50.0	\$ 57.3	\$ 53.5	\$ 172.0
Income taxes ⁵	(3.1)	(8.0)	(12.2)	(13.8)	(56.1)
Segment ROIC income	\$ 36.0	\$ 42.0	\$ 45.1	\$ 39.7	\$ 115.9
Average invested capital calculation					
Average segment investment ⁶	\$1,139.4	\$1,122.5	\$1,172.0	\$1,361.6	\$1,569.4
Operating leases ³	34.9	12.3	25.5	51.7	24.7
Average invested capital	\$1,174.3	\$1,134.8	\$1,197.5	\$1,413.3	\$1,594.1
Return on invested capital	3.1%	3.7%	3.8%	2.8%	7.3%

Industrial, excluding Automotive Trim

	2004	2003	2002	2001	2000
ROIC income calculation					
Segment profit, as adjusted	\$ 194.0	\$ 150.4	\$ 168.5	\$ 204.5	\$ 346.0
Intangible amortization	5.1	7.8	8.1	7.3	2.0
Interest component of operating leases ³	6.6	2.6	1.7	2.1	1.8
Corporate charge ⁴	(23.6)	(23.9)	(24.0)	(24.4)	(22.5)
Segment ROIC income before income taxes	\$ 182.1	\$ 136.9	\$ 154.3	\$ 189.5	\$ 327.3
Income taxes ⁵	(48.9)	(36.5)	(46.4)	(59.2)	(108.4)
Segment ROIC income	\$ 133.2	\$ 100.4	\$ 107.9	\$ 130.3	\$ 218.9
Average invested capital calculation					
Average segment investment ⁶	\$1,605.4	\$1,610.6	\$1,743.5	\$1,854.6	\$1,933.1
Operating leases ³	87.1	35.0	22.1	27.4	23.7
Average invested capital	\$1,692.5	\$1,645.6	\$1,765.6	\$1,882.0	\$1,956.8
Return on invested capital	7.9%	6.1%	6.1%	6.9%	11.2%

Finance

	2004	2003	2002	2001	2000
ROIC income calculation					
Segment profit	\$ 139.4	\$ 121.6	\$ 118.1	\$ 203.4	\$ 201.8
Corporate charge ⁷	(22.6)	(22.4)	(22.9)	(22.0)	(20.7)
Segment ROIC income before income taxes	\$ 116.8	\$ 99.2	\$ 95.2	\$ 181.4	\$ 181.1
Income taxes ⁵	(38.0)	(31.3)	(33.3)	(64.2)	(64.6)
Segment ROIC income	78.8	\$ 67.9	\$ 61.9	\$ 117.2	\$ 116.5
Average invested capital calculation					
Average shareholders' equity	\$ 983.3	\$ 974.9	\$ 944.8	\$ 937.1	\$ 897.6
Return on invested capital	8.0%	7.0%	6.6%	12.5%	13.0%

1 Includes the results of discontinued operations. 2 Excludes gain on sale of the Turbine Engine Components business in 2001. 3 Off-balance sheet operating leases are added to the manufacturing segments' average investment to reflect actual long term obligations. An estimated interest component is added back to segment profit to reflect the interest portion of rental expense. 4 Manufacturing segments are assessed a charge equal to 2.3% of their average segment investment excluding goodwill and operating leases. 5 A tax rate is determined for each segment based on the underlying divisions and the countries in which they operate. 6 Manufacturing segment investment is equal to assets minus liabilities excluding (i) cash, (ii) investment in other Textron entities, (iii) third party debt, (iv) intercompany receivables and payables, (v) accrued interest on debt and (vi) income tax liabilities. 7 The Finance segment is assessed a corporate charge equal to 2.3% of its average invested capital.

World Headquarters

Textron Inc.

40 Westminster Street
Providence, RI 02903
(401) 421-2800
www.textron.com

Bell

Bell Helicopter

P.O. Box 482
Ft. Worth, TX 76101-0482
(817) 280-2011
www.bellhelicopter.textron.com

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Includes: Textron Systems,
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201 Lowell Street
Wilmington, MA 01887
(978) 657-5111
www.systems.textron.com

Lycoming Engines

652 Oliver Street
Williamsport, PA 17701
(570) 323-6181
www.lycoming.textron.com

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Cessna Aircraft Company

P.O. Box 7706
Wichita, KS 67277-7706
(316) 517-6000
www.cessna.com

Fastening Systems

Textron Fastening Systems

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Suite 450
Troy, MI 48098
(248) 879-8660
www.textronfasteningsystems.com

Industrial

Kautex

Includes: *Kautex, CWC and Micromatic*
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53229 Bonn
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Textron Financial

40 Westminster Street
Providence, RI 02903
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www.textronfinancial.com

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