TEXTRON




POWERFUL PERFORMANCE:

POWERFUL FUTURE

Fact Book 2007

Textron

> www.textron.com

> NYSE: TXT

> 2007 Fortune 500 ranking: 194

> Fortune Magazine's America's Most Admired Aerospace & Defense Company in 2008

> Number of employees: 44,000 – 20 percent are outside the U.S.

> Number of countries with manufacturing operations: 20

Textron is an Equal Opportunity Employer.

Textron Inc. is a $13.2 billion multi-industry company operating in 34 countries with approximately 44,000 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 Company, Jacobsen, Kautex, Lycoming, E-Z-GO, Greenlee, Fluid & Power, Textron Systems and Textron Financial Corporation.

Textron Inc. consists of numerous subsidiaries and operating divisions. Please refer to back cover for legal entity structure.

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.

Financial Highlights

(Dollars in millions except per share data)	**2007**	2006	Change
Revenues	**$ 13,225**	$ 11,490	15%
International revenues %	**39%**	39%	—
Segment profit [1]	**$ 1,640**	$ 1,267	29%
Income from continuing operations	**$ 915**	$ 706	30%
Total debt – Manufacturing group [2]	**$ 2,148**	$ 1,800	19%
Shareholders' equity	**$ 3,507**	$ 2,649	32%
Common Share Data [3]			
Diluted EPS from continuing operations	**$ 3.59**	$ 2.71	32%
Dividends per share	**$ 0.85**	$ 0.78	9%
Diluted average common shares outstanding (in thousands)	**254,826**	260,444	(2)%
Key Performance Metrics			
ROIC [4]	**24.8%**	16.8%	—
Net cash provided by operating activities of continuing operations – Manufacturing group [2]	**$ 1,186**	$ 1,119	6%
Free cash flow – Manufacturing group [5]	**$ 796**	$ 691	15%
Debt (net of cash) to total capital – Manufacturing group [2]	**32%**	29%	—

Credit Ratings (as of December 29, 2007)	*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 for evaluating 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., except for its Finance segment.

3 2006 Common Share Data are adjusted for a 2:1 stock split in the third quarter of 2007.

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

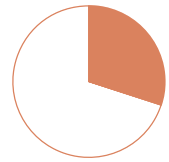
5 Calculations of free cash flow are provided on page 11.

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

Bell Segment

The Bell segment consists of Bell Helicopter and Textron Systems.



Fast Facts

Bell Segment

- > Approximate revenues by region: U.S.: 78%, Asia Pacific: 5%, Latin America and Mexico: 5%, Europe: 4%, Middle East: 3%, Canada: 3%, Africa: 2%.
- > Bell has approximately 16,600 employees, of which 13% are based outside the U.S.
- > Manufacturing facilities are located 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; Williamsport, Pennsylvania; Hunt Valley, Maryland; and Victoria, Australia.

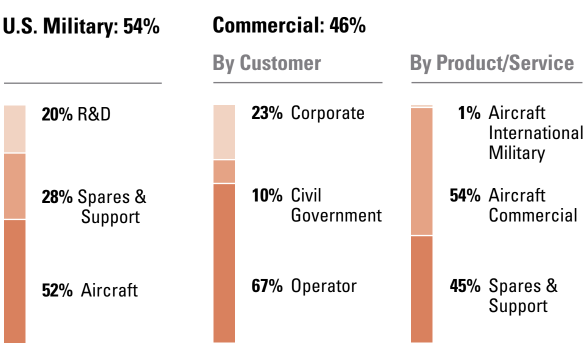
Bell Helicopter

- > Approximately 13,000 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 140 strategically located customer support facilities worldwide.
- > Ranked #1 in customer service and support by *Professional Pilot* magazine for 14 consecutive years and by *Aviation International News* for 2 consecutive years.

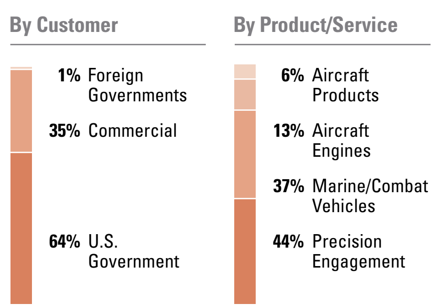
Textron Systems

- > Textron Systems consists of the following operating units: AAI, HR Textron, Lycoming, Overwatch Geospatial Operations, Overwatch Tactical Operations, Textron Defense Systems, and Textron Marine & Land Systems.
- > Over 1,200 M1117 Armored Security Vehicles (ASV) and variants delivered to the U.S. Army.
- > More than 260,000 flight hours logged by the Shadow Tactical Unmanned Aircraft System, primarily in support of combat operations in both Iraq and Afghanistan.
- > 30,000 active Overwatch Geospatial Operations and Tactical Operations software licenses across U.S. intelligence agencies, military branches and unified commands.
- > Tactical situational understanding software tools providing actionable intelligence to 109 battalion sized units and benefiting more than 150,000 troops in Iraq and Afghanistan.
- > Approximately 4,500 Sensor Fuzed Weapons (SFW) delivered to the U.S. Air Force (USAF) with additional orders from United Arab Emirates (UAE), Turkey and Oman; 190,000 Joint Direct Attack Munitions (JDAM) tail-kits delivered to the USAF and our allies.
- > Over 40,000 HR Textron hydraulic actuators flying on helicopters throughout the world, including products on all 13,000 Bell Helicopter aircraft in service globally.
- > More than 350,000 engines designed and built during Lycoming's 75+ years in aviation – over 170,000 of which are still in operation worldwide.

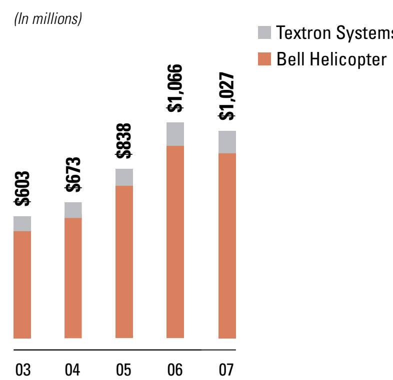
Bell Helicopter Sales



Textron Systems Sales



Spares and Support



Key Data

Bell Segment

(Dollars in millions)	**2007**	2006	2005	2004	2003
Revenues	**$ 3,915**	$3,408	$2,881	$2,254	$2,348
Segment profit [1]	**$ 335**	$ 249	$ 368	$ 250	$ 234
Segment profit margin	**8.6%**	7.3%	12.8%	11.1%	10.0%
Total assets	**$ 4,362**	$2,598	$1,966	$1,674	$1,496
Capital expenditures (includes capital leases)	**$ 139**	$ 225	$ 152	$ 62	$ 50
Depreciation	**$ 84**	$ 64	$ 52	$ 47	$ 52
ROIC [1, 2]	**10.7%**	11.5%	21.1%	16.9%	14.3%

1 Segment profit and ROIC represent measurements used by Textron for evaluating 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 investment, outsourcing and 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 market to other U.S. Department of Defense and international customers.

> Successfully ramp-up production of the AH-1Z attack and UH-1Y utility helicopters.

> Continue the System Development and Demonstration phase in preparation for Limited User Test #2 and successfully exit Milestone C with a decision and enter Low Rate Initial Production of the Armed Reconnaissance Helicopter (ARH) program.

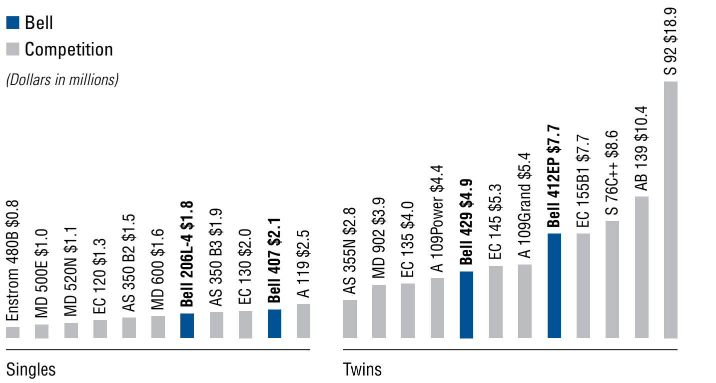
> Pursue other U.S. Government and international military helicopter sales opportunities.

> 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, developing derivatives and introducing new models.

> Continue to grow Bell Helicopter's service and support business through geographic and service offering expansion.

Commercial Product Price Points



Commercial Market

> Industry norms typically envision three to four times original delivery price in after-market service and parts revenues over the nominal 30 – 40 year lifetime of a typical commercial airframe.

> The primary commercial helicopter markets are Oil & Gas, Emergency Medical Services, Law Enforcement, Homeland Security and International Military.

Major Products*

Bell Helicopter		Description	First Delivery	Seating Capacity (Including Pilots)	Useful Load (lbs)	Cruising Speed (kts)	Maximum Range (nm)
Light	206L-4 Long Ranger	Extended cabin version of Jet Ranger	1992	7	2,123	112	324
	407	Four-bladed, larger version of 206	1996	7	2,332	133	330
	429	Light twin-engine helicopter, best-in-class cabin volume	2008/2009	8	2,700	142	350
Medium	412 EP	Twin-engine with highest dispatch reliability and the lowest hourly cost	1981	15	5,055	122	356
Military	UH-1N Huey	U.S. Marine and Air Force light utility helicopter	1971	15	3,532	110	230
	OH-58D Kiowa Warrior	Armed Reconnaissance Helicopter for U.S. Army	1986	2	2,200	114	268
	AH-1W Super Cobra	U.S. Marine attack helicopter	1986	2	3,830	150	317
	TH-67 Trainer	Military training helicopter	1993	3	1,321	115	374
	Huey II	Upgrade of U.S. Army and worldwide UH-1H model Huey	1995	15	5,060	106	216
	UH-1Y	Comprehensive upgrade of UH-1N U.S. Marine Huey	2006	12	6,661	158	350
	AH-1Z	Comprehensive upgrade of AH-1W U.S. Marine Super Cobra	2006	2	6,300	160	380
	ARH	Next generation U.S. Army Armed Reconnaissance Helicopter	Under Review	2	2,113	112	188
	VH-71	Replacement for the United States Marine Corps' Marine One Presidential transport fleet	—	—	—	—	—
Tiltrotor	Bell Boeing V-22 Osprey	Military tiltrotor aircraft, being produced in partnership with Boeing	1999	27	25,500	240	750
	Bell Eagle Eye	Vertical unmanned aerial vehicle	—	—	1,000	185	800
	BA609	Commercial tiltrotor aircraft, being developed in partnership with Agusta	—	11	5,512	275	750

** Terminating the production of 206B-3, 427, 430 and 210 helicopter models*

Key Data

Bell Helicopter (Dollars in millions)	**2007**	2006	2005	2004	2003
Revenues	**$2,581**	$2,347	$2,075	$1,615	$1,755
Units delivered:					
U.S. Government	**44**	43	41	37	49
Commercial	**177**	153	105	93	94
International military	**4**	6	18	18	11
Backlog	**$3,809**	$3,119	$2,812	$2,842	$1,439

Textron Systems

Textron Systems provides innovative solutions for the aerospace, homeland security and defense industries.

Strategic Steps Forward

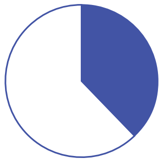
- **Integrate our family of Intelligent Battlefield Systems (IBS), unmanned systems and ground control stations, precision-guided munitions, and library of intelligence analysis and data fusion tools to provide customers with higher performing Precision Engagement solutions.**
- **Execute the many synergy opportunities in connection with the 2007 acquisition of AAI.**
- **Continue outstanding record of execution on current ASV contract; fulfill critical customer needs for service support and product upgrades; develop variants and new products that address emerging requirements and position ourselves to win the Joint Light Tactical Vehicle program.**
- **Strengthen and expand our leading position in unmanned systems.**
- **Accelerate fielding and expand usage of our Intelligent Munitions System (IMS), Unattended Ground Sensors (UGS), Spider force protection system, and situational understanding software within the current force.**
- **Unify our existing commercial off-the-shelf software products into the market's leading integrated suite of geospatial intelligence and analysis applications, and expand into adjacent product and service areas.**
- **Apply combat-proven weapons control actuation technology to emerging high-volume guided rocket and projectile programs.**
- **Leverage our capabilities in air-cushioned technology to win emerging expeditionary naval craft programs.**
- **Strengthen international marketing and global presence to address worldwide demand for Textron Systems' products and services.**

Major Products and Services

Operating Unit	Description
AAI	
Unmanned Aircraft Systems (UAS) and Ground Control Stations (GCS)	The highly regarded Shadow advanced tactical UAS provides organic battlefield intelligence and support to deployed ground forces. Additional offerings include the Aerosonde® and the airframe structure for Honeywell's Micro Air Vehicle (MAV). One System® GCS and Remote Video Terminal equipment provide networked control for a variety of unmanned aircraft systems.
Services	AAI provides government and commercial customers with technical services covering a wide variety of technologies and equipment worldwide.
Test Systems	Key products include the Joint Service Electronic Combat Systems Tester (JSECST) for testing electronic warfare systems and Advanced Boresight Equipment (ABE®) for aligning aircraft systems. Subsidiary ESL Defence designs and produces electro-optical test and simulation products. Additionally, Symtx develops functional test systems for military, space, and civil aviation applications.
Training Systems	Training systems for aircraft maintenance, electronic warfare, mission systems, naval radar and weapons systems, and air defense.
Advanced Products	Developer of Lightweight Small Arms Technologies (LSAT) and associated ammunition, as well as course correction systems for medium and large caliber ammunition; PDCue® automatically locates origin of gunshots; TDCue® utilizes acoustic sensors for live-fire scoring.
HR Textron	
Aircraft Controls	Hydraulic and electro-mechanical actuators, fuel systems, and servovalve applications for fixed and rotary-wing aircraft 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, as well as the newly developed Direct Attack Guided Rocket (DAGR). JDAM has a 99% reliability rating and is combat proven in Bosnia, Kosovo, Afghanistan and Iraq.
Gun Stabilization Systems	Provides shoot-on-the-move accuracy to the General Dynamics M-1A1 Abrams Main Battle Tank.
Lycoming	
Aircraft Engines	Lycoming is the leading global designer and manufacturer of piston aviation engines, offering OEM, overhauled, and rebuilt engines as well as a full line of cylinders and spare parts. Lycoming recently introduced the Thunderbolt, a new line of high-performance experimental engines.
Overwatch Geospatial Operations	
GeoOps Intelligence Analysis and Data Fusion Tools	Remote View and Electronic Light Table (ELT®) are the premier geospatial analysis tools for imagery and geospatial data fusion, exploitation, and analysis. Product suite also includes market-leading applications for 3D urban analysis, automated feature extraction, LIDAR visualization, mapping and cartography.
Overwatch Tactical Operations	
TacOps Intelligence Analysis and Data Fusion Tools	Developer of the U.S. Army's All Source Analysis System – Light (ASAS-L) and software provider for the Situational Awareness and data fusion functions supporting the Battle Command core node within Future Combat Systems (FCS). Additional software tools include AXISPro, Viper Collaborative and Solution Framework, Counterintelligence HUMINT Analysis System, Measurements and Signatures Intelligence Toolkit, Medina Wireless Surveillance Toolkit, and Services Cryptologic Operations Universal Toolset (SCOUT).
Textron Defense Systems	
Intelligent Battlefield Systems	Real-time distributed networked systems autonomously detect, classify, report and engage threats with man in the loop control. Products include UGS (urban and tactical), IMS, Terrain Commander surveillance system, and Spider force protection system.
Precision Air-Launched Weapons, Dispensers and Submunitions	Family of products includes the CBU-97/105 SFW with the BLU-108 submunition and Smart Skeet warheads, the GPS-guided/UAS-employed Universal Aerial Delivery Dispenser (U-ADD), the Clean Lightweight Area Weapon (CLAW), and the Common Smart Submunition (CSS) universal payload.
Directed Energy Weapons	ThinZag® advanced solid state laser design has made Textron Systems an industry leader in directed energy weapons development.
Survivability and Detection Systems	Adaptable Radiation Area Monitor (ARAM) detects and identifies concealed nuclear/radioactive material in real-time. Tactical Rocket Propelled Grenade Airbag Protection System (TRAPS) defends vehicles and installations against rocket propelled grenades.
Textron Marine & Land Systems	
Armored Security Vehicle (ASV) and ASV Variant	The ASV, a 4X4 wheeled armored vehicle, is combat proven in Iraq and Afghanistan. The Armored Knight is used for observation and target designation missions. The Reconnaissance, Surveillance & Target Acquisition Scout Vehicle (RSTA) provides target acquisition to the maximum effective range of weapons.
Landing Craft Air Cushion (LCAC)	Proven in combat as well as in humanitarian missions, LCAC travels at 50 knots in rough seas while carrying a 60-ton payload. 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 rescue missions in severe weather conditions.

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.



Strategic Steps Forward

- > Maintain leadership in 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.
- > Extend the Cessna brand around the world with a long-term view of balancing opportunity and risk.

Sales

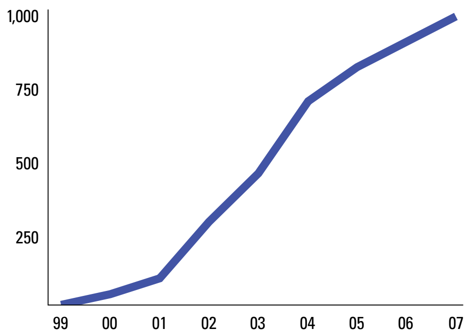
By Product/Service

By Customer

New Jet Model First Delivery

2004	CJ3 Sovereign
2005	CJ1+
2006	CJ2+ Mustang
2007	Encore+
2008	XLS+
2010	CJ4
2014	Columbus

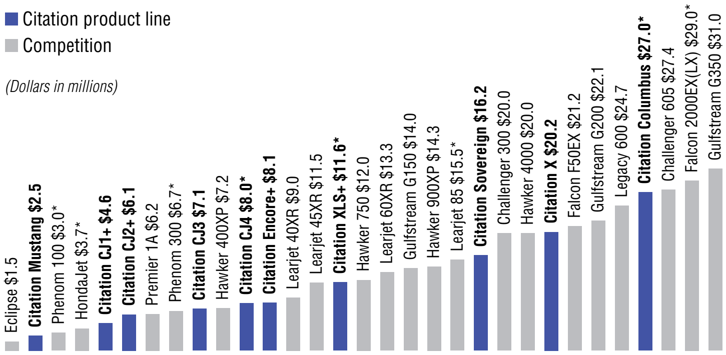
CitationShares Fractional and Vector Contracts



Major Products

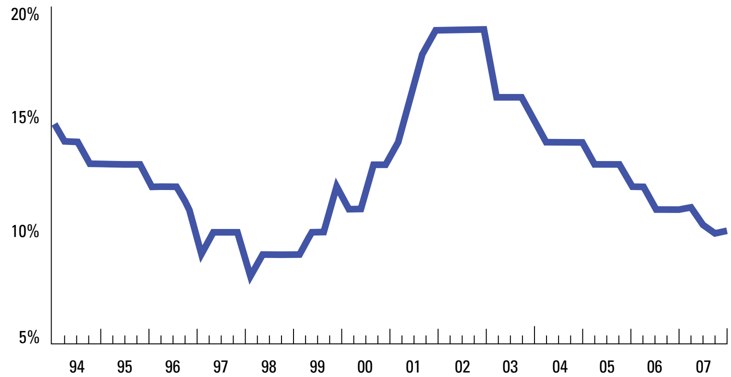
	First Delivery	Seating Capacity (Including Pilots)	Cruising Speed (kts)	Maximum Range (IFR w/ NBAA reserves)	Unit Price (in millions)	Engine Manufacturer	Engine Model	Avionics
Citation Model								
Mustang	2006	6	340	1,167	$ 2.5	Pratt & Whitney	PW615F	Garmin G1000
CJ1+	2005	8	389	1,300	4.6	Williams International	FJ44-1AP	Collins Pro Line 21
CJ2+	2006	10	418	1,613	6.1	Williams International	FJ44-3A-24	Collins Pro Line 21
CJ3	2004	10	417	1,875	7.1	Williams International	FJ44-3A	Collins Pro Line 21
CJ4	2010	10	435	1,850	8.0	Williams International	FJ44-4A	Collins Pro Line 21
Encore+	2007	10	428	1,789	8.1	Pratt & Whitney	PW535B	Collins Pro Line 21
XLS(+)	2004 (2008)	11	440	1,858	11.6	Pratt & Whitney	PW545C	Collins Pro Line 21
Sovereign	2004	12	458	2,847	16.2	Pratt & Whitney	PW306C	Honeywell Primus EPIC
Citation X	1996	11	525	3,070	20.2	Rolls-Royce	AE3007C1	Honeywell Primus 2000
Columbus	2014	12	488	4,000	27.0	Pratt & Whitney	PW810	Collins Pro Line Fusion
Turboprop Model								
208 & 208B	1985	Cargo to 14	170/183	764/841	$ 1.8	Pratt & Whitney	PT6A-114A	Garmin G1000
Single Engine Piston								
162 SkyCatcher	2009	2	112	390	$ 0.1	Teledyne Continental	O-200D	Garmin G300
172R Skyhawk	1997	4	122	687	0.3	Textron Lycoming	IO-360-L2A	Garmin G1000
172TD Skyhawk TD	2008	4	118	784	0.3	Thielert	Centurion 2-OL	Garmin G1000
172S Skyhawk SP	1997	4	124	638	0.3	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	0.5	Textron Lycoming	IO-540-AC1A5	Garmin G1000
T206H Turbo Stationair	1998	6	164	703	0.5	Textron Lycoming	TIO-540-AJ1A	Garmin G1000
350	2007	4	191	1,315	0.5	Teledyne Continental	IO-550-N	Garmin G1000
400	2007	4	235	1,383	0.6	Teledyne Continental	TSIO-550-C	Garmin G1000

2007 New Business Jet Price Points

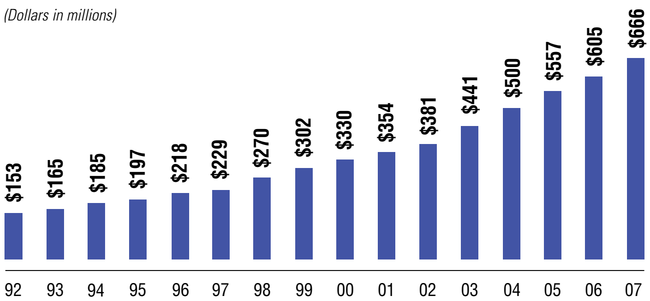


Source: B&CA and Cessna estimates *In development; not certified

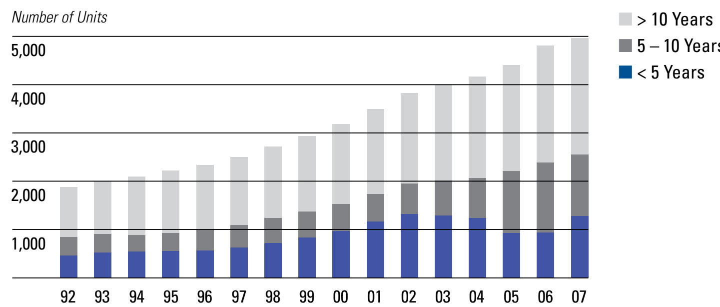
Used Citations for Sale as a Percent of Fleet



Growth in Sales of Parts and Services



Number of Citations in Service by Age Distribution



Fast Facts

- Approximate revenues by region: U.S.: 60%, Europe: 22%, Latin America and Mexico: 8%, Asia Pacific: 3%, Middle East: 3%, Canada: 3%, Africa: 1%.
- Cessna has approximately 15,200 employees worldwide.
- Manufacturing facilities are located in Wichita and Independence, Kansas; Columbus, Georgia; Bend, Oregon; and Chihuahua, Mexico.
- In its 80-year history, Cessna has delivered more than 190,000 aircraft, including more than 153,000 single engine airplanes; more than 1,700 Caravans; more than 2,000 military jets and more than 5,000 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 Mach 0.92, the Citation X is the world's fastest business jet.
- 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 18 countries throughout the world.

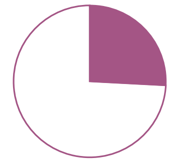
Key Data

Cessna (Dollars in millions)	**2007**	2006	2005	2004	2003
Units sold:					
Business jets[1]	**387**	307	252	179	197
Caravans	**80**	67	86	64	57
Single engine	**807**	865	818	654	588
Backlog, excluding CitationShares	**$12,583**	$8,467	$6,342	$5,352	$3,947
Revenues	**$ 5,000**	$4,156	$3,480	$2,473	$2,299
Segment profit[2]	**$ 865**	$ 645	$ 457	$ 267	$ 199
Segment profit margin	**17.3%**	15.5%	13.1%	10.8%	8.7%
Total assets	**$ 2,459**	$2,091	$1,866	$1,751	$1,622
Capital expenditures (includes capital leases)	**$ 163**	$ 121	$ 105	$ 98	$ 99
Depreciation	**$ 86**	$ 78	$ 84	$ 71	$ 75
ROIC[2,3]	**63.6%**	48.8%	33.3%	17.3%	12.6%

1 Units sold in 2007 exclude one CitationShares delivery in which the fractional units were not sold as of the end of the year. 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 for evaluating 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 consists of five businesses that manufacture and market branded industrial products worldwide.



26% Industrial's share of Textron 2007 revenues

E-Z-GO – 12% of Segment

Description

E-Z-GO is a leading global light transportation vehicle designer and manufacturer for golf courses, municipalities, and consumers, as well as commercial and industrial users such as airports, resorts and factories. Products include electric-powered and internal combustion-powered golf cars and multipurpose utility vehicles. The company offers the revolutionary RXV golf car with industry leading Alternating Current (AC) drive and dual braking technology – reducing owner operating costs over the life of the vehicle. 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 driving adoption of the new RXV golf car and strengthening sales to non-golf customers and in foreign markets.

> Institutionalize Textron Six Sigma principles and improve key business processes: Continue Lean implementation, and sustain efficiencies in integrated supply chain – introduce efficiencies in sales, marketing, engineering and other transactional areas.

Jacobsen – 8% of Segment

Description

Jacobsen offers a comprehensive line of turf-care products for golf courses, 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 value through customer driven product development and distribution sales and service performance.

Kautex – 50% of Segment

Description

Kautex is a leading global system supplier to the automotive industry. The company develops and produces blow-molded fuel systems, automotive clear vision systems (windshield and headlamp washer systems), Selective Catalytic Reduction Systems and blow-molded ducting and fluid reservoirs and other components, such as cooling pipes and acoustic components. Kautex produces metal fuel fillers and engine camshafts for the automotive industry as well as bottles and jerry cans for the packaging industry. The company also has received the first production order for fuel systems using its Next Generation Fuel System manufacturing process. This innovative production technology is creating real value for our customers through its many advantages: less investment, lower development costs, lighter weight, larger usable volume and greater design freedom.

Includes: *Kautex* and *CWC*.

Strategic Steps Forward

> Participate in growth regions and segments: The automotive industry is growing steadily. Kautex participates in this growth by following its customers to global markets (e.g. Eastern Europe and Asia). Kautex also addresses specific needs resulting from stringent legislative emission regulations by designing innovative products and technologies meeting these regulations (e.g. Selective Catalytic Reduction Systems for the reduction of nitrogen oxides of diesel engines and Next Generation Fuel Systems).

> Focus on key strategic product lines and technologies.

> Drive lasting change, simplify all processes, improve capabilities and control performance.

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 contractor segments. Greenlee's new hand tool offering includes the top 200 custom-designed hand tools used by electrical contractors, utility workers and general contractors. In addition, Greenlee's acquisition of Paladin Tools late in 2007 provides the company with a complementary brand portfolio and an expanded product line for voice/data/video customers.

Includes: *Greenlee, Fairmont, Klauke, Tempo, Progressive, Paladin Tools, DataShark* and *PowerPlay.*

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 – 18% 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, nuclear energy, mining, construction, defense, polymer extrusion, industrial and many other industries.

Includes: *Union Pump, Gear Technologies (David Brown, Cone Drive, Benzlers, Radicon), Polymer Systems (Maag Pumps Systems, Wil-Man) and Hydraulics (David Brown Hydraulics, Hydreco, Powauto).*

Strategic Steps Forward

- Accelerate Lean implementation, globalize supply chain, enhance focus on customer leadership and deliver on Multi-Generation Product Plans.
- Identify and pursue niches and opportunities in current and adjacent industries.
- Strengthen and grow aftermarket parts and services.
- Continue to pursue growth opportunities in emerging markets.

Fast Facts

- Approximate revenues by region: Europe: 41%, U.S.: 37%, Asia Pacific: 10%, Latin America and Mexico: 6%, Canada: 3%, Africa: 2%, Middle East: 1%.
- Textron's Industrial segment has approximately 10,600 employees, of which 62% are based outside the U.S.
- Manufacturing facilities are located in 20 countries: Australia, Belgium, Brazil, Canada, China, the Czech Republic, France, Germany, Italy, Japan, Mexico, Netherlands, Norway, South Africa, Spain, Sweden, Switzerland, Thailand, the United Kingdom and the United States.
- Within each business group, non-U.S. revenues account for the following: E-Z-GO (6%), Jacobsen (63%), Kautex (76%), Greenlee (42%) and Fluid & Power (78%).

Key Data

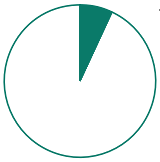
Industrial

(Dollars in millions)	**2007**	2006	2005	2004	2003
Revenues	**$ 3,435**	$3,128	$3,054	$3,046	$2,836
Segment profit [1]	**$ 218**	$ 163	$ 150	$ 194	$ 150
Segment profit margin	**6.3%**	5.2%	4.9%	6.4%	5.3%
Total assets	**$ 2,652**	$2,495	$2,383	$2,601	$2,468
Capital expenditures (includes capital leases)	**$ 99**	$ 82	$ 101	$ 100	$ 105
Depreciation	**$ 87**	$ 87	$ 100	$ 101	$ 93
ROIC [1, 2]	**9.1%**	6.9%	6.6%	7.9%	6.1%

1 Segment profit and ROIC represent measurements used by Textron for evaluating 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

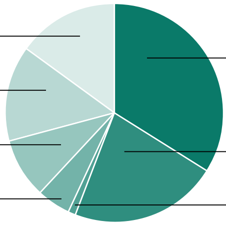
Textron Financial is a diversified leader in commercial finance with core operations in asset-based lending, aviation finance, distribution finance, golf finance, resort finance and structured capital. Textron Financial also provides financing programs for products manufactured by Textron Inc.



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 markets 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".
- Drive process improvements and enhance total customer experience through the use of Textron Six Sigma.
- 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 revolving credit facilities secured by receivables and inventory, related equipment and real estate term loans, and factoring programs across a broad range of manufacturing and service industries.

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 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 principally by notes receivable and interval inventory.

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

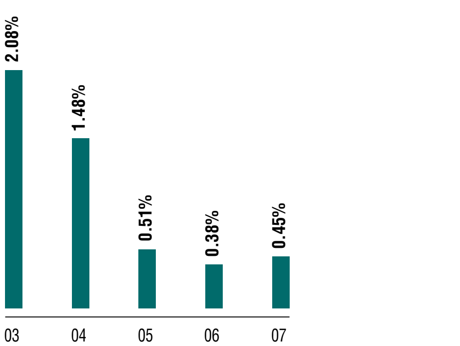
Credit Ratings of Textron Financial

(as of December 29, 2007)	Senior Long-Term	Short-Term Commercial Paper
S&P	A-	A2
Moody's	A3	P2
Fitch	A-	F2

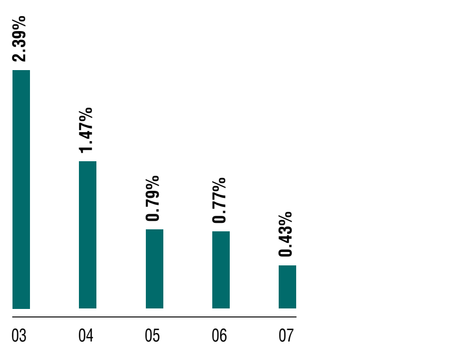
Textron Support Agreement

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 156%, 159% and 177% for the years ended 2007, 2006 and 2005, 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.

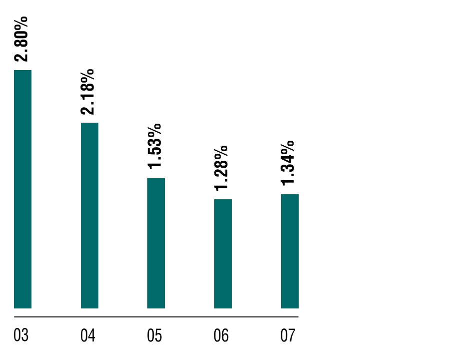
Net Charge-Off %



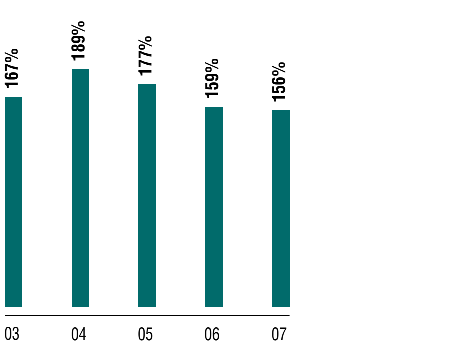
60 Day + Delinquency %



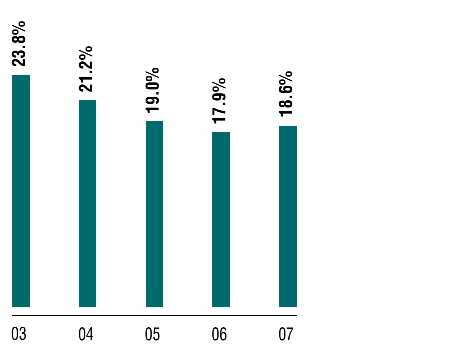
Nonperforming Asset %



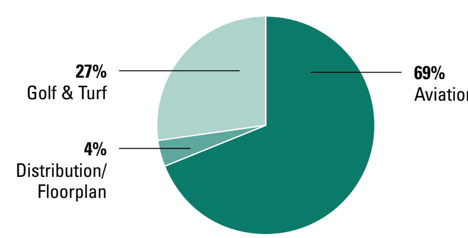
Fixed-Charge Coverage Ratios



Textron Direct Sales Financing Receivables, % of Total Managed Receivables



Textron Direct Sales Financing Receivables, by Category



Key Data

Textron Financial

(Dollars in millions)	**2007**	2006	2005	2004	2003
Owned finance receivables	**$ 8,603**	$ 8,310	$ 6,763	$ 5,837	$ 5,135
Managed finance receivables [1]	**$11,123**	$10,241	$ 8,995	$ 8,135	$ 7,525
Managed and serviced finance receivables [2]	**$12,478**	$11,536	$ 9,915	$ 9,268	$ 8,771
Return on average equity [3]	**13.28%**	14.13%	11.17%	9.49%	7.86%
Net interest margin [4]	**5.66%**	5.81%	6.40%	7.14%	6.92%
Operating efficiency [5]	**44.60%**	45.10%	48.80%	47.10%	46.77%
Allowance for losses, % of finance receivables	**1.03%**	1.11%	1.43%	1.70%	2.32%
Loss to liquidation reserve coverage [6]	**3.43x**	2.32x	1.72x	1.45x	1.80x
Debt to tangible shareholder's equity [7]	**7.76x**	7.10x	6.19x	5.53x	5.24x
Revenues	**$ 875**	$ 798	$ 628	$ 545	$ 572
Segment profit [8]	**$ 222**	$ 210	$ 171	$ 139	$ 122
Total assets	**$ 9,383**	$ 9,000	$ 7,441	$ 6,738	$ 6,333
Capital expenditures	**$ 10**	$ 12	$ 9	$ 12	$ 17
Depreciation on fixed assets	**$ 10**	$ 11	$ 15	$ 18	$ 16
Depreciation on operating leases	**$ 18**	$ 17	$ 19	$ 18	$ 18
ROIC [8, 9]	**11.9%**	12.7%	10.0%	8.0%	7.0%

1 Managed finance receivables are owned receivables and receivables which continue to be serviced, but have been sold in securitizations or similar structures, where risks of ownership have been retained to the extent of our subordinated interests. 2 Managed and serviced finance receivables include 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 reserves for losses as a percentage of finance receivables, divided by net charge-offs as a percentage of portfolio 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 for evaluating 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 An ROIC calculation worksheet is provided on page 13.

Financial Data 2007–2003[1]

(Dollars in millions, except per share amounts)	2007					2006					2005	2004	2003
	Q1	Q2	Q3	Q4	**Year**	Q1	Q2	Q3	Q4	**Year**			
Revenues													
Bell	$ 939	$ 915	$ 976	$ 1,085	**$ 3,915**	$ 783	$ 805	$ 855	$ 965	**$ 3,408**	**$ 2,881**	**$ 2,254**	**$ 2,348**
Cessna	968	1,203	1,268	1,561	**5,000**	869	1,005	1,050	1,232	**4,156**	**3,480**	**2,473**	**2,299**
Industrial	847	878	805	905	**3,435**	798	818	720	792	**3,128**	**3,054**	**3,046**	**2,836**
Finance	210	239	214	212	**875**	182	192	212	212	**798**	**628**	**545**	**572**
Total revenues	$ 2,964	$ 3,235	$ 3,263	$ 3,763	**$13,225**	$ 2,632	$ 2,820	$ 2,837	$ 3,201	**$11,490**	**$10,043**	**$ 8,318**	**$ 8,055**
Segment profit [2]													
Bell	$ 91	$ 59	$ 101	$ 84	**$ 335**	$ 69	$ 65	$ 67	$ 48	**$ 249**	**$ 368**	**$ 250**	**$ 234**
Cessna	155	200	222	288	**865**	117	153	162	213	**645**	**457**	**267**	**199**
Industrial	60	59	46	53	**218**	49	54	28	32	**163**	**150**	**194**	**150**
Finance	52	68	54	48	**222**	49	56	53	52	**210**	**171**	**139**	**122**
Total segment profit	$ 358	$ 386	$ 423	$ 473	**$ 1,640**	$ 284	$ 328	$ 310	$ 345	**$ 1,267**	**$ 1,146**	**$ 850**	**$ 705**
Segment profit margins													
Bell	9.7%	6.4%	10.3%	7.7%	**8.6%**	8.8%	8.1%	7.8%	5.0%	**7.3%**	**12.8%**	**11.1%**	**10.0%**
Cessna	16.0%	16.6%	17.5%	18.4%	**17.3%**	13.5%	15.2%	15.4%	17.3%	**15.5%**	**13.1%**	**10.8%**	**8.7%**
Industrial	7.1%	6.7%	5.7%	5.9%	**6.3%**	6.1%	6.6%	3.9%	4.0%	**5.2%**	**4.9%**	**6.4%**	**5.3%**
Finance	24.8%	28.5%	25.2%	22.6%	**25.4%**	26.9%	29.2%	25.0%	24.5%	**26.3%**	**27.2%**	**25.5%**	**21.3%**
Total profit margin	12.1%	11.9%	13.0%	12.6%	**12.4%**	10.8%	11.6%	10.9%	10.8%	**11.0%**	**11.4%**	**10.2%**	**8.8%**
Special charges [3]	$ —	$ —	$ —	$ —	**$ —**	$ —	$ —	$ —	$ —	**$ —**	**$ (118)**	**$ (59)**	**$ (77)**
Gain on sale of businesses	—	—	—	—	**—**	—	—	—	—	**—**	**—**	**—**	**15**
Corporate expenses and other, net	(50)	(66)	(51)	(86)	**(253)**	(49)	(48)	(45)	(60)	**(202)**	**(199)**	**(157)**	**(123)**
Interest expense, net	(24)	(23)	(19)	(21)	**(87)**	(22)	(25)	(23)	(20)	**(90)**	**(90)**	**(94)**	**(96)**
Income taxes	(86)	(82)	(111)	(106)	**(385)**	(55)	(78)	(67)	(69)	**(269)**	**(223)**	**(165)**	**(109)**
Distributions on preferred securities, net of taxes	—	—	—	—	**—**	—	—	—	—	**—**	**—**	**—**	**(13)**
Income from continuing operations	$ 198	$ 215	$ 242	$ 260	**$ 915**	$ 158	$ 177	$ 175	$ 196	**$ 706**	**$ 516**	**$ 375**	**$ 302**
EPS from continuing operations – diluted [4]	$ 0.78	$ 0.85	$ 0.95	$ 1.02	**$ 3.59**	$ 0.60	$ 0.67	$ 0.68	$ 0.77	**$ 2.71**	**$ 1.89**	**$ 1.34**	**$ 1.10**
Effective income tax rate	30.3%	27.6%	31.4%	29.0%	**29.6%**	25.8%	30.6%	27.7%	26.0%	**27.6%**	**30.2%**	**30.6%**	**25.7%**
Common stock information [4]													
Price range : High	$ 49.10	$ 56.91	$ 63.13	$ 73.38	**$ 73.38**	$ 47.20	$ 49.05	$ 46.56	$ 49.19	**$ 49.19**	**$ 40.02**	**$ 37.31**	**$ 28.85**
Low	$ 44.08	$ 45.35	$ 53.01	$ 62.58	**$ 44.08**	$ 37.88	$ 41.25	$ 40.55	$ 44.09	**$ 37.88**	**$ 32.92**	**$ 25.42**	**$ 13.42**
Dividends declared per share	$ 0.194	$ 0.194	$ 0.23	$ 0.23	**$ 0.85**	$ 0.194	$ 0.194	$ 0.194	$ 0.194	**$ 0.78**	**$ 0.70**	**$ 0.66**	**$ 0.65**
Average shares outstanding (in thousands) – diluted [5]	254,873	254,271	254,321	255,294	**254,826**	265,712	262,588	256,759	256,047	**260,444**	**272,892**	**280,339**	**274,434**

1 The following businesses were reclassified to discontinued 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).

2 Segment profit is an important measure used for evaluating 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 for 2003 , 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.

4 Prior periods have been restated for a 2:1 stock split in the third quarter of 2007.

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

Selected Financial Statistics 2007–2003

(Dollars in millions, except where noted and stock-related information)		2007	2006	2005	2004	2003
Income Statement Data	Revenues	**$ 13,225**	$11,490	$10,043	$8,318	$8,055
	Segment profit	**$ 1,640**	$ 1,267	$ 1,146	$ 850	$ 705
	Special charges	**—**	—	(118)	(59)	(77)
	Gains on sale of businesses	**—**	—	—	—	15
	Corporate expenses and other, net	**(253)**	(202)	(199)	(157)	(123)
	Interest expense, net	**(87)**	(90)	(90)	(94)	(96)
	Income taxes	**(385)**	(269)	(223)	(165)	(109)
	Effective tax rate	**29.6%**	27.6%	30.2%	30.6%	25.7%
	Distributions on preferred securities, net of taxes	**—**	—	—	—	(13)
	Income from continuing operations	**$ 915**	$ 706	$ 516	$ 375	$ 302
	Diluted EPS from continuing operations [1]	**$ 3.59**	$ 2.71	$ 1.89	$ 1.34	$ 1.10
Cash Flow Items From Continuing Operations – Manufacturing group	Earnings of Finance group, net of distributions	**$ (10)**	$ (73)	$ (14)	$ (23)	$ (4)
	Depreciation and amortization	**296**	251	257	234	234
	Gains on sale of businesses	**—**	—	—	—	(15)
	Special charges	**—**	—	118	59	71
	Net cash used in acquisitions	**(1,092)**	(338)	(28)	(5)	—
	Net proceeds from sale of businesses	**(14)**	8	(1)	3	14
	Net change in debt	**254**	(253)	263	(345)	(259)
	Dividends paid	**(154)**	(244)	(189)	(135)	(222)
	Purchases of Textron common stock	**(304)**	(761)	(597)	(415)	(64)
	Total number of shares purchased (in thousands) [1]	**5,884**	17,148	16,069	13,069	3,902
Balance Sheet Data – Manufacturing group	Cash and cash equivalents	**$ 471**	$ 733	$ 786	$ 570	$ 451
	Accounts receivable, net	**1,083**	964	891	843	811
	Inventories	**2,724**	2,069	1,712	1,536	1,327
	Property, plant and equipment, net	**1,999**	1,773	1,574	1,513	1,468
	Goodwill	**2,132**	1,257	979	1,002	1,000
	Total assets from continuing operations	**10,565**	8,477	7,936	7,504	7,278
	Total debt	**2,148**	1,800	1,934	1,770	2,008
	Total liabilities from continuing operations	**8,070**	6,901	6,386	6,000	5,650
	Shareholders' equity	**3,507**	2,649	3,276	3,652	3,690
Free Cash Flow Calculation – Manufacturing group[2]	Net cash provided by operating activities of continuing operations	**$ 1,186**	$ 1,119	$ 894	$ 973	$ 552
	Proceeds from sale of property, plant and equipment	**23**	7	23	38	49
	Capital expenditures	**(391)**	(419)	(356)	(238)	(246)
	Capital expenditures financed through capital leases	**(22)**	(16)	(15)	(44)	(26)
	Manufacturing free cash flow	**$ 796**	$ 691	$ 546	$ 729	$ 329
Key Ratios	Segment profit margin	**12.4%**	11.0%	11.4%	10.2%	8.8%
	Debt-to-capital (net of cash) – Manufacturing group	**32%**	29%	26%	25%	30%
	Selling and administrative expenses as a % of sales	**12.8%**	13.3%	14.0%	14.5%	13.7%
	Inventory turns (based on FIFO)	**3.6x**	4.0x	4.0x	3.8x	3.7x
	Ratio of income to fixed charges – Manufacturing group	**9.85x**	7.60x	6.43x	4.71x	3.86x
Stock-Related Information	Stock price at year-end [1]	**$ 71.62**	$ 46.88	$ 38.49	$36.90	$28.59
	Dividend payout ratio [3]	**24%**	29%	37%	49%	59%
	Dividends declared per share [1]	**$ 0.85**	$ 0.78	$ 0.70	$ 0.66	$ 0.65
Other Statistics	Research and development	**$ 814**	$ 786	$ 692	$ 574	$ 573
	Number of employees at year-end	**44,000**	40,000	37,000	34,000	31,000
	Revenue per average employee (in thousands)	**$ 322**	$ 298	$ 283	$ 256	$ 243

1 Prior periods have been restated for a 2:1 stock split in the third quarter of 2007.

2 Free cash flow is a generally accepted measure of cash flow used by investors and analysts to gauge a company's ability to generate cash from business operations in excess of that necessary to be reinvested to sustain and grow the business. Our definition of free cash flow for the Manufacturing group uses net cash provided by operating activities of continuing operations, less capital expenditures, including those financed with capital leases, and adds back proceeds from the sale of plant, property and equipment.

3 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 29, 2007)
Common Stock: par value $0.125; 500,000,000 shares authorized; 250,061,000 shares outstanding

$2.08 Cumulative Convertible Preferred Stock, Series A:
72,000 shares outstanding

$1.40 Convertible Preferred Dividend Stock, Series B:
36,000 shares outstanding

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

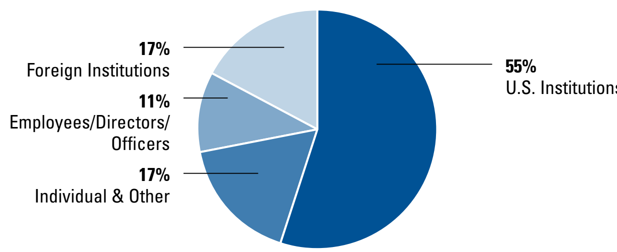
Dividends
Common and Preferred Stock
Record dates: March 9, June 15, September 14, and December 14, 2007

Payable dates: April 1, July 1, October 1, 2007 and January 1, 2008

Stock Splits
Record dates: December 17, 1965; August 11, 1967; May 11, 1987; May 9, 1997 and August 3, 2007

Distribution dates: January 1, 1966; September 1, 1967; June 1, 1987; May 30, 1997 and August 24, 2007

Share Ownership (as of 12/29/07)



Return on Invested Capital (ROIC)

ROIC is a non-GAAP financial measure that our management believes is useful to investors as a measure of performance and of the effectiveness of the use of capital in our operations. Management uses ROIC as one measure to monitor and evaluate the performance of the company, including for executive compensation purposes.

We measure performance based on our return on invested capital (ROIC), which is calculated by dividing ROIC income by average invested capital. ROIC income includes income from continuing operations, excluding operating income from 2007 acquisitions, 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 its cash and cash equivalents. At the end of the year, we typically adjust ending invested capital for significant events unrelated to our normal operations for the year. In 2007 and 2006, we adjusted invested capital to eliminate the net cash used by the Manufacturing group for acquisitions. In 2006, we also adjusted invested capital to eliminate the impact of the adoption of Statement of Financial Accounting Standard (SFAS) No. 158, and to eliminate the net cash proceeds from the sale of the Fastening Systems business. 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)	2007	2006	2005	2004	2003
ROIC Income					
Income from continuing operations	**$ 915**	$ 706	$ 516	$ 375	$ 302
Interest expense for Manufacturing group	**56**	58	58	60	61
Operating income from 2007 acquisitions	**(2)**	—	—	—	—
Distribution on preferred securities of Manufacturing group	—	—	—	—	13
Special charges and gain on sale of businesses/product lines [1]	—	—	69	40	46
Adjustment for discontinued operations	—	—	(12)	56	35
Amortization expense of intangible assets [2]			2	3	6
ROIC Income	**$ 969**	$ 764	$ 633	$ 534	$ 463
Invested Capital at end of year					
Total shareholders' equity	**$3,507**	$2,649	$3,276	$3,652	$3,690
Total Manufacturing group debt [3]	**2,148**	1,800	1,953	1,791	2,027
Cash and cash equivalents for Manufacturing group	**(471)**	(733)	(817)	(605)	(486)
Net cash used by Manufacturing group for acquisitions	**(1,092)**	(338)	—	—	—
Adjustment to shareholders' equity related to adoption of SFAS No. 158	—	647	—	—	—
Eliminate net cash proceeds from sale of Fastening Systems business	—	644	—	—	—
Eliminate impact of special charges and gain on sale of product line	—	—	69	—	—
Eliminate impact of net charges from discontinued operations [4]	—	—	263	—	—
Invested Capital at end of year, as adjusted	**4,092**	4,669	4,744	4,838	5,231
Invested Capital at beginning of year	**3,716**	4,412	4,838	5,231	5,316
Average Invested Capital	**$3,904**	$4,541	$4,791	$5,034	$5,273
Return on Invested Capital	**24.8%**	16.8%	13.2%	10.6%	8.8%

Bell

(Dollars in millions)	2007	2006	2005	2004	2003
ROIC Income					
Segment profit	**$ 334.8**	$ 249.0	$ 367.9	$ 249.6	$ 234.2
Operating profit from 2007 acquisition	**(4.7)**	—	—	—	—
Interest component of operating leases [5]	**7.8**	4.5	4.1	4.7	2.9
Corporate charge [6]	**(35.3)**	(28.4)	(20.5)	(18.5)	(20.6)
Income taxes [7]	**(88.5)**	(64.6)	(111.3)	(72.1)	(69.1)
Eliminate after-tax gain on sale of a product line	**—**	—	(19.5)	—	—
Segment ROIC Income	**$ 214.1**	$ 160.5	$ 220.7	$ 163.7	$ 147.4
Average Invested Capital					
Average segment investment (excludes impact of 2007 acquisition) [8]	**$ 1,892.5**	$1,336.3	$ 990.1	$ 904.0	$ 994.5
Operating leases [5]	**104.4**	61.0	54.1	63.2	38.2
Average Invested Capital	**$ 1,996.9**	$1,397.3	$1,044.2	$ 967.2	$1,032.7
Return on Invested Capital	**10.7%**	11.5%	21.1%	16.9%	14.3%

Cessna

(Dollars in millions)	2007	2006	2005	2004	2003
ROIC Income					
Segment profit	**$ 864.9**	$ 644.4	$ 456.8	$ 267.3	$ 198.5
Operating profit from 2007 acquisition	**2.1**	—	—	—	—
Interest component of operating leases [5]	**16.2**	15.8	20.2	13.1	8.4
Corporate charge [6]	**(10.2)**	(8.7)	(9.5)	(12.1)	(13.6)
Income taxes [7]	**(275.0)**	(217.5)	(155.6)	(92.7)	(65.9)
Segment ROIC Income	**$ 598.0**	$ 434.0	$ 311.9	$ 175.6	$ 127.4
Average Invested Capital					
Average segment investment (excludes impact of 2007 acquisition) [8]	**$ 763.7**	$ 697.8	$ 733.6	$ 838.8	$ 897.7
Operating leases [5]	**176.9**	192.1	204.3	175.5	116.9
Average Invested Capital	**$ 940.6**	$ 889.9	$ 937.9	$1,014.3	$1,014.6
Return on Invested Capital	**63.6%**	48.8%	33.3%	17.3%	12.6%

Industrial

(Dollars in millions)	2007	2006	2005	2004	2003
ROIC Income					
Segment profit	**$ 218.2**	$ 163.0	$ 149.7	$ 194.0	$ 150.4
Operating profit from 2007 acquisition	**—**	—	—	—	—
Intangible amortization [2]			3.8	5.1	7.8
Interest component of operating leases [5]	**5.5**	5.1	5.8	6.6	2.6
Corporate charge [6]	**(24.0)**	(22.3)	(23.0)	(23.6)	(23.9)
Income taxes [7]	**(44.8)**	(35.0)	(27.2)	(48.9)	(36.5)
Segment ROIC Income	**$ 154.9**	$ 110.8	$ 109.1	$ 133.2	$ 100.4
Average Invested Capital					
Average segment investment (excludes impact of 2007 acquisition) [8]	**$ 1,625.0**	$1,538.3	$1,565.7	$1,605.4	$1,610.6
Operating leases [5]	**73.9**	69.1	76.3	87.1	35.0
Average Invested Capital	**$ 1,698.9**	$1,607.4	$1,642.0	$1,692.5	$1,645.6
Return on Invested Capital	**9.1%**	6.9%	6.6%	7.9%	6.1%

Finance

(Dollars in millions)	2007	2006	2005	2004	2003
ROIC Income					
Segment profit	**$ 222.0**	$ 210.4	$ 171.3	$ 139.4	$ 121.6
Corporate charge [9]	**(24.8)**	(24.5)	(22.6)	(22.6)	(22.4)
Income taxes [7]	**(68.7)**	(50.8)	(50.0)	(38.0)	(31.3)
Segment ROIC Income	**$ 128.5**	$ 135.1	$ 98.7	$ 78.8	$ 67.9
Average Invested Capital					
Average shareholder's equity	**$ 1,078.4**	$1,063.6	$ 984.4	$ 983.3	$ 974.9
Return on Invested Capital	**11.9%**	12.7%	10.0%	8.0%	7.0%

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 for 2003, 2004 and 2005. 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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