

Building and Growing



Textron

- > www.textron.com
- > NYSE: TXT
- > 2006 Fortune 500 ranking: 190
- > Number of employees: 40,000 – 22 percent are outside the U.S.
- > Number of countries with manufacturing operations: 19

Textron is an Equal Opportunity Employer.

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.

Textron Inc. is an \$11 billion multi-industry company operating in 32 countries with approximately 40,000 employees. 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 such as Bell Helicopter, Cessna Aircraft, Jacobsen, Kautex, Lycoming, E-Z-GO, Greenlee, Fluid & Power, Textron Systems and Textron Financial Corporation.

Financial Highlights

(Dollars in millions except per share data)

	2006	2005	Change
Revenues	\$ 11,490	\$10,043	14%
International revenues %	39%	36%	—
Segment profit ¹	\$ 1,267	\$ 1,146	11%
Income from continuing operations	\$ 706	\$ 516	37%
Total debt – Manufacturing group ²	\$ 1,800	\$ 1,934	(7)%
Shareholders' equity	\$ 2,649	\$ 3,276	(19)%
Common Share Data			
Diluted EPS from continuing operations	\$ 5.43	\$ 3.78	44%
Dividends per share	\$ 1.55	\$ 1.40	11%
Diluted average common shares outstanding (000's)	130,222	136,446	(5)%
Key Performance Metrics			
ROIC ³	16.8%	13.2%	—
Free cash flow – Manufacturing group ⁴	\$ 691	\$ 546	27%
Debt (net of cash) to total capital – Manufacturing group ²	29%	26%	—

Credit Ratings (as of December 30, 2006)

	Senior Long-Term	Short-Term Commercial Paper
S&P	A-	A2
Moody's	A3	P2
Fitch	A-	F2

¹ Segment profit is an important measure used to evaluate performance and for decision-making purposes. Segment profit for manufacturing segments excludes interest expense, certain corporate expenses and special charges. The measurement for the Finance segment includes interest income and expense and excludes special charges.

² Our Manufacturing group includes all continuing operations of Textron Inc. other than its finance subsidiaries.

³ Calculations of return on invested capital ("ROIC") are provided on page 12.

⁴ Calculations of free cash flow are provided on page 11.

Discontinued Operations

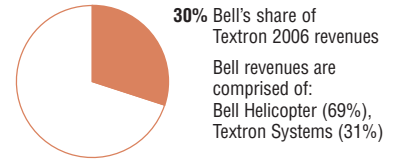
For the periods presented, the following businesses were reclassified to discontinued operations and subsequently sold as a result of management's strategic decisions to dispose of these businesses:

- 2005 – Fastening Systems
- 2004 – InteSys (part of Industrial segment)
- 2003 – Small Business Direct portfolio (part of Finance segment)
- OmniQuip business (part of Industrial segment)



Bell Segment

The Bell segment is comprised of Bell Helicopter and Textron Systems.



Fast Facts

Bell Segment

- > Approximate revenues by region: U.S.: 68%, Middle East: 13%, Asia Pacific: 6%, Latin America and Mexico: 5%, Canada: 4%, Europe: 4%.
- > Bell has approximately 13,600 employees, of which 14% are based outside the U.S.
- > Manufacturing facilities in Ft. Worth and Amarillo, Texas; Ozark, Alabama; Bristol, Tennessee; Mirabel, Quebec, Canada; Wilmington, Massachusetts; Santa Clarita and Pacoima, California; New Orleans and Slidell, Louisiana; Austin, Texas; Sterling, Virginia; and Williamsport, Pennsylvania.

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.
- > Service network of more than 150 strategically located customer support facilities worldwide.
- > Ranked #1 in rotorcraft support and service by *Pro-Pilot* magazine for 13 consecutive years.

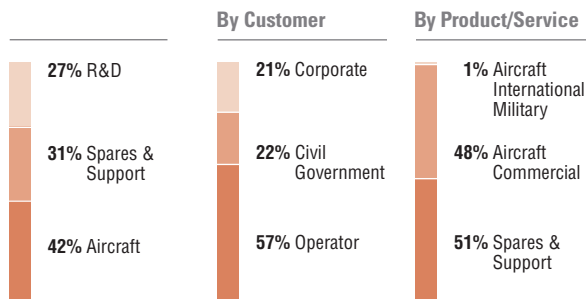
Textron Systems

- > Textron systems is comprised of the following operating units: Textron Defense Systems, Textron Marine & Land, HR Textron (HRT), Lycoming and Overwatch.
- > Over 600 M1117 Armored Security Vehicles (ASV) and its variants delivered to the U.S. Army.
- > Approximately 4,000 Sensor Fuzed Weapons (SFW) delivered to U.S. Air Force (USAF) with additional orders from United Arab Emirates (UAE), Turkey and Oman; 175,000 Joint Direct Attack Munitions (JDAM) tail-kits delivered to USAF.
- > Over 40,000 HRT hydraulic actuators flying on helicopters throughout the world, including products on all 12,000 plus Bell Helicopter aircrafts in service globally.
- > More than 150,000 Lycoming aircraft engines in operation worldwide.
- > Over 40,000 analysts across the intelligence community use at least one Overwatch product.

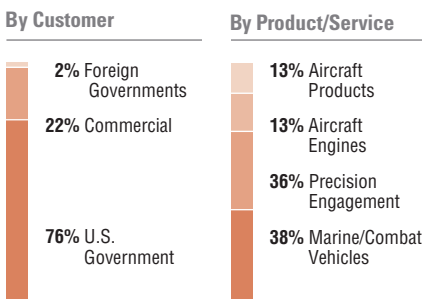
Bell Helicopter Sales

U.S. Military: 52%

Commercial: 48%

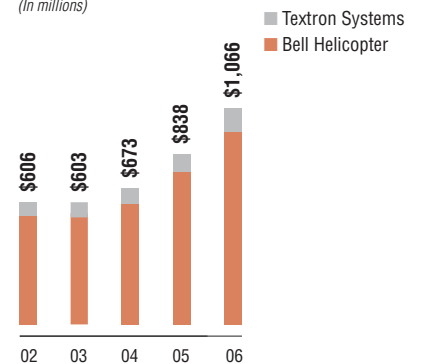


Textron Systems Sales



Spares and Support

(In millions)



Key Data

Bell Segment

(Dollars in millions)

	2006	2005	2004	2003	2002
Revenues	\$3,408	\$2,881	\$2,254	\$2,348	\$2,235
Segment profit ¹	\$ 249	\$ 368	\$ 250	\$ 234	\$ 169
Segment profit margin	7.3%	12.8%	11.1%	10.0%	7.6%
Total assets	\$2,598	\$1,966	\$1,674	\$1,496	\$1,556
Capital expenditures (includes capital leases)	\$ 225	\$ 152	\$ 62	\$ 50	\$ 29
Depreciation	\$ 64	\$ 52	\$ 47	\$ 52	\$ 48
ROIC ^{1,2}	11.5%	21.1%	16.9%	14.3%	11.2%

¹ Segment profit and ROIC represent measurements used by Textron to evaluate performance and for decision-making purposes. Segment profit for manufacturing segments excludes interest expense, certain corporate expenses and special charges. ² An ROIC calculation worksheet is provided on page 13.



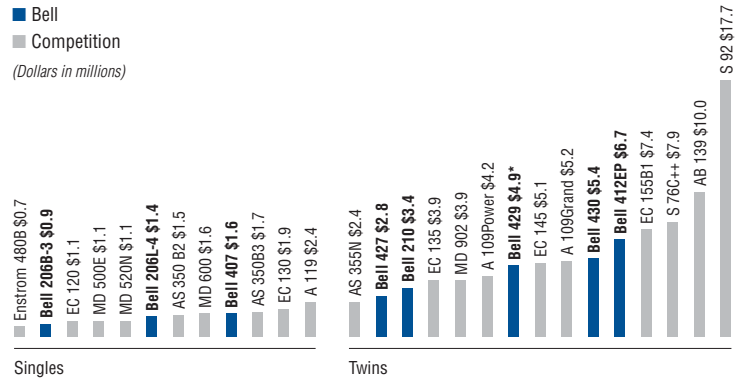
Bell Helicopter

Bell Helicopter is a leader in vertical takeoff and landing aircraft for commercial and military applications, and the pioneer of the revolutionary tiltrotor aircraft.

Strategic Steps Forward

- > Expand Bell Helicopter's production capacity and improve efficiency to meet growth in both military and commercial demand through the continued deployment of Textron Six Sigma and Lean Accelerators.
- > Continue full rate production of the V-22 for the U.S. Marine Corps, Air Force Special Operations Forces and other U.S. Department of Defense and international customers.
- > Successfully ramp-up production of the AH-1Z attack and UH-1Y utility helicopters.
- > Execute the System Development and Demonstration (SDD) phase of the Armed Reconnaissance Helicopter (ARH).
- > Pursue other U.S. Government and international military helicopter sales opportunities.
- > Develop Bell Helicopter's global business through local presence, a stronger sales and marketing network and program capture.
- > Strengthen the commercial product line by upgrading existing products, develop derivatives and introduce new models.
- > Continue to grow Bell Helicopter's service and support business through geographic and service offering expansion.

Commercial Product Price Points



* 2007 price subject to escalation for year of delivery (currently in production)

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	1,487	115	374
	206L-4 Long Ranger	1992	7	2,123	112	324
	407	1996	7	2,332	133	330
	427	2000	8	2,469	136	387
	429	2008/2009	8	2,700	142	350
Intermediate	430	1996	9	3,969	139	353
Medium	412 EP	1981	15	5,055	122	356
	210	2007	11	5,034	106	264
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	317
	TH-67 Trainer	1993	3	1,321	115	374
	Huey II	1995	15	5,060	106	216
	UH-1Y	2006	12	6,661	158	350
	AH-1Z	2006	2	6,300	160	380
	ARH	Under Review	2	2,113	112	188
Tiltrotor	Bell Boeing V-22 Osprey	1999	27	25,500	240	750
	Bell Eagle Eye	2011	—	200	185	800
	BA609	—	11	5,512	275	750

Key Data

Bell Helicopter

(Dollars in millions)

	2006	2005	2004	2003	2002
Revenues	\$2,347	\$2,075	\$1,615	\$1,755	\$1,636
Units delivered:					
U.S. Government	43	41	37	49	32
Commercial	153	105	93	94	81
International military	6	18	18	11	11
Backlog	\$3,119	\$2,812	\$2,842	\$1,439	\$1,231



Textron Systems

Textron Systems is a provider of advanced technology solutions for the aerospace and defense industries.

Strategic Steps Forward

- > Expand production capacity on the combat-proven ASV in response to increasing demand. Continue development on an array of variants to pursue emerging armored vehicle opportunities across the spectrum of combat and support operations.
- > Leverage our systems integration capability, family of Intelligent Battlefield Systems and the newly acquired Overwatch Systems' library of intelligence analysis and data fusion tools to provide complete Precision Engagement solutions across the sensor-to-shooter chain.
- > Accomplish the System Development and Demonstration phase of the Intelligent Munitions System (IMS), Unattended Ground Sensors (UGS), and Situational Understanding software – 3 key pieces of the Army's transformational Future Combat Systems (FCS) program.
- > Execute on the 100kW Joint High Power Solid State Laser (JHPSSL) development contract to transition Textron Systems' ThinZag® solid-state laser technology into the next generation precision weapon.
- > Successfully ramp-up production on the Spider program, providing the military with a man-in-the-loop force protection system that minimizes the threat to friendly forces and non-combatants.
- > Apply combat-proven weapons control actuation technology from JDAM and Small Diameter Bomb (SDB) to emerging high-volume guided projectile programs for the Army and Navy.
- > Expand services and logistics capabilities. Develop opportunities to increase aftermarket service and support for the ASV family of vehicles, Lycoming aircraft engines and hydraulic actuators.
- > Expand the sales of smart weapons and platforms to U.S. allies and coalition partners.

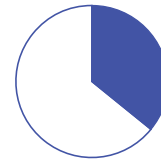
Major Products

Operating Unit	Description
Textron Defense Systems	
Intelligent Battlefield Systems	Real-time distributed networked systems autonomously detect, classify, report, engage and defeat threats in urban and tactical scenarios. Products include UGS, IMS, Terrain Commander surveillance system and Spider force protection system.
Precision Air-Launched Weapons, Dispensers and Submunitions	The Textron Defense Systems' line of air-launched weapons, dispensers and submunitions products include the CBU-97/105 SFW, its BLU-109 submunition and Smart Skeet warheads; the GPS-guided, UAV-employed Universal Aerial Delivery Dispenser (U-ADD) and its Clean Lightweight Area Weapon (CLAW) and Common Smart Submunition (CSS) payloads.
Textron Marine and Land Systems	
Armored Security Vehicle (ASV) and Armored Knight	The M1117 ASV, a 4X4 wheeled armored vehicle combat proven in Iraq and Afghanistan, and the M707A1 Armored Knight target observation and designation vehicle. Ended 2006 with a production rate of 48 ASVs per month, with additional capacity available for future needs.
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 current U.S. amphibious capability.
Motor Life Boat (MLB)	In service with the U.S. Coast Guard, the MLB is designed to perform heavy weather rescue in hurricane force winds and 20-foot breaking seas.
HR Textron	
Aircraft Controls	Hydraulic and electro-mechanical actuator, fuel system and servovalve applications include fixed-wing, rotary-wing and tilt-rotor aircraft; unmanned air vehicles and turbine engines.
Weapons Control Actuation Systems (CAS)	HR Textron's CAS guides JDAM, SDB and AIM-9x air-to-surface and air-to-air precision weapons. Combat proven in Bosnia, Kosovo, Afghanistan and Iraq, JDAM has a 99% reliability rating.
Gun Stabilization and Fire Control Systems	Provides shoot-on-the-move accuracy to the General Dynamics M-1A1 Abrams Main Battle Tank and other platforms.
Lycoming	
Aircraft Engines	Lycoming is the largest and most complete supplier of reciprocating aircraft engines for general aviation.
Overwatch Systems	
Intelligence Analysis and Data Fusion Tools	Services Cryptologic Operations Universal Toolset (SCOUT) is the next generation Signals Intelligence (SIGINT) product. Remote View is the premier geospatial analysis tool for imagery and geospatial fusion, exploitation and analysis. Developer of the U.S. Army's All Source Analysis System – Light (ASAS-L) and provides software for the Situational Awareness and data fusion functions supporting the Battle Command core node within the U.S. Army's FCS.
Innovation (Products in Development)	
Directed Energy Weapons	ThinZag® laser technology and advanced solid state laser designs have propelled Textron Systems into an industry leader in Directed Energy Weapons development for the Department of Defense.
Homeland Defense and Force Protection Products	Textron Systems' Adaptable Radiation Area Monitor (ARAM) detection system and TRAPS rocket propelled grenade active vehicle protection system provide relevant solutions to pressing civil and military requirements.
Advanced Maritime Sea-Basing Concepts	Joint Maritime Assault Connector (JMAC), High-Speed Connector Beachable (HSCB), Hybrid Catamaran Air Cushioned Ship (HCAC) concept studies to develop U.S. Navy Sea-Basing solutions as a follow-on to the LCAC.
Armored Security Vehicle Variants	Reconnaissance, Surveillance, Target Acquisition (RSTA) prototype, M707A1 Armored Knight, Mine Resistant Ambush Protected (MRAP) prototype, M1117 turret lethality upgrade.



Cessna

The world's leading general aviation company based on unit sales with four major product lines: Citation business jets, Caravan single-engine turboprops, Cessna single-engine piston aircraft and aftermarket services. Also includes CitationShares fractional jet business.

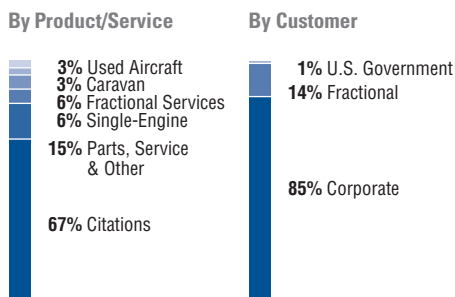


36% Cessna's share of Textron 2006 revenues

Strategic Steps Forward

- > Maintain leadership in light and mid-size business jets, single-engine utility turboprop and single-engine piston aircraft.
- > Grow the business through new customer-driven products and services.
- > Bolster long-term customer loyalty by providing consistently superior aftermarket services around the world.
- > Strengthen CitationShares business, and further develop sales to other fractional ownership providers.
- > Leverage and ensure alignment of key business and improvement processes (e.g., Textron Six Sigma, Lean and integrated supply chain).
- > Foster an environment that attracts, develops and retains high performing talent.

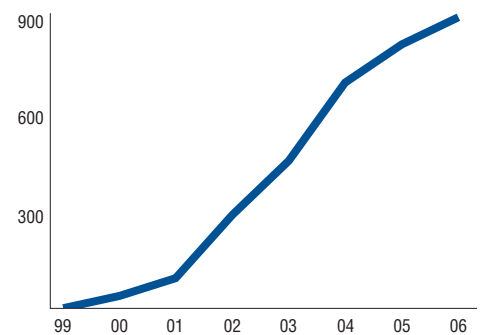
Sales



New Jet Deliveries

2004	CJ3 Sovereign
2005	CJ1+
2006	CJ2+ Mustang
2007	Encore+
2008	XLS+
2010	CJ4

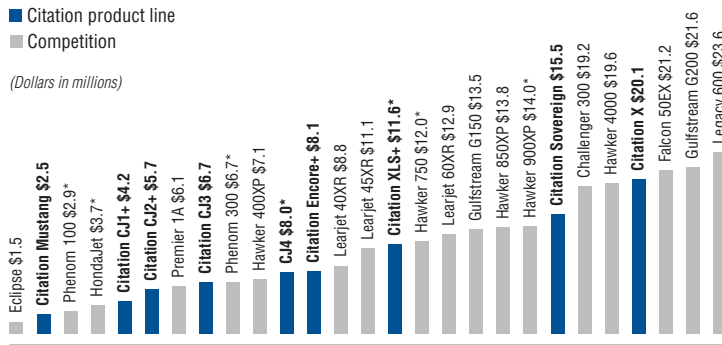
CitationShares Cumulative Fractional Units



Major Products

	First Delivery	Seating Capacity (Including Pilots)	Cruising Speed (kts)	Maximum Range (IFR w/ NBAA reserves)	Unit Price (in millions)	Engine Manufacturer	Engine Model	Avionics
Citation Model								
Mustang	2006	6	340	1,150	\$ 2.5	Pratt & Whitney	PW615F	Garmin G1000
CJ1+	2005	7	389	1,300	4.2	Williams International	FJ44-1AP	Collins Pro Line 21
CJ2+	2006	8	418	1,600	5.7	Williams International	FJ44-3A-24	Collins Pro Line 21
CJ3	2004	8	417	1,750	6.7	Williams International	FJ44-3A	Collins Pro Line 21
CJ4	2010	9	435	1,850	8.0	Williams International	FJ44-4A	Collins Pro Line 21
Encore+	2007	10	428	1,800	8.1	Pratt & Whitney	PW535B	Collins Pro Line 21
XLS(+)	2004 (2008)	11	440	1,850	11.6	Pratt & Whitney	PW545C	Collins Pro Line 21
Sovereign	2004	12	458	2,900	15.5	Pratt & Whitney	PW306C	Honeywell Primus EPIC
Citation X	1996	11	525	3,100	20.1	Rolls-Royce	AE3007C1	Honeywell Primus 2000
Turboprop Model								
208 & 208B	1985	Cargo to 14	162/186	790/932	\$ 1.7	Pratt & Whitney	PT6A-114A	Bendix/King Silver Crown or Garmin (optional)
Single-Engine Piston								
172R Skyhawk	1997	4	122	687	\$ 0.2	Textron Lycoming	IO-360-L2A	Garmin G1000
172S Skyhawk SP	1997	4	124	638	0.2	Textron Lycoming	IO-360-L2A	Garmin G1000
182T Skylane	1997	4	145	930	0.3	Textron Lycoming	IO-540-AB1A5	Garmin G1000
T182T Turbo Skylane	1997	4	159	971	0.4	Textron Lycoming	TIO-540-AK1A	Garmin G1000
206H Stationair	1998	6	142	721	0.4	Textron Lycoming	IO-540-AC1A5	Garmin G1000
T206H Turbo Stationair	1998	6	164	703	0.5	Textron Lycoming	TIO-540-AJ1A	Garmin G1000

2006 New Business Jet Price Points



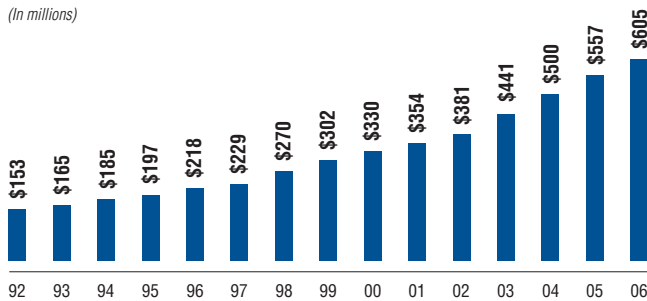
Light and Mid-Size Jets

* In development; not certified

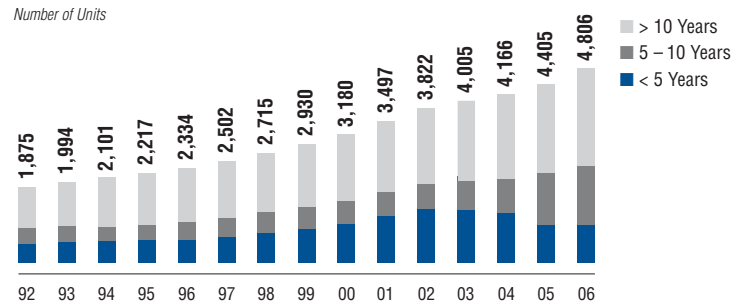
Used Citations for Sale as a Percent of Fleet



Growth in Sales of Parts and Services



Number of Citations in Service by Age Distribution



Fast Facts

- > In its 79-year history, Cessna has delivered more than 189,000 aircraft, including more than 152,000 single-engine airplanes; more than 1,600 Caravans; more than 2,000 military jets and more than 4,800 Citation business jets. Cessna has delivered 35% more business jets than its closest competitor.
- > Cessna Citations are registered in more than 90 countries and represent the largest fleet of business jets in the world.
- > At 0.92 mach, the Citation X is the world's fastest business jet.
- > Approximate revenues by region: U.S.: 67%, Europe: 17%, Latin America and Mexico: 6%, Asia Pacific: 4%, Middle East: 2%, Rest of World: 4%.

- > Cessna operates 10 Citation Service Centers: 9 at airports across the U.S. and one at Le Bourget Airport in Paris, France. Authorized Independent Service Centers/Stations are located in more than 18 countries.
- > Manufacturing facilities in Wichita and Independence, Kansas; Columbus, Georgia; and Chihuahua, Mexico.
- > Cessna has about 13,700 employees worldwide.

Key Data

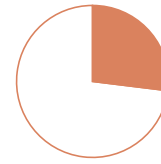
Cessna	2006	2005	2004	2003	2002
(Dollars in millions)					
Units sold:					
Business jets ¹	307	252	179	197	307
Caravans	67	86	64	57	80
Single engine	865	818	654	588	559
Backlog, excluding CitationShares	\$8,467	\$6,342	\$5,352	\$3,947	\$4,474
Revenues	\$4,156	\$3,480	\$2,473	\$2,299	\$3,175
Segment profit ²	\$ 645	\$ 457	\$ 267	\$ 199	\$ 376
Segment profit margin	15.5%	13.1%	10.8%	8.7%	11.8%
Total assets	\$2,091	\$1,866	\$1,751	\$1,622	\$1,823
Capital expenditures (includes capital leases)	\$ 121	\$ 105	\$ 98	\$ 99	\$ 92
Depreciation	\$ 78	\$ 84	\$ 71	\$ 75	\$ 78
ROIC ^{2,3}	48.8%	33.3%	17.3%	12.6%	23.0%

¹ Units sold in 2006 exclude two CitationShares deliveries in which the fractional units were not sold as of the end of the year. Business jet deliveries in 2005 include 249 Revenue Citations plus the sell-through of three fractional units at CitationShares. ² Segment profit and ROIC represent measurements used by Textron to evaluate performance and for decision-making purposes. Segment profit for manufacturing segments excludes interest expense, certain corporate expenses and special charges. ³ An ROIC calculation worksheet is provided on page 13.



Industrial

The Industrial segment is comprised of five businesses that manufacture and market branded industrial products worldwide.



27% Industrial's share of
Textron 2006 revenues

E-Z-GO – 13% of Segment

Description

E-Z-GO is a world leading golf car and off-road utility vehicle designer and manufacturer for golf courses, resort communities and municipalities, as well as commercial and industrial users such as airports and factories. Products include electric-powered and internal combustion-powered golf cars and multipurpose utility vehicles. With over 600 dealers and distributors, E-Z-GO vehicles are in use in virtually every country around the globe.

Includes: *E-Z-GO* and *Cushman*.

Strategic Steps Forward

- > Pursue top-line growth activities by strengthening sales in foreign markets and for non-golf customers.
- > Institutionalize Textron Six Sigma principles and improve key business processes: Continue to accelerate Lean implementation, and introduce efficiencies in integrated supply chain, customer leadership and product development.

Jacobsen – 10% of Segment

Description

Jacobsen offers a comprehensive line of turf-care products primarily for golf courses, resort communities, sporting venues and municipalities, as well as commercial and industrial users. Products include professional turf maintenance equipment and specialized turf care vehicles.

Includes: *Ransomes*, *Jacobsen* and *Cushman*.

Strategic Steps Forward

- > Accelerate Lean implementation, globalize supply chain, enhance focus on customer leadership and utilize Textron Six Sigma in product development process.
- > Create superior customer value utilizing voice of the customer, segmentation, market focus, product rationalization and distribution performance.

Kautex – 49% of Segment

Description

Kautex is a leading global manufacturer of blow-molded fuel systems, including plastic and metal fuel assemblies. Kautex also supplies automotive clear vision systems (windshield and headlamp washer systems), blow-molded ducting and fluid reservoirs and other components, such as cooling pipes and acoustic components. Kautex also produces metal fuel fillers and engine camshafts for the automotive industry.

Includes: *Kautex* and *CWC*.

Strategic Steps Forward

- > Operationalize Textron Six Sigma and improve key business processes: Accelerate Lean implementation, integrated supply chain, customer leadership and product development.
- > Maintain leadership in plastic fuel systems by introducing low emission fuel systems, and add value through proprietary, innovative components.
- > Continue expansion into the Asian market (second plant in China opened in 2005; third in 2006) and the U.S. market (opened Texas plant in 2006).
- > Maintain our industry leading position in operational excellence.
- > Develop new products for the automotive and other industries, based on our core competencies to drive value growth.

Greenlee – 12% of Segment

Description

Greenlee, a leader in wire and cable installation systems, is the premier source for professional-grade tools and test instruments for electrical, telecom, industrial, plumbing and voice/data/video contractors segments. Greenlee recently introduced a professional hand tool line offering more than 100 different custom designed products for electrical contractors, utility workers and general contractors.

Includes: *Greenlee, Fairmont, Klauke, Progressive and Tempo.*

Strategic Steps Forward

- > Operationalize Textron Six Sigma and improve key business processes: Accelerate Lean implementation, integrated supply chain, customer leadership and 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.

Fluid & Power – 16% of Segment

Description

Fluid & Power manufactures a comprehensive product offering of industry leading pumps, gears, gearboxes, and hydraulic components for multiple applications including oil and gas, mining, construction, defense, polymer extrusion, industrial and many other industries.

Includes: *Union Pump, David Brown Hydraulics, Maag Pump Systems, AB Benzlers, Cone Drive, Radicon and David Brown.*

Strategic Steps Forward

- > Accelerate Lean implementation, globalize supply chain, enhance focus on customer leadership and utilize Textron Six Sigma in product development process.
- > Identify and pursue niches and opportunities in current and adjacent industries.
- > Strengthen and grow aftermarket parts and services.
- > Pursue growth opportunities in emerging markets.

Fast Facts

- > Approximate revenues by region: Europe: 40%, U.S.: 39%, Asia Pacific: 8%, Latin America and Mexico: 6%, Canada: 4%, Rest of World: 3%.
- > Within each business group, non-U.S. revenues account for the following: E-Z-GO (17%), Jacobsen (51%), Kautex (74%), Greenlee (41%) and Fluid & Power (75%).
- > Manufacturing facilities in 19 countries: Australia, Belgium, Brazil, Canada, China, the Czech Republic, France, Germany, Italy, Japan, Mexico, Portugal, South Africa, Spain, Sweden, Switzerland, Thailand, the United Kingdom and the United States.
- > Textron's Industrial segment has approximately 10,500 employees, of which 62% are based outside the U.S.

Key Data

Industrial

(Dollars in millions)

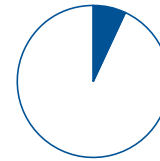
	2006	2005	2004	2003	2002
Revenues	\$3,128	\$3,054	\$3,046	\$2,836	\$2,627
Segment profit ¹	\$ 163	\$ 150	\$ 194	\$ 150	\$ 169
Segment profit margin	5.2%	4.9%	6.4%	5.3%	6.4%
Total assets	\$2,495	\$2,383	\$2,601	\$2,468	\$2,304
Capital expenditures (includes capital leases)	\$ 82	\$ 101	\$ 100	\$ 105	\$ 120
Depreciation	\$ 87	\$ 100	\$ 101	\$ 93	\$ 103
ROIC ^{1,2}	6.9%	6.6%	7.9%	6.1%	6.1%

¹ Segment profit and ROIC represent measurements used by Textron to evaluate performance and for decision-making purposes. Segment profit for manufacturing segments excludes interest expense, certain corporate expenses, special charges and gains and losses from the disposition of significant business units. ² An ROIC calculation worksheet is provided on page 13.



Textron Financial

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

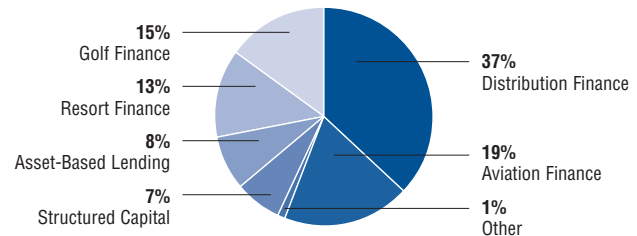


7% Finance's share of Textron 2006 revenues

Strategic Steps Forward

- > Grow core business segments where superior product and industry knowledge, along with strong customer relationships, sustain competitive advantage.
- > Expand into adjacent industries by leveraging current platforms, and look to develop new industries and global opportunities.
- > Continue to support sales financing needs of Textron's manufacturing segments.
- > Maintain strong portfolio credit quality to ensure a focus on "disciplined growth".
- > Expand use of Textron Six Sigma to drive process improvements and enhance total customers experience.
- > Improve technology systems and applications to boost process capabilities and operational efficiencies.
- > Remain dedicated to the recruitment, development and retention of a talented team.

Managed Finance Receivables



Segments

Asset-Based Lending

Asset-Based Lending provides asset-based loans to middle-market companies in several industries, and provides factoring arrangements primarily for freight companies.

Aviation Finance

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

Distribution Finance

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

Golf Finance

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

Structured Capital

Structured Capital primarily engages in 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

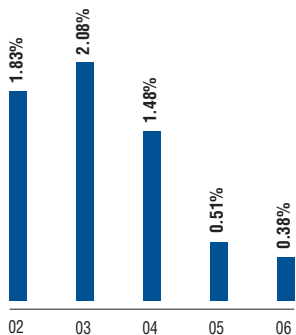
(as of December 30, 2006)	Senior Long-Term	Short-Term Commercial Paper
S&P	A-	A2
Moody's	A3	P2
Fitch	A-	F2

Textron Support Agreement

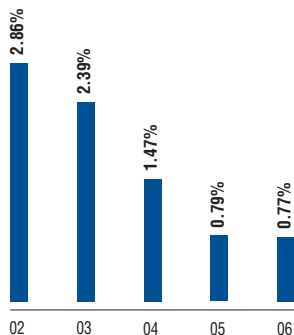
Under a Support Agreement with Textron dated as of May 25, 1994, Textron is required to pay to Textron Financial, quarterly, an amount sufficient to provide that Textron Financial's pre-tax earnings, before extraordinary items and fixed charges (including interest on indebtedness and amortization of debt discount "fixed charges"), as adjusted for the inclusion of required payments under the Support Agreement, will not be less than 125% of the company's fixed charges. No such payments under the Support Agreement have ever been required. Textron Financial's fixed-charge coverage ratios (as defined) were 159%, 177% and 189% for the years ended 2006, 2005 and 2004,

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.

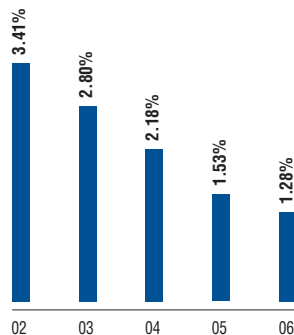
Net Charge-Off %



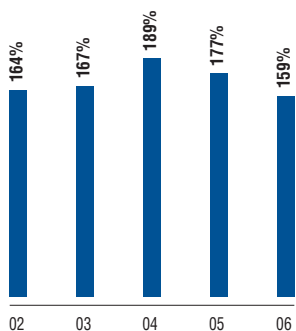
60 Day + Delinquency %



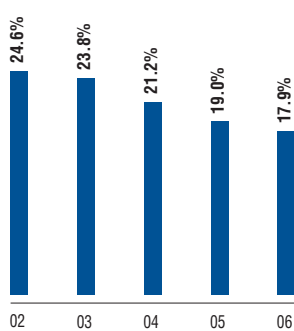
Nonperforming Asset %



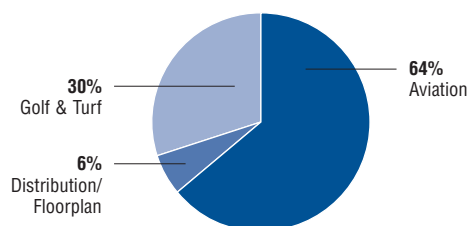
Fixed-Charge Coverage Ratios



Textron Direct Sales Financing Receivables, % of Total Managed Receivables



Textron Direct Sales Financing Receivables, by Category



Key Data

Textron Financial

(Dollars in millions)

	2006	2005	2004	2003	2002
Owned finance receivables	\$ 8,310	\$ 6,763	\$ 5,837	\$ 5,135	\$ 5,534
Managed finance receivables ¹	\$10,241	\$ 8,995	\$ 8,135	\$ 7,525	\$ 7,963
Managed and serviced finance receivables ²	\$11,536	\$ 9,915	\$ 9,268	\$ 8,771	\$ 8,970
Return on average equity ³	14.13%	11.17%	9.49%	7.86%	7.59%
Net interest margin ⁴	5.81%	6.40%	7.14%	6.92%	6.89%
Operating efficiency ⁵	45.10%	48.80%	47.10%	46.77%	39.75%
Allowance for losses, % of finance receivables	1.11%	1.43%	1.70%	2.32%	2.62%
Loss to liquidation reserve coverage ⁶	2.32x	1.72x	1.45x	1.80x	2.27x
Debt to tangible shareholder's equity ⁷	7.10x	6.19x	5.53x	5.24x	5.59x
Revenues	\$ 798	\$ 628	\$ 545	\$ 572	\$ 584
Segment profit ⁸	\$ 210	\$ 171	\$ 139	\$ 122	\$ 118
Total assets ⁹	\$ 9,000	\$ 7,441	\$ 6,738	\$ 6,333	\$ 6,383
Capital expenditures	\$ 12	\$ 9	\$ 12	\$ 17	\$ 17
Depreciation on fixed assets	\$ 11	\$ 15	\$ 18	\$ 16	\$ 14
Depreciation on operating leases	\$ 17	\$ 19	\$ 18	\$ 18	\$ 13
ROIC ^{8,10}	12.7%	10.0%	8.0%	7.0%	6.6%

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 expenses divided by net interest margin. ⁶ Loss to liquidation reserve coverage represents the allowance for losses as a percentage of finance receivables, divided by net charge-offs as a percentage of finance receivable collections for the previous 36 months. ⁷ Tangible shareholder's equity excludes accumulated other comprehensive income (loss) and goodwill. ⁸ Segment profit and ROIC represent measurements used by Textron to evaluate performance and for decision-making purposes. Segment profit for the Finance segment includes distributions on preferred securities of finance subsidiary trust before tax effects and excludes special charges. ⁹ Excludes assets from discontinued operations in 2002 of \$271 million. ¹⁰ An ROIC calculation worksheet is provided on page 13.

Financial Data 2006–2002¹

(Dollars in millions,
except per share amounts)

	2006					2005					2004	2003	2002
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year			
Revenues													
Bell	\$ 783	\$ 805	\$ 855	\$ 965	\$ 3,408	\$ 616	\$ 786	\$ 674	\$ 805	\$ 2,881	\$ 2,254	\$ 2,348	\$ 2,235
Cessna	869	1,005	1,050	1,232	4,156	713	910	890	967	3,480	2,473	2,299	3,175
Industrial	798	818	720	792	3,128	800	824	686	744	3,054	3,046	2,836	2,627
Finance	182	192	212	212	798	141	147	155	185	628	545	572	584
Total revenues	\$ 2,632	\$ 2,820	\$ 2,837	\$ 3,201	\$11,490	\$ 2,270	\$ 2,667	\$ 2,405	\$ 2,701	\$10,043	\$ 8,318	\$ 8,055	\$ 8,621
Segment profit²													
Bell	\$ 69	\$ 65	\$ 67	\$ 48	\$ 249	\$ 75	\$ 83	\$ 89	\$ 121	\$ 368	\$ 250	\$ 234	\$ 169
Cessna	117	153	162	213	645	87	121	117	132	457	267	199	376
Industrial	49	54	28	32	163	55	58	21	16	150	194	150	169
Finance	49	56	53	52	210	33	44	43	51	171	139	122	118
Total segment profit	\$ 284	\$ 328	\$ 310	\$ 345	\$ 1,267	\$ 250	\$ 306	\$ 270	\$ 320	\$ 1,146	\$ 850	\$ 705	\$ 832
Segment profit margins													
Bell	8.8%	8.1%	7.8%	5.0%	7.3%	12.2%	10.6%	13.2%	15.0%	12.8%	11.1%	10.0%	7.6%
Cessna	13.5%	15.2%	15.4%	17.3%	15.5%	12.2%	13.3%	13.1%	13.7%	13.1%	10.8%	8.7%	11.8%
Industrial	6.1%	6.6%	3.9%	4.0%	5.2%	6.9%	7.0%	3.1%	2.2%	4.9%	6.4%	5.3%	6.4%
Finance	26.9%	29.2%	25.0%	24.5%	26.3%	23.4%	29.9%	27.7%	27.6%	27.2%	25.5%	21.3%	20.2%
Total profit margin	10.8%	11.6%	10.9%	10.8%	11.0%	11.0%	11.5%	11.2%	11.8%	11.4%	10.2%	8.8%	9.7%
Special charges ³	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (54)	\$ (41)	\$ (2)	\$ (21)	\$ (118)	\$ (59)	\$ (77)	\$ (109)
Gain on sale of businesses	—	—	—	—	—	—	—	—	—	—	—	15	25
Corporate expenses and other, net	(49)	(48)	(45)	(60)	(202)	(43)	(55)	(47)	(54)	(199)	(157)	(123)	(119)
Interest expense, net	(22)	(25)	(23)	(20)	(90)	(24)	(22)	(23)	(21)	(90)	(94)	(96)	(105)
Income taxes	(55)	(78)	(67)	(69)	(269)	(45)	(70)	(52)	(56)	(223)	(165)	(109)	(157)
Distribution on preferred securities of manufacturing subsidiary, net of income taxes	—	—	—	—	—	—	—	—	—	—	—	(13)	(26)
Income from continuing operations	\$ 158	\$ 177	\$ 175	\$ 196	\$ 706	\$ 84	\$ 118	\$ 146	\$ 168	\$ 516	\$ 375	\$ 302	\$ 341
EPS from continuing operations - diluted	\$ 1.19	\$ 1.34	\$ 1.36	\$ 1.54	\$ 5.43	\$ 0.61	\$ 0.86	\$ 1.07	\$ 1.25	\$ 3.78	\$ 2.68	\$ 2.20	\$ 2.43
Effective income tax rate	25.8%	30.6%	27.7%	26.0%	27.6%	34.9%	37.2%	26.3%	25.0%	30.2%	30.6%	25.7%	30.0%
Common stock information													
Price range : High	\$ 94.40	\$ 98.10	\$ 93.13	\$ 98.38	\$ 98.38	\$ 80.05	\$ 78.30	\$ 78.80	\$ 80.00	\$ 80.05	\$ 74.63	\$ 57.70	\$ 53.17
Low	\$ 75.76	\$ 82.51	\$ 81.10	\$ 88.19	\$ 75.76	\$ 68.61	\$ 71.11	\$ 65.85	\$ 69.00	\$ 65.85	\$ 50.84	\$ 26.85	\$ 32.49
Dividends declared per share	\$0.3875	\$0.3875	\$0.3875	\$0.3875	\$ 1.55	\$ 0.35	\$ 0.35	\$ 0.35	\$ 0.35	\$ 1.40	\$ 1.33	\$ 1.30	\$ 1.30
Average shares outstanding (in thousands) – diluted ⁴	132,856	131,294	128,379	128,023	130,222	138,283	137,582	135,629	134,300	136,446	140,169	137,217	140,252

¹ For the periods presented, the following businesses were reclassified to discontinued operations as a result of management's strategic decisions to sell non-core businesses: 2005 – Fastening Systems; 2004 – InteSys (part of Industrial segment); 2003 – Small Business Direct portfolio (part of Finance segment) and OmniQuip (part of Industrial segment).

² Segment profit is an important measure used to evaluate performance and for decision-making purposes. Segment profit for manufacturing segments excludes 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 and expense, excludes special charges, and in years prior to 2004, includes distributions on preferred securities of Finance subsidiary trust.

³ Special charges in 2005 included a \$91 million write-off of the remaining balance of Collins & Aikman ("C&A") Products Co. preferred stock, \$21 million of reserves to cover exposure on C&A leases and other C&A-related items, and \$6 million of restructuring expense. Special charges in 2004 included \$71 million of restructuring expense and a \$12 million gain on the sale of C&A common stock. Special charges in 2003 included \$62 million of restructuring expense and a \$15 million charge for unamortized issuance costs related to the redemption of preferred securities. Special charges in 2002 included \$71 million in restructuring expense and a \$38 million in write-down of C&A common stock.

⁴ Assumes full conversion of outstanding preferred stock and exercise of options.

Selected Financial Statistics 2006–2002

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

		2006	2005	2004	2003	2002
Income Statement Data	Revenues	\$11,490	\$10,043	\$8,318	\$8,055	\$8,621
	Segment profit	\$ 1,267	\$ 1,146	\$ 850	\$ 705	\$832
	Special charges	—	(118)	(59)	(77)	(109)
	Gains on sale of businesses	—	—	—	15	25
	Corporate expenses and other, net	(202)	(199)	(157)	(123)	(119)
	Interest expense, net	(90)	(90)	(94)	(96)	(105)
	Income taxes	(269)	(223)	(165)	(109)	(157)
	Effective tax rate	27.6%	30.2%	30.6%	25.7%	30.0%
	Distribution on preferred securities of subsidiary trust, net of income taxes	—	—	—	(13)	(26)
	Income from continuing operations	\$ 706	\$ 516	\$ 375	\$ 302	\$ 341
Diluted EPS from continuing operations	\$ 5.43	\$ 3.78	\$ 2.68	\$ 2.20	\$ 2.43	
Cash Flow Items – Manufacturing group	Earnings of Finance group, net of distributions	\$ (73)	\$ (14)	\$ (23)	\$ (4)	\$ (23)
	Depreciation and amortization	251	257	234	234	247
	Gains on sale of businesses	—	—	—	(15)	(25)
	Special charges	—	118	59	71	109
	Net cash used in acquisitions	(338)	(28)	(5)	—	—
	Net proceeds from sale of businesses	8	(1)	3	14	27
	Net change in debt	(253)	263	(345)	(259)	(410)
	Dividends paid	(244)	(189)	(135)	(222)	(182)
	Purchases of Textron common stock	(761)	(597)	(415)	(64)	(248)
	Total number of shares purchased (in thousands)	8,574	8,035	6,534	1,951	5,734
Balance Sheet Data – Manufacturing group	Cash and cash equivalents	\$ 733	\$ 786	\$ 570	\$ 451	\$ 251
	Accounts receivable, net	964	891	843	811	845
	Inventories	2,069	1,712	1,536	1,327	1,537
	Property, plant and equipment, net	1,773	1,574	1,513	1,468	1,450
	Goodwill	1,257	979	1,002	1,000	963
	Total assets from continuing operations	8,477	7,936	7,504	7,278	7,233
	Total debt	1,800	1,934	1,770	2,008	1,681
	Total liabilities from continuing operations	6,901	6,386	6,000	5,650	6,091
Shareholders' equity	2,649	3,276	3,652	3,690	3,406	
Free Cash Flow Calculation – Manufacturing group	Net cash provided by operating activities of continuing operations	\$ 1,119	\$ 894	\$ 973	\$ 552	\$ 271
	Proceeds on sale of property, plant and equipment	7	23	38	49	46
	Capital expenditures	(419)	(356)	(238)	(246)	(231)
	Capital expenditures financed through capital leases	(16)	(15)	(44)	(26)	(23)
	Manufacturing free cash flow	\$ 691	\$ 546	\$ 729	\$ 329	\$ 63
Key Ratios	Segment profit margin	11.0%	11.4%	10.2%	8.8%	9.7%
	Debt (net of cash) to total capital – Manufacturing group ¹	29%	26%	25%	30%	36%
	Selling and administrative expenses as a % of sales	13.3%	14.0%	14.5%	13.7%	12.5%
	Inventory turns (based on FIFO)	4.0x	4.0x	3.8x	3.7x	3.7x
	Ratio of income to fixed charges – Manufacturing group	7.60x	6.43x	4.71x	3.86x	3.47x
Stock-Related Information	Stock price at year-end	\$ 93.77	\$ 76.98	\$73.80	\$57.19	\$42.16
	Dividend payout ratio ²	29%	37%	49%	59%	53%
	Dividends declared per share	\$ 1.55	\$ 1.40	\$ 1.33	\$ 1.30	\$ 1.30
Other Statistics	Research and development	\$ 786	\$ 692	\$ 574	\$ 573	\$ 575
	Number of employees at year-end	40,000	37,000	34,000	31,000	36,000
	Average revenues per employee (in thousands)	\$ 298	\$ 283	\$ 256	\$ 243	\$ 234

¹ Includes mandatorily redeemable preferred securities as debt in 2002.

² Dividend payout ratio: Dividends declared/diluted earnings per share from continuing operations.

Stock Information

Stock Exchange Listings

Ticker Symbol – TXT

Common Stock

New York Stock Exchange
Chicago Stock Exchange

Preferred Stock (\$2.08 and \$1.40)

New York Stock Exchange

Capital Stock

(as of December 30, 2006)

Common stock: par value \$0.125; 500,000,000 shares authorized; 125,596,000 shares outstanding

\$2.08 Cumulative Convertible Preferred stock, Series A:

78,000 shares outstanding

\$1.40 Convertible Preferred Dividend stock, Series B:

41,000 shares outstanding

Transfer Agent and Registrar

American Stock Transfer & Trust Company
59 Maiden Lane
New York, NY 10038
(866) 621-2790
Web: www.amstock.com

Dividends

Common and Preferred Stock

Record dates: March 10, June 9, September 15, and December 15, 2006

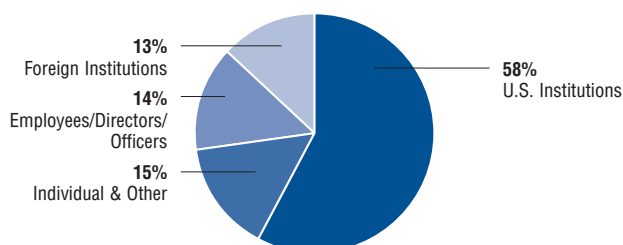
Payable dates: April 1, July 1, October 1, 2006 and January 1, 2007

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

Share Ownership (as of 12/30/06)



Return on Invested Capital (ROIC)

We measure performance based on our return on invested capital ("ROIC"), which is calculated by dividing ROIC income by average invested capital. ROIC income represents income from continuing operations and adds back after-tax amounts for 1) interest expense for the Manufacturing group, 2) distributions on preferred securities of Manufacturing group, 3) special charges, 4) gains or losses on the sale of businesses or product lines and 5) operating (losses) income related to discontinued operations during the period. In 2006, we changed our policy for calculating ROIC income to include amortization expense of intangible assets.

At the beginning of the year, our invested capital represents total shareholders' equity and Manufacturing group debt, less cash and cash equivalents of the Manufacturing

group. Debt and cash and cash equivalents include amounts classified as discontinued operations of the Fastening Systems business. At the end of the year, we typically adjust ending invested capital for significant events unrelated to our normal operations for the year. In 2006, we adjusted invested capital to eliminate the impact of the adoption of Statement of Financial Accounting Standard ("SFAS") No. 158, eliminate the net cash proceeds from the sale of the Fastening Systems business and to eliminate the net cash used by the Manufacturing group for acquisitions. In 2005, we adjusted invested capital to eliminate the impact of non-restructuring related special charges, a gain on the sale of a product line and non-operating net charges from discontinued operations.

Total Textron

(Dollars in millions)

	2006	2005	2004	2003	2002
ROIC Income					
Income from continuing operations	\$ 706	\$ 516	\$ 375	\$ 302	\$ 341
Interest expense for Manufacturing group	58	58	60	61	67
Distribution on preferred securities of Manufacturing group	—	—	—	13	26
Special charges and gain on sale of businesses/product lines ¹	—	69	40	46	62
Adjustment for discontinued operations	—	(12)	56	35	19
Amortization expense of intangible assets ²	—	2	3	6	7
ROIC Income	\$ 764	\$ 633	\$ 534	\$ 463	\$ 522
Invested Capital at end of year					
Total shareholders' equity	\$2,649	\$3,276	\$3,652	\$3,690	\$3,406
Total Manufacturing group debt ³	1,800	1,953	1,791	2,027	1,711
Preferred securities on Manufacturing group	—	—	—	—	485
Cash and cash equivalents for Manufacturing group	(733)	(817)	(605)	(486)	(286)
Adjustment to shareholders' equity related to adoption of SFAS No. 158	647	—	—	—	—
Eliminate net cash proceeds from sale of Fastening Systems business	644	—	—	—	—
Net cash used in 2006 by Manufacturing group for acquisitions	(338)	—	—	—	—
Eliminate impact of 2005 special charges and gain on sale of product line	—	69	—	—	—
Eliminate impact of 2005 net charges from discontinued operations ⁴	—	263	—	—	—
Invested Capital at end of year, as adjusted	4,669	4,744	4,838	5,231	5,316
Invested Capital at beginning of year	4,412	4,838	5,231	5,316	5,602
Average Invested Capital	\$4,541	\$4,791	\$5,034	\$5,273	\$5,459
Return on Invested Capital	16.8%	13.2%	10.6%	8.8%	9.6%

Bell

(Dollars in millions)

	2006	2005	2004	2003	2002
ROIC Income					
Segment profit	\$ 249.0	\$ 367.9	\$ 249.6	\$ 234.2	\$ 168.6
Interest component of operating leases ⁵	4.5	4.1	4.7	2.9	3.5
Corporate charge ⁶	(28.4)	(20.5)	(18.5)	(20.6)	(19.0)
Income taxes ⁷	(64.6)	(111.3)	(72.1)	(69.1)	(44.0)
Eliminate after-tax gain on sale of a product line	—	(19.5)	—	—	—
Segment ROIC Income	\$ 160.5	\$ 220.7	\$ 163.7	\$ 147.4	\$ 109.1
Average Invested Capital					
Average segment investment ⁸	\$1,336.3	\$ 990.1	\$ 904.0	\$ 994.5	\$ 924.6
Operating leases ⁵	61.0	54.1	63.2	38.2	47.1
Average Invested Capital	\$1,397.3	\$1,044.2	\$ 967.2	\$1,032.7	\$ 971.7
Return on Invested Capital	11.5%	21.1%	16.9%	14.3%	11.2%

Cessna

(Dollars in millions)

	2006	2005	2004	2003	2002
ROIC Income					
Segment profit	\$ 644.4	\$ 456.8	\$ 267.3	\$ 198.5	\$ 376.4
Interest component of operating leases ⁵	15.8	20.2	13.1	8.4	13.2
Corporate charge ⁶	(8.7)	(9.5)	(12.1)	(13.6)	(14.5)
Income taxes ⁷	(217.5)	(155.6)	(92.7)	(65.9)	(125.3)
Segment ROIC Income	\$ 434.0	\$ 311.9	\$ 175.6	\$ 127.4	\$ 249.8
Average Invested Capital					
Average segment investment ⁸	\$ 697.8	\$ 733.6	\$ 838.8	\$ 897.7	\$ 936.4
Operating leases ⁵	192.1	204.3	175.5	116.9	147.7
Average Invested Capital	\$ 889.9	\$ 937.9	\$1,014.3	\$1,014.6	\$1,084.1
Return on Invested Capital	48.8%	33.3%	17.3%	12.6%	23.0%

Industrial

(Dollars in millions)

	2006	2005	2004	2003	2002
ROIC Income					
Segment profit, as adjusted	\$ 163.0	\$ 149.7	\$ 194.0	\$ 150.4	\$ 168.5
Intangible amortization ²	—	3.8	5.1	7.8	8.1
Interest component of operating leases ⁵	5.1	5.8	6.6	2.6	1.7
Corporate charge ⁶	(22.3)	(23.0)	(23.6)	(23.9)	(24.0)
Income taxes ⁷	(35.0)	(27.2)	(48.9)	(36.5)	(46.4)
Segment ROIC Income	\$ 110.8	\$ 109.1	\$ 133.2	\$ 100.4	\$ 107.9
Average Invested Capital					
Average segment investment ⁸	\$1,538.3	\$1,565.7	\$1,605.4	\$1,610.6	\$1,743.5
Operating leases ⁵	69.1	76.3	87.1	35.0	22.1
Average Invested Capital	\$1,607.4	\$1,642.0	\$1,692.5	\$1,645.6	\$1,765.6
Return on Invested Capital	6.9%	6.6%	7.9%	6.1%	6.1%

Finance

(Dollars in millions)

	2006	2005	2004	2003	2002
ROIC Income					
Segment profit	\$ 210.4	\$ 171.3	\$ 139.4	\$ 121.6	\$ 118.1
Corporate charge ⁹	(24.5)	(22.6)	(22.6)	(22.4)	(22.9)
Income taxes ⁷	(50.8)	(50.0)	(38.0)	(31.3)	(33.3)
Segment ROIC Income	\$ 135.1	\$ 98.7	\$ 78.8	\$ 67.9	\$ 61.9
Average Invested Capital					
Average shareholder's equity	\$1,063.6	\$ 984.4	\$ 983.3	\$ 974.9	\$ 944.8
Return on Invested Capital	12.7%	10.0%	8.0%	7.0%	6.6%

1 For 2005, excludes \$6 million in special charges related to restructuring. 2 In 2006, we changed our policy for calculating ROIC Income to include amortization expense of intangible assets. 3 Includes amounts classified as discontinued operations. 4 Excludes a \$38 million cumulative translation adjustment charge included within loss from discontinued operations, net of income taxes, that was fully offset by an increase in the other comprehensive (loss) income component of shareholders' equity. 5 Off-balance sheet operating leases are added to the manufacturing segments' average investment to reflect actual long-term obligations and an estimated interest component is added back to segment profit to reflect the interest portion of rental expense. 6 Manufacturing segments are assessed a charge equal to 2.3% of their average segment investment excluding goodwill and operating leases. 7 A tax rate is determined for each segment based on the underlying divisions and the countries in which they operate. 8 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. 9 The Finance segment is assessed a corporate charge equal to 2.3% of its average invested capital.

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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.

206B-3 Jet Ranger, 206L-4 Long Ranger, 208, 208B, 412EP, AB Benzlers, AH-1W SuperCobra, AH-1Z, BA609, Bell 206B, Bell 206L-4, Bell 407, Bell 412EP, Bell 427, Bell 429, Bell 430, Bell Boeing V-22 Osprey, Bell Eagle Eye, Bell Helicopter, Cadillac Gage, Caravan, Cessna Aircraft, Cessna Aircraft Company, Citation, CJ1, CJ1+, CJ2, CJ2+, CJ3, , CJ4, Encore, Encore+, Mustang, Citation Service Centers, Sovereign, Citation X, Citation XLS, Citation XLS+, CitationJet, CitationShares, Cone Drive, Cushman, CWC, David Brown, David Brown Hydraulics, David Brown Union Pump, E-Z-GO, Fairmont, Greenlee, Klauke, Progressive, HR Textron, Huey II, Jacobsen, Kautex, Lycoming, Lycoming Engines, M1117 Armored Security Vehicle, M707A1 Armored Knight, Maag Pump Systems, OH-58D Kiowa Warrior, Radicon, Ransomes, Skyhawk, Stationair, T182, T206, Tempo, Textron Financial, Textron Fluid & Power, Textron Lycoming, Textron Marine & Land Systems, Textron Six Sigma, Textron Defense Systems, Overwatch, Innovative Survivability Technologies, ThinZag®, TH-67 Trainer, UH-1H Huey, UH-1N Huey, UH-1Y, V-22 and Vector and their related trademark designs and logotypes (and variations of the foregoing) are trademarks, trade names or service marks of Textron Inc., its subsidiaries, affiliates or joint ventures.

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