TEXTRON INC

FORM 10-Q
(Quarterly Report)

Filed 08/11/95 for the Period Ending 07/01/95

Address	40 WESTMINSTER ST PROVIDENCE, RI 02903
Telephone	4014212800
CIK	0000217346
Symbol	TXT
SIC Code	6162 - Mortgage Bankers and Loan Correspondents
Fiscal Year	01/02

TEXTRON INC

FORM 10-Q
(Quarterly Report)

Filed 8/11/1995 For Period Ending 7/1/1995

Address	40 WESTMINSTER ST
	PROVIDENCE, Rhode Island 02903
Telephone	401-421-2800
CIK	0000217346
Industry	Conglomerates
Sector	Conglomerates
Fiscal Year	12/31

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal quarter ended July 1, 1995
OR
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

Commission file number 1-5480

TEXTRON INC.

(Exact name of registrant as specified in its charter)

Delaware	05-0315468
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

40 Westminster Street, Providence, RI 02903
401-421-2800
(Address and telephone number of principal executive offices)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Common stock outstanding at July 29, 1995 - 84,619,000 shares

PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

TEXTRON INC.
Consolidated Statement of Income (unaudited)
(Dollars in millions except per share amounts)

	Three months ended		Six months ended	
	July 1, 1995	July 2, 1994	July 1, 1995	July 2, 1994
Revenues				
Sales	$ 1,651	$ 1,775	$ 3,205	$ 3,463
Interest, discount and service charges	389	325	768	649
Insurance premiums	344	303	679	593
Investment income (including net realized investment gains)	118	114	237	220
Total revenues	2,502	2,517	4,889	4,925
Costs and expenses				

Cost of sales	1,351	1,485	2,629	2,911
Selling and administrative	380	378	753	739
Interest	209	163	411	321
Provision for losses on collection of finance receivables, less recoveries	39	37	78	80
Insurance benefits and increase in policy liabilities	285	243	561	468
Amortization of insurance policy acquisition costs	33	26	67	52
Total costs and expenses	2,297	2,332	4,499	4,571
Income before income taxes	205	185	390	354
Income taxes	(81)	(71)	(154)	(136)
Elimination of minority interest in net income of Paul Revere	(3)	(4)	(6)	(8)
Net income	$ 121	$ 110	$ 230	$ 210
Net income per common share	$ 1.40	$ 1.22	$ 2.65	$ 2.32
Average shares outstanding*	86,679,000	90,533,000	86,862,000	90,556,000
Dividends per share:				
$2.08 Preferred stock, Series A	$ .52	$ .52	$1.04	$1.04
$1.40 Preferred stock, Series B	$ .35	$ .35	$ .70	$ .70
Common stock	$ .39	$ .35	$ .78	$ .70

* Average shares outstanding assume full conversion of preferred stock and exercise of options.
See notes to consolidated financial statements.

Item 1. FINANCIAL STATEMENTS (Continued)

TEXTRON INC.
Consolidated Balance Sheet (unaudited)
(In millions)

	July 1, 1995	December 31, 1994
Assets		
Cash	$ 120	$ 49
Investments	5,915	5,294
Receivables - net:		
Finance	9,200	8,583
Commercial and U.S. Government	764	702
	9,964	9,285
Inventories	1,259	1,211
Property, plant and equipment, less accumulated depreciation of $1,598 and $1,450	1,281	1,253
Insurance policy acquisition costs	964	911
Goodwill, less accumulated amortization of $410 and $381	1,494	1,512
Other assets (including net prepaid income taxes)	1,333	1,410
Total assets	$ 22,330	$ 20,925
Liabilities and shareholders' equity		
Liabilities		
Accounts payable	$ 630	$ 619
Accrued postretirement benefits other than pensions	952	951
Other accrued liabilities (including income taxes)	2,344	2,424
Insurance reserves and claims	5,059	4,685
Debt:		
Textron Parent Company Borrowing Group	1,870	1,582
Finance and insurance subsidiaries	8,379	7,782
	10,249	9,364
Total liabilities	19,234	18,043
Shareholders' equity		
Capital stock:		
Preferred stock	15	16
Common stock*	12	12
Capital surplus	722	702
Retained earnings	2,682	2,518
Other	17	(108)
	3,448	3,140
Less cost of treasury shares	352	258
Total shareholders' equity	3,096	2,882
Total liabilities and shareholders' equity	$ 22,330	$ 20,925
*Common shares outstanding	84,399,000	85,497,000

See notes to consolidated financial statements.

Item 1. FINANCIAL STATEMENTS (Continued)

TEXTRON INC.
Consolidated Statement of Cash Flows (unaudited)
(In millions)

	Six Months Ended July 1, 1995	Six Months Ended July 2, 1994
Cash flows from operating activities:		
Net income	$ 230	$ 210
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	204	198
Provision for losses on receivables	98	97
Increase in insurance policy liabilities	270	195
Deferred income taxes	32	27
Changes in assets and liabilities excluding those related to the acquisition of a business:		
Increase in commercial and U.S. Government receivables	(65)	(141)
Increase in inventories	(48)	(11)
Additions to insurance policy acquisition costs	(130)	(105)
Increase in other assets	(19)	(13)
Increase in accounts payable	12	14
Increase (decrease) in accrued liabilities	(141)	73
Other - net	25	10
Net cash provided by operating activities	468	554
Cash flows from investing activities:		
Purchases of investments	(751)	(1,233)
Proceeds from disposition of securities:		
Sales of:		
Securities available for sale	279	524
Securities held to maturity	-	10
Maturities and calls	96	386
Proceeds from disposition of other investments	24	44
Finance receivables:		
Originated or purchased	(3,072)	(2,713)
Repaid or sold	2,810	2,422
Cash used in acquisition of a business	(40)	-
Capital expenditures	(133)	(131)
Other investing activities - net	(10)	41
Net cash used by investing activities	(797)	(650)
Cash flows from financing activities:		
Increase (decrease) in short-term debt	54	(64)
Proceeds from issuance of long-term debt	1,719	1,126
Principal payments on long-term debt	(1,311)	(936)
Interest-sensitive insurance products:		
Receipts	163	128
Return of account balances	(84)	(60)
Proceeds from exercise of stock options	18	9
Purchases of Textron common stock	(93)	-
Dividends paid	(67)	(63)
Net cash provided by financing activities	399	140
Effect of foreign exchange rate changes on cash	1	1
Net increase in cash	71	45
Cash at beginning of period	49	26
Cash at end of period	$ 120	$ 71

See notes to consolidated financial statements.

Item 1. FINANCIAL STATEMENTS (Continued)

TEXTRON INC.

Notes to Consolidated Financial Statements (unaudited)

Note 1: Summary of significant accounting policies

The financial statements should be read in conjunction with the financial statements included in Textron's Form 10-K for the year ended December 31, 1994. The financial statements reflect all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of Textron's consolidated financial position at July 1, 1995 and December 31, 1994 and its consolidated results of operations for each of the respective three and six month periods ended July 1, 1995 and July 2, 1994 and consolidated cash flows for each of the six month periods ended July 1, 1995 and July 2, 1994. The results of operations for the six months ended July 1, 1995 are not necessarily indicative of results for the full year.

Note 2: Investments

	July 1, 1995	December 31, 1994

	(In millions)	
Debt and marketable equity securities available for sale, at estimated fair value (amortized cost: $2,857 and $2,610)	$2,976	$2,511
Debt securities to be held to maturity, at amortized cost (estimated fair value: $2,731 and $2,294)	2,605	2,470
Other	334	313
	$5,915	$5,294

Note 3: Finance receivables - net

	July 1, 1995	December 31, 1994
	(In millions)	
Finance receivables	$9,690	$9,084
Less allowance for credit losses	261	250
Less finance-related insurance reserves and claims	229	251
	$9,200	$8,583

Note 4: Inventories

	July 1, 1995	December 31, 1994
	(In millions)	
Finished goods	$ 353	$ 288
Work in process	966	948
Raw materials	175	212
	1,494	1,448
Less progress and advance payments	235	237
	$1,259	$1,211

Note 5: Insurance reserves and claims

	July 1, 1995	December 31, 1994
	(In millions)	
Paul Revere:		
Future policy benefits	$1,258	$1,193
Unpaid claims and claim expenses	1,719	1,576
Other policyholder funds	1,843	1,714
Other	239	202
	$5,059	$4,685

Note 6: Contingencies

There are pending or threatened against Textron and its subsidiaries lawsuits and other proceedings, some of which allege violations of federal government procurement regulations, involve environmental matters, or are or purport to be class actions. Among these suits and proceedings are some which seek compensatory, treble or punitive damages in substantial amounts; fines, penalties or restitution; the cleanup of allegedly hazardous wastes; or, under federal government procurement regulations, could result in suspension or debarment of Textron or its subsidiaries from U.S. Government contracting for a period of time. These suits and proceedings are being defended or contested on behalf of Textron and its subsidiaries. On the basis of information presently available, Textron believes that any such liability or the impact of the application of relevant government regulations would not have a material effect on Textron's net income or financial condition.

Note 7: Financial information by borrowing group

Textron consists of two borrowing groups - the Textron Parent Company Borrowing Group and its finance and insurance subsidiaries.

The Textron Parent Company Borrowing Group is comprised of all entities of Textron other than its finance and insurance subsidiaries. The financial statements of this group as set forth below reflect Textron's investments in its finance and insurance subsidiaries on the equity basis. Its sources of cash flow include dividends paid by the finance and insurance subsidiaries, as well as cash generated by other operating units.

The finance and insurance subsidiaries finance their respective operations by borrowing from their own group of external creditors.

Item 1 FINANCIAL STATEMENTS (Continued)
Note 7: Financial information by borrowing group (continued)

TEXTRON PARENT COMPANY BORROWING GROUP

(unaudited) (In millions)

Statement of Income	Three Months Ended July 1, 1995	Three Months Ended July 2, 1994	Six Months Ended July 1, 1995	Six Months Ended July 2, 1994
Revenues	$1,651	$1,776	$3,205	$3,464
Costs and expenses				
Cost of sales	1,351	1,485	2,629	2,911
Selling and administrative	158	171	315	331
Interest	52	55	102	108
Total costs and expenses	1,561	1,711	3,046	3,350
	90	65	159	114
Pretax income of finance and insurance subsidiaries	115	120	231	240
Income before income taxes	205	185	390	354
Income taxes	(81)	(71)	(154)	(136)
Elimination of minority interest in net income of Paul Revere	(3)	(4)	(6)	(8)
Net income	$ 121	$ 110	$ 230	$ 210

Balance Sheet	July 1, 1995	December 31, 1994
Assets		
Cash	$ 89	$ 20
Receivables - net	764	702
Inventories	1,259	1,211
Investments in finance and insurance subsidiaries	2,435	2,246
Property, plant and equipment - net	1,173	1,146
Goodwill, less accumulated amortization of $213 and $194	1,216	1,231
Other assets (including net prepaid income taxes)	1,236	1,262
Total assets	$8,172	$7,818
Liabilities and shareholders' equity		
Accounts payable and accrued liabilities (including income taxes)	$3,206	$3,354
Debt	1,870	1,582
Shareholders' equity	3,096	2,882
Total liabilities and shareholders' equity	$8,172	$7,818

Item 1. FINANCIAL STATEMENTS (Continued)
Note 7: Financial information by borrowing group (continued)

TEXTRON PARENT COMPANY BORROWING GROUP (continued)
(unaudited) (In millions)

Statement of Cash Flows	Six Months Ended July 1, 1995	Six Months Ended July 2, 1994
Cash flows from operating activities:		
Net income	$230	$210
Adjustments to reconcile net income to net cash provided by operating activities:		
Undistributed earnings of finance and insurance subsidiaries	(73)	(83)
Depreciation and amortization	109	120
Changes in assets and liabilities:		
Increase in receivables	(65)	(125)
Increase in inventories	(48)	(11)
Decrease (increase) in other assets	5	(34)
Increase (decrease) in accounts payable and accrued liabilities	(118)	119
Other - net	59	29
Net cash provided by operating activities	99	225
Cash flows from investing activities:		
Capital expenditures	(121)	(117)
Other investing activities - net	(33)	41
Net cash used by investing activities	(154)	(76)
Cash flows from financing activities:		
Increase (decrease) in short-term debt	5	(20)
Proceeds from issuance of long-term debt	630	462
Principal payments on long-term debt	(347)	(467)
Proceeds from exercise of stock options	18	9
Purchases of Textron common stock	(93)	-
Purchases of Textron common stock from Paul Revere	(22)	(25)
Dividends paid	(67)	(63)
Net cash provided (used) by financing activities	124	(104)
Net increase in cash	69	45
Cash at beginning of period	20	12
Cash at end of period	$ 89	$ 57

Item 1 FINANCIAL STATEMENTS (Continued)
Note 7: Financial information by borrowing group (continued)

FINANCE AND INSURANCE SUBSIDIARIES
(unaudited) (In millions)

Statement of Income	Three Months Ended June 30, 1995	Three Months Ended June 30, 1994	Six Months Ended June 30, 1995	Six Months Ended June 30, 1994
Revenues				
Interest, discount and service charges	$ 389	$ 325	$ 768	$ 649
Credit life, credit disability and casualty insurance premiums	82	70	163	133
Non-cancellable disability income, life and group insurance premiums	262	233	516	460
Investment income (including net realized investment gains)	118	113	237	219
Total revenues	851	741	1,684	1,461
Costs and expenses				
Selling and administrative	222	207	438	408
Interest	157	108	309	213
Provision for losses on collection of finance receivables, less recoveries	39	37	78	80
Credit life, credit disability and casualty insurance losses and adjustment expenses, less recoveries	37	31	70	62
Death and other insurance benefits	124	111	243	218
Increase in insurance policy liabilities	124	101	248	188
Amortization of insurance policy acquisition costs	33	26	67	52
Total costs and expenses	736	621	1,453	1,221
Income before income taxes	115	120	231	240
Income taxes	(44)	(48)	(90)	(94)
Net income	71	72	141	146
Minority interest in net income	(3)	(4)	(6)	(8)
Textron's equity in net income	$ 68	$ 68	$ 135	$ 138

Item 1. FINANCIAL STATEMENTS (Continued)

Note 7: Financial information by borrowing group (continued)

FINANCE AND INSURANCE SUBSIDIARIES
(unaudited) (In millions)

Balance Sheet	June 30, 1995	December 31, 1994
Assets		
Cash	$ 31	$ 29
Investments	5,880	5,265
Finance receivables - net	9,238	8,622
Property, plant and equipment - net	108	107
Insurance policy acquisition costs	964	911
Goodwill, less accumulated amortization of $197 and $187	278	281
Other assets	606	633
Total assets	$17,105	$15,848
Liabilities and equity		
Accounts payable and accrued liabilities (including income taxes)	$1,025	$ 953
Insurance reserves and claims	5,059	4,685
Debt	8,379	7,782
Equity:		
Textron	2,435	2,246
Minority interest in Paul Revere	207	182
Total liabilities and equity	$17,105	$15,848

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

TEXTRON INC.
Revenues and Income by Business Segment
(In millions)

	Three Months Ended July 1, 1995	Three Months Ended July 2, 1994	Six Months Ended July 1, 1995	Six Months Ended July 2, 1994
REVENUES				
MANUFACTURING:				
Aircraft	$ 635	$ 532	$1,177	$1,040
Automotive	398	410	822	811
Industrial	353	405	702	739
Systems and Components	265	428	504	873
	1,651	1,775	3,205	3,463
FINANCIAL SERVICES:				
Finance	487	406	962	806

Paul Revere	364	335	722	655
	851	741	1,684	1,461
Total revenues	$2,502	$2,516	$4,889	$4,924
INCOME				
MANUFACTURING:				
Aircraft	$ 64	$ 39	$ 105	$ 75
Automotive	36	42	73	78
Industrial	41	41	84	76
Systems and Components	23	14	42	26
	164	136	304	255
FINANCIAL SERVICES:				
Finance	88	83	176	161
Paul Revere	27	37	55	79
	115	120	231	240
Segment operating income	279	256	535	495
Corporate expenses and other - net	(22)	(17)	(43)	(34)
Interest expense - net	(52)	(54)	(102)	(107)
Income before income taxes	$ 205	$ 185	$ 390	$ 354

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Financial Condition

Textron Parent Company Borrowing Group: During the six months ended July 1, 1995, the Textron Parent Company Borrowing Group's operating activities provided cash of $99 million versus $225 million during the corresponding period of 1994. The decrease in 1995 was principally due to increased tax payments in 1995 partially offset by increased income in 1995 and a larger increase in receivables in 1994, due primarily to changed payment terms with certain customers. The Group's debt increased by $288 million principally as a result of the excess of cash used for capital expenditures, purchases of Textron common stock and payments of dividends over the $99 million of cash provided by operations. Its ratio of debt to total capital was 38% at July 1, 1995, up from 35% at December 31, 1994.

During the six months ended July 2, 1994, the Group's operating activities provided cash of $225 million versus $164 million during the corresponding period of 1993. The improvement in 1994 was due to increased income and customer deposits, partially offset by higher receivables, due primarily to changed payment terms with certain customers. The Group's ratio of debt to total capital was 41% at July 2, 1994, down from 42% at year end 1993.

The Group's credit facilities not used or reserved as support for outstanding commercial paper or bank borrowings at July 1, 1995 were $685 million. Textron had $236 million available at July 1, 1995 for unsecured debt securities under its shelf registration statement filed with the Securities and Exchange Commission.

In 1994, Textron reactivated its program to purchase up to five million shares of its common stock from time to time in the open market as conditions warrant. In February 1995, Textron announced that it may purchase up to an additional five million shares of its common stock under the program. In June 1995, Textron completed the purchase of the first five million shares under the program. None of the additional shares had been purchased as of July 29, 1995.

Management believes that the Group will continue to have adequate access to credit markets and that its credit facilities and cash flows from operations
- --including dividends received from Textron's finance and insurance operations-- will continue to be more than sufficient to meet its operating needs and to finance growth.

Finance and insurance subsidiaries: The finance and insurance subsidiaries paid dividends of $62 million and $55 million to the Textron Parent Company Borrowing Group during the six month periods ended July 1, 1995 and July 2, 1994, respectively.

In June 1995, Avco Financial Services (AFS) filed a shelf registration statement with the Securities and Exchange Commission, increasing the amount of registered debt available for issuance by $1.5 billion. During the six months ended June 30, 1995, AFS issued $918 million of unsecured debt securities, including $640 million under its shelf registration statements. AFS had $1.7 billion and $465 million available at June 30, 1995 for unsecured debt securities under its shelf registration statements with the Securities and Exchange Commission and Canadian provincial security exchanges, respectively.

During the six months ended June 30, 1995, Textron Financial Corporation (TFC) issued $133 million of medium-term notes under a $500 million medium-term note facility under Rule 144A of the Securities Act of 1933, as amended. TFC had $367 million available under this facility at June 30, 1995.

During the first half of 1995, the finance subsidiaries had $606 million of interest rate exchange agreements go into effect. Of these, $250 million expire in 1996 and had the effect of exchanging the indices used to determine interest expense under certain variable rate borrowings at June 30, 1995 for the purpose of better matching the rate of interest incurred on financing with the rate of interest earned on certain of the finance subsidiaries' variable rate finance receivables. The balance of the agreements, which have a weighted average original term of 2.2 years and expire through 1999, had the effect of fixing the rate of interest at approximately 8.3% on $356 million of variable rate borrowings at June 30, 1995.

Results of Operations - Three months ended July 1, 1995 vs. Three months ended July 2, 1994

Textron reported second quarter 1995 earnings per share of $1.40, up 15% from 1994 earnings per share of $1.22, reflecting higher net income and a decreased number of average shares outstanding. Net income in 1995 of $121 million was up from 1994 net income of $110 million. Revenues were unchanged at $2.5 billion, reflecting the impact of divestitures in 1994. Excluding the revenues of these divested businesses, revenues in the second quarter increased 7% over 1994.

The Aircraft segment's revenues and income increased $103 million (19%) and $25 million (64%), respectively, due to improvements at both Bell Helicopter and Cessna Aircraft. Bell Helicopter's revenues and income increased primarily as a result of higher international aircraft sales and higher revenues under the V-22 engineering and manufacturing development contract. Cessna's income increased due to higher revenues and an improved operating margin. Its higher product development expenses, principally related to two new Citation aircraft models, were essentially offset by lower bid and proposal expenses for the JPATS competition for a new U.S. military trainer. An announcement was made in June 1995 that the JPATS contract would be awarded to a competitor. The award is the subject of pending protests filed by Textron and Rockwell International with the U.S. General Accounting Office.

The Automotive segment's revenues and income decreased $12 million (3%) and $6 million (14%), respectively, due to lower automotive production and higher start-up costs related to the launch of new products and facilities.

The Industrial segment's revenues decreased $52 million (13%) and income equaled last year's level, both reflecting the divestiture of the Homelite division in August 1994. Excluding the impact of Homelite, revenues increased 9% and income increased 19%, primarily due to higher sales in the fasteners and contractor tool businesses.

The Systems and Components segment's revenues decreased $163 million (38%), while income increased $9 million (64%). The decrease in revenues was due primarily to the divestiture of the Textron Lycoming Turbine Engine division in October 1994 and to reduced shipments on certain U.S. Government contracts and commercial aerospace contracts at other divisions. Income for 1994 reflected charges related to certain valuation adjustments at the Textron Lycoming Turbine Engine division.

The Finance segment's revenues increased $81 million (20%), while income increased $5 million (6%). AFS' revenues increased, due primarily to (a) a higher level of finance receivables outstanding, (b) an increase in earned insurance premiums, and (c) an increase in investment income, due to improving yields and a higher level of invested assets, partially offset by a decline in yields on finance receivables, reflecting an increase in lower yielding retail installment contracts. Its income increased due to those factors, partially offset by an increase in the average cost of borrowed funds. Revenues at TFC increased, due to a higher level of finance receivables outstanding and higher yields on finance receivables, reflecting the higher interest rate environment, partially offset by lower fee income. Its income equaled last year's level as the benefit of the higher revenues was offset by an increase in the average cost of borrowed funds.

Paul Revere's revenues increased $29 million (9%), due to continued premium growth in its individual disability insurance and group insurance lines of business and higher net investment income, partially offset by lower realized investment gains. Its income decreased $10 million (27%), primarily as a result of a higher individual disability insurance benefit ratio and lower realized investment gains ($3 million in 1995 vs. $11 million in 1994), partially offset by a lower benefit ratio in the group disability insurance line of business, increased premium volume, and improved expense ratios across all lines of business. The higher benefit ratio in the individual disability insurance business was the result of adverse claims experience from the block of policies issued between 1985 and 1989, especially in Florida and California. In addition, business issued to physicians has performed below expectations. The benefit ratio in the second quarter of 1995 was 87.2%, up from 81.2% in the second quarter of 1994, although it improved from 89.4% in the first quarter of 1995. Paul Revere continued its program to improve operating results through new products, pricing and underwriting adjustments, and continued emphasis on claims management. Paul Revere continues to expect a gradual improvement in the individual disability insurance benefit ratio throughout 1995.

Corporate expenses and other - net for the three months ended July 1, 1995 were higher than the corresponding level in 1994, as a result of (a) increased compensation expense resulting from appreciation in the market value of Textron's common stock and (b) foreign exchange losses in 1995 compared to foreign exchange gains in 1994. Lower interest expense of the Textron Parent Company Borrowing Group reflected a lower level of average borrowing, partially offset by an increased average cost of borrowing. The quarter's results reflected a slightly higher effective income tax rate than the corresponding prior year rate.

Results of Operations - Six months ended July 1, 1995 vs. Six months ended July 2, 1994

Earnings per share for the first half of 1995 were $2.65, up 14% from the $2.32 reported for the corresponding period in 1994, reflecting higher net income and a decreased number of average shares outstanding. Net income in 1995 was $230 million, up from $210 million for 1994. Revenues were unchanged at $4.9 billion, reflecting the impact of divestitures in 1994. Excluding the revenues of these divested businesses, revenues in the first half increased 8% over 1994.

The Aircraft segment's revenues and income increased $137 million (13%) and $30 million (40%), respectively, due to improvements at both Bell Helicopter and Cessna Aircraft. Bell Helicopter's revenues increased primarily as a result of higher revenues under the V-22 engineering and manufacturing development contract and higher international aircraft and commercial spare parts sales, partially offset by lower foreign military aircraft sales. Bell's income increased as a result of the higher revenues, partially offset by increased product development expenses related to new helicopter models. Cessna's income increased due to higher revenues and an improved operating margin. Its higher product development expenses, principally related to two new Citation aircraft models, were essentially offset by lower bid and proposal expenses for the JPATS competition for a new U.S. military trainer.

The Automotive segment's revenues increased $11 million (1%), while income decreased $5 million (6%), due to higher start-up costs related to the launch of new products and facilities.

The Industrial segment's revenues decreased $37 million (5%), while income increased $8 million (11%). Excluding the impact of the 1994 divestiture of the Homelite division, revenues and income increased 20% and 28%, respectively, as a result of higher fasteners sales (including Avdel's results for six months in 1995 compared with three months in 1994) and increased contractor tool sales.

The Systems and Components segment's revenues decreased $369 million (42%), while income increased $16 million (62%). The decrease in revenues was due to the divestiture of the Textron Lycoming Turbine Engine division in October 1994 and to reduced shipments on certain U.S. Government contracts and commercial aerospace contracts at other divisions. Income for 1994 reflected provisions for the consolidation of certain manufacturing operations and legal matters and charges related to certain valuation adjustments at the Textron Lycoming Turbine Engine division.

The Finance segment's revenues increased $156 million (19%), while income increased $15 million (9%). AFS' revenues increased, due primarily to (a) a higher level of finance receivables outstanding, (b) an increase in earned insurance premiums, and (c) an increase in investment income, due to improving yields and a higher level of invested assets, partially offset by (d) a decline in yields on finance receivables, reflecting an increase in lower yielding retail installment contracts. Its income increased due to those factors and to a decrease in insurance losses in both finance-related and nonfinance-related insurance operations, partially offset by (a) an increase in the average cost of borrowed funds and (b) an increase in contingent insurance commissions in the nonfinance-related insurance lines, due primarily to improved loss experience. Revenues at TFC increased, due to a higher level of finance receivables outstanding and higher yields on finance receivables, reflecting the higher interest rate environment, partially offset by higher leveraged lease income in 1994 and lower fee income in 1995. Its income increased due to those factors and a decrease in loan loss provisions, reflecting an improvement in equipment portfolios and a stabilization of nonperforming real estate loans, partially offset by an increase in the average cost of borrowed funds.

Paul Revere's revenues increased $67 million (10%), due to continued premium growth in its individual disability insurance and group insurance lines of business and higher net investment income, partially offset by lower realized investment gains. Its income decreased $24 million (30%), primarily as a result of a higher individual disability insurance benefit ratio and lower realized investment gains ($10 million in 1995 vs. $16 million in 1994), partially offset by a lower benefit ratio in the group disability insurance line of business, increased premium volume, and improved expense ratios across all lines of business. The higher benefit ratio (88.3% vs. 78.4%) in the individual disability insurance business was the result of adverse claims experience from the block of policies issued between 1985 and 1989, especially in Florida and California. In addition, business issued to physicians has performed below expectations.

Corporate expenses and other - net for the first half of 1995 were higher than the corresponding level in 1994, as a result of (a) increased compensation expense resulting from appreciation in the market value of Textron's common stock and (b) foreign exchange losses in 1995 compared to foreign exchange gains in 1994. Lower interest expense of the Textron Parent Company Borrowing Group reflected a lower level of average borrowing, partially offset by an increased average cost of borrowing. The first half results reflected a slightly higher effective income tax rate than the corresponding prior year rate.

PART II. OTHER INFORMATION

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At Textron's annual meeting of shareholders held on April 26, 1995, the following items were voted upon:

1. The following persons were elected to serve as directors in Class II for three year terms expiring in 1998 and received the votes listed. There were no abstentions or broker non-votes applicable to the election of directors:

Name	For	Withheld
James F. Hardymon	76,744,461	849,156
Barbara Scott Preiskel	76,611,423	982,194
Thomas B. Wheeler	76,769,261	824,356

The following directors have terms of office which continued after the meeting: H. Jesse Arnelle, Lewis B. Campbell, R. Stuart Dickson, B. F. Dolan, John D. Macomber, Sam F. Segnar, Jean Head Sisco, John W. Snow and Martin D. Walker.

2. The appointment of Ernst & Young LLP as Textron's independent auditors for 1995 was ratified by the following vote:

For Against Abstain Broker Non-Votes

76,798,049 446,795 348,773 0

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

12.1Computation of ratio of income to fixed charges of the Textron Parent Company Borrowing Group.

12.2Computation of ratio of income to fixed charges of Textron Inc. including all majority-owned subsidiaries.

27 Financial Data Schedule

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the second quarter ended July 1, 1995.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TEXTRON INC.

Date: August 11, 1995 s/W. P. Janovitz

LIST OF EXHIBITS

The following exhibits are filed as part of this report on Form 10-Q:

Name of Exhibit

12.1 Computation of ratio of income to fixed charges of the Textron Parent Company Borrowing Group

12.2 Computation of ratio of income to fixed charges of Textron Inc. including all majority-owned subsidiaries

27 Financial Data Schedule

EXHIBIT 12.1

TEXTRON PARENT COMPANY BORROWING GROUP

COMPUTATION OF RATIO OF INCOME TO FIXED CHARGES

(unaudited)

(In millions except ratio)

	Six Months Ended July 1, 1995
Fixed charges:	
Interest expense (1)	$102
Estimated interest portion of rents	10
Total fixed charges	$112
Income:	
Income before income taxes	$390
Fixed charges	112
Eliminate equity in undistributed pretax income of finance and insurance subsidiaries	(169)
Adjusted income	$333

Ratio of income to fixed charges 2.97

(1) Includes interest unrelated to borrowings of $19 million (primarily interest accretion).

EXHIBIT 12.2

TEXTRON INC. INCLUDING ALL MAJORITY-OWNED SUBSIDIARIES

COMPUTATION OF RATIO OF INCOME TO FIXED CHARGES

(unaudited)

(In millions except ratio)

	Six Months Ended July 1, 1995
Fixed charges:	
Interest expense (1)	$411
Estimated interest portion of rents	21
Total fixed charges	$432
Income:	
Income before income taxes	$390
Elimination of minority interest in pretax income of Paul Revere	(9)
Fixed charges	432
Adjusted income	$813

Ratio of income to fixed charges 1.88

(1) Includes interest unrelated to borrowings of $19 million (primarily interest accretion).

ARTICLE 5

This schedule contains summary financial information extracted from Textron Inc.'s Consolidated Balance sheet as of July 1, 1995 and Consolidated Statement of Income for the six months ended July 1, 1995 and is qualified in its entirety by reference to such financial statements.

PERIOD TYPE	6 MOS
FISCAL YEAR END	DEC 30 1995
PERIOD END	JUL 1 1995
CASH	120
SECURITIES	0
RECEIVABLES	10,454
ALLOWANCES	261
INVENTORY	1,259
CURRENT ASSETS	0
PP&E	2,879
DEPRECIATION	1,598
TOTAL ASSETS	22,330
CURRENT LIABILITIES	0
BONDS	10,249
COMMON	12
PREFERRED MANDATORY	0
PREFERRED	15
OTHER SE	3,069
TOTAL LIABILITY AND EQUITY	22,330
SALES	3,205
TOTAL REVENUES	4,889
CGS	2,629
TOTAL COSTS	3,257
OTHER EXPENSES	0
LOSS PROVISION	78
INTEREST EXPENSE	411
INCOME PRETAX	390
INCOME TAX	154
INCOME CONTINUING	230
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	230
EPS PRIMARY	2.65
EPS DILUTED	2.65

End of Filing